

P.L. 2003, CHAPTER 130, *approved July 14, 2003*
Assembly, No. 3530 (*First Reprint*)

1 **AN ACT** concerning retirement benefits for county and municipal
2 employees who are members of the Police and Firemen's Retirement
3 System of New Jersey and the funding of liabilities for those
4 benefits, and amending P.L.2002, c.42 and supplementing
5 P.L.1961, c.49 (C.52:14-17.25 et seq.).
6

7 **BE IT ENACTED** by the Senate and General Assembly of the State
8 of New Jersey:
9

10 1. An employee of an employer other than the State participating
11 in the Police and Firemen's Retirement System (PFRS) that elects to
12 provide the benefits authorized under this act, who:

13 a. has at least 25 years of service credit under the PFRS before the
14 effective date of retirement;

15 b. files an application to retire within ¹[30 days] one month¹ after
16 the effective date of the resolution adopted by the ¹[employees's]
17 employee's¹ employer pursuant to section 4 of this act; and

18 c. retires under the retirement system within ¹[90 days] three
19 months¹ after the effective date of the resolution, shall receive an
20 additional ¹[five] three¹ years of service credit in the retirement
21 system ¹or any lesser number of years of service credit under PFRS
22 as will provide the employee, as of the date of retirement, with a total
23 of not more than 30 years of service credit under PFRS¹.

24 The additional retirement benefit under this section is applicable
25 only to the full-time employment ¹[with the State, or]¹ with the
26 employer that elects to provide the benefits authorized under this act,
27 and from which employment the employee retires to receive the benefit
28 and the compensation for that employment.
29

30 2. For an employee of an employer other than the State
31 participating in the Police and Firemen's Retirement System that elects
32 to provide the benefits authorized under this act, who:

33 a. is at least 55 years of age and has at least 20, but less than 25,
34 years of service credit under the PFRS before the effective date of
35 retirement;

36 b. files an application to retire within ¹ [30 days] one month¹ after
37 the effective date of the resolution adopted by the ¹[employees's]
38 employee's¹ employer pursuant to section 4 of this act; and

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

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Assembly AAP committee amendments adopted May 22, 2003.

1 c. retires under the retirement system within ¹[90 days] three
2 months¹ after the effective date of the resolution, the employer shall
3 pay the entire cost for health care benefits coverage for the retired
4 employee and the employee's dependents, but not including survivors
5 unless the employer is paying the entire cost for coverage for survivors
6 on the effective date of this act. The coverage shall be provided
7 through the New Jersey State Health Benefits Program. The retired
8 employee, the employee's dependents and survivors shall be eligible for
9 coverage pursuant to section 13 of P.L. , c. (C.)(now pending
10 before the Legislature as this bill), if the employer is not a program
11 participant at the time of the employee's retirement. The payment for
12 the coverage shall be made by an employer other than the State in the
13 same manner provided for payment by an employer other than the
14 State of premiums or periodic charges for retired employees under
15 P.L.1961, c.49 (C.52:14-17.25 et seq.).

16

17 3. For an employee of an employer other than the State
18 participating in the Police and Firemen's Retirement System that elects
19 to provide the benefits authorized under this act, who:

20 a. is at least 55 years of age and has at least 10, but less than 20,
21 years of service credit under the PFRS before the effective date of
22 retirement;

23 b. files an application to retire within ¹[30 days] one month¹ after
24 the effective date of the resolution adopted by the ¹[employees's]
25 employee's¹ employer pursuant to section 4 of this act; and

26 c. retires under the retirement system within ¹[90 days] three
27 months¹ after the effective date of the resolution, the employer shall
28 pay an additional pension of \$500 per month in each of the 24 months
29 following the date of retirement.

30

31 4. An employer other than the State may elect to provide the
32 benefits under this act by the adoption of a resolution by its governing
33 body, which is to be effective on the first day of a month, within one
34 year of the effective date of this act, P.L. , c. (now pending before
35 the Legislature as this bill), and the filing of a certified copy of the
36 resolution with the Director of the Division of Pensions and Benefits
37 in the Department of Treasury within 3 business days after its
38 adoption. ¹The governing body may elect to provide the benefits under
39 this act one time only and the effective date of the resolution shall fall
40 within the one year period following the effective date of this act.¹

41 The employer shall submit to the director any information necessary
42 to provide the benefits or to determine the liability for them.

