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P.L. 1999, CHAPTER 428, *approved January 18, 2000*
Assembly, No. 2328 (*First Reprint*)

1 **AN ACT** concerning retirement benefits for members of the Police and
2 Firemen's Retirement System of New Jersey ¹**[and]**,¹ amending
3 various parts of the statutory law ¹and supplementing P.L.1944,
4 c.255¹.

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

8
9 1. Section 1 of P.L.1944, c.255 (C.43:16A-1) is amended to read
10 as follows:

11 1. As used in this act:

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

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

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

24 (ii) has police powers;

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

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

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

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:

¹ Assembly AAP committee amendments adopted December 13, 1999.

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

16 (3) "Member" shall mean any policeman or fireman included in the
17 membership of the retirement system pursuant to this amendatory and
18 supplementary act, P.L.1989, c.204 (C.43:16A-15.6 et al.).

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

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

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

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

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

30 (9) "Regular interest" shall mean interest as determined by the
31 State Treasurer, after consultation with the Directors of the Divisions
32 of Investment and Pensions, the board of trustees and the actuary. It
33 shall bear a reasonable relationship to the percentage rate of earnings
34 on investments based on the market value of assets but shall not
35 exceed the assumed percentage rate of increase applied to salaries plus
36 3%, provided however that the board of trustees shall not set the
37 average percentage rate of increase applied to salaries below 6%.

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

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

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

46 (13) "Retirement allowance" shall mean the pension plus the

1 annuity.

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

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

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

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

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

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

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

32 (21) "Child" shall mean a deceased member's or retirant's
33 unmarried child (a) under the age of 18, or (b) 18 years of age or older
34 and enrolled in a secondary school, or (c) under the age of 24 and
35 enrolled in a degree program in an institution of higher education for
36 at least 12 credit hours in each semester, provided that the member
37 died in active service as a result of an accident met in the actual
38 performance of duty at some definite time and place, and the death
39 was not the result of the member's willful misconduct, or (d) of any
40 age who, at the time of the member's or retirant's death, is disabled
41 because of mental retardation or physical incapacity, is unable to do
42 any substantial, gainful work because of the impairment and his
43 impairment has lasted or can be expected to last for a continuous
44 period of not less than 12 months, as affirmed by the medical board.

45 (22) "Parent" shall mean the parent of a member who was receiving
46 at least one-half of his support from the member in the 12-month

1 period immediately preceding the member's death or the accident
2 which was the direct cause of the member's death. The dependency of
3 such a parent will be considered terminated by marriage of the parent
4 subsequent to the death of the member.

5 (23) "Widower" shall mean the man to whom a member or retiree
6 was married [at least one year before the date of her death and to
7 whom she continued to be married until] on the date of her death and
8 who has not remarried. [In the event of the payment of an accidental
9 death benefit, the one-year qualification shall be waived.]

10 (24) "Widow" shall mean the woman to whom a member or retiree
11 was married [at least one-year before the date of his death and to
12 whom he continued to be married until] on the date of his death and
13 who has not remarried. [In the event of the payment of an accidental
14 death benefit, the one year qualification shall be waived.]

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

17 (26) "Compensation" shall mean the base salary, for services as a
18 member as defined in this act, which is in accordance with established
19 salary policies of the member's employer for all employees in the same
20 position but shall not include individual salary adjustments which are
21 granted primarily in anticipation of the member's retirement or
22 additional remuneration for performing temporary duties beyond the
23 regular workday.

24 (27) "Department" shall mean any police or fire department of a
25 municipality or a fire department of a fire district located in a township
26 or a county police or park police department or the appropriate
27 department of the State or instrumentality thereof.

28 (28) "Final compensation" means the compensation received by the
29 member in the last 12 months of creditable service preceding his
30 retirement ¹or death¹.

31 (29) (Deleted by amendment, P.L.1992, c.78).

32 (30) (Deleted by amendment, P.L.1992, c.78).

33 (cf: P.L.1996, c.89, s.1)

34
35 2. Section 5 of P.L.1944, c.255 (C.43:16A-5) is amended to read
36 as follows:

37 5. (1) Any member in service who has attained age 55 years may
38 retire on a service retirement allowance upon filing a written and duly
39 executed application to the retirement system, setting forth at what
40 time, not less than 1 month subsequent to the filing thereof, he desires
41 to be retired. Any member in service who attains age 65 years shall be
42 retired on a service retirement allowance forthwith on the first day of
43 the next calendar month.

44 (2) Upon retirement for service a member shall receive a service
45 retirement allowance which shall consist of:

46 (a) An annuity which shall be the actuarial equivalent of his

1 aggregate contributions and

2 (b) A pension in the amount which, when added to the member's
3 annuity, will provide a total retirement allowance of one-sixtieth of his
4 average final compensation multiplied by the number of years of his
5 creditable service, or 2% of his average final compensation multiplied
6 by the number of years of his creditable service up to 30 plus 1% of his
7 average final compensation multiplied by the number of years of
8 creditable service over 30, or 50% of his final compensation if the
9 member has established 20 or more years of creditable service,
10 whichever is greater.

11 (3) Any member of the retirement system as of the effective date
12 of P.L. , c. (now pending before the Legislature as this bill) who
13 has 20 or more years of creditable service at the time of retirement
14 shall be entitled to ¹receive a retirement allowance equal to ¹ 50% of
15 the member's final compensation plus¹, in the case of a member
16 required to retire pursuant to the provisions of subsection (1) of this
17 section, ¹ 3% of final compensation multiplied by the number of years
18 of creditable service over 20 but not over 25.

19 **[(3)]** (4) Upon the receipt of proper proofs of the death of a
20 member who has retired on a service retirement allowance, there shall
21 be paid to his beneficiary an amount equal to one-half of the
22 compensation upon which contributions by the member to the annuity
23 savings fund were based in the last year of creditable service.
24 (cf: P.L.1973, c.109, s.1)

25

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

28 6. (1) Upon the written application by a member in service, by one
29 acting in his behalf or by his employer, any member, under 55 years of
30 age, who has had **[(five)]** four or more years of creditable service may
31 be retired on an ordinary disability retirement allowance; provided,
32 that the medical board, after a medical examination of such member,
33 shall certify that such member is mentally or physically incapacitated
34 for the performance of his usual duty and of any other available duty
35 in the department which his employer is willing to assign to him and
36 that such incapacity is likely to be permanent and to such an extent
37 that he should be retired.

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

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

42 (b) A pension in the amount which, when added to the member's
43 annuity, will provide a total retirement allowance of 1 1/2 % of
44 **[(average)]** final compensation multiplied by his number of years of
45 creditable service but in no event shall the total allowance be less than
46 40% of the member's **[(average)]** final compensation.

1 (3) Notwithstanding the provisions of subsection (2) of this
2 section, a member who has more than 20 but less than 25 years of
3 creditable service and who is required to retire upon application by the
4 employer on or after the effective date of P.L. , c. (now pending
5 before the Legislature as this bill), shall receive an ordinary disability
6 retirement allowance which shall consist of:

7 (a) An annuity which shall be the actuarial equivalent of the
8 member's aggregate contributions; and

9 (b) A pension in the amount which, when added to the member's
10 annuity, will provide a total retirement allowance of 50% of final
11 compensation plus 3% of final compensation multiplied by the number
12 of years of creditable service over 20 but not over 25.

13 **[(3)]** (4) Upon the receipt of proper proofs of the death of a
14 member who has retired on an ordinary disability retirement allowance,
15 there shall be paid to such member's beneficiary, an amount equal to
16 3 1/2 times the compensation upon which contributions by the member
17 to the annuity savings fund were based in the last year of creditable
18 service; provided, however, that if such death shall occur after the
19 member shall have attained 55 years of age the amount payable shall
20 equal 1/2 of such compensation instead of 3 1/2 times such
21 compensation.

22 (cf: P.L.1989, c.204, s.2)

23
24 4. Section 8 of P.L.1944, c.255 (C.43:16A-8) is amended to read
25 as follows:

26 8. (1) Upon the receipt by the retirement system of a written
27 application for a disability retirement allowance, the system shall refer
28 the application to the medical board, which shall designate a physician
29 or physicians to examine the applicant and the report of the medical
30 board shall be considered by the board of trustees in acting upon such
31 application.

32 (2) Any beneficiary under the age of 55 years who has been retired
33 on a disability retirement allowance under this act, on his request shall,
34 or upon the request of the retirement system may, be given a medical
35 examination and he shall submit to any examination by a physician or
36 physicians designated by the medical board once a year for at least a
37 period of 5 years following his retirement in order to determine
38 whether or not the disability which existed at the time he was retired
39 has vanished or has materially diminished. If the report of the medical
40 board shall show that such beneficiary is able to perform either his
41 former duty or any other available duty in the department which his
42 employer is willing to assign to him, the beneficiary shall report for
43 duty; such a beneficiary shall not suffer any loss of benefits while he
44 awaits his restoration to active service. If the beneficiary fails to
45 submit to any such medical examination or fails to return to duty
46 within 10 days after being ordered so to do, or within such further

1 time as may be allowed by the board of trustees for valid reason, as the
2 case may be, the pension shall be discontinued during such default.

3 (3) (Deleted by amendment.)

4 (4) If a disability beneficiary is restored to active service, his
5 retirement allowance and the right to any death benefit as a result of
6 his former membership, shall be canceled until he again retires.

7 Such person shall be reenrolled in the retirement system and shall
8 contribute thereto at a rate based on his age at the time of prior
9 enrollment. Such person shall be treated as an active member for
10 determining disability or death benefits while in service.

11 Upon subsequent retirement of such member, he shall receive a
12 retirement allowance based on all his service as a member computed
13 in accordance with applicable provisions of this act, but the total
14 retirement allowance upon subsequent retirement shall not be a greater
15 proportion of his average final compensation or final compensation,
16 whichever is applicable, than the proportion to which he would have
17 been entitled had he remained in service during the period of his prior
18 retirement. Any death benefit to which such member shall be eligible
19 shall be based on his latest retirement.

20 (cf: P.L.1971, c.217, s.9)

21

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

24 9. (1) Upon the receipt of proper proof of the death of a member
25 in active service on account of which no accidental death benefit is
26 payable under section 10 there shall be paid to such member's
27 **【beneficiary:**

28 (a) The member's aggregate contributions at the time of death and

29 (b) An amount equal to 3 1/2 times the compensation upon which
30 contributions by the member to the annuity savings fund were based
31 in the last year of creditable service**】** widow or widower a pension of
32 50% of final compensation for the use of himself or herself and
33 children of the deceased member, to continue during his or her
34 widowhood; if there is no surviving widow or widower or in the case
35 the widow or widower dies or remarries, 20% of final compensation
36 will be payable to one surviving child, 35% of final compensation to
37 two surviving children in equal shares and if there be three or more
38 children, 50% of final compensation will be payable to such children
39 in equal shares.

40 In the event of death occurring in the first year of creditable service,
41 the benefits, payable pursuant to this subsection, shall be computed at
42 the annual rate of compensation.

43 If there is no widow or widower or child, 25% of final
44 compensation will be payable to one surviving parent or 40% of final
45 compensation will be payable to two surviving parents in equal shares.

46 (2) If there is no widow or widower, child or parent, there shall be

1 paid to any other beneficiary of the deceased member his or her
2 aggregate contributions at the time of death.

3 (3) In no case shall the death benefit provided in subsection (1). be
4 less than that provided under subsection (2).

5 (4) In addition to the foregoing benefits payable under subsection
6 (1) or (2), there shall also be paid in one sum to the member's
7 beneficiary, an amount equal to 3 1/2 times final compensation.

8 **[(2)] (5)** a. For the purposes of this section and section 10 (5), a
9 member of the Police and Firemen's Retirement System shall be
10 deemed to be an active member for a period of no more than 93 days
11 while on official leave of absence without pay when such leave is due
12 to any reason other than illness, and for a period of not more than one
13 year in the event of an official leave (a) due to the member's maternity,
14 or (b) to fulfill a residency requirement for an advanced degree, or (c)
15 as a full-time student at an institution of higher education, and (1)
16 while he is disabled due to sickness or injury arising out of or in the
17 course of his employment as a member to whom this act applies, is not
18 engaged in any gainful occupation, and is receiving or entitled to
19 receive periodic benefits (including any commutation of, or substitute
20 for, such benefits) for loss of time on account of such disability under
21 or by reason of workmen's compensation law, occupational disease
22 law or similar legislation and has not retired or terminated his
23 membership; or (2) for a period of no more than two years while on
24 official leave of absence without pay if satisfactory evidence is
25 presented to the retirement system that such leave of absence without
26 pay is due to the member's personal illness other than an illness to
27 which (1) above applies.

