



Township of East Brunswick

DEPARTMENT OF FINANCE

L. MASON NEELY
CHIEF FINANCIAL OFFICER

February 3, 2010

The Honorable Chris Christie
Office of the Governor
State of New Jersey
PO Box 001
Trenton, NJ 08625

The Honorable Andrew P. Sidamon-Eristoff
Acting Treasurer
Department of Treasury
State of New Jersey
PO Box 002
Trenton, NJ 08625

Re: Public Employees Pension "Other Than State Government"
Income Distribution - 2011

Dear Governor Christie and Mr. Sidamon-Eristoff,

This letter is to express a concern of Local Government about the distribution of income or loss of income resulting from the investment of pension assets. Funding of the Public Employees Retirement System (PERS) is separated based upon State Employees and Other Than State Employees (which I will refer to as Local Governments).

Each year the PERS Board of Trustees employ the services of an actuarial consultant to determine the financial conditions of the System and provide information to the Board of Trustees which permit them to establish employer contribution rates for the next budget year. Both the Normal Employer Cost and the cost to fund the Unfunded Accrued Liabilities are established by the report.

During the past eleven years or so the State of New Jersey has contributed a very minuscule portion of their employer contribution to fund liabilities as established by the Board of Trustees. Many years, the State has paid zero. Local Governments, on the other hand, have paid 100% of the costs as billed by the Division of Pensions and Benefits in accordance with the statutory provisions. Prior Governors and the Legislature, as you know, have not properly funded State pension obligations in previous budgets. The resulting impact has been a diminution of available assets for investment by the State Division of Investments. This factor has been excedled by the downturn of the market resulting in large losses. On the other hand, Local Governments have always made their full payments, based upon the invoices received by the Division of Pensions. I dealt with this issue in an article written for the League of Municipalities Magazine, October 2009 (copy enclosed).

As you read the article, you will see during years 2006 and 2007, when the State Investment Council realized significant investment gains, the State of New Jersey allocated 38.8% and 38.7% to the State and 61.2% and 61.3% to Local Governments respectively. The Actuary report of July 1, 2008 reports the investment fund lost 2.9% or \$391,708,688. The distribution of the loss resulted in 17.5% going to the State and the vast majority of the loss, 82.5%, being allocated to Local Government. **This allocation is simply wrong and local property tax payers should not be forced to pay higher pension contributions because of the wrong allocation.**

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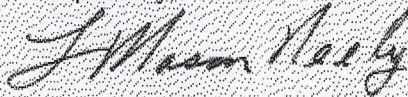
FAX (732) 390-6895

The State Investment Council, at the close of their fiscal year, June 30, 2009, report investment income loss of 14.2%. As of June 30, 2008 the investment loss was 2.9% which resulted in a negative -\$391,708,688. **The loss of 14.2%, assuming the actuaries follow the same formula as they did in the prior year, will show a reported loss of \$1,750,000,000 or more. If this amount were wrongly distributed as it was in the prior year (17.5% to the State and 82.5% to Local Government) then local property tax payers will be asked to pay hundreds of millions of dollars to cover the loss of pension assets.** The actuarial assumptions utilized must be corrected. During the years of high investment income the State took 38.8% of the income and accordingly, during the years of loss they shifted costs on to the property tax payers.

I have raised this issue with the Division of Pensions and they recognized the issue. But they have not taken the next logical step, which is to change the assumptions used for the Actuaries. If changes are not made before the report is produced, and the Board of Trustees accepts the report, Local Governments would again be asked to pick up an inordinate share of the loss. The report does not become public until after the Board of Trustees acts. Therefore I am asking you to intervene now to review the assumptions which resulted in the disproportionate allocation. There is time to prevent a similar occurrence in the forthcoming year.

I recognize the property tax payers at the local level are, in many cases, the same people paying State taxes from which you formulate your budget. The fact remains that pension income is down significantly. The result will be an increased demand on employers to fund Normal Employer Cost and their portion of funding for Accrued Liabilities. It is clear, costs will increase. It is also clear that Local Governments are the only units making full payments. The proper distribution of 2011 costs between the State's responsibility and Local Government should be clearly and correctly delineated. This is the issue I ask you to address.

Respectfully,



L. Mason Neely
Chief Finance Officer

LMN/mrv
Enclosure

cc: William Dressel, Executive Director, NJ League of Municipalities
William Horna, President, New Jersey Government Finance Officers Assn.
Ronald W. Zilinski, President, Tax Collectors & Treasurers Assn of New Jersey
Robert Casey, Executive Director, Municipal Managers
Frederick Beaver, Director, New Jersey Division of Pensions and Benefits
Chuck Latini, President-Elect, New Jersey American Planning Assn.
Vincent Buttiglieri, President, Municipal Clerk's Assn. of New Jersey
Lisa Stephens, President, Middlesex County Assessors Assn.
File/Chrono

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Superior Court of New Jersey

Essex Vicinage

Collins E. Ijoma
Trial Court Administrator
Alfred Restaino
Municipal Division Manager



Essex County Courts Building
Newark, New Jersey 07102
(973) 693-5718
(973) 693-5996 FAX

February 17, 2010

Mr. Michael J. Rohal
Glen Ridge Business Administrator
825 Bloomfield Avenue
Glen Ridge, New Jersey 07028

Re: 2010 Annual Visitation of Glen Ridge Municipal Court


Dear Mr. Rohal:

On March 15, 2010, a member of my staff will be visiting the Glen Ridge Municipal Court to meet with Court Administrator Berry and his staff in order to conduct the Judiciary's annual, comprehensive review of the Court's operations, administrative procedures and office practices. In order to provide you with an opportunity to contribute to that process, I would be interested in learning whether there are any concerns or issues regarding the Court's operations, staffing, customer service, security, etc., that you believe should be considered during the visitation process.

Therefore, please give me a call at (973) 693-5718 if you would like to discuss any issues. Otherwise, you are welcome to communicate any comments or concerns directly to me in writing at the above address. If you prefer, I would be pleased to meet with you, at your convenience, prior to this year's annual visitation.

Your assistance and cooperation in support of our impending visit to your community's Municipal Court will be greatly appreciated.

Very truly yours,


Alfred R. Restaino
Municipal Division Manager

C: Hon. Patricia K. Costello, A.J.S.C.
Hon. Anthony J. Frasca, P.J.M.C.
Hon. Joseph T. Connolly, J.M.C.
Collins E. Ijoma, T.C.A.
Stephen Berry, M.C.A.