

43:13-22.59b & 43:13-22.59c et al.
LEGISLATIVE HISTORY CHECKLIST

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LAWS OF: 2013 **CHAPTER:** 282

NJSA: 43:13-22.59b & 43:13-22.59c et al.
(Changes certain eligibility and benefit provisions of Employees' Retirement System of Jersey City)

BILL NO: A4536 (Substituted for S3096)

SPONSOR(S) Prieto and others

DATE INTRODUCED: December 12, 2013

COMMITTEE: **ASSEMBLY:** Budget
SENATE: Budget and Appropriations

AMENDED DURING PASSAGE: Yes

DATE OF PASSAGE: **ASSEMBLY:** January 13, 2014
SENATE: January 13, 2014

DATE OF APPROVAL: January 17, 2014

FOLLOWING ARE ATTACHED IF AVAILABLE:

FINAL TEXT OF BILL (First Reprint enacted) Yes

A4536

SPONSOR'S STATEMENT: (Begins on page 12 of introduced bill) Yes

COMMITTEE STATEMENT: **ASSEMBLY:** Yes
SENATE: Yes

(Audio archived recordings of the committee meetings, corresponding to the date of the committee statement, *may possibly* be found at www.njleg.state.nj.us)

FLOOR AMENDMENT STATEMENT: No

LEGISLATIVE FISCAL ESTIMATE: Yes

S3096

SPONSOR'S STATEMENT: (Begins on page 12 of introduced bill) Yes

COMMITTEE STATEMENT: **ASSEMBLY:** No
SENATE: Yes

FLOOR AMENDMENT STATEMENT: No

LEGISLATIVE FISCAL ESTIMATE: Yes

(continued)

VETO MESSAGE: No

GOVERNOR'S PRESS RELEASE ON SIGNING: No

FOLLOWING WERE PRINTED:

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REPORTS: No

HEARINGS: No

NEWSPAPER ARTICLES: Yes

"Christie vetoes Moriarity bill, drone measure," The Philadelphia Inquirer, 1-23-14

"Christie signs Jersey City pension bill," Associated Press State Wire: New Jersey, 1-22-14

"Christie approves 100 bills," The Record, 1-22-14

"Bill to overhaul Jersey City pension passes," Associated Press State Wire: New Jersey, 1-14-14

"Sweeney, Fulop agree on Jersey City pension bill," Star-Ledger, 1-11-14

"Sweeney: Willing to put feud aside, but state says pension bill differs," Jersey Journal, 1-9-14

"Fulop blasts Sweeney over pension bill," Star-Ledger, 1-7-14

"Jersey City being punished, mayor says," Herald News, 1-7-14

LAW/RWH

P.L.2013, CHAPTER 282, *approved January 17, 2014*
Assembly, No. 4536 (*First Reprint*)

1 AN ACT concerning the benefits of members of the Employees'
2 Retirement System of Jersey City, and amending and
3 supplementing various parts of the statutory law.

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

7
8 1. Section 1 of P.L.1964, c.275 (C.43:13-22.50) is amended to
9 read as follows:

10 1. As used in this act:

11 (a) (1) "Final salary" when used solely for the purpose of fixing
12 benefits under this act, shall mean the average annual salary or
13 compensation earned by a member as an employee for the three
14 years immediately preceding the member's death or retirement, or it
15 shall mean the average annual salary or compensation earned by a
16 member as an employee for any three fiscal years of membership
17 providing the largest possible benefit to the member or the
18 member's beneficiary; provided, however, that as to any member
19 employed by the city prior to January 12, 1965, the annual salary
20 received by such member as a regular employee at the time of death
21 or retirement shall be considered "final salary" for pension or other
22 purposes under this act, unless otherwise specified herein.

23 (2) In the case of a person who becomes a member of the
24 retirement system on or after the effective date of P.L. _____,
25 c. (pending before the Legislature as this bill), "final
26 compensation" shall mean the average annual salary or
27 compensation earned by a member as an employee for the five years
28 immediately preceding the member's retirement or death, or it shall
29 mean the average annual salary or compensation earned by a
30 member as an employee for any five fiscal years of membership
31 providing the largest possible benefit to the member or the
32 member's beneficiary.

33 (b) "Pension fund" or "fund" shall mean the fund referred to in
34 section 10 of this act and is the fund from which pensions and other
35 benefits provided for in this act shall be paid.

36 (c) "State" shall, unless otherwise stated, mean the State of New
37 Jersey.

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.

Matter enclosed in superscript numerals has been adopted as follows:

¹Senate SBA committee amendments adopted January 13, 2014.

1 (d) "City", unless otherwise specified, shall mean any city of the
2 first class of the State having a population of less than 300,000
3 inhabitants.

4 (e) "City employee" or "employee" shall mean and include any
5 full-time regular employee of a city, as herein defined, or an elected
6 or appointed official thereof. "City employee" or "employee" shall
7 not include a member of the fire or police department or an
8 employee of the board of education nor a transient or seasonal
9 employee, worker or laborer, but shall include a temporary
10 employee with at least one year's continuous service. In all cases of
11 doubt as to whether a person may be included within the meaning of
12 employee the decisions of the pension commission shall be final.

13 (f) "Member" shall mean any employee included in the
14 membership of the retirement system of the city as provided in
15 section 3 of this act.

16 (g) "Widow" or "widower" shall mean the surviving unremarried
17 spouse of a member married to such member prior to the retirement
18 or death of such member, and said marriage having occurred at least
19 five years prior to the member's death or retirement, whichever is
20 earlier.

21 (h) "Dependent parent" shall mean a dependent parent or parents
22 who is or are solely dependent as determined by the commission for
23 support upon the member. The dependency of such a parent will be
24 considered terminated by marriage of the parent subsequent to the
25 death of the member.

26 (i) "Commission" shall mean pension commission as constituted
27 under section 13 of this act, and shall be known as the "Pension
28 Commission of the Employees' Retirement System of (name of
29 city)."

30 (j) "Retirement system" or "system" shall mean Employees'
31 Retirement System of (name of city) which shall be the name of the
32 retirement system provided under this act. By that name all of its
33 business shall be transacted, its funds invested, warrants for money
34 claims and payments made, and all of its cash and securities and
35 other property held.

36 (k) "Child" shall mean a deceased member's unmarried child
37 under the age of 18.

38 (cf: P.L.1990, c.20, s.1)

39

40 2. Section 3 of P.L.1964, c.275 (C.43:13-22.52) is amended to
41 read as follows:

42 3. The members and conditions of membership in the
43 retirement system created by this act shall be as follows:

44 (a) Any person who shall become an employee of the city after
45 the effective date of **[this act]** P.L.1964, c.275 (C.43:13-22.50 et
46 seq.) and prior to his attainment of the age of 40 years, shall
47 become a member of the retirement system, as a condition of his
48 employment, unless the person is a member of the Public

1 Employees' Retirement System, pursuant to P.L.1954, c.84
2 (C.43:15A-1 et seq.), in which that person shall remain enrolled;
3 provided that he shall submit to and pass the physical and mental
4 examinations required by the commission and shall provide such
5 evidence of good health, at said time, as the commission shall
6 require.

7 (b) Upon written application made to the commission within 6
8 months after the effective date of this act, any employee of the city
9 who became such on or before said date and prior to his attainment
10 of the age of 40 years who is not a member of the pension fund in
11 effect in said city under and by virtue of article 2, chapter 13, Title
12 43 of the Revised Statutes, shall be entitled to become a member of
13 the retirement system. Such member shall receive credit for all of
14 his prior service in the employ of said city provided that payments
15 are made by such member in an amount or amounts calculated in
16 accordance with the rules of the commission as may be necessary
17 to provide the entire actuarial cost of such prior service credit. In
18 the event that such member retires before he completes the
19 payment for all of his prior service credit, credit for such service
20 shall be given in direct proportion as the amount paid bears to the
21 total amount of the obligation.

22 (c) Any employee who on the effective date of this act is a
23 member of the pension fund in effect in said city under and by
24 virtue of article 2, chapter 13, Title 43 of the Revised Statutes,
25 shall, upon such date, automatically become a member of the
26 retirement system, and any such employee shall be deemed to agree
27 and consent to such transfer of his membership.

28 (d) Upon written application made to the commission within 6
29 months after the effective date of this act, any employee of the city
30 as of such date, with or without veteran's status, who has not
31 attained the age of 60 years and who has 20 or more years of prior
32 service credit in the Public Employees' Retirement System of the
33 State of New Jersey or in the Teachers' Pension and Annuity Fund
34 of the State of New Jersey, or who has less than 20 years of such
35 prior service credit and whose present age reduced by the total years
36 of such prior service credit is less than 40 years, who shall become
37 a member of the retirement system may transfer such prior service
38 credit to the retirement system. Such transfer shall become
39 effective upon the remittance to the retirement system by the said
40 State pension systems of all accumulated member's contributions,
41 with interest, standing to the credit of the member and of that
42 portion of the actuarial reserve accumulated on his account
43 provided for by contributions of the city.

44 (e) Upon written application made to the commission within 6
45 months after the effective date of this act, any permanent employee
46 of the city who became such on or before February 22, 1965 and
47 prior to his attainment of age 50 but on or after his attainment of
48 age 40, who was not a member of the pension fund in effect in said

1 city under and by virtue of article 2, chapter 13, Title 43 of the
2 Revised Statutes, shall be entitled to become a member of the
3 retirement system. Such member shall receive credit for all or any
4 part of his prior service, as he may elect, in the employ of said city
5 provided that payments are made by such member in an amount or
6 amounts as may be necessary to provide the entire actuarial cost of
7 such prior service credit.

8 (f) The failure of any member to comply with the rules and
9 regulations prescribed by the commission, pursuant to this act, shall
10 result in the suspension or termination of membership in, or
11 benefits of, this retirement system as may be provided from time to
12 time by the commission.

13 (cf: P.L.1966, c.158, s.2)

14

15 3. Section 4 of P.L.1964, c.275 (C.43:13-22.53) is amended to
16 read as follows:

17 4. (a) Any member who shall have established 20 or more
18 years of creditable service in the retirement system and who shall
19 have attained the age of 60 years shall, upon application by that
20 member to the commission, be retired on a pension equal to 55% of
21 final salary, plus 1% of such salary for each year of creditable
22 service in excess of 20 years, if the member has more than 20 years
23 of creditable service at retirement.

24 In no event shall the amount of any pension payable pursuant to
25 the provisions of this subsection be less than \$3,600 per annum.

26 (b) (Deleted by amendment, P.L.1990, c.20)

27 (c) Any member who upon attainment of 60 or more years of
28 age shall have established less than 20 years of creditable service in
29 the retirement system may retire on a pension equal to 2% of final
30 salary for each year of creditable service. In no event shall the
31 amount of any pension payable pursuant to the provisions of this
32 subsection be less than \$3,600 per annum.

33 (d) A person who becomes a member of the retirement system
34 on or after the effective date of P.L. , c. (pending before the
35 Legislature as this bill), who shall have established 25 or more
36 years of creditable service in the retirement system and who shall
37 have attained the age of 65 years shall, upon application by that
38 member to the commission, be retired on a pension equal to 55% of
39 final salary, plus 1% of such salary for each year of creditable
40 service in excess of 25 years, if the member has more than 25 years
41 of creditable service at retirement. In no event shall the amount of
42 any pension payable pursuant to the provisions of this subsection be
43 less than \$3,600 per annum.

44 (cf: P.L.1996, c.101, s.1)

45

46 4. Section 1 of P.L.1967, c.222 (C.43:13-22.54a) is amended to
47 read as follows:

1 1. (a) A member who resigns after having completed 25 years
2 of service for which credit has been established in the pension fund
3 and before reaching age 60 may elect to receive, in lieu of the
4 payment provided in section 4 of P.L.1964, c.275 (C.43:13-22.53),
5 or the benefit provided by subsection (b) of this section, a pension
6 in the amount of 55% of final salary, plus 1% for each year of
7 service in excess of 20 years; provided, however, that such pension
8 shall be reduced by 1/12 of 1% for each month that the member
9 lacks of being age 60; but if the member waits until age 60 to start
10 collecting benefits, there shall be no reduction in benefits, and in no
11 event shall the amount of any pension payable pursuant to the
12 provisions of this subsection be less than \$3,600 per annum.

13 Upon and after the death of such pensioner, the benefits provided
14 by section 7 of P.L.1964, c.275 (C.43:13-22.56) shall be payable to
15 any eligible survivors.

