



Professional Firefighters Association of New Jersey

The pension and health benefits bill (S-2937) was signed into law on June 28, 2011 and became effective immediately.

Pension Changes (for Firefighters in PFRS)

- **Employee pension contributions** will increase from 8.5% to 10.0% as of July 1, 2011
{ This increase is effective in total with the first payroll check to be paid on or after October 1, 2011. }
- **Cost-of-living adjustments** (COLAs) for all current and future retirees will be suspended until the pension fund reaches 80% of the full funding level (which could take an estimated 30 years).
- There is no change in **retirement age** for current or new members of the pension system.
- There will be no change in the **formula** for calculating retirement benefits for current members.
- There will be a change in the benefit level for all new firefighters hired from 70% at 30 years of service down to 65% and from 65% at 25 years of service down to 60%.
- Once the fund reaches a funded ratio of 80%, a joint **employer-employee committee** will decide on future changes to the benefit and contribution levels.
- If the state or any other employer fails to make its required contribution, employees may sue to enforce their **contractual right to have contributions made**. Nonetheless, the state will be allowed to continue underfunding the system for the next seven years while the full contribution level is phased in.
- New board will be established with the PFANJ having one member appointed. (appointed by the PFANJ)



Health Benefit Changes

- All active employees will be required to pay a **contribution toward their health benefit costs, based on a percentage of the premium**. The rate will depend on each employee's base salary and coverage tier (single, member with child or spouse, and family). Contributions will be made by payroll deduction on a pre-tax basis.
- If a union contract is in force when the law goes into effect, **covered employees will begin the new premium-sharing the first year after the contract expires**. All others will begin right away.
{The legislation anticipated that some administrative delay would be unavoidable while payroll systems are modified to accommodate the new contribution requirements. Further, the legislation provided that once the new contribution scenario was implemented, employees could not recover any uncollected contributions retroactive to the date of enactment.}
- Employees who are already on the payroll when the new premium-sharing begins will **gradually increase their contribution rates over a four-year period**. In Year 4 they will pay the full rate, ranging from 3% of the premium for the lowest-paid employees to 35% for the highest-paid employees (see chart). Employees who are hired after the premium-sharing has begun will pay the **full contribution rates for Year 4 right away**.
- Notwithstanding the above rates, **no employee will pay less than 1.5% of base salary**.
- If an employee is already paying a contribution which is less than the new law requires, **the new contribution amount will replace the old amount**.
- On June 28, 2015 the premium-sharing provisions will **sunset**. Despite this, employees must continue to pay the contributions **until the full Year 4 rates are in effect** for the affected group.
- **Negotiations** over premium-sharing will be pre-empted until the full Year 4 rates are implemented, at which point these rates will constitute the status quo for future negotiations. Notwithstanding the above, additional contributions not required by law may be negotiated in the interim. In addition, local governments that are not in the SHBP may negotiate



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employee contributions that differ from the statutory rates, provided there is an overall cost savings (including savings from other plan changes) that equals or exceeds what would have been saved by using the statutory contribution rates plus any other design changes made by the SHBP.

- For purposes of calculating contributions, the **premium** for employees in the SHBP will include the cost of medical and prescription benefits only. For employees outside the SHBP, the premium will include the cost of medical, prescription, dental, vision care, and any other health benefits.
- Unless exempted by law, all **employees who retire after the effective date of the law and who receive employer-paid health benefits will have contributions deducted from their pension payments** using the same rates that are required for active employees. Deductions will start as soon as the state is administratively able to implement them, and the amounts will be remitted to the former employers. **Employees who already have 20 years or more** in PFRS when the law goes into effect and subsequently retire with 25 years of service will be exempt from the new premium-sharing requirements. **Current retirees** are not affected.
- In theory a joint **labor-management committee** will redesign the medical and prescription plans offered through the employer in order to provide different options for co-pays and other employee costs, including a high-deductible plan. These changes could shift more costs onto employees.
- A provision in the original bill that would restrict coverage for out-of-state specialists was removed.

Health Benefit Contribution Rates*

Salary Threshold	Single				Employee +1				Family			
	Year 1	Year 2	Year 3	Year 4	Year 1	Year 2	Year 3	Year 4	Year 1	Year 2	Year 3	Year 4
< \$20,000	1.50%	2.25%	3.38%	4.50%	1.50%	1.75%	2.63%	3.50%	1.50%	1.50%	2.25%	3.00%
\$20,000 - \$24,999.99	1.50%	2.75%	4.13%	5.50%	1.50%	1.75%	2.63%	3.50%	1.50%	1.50%	2.25%	3.00%
\$25,000 - \$29,999.99	1.88%	3.75%	5.63%	7.50%	1.50%	2.25%	3.38%	4.50%	1.50%	2.00%	3.00%	4.00%
\$30,000 - \$34,999.99	2.50%	5.00%	7.50%	10.00%	1.50%	3.00%	4.50%	6.00%	1.50%	2.50%	3.75%	5.00%
\$35,000 - \$39,999.99	2.75%	5.50%	8.25%	11.00%	1.75%	3.50%	5.25%	7.00%	1.50%	3.00%	4.50%	6.00%
\$40,000 - \$44,999.99	3.00%	6.00%	9.00%	12.00%	2.00%	4.00%	6.00%	8.00%	1.75%	3.50%	5.25%	7.00%
\$45,000 - \$49,999.99	3.50%	7.00%	10.50%	14.00%	2.50%	5.00%	7.50%	10.00%	2.25%	4.50%	6.75%	9.00%
\$50,000 - \$54,999.99	5.00%	10.00%	15.00%	20.00%	3.75%	7.50%	11.25%	15.00%	3.00%	6.00%	9.00%	12.00%
\$55,000 - \$59,999.99	5.75%	11.50%	17.25%	23.00%	4.25%	8.50%	12.75%	17.00%	3.50%	7.00%	10.50%	14.00%
\$60,000 - \$64,999.99	6.75%	13.50%	20.25%	27.00%	5.25%	10.50%	15.75%	21.00%	4.25%	8.50%	12.75%	17.00%
\$65,000 - \$69,999.99	7.25%	14.50%	21.75%	29.00%	5.75%	11.50%	17.25%	23.00%	4.75%	9.50%	14.25%	19.00%
\$70,000 - \$74,999.99	8.00%	16.00%	24.00%	32.00%	6.50%	13.00%	19.50%	26.00%	5.50%	11.00%	16.50%	22.00%
\$75,000 - \$79,999.99	8.25%	16.50%	24.75%	33.00%	6.75%	13.50%	20.25%	27.00%	5.75%	11.50%	17.25%	23.00%
\$80,000 - \$84,999.99	8.50%	17.00%	25.50%	34.00%	7.00%	14.00%	21.00%	28.00%	6.00%	12.00%	18.00%	24.00%
\$85,000 - \$89,999.99	8.50%	17.00%	25.50%	34.00%	7.50%	15.00%	22.50%	30.00%	6.50%	13.00%	19.50%	26.00%
\$90,000 - \$94,999.99	8.50%	17.00%	25.50%	34.00%	7.50%	15.00%	22.50%	30.00%	7.00%	14.00%	21.00%	28.00%
\$95,000 - \$99,999.99	8.75%	17.50%	26.25%	35.00%	7.50%	15.00%	22.50%	30.00%	7.25%	14.50%	21.75%	29.00%
\$100,000 - \$104,999.99	8.75%	17.50%	26.25%	35.00%	8.75%	17.50%	26.25%	35.00%	8.00%	16.00%	24.00%	32.00%
\$105,000 - \$109,999.99	8.75%	17.50%	26.25%	35.00%	8.75%	17.50%	26.25%	35.00%	8.00%	16.00%	24.00%	32.00%
\$110,000 >	8.75%	17.50%	26.25%	35.00%	8.75%	17.50%	26.25%	35.00%	8.75%	17.50%	26.25%	35.00%

*Contributions will be calculated by applying the above rates to the premium cost. The calculation is based on the employee's base contractual salary. In most instances, That means the salary on which pension contributions are based.

Note: premiums are subject to change and normally increase each year. Health benefits outside the SHBP may have significantly higher premiums.