28 b. If a member dies within 30 days after the date of retirement or
29 the date of board approval, whichever is later, a death benefit shall be
30 payable only if he is deemed to be an active member in accordance
31 with this section; provided, however, a member applying for disability
32 benefits shall be deemed an active member if he was covered by the
33 death benefit provisions of the act at the termination of employment,
34 filed the application for disability retirement with the retirement system
35 within 30 days following such termination of employment and dies
36 within 30 days after the date of retirement or the date of board
37 approval, whichever is later. If a member files an application for
38 disability retirement while in service and otherwise meets the
39 requirements for disability retirement, but dies before the retirement
40 takes effect, the retirement shall be considered effective.

41 (cf: P.L.1995, c.47, s.1)

42

43 6. Section 17 of P.L.1964, c.241 (C.43:16A-11.2) is amended to
44 read as follows:

45 17. Should a member, after having established 10 years of
46 creditable service, be separated voluntarily or involuntarily from the

1 service, before reaching age 55, and not by removal for cause on
2 charges of misconduct or delinquency, such person may elect to
3 receive the payments provided for in section 11 of P.L.1944, c. 255 or
4 section 16 of P.L.1964, c. 241, or a deferred retirement allowance,
5 beginning on the first day of the month following his attainment of age
6 55 and the filing of an application therefor, which shall consist of:

7 (1) An annuity which shall be the actuarial equivalent of his
8 aggregate contributions at the time of his severance from the service
9 and

10 (2) A pension in the amount which, when added to the member's
11 annuity, will provide a total retirement allowance of 2% of **【his**
12 **average】** the member's final compensation multiplied by the number
13 of years of **【his】** creditable service up to 30 plus 1% of **【his average】**
14 final compensation multiplied by the number of years of creditable
15 service over 30, provided that such inactive member may elect to
16 receive payments provided under section 11 of P.L.1944, c.255 or
17 section 16 of P.L.1964, c. 241 if **【he】** the member had qualified under
18 that section at the time of leaving service, except that in order to avail
19 himself or herself of the option, **【he】** the member must exercise such
20 option at least 30 days before the effective date of **【his】** retirement.
21 If such inactive member shall die before attaining age 55, **【his】** the
22 member's aggregate contributions shall be paid in accordance with
23 section 11 of P.L.1944, c.255 and, in addition if such inactive member
24 shall die after attaining age 55 but before filing an application for
25 retirement benefits pursuant to this section or section 16 of P.L.1964,
26 c.241 and has not withdrawn his or her aggregate contributions, or in
27 the event of death after retirement, an amount equal to one-half of the
28 compensation upon which contributions by the member to the annuity
29 savings fund were based in the last year of creditable service shall be
30 paid to such member's beneficiary.

31 Any member who, having elected to receive a deferred retirement
32 allowance, again becomes an employee covered by the retirement
33 system while under the age of 55, shall thereupon be reenrolled. If he
34 had discontinued his service for more than 2 consecutive years,
35 subsequent contributions shall be at his former rate increased for the
36 years of his inactive membership. He shall be credited with all service
37 as a member standing to his credit at the time of his election to
38 receive a deferred retirement allowance.

39 (cf: P.L.1981, c.177, s.5)

40

41 7. Section 26 of P.L.1967, c.250 (C.43:16A-12.1) is amended to
42 read as follows:

43 26. a. Upon the death after retirement of any member of the
44 retirement system there shall be paid to **【his】** the member's widow or
45 widower a pension of 50% of **【average】** final compensation for the

1 use of herself or himself, to continue during her or his widowhood,
2 plus 15% of such compensation payable to one surviving child or an
3 additional 25% of such compensation to two or more children; if there
4 is no surviving widow or widower or in case the widow or widower
5 dies or remarries, 20% of **【average】** final compensation will be
6 payable to one surviving child, 35% of such compensation to two
7 surviving children in equal shares and if there be three or more
8 children, 50% of such compensation would be payable to such children
9 in equal shares.

10 b. The increased pension benefits payable under this act shall apply
11 only to cases where such policeman or fireman retires on or after
12 December 18, 1967 and shall not affect pensions paid or to be paid as
13 a result of retirements occurring prior to said date. The increased
14 pension benefits payable under this subsection of this 1991 amendatory
15 and supplementary act shall apply only to pension benefits payable on
16 or after the effective date of this 1991 amendatory and supplementary
17 act, P.L.1991, c.511 (C.43:3B-8.4 et al.).

18 c. As of the effective date of this 1991 amendatory and
19 supplementary act, P.L.1991, c.511 (C.43:3B-8.4 et al.), all widows'
20 and widowers' pensions previously granted or to be granted pursuant
21 to the provisions of subsection a. of this section or section 10 of
22 chapter 255 of the laws of 1944, as amended, and all such pensions
23 previously granted, or to be granted where retirement for accidental
24 disability occurred prior to December 18, 1967, pursuant to the
25 provisions of section 7(3) of chapter 255 of the laws of 1944 prior to
26 the amendment of that section by P.L.1967, c.250, will be subject to
27 a minimum, annual, aggregate payment of \$4,500. The increased
28 pension benefits payable under this subsection of this 1991 amendatory
29 and supplementary act shall apply only to pension benefits payable on
30 or after the effective date of this 1991 amendatory and supplementary
31 act, P.L.1991, c.511 (C.43:3B-8.4 et al.).

32 d. The State shall reimburse local governments for additional
33 pension costs arising from any increase in the annual pension payable
34 to a widow or widower pursuant to this section of this 1991
35 amendatory and supplementary act, P.L.1991, c.511 (C.43:3B-8.4 et
36 al.).

37 (cf: P.L.1991, c.511, s.1)

38

39 8. Section 20 of P.L.1971, c.175 (C.43:16A-15.3) is amended to
40 read as follows:

41 20. If a former member of the retirement system who has been
42 granted a retirement allowance for any cause other than disability,
43 becomes employed again in a position which makes him eligible to be
44 a member of the retirement system, his retirement allowance and the
45 right to any death benefit as a result of his former membership, shall
46 be canceled until he again retires.

1 Such person shall be reenrolled in the retirement system and shall
2 contribute thereto at a rate based on his age at the time of
3 reenrollment. Such person shall be treated as an active member for
4 determining disability or death benefits while in service. Upon
5 subsequent retirement of such member, his former retirement
6 allowance shall be reinstated based on his former membership. In
7 addition, he shall receive an additional retirement allowance based on
8 his subsequent service as a member computed in accordance with
9 applicable provisions of this chapter; provided, however, that his total
10 retirement allowance upon such subsequent retirement shall not be a
11 greater proportion of his average final compensation or final
12 compensation, whichever is applicable, than the proportion to which
13 he would have been entitled had he remained in service during the
14 period of his prior retirement. Any death benefit to which such
15 member shall be eligible shall be based on his latest retirement, but
16 shall not be less than the death benefit that was applicable to his
17 former retirement.

18 (cf: P.L.1971, c.175, s.20)

19

20 19. (New section) The State shall be liable for all costs to the
21 retirement system attributable to any increase in benefits pursuant to
22 the amendatory provisions of P.L. _____, c. _____ (now pending before the
23 Legislature as this bill), and no adjustment in the normal or accrued
24 liability contribution of employers under the system shall be made in
25 respect of such costs. The State shall pay the liability as follows:

26 a. At the time of a member's retirement from the retirement system,
27 the retirement system shall compute, in the case of a retirant under the
28 provisions of section 5 or section 6 of P.L.1944, c.255 (C.43:16A-5
29 or -6) or section 17 of P.L.1964, c.241 (C.43:16A-11.2) as amended,
30 respectively, by section 2, section 3 and section 6 of that P.L. _____,
31 c. _____, the actuarial present value of the member's retirement allowance,
32 and in the case of any retirant, the actuarial present value of any
33 survivorship benefit payable with respect to the retirant under the
34 provisions of section 9 of P.L.1944, c.255 (C.43:16A-9) or section 26
35 of P.L.1967, c.250 (C.43:16A-12.1) as amended, respectively, by
36 section 5 and section 7 of that P.L. _____, c. _____. If the actuarial present
37 value of the survivorship benefit plus, if appropriate, the actuarial
38 present value of the retirement allowance exceeds the total of the
39 accumulated employee and employer contributions, plus interest,
40 attributable to the member's service (reduced, in the case of a person
41 retiring other than under the provisions of section 5 or section 6 of
42 P.L.1944, c.255 (C.43:16A-5 or -6) or section 17 of P.L.1964, c.241
43 (C.43:16A-11.2), by the actuarial present value of the member's
44 retirement allowance), the State shall pay to the retirement system, not
45 later than the 90th day following the member's retirement, the amount
46 of the difference.

1 b. Upon the death of a member of the retirement system in active
2 service, or of a former member of the retirement system who shall
3 have retired prior to the effective date of that P.L. , c. , the
4 retirement system shall compute the actuarial present value, as of the
5 date of the former member's death, of any survivorship benefit payable
6 with respect to the retirant under the provisions of section 9 of
7 P.L.1944, c.255 (C.43:16A-9) or section 26 of P.L.1967, c.250
8 (C.43:16A-12.1) as amended, respectively, by section 5 and section 7
9 of that P.L. , c. . If the actuarial present value of the survivorship
10 benefit exceeds the present value, as of the date of death, of that
11 portion of the total of the accumulated employee and employer
12 contributions (including interest) attributable to the member's service
13 that represents the reserve established to fund the survivorship benefit
14 provided under those respective sections, then the State shall pay to
15 the retirement system, not later than the 90th day following the former
16 member's death, the amount of the difference.¹

17

18 ¹[9.] 10.¹ This act shall take effect immediately.

19

20

21

22

23 Enhances retirement benefits for PFRS members.

ASSEMBLY, No. 2328

STATE OF NEW JERSEY 208th LEGISLATURE

INTRODUCED JULY 27, 1998

Sponsored by:

Assemblyman FRANCIS J. BLEE

District 2 (Atlantic)

Assemblyman JOHN V. KELLY

District 36 (Bergen, Essex and Passaic)

Co-Sponsored by:

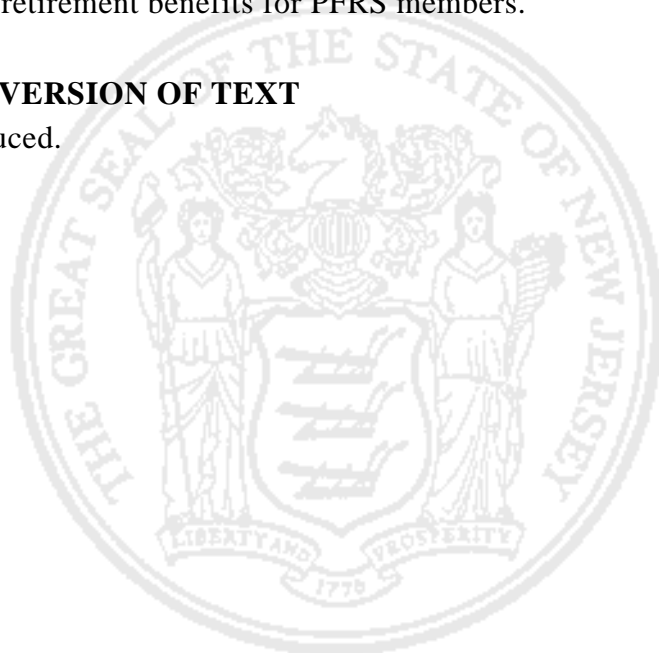
Assemblymen Cohen, Asselta, Collins, Conaway, Cottrell, Felice, Jones, Luongo, Malone, Assemblywomen Quigley, Weinberg, Assemblyman Barnes, Assemblywoman Buono, Assemblyman Chatzidakis, Assemblywoman Cruz-Perez, Assemblyman Doria, Assemblywoman Farragher, Assemblymen LeFevre, Steele, Assemblywoman Wright, Assemblymen Gibson, Greenwald, Wolfe, Wisniewski and Green

SYNOPSIS

Enhances retirement benefits for PFRS members.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 11/16/1999)

1 AN ACT concerning retirement benefits for members of the Police and
2 Firemen's Retirement System of New Jersey and amending various
3 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.1944, c.255 (C.43:16A-1) is amended to read
9 as follows:

10 1. As used in this act:

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

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

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

23 (ii) has police powers;

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

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

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

40 (b) "Fireman" shall mean a permanent, full-time employee of a
41 firefighting unit whose primary duties include the control and
42 extinguishment of fires and who is subject to the training and physical
43 and mental fitness requirements applicable to the position of municipal

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

12 (3) "Member" shall mean any policeman or fireman included in the
13 membership of the retirement system pursuant to this amendatory and
14 supplementary act, P.L.1989, c.204 (C.43:16A-15.6 et al.).

