

# IAPSNJ Magazine

Volume 1, Issue 10

## Italian American Police Society of New Jersey

A social, fraternal organization of more than 4,000 Italian American Law Enforcement officers in the State.



William Schievella, President

# Spring Edition 2011

Editor: Patrick Minutillo  
Executive Secretary

## UPCOMING MEETINGS

### April

April 13, 2011  
Martini Bistro & Bar  
40 Main Street  
Millburn, NJ

### May

May 18, 2011  
The Wine Room  
Of Bound Brook  
12 Church Street  
Bound Brook, NJ

### June

June 8, 2011  
Marco Polo  
Restaurant  
527 Morris Avenue  
Summit, NJ

ALL MEETINGS  
BEGIN AT 7 PM

**Chief Robert Belfiore**  
**Farewell Roll Call**  
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## INSIDE THIS ISSUE - SPECIAL FEATURE EXCLUSIVE INTERVIEW WITH PFRS CHAIRMAN JOHN SIERCHIO

### GALA DINNER DANCE

Who would have thought when our organization held it's first Dinner Dance on a Saturday evening in October 1992 that 19 years later we would be packing the Fiesta (yes, the same location where we held that first Dinner Dance way back when) with a sell out crowd of 400 friends, family, members and supporters.

We'll, here we are going into our 26th year

and more active than ever. We've said it many times before, but once again we have to take a moment to say thank you to all our members and supporters who have been with us over these many years, as well as those who are relatively new or those who have just decided to join our family.

With that said, our Dinner Dance Chairman and Executive Vice

President, Al Sierchio, reports that once again, as stated earlier, our 2011 Gala had quickly sold out well before the actual event. No surprise there! This has been our premiere event for many years and everyone always seems to really enjoy what is clearly a memorable evening. As always, kudos to our Dinner Dance Committee for a job well done.

-SEE STORY INSIDE-

## Pasta Night to Benefit Special Olympics

Come on out and Join us on Saturday, **June 18, 2011** at 6:00 pm at Local 464 Union Hall, 245 Paterson Avenue, Little Falls, NJ for a great cause, not to mention a great time, as we present our Annual Pasta Night. For tickets and more information please see the flyer on page 3. Mangia!



## EXCLUSIVE INTERVIEW WITH PFRS CHAIRMAN JOHN SIERCHIO



**Q.** First off, Thank you very much for taking time off from your very busy schedule to meet with me this evening. As you are well aware, there is a tremendous amount of confusion, misinformation, fear mongering, political gamesmanship, confusing and confliction legislation and much more going on right now regarding our pension system. Hopefully, this interview will provide our readers with some much needed clarity and insight into the state of our pension system.

Let's start off with how many active members are currently in the Police and Firemen's Retirement System?

A. There are 44,204 ac-

tive members in the PFRS.

**Q.** How many of those members are retirees?

A. There are 35,916 retirees and beneficiaries in the PFRS.

**Q.** Is the PFRS pension system in as bad of shape as the Governor and Legislators would have us believe?

A. Absolutely not! This misconception happens when the politicians talk about the pension fund; they group all the pension systems together. That's the real problem. If they spoke about the PFRS separately we would be fine. The PFRS is made up of only FULL TIME employees that pay, and have always paid, 8.5% of their salary. With members paying 8.5% of their salary, the local employers are now paying 100% of their contributions, and with a turnaround in the stock market we should see great improvement over the next 5 to 10 years.

**Q.** Why do you stress "full time" employees?

A. The PFRS doesn't allow part time employees. The PERS and Teachers pension systems allow part time employees into their pension systems. Those part timers, which number in the thousands, have their whole lives to find full time employment and can drastically increase their pension benefits when they retire. That's not allowed in PFRS. That's why our funding levels are much higher than theirs

**Q.** What do you mean when you say that they can drastically increase their pensions?

A. For example, if you are a councilman and making \$7,500 per year, you will be enrolled in the PERS pension system and would pay \$412.50 per year into the pension system. If you were to get another public job paying \$100,000, your pension would be based on the \$100,000 salary, not the \$7,500 that you paid contributions on for most of your career. Your annual pension would conceivably be more in one or two months than you contributed in your whole life. There is no way the state pension system can sus-

tain those types of shenanigans. That type of pension abuse can't happen in the PFRS.

