

# NEW JERSEY ASSOCIATION OF COUNTIES

*County Government with a Unified Voice!*

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## STATE HOUSE NEWS

*November 25, 2020*

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### COUNTY AND MUNICIPAL PENSION PAYMENT INCREASES

Earlier this month, the Division of Pension and Benefits in the State Department of Treasury released the 2021 local government employer billing statements for the Public Employees Retirement System (PERS), which included double digit percentage increases in total contributions for 2021. Despite these substantial increases, the funded ratio of PERS unfortunately decreased according to the "Actuarial Valuation Report" prepared by Cheiron and submitted to the Division on April 23, 2020. Even more alarming for county and municipal employers that have met their pension obligations for more than a decade, while the State has not, is the fact that the local portion of PERS is funded at 67.4%, while the State portion of PERS is funded at 31.2% with the combined funding of the two at 52.2% far below the target funded ratio of 75.0%.

With this in mind, NJAC is urging State leaders to separate the assets and management of the local portion of PERS from the State portion of PERS as was the case with the Police and Firemen's Retirement System (PFRS) in 2018 as a means, in this case, to provide direct property tax relief while preserving the structure and integrity of the more solvent local portion of PERS. NJAC plans to work with the Government Finance Officers Association of New Jersey (GFOA), the New Jersey State League of Municipalities (NJLM), the New Jersey Association of County Finance Officers (NJACFO), the New Jersey Municipal Managers Association (NJMMA), and the New Jersey Association of County Administrators (NJACA) to retain an actuary who will, in part, review the tables and footnotes on the following pages, which summarize the contributions by county governments to PERS and PFRS in calendar years 2020 and 2021.

The above coalition, which represents local governing bodies and management professionals from across the State, will charge the actuary with reviewing the 32.7% - 42.3% average increases in normal cost contributions for 2021, which may, in part, be explained by underperforming investments, a reduction in the assumed rate of return for long-term investments, and other relevant factors. Additionally, the actuary will analyze the 6.0% - 13.6% average increases in unfunded liability for 2021, particularly since local governing bodies as employers have long met their pension obligations as previously noted and well documented. As such, the unfunded liability should theoretically be decreasing but it instead appears that the State is using property taxpayer dollars to subsidize its long mismanagement and underfunding of pension system. Stay tuned for additional details.

COUNTY GOVERNING BODY PERS CONTRIBUTIONS - TABLE 1

COUNTY	2020 NORMAL COST <sup>1</sup>	2020 UNFUNDED LIABILITY <sup>2</sup>	2020 TOTAL PENSION <sup>3</sup>	2021 NORMAL COST	2021 UNFUNDED LIABILITY	2021 TOTAL PENSION
Atlantic	586,922	5,431,241	6,018,163	826,258	6,061,382	6,887,640
Bergen	1,115,479	10,322,374	11,437,853	1,587,683	11,647,155	13,234,838
Burlington	560,592	5,187,583	5,748,175	789,951	5,795,039	6,584,990
Cape May	437,029	4,044,161	4,481,190	612,826	4,495,656	5,108,482
Cumberland	300,328	2,779,161	3,079,489	430,314	3,156,759	3,587,073
Essex	1,912,664	17,699,336	19,612,000	2,645,837	19,409,713	22,055,550
Gloucester	667,427	6,176,210	6,843,637	885,780	6,498,035	7,383,815
Hudson	1,353,282	12,522,939	13,876,221	1,897,138	13,917,300	15,814,438
Hunterdon	263,149	2,435,119	2,698,268	360,037	2,641,215	3,001,252
Mercer	774,919	7,170,912	7,945,831	1,068,331	7,837,225	8,905,556
Middlesex	967,080	8,949,135	9,916,215	1,359,694	9,974,641	11,334,335
Monmouth	1,182,920	10,946,453	12,129,373	1,636,393	12,004,489	13,640,882
Morris	833,770	7,715,512	8,549,282	1,133,063	8,312,092	9,445,155
Ocean	1,073,078	9,930,015	11,003,093	1,481,544	10,868,525	12,350,069
Passaic	942,123	8,718,187	9,660,310	1,271,345	9,326,518	10,597,863
Salem	160,670	1,486,805	1,647,475	221,056	1,621,655	1,842,711
Somerset	724,086	6,700,519	7,424,605	1,002,626	7,355,211	8,357,837
Sussex	246,350	2,279,662	2,526,012	341,525	2,505,409	2,846,934
Union	913,276	8,451,241	9,364,517	1,221,180	8,958,508	10,179,688
Warren	252,156	2,333,394	2,585,550	343,441	2,519,464	2,862,905

