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# *Committee Meeting*

of

## JOINT LEGISLATIVE COMMITTEE ON PUBLIC EMPLOYEE BENEFITS REFORM

*"Testimony from the public on pensions and health benefits  
provided to State, county, municipal, or school district employees"*

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**LOCATION:** Clifton High School  
Auditorium  
Clifton, New Jersey

**DATE:** September 19, 2006  
5:00 p.m.

**MEMBERS OF JOINT COMMITTEE PRESENT:**

Senator Nicholas P. Scutari, Co-Chair  
Assemblywoman Nellie Pou, Co-Chair  
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  
Olga Betz  
*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 evening, ladies and gentlemen.

We're going to get started. I know that there are people still arriving, but because we have such a very long list of speakers in front of us, I'd like to begin our Committee meeting.

I also want to begin by apologizing for my voice. I will try to keep it up as much as I can. I have a really bad cold, but I will do my best.

Again, good evening. As one of the Co-Chairs of the Joint Committee on Public Employee Benefits Reform, it's my privilege to welcome everyone to the panel's first public hearing, in the City of Clifton. As a Passaic County resident, I am particularly pleased that this site was chosen to host the first public comments hearing for the Legislature's special session on property tax reform. It is reassuring to see so many people taking advantage of this opportunity to express their opinions and thoughts.

For those of you not familiar with our Committee, I want to offer some background about the work we have been doing. This panel is one of four Joint Committees that are working to reduce the property tax burden of New Jersey residents. The enabling legislation for this landmark special session on property tax directs this Committee to examine the following issue/areas: Abusive practices in the State's Pensions and Benefits system; potential cost controls for public employees' retirement plans, health care, and other benefits; and finally, any other reforms, approaches we may happen to identify during this process.

It is this Committee's intent to identify reform approaches that will produce savings for taxpayers, while respecting the years of service

provided by public employees at the State and local levels. We're interested in achieving savings, not scapegoating employees and retirees. To that end, we have heard from experts on the current status of our State pension and health benefit system. We have heard expert testimony on what will work in our state and what may not work. We have been given legal opinions to help shape the direction this Committee takes when it begins the process of making legislative recommendations. We have researched what has been done in other states to see if proposals implemented elsewhere will work in New Jersey. Now we are seeking the public's input, and by extension input from local officials who are in the front lines of government, dealing directly with the general public. Testimony from both residents and local officials will afford this Committee an enhanced perspective on how pension and benefits affect property taxes. As I have said from day one, we must be willing to examine all options and take into account all considerations.

Before we start taking testimony, there are a few procedural points and ground rules that I would like to share with each of you. First, the public is encouraged to limit testimony to ideas about reforming public pension or benefits. Secondly, I would ask Committee members to strictly limit their questioning, and interrupt only when necessary to clarify a point being made in testimony. This will help to ensure ample time for public comment. Likewise, individuals providing public testimony are urged to adhere to a five-minute time limit we have established, as there are a lot of people who want to be heard tonight.

Finally, if you have submitted written testimony, we ask that you do not read it back to us verbatim. A summary of the main points will suffice for the meeting's record. Please be mindful that this event is being

transcribed by the nonpartisan Office of Legislative Services, and later will be made available as part of the public record via the Web site that was created for this special session process. That site may be accessed at the following address: [www.njleg.state.nj.us/propertytaxsession/specialsessionpt.asp](http://www.njleg.state.nj.us/propertytaxsession/specialsessionpt.asp). That information will be made available for you again and will be repeated at the end of the meeting for anyone wanting to take note of that.

I know that my colleague, my Co-Chair, Senator Scutari will be joining us. He will be arriving just a little later.

At this time, I would like to invite the Mayor for our first speaker -- Mayor of the City of Clifton -- Mayor Anzaldi.

**MAYOR JAMES ANZALDI:** Good evening.

**ASSEMBLYWOMAN POU:** Good evening.

**MAYOR ANZALDI:** My name is Jim Anzaldi, the Mayor of Clifton, a member of the Executive Board of the New Jersey League of Municipalities. On behalf of our City family and all our residents, I welcome this Joint Committee to Clifton and extend my thanks for giving me the opportunity to address this Committee on Public Employee Benefits Reform.

I have submitted a written copy of many of the positions the League has taken concerning public employees' benefits and how there can be savings to the taxpayers.

The most important factors that have affected local budgets, that have been major problems facing elected officials and property paying citizens, are the costs of our schools, binding arbitration, mandated enhancements granted over the objections of the League of

Municipalities, and the roll-in of nonsalary items into the pension base, just to name a few.

We congratulate this Joint Committee on its fact-finding mission, and we hope the results lead to true property tax reform. We know that many of the prior hearings before the Committee have focused on the pension system for State employees, and we welcome the review of the pension system and how it relates to the local costs for PERS and PFRS.

The League of Municipalities has issued a Correction of Pension Errors report, more commonly known by all of us as COPE, presenting the local perspective. There are many ways for the costs to be reduced, now and in the future.

The most demanding cost to local governments is PFRS, which for Clifton government will rise from a base, in 2004, of \$485,000, to 3.8 million in 2007; and for PERS, with a base of 85,000 -- will rise to 465,000 for the taxpayers in that same period of time. This relates to eight tax points for the local homeowner.

We need legislators to stop mandating local enhanced benefits to the pension system at the cost of the taxpayer. At the same time, more needs to be done in some form of significant change as far as binding arbitration is concerned.

There are some issues that seem to be easy to correct and make great sense. One has been recognizing problems with gaming the system. These things must be eliminated for the local taxpayer, to help us. Assets for future retirees in the pension system should be used to the maximum return on investment. Below-market rate loans should be a thing of the

past. The highest investment tool should be used to make the pension system solid.

Professional service contracts should be treated as professional contracts, and not run through payroll to provide pension credits for the well connected. There should be a complete review of the early retirement initiatives, which have proven to be expensive to the taxpayers with no material results on savings. Instead of tax savings, they have become gifts to individuals at the taxpayers' expense. They should be eliminated in the future.

We all know the changing demographics: People live longer and, of course, pension and health benefits last a longer period. Therefore, the Legislature should look at the age when pension can begin. The removal of the early retirement, regardless of age, and a normal retirement benefit should be based on the traditional 65 years of age. Government workers are all eligible to participate in the Deferred Compensation Plan offered by the Internal Revenue Code. If all employees who are hired knew ahead of time, they could use this Code to plan for their retirement and the future.

The issue of the well connected gaming the system to-- Having the total salaries beefed up in the last few years of their employment can create a larger pension. It must be corrected by appropriate administrative procedures. In the area of disability, there needs to be a great deal of work done to protect the gaming of the system through the disability retirement at the expense of the local taxpayer. This can be accomplished immediately by recognizing increased longevity, resulting from demographics and improved health care.

We all--

ASSEMBLYWOMAN POU: Mayor? I'm sorry.

MAYOR ANZALDI: Okay, yes.

ASSEMBLYWOMAN POU: I just want to make mention that when you -- and this happens with all first speakers -- the sound of that timer-- I just want to let everyone know that when the timer goes off, that indicates that that's been the amount of time, of the five minutes. I would just like to ask you if you would please wrap it up.

Thank you.

MAYOR ANZALDI: I want to just tell you: This League of Municipalities is ready, willing, and able to help you in this quest to lower taxes in the state. And I think this is a very good opportunity for all of us.

Thank you very much.

ASSEMBLYWOMAN POU: Thank you so very much.  
(applause)

We really appreciate your comments.

I'm going to ask three members to please come up. We're going to try to do that.

In the meantime, I just want to also make mention, and welcome here, my colleagues Assemblyman O'Toole and Assemblyman Tom Giblin. I just want to make mention that they are here, also, with me.

Our next speaker is going to be Marie Hakim, Anthony Wieners, and Rob Nixon. If all three could come up and take a seat, in that way--

Mr. Wieners, if you could please come up; and then Debra Bradley.

Give me just one second, Marie.

Debra, okay.

Marie, if you could please start.

Thank you.

**M A R I E H A K I M:** Yes. Good evening.

I'm happy to be here this evening for the New Jersey School Boards Association, a nonpartisan federation of more than 600 school districts. I'm representing members of school boards across the state who are committed to providing quality public education to the children of New Jersey.

My name is Marie Hakim. I am President of the Clifton Board of Education and President of the Passaic County School Boards Association. For many years, New Jersey School Boards Association has been concerned about how the rising costs of health-care benefits impact the school districts it's representing and the property taxes of the communities. The delivery of quality education depends upon the efforts of a great number of people. You and the citizens of New Jersey know that a large portion of education in a school district involves personnel, and that approximately 75 percent of the costs are related to items negotiated through collective bargaining. You can help reduce the impact of one of the greatest cost drivers in the negotiation process -- that is, the cost of health benefits.

In 1991, 457 districts, or 76 percent of school districts in New Jersey, participated in the State Health Benefits Plan. Today, that number is 239 districts, or 40 percent. Why this change? It's because the State Health Benefits Plan lacks flexibilities for school boards to negotiate cost

containments. The areas which are not subject to negotiations within the State Health Benefits Plan are the following: The Plan's uniformity rule requires that all employees be treated equally, which eliminates any ability to negotiate a tier coverage, or coverage for different conditions for different classifications of employees.

The method of paying for dependent coverage is also controlled by the uniformity rule. That requires the employers to pay the exact same percentage of the cost of coverage for all dependents enrolled in the program. Employers must pay the full cost of employees' premiums. Prohibition against duplicate, multiple coverage is again due to the uniformity rule. Complete choice of coverage is left up to the employee, as is the enrollment of eligible dependents. Levels of deductibles and co-pays are set by statute and therefore are not negotiable. Incentives for nonenrollment may not be negotiated. Further, school districts have not been provided with the same flexibility given to other public employees in the State Health Benefits Plan. This is unreasonable. By this, I mean the State's authority to negotiate benefits, different levels of benefits, has not been extended to school districts. Moreover, local districts are the only public entity that cannot offer waivers for duplicate coverage.

It's no wonder then that hundreds of school districts have abandoned the State Health Benefits Plan for plans that offer flexibility and cost containments, which in turn reduce the costs to district taxpayers while increasing operational and educational efficiencies. Most notable among school districts outside of the State Health Benefits Plan, 83 percent have negotiated either tier coverage or waiver incentives, waiving coverage for staff who have health coverage under a spouse's plan, for example. In 2005,

the West Orange Board of Education saved \$800,000, and will save \$2 million over the life of their three-year contract.

I thank you. And if I may just conclude that, in the case of my own district, we went out of the State Health Benefits Plan after being in it for two years. We had a budget cap of 3 percent. The State Health Benefits Plan moved to 12 percent. In that year alone, we saved \$1.5 million.

Thank you for this opportunity.

ASSEMBLYWOMAN POU: Thank you.

Mr. Wieners.

**A N T H O N Y   W I E N E R S:** Good evening and thank you, Assemblywoman Pou, for the opportunity to testify before the Committee today. And I want to thank the Committee members.

My name is Anthony Wieners. I'm the Executive Vice President for the New Jersey State PBA. Bill Lavin, the President of the New Jersey State FMBA, is not able to attend tonight due to having their annual convention in Atlantic City.

ASSEMBLYWOMAN POU: Could you put the mike closer to you?

MR. WIENERS: Okay. I'm sorry.

ASSEMBLYWOMAN POU: Yes. Okay, great. No, that's fine. Thank you.

MR. WIENERS: I'm here today to represent not only law enforcement officers in New Jersey, but firefighters as well.

The State PBA and the FMBA appreciate the opportunity to share our thoughts on the serious issues the Committee has before it. I

hope that my comments will convey our feelings about what makes a police and fire retirement system -- PFRS -- unique, and about the pension and benefits reform in general. This is not the first time the State PBA and the FMBA have testified on pension reform. Last Summer, we worked closely with the Murphy Commission to educate its members on how PFRS works and how police and firefighters negotiate for their benefits. We believe that effort was positive, and I'm sure Mr. Murphy would testify to that as well.

It is important to note, therefore, that the Murphy Commission made few recommendations to amend the PFRS system. I believe that was the case because they properly saw PFRS is different in structure from the other State pension systems. We hope that you will agree with that assessment, too.

The greatest concern I heard from PBA and FMBA members is that the pension abuses and problems you have been discussing do not have any relation to PFRS. We are therefore concerned that our pensions and benefits are wrongly under attack. I would like to say a few words to address what makes PFRS unique. First, every PFRS members contributes 8.5 percent into their pension. This is the highest pension contribution, not only in this state, but in the entire nation. We have never stopped paying into the pension system or received a reduction in our contribution rate. And for a time, PFRS employees were the only real source of funds keeping our system afloat. The State and municipalities got a break making their contribution investments, investments lagged, and the system went underfunded through no fault of the members the system is designed to serve.

Second, the State PBA and the FMBA have fought hard to protect the integrity of our pension system. We have opposed and defeated legislation to allow nonlaw enforcement officers and nonfirefighters into it. We have not pursued legislation to improve pensions and benefits that do not have a stable and realistic funding source. In fact, we are sometimes criticized for not supporting bills that are underfunded, or special legislation.

Third, abuses like those commonly mentioned in PERS and the Teachers' Fund are not possible in PFRS. Bundling and tacking of jobs is not permitted. Overtime, which is often mandatory in police and fire service, is not pensionable. Many of our contracts restrict supplemental compensation, which also is not pensionable. We have also legally challenged police directors who try to collect a pension while allegedly still doing some police work.

We do not believe, therefore, that we have done anything to warrant a reduction in benefits for our current or future law enforcement officers and firefighters.

The New Jersey State PBA and the FMBA believe that law enforcement officers and firefighters are unique professions that are different from other types of public service. Every day the job could bring us face-to-face with tragedy, and I know you can all think of recent examples where that has happened.

You all have a copy of my testimony today. Just to brief it up, I'm here today representing 45,000 police officers and firefighters in New Jersey who are paying 8.5 percent contributions. We're working 365 days a

year doing a dangerous job. And there's more in my testimony; and I'd like, if you could, to take the opportunity to read it.

ASSEMBLYWOMAN POU: Thank you.