43

44 5. The actuary for the PFRS shall determine the liability of the
45 retirement system for the additional service credit or pensions
46 provided under this act and for the early retirement of employees in

1 accordance with the tables of actuarial assumptions adopted by the
2 board of trustees of the retirement system. This liability shall be added
3 to the unfunded accrued liability of the employer under the retirement
4 system and shall be paid by the employer over a period of 15 years in
5 the same manner as provided for the employer's unfunded accrued
6 liability of the retirement system under section 15 of P.L.1944, c.255
7 (C.43:16A-15). The employer may elect to pay this liability in full at
8 any time.

9 The retirement system shall annually certify to each employer the
10 contributions due to the pension accumulation fund for the liability
11 under this act. The contributions certified by the retirement system
12 shall be paid by the employer to the retirement system on or before the
13 date prescribed by law for payment of employer contributions for basic
14 retirement benefits. If payment of the full amount of the contribution
15 certified is not made within 15 days after the last date for payment of
16 employer contributions for basic retirement benefits, interest at the
17 rate of 10% per year shall be assessed against the unpaid balance on
18 the first day after the fifteenth day.

19 The employer shall pay the cost of the actuarial work to determine
20 the additional liability of the retirement system for the benefits under
21 this act and that cost shall be included in the initial contribution
22 required from the employer.

23

24 6. An employee who receives a benefit under this act shall forfeit
25 all tenure rights.

26

27 7. When the needs of the employer require the service of an
28 employee who elects to retire and receive a benefit under this act, the
29 employer, with the approval of the governing body of the employer,
30 and with the consent of the employee, may delay the effective
31 retirement date of the employee until the first day of any calendar
32 month after the ¹[90th day]third month¹ after the effective date of
33 the resolution adopted by the governing body of the employer
34 pursuant to section 4 of this act, but not later than one year after that
35 ¹[90th day] three month period¹. A delay in the effective retirement
36 date of an employee shall not extend the dates set forth in sections 1
37 through 3 of this act to qualify for benefits under this act.

38 For a member of the PFRS whose effective retirement date is
39 delayed under this section and who dies before the retirement becomes
40 effective, the retirement shall be effective as of the first day of the
41 month after the date of death of the member if the member's
42 beneficiary requests in writing to the board of trustees of the
43 retirement system that the retirement be effective.

44

45 8. An employee purchasing service credit on or after the effective
46 date of this act to qualify for a benefit under this act may purchase a

1 portion of the credit that the employee is eligible to purchase.

2

3 9. For the purposes of this act, "employee" means a policeman or
4 a fireman as defined in section 1 of P.L.1944, c.255 (C.43:16A-1).

5 ¹The employers and employees covered by this act shall not include
6 Rutgers, The State University, the New Jersey Institute of
7 Technology, the University of Medicine and Dentistry of New Jersey,
8 or any State college or university, and their employees participating
9 in the PFRS.¹

10

11 10. Prior to the ¹[date on which the governing body of the
12 employer adopts a resolution pursuant to section 4 of this act] end of
13 the one year period following the effective date of this act¹, each
14 employer covered by the provisions of this act shall meet and consult
15 with the representatives of the bargaining unit or units representing the
16 employees who would be eligible for benefits under this act.

17

18 11. The Director of the Division of Pensions and Benefits may
19 promulgate rules and regulations that the director deems necessary for
20 the effective implementation of this act.

21

22 12. Section 1 of P.L.2002, c.42 (C.40A:2-51.3) is amended to read
23 as follows:

24 1. Notwithstanding the provisions of N.J.S.40A:2-51 to the
25 contrary, a county or municipality may incur indebtedness, borrow
26 money, authorize and issue negotiable refunding bonds, in any amount
27 determined to be necessary by the county or the municipality and
28 approved by the Local Finance Board to effect the refunding for the
29 purpose of retiring the present value of the unfunded accrued liability
30 for early retirement incentive benefits granted pursuant to P.L.1991,
31 c.229, P.L.1991, c.230, P.L.1993, c.138, P.L.1993, c.181, P.L.1993,
32 c.99, [and] P.L.1999, c.59, and P.L. , c. (now pending before
33 the Legislature as this bill), in addition to the other purposes for which
34 it may do the same under N.J.S.40A:2-51. The system actuary shall
35 calculate the present value of the unfunded liability due and owing by
36 the municipality or county on a date certain upon the request of the
37 county or municipality. For purposes of this section, "county" means
38 any county of any class and all boards or commissions organized under
39 such county, including but not limited to welfare boards, boards of
40 social services, park commissions and mosquito control authorities.
41 (cf: P.L.2002, c.42, s.1)

