

# ASSEMBLY APPROPRIATIONS COMMITTEE

## STATEMENT TO

### ASSEMBLY, No. 6024

# STATE OF NEW JERSEY

DATED: DECEMBER 12, 2019

The Assembly Appropriations Committee reports favorably Assembly Bill No. 6024.

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 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 IMPACT:

The Office of Legislative Services (OLS) that this bill will have a significant, indeterminate fiscal impact, likely in the hundreds of millions of dollars, on both the State and local portions of the PFRS pension funds and the unfunded liability costs that would be charged to the State and local government entities to fund the unfunded liability created by the bill. The main driver of the costs associated with this bill are the acceleration costs associated with early retirements. Acceleration costs occur when the payment of a pension either increases, is extended for a longer period of time than originally assumed unfunded, or both.

The bill will increase the annual actuarially determined (required) contribution to the PFRS in order to fund the actuarial liability created by the bill. As such, the early retirement allowances created by this bill and paid out of the pension fund are funded over time by increased State and local public employer normal contributions and unfunded liability contributions.

The OLS does not have sufficient information to estimate the potential changes in State and local contributions to pay for the

enhanced benefit provided under this bill. The OLS notes that its conclusions are predicated on a certain set of assumptions based on actuarial valuations and financial reports of the PFRS. Should the assumptions change, or should additional information providing more detail to allow for additional analysis be availed, the conclusions will change accordingly.

In addition, the OLS notes that the State will realize savings from not having to pay for post-retirement medical benefits for State PFRS members who retire under this bill because they will not meet the 25 year requirement. Local governments that pay post-retirement medical benefits to their employees may realize savings if the PFRS members who retire under this bill do not meet the requirements to be eligible for employer-paid post-retirement medical benefits. The OLS does not have information to estimate potential post-retirement medical benefit savings.