



March 23, 2010

Governor Christie Signs Pension Reform

Dear Mayor:

Last night, Governor Christie signed his first public laws, enacting pension reform previously passed by the Senate, immediately after passage by the General Assembly earlier yesterday. After signing the bills, Governor Christie stated, "the passage of today's set of bills is a solid start to reforming our pension system." As long advocates of pension reform, the League thanks the Governor and the Senate and Assembly Leadership for working to pass the bi-partisan reform.

Below is a detailed outline of each bill with a staff review and interpretation of the legislation. Links are provided to each bill, and we recommend that you consult your human resources personnel and labor attorney for further review. Please remember that neither the Division of Pensions and Benefits or Department of Community Affairs has issued their official interpretation of the legislation. We will provide timely updates on official interpretations as they become available. The reforms take effect on or about May 21, 2010.

[S-2/A-2461](#)

- Limits enrollment to defined benefits plans to full-time employees instead of the compensation threshold currently in PERS. For local government, full-time employees must work 32 hours per week. Employees working less than 32 hours prior to the law going into effect would continue in the pension system as long as they remain continuously employed.
- All new part-time employees, defined in the law as those working less than 32 hours per week, no longer qualify for PERS but will go into the Defined Contribution Retirement Plan.
- Increases the compensation requirement to join the Defined Contribution Retirement Plan from \$1,500 to \$5,000.
- The calculation for pension benefits returns to N/60 for all new employees in the PERS. The Veterans status remains unchanged.
- Changes pension calculations from the highest 3 years to highest 5 years for all new employees in PERS and from the highest 1 year to highest 3 years for all new employees in PFRS. The Veterans status remains unchanged.
- For PFRS only, imposes the salary cap linked to Social Security maximum contribution limit on future employees and repeals the benefit enhancement. The enhancement allows PFRS members to retire with 75% maximum compensation if the retirement fund reaches a 104% funding level.

- Requires PERS employees to designate one job for one pension. The position with the highest compensation would be used. This provision does not affect current PERS employees with several jobs as long as they remain continually employed by the same multiple municipalities.
- For new hires, repeals the statutory non-forfeitable rights provision for all employees in State-administered retirement systems. For non-union employees this would take effect on or about May 21, 2010, the effective date of the bill.
- Eliminates the Prosecutors Part of PERS.

S-3/A-2460

- It is anticipated that S-3 will save municipalities and school districts \$314 million by fiscal year 2011.
- Requires all current local employees to pay at least 1.5% of their base salary towards health benefits after expiration of current contract.
- Requires all newly hired local employees, when they retire, to pay at least 1.5% of their base pension toward health benefits.
- For future retirees, eliminates the waiver of the 1.5% for participating in the Wellness Program.
- Allows local governments the ability to negotiate a coverage plan offered by the Health Benefits Commission through collective bargaining agreements.
- Requires that all changes made with the State employees' health benefit coverage through negotiation be applied to local government employees covered by the State Health Benefits Plan.
- Requires new local employees to work at least 25 hours per week to qualify for health benefits. A local employer could decide to impose a higher threshold of hours per week, but the minimum is 25 hours.
- Limits the current financial incentive to waive State Health Benefits Plan to 25% of the cost or \$5,000, whichever is less.
- Prohibits duplicate coverage under the State Health Benefit Program.

S-4/A-2459

- For newly hired local government employees limits sick leave payout to \$15,000.
- Permits only one year's worth of vacation time to be carried over year to year for new local government employees.
- For PERS, replaces ordinary disability and accidental disability pension benefits with private disability insurance coverage.

We will keep you posted on the implementation of the reforms. Questions on these bills can be directed to Lori Buckelew at lbuckelew@njslom.com or 609-695-3481 x112.

Very Truly Yours,

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