

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

[Third Reprint]

SENATE, No. 1403

with committee amendments

STATE OF NEW JERSEY

DATED: MARCH 18, 2019

The Assembly Appropriations Committee reports favorably Senate Bill No. 1403 (3R), with committee amendments.

As amended, this bill concerns members of the State Police Retirement System (SPRS) who transfer service credit earned in other State-administered retirement systems.

Under current law, a member of SPRS who established service credit in another State-administered retirement system prior to becoming a member is permitted to purchase credit or transfer credit previously purchased while in that system. The credit is included in the computation of a retirement allowance on the basis of one percent of final compensation for each year of that service credit. However, only service rendered as a member of the State Police may be used to satisfy the minimum creditable service requirement for retirement on a service or special service retirement, which requires a certain number of years of creditable service to qualify for those retirement benefits.

This bill provides that members who transfer service credit earned in another retirement system, or transfer previously purchased credit, will have that credit recognized as creditable service for the purposes of service and special retirement.

The bill, as amended, eliminates the requirement that a member complete one year of membership and pay at least half of the total amount due in order to purchase credit for previous membership earned prior to termination. A member transferring or electing to purchase service credit who retires under a service, special, or deferred retirement option before completing the required payments will receive pro rata credit for service earned or purchased before retirement, unless the member chooses to may make the additional lump sum payment required at retirement to provide full credit.

As reported, this bill is identical to Assembly Bill No. 3976 (2R), as also reported by the committee.

COMMITTEE AMENDMENTS

The committee amended the bill:

to eliminate the requirement that a member complete one year of membership and pay at least half of the total amount due in order to purchase credit for previous membership earned prior to termination;

to clarify that the member must pay the amount that is owed, as determined by the actuary, with regard to the member's contribution when transferring or purchasing service credit from other State-administered retirement systems with different benefit factors;

to clarify that certain members who were transferred into the system pursuant to N.J.S.A.39:2-9.3 or N.J.S.A.53:1-8.2 as a result of the abolishment of their positions were and are not required to pay that differential; and

to amend the effective date to be on the 60th day following enactment.

FISCAL IMPACT:

The bill will result in an indeterminate increase in State contributions to the State Police Retirement System, by reducing members' payments toward service credit purchase when transferring service from other retirement systems, and in crediting service transferred from other systems toward SPRS service and special retirement. The OLS does not have information on the number of SPRS members with service accumulated in other retirement systems or the total years of that service, nor does it have a basis for projecting the future accumulation of transferrable service, so it cannot estimate the magnitude of the impact on the income and liabilities of the SPRS, and the resultant impact on State contributions.