

## **Making sense of pension reform**

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By Senate President Stephen Sweeney

When Gov. Chris Christie signed three landmark public employee pension reforms into law last week, lawmakers should have known the job was only half over. In retrospect, passing the reforms in the first place may have been the easy part, as lawmakers' offices have quickly become inundated with phone calls and emails from nervous employees unsure of what these changes mean to them and their families.

To try to reach out to every single public employee would be a nearly impossibly task. Hopefully, answers to the frequently asked questions below will not only put their minds at ease, but ensure that all residents understand why the action was needed.

### **How bad is the problem, really?**

A recent report from the Pew Center for the States showed that New Jersey's pension system had the third-highest unfunded liability in the country. When that report was compiled, the gap stood at \$34 billion. It has since grown to nearly \$46 billion. Pew placed our pension system in the category of "serious concern," among the eight worst states in the nation. New Jersey's unfunded liability for retiree health costs is the highest in the nation, ahead of even California.

### **Why is only New Jersey focusing on its public employee pensions?**

We're not. According to Stateline.org, a clearinghouse for news from all 50 state capitols, at least 16 other states are considering similar changes to their pension and health benefits systems.

### **I'm a career public employee. Why are you taking away my pension and retirement benefits?**

We are not. The pension system was created to provide for career public employees, and now we are returning it to that core mission. The only change any current employee will feel is the requirement that he or she contribute at least 1.5 percent of his or her salary toward the cost of health benefits -- at the start of his or her next contract. This is something most state employees already do. All other reforms being implemented -- changing the pension calculation, limiting sick-leave payouts, removing part-time workers from the system -- are prospective and will only affect newly hired employees.

### **What do you mean, "prospective"?**

For better or worse, the rules in effect when a public employee entered into the system are the rules he or she will continue to work under. We can, however, make sure the system is fixed for everyone who enters the pension and benefits system from this point onward.

**The police in my town already pay 1.5 percent of their salaries to their health benefits. Why are they being made to pay an additional 1.5 percent on top of that?**

They are not. The 1.5 percent figure is a blanket minimum. If a contracted employee already pays 1.5 percent, he or she will keep paying only 1.5 percent. There is no additive effect.

**What about retiree health care?**

All employees hired after May 21, 2010, will be required to contribute 1.5 percent of their pension toward health care when they retire. Current retirees are not affected.

**Who chose 1.5 percent, anyway?**

This is a more than fair amount for public employees to contribute to their health care. A public employee making \$40,000 a year will pay \$600 toward his or her premium -- or roughly \$11.50 per week. The nonpartisan Office of Legislative Services estimates that even with this minimal contribution, local property taxpayers will still be able to save more than \$300 million over the next fiscal year alone, and hundreds of millions more over time as more public-worker contracts expire.

**What about people who work at one of the many state or local authorities or commissions?**

Anyone who is a member of the State Health Benefits program or one of the state pension systems will be treated in exactly the same way, regardless of where he or she works.

**Why weren't politicians and political appointees included in these reforms?**

Those reforms already were done three years ago. Any elected or appointed official who took office after 2007 -- including the governor, Cabinet officials, senators, Assembly members and mayors -- is barred from the state pension system. They all must enroll in a 401(k)-style defined-contribution plan. Any legislator who receives health benefits through the state plan pays the same 1.5 percent as anyone else. And all newly elected officials will no longer be eligible for health benefits.

For additional information please see our previous [Dear Mayor Letters](#). If you have any questions or need further information please contact Lori Buckelew at [lbuckelew@njslom.com](mailto:lbuckelew@njslom.com) or 609-695-3481 x112.

Very truly yours,

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