16 (b) A member who, after having completed 10 years of service
17 for which credit has been established in the pension fund, becomes
18 separated voluntarily or involuntarily from the service before
19 reaching age 60 may elect to receive, in lieu of the benefit provided
20 by subsection (a) of this section, a deferred pension beginning at
21 age 60, in an amount equal to the proportional relation which the
22 years of the member's service credited in the fund bear to the total
23 number of years of service that the member could have achieved by
24 continuing in service to age 60, multiplied by 1/2 of the member's
25 final salary calculated as of the time that the member elected the
26 deferred pension; but in no event shall the amount of any deferred
27 pension payable pursuant to the provisions of this subsection be less
28 than \$3,600 per annum.

29 Upon and after the death of such pensioner, the benefits provided
30 by section 7 of P.L.1964, c.275 (C.43:13-22.56) shall be payable to
31 any eligible survivors.

32 (c) A person who becomes a member of the retirement system
33 on or after the effective date of P.L. , c. (pending before the
34 Legislature as this bill) and who resigns after having completed 30
35 years of service for which credit has been established in the pension
36 fund and before reaching age 65 may elect to receive, in lieu of the
37 payment provided in section 4 of P.L.1964, c.275 (C.43:13-22.53),
38 or the benefit provided by subsection (d) of this section, a pension
39 in the amount of 55% of final salary, plus 1% for each year of
40 service in excess of 25 years; provided, however, that such pension
41 shall be reduced by 3/12 of 1% for each month that the member
42 lacks of being age 65; but if the member waits until age 65 to start
43 collecting benefits, there shall be no reduction in benefits, and in no
44 event shall the amount of any pension payable pursuant to the
45 provisions of this subsection be less than \$3,600 per annum.

46 Upon and after the death of such pensioner, the benefits provided
47 by section 7 of P.L.1964, c.275 (C.43:13-22.56) shall be payable to
48 any eligible survivors.

1 (d) A person who becomes a member of the retirement system
2 on or after the effective date of P.L. , c. (pending before the
3 Legislature as this bill) and who, after having completed 10 years of
4 service for which credit has been established in the pension fund,
5 becomes separated voluntarily or involuntarily from service before
6 reaching age 65 may elect to receive, in lieu of benefit provided by
7 subsection (c) of this section, a deferred pension beginning at age
8 65, in an amount equal to the proportional relation which the years
9 of the member's service credited in the fund bear to the total
10 number of years of service that the member could have achieved by
11 continuing in service to age 65, multiplied by 1/2 of the member's
12 final salary calculated as of the time that the member elected the
13 deferred pension; but in no event shall the amount of any deferred
14 pension payable pursuant to the provisions of this subsection be less
15 than \$3,600 per annum.

16 Upon and after the death of such pensioner, the benefits provided
17 by section 7 of P.L.1964, c.275 (C.43:13-22.56) shall be payable to
18 any eligible survivors.

19 (cf: P.L.2005, c.247, s.1)

20

21 5. Section 3 of P.L.1984, c.117 (C.43:13-22.54d) is amended to
22 read as follows:

23 3. The pension commission shall promulgate rules and
24 regulations which it shall deem necessary for the effective operation
25 of **【this act】** P.L.1964, c.275 (C.43:13-22.50 et seq.), any act that is
26 a supplement thereto and section 6 of P.L. , c. (pending before
27 the Legislature as this bill), and for compliance with the provisions
28 of the federal Internal Revenue Code of 1986, as amended,
29 regulations of the United States Treasury Department, and other
30 directives or guidance of the federal Internal Revenue Service.

31 (cf: P.L.1984, c.117, s.3)

32

33 6. Section 7 of P.L.1964, c.275 (C.43:13-22.56) is amended to
34 read as follows:

35 7. Death benefits.

36 (a) Upon the death of a member in service who shall have paid
37 into the fund the full amount of contributions due and who shall die
38 as a result of injuries or illness received or incurred in the
39 performance of that member's regular or assigned duties or who
40 shall have served in the employ of the city for 20 or more years, a
41 pension of 50% of the member's final salary shall be paid to the
42 surviving widow, so long as she remains unmarried, or surviving
43 widower, so long as he remains unmarried; if there is no surviving
44 widow or widower or in case the widow or widower dies or
45 remarries, a pension of 20% of such final salary shall be paid to one
46 surviving child, 35% of such final salary shall be paid to two
47 surviving children in equal shares, and if there be three or more
48 children, 50% of such final salary shall be paid to such children in

1 equal shares; and if there is no surviving widow, widower or child,
2 a pension of 25% of such final salary shall be paid to one surviving
3 dependent parent or a pension of 40% of such final salary shall be
4 paid to two surviving dependent parents in equal shares.

5 (b) Upon the death of a member in service who shall have paid
6 into the fund the full amount of contributions due and who shall die
7 for causes other than injuries or illness received or incurred in the
8 performance of that member's regular or assigned duties and who
9 shall have served in the employ of the city for five or more years
10 but less than 20 years, a pension in an amount equal to 50% of the
11 member's final salary shall be paid to the surviving widow, so long
12 as she remains unmarried, or surviving widower, so long as he
13 remains unmarried; if there is no surviving widow or widower or in
14 case the widow or widower dies or remarries, a pension of 20% of
15 such final salary shall be paid to one surviving child, 35% of such
16 final salary shall be paid to two surviving children in equal shares,
17 and if there be three or more children, 50% of such final salary
18 shall be paid to such children in equal shares; and if there is no
19 surviving widow, widower or child, a pension of 25% of such final
20 salary shall be paid to one surviving dependent parent or a pension
21 of 40% of such final salary shall be paid to two surviving dependent
22 parents in equal shares.

23 (c) Upon the death of a pensioner from the retirement system
24 who has retired for age and service under the provisions of section 4
25 of P.L.1964, c.275 (C.43:13-22.53), or who has retired under the
26 provisions of **【either subsection】** subsections (a), 【or subsection】
27 (b), (c) or (d) of section 1 of P.L.1967, c.222 (C.43:13-22.54a), or
28 who has retired because of a disability under the provisions of
29 section 6 of P.L.1964, c.275 (C.43:13-22.55), a pension equal to
30 50% of the amount of the pension, including any adjustment thereto
31 under sections 7 through 13 of P.L.1990, c.20 (C.43:13-22.69 to
32 43:13-22.75), payable to the decedent at the time of death shall be
33 paid to the surviving widow, so long as she remains unmarried, or
34 surviving widower, so long as he remains unmarried; if there is no
35 surviving widow or widower or in case the widow or widower dies
36 or remarries, such pension shall be paid to one surviving child or to
37 two or more surviving children in equal shares; and if there is no
38 surviving widow, widower or child, such pension shall be paid to
39 one surviving dependent parent of the retirant or to both surviving
40 dependent parents in equal shares.

41 (d) (1) In the event a pension shall be payable as a result of the
42 death of a member in service and there are no eligible survivors at
43 the time of such member's death, an amount equal to such member's
44 contributions to the fund, without interest, shall be paid to the
45 member's estate. If, after the payment of all pension and
46 survivorship benefits payable by the retirement system to any
47 eligible survivors of a deceased member or retirant, the total
48 amount of those benefits, including adjustments under sections 7

1 through 13 of P.L.1990, c.20 (C.43:13-22.69 to 43:13-22.75),
2 together with the total amount of any retirement allowance or
3 pension benefits, including adjustments, which shall have been paid
4 to the decedent during retirement, is less than the amount of the
5 decedent's contributions during membership in the retirement
6 system, the amount of the difference, without interest, shall be
7 payable to the deceased member or retirant's estate.

8 (2) If at the time of the death of a member in service the sole
9 eligible survivors of such member are minor children and the total
10 of the aggregate payments on account of such children shall be an
11 amount which is less than such member's contributions to the fund,
12 without interest, the balance of such amount shall be payable to the
13 guardian of such minor children.

14 (cf: P.L.1996, c.101, s.3)

15

16 7. (New section) A member may file a detailed statement of
17 public employment with a public employer in this State which was
18 eligible for credit in a State-administered retirement system, or of
19 military service in the Armed Forces of the United States, rendered
20 prior to becoming a member, for which the member desires credit,
21 and of such other facts as the retirement system may require. The
22 member may purchase credit for all or a portion of the service
23 evidenced in the statement up to the nearest number of years and
24 months, but not exceeding three years. No application shall be
25 accepted for the purchase of credit for the service if, at the time of
26 application, the member has a vested right to retirement benefits in
27 another retirement system based in whole or in part upon that
28 service. A member who applies to purchase credit for such service
29 shall pay the full cost attributable to the increased benefits to be
30 derived from the purchased credit in accordance with the actuarial
31 method used to determine the cost at the time of the purchase. The
32 purchase may be made in a lump sum or in regular installments,
33 equal to at least 1/2 of the full normal contribution to the retirement
34 system, over a maximum period of 10 years. A member shall not be
35 liable for any costs associated with the financing of pension
36 adjustment benefits and health care benefits for retirees when
37 purchasing credit.

38 Any member electing to make a purchase pursuant to this section
39 who retires prior to completing payments as agreed with the
40 retirement system will receive pro rata credit for the purchase prior
41 to the date of retirement, but if the member so elects at the time of
42 retirement, the member may make the additional lump sum payment
43 required at that time to provide full credit.

44

45 8. Section 1 of P.L.1987, c.171 (C.43:13-22.67) is amended to
46 read as follows:

47 1. Any member who has at least three years of service credit for
48 which contributions have been made as a member may borrow from

1 the retirement system an amount equal to not more than 50% of the
2 amount of the member's aggregate contributions, but not less than
3 \$1,000.00【; provided that the amount borrowed, together with
4 interest, can be repaid by additional deductions from salary which
5 do not exceed 25% of the member's salary at the time the loan is
6 made】. Any loan from the retirement system must satisfy the
7 requirements of the federal Internal Revenue Code of 1986, as
8 amended, regulations of the United States Treasury Department,
9 and other directives or guidance of the federal Internal Revenue
10 Service. At the time a loan is made, a loan amount shall not result
11 in the projected required loan payments, including interest
12 contained in the payment, for the following calendar year exceeding
13 25% of the member's annual salary at the time the loan is made. If
14 a member's salary is uncertain at that time, the commission shall
15 use a reasonable estimate of the member's expected salary to
16 impose this 25% limitation. The amount so borrowed, together with
17 interest at a rate fixed by the commission on any unpaid balance,
18 shall be repaid to the retirement system in equal installments by
19 deduction from salary or in another manner and in amounts which
20 the commission shall approve; but the installments shall be at least
21 equal to the member's contribution to the retirement system and at
22 least sufficient to repay the amount borrowed with interest at the
23 conclusion of a term fixed by the commission 【or by the time the
24 member attains age 70】. No more than two loans may be made to
25 any member in any 12-month period. The retirement system shall
26 make no loan to a member after the member has terminated
27 employment with the city.

28 Interest charged for loans to members shall be fixed annually by
29 the commission to take effect January 1 of each calendar year at a
30 rate equal to the average of the daily rates of interest at constant
31 maturity based on daily trades paid by 30-year United States
32 Treasury bonds for the period beginning on the first and ending on
33 the 30th day of the immediately preceding November plus 1%, or
34 10%, whichever is less. The interest earned from loans to members
35 shall be treated in the same manner as interest from investments of
36 the retirement system.

37 (cf: P.L.2003, c.167, s.1)

38

39 9. Section 2 of P.L.1987, c.171 (C.43:13-22.68) is amended to
40 read as follows:

41 2. a. Notwithstanding any other law affecting the salary or
42 compensation of a borrowing member to the contrary, including any
43 law restricting the amount or level of deductions from an
44 employee's salary or compensation, the additional deductions
45 required to repay the loan shall be made as necessary to comply
46 with the requirements governing loans from the retirement system
47 pursuant to section 1 of P.L.1987, c.171 (C.43:13-22.67). 【Any
48 unpaid loan balance at the time any benefit may become payable

1 before the attainment of age 70 shall be deducted from the benefit
2 otherwise payable. If any member retires without repaying the full
3 amount borrowed, the commission shall retain the retirement
4 benefit payments of the member, excluding authorized deductions,
5 as repayment of the loan until the aggregate amount of retirement
6 benefit payments is equal to the outstanding balance of the loan
7 together with interest, at which time retirement benefit payments
8 shall be paid to the member.】

9 b. If a member employed by the city fails to make timely
10 payments on the member's outstanding loan, the retirement system
11 shall offset, to the extent possible, a member's benefit for the
12 unpaid loan balance, including interest accrued, and shall report the
13 unpaid loan balance as taxable income to the member pursuant to
14 the federal Internal Revenue Code of 1986, as amended.

15 c. If a member terminates employment with the city without
16 commencing the receipt of a benefit under the retirement system,
17 any unpaid loan balance, including interest accrued, shall become
18 immediately due and payable. If the unpaid loan balance is not
19 repaid by the time set by the commission, the member's remaining
20 benefit in the retirement system shall be reduced by the unpaid loan
21 balance, including interest accrued, at the time of the reduction.
22 The unpaid loan balance and accrued interest shall be reported to
23 the federal Internal Revenue Service as income pursuant to the
24 federal Internal Revenue Code of 1986, as amended.