**Q.** What is the funding level of the Police and Firemen's Retirement System as of today?

A. As of June 30, 2010, the funding level for PFRS is 68.95% compared to June 30, 1998 when it was 103.29%. Here are the actual funding levels year by year since the deferral laws were passed.

1997—	92.73%
1998—	103.29%
1999—	105.34%
2000—	105.65%
2001—	100.85%
2002—	95.82%
2003—	88.45%
2004—	83.95%
2005—	80.06%
2006—	78.36%
2007—	77.59%
2008—	74.31%
2009—	70.83%
2010—	68.95%

**Q.** That pattern of decline is very interesting and very disturbing at the same time.

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## EXCLUSIVE INTERVIEW WITH PFRS CHAIRMAN JOHN SIERCHIO

**How do those calculations translate into actual dollars and cents?**

**A.** As of June 30, 2010 the actuarial value of assets of the PFRS was \$23,487,766,791.

**Q. How did the PFRS become so underfunded?**

**A.** In 1997 Governor Whitman signed into law P.L. 1997, Chapter 115, which authorized the use of bonds and surplus pension assets to make a reduced pension payment toward contributions to the pension system.

In 2000 another law was passed; P.L. 2000, Chapter 8, which was meant to be a one time accounting maneuver which used excess pension assets to permit the

State and local governments to reduce their PFRS pension contributions for 2000 and 2001.

In 2001, local governments were again given a massive break on their PFRS contributions with the enactment of P.L.

2001, Chapter 44. This act provided a \$150 million reduction in local government pension payments for 2001. The law was meant to stabilize

*“Reality is that the pension system is a bank account and if you withdraw money for 14 straight years without depositing money it will dwindle away.”*

PFRS pension contributions and savings realized by counties and municipalities as a result of the reduction; it was required to be used for property tax relief.

*“The anchor that is sinking the PFRS is when we get lumped in with PERS and TPAF.”*

2003, another law passed, P.L. 2003, Chapter 108, which permitted local governments to stagger their pension contributions between 2004 and 2008, starting with 20% and phasing in to 100%. The money not paid during the phase in

period was added to the underfunded liability of the PFRS and is required to be made up by local governments in their future payments.

Then in 2009, P.L. 2009, Chapter 19, provided local governments an option to defer 50% of their 2009 PFRS pension obligations.

Now, the pension payments are due and the public employees are being accused of having benefits that are too rich. Reality is that the pension system is a bank account and if you withdraw money for 14 straight years without depositing money it will dwindle away.

**Q. If the Governor pays the 3 Billion dollar pension payment that we constantly hear about, would that help PFRS?**

**A.** Again, that is another misconception. The PFRS has 44,204 members. Only 7,572 of those members are state employees. Most of the

members in PFRS are employed by local employers, such as counties and municipalities. Only 17% of PFRS are state employees, so actually we would get just a small amount of that money. Our system is primarily funded by the members and local employers. That is why our system is fine. The anchor that is sinking the PFRS is when we get lumped in with PERS and TPAF.

**Q. Let's turn to disabilities. The Governor's pension reform significantly reduces accidental disability benefits; how do you feel about that?**

**A.** I definitely believe that we need to reform the statutes regarding disability retirements. The Supreme Court's "Richardson" decision has opened the flood gates for disability pensions?

