FISCAL NOTE
ASSEMBLY, No. 3302
STATE OF NEW JERSEY
215th LEGISLATURE

DATED: JUNE 11, 2013

SUMMARY

Synopsis: Provides municipalities and fire districts with option to hire firefighters up to age 40 with eligibility for PFRS membership; allows firefighters legally hired after age 35 currently in PERS to transfer to PFRS.

Type of Impact: Expenditure increase: State General Fund; indeterminate: local governments funds.

Agencies Affected: Department of the Treasury, Division of Pensions and Benefits.

Executive Estimate

<table>
<thead>
<tr>
<th>Fiscal Impact</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Cost</td>
<td>$500,000</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Local Cost</td>
<td>Indeterminate—See comments below</td>
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- The Office of Legislative Services (OLS) concur with the Executive estimate.

- This bill provides that a person who is not over 40 years of age may be appointed as a member of the paid fire department or of a part-paid fire department in any municipality, if the municipality has adopted an ordinance or resolution extending the maximum eligible age of appointment to age 40 in exception to the current basic maximum age of 35 years. Current law provides that a person appointed as a firefighter after the age of 35 years is not eligible for membership in the Police and Firemen's Retirement System (PFRS).

- The bill also allows a fire district to adopt a resolution that a firefighter appointed over 35 but not over 40 years of age may be eligible for PFRS membership.

- Under the bill, a firefighter, employed by a municipality or fire district that has adopted the required resolution or ordinance and currently enrolled in the Public Employees’ Retirement System (PERS) may transfer from PERS to PFRS, regardless of age. A firefighter may receive full credit toward benefits under PFRS for the transferred PERS service credit upon the firefighter’s payment of the full cost of the accrued liability associated with that transfer.
• The Division of Pensions and Benefits in the Department of the Treasury indicates that the number of municipal and fire district firemen that would be impacted by this bill is unknown but does provide a fiscal estimate on a per individual basis.

• The division estimates an increased PFRS contribution cost to an employer per individual of $7,612 for State Fiscal Year 2015, with costs increasing by 5.2 percent annually thereafter.

• The State’s data processing costs for implementation of the bill will be $500,000.

**BILL DESCRIPTION**

Assembly Bill No. 3302 of 2012 provides that a person who is not under 21 or over 40 years of age may be appointed as a member or officer of the paid fire department or force or as a paid member or officer of a part-paid fire department or force in any municipality, if the municipality has adopted an ordinance or resolution extending the maximum eligible age of appointment to age 40 in exception to the current basic maximum age of 35 years. The bill also allows a fire district to adopt a resolution that a firefighter appointed over 35 but not over 40 years of age may be eligible for membership in the PFRS.

Current law provides that a person appointed as a firefighter after the age of 35 years is not eligible for PFRS membership. A municipality may not appoint as a firefighter a person over age 35, except that a municipal volunteer firefighter may be appointed to a paid position with that municipality after age 35 but before age 40. A fire district may appoint firefighters without an age restriction. Persons with legal appointments as firefighters after age 35 are enrolled in PERS. This bill provides PFRS membership to those appointed pursuant to the bill’s exceptions that may be adopted by a municipality or fire district.

Under the bill, a firefighter, employed by a municipality or fire district that has adopted the required resolution or ordinance, who (1) was not eligible for membership in the PFRS at the time of appointment, (2) meets the PFRS definition of “fireman,” and (3) is currently enrolled in the PERS may transfer from PERS to PFRS, regardless of age. A firefighter may receive full credit toward benefits under PFRS for the transferred PERS service credit upon the firefighter’s payment of the full cost of the accrued liability associated with that transfer; otherwise, benefits will be apportioned between PERS and PFRS according to the ratios of PERS and PFRS service credit to the total amount of service credit. The bill provides that the State will not be liable for additional costs incurred by a local employer as a result of the transfers permitted by the bill.

**FISCAL ANALYSIS**

**EXECUTIVE BRANCH**

The Division of Pensions and Benefits in the Department of the Treasury states while a fiscal estimate on a per individual basis is possible, the “number of municipal and fire district firemen that would be impacted by this bill is not known.” The division estimates a total increased normal cost to an employer per individual of $7,612 in the annual additional pension contribution to the PFRS, in State Fiscal Year 2015. The average increased employer cost is based on an average PFRS local member salary of $92,160. Costs are projected to increase by 5.2 percent for each subsequent year, resulting per individual estimates of $8,008, $8,425, $8,863
and $9,324 for State Fiscal Years 2016 through 2019. The cost to an individual firefighter to convert one year of prior PERS-credited service to one year of PFRS-credited service is estimated to be $16,218.

The division estimates that data processing costs associated with implementation of the bill will be $500,000.

**OFFICE OF LEGISLATIVE SERVICES**

The OLS concurs with the Executive estimate.

Section: State Government
Analyst: Pamela H. Espenshade
Principal Counsel
Approved: David J. Rosen
Legislative Budget and Finance Officer

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