Let me just reassure everyone that your written testimony will, in fact, be a matter of record; and it will, indeed, provide us with the information as you're delivering it to us. So we will have an opportunity to review it carefully and look at all of your points. So if time does not permit for you to completely share your thoughts here, because of the five-minute period, please rest assured that all the members of the Committee will have an opportunity to review your remarks in its entirety from your written testimony. Okay?

Thank you.

Ms. Bradley.

**DEBRA J. BRADLEY, ESQ.:** Good evening.

My name is Debbie Bradley, and I'm here representing the New Jersey Principals and Supervisors Association. I'm representing over 7,500 acting and retired school principals and supervisors in the state.

The issue of public employee pensions and health benefits is a great concern to our members. Since its establishment in 1919, the TPA has enjoyed a long history of managing employee and employer pension contributions to provide secure retirement benefits to educators in New Jersey. Our members have come to rely on this system as a secure vehicle to grow their yearly pension contributions to produce a secure retirement.

We also have an expectation that the State of New Jersey will honor its commitment to us and to other public employees. Recent discussions have examined the structure of defined benefit plans versus

defined contribution plans. Just for the record, I'd like to highlight a few of our positions on these issues. Our Association does not support replacing the current defined benefits plan with the defined contribution structure or a 401K-type structure for our members.

Defined benefit plans continue to be the overwhelming principle plan design for public employee pensions. Recent estimates have found that 90 percent of state and local public employees nationwide participate in a defined benefit plan. And I've given you, in our testimony, some very detailed reasons and statistics as to why it's economically -- as well as, in the case of the individual -- more stable for their retirement.

Our Association also does not support altering the current pension plan structure for new hires. We oppose a two-tier pension system for the following reasons: The first is recruitment. The prospect of a secure pension and health benefits system upon retirement continues to be a major factor in drawing highly qualified college students into the education profession. Recent estimates continue to draw attention to the significant pay advantages that similarly situated college graduates receive in the private-sector professions.

The second reason is the increased cost that would be associated with switching to a two-tiered system. Testimony before this Committee by the actuary of the TPA Fund cautioned against closing the current TPAF system to new members, with the reason of the risk of increased costs to the employer or the State.

The third reason is the possibility of an insecure retirement for our members and other public employees.

On behalf of career public employees that we represent, we urge you to eliminate the abuses and increase State oversight. Public employee pensions and benefits in New Jersey have received much undue criticism of late. Reports that highlight abuse and generous perks of a few individuals have cast a cloud on all of the thousands of dedicated public employees who seek a secure pension and health benefits after a career of public service. Our Association also supports changes that permanently end the manipulation of the pension system through boosting and tacking, and we also support greater oversight by the Division of Pensions to seek out any forms of questionable compensation.

On the issue of health benefits, quality, affordable health care will always be a major priority for employees and retirees. New Jersey can be proud of its role as a leading provider of comprehensive health coverage for public-sector employees. A superior level of wellness should be the goal of every state in our nation.

Today, active education employees negotiate health benefits individually with local districts. Bargaining decisions dictate whether to negotiate for wages and/or benefits. Normally, if a unit decides to place a priority on health benefits, they must be willing to accept lower pay increases. Decisions about what is best for employees should be made at the local level. School boards still maintain the managerial prerogative to select a plan provider that meets the negotiated benefit level, or to enroll in the State Health Benefits Program.

On the issue of the State Health Benefits Program, our Association shares the concern of many about migration. And we've

detailed in here some recommendations for changes that we think would enhance the system's competitiveness, as well as the service to members.

Thank you. (applause)

ASSEMBLYWOMAN POU: Thank you.

Thank you, ladies.

Our next three speakers: Richard Dorow, Lynne Strickland, and Richard Snyder.

**R I C H A R D D O R O W:** I want to thank the Committee for the opportunity to be here tonight. My name is Richard Dorow. I'm Executive Director of the School Business Administrators of New Jersey.

While we are, perhaps, the smallest educational institution or organization in New Jersey, with 1,300 members, let me tell you that we are important people. We are important people because we manage millions of dollars in each individual school district, of which there are 600 in New Jersey, and billions of dollars statewide. So business officials are important people. And I'm here to make sure that you understand that when people make a commitment as a school business administrator, they have to be very talented individuals with an extreme amount of knowledge, obviously, in school finance; but they also have to be knowledgeable in areas of transportation, insurance, buildings and grounds, food service, and other school district operations.

These individuals not only give a 9 to 5 work week, but they're found every night of the week with board of education meetings, in areas of negotiations, of facility improvement. So these individuals are individuals who commit their lives towards this profession. I know that because I've

served as a business administrator for over 30 years in the profession. I know what it takes to be successful in this career.

And I'm concerned about pensions, because I know that, statewide, people who have longevity in this position generally serve the school districts in a successful capacity. Those school districts that have financial difficulties, to a large extent, have school business officials that stay for a year or two, three, and four, and they leave. And that's not something that we want statewide in order to manage the billions of dollars that we have before us.

So I suggest very strongly that the pension system stay in place as has been instituted. I know there is concern about individuals who have five or less years in the pension, that perhaps reform may be there. I suggest, very carefully, that you do not shortchange people who are dedicating their lives. Because I think if you do, you're going to find, in the future, business officials that simply are not going to be dedicated as they are; they will be transient. And your billions of dollars, of taxpayers, will not be well-managed in the long run, but will just be administrated in short run.

So that's my suggestion to you, very strongly. My testimony is going to be very short. Obviously, every day we read in the paper that there's concerns about pension abuse. And certainly, we are concerned about that. And we certainly, as an Association, would like to hear recommendations from this Committee in terms of what recommendations you have towards pension abuse, so that we can secure the pensions for the people who have dedicated their lives toward this field of education, their profession, and work with you to secure the pensions not only for the

people who are here today, but who are -- will be in this profession tomorrow.

And I thank you very much for the opportunity to speak to you. (applause)

ASSEMBLYWOMAN POU: Thank you.

Lynne Strickland.

**L Y N N E S T R I C K L A N D:** Thank you, Madam Co-Chairman, and members of the Joint Committee. Can you hear me okay? All right.

ASSEMBLYWOMAN POU: Lynne, just pull it in front of you. The other one, the other one. (referring to PA microphone)

Thank you.

MS. STRICKLAND: Oh, it's a trick -- 30 seconds back.

Anyway, thank you very much. We welcome this opportunity to testify before you. I'm Lynne Strickland, Executive Director of the Garden State Coalition of Schools, and I'm pleased to be here on behalf of the 350,000 students enrolled in the 110 districts we represent.

We offer suggestions today from our members on ways of trimming one of the local districts' budgets biggest cost drivers, via revisiting restrictions in the State Health Benefits Plan and offering comparative examples from these local districts that vividly demonstrate that cost savings are available to them under private carriers. The main differences here are that the private carriers offer flexibility to districts that enable them to secure cost-saving measures in negotiation, such as co-pay, as well as plan offerings, such as types of plans, or specific plan choices such as dual-spouse opt-out incentives.

A criticism of private carriers versus the State Health Benefits Plan has been that the private carrier plans often bump up their charges within a few years. Districts -- about 60 percent participate in private plans now, and that has to tell us something -- have become more and more adaptable to the phenomenon of price increases; and like Smokey Robinson's stand-by, have learned how to handle this: they best *shop around*, when necessary.

It is important to note that in regards to the opt-out incentive, and perhaps other savings comparisons, the savings to local districts can be quite substantial, while the cost to the State was recently annotated in a fiscal note as being revenue neutral. We are charged today with reporting the local cost savings that clearly, in turn, reflect in fewer taxes having to be paid by the local property taxpayer, which is the basis for your endeavors in this special session. A final and very important point of this option: Under the State Health Benefits Plan, municipalities, counties, and county colleges are allowed to offer the opt-out incentive to employees; schools are not. You have to ask why, but also recognize that this separate treatment for schools as a class is pretty indefensible.

A number of our members' experiences and suggestions follow below. So we have attached and given more information. I'm just going to highlight a couple statements in there. A Bergen County school district is saving \$250,000, private carrier. In Monmouth County, a district just moved from State Health Benefits to Horizon Blue Cross Blue Shield and are saving \$100,000 this year in premiums alone. Essex County school district, a total savings in the first year of approximately \$250,000. And it helped us in negotiations, because they were able to recycle some of the opt-

out savings into a small increase in the salary contract. Secondly, they offered a flex spending savings plan for the staff.

In Morris County, one district estimated it would have cost them \$500,000 to go back to the State Health Benefits Plan this year. And finally, in the Somerset County district, the opt-out option alone has saved them over \$1.1 million.

I had planned to have the Glen Ridge Superintendent give you their example locally, and I thought that was allowed. I don't know if we have time for that -- a minute -- or not?

ASSEMBLYWOMAN POU: That's fine if you want to use, during--

MS. STRICKLAND: I do. I want to yield--

ASSEMBLYWOMAN POU: Okay.

MS. STRICKLAND: --and hope that you will take a good look at the addenda, because there's a lot of information there.

ASSEMBLYWOMAN POU: That would be fine.

MS. STRICKLAND: I appreciate it.

Thank you very much.

ASSEMBLYWOMAN POU: If you would, please identify yourself for the record.

**DANIEL FISHBEIN, Ed.D.:** My name is Dan Fishbein. I am the Superintendent in Glen Ridge.

The current State Health Benefits Plan is inflexible and really limits the board's ability to negotiate. Just last week, a colleague from Bergen County informed me that they had settled their teachers' contract and was able to get out of the State Health Benefits Plan at a savings of

\$500,000. The opt-out provision of those district employees with health coverages of spouses in the State Health Benefits Plan -- by using this opt-out plan we saved \$100,000 a year. By being outside the State Health Benefits Plan, we save \$200,000 a year. If we went back in, we'd be looking at a \$300,000 hit.

Finally, one part of the law, a new law -- 1701 -- curtailed the ability of districts to budget low in the area of health benefits, as well as energy, and then use some of that surplus to pay some of the bigger increases that were unforeseen during the budget process.

I thank you for your time.

ASSEMBLYWOMAN POU: Would you please provide a copy of your testimony to the-- Do they have that?

DR. FISHBEIN: Yes.

ASSEMBLYWOMAN POU: Okay.

Thank you very much.

Mr. Snyder.

**RICHARD SNYDER:** Thank you.

Please understand that my comments are said only with the greatest respect and no intentions to be otherwise. I am a very experienced school board member. I am a New Jersey School Boards Association, Board of Director member. I am the Executive Director of Dollar\$ & Sense. I have learned that often a single point of reference can be the difference between achieving economic efficiency and succumbing to economic inefficiency.

We who are educated about the business of our schools are calling for a reform of the rules that truly inflate the cost of delivering

public education. We're going to suggest that increased competition within the health insurance industry, flexibility within the State Health Benefits Plan will best serve our districts, our districts' employees, and our communities' taxpayers.

During the 1980s, health insurance premiums skyrocketed. Outside carriers entered the market. In direct response, the State Health Benefits Plan began to change. It was during this period that groups participating in the plans were separated. The result, the rates came down. Competition brought about a desired result.

A recent survey done by the New Jersey Business Administrators Association offers telling statistics; 238 districts responded. Of the 101 of them -- were part of the State Health Benefits Plan, 137 were not. Of the 137 that did not, 90 percent of those indicated that the private plan was more cost effective. Of the 137 that did not, 77 percent offered coverage waiver options which saved from 3,000 to 1,200,000.

It is critical to note that school boards and taxpayers are receiving mixed messages from Trenton. We know that there are many things that can be done to restrain this mighty cost driver, and yet they aren't done and we are here today.

As a case in point, during the legislative session of 2004, Senator Turner reintroduced Bill S-1603. The bill called for allowing State school boards to offer incentives to waive State Health Benefits coverage. The Pension and Health Benefits Review Commission chose not to recommend that this bill be advanced. This opportunity for savings is currently available in our municipalities. In fact, a legislative fiscal note was presented in May of 2002, favorably evaluating this savings tool. Another

fiscal note was released in January of 2006, regarding S-1603. It said that offering the incentive had limited potential decrease in annual expenditures. And as Lynne said, that this was to be revenue neutral. The flaw is that looking at the aggregate doesn't tell us anything. Those that would not benefit would not participate.

Certainly, fiscal notes don't dictate behavior, but they are powerful points of reference. The bottom line is that the problems are not new. And the solutions have been there all along. In 1992, an Assembly Committee, shared by Assemblyman O'Toole's partner in the 40th District, prepared a report on Civil Service and employee benefits. The parallels between then and now are disturbing. The difficulty is the single point of reference that is the difference between achieving economic efficiency and succumbing to economic inefficiency. It has to do with priorities.

There is a new bill, S-2163, sponsored by Senator Lesniak. It calls for the opportunity to negotiate health benefits within the State Health Benefits Plan and permits school districts to offer incentives to employees to waive coverage. Senator Lesniak has been right before; Senator Lesniak might very well be right again.

Of course, speaking for Richard Snyder, the Ramsey Board of Education, Dollar\$ & Sense, and for the New Jersey School Boards Association, we believe we should support Senator Lesniak's bill. You should consider it.

And thank you for allowing me to speak.

ASSEMBLYWOMAN POU: Thank you, gentlemen.

Laurie Clark, Lynn Nowak, and Alan Kaufman?

Laurie Clark? (no response)

Lynn Nowak? (no response)

Vikki Thurston?

And Joseph Coppola Jr.?

Alan?

**A L A N K A U F M A N:** Thank you.

Alan Kaufman, Legislative Political Coordinator for the Communications Workers of America. I have to talk very fast for the five minutes to give us ample time to really get into the issues. The only real proper forum to discuss health care and pension benefits is through the collective bargaining process and through negotiations. And history will show that the -- abiding by that dictum has been good for the State and violating that dictum has been bad for the State.

In 1992, to balance the budget, Jim Florio asked that the pension system be changed to take advantage of the market value of the assets, rather than the book value. And he wanted to go to 8.75 percent from 7 percent, because that's so great a return on the investments. We said that any -- and he talked to us. He called us over to the Labor building, and we sat down and discussed this, along with the NJEA. And we said that that was a less conservative way of dealing with the pension issue; and to balance that off, we said we wanted free funding of post-retirement medical benefits, we wanted an accelerated phase in of the COLA costs, and we want to short amortization periods for the liabilities. And we did that. And our actuaries said that we had one of the best pension systems in the country, based upon those changes.

