

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 758

with committee amendments

STATE OF NEW JERSEY

DATED: FEBRUARY 11, 2021

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 758, with committee amendments.

As amended, this bill requires the enrollment in the Public Employees' Retirement System of Workers' Compensation Judges of the Division of Workers' Compensation in the Department of Labor and Workforce Development, as a condition of employment for service as a judge of compensation for each judge enrolled after the effective date of the bill.

Currently, workers' compensation judges are enrolled in the Defined Contribution Retirement Program or the Workers' Compensation Judges Part of the Public Employees' Retirement System.

Notwithstanding the enrollment in the Public Employees' Retirement System required by this bill, the laws and regulations governing the Public Employees' Retirement System will not apply to such judges. They will be subject to and governed by the laws and regulations of the Judicial Retirement System, in the same manner as a judge enrolled in the Judicial Retirement System. For all purposes, workers' compensation judges will be deemed members of the Judicial Retirement System but for enrollment in the Public Employees' Retirement System.

A workers' compensation judge who is currently a participant in the Defined Contribution Retirement Program or the Workers' Compensation Judges Part of the Public Employees' Retirement System will be transferred out of the program or the part within 90 days following the bill's effective date. A judge may elect not to be transferred by filing a statement within 30 days following the bill's effective date with the Division of Pensions and Benefits in the Department of the Treasury waiving all rights and benefits which would otherwise be provided after the transfer.

The account in the program or the part for each judge transferred will be adjusted to reflect the transfer and each judge will be given service credit for service starting on the judge's date of appointment. The unfunded liability for the benefits provided by the transfer will be paid from the Second Injury Fund.

COMMITTEE AMENDMENTS:

The committee amendments provide that the value of the account of a workers' compensation judge would be transferred from the Defined Contribution Retirement Program to the Public Employees' Retirement System in accordance with the rollover requirements of the federal Internal Revenue Code and relevant regulations as a qualified rollover distribution from one qualified retirement plan to another qualified retirement plan. The transfer must be in accordance with a rule, method, or process that does not result in the distribution being includible in federal gross income for the workers' compensation judge.

FISCAL IMPACT:

The Office of Legislative Services (OLS) estimates that the total first-year costs of this bill attributable to the Second Injury Fund are \$4,494,286, comprised of an accrued liability payment of \$3,485,035 and a normal cost payment of \$1,009,251 to be funded by increased assessments on workers' compensation insurance carriers and certain self-insured employers. There are currently 45 judges of compensation whose retirement benefits may be affected by this bill.

The State will experience an annual decrease of about \$100,000 in General Fund expenditures from no longer having to provide an employer match of moneys contributed by certain workers' compensation judges to the Defined Contribution Retirement Program (DCRP).

The increased 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 not known.