42

43 13. (New section) After the effective date of P.L. , c. (now
44 pending before the Legislature as this bill), a former employee of an
45 employer participating in the Police and Firemen's Retirement System
46 (P.L.1944, c.255; C.43:16A-1 et seq.) who retires from employment

1 with the employer pursuant to the provisions of section 2 of P.L. ,
2 c. (now pending before the Legislature as this bill) in accordance
3 with the action taken pursuant to section 4 of P.L. , c. (now
4 pending before the Legislature as this bill) and the former employee's
5 dependents, may enroll in the State Health Benefits Program upon
6 retirement, but not later than 60 days following retirement. The laws
7 and regulations governing the program, except as provided in this
8 section, are applicable to enrollment in the program under this section.
9

10 14. This act shall take effect immediately.

11

12

13

14

15 Provides additional retirement benefits for county and municipal
16 employees who are members of PFRS; permits issuance of refunding
17 bonds to fund benefits.

ASSEMBLY, No. 3530

STATE OF NEW JERSEY 210th LEGISLATURE

INTRODUCED MAY 8, 2003

Sponsored by:

Assemblyman ALBIO SIRES

District 33 (Hudson)

Assemblyman JOSEPH V. DORIA, JR.

District 31 (Hudson)

Assemblyman GARY L. GUEAR, SR.

District 14 (Mercer and Middlesex)

Co-Sponsored by:

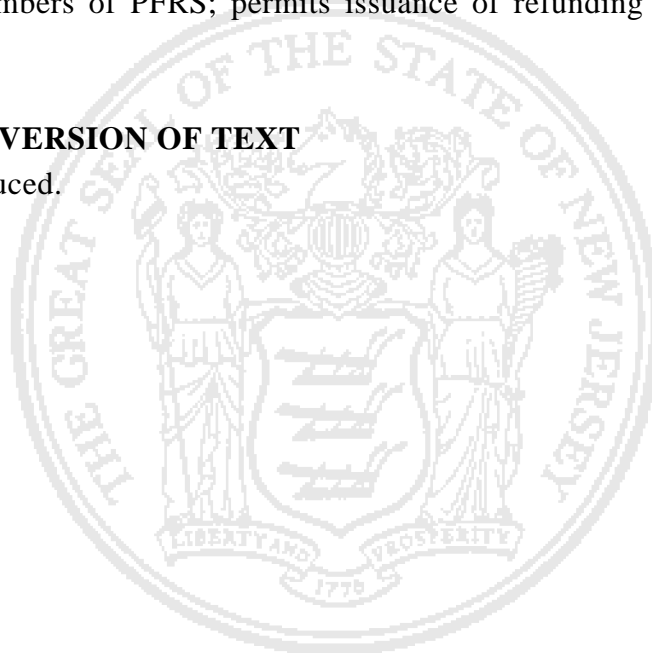
Assemblymen Barnes and Johnson

SYNOPSIS

Provides additional retirement benefits for county and municipal employees who are members of PFRS; permits issuance of refunding bonds to fund benefits.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 5/23/2003)

A3530 SIRES, DORIA

2

1 AN ACT concerning retirement benefits for county and municipal
2 employees who are members of the Police and Firemen's Retirement
3 System of New Jersey and the funding of liabilities for those
4 benefits, and amending P.L.2002, c.42 and supplementing
5 P.L.1961, c.49 (C.52:14-17.25 et seq.).

6

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

9

10 1. An employee of an employer other than the State participating
11 in the Police and Firemen's Retirement System (PFRS) that elects to
12 provide the benefits authorized under this act, who:

13 a. has at least 25 years of service credit under the PFRS before the
14 effective date of retirement;

15 b. files an application to retire within 30 days after the effective
16 date of the resolution adopted by the employees's employer pursuant
17 to section 4 of this act; and

18 c. retires under the retirement system within 90 days after the
19 effective date of the resolution, shall receive an additional five years
20 of service credit in the retirement system.

