

LEGISLATIVE FISCAL ESTIMATE:

Yes 2/16/2021
3/2/2021

VETO MESSAGE:

No

GOVERNOR'S PRESS RELEASE ON SIGNING:

Yes

FOLLOWING WERE PRINTED:

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REPORTS:

No

HEARINGS:

No

NEWSPAPER ARTICLES:

Yes

Marcus, Samantha. "Cops and firefighters can retire early with pension The legislation is known as the "burnout bill."." Times,
The (Trenton, NJ), April 21, 2021: 001.

RH/CL

P.L. 2021, CHAPTER 52, *approved April 19, 2021*
Senate, No. 1017 (*First Reprint*)

1 AN ACT concerning retirement benefits for members of the Police
2 and Firemen's Retirement System and amending P.L.1944,
3 c.255.

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

7
8 1. Section 5 of P.L.1944, c.255 (C.43:16A-5) is amended to
9 read as follows:

10 5. (1) Any member in service who has attained age 55 years
11 may retire on a service retirement allowance upon filing a written
12 and duly executed application to the retirement system, setting forth
13 at what time, not less than one month subsequent to the filing
14 thereof, he desires to be retired. Any member in service who attains
15 age 65 years shall be retired on a service retirement allowance
16 forthwith on the first day of the next calendar month, except that a
17 member hired prior to January 1, 1987 may remain a member of the
18 system until the member attains age 68 years or 25 years of
19 creditable service, whichever comes first.

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

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

24 (b) A pension in the amount which, when added to the member's
25 annuity, will provide a total retirement allowance of one-sixtieth of
26 his average final compensation multiplied by the number of years of
27 his creditable service, or 2% of his average final compensation
28 multiplied by the number of years of his creditable service up to 30
29 plus 1% of his average final compensation multiplied by the number
30 of years of creditable service over 30, or 50% of his final
31 compensation if the member has established 20 or more years of
32 creditable service, whichever is greater.

33 (3) (a) Any member of the retirement system as of the effective
34 date of P.L.1999, c.428 who has 20 or more years of creditable
35 service at the time of retirement shall be entitled to receive a
36 retirement allowance equal to 50% of the member's final
37 compensation plus, in the case of a member required to retire
38 pursuant to the provisions of subsection (1) of this section, 3% of
39 final compensation multiplied by the number of years of creditable
40 service over 20 but not over 25.

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

Matter underlined **thus** is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹Senate SBA committee amendments adopted October 22, 2020.

1 **(b) Any member of the retirement system ¹who was¹ enrolled**
2 **prior to ¹[or on or after]¹ the effective date of P.L. _____, c.**
3 **(pending before the legislature as this bill) ¹and who is a member**
4 **on that effective date¹ may retire on or after the effective date of**
5 **P.L. _____, c. _____ (pending before the legislature as this bill) ¹but no**
6 **later than the first day of the 25th month following that effective**
7 **date¹ on a service retirement allowance, regardless of age, upon**
8 **attaining 20 or more years of creditable service and shall be entitled**
9 **to receive a service retirement allowance equal to 50% of the**
10 **member's final compensation.**

11 (4) Upon the receipt of proper proofs of the death of a member
12 who has retired on a service retirement allowance, there shall be
13 paid to his beneficiary an amount equal to one-half of the
14 compensation upon which contributions by the member to the
15 annuity savings fund were based in the last year of creditable
16 service.

17 (cf: P.L.2005, c.381, s.1)

18

19 2. This act shall take effect immediately.

20

21

22

23

24 _____
25 Provides retirement allowance after 20 years of service
26 regardless of age for current members of PFRS who retire within
 two years.

SENATE, No. 1017

STATE OF NEW JERSEY 219th LEGISLATURE

INTRODUCED JANUARY 30, 2020

Sponsored by:

Senator VIN GOPAL

District 11 (Monmouth)

Senator JOSEPH A. LAGANA

District 38 (Bergen and Passaic)

Co-Sponsored by:

Senator Diegnan

SYNOPSIS

Provides retirement allowance after 20 years of service regardless of age for members of PFRS.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 9/14/2020)

S1017 GOPAL, LAGANA

2

1 AN ACT concerning retirement benefits for members of the Police
2 and Firemen's Retirement System and amending P.L.1944,
3 c.255.

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

7
8 1. Section 5 of P.L.1944, c.255 (C.43:16A-5) is amended to
9 read as follows:

10 5. (1) Any member in service who has attained age 55 years
11 may retire on a service retirement allowance upon filing a written
12 and duly executed application to the retirement system, setting forth
13 at what time, not less than one month subsequent to the filing
14 thereof, he desires to be retired. Any member in service who attains
15 age 65 years shall be retired on a service retirement allowance
16 forthwith on the first day of the next calendar month, except that a
17 member hired prior to January 1, 1987 may remain a member of the
18 system until the member attains age 68 years or 25 years of
19 creditable service, whichever comes first.

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

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

24 (b) A pension in the amount which, when added to the member's
25 annuity, will provide a total retirement allowance of one-sixtieth of
26 his average final compensation multiplied by the number of years of
27 his creditable service, or 2% of his average final compensation
28 multiplied by the number of years of his creditable service up to 30
29 plus 1% of his average final compensation multiplied by the number
30 of years of creditable service over 30, or 50% of his final
31 compensation if the member has established 20 or more years of
32 creditable service, whichever is greater.