2021 COUNTY GOVERNING BODY PERS INCREASES - TABLE 2

COUNTY GOVERNING	NORMAL COST \$ INCREASE <sup>4</sup>	NORMAL COST % INCREASE <sup>5</sup>	UNFUNDED LIABILITY \$ INCREASE	UNFUNDED LIABILITY % INCREASE	TOTAL CONTRIBUTION \$ INCREASE	TOTAL CONTRIBUTION % INCREASE
Atlantic	239,336	40.8%	630,141	11.6%	869,477	14.4%
Bergen	472,204	42.3%	1,324,781	12.8%	1,796,985	15.7%
Burlington	229,359	40.9%	607,456	11.7%	836,815	14.6%
Camden	300,760	36.4%	620,981	8.1%	921,741	10.9%
Cape May	175,797	40.2%	451,495	11.2%	627,292	14.0%
Cumberland	129,986	43.3%	377,598	13.6%	507,584	16.5%
Essex	733,173	38.3%	1,710,377	9.7%	2,443,550	12.5%
Gloucester	218,353	32.7%	321,825	5.2%	540,178	7.9%
Hudson	543,856	40.2%	1,394,361	11.1%	1,938,217	14.0%
Hunterdon	96,888	36.8%	206,096	8.5%	302,984	11.2%
Mercer	293,412	37.9%	666,313	9.3%	959,725	12.1%
Middlesex	392,614	40.6%	1,025,506	11.5%	1,418,120	14.3%
Monmouth	453,473	38.3%	1,058,036	9.7%	1,511,509	12.5%
Morris	299,293	35.9%	596,580	7.7%	895,873	10.5%
Ocean	408,466	38.1%	938,510	9.5%	1,346,976	12.2%
Passaic	329,222	34.9%	608,331	7.0%	937,553	9.7%
Salem	60,386	37.6%	134,850	9.1%	195,236	11.9%
Somerset	278,540	38.5%	654,692	9.8%	933,232	12.6%
Sussex	95,175	38.6%	225,747	9.9%	320,922	12.7%
Union	307,904	33.7%	507,267	6.0%	815,171	8.7%
Warren	91,285	36.2%	186,070	8.0%	277,355	10.7%

FOOTNOTES - TABLES 1 & 2

1. "Normal Cost" represents the present value of benefits that have accrued on behalf of the members during the valuation year.
2. "Unfunded Liability" consists of the employer's share of the pension system's total unfunded actuarial liability amortized over a 30-40 year period. The unfunded actuarial liability of a retirement system at any time is the excess of the system's actuarial liability

over the value of its assets. An unfunded actuarial liability can either be generated or increased in a number of ways, including enhancements to the pension benefits payable or the occurrence of actuarial losses. Actuarial gains or losses occur when actual experience of the system differs from the actuarial assumptions used to project the pension system funding requirements.

3. "Total Pension" equals the sum of the normal cost and unfunded liability but do not include NCGI, Chapter 19, ER1, ER2, ER3 payments, and retroactive contract settlement costs, all of which increase total contributions. Additionally, the figures do not include the pension payments by the following county governmental system entities, which may be funded in whole, or in part, by the county governing body and of which substantially increase the numbers accordingly: county improvement authorities, special services school districts, utility authorities, vocational schools, welfare boards, board of social services, housing authorities, soil conservation districts, AVA commissions, educations services commissions, pollution control, county colleges, bridge commissions, economic development corporations, regional health commissions, and mosquito extermination commissions.
4. "\$ Increase" generally means the dollar amount increase in contributions from 2020 to 2021.
5. "% Increase" generally means the percentage increase in contributions from 2020 and 2021.
6. All figures and definitions may be found on the website of the New Jersey Division of Pension and Benefits at [www.state.nj.us/treasury/pension](http://www.state.nj.us/treasury/pension).

COUNTY GOVERNING BODY PFRS CONTRIBUTIONS - TABLE 3

COUNTY	2020 NORMAL COST <sup>1</sup>	2020 UNFUNDED LIABILITY <sup>2</sup>	2020 TOTAL PENSION <sup>3</sup>	2021 NORMAL COST	2021 UNFUNDED LIABILITY	2021 TOTAL PENSION
Atlantic	2,482,434	4,852,947	7,335,381	2,675,291	5,533,969	8,209,260
Bergen	6,402,392	12,566,325	18,968,717	6,815,918	14,164,022	20,979,940
Burlington	1,492,367	2,929,151	4,421,518	1,630,371	3,388,042	5,018,413
Camden	6,038,013	11,829,437	17,867,450	6,412,423	13,297,621	19,710,044
Cape May	1,124,723	2,207,555	3,332,278	1,184,696	2,461,893	3,646,589
Cumberland	1,285,809	2,523,728	3,809,537	1,345,197	2,795,427	4,140,624
Essex	8,827,662	17,302,788	26,130,450	9,290,694	19,306,805	28,597,499
Gloucester	1,394,229	2,713,198	4,107,427	1,463,010	3,010,869	4,473,879
Hudson	4,993,815	9,801,636	14,795,451	5,555,498	11,544,769	17,100,267
Hunterdon	309,446	607,367	916,813	335,713	697,638	1,033,351
Mercer	3,088,900	6,038,508	9,127,408	3,149,038	6,513,422	9,662,460
Middlesex	3,508,536	6,886,397	10,394,933	3,871,777	8,045,861	11,917,638
Monmouth	4,519,596	8,843,835	13,363,431	4,899,105	10,144,647	15,043,752
Morris	1,996,712	3,919,055	5,915,767	2,240,308	4,655,539	6,895,847
Ocean	3,194,890	6,236,597	9,431,487	3,461,680	7,193,649	10,655,329
Passaic	5,033,528	9,879,581	14,913,109	5,485,013	11,398,296	16,883,309
Salem	1,188,305	2,332,351	3,520,656	1,307,624	2,717,347	4,024,971
Somerset	1,732,386	3,400,250	5,132,636	1,871,827	3,889,808	5,761,635
Sussex	849,717	1,667,786	2,517,503	935,540	1,944,128	2,879,668
Union	4,766,202	9,354,886	14,121,088	4,869,374	10,118,950	14,988,324
Warren	631,220	1,238,929	1,870,149	679,148	1,411,324	2,090,472

2021 COUNTY GOVERNING BODY PFRS INCREASES - TABLE 4

COUNTY GOVERNING	NORMAL COST \$ INCREASE <sup>4</sup>	NORMAL COST % INCREASE <sup>5</sup>	UNFUNDED LIABILITY \$ INCREASE	UNFUNDED LIABILITY % INCREASE	TOTAL CONTRIBUTION \$ INCREASE	TOTAL CONTRIBUTION % INCREASE
Atlantic	192,857	7.8%	681,022	14.0%	873,879	11.9%
Bergen	413,526	6.5%	1,597,697	12.7%	2,011,223	10.6%
Burlington	138,004	9.2%	458,891	15.7%	596,895	13.5%
Camden	374,410	6.2%	1,468,184	12.4%	1,842,594	10.3%
Cape May	59,973	5.3%	254,338	11.5%	314,311	9.4%
Cumberland	59,388	4.6%	271,699	10.8%	331,087	8.7%
Essex	463,032	5.2%	2,004,017	11.6%	2,467,049	9.4%
Gloucester	68,781	4.9%	297,671	11.0%	366,452	8.9%
Hudson	561,683	11.2%	1,743,133	17.8%	2,304,816	15.6%
Hunterdon	26,267	8.5%	90,271	14.9%	116,538	12.7%
Mercer	60,138	1.9%	474,914	7.9%	535,052	5.9%
Middlesex	363,241	10.4%	1,159,464	16.8%	1,522,705	14.6%
Monmouth	379,509	8.4%	1,300,812	14.7%	1,680,321	12.6%
Morris	243,596	12.2%	736,484	18.8%	980,080	16.6%
Ocean	266,790	8.4%	957,052	15.3%	1,223,842	13.0%
Passaic	451,485	9.0%	1,518,715	15.4%	1,970,200	13.2%
Salem	119,319	10.0%	384,996	16.5%	504,315	14.3%
Somerset	139,441	8.0%	489,558	14.4%	628,999	12.3%
Sussex	85,823	10.1%	276,342	16.6%	362,165	14.4%
Union	103,172	2.2%	764,064	8.2%	867,236	6.1%
Warren	47,928	7.6%	172,395	13.9%	220,323	11.8%

FOOTNOTES - TABLES 3 & 4

1. "Normal Cost" represents the present value of benefits that have accrued on behalf of the members during the valuation year.
2. "Unfunded Liability" consists of the employer's share of the pension system's total unfunded actuarial liability amortized over a 30-40 year period. The unfunded actuarial liability of a retirement system at any time is the excess of the system's actuarial liability over the value of its assets. An unfunded actuarial liability can either be generated or increased in a number of ways, including enhancements to the pension benefits payable or the occurrence of actuarial losses. Actuarial gains or losses occur when actual experience of the system differs from the actuarial assumptions used to project the pension system funding requirements.
3. "Total Pension" equals the sum of the normal cost and unfunded liability but do not include NCGI, Chapter 19, ER1, ER2, or ER3 payments, all of which increase total contributions.
4. "\$ Increase" generally means the dollar amount increase in contributions from 2020 to 2021.
5. "% Increase" generally means the percentage increase in contributions from 2020 and 2021.
6. All figures and definitions may be found on the website of the New Jersey Division of Pension and Benefits at [www.state.nj.us/treasury/pension](http://www.state.nj.us/treasury/pension).

## SHARING COUNTY TAX ADMINISTRATORS

On November 16th, the Senate passed by a vote of 39-0 **SENATE, No. 446** (*Doherty R-23/Sweeney D-3*), which would permit counties to share county tax administrators under certain circumstances.

NJAC supports this important and timely legislation as it would eliminate an antiquated law that has created a significant barrier to sharing services since current law requires a county board of taxation in each county to appoint a full-time county tax administrator. In general, the Governor is responsible for appointing all county tax board commission members with the advice and consent of the Senate, and the State Treasurer must pay their salaries accordingly. However, county governing bodies must pay for the salaries, pension, health, and other fringe benefits of the county tax administrator, who is appointed by the county board of taxation. County governing bodies must also pay for the salaries, pension, health, and other fringe benefits of all clerical assistants, and for the operation and maintenance of the offices for the entire county board of taxation and administrator.

As county boards of chosen freeholders continue to lead the way in providing services in a cost-effective manner as the State's only true regional form of government, several governing bodies have expressed interest in sharing a county tax administrator as a meaningful cost saving measure but have been advised that such an arrangement is prohibited under current law. At a time in which all local governments are struggling to make ends meet, this outdated level of bureaucracy imposes an unnecessary barrier to progressively sharing services. The companion version **ASSEMBLY, No. 4992** (*Schaer D-36/Mazzeo D-2*) is currently in the Assembly State and Local Government Committee awaiting consideration.

## DESIGN BUILD CONTRACTS

On November 12th, the Assembly Appropriations Committee amended and favorably reported **ASSEMBLY, No. 1285** (*Greenwald D-6/Chiaravolloti D-31*), which would establish the procedures for the awarding design-build contracts under certain circumstances.

In summary, this legislation would allow a contracting unit to use a design-build contract if the unit can demonstrate that this approach would better meet the needs of the governing body. The bill would require a contracting unit to seek guidance from a registered design professional, develop performance criteria and a scope of work statement, establish evaluation factors for proposals, solicit proposals from design builders, and utilize a technical review committee. The bill would then require the technical review committee to select the most highly qualified design-builders and request that they submit a second proposal and sealed bid, which would then be evaluated by the technical review committee. The contracting unit would separately evaluate the submissions and award the contract in accordance with the bill.

All design-build construction projects would be required to comply with the "New Jersey Prevailing Wage Act" and would be encouraged to adhere to the Leadership in Energy and

Environmental Design Green Building Rating System. The bill would further require the State to compile and make public all proceedings, records, contracts, and other public records relating to procurement transactions authorized accordingly. The Committee amended the bill to reflect the fact that separate rules and regulation govern State contracting units, State colleges, county colleges, school districts, and others in awarding design-build contracts. NJAC is generally supportive of the measure because its permissive and could help to reduce construction delays under certain circumstances. However, the Association is also mindful of the concerns raised by our county purchasing officials that the use of design build contracts would marginalize the layer of key oversight provided by purchasing professionals on such projects. The companion version S-874 (*Singleton D-7/Cryan D-20*) is on Second Reading in the Senate.

