ASSEMBLY, No. 3361

STATE OF NEW JERSEY

219th LEGISLATURE

INTRODUCED FEBRUARY 25, 2020

Sponsored by:
Assemblywoman NANCY F. MUNOZ
District 21 (Morris, Somerset and Union)

SYNOPSIS

Creates Public Employee Pension and Health Care Benefits Reform Task Force.

CURRENT VERSION OF TEXT

As introduced.

AN ACT creating a task force to develop the proposals for pension and health care benefits reform set forth by the New Jersey Pension and Health Benefit Study Commission.

BE IT ENACTED *by the Senate and General Assembly of the State of New Jersey:*

1. a. There is created a Public Employee Pension and Health Care Benefits Reform Task Force. The purpose of the task force shall be to make decisions on, and develop the terms, conditions, components, and transition periods for those decisions made, as the task force determines to be required to implement, the essential elements of the recommendations set forth by the New Jersey Pension and Health Benefit Study Commission in the reports issued on February 24, 2015 and on February 11, 2016, entitled, "A Roadmap to Resolution: Report of the New Jersey Pension and Health Benefit Study Commission" and "Supplemental Report on Health Benefits," respectively. The task force shall develop the details for the recommendations to such a comprehensive degree and level as to readily enable the drafting of appropriate and necessary legislation to implement those recommendations and the timely initiation of such executive and administrative actions under authority of current law as may be appropriate and necessary to implement the recommendations. If the task force deems it appropriate, the task force shall submit in its final report a complete draft of proposed legislation ready for introduction in the Legislature as it has decided is appropriate and necessary for implementation.

Specifically, the task force shall review, analyze, and make determinations on the issues that need to be resolved in order to decide the terms, conditions, components, and transition periods of the recommendations in the broad areas of pension and health care benefits reform.

The task force shall also, after making its determinations on the essential elements of the recommendations, review, analyze, and make determinations on the issues the commission sets forth as "additional thoughts." Particular attention shall be given to the components of health care benefits plans and programs set forth for consideration, and how those components should be implemented by local government units and local boards of education for the health care benefits plans and programs they provide to their public employees and how the State can ensure that the components are implemented to the extent feasible and practicable and that local government units and boards of education have the resources to achieve comprehensive consideration and implementation.

If the task force determines that it is not feasible, practical, or cost-effective to implement a recommendation or that an issue cannot be resolved, the task force shall set forth in detail, in its

report, each such recommendation or issue, the analysis or calculations conducted, and its final determination on each such recommendation or issue. The task force shall also include in its report the relevant factors considered during discussion, points of agreement and disagreement concerning the recommendation or issue discussed, and the reasons for any determination that an issue cannot be resolved.

b. The task force shall consist of seven members as follows:

The State Treasurer who shall serve ex officio, or a designee;

One member, to be appointed by the Governor, of the New Jersey Pension and Health Benefit Study Commission, or a designee;

One member, to be appointed by the Governor, upon the recommendation of the majority representative for collective negotiations purposes representing the greatest number of State employees in this State;

One member, to be appointed by the President of the Senate, upon the recommendation of the majority representative for collective negotiations purposes representing the greatest number of local employees in this State who are not local uniformed public safety employees;

One member, to be appointed by the Speaker of the General Assembly, upon the recommendation of a majority representative for collective negotiations purposes representing local uniformed public safety employees in this State;

One member, to be appointed by the Minority Leader of the Senate, upon the recommendation of an organization of local governments; and

One member, to be appointed by the Minority Leader of the General Assembly, upon the recommendation of an organization of local governments.

Vacancies in the membership of the task force shall be filled in the same manner provided for the original appointments.

c. All appointments to the task force shall be made not later than the 30th day after the operative date of this act. The task force shall convene its first meeting within 15 days following the date on which the majority of its members have been appointed.

The State Treasurer, or the Treasurer’s designee, shall serve as chairperson of the task force. The members of the task force shall select a vice-chairperson from among the membership.

