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December 16, 2020

- I. Your Action Needed: Full Senate to Consider PFRS 20 and Out Legislation
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I. Your Action Needed: Full Senate to Consider PFRS 20 and Out Legislation

On Thursday, the full Senate will be considering [S-1017](#), which permits a PFRS employee who is enrolled before or after the bill's effective date to retire, regardless of age, upon attaining 20 or more years of service credit and would allow that employee to receive a retirement allowance equal to 50% of the member's final compensation. This benefit will expire after two years after enactment.

As we previously [reported](#), the public safety unions are pushing this legislation in response to what they believe is a misinterpretation of the [1999 law](#). The public safety unions have argued that the will be offset by the healthcare savings.

The League, along with the New Jersey Association of Counties, view this legislation as an enhancement of benefit at a time we can least afford it. The benefit provided in S-1017 will impact the pension fund liability leading to increased costs. Before enhanced benefits are even considered, we all have the responsibility to ensure that the pension fund is stable. While a 71.7% funding ratio for the local Police and Fire System (PFRS) is on the right track, the fund is not yet stable enough to consider enhanced benefits. The legislation also does not account for the impact of the recent market downturn or the reduction of the assumed rate of return on the pension fund. In addition, we question how healthcare benefits' savings will offset the increased pension liability cost as not all municipalities and counties provide healthcare benefits in retirement.

The non-partisan Office of Legislative Services (OLS) [fiscal impact analysis](#) anticipates the bill will result in an increase in the annual contributions required to be paid by local governments to the PFRS. Furthermore, in their fiscal impact analysis, OLS notes that if "all currently eligible members with 20 to 24 years of service opt for the new benefit, this bill would reduce the current funded ratio of the PFRS-Local from 71.7 percent to 65.6

percent and of the PFRS-State from 38.9 percent to 35.7 percent in the first year".

Funded by property taxpayer dollars, county and municipal governments across the State will spend \$1,038,351,129 in 2020 to subsidize the PFRS, while PFRS members will contribute approximately \$348,439,976 to the defined benefit plan. In other words, property taxpayers will finance over 70% of PFRS in 2020, while PFRS members will pay 30%. Since these additional costs will be borne by taxpayers, the League opposes this legislation.

Please [contact your Senator](#) and urge them to vote no S-1017.

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II. Hospital Property Tax Subsidy Bill Headed for Vote

Hospital Property Tax Subsidy Bill Headed for Vote After advancing through Senate and Assembly committee hearings, [A-1135/S-624](#) & S-357 have been scheduled for a vote in both houses on Thursday, December 17, 2020. A-1135 was previously approved by the full Assembly, but the bill is now up for another vote, presumably to adopt amendments that would mirror the changes made to the Senate version.

For those who have been following this legislation, you know that the League has maintained opposition to these bills. This legislation stems from a tax court decision which brought to light how the business model for modern hospitals does not comport with the original public policy reasons for exempting non-profit hospitals from property taxes. While the League is supportive of a legislative solution to the issue we do not believe that these bills provide a proper solution.

Please read the [League's letter of opposition](#), submitted to the Senate Budget and Appropriations Committee for more information on this legislation and additional details on the League's concerns.

We urge our members, especially those hosting non-profit hospitals, to continue to reach out to [your legislators](#) and to the Governor's office, expressing how this issue impacts your community's taxpayers.

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