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PLEASE RESPOND TO LIVINGSTON OFFICE

* ALSO ADMITTED IN NY
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March 9, 2011

Via Email and Regular Mail

Mr. George P. Christie, President
Probation Association of New Jersey
United Professional Center
617 Union Avenue, Unit 2-20
Brielle, New Jersey 08730

Re: Recent Pension and Health Benefits Legislation

Dear George:

Here is the February 24, 2011 summary we previously sent to you. We continue to stand by that analysis. In addition, we have now reviewed the Governor's pension bill more fully. The Governor's pension bill contains all the negative elements of the Senator Sweeney bill including an increase in the pension contribution from 5.5% to 8.5%, elimination of COLAs and a 9% reduction in pension for future service credit.

However, the Governor's bill has aspects that are even worse than the Senator Sweeney bill as follows:

- 1) COLA is eliminated for current and future retirees
- 2) Raises the retirement age to 65 years old
- 3) Changes final average salary for pension calculation from the average of 3 years to the average of 5 years

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- 4) Reduces prospective service credit for pension by 9% (years of service/55 changed to years of service/60 going forward) with no ability to pay additionally to preserve N/55 prospectively.
- 5) Makes service retirement available only at age 60 with 25 years or if 60 years old on the effective date of the bill.

Of course we are also providing you with two comprehensive detailed analyses (to supplement our summary analyses) of the Senator Sweeney health benefits proposed bill which is S-2718 and of the Senator Sweeney proposed pension bill S-2696 as well as the Republican sponsored pension bills which are S-2705 and A-3796.

As we have pointed out, the Governor has no formal bill on health benefits but has stated that he would have the movement to pay 30% of the premiums take effect immediately and not be phased in.

Of course we are presently involved in legal challenges along with major other labor organizations in addition to PANJ, as to existing onerous legislation. This will be referred to in the other two analysis letters we are sending to you.

These challenges will be pending shortly in the Appellate Division.

More importantly, there have been Attorney General opinions and other opinions which date back to Governor Corzine's tenure as Governor in 2006. Although these are "old news," we attach them here. Many of the proposed bills and particularly the Governor's, violate legal rights and we are planning, if they pass, and become law, to challenge them as well.

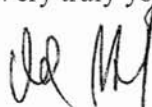
We emphasize again that the very onerous provisions in the Senator Sweeney health benefits bill are designed to take effect the day that bill becomes law, whereas the provisions of the pension bills are designed to take effect 120 days after they become law.

The "moving target" of onerous changes continues since as recently as today (March 9) *The Star-Ledger* and *Asbury Park Press* had articles on yet another Senator Sweeney proposal. This applies not to State employees, but is relevant anyway since it contemplates shared services and the elimination of Civil Service Rules which might limit shared services. This, of course, could be relevant to any future efforts to subcontract existing services.

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We are specifically, in more detail, analyzing the three versions of the laws themselves in the separate letters which have been given to you. My understanding is that when you distribute these more detailed analyses to our members, the lengthy laws, instead of being attached, will be available on the PANJ website since they are too lengthy to appropriately accompany e-mails to members.

Very truly yours,

A handwritten signature in black ink, appearing to read 'David I. Fox', written in a cursive style.

DAVID I. FOX

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Enclosures

cc: Mr. Stuart Martinsen (VIA E-MAIL ONLY: Stuart1960@aol.com)
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February 24, 2011

VIA E-MAIL ONLY: (GPChristie@aol.com)

Mr. George P. Christie, President
Probation Association of New Jersey
United Professional Center
617 Union Avenue, Unit 2-20
Brielle, NJ 08730

Re: Pending Bills on Health Benefits and Pensions

Dear George:

This is a brief report on pending legislation involving Bills which have been introduced with some additional comment on legislation which is being "talked about" by Governor Christie and certain Republican Legislators.

In many cases, the Governor's position and the position of Senator Sweeney, particularly with regard to health benefits, are very similar.