25 d. If a member terminates employment with the city and
26 commences the receipt of a benefit under the retirement system, the
27 unpaid loan balance, including interest accrued, shall be deducted
28 from the benefit otherwise payable. Such deduction shall be
29 applied as follows:

30 (1) If a member elects to receive a single-sum payment of the
31 member's benefit, the amount paid to the member shall be reduced
32 by the unpaid loan balance, including interest accrued.

33 (2) If a member elects to receive the member's benefits as an
34 annuity, loan payments, including interest, shall be deducted from
35 the benefit payments.

36 e. The retirement system shall administer the provisions of
37 subsections b., c. and d. of this section in compliance with the
38 requirements of the federal Internal Revenue Code of 1986, as
39 amended.

40 f. If a [retired] member or retiree dies before the outstanding
41 balance of the loan and interest has been repaid, the remaining
42 balance shall be repaid from the proceeds of any other benefits
43 payable on the account of the member or retiree, such as monthly
44 payments to the member's beneficiaries or lump sum payments for
45 pension or group life insurance.

46 (cf: P.L.1987, c.171, s.2)

1 10. Section 11 of P.L.1990, c.20 (C.43:13-22.73) is amended to
2 read as follows:

3 11. On or before October 1, 1996 and by the same date in each
4 subsequent year, the Director of the Division of Pensions and
5 Benefits of the Department of the Treasury shall review the index
6 and determine the percentum of change in the index from the
7 retirement year index pursuant to the provisions of the "Pension
8 Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et seq.). The
9 percentage of adjustment in the retirement allowances, pensions and
10 survivorship benefits shall **equal** be one-half of the percentum of
11 change in the index. Any adjustment so calculated shall apply to all
12 of the months of the following calendar year for eligible retirants
13 and beneficiaries, except that for those qualifying for the first time,
14 it shall apply only to those months of the following calendar year in
15 which the retirant or beneficiary is eligible to receive the
16 adjustment.

17 On the basis of information certified to the director by the
18 retirement system concerning the amounts of all retirement
19 allowances, pensions and survivorship benefits of eligible retirants
20 and beneficiaries which are subject to adjustment under sections 7
21 through 13 of P.L.1990, c.20 (C.43:13-22.69 through 22.75), and
22 any other relevant matters as the director may require, the director
23 shall certify to the retirement system the amounts required to fund
24 the benefits provided under those sections for the applicable year.
25 The director shall include in that certification amounts sufficient to
26 adjust the retirement allowances, pensions or survivorship benefits
27 payable to all eligible retirants and beneficiaries by the percentum
28 of change in the index as such retirement allowances or pensions
29 may have been originally granted, or increased for certain retirants
30 and beneficiaries in accordance with the provisions of the "Pension
31 Adjustment Act."

32 In no instance shall the amount of the retirement allowance,
33 pension or survivorship benefit originally granted and payable to
34 any retirant or beneficiary be reduced as a result of this adjustment.
35 (cf: P.L.2003, c.167, s.2)

36

37 ¹11. (New section) At the time it makes its annual normal
38 contribution to the retirement system, the employer shall pay to the
39 retirement system an additional amount equivalent to the cost of the
40 adjustment in retirement allowances or pensions and in survivorship
41 benefits payable to retirants and beneficiaries in the prior year
42 pursuant to sections 7 through 13 of P.L.1990, c.20 (C.43:13-22.69
43 et seq.), except the initial payment shall be equivalent to the cost of
44 the adjustment beginning on the effective date of P.L. _____,
45 c. (pending before the Legislature as this bill).¹

46

47 ¹**[11.] 12.¹** This act shall take effect immediately.

1

2

3 Changes certain eligibility and benefit provisions of Employees'

4 Retirement System of Jersey City.

ASSEMBLY, No. 4536

STATE OF NEW JERSEY 215th LEGISLATURE

INTRODUCED DECEMBER 12, 2013

Sponsored by:

**Assemblyman VINCENT PRIETO
District 32 (Bergen and Hudson)**

SYNOPSIS

Changes certain eligibility and benefit provisions of Employees' Retirement System of Jersey City.

CURRENT VERSION OF TEXT

As introduced.



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2

1 AN ACT concerning the benefits of members of the Employees'
2 Retirement System of Jersey City, and amending and
3 supplementing various parts of the statutory law.

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

7
8 1. Section 1 of P.L.1964, c.275 (C.43:13-22.50) is amended to
9 read as follows:

10 1. As used in this act:

11 (a) (1) "Final salary" when used solely for the purpose of fixing
12 benefits under this act, shall mean the average annual salary or
13 compensation earned by a member as an employee for the three
14 years immediately preceding the member's death or retirement, or it
15 shall mean the average annual salary or compensation earned by a
16 member as an employee for any three fiscal years of membership
17 providing the largest possible benefit to the member or the
18 member's beneficiary; provided, however, that as to any member
19 employed by the city prior to January 12, 1965, the annual salary
20 received by such member as a regular employee at the time of death
21 or retirement shall be considered "final salary" for pension or other
22 purposes under this act, unless otherwise specified herein.

23 (2) In the case of a person who becomes a member of the
24 retirement system on or after the effective date of P.L. _____,
25 c. (pending before the Legislature as this bill), "final
26 compensation" shall mean the average annual salary or
27 compensation earned by a member as an employee for the five years
28 immediately preceding the member's retirement or death, or it shall
29 mean the average annual salary or compensation earned by a
30 member as an employee for any five fiscal years of membership
31 providing the largest possible benefit to the member or the
32 member's beneficiary.

33 (b) "Pension fund" or "fund" shall mean the fund referred to in
34 section 10 of this act and is the fund from which pensions and other
35 benefits provided for in this act shall be paid.

36 (c) "State" shall, unless otherwise stated, mean the State of New
37 Jersey.

38 (d) "City", unless otherwise specified, shall mean any city of the
39 first class of the State having a population of less than 300,000
40 inhabitants.

41 (e) "City employee" or "employee" shall mean and include any
42 full-time regular employee of a city, as herein defined, or an elected
43 or appointed official thereof. "City employee" or "employee" shall
44 not include a member of the fire or police department or an
45 employee of the board of education nor a transient or seasonal

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 employee, worker or laborer, but shall include a temporary
2 employee with at least one year's continuous service. In all cases of
3 doubt as to whether a person may be included within the meaning of
4 employee the decisions of the pension commission shall be final.

5 (f) "Member" shall mean any employee included in the
6 membership of the retirement system of the city as provided in
7 section 3 of this act.

8 (g) "Widow" or "widower" shall mean the surviving unremarried
9 spouse of a member married to such member prior to the retirement
10 or death of such member, and said marriage having occurred at least
11 five years prior to the member's death or retirement, whichever is
12 earlier.

13 (h) "Dependent parent" shall mean a dependent parent or parents
14 who is or are solely dependent as determined by the commission for
15 support upon the member. The dependency of such a parent will be
16 considered terminated by marriage of the parent subsequent to the
17 death of the member.

18 (i) "Commission" shall mean pension commission as constituted
19 under section 13 of this act, and shall be known as the "Pension
20 Commission of the Employees' Retirement System of (name of
21 city)."

22 (j) "Retirement system" or "system" shall mean Employees'
23 Retirement System of (name of city) which shall be the name of the
24 retirement system provided under this act. By that name all of its
25 business shall be transacted, its funds invested, warrants for money
26 claims and payments made, and all of its cash and securities and
27 other property held.

28 (k) "Child" shall mean a deceased member's unmarried child
29 under the age of 18.

30 (cf: P.L.1990, c.20, s.1)

31

32 2. Section 3 of P.L.1964, c.275 (C.43:13-22.52) is amended to
33 read as follows:

34 3. The members and conditions of membership in the
35 retirement system created by this act shall be as follows:

36 (a) Any person who shall become an employee of the city after
37 the effective date of 【this act】 P.L.1964, c.275 (C.43:13-22.50 et
38 seq.) and prior to his attainment of the age of 40 years, shall
39 become a member of the retirement system, as a condition of his
40 employment, unless the person is a member of the Public
41 Employees' Retirement System, pursuant to P.L.1954, c.84
42 (C.43:15A-1 et seq.), in which that person shall remain enrolled;
43 provided that he shall submit to and pass the physical and mental
44 examinations required by the commission and shall provide such
45 evidence of good health, at said time, as the commission shall
46 require.

47 (b) Upon written application made to the commission within 6
48 months after the effective date of this act, any employee of the city

1 who became such on or before said date and prior to his attainment
2 of the age of 40 years who is not a member of the pension fund in
3 effect in said city under and by virtue of article 2, chapter 13, Title
4 43 of the Revised Statutes, shall be entitled to become a member of
5 the retirement system. Such member shall receive credit for all of
6 his prior service in the employ of said city provided that payments
7 are made by such member in an amount or amounts calculated in
8 accordance with the rules of the commission as may be necessary
9 to provide the entire actuarial cost of such prior service credit. In
10 the event that such member retires before he completes the
11 payment for all of his prior service credit, credit for such service
12 shall be given in direct proportion as the amount paid bears to the
13 total amount of the obligation.

14 (c) Any employee who on the effective date of this act is a
15 member of the pension fund in effect in said city under and by
16 virtue of article 2, chapter 13, Title 43 of the Revised Statutes,
17 shall, upon such date, automatically become a member of the
18 retirement system, and any such employee shall be deemed to agree
19 and consent to such transfer of his membership.

20 (d) Upon written application made to the commission within 6
21 months after the effective date of this act, any employee of the city
22 as of such date, with or without veteran's status, who has not
23 attained the age of 60 years and who has 20 or more years of prior
24 service credit in the Public Employees' Retirement System of the
25 State of New Jersey or in the Teachers' Pension and Annuity Fund
26 of the State of New Jersey, or who has less than 20 years of such
27 prior service credit and whose present age reduced by the total years
28 of such prior service credit is less than 40 years, who shall become
29 a member of the retirement system may transfer such prior service
30 credit to the retirement system. Such transfer shall become
31 effective upon the remittance to the retirement system by the said
32 State pension systems of all accumulated member's contributions,
33 with interest, standing to the credit of the member and of that
34 portion of the actuarial reserve accumulated on his account
35 provided for by contributions of the city.

36 (e) Upon written application made to the commission within 6
37 months after the effective date of this act, any permanent employee
38 of the city who became such on or before February 22, 1965 and
39 prior to his attainment of age 50 but on or after his attainment of
40 age 40, who was not a member of the pension fund in effect in said
41 city under and by virtue of article 2, chapter 13, Title 43 of the
42 Revised Statutes, shall be entitled to become a member of the
43 retirement system. Such member shall receive credit for all or any
44 part of his prior service, as he may elect, in the employ of said city
45 provided that payments are made by such member in an amount or
46 amounts as may be necessary to provide the entire actuarial cost of
47 such prior service credit.

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1 (f) The failure of any member to comply with the rules and
2 regulations prescribed by the commission, pursuant to this act, shall
3 result in the suspension or termination of membership in, or
4 benefits of, this retirement system as may be provided from time to
5 time by the commission.

6 (cf: P.L.1966, c.158, s.2)

7
8 3. Section 4 of P.L.1964, c.275 (C.43:13-22.53) is amended to
9 read as follows:

10 4. (a) Any member who shall have established 20 or more
11 years of creditable service in the retirement system and who shall
12 have attained the age of 60 years shall, upon application by that
13 member to the commission, be retired on a pension equal to 55% of
14 final salary, plus 1% of such salary for each year of creditable
15 service in excess of 20 years, if the member has more than 20 years
16 of creditable service at retirement.

17 In no event shall the amount of any pension payable pursuant to
18 the provisions of this subsection be less than \$3,600 per annum.

19 (b) (Deleted by amendment, P.L.1990, c.20)

20 (c) Any member who upon attainment of 60 or more years of
21 age shall have established less than 20 years of creditable service in
22 the retirement system may retire on a pension equal to 2% of final
23 salary for each year of creditable service. In no event shall the
24 amount of any pension payable pursuant to the provisions of this
25 subsection be less than \$3,600 per annum.

26 (d) A person who becomes a member of the retirement system
27 on or after the effective date of P.L. , c. (pending before the
28 Legislature as this bill), who shall have established 25 or more
29 years of creditable service in the retirement system and who shall
30 have attained the age of 65 years shall, upon application by that
31 member to the commission, be retired on a pension equal to 55% of
32 final salary, plus 1% of such salary for each year of creditable
33 service in excess of 25 years, if the member has more than 25 years
34 of creditable service at retirement. In no event shall the amount of
35 any pension payable pursuant to the provisions of this subsection be
36 less than \$3,600 per annum.

