



®

Probation Association of New Jersey

Serving New Jersey Since 1904

An affiliate of the American Probation and Parole Association

United Professional Center, Building Two

617 Union Avenue, Brielle, NJ 08730

Phone (732) 223-1799 Fax (732) 223-8363

Website: www.panj.org

John C. Morton, MPA
Business Manager

Officials

George P. Christie
President

Peter Tortoreto
First Vice President

Stephanie Hennessey
Second Vice President

Cornelius Elsasser
VP, Supervisor's Unit

Dorothy Robinson
Northern Regional VP

Kevin Farley
Central Regional VP

Dwight Covalleskie
Southern Regional VP

Carmelo Velazquez, Northern
Reg. VP, Supervisor's Unit

Gavin Cummings, Central
Reg. VP, Supervisor's Unit

Bradley Fairchild, Southern
Reg. VP, Supervisor's Unit

Stuart Martinsen
Recording Secretary

Susan Ormsby-Cuozzo
Financial Secretary

Ann Rizzi
Treasurer

Thea Condry
Parliamentarian

Kristi Drummond
Sergeant-at-Arms

Regional Representatives

Region 1

Anthony Persico, Hudson
G. Anne Dutton, Morris
Daniel M. Bergin, Passaic

Region 2

Steve Wainwright, Middlesex
Edda Burry, AOC
John Morton, Monmouth

Region 3

A. Francis Nunan, Cape May
Glen Moton, Camden
Donald Elfreth, Camden

The State of Proposals to Change the Pensions and Benefits System for Public Employees

Presidential Newsletter by George Christie, President of PANJ

November 2006

As anticipated, the four Joint Legislative Committees convened during the Special Session on property taxes released their respective reports on November 15, 2006 to propose a series of recommendations as possible avenues to lower property taxes for residents. The recommendations put forth by the Joint Legislative Committee on Public Employee Benefits Reform have the most impact on our Probation Officers since the proposals would go directly to the heart of the pension and benefits package currently provided.

The genesis for the committee recommendations stems from the increasing cost to state, county and local governments to cover the costs of pensions and benefits for their respective employees. It is anticipated that the state's retirement systems have an \$18 billion unfunded liability. Moreover, expenditures for the State Health Benefits Program are an estimated annual cost of \$3.6 billion, a 150 percent increase during the past five years. This cost is expected to double by 2010.

The report notes that the Attorney General's office as well as the Office of Legislative Services (OLS) has issued legal opinions deeming it unconstitutional to alter the retirement benefits for retired individuals or for those who have at least five years of accrued service.

In total, there were 41 recommendations put forth in two issue areas: pension benefits and health benefits. The committee, in some instances, recommends that these reforms be enacted through legislation as opposed to achieving them through the collective bargaining process. Many of them affect public employees who work for local government entities; therefore, the proposals would not impact Probation Officers.

In this newsletter there is a brief synopsis of the recommendations that would most impact Probation Officers. Please note that not all recommendations are enumerated below as many would not affect PANJ members. The recommendation number is the number as reflected in the corresponding report. If you are interested in reviewing all 41 recommendations, the full report issued by the Joint Legislative Committee on Public Employee Benefits Reform and all the joint legislative committees please feel free to review them online at: www.njleg.state.nj.us/PropertyTaxSession/specialsessionpt_reports.asp.

As this process moves forward, we will continue to monitor any legislative activity altering our pension and benefits package and will inform PANJ's membership of any developments. In the coming weeks, several of our fellow union officers will be holding protests throughout the state in opposition to these recommendations. We will keep you informed of such events as information is available and pertinent to PANJ members.

PENSION BENEFITS:

- **Recommendation 1:** Limit defined benefit pension plans to full-time career employees and establish new defined contribution program for all new part-time employees, elected officials and full-time appointed officials

Under the proposal, there would be a higher threshold for individuals who will be allowed into the pension system. The crux of this recommendation applies to part-time and newly elected or appointed officials to root out pension tacking and padding. Moreover, the recommendation finds that the current benefits program is most appropriate for full-time employees.

- **Recommendation 2:** Increase retirement age to 62 *for new employees*

The retirement age is 60 under the current system. This proposal would increase it to age 62 for individuals under the PERS and TPAF system. It also suggests increasing the age for early retirement from 55 to 62. The rationale for moving this age is rooted in the fact that 62 being the earliest age that an individual can collect federal Social Security benefits; it is more reflective of the life expectancy of individuals in the system; and it brings the public employee sector closer to the average retirement age of employees in the private sector.

- **Recommendation 3:** Reduce benefit formula for new members from N/55 to N/60

This proposed change, like most, would *solely apply to prospective employees*, not those currently in the system. The calculation for new TPAF and PERS members would be changed from the current N/55 to N/60 (with N equaling the years of the service). Estimates project that the retirement allowance for prospective employees under this formula would be eight percent less than those under the current formula.

