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Why Senators Must Vote “No” on Sweeney Pension and Health Care Legislation

- 1. It’s wrong to ram major changes in the pension and health benefits of public workers through the Legislature with as little as 10 days consideration. Besides, these proposals have ZERO impact on this year’s fiscal crisis. Why do they need to be enacted in February?**

Why are these bills being rushed to passage in 10 days? It took 10 years of irresponsibility by the Legislature to create the pension crisis. It won’t be fixed by politically motivated legislative grandstanding in 10 days.

Since all these bills only affect future employees, there is NO fiscal impact on this year’s budget. Shouldn’t the Legislature fully understand both the fiscal and human impact of this legislation before voting on them?

- 2. Has the Legislature identified the actual fiscal impact of the proposed changes? Has the Legislature quantified the actuarial impact of each proposed change on the pension systems? Can the sponsors quantify the actual impact on homeowners’ property tax bills of these changes?**

Before cutting the benefits of low and middle-income public workers, shouldn’t we at least know that such cuts will actually help solve the problems facing the state?

- 3. These bills are unfair. They cut the pensions of future state and local government workers and teachers by 11% but future police and fire pensions by less than 3%, even though police and fire pensions make up a far bigger component of local property taxes than local government pensions. We don’t advocate bigger cuts in the pensions of uniformed workers—we simply believe that sacrifice must be shared equally.**

- NJ local governments pay \$248 million per year towards the normal pension cost for 224,000 local government workers statewide.
- NJ local governments pay \$475 million per year towards the normal pension cost for 33,321 members of the Police and Fire System.
- The average annual pension cost for a non-uniformed local government worker is \$1107; for a uniformed worker it is \$14,400.

4. **These bills will eliminate important protections for disabled public workers and threaten to destabilize the stability of the pension system.**
 - Eliminating the Disability Pension undermines important protections for workers who suffer long-term injuries on the job.
 - Allowing workers with fewer than 10 years seniority and new employees to opt out of the Defined Benefit plan will further weaken the pension fund and worsen the unfunded liability.

5. **The bill would rescind the “non-forfeitable” right to pension benefits for workers with 5 or more years of service. This “non-forfeitable right” provides that after 5 years of service, benefits cannot be reduced provided a worker attains at least 10 years of service. It was designed to substitute for the 5-year vesting provisions that protect private sector workers under ERISA.**

6. **Public workers did not cause the property tax crisis or the budget crisis. And we have already made \$450 million in cuts in our wages and benefits in the last three years in order to help New Jersey through its fiscal crisis. The crisis cannot simply be solved on the backs of public workers.**
 - State worker wages do not drive the budget crisis. Only \$4.1 billion of the \$29 billion state budget—14%—goes to state worker wages and benefits.
 - In 2007, state workers negotiated:
 - 1.5% of wages contribution to the cost of health care—This produced over \$50 million per year for the State just from the unionized workforce, will produce \$289.5 million from all state employees by the end of FY 2011, and \$1.85 billion between FY 2008 and FY 2022.
 - .5% increase in contribution to the pension—This produced \$68.7 million in increased contributions to State PERS and TPAF in FY 2008, approximately \$275 million from FY 2008 thru FY 2011, and \$1.5 billion from FY 08 thru FY 2022. There is an additional contribution of nearly \$800 million during that time period for local PERS, for a total increased contribution to the pension systems from workers of \$2.3 billion.
 - Capping participation in the DB plan to the Social Security wage maximum—This is worth about \$2 million per year to the state initially, and \$900 million to State and Local PERS, and TPAF between FY 2008 and FY 2022.
 - Increase in the retirement age from 55 to 60—This will save the pension fund over \$370 million from FY 2008 to FY 2022.
 - Increased health care co-pays and plan design changes, worth \$968 million from FY 08 to FY 2022.
 - In 2008, the Legislature increased the retirement age from 60 to 62 and limited participation in the pension fund to workers earning under \$7500 a year

- In 2009, CWA negotiated an unprecedented cost-savings agreement with Governor Corzine. The agreement
 - **Postponed a 3.5% raise for 18 months and agreed to 10 unpaid furlough days. This agreement cost unionized public employees \$250 million out of their pockets in FY 2009.**
- Overall, State workers have given up \$450 million in lost wage increases, furlough days, and increased contributions to the pension and health care plans over the last three years. Local government workers gave up an additional \$181.6 million in increased pension contributions, and many more have been hit with furloughs, wage freezes, layoffs and increased health care contributions.

7. These bills directly interfere with public workers' collective bargaining rights.

- State workers already pay 1.5% of wages towards the cost of health care, but these bills would override the collective bargaining process and automatically impose this co-pay on all other members of the SHBP and SEHBP.
- The bill unilaterally establishes the State Worker contract as the template for all health care bargaining which must be followed by all other government and teacher bargaining units. It deprives local government and teachers bargaining units of the right and ability to negotiate health care costs based on local considerations.
- The likely net effect of this provision will be to push many government units out of the SHBP and the SEHBP—which will undermine efforts to contain health care costs. The SHBP and SEHBP are relatively large, lower cost plans.
- By eliminating the wellness exception for retiree health care contributions, these bills curtail negotiated efforts to bring costs down overall, rather than merely shifting them to workers.