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

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

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

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

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

26 (9) "Regular interest" shall mean interest as determined by the
27 State Treasurer, after consultation with the Directors of the Divisions
28 of Investment and Pensions, the board of trustees and the actuary. It
29 shall bear a reasonable relationship to the percentage rate of earnings
30 on investments based on the market value of assets but shall not
31 exceed the assumed percentage rate of increase applied to salaries plus
32 3%, provided however that the board of trustees shall not set the
33 average percentage rate of increase applied to salaries below 6%.

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

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

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

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

44 (14) "Earnable compensation" shall mean the full rate of the salary
45 that would be payable to an employee if he worked the full normal
46 working time for his position. In cases where salary includes

1 maintenance, the retirement system shall fix the value of that part of
2 the salary not paid in money which shall be considered under this act.

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

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

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

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

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

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

28 (21) "Child" shall mean a deceased member's or retirant's
29 unmarried child (a) under the age of 18, or (b) 18 years of age or older
30 and enrolled in a secondary school, or (c) under the age of 24 and
31 enrolled in a degree program in an institution of higher education for
32 at least 12 credit hours in each semester, provided that the member
33 died in active service as a result of an accident met in the actual
34 performance of duty at some definite time and place, and the death
35 was not the result of the member's willful misconduct, or (d) of any
36 age who, at the time of the member's or retirant's death, is disabled
37 because of mental retardation or physical incapacity, is unable to do
38 any substantial, gainful work because of the impairment and his
39 impairment has lasted or can be expected to last for a continuous
40 period of not less than 12 months, as affirmed by the medical board.

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

1 (23) "Widower" shall mean the man to whom a member or retirant
2 was married [at least one year before the date of her death and to
3 whom she continued to be married until] on the date of her death and
4 who has not remarried. [In the event of the payment of an accidental
5 death benefit, the one-year qualification shall be waived.]

6 (24) "Widow" shall mean the woman to whom a member or retirant
7 was married [at least one-year before the date of his death and to
8 whom he continued to be married until] on the date of his death and
9 who has not remarried. [In the event of the payment of an accidental
10 death benefit, the one year qualification shall be waived.]

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

13 (26) "Compensation" shall mean the base salary, for services as a
14 member as defined in this act, which is in accordance with established
15 salary policies of the member's employer for all employees in the same
16 position but shall not include individual salary adjustments which are
17 granted primarily in anticipation of the member's retirement or
18 additional remuneration for performing temporary duties beyond the
19 regular workday.

20 (27) "Department" shall mean any police or fire department of a
21 municipality or a fire department of a fire district located in a township
22 or a county police or park police department or the appropriate
23 department of the State or instrumentality thereof.

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

27 (29) (Deleted by amendment, P.L.1992, c.78).

28 (30) (Deleted by amendment, P.L.1992, c.78).

29 (cf: P.L.1996, c.89, s.1)

30

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

33 5. (1) Any member in service who has attained age 55 years may
34 retire on a service retirement allowance upon filing a written and duly
35 executed application to the retirement system, setting forth at what
36 time, not less than 1 month subsequent to the filing thereof, he desires
37 to be retired. Any member in service who attains age 65 years shall be
38 retired on a service retirement allowance forthwith on the first day of
39 the next calendar month.

40 (2) Upon retirement for service a member shall receive a service
41 retirement allowance which shall consist of:

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

44 (b) A pension in the amount which, when added to the member's
45 annuity, will provide a total retirement allowance of one-sixtieth of his
46 average final compensation multiplied by the number of years of his

1 creditable service, or 2% of his average final compensation multiplied
2 by the number of years of his creditable service up to 30 plus 1% of his
3 average final compensation multiplied by the number of years of
4 creditable service over 30, or 50% of his final compensation if the
5 member has established 20 or more years of creditable service,
6 whichever is greater.

7 (3) Any member of the retirement system as of the effective date
8 of P.L. , c. (now pending before the Legislature as this bill) who
9 has 20 or more years of creditable service at the time of retirement
10 shall be entitled to 50% of the member's final compensation plus 3%
11 of final compensation multiplied by the number of years of creditable
12 service over 20 but not over 25.

13 **[(3)]** (4) Upon the receipt of proper proofs of the death of a
14 member who has retired on a service retirement allowance, there shall
15 be paid to his beneficiary an amount equal to one-half of the
16 compensation upon which contributions by the member to the annuity
17 savings fund were based in the last year of creditable service.
18 (cf: P.L.1973, c.109, s.1)

19

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

22 6. (1) Upon the written application by a member in service, by
23 one acting in his behalf or by his employer, any member, under 55
24 years of age, who has had **five** four or more years of creditable
25 service may be retired on an ordinary disability retirement allowance;
26 provided, that the medical board, after a medical examination of such
27 member, shall certify that such member is mentally or physically
28 incapacitated for the performance of his usual duty and of any other
29 available duty in the department which his employer is willing to assign
30 to him and that such incapacity is likely to be permanent and to such
31 an extent that he should be retired.

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

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

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

41 (3) Notwithstanding the provisions of subsection (2) of this
42 section, a member who has more than 20 but less than 25 years of
43 creditable service and who is required to retire upon application by the
44 employer on or after the effective date of P.L. , c. (now pending
45 before the Legislature as this bill), shall receive an ordinary disability
46 retirement allowance which shall consist of:

1 (a) An annuity which shall be the actuarial equivalent of the
2 member's aggregate contributions; and

3 (b) A pension in the amount which, when added to the member's
4 annuity, will provide a total retirement allowance of 50% of final
5 compensation plus 3% of final compensation multiplied by the number
6 of years of creditable service over 20 but not over 25.

7 **[(3)]** (4) Upon the receipt of proper proofs of the death of a
8 member who has retired on an ordinary disability retirement allowance,
9 there shall be paid to such member's beneficiary, an amount equal to
10 3 1/2 times the compensation upon which contributions by the member
11 to the annuity savings fund were based in the last year of creditable
12 service; provided, however, that if such death shall occur after the
13 member shall have attained 55 years of age the amount payable shall
14 equal 1/2 of such compensation instead of 3 1/2 times such
15 compensation.

16 (cf: P.L.1989, c.204, s.2)

17

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

20 8. (1) Upon the receipt by the retirement system of a written
21 application for a disability retirement allowance, the system shall refer
22 the application to the medical board, which shall designate a physician
23 or physicians to examine the applicant and the report of the medical
24 board shall be considered by the board of trustees in acting upon such
25 application.

26 (2) Any beneficiary under the age of 55 years who has been retired
27 on a disability retirement allowance under this act, on his request shall,
28 or upon the request of the retirement system may, be given a medical
29 examination and he shall submit to any examination by a physician or
30 physicians designated by the medical board once a year for at least a
31 period of 5 years following his retirement in order to determine
32 whether or not the disability which existed at the time he was retired
33 has vanished or has materially diminished. If the report of the medical
34 board shall show that such beneficiary is able to perform either his
35 former duty or any other available duty in the department which his
36 employer is willing to assign to him, the beneficiary shall report for
37 duty; such a beneficiary shall not suffer any loss of benefits while he
38 awaits his restoration to active service. If the beneficiary fails to
39 submit to any such medical examination or fails to return to duty
40 within 10 days after being ordered so to do, or within such further
41 time as may be allowed by the board of trustees for valid reason, as the
42 case may be, the pension shall be discontinued during such default.

43 (3) (Deleted by amendment.)

44 (4) If a disability beneficiary is restored to active service, his
45 retirement allowance and the right to any death benefit as a result of
46 his former membership, shall be canceled until he again retires.

1 Such person shall be reenrolled in the retirement system and shall
2 contribute thereto at a rate based on his age at the time of prior
3 enrollment. Such person shall be treated as an active member for
4 determining disability or death benefits while in service.

5 Upon subsequent retirement of such member, he shall receive a
6 retirement allowance based on all his service as a member computed
7 in accordance with applicable provisions of this act, but the total
8 retirement allowance upon subsequent retirement shall not be a greater
9 proportion of his average final compensation or final compensation,
10 whichever is applicable, than the proportion to which he would have
11 been entitled had he remained in service during the period of his prior
12 retirement. Any death benefit to which such member shall be eligible
13 shall be based on his latest retirement.

14 (cf: P.L.1971, c.217, s.9)

15
16 5. Section 9 of P.L.1944, c.255 (C.43:16A-9) is amended to read
17 as follows:

18 9. (1) Upon the receipt of proper proof of the death of a member
19 in active service on account of which no accidental death benefit is
20 payable under section 10 there shall be paid to such member's
21 **【beneficiary:**

22 (a) The member's aggregate contributions at the time of death and

23 (b) An amount equal to 3 1/2 times the compensation upon which
24 contributions by the member to the annuity savings fund were based
25 in the last year of creditable service **】** widow or widower a pension of
26 50% of final compensation for the use of himself or herself and
27 children of the deceased member, to continue during his or her
28 widowhood; if there is no surviving widow or widower or in the case
29 the widow or widower dies or remarries, 20% of final compensation
30 will be payable to one surviving child, 35% of final compensation to
31 two surviving children in equal shares and if there be three or more
32 children, 50% of final compensation will be payable to such children
33 in equal shares.

34 In the event of death occurring in the first year of creditable service,
35 the benefits, payable pursuant to this subsection, shall be computed at
36 the annual rate of compensation.

37 If there is no widow or widower or child, 25% of final
38 compensation will be payable to one surviving parent or 40% of final
39 compensation will be payable to two surviving parents in equal shares.

40 (2) If there is no widow or widower, child or parent, there shall be
41 paid to any other beneficiary of the deceased member his or her
42 aggregate contributions at the time of death.

43 (3) In no case shall the death benefit provided in subsection (1).
44 be less than that provided under subsection (2).

45 (4) In addition to the foregoing benefits payable under subsection
46 (1) or (2), there shall also be paid in one sum to the member's

1 beneficiary, an amount equal to 3 1/2 times final compensation.

2 **[(2)] (5)** a. For the purposes of this section and section 10 (5), a
3 member of the Police and Firemen's Retirement System shall be
4 deemed to be an active member for a period of no more than 93 days
5 while on official leave of absence without pay when such leave is due
6 to any reason other than illness, and for a period of not more than one
7 year in the event of an official leave (a) due to the member's maternity,
8 or (b) to fulfill a residency requirement for an advanced degree, or (c)
9 as a full-time student at an institution of higher education, and (1)
10 while he is disabled due to sickness or injury arising out of or in the
11 course of his employment as a member to whom this act applies, is not
12 engaged in any gainful occupation, and is receiving or entitled to
13 receive periodic benefits (including any commutation of, or substitute
14 for, such benefits) for loss of time on account of such disability under
15 or by reason of workmen's compensation law, occupational disease
16 law or similar legislation and has not retired or terminated his
17 membership; or (2) for a period of no more than two years while on
18 official leave of absence without pay if satisfactory evidence is
19 presented to the retirement system that such leave of absence without
20 pay is due to the member's personal illness other than an illness to
21 which (1) above applies.

22 b. If a member dies within 30 days after the date of retirement or
23 the date of board approval, whichever is later, a death benefit shall be
24 payable only if he is deemed to be an active member in accordance
25 with this section; provided, however, a member applying for disability
26 benefits shall be deemed an active member if he was covered by the
27 death benefit provisions of the act at the termination of employment,
28 filed the application for disability retirement with the retirement system
29 within 30 days following such termination of employment and dies
30 within 30 days after the date of retirement or the date of board
31 approval, whichever is later. If a member files an application for
32 disability retirement while in service and otherwise meets the
33 requirements for disability retirement, but dies before the retirement
34 takes effect, the retirement shall be considered effective.

