P U B L I C   H E A R I N G

before

ASSEMBLY STATE GOVERNMENT COMMITTEE

ASSEMBLY BILL NO. 3421 AND SENATE BILL NO. 2602 (2R)

(Increases special retirement allowance in PFRS; restricts PFRS membership; assumes funding of pension adjustments; amends other provisions of PFRS statute)

February 6, 1989
Room 368
State House Annex
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Assemblyman Robert J. Martin, Chairman
Assemblywoman Marion Crecco, Vice Chairman
Assemblyman William E. Schluter
Assemblyman Anthony J. "Skip" Cimino
Assemblyman Joseph Charles, Jr.

ALSO PRESENT:

Donald S. Margeson
Office of Legislative Services
Aide, Assembly State Government Committee

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Hearing Recorded and Transcribed by
Office of Legislative Services
Public Information Office
Hearing Unit
State House Annex
CN 068
Trenton, New Jersey 08625

ROBERT J. MARTIN
CHAIRMAN
MARION CRECCO
VICE-CHAIRMAN
WILLIAM E. SCHLUTER
JOSEPH CHARLES, JR.
ANTHONY J. CIMINO

New Jersey State Legislature
ASSEMBLY STATE GOVERNMENT COMMITTEE
STATE HOUSE ANNEX, CN-068
TRENTON, NEW JERSEY 08625
(609) 292-9106

January 27, 1989

TO: MEMBERS OF THE COMMITTEE

FROM: ASSEMBLYMAN ROBERT J. MARTIN, CHAIRMAN

SUBJECT: COMMITTEE MEETING AND PUBLIC HEARING - FEBRUARY 6, 1989

(Address comments and questions to
Donald S. Margeson, Committee Aide (609) 292-9106)

I. COMMITTEE MEETING

The Assembly State Government Committee will meet on **Monday, February 6, 1989 at 10:00 A.M.** in **Room 368** of the **State House Annex** in Trenton, to consider the following legislation:

A-2555 Charles, Doria	Allows certain former members to reenroll in Hudson County Employees' Pension Fund.
A-3440 Haytaian	Authorizes sale of surplus State personal property to units of local government.

II. PUBLIC HEARING

Immediately following the conclusion of the committee meeting announced above, the Committee will hold a public hearing concerning the following legislation:

A-3421 Pascrell, Cimino	Increases special retirement allowance in PFRS; restricts PFRS membership; assumes funding of pension adjustments; amends other provisions of PFRS statute.
S-2602 [2R] Russo	Increases special retirement allowance in PFRS; restricts PFRS membership; assumes funding of pension adjustments; amends other provisions of PFRS statute.

Anyone wishing to testify on this legislation should contact Donald S. Margeson, Committee Aide, at (609) 292-9106.

ASSEMBLY, No. 3421

STATE OF NEW JERSEY

INTRODUCED JUNE 20, 1988

By Assemblymen PASCRELL, CIMINO, Patero, Foy and Girgenti

AN ACT concerning the membership and the retirement of certain members of the Police and Firemen's Retirement System, amending and supplementing P.L. 1944, c. 255, amending P.L. 1964, c. 241 and P.L. 1971, c. 175, and repealing section 3 of P.L. 1982, c. 198.

BE IT ENACTED *by the Senate and General Assembly of the State of New Jersey:*

1. Section 1 of P.L. 1944, c. 255 (C. 43:16A-1) is amended to read as follows:

1. As used in this act:

(1) "Retirement system" shall mean the Police and Firemen's Retirement System of New Jersey as defined in section 2 of this act.

(2) "Policeman or fireman" shall mean any permanent and full-time active uniformed employee, and any active permanent and full-time employee who is a detective, lineman, fire alarm operator, or inspector of combustibles of any police or fire department or any employee of a police or fire department who was a member of the retirement system for a period of 15 years prior to his transfer to a position within the department not otherwise covered by the retirement system or any officer or employee serving in the title of assistant superintendent I, assistant superintendent II, assistant superintendent III, superintendent I, superintendent II, superintendent III or administrator, prison complex within the Department of Corrections who, prior to appointment to any of those titles, was a member of the retirement system. It shall also mean any permanent, active and full-time firefighter or officer employee of the State of New Jersey, or any political subdivision thereof, with police powers and holding one of the following titles: motor vehicles officer, motor vehicles sergeant, motor vehicles lieutenant, motor vehicles captain, assistant chief, bureau of enforcement, and chief, bureau of enforcement in the Division of

EXPLANATION--Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined <u>thus</u> is new matter.

Motor Vehicles, highway patrol officer, sergeant highway patrol bureau, lieutenant highway patrol bureau, captain highway patrol bureau, assistant chief highway patrol bureau, and chief highway patrol bureau in the Division of State Police, alcoholic beverage control investigator, alcoholic beverage control inspector, assistant deputy director, bureau of enforcement, and deputy director, bureau of enforcement in the Division of Alcoholic Beverage Control, inspector recruit alcoholic beverage control, inspector alcoholic beverage control, senior inspector alcoholic beverage control, principal inspector alcoholic beverage control, and supervising inspector alcoholic beverage control in the Division of State Police, conservation officer I, II, III, supervising conservation officer, and chief, bureau of law enforcement in the Division of Fish, Game and Wildlife, ranger trainee, ranger, chief ranger I and chief ranger II in the State Park Service, field section fire warden, chief, Bureau of Forest Fire Management, State forest fire warden, supervising forester (fire), principal forester (fire), senior forester (fire), assistant forester (fire), supervising forest fire warden, division forest fire warden, assistant division forest fire warden, and section forest fire warden in the Bureau of Forest Fire Management, Department of Environmental Protection, marine police officer, senior marine police officer, and principal marine police officer in the Division of State Police, marine patrolman, senior marine patrolman, principal marine patrolman, and chief, bureau of marine law enforcement, State fire marshal, deputy State fire marshal, and inspector fire safety, Department of Law and Public Safety, institution fire chief and assistant institution fire chief, Department of Human Services, correction officer, senior correction officer, correction officer sergeant, correction officer lieutenant, correction officer captain, investigator, senior investigator, principal investigator, assistant chief investigator, chief investigator and director of custody operations I, II, III in the Department of Corrections, medical security officer, assistant supervising medical security officer, and supervising medical security officer in the Department of Human Services, county detective, lieutenant of county detectives, captain of county detectives, deputy chief of county detectives, chief of county detectives, supervising auditor-investigator, auditor-investigator, electronics specialist, traffic safety coordinator-investigator, supervisor of electronics and investigations, and county investigator in the offices of the county prosecutors, county sheriff, sheriff's officer, sergeant sheriff's officer, lieutenant sheriff's officer, captain sheriff's officer, chief sheriff's officer, and sheriff's investigator in the offices of the county sheriffs, county correction officer, county correction sergeant, county correction lieutenant, county correction captain, and county deputy warden in the several county jails, industrial trade instructor and identification officer in a county of the first class having a population of more than 850,000 inhabitants, cottage officer, head cottage officer, interstate escort officer, juvenile officer, head juvenile officer, assistant supervising juvenile officer, and supervising juvenile officer, chief investigator, assistant chief investigator, senior investigator and investigator in a county welfare agency in a county of the first class, if the county adopts an ordinance or resolution, as appropriate, pursuant to subsection a. of section 2 of P.L. 1985, c. 221 (C. 43:16A-62.3), police officer capitol police and senior police officer capitol police in the Division of State Police, patrolman capitol police, patrolman institutions, sergeant patrolman institutions, and supervising patrolman institutions and patrolman or other police officer of the Board of Commissioners of the Palisades Interstate Park appointed pursuant to R.S. 32:14-21.

After the effective date of this 1988 amendatory and supplementary act, however, "policeman or fireman" shall mean any permanent and full-time active uniformed employee of a police or fire department, and any active permanent and full-time employee who is a detective, lineman, fire alarm operator, or inspector of combustibles of a police or fire department, appointed or employed subsequent to that effective date who has received Police Training Commission certification and, in the case of an employee of a police department, who has full police powers, has received firearms training, and has firearms carrying privileges; and shall also mean any person who is a member of the retirement system on that effective date. Any employees of a police or fire department who are employed after that effective date and who do not meet those qualifications shall not be members of the retirement system. In no instance shall an employee of a police or fire department who was employed prior to the effective date of P.L. 1986, c. 112 and who shall assume a new title by merit of promotion or a change in title of position, be denied continued membership in the Police and Firemen's Retirement System.

(3) "Member" shall mean any policeman or fireman included in the membership of the retirement system as provided in section 3 of this act.

(4) "Board of trustees" or "board" shall mean the board provided for in section 13 of this act.

(5) "Medical board" shall mean the board of physicians provided for in section 13 of this act.

(6) "Employer" shall mean the State of New Jersey, the county, municipality or political subdivision thereof which pays the particular policeman or fireman.

(7) "Service" shall mean service as a policeman or fireman paid for by an employer.

(8) "Creditable service" shall mean service rendered for which credit is allowed as provided under section 4 of this act.

(9) "Regular interest" shall mean interest as determined annually by the State Treasurer after consultation with the Directors of the Divisions of Investment and Pensions and the actuary of the system. It shall bear a reasonable relationship to the percentage rate of earnings on investments but shall not exceed 105% of such percentage rate.

(10) "Aggregate contributions" shall mean the sum of all the amounts, deducted from the compensation of a member or contributed by him or on his behalf, standing to the credit of his individual account in the annuity savings fund.

(11) "Annuity" shall mean payments for life derived from the aggregate contributions of a member.

(12) "Pension" shall mean payments for life derived from contributions by the employer.

(13) "Retirement allowance" shall mean the pension plus the annuity.

(14) "Earnable compensation" shall mean the full rate of the salary that would be payable to an employee if he worked the full normal working time for his position. In cases where salary

includes maintenance, the retirement system shall fix the value of that part of the salary not paid in money which shall be considered under this act.

(15) "Average final compensation" shall mean the average annual salary upon which contributions are made for the three years of creditable service immediately preceding his retirement or death, or it shall mean the average annual salary for which contributions are made during any three fiscal years of his or her membership providing the largest possible benefit to the member or his beneficiary.

(16) "Retirement" shall mean the termination of the member's active service with a retirement allowance granted and paid under the provisions of this act.

(17) "Annuity reserve" shall mean the present value of all payments to be made on account of any annuity or benefit in lieu of any annuity computed upon the basis of such mortality tables recommended by the actuary as shall be adopted by the board of trustees, and regular interest.

(18) "Pension reserve" shall mean the present value of all payments to be made on account of any pension or benefit in lieu of any pension computed upon the basis of such mortality tables recommended by the actuary as shall be adopted by the board of trustees, and regular interest.

(19) "Actuarial equivalent" shall mean a benefit of equal value when computed upon the basis of such mortality tables recommended by the actuary as shall be adopted by the board of trustees, and regular interest.

(20) "Beneficiary" shall mean any person receiving a retirement allowance or other benefit as provided by this act.

(21) "Child" shall mean a deceased member's or retirant's unmarried child (a) under the age of 18, or (b) 18 years of age or older and enrolled in a secondary school, or (c) under the age of 24 and enrolled in a degree program in an institution of higher education for at least 12 credit hours in each semester, provided that the member died in active service as a result of an accident met in the actual performance of duty at some definite time and place, and the death was not the result of the member's willful misconduct, or (d) of any age who, at the time of the member's or retirant's death, is disabled because of mental retardation or

physical incapacity, is unable to do any substantial, gainful work because of the impairment and his impairment has lasted or can be expected to last for a continuous period of not less than 12 months, as affirmed by the medical board.

(22) "Parent" shall mean the parent of a member who was receiving at least one-half of his support from the member in the 12-month period immediately preceding the member's death or the accident which was the direct cause of the member's death. The dependency of such a parent will be considered terminated by marriage of the parent subsequent to the death of the member.

(23) "Widower" shall mean the man to whom a member or retirant was married at least two years before the date of her death and to whom she continued to be married until the date of her death and who was receiving at least one-half of his support from the member or retirant in the 12-month period immediately preceding the member's or retirant's death or the accident which was the direct cause of the member's death. The dependency of such a widower will be considered terminated by marriage of the widower subsequent to the death of the ember or retirant. In the event of the payment of an accidental death benefit, the two-year qualification shall be waived.

(24) "Widow" shall mean the woman to whom a member or retirant was married at least two years before the date of his death and to whom he continued to be married until the date of his death and who has not remarried. In the event of the payment of an accidental death benefit, the two-year qualification shall be waived.

(25) "Fiscal year" shall mean any year commencing with July 1, and ending with June 30, next following.

(26) "Compensation" shall mean the base salary, for services as a member as defined in this act, which is in accordance with established salary policies of the member's employer for all employees in the same position but shall not include individual salary adjustments which are granted primarily in anticipation of the member's retirement or additional remuneration for performing temporary duties beyond the regular workday.

(27) "Department" shall mean any police or fire department of a municipality or a fire department of a fire district located in a township or a county police or park police department or the

appropriate department of the State or instrumentality thereof.

(28) "Final compensation" means the compensation received by the member in the last 12 months of creditable service preceding his retirement.

(cf: P.L. 1986, c. 165, s. 1)

2. Section 6 of P.L. 1944, c. 255 (C. 43:16A-6) is amended to read as follows:

6. (1) Upon the written application by a member in service, by one acting in his behalf or by his employer, any member, under 55 years of age, who has had 5 or more years of creditable service may be retired [, not less than 1 month next following the date of filing such application,] on an ordinary disability retirement allowance; provided, that the medical board, after a medical examination of such member, shall certify that such member is mentally or physically incapacitated for the performance of his usual duty and of any other available duty in the department which his employer is willing to assign to him and that such incapacity is likely to be permanent and to such an extent that he should be retired.

(2) Upon retirement for ordinary disability, a member shall receive an ordinary disability retirement allowance which shall consist of:

(a) An annuity which shall be the actuarial equivalent of his aggregate contributions and

(b) A pension in the amount which, when added to the member's annuity, will provide a total retirement allowance of 1 1/2 % of average final compensation multiplied by his number of years of creditable service but in no event shall the total allowance be less than 40% of the member's average final compensation.

(3) Upon the receipt of proper proofs of the death of a member who has retired on an ordinary disability retirement allowance, there shall be paid to such member's beneficiary, an amount equal to 3 1/2 times the compensation upon which contributions by the member to the annuity savings fund were based in the last year of creditable service; provided, however, that if such death shall occur after the member shall have attained 55 years of age the amount payable shall equal 1/2 of such compensation instead of 3 1/2 times such compensation.

(cf: P.L. 1971, c. 175, s. 3)

3. Section 7 of P.L. 1944, c. 255 (C. 43:16A-7) is amended to read as follows:

7. (1) Upon the written application by a member in service, by one acting in his behalf or by his employer any member may be retired [, not less than 1 month next following the date of filing such application,] on an accidental disability retirement allowance; provided, that the medical board, after a medical examination of such member, shall certify that the member is permanently and totally disabled as a direct result of a traumatic event occurring during and as a result of the performance of his regular or assigned duties and that such disability was not the result of the member's willful negligence and that such member is mentally or physically incapacitated for the performance of his usual duty and of any other available duty in the department which his employer is willing to assign to him. The application to accomplish such retirement must be filed within 5 years of the original traumatic event, but the board of trustees may consider an application filed after the 5-year period if it can be factually demonstrated to the satisfaction of the board of trustees that the disability is due to the accident and the filing was not accomplished within the 5-year period due to a delayed manifestation of the disability or to other circumstances beyond the control of the member.

(2) Upon retirement for accidental disability, a member shall receive an accidental disability retirement allowance which shall consist of:

(a) An annuity which shall be the actuarial equivalent of his aggregate contributions and

(b) A pension in the amount which, when added to the member's annuity, will provide a total retirement allowance of 2/3 of the member's actual annual compensation for which contributions were being made at the time of the occurrence of the accident.

(3) Upon receipt of proper proofs of the death of a member who has retired on accidental disability retirement allowance, there shall be paid to such member's beneficiary, an amount equal to 3 1/2 times the compensation upon which contributions by the member to the annuity savings fund were based in the last year of creditable service; provided, however, that if such death

shall occur after the member shall have attained 55 years of age the amount payable shall equal 1/2 of such compensation instead of 3 1/2 times such compensation.

(4) Permanent and total disability resulting from a cardiovascular, pulmonary or musculo-skeletal condition which was not a direct result of a traumatic event occurring in the performance of duty shall be deemed an ordinary disability.

(cf: P.L. 1971, c. 175, s. 4)

4. Section 16 of P.L. 1964, c. 241 (C. 43:16A-11.1) is amended to read as follows:

16. Should a member resign after having established 25 years of creditable service, he may elect "special retirement," provided, that such election is communicated by such member to the retirement system by filing a written application, duly attested, stating at what time subsequent to the execution and filing thereof he desires to be retired. He shall receive, in lieu of the payment provided in section 11, a retirement allowance which shall consist of:

(1) An annuity which shall be the actuarial equivalent of his aggregate contributions, and

(2) A pension in the amount which, when added to the member's annuity, will provide a total retirement allowance of [60%] 65% of his final compensation, plus 1% of his final compensation multiplied by the number of years of creditable service over 25 but not over 30; provided, however, that any member who has earned, prior to July 1, 1979, more than 30 years of creditable service, shall receive an additional 1% of his final compensation for each year of his creditable service over 30.

The board of trustees shall retire him at the time specified or at such other time within 1 month after the date so specified as the board finds advisable.

Upon the receipt of proper proofs of the death of such a retired member, there shall be paid to his beneficiary an amount equal to one-half of the final compensation received by the member.

(cf: P.L. 1982, c. 198, s. 2)

5. Section 15 of P.L. 1944, c. 255 (C. 43:16A-15) is amended to read as follows:

15. (1) The contributions required for the support of the retirement system shall be made by members and their employers.

(2) [Upon the basis of such tables recommended by the actuary as the board shall adopt and regular interest, the actuary of the retirement system shall determine for each age at entrance into the system the percentage of compensation of the member entering at such age, exclusive of the additional contribution prescribed by subsections (3)(c) and (3)(d) of this section, which, if deducted from each payment of his prospective earnable compensation throughout active service, is computed to be sufficient to provide for all benefits on account of his membership.]

The uniform percentage contribution rate for members shall be 8.5% of compensation.

(3) [(a) The percentage contribution rate of each member, exclusive of the additional contribution prescribed by subsections (3)(c) and (3)(d) of this section, shall be fixed according to his age at entrance into membership and shall be one-half of the total percentage contribution rate calculated for such age to be required to provide all benefits except the pensions upon accidental disability and the benefits payable upon death.

(b) Notwithstanding the provisions of subsection (3)(a) of this section, the percentage contribution rates for members of the retirement system exclusive of the additional contribution prescribed by subsections (3)(c) and (3)(d) of this section, shall be fixed at the contribution rates in effect as of July 1, 1967.

(c) Effective July 1, 1968, all proportions of compensation are increased by an additional 1% of compensation which is subject to deductions from the compensation of members or contributions made on their behalf by their employers in lieu of such deductions.

(d) Upon the effective date of this 1979 amendatory and supplementary act, all proportions of compensation are increased by an additional 1% of compensation which is subject to deductions from the compensation of members or contributions made on their behalf by their employers in lieu of such deductions.] (Deleted by amendment, P.L.   , c.   .)

(4) [Each employer shall make a contribution equal to that made by each member in its employ and in addition shall make a contribution equal to the percentage of the compensation of each such member certified by the retirement system to be required to provide the cost of accidental disability pensions and any death

benefits on his account. Notwithstanding this provision, the retirement system shall certify an average and uniform rate for payments by all employers, which shall be set on the basis of the annual actuarial valuations to be sufficient to provide with previous contributions of employers all benefits for which employers are responsible. This shall be known as the "normal contribution."]

Each employer shall make contributions equal to the percentage of compensation of members in its employ as certified by the board of trustees based on annual actuarial valuations. The percentage rate of contribution payable by employers shall be determined initially on the basis of the entry age normal cost method. This shall be known as the "normal contribution."

(5) [In addition each employer shall make such contributions, if any, as is certified by the retirement system to be required to provide for accrued liability arising out of all prior service granted to members chargeable to such employer.] (Deleted by amendment, P.L.   , c.   .)

(6) The percentage rates of contribution payable by [future members and all] employers pursuant to subsection (4) of this section shall be subject to adjustment from time to time by the board of trustees with the advice of the actuary on the basis of annual actuarial valuations and experience investigations as provided under section 13, so that the value of future contributions of members and employers, when taken with present assets, shall be equal to the value of prospective benefit payments.

(7) [The retirement system shall certify to the chief fiscal officer of each employer the percentage of salary payable by each member and by the employer in behalf of his employee members. The employer shall cause to be deducted from the salary of each member the percentage of earnable compensation of each member. The retirement system shall certify to each employer the proportion of each member's compensation to be deducted, and to facilitate the making of deductions it may modify the deduction required of any member by such an amount as shall not exceed 1/10 of 1% of the compensation upon the basis of which such deduction is to be made.] (Deleted by

amendment, P.L. , c. .)

(8) The deductions provided for herein shall be made notwithstanding that the minimum salary provided for by law for any member shall be reduced thereby. Every member shall be deemed to consent and agree to the deductions made and provided for herein, and payment of salary or compensation less said deduction shall be a full and complete discharge and acquittance of all claims and demands whatsoever for the service rendered by such person during the period covered by such payment, except as to the benefits provided under this act. The chief fiscal officer of each employer shall certify to the retirement system in such manner as the retirement system may prescribe, the amounts deducted; and when deducted shall be paid into said annuity savings fund, and shall be credited to the individual account of the member from whose salary said deduction was made.

(9) Upon the basis of such tables recommended by the actuary as the board adopts and regular interest, the actuary shall compute the amount of the unfunded liability as of June 30, [1971] 1987 which has accrued on the basis of service rendered prior to July 1, [1971] 1987 by all members, which amount shall remain frozen and shall be amortized over a period of 40 years [, including the amount of the liability arising out of prior service as certified by the retirement system, and including the accrued liabilities established by P.L. 1964, c. 241 and P.L. 1967, c. 250]. Using the total amount of this unfunded accrued liability, [he] the actuary shall compute [the] an increasing amount of [the flat] annual payment, which is estimated ro remain a level percentage of prospective total compensation and which, if paid in each succeeding fiscal year commencing with July 1, [1972] 1988, for a period of 40 years, will provide for this liability. This shall be known as the "accrued liability contribution."

The normal and accrued liability contributions as certified by the retirement system shall be included in the budget of the employer and levied and collected in the same manner as any other taxes are levied and collected for the payment of the salaries of members.

(10) The treasurer or corresponding officer of the employer shall pay on or before March 31 in each year to the State

Treasurer the amount so certified as payable by the employer, and shall pay monthly to the State Treasurer the amount of the deductions from the salary of the members in the employ of the employer, and the State Treasurer shall credit such amount to the appropriate fund or funds, of the retirement system.

If payment of the full amount of the employer's obligation is not made within 30 days of the due date established by this act, interest at the rate of [6%] 10% per annum shall commence to run against the unpaid balance thereof on the first day after such thirtieth day.

If payment in full, representing the monthly transmittal and report of salary deductions, is not made within 15 days of the due date established by the retirement system, interest at the rate of [6%] 10% per annum shall commence to run against the total transmittal of salary deductions for the period on the first day after such fifteenth day.

(11) The expenses of administration of the retirement system shall be paid by the State of New Jersey. Each employer shall reimburse the State for a proportionate share of the amount paid by the State for administrative expense. This proportion shall be computed as the number of members under the jurisdiction of such employer bears to the total number of members in the system. The pro rata share of the cost of administrative expense shall be included with the certification by the retirement system of the employer's contribution to the system.

(12) Notwithstanding anything to the contrary, the retirement system shall not be liable for the payment of any pension or other benefits on account of the employees or beneficiaries of any employer participating in the retirement system, for which reserves have not been previously created from funds, contributed by such employer or its employees for such benefits.

(13) [Notwithstanding any other provision of this act, the Legislature shall annually appropriate and the State Treasurer shall pay into the contingent reserve fund of the retirement system an amount calculated as an increase in the normal contribution which will provide for the additional liability required to fund the benefits provided by this amendatory and supplementary act. Any saving realized by the retirement system as a result of any future increase in "regular interest" as

determined annually by the State Treasurer shall be applied by the actuary towards meeting the cost of this additional liability.] (Deleted by amendment, P.L. , c. .)

(cf: P.L. 1979, c. 109, s. 1)

6. Section 21 of P.L. 1971, c. 175 (C. 43:16A-15.4) is amended to read as follows:

21. The accrued liability contribution of any employer adopting the retirement system after July 1, [1971] 1987 for the purpose of providing prior service credit, shall be payable by the employer to the pension accumulation fund over [a] the period [of not less than 25 years] selected by the employer, provided that the period may not exceed 40 years following the initial valuation of such liability by the actuary of the retirement system.

(cf: P.L. 1971, c. 175, s. 21)

7. (New section) Pension adjustment benefits for members and beneficiaries of the Police and Firemen's Retirement System of New Jersey as provided by P.L. 1969, c. 169 (C. 43:3B-1 et seq.) shall be paid by the retirement system and shall be funded as employer obligations in a similar manner to that provided for the funding of employer obligations for the retirement benefits provided by the retirement system. The value of anticipated future adjustments for active members as of and after July 1, 1987 shall be funded as a percentage of prospective total compensation on the assumption that the funding level for the cost of these adjustments will be phased in over a period not to exceed 40 years.

8. (New section) Notwithstanding the provisions of the "Pension Adjustment Act," P.L. 1969, c. 169 (C. 43:B-1 et seq.), pension adjustment benefits provided for under the act for members and beneficiaries of the Police and Firemen's Retirement System of New Jersey shall be paid by the retirement system and shall be funded as employer obligations in the manner prescribed for the funding of pension adjustment benefits by the retirement system by this 1988 amendatory and supplementary act, P.L. , c. (C.).

9. Section 3 of P.L. 1982, c. 198 (C. 43:16A-11.1a) is repealed.

10. This act shall take effect immediately, except that the amendment to subsection (2) of section 15 of P.L. 1944, c. 255 (C. 43:16A-15) in section 5 of this amendatory and supplementary

act shall take effect on the first day of the calendar quarter following the date of enactment by at least two months.

STATEMENT

This bill increases the special retirement allowance after 25 years of creditable service in the Police and Firemen's Retirement System from 60% of final compensation to 65%.

The bill also provides that future membership in PFRS shall be retricted to "permanent and full-time active uniformed" employees, and certain other employees, of a police or fire department who are employed after the effective date of this act and who have received Police Training Commission certification and, in the case of employees of a police department, have full police powers, have received firearms training, and have firearms carrying privileges.

Other provisions of the bill include:

(1) PFRS assumption of the funding of pension adjustments for retirants;

(2) the establishment of a uniform rate of contribution for PFRS members of 8.5% of compensation; and

(3) the re-amortization of the system's unfunded liability as of June 30, 1987 over a period of 40 years.

PENSIONS AND RETIREMENT
Police Officers

Increases special retirement allowance in PFRS; restricts PFRS membership; assumes funding of pension adjustments; amends other provisions of PFRS statute.

[CORRECTED COPY]
[SECOND REPRINT]

SENATE, No. 2602

STATE OF NEW JERSEY

INTRODUCED MAY 26, 1988

By Senator RUSSO

AN ACT concerning the membership and the retirement of certain members of the Police and Firemen's Retirement System, amending and supplementing P.L.1944, c. 255, [1][and][1] amending P.L.1964, c.241 and P.L.1971, c.175, and repealing [1]section 3 of P.L.1979, c.109[1] and section 3 of P.L.1982, c.198.

BE IT ENACTED *by the Senate and General Assembly of the State of New Jersey:*

1. Section 1 of P.L.1944, c.255 (C.43:16A-1) is amended to read as follows:

1. As used in this act:

(1) "Retirement system" shall mean the Police and Firemen's Retirement System of New Jersey as defined in section 2 of this act.

(2) [1]["Policeman or fireman" shall mean any permanent and full-time active uniformed employee, and any active permanent and full-time employee who is a detective, lineman, fire alarm operator, or inspector of combustibles of any police or fire department or any employee of a police or fire department who was a member of the retirement system for a period of 15 years prior to his transfer to a position within the department not otherwise covered by the retirement system or any officer or employee serving in the title of assistant superintendent I, assistant superintendent II, assistant superintendent III, superintendent I, superintendent II, superintendent III or administrator, prison complex within the Department of Corrections who, prior to appointment to any of those titles, was a member of the retirement system. It shall also mean any permanent, active and full-time firefighter or officer employee of the State of New Jersey, or any political subdivision thereof, with police powers and holding one of the following titles: motor

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.
Matter enclosed in superscript numerals has been adopted as follows:
1 Senate SSG committee amendments adopted June 23, 1988.
2 Senate SRF committee amendments adopted September 19, 1988.

vehicles officer, motor vehicles sergeant, motor vehicles lieutenant, motor vehicles captain, assistant chief, bureau of enforcement, and chief, bureau of enforcement in the Division of Motor Vehicles, highway patrol officer, sergeant highway patrol bureau, lieutenant highway patrol bureau, captain highway patrol bureau, assistant chief highway patrol bureau, and chief highway patrol bureau in the Division of State Police, alcoholic beverage control investigator, alcoholic beverage control inspector, assistant deputy director, bureau of enforcement, and deputy director, bureau of enforcement in the Division of Alcoholic Beverage Control, inspector recruit alcoholic beverage control, inspector alcoholic beverage control, senior inspector alcoholic beverage control, principal inspector alcoholic beverage control, and supervising inspector alcoholic beverage control in the Division of State Police, conservation officer I, II, III, supervising conservation officer, and chief, bureau of law enforcement in the Division of Fish, Game and Wildlife, ranger trainee, ranger, chief ranger I and chief ranger II in the State Park Service, field section fire warden, chief, Bureau of Forest Fire Management, State forest fire warden, supervising forester (fire), principal forester (fire), senior forester (fire), assistant forester (fire), supervising forest fire warden, division forest fire warden, assistant division forest fire warden, and section forest fire warden in the Bureau of Forest Fire Management, Department of Environmental Protection, marine police officer, senior marine police officer, and principal marine police officer in the Division of State Police, marine patrolman, senior marine patrolman, principal marine patrolman, and chief, bureau of marine law enforcement, State fire marshal, deputy State fire marshal, and inspector fire safety, Department of Law and Public Safety, institution fire chief and assistant institution fire chief, Department of Human Services, correction officer, senior correction officer, correction officer sergeant, correction officer lieutenant, correction officer captain, investigator, senior investigator, principal investigator, assistant chief investigator, chief investigator and director of custody operations I, II, III in the Department of Corrections, medical security officer, assistant supervising medical security officer, and supervising medical security officer in the Department of Human Services, county detective, lieutenant of county detectives, captain of county detectives, deputy chief of county detectives, chief of county detectives, supervising auditor-investigator, auditor-investigator. electronics specialist, traffic safety coordinator-investigator, supervisor of electronics and investigations, and county investigator in the offices of the county prosecutors, county sheriff, sheriff's officer, sergeant sheriff's officer, lieutenant sheriff's officer, captain sheriff's officer, chief sheriff's officer, and sheriff's investigator in the offices of the county sheriffs, county correction officer, county correction sergeant, county correction lieutenant, county correction captain, and county deputy warden in the several county jails, industrial trade instructor and identification officer in a county of the first class having a population of more than 850,000 inhabitants, cottage officer, head cottage officer, interstate escort officer, juvenile officer, head juvenile officer, assistant supervising juvenile officer, and supervising juvenile officer, chief investigator, assistant chief investigator, senior investigator and investigator in a county welfare agency in a county of the first class, if the county adopts an ordinance or resolution, as appropriate, pursuant to subsection a. of section 2 of P.L.1985, c.221 (C.43:16A-62.3), police officer capitol police and senior police officer capitol police in the Division of State Police, patrolman capitol police, patrolman institutions, sergeant patrolman institutions, and supervising patrolman institutions and patrolman or other police officer of the Board of Commissioners of the Palisades Interstate Park appointed pursuant to R.S.32:14-21.

After the effective date of this 1988 amendatory and supplementary act, however, "policeman or fireman" shall mean any permanent and full-time active uniformed employee of a police or fire department, and any active permanent and full-time employee who is a detective, lineman, fire alarm operator, or inspector of combustibles of a police or fire department, appointed or employed subsequent to that effective date who has received Police Training Commission certification and, in the case of an employee of a police department, who has full police powers, has received firearms training, and has firearms carrying privileges; and shall also mean any person who is a member of the retirement system on that effective date. Any employees of a police or fire department who are employed after that effective date and who do not meet those qualifications shall not be members of the retirement system. In no instance shall an employee of a police or fire department who was employed prior to the effective date of P.L.1986, c.112 and who shall assume a new title by merit of promotion or a change in title of position be denied continued membership in the Police and Firemen's Retirement System.]

(a) "Policeman" shall mean a permanent, full-time employee of a law enforcement unit as defined in section 2 of P.L.1961, c.56 (C.52:17B-67) or the State, other than an officer or trooper of the Division of State Police whose position is covered by the State Police Retirement System, whose primary duties include the investigation, apprehension or detention of persons suspected or convicted of violating the criminal laws of the State and who:

(i) is authorized to carry a firearm while engaged in the actual performance of his official duties;

(ii) has police powers;

(iii) is required to complete successfully the training requirements prescribed by P.L.1961, c.56 (C.52:17B-66 et seq.) or comparable training requirements as determined by the board of trustees; and

(iv) is subject to the physical and mental fitness requirements applicable to the position of municipal police officer established by an agency authorized to establish these requirements on a Statewide basis, or comparable physical and mental fitness requirements as determined by the board of trustees.

The term shall also include an administrative or supervisory employee of a law enforcement unit or the State whose duties include general or direct supervision of employees engaged in investigation, apprehension or detention activities or training responsibility for these employees and a requirement for engagement in investigation, apprehension or detention activities if necessary, and who is authorized to carry a firearm while in the actual performance of his official duties and has police powers.

(b) "Fireman" shall mean a permanent, full-time employee of a firefighting unit whose primary duties include the control and extinguishment of fires and who is subject to the training and physical and mental fitness requirements applicable to the position of municipal firefighter established by an agency authorized to establish these requirements on a Statewide basis, or comparable training and physical and mental fitness requirements as determined by the board of trustees. The term shall also include an administrative or supervisory employee of a firefighting unit whose duties include general or direct supervision of employees engaged in fire control and extinguishment activities or training responsibility for these employees and a requirement for engagement in fire control and extinguishment activities if necessary. As used in this paragraph, "firefighting unit" shall mean a municipal fire department, a fire district, or an agency of a county or the State which is responsible for control and extinguishment of fires.[1]

(3) "Member" shall mean any policeman or fireman included in the membership of the retirement system [1][as provided in section 3 of this act] pursuant to this 1988 amendatory and supplementary act[1].

(4) "Board of trustees" or "board" shall mean the board provided for in section 13 of this act.

(5) "Medical board" shall mean the board of physicians provided for in section 13 of this act.

(6) "Employer" shall mean the State of New Jersey, the county, municipality or political subdivision thereof which pays the particular policeman or fireman.

(7) "Service" shall mean service as a policeman or fireman paid for by an employer.

(8) "Creditable service" shall mean service rendered for which credit is allowed as provided under section 4 of this act.

(9) "Regular interest" shall mean interest as determined annually by the State Treasurer after consultation with the Directors of the Divisions of Investment and Pensions and the actuary of the system. It shall bear a reasonable relationship to the percentage rate of earnings on investments but shall not exceed 105% of such percentage rate.

(10) "Aggregate contributions" shall mean the sum of all the amounts, deducted from the compensation of a member or contributed by him or on his behalf, standing to the credit of his individual account in the annuity savings fund.

(11) "Annuity" shall mean payments for life derived from the aggregate contributions of a member.

(12) "Pension" shall mean payments for life derived from contributions by the employer.

(13) "Retirement allowance" shall mean the pension plus the annuity.

(14) "Earnable compensation" shall mean the full rate of the salary that would be payable to an employee if he worked the full normal working time for his position. In cases where salary includes maintenance, the retirement system shall fix the value of that part of the salary not paid in money which shall be considered under this act.

(15) "Average final compensation" shall mean the average annual salary upon which contributions are made for the three years of creditable service immediately preceding his retirement or death, or it shall mean the average annual salary for which contributions are made during any three fiscal years of his or her membership providing the largest possible benefit to the member or his beneficiary.

(16) "Retirement" shall mean the termination of the member's active service with a retirement allowance granted and paid under the provisions of this act.

(17) "Annuity reserve" shall mean the present value of all payments to be made on account of any annuity or benefit in lieu of any annuity computed upon the basis of such mortality tables recommended by the actuary as shall be adopted by the board of trustees, and regular interest.

(18) "Pension reserve" shall mean the present value of all payments to be made on account of any pension or benefit in lieu of any pension computed upon the basis of such mortality tables recommended by the actuary as shall be adopted by the board of trustees, and regular interest.

(19) "Actuarial equivalent" shall mean a benefit of equal value when computed upon the basis of such mortality tables recommended by the actuary as shall be adopted by the board of trustees, and regular interest.

(20) "Beneficiary" shall mean any person receiving a retirement allowance or other benefit as provided by this act.

(21) "Child" shall mean a deceased member's or retirant's

unmarried child (a) under the age of 18, or (b) 18 years of age or older and enrolled in a secondary school, or (c) under the age of 24 and enrolled in a degree program in an institution of higher education for at least 12 credit hours in each semester, provided that the member died in active service as a result of an accident met in the actual performance of duty at some definite time and place, and the death was not the result of the member's willful misconduct, or (d) of any age who, at the time of the member's or retirant's death, is disabled because of mental retardation or physical incapacity, is unable to do any substantial, gainful work because of the impairment and his impairment has lasted or can be expected to last for a continuous period of not less than 12 months, as affirmed by the medical board.

(22) "Parent" shall mean the parent of a member who was receiving at least one-half of his support from the member in the 12-month period immediately preceding the member's death or the accident which was the direct cause of the member's death. The dependency of such a parent will be considered terminated by marriage of the parent subsequent to the death of the member.

(23) "Widower" shall mean the man to whom a member or retirant was married at least two years before the date of her death and to whom she continued to be married until the date of her death and who was receiving at least one-half of his support from the member or retirant in the 12-month period immediately preceding the member's or retirant's death or the accident which was the direct cause of the member's death. The dependency of such a widower will be considered terminated by marriage of the widower subsequent to the death of the ember or retirant. In the event of the payment of an accidental death benefit, the two-year qualification shall be waived.

(24) "Widow" shall mean the woman to whom a member or retirant was married at least two years before the date of his death and to whom he continued to be married until the date of his death and who has not remarried. In the event of the payment of an accidental death benefit, the two-year qualification shall be waived.

(25) "Fiscal year" shall mean any year commencing with July 1, and ending with June 30, next following.

(26) "Compensation" shall mean the base salary, for services

as a member as defined in this act, which is in accordance with established salary policies of the member's employer for all employees in the same position but shall not include individual salary adjustments which are granted primarily in anticipation of the member's retirement or additional remuneration for performing temporary duties beyond the regular workday.

(27) "Department" shall mean any police or fire department of a municipality or a fire department of a fire district located in a township or a county police or park police department or the appropriate department of the State or instrumentality thereof.

(28) "Final compensation" means the compensation received by the member in the last 12 months of creditable service preceding his retirement.

(cf: P.L.1986, c.165, s.1)

2. Section 6 of P.L.1944, c.255 (C.43:16A-6) is amended to read as follows:

6. (1) Upon the written application by a member in service, by one acting in his behalf or by his employer, any member, under 55 years of age, who has had 5 or more years of creditable service may be retired [, not less than 1 month next following the date of filing such application,] on an ordinary disability retirement allowance; provided, that the medical board, after a medical examination of such member, shall certify that such member is mentally or physically incapacitated for the performance of his usual duty and of any other available duty in the department which his employer is willing to assign to him and that such incapacity is likely to be permanent and to such an extent that he should be retired.

(2) Upon retirement for ordinary disability, a member shall receive an ordinary disability retirement allowance which shall consist of:

(a) An annuity which shall be the actuarial equivalent of his aggregate contributions and

(b) A pension in the amount which, when added to the member's annuity, will provide a total retirement allowance of 1 1/2 % of average final compensation multiplied by his number of years of creditable service but in no event shall the total allowance be less than 40% of the member's average final compensation.

(3) Upon the receipt of proper proofs of the death of a member who has retired on an ordinary disability retirement allowance, there shall be paid to such member's beneficiary, an amount equal to 3 1/2 times the compensation upon which contributions by the member to the annuity savings fund were based in the last year of creditable service; provided, however, that if such death shall occur after the member shall have attained 55 years of age the amount payable shall equal 1/2 of such compensation instead of 3 1/2 times such compensation.

(cf: P.L.1971, c.175, s.3)

3. Section 7 of P.L.1944, c.255 (C.43:16A-7) is amended to read as follows:

7. (1) Upon the written application by a member in service, by one acting in his behalf or by his employer any member may be retired [, not less than 1 month next following the date of filing such application,] on an accidental disability retirement allowance; provided, that the medical board, after a medical examination of such member, shall certify that the member is permanently and totally disabled as a direct result of a traumatic event occurring during and as a result of the performance of his regular or assigned duties and that such disability was not the result of the member's willful negligence and that such member is mentally or physically incapacitated for the performance of his usual duty and of any other available duty in the department which his employer is willing to assign to him. The application to accomplish such retirement must be filed within 5 years of the original traumatic event, but the board of trustees may consider an application filed after the 5-year period if it can be factually demonstrated to the satisfaction of the board of trustees that the disability is due to the accident and the filing was not accomplished within the 5-year period due to a delayed manifestation of the disability or to other circumstances beyond the control of the member.

(2) Upon retirement for accidental disability, a member shall receive an accidental disability retirement allowance which shall consist of:

(a) An annuity which shall be the actuarial equivalent of his aggregate contributions and

(b) A pension in the amount which, when added to the member's annuity, will provide a total retirement allowance of 2/3 of the member's actual annual compensation for which contributions were being made at the time of the occurrence of the accident.

(3) Upon receipt of proper proofs of the death of a member who has retired on accidental disability retirement allowance, there shall be paid to such member's beneficiary, an amount equal to 3 1/2 times the compensation upon which contributions by the member to the annuity savings fund were based in the last year of creditable service; provided, however, that if such death shall occur after the member shall have attained 55 years of age the amount payable shall equal 1/2 of such compensation instead of 3 1/2 times such compensation.

(4) Permanent and total disability resulting from a cardiovascular, pulmonary or musculo-skeletal condition which was not a direct result of a traumatic event occurring in the performance of duty shall be deemed an ordinary disability.

(cf: P.L.1971, c.175, s.4)

4. Section 16 of P.L.1964, c.241 (C.43:16A-11.1) is amended to read as follows:

16. Should a member resign after having established 25 years of creditable service, he may elect "special retirement," provided, that such election is communicated by such member to the retirement system by filing a written application, duly attested, stating at what time subsequent to the execution and filing thereof he desires to be retired. He shall receive, in lieu of the payment provided in section 11, a retirement allowance which shall consist of:

(1) An annuity which shall be the actuarial equivalent of his aggregate contributions, and

(2) A pension in the amount which, when added to the member's annuity, will provide a total retirement allowance of [60%] <u>65%</u> of his final compensation, plus 1% of his final compensation multiplied by the number of years of creditable service over 25 but not over 30; provided, however, that any member who has earned, prior to July 1, 1979, more than 30 years of creditable service, shall receive an additional 1% of his final compensation for each year of his creditable service over 30.

The board of trustees shall retire him at the time specified or at such other time within 1 month after the date so specified as the board finds advisable.

Upon the receipt of proper proofs of the death of such a retired member, there shall be paid to his beneficiary an amount equal to one-half of the final compensation received by the member.

(cf: P.L.1982, c.198, s.2)

5. Section 15 of P.L.1944, c.255 (C.43:16A-15) is amended to read as follows:

15. (1) The contributions required for the support of the retirement system shall be made by members and their employers.

(2) [Upon the basis of such tables recommended by the actuary as the board shall adopt and regular interest, the actuary of the retirement system shall determine for each age at entrance into the system the percentage of compensation of the member entering at such age, exclusive of the additional contribution prescribed by subsections (3)(c) and (3)(d) of this section, which, if deducted from each payment of his prospective earnable compensation throughout active service, is computed to be sufficient to provide for all benefits on account of his membership.]

The uniform percentage contribution rate for members shall be 8.5% of compensation.

(3) [(a) The percentage contribution rate of each member, exclusive of the additional contribution prescribed by subsections (3)(c) and (3)(d) of this section, shall be fixed according to his age at entrance into membership and shall be one-half of the total percentage contribution rate calculated for such age to be required to provide all benefits except the pensions upon accidental disability and the benefits payable upon death.

(b) Notwithstanding the provisions of subsection (3)(a) of this section, the percentage contribution rates for members of the retirement system exclusive of the additional contribution prescribed by subsections (3)(c) and (3)(d) of this section, shall be fixed at the contribution rates in effect as of July 1, 1967.

(c) Effective July 1, 1968, all proportions of compensation are increased by an additional 1% of compensation which is subject to deductions from the compensation of members or contributions made on their behalf by their employers in lieu of such deductions.

(d) Upon the effective date of this 1979 amendatory and supplementary act, all proportions of compensation are increased by an additional 1% of compensation which is subject to deductions from the compensation of members or contributions made on their behalf by their employers in lieu of such deductions.] (Deleted by amendment, P.L. , c. .)

(4) [Each employer shall make a contribution equal to that made by each member in its employ and in addition shall make a contribution equal to the percentage of the compensation of each such member certified by the retirement system to be required to provide the cost of accidental disability pensions and any death benefits on his account. Notwithstanding this provision, the retirement system shall certify an average and uniform rate for payments by all employers, which shall be set on the basis of the annual actuarial valuations to be sufficient to provide with previous contributions of employers all benefits for which employers are responsible. This shall be known as the "normal contribution."]

Each employer shall make contributions equal to the percentage of compensation of members in its employ as certified by the board of trustees based on annual actuarial valuations. The percentage rate of contribution payable by employers shall be determined initially on the basis of the entry age normal cost method. This shall be known as the "normal contribution."

(5) [In addition each employer shall make such contributions, if any, as is certified by the retirement system to be required to provide for accrued liability arising out of all prior service granted to members chargeable to such employer.] (Deleted by amendment, P.L. , c. .)

(6) The percentage rates of contribution payable by [future members and all] employers pursuant to subsection (4) of this section shall be subject to adjustment from time to time by the board of trustees with the advice of the actuary on the basis of annual actuarial valuations and experience investigations as provided under section 13, so that the value of future contributions of members and employers, when taken with present assets, shall be equal to the value of prospective benefit payments.

(7) [The retirement system shall certify to the chief fiscal

officer of each employer the percentage of salary payable by each member and by the employer in behalf of his employee members. The employer shall cause to be deducted from the salary of each member the percentage of earnable compensation of each member. The retirement system shall certify to each employer the proportion of each member's compensation to be deducted, and to facilitate the making of deductions it may modify the deduction required of any member by such an amount as shall not exceed 1/10 of 1% of the compensation upon the basis of which such deduction is to be made.] [1][(Deleted by amendment, P.L. , c. .)]

Each employer shall cause to the deducted from the salary of each member the percentage of earnable compensation prescribed in subsection (2) of this section. To facilitate the making of deductions, the retirement system may modify the amount of deduction required of any member by an amount not to exceed 1/10 of 1% of the compensation upon which the deduction is based.[1]

(8) The deductions provided for herein shall be made notwithstanding that the minimum salary provided for by law for any member shall be reduced thereby. Every member shall be deemed to consent and agree to the deductions made and provided for herein, and payment of salary or compensation less said deduction shall be a full and complete discharge and acquittance of all claims and demands whatsoever for the service rendered by such person during the period covered by such payment, except as to the benefits provided under this act. The chief fiscal officer of each employer shall certify to the retirement system in such manner as the retirement system may prescribe, the amounts deducted; and when deducted shall be paid into said annuity savings fund, and shall be credited to the individual account of the member from whose salary said deduction was made.

(9) Upon the basis of such tables recommended by the actuary as the board adopts and regular interest, the actuary shall compute the amount of the unfunded liability as of June 30, [1971] 1987 which has accrued on the basis of service rendered prior to July 1, [1971] 1987 by all members, which amount shall remain frozen and shall be amortized over a period [1][of] not to

exceed[1] 40 years [1]as determined by the State Treasurer[1] [, including the amount of the liability arising out of prior service as certified by the retirement system, and including the accrued liabilities established by P.L.1964, c.241 and P.L.1967, c.250]. Using the total amount of this unfunded accrued liability, [he] the actuary shall compute [the] an increasing amount of [the flat] annual payment, which is estimated to remain a level percentage of prospective total compensation and which, if paid in each succeeding fiscal year commencing with July 1, [1972] 1988, for [1][a period of 40 years] the period determined by the State Treasurer[1], will provide for this liability. This shall be known as the "accrued liability contribution."

The normal and accrued liability contributions as certified by the retirement system shall be included in the budget of the employer and levied and collected in the same manner as any other taxes are levied and collected for the payment of the salaries of members.

(10) The treasurer or corresponding officer of the employer shall pay on or before March 31 in each year to the State Treasurer the amount so certified as payable by the employer, and shall pay monthly to the State Treasurer the amount of the deductions from the salary of the members in the employ of the employer, and the State Treasurer shall credit such amount to the appropriate fund or funds, of the retirement system.

If payment of the full amount of the employer's obligation is not made within 30 days of the due date established by this act, interest at the rate of [6%] 10% per annum shall commence to run against the unpaid balance thereof on the first day after such thirtieth day.

If payment in full, representing the monthly transmittal and report of salary deductions, is not made within 15 days of the due date established by the retirement system, interest at the rate of [6%] 10% per annum shall commence to run against the total transmittal of salary deductions for the period on the first day after such fifteenth day.

(11) The expenses of administration of the retirement system shall be paid by the State of New Jersey. Each employer shall reimburse the State for a proportionate share of the amount paid by the State for administrative expense. This proportion shall be

computed as the number of members under the jurisdiction of such employer bears to the total number of members in the system. The pro rata share of the cost of administrative expense shall be included with the certification by the retirement system of the employer's contribution to the system.

(12) Notwithstanding anything to the contrary, the retirement system shall not be liable for the payment of any pension or other benefits on account of the employees or beneficiaries of any employer participating in the retirement system, for which reserves have not been previously created from funds, contributed by such employer or its employees for such benefits.

(13) [Notwithstanding any other provision of this act, the Legislature shall annually appropriate and the State Treasurer shall pay into the contingent reserve fund of the retirement system an amount calculated as an increase in the normal contribution which will provide for the additional liability required to fund the benefits provided by this amendatory and supplementary act. Any saving realized by the retirement system as a result of any future increase in "regular interest" as determined annually by the State Treasurer shall be applied by the actuary towards meeting the cost of this additional liability.] [1][(Deleted by amendment, P.L. , c. .)] The Legislature shall annually appropriate and the State Treasurer shall pay into the pension accumulation fund of the retirement system an amount equal to 1.8% of the compensation of the members of the system upon which the normal contribution rate is based to fund the benefits provided by section 16 of P.L.1964, c.241, (C.43:16A-11.1), as amended by P.L.1979, c.109.[1]

(cf: P.L.1979, c.109, s.1)

6. Section 21 of P.L.1971, c.175 (C.43:16A-15.4) is amended to read as follows:

21. The accrued liability contribution of any employer adopting the retirement system after July 1, [1971] 1987 for the purpose of providing prior service credit, shall be payable by the employer to the pension accumulation fund over [a] the period [of not less than 25 years] selected by the employer, provided that the period may not exceed 40 years following the initial valuation of such liability by the actuary of the retirement system.

(cf: P.L.1971, c.175, s.21)

7. (New section) Pension adjustment benefits for members and beneficiaries of the Police and Firemen's Retirement System of New Jersey as provided by P.L.1969, c.169 (C.43:3B-1 et seq.) shall be paid by the retirement system and shall be funded as employer obligations in a similar manner to that provided for the funding of employer obligations for the retirement benefits provided by the retirement system. [1][The value of anticipated future adjustments for active members as of and after July 1, 1987 shall be funded as a percentage of prospective total compensation on the assumption that the funding level for the cost of these adjustments will be phased in over a period not to exceed 40 years.][1]

8. (New section) Notwithstanding the provisions of the "Pension Adjustment Act," P.L.1969, c.169 (C.43:B-1 et seq.), pension adjustment benefits provided for under the act for members and beneficiaries of the Police and Firemen's Retirement System of New Jersey shall be paid by the retirement system and shall be funded as employer obligations in the manner prescribed for the funding of pension adjustment benefits by the retirement system by this 1988 amendatory and supplementary act, P.L. , c. (C.).

[1]9. (New section) The Director of the Division of Pensions shall review the positions of all members of the retirement system on the effective date of this 1988 amendatory and supplementary act and shall recommend to the board of trustees whether or not a position shall continue to be covered under the retirement system based upon the definitions of "policeman" and "fireman" in this act. The board shall determine which positions shall continue to be covered under the retirement system. A member whose position was covered prior to the effective date of this 1988 amendatory and supplementary act shall continue to be eligible for membership in the retirement system while in the same position. Any person appointed after the effective date of this 1988 amendatory and supplementary act to a position which is not covered by the retirement system is not eligible for membership.

Upon the recommendation of the Director of the Division of Pensions, the board of trustees shall determine if a position of a law enforcement unit or firefighting unit or the State in existence on the effective date of this 1988 amendatory and supplementary act but not covered by the retirement system or established after the effective date of this 1988 amendatory and supplementary act is covered by the retirement system.

If the board determines that a position is covered by the retirement system, any person in the position is eligible to become a member of the retirement system. If the person is a member of another State-administered or county or municipal retirement system, the person may transfer membership in the other retirement system to the Police and Firemen's Retirement System in accordance with the provisions of P.L.1973, c.156 (C.43:16A-62 et seq.). Any time period under P.L.1973, c.156 calculated from the effective date of that act shall be calculated from the effective date of this 1988 amendatory and supplementary act for the purposes of this act.

A person employed in a position on or after the effective date of a determination by the board of trustees that the position is covered by the retirement system is required to enroll in the retirement system as a condition of employment, provided the person is otherwise eligible for membership by meeting the appointment, age and health requirements prescribed for all members. A person employed in a position covered by the retirement system and eligible for membership in the retirement system is ineligible for membership in any other State-administered or county or municipal retirement system.[1]

[2]10. On or before the 90th day after enactment of this 1988 amendatory and supplementary act, the Director of the Division of Pensions shall report in writing to the Governor, the Senate Revenue, Finance and Appropriations Committee, the Senate State Government, Federal and Interstate Relations and Veterans Affairs Committee, the Assembly Appropriations Committee, and the Assembly State Government Committee, or their successors, concerning the titles that will and will not continue to be covered by the retirement system and the number of people that will be affected and are projected to be affected thereby as a result of this act. The director shall provide reports to the Governor and the committees annually thereafter which shall include information concerning, but not limited to, the titles covered by the retirement system, any changes in title coverage, the number

of members affected by any changes, and the actuarial status of the retirement system.[2]

[1][9.] [2][10.[1]] 11.[2] Section 3 [1]of P.L.1979, c.109 (C.43:16A-15.5) and section 3[1] of P.L.1982, c.198 (C.43:16A-11.1a) [1][is] are[1] repealed.

[1][10.] [2][11.[1]] 12.[2] This act shall take effect immediately, except that the amendment to subsection (2) of section 15 of P.L.1944, c.255 (C.43:16A-15) in section 5 of this amendatory and supplementary act shall take effect on the first day of the calendar quarter following the date of enactment by at least two months.

PENSIONS AND RETIREMENT
Police Officers

Increases special retirement allowance in PFRS; restricts PFRS membership; assumes funding of pension adjustments; amends other provisions of PFRS statute.

TABLE OF CONTENTS

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mjz: 1-57

ASSEMBLYMAN ROBERT J. MARTIN (Chairman): We will start with Assemblyman Cimino's bill; then Senator Russo's bill. There will not be a vote at this hearing. It is anticipated that we will vote to release or not to release at our next Committee meeting, which is scheduled for February 27. I believe that is the correct date. It's at the end of this month.

We would like to take as much testimony as we can. In order to abbreviate things-- I think most of the people here are generally familiar with the bill, and it will be further fleshed out, I am sure, through the comments, both for and against it, by the various set of persons who will be testifying today.

Let us see if Assemblyman Cimino has any comments preliminarily which he wishes to make, before we start to take testimony from others in the room.

ASSEMBLYMAN CIMINO: Thank you, Mr. Chairman. Let me say that I appreciate your having taken the time to post this bill for a public hearing. As I understand it, at some future Committee meeting we will have the opportunity to vote on S-2602 and A-3421.

Let me note for the record, however, that, in fact, Mr. Pascrell is the prime sponsor and I am the co-prime sponsor of the legislation. I don't know whether Assemblyman Pascrell has come into the room yet, but I am sure he will.

What I would really like to do, Mr. Chairman, is allow those who have come here to testify, both for and against the legislation, to really utilize the time most appropriately and, in turn, I think my perspective, as one of the prime sponsors of the legislation-- I will hold my comments until everyone else has had the opportunity to testify. So, if we could, sir, by all means, I would like to start hearing the testimony.

ASSEMBLYMAN MARTIN: Okay. I saw Steve DeMicco here earlier. Is he still here? (no response) Steve is the representative from Senator Russo who has, as I noted before, the companion legislation which was passed in the Senate at the end of last year.

I will ask that people try to keep their comments to no longer than five minutes, so that we can take as much testimony as we can. I will begin with the list I have, which was prepared by staff, and go down that list. I know there are other people who may also wish to speak. Is Mr. Hoffman here? (no response) Is Mr. Forrester here, or his representative? (no response) I haven't seen him.

UNIDENTIFIED SPEAKER FROM AUDIENCE: He is coming right over. I would rather wait until he arrives.

ASSEMBLYMAN MARTIN: Okay. Mr. Ginesi, do you wish to speak on this bill? I think I saw him.

F R A N K G I N E S I: (speaking from audience) I want Steve DeMicco. Is he in the room?

ASSEMBLYMAN MARTIN: He's not here.

MR. GINESI: Will you give me a few minutes, please?

ASSEMBLYMAN MARTIN: Yes, okay.

MR. GINESI: I didn't think you would get started this early.

ASSEMBLYMAN MARTIN: Well, you know, we are trying to give everyone an opportunity. I was going to have someone who would be speaking in favor of the bill begin, but we can alter our method. We'll take a brief minute here.

I can tell you that my concerns are going to focus principally today on the costs of this bill and how it is going to be financed. I think it is important that we have the Division of Pensions from the Department of the Treasury speak on this bill, if not first, at least up-front, so we can have some reaction to that by both the representatives of the various pension groups, as well as the League of Municipalities and others.

ASSEMBLYMAN SCHLUTER: In the interim, maybe we could have an explanation of this printout we got. Or, maybe we should do that-- (brief discussion among members of Committee)

STEPHEN DeMICCO: Good morning, Mr. Chairman.

ASSEMBLYMAN MARTIN: Good morning, Mr. DeMicco.

MR. DeMICCO: Mr. Chairman, thank you. I am sorry about the delay in my getting here. On behalf of Senator Russo, I would like to thank you for giving us the opportunity to present his bill and the corresponding Assembly bill this morning.

This is the third legislative forum on this bill. Concerns were expressed and resolved to the satisfaction of the Senate in three different forums. The Senate State Government Committee reported this bill with four out of five votes. The Revenue, Finance and Appropriations Committee, after studying the issues attendant to this legislation, reported it with no dissenting votes. And the Senate, as you know, on October 17 of last year, voted this bill by a vote of 30 to 4.

This bill revolves around a number of very complex issues. They are prone to confusion or misrepresentation and, therefore, we think it is good and very healthy that this Committee is being deliberate about this legislation.

When talking in terms of a bill as complex as this one, we think it is best to talk in terms of goals. When late in 1987 the Legislature enacted a three-bill package to reform the Teachers' Pension and Annuity Fund, it established three very responsible criteria on which Senator Russo has relied in this bill. First, it recognized, as most certainly we should, that the cost of living adjustment is a liability of the pension system, and should, therefore, be actuarily funded like all other system liabilities.

Second, those three bills we passed, which were later signed into law, recognized that every time new obligations are added to a pension system in the form of increased benefits or unanticipated salary adjustments, the actuarial reliability of the established financing system is put out of date, and must be reevaluated. Thus, the refinancing that was embodied in 1987's TPAF legislation.

Third, the TPAF bills funded a new health benefits package for retirees only after a financing system was established by the State Treasurer, which was based on sound actuarial analysis and conservative fiscal assumptions.

To these three fundamental criteria, Senator Russo has added two more: First, if you are going to reform a public pension system to bring the funding of its liabilities up-to-date, you should embrace the benefits package for its members which has an established public policy rationale. And second, you should be entirely satisfied that the benefits package you establish is available only to those public employees for whom the pension system was established in the first place.

That is why Senator Russo has relied on enhancing only the existing special retirement benefit, instead of the old 20-and-out proposal which, as you know, last session was a new benefit. That is why he has insisted upon creating a statutory definition of policemen and firemen that is specific, that is unambiguous, and that will be administered by the people most concerned about protecting the PFRS assets -- the system's trustees.

Now, S-2602, and its corresponding legislation sponsored by Assemblymen Pascrell and Cimino, do a number of things, but they have five major provisions. Those are outlined on the sheet of paper on the inside left pocket of your package.

Senate Bill 2602: Increases special retirement allowance by 5%; after 25 years, from the current 60% to 65% of final compensation, and after 30 years, from 65% to 70% of final compensation.

It pre-funds the cost of living adjustments and treats them as employer obligations for retirement benefits provided by the retirement system.

It refinances accrued liability of the retirement system over a period not to exceed 40 years.

It retains the State's obligation to fund its portion of the special retirement benefit established in 1979.

And, for the first time, it establishes a definition of policemen and firemen which would restrict future entry into PFRS to far fewer people; approximately a 20% reduction based on the current membership.

You will see at the back of the right side of your packet, a letter behind the chart, on a letterhead from Mercer Meidinger Hansen, the actuaries for the State Division of Pensions for this system, which outlines the attrition in PFRS's membership that would be caused by this new definition of policemen and firemen. You can see, as you go down year by year, there will be a large number of current members who will be shifted to the Public Employees Retirement System and, therefore, will decrease the liability of PFRS as a result of this definition.

Based on the language in this bill, the Division of Pensions and the State Treasurer have examined the system's liabilities, studied the system's assets and earnings experience, projected the cost of the COLA, and settled on a conservative financing period of 30 years. The results of their analysis is contained in the right side of your folders. That is the chart that you see in front, in the right side of your folders, which is entitled, "State of New Jersey Police and Firemen's Retirement System."

What the analysis shows -- looking for a moment at the front page -- is that system-wide we will save $19 million in the first of 30 years, and more money each year thereafter through the 16th. Those savings are shown in the far right column. Savings continue to accrue in the remaining 14 years, such that over the 30-year financing period, the State, county, and local PFRS employers will save over $754 million.

We then asked the Division to prepare an analysis to show the effects of this bill on every State, local, and county employer. That analysis is attached to the front page of your chart. What I have done for your purposes is prepare that chart for each Committee member here, so that you can see highlighted towns in your districts that are members of PFRS and the savings they will achieve as a result of this bill.

What the analysis shows is that of 389 individual PFRS employers, 328 will save money in the first year that this bill is in effect. Examples of those towns include: Chatham Borough, which will save nearly $30,000 in the first year; Bloomfield, which will save nearly $140,000 in the first year; Roxbury, which will save over $5000; Hamilton Township, nearly $35,000; and Jersey City, nearly $2 million.

These savings are accruing for several reasons: First, because we are pre-funding the COLA, and we are relieving those employers with many retirees now of the year-to-year impact of funding the COLA on an ad hoc basis, as they now do. Secondly, because the Treasurer has studied the earnings experience of PFRS and its investment portfolio, and is confidently able to project an earnings rate of 7%. And last, we are saving money because we are taking out a new mortgage on the PFRS. We are consolidating its debt. In doing so, we are establishing a conservative amortization period of 30 years, based on a level percent of salary compensation.

All of these reforms are important; all of them provide long-term relief to all municipalities and immediate relief to most. But what is most significant about this bill, what will have the most profound fiscal impact and will provide the best legislative precedent for public pension policy, is the new definition of policemen and firemen. This section of the bill is not ambiguous. It establishes clear, verbal criteria for PFRS membership. It empowers the trustees to establish mental and physical fitness requirements, and it requires the trustees to examine every PFRS title for eligibility. Based purely on this definition, the actuaries for PFRS estimated overall membership reduction of 20% -- over 6000 employees. Their analysis is also in your folders, and it shows how many employees each year will be directed to membership instead in the PERS. This provision not only reserves PFRS benefits for those who deserve them, but it also reduces the system's liabilities more and more, as fewer and fewer members are added.

Finally, there is the issue of the enhanced special retirement benefit established in this bill. When in 1979 the Legislature enacted Chapter 109, it did so to meet the public policy objective of encouraging retirement for those public safety employees who had served their communities for over 25 years. The idea was to facilitate the movement of younger and experienced police officers and fire fighters to the front lines. The benefit was never predicated on any assumption that pensions should be part of an employee compensation package. It relied, instead, on a sound policy judgment that 25 years of service was a reliable point of transition for employers, and a good point of departure for employees.

Senator Russo agreed with those judgments then, and he agrees with them now. By replacing the old 20-and-out benefit with this one, he can point to 10 years of established retirement experience to reliably project future trends. He also supports this lower pension enhancement, because it will cost less than half of what the 20-and-out benefit would have cost.

What our experience tells us is that in 1978, before we enacted this special retirement benefit, there were 424 retirements from PFRS. In 1987, there were 692. The number of active PFRS members aged 29 or younger increased from 4570 in 1978 to 6543 in 1987. The number aged 30 to 44 went from 13,250 in 1978 to 16,805 in 1987. In fact, over the 10-year period I am talking about, the active PFRS membership has increased 17.8%, but the number of retirees has increased by 63.2%.

Regardless of some arguments that no benefit should be changed, Senator Russo believes that some benefit enhancement is warranted, and he was willing to accept this modest change only after it could be shown that the entire reform proposed in this bill would accrue net savings now and over the entire period of 30 years.

I hope I have been able to capsulize this data, some of which you see before you. I am prepared, along with the Division of Pensions, to try to answer any other questions you may have.

Thank you, Mr. Chairman.

ASSEMBLYMAN MARTIN: Philosophically -- we'll start with that -- when we talk about the enhancement, you see it as a definite benefit; at least Senator Russo does. Younger police officers and fire fighters are in the system than were in the system previously. That is part of your testimony, is it not, that one thing that has happened over the last 10 years is that older officers will retire, as opposed to staying in? This is an enhancement for them to leave the system, and as such, that is good for the State of New Jersey. Is that?

MR. DeMICCO: Yes, sir.

ASSEMBLYMAN MARTIN: The numbers you came up with -- your savings -- are based upon certain assumptions. I think we will save most of these questions for the Division of Pensions, but your reliance is principally upon their studies, or your own independent studies?

MR. DeMICCO: The Division's studies, Mr. Chairman. The analysis you have in front of you was prepared by Mercer

Meidinger Hansen, which are the actuaries for the PFRS, retained by the Division. What you see is exactly what you said. It is an analysis based on certain assumptions, some of which are statutory, some of which were based on the Treasurer's best guess about what our assumed interest rates should be, what salary adjustments are going to be over this 30-year period, etc.

Based on a number of runs that they did until they really felt comfortable that they had the best system, they came up with this analysis. Having seen the front page of that analysis, which is a system-wide analysis, we knew, based on the 20-and-out experience last session, that members on every committee, and as a whole in both houses, were not going to be satisfied that one page of analysis was going to guarantee them, or make them feel sanguine that they were going to have the savings that we were claiming.

So, we asked the Division to take it a step further and show us what actual billings would be for towns under this bill, based on the assumptions you see on the front page of that analysis. So what you have attached to that front page, is what the change would be in the actual billings for the 1987 valuation year -- billings to be made in 1989. Those are the billings that would actually be issued to each town member of PFRS. So they are totally dependable as far as they have been represented to Senator Russo and myself. They represent what those billings would actually be.

ASSEMBLYMAN MARTIN: Most of the reductions in the pension system would occur by employees of the State, as opposed to municipalities. Wouldn't you agree with that?

MR. DeMICCO: I think that is true more with the Public Employees Retirement System, and not with PFRS.

ASSEMBLYMAN MARTIN: Well, most of the municipalities that would hire people into the system, I would think, would quality under your definition as police or fire fighters. They would be eligible for PFRS, so the reduction, I would think, would be in some certain lines that are principally State employees.

MR. DeMICCO: Oh, I'm sorry. I misunderstood your question. Yes, yes. Where the reduction in membership will be? Primarily State employees is probably right, yes.

ASSEMBLYMAN MARTIN: Questions? Do you want to say something, Frank?

MR. GINESI: That's all right.

ASSEMBLYMAN MARTIN: I will open for questions to Mr. DeMicco. Bill?

ASSEMBLYMAN SCHLUTER: Mr. DeMicco, I thought your testimony was very eloquent and very well-presented. I have a couple of specific questions. Because I might not be here later -- I have to go to another committee meeting -- I will ask them of you, whereas I might have asked them of the Division of Pensions.

First of all, in this calculation of savings--

MR. DeMICCO: Yes?

ASSEMBLYMAN SCHLUTER: --you have current costs and you have proposed costs.

MR. DeMICCO: That is correct.

ASSEMBLYMAN SCHLUTER: What is the interest rate, or the earnings income rate on which the current costs are based?

MR. DeMICCO: Six and three-quarters.

ASSEMBLYMAN SCHLUTER: What is the interest, or the earnings rate on the projected costs?

MR. DeMICCO: Seven.

ASSEMBLYMAN SCHLUTER: Seven?

MR. DeMICCO: Yes.

ASSEMBLYMAN SCHLUTER: A difference of one-quarter of 1%.

MR. DeMICCO: That is correct.

ASSEMBLYMAN SCHLUTER: What is the difference in investment policy, or any other kind of change which would indicate that there is a change from 6-3/4% to 7%, notwithstanding passage of this bill?

MR. DeMICCO: Assemblyman, if I understand your question correctly, you are trying to get at why 7% is a dependable number.

ASSEMBLYMAN SCHLUTER: No.

MR. DeMICCO: Okay.

ASSEMBLYMAN SCHLUTER: Why are the projections, when we are comparing apples with apples-- Why are the projections of current costs based on 6-3/4%, and the projections of future costs based on 7%?

MR. DeMICCO: Because the Treasurer -- and I think Doug Forrester can probably answer this better than I-- As I understand it, what the Treasurer does on a routine basis, is take a look at earning experience for each of the retirement systems that the State administers. And based on-- They did that when we adjusted the TPAF legislation which I referred to before, in 1987. What they look at is earning experience over a period of time to base any adjustments in projected interest rate on some empirical data. I can tell you, looking at the PFRS, for instance, that the last year for which I have data shows an effective rate of return on the portfolio at 8.39%; the year before that, 8.7%; the year before that -- 1983 -- 8-1/4%; 1982, 8.8%; and so on.

Based on the earnings experience of the portfolio, I think the Treasurer was confidently willing to sign off on the 7%. That is not a statutory number.

ASSEMBLYMAN SCHLUTER: Mr. DeMicco, you make good points. I am not arguing the point on what should be done.

MR. DeMICCO: Right.

ASSEMBLYMAN SCHLUTER: I am making the point that the comparison -- and I guess this should be directed to the

Division of Pensions -- that really -- and I don't mean to get them into this discussion now, because they are not up here-- But, it would seem to me--

ASSEMBLYMAN MARTIN: You're next, Mr. Forrester. We'll keep you in the batting cage.

ASSEMBLYMAN SCHLUTER: --that in order to compare apples with apples, I would like to see the current costs based on 7%, rather than 6-3/4%, because then it would be relevant to the proposed costs, which are based on 7%. So, I am making that as a statement, and perhaps as an observation.

ASSEMBLYMAN MARTIN: We will ask that question of Mr. Forrester.

ASSEMBLYMAN SCHLUTER: Mr. Forrester, because I might not be here when he testifies.

I have another-- Again, maybe the Division can answer these when their turn comes up. Talking just municipalities-- We have 567 municipalities in this State. How many of those municipalities are under the police force and--

MR. DeMICCO: Just under 400, as I understand it.

ASSEMBLYMAN SCHLUTER: Just under 400?

MR. DeMICCO: Are members of the PFRS.

ASSEMBLYMAN SCHLUTER: The PFRS.

MR. DeMICCO: Just under 400.

ASSEMBLYMAN SCHLUTER: Now, does that mean that if, like, Atlantic City has police and Atlantic City has fire, that is counted as two, or is it counted as one?

MR. DeMICCO: There are two separate accounts for billing purposes, as I understand it, but it is one employer -- one member.

ASSEMBLYMAN SCHLUTER: One employer, and there are 400, so a majority of the municipalities--

MR. DeMICCO: Are members.

ASSEMBLYMAN SCHLUTER: --are members of the PFRS, when you take a municipality as a unit, regardless of whether it has a separate police system or a separate fire system?

MR. DeMICCO: Yes, that is correct.

ASSEMBLYMAN SCHLUTER: Okay. I heard the number 77% of law enforcement officials, or public safety personnel being under PFRS.

MR. DeMICCO: I cannot verify that. I don't know whether that is true or not.

ASSEMBLYMAN SCHLUTER: All right. What I would like to understand is, what percentage-- We have a percentage of municipalities, 400 out of 567.

MR. DeMICCO: Right.

ASSEMBLYMAN SCHLUTER: How many people does that translate into?

MR. DeMICCO: Okay.

ASSEMBLYMAN SCHLUTER: And also, my understanding is that some of these towns and some of these systems, because they were brought on board later, their members are also eligible for Social Security. Is that correct?

MR. DeMICCO: Yes.

ASSEMBLYMAN SCHLUTER: Some of these municipalities' members are eligible, and some are not; some were in way back in 1944--

MR. DeMICCO: Right.

ASSEMBLYMAN SCHLUTER: --and they were not in the integration.

MR. DeMICCO: As I understand it, that is correct. I think Doug can clarify that.

ASSEMBLYMAN SCHLUTER: I think it would be helpful if we had--

MR. DeMICCO: You want to know how many, what the split is on the integration?

ASSEMBLYMAN SCHLUTER: --an asterisk by those municipalities which are in under the Social Security, and those which are not.

MR. DeMICCO: Okay.

ASSEMBLYMAN SCHLUTER: Those were my questions. Thank you.

ASSEMBLYMAN MARTIN: Joining us is Assemblyman Charles.

Does anyone else have questions for Mr. DeMicco and Mr. Ginesi before we hear from the Division of Pensions? (no response) Thank you, Steve.

MR. GINESI: The only thing, Mr. Chairman, that I would like to say is, thank you for taking the time to have our bill up. We studied this bill for about four years. We worked on it. It was a commitment by the PBA when we talked to the Governor that we would definitely try not to have any cost factor on any municipality. This is what we have done with this bill. We hired Martin and Seigel (phonetic spelling). Martin and Seigel is from New York City. They represent about 27 states. They are not just a few people. They have a tremendously big office in New York. You can look it up any time. They represent 27 states. They did the actuary figures for us on this, until we got to the point where we are now today with this bill.

Now, a little proof of that -- proof that something must be right -- is, Senator McNamara used this formula on the teachers' hospitalization that you passed through the Senate and the Assembly, and the Governor signed it. It was in the headlines of The Star-Ledger that you received $118 million back. They gave a check to the State, plus I think it was $200 and some odd million in savings, which we have been trying to tell the State for a long time, until they finally did it. It took a Senator to prove the point that we have been trying to prove for four years. We worked it out, and it is 100%. I'm sure it took an awful lot to convince John Russo, and to show John Russo -- Senator Russo -- these figures we have from Martin and Seigel. They come out 100%, believe me. It took four solid years of work on this. It is a long time coming.

We are not asking for much; it's 5%. It eliminates the 20-and-out bill that some of the officers wanted. They are happy with this. It will do the job. Some of the complaints from the Assembly and the Senate were that they didn't want any park police, they didn't want this, and they didn't want that. So, we eliminated all of those positions.

Another thing, Mr. Schluter, some of our people, before we introduced the (indiscernible), were eligible to go up to 77%. Right now, they are only eligible to get 65%. We took off 12%, and we gave them that special pension, and they accepted it. All we are doing is asking for five more. We are still going to be short 7% from what we could have gotten if we had stayed.

So, we are not relinquishing-- The State is not giving us that much. It will be helpful to the men. They put their lives up every day. Somehow or other, they need something like this to inspire more men and better men to come on the job. We need it very badly. The firemen, also. There is no question in my mind. We worked hard on this bill, and it took four years. I want to keep my promise to the Governor that there will be no cost factor to anybody on this bill. We proved it beyond a shadow of a doubt.

ASSEMBLYMAN MARTIN: We are going to look at that real close. Thank you very much.

I would like to have Mr. Forrester from Pensions, and then we will hear from Mr. Dressel and Mr. Neely, I guess, so we can sort of keep things in sync. Good morning, Doug.

DOUGLAS R. FORRESTER: Good morning, Mr. Chairman.

ASSEMBLYMAN MARTIN: Invasion of the body snatchers. Pickpockets beware. (referring to crowded room)

UNIDENTIFIED SPEAKER FROM AUDIENCE: Check for guns.

ASSEMBLYMAN MARTIN: Go ahead.

MR. FORRESTER: Mr. Chairman, thank you for the opportunity to talk with you. I notice that Mr. Hoffman's name is on the list as well. Would it be helpful to have him join us now?

ASSEMBLYMAN MARTIN: Sure. Mr. Hoffman? (Mr. Hoffman complies)

MR. FORRESTER: Mr. Chairman and members of the Committee: We appreciate the opportunity to address you regarding this bill. I think it would be helpful if I were to emphasize some aspects of the bill which are especially important from my perspective. Mr. DeMicco -- I think, as Assemblyman Schluter indicated -- did a very fine job in giving a sketch of the purposes of the bill.

There are two which are especially important, I think, from a public policy point of view. First is the funding of the COLA. The actuarial funding of the COLA is a major goal of mine to really apply to all of the systems at the appropriate time. It is something which should have been done at the inception of the COLA, which was back 21 years ago. It should have been done at that time because when a benefit is put into place, it is important that the actuarial funding principles be applied, so we can make sure that we are keeping our promises.

I have a big problem with discussions about benefit enhancements which do not include discussions about funding mechanisms. I have seen instances in which both employers and employees have played that game. I am not interested in doing that and, consequently, I am very concerned that we move as quickly as possible to provide an adequate funding base for the cost of living adjustment.

We have to remember that the cost of living adjustment is something which is made on an annual basis, but the way the calculations are made, it really has a retroactive applicability. In other words, if for some reason you decided today, with your colleagues in the Legislature as you are considering the budget, that you cannot afford to pay the cost of living adjustment, it would cut many retiree pension checks in half. It is not just a little shaving between last year and this year. It really has to do with the value of their pensions all the way back to the year of retirement.

An exposure here is very significant -- a financial exposure -- but even more than that, I think it is an exposure with respect to the security and confidence that our public employees have in retirement. New Jersey has done well -- particularly well with respect to other states in terms of handling its pension matters. But the biggest flaw in the system is the lack of funding for the cost of living adjustment. This bill provides a mechanism to fund that liability which has grown to such a large amount at this point in time.

As I mentioned, if it had been done 21 years ago when it was put into place, it would have been relatively easy to accommodate. Because it is a billion dollar plus liability at this point in time, adding it to the pension system requires, necessarily, some financing adjustments within the system. Otherwise, it would not be affordable, and I would not be able to persuade you, under any circumstances, to fund the COLA. It would break the banks of the municipalities. So, the funding tools which are used here, are tools primarily employed to fund the cost of living adjustment.

The second important issue has to do with the definition of eligible members of the Police and Firemen's Retirement System. One of the boogeymen that I have dealt with since I became Pension Director is this issue of eligibility, of who is entitled to be a member of the Police and Firemen's Retirement System. Quite regularly, I have trooped in here and have addressed you and your colleagues on the various committees about bills which would include a few individuals; individuals who have been quite persuasive in describing the hazardous nature of their public service. Although I might agree that their public service is hazardous to some degree, I very often disagree that they should be in the PFRS. We have to keep the primary reasons for the PFRS in mind when we deal with this issue of eligibility. The primary reason that the PFRS system exists with its enhanced benefits, is not to reward people for hazardous duty. It is not a system which is meant to say, "We will give you a few extra dollars if you will stick your neck out while bullets are flying around." That is not the reason why we give better benefits.

The reason why we give better benefits is because the nature of the duties themselves requires a level of physical attributes which is found, statistically speaking, among younger members, and consequently we want to induce this turnover within the system. That is why we give better benefits. Whenever someone trys to argue along the lines that hazardous duty is the reason for better benefits, I try to correct them, not to suggest that hazardous duty is not involved in these jobs, but rather to say, "Let's keep the perspective on target with respect to what this pension system is all about."

I will frankly say, although it is kind of a parenthetical comment, that the erosion of the Police and Firemen's Retirement System because of these problems over mandatory retirement and mandatory hiring thresholds is a problem for the future of the system. If, indeed, we cannot keep the system structured so that younger members get run through the system and are able to retire with a decent retirement at an earlier age, there is little argument to distinguish between PERS employees and PFRS employees. I say that to underscore the point that the benefits here are not meant to be outrageous giveaways, but rather compensation to facilitate retirement at a younger age, in order to protect the public. That is the only legitimate public policy goal that I can be involved with.

This bill, for the first time, cleans up the problems associated with eligibility that gets confused when these little bills come through. Right now, we can put people in the PFRS system only by title, which means that myself and the Board of Trustees of the PFRS are caught in situations often when we realize that certain individuals really should be in the PFRS, but are not. For example, if there are Civil Service changes in which a title changes but the job description really doesn't, there are situations in which we really have to move people out of the PFRS, purely for bureaucratic reasons, and that is unfortunate. We do not want to do that.

We have arrived at this mechanism as a result of consultations with a large number of people, and particularly legislators. The system that is being put into place here is one in which there will be guidelines set forth by the Legislature saying, "Individuals who are in PFRS have to attain certain standards. They have to have arrest powers. They have to be required to carry a gun," and appropriate requirements for firemen as well. Once those are laid down, then the Division of Pensions and the Trustees of the PFRS can examine closely the job descriptions, to make sure that they fit.

Now, there are a number of titles which, over the years, have been added to the PFRS, which I will frankly say do not belong there. Those are individuals who are involved in perhaps hazardous duty from time to time, but not critical public safety roles. This bill would grandfather the bodies which are in those titles now, but preclude any future hires from going into those titles. That is a very, very important principle for the pension plan -- this pension plan.

I am very pleased that the bill has embraced this; that Senator Russo understands the importance of this, and I would urge you to embrace it as well. It is not just a small matter. It is something that is of importance for the integrity of the system, let alone the financial gains that come from it.

For those two reasons alone, I believe that this bill is especially desirable. I understand there has been concern raised -- as I think concern should be raised any time something is restructured -- about the financing of the PFRS, but I would have to mention again that the reason why these financial tools are being employed to refinance the PFRS is not primarily to make room for the difference of the benefit to 65%, but rather to handle the cost of living adjustment.

Now, let me answer Assemblyman Schluter's question, because I consider it to be the very heart of the financial issue. The reason why the interest assumption is being increased from 6-3/4 to 7% in this financing package, is for the simple reason that it allows it to work. Now, we can say, "Well, gosh, that seems like kind of a back door approach to financing," but it isn't when we look at the way in which pensions are financed in New Jersey. We use a book value to measure our assets. This book value has little to do with the transactions that take place in the marketplace -- the market value of those assets. The market value of the assets for the Police and Firemen's Retirement System is far, far greater than what is being reported on book value, and there are certain reasons for that, although we are constantly reviewing the matter to make sure that we are doing the appropriate thing with regard to measuring the assets and driving the contributions from them. The book value is also higher than our assumed value. We play a very sophisticated--

ASSEMBLYMAN MARTIN: Game?

MR. FORRESTER: Well, I would not want to categorize it that way. The reason why is because, although it might appear to be that, it gives kind of a lighthearted aspect to pension financing, and there is very little that is lighthearted about pensions. But let me say that--

ASSEMBLYMAN MARTIN: Well, in your thinking on that, maybe you can tell us why the old one was at 6-3/4% -- how it was struck there? Was that because it worked at the time?

MR. FORRESTER: Yes, yes. One of the principles of why it worked at the time, was because we hadn't funded our COLA. See, if our funding level were as it is now in the PFRS without the COLA, we would be able to move the interest assumption up dramatically. The reason we have kept it low, is because we know there is an significant exposure out there that we have never taken into account. That is the key. The key is the unfunded COLA. We are trying to accommodate the COLA in the PFRS, even though it really isn't there, and we are doing that for very good reasons. We are taking a conservative approach to the funding of pensions. If, again, our liabilities were such that we could handle them all and have a funded ratio as is reported now in the PFRS, we would not have to stick with an assumed interest that is so low. Even our book value interest as it is reported is higher than that.

The general rule of thumb which is used in pension theory is that, as long as there is no more than the 2% spread between what you are assuming in terms of salary growth -- increasing your liabilities -- and what you are assuming on your asset side-- As long as it is within 2%, you are within conservative standards for pension funding. Even this proposal is well within that 2% spread. So, from an industry standard, it is still a conservatively funded pension program.

The fact that we are able to handle the COLA within this package is very significant. If we came to you and we said, "Okay, we are going to fund the COLA. We are not going to change the interest assumption. We are not going to change any amortization period," everybody would say, "Oh gee, that's great," until they saw the numbers. You would see the numbers, and at one quick glance you would realize that you would never vote for it, because the municipalities could not afford it. We are handling, in the best way that we know how, the budgeting of the pension liabilities, and that is what the sheets in front of you reflect. It is a budget technique, and that is really all pension funding is. It is a technique to make sure that the money is there when the retirees need it; that we are not causing substantial dislocations in the budgets of the employers every year; and that we have handled all of the liabilities honestly on the books.

This proposal that you have before you is the first time that New Jersey has really done all of those things, because it is the first time that it is recognizing the cost of living adjustment.

Let me stop there. Perhaps it would be helpful if I were to answer some questions.

ASSEMBLYMAN MARTIN: Outside of the 7% assumption, are there any other actuarial assumptions that are built into this, if one could question?

MR. FORRESTER: Certainly. The tools which are being employed here are tools which really go back a long way. I know why it is that Mr. Ginesi speaks so highly of Martin and Seigel for example. They are a very fine firm. The comments they have made about this legislation are the same that any given actuarial firm would have made. As a matter of fact, a discussion took place well before Martin and Seigel got involved in these matters with the Governor's Pension Study Commission in '82 and '83, of which I was a part. In that report, you can see a discussion of these tools. The financing tools which we are using here are very common financing tools with respect to how to handle liabilities. There is nothing novel about them. There isn't anything particularly creative about them, because they are so widespread. I say that because, although I would like to come before you and say, "Gosh, here is a really unique product from the Division of Pensions that solves these issues," it isn't that remarkable. It is something that is put together in such a way that we believe is responsible from anyone's standard of measurement.

Now, I understand that the proposal is being attacked by those who are opposed to the benefit. I understand the concern about the benefit.

ASSEMBLYMAN MARTIN: But there are obviously two issues: One is the philosophical position of whether the enhancer shall be given.

MR. FORRESTER: Yes.

ASSEMBLYMAN MARTIN: Secondly, to get into the cost issue, you're saying it will save at least most municipalities a considerable amount of money -- the number was $2 million in Jersey City--

MR. FORRESTER: Mr. Chairman, may I--

ASSEMBLYMAN MARTIN: --as opposed to those who say it is going to bankrupt the municipalities. I mean, we are somewhat at odds here, as far as trying to -- you know, as non-actuarials, non-pension people -- as to where it is finally going to come down.

MR. FORRESTER: Mr. Chairman, let me say this: I have never, at any time, said that overall this proposal will require fewer public dollars to go to members of the Police and Firemen's Retirement System. I am not saying that; I would never say that. Every time you increase a benefit, more dollars go to pay for that benefit.

What I'm saying is, this proposal is a wise proposal because it solves two problems that I consider to be far more significant than the marginal value of a benefit enhancement -- far more important; such that if we do not solve those problems, we will waste a considerable amount of money and we will cause budget dislocations in the future that will be very, very serious. I don't want us to get to a point at which we find public employees having to compete with other interest groups during the appropriations process, in order to get the promises that we have made today funded tomorrow. That isn't right. I see that coming, unless we fund the COLA. I don't see any way of funding the COLA without addressing these other issues.

Now, I would also say that in all of the conversations I have had, the issue of this financing proposal was always used as a mechanism by individuals who object to the basic enhancement of the benefits. That is the issue -- the enhancement of the benefits. One of the easiest ways to clear it up is to say, "Okay, let's assume for a moment that you are willing to grant the enhanced benefit. How would you fund that?" I doubt very much if anyone would come up with a proposal other than this one, in terms of how to fund that benefit enhancement. I am perfectly willing to argue about this issue of benefit enhancements, but I don't want anyone to come and say, "Well gee, you know, the finance proposal doesn't work," because it is exactly the financing proposal that would be arrived at if, indeed, individuals were asked to fund the benefit.

ASSEMBLYMAN MARTIN: Questions of Committee members for Mr. Forrester? (no response) Mr. Hoffman, did you want to say something?

ASST. TREAS. ROBERT T. HOFFMAN: No. I think Doug has covered most of the area.

I was going to speak on Mr. Schluter's question on the relationship between the assumed interest rate and what we are doing in our model. I think the real issue is, nothing is going to change in our investment policy. So, what we are saying here is, we can afford to stretch the system a little more, if we are taking that COLA liability into the system. If you turn that around and you say, well, we were a little bit too conservative before, well, maybe that is true. We were too conservative before because we knew that there was this big iceberg out there. Now that we are bringing it into the system, we can lighten the reins a little bit.

ASSEMBLYMAN MARTIN: Have you seen these numbers that Mr. DeMicco put out? They were also put out earlier.

MR. FORRESTER: They came from us, Mr. Chairman.

ASSEMBLYMAN MARTIN: That's what I thought. Would you feel confident in relying on these, at least for the payout over the next year, as far as--

MR. FORRESTER: Yes.

ASSEMBLYMAN MARTIN: --where these municipalities lie?

MR. FORRESTER: Yes. Mr. Chairman, those figures were generated as a result of my request to the actuary to prepare bills to be sent out to the municipalities. The fate of the bill obviously lies with you, but if, indeed, the bill becomes law, I am going to have to prepare new bills for the municipalities. These bills, at that time -- now, these are several months old-- These bills were prepared. Things are not going to change very much, if at all, from those numbers.

ASSEMBLYMAN MARTIN: So, municipalities, as you understand it, would receive in the aggregate, how much back in the next fiscal year?

MR. FORRESTER: Oh, I believe we can confirm the figure which Mr. DeMicco mentioned, which I think was something like $19 million.

ASSEMBLYMAN MARTIN: There are a number of municipalities, though, which do not come in on the plus side; which do fall within the negative side?

MR. FORRESTER: Mr. Chairman, I am glad you raised that, because I wanted to make the point that if you look at the value of those who come in on the negative side, it is a very, very small percentage over what they are paying now. I don't want any municipality to think they are in a situation where if the bill passes, it will have a disastrous effect on them. It won't.

Now, the reason why that is the case is because of a lot of work we did. One of the reasons why the Governor indicated his support for the bill was because we said we could produce a funding scenario which would not disastrously affect any municipality. There is not indifference here about, you know, we are going to sacrifice some for the sake of others. Even in the case of the few municipalities which will pay a little bit more, it really is, in absolute and percentage terms, a little bit more, and there are not that many of those.

ASSEMBLYMAN MARTIN: There are quite a number, though, like there are six in my district, which--

MR. FORRESTER: I realize these might be relative terms, Mr. Chairman.

ASSEMBLYMAN MARTIN: You know, $559 in Parsippany, Chief, is probably something the township might be able to absorb. I am a little concerned about the $10,900 figure in West Milford. It is still $11,000, even in your figures, in a time frame, as you well know, where municipalities are being squeezed by taxes from a number of sources. Hopefully maybe with the school funding, we may be able to do something to relieve some of the pressure. I am still not real happy about the list of -- I don't know how many there are -- municipalities. There is more than a handful there which will have some cost factors.

Do you see any way that we could -- as far as this proposal -- hold them harmless?

MR. FORRESTER: Mr. Chairman, at this point in time, I do not, unless there is some separate funding source identified to do that. The reason why I say that is not because I am indifferent to the needs of the half dozen municipalities in your district, but rather because--

ASSEMBLYMAN MARTIN: I am using that by way of illustration.

MR. FORRESTER: I usually find that those are very meaningful illustrations. I think it is important for me to again state that the reason why I devoted so much time to putting this bill together, was because I believe the bill addresses all of the major concerns that I see, save one, with regard to the issue of PFRS. The save one is the fact that we still have a large number of municipalities in New Jersey that are not in the PFRS, but are in the PERS. I won't get into that issue now, but let me say that I do see that as an issue on the horizon.

With respect to working out some formula to save everyone harmless, I am apprehensive that we would end up in a situation where we would cause further disruptions in the pension system itself in order to make some contrivance to solve a few individual problems. I am interested in a pension system that makes sense; that can be explained as clearly as possible; and that is relatively clean of these special kinds of arrangements. I will frankly tell you that my recommendation to the Governor was not to continue to have the State pay for the old 109 costs. The reason why is because that is a problem, from a pension actuarial viewpoint. It just doesn't make a lot of pension sense to abstract one piece of the benefit puzzle and value that separately and pay for it.

Now, the Governor is concerned about the municipalities, and a number of legislators -- certainly Senator Russo -- are concerned. Their concern was that they didn't want to go back on what they considered to be a commitment made in 1979. I could continue to pursue that in terms of my own reasons, but I am making that point to say that I would really want to avoid contrivances within the pension system in order to save certain municipalities harmless for a brief period of time. The reason I say a brief period of time is, the municipalities which are going to have to ante up a little more at this point in time, are doing that because they don't have to pay for their COLAs now, because they are relatively new into the system, or they are new in terms of their police forces, and they have not really begun to really pay the piper as far as those COLA costs.

So, in a very real sense we can say that although they are committing a little bit more at this point in time, they are committing themselves to expenses that they would incur sooner or later anyway.

I would urge you strongly not to set up some separate little rainy-day fund to save these municipalities harmless, because I believe that would cause more problems than it would be worth.

ASSEMBLYMAN MARTIN: Any other questions of these gentlemen?

ASSEMBLYMAN SCHLUTER: Yes. Mr. Forrester, several questions: Is the Division of Pensions and the administration in support of this bill?

MR. FORRESTER: Yes.

ASSEMBLYMAN SCHLUTER: What is the total municipal savings, or member savings? Is that 1989 that you spoke of?

MR. FORRESTER: Yes.

ASSEMBLYMAN SCHLUTER: And that includes not only municipalities; that includes the county, sheriff's officers, and those who are in the system?

MR. FORRESTER: Yes.

ASSEMBLYMAN SCHLUTER: A couple of technical points: With respect to coverage, I would imagine that everybody who is in now would be grandfathered. Nobody would be removed from coverage if this bill were to go through, whereas new entries would only allow law -- so-called law enforcement -- police and fire, people who are directly involved in law enforcement. Is that correct?

MR. FORRESTER: Yes, Assemblyman. There is the small qualification that if an individual who is grandfathered moves to a title that is moved out, he would not be grandfathered. As long as they stay put, they are grandfathered.

ASSEMBLYMAN SCHLUTER: In that particular -- as a sheriff's officer, or whatever.

MR. FORRESTER: That's right. For example, I am reluctant to refer to any particular title, because that is kind of prejudging the case. If there were a title which we could assume would not be approved once this bill passes-- If a person is in that title today, he or she can stay there. But if a person moves to another unapproved title, he or she would relinquish their rights under the PFRS.

ASSEMBLYMAN SCHLUTER: Now, getting back to the COLA and the pre-funding of COLA, which is very difficult for us nonprofessionals to understand: Can the change in the funding of COLA be done administratively -- the pre-funding of COLA?

MR. FORRESTER: No, it cannot, Assemblyman. The reason why is because the laws which create the PFRS, or any pension system, describe the liabilities of that system. The cost of living adjustment is a statute which has as much force as any other statute, but it is not defined as a liability of the PFRS. This bill would do that. I do not have, administratively, the authority to define, as part of the liabilities of the PFRS, the cost of living adjustment for that.

ASSEMBLYMAN SCHLUTER: Were you about to say something, Mr. Hoffman?

ASSISTANT TREASURER HOFFMAN: No, I was not.

ASSEMBLYMAN SCHLUTER: Oh. Therefore, it takes legislation to change the funding of the COLA and the schedule of paying the COLA, if I understand your answer.

MR. FORRESTER: Assemblyman, the issue is not one of changing the schedule for the payment of the COLA, unless I am misunderstanding you. It is just an issue of financing it. Right now, the COLA is defined by the statute as 60% of the CPI. There is a two-year wait after retirement, and then it is paid retroactive to the year of retirement. We take the cost of living index in the year you retired, we subtract it from the cost of living index in the current year, and we pay you 60% of the difference and add that to your pension check. That money comes out of the general fund of the various employers in the system.

What would happen under this bill is, instead of two checks being received from a town-- Let's take Pennington. Right now -- and I assume Pennington--

ASSISTANT TREASURER HOFFMAN: Pennington is not in the PFRS.

MR. FORRESTER: They aren't in the PFRS. That is another problem.

ASSEMBLYMAN MARTIN: We can find one for you.

MR. FORRESTER: If we take my town, of which I was Mayor -- and I say that to suggest that I am not indifferent to local needs -- that town right now gives the Division of Pensions two checks. They give one check for the basic benefit, and they give another check for the cost of living adjustment. We then give the basic benefit check to the Division of Investments, which goes into the pool investment program the State has. We take the other check and we just add it then every month to the individual retiree's amounts that are drawn down from the investment pool.

What would happen under this bill is, one check would go to the Division of Investments, and that would be it. We would then draw down the whole amount from the Division of Investments at the other end to pay the pensioners.

ASSEMBLYMAN SCHLUTER: But that, from what you have said, because of the other statute for COLA could not be done administratively.

MR. FORRESTER: That is correct.

ASSEMBLYMAN SCHLUTER: Now, I am getting to the point of the difference between 6-3/4% and 7%. Do I understand you correctly that you are asserting that the 6-3/4% should apply to the current costs because of the fact that you have to do your COLA payments the way you do them under the law and, therefore, actuarially it is not sound to apply 7% to the current costing?

MR. FORRESTER: Generally, Assemblyman, I can say, "Yes." It is a little bit more complicated than that. What we are trying to do is make the best of a bad situation. Although legally there is no direct relationship between the establishment of the interest assumption in the PFRS and the existence of the COLA, from a public policy point of view we know there is a connection there -- a very direct connection. The obligation we have made to the employees is a very real one, and moreover, I think there are legal rights that can be called upon by the employees if ever there were a crisis and those COLAs were not paid. My own opinion is that there is a whole host of municipal and State expenditures that have to be forgone, instead of cutting the COLA, but that is a separate thing.

What we try to do is-- We are aware that we have the iceberg that Mr. Hoffman referred to floating out there.

ASSEMBLYMAN MARTIN: And we haven't hit it yet. But you anticipate that there could very easily come a time, without the funding of the COLA, where at some point there just wouldn't be enough money in the fund to be able to cover the COLA for a given year. Then we would have a crisis on our hands, because you would have to draw out of the pension into unanticipated funds of the State, in order to cover the cost of living.

MR. FORRESTER: Yes, that is the description, Mr. Chairman. The incline of costs would go up so precipitously that it would be continually harder and harder to carve that out of the budgets. We want to have a flat pay curve.

ASSEMBLYMAN SCHLUTER: I understand. I don't mean to prolong this, but I would like to get to a couple of points.

MR. FORRESTER: Yes.

ASSEMBLYMAN SCHLUTER: Incidentally, I forgot to ask one question: Does the PFRS allow retirees to have employment in other public service jobs?

MR. FORRESTER: Yes.

ASSEMBLYMAN SCHLUTER: Do any other retirement systems funded by the State allow that?

MR. FORRESTER: Yes, all of them do. Assemblyman, the laws in retirement are: If you are receiving a pension from a State-administered retirement system, you may take a job covered by the pension system of another retirement system, but not earn credit in that system, for example.

ASSEMBLYMAN MARTIN: You can't take two pensions.

MR. FORRESTER: That is correct. You cannot earn two pensions -- get a pension and then go into employment and earn another pension. What I think has caused problems with the PFRS is, it is much easier to retire as a policeman, for example, and then find another public job, which is permissible, than it would be to retire as State Pension Director and go find a job as a policeman. Okay?

Now, I am willing to state for the record that my job is more hazardous (laughter), but nonetheless that would be difficult to do. That is why I think your question has been--

ASSEMBLYMAN SCHLUTER: Let me understand, because maybe my question was not framed correctly. As I understand it, a retiree in PFRS, if he or she has another public job in the State of New Jersey, can still collect their pension from PFRS?

MR. FORRESTER: That is correct.

ASSEMBLYMAN SCHLUTER: Now, if another person who is in PERS--

MR. FORRESTER: Yes?

ASSEMBLYMAN SCHLUTER: --and who works for the State retires under normal conditions--

MR. FORRESTER: Yes?

ASSEMBLYMAN SCHLUTER: --can they work for a municipality and still collect their PERS?

MR. FORRESTER: The key, Assemblyman, is which pension system the job you take is covered by. You cannot collect a pension from the PERS and take a job which is also covered by the PERS. That is why PERS members generally are at a disadvantage.

ASSEMBLYMAN SCHLUTER: They can take a job, but they cannot collect a pension?

MR. FORRESTER: Well, no. What happens is-- Let's say I retire as the Director of Pensions, and Mr. Neely invites me to become Finance Director of East Brunswick. Okay?

ASSEMBLYMAN MARTIN: Pretty highly unlikely.

MR. FORRESTER: That's right, although Mr. Neely has been very gracious. He allowed me to sit with him at the Chamber trip, and everything. (laughter) I think the important thing is that I would have to give up my pension -- suspend my pension -- in order to take that Finance Director's job.

ASSEMBLYMAN SCHLUTER: Let me -- through the Chair, if this is permissible -- say that it would be very helpful to us -- to me -- to know in what pension systems there is the ability to collect when you take another public service job, or not to collect; in other words, PERS, PFRS, TPAF, and different things -- I think that kind of an analysis -- because I think that PFRS is the only system where a person can take another public job, paid by government, and still collect the--

MR. FORRESTER: That is not true, sir.

ASSEMBLYMAN SCHLUTER: Well, that is at great variance with some of the information we have gotten. I would like to get--

MR. FORRESTER: We can certainly give you the statutory citation.

ASSEMBLYMAN SCHLUTER: --a matrix showing what you can and what you cannot do, if that is possible.

Now, getting back -- and I am sorry for the disjointed question, because I missed that one question--

MR. FORRESTER: I understand.

ASSEMBLYMAN SCHLUTER: Has the Division of Pensions made any estimate of the savings to municipalities if there were a change in the funding of COLA, a change in the coverage of positions, without an increase from 60% to 65%?

MR. FORRESTER: Yes. Assemblyman, I think that information has actually been given to the Committee. If I recall correctly, what would happen-- If I understand your question, you're saying that if we were to pass this bill without the benefit enhancement--

ASSEMBLYMAN SCHLUTER: Right.

MR. FORRESTER: --okay -- how much more money would the municipalities save? Is that a way of asking your question?

ASSEMBLYMAN SCHLUTER: I presume that the financial actuarial basis would be 7%, instead of 6-3/4%, based on what you said before.

MR. FORRESTER: That is correct, yes. We would take the bill and would just lift out the benefit. How much more money, in addition to the $19 million, would the municipalities save? That, in the first year, if I recall correctly, would be somewhere around $21 million -- something on the order of that magnitude. Now remember, all other things being equal, that would be reduced over time. The reason why is because this bill is flushing out individuals who really do not belong in the PFRS.

ASSEMBLYMAN SCHLUTER: I said if legislation was to also flush that out.

MR. FORRESTER: Oh, also flush that out? Well, okay then, that would increase a little bit over time.

ASSEMBLYMAN SCHLUTER: Yes. So, am I correct in assuming that -- maybe this is presuming too much -- one of the basic purposes of this bill is to be able to change the coverage and change the financing of COLA, and the trade-off is to go from 60% to 65%? Is that a fair statement?

MR. FORRESTER: Assemblyman, I know a number of people have made that statement, and I think that is a fair statement.

ASSEMBLYMAN SCHLUTER: Excuse me. I am not saying that there is anything wrong with that. I want to get right down to the--

MR. FORRESTER: Well, that is a political judgment that talks about the motivations of the individuals to support the bill. I think that is a perfectly legitimate way to interpret a number of supportive comments.

I would say that from my point of view, I am primarily interested in the issue of funding the COLA, of getting the eligibility system tightened up, and I would say -- which is very important -- if I came to you with a bill to do that -- to do just those things — it would look almost exactly the same, as far as financing goes, as the bill that you have before you.

ASSEMBLYMAN MARTIN: Doug, there is one point, though. If we assume -- and you said earlier that one of the assumptions was to try to have young officers pass through the system-- I would have to assume that with the enhancer at the 25-year level, it would probably encourage more to retire at that time. I mean, this is an assumption, but--

MR. FORRESTER: Mr. Chairman, I know why you would make that assumption. Actually, we looked at that issue, and I cannot say that it would have an appreciable effect.

ASSEMBLYMAN MARTIN: You don't know, or you don't think--

MR. FORRESTER: No, no, we looked at that, and there are offsetting kinds of things. In other words, some people may be induced to stay, you know, a little bit longer in order to get the 65%; some people might consider, "Okay, well I don't have to work now for the 65%. I had set that as a goal, and now I get it five years earlier, so I can leave." Those are offsetting things. We don't see a big impact there.

ASSEMBLYMAN MARTIN: As far as your assumptions in the overall scheme of things, is it a fact that when an officer retires after 25 years and a new officer comes in, and his salary is at a lower level, obviously, than a senior officer, that really does not come into the pension aspect, although there could be some offset in savings to the municipality on the differential?

MR. FORRESTER: I think you are absolutely right in raising that as an issue. That certainly is not taken into account in any of the figures you have before you. But yes, that is a legitimate public policy issue, because it involves the amount of relative payouts that the municipalities would have to make. I would say that you are right. If the bill-- If we were talking about 20 and out, that would be an enormously significant point, to the point that there may have been as much as a third of a reduction appropriate in the overall costs, as we identified them. In other words, if you take the $100 we identified for pension costs, you could probably take 30% off of that and attribute that to savings on salary.

ASSEMBLYMAN MARTIN: I'm sorry, Bill.

ASSEMBLYMAN SCHLUTER: Thank you very much. You clarified it by allowing me to focus on--

MR. FORRESTER: Thank you.

ASSEMBLYMAN MARTIN: I would like -- if I may, with the Committee's permission -- to at least hear from the League of Municipalities this morning. I think at least we will cover the principal bases, because time is moving on and we have a lot of things to do. Thank you, Mr. Forrester; thank you, Mr. Hoffman.

MR. FORRESTER: Bill, I thought you said I could speak for you.

W I L L I A M G. D R E S S E L, J R.: Doug, you have spoken for me. I couldn't believe the testimony you gave on our behalf. It was super.

MR. FORRESTER: Thank you, Mr. Chairman.

MR. DRESSEL: Well, you've heard from the rest, now for the best.

Mr. Chairman, my name is Bill Dressel. I am Assistant Executive Director of the New Jersey State League of Municipalities. Lou Neely, Chairman of the League's Pension Study Committee, and Finance Director in East Brunswick, joins me. Lou will give most of our formal presentation.

You have before you the handouts. I have a formal statement, but most of that material you have received previously. It reviews many of our major concerns. The text of Mr. Neely's presentation is also before you. That material has also been given to your stenographer.

We, too, are pleased, Mr. Chairman, that you are holding today's hearing. We believe this is probably one of the most complex pieces of legislation that has come down the pike for some time. We have to report, though, that we believe we have deciphered this legislation. We believe we have, and we will prove, beyond a question of a doubt, that this proposal was based on fallacious fiscal assumptions, and in addition to the fiscal concerns which we will point out here today, we will also be testifying on our philosophical concerns. Basically what we are going to do is go back to the intent of this legislation.

What is the intent? What is the purpose? We have yet to receive any documentation, any testimony going to the purpose of the legislation. So we are going to be testifying to that, as well.

It was interesting to note during Mr. Forrester's presentation that he mentioned that back in 1982, 1983, he served on the Governor's Pension Study Commission Report. If you take a look at that report, it embodies many of the fiscal tools -- as he referred to them -- in financing the benefits embodied in this legislation before you. But what is very interesting is, the report did not talk about those tools as pension reform -- and I think we can refer to them as pension reform -- in the same light as enhancements. In fact, the report talked against enhancements. It said: "You should not combine pension enhancements with reform." That is a contradiction.

They kind of encapsule some of the things that Mr. Neely is going to mention. I will defer my time to Mr. Neely. At the end of Mr. Neely's presentation, however, I would like the opportunity to comment further. Mr. Chairman, with your indulgence, here is Mr. Neely.

L. MASON NEELY: Mr. Chairman, Assemblywoman, and Assemblymen: Indeed, it is a pleasure to be here. Steve DeMicco said that the issue of this bill is not compensation. Doug Forrester said it is a question of compensation, of how much you pay police officers. That is a paradox. Doug Forrester referred to you funding the benefits delineated in this bill, but 95% of the cost of this bill will be paid for by local taxpayers. That is a paradox: You funding -- you, being the State -- with the local taxpayers, who are paying this.

We are told that the proposed legislation -- S-2602 and A-3421 -- is designed to enhance mobility in the uniform system of police and fire; to encourage retirement. Mr. Forrester reports -- and our studies confirm -- that it will not encourage or significantly change retirements, and at the same time, members of the uniform services oppose mandatory retirement ages of 65. That is a paradox.

We are told that the enhancement of benefits is required because of stress on the job, and the level of uniform services, therefore, needs to have increased retirement benefits. But statistically, nationwide, job-wide, classification-wide, those are not supported as the high risk jobs. In fact, other jobs are much more stressful and dangerous. And that is a paradox.

We are told that the beginning members of the uniform services face life-threatening situations. Statistics do not support that. That is a paradox.

We are informed that many legislators support the concept of enhanced benefits for uniform services, because it costs nothing. And yet, we were told today that it cost $21 million the first year. Tables were provided to you by the actuary; incidentally, paid for by local governments, because all of those administrative costs are paid for by the local taxpayer, to find out how to enhance the police benefits. Why would we pay for their actuarial studies is a paradox.

We are told that Governor Kean's report on the economy in 1988 revealed that New Jersey runs below the nation in unemployment and, therefore, there is a job crisis. But at the same time, this bill has said, "Let's encourage retirement so we can get people out of the work force, and create more problems." That is a paradox.

We are told that the State of New Jersey -- the Treasurer -- has done a study on the escalating costs of providing health benefits. We have looked at health benefit costs all over the nation, and we see that they are increasing. We are talking about icebergs -- as they were described. The Pension Study Commission Report that Doug Forrester referred to in '82 and '83, which came out in '84, predicted the same type of iceberg with regard to health benefit costs as we have with COLA costs, and somehow they are ignored. That is a paradox. Are we simply dealing with one iceberg at a time, at the local taxpayers' expense?

We are told that PERS is one of the richest benefit providing systems in the nation.

ASSEMBLYMAN SCHLUTER: Excuse me, PERS?

MR. NEELY: PFRS, excuse me. PFRS is one of the richest benefit providing systems in the nation. The benefits provided to PFRS members are far superior to those offered to other public employees. It is "top drawer," but yet you are providing enhanced benefits of approximately $150,000 per member to a membership of 30,000, and ignoring 110,000 TPAF members and 240,000 Public Employees Retirement System members. You are giving a benefit to 10%, and ignoring 90%. That is a paradox.

The current replacement ratio for PFRS at mid-point of retirement is greater than 100%, meaning that when these people retire, at mid-point of their retirement, they are going to earn more than 100% of what they were earning when they were actively working. And when someone from PERS retires at mid-point of retirement, he or she will earn between 55% and 60% of replacement ratio. That is a paradox, how you can give that -- when that is already out of scale, how one can give that additional benefit.

We are told that you can leave as a State policeman or a PFRS member, take your pension, and go to work for a municipality. But if you are a PERS member-- They said, "Yes, you can take your pension and go to work for the police, but the law precludes it because you are age-qualified, and you can't get in, and there are no jobs available for you. You can't become a State policeman or a local policeman, so yes, you could extend, and say-- You could take another job and draw your pension, but the law precludes you from being there. So, the State Police and the PRFS are the only systems where you can draw a pension, have a check coming from the State, and go to work for the same town or for local government.

Webster defines "paradox" as two conflicting positions that may ultimately both be correct. It is possible that all of these paradoxes could occur and that you could pass this legislation, and we would have an unbelievable situation.

But what I want to say is, first of all, we have seen Mr. Forrester and Mr. Hoffman stand here and say for the Treasurer that 7% is a reasonable number. The latest report on earnings by the Investment Council -- this is in your packet -- shows that they did not earn 7%. When you use the word "effective," all of a sudden it changes what they are earning, because you take capital gains into it, and sales. But the investment ratio that they are earning on those funds is not 7% -- this year nor last year nor the year before. So, we say, "Why do we go from 6-3/4% to 7%?" The reason was because they wanted to cover up the mistake of the 1982 law, when they changed from the three-year base to the one-year base. They didn't want to bill the employees who had agreed to pay for that, and they didn't want to send out new bills to the towns, because they said it wouldn't cost anything. So they artificially changed the assumption rate.

If you really want to do something, and you want to have a form of State aid immediately, change the assumed interest rate on PERS from its current 6-1/2% to 7%, and you will send out maybe $400 million to local governments immediately. That is a gimmick, because you are simply deferring the costs. You are not saving one penny. And that is precisely what this bill does. It uses a gimmick to make it appear that you are lowering costs today, and you are going to pay more in the future. Mr. Forrester--

ASSEMBLYMAN MARTIN: Are you saying that you cannot support a 7% assumption rate?

MR. NEELY: To cover up enhanced benefits, I cannot.

ASSEMBLYMAN MARTIN: Do you have any-- I mean, I am really-- There is a nub. At least on a financial side, that seems to be it, because if 7% is a good conservative assumption, then we can proceed at least and get it maybe into the other issue of the philosophical. But as far as the 7%--

MR. NEELY: Well, page 6--

ASSEMBLYMAN MARTIN: We have the Division of Pensions saying that that is a reasonably conservative estimate. They seem to have actuarial studies. They seem to have a track record of history -- at least that is what they're saying -- that shows in the years of the '80s, it can be supported. I think the PBA has indicated that the pension, if anything, is overfunded at the present time.

What can you show me, Mr. Neely -- and I'm not saying you can't-- I would like to know where it is that you could point that that is going to be a number that does not work.

MR. NEELY: Well, work is where it doesn't work, but if you turn about 10 pages back from the green document you have, I have a photocopy of page 6 of the report that was just issued by the State Investment Council, which reads: "The average daily annualized rate of return--"

ASSEMBLYMAN CHARLES: Would you let us find that first?

MR. NEELY: Sure. It looks like this, and has a table in it. It is in the back, and it is a photocopy of a report that was just mailed out three weeks ago by the State Treasurer's office. It is very near the back of the packet, just after the information on Las Vegas, I think it is -- just before the Las Vegas information. Right there on your left-hand side. Right, there it is. That table is an actual photocopy of page 6. Do we all have that?

ASSEMBLYMAN CHARLES: The Township of East Brunswick, October 19, is the opposite page?

MR. NEELY: Yes, the opposite page.

ASSEMBLYMAN MARTIN: State participants at July 1987-- Is that where you would like us to direct our attention?

MR. NEELY: Yes, that is correct. You asked me, "Can you show me--" This is an actual photocopy of their page. I have highlighted: "The average daily annualized rate of return to participating State accounts and accounts of the pension fund group was 6.88% during Fiscal Year 1988, compared with 5.97% in Fiscal Year 1987." That is the pension funds, and the annual average rate of return. They then give you the various months' activities on that. If you leave your interest there and you compound it, then the compounded rate of return in 1988 was 6.9%. That has been highlighted for you. And it was 5.99% the year before.

Now, all I can say is, the State Treasurer and the Investment Council just issued that report. I am simply reading it. It says the "pension group investment funds." If you net out the sale, which obviously artificially inflates, what has happened because of the divestiture of the South African holdings, and give additional capital and you put it-- Hold that constant and just look at the investment funds. This is what shows.

Let me tell you that if you were to pull out the enhanced benefit piece of it, which costs $21 million, as Mr. Forrester said -- and we will accept that -- and the $19 million that is there, then immediately you can say $40 million for the towns -- no, not say, simply defer; you are deferring costs -- and begin to pre-fund the COLA-- Since 1982, we -- the League of Municipalities -- has said, "Pre-fund the COLA." The law that was passed in '69 which established this, was the most fiscal irresponsible act. We have said, "Establish a method of funding it," and there are three or four different methods of funding it which we have endorsed. But don't fund COLA, which is necessary, and then take the big savings, as you can by deferring the costs, and give them away as an enhanced benefit to already one of the top three richest benefit systems in the nation.

It was interesting that--

ASSEMBLYMAN MARTIN: Who are first and second?

MR. NEELY: I don't have that for you, but it is interesting to note that we asked Mr. Forrester to do a study. Actually, we were going to hire the firm of Foster and Higgins, and every actuary firm that we wanted to hire has a contract with the State somehow, and it was a conflict of interest. So we said, "Why don't you, as long as you are billing us also, and you are doing all of this work for the PBA, and you are passing those costs back to local governments, why don't you do one study for us and put it into our annual rates?" We didn't get that cost. We didn't get that cooperation. But we think there is a way of doing this.

ASSEMBLYMAN MARTIN: You do not dispute, or do you, the materials from Mercer Meidinger Hansen?

MR. NEELY: For the first year, they are correct, but after that, as Steve DeMicco said himself, and Doug Forrester said, after you change one piece of benefit, the actuarial study you've got there is useless.

Now, let me suggest to you that when the PFRS system was first established in 1944, it was only for policemen and firemen who were uniform. Those 20% of the titles, which they now want to take out, are State employees who you people, through the Legislature, have put in. You are just simply taking yours out. You are not doing anything for local governments, because local governments do not have those phony titles in the system. The State is the one that has all those titles. The State is the one that reaps all of the benefit on this.

ASSEMBLYMAN MARTIN: It is going to do something about it--

MR. NEELY: You ought to do something about it.

ASSEMBLYMAN MARTIN: --one way or another.

MR. NEELY: But you are the ones who put them in. Do you believe for one moment that as soon as you pass this, some group won't be back next year saying, "Put us in that system. Change the title. Give us a new definition"? From 1944, you had a true system. That system, at that point, was balanced -- 5% by the employer, and 5% by the employee. Today, it is almost 20% by the employer. The reason it is so out of balance is because every year they have come down and people-- This Legislature has passed little pieces of benefits, saying, "It won't cost anything. Give them another benefit." That is why it is so askew.

Let me tell you: The concept of this is pre-funding to save money. You are not pre-funding; you are just beginning to pre-fund. You have not pre-funded one cent. All you have done is refinance the accrued liability, and you have taken-- The towns in your district that are going to pay more-- The reason they will be paying more is because you have taken the accrued liability from the State of New Jersey, from Newark and Jersey City, and from a lot of those big cities that do have a big pool of liabilities out there, and you have spread it over the suburban communities to artificially lower it. This is an indirect form of suburban communities helping the urban communities with their accrued liabilities.

Now, that is a policy issue that has not been brought up to you, but I don't think that we, as municipalities, ought to be helping spread the costs of the State, because you are pulling all of your titles out; you are spreading your accrued liability over this new financing gimmick; and we are paying for that. And I've got to tell you: You cannot refinance a car, refinance a house, refinance anything over a longer period of time that it does not cost you more total dollars.

This Assemblyman is correct when he asks, "Why are you trying to compare the current program with these new enhanced programs and all these assumptions, because it is apples to oranges?" If any one of you believe that you can give away a $2.7 billion benefit and it will not cost you anything, and it will not cost the taxpayers something, then I think you all need to do some serious looking at what is going on.

ASSEMBLYMAN MARTIN: Mr. Neely, you do not have any quarrel with the pre-funding of the COLA or with the reduction of the titles in the system?

MR. NEELY: For almost 10 years, we have supported that.

MR. DRESSEL: The definition we do.

MR. NEELY: The way the definition is as to how that can be politically manipulated-- We have a problem with that.

ASSEMBLYMAN MARTIN: What is the problem with that?

MR. NEELY: The problem is, you simply say that these are the general criteria, and that is determined by Mr. Forrester and/or the Board. Now, I have great confidence-- Doug Forrester is a man of integrity, and I don't think he could be politically manipulated, but I don't know what is going to happen two or three years down the pike with new pension administrators, or what pressure would come in to accept this title and accept that title. How can you begin to look at ongoing costs unless you put the titles in? We know what a policeman is; we know what a fireman is.

ASSEMBLYMAN MARTIN: Are you saying you would prefer legislatively--

MR. NEELY: I would like to see the title and define it right there. We know who the people are.

But, let me step back and say this: One of the examples that was used was beginning to pre-fund the COLA costs for the Teachers' Pension and Annuity Fund. You said, "Look how much we have saved." The Teachers' Pension and Annuity Fund is 100% paid for by the State. You have done that for yourselves, and you have used a gimmick to change the assumed interest rate, to roll those funds in, and to lower your costs this year as a budget gimmick, so the current Governor could say, "Well, look, I have lowered the costs of the Teacher's Pension." It is going to cost more over time, any time you pick up new liabilities. That does not say it is a bad policy. We think it is a good policy to do it. But, don't let the idea that you've lowered your costs because you have stretched out your payments lull you into thinking that you have lowered costs. You have taken a positive step; we agree with that. We think you ought to fund COLA. For 10 years, the

League has said, "Fund COLA. Give us the mechanism." We don't think that the State--

ASSEMBLYMAN MARTIN: Do you offer us any trade-off on the funding of COLA?

MR. NEELY: We sure do. It is written right in here. (indicating packet of written materials) There is a letter to Senator Russo. The reason it came out of the committee was because he said, "We will compromise with them. We will have a big meeting and compromise." We got zero in the compromise. We do not want a compromise, unless we see it in black and white before anything is released.

We have put our position on the table a number of times as to how to fund COLA and how to deal with the problem. It is a problem. Health benefits are a problem. They are going through the ceiling. If you don't do something with both of them now -- which was told to you in '82 and '83 and '84, when the pension report came out-- We have said it for years; Pensions have said it. Every newspaper article you read says there is a problem there, and we are hiding our heads. What we are doing is playing a political game of giving enhanced benefits to what is already one of the richest systems in the State.

ASSEMBLYMAN MARTIN: Mr. Neely, I don't want to cut you off. We will give you a chance for air.

MR. NEELY: Okay.

ASSEMBLYMAN MARTIN: Mr. Dressel, do you want to add something to this, at this point? We are going to be able to go for maybe another 15 minutes or so.

MR. DRESSEL: I've got lots.

ASSEMBLYMAN MARTIN: I want to give you as much of an opportunity as possible to say what is critical.

MR. DRESSEL: Well--

MR. NEELY: Let me say what is critical. The critical is that the age qualification system--

ASSEMBLYMAN MARTIN: Wait a minute. Bill, do you want to say something?

MR. DRESSEL: Go ahead; go ahead.

ASSEMBLYMAN MARTIN: I am going to cut you off after a few minutes, because I want the Committee to have a chance to ask you some questions.

MR. DRESSEL: All right.

MR. NEELY: It was said by Mr. Ginesi that he gave up 77%. He didn't do that. That option is still available to him. The assumptions you have used in that letter from Mercer Meidinger Hansen says that policemen are retiring at 65. Very few of them retire at 65. They all retire between the ages of 40-- Sixty-some percent of them retire between the ages of 40 and 50. Then they take additional jobs and we are paying them for second careers.

The amendment that was made was to change-- If we change this to qualified -- make them age-qualified -- say you can't start drawing until age 55, we will support this thing.

ASSEMBLYMAN MARTIN: I don't understand. You say we are paying them for second careers. By policy, we have said they can retire after 25 years of service.

MR. NEELY: That's right.

ASSEMBLYMAN MARTIN: So they go out into the private sector, or the public sector. We are going to assume that the position they fill is one that society wants to be filled by someone.

MR. NEELY: That is correct--

ASSEMBLYMAN MARTIN: I wouldn't quarrel with that.

MR. NEELY: --and because they are 45 years of age and they are drawing a pension while they are taking another job-- That is why we are paying them to have a second career. The system used to have age qualification, but you couldn't draw it until you were age 50 or age 55.

We think that if you really want to look at this thing -- if you look at the demographics and all the health reports-- The reports say that we have an aging population and we have a labor supply problem. To enhance additional early retirement and to encourage people to retire now, and then have less of a work force coming in, you are simply shifting this problem for another problem if you give enhanced benefits.

ASSEMBLYMAN MARTIN: You know, Mr. Neely, there are some people from municipalities who I have spoken with who, at least in individual cases and individual departments, would be pleased that they could get early retirement, at least for certain persons under certain situations.

MR. NEELY: I think if you came down to the ultimate, and you said, "Hey, I'll give you 65% to retire," most people out there, on their own issue, would say, "But we have to take a broader view of that." Our obligation here is not to deal with those particular issues where some person wants retirement. We are setting general policy that is going to affect the taxpayers of this State. And I've got to tell you that giving away a $2.7 billion benefit, under the idea that it is "reform," is trying to fool everybody.

If you are familiar with-- It is so neat the way the story is told about a Judas goat. The Judas goat starts up the little ramp, and he looks back. The other goats -- the other sheep -- just say, "Oh yeah, we'll follow him," because they follow so easily.

ASSEMBLYMAN MARTIN: Your five minutes is up, Mr. Neely.

MR. NEELY: At the top of the ramp, he turns left to safety, and the rest of them go off to slaughter. I think you are trying to lead us up this little path.

ASSEMBLYMAN MARTIN: May we ask some questions?

MR. NEELY: Okay, let's have questions.

ASSEMBLYMAN MARTIN: Bill, do you have any questions for Mr. Neely?

ASSEMBLYMAN SCHLUTER: I am disturbed, as I said before to the previous witness, about the information we are getting. There seems to be an issue as to who has the ability to work for a public employer or government and collect a pension. I would like to make a request, through the Chair, that we get staff to give us a one-page summary of this business about collecting a pension while working for another level of government, so we can get that cleared up. Is that a reasonable request?

ASSEMBLYMAN MARTIN: Sure.

ASSEMBLYMAN SCHLUTER: That is my concern.

ASSEMBLYMAN MARTIN: Pensions can get that information if we make a request for it, I guess.

MR. FORRESTER: (speaking from audience) Easily.

ASSEMBLYMAN MARTIN: Okay.

ASSEMBLYMAN SCHLUTER: Outside of that, I have no other questions.

ASSEMBLYMAN MARTIN: Skip?

ASSEMBLYMAN CIMINO: The only question I have is: Mr. Neely, do you budget for turnover at the municipal level?

MR. NEELY: We sure do.

ASSEMBLYMAN CIMINO: You do budget for turnover?

MR. NEELY: That's right, and we fund COLA. Our COLA costs are actuarily looked at and we fund them.

ASSEMBLYMAN CIMINO: But you legitimately-- If you've got 30-year employees leaving and you're bringing in an entry-level person midyear, do you budget that way?

MR. NEELY: We do more than that. We go back and send a pre-retirement agreement to them three years before they are going to go, to encourage them to retire and to make enhancements so they are properly planned for. Then we begin to allow them to participate in a deferred compensation program, which was the essence of the recommendation of '84. We meet with the people; they sign a pre-retirement agreement three years before they go; we start the transition; we know who is going to come; we know what the budget costs are going to be. We take that employee and allow him to go off with a reasonable understanding of what he is doing, why he is doing it, and the aspects of it, which was what was planned for.

We have right now-- You have choked, by holding this bill -- these two bills -- the system. If you look at the people who are eligible for retirement, normal retirement has not occurred because they are waiting for this enhanced benefit. If you were to say, "No, we are not going to give it," you would see retirements occur.

What happens if you pass this bill and you get to the level of retirement that is anticipated the first year of this bill going through? You are going to have an overtime crisis in every local budget that would make the $19 million look small. Also, not only make the $19 million look small--

ASSEMBLYMAN MARTIN: Given the nature of politics, Mr. Neely, if this bill is choked this year, because there is always a new cast of players, people may continue to wait and see on a number of issues like this.

MR. NEELY: We're not going away. If you read the editorial on the front page of the information I gave you, and the editorial on the last page, there has not been one editorial-- Not one of the newspapers in the State has supported the concept of enhanced benefits. I don't know what you are reading, but you've got a group of 31,000 employees who say, "Hey, we want this benefit given to us," and you've got the newspapers around the State saying, "That's not right. There is no such thing as a free lunch. Don't do it." You've got 240,000-- Actually, you've got 300,000 and some other employees -- the PERS and the Teachers' Pension and Annuity -- who are going to be saying, "If you give them that type of an enrichment, we want some." You are going to see that. And you are going to have problems in labor negotiation with every town around the State because you have created an unemployment problem; you have created an overtime problem; and you have created a recruitment problem. You have now just, by giving the uniform services the ability to have binding arbitration and then causing this dump-off into retirement with this enhanced benefit, in essence, screwed up almost every community in the State that is a member of this. Remember, 29% of the communities are not members, so there is roughly 71% which are.

So, you've got 71% of the communities in the State that you have messed up by passing this bill. I think that is going to happen, and it will occur through overtime budgets and the inability to recruit. It won't happen in quite the bargaining process. I think this is a complicated bill. For someone to come in here and simply tell you it will save $19 million, it will save all this money overtime, and compare apples to oranges, and, "We have paid for this study, so do this wonderful thing--" I say baloney. The wonderful thing is--

ASSEMBLYMAN MARTIN: Let me just-- I am trying to see if we have any more questions of the Committee members, because we have gotten notice that we really can't stay much longer up here, without-- They have gotten past the Pledge of Allegiance, (referring to the fact that the Committee members are due at the Assembly session) so we want to move along.

ASSEMBLYMAN CIMINO: Just one other question.

ASSEMBLYMAN CHARLES: We must get down there for the prayer.

ASSEMBLYMAN CIMINO: Did the League make all of these erudite comments to the Senate State Government Committee as well as the Senate Appropriations Committee?

MR. NEELY: Most of them we made, yes. The Senate State Government--

ASSEMBLYMAN CIMINO: What were the results?

MR. NEELY: Senator Russo came in and said, "Hey, I need this bill," because he was going to Las Vegas to speak to the National PBA Association and wanted to have something to show them out there. He said--

ASSEMBLYMAN MARTIN: Did he say that, or are you--

MR. NEELY: No, that was a side comment that came.

ASSEMBLYMAN MARTIN: Well, come on, Mr. Neely.

MR. NEELY: So anyhow, I said, "Look, we can support the bill on the funding of COLA, if you take the benefits out of it." He said, "I will consider it." "Or," I said, "if the State is willing to pay for it. If it is such a wonderful bill, you pay for the benefits you want to give them, and we will let you do that, but don't give benefits away at our expense."

ASSEMBLYMAN CIMINO: Mr. Chairman, may I ask, would you say that the Senate Appropriations Committee is made up of bipartisan membership?

MR. NEELY: Yes.

ASSEMBLYMAN CIMINO: Okay. Did I understand Mr. DeMicco correctly that this, in fact, had unanimous support in the Senate Appropriations Committee?

MR. NEELY: With the condition that they were going to meet with us and compromise.

MR. DRESSEL: That's right.

MR. NEELY: We had a lengthy meeting and communications based on what we thought was going to be a compromise, but that never occurred. We followed the Judas goat for the first time.

ASSEMBLYMAN CIMINO: Did you, in fact, witness the debate and the vote in the Senate?

MR. NEELY: No, I did not.

ASSEMBLYMAN CIMINO: Did the League? I'm sorry, did the League of Municipalities?

MR. DRESSEL: Yes.

ASSEMBLYMAN MARTIN: Well, we know it passed 30 to 4.

ASSEMBLYMAN CIMINO: I wanted to ask: Was there bipartisan support within the Senate?

MR. NEELY: Yes.

ASSEMBLYMAN CIMINO: There was. So, it really isn't an issue of just Senator Russo perhaps just pushing an enhanced benefit. As a matter of fact, from a governmental standpoint, this has apparently stood the test of scrutiny in the Senate Appropriations Committee and the Senate State Government Committee. As a matter of fact, it has received not one party's support, but bipartisan support, and rather substantially, in the New Jersey State Senate. Is that accurate?

MR. NEELY: I think that is correct.

ASSEMBLYMAN CIMINO: Is it accurate that Pensions and the State Treasurer support this bill?

MR. NEELY: They speak for themselves, but I think they endorse it, yes.

ASSEMBLYMAN CIMINO: They have endorsed it. Would it be fair to assume that the State Treasurer and Feather O'Connor and her office, as well as the Division of Pensions, and, in fact, the Governor of the State of New Jersey, as well, support this bill?

MR. NEELY: That would be correct.

ASSEMBLYMAN CIMINO: Would you suggest, then, that all of these people who are elected officials of this State--

ASSEMBLYMAN MARTIN: Skip, I've got to tell you, I don't know if the Governor has formally endorsed the bill.

MR. NEELY: But what I've got to tell you is: The State Treasurer supports this because it saves money for the State. It does not save any money for the local governments. And those titles that are coming out-- This is really a State benefit bill.

ASSEMBLYMAN CIMINO: Would you suggest, though, that the elected officials within this State would somehow surreptitiously and unknowingly and unwittingly do something directly to hurt the municipalities of this State?

MR. NEELY: I think I would take a bye on that one. (laughter) Gross receipts have not been passed out. I think there have been a lot of steps taken--

MR. DRESSEL: I would like to remind Mr. Cimino, too, that the last time I checked this was a bicameral Legislature. There are two houses and there is an executive. We would hope that the Assembly would not rubber stamp based on what is happening in the Senate.

ASSEMBLYMAN MARTIN: We all know that neither the Assembly nor the Senate endorse each other automatically.

MR. DRESSEL: That's absolutely correct.

MR. NEELY: That's right. They ought to stand on their own.

MR. DRESSEL: Mr. Chairman, we both know that out of the Gubernatorial Finance Bill the kind of rubber stamps--

ASSEMBLYMAN MARTIN: Are there any other questions for these two gentlemen?

ASSEMBLYMAN SCHLUTER: May I just add to this recent conversation?

ASSEMBLYMAN MARTIN: Sure.

ASSEMBLYMAN SCHLUTER: I hope it ends, but I acknowledge what Assemblyman Cimino said about these people supporting it, and these people supporting it with greater numbers than those who did not support it. But that does not make it right. That is why we are here. That is why we have a two-house Legislature. We have to determine, in our own minds, what is right. It does not make it wrong either. But support--

ASSEMBLYMAN CIMINO: Mr. Schluter, I didn't really want to get into a give and take with you today on this issue, if I may, Mr. Chairman. That was not my point--

ASSEMBLYMAN SCHLUTER: I don't think there is any dispute on it. I think it is all--

ASSEMBLYMAN CIMINO: --quite frankly. I was simply trying to point out that, in fact, there has been bipartisan support. That is not to suggest that the Assembly, in any way -- neither I nor any other individual -- should ever rubber stamp anything. I don't think that I or anyone on this Committee, including you, sir, have ever done that. I would have a great deal of upset if, in fact, the 80 members of the General Assembly ever rubber stamped anything out of the New Jersey Senate. I don't think we operate that way.

MR. NEELY: I can tell you that the reason we are here is because both the Senate and the Assembly passed the COLA bill without a source of funding. They were told that passing the bill, there needed to be a source of funding. We have told them for 20 years, but it has never been dealt with because it was an issue with no political trade-off. All of a sudden, we find one. Hey, give them an enhanced benefit and you have a political trade-off, and we will fund this.

That was passed by both houses. That was a most fiscal irresponsible act.

ASSEMBLYMAN MARTIN: Mr. Neely, thank you.

MR. DRESSEL: Mr. Chairman, for the record, in your packet, I have also presented letters from Mayor Dunn of Elizabeth and Barry Evans from Bloomfield. I would like to have these made a part of the official record of today's hearing. They could not be here, but we will be back en masse at the next Committee hearing. We hope you do not act favorably on this legislation. We would like the opportunity to meet to discuss our concerns further.

ASSEMBLYMAN MARTIN: All right. We are going to have to disband. Wait, I did want to see if-- I think Mr. Charles--

Ma'am (speaking to Ms. Zoppi, who is in the audience), we are going to have further testimony. It is my hope that we can take some action on this bill at our February 27 meeting.

EDITH MANFREDI ZOPPI: Well, I came down from Cedar Grove. I put my name down as a speaker. I would like to speak, and I won't be that long.

ASSEMBLYMAN MARTIN: I understand, and I'm sorry. There are a lot of people who would like to speak here, and that is just the nature of the way these things go. I think it was to the benefit of this hearing that we first heard from the proponents, the Division of Pensions, and then the spokesmen of a group which represents Cedar Grove, as well as other municipalities.

MS. ZOPPI: I am representing myself.

ASSEMBLYMAN MARTIN: I am going to ask you, ma'am-- With all due respect, we cannot hear your testimony right now. We have a bill we have to consider, if we can.

MS. ZOPPI: I won't be heard at all today?

ASSEMBLYMAN MARTIN: That is correct.

MS. ZOPPI: Well, I think that is very impolite.

ASSEMBLYMAN MARTIN: Well, you, and there are 15 other people on the list, ma'am. I have to vote on some measures downstairs, as does the rest of the Assembly Committee.

(HEARING CONCLUDED)

APPENDIX

S.2602 Major Provisions

Increases special retirement allowance by 5 percent:
- after 25 years, from 60% to 65% of final comp.
- after 30 years, from 65% to 70% of final comp.

Pre-funds COLA and treats them as employer obligations for retirement benefits provided by the retirement system.

Refinances accrued liability of the retirement system over a period not to exceed 40 years.

Retains the State's obligation to fund its portion of the special retirement benefit established in 1979.

For the first time, establishes definition of policemen and firemen which would restrict future entry into PFRS to far fewer people (approximately 20% reduction based on current members).

NEW JERSEY SENATE

JOHN F. RUSSO
PRESIDENT
NEW JERSEY STATE SENATE
10TH LEGISLATIVE DISTRICT
917 NORTH MAIN STREET
TOMS RIVER, NEW JERSEY 08753
201-240-2200

STATE HOUSE
TRENTON, NEW JERSEY 08625
609-292-5388

October 5, 1988

RE: S.2602

Dear :

As you know, I am the sponsor of S.2602, a bill which restructures the Police and Firemen's Retirement System. The bill has undergone study by the State Division of Pensions and two Senate committees, and was released favorably by both committees.

Because of the complexity of the bill, there has been some misunderstanding about its provisions and fiscal impact, and the purpose of this letter is to address those misunderstandings.

The bill contains five major provisions:

(1) It pre-funds Cost-of-Living-Adjustments (COLA) and treats them as employer obligations for retirement benefits provided by the retirement system;

(2) It refinances the accrued liability of the retirement system over a period not to exceed 40 years;

(3) It retains the State's obligation to fund its portion of the special retirement benefit established in 1979;

(4) For the first time, it establishes a definition of "policemen" and "firemen" which would restrict future entry

into PFRS to far fewer employees (approximately 20% reduction based on current membership);

(5) It increases the special retirement allowance by five percent: after 25 years of service, from 60% to 65% and after 30 years of service, from 65% to 70%.

Every one of these five provisions is the product of discussions with representatives of the State League of Municipalities and the Division of Pensions.

The pre-funding of COLA is a reform long-sought by the League. It removes the year-to-year problem for municipalities which are forced to write two checks to the retirement system: one to pay its normal cost obligation and the other to pay for the COLA. By treating COLAs as employer obligations and funding them over the life of the retirement system, we are providing immediate relief to municipalities with larger and more mature public safety departments and long-term savings to towns with smaller and younger departments. All municipalities will be establishing a reserve to fund COLA costs and will enjoy the attendant benefits of investment earnings on those reserves.

By refinancing the accrued liability of the PFRS, we are consolidating all of the normal cost and past-service obligations of the retirement system and funding them at a dependable and predictable level percent of salaried compensation. Together with a conservative earnings assumption of seven percent -- already endorsed by the State Treasurer -- this refinance will save hundreds of millions of dollars over the 30-year amortization period selected by the Division of Pensions.

In previous debates over the now-abandoned 20-and-out retirement benefit, the League objected to the State's shifting to municipalities its costs for the special retirement benefit enacted in 1979. In response to the League's objections, I have retained the State obligation in this bill such that the State will continue to assume its portion of this cost over the life of the retirement system.

Also, during the 20-and-out debate, the League justifiably expressed concern that the liabilities of PFRS were inflated due to membership in the system by public employees who did not fulfill vital public safety functions. As the result of those concerns, I have included a new definition of "policemen" and "firemen" which, for the first time, will restrict eligibility for PFRS membership only to those public employees who meet specific training requirements and established mental and physical fitness standards. The Division of Pensions estimates that this new definition will decrease PFRS membership by 20%, or nearly 6000 employees.

Finally, the League's most pressing concern in previous debates over 20-and-out was with the creation of this new retirement benefit. They argued that the first year cost of over $47 million was prohibitive and that establishing any new retirement benefit was without sufficient justification. On the basis of that concern, I rejected 20-and-out in this bill, and relied instead upon a modest five percent increase in the already-established special retirement benefit.

The cost of this benefit is less than half what it would have been under 20-and-out, and I accepted the benefit enhancement only after the Division of Pensions and the State Treasurer were able to demonstrate that other provisions of my bill would not only cover the annual cost of the benefit, but would also save the system money. They have done both, and a copy of their fiscal analysis is enclosed.

The analysis shows that in the first year of the 30-year amortization period, over $19 million will be saved, and that each year thereafter for the next 15 years, annual savings will increase. In the 16th year, $36.8 million will be saved, and even with the cost of the enhanced benefit included, over $754 million will be saved over 30 years.

By examining the attached tables, you can refer to the detailed billings analysis run by the Division's actuaries. It compares actual 1989 billings (for the 1987 valuation year) for the 389 municipal, county and State employer members of PFRS to billings as they would be under S.2602. Of the 389 employers, 328 would experience immediate savings. And those that would pay slightly more in the first year would pay less than nine percent more in order to bank COLA reserves now to avoid higher COLA costs later.

The League asserts that the enhanced benefit would lead to pressures for increased benefits from other public employees. There is absolutely no evidence to support this claim, and, in fact, no such situation prevailed in 1979 when the special retirement benefit was enacted.

The League suggests that the benefit enhancement will not motivate PFRS members to work harder. But the purpose of the benefit enhancement is not to supply some superior form of compensation to active members by merit of their job duties.

When special retirement was enacted in 1979, the public policy goal was to encourage employees in demanding and stressful public safety jobs to retire and make room for younger, newly trained, and physically-ready public safety officers. Retirement experience over the last nine years suggests that the goal has at least been partially met.

The number of retirees increased from 424 in 1978 to 692 in 1987, with a one-year surge of 962 retirements in 1982. The number of active PFRS members aged 29-or-younger increased from 4570 in 1978 to 6543 in 1987. And the number aged 30 to 44 went from 13,250 in 1978 to 16,805 in 1987. In fact, over this ten year period, the active PFRS membership has increased 17.8%, but the number of retirees has increased by 63.2%. The increase in both these rates has been steady.

We cannot say with any unequivocal assurance that the benefit enhancement in S.2602 will accelerate the retirement trend, but it is certainly my hope that this modest gain in pension support will result in a similarly modest increase in the retirement rate.

The goals embodied in S.2602 are simple. They are to bring the financing of all PFRS liabilities up to date, to remove the year-to-year burden of the ad-hoc COLA, to restrict future entry into PFRS and to reserve its retirement benefits only to those whose job duties justify them, and to enhance an existing retirement benefit with an established record of success.

Based on ten years of retirement experience and considering all of the benefits embodied in S.2602, I believe this bill is good public policy. I hope the information I have presented will provide a clear illustration of why I am sponsoring S.2602.

Having fought time and again as Senate President for annual increases in municipal aid programs, I am well aware of the tremendous fiscal pressures under which mayors are forced to labor each year.

I believe this bill relieves those pressures now and in the future. And I hope you will agree that I have not only listened to the League's concerns, but have gone a long way to addressing each one.

Very truly yours,

John F. Russo

JOHN F. RUSSO
Senate President

encs.

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9-7-88

STATE OF NEW JERSEY
POLICE AND FIREMEN'S RETIREMENT SYSTEM
COSTS FOR CHAPTER 109 ANALYSIS
30 YEAR LEVEL PERCENT OF PAY FUNDING — 7% INTEREST

.R	FUTURE POLICE AND FIREMEN ONLY COVERED PAYROLL	TOTAL COVERED PAYROLL	CURRENT LAW CHAPTER 109 CONTRIBUTION: STATE CHAPTER 109 CONTRIBUTION	EMPLOYEE CHAPTER 109 CONTRIBUTION	TOTAL CHAPTER 109 CONTRIBUTION	PROPOSED CH109 CONTRIBUTION FOR FUTURE POLICE & FIREMEN ONLY: STATE CHAPTER 109 CONTRIBUTION	LOCAL CHAPTER 109 CONTRIBUTION	EMPLOYEE CHAPTER 109 CONTRIBUTION	TOTAL CHAPTER 109 CONTRIBUTION
7	$986,520,219	$986,520,219	$19,311,133	$9,865,202	$29,176,335	$17,720,805	$21,899,820	$9,865,202	$49,485,327
8	1,031,847,664	1,035,846,230	20,276,690	10,358,462	30,635,152	18,535,023	22,906,051	10,318,479	51,759,554
9	1,078,789,675	1,087,638,541	21,290,524	10,876,385	32,166,310	19,378,236	23,948,115	10,787,897	54,114,248
0	1,126,856,936	1,142,020,463	22,355,051	11,420,205	33,775,255	20,241,665	25,015,163	11,268,569	56,525,398
1	1,176,079,681	1,199,121,492	23,472,803	11,991,215	35,464,018	21,125,851	26,107,862	11,760,797	58,994,510
2	1,226,507,190	1,259,077,567	24,646,443	12,590,776	37,237,219	22,031,677	27,227,305	12,265,072	61,524,054
3	1,278,209,880	1,322,031,445	25,878,766	13,220,314	39,099,080	22,960,409	28,375,056	12,782,099	64,117,564
4	1,331,280,841	1,388,133,017	27,172,704	13,881,330	41,054,034	23,913,720	29,553,182	13,312,808	66,779,710
5	1,385,836,362	1,457,539,668	28,531,339	14,575,397	43,106,736	24,893,708	30,764,276	13,858,370	69,516,354
6	1,442,019,626	1,530,416,651	29,957,906	15,304,167	45,262,072	25,902,914	32,011,479	14,420,196	72,334,589
7	1,499,423,516	1,606,937,484	31,455,801	16,069,375	47,525,176	26,934,057	33,285,791	14,994,235	75,214,083
8	1,558,270,767	1,687,284,358	33,028,591	16,872,844	49,901,435	27,991,127	34,592,144	15,582,708	78,165,979
9	1,618,828,275	1,771,648,576	34,680,021	17,716,486	52,396,507	29,078,918	35,936,464	16,188,283	81,203,665
0	1,681,404,121	1,860,231,005	36,414,022	18,602,310	55,016,332	30,202,364	37,325,589	16,814,041	84,342,594
1	1,745,835,516	1,953,242,555	38,234,723	19,532,426	57,767,149	31,360,341	38,755,905	17,458,355	87,574,601
2	1,812,576,593	2,050,904,683	40,146,459	20,509,047	60,655,506	32,559,243	40,237,539	18,125,786	90,922,568
3	1,882,131,244	2,153,449,917	42,153,782	21,534,499	63,688,281	33,808,613	41,781,542	18,821,312	94,411,468
4	1,955,019,110	2,261,122,413	44,261,471	22,611,224	66,872,695	35,117,894	43,399,584	19,550,191	98,067,669
5	2,031,014,083	2,374,178,533	46,474,545	23,741,785	70,216,330	36,482,987	45,086,601	20,310,141	101,879,729
6	2,110,195,158	2,492,887,460	48,798,272	24,928,875	73,727,147	37,905,312	46,844,346	21,101,952	105,851,610
7	2,173,603,826	2,617,531,833	51,238,186	26,175,318	77,413,504	39,044,318	48,251,953	21,736,038	109,032,315
8	2,247,306,941	2,748,408,425	53,800,095	27,484,084	81,284,179	40,368,243	49,888,099	22,473,069	112,729,411
9	2,334,565,554	2,885,828,846	56,490,100	28,858,288	85,348,388	41,935,664	51,825,158	23,345,656	117,106,478
0	2,436,011,503	3,030,120,288	59,314,605	30,301,203	89,615,808	43,757,932	54,077,163	24,360,115	122,195,209
1	2,549,998,935	3,181,626,303	62,280,335	31,816,263	94,096,598	45,805,482	56,607,576	25,499,989	127,913,048
2	2,674,087,366	3,340,707,618	65,394,352	33,407,076	98,801,428	48,034,475	59,362,223	26,740,874	134,137,572
3	2,806,588,941	3,507,742,999	68,664,069	35,077,430	103,741,499	50,414,593	62,303,633	28,065,889	140,784,116
4	2,946,578,770	3,683,130,149	72,097,273	36,831,301	108,928,574	52,929,222	65,411,275	29,465,738	147,806,285
5	3,093,839,899	3,867,286,656	75,702,136	38,672,867	114,375,003	55,574,465	68,680,334	30,938,399	155,193,198
6	3,248,521,663	4,060,650,989	79,487,243	40,606,510	120,093,753	58,353,005	72,114,123	32,485,217	162,952,345
7	3,410,946,831	4,263,683,538	83,461,605	42,636,825	126,098,441	61,270,638	75,719,809	34,109,468	171,099,916
8	3,581,494,172	4,476,867,715	87,634,686	44,768,677	132,403,363	64,334,170	79,505,800	35,814,942	179,654,911
9	3,760,568,281	4,700,711,101	92,016,420	47,007,111	139,023,531	67,550,879	83,481,090	37,605,689	188,637,658
0	3,948,597,325	4,935,746,656	96,617,241	49,357,467	145,974,707	70,928,423	87,655,144	39,485,973	198,069,541
1	4,146,027,191	5,182,533,989	101,448,103	51,825,340	153,273,443	74,474,844	92,037,902	41,460,272	207,973,018
2	4,353,328,551	5,441,660,688	106,520,508	54,416,607	160,937,115	78,198,586	96,639,797	43,533,286	218,371,668
3	4,570,994,978	5,713,743,723	111,846,533	57,137,437	168,983,971	82,108,515	101,471,786	45,709,950	229,290,251
4	4,799,544,727	5,999,430,909	117,438,860	59,994,309	177,433,169	86,213,941	106,545,376	47,995,447	240,754,764
5	5,039,521,964	6,299,402,454	123,310,803	62,994,025	186,304,828	90,524,638	111,872,645	50,395,220	252,792,502
6	5,291,498,062	6,614,372,577	129,476,343	66,143,726	195,620,069	95,050,870	117,466,277	52,914,981	265,432,127
7	5,556,072,965	6,945,091,206	135,950,160	69,450,912	205,401,072	99,803,413	123,339,591	55,560,730	278,703,733
8	5,833,876,613	7,292,345,766	142,747,668	72,923,458	215,671,126	104,793,584	129,506,570	58,338,766	292,638,920
9	6,125,570,444	7,656,963,055	149,885,052	76,569,631	226,454,682	110,033,263	135,981,899	61,255,704	307,270,866
0	6,431,848,966	8,039,811,207	157,379,304	80,398,112	237,777,416	115,534,926	142,780,394	64,316,490	322,634,409

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STATE OF NEW JERSEY
POLICE & FIREMEN'S RETIREMENT SYSTEM
CURRENT LAW VS PROPOSED 30 YEAR LEVEL PERCENT OF LAW OFFICERS PAY FUNDING
ANNUAL AMORTIZATION OF SHORTFALL IN PAY
PRE FUND ALL COLAS ; 7% INTEREST
PROPOSED IMPROVEMENT FOR CURRENT MEMBERS AND FUTURE LAW OFFICERS ONLY
OTHER NEW ENTRANTS -- PERS BENEFITS

	CURRENT LAW CONTRIBUTION PROJECTION					PROPOSED 30 YEAR LEVEL PERCENT OF PAY CONTRIBUTION				
YEAR	CURRENT NORMAL COST	ACCRUED LIABILITY PAYMENT	CURRENT STATE CH109 CONTRIBUTION	CURRENT AD HOC COLA	CURRENT TOTAL CONTRIBUTION	PROPOSED NORMAL COST	PROPOSED PAST SERVICE CONTRIBUTION	PROPOSED STATE CH109 CONTRIBUTION	PROPOSED TOTAL CONTRIBUTION	SAVIN CURRE VS PROPO
1987	$164,156,964	$9,915,033	$19,311,133	$22,092,099	$215,475,230	$104,472,491	$74,186,320	$17,720,805	$196,379,617	$19,095
1988	170,849,932	9,915,033	20,276,690	25,792,550	226,834,205	109,544,178	80,117,061	18,535,023	208,196,262	18,637
1989	177,630,439	9,915,033	21,290,524	29,829,408	238,665,405	114,844,665	83,761,823	19,378,236	217,984,724	20,680
1990	184,287,123	9,915,033	22,355,051	34,201,996	250,759,202	120,363,753	87,493,970	20,241,665	228,099,389	22,659
1991	190,803,850	9,915,033	23,472,803	38,921,630	263,113,316	126,111,377	91,315,834	21,125,851	238,553,061	24,560
1992	197,170,406	9,915,033	24,646,443	43,999,524	275,731,406	132,098,640	95,231,240	22,031,677	249,361,557	26,369
1993	203,383,137	9,915,033	25,878,766	49,462,812	288,639,748	138,337,911	99,245,657	22,960,409	260,543,977	28,095
1994	209,445,466	9,915,033	27,172,704	55,338,857	301,872,060	144,842,904	103,366,313	23,913,720	272,122,936	29,749
1995	215,368,238	9,915,033	28,531,339	61,631,493	315,446,103	151,628,748	107,602,282	24,893,708	284,124,738	31,32
1996	221,169,908	9,915,033	29,957,906	68,323,554	329,366,401	158,712,036	111,964,543	25,902,914	296,579,494	32,78
1997	226,660,043	9,915,033	31,455,801	75,423,457	343,454,334	166,089,149	116,421,626	26,934,057	309,444,831	34,00
1998	231,884,093	9,915,033	33,028,591	82,971,521	357,799,238	173,780,897	120,990,777	27,991,127	322,762,801	35,03
1999	236,902,532	9,915,033	34,680,021	90,984,916	372,482,502	181,810,413	125,692,720	29,078,918	336,582,050	35,90
2000	241,789,404	9,915,033	36,414,022	99,387,716	387,506,175	190,203,042	130,551,375	30,202,964	350,957,380	36,54
2001	246,438,219	9,915,033	38,234,723	108,153,687	402,741,662	198,966,919	135,554,103	31,360,341	365,881,363	36,86
2002	250,974,742	9,915,033	40,146,459	117,258,759	418,294,993	208,134,414	140,736,319	32,559,243	381,429,977	36,86
2003	255,538,204	9,915,033	42,153,782	126,710,358	434,317,377	217,740,237	146,136,683	33,808,613	397,685,533	36,63
2004	260,275,881	9,915,033	44,261,471	136,485,141	450,937,526	227,820,938	151,796,007	35,117,894	414,734,839	36,20
2005	265,046,877	9,915,033	46,474,545	146,573,876	468,010,331	238,385,258	157,696,581	36,482,987	432,564,825	35,44
2006	269,823,927	9,915,033	48,798,272	156,978,612	485,515,844	249,454,475	163,844,536	37,905,312	451,204,323	34,31
2007	267,364,073	9,915,033	51,238,186	167,680,430	496,197,722	260,327,357	168,767,855	39,044,318	468,139,531	28,05
2008	267,480,337	9,915,033	53,800,095	178,631,974	509,827,439	272,014,596	174,490,479	40,368,243	486,873,318	22,95
2009	271,342,040	9,915,023	56,490,100	189,814,986	527,562,159	284,661,270	181,265,609	41,935,664	507,862,543	19,69
2010	279,119,049	9,915,033	59,314,605	201,215,444	549,564,130	298,313,605	189,142,304	43,757,932	531,213,841	18,35
2011	290,114,798	9,915,033	62,280,335	212,681,405	574,991,571	312,932,385	197,992,774	45,205,482	556,730,641	18,26
2012	303,328,000	0	65,394,352	224,178,525	592,900,876	328,449,367	207,627,528	48,034,475	584,111,370	8,78
2013	318,038,691	0	68,664,069	235,716,057	622,418,817	344,826,129	217,915,515	50,414,593	613,156,237	9,26
2014	333,811,953	0	72,097,273	247,261,850	653,171,076	362,054,530	228,784,921	52,929,222	643,768,674	9,40
2015	350,476,859	0	75,702,136	258,814,821	684,993,817	380,154,680	240,218,902	55,574,465	675,948,047	9,0
2016	367,996,826	0	79,487,243	270,355,830	717,839,899	399,162,025	252,229,053	58,353,005	709,744,083	8,0
2017	386,396,321	0	83,461,605	281,866,122	751,724,048	419,120,092	0	61,270,638	480,390,730	271,3
2018	405,716,137	0	87,634,686	293,252,781	786,603,603	440,076,096	0	64,334,170	504,410,267	282,1
2019	426,001,944	0	92,016,420	304,777,936	822,796,299	462,079,901	0	67,550,879	529,630,780	293,1
2020	447,302,041	0	96,617,241	316,175,371	860,094,653	485,183,896	0	70,928,423	556,112,319	303,9
2021	469,667,143	0	101,448,103	327,510,952	898,626,198	509,443,091	0	74,474,844	583,917,935	314,7
2022	493,150,500	0	106,520,508	338,820,434	938,491,442	534,915,246	0	78,198,586	613,113,832	325,3
2023	517,808,025	0	111,846,533	350,114,642	979,769,200	561,661,008	0	82,108,515	643,769,523	335,9
2024	543,698,426	0	117,438,860	361,414,073	1,022,551,359	589,744,058	0	86,213,941	675,958,000	346,5
2025	570,883,347	0	123,310,803	372,776,104	1,066,970,254	619,231,261	0	90,524,638	709,755,899	357,2

MMH
7-01-88

POLICE & FIREMEN'S RETIREMENT SYSTEM
[illegible] SPECIAL RETIREMENT
7% INTEREST ; PRE FUND ALL COLAS
30 YEAR LEVEL PERCENT OF PAY
1987 PAYROLL

[illegible] , ALPHA LISTING

TOWN NAME	CURRENT NORMAL COST	CURRENT PAST SERVICE COST	ANNUAL COLA COST	CUR REQT TOTAL COST	PROPOSED NORMAL COST	PROPOSED PAST SERVICE COST	PROPOSED TOTAL COST	PERCENT
	4,058.66	0	0.60	4,058.66	2,583.01	1,834.20	4,417.21	[illegible]
	4,084.62	0	0.00	4,084.62	2,599.53	1,845.93	4,445.46	[illegible]
	2,658.24	0	0.00	2,658.24	1,691.75	1,201.52	2,893.07	[illegible]
	2,370.87	0	0.00	2,370.87	1,508.66	1,071.45	2,580.31	[illegible]
	16,081.73	0	0.00	16,081.73	10,234.71	7,267.70	17,502.41	[illegible]
	602,500.79	0	0.20	602,500.79	383,442.51	272,284.01	655,726.52	[illegible]
	3,598.07	0	0.00	3,598.07	2,289.88	1,626.05	3,915.93	[illegible]
	273,878.92	0	0.00	273,878.92	174,301.55	123,772.21	298,073.76	[illegible]
	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
ABSECON CITY	108,782.34	35,765	520.68	145,069.02	69,231.07	47,161.25	116,392.32	[illegible]
ADULT DIAG & TREATMT	303,871.53	16,756	0.00	320,627.53	193,389.39	137,326.56	330,715.95	103.1%
ALLENDALE BORO	95,249.36	0	0.00	95,249.36	60,618.43	43,045.38	103,663.81	108.8%
ALLENHURST BOR	49,549.93	1,743	3,251.40	54,544.33	31,534.48	22,392.76	53,927.24	98.8%
ALPHA BORO	13,644.86	0	1,745.28	15,390.08	8,683.80	6,166.40	14,850.20	96.4%
ALPINE BORO	71,491.76	1,333	927.12	73,804.88	45,500.57	32,310.13	[illegible]	[illegible]
ANCORA PSYCH HOSP	24,463.80	15,882	115.20	40,461.00	15,569.21	11,055.75	26,624.96	65.8%
ASBURY PARK	525,012.30	27,344	64,118.40	616,474.70	334,127.42	237,265.17	571,392.59	92.5%
ASBURY PARK	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
ATL HIGHLANDS	66,420.89	2,667	486.72	69,574.61	42,271.47	30,017.13	72,288.60	103.7%
ATLANTIC CO	263,059.43	4,585	1,703.40	269,347.83	167,415.83	118,882.63	286,298.46	106.3%
ATLANTIC COUNTY	479,852.34	7,226	5,186.16	492,264.50	305,386.80	216,856.35	522,243.15	106.0%
ATLANTIC CTY F	1,606,358.04	60,052	211,739.52	1,878,149.56	1,022,315.60	725,950.27	1,748,265.87	93.0%
ATLANTIC CTY P	2,272,302.16	57,842	216,041.28	2,546,185.44	1,446,134.61	1,026,905.78	2,473,040.39	97.1%
AUDUBON BORO	80,974.23	3,712	9,079.08	93,765.31	51,533.48	36,594.12	88,127.60	93.9%
AUDUBON PARK BO	13,881.75	916	5,656.92	20,454.67	8,834.60	6,273.48	15,108.08	73.5%
AVALON BORO	87,643.55	64,487	0.00	152,130.55	55,777.95	39,608.14	95,386.09	62.7%
AVON BY SEA	45,847.36	2,362	2,152.80	50,362.16	29,178.10	20,719.48	49,897.58	99.0%
BARRINGTON BOR	79,319.72	3,337	3,309.96	85,966.68	50,480.52	35,846.41	86,326.93	100.4%
BAYONNE CITY	1,813,387.26	122,509	233,994.36	2,169,890.62	1,154,072.78	819,511.55	1,973,584.33	90.9%
BAYONNE CITY	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
BEDMINISTER TW	60,032.46	652	4,983.72	65,668.18	38,205.75	27,130.05	65,335.80	99.4%
BELLEVILLE TOWN	859,400.09	52,248	113,442.60	1,025,090.69	546,937.92	388,382.73	93[illegible],320.65	91.2%
BELLMAWR BORO	74,792.14	4,264	9,498.48	88,554.62	47,599.08	33,800.29	81,399.37	91.9%
BELMAR BORO	128,913.41	5,922	18,032.16	152,867.57	82,042.85	58,258.94	140,301.79	91.7%
BERGEN COUNTY	1,712,402.76	134,578	150,688.56	1,997,669.32	1,089,804.40	773,874.33	1,863,678.73	93.2%
BERGEN COUNTY	590,594.87	27,038	30,032.52	647,665.39	375,865.36	266,903.45	642,768.81	99.2%
BERGENFIELD	318,906.93	17,848	38,774.16	375,529.09	202,958.20	144,121.40	347,079.60	92.4%
BERKELEY HEIGHT	138,579.92	5,907	18,130.68	162,617.60	88,194.79	62,627.46	150,822.25	92.7%
BERKELEY TWP	241,062.68	22,644	11,228.16	274,934.84	153,416.69	108,941.79	262,358.48	95.4%
BERLIN BORO	59,741.59	0	222.36	59,963.95	38,020.64	26,998.60	65,019.24	108.4%
BERNARDS TWP	130,393.70	0	3,771.48	134,165.18	82,984.93	58,927.92	141,912.85	105.7%
BERNARDSVILLE	88,865.59	4,138	18,364.08	111,367.67	56,555.68	40,160.41	96,716.09	86.8%
BEVERLY CITY	11,934.21	373	429.96	12,737.17	7,595.15	5,393.34	12,988.49	101.9%
BLOOMFIELD	1,222,950.14	72,720	174,527.28	1,470,197.42	778,307.81	552,679.39	1,330,987.20	90.5%
BLOOMFIELD	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
BOGOTA BOROUGH	116,560.54	5,801	12,603.60	134,965.14	74,181.26	52,676.40	126,857.66	93.9%
BOONTON TOWN	107,236.15	5,294	12,544.44	125,074.59	68,247.04	48,462.49	116,709.53	93.3%
BOONTON TWP	38,996.17	12,932	0.00	51,928.17	24,817.88	17,623.27	42,441.15	81.7%
BOR ENGLWD CLFF	192,536.78	6,967	7,873.92	207,377.70	122,533.92	87,011.81	209,545.73	101.0%
BORDENTOWN	29,440.82	1,312	8,737.92	39,490.74	18,736.60	13,304.99	32,041.67	81.1%

POLICE & FIREMEN'S RETIREMENT SYSTEM
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20 YEAR LEVEL PERCENT OF PAY
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[illegible] ALPHA LIST[illegible]

TOWN NAME	CURRENT NORMAL COST	CURRENT PAST SERVICE COST	ANNUAL COLA COST	CURRENT TOTAL COST	PROPOSED NORMAL COST	PROPOSED PAST SERVICE COST	PROPOSED TOTAL COST	PERCENT
BORDENTOWN TWP	52,827.34	0	0.00	52,827.34	33,620.28	23,873.89	57,494.17	108.8%
BORO OF BAY HD	32,723.[illegible]	[illegible]	[illegible]73.28	42,194.84	20,[illegible]	14,700.53	35,[illegible]	[illegible]
BORO OF BLMNGDL	65,573.2[illegible]	13,772	7[illegible]9.08	80,114.53	41,732.01	29,634.06	71,366.07	89.0%
BORO OF BRIELLE	69,079.92	[illegible]	15,295.08	85,374.04	43,963.75	31,218.83	75,182.58	88.0%
BORO WOODLYNNE	15,742.77	6	3,145.80	18,808.57	10,018.99	7,114.52	17,133.51	90.7%
BOROUGH OF JAMESBURG	26,352.44	0	2,193.24	28,545.68	16,771.17	11,909.27	28,680.44	100.[illegible]
BOUND BROOK	96,153.91	5,297	14,425.69	115,876.59	61,194.10	43,454.17	104,648.27	90.3%
BRADLEY BEACH	96,392.17	4,332	17,787.00	113,511.19	61,345.75	43,561.86	104,907.61	[illegible]
BRIDGETON CITY	234,923.52	6,341	11,649.72	252,914.24	149,509.[illegible]	106,167.36	255,676.98	101.0%
BRIGANTINE	133,056.77	1,806	3,813.66	138,675.77	84,679.76	60,131.42	144,811.18	104.4%
BRIGANTINE	123,129.34	1,413	9,890.64	134,432.98	78,361.76	55,644.99	134,006.75	99.6%
BROOKLAWN BORO	15,782.71	743	1,876.44	18,402.15	10,044.40	7,132.57	17,176.97	93.3%
BUENA BOROUGH	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
BURLINGTON	203,414.[illegible]	8,244	34,767.69	246,428.28	129,458.09	91,928.69	221,386.78	89.8%
BURLINGTON CO	279,752.68	1,129	0.00	280,881.68	178,039.72	126,426.69	304,466.41	108.3%
BURLINGTON CO	167,894.27	6,440	6,654.48	180,988.75	106,850.98	75,875.30	182,726.28	100.9%
BURLINGTON TWP	165,066.90	21,472	6,927.96	193,406.86	105,013.41	74,570.43	179,583.84	92.8%
CALDWELL BORO	105,176.78	8,731	25,486.92	139,394.70	66,936.42	47,531.81	114,468.23	82.1%
CAMDEN	1,137,698.76	88,941	261,572.64	1,488,212.40	724,052.28	514,152.33	1,238,204.61	83.2%
CAMDEN CO	818,494.31	7,537	8,227.68	834,258.99	520,904.73	369,896.47	890,801.20	106.7%
CAMDEN COUNTY	314,597.84	4,177	6,687.72	325,462.56	200,215.81	142,174.02	342,389.83	105.2%
CAMDEN PK COMM	131,403.42	3,293	10,845.60	145,542.02	83,627.54	59,384.24	143,011.78	98.2%
CAMDEN POLICE	1,255,474.69	93,774	286,052.04	1,635,300.73	799,007.03	567,377.98	1,366,385.01	83.5%
CAPE MAY CITY	95,730.92	3,740	10,971.72	110,442.64	60,924.91	43,263.01	104,187.92	94.3%
CAPE MAY CO	243,026.53	1,745	3,206.52	247,978.05	154,666.53	109,829.30	264,495.83	106.6%
CAPE MAY CO	38,455.04	4,390	9,029.64	51,874.68	24,473.49	17,378.72	41,852.21	80.6%
CARLSTADT BORO	146,378.75	6,675	16,113.36	169,167.11	93,158.11	66,151.94	159,310.05	94.1%
CARNEYS PT TWP	78,603.37	2,841	12,441.72	93,886.09	50,024.62	35,522.68	85,547.30	91.1%
CARTERET BORO	346,586.57	18,451	47,951.88	412,989.45	220,574.03	156,630.47	377,204.50	91.3%
CARTERET BORO	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
CEDAR GROVE	134,413.26	7,817	14,358.24	156,588.50	85,543.05	60,744.45	146,287.50	93.4%
CENTRAL PAYROLL OFF	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
CHATHAM BORO	80,980.89	6,672	19,345.32	106,998.21	51,537.72	36,597.13	88,134.85	82.3%
CHATHAM TWP	138,649.14	5,997	7,273.20	151,919.34	88,238.85	62,658.75	150,897.60	99.3%
CHER HILL F D 4	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
CHER HILL F D 5	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
CHER HILL F D 6	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
CHERRY HILL TWP	671,071.56	25,781	44,820.12	741,672.68	427,082.20	303,272.73	730,354.93	98.4%
CINNAMINSON	126,792.14	5,256	1,593.96	133,642.10	80,692.83	57,300.29	137,993.12	103.2%
CLARK TWP	243,488.63	0	7,993.92	251,482.55	154,960.61	110,038.13	264,998.74	105.3%
CLIFFSIDE PARK	229,646.64	15,370	30,584.64	275,601.28	146,151.32	103,782.62	24[illegible],933.94	90.6%
CLIFFSIDE PARK	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
CLIFTON FIRE	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
CLIFTON POLICE	1,843,767.24	114,804	270,397.80	2,228,969.04	1,173,407.16	833,240.97	2,006,648.13	90.0%
CLOSTER BORO	115,160.12	5,486	19,665.36	140,311.48	73,290.00	52,043.51	125,333.51	89.3%
COLLINGSWOOD	109,309.49	0	0.00	109,309.49	69,566.56	49,399.48	118,966.04	108.8%
COLLINGSWOOD BORO	42,110.52	0	0.00	42,110.52	26,799.90	19,030.71	45,830.61	108.8%
CRANFORD TWP	285,799.65	16,665	59,405.76	361,870.41	181,888.12	129,159.46	311,047.58	85.9%
[illegible] TWP	177,472.92	9,296	33,349.08	220,118.00	112,947.01	80,204.11	193,151.12	87.7%
[illegible]	[illegible]	[illegible]	[illegible]	10[illegible],412.98	61,002.64	43,310.21	104,320.85	93.0%

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7-11-88 ; ALPHA LISTING

TOWN NAME	CURRENT NORMAL COST	CURRENT PAST SERVICE COST	ANNUAL COLA COST	CURRENT TOTAL COST	PROPOSED NORMAL COST	PROPOSED PAST SERVICE COST	PROPOSED TOTAL COST	
CUMBERLAND CO	242,927.86	311	0.00	243,241.86	154,603.77	109,704.71	264,308.48	[illegible]
CUMBERLAND CO	20,459.21	287	0.00	20,746.21	13,020.62	9,245.29	22,266.61	[illegible]
DEAL BORO	82,698.14	3,759	16,812.34	103,269.98	52,630.41	37,373.20	90,003.61	[illegible]
DELANCO TWP	30,966.37	1,443	1,378.56	33,787.93	19,707.57	13,994.42	33,701.99	[illegible]
DEMAREST BORO	52,694.89	2,443	4,127.76	59,565.65	33,535.99	23,814.04	57,350.03	[illegible]
DENVILLE TWP	231,178.85	8,731	19,473.00	259,382.85	147,126.45	104,475.06	251,601.51	97.0%
DEPT ENVIRON PROTECT	2,370.87	20,097	1,326.64	22,794.51	1,508.86	1,071.45	2,580.31	[illegible]
DEPT ENVIRON PROTECT	20,445.40	1,627	0.00	22,072.40	13,011.83	9,239.75	22,251.58	100.8%
DEPT ENVIRON PROTECT	189,692.51	25,668	1,743.40	217,103.91	120,726.78	85,723.42	206,450.20	95.0%
DEPT ENVIRON PROTECT	570,857.00	86,810	758.52	658,425.52	363,303.82	257,983.45	621,287.27	94.3%
DEPT ENVIRON PROTECT	3,418.52	0	0.00	3,418.52	2,175.61	1,544.91	3,720.52	108.8%
DEPT OF COMMUNTY	12,123.57	0	0.00	12,123.57	7,715.66	5,478.92	13,194.58	108.8%
DEPT OF CORRECTIONS	827,217.50	1,276	0.00	828,493.50	526,456.33	373,838.68	900,295.01	108.6%
DEPT OF PUBLIC ADVCT	1,728.06	6	0.00	1,728.06	1,099.77	780.95	1,880.72	108.8%
DIV ALCOHOL BEV CNTL	0.00	51,344	0.00	51,344.00	0.00	51,344.00	51,344.00	100.0%
DIV OF STATE POLICE	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
DOVER TOWN	191,[illegible].10	7,982	23,285.36	222,774.46	121,877.98	86,546.03	208,424.01	93.5%
DOVER TWP	715,462.69	23,295	44,432.28	783,189.37	455,333.15	323,333.83	778,666.98	99.4%
DUMONT BORO	218,324.12	11,247	15,563.52	245,134.64	138,945.46	98,665.71	237,611.17	96.9%
DUNELLEN BORO	70,196.17	6,108	1,845.96	78,230.13	44,674.13	31,723.27	76,397.40	97.6%
E GREENWICH TWP	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
E HANOVER TWP	152,244.62	5,363	4,873.92	162,480.94	96,890.88	68,802.59	165,693.47	101.9%
E NEWARK BORO	39,798.22	2,675	5,916.36	48,389.58	25,328.31	17,985.73	43,314.04	89.5%
E ORANGE CITY	2,939,130.69	135,970	384,640.08	3,459,740.77	1,870,516.47	1,328,260.98	3,198,777.45	92.4%
E RUTHERFORD	148,210.48	8,113	10,632.12	166,955.60	94,323.86	66,979.74	161,303.60	96.6%
E WINDSOR TWP	225,275.98	0	277.44	225,553.42	143,369.75	101,807.41	245,177.16	108.7%
EAST ORANGE	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
EASTAMPTON TWP	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
EATONTOWN BORO	200,661.76	5,510	24,410.76	230,582.52	127,704.81	90,683.68	218,388.49	94.7%
EDGEWATER BORO	224,179.40	12,462	38,899.92	275,541.32	142,671.87	101,311.85	243,983.72	88.5%
EDGEWATER BORO	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
EDISON TWP	1,193,602.51	35,494	84,068.16	1,313,104.67	759,630.44	539,416.52	1,299,046.96	98.9%
EDISON TWP	738,234.93	20,605	34,257.00	793,096.93	469,826.20	333,625.40	803,451.60	101.3%
EGG HARBOR TWP	252,656.44	47,094	0.00	299,750.44	160,795.17	114,181.27	274,976.44	91.7%
ELIZABETH CITY	1,575,960.59	91,201	216,526.08	1,883,687.67	1,002,970.11	712,212.96	1,715,183.07	91.0%
ELIZABETH FIRE	1,259,600.74	93,252	293,490.84	1,646,343.58	801,632.92	569,242.64	1,370,875.56	83.2%
ELMWOOD PK BORO	177,134.46	11,868	33,995.16	222,997.62	112,731.61	80,051.15	192,782.76	86.4%
EMERSON BORO	100,247.35	5,084	7,437.60	112,768.95	63,799.24	45,304.09	109,103.33	96.7%
ENGLEWOOD CITY	463,453.29	25,919	75,243.36	564,615.65	294,950.14	209,445.24	504,395.38	89.3%
ENGLEWOOD CITY	241,796.34	21,463	53,299.56	316,558.90	153,883.61	109,273.35	263,156.96	83.1%
ENGLISHTOWN BOR	6,194.07	9	0.00	6,203.07	3,942.02	2,799.24	6,741.26	108.6%
ESSEX COUNTY	4,703,585.04	626,411	108,134.88	5,438,130.92	2,993,447.45	2,125,658.62	5,119,106.07	94.1%
ESSEX FELLS	56,859.55	3,117	3,828.12	63,804.67	36,186.45	25,696.14	61,882.59	96.9%
EVESHAM TWP	215,003.44	22,809	0.00	237,812.44	136,832.12	97,165.02	233,997.14	98.3%
EVESHAM TWP	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
EWING TOWNSHIP	343,183.36	16,606	24,190.56	383,979.92	218,408.16	155,092.48	373,500.64	97.2%
FAIR HAVEN	61,535.39	2,767	8,289.84	72,592.23	39,162.24	27,809.26	66,971.50	92.2%
FAIR LAWN BORO	292,168.45	19,279	68,531.64	379,979.09	185,941.34	132,037.66	317,979.00	83.6%
FAIRFIELD BORO	174,037.76	6,407	12,645.72	193,090.48	110,760.81	78,651.68	189,412.49	98.0%
FAIRVIEW BORO	132,329.27	8,343	33,041.16	173,713.43	84,216.76	59,802.65	144,019.41	82.9%

POLICE & FIREMEN'S RETIREMENT SYSTEM
25% SPECIAL RETIREMENT
7% INTEREST ; PRE FUND ALL COLAS
30 YEAR LEVEL PERCENT OF PAY
1987 PAYROLL

7-11-88 . ALPHA LISTING

TOWN NAME	CURRENT NORMAL COST	CURRENT PAST SERVICE COST	ANNUAL COLA COST	CUR PLAN TOTAL COST	PROPOSED NORMAL COST	PROPOSED PAST SERVICE COST	PROPOSED TOTAL COST	PERCENT
FANWOOD BORO	109,738.80	4,451	11,400.36	125,590.16	69,839.78	49,593.50	119,433.28	95.0%
FLORENCE TWP	67,321.45	3,144	7,099.32	77,564.77	42,844.60	30,424.12	73,268.72	94.4%
FLORHAM PARK	132,210.12	6,521	14,241.00	152,972.12	84,140.94	59,748.81	143,889.75	94.0%
FORT LEE BORO	583,248.31	18,118	19,467.48	620,833.79	371,189.88	263,583.37	634,773.25	102.2%
FRANKLIN LAKES	128,884.12	3,492	10,179.84	142,555.96	82,024.21	58,245.71	140,269.92	98.3%
FREEHOLD BORO	128,992.61	6,224	24,923.88	160,140.49	82,093.26	58,294.74	140,388.00	87.6%
GALLOWAY TWP	149,889.79	10,024	11,682.72	171,596.51	95,392.60	67,738.66	163,131.26	95.0%
GARFIELD CITY	219,605.00	11,039	65,512.68	330,156.68	158,980.47	112,892.65	271,873.12	82.3%
GARWOOD BORO	71,566.07	4,010	22,104.48	97,680.55	45,507.77	32,315.24	77,823.01	79.6%
GLASSBORO BORO	135,157.73	5,746	14,391.00	155,294.73	86,016.85	61,080.90	147,097.75	94.7%
GLEN RIDGE BOR	160,743.73	11,378	25,674.60	197,796.33	102,300.25	72,643.80	174,944.05	88.4%
GLEN RIDGE BOR	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
GLEN ROCK BORO	123,184.26	9,397	36,184.20	168,765.46	78,396.71	55,669.81	134,066.52	79.4%
GLOUCESTER	142,057.01	5,748	25,958.96	174,763.97	90,407.68	64,198.84	154,606.52	88.4%
GLOUCESTER CO	337,418.93	1,887	839.88	340,145.81	214,739.57	152,487.40	367,226.97	107.9%
GLOUCESTER CO	110,432.94	6,599	6,871.16	123,903.10	70,313.36	49,929.79	120,243.15	97.0%
GLOUCESTER TWP	346,303.69	6,105	19,513.56	371,922.25	220,394.00	156,502.63	376,896.63	101.3%
GREENWICH TWP	77,871.21	2,870	2,868.48	83,609.69	49,558.66	35,191.80	84,750.46	101.3%
GREYST PK PSYCH HOSP	20,753.41	19,396	0.00	40,149.41	13,207.85	9,378.94	22,586.79	56.2%
GUTTENBERG	109,490.53	4,271	10,533.12	124,294.65	69,681.78	49,481.30	119,163.08	95.8%
GUTTENBERG	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
HACKENSACK	1,117,119.08	60,020	163,220.16	1,340,359.24	710,954.99	504,851.89	1,215,806.88	90.7%
HACKENSACK	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
HACKETTSTOWN	80,814.49	29,014	49.20	109,877.69	51,431.82	36,521.93	87,953.75	80.0%
HADDON HEIGHTS	69,553.20	4,376	5,976.60	79,905.80	44,264.93	31,432.70	75,697.63	94.7%
HADDON TWP	122,771.25	6,084	16,846.56	145,701.81	78,133.87	55,483.16	133,617.03	91.7%
HADDONFIELD	114,699.52	7,105	6,084.96	127,889.48	72,996.87	51,835.36	124,832.23	97.6%
HALEDON BORO	66,161.31	3,037	11,220.36	80,418.67	42,106.26	29,899.82	72,006.08	89.5%
HAMILTON TWP	833,222.04	33,880	73,922.04	941,024.08	530,277.73	376,552.27	906,830.00	96.3%
HAMILTON TWP	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
HAMMONTON TOWN	98,946.10	3,536	1,934.76	104,416.86	62,971.11	44,716.03	107,687.14	103.1%
HANOVER TWP	136,766.16	8,684	36,620.28	182,070.44	87,040.48	61,807.78	148,848.26	81.7%
HARRINGTON PK	63,594.69	2,417	16,346.16	82,357.25	40,472.44	28,739.64	69,212.08	84.0%
HARRISON TOWN	577,778.74	42,310	102,117.84	722,206.58	367,708.95	261,111.55	628,820.50	87.0%
HASBROUCK HGTS	187,397.68	9,363	15,033.12	211,793.80	119,263.31	84,689.34	203,952.65	96.2%
HAWORTH BORO	51,417.93	2,829	7,282.92	61,529.85	32,723.31	23,236.95	55,960.26	90.9%
HAWTHORNE BORO	137,713.31	7,950	13,826.88	159,490.19	87,643.26	62,235.82	149,879.08	93.9%
HAZLET TWP	185,180.57	2,059	8,978.52	196,218.09	117,852.30	83,687.37	201,539.67	102.7%
HIGHLAND PARK	207,116.08	9,864	18,403.56	235,383.64	131,812.46	93,600.54	225,413.00	95.7%
HIGHLANDS BORO	44,312.65	2,525	10,793.64	57,631.29	28,201.38	20,025.91	48,227.29	83.6%
HIGHTSTOWN	43,236.71	2,608	0.00	45,844.71	27,516.63	19,539.67	47,056.30	102.6%
HILLSBORO TWP	182,689.23	0	2,183.52	184,872.75	116,266.76	82,561.48	198,828.24	107.5%
HILLSDALE BORO	100,672.67	6,943	5,818.20	113,433.87	64,069.92	45,496.30	109,566.22	96.5%
HILLSIDE TWP	252,790.87	23,278	70,626.44	346,695.31	160,885.82	114,245.64	275,131.46	79.3%
HILLSIDE TWP	366,060.70	24,644	70,041.00	460,745.70	232,967.72	165,431.28	398,399.00	86.4%
HO HO KUS BORO	81,118.67	3,696	11,324.88	96,139.55	51,625.40	36,659.40	88,284.80	91.8%
HOBOKEN	679,383.91	61,131	288,956.88	1,029,471.79	432,372.33	307,029.27	739,401.60	71.8%
HOBOKEN POLICE	675,263.85	47,209	257,016.24	979,489.09	429,750.25	305,167.32	734,917.57	75.0%
HOLMDEL TWP	119,636.28	67,193	0.00	186,829.28	76,138.71	54,066.39	130,205.10	69.6%
[illegible]	[illegible]	[illegible]	3,941.92	150,085.98	91,843.47	65,218.40	157,061.87	104.6%

12X

POLICE & FIREMEN'S RETIREMENT SYSTEM
65% SPECIAL RETIREMENT
7% INTEREST ; PRE FUND ALL COLAS
20 YEAR LEVEL PERCENT OF PAY
1987 PAYROLL

7-11-88 , ALPHA LISTING

TOWN NAME	CURRENT NORMAL COST	CURRENT PAST SERVICE COST	ANNUAL COLA COST	CURRENT TOTAL COST	PROPOSED NORMAL COST	PROPOSED PAST SERVICE COST	PROPOSED TOTAL COST	PERCENT
HUDSON	571,237.06	39,068	149,246.16	759,551.22	363,545.70	258,155.21	621,700.91	[illegible]
HUDSON CO	410,872.88	12,583	18,209.88	441,665.76	261,487.01	185,682.74	447,169.75	101.3%
HUNTERDON CO	94,723.63	164	[illegible]	95,437.59	66,283.47	42,007.52	103,090.99	[illegible]
HUNTERDON CO	34,319.47	2,879	1,801.80	39,000.47	21,841.66	15,507.85	37,351.51	[illegible]
HUNTERDON STATE SCH	0.00	739	0.00	739.00	0.00	739.00	739.00	100.0%
INTERLAKEN BOR	16,046.28	980	8,486.76	25,513.04	10,212.15	7,251.69	17,463.84	68.4%
IRVINGTON TOWN	1,446,599.23	77,259	232,555.08	1,756,413.31	920,642.18	653,751.58	1,574,393.76	89.6%
IRVINGTON TOWN	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
JACKSON TWP	319,565.54	2,397	14,379.60	336,342.14	203,377.35	144,419.04	347,796.39	103.4%
JERSEY CITY F	4,039,405.59	270,779	1,086,962.52	5,397,147.11	2,570,751.52	1,825,500.60	4,396,252.12	81.4%
JERSEY CITY P	5,227,047.82	314,168	1,057,690.08	6,598,905.90	3,326,588.73	2,362,223.53	5,688,812.26	86.2%
JOHNSTONE TRNG&RESCH	0.00	3,631	0.00	3,631.00	0.00	3,631.00	3,631.00	100.0%
JUVEN MED SECURITY	266,626.55	0	0.00	266,626.55	169,686.01	120,494.69	290,180.70	108.8%
KEANSBURG BORO	111,596.49	4,389	17,487.12	133,472.61	71,022.05	50,433.03	121,455.08	[illegible]
KEARNY TOWN	1,396,254.41	85,763	181,779.96	1,664,797.37	888,601.82	630,999.59	1,519,601.41	91.2%
KEARNY TOWN	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
KENILWORTH BOR	122,465.84	7,622	21,811.56	151,839.40	77,901.31	55,318.02	133,219.33	87.7%
KEYPORT BORO	82,808.63	3,865	16,718.64	103,392.27	52,700.92	37,423.13	90,124.05	87.1%
KINNELLON BORO	63,556.15	43,403	0.00	106,959.15	40,448.29	28,722.49	69,170.78	64.6%
L ALLWYS CRK	62,376.70	3,316	1,911.84	67,604.54	39,697.67	28,189.47	67,887.14	100.4%
LACEY TWP	176,618.29	0	7,908.84	184,527.13	112,403.11	79,817.88	192,220.99	104.1%
LAKEHURST BORO	16,994.10	0	0.00	16,994.10	10,815.36	7,680.03	18,495.39	108.8%
LAKEWOOD TWP	608,777.06	16,855	41,803.44	667,435.50	387,436.84	275,120.40	662,557.24	99.2%
LAWRENCE TWP	305,953.69	12,049	15,580.08	333,582.77	194,714.52	138,267.53	332,982.05	99.8%
LEBANON TWP	41,290.50	2,263	1,464.72	45,018.22	26,278.03	18,660.13	44,938.16	99.8%
LEESBURG ST PRISON	1,637,465.36	24,411	166.20	1,662,042.56	1,042,112.87	740,008.38	1,782,121.25	107.2%
LEONIA BORO	122,130.94	6,322	20,534.04	148,986.98	77,726.36	55,193.79	132,920.15	89.2%
LINCOLN PK BORO	121,619.76	34,511	0.00	156,130.76	77,401.04	54,962.78	132,363.82	84.7%
LINDEN CITY	1,395,138.20	78,547	174,986.28	1,648,671.48	887,891.44	630,495.15	1,518,386.59	92.0%
LINDEN CITY	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
LINDENWOLD BORO	149,367.30	20,815	482.52	170,664.82	95,060.08	67,502.53	162,562.61	95.2%
LINWOOD CITY	106,595.84	13,159	5,904.00	125,658.84	67,839.54	48,173.12	116,012.66	92.3%
LITTLE FALLS	101,212.47	6,105	91,386.00	198,703.47	64,413.46	45,740.25	110,153.71	55.4%
LITTLE FERRY	110,888.63	4,380	9,779.52	125,048.15	70,571.55	50,113.13	120,684.68	96.5%
LITTLE SILVER	72,419.61	2,935	2,958.00	78,312.61	46,089.16	32,728.09	78,817.25	100.6%
LIVINGSTON TWP	291,140.10	15,492	29,173.68	335,805.78	185,286.88	131,572.93	316,859.81	94.3%
LODI BORO	249,138.74	15,407	30,409.32	294,955.06	158,556.45	112,591.55	271,148.00	91.9%
LOGAN TWP	39,171.89	13,601	0.00	52,772.89	24,929.71	17,702.68	42,632.39	80.7%
LONG BEACH TWP	152,492.62	21,925	436.68	174,854.30	97,049.09	68,914.93	165,964.02	94.9%
LONG BRANCH	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
LONG BRANCH	544,860.16	21,635	61,808.28	628,303.44	346,758.96	246,234.88	592,993.84	94.3%
LONGPORT BORO	46,094.13	1,559	5,540.16	53,193.29	29,335.15	20,831.00	50,166.15	94.3%
LOPATCONG TWP	40,139.67	0	750.12	40,889.79	25,545.62	18,140.04	43,685.66	106.8%
LOWER TWP	163,254.37	63,097	0.00	226,351.37	103,898.07	73,778.42	177,676.49	78.4%
LYNDHURST TWP	298,740.58	11,998	38,150.28	348,888.86	190,123.96	135,007.76	325,131.72	93.1%
MADISON BORO	247,717.02	19,691	35,170.32	302,578.34	157,651.64	111,949.04	269,600.68	89.1%
MAHWAH TWP	266,421.04	11,396	15,032.04	292,849.08	169,555.22	120,401.82	289,957.04	99.0%
MANALAPAN TWP	209,284.44	0	5,629.80	214,914.24	133,192.44	94,580.47	227,772.91	105.9%
MANASQUAN BORO	105,896.29	3,007	15,333.48	124,236.77	67,394.34	47,856.98	115,251.32	92.7%
MANCHESTER TWP	378,262.48	22,431	4,063.56	404,757.04	240,733.15	170,945.54	411,678.69	101.7%

13X

POLICE & FIREMEN'S RETIREMENT SYSTEM
[illegible] SPECIAL RETIREMENT
7% INTEREST ; PRE FUND ALL COLAS
20 YEAR LEVEL PERCENT OF PAY
1987 PAYROLL

TOWN NAME	CURRENT NORMAL COST	CURRENT PAST SERVICE COST	[illegible] COLA COST	CUR [illegible] TOTAL COST	PROPOSED NORMAL COST	PROPOSED PAST SERVICE COST	PROPOSED TOTAL COST	PERCENT
MANSFIELD TWP	42,416.69	1,209	0.00	43,625.69	26,994.76	19,169.08	46,163.84	105.[illegible]%
MANTOLOKING	33,850.42	1,73[illegible]	[illegible].92	35,963.34	21,543.03	15,297.79	36,840.82	10[illegible]%
MANVILLE BORO	96,079.36	4,676	6,974.28	107,729.64	61,146.66	43,420.48	104,567.14	97.0%
MAPLE SHADE TWP	139,739.98	5,366	11,[illegible].16	156,422.14	88,964.90	63,174.32	152,139.22	97.[illegible]%
MAPLEWOOD TWP	433,510.48	35,975	101,244.36	620,729.84	307,714.90	218,509.54	526,324.44	84.[illegible]%
MAPLEWOOD TWP	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
MARGATE CITY	276,433.06	12,702	53,143.80	342,278.80	175,927.01	124,926.45	300,853.46	87.[illegible]%
MARLBORO PSYCH HOSP	0.00	10,659	1,661.64	12,320.64	0.00	12,320.64	12,320.64	100.0%
MARLBORO TWP	271,709.24	43,359	0.00	315,068.24	172,920.72	122,791.67	295,712.39	93.8%
MATAWAN BORO	115,641.02	4,983	400.56	121,024.58	73,723.34	52,351.23	126,074.57	104.0%
MAYWOOD BORO	164,505.70	6,851	5,451.48	176,808.18	104,694.43	74,343.92	179,038.35	101.2%
MEDFORD TWP	134,242.87	2,077	0.00	136,319.87	85,434.61	60,667.45	146,102.06	107.1%
MENDHAM BORO	70,532.97	0	4,610.40	75,143.37	44,888.47	31,875.48	76,763.95	102.[illegible]%
MENDHAM TWP	64,931.94	597	4,271.04	69,799.98	41,323.87	29,344.24	70,668.11	101.2%
MERCER COUNTY	623,676.20	71,496	39,696.24	734,862.44	396,915.11	281,850.95	678,766.06	92.3%
MERCER COUNTY	122,884.74	5,369	3,904.68	132,158.42	78,206.09	55,534.45	133,740.54	101.1%
MERCHANTVILLE	55,916.39	3,467	10,832.88	70,218.27	35,587.48	25,270.81	60,858.29	86.6%
METUCHEN BORO	177,785.09	10,389	30,219.12	218,393.21	113,145.68	80,345.18	193,490.86	88.5%
MIDDLE TWP	176,657.56	77,359	0.00	254,016.56	112,428.10	79,835.63	192,263.73	75.6%
MIDDLESEX BORO	165,207.24	8,601	26,045.76	199,854.00	105,140.91	74,660.97	179,801.88	89.9%
MIDDLESEX CO	372,632.17	17,644	20,578.68	410,854.85	237,149.92	168,401.08	405,551.00	98.7%
MIDDLESEX COUNTY	1,502,254.54	49,218	26,625.24	1,578,097.78	956,062.23	678,903.49	1,634,965.72	103.6%
MIDDLETOWN TWP	582,921.83	16,877	36,352.08	636,150.91	370,982.10	263,435.83	634,417.93	99.7%
MIDLAND PK BORO	68,626.69	15,679	5,064.36	89,370.05	43,675.28	31,013.98	74,689.26	83.5%
MIDSTATE ST CORRCTNL	731,712.88	0	0.00	731,712.88	465,675.45	330,677.94	796,353.39	108.8%
MILLBURN TWP	570,018.01	33,911	56,139.24	660,068.25	362,769.88	257,604.29	620,374.17	93.9%
MILLBURN TWP	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
MILLTOWN BORO	41,789.03	16,309	0.00	58,098.03	26,595.30	18,885.43	45,480.73	78.2%
MILLVILLE CITY	252,128.61	9,562	22,030.68	283,721.29	160,459.26	113,942.74	274,402.00	96.7%
MINE HILL TWP	43,660.70	14,384	0.00	58,044.70	27,786.47	19,731.28	47,517.75	81.8%
MON BCH BORO	45,897.78	16,776	0.00	62,673.78	29,210.19	20,742.27	49,952.46	79.7%
MONMOUTH CO	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
MONMOUTH COUNTY	701,109.59	13,803	12,603.72	727,516.31	446,198.95	316,847.60	763,046.55	104.8%
MONROE TWP	188,662.32	3,547	8,030.28	200,239.60	120,068.15	85,260.86	205,329.01	102.5%
MONTCLAIR TOWN	947,195.06	61,714	127,543.32	1,136,452.38	602,812.24	428,059.31	1,030,871.55	90.7%
MONTCLAIR TOWN	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
MONTVALE BORO	175,532.20	3,828	5,221.20	184,581.40	111,711.90	79,327.05	191,038.95	103.4%
MONTVILLE TWP	173,924.28	5,504	9,487.20	188,915.48	110,688.59	78,600.39	189,288.98	100.1%
MOONACHIE BORO	84,585.78	2,063	3,075.84	89,724.62	53,831.94	38,226.27	92,058.21	102.6%
MOORESTOWN TWP	166,272.87	7,445	16,521.48	190,239.35	105,819.09	75,142.55	180,961.64	95.1%
MORRIS CO	258,819.56	16,026	11,151.72	285,997.28	164,717.50	116,966.53	281,684.03	98.4%
MORRIS CO	142,150.86	0	0.00	142,150.86	90,467.40	64,241.25	154,708.65	108.8%
MORRIS CO TREAS	461,561.65	21,828	20,000.16	503,389.81	293,746.27	208,590.36	502,336.63	99.7%
MORRIS PLAINS	91,753.63	0	5,123.88	96,877.51	58,393.68	41,465.58	99,859.26	103.0%
MORRIS TWP	324,664.87	0	21,154.92	345,819.79	206,622.65	146,723.55	353,346.20	102.1%
MORRISTOWN	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
MORRISTOWN	449,832.45	20,796	43,387.80	514,016.25	286,281.59	203,289.66	489,571.25	95.2%
MOTOR VEH INSP FORCE	782.58	83,971	0.00	84,753.58	498.05	353.67	851.72	1.0%
MOUNT EPHRAIM	38,664.04	1,863	9,305.52	49,832.56	24,606.50	17,473.17	42,079.67	84.4%
MOUNT HOLLY TP	91,356.93	5,155	15,014.64	111,526.57	58,141.22	41,286.30	99,427.52	89.1%

14X

POLICE & FIREMEN'S RETIREMENT SYSTEM
65% SPECIAL RETIREMENT
7% INTEREST ; PRE FUND ALL COLAS
30 YEAR LEVEL PERCENT OF PAY
1997 PAYROLL

7-11-98 . ALPHA LISTING

TOWN NAME	CURRENT NORMAL COST	CURRENT PAST SERVICE COST	ANNUAL COLA COST	CURRENT TOTAL COST	PROPOSED NORMAL COST	PROPOSED PAST SERVICE COST	PROPOSED TOTAL COST	PERCENT
MOUNTAIN LAKES	67,439.26	3,484	5,559.92	76,463.18	42,919.58	30,477.36	73,396.94	[illegible]
MOUNTAINSIDE	121,464.58	6,175	13,875.12	141,514.80	77,302.34	54,892.69	132,195.03	93.4%
MT LAUREL TWP	159,795.25	1,654	6,459.24	167,908.49	101,698.62	72,215.16	173,911.78	103.[illegible]%
MT OLIVE TWP	168,362.28	2,287	11,987.16	182,576.44	107,110.65	76,059.69	183,170.34	100.3%
N BRUNSWICK TWP	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
N PRINCETON DEV CNTR	3,043.12	3,707	0.00	6,750.12	1,936.70	1,375.26	3,311.96	49.0%
NEPTUNE CITY	61,826.25	3,824	9,153.84	74,804.09	39,347.36	27,940.71	67,288.07	89.9%
NEPTUNE TWP	455,022.80	16,470	45,519.84	517,012.64	289,584.82	205,635.30	495,220.12	95.7%
NEW BRUNSWICK	1,237,936.79	55,155	109,159.32	1,402,251.11	787,845.59	559,452.20	1,347,297.79	96.0%
NEW BRUNSWICK	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
NEW MILFORD	210,629.12	9,959	7,641.48	228,229.60	134,048.22	95,188.16	229,236.38	100.4%
NEW PROVIDENCE	125,604.04	2,778	17,957.64	146,339.68	79,936.71	56,763.37	136,700.08	93.4%
NEWARK FIRE	3,645,762.10	336,470	974,236.20	4,956,468.30	2,320,229.61	1,647,604.03	3,967,833.64	80.0%
NEWARK POLICE	5,539,615.41	481,060	1,322,991.60	7,343,667.01	3,525,512.45	2,503,480.04	6,028,992.49	82.0%
NEWTON	78,797.72	3,344	6,047.16	88,188.88	50,146.31	35,610.51	85,[illegible]	97.2%
NJ CRCTNL INST 4 WOM	597,366.02	3,296	58.20	600,720.22	380,174.65	269,963.49	650,138.14	108.2%
NJ MEM HM DIS SOLDRS	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
NJ MEM HM DIS SOLDRS	7,164.02	0	0.00	7,164.02	4,559.31	3,237.59	7,796.90	108.8%
NJ SANATAR 4 GERIATR	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
NJ TRAIN'G SC 4 BOYS	620,105.24	45,146	1,229.40	666,480.64	394,646.30	280,239.87	674,886.17	101.2%
NJ TRNG SCH 4 BOYS	177,669.44	9,297	1,999.08	188,965.52	113,072.08	80,292.92	193,365.00	102.3%
NO ARLINGTON	233,349.38	13,057	28,864.44	275,270.82	148,567.81	105,455.97	253,963.78	92.2%
NO BERGEN TWP	509,285.17	35,700	129,223.68	674,208.85	324,118.39	230,157.72	554,276.11	82.2%
NO BERGEN TWP	584,679.01	33,415	76,408.56	694,502.57	372,100.41	264,229.94	636,330.35	91.6%
NO JERSEY DEVLP CNTR	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
NO PLAINFIELD	311,329.57	19,700	67,912.08	398,941.65	198,135.83	140,697.02	338,832.85	84.9%
NORTH CALDWELL	91,630.49	2,890	3,059.76	97,580.25	58,315.32	41,409.93	99,725.25	102.1%
NORTH HALEDON	82,286.80	2,930	10,568.16	95,784.96	52,368.82	37,187.30	89,556.12	93.4%
NORTH WILDWOOD	150,120.76	6,167	22,429.92	178,717.68	95,539.59	67,843.03	163,382.62	91.4%
NORTHFIELD	105,364.48	5,043	5,869.92	116,277.40	67,055.88	47,616.64	114,672.52	98.6%
NORTHVALE BORO	66,182.60	2,599	5,996.16	74,777.76	42,119.82	29,909.45	72,029.27	96.3%
NORWOOD BORO	77,314.76	2,357	9,470.88	89,142.64	49,204.53	34,940.33	84,144.86	94.3%
NUTLEY FIRE	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
NUTLEY POLICE	486,341.94	30,561	61,710.48	578,613.42	309,516.90	219,789.15	529,306.05	91.4%
OAKLAND BORO	183,404.08	3,037	10,231.68	196,672.76	116,721.71	82,884.54	199,606.25	101.4%
OAKLYN BORO	31,717.17	2,001	2,533.92	36,252.09	20,185.39	14,333.72	34,519.11	95.2%
OCEAN CITY	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
OCEAN CITY	561,712.49	21,508	47,101.68	630,322.17	357,484.09	253,850.84	611,334.93	96.9%
OCEAN COUNTY	206,266.78	9,207	5,860.32	221,334.10	131,271.95	93,216.72	224,488.67	101.4%
OCEAN COUNTY	573,868.84	17,927	13,303.44	605,099.28	365,220.61	259,344.57	624,565.18	103.2%
OCEAN TOWNSHIP	306,055.19	9,840	25,158.36	341,053.55	194,779.12	138,313.40	333,092.52	97.6%
OCEANPORT BORO	73,554.79	2,007	9,029.76	84,591.55	46,811.61	33,241.11	80,052.72	94.6%
OLD BRIDGE TWP	624,756.12	20,745	41,402.52	686,903.64	397,606.21	282,341.71	679,947.92	98.9%
OLD TAPPAN BORO	67,001.29	1,711	0.00	68,712.29	42,640.85	30,279.43	72,920.28	106.1%
ORADELL BORO	138,275.07	5,418	4,397.40	148,090.47	88,000.78	62,489.70	150,490.48	101.6%
ORANGE CITY	921,338.16	60,200	158,477.04	1,140,015.20	586,356.44	416,373.98	1,002,730.42	87.9%
PALISADES IN PK	131,342.85	11,482	16,062.84	158,887.69	83,588.99	59,356.86	142,945.85	89.9%
PALISADES PARK	193,455.31	9,133	19,994.28	222,582.59	123,118.49	87,426.92	210,545.41	94.5%
PALMYRA BORO	63,376.44	2,444	8,873.16	74,693.60	40,333.92	28,641.27	68,975.19	92.3%
PAR TROY HILLS	604,167.12	19,964	32,849.64	656,980.76	384,502.99	273,037.06	657,540.05	100.0%

15X

POLICE & FIREMEN'S RETIREMENT SYSTEM
[illegible]% SPECIAL RETIREMENT
7% INTEREST ; PRE FUND ALL COLAS
30 YEAR LEVEL PERCENT OF PAY
1987 PAYROLL

[illegible] ALPHA LISTING

TOWN NAME	CURRENT NORMAL COST	CURRENT PAST SERVICE COST	ANNUAL COLA COST	CURRENT TOTAL COST	PROPOSED NORMAL COST	PROPOSED PAST SERVICE COST	PROPOSED TOTAL COST	PERCENT
PARAMUS BORO	654,340.71	29,974	83,623.92	767,238.63	416,434.30	295,711.67	712,146.05	92.8%
PARK RIDGE BOR	112,858.46	[illegible]	[illegible]	123,834.46	71,820.11	50,999.74	122,819.85	99.[illegible]%
PASSAIC	745,827.10	33,720	57,576.48	837,117.58	474,657.99	337,656.48	811,714.47	96.9%
PASSAIC	594,748.86	27,777	39,994.92	662,520.60	378,509.05	268,780.74	647,289.79	97.7%
PASSAIC CO	271,025.16	9,359	11,234.56	291,617.72	172,485.37	122,482.53	294,967.90	101.1%
PASSAIC CO	1,043,187.56	22,615	23,313.20	1,089,215.76	663,903.62	471,440.53	1,135,344.15	104.2%
PASSAIC TWP	99,587.07	53,957	267.12	153,811.19	63,379.03	45,065.70	108,384.73	70.4%
PATERSON FIRE	1,460,452.20	166,228	[illegible]	1,881,750.96	929,458.46	660,012.05	1,589,470.51	84.4%
PATTERSON POLICE	2,190,961.68	117,291	[illegible]	2,529,933.84	1,394,368.04	990,146.14	2,384,514.18	94.2%
PAULSBORO BORO	61,319.73	3,327	14,060.04	78,706.77	39,025.00	27,711.80	66,736.80	84.7%
PENNS GROVE	58,337.84	2,197	10,427.04	70,961.08	37,127.27	26,364.22	63,491.49	89.4%
PENNSAUKEN TWP	468,573.75	15,081	77,005.08	560,659.83	298,208.89	211,759.29	509,968.18	90.9%
PENNSVILLE TWP	164,039.78	3,851	13,958.16	181,848.94	104,397.91	74,133.36	178,531.27	98.1%
PEQUANNOCK TWP	127,173.53	5,683	[illegible]	154,092.45	80,935.56	57,472.65	138,408.21	89.8%
PERTH AMBOY F	991,738.61	51,376	140,343.96	1,183,457.97	631,160.19	448,189.29	1,079,349.48	91.2%
PERTH AMBOY P	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
PHILLIPSBURG	147,550.87	7,260	26,414.40	181,225.27	93,904.07	66,681.64	160,585.71	88.6%
PINE HILL BORO	63,959.50	9,592	[illegible],087.32	74,638.82	40,704.99	28,904.77	69,609.76	93.2%
PISCATAWAY TWP	520,285.54	21,016	33,052.68	574,354.22	331,119.22	235,129.04	566,248.26	98.5%
PITMAN BORO	62,339.43	4,179	16,754.16	83,272.59	39,673.95	28,172.63	67,846.58	81.4%
PLAINFIELD	1,091,907.98	77,560	253,271.52	1,422,739.50	694,910.19	493,458.41	1,188,368.60	83.5%
PLAINFIELD	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
PLEASANTVILLE	313,646.69	13,500	29,091.48	356,238.17	199,610.49	141,744.18	341,354.67	95.8%
POHATCONG TWP	21,346.46	0	0.00	21,346.46	13,585.28	9,646.96	23,232.24	108.8%
POMPTON LAKES	120,289.89	5,136	12,946.80	138,372.69	76,554.69	54,361.78	130,916.47	94.6%
PRINCETON BORO	168,105.27	10,372	18,940.08	197,417.35	106,985.26	75,970.65	182,955.91	92.6%
PRINCETON TWP	183,020.03	9,536	14,307.84	206,863.87	116,477.29	82,710.98	199,188.27	96.2%
PROSPECT PK BORO	56,802.97	1,171	0.00	57,973.97	36,150.45	25,670.57	61,821.02	106.6%
PT PLEASANT BE	106,281.68	4,494	7,698.60	118,474.28	67,639.60	48,031.14	115,670.74	97.6%
PT PLEASANT BOR	155,420.26	40,271	12,557.40	208,248.66	98,912.29	70,238.00	169,150.29	81.2%
RAHWAY CITY	725,703.01	37,378	101,897.04	864,978.05	461,850.66	327,961.94	789,812.60	91.3%
RAHWAY CITY	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
RAHWAY STATE PRISON	1,467,586.60	46,441	1,161.84	1,515,189.44	933,998.92	663,236.25	1,597,235.17	105.4%
RAMSEY BORO	204,137.52	7,123	12,823.08	224,083.60	129,916.85	92,254.46	222,171.31	99.1%
RANDOLPH TWP	208,623.67	6,327	4,110.36	219,061.03	132,771.91	94,281.85	227,053.76	103.6%
RARITAN BORO	85,590.84	3,372	4,596.12	93,558.96	54,471.57	38,680.47	93,152.04	99.5%
RED BANK BORO	209,005.72	10,502	21,084.36	240,592.08	133,015.06	94,454.51	227,469.57	94.5%
RIDGEFIELD BORO	168,209.10	10,283	20,985.60	199,477.70	107,051.34	76,017.57	183,068.91	91.7%
RIDGEFIELD PK	169,286.71	7,925	14,278.80	191,490.51	107,737.15	76,504.57	184,241.72	96.2%
RIDGEWOOD VILL	567,491.23	33,642	97,526.52	698,659.75	361,161.78	256,462.38	617,624.16	88.4%
RIDGEWOOD VILL	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
RINGWOOD BORO	130,498.87	3,640	7,479.12	141,617.99	83,051.86	58,975.45	142,027.31	100.2%
RIVER EDGE BORO	124,404.97	6,622	11,288.88	142,315.85	79,173.59	56,221.48	135,395.07	95.1%
RIVER VALE TWP	127,215.46	5,956	2,002.56	135,174.02	80,962.24	57,491.60	138,453.84	102.4%
RIVERFRONT ST PRISON	777,647.44	0	0.00	777,647.44	494,909.04	351,436.82	846,345.86	108.8%
RIVERSIDE TWP	49,613.16	2,550	17,004.12	69,167.28	31,574.72	22,421.33	53,996.05	78.0%
RIVERTON BORO	23,423.80	1,205	9,912.72	34,541.52	14,907.33	10,585.75	25,493.08	73.8%
ROCHELLE PARK	131,673.65	5,550	1,855.08	139,078.73	83,799.52	59,506.36	143,305.88	103.0%
ROCKAWAY BORO	64,932.28	2,602	4,260.12	71,794.40	41,324.09	29,344.39	70,668.48	98.4%
[illegible]	[illegible]	[illegible]	[illegible]	270,510.41	153,301.69	108,860.12	262,161.81	96.9%

164

POLICE & FIREMEN'S RETIREMENT SYSTEM
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1987 PAYROLL

7-11-88 ; ALPHA LISTING

TOWN NAME	CURRENT NORMAL COST	CURRENT PAST SERVICE COST	ANNUAL COLA COST	CUR RENT TOTAL COST	PROPOSED NORMAL COST	PROPOSED PAST SERVICE COST	PROPOSED TOTAL COST	
ROSELAND BORO	119,810.00	4,863	2,929.36	127,603.36	76,249.27	54,144.90	130,394.17	[illegible]
ROSELLE BORO	0.00	0	0.00	0.00	0.00	0.00	0.00	[illegible]
ROSELLE BORO	353,254.55	26,825	74,599.20	454,508.75	224,[illegible]	[illegible]	384,461	[illegible]
ROSELLE PARK	196,085.75	10,231	21,369.40	227,685.15	124,792.56	88,[illegible]	213,468.[illegible]	[illegible]
ROXBURY TWP	160,567.68	5,983	12,725.08	179,275.76	102,186.21	72,564.24	174,852.[illegible]	[illegible]
RUMSON BORO	87,802.62	4,349	9,175.44	101,327.06	55,879.19	39,680.03	95,559.22	94.3%
RUNNEMEDE BORO	57,287.57	3.587	6,042.84	66,917.37	36,458.83	25,889.56	62,348.39	93.1%
RUTHERFORD BOR	266,259.36	13,062	23,997.76	303,126.06	169,452.2[illegible]	120,328.72	289,781.00	95.5%
S BOUND BROOK	47,770.78	2,438	2,621.52	52,830.30	30,402.[illegible]	21,588.72	51,990.92	[illegible]
S HACKENSACK TP	105,795.80	0	20,858.64	126,644.44	67,324.02	47,807.05	115,131.07	90.9%
S ORANGE VILL	432,482.25	28,463	35,974.68	496,919.93	275,239.61	195,448.71	470,688.32	94.7%
SADDLE BROOK	165,130.04	8,613	34,719.24	208,462.28	105,091.77	74,626.07	179,717.84	86.2%
SALEM CITY	75,656.09	3,271	9,063.36	87,990.45	48,148.92	34,190.73	82,339.65	93.6%
SALEM COUNTY	89,513.65	6,640	1,370.52	97,523.57	56,967.74	40,453.01	97,420.75	99.9%
SALEM COUNTY	33,170.14	832	0.00	34,022.14	21,123.81	14,999.39	36,122.20	[illegible]
SAYREVILLE BOR	496,488.35	16,421	12,086.40	524,995.75	315,974.25	224,374.54	540,348.79	102.9%
SCOTCH PLAINS	242,232.47	9,920	16,018.44	268,170.91	154,161.17	109,470.44	263,631.61	98.3%
SDDLE RIVER BORO	63,468.95	1,092	10,917.72	75,478.67	40,392.80	28,683.08	69,075.88	91.5%
SEA BRIGHT	35,208.24	1,692	520.68	37,420.92	22,407.17	15,911.42	38,318.59	102.3%
SEA GIRT BORO	46,778.70	1,743	5,181.48	53,703.18	29,770.82	21,140.37	50,911.19	94.8%
SEA ISLE CITY	100,062.31	32,954	0.00	133,016.31	63,681.48	45,220.47	108,901.95	81.8%
SEASIDE HGHTS B	81,416.86	20,172	8,001.12	109,589.98	51,815.18	36,794.16	88,609.34	80.8%
SEASIDE PK BORO	73,651.30	25,460	1,455.36	100,566.66	46,873.03	33,284.72	80,157.75	79.7%
SECAUCUS TOWN	340,885.04	9,431	22,789.56	373,105.60	216,945.47	154,053.82	370,999.29	99.4%
SHREWSBURY.	73,319.83	2,968	0.00	76,287.83	46,662.08	33,134.92	79,797.00	104.5%
SO BRUNSWICK	258,511.05	0	8,527.44	267,038.49	164,521.16	116,827.11	281,348.27	105.3%
SO PLAINFLD BORO	307,126.14	12,915	36,557.88	356,599.02	195,460.69	138,797.39	334,258.08	93.7%
SOMERS POINT	163,149.36	2,640	8,331.60	114,120.96	65,646.14	46,615.58	112,261.72	98.3%
SOMERSET COUNTY	269,893.15	14,461	179.40	284,533.55	171,764.93	121,970.94	293,735.87	103.2%
SOMERSET COUNTY	211,068.08	6,437	5,993.64	223,498.72	134,327.58	95,386.54	229,714.12	102.7%
SOMERVILLE BOR	179,966.26	10,797	45,697.80	236,461.06	114,533.82	81,330.91	195,864.73	82.8%
SOUTH AMBOY	178,533.89	6,431	18,256.20	203,221.09	113,622.23	80,683.58	194,305.81	95.6%
SOUTH BELMAR	37,729.04	878	0.00	38,607.04	24,011.45	17,050.62	41,062.07	106.3%
SOUTH RIVER	113,856.87	7,134	14,329.92	135,320.79	72,460.59	51,454.55	123,915.14	91.5%
SOUTHERN ST CORRCTNL	1,811,024.22	0	0.00	1,811,024.22	1,152,568.90	818,443.64	1,971,012.54	108.8%
SPARTA TWP	177,353.78	6,249	11,535.72	195,138.50	112,871.19	80,150.27	193,021.46	98.9%
SPOTSWOOD BORO	96,002.15	0	0.00	96,002.15	61,097.52	43,385.59	104,483.11	108.8%
SPRING LAKE	65,831.17	2,890	1,304.28	70,025.45	41,896.16	29,750.62	71,646.78	102.3%
SPRING LK HGT B	61,030.20	18,617	0.00	79,647.20	38,840.73	27,580.95	66,421.68	83.3%
SPRINGFIELD F	322,393.34	19,700	52,048.92	394,142.26	205,177.01	145,696.99	350,874.00	89.0%
SPRINGFIELD P	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
ST. POL.CIVIL EMPLOY	0.00	13,947	1,875.00	15,822.00	0.00	15,822.00	15,822.00	100.0%
STAFFORD TWP	171,505.15	30,091	256.92	201,853.07	109,149.01	77,507.14	186,656.15	92.4%
STONE HRBR BORO	101,888.05	33,138	136.44	135,162.49	64,843.42	46,045.56	110,888.98	82.0%
SUMMIT	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
SUMMIT CITY	415,346.05	24,712	51,080.40	491,138.45	264,333.81	187,704.46	452,038.27	92.0%
SUSSEX COUNTY	161,986.74	69	0.00	162,055.74	103,091.32	73,205.55	176,296.87	108.7%
TEANECK TWP	950,834.56	51,714	98,172.48	1,100,721.04	605,128.49	429,704.08	1,034,832.57	94.0%
TENAFLY BORO	208,889.57	10,585	22,911.84	242,386.41	132,941.14	94,402.02	227,343.16	93.8%
TETERBORO BORO	55,400.55	985	0.00	56,385.55	35,257.92	25,036.79	60,294.71	106.9%

POLICE & FIREMEN'S RETIREMENT SYSTEM
[illegible] SPECIAL RETIREMENT
[illegible] INTEREST ; PRE FUND ALL COLAS
30 YEAR LEVEL PERCENT OF PAY
19[illegible]7 PAYROLL

[illegible]

TOWN NAME	CURRENT NORMAL COST	CURRENT PAST SERVICE COST	ANNUAL COLA COST	CURRENT TOTAL COST	PROPOSED NORMAL COST	PROPOSED PAST SERVICE COST	PROPOSED TOTAL COST	PERCENT
[illegible] FALLS BORO	135,2[illegible]	1,397	12,776.40	149,407.35	86,065.35	61,115.34	147,180.69	[illegible]
[illegible] BORO	124,1[illegible]	5,000	12,[illegible].40	141,305.76	79,019.19	56,111.83	135,131.02	[illegible]
[illegible] FIRE	1,291,873.62	8[illegible],748	243,[illegible].72	1,622,509.74	822,171.59	583,827.23	1,405,998.82	[illegible]
TRENTON POL	1,771,101.70	94,642	2[illegible],0[illegible].06	2,131,832.78	1,127,161.48	800,401.73	1,927,563.21	90.4%
TRENTON PSYCH HOSP	19,288.[illegible]	10,139	52.92	29,530.10	12,275.40	8,716.[illegible]	20,992.21	71.0%
TRENTON STATE PRISON	437,019.98	73,725	5,2[illegible].92	515,957.90	278,127.50	197,499.41	475,626.91	92.1%
TWP ABERDEEN	144,196.92	7,273	3,463.08	154,873.00	91,769.55	65,165.91	156,935.46	101.3%
TWP JEFFERSON	154,636.19	0	4,374.48	159,010.67	98,413.29	69,883.66	168,296.95	105.8%
TWP OF BERLIN	60,180.89	0	0.00	60,180.89	38,300.22	27,197.13	65,497.35	108.8%
TWP OF BRICK	471,079.73	51,874	4,639.92	527,593.65	299,803.75	212,891.80	512,695.55	97.1%
TWP OF BRNCHBRG	78,791.56	4,310	0.00	83,101.56	50,144.39	35,607.73	85,752.12	103.1%
TWP OF BYRAM	53,509.58	9,053	0.00	62,562.58	34,054.47	24,182.21	58,236.69	93.0%
TWP OF CHESTER	87,857.20	0	856.80	88,714.00	55,913.93	39,704.70	95,618.63	107.7%
TWP OF E BRNSWK	565,032.17	240,053	2,831.76	807,916.93	359,596.79	255,351.08	614,947.87	76.1%
TWP OF FRANKLIN	84,394.75	21,045	331.92	105,771.67	53,710.36	38,139.94	91,850.30	86.8%
TWP OF FREEHOLD	222,970.01	32,835	5,416.08	261,221.09	141,902.19	100,765.29	242,667.48	92.8%
TWP OF HARDING	74,297.60	0	0.00	74,297.60	47,284.35	33,576.80	80,861.15	108.8%
TWP OF HOWELL	337,473.18	48,858	2,829.60	389,160.78	214,774.10	152,511.92	367,286.02	94.3%
TWP OF PLNSBORO	108,449.20	6,649	89.04	115,186.24	69,018.42	49,010.25	118,028.67	102.4%
TWP OF VOORHEES	162,972.83	0	0.00	162,972.83	103,718.88	73,651.18	177,370.06	108.8%
W SADDLE RIVER	105,643.03	3,174	12,052.32	120,869.35	67,233.16	47,742.52	114,975.68	95.1%
UNION CITY	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
UNION CITY	1,537,748.66	65,655	190,636.08	1,794,039.74	978,651.34	694,944.11	1,673,595.45	93.2%
UNION CO	669,147.98	38,198	40,471.32	747,817.30	425,858.00	302,403.41	728,261.41	97.3%
UNION COUNTY	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
UNION COUNTY	685,845.06	57,774	27,434.64	771,053.70	436,484.32	309,949.21	746,433.53	96.8%
UNION TOWNSHIP	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
UNION TOWNSHIP	1,369,416.09	75,409	137,272.56	1,582,097.65	871,521.42	618,870.73	1,490,392.15	94.2%
VENTNOR CITY	328,742.50	15,262	41,899.20	385,903.70	209,217.73	148,566.32	357,784.05	92.7%
VENTNOR CITY	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
VERNON TWP	94,907.90	3,177	344.04	98,428.94	60,401.12	42,891.07	103,292.19	104.9%
VERONA BORO	163,024.74	8,704	23,656.68	195,385.42	103,751.92	73,674.64	177,426.56	90.8%
VINELAND CITY	573,357.82	17,471	46,628.28	637,457.10	364,895.39	259,113.63	624,009.02	97.8%
VINELAND STATE SCH	2,706.16	0	0.00	2,706.16	1,722.25	1,222.98	2,945.23	108.8%
W DEPTFORD TWP	130,349.11	5,183	18,357.60	153,889.71	82,956.55	58,907.77	141,864.32	92.1%
W LONG BRANCH	87,318.73	2,330	5,971.44	95,620.17	55,571.24	39,461.35	95,032.59	99.3%
W MILFORD TWP	226,580.22	7,755	1,293.96	235,629.18	144,199.79	102,396.83	246,596.62	104.6%
W ORANGE TOWN	916,977.15	66,563	155,164.80	1,138,704.95	583,581.01	414,403.14	997,984.15	87.6%
W ORANGE TOWN	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
W WILDWOOD BORO	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
W WINDSOR TWP	153,375.54	1,051	1,868.52	156,295.06	97,611.00	69,313.95	166,924.95	106.8%
WALDWICK BORO	119,030.58	4,835	10,322.64	134,188.22	75,753.24	53,[illegible].67	129,545.91	96.5%
WALL TWP	244,329.11	1,614	1,738.92	247,682.03	155,495.51	110,[illegible]7.96	265,913.47	107.3%
WALLINGTON BOR	91,930.34	5,292	12,078.96	109,301.30	58,506.15	41,545.44	100,051.59	91.5%
WANAQUE BORO	87,734.07	2,514	10,882.44	101,130.51	55,835.56	39,649.05	95,484.61	94.4%
WARREN CO	151,037.62	326	0.00	151,363.62	96,123.10	68,257.39	164,380.49	108.5%
WARREN TWP	100,752.87	0	9,115.08	109,867.95	64,120.97	45,532.55	109,653.52	99.8%
WASHINGTON BOR	46,939.78	1,495	813.00	49,247.78	29,873.33	21,213.17	51,086.50	103.7%
WASHINGTON TWP	97,419.88	4,771	16,576.44	118,767.32	61,999.79	44,026.29	106,026.08	89.2%
WASHINGTON TWP	265,865.27	2,798	253.08	268,916.35	169,201.51	120,150.65	289,352.16	107.5%

K81

POLICE & FIREMEN'S RETIREMENT SYSTEM
65% SPECIAL RETIREMENT
7% INTEREST ; PRE FUND ALL COLAS
30 YEAR LEVEL PERCENT OF PAY
1987 PAYROLL

7-11-8[illegible] ; ALPHA LISTING [illegible]

TOWN NAME	CURRENT NORMAL COST	CURRENT PAST SERVICE COST	ANNUAL COLA COST	CURRENT TOTAL COST	PROPOSED NORMAL COST	PROPOSED PAST SERVICE COST	PROPOSED TOTAL COST	
WASHINGTON TWP	110,270.62	38,225	0.00	148,495.62	70,178.24	49,833.84	120,012.0[illegible]	80.8%
WATCHUNG BORO	134,203.93	5,654	18,495.12	158,353.65	85,409.83	60,649.85	146,059.68	92.[illegible]%
WATERFORD TWP	68,402.38	0	0.00	68,402.38	43,[illegible]	30,912.61	74,145.1[illegible]	108.[illegible]%
WAYNE TOWNSHIP	702,151.42	27,424	36,150.96	765,726.30	44[illegible]	317,318.43	764,180.42	99.7%
WEEHAWKEN TWP	477,438.54	35,088	98,777.40	611,303.94	303,850.[illegible]	215,765.49	519,616.[illegible]	85.[illegible]%
WEEHAWKEN TWP	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
WEST CALDWELL BORO	150,494.82	9,730	29,195.76	189,420.58	95,777.65	68,012.08	163,789.73	86.4%
WEST NEW YORK	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
WEST NEW YORK	1,013,000.29	56,308	104,566.32	1,173,874.92	644,[illegible].07	457,798.[illegible]5	1,102,490.44	93.9%
WEST PATERSON	107,786.60	5,860	7,730.76	121,377.36	68,597.36	48,711.25	117,308.61	96.6%
WESTFIELD TOWN	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
WESTFIELD TOWN	504,423.63	35,059	89,644.68	629,127.31	321,624.41	227,960.68	548,985.09	87.2%
WESTVILLE BORO	41,721.80	1,891	9,294.72	52,907.52	26,552.52	18,855.05	45,407.57	85.8%
WESTWOOD BORO	126,797.47	7,643	11,981.40	146,421.87	80,696.22	57,302.70	137,998.92	94.2%
WHARTON BORO	57,743.46	2,688	4,283.64	64,715.10	36,748.99	26,095.60	62,844.59	97.1%
WILDWOOD CITY	229,279.90	8,760	23,454.96	261,494.86	145,917.92	103,616.88	249,534.80	95.4%
WILDWOOD CR BOR	113,638.55	18,041	6,431.52	138,111.07	72,321.65	51,355.88	123,677.53	89.5%
WILLINGBORO	333,743.82	9,030	22,125.12	364,898.94	212,400.65	150,826.53	363,227.19	99.5%
WINSLOW TWP	276,301.38	0	5,955.36	282,256.74	175,843.24	124,866.97	300,710.21	106.5%
WOOD RIDGE BOR	98,430.92	8,085	22,014.24	128,530.16	62,643.24	44,483.21	107,126.45	83.3%
WOODBINE DEVLPMNT CT	0.00	627	0.00	627.00	0.00	627.00	627.00	100.0%
WOODBRIDGE DEV CNTR	0.00	0	0.00	0.00	0.00	0.00	0.00	0.0%
WOODBRIDGE F 7	18,439.78	1,365	2,990.04	22,794.82	11,735.41	8,333.36	20,068.77	88.0%
WOODBRIDGE TWP	113,264.49	3,900	3,215.52	120,380.01	72,083.59	51,186.84	123,270.43	102.4%
WOODBRIDGE TWP	928,723.00	43,814	115,618.20	1,088,155.20	591,056.20	419,711.35	1,010,767.63	92.8%
WOODBURY CITY	138,749.64	9,060	4,167.72	151,977.36	88,302.81	62,704.17	151,006.98	99.3%
WOODCLIFF LAKE	97,027.17	4,311	18,965.40	120,303.57	61,749.87	43,848.82	105,598.69	87.7%
WOODSTOWN BORO	30,630.25	1,170	1,699.92	33,500.17	19,493.65	13,842.52	33,336.17	99.5%
WYCKOFF TWP	147,602.96	7,103	22,697.40	177,403.36	93,937.22	66,705.18	160,642.40	90.5%
YOUTH RECEPT. & CORR	898,054.81	42,698	0.00	940,752.81	571,538.49	405,851.69	977,390.18	103.8%
YTH CRRCTNL INST	886,799.18	35,266	274.20	922,339.38	564,375.20	400,765.01	965,140.21	104.6%
YTH CRRCTNL INST ANN	1,074,536.65	39,502	561.60	1,114,600.25	683,854.76	485,607.91	1,169,462.67	104.9%
	164,156,964.09	9,915,034	20,315,740.08	194,387,738.17	104,472,491.05	76,662,874.85	181,135,365.90	

COUNT= 732

WILLIAM M
MERCER MEIDINGER HANSEN
INCORPORATED

Nancy M. Heffernan/Consultant

RECEIVED IN DIRECTOR'S OFFICE ON
DATE DK 8-19-88

August 18, 1988

Mr. Douglas Forrester
Director - Division of Pensions
State of New Jersey
20 West Front Street
Trenton, N.J. 08625

Re: Response for Laurence S. Weiss
July 14, 1988 letter

Dear Doug:

I am writing to respond to items 1 and 2 in the July 14th letter written to you by Senator Weiss. My notes from Sheldon indicate that you have already discussed with him that the Division of Pensions is better prepared to respond to items 3 and 4 of Senator Weiss's letter.

ITEM 1

The enclosed table is a projection of the number of participants, their payroll, and corresponding normal costs for future members who would be required to accept membership in PERS under Senate Bill #2602. The assumptions underlying these projections are as follows:

1. Total Police and Firemen count is projected to be level at the current (June 1987) active count of 31525.

2. As current membership decreases due to retirement, turnover, deaths etc., members are replaced by new entrants.

3. Eighty percent of the new entrants are expected to be law officers and firemen. Twenty percent of the new entrants will occupy job classifications required to accept membership under the PERS formula. This group count is projected in column "A" of the enclosed table.

4. Total PFRS payroll is projected to grow at a 5% annual salary increase.

5. The Payroll of the current members eventually decreases due to retirement, turnover, deaths etc.

6. The difference in the projected total system payroll and the projected current member payroll is the payroll projected for new entrants.

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7. Twenty percent of the new entrant payroll is for future members required to accept membership under the PERS formula. This payroll is shown in column "B" of the enclosed table.

8. The projected Normal Cost for future members required to accept membership under the PERS formula (shown in column "C" of the enclosed table) amounts to 6.79% of payroll for this group.

Item 2

The average member of the Police and Firemen's Retirement System as of June 30, 1987 is 39 years old, has completed 12 years of membership service, and has a salary of $31,500. Assumming salary increases of 5% per year to retirement, we have projected the employee's benefits at Retirement Age 60 and again at Retirement Age 65. The results are shown below:

	Retirement Age 60	Retirement Age 65
Final Salary	$87,719	$111,954
Membership Service	33 years	38 years
Current PFRS Benefit	$57,017	$72,770
S.2602 PFRS Benefit	$61,403	$78,368

Doug, please call if you have any questions regarding these projections.

Sincerely,

Nancy M. Heffernan

Nancy M. Heffernan
Consultant

NMH/kdb

SENATE BILL #2602

YEAR	(A) PROJECTED NUMBER	(B) PROJECTED PAYROLL	(C) PROJECTED NORMAL COST
1987	0	0	0
1988	122	3,998,366	271,489
1989	256	8,848,866	600,838
1990	419	15,163,532	1,029,604
1991	606	23,041,811	1,564,539
1992	816	32,570,377	2,211,529
1993	1,045	43,821,565	2,975,484
1994	1,291	56,852,176	3,860,263
1995	1,551	71,702,706	4,868,614
1996	1,821	88,397,025	6,002,158
1997	2,109	107,513,968	7,300,198
1998	2,411	129,013,591	8,760,023
1999	2,719	152,820,301	10,376,498
2000	3,031	178,826,884	12,142,345
2001	3,348	207,407,039	14,082,938
2002	3,663	238,326,090	16,182,342
2003	3,972	271,318,673	18,422,538
2004	4,268	306,103,303	20,784,414
2005	4,557	343,164,450	23,300,866
2006	4,839	382,692,303	25,984,807
2007	5,346	443,928,007	30,142,712
2008	5,748	501,101,484	34,024,791
2009	6,022	551,263,292	37,430,778
2010	6,181	594,108,789	40,339,987
2011	6,258	631,627,368	42,887,498
2012	6,291	666,620,252	45,263,515
2013	6,301	701,154,058	47,608,361
2014	6,304	736,551,378	50,011,839
2015	6,305	773,446,757	52,517,035
2016	6,305	812,129,326	55,143,581
2017	6,305	852,736,708	57,900,822
2018	6,305	895,373,543	60,795,864
2019	6,305	940,142,220	63,835,657
2020	6,305	987,149,331	67,027,440
2021	6,305	1,036,506,798	70,378,812
2022	6,305	1,088,332,138	73,897,752
2023	6,305	1,142,748,745	77,592,640
2024	6,305	1,199,886,182	81,472,272
2025	6,305	1,259,880,491	85,545,885
2026	6,305	1,322,874,515	89,823,180

FUTURE MEMBERS REQUIRED TO ACCEPT MEMBERSHIP AT PERS

MMH
8-18-88

July 14, 1988

Mr. Douglas R. Forrester, Director
Division of Pensions
Department of Treasury
20 West Front Street
Trenton, New Jersey 08625

Re: S. 2602

Dear Mr. Forrester:

In a meeting with my staff this morning, I was presented with a set of tables showing the fiscal effects of S. 2602 on the Police and Firemens' Retirement System and on the employer members of PFRS.

While the tables answered a number of questions as to the impacts of this bill, there are a few other issues I would like to explore prior to consideration by the Revenue, Finance and Appropriations Committee. Your cooperation and guidance on the following questions would be appreciated:

(1) On the system-wide table, projections are shown for PERS liabilities in the column labeled "Proposed Normal Cost". Could you please provide additional data to show:

(a) Approximately how many members otherwise eligible (under current law) to join PFRS would be required to accept membership in PERS under S. 2602. Please show these projections on a year-by-year basis.

(b) On the basis of your answer to 1(a), could you also break out the PERS obligation under "Proposed Normal Cost" from the total number shown for each year.

(2) Please provide "average" examples of a police officer and firefighter comparing the service and retirement experience of each under current law and under S. 2602. While I understand that "average" experience defies actuarial projections, examples that would demonstrate the compensation, contribution and benefits experience of an employee under the two systems would help clarify the effects of this proposal.

(3) I understand that approximately 400 of our 567 municipalities are members of PFRS. Presumably, the pre-funding of COLA obligations envisioned by S. 2602 would be an inducement to some non-member municipalities to join PFRS. Is there anything above and beyond the provisions of current law that we should consider to facilitate entry into PFRS by these municipalities?

(4) Finally, could you please provide me with any information you now have or could procure which compares the retirement benefit proposed in S. 2602 to benefits available in other states for police and firefighters.

Thank you for your anticipated assistance in providing the above information. I look forward to your response.

Sincerely,

Laurence S. Weiss, Chairman
Senate Revenue, Finance &
Appropriations Committee

cc: Hon. Feather O'Connor

Legislative Viewpoint

NEW JERSEY STATE LEAGUE OF MUNICIPALITIES
407 W. STATE ST., TRENTON, NJ 08618
609-695-3481 FAX 609-695-0151

JOHN E. TRAFFORD, Executive Director
WILLIAM G. DRESSEL, JR., Asst. Executive Director
JON R. MORAN, Senior Legislative Analyst
CHRISTOPHER CAREW, Legislative Analyst

STATEMENT BY WILLIAM G. DRESSEL, JR., ASSISTANT EXECUTIVE DIRECTOR
NEW JERSEY STATE LEAGUE OF MUNICIPALITIES
OPPOSING S-2602 and A-3421, WHICH INCREASES SPECIAL RETIREMENT BENEFITS
FROM 60% TO 65% AFTER 25 YEARS FOR MEMBERS OF PFRS

Monday, February 6, 1989
10:00 a.m.
Room 368
State House Annex
Trenton, NJ

The League of Municipalities is unalterably opposed to S-2602 and A-3421, which increases special retirement benefits for the Police and Fireman's Retirement System from 60% to 65% after 25 years in service with a first year price of $21 million. Some of our objections include the following:

1. The enhancement has not been justified. We oppose enhancing benefits to a system of a select group of public employees (31,000), when that system already provides much greater benefits. As demonstrated in the "20 and Out" argument two years ago, these members deserve nothing more than the police, firemen, clerks, administrators, finance officers, etc., who are part of the Public Employees Retirement System (PERS) (200,000+ members) and the 110,000 in the Teacher, Pension Annuity Fund (TPAF).

2. Employers get absolutely nothing in return for granting this benefit. Statistics show that 60% to 70% of PFRS members retire as soon as possible, which refutes the claim, "this will encourage early retirement." Furthermore, there is no assurance that the PFRS members will work any harder or perform any more efficiently with the knowledge that they will be making an estimated $115,000 extra after retirement based upon a composite of the State's Latest Actuarial Valuation Report dated June 30, 1987.

3. The increase in special retirement allowance by a "mere 5%" will at the same time save money for local employers. If you believe one can give away a 2.7 billion dollar benefit (without demonstrated need or justification) you need to rethink the issue. The full impact of the 2.7 billion dollar enhanced benefit to employees falls on the backs of the employer through the property tax dollar.

(continued)

4. Refinancing accured liabilities over 40 years is a sophisticated way to say: Pass the real costs of the program onto the next generation. Part of the refinancing of past service liabilities is to spread those costs over all agencies by shifting liabilities from one municipality to another.

5.. Establishment of a new definition of a police and fireman is simply rolling the clock back to 1944. Between 1944 and 1988, the Legislature added more than 6,000 non-police and fire employees to the PFRS. In fact, on May 23, 1988, the Senate voted 35 to 1 to add an additional 307 state employees to the PFRS (S-791) for whom they now wish to shift the accured liabilities onto local governments to be paid over the next 40 years. Do you believe the State Legislature will on the average reject the 50 bills proposing modifications to the PFRS? In the past they haven't rejected those requests for enhanced benefits or expanding the service base. Why, do we believe they will do it in the future?

6. The State is not continuing to fund its portion of the special retirement benefit established through Chapter 109, Public Laws of 1979. The proposed legislation would have the State paying millions of dollars less than it currently is obligated to pay. This bill shifts obligations currently falling on the state and local governments as a form of reversed State aid, i.e. local governments aiding the state.

7. The legislation arbitrarily changes the assumed interest rate by modifying the formula but does not produce one additional dollar of new revenue. This method was used to mask the cost of benefits granted in 1982. Now they again want us to believe that by playing with the formula (6-3/4% to 7%) savings will result in any additional money, but postpones the day of reckoning to the next generation.

8. Finally, the comparison of prefunding of COLA costs with the ad hoc payment is comparing apples and oranges. Comparison of the two methods of funding has not adequately been presented and certainly does not result in the savings portrayed by the State's actuary.

Again, we are adamantly opposed to this legislation. We urge you not to act favorably on this bill.

Pension Reform or Magic Money

By L. Mason Neely
Finance Director
East Brunswick Township

THE proposed legislation has been represented as reform to the Police and Fire Retirement System (PFRS). It is referred to by the League's Pension Committee as Magic Money legislation. Let's begin at this point to review the major modification proposed in S2602.

Webster's definition of reform is: *To amend or improve by change of form or removal of faults or abuse.*

Webster also defines magic as: *Art of producing illusions.*

You, the reader must answer the question, is it reform or magic? The proposed legislation does not add one additional penny to the financing requirements for the retirement system, but instead adds significant liabilities to the system. The major liability is an improved benefit granted to a select few who belong to the PFRS, 31,525 members to be exact. The benefit is an additional 5 percent (at a first year cost of 21 million) of the highest or final pay received by any member at the time of retirement. Currently, members of PFRS can retire after 25 years of service regardless of age at 60 percent of final or highest pay. Compare this to Public Employees Retirement System (PERS) which after 25 years of service permits one to retire at 40 percent of the average of the last three-year earnings. There is a significant difference in benefit level between the two systems which now exist. S2602 is a proposal to further enhance the benefit for PFRS by an additional 5 percent, going from 60 percent to 64 percent after twenty five (25 years of service regardless of age.

The percent of income one is to receive after retirement is referred to as replacement ratio. That is the ratio of pension benefits compared to dollars earned while working. Currently, PFRS employees can receive 60 percent at 25 years and 65 percent at 30 years of service regardless of age. Added to this ratio is social security benefits which the majority receive. These two (PFRS and Social Security) constitute a replacement ratio of something on the order of 85 percent. An additional factor one must consider when looking at replacement ratios is inflation protection. PFRS retirees receive a cost-of-living adjustment (COLA) granted by State Legislation. By all measurements (primarily the Pension Tax force on Public Pension Systems which was the last major Federal study), the PFRS system is defined as a "rich" benefit. This being the case, then why are additional benefits being considered? One reason often given is to encourage early retirement thereby creating mobility within the ranks. Is this valid? Between 1985 and 1986, there were 713 members of PFRS that retired and between 1986 and 1987 there were 737 retirees. To get a full picture of the rate of retirement, one should look at the following chart showing total annual earnings by age group of PFRS members. As you can see most retire before age 55 and many start retirement at age 43.

If more rapid retirements were to result it would be very difficult for local governments to recruit, train and replace personnel. Why then is a $2.7 billion dollar benefit being offered through S2602 to the PFRS members? This is precisely one question asked by the League Pension Study Commission and we have not received an adequate answer.

Everyone agrees that one cannot give PFRS members a $2.7 billion dollar benefit without cost. How then does the sponsor of S2062 purport to provide enhanced benefits, book past service liabilities, begin prefunding COLA and claim this legislation will lower employer contribution and thereby save money for the taxpayers? The answer is with Magic Money or illusions. For example, in 1977 the Legislature passed Chapter 306, referred to as a Cost of Living Adjustment, which provides adjustments equal to 60 percent of any change in the

27X

cost of living as reflected by the consumer price index. This benefit was given in 1977 and the funding method selected was "pay as you go" basis. That is, generally, the least desirable method of funding any benefit. For years the League of Municipalities has been suggesting that the Legislature permit local governments to begin to prefund COLA costs. Senate 2602 would begin this process by first calculating past service liability, placing said liability on the books, spreading the costs over all participating local governments regardless who created said liability and then permitting 40 years over which to make payments of said past service liabilities. This is like a debt consolidation loan but instead of the municipalities which created the debt paying for their own debt, the proposed legislation would shift that burden on to other municipalities. It is bad enough that municipalities are asked to pick up debt that they did not create but why call this "reform"? Delaying payments over 40 years result in lower annual employer contributions but greater life time costs. These temporary savings we are told will make possible enhanced benefits at no cost i.e. clearly an illusion!! Another major component of S2602 is to increase the assumed interest rate from 6.75 percent to 7 percent. The higher the assumed interest rate, the lower the employers contribution and vice versa. This gimmick does not add new or any additional money to the system by changing the assumed interest rate. It simply modifies the formula in determining the employers contribution, but actual earnings on the systems assets of more than $3.6 billion dollars will not change. The driving force behind the change in assumed interest rates is to create the illusion that employers are paying less while employees are receiving more i.e. enhanced benefits equal to $2.7 billion dollars. If the system were to earn an interest return of 7 percent of higher, it may result in future lower contributions required, but to artificially change the formula now creates the impression that new dollars have been discovered. It is a classic example of Magic Money used to mask over real costs just as the 1977 Legislation did with COLA costs.

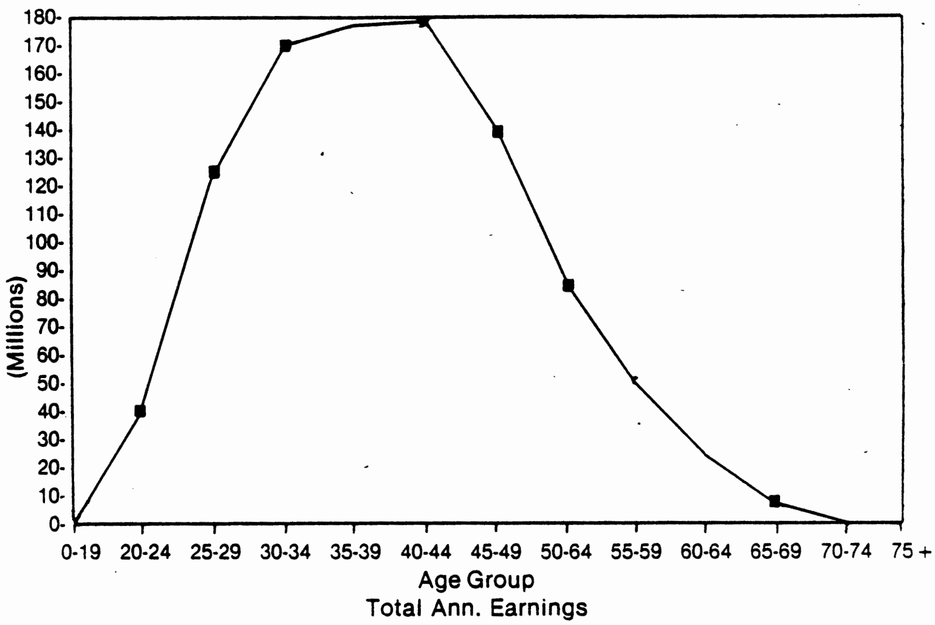
George Santayana is frequently quoted for the following statement:

"Those that can not remember the past are condemned to repeat it."

When the PFRS system was created in 1944, it was built from the rubbles of crumbling Police and Fire pension systems. It was designed as a sound actuarially funded system that would provide guaranteed benefits to future police and fire retirees. Employers were to contribute 5 percent and employees were to contribute 5 percent of base salary. Currently, employers are asked to contribute 16.64 percent of payroll and the State, as a result of Chapter 109 Public Laws of 1989, funds an additional 1.96 percent for a total of 18.6 percent. We are forced to ask the question: How did a system that was designed to be based upon a 5 percent employer contribution grow to require almost 19 percent? One answer can be seen in this curent Legislative session where there are 59 bills before the Senate and Assembly asking for enhanced benefits at the expense of local property taxpayers. For example, last year they adopted Chapter 28 increasing widow benefits from 50 to 70 percent of final average compensation. They are now considering S2602 which would reduce or restrict membership of PFRS. At the very same time (May 23) the Senate voted 35 to 1 to add additional Criminal Justice and Division of Gaming titles to PFRS. Why are the Division of Gaming and Criminal Justice personnel lobbying so hard to be part of the PFRS? The answer is obvious. The benefits are far superior. One can retire at age 43 with 25 years of service at 60 percent of pay which is a benefit 50 percent greater than offered in PERS. The group life insurance benefits for PFRS are far superior to those of PERS and finally there are no restrictions on a retiree of PFRS from working for a State or municipal agency while drawing 100 percent of his eligible pension. These are some of the reasons employers must today pay 19 percent. Can we not learn from the past?

Total Annual Earnings By Age Group

As of June 30, 1987



In summary, Senate 2602 is not pension reform but is a continuation of the Magic Money formula of providing benefits, shifting the costs onto the next generation and trying to fool the public with unrealistic projections by changing formulas, shifting liabilities, and most of all not holding anyone accountable, but the local property taxpayers. It is time for a change and local government officials need to speak up. Let your State Representatives and Senators know that Senate 2602 is not acceptable. Also, let them know there is a need for true reform. The reforms that are required are:

1. To begin prefunding COLA in a fair and equitable way.
2. Restrict the transfer from PERS to PFRS.
3. Insist that future retirees not commence drawing a pension until age qualified at a minimum of age 55.
4. Require state payment for state mandates.
5. Book and fund past service liabilities in a fair way.

Too often local governments have heard the promises and seen the results which have been illusionary i.e. MAGIC MONEY. The message is NO, NO, NO to S2602!

OFFICE OF THE MAYOR

CITY HALL
50 WINFIELD SCOTT PLAZA
ELIZABETH, NEW JERSEY 07201-2462

THOMAS G. DUNN
Mayor

February 3, 1989

Honorable Members
Assembly State Government Committee
State House Annex (Room 368)
Trenton, New Jersey 08625

SUBJECT: S-2602/INCREASES SPECIAL RETIREMENT ALLOWANCE IN PRFS... (65% AFTER 25 YEARS)

Mr. Chairman and Members of the Committee,

The legislation pending before your Committee which provides 65% of pay to members of the PFRS after 25 years of service is one whose defeat I have always encouraged. I have always supported the opposition to "65% after 25 years" for members of the PFRS by the New Jersey State League of Municipalities, generally for all of the reasons which the League has advocated...

To increase the police and firemen pension by 5% which S-2602 would allow is, in my view, fiscally irresponsible and discriminatory as it relates to other public employees, as well as those employed in the private sector. If enacted into law, it will work a particular hardship, and place an undue burden upon those who will ultimately pay the price tag -- the taxpayers!

In support of the League's position, I wish to emphasize the following points of opposition with which I am in agreement:

[1] The first year cost alone will be twenty-one million dollars, hardly a trifling figure for those who argue that the increase in pension benefits is a "mere" 5%. The full impact of the increase for enhanced benefits

... continued

to employees will, according to the league, eventually be $2.7 billion, all of which will be placed on the already-overburdened taxpayer.

[2] The accrued liabilities under the proposal only mortgages future generations, inasmuch as it is my understanding that the refinancing of the liabilities is to be made over a forty-year period. Thus, not only do we endanger the pocketbooks of current taxpayers, but their children as well.

[3] I am extremely concerned about the definition of police and firemen and question whether or not this law will expand the number of government employees who meet the definition or who, in the future, may meet the definition of police or firemen and thereby be included in the enhanced benefits, thus further exacerbating the financial crunch.

[4] The proposed legislation shifts the obligation currently onto the backs of local governments to continue the funding portion of the special retirement benefits. If this happens, local government will be subsidizing the State, and local taxpayers will again be required shoulder mandated State programs, which common sense dictates should be paid for by the State.

I believe in the conclusions reached by the New Jersey State League of Municipalities and its fiscal experts that, by playing with the figures and numbers, savings will not result in any additional money, but postpones the day when the "piper must be paid" to the next generation of New Jersey taxpayers.

To summarize, the proposed legislation is, in my view, excessively costly and an unjustified burden on the local property taxpayer who ultimately must pay the bill.

As an urban city Mayor, I know too well that the State has required too many programs to be implemented while, at the same time, has not furnished the financial wherewithall to pay for same. In short,

... continued

if the State mandates, the State should pay!! The "well has run dry" at the city level and the legislation pending before this Committee is just another example of "bad" law which cannot be afforded by the taxpayer or supported by any cost-conscious public official.

Thank you!

Respectfully submitted,

Thomas G. Dunn

Thomas G. Dunn
MAYOR

sae

OFFICE OF THE MAYOR

CITY HALL
50 WINFIELD SCOTT PLAZA
ELIZABETH, NEW JERSEY 07201-2462

THOMAS G. DUNN
Mayor

February 3, 1989

Honorable Members
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Assembly State Government Committee
S-2602
February 3, 1989
Page 3 ... concluded

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Thomas G. Dunn

Thomas G. Dunn
MAYOR

sae

TESTIMONY ON 25/65

SENATE NO. 2602

ASSEMBLY NO. 3421

T A N S T A F L

"There ain't no such thing
as free lunch"

TO: **Assembly State Government Committee**
Assemblyman Robert J. Martin, Chairman

Testimony provided on behalf
of League Of Municipalities
by L. Mason Neely

Home News

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The Senate's free lunch

Election year politics is one thing. But when the state Senate — in a non-election year for the Legislature — gives overwhelming approval to an expensive improvement in already generous police and firefighters' pension benefits, it's time for taxpayers to have a heart-to-heart with their state representatives.

The Senate bill, which passed by a 29-4 margin this week, would permit police and firemen to retire after 25 years at 65 percent of their final pay, an increase from the present 50 percent, with an increase from 55 percent to 70 percent for those who retire after 30 years. The bill's sponsor, Senate President John Russo, insists this sweetener of the state's most generous public employee retirement plan not only could be accomplished "without breaking the backs of the taxpayers," there would be a savings of more than $19 million in the first year of the increase.

That sounds like a free lunch. But the League of Municipalities — which opposes this bill as well as that perennial legislative election-year favorite, 20-and-out for police and firefighters — says the proposal really is a $2.7 billion giveaway, calculating that it would cost $21 million in the first year or $2.7 billion over 30 years. The savings Russo talks about would come from refinancing the existing debt of the Police and Firemen's Retirement System and changing the way cost-of-living increases are accounted for — "magic money," the league says, created through "illusion."

In fact, there is no such thing as a free lunch and the taxpayers know it, even if the Legislature prefers to look the other way when the subject is pensions. Pension officials say there is money to be saved by refinancing public employee retirement funds. But taxpayers never will see such savings if legislators use them to increase pension benefits.

From the legislators' standpoint, the beauty of increasing state pension benefits is that it makes the eventual recipients (and their families) happy — and the bill for this good will doesn't come due until someone else is balancing the budget. But the bills already are piling up. This year's state budget includes $1.25 billion for public employee pensions — more than the cost of the entire state government 20 years ago. And with every pension program improvement — and improvements in one state program lead to pressure for improvements in all plans — the burden for the taxpayer gets heavier. A League of Municipalities official has warned that soon one generation of taxpayers will be paying for two generations of retired state employees.

There's no quarrel with decent pensions for state employees. But the Legislature's penchant for passing out new pension perks — even in a non-election year — is outstripping the taxpayers' ability to pay for them.

Home News Publishing Co

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TABLE OF CONTENTS

NEW JERSEY STATE LEAGUE OF MUNICIPALITIES

407 WEST STATE STREET, TRENTON, N.J. 08618 (609) 695-3481

JOHN E. TRAFFORD, *Executive Director* WILLIAM G. DRESSEL, JR., *Asst. Executive Director*

INTRODUCTION REMARKS

The proposed legislation identified as S-2602 and A-3421 is designed to enhance mobility within the uniform ranks of police and firemen and encourage retirement. At the same time, uniform personnel, police and fire, oppose the concept of mandatory retirement at age 65. Incentives to encourage retirement and opposition to mandatory retirement is a **paradox.**

We are told that enhanced benefits are required because of stress levels on uniform services and therefore, early retirement is necessary. At the same time, members of the Police and Fire Retirement System are the only local public employee group where one can retire from (PFRS) and then continue to work for the same or another governmental unit in the State. Stress and burn out causing a need for retirement, but yet maintain the privilege of continued working for government is a **paradox.**

We are told that being a member of the uniform services is dangerous and life threatening. We look at statistics and we find that the death rate per thousand for uniform services is below that of many other occupations, both public and private. Dangerous job, but statistically unsupported by death per thousand by occupation is a **paradox.**

We are informed that many legislators support the concept of enhanced benefits for uniform services. The League is yet to see one study indicating the necessity for enhanced benefits. Why astute and educated legislators would support legislation without empirical is a **paradox.**

Governor Kean's 1988 report on the Economy of New Jersey reveals that New Jersey unemployment continues to be lower than that of the nation. In fact, the daily newspaper as well as numerous other services report a critical shortage of applicants. Last month, Pequannock Township advertised for the position of police officer and received over 300 applicants clearly indicating no shortage of applicants. More than 300 applicants during a time of critical labor shortage is a **paradox.**

The State Treasurer along with numerous others have reported on the escalating costs of providing health benefits. It appears that health benefits costs have more than doubled in the short span of less than 10 years. Senate 2602 and Assembly 3421 would encourage early retirement thereby increasing the number of retirees receiving full medical benefits. Escalating medical costs passed onto local property taxpayers through an incentive program adopted by the State Legislature thereby directly increasing property taxes? This is a **paradox.**

PFRS is one of the richest system providing benefits in the nation. The benefits provided to members of PFRS are far superior to those offered to other public employees within the State or among states. Senate 2602 and Assembly 3421 would provide enhanced benefits at a cost of $21 million dollars first year and $2.7 million lifetime cycle to an already rich benefit system. Enhanced benefits provided on top of an already "top-drawer" system while providing no benefits to the more than 240,000 PERS members and the 110,000 TPAF members is a **paradox.**

There are 31,525 active members of the Police & Fire Retirement System. The proposed legislation would provide enhanced benefit to this small group of public employees. There are also 349,553 members of TPAF and PERS which is more than ten times the number of Police and firemen. The proposal to provide significantly enhanced benefits to a small select group while ignoring 349,553 public employees is a **paradox.**

The current replacement ratio for the Police and Fire Retirement System when struck at mid-point of retirement, inclusive of Social Security benefits is 100% or greater. The replacement ratio for members of the Teachers Pension & Annuity Fund or the Public Employees Retirement System when struck at mid-point of retirement and inclusive of Social Security is approximately 55%. Legislation that would enhance the replacement ratio for a select group to greater than 100% while ignoring industrial and other sector trends in the State and nation is a **paradox.**

What is a **paradox?** As defined by Webster it's two conflicting positions that may ultimately both be correct. It is possible that sound business and economic reasons why this bill should not pass will fall on deaf ears and legislators could provide enhanced benefits to a select few while alienating hundred of thousands. Those events could occur, but the League of Municipalities along with numerous newspaper editors, business people around the State and many elected Mayors and governing bodies suggest that passage of S-2602 and A-3421 constitute poor legislation and bad faith. The SLERP Report suggests reform of the taxing system. The Governor's Blue Ribbon Pension Study Commission suggested reform and not what is found in the proposed legislation. This is a **paradox.**

NEW JERSEY STATE LEAGUE OF MUNICIPALITIES
407 WEST STATE STREET, TRENTON, N.J. 08618 (609) 695-3481
JOHN E. TRAFFORD, *Executive Director* WILLIAM G. DRESSEL, JR., *Asst. Executive Director*

December 7, 1988

Honorable Anthony J. Cimino
Assemblyman, 14th District
1801 Nottingham Way
Hamilton, New Jersey 08619

RE: 65 at 25 PFRS Enhanced Benefits
S-2602/A-3421

Dear Assemblyman Cimino:

On behalf of the League of Municipalities and as Chairman of the Pension Committee, I wish to respond to your November 28, 1988 letter. As a prime sponsor of A-3421 I appreciate this opportunity to correct your misunderstanding and to establish the record. The information you have been provided is incorrect and therefore the bases of the proposed legislation is faulty. First let me suggest that you read the attached article entitle **"Pension Reform or Magic Money"**. You will note from the attached article the proposed legislation does not add one additional cent of new revenue to the system. Instead through the use of formula changes, refinancing and cost shifting it makes one believe that "savings" result. That is simply incorrect for what the bill actually does is sacrifice on that altar of the immediate higher future costs. The purported savings which you indicate have been confirmed by the State Treasurer and Division of Pensions are illusionary.

You refer to the proposed legislation as reform by stating; "included in this legislation is a new definition of "police" and "fireman" which for the first time will restrict eligibility for PFRS membership only to those public employees...standards." This statement is incorrect because when the initial system was established in 1944 it was only for Police and Firemen. Legislators have yielded to pressure from bargaining groups thereby including titles under PFRS that had no relationship to the original intent of the pension system. The League very much supports restricting future membership based upon valid job functions, but we question the ability of the State Legislature to withstand lobbying pressure from police unions. The past record demonstrates that annual modifications to the system are amended each year and all of these modifications fall directly on the property taxpayers. Therefore, we suspect use of the term "reform"

In summary, the proposed legislation does not constitute "reform legislation" resulting in "savings". It is a form of cost shifting that provides enhanced benefits to a select group at the expense of the local property taxpayer. Currently, the defined benefits provided under PFRS classified are among the most generous in the nation. Passage of the proposed legislation will not relieve fiscal pressure on government officials but will in fact intensify stress and increase costs to local government. On behalf of the League of Municipalities I would request that you withdraw your support for the proposed legislation.

Respectfully,

L. Mason Neely

L. Mason Neely
Chairman, League Pension
Committee and Finance Director
Township of East Brunswick

LMN/np
Wed/6
cc: William Dressel, N.J. State League of Municipalities
File

Attachment/Reprint of Article - Pension Reform or Magic Money

THE ASSEMBLY
STATE OF NEW JERSEY
TRENTON

ANTHONY J. CIMINO
ASSEMBLYMAN, 14TH DISTRICT
MERCER-MIDDLESEX-SOMERSET COUNTIES
1801 NOTTINGHAM WAY
HAMILTON, NEW JERSEY [illegible]
[illegible]
[illegible]

COMMITTEES
MEMBER, STATE GOVERNMENT
MEMBER, SELECT COMMITTEE ON LAND
USE & PLANNING

November 28, 1988

RECEIVED
FINANCE OFFICE

L. Mason Neely
Finance Director-Township of E. Brunswick
1 Jean Walling Civic Center
E. Brunswick, NJ 08810218

Dear Mr. Neely:

Thank you for your letter regarding S2602/A3421 which would increase the police and firemen's pension by 5%.

I am a prime sponsor of A3421 and if you will take the time to read this letter I am sure you will see that there are misunderstandings about the provisions and the fiscal impact on municipalities. I hope the following explanation will clear up the misunderstandings.

The pre-funding of Cost of Living Adjustments (COLA) is a reform long sought by the League of Municipalities. It removes the year-to-year problem for municipalities which are forced to write two checks to the retirement system; one to pay its normal cost obligation and the other to pay for the COLA. By treating COLAs as employer obligations and funding them over the life of the retirement system, we are providing immediate relief to municipalities with larger and more mature public safety departments and long-term savings to towns with smaller and younger departments. All municipalities will be establishing a reserve to fund COLA costs and will enjoy the attendant benefits of investment earnings on those reserves.

By refinancing the accrued liability of the PFRS, we are consolidating all of the normal cost and past-service obligations of the retirement system and funding them at a dependable and predictable level percent of salaried compensation.

Together with a connservative earnings assumption of seven percent--already endorsed by the State Treasurer--this refinance will save hundreds of millions of dollars over the 30-year amorization period selected by the Division of Pensions.

The League objected to the State's shifting to municipalities its costs for the special retirement benefit enacted in 1979 when the 20-and-out bill was being debated. In response to those objections, I have retained the State obligation in this bill such that the State will continue to assume its portion of this cost over the life of the retirement.

Also during the 20-and-out debate, the League justifiably expressed concern that the liabilities of PFRS were inflated due to membership in the system by public employees who did not fulfill vital public safety functions. As the result of those concerns, included in this legislation is a new definition of "policemen" and "firemen" which for the first time will restrict eligibility for PFRS membership only to those public employees who meet specific training requirements and established mental and physical fitness standards. The Division of Pensions estimates that this new definition will decrease PFRS membership by 20% or nearly 6,000 employees.

The League was also concerned over the 20-and-out bill with the creation of this new retirement benefit. It was argued that the first year cost of over $47 million was prohibitive and that establishing any new retirement benefit was without sufficient justification. On the basis of that concern, 20-and-out has been rejected in this bill and instead a modest five percent increase has been included in the already established special retirement benefit.

The cost of this benefit is less than half of what it would have been under 20-and-out and according to the Division of Pensions and the State Treasurer other provisions in this bill will cover the annual cost of the benefit, but would also save the system money.

I hope this explanation is satisfactory and I feel this bill will not only benefit those who serve in demanding, stressful public service jobs, but it will also relieve the fiscal pressures our mayors and councilpersons labor with year in and year out.

Sincerely,

Anthony J. "Skip" Cimino
Assemblyman-14th District

AJC/jp

NEW JERSEY STATE LEAGUE OF MUNICIPALITIES

407 WEST STATE STREET, TRENTON, N.J. 08618 (609) 695-3481

JOHN E. TRAFFORD, *Executive Director* WILLIAM G. DRESSEL JR., *Asst. Executive Director*

September 7, 1988

Honorable Larry S. Weiss
Members of the Senate Revenue
and Finance Appropriation Committee
Trenton, New Jersey

RE: Senate Bill No. S-2602

Honorable Larry S. Weiss:

It is my privilege to address the proposed amendments to the Police and Fire Retirement System envisioned through Senate 2602. This legislation is a very complicated and would have far reaching impact on the Police and Fire Retirement System (PFRS). Therefore, the League of Municipalities has spent a great deal of time examining the proposed legislation, meeting with staff and with the administration through the Division of Pensions. We have come to a conclusion about the current legislation as drafted.

This legislation if passed would provide enhanced benefits to a select few. PFRS would be taking on new liabilities of approximately $232,000,000 which represents a first year's cost of $23 million dollars. A $23 million dollar first year cost without demonstrated need. Currently, there are 2,856 members of the PFRS system that could retire today. They have elected to continue working. There are an additional 3,651 members eligible to retire within the next year or two. This is a total of 20% of the current membership now eligible for retirement. Based upon past experience a high percentage of these individuals will retire. The argument that new benefits are needed to provide a younger and more able police force simply are not true. Not one political subdivision in the State of New Jersey has difficulty recruiting individuals. There is no demonstrated need for the enhanced benefits to members of PFRS.

From the current membership of PFRS, approximately 5,000 of those are State employees. This represents 16% of the members. If the State wishes to negotiate and provide increased compensation to State employees that is one consideration, but local governments are not pleased to have the State negotiate additional compensation for local employees at the expense of local government.

The current ratio of replacement for the PFRS is significantly better than Public Employees Retirement System (PERS). The members of PFRS receive considerable more benefits and if the State were to grant additional benefits to PFRS members this would further widen the gap between the two systems. One should recognize that approximately 115 local municipalities continue to participate in PERS. Why would you consider giving enhanced benefits to a partial segment of the public safety community? Why should a police officer in one community receive significantly less benefits than a police officer in an adjacent community simply because one is a member of PFRS? That question has not be answered, but if this legislation is passed it causes greater disparity between the two systems. That simply is an unfair burden to be placing on the PERS communities.

The proposed funding mechanism would increase assumed interest rates from the current 6-3/4% to 7.0%. The reason the current rate is 6-3/4% is not because of sound economic but a political decision as a result of Chapter 198, Public Laws of 1982. In that legislation enhanced benefits were provided without adequately clarifying who should pay for said benefits. The State Treasurer arbitrarily increased the assumed interest rate to cover those costs. If an assumed interest rate of 6-3/4% or 7% were realistic then that same assumed interest rate should apply to PERS. That by itself would save significant dollars for all local governments.

Finally, the proposed legislation would shift costs from the State to local governments and among local governments. Currently, the method of funding COLA falls upon those communities that have retired the individual officer. The proposed system would shift that responsibility from the generating agency to all levels. That is unfair to expect other communities to pick up the costs of COLA initiated by the State. The proposed method of funding COLA is unjust and needs to be revisited in a separate and distinct piece of legislation. The concept of funding COLA is one that the League supports but not under this current methodology. We can not support this legislation.

Respectfully submitted,

L. Mason Neely
Chairman, League Pension
Study Committee

Valuation Date	6/30/85	7/1/86	7/1/87
Number of Members	28,723	29,770	31,525
Annual Compensation	$ 793,004,093	$ 878,609,419	$ 992,582,791
No. of beneficiaries	8,503	9,216	9,953
Annual Allowances	93,889,655	108,954,040	124,239,447
No. of vested terminated members	43	61	58
Total value of assets	2,522,118,860	2,917,039,085	3,380,253,189
Normal cost rates			
State & Local Employees	14.94%	16.01%	16.64%
State Chapter 109 P.L.1979	1.85%	1.90%	1.96%
Contributions			
State & Local normal cost	116,704,376	138,811,225	164,156,964
Accrued liability	9,608,675	9,788,129	9,915,033
Total	$ 126,313,051	$ 148,599,354	$ 174,071,997
Additional State Chapter 109, P. L. 1979	14,451,347	16,473,538	19,311,269

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NEW JERSEY STATE LEAGUE OF MUNICIPALITIES

407 WEST STATE STREET, TRENTON, N.J. 08618 :: (609) 695-3481

JOHN E. TRAFFORD, *Executive Director* WILLIAM G. DRESSEL, JR., *Asst. Executive Director*

September 19, 1988

Senate President John F. Russo

RE: Senate Bill 2602

Dear Honorable Senator Russo:

I am responding to your September 13, 1988 letter to Mr. William G. Dressel, Jr., Assistant Executive Director League of Municipalities. As the Chairman of the Pension Study Commission, I believe we can answer your specific concerns. Before responding I want to express our appreciation for the meeting scheduled for Wednesday, at 11:00 a.m. We have high expectations that meeting will be productive.

You are correct that before the Senate Revenue Finance and Appropriation Committee, I did indicate; "with a few minor amendments, the League would be in a position to support the bill". The minor amendments are according to the following.

1. The League has not been convinced nor seen justification for benefit improvements that are provided by the bill. Therefore, if the replacement ratio of 65% is to be granted at a first year cost of $21,899,820 then said benefit improvements should be paid for by the State of New Jersey. We are convinced that local governments will not receive any additional productivity and the rate of retirement will not perceptibly be altered as a result of the benefit. In fact, we are concerned that the difference between the PFRS and the PERS will be further magnified and result in increasing pressure on local employers to permit conversion.

2. The second amendment required in order for our support to be placed behind the bill is the method of funding COLA must be altered. I will provide further information on our proposal after I have responded to the remaining questions contained in your letter of the 13th.

Your second request asks for actuarial analysis of Senate 2602. When we initially met with Steve D'Amico on June 10, 1988 we had anticipated providing detailed information on Police and Fire Retirement benefits throughout the country. An outline of a proposed study had been made with the firm of Foster Higgins and there was general agreement as to how that study would work. On August 5th I received a telephone call from Mr. Ed Friend who handles the public section of Foster Higgins indicating they are about work for the State of New Jersey and considered working for the League a conflict of interest. Please note attached is a copy of an August 18th letter stating that the work proposed on a nationwide basis on Police and Fire Retirement Systems can not be undertaken by the firm of Foster Higgins because it would represent a conflict of interest. The information we hoped to obtain is valid information and therefore Bill Dressel has asked that Doug Forrester consider expanding the contract with Foster Higgins to include the nationwide study of Police and Fire Retirement systems.

Specifically, the League has employed the services of Mr. Joseph Zatto, Senior Vice President for Alexander and Alexander. Mr. Zatto has 32 years of field experience and is a fellow in the Association of Actuaries and will speak specifically to the proposals presented by the League as he will be present for the meeting on the 21st.

You have questioned comments made in my September 7, 1988 letter to Chairman Weiss with regards to the assumed interest rate. You asked if we believe that the assumed interest rates should be statutorily mandated. The answer is no. We believe the administration of the systems requires the ability to establish reasonable assumed interest rate based upon earnings history and salary assumptions. The League recognizes that the assumed interest rate is one calculation used in the complex program that ultimately results in determining employer's obligation during an annual period. We also recognize that there is a direct relationship between the salary assumption and one must be mindful of that relationship. We do not believe that the State Treasurer should arbitrarily use administrative powers to raise the assumed interest rate for one system simply to accommodate a political advantage. To that extent, the comparison of the assumed interest rate for the Police and Fire Retirement System with that of PERS was for illustrative purposes.

Fundamental questions contained in S2602 are basically two and the first one deals with benefit enhancement and I have already touched on that matter. The second deals with alternate methods of funding COLA costs. Currently, the COLA costs are being funded on a pay as you go basis which we all recognize is the least desirable. For more than eight years, the League of Municipalities has requested that the State Legislature permit an alternate method of funding COLA. We have endorsed the concept that past liabilities should be booked and funded systematically and future liabilities should be pre-funded as part of ongoing requirements. This current generation will be responsible for costs generated rather than deferring costs onto our children and grandchildren. The following is a summary of the League's proposal for funding COLA.

LEAGUE'S PROPOSAL

To change the interest rate assumptions is really a question of timing as much as a question of earnings. If the system in fact earns higher interest than anticipated then said earnings will result in lower future contributions required by the employer. By changing the assumed interest rate now, it permits the system to lower employer contributions immediately. That action should not be used to provide benefit enhancements to the employees. The League is willing to consider a change in the assumed interest rate to the extent that the change is used to finance COLA costs under the following terms. Past service liability can be identified by individual agency which generated the liabilities. Those identifiable liabilities should be identified, booked and then built into the funding formula. Each individual agency should be responsible for payment of their own past service liabilities and not spread among the system. The individual agencies would be granted a 40 year period to fund accrued liabilities. Such a computer calculation is relatively routine in the industry and something that could be accomplished.

The League recognizes that absent any other change, this method could cause increased employer contributions which would be found to be unacceptable. Therefore, the League suggests that the current method of valuing the system be changed from book entry values to average market value. This would permit the system to take advantage of approximately three hundred million dollars worth of assets and at the same time book the additional liabilities. It is our contention that a change from book value to average market value, will permit a one time gain in the system that may on an actuarial basis almost equal the past service liability.

The League also endorses the concept of pre-funding future COLA costs as a percent of pay. The pre-funding of COLA would move forward with future liabilities as a percent of pay. To accomplish this we suggest that the assumed interest rate be changed from the 6-3/4% to 7%. Of course we recognize that during the early years, the asset value of the system will accumulate slowly but based upon the assumption that the salary base will increase and the number of participants will decrease it is reasonable to expect that upon maturity the system will be completely be pre-funded with regards to defined benefits and COLA.

In summary, the League suggests the following:

1. If improved benefits are to be granted they should be paid for by the State because there is no foundation or support for improved benefits.

2. Past service liabilities should be booked and paid for by the generating agency.

3. **Past service liabilities and past accrued liabilities could be refinanced over a period of 30 years.**

4. **The system should change from book value to average market value to realize the one time gain to the system in order to soften the impact of booking the liabilities.**

5. Future liabilities for COLA costs should be booked and paid for as a percent of payroll.

6. The assumed interest rate could be changed from 6-3/4% to 7% taking earnings into the system immediately in order to soften the employer's costs of pre-funding COLA.

7. All new members have a uniform percentage contribution rate of 8.5% but past members continue their contribution level as established upon entrance into the system.

Respectfully submitted
on Behalf of the League of
Municipalities,

L. Mason Neely

L. Mason Neely

LMN/np
Monday/2-5
cc: William G. Dressel, N.J. State League of Municipalities
Joseph Zatto, Alexander and Alexander
File

F

Township of East Brunswick

Department of Finance
L. MASON NEELY
Director

July 11, 1988

Mr. Harry Purnell
Senior Actuary
Foster and Higgins
Princeton Office
212 Carnegie Center
Princeton, New Jersey 08543

RE:

Dear Mr. Purnell:

As a follow up to our brief telephone conversation of July 6th. When I made reference to the 1988 Pension Commission Clearinghouse Report on State Pension Commissions and the proposal State Senate Bill identified as 2602. The proposed legislation would provide enhanced benefits to members of the police and fire retirement system (PFRS). The benefits would be provide an increase in their pension of an additional 5% based upon final or highest years salary. Currently, a member of the PFRS may retire after 25 years of service regardless of age and commence collecting a pension of 60% of their final or highest years salary. If they work beyond the 25 year period they receive an additional 1 percentage point of credit towards retirement up to a maximum of 65%. The proposed legislation would increase the base from 60% to 65% representing something on the order of $150,000 for the average retiree. The benefit is estimated to cost system wide in excess of $21 million dollars the first year. Based upon my understanding of comparable pension systems, New Jersey represents a rich system as measured by replacement ratios.

The proposed legislation would reset the entry age normal from the prior date of 1971 to a 1988 date. This would lower the employer costs for normal retirement from the current 16.8% of payroll to 10.6% of payroll. Unfunded liabilities would then be aggregated and funded over a thirty (30) year schedule. Also, the assumed interest rate would change from 6.75% to 7.0%. The net result is a lower annual contribution but increased over all costs to local governments ie. property taxpayers. There is not one new additional dollar added to the system but simply formula changes and reallocation of costs to make it appear that the system costs less inclusive with the new benefit.

1 Jean Walling Civic Center, P.O. Box 218, East Brunswick, New Jersey 08816-0218

(201) 390-6860

The League of Municipalities is opposing this legislation and we are seeking information to share with the Senate Appropriation and Finance Committee. This bill will be considered for a vote in September. Because Foster and Higgins have already collected the data on various state pension systems in a format that could be quickly utilized I wonder if you could cooperate with the N.J. State League of Municipalities and modify some of your information along the following lines. Make a comparison of the benefits through public safety retirement systems offer. To the best of my knowledge, this type of report has not been collected and some of the areas of concern are: Is there an age qualification required, what is the replacement ratio, do other systems have a cost-of-living adjustment, do members of the system participate in social security, what is the employee's contribution rate, what is the employer's contribution rate and finally what are the minimum number of years required before a member of the system can commence drawing a pension. To collect this information on all 50 states may be too comprehensive therefore, maybe we should consider a selective sample of states. Those are some of the areas of interest we have and we are wondering if we can work together to develop this information so that we can effectively provide intelligent testimony to the State Division of Pensions.

Respectfully submitted
Chairman of League Pension
Study Commission,

L. Mason Neely
Finance Director

LMN/np
1006D/67
cc: William Dressel, N.J. State League of Municipalities
Jack Trafford, N.J. State League of Municipalities
File

LEAGUE'S EVALUATION OF PROPOSED COST SHIFTING AS CONTAINED IN S2602

Year	Cost of Benefit Improvement	Shifting Cost	Total Shift	Current Ad Hoc	Ad Hoc vs Benefit	Total Payroll	Shift % of Pay	COLA % of Pay
1987	$21,899,820	$19,095,000	$40,994,820	$22,092,099	$192,279	$986,520,219	0.0415549719	0.0223939647
1988	$22,906,051	$18,637,000	$41,543,051	$25,792,550	$2,886,499	$1,031,847,864	0.0402608296	0.024996466
1989	$23,948,115	$20,680,000	$44,628,115	$29,829,408	$5,881,293	$1,078,789,675	0.0413686694	0.0276508097
1990	$25,015,163	$22,659,000	$47,674,163	$34,201,996	$9,186,833	$1,126,856,936	0.0423072011	0.0303516754
1991	$26,107,862	$24,564,000	$50,671,862	$38,921,630	$12,813,768	$1,176,079,681	0.0430853987	0.0330943818
1992	$27,227,005	$26,369,000	$53,596,005	$43,999,524	$16,772,519	$1,226,307,190	0.0437052033	0.0358796913
1993	$28,375,056	$28,095,000	$56,470,056	$49,462,812	$21,087,756	$1,278,209,880	0.044179017	0.0386969408
1994	$29,533,182	$29,749,000	$59,282,182	$55,338,857	$25,805,675	$1,331,280,841	0.0445301849	0.0415681315
1995	$30,764,276	$31,321,000	$62,085,276	$61,631,493	$30,867,217	$1,385,836,962	0.0447998413	0.044472398
1996	$32,011,479	$32,786,000	$64,797,479	$68,323,554	$36,312,075	$1,442,019,626	0.0449352268	0.0473804605
1997	$33,285,791	$34,009,000	$67,294,791	$75,423,457	$42,137,666	$1,499,423,516	0.0448804426	0.0503016367
1998	$34,592,144	$35,036,000	$69,628,144	$82,971,521	$48,379,377	$1,558,270,767	0.0446822559	0.0532452946
1999	$35,936,464	$35,900,000	$71,836,464	$90,984,916	$55,048,452	$1,618,228,275	0.0443755926	0.0562041301
2000	$37,325,589	$36,548,000	$73,873,589	$99,387,716	$62,062,127	$1,681,404,121	0.0439356526	0.0591099535
Sub Total	$408,927,997	$395,448,000	$804,375,997	$778,361,533	$369,433,536	$18,421,675,553		
2001	$38,755,905	$36,860,000	$75,615,905	$108,153,687	$69,397,782	$1,745,335,516	0.0433121587	0.0619495285
2002	$40,237,539	$36,865,000	$77,102,539	$117,258,759	$77,021,220	$1,812,578,593	0.0425374874	0.0646916826
2003	$41,781,542	$36,631,000	$78,412,542	$126,710,358	$84,928,816	$1,882,131,244	0.0416615697	0.0673228067
2004	$43,399,584	$36,202,000	$79,601,584	$136,485,141	$93,085,557	$1,955,019,110	0.0407165248	0.0698126889
2005	$45,086,601	$35,445,000	$80,531,601	$146,573,876	$101,487,275	$2,031,014,033	0.0396509319	0.0721672823
2006	$46,844,346	$34,311,000	$81,155,346	$156,978,612	$110,134,266	$2,110,195,158	0.0384586922	0.0743905659
2007	$48,251,959	$28,056,000	$76,307,959	$167,680,630	$119,428,671	$2,173,603,826	0.0351066547	0.0771440628
2008	$49,882,099	[illegible]	[illegible]	$178,631,974	$128,743,875	$2,247,306,941	0.0324130619	0.0794871278
2009	$51,825,153	[illegible]	[illegible]	$189,814,936	$137,989,828	$2,334,565,554	0.0306370313	0.0813063423
2010	$54,077,163	$18,350,000	[illegible]	$201,215,144	$147,138,281	$2,436,011,500	0.0297318642	0.0826006367
2011	$56,607,576	[illegible]	[illegible]	$212,681,405	$156,073,829	$2,549,998,935	0.029359846	0.0834045374
2012	$59,362,223	[illegible]	[illegible]	$224,178,525	$164,816,302	$2,674,087,366	0.0254857877	0.0838336577
2013	$62,303,633	[illegible]	$71,565,633	$235,716,057	$173,412,424	$2,806,588,941	0.0254991502	0.0839866692
2014	$65,411,275	[illegible]	[illegible]	$247,261,850	$181,850,575	$2,946,578,770	0.0253998778	0.0839148956
2015	$68,630,334	$9,045,000	$77,675,334	$258,814,821	$190,134,487	$3,093,839,899	0.0251226103	0.083654885
2016	$72,114,123	$9,095,000	$81,209,123	$270,355,830	$198,241,707	$3,248,521,663	0.0246909614	0.0832242657
2017	$75,719,809	$0	$75,719,809	$281,866,122	$206,146,313	$3,410,946,831	0.0221990587	0.0826357419
2018	$79,503,800	$0	$79,503,800	$293,252,781	$213,748,981	$3,581,494,172	0.0221985005	0.0818800107
2019	$83,481,090	$0	$83,481,090	$304,777,936	$221,296,846	$3,760,568,881	0.0221990589	0.0810456996
2020	$87,655,144	$0	$87,655,144	$316,175,371	$228,520,227	$3,948,597,325	0.0221990588	0.0800728322
2021	$92,037,902	$0	$92,037,902	$327,510,952	$235,473,050	$4,146,027,191	0.0221990589	0.0789939228
2022	$96,639,797	$0	$96,639,797	$338,820,434	$242,180,637	$4,353,328,551	0.0221990589	0.0778302005
2023	$101,471,786	$0	$101,471,786	$350,114,642	$248,642,856	$4,570,994,978	0.0221990587	0.0765948428
2024	$106,545,376	$0	$106,545,376	$361,414,073	$254,868,697	$4,799,544,727	0.0221990589	0.0753017408
2025	$111,872,645	$0	$111,872,645	$372,776,104	$260,903,459	$5,039,521,964	0.0221990589	0.0739705287
2026	$117,466,279	$0	$117,466,279	$0	($117,466,279)	$5,291,498,062	0.0221990593	0
2027	$123,339,591	$0	$123,339,591	$0	($123,339,591)	$5,556,072,965	0.0221990589	0
2028	$129,506,570	$0	$129,506,570	$0	($129,506,570)	$5,833,876,613	0.0221990588	0
2029	$135,981,899	$0	$135,981,899	$0	($135,981,899)	$6,125,570,444	0.0221990589	0
2030	$142,780,994	$0	$142,780,994	$0	($142,780,994)	$6,431,848,966	0.0221990589	0
Total	$2,737,557,739	$763,674,000	$3,501,231,739	$6,703,581,903	$3,966,024,164	$123,319,444,322	0.0283915627	0.0543594884

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August 5, 1988

Mr. William G. Dressel
N.J. State League of Municipalities
407 West State Street
Trenton, New Jersey 08625

RE: Police and Fire Retirement System

Dear Mr. Dressel:

Attached is a report issued by Foster and Higgins. Each year they evaluate State Pension Commissions and issue this type of summary report. To the best of my knowledge, they are the only pension actuarial consultants that do this extensive report. I have spoken with their public sector office and asked if they could do a similar report on police retirement systems "Public Safety Systems". After some negotiation, Mr. Edward H. Friend, who is head of their public sector indicated that they would produce a report very similar to this exclusively identifing police retirement systems for an amount of $6,000. plus $200 per state. Therefore, if we selected 30 states that would be a total cost of $12,000 for the report.

Based upon my research there has never been a comprehensive report comparing the pension systems offered to public safety personnel among the various states. It could be a very important document and would be very useful to legislators evaluating proposed pension enchancements or benefit restructuring. The nature of the report could list salaries, unit structure, ratio of replacements, detail the various types of benefits, evaluate the funding sources, delineate age qualification, report when individuals may commence drawing and report if cost of living adjustments are available and funded. To that extent, I would request that you work through the League and communicate with State agencies and possibly other non-profit groups that may be interested in this type of report. Mr. Friend indicated the report could be produced within approximately one months to six weeks. The report would require the representatives from Foster Higgins to go to each state selected and to verify the information and to produce a comprehensive report similar to the one produced on state pension systems in general. In particular this report would be very informative to the New Jersey Legislature as they evaluate the benefit structure provided to members of public safety services in New Jersey.

Respectfully,

L. Mason Neely

L. Mason Neely
Finance Director

LMN/np
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cc: File

P. S. I received a call today from Ed Friend and he said he could only work for the State. They have a contract to do Health Benefit Study and working for us would be a conflict of interest. Would you present this info to Doug Forrester and other State employees who may wish to see such a study.

A. Foster Higgins & Co., Inc.
125 Broad Street
New York, New York 10004
212 574 9000

Foster Higgins

August 18, 1988

Mr. L. Mason Neely
Director
Department of Finance
Township of East Brunswick
1 Jean Walling Civic Center
P.O. Box 218
East Brunswick, NJ 08816-0218
(201) 390-6860

Re: Proposed Survey of Benefits Received by Members of Police and Fire Retirement Systems Nationwide

Dear Mr. Neely:

As indicated during our conversation on Friday, August 5, it has been determined that doing work for the New Jersey State League of Municipalities would constitute a conflict with our work for the State of New Jersey.

It has been most pleasant conversing with you and I am hopeful that you will be able to develop your survey through an alternative route.

Kind regards and thank you so very much for the kind comments you have made respecting our national survey of state pension commissions and activities in the states as respects cash retirement income and post-retirement health care benefits.

Sincerely,

Ed Friend / js

Edward H. Friend

EHF/js
88-669

RECEIVED
1988
FINANCE OFFICE

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NEW JERSEY STATE LEAGUE OF MUNICIPALITIES

407 WEST STATE STREET, TRENTON, N.J. 08618 (609) 695-3481

JOHN E. TRAFFORD, Executive Director WILLIAM G. DRESSEL, JR., Asst. Executive Director

November 22, 1988

Mr. William Dressel
Executive Director
N.J. State League of Municipalities
407 West State Street
Trenton, New Jersey 08618

RE: Senate 2602

Dear Mr. Dressel:

Thank you for providing a copy of Mr. Montalbano's November 4, 1988 letter. Certainly, I can understand the concerns expressed by Mr. Montalbano and I believe he is sincere although misinformed. I trust this letter will respond to his allegations that half truths were reported. I will respond to each concern, item by item, and then if there is still misunderstanding I would suggest that we try a meeting or conference telephone call.

In response to his questions I offer the following:

1. He states that he personally will be impacted as a result of the uniform employee contribution rate being set at 8.5%. I believe he may well pay more and that is one of the problems when one establishes a uniform rate. Some individuals pay more and some pay less. The 8.5% represents an average. Currently, the average contribution by employees to the PFRS System is as I understand at 8.49% and therefore the level of 8.5% was established. I must point out that PFRS employees agreed to pay the costs of Chapter 198, Public Laws of 1982, and those costs have never been levied on the employees. Had the legislation been followed as intended, the average cost would not be 8.49%, but 10.24%. Therefore, the employer actually lost based upon the lower employee's contribution. So, when one looks at it on an individual basis, some individuals may pay more but on a system basis there is no increase in contribution.

2. He indicates that the cost-of-living adjustment would be picked up by the pension rather than the State under S-2602. In fact, the State of New Jersey has never agreed to pick up the cost-of-living payments nor have they funded it on an actuarial sound basis. By shifting the method of funding from the Ad Hoc (pay as you go) to a percent of pay basis, it does not increase or decrease the cost. It is simply a different method of funding, but one concern expressed in my article is cost shifting which is part of the refinancing of past service liabilities under S-2602. By shifting costs, the State is attempting to spread out the costs that would normally be associated with large past service liabilities onto new and suburban communities. We found that to be unfair. Also, the costs do not change; there is no free lunch.

3. The comment with regards to restriction to bonafide police and fire officers is certainly one that the League supports. In fact, in 1944 when the PFRS system was first established it was only for local governments bonafide police and firemen. Over the course of the last 40 years, the uniform groups have lobbied to increase the membership and thereby have created the system that exists today. Do we believe that the police and fire groups or other uniform personnel will cease their lobbying? Certainly, not and therefore in the next 20 years the same problem that exists today will probably reoccur. It is precisely because of these lobbying efforts that the League has suggested that the whole philosophical basis of pension financing and pension benefits be reconsidered as was recommended by the Governor's report in March of 1984. We support a broad based analysis and believe that abuses have resulted and will result in the future unless there is a restructuring of all of the pension systems.

4. The question with regards to Social Security is one that is not easily answered. The Division of Pensions has reported that 66% of current members of PFRS are also enrolled in Social Security and at other times I have heard the number as high as 75%. What we recognize is that more than 50% of those who are currently enrolled in the PFRS System are also enrolled in the Social Security System. This means the employer is not only paying the inordinate high costs of funding the PFRS System, but the employer is also required to match the employee's contribution for Social Security. If we assume 66% of those who are in the system are enrolled in both PFRS and Social Security then that constitutes a majority and our statements are correct.

5. The question of retirement at age 43 requires more than a singular approach. While the lowering of the age for one to initially enter the uniform services to 18 is a recent policy change, it does not preclude the fact that many individuals worked for the State under PERS membership and upon age qualification and passing of tests transferred from PERS to PFRS. Many of those that transferred were age 17 or 18 and therefore carried their prior service with them which permits them to retire at age 43. Also, one must recognize that not everyone who is a member of PFRS is a bonafide police and fire officer, in fact, people have retired at age 43 and the statistics that appear were correct. There has been no one that has reputed those findings.

6. Under the category of Employer Contribution, I am credited for statements that I don't recall making nor do I recall were in the article. Mr. Montalbano seems to be confused about a point we were making. Employer contributions are high because of the rich benefits provided to members of Police and Fire Retirement System. One of those rich benefits is to permit people to retire at a very young age after obtaining 25 years of service. Many of those individuals that retire in their 40's live for an additional 30 or more years. This means two generations of retirees collecting a pension and at the same time the employer is paying the third generation to perform work. This pyramiding of retirees on top of an active work force is a very expensive benefit. Part of that expensive benefit is the fact that when someone retires in their early 40's from the Police and Fire Retirement System they may seek work with another public agency. Therefore, they are able to receive pay from that public agency and at the same time collect a 100% of their pension from the Police and Fire System. This appears to be a form of double dipping that one should re-evaluate in light of member longevity and the new mortality tables used in establishing benefits.

In summary, I am not aware of any untruths or half truths contained in the article. I therefore would appreciate further clarification from Mr. Montalbano on any items he believes to be untrue. I think the League has been very straight forward in stating why we are opposed to S-2602. The reasons are numerous and have delineated in a number of places. We have never diminished or made disparaging remarks about the role Police and Fire fighters play in the public safety network. We recognize the great responsibilities placed upon police and fire officers. At the same time, the police and fire officers are granted the opportunity for binding arbitration to receive fair compensation for the services rendered and the police and fire officers in the State of New Jersey are some of the highest paid in the nation which demonstrates that the Mayor and Governing Bodies for New Jersey Municipalities respect the services provided by the uniform personnel. We have never commented that one should work more than 25 years before being able to retire and in fact the State through Chapter 109, Public Laws of 1979, recognized these people should commencing drawing a pension immediately upon retirement. The State agreed to fund that benefit. We concur with that action and believe the State should continue to fund their obligation. We also believe that the uniform personnel should avail themselves of the opportunity, but we do not believe that additional benefits should be provided over and above those which are already provided. As we have stated on numerous occasions PFRS is one of the richest systems in the nation and we believe the taxpayers of New Jersey can not afford additional costs.

Respectfully,

L Mason Neely

L. Mason Neely
Chairman, League Pension Study
Committee and Finance Director,
East Brunswick Township

LMN/np
Tuesday/4
cc: Lt. Robert J. Montalbano, Superior Officers Association,
Newark Police Department, 1 Lincoln Avenue, Newark, NJ 07104
File

Superior Officer's Association

NEWARK, POLICE DEPARTMENT
1 LINCOLN AVENUE
NEWARK, NEW JERSEY 07104
PHONE 733-6084 - 733-6087

"To Lead and Serve"

New Jersey League of Municipalities
407 West State Street
Trenton, N.J. 08618

Nov. 4, 1988

Dear League,

Recently read the article by L. Mason Neely in your November issue and found it full of misinformation concerning S-2602. To point out just some of these untruths I list the following:

Finance requirements for the PFRS - Mr Neely states there will be not a penny of additional financing to the system. The truth is the bill will call for a member contribution increasing to 8.5%. I currently pay close to $3,600 per year into my pension plan,this will increase with the implementation of S-2602.

COLA - Cost of living allowance will be picked up by the pension rather than the state under S-2602.

Restrictions- Future entry into PFRS will be restricted to bonafide police and fire officers under S-2602. A great savings to the state.

Social Security- Most people in PFRS do not pay social security while paying into PFRS. They have only their pension for existence not both.

Retire at age 43 - I doubt if anyone in this state has yet retired at age 43 with 25 years of service under PFRS as the lowering of the age to to 18 for employment for police and fire positions has been in place only in recent years. Most police & fire organizations were against this lowering of age.

Employers Contribution- Mr Neely states that one reason employer contribution percentages are so high is that members retire and go to work for another municipal or state agency. I'm sure Mr Neely knows if you retire and collect a pension from PFRS and then work for another participating agency you cannot again pay into PFRS and get another pension. You at that time pay social security only. If you're not paying into PFRS then the employer isn't either.

Superior Officer's Association

NEWARK, POLICE DEPARTMENT
1 LINCOLN AVENUE
NEWARK, NEW JERSEY 07104
PHONE 733-6084 - 733-6087

"To Lead and Serve"

There are other untruths and half truths in this article but, I'm sure Mr Neely and your editors know this. I'm sure Mr.Neely and the Leagues' editors are intelligent people who have researced this bill in depth. Why am I writing this letter then if I,Mr.Neely and you know this. I guess I'm saying if you are against this bill so be it. There is nothing I can say to change your mind. I simply ask to be truthful in your opposition or at least state your real reasons for being opposed to the bill.

I would someday like to see an individual like Mr. Neely or an organization as yours undertake a serious in depth effort in seeing what it is like to be a police or fireofficer on the streets of Newark for 25 years and then be able to truthfully say that 25 years is not enough and their pension benefit is to much. Thank you.

Sincerely,

Robert J. Montalbano

Lt. Robert J. Montalbano
Treasurer - Superior Officers Assoc.

60X

Township of East Brunswick

Department of Finance
L. MASON NEELY
Director

July 8, 1988

Mr. William Dressel
N.J. State League of Municipalites
407 West State Street
Trenton, New Jersey 08625

RE: Senate Bill 2602
Modifications to the Police and Fire Retirement System

Dear Mr. Dressel:

The proposed refinancing does not provide additional or new money to the system, it simply stretches out the payment period thereby lowering the annual payment but increasing the overall cost to the system. For example, the current normal contribution for which local employers are responsible is established at a rate of 16.8% of pay. That rate results from the prior entry age which was established in 1971 and subsequent to that time there have been modifications that have caused the rate to increase. Example of those modifications are: Increased benefits granted by the State Legislature, missed salary assumptions which resulted in a loss to the system, longer life of members creating a loss in the actuarial value. But, there is no question about who pays for additional benefits if they were granted through Senate 2602. Local governments are responsible to pay 95% of all costs.

The potential for system gains were somewhat nullified when the State Treasurer increased the assumed interest rate on earnings from 6.5% to 6.75% to cover the cost of Chapter 198 Public Laws of 1982. You will recall the employees had lobbied for the benefit found in Chapter 198 and agreed to pay for same if the system did not have sufficient earnings. The State Treasurer never certified the cost to the Division of Pension to be levied against the employees, but instead increased the assumed interest rate to cover the cost of the benefit provided by Chapter 198. The benefit provided by Chapter 198 was the final or highest years salary as the base for establishing the pension.

This legislation would reset the entry age thereby lowering the normal contribution rate from the current 16.8% to 10.6%. But, the cost which represented the difference between 16.8% and 10.6% have not gone away but will be classified as accrued liabilities. Since not one new dollar of revenue is added to the system by the proposed legislation the day of reckoning is passed onto the future. In fact, the probability of losses to the system is equally high if the proposed legislation were to pass because the assumed interest rate is again raised (6.75% to 7.0%). In the past when that rate was at 6.50% there was a much higher probability that interest on investments would be greater and those savings represented gains to the system thereby lowering the employers costs.

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The following represents questions to be asked of the State Division of Pension. There is a need for clarification on the proposed legislation. One is the question of compensation (replacement ratios), the second is liabilities and the third is allocation.

COMPENSATION - Replacement Ratio

If an additional 5% retirement compensation is granted to members of the Police and Fire Retirement System (PFRS), it represents a direct payment increase to those individuals. It is anticipated to be a benefit of something on the order of $150,000 per employee. That payment is made by the local employer. Why is the State introducing legislation to grant increased payment to local employees? These benefits are contrary to the wishes and desires of local employers? Questions that need to be asked are: What is the justification for the additional 5%? Who initiated this request? What impact will this enhanced benefit have on other public pension systems? Finally, if the State wishes to grant additional compensation to members of the PFRS, they should pay for the enhanced benefit from the State budget.

LIABILITIES

Attached you will find a table prepared by the State Division of Pensions. This table was provided by Mr. Forrester and I believe it is important that these assumptions used in the table be reduced to writing so there is no misunderstanding. Is there a change in the assumed interest rate? What is the impact on the earnings used when calculating the valuation? There is not one additional dollar of new revenue provided under the proposed legislation, yet, the legislation would have one believe that by changing formulas some magic occurs and there is going to be surplus revenues. To that extent, they proposed funding a $21 million dollar benefit to the police and fireman at the expense of local employers. It should be recognized at the very start that there are no savings. Whatever it costs to provide the benefits and fund the systems is what will be charged to local employers. The proposed legislation reallocates the costs of funding liabilities thereby increasing significantly these costs.

ALLOCATION

Before we can ask question on allocations, we need to review the additional information requested.

Respectfully,

L. Mason Neely

L. Mason Neely
Finance Director

LMN/np
1006D/57
cc: File

62X

STATE OF NEW JERSEY
POLICE AND FIREMEN'S RETIREMENT SYSTEM
CURRENT LAW VS PROPOSED 30 YEAR LEVEL PERCENT OF PAY FUNDING
PRE FUND ALL COLAS 7% INTEREST

		CURRENT LAW CONTRIBUTION PROJECTION						PROPOSED 30 YEAR LEVEL PERCENT OF PAY CONTRIBUTION			
YEAR	COVERED PAYROLL	CURRENT NORMAL COST	ACCRUED LIABILITY PAYMENT	CURRENT STATE CH109 CONTRIBUTION	CURRENT AD HOC COLA	CURRENT TOTAL CONTRIBUTION		PROPOSED NORMAL COST	PROPOSED PAST SERVICE CONTRIBUTION	PROPOSED STATE CH109 CONTRIBUTION	PROPOSED TOTAL CONTRIBUTION
1987	$986,520,219	$164,156,964	$9,915,033	$19,311,133	$22,032,099	$215,475,229		$104,472,491	$74,186,320	$17,720,805	$196,379,616
1988	$1,035,846,235	[illegible]	$9,915,033	$20,276,690	$25,792,139	$228,348,675		$109,696,116	$77,895,636	$18,606,845	$206,198,597
1989	$1,087,638,541	$180,9[illegible],053	$9,915,033	$21,290,524	$29,827,614	[illegible]		$115,180,922	$81,790,418	$19,537,188	$216,508,528
1990	$1,142,020,469	$190,032,236	$9,915,033	$22,355,051	$34,197,190	$256,499,480		$120,939,968	$85,879,939	$20,514,047	$227,333,954
1991	$1,199,121,492	$199,531,816	$9,915,033	$23,472,803	$38,911,440	$271,833,092		$126,986,966	$90,173,936	$21,539,749	$238,700,651
1992	$1,259,077,567	$209,510,507	$9,915,033	$24,646,443	$43,980,273	$288,052,256		$133,336,314	$94,682,633	$22,616,737	$250,635,684
1993	$1,322,031,445	$219,986,[illegible]	$9,915,033	$25,878,766	$49,429,065	$305,208,896		$140,003,130	$99,416,765	$23,747,574	$263,167,469
1994	$1,388,133,017	$230,985,314	$9,915,033	$27,172,704	$55,283,128	$323,356,199		$147,003,287	$104,387,603	$24,934,952	$276,325,842
1995	$1,457,539,668	$242,534,601	$9,915,033	$28,531,339	$61,543,945	$342,524,918		$154,353,451	$109,606,983	$26,181,700	$290,142,134
1996	$1,530,416,651	$254,661,[illegible]	$9,915,033	$29,957,906	$68,191,745	$362,726,015		$162,071,123	$115,087,332	$27,490,785	$304,649,240
1997	$1,606,937,484	$267,394,[illegible]	$9,915,033	$31,455,901	$75,231,923	$383,997,154		$170,174,680	$120,841,699	$28,865,3[illegible]4	$319,881,703
1998	$1,687,284,358	$280,764,[illegible]	$9,915,033	$33,028,591	$82,701,420	$406,409,161		$178,683,414	$126,883,784	$30,308,599	$335,875,788
1999	$1,771,648,576	$294,802,[illegible]	$9,915,033	$34,680,021	$90,613,290	$430,010,667		$187,617,584	$133,227,973	$31,824,020	$352,669,577
2000	$1,860,231,065	$309,542,419	$9,915,033	$36,414,022	$98,887,192	$454,758,686		$196,998,463	$139,889,372	$33,415,221	$370,303,056
2001	$1,953,242,555	$325,019,561	$9,915,033	$38,234,723	$107,491,838	$480,661,155		$206,848,387	$146,883,840	$35,085,982	$388,818,209
2002	$2,050,904,683	$341,270,539	$9,915,033	$40,146,4[illegible]9	$116,397,366	$507,729,397		$217,190,806	$154,228,032	$36,840,281	$408,259,119
2003	$2,153,449,91[illegible]	$358,334,0[illegible]	$9,915,033	$4[illegible],153,782	$125,604,954	$536,007,835		$228,050,346	$161,939,434	$38,682,295	$428,672,075
2004	$2,261,122,411	$376,250,769	$9,915,033	$44,261,471	$135,084,069	$565,511,342		$239,452,864	$170,036,405	$40,616,410	$450,105,679
2005	$2,374,178,533	$395,063,308	$9,915,033	$46,474,545	$144,816,387	$596,269,273		$251,425,507	$178,538,226	$42,647,230	$472,610,963
2006	$2,492,887,460	$414,816,473	$9,915,033	$48,798,272	$154,794,158	$628,323,936		$263,996,782	$187,465,137	$44,779,592	$496,241,511
2007	$2,617,531,833	$435,557,297	$9,915,033	$51,238,186	$164,987,157	$661,697,673		$277,196,621	$196,838,394	$47,018,571	$521,053,586
2008	$2,748,408,425	$457,335,[illegible]	$9,915,033	$53,800,095	$175,335,306	$696,385,596		$291,056,452	$206,680,314	$49,369,500	$547,106,266
2009	$2,885,828,846	$480,201,[illegible]	$9,915,033	$56,490,100	$185,805,858	$732,412,911		$305,609,275	$217,014,329	$51,837,975	$574,461,579
2010	$3,030,120,288	[illegible]	$9,915,033	$59,314,605	$196,368,173	$769,809,827		$320,889,739	$227,865,046	$54,429,874	$603,184,659
2011	$3,181,626,303	[illegible]	$9,915,033	$62,280,335	$206,849,319	$808,467,104		$336,934,225	$239,258,298	$57,151,367	$633,343,890
2012	$3,340,707,618	$555,953,748	$0	$65,394,352	$217,085,806	$838,373,906		$353,780,937	$251,221,213	$60,008,936	$665,011,086
2013	$3,507,742,999	$583,688,4[illegible]	$0	$68,664,069	$226,944,069	$879,296,573		$371,469,984	$263,782,274	$63,009,382	$698,261,640
2014	$3,683,130,149	$612,872,857	$0	$72,097,273	$236,289,818	$921,259,968		$390,043,483	$276,971,387	$66,159,851	$733,174,721
2015	$3,867,286,656	$643,516,500	$0	$75,702,136	$245,026,700	$964,245,336		$409,545,657	$290,819,957	$69,467,844	$769,833,458
2016	$4,060,650,989	$675,692,32[illegible]	$0	$79,487,243	$253,044,490	$1,008,224,058		$430,022,940	$305,360,954	$72,941,236	$808,325,130
2017	$4,263,683,538	$709,476,341	$0	$83,461,605	$260,236,671	$1,053,175,217		$451,524,087	$320,629,002	$76,588,298	$848,741,387
2018	$4,476,867,715	$744,950,788	$0	$87,634,686	$266,426,400	$1,099,011,874		$474,100,291	$336,660,452	$90,417,713	$901,178,456
2019	$4,700,711,101	$782,198,327	$0	$92,016,420	$271,788,967	$1,146,003,714		$497,805,306	$353,493,475	$84,438,599	$935,737,380
2020	$4,935,746,656	$821,308,244	$0	$96,617,241	$275,968,654	$1,193,894,139		$522,695,571	$371,168,149	$88,660,529	$982,524,249
2021	$5,182,533,989	$862,373,656	$0	$101,448,103	$276,948,075	$1,242,769,834		$548,830,349	$389,726,556	$93,093,555	$1,031,650,460
2022	$5,441,660,688	$905,492,339	$0	$106,520,508	$280,670,309	$1,292,683,156		$576,271,867	$409,212,884	$97,748,233	$1,083,232,984
2023	$5,713,743,723	$950,766,955	$0	$111,846,533	$281,072,193	$1,343,685,681		$605,085,460	$429,673,528	$102,635,644	$1,137,394,632
2024	$5,999,430,909	$998,305,303	$0	$117,438,860	$280,107,506	$1,395,851,669		$635,339,733	$451,157,204	$107,767,427	$1,194,264,364
2025	$6,299,402,454	$1,048,220,569	$0	$123,310,803	$277,773,579	$1,449,304,950		$667,106,720	$473,715,065	$113,155,798	$1,253,977,583
Total	$112,557,047,162	$18,729,492,647	$247,875,825	$2,203,304,199	$6,141,600,105	$27,322,272,776		$11,919,791,298	$8,464,289,948	$2,031,855,659	$22,415,936,905

63X

Township of East Brunswick

Department of Finance
L. MASON NEELY
Director

January 3, 1989

Mr. William Dressel
N.J. State League of Municipalities
407 West State Street
Trenton, New Jersey 08625

RE: PFRS Retirement System - Senate 2602

Dear Mr. Dressel:

If my understanding is correct, the proposal contained in S-2602 would change the assumed interest rate on pension funds earnings from the current 6.75% to a rate of 7.0%. The State Treasurer indicates that rate of return is reasonable given the sophistication of the State's Investment Council. I am attaching a photocopy of the report released by the State Investment Council dated June 30, 1988. It is the Annual Report for the State Cash Management Fund. Please note on page 6 the Pension fund group had an average annual earning of 6.88% during fiscal 1988 compared to a 5.97% in 1987. The report goes on to state that there is a compounding affect when funds are left on deposit all year long and therefore the rate of return for pension funds in 1988 was 6.9% compounded compared to a 5.99% for the entire year. It may appear the State Treasurer has not recently spoken to the State Investment Council because the anticipated rate of return is less than they are proposing for the new legislation. Could this be correct?

It may be prudent for the State Legislature to receive a copy of the Annual Report as produced by the State Investment Council with particular reference drawn to page 6.

Respectfully,

L Mason Neely np

L. Mason Neely
Finance Director

LMN/np
Tues/12
cc: File

1 Jean Walling Civic Center, P.O. Box 218, East Brunswick, New Jersey 08816-0218
(201) 390-6860

$995,354,387 at June 30, 1987 to $1,299,094,614 at June 30, 1988.

The average daily annualized rate of return to participating State accounts and accounts of the pension fund group was 6.88% during fiscal 1988, compared with 5.97% in fiscal 1987. The average daily rate of return to "Other-than-State" participants, which is net of two small charges, was 6.67% in fiscal 1988, compared with 5.82% in fiscal 1987. These rates are the average of all daily rates realized during the year and do not reflect the compounding effect of leaving moneys on deposit over time. The compound rate of return for "Other-than-State" funds for fiscal 1988 was 6.90% compared with 5.99% in the prior year.

The following table shows the average daily annualized rates of return to participants for each month of fiscal 1988.

	STATE PARTICIPANTS (1)	"OTHER-THAN-STATE" PARTICIPANTS
July 1987	6.42%	6.27%
August	6.57	6.42
September	6.80	6.64
October	7.12	6.80
November	7.03	6.79
December	7.25	6.80
January 1988	6.95	6.81
February	6.97	6.74
March	6.93	6.66
April	6.78	6.63
May	6.85	6.68
June	6.92	6.77

(1) figures shown apply to the pension fund group as well.

The differentials between the returns of the State and Other-than-State participants reflect the fees which were referred to earlier in this report, together with differing treatment for any gains or losses realized by the Fund. In the case of the State participants, gains or losses on the sale of securities are credited directly to income, while in the case of Other-than-State participants, they are credited to the reserve fund.

The rates of return rose consistently during the first six months of the year following the pattern of interest rates in the country. Interest rates remained level the remaining six months of the fiscal year. Daily average maturity of the Fund varies from day to day due to rapidly changing balances of the fund; however, in general, average maturity during the year fell between 60 to 90 days. During the year most securities in the Fund were held to maturity. In fiscal 1988, the total purchases by the Fund

Township of East Brunswick

Department of Finance
L. MASON NEELY
Director

October 19, 1988

Mr. William G. Dressel
N.J. State League of Municipalites
407 West State Street
Trenton, New Jersey 08625

RE: Public Safety Pensions

Dear Mr. Dressel:

At a recent meeting with State Senate President Russo, members of the Administration and the PBA, it was reported that Las Vegas had a more liberal police pension system. Attached is a a letter from the City of Las Vegas. Please note that one can not retire from the Las Vegas public safety system until they age qualify. The earliest retirement is at age 50 with 20 years of service at which time they may receive 50% of their average pay based upon 36 consecutive highest months. Theoretically, that would be the last three years because it indicates consecutive months not 36 highest months. Therefore, the system offered in New Jersey is much more liberal because we have officers retiring at 60% of their pay at ages 43 or 44 based upon 25 years of service and highest year salary. If one wishes to work the additional 5 years to age 55 under the Las Vegas system they could also receive 60%, but at a lower base than members of the New Jersey system.

There is no mention of a cost-of-living adjustment for the Las Vegas benefit system and the only item that I see Las Vegas has over the New Jersey system is 100% employer funded. The system is certainly not more liberal or generous "rich" than the New Jersey system (PFRS). I believe this communication causes doubt on the statements made by the representative from the PBA.

Respectfully,

L Mason Neely
np

L. Mason Neely
Finance Director

LMN/np
Wednes/2
cc: File

MAYOR RON LURIE

COUNCILMEN
BOB NOLEN
W. WAYNE BUNKER
STEVE MILLER
ARNIE ADAMSEN

CITY MANAGER
ASHLEY HALL

RECEIVED
OCT 17 1988
FINANCE OFFICE

CITY of LAS VEGAS

DEPARTMENT OF FINANCE
AND COMPUTER SERVICES
MARVIN A. LEAVITT, CPA
DIRECTOR

October 12, 1988

RECEIVED
1988
FINANCE OFFICE

L. Mason Neely
Finance Director
Township of East Brunswick
P.O. Box 218
East Brunswick, New Jersey 08816-0218

Dear Mr. Neely:

I am in receipt of your letter dated October 3, 1988 wherein you ask various questions regarding the retirement system. I will atttempt to answer your questions.

1. Is the system offered to public safety employees in Las Vegas different from that offered to other public employees?

   Answer: Yes, even though both groups are part of the Nevada State Public Employees Retirement System, these assets are kept separate and the two plans have different provisions. The major difference is that public safety employees can retire earlier.

2. What is the name of the system offered to public safety employees?

   Answer: Public Employees Retirement System of Nevada

3. Is it a defined benefit system?

   Answer: Yes

4. Does it require employee contribution? If yes, at what rate?

   Answer: No

5. What is the current contribution rate as a percent of pay paid by the employer?

   Answer: 21.50%

6. Is the fund subsidized by any other means other than earnings on assets and contributions from employers?

   Answer: No

CITY OF LAS VEGAS NEVADA

CLV7009

7. Is the system aged qualified or can one retire after a fixed number of creditable years of service?

   Answer: Police officers or firemen are eligible to retire at age 55 with 10 years of service or age 50 with at least 20 years of service.

8. What are the minimum number of years of service before one can retire?

   Answer: 10

9. What is the retirement benefit (replacement ratio) based upon? Is it the final years salary, the highest years salary, an average of certain number of years?

   Answer: The average of the highest 36 consecutive months, benefits are computed based upon 2 1/2% for each year of service.

10. Does overtime and special pay account towards pension payments or is it just base salary?

    Answer: Overtime does not count; call back pay does count.

11. Does Las Vegas offer a longevity program or just a base salary?

    Answer: A longevity program is offered which is 1/2 of 1% per year of service, beginning in year 6.

Very truly yours,

Marvin A. Leavitt, Director
Finance and Computer Services

MAL:jk
F126

Enclosure

This schedule shows the salary scale for City of Las Vegas firemen

The Las Vegas Metropolitan Police Department is a separate entity and the City does not maintain their salary schedule.

ATTACHMENT "A"

CITY OF LAS VEGAS
FIRE CLASSIFIED SALARY SCHEDULE
July 1, 1987

SALARY GRADE	CLASSIFICATION
71	Assistant Fire Hydrant Repairer Firefighter Trainee
72	Communications Specialist
73	Fire Mechanic Fire Prevention Inspector Trainee Hydrant Repairer
74	Fire Electrician Firefighter Senior Communications Specialist
75	Assistant Fire Equipment Mechanic Chief Communications Specialist Firefighter/Rescueman
76	Fire Engineer Fire Prevention Inspector
77	Firefighter/Paramedic
78	Fire Training Instructor Senior Fire Prevention Inspector
79	Fire Captain Fire Equipment Mechanic Fire Investigator
80	Deputy Fire Marshal Emergency Medical Services (EMS) Training Officer Fire Training Officer
81	
82	
83	Fire Battalion Chief Fire Communications Supervisor Fire Sciences Chief Fire Training Chief Supervisor of Fire Investigation

GRADE		STEP 1	STEP 2	STEP 3	STEP 4	STEP 5	STEP 6
F71	40 HOURLY	[illegible]	[illegible]	11.193375	11.865500	12.577375	13.331750
	56 HOURLY	[illegible]	[illegible]	[illegible]	8.475357	8.983839	9.522679
	BIWEEKLY	770.54	[illegible]	895.51	949.24	1,006.19	1,066.54
	MONTHLY	[illegible]	[illegible]	1,940.27	2,056.69	2,180.08	2,310.84
	ANNUALLY	[illegible]	[illegible]	[illegible]	24,680.24	26,160.94	27,730.04
F72	40 HOURLY	[illegible]	[illegible]	[illegible]	12.563375	13.317375	14.115875
	56 HOURLY	[illegible]	[illegible]	[illegible]	8.973839	9.512411	10.082768
	BIWEEKLY	[illegible]	[illegible]	948.13	1,005.07	1,065.39	1,129.27
	MONTHLY	[illegible]	[illegible]	2,054.59	2,177.65	2,308.35	2,446.75
	ANNUALLY	21,455.16	[illegible]	[illegible]	26,131.82	27,700.14	29,361.02
F73	40 HOURLY	[illegible]	[illegible]	12.510375	13.261250	14.057125	14.900750
	56 HOURLY	[illegible]	[illegible]	8.936339	9.472321	10.040804	10.643393
	BIWEEKLY	[illegible]	[illegible]	1,000.67	1,060.90	1,124.57	1,192.06
	MONTHLY	[illegible]	[illegible]	2,168.55	2,298.62	2,436.57	2,582.80
	ANNUALLY	[illegible]	[illegible]	26,022.62	27,583.40	29,238.32	30,993.56
F74	40 HOURLY	[illegible]	[illegible]	13.168750	13.959125	14.796875	15.684250
	56 HOURLY	[illegible]	[illegible]	9.406250	9.970804	10.569196	11.203036
	BIWEEKLY	916.00	[illegible]	1,053.50	1,116.73	1,183.75	1,254.74
	MONTHLY	1,984.67	[illegible]	2,282.58	2,419.58	2,564.79	2,718.60
	ANNUALLY	23,816.00	[illegible]	27,391.00	29,034.98	30,777.50	32,623.24
F75	40 HOURLY	[illegible]	[illegible]	13.827500	14.657000	15.536375	16.468500
	56 HOURLY	[illegible]	[illegible]	9.876786	10.469286	11.097411	11.763214
	BIWEEKLY	[illegible]	[illegible]	1,106.20	1,172.56	1,242.91	1,317.48
	MONTHLY	[illegible]	[illegible]	2,396.77	2,540.55	2,692.97	2,854.54
	ANNUALLY	[illegible]	[illegible]	28,761.20	30,486.56	32,315.66	34,254.48
F76	40 HOURLY	[illegible]	[illegible]	14.485625	15.355000	16.276375	17.252875
	56 HOURLY	[illegible]	[illegible]	10.346875	10.967857	11.625982	12.323482
	BIWEEKLY	[illegible]	[illegible]	1,158.85	1,228.40	1,302.11	1,380.23
	MONTHLY	[illegible]	[illegible]	2,510.84	2,661.53	2,821.24	2,990.50
	ANNUALLY	[illegible]	[illegible]	30,130.10	31,938.40	33,854.86	35,885.98
F77	40 HOURLY	[illegible]	[illegible]	15.144125	16.053125	17.016125	18.036875
	56 HOURLY	[illegible]	[illegible]	10.817232	11.466518	12.154375	12.883482
	BIWEEKLY	[illegible]	[illegible]	1,211.53	1,284.25	1,361.29	1,442.95
	MONTHLY	[illegible]	[illegible]	2,624.93	2,782.54	2,949.46	3,126.39
	ANNUALLY	[illegible]	[illegible]	31,499.78	33,390.50	35,393.54	37,516.70
F78	40 HOURLY	13.740375	[illegible]	15.802375	16.750875	17.755875	18.821375
	56 HOURLY	9.814554	[illegible]	11.287768	11.964911	12.682768	13.443839
	BIWEEKLY	1,099.23	[illegible]	1,264.23	1,340.07	1,420.47	1,505.71
	MONTHLY	2,381.67	[illegible]	2,739.17	2,903.49	3,077.69	3,262.37
	ANNUALLY	28,579.93	[illegible]	32,869.98	34,841.82	36,932.22	39,148.46
F79	40 HOURLY	14.315000	[illegible]	16.461125	17.448875	18.495875	19.605500
	56 HOURLY	[illegible]	11.092500	11.757946	12.463482	13.211339	14.003929
	BIWEEKLY	[illegible]	[illegible]	1,316.89	1,395.91	1,479.67	1,568.44
	MONTHLY	[illegible]	2,691.78	2,853.26	3,024.47	3,205.95	3,398.29
	ANNUALLY	29,771.04	32,301.36	34,239.14	36,293.66	38,471.42	40,779.44
F80	40 HOURLY	[illegible]	[illegible]	17.119500	18.146625	19.235500	20.389625
	56 HOURLY	[illegible]	[illegible]	12.228214	12.961875	13.739643	14.564018
	BIWEEKLY	1,190.83	[illegible]	1,369.56	1,451.73	1,538.84	1,631.17
	MONTHLY	[illegible]	[illegible]	2,967.53	3,145.42	3,334.15	3,534.20
	ANNUALLY	30,961.53	[illegible]	35,608.56	37,744.98	40,009.84	42,410.42

70X

C I T Y [illegible] SALARY RATE SCHEDULE [illegible]
FINANCE AND COMPUTER SERVICES OCTOBER 02, 1988 DATE 10/06/88 TIME 21:52:18:50

GRADE		STEP 1	STEP 2	STEP 3	STEP 4	STEP 5	STEP 6
FC1	40 HOURLY	[illegible]	[illegible]	17.660500	18.931750	20.067875	21.272250
	35 HOURLY	11.[illegible]	1[illegible].035179	12.757500	13.522679	14.334196	15.194464
	BIWEEKLY	1,[illegible]	1,3[illegible]7.94	1,438.64	1,514.54	1,605.43	1,701.78
	MONTHLY	[illegible]1.73	[illegible]	3,095.32	3,281.50	3,478.43	3,687.19
	ANNUALLY	[illegible]1.[illegible]	[illegible]	37,149.84	39,372.04	41,741.18	44,246.28
FC2	40 HOURLY	1[illegible]	17.[illegible]	18.436750	19.543000	20.715500	21.558250
	35 HOURLY	11.[illegible]	1[illegible].[illegible]71	13.169107	13.959286	14.796786	15.684464
	BIWEEKLY	1,[illegible]	1,[illegible]1.44	1,474.94	1,563.44	1,657.24	1,756.66
	MONTHLY	[illegible]	[illegible]14.79	3,195.70	3,337.45	3,590.69	3,806.10
	ANNUALLY	[illegible]	[illegible]177.44	33,343.44	40,649.44	43,088.24	45,673.16
FC3	40 HOURLY	16.7[illegible]	1[illegible].13[illegible]	19.218125	20.371375	21.593625	22.869250
	35 HOURLY	11.9[illegible]	1[illegible].950000	13.727232	14.550982	15.424018	16.349464
	BIWEEKLY	1,[illegible].7[illegible]	1,[illegible].40	1,537.45	1,629.71	1,727.49	1,831.14
	MONTHLY	[illegible],39[illegible]	3,142.[illegible]3	3,331.14	3,531.04	3,742.90	3,967.47
	ANNUALLY	34,7[illegible]	37,71[illegible].40	39,973.70	42,372.46	44,914.74	47,609.64

71X

Township of East Brunswick

Department of Finance
L. MASON NEELY
Director

October 3, 1988

Mr. Marvin A. Leavitt
Finance Director
City of Las Vegas
400 East Stewart Avenue
Las Vegas, Nevada 89101

RE: Public Safety Pension System

Dear Mr. Leavitt:

Recently, I was speaking with a member of the New Jersey Police Benevolent Association (PBA) and they indicated at a recently held conference in Las Vegas they shared pension plans with members of the public safety department for Las Vegas. They reported the system offered in Las Vegas is a defined benefit plan requiring no contribution from the employee. They also indicated that the system was not aged qualified in that as soon as the participant in the plan had 20 years of creditable service they were able to take retirement based upon the final and highest years salary at a replacement ratio of 50%. That seems to be a very rich system and therefore I am asking if that information is correct. Could you answer the following questions?

1. Is the system offered to public safety employees in Las Vegas different from that offered to other public employees?

2. What is the name of the system offered to public safety employees?

3. Is it a defined benefit system?

4. Does it require employee contribution? If yes, at what rate?

5. What is the current contribution rate as a percent of pay paid by the employer?

6. Is the fund subsidized by any other means other than earnings on assets and contributions from employers?

72X

7. Is the system aged qualified or can one retire after a fixed number of creditable years of service?

8. What are the minimum number of years of service before one can retire?

9. What is the retirement benefits (replacement ratios) based upon? Is it the final years salary, the highest years salary, an average of certain number of years?

10. Does overtime and special pay account towards pension payments or is it just base salary?

11. Does Las Vegas offer a longevity program or just a base salary?

12. Could you provide me with your salary scale for the most recent year and the number of officers?

Thank you for your cooperation.

Respectfully,

L. Mason Neely
Finance Director

LMN/np
Tuesday/1-2
cc: William Dressel, N.J. State League of Municipalities
File

ECONOMIC REPORT OF THE GOVERNOR 1988

State of New Jersey

Thomas H. Kean, Governor

74X

Table 2.6
Percentage Growth Rates of Selected Indicators
New Jersey and United States
(Growth from Previous Fiscal Year)

	NEW JERSEY		UNITED STATES	
	FY 1987	FY 1988	FY 1987	FY 1988
Personal Income	7.60	7.33	6.15	7.71
Housing Starts	0.48	-10.59	-5.76	-11.18
Retail Sales*	7.64	9.16	6.11	4.76
Resident Employment	2.81	1.49	2.46	2.56
Nonagricultural Employment	2.73	2.58	2.18	3.40
Unemployment Rate (Percentage Points Change)	-0.99	-0.57	-0.42	-0.90

*Retail sales figures for FY 1988 are preliminary and are probably subject to large adjustments.

A. Personal Income

Personal income is the most comprehensive aggregate indicator of economic activity at the state level. Table 2.7 shows that total personal income in the State grew from $148.58 billion in FY 1987 to $159.47 billion in FY 1988 for an increase of 7.33 percent compared to a 7.71 percent U.S. increase.

Table 2.7
Personal Income and Its Components
New Jersey and United States
($ billion)

	NEW JERSEY Personal Income		Percent Change FY 1987 - FY 1988*	
Components	FY 1987	FY 1988*	New Jersey	United States
Total Personal Income	148.58	159.47	7.33	7.71
Wages & Salaries	82.49	89.19	8.12	8.20
Manufacturing	18.92	19.47	2.91	5.33
Non-manufacturing	63.57	69.72	9.67	9.01
Other Labor Income	7.90	8.34	5.57	5.54
Proprietors' Income	9.10	9.75	7.14	7.22
Property Income	25.91	28.34	9.38	9.18
Net Transfer Income**	10.50	10.66	1.53	3.81
Residence Adjustment***	12.68	13.19	4.02	--

*Preliminary estimates.
**Transfer income less personal contribution to social insurance.
***Income components shown above are by place of work. To arrive at total personal income, a residence adjustment must be added to the income by place of work figures. Since many New Jersey residents work out of state, the adjustment is positive.

75x

Township of East Brunswick

January 18, 1989

Department of Finance
L. MASON NEELY
Director

Mr. William G. Dressel
N.J. State League of Municipalities
407 West State Street
Trenton, New Jersey 08625

RE: Transfer PERS to PFRS

Dear Mr. Dressel:

The front page of the **Home News** on the 18th of January indicates that health insurance costs are going to be the crisis of the next five to ten years. Health care costs are growing out of control. Last year, the State of New Jersey when they extended their Blue Cross/Blue Shield coverage found that the rates increased well over 30%. The significance of this trend line has to do with cost of transferring one from PERS to PFRS and the enhanced benefits for members of PFRS. If one wishes to retire from the Public Employees Retirement System they must first age qualify which is age 60. At that time, they may take normal retirement and if they have 25 years of service in the system and the town has adopted chapter 88, the employee will receive health coverage during his years of retirement. Those years of retirement can be very expensive for the town to fund the health benefits. If one is a member of PFRS, they can retire after 25 years of service regardless of age which as we well know means in their early to late 40s. This means that they are retiring on average 13 to 15 years earlier from the Police and Fire Retirement System and they are entitled to full health care benefits. The 13 additional years of health care benefits is a significant cost that towns must absorb when one transfers from PERS to PFRS.

When we meet before Assemblyman Martin's Committee on the 6th of February, we should be prepared to enter into the record information on health care costs.

Respectfully,

L. Mason Neely
Finance Director

LMN/np
Wed/5
cc: File

1 Jean Walling Civic Center P.O. Box 218 East Brunswick New Jersey 08816-0218
(201) 390-6860

Home News
January 18, 1989

Medical-insurance-cost crisis looming; causes are explored

By TONY OSBORNE
Home News staff writer

CRANFORD — Runaway health insurance costs in New Jersey appear to be on the way to becoming a consumer bane on the same order as car insurance rates.

"The rates have been out of control and they're going to get worse," said Dale Hoover, an executive with the Health Insurance Plan of New Jersey, an HMO.

"Our costs went up 20 percent in 1988 and we project they'll go up 18 or 19 percent in 1989," said Fred Koehler, a senior vice president at Blue Cross-Blue Shield of New Jersey.

Consumers have always directly borne the brunt of New Jersey's no-fault car insurance system, with responsible drivers subsidizing the uninsured. An analagous situation exists with health insurance, but consumers generally haven't felt the bite because the government and business and industry pick up the tab for health insurance. But

See RATES, Page A2

HEALTH: Insurance crisis forecast

Continued from Page A1

that's started to change.

Tired of shouldering perennial rate increases in the area of 20 percent, exasperated employers have started shifting costs to their employees.

In anticipation of mounting a strategy against the soaring rates, 60 business leaders met at the Coachman's Inn yesterday, under the auspices of the New Jersey State Chamber of Commerce, to listen to representatives from all health care sectors try to answer one question: "Health Care Cost Control — Is It Possible?"

Although there was no consensus on the problem's origin, some probable causes and solutions emerged.

Koehler said the state's Uncompensated Care Trust Fund is a major factor in increasing costs.

In order to pay for the care of the poor — and also those who won't pay — a 12.9 percent surcharge is added to every patient bill. This goes into the Trust Fund, which is used to reimburse hospitals for indigent care.

But Koehler said Medicare, which pays 40 to 45 percent of all hospital bills doesn't contribute to the fund. "That means the rest of the rate payers are actually paying a 25 percent surcharge," he said. "Last year 75 percent of the uninsured in New Jersey saw doctors. That's 50 percent higher than the national average — it's a social welfare burden. It should be funded by general revenues, not health insurance."

Hoover said he blames the state's local health planning agencies for permitting hospitals to purchase unnecessary high-tech equipment that duplicates services. "The purchase of a $50,000 piece of equipment is no longer subject to the certificate-of-need planning process," he said. "Hospitals in the same area end up duplicating services, patient volume drops and they lose money."

Hoover said the hospitals then petition the Hospital Rate Setting Commission for permission to raise their rates to recoup their investment: "They say: 'We just spent this money, with state approval, and now we want our money back.'"

Koehler agreed with part of that scenario. "It's not the other hospitals," he said. "The problem is that we don't regulate private-practice physicians, they're the ones that are going out and buying MRI (magnetic resonance imaging — essentially an "X-ray" for soft tissue) machines, causing those in the hospitals to be underutilized."

Koehler said the rampant purchase of high-tech equipment can also cause the opposite problem, overutilization. Once equipment is purchased, he said, there is a tendency to use it unnecessarily, which also drives up care costs.

However, both Hoover and Koehler attacked the state for keeping the the regulatory apparatus (the Diagnostic Related Group system) bridled. They said it was originally designed to reward the efficient hospitals while weeding out the inefficient ones; instead, the state has in essence, permitted the rate payers to subsidize poorly managed hospitals.

"The DRG system is supposed to reimburse each hospital the same amount for performing the same services," Hoover said. "That way the efficient hospitals would resume offering a particular service and the inefficient one would cease."

Koehler said the DRG rates aren't truly uniform. He said each hospital rate is actually composed of two parts, which now amount to a 40/60 percent blend. Only the lower portion, which reflects direct patient care, is standardized among all of the state's 89 hospitals. But the bigger chunk, which is based on capital expenditures (new construction and equipment) among other things, varies greatly among individual hospitals.

Koehler said in the face of these conditions, strident cost-containment measures adopted by Blue Cross and the state's HMOs amount to nothing.

Domenick Camisi of the New Jersey Hospital Association told the audience they weren't going to like what he had to say: The hospitals need more money. They need a $400 million increase for 1989, the $90 million granted by the Department of Health just isn't enough.

An audience member pressed Camisi for advice on how businesses could lower their health care costs. Stay away from hospitals, he said, they're expensive.

And that may be the best strategy. It's one that Johnson & Johnson has recently adopted. "We don't stress cost containment," said Kenneth Singer, director of labor relations. "We stress increasing the health and well being of our employees."

He said the company's fitness program, which is built around a $1 million gym at headquarters in New Brunswick and is open to all employees and their families, has gone beyond exercise. It also teaches employees about the benefits of altering their lifestyles to eliminate bad habits.

77X

THE DAILY JOURNAL, WEDNESDAY, OCTOBER 12, 1988

Opinion

Russo taking the wrong road

Sen. John Russo's bid to enrich the pension fund for police and firemen has come to a crossroads in Trenton, and it appears that the Ocean County Democrat may be setting off down the wrong fork.

The New Jersey League of Municipalities has expressed reservations about the Russo plan because it would add about $21 million to local municipal budgets in its first year of implementation. It asked the senator for an amendment that would require the state to pay the extra cost — a kind of a "state mandate, state pay" proposal.

Russo said he would go along with that if Gov. Thomas Kean would. Last week, however, he had some bad news for the league. The governor doesn't like the idea, in fact, he said he would veto the bill if the provision was included. Then Russo, who is all but announced as a gubernatorial candidate in 1989, told the league he would post the bill, in its original form, for a vote on the Senate floor sometime this month.

The Russo bill would restructure the pension plan funding system to produce the additional money. Over the 30-year plan life, the cost of that restructuring, according to the state league of municipalities, will add something like $2.7 billion to tax bills in the 400 state communities whose public safety workers are covered.

Elizabeth is one of those communities, and it has voiced its opposition to the Russo proposal in its present form. In a letter to the senator, Mayor Tom Dunn has urged that he sit down with the league and other interested paties to work out the cost problems and others in the bill before asking for a Senate vote. We agree with Mayor Dunn — this is no time to be adding more to the load that municipal taxpayers already bear.

BILL D.

BARRY R. EVANS
Township Administrator

TELEPHONE
201 - 680-4006

TOWNSHIP OF BLOOMFIELD
New Jersey - 07003-3487

February 3, 1989

TO: Members of New Jersey State Assembly Committee on PFRS

Barry R Evans

FROM: Barry R. Evans, Township Administrator, Bloomfield

The Township of Bloomfield presently has 110 policemen and 89 firemen. This is 5 fewer policemen and 11 fewer firemen than we had two years ago. We have also had to close one fire truck company.

One of the reasons for this is the enormous cost of the Police and Fire pension systems. The Township will be spending $1,594,500 just in 1989 on this system which is 10% of our budget under the Cap. Both the total and the yearly increases create enormous difficulties for communities such as Bloomfield who have little or no growth in ratables.

For example, in 1989 our Cap increased $807,000. However, $252,294 of that went immediately to an increase in PFRS. Inasmuch, as we also had a 6½% increase in police and fire salaries as a result of the state mandated negotiation process, we are not only precluded from building back manpower, but existing levels are placed in jeopardy.

We recognize that the proposed law purports to reduce municipal contributions and "save" funds. It is our belief that there is no way such a costly increase can be made without added costs. True, assumptions can be made as to investment earnings or projected salary increases, but if those do not turn out to be true, then the result will be a dramatic increase in municipal contributions.

If these acturarial assumptions are as valid as stated, then why aren't they applied to the existing system, thus giving a really dramatic savings to the taxpayer. This is exactly what is being done in New York and other states. They are reducing their obligations while the thrust in New Jersey is to increase them.

Members of New Jersey State Assembly
Committee on PFRS

February 3, 1989

We have all read stories on the cost of the military in the Federal budget where manpower is affected by the enormous amounts paid for pensions. New Jersey under PFRS is travelling down the same path. Even some private companies are having difficulties meeting pension costs despite the fact that the average pension in private industry is 14% of an individual's final salary.

Here we talk of 65% with the recognition that if this law is passed, there will immediately be a cry for "20 and out" which was defeated last year -- except that it will be at the 65% rate rather than 60%.

We have no problem attracting young people who want to be policemen and firemen. Our interviews show that the biggest single attraction is that they can retire after 25 years, which to some means as early as 43. Having employees retire that young or even a few years older and receive 65% of their salary plus COLA's for the rest of their lives is enormously expensive.

While the Legislature passes the law, it is the municipalities and their taxpayers who assume the costs for their public safety employees. Both need relief from what will be increasing costs and the resulting decreasing services.

Your favorable consideration of the defeat of this bill will be well received by all taxpayers.

BRE:jt

50 West Lindsley Road, Apt. 53
Cedar Grove, New Jersey 07009

Dear

Senate bill #S2602 is a very, very unfair bill to people who were originally entitled to 70% of their pension.

When I first became a member in the Police and Firemen's pension, I was entitled to 70% pension. Then, around 1979, the bill was changed to limit retiring members to a maximum of 65% of their pension no matter how long one worked with the exception of people who already had 30 years of service in. At that time I had 28 years of service, but when I originally became a member, I was entitled to 70%.

Now #S2602 again wants to provide 70% to people with 30 years of service. I retired as of March 1, 1988 (last day of employment February 29, 1988) with 36-1/2 years of service as a Deputy Chief in the Essex County Sheriff's Department. I feel this is a great injustice and that I should be compensated for the 5% that was taken away from me. I should be included with the 70% pension although I retired March 1, 1988 and not date of pending bill May 26, 1988. Anyone who puts in over 35 years is certainly entitled to 70% (we were not allowed to join Social Security) of their pension.

Please give this matter your utmost attention and provide members like myself who are caught in a net with the 70% rightfully due us.

Thank you.

Yours very truly,

Edith Manfredi Zoppi

Edith Manfredi Zoppi
Retired Deputy Chief