21 The additional retirement benefit under this section is applicable
22 only to the full-time employment with the State, or with the employer
23 that elects to provide the benefits authorized under this act, and from
24 which employment the employee retires to receive the benefit and the
25 compensation for that employment.

26

27 2. For an employee of an employer other than the State
28 participating in the Police and Firemen's Retirement System that elects
29 to provide the benefits authorized under this act, who:

30 a. is at least 55 years of age and has at least 20, but less than 25,
31 years of service credit under the PFRS before the effective date of
32 retirement;

33 b. files an application to retire within 30 days after the effective
34 date of the resolution adopted by the employees's employer pursuant
35 to section 4 of this act; and

36 c. retires under the retirement system within 90 days after the
37 effective date of the resolution, the employer shall pay the entire cost
38 for health care benefits coverage for the retired employee and the
39 employee's dependents, but not including survivors unless the
40 employer is paying the entire cost for coverage for survivors on the
41 effective date of this act. The coverage shall be provided through the
42 New Jersey State Health Benefits Program. The retired employee, the
43 employee's dependents and survivors shall be eligible for coverage

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.

A3530 SIRES, DORIA

1 pursuant to section 13 of P.L. , c. (C.)(now pending before
2 the Legislature as this bill), if the employer is not a program
3 participant at the time of the employee's retirement. The payment for
4 the coverage shall be made by an employer other than the State in the
5 same manner provided for payment by an employer other than the
6 State of premiums or periodic charges for retired employees under
7 P.L.1961, c.49 (C.52:14-17.25 et seq.).

8
9 3. For an employee of an employer other than the State
10 participating in the Police and Firemen's Retirement System that elects
11 to provide the benefits authorized under this act, who:

12 a. is at least 55 years of age and has at least 10, but less than 20,
13 years of service credit under the PFRS before the effective date of
14 retirement;

15 b. files an application to retire within 30 days after the effective
16 date of the resolution adopted by the employees's employer pursuant
17 to section 4 of this act; and

18 c. retires under the retirement system within 90 days after the
19 effective date of the resolution, the employer shall pay an additional
20 pension of \$500 per month in each of the 24 months following the date
21 of retirement.

22
23 4. An employer other than the State may elect to provide the
24 benefits under this act by the adoption of a resolution by its governing
25 body, which is to be effective on the first day of a month, within one
26 year of the effective date of this act, P.L. , c. (now pending
27 before the Legislature as this bill), and the filing of a certified copy of
28 the resolution with the Director of the Division of Pensions and
29 Benefits in the Department of Treasury within 3 business days after its
30 adoption. The employer shall submit to the director any information
31 necessary to provide the benefits or to determine the liability for them.

32
33 5. The actuary for the PFRS shall determine the liability of the
34 retirement system for the additional service credit or pensions
35 provided under this act and for the early retirement of employees in
36 accordance with the tables of actuarial assumptions adopted by the
37 board of trustees of the retirement system. This liability shall be added
38 to the unfunded accrued liability of the employer under the retirement
39 system and shall be paid by the employer over a period of 15 years in
40 the same manner as provided for the employer's unfunded accrued
41 liability of the retirement system under section 15 of P.L.1944, c.255
42 (C.43:16A-15). The employer may elect to pay this liability in full at
43 any time.

44 The retirement system shall annually certify to each employer the
45 contributions due to the pension accumulation fund for the liability
46 under this act. The contributions certified by the retirement system

A3530 SIRES, DORIA

1 shall be paid by the employer to the retirement system on or before the
2 date prescribed by law for payment of employer contributions for basic
3 retirement benefits. If payment of the full amount of the contribution
4 certified is not made within 15 days after the last date for payment of
5 employer contributions for basic retirement benefits, interest at the
6 rate of 10% per year shall be assessed against the unpaid balance on
7 the first day after the fifteenth day.

8 The employer shall pay the cost of the actuarial work to determine
9 the additional liability of the retirement system for the benefits under
10 this act and that cost shall be included in the initial contribution
11 required from the employer.

12
13 6. An employee who receives a benefit under this act shall forfeit
14 all tenure rights.

