

LEGISLATIVE FISCAL ESTIMATE TO
ASSEMBLY, No. 1634
STATE OF NEW JERSEY

DATED: AUGUST 9, 1996

Assembly Bill No. 1634 of 1996 eliminates the reduction of the life insurance death benefit for participants age 70 or older in the Alternate Benefit Program (ABP). Under current law, the life insurance death benefit payable to an active participant is 3 1/2 times the salary on which the ABP contributions were based in the last year of creditable service. If a participant remains active after attaining age 70, the insurance coverage is reduced to 1/2 times the participant's base annual salary. Life insurance under the ABP is fully noncontributory; that is the employer bears the full cost of the coverage.

The Office of Legislative Services (OLS) notes that the ABP was established in 1967 for full-time faculty members of public institutions of higher education. All eligible faculty members were permitted to transfer their membership in State retirement systems to the ABP. Participants have the option to save for retirement through the purchase of fixed annuities underwritten by the Teachers Insurance and Annuity Association (TIAA) or variable annuities purchased through the College Retirement Equities Fund (CREF). Because the program is administered by TIAA/CREF, the OLS has no information on the number of members who might be affected by this legislation.

According to the Chronicle of Higher Education Almanac, dated September 1, 1995, the average salary of professors at public universities is \$86,228 and the average salary of professors at other public four-year institutions is \$70,270. Based on this information, the cost of providing the current lump sum death benefit of one-half the member's final salary would be between \$43,114 and \$35,135. The cost of providing a lump sum benefit of 3 1/2 times final salary would be between \$301,798 and \$245,945, or as much as \$258,684 more than the benefit provided under current law.

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.