

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

before

ASSEMBLY MUNICIPAL GOVERNMENT COMMITTEE

on

ASSEMBLY NO. 658

(To permit retirement after 20 years
of service in the Police and Firemen's
Retirement System.)

Held:
April 20, 1977
Assembly Chamber
State House
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Assemblyman Vincent O. Pellecchia (Chairman)
Assemblyman John T. Gregorio
Assemblyman John W. Markert
Assemblyman James H. Saxton
Assemblyman Herman Costello

ALSO:

Glenn E. Moore, III, Research Associate
Legislative Services Agency
Aide, Assembly Municipal Government Committee

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UNITED STATES
NATIONAL SECURITY AGENCY
MEMORANDUM FOR THE DIRECTOR
SUBJECT: [Illegible]

DATE: [Illegible]
BY: [Illegible]
FOR THE DIRECTOR: [Illegible]

[Illegible text block]

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ASSEMBLY, No. 658

STATE OF NEW JERSEY

PRE-FILED FOR INTRODUCTION IN THE 1976 SESSION

By Assemblymen DEVERIN, McMANIMON, VAN WAGNER
FLYNN, BARBOUR and GREGORIO

AN ACT to amend "An act for the establishment of a police and firemen's retirement system for the police and firemen of a municipality, county or political subdivision thereof," approved May 23, 1944 (P. L. 1944, c. 255).

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

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

3 5. (1) Any member in service who has **attained age 55 years**
4 *completed at least 20 years of creditable service* may retire on a
5 service retirement allowance upon filing a written and duly executed
6 application to the retirement system, setting forth at what time,
7 not less than 1 month subsequent to the filing thereof, he desires
8 to be retired. Any member in service who attains age 65 years shall
9 be retired on a service retirement allowance forthwith on the first
10 day of the next calendar month.

11 (2) Upon retirement for service a member shall receive a ser-
12 vice retirement allowance which shall consist of:

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

15 (b) A pension in the amount which, when added to the mem-
16 ber's annuity, will provide a total retirement allowance of **%**
17 of his average final compensation multiplied by the number of
18 years of his creditable service, or 2% of his average final com-
19 pensation multiplied by the number of years of his creditable
20 service up to 30 **50% of his final compensation**, plus 1% of his
21 **average** final compensation multiplied by **the** his number
22 of years of creditable service **over 30, whichever is greater**
23 *which exceeds 20 years of such service.*

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

24 (3) Upon the receipt of proper proofs of the death of a member
25 who has retired on a service retirement allowance, there shall be
26 paid to his beneficiary an amount equal to $\frac{1}{2}$ of the *final* compen-
27 sation upon which contributions by the member to the annuity
28 savings fund were based [in the last year of creditable service].

1 2. This act shall take effect immediately.

STATEMENT

The purpose of this bill is to permit retirement upon years of service rather than a particular age and to conform to the present retirement system and conditions for members of the New Jersey State Police.

FISCAL DATA

This bill would amend an act for the establishment of a police and firemen's retirement system for the police and firemen for a municipality, county and political subdivision thereof. The amendment would allow retirement after 20 years of service without an actuarial reduction because of retirement before the normal and present retirement age of 55.

In view of the fact that the municipalities provide the entire cost of funding the liability of the police and firemen's retirement system, there will be no fiscal impact on the State of New Jersey as a result of passage of this bill.

FISCAL NOTE TO
ASSEMBLY, No. 658

STATE OF NEW JERSEY

DATED: MAY 19, 1976

Assembly Bill No. 658 would permit retirement after 20 years of service in the Police and Firemen's Retirement System without requiring the attainment of the service retirement age of 55. The formula would be liberalized from 40% to 50% after 20 years plus 1% for each year in excess of 20 years. The bill would take effect immediately.

The Division of Pensions comments:

"The statement attached to the bill is incorrect because it indicates that there is no charge to the State. There is a charge and has been since 1973 when many State employees were permitted to transfer to the Police and Firemen's Retirement System so that now the State's membership represents about one-tenth of the cost of the Police and Firemen's Retirement System.

"There are a number of cost items in this legislation but the primary one is retirement after 20 years of service on half of final salary and for the purpose of an actuarial study the cost was computed on the basis of final salary in the last 12 months prior to retirement. The cost is indicated in fiscal 1977 as \$27 million, increasing in fiscal 1978 to \$31 million and such costs will increase as membership and salary increase. However, this legislation also provides for an additional credit of 1% for each year beyond 20 years of service. It also talks of a formula based on final compensation for both pension and group life insurance, but this is not defined. We must assume that it means the very final salary on an annual basis rather than salary in the last year because this was eliminated from the language of the insurance section of the bill. Thus in addition to the cost figures indicated above, there will be additional costs of at least 10% to allow for the use of the very final salary as distinguished from salary in the last year of service plus the additional costs of service beyond 20 years, both of which we have not estimated. As we previously indicated, the cost would be borne on the basis of one-tenth paid by the State and the remaining 90% paid by local employers participating in the system."

The fiscal note is based on an estimate of costs rather than actual cost information.

In compliance with written request received, there is hereby submitted a fiscal estimate for the above bill, pursuant to P. L. 1962, c. 27.

ASSEMBLYMAN VINCENT O. PELLECCCHIA (Chairman): This hearing will now come to order. I would like to introduce the Committee. On my right are Assemblyman Costello and Assemblyman Saxton. On my left is Assemblyman Markert and Assemblyman Gregorio who is also Vice Chairman of this Committee. I am Chairman of the Committee, Assemblyman Pelleccchia.

The purpose for these hearings is to find a way to come up with the proper language or to see if we can make sure that the pension funds that the State of New Jersey has are protected and that the employees of this State get a fair share of what they have paid into. We expect to hear from all sides and from the amount of mail that this Committee has received, it would seem that this Chamber should be full. I am sure that before the day is over there certainly will be many more people here.

For those who have not signed in and who do want to testify, please check in with the Committee aide, Glenn Moore, who is sitting to my immediate right, and give him your name. If there are some in the room who want the Committee amendments, we have extra copies up at the table and you can come up and get one.

Without further delay, I would like to have the Committee aide call the first witness. Oh, yes, we do have a statement from the Committee and it is more or less a clarification of what is going to happen this morning and what we will be discussing this morning. Mr. Moore.

MR. MOORE: This is just a statement as to what is in the Committee substitute, which the Committee is now considering for Assembly Bill 658.

The major substantive changes which differentiate this bill from the original Assembly 658 are in Section 2 of the Committee substitute and have been approved by the original sponsor, Mr. Deverin. The other changes and additions appearing in the Committee substitute are designed to make other sections of the Police and Firemen's Retirement System Act consistent with the major changes to that act made in Section 2 of the Committee substitute.

The major provisions of Section 2 of the Committee substitute may be summarized as follows:

1. It provides that a member may retire after 20 years of service and attaining the age of 43, or upon attaining the age of 55. Under the current PFRS law, members are permitted to retire upon attaining the age of 55. However, there is another provision for "special retirement" after 25 years of service without attaining the age of 55 without any loss of benefits. Therefore, the real substantive change is to lower the required service time from 25 years to 20 years, and to set a minimum age of 43 years, where none currently is required.

2. It increases the member retirement pension benefits from 2% of average final compensation for each year of service up to 30 years and 1% for each year over 30 years to 2 1/2% of final compensation for each year of service up to 20 and 2% for each year over 20, but not more than 25, and 1% for each year over 25.

3. It changes the base upon which member retirement pensions are to be computed from average final compensation to final compensation. The current average final compensation base means that a pension is computed on the basis of a member's average annual salary over his highest salaried 3 years of service. The proposed final compensation base means that a pension

would be computed on the basis of a member's annual salary in his highest salaried year of service.

The amendments to the other sections are designed to make the provisions of those sections consistent with the three major changes stated above. In addition, Section 1 of the bill contains a provision including certain positions in the Division of Alcoholic Beverage Control in PFRS. This is not a new provision but was included at the advice of the Legislative Legal Counsel to correct the inadvertant repeal of an earlier P.L. of last year by a later P.L. of last year. That is just pointed out so that it doesn't confuse anyone into thinking that we are adding new members to the pension fund.

ASSEMBLYMAN PELLECCCHIA: Thank you, Glenn. The first witness for the morning is to be Thomas Fitzgerald from the Firemen's Benevolent Association and the Policemen's Benevolent Association.

While you are getting ready, if you have a prepared statement that you wish to give to our girl, it would make it much easier.

T H O M A S F I T Z G E R A L D: I do not have a prepared statement, Mr. Chairman. I am sorry but we can follow up with one for each Committee member at the close of the testimony.

ASSEMBLYMAN PELLECCCHIA: Surely.

MR. FITZGERALD: The purpose of my appearing before you here this morning is to discuss with the Committee the potential cost impact to the various municipalities, State, and counties of this particular legislation. I understand that there has been an amendment to the previous bill, as submitted. I just received the updated, or amended, copy this morning. I believe that most of the information we are familiar with.

When we talk of the cost of the legislation, you and I know - and everyone in the room knows - that when you do improve benefits there certainly is a cost factor. I don't know how we can get benefits and improvements without paying some sort of a price. But, I think the more significant thing is, just what is that price going to be? In this day and age all of us, both taxpayers and legislators, and everyone else involved, is vitally concerned about this particular topic and for the tax dollars that we spend, we look for services or productivity which will produce what we feel is in the best interest of the people of the community.

There has been bandied about, on this particular legislation, costs in the neighborhood of \$50 or \$100 million. I have read several projections of the cost and I wonder where the figures do come from. With the Committee's permission, if I may, I would like to start off with the facts as they exist today.

The facts as they exist today under the current pension program governing police and firemen are that the State or the municipality or the county is contributing approximately 15% of the man's salary to properly fund the existing benefit levels. That is an average rate because we know it varies slightly, depending upon the age of the individual. But, using a composite rate, it comes out to approximately 15%.

Now, when you take 15% of a total payroll, it is a significant amount of money because on the basis of the information which has been submitted to us recently, the total payroll for police and firemen throughout the State, as of June 30, 1976, was approximately \$360 million. That is an astronomical figure

when we speak of it in terms of dollars. But, when we look at it in the light of how many people are receiving the benefits out of over 25,000, it melts down to a very, very small amount. So, when you make an adjustment on the individual, collectively, the adjustment totals up to large dollars. There is one thing that we should keep in mind when we talk about millions and millions of dollars but rather than to burden you with millions of dollars, I would like to present this to you in the light of "what is it going to cost each of us for each policeman that we have." I think we can get a better picture as to what the impact might be that way.

You know that in determining the contribution rate to a pension fund, an actuary must sit down and study the facts as to what happened in the past, what is happening currently, and what he feels is going to happen in the future. On all of these facts, he draws assumptions. He makes assumptions as to what they can expect in the future -- how long people will work; how long people will live; and how long people will be under retirement. These assumptions are subject to review on a periodic basis and the assumptions should be brought up to date, or updated, on the basis of how the experience is actually developing.

Sometimes there is an experience that happens over a period of time - two, three, or four years - that an actuary might take advantage of for a particular reason and say, "Well, this is the experience we can anticipate in the future." But, you really can't do that in many instances. In some you might, in others you cannot.

So, when the actuary makes a calculation, he says that there are a certain number of dollars that must come from the individual and must come from the municipality and be put into the pension fund and those monies shall earn certain interest over the period of time that they are in the fund and at a given time when each man retires there will be adequate monies in there to guarantee, or assure, that individual of a pension for the rest of his life.

Now, you know and I know that that requires a bit of assumption because in the last 20 years we have seen such dramatic changes in so many facets of our economy and our way of life that you have to keep updating it.

Now, on the present assumptions that the actuary has used, we are saying that there is a cost factor of approximately 15% of a man's salary. Using an actuary's assumptions that are currently in effect, this legislation would necessitate a 9% increase in the contributions. So, the 15% contribution rate would be increased to 24% and you could provide all of these benefits.

By the way, if I may, I would like to point out that that 24% figure was predicated on the bill, as we analyzed it. It did not take into consideration the mandatory retirement age, which is in this amended bill. That figure would be reduced by approximately 1/2%, so it would be 23 1/2%. But, we are still talking in the ball park.

The thing that we feel is really the main issue in the difference between what the actuary currently is doing and what we are suggesting - and it does have a significant impact on the cost - is the salary scale. I pointed out to you earlier that an actuary assumes certain things. I am not saying that the actuary is right and I am wrong or that I am right and he is wrong but I am saying that careful consideration should be given to all aspects and both sides because a proper conclusion can be reached. There is nothing about an assumption that makes it sacrosanct because experience, as it develops,

generates the true cost, not what someone assumes but what actually develops. This is why we feel, on the basis of what we have seen throughout the country, and with many other police and fire groups, that the salary scale assumption should be modified.

Here is what a modification in the salary scale assumption would be. The increase of 9% would be reduced to 3% if a salary scale assumption was changed. The salary scale assumption should be made consistent with the interest rate assumption that is being used. I think a rule of thumb that might be used by most people is there should be approximately between 2% and 3% difference between the salary scale and the interest assumption. That is a fairly realistic one and the 2% and 3% gives you a lot of latitude.

Using a 2 1/2% difference, we would come up with a salary scale that would project that the firemen's and policemen's salaries in the 25 years would be double what it is today. So, we think that is a fairly realistic assumption of what is going to happen over the next 25 years.

Now, other actuaries will disagree with this and it is a question of the Committee and other people looking at this particular assumption and saying, "Is it right, or is it wrong?" Well, on the basis of our experience, we feel that it could probably be right. That is as far as we can go because we can't be dogmatic and say it is definitely going to happen. You people make the decision and the municipalities make the decision as to what salaries are going to be, not us.

Therefore, if this develops, as we feel it should develop, then a 3% increase, based on the current figures would amount to approximately \$400 per year, per member of this fund. Now, if there are 25,000 men involved in this, and we have a \$400 cost per member, that would come to approximately \$10 million, if my mathematics is correct. As I say, when you put it into total it is a lot of money but breaking it down to the individual any municipality or any county or any State can look at the number of people that are involved with their particular situation and come up with some sort of a budgeted cost as to what they could anticipate.

This is our opinion, that it is safe and probably as accurate as we can make it at the present time. I don't know that you want me to go on, Mr. Chairman, with further steps unless there are some questions. Maybe you can develop points that I have not brought to your attention. I am here to answer your questions.

ASSEMBLYMAN PELLECCCHIA: Maybe it would be wise if we start on my left with Assemblyman Markert. Assemblyman, do you have any questions?

ASSEMBLYMAN MARKERT: I would just like to understand exactly who you are representing. Are you representing the Police and Firemen's Benevolent Association?

MR. FITZGERALD: I am Thomas W. Fitzgerald.

ASSEMBLYMAN MARKERT: I have the name.

MR. FITZGERALD: Okay. I am Vice Present of the Martin E. Segal Company. The Company has been retained by the police and fire groups to look into the cost factors of the current legislation and the proposed benefit changes.

ASSEMBLYMAN MARKERT: Thank you, Mr. Fitzgerald. When you spoke about the \$400 in cost per year, per man, this is a cost factor that you have developed for existing employees?

MR. FITZGERALD: Correct.

ASSEMBLYMAN MARKERT: You have made no further studies as to whether or not we would include any higher rates if we were to increase the number of employees on the force?

MR. FITZGERALD: I would make a statement in response to that by saying that newer people coming in at a young age with no past service - the rate would not be higher.

ASSEMBLYMAN MARKERT: It would not be higher?

MR. FITZGERALD: It would not be higher. The rate would be lower because what is happening now is, you are building up a further liability for all the active people because you are funding at a lower level than it would have been normally. You will be funding the new fellow coming in properly, right from the beginning, so it would not increase the contribution rate that I know of.

ASSEMBLYMAN MARKERT: It could possibly lower it?

MR. FITZGERALD: Well, I wouldn't be that optimistic.

ASSEMBLYMAN MARKERT: But, it would definitely not increase it?

MR. FITZGERALD: I don't think it would, no. New people coming in would not increase that rate.

ASSEMBLYMAN MARKERT: Thank you.

ASSEMBLYMAN PELLECCCHIA: Assemblyman Gregorio.

ASSEMBLYMAN GREGORIO: Mr. Fitzgerald, just to make it clear in my own mind and for those who are in the audience, that \$400 per man, per year, is for retirees?

MR. FITZGERALD: No, it is for active people.

ASSEMBLYMAN GREGORIO: It would be \$400 for every man in the department per year, starting when?

