Committee Meeting

of

JOINT LEGISLATIVE COMMITTEE ON PUBLIC EMPLOYEE BENEFITS REFORM

"Testimony from Philip D. Murphy, Chairman of the Governor's Benefits Review Task Force"

LOCATION: Committee Room 4
State House Annex
Trenton, New Jersey

DATE: October 25, 2006
9:30 a.m.

MEMBERS OF JOINT COMMITTEE PRESENT:

Senator Nicholas P. Scutari, Co-Chair
Assemblywoman Nellie Pou, Co-Chair
Senator William L. Gormley
Assemblyman Thomas P. Giblin
Assemblyman Kevin J. O'Toole

ALSO PRESENT:

Pamela H. Espenshade
James F. Vari
Office of Legislative Services
Committee Aides

Christian Martin
George LeBlanc
Senate Majority
Aaron Binder
Karina Fuentes
Assembly Majority
Committee Aides

Laurine Purola
Olga Betz
Senate Republican
John Kingston
Jerry Traino
Assembly Republican
Committee Aides

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SENATOR NICHOLAS P. SCUTARI (Co-Chair): Good morning, ladies and gentlemen. Welcome back to the Joint Legislative Committee on pension and benefits review.

Today we have the pleasure of being joined by Philip Murphy, the Chairman of last year’s report on benefits -- Task Force review, which then-Governor Codey had charged, with respect to putting together some recommendations. And we’ve kind of used that as a bit of a jumping-off point when this Committee began its deliberations over the past Summer. Since then, we’ve obviously taken a lot of testimony at many meetings -- public and nonpublic meetings -- to discuss the recommendations in this report; as well as the discussions of the testimony that we’ve received to date.

So for the purposes of today’s meeting, we’re going to take some brief testimony. And then we’ll give an opportunity to the members for questions, with respect to Philip Murphy.

So, Mr. Murphy, thank you so much for being here today. I appreciate that, on behalf of the Co-Chair and other members of the Committee. I thank you in advance for being here today. And I’d ask you if you’d like to begin with your brief presentation.

PHILIP D. MURPHY: Thank you, Mr. Chairman, Madam Chairwoman, distinguished members.

It’s my honor to be here today. This is a topic about which I feel enormously passionately. I am, obviously, a citizen of this state. This is a big issue. It has a whole, long history. There’s no-- I don’t think we should demonize this issue. There are many reasons why we’ve gotten to where we are today. The fact of the matter is, we’re facing a dual,
overwhelming obligation in both pension and health care. And in the context of that, we have, among -- based on our evidence -- the premiere workforce in the state, in the country. And we have to balance a range of very, very challenging issues.

I am a private citizen, Mr. Chairman. And I’m a little bit stale, I have to admit. I care deeply about this, but I haven’t been living it every minute, as I was last year. I’ve been-- I have a national-- I have a job, at the moment, that keeps me, a lot, out of the state. So I apologize if there are a couple of items that I’m not going to know the answer to. I promise you I will get back to you.

I’m also not a professional in this field. So I’m not an actuary, I’m not a pension or health-care benefit professional. I was honored to chair a six-person -- including myself -- Task Force, as you mentioned, appointed by then-Governor Codey. Our time together lasted about six months. We came out with a report last November. I’m very proud of our process. We had six persons with very different perspectives. We had, both internally -- an enormous amount of constructive debate; and we took -- and were as fastidious and conscientious as possible. We took an enormous amount of input from across the spectrum throughout our six months. And I’m very proud. And I stand here, today, representing my five fellow members. And, again, I appreciate you having me here, today.

This is, as I mentioned, context. What I’d like to do is spend one minute on context. And we have five areas of recommendations, which I wanted to reiterate.

The issues are substantial. And, again, there are two sides to every story; and I’m completely convinced of that. But as I understand it,
the actuarial shortfall on the pension side of the ledger has -- in our report we referenced a $12 billion deficit. I’m told that that is closer now to $18 billion. I’ve not independently verified that by any means. And then we have a pending health-care deficit which, I am told again, could be $20 billion or more. So those twin obligations--

And New Jersey is not unique in this respect. Many states have these obligations. In fact, many private companies have these obligations. The fact of the matter is, we have to collectively -- all sides -- get around a proverbial table and figure out where we go from here.

And, again, I would reiterate, this is not one party’s fault. The blame is on both sides of the aisle, if there’s blame, politically. And it is not any one constituent’s fault. It’s very easy to demonize one party or another, here. And I would caution both you all, respectively, and all of us citizens, respectively, to make certain that we remember that we all got to this mess, if you will, together. And we’ve got to sort it out together.

And, again, this is in context. And I’ve gotten to know some of these folks personally. I made it my business to understand who they are and what they do for the State. We have among the best workforces, I’m convinced, in the public sector in the country, if not beyond.

So with that as background--

And I’d say one last thing: This is not going to go away. Unfortunately, there are certain problems. You pick the problem in life that you could ignore for a while. You’ll go back, and the problem is still there. It hasn’t gotten any better, but it hasn’t gotten any worse. This is a problem, unfortunately, with time those numbers grow. So I would--
As much as we all would love to have taken some constructive action five to 10 years ago, or not taken action -- which, in turn, wasn’t constructive -- we have to start sometime and somewhere. And unless we do, these numbers will grow and the burden will become greater. And that will impact the credit-worthiness of the State. It will certainly impact taxes. Ultimately, if we make the wrong moves, it will impact our ability to attract a great workforce. None of those are eventualities that any of us would want to see.

We had five areas of recommendations. And I’d like to, if I may, Mr. Chairman, go through these briefly.

SENATOR SCUTARI: Please.

MR. MURPHY: And again, this, I think, reflects -- this is a problem that needs to be addressed from all sides. And everyone has to, sort of, as it were, give a little bit of blood in order to solve this.

First, I would start with the State. The State must make-- We determined that the State must make its complete, full, annual obligation payment, not just the amount that’s due that year, but the sort of makeup piece, which needs to help fill the hole that we’ve created over time.

Secondly, we have to use consistent and generally accepted accounting and actuarial standards. We can’t switch the methods from one period to the next. It’s no way to run the Navy, and I don’t think it’s something we should be proud of as a State. We need to be consistent.

And then, thirdly, we need to avoid, in the future, any of what I would call gimmicks or bonding our way through the problem. And I’m encouraged to see less of that going on these days than, perhaps, before. But we can’t paper over-- We can’t, sort of, build a bridge through fixed
income instruments or changing actuarial standards, or some other -- what I would call -- temporary or, even less charitably, gimmick solution and think that that will get us through this crisis. It won’t.

And lastly, in terms of the State obligations-- I’m not an expert on asset sales. I am a person who believes strongly that the State should own and operate assets which it should own and operate. And it shouldn’t own and operate assets it shouldn’t operate. And so that’s my perspective. I would say -- and I’m not a one-time fix person, as I’ve just said. But this issue is so substantial, I would-- We encouraged -- and I would continue to encourage -- the State to consider some one-off solution to fill this hole in, at least to some degree. Because my concern is, even with our full annual payments going forward, it won’t be enough to curtail the growth in that $18 billion -- particularly the pension -- piece. So that’s the State’s -- a series of recommendations we had for the State.

Secondly, there are a whole series of abuses which we were, frankly, quite turned off by. And like everything else in life, for the most part, the vast majority of folks who work for the State and for its local entities put an honest day’s work in for an honest day’s pay. And they deserve an honest pension as a result of that, and honest health-care benefits.

There are a few folks out there who ruin it for the rest of -- everybody else. And in some cases, it’s willful ruination, and in other cases, it’s just sloppy-- A colleague of mine used to say something -- a former head of our firm -- something not only has to be right, it has to seem right. So we’ve got a little of each of those categories. And we recommended a whole series of measures to deal with what we would say were abuses of the
system. That included ending boosting, ending what people call *tacking*; providing no pension for professional services or vendors, for convicted officials; limit sick-day payouts, etc.

I do think I would say -- and I know there’s some discussion about this. I think you all have a couple of different ways to go to deal with that. But I would strongly recommend, in all these categories, that you pursue some remedy. One option is to plug a series of loopholes that would stop the abuse and keep appointed and elected officials on a defined benefit program. That is probably a more complicated approach. I frankly think we should get credit -- collectively, you all should get credit -- for plugging those loopholes. Because, frankly, they’re offensive to many of us in this state. I know you all know that.

On the other hand, while we did not and will not, today -- I will not, today -- recommend a defined contribution plan for the vast majority of State workers, one other option you have at your disposal is to deal with both elected and appointed folks to -- instead of going through this arduous, “fill these loopholes up”, to convert that crowd, going forward to a defined contribution plan. That’s an option that we referenced in our report.

I frankly think we all would get more credit and satisfaction if you sort of nailed these loopholes one at a time. And that doesn’t, by the way, prevent you, ultimately, from taking that category of appointed and elected, and ultimately putting them into a defined contribution plan.

With the State having done what it should do, and the hopefully -- whether it’s through plugging of loopholes, or abuses, or conversion of a small number of folks into a defined contribution plan-- With that, we have recommended structural changes to the pension plans
for the vast majority of State workers -- again, I would underscore, for the most part -- for the vast majority -- a first-class, national-standard workforce, and a group that puts in an honest day’s pay for an honest day’s work. I can’t tell you that we saw anybody in the broad middle group of the workforce of the State who was sort of ripping the State off. That’s just not going on. The problem is, it’s an accumulation of a lot of people’s behaviors. And it’s a small-numbers issue which, when added up with lots of people, becomes a big-numbers issue.