33 (3) (a) Any member of the retirement system as of the effective
34 date of P.L.1999, c.428 who has 20 or more years of creditable
35 service at the time of retirement shall be entitled to receive a
36 retirement allowance equal to 50% of the member's final
37 compensation plus, in the case of a member required to retire
38 pursuant to the provisions of subsection (1) of this section, 3% of
39 final compensation multiplied by the number of years of creditable
40 service over 20 but not over 25.

41 (b) Any member of the retirement system enrolled prior to or on
42 or after the effective date of P.L. , c. (pending before the
43 legislature as this bill) may retire on or after the effective date of
44 P.L. , c. (pending before the legislature as this bill) on a service
45 retirement allowance, regardless of age, upon attaining 20 or more

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 years of creditable service and shall be entitled to receive a service
2 retirement allowance equal to 50% of the member's final
3 compensation.

4 (4) Upon the receipt of proper proofs of the death of a member
5 who has retired on a service retirement allowance, there shall be
6 paid to his beneficiary an amount equal to one-half of the
7 compensation upon which contributions by the member to the
8 annuity savings fund were based in the last year of creditable
9 service.

10 (cf: P.L.2005, c.381, s.1)

11

12 2. This act shall take effect immediately.

13

14

15

STATEMENT

16

17 This bill provides an additional category of service retirement for
18 a member of the Police and Firemen's Retirement System (PFRS).
19 Under the bill, a member of the PFRS who is enrolled before or
20 after the effective date of this bill may retire after the effective date,
21 regardless of age, upon attaining 20 or more years of service credit
22 and receive a retirement allowance equal to 50 percent of the
23 member's final compensation.

24 Under current law, a member must be 55 years of age or older to
25 retire on a service retirement allowance of 50 percent of final
26 compensation upon attaining 20 years or more of service credit. In
27 addition, a 1999 law permitted members, who were already enrolled
28 in PFRS at that time, to retire at any age with 50 percent of final
29 compensation upon attaining 20 or more years of service credit.
30 This bill extends the annual retirement benefit of 50 percent of final
31 compensation after 20 or more years of service to all PFRS
32 members regardless of enrollment date and regardless of age at
33 retirement.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

[First Reprint]

SENATE, No. 1017

STATE OF NEW JERSEY

DATED: FEBRUARY 24, 2021

The Assembly Appropriations Committee reports favorably Senate Bill No. 1017 (1R).

This bill provides an additional category of service retirement for a member of the Police and Firemen's Retirement System (PFRS) for a period of two years

Under the bill, a member of the PFRS who was enrolled before the effective date of this bill and is still a member on the effective date may retire after the effective date, but not later than the end of a two-year period after the effective date, regardless of age, upon attaining 20 or more years of service credit. The member will receive a retirement allowance equal to 50 percent of the member's final compensation.

Under current law, a member must be 55 years of age or older to retire on a service retirement allowance of 50 percent of final compensation upon attaining 20 years or more of service credit. In addition, a 1999 law permitted members, who were already enrolled in PFRS at that time, to retire at any age with 50 percent of final compensation upon attaining 20 or more years of service credit.

As reported by the committee, Senate Bill No. 1017 (1R) is identical to Assembly Bill No. 2562, which was amended and reported by the committee on this date.

FISCAL IMPACT:

The Office of Legislative Services (OLS) anticipates that this bill will result in an indeterminate increase in the annual contributions required to be paid by the State and local governments to the Police and Firemen's Retirement System (PFRS). In the analysis section of this document, the OLS calculates the impacts of the bill on annual retirement allowance payments, the present value of the unfunded liability, and the annual payment on the unfunded liability if all eligible PFRS members retire under the new retirement benefit provided by the bill. But the OLS does not have information on the number of eligible PFRS members who would actually retire and therefore cannot quantify the likely fiscal impacts of this bill with a reasonable degree of certainty. The OLS only notes that the increase in the unfunded liability resulting from this bill will be funded over time.

For those local governments that pay for post-retirement medical (PRM) benefits for their retired employees, there would be PRM savings resulting from PFRS members who retire before becoming eligible for those benefits. For the State, there would also be some savings from PFRS members who retire before becoming eligible for PRM benefits. The OLS does not have the data to determine the State or local government PRM savings.

SENATE STATE GOVERNMENT, WAGERING, TOURISM &
HISTORIC PRESERVATION COMMITTEE

STATEMENT TO

SENATE, No. 1017

STATE OF NEW JERSEY

DATED: MARCH 5, 2020

The Senate State Government, Wagering, Tourism and Historic Preservation Committee reports favorably Senate Bill No. 1017.

This bill provides an additional category of service retirement for a member of the Police and Firemen's Retirement System (PFRS). Under the bill, a member of the PFRS who is enrolled before or after the effective date of this bill may retire after the effective date, regardless of age, upon attaining 20 or more years of service credit and receive a retirement allowance equal to 50 percent of the member's final compensation.

Under current law, a member must be 55 years of age or older to retire on a service retirement allowance of 50 percent of final compensation upon attaining 20 years or more of service credit. In addition, a 1999 law permitted members, who were already enrolled in PFRS at that time, to retire at any age with 50 percent of final compensation upon attaining 20 or more years of service credit. This bill extends the annual retirement benefit of 50 percent of final compensation after 20 or more years of service to all PFRS members regardless of enrollment date and regardless of age at retirement.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 1017

with committee amendments

STATE OF NEW JERSEY

DATED: OCTOBER 22, 2020

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 1017, with committee amendments.

