



NEW JERSEY PENSION AND BENEFIT REFORM

**FAIRNESS FOR NJ TAXPAYERS,
PROTECTING EMPLOYEES' RIGHTS,
PLANNING FOR TOMORROW**

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PENSION REFORM



New Jersey's pension plans are in bad shape. Really bad shape. According to the latest accounting, the funds are underfunded by at least \$54 billion. Certainly, part of this problem rests with the fact that the state has skipped more annual payments than it has made, even while rank-and-file workers were contributing. However, even if the state had put in every penny it owed, the system would still be underfunded by billions of dollars. Benefit enhancements were put in without requiring anyone to pay any more for them, even while employee contributions were cut. Also, there are not only more retirees leaving active service, but they are living longer, and the smaller number of active employees will never be able to put enough into the system on their own to keep it balanced, given the investment losses

faced by the pension fund.

Something has to be done. And fast. Unless we act now, the system will eventually run out of money. If that happens, employees who have literally banked their futures on a secure pension will be left with nothing.

The Sweeney Plan is a responsible way to move forward, by taking politics out of the system once-and-for-all, and letting real numbers decide its direction. The Sweeney plan will provide up to \$110 Billion in savings to New Jersey taxpayers over the next 30 years and protect worker's pension in a fair manner. Gov Christie has proposed reform that would completely scale back benefits, an action that would fail to pass legal muster and would simply tie up reform in the courts for years.

Sweeney Plan

- **Retirement Age**

The Sweeney Plan would not change the current retirement age for public employees. Employees hired before 2008 can retire at 60. In 2008, the law was changed to make the retirement age 62 for new hires under the Teachers Pension and Annuity Fund (TPAF) and the Public Employees Retirement System (PERS).

- **Employee Contribution Rate**

The Sweeney Plan would base annual employee contributions on the actual health of the fund, meaning it could go up or down year-to-year. This would take politicians out of the process of setting the contribution rate. Employees and employers would share the costs 50/50 for most of the plan's liabilities

Christie Plan

- **Retirement Age**

The Christie Plan would increase the retirement age to 65 for current employees with fewer than 25 years of service. It would also increase the penalty for early retirement.

- **Employee Contribution Rate**

The Christie Plan would require all public employees to pay 8.5% of their salary (state, county and local employees in PERS and teachers in TPAF currently pay 5.5%, local police and fire personnel pay 8.5%, and State Police currently pay 7.5%).

- **State Payments**

The Sweeney Plan would make the state's annual payments a contractual obligation.

- **Pension Calculations**

Reform measures in 2010 rolled back the "pension boost" for new employees hired after May 21, 2010 to a ratio of n/60 (number of years worked divided by 60). Under the Sweeney plan, all employees that were hired before May, 2010 would have the option of keeping the n/55 "pension boost," provided they contribute more, as calculated by an actuary.

- **Average Salary for Pension Calculation**

The Sweeney Plan would not change the current calculation: Average highest salaried 3 years for PERS and TPAF, and highest salaried year for the Police and Fireman's Retirement System (PFRS) and the State Police Retirement System (SPRS) for all employees hired before 2010. For new hires, under the 2010 law change, the calculation is based on the highest salaried 5 years for members of PERS and TPAF, and the highest salaried 3 years for members of PFRS and SPRS.

- **Cost of Living Adjustment (COLA)**

The Sweeney Plan would eliminate annual COLAs for employees with fewer than 5 years of service at the time the law takes effect. Employees with more than 5 years of service would be given the option to keep an annual COLA provided they contribute an additional amount, as calculated by an actuary.

- **Changing membership of pension boards**

The Sweeney Plan would follow the private sector, and create joint labor/management boards - split equally between representatives from both sides - for each system.

- **Responsibility of the pension boards**

The Sweeney Plan would give the pension boards responsibility to:

- Control investments;
- Enhance existing benefits at an additional cost to members;
- Adjust employee contribution rates.

- **Police and Fire 'special retirement'**

The Sweeney Plan would make no changes.

- **State Payments**

The Christie Plan would not require the state to make its annual payment.

- **Pension Calculations**

Under the Christie Plan, all future pension credit would be calculated using a ratio of n/65 for most employees.

- **Average Salary for Pension Calculation**

For employees with less than 25 years of service in PERS and TPAF, the average annual salary would be calculated using the highest 5 years. If an individual has reached the normal retirement age in the PERS and TPAF pension system before the effective date, the calculation change would not impact them. Also, for employees with less than 25 years of service in PFRS and SPRS, the average annual salary would be calculated using the highest 3 years.

- **Cost of Living Adjustment (COLA)**

All future COLA increases would be eliminated for current and future retirees.

- **Changing membership of pension boards**

The Christie Plan would not change the makeup of the pension boards and would leave decision-making about contribution rates in the hands of politicians.

- **Responsibility of the pension boards**

The Christie Plan would not change the responsibilities of the pension boards.

- **Police and Fire 'special retirement'**

The Christie Plan would change eligibility for special retirement from 65% with 25 years of service and 70% with 30 years to 65% with 30 years and 60% with 25

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