37 (cf: P.L.1996, c.101, s.1)

38
39 4. Section 1 of P.L.1967, c.222 (C.43:13-22.54a) is amended to
40 read as follows:

41 1. (a) A member who resigns after having completed 25 years
42 of service for which credit has been established in the pension fund
43 and before reaching age 60 may elect to receive, in lieu of the
44 payment provided in section 4 of P.L.1964, c.275 (C.43:13-22.53),
45 or the benefit provided by subsection (b) of this section, a pension
46 in the amount of 55% of final salary, plus 1% for each year of
47 service in excess of 20 years; provided, however, that such pension
48 shall be reduced by 1/12 of 1% for each month that the member

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1 lacks of being age 60; but if the member waits until age 60 to start
2 collecting benefits, there shall be no reduction in benefits, and in no
3 event shall the amount of any pension payable pursuant to the
4 provisions of this subsection be less than \$3,600 per annum.

5 Upon and after the death of such pensioner, the benefits provided
6 by section 7 of P.L.1964, c.275 (C.43:13-22.56) shall be payable to
7 any eligible survivors.

8 (b) A member who, after having completed 10 years of service
9 for which credit has been established in the pension fund, becomes
10 separated voluntarily or involuntarily from the service before
11 reaching age 60 may elect to receive, in lieu of the benefit provided
12 by subsection (a) of this section, a deferred pension beginning at
13 age 60, in an amount equal to the proportional relation which the
14 years of the member's service credited in the fund bear to the total
15 number of years of service that the member could have achieved by
16 continuing in service to age 60, multiplied by 1/2 of the member's
17 final salary calculated as of the time that the member elected the
18 deferred pension; but in no event shall the amount of any deferred
19 pension payable pursuant to the provisions of this subsection be less
20 than \$3,600 per annum.

21 Upon and after the death of such pensioner, the benefits provided
22 by section 7 of P.L.1964, c.275 (C.43:13-22.56) shall be payable to
23 any eligible survivors.

24 (c) A person who becomes a member of the retirement system
25 on or after the effective date of P.L. , c. (pending before the
26 Legislature as this bill) and who resigns after having completed 30
27 years of service for which credit has been established in the pension
28 fund and before reaching age 65 may elect to receive, in lieu of the
29 payment provided in section 4 of P.L.1964, c.275 (C.43:13-22.53),
30 or the benefit provided by subsection (d) of this section, a pension
31 in the amount of 55% of final salary, plus 1% for each year of
32 service in excess of 25 years; provided, however, that such pension
33 shall be reduced by 3/12 of 1% for each month that the member
34 lacks of being age 65; but if the member waits until age 65 to start
35 collecting benefits, there shall be no reduction in benefits, and in no
36 event shall the amount of any pension payable pursuant to the
37 provisions of this subsection be less than \$3,600 per annum.

38 Upon and after the death of such pensioner, the benefits provided
39 by section 7 of P.L.1964, c.275 (C.43:13-22.56) shall be payable to
40 any eligible survivors.

41 (d) A person who becomes a member of the retirement system
42 on or after the effective date of P.L. , c. (pending before the
43 Legislature as this bill) and who, after having completed 10 years of
44 service for which credit has been established in the pension fund,
45 becomes separated voluntarily or involuntarily from service before
46 reaching age 65 may elect to receive, in lieu of benefit provided by
47 subsection (c) of this section, a deferred pension beginning at age
48 65, in an amount equal to the proportional relation which the years

1 of the member's service credited in the fund bear to the total
2 number of years of service that the member could have achieved by
3 continuing in service to age 65, multiplied by 1/2 of the member's
4 final salary calculated as of the time that the member elected the
5 deferred pension; but in no event shall the amount of any deferred
6 pension payable pursuant to the provisions of this subsection be less
7 than \$3,600 per annum.

8 Upon and after the death of such pensioner, the benefits provided
9 by section 7 of P.L.1964, c.275 (C.43:13-22.56) shall be payable to
10 any eligible survivors.

11 (cf: P.L.2005, c.247, s.1)

12

13 5. Section 3 of P.L.1984, c.117 (C.43:13-22.54d) is amended to
14 read as follows:

15 3. The pension commission shall promulgate rules and
16 regulations which it shall deem necessary for the effective operation
17 of **【this act】** P.L.1964, c.275 (C.43:13-22.50 et seq.), any act that is
18 a supplement thereto and section 6 of P.L. , c. (pending before
19 the Legislature as this bill), and for compliance with the provisions
20 of the federal Internal Revenue Code of 1986, as amended,
21 regulations of the United States Treasury Department, and other
22 directives or guidance of the federal Internal Revenue Service.

23 (cf: P.L.1984, c.117, s.3)

24

25 6. Section 7 of P.L.1964, c.275 (C.43:13-22.56) is amended to
26 read as follows:

27 7. Death benefits.

28 (a) Upon the death of a member in service who shall have paid
29 into the fund the full amount of contributions due and who shall die
30 as a result of injuries or illness received or incurred in the
31 performance of that member's regular or assigned duties or who
32 shall have served in the employ of the city for 20 or more years, a
33 pension of 50% of the member's final salary shall be paid to the
34 surviving widow, so long as she remains unmarried, or surviving
35 widower, so long as he remains unmarried; if there is no surviving
36 widow or widower or in case the widow or widower dies or
37 remarries, a pension of 20% of such final salary shall be paid to one
38 surviving child, 35% of such final salary shall be paid to two
39 surviving children in equal shares, and if there be three or more
40 children, 50% of such final salary shall be paid to such children in
41 equal shares; and if there is no surviving widow, widower or child,
42 a pension of 25% of such final salary shall be paid to one surviving
43 dependent parent or a pension of 40% of such final salary shall be
44 paid to two surviving dependent parents in equal shares.

45 (b) Upon the death of a member in service who shall have paid
46 into the fund the full amount of contributions due and who shall die
47 for causes other than injuries or illness received or incurred in the
48 performance of that member's regular or assigned duties and who

1 shall have served in the employ of the city for five or more years
2 but less than 20 years, a pension in an amount equal to 50% of the
3 member's final salary shall be paid to the surviving widow, so long
4 as she remains unmarried, or surviving widower, so long as he
5 remains unmarried; if there is no surviving widow or widower or in
6 case the widow or widower dies or remarries, a pension of 20% of
7 such final salary shall be paid to one surviving child, 35% of such
8 final salary shall be paid to two surviving children in equal shares,
9 and if there be three or more children, 50% of such final salary
10 shall be paid to such children in equal shares; and if there is no
11 surviving widow, widower or child, a pension of 25% of such final
12 salary shall be paid to one surviving dependent parent or a pension
13 of 40% of such final salary shall be paid to two surviving dependent
14 parents in equal shares.

15 (c) Upon the death of a pensioner from the retirement system
16 who has retired for age and service under the provisions of section 4
17 of P.L.1964, c.275 (C.43:13-22.53), or who has retired under the
18 provisions of **【either subsection】** subsections (a), 【or subsection】
19 (b), (c) or (d) of section 1 of P.L.1967, c.222 (C.43:13-22.54a), or
20 who has retired because of a disability under the provisions of
21 section 6 of P.L.1964, c.275 (C.43:13-22.55), a pension equal to
22 50% of the amount of the pension, including any adjustment thereto
23 under sections 7 through 13 of P.L.1990, c.20 (C.43:13-22.69 to
24 43:13-22.75), payable to the decedent at the time of death shall be
25 paid to the surviving widow, so long as she remains unmarried, or
26 surviving widower, so long as he remains unmarried; if there is no
27 surviving widow or widower or in case the widow or widower dies
28 or remarries, such pension shall be paid to one surviving child or to
29 two or more surviving children in equal shares; and if there is no
30 surviving widow, widower or child, such pension shall be paid to
31 one surviving dependent parent of the retirant or to both surviving
32 dependent parents in equal shares.

33 (d) (1) In the event a pension shall be payable as a result of the
34 death of a member in service and there are no eligible survivors at
35 the time of such member's death, an amount equal to such member's
36 contributions to the fund, without interest, shall be paid to the
37 member's estate. If, after the payment of all pension and
38 survivorship benefits payable by the retirement system to any
39 eligible survivors of a deceased member or retirant, the total
40 amount of those benefits, including adjustments under sections 7
41 through 13 of P.L.1990, c.20 (C.43:13-22.69 to 43:13-22.75),
42 together with the total amount of any retirement allowance or
43 pension benefits, including adjustments, which shall have been paid
44 to the decedent during retirement, is less than the amount of the
45 decedent's contributions during membership in the retirement
46 system, the amount of the difference, without interest, shall be
47 payable to the deceased member or retirant's estate.

1 (2) If at the time of the death of a member in service the sole
2 eligible survivors of such member are minor children and the total
3 of the aggregate payments on account of such children shall be an
4 amount which is less than such member's contributions to the fund,
5 without interest, the balance of such amount shall be payable to the
6 guardian of such minor children.
7 (cf: P.L.1996, c.101, s.3)

8
9 7. (New section) A member may file a detailed statement of
10 public employment with a public employer in this State which was
11 eligible for credit in a State-administered retirement system, or of
12 military service in the Armed Forces of the United States, rendered
13 prior to becoming a member, for which the member desires credit,
14 and of such other facts as the retirement system may require. The
15 member may purchase credit for all or a portion of the service
16 evidenced in the statement up to the nearest number of years and
17 months, but not exceeding three years. No application shall be
18 accepted for the purchase of credit for the service if, at the time of
19 application, the member has a vested right to retirement benefits in
20 another retirement system based in whole or in part upon that
21 service. A member who applies to purchase credit for such service
22 shall pay the full cost attributable to the increased benefits to be
23 derived from the purchased credit in accordance with the actuarial
24 method used to determine the cost at the time of the purchase. The
25 purchase may be made in a lump sum or in regular installments,
26 equal to at least 1/2 of the full normal contribution to the retirement
27 system, over a maximum period of 10 years. A member shall not be
28 liable for any costs associated with the financing of pension
29 adjustment benefits and health care benefits for retirees when
30 purchasing credit.

31 Any member electing to make a purchase pursuant to this section
32 who retires prior to completing payments as agreed with the
33 retirement system will receive pro rata credit for the purchase prior
34 to the date of retirement, but if the member so elects at the time of
35 retirement, the member may make the additional lump sum payment
36 required at that time to provide full credit.

37
38 8. Section 1 of P.L.1987, c.171 (C.43:13-22.67) is amended to
39 read as follows:

40 1. Any member who has at least three years of service credit for
41 which contributions have been made as a member may borrow from
42 the retirement system an amount equal to not more than 50% of the
43 amount of the member's aggregate contributions, but not less than
44 \$1,000.00]; provided that the amount borrowed, together with
45 interest, can be repaid by additional deductions from salary which
46 do not exceed 25% of the member's salary at the time the loan is
47 made]. Any loan from the retirement system must satisfy the
48 requirements of the federal Internal Revenue Code of 1986, as

1 amended, regulations of the United States Treasury Department,
2 and other directives or guidance of the federal Internal Revenue
3 Service. At the time a loan is made, a loan amount shall not result
4 in the projected required loan payments, including interest
5 contained in the payment, for the following calendar year exceeding
6 25% of the member's annual salary at the time the loan is made. If
7 a member's salary is uncertain at that time, the commission shall
8 use a reasonable estimate of the member's expected salary to
9 impose this 25% limitation. The amount so borrowed, together with
10 interest at a rate fixed by the commission on any unpaid balance,
11 shall be repaid to the retirement system in equal installments by
12 deduction from salary or in another manner and in amounts which
13 the commission shall approve; but the installments shall be at least
14 equal to the member's contribution to the retirement system and at
15 least sufficient to repay the amount borrowed with interest at the
16 conclusion of a term fixed by the commission **【**or by the time the
17 member attains age 70**】**. No more than two loans may be made to
18 any member in any 12-month period. The retirement system shall
19 make no loan to a member after the member has terminated
20 employment with the city.

21 Interest charged for loans to members shall be fixed annually by
22 the commission to take effect January 1 of each calendar year at a
23 rate equal to the average of the daily rates of interest at constant
24 maturity based on daily trades paid by 30-year United States
25 Treasury bonds for the period beginning on the first and ending on
26 the 30th day of the immediately preceding November plus 1%, or
27 10%, whichever is less. The interest earned from loans to members
28 shall be treated in the same manner as interest from investments of
29 the retirement system.