Two years later, Governor Whitman came in and unilaterally, without any negotiations with the union, turned our pension system from

what our actuaries said was one of the best in the country to one that was one of the worst in the country, because she eliminated the phase in of the prefunded medical benefits; she eliminated a phase in of the COLA; she went to a projected (indiscernible) credit method, that back loaded the problem of payment of the pension liabilities; and she put 2 percent more pension costs on our workers. And if I think upon anything that has contributed more to screwing up a pension system, it was those changes that go back to then. Then, when they were offered money, they didn't put money in the pension system; and that's the major problem of what's happened to the pension system, going back to then.

In 1988, on the health-care issue, then Director of Division of Pensions, Doug Forrester, was looking for a more cost-efficient way of delivering health care and developed NJ PLUS. And he worked with us over a long period of time to make sure that there was adequate benefits in there, and structure, and an adequate network. And as a result, New Jersey has saved millions and millions of dollars through that plan he helped negotiate.

In your packet, I have also included a list of negotiation changes that the CWA agreed to which saved the State hundreds of billions of dollars, including changes that have encouraged people to use NJ PLUS rather than the more expensive Traditional Plan.

To get on to the issues of what the problem is -- those are Cadillac benefits, right? I've included two charts from one of the experts that you referred to that came before your Committee. And I'll just say these charts are just showing -- try to show the health care and pension costs going off the map. And if you look at those charts very closely, they're

totally misleading. I don't know what expert made them up, because in 2002, it shows you a chart -- the chart shows no retiree costs being spent on retired medical benefits. Does that end the five minutes?

ASSEMBLYWOMAN POU: Go ahead. You can just wrap it up, Alan.

MR. KAUFMAN: No, I lost my train of thought.

V I K K I T H U R S T O N: Good evening.

My name is Vikki Thurston, and I'm the Executive Vice President of CWA Local 1037. And I'm here standing in for Local 1037 President, Hetty Rosenstein, who had an emergency.

This is Local 1037's position with regard to the matter: Local 1037 represents 11,000 workers; 8,000 of them work for the county, State, and local governments. The public workers we represent have a modest pension, a reasonable health-care plan, and other benefits that we have negotiated over 25 years. Our public members who do have these benefits are not a drain on the system. Our pensions are modest. The average local government pension is \$11,000 a year, and the average state worker pension is \$18,000 a year. Our pension costs us more and provides a lower benefit than pensions in adjoining states.

Our health-care plan, while adequate, is not a Cadillac plan. It provides basic coverage for families. We have to pay co-pays for doctor visits and prescription drugs. Our plan is so reasonable that the State of New Jersey pays less for our coverage than the employer portion that New York and Connecticut pay for similar coverage for its workforce. Our wages are lower than those in adjoining states for similar jobs.

But we also represent another 3,000 workers who work for private, nonprofit agencies and are our home child-care providers. These workers are indispensable to the State of New Jersey, but they have no health care and no pension, and they are so poorly paid that they live in poverty. They care for our most vulnerable citizens -- children and people with disabilities -- but they are not paid well enough to keep their own family, bodies, and souls together.

One-point-three million New Jersey residents do not have health-care coverage. A much larger number do not have a guaranteed pension plan. The direct cost to the State of New Jersey for those who do not have health care and pensions is great. The State spends billions of dollars each year for uncompensated care, Medicaid, KidCare, and FamilyCare. What is it to the cost of property taxes that the disgraceful condition is this -- the second wealthiest state in the wealthiest country in the world. How can we even calculate the cost to towns and cities, of families impoverished by health care and making life-threatening decisions about whether or not to buy necessary prescription drugs or food? What does it cost Irvington, Newark, Camden, East Orange, Passaic, Paterson, Perth Amboy, Trenton, Atlantic City, and Asbury Park to have entire generations of children without dental care, seniors without pensions?

Franklin Roosevelt's vision of a three-legged stool -- one leg savings, one leg Social Security, and one leg employee-provided pension -- is all but a fantasy in this state. We all address the issue of health care and pensions for public workers at the bargaining table where such discussions belong. We will do what we have always done -- be responsible and act as

good citizens, while looking out for the best interests of our members as both workers and taxpayers.

It is your job, however, to address the issue of 1.3 million who have no health care, and millions more with no retirement security. It is your job to demand that large corporations, like Wal-Mart and others, who suck our communities dry and give nothing back, pay their fair share so that taxpayers don't have to pay that cost. (applause) That's all the legislative sessions you all should be having.

**J O S E P H C O P P O L A JR.:** My name is Joe Coppola. I'm President of the Bergen County Education Association. As your representative of more than 16,000 public school employees--

I'm sorry, what?

**ASSEMBLYWOMAN POU:** Joe, just put it closer to you, please? They both work. Just put it closer to you. (referring to PA microphone)

**MR. COPPOLA:** All right. Sorry about that.

I thank you for the opportunity to speak with you this evening. There we go.

I have heard that some in Trenton, and others in the news media, have called for public-sector defined benefit pension plans to be replaced with the defined contribution plans. Tonight you will hear from representatives of the business community that public employee pensions and benefits must be brought into line with those offered in the private sector. You have been told that it is unfair for public employees to enjoy the level of benefits not always offered in the corporate world. The trend in the private sector is the abandonment of a defined benefit retirement plan

in favor of a defined contribution plan, such as 401K. One reason for this development is the highly publicized bankruptcy of several corporate retirement plans. The tragic stories of workers who have worked hard and acted responsibly only to have their retirement security disappear strikes a nerve in all of us.

But these reports should serve as a cautionary tale, not to abandon defined benefit plans, but to strengthen them. I am here to tell you that the private-sector and public-sector pension plans are not the same animal. The first distinction to be made is between large public pension funds and their much smaller private-sector counterparts. In simple terms, businesses come and go all the time. But when was the last time you heard of a state packing up for good? That is why it is inappropriate to hold public-sector pension systems to the same funding-level standards as private-sector systems. And that is why it is misleading when New Jersey officials throw around inflated figures that suggest that New Jersey's pension fund is on the verge of bankruptcy. It is not. (applause)

That is not to say that the State can return to the irresponsible neglect of the pension fund that characterized the last decade. This Summer's contribution to the pension fund was the right thing to do, especially because public employees continue to contribute to the fund out of their own paychecks during the same time. In fact, the employee contribution increased by 66 percent when the system's funding level dropped below a key threshold last year. In the private sector, employees are engaged in a race to the bottom. They are competing to see who can offer the lowest level of health benefits, and who could spend the least on any sort of pension or retirement security for employees.

At the same time, we are seeing serious erosion in retirement security. Retirees, senior citizens will be financially unable to retire and incapable of supporting themselves once they can no longer work. If that happens, our social safety net will be strained to the breaking point. It is an onerous picture, but a realistic one if current trends continue. I maintain that it is not the place of government to join private industry by racing headlong into policies which leave so much chaos in their wake. Government has an obligation to be a responsible employer. New Jersey needs to be part of the solution, not part of the problem that is fast becoming a national crisis.

Yes, defined contribution retirement plans, such as 401K plans, offer affordability, but these plans are subject to market fluctuations and do not provide a guaranteed level of benefits in retirement. Defined benefit pension plans are a safe and more secure pension alternative. And because they are less portable, defined benefit pension plans contribute to a more stable workforce in our public schools. Isn't that what we want? Some people have implied that public school employees' pensions and benefits are gifts from the State or entitlements. In fact, they are deferred compensation to which employees have contributed and earned over a career of public service. (applause)

Public school employees are entitled to their pensions and medical benefits, and have contributed financially toward them and have worked to earn them.

I thank you for holding this public hearing and giving us the opportunity to share our thoughts with you. (applause)

ASSEMBLYWOMAN POU: Thank you very much.

Ladies and gentlemen--

Jacqui Greadington, Joe Cheff, and Joyce Powell.

Jacqui?

**JACQUI GREADINGTON:** Jacqui.

**ASSEMBLYWOMAN POU:** It's the other one, Jacqui. It's the other one. (referring to PA microphone)

No, Joe, could you just--

Thank you.

Let me just explain: The microphone that is in front of both Jacqui and Joyce, those are the microphones. (referring to PA microphone) The other ones are for the transcriber. Sorry for the confusion, but just for the benefit of the audience so that everyone can hear.

Thank you.

**MS. GREADINGTON:** Good evening.

My name is Jacqui Greadington, and I am President of the East Orange Education Association. I want to thank you for giving me the opportunity to speak before you tonight and to share my thoughts on some of a myriad factors that you will have to take into account as you contemplate public employee benefits reform.

I think I speak for many educators in New Jersey when I say we take this issue very seriously. For those of us who have spent an entire career in public education, and for those of us just starting out, our hard-earned benefits are vitally important to the lives we live and the retirements we anticipate. My colleagues and I fully understand and appreciate the difficult fiscal situation facing New Jersey. We also know that 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. (applause)

ASSEMBLYWOMAN POU: Ladies and gentlemen, it would hurt everyone of the speakers, as the time goes on, if you interrupt with their speech.

Thank you.

MS. GREADINGTON: The benefits we receive were not given to us. They were earned over many years -- in many cases, through the inevitable give and take of collective bargaining. They are a major contributing factor to New Jersey's ability to attract and keep talented teachers. Our pensions and post-retirement medical benefits are key elements in our overall compensation package that makes a teaching career in New Jersey attractive to talented individuals, who might otherwise be drawn to the private sector and its higher salaries for people with our levels of education and talent.

Oscar Wilde once wrote that a cynic is a man who knows the price of everything and the value of nothing. I truly understand the seriousness of the State's fiscal situation, but if he were alive, Oscar Wilde would share my genuine concern that if the Legislature makes the wrong decisions about future benefits for teachers and school employees, we could be entering a dangerous world of unintended consequences.

In East Orange, we struggled for many years to create a stable workforce in our public schools. Ours is a difficult and challenging district in which to teach, and for too long we suffered from a high turnover rate

that denied our students the many benefits of a stable, experienced teaching staff.

Today, thanks to competitive salaries and benefits -- and that includes our pensions and retirement medical benefits -- we are able to keep teachers in East Orange. For every one that used to leave for another district, another would depart for the private sector. That is no longer the case, but it could begin again if you make the wrong decision.

Teachers and school staff are good and responsible people. Over the past 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. (applause)

We are not the problem. And before we become victims of bad public policy decisions, I would implore you, the Legislature, to weed out inefficiencies in our pension and medical benefit plans. I believe it is unconscionable to even consider cutting the benefits of current or future employees before every step has been taken to bring costs under control and 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 all along the way.

Thank you. (applause)

**J O E C H E F F:** Thank you.

My name is Joe Cheff, and I'm the President of the Passaic County Education Associations, which represents 12,000 members -- the very same members who have literally paid tens of millions, if not hundreds of millions of dollars, in local property taxes and New Jersey State taxes.

Personally, as a citizen of this great State of New Jersey, I'm grateful to Governor Corzine and the Legislature that are tackling this important issue of property taxes. The New Jersey property tax crisis threatens public education by undermining taxpayer support for our quality public schools and pitting neighbor against neighbor.

I am also deeply concerned with media reports and comments from some legislators, attacking our pensions and benefits systems. Pensions and benefits are a vital part of the State's ability to attract and retain quality professionals in public education, to maintain high-quality schools, to ensure property values rise. And to keep New Jersey as one of the best 10 states in the nation, New Jersey must continue to invest in a high-quality education workforce. A negative change to pension benefits would represent a step in the wrong directions.

While other states rely on gimmicks to attract new teachers, there is a question about the quality of the 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. Over 96 percent of New Jersey teachers are highly qualified, a rating we risk if we rely on hiring gimmicks.

We risk other things when we diminish public employees pension and post-retirement benefits. We jeopardize New Jersey's historic commitment to public education. There's an age-old adage that "you get

what you pay for.” Well, when it comes to education in New Jersey, our children get a lot.

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

When we go after public school employees’ pensions and health benefits, we’re attacking the very people who make our educational successes possible. I think what disturbs me most is the idea that public employees should join private sector employees in a race to the bottom for health benefits. (applause)

According to an article in a recent *TIMES* magazine, business in the United States is up in three major areas. Chief of them is 72 percent of corporate profits -- corporations now have 72 (*sic*) higher profits. The only area they’re lower in is the median salary for its workers.

I ask this distinguished panel, along with your legislative colleagues, to stand up as true champions of the working people and ensure corporations pay their fair share to ensure every worker and their families have access to quality and affordable health care. There are more than 50 million uninsured people in America today. There are 1.4 million right here in New Jersey; many are full-time workers or their dependent children. In fact, the largest retail corporation in the world pays their workers so little

that over 40 percent of their workforce in New Jersey are forced to go on the New Jersey public health-care welfare role, costing us more, in untold millions of dollars. Because too many employees no longer provide affordable health insurance, we have a national epidemic. Don't make it into a state epidemic. Every one of us will pay a price.

Life is full of tough choices. Teachers and school employees chose to go into public service. We might have made more money in the public (*sic*) sector, but we worked with students. When this State stopped making contributions to our pension fund -- and I add, we didn't realize much property tax relief -- we continued to make our payment.

We ask that you keep your promise, keep our pensions and health benefits paid in full, and uphold the quality public education for every child in New Jersey.

Thank you. (applause)

ASSEMBLYWOMAN POU: Good evening.

**J O Y C E P O W E L L:** Good evening.

I'm Joyce--

ASSEMBLYWOMAN POU: Joyce, yes, a little closer.  
(referring to PA microphone)

MS. POWELL: Good evening.

I'm Joyce Powell. I'm the President of the New Jersey Education Association, and I'm here tonight on behalf of 196,000 school employees, members of NJEA, who are active and retirees. About 20,000 members are retirees.

And I don't believe that it will come to any surprise to this panel that NJEA is an adamant defender of the rights and the interests of

our members, and I think that you can hear by the audience participation how critically important your work is to all of us. But we don't believe that our members should surrender any of their compensation or benefits that they have negotiated and earned throughout their careers in public service. (applause) We do believe that it is a matter of basic fairness that when an employer promises compensation -- whether that be salary, whether that be medical benefits -- or deferred compensation in the form of a pension with medical benefits, that an employee has a reasonable right to expect that those promises be kept. That is, very simply, that a deal is a deal.

