Committee Meeting
of
JOINT LEGISLATIVE COMMITTEE ON PUBLIC EMPLOYEES BENEFITS REFORM
"Testimony from the public on pensions and health benefits provided to State, county, municipal, or school district employees"

LOCATION: College Center
Gloucester County College
Sewell, New Jersey

DATE: October 18, 2006
4:00 p.m.

MEMBERS OF JOINT COMMITTEE PRESENT:

Assemblywoman Nellie Pou, Co-Chair
Senator Ronald L. Rice
Senator William L. Gormley
Assemblyman Thomas P. Giblin
Assemblyman Kevin J. O'Toole

ALSO PRESENT:

Pamela H. Espenshade
James F. Vari
Office of Legislative Services
Committee Aides

Christian Martin
Senate Majority
Aaron Binder
Karina Fuentes
Assembly Majority
Committee Aides

Laurine Purola
Senate Republican
John Kingston
Jerry Traino
Assembly Republican
Committee Aides

Meeting Recorded and Transcribed by
The Office of Legislative Services, Public Information Office,
Hearing Unit, State House Annex, PO 068, Trenton, New Jersey
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ASSEMBLYWOMAN NELLIE POU (Co-Chair): Good afternoon, ladies and gentlemen.

I’m going to begin our meeting at this time. I’d like to welcome everyone for joining us for our second--

Can everyone hear me? (negative responses)

Okay. I’m going to try to speak louder.

Thank you.

How is that? Is that better? (affirmative responses)

Okay. Great. Thank you very much.

Again, thank you so very much for joining us for our second public hearing.

At this time, what I’d like to do is remind everyone -- if you would please, for the courtesy of everyone -- turn off your cell phones or place them on vibrate.

At this time, I’d like to begin the meeting.

I’m going to ask if our first speaker would please come forward. His name is Louis Magazzu, our Cumberland County Freeholder.

Mr. Magazzu, Freeholder Magazzu, please.

Welcome.

FREEHOLDER LOUIS N. MAGAZZU: Thank you very much, Chairwoman and members of the Committee.

First, my name is Louis Magazzu. I am a Freeholder in Cumberland County. And I am here on my own and not in any other capacity.
Let me first thank all of you for coming to this part of the state. And I also would like to thank the Governor, the Speaker, and the President of the Senate for addressing this very important issue.

It has been said that the road to hell is paved with good intentions. So may the road that took us to this point with the property tax burden facing our residents.

Today, I’d like to briefly give two examples where actions by the Executive and Legislative Branch of State government, in prior years, resulted in greater pension, funding obligations, and greater property taxes for the residents of Cumberland County.

The first example was what I believe to be legislative overreaching, when determining the setting of salaries for county constitutional officers. There was a law passed in 2001 which mandated that the salaries of the three elected county constitutional officers be no less than 65 percent of the salaries of superior court judges, which are $141,000. As a result, the salaries of the county clerk, sheriff, and surrogate were set at $91,650 in 2002, and remain at that rate at this time. This was an increase of $27,900, representing a 43 percent raise in one year for three elected politicians. And this base rate was -- does not -- remains the same throughout the state, no matter what the differences in offices.

And I’ve included some documents with my statement. First was a resolution that was passed unanimously -- I’m sorry, resolution by the County Board of Freeholders in 2001, which was four to three against this legislation. Secondly, and more importantly perhaps, was an analysis of New Jersey county clerks. And this was done by my finance office in the county. And I’ll just point to two as an example.
In Cumberland County, which is my county, with a population of 146,000 people, with a median income of $39,000, and revenue collected by the clerk of $2.1 million, the clerk makes the same $91,650 as in Essex County, with 793,000 people, almost a $45,000 median income, and revenue collected of $18 million -- literally nine-fold the transactions that are done, and yet the same base salary.

There was also a subsequent impact on all deputies. Because under other laws that exist in this state, deputies are entitled -- the assistant, the deputy surrogate, the assistant clerk, and the under sheriff -- are entitled to between 75 and 90 percent of what the constitutional officers get. So all their salaries increased.

A second example I’d like to bring to your attention is a Bigley action that was taken by the Cumberland County prosecutor, with the support of previous Attorney General Harvey. That allowed the office to double in size, and most salaries increased by 30 percent. Also, it was mandated that we build a $15 million-plus office. But the salaries are the important part, because obviously pensions emanate from salaries. The impact on salary and wages for all offices as a -- were enormous.

In the year 2004, which was the year that Bigley was filed, salary and wages for the prosecutor’s office was $2.4 million. In the year 2006, it’s $4.9 million. It literally doubled in two years as a result of the Bigley action. Obviously, there are pension implications that come from that.

Pensions are about 10 percent-plus of salary, which is not an insignificant impact. The total impact of both actions, which increased the
county share of the tax bill by greater than 10 percent in the last two years--
I would respectfully suggest a couple of immediate options.

Number one: to amend the law as it was before 2001, to make
constitutional officer salaries decided, again, by freeholder boards and
county executives. It would impact those pensions and it would impact
other deputies. And I recognize that it is not a significant amount of the
aggregate, but it sends a message. It sends a message that while we’re
taking -- questioning pensions that long-term career employees might have
on the State or county level -- if you’re a politician -- if you’re an elected
official, you get a special treatment. That law should be amended to allow
those salaries to be decided, again, by a freeholder board and county
executive.

Secondly, only allow Bigley certification by the Attorney
General, if the State is going to assume the burden of the additional cost.
Or better yet, have the State assume total cost of the prosecutor’s office. I
don’t think the second is very likely in the immediate future. I remember
when Senator Gormley, I think, actually proposed that a number of years
ago. But if the Attorney General is going to certify a Bigley action is
appropriate, then the State should assume the burden.

Literally, in Cape May County, that’s being -- there’s a Bigley
action taking place, and the freeholder board-- And I want to just indicate
that it’s bipartisan. In my county, we happen to be a Democratic board. In
Cape May, it’s a Republican board. And both boards have the same
concerns.

I would respectfully suggest two long-term options with respect
to pension implications when you’re dealing with salaries at the county
level. Number one, I think there should be a property tax impact study of every new law in the same ways you score the laws for the cost to the State now. Secondly -- and this is more of a general comment, and my final comment. It's even beyond pensions.

Let me say something as a local official. If you’re going to give property tax relief, or if there is going to be savings as a result of shared services or assistance from the State, it should not be allowed to go into the general fund of the municipality, the school board, or the county. There should be a dedicated line item that says whatever the savings are, from shared services or State relief, goes to property tax relief. Because if you allow it to go back into the general fund of any governing body, it will find another way to be spent.

Thank you very much for the opportunity to be here. And thank you for your service to the people of this state.

ASSEMBLYWOMAN POU: Thank you so very much, Freeholder.

I’d just like to make a statement. In my recognizing the fact that we did start a little late -- this was scheduled to start at 4:00, forgive me; I just wanted to make mention of the fact -- in my haste of trying to get this started right away--

All of the speakers, we are very interested in hearing your comments and the information that you would like to provide to us. When you hear the buzz sound, that-- Everybody has a five-minute speaking opportunity -- just so that we can make sure that everyone who is listed on our list is given that opportunity to speak. And we want to make sure to hear from everyone. So when you hear that, that means that your time is
really -- the five minutes are up, and we’re going to ask that you please wrap it up at that point in time.

We also want to make sure that-- I know that there is a special presentation that is going to be made to us. I’d like to just also make sure that that is kept within a reasonable period of time. I recognize that, and that’s going a little bit outside of the format. And we’re very happy and looking forward to listening -- to hearing that. But at the same time, I’m just going to ask that you please keep in mind the time frame, and the intent and purpose of today’s meeting.

I would be remiss if I did not share with everyone how very happy we are to be in this part of the state -- being given the opportunity of making sure that we have the views and the opinions provided to all the members here on the Committee, from all -- from both sides -- parts of the state. And we’re very happy to be in the South Jersey end of the state so that we can hear--

I also want to especially thank every member of the Committee for being here. I know many of us traveled far. And I’m just very happy to see that we really have all of our members here. I know that we’re missing our -- one, but hopefully he’ll join us soon.

With that said, again, thank you and welcome, once again.

I’d like to now call upon--

SENATOR GORMLEY: Excuse me, Madam Chair. Do we know the balance of our schedule? Because even for people who got here today, they found it -- late notice. Many of the workers got here, but-- Do we know when the next Committee-- What’s the schedule for Committee
hearings, and when are we going to deliberate what bills we’re going to move and second?

ASSEMBLYWOMAN POU: Okay. I’m not going to enter into a discussion right now, Senator, with that.

SENATOR GORMLEY: So we’re going to continue not to do anything.

ASSEMBLYWOMAN POU: We’re going to listen and hear.

SENATOR GORMLEY: We’re going to continue not to do anything.

ASSEMBLYWOMAN POU: I’m sorry, Senator. We are going to--

SENATOR GORMLEY: Well, we’re not doing anything.

ASSEMBLYWOMAN POU: I think these individuals who are here today have taken the time to come here today to express their views, and their comments, and opinions.

SENATOR GORMLEY: I’m just asking for a schedule--

ASSEMBLYWOMAN POU: Well, that’s--

SENATOR GORMLEY: --an action schedule.

ASSEMBLYWOMAN POU: Senator, I’d be most happy to talk to you about the schedule. We don’t need to do that right at this moment.

SENATOR GORMLEY: Oh, please. You’ve had two-and-a-half months.

ASSEMBLYWOMAN POU: Our next speaker will be Mr. Peter Thorndike.

And if I mispronounce any name, please be sure to correct me.
Oh, I’m sorry. The correction of the--

Mr. Cushing.

RICHARD P. CUSHING, ESQ.: Mr. Thorndike is also here, Assemblywoman Pou.

ASSEMBLYWOMAN POU: Oh, okay. Very well. Thank you. There’s two different names on two separate lists. Thank you.

MR. CUSHING: That’s correct. And we wanted to try to give as good a coverage to the Committee as we possibly could.

ASSEMBLYWOMAN POU: Thank you. Okay.

MR. CUSHING: Members of the Committee, thank you very much for the good job you’re doing in connection with the work you’re doing here.

UNIDENTIFIED SPEAKERS FROM AUDIENCE: We can’t hear you.

MR. CUSHING: How is that? Can you hear now?

(affirmative responses)

Excellent.

Members of the Committee, my name is Richard Cushing. I appear today as a representative of the Institute of Local Government Attorneys, ILGA as we are known as.

ILGA is an organization of about 400 local government attorneys. ILGA members represent both planning boards, municipalities, boards of adjustment, and other local government units throughout New Jersey. ILGA has prepared two position papers, that we’ve previously supplied to the Committee. We’ve also supplied additional copies today.
But I want to tell you that ILGA is not stone-deaf to the public outcry that has arisen with respect to the amount of pension benefits that have been earned by part-time public employees, including some members of ILGA. ILGA agrees that modification of the pension rules is appropriate so that benefits are more consistent with the public’s perception of fairness. However, ILGA believes there are some distinct public benefits to part-time attorney participation in the pension system, and any reform should not throw the baby out with the bathwater.