But at the micro level -- and I would really caution folks to remember this -- is that at a very micro level, we can’t ignore-- These are not people who are ripping the State off. To the contrary, it’s an honest day’s pay, for an honest day’s work. And you have to keep that in mind. Because at a macro level, the numbers are really quite big. But at a micro, sort of human, level, it’s-- We have to be very careful.

So what we have-- What we have recommended -- and I would again, today, reiterate -- for that vast majority of folks, to keep on a defined benefit plan. We found, very simply, for the person who is a life-long employee of the State, the defined benefit plan, frankly, makes sense for most of the people. It’s not perfect. We’re going to-- We felt strongly, indeed, that we needed some changes to that. So as opposed to scrapping the plan, let’s take the plan and make it better. And we felt quite comfortable in that.

We have a series of recommendations. And I guess the two that got the most amount of air time -- and we felt pretty strongly about both of these, although a couple of our colleagues were -- felt we needed to
do more -- in the interest of full disclosure, felt we had to do more work on them.

But, number one, to raise the retirement age at which -- not that you can’t retire before the age of 60 -- but that the age at which you get no penalty for retiring. So it’s currently 55 for a lot of these plans. We’re recommending it goes to 60. We did exclude the police and fire from a couple of -- based on their line of work -- from a couple of these general recommendations. Some of us wanted to see 60 be 62, in fairness. But we just looked at the world at large, longevity. We factored in, on the other side, brain-drain, which is a concern, particularly, as an example, among teachers. And we just felt the right, ultimate solution here is-- Given all of the examples we can find in both the public and private sectors, raising that age to 60, in our conclusion is-- Again, there was some debate on both sides of it whether it should be higher or lower -- was a prudent thing to recommend.

Secondly, we felt that the pension should reflect the body of work which was inputted to get that pension. So there should be some symmetry and/or relationship between what the outcome was with what the inputs were. So, as an example, if someone works for 25 years, and only three of those years are used to calculate -- or, in some cases, in some plans, one year used to calculate -- the pension, I don’t personally think that reflects the body of work that a person put in to earn that pension. So we recommended that if it’s a one-year highest salary upon which the pension should be calculated, we recommended that be raised to three; and if it were three, that it be raised to five.
I have to admit -- and this is not a statement that will be popular of everybody -- that’s one I might have gone higher, again, because I believe the pension should reflect, as closely as possible, the input. Now, I wouldn’t go all the way -- if you worked for 25 years, and average your 25 years of salary. Because I am also respectful of the curve -- the earnings curve -- that people, hopefully, have during the life of their career.

We also recommended that-- And we’re always concerned about the legitimate players here. But for the most part, for jobs that pay less than $5,000 -- that that does not -- should not apply for pension purposes. We suggested, strongly, a moratorium on early retirement programs, which we believe has not done the State good. And Governor Codey had put a moratorium on benefit enhancements in place, I think last -- early last year. And we reiterated that we felt, until we could collectively figure out the way forward, we supported that.

Two other comments, briefly, before I turn to health care.

Number one, these are -- as you all know better than I -- legislative, as opposed to the health-care pieces, which are, first and foremost, collective bargained. And I just remind all of us of that.

Secondly, as I understand it, there’s been some discussion about this question of two-tier, and our reference to a two-tier program. And I want to clear up what that meant. And this is, probably, reasonably important.

When we said two-tier -- and I’m not-- We started, from the perspective of our report, what, in a perfect world-- And maybe we were a little bit naïve about this, admittedly -- what, in a perfect world, is the right solution for this State, taking into account all of these issues and all of these
constituents. And in a perfect world, I am all for universal solutions. So
one recommendation, one-- I would implore you, in one area today, please-
- We did not write this report in hopes that people would cherry-pick it for
good ideas. We think it’s a tapestry, or universal solution. And I, frankly,
am a sucker for universal solutions.

So as we thought about it, we wanted-- This is what it should look like. I’m not a fan of two classes of citizens within one union. I’m not
a fan of this group -- the old pilot, new pilot phenomenon in the airline industry. This group is on defined benefit, and that group is on defined contribution. I’m not a fan of that. And as I’ve already said, I believe, for the bulk of the State workers -- we believe -- that the defined benefit plan -- which needs to be tweaked, if not-- One can argue we’re suggesting more than tweaks. But I think it’s the right plan.

What we did not do is, we did not approach constitutional legal advise. And I know there’s been some discussion about that lately. So
while I’m desperate-- While I am certainly here today to say that the spirit of our report is, DB was the right plan for the bulk of State workers; and, secondly, I am all for universal solution -- that does not mean that if we are faced with a constitutional reality that that means we should do nothing. As discouraged as I would be about that -- because I’m not into, “He’s got one thing, she’s got another.” We cannot-- One option we don’t have at our disposal is to do nothing. And if that means that we have to do some things to some people and not to others -- I’m discouraged by that. If I were you all, I would challenge the Constitution, frankly -- first and foremost -- to be certain that you can have a universal solution. But, secondly, the last thing I would do is to sit still, here, and do nothing.
The fourth area is health care. And, again, in the spirit of collective bargaining, these are observations and strong viewpoints which we would hope that could, at least in some fashion, inform the collective bargaining processes.

And in the area of health-care premia, it was our strong opinion that all workers -- and current employees -- need to contribute something to premium. Now, we’re concerned, obviously -- and I’m going to come back to this at the end -- particularly about the plight of the retirees or the low-dollar employees. And I am-- I would certainly say we would be open-minded as to how we could make certain that we were not inadvertently flipping people into an adverse living circumstance, particularly crossing the line into poverty. And that is a big concern of all of us on this commission.

But as I-- As we understand it, as I understand it, historically, when wage -- when collective bargaining has occurred, the wage growth, the wage agreement, is very transparent. By its nature, the health-care obligation, if for a bulk of the State the premium is paid for by the State -- the bulk of the State workers, that the premiums are paid for by the State -- it is an unknown number. And, by all accounts, health-care premia have been growing at a faster rate than either inflation or wages.

So I would, again, be all for complete transparency; and recognizing, if you’re negotiating wages and health-care premia hand-in-glove, you can’t isolate one without expecting some impact on the other. But we felt strongly that every worker and every retiree needed to pay something.

We talked about -- is it 5 percent of premium, is it 10 percent of premium? I’m not smart enough to know. We illustrated both in our
report, and we came out closer to 5 than 10. I’ve heard some folks come up with the notion that, depending on what one’s annual salary was -- or in the retirees case, their annual pension -- perhaps you would have a staggered scale. I certainly think we should be open-minded of that. Again, we’re not here to kick people over into -- across the poverty lines, please, God, by any means; that’s not something any of us would ever be proud of. But we felt strongly that you’ve got to pay for something.

Our other recommendations we also feel strongly about, but they’re probably less-- I, frankly, think they’re much more in the no-brainer category. And I’m surprised to hear some of these have a lot of debate around them. But we recommended merging current Traditional and NJ PLUS into a new, preferred-provider organization, where we could get more competition; hopefully, savings for everybody, State and individuals alike. Frankly, the retiree who moves to Florida would be much better served by that method, because it would be a national provider.

Again, we recommended -- as to local government health care -- that we immediately apply health-care benefit changes negotiated by the State in the last contract to local employees and employers; provide greater health-care options; and do a lot around drugs to make it cheaper and more efficient -- negotiate a pharmacy benefits manager, increase the use of generic drugs, and to use the drugs through -- I forget what the term of art is -- but through the mail delivery. All of which, we believed strongly, would be good for the individual, good for the State, and good for the reputation of all of us.

Our last set of recommendations, Mr. Chairman, were to basically make the process around this a much better process. And this is
both pension and health care, but it’s probably, more often than not, pension-related items. And this being, in particular-- But it’s both. It’s both legislation and collectively bargained solutions, to make certain there’s some place, which is an independent ombudsman, sort of, type committee -- not interested parties -- who consider-- Whether they’re binding or not, I don’t know. But at least a body that could inform the Legislature, both the Assembly and the Senate, as well as the Executive Branch; as well as inform, certainly, citizens on both legislation and collectively bargained agreements; less -- and I think there’s a real constitutional issue here -- less to override either of those, but to make sure it’s clear as a bell, clear day as light, what this will cost, what the implications are. Perhaps, God forbid, they might come up, if they’re experts -- and I would recommend they would be -- they might come up with a better way to deal with a particular issue. And, again, independent experts, ombudsmen. But a process where all of us -- all citizens -- get a real clear sense of what the tail is associated with any given measure that you all legislate or is negotiated.

We said in our report-- The one area that we said if we had a “do-over” it would be the “n/55” from “n/60”. And people disagree with that, and they certainly have a right to disagree with that. But I would argue, the process failed us. Whether we disagree on the substance is separate from whether or not the process was a good process. And that is a multibillion dollar tail that will live with us as long as that’s in place. And we accept, in this report -- that we believe, based on the advice we got -- is that it will stay in place. But it’s a good example -- it’s probably the best example I can think -- of where the process failed us.
I am told today -- and, again, I don’t have an independent sense of this -- that there are over 200 bills pending that relate to retirement -- pension and/or health-care issues. I’m begging you, that’s no way to run the Navy. We can’t run it that way. We have to have a much more professional, systematic, clear, open-daylight, fully transparent process; and one that we’re not sort of nickel and dimed to death without, in some cases, knowing what we’re doing, collectively.