NJEA members, as you have heard, have upheld their end of the bargain. They have dedicated their careers to public service in this state, and they are excellent at what they do. Thanks in large part to the quality of the school employees in New Jersey, our state is home to some of the nation's finest public schools. NJEA members do an exceptional job, and they are not lavishly compensated.

New Jersey teachers average over 13 years in the profession and over one-third hold advanced degrees. And while average teacher salaries have grown, they still pale in comparison to private sector salaries when one takes into account the years of experience and advanced training that our members bring to their work. Average salaries for education support professionals, the people who keep our schools working, running, so that learning can take place, are even lower. They range from under \$18,000 to approximately \$38,000 for full-time employees, depending on their job category.

As you have heard, school employees have continued to make their contribution, the portion of their salaries, to the pension system.

Medical benefits and a secure pension help make up some of the shortfall in salary throughout the public education system. And these benefits must be considered as part of an overall compensation package which enables the state to attract high-quality, capable individuals into the profession.

We are a state that has collective bargaining, as you have heard. We have collective bargaining rights. And unlike State employees who bargain with a single employer, our members bargain with nearly 600 individual districts throughout the state. Schools do not publicly bid health benefit contracts, nor do they provide any public information outlining the broker fees for those private companies, which are costing the taxpayer of this state millions and millions of dollars. When we bargain a certain level of benefits, we often have to sacrifice salary. It's entirely inappropriate for the State to then come in and lower our benefit level or increase the cost of our members' negotiated benefits. We will not look kindly on any attempt to do so. We believe that will be a violation of collective bargaining. We also believe that it's inappropriate to reduce employee benefits for those who would come in the future. I think that you've also heard testimony about that from PSA, regarding how we must attract and retain highly competent individuals into our classrooms and into our school buildings. The State should not complicate or dilute the benefits.

I just want to mention a few things in closing. That we believe that the State of New Jersey should pass legislation which ends the abusive practices of boosting, tacking, and double-dipping by the politically well connected. (applause) We are asking you to provide positive incentives for employees to remain on the job longer, which will reduce overall pension costs. We would ask you to practice aggressive counter-detailing in the

State Health Benefits Plan, which will greatly increase the utilization of generic prescription drugs. And we would ask you to also insist that an audit on the State Health Benefits System occurs so that we would ensure that no ineligible individuals are receiving benefits. (applause)

We believe if you would practice bulk purchasing of prescription drugs, and use the size of the plan to obtain better rates for other goods and services, that you could also implement healthy lifestyle incentives; and that you could take action to discourage dumping, whereby participants who are eligible for private-sector health benefits forego those in favor of using the plan.

I've given you my written testimony. Thank you very much for your kind attention. (applause) NJEA wants to continue to be a partner to help you find solutions to this very critical problem.

Thank you.

ASSEMBLYWOMAN POU: Fred Aug, Jim Fromm and David Heerema. Fred Aug? Jim Fromm and David Heerema?

Fred, hold on a second.

Dudley Burge or Daniel Bergin.

Dudley is-- Is that Daniel? Daniel Bergin? Okay, thank you.

Fred.

**F R E D A U G:** Good evening. I am Fred Aug, President of the New Jersey Retirees Education Association. I represent 21,663 New Jersey public school employees. That is as of Friday, okay? It may be more. (laughter)

We all know that the reason we are here today is because of the State's economic crisis. My members know better than anybody how

difficult it is to make ends meet. When we retired from public education, we had tough choices to make. We had to find ways to get by with less income. Some of us moved into smaller homes with lower property taxes. Others cut back on dinners out and vacations. We all learned to make sacrifices. Well, now the State finds itself in a similar predicament and you have tough choices to make on the State's behalf.

There is no getting around it, health care is expensive. That's why my members accepted lower salaries during their careers in exchange for post-retirement medical benefits. We value these hard-earned benefits. And as we get older, we realize that these benefits can mean life or death. I know the State Health Benefits Commission was considering cost-cutting measures on the recommendation of an actuary. These measures include increased co-pays and the elimination of double coverage. What you need to realize is that these measures put an unfair burden not only on the elderly, but the sickest of the elderly. Since when did saving money become more important than saving lives? (applause)

Over the last six years, retirees have seen their out-of-pocket prescription drug costs increase by \$700 per year. We are now looking at an increase of another \$81. That may not seem like a lot to you, but when you are retired and on a fixed budget, \$81 buys a lot of groceries.

I've heard stories from retirees trying to stretch the dollar by cutting pills in half, by skipping doses of their medications. They are playing roulette with their health and their lives, because they can't afford the co-pays. I know that desperate times often call for desperate measures, that's why I'm here tonight to remind you that a deal is a deal and a

promise is a promise, as Mr. Kovall (phonetic spelling) likes to say.  
(applause)

New Jersey has the highest graduation rate in the country. New Jersey's public schools are the envy of the nation. That didn't happen by accident. Our success is a result of many factors -- a strong financial commitment, high expectations, involved families and communities, motivated students; and well-qualified, dedicated teachers and educational support professionals.

Paper is stuck together. Never happened when I was teaching.  
(laughter)

Our retired educators laid the ground rules for our great public schools. They weren't always compensated fairly, but they accepted that because of the deal -- the deal that the State would take care of their post-retirement medical benefits in exchange for the years of dedicated service.

You have a difficult task at hand. But on behalf of our retired educators, I urge you to think about what we have and how we got it. I urge you to consider potential revenue streams and alternate ways to cuts. I urge you to think about the New Jerseyans who will be adversely affected by your actions.

And I thank you for the opportunity to let me come here and speak to you this evening. Thank you. (applause)

ASSEMBLYWOMAN POU: Dudley.

**D U D L E Y B U R D G E:** My name is Dudley Burdge, and I am here representing the point of view of 50,000 CWA-represented public workers and retirees in State and local government.

Last week's testimony on the State Health Benefits Plan made it necessary to focus on a few aspects that didn't get enough attention and, in one case, was just plain faulty. We'll also talk about -- present some health-care saving ideas.

First, a couple points about the State Health Benefits Plan. Health care is expensive in New Jersey; there's no way around that. The State Health Benefits Plan isn't a Cadillac plan, but rather an average plan at an average cost to New Jersey. Employee and retiree health-care costs for the State of New Jersey are favorable compared to similar states. The State Health Benefits Plan has consistently outperformed the private sector for at least the last three years. And finally, and I think maybe most importantly in your thinking is, State budget spending in 2010 for employee and retiree health care will not total \$3.6 billion. A reasonable estimate is about 2.4 billion.

Health care is expensive in industry. The Business and Industry Association says insurance costs in New Jersey are the highest in the nation. In 2002, '03, and '04, the medical expenditure panel survey of the U.S. Agency for Healthcare Research and Quality found health insurance costs for family coverage in New Jersey were higher than any other of the 10 most populous states.

In 2004, the average family plan in New Jersey -- all employers -- was 11,425. NJ PLUS, the biggest plan for active State employees, was just around 11,873. Considering the State Health Benefits Plan has had smaller increases than the private sector the last three years, I think it's safe to say the State Health Benefits Plan is an average cost plan.

Several surveys have been done by the Segal Company and by Workplace Economics. If you look at how much the State actually pays for health-care costs, you'll find that we actually compare quite favorably, particularly to similar states. You compare us to Pennsylvania, yes, it's a lot less. But health costs in Pennsylvania, in Harrisburg, are a lot less than they are in New Jersey. Compare us to Massachusetts, Connecticut, up and down the East Coast -- we look quite good.

The State has outperformed the private sector in health-care rates. The State's consultants, Aon consultants, for the State Health Benefits Commission said this in August: "The recommended Plan Year 2007 renewal increases are much lower than the national norms for health insurance." They went on to say, "The State Health Benefits Plan has continued with favorable financial results for Plan Years '04 and '05."

Next January, for State active employees, NJ PLUS is going to go up 7.6 percent. The cost of prescription drugs, prior to any negotiations with the union, will fall by 4.2 percent. Retirees -- NJ PLUS, the rates are going down by 0.2 percent; and the Traditional Plan for retirees, Medicare retirees, will go up 1.9 percent.

The presentation last week that you were given from the Division of Pension and Benefits indicated that costs would be escalating greatly, and it would take up \$3.6 billion of the budget by 2010. We've done a few charts also -- added up the total cost. This is using their numbers. The total cost in '07 will be 2 billion and 43 million. That's the cost over the last four years -- went up a total of 23.3 percent. That's a yearly cost of 5.8 percent. Not 10, not 15 percent. We took that and, if you look at Chart E, we projected that on out. If costs continue to go up at

that rate, what would they end up? In 2010, we come up with at least -- slightly more than 2.4 billion. That's a difference of 1.2 billion. It would seem as though that would be worth looking at. That's-- Essentially, the Division is saying 50 percent greater.

I have-- We have some suggestions for cost savings if you want to hear those. I can give those very briefly.

ASSEMBLYWOMAN POU: Is Daniel going to continue?  
(affirmative response) Okay. He can provide whatever follow-up information you have on that one.

MR. BURGE: We're not in the same--

ASSEMBLYWOMAN POU: Oh, I'm sorry. I had you both down at the same -- under the same-- Are you--

DANIEL M. BERGIN: I'm representing the Passaic County Probation Officers' Association.

ASSEMBLYWOMAN POU: Oh, forgive me. For some reason I have you down for CWA Local 1032.

MR. BERGIN: Well, when they tried to take us over a couple years ago, I objected then, and I object now. (laughter)

ASSEMBLYWOMAN POU: Okay.

Dudley, thank you very much for your testimony. I think your information is very interesting. And we'll certainly have an opportunity to talk to you more. In fact, I wrote down the notes so that perhaps we can talk afterwards again.

Thank you.

Mr. Bergin.

MR. BERGIN: Thank you, Chairwoman.

My name is Daniel M. Bergin.

ASSEMBLYWOMAN POU: Pull it closer please. (referring to PA microphone)

MR. BERGIN: Is it not working properly? How is that? Is that better?

ASSEMBLYWOMAN POU: I just think that the center one seems to be working.

MR. BERGIN: The center one works much better.

My name is Daniel M. Bergin. I'm President of the Passaic County Probation Officers' Association.

I'm going to truncate my written remarks because, quite frankly, I've never been able to say anything in five minutes in my life. (laughter)

Probation officers in this state are paid \$37,000 as a minimum, and they're maxed out at \$59,000 a year. In the best case scenario, an officer could hope to earn \$32,000 in retirement after 30 years of service. And that, ladies and gentlemen, is no windfall. We are also below State agencies that do the same jobs we do. And I'm urging this Committee to recognize the fact that you can't have good employees without good compensation. We're all professionals.

Despite a recent splashy series of news articles about the cost of public salaries and benefits, I can say that we are not categorically overpaid, nor do we receive an inordinate amount of benefits. And I must say that there's nothing wrong with employee compensation in this state. There is something wrong with private-sector compensation in this state. (applause)

To those in the private sector who complain that public employees are paid too much, I say that those complaints come out of misguided jealousy. We could have furloughed every State worker in the recent budget crisis, and it wouldn't have solved the problems the Governor faces. I'm asking for some simple reevaluations of the breadth of government in this State. I don't think balancing the budget on the backs of State workers is appropriate. (applause) Thank you.

With the exception of eliminating vendors and contracted professionals from pension enrollment, I do not support, nor do any of my members support, Governor Codey's Benefits Task Force (*sic*) conclusions. New Jersey is the richest state in the nation, and it has one of the highest costs of living. This is especially true in the counties closest to New York. In the final analysis, we've got to look at things a little more efficiently. We have to preserve the dignity of State employees and resist the temptation to cave into reactionary special interests. Together, I think we can find common reason and come together on this issue.

Thank you. (applause)

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

Thank you, gentlemen.

I'd like the record to reflect that my Co-Chairman, Senator Scutari, has just joined us.

Welcome, Senator.

**SENATOR NICHOLAS A. SCUTARI (Co-Chair):** Thank you.

ASSEMBLYWOMAN POU: Maureen Taffe, John Gross, and George Christie.

MR. BERGIN: Madam Chair, I was speaking for George Christie.

ASSEMBLYWOMAN POU: Very well.

Thank you so very much, Mr. Bergin.

John McConnell.

Maureen.

No, the center one, please. (referring to PA microphone)

John, could you pass the one over to her?

I'm going to ask that if you could just pass it along to each other, because that's the one that works the best. And everyone can hear better.

Thank you.

**MAUREEN TAFFE:** My name is Maureen Taffe. And for over 37 years I've been employed at the Johnson Public Library, in Hackensack, as a professional librarian. This is my only position, and I am in PERS.

To obtain a professional librarian certificate in the State of New Jersey, I needed to have a Master's in Library Science degree. In addition to that, I have a second master's. But when I started working, I wasn't really compensated adequately for either one of those master's degrees.

Part of this was due -- that in the late-1960s, early-1970s, women were not paid in comparison to men -- adequately. There was a climate that said women's work was secondary to a man's, and this was sort of the secondary thing that you would do.

I was repeatedly told that the benefits -- especially the retirement benefits -- would offset any financial losses that I would experience. Not only was I told that, but I was told that it would be extremely helpful -- I was strongly advised to move into the community in which I was working, so that I would have ties to that community and show my commitment. And in addition, this would help me get through the Civil Service process.

It took almost two years for me to become permanent under the Department of Personnel, under the Civil Service. Some people I know, it took four years. During all that time, we were not members of the pension, because that was the law at the time.

In the 1990s, I think there was an opening where we could buy into the pension. But we were buying in at a much higher salary. In all that I've seen with these Committees, nothing has been said about this issue -- that so many of us put extra money into the pension -- our own money. It was not matched by any government--

I've always contributed to the pension plan. And every year I get a statement from the Department of the Division of Pensions. And it estimates that this is what I am supposed to be receiving on my retirement. It is based on the three highest years. This is what I have been told from 1968 to this year, 2006. There is that little add-on about the age that changed the formula.