So what I would like to address today are some of the benefits of two local governments from attorneys and other part-time employees who participate in the pension system; and some ideas to help you craft a solution that takes into account the public concern about the size of pension payments made to some individuals, but also helps local government get the quality and favorable attorney fee rates that they have become used to.

On the issue of benefits of attorney pension participation for local units, ILGA believes that local governments benefit from having the option of their attorney to participate in the pension system. Traditionally, government rates -- government attorney rates are substantially below market rates. Lawyers for developers and others who challenge the actions of local governments often charge anywhere from $200 to $400 an hour, depending on the lawyer, obviously, and the region of the state. Municipal lawyers often charge half those amounts or less. But the public expects and needs lawyers who are capable and able to protect the public interests in a vigorous and effective way.
Why would capable and effective lawyers work for half the rate they could charge in the marketplace? Well, most of us actually really enjoy government work. Second, many local government attorneys are willing to accept reduced rates to have the opportunity to participate in the pension system. In other words, they’re willing to take a little less now in order to have a stable income upon retirement.

So we believe that if part-time attorneys are denied the opportunity to participate in the pension system, there will be considerable pressure to increase local government rates so they are closer to market rates, or talented lawyers simply will not work in the government service. Hence, even though draconian steps to eliminate participation by professionals in the pension system may sound appealing, in the end they may end up costing local taxpayers considerably more money than is saved by the pension system by eliminating professionals.

But we recognize there is a problem. Commentators have noted that some part-time employees -- not just lawyers -- have salaries for pension purposes that exceed that of the Chief Justice. It is understandable that that would offend people.

What we suggest to address this issue, for those not vested in the system, is not that attorneys or part-time employees be barred from tacking -- that is the practice of holding several part-time, pensionable positions at one time -- but that a cap be placed on the total salary a part-time attorney, or other part-time employee, can earn for pension credit purposes. We think this is a much sounder solution than either barring professionals from participating in the system or limiting their pension to one employer. (timer rings)
The mechanism that we envision--
Is that my four minutes?
ASSEMBLYWOMAN POU: It is.
MR. CUSHING: Can I get an extra minute or two, do you suppose?
ASSEMBLYWOMAN POU: I’d just like you to wrap it up though. If you would do that--
MR. CUSHING: I will as quickly as possible.

PETER R. THORDIKE, ESQ.: I’ll waive my additional time and defer to him.

ASSEMBLYWOMAN POU: Well-- Okay.

MR. CUSHING: I’ll go as quickly as possible, Assemblywoman.

ASSEMBLYWOMAN POU: That’s fine.

MR. CUSHING: What we’re suggesting is that a benchmark be used, in terms of pension benefits, tied into the salary of an appropriate individual. Somebody suggested to me the Chief Justice. That’s absolutely ludicrous. We would suggest that it be tied in as a percentage of the salary of either a superior court judge or some other government official that the Legislature feels is appropriate.

This approach has several advantages. First, it puts local government attorneys on par with their full-time brethren. Second, it eliminates the excesses that are perceived, with respect to the system. And thirdly, it induces local government attorneys to continue to participate in the system. We would like the--

And I’ll wrap up here very quickly.
We would like the opportunity to work with this Committee to craft solutions that will end up with a solution that is both fair to local governments -- advantageous to local governments -- and, in addition, eliminates the perceived excesses that have been commented upon.

Thank you very much for your attention. I’d be happy to answer any questions that anybody has.

ASSEMBLYWOMAN POU: Thank you.

MR. THORNDIKE: I defer to the remarks of my co-speaker here. We represent the same interests.

ASSEMBLYWOMAN POU: Very good.

Thank you so very much, gentlemen.

MR. CUSHING: Thank you, members of the Committee.

SENATOR RICE: Madam Chairwoman.

ASSEMBLYWOMAN POU: I’m sorry.

MR. CUSHING: I’m sorry, Senator. Yes.

ASSEMBLYWOMAN POU: Senator, let me, again-- The intent of today’s meeting is to hear from the public.

Did you have a question to clarify something that he said?

SENATOR RICE: Let me just, first of all, speak to the Chair, then, based on what you said.

We’re all different in our capacity as legislators. When I go up and down the state to listen, often times to get clarity I ask questions or make comments. And so if I’m going to sit here just to listen, then I can leave now, and you can send me the transcripts.

So, yes, I do have a question.
ASSEMBLYWOMAN POU: Okay. That’s fine. But the intent--

SENATOR RICE: I understand the intent. I chair committees, too. The intent is to listen, but sometimes you listen-- If you don’t get a response to something on your mind, you may never get clarity.

ASSEMBLYWOMAN POU: That’s fine, Senator. If you have a specific question to something that he said that he can help to clarify--

What is your question, sir?

SENATOR RICE: No problem.

First of all, let me go on record--

We are being recorded, is that correct?

SENATOR GORMLEY: Yes.

SENATOR RICE: I’ll be attending these meetings, and I will be asking questions. That’s through the Chairs.

My question is, to you: Is it not true, from your experience, that most municipalities and authorities who actually engage with part-time attorneys traditionally go out and hire bigger law firms to do most of their work?

MR. CUSHING: I think that varies around the state, Senator, from municipality to municipality. I’m from the western part of the state. And, traditionally, out in that area, they use smaller law firms. My firm is 22 lawyers. My-- Other lawyers have two or three other lawyers who do municipal work -- may have one or two lawyers in their office. Sometimes they bring in very large firms for specialized projects that may be beyond the capacity of a local attorney.
SENATOR RICE: Maybe the word *large* was the wrong word. I should have said other outside law firms.

MR. CUSHING: You mean private law firms as compared to--

SENATOR RICE: That’s correct.

MR. CUSHING: Yes, sir, they do.

SENATOR RICE: Okay. That’s just for my edification.

MR. CUSHING: Okay.

SENATOR RICE: Because you were talking about the benefits to having part-time. And I’m trying to weigh the benefit to having a part-time lawyer pick the phone up, to call in outsiders to come in.

MR. CUSHING: Right.

SENATOR RICE: And a lot of that is political.

MR. CUSHING: Well, we think that where we are -- that most of the lawyers are not-- Most of the lawyers represent more than one town. I represent five towns, and I’m a full-time lawyer. But I provide my services to many different towns. So we argue that it’s beneficial to those towns to get a very experienced lawyer. These are small towns that we represent, under 10,000 people. And they can’t afford to have a full-time lawyer. So they look to get professional services from somebody who specializes in the area. The benefit that we get from doing that-- We give them low rates, and we hope to get a little participation in the pension system as a result of that.

SENATOR RICE: Thank you.

Thank you, Madam Chair.

SENATOR GORMLEY: I have a clarification question.

Madam Chairwoman, I have a clarification question.
ASSEMBLYWOMAN POU: Senator.

SENATOR GORMLEY: You suggested taking a percentage -- not the full -- I understand what you said -- a percentage of what the superior court judge or prosecutor makes. Is that correct?

MR. CUSHING: That’s what I’m suggesting, Senator Gormley.

SENATOR GORMLEY: Consequently, you’d abide by the same restrictions -- no more political contributions by the firm or member. It would be parallel, wouldn’t it?

MR. CUSHING: Well, we certainly are subject to the pay-to-play laws.

SENATOR GORMLEY: No, no, I mean total ban, just the way a prosecutor--

MR. CUSHING: I think the--

SENATOR GORMLEY: If you’re mirroring off that for salary purposes, you would want the same restrictions, right?

MR. CUSHING: No, not necessarily, Senator.

With all due respect, the reason -- there’s a difference, because prosecutors are representing the public in terms of criminal matters. It’s a different situation from either a judge and a prosecutor, being municipal attorney.

Now, if-- Quite honestly, I think most municipal attorneys would say no political contribution--

SENATOR GORMLEY: I think they’d say, “Thank you.”

MR. CUSHING: I think they would, too.
SENATOR GORMLEY: I think the better ones genuinely would.

MR. CUSHING: If the rule applies across the board, Senator, I’d agree with you.

SENATOR GORMLEY: Oh, no, I’m talking-- You got it, across the board.

MR. CUSHING: I agree with you. I have no problem with that.

SENATOR GORMLEY: Because what we’re talking about is-- If we’re talking about consolidation of services and saving money with quality people, with approval by the Department of Community Affairs or something -- so that it isn’t left up to the last event -- then I think people would have a far greater level of confidence -- if it was called *consolidation* as opposed to *tacking*.

MR. CUSHING: That may be a very good point, Senator. And I thank you for that.

SENATOR GORMLEY: Thank you.

ASSEMBLYWOMAN POU: Assemblyman O’Toole, did you have a question?

ASSEMBLYMAN O’TOOLE: Yes. First a procedural question for you, Chair. If today is not the appropriate meeting place, perhaps on the 30th of October, I would request -- and if you want a motion, I will put forth the motion -- that we preserve a period of time for the members of this Committee to discuss, first, a timetable, and then a schedule as to how and when we are going to be producing recommendations for this Committee.
And if you would like to entertain that now, I'll entertain it now. If you want to wait until the 30th, I'll defer to the 30th. But I think at some point we should, in an open forum, discuss that possibility.

ASSEMBLYWOMAN POU: That’s fine.

ASSEMBLYMAN O’TOOLE: Okay.

And my question -- just a follow-up, through the Chair. The problem is, speaking lawyer to lawyer, that there aren't a lot of tears or sympathy for the municipal attorneys out there.

MR. CUSHING: I agree with that, Assemblyman.

ASSEMBLYMAN O’TOOLE: And the reason is because of the rather terrible abuses that have been impacted on the system by lawyers from South Jersey, North Jersey, Central Jersey, Republicans, Democrats -- very well-documented that -- whether it’s a few or many, they have done a terrible job of abusing the system and making it a political pork pot for themselves, aggregating, or stacking, or tacking three or four -- and, in many cases, not doing the work themselves.

And I think we have heard from -- I know Co-Chair Scutari has said one of the ideas -- and I know Governor Corzine said that one thought process is to make those people who are going to be eligible for the pension to have at least a minimum of a thousand or 1,500 working hours. And if a part-time attorney qualifies, perhaps that may be the solution. But I think it’s somewhat egregious for lawyers to, as Senator Rice was mentioning, have a big law firm and just send out lower-paid associates to do the work, and the one or two partners in charge kind of grab the cream from the top of the-- It’s a pension grab. It's a naked grab for money. And I think that that’s, if not criminal, certainly isn’t serving the pension system very well.
So if we're going to do the reform, the first area of reform has to be -- is the attorneys that have abused the process.

MR. CUSHING: I agree with you. And I think ILGA’s position has recognized that.

The thing that I would say is, I would not underestimate the fact that municipalities benefit, local governments benefit by paying lower rates than the market would normally pay, based on the fact that municipal attorneys look to get a benefit out of the pension system.

ASSEMBLYMAN O’TOOLE: Yes, but my--

MR. CUSHING: And I recognize the problems that have existed.