## **BODY WORN CAMERAS**

Yesterday afternoon, Governor Murphy signed into law **SENATE, No. 1163** (*Turner D-15/Greenstein D-14*)(*Tucker D-28/Conaway D-7*), which would require every uniformed law enforcement official in the State to be equipped with a body worn camera while on duty under certain circumstances.

More specifically, this new law requires, subject to the limit of funds appropriated or otherwise made available for this purpose, every uniformed State, county, and municipal patrol law enforcement officer to wear a body worn camera that electronically records audio and video while actin in the performance of the officer's official duties. The law does not apply to officers engaged in an undercover assignment; assigned to non-uniformed duties; serving in an administrative position within the department; meeting with a confidential informant; engaged in union representation as a member of a collective bargaining group; when directed by the Chief or superior officer for a lawful purpose; as a detective or investigator of a county prosecutor's office or Division of Criminal Justice when authorized by the county prosecutor or Attorney General; and, as may be otherwise provided in accordance with guidelines or directives promulgate by the Attorney General.

The measure provides funding, sort of, through annual State appropriations, from the disposal of forfeited property under N.J.S.A. 2C:64-6 as determined by the Attorney General, and federal grants. Although NJAC did not take a position on the bill, it's important to note that the Office of Legislative Services (OLS) concluded that initial deployment of body worn cameras "*could cost up to \$55.0 million depending on the specific number of body worn cameras required to outfit all uniformed patrol officers who are not currently so equipped. This estimate includes equipment acquisition, an annual licensing fee, maintenance and storage.*" OLS further pointed out that "*although the initial costs of purchasing BWCs may be a significant investment, the report found that many police executives attributed the most expensive aspect of a BWC program to be data storage. In addition to the cost of purchasing cameras and storing data, the report indicated that administering a BWCs program requires considerable ongoing financial and staffing commitments.*" S-1163 takes effect immediately but is conditioned on **ASSEMBLY, No. 4312** (*Reynolds-Jackson D-15/Sumter D-35*)(*Gill D-34/Turner D-15*) being signed into law of which Governor Murphy also enacted yesterday.

A-4312 regulates the use of body worn cameras and takes effect on the first day after the seventh month following enactment, so June 25, 2021. In the meantime, the Attorney General may take administrative action necessary to implement the new laws. In summary, A-4312 clarifies the circumstances in which deactivation of a body worn camera is required to protect the privacy of civilians, which may include when a civilian, other than an arrestee, seeks medical attention or wishes to remain anonymous to provide information to law enforcement. The new law also limits the use body warn cameras in situations when an officer is in a sensitive location, such as a school, medical facility, or place of worship; and, provides that body worn cameras should only be activated when an officer is investigating a criminal offense or responding to an emergency or call for service, or when an officer reasonably believes that the officer will need to use constructive authority or force. The measure also requires all prospective recordings to be retained by all law enforcement agencies for a minimum for 180 days but first allows existing contracts between law enforcement agencies and vendors to expire accordingly.

**UPCOMING NJAC EVENTS:** We hope that you can join us for NJAC's virtual County Government Leadership Awards and Board of Directors meeting set for 10:00 a.m. on December 11th, where we'll present the Peter J. Palmer Business Associate of the Year Award, County Service Awards, the County Administrator Lifetime Achievement Awards, an NJAC Special Recognition Award, the NJAC Board of Directors Lifetime Achievement Award, the 2020 Freeholder Hall of Fame presentations, and the Maurice Fitzgibbons Freeholder of the Year Award.

#### **TOP 10 BEST THANKSGIVING FOODS EVER**

- 10) Real Cranberry sauce
- 9) Sauteed mushrooms and onions
- 8) Lumpy brown gravy
- 7) Fluffy banana cream pie
- 6) Turkey drumsticks with the skin
- 5) Garlic mashed potatoes
- 4) Toasted buttermilk biscuits
- 3) Homemade Manicotti
- 2) Antipasto platter with sopressata, prosciutto, peperoni, wet mozzarella provolone, asiago, roasted peppers, olives, and green pickled tomatoes stuffed with provolone and prosciutto
- 1) Stuffing with chorizo sausage

DISHONORABLE MENTION AWFUL THANKSGIVING FOODS: Yams, sweet potatoes, creamed corn, creamed string beans, any roasted green vegetable, and my Uncle Joe's stuffing in 1986 that gave me food poisoning for 72 hours.

*"Thanksgiving is a time to county your blessings, one by one, as each relative goes home." Melanie White*

