

2010 New Jersey State PBA Convention Government Affairs Report

“Pension Reform 3”

Governor’s proposal amounts to 3rd pension reform effort since 2007

Proposals would significantly change the level of pension and health benefits for PFRS

Pensions

- Changes eligibility for PFRS special retirement from 65% with 25 years to 60% at 25 years and 70% at 30 years to 65% for any PFRS member with less than 25 years of service
- Change calculation for pension to “highest 3 years” rather than final salary for all employees (this currently applies only to employees hired after May 21, 2010).
- Eliminate Cost of Living Adjustments (COLA)
- Revise Disability pension qualifications
- Establish disability pension earning test which would prohibit PFRS member from working a job whose salary exceeds that of what they would’ve been making as an officer if they hadn’t retired on a disability.
 - Example – an officer collects a disability pension of \$50,000. If the retiree had stayed employed as an officer his salary would be \$75,000. Under this proposal, the retiree would be prohibited from earning more than the difference between his pension and his projected salary.

Health Benefits

- Mandate 30% employee contribution of cost of premium instead of contribution of 1.5% of salary phased in by 2014.
- Eliminate Direct 10
- Provide more health benefit plans
- Increase co-pays, deductibles and other benefit contributions

Legitimate Pension questions to be discussed

- Large unfunded liability
- Disability pensions need to be addressed
- Is “change it to save it” the right approach?
- Where can we work together with Governor on these issues?

Key Questions that need to be analyzed

- Legal – changing benefits for “vested” employees
- Important to understand difference between “political” and “policy” goals

- What will Legislature do?
 - Sweeney statement on not moving reform until pensions are funded
 - Legislature history of deal making

Tool Kit

Discuss relevant tool kit issues

Legislature review under way

- Senate Bill 2173 and Senate Bill 2220 (cap supplemental compensation)
- Binding Arbitration discussions
- Assembly State Government Committee (9/20 Civil Service hearing)
- Assembly Budget Committee expected to hold hearings as well in Fall
- PBA has been active discussing concerns, proposing alternatives

2% Cap

Serious concerns

- Layoffs highly likely in 2011
- Cap doesn't have "public safety" exemption
- PBA proposing A3214 (public safety cap exemption)

DCA "Best Practices Checklist" for State Aid

- Discuss topics and % ranges
- Look at it carefully and help towns search for efficiencies if possible

Legislative Activity

- Currently tracking 422 bills
- A207 (expands Rice Bill to all State, county and local law enforcement)
- Prison Privatization (Camden/Somerset/CEC failings)
- Prosecutor Takeover Study
- Assembly public hearing on layoffs (October 7th)

Political Analysis

2010 and 2011 Legislative issues

2010 Congressional elections and federal overview