A majority of the authorized membership of the task force shall constitute a quorum for the transaction of any business, including the adoption of any recommendations, decisions, or determinations.

The chairperson may appoint a secretary who need not be a member of the task force. The Department of the Treasury shall provide professional and clerical support to the task force, including, to the extent practicable, assistance from actuaries.

The members shall serve without compensation. The three members recommended by the majority representatives for collective negotiations purposes shall be reimbursed for expenses incurred in the performance of their duties within the limits of funds appropriated or made available for such a purpose.

The task force shall hold at least three public hearings in places and at times convenient for the participation of members of the public. One public hearing shall take place in a county in the northern region of this State, one shall take place in a county in the central region of this State, and one shall take place in a county in the southern region of this State.

The task force shall also be entitled to call to its assistance and avail itself of the services of the employees of any State, county or municipal department, board, bureau, commission or agency as it may require and as may be available to it for its purposes.

d. The task force shall issue an interim report on its activities and progress to the Governor, and the Legislature pursuant to section 2 of P.L.1991, c.164 (C.52:14-19.1), within three months from the date of its first meeting. The task force shall issue its final report within seven months from the date of its first meeting. Following the issuance of its final report, the task force shall convene at the call of the chairperson to consider and respond to any written request submitted to it by a legislator or officer or employee of the Executive Branch of State government on any issue, item, or decision set forth in its report.

The task force shall expire one year after the date of issuance of its final report.

2. This act shall take effect immediately but shall remain inoperative until the approval by the voters of Assembly Concurrent Resolution No. 69 of 2020 or a substantially similar amendment to the New Jersey Constitution.

STATEMENT

This bill is one component of a three-part package that is essential to ensuring New Jersey's long-term fiscal viability. The package will responsibly require a return to full pension payments, cover a portion of the costs with health benefit reforms, and create a task force to oversee implementation and resolve issues of detail. The viability and affordability of New Jersey’s public pension and health benefit systems are integral to the State’s overall fiscal condition and thus bear strongly on other key areas of concern, from funding priorities, such as school aid, hospital aid and safety-net programs, to controlling and reducing property taxes.

This bill creates a Public Employee Pension and Health Care Benefits Reform Task Force. The purpose of the task force is to

make decisions on, and develop the terms, conditions, components, and transition periods for those decisions made, as the task force determines to be required to implement, the essential elements of the recommendations set forth by the New Jersey Pension and Health Benefit Study Commission in the reports issued on February 24, 2015 and on February 11, 2016, entitled, "A Roadmap to Resolution: Report of the New Jersey Pension and Health Benefit Study Commission" and "Supplemental Report on Health Benefits," respectively. The task force is to develop the details for the recommendations to such a comprehensive degree and level as to readily enable the drafting of appropriate and necessary legislation to implement the recommendations and the timely initiation of such executive and administrative actions under authority of current law as may be appropriate and necessary to implement the recommendations.

Specifically, the task force is required to review, analyze, and make determinations on the issues that need to be resolved in order to decide the terms, conditions, components, and transition periods of the recommendations in the broad areas of pensions and health care benefits reform.

The task force will also, after making its determinations on the essential elements of the recommendations, review, analyze, and make determinations on the issues the commission set forth as "additional thoughts." Particular attention is to be given to the components of health care benefits plans and programs set forth for consideration and how those components should be implemented by local government units and local boards of education for the health care benefits plans and programs they provide to their public employees and how the State can ensure that they are implemented to the extent feasible and practicable and that local government units and boards of education have the resources to achieve comprehensive consideration and implementation.

If the task force determines that it is not feasible, practical, or cost-effective to implement a recommendation or that an issue cannot be resolved, the task force must set forth in detail, in its report, each such recommendation or issue, the analysis or calculations conducted, and its final determination on each such recommendation or issue. The task force must also include in its report the relevant factors considered during discussion, points of agreement and disagreement concerning the recommendation or issue discussed, and the reasons for any determination that an issue cannot be resolved.

