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Local Finance Notice

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Distribution

Municipal Clerks
Municipal CFOs
Fire District Commissioners

LOSAP Annual CPI Adjustment for CY 2013

This Local Finance Notice provides local units administering a Length of Service Awards Program (LOSAP) with general information regarding LOSAP award increases together with the annual cost of living adjustment to the maximum award amounts.

- 1. Newly established LOSAPs:** New programs must provide a benefit between the minimum contribution of \$100 and maximum contribution of \$1,150 per year.
- 2. Increasing base contribution amounts:** The law did not contemplate increases to the initially approved base contribution amounts. Following the intent of the law - that the voters approve the base amount of contributions - the Division has determined that base amounts cannot be increased solely by action of the governing body. The public referendum process must be used to increase award contribution amounts where the total appropriation would exceed the originally approved amount (plus allowed CPI adjustments and subject to minor adjustments based on number of participants). This use of the referendum is in addition to the provisions in N.J.A.C. 5:30-14.8 authorizing a referendum to create or abolish a LOSAP. Division staff can provide additional guidance for unique cases.
- 3. Periodic or annual cost of living increases to contribution amounts**
 - a. Automatic CPI adjustments:** Automatic annual cost of living adjustments are permissible if authorizing language was included in the enabling resolution or ordinance. Application of the automatic annual Consumer Price Index (CPI) adjustment is strictly optional.
 - b. Time-to-time CPI adjustments:** If the enabling ordinance or resolution did not provide for an automatic annual CPI adjustment, the sponsoring agency may choose to provide a CPI adjustment from time to time. In this case, the LOSAP contribution may be increased up to a maximum equal to the cumulative percentage increase since the time the award was last set. The change is made by resolution without a public hearing.

c. Authorizing automatic increases: If the sponsoring agency wants to provide for an automatic annual CPI adjustment to the LOSAP award, the agency must amend the enabling ordinance or resolution to authorize an automatic adjustment. This type of program amendment is subject to a public hearing whether adopted by ordinance or resolution. This action does not require a referendum.

CPI Adjustments for CY 2013

The LOSAP rules require that the Director of the Division of Local Government Services annually calculate an adjustment to the maximum LOSAP contribution due to changes in the CPI. Please note that the amount of the increase cannot exceed the amount calculated by multiplying the current contribution by the inflation percentage.

There may be differences in the maximums between fire districts and municipalities due to the fact that the calculations represent different CPI quarters.

The increase for CY 2013 is **2.2%** for municipal (November) and **2.2%** for fire district (February) LOSAPs. The history and details for the two calculations follow. The table also shows the maximum LOSAP award allowable for LOSAPs that have been in effect since 1999.

Fire District LOSAPs February to February CPI Change

Year	Current Year CPI	Prior Year CPI	Consumer Price Index Factor	Maximum LOSAP Award for Programs in effect since 1999
2000	174.7	168.6	3.6%	\$1,191
2001	179.0	174.8	2.4%	\$1,220
2002	182.0	179.0	1.6%	\$1,240
2003	186.6	182.0	2.5%	\$1,278
2004	191.4	186.6	2.6%	\$1,311
2005	200.1	191.4	4.5%	\$1,370
2006	209.0	200.1	4.5%	\$1,432
2007	213.152	209.0	2.0%	\$1,461
2008	220.935	213.152	3.7%	\$1,516
2009	220.262	220.935	0%	\$1,516
2010	226.529	220.262	2.8%	\$1,558
2011	230.878	226.529	1.9%	\$1,588
2012	235.857	230.878	2.2%	\$1,623

**Municipal LOSAPs
November to November CPI Change**

Year	Current Year CPI	Prior Year CPI	Consumer Price Index Factor	Maximum LOSAP Award for Programs in effect since 1999
2000	177.9	174.4	2.0%	\$1,173
2001	182.9	177.9	2.8%	\$1,206
2002	185.8	182.9	1.5%	\$1,224
2003	190.3	185.8	2.4%	\$1,253
2004	200.2	190.3	5.2%	\$1,318
2005	207.5	200.2	3.6%	\$1,365
2006	211.6	207.5	2.0%	\$1,392
2007	218.929	211.6	3.5%	\$1,441
2008	225.113	218.929	2.8%	\$1,481
2009	224.787	225.113	0%	\$1,481
2010	228.543	224.787	1.7%	\$1,506
2011	235.440	228.543	3%	\$1,551
2012	240.537	235.440	2.2%	\$1,585

Programs that have policies that are not in accordance with the foregoing must promptly contact the Division. Plans not in compliance with the law and rules run the risk of losing their preferred tax status and could impact members' receipt of benefits.

Sponsoring agencies are encouraged to review LOSAP resources at the Division's [website](#), particularly previously issued Local Finance Notices and our Frequently Asked Questions document.

Please contact the Division at (609) 292-7842 or by [e-mail](#) with any questions.

Approved: Thomas H. Neff, Director, Division of Local Government Services

Table of Web Links

Page	Shortcut text	Internet Address
3	Division's LOSAP webpage	http://www.nj.gov/dca/divisions/dlgs/programs/losap.html
3	E-mail	dlgs@dca.state.nj.us