ASSEMBLYMAN O’TOOLE: Sir, my response to that is that every time a municipality, a county, an authority has an opening for a local government attorney, you can put the line from here to the local 7-Eleven, because people want in. It’s a steady, bankable client.

You’re right. I do agree with your comments that people do enjoy public work. And the public government work is just intellectually stimulating. But to say that they’re doing it as a service-- It’s also a service to themselves.

MR. CUSHING: Well, I think that’s true. I do think, though, that there is a benefit. And I don’t want to beat the point to death, because I know the Assemblywoman wants to move this thing along, but I understand your points.

Thank you for considering this.

ASSEMBLYWOMAN POU: Thank you.

Mr. Frank Forst.
FRANCIS A. FORST: Is that who you want? Do you want Francis Forst?

ASSEMBLYWOMAN POU: Frank Forst.

And, Fran, would you please come forward?

And I’m going to ask Joel Frank if he would please come forward.

I’m calling three people at one time just so that we can try to move this along.

MR. FORST: Good evening.

ASSEMBLYWOMAN POU: Frank.

MR. FORST: My name is Francis Forst.

ASSEMBLYWOMAN POU: Speak into the mike, Mr. Forst.

MR. FORST: I thought I was.

ASSEMBLYWOMAN POU: Okay. I’m sorry.

MR. FORST: It was nice to hear Freeholder Magazzu, from Cumberland County.

Years ago, we had a head of Civil Service commission by the name of Thelma Parkinson Sharp, from Cumberland County; and she was an outstanding Civil Service commissioner. And then we had an outstanding legislator by the name of Bobby Halpin, who rose to high levels of government; and he was an outstanding legislator. And it was during their reign when public employees got the right to negotiate contracts. It made me think, as I was preparing my notes, when I heard Lou Magazzu talk about Cumberland County -- the days of John Horn from Camden County, and how it was that, finally we had legislators who were really interested in the workers.
At that time, the workers I was representing made $1.87 an hour. The people who collected the tolls on the Turnpike, if they stayed there for five years, could make $2.00 an hour -- but not for five years.

I have represented workers in the private and public sector for over 50 years. Since the PERC law was enacted in 1968, I negotiated public employee contracts for the Turnpike, Parkway, Atlantic City Expressway, Burlington County and Cape May County Toll Bridge Commissions, the city of Asbury Park, and many other public entities.

Because prevailing wage rates -- which include overtime and benefits -- are mandatory under New Jersey law, I primarily used prevailing wages as a benchmark -- a goal -- in negotiations. The figures for those jobs are available from the Department of Labor. They have been, over the years, the rates paid in private industry. I was never able to reach prevailing wage rates all through the 1970s, 1980s, etc., up to the present, in public employee contracts. What I’m trying to say is that since 1968, I’ve negotiated contracts, and we never got as much money as they get in private industry in wages and benefits. And as I said, the benchmark is prevailing rates.

And as a quick example, if the Turnpike wants to go out and plow snow this Winter, they can either do it with in-house help -- the maintenance workers who work on the Turnpike, and they’ll get paid their regular wage -- or they’ll go out and hire a contractor. The contractor will charge them something like $147 an hour. They charge them the price of the worker, the override -- what he needs to pay for taxes. And the difference is astounding. But the worker himself makes more than the
worker on the Turnpike, or the worker on the Parkway, or the worker on the Expressway.

And when you hear people testify, as I’ve heard at some of your previous meetings, that people in private employment don’t make more than public employment -- I don’t know who they’re talking about. They must be talking about Wal-Mart or something like that. Because they’re not talking about the real workers, the people who work for Johnson & Johnson, or some of the large industrial companies in the State of New Jersey.

Anyone who says, or testifies, that public employees, such as laborers, truck drivers, equipment operators, carpenters, electricians, plumbers, masons, and so forth are paid as much, or more, than in private employment should check with Prevailing Wages in the Department of Labor. You don’t have to go far to get that information. Even though our employers pay both the private and public wages, we have never been able to reach the private wage levels.

In negotiations, we have an approach to make up for lower wages. We generally negotiate improved benefits. By doing so, we save both sides money. If we had to pay for some, part, or all of our benefits, we would have to secure higher wages. For every dollar of benefit an employee contributes, he or she must earn $1.40-plus. That’s right, $1.40-plus. Contributions to benefits are after deductions. Employees have the following deductions-- And I list them in my paper. I’m not going to read them off to you.

But it’s cheaper for a public employer to provide a benefit than to negotiate a wage package, including sufficient moneys to cover the
benefits. So if I negotiate a benefit, I can do it cheaper than if I have to negotiate a wage. If I have to negotiate that employees must contribute $5 to a health benefit plan, then I must negotiate five times $1.40. I must negotiate $7.00 in wages for them to be able to pay $5 for the new benefit. Therefore, it’s cheaper for the public employer to provide a benefit than to negotiate a wage package, including sufficient money to cover benefits.

I’m not going to read the rest of it.

If you decide employees will have to pay more for benefits, we will be compelled to negotiate more, because 40 percent in wages -- because of the cost of taxes, Social Security, pension, income tax, Medicare, unemployment, and so forth.

So I just thought I’d give you a picture of what the real world is like in public employee negotiations and what we do.

I’d like to--

Did my bell go off?

ASSEMBLYWOMAN POU: It did.

F R A N C E L I N E E H R E T: I cede my time to you, if you have something else to say.

MR. FORST: Franceline said--

I just wanted to talk about pensions. I was here when the people made $2.00 an hour. I represented people like Emil Katz (phonetic spelling), from the Red Lion Maintenance Yard. He worked there 35 years. He contributed to the pension system every week -- to the pension system. He got no pension, because under the law, the State deducted pension from Social Security benefits. And because his Social Security benefit was higher
than he would have gotten from the pension system, he got no money from the pension system.

It happened to everybody who worked on the Turnpike in the maintenance. It happened to everybody who worked on the Turnpike in tolls. It happened to everybody who worked in the Highway Department, up until 1965. In 1966, in May, they separated the pension from Social Security, and they finally got the benefit of having paid into both systems.

So we sat down in 1965 and '66, with Governor Hughes, and we came up with the system of how much you had to pay for your pension. And that’s how the number was arrived at, at 3 percent -- the workers pay 3 percent.

I heard somebody testify that the workers are only paying 4 percent on loans. But for the last nine years, the State hasn’t paid any money. They haven’t paid 4 percent. They pay no percent on the money they borrowed.

ASSEMBLYWOMAN POU: Thank you.
Fran.
MS. EHRET: I was going to cede my time to him so he could finish his comments.

ASSEMBLYWOMAN POU: Oh, okay.
MR. FORST: I don’t want to say any more. I have just a few remarks here.

ASSEMBLYWOMAN POU: Did you want to concede your--
MR. FORST: It’s a little disconcerting.
MS. EHRET: I’ll be happy to let the CWA -- with their presentation -- and cede the rest of my time so you have enough time for everybody else.

ASSEMBLYWOMAN POU: That’s fine. Thank you very much.

MR. FORST: I thank you for the opportunity to appear.

ASSEMBLYWOMAN POU: Thank you.

MR. FORST: Anybody want to learn anything about negotiating a public (laughter) (indiscernible).

ASSEMBLYWOMAN POU: We thank you so very much for your comments.

Thank you.

Mr. Frank, please speak into the mike.

JOEL L. FRANK: This mike?

ASSEMBLYWOMAN POU: Yes.

Thank you very much.

MR. FRANK: I guess it’s good evening.

I want to thank all the members of the Committee for making this kind of endeavor -- extremely important. It should always-- It should have been done before there was a crisis; but here we are.

New Jersey’s public employee pensions-- Excuse me. New Jersey public employees are under the mistaken belief that their mandatory 5 percent contribution to their annuity savings accounts provides for only a fraction of their lifetime pensions. On the contrary. A simple analysis reveals that the employee may very well fund much more of his or her defined benefit pension than led to believe.
Here’s an example: A 62-year-old member of PERS or the TPAF, 35 years of service, starting salary of $8,000, with 6 percent salary increases, has, today, a final average salary of $54,700. The member is entitled to a maximum pension of $34,800, calculated as follows: 33, divided by 55, times 54,700. The Division of Pensions establishes a reserve of $320,000 to guarantee this member, beginning at age 62, $34,800 a year for life.

The employee’s annuity savings account goes toward the funding of this actuarial reserve of $320,000 pension, with the State making up the difference. The employee, however, doesn’t know how much of the reserve he is funding, because his or her annuity savings account is never credited with the investment return generated by the multibillion dollar investment portfolio that his or her annuity savings account is commingled with.

If we assume an average rate of return of 9 percent over the past 35 years, at age 62, the annuity savings account balance is $177,000, which represents more than 55 percent of the required pension reserve of $320,000. The State guarantees the difference of $142,000.

Recognizing this deception, public employees should, at the very least, have the option of rolling over their pension reserve to an IRA. It is a moral outrage to compel an employee to accept lifetime annuitization -- which is $34,800 a year, for life -- of a pension reserve predominantly funded by the employee.

Now, let’s compare this to a member of the alternative benefit program over the last 35 years. Assumptions are the same. A 62-year-old employee is about to retire. Well, what is his individually owned
investment account worth? Well, we’re going to use the same assumptions. The employer contributes 8 percent in this particular situation, every pay day, to the professor’s individually owned account. The professor has to put in 5 percent into the same account. So 13 percent a year is going into the investment account, individually owned and titled in the name of the employee. This individually owned account balance, at age 62, today, is $462,000, 44 percent more than the $320,000 required to give the PERS or the TPAF member a guaranteed pension. And, mind you, this growth was achieved with the same level of funding each and every pay day.

It’s also -- (timer rings) -- quickly-- (laughter)

Prior to 1969, the higher education employees of this state belonged to the defined benefit plan, TPAF or PERS. As a group, higher educational personnel are more mobile than other career civil servants. And as will be shown in this memorandum that I handed in for the record, the defined benefits system is truly hurtful to such employees. The defined contribution system, on the other hand, is ideal for the employee who has had several employers during a career of service, or just one.

When it comes to choosing the type of retirement plan, one size does not fit all. The choice of plan is best left to the individual, based on his or her personal circumstances and work pattern. The defined contribution approach may very well be suitable for the person that cleans the office of the professor of Greek Mythology, but unsuitable for the professor.

The state of Florida has come to this conclusion by offering a choice of plans, defined benefit or defined contribution, to its entire public employee workforce: local, county, state.
ASSEMBLYWOMAN POU: Mr. Frank--

MR. FRANK: New Jersey should do the same.

And I just want to emphasize one point with the Florida system -- as I mentioned to Assemblyman Giblin. Current employees that, let’s say, have an accrued benefit of $150,000 in their defined benefit system, have the right to transfer it over to the individually owned investment account maintained by the defined contribution plan.

Thank you very much for your attention.

Thank you.

ASSEMBLYWOMAN POU: Thank you, Mr. Frank.

Mr. Egan -- Chris Egan. And then I’m going to ask the representative of CWA to please come forward.

If you could, please identify who is going to be your speaker.

Mr. Egan.

Good evening.

