

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 3685
STATE OF NEW JERSEY
219th LEGISLATURE

DATED: JUNE 7, 2021

SUMMARY

- Synopsis:** Permits school teacher who is retired from TPAF to return to employment during public health emergency and state of emergency for COVID-19 pandemic, for up to two years without reenrollment in TPAF.
- Type of Impact:** Potential expenditure impact for the State General Fund and school districts
- Agencies Affected:** School districts

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
State Cost Impact		Indeterminate	
Local Cost Impact		Indeterminate	

- The Office of Legislative Services (OLS) estimates that if a school teacher returns to employment shortly after retirement without reenrolling in the Teachers’ Pension and Annuity Fund (TPAF), the local school district may realize savings in health care costs for that employee because the retired school teacher may be receiving, if eligible, State-paid coverage under the School Employees’ Health Benefits Program (SEHBP) in retirement based on the former employment. When a retiree is reenrolled in the TPAF as required by current law upon becoming employed again after retirement, the State avoids this expense because health care benefits then become the responsibility of the board of education until the person again retires.
- Because each qualified retiree is not reenrolled in the TPAF and, thus, does not receive an increase in retirement benefits for the additional service, the TPAF does not incur additional costs. Consequently, the State does not have to make contributions to the TPAF, which it otherwise would have to make for an employee in a TPAF-covered position.
- There is no information available to indicate the number of TPAF retirees who would be reemployed; thus, a specific estimate of the potential cost or savings for the State and local boards of education cannot be made at this time.

BILL DESCRIPTION

This bill would permit a certificated teacher who retired from the TPAF to return to work full time with a board of education in a position of critical need, as determined by the State Commissioner of Education, without being reenrolled in the TPAF if reemployment commences during the period of the public health emergency and state of emergency declared due to the COVID-19 pandemic. If the retired teacher returns to work with the former employer, it must occur more than 180 days after the retirement. This bill will permit the teacher to receive the TPAF retirement allowance as well as a salary. The bill permits the return to work under a contract for one year, which may be renewed only for one additional year. The total period of reemployment with any individual board of education must not exceed a two-year period, unless so approved by the Commissioner of Education as being in the best interests of the school district. Under the bill, the former member's retirement must have been a bona fide retirement and any employment or reemployment under the bill must not be prearranged before retirement.

There may be additional requirements that would have to be met in certain circumstances for a return to work in order to comply with the laws and regulations of the federal Internal Revenue Code.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that if a school teacher returns to employment shortly after retirement without reenrolling in the TPAF, the local board of education may realize savings in health care costs for that employee because the retired school teacher may be receiving, if eligible, State-paid coverage under the SEHBP in retirement based on the former employment. Under current law, if a retired TPAF member becomes employed again in a TPAF-covered position, the retirement allowance and the right to any death benefit as a result of the prior TPAF membership is suspended and the reemployed retiree is reenrolled in TPAF and treated as an active member. Upon subsequent retirement, the reemployed TPAF member receives the former retirement allowance based on the earlier membership, as well as an additional retirement allowance based upon the subsequent service during reemployment. This bill creates an exception to reenrollment during the COVID-19 pandemic for a retired school teacher.

The OLS notes that there is a cost to the State if a TPAF retiree reenrolls in the TPAF because the State pays the local board of education's share of required TPAF contributions. Because this bill prevents reenrollment, the State would save on contributions in that regard. Also, there will be no additional cost to the TPAF for a qualified retiree because, as a result of the bill, the retiree will not be eligible to receive an increased retirement benefit based upon service during reemployment with a local board of education.

Under current law, State payments for a qualified retiree's post-retirement health care benefits provided through the SEHBP are suspended when the retiree is reenrolled in the TPAF. In the case of reenrollment, health benefits are the responsibility of the employer until the employee again

retires. Under the provisions of this bill, the State would continue to pay for the post-retirement health care benefits for a retiree who accepts reemployment with a local board of education.

The OLS notes that local boards of education would have the discretion to make such a reemployment decision. The impact of this bill will be limited as it would apply only to a hiring decision made during the COVID-19 pandemic and as the employment would be for no more than two years.

There is no information available to indicate the number of TPAF retirees who would be reemployed; thus, a specific estimate of the potential costs or savings for the State and local boards of education cannot be made at this time.

Section: State Government

*Analyst: Nicolas Soto
Associate Research Analyst*

*Approved: Thomas Koenig
Legislative Budget and Finance Officer*

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.).