Mr. Chairman, my last comment is that I would hope that we begin-- This is a painful process for all. It doesn’t need to be a demonizing process. Everybody is going to have to give something here. I would beg that we start real action. And I would say, on behalf of -- if I were the representatives of the unions, unless the State, and unless -- leads by example -- and unless these loopholes are dealt with aggressively, I don’t know why I would contribute any blood to this process. However, if the State moves aggressively, and if these loopholes are dealt with aggressively, I think it is a fair process, then, to all of us -- get around the table and all collectively work this out together.

With that, I appreciate your patience. And I’d love to take any questions you all have.

SENATOR SCUTARI: Thank you very much, Mr. Murphy.

I have a few questions about our deliberations process.

First of all, did your findings regarding the structure of the pension system take into account the possibility that alterations could not be applied to employees with five or more years of service?

MR. MURPHY: Mr. Chairman, as I-- I alluded to this, but I didn’t give you a clear sense of this. We didn’t spend a whole lot of time on
that. And the reason we didn’t is-- Well, among other things, we ran out of time. There’s a few--

I’d like to-- Before we break today, there are a few things I wish we had more time to focus on. But we really did take a clean-sheet-of-paper approach. So we listened to, literally, everybody who wanted to talk to us, and anybody. And we said, “Okay. What’s the right solution for the State of New Jersey?” I have to say to you, is what we did not do is spend a whole lot of time asking ourselves what the Constitution would allow us to do, or what a legal opinion would allow us to do. We sought no legal opinion. We had some sort of casual, I would say, conversations with experts, but at the end of the process. So the answer is, no. We talked about it, but, no, it was not contemplated as we wrote the report.

SENATOR SCUTARI: You’re commission rejected a multitiered system of employee benefits. Why did you reach that conclusion? How did that come about?

MR. MURPHY: I’m a-- As I said earlier, I’m a sucker for a few things. I’m a sucker for teamwork. I figured we’re all in a foxhole together, we all ought to be watching each other’s back. And I’d love to think we’re all in this together on the same basis. That’s number one.

And number two, we felt it wasn’t defined benefit versus defined contribution. And again, if you’ll allow me to exempt appointed and electeds -- so this is for the bulk of the workforce. It wasn’t that. We actually felt, as the Brits would say, horses for courses. The DB plan was actually lined up quite well with the type of person. We spent a lot of time on, “Why did you come here? Why do you work here? Why do you stay here?” And that plan actually stacked up quite well.
So those two reasons -- what we came out with. But what I don’t mean by that -- and I wish it were the case -- and, again, I would encourage you to challenge legal advice. Challenge the Constitution if need be. I’m an all-for-one-solution guy. But in the absence of that, doing nothing would be a mistake. So what I did not mean -- and I say this with a heavy heart, because I’m not wild about this idea -- is because we can’t find a one-tier approach based on the Constitution or legal advice, therefore we should do nothing. Unfortunately, I hate to break it to everybody, I’m not saying that today. We have to do something, as painful as that is for me to say.

SENATOR SCUTARI: Your committee recommended a threshold of $5,000 per year in salary for an employee to be eligible in the pension system, as it stands today. How did you arrive at this amount?

MR. MURPHY: Honestly, Mr. Chairman, no great scientific method. What we wanted to do -- and we were concerned, on the one hand, with somebody who cobbled together a lot. One type of person I’m particularly concerned about is somebody who works for $4,000 a year, or $3,000 a year, in some part-time job for 22 years; and then in years 23, 24, 25 is, all of a sudden, miraculously a commissioner for this or that, pulling down $150,000 a year. The first 22 counted, the last three is where they do the calculations. I think that stinks. That’s not something the State should be proud of, and I hope you get rid of that. Having said that, on the other side of the coin, I’m worried -- and we’re all worried -- about the crossing guard, the person who actually comes in and does an honest day’s work.
So, honestly, Mr. Chairman, I don’t have a lot of wisdom as to why $5,000. We debated the number. I think you all -- if I were advising you -- you’d be open-minded about that. But those are the two types of people we were gunning for. One is the concern for the person who is honestly -- mother of four, can only work from 7:30 to 9:00 in the morning and 2:30 to 4:00 in the afternoon. Let’s not nail that person. And on the other hand, let’s, please, God, get rid of the stuff where somebody gets 22 years of credit for basically mailing it in.

SENATOR SCUTARI: Was there any consideration given for assigning part-time credit for part-time work?

MR. MURPHY: I think there was. But, again, I would say, for all of the litany of loopholes that we would recommend you close, I’d probably -- in the appointed and the electeds, I’d just flip the switch and go to a DC.

SENATOR SCUTARI: We’ve heard some testimony, and I’ve spoken about, a requirement of hours on an annual basis. Did you give any consideration of adopting a participation requirement based upon the number of hours an employee works on an annual basis?

MR. MURPHY: We did. And I don’t know that that is necessarily a bad approach either.

I think the spirit of our recommendation is, the pension ought to be for a legitimate, single, full-time occupation. And things that are sort of cobbled together, that are truly part-time -- certainly in the whole category of a law firm, where a lot of law clerks are doing the work, but the lead lawyer is getting the pension -- that’s not something we have any-- We would encourage you to close up.
SENATOR SCUTARI: Your commission’s report recommends lowering the service requirement for vesting in the system from the current amount of 10 years to five years. Why did you reach that conclusion, and how would the benefit derived from lowering this vesting requirement justify the additional cost?

MR. MURPHY: First of all, I don’t believe, Mr. Chairman, the cost is enormous. But, secondly, we didn’t think the State was competitive. By the way, I’m proud to say we recommended that for another reason. And that is because I think everybody and their uncle thought we were only going to be out trying to take things from people. And it was a no-brainer. This is something we just didn’t feel-- We want this place to be competitive. This is attractive in the public sector universe. Consistently, in our judgment, the best and the brightest -- and we felt we were out of-- We didn’t approach this-- I’ll just say one other thing, Mr. Chairman. We did not approach this trying to reach a number. So we were blind as to whether or not-- We know the numbers are big, but we didn’t come into this trying to save $X. And if some things cost us money, so be it. And that’s one of them.

SENATOR SCUTARI: Regarding health-care costs, the commission’s report recommends requiring employees to share a higher portion of the cost. What level of contribution did you think would be appropriate?

MR. MURPHY: We said of premium, Mr. Chairman, 5 percent -- I think is what we came to. We illustrated 5 and 10 percent. I probably, personally, would have gone a little bit higher toward -- I mean, not higher than 10, necessarily, but more toward 10 than 5.
However, as I mentioned earlier, I’ve heard discussion lately--
And as I mentioned at the outset, I’m a little bit stale on this at the moment. I’ve heard discussion lately, where the notion of people who can afford to pay more would pay more, and people who can’t afford to pay more would pay either nothing or less. So I’d say the range should be, on average, 5 to 10 percent. But mindful of those who--

Again, we were very conscious, all of us. We had business people, we had professors, we had a mix of folks. All of us, unanimously, are concerned about the unintended consequence of clicking somebody over across the poverty line. That’s a concern, particularly in health-care premium and access to health care.

SENATOR SCUTARI: You recommended allowing local employers greater flexibility in negotiating health benefits from (sic) their employees, such as granting them the ability to require premium-sharing for the employee’s personnel coverage. Are there any other such recommendations that you’d make?

MR. MURPHY: We made a number of other ancillary -- what I would say ancillary, but still important, recommendations, Mr. Chairman. And forgive me, here, for trying to find what appendix this is in. We sort of put into Appendix 2 a series of items in both pension and health care, which didn’t make the sort of report-level impact, either because perhaps there was more debate to be done, or frankly, less economic impact. But we-- You’ll note in Appendix 2, under Letter B, we have four items for buy-backs. The employee should pay for health care; end dual health care within the State program; implement strategies that allow State and local employees to reduce the cost of providing health-care coverage when other
coverage is available; and then, allow better access to information, which we all felt strongly about. We didn’t think it was necessarily a difficult thing to do.

SENATOR SCUTARI: Are there any other recommendations that aren’t specifically endorsed by the commission that you think this Committee should consider during our deliberations?

MR. MURPHY: I mentioned a couple of areas where I’ve heard some debate recently, which I thought was good debate, about how to deal with the health-care premia, which would be a new wrinkle to this. If the number is truly $18 billion, I hate to say it, but I’d be probably on the -- if there was a range in our recommendations, I’d be probably on the more aggressive end of it.

There is also a section, Mr. Chairman, in the appendix, Appendix 4, which says, “Items which need more work and some asked-for opinions.” And I would just ask you, respectfully -- that you may want to look at -- you and your staff may want to look at those. One of them we feel strongly about, as we feel like a study of retirees in the state is in order. A number of us -- let’s say all of us -- were quite concerned about the state of the retiree community, both public and private sector.

We spent a lot of-- This is a comment I would make, less an area of recommendation, sir. But I would say that we spent a lot of time discussing what’s the right benchmark. Should New Jersey be compared to the best public-sector model, vis-à-vis, how to figure this out -- and I’m not sure there is one good model -- or should we be concerned or compare ourselves to the best private-sector models in this state, under the theory that this terrific workforce is less likely to go work for the state of
Minnesota than it is to work for a private sector? And I would just say that that is an area which I think bears a lot more analysis.

And then, we did not-- We dealt with the liability side. And there’s a lot of discussion about the investment side. So we mentioned, here, some comments about that. We heard from many -- the Communication Workers of America would be a good example -- that they’ve done a significant amount of work on their own for how to address the State’s systemic budget shortfall. And I think they felt they’ve done a lot of work -- creative work. This is away from pension and health-care issues. And we recommended that that -- those sorts of groups, who do that sort of work as thoughtfully has they have, be given an audience.