The task force will consist of seven members as follows:

The State Treasurer who shall serve ex officio, or a designee;

One member, to be appointed by the Governor, of the New Jersey Pension and Health Benefit Study Commission, or a designee;

One member, to be appointed by the Governor, upon the recommendation of the majority representative for collective negotiations purposes representing the greatest number of State employees in this State;

One member, to be appointed by the President of the Senate, upon the recommendation of the majority representative for collective negotiations purposes representing the greatest number of local employees in this State who are not local uniformed public safety employees;

One member, to be appointed by the Speaker of the General Assembly, upon the recommendation of a majority representative for collective negotiations purposes representing local uniformed public safety employees in this State;

One member, to be appointed by the Minority Leader of the Senate, upon the recommendation of an organization of local governments; and

One member, to be appointed by the Minority Leader of the General Assembly, upon the recommendation of an organization of local governments.

All appointments must be made not later than the 30th day after the bill's operative date, and the task force is to hold its first meeting within 15 days after the appointment of a majority of its members.

The State Treasurer will serve as chairperson of the task force.

The task force will be entitled to call to its assistance and avail itself of the services of the employees of any State, county or municipal department, board, bureau, commission or agency as it may require and as may be available to it for its purposes.

The task force is to issue an interim report to the Governor and the Legislature within three months following its first meeting, and issue its final report within seven months following its first meeting. The task force will remain active for one year following the submittal of its final report so that it may consider and respond to any written request submitted to it by a legislator or officer or employee of the Executive Branch of State government on any issue, item, or decision set forth in its report.

This bill will take effect immediately but shall remain inoperative until the approval by the voters of Assembly Concurrent Resolution No. 69 of 2020 or a substantially similar amendment to the New Jersey Constitution.

New Jersey's State-administered retirement systems are collectively in a dire state of underfunding. There is no serious disagreement among policymakers that regular State payments must be made in amounts as close as possible to the actuarially required contribution until full payments can be made on a sustained basis. The only significant disagreement is on which course of action to take in funding those contributions: to do the responsible work of identifying how to pay for them, or to simply create a constitutional mandate to

make the contributions without a credible plan to cover the cost. Yet history has shown that when State officials fail to plan for the costs they incur, the taxpayers suffer the consequences.

This bill is part of a comprehensive plan to take the responsible approach. This plan is to move health benefits for public employees closer to those that most workers for large companies receive, and mandate that the resulting savings go toward paying down New Jersey's pension debt. Retirement system changes will also ensure that pension system costs will not again balloon unaffordably.

Without such changes to public employee benefits, it will be mathematically impossible to make full pension payments in the short term except with extreme cuts in State services or in priorities such as education aid, or raising taxes to a level that would pummel the State's taxpayers and stunt its economy. The Pension and Health Benefit Study Commission estimated that the amount of money needed would equal raising the sales tax to 10 percent or increasing income taxes by 29 percent. Anything close to those levels of taxation would be clearly disastrous, wiping out jobs and pushing even more families out of the State.

Those who claim that full pension payments can be made without reforming benefits owe it to the tax-paying public to be honest with them about how they, the taxpayers, will pay the cost. Responsible policymakers will show taxpayers their plan in advance, rather than take the tragically common route of cementing a huge fiscal obligation first, and only later sending them the bill.

Common sense and mathematics make clear the need for benefit reform, but confirmation also comes from the nonpolitical agencies that assess New Jersey's finances. Moody's Investors Service wrote in April 2015: "Without meaningful structural changes to the state's budget, such as pension reform that dramatically improves pension affordability, the state's structural imbalance will continue to grow, and the state's [credit] rating will continue to fall." S&P Global wrote in August 2015: "A positive rating action or outlook revision would require the implementation of credible pension reform."

The package of which this measure is a part is designed to ensure the continuation of retirement and health benefits for public employees in a fiscally responsible manner that will protect all New Jersey residents from the calamitous results of failure to properly address the State's most serious and pressing budgetary issues.