

Public Hearing

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before

SENATE LAW AND PUBLIC SAFETY COMMITTEE

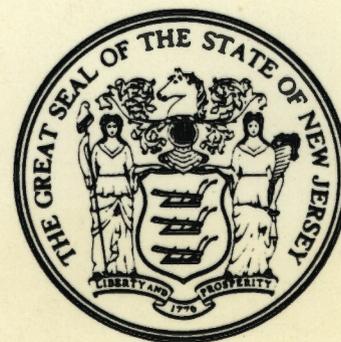
"Recent criticisms of the activities of the
New Jersey State Firemen's Association"

LOCATION: Committee Room 9
Legislative Office Building
Trenton, New Jersey

DATE: June 23, 1994
2:00 p.m.

MEMBERS OF COMMITTEE PRESENT:

Senator Louis F. Kosco, Chairman
Senator James S. Cafiero, Vice Chairman
Senator John A. Girgenti
Senator Edward T. O'Connor, Jr.



ALSO PRESENT:

Anne M. Stefane
Office of Legislative Services
Aide, Senate Law and Public Safety Committee

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Public Hearing

1964

STATE LAW AND POLICE OFFICERS

Public Hearing of the Committee of the
New Jersey State Police Association

DATE: June 17, 1964
TIME: 10:00 A.M.

LOCATION: Committee Room
Department of Public Safety
Lansdowne Room

AGENDA

1. Presentation of the Report of the
Committee on the State Police
Officers' Association

TESTIMONY

1. Presentation of the Report of the
Committee on the State Police
Officers' Association

New Jersey State Police

Public Hearing of the Committee of the
New Jersey State Police Association



LOUIS F. KOSCO
Chairman

JAMES S. CAFIERO
Vice-Chairman

C. LOUIS BASSANO
JOHN A. GIRGENTI
EDWARD T. O'CONNOR, JR.

New Jersey State Legislature
SENATE LAW AND PUBLIC SAFETY COMMITTEE
LEGISLATIVE OFFICE BUILDING, CN-068
TRENTON, NJ 08625-0068
(609) 984-0231

R E V I S E D

NOTICE OF PUBLIC HEARING

The Senate Law and Public Safety Committee will hold a public hearing on the following topic:

THE RECENT CRITICISMS OF THE ACTIVITIES OF
THE NEW JERSEY STATE FIREMEN'S ASSOCIATION

The hearing will be held on **Thursday, June 23, 1994 at 2:00 PM** in **Committee Room 9, Legislative Office Building, Trenton, New Jersey.**

The public may address comments and questions to Anne M. Stefane, Committee Aide and persons wishing to testify should contact Kathleen Espieg, secretary, at (609) 984-0231. Those persons presenting written testimony should provide 10 copies to the committee on the day of the hearing.

Issued 06/17/94
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Assistive listening devices available upon 24 hours prior notice to the committee aide(s) listed above

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SENATOR LOUIS F. KOSCO (Chairman): Okay. We'll call the meeting to order. We'll have a roll call.

MS. STEFANE (Committee Aide): Senator O'Connor?

SENATOR O'CONNOR: Here.

MS. STEFANE: Senator Girgenti?

SENATOR GIRGENTI: Here.

MS. STEFANE: Senator Cafiero?

SENATOR CAFIERO: Here.

MS. STEFANE: Senator Kosco?

SENATOR KOSCO: Here.

MS. STEFANE: You have a quorum, Mr. Chairman.

SENATOR KOSCO: Thank you.

Needless to say, this is not a voting session. This is strictly a hearing so that we can get as much information as we possibly can receive as a Committee to make any adjustments and any changes that may be found to be necessary to make this firemen's fund work the way it was intended to work.

Many serious questions regarding the activities of the New Jersey State Firemen's Association and its local affiliates have been asked. For example, it was reported, based on documents obtained from the Department of Insurance and the Secretary of State's Office, that in 1992, the latest year for which data is available, the Firemen's Association and its 530 local relief associations received \$12.3 million. Of that amount, only \$4.9 million was distributed in the form of burial benefits and supplemental benefits for firefighters and their widows. Only 76 of the 530 local associations distributed more aid than they spent on themselves. About half of the local associations awarded no relief money at all. Relief money went to salaried firemen earning up to \$73,000 a year.

These are all things that were found through some of the research that was done. Five firemen, where their base salary was \$53,000 a year and their city-paid health benefits

were provided for them, received up to \$1200 in relief money. On the other hand, 25 widows received relief payments of only \$252 to \$500.

There are some 77,000 paid and volunteer firefighters who are members of the Firefighters' Association. Yet, other than eventually receiving a small burial benefit, only a small percentage of the firefighters in New Jersey financially benefit from this fund.

Local association officials received almost \$1 million in compensation for administration from the fund in 1992. In 1992, the Association spent a total of \$2.6 million on administrative, travel, and hotel expenses, and only \$1.6 million in relief. In 1992, about \$600,000 more was spent on travel and hotel expenses for the annual Association convention than the law allowed. Among those who tapped the fund for \$2745 in convention expenses were 14 members of the host community.

The Association has more than \$90 million in assets. About 46 percent of the \$63 million in reserve funds accumulated by the Firemen's Association's 530 local chapters was amassed between 1984 and 1993. During that same period, local officials administering the fund spent \$20 million on their own expenses to attend the annual conventions, while just \$14.7 million went to the needy.

The proportion of money spent by the Association's local members on themselves, about 62 percent, to money spent on the needy contrasts sharply with that of most charitable organizations. Normally, 60 percent out of every dollar that a charity spends must go toward programs and services, according to the National Charities Information Bureau. According to the Bureau, the balance of the expenses should be evenly divided between administrative, overhead, and fund-raising. Significantly, unlike most charitable organizations, the

Firemen's Association need not do any fund-raising because they are funded by the 2 percent surtax on homeowners' policies written by out-of-state insurance companies.

Apparently, 1992 was not an unusual year, but has been the norm for the distribution of funds by the Firemen's Association for many years.

Clearly these are serious questions that have been asked. If they are true, the law must be changed to ensure that the New Jersey Firemen's Association fulfills the purpose for which it was originally created.

The stated reason for creating this organization 109 years ago, back in 1885, and funding it with State dollars was to benefit New Jersey's needy firefighters and their families. The law clearly states that the revenues exist solely for the relief, support, or burial of indigent firefighters and their families. When more than 60 percent of funds are spent for administration and conventions, while less than half of annual collections are given to the needy firefighters and their families, something is very wrong indeed. When an organization that was created to help needy firefighters and their families has some \$90 million in assets, something is very wrong. When more assistance is provided to individuals with good annual incomes than is provided to widows and the needy families of deceased firefighters, something is very wrong.

As you know, the Firefighters' Association is funded by a 2 percent surtax on fire insurance policies sold in New Jersey by out-of-state insurance companies. Thus, the high administrative costs of the Firemen's Association and the excessive expenditures for conventions are wasting dollars.

The 1985 State law that set up the Association is the only one of its kind in the country. However, I want to make it very clear that I believe that there is a definite need for the firemen's fund, since most of the firefighters in New Jersey are volunteers with no pay and no benefits. But

unquestionably, if the reports are accurate, there is a desperate need for an overhaul, a restructuring, and a streamlining of the Firemen's Association and its operations.

The objective of this Committee and these hearings is to determine what revisions in the law are necessary to ensure that the tax funds are used for the purpose for which they are intended, to benefit needy firefighters and their families, and not for administrative and convention expenses.

Apparently this situation has existed for many years. In 1987, the then State Attorney General, Cary Edwards, asked the Legislature to correct the problem. For some reason, nothing was done.

This time I intend to see to it that the necessary changes in the law are made to correct the problems which have surfaced. The purpose of this hearing today and for planned subsequent hearings on the State of New Jersey's Firemen's Association is to determine how best to restructure the Association to reduce its vast administrative costs and increase benefits to the needy. The Committee intends to receive and review every aspect of the Association to determine if there is an improper usage of funds. If that is true, then we will make changes.

A major question is the future of almost \$90 million under Association control. The ability of this private, nonprofit organization to build a large reserve could mean it has long been overfunded, or it could mean that it is not using the money properly, or is not giving it out to where it should be given out, or the money has to be redirected to a better use that will help firefighters.

I also want to mention that I did not invite the Insurance Commissioner to testify here today. The State agencies will be the subject for another hearing that we will have after we have tried to bring together as much information as we can so that we know what is going on with the

Association. After we have received as much information as we can, then we will put together another hearing which you will be invited to also, and we will call in the Commissioner of Insurance and whoever else we believe has to be brought in so that we can find out what we have, where we're going, and if there are changes that have to be made.

I want to stress to everyone who is here that this is not an investigation. This is strictly a hearing. Some of us have just heard about this for the first time, and hadn't the slightest idea what it was about until we started reading an awful lot of information about it. We are trying to correlate all that information now, so this is not any kind of an investigation. This is strictly a hearing so that we can come up with ways to try to help and see what we can accomplish from it.

Do any of the other Senators have any statements that they would like to make?

SENATOR GIRGENTI: Mr. Chairman, I'd like to ask a few questions, but I guess we'll let them testify first and ask questions of them.

SENATOR KOSCO: Sure.

Ernie Greenwald, from the New Jersey State Firemen's Association?

B A R R Y T. P A R K E R, ESQ.: Mr. Chairman, I'm Barry Parker, Counsel--

SENATOR KOSCO: Senator Barry Parker, how are you today?

MR. PARKER: Good, good. I'm here to introduce President Greenwald, and I will sit with him in case there are any particular questions, Senator.

I would also like to introduce the officers of the Association who are here with President Greenwald. We have Vice President Bocchino, from Bergen County--

SENATOR KOSCO: I spoke with him on the telephone.

MR. PARKER: --our Treasurer, Barry Osborn, who is a CPA, from Ocean County; our Secretary, Joseph Stauffer, from Hudson County; Jake Genovay, First Assistant Secretary, Mercer County; and George Heflich, Second Assistant Secretary, from Hudson County also; and Bob Schaal, who is a former Vice President and now is the Field Examiner for the New Jersey State Firemen's Association.

SENATOR KOSCO: Thank you.

Again, I just want to point out that we're here to listen, and hopefully we'll get as much information as we possibly can from you. We may not know the proper questions to ask, as a matter of fact.

E R N E S T J. G R E E N W A L D, SR.: Senator, let me say to you, before I get into my statement, that we are certainly here to give you, hopefully, all the answers. And I also want to make it very clear that I will make myself available to any one of you, or to any one of your aides, at any time, day or night, so that we can get this thing underway.

Good afternoon, Mr. Chairman and members of the Committee. My name is Ernest J. Greenwald, Sr., and I am President of the New Jersey State Firemen's Association. I appreciate the opportunity to appear before the Committee today to lay to rest any concerns you may have regarding the State Association's management of its State office and the local firemen's relief funds.

I'd like to start by offering a very brief overview and then directly address the questions you posed in your letter inviting me to appear today.

The New Jersey State Firemen's Association was established by an act of the State Legislature in 1885. Its activities are funded by a 2 percent tax levied by the State on fire insurance policies written by out-of-state insurance companies. A nearly identical funding scheme is used by virtually every state in the Union and is founded on the

proposition that firemen should be rewarded in some manner by fire insurance companies for the effort they put forth in protecting insured property. The revenues from this tax are allocated to each of the local relief associations based on the premiums paid for fire insurance written in each municipality.

As of December 31, 1993, our membership totaled 76,666 individuals in 531 local relief associations. A 532nd local association joined the State Association last month. Our total membership as of today is 76,682.

The State Association is responsible for overseeing and distributing all funds generated by the 2 percent tax. The Association also has full responsibility for controlling and overseeing the administration of local relief associations and the financial assistance programs they operate. We also maintain detailed records of all the activities of every individual member of the Association, including each member's attendance at fires and fire drills.