And we are strong proponents of a pay-as-you-go budget. We ask that the education funding process be reexamined, which I understand in a parallel Committee it is. We are strongly of the opinion, without knowing -- only enough to be dangerous -- that streamlining the layers and adjacencies of State, county, municipal governments is a sensible thing to pursue. And we’re concerned about tax policy. The perception -- both individual, corporate, and other -- the value that one gets in exchange for the taxes that one pays. This is a State that, historically, has had, as a badge of honor, that it was a reasonable deal to live in this state -- public or private sector -- that it was a great infrastructure, great schools. Taxes went to good use; you got visible payback for that. It was a place that people were attracted to, particularly relative to higher-cost neighbors -- particularly New York City.

The concern we would have -- and I would have, personally -- is that that is out of balance at the moment. I would be concerned that -- this
is still a place that people, public or private sector, are attracted to, and want to be here, and want to bring their kids up in. And that’s a bigger question, a bigger issue. But I wanted to say it, because we referenced it in our appendix.

SENATOR SCUTARI: Just one other thing, going back to-- We talked about your commission’s recommendation of lowering the service requirement for vesting in the system from 10 to five years. We’ve heard testimony from experts in the legal field that, essentially, the changing of benefits for someone who has more than five years service credit is really not legal for us to do at this point in time. Given that parameter, would you still stand by that recommendation of changing the vesting system from five years to 10 years (sic)?

MR. MURPHY: I’m going to say something, Mr. Chairman-- I’m going to speak out of both sides of my mouth, which I do very well. And I’m going to probably upset everybody when I finish.

Number one, I would still do it, because I think we need to be competitive. And, number two, I’d challenge your lawyers.

SENATOR SCUTARI: Thank you.

I’m going to ask Co-Chairwoman Nellie Pou if she has any questions at this time.

ASSEMBLYWOMAN NELLIE POU (Co-Chair): Thank you, Mr. Chairman.

I, too, would like to welcome Mr. Murphy -- for joining us. Thank you so very much for your testimony. We really appreciate-- We understand what an incredible schedule you have, on a national level, in terms of your travels. So we truly appreciate you taking the time to address
this Committee, and this body, and providing us with your background information and your experience from having chaired the Task Force. So, once again, let me also echo the words of the Chairman, and welcome and thank you very much.

I think the Chairman has really taken an incredible lead. Chairman Scutari raised some very important -- and was very comprehensive in his questions.

I’d just like to-- A lot of-- Many of the things that we would have clearly wanted to talk to you about have already been covered by your discussion back and forth with the Co-Chair’s questioning. I would like, however, to touch upon something different, and that I don’t believe we’ve talked about. And that’s on--

One of the things that was recommended in your report was on the sick-leave payout. And one of the recommendations in the report is to -- was to cap, at all levels, at the $15,000 sick-leave payout at retirement. Did you-- Did the Task Force consider the best ways to implement the type of reform, to avoid any of the potential shortfall -- short-term, harmful effect that that recommendation would have provided?

MR. MURPHY: Madam Chairwoman, first of all, thank you for your kind words. It’s an honor to be here today. And thank you, as well.

And the answer is, I don’t think we did. But I’m trying to-- I have to say, I’m trying to find it here.

ASSEMBLYWOMAN POU: Okay.

MR. MURPHY: I wonder if Fred or someone could point out where this is? I don’t want to--
Is this “end the sick-day manipulation”?

ASSEMBLYWOMAN POU: Yes.

MR. MURPHY: Yes, Madam Chairwoman.

We viewed it as an abuse of the system. So we weren’t terribly concerned about-- I mean, like everything else in life, there are people who legitimately have issues. The crossing guard example -- the less than $5,000 a year -- is one we always come back to. It’s always difficult, when you make these recommendations, that you don’t have unintended consequences of nailing somebody who is an honest person, who is coming in and doing an honest day’s work, who has got whatever sick-day issues that they’ve got.

I have to say, I’m more enamored since we wrote this report-- This comes in under the category of ending abuses. I’m more enamored with taking the appointed and electeds, and flipping them into a defined contribution plan. And then you’d eliminate all the need to do this. And then keep the defined benefit plan as the extant plan for the bulk of the State force. And I think, therefore, you don’t end up having to deal with that issue for the bulk of the State’s workforce. But that’s the long answer.

The short answer is, I don’t have-- In terms of the shortfall, I don’t have an answer for that.

ASSEMBLYWOMAN POU: Let me-- Perhaps, maybe, what I’m trying to make a reference to is, in the recommendation-- And, right now, the State of New Jersey has a $15,000 sick-leave payout. But the rest of the other governmental entities do not provide-- It differs from municipalities and county governments--

MR. MURPHY: Yes.
ASSEMBLYWOMAN POU: --throughout the state.

What I’m referring to in particular-- If there might have been a sudden rush for people to retire as a result -- prior to the enactment of that change, clearly that would create a serious concern -- financial concern -- to the State of New Jersey; if we were -- and to all of the local governmental jurisdictions -- if we were to enact that or if that were to happen.

MR. MURPHY: Yes.

ASSEMBLYWOMAN POU: I guess that’s the kind of example that I’m referring to.

Was there any thought given by the committee, in terms of -- if that were to be enacted as one of the recommendations-- Was there any discussion, in terms of what that would do from a financial point of view?

MR. MURPHY: I understand, now, and I apologize.

The answer is: We talked about it, but I don’t have any good answer for you. There are a number of recommendations we made, where transition was discussed. And I have to say, we didn’t spend a whole lot of time talking about the local-- And I understand your point. There’s a difference between a State program and a local program. And what if you had a rush to judgment, if you knew as of January 1, 2007, that policy was going to be implemented? Would people then behave in a certain way in November or December of this year? The answer is: I would assume they would.

We had that issue-- Where we talked about it the most, Madam Chairwoman, was with raising the retirement age before which one does not suffer or incur a penalty, and the unintended consequences of the brain-drain, people rushing to the doors before that policy was
implemented. I don’t have a great solution, at least on the retirement age. We talked about phasing it in over a period of years. And perhaps what we could do in the sick day, at a local level, is phase that in over a period of, say, three years, so that you would not have that one moment in time -- or one month of one year -- a lot of people taking actions that would cost the State money.

ASSEMBLYWOMAN POU: Thank you so very much, Mr. Murphy.

Thank you.

MR. MURPHY: Thank you, ma’am.

SENATOR SCUTARI: Thank you.

Assemblyman O’Toole.

ASSEMBLYMAN O’TOOLE: Thank you, Chair.

Chairman Murphy, through the Chair, first of all, I want to thank you for your time, your volunteering putting this report together -- I think the single most important report that I have ever read during my 11-and-a-half years down here. I said it’s on parallel with the Grace Commission some 25 years ago, in terms of the potential impact it will have if any of these recommendations are put down on paper and passed legislatively. And I think your commission -- and I think Acting Governor Codey -- former Governor Codey should be commended for putting this commission -- this very forward-thinking commission to tackle the very difficult problems.

It is sobering to hear that we have almost a $40 billion liability hanging out there. And I want you to, if you could just put your arms around the problem-- And you talk about it being an $18 billion shortfall
in pension which, a year ago, was $12 billion. How did we get to $12 billion? And how does it grow to $18 billion?

MR. MURPHY: The answer is, I’m not sure I’m going to--

First of all, thank you for your kind words. And I am honored by the words, and I’m honored to be here.

The answer is: I’m not sure I’m going to have all the answers for you. But it is--

And, first of all, Assemblyman, it is an actuarially based number. And without getting into the science of actuarial numbers versus mark-to-market-- If I wanted to depress you even further, the mark-to-market gap is wider than $18 billion. So the combined gap of pension shortfall and what I’m told will be the so-called GASB shortfall for health-care liabilities would be closer to 50 than to 40.

ASSEMBLYMAN O’TOOLE: You said 50?

MR. MURPHY: Closer to 50, if you look at the mark-to-market. We did not, anywhere in our report, look at the mark-to-market, because we felt we wanted to be completely consistent and look at actuarially based numbers. Markets go up, they go down. And, frankly, all of the numbers in this report are -- unless my colleagues correct me -- are all actuarially derived.

Now, why does it go from 12 to 18? The short answer is: We’re still making up for historical issues in this pension plan. So it is a very accurate statement to say no one, to the best of my knowledge, in this state, who has asked for a -- has gone up and tried to cash their pension check, has ever been denied that check.
What we’re trying to do is put appropriate money away for the future obligations. And whether it was through bonding, whether it was through changing and calculations, whether it was through actuarial -- I would say -- gimmickry, we have whole-- And then, fourthly, whether it was due to a stock market which fell off the table in the beginning of March of 2000; and we sort of locked in paper gains and made a lot of calculations based on paper gains. And the reality is, stocks go up, and they go down. That combination of events means we’re digging out of a hole, historically. And then, if that weren’t bad enough-- And I appreciate Governors McGreevey, and Codey, and Corzine trying to do their best to fill in the hole -- we’ve been phasing in, as it were, the makeup payments for those past sins and post -- past occurrences. And unfortunately, the numbers compound dramatically, given the issues of demographics of what we’re talking about. And that’s the principle reason why this is up as substantially as it is.

