

**Pension and Health Benefits Review Commission Vote Results**  
**May 17, 2013**

**A-1469 (O'Scanlon/Casagrande)**

Allows pension calculation to be based on compensation increase in excess of actuarially assumed experience only if employer pays unfunded liability.

**Motion:** Recommend not to enact.

**Discussion:** The Commission recommended not to enact this bill because:

- The marginal employer pension savings that would be derived from its enactment may not outweigh the additional administrative costs associated with the bill, and
- There are indications that other pension reforms already enacted to curtail the abusive practice of pension boosting are meeting their objectives.

The enactment of this bill would create significant additional administrative and accounting responsibilities for the Division of Pensions and Benefits since unfunded liabilities would have to be tracked separately for each local employer that participates in the plans. The PERS and PFRS are multi-employer plans. In addition to the State, 1,704 local employers participate in the PERS and 581 local employers participate in the PFRS. Although State and local pension plan assets and liabilities are segregated, for participating local employers, the assets and liabilities are aggregated. For basic benefits, there is no separate accounting of pension plan assets and liabilities for each individual local employer. The actuarially required local employer pension contribution is developed in the aggregate and apportioned to each location by applying the required local employer contribution rate to the total payroll of each location. Additionally, the salary increase assumptions used by the plan actuaries are not static. They change periodically to reflect actual historical trends. These assumptions changed with the actuarial valuation reports dated July 1, 2011, and again with actuarial reports dated July 1, 2012. The enactment of this bill would require the Division to communicate any prospective new salary increase assumptions to all employers in order for them to avoid the assessment of any additional pension costs pursuant to this bill.

Other pension reforms aimed at curtailing salary increases in anticipation of retirement have already been enacted, minimizing the need for the enactment of this bill. These reforms include:

- Section 21 of P.L. 2007, c.92 requires the Division to investigate unreasonable increases in compensation reported for credit in the various State-administered retirement systems based upon consideration of the Consumer Price Index for the time period of the increases, the table of assumed salary increases recommended by the system's actuary and adopted by the board of trustees of the retirement system, and the annual percentage increases of salaries as indicated in data from the Public Employment Relations Commission;

- Sections 8 through 18 of P.L. 2007, c.103 and Sections 7 through 23 of P.L. 2010, c.1 caps the salary that can be used to calculate pension benefits for new members of PERS, TPAF, PFRS and SPRS at the Social Security wage base, and
- Sections 20 through 23 of P.L. 2010, c.1 increased the number of years included in final average salary used to calculate pension benefits from 3 to 5 years for new PERS and TPAF members, and from 1 to 3 years for new PFRS and SPRS members.

**A-2404 (Stender)/S-1292 (Allen)**

Provides PFRS member in federal or State military service who is injured or killed with disability or death benefits.

**Motion:** Recommend not to enact.

**Discussion:** The Commission recommended not to enact this bill because:

- It does not coordinate the benefits it would provide with VA benefits that may be available on the federal level, and
- It discriminates against public employees who are members of the other State-administered pension plans (i.e. it's PFRS specific).

The enactment of this bill would provide for continued eligibility for the active PFRS death benefit and an ordinary disability pension whenever a member is called to active military service and no longer is an active contributing member of the PFRS. In the past, eligibility for these benefits has been extended on a temporary basis for all State employees regardless of their pension system membership on a conflict-by-conflict basis through Executive Orders signed by the Governor. Extension of these benefits on a local level has been at the option of the local employers. If local employers agreed to grant employees paid leaves of absence when called into active military duty, their employees would continue to be considered active members of the pension system and would be eligible for the benefits addressed by this bill.

The provisions of this bill are limited only to members of the PFRS. The other State plans (PERS, TPAF, SPRS, ABP) are not affected.

**A-3763 (Dancer)**

Provides that healthcare benefits plan, fully or partly paid by public employer, cannot cover public employee's spouse who is subject of divorce from bed and board.

**Motion:** Recommend to enact with amendment.

**Discussion:** The Commission recommended to enact this bill from the perspective that it would provide financial relief for public employers by eliminating the continued

obligation to provide health benefit coverage to the spouse of an employee who was granted a divorce from bed and board.

The bill is unclear whether its impact is retroactive or prospective. The Commission suggested the bill be amended to provide for retroactive application of its provisions.

**A-3981 (Simon)**

Requires certain health benefits coverage for diagnosing and treating autism and other developmental disabilities.

**Motion:** Recommend not to enact.

**Discussion:** Coverage under the SHBP/SEHBP for autism and other developmental disabilities was mandated with the enactment L. 2009, c. 115. Consequently, the mandated coverage for the development disabilities added by this bill is already provided under the SHBP/SEHBP by each of the plans offered within the program through both Horizon and Aetna.

Although coverage for autism and other developmental disabilities is already provided under the SHBP/SEHBP, there is concern that this bill would mandate coverage for unconventional therapies that would be denied under the current plan design. Additionally, pursuant to the Affordable Care Act, if the State requires benefits that exceed those included in the essential health benefits package, then the state has to directly pay the cost of these additional mandates. Consequently, there are unknown future costs associated with this bill.

Health benefit mandate bills impacting the SHBP/SEHBP usurp the authority of the SHBP and the SEHBP Plan Design Committees. These committees were created with the enactment of P.L. 2011, c.78 (Pension and Health Benefit Reform) and were provided with the responsibility for plan design.