MR. FITZGERALD: Whenever the legislation becomes effective. We assume that it would become effective in 1977.

ASSEMBLYMAN GREGORIO: Is that taking into consideration the savings that might be incurred by the older men leaving and the younger men coming on at a much lower rate?

MR. FITZGERALD: No. You see, that is why I pointed out that it is with the current assumptions that your actuary is using. He assumes how many people are going to retire and how many people are going to remain. Using those assumptions, it would cover all of these people. It doesn't take into consideration what you were thinking.

ASSEMBLYMAN GREGORIO: But actually there would be some savings that aren't figured into this cost? Am I correct in that statement or not?

MR. FITZGERALD: Well, the longer the people stay on, if longer than anticipated, there would be savings. If everybody retired immediately, there might be some increased cost and this was a concern that was presented to us here three or four years ago. Amazingly, people were concerned about everybody going out after 25 years. We know that the number of people who have left when they reached 25 years, since the inception of the last legislation, has been very, very small - unrealistically small. So, they did not take advantage of it.

You don't put policemen and firemen out, in our opinion, by virtue of giving them 25 years. It is something they have but they continue to work because of the fact that they need the money. The pension is not such that

you can live on it that well.

ASSEMBLYMAN GREGORIO: Thank you.

ASSEMBLYMAN PELLECCCHIA: Assemblyman Costello.

ASSEMBLYMAN COSTELLO: One question. I haven't had an opportunity to read this and digest any part of it. You are contesting the 9% cost that was submitted by someone else?

MR. FITZGERALD: I am not contesting--

ASSEMBLYMAN COSTELLO: You are submitting a figure of 3%?

MR. FITZGERALD: If our company used the same assumptions that are being used by the State Actuary, we would arrive at the same conclusion, just as if your actuary used the salary scale that we are suggesting. They would then arrive at our conclusion. It would be not different. So, I am not contesting it. This is a suggestion that this is an opportune moment to put in a realistic salary scale. Am I answering your question clearly on that?

ASSEMBLYMAN COSTELLO: Yes.

ASSEMBLYMAN MARKERT: On that point, Mr. Chairman, may I ask just what salary scale, during what year? Was it during the year of 1976, the salary scale that you based your figures on?

MR. FITZGERALD: We have an S-5. Your actuary would know it. They give it a salary scale 5. That is what they call it. I believe that the salary scale being used by the State Actuary is predicated on the salary adjustments recently. When I say recently, I don't know the number of years. When you are talking actuarial terms, recently can be over the last 10 years, at a time when salaries were really moving up very, very quickly. I think all of us are aware that in public service salaries were pretty low for a long period of time and then there was a change. I don't know what created the change but there was an acceleration of salaries. But, we know that is not going to continue because we will price ourselves right out of government. So, we know, in projecting this, that it is going to be fairly realistic.

Now, most of the other funds that we deal with are using the scale that we are suggesting and it has developed to be realistic enough.

ASSEMBLYMAN PELLECCCHIA: Assemblyman Saxton.

ASSEMBLYMAN SAXTON: Mr. Fitzgerald, under the 3% figure the rate of increase interests me. If we are to accept that, we ought to be given some basis upon which you arrived at that figure. Can you fill us in a little bit more specifically on that?

MR. FITZGERALD: Well, this is a figure that has been arrived at throughout the nation and is accepted in actuarial principles. There is no question about that. I can give you a memorandum on that.

People will differ because when you use actuarial assumptions, a particular situation at a particular time may vary from what you assume. But, in the long run-- And this is what you have to live with, the long run not just the immediate future or the immediate past. But, I can give you a memorandum on that. I will be very happy to submit those to you.

ASSEMBLYMAN SAXTON: Is that 3% figure based on something that has happened in the last 10 years or the last 15 years or the last 5 years? There must be some basis for that projection--that is what I am saying--other than-- We can all make assumptions. I assume that your assumption is as valid as any one else's, but you must have some basis upon which you make that assumption.

MR. FITZGERALD: Yes. The basis upon which we make the assumption is on the basis of studies made by actuaries all over the country and the society, saying that is a reasonable and accepted principle. I don't know how much more detail I can give you on that.

ASSEMBLYMAN SAXTON: Okay. Thank you. One other thing: Did you mention a figure this morning of \$12 thousand as being the average salary?

MR. FITZGERALD: No, in a memorandum that we prepared last year, before we had the actual dollars, it was \$12 thousand that we used. As I said, we had a meeting several months ago and on the basis of that meeting Mr. Joseph of the Division of Pension forwarded to us the latest data and that came out to approximately \$14 thousand.

ASSEMBLYMAN PELLECCCHIA: I have just a few questions. On this assumption business, from what I can gather - I attended a conference in Atlanta, Georgia - the diagrams that they presented to us did show a variation of assumptions and the assumptions that were used were during a very, very inflationary period where inflation had gone to 12% during that one year - or approximately 12%. It was during that period of time that the Office of Fiscal Affairs used these figures that they gave. However, again, I would like to receive from you information on what period of time your assumptions of 3% were based upon because I can see that it has peaks and balances, where our cost of living goes up and down and that is how they arrive at these figures. I think it has to level off. There has to be a leveling off period. I would presume that maybe that is what you are talking about. You are talking about the straight line instead of the peaks and balances that they show us in the charts where the large inflationary periods took place.

MR. FITZGERALD: All right. Maybe this might clear it up a bit. I said that the salary scale assumption should have a spread of about 3% from the interest assumption. Now, you know what has happened to interest rates in the last five years. Where they were down low they skyrocketed and now they are leveling off again. There may be some consistency.

Now, in your system - the State system - each year the interest rate is determined on the basis of the yield that is actually brought in. I think you went from 5 1/2% to 6% only recently - or 5 3/4%, I am not sure. Now, if the interest rate should drop, between 2% and 3% should hold. Do you understand? Your salary scale should hold. So, you always have that guideline. The tie-in is, the salary going up with the interest rates going up, or the salary scale coming down with the interest rates coming down. You keep that "norm" in between.

Ours is on a basis of years and years of study, taking the good and the bad. For instance, if we were to change the salary scale assumption now and we were to assume a 4 1/2% salary scale, we would have to assume a 7% interest. We couldn't stay with the 6% because there is an inconsistency. If you are looking for the future to have a salary ever increasing, then you have to assume the interest rates are going to be up too. So, when you take the overall period, then you will have to use that. It is a consistent principle that can be followed. Now, I am not saying that every actuary will do it, but most of them do do it. I think your own actuary would agree, in principle, to this particular conclusion that we are drawing.

ASSEMBLYMAN PELLECCCHIA: Well, I see according to the report that we received that your figures and their figures are pretty close. The only difference

is the assumptions. That is the only real difference.

MR. FITZGERALD: Yes. There is really only one assumption, Mr. Chairman.

ASSEMBLYMAN PELLECCCHIA: All right. Now, the other question that I had in mind was, you said during the course of your discussion that at 25 years there are only a small percentage of people who actually took advantage of the retirement age.

MR. FITZGERALD: Correct.

ASSEMBLYMAN PELLECCCHIA: Would you say that it was more than 5%?

MR. FITZGERALD: Oh, no, not even close to 5%.

ASSEMBLYMAN PELLECCCHIA: Would you say it was 2%?

MR. FITZGERALD: If it was that, that is about what it might be. But, it is not any more than 2%, from what I can gather. Now, the only one who would have those statistics is the Division of Pensions.

But, I am quite certain, from what we were able to develop - because in trying to determine our costs, we had to have some indication as to what the change in the retirement assumption was - I think it was far less than 2%.

ASSEMBLYMAN PELLECCCHIA: Far less than 2%? Let's assume that on a yearly basis that 2% to 3% or even 5% were to retire yearly and the \$27 million that they used in their report was the figure that was actually going to be spent, on the basis that only 5% were going to take the retirement. Immediately there is a saving that year and they put that money into escrow and that becomes part of the money that is going to earn interest. Over a period of years, is this going to help that fund or hurt that fund because eventually we have to pay the \$27 million?

MR. FITZGERALD: It has to help your funds for this reason, Mr. Chairman: Another assumption used by your actuary is the retirement age assumption. He has to assume what the average age of retirement is going to be. If you take a retirement age assumption of 25 years or 26 years and what actually develops is, the man works 30 or 31 or 32 years, then that is a tremendous saving to the fund. There is no question about it. You developed it as the man stays on longer and longer and longer.

ASSEMBLYMAN PELLECCCHIA: You recognize that eventually we still have to pay that \$27 million?

MR. FITZGERALD: Oh, you always have to pay it but you can earn it back. For instance, money put in today is a cheaper cost than money put in 10 years from now because of the interest earning capacity it has.

ASSEMBLYMAN PELLECCCHAI: That is the point I was trying to make. Well, I have no further questions. My aide would like to ask a few questions - or the Committee aide would like to ask a few questions.

MR. MOORE: Mr. Fitzgerald, on the assumption business, are you familiar with the Committee substitute, as it has been drafted now?

MR. FITZGERALD: I beg your pardon?

MR. MOORE: The Committee substitute for 658--

MR. FITZGERALD: I just received it this morning.

MR. MOORE: No? Okay. That bill, if it was passed by the Legislature would not change the assumptions used by the Division of Pensions and any benefits - the 20 and out provision, and so on - would still be administered on the basis of the assumptions currently being used by the Division of Pensions. Are you

recommending that this Committee include in there something which would mandate new assumptions to the Division of Pensions?

MR. FITZGERALD: Well, I am not familiar with the provisions of your statute. Normally, in the statutes the Board of Trustees of the fund should be advised by the actuary as to the assumptions being used and they approve the assumptions because there is a periodic review. It doesn't require legislative action.

The Board of Trustees of that fund, I would assume, would have the right to change that assumption automatically. It would be brought to them with the arguments and the merits of it and the actuary would yes or no to it and it can be subject to review periodically. But, it doesn't necessitate incorporation into the language.

Now, I don't know the legislative procedure in New Jersey but I do say that it can be done administratively without any legislation at all.

MR. MOORE: It can be done administratively but there is no guarantee that it will be done.

MR. FITZGERALD: Oh, no. There is no guarantee that this will pass either.

MR. MOORE: All I was asking in that way was, do you believe that this Committee if it was-- You agree, if the assumptions currently used are to be used when this bill is passed, it will cost -- I think Mr. Joseph said it will cost \$27 million in the first year, \$31 million the second year, and there will be an annual amount of that cost.

MR. FITZGERALD: I don't want to become tangled with total dollars. I am saying it would run approximately \$400 per member of the fund because we may have 25,000 in now and 30,000 in next month. That is why I stick to-- On principle, yes.

MR. MOORE: On principle, it is something like that. And it can be lowered if the assumptions are changed?

MR. FITZGERALD: Correct.

MR. MOORE: Thank you.

ASSEMBLYMAN PELLECCCHIA: Thank you, Mr. Fitzgerald.

MR. FITZGERALD: Thank you very much, Mr. Chairman.

ASSEMBLYMAN PELLECCCHAI: The next witness is Mayor Paul O'Keefe, Mayor of the City of Plainfield. Is Mayor O'Keefe here? (no response) If he is not here, we will call Mayor Lorraine Schmierer.

L O R R A I N E S C H M I E R E R: On behalf of the Mayor and Council of the Township of Delran with a population of approximately 17,000 people, we have passed a resolution opposing this legislation. I would like to read that resolution to you.

Whereas, there is pending before the Legislature of the State of New Jersey certain acts which would provide that police and firemen may retire after 20 years of service, more popularly known as "20 and out" and,

Whereas, no one has computed the anticipated cost of a program in the State of New Jersey in the years to come and its impact upon the respective pension funds and the taxpayers of the State of New Jersey and,

Whereas, similar legislation adopted in other states, namely New York City, has been cited by responsible authorities as one of the primary causes of the bankruptcy of the City of New York and,

Whereas, this legislation apparently developed from Jersey City as a measure to resolve particular problems only to Jersey City and not prevailing throughout the State of New Jersey, and

Whereas, the serious consideration of this bill indicates a complete and total disregard of financial and fiscal responsibility of the legislators of this State, and

Whereas, the enactment of said bill will adequately provide for the continuing and enivtable economic decline and collapse of our State and municipal governments; therefore be it

Resolved, that the Township Council of the Township of Delran does vigorously and most emphatically oppose the enactment of this legislation, popularly known as "20 and out", and be it further

Resolved, that copies of this resolution be forwarded to the elected representatives of this district, and be it further

Resolved, that all residents are urged to add their protest to their elected representatives of this ill conceived and fiscally irresponsible legislation.

As the Mayor of the Township and elected council members, we have discussed this deeply because of the cost of police protection and police operations within the municipality. In our township in the operating expense of our budget, just the salaries and the other expense represents about one-third of the total operating expense of the municipality.

We are fortunate in having a very young police force. The average age of a man on our force is about 33 years old. The average patrolman's salary in Delran Township, a town of 17,000 people, is \$14,490 some odd dollars. When we reveal this, unfortunately we don't have the fiscal capabilities of showing the impact of what will happen 20 years from now. We do know that we are hit hard. We have no way of estimating how many men would retire immediately because of military service that is counted as part of the time, when it comes up.

We just think that the benefits that our municipal employees, including police and firemen, are adequate. We would like to see them stay at what they are, unless it can be proven that there will be no additional cost to the taxpayer.

I understand the bill has been updated and there are many changes but as a person who tries to pay attention to what is going on so our Council will know, I just shuddered at the statement that was attached to Assembly Bill 658. The more I read it, the more I couldn't understand how whoever put this together would have the gall to say that there is no fiscal impact on the State of New Jersey as a result of the passage of this bill.

If I, as a taxpayer, am not a part of the State of New Jersey, then somebody, somewhere, has taught me wrong. Anything, whether it is 1/2% or 1% or 3/4% increase, is a fiscal impact on each and everyone of us because we are the guys who foot the bill.

I have been publicly chastised down in Burlington County because I am very active in the Burlington County Municipal Association which has representatives of 37 of the 40 municipalities in our county and we have strongly opposed any change in the pension system that will require additional monies to be paid by the municipalities.

We look at it in two different ways, I think. We have the guy who

is going to retire and, all right, the increase is only 1/2 of 1%. But, then we have to look at it in light of the guy that we bring in and replace that person with. The increment periods now for the average police department is 3 years. A patrolman reaches his top pay in three years, so the savings that is being talked about is the guy who is retiring at a higher salary. You will bring in a guy at a lower salary and that just does not stand up because negotiations with police departments and the unionizing of police departments wipes out that theory. I see the increment period just disappearing faster than we ever thought it would.

So, I would hope that this Committee looks at the impact that it will have on the taxpayer. The statement that accompanies this bill just doesn't make sense to me because it does have a fiscal impact.

ASSEMBLYMAN PELLECCCHIA: Can I ask you where that sheet of paper comes from?

MAYOR SCHMIERER: I imagine it is a copy of the bill that was originally put together. It is a copy of Assembly Bill 658.

ASSEMBLYMAN PELLECCCHIA: And you are reading the statement on the back?

MAYOR SCHMIERER: The statement on the back that says, "Fiscal Data" at the bottom. In the last paragraph it says, "In view of the fact that municipalities provide the entire cost of funding the liability of police and firemen's retirement systems, there will be no fiscal impact on the State of New Jersey as a result of the passage of this bill.

ASSEMBLYMAN GREGORIO: I think what they mean is that the State would not have to increase its budget because of this but the municipalities may have to.

MAYOR SCHMIERER: Well, no matter how you look at it, the taxpayers are picking up the tab, whether it is in the State budget or--

ASSEMBLYMAN GREGORIO: Nevertheless, the statement is correct.

MAYOR SCHMIERER: I understand that but, still, it says the State of New Jersey; we are the State of New Jersey, whether it be your budget or our budget, we all pay it.

ASSEMBLYMAN PELLECCCHIA: The State is involved. They contribute 10% and the municipalities, counties and the cities contribute 90%. But, let's not get off on the wrong foot. We will start with questions. Assemblyman Saxton.

ASSEMBLYMAN SAXTON: Mayor Schmierer, do you have figures with you as to the amount in dollars that your contributions to the retirement system amount to currently?

MAYOR SCHMIERER: I don't have them with me. I left in a hurry this morning. I should have brought them with me. I will provide you with that if you want it.

ASSEMBLYMAN SAXTON: I am interested to know, in practical terms, the actual impact in dollars and cents on a community the size of yours.