This bill, as amended, provides an additional category of service retirement for a member of the Police and Firemen's Retirement System (PFRS) for a period of two years

Under the bill, a member of the PFRS who was enrolled before the effective date of this bill and is still a member on the effective date may retire after the effective date, but not later than the end of a two-year period after the effective date, regardless of age, upon attaining 20 or more years of service credit. The member will receive a retirement allowance equal to 50 percent of the member's final compensation.

Under current law, a member must be 55 years of age or older to retire on a service retirement allowance of 50 percent of final compensation upon attaining 20 years or more of service credit. In addition, a 1999 law permitted members, who were already enrolled in PFRS at that time, to retire at any age with 50 percent of final compensation upon attaining 20 or more years of service credit.

COMMITTEE AMENDMENTS:

The committee amendments limit to two years the period during which a PFRS member may retire to receive this benefit.

FISCAL IMPACT

This bill will result in an indeterminate increase in the annual contributions required to be paid by the State and local governments to the PFRS. It is not known how many PFRS members will retire to receive the benefit provided by this bill. The increase in the unfunded liability resulting from this bill will be determined by the actuary for the PFRS and will be funded over time.

For those local governments that pay for post-retirement medical benefits for their retired employees, there would be savings resulting from PFRS members who retire before becoming eligible for those benefits. For the State, there would also be some savings from PFRS members who retire before becoming eligible for post-retirement medical benefits. The OLS does not have the data to determine the State or local government savings.

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 1017
STATE OF NEW JERSEY
219th LEGISLATURE

DATED: MARCH 25, 2020

SUMMARY

Synopsis: Provides retirement allowance after 20 years of service regardless of age for members of PFRS.

Type of Impact: State and local expenditure increase.

Agencies Affected: Division of Pensions and Benefits in the Department of the Treasury; local government entities.

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
State Cost Increase		Indeterminate	
Local Cost Increase		Indeterminate	

- This bill will result in an indeterminate increase in the annual contributions required to be paid by the State and local governments to the Police and Firemen’s Retirement System (PFRS).
- The increase in the unfunded liability resulting from this bill will be determined by the actuary for the PFRS and will be funded over time.
- The OLS estimates that this bill will increase retirement allowances (State and local) from the PFRS by \$413.6 million annually (\$366.8 million for local retirees and \$46.7 million for State retirees) if all 6,881 (5,846 local and 1,035 State) eligible PFRS members retire under the new retirement benefit provided by the bill. The OLS does not have information on the number who would actually do so, and notes that it is not likely that all eligible members would retire under the new benefit.
- The present value of the unfunded liability for all members who could retire under the bill is estimated to be \$3.981 billion (\$3.533 billion local and \$447.6 million State). The annual payment on the unfunded liability would be \$331.9 million per year (\$294.6 million local and \$37.3 million State) over 30 years at a discount rate of 7.5 percent.
- According to the informal actuarial analysis provided by the Division of Pensions and Benefits, this bill would increase total PFRS liabilities by \$77.1 million and the total annual State



contribution to that system by \$13.7 million, with the State paying for the local share. The actuarial analysis assumed that 2 percent of PFRS members who are 49 years-of-age and younger with 20 or more years of service and 3 percent of PFRS members who are between 50 and 54 years-of-age with 20 to 25 years-of-service would retire under a service retirement under this bill prior to reaching special retirement. The OLS notes that these percentages reflect the current retirement rates of these officer categories and that the actuarial analysis does not project that the bill would cause additional officers within the respective cohorts to retire earlier than they would under current law.

- For those local governments that pay for post-retirement medical (PRM) benefits for their retired employees, there would be PRM savings resulting from PFRS members who retire before becoming eligible for those benefits. For the State, there would also be some savings from PFRS members who retire before becoming eligible for PRM benefits. The OLS does not have the data to determine the State or local government PRM savings.

BILL DESCRIPTION

This bill provides an additional category of service retirement for a member of the PFRS. Under the bill, a member of the PFRS who is enrolled before or after the effective date of this bill may retire after the effective date of this bill, regardless of age, upon attaining 20 or more years of service credit and receive a retirement allowance equal to 50 percent of the member's final compensation.

Under current law, a member must be 55 years of age or older to retire on a service retirement allowance of 50 percent of final compensation upon attaining 20 years or more of service credit. In addition, a 1999 law permitted members, who were already enrolled in PFRS at that time, to retire at any age with 50 percent of final compensation upon attaining 20 or more years of service credit. This bill extends the annual retirement benefit of 50 percent of final compensation after 20 or more years of service to all PFRS members regardless of enrollment date and regardless of age at retirement.

FISCAL ANALYSIS

EXECUTIVE BRANCH

The Executive has not submitted a formal fiscal note for this bill. However, upon request, the Divisions of Pensions and Benefits in the Department of the Treasury provided an actuarial analysis indicating that this bill would increase total PFRS liabilities by \$77.1 million (\$66.9 million local and \$10.2 million State) and the total annual State contribution to the PFRS by \$13.7 million, with the State paying for the local share. The analysis assumes that 2 percent of PFRS members who are 49 years-of-age and younger with 20 or more years of service and 3 percent of PFRS members who are between 50 and 54 years-of-age with 20 to 25 years of service would retire under a service retirement under this bill prior to reaching special retirement.

OFFICE OF LEGISLATIVE SERVICES

This bill will result in an indeterminate increase in the annual contributions required to be paid by the State and local governments to the PFRS. The increase in the unfunded liability resulting from this bill will be determined by the actuary for the PFRS and will be funded over time.

