

## Growing pension bills bust Morris budgets

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DAILY RECORD

Steep hikes in public employee pension contributions for next year are even higher than anticipated and could threaten efforts to reduce property taxes, several county and municipal officials said.

"This is a total disaster. We are seeing 30 to 50 percent increases, not 20 percent," said Denville Mayor Gene Feyl, who also is a Morris freeholder.

Some officials said the recently released 2008 pension contribution estimates for their government represents nearly half of the 4 percent budget cap amount allowed under the new rules imposed in the 2008 state budget.

That will mean less money for other cost increases such as insurance or salaries, let alone road repairs.

The pension estimates affect every public body that has employees in the state pension system, such as libraries, sewer districts and boards of education whose non-teaching staff is covered.

Some examples:

- Parsippany: Total 2008 estimated pension contribution is \$3,498,363, compared with \$2,101,431 for 2007, a 66 percent increase.
- Dover: \$1,007,098 for 2008, compared with \$615,728 for 2007, a 64 percent hike.
- Denville: \$982,196 for 2008, compared with \$610,828 for 2007, a 60 percent increase.

nMorristown: \$2,010,374 for 2008, compared with \$1,273,530 for 2007, a 58 percent increase.

For Denville, Feyl said, the pension increase represents 1.5 tax points "right off the top."

The township has an \$18 million annual budget, he said.

The pension increase is added to an approximate 4 percent annual pay increase awarded to the township's police union through arbitration, said Feyl, a Republican.

"We're capped at 4 percent. What about fuel?" he asked.

Adding to the frustration is the realization that the pension contributions for next year are greater than the anticipated 20 percent annual increase dictated by a five-year state plan to bring governments back to full pension payments after the period from 1998 to 2003, when former Gov. Christie Whitman, a Republican, allowed a payment "holiday."

State officials said the increased contributions are needed to get the pension system to safer levels of funding. The state is collecting about \$1 billion from lower governments in 2008, matching a \$1 billion contribution included in the state budget.

Morris County Treasurer Glenn Roe said that the increase in the county's 2008 pension payment is more than \$4 million, or approximately 2 points on the county tax bill.

The county's total estimated pension bill for 2008 is \$10.9 million. That includes a \$5.8 million payment into the Police and Firefighters Retirement System, and a \$5.2 million payment into the Public Employees Retirement System, covering other county employees.

### Pension costs

Here's a sampling of the combined public employee pension contributions, including those for police and fire departments, that towns must pay in 2008, and how much of an increase that represents when compared with this year's contributions.

Town	Amount	Increase
Parsippany	\$3.5M	\$1.4M
Morristown	\$2M	\$736,844
Morris Twp.	\$1.6M	\$633,938
Roxbury	\$1.3M	\$502,953
Randolph	\$1.2M	\$490,328

"In the past, we offset the increase with cuts at Morris View (nursing home), minimum health care cost increases and refinancing debt, so we got by year to year, but that can't continue forever," Roe said.

In the past three years, the county has cut \$7.7 million in costs at the county-run Morris View nursing home, and this year the county's health care insurance costs rose just 1.05 percent, thanks to the efforts of a health care consultant.

Meanwhile, pension payment increases are even greater than anticipated, Roe said.

"The percentages are 20 percent, but the actual bills are up 60 to 70 percent," Roe said.

In a release with the 2008 pension estimates, state Treasurer Bradley Abelow acknowledged that the estimated contributions would be larger than officials anticipated.

"We recognize that these contribution amounts are large and represent substantial increases from last year," Abelow said. "They are symptomatic of the need for New Jersey to put its fiscal house in order, which Gov. Corzine is committed to doing and is making significant progress toward."

In the past, towns have cut operating expenses or cut back on road repairs, for example, to accommodate the pension increases.

Last year, Dover Mayor James Dodd, a Democrat, ordered a 10 percent operating budget cut for all departments, but this year he wonders where the town will find the money.

"The pension increase is a lot of money," he said. "We're looking at 1 to 2 cents on the tax rate already. The state is giving us a 2 percent increase in aid. That's not enough. It all goes back to the taxpayers."

In the 2008 budget, the state increased aid to towns by 2 percent and to schools by 3 percent. About \$2 billion was directed to a property tax relief program that will send most taxpayers about \$1,000, and another \$1 billion to the state pension system.

Feyl is disappointed with that effort.

"We have not seen any property tax relief and no actual effort to solve the pension shortfall," he said. "This is more smoke and mirrors. No one is slowing pension costs or changing the system."

The central issue with the pension plan is a 2003 law that ended the Whitman pension holiday that had allowed lower governments to skip payments into the pension systems. The idea behind the holiday was that a booming stock market would raise enough money to cover future pension payments.

Instead, the dot-com crash sharply lowered financial returns on state investments and helped generate the \$30 billion pension shortfall that the state is trying to close.

Starting in 2003, the state began to collect pension payments again from lower governments, beginning with a 20 percent payment on the police and fire pension. The following year, a 20 percent payment began on the public employees pension.

In 2008, police and fire payments will be at 100 percent and the public employee payments will be at 80 percent. They will rise to 100 percent in 2009.

Roe said the county increased its pension budget line in 2003 in anticipation of the start of the payback program.

Feyl said many towns took the opportunity to lower their municipal budgets by the amounts of their pension payments, which was the spirit of the Whitman plan.

"It was used as property tax relief as intended," Feyl said. "No one anticipated the losses."