



# State of New Jersey

Department of the Treasury

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## **Significant Reduction in State Workforce to Be Achieved Through Retirement Incentive**

TRENTON – Stressing that New Jersey is at a “turning point” to reverse the patterns that have created a State government that is too big and expensive for taxpayers to afford, State Treasurer David Rousseau today announced details of the Corzine Administration’s plan to further shrink the size and cost of the State workforce through a retirement incentive program.

“New Jersey cannot fix the larger structural problems with the State budget without first shrinking the size, scope and cost of the State bureaucracy,” Rousseau said. “This initiative will achieve the goal of a smaller government and create permanent budget savings. At the same time, we will maintain the ability of a smaller workforce to focus on core missions and public priorities.”

The proposed budget assumes a net reduction of the State workforce in excess of 3,000 employees by the end of FY 2009--- on top of the 2,000 achieved since 2006. The incentive is projected to generate \$130 million in budget savings in FY 2009, which will grow to \$160 million in subsequent years. In order to ensure that the savings are recurring, the initiative contains several features that lock in headcount savings on a permanent basis. Those features include:

- Mandatory language in the draft enacting legislation that the Executive Branch workforce be permanently reduced by at least 3,000 positions by the end of FY 09, with any future growth requiring enactment of new legislation
- Careful targeting of the incentive to exclude departments whose primary mission is direct care, since vacancies in those agencies would have to be refilled

- Reducing the workforce through a planning process where each department is given a maximum employee count and required to prioritize programs and functions in order to stay within the cap

The Treasurer emphasized that the incentive is consistent with the Governor's priority of protecting those critical government functions that care for the most vulnerable, protect the public and continue and advance critical services. "Critical core functions will continue, but we cannot bypass this opportunity to re-prioritize what we do, scrutinize how we do it, and evaluate how to best preserve the limited taxpayer resources at our disposal."

Treasurer Rousseau said achieving the headcount savings through a retirement incentive program is the preferable alternative to layoffs. Achieving a comparable savings through a Reduction in Force would require the targeting of more than 8,500 employees, resulting in significant operational disruption. Massive layoffs would also prevent the State from making the strategic organizational changes it seeks through the retirement incentive.

Based on the anticipated participation of about 3,000 employees and the hard cap on backfilling, payroll and benefit savings total \$130 million per year, rising to \$165 million per year after five years. These targeted participation and backfill components were absent from previous ERI programs, resulting in short term savings that ultimately turned into long term costs. With the statutory controls of this program in place, the State will save at least \$645 million over the next five years on a present value basis. Program costs (increased liability) are estimated to be \$500 to \$550 million. This translates into a recovery in approximately four years, which is consistent with the goals for such a program in the private sector.

Details of the incentive have been posted on the Division of Pensions and Benefits website, <http://www.state.nj.us/treasury/pensions/>. A draft of the enacting legislation will be posted shortly.

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