

# Pension fears prompt surge in retirements



Written by

**MATT MANOCHIO**  
**STAFF WRITER**

7:06 PM, Apr. 23, 2011|

Public employee retirements in 2010 swelled by 60 percent, from 12,720 to 20,327, over 2009. And with Gov. Chris Christie campaigning to limit retirement pension and health benefits, municipalities expect the trend will continue.

"This level of retirements is unprecedented in my 36 years in this profession," Randolph Township Manager John Lovell said. "The number will increase if proposed legislation reduces benefit levels in retirement for career employees.

"I expect about 10 mid-level management and department head departures . . . to occur in 2011," Lovell said.

"Each has referenced concerns about state-mandated changes to health benefits (and) pensions . . . that could reduce retirements if enacted before their effective retirement date. Accordingly, the economics of retirement is understandably a very important factor."

Paul Shives, township administrator for Toms River, said his municipality isn't an exception when it comes to the number of retirement applications.

"If you go back to, I would say, the early part of 2010 through this year, we will have about 50 retirements," he said. "Of that, 21 are police officers, most with 25 years of experience."

The retirement boom is, Shives said, a double-edged sword for municipalities.

On the one hand, replacements for experienced workers earn less and could have less costly health and retirement benefits. On the other, much institutional knowledge goes out the door.

Shives said he'll be losing a purchasing agent by year's end.

"Clearly you can go out on the market and try to hire someone, but you're going to have a learning curve related to that position that's probably fairly significant,"

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he said.

As for savings in future budgets, Shives said the impact won't be immediately felt.

"In the future, it may be, but it's two or three years out," he said. "It's not now. Each (police) officer has accumulated leave that they're going to get paid for."

The average annual pension benefit for a state Public Employees Retirement System member retiring in 2010 was \$30,199 for a state employee, and \$20,075 for a local government worker, according to Bill Quinn, a spokesman for the state Treasury.

The average benefit for a retiring teacher in fiscal year 2010 was \$47,975, while the average pension for a police/firefighter working at the state level was \$39,580, Quinn said.

Local police and firefighters see an average pension of \$44,876, Quinn said.

The average annual pension for State Police was \$50,153, Quinn said.

The average pension for all retired public employee system members in fiscal year 2010 was \$21,145, and for all retired local government members it was \$13,579, Quinn said.

Christie has already taken action on, or made proposals regarding, a wide range of retirement benefits:

The governor seeks a 9 percent reduction in pension payments for any future service

of employees active on the law's effective date. Monthly pension payments for retired employees increased by 9 percent in 2001, but a March 2010 law restored the pre-2001 levels for new employees.

Christie would raise the retirement age from 62 to 65. While 65 would become the new retirement age, the change would apply only to employees with fewer than 25 years of service as of 120 days after the bill takes effect.

Regular retirement for those with 25 years service, as of 120 days after the bill takes effect, would remain available at age 60 or 62, depending on enrollment date.

Teachers and other public employees who retire early would also lose 3 percent of their total pension payout for every year up to age 65.

Early retirees currently absorb a 3 percent reduction in their payout for every year before age 55. Those retiring between the ages of 55 and 62 pay a 1 percent penalty

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for every year before age 62.

Christie would raise the bar for police and firefighters seeking early retirement.

Currently, they can take special retirement after 25 years, receiving 65 percent of their final compensation — the amount earned in their last 12 months of service prior to retiring — as their pension.

Christie would change this to 65 percent of final compensation for 30 years of service, and 60 percent for 25 years of service.

The governor would establish an 8.5 percent pension contribution rate for active government workers, a rate that now ranges from 3 to 8.5 percent.

Annual cost-of-living adjustments would be eliminated for current and future retirees.

Bill Stephens, a management specialist with Edison, said he's noticed more people asking about the possibility of early retirement.

"There certainly is an increase of inquiries. They're very, very concerned," he said. "We have had a dozen people actually put in their papers this year, which is more than what we would normally see.

"It's difficult to tell you what the exact impact is going to be when we haven't seen it," Stephens said.

Long Branch Business Administrator Howard W. Woolley Jr. said he's seen some retirements, but no groundswell.

"We had a few more people pull the plug than normal, but I haven't seen a rush to the door yet," Woolley said.

"I think most of our people are taking a wait-and-see attitude to what's going to happen with the pension legislation," Woolley said. "Everybody's got their eye on Trenton. It affects a lot of people."

Woolley said he's looking toward 2012, when Long Branch's contract with its police force expires.

"We'll see what happens," he said.

Donna Vieiro, acting manager of Franklin Township in Somerset County, attributes the retirements she's seen more to a naturally aging work force.

"So I wouldn't say it's an increase," she said. "I don't know that I've seen a spike due to the issues with pensions."

Vieiro said police officers working their 25 years and then leaving has "kind of been a

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norm, anyway."

Vieiro said Trenton needs to act before anyone really knows what will happen.

"Once the governor has his process in place as to what's going to happen with benefits and pensions and all that, I think that will trigger people to leave somewhat earlier than expected," she said.

**Matt Manochio: 973-428-6627;**  
**[mmanochio@njpressmedia.com](mailto:mmanochio@njpressmedia.com)**

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