

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 3114
STATE OF NEW JERSEY
219th LEGISLATURE

DATED: MAY 25, 2021

SUMMARY

Synopsis: Allows members of PERS Prosecutors Part to establish purchased PERS credit in the Part at additional cost.

Type of Impact: Annual expenditure increase to the State and local units.

Agencies Affected: Division of Pensions and Benefits, Department of the Treasury; local governments

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
State Cost Increase		Indeterminate	
Local Cost Increase		Indeterminate	

- The Office of Legislative Services (OLS) estimates that this bill will lead to indeterminate annual State and local employer cost increases. The increases will result from additional State and local employer contributions on the increased pension resulting from the difference in the benefit factors between the Public Employees’ Retirement System (PERS) and the Prosecutor’s Part of the Public Employees’ Retirement System. The State and local employers will be responsible for increased employer pension contributions toward the Prosecutors Part and, potentially, from an increase in employer costs for health care benefits in retirement.
- The purchased service may accelerate the time a member becomes eligible for some special benefit at retirement. For example, post-retirement medical benefits when retired with 25 or more years of service credit, the cost of which must be borne by the employer in accordance the employee and employer contributions towards health care coverage required under current law. As of September 15, 2020, the average annual cost per member to the State or local employer participating in the State Health Benefits Program of providing post-retirement medical benefit coverage, not taking into account future inflation, is approximately \$31,453 (State) and \$25,051 (local) for a Horizon Early Retiree Subscriber who chooses member and spouse coverage without Medicare and \$8,644 (State) and \$8,691 (local) for a Medicare retiree who chooses member and spouse coverage.

BILL DESCRIPTION

This bill allows a member of the Prosecutors Part in the PERS to purchase and establish credit in the Prosecutors Part in the same manner as credit may be purchased for the regular part of PERS, except that the amount paid by the member of the Prosecutors Part will be calculated to reflect the cost of the benefits of the Prosecutors Part.

Current law provides benefits to members of the Prosecutors Part in PERS superior to the benefits for regular PERS service credit and imposes a higher employee contribution rate. PERS members who were prosecutors on January 7, 2002, the effective date of P.L.2001, c.366, which established the Prosecutors Part, became members of the Prosecutors Part and regular PERS service credit established prior to January 7, 2002 was established in the Prosecutors Part without further assessment of cost to those prosecutors. Regular PERS credit purchased after January 7, 2002 by persons who became members of the Prosecutors Part on January 7, 2002 may not be established in the Part. Regular PERS credit, purchased or established by other PERS-covered service, of persons who become members of the Prosecutors Part after January 7, 2002 may not be established in the Part, except regular PERS credit of a constitutionally nominated and appointed county prosecutor may be credited in the Part.

The bill allows a member of the Prosecutors Part to establish credit in the Prosecutors Part through the regular PERS purchase process except that the member will pay the amount required by applying the factor, supplied by the actuary as being applicable to membership in the Prosecutors Part as well as to the member's age at the time of the purchase, to the member's salary at that time, or to the highest annual compensation for service in this State for which contributions were made during any fiscal year of membership, whichever is highest. In addition, a member of the Prosecutors Part may establish credit in the Prosecutors Part for credit previously purchased and established in the regular Public Employees' Retirement System by paying into the annuity savings fund the amount of the difference between the contribution that the member paid into the retirement system and the contribution that would have been required if the member had made the purchase to establish credit in the Prosecutors Part.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that this bill will lead to indeterminate annual State and local employer cost increases. The increases will result from additional State and local employer contributions on the increased pension resulting from the difference in the benefit factors between the Public Employees' Retirement System and the Prosecutor's Part of the Public Employees' Retirement System. The State and local employers will be responsible for increased employer pension contributions toward the Prosecutors Part and, potentially, from an increase in employer costs for health care benefits in retirement.

The purchased service may accelerate the time a member becomes eligible for some special benefit at retirement. For example, post-retirement medical benefits when retired with 25 or more years of service credit, the cost of which must be borne by the employer in accordance the employee and employer contributions towards health care coverage required under current law.

As of September 15, 2020, the average annual cost per member to the State or local employer participating in the State Health Benefits Program of providing post-retirement medical benefit coverage, not taking into account future inflation, is approximately \$31,453 (State) and \$25,051 (local) for a Horizon Early Retiree Subscriber who chooses member and spouse coverage without Medicare and \$8,644 (State) and \$8,691 (local) for a Medicare retiree who chooses member and spouse coverage.

Section: State Government

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

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