

SENATE, No. 1463

STATE OF NEW JERSEY
209th LEGISLATURE

INTRODUCED JUNE 15, 2000

Sponsored by:

Senator ROBERT E. LITTELL

District 24 (Sussex, Hunterdon and Morris)

Co-Sponsored by:

Assemblymen Augustine and DeCroce

SYNOPSIS

Grants PFRS service credit to NJ Transit police officers for service credited in federal pension system; provides for retirement allowance offset.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 6/30/2000)

S1463 LITTELL

2

1 AN ACT concerning service credit in the Police and Firemen's
2 Retirement System of New Jersey and amending P.L.1991, c.386.

3
4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:

6
7 1. Section 2 of P.L.1991, c.386 (C.27:25-15.1a) is amended to
8 read as follows:

9 2. The police officers of the New Jersey Transit Police Department
10 who qualify for participation in the Police and Firemen's Retirement
11 System in accordance with the provisions of P.L.1944, c.255
12 (C.43:16A-1 et seq.) shall participate in the retirement system as a
13 condition of employment. The New Jersey Transit Corporation shall
14 be a participating employer in the retirement system for these police
15 officers and shall make contributions to the retirement system and be
16 subject to all the provisions of law applicable to employers
17 participating in the retirement system, except as otherwise provided in
18 this 1991 amendatory and supplementary act. A police officer with
19 service with the corporation prior to the effective date of qualification
20 for participation in the retirement system shall receive credit in the
21 retirement system as a railway police officer or police officer of the
22 corporation for this prior service in the same manner provided for the
23 transfer of membership under another State-administered, county or
24 municipal retirement system to the Police and Firemen's System under
25 subsection b. of section 9 of P.L.1989, c.204 (C.43:16A-1.2), except
26 that [the granting of past service credit shall be limited in the
27 following manner: a. police officers with less than ten years of service
28 with the corporation or its predecessors shall receive past service
29 credit from the date of hire; b. police officers with ten years or more
30 of service with the corporation or its predecessors shall receive past
31 service credit in an amount equal to their actual years of service minus
32 ten years] the retirement allowance of a police officer receiving this
33 prior service credit shall be reduced by the amount of the initial federal
34 Railroad Retirement System Tier II benefit, if any, received by the
35 officer. In either case, such past service credit for any police officer
36 shall be granted only if the officer is continuously employed by the
37 New Jersey Transit Corporation for five full years from the effective
38 date of this 1991 amendatory and supplementary act. This five year
39 requirement shall be waived in the case of an officer who, while
40 employed, dies, is required to retire because of pension system age
41 requirements or is permanently disabled.

42 The corporation shall make contributions to the retirement system
43 for the liability for the prior service credit in the same manner provided

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 for employer contributions for the liability for service credit
2 transferred from another State-administered, county or municipal
3 retirement system under subsection b. of section 9 of P.L.1989, c.204
4 (C.43:16A-1.2). The actuary of the retirement system shall determine
5 the liability for the prior service as provided in this section.

6 The corporation shall make contributions to the retirement system
7 for the liability for the additional prior service credit provided by
8 P.L. , c. (now pending before the Legislature as this bill) in the
9 same manner provided for employer contributions for the liability for
10 service credit transferred from another State-administered, county or
11 municipal retirement system under subsection b. of section 9 of
12 P.L.1989, c.204 (C.43:16A-1.2).
13 (cf: P.L.1991, c.386, s.2)

14

15 2. This act shall take effect immediately.

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STATEMENT

19

20 P.L.1991, c.386 allowed New Jersey Transit (NJT) police officers
21 to terminate their participation in the federal Railroad Retirement
22 System and become members of the Police and Firemen's Retirement
23 System (PFRS). Since some of these officers were already vested in
24 the federal system (those with 10 or more years of service), the law
25 contained a provision specifying that any officer with 10 or more years
26 of service with NJT or its predecessors would receive past service
27 credit in PFRS in an amount equal to their actual years of service
28 minus 10 years. As a result, there are a number of senior officers who
29 would be close to retirement eligibility if they had full PFRS credit for
30 all their service with the corporation, but will have to work for many
31 more years to reach retirement eligibility. Officers with less service
32 with the corporation will be eligible to retire before these senior
33 officers.

