

**LEGISLATIVE FISCAL ESTIMATE**  
**SENATE, No. 2689**  
**STATE OF NEW JERSEY**  
**220th LEGISLATURE**

DATED: JUNE 28, 2023

**SUMMARY**

**Synopsis:** Expands definition of child under PFRS and SPRS.

**Type of Impact:** Annual expenditure increase for State General Fund and local government funds.

**Agencies Affected:** Division of Pensions and Benefits, Department of the Treasury; Counties and Municipalities.

**Office of Legislative Services Estimate**

<b>Fiscal Impact</b>	<b><u>Annual Cost</u></b>
<b>State Cost Increase</b>	\$576,000 to \$1.3 million
<b>Local Cost Increase</b>	<u>\$3.3 million to \$4.4 million</u>
<b>Total Cost Increase</b>	\$3.8 million to \$5.6 million

- The Office of Legislative Services (OLS) estimates that this bill will increase total costs to the State Police Retirement System by \$2.5 million and total costs to the Police and Firemen’s Retirement System by \$18.8 million to \$25.0 million. The annual payment on the resulting liability would be \$509,500 for the State Police Retirement System and \$3.8 million to \$5.1 million for the Police and Firemen’s Retirement System.
- According to the most recent valuation report from the Division of Pensions and Benefits, the Police and Firemen’s Retirement System membership is 85 percent local. As such, the OLS anticipates that \$3.3 million to \$4.4 million in annual costs will accrue to local governments and \$576,000 to \$1.3 million in annual costs will accrue to the State.
- The OLS cannot predict the actual number of decedents or qualifying child beneficiaries. If the assumptions behind the analysis were to change, the potential cost implications could be less than the figures outlined above.

## **BILL DESCRIPTION**

This bill expands the definition of a child under the Police and Firemen's Retirement System and the State Police Retirement System to include the child of a deceased member who is under the age of 24 and who is enrolled in a degree program in an institution of higher education for at least 12 credit hours in each semester.

Under current law, a person is considered a child under these retirement systems if the person is:

(1) under the age of 18;

(2) 18 years of age or older and enrolled in a secondary school;

(3) under the age of 24 and enrolled in a degree program in an institution of higher education for at least 12 credit hours in each semester, provided that the member died in active service as a result of an accident met in the actual performance of duty at some definite time and place, and the death was not the result of the member's willful misconduct; or

(4) any age who, at the time of the member's or retirant's death, is disabled because of an intellectual disability or physical incapacity, is unable to do any substantial, gainful work because of the impairment and the impairment has lasted or can be expected to last for a continuous period of not less than 12 months, as affirmed by the medical board.

This bill would remove the requirement that if the child is under the age of 24 and enrolled in an institution of higher education, the child must be the survivor of a member who died in the line of duty to be considered a child under the Police and Firemen's Retirement System or State Police Retirement System. This bill would permit any child of a deceased member who is under the age of 24 and who is enrolled in a degree program in an institution of higher education for at least 12 credit hours in each semester to be considered a child regardless if the member died in the line of duty or not.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

None received.

### ***OFFICE OF LEGISLATIVE SERVICES***

The OLS estimates that this bill will increase total costs to the State Police Retirement System by \$2.5 million and total costs to the Police and Firemen's Retirement System by \$18.8 million to \$25.0 million, or by a total of \$3.8 million to \$5.6 million annually to cover the resulting liability based on the most recent valuation reports for each system.

According to the most recent valuation report from the Division of Pensions and Benefits, Police and Firemen's Retirement System membership is 85 percent local. As such, the OLS anticipates that \$3.3 million to \$4.4 million in annual costs will accrue to local governments and \$576,000 to \$1.3 million in annual costs will accrue to the State. The upper boundary assumes that half of all deceased members have one child who qualifies for a retirement allowance of 20 percent of the deceased member's final salary for a six-year period under the bill's provisions and the ratio of deaths in service to deaths in retirement remains constant over time, while the lower boundary assumes that half of all deceased members of the Police and Firemen's Retirement System are survived by one child and a spouse, which qualifies the child for a retirement allowance of 15 percent of deceased member's final salary for a six-year period under the bill's provisions

and that the ratio of deaths in service to deaths in retirement remains constant over time. The State Police Retirement System does not provide an allowance to child beneficiaries if the deceased member has a surviving spouse.

The OLS cannot predict the actual number of decedents or qualifying child beneficiaries and notes that assuming that half of all deceased members have one child who qualifies for a six-year retirement allowance under the bill's provisions could potentially be an overestimate. If the assumptions behind the analysis were to change, the potential cost implications could be less than the figures outlined below.

**Total Cost**

<b>Retirement System</b>	<b>Child Survivor (20% benefit)</b>	<b>Child and Spouse Survivors (15% benefit)</b>
SPRS <sup>1</sup>	\$ 2,490,350	\$ -
PFRS	\$ 25,024,260	\$ 18,768,195
<b>Total Cost</b>	<b>\$ 27,514,610</b>	<b>\$ 18,768,195</b>

<sup>1</sup>SPRS provides an allowance to child beneficiaries only if there is no surviving spouse.

**Annualized Cost**

<b>System</b>	<b>State</b>	
	<b>Child Survivor (20% benefit)</b>	<b>Child and Spouse Survivors (15% benefit)</b>
SPRS	\$ 509,496	\$ -
PFRS (15%)	\$ 767,950	\$ 575,962
<b>State Subtotal</b>	<b>\$ 1,277,446</b>	<b>\$ 575,962</b>
<b>System</b>	<b>Local</b>	
	<b>Child Survivor (20% benefit)</b>	<b>Child and Spouse Survivors (15% benefit)</b>
PFRS (85%)	\$ 4,351,715	\$ 3,263,787
<b>Local Subtotal</b>	<b>\$ 4,351,715</b>	<b>\$ 3,263,787</b>
<b>Total</b>	<b>\$ 5,629,161</b>	<b>\$ 3,839,749</b>

*Section: State Government*

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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 (C.52:13B-6 et seq.).