30 (cf: P.L.2003, c.167, s.1)

31

32 9. Section 2 of P.L.1987, c.171 (C.43:13-22.68) is amended to
33 read as follows:

34 2. a. Notwithstanding any other law affecting the salary or
35 compensation of a borrowing member to the contrary, including any
36 law restricting the amount or level of deductions from an
37 employee's salary or compensation, the additional deductions
38 required to repay the loan shall be made as necessary to comply
39 with the requirements governing loans from the retirement system
40 pursuant to section 1 of P.L.1987, c.171 (C.43:13-22.67). **【**Any
41 unpaid loan balance at the time any benefit may become payable
42 before the attainment of age 70 shall be deducted from the benefit
43 otherwise payable. If any member retires without repaying the full
44 amount borrowed, the commission shall retain the retirement
45 benefit payments of the member, excluding authorized deductions,
46 as repayment of the loan until the aggregate amount of retirement
47 benefit payments is equal to the outstanding balance of the loan

1 together with interest, at which time retirement benefit payments
2 shall be paid to the member.】

3 b. If a member employed by the city fails to make timely
4 payments on the member's outstanding loan, the retirement system
5 shall offset, to the extent possible, a member's benefit for the
6 unpaid loan balance, including interest accrued, and shall report the
7 unpaid loan balance as taxable income to the member pursuant to
8 the federal Internal Revenue Code of 1986, as amended.

9 c. If a member terminates employment with the city without
10 commencing the receipt of a benefit under the retirement system,
11 any unpaid loan balance, including interest accrued, shall become
12 immediately due and payable. If the unpaid loan balance is not
13 repaid by the time set by the commission, the member's remaining
14 benefit in the retirement system shall be reduced by the unpaid loan
15 balance, including interest accrued, at the time of the reduction.
16 The unpaid loan balance and accrued interest shall be reported to
17 the federal Internal Revenue Service as income pursuant to the
18 federal Internal Revenue Code of 1986, as amended.

19 d. If a member terminates employment with the city and
20 commences the receipt of a benefit under the retirement system, the
21 unpaid loan balance, including interest accrued, shall be deducted
22 from the benefit otherwise payable. Such deduction shall be
23 applied as follows:

24 (1) If a member elects to receive a single-sum payment of the
25 member's benefit, the amount paid to the member shall be reduced
26 by the unpaid loan balance, including interest accrued.

27 (2) If a member elects to receive the member's benefits as an
28 annuity, loan payments, including interest, shall be deducted from
29 the benefit payments.

30 e. The retirement system shall administer the provisions of
31 subsections b., c. and d. of this section in compliance with the
32 requirements of the federal Internal Revenue Code of 1986, as
33 amended.

34 f. If a [retired] member or retiree dies before the outstanding
35 balance of the loan and interest has been repaid, the remaining
36 balance shall be repaid from the proceeds of any other benefits
37 payable on the account of the member or retiree, such as monthly
38 payments to the member's beneficiaries or lump sum payments for
39 pension or group life insurance.

40 (cf: P.L.1987, c.171, s.2)

41

42 10. Section 11 of P.L.1990, c.20 (C.43:13-22.73) is amended to
43 read as follows:

44 11. On or before October 1, 1996 and by the same date in each
45 subsequent year, the Director of the Division of Pensions and
46 Benefits of the Department of the Treasury shall review the index
47 and determine the percentum of change in the index from the
48 retirement year index pursuant to the provisions of the "Pension

1 Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et seq.). The
2 percentage of adjustment in the retirement allowances, pensions and
3 survivorship benefits shall **equal** be one-half of the percentum of
4 change in the index. Any adjustment so calculated shall apply to all
5 of the months of the following calendar year for eligible retirants
6 and beneficiaries, except that for those qualifying for the first time,
7 it shall apply only to those months of the following calendar year in
8 which the retirant or beneficiary is eligible to receive the
9 adjustment.

10 On the basis of information certified to the director by the
11 retirement system concerning the amounts of all retirement
12 allowances, pensions and survivorship benefits of eligible retirants
13 and beneficiaries which are subject to adjustment under sections 7
14 through 13 of P.L.1990, c.20 (C.43:13-22.69 through 22.75), and
15 any other relevant matters as the director may require, the director
16 shall certify to the retirement system the amounts required to fund
17 the benefits provided under those sections for the applicable year.
18 The director shall include in that certification amounts sufficient to
19 adjust the retirement allowances, pensions or survivorship benefits
20 payable to all eligible retirants and beneficiaries by the percentum
21 of change in the index as such retirement allowances or pensions
22 may have been originally granted, or increased for certain retirants
23 and beneficiaries in accordance with the provisions of the "Pension
24 Adjustment Act."

25 In no instance shall the amount of the retirement allowance,
26 pension or survivorship benefit originally granted and payable to
27 any retirant or beneficiary be reduced as a result of this adjustment.
28 (cf: P.L.2003, c.167, s.2)
29

30 11. This act shall take effect immediately.
31
32

33 STATEMENT 34

35 This bill makes changes to certain provisions of the Employees'
36 Retirement System of Jersey City (ERS).

37 Under the bill, persons who become members of ERS after the
38 its effective date will need to be age 65 instead of age 60 to be
39 eligible for a deferred, service, or early retirement benefit. These
40 members will need 25 years of service credit instead of the current
41 20 years for a service retirement, and for early retirement will need
42 30 years instead of 25 years with a reduction of 3/12 of 1% for each
43 month the person lacks of age 65, instead of the current reduction of
44 1/12 of 1% for each month the person lacks of age 60. In addition,
45 the averaging period for final salary applied in the calculation of
46 retirement benefits increases from three years to five years for new
47 members. The bill provides that any new employee under the age
48 of 40 years who is a member of the State-administered Public

A4536 PRIETO

13

1 Employees' Retirement System (PERS) based on prior employment
2 will continue to be a member of PERS, instead of being enrolled in
3 ERS, as currently required.

4 The bill also allows ERS members to purchase service credit, at
5 full cost to the member, for up to three years of employment with a
6 public employer in this State which was eligible for credit in a
7 State-administered retirement system, or of military service in the
8 Armed Forces of the United States, rendered prior to becoming a
9 member. Changes to conditions attached to members' loans and
10 their repayment are for the purpose of compliance with the
11 requirements of the federal Internal Revenue Code. Finally, the bill
12 reduces the percentage of the Consumer Price Index used for the
13 calculation of cost-of-living adjustments from 100% to 50% for
14 current and future retirees.

ASSEMBLY BUDGET COMMITTEE

STATEMENT TO

ASSEMBLY, No. 4536

STATE OF NEW JERSEY

DATED: DECEMBER 12, 2013

The Assembly Budget Committee reports favorably Assembly Bill No. 4536.

This bill makes various prospective changes to the qualifications and benefits associated with the Employees' Retirement System of Jersey City (ERS). The purpose of this bill is to protect the provision of ERS benefits for current and future members while complying with the ERS' legal and fiduciary duties.

For new members of ERS, the bill makes the following changes to ERS qualifications and benefits:

- Raises the minimum age of eligibility for ERS' deferred, service, or early retirement benefit from the age of 60 to the age of 65;
- Increases the number of years of service necessary for service retirement from 20 years to 25 years;
- Raises the number of years of service necessary for early retirement from 25 years to 30 years;
- Reconfigures the retirement benefit penalty for insufficient service time from 1/12 of 1% for each month preceding age 60 to 3/12 of 1% for each month preceding age 65;
- Expands the averaging period in calculating a final salary for determining retirement benefits from three years to five years; and
- Maintains State-Administered Public Employees' Retirement System (PERS) membership for new employees under the age of 40 who are members of PERS based on prior employment.

For current and new members of ERS, the bill makes the following changes to ERS benefits:

- Reduces the percentage of the Consumer Price Index used for the calculation of cost-of-living adjustments from 100% to 50%;
- Authorizes the purchase of up to three years of service credit, at full cost, for qualified employment rendered before becoming an ERS member, subject to restrictions. Qualified employment includes public in-State employment that was eligible for credit in a State-administered retirement system or military service in the United States Armed Forces.
- Changes conditions attached to member loans from ERS to comply with the federal Internal Revenue Code.

FISCAL IMPACT:

The Office of Legislative Services is without sufficient data at this point in time with which to provide a fiscal impact.

LEGISLATIVE FISCAL ESTIMATE
ASSEMBLY, No. 4536
STATE OF NEW JERSEY
215th LEGISLATURE

DATED: DECEMBER 23, 2013

SUMMARY

Synopsis: Changes certain eligibility benefit provisions of Employees' Retirement System of Jersey City.

Type of Impact: Expenditure reduction to the Jersey City General Fund.

Agencies Affected: Jersey City.

Office of Legislative Services Estimate

Fiscal Impact	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Local Savings	Unknown - See comments below		

- This bill makes various benefit changes for new employees of the Jersey City Employees' Retirement System (JCERS), allows new employees who are less than 40 years-of-age and are members of the State-administered Public Employees' Retirement System (PERS) to remain in PERS instead of enrolling in JCERS, allows for the purchase of service credit for up to three years of employment with an eligible public employer, conforms loan provisions to be compliant with the federal Internal Revenue Code, and reduces the percentage of the Consumer Price Index (CPI) used for calculation of cost-of-living-adjustments (COLAs) for current and future retirees.
- As of the 2012 actuarial evaluation of the JCERS, that was conducted by Aon Hewitt an actuarial consulting firm that also contracts with the State, the net pension obligation of the JCERS was approximately \$185 million. The actuarial value of plan assets was \$77.6 million and the unfunded actuarial accrued liability was estimated to be approximately \$107 million, rendering a funded level of 41.9 percent.
- Based on informal conversations with Jersey City administrators, Aon Hewitt's actuarial evaluation of the bill estimates that the reduction in the CPI used for the calculation of COLAs from 100 percent to 50 percent for current and future retirees will reduce the city's annual pension costs by \$1.3 million per year on an ongoing basis.

- Jersey City administrators indicated that the Aon Hewitt report projected that the other benefit reforms provided for in the bill would decrease future costs of the system and improve the funded ratio, but that the savings were not quantified.

BILL DESCRIPTION

Assembly Bill No. 4536 of 2013 makes changes to certain provisions of the JCERS. Under the bill, persons who become members of the JCERS after its effective date will need to be age 65 instead of age 60 to be eligible for a deferred, service, or early retirement benefit. These members will need 25 years of service credit instead of the current 20 years for a service retirement, and for early retirement will need 30 years instead of 25 years with a reduction of 3/12 of 1 percent for each month the person lacks of age 65, instead of the current reduction of 1/12 of 1 percent for each month the person lacks of age 60. In addition, the averaging period for final salary applied in the calculation of retirement benefits increases from three years to five years for new members. The bill provides that any new employee under the age of 40 years who is a member of the State-administered Public Employees' Retirement System (PERS) based on prior employment will continue to be a member of PERS, instead of being enrolled in JCERS, as currently required.

The bill also allows JCERS members to purchase service credit, at full cost to the member, for up to three years of employment with a public employer in this State which was eligible for credit in a State-administered retirement system, or of military service in the Armed Forces of the United States, rendered prior to becoming a member. Changes to conditions attached to members' loans and their repayment are for the purpose of compliance with the requirements of the federal Internal Revenue Code. Finally, the bill reduces the percentage of the CPI used for the calculation of COLAs from 100 percent to 50 percent for current and future retirees.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

Based on informal conversations with administrators in the Business Administration Office in Jersey City, the net pension obligation of the JCERS, as of the 2012 Jersey City actuarial evaluation, was approximately \$185 million. The actuarial value of plan assets was \$77.6 million and the unfunded actuarial accrued liability was estimated to be approximately \$107 million, rendering a funded level of 41.9 percent. In FY 2012, there were 672 active members in the JCERS and 353 current retirees receiving retirement benefits averaging \$28,620 per year. Jersey City administrators indicate that according to an actuarial report prepared by Aon Hewitt, an actuarial consulting firm that also contracts with the State and was hired by the city to conduct an actuarial analysis of the impact on the pension fund of this bill, the reduction in the CPI used for the calculation of COLAs from 100 percent to 50 percent for current and future retirees will reduce the city's annual pension costs by \$1.3 million per year on an ongoing basis. This represents a 15 percent reduction in pension costs in FY 2014. The administrators indicated that

the report did not quantify the potential savings that would be achieved by the implementation of the other benefit changes in the bill, but they did indicate that the Aon Hewitt report projected that the benefit changes would decrease future costs of the system and improve the funded ratio.

Section: State Government

*Analyst: Kimberly McCord Clemmensen
Senior Fiscal Analyst*

*Approved: David J. Rosen
Legislative Budget and Finance Officer*

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 4536

with committee amendments

STATE OF NEW JERSEY

DATED: JANUARY 13, 2014

The Senate Budget and Appropriations Committee reports favorably Assembly Bill No. 4536, with committee amendments.

As amended, this bill makes various prospective changes to the qualifications and benefits associated with the Employees' Retirement System of Jersey City (ERS).

