

Pension and Health Benefits Review Commission
Vote Results
May 8, 2009

S-2653 (Ciesla/Smith)/A-3864 (Cryan)

Permits certain persons holding elective public office to remain eligible for enrollment in PERS.

Motion: Recommend not to enact since the bill scales back cost savings pension reform and may be special legislation.

Discussion: The enactment of P.L. 2007 c. 92 created the Defined Contribution Retirement Program (DCRP) requiring all public employees elected or appointed to a position after July 1, 2007 to become members of the DCRP. Membership in the DCRP for an elected individual is required regardless if the individual was previously an active member of the PERS (except if the individual was a member of PERS and reelected to the same position.) This and other pension reforms were recommended in order to slow down the spiraling costs of pension and health benefits. The enactment of this bill so recently after the reforms were enacted would serve to be counter-productive to their objectives. This bill has been drafted to apply to all elected officials that fall within its parameters, but it appears to be special legislation designed to impact only a few individuals. The Commission generally opposes all forms of special legislation.

S-1929 (Allen)

Permits purchase of PFRS credit for certain pre-enrollment temporary service.

Motion: Recommend not to enact since it may increase employer pension costs and promotes disparity in the purchase provisions when compared to the other State-administered retirement systems.

Discussion: The law regarding the purchase of temporary service is currently consistent in all the State retirement systems. In order to purchase temporary service, the service must have led without interruption to a permanent or regular appointment with an employer. This bill would allow PFRS members to purchase temporary service that did not lead to a permanent appointment, making the PFRS temporary service purchase provisions more liberal and inconsistent with the other State retirement systems. Although the bill provides that the purchase will be a full cost to the member, future cost-of-living adjustments (COLA) payable on the increased pension resulting from the purchase is an employer liability. The State and local employers who participate and make contributions to the pension system will be impacted.

S-1638 (Turner)

Allows certain retirees to reenroll in SHBP.

Motion: Recommend not to enact since it may increase the risk of adverse selection against the SHBP.

Discussion: Adverse selection against the SHBP may occur if a former participant is allowed to re-enroll. A retiree could drop the SHBP coverage for an inexpensive private insurance policy, or opt for no coverage at all, then request to re-enroll in the SHBP only when it is advantageous for them to do so. The reenrollment of a former SHBP retiree with extensive pre-existing medical conditions may result in higher premiums payable for all retirees in the group. This bill does not require proof of continuation of coverage upon SHBP reenrollment.

S-1215 (Bucco)

Allows members of PERS Prosecutors Part to purchase credit in Prosecutors Part for previous prosecutor service credited as regular PERS service.

Motion: Recommend not to enact since additional State pension and health benefit costs will result.

Discussion: Although the bill provides that the purchase will be full cost to the member, future cost-of-living adjustments (COLA) payable on the increased pension resulting from the purchase is an employer liability. The State, which makes the employer pension contributions on behalf of all members in the Prosecutors part, which includes county and assistant county prosecutors, along with certain DLPS titles within the Division of Criminal Justice, would be liable for this increased pension cost. Also, the additional years of service acquired may accelerate the time a member becomes eligible for some special benefit, i.e. free health benefits when retired with 25 or more years of service credit. The cost of which is the responsibility of the employer.

A-1183 (Oliver)

Allows TPAF and PERS members to purchase up to one year of credit for official child-care leave.

Motion: Recommend not to enact since additional State and local employer pension and health benefit costs will result.

Discussion: Although the bill provides that the purchase will be full cost to the member, future cost-of-living adjustments (COLA) payable on the increased pension resulting from the purchase is an employer liability. The State and local employers who participate and make contributions to the pension systems would be liable for this increased pension cost. Also, the additional years of service acquired may accelerate the time a member becomes eligible for some special benefit, i.e. free health benefits when retired with 25 or more years of service credit. The cost of which is the responsibility of the employer. In addition, since this bill does not apply to the PFRS purchase provisions its enactment would create further disparity among the various retirement systems.