CHRISTOPHER EGAN: Hi.

My name is Chris Egan. I live in Willingboro, New Jersey.

I just want to thank you for the opportunity to speak today.

I just want to go over a few of my ideas. And I’ve just got a statement to read.

People are wondering, why are State benefits so high? Well, benefits are high because the State employs a lot of people. In fact, we employ 21 counties’ different welfare agencies, and we have an overseer at the State level to oversee the county welfare board. So as you can see, we have duplication of services there.
And another thing. At the local government level, and at any level of government, there is absolutely no incentive to reduce or control costs. No agency -- no government agency is ever thanked for saving taxpayers money. There are far too few auditors to review the operations of local and municipal government. Private companies have outside audits to make sure that the company is on track to meet goals. The government is not audited by anybody on the outside. There are no five-year plans to improve government operations or to reduce taxes.

High property taxes: High property taxes are driven by the local school board systems. Each school, as we all know, has a principal, vice principal, teachers, teaching assistants, and so forth. A plan to consolidate the school districts must be enacted by the Legislature. We absolutely have to mandate consolidation of school districts. It is time to end local control of various local government functions. The fact is that no local government official is willing to accept that they’re going to have to give up local control.

For instance, the Bishop of Trenton, in the Archdiocese of Trenton, recently closed three schools -- three Catholic schools in Riverside, Burlington City, and Florence. The parents didn’t like it. They consolidated all those schools into one district in Willingboro. Those schools had to be closed for economic reasons.

So we need to consolidate our services.

Duplication of services: This State has too many independent authorities, boards, and commissions that belong to the State pension system. We all know that there is a Delaware River Port Authority, a New York-New Jersey Transit Authority, a New Jersey Turnpike, Garden State
Parkway Commission, there’s 21 county welfare agencies, there’s 21 sheriff departments. There are simply too many levels of government, and too many jobs.

Underfunding of the State pension system: The State Legislature has failed to fully fund the State pension system in the past, because they didn’t have any money. In fact, I believe they even borrowed money from the pension system at one point. In the past year, the Governor has asked for about $1.3 billion to fund the State pension. I think he wound up with about half of what he asked for.

As we underfund the State pension system, we’re going to be left with a shortage. That shortage is going to have to be made up through higher taxes at a later date, when people retire.

Hedge fund operations: In order to return -- to earn a greater return from the pension fund, the State has resorted to a system of hedge fund markets. This is a very risky strategy, at best. Here is what is absolutely certain about hedge funds: You’ll pay high management fees of 1 or 2 percent, and you’ll pay 20 percent of any profits. A better performance by a hedge fund is not a given. Even if you manage to find it, it may not last very long.

The State pension system is currently paying at least three or four hedge fund managers, at a great cost to the pension system and the taxpayers of New Jersey. The New Jersey pension system used to be managed by State employees. The cost to the taxpayer to run the system, when it was run by the State employees, was the most effective in the nation. It cost less to run the New Jersey pension system than any other pension system in the country.
I would suggest -- respectfully request that you return that. And we should move out of hedge funds. (timer rings)

I only have another minute.

401 plans for new hires: There is some thought being given to new employees with a 401 plan, similar to private industry. I sincerely hope that our new employees are very astute investors, because if they are not astute investors, they will find themselves, at the end of the time, with not enough money to retire on. There is nothing better than a defined benefit pension plan, and it is the best protection against a person outliving his financial resources.

Health benefit costs: The cost of health benefits is increasing at a rapid rate. The State employees and retirees are nothing but the end users. In order to reduce the cost of health care -- and the price controls must be-- In order to reduce the cost of health care, there must be some price controls on the cost for hospitals, doctors, and prescription drugs. And it must be enacted by the Legislature. At this time, there are no controls whatsoever on what a health-care provider can charge. Our costs are going to continue to increase until some control is put on the prices that they may charge.

ASSEMBLYWOMAN POU: Thank you, Mr. Egan.

MR. EGAN: I’m a retiree of the system. I just want to thank everybody here, because I think it’s a wonderful system. I retired on it. I have a pension for life, I’ve got health benefits for life. I just want to thank every single member here for doing that for us. (applause)

ASSEMBLYWOMAN POU: Thank you. Thank you very much.
Okay. The representative of CWA--

**RAE ROEDER:** Yes, my name is Rae Roeder, R-O-E-D-E-R, and I’m President of CWA. And the two individuals with me-- This is Tony Miskowski, the Assistant Curator of the State Museum; and this is Joe Golowski on my left-hand side. He’s a retiree.

Among the three of us, we have over 90 years of service for the State of New Jersey. All of us here have 30 years, at least, in the State system. And all the rest of the CWA members of Local 1033, in purple, who signed up -- that’s 22 of them -- are-- We have a 15 minute presentation, as we promised you. But all the rest of them who signed up will cede our time to our brothers and sisters from Local 34, 31, and any of the other locals that wish to speak. So you have 22 names to take, over that list, as soon as we finish. We’ll cross them off for you.

**ASSEMBLYWOMAN POU:** You’ll have to identify who those names--

**MS. ROEDER:** We will afterwards, so we won’t take away our time.

This is Tony Miskowski.

**TONY MISKOWSKI:** Right.

And what I am presenting today is a summary. We have documentation provided in the notebooks.

Comparative benefits for public workers: Unlocking the truth through indexing.

Statement of purpose: to index the benefits provided to New Jersey State workers with public worker benefits in other states; to present data that will show that the State of New Jersey does not have a Cadillac
plan, as it has been so characterized; to refute the anti-State-worker bashing program that is generated by members of this Legislature and funneled through the media; and to provide facts to the members of this Committee to establish a basis to objectively evaluate the true worth of the benefits received by public workers; and to establish the basis for enhancing public worker benefits through the collective bargaining process.

A few notes on sources: The main source for the data presented herein is the “2006 Employee Benefit Survey,” compiled by Workplace Economics, a copy of which is included in the notebook; and a secondary source, valuable in the preparation of this presentation, is the “State Government Workforce Profile 2006,” by the Department of Personnel.

Note on methodology: The presenter reconfigured the data from the main sources to provide a mean statistical average in each benefit category to index the position of New Jersey within the database. Special exceptions are noted accordingly and cited appropriately; and data points were corrected from the primary source when found in error.

We put out this postcard, the New Jersey Public Employees Coalition, because we need to have a positive image of State workers. It’s incumbent for the State of New Jersey to do this. But this is to remind everyone that we provide very critical needs, here in the State of New Jersey. We also would like to say that there is no such thing as a category of essential and nonessential workers. We are all essential workers. (applause) We are police officers, we are nurses, we are teachers, we are firefighters, we are clerks, we are tollbooth token takers. We do the work. We make State government run efficiently.
So we’re here, today, to tell you that, yes, there may be things wrong with our pension system, but we expect not to dismantle the system. We want to say, “Fix what’s wrong, fine tune it, don’t have people scamming the system; but remember, also do what’s right by all of the dedicated people that have put in their lives -- their adult lives as dedicated people providing services to the citizens of the State of New Jersey.” The back of the postcard is also very revealing. We want to remind you, as all of you know, and many of you have already stated, one of the main problems with our pension fund is that the contributions were not put in by the State of New Jersey, to the tune of $5.5 billion.

We also want to remind you that the average worker retiree collects a pension of $17,902. Try to live in the State of New Jersey on $17,902. I guess I could have rounded that off, for the purpose of this presentation, to $18,000. But then I got to thinking. You know what? Ninety-eight dollars buys a lot of cat food. Because that’s what you will be eating, here in the State of New Jersey, if you have to live on a pension of $17,902. (applause)

The national average is $19,856. I wanted to remind you of this number: 715,000 people are covered by the current system of health insurance, as well as the pension fund. Think about that number -- 715,000 people. That represents 9 percent of the population of the State of New Jersey. And you could double that number for spouses and adult children.

Let’s just take a quick review around the nation very quickly. The average pension in Alaska is $29,287; Massachusetts, $19,691; California, $21,000; Colorado, $28,000; Wisconsin, $23,000; Rhode
Island, $23,600; and New York State, $22,600. And we could go on, and on, and on.

We also remind you of this cartoon that appeared in the Trenton Times right after Jon Corzine was inaugurated. And there’s Jon Corzine dressed up as Santa Claus, with a big back that says “pensions.” He knocks on the door of a State employee, and the woman of the house yells to her husband, “He says we have to give back some of the presents we got last year.” (applause) Well, our members -- our 7,000 members of our local were incensed by this cartoon. And the reason for that is, we never, ever considered it a present.

And you heard yourself -- this very Committee heard it from the Office of Legislative Services on August 22, 2006, that actually ruled that it’s not a gratuity, it’s not a gift, it’s not a present. But it’s something that we earned. It is deferred compensation.

And, furthermore, workers having five years and more have contractual rights to their pensions. I, as a State worker for 34 years, have been waiting at least 20 years to hear those words. And this is a nonforfeitable right, something that cannot be taken away from us. And to detrimentally alter the benefits would be “unconstitutional, as violative of the Federal and State constitutional proscription against the impairment of the obligation of contracts,” Peter J. Kelly, Principal Counsel, Office of Legislative Services.

And two days later, this was reinforced by an Attorney General ruling that basically said the same thing, but also added that if you were to put people into a 401(k) plan, there could very well be tax -- IRS tax consequences for doing so.
I want to remind this Committee that every 11 seconds in America, a Baby Boomer turns 60. And as senior citizen Bob Dylan sang, “It’s not dark yet…but it’s getting darker.” By the next decade, there will be 75 million seniors citizens, 60 years of age and older, here in the State of New Jersey -- or, rather, in the nation. And here in New Jersey, our workforce is actually graying and getting older. Presently -- this is according the Department of Personnel figures -- currently, there are almost 30,000 State workers 50 years of age and older.

Texas is also facing this same predicament. And they’re gearing up for a human resource personnel crisis, because they know all of these people are about to retire. And these are your most educated and your most experienced members of the State workforce. And, someday -- don’t be myopic, because someday these people have to be replaced.

I also want to remind you that there are almost 30,000 State workers, out of 84,000 -- 80,401 State workers -- there are also 30,000 State workers that have five years or less. But this is the biggest turnover rate. And this Legislature will find the day when you have to actually provide incentives for college students, coming out of college, to come to work for the State of New Jersey.

Let’s follow the money, because there is a lot of money in public pension funds. As they say, “Money talks.” In the United States public pension fund there are $2.26 trillion. I usually like to tell the story about Willie Sutton, the notorious bank robber in the ’20s, and the ’30s, and the ’40s, and the ’50s. And, finally, old Willie was collared, and he was put in the pen. And a reporter asked, “Well, Willie, why do you rob banks?” And his answer was simple, “Because that’s where the money is.”
So why do legislatures all across the country want to fill their budgets with pension money? Because that’s where the money is. And why does Wall Street want to get their greedy hands on our pension fund? Because that’s where the money is.

That $2.26 trillion represents 20 percent of all retirement assets, covering 13 million public workers, paying 6 million retirees. And seven of the 10 largest pension funds are public pension funds. In other words, if you take all of the Fortune 500 companies and you lumped them together with public pension funds, seven of the 10 will be the largest in the nation.