15
16 7. When the needs of the employer require the service of an
17 employee who elects to retire and receive a benefit under this act, the
18 employer, with the approval of the governing body of the employer,
19 and with the consent of the employee, may delay the effective
20 retirement date of the employee until the first day of any calendar
21 month after the 90th day after the effective date of the resolution
22 adopted by the governing body of the employer pursuant to section 4
23 of this act, but not later than one year after that 90th day. A delay in
24 the effective retirement date of an employee shall not extend the dates
25 set forth in sections 1 through 3 of this act to qualify for benefits under
26 this act.

27 For a member of the PFRS whose effective retirement date is
28 delayed under this section and who dies before the retirement becomes
29 effective, the retirement shall be effective as of the first day of the
30 month after the date of death of the member if the member's
31 beneficiary requests in writing to the board of trustees of the
32 retirement system that the retirement be effective.

33
34 8. An employee purchasing service credit on or after the effective
35 date of this act to qualify for a benefit under this act may purchase a
36 portion of the credit that the employee is eligible to purchase.

37
38 9. For the purposes of this act, "employee" means a policeman or
39 a fireman as defined in section 1 of P.L.1944, c.255 (C.43:16A-1).

40
41 10. Prior to the date on which the governing body of the employer
42 adopts a resolution pursuant to section 4 of this act, each employer
43 covered by the provisions of this act shall meet and consult with the
44 representatives of the bargaining unit or units representing the
45 employees who would be eligible for benefits under this act.

1 11. The Director of the Division of Pensions and Benefits may
2 promulgate rules and regulations that the director deems necessary for
3 the effective implementation of this act.

4
5 12. Section 1 of P.L.2002, c.42 (C.40A:2-51.3) is amended to read
6 as follows:

7 1. Notwithstanding the provisions of N.J.S.40A:2-51 to the
8 contrary, a county or municipality may incur indebtedness, borrow
9 money, authorize and issue negotiable refunding bonds, in any amount
10 determined to be necessary by the county or the municipality and
11 approved by the Local Finance Board to effect the refunding for the
12 purpose of retiring the present value of the unfunded accrued liability
13 for early retirement incentive benefits granted pursuant to P.L.1991,
14 c.229, P.L.1991, c.230, P.L.1993, c.138, P.L.1993, c.181, P.L.1993,
15 c.99, [and] P.L.1999, c.59, and P.L. , c. (now pending before
16 the Legislature as this bill), in addition to the other purposes for which
17 it may do the same under N.J.S.40A:2-51. The system actuary shall
18 calculate the present value of the unfunded liability due and owing by
19 the municipality or county on a date certain upon the request of the
20 county or municipality. For purposes of this section, "county" means
21 any county of any class and all boards or commissions organized under
22 such county, including but not limited to welfare boards, boards of
23 social services, park commissions and mosquito control authorities.
24 (cf: P.L.2002, c.42, s.1)

25
26 13. (New section) After the effective date of P.L. , c. (now
27 pending before the Legislature as this bill), a former employee of an
28 employer participating in the Police and Firemen's Retirement System
29 (P.L.1944, c.255; C.43:16A-1 et seq.) who retires from employment
30 with the employer pursuant to the provisions of section 2 of P.L. ,
31 c. (now pending before the Legislature as this bill) in accordance
32 with the action taken pursuant to section 4 of P.L. , c. (now
33 pending before the Legislature as this bill) and the former employee's
34 dependents, may enroll in the State Health Benefits Program upon
35 retirement, but not later than 60 days following retirement. The laws
36 and regulations governing the program, except as provided in this
37 section, are applicable to enrollment in the program under this section.

38
39 14. This act shall take effect immediately.

40
41
42 STATEMENT

43
44 This bill provides for additional retirement benefits for employees
45 of an employer other than the State, that elects to offer the benefits,
46 who retire under the Police and Firemen's Retirement System (PFRS).

1 The governing body of the employer will have one year after the
2 enactment of this bill to adopt a resolution to offer the benefits. Once
3 a resolution is adopted and effective, employees will have 30 days to
4 file an application and 90 days to retire.

5 Employees who have at least 25 years of service credit as of the
6 effective date of retirement will receive an additional five years of
7 service credit.

8 Employees who are at least 55 years of age with between 20 and
9 25 years of service as of the effective date of retirement will receive
10 employer-paid coverage in the New Jersey State Health Benefits
11 Program, and the retired employees, their dependents and survivors
12 will be eligible for coverage in the program even if the employer does
13 not participate in the program or otherwise provide health care
14 benefits coverage in retirement upon the normal retirement of such
15 employees.