MAYOR SCHMIERER: We pay into the pension fund for 55 full time employees and about 34 part time employees approximately \$38 thousand a year.

ASSEMBLYMAN SAXTON: All of those employees wouldn't come under the provisions of this bill, however.

MAYOR SCHMIERER: No, but as we all know, as police and firemen go

so do the rest of the governmental employees.

We negotiate with policemen first now because we know that whatever they receive, the rest of the employees are going to demand. I think the other employees have the right to demand the same thing.

ASSEMBLYMAN PELLECCCHIA: Assemblyman Markert, do you have any questions?

ASSEMBLYMAN MARKERT: Just one question to clarify something, if I may. You say that out of the 55 full time and 34 part time employees, you do pay to the pension system a total of \$38 thousand per year?

MAYOR SCHMIERER: Yes.

ASSEMBLYMAN MARKERT: Do you also have a paid fire department?

MAYOR SCHMIERER: No.

ASSEMBLYMAN MARKERT: You do not? Thank you.

ASSEMBLYMAN PELLECCCHIA: We have no further questions, Mayor. Thank you.

MAYOR SCHMIERER: Thank you.

ASSEMBLYMAN PELLECCCHIA: Did Paul O'Keefe, Mayor of Plainfield arrive?

(negative response)

Is the Mayor of Trenton here? Arthur Holland?

(negative response)

Is the representative of the Jersey City Fire Department here? Mr. Fred Stewart will represent the Jersey City Fire Fighters Association.

F R E D S T E W A R T: Good morning, gentlemen. My name is Fred Stewart. I am the legislative delegate for the Jersey City Fire Fighters, Local 1066. I represent the second largest fire fighting force in the State of New Jersey, as legislative delegate.

The Mayor of our City, Dr. Jordan, and the majority of City Council support the concept of "20 and out." Also, there are other parts of this legislation that we support. In fact, Senator Tumulty and Assemblyman Esposito, on behalf of the Mayor of Jersey City, have also introduced similar type legislation.

People who spoke before remarked on the impact on the cities. Well, I have to say this: Fire and police work is the most dangerous work in the whole United States. This is not based on statistics that we, as police and firemen, have gathered, it is based on statistics you can get from the F.B.I. or from any noted fire organization who investigates for fire insurance companies. It is a most dangerous work and that is what we are getting paid for and that is what we hope to receive our pensions for.

I took this job and I figure every other fellow took this job with the thought that we had an early retirement, thinking that we wouldn't have to say longer on the job and endanger our lives that long. We took a chance, yes. We took a chance taking the job.

When you hear these statements about how much it is going to cost, it is very hard to listen to. I pay. This is my pension. I am paying for it too. I am paying 7 3/4% of my salary every payday and every other policeman and fireman in the State of New Jersey is paying that amount, or more.

I have to say this: We have a unique situation in Jersey City. We have over 400 men in both the police and fire departments who have over 25 years of service. It is a simple fact that these men can't afford to retire.

The cost of living when they originally came on the job was probably made their salaries adequate, but that is not true now at today's prices. These men are just hanging on. They are going to stay until they are 65. There is no doubt about it. I think if there were an incentive to retire today in the pension system, a lot of these men would retire.

I don't want to go on because I think there are a lot of other speakers who have more to say. I am just speaking about Jersey City. I gave you a fact sheet on how much Jersey City can save. I can imagine Newark, Paterson, and all the other large cities will have a large savings also. I can't talk for a small town but I can say this: The large cities are really taking a beating. (see page 1x)

I will conclude with my remarks now. Thank you, gentlemen.

ASSEMBLYMAN PELLECCCHIA: Thank you, Mr. Stewart. We have no questions.

MR. STEWART: Thank you.

ASSEMBLYMAN PELLECCCHIA: Our next witness will be Conly Brooks.

C O N L Y B R O O K S: On behalf of Mount Holly Township I would like to thank you for this opportunity to discuss the proposed "20 and out" legislation for police and fire employees.

Attached is an example of the impact of this proposed bill upon our Township and the retirement system. The example is in terms of a single employee and the data would be valid for any Mount Holly Township employee being affected by this proposal. I might add that Mount Holly Township is in Burlington County. Its population is approximately 13 thousand and we have a police force of 26 full time police officers.

In the diagram we have given you, steps 1, 2, 3, and 4 are self explanatory. Step 5 indicates that for every officer who retires after 20 years and is replaced by a new officer, the cost to the community and the retirement system for the first five years is as follows: If an old officer had remained with the Township for an additional five years, it would have cost \$77,565. Now, when you combine this officer retiring, paying half his salary for five years, plus the cost of the new officer, even though he has a lower salary, you are going to wind up with a total of \$92,554, which would be a net loss of \$14,989 to whoever is paying this.

The presentation is emphasizing the net cost for the five years of earlier retirement only. It is assuming that the officer would normally retire after 25 years of service. Please note, however, that if the officer did not retire after 25 years, the net cost would even be higher.

In addition, step 6 indicates other costs that would have to be considered: Costs to the retirement system due to this employee's retirement - \$10,858, plus. This is the amount of money which would have been paid by the older officer had he paid into the retirement system, plus the township's contribution.

We must remember that any cost or loss of income that the retirement system incurs must be passed on to the participating members and the communities. The key question which must be answered - and the proposed legislation does not answer this - is, how is this cost to be paid? Is the community to bear the entire expense, is the State - and ultimately the taxpayers of the community - to bear some or all, or are the participating members to pay some or all?

Attached is a copy of Mounty Holly Township's 1977 Police and Fire

Retirement System invoice. Note that the total cost is \$34,550, whereas the contribution of police officers in 1976 was \$21,552.49 - far less than the employers' contribution. Will this ratio of contributions remain fixed if the new benefit is provided?

I am raising questions that to the best of my knowledge have not been answered to date concerning this and similar legislation. Before this or similar legislation is considered, the full financial impact on the communities, retirement system and participating members must be known. To do less than this is to act in a fiscally irresponsible manner. Signed, Robert F. Casey, Township Manager.

I might add too that the Township has volunteer firemen, so this really just involves policing when we talk about retirement in Mount Holly Township. (see page 3x)

ASSEMBLYMAN PELLECCCHIA: Are there any questions?

ASSEMBLYMAN MARKERT: Mr. Chairman, in reference to Mount Holly Township, may I just ask some pertinent questions as to the makeup of the Township. Can you give me an estimate of the value of the homes in the Township?

MR. BROOKS: Somewhere in the neighborhood of \$63 million or \$65 million.

ASSEMBLYMAN MARKERT: That is the total assessment?

MR. BROOKS: That is the total but that is not the State equalized assessment. We are assessed at something like 67%.

ASSEMBLYMAN MARKERT: What about the average home? Are we talking about \$35 or \$40?

MR. BROOKS: Yes, the average assessment on a home in Mount Holly Township, I would say, is about \$12 or \$15 thousand, but that is a 67% assessment. I would say the sale value of a house in Mount Holly Township is in the neighborhood of \$25 to \$30 thousand.

ASSEMBLYMAN MARKERT: Well, I was just looking for the assessment values. You say it is between \$12 and \$15 thousand?

MR. BROOKS: Right.

ASSEMBLYMAN MARKERT: And with a population of 13,000 can you tell me approximately how many homes you do have in Mount Holly?

MR. BROOKS: About four or five thousand. The Township is 2.5 square miles. It is a small area. It is a high density population.

ASSEMBLYMAN MARKERT: All right, thank you. That is all.

ASSEMBLYMAN PELLECCCHIA: Just a few simple questions. You know, I am sure that figures can be made to say what the individual would like them to say. How accurate are these figures in the way of what actually takes place in the State? I will withdraw that question. Are you an accountant?

MR. BROOKS: No, I am not.

ASSEMBLYMAN PELLECCCHIA: Are you an actuary?

MR. BROOKS: I am just the administrative aide to the Township.

ASSEMBLYMAN PELLECCCHIA: Where did you get your statistics and your figures to make up this kind of a document?

MR. BROOKS: These are from the Township Manager. He got them from the Finance Office.

ASSEMBLYMAN PELLECCCHIA: Is he aware that the firemen themselves contribute to this plan.

MR. BROOKS: We don't have any firemen.

ASSEMBLYMAN PELLECCCHAI: And the police?

MR. BROOKS: Right. Well, we are not sure. He said he didn't know whether -- From what I understand, there is no definite thing whether the police are going to pay into it or not or whether the Township is going to make an increased contribution.

ASSEMBLYMAN PELLECCCHIA: Well, I think the record should show that the police do pay into it and they have been paying into it. I don't think we ought to accept just theory. The fact of the matter is, not only do the police pay into it but the State contributes 10% towards this too.

MR. BROOKS: But the other 90% is not made up by the police entirely.

ASSEMBLYMAN PELLECCCHAI: No, 10% is by the State and 90%, which is part of the 7% - which is included - comes up from the communities.

I appreciate the fact that you brought this and we will consider it because our job is to consider everything. But, we would like to be able to consider figures that we know are accurate and we are hungry for figures. We are hungry for knowledge on exactly what is right. We don't want to go out of here thinking that we are the ones that know and nobody else knows. We want to be able to get enough information to make us do the job the best we can.

So, I appreciate your coming. Thanks again.

Assemblyman Saxton.

ASSEMBLYMAN SAXTON: Can you tell us how many salaried employees are covered under this \$34,550 figure?

MR. BROOKS: I believe that includes 26 -- It could be 30. I know there are 26 police officers and I think the police dispatchers are included as well. So, I would say 30 would probably be included in that.

ASSEMBLYMAN SAXTON: Thank you.

ASSEMBLYMAN PELLECCCHIA: Is Mr. O'Keefe here yet? Mayor Paul O'Keefe?

(no response)

ASSEMBLYMAN COSTELLO: May I ask a general question?

ASSEMBLYMAN PELLECCCHIA: Maybe there is someone who is here to testify that we can slot in before lunch. But, go ahead, ask your general question.

ASSEMBLYMAN COSTELLO: On the retired employees, there is an annual adjustment made based on the cost of living that the employer, or former employer, must make up in total. Now, the question I have is -- I believe he makes up the total. Is there any portion of this borne by the retired employee? There is a cost of living adjustment that is made annually to the retired employee.

ASSEMBLYMAN GREGORIO: I don't think there is a cost of living adjustment.

ASSEMBLYMAN COSTELLO: I pay it. I pay it where I work. We pay it.

MR. MOORE: Assemblyman Costello, there are - on page 4 of the memorandum that was prepared - some figures for that. There is an annual cost of living adjustment and a retirement allowance equal to 50% of the change in the consumer price index from the time of retirement to the current year. Every member who is retired is entitled to receive this adjustment after three years of retirement. This adjustment is financed by an annual appropriation of each participating employer.

ASSEMBLYMAN PELLECCCHIA: To go further on that, the Pension Study Commission that has just finished its work - of which I am Chairman - has recommended that that go to the original suggestion, which was 75%. However, I understand that the Appropriations Committee has only included 10%. So, we will compromise and bring it to 60%. So, that is where it stands right now.

Due to the fact that the rest of the people who were scheduled to testify this morning have not shown up, we will reconvene at one o'clock and we will then take up where we left off. I hope that we can finish by 2:30 pm.

Is there anyone here now who would like to testify and who has not been called? Is there anyone here who would like to testify and who may be scheduled for this afternoon?

MEMBER OF AUDIENCE: Yes, I would like to.

ASSEMBLYMAN PELLECCCHAI: Please state your name for the record.

D O N A L D S I L V E Y: Thank you, Mr. Chairman and members of the Municipal Government Committee. I am Donald Silvey. I am an active fireman from Elizabeth, New Jersey but I am also appointed as a fire representative to the Pension Board for the New Jersey Police and Firemen's Retirement System.

I have noticed from Mr. Fitzgerald's speech that there are a lot of assumptions coming from Mr. Joseph on the percentage of firemen and policemen that retire each year. They have assumed approximately 5% but I want to let you gentlemen know that the actual percentage is less than 1% of the firemen and policemen who retire when they attain the age of retirement.

Now, four or five years ago, when we had the 55 and out there were assumptions by the government and municipalities that there was going to be a mass exodus of firemen and policemen leaving the pension system and the cost was going to be astronomical to the cities. No such thing ever happened. Less than 1% of the police and firemen in this State retire when they can. It is not 5%, as assumed, and Mr. Joseph does have these facts as well as I have them. So, he shouldn't come out with assumptions of 5%. Mr. Pelleccchia says 2%, he doesn't realize what it is. It is less than 1%, gentlemen.

Years ago, when they instituted these pension plans, there was no such thing as policemen running into narcotics problems and the problems they run into today and there was no such thing as firemen running into natural gas explosions, nor the fires that they run into today. Like Mr. Stewart from Jersey City mentioned, it is one of the most hazardous jobs. It is. You do 25 years in one of these departments today and you are looking for a way out. I think that the times have changed and I think the pension system should change also. Give the people who are unemployed a chance to get back into the job and give the men who have served their time a chance to get out. Thank you very much. If there are any questions, I will answer them.

ASSEMBLYMAN GREGORIO: Mr. Chairman, I don't have a question, but I would like to verify the fact that - I am also the Mayor of Linden - I can't remember any police officer who retires when he is allowed to. They usually go the full limit. That has been my experience. They usually stay until they are forced out.

MR. SILVEY: That is very true. So, you are not going to lose - these cities are not going to lose good men that they have trained. But, give them an option. When a man is fed up with the job and he can't handle it anymore, give him an option to retire. You know, this gentleman from Mount Holly Township

didn't know whether police and firemen pay into the pension. Yes, we contribute up to 7 1/2% into the pension. We pay our own and many of these people in the municipalities are ill informed and they think that we are a New York program where the cities and the municipalities pay for our pension. We pay for our pension, the police and firemen. We aren't entitled to any unemployment or Social Security, like the rest of the citizens in the State of New Jersey are. We haven't got that benefit. The only pension we have is this pension right here.

So, I would just like to reinform the misinformed that they are not going on the right avenues. Like the Assemblyman from Linden just mentioned, these people don't go out when they reach the age. The only people who are looking to get out are the men that are tired of working or who have been hurt on the job and can't receive a pension and they want to get out. But, it is less than 1%, gentlemen, it is not 5%.

ASSEMBLYMAN PELLECCCHIA: Thank you.

MR. SILVEY: Thank you.

ASSEMBLYMAN SAXTON: So that there is no misunderstanding as to the contribution rate, what is the portion that the municipality does contribute?

MR. SILVEY: Approximately 16.37%, for each individual.

ASSEMBLYMAN SAXTON: So, if you broke that down to dollars and cents, the municipality contributes about 16¢ on the dollar.

MR. SILVEY: On the dollar, right.

ASSEMBLYMAN SAXTON: And the employee contribues roughly 7 1/2%?

MR. SILVEY: Well, it is according to his age. You see, I can't give it to you exactly. But, it is between 16% that the employee himself contributes. I, myself, contribute 7% because of my age when I entered the service. Thank you.

ASSEMBLYMAN PELLECCCHIA: Thank you.

Is there anyone else who would like to testify before the afternoon session? (affirmative answer)

J O H N C H U S S L E R: I am John Chussler. I am New Jersey State FMBA Executive Vice President.

We have been talking about assumptions and that is all we can go on, I know that. But, let's talk about the advantages of our early retirement. These statements are facts; these are the advantages. Assembly Bill 658 is designed to encourage older workers to retire so that layoffs are not necessary. Savings in salary, longevity, and employees pension contributions on a 10-year average will be \$2 thousand a year for replacement. They will save \$2 thousand a year. Also add to the savings vacations, holidays, and paid sick leave that older employees accumulate. It is going to create opportunities for promotions in the fire service and the police service. You are going to have a younger department with increased productivity and efficiency and also decreased sick time. It would encourage a number of our employees to retire if this was enacted and that would be a saving.

It will create job opportunities which would reduce the high unemployment in the State of New Jersey. Under the present law that we work under in New Jersey right now - we talk about cost factors and numbers - a man can, presently, go out with 77% -- right now, under the present law. Under the proposed law, the bill we are talking about right now - 658 - the maximum

he could receive is 65%. He couldn't get any more. Business administrators throw numbers and cost factors around like kids throw a baseball around. The State PBA and the FMBA paid Martin Segal and Company to do a study on the cost factor.