The OLS estimates that this bill will increase retirement allowances (State and local) from the PFRS by \$413.6 million annually (\$366.8 million for local retirees and \$46.7 million for State retirees) if all 6,881 (5,846 local and 1,035 State) eligible PFRS members retire under the new retirement benefit provided by the bill. The OLS does not have information on the number who would do so and notes that it is not likely that all eligible members would retire under the new benefit. The present value of the unfunded liability for all members who could retire under the bill is estimated to be \$3.981 billion (\$3.533 billion local and \$447.6 million State). The annual payment on the unfunded liability would be \$331.9 million per year (\$294.6 million local and \$37.3 million State) over 30 years at a discount rate of 7.5 percent. If all eligible members opt for the new benefit, this bill would reduce the current funded ratio of the PFRS-Local from 73.5 percent to 66.9 percent and of the PFRS-State from 37.6 percent to 34.5 percent in the first year.

The OLS notes that the percentages of PFRS members that would retire after the bill's enactment reflect the current retirement rates of these officer categories and that the actuarial analysis does not project that the bill would cause additional officers within the respective cohorts to retire earlier than they would under current law. The OLS calculates that for every one percentage point increase in the retirement rate of concerned officer categories, total PFRS liabilities would grow by \$38.5 million and the total annual State contribution to that system by \$6.85 million.

For those local governments that pay for PRM benefits for their retired employees, there would be PRM savings resulting from PFRS members who retire before becoming eligible for those benefits. For the State, there would also be some savings from PFRS members who retire before becoming eligible for PRM benefits. The OLS does not have the data to determine the State or local government PRM savings.

The conclusions in this analysis are predicated on a certain set of assumptions and based on the most recent PFRS actuarial valuations. If the assumptions change or additional information becomes available that would change the assumptions, then the conclusions may change.

Section: State Government

Analyst: Kimberly M. Clemmensen
Lead Fiscal Analyst

Approved: Frank W. Haines III
Legislative Budget and Finance Officer

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

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 1017 STATE OF NEW JERSEY 219th LEGISLATURE

DATED: NOVEMBER 4, 2020

SUMMARY

- Synopsis:** Provides retirement allowance after 20 years of service regardless of age for current members of PFRS who retire within two years.
- Type of Impact:** Annual State and local expenditure increases.
- Agencies Affected:** Department of the Treasury; local government entities.

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
State Cost Increase		Indeterminate	
Local Cost Increase		Indeterminate	

- The Office of Legislative Services (OLS) anticipates that this bill will result in an indeterminate increase in the annual contributions required to be paid by the State and local governments to the Police and Firemen’s Retirement System (PFRS). In the analysis section of this document, the OLS calculates the impacts of the bill on annual retirement allowance payments, the present value of the unfunded liability, and the annual payment on the unfunded liability if all eligible PFRS members retire under the new retirement benefit provided by the bill. But the OLS does not have information on the number of eligible PFRS members who would actually retire and therefore cannot quantify the likely fiscal impacts of this bill with a reasonable degree of certainty. The OLS only notes that the increase in the unfunded liability resulting from this bill will be funded over time.
- For those local governments that pay for post-retirement medical (PRM) benefits for their retired employees, there would be PRM savings resulting from PFRS members who retire before becoming eligible for those benefits. For the State, there would also be some savings from PFRS members who retire before becoming eligible for PRM benefits. The OLS does not have the data to determine the State or local government PRM savings.

BILL DESCRIPTION

Under the bill, a person who is a member of the PFRS on the effective date of this bill may retire in the two-year period after the effective date, regardless of age, upon attaining 20 or more years of service credit. The member will receive a retirement allowance equal to 50 percent of the member's final compensation.

Under current law, a member must be 55 years of age or older to retire on a service retirement allowance of 50 percent of final compensation upon attaining 20 years or more of service credit. In addition, a 1999 law permitted members, who were already enrolled in PFRS at that time, to retire at any age with 50 percent of final compensation upon attaining 20 or more years of service credit.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS anticipates that this bill will result in an indeterminate increase in the annual contributions required to be paid by the State and local governments to the PFRS. The increase in the unfunded liability resulting from this bill will be determined by the actuary for the PFRS and will be funded over time.

The OLS estimates that this bill will increase retirement allowances (State and local) from the PFRS by at most \$465.3 million annually (\$409.5 million for local retirees and \$55.8 million for State retirees) if all 7,630 (6,415 local and 1,215 State) eligible PFRS members retire under the new retirement benefit provided by the bill on the date of enactment. The OLS does not have information on the number who would do so and notes that it is not likely that all eligible members would retire under the new benefit. The present value of the unfunded liability for all members who are currently eligible to retire as of the effective date of the bill and who have 20 to 24 years of service is estimated to be \$4.072 billion (\$3.592 billion local and \$479.4 million State). The annual payment on the unfunded liability would be \$334.9 million per year (\$295.6 million local and \$39.3 million State) over 30 years at a discount rate of 7.3 percent. If all currently eligible members with 20 to 24 years of service opt for the new benefit, this bill would reduce the current funded ratio of the PFRS-Local from 71.7 percent to 65.6 percent and of the PFRS-State from 38.9 percent to 35.7 percent in the first year.

