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Subject: NJEA Agreement on Pensions & Benefits

NEW JERSEY EDUCATION ASSOCIATION

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To: NJEA Leaders
From: President Joyce Powell, Vice President Barbara
Keshishian, Secretary-Treasurer Wendell Steinhauer

We write to confirm that newspaper reports saying that NJEA has reached an agreement with the governor on key changes to members' pensions and benefits are accurate. We'd like to share the details of that agreement with you. You may also read the news release Gov. Corzine sent to the media earlier today.

You will recall that last December bills were introduced that would have made major changes to the pension and health benefits of current and future retirees. Gov. Corzine asked the Legislature to withdraw them because he believed they should be negotiated at the bargaining table.

As the governor began negotiating with CWA, it was clear that protecting our members' benefits would not only be a legislative battle. We also had to be concerned with the state's public employee negotiations. Because we share a pension system (PERS) with the state employees, they could potentially bargain our destiny.

Fortunately, as those contract talks proceeded, both the CWA and the governor independently reached out to us. We immediately recognized it was important to be in conversation with Gov. Corzine, his staff, and the CWA in order to:

- gain the best possible commitments for our members from the governor;
- protect our members from any negative impact of state employee bargaining; and
- preempt destructive bargaining and legislative proposals looming on the horizon.

In our conversations with the governor, our goals were to ensure:

- Both today and in the future, every retiree is certain to have a secure and adequate pension plan and health benefits. We believe the way to accomplish this is to have a guarantee on retirees' health benefits, similar to the way pensions are protected.
- Both today and in the future, retirees should not be required to premium share.
- There must be no negative changes in the pension benefits for current or prospective retirees. (Benefits are determined by years of service divided by 55 times the average of the last three years' salary, known as the N/55 formula.)
- Health benefits for our active and retired members in the State Health Benefits Plan must not be determined under the Uniformity Clause, and therefore would not be bargained by the state employee unions. This clause has sometimes been invoked in the past. Basically, it requires that what happens in one plan must be applied to all plans.
- Our members' pension plans, which have been seriously threatened by a large unfunded liability and by ferocious attacks in the media, must be stabilized.

Concerning health benefits, we have reached an agreement with the governor that:

The state would guarantee certain components of a health benefits plan for retired school employees. That guarantee would ensure that there will be no premium sharing for retirees now or in the future.

While it will be similar to the "lock" that school employees now have on their pensions, the health care industry is changing quickly, and it will continue to do so. Consequently, a guarantee on health benefits will not mean that a particular health plan must remain frozen in place. However, it will guarantee certain benefits, including but not limited to: hospital and surgical coverage, prescription drug coverage and major medical coverage.

NJEA and the state will create a new health plan for school employees only.

The Traditional Plan will be replaced by a "Traditional Plus" plan, which will have almost every feature and advantage of the Traditional Plan, plus the advantages of a PPO. This PPO will be for members of the education community only, and in most ways and, overall, it will be better than the current Traditional Plan, and much better than New

Jersey Plus. It will include a national network of providers, for example, so retirees in Florida, Arizona, and every other state will have dramatically better coverage.

NJEA will help create the new plan with the state. That new plan, together with HMO and POS plans that our members are already enrolled in, will not be governed by the existing State Health Benefits Commission, but by a new governance body. The new governing body will be composed of three NJEA representatives, three representatives of the governor, and one who is proposed by the governor and approved by NJEA, so NJEA will have a strong voice in its governance.

By creating the new “Educators’ Plan” and having it outside the State Health Benefits Commission, it will not be covered under the Uniformity Clause. Our future will no longer be bargained by other unions.

Districts that now have a private plan for its active employees can, of course, remain in that plan.

Concerning pensions, we have reached an agreement with the governor that:

There will be no change in the normal retirement age; it will remain at 60 and not be increased to 62, as the state wanted.

There will be no change in the way pensions are calculated: n/55 will remain in place and the pension amount will be determined by the average of the final three years of salary (or the last year for veterans), as it is now the case.

Some changes NJEA has been seeking in the operation of the State Investment Council, which oversees pension investments, will be adopted. We will have greater opportunities to influence its decisions.

To help stabilize the pension system now and well into the future, all members—current and prospective—will contribute an additional 1 percent to their pensions.

For prospective school employees only:

New school employees whose salaries move above the highest Social Security limit, which is currently about \$97,500 (with an annual escalator) will participate in a defined contribution plan for any amount over that salary. The state will contribute three percent and the employee five or perhaps five and a half percent, but only on a salary over \$97,500.

While the normal retirement age will remain at 60 for both current and

prospective employees, prospective employees who retire between the ages of 55 and 60 would be penalized one percent per year for immediately drawing a pension. (The three percent a year penalty for retiring before 55 would remain the same. As background, the actual average retirement age in TPAF is now 60.4 years and in PERS it is 63 years.)

Finally, the amount of time prospective school employees can buy-back for their out-of-state service will be reduced from 10 years to five years.

It's important to note that we've reached agreement on these issues with the governor's office ONLY. These proposals still must be introduced as legislation, discussed in committee, passed by both houses of the Legislature, and signed by the governor. We expect that process to begin immediately following the budget address. We will continue to lobby to protect members' pensions and benefits.