You heard Mr. Tom Fitzgerald before. He did a lot of homework on this and we did a lot of homework. Let's deal with facts if we are going to talk about something. We have people coming up here and they are throwing around millions of dollars in cost factors, but where do they get them from? They can't substantiate what they have. We can. You heard our man speak before - Mr. Fitzgerald. That is all I have to say.

ASSEMBLYMAN GREGORIO: I have a few questions. Under what conditions, under the present system, can a man retire at 77% of his salary.

MR. CHUSSLER: I am glad you asked that. That is why I brought the rest of these papers. Under the present law, a man can enter the service at 18 years of age and work until he is 65 years old, which would give him 47 years of service - all right? He will be able to retire with 77% of his salary.

Under the present law, police and firemen receive 60% of the first 30 years and 1% for each year after 30 years. So, any 18 year old coming in could receive 77% of his salary.

ASSEMBLYMAN GREGORIO: And under the new law that is--

MR. CHUSSLER: Under the new law, under A-658, the top percentage anyone can receive is 65%, regardless of how long he stays. A-658 provides for 2 1/2% of the first 20 years; 2% for the next 5; and 1% up to 30 years, which totals 65% and you can't get any more if you stay 50 years.

ASSEMBLYMAN GREGORIO: One other question, if I may. What is the earliest age, under the present law, that a policeman or fireman can retire at?

MR. CHUSSLER: Forty three years old.

ASSEMBLYMAN GREGORIO: So, there really wouldn't be that much difference?

MR. CHUSSLER: There is nothing changed in that. You can still retire.

ASSEMBLYMAN GREGORIO: So the argument that they will go out too young, and so forth, are really not relevant.

MR. CHUSSLER: Right.

ASSEMBLYMAN GREGORIO: Thank you.

ASSEMBLYMAN SAXTON: What would be the rate under the current law if a man retired after 25 years of service? What would be his rate of --?

MR. CHUSSLER: Under current law?

ASSEMBLYMAN SAXTON: Yes.

MR. CHUSSLER: I would have to figure it out for you. Oh, you mean the percentage rate? 50%.

ASSEMBLYMAN PELLECCCHIA: After 25 years?

MR. CHUSSLER: Right, 25 years of service.

ASSEMBLYMAN PELLECCCHIA: That is the major difference between the new law and the old law - 5% between 20 and 25 years.

ASSEMBLYMAN MARKERT: Mr. Chairman, if I may, I would like to ask a question of Mr. Moore. I would like to ask a question that might help to get some information here. Under the new Committee substitute bill - 658 - I just understood that the maximum would be 65% of retired salary for pension, is

that correct? Maximum.

MR. MOORE: Under the Committee substitute, it would be 2 1/2% for each year, up to 20; 2% for each year over 20, but not more than 25; 1% for each year over 25. If a man started at 18, there is still a mandatory retirement age of 65. That is 47 years of service. He would get 2 1/2% for the first 20 years - that is 50%; 2% for the next 5 - that is 10 more percent; and he would get 25 minus 47, which would be 22 at 1%. So, the highest would be 82%.

ASSEMBLYMAN MARKERT: 82% All right.

ASSEMBLYMAN GREGORIO: Well, the figure is different.

ASSEMBLYMAN MARKERT: I just wanted to have that clarified.

ASSEMBLYMAN PELLECCCHIA: This hearing is now adjourned until one o'clock.

(lunch break)

AFTER LUNCH

ASSEMBLYMAN PELLECCCHIA: Good afternoon, ladies and gentlemen. This is the second half of the hearing on the pension reform bill, which is before us. Our first witness for this afternoon will be Mayor Arthur Holland of Trenton. Mayor Holland, it is a pleasure to see you here.

A R T H U R H O L L A N D: Thank you, Mr. Chairman and members of the Committee. I first want to apologize for being late this morning. I was scheduled to go on at 11:15 and didn't get here until about 25 minutes to 12 when you were adjourning.

The reason I was late was because I caught some errors in our testimony and I would rather be late and right than early and wrong.

I filed a statement with the Senate Committee - Senators Davenport, Parker and Assemblyman Foran. There was a hearing that day and it was obviously a joint committee. So, since you have this, unless you want me to, I won't read it.

ASSEMBLYMAN PELLECCCHIA: Are you referring to the Joint Study Committee?

MAYOR HOLLAND: On pensions, generally.

ASSEMBLYMAN PELLECCCHIA: Of which I am Chairman also?

MAYOR HOLLAND: Right.

ASSEMBLYMAN PELLECCCHIA: Yes. That Committee has nothing to do with this Committee, so you might as well submit that too to this Committee.

MAYOR HOLLAND: All right. Do you want me to read it or not?

ASSEMBLYMAN PELLECCCHIA: I don't think it is necessary.

MAYOR HOLLAND: Okay. Well, then, I said on that occasion that there was no fiscal note. We now have that note, as you are aware, and while I am speaking for the Legislative Action Committee of the New Jersey Conference of Mayors - which Committee is unanimously opposed to this bill - I would supplement that statement with some specifics regarding our own City of Trenton.

A-658 would cost approximately \$30 million, as estimated by your own statement. As detailed by the attached formula, enactment of A-658 on any retirement program like this would mean an increase of approximately 30 tax points to be levied on the citizens of Trenton.

The income tax legislation, conforming to its intent, allowed the City of Trenton to decrease its property tax by 43 points. Enactment of A-658 would equalize any tax relief intended by the supporters of the income tax.

Municipalities would not be able to offer any reductions and the merits of the State Income Tax would be short lived. I say that because while this particular bill would cost us 30 points, assuming that other employees - and this is generally the case - would subsequently be included, we would have to add another 10 points.

The cost of police and fire pensions to the State is \$65,025,500. The cost of police and fire pensions for Trenton is \$2,305,298.

As I just mentioned, the estimated increased cost of this program is \$30 million. This means an increase of - put \$30 million over \$65 million - 46%. We apply that percentage to the present cost to the City of Trenton and come up with \$1,060,437.00 This means in tax points 30.3. As I said, this would inevitably, as we see it, be followed by application to all employees, which would mean another 10 points.

Gentlemen, I think the best way I can sum up my opposition to this bill is to say, this is the very kind of thing that did in New York City and we have to be very, very careful that we don't do the same thing.

ASSEMBLYMAN PELLECCCHIA: I think we will start with Assemblyman Markert.

ASSEMBLYMAN MARKERT: Do you, Mayor, have the report that you are going to hand us that you just read from?

MAYOR HOLLAND: Yes.

ASSEMBLYMAN MARKERT: The computations and the facts that you used to arrive at these figures, do you have that included in the report?

MAYOR HOLLAND: Yes, I do.

ASSEMBLYMAN MARKERT: In other words, that breakdown, that \$30 million is there--?

MAYOR HOLLAND: We did it. In fact, it is just about what we estimated when I appeared before the Committee which was hearing pensions, generally. But, I think it is documented now.

ASSEMBLYMAN MARKERT: All right, thank you. The only question I had was that I would have that information so that I could also review and study it. As long as you are going to submit that to the Committee, that would be satisfactory to me.

ASSEMBLYMAN GREGORIO: Mayor, even before we get that in writing from your report, could you tell me, briefly, how much did you figure per man, per year to arrive at those figures? Do you have that figure handy? Because the testimony we heard this morning seems to be agreed upon by some other sources, and that is that it would be approximately \$400 per man. It seems with those figures that your figures might be a little high.

MAYOR HOLLAND: That is just a rough estimate. I would say about \$3,400 per man, per year.

ASSEMBLYMAN GREGORIO: \$3,400?

MAYOR HOLLAND: Yes.

ASSEMBLYMAN GREGORIO: Well, then there is a drastic mistake somewhere.

MAYOR HOLLAND: I'm sorry - \$330. I'm sorry.

ASSEMBLYMAN GREGORIO: Well, then you are even under the figure that we had this morning. How many police and firemen do you have, Mayor?

MAYOR HOLLAND: Roughly, 300.

ASSEMBLYMAN GREGORIO: Total?

MAYOR HOLLAND: Yes.

ASSEMBLYMAN GREGORIO: Police and firemen?

MAYOR HOLLAND: No, policemen. We have about 450 police and firemen all together.

ASSEMBLYMAN GREGORIO: Total 450?

MAYOR HOLLAND: Yes.

ASSEMBLYMAN GREGORIO: Both police and firemen?

MAYOR HOLLAND: Yes.

ASSEMBLYMAN GREGORIO: All right. The way we compute it then, it would cost Trenton \$180 thousand a year, at \$400 per man and that is the figure we were given this morning. The OFA seems to agree with that figure and the Police and Firemen's Actuary came in with approximately those figures.

ASSEMBLYMAN MARKERT: Excuse me. What we are referring to is that report and actuary study from Martin Segal which, as we said, seems to agree with the OFA as to the basic formula and cost which comes out to just about \$400 per man, per year.

MAYOR HOLLAND: I did not do the computation but the percentage cost was applied to our present cost.

ASSEMBLYMAN MARKERT: Are you giving us the total cost to the municipality at this time or are you giving us the increase in cost?

MAYOR HOLLAND: Our cost, obviously, now, for policemen and firemen alone is \$2,305,298. If you increase that by 46%, then obviously \$1,060,437.08 makes sense.

ASSEMBLYMAN GREGORIO: Yes but how do you come to the 46%?

MAYOR HOLLAND: Well, this I will have to check out but this is a fact - the \$2,305,000. Assuming the 46% increase is a fact, then obviously the increase is \$1,060,000.

ASSEMBLYMAN GREGORIO: Mayor, evidentially we are not comparing apples with apples. If OFA and Joseph and the Police and Firemen's Actuary are saying \$400 per man, if you agree with that - you said \$333 or \$340 per man - than you are nowhere near the figure of \$30 million. It can't come to that in 10 years.

MAYOR HOLLAND: Well then, obviously there has to be a reconciliation.

ASSEMBLYMAN PELLECCCHIA: Mayor, could you hold on one second, please?

MAYOR HOLLAND: Yes..

MR. MOORE: Mayor, I am Glenn Moore. I am the aide to the Committee. I believe that the figures which Mr. Fitzgerald from Martin Segal Company gave were based strictly on the "20 and out" provision - that is, \$400 per man. I think that the figure of 46%, or 40% to 60% that the Division of Pensions was using, is based upon the entire package. That includes "20 and out" plus the increase in benefits plus changing the base from the highest three years to the highest final years.

MAYOR HOLLAND: To the single year and then the percentage increase also -- that would explain it. That would reconcile it.

MR. MOORE: We may be using different figures.

MAYOR HOLLAND: In fact, they went - as I recall - from 46% to as high as 60%. That explains it then.

ASSEMBLYMAN GREGORIO: I think that explains part of it but I still

see a very big gap or discrepancy between even what our aide is telling us and your figures.

MAYOR HOLLAND: Well, we will check it out. I checked these figures before I came - that is, the totals - and did a quick division. Obviously, it didn't add up. So, this would explain the difference - largely anyhow.

ASSEMBLYMAN GREGORIO: Thank you, Mayor.

ASSEMBLYMAN PELLECCCHIA: Mayor, can you tell me, over the last 5 years, out of those people who became eligible to retire at 25 years under the plan that they presently have, what was the percentage of people who did retire from your police force?

MAYOR HOLLAND: I can't give you that, no.

ASSEMBLYMAN PELLECCCHIA: Not even a rough idea? Was it 50%; was it 10%?

MAYOR HOLLAND: I really wouldn't want to say unless I checked it.

ASSEMBLYMAN PELLECCCHIA: Could you provide us with that information?

MAYOR HOLLAND: Yes, sir. We will get you any information that you would like.

ASSEMBLYMAN PELLECCCHIA: Assemblyman Costello.

ASSEMBLYMAN COSTELLO: If you are going to provide that, Mayor, would you also submit the number of those who might be eligible to retire under this new plan?

MAYOR HOLLAND: Well, obviously, you have to be 43 under the new bill and if the average age of a new policeman is 27, there is not much potential for early retirement.

ASSEMBLYMAN PELLECCCHIA: If you will, Mayor, continuing along the lines of that last question, I wonder if you will be so kind as to give to this Committee the figures that you might have concerning raises in the last 10 years in percentages, not specifics - whether it be 3, 4, or 5 percent over the last 10 years.

MAYOR HOLLAND: In 10 years I guess we have gone up about 50%. That is a guess.

ASSEMBLYMAN PELLECCCHIA: Yes, of course most of the actuaries are using assumptions and we are trying to get a line on what the assumptions are. This is the only way we are going to have some sort of figures we can work with.

MAYOR HOLLAND: I don't want you to think I am insensitive to the needs because I am one of the chief advocates of making Blue Shield and Blue Cross benefits available to retired policemen and firemen. They need it most. But, I just think this is going too far.

ASSEMBLYMAN PELLECCCHIA: Well, Mayor, the only thing is, this Committee is trying to do the very best it can. What we are trying to do is get facts and figures from everybody who we know can get them for us so that we can give this a true airing and see that it doesn't just reflect the thinking of one side or another. We would like to be able to get as much information as we can to work with.

I have no further questions. Are there any further questions from the Committee?

ASSEMBLYMAN MARKERT: Just one. Mayor, do you know the average salary - do you have that particular figure, approximately - currently, for the City of Trenton?

MAYOR HOLLAND: It would be just a guess again. I would say it would begin around \$12,000.

ASSEMBLYMAN MARKERT: Around \$12,000?

MAYOR HOLLAND: Yes. \$12,500 or \$13,000 probably.

ASSEMBLYMAN PELLECCCHIA: Thank you, Mayor, we appreciate your coming here.

MAYOR HOLLAND: Thank you.

ASSEMBLYMAN PELLECCCHIA: The Mayor of Plainfield, Mr. O'Keefe, is he here?

P A U L O' K E E F E: Yes, sir. I apologize for not being here this morning also.

ASSEMBLYMAN PELLECCCHIA: You became very popular. We called you 20 times.

MAYOR O'KEEFE: You can reverse the charges from now on.

I do appreciate the opportunity to talk with you today, following Mayor Holland. I too am a Mayor of an urban city, one of the 28 urban cities so designated in the State of New Jersey, and representing those taxpayers in Plainfield, express concern about Assembly Bill 658.

If it is allowed to pass, of course, after 20 years of service, we will stand to lose a number of our firemen and policemen.

The philosophy of a retirement system is to assure the employee an income for that period which is beyond his active and productive period of life. I therefore question the rationale of A-658 which will encourage our employees to seek a second career at the early age of 43. Our police and firemen perform well and they are to be commended for their dedication and hard work for it is no simple task to perform particularly today in New Jersey's urban setting.

However, it disturbs me that we would encourage a trained professional to leave at the peak and most productive point of his or her career. Not only is it a disservice to the employee, but it represents a significant loss of investment on the part of the employer. There are certainly other less inviting and more laborious occupations in our midst with very limited professional career ladder opportunities to which the rationale for a shortened career would be more apropos.

My concern is basically two-fold. From a philosophical point of view, it is contradictory and morally wrong for the State to, on the one hand, require local governments to bargain in good faith with their employee groups while, at the same time, give away benefits to these groups at the expense of the local jurisdiction. The collective bargaining process is a good one in that it encourages local governments and their employees to come to mutually agreeable solutions to their problems. The City of Plainfield has a good record in that regard. "Giveaway" legislation, such as A-658, or giving or bargaining away powers for us such as the Binding Arbitration Bill just passed, is a circumvention of that process.

For a more substantive point of view, the fiscal statement accompanying the bill points out very clearly that the brunt of the financial burden will be passed on to the local taxpayer. This is somewhat disconcerting to me in that I sense a distinct contradiction emanating from these chambers. On the one hand, we have seen a concern for property tax relief, as Mayor Holland

mentioned, via the recent implementation of State Income Tax revenue to local jurisdictions. In addition, budget "caps" have been placed upon us. I wholeheartedly support the philosophy of this spending limitation and I have worked very diligently to see that our City's financial policies and practices coincide with the universal concern for property tax relief. On the other hand, I think we will find that the increased cost dictated by A-658 will work to undermine the positive impact that the recent income redistribution program has had upon local property tax relief in New Jersey. This contradiction disturbs me greatly.