ASSEMBLYMAN O’TOOLE: I’m just trying to understand, Phil, how is it we’re going to overcome a $40 billion to $50 billion deficit? You’re looking at-- You’re saying this is so severe, this is so large, that you would embrace what you say is a singularly abhorrent idea of having a State sale of an asset, which is something you would not normally embrace. So you’re saying that’s the cataclysmic -- that’s the abyss that we are facing right now, it is so severe. If we do nothing today, what happens? That $12 billion goes to $18 billion. Does the $18 billion become $28 billion? Are we on a road, if nothing is done dramatically -- if we don’t change and challenge the Constitution, if we don’t have significant reforms put in place -- are we looking at $100 billion five years down the road?
MR. MURPHY: I can’t say that I know what the numbers will be down the road, but the problem will grow. It will not go away. The numbers—This is the nature of the beast, because it’s demographics, it’s people’s aging, it’s their salary profiles, it’s all—Frankly, a lot of this, right now, is actuarial. If we did everything perfectly right now, and we made our full payments, and we did all this—we made no changes, enhancement of benefits—we’d still be in a growing situation. Which is, obviously, why—as you rightfully said—I would support doing something that I otherwise would never support—to at least fill enough of the hole to give us a fighting chance to get ourselves back on an even keel.

ASSEMBLYMAN O’TOOLE: Chair, before I go through the specific questions, I’m trying to understand—because I’m not an actuary. I don’t necessarily have a firm grasp on the tables that you have laid out in your report.

Page 10 of the report, Table 1, says pension funded levels. And it cites the GASB—the Government Accounting Standards Board—funded ratios. And the funded ratio in 1995 was 93.6, and it goes throughout the years, topping out at 111 in 2000. It declines to 109 in 2001, and in 2002 and ’03, we start hitting a rapid decline, 101, 93, and 87, in terms of the funded ratio.

Explain to me—Is that just a burp in the stock market? Is that a mismanagement? Is that an overloading of folks into the system? What causes that funding ratio to have this precipitous decline?

MR. MURPHY: I’m going to give you my answer, but I also want to reference Fred Beaver and his staff here, if they want to augment this.
It’s a number of reasons. First of all, it is a stock market decline. Secondly, it is a -- the demographics of the workforce. Thirdly, it is a phasing-in. Actuarially, when you get above a certain gain, or below a certain loss, you phase things in over time. And that’s a more complicated and more arcane reason. But that is a very significant reason. So I’d say it’s a combination of a dramatic trading off of the stock market, demographics, and the actuarial phasing-in of a combination of gains and, ultimately, unfortunately, losses.

I don’t know that our performance, as an investment matter, was-- I know there’s been a lot of press around this. It was okay, it was not -- we had no assets in the alternative assets space; and I know that’s been a controversial discussion. And I think, absent that, we did not -- is a -- my guess would be we did not, on average, earn the return on the assets that we could have. It’s not because people didn’t do a good job. But our asset allocation was skewed almost completely toward liquid security, stocks and bonds. And that also hurt us.

I wonder if I could just ask if I could refer to my colleagues here.

Is that about--

F R E D E R I C K J. B E A V E R: (speaking from audience)
(indiscernible)

ASSEMBLYMAN O’TOOLE: No pension contributions for nine years.

MR. MURPHY: I apologize. That’s the other--

SENATOR SCUTARI: Mr. Beaver, why don’t you come up and take a seat there, if there’s some information you can fill in.
MR. MURPHY: We also curtailed the annual contribution, which is the other factor.

MR. BEAVER: The pension contributions for that period that were avoided, or were not made to the funds in total, were about $8 billion. So that’s another factor that comes into play. At the same time we’re paying out, in current dollars, about $5 billion a year in payments to retirees. So you’ve got very little inflow of new money, a constant number of outflow -- about $5 billion a year -- or $5 billion-plus, now -- and the earnings returns were down.

And if you look at that time frame, back in the early 2000s, what happened was, you’re recognizing gains and losses at 20 percent a year. So the impact is such that you’ve got-- If you look in the ’97-’98 time frame, you see the impact of the bonds -- the pension bond -- beefing up the fund, and then the market going south, and the returns going downward after that; coupled with the fact that the “n/55” legislation in 2001 lifted the total liabilities, I think, by about $4 billion. So you’ve got a combination of factors that got us where we are today.

ASSEMBLYMAN O’TOOLE: So it’s clear to me that the stupidity of the nine years of not funding the pension has really come back to haunt New Jersey. I mean, you have $8 billion that should have been invested-- I think Governor Corzine finally got it right by putting over a billion dollars in. We can’t repeat those mistakes of the prior nine years.

MR. MURPHY: I would say, Assemblyman, there are-- Disasters have a number of mothers. And lack of annual payments; “n/55”; pension bond; changing actuarial standards; frankly, not having, in my judgment -- this is not a recommendation in the report, this is a personal
opinion from someone who worked and ran an asset management business for a large Wall Street firm -- not proper diversification; and, by the way, a cataclysmic stock market event. That combination has been lethal.

ASSEMBLYMAN O’TOOLE: On your direct testimony, you said that it’s imperative and important that we have to raise the retirement age from 55 to 60. Was there any thought to going to 62, or 63, or 65?

MR. MURPHY: There was a lot of discussion around whether 60 was enough.

ASSEMBLYMAN O’TOOLE: Right.

MR. MURPHY: And I probably would have inched higher. And, in fairness, two of my colleagues were quite concerned that even going to 60 was too dramatic a step. And, again, it’s-- We looked at both public and private sector models. We were convinced, with the way -- the aging of the population, the productivity of the population. And we came out at 60, with a couple of folks suggesting they were not comfortable with that. I would also say a couple of us probably would have wanted to go even higher.

ASSEMBLYMAN O’TOOLE: Would you have phased those-- Assume your recommendation is to go from 55 to 60. Say an individual was 54, today, looking to retire six months from now. I assume you would not penalize those individuals who have made career plans, and say, “Okay. You now have to extend your work life without penalty for the next five-and-a-half years.”

MR. MURPHY: Exactly. We recommended phasing this in, I think over three years, to the best of my recollection, for that very reason.

You also didn’t want a cataclysmic -- we called brain-drain--
ASSEMBLYMAN O’TOOLE: Understood.

MR. MURPHY: --all at one moment.

ASSEMBLYMAN O’TOOLE: Now, you also mentioned that you excluded police and fire from this retirement -- arrived at 55 to 60. Tell me what brought about that exclusion.

MR. MURPHY: Quite simply, we felt like their-- And I’m not denigrating either the stress on the brain, or the stress in some of the jobs that are done at the State -- and there are folks who would disagree with this -- frankly, it was the line of business that they’re in, which we were convinced, unanimously, suggested that raising their retirement age was not warranted.

ASSEMBLYMAN O’TOOLE: And it seems to me you would carve them out-- Is it because of the nature of their work, or is it also that they have funded their pensions at the 8.5 percent per year, without interruption, during the last 10 years.

MR. MURPHY: Bless their hearts. I’m sure they would want to say it was for both reasons. But it was principally because of their line of business.

ASSEMBLYMAN O’TOOLE: Okay.

Moving on to some other areas of inquiry-- I think Chairman Scutari asked you as to how you arrived at $5,000, and you more or less said it was-- You moved it on up, but it may have been arbitrary. There are those of us on this Committee who think it should be -- I know Governor Corzine stated publicly -- it should be a thousand-hour requirement. I happen to believe you should go to maybe a $10,000 requirement. I happen to also agree with you that you shouldn’t have the part-time elected
officials -- should have the same credit as an individual who is working, at their career, making $25,000 a year. There shouldn’t be the same credit, so to speak. So I’m trying to reconcile that with, you say, opting out on a two-tier system.

MR. MURPHY: I’m sorry, the last sentence?

ASSEMBLYMAN O’TOOLE: I’m trying to-- You clearly steered away from a two-tier system. And if you’re going to treat elected officials and part-timers as one, you’re almost creating a two-tier system, in some regard.

MR. MURPHY: Absolutely. In that respect, yes. I meant two-tier system within the large plans.

ASSEMBLYMAN O’TOOLE: Okay.

MR. MURPHY: So we would recommend two types-- I would recommend that you sort of separate two types of people here: the appointed and elected here, and over here are the bulk of the plans for the career employees.

ASSEMBLYMAN O’TOOLE: Okay.

MR. MURPHY: And for this group over here, I would say it’s either a combination of a series of things, which really stop up a lot of the holes in the DB plan they have, where I think you get a lot of political grist and emotional grist for doing that; or just flip that whole crowd into a defined contribution plan, which is probably easier. And then, over here, make strategic changes to the plan; recommend informed, strategic health-care changes to the collective bargaining process, but keep it basically as it is.
ASSEMBLYMAN O’TOOLE: On Page 19 of your report, you cite a pretty compelling example of an individual who works -- PERS employee -- 24 years, and earns less than $10,000 a year -- last year makes $141,000. Had the individual worked 25 years at the $10,000 level, his or her pension would be $3,600. With that boost, that individual is now getting -- with a prosecutor’s one year highest salary -- the pension calculation here is $70,000, which would contribute to an unfunded liability to the government of about a half-a-million.

I’m trying to understand-- You have that scenario. Now, with your recommendations, you want to take away that opportunity to boost, and manipulate, and gain the system, correct?

MR. MURPHY: Completely correct.

ASSEMBLYMAN O’TOOLE: But you have that example. Then, later on in your report, you say, raising the threshold from $1,500 to $5,000 will save -- and I thought the number would be larger -- $3.7 million, with $200,000 at the State level. I can’t imagine-- There has to be a handful of folks who have gamed the system. Then they cash in at the end of the day. They’d be entitled to a $3,000, $4,000, $5,000 pension; because they’ve played the system, they’re now going to get $70,000. Well, that’s going to add up each and every year. How is it only a $200,000 pickup for the State? I would have thought the number would have been much larger.

MR. MURPHY: I’m going to ask Fred why the number isn’t larger.