The bill also allows members who attain 20 years of service credit within 25 months after the effective date of the bill to retire after 20 years of service regardless of age with a benefit allowance of 50 percent of final compensation. The OLS estimates that this will increase retirement allowances (State and local) from the PFRS by an estimated \$77.0 million (\$74.5 million for local retirees and \$2.5 million for State retirees) in year one and \$154.0 million in each year starting with year two after the effective date of the bill (\$149.0 million for local retirees and \$5.0 million for State retirees) if all State and local PFRS members who become eligible retire in the two-year period under the new retirement benefit provided by the bill. The OLS does not have information on the number who would do so and notes that it is not likely that all eligible members would retire under the new benefit. The present value of the unfunded liability for these members who will have 20 years of service in year one of the two-year period is estimated to be \$803.6 million

(\$646.9 million local and \$156.7 million State) and \$1.607 billion when the year two cohort is added (\$1.294 billion local and \$313.4 million State). The annual payment on the unfunded liability would be \$66.1 million for the first year of the two-year period (\$53.2 million local and \$12.9 million State) over 30 years at a discount rate of 7.3 percent, and \$66.1 million when the year two cohort is added (\$53.2 million local and \$12.9 million State).

Generally, the OLS calculates that for every one percentage point increase in the retirement rate of concerned officer categories in one year, total PFRS liabilities would grow by \$40.7 million and the total annual contribution to that system by \$3.3 million.

For those local governments that pay for PRM benefits for their retired employees, there would be PRM savings resulting from PFRS members who retire before becoming eligible for those benefits. For the State, there would also be some savings from PFRS members who retire before becoming eligible for PRM benefits. The OLS does not have the data to determine the State or local government PRM savings.

The conclusions in this analysis are predicated on a certain set of assumptions and based on the most recent PFRS actuarial valuations. If the assumptions change or additional information becomes available that would change the assumptions, then the conclusions may change.

Section: State Government
Analyst: Kimberly M. Clemmensen
Lead Fiscal Analyst
Approved: Frank W. Haines III
Legislative Budget and Finance Officer

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

ASSEMBLY, No. 2562

STATE OF NEW JERSEY 219th LEGISLATURE

INTRODUCED FEBRUARY 13, 2020

Sponsored by:

Assemblyman WAYNE P. DEANGELO

District 14 (Mercer and Middlesex)

Assemblyman RONALD S. DANCER

District 12 (Burlington, Middlesex, Monmouth and Ocean)

Assemblywoman ANNETTE CHAPARRO

District 33 (Hudson)

Co-Sponsored by:

Assemblywoman Timberlake and Assemblyman Scharfenberger

SYNOPSIS

Provides retirement allowance after 20 years of service regardless of age for members of PFRS.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 3/16/2020)

1 AN ACT concerning retirement benefits for members of the Police
2 and Firemen's Retirement System and amending P.L.1944,
3 c.255.

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

7
8 1. Section 5 of P.L.1944, c.255 (C.43:16A-5) is amended to
9 read as follows:

10 5. (1) Any member in service who has attained age 55 years
11 may retire on a service retirement allowance upon filing a written
12 and duly executed application to the retirement system, setting forth
13 at what time, not less than one month subsequent to the filing
14 thereof, he desires to be retired. Any member in service who attains
15 age 65 years shall be retired on a service retirement allowance
16 forthwith on the first day of the next calendar month, except that a
17 member hired prior to January 1, 1987 may remain a member of the
18 system until the member attains age 68 years or 25 years of
19 creditable service, whichever comes first.

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

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

24 (b) A pension in the amount which, when added to the member's
25 annuity, will provide a total retirement allowance of one-sixtieth of
26 his average final compensation multiplied by the number of years of
27 his creditable service, or 2% of his average final compensation
28 multiplied by the number of years of his creditable service up to 30
29 plus 1% of his average final compensation multiplied by the number
30 of years of creditable service over 30, or 50% of his final
31 compensation if the member has established 20 or more years of
32 creditable service, whichever is greater.

33 (3) (a) Any member of the retirement system as of the effective
34 date of P.L.1999, c.428 who has 20 or more years of creditable
35 service at the time of retirement shall be entitled to receive a
36 retirement allowance equal to 50% of the member's final
37 compensation plus, in the case of a member required to retire
38 pursuant to the provisions of subsection (1) of this section, 3% of
39 final compensation multiplied by the number of years of creditable
40 service over 20 but not over 25.

41 (b) Any member of the retirement system enrolled prior to or on
42 or after the effective date of P.L. , c. (pending before the
43 Legislature as this bill) may retire on or after the effective date of
44 P.L. , c. (pending before the Legislature as this bill) on a
45 service retirement allowance, regardless of age, upon attaining 20 or

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 more years of creditable service and shall be entitled to receive a
2 service retirement allowance equal to 50% of the member's final
3 compensation.

4 (4) Upon the receipt of proper proofs of the death of a member
5 who has retired on a service retirement allowance, there shall be
6 paid to his beneficiary an amount equal to one-half of the
7 compensation upon which contributions by the member to the
8 annuity savings fund were based in the last year of creditable
9 service.

10 (cf: P.L.2005, c.381, s.1)

11

12 2. This act shall take effect immediately.

13

14

15

STATEMENT

16

17 This bill provides an additional category of service retirement for
18 a member of the Police and Firemen's Retirement System (PFRS).
19 Under the bill, a member of the PFRS who is enrolled before or
20 after the effective date of this bill may retire after the effective date
21 of this bill, regardless of age, upon attaining 20 or more years of
22 service credit and receive a retirement allowance equal to 50
23 percent of the member's final compensation.

