

March 20, 2017

ACTION NEEDED

Re: PFRS Bill Heading to Full Assembly

Dear Mayor:

Earlier today the League Officers, 1st Vice President and East Rutherford Mayor Cassella, 2nd Vice President and Fanwood Mayor Mahr and 3rd Vice President and Hardwick Mayor Perry, joined the New Jersey Association of Counties (NJAC) and Government Finance Officers Association opposing A-99/S-3040. This legislation will transfer management of the Police and Firemen's Retirement System (PFRS) from the Division of Pension and Benefits to the Board of Trustees of PFRS. More specifically, we object to the fact the A-99/S-3040 would create a 12 member PFRS Board of Trustees comprised of 7 labor representatives and 5 management representatives for the following reasons:

- Property taxpayer dollars fund PFRS.
- Property taxpayer dollars equal 70% of PFRS assets with employees contributing 30%.
- Property taxpayers assume the risk of loss in PFRS as a defined benefit plan.
- Municipalities and counties have met their pension obligations as employers

The PFRS Board of Trustees should be comprised of an equal number of labor and management representatives, with one independent member for a total of 15 members. If the Legislature and Governor fail to amend the measure accordingly, then the League and NJAC recommend changing PFRS to a defined contribution plan where employees make greater contributions and assume the greater risk of loss. Additionally, we're urging the Legislature and Governor Christie to include in this legislation, a permanent cap of 2.0% on binding interest arbitration awards, as the 2014 cap law is set to sunset at the end of the year.

The General Assembly plans to consider A-99/S-3040 on Thursday and the Senate passed the legislation last week, so time is of the essence. We strongly urge you to contact your Assembly representatives and Governor's Office to express these concerns with A-99/S-3040. Otherwise we will have a system where the representatives for the public safety unions would have control of the over \$23 billion pension system. They will be able to determine investments, enhance any benefits, modify any benefit as an alternative to increasing a member's contribution rate or reinstate cost of living adjustments to existing retiree benefits. The employers with a minority seat at the table will have an uphill battle in preventing run-away costs that will ultimately be passed on to the taxpayers.

Please contact your Legislators in Trenton, urging them to oppose this legislation in its current form. And please do not hesitate to contact us with any questions or concerns.

Sincerely,

Michael J. Darcy, CAE
Executive Director

