

LEGISLATIVE FISCAL ESTIMATE TO
ASSEMBLY, No. 2124
STATE OF NEW JERSEY

DATED: JUNE 30, 1997

Assembly Bill No. 2124 of 1996 permits a retirant from the Employees' Retirement System of the City of Newark (Newark ERS) whose pension is capped by the amount of salary considered pensionable by the Newark ERS and who is employed on the effective date of this bill in a position ordinarily covered by the Public Employees' Retirement System (PERS) to be enrolled in PERS notwithstanding the prohibition against such enrollment imposed by P.L. 1968, c.23, the "double-dipping law".

The bill provides that the person would have to reimburse the Newark ERS for benefits received and waive any rights under that system. In addition, the bill provides for the transfer of employee and employer contributions, with interest at a rate of 6 percent, from the Newark ERS to the PERS. If the amounts transferred from the Newark ERS to the PERS are insufficient to provide for the full cost of establishing PERS membership and credit, the employee is liable for the amount of the deficiency.

The Office of Legislative Services (OLS) notes that the Newark ERS has been closed since 1990 and city employees have been enrolled in the 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 and 437 pensioners (retirees). No information is available to indicate the number of former members who are now re-employed in PERS covered positions.

The OLS believes that there are very few instances of retired members of the Newark ERS being hired by public employers participating in the PERS. In addition, under the terms of the bill, if the amounts transferred from the Newark ERS to the PERS are insufficient to provide for the full cost of establishing PERS service credit, the employee is liable for the amount of the deficiency. It is unlikely many retired members of the Newark ERS could afford the cost of establishing PERS credit. According to the valuation, the system has a funding deficiency of \$42,377,283 and therefore has insufficient assets to cover the cost of establishing PERS membership and service credit.

The additional cost, to the State or a local employer, will be in future pension contributions as these non-PERS employees are permitted to enroll in the retirement system. The cost, for each year of future employment, based on the most recent annual valuation of

the PERS retirement system, would be 2.82 percent of salary for the State and 2.50 percent of salary for local government employers.

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.