

SENATE BILL NO. 2455

To the Senate:

Pursuant to Article V, Section I, Paragraph 14 of the New Jersey Constitution, I herewith return Senate Bill No. 2455 without my approval.

This bill would involuntarily transfer employees and retirees of New Jersey's county colleges from membership in the School Employees' Health Benefits Program ("SEHBP") to membership in the State Health Benefits Program ("SHBP"). The SEHBP offers medical and prescription drug coverage to qualified local education public employees, retirees, and eligible dependents, while the SHBP offers medical and prescription drug coverage to qualified State and local government public employees, retirees, and eligible dependents. Under current law, employees and retirees of county colleges and their eligible dependents are eligible to participate in the SEHBP.

The legislative history of this bill reveals that its goal is cost savings. It arose as a reaction to plan design differences between these two State health insurance programs, the SEHBP and the SHBP. In this regard, the Office of Legislative Services ("OLS") has estimated that the enactment of this bill would result in a reduction in expenditures for providing health care benefits to employees and retirees of the county colleges, which support this bill. The savings would be realized by county colleges with regard to active employees and by the State with regard to the retirees of county colleges. Under current law and continuing under this bill, the State would continue to be responsible for the post-retirement health care costs of the retirees of county colleges.

To accomplish its goal, this bill would remove county college employees from the specific provisions governing employees of public schools, instead transferring them to the program that covers non-school employees. One of the laws being amended, P.L.2007, c.103, made major changes to the State's pension and health benefits laws, creating the SEHBP in the first place and specifically defining its membership. This bill also would impact the statutory balance struck by the Legislature and the previous administration when, in 2011, they agreed to legislation

to reduce pension and health care benefits for public employees. See P.L.2011, c. 78 (Sweeney/Pennacchio/Greenwald/O'Scanlon). Under Chapter 78, design changes to plans offered by the SEHBP and the SHBP were placed under the exclusive control of separate plan design committees. As noted, plan design differences between the SEHBP and the SHBP are the reason for this bill, which would simply bypass the rules and procedures that generally govern public employee benefits to excise and relocate county college employees.

While the savings sought by the bill are laudable, I have always believed that fairness demands that all parties involved have a voice in cost-saving decisions, which occurs during the normal collective bargaining process. This bill does not seek to find savings within the contours of collective bargaining. Moreover, while there is no specific cost estimate, OLS notes that savings are anticipated based on "plan design changes that have been implemented by the SHBP but not the SEHBP." It was widely known during the legislative process, however, that the SEHBP already had agreed to plan design changes for school employees and retirees that will save the State and local government units hundreds of millions of dollars, while lowering premiums for members. As a result, much of the savings sought by this bill is already captured by the actions we have taken together.

Accordingly, I herewith return Senate Bill No. 2455 without my approval.

[seal]

Respectfully,

/s/ Philip D. Murphy

Governor

Attest:

/s/ Matthew J. Platkin

Chief Counsel to the Governor