**Q. I must admit, I'm not familiar with the "Richardson" decision. What do you mean by "opening the flood gates"?**

**A.** 19.6% of law enforcement is out on disability pensions. That's a (continued on next page)

## EXCLUSIVE INTERVIEW WITH PFRS CHAIRMAN JOHN SIERCHIO

disgrace. It costs the pension system in excess of 165 million dollars a year and has an accrued liability of more than 2 Billion dollars, and in my opinion, most are not totally and permanently disabled. Just because a person gets injured doesn't mean that they are totally and permanently disabled. Due to the Supreme Court's decision, just about every incident qualifies for a 2 /3rds tax free pension. For instance, we have been granting disability applications for members who slip on ice, trip over a curb, slip on a wet floor, injure themselves putting up a target at the shooting range, falling off a chair while sitting down, twisting their ankle while exiting a patrol car and the list goes on and on.

**Q. Do you believe that there should be an earnings test on disability pensions?**

**A.** Last year I was interviewed by Walt Kane from News 12 and asked that same question. In that interview, I had told him that I didn't believe there should be an earnings test on members

who are granted accidental disability. I have since changed my position. Since the Supreme Court changed the standard of disability pensions, we've had an influx of applications. We have to grant just about every one of those applications. Each individual accidental disability application that gets approved costs the PFRS more than 1 Million dollars over the members lifetime. I don't believe

**“The average age for special retirement is 52.8 years old with 27.6 years of service. The annual benefit is \$56,708.00.”**

that just because a person has an incident that fits this very lax criteria that they should be granted a retirement benefit that is better than a person who fulfills his entire career. This benefit was designed for the member who can't work anymore because of a traumatic event that caused a total and permanent disability. It is being seriously abused and needs to be corrected. Most of the members that I have talked to who are legiti-

mately totally and permanently disabled have no problem with the earnings test. It's the people who want to collect an inflated benefit at a young age and then go out and get another job, they're the ones hurting the pension system. So yes, I absolutely believe we need the earnings test to stop fraudulent disabilities.

**Q. Is there anyone who investigates these accidental disability claims?**

**A.** No, and I think we need an investigative arm. Like I said, every disability that gets approved costs the pension system over 1 Million dollars and there is nobody to investigate if it's legitimate. The Attorney General's Office investigates insurance fraud for third party for profit companies, yet if you steal 1 Million dollars from the state pension system no one investigates it.

**Q. What is the average age and years of service for disabilities?**

**A.** The average age for accidental disabilities is

39 years old with 12.9 years of service.

**Q. What is the average age and years of service for a Special retirement.**

**A.** The average age for special retirement is 52.8 years old with 27.6 years of service. The annual benefit is \$56,708.00.

**Q. I understand that some of those very vocal critics of our pension system have been using 43 as the average age for special retirement?**

**A.** Yes, I've heard that also, but that is a total misconception. I guess saying our officers are retiring at 43 just adds to the controversy.

**Q. Moving on ; the Star Ledger recently did an article entitled 'Breaking Down Your Tax Dollars'. In that piece it was noted that 3/10 of a penny of New Jersey taxes goes towards the Police and Firemen's Pension Fund. That surprisingly small amount**

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**seems significantly different from the grim picture currently being presented to the public by the Governor. Was this figure accurate?**

**A.** Yes, the figure is accurate, 3/10 of one penny. I was very happy to see that article in the Star Ledger. The misconception is that police and fire are the drain on the state tax dollar. Reality is that the Police and Firemen's Retirement system is funded primarily by local employers, not the State of New Jersey. There are only 7,572 state employees in the PFRS. So a very small piece of state money goes into PFRS. When the Governor gives his analysis of the pension systems, he groups all the pension systems together and that's what makes the pension systems look grim. The PFRS is different.