16 Employees who are at least 55 years of age with between 10 and
17 20 years of service as of the effective date of retirement will receive
18 an additional pension payment of \$500 per month for the first
19 24 months after retirement.

20 An employer other than the State may elect to provide these
21 benefits by the adoption of a resolution by its governing body and the
22 filing of a certified copy with the Director of the Division of Pensions
23 and Benefits. Employers covered by this bill must meet with the
24 employee union representatives prior to adopting a resolution. The
25 actuary of the PFRS will calculate the system liability for the
26 additional benefits and the employers will be responsible for the
27 payment of this liability over a period of 15 years.

28 When the needs of an employer require the services of an employee
29 who elects to retire and receive a benefit under this bill, the employer,
30 with the consent of the employee, may delay the effective retirement
31 date of the employee for up to one year. The delay authorized under
32 the bill does not extend the dates for qualification for benefits.

33 The bill authorizes counties and municipalities to issue refunding
34 bonds to retire the present value of the unfunded accrued pension
35 liabilities for the benefits granted by this bill.

36 The employees eligible for the benefits under this bill are already
37 eligible to retire under PFRS. The purpose of these additional benefits
38 is to induce more employees to retire and, thus, assist in reducing the
39 workforce and costs for the counties and municipalities in this time of
40 fiscal constraint.

ASSEMBLY STATE GOVERNMENT COMMITTEE

STATEMENT TO

ASSEMBLY, No. 3530

STATE OF NEW JERSEY

DATED: MAY 8, 2003

The Assembly State Government Committee reports favorably Assembly, No. 3530.

This bill provides for additional retirement benefits for employees of an employer other than the State, that elects to offer the benefits, who retire under the Police and Firemen's Retirement System (PFRS). The governing body of the employer will have one year after the enactment of this bill to adopt a resolution. Once a resolution is adopted and effective, employees will have 30 days to file an application and 90 days to retire.

Employees who have at least 25 years of service credit as of the effective date of retirement will receive an additional five years of service credit.

Employees who are at least 55 years of age with between 20 and 25 years of service as of the effective date of retirement will receive employer-paid coverage in the New Jersey State Health Benefits Program, and the retired employees, their dependents and survivors will be eligible for coverage in the program even if the employer does not participate in the program or otherwise provide health care benefits coverage in retirement upon the normal retirement of such employees.

Employees who are at least 55 years of age with between 10 and 20 years of service as of the effective date of retirement will receive an additional pension payment of \$500 per month for the first 24 months after retirement.

An employer other than the State may elect to provide these benefits by the adoption of a resolution by its governing body and the filing of a certified copy with the Director of the Division of Pensions and Benefits. Employers covered by this bill must meet with the employee union representatives prior to adopting a resolution. The actuary of the PFRS will calculate the system liability for the additional benefits and the employers will be responsible for the payment of this liability over a period of 15 years.

When the needs of an employer require the services of an employee who elects to retire and receive a benefit under this bill, the employer, with the consent of the employee, may delay the effective retirement date of the employee for up to one year. The delay authorized under the bill does not extend the dates for qualification for benefits.

The bill authorizes counties and municipalities to issue refunding bonds to retire the present value of the unfunded accrued pension liabilities for the benefits granted by this bill.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 3530

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: MAY 20, 2003

The Assembly Appropriations Committee reports favorably Assembly Bill No. 3530 with committee amendments.

Assembly Bill No. 3530, as amended, provides for additional retirement benefits for employees of an employer other than the State, that elects to offer the benefits, who retire under the Police and Firemen's Retirement System (PFRS). The governing body of the employer will have one year after the enactment of this bill to adopt a resolution to offer the benefits. Once a resolution is adopted and effective, employees will have one month days to file an application and three months to retire.

Employees who have at least 25 years of service credit as of the effective date of retirement will receive an additional three years of service credit.

Employees who are at least 55 years of age with between 20 and 25 years of service as of the effective date of retirement will receive employer-paid coverage in the New Jersey State Health Benefits Program, and the retired employees, their dependents and survivors will be eligible for coverage in the program even if the employer does not participate in the program or otherwise provide health care benefits coverage in retirement upon the normal retirement of such employees.

