

LEGISLATIVE FISCAL ESTIMATE

SENATE, No. 3798

STATE OF NEW JERSEY

220th LEGISLATURE

DATED: MAY 22, 2023

SUMMARY

- Synopsis:** Permits teacher, and professional staff member who provides special services, who retired from TPAF to return to employment for up to two years without reenrollment in TPAF if employment commences during the 2023-2024 school year.
- Type of Impact:** Potential State and local expenditure decreases.
- Agencies Affected:** Division of Pensions and Benefits in the Department of the Treasury; School districts.

Office of Legislative Services Estimate

Fiscal Impact	Year 1	Year 2	Year 3
State Cost Decrease	\$2,300,000	\$2,300,000	Indeterminate
Local Cost Decrease	\$900,000	\$900,000	Indeterminate
Total Cost Decrease	\$3,200,000	\$3,200,000	Indeterminate

Assumes that 100 teachers or professional staff members are reemployed under the bill’s provisions at an average salary of \$80,000.

- The Office of Legislative Services (OLS) estimates \$3.2 million in annual savings, \$2.3 million to the State and \$0.9 million to local school districts, in each of the two fiscal years following the bill’s enactment, subject to certain assumptions. Any savings in subsequent years are indeterminate.
- For every teacher or professional staff member who provides special services and returns to employment shortly after retirement without reenrolling in the Teachers’ Pension and Annuity Fund, the local school district may save approximately \$9,000 in annual health care costs provided that the employee is receiving State-paid health care coverage in retirement under the School Employees’ Health Benefits Program due to their former employment.
- Because each qualified retiree is not reenrolled in the Teachers’ Pension and Annuity Fund and, thus, does not receive an increase in retirement benefits for the additional service, the fund does not incur additional costs. Consequently, the OLS estimates that for every teacher or professional staff member who returns to employment shortly after retirement without

reenrolling in the fund and earns an average salary of \$80,000, the State may save approximately \$23,000 in annual contributions to the fund, which it would otherwise have to make for an employee in a Teachers' Pension and Annuity Fund -covered position.

- The OLS cannot predict the actual number of Teachers' Pension and Annuity Fund retirees who would accept reemployment under the bill's provisions. Furthermore, the OLS cannot predict the actual salary arrangements that would result under the corresponding reemployment contracts.

BILL DESCRIPTION

This bill would extend the provisions of P.L.2021, c.408, to permit a teacher or professional staff member who retired from the Teachers' Pension and Annuity Fund to become employed again with a board of education in a position of critical need commencing in the 2023 – 2024 school year without triggering a re-enrollment in the Teachers' Pension and Annuity Fund. As with P.L. 2021, c. 408, reemployment will occur through a one-year contract, whose extension is limited to a single year with any individual board of education, except upon approval from the Commissioner of Education. During reemployment the teacher or professional staff member will collect both a pension and a salary. Under the bill, only a teacher or professional staff member who experienced a bona fide retirement from the Teachers' Pension and Annuity Fund and whose return to work was not prearranged is eligible for reemployment.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that if 100 teachers or professional staff members who provide special services and return to employment shortly after retirement, without reenrolling in the Teachers' Pension and Annuity Fund, the State would save \$2.3 million annually and local school districts would save \$0.9 million annually in each of the two fiscal years following the bill's enactment. Any savings in subsequent years are indeterminate.

The local estimate is based on actual enrollment and cost data for Plan Year 2021 within the School Employees' Health Benefits Plan Year 2022 Mid-Year Experience Analysis, which suggests that education employers pay approximately \$9,000 in annual health care expenditures per member. Additionally, the State estimate assumes an average annual salary of \$80,000 per reemployed teacher or professional staff member and relies on data from the Teachers' Pension and Annuity Fund 2022 Actuarial Valuation Report, which suggests that State normal pension costs represent five percent of appropriation payroll, State costs for the unfunded actuarial liability represent 29.57 percent of appropriation payroll, and the lottery contribution offset represents 6.25 percent of appropriation payroll.

The OLS cannot predict the actual number of Teachers' Pension and Annuity Fund retirees who would accept reemployment under the bill's provisions or the actual salary arrangements that

would result under the corresponding reemployment contracts, the OLS estimates that if the assumptions above hold and 100 teachers or professional staff members gained reemployment under the bill’s provisions, combined annual savings for the State and local education employers would approximate \$3.2 million, keeping other factors constant.

Health Care Savings for Local Education Employers		
Active Employees	Plan Year 2021 (Actuals)	Cost per Member
Average Medical Members	144,807	
Total Cost	\$ 1,311,680,000	\$ 9,058

Source: SEHBP Plan Year 2022 Mid-Year Experience Analysis

Pension Savings for the State	
TPAF Contribution Amounts	Savings per Returned Employee
State Normal Cost (5%)	\$ 4,000
UAL Cost (29.57%)	\$ 23,656
Lottery Contribution Offset (6.25%)	\$ (5,000)
Total State Pension Cost	\$ 22,656

Source: Teachers’ Pension and Annuity Fund 2022 Actuarial Valuation Report
Assumes average salary of \$80,000 per returned employee.

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.).