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CRI 498

Nov 29th, 2018

New Jersey’s pension program has been increasingly over budget, with the most recent data indicating that the pension was 200% over budget, spending 10.4 billion in 2016 (U.S. Census Bureau, 2018). Additionally, data from New Jersey’s 2017 audited Comprehensive Annual Financial Report shows that each tax payer is shares $61,400 of debt due to New Jersey only bringing in $25.2 billion in revenue to pay it’s $221 billion in debt (Truth in Accounting, 2018). One such way to lessen that burden on the tax payers is to reform the annually increasing burden of paying out pension of police officers. Thomas Healey et. al. (2017) wrote a report for the then Governor Chris Christie about the current state of New Jersey’s pension and a future projection of what may be to come if the state stays the course it is currently on. The report showed that in 2010, almost no money had gone into the pension fund, most likely due to the recession that struck the country in 2009. As the years have progressed, New Jersey has never fully recovered from the deficit in pension funding, never funding more than 50% of the pension plans from state expenditures. Additionally, projections show that by 2023 pension payouts may require at least 26% of federal funding. Experts from this report stated that the pension payouts should never exceed 15% of the budget, of which in 2017 they were 14.7%. Part of the issue with New Jersey is that, the state is not bringing in enough revenue to sustain a system like this. Even if tax revenue was to increase, by fiscal year 2023 the projected percentage would still be 25%. Therefore, since revenue increase does not seem to be an option, there needs to be a way to decrease expenditures in pension payouts.

Police officers in New Jersey, on average, make $109,689 based on data gathered from New Jersey’s active pension members (State of New Jersey, 2018). Pensions for police officers who have served for over 30 years and retire age 65 or more receive the average of the last 5 years most recent yearly salary multiplied the officer’s numbers of years served divided by 60. Anyone who retires earlier than age 65 but still has allotted 30 or more years of service receives an annual reduction of their pension by .25% each year (State of New Jersey, 2018). Using the average police salary, it can be calculated that a pension recipient would receive $50,626. However, the salaries were only median salaries, meaning that 50% of the salaries are higher than what was recorded. The highest median salary that record was $154,574 from Ridgewood Village, NJ. Anyone who is making that salary annually would be making around $77,287. While not all 448,524 active members in the New Jersey pension system are police officers, it does not take away from the fact that there is still a huge deficit in the pension budget (U.S. Census Bureau, 2018).

To remedy this issue, a number of policy implications are necessary to reduce the burden of deficit on the state. First policy to be changed would be to create a statewide system for police salaries based on a combination of rank and time served. Since police rankings are guided by a military system it would be easy to implement a guideline for how much an officer would make starting as a recruit and moving up the ranks and amount of time served. Time served would carry over into a promotion as well. For example, a corporal who has been serving for 10 years gets promoted to a sergeant would not receive the beginning sergeant salary but rather one that has been serving for ten years. The system could have limits as well on the bases of years served. An officer would no longer receive a raise after serving for 10 years or more as a recruit, but may do so by applying for higher level positions. This may also invite continuous dedicated work to the field of policing. While not all officers strive for a promotion, this may weed out those who joined for the benefits and high paying, and ever increasing, salary. Uniform Crime Report data of New Jersey shows that there is also an imbalance between high paying police salaries and violent crime rates. Officers in cities such as Camden that had a median salary of $50,335 and a violent crime rate of 2,566 violent crimes per 100,000 people could argue that they should be making the same, if not more, than officers in cities similar to Reading Township which has a median salary more than double that of Camden, $109,245, and the lowest crime rate in New Jersey at 6.2 violent crimes per 100,000 people. To ensure that officers in these areas are well compensated for their positions in towns and cities with high crime rates, it is necessary to pay them a rate that could be justified for the amount of danger they are put in. Furthermore, due to the low crime areas being paid a higher salary, it could be justified to find a middle ground between these two numbers.

Another drawback of the current pensions system is if the recipient of the pension is no longer a resident of the state and has moved to a state, such as Florida, where pensions are a non-taxable income, an individual will begin to reap the benefits of a system that they are no longer putting in to. Hundreds upon thousands of dollars in taxes go into paying the pension bill, and that income they receive should be no exception. Without a proper way to tax that income that these people are taxing directly from the state, New Jersey’s budget will continue to be at a deficit. To rectify this issue, New Jersey pension policy makers would have to require a residency for a predetermined amount of time after the recipient has begun receiving his or her pension. Alternatively, policy makers may include a clause that states a reduction in pension earnings if the recipient leaves the state prior to the residency requirements being over in the amount that the state will be losing in tax dollars. An article by Gillers and Elinson (2017) from the Wall Street Journal highlighted what the city of San Jose did to reduce the tight bind on the city budget due to exorbitantly high pension payouts. New plans were laid out for officers who served less than 7.5 years on the force, giving these officers a payout similar to a 401k rather than a full pension. Despite this plan not going as exactly as intended, adding an increased threshold to qualify for a police pension may decrease the future burden of pension funding on the state of New Jersey.

Pensions can be seen as a reward for putting in many years, for some entire working careers, into the community and/or state that the officer has lived in. It is a great incentive as well to serve your community because of the many benefits it brings to the officer, in particular is a steady source of income for a person to rely on, on top of other sources in retirement years like social security. As time progresses and people begin to live longer lives, it is becoming more and more apparent that a pension system, in its current state, threatens to bankrupt a state already to defunct to pay back the hundreds of billions it owes already. Pensions are also archaic in their design, with origins for police pensions dating back to the 19th century (Gillers & Elinson, 2017). It is apparent from available data that the New Jersey police pension system is not increasing their revenue to where it needs to be and will not be able to find the funding for it in a state with an economy as poor as New Jersey’s is in 2018. Without a reform to police pensions to decrease annual cost while also finding a way to increase revenue from the money going out from the pension, the state of the New Jersey police pension is one that looks grim at best. It is not a likely guess that police officers in New Jersey will be likely to agree with changes to the pension, it is a necessary movement in the future of New Jersey as a state.

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