Employees who are at least 55 years of age with between 10 and 20 years of service as of the effective date of retirement will receive an additional pension payment of \$500 per month for the first 24 months after retirement.

An employer other than the State may elect to provide these benefits by the adoption of a resolution by its governing body and the filing of a certified copy with the Director of the Division of Pensions and Benefits. The effective date of the resolution must fall within one year of enactment of this bill; an employer may offer these benefits only once. An employer covered by this bill must meet with the employee union representatives, whether or not the employer adopts a resolution, within a year of the enactment of this bill. The actuary of the PFRS will calculate the system liability for the additional

benefits and the employers will be responsible for the payment of this liability over a period of 15 years.

When the needs of an employer require the services of an employee who elects to retire and receive a benefit under this bill, the employer, with the consent of the employee, may delay the effective retirement date of the employee for up to one year. The delay authorized under the bill does not extend the dates for qualification for benefits.

The bill authorizes counties and municipalities to issue refunding bonds to retire the present value of the unfunded accrued pension liabilities for the benefits granted by this bill.

The employees eligible for the benefits under this bill are already eligible to retire under PFRS.

FISCAL IMPACT:

This bill is permissive, whereby, it is not known how many eligible entities would elect to offer these retirement benefits to members of PFRS. The additional benefits are to induce more employees to retire and, thus, assist in reducing the workforce and costs for counties and municipalities in a time of fiscal restraint.

COMMITTEE AMENDMENTS:

These amendments:

- * reduce the additional service credit from five years to three years;
- * specify that an employee with 25 or more years of service credit will receive an additional three years of service credit or such lesser amount as will provide the employee with no more than 30 years of service credit because the retirement allowance in PFRS is capped at 30 years;
- * clarify the time frames for submitting retirement applications and retiring to cover full month periods, regardless of the number of days in a month;
- * specify that these benefits may be offered only once in the year following enactment;
- * specify that the effective date for the adopted resolution must fall within the one year period following enactment;
- * clarify that the bill does not cover State colleges or universities, Rutgers, UMDNJ and NJIT, and their employees; and
- * clarify that employers must meet with employees and their bargaining units within one year following enactment, regardless of whether a resolution to provide the benefits is adopted or not.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

[First Reprint]

ASSEMBLY, No. 3530

STATE OF NEW JERSEY

DATED: JUNE 30, 2003

The Senate Budget and Appropriations Committee reports favorably Assembly Bill No. 3530 (1R).

This bill provides for additional retirement benefits for employees of an employer other than the State, that elects to offer the benefits, who retire under the Police and Firemen's Retirement System (PFRS). The governing body of the employer will have one year after the enactment of this bill to adopt a resolution to offer the benefits. Once a resolution is adopted and effective, employees will have one month days to file an application and three months to retire.

Employees who have at least 25 years of service credit as of the effective date of retirement will receive an additional three years of service credit.

Employees who are at least 55 years of age with between 20 and 25 years of service as of the effective date of retirement will receive employer-paid coverage in the New Jersey State Health Benefits Program, and the retired employees, their dependents and survivors will be eligible for coverage in the program even if the employer does not participate in the program or otherwise provide health care benefits coverage in retirement upon the normal retirement of such employees.

Employees who are at least 55 years of age with between 10 and 20 years of service as of the effective date of retirement will receive an additional pension payment of \$500 per month for the first 24 months after retirement.

An employer other than the State may elect to provide these benefits by the adoption of a resolution by its governing body and the filing of a certified copy with the Director of the Division of Pensions and Benefits. The effective date of the resolution must fall within one year of enactment of this bill; an employer may offer these benefits only once. An employer covered by this bill must meet with the employee union representatives, whether or not the employer adopts a resolution, within a year of the enactment of this bill. The actuary of the PFRS will calculate the system liability for the additional benefits and the employers will be responsible for the payment of this liability over a period of 15 years.

When the needs of an employer require the services of an employee who elects to retire and receive a benefit under this bill, the employer, with the consent of the employee, may delay the effective retirement date of the employee for up to one year. The delay authorized under the bill does not extend the dates for qualification for benefits.

The bill authorizes counties and municipalities to issue refunding bonds to retire the present value of the unfunded accrued pension liabilities for the benefits granted by this bill.

The employees eligible for the benefits under this bill are already eligible to retire under PFRS.