For new members of ERS, the bill makes the following changes to ERS qualifications and benefits:

- Raises the minimum age of eligibility for ERS' deferred, service, or early retirement benefit from the age of 60 to the age of 65;
- Increases the number of years of service necessary for service retirement from 20 years to 25 years;
- Raises the number of years of service necessary for early retirement from 25 years to 30 years;
- Reconfigures the retirement benefit penalty for insufficient service time from 1/12 of 1% for each month preceding age 60 to 3/12 of 1% for each month preceding age 65;
- Expands the averaging period in calculating a final salary for determining retirement benefits from three years to five years; and
- Maintains State-Administered Public Employees' Retirement System (PERS) membership for new employees under the age of 40 who are members of PERS based on prior employment.

For current and new members of ERS, the bill makes the following changes to ERS benefits:

- Reduces the percentage of the Consumer Price Index used for the calculation of cost-of-living adjustments from 100% to 50%;
- Authorizes the purchase of up to three years of service credit, at full cost, for qualified employment rendered before becoming an ERS member, subject to restrictions. Qualified employment includes public in-State employment that was eligible for credit in a State-administered retirement system or military service in the United States Armed Forces.
- Changes conditions attached to member loans from ERS to comply with the federal Internal Revenue Code.

As amended, the bill also requires Jersey City, at the time it makes its annual normal contribution to the retirement system, to pay to the retirement system an additional amount equivalent to the COLA adjustment in retirement allowances or pensions and in survivorship benefits.

As amended by the committee, this bill is identical to Senate Bill 3096, as also amended by the committee.

COMMITTEE AMENDMENTS:

The proposed committee amendments require Jersey City, at the time it makes its annual normal contribution to the retirement system, to pay to the retirement system an additional amount equivalent to the COLA adjustment in retirement allowances or pensions and in survivorship benefits payable to retirants and beneficiaries in the prior year, except the initial payment will be equivalent to the cost of the adjustment beginning on the effective date of the bill.

FISCAL IMPACT:

The Office of Legislative Services (OLS) reports in the Legislative Fiscal Estimate for this bill that, based on informal conversations with administrators in the Business Administration Office in Jersey City, the net pension obligation of the JCERS, as of the 2012 Jersey City actuarial evaluation, was approximately \$185 million. The actuarial value of plan assets was \$77.6 million and the unfunded actuarial accrued liability was estimated to be approximately \$107 million, rendering a funded level of 41.9 percent. In FY 2012, there were 672 active members in the JCERS and 353 current retirees receiving retirement benefits averaging \$28,620 per year.

Based on informal conversations with Jersey City administrators, Aon Hewitt's actuarial evaluation of the bill estimates that the reduction in the CPI used for the calculation of COLAs from 100 percent to 50 percent for current and future retirees will reduce the city's annual pension costs by \$1.3 million per year on an ongoing basis. This bill requires the city to invest the \$1.3 million in savings from the COLA reduction into the retirement system which will improve the funded ratio accordingly. In addition, Jersey City administrators indicated that the Aon Hewitt report projected that the other benefit reforms provided for in the bill would decrease future costs of the system and improve the funded ratio, but that these savings were not quantified.

SENATE, No. 3096

STATE OF NEW JERSEY 215th LEGISLATURE

INTRODUCED DECEMBER 12, 2013

Sponsored by:

Senator SANDRA B. CUNNINGHAM

District 31 (Hudson)

Senator BRIAN P. STACK

District 33 (Hudson)

SYNOPSIS

Changes certain eligibility and benefit provisions of Employees' Retirement System of Jersey City.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT concerning the benefits of members of the Employees'
2 Retirement System of Jersey City, and amending and
3 supplementing various parts of the statutory law.

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

7
8 1. Section 1 of P.L.1964, c.275 (C.43:13-22.50) is amended to
9 read as follows:

10 1. As used in this act:

11 (a) (1) "Final salary" when used solely for the purpose of fixing
12 benefits under this act, shall mean the average annual salary or
13 compensation earned by a member as an employee for the three
14 years immediately preceding the member's death or retirement, or it
15 shall mean the average annual salary or compensation earned by a
16 member as an employee for any three fiscal years of membership
17 providing the largest possible benefit to the member or the
18 member's beneficiary; provided, however, that as to any member
19 employed by the city prior to January 12, 1965, the annual salary
20 received by such member as a regular employee at the time of death
21 or retirement shall be considered "final salary" for pension or other
22 purposes under this act, unless otherwise specified herein.

23 (2) In the case of a person who becomes a member of the
24 retirement system on or after the effective date of P.L. _____,
25 c. (pending before the Legislature as this bill), "final
26 compensation" shall mean the average annual salary or
27 compensation earned by a member as an employee for the five years
28 immediately preceding the member's retirement or death, or it shall
29 mean the average annual salary or compensation earned by a
30 member as an employee for any five fiscal years of membership
31 providing the largest possible benefit to the member or the
32 member's beneficiary.

33 (b) "Pension fund" or "fund" shall mean the fund referred to in
34 section 10 of this act and is the fund from which pensions and other
35 benefits provided for in this act shall be paid.

36 (c) "State" shall, unless otherwise stated, mean the State of New
37 Jersey.

38 (d) "City", unless otherwise specified, shall mean any city of the
39 first class of the State having a population of less than 300,000
40 inhabitants.

41 (e) "City employee" or "employee" shall mean and include any
42 full-time regular employee of a city, as herein defined, or an elected
43 or appointed official thereof. "City employee" or "employee" shall
44 not include a member of the fire or police department or an
45 employee of the board of education nor a transient or seasonal

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 employee, worker or laborer, but shall include a temporary
2 employee with at least one year's continuous service. In all cases of
3 doubt as to whether a person may be included within the meaning of
4 employee the decisions of the pension commission shall be final.

5 (f) "Member" shall mean any employee included in the
6 membership of the retirement system of the city as provided in
7 section 3 of this act.

8 (g) "Widow" or "widower" shall mean the surviving
9 unremarried spouse of a member married to such member prior to
10 the retirement or death of such member, and said marriage having
11 occurred at least five years prior to the member's death or
12 retirement, whichever is earlier.

13 (h) "Dependent parent" shall mean a dependent parent or parents
14 who is or are solely dependent as determined by the commission for
15 support upon the member. The dependency of such a parent will be
16 considered terminated by marriage of the parent subsequent to the
17 death of the member.

18 (i) "Commission" shall mean pension commission as
19 constituted under section 13 of this act, and shall be known as the
20 "Pension Commission of the Employees' Retirement System of
21 (name of city)."

22 (j) "Retirement system" or "system" shall mean Employees'
23 Retirement System of (name of city) which shall be the name of the
24 retirement system provided under this act. By that name all of its
25 business shall be transacted, its funds invested, warrants for money
26 claims and payments made, and all of its cash and securities and
27 other property held.

28 (k) "Child" shall mean a deceased member's unmarried child
29 under the age of 18.

30 (cf: P.L.1990, c.20, s.1)

31

32 2. Section 3 of P.L.1964, c.275 (C.43:13-22.52) is amended to
33 read as follows:

34 3. The members and conditions of membership in the
35 retirement system created by this act shall be as follows:

36 (a) Any person who shall become an employee of the city after
37 the effective date of 【this act】 P.L.1964, c.275 (C.43:13-22.50 et
38 seq.) and prior to his attainment of the age of 40 years, shall
39 become a member of the retirement system, as a condition of his
40 employment, unless the person is a member of the Public
41 Employees' Retirement System, pursuant to P.L.1954, c.84
42 (C.43:15A-1 et seq.), in which that person shall remain enrolled;
43 provided that he shall submit to and pass the physical and mental
44 examinations required by the commission and shall provide such
45 evidence of good health, at said time, as the commission shall
46 require.

47 (b) Upon written application made to the commission within 6
48 months after the effective date of this act, any employee of the city

1 who became such on or before said date and prior to his attainment
2 of the age of 40 years who is not a member of the pension fund in
3 effect in said city under and by virtue of article 2, chapter 13, Title
4 43 of the Revised Statutes, shall be entitled to become a member of
5 the retirement system. Such member shall receive credit for all of
6 his prior service in the employ of said city provided that payments
7 are made by such member in an amount or amounts calculated in
8 accordance with the rules of the commission as may be necessary to
9 provide the entire actuarial cost of such prior service credit. In the
10 event that such member retires before he completes the payment for
11 all of his prior service credit, credit for such service shall be given
12 in direct proportion as the amount paid bears to the total amount of
13 the obligation.

14 (c) Any employee who on the effective date of this act is a
15 member of the pension fund in effect in said city under and by
16 virtue of article 2, chapter 13, Title 43 of the Revised Statutes,
17 shall, upon such date, automatically become a member of the
18 retirement system, and any such employee shall be deemed to agree
19 and consent to such transfer of his membership.

20 (d) Upon written application made to the commission within 6
21 months after the effective date of this act, any employee of the city
22 as of such date, with or without veteran's status, who has not
23 attained the age of 60 years and who has 20 or more years of prior
24 service credit in the Public Employees' Retirement System of the
25 State of New Jersey or in the Teachers' Pension and Annuity Fund
26 of the State of New Jersey, or who has less than 20 years of such
27 prior service credit and whose present age reduced by the total years
28 of such prior service credit is less than 40 years, who shall become
29 a member of the retirement system may transfer such prior service
30 credit to the retirement system. Such transfer shall become
31 effective upon the remittance to the retirement system by the said
32 State pension systems of all accumulated member's contributions,
33 with interest, standing to the credit of the member and of that
34 portion of the actuarial reserve accumulated on his account
35 provided for by contributions of the city.

36 (e) Upon written application made to the commission within 6
37 months after the effective date of this act, any permanent employee
38 of the city who became such on or before February 22, 1965 and
39 prior to his attainment of age 50 but on or after his attainment of
40 age 40, who was not a member of the pension fund in effect in said
41 city under and by virtue of article 2, chapter 13, Title 43 of the
42 Revised Statutes, shall be entitled to become a member of the
43 retirement system. Such member shall receive credit for all or any
44 part of his prior service, as he may elect, in the employ of said city
45 provided that payments are made by such member in an amount or
46 amounts as may be necessary to provide the entire actuarial cost of
47 such prior service credit.

1 (f) The failure of any member to comply with the rules and
2 regulations prescribed by the commission, pursuant to this act, shall
3 result in the suspension or termination of membership in, or
4 benefits of, this retirement system as may be provided from time to
5 time by the commission.

6 (cf: P.L.1966, c.158, s.2)

7
8 3. Section 4 of P.L.1964, c.275 (C.43:13-22.53) is amended to
9 read as follows:

10 4. (a) Any member who shall have established 20 or more
11 years of creditable service in the retirement system and who shall
12 have attained the age of 60 years shall, upon application by that
13 member to the commission, be retired on a pension equal to 55% of
14 final salary, plus 1% of such salary for each year of creditable
15 service in excess of 20 years, if the member has more than 20 years
16 of creditable service at retirement.

17 In no event shall the amount of any pension payable pursuant to
18 the provisions of this subsection be less than \$3,600 per annum.

19 (b) (Deleted by amendment, P.L.1990, c.20)

20 (c) Any member who upon attainment of 60 or more years of
21 age shall have established less than 20 years of creditable service in
22 the retirement system may retire on a pension equal to 2% of final
23 salary for each year of creditable service. In no event shall the
24 amount of any pension payable pursuant to the provisions of this
25 subsection be less than \$3,600 per annum.

26 (d) A person who becomes a member of the retirement system
27 on or after the effective date of P.L. , c. (pending before the
28 Legislature as this bill), who shall have established 25 or more
29 years of creditable service in the retirement system and who shall
30 have attained the age of 65 years shall, upon application by that
31 member to the commission, be retired on a pension equal to 55% of
32 final salary, plus 1% of such salary for each year of creditable
33 service in excess of 25 years, if the member has more than 25 years
34 of creditable service at retirement. In no event shall the amount of
35 any pension payable pursuant to the provisions of this subsection be
36 less than \$3,600 per annum.

37 (cf: P.L.1996, c.101, s.1)

38
39 4. Section 1 of P.L.1967, c.222 (C.43:13-22.54a) is amended to
40 read as follows:

41 1. (a) A member who resigns after having completed 25 years
42 of service for which credit has been established in the pension fund
43 and before reaching age 60 may elect to receive, in lieu of the
44 payment provided in section 4 of P.L.1964, c.275 (C.43:13-22.53),
45 or the benefit provided by subsection (b) of this section, a pension
46 in the amount of 55% of final salary, plus 1% for each year of
47 service in excess of 20 years; provided, however, that such pension
48 shall be reduced by 1/12 of 1% for each month that the member

1 lacks of being age 60; but if the member waits until age 60 to start
2 collecting benefits, there shall be no reduction in benefits, and in no
3 event shall the amount of any pension payable pursuant to the
4 provisions of this subsection be less than \$3,600 per annum.