**Q. You mentioned earlier, now that we are through the "phasing in" period wherein the law requires that local municipalities pay their share into the pension we should see an influx of cash in the PFRS. Can you explain that to our readers in more detail and how long**

**that will take to have a positive impact on our system?**

**A.** Now that the five year phase in period is over, local employers will have to pay 100% of their normal contributions plus whatever is owed due to the phase in legislation. That cost comes to nearly 31% this year for local employer contributions. Their 31% plus our 8.5% totals 39.5% of salary. As long as there is no further legislation passed which would allow local employers to skip future payments, together we will be contributing 39.5% of a members salary into the PFRS this year. When that happens and with the stock market rebounding very well, we should see significant increases in the PFRS over the next several years. Lets not forget though, our actuary reports are a year behind, so the next report which ends June 30, 2011 will not show the influx of cash or the growth in the stock market, but the actuarial reports from 2012 forward will. That's when we will start noticing the gains.

**Q. Obviously, because of all the very aggres-**

**sive pension reform rhetoric and legislation that is being introduced faster than we can keep track of, many officers are obviously very concerned about losing or having their hard earned benefits impacted. In fact, officers are retiring in record numbers in an effort to protect those benefits. What advice would you give to an officer who is thinking of retiring simply based on these "pension reforms"?**

**A.** I get those questions all the time and I tell them if I had a crystal ball I would be looking at future lottery numbers and not pension legislation. But on a serious note, everyone's lifestyle and financial situations are different. Do you have young children or adult children? Do you have a high mortgage payment or maybe no mortgage at all? Are you paying college tuition? What is your financial situation? How is your health? Can you actually afford to retire? Those are some of the questions that a person needs sit down and think about. Only the member himself could answer those questions and then decide if he should retire or

not. Many of our members also work a lot of overtime and side jobs. Once you retire, that income is now lost. You have much more potential to earn income while your employed than when your retired. That's pretty much what I tell people, its an individual and personal decision one has to make for himself. Still, with that all said, the reality is that no pension reform legislation affecting active members has even passed yet. So why rush to retire.

**Q. In somewhat the same vein, what advice, information or reassurance would you give to retired officers? In your opinion, how secure are their already acquired benefits?**

**A.** When you say already acquired benefits, what exactly do you mean? Active members and retirees always ask me questions regarding their benefits. I then ask them if they are talking about their pension or their benefits because they're different. Pension to me means the money they receive from the PFRS after they fulfill there obligation.

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When someone mentions benefits to me, I interpret that to mean the health benefits they receive after they fulfill their obligation. But health benefits are contractual and differ from employer to employer. Regarding the pension, once a person is retired and they're receiving a monthly pension benefit, they're secure. I don't believe they should worry about losing their retirement monies. I think that it would be impossible for any law to pass that changes the pension benefit of a current retiree because that would clearly violate the New Jersey State Constitution. Now health benefits are different. Health benefits are not constitutionally guaranteed. They are contractual and in reality most members of the PFRS get health benefits paid for by their local employer, not the State of New Jersey so it should be a collectively bargained issue, not a legislated issue. The legislation recently proposed by Senator Sweeney where members would have to pay 30% of the health plan premium is devastating for public safety. Again, most members get health benefits paid into retirement by local employers and the local

employers at any time can negotiate health benefits. If Senator Sweeney wants to pass legislation for the people who get their health benefits paid for by the state, then maybe he has that right. But he should leave the people alone who don't get their health benefits paid for by the State of New Jersey. So in my opinion, legislatively changing a members acquired health benefits is up for debate.

**Q. John, let's end this interview by having you taking out your crystal ball. When all the smoke clears, where do you see our pension system, specifically the Police and Firemen's Pension System, in the immediate and long term future?**