The Mayor from Clifton mentioned that employees had an opportunity in Clifton to defer their compensation. That was not offered to the Hackensack librarians until the 1990s. So I have no savings on deferred comp from the -- in the 1970s or the 1980s. That wasn't part of the stool.

Every time I hear that there is a Committee meeting, or that you are discussing retirement, I die. Because I am so afraid and I am so concerned about some piece of legislation that is suddenly going to go -- pass through the desk, and I'm not going to be getting my pension the way I planned on, and the way I hoped for. And for me, I need to live in the State of New Jersey. That's where my roots are. And I think you'll find a lot of people that are in my age category or my years of experience, they feel the same way.

You know, I have the ability, right now, to say that my career is winding down. And it's been a wonderful career. I've grown professionally, I've grown personally. But it is very hard to attract young librarians to the field. There are Saturday hours, there are evening hours, there's all the problems that are in society. We were here when 9/11 happened. We weren't first responders, but we had children in our building, we had senior citizens, we had the disabled. How do you attract people unless you can adequately compensate them and give them the benefits that they need to live in this state after they retire? (applause)

ASSEMBLYWOMAN POU: Mr. Gross, John Gross.

**JOHN GROSS:** Good evening.

My name is John Gross. I am the Administrator and Chief Financial Officer for the township of South Orange Village. I am here this evening representing the League of Municipalities, some of my colleagues, and, to some extent, 17,000 residents of South Orange.

Many thanks for granting me this opportunity to make a few comments on public employee benefits reform.

I am certain that everyone hopes the final results of this special hearing will lead to the realization of a meaningful property tax reform. The high price tag associated with pension and health benefits creates funding problems that inevitably drive up local government spending.

During this information-gathering stage, I urge this Committee to read the COPE Report -- the Correction of Pension Errors Report -- issued by the League of Municipalities. This report offers several recommendations for reform worthy of attention, which I'll mention here.

The League recognizes there is increased longevity amongst the general public. Demographic realization mandates a change in the retirement age. However, this should apply to all pension systems equally and on a prospective basis.

Corrective action must also be implemented to control costs of all the retirement systems, with special attention to the most lucrative systems with State-mandated enhancements, such as those that exist within the Police and Fire Retirement System.

The early retirement initiatives offered by State and local governments have proven to be an economic failure on a unilateral basis. Early retirement initiatives are poor fiscal planning and a waste of taxpayer money and should be discontinued permanently.

Part-time positions and eligibility threshold for enrollment in the pension system should be changed from the current \$1,500 level. The League's COPE Report recommends correction to this outdated system. Part-time positions should receive part-time credit towards pension and the \$1,500 threshold should be increased. Part-time service should not receive full-time credit towards retirement. (applause)

All levels of government are confronted with rapidly increasing medical, prescription, and dental costs, which must be contained through a combination of legislative remedies and individual responsibility. Caps, co-pays, generic medications, and the ability to negotiate subscriber participation in the cost of member, as well as dependent, coverage must be a part of the plan to arrest spiraling health-care costs.

As I close my remarks, I want to remind everyone that municipalities provide more direct services to the public than any other level of government. And you do the math. And if you do the math, you'll find that the services provided by all municipalities -- police, fire, road maintenance, snow removal, library services, refuse collection, recreation, and the like -- cost the average property tax -- property owner in the State of New Jersey a monthly property tax bill that falls somewhere between their cable/telecommunications bill and their new car lease. On average -- on this average amount, which for some taxpayers is already a serious struggle to meet, it still represents fair value for the services rendered.

However, just as an example of -- one example of what the village of South Orange is going to experience over the next couple of years-- As I'm sure you're aware, pension costs are being phased back in. And in 2008, we'll be back to 100 percent. And at that point in time, the village of South Orange-- That amount that we will be paying for just police and fire pensions alone will represent 20 percent of those salaries, approximately. And 10 percent of every municipal tax dollar that we collect will go towards those pension costs for police and fire.

So I applaud the Legislature and the Governor for taking these steps to reduce the ever-expanding cost of pensions and health benefits.

However, if this initiative fails, the monthly obligation of taxpayers will grow beyond what they can afford and will force residents of this state to relocate either to other towns or out of state, an outcome that's acceptable to no one.

I thank you for this opportunity. (applause)

ASSEMBLYWOMAN POU: Thank you, Mr. Gross.

John McConnell.

**J O H N M c C O N N E L L:** Thank you.

I'm John McConnell, HVAC engineer at Montclair State University, and former chapter president--

ASSEMBLYWOMAN POU: John, come closer, please. Just pull-- There you go.

MR. McCONNELL: I'm an Operating Engineer at Montclair State University, heating and air conditioning, and former chapter president of Local 195, International Federation of Professional and Technical Engineers.

I would remind this board that management, of which there is way too much, can walk through the door making more than many State employees working 25 years or longer. (applause) I would further remind you that, in the past, wage freezes were accepted -- wage freezes, zero percent per year -- to retain the benefits which we have.

I would ask, where are the moneys from casino gambling, State Lottery, State income tax and sales tax? We existed in the past without this, and people got raises.

Some State employees may be designated as essential, meaning they're expected to arrive at work regardless of snow, blizzard, flood, or

hurricane conditions, unlike the average private-sector employee. So when we make comparisons, please keep that in mind.

Concerning health-care costs and benefits: If some of the citizens would put away the cigarettes and stop using the TV remote control as the main source of exercise, perhaps health care and insurance costs would go down. Also, I find it ironic that police, who were called heroes after 9/11, should now become scapegoats in the *Record* and, perhaps, by some politicians.

I trust you'll all do the right thing.

Thank you very much.

I would like to stay and hear the rest of this, but I have a Community Emergency Response Team disaster medical operations class, through the Passaic County Sheriff's Department tonight, for which I volunteer. It's not all about money.

Thank you. (applause)

ASSEMBLYWOMAN POU: Thank you.

Ralph Blakeslee, Joseph D'Arco, and Kathy Sayers.

Joseph D'Arco, Kathy Sayers. (no response)

Helen Berkenbush, Ellen Brockman, Jean Pierce.

Oh, Ellen. I'm sorry, Ellen. I see you.

Thank you.

Ralph.

**RALPH E. BLAKESLEE:** Thank you.

My name is Ralph Blakeslee.

Thank you, ladies and gentlemen, for allowing me to speak with you today on these important subjects.

By way of background, I have been the Administrator of the borough of Mendham, in Morris County, for approximately seven years. Prior to that, I was the administrator and municipal clerk in the township of Tewksbury, Hunterdon County. I've been a public employee for over 20 years, holding several positions, sometimes with multiple municipalities at the same time.

I'm a graduate of Montclair State University, and I earned my master's degree in Public Administration at Rutgers University. I'm a registered municipal clerk. I'm also an Adjunct Professor of Political Science, teaching governmental budgeting in State and local government at Montclair State University.

When we're discussing the current state of the public employees' pension system, I want to stress the importance of learning from the lessons today, so we don't repeat these same mistakes. Let me explain.

Like many administrators, managers, and finance officers on the local level, I eagerly greeted the annual letter from Trenton informing our municipality that we did not need to make a payment to meet various pension retirement systems. Like many public administrators, I struggled to assist my governing body with the task of developing a budget that balanced the needs of the community with the financial impact of taxes.

In the short-term, having the extra cash available to use for additional recreation programs, senior services, or just to stabilize the tax base was a blessing. However, the fiscal chickens have now come home to roost. If we are ever lucky enough to find ourselves in that position again, I would strongly urge the State not to allow this practice in the future. Rather than waiving municipal contributions to pension systems, the State

should require municipalities to set up a reserve or otherwise bank their anticipated payment, or portion thereof, in some sort of rainy-day fund. This would have lessened the impact that we're all experiencing right now.

My other concern with the pension reform is the law of unanticipated consequences, specifically when it comes to dealing with double-dippers or municipal office holders. I'm sure many of you are aware that many medium to small municipalities employ a variety of part-time officials, such as tax collectors, tax assessors, construction and sub-code officials; and, in some cases, municipal clerks and finance officers. All of these positions, and some of the others that I have not mentioned, are required by State statute. Because of size and workload, small and medium municipalities rely on part-time employees to fill these positions. All of these part-time employees -- and these part-time employees rely on cobbling together several appointments by different municipalities so they can earn a full-time salary. The agreement works very well. It's economic, and it's a reasonable approach to meeting a State mandate.

Yes, I've read of certain individuals who've had multiple appointments and have achieved unusually high salaries. But my instinct tells me that these are the exceptions and not always the rule, especially when it comes to medium and small municipalities.

So my advice to the Committee is to ensure that your recommendations do not have the unintended consequence of limiting the field of part-time officials available to municipalities to hire. My fear is that tightly restricting so-called *double-dippers* or *multiple-officeholders* will have a chilling effect that will limit the number of qualified, certified officials.

This, in turn, will have led to higher salary demands or municipalities forced to hire individuals on a full-time basis, when there is only part-time work.

As to health benefits, my advice is: The State should make administrative changes to allow the joining together of municipal and school resources. It is my understanding that school districts do not have the enabling legislation to allow for pooling of employee benefits with host municipalities. Does this make sense? The State should be encouraging shared service arrangements with local governments of similar nature, but also local governments that provide different services to the same taxpayers.

The buying power of Mendham Borough, that has approximately 30 employees, would be greatly enhanced if we could combine with our local board of education employees, which has over a hundred employees. If we could work together with the regional high school, our buying power would continue to increase.

ASSEMBLYWOMAN POU: Thank you.

MR. BLAKESLEE: Thank you.

ASSEMBLYWOMAN POU: Helen.

**HELEN BERKENBUSH:** Good evening.

My name is Helen Berkenbush. I represent no one, just myself.

Thank you for the opportunity to express my views. In some cases you may find them echoing others. But please consider them reinforcement rather than redundancy.

I retired from the Clifton Board of Education through PERS at age 67, with 27 years of service, and appreciate my health and pension coverage. As with other New Jersey public employees, I paid my portion to

retirement benefits, as well as paying my share of State, county, and municipal taxes to cover it, as well.

First and foremost, I would like to see legislation created to protect the pension system from ever being raided for funds other than its designated purpose. (applause) Some of the problems created today go back 10 years and should have never been allowed. Politics and politicians will never show restraint unless it is clearly stated in law.

Two: Prohibit any advancement in public positions to enhance pension or benefits. This is especially true for politically appointed persons being relieved of their job by the next administration, but placed in newly created, obscure positions to continue pension rights and salaries. (applause) I am sure you can name a few. If not, there are many people here who could help you out. (laughter) One just today. In fact, one not only today, but a week ago. This does create no-show jobs. Heard of them?

Three: No publicly elected official of any rank should receive State benefits. In my opinion, elected persons are not employees. (applause) When not reelected, it causes the problems previously stated. Most politicians are gainfully employed or attached to firms providing benefits. Why do they need public benefits? Some elected persons do not even collect a salary, only a stipend. Who pays? We, the taxpayers, do. They should pay their own health insurance and deduct it from their taxes the way millions of New Jerseyans not having insurance need to. Politics in pension needs to end. (applause)

Five (*sic*): Benefits should be based on one position, not multiple positions held at the same time, especially persons on per diem rates, such as lawyers -- not that I have any objection to lawyers. But

shared services of bona fide salary employees, such as electrical building inspectors, etc., are employees. Lawyers and per diems should be 1099. They are employees with a wink.

Six: Increase the retirement age benefits to 60 plus 25. People who are catastrophically ill or disabled should be an exception.

In closing, a newspaper article quoted a person investigating savings in a particular benefit area, stating, "The savings would not amount to the dollars being sought." Of course not. However, a dollar here and a dollar there helps. Those of us who manage our household budget successfully know that one drop at a time gets a pail full. Spending money designated for certain criteria should be spent only in those areas. It will prevent the crisis that has been created.

Cities, counties, and State knew full well that payback time would come eventually. They should have put dollars aside every year, gained a little interest, and paid the bill when due. If homeowners don't, we lose our homes. Larger dollars, same concept.

Thank you. (applause)

ASSEMBLYWOMAN POU: Ellen.

**ELLEN BROCKMAN:** Thank you.

I'm Ellen Brockman, from Wayne, and I'm speaking as an individual.

I am concerned about the fact that they are going to do away with the Traditional Plan. It was suggested at the last health benefits commission meeting. And I'm here to ask you to please give us that choice. I have been--

In 1949, I had polio, and I have been in a wheelchair ever since. So I have 57 years of knowing whether or not you can get into a doctor's office for medical services. You can't, even today, with ADA. But the Traditional Plan gives me the choice that I can pick the doctor that I can get into. I have doctors, but I wouldn't give a gold star to any of them for the simple reason that many of them are not ADA compliant.

My second thing tonight to talk about-- The Governor, on the television-- He talks about the economic growth of New Jersey. Then why are we sending all our medical prescriptions out of state? Can we keep it in the state (applause), for our pharmaceutical people, so we can get jobs for the pharmaceutical -- and pharmacists in the State of New Jersey? It would be a double win for the simple reason that they pay taxes, and so would their helpers. And the money would stay in the State of New Jersey.

And now, the heart of really why I'm here tonight is the third thing. I happen to be Chairperson of the New Jersey TRANSIT Citizens Advisory Committee. Now, some of you know what that means. I know Tom does, because that is the group that dispenses the casino revenue funds to the disabled and the seniors in the state.

Yet, last -- I guess it was August, we had a meeting down at DOT in Trenton. And Tom Murphy, from Bergen County -- who is the head of the Paratransit Division there -- told us that we had to go out to really educate the public to make them realize that he won't be able to hire drivers for the paratransit system if you take away the health benefits. Because most of the salaries are minimal. And if a person has a couple of children, they're at the poverty level. And the only reason these people stay

in the jobs are because they get the health benefits. Now, it could come through the municipalities -- however the setup is in that particular county.

I would have had more people with me tonight, but the paratransit stops at 2:30 in Passaic County. So the people could not get here, and they couldn't get home.

I thank Tom for putting in 3093, because we do have a problem here in the state. We got a big hit last year because Red Cross stopped all Meals on Wheels and making deliveries to the hospitals with the patients. So that meant everything went back to the paratransit.