5 Upon and after the death of such pensioner, the benefits provided
6 by section 7 of P.L.1964, c.275 (C.43:13-22.56) shall be payable to
7 any eligible survivors.

8 (b) A member who, after having completed 10 years of service
9 for which credit has been established in the pension fund, becomes
10 separated voluntarily or involuntarily from the service before
11 reaching age 60 may elect to receive, in lieu of the benefit provided
12 by subsection (a) of this section, a deferred pension beginning at
13 age 60, in an amount equal to the proportional relation which the
14 years of the member's service credited in the fund bear to the total
15 number of years of service that the member could have achieved by
16 continuing in service to age 60, multiplied by 1/2 of the member's
17 final salary calculated as of the time that the member elected the
18 deferred pension; but in no event shall the amount of any deferred
19 pension payable pursuant to the provisions of this subsection be less
20 than \$3,600 per annum.

21 Upon and after the death of such pensioner, the benefits provided
22 by section 7 of P.L.1964, c.275 (C.43:13-22.56) shall be payable to
23 any eligible survivors.

24 (c) A person who becomes a member of the retirement system
25 on or after the effective date of P.L. , c. (pending before the
26 Legislature as this bill) and who resigns after having completed 30
27 years of service for which credit has been established in the pension
28 fund and before reaching age 65 may elect to receive, in lieu of the
29 payment provided in section 4 of P.L.1964, c.275 (C.43:13-22.53),
30 or the benefit provided by subsection (d) of this section, a pension
31 in the amount of 55% of final salary, plus 1% for each year of
32 service in excess of 25 years; provided, however, that such pension
33 shall be reduced by 3/12 of 1% for each month that the member
34 lacks of being age 65; but if the member waits until age 65 to start
35 collecting benefits, there shall be no reduction in benefits, and in no
36 event shall the amount of any pension payable pursuant to the
37 provisions of this subsection be less than \$3,600 per annum.

38 Upon and after the death of such pensioner, the benefits provided
39 by section 7 of P.L.1964, c.275 (C.43:13-22.56) shall be payable to
40 any eligible survivors.

41 (d) A person who becomes a member of the retirement system
42 on or after the effective date of P.L. , c. (pending before the
43 Legislature as this bill) and who, after having completed 10 years of
44 service for which credit has been established in the pension fund,
45 becomes separated voluntarily or involuntarily from service before
46 reaching age 65 may elect to receive, in lieu of benefit provided by
47 subsection (c) of this section, a deferred pension beginning at age
48 65, in an amount equal to the proportional relation which the years

1 of the member's service credited in the fund bear to the total
2 number of years of service that the member could have achieved by
3 continuing in service to age 65, multiplied by 1/2 of the member's
4 final salary calculated as of the time that the member elected the
5 deferred pension; but in no event shall the amount of any deferred
6 pension payable pursuant to the provisions of this subsection be less
7 than \$3,600 per annum.

8 Upon and after the death of such pensioner, the benefits provided
9 by section 7 of P.L.1964, c.275 (C.43:13-22.56) shall be payable to
10 any eligible survivors.

11 (cf: P.L.2005, c.247, s.1)

12

13 5. Section 3 of P.L.1984, c.117 (C.43:13-22.54d) is amended to
14 read as follows:

15 3. The pension commission shall promulgate rules and
16 regulations which it shall deem necessary for the effective operation
17 of **【this act】** P.L.1964, c.275 (C.43:13-22.50 et seq.), any act that is
18 a supplement thereto and section 6 of P.L. , c. (pending before
19 the Legislature as this bill), and for compliance with the provisions
20 of the federal Internal Revenue Code of 1986, as amended,
21 regulations of the United States Treasury Department, and other
22 directives or guidance of the federal Internal Revenue Service.

23 (cf: P.L.1984, c.117, s.3)

24

25 6. Section 7 of P.L.1964, c.275 (C.43:13-22.56) is amended to
26 read as follows:

27 7. Death benefits.

28 (a) Upon the death of a member in service who shall have paid
29 into the fund the full amount of contributions due and who shall die
30 as a result of injuries or illness received or incurred in the
31 performance of that member's regular or assigned duties or who
32 shall have served in the employ of the city for 20 or more years, a
33 pension of 50% of the member's final salary shall be paid to the
34 surviving widow, so long as she remains unmarried, or surviving
35 widower, so long as he remains unmarried; if there is no surviving
36 widow or widower or in case the widow or widower dies or
37 remarries, a pension of 20% of such final salary shall be paid to one
38 surviving child, 35% of such final salary shall be paid to two
39 surviving children in equal shares, and if there be three or more
40 children, 50% of such final salary shall be paid to such children in
41 equal shares; and if there is no surviving widow, widower or child,
42 a pension of 25% of such final salary shall be paid to one surviving
43 dependent parent or a pension of 40% of such final salary shall be
44 paid to two surviving dependent parents in equal shares.

45 (b) Upon the death of a member in service who shall have paid
46 into the fund the full amount of contributions due and who shall die
47 for causes other than injuries or illness received or incurred in the
48 performance of that member's regular or assigned duties and who

1 shall have served in the employ of the city for five or more years
2 but less than 20 years, a pension in an amount equal to 50% of the
3 member's final salary shall be paid to the surviving widow, so long
4 as she remains unmarried, or surviving widower, so long as he
5 remains unmarried; if there is no surviving widow or widower or in
6 case the widow or widower dies or remarries, a pension of 20% of
7 such final salary shall be paid to one surviving child, 35% of such
8 final salary shall be paid to two surviving children in equal shares,
9 and if there be three or more children, 50% of such final salary
10 shall be paid to such children in equal shares; and if there is no
11 surviving widow, widower or child, a pension of 25% of such final
12 salary shall be paid to one surviving dependent parent or a pension
13 of 40% of such final salary shall be paid to two surviving dependent
14 parents in equal shares.

15 (c) Upon the death of a pensioner from the retirement system
16 who has retired for age and service under the provisions of section 4
17 of P.L.1964, c.275 (C.43:13-22.53), or who has retired under the
18 provisions of **【either subsection】** subsections (a), 【or subsection】
19 (b), (c) or (d) of section 1 of P.L.1967, c.222 (C.43:13-22.54a), or
20 who has retired because of a disability under the provisions of
21 section 6 of P.L.1964, c.275 (C.43:13-22.55), a pension equal to
22 50% of the amount of the pension, including any adjustment thereto
23 under sections 7 through 13 of P.L.1990, c.20 (C.43:13-22.69 to
24 43:13-22.75), payable to the decedent at the time of death shall be
25 paid to the surviving widow, so long as she remains unmarried, or
26 surviving widower, so long as he remains unmarried; if there is no
27 surviving widow or widower or in case the widow or widower dies
28 or remarries, such pension shall be paid to one surviving child or to
29 two or more surviving children in equal shares; and if there is no
30 surviving widow, widower or child, such pension shall be paid to
31 one surviving dependent parent of the retirant or to both surviving
32 dependent parents in equal shares.

33 (d) (1) In the event a pension shall be payable as a result of the
34 death of a member in service and there are no eligible survivors at
35 the time of such member's death, an amount equal to such member's
36 contributions to the fund, without interest, shall be paid to the
37 member's estate. If, after the payment of all pension and
38 survivorship benefits payable by the retirement system to any
39 eligible survivors of a deceased member or retirant, the total
40 amount of those benefits, including adjustments under sections 7
41 through 13 of P.L.1990, c.20 (C.43:13-22.69 to 43:13-22.75),
42 together with the total amount of any retirement allowance or
43 pension benefits, including adjustments, which shall have been paid
44 to the decedent during retirement, is less than the amount of the
45 decedent's contributions during membership in the retirement
46 system, the amount of the difference, without interest, shall be
47 payable to the deceased member or retirant's estate.

1 (2) If at the time of the death of a member in service the sole
2 eligible survivors of such member are minor children and the total
3 of the aggregate payments on account of such children shall be an
4 amount which is less than such member's contributions to the fund,
5 without interest, the balance of such amount shall be payable to the
6 guardian of such minor children.
7 (cf: P.L.1996, c.101, s.3)

8
9 7. (New section) A member may file a detailed statement of
10 public employment with a public employer in this State which was
11 eligible for credit in a State-administered retirement system, or of
12 military service in the Armed Forces of the United States, rendered
13 prior to becoming a member, for which the member desires credit,
14 and of such other facts as the retirement system may require. The
15 member may purchase credit for all or a portion of the service
16 evidenced in the statement up to the nearest number of years and
17 months, but not exceeding three years. No application shall be
18 accepted for the purchase of credit for the service if, at the time of
19 application, the member has a vested right to retirement benefits in
20 another retirement system based in whole or in part upon that
21 service. A member who applies to purchase credit for such service
22 shall pay the full cost attributable to the increased benefits to be
23 derived from the purchased credit in accordance with the actuarial
24 method used to determine the cost at the time of the purchase. The
25 purchase may be made in a lump sum or in regular installments,
26 equal to at least 1/2 of the full normal contribution to the retirement
27 system, over a maximum period of 10 years. A member shall not be
28 liable for any costs associated with the financing of pension
29 adjustment benefits and health care benefits for retirees when
30 purchasing credit.

31 Any member electing to make a purchase pursuant to this section
32 who retires prior to completing payments as agreed with the
33 retirement system will receive pro rata credit for the purchase prior
34 to the date of retirement, but if the member so elects at the time of
35 retirement, the member may make the additional lump sum payment
36 required at that time to provide full credit.

37
38 8. Section 1 of P.L.1987, c.171 (C.43:13-22.67) is amended to
39 read as follows:

40 1. Any member who has at least three years of service credit
41 for which contributions have been made as a member may borrow
42 from the retirement system an amount equal to not more than 50%
43 of the amount of the member's aggregate contributions, but not less
44 than \$1,000.00]; provided that the amount borrowed, together with
45 interest, can be repaid by additional deductions from salary which
46 do not exceed 25% of the member's salary at the time the loan is
47 made] . Any loan from the retirement system must satisfy the
48 requirements of the federal Internal Revenue Code of 1986, as

1 amended, regulations of the United States Treasury Department,
2 and other directives or guidance of the federal Internal Revenue
3 Service. At the time a loan is made, a loan amount shall not result
4 in the projected required loan payments, including interest
5 contained in the payment, for the following calendar year exceeding
6 25% of the member's annual salary at the time the loan is made. If
7 a member's salary is uncertain at that time, the commission shall
8 use a reasonable estimate of the member's expected salary to
9 impose this 25% limitation. The amount so borrowed, together with
10 interest at a rate fixed by the commission on any unpaid balance,
11 shall be repaid to the retirement system in equal installments by
12 deduction from salary or in another manner and in amounts which
13 the commission shall approve; but the installments shall be at least
14 equal to the member's contribution to the retirement system and at
15 least sufficient to repay the amount borrowed with interest at the
16 conclusion of a term fixed by the commission **【**or by the time the
17 member attains age 70**】**. No more than two loans may be made to
18 any member in any 12-month period. The retirement system shall
19 make no loan to a member after the member has terminated
20 employment with the city.

21 Interest charged for loans to members shall be fixed annually by
22 the commission to take effect January 1 of each calendar year at a
23 rate equal to the average of the daily rates of interest at constant
24 maturity based on daily trades paid by 30-year United States
25 Treasury bonds for the period beginning on the first and ending on
26 the 30th day of the immediately preceding November plus 1%, or
27 10%, whichever is less. The interest earned from loans to members
28 shall be treated in the same manner as interest from investments of
29 the retirement system.

30 (cf: P.L.2003, c.167, s.1)

31

32 9. Section 2 of P.L.1987, c.171 (C.43:13-22.68) is amended to
33 read as follows:

34 2. a. Notwithstanding any other law affecting the salary or
35 compensation of a borrowing member to the contrary, including any
36 law restricting the amount or level of deductions from an
37 employee's salary or compensation, the additional deductions
38 required to repay the loan shall be made as necessary to comply
39 with the requirements governing loans from the retirement system
40 pursuant to section 1 of P.L.1987, c.171 (C.43:13-22.67). **【**Any
41 unpaid loan balance at the time any benefit may become payable
42 before the attainment of age 70 shall be deducted from the benefit
43 otherwise payable. If any member retires without repaying the full
44 amount borrowed, the commission shall retain the retirement
45 benefit payments of the member, excluding authorized deductions,
46 as repayment of the loan until the aggregate amount of retirement
47 benefit payments is equal to the outstanding balance of the loan

1 together with interest, at which time retirement benefit payments
2 shall be paid to the member.】

3 b. If a member employed by the city fails to make timely
4 payments on the member's outstanding loan, the retirement system
5 shall offset, to the extent possible, a member's benefit for the
6 unpaid loan balance, including interest accrued, and shall report the
7 unpaid loan balance as taxable income to the member pursuant to
8 the federal Internal Revenue Code of 1986, as amended.

