

EXECUTIVE ORDER NO. 161

WHEREAS, one of the highest priorities of my Administration has been reforming the public pension systems and controlling the cost of health benefits coverage for public employees and retirees, in order to preserve reasonable and sustainable programs that do not imperil our State's financial future; and

WHEREAS, the State's past practice of increasing public employee benefits without planning for their payment and allowing for contributions by the State and its employees that did not match the benefits provided now jeopardizes the future solvency of the public pension systems, while the increasing costs of health benefits threatens to crowd out all other State budget priorities and inhibit future economic growth; and

WHEREAS, my Administration has worked with the Legislature to enact pension and health benefit reforms producing \$120 billion in savings to taxpayers by 2041; and

WHEREAS, these important reforms marked only the first steps towards modernizing, stabilizing, and ultimately preserving our pension and health care benefit programs at sustainable levels; and

WHEREAS, despite the significant actions my Administration has taken to reform the pension and health benefits systems, and the fact that my Administration has made greater contributions to the pension systems than any previous administration, totaling \$2.89 billion in Fiscal Years 2012 through 2015, liabilities continue to mount, resulting in an average annual cost to taxpayers of approximately \$90,000 for each State employee's salary and benefits; and

WHEREAS, New Jersey taxpayers pay far more for public worker health insurance than the average private sector employer pays for its employees; and

WHEREAS, beginning in 2018 the federal Affordable Care Act will impose a 40% excise tax on "Cadillac" health plans, such as the health plans currently in place for public workers in New Jersey, and will result in the State paying a \$261 million excise tax in Fiscal Year 2018 and a \$837 million excise tax in Fiscal Year 2022; and

WHEREAS, given my Administration's commitment to the taxpayers of the State of New Jersey to fiscal responsibility and the fact that a significant portion of State revenues is used to fund public employee and retiree benefits, it is clear that further reforms to the pension systems and health benefits programs are necessary to ensure the sustainability of pensions and health benefits provided to public employees; and

WHEREAS, with pension payments scheduled to rise to as much as five billion dollars per year by Fiscal Year 2018 and given our State's already high taxes, there is no level of taxation available to us that would meet these costs and not destroy our State's economy and/or existing investments by the State in education, health care and our social safety net; and

WHEREAS, the Department of the Treasury and its Division of Pensions and Benefits are in the process of completing an exhaustive review of potential public employee entitlement reform proposals for my review; and

WHEREAS, to aid the Legislature's consideration of necessary reforms, to advise public employees regarding the types and levels of changes that will be necessary to preserve their pension and health care benefits, and to inform the

taxpayers of New Jersey about the nature and extent of these serious challenges and the risk that unless further reform occurs, the State's economy, finances and credit may face unprecedented and potentially disastrous consequences;

NOW, THEREFORE, I, CHRIS CHRISTIE, Governor of the State of New Jersey, by virtue of the authority vested in me by the Constitution and by the Statutes of this State, do hereby ORDER and DIRECT:

1. There is hereby created a non-partisan "New Jersey Pension and Health Benefit Study Commission" (hereinafter the "Study Commission").

2. The Study Commission shall consist of at least five (5) members, appointed by the Governor who shall serve at his pleasure.

3. The Study Commission shall make recommendations regarding the goals and criteria for a sustainable retirement and health benefit system that recognizes the State's desire to attract and retain a highly skilled workforce; courses of action regarding plan design changes to current pension and health benefits; and funding policies for the pension and health benefit systems that will have a high likelihood of allowing the State to achieve these goals.

4. The Study Commission shall examine the history of the State's existing pension and health benefit systems in order to understand what has put the systems in their current state; reform by other government entities; pension and health benefits provided in the private sector; and other factors it deems relevant in order to develop its recommendations regarding pension and health benefit reforms that will strengthen the systems' financial standing with less cost to

the taxpayers while providing public employees and retirees with an appropriate level of benefits.

5. The Study Commission shall issue its recommendations in a report to the Governor, which shall include the following:

a. estimates of future benefit payments, expenses, investment returns, funded status and funding requirements of the pension and health benefit system, including the impact of funding requirements on the State's budget, using whatever assumptions and estimates, or ranges of assumptions and estimates, for economic environments and investment returns that the Study Commission determines to be appropriate;

b. an examination of the competitiveness of the pension programs within a total compensation perspective available to participants in the plans compared to similarly situated employees and to New Jersey residents working in the private sector; and

c. necessary constitutional, legislative, and regulatory actions required to implement the proposed changes.

6. The Study Commission shall evaluate and consider the work already undertaken by the Department of the Treasury to devise solutions to the challenges currently facing the pension and benefit systems, and, further, is authorized to call upon the expertise and assistance of all State departments, divisions, offices and agencies to carry out its mission.

7. The Study Commission shall report its findings and recommendations to the Governor as soon as possible and no later than thirty (30) days after organizing shall provide a status report as to its progress. The Study Commission shall expire upon the completion of its report containing its findings and recommendations.

8. This Order shall take effect immediately.

GIVEN, under my hand and seal this
1st day of August,
Two Thousand and Fourteen,
and of the Independence of
the United States, the Two
Hundred and Thirty-ninth.

[seal]

/s/ Chris Christie

Governor

Attest:

/s/ Christopher S. Porrino

Chief Counsel to the Governor