**A.** I believe that the Police and Firemen's Retirement System will make a full recovery over the next 5- 10 years, as long as there is no future legislation passed that will allow local employers to skip or defer their pension obligations. Even if the State doesn't make its contributions. Again, we receive a small amount of money from the State. The 3 billion dollar figure that we con-

stantly hear about in the media doesn't have to much affect on PFRS. We probably would only receive a couple hundred million dollars of that money anyway. You're laughing when I say a couple hundred million dollars, like it's nothing. I would love to have that money added to our system but in the grand scheme of it all, that money is nothing compared to what the members and local employers will be contributing. Lets also not forget that even though the state is not contributing their portion, the 7,572 state employees are still contributing their 8.5%. No one is giving them a free ride. I believe that if all the state pension systems were to be separated and PFRS was to stand alone, our recovery could well occur even faster. Like I said before, the PFRS is being dragged down by some of the other pension systems. We pay and have always paid the highest contributions of all public employees. We don't allow part timers. We don't allow large salary increases to boost your final compensation for pension purposes. We don't allow members to have 2, 3, 4 or more jobs to stack and increase their pensions. The one major problem

that I do see with PFRS and must be legislatively corrected is the disability retirements. Having 19.6% of the law enforcement membership out on a disability pension is a disgrace. We should be doing more for the member that is legitimately totally and permanently disabled and less for the ones who are gaming the system. And most are gaming the system. Many people will probably be upset that I say that but as a pension trustee I have a fiduciary responsibility to the 80% of the membership who want to finish a career and the few percent who are actually totally and permanently disabled. The days of protecting the members who don't want to work but want to collect a better pension benefit than the rest of us is over. I can promise you that as a trustee of the PFRS, I will make my voice heard regarding disability pensions. The truth is that the members who I've talked to who were shot or were in a serious car accident or beaten to a pulp by an inmate have no problem with what I am saying. It's the member who slipped and fell or was pushed to the ground

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and broke a finger nail or tripped over a curb, they're the ones that don't like what I'm saying, but it has to be said. Its a drain on our pension system. The cost is over 2 billion right now. If we don't fix it the costs will skyrocket and ultimately hurt our system.

### Q. Any final comments?

A. Yes, I would like all your readers to contact their legislators and educate them about the Police and Firemen's Retirement System. Let them know that we are different. Let them know that our system is not failing and our benefits shouldn't be reduced for any active member. When we retire, we should receive the exact pension benefits that were in effect when we started employment. Law enforcement is constantly being compared to other public employees, but until that employee straps on a bullet-proof vest and goes to work at midnight on Christmas Eve, there's

no comparison. We are different.

**“I believe that the Police and Firemen's Retirement System will make a full recovery over the next 5-10 years, as long as there is no future legislation passed that will allow local employers to skip or defer their pension obligations.”**

**Final Comment:**  
Once again, thank you for all the hard work you do for all of our members in the PFRS. I appreciate the time and the candor you've provided me in an effort to clarify some issues in this very disturbing time in New Jersey law enforcement.

### Final Response:

Thank you and let your members know

that I have always appreciated their support and will always be available to answer any questions they may have.

This interview was conducted during the first week of March 2011 by IAPSNJ Magazine Editor, Patrick Minutillo.

Questions and/or comments regarding this interview can be sent directly to the Editor at

PMinutillo@verizon.net  
or through our web site:

[www.iapsnj.org](http://www.iapsnj.org)

*John G. Sierchio has been a member of the Police and Firemen's Retirement System Board of Trustees since July of 2002. John is currently serving in his third elected four year term. He was elected in July 2002, re-elected in 2006 and then again in 2010. John was also elected Chairman of the Board of Trustees in 2007, a position he currently holds.*

*John was chosen in November of 2009 by then New Jersey Governor Elect Chris Christie to serve as a member of his transition team. He served on the Law and Public Safety Sub-Committee.*

*John is currently a Detective Sergeant with the Bloomfield Police Department and has been in law enforcement for over 24 years.*

Italian American Police Society  
Of New Jersey  
P.O. Box 352  
Lyndhurst, New Jersey 07071



**Our Annual Gala Dinner Dance was held on Saturday, March 26, 2011 at The Fiesta, Wood-Ridge, NJ  
Look for Dinner Dance Photos & Story in our Summer Issue**

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