24 Under current law, a member must be 55 years of age or older to
25 retire on a service retirement allowance of 50 percent of final
26 compensation upon attaining 20 years or more of service credit. In
27 addition, a 1999 law permitted members, who were already enrolled
28 in PFRS at that time, to retire at any age with 50 percent of final
29 compensation upon attaining 20 or more years of service credit.
30 This bill extends the annual retirement benefit of 50 percent of final
31 compensation after 20 or more years of service to all PFRS
32 members regardless of enrollment date and regardless of age at
33 retirement.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2562

with committee amendments

STATE OF NEW JERSEY

DATED: FEBRUARY 24, 2021

The Assembly Appropriations Committee reports favorably and with committee amendments Assembly Bill No. 2562.

This bill, as amended, provides an additional category of service retirement for a member of the Police and Firemen's Retirement System (PFRS) for a period of two years.

Under the bill, a member of the PFRS who was enrolled before the effective date of this bill and is still a member on the effective date may retire after the effective date, but not later than the end of a two-year period after the effective date, regardless of age, upon attaining 20 or more years of service credit. The member will receive a retirement allowance equal to 50 percent of the member's final compensation.

Under current law, a member must be 55 years of age or older to retire on a service retirement allowance of 50 percent of final compensation upon attaining 20 years or more of service credit. In addition, a 1999 law permitted members, who were already enrolled in PFRS at that time, to retire at any age with 50 percent of final compensation upon attaining 20 or more years of service credit.

As amended and reported by the committee, Assembly Bill No. 2562 (1R) is identical to Senate Bill No. 1017 (1R), which also was reported by the committee on this date.

COMMITTEE AMENDMENTS:

The committee amendments limit to two years the period during which a PFRS member may retire to receive this benefit.

FISCAL IMPACT:

The Office of Legislative Services (OLS) anticipates this bill will result in an indeterminate increase in the annual contributions required to be paid by the State and local governments to the PFRS. It is not known how many PFRS members will retire to receive the benefit provided by this bill. The increase in the unfunded liability resulting from this bill will be determined by the actuary for the PFRS and will be funded over time.

For those local governments that pay for post-retirement medical benefits for their retired employees, there would be savings resulting from PFRS members who retire before becoming eligible for those benefits. For the State, there would also be some savings from PFRS members who retire before becoming eligible for post-retirement medical benefits. The OLS does not have the data to determine the State or local government savings.

LEGISLATIVE FISCAL ESTIMATE
ASSEMBLY, No. 2562
STATE OF NEW JERSEY
219th LEGISLATURE

DATED: FEBRUARY 16, 2021

SUMMARY

Synopsis: Provides retirement allowance after 20 years of service regardless of age for members of PFRS.

Type of Impact: State and local expenditure increase.

Agencies Affected: Division of Pensions and Benefits in the Department of the Treasury; local government entities.

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
State Cost Increase		Indeterminate	
Local Cost Increase		Indeterminate	

- This bill will result in an indeterminate increase in the annual contributions required to be paid by the State and local governments to the Police and Firemen’s Retirement System (PFRS).
- The increase in the unfunded liability resulting from this bill will be determined by the actuary for the PFRS and will be funded over time.
- The OLS estimates that this bill will increase retirement allowances (State and local) from the PFRS by \$413.6 million annually (\$366.8 million for local retirees and \$46.7 million for State retirees) if all 6,881 (5,846 local and 1,035 State) eligible PFRS members retire under the new retirement benefit provided by the bill. The OLS does not have information on the number who would actually do so, and notes that it is not likely that all eligible members would retire under the new benefit.
- The present value of the unfunded liability for all members who could retire under the bill is estimated to be \$3.981 billion (\$3.533 billion local and \$447.6 million State). The annual payment on the unfunded liability would be \$331.9 million per year (\$294.6 million local and \$37.3 million State) over 30 years at a discount rate of 7.5 percent.

- According to the informal actuarial analysis provided by the Division of Pensions and Benefits, this bill would increase total PFRS liabilities by \$77.1 million and the total annual State contribution to that system by \$13.7 million, with the State paying for the local share. The actuarial analysis assumed that 2 percent of PFRS members who are 49 years-of-age and younger with 20 or more years of service and 3 percent of PFRS members who are between 50 and 54 years-of-age with 20 to 25 years-of-service would retire under a service retirement under this bill prior to reaching special retirement. The OLS notes that these percentages reflect the current retirement rates of these officer categories and that the actuarial analysis does not project that the bill would cause additional officers within the respective cohorts to retire earlier than they would under current law.
- For those local governments that pay for post-retirement medical (PRM) benefits for their retired employees, there would be PRM savings resulting from PFRS members who retire before becoming eligible for those benefits. For the State, there would also be some savings from PFRS members who retire before becoming eligible for PRM benefits. The OLS does not have the data to determine the State or local government PRM savings.

BILL DESCRIPTION

This bill provides an additional category of service retirement for a member of the PFRS. Under the bill, a member of the PFRS who is enrolled before or after the effective date of this bill may retire after the effective date of this bill, regardless of age, upon attaining 20 or more years of service credit and receive a retirement allowance equal to 50 percent of the member's final compensation.

Under current law, a member must be 55 years of age or older to retire on a service retirement allowance of 50 percent of final compensation upon attaining 20 years or more of service credit. In addition, a 1999 law permitted members, who were already enrolled in PFRS at that time, to retire at any age with 50 percent of final compensation upon attaining 20 or more years of service credit. This bill extends the annual retirement benefit of 50 percent of final compensation after 20 or more years of service to all PFRS members regardless of enrollment date and regardless of age at retirement.

