

43:13-22.53

LEGISLATIVE HISTORY CHECKLIST
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(Cities--1st class--retirement)

NJSA: 43:13-22.53

LAWS OF: 1996 CHAPTER: 101

BILL NO: S165

SPONSOR(S): Kenny

DATE INTRODUCED: Pre-filed

COMMITTEE: ASSEMBLY: Appropriations; State Government
SENATE: State Management

AMENDED DURING PASSAGE: No

DATE OF PASSAGE: ASSEMBLY: July 18, 1996
SENATE: March 21, 1996

DATE OF APPROVAL: August 19, 1996

FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:

SPONSOR STATEMENT: Yes

COMMITTEE STATEMENT: ASSEMBLY: Yes 6-13-96 & 5-20-96
SENATE: Yes

FISCAL NOTE: Yes

VETO MESSAGE: No

MESSAGE ON SIGNING: No

FOLLOWING WERE PRINTED:

REPORTS: No

HEARINGS: No

KBP:pp

P.L. 1996, CHAPTER 101, *approved August 19, 1996*
Senate, No. 165

1 **AN ACT** concerning any employees' retirement system established in
2 a city of the first class having a population of less than 300,000
3 inhabitants, amending P.L.1964, c.275, P.L.1967, c.222 and
4 P.L.1990, c.20.

5

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

8

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

11 4. (a) Any member who shall have established 20 or more years of
12 creditable service in the retirement system and who shall have attained
13 the age of 60 years shall, upon application by that member to the
14 commission, be retired on a pension equal to **[1/2] 55%** of final salary,
15 plus 1% of such salary for each year of creditable service in excess of
16 20 years, if the member has more than 20 years of creditable service
17 at retirement.

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

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

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

27 (cf: P.L.1990, c.20, s.2)

28

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

31 1. (a) A member who resigns after having completed 25 years of
32 service for which credit has been established in the pension fund and
33 before reaching age 60 may elect to receive, in lieu of the payment
34 provided in section 4 of P.L.1964, c.275 (C.43:13-22.53), or the

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

Matter underlined thus is new matter.

1 benefit provided by subsection (b) of this section, a pension in the
2 amount of ~~1/2~~ 55% of final salary, plus 1% for each year of service
3 in excess of 20 years; provided, however, that such pension shall be
4 reduced by ~~5/12~~ 2/12 of 1% for each month that the member lacks
5 of being age 60; but if the member waits until age 60 to start collecting
6 benefits, there shall be no reduction in benefits, and in no event shall
7 the amount of any pension payable pursuant to the provisions of this
8 subsection be less than \$3,600 per annum.

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

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

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

28 (cf: P.L.1990, c.20, s.3)

29

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

32 7. Death benefits.

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

1 surviving dependent parent or a pension of 40% of such final salary
2 shall be paid to two surviving dependent parents in equal shares.

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

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

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

1 shall have been paid to the decedent during retirement, is less than the
2 amount of the decedent's contributions during membership in the
3 retirement system, the amount of the difference, without interest, shall
4 be payable to the deceased member or retirant's estate.

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

11 (cf: P.L.1990, c.20, s.5)

12
13 4. Section 11 of P.L.1990, c.20 (C.43:13-22.73) is amended to
14 read as follows:

15 11. On or before October 1, ~~[1989]~~ 1996 and by the same date in
16 each subsequent year, the Director of the Division of Pensions of the
17 Department of the Treasury shall review the index and determine the
18 percentum of change in the index from the retirement year index
19 pursuant to the provisions of the "Pension Adjustment Act,"
20 P.L.1969, c.169 (C.43:3B-1 et seq.). The percentage of adjustment
21 in the retirement allowances, pensions and survivorship benefits shall
22 be ~~[1/2]~~ 3/5 of the percentum of change. Any adjustment so
23 calculated shall apply to all of the months of the following calendar
24 year for eligible retirants and beneficiaries, except that for those
25 qualifying for the first time, it shall apply only to those months of the
26 following calendar year in which the retirant or beneficiary is eligible
27 to receive the adjustment.

