

LEGISLATIVE FISCAL ESTIMATE

[Third Reprint]

SENATE, No. 758

STATE OF NEW JERSEY 219th LEGISLATURE

DATED: JUNE 29, 2021

SUMMARY

- Synopsis:** Reopens Workers Compensation Judges Part of PERS and requires Workers' Compensation Judges to be enrolled in PERS.
- Type of Impact:** Annual expenditure and revenue increases to the Second Injury Fund; Annual General Fund expenditure decreases; Annual local government expenditure increases.
- Agencies Affected:** Division of Pensions and Benefits, Department of the Treasury.

Office of Legislative Services Estimate

Annual Fiscal Impact	
Cost Increase to the Second Injury Fund	Approximately \$4.8 million in first year and growing with payroll thereafter.
Revenue Increase to the Second Injury Fund	Approximately \$4.8 million in first year and growing with payroll thereafter
State General Fund Cost Decrease	\$109,000 in the first year and growing with payroll thereafter.
Local Government Cost Increase	Indeterminate

- The Office of Legislative Services (OLS) estimates that the first-year costs of this bill attributable to the Second Injury Fund are \$4.8 million to be funded by increased assessments on workers' compensation insurance carriers and certain self-insured employers. In subsequent fiscal years, the annual cost will grow as a function of increases in judges' salaries and other economic factors.
- The State will experience an annual decrease of about \$109,000 in General Fund expenditures under this bill from no longer having to provide the three percent employer match to contributions made by certain workers' compensation judges to the Defined Contribution Retirement Program.

- The increase in costs for local government entities that purchase workers' compensation insurance and are not self-insured are indeterminate because the number of local governments who purchase workers' compensation insurance and the value of those policies is unknown.
- The bill may also make Workers' Compensation Judges eligible for healthcare benefits at retirement that are not available in the Defined Contribution Retirement Program.

BILL DESCRIPTION

This bill reopens the Workers Compensation Judges Part of the Public Employees' Retirement System (PERS) and requires all workers' compensation judges to be enrolled in the Workers' Compensation Part of the Public Employees' Retirement System. In addition, the bill provides that service credit transferred from a participant in the Defined Contribution Retirement Program under the bill would be recognized as service credit to determine eligibility for employer-paid health care benefits in retirement pursuant to current law. Furthermore, the bill provides that a workers compensation judge who retired on or after May 20, 2021 and who was not transferred and enrolled in the Workers' Compensation Part of the Public Employees' Retirement System would be retroactively transferred and enrolled in the Workers Compensation Judges Part of Public Employees' Retirement System. Finally, the bill requires that the value of the judge's defined contribution retirement account is to be transferred in accordance with relevant provisions of the federal Internal Revenue Code and Internal Revenue Service guidance as a direct trustee-to-trustee transfer and that the retroactive provision in the bill only applies to those workers compensation judges who have not received a distribution from the judge's Defined Contribution Retirement Program account

Under current law, workers' compensation judges who were enrolled in the Public Employees' Retirement System Workers' Compensation Part prior to its closure, July 1, 2007 remain members of the Public Employees' Retirement System Workers' Compensation Part. Service retirement allowances for judges in the workers compensation part are calculated at 75 percent of final compensation. However, a member who is enrolled in the regular part of the Public Employees' Retirement System prior to July 1, 2007, and who is subsequently appointed as a Workers' Compensation Judge, on or after June 8, 2007, will remain in the regular part of the Public Employees' Retirement System PERS while a Workers' Compensation Judge. Finally, workers' compensation judges who are appointed on or after July 1, 2007, and do not have an existing Tier 1 Public Employees' Retirement System membership may only be enrolled in the DCRP.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that the first-year costs of this bill attributable to the Second Injury Fund are \$4.8 million to be funded by increased assessments on workers' compensation insurance carriers and certain self-insured employers. In subsequent fiscal years, the annual cost will grow

as a function of increases in judges' salaries and other economic factors. There are currently 36 workers' compensation judges whose retirement benefits may be affected by this bill, 24 who are members of the Defined Contribution Retirement Program and 12 who are members of the Public Employees' Retirement System. In addition, there are nine more workers' compensation judges who are already members of the Workers' Compensation Part of the Public Employees' Retirement System

Chapter 259, P.L. 2001 established the Workers' Compensation Judges Part of the System with special retirement benefits for workers' compensation judges, which increased the retirement allowance for workers compensation judges to 75 percent of final compensation. Chapter 259, P.L. 2001, required the additional contributions for these special retirement benefits to be funded by transfers from the Second Injury Fund.

The State will experience an annual decrease of about \$109,000 in General Fund expenditures under this bill from no longer having to provide the three percent employer match to contributions made by certain workers' compensation judges to the Defined Contribution Retirement Program.

The increase in costs for local government entities that purchase workers' compensation insurance and are not self-insured is indeterminate because the number of local governments who purchase workers' compensation insurance and the value of those policies is unknown.

The bill may also make Workers' Compensation Judges eligible for healthcare benefits at retirement that are not available in the Defined Contribution Retirement Program.

Section: State Government

*Analyst: Kimberly M. Clemmensen
Lead Fiscal Analyst*

*Approved: Thomas Koenig
Legislative Budget and Finance Officer*

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