

LEGISLATIVE FISCAL ESTIMATE TO
ASSEMBLY, No. 1252
STATE OF NEW JERSEY

DATED: JUNE 28, 1996

Assembly Bill No. 1252 of 1996 amends the definition of "widow" and "widower" in the Police and Firemen's Retirement System (PFRS) to reduce the marriage duration requirement from two years to 12 months prior to the retiree's date of death in order for a widow or widower to qualify for a survivor's pension benefit. In addition, the bill eliminates a requirement, applicable to widowers but not to widows, that to be eligible for a pension, the survivor must have been receiving at least one-half of his support from the decedent in the year preceding her death. Upon the death of a PFRS retiree, there is paid to the retiree's widow or widower a pension of 50 percent of average final compensation (the three years of creditable service preceding retirement or any three years providing the largest possible benefit). Unlike the Public Employees' Retirement System (PERS) or the Teachers' Pension and Annuity Fund (TPAF), a PFRS member does not have to choose a reduced pension for a spouse to receive this benefit.

(The spouse of a PERS or TPAF retiree does not automatically receive a pension benefit upon the retiree's death after retirement. The retiree must have chosen a reduced retirement benefit in order to provide that the spouse will receive a pension benefit upon the retiree's death. Thus, the marriage duration requirement is not applicable in this context in these retirement systems. It should be noted that there is no marriage duration requirement in the State Police Retirement System (SPRS) and a four-year marriage duration requirement in the Judicial Retirement System (JRS).)

The Office of Legislative Services (OLS) notes that it cannot estimate the additional liability of this legislation because there is no information on the number of members who die after 12 months but before 24 months of marriage. The OLS believes that only one or two individuals might be affected. According to the actuarial valuation of the PFRS retirement system, dated July 1, 1994, during the most recent one-year reporting period, three active members died with a beneficiary and 171 retirees died with a beneficiary. No information is available to indicate if any of these members or retirees were married for more than 12 but less than 24 months.

The OLS notes that the survivors' annuity payable to a widow or widower is 50 percent of average final compensation plus 15 percent of average final compensation for one child and 25 percent of average final compensation for two or more children. According to the

valuation, the average annual salary for active members of PFRS is \$39,209. The OLS notes that the average annual salary for members age 50 or older, the salary on which a member is likely to retire, is \$56,412. Using this average salary, a survivor's benefit would be \$28,206. This benefit is payable for life and would increase after 24 months when the beneficiary would become eligible for cost-of-living adjustments. If the survivor is age 55 when he or she begin receiving a survivor's benefit, the present value of this benefit, including COLA, would be approximately \$400,000.

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.