



State of New Jersey

DEPARTMENT OF EDUCATION
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March 31, 2009

LUCILLE E. DAVY
Commissioner

TO: Chief School Administrator
School Business Administrator

FROM: Katherine P. Attwood
Assistant Commissioner
Division of Finance

Katherine P Attwood

SUBJECT: PERS Payment Deferral and Required State Aid Reduction

I am writing to provide information on P.L. 2009, c19 (S-21), which provides regular and vocational school districts the option of deferring 50 percent of the district's 2008-09 regular PERS pension liability, and P.L. 2009, c22 (S-15), which requires the department to reduce state aid for regular and county vocational districts in the amount of the allowable PERS deferred amount (whether the district elects to defer the payment or not).

PERS Payment Deferral Option

In accordance with P.L. 2009, c19 (S-21), regular and county vocational school districts have the option of either paying the full amount of their 2008-09 PERS liability or an amount that reflects a 50 percent reduction (deferral) in the district's 2008-09 regular pension liability. County special services school districts, charter school districts and educational service commissions do not have the deferral option and must pay the full 2008-09 PERS liability. The full PERS pension liability is required for all districts in 2010 and beyond and districts should budget accordingly.

The Division of Pensions and Benefits recently issued the 2009 pension liability invoices and the bills include the 50 percent deferral in the amount due. Districts that choose to pay the full liability should add the deferral amount (line 4) of the notice to the total amount due amount at the bottom of the bill; please refer to the Division of Pensions and Benefits' cover letter that explains the appropriate calculation. The P.L. 2009, c19 requires districts to pay either the full or the reduced amount that appears on the PERS bill; payment of any other amount is not allowed. These payments are due on April 1 (with a grace period until April 30).

Districts that elect to defer 50 percent of the district's 2009 regular pension liability must begin repaying the deferred amount starting in April of 2012, over 15 years. The amount to be paid will fluctuate based on pension system investment earnings on the unfunded liability. Please note that N.J.S.A. 43:15A-24b requires the use of "regular interest" when the actuary calculates the amortization of the unfunded accrued liability of the pension system, which is set by the State Treasurer (N.J.S.A. 43:15A-6n) and currently is 8.25 percent. At any time, districts may pay off the deferred amount and to do so, should request a pay off amount from the Division of Pensions and Benefits.

A board resolution is required for districts that elect to defer 50 percent of the April 2009 payment and should be maintained for audit purposes. The board could adopt this resolution at your public hearing or April board meeting, as appropriate. The resolution is not required to be submitted to the local finance board for review and approval.

Districts should reference the Division of Pension and Benefits website at <http://www.state.nj.us/treasury/pensions/2009-employer-billing-50revised2.htm> for additional information. The Division of Local Government Services has also issued a Local Finance Notice which is posted at <http://www.nj.gov/dca/lgs/lfb/lfbmenu.shtml#pendeferral>. See section on Boards of Education.

Required State Aid Reduction

In accordance with P.L. 2009, c22 (S15), regular and county vocational school districts are subject to a state aid reduction as set forth in the below paragraph. Under this new law, state aid must be reduced whether the district pays the full 2008-09 PERS liability or elects to defer 50 percent. Districts with a state aid reduction must revise their 2008-09 budget and reduce the state aid receivable to reflect the reduction in state aid by the applicable amount. State aid reductions should be adjusted in the following sequential order: Adjustment Aid, Equalization Aid, Security Aid, Transportation Aid, Special Education Categorical Aid, Educational Adequacy Aid, and School Choice Aid. County special services school districts, charter school districts and educational service commissions are not subject to a state aid reduction and, therefore, must pay the full 2008-09 PERS liability.

District's 2008-09 state aid will be reduced by the amount shown on your revised FY 2008-09 General Fund Payment schedule in column (P). The reduction will be spread over five payments between April 8, 2009 and June 8, 2009. This reduction is the prorated amount of the lesser of: 50 percent of your PERS payment, 50 percent of your original budgeted PERS amount, or the district's remaining state aid payment. The proration is 95.806 percent (the proration is necessary to reduce state aid by no more than the \$75 million required under the law). Please note that the June 8 reduction may be readjusted using a new proration percentage after all tuition deductions are finalized. The revised FY 2008-09 General Fund Payment schedule can be accessed on the NJDOE Homeroom website using the School Aid Payments and Notices (School Aid) system at <https://education.state.nj.us/doefs/prj/sanote> after April 8, 2009. The final total PERS deduction will be reflected in your final payment schedule column (P), also available on the NJDOE Homeroom website at the end of June 2009.

If you have any questions about the state aid payment amount and for more information, send an email to: osfpayments@doe.state.nj.us, or call the Office of School Funding at (609) 984-4949. Any questions about the accounting entries to reflect the reduced state aid should be directed to Beth Brooks at (609) 292-7131.

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c: Senior Staff
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