34 To correct this problem, this bill provides full prior service credit
35 in PFRS to NJT police officers who were covered under the federal
36 Railroad Retirement Act. However, the PFRS retirement allowance
37 of a police officer receiving this full prior service credit will be
38 reduced by the amount of the initial federal Railroad Retirement
39 System Tier II benefit, if any, received by the officer. New Jersey
40 Transit will be required to make contributions to PFRS for the liability
41 for the additional prior service credit.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 1463

STATE OF NEW JERSEY

DATED: JUNE 22, 2000

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 1463.

Under legislation enacted in 1991 (P.L.1991, c.386), New Jersey Transit (NJT) police officers were allowed to terminate their participation in the federal Railroad Retirement System and become members of the Police and Firemen's Retirement System (PFRS). Since some of these officers were already vested in the federal system (those with 10 or more years of service), the law contained a provision specifying that any officer with 10 or more years of service with NJT or its predecessors would receive past service credit in PFRS in an amount equal to their actual years of service minus 10 years. As a result, there are a number of senior officers who would be close to retirement eligibility if they had full PFRS credit for all their service with the corporation, but will have to work for many more years to reach retirement eligibility. Officers with less service with the corporation will be eligible to retire before these senior officers.

To address this situation, this bill provides full prior service credit in PFRS to NJT police officers who were covered under the federal Railroad Retirement Act. However, the PFRS retirement allowance of a police officer receiving this full prior service credit will be reduced by the amount of the initial federal Railroad Retirement System Tier II benefit, if any, received by the officer. New Jersey Transit will be required to make contributions to PFRS for the liability for the additional prior service credit.

FISCAL IMPACT

According to information received informally from the Division of Pensions and Benefits in the Department of Treasury, the present value of the liability created in the PFRS by the recognition of this prior service credit would be \$3 million. The bill would affect 27 NJT police officers. NJT is required by the bill to make contributions to the PFRS to pay this liability; the liability can be paid in a lump sum or amortized over a period of years. According to information received from NJT, this cost has already been incorporated in NJT's Fiscal Year 2000 operating budget.

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 1463
STATE OF NEW JERSEY
209th LEGISLATURE

DATED: JULY 10, 2000

SUMMARY

Synopsis: Grants PFRS service credit to NJ Transit police officers for service credited in federal pension system; provides for retirement allowance offset.

Type of Impact: Increase in expenditure for New Jersey Transit Corporation

Agencies Affected: Department of Treasury; New Jersey Transit Corporation

Office of Legislative Services Estimate

| Fiscal Impact | <u>Year 1</u> | <u>Year 2</u> | <u>Year 3</u> |
|----------------------|----------------------|----------------------|----------------------|
| State Cost | \$3,000,000 | N/A | N/A |

- ! Bill provides for recognition in the Police and Firemen's Retirement System (PFRS) of 10 years of prior service credit in the federal Railroad Retirement System for those New Jersey Transit Corporation (NJT) police officers who were denied recognition of those years at the time of transfer into PFRS in 1992 because they were vested in the federal system.
- ! The PFRS retirement allowance for these police officers will be reduced by the amount of the initial federal system benefit, if any, received by the officer.
- ! NJT is required to pay for the PFRS liability created by the recognition of this prior service credit.

BILL DESCRIPTION

Senate Bill No. 1463 of 2000 provides full prior service credit in PFRS to NJT police officers who have prior service credit in the federal Railroad Retirement System. However, the PFRS retirement allowance of a police officer receiving this full prior service credit will be reduced by the amount of the initial federal Railroad Retirement System Tier II benefit, if any, received by the officer. In 1992, NJT police officers were allowed to terminate their participation in the federal Railroad Retirement System and become members of the PFRS. Because some of these officers were already vested in the federal system (those with 10 or more years of service), the law specified that any officer with 10 or more years of service with NJT or its predecessors would receive past service credit in PFRS in an amount equal to their actual years of service

minus 10 years. New Jersey Transit will make contributions to PFRS for the liability created by the recognition of this additional prior service credit.