28 On the basis of information certified to the director by the
29 retirement system concerning the amounts of all retirement allowances,
30 pensions and survivorship benefits of eligible retirants and beneficiaries
31 which are subject to adjustment under sections 7 through 13 of ~~[this~~
32 ~~act]~~ P.L.1990, c.20 (C.43:13-22.69 through 22.75), and any other
33 relevant matters as the director may require, the director shall certify
34 to the retirement system the amounts required to fund the benefits
35 provided under those sections for the applicable year. The director
36 shall include in that certification amounts sufficient to adjust the
37 retirement allowances, pensions or survivorship benefits payable to all
38 eligible retirants and beneficiaries by ~~[1/2]~~ 3/5 of the percentum of
39 change in the index as such retirement allowances or pensions may
40 have been originally granted, or increased for certain retirants and
41 beneficiaries in accordance with the provisions of the "Pension
42 Adjustment Act."

43 In no instance shall the amount of the retirement allowance, pension
44 or survivorship benefit originally granted and payable to any retirant
45 or beneficiary be reduced as a result of this adjustment.

46 (cf: P.L.1990, c.20, s.11)

1 5. This act shall take effect immediately.

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4

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6 Revises employees' retirement system established in city of the first
7 class with population less than 300,000.

1 or beneficiary be reduced as a result of this adjustment.
2 (cf: P.L.1990, c.20, s.11)

3

4 5. This act shall take effect immediately.

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6

7

STATEMENT

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9 This bill revises the retirement and survivorship benefits payable to
10 retirants and beneficiaries under an employees' retirement system
11 established in a city of the first class having a population of less than
12 300,000. The bill increases from 50% to 55% of final pay the basic
13 allowance payable to retirants with 20 or more years of service who
14 have attained the age of 60. The allowance continues to be
15 supplemented by an amount equal to 1% of such salary for each year
16 of creditable service in excess of 20 years. For a retirant with 25 years
17 of service before the age of 60, the pension is increased from 50% to
18 55% of final salary, plus the current 1% for each year of service in
19 excess of 20 years. Such pension, currently reduced by 5/12 of 1% for
20 each month that the member lacks of being age 60, is reduced to 2/12
21 of 1% under this bill. If the member waits until age 60 to start
22 collecting benefits, there is no reduction in benefits. The bill includes
23 cost-of-living adjustments in determining the amount of pension for a
24 death benefit provided to survivors of retirants. The current death
25 benefit excludes such adjustments.

26 Current law provides for the annual adjustment of retirement
27 allowances and survivors' pensions in an amount equal to 50% of the
28 increase in the cost of living, as measured by the federal Department
29 of Labor's Consumer Price Index; this bill increases that adjustment to
30 60%.

31 This bill was approved by the Pension and Health Benefits Review
32 Commission at its March 31, 1995 meeting.

33

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37 Revises employees' retirement system established in city of the first
38 class with population less than 300,000.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 165

STATE OF NEW JERSEY

DATED: JUNE 13, 1996

The Assembly Appropriations Committee reports favorably Senate Bill No. 165.

Senate Bill No. 165 revises the retirement and survivorship benefits payable to retirants and beneficiaries under an employees' retirement system established in a city of the first class having a population of less than 300,000. The bill:

(1) increases from 50% to 55% of final salary the basic allowance payable to retirants with at least 20 years of service who have attained the age of 60. The allowance continues to be supplemented by an amount equal to 1% of such salary for each year of creditable service in excess of 20 years;

(2) increases the retirement allowance for a retirant with 25 years of service before the age of 60, from 50% to 55% of final salary, plus the current 1% for each year of service in excess of 20 years. The pension, currently reduced by 5/12 of 1% for each month that the member is under age 60, would be reduced by only 2/12 of 1% per month under the bill. (If the member waits until age 60 to collect there is no reduction in benefits.)

(3) provides for inclusion of the cost-of-living adjustments in determining the amount of pension provided to the survivor of the retirant. Current law excludes adjustments;

(4) increases from 50% to 60% the proportion of the increase in the cost of living, as measured by the federal Department of Labor's Consumer Price Index.

This bill is identical to A1853

FISCAL IMPACT:

In the legislative fiscal estimate the Office of Legislative Services (OLS) noted that this legislation pertained only to Jersey City. This retirement system is active with all new hires enrolled as members. The annual increase as part of a normal employer cost could be approximately \$470,950. This will increase by an estimated 6% per year.