MR. BEAVER: The case that you described, that is described in the report, is an actual case that we know of. That’s the present value of
that individual’s increased benefit, resulting from the one-year additional pay.

I think that the-- Again, the numbers we looked at-- If we took that salary up from $1,000 to $5,000, that’s got a very marginal impact. And I think that’s part of the problem you’re seeing here. We’re citing a case where the guy is going from $10,000 to $140,000 over a career. Most of the cases we’re seeing-- These are the exceptions rather than the rule, obviously. And the other cases, where you’re going to take the person from a $1,500 to a $10,000 or $5,000 threshold requirement, are going to be more the rule than the exception. These are the part-time jobs, the local municipality jobs that are getting $2,000 and $3,000 a year -- the crossing guards. So the savings don’t drive that quickly.

ASSEMBLYMAN O’TOOLE: All right, understanding that, and having heard the testimony of Chairman Murphy-- He said we should really look at the entire body of an individual’s work, which is why you recommended five years. Well, explain to me, if you want to look at the entire body -- and you said recognition of this curve of a salary at some point -- why not go the-- Why not go the entire 20 or 25, so the career employee for the State would be recognized on his or her total contributions; as opposed to an individual who goes 15 or 20 years at, say, $10,000, $15,000, $30,000, and in the last four or five years they spike it? I’m trying to say, why would you not say-- Why stop it at five years, as opposed to 10, 15, or 20, or even the entire body as you’ve stated?

MR. MURPHY: It’s a good question. I would-- As a personal matter, if given my druthers, I would go higher. And here’s what I’d ask you to think about though. Most of that abuse is occurring in the elected --
in the elected, with all due respect -- with the elected and appointed category. I’m not accusing anybody of anything here. And it is not typically an issue. You’re not talking about people in the bulk of these plans that go from $10,000 a year to $150,000 a year. We’re talking about some people here who are cleaning out bedpans in some of our State mental institutions or hospitals. It just isn’t a big issue for the bulk of those people.

And then, frankly, on the margin, I’m a little bit of a sucker for the notion of giving somebody a little bit of the back end of their career. It’s a little bit of -- if you’ve done this in your career, and then the pension is down here, you sort of have a very abrupt societal transition period, which I’m not wild about. So while-- As a pure matter, I like what you’re -- where you’re going. And particularly for the elected and appointed, I would recommend a longer period, in the absence of flipping the whole crowd into a defined contribution plan.

Five is a good step. It’s better than three or one. If you said to me you really were excited about seven or 10, I think it’s a fair debate. I would not go the whole route, because I think you could run the risk for-- Again, the bulk of these people are not-- This is honest day’s work, honest day’s pay for an honest pension. I don’t want to see-- I prefer not to see an abrupt moment in their life which could have other, unintended societal consequences.

ASSEMBLYMAN O’TOOLE: Let me finish with this comment, and then a question. Throughout your testimony, you said that we should challenge the system. Something has to be done aggressively; we should have the lawyers-- I happen to agree with you. I happen to agree
that just because OLS has rendered an opinion, we may have to go constitutionally look at whether the law is what people say it is, or what--
We read it different ways.

From your comments, and from your report, Chair, is that this problem is so significant, we just can’t do one, or two, or three of these recommendations. It seems to me we have to do, on a large scale, virtually all that has been proposed if we are really going to attack this $40 billion to $50 billion problem.

MR. MURPHY: Assemblyman, for the most part I would say yes. I would like to just spend 30 seconds on clarifying.

As I mentioned earlier, this was not a list of items that we expected -- we wanted people to cherry pick for the best ideas, or their favorite ideas. As a matter of good will, frankly, to get everyone around the table, the State has to do its part. You all have to figure out a way to close these loopholes, in my judgment -- again, advising the unions before they would ever think about coming to the table and talk about giving some amount of blood. We all have to do this together as a matter of good will.

As a matter of economic and financial imperative, the answer is yes. I’m not married to all of our-- This is where we came out. Others have better ideas, as I mentioned. We are from a variety of perspectives and expertise, but I’m not an expert in this area. I’m certain there are better ideas in some cases than the ones that we came up with. So I’d ask you to not just be slaves to our -- and I know you won’t be. But this is not just the only way to get at this.

But, as a financial and economic imperative, we have to do something now. It cannot be one or two little things. It has to be a
comprehensive tapestry, connected, universal solution where everybody gives blood. And, unfortunately, as the days pass on of inaction, the amount of blood required to give will go up.

ASSEMBLYMAN O’TOOLE: Okay. What I wanted to walk through is -- nothing has changed from a year ago that would take you away from your opinion that we can’t have the pension holidays, we have to have the funding of these outstanding liabilities, you have to end the pension bonding. All the things we’ve talked about today, you embrace more so today than you did, I suspect, a year ago.

MR. MURPHY: Without question, except to say I’ve heard some solutions that, perhaps, are better than ours. But am I more concerned today, as compared to a year ago? Yes.

ASSEMBLYMAN O’TOOLE: Okay. I know others are going to talk about the health-care package. But you did not go into the asset management in all that much detail. Is there a reason why you stayed away from that?

MR. MURPHY: First of all, I have to give credit where credit is due here. And I give Governor Codey -- I should have said this up front -- a lot of credit for -- then-Governor Codey -- for asking us to do this. And, secondly, our remit was the liability side.

And I happen to have had an experience -- a Wall Street experience and an asset management experience. And I know enough to be dangerous, I guess. But our remit was the liability side.

ASSEMBLYMAN O’TOOLE: Thank you.
Thank you, Chairman.

SENATOR SCUTARI: Thank you, Assemblyman.
Before I get to Senator Gormley, for a second, just two follow-ups.

What Assemblyman O’Toole asked you about -- and I had asked you about earlier -- with respect to the moving from 10 years vesting to five years vesting-- Just so I’m clear on that, you’d still recommend that, even though we have a legal opinion that says, basically, at five years we owe them a benefit that we can’t change to their detriment anyway?

MR. MURPHY: That is correct.

And again, Mr. Chairman, it may sound like I’m speaking out of both sides of my mouth, but I think we have to have, for the new employees, 20, 30, 40 years from now -- for the State-- We want this place to be a state where people want to live, a State government and local governments where they want to work, they feel good about it. And, among other things -- and I’ve got grave concerns about that at the moment -- that whole equation. But one area where-- We just didn’t feel we were competitive.

And notwithstanding my statement -- and I don’t mean to be flippant about the legal advice, or about OLS, or about constitutional matters at all -- I’m respectful of it. But, yes, I would still reduce the vesting period, and I would challenge the opinions and rulings.

SENATOR SCUTARI: Well, we have at least two opinions that are on the-- It’s not just OLS, it’s also the Attorney General’s Office that ruled -- that has given us an opinion in the same area. So your charge to challenge those legal opinions, to me, is not as-- I wouldn’t call it flippant, but I would say that it may not be the best course of action,
necessarily, given the strong opinions that we’ve gotten from more than one legal source.

But just to move to one other area, I want to ask you about--Did your committee consider what Assemblyman O'Toole talked about -- and I’ve thought about in the past, as well -- is, instead of moving from one to three years, and then three to five years, was to take the whole career as a whole? Because, I mean, essentially, that’s what a pension is supposed to be based on anyway -- is that, let’s take a look at their whole and average it out as a whole. I mean, obviously, we can pick any number. We can make it their highest 10 years, their highest seven years, their highest six years. Right now, it’s three years for the most part, and one for certain others.

Did your committee consider taking the career as a whole and averaging that?

MR. MURPHY: First of all, it’s a comment on the legal challenge. It’s easy for me to say. I’m getting up, I’m walking out, going to New York, and Denver, and L.A. for the next couple of days. And you all have to figure this out. So I’m completely respectful of the fact that that’s an issue. I would just say, I would do -- I’m sure you are -- I’d do everything I can to get under the opinion and understand, as I know you will.

The answer is: We did consider a whole career. But, again, I’d like to break apart the two types of people: over here, elected and appointed; and over here are the bulk of the folks who work for the State and in the plans.

For this crowd over here, the notion of 22 years, and then three years at the end -- and just taking those three years -- or 24, plus one-- No
time for that. We’ve got a lot of recommendations, and, frankly, if you said
to me, “You couldn’t do any other recommendation,” I’d say take the whole
career, because that just isn’t right.

Over here are-- Number one, we didn’t see-- I’d love to think
that the people who work for the State, in the broad bulk of these plans, are
going from $10,000 to $150,000 by the end of their 25th year, where
there’s enormous amount of growth. I’d like to think there is. And for a lot
of our folks, there isn’t, number one. Number two, even if there was -- or
whatever growth there is -- you do run -- and I keep using this, and this
won’t be on the record, in terms of audio -- but the visual would be, you get
someone whose career goes like this, and then, all of a sudden, their pension
is down here, because you factored in all 25 years. And I have to say, as
long as they weren’t gaming the system, they weren’t pulling -- backing the
Brinks truck up and driving away when they retired -- I think that’s got
unintended societal consequences. And I-- So would I be at three years?
No. I would be at somewhere probably five to 10, personally. But I would
say not the whole run for that broad bulk of the employees in our plans.

SENATOR SCUTARI: Well, in certain other jurisdictions,
they cap the amount that people can boost their career earnings at the end,
which would do away with, I would think, people who earn $5,000 a year
for 20 years, and then earned $140,000 at the end. If we cap the amount
that they could go up at the end of their career, that would probably deal
with that, as well.

But let me move on to Senator Gormley. I know he’s got some
questions.

Senator.
SENATOR GORMLEY: I want to echo prior comments. It was a great report. It was very fair, and you tried to be balanced to have an overall solution.