Now, the drivers and the people that work in that -- they really deserve all, because they're our lifeline. If we don't have those paratransit drivers, we don't get out. And it is a little easier if you live in northern New Jersey, because you might be able to go to Access Link. Because Access Link has that rule that it has to be an established bus route -- three-quarters of a mile from that established bus route -- and you can get access to this service. But Camden -- no, Camden is okay. But if you go to Cumberland, Gloucester, Cape May, and those places where they don't have bus routes, the only thing that they have in the State of New Jersey are the paratransit drivers. And they are the only link for the seniors and the disabled to get out of their homes, to get to their nutrition centers, to get to the doctors. We're taking big hits on dialysis, because at six trips a week -- we have the chemotherapy and radiation. And you have a huge population of the 70s, 80s, 90s, and living to 100 -- we're living much longer in New Jersey. And if the Legislature enforces that law -- that it says drivers have to be tested every 12 years, you know a lot of people are going to be taken off the road.

And what are we going to do? We won't be able to get to nutrition centers or anything else unless we have the paratransit.

So what I'm saying is, please keep the benefits for our drivers.

Thank you. (applause)

ASSEMBLYWOMAN POU: Thank you.

MS. BROCKMAN: And I appreciate you--

ASSEMBLYWOMAN POU: Jean Pierce, Diana Taylor, Virginia Osborne.

**J E A N P I E R C E:** Good evening.

I'm Jean Pierce.

George Dikdan is a professional at UMDNJ and a public employee. He will be testifying instead of us.

Is that okay?

ASSEMBLYWOMAN POU: On your behalf? Okay.

Very well. If you could just make sure to give your testimony -- pardon me, if you identify yourself on the record so we can make the name switch.

**G E O R G E D I K D A N, Ph.D.:** Good evening, Senator Scutari and Assemblywoman Pou, other members of the Committee.

My name is Dr. George Dikdan, of the Health Professionals and Allied Employees Local 5094. I'm a researcher at the University of Medicine and Dentistry of Newark. And our local of HPAE represents 2,000 health professionals working at UMDNJ. In addition, HPAE represents 1,000 registered nurses at University Hospital and another 300 State Prison nurses, all of whom are employees of the State of New Jersey.

I am here tonight to speak on behalf of the public employee professionals of UMDNJ, which include researchers, social workers, registered nurses, IT professions. We are the face of UMDNJ, and we do an excellent job.

Our members participate in the diverse health and pension programs made available through the State. This evening, the Committee has heard varied statistics and opinions regarding New Jersey's public employee benefit system. And I believe you've identified those issues which are true cause for concern. We support your efforts to make sure the State Health Benefits Program is more efficient and especially more affordable.

I've been a researcher at UMDNJ for 35 years. And myself and other professionals of Local 5094 strongly believe that it has been the guarantee of good health insurance coverage and a pension program that has been the driving force in our remaining in the public sector. That said, much talent has been and is being lost to the private sector.

By comparison, as you know, public employees are paid far less than their counterparts in the private sector. By comparison, a researcher at a pharmaceutical company would make \$10,000 to \$20,000 more than researchers in the public sector. And as an example, a colleague of mine, just recently, was offered a position at a pharmaceutical company where she was given a \$20,000 increase in salary. So she left the department. She was quickly followed by three or four other members of the same department.

I have to impress upon you that it's the various health and pension benefit programs available through the State -- are what helps recruit and retain the high caliber of dedicated health-care professionals.

I myself have chosen to participate in the State's Traditional medical plan primarily because it allows my family to choose our doctors without question or authorization. And, as you know, the cost of these benefits has increased. And I'll be expected to contribute once I retire. My retirement benefits have been projected to be approximately \$2,500 a month, before taxes, should I work until 66 years of age. Now, this amount is hardly the excessive benefits which is spoken about in the media. And I certainly am not planning on early retirement.

Ensuring the well-being of public employees is necessary, since the State benefits from a healthy, productive workforce. I ask that this Committee look at the overall costs and risks of reducing or diminishing the benefits program. I believe the State could, and certainly will, lose -- both in retaining employees, as well as the ability to attract skilled, talented, dedicated workers to the State workforce.

Thank you for giving me the opportunity to address you.  
(applause)

ASSEMBLYWOMAN POU: Dr. Dikdan, do we have a copy of your testimony?

DR. DIKDAN: No.

ASSEMBLYWOMAN POU: Okay. I'd just like to make sure that we get a copy of that, please.

DR. DIKDAN: You'll get it.

ASSEMBLYWOMAN POU: Thank you.

Diana Taylor.

**D I A N A L. T A Y L O R:** Hi, my name is Diana Taylor. I am a nurse, a licensed clinical social worker, and a teacher and administrator.

I'm not a money person, I'm a people person. So I didn't write a book.

I was mainly concerned with-- I don't know if I am right or not, but somebody said something -- that someone was going to mandate generic medications.

I just talked to the FDA today -- several people there -- and went on the computer. You can go on the computer, too, and just type in the generic drug problems, and you'll get a lot of problems on there because -- I'm just going to read this -- "Generics may contain different inactive ingredients, such as fillers and dyes." Now, the main thing, it's supposed to be the same as the regular drug. But there are a small number of persons who may react to these inactive ingredients.

The doctors I spoke to, the nurses I spoke to, don't always know what the inactive ingredients are, and they don't know their patients that well to determine the allergies and everything. Maybe they're supposed to, but some of them don't. We had several deaths in this area. I just wanted you to know that.

And the other two concerns I don't have written down for you-- Most retirees are functioning on salaries less than the starting teachers today. And they're trying to get along with their health benefits. If you take away the Traditional -- which he said you can go to really professional doctors -- you don't have any choice. If you go to a cheaper insurance company, which I know exists, you don't have that choice. So you're going to have to go out-of-service -- or whatever you call it -- out-of-network, and it's going to cost you money. So I just want you to consider that in making your decisions.

I'm sorry I didn't write a book, but thank you anyway.  
(applause)

ASSEMBLYWOMAN POU: Thank you. Thank you very much.

**VIRGINIA OSBORNE:** Good evening.

I am Virginia Osborne. I am a school secretary in Jefferson Township School District, in Morris County, New Jersey. I am here today to present my views on the impact of the changes to the State's pensions and benefits programs on the educational support professionals like myself. I wish to thank the members of the Committee on Public Employees Benefits Reform for this opportunity to share my perspectives.

As I'm sure you know, educational support staff are among the lowest paid individuals in a school district. Because of this, I know what it means to struggle to make ends meet. My co-workers and I are forever trying to find ways to cut expenses so we can maintain a decent standard of living. Because my salary is lower, I know that such struggles will follow me into retirement as I look forward to a pension that reflects a lower income than while I'm actively employed.

While you may have spent last Summer struggling to make ends meet in the State budget, remember that people like me struggle in every season of every year to make ends meet. (applause) As someone used to balancing budgets on a tight income, I have some suggestions where you can cut costs.

Just as I have to keep a close watch on my expenses, the State should do the same by conducting an audit of the State Benefits Health Plan. Right now, there is no way to know how many ineligible individuals

are enrolled in the system. It is likely that the State would save a significant amount of money by weeding out ineligible plan participants and blocking future abuses of this type.

When I try to save money, I find that if I can buy in bulk, each individual item costs less. In the same way, New Jersey's plan should be using its massive size and purchasing power to negotiate better rates on services, supplies, and prescription drugs. (applause) I'm sure the powerful drug companies would rather not offer New Jersey discounts on prescription drugs and would use their lobbyists to block such reforms. But any wise business knows that it is better to accept a lower price from a frequent shopper than to lose that business altogether. New Jersey should use its power to benefit its citizens and not the pharmaceutical lobbies. (applause)

It's no secret that health benefits cost the health benefits system less. Because of the size of its plan, New Jersey might see significant savings by providing positive incentives within the State health benefits system for plan participants to practice healthier lifestyles and to take advantage of low-cost preventative care. This is an opportunity for the State to accomplish a huge social good, improving the health of its public employees and their families, while saving money in the process.

I'm sure you will hear many suggestions tonight on ways to save money as you attempt to reform the pension and benefits system. But remember, as you consider these recommendations, real people like me are behind the numbers; real people who have paid their share into the pension system; real people who do not receive high salaries and who do not abuse the system; real people who play by the rules and who have dedicated their working lives to a career of public service.

Thank you for your kind attention. (applause)

ASSEMBLYWOMAN POU: Thank you.

Mike Kistner, T. Donald Cairns, and David Montroni.

Michael, if you would. Thank you.

**MICHAEL KISTNER:** Ladies and gentlemen, thank you for the opportunity to address you this evening, and thank you for hanging in there to this point so patiently. I trust that after hearing all the testimonies tonight, you're going to do the right thing.

With respect to the State Health Benefits Plan, I think I have to reiterate a couple of things that have already been said. Allow people to opt out -- as permitted by the municipalities -- for school districts. By the way, I'm a retired business administrator. I worked-- I taught for 12 years, and I was a business administrator for 13. And in the meantime, I also spent about 12 years in private industry. So I come from somewhat of a varied background.

I know that municipalities have the option, as you've heard, to opt out of the -- individuals who work for municipalities have the option to opt out of their health benefits coverage -- either reduce their benefits that they may be entitled to, or opt out completely. If you allow school district employees and staff members to do that, I think there are significant savings that would be generated.

If the school districts were then willing to split those savings on a 50-50 percent -- 50 percent -- or 60-40, or some combination thereof, it would result in a win-win situation, I think, for the districts and for the staff members.

Pension calculations should be modified to eliminate the inequities that result when someone who works part-time for 22 years, and then three years full-time -- if that's the calculation that's used statewide. I know that in the TPAF, the last three -- or the three highest years are used to calculate the pension benefit.

A number of scenarios come to mind. Perhaps calculations can be based on the total compensation paid to that employee over 25 years, or the total pension contributions made over those 25 years. I'm sure that a methodology could be devised that would not, in any way, penalize TPAF or PERS employees, who I'm familiar with -- coming from a school district background -- who logically and reasonably progressed through his or her career, with reasonable salary increases over that time. The teacher that started out 25 years ago at \$25,000 and is now at -- through advanced degrees and time served, time put into the -- seems like time served sometimes -- time in the system, has progressed to the \$75,000, \$80,000 level. They should not be penalized in any way through any other kind of calculation. But you need to eliminate the abuses which exist when someone experiences a dramatically increased salary during the last few years.

Property taxes increase at alarming rates, partially because the State has not met its obligation under CEIFA -- the Comprehensive Improvement and Financing Act (*sic*). State aid to most school districts has been frozen for years. If State aid is frozen, it doesn't take a Ph.D. to figure out that local funding, through property taxes, will have to increase. That's why the property taxes are increasing -- because I don't believe the State has met its obligation to fund State -- the education in New Jersey.

With respect to the regulations and oversight, it is not fair -- that is imposed by the Department of Education, primarily -- it's not, in my opinion, fair to treat all districts in New Jersey by the same set of standards. Relaxing regulations placed on the regular operating districts in New Jersey will certainly result in a cost savings for those districts; savings that will be passed along to local property taxpayers.

Paying pensions to those that hold multiple public-sector positions is not wrong in and of itself, I don't believe. If you have one person making \$100,000 or you have four people making \$25,000, the pension calculation is still going to be the same. The thing that I have a problem with is when I read of someone holding multiple positions making in excess of \$200,000, \$250,000 or more, in total. There aren't enough hours in the day, or days in the week, for anyone to make that kind of money reasonably. (applause) How can the individual entities that are paying these people justify those salaries when the time that they're putting in, in these part-time positions, just don't seem to match up?

Finally, abuse and waste at the State level must be stopped. Political appointments, sweetheart deals, pork barrel projects, and outright corruption at the State level that we read about every day in the newspapers reduces the State's ability, and its obligation, to pay State aid to school districts and fund education as the mandate under CEIFA calls for. It's time for the State to clean up its own act as a show of good faith, before it places the burden for its mistakes on the backs of State and local workers.

Thank you. (applause)

ASSEMBLYWOMAN POU: T. Donald.

**T. DONALD CAIRNS:** I'm T. Donald Cairns. I live here in Clifton. I'm a retired high school teacher.

We, early in our careers -- and my career in education spanned just about 40 years -- worked at a relatively low salary in order to get a contract for benefits in our retirement. My particular concern is the prescription drug program. I'm insulin-dependent, which needs to be temperature controlled. And having to be forced to get this in the mail, and have it left on the steps in either the blazing heat in the Summer or the freezing cold in the Winter, I think, would be a problem. I think a mail-order program would be a problem.

I value my local pharmacist's information on the interaction of the drugs that I take. I get them all in the same place, and he's able to counsel me.

A story from my cousin, who recently was put on Coumadin -- and nobody ever told him he wasn't ever supposed to eat green vegetables, so he ran into kind of a serious problem with that.

Thank you very much for being here and spending half the night.

ASSEMBLYWOMAN POU: Thank you.

David Montroni.

**DAVID MONTRONI:** Thanks for this opportunity to speak in favor of property tax reform, and in particular pension and benefit reforms.

I'm proud to state that I am and have been a member of the TPAF for 30 years. I'm also delighted to hear that in the proposed budget, the State plans to significantly contribute to the pension fund. This is an

obligation to which our legislators, under misguided direction, have failed to adequately fund.

It was in 1997 that the State virtually stopped contributing new money to the pension system. The legislators have a fiduciary responsibility to fully fund the pension system. I understand that during those nine years since 1997, the members of the TPAF have contributed over \$2.2 billion to the fund through payroll deductions -- you've heard that already tonight -- at the rate of 5 percent of our monthly, weekly, annual pay.

We maintained our obligation, and now the administration seems to be taking a different tactic. They propose to significantly contribute to the fund as required, but there's talk that my pension and health benefits are at risk. Suddenly, our benefits are too costly. The hocus-pocus of number crunching, actuarial tables, and background deals have all led to this heightened scrutiny and increased accountability.

The result -- fiscal responsibility is very positive. The shenanigans that the State has permitted is disgraceful. Hardworking teachers and administrators, police and fire officers, secretaries, other public employees, and support personnel are all being painted with the same brush.