How is that $2.2 trillion invested? Nationally, it is invested, on average, very conservatively. One-point-three-trillion dollars is invested in U.S. and foreign stocks, three-quarters of a trillion dollars in government and corporate bonds -- conservatively, prudently invested over the long-term horizon. And equally important -- the smaller slices of the pie, nationally: as you can see, $40 billion into venture capitalism; $90 billion into real estate.

And as Assemblyman Giblin said several sessions ago, how much money in the fund may be important, but how it is invested is equally important. And we may be going down the wrong road by investing so much money in these very risky areas, such as hedge funds and venture capitalism.

So we ask you to have the Director of the Division of Investments, William Clark, come up here and address this Committee as to how the money is to grow; and have Orin Kramer, of the State Investment Council.
Who contributes that $2.2 trillion? This is also very revealing. Sixty-two percent of it is investment earnings, 12 percent is employee contributions, 26 percent is employer contributions. For every dollar that the employee contributes nationally, $2, on average, is contributed by the employer. That’s everywhere but the State of New Jersey.

Forty-four states, including New Jersey, have a defined benefit plan, requiring a contribution from the employee. And among those states, the employee contribution ranges from 1.2 percent to 10.5 percent. And the information is in the notebooks. As we know, the New Jersey employee contribution rate is 5 percent.

And state contribution rates range from 0 percent in Massachusetts, to 20.59 percent in Maine. And the New Jersey contribution rate is listed in the Benefit Survey as 1.16 percent. But we contest this, and note in our references that no payments were made, except for this last budget period.

So what we did with the information from the survey -- the Benefit Survey of 2006 -- is that we did a few of the calculations; we did the math. And we calculated, for each state, what your retirement would be so that we could index it and compare it. We made two basic assumptions, just so that we weren’t comparing apples to oranges, so that we were able to at least keep it in the citrus fruit category, comparing lemons to oranges, and oranges to grapefruit, if you will.

Assumption No. 1: The average final compensation is $50,000. Now, as you know, that is the median salary here in the State of New Jersey. Assumption No. 2: The retirement would be based on a 30-year
career. This enabled us to go state-by-state and do the calculations. And it was very revealing.

In Alabama, $31,000; retirement in paradise, in Hawaii, was $30,000; Massachusetts, $37,500; and then we get to the State of New Jersey, and it comes out to $27,270. And I’d like you to remember that number, $27,270. We’ll get back to that a little bit later on. And we went on and on, and we made the calculations.

ASSEMBLYWOMAN POU: Let me just interrupt you for a moment. That was your first 15 minutes. So I just want to make sure that either you wrap it up, or--

MS. ROEDER: Yes. And all of our people in purple are going to take their names off. So we’re trying our best.

ASSEMBLYWOMAN POU: Okay. Just tell me who they are -- that’s fine -- so that we have them on the list.

MS. ROEDER: Everybody who signed up, raise their hand -- in purple. All those people will come off the list instantly. We won’t be any--We’re trying our best.

ASSEMBLYWOMAN POU: I just need to know.
MR. MISKOWSKI: We’ll be just fine.
MS. ROEDER: It took us six months to do this.
ASSEMBLYWOMAN POU: That’s fine. All I need to know is their names. Somebody is--

MS. ROEDER: Yes, I will come up here and do it for you right now, while he continues his talk.

ASSEMBLYWOMAN POU: Okay. Great. Thank you.
Please continue. Go right ahead.
MR. MISKOWSKI: We’ll be just fine.

How much money is in our fund? As of June 30, 2006, in New Jersey PERS we have $74 billion. We are the seventh largest pension fund in the nation, out of maybe 120 public pension funds.

The conclusion is that although the New Jersey pension fund ranks number seven, when you go through this arithmetic calculation that I did-- When it comes to payout, we are 34th. So the cost of living in New Jersey is high, the chance of living in New Jersey is low. New Jersey ranks high -- number one in State and local property taxes. I don’t have to tell you that; that’s what this Committee is all about. Per capita, $2,099 for every man, woman, and child. That’s the per capita. I guess we could include Fido in, but there was not a category for including Fido.

We’re number four in health insurance premium, $10,168; number two in spending per student, $2,267; number three in State and local taxes, $4,455 -- and you can see the national average of $3,447; number one cost in auto insurance, number nine in the retail price of electricity, number 13 in the price of natural gas. And what I’m trying to tell you is that even on $27,270, it would be very difficult to retire here in the State of New Jersey.

So the crime is that you could spend your whole adult life here in the State of New Jersey, paying your property taxes, sending your kids to school. And then, when it’s time to retire, you cannot afford to retire here in the State of New Jersey.

DB plans -- defined benefit plans -- are the way to go. And we would like to say to you today that if it isn’t broke, don’t fix it.
Myths and facts in relevance to 401(k) plans: Myth No. 1: during the last 20 years, most private-sector companies have moved their retirement programs from defined benefit to defined contribution. This is a myth. The vast majority of private-sector companies have moved to a defined benefit plan. And according to the National Association of State Retirement Administrators, they report that only 17 percent of the Fortune 100 companies have a 401(k) as their main retirement plan. We want to remind this Committee that when 401(k) was devised, it was never, ever meant to be the primary plan. It was always meant and designed to be a supplemental plan.

Southwestern Bell moved back to a DB plan after several years; Chevron, Unocal, Lockheed Martin, Boeing, Albertson’s, Boise Cascade, Louisiana Pacific, Safeco, and Weyerhaeuser all moved back. Nebraska recently, in 2003, converted back to all DB plans. They have a 34-year history of a defined benefit, next to defined contribution plan. And I include in the notebook here today the Nebraska study. Florida enabled employees to opt for a DC plan. Earlier, Florida was mentioned. Well, guess what? There were so few people that took that DC plan, that they had to scrap it. The DB plan is the way to go. Kansas studied a DC proposal, found that “conversion from the current defined benefit plan for Kansas public employees would not result in lower employer contributions.” You heard-- This Committee heard that through expert provided by -- the testimony provided by experts, that a 401(k) plan, in the short-term and the long-term, would not save any money.

Myth No. 2: Employees have an opportunity for increased retirement income based on their investment decisions. And the fact is that
you cannot get the amount of return from a defined contribution plan that you can from a defined benefit plan.

The *San Francisco Chronicle* reported that in the DC plan in California, the median DC plan returned 6.86 percent. But in the California state plan, it was 8.9 percent. And when the costs were factored in, the story was even more dramatic. In CalPERS, the earning was 8.53 percent, while the average 401(k) earned only 4.86 percent. We want to remind this Committee that we have the Division -- our people in the Division of Investment that invest the money. And to run the whole Division of Investment, including salaries and administrative costs, it only costs $6 million. And you heard from the Division of Investment, when putting this money out to external managers, that it will cost $220 million annually; and it will also cost bonuses. So the defined benefit plan is the way to go.

And all of this information is included in the PowerPoint. We have a copy of the PowerPoint in the books -- the hard copy, as well as a CD. And we want to also remind you that the fees for managing DCs are five to 10 times higher than traditional plans. Wall Street firms are the big winners. And so we would like you to consider the information that we have provided in these books.

And we also would like to conclude by saying that the State workers do not have a Cadillac benefits plan. That Cadillac plan was traded in years ago for a Chevy by Governor Whitman and others -- years ago. And now this Committee wants us to trade in our Chevy for a Yugo. (laughter) And you know what a Yugo is: you go without prescription drugs, you go without an adequate health plan, and you go without an
adequate retirement plan. That’s the Yugo plan. And I say to you today, “No, thank you.” (applause)

ASSEMBLYWOMAN POU: Ladies and gentlemen.

Our next speaker--

Ladies and gentlemen, thank you.

Our next speaker is going to be Mr. Gulab Gidwani.

Good evening, and welcome, sir.

G U L A B   G I D W A N I:  Good evening to you. Let me see if I can speak properly so that everybody can hear me.

ASSEMBLYWOMAN POU: If you would please come forward just a little bit -- thank you -- and maybe get a little closer, that would be great.

Thank you very much.

MR. GIDWANI: Okay. All right. Can you hear me properly now?

ASSEMBLYWOMAN POU: I think we can. Thank you.

MR. GIDWANI: My name is Gulab Gidwani. I’m president of a small town business association. And what I’m here to speak about is--

I don’t know that the pension plans and the health benefits--Those are the things which everybody seems to be talking about in this particular hearing. And the main important thing about our State is the taxation rate is very high. Property taxes, income taxes, sales taxes, whatever you want to call it -- the end result is the combination of taxes are such that they are driving people out of business. They are not going-- The people are not-- And many residents are also leaving the state because the taxation rate is very high.
I know many people who say that they cannot afford the property taxes we have got in this state. I think there are about-- I don’t know what this chart shows over here, but I think they are about one of the highest in the country. I do not think that that means that we are getting better service. All it means is that we are paying higher taxes. And if that-- If people like higher taxes, good for them. It does not mean that everybody in the state has to keep on going with it.

The Legislature has to do something about it. And that’s why the people are appointed in the Legislature. There is too much cronyism, there’s too much lobbying, there’s too much pay-to-play in the State. And the reputation of the state is not good. Everywhere around the country you are -- talk to people. And all the people tell me, “We have heard about New Jersey.” They don’t understand why you would want to stick around over there.

But I have a business here, and I’ve had the business for 30 years. So I will be here, there’s no question about it. But definitely, if I was starting a business today, I would not be here. I’ve got many different places where I want -- can go to and do better than what one can do in this state.

There is-- We even had an Attorney General who was confirmed with 13 speeding violations. And all over the country, everybody was wondering what -- in the State of New Jersey, they are confirming people as the Attorney General who they know will never be able to convict anybody because what are they, themselves? What is their reputation? What have they done up to now?
Then we have a Chairman of the Budget Committee in the State-- I don’t know what’s happened to him. But the way I understand -- that you don’t even hear from him anymore. He’s just disappeared. And there are too many cases like that in New Jersey. There’s cases of cronyism and patronization. There are too many agencies where people are being hired, not based upon qualifications, but just because they know somebody who owes them a favor. And that is how they are being hired.

And who is paying for that? Ultimately, it’s taxpayers like me. I don’t see why even a penny of my money should be spent on such people. If they think they are worth something, they should go and get a job somewhere else. They do not have to be spending my money.

And secondly -- I can think about -- is that I would hope that in this state-- We should have some courageous legislators who think about the people and who would not tolerate the types of things which are going on in this state. And even if a few of them -- I’m sure can make a difference and make it worthwhile for the rest of the population in the state to be able to say thank you. And we deserve such nice Assembly people. And we can write them a letter and say, “We are thankful to you.”

ASSEMBLYWOMAN POU: Thank you very much.
Mayor Joe Chila, and Vincent Frantantoni, and Jerome Jackson. Mayor.
Mr. Frantantoni, is that you? (affirmative response)
Okay. Thank you.
Jerome Jackson, please come forward. You can have a seat in the center.

Thank you.
MAYOR GIUSEPPE “J O E” CHILA: Good evening, Chairwoman Pou and members of the Joint Committee.

ASSEMBLYWOMAN POU: Good evening.

MAYOR CHILA: Welcome to Gloucester County.

I’m Mayor Joe Chila, from Woolwich Township. I am the Executive Board Member for the New Jersey League of Municipalities. I have a prepared statement from the League on this issue.

First of all, I’d like to congratulate this Committee on its handling of the monumental task before it. We are all hopeful the final results of these special hearings will lead to the realization of meaningful property tax reform.

I welcome this opportunity to make a few comments on pension and health benefits reform as it relates to municipal employees of PERS and Police and Fire.

Municipalities are facing a $650 million-plus challenge for pension benefit costs. These costs result from State-mandated benefit enhancements from PFRS, arbitration awards, and asset decline.

In January, the League of Municipalities issued its COPE -- Correction of Pension Errors -- report, presenting the local perspective. And today we will summarize recommendations to reform the systems and lower property taxes.

The most costly system confronting property tax dollars is PFRS. On April 1, 2007, more than 65 percent of the $650 million billing represents PFRS costs. This is significant, because while the cost is 65 percent of the $650 million, the individuals covered by Police and Fire represents only 14 percent of the local government workforce.
The local employers’ cost for Police and Fire is at risk of going higher because of legislative mandates. Chapter 108 Public Laws of 2003 will significantly increase local governments costs, once funding for PFRS reaches 104 percent. This special retirement benefit would be devastating on property taxpayers. Therefore, the first action recommended is to rescind the special retirement benefit portion of Chapter 108 Public Laws of 2003 before it has any impact or individual employees are affected.

We request the Legislature to stop mandating enhanced benefits to the pension system at the cost of the local property taxpayer. One mandate which has affected the pension systems and costs associated therewith, on a significant basis, is binding arbitration. Local employers must have relief from the binding arbitration provisions to lower property taxes.

Newspapers, the Governor’s Pension and Benefit Task Force, and the League’s COPE report all have recognized problems associated with gaming the system. Such must be eliminated in order to help the property taxpayer. Pensions should be based upon credible salaries, as defined by N.J.A.C. 17:4-4, found under Item 10 in the COPE report. Gaming the system also results from part-time employment receiving full-time credit. Part-time positions which work less than 1,820 hours -- 35 hours a week, times 52 weeks -- should receive prorated pension credits based upon the 1,820 hours. The current system permits those who work part-time for 20 to 25 years to receive full credit for part-time work. Corrective action taken immediately will result in taxpayer savings.

Pension assets should be invested to maximize return on investments. Currently, members of PFRS are permitted to receive
$417,000 mortgages at a below-market yield. PFRS, TPAF, and PERS employees are permitted to receive below market loans at 4 percent. All of this at the expense of the local property taxpayer. The funding of mortgages through PFRS and low-interest loans through TPAF and PERS shall (sic) be eliminated immediately. By arbitrarily permitting below-market returns, the Legislature has undercut the solvency of the system.

The enrollment threshold for TPAF is $500 and PERS is $1,500, on an annual basis. These enrollment threshold levels are a product of the 1940s. The Governor’s Task Force suggested a threshold of $5,000, but the League believes that level is inadequate, as well. The threshold for entry level should be based upon full-time service working 1,820 hours; for those who work less than 1,820 hours, they would receive prorated credits, based upon the concept full-time work equals full-time pension credits. The unrealistically low threshold should be changed or eliminated. This will end professional service contracts run through the payroll in an arbitrary fashion. If a professional is to serve a municipality and be listed as an employee for purposes of pension, then it must be mandatory that the principal named as the professional also is the responsible person performing the work. This would eliminate well-connected politicians being listed--

ASSEMBLYWOMAN POU: Mayor.

MAYOR CHILA: Yes.

ASSEMBLYWOMAN POU: I just need you to wrap it up, please.

MAYOR CHILA: Okay.

ASSEMBLYWOMAN POU: Thank you very much.
MAYOR CHILA: I didn’t hear my little bells ringing.

ASSEMBLYWOMAN POU: I was just giving you a little bit of latitude, but I understand--

MAYOR CHILA: I’ll have to ask Mr. Dressel to give us a PowerPoint presentation for next time.

I will wrap it up.

And I’m just going to wrap it up with-- Thank you for allowing me to participate in this forum. I, along with the members of the League of Municipalities, appreciate your efforts in trying to correct the system. And we certainly appreciate any attempt that you can make for the property taxpayers for relief.

Thank you.

ASSEMBLYWOMAN POU: Mayor, do we have a copy of your testimony?

MAYOR CHILA: Yes, I will.

ASSEMBLYWOMAN POU: That way we can make it part of the record in its entirety.

Thank you very much.

MAYOR CHILA: I really didn’t hear the bell either.

ASSEMBLYWOMAN POU: It’s quite all right. We gave you some time.

Thank you.

Mr. Frantantoni.

VINCENT J. FRANTANTONI: Frantantoni. (indicating pronunciation)
ASSEMBLYWOMAN POU: Frantantoni. (indicating pronunciation)

MR. FRANTANTONI: Is this on? (referring to PA microphone)

ASSEMBLYWOMAN POU: Yes.

MR. FRANTANTONI: Good afternoon -- good evening, guardians of our tax dollars.

I’m pleased to be with you tonight to present some facts from a layperson and an ordinary taxpayer of the township.

I’d personally like to thank Senator Gormley, Senator Sweeney, Assemblyman O’Toole for finally starting to take a stance on what one of the real problems in our State is.

And I also want to thank Senator Rice and Senator Gormley for taking on the attorney -- our number two speaker tonight. I think you’re right on target.

Our township, Bellville, at the last meeting-- We have an attorney that got paid about $100,000. But at the last meeting, they appointed five outside -- 15 outside attorneys to represent different matters. So I think you’re right on target, that we want to serve well -- it’s a cliché that we’ve heard -- but it’s really, they want to serve themselves. So thank you for bringing that to the forefront.

We read in the papers all the time that New Jersey businesses and residents are fleeing New Jersey at record numbers. I’ve lost two of my brothers-- Three of them moved to Florida, cousins moved to North Carolina, niece and nephew moved to Pennsylvania. And we’ve got to start to do something about this exodus, and all that.
I attended Governor Corzine’s speech at Montclair State University in March. And in that speech, he stated, “Public workers deserve their negotiated benefits.” I agree, but so do people in the private sector.

I’m a self-employed contractor. I’m also a former election official in the township, and 26-year director and former vice president of our local chamber of commerce. I’m 67, I’m still working as a carpenter. I had to take off today at 11:00 to come a hundred miles down here from Bellville, New Jersey. I couldn’t ask the person I’m doing a kitchen for to give me a sick day, or a vacation day, or a personal day. I have no benefits other than the ones I pay for myself -- no sick, vacation, no payments.

My wife got laid off a year-and-a-half ago because her company -- the boss couldn’t take it anymore -- the outrageous costs and fees of doing business in New Jersey. He packed up and moved to Pennsylvania. He left my wife, and 35 employees, unemployed.

If I wanted a family plan -- because now we had to get our health benefits. And by the way, when my wife did have health benefits, from her $450-a-week salary, she was contributing $61 a week to the health benefits. We contacted Horizon, because we have to get it on our own. And here’s (indicating) the list, if anybody wants it. If we wanted the Traditional, 80/20 plan, with a $500 deductible, the premium -- the monthly premium for a family plan is $8,569 a month. That’s $102,000 a year. Our own mayor in my town didn’t believe me. I brought him this list. Naturally, we can’t afford it. I never made that much money in my life, let alone pay the premium. So we had to settle on an HMO just for my wife.
We just got through putting three kids through college, working seven days a week to do it. And she’s got an HMO, which would pay (sic) almost $500 a week, just for my wife. No prescription-- The prescription plan is 50 percent.

And I was outraged in Clifton, Assemblywoman Pou, when one of the CWA members got up and said, “We’re outraged that the State wants to increase our deductible for generic drugs 300 percent,” when you come to find out they wanted to increase it from $1 to $3. That was the 300 percent.

My wife has a thyroid condition. When she gets that $70 bill, we pay half of it. Not $3, or $1, or anything. And any other thing we have to pay, we have to pay out of our pockets.

As far as public employees, there’s going to be an exodus-- In today’s paper, Newark has positions open for 30 firemen. There’s 1,500-and-some-odd applicants. So these government jobs are not that bad after all.

The problem that we see with these government employees-- And by the way, the gentleman from the CWA mentioned the Yugo plan. Basically that’s what I, and most others in the state, have -- the Yugo plan. We have to pay for most of these ourselves. What they did not state in their presentation, which might be interesting to find out -- they did not state the retirement ages in other states. We have a generous 55 retirement age. And they did not give the ratio of government employees to the general population, which I believe if you check into that, it will be much higher than in most other states.
So what we’re asking—We’re not asking to remove these people’s benefits. We’re asking you to do what the employees of General Motors, Ford, the airlines, and all the other companies you’ve read about in the past year or two—We’re in trouble, economically. They’ve got to come to the table, and they’ve got to start to give up some of these benefits so we can save New Jersey. I mean, the result of that is, they’re going to lose their salaries. I mean, the airline pilots gave up 30 percent of their salaries. They’re losing benefits, cutting back on their health benefits, and they’re willing to do it.

ASSEMBLYWOMAN POU: Mr. Frantantoni, your—

MR. FRANTANTONI: I’ll just sum up.

ASSEMBLYWOMAN POU: Please.

MR. FRANTANTONI: Governor Corzine summed up his speech over there, and he talked about elected officials. And I hope that this Committee finally does something, like Senator Gormley says. Instead of just listening, we want to see some action. But he summed it up with a quote from Woodrow Wilson, which says, “If you think too much about getting reelected, you will not be worth reelecting.” So please do the right thing for the 8 million people in this state.

Thank you.

ASSEMBLYWOMAN POU: Thank you for your comments.

Mr. Jackson.


My name is Jerome Jackson. I’m a shop steward from CWA 1034. I work for DYFS out of Camden.
I have to apologize. Because of the short notification I received in regards to this meeting, I don’t have any numbers to lean upon to try to make a grand point. I don’t have a presentation or anything like that. All I have is the information that I’ve been given. And the information that I was given was that there was a meeting occurring here, this evening, in regards to speaking about the benefits of my fellow coworkers, more specifically, pension benefits.

Now, I’m 30 years old, myself, and pension is something that I haven’t really given serious consideration to. I have to be honest. And I might say that a lot of my peers probably haven’t given it much thought either. But nevertheless, I would like to think that someone is thinking about that for them, so that when the time does come for them to retire, that will be one less burden that they have to worry about.

The reason that I have come here this evening is because I have a general apprehension whenever I hear about benefits, specifically, being cut. I feel that myself, as well as many of my coworkers, work in our positions -- our various different positions -- on a daily basis to try to ensure that where we live is the best state in the union.

