

LEGISLATIVE FISCAL ESTIMATE TO

[First Reprint]
ASSEMBLY, No. 1699

STATE OF NEW JERSEY

DATED: JUNE 30, 1997

Assembly Bill No. 1699 (1R) of 1996 amends the law governing the Employees' Retirement System of the City of Newark (Newark ERS), subject to the passage by the governing body of that city of an ordinance adopting the provisions of the legislation. The bill removes the limit on the amount of annual salary (\$16,000) upon which a beneficiary's pension is calculated and removes various specific dollar caps on other retirement and survivor benefits.

The Office of Legislative Services notes that the Newark ERS has been closed since 1990 and city employees have been enrolled in the Public Employees' Retirement System (PERS) since that time. According to the most recent actuarial valuation of the Newark ERS, dated December 31, 1992, there are 90 active members (employees) in the retirement system. Of these 90 members, 76 have their salaries capped at \$16,000 for calculation of retirement benefits and 14 do not. The average salary of the 76 "capped" members is \$23,927.

According to the valuation, the system has a funding deficiency of \$42,377,283 and therefore has no assets to cover the cost of this benefit enhancement except through additional contributions by the city. The city is financing this unfunded obligation on a level dollar basis over a 15-year period (beginning January 1, 1991). The city contribution for 1993 was \$4,899,012.

The OLS cannot estimate the total cost of this bill because it cannot estimate the future salary growth and remaining service of the 76 members affected. The OLS notes, however, that this bill will provide a 49.5 percent benefit enhancement to these members. This estimate is based on the current average salary of \$23,927 for these members.

The OLS estimates the current liability for the 76 "capped" employees at approximately \$3,900,000. Based on this estimate, a 49.5 percent benefit enhancement would cost approximately \$1,930,500. This cost would be added to the existing \$42,377,283 unfunded liability and paid over time. The OLS cannot calculate the additional annual city contributions to fund this benefit because cash flow from current assets are insufficient to pay for the benefits of existing retirees and the unfunded liability payment schedule is determined by the cash flow necessary to provide benefits to existing retirees and beneficiaries.

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.