

SENATE, No. 603

STATE OF NEW JERSEY
219th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

Sponsored by:

Senator DECLAN J. O'SCANLON, JR.

District 13 (Monmouth)

Senator STEVEN V. OROHO

District 24 (Morris, Sussex and Warren)

SYNOPSIS

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

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



1 **AN ACT** creating a task force to develop the proposals for pension
2 and health care benefits reform set forth by the New Jersey
3 Pension and Health Benefit Study Commission.
4

5 **BE IT ENACTED** *by the Senate and General Assembly of the State*
6 *of New Jersey:*
7

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

28

29 2. This act shall take effect immediately but shall remain
30 inoperative until the approval by the voters of Assembly Concurrent
31 Resolution No.190 of 2016 or a substantially similar amendment to
32 the New Jersey Constitution.

33

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35 STATEMENT

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

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

1 make decisions on, and develop the terms, conditions, components,
2 and transition periods for those decisions made, as the task force
3 determines to be required to implement, the essential elements of
4 the recommendations set forth by the New Jersey Pension and
5 Health Benefit Study Commission in the reports issued on February
6 24, 2015 and on February 11, 2016, entitled, "A Roadmap to
7 Resolution: Report of the New Jersey Pension and Health Benefit
8 Study Commission" and "Supplemental Report on Health Benefits,"
9 respectively. The task force is to develop the details for the
10 recommendations to such a comprehensive degree and level as to
11 readily enable the drafting of appropriate and necessary legislation
12 to implement the recommendations and the timely initiation of such
13 executive and administrative actions under authority of current law
14 as may be appropriate and necessary to implement the
15 recommendations.

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

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

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

43 The task force will consist of seven members as follows:

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46 Jersey Pension and Health Benefit Study Commission, or a
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2 recommendation of the majority representative for collective
3 negotiations purposes representing the greatest number of State
4 employees in this State;

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

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11 Assembly, upon the recommendation of a majority representative
12 for collective negotiations purposes representing local uniformed
13 public safety employees in this State;

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

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

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

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

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

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

37 This bill will take effect immediately but shall remain
38 inoperative until the approval by the voters of Assembly Concurrent
39 Resolution No.190 of 2016 or a substantially similar amendment to
40 the New Jersey Constitution.

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

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

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

10 Without such changes to public employee benefits, it will be
11 mathematically impossible to make full pension payments in the short
12 term except with extreme cuts in State services or in priorities such as
13 education aid, or raising taxes to a level that would pummel the State's
14 taxpayers and stunt its economy. The Pension and Health Benefit
15 Study Commission estimated that the amount of money needed would
16 equal raising the sales tax to 10 percent or increasing income taxes by
17 29 percent. Anything close to those levels of taxation would be clearly
18 disastrous, wiping out jobs and pushing even more families out of the
19 State.

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

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

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