

***New Jersey
State Commission of Investigation***



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SCI FOLLOW-UP REPORT

**LOCAL PUBLIC EMPLOYEE
BENEFIT ABUSES PERSIST**

TRENTON – Despite state and local regulations that limited some forms of excessive compensation and other perks given to public employees, many local government units continue to engage in questionable benefit practices that needlessly cost taxpayers, the State Commission of Investigation reported today.

The follow-up inquiry into the state of public employee benefit practices across New Jersey found wide disparity among the local government entities. While some had enacted reforms that eliminated wasteful spending or went beyond the \$15,000 limit set by state law for the cashing-in of unused sick time, there were others that did little

to rein in extraordinary perks or authorized loopholes that enabled workers to circumvent certain benefit restrictions.

The SCI also found that some of the problematic benefits practices previously identified by this agency, most recently in 2009, persist. Most notably, the Commission found that terminal leave – particularly the type that rewards employees with cash bonuses at retirement – remains a huge expense for some municipalities, forcing some to make difficult financial choices in order to find adequate funds to pay for it.

“It is simply absurd that, more than 20 years after the Commission first sounded the alarm about excessive compensation and questionable perks for public employees, these practices remain the norm in many areas,” the report states.

The Commission identified several local government units that permit employees to cash in unused sick leave on an annual basis, enabling some workers to exceed the limits set at retirement in just a few years. In Lodi Borough, the police contract gives officers 15 days of sick leave annually – the same amount that, if unused, may be sold back each year for cash. Records reviewed by the Commission revealed that annual sick leave sellbacks in Lodi cost local taxpayers a total of nearly \$822,000 between 2013 and 2018.

Many local governments continue to provide longevity pay, a form of additional compensation that in some cases, can boost a worker’s salary by as much as 15 to 18 percent annually. Beyond simply providing the payments, in some instances, this additional compensation may be included as part of the employee’s “pensionable salary,” which is the total salary amount used to calculate how much the worker will

receive after retirement. This extra pay can have a substantial upward impact on the pension payment for which a retired employee is eligible and can present long-term additional costs for taxpayers.

To reach these conclusions, SCI investigators examined relevant employment records, policies and contracts in 50 local government units, including municipalities, county governments and authorities. While it represents a small sampling of the many governmental entities in New Jersey, the Commission was careful to ensure that it included units of various sizes from different regions across the State.

The Commission recommended the enactment of legislation to create a comprehensive statutory framework to explicitly address employment practices at the local government level in New Jersey. In addition, local public employee participation in any of the various state pension plans should, at a minimum, be conditioned upon the acceptance by all governmental entities of the basic benefit provisions and policies maintained for employees at the state level.

The Commission also recommended that rules governing New Jersey's public pension plans be changed to remove longevity compensation from the salary upon which a worker's pension payment is calculated. Only the base salary earned by the government employee should be used to calculate the employee's pension.



The State Commission of Investigation is an independent New Jersey watchdog agency established in 1968 to investigate organized crime and corruption, waste of tax money and other abuses of the public trust. Copies of public reports are available at the Commission's offices or via its Web site at www.state.nj.us/sci.