9 c. If a member terminates employment with the city without
10 commencing the receipt of a benefit under the retirement system,
11 any unpaid loan balance, including interest accrued, shall become
12 immediately due and payable. If the unpaid loan balance is not
13 repaid by the time set by the commission, the member's remaining
14 benefit in the retirement system shall be reduced by the unpaid loan
15 balance, including interest accrued, at the time of the reduction.
16 The unpaid loan balance and accrued interest shall be reported to
17 the federal Internal Revenue Service as income pursuant to the
18 federal Internal Revenue Code of 1986, as amended.

19 d. If a member terminates employment with the city and
20 commences the receipt of a benefit under the retirement system, the
21 unpaid loan balance, including interest accrued, shall be deducted
22 from the benefit otherwise payable. Such deduction shall be
23 applied as follows:

24 (1) If a member elects to receive a single-sum payment of the
25 member's benefit, the amount paid to the member shall be reduced
26 by the unpaid loan balance, including interest accrued.

27 (2) If a member elects to receive the member's benefits as an
28 annuity, loan payments, including interest, shall be deducted from
29 the benefit payments.

30 e. The retirement system shall administer the provisions of
31 subsections b., c. and d. of this section in compliance with the
32 requirements of the federal Internal Revenue Code of 1986, as
33 amended.

34 f. If a 【retired】 member or retiree dies before the outstanding
35 balance of the loan and interest has been repaid, the remaining
36 balance shall be repaid from the proceeds of any other benefits
37 payable on the account of the member or retiree, such as monthly
38 payments to the member's beneficiaries or lump sum payments for
39 pension or group life insurance.

40 (cf: P.L.1987, c.171, s.2)

41

42 10. Section 11 of P.L.1990, c.20 (C.43:13-22.73) is amended to
43 read as follows:

44 11. On or before October 1, 1996 and by the same date in each
45 subsequent year, the Director of the Division of Pensions and
46 Benefits of the Department of the Treasury shall review the index
47 and determine the percentum of change in the index from the
48 retirement year index pursuant to the provisions of the "Pension

1 Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et seq.). The
2 percentage of adjustment in the retirement allowances, pensions and
3 survivorship benefits shall **[equal]** be one-half of the percentum of
4 change in the index. Any adjustment so calculated shall apply to all
5 of the months of the following calendar year for eligible retirants
6 and beneficiaries, except that for those qualifying for the first time,
7 it shall apply only to those months of the following calendar year in
8 which the retirant or beneficiary is eligible to receive the
9 adjustment.

10 On the basis of information certified to the director by the
11 retirement system concerning the amounts of all retirement
12 allowances, pensions and survivorship benefits of eligible retirants
13 and beneficiaries which are subject to adjustment under sections 7
14 through 13 of P.L.1990, c.20 (C.43:13-22.69 through 22.75), and
15 any other relevant matters as the director may require, the director
16 shall certify to the retirement system the amounts required to fund
17 the benefits provided under those sections for the applicable year.
18 The director shall include in that certification amounts sufficient to
19 adjust the retirement allowances, pensions or survivorship benefits
20 payable to all eligible retirants and beneficiaries by the percentum
21 of change in the index as such retirement allowances or pensions
22 may have been originally granted, or increased for certain retirants
23 and beneficiaries in accordance with the provisions of the "Pension
24 Adjustment Act."

25 In no instance shall the amount of the retirement allowance,
26 pension or survivorship benefit originally granted and payable to
27 any retirant or beneficiary be reduced as a result of this adjustment.
28 (cf: P.L.2003, c.167, s.2)
29

30 11. This act shall take effect immediately.
31
32

33 STATEMENT 34

35 This bill makes changes to certain provisions of the Employees'
36 Retirement System of Jersey City (ERS).

37 Under the bill, persons who become members of ERS after the
38 its effective date will need to be age 65 instead of age 60 to be
39 eligible for a deferred, service, or early retirement benefit. These
40 members will need 25 years of service credit instead of the current
41 20 years for a service retirement, and for early retirement will need
42 30 years instead of 25 years with a reduction of 3/12 of 1% for each
43 month the person lacks of age 65, instead of the current reduction of
44 1/12 of 1% for each month the person lacks of age 60. In addition,
45 the averaging period for final salary applied in the calculation of
46 retirement benefits increases from three years to five years for new
47 members. The bill provides that any new employee under the age
48 of 40 years who is a member of the State-administered Public

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1 Employees' Retirement System (PERS) based on prior employment
2 will continue to be a member of PERS, instead of being enrolled in
3 ERS, as currently required.

4 The bill also allows ERS members to purchase service credit, at
5 full cost to the member, for up to three years of employment with a
6 public employer in this State which was eligible for credit in a
7 State-administered retirement system, or of military service in the
8 Armed Forces of the United States, rendered prior to becoming a
9 member. Changes to conditions attached to members' loans and
10 their repayment are for the purpose of compliance with the
11 requirements of the federal Internal Revenue Code. Finally, the bill
12 reduces the percentage of the Consumer Price Index used for the
13 calculation of cost-of-living adjustments from 100% to 50% for
14 current and future retirees.

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 3096
STATE OF NEW JERSEY
215th LEGISLATURE

DATED: JANUARY 6, 2014

SUMMARY

Synopsis: Changes certain eligibility benefit provisions of Employees' Retirement System of Jersey City.

Type of Impact: Expenditure reduction to the Jersey City General Fund.

Agencies Affected: Jersey City.

Office of Legislative Services Estimate

Fiscal Impact	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Local Savings	Unknown - See comments below		

- This bill makes various benefit changes for new employees of the Jersey City Employees' Retirement System (JCERS), allows new employees who are less than 40 years-of-age and are members of the State-administered Public Employees' Retirement System (PERS) to remain in PERS instead of enrolling in JCERS, allows for the purchase of service credit for up to three years of employment with an eligible public employer, conforms loan provisions to be compliant with the federal Internal Revenue Code, and reduces the percentage of the Consumer Price Index (CPI) used for calculation of cost-of-living-adjustments (COLAs) for current and future retirees.
- As of the 2012 actuarial evaluation of the JCERS, that was conducted by Aon Hewitt an actuarial consulting firm that also contracts with the State, the net pension obligation of the JCERS was approximately \$185 million. The actuarial value of plan assets was \$77.6 million and the unfunded actuarial accrued liability was estimated to be approximately \$107 million, rendering a funded level of 41.9 percent.
- Based on informal conversations with Jersey City administrators, Aon Hewitt's actuarial evaluation of the bill estimates that the reduction in the CPI used for the calculation of COLAs from 100 percent to 50 percent for current and future retirees will reduce the city's annual pension costs by \$1.3 million per year on an ongoing basis.

- Jersey City administrators indicated that the Aon Hewitt report projected that the other benefit reforms provided for in the bill would decrease future costs of the system and improve the funded ratio, but that the savings were not quantified.

BILL DESCRIPTION

Senate Bill No. 3096 of 2013 makes changes to certain provisions of the JCERS. Under the bill, persons who become members of the JCERS after its effective date will need to be age 65 instead of age 60 to be eligible for a deferred, service, or early retirement benefit. These members will need 25 years of service credit instead of the current 20 years for a service retirement, and for early retirement will need 30 years instead of 25 years with a reduction of 3/12 of 1 percent for each month the person lacks of age 65, instead of the current reduction of 1/12 of 1 percent for each month the person lacks of age 60. In addition, the averaging period for final salary applied in the calculation of retirement benefits increases from three years to five years for new members. The bill provides that any new employee under the age of 40 years who is a member of the State-administered Public Employees' Retirement System (PERS) based on prior employment will continue to be a member of PERS, instead of being enrolled in JCERS, as currently required.

The bill also allows JCERS members to purchase service credit, at full cost to the member, for up to three years of employment with a public employer in this State which was eligible for credit in a State-administered retirement system, or of military service in the Armed Forces of the United States, rendered prior to becoming a member. Changes to conditions attached to members' loans and their repayment are for the purpose of compliance with the requirements of the federal Internal Revenue Code. Finally, the bill reduces the percentage of the CPI used for the calculation of COLAs from 100 percent to 50 percent for current and future retirees.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

Based on informal conversations with administrators in the Business Administration Office in Jersey City, the net pension obligation of the JCERS, as of the 2012 Jersey City actuarial evaluation, was approximately \$185 million. The actuarial value of plan assets was \$77.6 million and the unfunded actuarial accrued liability was estimated to be approximately \$107 million, rendering a funded level of 41.9 percent. In FY 2012, there were 672 active members in the JCERS and 353 current retirees receiving retirement benefits averaging \$28,620 per year. Jersey City administrators indicate that according to an actuarial report prepared by Aon Hewitt, an actuarial consulting firm that also contracts with the State and was hired by the city to conduct an actuarial analysis of the impact on the pension fund of this bill, the reduction in the CPI used for the calculation of COLAs from 100 percent to 50 percent for current and future retirees will reduce the city's annual pension costs by \$1.3 million per year on an ongoing basis. This

represents a 15 percent reduction in pension costs in FY 2014. The administrators indicated that the report did not quantify the potential savings that would be achieved by the implementation of the other benefit changes in the bill, but they did indicate that the Aon Hewitt report projected that the benefit changes would decrease future costs of the system and improve the funded ratio.

Section: State Government

*Analyst: Kimberly McCord Clemmensen
Senior Fiscal Analyst*

*Approved: David J. Rosen
Legislative Budget and Finance Officer*

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 3096

with committee amendments

STATE OF NEW JERSEY

DATED: JANUARY 13, 2014

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 3096, with committee amendments.

As amended, this bill makes various prospective changes to the qualifications and benefits associated with the Employees' Retirement System of Jersey City (ERS).

For new members of ERS, the bill makes the following changes to ERS qualifications and benefits:

- Raises the minimum age of eligibility for ERS' deferred, service, or early retirement benefit from the age of 60 to the age of 65;
- Increases the number of years of service necessary for service retirement from 20 years to 25 years;
- Raises the number of years of service necessary for early retirement from 25 years to 30 years;
- Reconfigures the retirement benefit penalty for each month a member lacks sufficient age from 1/12 of 1% for each month preceding age 60 to 3/12 of 1% for each month preceding age 65;
- Expands the averaging period in calculating a final salary for determining retirement benefits from three years to five years; and
- Maintains State-Administered Public Employees' Retirement System (PERS) membership for new employees under the age of 40 who are members of PERS based on prior employment.

For current and new members of ERS, the bill makes the following changes to ERS benefits:

- Reduces the percentage of the Consumer Price Index used for the calculation of cost-of-living adjustments from 100% to 50%;
- Authorizes the purchase of up to three years of service credit, at full cost to the member, for qualified employment rendered before becoming an ERS member, subject to restrictions. Qualified employment includes public in-State employment that was eligible for credit in a State-administered retirement system or military service in the United States Armed Forces.
- Changes conditions attached to member loans from ERS to comply with the federal Internal Revenue Code.

As amended, the bill also requires Jersey City, at the time it makes its annual normal contribution to the retirement system, to pay to the retirement system an additional amount equivalent to the COLA adjustment in retirement allowances or pensions and in survivorship benefits.

As amended by the committee, this bill is identical to Assembly Bill No 4536, as also amended by the committee.

COMMITTEE AMENDMENTS:

The proposed committee amendments require Jersey City, at the time it makes its annual normal contribution to the retirement system, to pay to the retirement system an additional amount equivalent to the COLA adjustment in retirement allowances or pensions and in survivorship benefits payable to retirants and beneficiaries in the prior year, except the initial payment will be equivalent to the cost of the adjustment beginning on the effective date of the bill.

FISCAL IMPACT:

The Office of Legislative Services (OLS) reports in the Legislative Fiscal Estimate for this bill that, based on informal conversations with administrators in the Business Administration Office in Jersey City, the net pension obligation of the JCERS, as of the 2012 Jersey City actuarial evaluation, was approximately \$185 million. The actuarial value of plan assets was \$77.6 million and the unfunded actuarial accrued liability was estimated to be approximately \$107 million, rendering a funded level of 41.9 percent. In FY 2012, there were 672 active members in the JCERS and 353 current retirees receiving retirement benefits averaging \$28,620 per year.

Based on informal conversations with Jersey City administrators, Aon Hewitt's actuarial evaluation of the bill estimates that the reduction in the CPI used for the calculation of COLAs from 100 percent to 50 percent for current and future retirees will reduce the city's annual pension costs by \$1.3 million per year on an ongoing basis. This bill requires the city to invest the \$1.3 million in savings from the COLA reduction into the retirement system which will improve the funded ratio accordingly. In addition, Jersey City administrators indicated that the Aon Hewitt report projected that the other benefit reforms provided for in the bill would decrease future costs of the system and improve the funded ratio, but that these savings were not quantified.