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PFRS Restructuring Bill will lead to growth and lower costs for all

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The recent hysteria from local government officials about PBA endorsed legislation to restructure the management of the Police and Firemen's Retirement System is a massive stretch of the facts that ignores the reality of the clear language of the bill, the success of labor-management pension funds around the nation and the League of Municipalities role in crafting much of the bill as it appears today.

There is little question that the PFRS is New Jersey's healthiest pension system. But no one should deny that nearly 20 years of pension gimmicks have reduced the funded value of PFRS from well over 100% funded in 2000 to just over 70% funded today. Who is to blame for that serious drop in value? The State of New Jersey and its municipal governments. Repeated pension deferrals in the early 2000's, the State's failure to make its full pension payment and awful investment returns by the State Investment Council are the culprits that led us to this point today. The myth that somehow benefits are too rich to sustain can never overcome the reality of the math – the government failed to do its part by making its payments. Period. End of argument.

So the State PBA, State FMBA and State FOP have decided to not allow our members to be victims of the government's pension shell game any longer. Senate Bill 3040 is based on over 18 months of research and analysis of the most successful police and fire pension systems in the nation. It has been run through actuaries, attorney's and pension professionals. We know our model will lead to a renewed growth in PFRS pension value because we have seen it work elsewhere.

The bill is simple. Instead of allowing the State to mismanage the system and allow political choices to dictate pension investments and policy, the PFRS will be managed by a board comprised of the real stakeholders – law enforcement, firefighters and government officials.

The bill is centered one on single mandate. That the new pension board's sole fiduciary obligation is to fully fund the system. That isn't a general statement. It is very clearly spelled out

in the bill. Decisions must be made to bring the system up to fully funding according to actuarial best practices and investment strategies. That is the focus of the bill and the new pension board.

But the argument among those who wish to keep their strangle hold on our pensions is that a labor managed board will be too greedy to make the right decisions and ultimately labor will destroy it and leave taxpayers holding the bag. Dumber arguments have never been made and that's saying something for Trenton.

First, what benefit is it to labor for the system to be destroyed through avarice? No pension funding equals no pensions. Second, every decision the board makes falls inside their legal obligation to fund the system and all of their decisions must be made with actuary oversight. Third, any votes to change benefit levels or increase costs to taxpayers requires a 2/3 board vote. Anyone want to take bets on whether future local government PFRS Trustees are going to vote for a tax hike out of this bill if the system isn't funded? We all know they never will, so why all this fear?

The argument that we will give COLA back to retirees with a simple majority vote and kill the value of the Fund fails to take into consideration another key component of the bill. If the system is making money, but not doing well enough for a long term COLA increase for retirees, then the Board can make onetime adjustments. Think a dividend payment. It's not permanent. It can be tied to a number of standards to keep costs low. But it recognizes that we have retirees who need that COLA to live.

And for opponents to suggest that the bill will lead to a slam on future taxpayers if the system goes under is a failure to tell the truth that if the system goes under today, as it is, that taxpayers still must pay off the unfunded liabilities of the system. So even in the worst case scenario, nothing in this bill changes the risk to taxpayers associated with a failed pension fund. That argument is fearmongering at its worse with no basis in fact.

Yes, labor members will have a majority on the pension board. But we have the most to lose if our system is allowed to fail. Not only do our members not get the pensions we risk our lives to earn but as taxpayers, should the State further ruin the system, we also get hit with the property tax costs to make up for their past sins. So our members lose twice if we sit back and do nothing.

This bill has controls to protect taxpayers. It provides local government officials a seat at the table they have never had before. It establishes a pension system focused on enhancing the value of the system every day through a staff focused solely on that mission.

This is the right thing to do at the right time. Local government officials need to stop insulting the law enforcement community by suggesting in their opposition we are too greedy to help manage our pension system. This bill means protections from the games and fiscal mismanagement of a system that have ruined a once over funded plan. State and local governments have ruined the value of the PFRS. It is time for them to get out of the way and allow the people with the most at stake to do for PFRS what the government has shown themselves incapable of doing for 20 years.