

Pension and Health Benefits Review Commission
Vote Results
August 17, 2012

S-214 (Holzapfel)

Eliminates remarriage prohibition for PFRS death benefits; provides retirement allowance to certain survivors of PFRS members.

Motion: Recommend against enactment because it would increase employer pension costs.

Discussion: Since this bill impacts only PFRS, its enactment would create a disparity when compared to the State Police Retirement System (SPRS) whose active and retired death benefit provisions are the same as the PFRS. Additionally, the Public Employees' Retirement System (PERS) and the Teachers' Pension and Annuity Fund (TPAF) provide an annuity to a surviving spouse upon the accidental death of a member, which terminates upon remarriage. Chapter 181, P.L. 2003 eliminated the remarriage prohibition for PFRS and SPRS accidental death benefits, but not for PERS and TPAF. The enactment of this bill would, more than likely, encourage future legislation providing the same change to the other State plans not impacted by this bill.

Chapter 181 was prospective in nature. It did not restore the accidental death benefit to widows and widowers of PFRS and SPRS members who remarried prior to Chapter 181's effective date. This bill's provisions would not only be prospective, but it would also restore the death benefits of all PFRS widows and widowers whose benefits were terminated because of remarriage prior to the bill's effective date.

The additional pension liabilities the bill would create if enacted is estimated to be approximately \$50 million.

S-1861 (Van Drew)/A623 (Gove/Rumpf/Milam)

Provides certain veteran benefits to veterans of the global war on terror conflicts and those of certain military engagements served during certain periods.

Motion: Recommend against enactment upon better definition of time period to qualify for veteran's status and it would increase employer pension costs.

Discussion: Generally, current pension laws require that a member serve at least 14 days directly in the "theatre of operation" to qualify for veterans status. In addition to applying this standard to those involved in the global war on terror in order to qualify for veterans status, this bill also expands the existing veteran preference provisions by providing veterans status to a member who served for at least 90 days outside of the theater of conflict within the dates specified in existing statutes. The Commission believes that the Legislature's intent when it originally provided veterans preference in the State was to include all who specifically served in the "theatre of operations" during world wars or major national emergencies. To include military duty where only limited,

regional service is involved would provide a windfall for those who had no direct participation in a military engagement and detracts from the original intent regarding entitlement to this benefit. That windfall directly increases the State pension system's unfunded liability.

The additional pension liabilities the bill would create if enacted is estimated to be approximately \$49 million.

S-1910 (Madden)

Requires health insurance coverage for certain student athlete physical examinations.

Motion: Recommend against enactment.

Discussion: The procedure mandated by this bill is already covered under the SHBP/SEHBP by each of the plans offered within the program, i.e. NJ DIRECT (Horizon Blue Cross Blue Shield of New Jersey), Aetna and Cigna. Network providers in each of these plans offer a full range of services that include well-care and preventive services such as annual physicals, well-baby/well-child care, immunizations, mammograms, annual gynecological examinations, and prostate examinations.

The health benefit mandates imposed by this bill would 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.

This bill continues the questionable practice of mandating health benefit coverage. Such mandates generally tend to continue to place the health insurance industry outside of the "free enterprise" system and drive up the cost of health insurance for both employer provided coverage and individual policies. The continued enactment of health benefit mandate legislation could soon make coverage unaffordable for both.

A-2336 (Johnson)

Adds option of receipt of employee's contributions plus portion of employer contributions when vested PERS member leaves PERS-covered service.

Motion: Recommend against enactment because it would increase employer pension costs.

Discussion: If enacted, this bill would introduce a significant benefit enhancement that would be available to PERS members upon vesting (attaining 10 years of service). A PERS member would be able to opt for a lump sum distribution consisting of the member's contribution along with regular interest in addition to employer contributions totaling 2.5 percent of total lifetime compensation. The TPAF, whose benefits are nearly identical to PERS, is not impacted by this bill. Consequently, a TPAF member opting for a lump sum distribution would be limited to a return of member contributions plus interest at 2%.

Since the enactment of this legislation would increase local employer pension costs, “State mandate, State pay” issues may need to be addressed.

Section 2 of the bill would provide retroactive application of this bill to the beneficiary or estate of a PERS member who died prior to the effective date of this bill. This provision indicates that the bill is special legislation.

The additional pension liabilities the bill would create if enacted is estimated to be approximately \$49 million.

A-2942 (Caputo)

Changes calculation of years of service from date of enrollment in pension system to date of appointment to determine certain retirees' payment obligations for health care coverage.

Motion: Recommend against enactment.

Discussion: This bill detracts from the current statutory standard of using pension service credit to determine eligibility for certain employer-paid health benefits, e.g. employer-paid post-retirement medical (PRM) benefits, which generally requires a member to retire with 25 or more years of pension service credit in a State or locally administered retirement system to qualify for this benefit.

Since the enrollment date is critical in measuring a member's total pension service credit, the appointment date does not appear in the Division's database. Consequently, it would be difficult for the Division to certify a member's actual appointment date as required under this bill. If enacted, impacted members may need to self-identify themselves to the Division, and the Division then would need to certify the appointment date with the member's current or former employer to establish the member's ability to take advantage of this bill's provisions.

The enactment of this bill could lead to other administrative problems. Since the 20 year grandfathering provision is currently predicated on pension service credit, it could include purchased service credit that still counts toward the attainment of 25 years of pension service credit needed to qualify for employer paid PRM benefits, such as former membership service and prior military service. Since the amendment put forth by this bill would now predicate the 20 year grandfathering provision based on time served with an employer from the date of appointment to the date of termination, interpreted literally, this could exclude purchased pension service credit, thereby excluding another portion of current members from attaining the 20 years required to be grandfathered, since pension service credit would no longer be the criteria.

Some of the pension and health benefit reforms adopted under P.L. 2011, c.78, and the several reform laws preceding it, were prospective in nature, i.e. they only impact public employees who become members of the pension system on or after the law's effective

date; while some reforms set deadlines that the State cannot afford to now amend as this bill would for P.L. 2011, c. 78. Many of the reforms provide prospective new members with reduced pension benefits. Enacting legislation that provides exceptions to certain public employees, allowing them to receive benefits not intended by the previously enacted reform legislation, as this bill does, may only encourage the introduction of more bills that would provide even further exceptions, defeating the purpose of enacting critically needed pension and health benefit reforms.

Last update: August 21, 2012