The City of Plainfield has effected many economies over the past three years in an effort to curb the spiraling cost of inflation upon the already overburdened property taxpayer. Our efforts are commendable in view of the fact that we have been faced each year with many "fixed costs" that are passed on to us by State regulatory agencies. To give you some specifics, our pension costs alone have increased 65% over the past four years even though the size of our work force has actually declined by 10% through various productivity efforts. Our pension costs are approaching as much as 10% of our operating budget of \$12 million. Our situation in this regard is typical of other jurisdictions throughout the State. Although the specific impact of A-658 per local jurisdiction cannot be determined at this point - and I don't have access to Mr. Segal's figures of this morning - the statewide actuarial projection bodes further disaster to our local taxpayers.

For the above reasons, I strongly urge your opposition to A-658. If, however, it appears that the political pressures of those who stand to benefit cannot be overcome at this point, let me suggest several alternatives as a compromise to the concern for early retirement. Consistent with the basic philosophy of a pension system, if an employee is to be allowed to retire from a career after only 20 years of service, there should be a limitation placed upon the individual's second income before he or she would be eligible to draw retirement benefits. This should be done in much the same way as the Social Security income restriction now operates.

Or, as a second alternative, since in fact it is the employee who is the sole beneficiary of the provisions of A-658, let me suggest that the bill be amended so that the additional cost in its entirety be borne by the employee, recognizing the fact that in so doing the local jurisdiction still stands to lose in terms of the investment in the individual's training and experience. Consistent with my above concerns regarding the preservation of the collective bargaining process, employee groups should be encouraged to bargain at the local level with regard to the employer/employee contribution ratio of this added benefit. Only in this fashion will the interests of both the employee as well as the local taxpayer be served.

I offer those two suggestions in a constructive vein and I hope it is looked upon as such. Thank you.

ASSEMBLYMAN PELLECCCHIA: Assemblyman Costello.

ASSEMBLYMAN COSTELLO: No questions.

ASSEMBLYMAN PELLECCCHIA: Assemblyman Saxton.

ASSEMBLYMAN SAXTON: Each time someone testifies, I think we have asked pretty much the same questions. The reason for our concern is not that we feel that policemen and firemen should not have the advantage or the right

to retire at an early age, but because we must be somewhat concerned about the cost. What we are grappling with pretty much today - with one or two exceptions - are a lot of generalities. Can you become more specific in terms of what this bill would cost your municipality so that we have specifics to work with?

MAYOR O'KEEFE: I will answer that in two ways, one is that I would like to think that this Committee and the Assembly and the Senate would grapple with the concept of bargaining away rights that we should have and need in order to bargain on a collective basis, if you intend to have us bargain with our employee groups in good faith.

The other specifics as far as cost is concerned, I don't have. If you say \$400 a man on a fire and police basis, we have approximately 250 firemen and policemen and so it would be somewhere in the neighborhood of \$100 thousand the first year. Now, I will have to double check that with our financial people to see if that is correct.

ASSEMBLYMAN SAXTON: Do you have any idea of what percentage that would be of your cost now for the same individuals?

MAYOR O'KEEFE: Well, our cost right now is about - in the total pension program, that includes all employees - \$1 1/4 million, or so. But, I don't have specifics as far as fire and police, which is the bulk of it, of course.

I can envision and what we are seeing here is, when the bill is passed for fire and police, the pressure will come on the Assembly and the Senate to widen it for all city employees or municipal employees and that, again, will put undue pressure on the budget. Speaking particularly for the 28 municipalities that are considered urban cities, I am sure all of those urban cities have an eroding tax base with a higher reliance on the property tax than other cities that some of you have seen in your experiences.

ASSEMBLYMAN SAXTON: Thank you.

ASSEMBLYMAN PELLECCCHIA: I have a few questions, Mayor. Can you tell me -- You mentioned that you are afraid that some of these firemen and policemen would retire at a very early age. Can you tell me what the retirement age is today of the firemen who have served 25 years? What can he retire at right now?

MAYOR O'KEEFE: What age can he retire at right now? 55.

ASSEMBLYMAN PELLECCCHIA: Is that what you know it to be?

MAYOR O'KEEFE: I believe the base age is 55.

ASSEMBLYMAN PELLECCCHIA: Can he retire at 43 years of age now?

MAYOR O'KEEFE: Not to my knowledge.

ASSEMBLYMAN PELLECCCHIA: Well, he can, just so that you know. So, we are not changing that minimum age of retirement. It is there already.

MAYOR O'KEEFE: You are giving him more of an incentive.

ASSEMBLYMAN PELLECCCHIA: That is, if this Committee were to so choose to go that route. What I am saying is, some of the things that people are talking about concerning this bill - who spoke before - are of the opinion that there are changes. The fact of the matter is, they are in the law right now. A man can retire at 43 so long as he has 25 years service. The only difference is that the minimum age will still stay the same except that he now must only have 20 years.

Again, I asked Mayor Holland this - I am sure you were here at the

time - have you any idea, over the last several years, approximately how many men from your department have retired after they reached their 25 years? How many of them have actually retired at that point even though they are young men?

MAYOR O'KEEFE: I will get those specific figures. My perception of that and reaction to it is that we lose the ones who are in the lower echelon rather than those who are in the higher echelon.

ASSEMBLYMAN PELLECCCHIA: In other words, those who are higher - the sergeants and captains and the chiefs - stay on longer, is that what you are saying?

MAYOR O'KEEFE: That's right. That is my initial reaction to it but I don't have that in facts and I will get that for you.

ASSEMBLYMAN PELLECCCHIA: I would appreciate that. That would be very important for the Committee to know.

MAYOR O'KEEFE: Again, I think we ought to measure what the incentives are - the financial incentives - as far as service goes. If a person is retiring at 55 versus 43, I would think there are many more lucrative opportunities for other employment.

ASSEMBLYMAN PELLECCCHIA: The only reason why I raised the question is because the best information I could get from Mr. Joseph is that it is less than 2% that actually take advantage of this. If that is the case, we are really crying wolf before anything really happens.

MAYOR O'KEEFE: If that is the case, it would really be apropos for the Committee to put in the provision that the employee pays the cost of the pension program.

ASSEMBLYMAN PELLECCCHIA: Well, eventually the \$27 million that he talks about - if that \$27 million is correct - will have to be paid out anyhow except the difference is that the money that is put in earns its own keep over a period of time and those people will be earning not all of it but most of it in interest. That is one of the reasons why it is so important that we get this information from the Mayors and from whoever has that information for us. We then can do some calculating of our own. It is obvious. We are receiving figures from the Office of Fiscal Affairs. We are receiving figures from Mr. Joseph. We are receiving figures from the police and firemen. It is important that we get actual figures and we know what we are talking about among ourselves.

MAYOR O'KEEFE: We will give you specifics as they relate to one city out of 500.

ASSEMBLYMAN PELLECCCHIA: Well, that would help too because we then would be able to make some comparisons and try to find out where we stand.

ASSEMBLYMAN COSTELLO: Mr. Chairman, I would like to ask one question of the Mayor. You mentioned an urban aid community - one out of 28. I would like to have asked a question of Mayor Holland. I believe he is gone now. Just how dependent are you upon the monies you derive from the urban aid fund for sustaining your police and firemen?

MAYOR O'KEEFE: Well, we qualify on two ways: One, we have urban aid funds and we also are qualified for the safe and clean program. We use approximately \$300 thousand a year from the safe and clean program for fire and police and in our general revenue sharing and in our urban aid funds we

usually, in reporting that to the reporting agencies, show that as the basis for the fire and police salaries. I don't know how many I can tell you about out of our total budget. Forty nine percent is from outside funding. Fifty one percent is from local property taxes.

ASSEMBLYMAN COSTELLO: But these monies do provide you with the necessary resources to maintain the level of staff that you think you need, otherwise without the money no way could you carry the numbers.

MAYOR O'KEEFE: No way. No. We do definitely need the urban aid funding of \$500 and some thousand and we do need safe and clean. That is approximately \$900 thousand right there.

ASSEMBLYMAN COSTELLO: This urban aid is contingent upon the budget being adopted on a year-to-year basis?

MAYOR O'KEEFE: Yes.

ASSEMBLYMAN PELLECCCHIA: One final question: How many SETA fire and policemen do you have in your town?

MAYOR O'KEEFE: We have used SETA to a minor degree. We probably have right now, with the new influx, about 15 SETA police and 3 SETA firemen.

ASSEMBLYMAN PELLECCCHIA: Thank you.

George Tuttle from Paterson.

G E O R G E T U T T L E: Good afternoon. Mr. Chairman and honorable members of the Assembly Committee on Municipal Government, I appreciate very much your courtesy in extending the opportunity for me to speak on behalf of the City of Paterson concerning Assembly Bill 658.

I have attached to my comments today a letter that was sent individually to the Committee members by Mayor Kramer several days ago and I would respectfully request that that letter be made a part of the official record of this meeting. (see page 10x)

I am the Chief Financial Officer of the third largest city in our State. Our City is very proud of the fact that by virtue of insistence by our citizens and our elected officials on sound financial management, we have been able to reduce the tax rate and to increase services to our residents for three consecutive years. This record has been developed with evenhandedness and fairness to our employees. We have had no layoffs; we have had no strikes.

We feel our record over the past three years is seriously threatened today by the bill and the proposed Committee amendments, on which you are receiving testimony today.

One area of municipal expenditure which has proved uncontrollable is that of pension costs. As you know, municipal employee pension benefit levels are established by the State of New Jersey but paid for exclusively by real estate tax levies on the local property owner. In Paterson, the cost of municipal employee pensions, established by the State but paid by Paterson, has increased from \$1,552,000 in 1972 to \$3,029,000 in 1977. Over five years that is a 95% increase. It averages to be an increase of 19% per year. In 1977 alone our analysis shows that pension costs established by the State consume 20% of our salary appropriation for uniformed police and fire services - that is, for every one dollar that we spend in salaries for fire and policemen, we spend 20¢ in pension costs.

There is a law in our State which basically provides that municipal expenditures should not increase by more than 5% per year. Even though there

are some technical difficulties with that law, I can report to you that on balance it is a good law. Our City and its Mayor are probably in a minority among cities and mayors in having gone on record as having said we are willing to live with that law and we have done so.

Yet, you are now telling us that after increases of 19% per year for the past 5 years for pensions costs, you are about to approve an immediate increase of, according to the New Jersey Division of Pensions, from 40% to 60% - that is, between 40% to 60% - in police and fire pension benefits levels to be paid for by the local property taxpayer next year after the gubernatorial and legislative elections, which are being held this year. That is, our first bill that we would receive and have to pay under this law would be paid and raised by taxation next year.

You cannot expect to increase pension costs by these rates and preserve a 5% increase in overall expenditures, unless you expect a City, such as Paterson, to approve minimal salary adjustments or impose employee layoffs - which we have avoided in the past - next year. We will keep our expenditures to a 5% increase but you may force us to do so by treating our employees unfairly or by reducing vital services to our residents.

The legislation you now consider should be judged on several levels: What is the cost? Is there adequate public disclosure and discussion of the action being taken? Is the proposed action fair and in the public interest?

The cost is a minimum of \$27 million for fiscal 1977 and \$31 million in fiscal 1978, according to the fiscal note insisted upon by the Division of Pensions. That is a minimum increase in overall benefit levels projected by the Division of Pensions. Incidentally, there is a billing that the Division of Pensions issues which I, by law, am required to certify to our local officials is to be paid by local taxes next year. It is that bill which is going to determine what the cost of this legislation is.

Such an increase is not difficult to understand when one considers that the base for pension calculation is increased from average of highest three years compensation to the final year, which is usually the highest; the percentage of the base calculation is increased substantially; the minimum age for retirement without reduced pension is decreased from age 55 to age 43; the percentage of benefit at retirement is increased from 40% at 25 years to 50% at 20 years of service.

In the area of disclosure, I think there are very serious problems. The legislation was first introduced with a fiscal note which implied that there was no cost until the Division of Pensions published a note which showed there were astronomical cost increases. The Chairman of your Committee then published an interview in the April 17, 1977 issue of the Herald News in which he stated that the Director of Pensions is "not coming up with the right figures"; the Director engages in "scare tactics"; the real cost is only 1/8 the figure given by the Division of Pensions; your Committee is attempting to reduce the cost; the Director of Pensions has dictatorial powers which are not subject to appeal and should be.

When an elected official does not wish to admit to cost of his action, especially when it will be paid for by another level of government, it is very easy to suggest that someone is engaging in "scare tactics" or is "not coming

up with the right numbers." When the Director of Pensions, who is required by law to provide accurate estimates, fulfills the law and tells the public the real cost, he is not a "dictator", he is simply telling the truth and he is subject to review by a very capable State Treasurer who was just confirmed by this Legislature. When the Legislature's own very capable investigative arm - the Office of Fiscal Affairs - is represented today and does not materially challenge these estimates - and if there is a material difference in the estimates I would be very eager to hear them because we want to pay a lower cost - one wonders where the cost estimate of 1/8 - the Divisions's figure - comes from. When the Committee Chairman implies you are reducing the cost of the bill, as introduced by Assemblyman Deverin, and then we read official proposed committee amendments that were published increasing benefits, for example, from 1% to 2% for years 21 through 25, I don't think that is a reduction in the cost. It appears to me that that is a further increase in the cost over the bill that Assemblyman Deverin introduced.

As to the fairness and the public interest in this matter, it is not fair and it is not in the public interest to increase pension benefits by from 40% to 60%. Fire and police jobs are good, secure jobs. Pension levels are not meager. There is no coordination of benefits between pension plans and Social Security benefits. Pension costs nearly brought New York City to bankruptcy and it can do the same to other municipalities. It is not fair and it is not in the public interest to provide a lifetime pension at age 43 of \$14,000, plus, per year for public servants when our citizens demand improved services and when, in fact, there are long lists of applicants who are eager to fill fire and police jobs.

In conclusion, I would respectfully ask this Committee to closely examine the proposed legislation, to sincerely ask itself whether this is true "20 and out" legislation or does it simply dramatically increase costs to be approved today in an election year, to be paid by someone else tomorrow - next year in a non-election year.

Again, I appreciate the courtesy extended by your Committee and I would be very happy to answer any questions you might have.

ASSEMBLYMAN PELLECCIA: Before I turn it over to the rest of the Committee, I think your remarks were addressed to the Chairman. I see that the Mayor has not changed his habits. He tends to give half truths and falsehoods wherever he possibly can. That has been his trademark.

On page 4 he talks about reduced pensions. His statement of from age 55 to 43 is not true. On page 4 - again, the next paragraph, the statement about benefits at retirement indicating that it would be increased from 40% at 25 years service to 50% is not true.

I can go on and on through this statement but I don't think I ought to take this Committee's time in trying to explain why Mr. Kramer has seen fit to send someone down to do his dirty work, as usual, again.

(applause)

I would request the audience to refrain from any demonstrations. I know how I feel. The truth of the matter is, the discussion that took place between myself and the individual that I was told I quoted was on the telephone. There was no way that we were discussing what the actual bills would say or do because I did not have, at that time, the bill in my hand. The fact of the

matter is, I did not receive that bill in my hand until this morning. The language was discussed among the Committee and we proposed what we would do and we were discussing ways and means to try to solve a problem for the State of New Jersey.

There is no way that this Committee is making a decision, or made a decision, on what we would do through the papers. We have a job to do. We have to do it through hearings. We have to do it through a work session after these hearings are complete and once we get these hearings completed, we are going to have to make a decision on our own - on our conscience and what our conscience dictates. Then we will come out and make a decision. We will either release the bill with recommendations; release the bill without recommendations; or not release the bill. Those are the three decisions we would have to make. And, I don't think any newspaper article or any individual is going to pressure this Committee into their way of thinking. I am sorry that he has to use, or revert to, newspaper articles to try and win his point.

I am sorry he is not here. I am sure that he will hear this five minutes after this speech is over.

We will now continue with anyone else who would like to question Mr. Tuttle.

ASSEMBLYMAN GREGORIO: Mr. Chairman, while Mr. Tuttle is here, I would like to ask Mr. Glenn Moore, our aide, a question and then see what Mr. Tuttle could say about his answer.

Under the proposed bill - 658 - after 20 years of service, at age 43 what is the maximum that a policeman or fireman could retire at?

MR. MOORE: At age 43 -- The minimum at which a policeman could be employed is 18 years of age. That means he would have 25 years of service at 2 1/2% per year up to 20. So, that is 50% plus 2% over that; that would be 60%.

ASSEMBLYMAN GREGORIO: 60%?

MR. MOORE: Yes.

ASSEMBLYMAN GREGORIO: Well, on page 6 it says at age 43 there is a lifetime pension of \$14,000 per year. I don't see how you could arrive at that figure at the present salaries. Could you explain that?

