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Commentary on School Superintendent Contracts

The Westfield Leader and The Scotch Plains-Fanwood Times has been studying the superintendent contracts for those in Union County since June when New Jersey Department of Education (DOE) Commissioner Lucille Davy instructed the county executive superintendents to review all superintendent contracts under their domain following highly publicized abuses. The objectives of The Leader/Times' case study are to understand the workings of the pension system and contracts; enhance public awareness and encourage corrective action to reduce abuse while protecting the interests of legitimate workers and the taxpayers. The study is not a singling out of the school superintendents. However, it is hoped that the example illustrates the problems, leading to resolutions.

We obtained the actual contracts by OPRA requests (Open Public Records Act) and, they are posted on the Internet at goleader.com for the public to conduct its own review. The 2009 compensation for Union County School Superintendents is on page 1.

Last week, the DOE made public the salaries of all education administrative employees earning more than \$75,000. This is also posted.

We commend the DOE's research, although we believe some of this information is incomplete and not up to date, based on our independent review. Nevertheless, this should not distract from the public's necessary review.

This review comes at a time when Governor Jon Corzine called for drastic actions to avoid state bankruptcy, a move The Leader and The Times has investigated since February. He says the State of New Jersey is in a financial crisis in that it has a bond debt of \$35 billion and \$60 billion of unfunded liabilities for employee retirements. Governor Corzine says that the crisis is worsening and that the current total of unfunded liabilities is about \$110 billion. The Governor's video and documents are posted at goleader.com.

The education costs in the state are the largest factor of the state's financial crisis. Education Commissioner Davy is trying to end abuses in contracts given to the school superintendents and other administrators.

Last Friday, the superintendents association filed a lawsuit against Commissioner Davy saying the new rules are an unconstitutional taking of property from the superintendents and that rules against excessive pay are not found to be reasonable. We support Commissioner Davy on this issue and think the association should spend its energy shedding itself of bad apples rather than suing for more of the taxpayers money. How does this "Do it for the children?"

The New Jersey Education Association (NJEA) is the strongest lobbying group in the state. Their power causes most legislators to cover. Its campaign donations cause most candidates to capitulate to their wishes. "It's political suicide to oppose them," is the whisper. Even the defunct School Construction Corporation spent \$8 billion in taxpayers' money, and the state admits it has no idea where it went. There is now a motion by the state to spend another \$3.9 billion in school construction (unfunded) — a program purposely not brought to the voters for approval, assuredly, it would be defeated.

There are 21 towns in Union County and 27 school superintendents (20 for the towns, the county superintendent, three charter schools, Union County (UC) Education Services, Morris-Union, and UC V6Tech). Scotch Plains-Fanwood is combined into one district. This myriad of school districts and overhead in the county mirrors the situation in the state, in which there are 568 municipalities yet over 611 school districts.

To date, we are not aware that the highly publicized abuses have been stopped. Nor have we heard of any commentary as to the department's assessment as to the fairness and validity of these contracts.

Superintendents in each district are awarded contracts, all of which are written with nearly identical wording, as if they are a standard form. Given the similarity of the contracts, one wonders if the boards of education have the power or the will to negotiate on behalf of the citizenry; otherwise, why would the contracts be all the same?

We suspect these contracts are crafted by the education unions — New Jersey Education Association (NJEA), local unions, et al. In the opinion of many legislators and this newspaper, these contracts are one-sided, misleading, abusive, contain hidden forms of compensation, accumulate large bonuses for superintendents upon retirement and obligate the public to substantial unfunded retirement benefits and free health care for life. All risks of cost increases are placed on the taxpayer, leading to little accountability or motivation for cost management.

From the taxpayer's perspective, perhaps even more worrisome than the total yearly costs of salaries and bonuses are the bonuses upon retirement, size of retirement salaries and unbridled health care benefits for life. At current rates of increase, health care costs double every five years (15 percent per year compounded). Admittedly, retirement and healthcare are universal problems in the state, not just limited to the contracts of school superintendents — the focus of our study.

Defined Benefits: State, county, local and school employees are provided with defined benefits for retirement and health care, regardless of what the actual cost may be. Most, but not all, employees contribute to the plan with a deduction from their salaries of about 5 to 7 percent depending on the employee's category. The local firefighters union told this newspaper that their personnel contribute 8.5 percent of their salaries to the pension system.

The public at-large guarantees the plan and pays all costs above and beyond those of employee contributions and investment income. This system, along with how it's been managed and abused combined with skyrocketing health care costs, has led to the current \$60 billion liability. To prevent system collapse, local towns have been told to increase pension payments from revenue derived from property taxes. Thus property taxes go up further.

Property Taxes: Most of the property taxes (about 60-65 percent) go to fund public education. The counties and municipalities receive about 20 percent of the property

taxes, respectively. The towns collect the property taxes and distribute them to the school districts, the counties and themselves. This distribution array varies from region to region as low-income areas such as Newark and Camden receive significant state aid and have lower property taxes, whereas high income areas such as Westfield and Summit receive very little aid and have higher property taxes. The Abbott School Districts state aid program is a controversial example and has been the subject of criticism for malfeasance and abuse.

Impact on Taxes and Employees: Despite rhetoric by elected officials of budget cutting and spending limits, the spending, costs, debt and taxes continue to rise. Many cost increases are being passed down the line, resulting in property taxes continuing to rise at a high rate. For example: in Westfield, with a population of 30,000, with 10,000 homeowners, property taxes are projected to rise by about 9 percent in August 2008 from the current level of about \$11,200 per year to over \$12,000 average. Westfield residents will pay about \$125 million in property taxes this coming year (\$85 million to the school system). As towns deal with rising costs, employee layoffs are rising. Fanwood Borough sent a letter to all employees of possible layoffs. All towns in the region are experiencing similar impacts.

Fraud and Abuse: It is widely publicized that New Jersey is afflicted by fraud and abuse in government. The retirement system is heavily afflicted. Retirement salaries are determined by the average of the three highest years of pay in government service. One can be a part-time employee making as little as \$1,500 per year, but only the last three years earnings count in determining retirement pay. This results in abuse by many of those clever and powerful.

Too common a practice has been part-time and the politically connected individuals, at the point of their retirements, being appointed to some commission with a salary of over \$100,000 per year for the purpose of retirement enrichment at the expense of the public.

From the N.J. Public Employees' Retirement System handbook (PERS): Retirement salary = (Years of service/57) x (Average of three highest years of salary). Figure 1, Retirement Calculations, is a spreadsheet illustrating how the system works. Several assumptions are made on interest rate and longevity in the example.

With much fanfare, legislators proposed this year to change the pension rules to stop abuse and bring legitimate costs under control. In the end, only few changes were made, including: to require minimum earnings of \$7,500 per year and one must be 62 years old, rather than 60. The last-three-years-calculation provision stands, perpetuating the open door of abuse, in our opinion. New legislators from this point on are now in a 401(k) plan, although current legislators are grandfathered into the more lucrative system.

Also, part-time and full-time employees can receive retirement benefits from more than one plan. It was also proposed by some legislators that an employee be only eligible for one retirement plan. This was defeated. So it seems, the public remains exposed to abuse.

Complaints of School Superintendent Contracts: May 28, 2008: Keansburg Superintendent Barbara Trzeszkowski is set to receive a \$740,000 severance payment in addition to her \$120,000-a-year pension. June 12, 2008: The Star-Ledger reported that in January, Commissioner Davy denied a request by the Hoboken Board of Education to void a consulting fee portion of a retirement deal for Hoboken Superintendent Patrick Gagliardi who retired in June 2007. Mr. Gagliardi received \$495,000 for unused sick and vacation days along with a promise to be paid \$996 per day as a consulting administrator for up to 100 days. These perks are in addition to his \$128,400 per year pension.

The State Commission of Investigation (SCI) released a report two-and-a-half years ago calling into question school superintendent excessive contracts and benefit packages. The SCI is a non-partisan appointed agency. "For the last two-and-a-half years, both Governor Corzine and Commissioner Davy sat on the SCI report and did absolutely nothing about these obscene superintendent salaries and benefit packages," said GOP Assemblywoman Marcia Karrow (LD-23, Flemington).

Notes of Contracts for Superintendents of Schools: References are made in superintendent contracts to local union contracts as they may exist now or in the future at time of effect; thus, full details of superintendent contracts may not be accessible without obtaining and reviewing the local union contracts. In addition, contracts are subject to changes as may occur with local union contracts in the future; yet, provisions in the contracts say that compensation cannot be reduced, which implies that they only can increase. Also, references are made to "at the discretion of the board" and "which shall not reasonable be withheld." The contracts also contain arguably unfair language such as "This contract shall be automatically renewed unless otherwise advised a year in advance." We think these contracts are unfairly written and should be universally redone with an independent arbitrator.

Democratic Senator Nicholas Scutari (LD-22, Linden) led a group of legislators under the direction of the Governor in the summer of 2006 to study the contract problems and state finances. His committee provided recommendations from which legislation was drafted. However, once lobbyists gutted his committee's report, the senator refused to sponsor his own legislation.

Spin-off legislation has resulted since the time of Sen. Scutari's work. The latest is the enactment of a 401(k)retirement system, originally sponsored by Sen. Scutari — intended to bring sanity to the finances. However, because the law has been neutered, it essentially applies to no one. Sen. Scutari says that the lobbyists have peeked away at the legislation, and the savings are essentially insignificant.

So, we ask the question: "If the senator can't fix it, the commissioner of education can't fix it, and if the Governor won't fix it, who will?"

Special Feature
Superintendent Contract Excerpts
 (see goleader.com for complete document)

Morris-Union Jointure Commission Board of Education, New Providence
 Susan Yaniro, School Business Administrator

To: Dr. Carmen Centuolo, Union County Superintendent, Westfield, NJ
 Dear Dr. Centuolo:

As requested in the memorandum dated May 30, 2008 from William King, Assistant Commissioner, enclosed please find a copy of Dr. Kim Coleman's current employment contract.

Amended Agreement Between The Morris-Union Jointure Commission Board of Education And Superintendent Of Schools

THIS AGREEMENT is made and entered into this 13th day of June, 2007... "Dr. Coleman" or "Superintendent", whose address is 116 Mountain Avenue, Berkeley Heights, New Jersey.

for the 2007-08 through and including 2011-12 school years.

COMPENSATION:...an annual salary of \$211,036.00 for the 2007-08 school year... \$222,960.00 for 2008-09; \$235,557.00 for 2009-10; \$248,630.00 for 2010-11; (\$262,429.00 for 2011-12. 401(a) Contribution. In addition to the salary set forth above, the Board will contribute five (5%) percent of the Superintendent's annual salary plus Three Thousand (\$3,000.00) Dollars into a 401(a) plan on behalf of and for the benefit of Dr. Coleman. For 2007-08, the contribution will be Thirteen Thousand Five Hundred Fifty-two (\$13,552.00) Dollars; for 2008-09, the amount shall be Fourteen Thousand One Hundred Forty-eight (\$14,148.00) Dollars; for 2009-10, the amount shall be Fourteen Thousand Seven Hundred Seventy-eight (\$14,778.00) Dollars; for 2010-11, the amount shall be Fifteen Thousand Four Hundred Thirty-Two (\$15,432.00) Dollars; for 2011-12, the amount shall be Sixteen Thousand One Hundred Twenty One (\$16,121.00) Dollars.

a. The Superintendent shall be granted twenty-five (25) vacation days annually; The Superintendent shall be permitted to utilize vacation days at any time.

b. In any year of this Agreement, the Superintendent may opt to not use up to fifteen (15) vacation days, and the value of those days at his then-operative per diem rate may be converted to an additional contribution to his 401a.

If the annual 401 (a) contribution is reached, any remaining value can be contributed to his 403a subject to the annual limit. Any additional accrued vacation time shall be paid upon separation at the per diem rate established during the final year of service. "Per diem rate," as utilized in this Agreement, shall be defined as 1/240 of annual salary.

a. Superintendent shall be allowed seventeen (17) days sick leave annually. The unused portion of such leave, at the end of each school year, shall be cumulative, up to a maximum of twenty (20) days per year, inclusive of any unused personal leave as set forth in paragraph C(4) hereof.

b. In any year of this Agreement, the Superintendent may opt to reduce his accumulated sick leave bank by up to 150 days. He shall be compensated for such reduction at the rate of thirty-four (34%) percent of his per diem rate for each day so reduced, with the value thereof contributed by the Board to his 401(a) up to the annual limit, and then to his 403(b) