



NEW JERSEY ASSOCIATION OF COUNTIES

MEMORANDUM

TO: Members of the General Assembly

FROM: John G. Donnadio, Acting Executive Director

RE: **ASSEMBLY, NO. 2499** (*Moiarty*)

DATE: January 4, 2011

As has been well documented, the State's pension system has been mismanaged over the past two decades through a variety of strategies that ranged from increasing the projected rate of return on fund investments to reducing State and local employer contributions. To make matters worse, pension entitlements increased dramatically during the early part of this decade, and the nation's continuing financial crisis wiped out millions of dollars from the already depleted fund.

With this in mind, NJAC commends the Legislature for taking the time to consider some long overdue measures necessary to repair the State's broken pension system, which may include A-2499. As you know, this legislation prohibits employees of certain organizations, such as NJAC, from enrolling in the Public Employee Retirement System (PERS) and State Health Benefits Plan (SHBP). Although NJAC shares the sponsor's intent to preserve the integrity and viability of the public pension system, fundamental fairness dictates that this legislation only applies to new employees as is the case with the Senate version S-2100 (*Sweeney*) passed unanimously by the Senate on September 30, 2010.

As terms and conditions to their employment, our employees accepted their positions with NJAC based on the promise that they were eligible to participate in PERS and SHBP. Through no fault of their own, this legislation unjustly penalizes all NJAC employees, and more specifically so those employees with five years of service credit or less. Although this legislation will produce far reaching consequences on a handful of employees and their long-term financial plans, the Office of Legislative Services (OLS) concluded in a recent Fiscal Estimate that, "there will be no impact on State revenues or expenditures as a result of the enactment of this bill." Additionally, the original version of this legislation in the General Assembly also prohibited certain pension system members from receiving service credit while on leave with a labor organization, but this legislation does not. At a minimum, we would like some clarification on the disparate treatment. Finally, A-2499 does not address the issue of returning past employer contributions to NJAC.

Notwithstanding the above noted concerns, NJAC supports S-2100 as it only applies to new employees; and respectfully urges the General Assembly to carefully consider the fact that the long-term ramifications of A-2499 to our individual employees and organization far outweigh any potential benefit to the State's pension system. Thank you for your time and consideration, and please do not hesitate to contact me with any questions or concerns.