MR. TUTTLE: It is very simple. As I understand it, on line 3 of the bill, 658, which I have, it indicates-- And this is one of your Committee amendments. This is a proposed Committee amendment not Assemblyman Deverin's bill.

MR. MOORE: What section, sir?

MR. TUTTLE: Line 3.

MR. MOORE: Of what section?

MR. TUTTLE: Section 5 (1)

MR. MOORE: I am sorry, sir, Section 5 of the bill refers to a policeman not being deprived of his pension rights for a violation of regulations. I don't--

MR. TUTTLE: Line 3.

MR. MOORE: On page 5 of the bill? On page 5 of the Committee substitute, is that what we are talking about? Is that what we have before us?

MR. TUTTLE: Line 3 of the first page of the Deverin bill.

MR. MOORE: This is the original bill. Okay, line 3.

MR. TUTTLE: And the proposed Committee amendment that I have is

to change "who has attained 55 years of age" to "attained 43 years of age."

MR. MOORE: There is another section of the law, sir, that provides that a man may retire after 25 years of service whether or not he has reached the age of 55 without any loss of benefits. That is already in the law. So, we are really talking about a difference between 25 years of service and 20 years of service.

MR. TUTTLE: I don't understand the reason for the change in the bill.

MR. MOORE: The reason for that is, the original bill was in error because you still have to have a 55 year figure in there. Some people will be employed after a certain age and they may want to go out at 55 years, whether or not they have attained 20 years of service.

MR. TUTTLE: Line 20 is a change from 1% to 2% for benefits from your 20 through 25. Is that similarly in error?

MR. MOORE: The original bill was 2% up to 30 years of service, and 1% for every year over 30 years of service.

MR. TUTTLE: Assembly 658 is 1%.

MR. MOORE: Okay. I am talking about the law as it exists now.

MR. TUTTLE: My understanding is that the hearing is on Assembly 658 and all I am stating - tell me if I am wrong - is that the Deverin bill provides for 1% for years 20 through 25, whereas the Committee amendments that are published and were distributed increases it to 2%. That is all that is being said.

MR. MOORE: It does change that. It does make certain amendments to it, yes. There is already 1% there for years over 30.

MR. TUTTLE: And it is being increased to 2%.

ASSEMBLYMAN PELLECCCHIA: It is going from 1% to 2%.

MR. TUTTLE: From the Deverin bill - from Assembly 658.

MR. MOORE: For the five years between 20 years of service and 25 years of service.

MR. TUTTLE: Right. It goes from 1% to 2%; that is 100% increase.

ASSEMBLYMAN GREGORIO: Than, Glenn, as I understand it, after 20 years of service the maximum he can go out at is 60%, is that right?

MR. MOORE: At 20 years of service-- At age 43, the most he can go out with is 25 years of service which is 60%.

ASSEMBLYMAN GREGORIO: We are talking about an average \$14,000 salary - that is \$8,400. You said a lifetime pension of \$14,000. That is 100% pension.

MR. TUTTLE: No, I didn't.

ASSEMBLYMAN GREGORIO: Well, whoever wrote this said that.

MR. TUTTLE: No, I did not say an average of \$14,000. In the Paterson Police Department - and I believe that our salaries are comparable to many other cities - it is quite possible at the end of 25 years - if a man has reached the rank of sergeant - under the contract that was just approved, for him to get 60% of his salary which is approximately \$14,000. Now, it is possible for a member of the police department to retire at that age with a pension of approximately \$14,000 in his mid '40's.

ASSEMBLYMAN GREGORIO: You are talking about superior officers. I understand.

MR. TUTTLE: Correct.

MEMBER OF AUDIENCE: I want to answer that. It is wrong what he is saying about Paterson.

ASSEMBLYMAN GREGORIO: Well, I think we would have to have an agenda and a schedule of witnesses--

MR. TUTTLE: I would be happy to submit specific calculations.

ASSEMBLYMAN GREGORIO: I just think that it was a little misleading. If you meant sergeants or superior officers, I think you could have said it.

MR. TUTTLE: Well, other superior officers would be higher.

ASSEMBLYMAN GREGORIO: Right. I'm sorry, I thought we were talking about the majority of the men on the force - the patrolmen.

ASSEMBLYMAN PELLECCCHIA: I have several questions. Can you tell me, Mr. Tuttle, approximately how many firemen do retire when they reach retirement age in the City of Paterson?

MR. TUTTLE: I don't have statistics on the rate of turnover, if that is what you are referring to. I think it is fairly low. I think your own Office of Fiscal Affairs would be willing to advise you, as well as the Division of Pensions - and I am advising you - that the cost of a pension program is not dependent upon how many take early retirement. The cost is largely dependent upon the benefit level.

In other words, if a person is 43 years old and could retire and is not mandated to retire and continues to work, he continues to accrue benefits which must be funded by the municipality. Now, I believe that does not bear significantly on the costs.

ASSEMBLYMAN PELLECCCHIA: It doesn't bear significantly on the cost?

MR. TUTTLE: I think that the benefit levels are the key determination of what the cost is.

ASSEMBLYMAN PELLECCCHIA: Well, isn't it a fact that the city continues paying in, regardless of if he retires or not - especially if he doesn't retire? The city is still obligated to put their share in and that money then accumulates more interest for the pool.

MR. TUTTLE: Which is included in all the actuarial estimates.

ASSEMBLYMAN PELLECCCHIA: Included as far as the money that we are talking about here?

MR. TUTTLE: Yes.

ASSEMBLYMAN PELLECCCHIA: Are you an actuary?

MR. TUTTLE: Any pension system, as I am sure the Director of Pensions has indicated to you, is based upon actuarial assumptions.

ASSEMBLYMAN PELLECCCHIA: Would this be an actual thing or would it be an assumption?

MR. TUTTLE: Always assumptions. Just like life insurance is based on assumptions.

ASSEMBLYMAN PELLECCCHIA: Oh, then, if it is an assumption, can we get an actual figure on it?

MR. TUTTLE: Well, I would hope so. I would hope that an accurate figure would be considered by this Committee before it takes action. You have a number on the table which the Director of Pensions has certified. I have not heard any credible opposition stated to those cost estimates.

ASSEMBLYMAN PELLECCCHIA: Well, the only difference is that paractically everyone of the actuaries involved come up with the same figures. Again, they

separate at the point where they had to come up with assumptions. If assumptions were alike, their figures would be alike. But, they are not.

MR. TUTTLE: Are you talking about 1% or 2% differences?

ASSEMBLYMAN PELLECCCHIA: No, they are more than that. The assumptions come up from -- What is that? Martin Segal comes up with 3%. And, the actuary from the Office of Fiscal Affairs comes up with 7%, or 9% - yes, it is 9%. So, there is a big discrepancy there. Our job is to try to get the truth.

MR. TUTTLE: Is there a report from the Office of Fiscal Affairs disputing the Division of Pensions on that?

ASSEMBLYMAN PELLECCCHIA: They are practically the same. No, they are practically the same. I am also the Chairman of the Committee that is studying the pensions throughout the State and the three of them have testified before that Committee and they all agree on the same thing, except when it comes to the assumptions. Then they separate just as if they were night and day. That is where the problem lies.

MR. TUTTLE: The bottom line on this bill - is there a dispute? Many numbers are thrown around but the fiscal note that is attached to this bill gives a cost estimate.

ASSEMBLYMAN PELLECCCHIA: On the bottom line there is a dispute.

MR. TUTTLE: Is that in writing somewhere?

ASSEMBLYMAN PELLECCCHIA: Yes. They come up with a figure of--

MR. TUTTLE: Who is "they"?

ASSEMBLYMAN PELLECCCHIA: Segal - Martin Segal. They come up with a bottom line of maybe \$400 per person. That is their figure.

MR. TUTTLE: Could I request a copy of that report?

ASSEMBLYMAN PELLECCCHIA: I think we can give you one. Will you send that to Mr. Tuttle at Mayor Kramer's office?

MR. TUTTLE: I would appreciate that very much. Thank you.

ASSEMBLYMAN PELLECCCHIA: I just want you to know that our job is a hard one. We are trying to get at the truth and I don't like to be sidetracked by other things.

MR. TUTTLE: Well, we have to consider, Mr. Chairman, in trying to form an intelligent judgment and in attempting to give the Committee the benefit of our advice, what is being proposed and what is the cost. We have documents and we have cost estimates on the table and we know very well - I know as the Chief Financial Officer of my city - that the State of New Jersey is going to send a bill late this year and I am going to have to include it in next year's tax levy.

Now, if this Committee feels that the cost should be lower, I think one of its amendments to this bill, to the extent that the cost is higher than the Committee feels it should be, should be that the State of New Jersey pay the difference because otherwise you are not taking action on accurate information and you are not properly advising us.

ASSEMBLYMAN PELLECCCHIA: We haven't the least idea of where we are going.

MR. TUTTLE: All we can do is speak in opposition, based on the facts that are on the table, as we know them.

ASSEMBLYMAN PELLECCCHIA: All right. Thank you for appearing and send my regards to Pat.

ASSEMBLYMAN MARKERT: If I may, Mr. Chairman, before you close on that note I would like you to bring back to Mayor Kramer - just as I hope everyone who has testified here today and who will be testifying for a municipality and also every member of the pension system does - the message that we hope he realizes that we are sitting here as a Committee engaged in the operation of obtaining as much information as possible. We are not sitting here yet as judge and jury. We are sitting here just as responsible legislators looking for the facts and the input that you people are giving to us. We hope to be able to take these facts and figures and be able to present a report, if need be, to the General Assembly, containing accurate information that they can then base their decision on. I hope that everyone testifies in that light before us here today.

MR. TUTTLE: Assemblyman, I respect and appreciate that and if there is any information that indicates that there will not be an increased cost on this bill and that our members could be provided with better benefits without the astronomical cost increases that have been indicated, the Mayor of the City of Paterson will be the first one to come down here and to congratulate you and to urge you to adopt the bill.

If you reach the conclusion, based upon a written report, that you can assure us that there will not be this terrible cost increase, the City of Paterson is completely in favor of it. But, the documents before us don't show that right now.

ASSEMBLYMAN PELLECCCHIA: Thanks again.

Mr. Palmer, Councilman from Bernardsville.

P E T E R S. P A L M E R: Thank you for this opportunity to speak to you. I must apologize for my cold. I am a Councilman for the Borough of Bernardsville. I am an actuary.

I know that it is your responsibility as our elected representatives to weigh the merits of all proposals, to consider the views of all parties, and to strike a balance between competing interests which will inure to the net benefit of the general public. I am distressed that there appears to be no balance in this bill whatsoever.

The bill contains tremendous economic benefits for the policemen and firemen of this State, literally a \$40,000 present for each and every man. The assumptions are that if a man retires with a \$16,000 salary, his pension would be \$8,000 and he will get the pension 5 years sooner. Five times \$8,000 is \$40,000.

The State can demurely say that, except to the minimal extent to which state employees belong to the system, that the cost of state government has not been increased. Where does the burden and only the burden fall? It falls on the municipalities and the taxpayers who support them. Where is there any balance in this proposal?

The increase in the unfunded past service liability will fall exclusively on the municipality. The increase in the unfunded past service liability is an actuarial expression perhaps best described by example. The present system anticipates that, as an example, a man with 16 years will retire in 9 years at one-half his final three year average salary. Existing reserves - the money that is here already plus the money that the municipality and the money that the individual police officer will contribute during the next nine

years will provide at the end of that time enough money to pay this man his pension. This new bill says first of all that there must be more money available at retirement because the man is five years younger when he retires and it is his final salary, not his final three-year average salary that is being used.

Furthermore, there are to be only four years in which to accumulate this money, not nine years. This additional cost - this additional burden - is referred to as the increase in the unfunded past service liability.

The existing funds of the pension plan will not increase by magic. The uniformed officer will not make an increased contribution. The State will not, except as noted above, contribute a nickel to offset this burden. Municipal and county governments and their taxpayers must pay it all. Where is the balance? Where is the equity? I would hope that it would at least bother you a little bit that in these days when our president is telling us that we must all face reality and we must all sacrifice a little, or a lot, if necessary, that you are presenting one large and active interest group in this State with a bonanza and sticking another group who in truth are nothing but the taxpayers as represented by someone other than yourselves with the bill for it. Where is the balance?

Is this bill really "20 and out"? No, it isn't. It is 20 years and out if you want to. Does tenure expire after 20 years? No, it doesn't. Does the employing municipality gain an inch of leverage in requiring the retirement of a man before age 65? No, it doesn't. A uniformed officer will hit 20 years at an average age of, say, 45 - or in the mid '40's at any rate. The municipality gains absolutely no ability to require this men to retire for another 20 years. Who will retire after 20 years? The competent, qualified man who can get another job, get social security coverage, probably get into another pension plan, quite likely public employment, will leave. Where is the balance?

I do not object at all to an effort to benefit the police and firemen of this State, but this bill is so completely one-sided. Why don't you look at the other side of the coin? You are apparently about to mandate this tremendous increase in unfunded past service liability. Why don't you look into your collective conscience and say - "Hey, we are creating this sizabele additional financial burden; we should pay for it?" Is that too revolutionary an idea? Even if you should recognize this moral responsibility, we in municipal government are still going to have increased "normal" pension contributions as we must fund the pension of new men in 20 years rather than 25, but perhaps we can live with that 44% increase as our contribution to the program.

All right, I threw out a number and I think one of the problems that you gentlemen are facing is that you are getting all kinds of numbers thrown at you and nobody telling you what they are assuming. If you accumulate money at 5% interest over 20 years, and over 25 years, you will have 44% more money at the end of 25 years than you will at the end of 20 years, at 5% interest. Therefore, if you are going to accumulate normal pension contributions at 5% interest, which is a reasonable assumption -- I don't happen to be privy to the data and assumptions of the pension system of the State of New Jersey but 5% is reasonable and therefore, if you are going to a 20-year accumulation rather than 25 years, the annual net cost of new people is going to be 44% higher.

There is another point which does not appear explicitly in the bill - or at least the version that I was able to read. But, it should be spelled out clearly and unmistakably. The pension is to be based on the final year's salary. As you may be aware, one of the primary factors in the near bankruptcy of the City of New York was the rape of the pension system whereby a \$12,000-a-year man could somehow manage to earn another \$12,000 in overtime in his final year and retire on half pay, which would be, in reality, full pay. I am not saying that this bill permits it. I am not saying that it can happen. But, I believe that this bill should clearly and in explicit language prevent any gamesmanship of this nature so that no administrative policy or deviant court decision can let this happen. If it were to happen, who would pay for it? The municipality, of course. Where is the balance? This is my chief concern - where is the balancing of interest in this bill?

That is all I have to say. Thank you.

ASSEMBLYMAN PELLECCCHIA: Mr. Markert?

ASSEMBLYMAN MARKERT: No, I think I have enough information in here, as presented by his statement.

ASSEMBLYMAN PELLECCCHIA: Mr. Costello?

ASSEMBLYMAN COSTELLO: At the outset, did you state that you are an actuary?

MR. PALMER: Yes, I am.

ASSEMBLYMAN COSTELLO: Thank you.

MR. PALMER: I would just like to say that from what I have heard, sitting in the audience here, I think the thing is - as you point out - you are here to listen; you are here to find out what the facts are. I think the problem is that you are getting, or hearing, statements from various different actuaries, each of whom have - as I do not have, I assume - access to the data. They are not telling you what data they are using. They are not telling you what assumptions they are using. They are not telling you -- \$400 a man; what does it mean? What does it provide? What are they assuming? 40% - what does that entail? It really is not that difficult for actuaries who are getting paid to do this work to set this down in reasonably clear language telling you what assumptions they have used and what results they have achieved.

Just as a simple example, I went, earlier, into a discussion where I told you, if you accumulate money over 20 years or 25 years, what the difference is, based on 5%. That is just straight interest assumption. There is nothing fancy about it at all. But, these people -- When you are doing an actuarial cost estimate, interest rate is one of your concerns. Rate of inflation is one of your concerns. Retirement age and mortality table - how many people are going to retire and when - is a concern. If you quiz these people carefully or tell them to set it down in detail and in plain english what it is they are assuming and how they are arriving at these numbers, you would be much better able to get a handle on what is going on. Furthermore, these people should be able to say what the cost to the city of Plainfield or the City of Paterson or the City of Trenton or any other city is going to be.

