

Pension and Health Benefits Review Commission
Vote Results
August 19, 2011

A-4164 (O'Donnell/Watson Coleman)

Increases PFRS employee contribution rate; requires new members to be age 50 for special retirement; creates cap on PFRS retiree COLA; restructures PFRS board of trustees and gives it control over fund investments.

Motion: Recommend not to enact since pension reforms relating to PFRS were recently enacted under P.L. 2011, c.78.

Discussion: The Commission opposes this bill because reforms to the PFRS were recently enacted and it would significantly increase annual State and local employer pension costs. The objective of the pension reforms legislation was to provide fiscal relief to the State and local employers participating in the plans in the form of lower annual pension costs, while at the same time providing long-term financial stability to the plans. One of the provisions of this bill would re-instate COLA only for members of the PFRS, while removing the reform bill's requirement that the pension funds maintain 80% funding for any increased benefits. The enactment of Chapter 78 provided the suspension of COLA, which had the impact of significantly reducing total pension liabilities and employer pension costs immediately. Over a 30 year period, the combination of Chapter 78's benefit and funding changes are projected to decrease State and local pension contributions by \$120 billion. In FY 2013 State and local employer pension contributions pertaining to the PFRS were reduced by \$26.6 million and \$504.4 million respectively. The enactment of this bill will increase PFRS pension liabilities and State and local employer annual pension costs to the PFRS nearly back to levels prior to the enactment of Chapter 78. Further, the bill specifies new employee contribution rates and removes the reform bill's provision for adjustment as financial needs change, while also providing a separate investment mechanism solely for PFRS that increases financial risk.

A-4138 (Quijano)

Provides for SHBP New Jersey State Employee Wellness Program with financial incentives for participation in program.

Motion: Recommend not to enact, since the enactment of P.L. 2011, c. 78 created health benefit plan committees to design and develop health benefit programs.

Discussion: The Commission opposes this bill because the enactment of P.L. 2011, c. 78 created a SHBP and SEHBP design committees and gave them the authority to design and develop health benefits programs. The Commission supports the concept of a wellness program but to have it legislated, particularly with a list of changes affecting few behaviors and one plan, makes it more difficult to effectuate any changes, since further legislation would need to be enacted to amend the plan.

S-2986 (Turner)

Reinstates automatic COLA for retirement benefits of members of the State-administered retirement systems.

Motion: Recommend not to enact since pension reforms relating to COLA was recently enacted under P.L. 2011, c.78.

Discussion: The enactment of this bill would reverse a major cost-saving provision included in pension and health benefit reform recently signed into law. Key provisions of the pension benefit design changes included in Chapter 78 were prospective in nature and impact employees who become members of the retirement on or after June 28, 2011, the law's effective date. The law's provision suspending COLA had the impact of significantly reducing total pension liabilities and employer costs immediately. This bill would permit the COLA change without regard to the pension funds maintaining 80% funding for any increased benefits. Over a 30 year period, the combination of Chapter 78's benefit and funding changes are projected to decrease State and local pension contributions by \$120 billion.

A-4087 (Polistina/Amodeo)

Allows elected official who is enrolled in PERS by virtue of another public position to waive coverage in retirement system based on that other public position.

Motion: Recommend not to enact.

Discussion: The population that would be impacted by this bill is limited since pension reform restricting a public employee's eligibility to PERS membership to only one position has been enacted. P.L. 2010, c. 1 provides that a person is eligible for membership in the PERS and TPAF based upon only one position and requires the retirement system to designate the position providing the higher or highest compensation for the person with such concurrent positions as the basis for eligibility for membership and the compensation base for contributions and pension calculations. This provision, however, only applies to public employees who become PERS or TPAF members on or after May 21, 2010. PERS and TPAF members, who had more than one public employer prior to Chapter 1, were grandfathered and can continue to have their pension based on all public employment. This bill does not prohibit PERS membership from being reinstated for the nonelective position if PERS membership in the elected office is terminated. This bill's impact would be limited to elected officials in this grandfathered population, which continues to diminish as this population retires.

A-4188 (Holzapfel)

Repeals law allowing PERS member to retire with PERS pension and continue to receive salary for current PERS-covered elective office; permits certain PERS and TPAF members to file for retirement without designating retirement date.

Motion: Recommend not to enact.