One comment that you made regarded keeping faith with the people sitting behind you, in terms of how we have to reform -- what the people do who are in charge of the system -- in order to have good faith when we try to negotiate with them on health benefits or something else. Is that a fair characterization?

MR. MURPHY: Yes. And I don’t want to speak for some of the folks sitting behind me, who I have an enormous amount of regard for. But I think, rightfully, to some if not a large degree, they’ve lost faith.

SENATOR GORMLEY: They see somebody who is stacking and getting a $100,000 year pension. And they’ve been working with the disabled, or whatever, for mid-40s or 50s at the end of their career, they’re wondering what’s going on here. It’s one thing to negotiate, but if the people who are in charge are doing something that seems unfair, why should we even negotiate in good faith?

MR. MURPHY: Senator, if you’re in their shoes-- And I’ll just give you a 30-second narrative.

SENATOR GORMLEY: Go ahead.

MR. MURPHY: It’s good to see you again. And thank you for your kind words.

I would say-- You’re in their shoes. They’re clocking in every year with what we’re asking them to put in toward their pension. They are not -- except in a very few folks in this state who abuse the system -- they’re not walking away with a Brinks truck here. They’re doing very hard work.
And then they look, and they see two things that probably drives them crazy. Number one, the State that basically prioritizes other things ahead of their pension benefits. Number one. (applause)

SENATOR GORMLEY: Yes.

MR. MURPHY: And, again, I give the Governor a lot of credit for trying to make headway toward that.

SENATOR GORMLEY: For funding it this year.

MR. MURPHY: For doing what he did.

SENATOR GORMLEY: Trying to fund it, yes.

MR. MURPHY: And you all for approving it.

And then, on the other hand, they see some people who are gaming the system. And if I were in their shoes, I would be mad as hell, and I wouldn’t give you one dime back until we solved those first two elements.

SENATOR GORMLEY: So what you’re saying is--

And, by the way, I’m just going by your report. Okay?

MR. MURPHY: Yes.

SENATOR GORMLEY: So when you say a single job for single pension, that message has to be sent to the day-to-day worker, so they don’t feel like they’re getting gamed while you’re negotiating health benefits or something. Is that a fair characterization?

MR. MURPHY: Yes, sir.

SENATOR GORMLEY: Thank you. I appreciate that recommendation on your report.

Then--
Oh, Mr. Beaver is here today. I haven’t gotten the next 200 names. (laughter)

MR. BEAVER: We’re working on it, Senator.

SENATOR GORMLEY: Really?

MR. BEAVER: We’re working on it.

SENATOR GORMLEY: Do you--

Back to Mr. Murphy.

Mr. Beaver’s done a great job, and he’s got an impossible situation.

MR. MURPHY: As opposed to someone who’s in an impossible job and a great situation.

SENATOR GORMLEY: No, no, you have to understand something. Assemblyman O'Toole and I are going to try to keep you as busy as long as possible so you can’t go off to your other jobs. We don’t want you to go to L.A. or Denver, because you’re doing a good job there. (laughter) We want to keep you here. So take that as a compliment, also.

MR. MURPHY: Thank you, Senator.

SENATOR GORMLEY: Okay. What we’re talking about here-- Do you think there should be, posted on the Internet, a list of multiple jobholders -- that the State just does it and puts out there? So those people behind us and the people in the State of New Jersey can see people who are stacking? Mr. Beaver’s got a lot of responsibilities. He’s been accumulating lists. The last one seems to be a little slow to get out, but he’s doing a great job. Don’t you think it would be good if this was to just be permanently posted on the Internet -- everybody who has multiple jobs?
MR. MURPHY: You know, my--

SENATOR GORMLEY: Because there’s nothing like information. It really seems to cause change.

MR. MURPHY: Well, I have to say, as a general matter, I’m all for transparency. My late father used to-- The thing that used to drive him crazy was people who used to go into graveyards and steal the flowers and then sell them. He used to say, “What they should do is put those people’s pictures in the newspaper, and then no one would ever do that again.”

So the notion is an interesting and good notion. I’m not an expert on how you best solve this. But it’s something we shouldn’t be proud of, as a State.

SENATOR GORMLEY: Thank you.

Consequently, you’re willing to look at alternatives. But there’s a core here. And the core is, one pension, one job, if it’s State pension system. Because what happens is, once we get something and take it into the weeds with, “We’ll play with it on the fringes,” we lose the initial dogma that we’re starting with. You wouldn’t deviate from that, as terms of being the core principle we have to shoot for?

MR. MURPHY: I would say, Senator, there are a number of core principles and, yes, that would be one of them.

SENATOR GORMLEY: Fine.

Now, the-- And the Chairman of the Committee -- Senate Chairman -- brought up a very good point. There were legal opinions brought up. But given this day and age -- that people want to show transparency -- do you think that we could put a mea culpa provision in? Why don’t we provide, if someone unilaterally would like to not take credit
for their stacking over the years, they could unilaterally do it and not need the consent of a second party? I think people could show good faith with that. So I think that’s something we should consider. Because I notice certain people are saying they’re against it, so maybe they would like to change what they did, retroactively. We could put that in the bill, so that somebody -- so that you’re not burdened by legal opinions; because certain people might just want to change it.

MR. MURPHY: Senator, one comment on that. My concern-- One comment. We did talk about -- this is back to the Chairman’s discussion earlier, which I’m respectful of, notwithstanding my comments. We talked about constitutional amendments that sort of lock-boxed things. In other words-- And I’m not a lawyer, so I’m not sure I’m in my league here. But if you-- My concern is-- Again, if I were some of the folks behind me -- okay? -- we’d sell an asset-- They may or may not like that idea. But let’s assume we sold an asset, which I -- to the Assemblyman’s point, I’ve got problems with, myself. And then, all of a sudden, everyone’s lining up, and pretty soon, the proceeds you get that-- In other words, you agree to do something based on what someone else is going to do--

SENATOR GORMLEY: Gotcha.

MR. MURPHY: And I think we should be people of good will. But my concern would be the mouths to feed; the history here of not prioritizing the pension shortfall, one administration to the next, one party to the next, one person to the next.

SENATOR GORMLEY: You’re right.

MR. MURPHY: So, in other words, I like your concern. You know what? We’re all in this together. I’m going to lead and do this, and I
hope all of you, notwithstanding what the lawyers tell us, would come to the table and do this. And my concern would be, pretty soon, next year they’re not dealing with you, they’re dealing with someone else. There’s different circumstances that are--

SENATOR GORMLEY: No, no, this has to be memorialized now. Because there are always different crises, different sets of circumstances. I mean, the report -- and this is very genuine -- it’s shocking that this report is so good. It’s shocking that it’s easily understood. Because the problem over the years is-- Let’s just say the problems in the system have been able to-- There would be an article in the newspaper, and it would fade away.

But now, because of this report and the impetus, the person on the street is saying, “Wait a second. I pay this much for health benefits,” or “Their pension is what?” The public officials are stacking, and now it’s coming home. That’s why the memorialization of the list on a Web site -- it really worked. Because people are beginning to understand this.

In terms of some of your other recommendations -- obviously 55 to 60 was mentioned as one that I think is essential. And I do understand the dichotomy you made, in terms of those who are in law enforcement, or whatever.

In terms of the recommendations -- the recommendations you made on health benefits. I have a bill in that parallels those recommendations. And I preface it with something like this, because it does relate to how you prospectively can negotiate. You do have to feel in good faith with one job, one pension.
You mention increasing the use of generic drugs as being an effective cost saver.

MR. MURPHY: Yes, sir.

SENATOR GORMLEY: That’s in the bill. Is that something that-- I’m assuming you’re just going to continue the endorsement. But that’s something that would save us some money, wouldn’t it?

MR. MURPHY: I think it saves everybody money. And I think the mail order thing -- and I know there’s some controversy on that. I don’t get it, frankly. But, yes, I would do all these things.

SENATOR GORMLEY: Well, we put that in the legislation.

The obtain State pharmacy benefit savings -- if the State obtains its own pharmacy benefits manager. I find this shocking. We’re paying a middle person millions of dollars, that if we just went directly to somebody we could save that money? Is that a fair characterization?

MR. BEAVER: I’m not sure I would be that definitive about the savings. I think we’ve got-- What we’re doing is not unlike what many plans do, where you get your drugs through a health insurance provider, such as Horizon, or the HMO providers -- Aetna, etc. So it’s not that unusual.

What we are suggesting, and what we have been endorsing, is securing a bid -- an independent bid, at the same time we bid the other health insurance contracts, to make sure that we’re realizing whatever savings are available.

SENATOR GORMLEY: Because I’m just reading here, from the report-- It saves $27 to $45 million a year. That sounds good for just changing a manager.
MR. MURPHY: Senator, I would just refer to the exact statement in the report. “The State health-care consultant has estimated the potential savings to be approximately 3 to 5 percent of prescription costs, or $27 million to $45 million, from directly contracting with a PBM.” That’s the sentence I believe you’re referring to.

SENATOR GORMLEY: Yes.

MR. MURPHY: And I would just say, this whole range of reducing prescription drug costs-- I would have thought we could all get around that one. That seems to me to be relatively straightforward. It’s a little bit akin, nationally. It’s got some elements of whether we allow the Federal government to be a player in negotiating Medicare. I just think you should use, where we could use our strength as a state -- in our mass, in our size -- to the benefit of our people, and to ourselves. Why not use it?

SENATOR GORMLEY: Personally speaking, I would have just moved your report as a bill September 15. Okay?

Then you have a recommendation: Develop a safety net base plan. Okay? I put the bill in to do that, also.