My job is very dangerous. I’ve been in very different, trying situations. I’ve been in situations where my life has been threatened, where I didn’t even know it. I’ve been in situations where I’ve had cockroaches falling from the ceiling onto my head. I’ve been in situations where there has been stagnant water. I’ve been in situations where both myself, the children I was trying to protect, and sometimes my coworkers may have been put in jeopardy of physical harm.
I like kids -- not in the Michael Jackson sense (laughter), but I do like children very much. And they’re the reason why I go to work every day. That’s why I do what I do. That’s why I don’t think about the situations that I’m going into as being personally threatening.

The comfort that I derive in that is that I know that, should something happen to me, God forbid, that I will have the benefits necessary to ensure that I can make a healthy and speedy recovery back to my job helping my coworkers, where I belong.

Like I said, I don’t have anything really prepared. But for what it’s worth, I would like to petition this Committee, on behalf of my coworkers, and on behalf of the people that they serve, to put serious consideration into the upcoming discussions that you’re going to have in regard to pensions and benefits, because this is very important not only to us, the workers, but our families, our friends, and, once again, the people we serve.

Thank you for your time and your attention. (applause)

ASSEMBLYWOMAN POU: Thank you so very much, Mr. Jackson.

SENATOR RICE: Madam Chair.

ASSEMBLYWOMAN POU: Senator Rice.

SENATOR RICE: I’d like to make -- take just a moment and make a comment.

MR. JACKSON: Do I need to stay here?

SENATOR RICE: You can stay if you want, but it’s a comment to you and the previous speaker from my district.
I’m real concerned. And I am one of those people (indiscernible) you know. I’m not concerned about getting elected, I’m concerned about what I do while I’m here. I think the rest takes care of itself.

I think we’re going about this wrong. And the reason I say that is because -- I don’t speak much about my life and my family. But my parents are 81 years old, and they’re retired too. And I know what they get. I know what I do to help them. And I’m concerned that we’ve been put in the position, again, where we’re playing one resident, and citizen, and worker against another. Because it’s very painful out there for those who are not State employees or government employees. And I do believe that we need to take a look at the pension system and fix anything that needs fixing.

By the same token, we have to make sure that there’s a life after work, when one retires. I know people who never got a check. I know people who got a check that was so little, they died from a heart attack, because they just couldn’t make it.

But I don’t like the situation where a person like Mr. Frantantoni, for example -- from my district -- has to pay 50 percent, because of the way he works -- of medical out there. It seems to me, as we tighten up and tweak the pension and benefits-- I don’t think we should remove them. I think we should make sure they are fair, and they are reasonable, and make good sense in the future.

We in government need to look at the other side of the system, because the medical costs are going up out there. And there’s a lot of things
happening that are driving corporate America to another level of making different types of decisions.

By the same token, we need to take a look at corporate America. Some of these corporations are not leaving New Jersey—We say they’re leaving because of things being high. They’re leaving for a lot of different reasons. We don’t put all those reasons in the pot. I talk to corporate America, too.

And so I just wanted to say, for the record, Madam Chair, that we have to do our job as a Committee. But I think, beyond this Committee, as a government of 120 and a Governor, we better take real serious what’s happening on the other side of State employment as it relates to health benefits, and the cost of health care, and the kinds of things that are driving it up. We have to take a look at the legal system and the kinds of things that are going on within that system that’s driving costs up in government.

And that’s why I did raise the question about part-time attorneys and what occurs. Because I know I come from a city, after 16 years on council—There are about 30 attorneys over there and paralegals. And we still went out and awarded big law firms—and I used to say (indiscernible) “Do we want anything? Why do I have to hire him? Why am I hiring you if I’ve got to hire him?” And that’s where I’m coming from.

But I want the record to reflect that we have to do what we have to do. And I’m going to fight to protect—I need to be on record—the rights of the workers in this state, not just in government, but those rights in corporate America, which means we need to take another focus. And our
government needs to be amenable to taking that focus and understanding the problem from the other side. (applause)

    MR. JACKSON: I thank you for that statement, Senator Rice. I wish you all (indiscernible).

    ASSEMBLYWOMAN POU: Thank you very much, Mr. Jackson.

    Our next three speakers will be Eric Stinson, Sandra Hassler, Lee Lucas.

    Mr. Fallon instead of Mr. Lucas.

    L E E   L U C A S: Mr. Lucas is here.

    ASSEMBLYWOMAN POU: Is there a Mr. Lucas here?

    MR. LUCAS: That’s me.

    ASSEMBLYWOMAN POU: Okay.

    UNIDENTIFIED SPEAKER FROM AUDIENCE: Mr. Fallon is here, too.

    ASSEMBLYWOMAN POU: Okay.

    Mr. Fallon, I’ll give you an opportunity in a moment.

    Mr. Lucas, Sandra Hassler, and Eric.

    Mr. Lucas, please.

    MR. LUCAS: Thank you.

    My name is Lee Lucas. I’m from Gibbstown, New Jersey.

    I think what happened here is, this year, the pension fund for the teachers and the employees-- The expenditure for that went up about a billion. I’m sure you all know this -- about $750 million for the teachers and another $250 million for the State employees. And that’s how much it went up -- a billion dollars in one year.
So I would call that a bailout. That’s what happened. And this is what caused all this, and it’s probably why you’re here, I think. The pension fund got bailed out.

Now, an ordinary citizen like myself has a question, then. Where did the money go? Why did it have to be bailed out? And so I want to ask you a question. Did the investment pension board -- did it lose any money on the stock market in the early 2000s? I remember reading something about that, but you don’t hear anything of it anymore. Isn’t that true? I’m asking a question. Can someone answer the question?

ASSEMBLYWOMAN POU: Well, I believe that that information was presented during the presentation from Director Beaver. We don’t have any of the information in front of us to respond to your very specific question as to what that amount was.

MR. LUCAS: You don’t know if there was any money lost on the stock market?

ASSEMBLYWOMAN POU: No, I didn’t say that. I said that we don’t know what that amount was.

MR. LUCAS: Was it billions though? I mean, I don’t have to have an exact number.

ASSEMBLYMAN O’TOOLE: I’ll take a crack.

MR. LUCAS: Yes.

ASSEMBLYMAN O’TOOLE: I think I read somewhere that in 2001 and 2002, we lost $18 billion in value during a two-year period.

MR. LUCAS: Okay, $18 billion.

Approximately -- a bill here and there. I don’t want to waste my five minutes on it.
That’s what happened. That’s the point. You lost the money on the stock market. I mean, it was in the paper a lot back then. It’s funny there’s not a mention of it now.

So I would say, as just an ordinary citizen, my opinion is: don’t invest pension funds on the stock market. Because, obviously, it didn’t work out so well for you. And, obviously, I’m against the 401(k).

And so, another thing, too: they borrowed from the pension fund, too, right? What was that, about $3 billion?

ASSEMBLYWOMAN POU: Mr. Lucas, I’m sorry. It’s not that I don’t want to answer your questions, but this procedure is so that you can provide your comments--

MR. LUCAS: Okay.

ASSEMBLYWOMAN POU: --and information to us.

MR. LUCAS: All right, I’ll go.

ASSEMBLYWOMAN POU: Rather than making it an answer-question type of period.

MR. LUCAS: Okay. I don’t want to waste anymore of my time. Okay. I understand.

ASSEMBLYWOMAN POU: Thank you.

MR. LUCAS: I won’t ask anymore questions.

Let me just sum it up. Don’t invest pension funds on the stock market. Don’t borrow from the pension funds. It’s people’s money. Okay?

And another thing-- I’ll just wrap it up real quick. I think that part-time workers shouldn’t collect pensions. That’s nice and simple. These lawyers and professional services -- they shouldn’t collect. And they make enough money. (laughter) Thanks. (applause)
ASSEMBLYWOMAN POU: Thank you, Mr. Lucas. Eric, please.

ERIC STINSON: Good afternoon.

My name is Eric Stinson, and I’m the President of the Educational Assistants of Cherry Hill.

I’d like to thank the members of the Joint Legislative Committee on Public Employees Benefits Reform for the opportunity to address you today on the critical issue of property taxes.

As a citizen and a taxpayer of the great State of New Jersey, I am glad that Governor Corzine and the Legislature are taking -- tackling the important issues of property taxes. New Jersey’s property tax crisis threatens our public education by undermining taxpayer support for our quality public schools.

However, I am deeply concerned with the media reports and comments from some legislators attacking our pensions and benefits system. Pensions and benefits are a vital part of the State’s ability to attract and retain high-quality professionals in public education. To maintain high-quality schools, New Jersey must invest in a high-quality education workforce. A negative change to pension benefits would represent a step in the wrong direction. While other states rely on gimmicks to attract new teachers, there is a question about the quality of those teachers that are being recruited.

Under No Child Left Behind, every teacher must meet the highly qualified standard, which means they must have demonstrated competency in their subject area. Ninety-six percent of New Jersey’s teachers are highly qualified, a rating we risk when we rely on hiring
gimmicks. We risk other things when we diminish public employees’ pensions and post-retirement health benefits. We jeopardize New Jersey’s historic commitment to public education.

New Jersey ranks first in the nation for students academically ready for college. In urban districts, the percentage of students scoring proficient or higher has tripled. New Jersey is one of the top three states for the percentage of students going on to college. Clearly, we’re doing something right in New Jersey. We have an education system that is the envy of other states. But we have never relented in our endeavor to provide a quality education for every child.

When we go after public school employees’ pensions and health benefits, we’re attacking the very people who make our educational successes possible.

Life is full of tough choices. Teachers and school employees choose to go into public service. We might have made more money in the private sector, but when we work with students, we make a difference. Teachers and school employees also choose to play by the rules. When the State stopped making contributions to the pension fund, they continued to pay into the system, because they kept their end of the deal.

Public service isn’t glamorous, but we are proud to provide a valuable service to the people of New Jersey.

We have a right to expect the State to uphold its end of the bargain they made with us when we entered the profession. Pensions and health benefits are not a gift from the State. They are deferred compensation, earned through a career of public service. We have contributed to our pensions, we have earned our pensions, and we have
every right to expect that we will be paid our pensions, in full and as promised.

Thank you. (applause)

ASSEMBLYWOMAN POU: Mr. Stinson, just for a point of clarification, could you just indicate what organization you represent? It’s not really clear in your statement. You make reference to Educational Assistants of Cherry Hill.

MR. STINSON: Yes, we’re an affiliate of NJEA.

ASSEMBLYWOMAN POU: Okay. Thank you very much.

I’m sorry. Ms. Hassler.

SANDRA HASSLER: Good evening.

My name is Sandra Hassler. I’m the President of the Salem teacher’s association, in Salem County.

I would like to thank the members of the Joint Legislative Committee on Public Employees Benefits Reform for the opportunity to address you this evening on this critical issue.

As someone who is just starting out in her career, I want you to know that my colleagues and I take this issue very seriously. Our hard-earned benefits are vitally important to the lives we live and the retirements we anticipate. Our colleagues -- my colleagues and I fully understand and appreciate the difficult fiscal situation facing New Jersey today. We also know there are many contributing factors to that situation.

