

LEGISLATIVE FISCAL ESTIMATE TO
ASSEMBLY, No. 2966
STATE OF NEW JERSEY

DATED: OCTOBER 30, 1997

Assembly Bill No. 2966 of 1997 reduces from 62 to 60 the age at which a veteran member of the Public Employees' Retirement System (PERS) who has 20 years of aggregate service credit may retire on the special veterans' retirement allowance of one-half of compensation for which contributions were made during the 12-month period of membership providing the largest possible benefit. In addition, the bill provides that a veteran member of the PERS who has attained 55 years of age and has 25 years of aggregate service credit may retire on the special veterans' allowance (this option is currently not available to members of PERS).

The bill also permits local government employers, upon the adoption of an ordinance or resolution by each local government employer, to reduce from 62 to 60 the age at which a veteran member of the PERS employed by a local government employer who has 20 years of aggregate service credit may retire on the special veterans' retirement allowance, or to allow a veteran member of the PERS in its employment who has attained 55 years of age and has 25 years of aggregate service credit to retire on the special veterans' retirement allowance, or to do both. The bill provides that any such authorization shall be irrevocable. Finally, the bill provides that the cost of the benefit provided shall be added to the unfunded liability of, and paid by, the employer.

The Office of Legislative Services (OLS) notes that the special veterans retirement in the Public Employees' Retirement System (PERS) is 50 percent of final compensation for veterans age 62 with 20 or more years of service. The OLS notes that lowering the veterans retirement age from age 62 to age 60 will result in veterans retiring two years earlier than they otherwise would. According to the most recent actuarial valuation of the retirement system, dated March 31, 1996, there are 17,867 active members in PERS with veterans status who potentially will retire under the provisions of veterans benefits. Of the total 17,867 PERS with veterans status, 5,404 are State employees and 12,463 are employees of local governments.

The OLS cannot estimate the number of members or the additional pension cost of members with veterans status retiring at age 60 (the provisions of this bill) because it would depend on the member's unique age and service. Depending on the individual's circumstances, a veterans benefit (50 percent after 20 years versus 20/60th) can provide an enhancement of 50 percent over the non-veteran service retirement benefit.

However, the difference between providing veterans retirement at age 60 versus age 62 is considerably lower. Using the average salary for State employees (\$40,141), the OLS estimates the present value of this benefit, for a veteran retiree retiring at age 60 instead of age 62, to be approximately \$12,000 per qualified retiree. The cost of providing special veterans retirement to PERS members age 55 with 25 years of service would be greater.

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.