- **Recommendation 5:** Base “high salary” pension benefit calculations for new members on higher number of years

The recommendation calls for legislation to change the calculation for *new members* of the pension system from the three highest paid years of service to the five highest paid years of service (for normal PERS and TPAF members) and from the single highest paid year to the three highest paid years of service (for veterans who are members of PERS or TPAF).

- **Recommendation 6:** Designate one job for one pension

Retiring individuals would no longer be able to “tack” salaries for multiple jobs together to use as the base for determining the pension payout. An individual would be required to use only one job in making this determination.

- **Recommendation 7:** Repeal non-forfeitable right to pension benefits after five years of pension service

For new employees, the panel calls for a repeal of non-forfeitable rights after just five years of service. This recommendation argues that the Legislature should not be bound by decisions made by a previous Legislature.

- **Recommendation 9:** Allow all non-vested employees to opt into defined contribution program

At present, all public employees earning more than the minimal salary threshold are required to be in the PERS system. This recommendation would allow public employees the flexibility to enter into another defined contribution program.

- **Recommendation 17:** Replace accidental and ordinary disability benefits with private disability insurance coverage

Legislation is called for under this recommendation to replace accidental and ordinary disability benefits for new TPAF and PERS members with private disability insurance coverage for this group of individuals.

HEALTH BENEFITS:

- **Recommendation 22:** Require all active public employees to pay some portion of cost of health care insurance premiums

Currently, an estimated 804,000 individuals, or 10 percent of the state's population, are in the SHBP. While the committee recommendations differ to the collective bargaining process to determine the figure, the panel does recommend that employees pay some portion of the cost of their health benefits. The report notes that the Benefits Review Task Force suggested that this amount be set at either five or ten percent of the cost.

- **Recommendation 23:** Require future retirees to pay some portion of cost of health care insurance premiums

The panel calls for all future retirees to pay a portion of their health benefits derived by a sliding scale based on the amount of their pension. This recommendation would need to be integrated by changing state statute.

- **Recommendation 26:** Limit SHBP participation to those who work at least 35 hours per week.

Legislation would need to be enacted to limit enrollment for future SHBP member to only full-time employees who work at least 35 hours per week. At present, you must only work 20 hours per week to qualify for health benefits.

- **Recommendation 28:** Prohibit out-of-State purchased pension service from being creditable towards post-retirement health care benefits

To enact this recommendation, legislation and accompanying regulation would need to be adopted to prevent any one individual from having multiple coverage under SHBP. For instance, if both spouses were in the program they could not have both plans cover both of them.

- **Recommendation 30:** Offer SHBP basic health care plan at low cost to public employees and determine cost to employee of SHBP plan according to sliding scale with regard to employee's compensation

The committee is committed to having employees pay their fair share of health benefits, but does not want this cost to be a financial burden for lower earning employees. As such, the panel calls for the Division of Pensions and Benefits to basic health benefits plans for employees as opposed to a more costly plan so employees have an option as to which plan they can choose.

- **Recommendation 31:** Mandate use of mail order for maintenance prescriptions and encourage generic drug utilization for SHBP participants

The panel recommends that the State Health Benefits Commission institutes "educational initiatives and copayment incentives" to encourage employees to use mail order for maintenance prescriptions and generic drugs.

- **Recommendation 32:** Require SHBP bulk purchasing of pharmaceuticals

Similar to the suggestion for mail order and generic drugs, this is seen as a method of maintaining prescription drug coverage while saving the state money in administering the program.

OTHER BENEFITS:

- **Recommendation 36:** Limit sick leave compensation payable upon retirement to \$15,000 for all local government and board of education employees

At present, state employees are limited to a \$15,000 payout for sick leave. This recommendation, achieved through collective bargaining, would normalize this payout to include local government and board of education employees.

- **Recommendation 38:** Eliminate State's sick leave injury program

The panel calls for legislation to be enacted to close the sick leave injury program to future employees. Access to the worker's compensation program will still be available to all present and future employees. There are only five states, including New Jersey, that currently have such a program.

- **Recommendation 39:** Increase interest rate charged for pension loans in State administered retirement systems

At present, PERS members are permitted to borrow against their pension up to two times a year at a maximum \$50,000 per loan. The set interest rate for these employees is set under state law at four percent. The recommendation call for legislation, applying to present and future employees, to set the interest rate for these loans to be set at the prime rate minus one percent with the Division of Pensions and Benefits permitted to charge an administrative fee for such loans.

- **Recommendation 40:** Review number of State holidays for public employees

Public employees are currently granted 13 paid state holidays plus the traditional day after Thanksgiving being granted as a vacation day. The panel recommends that the number of state holidays be reviewed to bring them in line with federal holidays. This would mean a loss of Lincoln's Birthday, Good Friday and Election Day as paid days off.