FISCAL ANALYSIS

EXECUTIVE BRANCH

Information received informally from the Division of Pensions and Benefits and New Jersey Transit in the Department of Transportation, see below.

OFFICE OF LEGISLATIVE SERVICES

According to information received informally from the Division of Pensions and Benefits in the Department of Treasury, the present value of the liability created in the PFRS by the recognition of this prior service credit would be \$3 million. The bill would affect 27 NJT police officers. NJT is required by the bill to make contributions to the PFRS to pay this liability; the liability can be paid in a lump sum or amortized over a period of years. According to information received from NJT, this cost has already been incorporated in NJT's Fiscal Year 2000 operating budget.

Section: *State Government*

Analyst: *Aggie Szilagyi*
Section Chief

Approved: *Alan R. Kooney*
Legislative Budget and Finance Officer

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

P.L. 2000, CHAPTER 39, *approved June 30, 2000*

Senate, No. 1463

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37 New Jersey Transit Corporation for five full years from the effective
38 date of this 1991 amendatory and supplementary act. This five year
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40 System Tier II benefit, if any, received by the officer. New Jersey
41 Transit will be required to make contributions to PFRS for the liability
42 for the additional prior service credit.

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46 Grants PFRS service credit to NJ Transit police officers for service
47 credited in federal pension system; provides for retirement allowance
48 offset.

CHAPTER 39

AN ACT concerning service credit in the Police and Firemen's Retirement System of New Jersey and amending P.L.1991, c.386.

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

1. Section 2 of P.L.1991, c.386 (C.27:25-15.1a) is amended to read as follows:

C.27:25-15.1a Participation in Police and Firemen's Retirement System.

2. The police officers of the New Jersey Transit Police Department who qualify for participation in the Police and Firemen's Retirement System in accordance with the provisions of P.L.1944, c.255 (C.43:16A-1 et seq.) shall participate in the retirement system as a condition of employment. The New Jersey Transit Corporation shall be a participating employer in the retirement system for these police officers and shall make contributions to the retirement system and be subject to all the provisions of law applicable to employers participating in the retirement system, except as otherwise provided in this 1991 amendatory and supplementary act. A police officer with service with the corporation prior to the effective date of qualification for participation in the retirement system shall receive credit in the retirement system as a railway police officer or police officer of the corporation for this prior service in the same manner provided for the transfer of membership under another State-administered, county or municipal retirement system to the Police and Firemen's System under subsection b. of section 9 of P.L.1989, c.204 (C.43:16A-1.2), except that the retirement allowance of a police officer receiving this prior service credit shall be reduced by the amount of the initial federal Railroad Retirement System Tier II benefit, if any, received by the officer. In either case, such past service credit for any police officer shall be granted only if the officer is continuously employed by the New Jersey Transit Corporation for five full years from the effective date of this 1991 amendatory and supplementary act. This five year requirement shall be waived in the case of an officer who, while employed, dies, is required to retire because of pension system age requirements or is permanently disabled.

The corporation shall make contributions to the retirement system for the liability for the prior service credit in the same manner provided for employer contributions for the liability for service credit transferred from another State-administered, county or municipal retirement system under subsection b. of section 9 of P.L.1989, c.204 (C.43:16A-1.2). The actuary of the retirement system shall determine the liability for the prior service as provided in this section.

The corporation shall make contributions to the retirement system for the liability for the additional prior service credit provided by P.L.2000, c.39 in the same manner provided for employer contributions for the liability for service credit transferred from another State-administered, county or municipal retirement system under subsection b. of section 9 of P.L.1989, c.204 (C.43:16A-1.2).

2. This act shall take effect immediately.

Approved June 30, 2000.