

FISCAL NOTE TO  
**SENATE, No. 848**

# STATE OF NEW JERSEY

DATED: JANUARY 31, 1997

Senate Bill No. 848 of 1996 provides for an increase in the pension allowance payable to certain previously retired members of the Consolidated Police and Firemen's Pension Fund (CP&FPF) and the Police and Firemen's Retirement System (PFRS), and to certain past and prospective law enforcement officer (LEO) retirants under the Public Employees' Retirement System (PERS). To be eligible for the increase, a retirant from any of the specified retirement systems must have rendered at least 25 years of creditable service under the systems. The amount of the increase would be 5 percent of the retirant's final compensation, or such lesser amount as would provide the retirant with a total pension of 70 percent of final compensation.

According to the bill statement, this legislation is intended to establish pension benefit parity between the individuals to whom it applies and their fellow public safety officers who retired from the PFRS after a five percent increase (from 60 percent to 65 percent) in the "special retirement" allowance under that system, enacted into law as P.L. 1989, c.204 became effective on December 20, 1989.

The Division of Pensions and Benefits, in an estimate prepared for identical legislation (A-1210 of 1994), estimated the additional liability of this benefit at \$110 million. The division noted that the liability would be paid as part of the unfunded accrued liability of each retirement system. The division estimated the first-year cost at \$1,213,000 to the State and \$4,268,000 to local governments. The division further noted that this cost would increase six percent per year.

The division estimated 5,600 PFRS retirees would be eligible for this additional benefit (5 percent of final compensation or  $5/60 = 8.33$  percent). Because retirement benefits are payable over the retiree's and the retiree's survivors lives, the division assumed the average life expectancy of these individuals would be 15 years.

The Office of Legislative Services (OLS) concurred with this estimate. According to information contained in the most recent actuarial valuations of the retirement system, there are 13,521 retirees currently receiving PFRS retiree benefits. Approximately 4,500 of the 13,521 total PFRS retirees have retired since 1989 leaving a universe of approximately 9,021 retirees who retired prior to P.L. 1989, c.204. Since an estimated 87 percent of the PFRS retirees retire under the provisions of special retirement, as many as 7,848 could be eligible for the additional benefit provided by this bill.

The OLS also concurred with the division's estimate of a 15-year

life expectancy for these individuals. Special retirement is available at any age to members with 25 or more years of service credit. According to the most recent actuarial valuation, the average age of active members is 38.9 and the average member has 12.4 years of creditable service. Therefore the average member is eligible to retire at age 52.

The OLS notes that there would be additional costs for the eligible retirees from the CPFPPF and the PERS. According to information contained in the most recent actuarial valuations of the retirement system, there are 656 retirees currently receiving CPFPPF retiree benefits.

This fiscal note has been prepared pursuant to P.L.1980, c.67.