

LEGISLATIVE FISCAL ESTIMATE TO

**ASSEMBLY, No. 422**

**STATE OF NEW JERSEY**

DATED: May 10, 1996

Assembly, No. 422 of 1996 provides that a fireman who is a member of the Police and Firemen's Retirement System (PFRS) and who is permanently and totally disabled as a direct result of a traumatic event occurring during and as a result of participating in off-duty firefighting activities in a municipality other than the municipality in which the fireman is employed may be retired on an accidental disability retirement allowance rather than an ordinary disability retirement allowance. An accidental disability retirement allowance provides the member with  $\frac{2}{3}$  of the member's actual annual compensation for which contributions were being made at the time of the occurrence of the accident. An ordinary disability retirement allowance would provide the member with 1.5 percent of the average final compensation (the average annual salary upon which contributions were made for the three years of creditable service immediately preceding retirement or the average annual salary for which contributions were made during any three fiscal years of membership providing the largest possible benefit) multiplied by the number of years of creditable service but not less than 40 percent of average final compensation.

The number of firemen who could retire on an accidental disability retirement allowance under the provisions of the bill would be quite small. According to the most recent PFRS actuarial valuation report (July 1, 1994), the total number of accidental and ordinary PFRS disability retirees was 71. If this bill is enacted into law, the additional cost would be the difference between what a retiree would receive from an accidental disability retirement (66.6 percent of the member's actual annual compensation for which contributions were being made at the time of the accident's occurrence) and the amount the retiree would receive under an ordinary disability retirement (1.5 percent of the average final compensation multiplied by the number of years of creditable service but not less than 40 percent of average final compensation). Thus, a retiree could receive an increased pension of 26.6 percent (66.6 percent minus 40 percent) calculated upon a higher salary base. To determine an approximate cost, the average annual salary of a PFRS member is \$47,387 according to the actuarial valuation report. If this figure is multiplied by 26.6 percent, the approximate annual cost of this legislation would be \$12,605 per person, which would increase after two years because of the cost of living adjustment.

The 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.