

ASSEMBLY BUDGET COMMITTEE

STATEMENT TO

ASSEMBLY, No. 3459

with committee amendments

STATE OF NEW JERSEY

DATED: JUNE 24, 2014

The Assembly Budget Committee reports favorably Assembly Bill No. 3459, with committee amendments.

As amended, this bill makes various changes to the “Urban Hope Act.” The “Urban Hope Act,” P.L.2011, c.176 (C.18A:36C-1 et seq.), authorized the Camden, Newark, and Trenton School Districts to, on a limited pilot program basis, partner with one or more nonprofit entities to create “renaissance school projects.”

This bill:

(1) provides that a school or group of schools that is a renaissance school project may include existing facilities that have undergone substantial reconstruction. The initial facility of the renaissance school project must be newly-constructed and be designed to house, upon completion, at least 20 percent of the total enrollment of the project. Under current law, the school and group of schools of a renaissance school project must all be newly-constructed;

(2) extends the time period in which applications for the creation of a renaissance school project may be submitted in the case of projects located in Camden. Under current law the applications must be submitted no later than January 12, 2015. The bill would extend this deadline in Camden for an additional year;

(3) exempts renaissance school projects from public school facility regulations other than those pertaining to the health and safety of the pupils; and

(4) provides that an approved renaissance school project located in a temporary facility will be funded at the lower rate of a charter school rather than as a renaissance school project until the renaissance school project has obtained final site plan approval for the newly-constructed facility or begun construction on the facility to be substantially reconstructed. A renaissance school project is not allowed to be located in a temporary facility for more than three years.

This bill provides additional retirement benefits to certain employees of a school district that elects to provide the benefits, who retire under the Public Employees' Retirement System (PERS) or the Teachers' Pension and Annuity Fund (TPAF). “School district” is defined in this provision to mean only the Camden School District.

The district will have one year after the enactment of this bill to adopt a resolution. Once a resolution is adopted and effective, employees will have one month to file an application and two months to retire.

An employee who is at least 50 years of age and has at least 25 years of service credit, or is at least 60 years of age and has at least 20 but less than 25 years of service, under PERS or TPAF as of the effective date of retirement will receive an additional three years of service credit. A member of PERS or TPAF who is under age 55 at the time of retirement will be exempt from any actuarial reduction in retirement allowance. An employee veteran who meets the age and service credit requirements and retires on a special veteran's retirement under PERS or TPAF will receive an additional pension in the amount of $\frac{3}{55}$ of the compensation on which the retirement allowance is based.

An employee who is at least 60 years of age with at least 10, but less than 20, years of service credit will receive an additional pension of \$500 per month for the 24 months following retirement. An employee who is at least 60 years of age with at least 20, but less than 25, years of service credit will receive an additional pension of \$500 per month for the 24 months following retirement, except that the additional pension will not be paid to any member who upon retirement is eligible for fully paid health care benefits.

When the needs of an employer require the services of an employee who elects to receive a benefit under this bill, the employer may delay, with the consent of the employee, the effective retirement date of the employee for up to one year. The authorization for a delay in the effective retirement date does not extend the dates for qualification for benefits.

The cost of the enhanced pension benefits will be funded through employer contributions paid by the school district to the retirement systems, calculated separately for each entity, over a period of 15 years.

An employer may elect to provide these benefits by the adoption of a resolution, which is to be effective July 1, and the filing of a certified copy with the Director of the Division of Pensions and Benefits. The effective date of the resolution must fall within 15 months of enactment of this bill; an employer may offer these benefits only once. An employer covered by this bill must meet with the employee union representatives, whether or not the employer adopts a resolution, within a year of the enactment of this bill.

The bill also authorizes boards of education to issue refunding bonds to retire the present value of the unfunded accrued pension liabilities for early retirement incentive benefits granted by the bill.

FISCAL IMPACT:

The Office of Legislative Services (OLS) cannot estimate the potential additional cost of this bill as it pertains to the retirement benefits offered because it is not known if the Camden School District will elect to offer the early retirement incentive (ERI) benefits and how many members of TPAF and PERS will elect to retire under the ERI program.

Under current law, for an employee of a school district who is a member of either PERS or TPAF, the State is responsible for the full cost of the employer pension contribution and the cost of post-retirement medical benefits provided by the School Employees' Health Benefits Program for qualified retirees. When an employee is offered and accepts an incentive to retire earlier than the employee normally would, there is an additional cost to the retirement system.

Under the bill, if the school district elects to offer the ERI program it will be responsible for the liability of the retirement systems for the additional service credit provided and the cost of the actuarial work to determine the additional liability, to be paid to the systems over a period of 15 years. The school district will also be responsible for an additional pension of \$12,000 for each employee retiring who is at least 60 years of age with at least 10 but less than 20 years of service. Finally, the school district is responsible for the health care benefits in retirement, for each employee who is eligible for that benefit, for three years following the employee's retirement. Under current law, the State is responsible.

Salary and benefit cost savings will be realized by the school district to partially offset the additional costs. The school district will experience some savings by no longer having to pay salary, social security, pension and other benefit costs for the retired employee. The savings may be reduced if the position held by the retired employee is filled by a lower paid employee.

COMMITTEE AMENDMENTS:

The amendments:

- eliminate the tax credits under the GROW New Jersey program for renaissance school projects;
- limit the option to participate in the early retirement incentive program established under the bill to the Camden School District;
- provide that in addition to meeting all applicable building codes, a substantial reconstruction by a renaissance school project applicant must also: comply with the Uniform Construction Code enhancements where the health and safety of the building occupants are affected; comply with all "Americans with Disabilities Act of 1990" regulations outlined in the New Jersey Barrier Free Subcode; and comply with the Uniform Construction Code and other applicable State and federal laws for radon, lead, asbestos, and other contaminants and be subject

to the enforcement of the standards by the applicable State or federal agency; and

- clarify that the additional pension of \$500 per month for 24 months for certain retirees will be paid only to a retiree who is not eligible at the time of retirement to receive fully paid health care benefits in retirement.