ASSEMBLY STATE GOVERNMENT COMMITTEE

STATEMENT TO

SENATE, No. 165

STATE OF NEW JERSEY

DATED: MAY 20, 1996

The Assembly State Government Committee reports favorably Senate Bill No. 165.

This bill revises the retirement and survivorship benefits payable to retirants and beneficiaries under an employees' retirement system established in a city of the first class having a population of less than 300,000.

(1) The bill increases from 50% to 55% of final salary the basic allowance payable to retirants with at least 20 years of service who have attained the age of 60. The allowance continues to be supplemented by an amount equal to 1% of such salary for each year of creditable service in excess of 20 years.

(2) For a retirant with 25 years of service before the age of 60, the pension is increased from 50% to 55% of final salary, plus the current 1% for each year of service in excess of 20 years. The pension, currently reduced by 5/12 of 1% for each month that the member is under age 60, would be reduced by only 2/12 of 1% per month under the bill. (As at present, if the member waits until age 60 to start collecting benefits, there is no reduction in benefits.)

(3) The bill provides for inclusion of the cost-of-living adjustments that were being paid to a deceased retirant at the time of death in determining the amount of pension provided to the survivor of the retirant. Current law excludes such adjustments from calculation of the amount of the pension.

(4) Finally, this bill increases from 50% to 60% the proportion of the increase in the cost of living, as measured by the federal Department of Labor's Consumer Price Index, payable as an annual cost-of-living adjustment to retirement allowances and survivors' pensions under the pension system.

SENATE STATE MANAGEMENT, INVESTMENT AND
FINANCIAL INSTITUTIONS COMMITTEE

STATEMENT TO

SENATE, No. 165

STATE OF NEW JERSEY

DATED: MARCH 14, 1996

The Senate State Management, Investment and Financial Institutions Committee reports favorably Senate, No. 165.

This bill revises the retirement and survivorship benefits payable to retirants and beneficiaries under an employees' retirement system established in a city of the first class having a population of less than 300,000. The bill increases from 50% to 55% of final pay the basic allowance payable to retirants with 20 or more years of service who have attained the age of 60. The allowance continues to be supplemented by an amount equal to 1% of such salary for each year of creditable service in excess of 20 years. For a retirant with 25 years of service before the age of 60, the pension is increased from 50% to 55% of final salary, plus the current 1% for each year of service in excess of 20 years. The pension, currently reduced by 5/12 of 1% for each month that the member is under age 60, is reduced to 2/12 of 1% by this bill. If the member waits until age 60 to start collecting benefits, there is no reduction in benefits. The bill includes cost-of-living adjustments in determining the amount of pension for a death benefit provided to survivors of retirants. The current death benefit excludes such adjustments.

Current law provides for the annual adjustment of retirement allowances and survivors' pensions in an amount equal to 50% of the increase in the cost of living, as measured by the federal Department of Labor's Consumer Price Index; this bill increases that adjustment to 60%.

This bill was prefiled for introduction in the 1996 session pending technical review. As reported, the bill includes the changes required by technical review which has been performed.

Last session, an identical bill (S-1480) was approved by the Pension and Health Benefits Review Commission.

LEGISLATIVE FISCAL ESTIMATE TO
SENATE, No. 165
STATE OF NEW JERSEY

DATED: April 11, 1996

Senate Bill No. 165 of 1996 revises the retirement and survivorship benefits payable to retirants and beneficiaries under an employees' retirement system established in a city of the first class having a population of less than 300,000. It:

(1) increases from 50 percent to 55 percent of final pay the basic allowance payable to retirants with 20 or more years of service who have attained the age of 60. The allowance continues to be supplemented by an amount equal to 1 percent of such salary for each year of creditable service in excess of 20 years;

(2) increases the retirement allowance from 50 percent to 55 percent for a retirant with 25 years of service before the age of 60. The allowance continues to be supplemented by an amount equal to 1 percent of salary for each year of creditable service in excess of 20 years. Such pension, currently reduced by 5/12 of 1 percent for each month that the member lacks of being age 60, is reduced to 2/12 of 1 percent under this bill. If the member waits until age 60 to start collecting benefits, there is no reduction in benefits;

(3) the bill includes cost-of-living adjustments (COLAs) in determining the amount of pension for a death benefit provided to survivors of retirants. The current death benefit excludes such adjustments; and

(4) increases the annual adjustment (COLA) of retirement allowances and survivors pensions from 50 percent to 60 percent of the increase in the cost of living, as measured by the federal Department of Labor's Consumer Price Index.