35 (cf: P.L.1995, c.47, s.1)

36

37 6. Section 17 of P.L.1964, c.241 (C.43:16A-11.2) is amended to
38 read as follows:

39 17. Should a member, after having established 10 years of
40 creditable service, be separated voluntarily or involuntarily from the
41 service, before reaching age 55, and not by removal for cause on
42 charges of misconduct or delinquency, such person may elect to
43 receive the payments provided for in section 11 of P.L.1944, c. 255 or
44 section 16 of P.L.1964, c. 241, or a deferred retirement allowance,
45 beginning on the first day of the month following his attainment of age
46 55 and the filing of an application therefor, which shall consist of:

1 (1) An annuity which shall be the actuarial equivalent of his
2 aggregate contributions at the time of his severance from the service
3 and

4 (2) A pension in the amount which, when added to the member's
5 annuity, will provide a total retirement allowance of 2% of **【his**
6 **average】** the member's final compensation multiplied by the number
7 of years of **【his】** creditable service up to 30 plus 1% of **【his average】**
8 final compensation multiplied by the number of years of creditable
9 service over 30, provided that such inactive member may elect to
10 receive payments provided under section 11 of P.L.1944, c. 255 or
11 section 16 of P.L.1964, c. 241 if **【he】** the member had qualified under
12 that section at the time of leaving service, except that in order to avail
13 himself or herself of the option, **【he】** the member must exercise such
14 option at least 30 days before the effective date of **【his】** retirement.
15 If such inactive member shall die before attaining age 55, **【his】** the
16 member's aggregate contributions shall be paid in accordance with
17 section 11 of P.L.1944, c. 255 and, in addition if such inactive
18 member shall die after attaining age 55 but before filing an application
19 for retirement benefits pursuant to this section or section 16 of
20 P.L.1964, c. 241 and has not withdrawn his or her aggregate
21 contributions, or in the event of death after retirement, an amount
22 equal to one-half of the compensation upon which contributions by
23 the member to the annuity savings fund were based in the last year of
24 creditable service shall be paid to such member's beneficiary.

25 Any member who, having elected to receive a deferred retirement
26 allowance, again becomes an employee covered by the retirement
27 system while under the age of 55, shall thereupon be reenrolled. If he
28 had discontinued his service for more than 2 consecutive years,
29 subsequent contributions shall be at his former rate increased for the
30 years of his inactive membership. He shall be credited with all service
31 as a member standing to his credit at the time of his election to
32 receive a deferred retirement allowance.

33 (cf: P.L.1981, c.177, s.5)

34

35 7. Section 26 of P.L.1967, c.250 (C.43:16A-12.1) is amended to
36 read as follows:

37 26. a. Upon the death after retirement of any member of the
38 retirement system there shall be paid to **【his】** the member's widow or
39 widower a pension of 50% of **【average】** final compensation for the
40 use of herself or himself, to continue during her or his widowhood,
41 plus 15% of such compensation payable to one surviving child or an
42 additional 25% of such compensation to two or more children; if there
43 is no surviving widow or widower or in case the widow or widower
44 dies or remarries, 20% of **【average】** final compensation will be
45 payable to one surviving child, 35% of such compensation to two

1 surviving children in equal shares and if there be three or more
2 children, 50% of such compensation would be payable to such children
3 in equal shares.

4 b. The increased pension benefits payable under this act shall apply
5 only to cases where such policeman or fireman retires on or after
6 December 18, 1967 and shall not affect pensions paid or to be paid as
7 a result of retirements occurring prior to said date. The increased
8 pension benefits payable under this subsection of this 1991 amendatory
9 and supplementary act shall apply only to pension benefits payable on
10 or after the effective date of this 1991 amendatory and supplementary
11 act, P.L.1991, c.511 (C.43:3B-8.4 et al.).

12 c. As of the effective date of this 1991 amendatory and
13 supplementary act, P.L.1991, c.511 (C.43:3B-8.4 et al.), all widows'
14 and widowers' pensions previously granted or to be granted pursuant
15 to the provisions of subsection a. of this section or section 10 of
16 chapter 255 of the laws of 1944, as amended, and all such pensions
17 previously granted, or to be granted where retirement for accidental
18 disability occurred prior to December 18, 1967, pursuant to the
19 provisions of section 7(3) of chapter 255 of the laws of 1944 prior to
20 the amendment of that section by P.L.1967, c.250, will be subject to
21 a minimum, annual, aggregate payment of \$4,500. The increased
22 pension benefits payable under this subsection of this 1991 amendatory
23 and supplementary act shall apply only to pension benefits payable on
24 or after the effective date of this 1991 amendatory and supplementary
25 act, P.L.1991, c.511 (C.43:3B-8.4 et al.).

26 d. The State shall reimburse local governments for additional
27 pension costs arising from any increase in the annual pension payable
28 to a widow or widower pursuant to this section of this 1991
29 amendatory and supplementary act, P.L.1991, c.511 (C.43:3B-8.4 et
30 al.).

31 (cf: P.L.1991, c.511, s.1)

32

33 8. Section 20 of P.L.1971, c.175 (C.43:16A-15.3) is amended to
34 read as follows:

35 20. If a former member of the retirement system who has been
36 granted a retirement allowance for any cause other than disability,
37 becomes employed again in a position which makes him eligible to be
38 a member of the retirement system, his retirement allowance and the
39 right to any death benefit as a result of his former membership, shall
40 be canceled until he again retires.

41 Such person shall be reenrolled in the retirement system and shall
42 contribute thereto at a rate based on his age at the time of
43 reenrollment. Such person shall be treated as an active member for
44 determining disability or death benefits while in service. Upon
45 subsequent retirement of such member, his former retirement
46 allowance shall be reinstated based on his former membership. In

1 addition, he shall receive an additional retirement allowance based on
2 his subsequent service as a member computed in accordance with
3 applicable provisions of this chapter; provided, however, that his total
4 retirement allowance upon such subsequent retirement shall not be a
5 greater proportion of his average final compensation or final
6 compensation, whichever is applicable, than the proportion to which
7 he would have been entitled had he remained in service during the
8 period of his prior retirement. Any death benefit to which such
9 member shall be eligible shall be based on his latest retirement, but
10 shall not be less than the death benefit that was applicable to his
11 former retirement.

12 (cf: P.L.1971, c.175, s.20)

13

14 9. This act shall take effect immediately.

15

16

17

STATEMENT

18

19 The purpose of this bill is to make the retirement and survivors
20 benefits of PFRS comparable, to the extent possible, to the benefits
21 under the State Police Retirement System, N.J.S.A. 53:5A-1 et seq.

22 Under current law, PFRS members may retire at 55 years of age
23 with a total retirement allowance of one-sixtieth of average final
24 compensation multiplied by the number of years of creditable service,
25 or 2% of average final compensation multiplied by the number of years
26 of creditable service up to 30, plus 1% of average final compensation
27 multiplied by the number of years of creditable service over 30. This
28 bill would allow a member retiring after 20 years of creditable service
29 to receive a total retirement allowance of 50% of final compensation.
30 In addition, a member of the system as of the effective date of this bill
31 would be entitled to a retirement allowance of 50% of final
32 compensation plus an additional 3% of final compensation for every
33 additional year of creditable service up to 25 years.

34 Average final compensation is the average annual salary upon which
35 contributions are made for the three years of creditable service
36 immediately preceding retirement or death, or the average annual
37 salary for which contributions are made during any three fiscal years
38 of membership in the system providing the largest possible benefit to
39 the member. Final compensation is the compensation received by the
40 member in the last 12 months of creditable service preceding
41 retirement.

42 Currently, PFRS members under 55 years of age may retire on an
43 ordinary disability retirement allowance with five or more years of
44 creditable service. The member receives a total retirement allowance
45 of 1 1/2% of average final compensation multiplied by number of years
46 of creditable service, however, the total allowance may not be less

1 than 40% of the member's average final compensation. This bill would
2 allow a member to retire on an ordinary disability retirement with four
3 or more years of creditable service and the retirement allowance would
4 be based on final compensation. The bill also allows a member of the
5 system as of the effective date of this bill with more than 20 but less
6 than 25 years of service and who is required to retire upon application
7 by the employer to receive an ordinary disability retirement allowance
8 of 50% of final compensation plus an additional 3% of final
9 compensation for every additional year of creditable service over 20
10 but not over 25 years.

11 Under current law, a beneficiary of a PFRS member who dies in
12 active service receives the member's aggregate contributions at the
13 time of death and a sum equal to 3 1/2 times the compensation upon
14 which PFRS contributions by the member were based in the last year
15 of creditable service. In lieu of the return of the member's aggregate
16 contributions, this bill allows for a pension to be payable to different
17 classes of beneficiaries as follows. A widow or widower would
18 receive a pension of 50% of final compensation for the use of the
19 widow or widower and the children of the deceased member during
20 the lifetime of the widow or widower. If there is no widow or
21 widower or if the widow or widower remarry or die, 20% of final
22 compensation is payable to one surviving child, 35% of final
23 compensation to two surviving children in equal shares, and 50% of
24 final compensation to three or more surviving children in equal shares.
25 If there is no surviving widow or widower or children, 25% of final
26 compensation is payable to one surviving parent or 40% of final
27 compensation is payable to two surviving parents in equal shares. If
28 there is no widow or widower, child or parent, the beneficiary of the
29 deceased member will receive the member's aggregate contributions at
30 the time of death.

31 Currently, a PFRS member with 10 years of creditable service can
32 separate from the service before reaching age 55, and upon reaching
33 55, receive a retirement allowance of 2% of average final
34 compensation multiplied by the number of years of creditable service
35 up to 30 plus 1% of average final compensation multiplied by the
36 number of years of creditable service over 30. This bill would change
37 the basis on which the pension portion of the allowance is calculated
38 from average final compensation to final compensation.

39 Under current law, PFRS pays to the widow or widower of a PFRS
40 retiree a pension of 50% of average final compensation, plus 15% of
41 such compensation to one surviving child or an additional 25% of such
42 compensation to two or more children. If there is no surviving widow
43 or widower or if the widow or widower dies or remarries, 20% of
44 average final compensation is payable to one surviving child, 35% of
45 such compensation to two surviving children in equal shares and if
46 there are three or more children, 50% of such compensation is payable

1 to such children in equal shares. This bill would change the basis on
2 which the pension portion of the allowance is calculated from average
3 final compensation to final compensation.

4 Currently, PFRS requires a widow or widower to have been
5 married to the member for one year prior to the date of death to
6 qualify for survivors benefits. This bill only requires a widow or
7 widower to be married to the member on the date of death to qualify
8 for survivors benefits.

ASSEMBLY STATE GOVERNMENT COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2328

STATE OF NEW JERSEY

DATED: MARCH 25, 1999

The Assembly State Government Committee reports favorably Assembly, No. 2328.

The purpose of this bill, as stated in the sponsor's statement, is to make the retirement and survivors benefits of the Police and Firemen's Retirement System (PFRS) comparable, to the extent possible, to the benefits under the State Police Retirement System, N.J.S.A.53:5A-1 et seq.

Under current law, PFRS members may retire at 55 or more years of age with a total retirement allowance of one-sixtieth of average final compensation multiplied by the number of years of creditable service, or 2% of average final compensation multiplied by the number of years of creditable service up to 30, plus 1% of average final compensation multiplied by the number of years of creditable service over 30. This bill would allow such a member retiring after 20 years of creditable service to receive alternatively a total retirement allowance of 50% of final compensation. In addition, a member of the system as of the effective date of this bill would be entitled to a retirement allowance of 50% of final compensation plus an additional 3% of final compensation for every additional year of creditable service up to 25 years.

This bill would change from average final compensation to final compensation the basis on which the PFRS ordinary disability retirement allowance, deferred retirement allowance, and the pensions for a surviving spouse and children are calculated. The bill also changes the service eligibility for ordinary disability retirement from five years to four years of creditable service.

The bill provides that a PFRS member with more than 20 but less than 25 years of service who is required to retire upon application by the employer will receive an ordinary disability retirement allowance of 50% of final compensation plus an additional 3% of final compensation for every additional year of creditable service over 20 but not over 25 years.

Under current law, a beneficiary of a PFRS member who dies in active service receives the member's aggregate contributions at the time of death and a sum equal to 3 1/2 times the compensation upon which PFRS contributions by the member were based in the last year of creditable service. In lieu of the return of the member's aggregate

contributions, this bill provides pensions for a surviving spouse and children.

Currently, PFRS requires a widow or widower to have been married to the member for one year prior to the date of death to qualify for survivor benefits. This bill only requires a widow or widower to be married to the member on the date of death to qualify for survivor benefits.

Assembly, No. 2328 is identical to Senate, No.1742 of 1998.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2328

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: DECEMBER 13, 1999

The Assembly Appropriations Committee reports favorably Assembly Bill No. 2328, with committee amendments.

Assembly Bill No. 2328, as amended, enhances the retirement and survivors benefits of the Police and Firemen's Retirement System (PFRS).