FISCAL ANALYSIS

EXECUTIVE BRANCH

The Executive has not submitted a formal fiscal note for this bill. However, upon request, the Division of Pensions and Benefits in the Department of the Treasury provided an actuarial analysis indicating that this bill would increase total PFRS liabilities by \$77.1 million (\$66.9 million local and \$10.2 million State) and the total annual State contribution to the PFRS by \$13.7 million, with the State paying for the local share. The analysis assumes that 2 percent of PFRS members who are 49 years-of-age and younger with 20 or more years of service and 3 percent of PFRS members who are between 50 and 54 years-of-age with 20 to 25 years of service would retire under a service retirement under this bill prior to reaching special retirement.

OFFICE OF LEGISLATIVE SERVICES

The OLS anticipate that this bill will result in an indeterminate increase in the annual contributions required to be paid by the State and local governments to the PFRS. The increase in the unfunded liability resulting from this bill will be determined by the actuary for the PFRS and will be funded over time.

The OLS estimates that this bill will increase retirement allowances (State and local) from the PFRS by \$413.6 million annually (\$366.8 million for local retirees and \$46.7 million for State retirees) if all 6,881 (5,846 local and 1,035 State) eligible PFRS members retire under the new retirement benefit provided by the bill. The OLS does not have information on the number who would do so and notes that it is not likely that all eligible members would retire under the new benefit. The present value of the unfunded liability for all members who could retire under the bill is estimated to be \$3.981 billion (\$3.533 billion local and \$447.6 million State). The annual payment on the unfunded liability would be \$331.9 million per year (\$294.6 million local and \$37.3 million State) over 30 years at a discount rate of 7.5 percent. If all eligible members opt for the new benefit, this bill would reduce the current funded ratio of the PFRS-Local from 73.5 percent to 66.9 percent and of the PFRS-State from 37.6 percent to 34.5 percent in the first year.

The OLS notes that the percentages of PFRS members that would retire after the bill's enactment reflect the current retirement rates of these officer categories and that the actuarial analysis does not project that the bill would cause additional officers within the respective cohorts to retire earlier than they would under current law. The OLS calculates that for every one percentage point increase in the retirement rate of concerned officer categories, total PFRS liabilities would grow by \$38.5 million and the total annual State contribution to that system by \$6.85 million.

For those local governments that pay for PRM benefits for their retired employees, there would be PRM savings resulting from PFRS members who retire before becoming eligible for those benefits. For the State, there would also be some savings from PFRS members who retire before becoming eligible for PRM benefits. The OLS does not have the data to determine the State or local government PRM savings.

The conclusions in this analysis are predicated on a certain set of assumptions and based on the most recent PFRS actuarial valuations. If the assumptions change or additional information becomes available that would change the assumptions, then the conclusions may change.

Section: State Government
Analyst: Kimberly M. Clemmensen
Lead Fiscal Analyst
Approved: Thomas Koenig
Legislative Budget and Finance Officer

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

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

ASSEMBLY, No. 2562

STATE OF NEW JERSEY 219th LEGISLATURE

DATED: MARCH 2, 2021

SUMMARY

- Synopsis:** Provides retirement allowance after 20 years of service regardless of age for current members of PFRS who retire within two years.
- Type of Impact:** Annual State and local expenditure increases.
- Agencies Affected:** Department of the Treasury; local government entities.

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
State Cost Increase		Indeterminate	
Local Cost Increase		Indeterminate	

- The Office of Legislative Services (OLS) anticipates that this bill will result in an indeterminate increase in the annual contributions required to be paid by the State and local governments to the Police and Firemen's Retirement System (PFRS). In the analysis section of this document, the OLS calculates the impacts of the bill on annual retirement allowance payments, the present value of the unfunded liability, and the annual payment on the unfunded liability if all eligible PFRS members retire under the new retirement benefit provided by the bill. But the OLS does not have information on the number of eligible PFRS members who would actually retire and therefore cannot quantify the likely fiscal impacts of this bill with a reasonable degree of certainty. The OLS only notes that the increase in the unfunded liability resulting from this bill will be funded over time.
-
- For those local governments that pay for post-retirement medical (PRM) benefits for their retired employees, there would be PRM savings resulting from PFRS members who retire before becoming eligible for those benefits. For the State, there would also be some savings from PFRS members who retire before becoming eligible for PRM benefits. The OLS does not have the data to determine the State or local government PRM savings.

BILL DESCRIPTION

Under the bill, a person who is a member of the PFRS on the effective date of this bill may retire in the two-year period after the effective date, regardless of age, upon attaining 20 or more years of service credit. The member will receive a retirement allowance equal to 50 percent of the member's final compensation.

Under current law, a member must be 55 years of age or older to retire on a service retirement allowance of 50 percent of final compensation upon attaining 20 years or more of service credit. In addition, a 1999 law permitted members, who were already enrolled in PFRS at that time, to retire at any age with 50 percent of final compensation upon attaining 20 or more years of service credit.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS anticipates that this bill will result in an indeterminate increase in the annual contributions required to be paid by the State and local governments to the PFRS. The increase in the unfunded liability resulting from this bill will be determined by the actuary for the PFRS and will be funded over time.