FISCAL IMPACT

This bill is permissive, so that it is not known how many eligible employers would elect to participate or how many qualified employees of those participating employers will elect to accept the retirement incentive. Accordingly, it is impossible to project the fiscal impact of the bill on participating local governments.

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

ASSEMBLY, No. 3530

STATE OF NEW JERSEY

210th LEGISLATURE

DATED: JULY 8, 2003

SUMMARY

- Synopsis:** Provides additional retirement benefits for county and municipal employees who are members of PFRS; permits issuance of refunding bonds to fund benefits.
- Type of Impact:** Expenditure reduction short-term; expenditure increase, county and municipal funds.
- Agencies Affected:** County and municipal governments.

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Local Cost	Indeterminate (See Comments Below)		
Local Revenue	Indeterminate (See Comments Below)		

- ! Provides additional retirement benefits to members of the Police and Firemen's System (PFRS) who are employed by county or municipal governments, at the option of the local government unit.
- ! There is a potential for the local employer to realize salary, social security, Medicare and pension contribution savings. Additional employer costs include an unfunded pension liability for the enhanced pension benefits (category 1 benefits), additional post-retirement health care payments (category 2 benefits) and additional pensions for two years following retirement (category 3 benefits). Therefore, net savings would depend on whether the positions are left vacant for a certain period of years or filled with lower-paid employees.

BILL DESCRIPTION

Assembly Bill No. 3530 of 2003 would allow a county or municipality to provide additional retirement benefits to certain employees who retire under the Police and Fireman's Retirement System (PFRS). The governing body of the employer will have one year after the enactment of this bill to adopt a resolution for this provision. Once a resolution is adopted and effective,

employees will have one month to file an application and three months to retire. A certified copy is to be filed with the Director of the Division of Pensions and Benefits.

An employee who has at least 25 years of service credit under PFRS as of the effective date of retirement will receive an additional three years of service credit (category 1 benefits). If a member of PFRS is under age 55 at the time of retirement with between 20 and 25 years of service credit, the retiree will receive employer-paid coverage in the New Jersey State Health Benefits Program (SHBP) (category 2 benefits).

An employee who is at least 55 years of age with at least 10, but less than 20, years of service credit will receive an additional payment of \$500 per month for the 24 months following retirement (category 3 benefits).

When the needs of an employer require the services of an employee who elects to receive a benefit under this bill, the employer may delay, with the consent of the employee, the effective retirement date of the employee for up to one year. The authorization for a delay in the effective retirement date does not extend the dates for qualification for benefits.

The cost of the enhanced pension benefits will be funded through employer contributions paid by the authorities, boards, commissions and other agencies to the retirement systems, calculated separately for each entity over a period of 15 years. The cost of the health care benefits payments for eligible retirees and their dependents will be paid by the employer on a current cost basis.

The bill also authorizes authorities, boards, commissions and other agencies to issue refunding bonds to retire the present value of the unfunded accrued pension liabilities for the early retirement incentive benefits granted by the bill.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The Office of Legislative Services (OLS) cannot estimate the potential additional cost of this bill because this bill is permissive and the number of authorities, boards, commissions or agencies that elect to participate is not known. Also, the number of eligible employees of the agencies which elect to participate is an additional unknown variable.

Due to the provisions of this bill, county and municipal employers that elect to offer these enhanced retirement benefits will realize an increased cost for an unfunded pension liability created as a result of the retirement of employees eligible for the enhanced pension benefits (category 1 benefits), for the post-retirement health care benefits offered to employees who are at least 55 years of age and have between 20 and 25 years of service (category 2 benefits), and for the additional \$500 monthly payments for two years following retirement (category 3 benefits). Therefore, the positions vacated by retiring employees would have to remain vacant for a certain period of years or be filled with a lower-paid employee. The OLS notes it cannot be assumed that retirees will not be replaced or will be replaced with lower-paid employees when it is likely that positions will be filled through the promotion of experienced personnel earning almost as much as the persons they are replacing.

Salary, social security and Medicare savings that the employer may accrue would partially offset the additional cost. The employer would not have to make pension contributions for each employee who retires and whose position is not filled. The employer would realize salary savings for positions that are not filled or turnover savings (salary differential) for a position that is filled with a lower-paid employee.

Section: *State Government*

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Legislative Budget and Finance Officer

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