I, frankly, was a little bit shocked that this just hasn't been done. I think it is the responsibility of someone who has access to the data and is responsible enough to give you this kind of information. It just, obviously, hasn't been given to you.

MR. MOORE: Mr. Palmer, I thank you for your detailed statement. Obviously, you do have a much more educated background in the types of assumptions, and so forth, which actuaries use. We have received information from the Division of Pensions and from the Martin Segal Company. The two major assumptions are the rate of salary increase per year and the interest. According to the Division of Pensions, they assume a 4 1/2% salary increase a year, per year. They assume a 6% interest.

Martin Segal has stated that if these assumptions are taken as they are, that they agree fully with the estimate of the Division of Pensions as to how much the cost of "20 and out" per se will be. They estimate that at \$27 million and they estimate that that comes out at \$400 per man. They have proposed that we use different assumptions. They have proposed that we use a 3% salary increase per year and a 7% interest assumption. Those are the assumptions.

I just want to point out that the Committee has obtained information on this and that we will be dealing with the various assumptions that have been put forward and proposed to the Committee.

MR. PALMER: May I ask if the cost estimates dealt with the cost of a man from the time he is hired until he retires, assuming 20 years, or does that also include the additional cost? Let me give you an example. Let's take a man right now, who has a salary of \$15 thousand and who has been on the force for 25 years. Right now, he can retire at 50% with 25 years, which would be \$7,500. Now, if this bill were to pass, he could retire at \$9,000 - 60% of \$15,000. Now, that is an additional \$1,500 per year. Now, in the mid '40's, depending upon what interest and mortality table you want to use, the cost - the additional cost - of his being able to get \$1,500 more a year for the rest of his life - from the mid '40's on - is somewhere in the mid \$20,000 figure. So, it is going to cost. Somebody has to put up \$25,000 for this man to retire at this higher benefit.

Now, obviously, under the current set up, the municipality has to put up that \$25,000. The way a pension plan would operate, the municipality would not have to fork over this \$25,000 right away, but they would have to pay it over a period of years. So, what I am asking is, do these costs include this unaccrued past service liability or just the normal cost of new employees?

MR. MOORE: I am not certain. I know that the vesting provision is 15 years. Now, I don't know if that is exactly what you are getting at or not.

MR. PALMER: No. This has nothing to do with vesting. It merely means benefit level. What I am saying is, it is not too difficult or that onerous to talk about people from the time they are hired until the time they retire. The point is, that we have, obviously, many thousands of police officers. Say the average tenure is 8 years for a police officer at the present time. That means that on the average you have 12 years until the 20th year. Now, there is a great increase - this unaccrued past service liability that I spoke about - that must be put up by somebody to pay for the additional benefit of this man when he hits retirement - when he hits 20 years - and I am wondering-- Again, I don't have access to the data. I can't really comment on it. But, I am wondering if that cost - the cost of that part of it - is included.

MR. MOORE: I cannot say for certain. I think the Committee will take note of that inquiry. It is something that the Committee can look into before they decide on what to do with this bill. Thank you for bringing that point up.

ASSEMBLYMAN PELLECCCHIA: Thank you, Mr. Palmer.

John Fahy, Mayor of Parsippany.

J O H N T. F A H Y: Mr. Chairman and members of the Committee, my name is John T. Fahy and I am the Mayor of Parsippany-Troy Hills Township. I am appearing today in that capacity and also on behalf of the New Jersey State League of Municipalities.

The New Jersey State League of Municipalities is strongly opposed to Assembly 658 and other bills currently before the Legislature which would allow police and firemen to retire at half pay after 20 years of service. While preparing this statement, we were informed that several amendments were being proposed to Assembly 658. While these amendments are somewhat technical in nature and do revise the bill somewhat, it was difficult for us to comment upon specific language and we are, therefore, preparing most of this statement in the general terms of opposition to the philosophy of allowing any local government employee to retire upon the completion of only 20 years of service.

The original Assembly 658 had a fiscal note prepared by the Division of Pensions which stated: "The statement attached to the bill is incorrect because it indicates that there is no charge to the State. There is a charge and has been since 1973 when many State employees were permitted to transfer to the Police and Firemen's Retirement System so that now the State's membership represents about one-tenth of the cost of the Police and Firemen's Retirement System.

"There are a number of cost items in this legislation but the primary one is retirement after 20 years of service on half of final salary and for the purpose of an actuarial study the cost was computed on the basis of final salary in the last 12 months prior to retirement. The cost is indicated in fiscal 1977 as \$27 million, increasing in fiscal 1978 to \$31 million and such costs will increase as membership and salary increase. However, this legislation also provides for an additional credit of 1% for each year beyond 20 years of service. It also talks of a formula based on final compensation for both pension and group life insurance, but this is not defined. We must assume that it means the very final salary on an annual basis rather than salary in the last year because this was eliminated from the language of the insurance section of the bill. Thus, in addition to the cost figures indicated above, there will be additional costs of at least 10% to allow for the use of the very final salary as distinguished from salary in the last year of service plus the additional costs of service beyond 20 years; both of which we have not estimated. As we previously indicated, the cost would be borne on the basis of one-tenth paid by the State and the remaining 90% paid by local employers participating in the system." Thus, ends the fiscal note on Assembly 658, as introduced during 1976.

It can be seen that annual costs totaling \$27 million to \$31 million were envisioned in this fiscal note. While no fiscal note has been prepared in line with the proposed amendments to Assembly 658, we are sure that sizeable appropriations amounting to millions of dollars would be involved.

The proposed amendments to Assembly 658 would require a member to have attained 43 years of age, and complete 20 years of accreditable service being eligible for retirement at half pay. After 20 years of service, the proposed amendments would allow 2% for each of the succeeding 5 years, adding an additional 10% to the pension benefit, or 60% of the final salary. An additional 1% for the succeeding 5 years would authorize 65% of final salary if a member served 30 years in the system.

Since the bill still contains a mandatory retirement age of 65, a member who entered the system at age 18 could still work an additional 17 years after 30 years of service, which at 1% per year would produce a pension benefit equal to 82% of his final compensation. Perhaps we have misread the intent of the proposed amendments, but we doubt that the Legislature is desirous of paying any public employee who works a normal lifetime - age 18 to 65 - a pension equal to 82% of his final compensation. This type of benefit would be impossible to fund and we doubt that any private or public pension system in the United States grants such a generous benefit.

It is not a simple task to determine pension liabilities. It is not a matter of dividing total fund assets by the total number of members in the pension system. It requires a qualified actuary with a comprehensive understanding of pension benefits and actuarial tables to render an opinion in this field. We believe that the Legislature can best serve the citizens and the taxpayers in New Jersey only if a full fiscal note on Assembly 658, with the proposed amendments, is prepared. Only then can the Legislature and the Governor fully understand the fiscal implications of such action.

It has been argued that many municipalities will save money if a "20 and out" amendment were adopted because in the initial years, the total cost of salaries will be lower because smaller salaries will be paid to the new employees who replace the older, higher paid retirees. Such an analysis is short-sighted. The ultimate financial cost over the years will far outweigh any such saving. We believe that the replacement employees will achieve salaries equal to the final salaries paid to the retirees, within a few years. In addition, higher pension appropriations will have to be made because of such salaries, and the pension system is being drained by the earlier payment of pensions to persons who could have still been on the payroll. In the final analysis, we cannot see where any municipality will save money on the "20 and out" bill. This is a benefit which will ultimately be sought by all non-uniformed employees, including State, local and county employees, as well as teachers. Is this the type of precedent which the Legislature wants to set as a worthwhile pension philosophy?

New Jersey has always provided actuarially-based benefits for retiring employees. Let us not fall into the financial chaotic situation which confronts New York City. Much of its problem is caused by pension financing and New York City is currently appropriating \$1 billion annually to cover pension fund deficits for uniformed employees. Is this the type of benefit we want to offer in New Jersey, coupled with financial bankruptcy for many of our municipalities?

With municipalities facing ever-increasing budgets because of inflation, and because of higher salary costs resulting from negotiations under the PERC Act, it is imperative that any new pension benefits be fiscally

feasible and actuarially sound. Further burdens cannot be placed on the local property taxpayer. Keep in mind that pension costs are not outside the recently enacted "cap law". Therefore, an increase in pensions must be strongly opposed.

Pension fund requirements have increased currently over the past decade. The Division of Pensions has stated that there is a minimum of a 10% increase each year, reflecting an 8% increase in salaries and a 2% increase in new members. Remember that the Legislature has recently amended pension statutes permitting the transfer of thousands of individuals who were never considered eligible for membership in the Police and Firemen's Retirement System, as well as the substantial raises in salaries which are more in the magnitude of 13% to 14% at retirement, rather than 8%. As stated in the fiscal note earlier, the State of New Jersey is responsible for approximately one-tenth of the total additional obligation because of the transfer of PERS Members to the Police and Firemen's Retirement System.

Pension statutes, actuarial requirements and technical language are often confusing to the layman and the citizen. It is therefore imperative that a properly drawn, actuarially sound, formal fiscal note be prepared on Assembly 658 and any other measure proposing "20 and out" benefits. If this philosophy is so desirable, then the State of New Jersey should be willing to pick up the financial burden of an amendment such as Assembly 658. The municipalities and the local taxpayers cannot afford increased pension costs as envisioned by "20 and out" legislation. Over the years, we have found that the "piper has to be paid" and it is time for the Administration and the Legislature to stop promising the unobtainable to the local taxpayers, when it is known that higher tax bills are the ultimate result of such actions.

The fiscal statement attached to Assembly Bill 658 borders on the ludicrous. Somehow the members of the State Legislature have mentally divorced the State of New Jersey from the municipalities of New Jersey to quote a portion of the fiscal statement on the bill I have seen: "In view of the fact that the municipalities provide the entire cost of funding the liability of the Police and Firemen's Retirement System, there will be no fiscal impact on the State of New Jersey as a result of passage of this bill."

How the members of the State Legislature can in good conscience pass this burden along to the local property taxpayers without consideration of the impact on local taxes is beyond my understanding.

You gave the local property taxpayer relief with the income tax and now with your other hand you are attempting to reach once again into his pocketbook.

I would ask the members of the State Legislature to remember and have some consideration for the people who sent you here. Thank you.

ASSEMBLYMAN COSTELLO: I have one question that has nothing to do with your comments, other than the fact that you read beyond what was given us.

MAYOR FAHY: I gave the Chairman a copy of that and I gave the secretary one because I only had two of them.

ASSEMBLYMAN COSTELLO: Then we will receive those concluding comments?

MAYOR FAHY: Yes. I explained that to Mr. Pellecchia when I brought them up.

ASSEMBLYMAN PELLECCCHIA: Assemblyman Saxton.

ASSEMBLYMAN SAXTON: No questions.

MAYOR FAHY: I have one other thing to say and I think it is a point that should be considered strongly by the State Assembly. I would also appreciate if I didn't have any comments from the side when I am speaking.

ASSEMBLYMAN PELLECCCHIA: Please-- (indicating a desire for silence from audience)

MAYOR FAHY: Can I speak?

ASSEMBLYMAN PELLECCCHIA: Yes.

MAYOR FAHY: Thank you. The point I want to make is that in passing this kind of legislation, you should take into consideration that the very people that you are asking to bear the cost are people who work to age 62, or 65, and have no pension similar to the type public employees have. Also, on the premise that a man retires at 43 years of age and lives to be 75, at \$8,000 per year you are talking about one-quarter of a million dollars. Now, possibly, in 20 years he has contributed \$20 thousand to that. Where will the balance come from?

If this bill passes, in approximately 9 or 10 years I will lose half of my police force. They will be eligible. Whether or not they leave is one thing, but if they don't leave, where are the savings - the proposed savings - which I disagree with? There are no savings for the people who have to pay the bills - and they are the taxpayers.

ASSEMBLYMAN PELLECCCHIA: Well, these are some of the things that this Committee has to take into consideration. I just hope that all the Mayors who have testified realize the position that this Committee is in. We are given a chore. When a bill is presented to a committee, we can't just take it and discard it because we feel the bill isn't worthy of passing. Our job is to make sure that any bill that comes in - especially a bill of this magnitude - gets, first, the airing and then our consideration - our thorough consideration - of everybody that is involved.

MAYOR FAHY: May I make one final comment on behalf of my community?

ASSEMBLYMAN PELLECCCHIA: Sure.

MAYOR FAHY: I haven't spoken to a person in my community who is supportive of this bill - okay? - except the people who are going to benefit by it. The residents and the taxpayers are not in support of this legislation and I would say to you that before you pass a bill like this, put it to the people of the State of New Jersey in the form of a referendum and give them the honest and true facts and let them make that decision.

ASSEMBLYMAN PELLECCCHIA: That is not within the purview of this Committee. This Committee must do its job and after it does its job, then the Legislature has a job to do. So, I hope a lot of people don't get the idea that this Committee is the body that passes on whether this becomes law or not.

MAYOR FAHY: But you have a lot to say about it. You are certainly going to make a decision on whether or not it comes out of Committee.

ASSEMBLYMAN PELLECCCHIA: We have three choices. We have a choice to recommend that this bill be released from Committee with recommendations; we can release it without recommendations; or we can hold it in Committee. This is something that this Committee will decide after all of the evidence is in and after we have received all the help we can from all the people

who we have asked help from.

I have asked several of the Mayors for information and material that I would like to have. I have asked for material from the police and firemen. I just hope we get cooperation from everybody so we can make a fair decision.

MAYOR FAHY: One final point. I just thought of this when I heard previous testimony. That is, in talking about the cost to the municipality, last year we had an increase in our PERS retirement cost from the State of New Jersey. We had an increase of \$40 thousand. We had an allowable cap increase of \$300 thousand. The pension increase was \$40 thousand - one-sixth of our allowable cap increase. Thank you for your time.

ASSEMBLYMAN PELLECCCHIA: Is there anyone else who wishes to testify?

MR. YOCAVINO: I want to say something. I wasn't going to.

ASSEMBLYMAN PELLECCCHIA: Yes.

P H I L I P Y O C A V I N O: My name is Philip Yocavino. I am presently President of the New Jersey State Policemen's Benevolent Association. I sat here and listened to a lot of figures. I am not going to give you figures because that is not my job. We had our man here to give you figures.

What I am here for, after listening to all this - the Mayor speaking and everybody speaking on behalf of their communities and everything - is to say that the only thing that bothered me the most - and I will be honest with you - was that nobody took into consideration the persons who are involved in this - the people, the police and the firemen. Nobody cares whether they live or die. They are treating us like a piece of machinery. Let's say we are a piece of machinery - because that is actually what we are going to be, that is what they are treating us like - after 20 years a piece of machinery is just about shot.

I think I gave the Chairman an article that was in the New Jersey Business Magazine. I will read you just a little bit of it because this will give you an idea of what I am talking about when they don't consider the men and the women involved in this Police and Firemen's Pension System. I think that we should be given some kind of consideration in order to have a better life because the life of a police and fireman is not a good life.

I will read an excerpt from this article. It also makes mention of the fact that Mr. Joseph's cost analysis on "20 and out" does not necessarily mention that he is opposed to this concept. "It is the nature of police work and firefighting that there are a great number of indians and very few chiefs. It is a dead end job in most cases and after 20 years of dealing with street crimes and fires in Newark, Paterson, Jersey City, Clinton, or Camden, most patrolmen and firemen have had enough. They are worn down physically and mentally. Twenty years of shift work can do a lot to a marriage too and none of it good. The divorce rate for veteran cops and firemen is like the incidence of heart attacks and disabling injuries and the list is very high. There are a lot of cops and firemen working now who aren't healthy enough to do the job and who know it but won't get out because unless they are ruled totally disabled, they cannot get full retirement benefits.

"They are opposed to '20 and out' and talk about the insanity of paying pensions to a 41 year old man, but the average age of a starting cop or fireman isn't 21, it is 27, and the retired cop or fireman obviously stands

a much better chance for getting a job if he leaves at 47, rather than 52. The cost of '20 and out' would be, as Joseph said, extraordinary, but then the people involved are in an extraordinary line of work. They face extraordinary hazards and they have extraordinary problems."

So, gentlemen, I wish you would consider not the cost factor - we don't want to be judged by dollars and cents. If you are going to put a cost on our lives, then whatever cost you figure, it is not enough. We are worth more than what the cost factor is going to be. We give our lives to the community. We have policemen and firemen who are injured and killed daily throughout the country. We put our lives on the line. So, I don't want you to measure this piece of legislation by dollars and cents; measure by a man's ability to get off and maybe he can patch up a life with his family and live a decent life - to get out early and maybe live happy once and for all.