The Office of Legislative Services (OLS) notes that the only pension system affected by this legislation is the Employees' Retirement System of the City of Jersey City. This retirement system is active with all new hires enrolled as members. The OLS notes that because of the significant changes made by this legislation, the actuary for the retirement system should be asked to prepare a new actuarial valuation to accurately estimate the costs of the additional benefits provided by this legislation.

According to the most recent actuarial valuation of the retirement system, dated December 31, 1992, there are 936 active members and 524 retirees and survivors receiving benefits. The system has total liabilities of \$76.9 million. The OLS has calculated estimated costs for the following changes:

(1 & 2) changes the formula for the various types of retirement

from 50 percent of the average annual compensation received in the last three years preceding retirement to 55 percent of the average annual compensation received: The OLS notes that changing the retirement benefit formula from 50 percent to 55 percent is a 10 percent increase in retirement benefits.

According to the valuation, the present value of benefits (future liabilities) for active employees is \$45,523,037. A 10 percent increase in the benefits of active members ($\$45,523,037 \times .1 = \$4,552,304$) is a \$4,552,304 increase in the liabilities of the retirement system. If this additional liability is funded as part of the normal employer cost, the annual employer contribution would increase by \$198,868 or 31.5 percent, from \$630,772 to \$829,640.

In addition, the penalty for retiring before age 60 (after 25 years of service) is reduced by 60 percent, from 5/12 of 1 percent to 2/12 of 1 percent for each month that the member lacks of being age 60. However, this office is unable to estimate the additional liability to the retirement system of this change.

(3) the bill includes cost-of-living adjustments (COLAs) in determining the amount of pension for a death benefit provided to survivors of retirants. The current death benefit excludes such adjustments.

Upon the death of a member after his or her retirement, a death benefit is payable to the surviving widow, widower, minor children or dependent parents of the member, as the case may be. Under current law, the death benefit to eligible survivors is a pension equal to 50 percent of the member's pension at retirement. (The OLS notes that the Public Employees' Retirement System (PERS) and the Teachers' Pension and Annuity Fund (TPAF) do not provide a survivorship pension unless the retiree chooses a reduced pension.)

According to the valuation, the average retirement allowance, including COLA, for a retiree is \$9,847. The average survivor's benefit is \$4,002. Increasing the survivor's benefit to 50 percent of the average allowance, including COLA, would increase the average survivor's benefit 23 percent to \$4,924.

This would increase the liability of the retirement system by \$3,061,187. Funding this additional liability as part of the normal employer cost would increase the annual employer contribution by \$132,383.

In addition, increasing the survivors pension to 50 percent of the average allowance, including COLA, increases the cost of the COLA benefits provided to survivors.

(4) increases the annual adjustment (COLA) of retirement allowances and survivors pensions from 50 percent to 60 percent of the increase in the cost of living, as measured by the federal Department of Labor's Consumer Price Index (CPI). (The Pension Adjustment Act provides for a 60% cost of living adjustment for members of the Public Employees' Retirement System (PERS), the

Teachers' Pension and Annuity Fund (TPAF), the Police and Firemen's Retirement System (PFRS) and the State Police Retirement System (SPRS).)

The OLS notes that changing the COLA to 60 percent (without changing the pension formula from 50 percent to 55 percent or increasing the survivors allowance) would be a 20 percent increase in the cost of the COLA.

The OLS estimates that the current liability for COLAs is \$9,559,838. Increasing the COLA adjustment to 60 percent of the change in the increase in the cost of living, as measured by the CPI, or by 20 percent, would increase the COLA liability by \$3,230,362. Funding this additional liability as part of the normal employer cost would increase the annual employer contribution by \$139,699.

Finally the OLS notes that the additional cost of each change will increase approximately 6 percent per year as salaries increase.

This Legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

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