



Probation Association of New Jersey

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An affiliate of the American Probation and Parole Association

United Professional Center, Unit 2-20

617 Union Avenue, Brielle, NJ 08730

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

Website: www.panj.org

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Business Manager

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Executive Assistant
to the President

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PRESIDENTIAL NEWSLETTER ON PENSION REFORM

By: George P. Christie, president of PANJ

February 2010

As you may know, there is a significant effort to pass a wide-range of state pension and benefits reforms in the immediate future as a means of saving tax dollars. Measures now under consideration were first proposed by the Joint Committee on Public Employee Benefits Reform during the special legislative session in summer of 2006. Since that time, the Legislature and the former Corzine Administration could not come to consensus on many items proposed.

Much has changed since Governor Christie took office and under the leadership of Senate President Sweeney and Assembly Speaker Oliver; all three are in support of major overhauls to public employee pension and benefit reform for state, county and local employees as well as school district employees. Legislative leadership in both the State Senate and General Assembly have given assurances that newly introduced measures enacting major reform will be given swift passage.

In fact, the Senate Government, Wagering and Tourism Committee will hold a hearing on February 18, 2010 to vote on the four-bill package. The bills have enough bi-partisan sponsors in the Senate to guarantee passage by the full house in the coming weeks (by the end of February as sought by Senate President Sweeney.) In addition, Governor Chris Christie stated in his speech to the Legislature on February 11, 2010 that he would like the bills on his desk prior to his budget speech on March 16, 2010.

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

Senate Bill 2: This bill is the most comprehensive of the package. As currently written, these items do not affect individuals currently in the pension system. 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. 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 would apply to new enrollees.

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. Current employees who have less than 10 years of service can opt to move from the tradition system to the new defined contribution plan or leave the state system completely.

Senate Bill 3: This measure would require all public employees (state, local and school district) to pay 1.5 percent of the costs of health benefits 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.

Senate Bill 4: The legislation would extend caps place on payouts for sick leave and vacation time placed upon state employees in 2006 to apply to other public employees. 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 going forward.

Senate Concurrent Resolution 1: 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.

Please keep in mind as you hear rumors from members of other public employee unions that many of these measures are extensions of agreements and givebacks that PANJ already agreed to in recent years. Members of local police, fire or public employee unions were not covered under previous reform measures and therefore would not fall under the provisions that PANJ members now fall under. While pension calculations are the most significant item that applies to PANJ members, the measure, as currently written, is aimed at new members coming into the system. If any terms or conditions change, we will work to address them accordingly.

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