



Professional Firefighters Association of New Jersey

International Association of Fire Fighters AFL-CIO-CLC



Dominick Marino
President

March 3, 2017

Senator:

Re: Senate Bill 3040 - Transfers management of PFRS to Board of Trustees of PFRS

In November, on behalf of the Professional Firefighters Association of New Jersey, I advised you to a proposed piece of legislation with respect to having the “unions” take control of the Police and Firefighters Pension System. On Monday, Senator Sweeney has introduced such legislation. The Professional Firefighters Association of New Jersey is opposed to this legislation and any legislation that removes the responsibility from the State. The PFRS is the most important benefit to our members and it is our obligation to ensure that we proceed with the interest of our members and to ensure the solvency and protection of their pension fund.

S3040 does not address the most important aspect of the PFRS; outstanding contributions owed to the pension system, and it does not provide the necessary protections that the current retirees so deserve. The changes that S3040 suggest would open the system to discrimination liabilities.

The legislature, you or your predecessor, has taken steps over the years to address the concerns of all the pension systems with legislation that was sent to the governor but the governor’s action was to veto the efforts of the legislature.

The Governor has conceded and signed into law legislation that would give quarterly payments to the pension system. This will undoubtedly have a positive effect on the pension system. The State Investment Council (SIC) has adjusted their Asset Allocation Campaign with respect to – Reducing High-Cost, High-Risk, Low-Performing Hedge Funds and Alternative Investments. The SIC approved **a reduction in hedge fund investments from 12.5% to 6%**, and a corresponding **overall reduction in Alternative Investments from over 30% to 26%**. The number of hedge fund investments will drop from 40 to less than 25 and there is an estimated cost savings on fees of about \$125 million. With these changes, NJ is aligning closer to the national average of hedge and alternative exposure for public funds, but our alternatives are still higher than most. These are perhaps the largest single-year changes in asset allocation. The above changes are not reflected in the most current report on the Annual Valuation of the Police and Firemen’s Retirement System, which was prepared on July 1, 2016. Nor does it reflect the most notable rise in the level that the stock market is at presently. These above facts occurred recently within the last 3-4 months.

S3040 includes the quarterly payments but removes the Police and Fire Pension System (PFRS) from the SIC. The ability/power to invest will be greatly inhibited with only the assets of the PFRS. The investment returns are derived on the amount of the investment. A smaller investment would mean a smaller return.

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Let us not forget the issue and how the pension funds got to where they are today; the inadequate funding by the State of New Jersey and municipalities beginning in 1996 and the explicit ill-fated pension holiday the League of Municipalities, Legislature and Governor gave themselves back in 2001! We were opposed to the pension scheme in 2001 and we are adamantly opposed to this new scheme today. Beginning in 1996 and continuing to this day the pension system was funded by the state and municipalities **well below** actuarial recommendations. Not making the full payment is like paying the bare minimum on a credit card; you never catch up and continue to increase your debt.

Our opposition to S3040 is based on an extensive analysis done by the International Association of Fire Fighters (IAFF) and experts within the realm of pensions.

As much as we have issues and concerns with the State of New Jersey and its current handling of our pension system and the other pension systems, it is still our position that steps have already been put in place to strengthen the pension system.

Releasing the State of New Jersey of its responsibility is not the way to address the pension issue.

We still believe there are many pitfalls to the notion of the “unions” taking over the responsibility of the PFRS. The simple notion that four distant groups can overnight work in unison for the good of their respective members on their most important benefit is unrealistic. History has shown that the groups will not be able to work together. There are too many unforeseen issues that could arise. The fact that the number of representatives with respect to the “unions” was increased in the final bill is evident that an organization is looking for a leg up on the other organizations.

It would be a better avenue to address the issues through various legislative initiatives that will strengthen the pensions. The SIC, PFRS Trustee board and the investment rules all can be legislated to accommodate the intent of S3040 without releasing the State of New Jersey from its responsibility.

On behalf of the members the PFANJ represents, I convey to you that the 4000+ members of the PFANJ are opposed to S3040 and we ask that you do not sign onto this legislation. We also ask that you support our position and oppose S3040.

Respectfully,



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