Currently, PFRS members may retire at 55 or more years of age with a total retirement allowance of one-sixtieth of average final compensation multiplied by the number of years of creditable service, or 2% of "average final compensation" multiplied by the number of years of creditable service up to 30, plus 1% of average final compensation multiplied by the number of years of creditable service over 30. Average final compensation means the larger of either the average annual compensation for which contributions are made by a member to the fund for the 3 years immediately preceding retirement or the average annual salary for which contributions are made during any three fiscal years of membership in the system.

This bill allows such a member retiring after 20 years of creditable service to chose instead to receive a total retirement allowance of 50% of "final compensation." Final compensation means the compensation received by the member in the last 12 months of creditable service preceding retirement. In addition, this bill entitles a member of the system as of the effective date of this bill to a retirement allowance of 50% of final compensation plus an additional 3% of final compensation for every additional year of creditable service up to 25 years.

This bill changes the basis on which the PFRS ordinary disability retirement allowance, the deferred retirement allowance, and the pensions for a surviving spouse and children are calculated from average final compensation to final compensation. The bill also changes the service eligibility for ordinary disability retirement from five years to four years of creditable service.

The bill provides that a PFRS member with more than 20 but less than 25 years of service who is required to retire upon application by the employer will receive an ordinary disability retirement allowance of 50% of final compensation plus an additional 3% of final

compensation for every additional year of creditable service over 20 but not over 25 years.

Currently, a beneficiary of a PFRS member who dies in active service receives the member's aggregate contributions at the time of death and a sum equal to 3 1/2 times the compensation upon which PFRS contributions by the member were based in the last year of creditable service. This bill provides pensions for a surviving spouse and children in lieu of the return of the member's aggregate contributions.

Currently, PFRS requires a widow or widower to have been married to the member for one year prior to the date of death to qualify for survivor benefits. This bill only requires that a widow or widower be married to the member on the date of death to qualify for survivor benefits.

FISCAL IMPACT:

Based on an actuarial analysis prepared by Buck Consultants, the Division of Pensions and Benefits in the Department of Treasury has estimated that the bill would generate an additional accrued liability in the PFRS of \$338 million, \$75 million of which accrue to the State as an employer and \$263 million of which, absent the provisions of the bill that make all increases in employer contributions liabilities of the State, would accrue to local employers

COMMITTEE AMENDMENTS:

The amendments:

(1) provide that the cost of the increase in benefits under the bill shall not be paid through an increase in employer contributions, but instead shall be a liability of the State, paid under a program that will fund the liabilities at the time of a member's retirement or death;

(2) limit eligibility of PFRS members in service at the bill's enactment who take service retirement under the new formula for the "3%-per-year" enhancement for service over 20 years to those members required to retire by reason of having attained the PFRS mandatory retirement age of 65;

(3) revise the statutory definition of "final compensation" to recognize that, under the bill, such compensation will be used as a basis for computing the survivor's benefit payable upon non-accidental death in active service; and

(4) clarify legal references.

FISCAL NOTE

ASSEMBLY, No. 2328

STATE OF NEW JERSEY

208th LEGISLATURE

DATED: DECEMBER 6, 1999

BILL SUMMARY

Assembly Bill No. 2328 of 1998 would enhance the retirement and survivor's benefits of the Police and Firemen's Retirement System (PFRS).

The following table outlines the proposed benefit changes:

PFRS PROVISIONS IMPACTED BY A-2328		
Benefit/Provision	Current Provisions	Proposed Provisions
Service Retirement	Age 55, 2% of average final compensation (AFC) per year up to 30, plus 1% of AFC for every year over 30 up to 35	1. Age 55, either current provisions, or 20 or more years of service at 50% of final compensation (FC), whichever is greater. 2. For those persons in PFRS when bill enacted, 20 to 24 years of service at 50% of FC at time of retirement plus 3% of FC for each year over 20 and under 25
Special Retirement	25 years of service, any age, 65% of FC plus 1% for each year over 25, not to exceed 70% of FC	Unchanged
Ordinary Disability Retirement	Eligible after 5 years of service; Benefit: 40% of AFC or 1.5% of AFC for each year of service, whichever is higher	Eligible after 4 years of service; Benefit: 4 to 20 years, 40% of FC or 1.5% of FC for each year of service, whichever is higher. If 20 to 24 years, 50% of FC plus 3% of FC for each year over 20
Active Death	Death Benefit: 3.5 x FC and return of member contributions	Death Benefit: 3.5 x FC and survivor's annuity- Widow: 50% of FC, or 1 child: 20% of FC; 2 children: 35% of FC; 3 or more: 50% of FC or 1 parent: 25% of FC 2 parents: 40% of FC or member's contributions
Deferred Retirement	10 yrs of service: Benefit- At age 55, 2% of AFC for each year of service	10 yrs of service: Benefit- at age 55, 2% of FC for each year of service
Retired Death Benefit	Death Benefit: 50% of FC and survivors' annuity: Widow: 50% of AFC, plus 1 child: 15% of AFC. 2 or more children: 25% of AFC; or 1 child: 20% of AFC, 2 children: 35% of AFC, 3 or more: 50% of AFC	Death Benefit: 50% of FC and a survivors' annuity: Widow: 50% of FC, plus 1 child: 15% of FC. 2 or more children: 25% of FC; or 1 child: 20% of FC, 2 children: 35% of FC, 3 or more: 50% of FC
Survivor's Annuity Eligibility	One year marriage requirement	Married on date of death

The first of two service retirement provisions of the bill would allow those members who attain the retirement age of 55 the option of retiring at the current benefit, or with 20 years of service at 50 percent of final compensation, whichever is greater. Under the current benefit a member can retire with an allowance of one-sixtieth of average final compensation multiplied by number of service years, or 2 percent of average final compensation multiplied by the number of service years up to 30 plus 1 percent of the years over 30.

The second provision would allow current members of PFRS as of the effective date of the bill to be entitled to retire after 20 years or more of service at 50 percent of final compensation plus 3 percent of final compensation multiplied by the number of service years over 20 but not exceeding 25. This "step up" provision would blend the 20yrs / 50 percent benefit enhancement in A-2328 for current PFRS members with the already existing special retirement allowance of 25yrs / 65 percent of final compensation.

EXECUTIVE BRANCH COMMENTS

Based on an actuarial analysis prepared by Buck Consultants, the Division of Pensions and Benefits in the Department of Treasury has estimated that A-2328, if enacted, would generate an additional accrued liability in the PFRS of \$338 million, \$263 million of which would accrue to local employers and \$75 million to the State as an employer. To finance the unfunded liabilities, together with the ongoing normal cost associated with the additional benefits, would require additional annual contributions by State and local governments of \$52.0 million, \$55.1 million, and \$58.4 million during the three fiscal years following enactment. Separately, local costs would be \$39.0 million, \$41.3 million, and \$43.8 million; and State costs would be \$13.0 million, \$13.8 million, and \$14.6 million. These estimates are based upon a projected contribution payment date of July 1, 2000 without any reduction for surplus pension fund assets. They assume a 5.95 percent average salary increase and a 2.4 percent annual cost of living increase (COLA).

The estimates and assumptions herein are derived from the most recent revised valuations of the Police and Firemen's Retirement System and the State Police Retirement System as of July 1, 1998, completed by the firm of Buck Consultants.

Based on the PFRS valuation data, the local unfunded liability is \$439,557,169. If this bill is enacted that amount would increase by \$263,000,000 to \$702,557,169. The current local payroll is approximately \$1,870,322,787, with a current 13.59 percent rate of employer contribution. The rate would increase to 14.89 percent if this bill is enacted.

The following table shows a breakdown of the additional costs attributable to each benefit modified by the bill.

ESTIMATED BENEFIT COST BREAKDOWN				
	STATE		LOCAL	
A-2328	Additional Accrued Liability	Total First Year* Contribution	Additional Accrued Liability	Total First Year* Contribution
RETIREMENT	\$41,400,000	\$7,400,000	\$87,200,000	\$12,225,000
ORDINARY DISABILITY	\$4,000,000	\$700,000	\$23,100,000	\$3,725,000
ORDINARY DEATH	\$27,600,000	\$4,600,000	\$142,300,000	\$21,125,000
DEFERRED RETIREMENT	\$1,100,000	\$200,000	\$5,400,000	\$925,000
SURVIVOR'S ELIGIBILITY	\$900,000	\$100,000	\$5,000,000	\$1,000,000
TOTAL	\$75,000,000	\$13,000,000	\$263,000,000	\$39,000,000
	* Annual costs assumed to increase by 5.95% per year.			

The State's accrued liability was previously \$93,996,409, but because of the application of surplus pension assets pursuant to P.L.1997, c.115, that amount was reduced to zero. Therefore, the additional \$75,000,000 liability that would accrue to the State, would require a contribution at the rate of 2.6 percent of payroll.

OFFICE OF LEGISLATIVE SERVICES COMMENTS

The Office of Legislative Services (OLS) concurs with the Division of Pensions and Benefits, based on an OLS review of the consultant's actuarial analysis.

OLS notes that if this bill is enacted, pursuant to P.L.1997, c.115, there are excess PFRS assets amounting to \$35,000,000 that could be applied thereby reducing the potential \$75,000,000 accrued liability for State employers to \$40,000,000.

It is possible that temporary salary and fringe benefit savings could be realized as newly hired police and firemen replace those members retiring after 20 years. However, previous studies of early retirement incentives suggest that unless positions of retiring members are abolished, salary savings are minimal. It is questionable whether positions will be abolished in local public safety departments.

Finally, the OLS notes that, to the extent this bill imposes costs upon local public employers without providing resources, other than the property tax, to offset this required additional direct expenditure, it may constitute an unfunded mandate under the provisions of the New Jersey State Constitution, Article VIII, Section II, paragraph 5.

SPONSOR OBJECTION

Pursuant to N.J.S.A.52:13B-11, the sponsor does not concur with the information presented herein and has entered an objection to that effect. The sponsor believes that the fiscal note overstates the potential costs associated with this legislation.

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

SENATE, No. 1742

STATE OF NEW JERSEY
208th LEGISLATURE

INTRODUCED MARCH 15, 1999

Sponsored by:

Senator DIANE ALLEN

District 7 (Burlington and Camden)

Senator NORMAN M. ROBERTSON

District 34 (Essex and Passaic)

Co-Sponsored by:

Senator Cafiero

SYNOPSIS

Enhances retirement benefits for PFRS members.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 6/15/1999)

1 AN ACT concerning retirement benefits for members of the Police and
2 Firemen's Retirement System of New Jersey and amending various
3 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.1944, c.255 (C.43:16A-1) is amended to read
9 as follows:

10 1. As used in this act:

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

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

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

23 (ii) has police powers;

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

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

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

40 (b) "Fireman" shall mean a permanent, full-time employee of a
41 firefighting unit whose primary duties include the control and
42 extinguishment of fires and who is subject to the training and physical
43 and mental fitness requirements applicable to the position of municipal

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

Matter underlined thus is new matter.

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

12 (3) "Member" shall mean any policeman or fireman included in the
13 membership of the retirement system pursuant to this amendatory and
14 supplementary act, P.L.1989, c.204 (C.43:16A-15.6 et al.).

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

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

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

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

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

26 (9) "Regular interest" shall mean interest as determined by the
27 State Treasurer, after consultation with the Directors of the Divisions
28 of Investment and Pensions, the board of trustees and the actuary. It
29 shall bear a reasonable relationship to the percentage rate of earnings
30 on investments based on the market value of assets but shall not
31 exceed the assumed percentage rate of increase applied to salaries plus
32 3%, provided however that the board of trustees shall not set the
33 average percentage rate of increase applied to salaries below 6%.

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

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

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

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

44 (14) "Earnable compensation" shall mean the full rate of the salary
45 that would be payable to an employee if he worked the full normal
46 working time for his position. In cases where salary includes

1 maintenance, the retirement system shall fix the value of that part of
2 the salary not paid in money which shall be considered under this act.

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

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

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

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

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

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

28 (21) "Child" shall mean a deceased member's or retirant's
29 unmarried child (a) under the age of 18, or (b) 18 years of age or older
30 and enrolled in a secondary school, or (c) under the age of 24 and
31 enrolled in a degree program in an institution of higher education for
32 at least 12 credit hours in each semester, provided that the member
33 died in active service as a result of an accident met in the actual
34 performance of duty at some definite time and place, and the death
35 was not the result of the member's willful misconduct, or (d) of any
36 age who, at the time of the member's or retirant's death, is disabled
37 because of mental retardation or physical incapacity, is unable to do
38 any substantial, gainful work because of the impairment and his
39 impairment has lasted or can be expected to last for a continuous
40 period of not less than 12 months, as affirmed by the medical board.

