

LEGISLATIVE FISCAL ESTIMATE

SENATE, No. 871

STATE OF NEW JERSEY

221st LEGISLATURE

DATED: JUNE 28, 2024

SUMMARY

Synopsis: Establishes eligibility for enrollment in PERS and subsequent retirement benefits for certain county fire instructors under certain conditions.

Type of Impact: Annual State expenditure increases; annual local government expenditure increases.

Agencies Affected: Division of Pensions and Benefits in the Department of the Treasury; certain local governments.

Office of Legislative Services Estimate

Annual Fiscal Impact	
Public Employees’ Retirement System Pension	
Fund - Increase in Retirement Allowances Paid	Indeterminate
State Cost Increase - Payment on Unfunded Liability	Indeterminate
State Cost Increase - Retiree Health Benefits	Indeterminate
Local Cost Increase - Retiree Health Benefits	Indeterminate

- The Office of Legislative Services (OLS) concludes that the additional years of service credit granted under the bill will increase the actuarially determined unfunded liability of the Public Employees’ Retirement System by a marginal amount and result in an indeterminate, but marginal, increase in annual State or local government expenditures in order to retire the unfunded liability.
- Certain fire instructors, with other Public Employees’ Retirement System eligible employment with the State or with a local government at salaries greater than those received from their prior employment as fire instructors only, would receive a higher pension benefit based on that higher salary and the additional service credit accrued from their service as fire instructors. The higher retirement allowances paid to these individuals represent an annual pension fund expenditure increase.

- The bill may also make certain fire instructors eligible for State-paid or local government-paid healthcare benefits in retirement for which they otherwise might not qualify absent this legislation. These healthcare benefits may represent an annual State or local cost increase.

BILL DESCRIPTION

This bill establishes eligibility in the Public Employees' Retirement System for county fire instructors employed and enrolled before November 1, 2008, who performed service as a county fire instructor in each calendar year of membership, who received a salary greater than \$1,500 annually, and who were permanent career service employees in the civil service. The bill provides that any person whose membership in the retirement system was terminated within three years prior to enactment of the bill may be reenrolled if they repay any contributions and interest returned to them by the retirement system.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS concludes that the additional years of service credit granted under the bill will increase the actuarially determined unfunded liability of the Public Employees' Retirement System by a marginal amount and result in an indeterminate, but marginal, annual State or local government expenditure increase in order to retire the unfunded liability. The unfunded liability would be created by an acceleration of benefits caused by the increase in pensionable salary that is used to determine the retirement allowances of certain fire instructors who were contributing to the retirement system over time at a lower amount than their final average compensation would require in order for the pension to be fully funded. The additional years of service credit that would be granted under the bill would also increase the benefit factor in the calculation of the retirement allowance and add to the unfunded liability. The bill may also make certain fire instructors eligible for State-paid or local government-paid healthcare benefits in retirement for which they otherwise might not qualify. These benefits may represent an annual State or local cost increase.

Under the bill, certain fire instructors would accrue service credit toward the retirement system and retirement healthcare benefits from their service as fire instructors that they would otherwise be ineligible to accrue absent this legislation. Data suggest that at least 40 individuals would likely meet the criteria of the bill and would maintain their membership in the retirement system or be re-enrolled in the system under the provisions of the bill. Any of these individuals with other Public Employees' Retirement System eligible employment at salaries greater than those received from their employment as fire instructors would receive a higher pension benefit upon retirement based on that higher salary and the additional service credit accrued from their service as fire instructors. This will result in an unfunded pension liability for the State or local governments that would need to be retired over the statutorily mandated 26-year amortization period. The OLS is

unable to discern the specifics of each fire instructor's employment history to establish what the annual payment would need to be to pay down this liability.

The service credit granted under the bill from their employment as fire instructors could also make some of these individuals eligible for State-paid or local government-paid healthcare benefits in retirement that they might not qualify for absent this legislation if the service credit allows them to retire with at least 25 years of service credit in the retirement system or with the number of years of service credit required by a local government to receive healthcare benefits in retirement.

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.).