

**From:** Patricia Leonhardt <pleonhardt@ctsd.k12.nj.us>  
**Sent:** Monday, July 18, 2011 2:42 PM  
**To:** Jdincuff@ctsd.K12.NJ.US  
**Cc:** Kevin Carroll  
**Subject:** Letter from Gov Christie  
**Attachments:** Letter from Gov Christie 07 01 2011.pdf

Hi - The attached was received, addressed to you.

Please let me know if you want it to go on next BOE agenda under Correspondence. Was concerned, it is VERY political.

Thanks - Pat

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## State of New Jersey

OFFICE OF THE GOVERNOR  
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CHRIS CHRISTIE  
Governor

July 1, 2011

Board President Frank Dincuff  
P.O. Box 6  
Annandale, New Jersey 08801

Dear Board President Dincuff:

On March 2, 2010, I had a candid discussion with a group of 200 local officials assembled in Trenton. I told those in the audience that times were tough in New Jersey, and the only way we were going to right our course was if we "held hands and jumped off the cliff together." That the only way we'd get out of our fiscal hole was if we banded together to realize exactly how bad off we were, and then if we worked together to start climbing in the same direction.

I was new to the job in March of 2010, but the problems we inherited were readily apparent as soon as I took office. New Jersey's pension systems had grown to be underfunded by \$54 billion with a \$71 billion unfunded liability for health benefits costs. That's \$125 billion in money that we owe, but don't have. And without reform, pension and benefits costs would have increased by more than 40% over the next four years. The unfunded liability of our pension system would have grown from \$54 billion today to a staggering \$183 billion within 30 years, and the required annual pension contribution by the state would have grown to over \$13 billion annually over that same time period – that's nearly half of our entire current annual budget on pension obligations alone.

We know that nearly 70% of many of our state's municipal and county budgets are driven by personnel and labor costs. *When people ask why their property taxes are so high, you know better than anyone: this is the reason.*

**This is the sort of problem Trenton politicians ignored year after year, hoping the crisis would somehow go away on its own, and hoping we didn't notice as it worsened.**

**No longer.**

**After years of backing away from the challenge, we have instead used this opportunity to meet it head on to enact historic reform.**

In an unfortunate era of all too much polarizing partisanship, it is heartening that both Democrats and Republicans in the Legislature came together to enact reforms that are lasting, meaningful and real. Not minor changes around the edges – significant, landmark reforms that make pensions and benefits sustainable for public employees and affordable for taxpayers.

At a time where we all need to share in the sacrifice, we're also asking public workers to contribute their fair share to their own pensions and benefits:

- All public employees will pay a percentage of their health coverage premium cost (instead of a percentage of their salary) and include a sliding payment scale based on salary
- All public employees will contribute more to their own pensions
- Cost of living adjustments will be eliminated for current and future retirees until the pension funds become stable
- The retirement age for non-uniformed employees will now be 65, up from 60, and they will work 30 years, not 25, to be eligible for early retirement
- For new police and firefighters, pensions will be 65 percent of salary at 30 years, not 25 years, and 60 percent at 25 years
- The state will be contractually required to make its annual pension payment

The reforms secure the long-term solvency of the pension system by **achieving a projected pension funding ratio of 88% within the next thirty years** – up from 62% – while *providing over \$120 billion in savings for New Jersey taxpayers*. Similarly, the *reforms to the health benefit system will save New Jersey taxpayers \$3.1 billion over the next 10 years alone* while offering greater choice and affordability. The combined savings from these reforms directly translates to **real property tax relief** for New Jersey families and **real budget savings for local governments**.

The reforms will modernize the state employee health benefits plans by bringing the system more in line with the private sector and federal government. These reforms will substantially lower health benefits costs for local governments, including those at the county, school and municipal levels, representing another major step forward in providing real, long-term property tax relief.

But let me be clear: these reforms are not simply a fiscal necessity. They are a fulfillment of a promise – to the police officers who have served and contributed for years, but might not have had a pension when they retire a decade from now; for the firefighters who every day put their lives in danger to serve the public and who have the right to expect that when the time comes, the public will serve them; and for the teachers who put in the extra hours every day to help their students. These workers deserve to know that their pension system will actually be around when they retire. On the path we were previously headed, however, this was not a certainty. Prior to our reforms, an independent study found that New Jersey was one of 11 states whose pension funds would have been out of money by 2020 – just 9 years from today. We owe it to our public employees to execute on the promises we've made to them. *The landmark bi-partisan reforms we've passed do exactly that.*

New Jersey's fiscal problems weren't created overnight. And it will take time to reverse them. But we're no longer ignoring the big problems. We're tackling them head on. And I think you're seeing the results.

Think about what we've done in the last 16 months together.

It started last March when I signed legislation requiring local government employees to contribute to their benefits for the first time. A small step in the right direction, surely, but I told you we'd be back to tackle this in a bigger way.

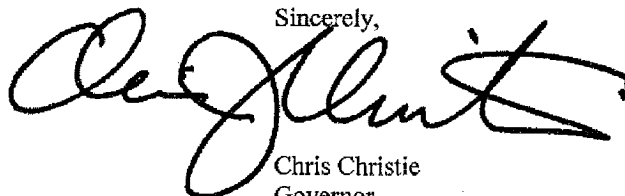
Then we transformed the process of interest arbitration, providing a cap of 2% on arbitration awards applied to all public worker salary items and eliminating accruing labor costs by creating a fast-track arbitration process.

Finally, we passed landmark pension and benefit reform last week, creating a sustainable future for the public employee pension and health benefit system, saving taxpayers hundreds of billions of dollars and securing a fiscally responsible future for our state.

Your toolkit of reforms, once empty, is filling up. Together, we jumped off of that proverbial cliff. After years of ignoring our problems, we looked them in the eye and decided to tackle the big issues – together. And together, we've succeeded.

None of this has been easy. But that's why we're here. We're here to do the big, tough things that have been ignored for too long because they were considered too big or too tough. And while we have successes to embrace, we also need to embrace the fact that great challenges remain, and that the hard work must continue. I know I'm not done, and I know you're not either. So let's continue the work together.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read 'Chris Christie'.

Chris Christie  
Governor