1. Health Benefits. The Sweeney announcement on health benefits, which preceded the introduction of the Bill on it, is attached and it shows the support for the proposals in the Bill by Governor Christie. The proposals in the Sweeney summary and outline which are attached, are also set forth in S-2718 which I am also attaching. In my opinion, the health benefits contribution which is sought, from current employees and for current employees who retire in the future, essentially reflect for most Probation Officers a 5% to 6% pay cut by way of a contribution paid to the State based upon a percentage of the premium. Although this is phased in over a period of several years, the top percentage so far as our Probation Officers are concerned, is 27% of the premium for those who make \$75,000 to \$99,000 in annual earnings and/or pension and 30% of the premium for those who make \$100,000 and above. Obviously the

premiums will have to go up dramatically every year in the State Health Benefits Plan for the cost of the plan. Family plan coverage currently is in the area of approximately an annual cost of \$20,000 per year. Since most Supervisors are at or above \$100,000 per year and most Senior PO's are in the area of that amount, or alternatively are above \$75,000, a contribution which will have to be paid by them when and if this Bill becomes law, will be between \$5,000 and \$6,000. This is based upon 30% of \$20,000 (\$6,000) or 27% of \$20,000 (\$5,400). This is, of course, a dramatic cut in pay and pension which is very likely to take place this year. Remember that a law when it is adopted depending on what it states, takes place on the date of adoption, passage and signing by the Governor, or alternatively on a date when the law says it will be effective. There appears to be an inconsistency in the attached summary of the Sweeney Bill and in the actual S-2718 since S-2718 seems to exclude new retirees from this payment if they have 25 or more years of service credit in the State retirement system on the effective date of the Bill. This is a major difference and we are seeking to have clarification on it! There are many other provisions in the Sweeney proposal on the law and in the Sweeney Bill which is S-2718, all of which are important and almost all of which are designed to negatively impact on health benefits. We will provide a more thorough analysis of all of this shortly, in about one week, after we have completed a detailed review of the laws including health benefits and pensions. This Bill would become effective immediately but would not impair or change an existing collective bargaining agreement. The contribution would replace the existing 1½% contribution for health care.

2. The pension legislation proposed is set forth in the Sweeney Bill which is S-2696, as well as in the Republican sponsored Bills from Assemblymen O'Scanlon and Chiusano and Senator Pennachio and as set forth in A-3796/S-2705. We are doing a detailed analysis of these separate Democratic sponsored and Republican sponsored proposed changes in pension laws. In the Republican Bill, the pension calculation would be on a five-year average of highest salaries. The retirement age would be raised to 65 for most workers and early retirement would require 30 years rather than 25 with the docking of ¼ of 1% for every month of the age under 65. A summary, however, of the separate Democratic and Republican pension laws is as follows:

A. S-2696. This Bill would become effective 120 days after enactment. Some of the key provisions of this Bill include the following:

- (i) It contemplates an increase in the employee's contribution by three percentage points from 5½% to 8½%.
- (ii) It eliminates cost-of-living increases for future retirees. There may be an exception as to new retirees who have five years or more in the

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pension system by the effective date of the Bill, provided they make an undefined payment to preserve the cost-of-living increase.

- (iii) In the future, after there is a procedure for a potential increase in the employee contribution from 8½% to a higher amount which is dependent upon the finding as to a number of factors.
- (iv) There are provisions for the change in the denominator back to 1/60 rather than 1/55 in the calculation of pensions for future retirees. The exact calculation of how this would work will be the subject of our more thorough analysis which we will give to you within about one week.

B. The Republican sponsored Bills A-3796 and S-2705.

- (i) We have only today received copies of the Republican sponsored legislation and, therefore, will provide you an analysis on this and a comprehensive analysis on all three laws next week. Clearly, however, this legislation proposes steeper pension contributions and cuts than does the Sweeney Bill.

Very truly yours,


DAVID I. FOX

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