Yet, I must be candid with you. Teachers and school employees across New Jersey are growing increasingly alarmed at the widely held public perception that we are somehow at fault. The benefits we receive are not given to us. They are earned over many years, in many cases, through
the inevitable give and take of collective bargaining. They are a major contributing factor of New Jersey’s ability to attract and keep the talented teachers.

Our pension and post-retirement medical benefits are key elements in an overall compensation package that makes a teaching career in New Jersey attractive to the talented individuals who might otherwise be drawn to the private sector and its higher salaries for people with our level of education and talent.

Teachers and school staff are good and responsible people. Over the last 10 years, while the State has contributed virtually nothing to our pensions and post-retirement medical benefits, we have contributed steadily. We now contribute 5 percent of our salaries to the State Pension Plan. If only the State had been so responsible.

We are not the problem. And before we become the victims of bad public policy decisions, I would like to implore the Legislature to weed out the inefficiencies in our pension and medical benefit plans.

I believe it’s unthinkable to even consider cutting the benefits of our current or future employees before every step has been taken to bring costs under control, to reduce fraud, abuse, duplication, and inefficiency.

Again, we fully appreciate the State’s fiscal condition. But we are grappling with what is largely a self-inflicted wound, inflicted by previous administrations and legislatures. It should not, and must not, be blamed on those of us who have devoted our entire careers to educating New Jersey’s children and paying our fair share along the way.

Thank you. (applause)

ASSEMBLYWOMAN POU: Thank you.
Mr. Fallon.

BILL FALLON: Thank you.

My name is Bill Fallon. I’m President of the Gloucester County Education -- or, rather, Washington Township Education Association, in Gloucester County. We’re about five or 10 minutes from here. We’re a very large district. We have 972 teachers and secretaries, over 10,000 students.

Unlike Sandra, I’m not at the beginning of my career. I am near the end of my career, and my remarks will be addressed to that and with that point of view.

This Committee has heard from a number of people with suggestions about how to reform public employee pensions and benefits. Unfortunately, many misguided people have suggested that public employee benefits should be slashed to make them more like private sector benefits. That is the wrong approach. What has the private sector mentality toward employment benefits brought us? Fifty million Americans now have no health benefits. And countless more Americans who do have access to insurance often pay so much they have to give up other necessities in order to keep that protection.

Unfortunately, the pension situation is not much better. Millions have no retirement security beyond the Social Security check. Millions more who do have self-funded 401(k)-style plans are entirely dependent on the health of the stock market for their retirement security. Few people have much real security at all, and as a result, our nation’s social safety net is likely to be sorely tested in the near future.
This bad situation is the result of private sector mentality, where companies engage in a “race to the bottom” to see who can pay the least, and offer the least security to American workers. Parenthetically, you can pick up your local newspaper and, once a week, you’ll see a major corporation cutting employee benefits, reneging on promises. It is widespread in corporate America, but that does not make it right for America. It is a destructive trend that New Jersey should reject.

This insidious lack of basic security leads to an ugly and expensive downward spiral. Take the case of people who do not have, or cannot afford, health insurance. When medical emergencies arise, they resort to expensive emergency room care. Because they cannot afford to pay for that care, the cost is passed on to those who can pay, people with insurance. The increased cost drives up the cost of providing insurance, which causes more people to lose their insurance.

In 19 -- rather 2005, New Jersey -- our State -- spent $600 million to reimburse hospitals for that type of care. New Jersey cannot avoid health-care costs. It’s an inevitability. However, it can decide to deal with it effectively by offering good, quality insurance; or, conversely, it can decide to deal with them inefficiently by paying after-the-fact for expensive emergency room care. This should be an easy choice for forward-thinking people like you.

The cycle is already spiraling out of control in too much of the American workforce. If New Jersey begins this path, where does it end? Where does the State draw the line and say, “We will not be part of this problem”? 
Yes, New Jersey should find ways to offer medical benefits more efficiently. Also true, New Jersey should weed out abuse and corruption in the pension and medical benefit systems. But you should categorically reject the argument that the State needs to join in the destructive race to the bottom, which is already hurting millions of middle-class American residents.

Our State should be a responsible employer, not just another heartless, bottom-line driven corporation looking to wring as much as it can out of a disposable workforce.

And I’ll finish up.

So where are we now? Many misguided suggestions that public employee benefits should be slashed have been made to make our benefits look more like the private sector. But what has the private sector mentality done? Fifty million Americans with no health benefits. Even those who have it are unable to afford essentials in life. Many, many millions -- with no retirement guarantees beyond Social Security; millions more entirely dependent on the health of the stock market for their retirement. We’re in the race to the bottom, and it’s a destructive trend that New Jersey should reject. When people have no health insurance, they resort to the expensive medical -- emergency room care. Because they cannot pay for that care, the cost is passed on to those who have insurance. That increased cost drives up the cost of providing insurance, which causes more people to lose their insurance.

It is truly, in the health-care situation, the perfect storm. And I’ll leave you with that.

Thanks. (applause)
ASSEMBLYWOMAN POU: Thank you, Mr. Fallon.

Our final next three speakers: Betsy Rusnak, Ilene Luccarini, and Thomas Palermo.

What’s your name?


ASSEMBLYWOMAN POU: Okay, Betsy.

Thank you.

MS. RUSNAK: Ready?

ASSEMBLYWOMAN POU: Betsy, please.

Thank you.

MS. RUSNAK: Okay. Thank you very much for your time. I know-- I used to do school board, and it gets long.

My name is Betsy Rusnak, and I am employed by the State of New Jersey, Division of Youth and Family Services, where I have worked for nine-and-a-half years, the last two of which I have been a supervisor.

I earn every dime of my pay, which includes pension and benefits. And I have worked with both teachers and police officers, who I know earn theirs as well.

About five years ago, I was in a client’s home with the local police when a boy pulled a knife from his sleeve and threatened suicide. Within minutes, there were at least six more police officers at the house, and they managed to disarm the boy with no harm to anyone. I know that some of our Camden workers were attempting to remove children from a crack house a few years ago when the adults refused to let them leave with the children. Our workers could have left, but they remained in that dangerous situation until the local police arrived to assist them. I know
DYFS employees who have been stabbed, assaulted, and I, myself, had to press aggravated assault charges against a client. But we keep doing our job to benefit children and families, with what remain unsafe caseloads in some counties. Have the police and the DYFS workers earned their pay, including pension and benefits? You bet we have.

I spent four years serving on my local school board, and I know that teachers are often subject to these battleground conditions today, as well. My friend, who teaches in that district, was very high on the hit list last year, when at least four students were charged with planning a Columbine-type incident. When many of us went to school, teachers and other school staff didn’t have these worries. But things are different today, with students bringing drugs and weapons to school. Do teachers earn their pay, including pension and benefits? You bet they do.

If we want to talk about pension abuse and other wasted money in our schools and government, let’s look at the administrators who are offered more than their contract states, so they can be bought out of the district in order to stop them from stealing more. Let’s look at the inflated contracts that suck money from schools and government. I know of at least one contract in my school district that is highly inflated. I was told that the bid for proposals was written in such a way that only one company would be able to bid. Who would be responsible for that? The administrator who put out the request for the bids. We’ve all seen that kind of thing.

Police, State workers, and teachers are not the cause of the financial problems in our State, and the State could not function without us. The vast majority of us are decent, hard-working people doing work that needs to be done. However, we have bills to pay like everyone else. If
there are no benefits, my coworkers and I need to know now, because many of us will need to look for other employment now.

I know I, myself, was the benefit of that Cherry Hill School District. I got a public education here. I went to Ohio Wesleyan University -- Bachelors; straight to Rutgers. Nobody else had to pay for any of this. My family paid. I got my MSW. I’m a licensed clinical social worker. I think I’m worth my pay.

I used to be a Yellow Dog Democrat. I spent time phone banking and distributing literature prior to elections. Let’s not forget the 14 hours I spent on Election Day as a challenger. And I’m good at it. It used to be easy to say, “Vote Column 2.” But now things are different. State workers, police, and teachers want to know who values our work. And that’s who will have our vote, our phone banking, and other efforts.

Do we earn our pay, including pension and benefits? You bet we do.

Let me just say, really quickly, if we want to look at a problem with health care, the problem is not that we have benefits. We are one of two developed nations in this world that have no national health plan. We’re right there with South Africa. That’s the other country. So what we need to look at is, why don’t we have a national health plan? It’s supposed to be the greatest country in the world.

Thank you. (applause)

ASSEMBLYWOMAN POU: Thank you very much, Betsy.

Mr. Palermo.

THOMAS J. PALERMO JR.: To the members of the Joint Legislative Committee, I thank you for letting me speak.
My name is Tom Palermo. I’m the President of Local 1039, CWA, in Trenton, a supporter of New Jersey politics and union workers across the State and country. Today, I am presenting to you several concerns brought to my attention by several of the dedicated union members of our local.

After the meeting on October 12, 2006, regarding the State pension, it is necessary to focus on how the modification of the State pension system will not just affect the economy but the individuals and their families that help run this State smoothly on a daily basis.

Having a pension system in place allows the workers to have peace of mind, knowing that when they have completed their many years of service to the State of New Jersey they will have stability when it comes time for their retirement. Housing, medications, doctors’ visits, everyday groceries they consume are just some of the many expenses of the living -- living when retired.

I’m not here today to tell you all the facts regarding pensions; you all know the facts. I’m here today to ask you to sit back and think for a moment about those doctor visits and emergencies you have experienced. Just one could wipe you out with an average yearly pension income of $24,000.

With respect to health care, co-pays built into a negotiated health plan make living affordable, allowing public workers that sacrificed higher wages throughout their career an opportunity to enjoy a quality of life they can adjust to in retirement, without which more and more people would rely on charity care. How many people across the state can qualify
for charity care? We diminish State funds, how is it saving the State money in the long run?

If this commission votes to modify the current pension system and health benefits plan, I just want to be the first to say you will be digging a bigger hole for New Jersey. Questions for you to consider are: Why modify the pension system through legislation and not through the bargaining process? What is the purpose of collective bargaining when there is no bargaining to be had? Do you think the voters will forget who put them in this predicament at the polls? Do you think the unions will forget?

I just thank you.

And it’s very serious. We have 5,500 members over at our local, and the other locals even have many more. But we have spent time talking to our members, through polls, and having people send in what’s been going on in the last couple of months. And people are very, very scared. And it’s a shame to see people scared that are putting the time in, every day, just going to their job.

So I just ask that you consider the words that were given to me in this. And I want to thank you for your time. (applause)

ASSEMBLYWOMAN POU: Thank you. Thank you so very much.

Mr. Palermo, would you like to share your-- Are you going to provide us with a copy of that? Is that--

MR. PALERMO: Yes.

ASSEMBLYWOMAN POU: Okay. Thank you very much.
Ladies and gentlemen, thank you so very much for your attendance.

We truly appreciate you spending the time and being with us here. And we appreciate the comments and the remarks that were made by each and every one of you.

At this point, that concludes our meeting for tonight.

Thank you, again.

Have a very good night.

(MEETING CONCLUDED)