



LOCAL PENSION BILLS TO INCREASE BY 10%

Health benefits relief more important than ever!

In addition to unprecedented health benefit insurance rate hikes of up to 24% for local governments participating in the State Health Benefits Program (SHBP), local government employers are also facing double digit pension contribution rate increases based on information published earlier this month by the Division of Pension and Benefits.

In the wake of more bad news for counties, municipalities, property taxpayers, and local public sector workers already struggling to make ends meet, the New Jersey Association of Counties (NJAC) and the New Jersey State League of Municipalities (NJLM) are once again urging Governor Murphy to take advantage of American Rescue Plan Act (ARPA) monies and other unrestricted reserve or surplus funds to temporarily offset the extraordinary increases in health benefit expenses as time is of the essence. Although the Administration and public sector labor unions representing most State employees reached an agreement whereby State employees will see health benefit rate increases of only 3% with the State to absorb the additional costs, the agreement does not include counties and municipalities participating in the SHBP nor has the State changed the plan design to achieve savings at the local level for reasons that remain unclear to local officials across the State.

Additionally, NJAC and NJLM are urging the Administration to extend the open enrollment period set to expire at the end of the month for an additional 30 days as it will provide counties and municipalities with additional time to educate employees on the pending increases and the opportunity for employees to choose less expensive plans. It will also provide local governments with the opportunity to shop around for alternatives to the SHBP. Importantly, any immediate relief must be accompanied by long-term structural reforms such as adopting referenced based pricing to effectively manage costs, incentivizing employees to select lower cost plan designs, and modifying co-pays for specialists and urgent care to further reduce long-term expenses. Additionally, NJAC and NJLM strongly support S-3033 (*Ruiz D-29/Sarlo D-36*), which would appoint county and municipal officials to the SHBC as local government management does not currently have a voice on the Commission and it most certainly should - particularly in the light of this year's rate approval process where our members remain alarmed with the Commission's lack of transparency, accountability, and foresight to accurately project substantial rate increases with such far reaching consequences

With respect to the separate, but certainly related, issue concerning local government employer pension contribution rates for 2023, the Division of Pension and Benefits recently published the rates for 2023 at 17.11% for employees enrolled in the Public Employees Retirement System

(PERS) and 36.51% for employees enrolled in the Police and Fireman's Retirement System (PFRS). As an example, for a public employee enrolled in PERS earning \$100,000.00 per year, a local government is responsible for paying \$17,110.00 in retirement benefits in 2023, which is a significant increase from the 15.98% paid in 2022 but does not include employee health or other fringe benefits that place the overall cost at an estimated \$150,000.00. For a public employee enrolled in PFRS, the cost increases to \$36,510.00 on a \$100,000.00 salary and easily tops \$175,000.00 per year with health and other fringe benefits. As noted above, these numbers equate to an unsustainable increase of 10% at the county level despite the fact that local governments have met their fiduciary obligations as employers for more than a decade by making full contributions to the defined benefit plans. Stay tuned for additional details on this matter as the more pressing issue remains with the Administration providing equitable relief on health benefits. You may review the 2023 Local Employer Pension Contribution rates at [State of NJ - Department of the Treasury - NJDPB | Local Employer Pension Contributions](#).

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