The OLS estimates that this bill will increase retirement allowances (State and local) from the PFRS by at most \$465.3 million annually (\$409.5 million for local retirees and \$55.8 million for State retirees) if all 7,630 (6,415 local and 1,215 State) eligible PFRS members retire under the new retirement benefit provided by the bill on the date of enactment. The OLS does not have information on the number who would do so and notes that it is not likely that all eligible members would retire under the new benefit. The present value of the unfunded liability for all members who are currently eligible to retire as of the effective date of the bill and who have 20 to 24 years of service is estimated to be \$4.072 billion (\$3.592 billion local and \$479.4 million State). The annual payment on the unfunded liability would be \$334.9 million per year (\$295.6 million local and \$39.3 million State) over 30 years at a discount rate of 7.3 percent. If all currently eligible members with 20 to 24 years of service opt for the new benefit, this bill would reduce the current funded ratio of the PFRS-Local from 71.7 percent to 65.6 percent and of the PFRS-State from 38.9 percent to 35.7 percent in the first year.

The bill also allows members who attain 20 years of service credit within 25 months after the effective date of the bill to retire after 20 years of service regardless of age with a benefit allowance of 50 percent of final compensation. The OLS estimates that this will increase retirement allowances (State and local) from the PFRS by an estimated \$77.0 million (\$74.5 million for local retirees and \$2.5 million for State retirees) in year one and \$154.0 million in each year starting with year two after the effective date of the bill (\$149.0 million for local retirees and \$5.0 million for State retirees) if all State and local PFRS members who become eligible retire in the two-year period under the new retirement benefit provided by the bill. The OLS does not have information on the number who would do so and notes that it is not likely that all eligible members would retire

under the new benefit. The present value of the unfunded liability for these members who will have 20 years of service in year one of the two-year period is estimated to be \$803.6 million (\$646.9 million local and \$156.7 million State) and \$1.607 billion when the year two cohort is added (\$1.294 billion local and \$313.4 million State). The annual payment on the unfunded liability would be \$66.1 million for the first year of the two-year period (\$53.2 million local and \$12.9 million State) over 30 years at a discount rate of 7.3 percent, and \$66.1 million when the year two cohort is added (\$53.2 million local and \$12.9 million State).

Generally, the OLS calculates that for every one percentage point increase in the retirement rate of concerned officer categories in one year, total PFRS liabilities would grow by \$40.7 million and the total annual contribution to that system by \$3.3 million.

For those local governments that pay for PRM benefits for their retired employees, there would be PRM savings resulting from PFRS members who retire before becoming eligible for those benefits. For the State, there would also be some savings from PFRS members who retire before becoming eligible for PRM benefits. The OLS does not have the data to determine the State or local government PRM savings.

The conclusions in this analysis are predicated on a certain set of assumptions and based on the most recent PFRS actuarial valuations. If the assumptions change or additional information becomes available that would change the assumptions, then the conclusions may change.

Section: State Government

*Analyst: Kimberly M. Clemmensen
Lead Fiscal Analyst*

*Approved: Thomas Koenig
Legislative Budget and Finance Officer*

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

Governor Murphy Takes Action on Legislation

04/19/2021

TRENTON - Today, Governor Phil Murphy signed the following bills and resolutions into law:
SJR-93/AJR-180 (Lagana, Cunningham, Pou/Wimberly, Reynolds-Jackson, Quijano) Designates February 14 of each year as Frederick Douglass Day in NJ.

S-275/A-2142 (Kean, Cruz-Perez/Tully, Swain, Dancer) Provides resident tuition rate to certain non-resident dependent children of United States military personnel attending public institutions of higher education.

S-551/A-1057 (Codey, Bucco/Jasey, McKeon, Dunn) Permits appointment of nonresident municipal emergency management coordinators in municipalities with populations under 5,000 persons in certain circumstances.

S-699/A-5245 (Ruiz, Singleton/Sumter, Reynolds-Jackson, Stanley) Requires training for DOE arbitrators to include issues related to cultural diversity and bias.

S-1017/A-2562 (Gopal, Lagana/DeAngelo, Dancer, Chaparro) Provides retirement allowance after 20 years of service regardless of age for current members of PFRS who retire within two years.

S-1851/A-4407 (Ruiz, Cryan/Jasey, Moriarty) Eliminates eligibility of postsecondary students and other individuals for State student assistance, training, and employment services if school or training provider requires student to consent to arbitration agreement or proceeding or to waive certain rights.

S-2323/A-3869 (Gopal, Bucco/Armato, Vainieri Huttle, Verrelli) Requires opioid antidote prescriptions for certain patients.

S-2476/A-3998 (Singleton, Addiego/Murphy, Giblin, Verrelli) Concerns certain workers' compensation supplemental benefits for surviving dependents of essential employees who die in course of employment.

[Copy of Statement](#)

S-2831/A-4783 (Ruiz, Beach/Quijano, Lampitt, Jasey) Requires DOE to establish Alternate Route Interstate Reciprocity Pilot Program

S-2973/A-4895 (Beach/Armato) Creates office of deputy superintendent of elections in counties of fifth class.

S-3004/A-4947 (Sarlo, Pou/Johnson, Wirths, Reynolds-Jackson) Establishes retroactive date for provisions of P.L.2018, c.165, which clarifies provisions of "Predatory Towing Prevention Act."

Governor Murphy vetoed the following bills:

S-347/A-1992 (Smith, Vitale/Stanley, Conaway, Houghtaling) - CONDITIONAL - Establishes "NJ One Health Task Force."

[Copy of Statement](#)

S-619/A-1635 (O'Scanlon/Lampitt, Downey) - CONDITIONAL - Permits use of telemedicine and telehealth to authorize patients for medical cannabis and to issue written instructions for dispensing medical cannabis.

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S-2725/A-4473 (Gopal/Houghtaling, Downey) - CONDITIONAL - Concerns assessment of real property in counties operating under "Real Property Assessment Demonstration Program."

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