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

1 (23) "Widower" shall mean the man to whom a member or retirant
2 was married [at least one year before the date of her death and to
3 whom she continued to be married until] on the date of her death and
4 who has not remarried. [In the event of the payment of an accidental
5 death benefit, the one-year qualification shall be waived.]

6 (24) "Widow" shall mean the woman to whom a member or retirant
7 was married [at least one-year before the date of his death and to
8 whom he continued to be married until] on the date of his death and
9 who has not remarried. [In the event of the payment of an accidental
10 death benefit, the one year qualification shall be waived.]

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

13 (26) "Compensation" shall mean the base salary, for services as a
14 member as defined in this act, which is in accordance with established
15 salary policies of the member's employer for all employees in the same
16 position but shall not include individual salary adjustments which are
17 granted primarily in anticipation of the member's retirement or
18 additional remuneration for performing temporary duties beyond the
19 regular workday.

20 (27) "Department" shall mean any police or fire department of a
21 municipality or a fire department of a fire district located in a township
22 or a county police or park police department or the appropriate
23 department of the State or instrumentality thereof.

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

27 (29) (Deleted by amendment, P.L.1992, c.78).

28 (30) (Deleted by amendment, P.L.1992, c.78).

29 (cf: P.L.1996, c.89, s.1)

30

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

33 5. (1) Any member in service who has attained age 55 years may
34 retire on a service retirement allowance upon filing a written and duly
35 executed application to the retirement system, setting forth at what
36 time, not less than 1 month subsequent to the filing thereof, he desires
37 to be retired. Any member in service who attains age 65 years shall be
38 retired on a service retirement allowance forthwith on the first day of
39 the next calendar month.

40 (2) Upon retirement for service a member shall receive a service
41 retirement allowance which shall consist of:

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

44 (b) A pension in the amount which, when added to the member's
45 annuity, will provide a total retirement allowance of one-sixtieth of his
46 average final compensation multiplied by the number of years of his

1 creditable service, or 2% of his average final compensation multiplied
2 by the number of years of his creditable service up to 30 plus 1% of his
3 average final compensation multiplied by the number of years of
4 creditable service over 30, or 50% of his final compensation if the
5 member has established 20 or more years of creditable service,
6 whichever is greater.

7 (3) Any member of the retirement system as of the effective date
8 of P.L. , c. (now pending before the Legislature as this bill) who
9 has 20 or more years of creditable service at the time of retirement
10 shall be entitled to 50% of the member's final compensation plus 3%
11 of final compensation multiplied by the number of years of creditable
12 service over 20 but not over 25.

13 **[(3)] (4)** Upon the receipt of proper proofs of the death of a
14 member who has retired on a service retirement allowance, there shall
15 be paid to his beneficiary an amount equal to one-half of the
16 compensation upon which contributions by the member to the annuity
17 savings fund were based in the last year of creditable service.
18 (cf: P.L.1973, c.109, s.1)

19

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

22 6. (1) Upon the written application by a member in service, by one
23 acting in his behalf or by his employer, any member, under 55 years of
24 age, who has had **[(five)] four** or more years of creditable service may
25 be retired on an ordinary disability retirement allowance; provided,
26 that the medical board, after a medical examination of such member,
27 shall certify that such member is mentally or physically incapacitated
28 for the performance of his usual duty and of any other available duty
29 in the department which his employer is willing to assign to him and
30 that such incapacity is likely to be permanent and to such an extent
31 that he should be retired.

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

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

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

41 (3) Notwithstanding the provisions of subsection (2) of this
42 section, a member who has more than 20 but less than 25 years of
43 creditable service and who is required to retire upon application by the
44 employer on or after the effective date of P.L. , c. (now pending
45 before the Legislature as this bill), shall receive an ordinary disability
46 retirement allowance which shall consist of:

1 (a) An annuity which shall be the actuarial equivalent of the
2 member's aggregate contributions; and

3 (b) A pension in the amount which, when added to the member's
4 annuity, will provide a total retirement allowance of 50% of final
5 compensation plus 3% of final compensation multiplied by the number
6 of years of creditable service over 20 but not over 25.

7 **[(3)]** (4) Upon the receipt of proper proofs of the death of a
8 member who has retired on an ordinary disability retirement allowance,
9 there shall be paid to such member's beneficiary, an amount equal to
10 3 1/2 times the compensation upon which contributions by the member
11 to the annuity savings fund were based in the last year of creditable
12 service; provided, however, that if such death shall occur after the
13 member shall have attained 55 years of age the amount payable shall
14 equal 1/2 of such compensation instead of 3 1/2 times such
15 compensation.

16 (cf: P.L.1989, c.204, s.2)

17

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

20 8. (1) Upon the receipt by the retirement system of a written
21 application for a disability retirement allowance, the system shall refer
22 the application to the medical board, which shall designate a physician
23 or physicians to examine the applicant and the report of the medical
24 board shall be considered by the board of trustees in acting upon such
25 application.

26 (2) Any beneficiary under the age of 55 years who has been retired
27 on a disability retirement allowance under this act, on his request shall,
28 or upon the request of the retirement system may, be given a medical
29 examination and he shall submit to any examination by a physician or
30 physicians designated by the medical board once a year for at least a
31 period of 5 years following his retirement in order to determine
32 whether or not the disability which existed at the time he was retired
33 has vanished or has materially diminished. If the report of the medical
34 board shall show that such beneficiary is able to perform either his
35 former duty or any other available duty in the department which his
36 employer is willing to assign to him, the beneficiary shall report for
37 duty; such a beneficiary shall not suffer any loss of benefits while he
38 awaits his restoration to active service. If the beneficiary fails to
39 submit to any such medical examination or fails to return to duty
40 within 10 days after being ordered so to do, or within such further
41 time as may be allowed by the board of trustees for valid reason, as the
42 case may be, the pension shall be discontinued during such default.

43 (3) (Deleted by amendment.)

44 (4) If a disability beneficiary is restored to active service, his
45 retirement allowance and the right to any death benefit as a result of
46 his former membership, shall be canceled until he again retires.

1 Such person shall be reenrolled in the retirement system and shall
2 contribute thereto at a rate based on his age at the time of prior
3 enrollment. Such person shall be treated as an active member for
4 determining disability or death benefits while in service.

5 Upon subsequent retirement of such member, he shall receive a
6 retirement allowance based on all his service as a member computed
7 in accordance with applicable provisions of this act, but the total
8 retirement allowance upon subsequent retirement shall not be a greater
9 proportion of his average final compensation or final compensation,
10 whichever is applicable, than the proportion to which he would have
11 been entitled had he remained in service during the period of his prior
12 retirement. Any death benefit to which such member shall be eligible
13 shall be based on his latest retirement.

14 (cf: P.L.1971, c.217, s.9)

15
16 5. Section 9 of P.L.1944, c.255 (C.43:16A-9) is amended to read
17 as follows:

18 9. (1) Upon the receipt of proper proof of the death of a member
19 in active service on account of which no accidental death benefit is
20 payable under section 10 there shall be paid to such member's
21 **【beneficiary:**

22 (a) The member's aggregate contributions at the time of death and

23 (b) An amount equal to 3 1/2 times the compensation upon which
24 contributions by the member to the annuity savings fund were based
25 in the last year of creditable service**】** widow or widower a pension of
26 50% of final compensation for the use of himself or herself and
27 children of the deceased member, to continue during his or her
28 widowhood; if there is no surviving widow or widower or in the case
29 the widow or widower dies or remarries, 20% of final compensation
30 will be payable to one surviving child, 35% of final compensation to
31 two surviving children in equal shares and if there be three or more
32 children, 50% of final compensation will be payable to such children
33 in equal shares.

34 In the event of death occurring in the first year of creditable service,
35 the benefits, payable pursuant to this subsection, shall be computed at
36 the annual rate of compensation.

37 If there is no widow or widower or child, 25% of final
38 compensation will be payable to one surviving parent or 40% of final
39 compensation will be payable to two surviving parents in equal shares.

40 (2) If there is no widow or widower, child or parent, there shall be
41 paid to any other beneficiary of the deceased member his or her
42 aggregate contributions at the time of death.

43 (3) In no case shall the death benefit provided in subsection (1). be
44 less than that provided under subsection (2).

45 (4) In addition to the foregoing benefits payable under subsection
46 (1) or (2), there shall also be paid in one sum to the member's

1 beneficiary, an amount equal to 3 1/2 times final compensation.

2 **[(2)]** (5) a. For the purposes of this section and section 10 (5),
3 a member of the Police and Firemen's Retirement System shall be
4 deemed to be an active member for a period of no more than 93 days
5 while on official leave of absence without pay when such leave is due
6 to any reason other than illness, and for a period of not more than one
7 year in the event of an official leave (a) due to the member's maternity,
8 or (b) to fulfill a residency requirement for an advanced degree, or (c)
9 as a full-time student at an institution of higher education, and (1)
10 while he is disabled due to sickness or injury arising out of or in the
11 course of his employment as a member to whom this act applies, is not
12 engaged in any gainful occupation, and is receiving or entitled to
13 receive periodic benefits (including any commutation of, or substitute
14 for, such benefits) for loss of time on account of such disability under
15 or by reason of workmen's compensation law, occupational disease
16 law or similar legislation and has not retired or terminated his
17 membership; or (2) for a period of no more than two years while on
18 official leave of absence without pay if satisfactory evidence is
19 presented to the retirement system that such leave of absence without
20 pay is due to the member's personal illness other than an illness to
21 which (1) above applies.

22 b. If a member dies within 30 days after the date of retirement or
23 the date of board approval, whichever is later, a death benefit shall be
24 payable only if he is deemed to be an active member in accordance
25 with this section; provided, however, a member applying for disability
26 benefits shall be deemed an active member if he was covered by the
27 death benefit provisions of the act at the termination of employment,
28 filed the application for disability retirement with the retirement system
29 within 30 days following such termination of employment and dies
30 within 30 days after the date of retirement or the date of board
31 approval, whichever is later. If a member files an application for
32 disability retirement while in service and otherwise meets the
33 requirements for disability retirement, but dies before the retirement
34 takes effect, the retirement shall be considered effective.

35 (cf: P.L.1995, c.47, s.1)

36

37 6. Section 17 of P.L.1964, c.241 (C.43:16A-11.2) is amended to
38 read as follows:

39 17. Should a member, after having established 10 years of
40 creditable service, be separated voluntarily or involuntarily from the
41 service, before reaching age 55, and not by removal for cause on
42 charges of misconduct or delinquency, such person may elect to
43 receive the payments provided for in section 11 of P.L.1944, c. 255 or
44 section 16 of P.L.1964, c. 241, or a deferred retirement allowance,
45 beginning on the first day of the month following his attainment of age
46 55 and the filing of an application therefor, which shall consist of:

1 (1) An annuity which shall be the actuarial equivalent of his
2 aggregate contributions at the time of his severance from the service
3 and

4 (2) A pension in the amount which, when added to the member's
5 annuity, will provide a total retirement allowance of 2% of **【his**
6 **average】** the member's final compensation multiplied by the number
7 of years of **【his】** creditable service up to 30 plus 1% of **【his average】**
8 final compensation multiplied by the number of years of creditable
9 service over 30, provided that such inactive member may elect to
10 receive payments provided under section 11 of P.L.1944, c. 255 or
11 section 16 of P.L.1964, c. 241 if **【he】** the member had qualified under
12 that section at the time of leaving service, except that in order to avail
13 himself or herself of the option, **【he】** the member must exercise such
14 option at least 30 days before the effective date of **【his】** retirement.
15 If such inactive member shall die before attaining age 55, **【his】** the
16 member's aggregate contributions shall be paid in accordance with
17 section 11 of P.L.1944, c.255 and, in addition if such inactive member
18 shall die after attaining age 55 but before filing an application for
19 retirement benefits pursuant to this section or section 16 of P.L.1964,
20 c.241 and has not withdrawn his or her aggregate contributions, or in
21 the event of death after retirement, an amount equal to one-half of the
22 compensation upon which contributions by the member to the annuity
23 savings fund were based in the last year of creditable service shall be
24 paid to such member's beneficiary.

25 Any member who, having elected to receive a deferred retirement
26 allowance, again becomes an employee covered by the retirement
27 system while under the age of 55, shall thereupon be reenrolled. If he
28 had discontinued his service for more than 2 consecutive years,
29 subsequent contributions shall be at his former rate increased for the
30 years of his inactive membership. He shall be credited with all service
31 as a member standing to his credit at the time of his election to
32 receive a deferred retirement allowance.