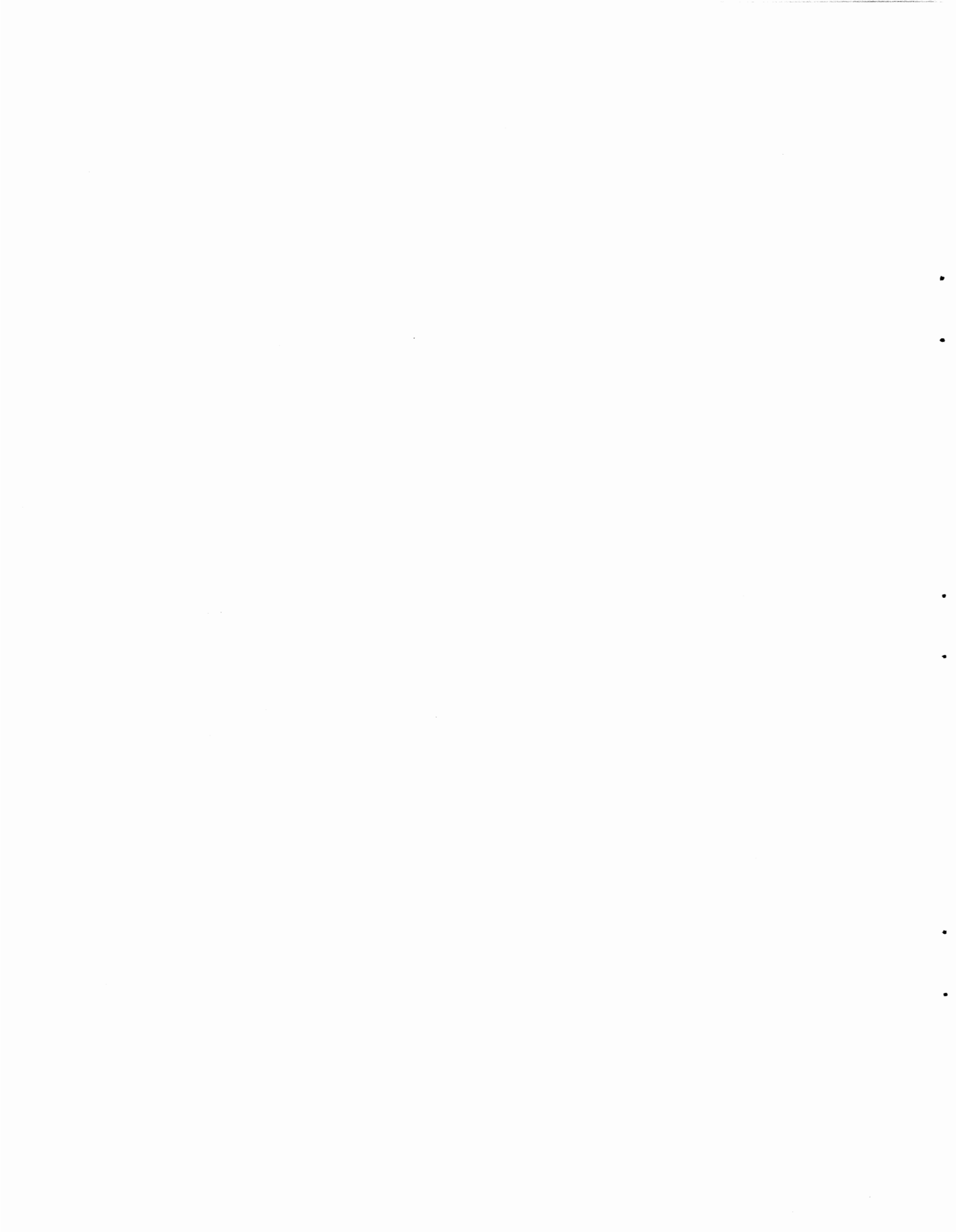
So, gentlemen, I wish you would consider that. Consider the people, not the dollars and cents. Don't put a price on a man's life in dollars and cents like the Mayors are doing here. I think they gave you the wrong figures. Go right down the line and some of them didn't have the figures for you. Once again, as with Paterson, according to that man a sergeant would be making \$28,000 per year. In reality, he is only making \$18,000 in 1978 and one-half of that, to me, is \$9,000. Thank you for listening to me.

ASSEMBLYMAN PELLECCCHIA: Is there anyone else who wishes to speak?

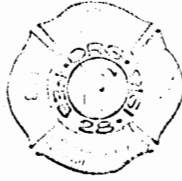
(no response)

If not, I declare this hearing closed.

(hearing concluded)



UNIFORMED FIRE FIGHTERS ASSOCIATION OF JERSEY CITY



LOCAL NO. 1066

OFFICE OF

INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS

Legislative Delegate
Fred Stewart

AFFILIATED WITH
AMERICAN FEDERATION OF LABOR
CENTRAL LABOR UNION
OF HUDSON COUNTY, N. J.
STATE FEDERATION OF LABOR
MEMBER - NATIONAL SAFETY COUNCIL



April 20, 1977

To Local Municipal Government Assembly Committee

Sirs:

In respect to proposals and benefit changes in P.L. 1944
C.225 Police & Fire Fighter pension system. Local 1066 Jersey
City Fire Fighters Ass, would like an incentive to retire put
in the present Police & FIRE Fighter pension. We would like
80% for 25 years of service and 85 % for 30 years of service.

Final compensation changed from 3 years to best
12 months.

On the 20 year retirement maybe a phasing in system
would be accepted like starting with 24 yrs. 23, 22, 21, and
20 years which would be a five year program.

Entrance age change from 39 years to 30 years.

Our Association would expect the 5% cap be exempt
from the pension payments by the cities and state.

As for savings to the city on the next page is a
payroll savings for replacing personal who are eligible to
retire with new employees.

Respectfully,

Fred Stewart

Legislative Delegate

FISCAL IMPACT
"20 and OUT" Legislation

1. 1976 Pay Schedule for Patrol Officer:

Step	1	2	3	4	5	6
	10,723	11,225	11,751	12,302	12,882	13,490

Plus longevity of 5% at the end of a stipulated number of months.

2. Salary for Officer at end of 20 years of service:

Maximum Step	\$13,490
Longevity - 15%	<u>2,023</u>
	\$15,513

3. Salary cost for years 20 through 25: $\$15,513 \times 5 = \$77,565$.

4. Salary cost of new officer for years 1 through 5: \$58,829.

5. Cost of replacing older officer with new officer for 5 years:

A. New Officer Salary	\$58,829
B. 50% Retirement Benefits to Old Officer	<u>\$33,725</u>
	\$92,554

6. Other costs relating to the replacement of older officer with new officer:

A. Loss of Retirement Contributions for 5 Years at 7% -

Employee Cost	\$5,429
Employer Cost	\$5,429

B. Loss of investment income on accrued contributions.



STATE OF NEW JERSEY
 DIVISION OF PENSIONS
 P.O. BOX # 2058 - TRENTON, N.J. 086

FORM APPROVED BY
 DIVISION OF LOCAL GOVERNMENT SERVICES
 DEPARTMENT OF COMMUNITY AFFAIRS

Mr. Robert L. Emons,
 Treasurer
 Municipal Bldg.,
 Mount Holly, New Jersey 08060

PAYMENT RECORD

Voucher No. 1195
 Warrant No. _____
 Date NOV 19 1976

Location No. 398.00

Due and payable on
 March 31, 1977

The annual charge to Mount Holly
 on account of its employees enrolled in the Police and Firemen's
 Retirement System of New Jersey as of June 30, 19 76

Please make check
 payable to Police
 & Firemen's
 Retirement System
 of N. J.

(1) Normal Contribution	\$ 25,484.00
(2) Accrued Liability Contribution	\$ 4,790.00
(3) Group Life Insurance Premiums	\$ 4,016.00
(4) Administrative Fees	\$ 260.10
Total	\$ 34,550.10

CLAIMANT'S CERTIFICATION AND DECLARATION

I do solemnly declare and certify under the penalties of the law that the within bill is correct in all its particulars; that the services have been rendered as stated therein; that no bonus has been given or received by any person or persons with the knowledge of this claimant in connection with the above claim; that the amount therein stated is justly due and owing; and that the amount is a reasonable one.

SIGN HERE _____

[Signature]

OFFICIAL POSITION Chief, Police and Fire Bureau

DATE NOV 19 1976, 19 _____

Bill Received and Checked.

 (Date) (Signature)

OFFICER'S OR EMPLOYEE'S CERTIFICATION

Having knowledge of the facts in the course of regular procedures, I certify that the services have been rendered; said certification is based on knowledge of a municipal official or employee or other reasonable procedures.

 (Signature) (Title or Position)

APPROVED FOR PAYMENT

_____ (Name & Title)	_____ (Date)
_____ (Name & Title)	_____ (Date)
_____ (Name & Title)	_____ (Date)
_____ (Name & Title)	_____ (Date)

ACCOUNT OR APPROPRIATION CHARGED

A-658 would cost approximately \$30,000,000.00 as estimated by a Statement released from the Assembly County and Municipal Government Committee. As detailed by the attached formula, enactment of A-658 on any retirement program like this, would mean an increase of approximately 30 tax points to be levied on the citizens of Trenton.

The income tax legislation, conforming to its intent, allowed the City of Trenton to decrease its property tax by 43 points. The enactment of A-658 would equalize any tax relief intended by the supporters of the income tax.

Municipalities would not be able to offer any reductions and the merits of the State Income Tax would be short-lived.

The cost of Police & Fire Pensions in State	\$65,025,500.00
The cost of Police & Fire Pensions for Trenton	2,305,298.00
Estimated increase (cost) if A-658 is enacted	30,000,000.00

Formula:

$$\% \text{ of increase} = \frac{\$30,000,000.00 \text{ (approx. cost of A-658)}}{65,025,500.00 \text{ (total cost of P \& F Pension State-wide)}}$$

$$\% \text{ of increase} = 46\%$$

Times % of increase (46%) by City's police and fire pension cost (2,305,298.00)

$$\$2,305,298.00 \times 46\% = \$1,060,437.08$$

Divide \$35,000.00 (one Tax point in Trenton) into \$1,060,437.08 = Increase of taxes needed to fund A-658

$$\$1,060,437.08 \div \$35,000.00 = 30.3\text{c}$$

Cost to citizens of Trenton for A-658 = 30.3c per \$100 of Assessed Valuation

TESTIMONY OF
MAYOR ARTHUR J. HOLLAND,
CHAIRMAN, LEGISLATIVE ACTION COMMITTEE
OF THE
NEW JERSEY CONFERENCE OF MAYORS
BEFORE THE
SPECIAL COMMITTEE TO STUDY PUBLIC PENSIONS

November 12, 1976

Thank you very much for giving me the opportunity to appear before you today. My name is Arthur J. Holland, Mayor of the City of Trenton. I am appearing today as Chairman of the Legislative Action Committee of the New Jersey Conference of Mayors.

Although I realize that you are today discussing the broad field of pensions in general, I would like to focus on one proposed measure that is of the greatest concern to the mayors of this State.

The "20 and out" bill is one of the most fiscally dangerous propositions ever to be introduced in the Legislature. As you know, this bill would permit members of police and firemen retirement groups to retire after 20 years of service and 43 years of age, and also establish a mandatory retirement age of 55.

The drafting of a thorough and complete fiscal note to this bill has not been done, and this information should certainly be before you before any such bill of this magnitude is seriously considered. Even without this full actuarial information, Mr. William J. Joseph, Director, Division of Pensions for the State of New Jersey, estimates that "this legislation represents a minimum of a 40-percent increase in cost to State and local governments and is more likely to be closer to 60 percent." As an example, such an increase would cost the City of Trenton more than \$1,000,000 in increased pension costs per year.

We should also note that this proposed legislation is nearly

identical to the pension program in New York City. While we would not be so simplistic as to allege that New York City's near default was due solely to its pension troubles, it is clear that they were a major contributing factor. Our cities can no better afford this kind of expensive program than New York could.

Besides the monetary problem, which is, of course, our main concern, there is an important fairness question involved. If this is a good program for firemen and policemen, why is it not a good program for other public employees holding hazardous positions? We are sure that no one would seriously consider providing such a program for all public employees.

Returning to the monetary problem, many of the municipalities of this State have reached their limits in raising revenues. Property tax rates in many municipalities are already at near-confiscatory levels. All municipalities are tightening their belts and we have asked all of our employees to do the same. It would be unfair to other employees and to our taxpayers to allow this benefit for policemen and firemen to be enacted.

C. 10720

OFFICE OF THE MAYOR



LAWRENCE F. KRAMER
MAYOR

CITY HALL, PATERSON, NEW JERSEY 07505 □ 684-5800

Paterson

April 14, 1977

Hon. Vincent Ozzie Pellecchia, Chairman
Assemblyman, District 35
100 Hamilton Plaza
Paterson, New Jersey 07505

Hon. John T. Gregorio, Vice Chairman
Assemblyman, District 21
304 W. Curtis Street
Linden, New Jersey 07036

Hon. Herman T. Costello
Assemblyman, District 7
338 E. Union Street
Burlington, New Jersey 08016

Hon. John W. Markert
Assemblyman, District 39
40 Old Hook Road
Westwood, New Jersey 07675

Hon. H. James Saxton
Assemblyman, District 8
951 Route 206
Bordentown, New Jersey 08505

Gentlemen:

Re: "20 and Out" Legislation, Assembly 658

We write to register our firm opposition to Assembly 658 as well as the proposed Committee amendments.

The phrase "20 and Out" with which this legislation has been popularized is misleading and deceitful, since there is no mandatory retirement provision except at age 65. By removing the mandatory retirement feature, you have largely negated any possible improvement in operations or cost savings in salaries which might have resulted from true "20 and Out" legislation.

Each of us has vast respect for the quality and efforts of our policemen and firemen, each of us personally knows of unparalleled acts of heroism by policemen and firemen in defending the public safety of our citizens and has awarded commendations for such acts. Yet, as protectors of the public purse and as a matter of fairness, we must also note an obvious truth - that police and fire jobs are good, secure jobs which in fact are regarded as highly desirable as witnessed by the responses to Civil Service exams.



Under the proposed legislation, a public safety employee entering the force at age 20 and obtaining rank of sergeant could retire at age 45 with a pension of approximately \$14,400 per year. He could continue to work at another job and draw the pension. He would receive that pension for the rest of his life even if he qualified at age 65 for full social security benefits and even if he earned additional pension rights under a separate private pension plan.

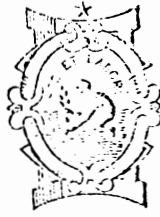
It is no disrespect to our policemen and firemen to say that the local taxpayers simply cannot afford the cost of such pension increases. The Division of Pensions estimates minimum costs of \$27,000,000 in 1977 and \$31,000,000 in 1978 from this legislation. This cost would have to be paid principally by the local taxpayers through real estate levies. By foisting these additional taxes on us, the Legislature and Governor would engage in a classic game of playing Santa Claus with other people's money. If the Legislature and Governor are serious about enacting this legislation and the apparent promises which have been made to the P.B.A. and F.M.B.A., then the legislation should be passed with a proviso that it be paid in full with an appropriation of State Funds.

A chief cause of the financial plight of New York City was uncontrolled, free-spending practices in the area of pensions and other deferred items which finally caught up with the City. We ask that you not force similar practices on New Jersey municipalities.

Finally, please consider the fact the pension costs may not be excluded from the 5% CAP on local spending increases. The cost of this legislation would consume, statewide, over 1/3 of all increased spending authority under CAPS for municipalities. It must be obvious that this would limit possible salary adjustments for all municipal employees -- including policemen and firemen -- to considerably less than 5%.

In conclusion, we feel this is bad legislation. If you are serious about "20 and Out" you should mandate retirements and pay for increased pension costs from State appropriations.

This position is also taken by Honorable Alvin Blau, Mayor of North Haledon,



Assembly 658

- 3 -

April 14, 1977

Honorable Nicholas De Graaf, Mayor of Prospect Park, Honorable Newton Miller, Mayor of Wayne, Honorable William Holster, City Manager of Clifton, Honorable Gerald Goldman, Mayor of Passaic, Honorable Louis Bay II, Mayor of Hawthorne, and Honorable William Heerema, Mayor of Haledon.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Lawrence F. Kramer".

Lawrence F. Kramer

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