

LEGISLATIVE FISCAL ESTIMATE TO
ASSEMBLY, No. 1688
STATE OF NEW JERSEY

DATED: JULY 18, 1996

Assembly Bill No. 1688 of 1996 concerns the accidental death benefits under the Police and Firemen's Retirement System (PFRS). If a member dies as a result of an accident met in the actual performance of duty, an accidental death benefit is payable. Accidental death benefits include the payment of group life insurance and a pension of 70 percent of the member's compensation to an eligible widow(er). At present, if a member with more than one year of creditable service dies as a result of an accident, group life insurance in an amount equal to 3 1/2 times the compensation upon which contributions by the member to the annuity savings fund were based in the last year of creditable service is paid to the member's designated beneficiary. If the accidental death occurs during the first year of creditable service, the group life insurance benefits are based on compensation earned until the date of death. This bill provides that in the event of an accidental death occurring in the first year of creditable service, the death benefit paid to the beneficiary will be computed at 3 1/2 times the annual rate of compensation.

The Office of Legislative Services (OLS) believes that the cost of enacting this bill will be minor because very few members die while in the performance of duty during the first year of active duty. According to the most recent actuarial valuation of the retirement system, dated July 1, 1994, five of the 35,420 active members died during the prior year. No information, however, is available to indicate how many of these individuals died while in the performance of duty or if any died during their first year of service. The OLS notes that the actuary for the retirement system assumes there is a .021 percent chance of accidental death for active members between the age of 20 and 24. In 1994 there were 1,260 active members between age 20 and 24. Applying the assumed .021 percent accidental death rate to this universe results in (an estimated) one accidental death, for this age group, every four years. The number of accidental deaths for members during their first year of service would be even lower.

The OLS notes that the cost of enacting this bill is the difference between a life insurance benefit of 3 1/2 times final compensation and a benefit of 3 1/2 times compensation received up to the time of death. For example, if a member dies after six months of service, current law provides a survivor's pension of 70 percent of compensation. In addition, any survivor would be entitled to a life insurance benefit of 3 1/2 times six months of compensation, or (based on a first-year

salary of \$32,103) about \$56,180, versus the proposed 3 1/2 times the annualized salary ($3 \frac{1}{2} \times \$32,103 = \$112,361$) for a life insurance benefit of \$112,361.

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.