33 (cf: P.L.1981, c.177, s.5)

34

35 7. Section 26 of P.L.1967, c.250 (C.43:16A-12.1) is amended to
36 read as follows:

37 26. a. Upon the death after retirement of any member of the
38 retirement system there shall be paid to **【his】** the member's widow or
39 widower a pension of 50% of **【average】** final compensation for the
40 use of herself or himself, to continue during her or his widowhood,
41 plus 15% of such compensation payable to one surviving child or an
42 additional 25% of such compensation to two or more children; if there
43 is no surviving widow or widower or in case the widow or widower
44 dies or remarries, 20% of **【average】** final compensation will be
45 payable to one surviving child, 35% of such compensation to two

1 surviving children in equal shares and if there be three or more
2 children, 50% of such compensation would be payable to such children
3 in equal shares.

4 b. The increased pension benefits payable under this act shall apply
5 only to cases where such policeman or fireman retires on or after
6 December 18, 1967 and shall not affect pensions paid or to be paid as
7 a result of retirements occurring prior to said date. The increased
8 pension benefits payable under this subsection of this 1991 amendatory
9 and supplementary act shall apply only to pension benefits payable on
10 or after the effective date of this 1991 amendatory and supplementary
11 act, P.L.1991, c.511 (C.43:3B-8.4 et al.).

12 c. As of the effective date of this 1991 amendatory and
13 supplementary act, P.L.1991, c.511 (C.43:3B-8.4 et al.), all widows'
14 and widowers' pensions previously granted or to be granted pursuant
15 to the provisions of subsection a. of this section or section 10 of
16 chapter 255 of the laws of 1944, as amended, and all such pensions
17 previously granted, or to be granted where retirement for accidental
18 disability occurred prior to December 18, 1967, pursuant to the
19 provisions of section 7(3) of chapter 255 of the laws of 1944 prior to
20 the amendment of that section by P.L.1967, c.250, will be subject to
21 a minimum, annual, aggregate payment of \$4,500. The increased
22 pension benefits payable under this subsection of this 1991 amendatory
23 and supplementary act shall apply only to pension benefits payable on
24 or after the effective date of this 1991 amendatory and supplementary
25 act, P.L.1991, c.511 (C.43:3B-8.4 et al.).

26 d. The State shall reimburse local governments for additional
27 pension costs arising from any increase in the annual pension payable
28 to a widow or widower pursuant to this section of this 1991
29 amendatory and supplementary act, P.L.1991, c.511 (C.43:3B-8.4 et
30 al.).

31 (cf: P.L.1991, c.511, s.1)

32

33 8. Section 20 of P.L.1971, c.175 (C.43:16A-15.3) is amended to
34 read as follows:

35 20. If a former member of the retirement system who has been
36 granted a retirement allowance for any cause other than disability,
37 becomes employed again in a position which makes him eligible to be
38 a member of the retirement system, his retirement allowance and the
39 right to any death benefit as a result of his former membership, shall
40 be canceled until he again retires.

41 Such person shall be reenrolled in the retirement system and shall
42 contribute thereto at a rate based on his age at the time of
43 reenrollment. Such person shall be treated as an active member for
44 determining disability or death benefits while in service. Upon
45 subsequent retirement of such member, his former retirement
46 allowance shall be reinstated based on his former membership. In

1 addition, he shall receive an additional retirement allowance based on
2 his subsequent service as a member computed in accordance with
3 applicable provisions of this chapter; provided, however, that his total
4 retirement allowance upon such subsequent retirement shall not be a
5 greater proportion of his average final compensation or final
6 compensation, whichever is applicable, than the proportion to which
7 he would have been entitled had he remained in service during the
8 period of his prior retirement. Any death benefit to which such
9 member shall be eligible shall be based on his latest retirement, but
10 shall not be less than the death benefit that was applicable to his
11 former retirement.

12 (cf: P.L.1971, c.175, s.20)

13

14 9. This act shall take effect immediately.

15

16

17

STATEMENT

18

19 The purpose of this bill is to make the retirement and survivors
20 benefits of PFRS comparable, to the extent possible, to the benefits
21 under the State Police Retirement System, N.J.S.A.53:5A-1 et seq.

22 Under current law, PFRS members may retire at 55 years of age
23 with a total retirement allowance of one-sixtieth of average final
24 compensation multiplied by the number of years of creditable service,
25 or 2% of average final compensation multiplied by the number of years
26 of creditable service up to 30, plus 1% of average final compensation
27 multiplied by the number of years of creditable service over 30. This
28 bill would allow a member retiring after 20 years of creditable service
29 to receive a total retirement allowance of 50% of final compensation.
30 In addition, a member of the system as of the effective date of this bill
31 would be entitled to a retirement allowance of 50% of final
32 compensation plus an additional 3% of final compensation for every
33 additional year of creditable service up to 25 years.

34 Average final compensation is the average annual salary upon which
35 contributions are made for the three years of creditable service
36 immediately preceding retirement or death, or the average annual
37 salary for which contributions are made during any three fiscal years
38 of membership in the system providing the largest possible benefit to
39 the member. Final compensation is the compensation received by the
40 member in the last 12 months of creditable service preceding
41 retirement.

42 Currently, PFRS members under 55 years of age may retire on an
43 ordinary disability retirement allowance with five or more years of
44 creditable service. The member receives a total retirement allowance
45 of 1 1/2% of average final compensation multiplied by number of years
46 of creditable service, however, the total allowance may not be less

1 than 40% of the member's average final compensation. This bill would
2 allow a member to retire on an ordinary disability retirement with four
3 or more years of creditable service and the retirement allowance would
4 be based on final compensation. The bill also allows a member of the
5 system as of the effective date of this bill with more than 20 but less
6 than 25 years of service and who is required to retire upon application
7 by the employer to receive an ordinary disability retirement allowance
8 of 50% of final compensation plus an additional 3% of final
9 compensation for every additional year of creditable service over 20
10 but not over 25 years.

11 Under current law, a beneficiary of a PFRS member who dies in
12 active service receives the member's aggregate contributions at the
13 time of death and a sum equal to 3 1/2 times the compensation upon
14 which PFRS contributions by the member were based in the last year
15 of creditable service. In lieu of the return of the member's aggregate
16 contributions, this bill allows for a pension to be payable to different
17 classes of beneficiaries as follows. A widow or widower would
18 receive a pension of 50% of final compensation for the use of the
19 widow or widower and the children of the deceased member during
20 the lifetime of the widow or widower. If there is no widow or
21 widower or if the widow or widower remarry or die, 20% of final
22 compensation is payable to one surviving child, 35% of final
23 compensation to two surviving children in equal shares, and 50% of
24 final compensation to three or more surviving children in equal shares.
25 If there is no surviving widow or widower or children, 25% of final
26 compensation is payable to one surviving parent or 40% of final
27 compensation is payable to two surviving parents in equal shares. If
28 there is no widow or widower, child or parent, the beneficiary of the
29 deceased member will receive the member's aggregate contributions at
30 the time of death.

31 Currently, a PFRS member with 10 years of creditable service can
32 separate from the service before reaching age 55, and upon reaching
33 55, receive a retirement allowance of 2% of average final
34 compensation multiplied by the number of years of creditable service
35 up to 30 plus 1% of average final compensation multiplied by the
36 number of years of creditable service over 30. This bill would change
37 the basis on which the pension portion of the allowance is calculated
38 from average final compensation to final compensation.

39 Under current law, PFRS pays to the widow or widower of a PFRS
40 retiree a pension of 50% of average final compensation, plus 15% of
41 such compensation to one surviving child or an additional 25% of such
42 compensation to two or more children. If there is no surviving widow
43 or widower or if the widow or widower dies or remarries, 20% of
44 average final compensation is payable to one surviving child, 35% of
45 such compensation to two surviving children in equal shares and if
46 there are three or more children, 50% of such compensation is payable

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14

1 to such children in equal shares. This bill would change the basis on
2 which the pension portion of the allowance is calculated from average
3 final compensation to final compensation.

4 Currently, PFRS requires a widow or widower to have been
5 married to the member for one year prior to the date of death to
6 qualify for survivors benefits. This bill only requires a widow or
7 widower to be married to the member on the date of death to qualify
8 for survivors benefits.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 1742

with committee amendments

STATE OF NEW JERSEY

DATED: DECEMBER 13, 1999

The Senate Budget and Appropriations Committee reports favorably and with committee amendments Senate Bill No. 1742.

This bill would (1) make the retirement and survivor benefits of the Police and Firemen's Retirement System (PFRS) comparable, so far as possible, to corresponding benefits under the State Police Retirement System (SPRS), and (2) allow anyone enrolled in PFRS on the date of the bill's enactment who accumulates at least 20 years of service credit to retire irrespective of age.

The PFRS benefit changes for which the bill provides are summarized in the table on page 2 of this statement.

RETIREMENT BENEFITS

The bill does not affect retirement benefits under "special" (25-and-out) retirement; these benefits are already equivalent under PFRS and SPRS. The retirement benefits affected by the bill are those available to PFRS members who retire with less than 25 years' service credit.

Service retirement. Under current law, PFRS members may retire at 55 years of age with any amount of service on "service retirement", which provides a pension of 2% of *average final compensation* for each year of creditable service up to 30, plus 1% of such compensation for each year of creditable service over 30. This bill would allow a member 55 years of age, if retiring after 20 years of creditable service, to receive a service retirement allowance of 50% of *final compensation*. In the particular case of a member in covered service on the day that the legislation takes effect as law, the bill would allow that member to retire after 20 years at any age on an allowance of 50% of *final compensation* plus, in the case of a member required to retire at age 65 under PFRS mandatory retirement, an additional 3% of such compensation for every additional year of creditable service over 20 up to 25 years.

Ordinary disability retirement. Currently, PFRS members under 55 years of age with *five* or more years of creditable service may retire

TABLE: PFRS PROVISIONS IMPACTED BY S-1742

Benefit/Provision	Current Provisions	Proposed Provisions
Service Retirement	Age 55, 2% of <i>average final compensation</i> (AFC) per year up to 30, plus 1% of AFC for every year over 30	1. Age 55, either current provisions, or if with 20 or more years of service, 50% of <i>final compensation</i> (FC), whichever is greater. 2. For those enrolled in PFRS when bill enacted, retirement after 20 to 24 years of service at any age on 50% of FC at time of retirement plus (for mandatory retirees) 3% of FC for each year over 20 and under 25
Ordinary Disability Retirement	Eligible after 5 years of service; Benefit: 40% of AFC or 1.5% of AFC for each year of service, whichever is higher	Eligible after 4 years of service; Benefit: 4 to 20 years, 40% of FC or 1.5% of FC for each year of service, whichever is higher. If 20 to 24 years, 50% of FC plus 3% of FC for each year over 20
Non-"active duty" Death	Death Benefit: 3.5 x FC and return of member contributions	Death Benefit: 3.5 x FC and survivor's annuity- Widow(er): 50% of FC, or 1 child: 20% of FC; 2 children: 35% of FC; 3 or more: 50% of FC; or 1 parent: 25% of FC 2 parents: 40% of FC; or member's contributions
Deferred Retirement	10 yrs of service: Benefit- At age 55, 2% of AFC for each year of service up to 30, plus 1% of AFC for each year over 30	10 yrs of service: Benefit- at age 55, 2% of FC for each year of service up to 30, plus 1% of FC for each year over 30
Retired Death Benefit	Death Benefit: 50% of FC and survivors' annuity: Widow(er): 50% of AFC, plus 1 child: 15% of AFC. 2 or more children: 25% of AFC; or 1 child: 20% of AFC, 2 children: 35% of AFC, 3 or more: 50% of AFC	Death Benefit: 50% of FC and a survivors' annuity: Widow(er): 50% of FC, plus 1 child: 15% of FC. 2 or more children: 25% of FC; or 1 child: 20% of FC, 2 children: 35% of FC, 3 or more: 50% of FC
Survivor's Annuity Eligibility	One year marriage requirement	Married on date of death

on an ordinary disability retirement allowance in the amount of 1½% of *average final compensation* times the number of years of creditable service, provided that the total allowance may not be less than 40% of such compensation. The bill would allow a member with *four* or more years of creditable service to retire on ordinary disability retirement, and the retirement allowance would be based on *final compensation*. The bill also allows a member of the system with more than 20 but less than 25 years of service who is required by the employer to retire to receive an ordinary disability retirement allowance of 50% of final compensation plus an additional 3% of such compensation for each year of creditable service over 20 but not over 25 years.

