



From: NJLM - Municipal Clerks [mailto:njlm-clerks@cityconnections.com]
Sent: Tuesday, July 21, 2009 3:56 PM
To: Lashway, Lisa
Subject: From NJLM - Two Issues

LEAGUE ALERT

Municipal Clerk: Please forward to Mayor and Governing Body.

July 21, 2009

Re: I Change in League Legislative Team

Re: II 2010 Pension Obligations

Re: I. Change in League Legislative Team

Dear Municipal Clerk,

In August you will notice a change in League Staff. Senior Legislative Analyst Helen Yeldell is retiring August 14 after 20 years of service to municipal officials across the state. The League Executive Board wishes Helen well and thanks her for such dedicated service for so long.

Lori Buckelew will be coming on staff as a legislative analyst. Lori has years of experience both at DCA and as a registered municipal clerk and certified registrar.

Very truly yours,

William G. Dressel, Jr.
Executive Director

Re: II. 2010 Pension Obligations

PLEASE FORWARD TO YOUR MANAGER, ADMINSTRATOR AND CFO

Dear Mayor:

The various Boards of Trustees for pension systems have approved Annual Actuarial Valuation Reports as of June 30, 2008. The following is a review of three systems.

Valuation Reports are used to determine the levy required for Normal Employer Contributions and Accrued Liabilities for the forthcoming year. A separate and distinct calculation is utilized for the non-contributory group life insurance costs which are associated with each pension system.

As one might suspect, the start of the economic meltdown resulted from mortgage backed toxic investments held by the bank and government agencies. This resulted in a major decline of the market and correspondingly, investment opportunity proved to be negative for the year. The annual contribution required will be higher.

The following table summarizes three systems and delineates State and Local obligation. You will note the Local PERS payment will see a 12.7% increase and Local PFRS payment will see a 19.5% increase. Each actual billing will depend upon the size and payment structure of your police force and other employees.

System	Annual Required Contribution	Percentage Change	Reported Investment Loss
<u>PERS</u>			
State	\$580,440,969	14.6	-\$68,484,123
Local	\$578,277,037	12.7	-\$323,224,565
<u>PFRS</u>			
State	\$339,480,900	13.4	-\$29,798,906
Local	\$854,617,229	19.5	-\$309,413,243
<u>TPAF</u>	\$1,526,168,830	13.2	-\$770,675,653

It is important we recognize what impact investment opportunity has on pension billing. The assumed interest applied to the various systems is 8.25% earning. In the past, such earnings have helped hold the rates. But the total loss for the three systems of investment income as reported June 30, 2008 was \$1,501,596,490. Please realize June of 2008 was, in fact, not the bottom of the market, but only the beginning when investment opportunity collapsed. Therefore, we can anticipate the Reports of Valuation which will be produced June 30, 2009 will reflect even greater investment losses which will translate into larger payment requirements from the property tax paying public in order to support the normal and accrued liability payments in 2011.

Under the phase in legislation adopted in 2003, all the systems were to be, at

this point in time, paying 100% of normal accrued liability payment. Many local governments have made their 100% payment, but for some, the option which was extended permitted towns to only pay half of their levy in order to reduce their property tax burden. These costs will not be part of the 2010 billing.

Many communities are in the throes of contract negotiation. As such, part of the cost of government is funding of pension and health benefits. In an earlier communication, I provided information on the projected increase for health benefits. The cost associated with increased pension payments should be part of the collective bargaining process. As reported in the Actuarial Valuation, there are 223,726 active local government employees in the PERS system. This means your cost per employee is going to be approximately \$2,585 for their pension obligations. Under PFRS, the Actuarial Valuation report indicates 36,530 active police and firemen which translates to a per employee cost of \$22,772. Therefore, salary increases have rolled up costs of pension and the health benefits. In these economic times, this is important information to share with your negotiating team and employees.

In the near future, the Division of Pensions will post on their web site the actual bills by system for each municipality. Once this is posted, you will be able to plan for 2010 in a more detailed manner.

Very truly yours,

William Dressel, Jr.
Executive Director

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