We awoke this morning to the paper about a State Senator who held a no-show job with the New Jersey School of Medicine and Dentistry. Currently he's a teaching staff member also at Rutgers University. Shame on you. Shame on the Division of Pensions, who should do a better job of being watchdogs of my money.

The pension system must prevent abuses such as pension boosting, padding, or tacking, all of which have the effect of dramatically increasing salaries in order to inflate the pension benefits. Shame on the pension system. There are about 200 pages of research, support documents, and testimony identifying corruption. Have any of these criminals been prosecuted? (applause)

During the Summer months, we read about preschool programs who were funded with State money and whose locations are still unknown, or whose field trips were to the Caribbean Islands. Has the State done its responsibility and prosecuted those individuals?

I'm paying a lot of taxes to live in Clifton. Do I want to pay taxes? Heck, no. Do I have a responsibility? Heck, yes. I will support my responsibility. Do I think the schools are good? Yes, and getting better. To that end, I and many of these people work very hard every day. We have a responsibility.

Similarly, any legislation that has the affect of detrimentally altering the retirement benefits of active or retired members of the State administrated system, who have accrued at least five years of service, would be unconstitutional and would violate the Federal and State constitutional prescription against impairment of the obligation of our contracts. That's powerful. (applause) Thank you.

But I can't take credit for it. That's Peter Kelly's words. And he told the Joint Legislative Committee on Benefit Reform. He happens to be the Chief Counsel for the State Government Services, Office of Legislative Services. Our retirement benefits are contractual rights established by the Legislature. And to credit even a higher power, let no

man put asunder. Even the law protecting health benefits for retirees with 25 years of service -- although not a contractual right -- is equally protected under Public Law 1997, so judicially and legally leave our benefits in tact.

What can you do? Let's do this: first, prosecute the crooks. Put an end to abuses of pension boosting, padding, and tacking. Adhere to an "n/55" retirement calculation. Readjust the systems loan program to be less than, but closer to, a fair market value -- perhaps 1 percent below fair market. End early retirement incentives that we all know occur all across the state, cloaked like something out of *Harry Potter*. Implement health-care reforms that are meaningful, medically sensitive, and sound. Maintain a defined benefit plan, not a defined contribution plan.

New Jersey wants to create a world-class education system. Whether NCLB will ever lead to that is questionable. A solid health-care and pension benefit system is critical to finding and retaining top-notch educators who can lead the movement from good, to better, to best.

I'm proud to be an educator in New Jersey, and especially in Clifton. Every day I feel that I have done something good for someone else. My time is going to come to retire; not soon, however. I want to feel confident that my efforts will go on, and that I will go on -- not rewarded, but secure because of my contributions to my school and to the retirement system.

Thank you. (applause)

ASSEMBLYWOMAN POU: Gerry Drummond, Jerry Rienzi, Patrick Russo.

Gerry Drummond.

**G E R R Y D R U M M O N D:** Ready?

Oh, we've got one more.

ASSEMBLYWOMAN POU: Give me a second.

Jerry Rienzi. (no response)

William and-- Bill and Irene Brown.

Gerry, go ahead.

MR. DRUMMOND: Hi, Senator Scutari, Assemblywoman Pou, honorable Committee members. I'm very pleased to be here tonight, and I'm glad to see that it's cooled down a bit.

One thing I just note before I go into my talk here is, I'm very uncomfortable with the name of your Committee. It's Public Employee Benefits Reform. And I sort of feel like I don't need to be reformed. I'm not in a reformatory here. And words make a big difference. I mean, I'm sure it's not-- You understand the difference. But when we start to use terms like that, the public says, "Oh, we've got to reform these guys. They must be bad, the public employees." So just my feelings on it. I'm a little sensitive to that.

I've worked proudly the past 26 years for the county of Bergen as a Contract Administrator in what has become the Department of Human Services. I am President of Local 755, USWU/IUJAT, the county of Bergen's white-collar union of county employees, headquartered in Hackensack. We're the largest county worker union.

For 780 full- and part-time white-collar public employees, our union is the majority representative. Unions manifest the democratic process in the workplace. It's in the workplace that we start building justice by negotiating a contract, equal-to-equal, with those officials elected by our citizens to run the business of government for our residents. Tamper with

the mutually agreed upon contract, and you tamper with the democratic foundations of our society. Such contracts may be changed, but only by those who agreed to their provisions in the first place.

I'll skip a paragraph here.

And get this, please. Contrary to media hype, we are not the greatest taxed state in the country. In fact, the tax foundation, according to the *Star-Ledger's* Joe Donohue, puts us at 17th in actual State and local tax burdens when all taxes, not just property taxes, are tallied. Seventeenth is not 1st, and 17th, for what it gets us, seems a pretty good bargain.

And I'm talking about where we live -- in a cultural hub. I think of this country, the great education -- public education system we have here; the safety in our communities that most of us enjoy.

But is there room for improvement? Of course there always is, if all factors -- public and private, labor and management -- are weighed and taken into consideration.

Our union members want to be part of a fair and transparent tax reform process and not a scapegoat for the mistakes or greed of others. Our State government's failure to meet its obligations to our pension fund is no excuse for cuts to that fund. (applause) I think that if you-- If people do not understand that, they definitely will if the decision is made to cut that fund.

We are your neighbors and your friends. We sit next to you in your places of worship, we coach your kids, we purchase the same goods in the neighborhood stores. Our union -- we are HAZMAT rescue teams, government accountants, fiscal analysts, social service workers, secretaries, creative senior activity center directors, public health nurses, and so on.

The August 31 press release of Committee Co-Chair Assemblywoman Nellie Pou got it right. In her release, Ms. Pou writes that the Office of Legislative Services issued a legal opinion that says that public workers in the system five or more years may not have their pension benefits changed negatively without the law itself being broken. Indeed, the moment an employee becomes a member of the pension system, that agreement should be kept forever. It follows that promises made to public employees, by representatives of the public they serve, must be kept if trust, and transparency, and justice itself remain our democratic standards.

Bergen County government is self-insured with the health insurance. So I'm assuming we get no State funds for employee health care. But we do participate fully in the PERS pension system and, unlike the State, we have never stopped contributing our share. Blaming unions for differences in negotiated contracts in a system so fragmented and diverse seems to place the cart before the horse. In this case, you ask public unions to ignore their negotiated and democratically approved contracts, and surrender our gains to a fragmented system of State and local government that you are responsible for, not us. How about some balance here?

What about givebacks from the private sector? For example, New Jersey's Saint Barnabas Health Care System (*sic*) is fined \$265 million for mistakenly defrauding Medicare of \$500 million. But their bosses pocket the difference. And both yours and our health-care costs go up, causing your taxes, our members' taxes, and the peoples' taxes to go up.

Consider, too, the positive wage-benefit outcome that greater unionization in the private sector -- both at home and abroad -- would offer our taxpayers. Then compare this to those \$400 million a year CEOs, who

pirate their workers' pension systems and outsource their workers' jobs to antiunion governments and businesses.

ASSEMBLYWOMAN POU: Mr. Drummond, I'm sorry. Just wrap it up, please.

Thank you.

MR. DRUMMOND: Okay.

To conclude, in creating the greatest good for the greatest number of our residents, we urge you to recognize that productive public service requires teamwork and professionalism, values the public gets from workers who negotiate their own contracts in a fair give-and-take process.

Thank you very much. (applause)

ASSEMBLYWOMAN POU: Thank you very much.

Mr. Russo.

**PATRICK RUSSO:** Hello.

My name is Pat Russo. I was born, and raised, and lived in Union City all my life -- Hudson County. I've worked in Federal, State, county, and municipal government. I finally reached retirement. I actually have a pension and medical benefits. The reason I even came here tonight is to see the level of input that was given to this Committee and see what your interests are.

I'm pretty well surprised at all the points that were brought up from the public. It was pretty comprehensive.

So one of my thoughts to present tonight, here, is that I think you should have this Committee -- the people representing the State, or the legislators -- to make an -- same appearance in the county of Hudson. I'm surprised it wasn't even thought about, since the vast majority of people

that are going to be effected are retirees out of Hudson County, Essex County area. In that five mile area, you must have 100,000 retirees. (applause) They would really, really be a little bit more aggressive than the people here, if you're trying to change their medical benefits.

I don't care what the State says about -- or the people representing the State, that -- little changes, or the little things that I've read about already that say you're going to change the benefits that we're already receiving in the retirement system. There would be a statewide revolt. But a vast majority would come from the people that are retired, who depend upon these benefits. And the negligence of the State in enforcing their own laws that have affected the pension; and the abuses at the local level of the pension system--

When I see somebody that worked 30, 40, 50 years -- and there are some people in Hudson County that are still employed over 50 years -- they're still working -- where they're not making a great deal of money. I mean, they're at the \$35,000-a-year level -- \$40,000. Yet, I see abuses on the local level -- and I'm saying, just the local level. I don't even want to mention things about it. But at the local level, where they're bringing people in off the street that are unqualified, that are being put in \$80,000 and \$90,000-plus-a-year jobs -- that's what I see. And that's what I think will cause a big row.

The public perception of the abuses that we see, where it's-- The vast majority of the people that would be affected by any changes are the people who are not making the money. That was the point I wanted to make. But more so, that you would have a -- hold a meeting in the Hudson

County area. I think that would be greatly appreciated and well-attended by those people.

Thank you. (applause)

ASSEMBLYWOMAN POU: Thank you, Mr. Russo.

Mr. Brown.

**WILLIAM J. BROWN:** Good evening and thank you for this opportunity.

I'm William Brown, resident of Glen Rock. My wife, Irene, is in the audience. She was also planning to speak, but decided that her points had already been covered, and she would spare this Committee any unnecessary delay.

I'm a member of the Bergen County Division of Senior Services' Legislative Committee. I'm also a member of the New Jersey Coalition for Property Tax Reform. But my opinions expressed here have not been reviewed or approved by either organization.

The Bergen County Legislative Committee reviews bills of special interest to seniors and decides whether to support or oppose such bills proposed by either Federal or New Jersey legislators. Our recommendations are usually approved by the steering committee of the Division of Senior Services. And the steering committee then mails letters to the appropriate legislators. Occasionally, preemptive comments and concerns of the Legislative Committee are forwarded to legislators before anticipated bills have been introduced.

Similar to the manner in which the New Jersey Legislature passed a resolution opposing the Federal Administration's proposal to incorporate private accounts into Social Security "reform," the Legislative

Committee indicated its opposition to private accounts and letters were sent out to our national legislators.

Recently, the Legislative Committee voted to oppose House Bill HR-5766, called the Government Efficiency Act of 2006; and Senate Bill S-3521, called the Stop Overspending Act of 2006. Passage of either bill would establish an expedited congressional procedure that would virtually assure the demise of Social Security as we know it. I hope that New Jersey legislators will oppose these bills with a resolution comparable to their resolution opposing private accounts.

An important Federal bill that is relevant to the work of this Joint Legislative Committee is House Bill HR-676, which proposes national health insurance for all Americans. The bill has 71 sponsors and is supported by corporations and many physicians, including Physicians for a National Health Program. In view of the potential economic benefits to U.S. corporations and their employees, and in view of the potential health benefits for 40 million Americans currently without health insurance, I believe the time is right to support HR-676. I hope this Committee will recommend passage of a supporting resolution by the full Legislature. Passage of such a bill would relieve New Jersey and other states of the dilemma of paying for the ever-increasing costs of health benefits for public employees.

Finally, the Bergen County Legislative Committee recommended the SMART Bill, currently Assembly Bill A-3335. The steering committee approved and mailed appropriate letters to the Legislature. I won't go into details, because you know about the bill.

I sincerely hope that the work of this special Committee, as well as the work of the other three special Committees, will culminate in real and early reform of our present system of taxation rather than an abdication of legislative responsibilities. Such an irresponsible act, as a decision to resort to a constitutional convention, would inevitably result in many years before any fair reform could be enacted.

Thank you very much. (applause)

ASSEMBLYWOMAN POU: Thank you so very much.

Rae Rowder, John Miksits (phonetic spelling), and Fran Ehret.

**R A E R O W D E R:** I talked to the Committee before about a study that we were completing. And we are not yet finished. So Joe Golowski from our local, who is a retiree, would like to have the opportunity to do this now, as opposed to when you come to a central location.

Joseph.

**J O S E P H G O L O W S K I:** Thank you.

My name is Joe Golowski. I am a retired State employee after 33 years with the Division of Taxation.

Retirees who have health benefits are those who served the citizens and taxpayers of the State for over 25 years and, in many cases, over 30 years. We have suffered through the times of high inflation in the mid-'70s through the early-'80s, when the cost of living soared to double digits and mortgage interest rates were in the high teens the low twenties -- while State employees were given the normal increment, and a 5 percent cost of living each year during that time; while the private-sector employees were given double-digit cost of living increases -- with usually a few percentage points above -- plus their normal increments.

In 1979, these future retirees had enough. They struck the State of New Jersey and brought State government to a halt. During that week, the State was shut down. We were told by the Governor's Office and by the employees' associations at that time, that represented us, that what we lacked in wages were made up for in our benefits in health and retirement. That is how they kept us working for the State.

In the mid-'80s and through the mid-'90s, the private sector health and retirement benefits grew to rival the State employees'. Hell with the State employees -- salaries did not rival the private sector, and still don't.

This brings us to a new century, where corporate profits are the greatest they've ever been. In fact, in yesterday's paper, I believe Goldman Sachs announced that it had one of the highest ever quarters, even though it wasn't as high as they expected. Still, the average employee at Goldman Sachs is \$500,000 a year salary. That also includes the secretaries, the clerks, the copy boys, whatever they have. They don't get paid that; it's paid into upper management, who get millions upon millions of dollars. They get the benefits they are getting; their employees get benefit cuts. That's the way it is now, supposedly in the real world. And that's wrong.

Now, there are people calling for public employees to reshape their benefits to the likeness of the private sector. Public employees in New Jersey, and the retirees and their dependents, are the single largest economic group, the single largest taxpayer in the state. Affecting their benefits will affect every small business in New Jersey. If you want to be considered business-friendly, this is not something you want to do.