Deferred retirement. A PFRS member with 10 years of creditable service is "vested": the member may separate from service before age 55 and, beginning at age 55, receive a pension of 2% of *average final compensation* for each year of creditable service up to 30 plus 1% of

such compensation for each year of creditable service over 30. The bill would change the basis on which the deferred retirement allowance is calculated from *average final compensation* to *final compensation*.

SURVIVOR BENEFITS

Non-service-connected death of active employee. Under current law, if a PFRS member dies while still employed, but not from a service-connected accident, the member's beneficiary receives (1) the member's aggregate contributions at the time of death, plus (2) a sum equal to 3½ times the compensation upon which PFRS contributions by the member were based in the last year of creditable service. In lieu of the return of the member's aggregate contributions, the bill allows for a pension to be payable to different classes of beneficiaries as follows: A widow or widower would receive a pension of 50% of final compensation for the use of the widow or widower and the children of the deceased member during the lifetime of the widow or widower. If there is no widow or widower or if the widow or widower remarries or dies, 20% of final compensation would be payable to one surviving child, 35% of final compensation to two surviving children in equal shares, or 50% of final compensation to three or more surviving children in equal shares. If there is no surviving widow or widower or children, 25% of final compensation would be payable to one surviving parent or 40% of final compensation would be payable to two surviving parents in equal shares. If there is no widow or widower, child or parent, the beneficiary of the deceased member would receive the member's aggregate contributions at the time of death, as under current law.

Death of a retirant. Under current law, PFRS pays to the widow or widower of a PFRS retiree a pension of 50% of *average final compensation*, plus 15% of such compensation to one surviving child or an additional 25% of such compensation to two or more children. If there is no surviving widow or widower or if the widow or widower dies or remarries, 20% of average final compensation is payable to one surviving child, 35% of such compensation to two surviving children in equal shares and if there are three or more children, 50% of such compensation is payable to such children in equal shares. This bill would change the basis for calculating the pension allowance to a retirant's survivor from average final compensation to *final compensation*.

Eligibility of spouse for survivor benefits. The bill also eliminates a minor restriction on the eligibility of a surviving spouse for PFRS survivor benefits. Currently, the system requires a widow or widower to have been married to the member for one year prior to the date of death to qualify for such benefits. The bill would require only that a widow or widower be married to the member on the date of death to qualify for the benefits.

NEW SALARY BASIS OF BENEFITS

As noted above, the compensation base upon which retirement and survivor benefits are calculated is changed under the bill from "average final compensation" to "final compensation". *Average final compensation* is the average annual salary on which contributions are made for the three years of creditable service immediately preceding retirement, or the average annual salary for which contributions are made during any three fiscal years of membership in the system providing the largest possible benefit to the member. *Final compensation* is the compensation received by the member in the last 12 months of creditable service preceding retirement or death.

FISCAL IMPACT

Based on an actuarial analysis prepared by Buck Consultants, the Division of Pensions and Benefits in the Department of Treasury has estimated that the benefits provided under this bill would generate an additional accrued liability in the PFRS of \$338 million, \$75 million of which would accrue to the State as an employer and \$263 million of which, absent the provisions of the bill making all costs attributable to those benefits liabilities of the State, would accrue to local employers.

COMMITTEE AMENDMENTS

Committee amendments to this bill:

(1) Provide that the cost of the increase in benefits under the legislation shall not be paid through an increase in employer contributions, but instead shall be a liability of the State that will be discharged under a "fund-as-you-go" program. Under this program, the retirement system would compute at the time of a PFRS member's retirement the actuarial present value of (a) (for members taking service, ordinary disability, or deferred retirement, the benefits of which are affected by the bill) the member's prospective retirement benefit, and (b) (for all retirants) the survivorship benefit payable to the member's survivor. If the value (or sum of the values) exceeds the reserve established during the member's service to cover the enhanced benefits(s), the State would then pay the amount of the difference to the retirement system. A similar funding program would be used to fund the increase in the survivorship benefit payable in respect of a member who dies in active service or a former member who retired prior to enactment of the legislation; in this case, the valuation and payment would be made at the time of the retirant's death;

(2) For PFRS members in service at the bill's enactment who take service retirement, clarify the language of the bill that is intended to provide them with an enhanced retirement allowance and limit eligibility for the "3%-per-year" enhancement for service over 20 years to such of those members as are required to retire by reason of having attained the PFRS mandatory retirement age of 65; and

(3) Revise the statutory definition of "final compensation" to recognize that, under the bill, such compensation will be used as a basis for computing the survivor's benefit payable upon non-accidental death in active service.

As amended, this bill is identical to Assembly Bill No.2328 (Aca).

FISCAL NOTE

SENATE, No. 1742

STATE OF NEW JERSEY

208th LEGISLATURE

DATED: DECEMBER 6, 1999

BILL SUMMARY

Senate Bill No. 1742 of 1998 would enhance the retirement and survivor's benefits of the Police and Firemen's Retirement System (PFRS).

The following table outlines the proposed benefit changes:

PFRS PROVISIONS IMPACTED BY S-1742		
Benefit/Provision	Current Provisions	Proposed Provisions
Service Retirement	Age 55, 2% of average final compensation (AFC) per year up to 30, plus 1% of AFC for every year over 30 up to 35	1. Age 55, either current provisions, or 20 or more years of service at 50% of final compensation (FC), whichever is greater. 2. For those persons in PFRS when bill enacted, 20 to 24 years of service at 50% of FC at time of retirement plus 3% of FC for each year over 20 and under 25
Special Retirement	25 years of service, any age, 65% of FC plus 1% for each year over 25, not to exceed 70% of FC	Unchanged
Ordinary Disability Retirement	Eligible after 5 years of service; Benefit: 40% of AFC or 1.5% of AFC for each year of service, whichever is higher	Eligible after 4 years of service; Benefit: 4 to 20 years, 40% of FC or 1.5% of FC for each year of service, whichever is higher. If 20 to 24 years, 50% of FC plus 3% of FC for each year over 20
Active Death	Death Benefit: 3.5 x FC and return of member contributions	Death Benefit: 3.5 x FC and survivor's annuity- Widow: 50% of FC, or 1 child: 20% of FC; 2 children: 35% of FC; 3 or more: 50% of FC or 1 parent: 25% of FC 2 parents: 40% of FC or member's contributions
Deferred Retirement	10 yrs of service: Benefit- At age 55, 2% of AFC for each year of service	10 yrs of service: Benefit- at age 55, 2% of FC for each year of service
Retired Death Benefit	Death Benefit: 50% of FC and survivors' annuity: Widow: 50% of AFC, plus 1 child: 15% of AFC. 2 or more children: 25% of AFC; or 1 child: 20% of AFC, 2 children: 35% of AFC, 3 or more: 50% of AFC	Death Benefit: 50% of FC and a survivors' annuity: Widow: 50% of FC, plus 1 child: 15% of FC. 2 or more children: 25% of FC; or 1 child: 20% of FC, 2 children: 35% of FC, 3 or more: 50% of FC
Survivor's Annuity Eligibility	One year marriage requirement	Married on date of death

The first of two service retirement provisions of the bill would allow those members who attain the retirement age of 55 the option of retiring at the current benefit, or with 20 years of service at 50 percent of final compensation, whichever is greater. Under the current benefit a member can retire with an allowance of one-sixtieth of average final compensation multiplied by number of service years, or 2 percent of average final compensation multiplied by the number of service years up to 30 plus 1 percent of the years over 30.

The second provision would allow current members of PFRS as of the effective date of the bill to be entitled to retire after 20 years or more of service at 50 percent of final compensation plus 3 percent of final compensation multiplied by the number of service years over 20 but not exceeding 25. This "step up" provision would blend the 20yrs / 50 percent benefit enhancement in A-2328 for current PFRS members with the already existing special retirement allowance of 25yrs / 65 percent of final compensation.

EXECUTIVE BRANCH COMMENTS

Based on an actuarial analysis prepared by Buck Consultants, the Division of Pensions and Benefits in the Department of Treasury has estimated that S-1742, if enacted, would generate an additional accrued liability in the PFRS of \$338 million, \$263 million of which would accrue to local employers and \$75 million to the State as an employer. To finance the unfunded liabilities, together with the ongoing normal cost associated with the additional benefits, would require additional annual contributions by State and local governments of \$52.0 million, \$55.1 million, and \$58.4 million during the three fiscal years following enactment. Separately, local costs would be \$39.0 million, \$41.3 million, and \$43.8 million; and State costs would be \$13.0 million, \$13.8 million, and \$14.6 million. These estimates are based upon a projected contribution payment date of July 1, 2000 without any reduction for surplus pension fund assets. They assume a 5.95 percent average salary increase and a 2.4 percent annual cost of living increase (COLA).

The estimates and assumptions herein are derived from the most recent revised valuations of the Police and Firemen's Retirement System and the State Police Retirement System as of July 1, 1998, completed by the firm of Buck Consultants.

Based on the PFRS valuation data, the local unfunded liability is \$439,557,169. If this bill is enacted that amount would increase by \$263,000,000 to \$702,557,169. The current local payroll is approximately \$1,870,322,787, with a current 13.59 percent rate of employer contribution. The rate would increase to 14.89 percent if this bill is enacted.

The following table shows a breakdown of the additional costs attributable to each benefit modified by the bill.

ESTIMATED BENEFIT COST BREAKDOWN				
	STATE		LOCAL	
S-1742	Additional Accrued Liability	Total First Year* Contribution	Additional Accrued Liability	Total First Year* Contribution
RETIREMENT	\$41,400,000	\$7,400,000	\$87,200,000	\$12,225,000
ORDINARY DISABILITY	\$4,000,000	\$700,000	\$23,100,000	\$3,725,000
ORDINARY DEATH	\$27,600,000	\$4,600,000	\$142,300,000	\$21,125,000
DEFERRED RETIREMENT	\$1,100,000	\$200,000	\$5,400,000	\$925,000
SURVIVOR'S ELIGIBILITY	\$900,000	\$100,000	\$5,000,000	\$1,000,000
TOTAL	\$75,000,000	\$13,000,000	\$263,000,000	\$39,000,000
	* Annual costs assumed to increase by 5.95% per year.			

The State's accrued liability was previously \$93,996,409, but because of the application of surplus pension assets pursuant to P.L.1997, c.115, that amount was reduced to zero. Therefore, the additional \$75,000,000 liability that would accrue to the State, would require a contribution at the rate of 2.6 percent of payroll.

OFFICE OF LEGISLATIVE SERVICES COMMENTS

The Office of Legislative Services (OLS) concurs with the Division of Pensions and Benefits, based on an OLS review of the consultant's actuarial analysis.

OLS notes that if this bill is enacted, pursuant to P.L.1997, c.115, there are excess PFRS assets amounting to \$35,000,000 that could be applied thereby reducing the potential \$75,000,000 accrued liability for State employers to \$40,000,000.

It is possible that temporary salary and fringe benefit savings could be realized as newly hired police and firemen replace those members retiring after 20 years. However, previous studies of early retirement incentives suggest that unless positions of retiring members are abolished, salary savings are minimal. It is questionable whether positions will be abolished in local public safety departments.

Finally, the OLS notes that, to the extent this bill imposes costs upon local public employers without providing resources, other than the property tax, to offset this required additional direct expenditure, it may constitute an unfunded mandate under the provisions of the New Jersey State Constitution, Article VIII, Section II, paragraph 5.

SPONSOR OBJECTION

Pursuant to N.J.S.A.52:13B-11, the sponsor does not concur with the information presented herein and has entered an objection to that effect. The sponsor believes that the fiscal note overstates the potential costs associated with this legislation.

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

FISCAL NOTE

SENATE, No. 1742

STATE OF NEW JERSEY

208th LEGISLATURE

DATED: JANUARY 18, 2000

BILL SUMMARY

Senate Bill No. 1742 of 1998 would enhance the retirement and survivor's benefits of the Police and Firemen's Retirement System (PFRS).

The following table outlines the proposed benefit changes:

PFRS PROVISIONS IMPACTED BY S-1742		
Benefit/Provision	Current Provisions	Proposed Provisions
Service Retirement	Age 55, 2% of average final compensation (AFC) per year up to 30, plus 1% of AFC for every year over 30 up to 35	1. Age 55, either current provisions, or 20 or more years of service at 50% of final compensation (FC), whichever is greater. 2. For those persons in PFRS when bill enacted, 20 to 24 years of service at 50% of FC at time of retirement plus 3% of FC for each year over 20 and under 25
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SPONSOR OBJECTION

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