

These proposals were drafted by our lobbying firm, Capital Impact Group, after reading the information put out by the Democratic Party, and by the Governor. Neither set of proposals are in the process of being enacted and they very likely will never pass. However, there will no doubt be changes and increased payments for pension and health benefits. The cost of those changes are not yet known or placed into a Bill.

Pension Reform Proposals Fact Sheet

New Jersey Democratic Legislature Proposal

- Model public sector pension fund after private sector funds
- Give public employees more say in how their pensions are administered
- The major changes the Democrats proposed:
 - Replace the current oversight boards with joint labor/management boards for each of the pension systems. The boards would be made up of an equal number of union and state officials, who would decide who would manage the fund's investments and determine the rate employees and employers pay into the fund.
 - Employees and employers would have to pay more into the pension system if its fiscal health declines.
 - Workers would either forgo a 9 percent pension boost they got 10 years ago, or keep it but pay more into the system.
 - Those with less than five years of service at the time of the new law's enactment would no longer get cost of living adjustments. Workers with more than five years would be eligible, but would have to pay a higher rate to get them.

Governor Christie Proposal

- Pension system is antiquated and unsustainable pension and benefit system.
 - Raise the retirement age in an era of longer life expectancy.
 - Curb the effect of COLAs in a time of low or no inflation.
 - Ensure a modest but acceptable contribution from employees toward their own retirement system. Rollback the 9% Increase for future service from N/55 to N/65
 - The State must also begin to make its pension contributions.

Changes for All PERS and TPAF Employees:

Rolling Back the 9% Increase for Future Service: Governor Christie's proposal adjusts the benefit formula to N/65 for future service from the current N/55. This change will roll back the 9% benefit increase for all future earned credit in the pension systems, a change that was authorized in 2001 without any way to pay for it, and will also conform the benefit formula to the proposed new retirement age. This change is not retroactive for prior service earned by current employees.

Changes for PERS and TPAF Employees with fewer than 25 years of service:

Updating the Age for Retirement Eligibility:

- Establishing the normal and early retirement age at 65
- Increasing eligibility for early retirement from 25 to 30 years of employment
- Adjusting the early retirement penalty to 3 percent for each year

A Fairer Calculation of Retirement Benefits: This change will require the use of an employee's average annual salary over the highest 5 years, rather than highest 3 years, when calculating their final retirement payout.

Changes for PFRS & SPRS with fewer than 25 years of service:

Updating the Age for “Special Retirement” Eligibility:

o Changes eligibility for special retirement from 65% with 25 years of service to 65% with 30 years and 60% with 25 years.

A Fairer Calculation of Retirement Benefits: This change will require the use of an employee’s average annual salary over the highest 3 years, rather than the highest year, when calculating their final retirement payout.

Changes for All Active Employees (PERS, TPAF, PFRS, SPRS & JRS):

Setting Employee Contribution Rates at a Fair, Uniform Level Across Retirement Systems.

o Employee contributions currently vary among the systems, from a low of 3.0% to 8.5%. Governor Christie’s reforms will align Employee Contribution Rates at a uniform 8.5%.

Changes for All Current and Future Retirees:

Eliminating Automatic Annual Payment Increases: Governor Christie’s reform proposal calls for the elimination of additional annual future Cost of Living Adjustments.

o Many states are reducing pension liabilities by lowering or eliminating cost of living adjustments (COLA), or eliminating COLAs for current and future employees. For example, Colorado reduced its 2010 COLA from 3.5% to 0% with a rate of 2% starting in FY2011. Minnesota reduced COLAs from 2.5% to 1-2% depending on the fund, and South Dakota made a 1% reduction in 2010 with future years COLAs based on investment performance.

Changes for a More Accurate and Honest Financial Forecast:

Adjust the anticipated rate of return used by the Pension Fund from 8.25% to 7.5% to reflect a more realistic picture of today’s investment climate; and

Move the amortization methodology from a percentage of pay schedule (which defers the retirement of any Unfunded Liability) to a level dollar amount each year in order to retire part of our Unfunded Liability earlier.

Disability Reform Proposals:

Address The Growing Abuse Of Accidental Disability Expenses, By Better Defining The Standards For Qualification.

Making PFRS and SPRS Earnings Tests match those used in PERS and TPAF: PFRS and SPRS members would not be able to earn more than the difference between the disability allowance and the projected salary that they would have earned had they remained in police/firefighter employment.