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JON S. CORZINE  
*Governor*

En Español

For Immediate Release:

Date: September 29, 2008

For Kids

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## Governor Corzine Signs Pension and Benefits Reform Bill

**TRENTON** -- Gov. Jon S. Corzine, who last year negotiated sweeping pension and health benefit reforms that will save \$6.4 billion through 2022, today continued New Jersey's efforts to curb the cost of government workers' benefits with the signing of the Public Employee Pension and Benefits Reform Act of 2008.

The legislation, S-1962/A-2818, will save an additional \$150 million through 2022 through new changes, including a higher retirement age and new income eligibility for enrollment in the major pension systems.

"The signing of this legislation is another step in the re-alignment of the compensation of our public employees,"

Governor Corzine said. "The reforms we've made over the last two years strike the right balance of being fair to hard-working public employees and at the same time lightening the burden on our taxpayers."

The significant changes signed into law today include increasing to \$7,500 the annual salary required for new workers to qualify for the state pension system. Previously, workers required an annual compensation of only \$500 to qualify for the Teachers Pension and Annuity Fund, and a minimum salary of \$1,500 a year for the Public Employees Retirement System.

The legislation also raises the retirement age to 62 for new employees to qualify for a pension without a reduction.

The number of paid holidays for state employees is reduced to 12. It eliminates the Lincoln's Birthday holiday and combines it with Washington's Birthday, to be observed as President's Day.

We began this effort last year, with contract negotiations resulted in statutory changes that raised the retirement age from 55 to 60; placed a cap on pensionable income; increased employee contributions to 5.5 percent of salary; and required newly elected and appointed officials to enroll in a defined contribution program. The reforms also made plan design changes to the State Health Benefits Program (SHBP) and raised employee health benefit contributions.

The new law makes further reforms to the SHBP, allowing the state to offer an incentive to employees to opt out of the program and accept health coverage from other sources, such as a spouse's plan. The state would determine whether to offer the incentive and the amount, which could not exceed half of the amount saved because of the employee's waiver of coverage.

"These changes reflect the state's fiscal realities and come in the same year when we had the largest year-on-year reduction in the budget in New Jersey history, set aside \$650 million for debt repayment, and reduced the actual size of government itself," Governor Corzine said.

The bill was sponsored in the Senate by Senators Barbara Buono (D-Middlesex), Stephen Sweeney (D-Salem, Cumberland, Gloucester), Nicholas Scutari (D-Middlesex, Cumberland, Union), and Tom Kean (R-Essex, Morris, Somerset, Union), and in the Assembly by Speaker Joseph Roberts (D-Camden).

"As a union official, I have heard quite a few members tell me to 'negotiate, not legislate,'" said Senator Sweeney.

"Unfortunately, the irresponsible acts of the legislature and union leaders in the 1990s , along with additional changes in legislation in 2001, which were done without any real dollars to cover the cost of the enhancements, have put the State in a financial bind. These irresponsible decisions placed the state's pension system in a financial crisis, and it would be absolutely unfair to ask taxpayers to shoulder the additional costs."

"This common-sense reform bill will modernize and streamline the pension systems preserving the fiscal health and solvency of PERS and TPAF," said Senator Kean. "Most importantly it will save money for property taxpayers who are struggling as the state becomes more unaffordable for the middle class."

"These are common sense reforms that will protect rank-and-file state workers from seeing the pensions and health benefits they rely on from being usurped by an unscrupulous few who have learned how to milk the system," said Speaker Roberts. "These are reforms that will protect both career public employees and taxpayers."

#### Pension and Benefits Reform, State and Local Savings Summary

- 2007 Contract Negotiations
  - Average Annual Savings: \$572.6 million
  - Total Savings Through 2022: \$6.4 billion
- 2008 Legislation (S1962/A2818)
  - Average Annual Savings: \$12.77 million
  - Total Savings Through 2022: \$150 million

#### Health, Pension, and Other Benefit Reforms, State and Local Savings

- Mandatory Health Insurance Contribution for State Employees
  - Average Annual Savings: \$123.35 million
  - Total Savings Through 2022: \$1.85 billion
- Increased Co-Pays
  - Average Annual Savings: \$38.26 million
  - Total Savings: \$191.32 million (through 2022)

- Health Plan Design Changes  
Average Annual Savings: \$155.38 million  
Total Savings Through 2022: \$776.91 million
- Retirement Age Increased from 55 to 60  
Average Annual Savings: \$28.5 million  
Total Savings Through 2022: \$370.55 million
- Cap on Pensionable Income  
Average Annual Savings: \$69.29 million  
Total Savings Through 2022: \$900.78 million
- Increased Employee Pension Contribution  
Average Annual Savings: \$156.59  
Total Savings Through 2022: \$2.29 billion
- Mandated Defined Contribution Plan for Elected/Appointed Officials  
Average Annual Savings: \$1.19 million  
Total Savings Through 2022: \$16.69 million
- Retirement Age Increased from 60-62  
Average Annual Savings: \$8.92 million  
Total Savings Through 2022: \$106.99 million
- Limit Eligibility for Pension  
Average Annual Savings: \$930,000  
Total Savings Through 2022: \$13.06 million
- Eliminate Lincoln's Birthday Holiday  
Average Annual Savings: \$2.92 million  
Total Savings Through 2022: \$32.15 million

Attached is the [Pension and Benefit Reform Summary](#).

###

Photos from Governor Corzine's public events are available in the [Governor's Newsroom section](#) on the State of New Jersey web page.

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