Could you-- And you say that could save-- If we had a 5 percent contribution, that would save $350 million a year. Could you talk about those two? The safety net plan and a 5 percent contribution, in terms of-- Because in terms of all the things we’ve looked at, in terms of savings now, this is the only one in the “now” category in terms of providing savings. And that’s why this is very important.

MR. MURPHY: Again, I would reiterate, Senator. I will answer that, and I’ll have Fred correct the record, if need be.
But, again, I would repeat that the health-care discussions, as I understand it, are hand in glove with -- in collectively bargained -- side by side with wage and negotiations. We felt strongly, as I mentioned earlier, that while it’s been very transparent in those wage negotiations exactly what the wage agreements are, it’s been opaque by its nature -- not because people necessarily wanted it to be that way. But when you say you’re going to pay 100 percent of health-care premia, the fact of the matter is, if one party pays it, it just is not a transparent notion in the general sense that we all got-- And I think the gut sense of all of us, as citizens, is that health-care costs have gone up at a rate greater than inflation and greater than wages. So the notion of having transparency into that, by asking our current and retired employees to pay some percent of the premium, was something we felt was a very sensible idea. I feel very strongly about that.

Having said that-- And there’s a debate around this, which I think-- How do you skin this in the right way is, I think, a fair question. The concern we, as I referred to-- We have an overarching -- several overarching concerns, one of which is tipping people, inadvertently, over the poverty line.

SENATOR GORMLEY: Yes.

MR. MURPHY: Or tipping people to opt out of health care completely, which is the last thing on God’s green earth we want to do as a result of these recommendations.

So then we said, “Okay. Could we have a very bare bones, no bells and whistles -- something that we would provide, really bottom line, to people that anyone would have access to?” And if you wanted anything
more than that -- and that’s probably below the standards of most people -- anything more than that, you’d pay some amount of it.

One person, I’ve heard -- and someone quite articulate, who I respect in this -- said the concern they have is that the bare-bones notion is, we now look like the State’s leading a race to the bottom to get the barest-bone health-care program. And I’m sensitive to that. So the other notion -- and I don’t want to take any longer on this -- the other notion that I’ve heard, which I think has some appeal, might be, “Let’s get -- either with our current plans, or get a much better plan that applies to everybody-- And then depending on one’s salary, or depending on one’s job grade, or depending on one’s retirement pension level, you then have a sliding scale of what you ask the person to pay,” with the obvious point being, if you can afford more, you pay more. And if you can afford less, you pay less, or perhaps, in some cases, not at all. But paying something here is essential.

SENATOR GORMLEY: Well, I think the point to be made is, having a base plan that covers, generally, the most important needs -- but it’s not to say that the person couldn’t, through negotiations, get to the point where they started. It’s the fact that the State has the ability to--

Here’s what happens. For us to write the statute that you’re conceiving, it would get lost in the weeds again. Because you see how fast we do things here, in the Legislature. Okay? But for the Governor to have the ability or flexibility -- and I think the way you’re thinking is the way I think the Governor would think. You’ve got to make sure that those people earning under $50,000 are not pushed too far. If we put the flexibility in the statute, I would trust the negotiations process with the Governor. The
problem we’ve had is, we’ve had a statute that’s locked in, that limits our ability to negotiate. Is that a fair characterization?

MR. MURPHY: Boy, I guess, Senator, it is. The two principles I would have, that I would say I feel very strongly about, is we have to have folks, current and retired, paying something in the health-care premia. And, secondly, we can’t push people over the edge, either into poverty or out of health care.

SENATOR GORMLEY: And that’s what I’m saying.

MR. MURPHY: How you get there-- God bless you. I’d personally be open-minded as to how you get there. And I agree with you, the simpler the better.

SENATOR GORMLEY: What I’m saying is, if we do amendments to the plan in terms of what can be negotiated, with some minimum payment, you’re talking about options now. Because the plan we have now provides options, in certain cases, that people don’t even need. It’s just the plan. And if people could think it through with certain money set aside, and option-- And you make sure that those people earning under a certain threshold -- that the options are available to them, as opposed to other people would have to pay more-- But the complexity of that, to my mind, requires changing the statute so the Governor can negotiate it.

If we-- It’s impossible for us to write a statute that is as specific as a good agreement would be reached between the unions and the Governor directly. That’s my situation. I would like the flexibility built in, because I think a person like Jon Corzine would get to where you’re talking about. He’s not going to throw people at the lower end of the income scale to a lower level that would hurt their quality of life.
MR. MURPHY: I would echo-- I have an enormous amount of faith that the Governor would see it in the so-called right way, balancing all the constituents.

I would say this-- And perhaps this is a different way, Senator, to say what you’ve asked -- or suggested. I’m a big clean-sheet-of-paper, pay-as-you-go-- Let’s forget history, in some cases, and let’s just look at the here and now. Let’s just pretend the world looks like this. It’s just a white sheet of paper. We are where we are. The crisis is what it is. Let’s have complete flexibility.

I don’t like the notion in the budgeting process -- to use a parallel example -- that the starting point was last year’s budget. Let’s have a -- what’s the pay-as-you-go, what’s the bottoms-up? What do you need to prosecute this function? And I think that’s where you’re headed. When you go into a negotiation, it should be, “Okay. Let’s look at what the blank sheet of paper suggests, in terms of all of our options. And then figure out, together, what the right answers are.”

SENATOR GORMLEY: So three basic dogmas: one job, one pension; 55 to 60; and some sharing of costs, but not putting people over the edge with it.

MR. MURPHY: Those are three important elements, without question. Fifty-five to 60, I would just say, I would be raising the retirement age before which one pays a penalty. If it’s 60 or 62, in my case -- I’m open-minded; I know 60 is what our recommendation is. And those are three important dogmas. And I would say they’re not the only three. But I would agree with you, Senator, those are very important.

SENATOR GORMLEY: Thank you for your time.
MR. MURPHY: Thank you, Senator.

SENATOR SCUTARI: Thank you, Senator.

Assemblyman Giblin, do you have anything?

ASSEMBLYMAN GIBLIN: Not at this time.

SENATOR SCUTARI: Okay.

Anyone else?

ASSEMBLYMAN O’TOOLE: Not with him, but--

SENATOR SCUTARI: Yes, you want to comment?

ASSEMBLYMAN O’TOOLE: --the Committee.

SENATOR SCUTARI: Okay.

Thank you very much. I appreciate you being here today. I appreciate your comments. It certainly was enlightening. Your report was well written. And thank you, again, for taking time out of your busy schedule.

MR. MURPHY: Mr. Chairman, Madam Chairwoman, Senator, Assemblymen, thank you for having me. It’s my pleasure.

SENATOR GORMLEY: Take the week off. Don’t go to L.A. Just stay here. (laughter)

MR. MURPHY: Exactly. I figured you’d give me that advice.

ASSEMBLYMAN O’TOOLE: Chair, just a question, in terms of process and procedure.

It’s the 25th of October. I assume this meeting is the last meeting scheduled in October. My question for you and for the entire Committee is, at some point, we need to sit-- We are 20 days out from our deadline of November 15. I’m told by staff that there’s been a request to forward, to your attention and to Chair Pou’s attention, any
recommendations or bill comments by November 1. And will there be an opportunity for us, at that point, to have a meeting/public hearing and discuss potential steps that this Committee is willing to make, with the stated goal of having some recommendations finalized for the Governor's consideration?

SENATOR SCUTARI: Once we receive those comments, I'll get together with the Co-Chair, and we'll discuss them and possibly have a private or public meeting to discuss all those recommendations, and formalize our recommendations as a whole. That's what I would hope.

ASSEMBLYMAN O’TOOLE: Is the understanding that we’re going to actually have bills come out of this Committee?

SENATOR SCUTARI: I’m not certain that we’re going to have the bills come out of this Committee, or potentially a task force report, as the Murphy commission put forward, as well -- something similar to that, rather than, maybe, bills. Because I’ve spoken to the Senate President with respect to that. And it’s possible that bills that may be germane to the report would go to those Committees -- possibly State Government -- for their recommendation.

ASSEMBLYMAN O’TOOLE: But this Committee-- I assume this is not our last meeting. We will have an opportunity to come back, as a body.

SENATOR SCUTARI: Yes.

ASSEMBLYMAN O’TOOLE: Okay. Thanks.

SENATOR GORMLEY: So we would schedule a session where we sit here and go through the recommendations one at a time, and vote yea or nay, so we can publicly be recorded on votes as to what we support?
SENATOR SCUTARI: I’m not certain of that yet, Senator.

SENATOR GORMLEY: We’ve been here for two-and-a-half months, and we don’t get to vote? I mean, people can vote yes or no. But Kevin and I would like to move some motions. I know you have some ideas. We ought to vote up and down, or something. We’re going to have a Committee for two-and-a-half or three months, and we’re not going to vote on anything? Even a recommendation?

SENATOR SCUTARI: We’ll probably vote on something. I’m not certain if it’s going to be done in piecemeal, or the report as a whole, or we’ll have a discussion and try and build a consensus. But we can talk about that in the next two weeks.

SENATOR GORMLEY: We can make motions -- we’d be allowed to make motions on ideas? We would be allowed to make motions, wouldn’t we? We’ll probably lose, but we’d like to make motions recommending everything that Mr. Murphy just recommended.

SENATOR SCUTARI: We’ll discuss it, Senator.

SENATOR GORMLEY: Okay. Thank you.

SENATOR SCUTARI: All right, anything else? (no response) Thank you.

We’re finished for today.

Thank you very much.

(MEETING CONCLUDED)