There are people who are in this Committee who could not afford to live on some of what these people tonight said was their income from their retirement, plus paying for their health benefits. What some of our retirees live on is ridiculous. And two weeks ago, three members of the administration, whose administration signed -- or previous administration signed a contract that said there would be no changes in health benefits, went out and changed the health benefits -- for standardization. Retirees now have to pay double the co-pays. But they didn't change the retirees drug benefits. They are still 300 percent higher than the active workers. Where an active worker pays \$3 for a generic drug, a retiree pays \$10.

In England this is not allowed. It's called *discrimination against the aged*. All I can ask you is, when you sit down and think about it, think back to people who you know who are old, who worked for the State, and who worked for your -- were your teachers. And look at them, and think of them, and say, "Which ones are you going to choose to die?" Because by cutting benefits -- especially health benefits -- that's what you're doing. To save a buck, so that someone can go out and screw up a tax -- a bank loan. In today's paper -- Newark *Star-Ledger* -- that Goldman Sachs is getting \$265,000 in interest that their -- on a loan that hasn't been made yet. And you dare to ask people to pay more for drugs.

Thank you. (applause)

ASSEMBLYWOMAN POU: Fran.

**F R A N E H R E T:** Good evening.

I appreciate this opportunity to present you with what I believe to be very special testimony, as it applies to the task you've undertaken.

My name is Fran Ehret, and I'm a 20-year-plus toll collector on the New Jersey Turnpike; and President of Local 194, which represents all the tolls, maintenance, crafts, office, clerical, and technical employees of the New Jersey Turnpike -- about 1,500 in all.

What I want to talk to you about tonight isn't them. It's about my sister Vanessa. My sister works in the education section -- what most people call the Jamesburg Home for Boys. All of the inmates, both men and boys, ranging from age 12 to 27, are convicted criminals. Most are members of dangerous gangs.

Vanessa is a divorced mother of five children. The oldest will soon be 18, and the youngest is 10. Her ex-husband has fled the state and has not paid his court-ordered child support -- ever.

Vanessa has worked for the State for about four years. She is paid less than \$30,000 working full-time, assisting in the education of these incarcerated criminals. She took the job because she needs the benefits, she needs the health insurance coverage for herself and her children. Vanessa also looks forward, perhaps, to the day when she might retire. She is just short of 40 years old. Her income will not provide her with a large Social Security payment. Her potential pension benefits through PERS are not substantial. However, together, they may be enough to finish out her life in dignity after her years of service with the State of New Jersey.

My sister is not unlike many public employees today. They don't all make \$60,000 a year or more, and they are not all eligible for excessive pensions through PERS. They are ordinary working people who work for a living trying to make ends meet, and look forward to that happy day when their days of toil are over.

And I want to know which one of you is prepared to tell Vanessa she is overpaid and should take a 15 percent cut in wages and benefits. (applause) I'd like to know which of you believes that a public worker in a State institution of criminals is not entitled to \$30,000 a year, and maybe even more. Which of you believes that a State employee who may contribute 5 percent of her earned income into a pension system is not entitled to some guarantee of a lifetime income at retirement? When you vote, I ask you to think about the Vanessas of this state, who are willing to work and sacrifice for lower wages to ensure better benefits for their families and, perhaps, a secure future for a long and faithful service.

And I just want to say one other thing. Our people work very hard at the New Jersey Turnpike, and throughout the State. They're regular people. And many of them have to work two and three jobs just to be able to afford to put food on the table, to pay for the astronomical gas prices today, and to be able to put their kids through colleges so that they may be able to do a little better than what we did. And so we deserve what we get, we work hard, and we certainly will not stand for changes to the retirement system and to our pensions and benefits.

I appreciate this time. (applause)

ASSEMBLYWOMAN POU: Thank you.

Elizabeth Davies and Jay Webber.

Did John Miksits-- Is John Miksits here in the room? (no response)

Elizabeth Davies.

**ELIZABETH DAVIES:** Here.

ASSEMBLYWOMAN POU: Okay.

Jay? (affirmative response)

Elizabeth, you can begin.

MS. DAVIES: Okay. I don't--

First of all, I'd like to say I do not envy your positions.

I'm a private-sector employee. I've never worked for the union, but I live in Garfield. And I pay rent because I can't afford a home, and I pay into my health insurance, and I also pay \$25 for co-pays. And my 80-year-old landlord would be here tonight too, but she has to get to bed at 8:00.

Anyway, the reason I'm here basically is because I have read all the articles in the *Bergen Record*, and I worked in a union environment and have seen so much how the union is able to control management. And I feel that it has a stranglehold on our government.

And I think that the costs of taxes in this state are ridiculous, especially for homeowners. And it's passed on to us, the tenants. And I think that the State needs to do something desperately. And I think that people can pay -- instead of \$3 -- I don't think asking \$10 for prescription drugs is a lot.

One of the gentlemen earlier had made a comment that he felt that there was a race to the bottom of health care in the private sector. That's not true. Just the cost of health care has gone up all across the board. And the unions want to keep it low here with the State. But we can't afford it, and the State can't afford it either.

And that's the reason I came. I just really want-- I feel that when I saw the buses and everything, and all the union employees, I thought-- Some of us, we pay for -- we make do with what we have. I don't

make a great salary. I do not own a home, and I live paycheck to paycheck. And I feel that there needs to be some give and take here. And that's really all I have to say.

Thank you for listening.

ASSEMBLYWOMAN POU: Thank you.

Mr. Webber.

**J A Y W E B B E R, ESQ.:** Good evening, Mr. Chair and Madam Chairwoman, members of the Committee. My name is Jay Webber. Thank you for the opportunity to speak with you today. And thank you for taking on the crucial and difficult task of reviewing proposals to reform our pension and benefits system for New Jersey's public employees.

I'm an attorney living in Morris Plains; and by the way, a native of Clifton -- a product of its public schools K through 8. And I'm also preparing a campaign for the Republican nomination for the State Assembly in the 26th District.

I want to talk to you about a narrow issue, but one that I think is very important and has broad implications for every other reform this Committee is considering. It is an idea I have been promoting as I travel around my district, and one that nearly everyone greets with great enthusiasm. And my proposal is to remove, entirely, our State legislators from the Public Employees Retirement System.

There are several good reasons for that reform: First, as everyone is well aware, our State is in a financial crisis. In response to that crisis, virtually everyone is being asked to share and sacrifice to get our house in order. Already overtaxed taxpayers have been taxed even more, and public employees soon will be asked to accept serious reforms to their

compensation structure. In this environment of shared sacrifice, it is only right to have State leaders lead the way and make their own sacrifices to get our State back on the right track. (applause)

Taking legislators out of the pension system at this time is also eminently fair. State legislators are part-time employees, and you should be compensated for that part-time work. You work hard in the service of the public. But you should be compensated in a way that your constituents who work part-time in the private sector are also compensated. Many full-time private sector employees no longer receive pension benefits, let alone their coworkers who work part-time. Lifetime taxpayer-funded pension benefits for part-time legislators might have been a benefit that was once appropriate and affordable. And for our current legislators who have relied on the promise of those benefits, there is nothing we can or should do to take them away. But in the current budgetary and economic climate, such benefits are no longer appropriate.

Taking State legislators out of the pension system will save taxpayer dollars, but it is a good idea for another reason. Seemingly every day, New Jersey's newspapers contain disturbing headlines about current and former public officials abusing their authority for personal gain. For good reason, our State's electorate is frustrated and angry with its political leaders. It falls to those leaders to change the attitudes of the people who elect them.

I can't think of a better way for our legislators to respond to that disillusionment than making the simple statement that they no longer view their positions of public trust as vehicles for financial security. Removing the financial incentive to accumulate public positions to pad

their pension, to take a pension-boosting position, or to stay too long in their current position will go a long way towards helping clean up New Jersey's culture of public corruption we have suffered too long.

But this reform accomplishes one more, even more important, goal. It puts State legislators out front on fiscal and government reform by allowing them to lead by example. At a time when our books don't balance and corruption runs rampant, our State sorely needs a clear and unequivocal demonstration of leadership from its elected officials. This Committee has heard about many supposed impediments to pension and benefit reform, but this is one measure that faces no real obstacle. It simply takes political will to enact it. The only special interest group that has a stake in the defeat of this measure is the group of 120 individuals who serve in our Legislature. Fully 8.5 million residents of the state have a stake in its passage. Our State's turnaround starts with you, and I hope you take advantage of your opportunity.

Momentum for this change is gathering. Several of your colleagues have taken up this cause in the months since I announced my proposal to end pensions for our State legislators in April. Senators Stephen Sweeney and Joseph Kyrillos, and Assemblymen Rick Merkt and Paul Moriarty, for example, have issued bills to take legislators out of the pension system. I congratulate those members for their vision and courage, and urge passage of their bills as soon as possible.

But passing legislation is not the only way to lead. As a future candidate for elected office, I have not only pledged to fight to end lifetime pension benefits for part-time legislators, I have committed to refuse credit in the pension system if I am privileged enough to serve the people of New

Jersey in the Legislature. My family's financial future is far from secure. I am a young father of three small children and the only source of income for my family. I'm trying to develop a career in the law. But I believe that in this climate, accepting lifetime pension benefits for part-time legislative work is simply wrong. And my wife and I are willing to forego whatever pension benefits to which we might be entitled in order to do the right thing. We hope our modest gesture makes at least a small contribution in restoring the public's trust in our political system.

Finally, you should know that in my travels around my district, and even beyond, members of the public enthusiastically support this important reform. Several hundred New Jerseyans have already signed a petition I am circulating saying that they agree with this proposal. I've attached a copy of the petition to my testimony, and as I continue to gather signatures over the next several weeks, I will submit the signed petitions to the Committee before it closes its deliberations.

Once again, thank you for your time and consideration in permitting me to testify. I recognize that your task in this Committee is difficult, and appreciate your service to our State. (applause)

ASSEMBLYWOMAN POU: Thank you very much.

Ladies and gentlemen, I'm just going to call out the names that earlier had signed up. If any of the individuals whose name I call out are in the audience, you can please come forward. I'm going to assume that they are not here, but for the purpose of making sure that everyone who signed up accordingly will have been given the opportunity to speak-- And they are: Laurie Clark, Lynn Nowak, Jim Fromm, David Heerema, Joseph--

David? Okay, please come forward.

Joseph D'Arco, Kathy Sayers, Helen-- Oh, I'm sorry, we heard from Helen. Jerry Rienzi.

Okay. Sir, you can proceed.

**DAVID HEEREMA:** Good evening.

**ASSEMBLYWOMAN POU:** Good evening.

**MR. HEEREMA:** My name is David Heerema. I'm employed as a construction official in the Borough of Prospect Park.

I was asked to come here to testify on behalf of my wife, because we have been working for this little Borough for 15 years at a very low salary. Back in 1980, I was lured to work for the Borough of Franklin Lakes. As a builder, I was told that if I took the public sector job I would receive many benefits, one of them being health care and pension.

I work 40 hours a week, full-time, in the Borough of Prospect Park. It's impossible for me to go and work in other municipalities to do a fair and honest job in the field of construction inspections. I took the job because of the offer of benefits and health care when I retired. I'm within a year-and-a-half of retiring right now, and to cut back on any benefits for people like myself would be unjustified. It would adversely affect my future retirement. There are a lot of people who are like me in my office, who took that job in local government for the above reason.

The people in this study should look at those who are council members and mayors, who over the long term have earned salaries between \$1,500 and \$2,500 a year, and then have obtained political positions earning six-digit numbers, and after two or three years, retire based on the higher salary. (applause) That is having a big impact that should not be

there to start with. And it's not fair to people like myself and many other workers earning small but steady salaries all their life.

I have worked for the Borough for less than what I could have in the private sector. And those that are saying that we public officials are exceeding the private sector do not know what they're talking about. People with the knowledge that inspectors have in New Jersey would be able to get at least one-third more of a salary working in the private field.

I would strongly urge this Committee not to report anything that would adversely affect people like myself.

I thank you for your time. (applause)

ASSEMBLYWOMAN POU: Thank you so very much.

Ladies and gentlemen, thank you so very much.

That concludes our hearing.

C L A Y T O N M U L L: (speaking from audience) I thought I had signed up?

ASSEMBLYWOMAN POU: I'm sorry.

MR. MULL: I thought I had signed up.

ASSEMBLYWOMAN POU: I'm sorry, sir.

Did I call out your name?

MR MULL: No. (indiscernible)

I would now like--

ASSEMBLYWOMAN POU: I'm sorry, but wait.

Please introduce yourself for the record.

MR. MULL: My name is Clayton Mull.

ASSEMBLYWOMAN POU: I'm sorry.

MR. MULL: Clayton Mull.

ASSEMBLYWOMAN POU: Spell your last name?

MR. MULL: M-U-L-L.

ASSEMBLYWOMAN POU: Thank you.

MR. MULL: I would just like you people to consider a few observations, nothing more. Most of you, to me, are children in age. I started at \$2,700 a year when I first worked. I had two of the lowest-paying jobs in the State of New Jersey -- teaching and farming.

I can see what many people are saying on both sides tonight. The thing that bothers me the most -- there seems to be a public effort that "I don't have it and neither should you." I can remember for many years -- it was how do we help the greatest good of the greatest number. I think that's your major responsibility. That doesn't mean it is; it means I think it is. I've heard people say, "We have a fiscal crisis." I have not seen any meaningful statistics that show that the State has a fiscal crisis. Where and when have we published a statistical abstract of the gross State product? Where have we published and compared in your deliberations the gross of the net State product? What is the value of all our goods and services? How much money does the State have? Where is it putting it -- their money?

I've heard everybody talk about what the cost is, but where are the revenues? How are the revenues provided? I would appreciate it if you would consider the possibility of saying, "Okay, New Jersey's income tax is proportionately and statistically" -- by percentage, not by amount -- "number 13 in all of the states of the union. Our cost to pensions are number 17; our costs of public health," etc.

I think the generalization should be backed with a little more statistical abstraction and a little less generalization. And therefore, I'm not going to give you any more, except that I wish you good luck. (applause)

ASSEMBLYWOMAN POU: Thank you so very much.

Thank you, ladies and gentlemen. Thank you for your patience and being with us.

That concludes our hearing.

Have a very good night and a safe trip home.

**(HEARING CONCLUDED)**