The Firemen's Association oversees two benefit programs: One provides financial assistance to indigent or needy firemen or their survivors; the other pays a burial benefit to the survivors of deceased firemen. The Executive Committee has set the current benefit level for local relief at a maximum of \$1750 per year. The Burial Benefit, which is intended to reflect the average cost of a funeral in New Jersey, is currently \$4600. It is scheduled to rise to \$5000 as of July 1.

The statutes governing our operation require that the officers of the Association be elected annually by the membership. The statute also sets out who shall attend the annual meeting as voting delegates.

Mr. Chairman, I could go on for an hour detailing our statutory obligations and explaining how we meet them in every detail. However, all of that information is contained in the briefing books we have provided each member of the Committee,

along with examples of all the forms, financial statements, bank certifications, and bonds that are used in administering and overseeing the funds under our control.

Rather than bog down in detail, I'd like now to turn to the points raised in your letter, offer my views, and then answer your questions.

With regard to your concern about conflicts of interest and the steps the Association can take to impose stricter oversight, I see this as a question that we cannot answer, since we have no control over the individuals who are assigned by State agencies to oversee the Association.

I can assure you that from the Association's viewpoint, there has never been a conflict since I became president in 1983. If others have seen a conflict or the appearance of one, it is an issue for the pertinent State agencies to act on, not the Association.

As far as financial reserves go, there are a few points that must be clarified: First, and this is most important, there is no unified \$90 million reserve. At the end of 1993, the State Association's General Relief Fund had total assets of approximately \$27 million. The 531 local relief associations then in existence had cumulative assets of approximately \$63 million, but each local relief association is, under law, a separate entity with its own officers, administration, income, assets, and financial responsibilities. The average local relief association asset balance is approximately \$120,000.

The State Association's financial obligations include all the administrative expenses of the Association and payment of burial claims. Additionally, the Executive Committee has executed an agreement with the Board of Managers of the New Jersey State Firemen's Home to assist in funding the Home at a point in the future when its resources are no longer adequate.

Currently the Firemen's Home is funded by a 2 percent tax proceeds from municipalities which have no local relief association.

Mr. Chairman, since 1968 the State Association has commissioned periodic actuarial studies of the General Relief Fund for the express purpose of determining the fund's ability to meet current and projected obligations. The studies use the actual experience of the Fund to develop projections for future years. The projections are later compared with actual experience to develop new projections.

Since 1968 there have been six such actuarial studies, the latest of which was completed September 7, 1993. That study, which I will be happy to provide to you -- and I believe each one of you have received a copy of that today -- reaches the following conclusion, and I quote:

"Based on the assumptions outlined previously, the General Relief Fund will remain relatively stable over the next four years and then start to decline and be completely depleted after approximately 12 years. A key assumption of this projection is that all current and future firemen are relatively healthy. If a significant number of unhealthy firemen are included in the future, the General Relief Fund will decline earlier and be completely depleted sooner."

So, Mr. Chairman, in answer to your question, "Do I believe that the Association is overfunded?" my answer is an emphatic, "No."

I think the clear justification for maintaining an adequate reserve is the implicit promise made to this Association's 76,682 members that, in return for their difficult and often dangerous service to their community, their families may expect some modest compensation upon their death, and, should they become indigent or needy, some small assistance would be available.

In answer to your questions concerning the establishment of a single, central location to distribute relief, my answer is also, "No."

All applications for local financial relief are made and investigated at the local level. Applicants must meet clear financial requirements set forth by the Association in order to qualify for relief. Each case is investigated and decided on an individual basis by the trustees and officers of the local relief association.

Many of these officers accept modest compensation for their efforts; many others accept no compensation for the services they provide.

Bringing this complicated and time-consuming activity into a central office would dramatically increase administrative expenses and would represent a broken promise to firemen, who, since 1885, have been allowed to administer their local relief funds, which, as I mentioned, are based on fire insurance written in their own local community.

I should note here, Mr. Chairman, that the bylaws of the local relief associations strictly limit all administrative costs, including salaries and expenses incurred, to 15 percent of each association's annual revenues.

As to our auditing procedures, Mr. Chairman, it would take me half an hour to go through them thoroughly, and you will find all the pertinent material in your briefing book.

Briefly, every local relief association must file an annual financial report which accounts for every penny of their local funds. These reports are first reviewed by the auditing committee of the local association. They then receive an extensive and thorough review by the State Association's Field Examiner. Following his review, the Field Examiner then visits and examines the books of every local association whose financial report has not completely satisfied all statutory and State Association requirements. This year the Field Examiner will conduct 90 such reviews of 1993 reports.

In the event that the field examination does not completely satisfy the Field Examiner's concerns, the Executive Committee has the power to freeze the bank accounts of a local association until all questions are resolved. I can assure you that we do not hesitate to use this power. In fact, the assets of one local association were ordered frozen as recently as May 23 of this year, and that happened to be in Cape May County.

Finally, Mr. Chairman, you asked what I believe we, as an association, can do to more efficiently provide better overall service to our members. I must say, in all frankness, that I believe we administer the funds under our control in an efficient manner. We do, however, constantly work to improve our operation.

We do recognize that we can be more proactive in reaching out to potential beneficiaries of the financial relief programs. In order to assure that those in need are aware of the local relief programs, we are instituting a new procedure whereby we will include with each burial benefit check mailed a notice advising the recipient of the existence of the local relief fund, along with information on how to apply for assistance. That is on the yellow card that you have there, today.

Before I close, Mr. Chairman, I would like to note that all our activities are closely and carefully supervised by the State Department of Insurance and the Office of the Secretary of State. Additionally, we are under the ongoing review of the courts and the Attorney General. Thus, there are many safeguards in place to ensure that the New Jersey State Firemen's Association strictly complies with all State statutes and that our constitution and bylaws accurately reflect State law.

Mr. Chairman, I could spend hours explaining the intricacies of this Association and the many financial controls

placed on the use of our funds, but I think your time might be better spent, at this point, if I were to stop talking and answer some of your questions.

SENATOR KOSCO: Does anyone have any questions?

SENATOR GIRGENTI: A few questions. One thing, as the Chairman said before, we're just here to really get information. Obviously, we were communicated with, received newspaper articles, and we need some clarification on some of this information.

One thing comes to mind. How is the money collected and distributed? Who collects the funds and determines how it is allocated? I think you touched on it.

MR. GREENWALD: I think probably I should go back and tell you how it started. Originally it was that each foreign insurance company that wrote a policy in an individual municipality would send a check to the local relief association. They, in turn, would then give the State office a report and there would be an assessment on those funds to help run the office and pay the burial fund.

The insurance companies said that this was a great bit of work for them, writing 531 different checks to each local relief association, so there was a program that was instituted where ISO, the Insurance Services Office for the State of New Jersey, said that they would be very willing to collect those moneys for the insurance companies, and at the end of the given calendar year, would then send to New Jersey State Firemen's Association one check for the whole total with a report that would say that Paterson got so much, Lumberton got so much, and Mount Holly got so much. The insurance companies were very happy with this. As far as I know, the Department of Insurance was pleased. They were getting the reports they needed not only from the ISO, but from us.

ISO, approximately two years ago, decided they wanted out. We had worked with ISO. They had seen the operation in our office. They felt that our office could do the very same thing. The insurance companies agreed.

We met in the Commissioner of Insurance's office. This was, as far as I know, run by the Commissioner of Insurance, and he also agreed.

We have formulated the various reports that the Commissioner of Insurance has asked for, and he seemed very pleased with what is happening. And again, it is helping the insurance companies by only issuing one check to us, and then we break it down, keep it in the computer, and at the end of the year then make the necessary adjustments and the payments to the respective people.

Now I probably should explain the system that they use. The ISO, when they came into this, set up a code system for each municipality in the State of New Jersey, and in the books that I have provided to you, you will see those codes. Each municipality has a code -- and I'll use Lumberton, because that's where I am from. Our code with them is 302. The minute we see a code 302, we know that that money is assigned to Lumberton, and at the end of the year they get that. These codes are there; they've been accepted by ISO, and have been accepted by the insurance industry. They say it makes it much easier for them to operate.

SENATOR GIRGENTI: All right. From reading some of the information, there is a system here that I believe some 30 or 40 municipalities do not have local relief organizations.

MR. GREENWALD: Out of 567 municipalities, we now represent about 526. There is a little less than probably about 45 that do not have a relief association.

SENATOR GIRGENTI: All right. So reading the data, maybe you could fill me in, why do only maybe 30 or 40 nonmember municipalities generate more than half the revenue

than the 531 local associations generate? I saw figures that they have approximately \$4 million to \$5 million that they collect, and the locals collect \$7 million.

MR. GREENWALD: Senator, I wish I had that answer. But it appears to us-- I'm now working with the Insurance Department. I've asked them to give us a list of the insurance companies that have paid into what we know as a "999" account. The State of New Jersey has listed that -- has a code for those moneys that come into the Treasury from the 2 percent. We personally feel that there is miscoding out there by the insurance companies; that they are not following the codes within the system. I believe if you check the law, the law merely says they must pay the 2 percent. It does say where it has to go, but many of them take the shortcut and just send it into the Treasury. I believe the Treasury Department then puts it into the "999" account and then at the end of the year, the Home's budget comes out of that, and what's left, we acquire through resolution.

So we feel there is miscoding. We're looking at that, and we're waiting for the Insurance Department to send us those lists. They've given us permission to contact those companies to explain the system, what they must do.

SENATOR GIRGENTI: That appears to be extremely out of whack.

MR. GREENWALD: Yes, it is. And we certainly agree with you.

SENATOR GIRGENTI: One of the-- Go ahead.

MR. GREENWALD: Senator, it starts at the local-- Actually it starts at the agent. He is supposed to code these insurance policies. What we find, and it's going to be an ongoing thing I would say, for it seems as long as we're there, I guess-- If some of these agents merely look at the zip code number, and they don't properly code the town that should be getting it-- This is really what is happening here. They just

put a "999," and it comes in that they are paying their money; there is no problem there. But we are having some difficulty, and that is an ongoing problem with us.

SENATOR GIRGENTI: So that is an area that we would definitely have to--

MR. GREENWALD: And I certainly agree with you.

SENATOR GIRGENTI: Because the money is not really-- It doesn't make sense, that kind of failure.

SENATOR KOSCO: We're thinking in terms of the possibility of it coming into one source, and then being distributed. Because, first of all, we don't even know if the right amount is coming in.

MR. GREENWALD: What we have suggested in our talks with the people is that we would be willing to take this project on, and if it came-- You people are in State government; you know a lot better than I do. They get a check and they're really not interested other than in the fact they get a check. If we get a check, and we see insurance companies writing policies in towns that do have a relief fund, we're going back after them. That's what we're trying to do in trying to get this list together. We're willing to take that project on.

SENATOR GIRGENTI: All right, Ernie. What does the State Association spend its money on? What are the expenses for administration, salaries, and benefits of State Association employees? Do we have that?

MR. GREENWALD: We have it in the-- If you'll look in the-- I don't know if you have a copy?

SENATOR GIRGENTI: Yes, I've got it.

MR. GREENWALD: Okay. It's in there. The expenses-- The majority of the money is spent for the burial fund. We average-- With the new increase, we're going to average about \$4 million a year in the burial fund.

SENATOR GIRGENTI: And what do the local relief associations spend their money on?

MR. GREENWALD: The local relief money is spent on relief, of course. It is spent on going to the convention, as you've heard here today. And it is spent on administration, administering their association.

SENATOR GIRGENTI: And you've said, who makes the decisions as to the local--

MR. GREENWALD: Okay, yes. The system is this: If someone applies for relief, and probably one of the areas that we have been a little lax, and now with this card I think we're--

What we find is this: The widow -- and we hear the widow a lot -- the widow feels that when her spouse dies that she now, for all intents and purposes, loses all contact with the fire department, and many of the widows know nothing about the relief association. So there are a lot of them out there that probably don't know this exists. With this system we're now starting, they certainly can now know and contact us.

I'd like to reiterate one thing: A widow has to meet the same criteria for relief as anybody else. This was explained to us in detail in the Szabo v. the New Jersey State Firemen's Association case. When the rules we're now operating under were mandated by the courts -- this wasn't something that we just decided to do -- the courts said, "This is something we want you to do." All the forms that you see, all the procedure you see, is as a mandate of the court. Judge Leseman was the judge at the time. So as far as the procedures are concerned, we are following the mandates of the courts, and hopefully the mandates of the statutes of the State of New Jersey.

SENATOR GIRGENTI: All right. If-- I'm just trying to get a clear focus.

MR. GREENWALD: Okay, fine.

SENATOR GIRGENTI: If a-- Do you set up the criteria on a State level, and tell them how to do it locally?

MR. GREENWALD: Yes, we do.

SENATOR GIRGENTI: Is it a centralized criteria?

MR. GREENWALD: Yes, there is.

SENATOR GIRGENTI: What are the criteria and guidelines for determination of relief payments?

MR. GREENWALD: They are all in your book. When we--

SENATOR GIRGENTI: Let me ask you this: Are there any common asset requirements?

MR. GREENWALD: Yes, assets and liabilities, yes. We ask them, "What are your assets? What are your liabilities?" They have to show financial need.

SENATOR GIRGENTI: Okay. One of the articles I read said it looked like it was almost unfair, if you read it as a person not involved, because you had people who were paid firemen. I'm not saying that's wrong or right. I'm not judging at this point; I'm asking you. They were receiving benefits, and yet widows, it said, were not getting the same amount of money. How would that come about? Or, was that accurate?

MR. GREENWALD: Well, no. I'll be very happy to answer that.

SENATOR GIRGENTI: Good.

MR. GREENWALD: In many cases, the widows refuse to fill out the application for relief because they don't want to answer what they call embarrassing questions about their income and their expenses. The court said that unless these forms are filled out, under no circumstances can you allow relief to be paid. They must follow the guidelines.

SENATOR KOSCO: Which court?

MR. GREENWALD: In the case of Szabo v. New Jersey State Firemen's Association.

MR. PARKER: Maybe I can answer that. The Superior Court of the State of New Jersey said that we have to have specific criteria. As a result of the lawsuit, we then were given six months to establish criteria by the Court. We then

went back and reevaluated our criteria, submitted them to the opposing counsel, submitted them to the Attorney General of the State of New Jersey -- Sherrie Gibble is the Attorney General who is assigned to us and has been working with us for the last 10 years--

SENATOR GIRGENTI: Barry, not to interrupt you. Do you have a copy of that right there?

MR. PARKER: The criteria are in the book -- the blue book that we gave to you -- and if you look in the back--

SENATOR GIRGENTI: I don't have it with me.

MR. PARKER: What we did, John, was take the--

MR. GREENWALD: It's the big one, Senator. That's the small one.

SENATOR GIRGENTI: It wouldn't fit in my briefcase.

MR. GREENWALD: Yes, I know.

MR. PARKER: Basically we went back through the county welfare system and looked at their forms -- the various counties. We went through various other charitable groups as to how they allocate their funds and moneys, and then we came up with the guidelines. The guidelines were then submitted in the form of a -- basically a court order. I'm not sure that it was a specific signed court order, but was submitted to the court and a time was given for anyone to make comments. And then we implemented the regulations.

SENATOR GIRGENTI: And this is uniform? It comes from the top and goes to the local relief-- They all apply the same standards?

MR. PARKER: Yes, sir, and they are supposed to follow those. And if they don't, the auditors take--

SENATOR GIRGENTI: How are you assured that the locals are following the criteria?

MR. PARKER: I'll let Ernie answer that.

MR. GREENWALD: First of all, in your big thick book -- one of the many books we sent you, right in the front of the book it is called, "Narrative of Court Opinion -- there is an

opinion by Judge Leseman, and also in back of that is the court order. The specific place that you are looking for, Senator, is on page 36. If I may, I'll read part of it to you.

They are speaking about 42:17-35, which is the statute which gives the Executive Committee the authority and the mandate of handling the funds. And I quote:

"Those statutory provisions are not elective, they are mandatory. They require action by the State Association. The State Association, however, has not complied with that obligation. It has not adopted a set of regulations governing payment by the local associations, and it is that failure by the defendant to fulfill its obligations--" and it goes on.

In the order that we had -- that came out -- item No. 4 in the order clearly said what we had to do with respect to what you're asking the question on.

SENATOR GIRGENTI: Well, how are you assured that the locals are complying?

MR. GREENWALD: Okay. When the financial report comes into the office, which is due in at the end of each year, our Field Examiner does a complete examination of the records of the association. If we see -- and it stands out very easily -- if we see that there is a problem in the relief area or in the area of expenses-- Like I say, if you do it long enough, it stands out like a sore thumb. We immediately then notify the association as soon as we're finished the examination, and we complete our report to the Secretary of State. We then notify those associations that are having -- that we feel are having problems. We want to meet with their officers. We want to go through all their records.

We have now just started that. Again, this isn't something because of this hearing. We've done this now for the last three years.

We sit down with the association, go over their relief applications, go over their entire operation that they are

working on, and if we see that there are problems with the way they are operating, we make it very clear to them, "This is the way you must do this."

We then put them under, sort of the thumb of the Executive Committeeman of that county. They must then come under the jurisdiction of the Executive Committee. They're not permitted to do anything other than to have meetings, and before anything could be paid, the Executive Committee, who knows the rules, then has to approve those applications, etc. etc.

The one that you heard in my statement: We met with them on May 19, and they told us what we could do with the money and the whole Association. I took it to the Executive Committee meeting on the 21st and told them of the problem. We put them out of accord, and as such, their operation has ceased, including freezing all the funds of that association.

We do this ongoing. This isn't something that we just do occasionally. If they don't want to adhere to the rules and regulations, then we have the power to take it away from them. That comes under N.J.S.A. 43:17-35 and 45.

SENATOR GIRGENTI: So if they're not following the specific guidelines, you take over?

MR. GREENWALD: Yes.

SENATOR GIRGENTI: And what happens then? Do they have to have--

MR. GREENWALD: What happens then is-- What we did in this case, I sent the Executive Committeeman to them to meet with our officers. They went over the situation. He has since come back to me and said to me, "They now feel that they can follow the rules and regulations." They are going to come back to our July meeting and ask if they could be put back in.

In all probability, they will be put back in with the assumption and with a proviso that the Executive Committee will

be over control of them for one year or until such time as we feel that we're comfortable that they are now following the rules and regulations.

SENATOR GIRGENTI: Do you update this process and criteria periodically? Do you review it?

MR. GREENWALD: We review the procedure, and if we see something that we think needs correcting, yes, we do.

SENATOR GIRGENTI: And your Association-- You mentioned earlier in your opening remarks that you are audited by an independent auditor?

MR. GREENWALD: The procedures in our office are audited by an outside CPA. I am then required and do report to the Commissioner of Insurance's office and send them a copy of the CPA report on a quarterly basis. I also supply the Commissioner of Insurance's office with a copy of the verbatim minutes of every Executive Board meeting, as well as the verbatim minutes of the convention and anything else that they feel that they need -- we supply them with.

SENATOR GIRGENTI: And what is the role of the State Treasurer in regard to State and local associations? Do they get involved?

MR. GREENWALD: Senator, when you say, "State Treasurer," are you talking about the State of New Jersey?

SENATOR GIRGENTI: Right.

MR. GREENWALD: To the best of my knowledge, they collect the moneys that no one else collects. They keep them in this "999" account. The Firemen's Home, which you just heard me mention briefly in my statement, then submits their budget to the Governor. That budget must be approved by the Governor. By the way, I do sit on the Board of Managers as a result of my position. They then submit it to the Governor, and the Governor says, "Okay, it's all right."

* That budget then goes to the Treasury Department. The Treasury Department then issues them a check for whatever that budget amount is.

If, for some reason, that budget amount is not in the Treasury -- we have had ongoing meetings with the Board of Managers, who operate under a different statute-- The New Jersey State Firemen's Association, in principle, has agreed with them that we will fund them to continue the operation of that Home.

In the big, thick book, again, you'll see the report of the "999" fund. Until this last year, those funds were depleting quite rapidly. I became quite concerned about that, and that's why the joint meetings were held. We want to make sure that that Home is funded. We want to make sure that those--

SENATOR GIRGENTI: Ernie, just--

MR. GREENWALD: Okay.

SENATOR GIRGENTI: The money that goes toward the Firemen's Home, the 30 or 40 or 45 municipalities that do not have local relief, their money goes toward the Home?

MR. GREENWALD: Yes.

SENATOR GIRGENTI: And if not-- What about if they don't have a local relief organization, but they have volunteer firemen?

MR. GREENWALD: The law states very clearly that a volunteer fireman doesn't have to be a member of the relief association. Any volunteer -- any fireman, not volunteer, any fireman -- that serves at least one year is entitled to admittance to the Home if they meet the criteria.

SENATOR GIRGENTI: Where would they go to make-- Are they eligible for it?

MR. GREENWALD: Oh, okay, all right. Each county has a member who is elected, at our convention, to the Board of Managers, with the exceptions of Hudson and Essex. They have two: one represents the paid, one represents the volunteer. All they do is contact that representative. He has the forms. He assists them in filling out those forms, requires the

doctor's-- I think it's a 16- or 17-page document that they have to fill out, but the criteria is not to belong to a relief. As long as you're a fireman, you contact the Manager in that county, and they assist you in getting in.

SENATOR GIRGENTI: One last, if I--

MR. PARKER: Can I just make one comment, John? Excuse me.

I think there is some confusion about the moneys. There is a total of \$12 million that's collected by the 2 percent, throughout. It's in my letter dated May 5 to Lou -- to Senator Kosco -- when we first heard about this. I think it may be-- The percentages that you're talking about are not really accurate, and they're a little bit out of context in your statement, in due respect.

There is \$12 million that's collected by the 2 percent tax. A figure of \$2,884,700 in 1992 went to the Firemen's Home. Now that is money that -- in the history always is really controlled by the State Firemen's Association, who then set up--

SENATOR GIRGENTI: So they're being lumped under administration?

MR. PARKER: Well, I don't know where it is, but there is talk about moneys missing, and 60/40 percent, and-- I mean, those figures are not correct. There is almost \$3 million that goes immediately, off the top, for the firemen -- for the caring of the firemen.

SENATOR GIRGENTI: I mean, is somebody categorizing them, maybe, as administrative expenses, and lumping them in--

MR. PARKER: I just think they're looking at \$12 million, and they're not analyzing where the figures go. Ernie can comment on that. I just want to give you the figures.

The money for the State Firemen's Association that goes to the State Association--

MR. GREENWALD: That's what I--

MR. PARKER: --that we handle, is \$5,487,041. All right?

Of that, \$3,282,045 goes for the death benefits themselves. And then you have this 60/40, where he was getting the figures, is the money that is in the local associations that goes to them, for \$4,300,488.

So that's where they are talking about there being--

SENATOR GIRGENTI: Barry, break down that \$12 million again. Go over it.

MR. PARKER: Okay, the breakdown-- The \$12 million-- It comes out to-- Let me give you the exact figures, because it's in my letter, if you don't have it. I think it will clarify some of the problems here, especially some of the comments the Chairman was using where questions were asked about, and he was referring to percentages -- that 60 percent is not used for charity. That's clearly not right.

You've got \$12,672,230 that was collected in the year 1992. Of that, \$2,884,700 went to the Firemen's Home; \$5 million came to us, the State Association -- that's \$5,487,041. Out of that, \$3,282,045 was death benefits -- was paid out. That ought to go up this year. The local associations -- the 531 local associations -- received \$4,300,488. And then is where Senator Kosco's comments about, "Well, administration expense, convention expense, and the relief that was paid out--" There is a discrepancy.

But overall, better than 60 percent of our -- just roughly, I'm looking at it -- 60 percent of our, or better, goes directly for various benefit programs for the firemen.

SENATOR CAFIERO: Excuse me. One thing, Barry. I lost track of you somewhere. I guess you accounted for the whole \$12 million. You said that \$3 million went to the Firemen's Home; \$5 million went to the State, for the locals. And I think you broke down that \$5 million again.

MR. PARKER: Well, the \$5 million, Jimmy--

SENATOR CAFIERO: Three million went to funerals. Then where did the other go?

SENATOR KOSCO: Just hold on, because we're killing everybody with numbers that no one seems to understand, including those of you who are saying them.

Let me just tell you something very clearly. There is \$12 million that comes into the fund.

MR. PARKER: Right.

SENATOR KOSCO: The total is \$12 million, approximately -- \$12.8 million or \$12.6 million. But let's just use round numbers.

There is \$12 million that comes into the fund. Out of that \$12 million, \$5 million of it comes directly into the State Treasury?

MR. PARKER: Right.

SENATOR KOSCO: Five million dollars comes to the State Treasury. The State Treasury then takes approximately \$3 million and sends that to the Firemen's Home. That leaves \$2 million--

MR. PARKER: No, no, no, no, no.

SENATOR KOSCO: Yes, yes, yes, yes, yes.

MR. PARKER: No, Lou. You're wrong.

SENATOR KOSCO: Well, these are the numbers that I've got that we've received from the Department--

MR. PARKER: You're absolutely wrong. That's why I want to clarify it.

SENATOR KOSCO: Well, that's why--

MR. PARKER: It's a mistake.

SENATOR KOSCO: Excuse me, Senator. Three million dollars goes to the Firemen's Home.

MR. PARKER: Right.

SENATOR KOSCO: Two million dollars goes back to the Association, which already received approximately \$7 million directly from the insurance companies. So that gives \$9

million to the Association, and \$3 million to the Firemen's Home. Those are the numbers that I have received from Treasury.

Now, herein lies the problem that we are trying to solve. We are trying to find out, are we receiving the proper amount of money from the insurance companies? No one can give me that answer, unless you can. The only way you could is if you went in and audited the insurance companies and found out who was buying insurance out-of-state and what the 2 percent amounts to. No one has those numbers at this point.

Now, assuming that the insurance companies are 100 percent honest -- because we know they are -- (laughter) they're taking all that money that they are supposed to send to us, and sending it someplace. The problem is, they're sending some of it to the Treasury and they're sending some of it to the Association. The problem that I have, ladies and gentlemen, is that right now there is \$13,000-- Right now Treasury has \$13,000 of this money that they can account for, out of \$5 million.

Now here is the problem that we are trying to solve, and you have to understand, we are not adversaries; we're all on the same team. What we want to do is to make sure that the firefighters get what the firefighters are supposed to get. We want to make sure that the widows and the people who need help are getting what they are supposed to get. I don't want to see Treasury taking \$5 million and showing me a balance of \$13,000. There is a big discrepancy here.

What we're trying to do as a Committee is, rather than have some law agency that likes to do investigations and see who they can find who did something wrong-- What we're trying to do as a Committee is to find out what is being done wrong and how can we correct it, because a lot of times things are done innocently, and money gets put here, money gets put there. We're talking about an organization such as the State of New Jersey. We have a large department.

Right now the Treasury tells us that there is \$13,000 -- not \$13 million, \$13,000 -- in this account, and we're assuming there should be about \$5 million.

MR. GREENWALD: No, that's wrong. Let me try to explain it to you.

You heard me mention the Firemen's Home budget. It must be into the Governor's Office not later than January 1. The Governor then approves that budget. They normally do not issue the check for that budget until July.

SENATOR KOSCO: Where should that money be right now?

MR. GREENWALD: They've since-- Wait a minute.

SENATOR KOSCO: No. Let's stop right there.

MR. GREENWALD: Okay. It should be--

SENATOR KOSCO: Where should it be right now?

MR. GREENWALD: It should be in the Treasury Department.

SENATOR KOSCO: There is only \$13,000 there.

MR. GREENWALD: Right. I understand that.

SENATOR KOSCO: There should be \$3 million to \$5 million there.

MR. GREENWALD: No. If you'll just let me explain it to you-- I'll try to explain it to you.

When the Governor approves this budget, it then goes to the Treasury Department. The Treasury Department then issues a check. We've been getting it, in the last three or four years, some in July, some in August, as late as even October.

SENATOR KOSCO: Who's "we"?

MR. GREENWALD: Well, the Firemen's Home. I'm speaking on behalf of the Firemen's Home.

SENATOR KOSCO: Okay.

MR. GREENWALD: Okay. So the Firemen's Home has gotten their -- will get their money from the budget, and whatever is left, we get.

SENATOR KOSCO: You're talking about the Department of the Treasury?

MR. GREENWALD: From the Department of Treasury. And I think the \$13,000 that you're talking about is strictly that money that is now being collected toward next year -- I believe.

SENATOR KOSCO: So, we asked the question, and the answer we got is that it's not there. Now, if they haven't given it to you yet, and they will not give it to you until July, that money is someplace. It should be into an accrued account.

Now I think we all know basic accounting. We all know -- and most of us operate some kind of a business -- you just don't take "X" number of dollars and put it in a drawer someplace in your desk and say, "I won't need this until July." You have it someplace.

The Department of the Treasury can't tell us-- We don't know, right now, where it is.

MR. GREENWALD: I can't help. I can only tell you the system is, when they said \$13,000, I figured they had issued the checks, and that's all that's left toward next year.

SENATOR KOSCO: No, no. It's right now.

You see, it seems to us that it's a very loose system that's taking place, and we want to make sure, as I said before, that the proper amount of money is being collected that is going to--

Quite frankly, if we're sitting with \$90 million, and I know you say it's spread out-- It's still spread out and it's still \$90 million that's not being used. If I have a Firemen's Home up here in the Sparta area that has a waiting list of a whole bunch of firemen who would like to go into that home, maybe we should be looking at building another firemen's home.

MR. GREENWALD: I'm glad you asked that--

SENATOR KOSCO: Wouldn't that be a fantastic thing to spend some millions of dollars on--

MR. GREENWALD: I'm glad you brought that about.

SENATOR KOSCO: --instead of leaving it in all these little accounts, so somebody thinks that they're powerful with control of a couple of dollars.

MR. GREENWALD: Well, that is something that hasn't been brought out here today, Senator, and I'm glad you brought that out. That's a very good question.

What we all haven't been told here today is, that of the 76,682 firemen we have, 44,000 of those people have qualified for the burial benefit, which means -- very simple multiplication -- you multiply 5000 times the 44,000, you're talking over \$200 million that we are now responsible for burial claims.

We do have the authority-- The locals keep that money, yes; they are the caretakers. We have the authority to pull that back to pay the burial fund, and we need that reserve for these.

Also, the other people, the people who are now working toward their qualification, toward--

SENATOR KOSCO: Let me just stop you right there.

MR. GREENWALD: Sure.

SENATOR KOSCO: You're going to assume that everybody is going to die the same day, and you're going to need the money--

MR. GREENWALD: I don't think we can--

SENATOR KOSCO: --and we all know that's not going to happen. We also know that each year and each month, a certain amount of money has been accumulated, because we accumulated \$90 million since, what, 1980? You accumulated \$90 million in 10 years, or something like that.

MR. GREENWALD: But we also have an actuarial report, sir, that says that--

SENATOR KOSCO: If everybody died right now, you'd be broke.

MR. GREENWALD: No, no. No, no. If you read the actuarial report, it says--

SENATOR KOSCO: I read it.

MR. GREENWALD: --that if we continue under the present plan that we're now operating on, that by the year 2002, those funds will be depleted, and then we're going to have to go to the field to pay for the burial benefit. It's right in the report, and that's why we do this actuarial study. I can understand where you're coming from, and I can understand that.

Now, let's get back to the Firemen's Home. The Firemen's Board of Managers-- We had a cry from the southern part of the State that we should have a second Firemen's Home. The Firemen's Board did a study and felt that they could not economically recommend it and it was not feasible.

They do have a waiting list. There isn't any question about it. But I think what we have to look at, Senator, is this: Do we want to spend all the money on, say, 125 firemen, jeopardize all of it including the burial fund, because we all know how costs escalate, particularly in a nursing home, and it's going to continue to rise? I'm not sure if you are aware of it or not, they just got approval for opening up six more rooms for long-term care, which is going to add some more costs there. Do we want to jeopardize all the funds for 125 firemen? I think that's the question we have to answer.

I do know the list that you're talking about, and there is a list of about 50 people waiting. But I also know that at least three people on that list; that is, if their name came up to the top of the list today, they would not go into the Firemen's Home. We've been told, "It's there in case we have to go in, we'll be up close to the top."

SENATOR KOSCO: Okay. So that's just, you know, something that I've been thinking about with the money that is sitting there.

MR. GREENWALD: Right.

SENATOR KOSCO: But what we want to get down to is the procedure.

MR. GREENWALD: Okay, fine.

SENATOR KOSCO: This is what we're trying to hang on. What's the procedure that has been followed since 1885 to 1994? I have copies of the 1885 legislation, and we have it updated. We've done an awful lot of work on this trying to find out-- That's why you see all these papers around here, because we're trying to update this to what it is supposed to be.

I think back-- I could guess back to the year 1884 or 1885, when this fund was started, and 2 percent of-- What was the number that we were collecting 2 percent of? I daresay that probably 10 percent or 20 percent of the people were insured in those days, if that.

MR. GREENWALD: That's a little before my time.

SENATOR KOSCO: Now we're talking about 1994. Almost everybody has some type of insurance of some kind, so that number has drastically changed. What we were getting 2 percent of back in 1885, to the amount of money we're getting 2 percent of now in 1994, we don't even know what the number is.

No one can tell me what we are getting 2 percent of. And yet, we're taking somebody's word for it that-- I mean, this is terrible. Somebody is saying that somebody is getting money, and sending it someplace. We don't even know where it is all being sent.

MR. GREENWALD: I can--

SENATOR GIRGENTI: What troubles me even beyond that is the numbers. When you hear that of the 530, you're getting only that much -- it's \$7 million -- and then for 30, you're getting, like, \$5 million, that means that something is out of whack.

SENATOR KOSCO: Something is way, way out of whack.

MR. GREENWALD: I can, from our office, give you anything you want on the insurance companies that deal with us. I can show you the premiums that they say they have written, the amount of 2 percent that we get for each one. I've given that to the Insurance Department. They have those figures that we deal with.

I agree with what you're saying about the "999."

SENATOR GIRGENTI: Ernie, do you think you're getting shortchanged somewhere? I mean, is--

MR. GREENWALD: Do you want my honest opinion? Yes, I do.

SENATOR KOSCO: So do we. We're guessing, though.

Let me get back to another procedure.

Senator Cafiero, do you have anything to say?

SENATOR CAFIERO: Not today.

SENATOR KOSCO: Okay. He talked himself out at that Judiciary meeting. I guess he's all tired.

SENATOR GIRGENTI: Just one thing: Are the insurance companies required to file some kind of a form with the State?

MR. GREENWALD: Yes, they are.

SENATOR KOSCO: They do, but to who?

MR. GREENWALD: To the best of my knowledge, to the Department of Insurance.

SENATOR KOSCO: Well, that's what we're going to find out at the next hearing.

That's what we're going to find out at the next hearing, John.

The original law -- or the law as it presently is, gives me a question. I asked the question, and I'm not an attorney, so I'm looking at something here-- I live in Paramus, and I was Fire Commissioner in Paramus. Paramus has a totally volunteer fire department. Nobody tells the Paramus Fire Department what to do. The Mayor and Council have no control over it. They supply them with the building; they rent

the building. The Fire Department owns the building, and the town pays them rent on it. They supply them with the equipment, but the fire department runs itself. They decide who is going to be the chief, who are going to be the members they accept. They accept the members, as it is a totally volunteer fire department.

Now, the legislation says here, "provides that any municipality where there is one or more fire companies under the supervision and control of the municipal governing body, is allowed to establish an association." Is a volunteer fire department, such as the Paramus Fire Department, under the control of the governing body, technically? I don't know. I'm asking.

MR. GREENWALD: When these relief associations are formed, they must supply us a copy of the local ordinance that tells us that they are under the control of the municipal governing body.

Do you operate as a fire commission? Are they a--

SENATOR KOSCO: One of the Councilmen is a fire commissioner.

MR. GREENWALD: Okay. Then it's not a commission.

SENATOR KOSCO: And then the fire chief runs the department. There is a fire chief, and then each company has a fire chief.

MR. GREENWALD: Every application for membership that is submitted to us must be signed by the municipal clerk or whoever your municipal authority is for signing those applications. Every application must be signed by someone who represents a municipal governing body that says, "Yes, Ernie Greenwald is a member of the Paramus Fire Department."

If it's not signed-- It has to be signed by three people: the chief of the department, a representative for the municipality, and the secretary of the local relief. If any one of those three signatures is missing, we send it back.

I would assume that you're probably under some kind of control somewhere. Maybe you don't enforce it. I don't know.

MR. PARKER: If you look back through the Paramus records, Lou, you'll see an ordinance. There is-- We have a form ordinance that we supply to the municipalities when they are creating their new fire districts.

But you are absolutely right. They are all under municipal control. That is a statutory requirement.

SENATOR KOSCO: Wait until my chief hears that.

MR. PARKER: But if you look back, you will see that Paramus has an ordinance on file.

MR. GREENWALD: That's one of the prerequisites for an association to be formed from a municipality.

SENATOR KOSCO: Any questions? (no response)

MR. GREENWALD: Senator, we'll be very happy to meet with your staff and straighten those figures out for you. We'll bring everything in so that they can see it, if you like?

SENATOR KOSCO: Okay.

MR. GREENWALD: Anything that you want, rather than prolong this, just give us a call, and we'll bring everything in. We'll have the Treasurer come in with us -- whatever you need.

SENATOR KOSCO: What we need to do is to -- along with getting those figures is-- What we want to do is try to establish what we believe would be a better procedure of funneling that money in, and the possibility -- and I know this is going to be a touchy one -- of consolidating associations. Rather than having 530 organizations, to try to, maybe even if we narrowed it down to 21, to one in each county, so that we would-- I believe that the reason there is so much money there that is not being tapped is because there are many people who don't know it's there and have the ability to use it.

I think we also have to address the other point, that a lot of money is being spent on conventions. I know it's spelled out in the legislation that three delegates--

MR. GREENWALD: May I explain that to you. This seems to be a bone of contention.

SENATOR KOSCO: A very big one.

MR. GREENWALD: I'm very happy that you mentioned that. The statute that deals with the delegates is quite clear. There isn't any question about it. It says that the local association will pay for three delegates and the chief, and if there is an exempt association, that it will pay for the exempt delegate. It's N.J.S.A. 43:17-42, page 17 of your yellow book. That's the statute.

I don't argue with that statute a bit. However, I think where you're being misled is that I can show you, as a result of a resolution that was adopted in our convention in 1982 that wanted the Executive Committee to see if they couldn't come up with some type of a plan that would help the life member who continues to go to the Wildwoods and attend the convention-- They did.

A committee was formed, and they came back to the 1983 convention, which I can show you in our books, and said that a plan had been formed, and that the convention had passed by a two-thirds vote to amend that section of our bylaws.

The Executive Committee said that their recommendation was that a life member could receive no more than half of what a delegate got.

We felt that for putting their life on the line, the time that they spend away from their family, the time that they take off for coming to the convention, and in many cases, lose a day's pay for coming to the convention-- The Executive Committee, again, if you refer to the court's decision about the Executive Committee's fiduciary responsibility with the funds of this organization-- They felt it was only fair to help the life member to come down by at least giving him half.

The average life member in this past year, in 1993, received \$163.51 for attending a convention that they had to take at least three days to attend. I think that's a pittance

for a man who possibly could lose two days' pay for coming, and certainly would help him in his expenses for attending a two-day convention.

So by virtue of 43:17-35, which the court said the Executive Committee must do -- make the recommendation on the funds -- the Executive Committee, under 43:17-35, in their meeting, approved these funds for the life members.

We feel that we haven't broken any laws. We've done exactly what the law said had to be done in these cases, and as such, they did approve some moneys to be spent for the life members to come to the convention.

But the fallacy is that we broke a law. We have not broken a law, in our opinion. The original statute for delegates, yes. I agree with you wholeheartedly. It spells it out very clearly; however, we went the other direction in trying to help life members by virtue of a vote at the convention of the members assembled, which now, this past year, is up to 6779. When we originally started in Wildwood, there were only 3600. So when you increase your population that way, you're also going to increase your expenses.

So I'm really glad you brought that up, because--

SENATOR KOSCO: You see, there is a conflict with this. The conflict is that the legislation that establishes the tax gives it directly -- says what the money should be used for. Then the Association established rules contrary to the legislation. The legislation specifically points out--

MR. GREENWALD: Yes, it does.

SENATOR KOSCO: I think here is where the conflict comes in. One of the two has to be changed. I don't know if the delegation is allowed to write a rule into it that does not comply with the legislation, "Let's change the legislation."

MR. PARKER: Well, maybe I can just clarify for a second. If you look at N.J.S.A 43:17-35 and 36, which was part of the legislative hearings back in 1914, you will see that the

powers over the funds -- the moneys -- belong to the Executive Committee. The Executive Committee is the elected body, not the officers. When the convention vote was taken, the convention cannot control, by the bylaws, the money. It has to be controlled by the Executive Committee.

After the vote was taken, and I think it was taken on two different -- two or three different years, in the past, I believe, each year-- After it was overwhelmingly passed by the convention, the people voting, it was then referred back to the Executive Committee and they, then, voted the \$163, or the average, whatever it is.

SENATOR KOSCO: I understand that. But that was--

You see, the object of the Association-- The legislation is set up, and the legislation as it is set up deals directly with what the object is. It says that the law clearly states the revenues exist solely for the relief, support, or burial of indigent firemen and their families.

MR. PARKER: You're referring to section 3.

SENATOR KOSCO: That's the law.

MR. PARKER: Yes, but--

SENATOR KOSCO: Now the Association has the same thing here. "The object of this Association shall be to establish, provide for, and maintain a fund for the relief, support, or burial of indigent exempt firemen and their families, and of any person or persons that are families of any persons who may be injured or killed while doing public fire duty, or may become indigent or be disabled or may die as a result of doing such duty, or may be prevented by the injury or by sickness arising from their doing such duty from attending to their usual occupation or calling."

Now the Association, after being established under this criteria, solely for the relief, support, and burial of firemen, took it upon themselves to change it to say they can

go to a convention. I don't know if that's the way this should be set up, where we're spending more money to go to conventions than we are for relief for needy fire people.

MR. PARKER: Well, let me just say, I think, Senator, you're reading only one section. If you read the whole statute all the way through, you'll see that there is a section that specifically says that at a convention, that the delegates, etc., are allowed to attend the annual convention. It's N.J.S.A. 43:17-44. This has been the subject of review, two court decisions, one I believe in Passaic, early on, back in the early 1900s. The other, Judge Leseman addressed in his decision, if my recollection serves me correctly.

I think only one thing: The reason for the convention-- The reason for the convention--

SENATOR KOSCO: Go ahead. I'm listening.

MR. PARKER: --is so that the firemen can get together. It's really the glue that holds all of the services together. It's a unique system, I agree. We can all agree that there are certain problems, and maybe certain corrections. But the glue that holds the fire services together, and the only benefits they get out of the fire service, are the benefits of going to the convention and voting on and determining their own destiny, and it's very important to them, I think.

SENATOR GIRGENTI: Barry, 43:17-29, expenses of attending conventions, State Association: I think that's what you're--

MR. GREENWALD: I would also like to point out that 43:17-44 says there must be a convention. That's a statute -- 43:17-44.

MR. PARKER: And that's a policy decision. We agree with that. The policy, I think-- I tried to enunciate that. That's the one time the firemen get together during the course of the year. It's the one thing that keeps the various groups

together. It's the esprit de corps, if you want to call it, that the volunteers have to go through. Ernie can address this, and the others can--

And with OSHA, for instance, Senator, 92 hours of study and work have to go into becoming a fireman. In the old days we all were-- I'm an attorney. My dad was a fireman, the undertaker. We all did our fire duty. We all learned to run the fire truck. We all ran to the fire and put it out. The communities have changed.

SENATOR KOSCO: Well, you've got haz mat and everything else.

MR. PARKER: And we've had our fights with paid versus the nonpaid. I mean, it gets a little hairy. But the general glue that gives the firemen his essence in New Jersey, I think, is the convention and this system.

SENATOR KOSCO: It's very difficult, when the reports go out that more money is being spent on conventions than is being spent on helping people.

MR. PARKER: There is no question about that.

SENATOR KOSCO: Then you have to understand how my office, and my home, and all of us get flooded with phone calls from people who say, "We applied for it and were turned down, and yet we have a fireman who is making \$80,000 a year who is given \$1200 to go to a convention. That's not fair."

We have to answer these things, and if the answers aren't proper, maybe some of these things have to be changed. Maybe it has to be limited in some way, shape, or form.

MR. GREENWALD: But, Senator, we also have a lot of public officials who make large money, and they get their expenses paid to the League of Municipalities. I don't see where the difference is?

SENATOR KOSCO: I don't know who they get large moneys from, but that's beside the point.

MR. GREENWALD: I don't see where it is beside the point. We're talking about taxpayers' money. We have administrators in municipalities that are permitted to go to the League of Municipalities convention and be paid their expenses, no matter what their salary is. And I don't see why we have to take the difference between a fireman and that type of person.

SENATOR KOSCO: Well, in many cases, municipalities also pay these people to go to the municipal convention.

MR. GREENWALD: Sure they do.

SENATOR KOSCO: They will also pay your firemen -- your fire chief -- to go to the municipal convention.

MR. GREENWALD: That's-- You would know better than I.

SENATOR KOSCO: And some municipalities also reimburse some of the firemen to go to the firemen's convention. Now, are some of them getting paid twice? I don't know.

MR. GREENWALD: I can't answer that, sir.

SENATOR KOSCO: I can't either. I'm just pointing out-- You see, we're not talking about the administrators. If we want to talk about them, we'll bring them in and you can talk to them, too. But that doesn't make it right, if that-- We're questioning something that is being put into a fund for the relief and support of firemen and their families. That's what the money is put there for. If it's not being spent for that purpose, and more money is being spent for someone to go out and go to a convention, which is a very, very social affair, we all know-- We've been to many of them.

MR. GREENWALD: I don't think any convention is any different than the ones you have attended.

SENATOR KOSCO: I know. I've been to the firemen's conventions; I've been to the municipality conventions, and I've always paid my own way, incidentally. But that's beside the point.

You know, it's hard to explain to people why more money is being spent on that than on what the intent of the legislation is. That's what we're trying to explain to the people, and that's why we're trying to get the answers.

How much of an objection would the Firemen's Association have to lessening the amount of associations?

MR. GREENWALD: I think it would be very difficult -- very difficult.

SENATOR KOSCO: It wouldn't be difficult. We just need enough votes, and we can do it.

MR. GREENWALD: It would be difficult because of the system for collecting of the funds. It would be difficult in trying-- You're saying that some of the widows don't get anything now. It's going to be more difficult, because now the trustees go to the individuals. In that case that you're talking, I think we would really be having much more of a problem than what we have now. I really do.

SENATOR KOSCO: If all the money came into the State Treasury from the insurance companies, and there was one association in each county, and a set procedure that a person would follow to apply for the funds, and they would make that application to the one organization in each county, and then the county would approve or disapprove and then send it on to the State organization; why would that be more confusing than 530 associations that have no idea of who is getting what, how much money they are getting next month, or where the money is coming from? Why would that be more confusing?

MR. GREENWALD: I think it would be quite difficult for me to answer that off the top of my head. Number one, it's never been discussed. And between you and I, Senator, I hope when that is discussed that I'm sitting on the porch watching the cars go by, because I'm afraid that would be a tremendous problem, and I think you would really get -- the firemen would really-- I think it would cause a great deal of problems.

But I think in all fairness--

SENATOR KOSCO: All right. But I'm still asking the question, "Why?"

MR. GREENWALD: For me to answer that here today would be unfair.

SENATOR KOSCO: Why would it cause a problem though? Is it somebody who doesn't want to lose control.

MR. GREENWALD: I think as far as--

SENATOR KOSCO: I hate to ask these tough questions, but that's why I'm here.

MR. GREENWALD: That's all right. That's all right.

SENATOR KOSCO: You see, I'm not interested in who has control. I'm interested in who is getting helped. That's my concern.

I don't care if firefighter "A" is upset because he has had control of this bankbook for 18 years. I'm not concerned about that. I'm concerned that firefighter "B" is entitled to \$2500, and gets it -- or his wife gets it. That's what I'm concerned about.

MR. GREENWALD: We're concerned about that just as well.

SENATOR KOSCO: I'm not concerned about who has the power.

MR. GREENWALD: We're concerned about that just as well, but I do not think one central location in the county would work as well as what we have now. We're ongoing with the examinations. We're ongoing with the training programs, and I think we can do what you're after.

SENATOR KOSCO: Training programs for what?

MR. GREENWALD: To teach the local people what we expect of them. You have to realize what happened many, many years ago. We had a president who made it very clear: "This is our money; we do what we want with it." This administration that I now head is now coming from the other side and making it very clear to them that you have laws that you must follow.

You have a court decision that says you must follow these, and this is what we're attempting to do. And I think if you give us the opportunity, you're going to see that the widows, providing they cooperate and fill out the proper forms, will get their just due.

SENATOR KOSCO: We have a number of associations who gave out zero.

MR. GREENWALD: I beg your pardon?

SENATOR KOSCO: We have a number of associations who gave out zero in the amount of relief.

MR. GREENWALD: Well, Senator, if someone doesn't apply for it, then they're just not going to go out and hand it out. It was made very clear, by the courts, you just can't give this money away. They must qualify.

SENATOR KOSCO: Do they try to look for people who need help, or do they just wait?

MR. GREENWALD: Let me say this to you: That's why we've now instituted this yellow card. I think I alluded to that in my opening remarks, that what happens-- In many, many cases, we find this. When the widow -- or now that we have some lady firemen, widower-- When they die -- when the fireperson dies, many of the widows think that their contact with the fire department has now ceased. They have no contact and do not know about being able to apply for relief.

Our plan now is, with this yellow card, that each burial check that we send out to widows, that card will be included in with the check to let them know that there is a system there; that if you run into financial problems, this is who you contact. And if they don't know their local, they will call the office and we will give them the name and address who to contact.

SENATOR KOSCO: Senator?

SENATOR GIRGENTI: Ernie, roughly how many of these benefits are given a year? Do you have any idea?

MR. GREENWALD: We're averaging anywhere, Senator, from 800 to 830 or 840. We've had as high as 1000. It does fluctuate.

But the numbers run around--

SENATOR GIRGENTI: Burial?

MR. GREENWALD: That's the burial, yes, run around 800.

SENATOR GIRGENTI: All right. What about beyond that?

MR. GREENWALD: Okay. We did a study here recently, and we had a little over -- almost 600 widows who received relief. We had 600 retired, or people who are no longer active in the fire service, receive relief. And we had about 500 so-called active firemen who received relief. So all told, this past year we had about 1700 to 1800 who did receive relief.

SENATOR GIRGENTI: Is there ever a denial?

MR. GREENWALD: Yes, there sure is.

SENATOR GIRGENTI: And what would the--

MR. GREENWALD: Because they haven't established-- Number one, the denial is because they won't fill out the form. Number two, if they can't establish and show us financial need, it's turned down.

SENATOR GIRGENTI: And that's for the benefits?

MR. GREENWALD: That's for benefits.

SENATOR GIRGENTI: What about for--

MR. GREENWALD: However, let me go one step further. Let's get into this relief thing. There is a mechanism within our organization that-- Say a widow is given, we'll say, \$500. That seems to be the figure we're throwing around. If that's the maximum amount that the local association is allowed to give, and the amount is based on their assets so that one person doesn't get it all; if that person still needs additional relief, that person then can file what we know as a supplemental form -- a supplemental relief -- and that's in your book, as well.

That then comes into the office and must be approved by the financial officers, which consist of the Field Examiner, myself, and Mr. Osborn, the Treasurer. We review the application just like the local does, and if that application shows us that that person is still in need, we then can approve three times that \$500, and the local is so ordered, that they can now give this woman \$1500 more, or whatever amount the local is allowed.

So it is there, and we do this all the time.

SENATOR GIRGENTI: How were they informed about this?

MR. GREENWALD: I can't answer that. On the local, they're supposed to tell them. Whether they do or not, I don't know. And we certainly, again--

SENATOR GIRGENTI: Have you ever-- Has anybody ever said, "Why would a widow not want--" Are they intimidated? What would be the reason for not wanting to get this kind of help or assistance?

MR. GREENWALD: In some cases the widow does have enough. They need a little bit to get over the top. And I've always said, and I'll make a very plain statement here: You show me a widow on Social Security, and I'll show you a widow who needs help. There isn't any question about that, and we're there to help those people.

SENATOR GIRGENTI: Do you think that a strong effort is being made now to try to--

MR. GREENWALD: For me to answer that question and say, "Yes, there is," I would be wrong in that. However, we do have--

SENATOR GIRGENTI: Do you think there should be a strong effort?

MR. GREENWALD: There should be. We have a--

SENATOR GIRGENTI: From the State, but I mean from your Association, shouldn't there--

MR. GREENWALD: We have a pamphlet that we send out to the locals. Here it is, here. (demonstrates) We tell them what the organization is about, what relief is about, and we assume that the locals hand these out. We update this every year. This has just been updated, as the new burial benefit has been put in here. We update this and send them out to the locals. Hopefully, they do distribute these to their members, and their members tell their spouse.

But for me to sit here and tell you that, "Yes, they do," I'd really be lying to you. I assume they do.

SENATOR CAFIERO: Ernie, are the standards for qualifications for relief assistance determined locally, or are they fixed statewide?

MR. GREENWALD: Oh, no. We have a set of standards statewide, and each local has those standards.

MR. PARKER: But each local, Senator, may not have the assets. For instance, Wildwood may have \$200,000 in total assets, and North Wildwood may only have \$70,000. Because of that, they may not be able to give the maximum amount of relief to an individual.

What Senator Girgenti indicated, they have to fill out these forms. A lot of the widows and some of the people don't want to disclose their assets.

I don't know why, in Hackensack, Senator Kosco, some of those widows claim they were getting money and they are not. I'd like to have the names, and we can answer that specifically for you. In fact, you can come to the office. It might be a good idea, so you could see the documents, how it works, and how it operates.

I would submit that these widows, who were receiving money, were getting it across-the-board, and after the Leseman decision and after these standards were put in and approved by the Attorney General and the Commissioner of Insurance, that

they did not want to disclose their assets. They were well over what would be the requirements to determine need or indigency.

SENATOR KOSCO: Okay. Thank you very much.

MR. PARKER: Okay. After it's over, we'll sit with your staff and give you our figures so that we're-- Everybody is trying to talk the same figures. I think it's confusing, and we'll do that with you.

SENATOR KOSCO: Tom Pelaia.

SENATOR GIRGENTI: Lou, just before--

Do you have another one of those -- what the criteria is -- for our staff?

MR. PARKER: Sure.

MR. GREENWALD: We'll provide that. Sure. I just happen to have a few left.

MR. PARKER: Thank you, Senator.

MR. GREENWALD: Thanks very much.

T H O M A S P E L A I A: Good afternoon, Senator.

SENATOR KOSCO: Firemen's Mutual Benevolent Association.

MR. PELAIA: Benevolent Association, yes.

Good afternoon, gentlemen. My name is Thomas Pelaia. I'm the Vice President of the New Jersey State Firemen's Mutual Benevolent Association. We represent approximately 4500 career firefighters in the State of New Jersey.

SENATOR GIRGENTI: Excuse me, Tom. Is this a prepared statement?

MR. PELAIA: No.

SENATOR GIRGENTI: Okay.

MR. PELAIA: We have been asked to come here -- I have been asked to come here by our president, who made a statement when this was being investigated by a local newspaper in Bergen County, the local president called and wanted this hearing. Our president, who is Charles Stinell, (phonetic spelling),

spoke as a member of the Union City Fire Department, not as the head of our Association. Our Association is a completely different type of Association than the New Jersey Firemen's Association. We know each other; we work with each other for common goals, but we have nothing to do with each other. Our Association, basically--

SENATOR KOSCO: Do you also represent volunteers, or just paid?

MR. PELAIA: Just the career. We're just with the career firefighters.

SENATOR KOSCO: Just the paid firefighters?

MR. PELAIA: Just the paid firefighters, yes.

There were some things taken out of context which we wanted to clear up with the newspaper, which we did in a letter to them. And one of the things was, we called for this hearing so that you would be informed of what is going on, and the doings of the New Jersey Firemen's Association.

Speaking as a member of the Bloomfield Fire Department in Bloomfield, New Jersey, I personally also am very involved in the Firemen's Association in Bloomfield.

Bloomfield, as I said, is a career fire department, 100 percent fully paid. I have to agree with statements that have been made: 99 percent of the firefighters in the career sector do not need a relief benefit, but there are exceptions.

In 15 years in the Bloomfield Fire Department, we did have one active member who really needed relief. He was needy. He had six children, two of whom were handicapped. He had a tragedy, one was killed. Expenses just surmounted this gentleman, and there was an avenue for this gentleman to receive -- at the time I think it was \$1200, it's about approximately 10 years ago -- to receive an additional \$1200 to help this gentleman to get out of the hole.

I honestly feel-- I do not pry into this gentleman's financial affairs, but he is still trying to recover from that time when his expenses were overabundant.

But we also have to worry about our widows and our retired firefighters. We have retired firefighters who retired back in the '50s, whose pension now is probably around \$5000, or \$5500. They are in their 90s. It's not a lot of money, \$5500, to live on. That is why we do need it. That is why our Association does look after these people.

We also, to clarify a couple of things that were said before, some of the questions that were asked before about do we go out and solicit-- No, we don't go out and solicit, but we do have our representatives, and our representatives to the Firemen's Association on the local level do have their eyes and ears open.

This is a story that came to me the first day that I got involved -- the first meeting I ever went to of the Firemen's Association, in Bloomfield. There was a retired firefighter who retired in 1954. He came on the Bloomfield Fire Department as a career man in 1924. He was visited by one of the people in our Association. He lived in Florida. In passing, they were sitting on his back patio in this retirement community down there, and someone in the area was barbecuing steaks. The wife made a comment that, "Yes, that is about the best we are going to get because we can't afford things like that." Looking at the refrigerator of these people, he found the only thing these people were seeming to eat were something like chicken pot pies and turkey pot pies and things like that.

So he came back and he told us this story. Another fireman was in the area and he stopped to see him and asked him why he didn't fill out the application. And I must say, the application is a very, very in-depth application.

He was a little embarrassed. He filled it out and sent it in, and he received a relief for the year. He was needy. Fifty-five hundred dollars is what he would get now. What he got back then was about \$4000. He did receive it, and was needy.

The next year he filled it out. When we sent the check, we got a letter back. The check came back. "I seem to be a little bit better this year. My health is better. I have less doctor bills. I don't really need the money. Thank you anyway."

Here is someone giving the money back.

So we do have checks and balances and whatever.

From a local level -- not from our Association's level-- Our Association is taking a no-stand position, but from a local level I must say I think the system is working, and I'm here to answer any questions that you may have with regard to us or any of the statements that were made.

But I wanted to tell you that story.

I firmly believe that things have to be kept locally, because we will make sure that the widows do get it.

One other thing I would like to say is to reiterate what Mr. Greenwald said. There are times when we do see people and give them the applications and they fail to fill them out. And if they fail to fill them out, we are obligated--

SENATOR KOSCO: All right. We've been through that.

MR. PELAIA: They said that. So we are obligated to turn it down, but we do try to help. Each organization is different, but I know that we are there.

SENATOR KOSCO: Okay. Thank you very much.

I saw Peter Smith was here.

Pete, do you have anything to say? You didn't sign in, but I know you're here.

PETER SMITH: No, I called in.

I just have a couple of brief comments to make. First, we all know the 1885 law was for basically indigent firemen. Webster's Dictionary, as I read it, said indigent means penniless, so we'll leave that alone.

I'm not going to look back at what went on. There are things that went on in the past I wouldn't even venture to talk

about. Me, myself, when I was a volunteer fireman, the meetings used to be secret, but it's gotten better since then.

I'd certainly like to say that since Mr. Greenwald took over, and the Executive Board, the accountability of the relief association has become much better. Before that there was really no accountability. In deference to him, he certainly improved the Association.

But what I'm here to say is that if you find there is excess money available, we'd like to see that money used for training -- on mandatory training, basic firefighter training, first-line supervisor training, training of chiefs, training of haz mat people. It's definitely needed.

We have been looking around. I have personally been involved in training for 15 years or so, in trying to find a method to fund training. We looked at the Right to Know law. We looked at another tax on insurance companies.

But if there is excess money here, I believe, and our Association believes, it should be used for training purposes. It will help the insurance companies, and it will help the firefighters, whether they are paid or volunteer.

That's all I have to say, except one more thing, Mr. Chairman. I wish that-- We have been confused. Our association, the firefighters, have been confused with The Bergen Record and with some other people as this has been reported. We are the New Jersey State Firefighters' Association. And this is the New Jersey Firemen's Association, or relief association. I'd like to make that clear so we don't have any more phone calls from reporters.

SENATOR KOSCO: Okay. What you said was important, because you talked about utilizing the funds. And one of the purposes of this hearing is to find out, first of all, what we had discussed before--

MR. SMITH: Right. And I do believe the convention--

SENATOR KOSCO: Excuse me, excuse me.

MR. SMITH: Okay. I'm sorry.

SENATOR KOSCO: We talked about the procedures and how the money was going to come in, and we also talked about if there is an excess amount of money, certain things that we could do with it. And we discussed some things about another fire home. But as part of the preamble here, it says the object of the Association, along with the benefits for those who are injured-- It also stated as objectives the development and the advancement of the status and best interests of all fire people.

MR. SMITH: That's correct.

SENATOR KOSCO: The development and the advancement and the best method of fire protection, and the cultivation of fraternal fellowship among the various departments and firepersons throughout the State and elsewhere. So I know about that, too.

So there are other things that this fund can be used for based on the information that we have here, and that's another good one.

Unfortunately, some reporters don't report everything, and that's not what the function of this Committee is, to worry about what the newspapers report.

MR. SMITH: I certainly wouldn't want to see the Boonton home interfered with. I think that's a very valuable--

SENATOR KOSCO: Absolutely.

MR. SMITH: And the conventions, also, maybe some adjustments could be made there. And also, with the burial benefit, I think that's very important and shouldn't be monkeyed with.

The funds that are there should be kept there and used for the advancement of the fire service in general, and they shouldn't be tampered with.

SENATOR KOSCO: Any questions? (no response)

Thank you.

Is Chief Gallagher here, from Irvington? (no response)

George Schramm?

C H I E F G E O R G E S C H R A M M: (speaking from audience) Yes, I'm here.

SENATOR KOSCO: Do you have something to say, George?

CHIEF SCHRAMM: Yes.

SENATOR KOSCO: I have you here, but you didn't sign in.

CHIEF SCHRAMM: You know, this has been going on for years.

SENATOR KOSCO: Come on up. (witness complies)

CHIEF SCHRAMM: You know, this is getting ridiculous.

SENATOR KOSCO: George is with the New Jersey Fire Chiefs' Association.

CHIEF SCHRAMM: This has been going on for years. You people tried to take the Firemen's Home away some years ago.

SENATOR KOSCO: What?

CHIEF SCHRAMM: The politicians tried to take the Firemen's Home away.

SENATOR KOSCO: When?

CHIEF SCHRAMM: Give me some dates, Ernie. (addressing Mr. Greenwald in audience) When did we have to go out with those petitions? Do you remember when? They were trying to take the Firemen's Home away.

SENATOR KOSCO: Please don't refer to us as "you people," because I don't think any of us here have tried to take--

SENATOR GIRGENTI: I resent that.

CHIEF SCHRAMM: Well, okay. The politicians from here.

SENATOR KOSCO: Time out. This is a hearing to find out what we can do about this process. If you want to complain about the politicians, then this isn't the forum for it.

CHIEF SCHRAMM: Well, sir, I was just--

SENATOR KOSCO: If you want to get something accomplished, we'll listen to you. But if you just want to come up here and put us down, you've got the wrong group.

CHIEF SCHRAMM: I wasn't trying to put you people down. It's just that there were--

SENATOR KOSCO: Okay. Then let's calm ourselves down and discuss what we're talking about.

CHIEF SCHRAMM: This has been going on for some time now, this money bit, you know, about the Firemen's Home and the relief association and everything. Every so many years, everything comes up. I don't understand why.

The money is for us firemen that put our time in. I come from Hazlet Township. My people file for money, and they bring it to the relief association, and it's taken care of. And I got people in my town who will not file for relief.

SENATOR KOSCO: Why?

CHIEF SCHRAMM: I don't know why. They just-- They won't do it.

Our trustees go over and talk to them, and say, "The money is there." "We don't want nothing from it."

I don't know why, or why-- I can't answer. I don't know.

SENATOR KOSCO: Well, you see, all we can do is find out what the process is, try and purify it and make it as best we can, make things available to the public, which is what government's job is. We can make things available to the public -- to the people who are entitled to it -- and then we have to teach them how to access that. Then they're on their own. You know, we can't do everything.

So now it's up to the Association. Now if the process is too complicated, maybe we should simplify it. If the people don't know about it, then maybe we have to come up with a plan to educate them and try to make the system better and make it work. That's the purpose of what we're here for.

This is no witch-hunt. We're not trying to find out who shot John. We're just trying to find out what's going on, and if we can make something work, good. And if we have the money to make it good, why not make it work good?

CHIEF SCHRAMM: I agree with you.

SENATOR KOSCO: Simplify.

CHIEF SCHRAMM: Like I said, it's been going on for a long time.

SENATOR KOSCO: You know, we're always complaining, "We can't do this," and "We can't do that," because we don't have the money. "We can't solve this problem because we don't have the money." "We can't solve that problem, because we don't have the money." Well, if there is a problem here, no one is looking to take this money and put it someplace else. We're looking to see what we can do to set up a new program, enhance the ones that we already have, and make them work.

Then, the bottom line of every single thing that I do and that this Committee does, is accountability. We want everybody to account for everything, because we are accountable to you, and we want you to be accountable to us. That's what we're asking for.

CHIEF SCHRAMM: May I go back to where I started out before? And not to say, "you people." I'm sorry about that.

SENATOR KOSCO: Good.

CHIEF SCHRAMM: Years ago the politicians that were in office at the time had tried to take the Firemen's Home over because of this money -- of the 2 percent -- and we had to go out and bang on doors and ask people not to let the politicians at that time get it because there was "X" amount of dollars there. We felt that we were going to lose everything that way, you know. They fought to keep the money in the Firemen's Home -- in the relief association.

SENATOR GIRGENTI: Let me just say this to you: I assure you that we're not here to do that. I think that's an excellent home, and there is a lot of work that goes into it, and it's providing a great service.

On the other hand, just to tell you, Chief, our problem is a little point of it. This is a tax, so it's a public thing in terms of accountability. So we're asked, as a

result of the newspapers and stories that came out -- so we have to look into it. That's our obligation, and that's why we're all here today.

You know, we're not here to have a witch-hunt or to put anybody on trial. The point is, we're just here because this is a tax. It's a public situation. It comes under our auspices, so we have an obligation to look into it at that point. That's why we're here.

CHIEF SCHRAMM: Well, it seems like every so many years, this thing rolls out. Here we go again, you know. It gets conquered, and then all of a sudden, it just rolls out.

SENATOR KOSCO: That's the way it is. There are no new problems, just unsolved old ones.

CHIEF SCHRAMM: Unofficially, the Firemen's Home. Thank you.

SENATOR KOSCO: Thank you, Chief.

Probably if you go through speeches from years and years and years ago, from governors and presidents and congressmen and senators and people just generally in public and listen to what they talk about, it's the-- You could say, "Gee, we could put that in today's-- They just don't solve problems."

Well, this came up because evidently somebody thought there was a problem, and no one solved it. Now solving doesn't mean change. Solving means convincing someone that what they're saying isn't true, and that it is working right, and end of the story, rather than just ignore it and not put it to sleep.

So what we're trying to do is find out if there is any truth to the stories and the things that have been-- If there isn't, we're going to say that. We're not afraid to do that. But this body, right here that you are looking at, is going to come to a conclusion, and we're going to pass that on to whoever thinks that something isn't right. And if it isn't right, we're going to make it right.

Yes, Senator?

SENATOR GIRGENTI: Are we done with the part-- I just wonder if-- Ernie, one other question, just to go back.

Ernie, do you think there is any-- You know, looking at this whole situation and what has evolved, is there any way that you feel, from the perspective of the State President, that the system could be made better? Could there be more monitoring from the State of the locals? Is that a possibility, or what?

MR. GREENWALD: I think through the testimony today and through our experience with working with these people, this is a problem that just didn't develop today or yesterday. It's been an ongoing problem for many, many years.

As I said to you earlier, we were always told, "This is our money. We do what we want with it." Since I've been in I've said, "No, it's not our money. It's the tax money." We have to answer for it the same as you people do as legislators, and the same as a municipality or anybody else. We are accountable for this money, and if we do not handle it properly, then we can be held just as responsible as anybody else. I'm very much aware of that, and this is my message to the people in the field.

What we're trying to do -- and you've heard me in my statement -- we are trying to, and we are -- we're doing these county educational programs. We're going through the rules and regulations. And the officers of the associations are coming. We have found that just within the last year that these have been very beneficial. A lot of these people, particularly-- It's very hard to get people to even take these positions, as far as officers. A lot of them do not know the rules. It's going to have to be an ongoing educational program with the locals.

As I said earlier, I think it can be done. It's going to take a lot more effort on our part as State officers and

State officials and Executive Committeemen, but I really and truly believe it can be done.

These reexaminations that we are now doing are a tremendous help. We just finished, in the last two nights, Bergen County. We had them two nights, and last night it was Union County. Each one of those people that we brought back, some of them came in with a little chip on their shoulder, but when they see what we're doing and what the purpose of it is, they agree that they need this.

We just finished, as a matter of fact, about six to eight months ago-- We had done a complete survey of every relief association in the State. We held meetings on Saturdays and met with these people. I had them bring their books in: their minutes, their applications for relief, their procedures as far as relief was concerned, their procedures financially. It was amazing, some of the things that we found. I don't think I want to take up your time for some of those things, but we found that they had done many things wrong.

We've now set a policy for these people. "This is what you must do." Now that we've completed all 530 at that time -- we're now 532 -- we're now doing the reexaminations based on the financial reports of what we feel is the problem, and we're getting out to these people. We're not going to do it overnight, and I'd be lying to you if I told you anything different.

But I do feel, through the educational end of it, we can do something.

SENATOR GIRGENTI: Ernie, just in closing. You see, I guess, for a strong monitoring set up, in terms--

MR. GREENWALD: Oh, there isn't any question about it. I totally agree with you people.

SENATOR GIRGENTI: Right. And going along with what the Chairman said, and I don't necessarily -- not to argue with him, but it certainly is a suggestion right now-- But I know

the need, because of the identity, to have local relief organizations. I think that's important.

MR. GREENWALD: Yes.

SENATOR GIRGENTI: But is there some kind of a setup that can be structured that maybe you could have accountability? Is it causing more bureaucracy? The point here is not to cause more bureaucracy, but could you have a county group that maybe could be over each of the groups within that county? You know, the State organization is a little more removed, so maybe you could have a section set up in each county so you could work through there, or would it just be making more bureaucracy?

MR. GREENWALD: I think it's making more bureaucracy. I think we could utilize our Executive Committeemen a lot more than what we do. I think that would be the area, that they could monitor this. They know the rules, and they could certainly-- We do now. If I find a problem, I send the Executive Committeeman in--

SENATOR GIRGENTI: But do you have the capability to do all this? Your people are not paid, obviously, right?

MR. GREENWALD: Oh, yes, they are.

SENATOR KOSCO: Yes, they are?

MR. GREENWALD: I'm a full-time official.

SENATOR GIRGENTI: You are? Do you have any vice presidents?

SENATOR KOSCO: Each association is paid.

SENATOR GIRGENTI: Okay.

MR. GREENWALD: That's not necessarily so.

SENATOR KOSCO: No, no. I'm talking about among the State group.

MR. GREENWALD: Okay. Let me explain it to you.

SENATOR GIRGENTI: Do you have staff, or--

MR. GREENWALD: We have six girls who work in the office. The vice president, the president--

SENATOR GIRGENTI: Six women.

SENATOR KOSCO: They're 12-year-olds. We just got dirty looks. You've got to understand. You can't say "girls." You've got to say-- Today it's "women." But, Ernie, you can still call me a boy if you want. (laughter)

MR. GREENWALD: Okay. I'll tell you, the ladies and women in my office like to be called girls. So, you know -- that's what I'm using.

But we have six people who work on the staff.

SENATOR KOSCO: That's why we say "firefighters." You don't want to say fire girls.

SENATOR GIRGENTI: Is their function to monitor this?

MR. GREENWALD: No, they do basic clerical work, that type of thing.

SENATOR GIRGENTI: Okay. Who has to go in there and advise the different organizations that are conducting activities directly?

MR. GREENWALD: It depends on what you're after. If it's finances, it rests upon Mr. Schaal, who is the full-time Field Examiner, and Mr. Osborn, our Treasurer. If it deals with membership or deals with--

SENATOR GIRGENTI: Well, we're talking about relief.

MR. GREENWALD: Okay, relief. Then it's the officers in general. It depends on who is available to go in.

SENATOR GIRGENTI: So you have the capability to do it?

MR. GREENWALD: Yes, we do.

SENATOR GIRGENTI: Okay. So it's just a matter of you've got to monitor it?

MR. GREENWALD: Yes. We have the capability of doing those things. Yes, we do. With the assistance of the Executive Board, I think it could be worked out very handily, yes.

SENATOR GIRGENTI: I want to thank you.

SENATOR KOSCO: Okay. Thank you very much.

We're finished for today, but we're not finished with the hearings. We're going to continue to have them. We'll let you know exactly what we're doing and keep you abreast of everything that is going on.

MR. GREENWALD: We'd appreciate hearing when the next ones are, and we're here to help you.

SENATOR KOSCO: Thank you, everybody.

MR. GREENWALD: Thank you. We appreciate your time.

(HEARING CONCLUDED)

APPENDIX

Wyatt

September 7, 1993

Mr. Ernest J. Greenwald, Sr.
President
New Jersey State Firemen's Association
50 Evergreen Place
East Orange, NJ 07018-2144

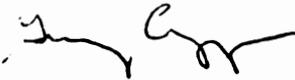
Re: 1993 Death Benefit Study

Dear Ernie:

Enclosed are five copies of our report on the 1993 Death Benefit Study of the General Relief Fund of the New Jersey State Firemen's Association.

If you have any questions or if we can be of any further assistance, please let me know.

Sincerely,



GARY H. CEPPOS

nll/004
Enclosures

NEW JERSEY STATE FIREMEN'S ASSN
1993 SEP - 8 - 9 11
GENERAL

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1993
DEATH BENEFIT STUDY
OF
GENERAL RELIEF FUND
OF
NEW JERSEY FIREMEN'S ASSOCIATION

2x

September 7, 1993

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I. INTRODUCTION

In the fall of 1968, we conducted a detailed analysis of the General Relief Fund of the New Jersey State Firemen's Association. After studying the actual experience through July 31, 1968 we projected the growth of the assets of the General Relief Fund under two sets of assumptions, namely a "Low Estimate" set of assumptions in which all of the factors affecting the Fund assets were conservatively estimated and a "High Estimate" set of assumptions in which all of the factors affecting the Fund assets were more realistically estimated.

Our August, 1973 Study compared the actual experience during the four years ended July 31, 1972 with the projections made in 1968 and presented a ten year projection for the years August 1, 1972 through July 31, 1982.

Our August, 1978 Study compared the actual experience during the six years ended July 31, 1978 with the projections made in 1973 and presented a five year projection for the years August 1, 1978 through July 31, 1983.

Our September 1984 Study compared the actual experience during the five years ended July 31, 1983 with the 1978 projections and presented a projection for the five years beginning August 1, 1983.

Our November 1986 Study compared the actual experience during the three years ended June 30, 1986 with the 1984 projections. It did not present any projections.

This Report contains the following Sections:

- I. Introduction
- II. Actual Experience For July 1, 1986 - June 30, 1992
- III. Projection of General Relief Fund
- IV. Other Considerations
- V. Conclusions

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II. ACTUAL EXPERIENCE FOR JULY 1, 1986 - JUNE 30, 1992

Below is shown the actual experience for each of the six years from July 1, 1986 through June 30, 1992.

Year Ended June 30	Assessment on Local Associations	Investment Income	From State Treasurer	Total Income
	(1)	(2)	(3)	(4)
1987	\$4,138,345	\$ 407,659	\$2,007,866	\$6,553,870
1988	\$4,014,065	\$ 907,998	\$2,390,237	\$7,312,300
1989	\$3,966,174	\$1,110,910	\$2,331,650	\$7,408,734
1990	\$3,944,528	\$1,333,103	\$1,936,505	\$7,214,136
1991	\$4,299,393	\$1,517,206	\$1,611,598	\$7,428,197
1992	\$4,277,695	\$1,504,609	\$1,448,605	\$7,230,909

Year Ended June 30	General Expenses	Death Claims	Total Expenses	Net Gain [(4)-(7)]
	(5)	(6)	(7)	(8)
1987	\$1,095,972	\$2,504,252	\$3,600,224	\$2,953,646
1988	\$ 957,158	\$2,458,925	\$3,416,083	\$3,896,217
1989	\$1,013,268	\$2,738,244	\$3,751,512	\$3,657,222
1990	\$1,142,246	\$3,021,864	\$4,164,110	\$3,050,026
1991	\$1,288,701	\$3,178,226	\$4,466,927	\$2,961,270
1992	\$1,481,145	\$3,275,535	\$4,756,680	\$2,474,229

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Shown below is the General Relief Fund for the period July 1, 1986 through June 30, 1992.

	General Relief Fund
July 1, 1986	\$ 3,813,092
June 30, 1987	\$ 6,766,738
June 30, 1988	\$10,662,955
June 30, 1989	\$14,320,177
June 30, 1990	\$17,370,203
June 30, 1991	\$20,331,473
June 30, 1992	\$22,805,702

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New Jersey State Library

III. PROJECTION OF GENERAL RELIEF FUND

Based on the actual experience observed from July 1, 1986 through June 30, 1992 we have prepared a new projection of the General Relief Fund using the following assumptions:

- (1) the Assessments equal the 6 year average for the period ended June 30, 1992,
- (2) Contributions from the 999 Account from the State Treasurer are held level of the 1992 level of \$3,700,000,
- (3) The payments from the 999 Account to the Firemen's Home increase by 10% each year until they reach \$3,700,000,
- (4) the Expenses increase 10% per year,
- (5) the number of Death Claims equal the 6 year average for the period ended June 30, 1992,
- (6) investment income on the funds is 7.0% per year,
- (7) all income and disbursement items are assumed to occur at the end of the year, and
- (8) each year in the future, 3,000 firemen in good health with an average age of 25 become members who are eligible for the death benefit.

Shown on the next page is a 10 year projection of the Assessments, State contributions to the 999 account, payments from the 999 Account, Investment Income, Expenses, Death Claims (assuming the \$4,600 death benefit increase by \$200 each year) and General Relief Fund.

6x

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7x

Year Ending June 30	Assessments	Contributions from the 999 Account	Payments to Firemen's Home from the 999 Account	General Expense	Death Claims	Investment Income	General Relief Fund
1993	\$4,100,000	\$3,700,000	\$3,000,000	\$1,630,000	\$3,730,000	\$1,600,000	\$23,850,000
1994	4,100,000	3,700,000	3,300,000	1,790,000	3,900,000	1,670,000	24,330,000
1995	4,100,000	3,700,000	3,630,000	1,970,000	4,050,000	1,700,000	24,180,000
1996	4,100,000	3,700,000	3,700,000	2,170,000	4,210,000	1,690,000	23,590,000
1997	4,100,000	3,700,000	3,700,000	2,390,000	4,370,000	1,650,000	22,580,000
1998	4,100,000	3,700,000	3,700,000	2,630,000	4,540,000	1,580,000	21,090,000
1999	4,100,000	3,700,000	3,700,000	2,890,000	4,700,000	1,480,000	19,080,000
2000	4,100,000	3,700,000	3,700,000	3,180,000	4,860,000	1,340,000	16,480,000
2001	4,100,000	3,700,000	3,700,000	3,500,000	5,020,000	1,150,000	13,210,000
2002	4,100,000	3,700,000	3,700,000	3,850,000	5,180,000	920,000	9,200,000

IV. OTHER CONSIDERATIONS

New Jersey State Firemen's Association has asked us about the potential impact of allowing future new entrants becoming firemen without passing a physical examination.

We believe this could greatly increase the cost to the Fund because the higher mortality rates of people in substandard health would increase the number of death benefits payable.

Just for illustration purposes, if all the firemen were in substandard health, the following would be a more accurate projection of the General Relief Fund.

Year Ending June 30	General Relief Fund
1993	\$20,120,000
1994	16,440,000
1995	11,690,000
1996	6,020,000
1997	(590,000)

8 x

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V. CONCLUSIONS

Based on the assumptions outlined previously, the General Relief Fund will remain relatively stable over the next 4 years and then start to decline and be completely depleted after approximately 12 years.

A key assumption of this projection is that all current and future firemen are relatively healthy. If a significant number of unhealthy firemen are included in the future, the General Relief Fund will decline earlier and be completely depleted sooner.

9x₇
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The New Jersey State Firemen's Association expresses its sincere sympathy upon the loss of your spouse.

Enclosed you will find a check for the Burial Benefit to which you are entitled under the rules of the Association, because of your spouse's participation in the Fire Service.

We also want to advise you that your local Firemen's Relief Association maintains a program of financial assistance. If you find that you require financial assistance, you may apply to your local Association to determine if you qualify.

Should you decide that you want to apply for assistance, you can contact this office to obtain the name, address and telephone number of the Local Relief Secretary, who will provide you with the necessary forms to determine if you qualify for the program.

If you need assistance, or have any questions about the Local Relief Program, call this office.

NEW JERSEY STATE FIREMEN'S ASSOCIATION
50 Evergreen Place, East Orange, New Jersey 07018
PHONE: (201) 677-9295

10X