

FISCAL NOTE TO

[First Reprint]

**ASSEMBLY, No. 1451**

**STATE OF NEW JERSEY**

DATED: OCTOBER 23, 1996

Assembly Bill No. 1451 (1R) of 1996 provides for the merging of Alcoholic Beverage Control (ABC) Enforcement Bureau inspectors, members of the State Capitol Police Force, and marine law enforcement officers in the Bureau of the Marine Law Enforcement into the State Police, provided they meet certain requirements. Although these bureaus are currently under the supervision of the Division of the State Police in the Department of Law and Public Safety, their members are treated differently than State Police troopers with respect to compensation, training, medical services, pensions and career advancement.

The bill permits the affected inspectors and officers to become members of the Division of State Police and of the State Police Retirement System (SPRS) if they (1) are between 18 and 55 years of age, (2) satisfy the health and physical fitness standards applicable to members of the State Police, and (3) have rendered performance as an inspector or officer that demonstrates to the satisfaction of the Superintendent of the State Police the character and ability to perform as a member of the State Police.

An ABC inspector, State Capitol Complex Police Force member, or marine law enforcement officer who does not become a member of the Division of State Police and elects to continue employment with the Department of Law and Public Safety shall, consistent with the operational needs of the Division and Department, be transferred without loss of salary or pension to the position of investigator or any other position deemed appropriate by the Attorney General in consultation with the Commissioner of Personnel and shall continue membership in the Police and Firemen's Retirement System (PFRS).

A person eligible under the bill to become a member of the State Police shall be appointed for a period of two years. Upon satisfactory completion of that two years' service, the person shall serve as a State Police member continuously thereafter during good behavior.

For purposes of determining seniority of service, a person becoming a member of the State Police under this bill shall be deemed to have been hired on the date on which the bill takes effect as law. The person's salary shall be fixed by the State Police Superintendent at an amount approximately equal to the person's final salary in the prior position, less any "maintenance allowance" to be allowed the person as a member of the State Police. The person's rank shall also

be assigned by the Superintendent based on the individual's salary, qualifications and duties.

For persons becoming members of the State Police under this bill, their service credit in the Public Employees' Retirement System (PERS) or the Police and Firemen's Retirement System (PFRS) as an alcoholic beverage control inspector, State Capitol Police Force member, or marine law enforcement officer shall be transferred to the SPRS. Any other service credit established in the PERS or PFRS shall be included in the computation of an SPRS retirement allowance on the basis of 1 percent of final compensation for each year of such service credit, except that for any transferred officer who, as a result of the mandatory retirement rule under the SPRS, is required to retire with less than 20 years of creditable service in the system, "an amount of service credit transferred or purchased . . . which when added to the amount of creditable service in the SPRS equals 20 years shall be considered creditable service in the retirement system."

PFRS and PERS shall remit to the SPRS employee and employer contributions standing to the credit of a transferred inspector, member or officer. If the transferred contributions are insufficient to fund the SPRS liability created by the transfer of service credit, the employer (i.e., the State) shall be liable for the amount of the deficiency.

The Division of State Police estimates that 162 persons (24 ABC inspectors, 134 Marine Police officers and 4 State Capitol police officers) would be eligible to transfer to the Division of State Police. The division estimates that 115, or approximately 70 percent, of these persons would qualify to transfer based on recent medical examinations and a review of each eligible person's age.

Assuming that the affected inspectors and officers would be placed within a trooper salary range closest to their current salary levels, minus the cash in lieu of maintenance they will receive as State Police officers, the division estimates that \$287,118 will be needed to establish parity between the merged personnel and State troopers. This estimate includes \$78,308 for salary adjustments, \$51,030 for one-time professional medical services, and \$157,780 for one-time clothing and equipment purchases.

The Office of Legislative Services (OLS) concurs with the Division of State Police estimate but notes that this estimate does not include other factors, such as the additional pension cost that will be incurred by the State as a result of the merger. According to the State Police, the affected inspectors and officers are members of the PFRS. The OLS estimates the additional pension contributions by the State of enrolling these individuals in the SPRS at \$782,681 in the first year following enactment. For purposes of this estimate, the OLS assumes that all of the 115 transferred personnel would transfer their memberships to the SPRS. This estimate was derived by comparing the normal employer pension (State) contribution rate of 30.5 percent of compensation for the SPRS versus the employer contribution rate

of 16 percent for the PFRS. (It should be noted that the employer contribution rate increased to 30.5 percent for FY 1997 from the 21.0 percent used in the prior fiscal note.) In addition to this increase in the normal employer pension contribution, the Division of Pensions and Benefits estimates the State would incur an annual unfunded accrued liability pension payment of approximately \$52,500 to cover the costs of the increased reserve requirements of the SPRS. Thus, the total additional pension cost to the State in the first year following enactment would be \$835,181.

The OLS notes that the additional pension costs will be partially offset by reduced employer (State) F.I.C.A. (Old Age, Survivors, and Disability Insurance or Social Security) payments. Unlike members of PFRS, members of the SPRS are not covered by Social Security. Therefore, neither the employee nor the employer (State) has to contribute the mandatory 6.2 percent of compensation in Social Security taxes. The transferring employees will benefit by receiving, in effect, a 6.2 percent increase in salary and the State, as an employer, realizes savings from reduced Social Security taxes. The savings to the State are estimated at \$334,663.

Therefor the OLS estimates the first-year (net) cost of this bill at approximately \$787,636. This estimate includes \$287,118 in additional salary and equipment costs, plus the \$835,181 in additional pension costs, less the \$334,663 in reduced employer Social Security contributions.

This fiscal note has been prepared pursuant to P.L.1980, c.67.