



Probation Association of New Jersey

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An affiliate of the American Probation and Parole Association

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Pension Reform Signed into Law ***By: George P. Christie, President of PANJ*** ***March, 25th, 2010***

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New Jersey Governor Chris Christie and lawmakers passed and signed into law on March 22, 2010 a wide-range of state pension and benefits reforms touted as tax relief measures. Governor Christie, Senate President Sweeney and Assembly Speaker Oliver; have all been in support of major overhauls to public employee pension and benefit reform for state, county and local employees, as well as school district employees.

After hours of delay, last night Governor Christie signed his first three bills into law, after a day of negotiating back and forth with the Democratic controlled Legislature over a provision that was ultimately removed from the bill which would have allowed full-time workers with fewer than 10 years on the job to switch to a 401k style plan, rather than be enrolled in the pension system. After this provision was removed, the Assembly voted for the pension reform package with no discussion of the bills on the floor.

Additionally, the Senate approved a bill which would place a constitutional amendment on the ballot in November asking voters to ensure the state pays its pension bill. The payment would be phased in over seven years. This bill must still be approved by the Assembly. This resolution will not need the Governor's signature.

Clearly, we are dismayed about the anti-public employee and anti-union messages we heard in the Governor's budget address and the lack of support in the Democratic controlled Legislature. Moreover, we wholeheartedly disagree with the Governor's stance on making participation in the civil service system optional. Civil service was created to guard against corruption and cronyism in government.

Below is a synopsis of each bill and its impact on PANJ members.

A2461/S2: This bill is the most comprehensive of the package. As currently written, these items do not affect individuals currently in the pension system, with one exception. If that changes, we will notify you promptly.

This measure changes the pension calculation from years of service over 55 (N/55) to years of service over 60 (N/60) for new employees entering the pension system. This would reduce pension payments to the pre-2001 level and would mean a reduction in pension calculation for *those who enter the pension system after this law is enacted*. This will equate to a 9 percent change in pension calculation for new employees. Many believe that this change to a lower age is a significant reason for the massive unfunded liability in the pension system.

The bill also changes pension calculation from the three highest salary years to the five highest salary years for new employees. Individuals in the police, fire and State Police pension system would have their calculation changed from one year to three years at the highest salary. Employees would now be limited to one job (the highest salaried) for purposes of pension calculation.

This bill does require, however, all workers with more than one public job to receive a pension for only one job that is the highest paying of the jobs.

Pension enrollment for new employees would be limited to those full-time employees who work at least 35 hours per week on a state level or 32 hours per week on a local level. New employees working less than these hours but earning at least \$5,000 could enroll in a 401-K type defined contribution plan. Per a floor amendment in the Assembly, current employees who have less than 10 years of service can no longer opt to move from the traditional system to the new defined contribution plan or leave the state system completely.

This bill was signed into law by the Governor.

A2460/S3: This measure would require **all** public employees (state, local and school district) to pay 1.5 percent of the costs of health benefits after the expiration of their current contract and limits enrollment in the state health benefits plan to only full-time employees. Such changes to health benefits were enacted in recent years but currently only apply to certain state employees.

The bill would also require all newly-hired employees to pay at least 1.5% of their base pension toward health benefits upon retirement. Additionally, any changes negotiated by the state with its employees will be applied to every government entity participating in the state health benefits program.

Additionally, multiple coverage in the SHBP and the SEHBP will not be permitted in accordance with the rules and regulations promulgated by the State Health Benefits Commissioner and the School Employees' Health Benefits Commission.

This bill was signed into law by the Governor.

A2459/S4: The legislation would extend caps for sick leave and vacation time placed upon state employees in 2006 to apply to other public employees. Local government and school employees would be limited to only a \$15,000 payout for unused sick time and limits vacation or sick time carried over from one year to the next. The measure also eliminates the sick leave injury program.

This bill was signed into law by the Governor.

ACR115/SCR1: This measure would ask voters to approve a mandatory contribution to the pension system beginning in July 1, 2011. If approved by the voters, the state would be required to pay 1/7th of the required pension payment each year for seven years until the pension payments are made current. For more than a decade, the state has not made the level of pension payment into the system as required by the state constitution. If the state fails to bring pension payments up-to-date, the payout obligations will exceed the amount of funds in it.

This resolution passed the Senate and heads to the Assembly.

Feel free to contact the PANJ office at (732) 223-1799, if you have any questions about these reform measures.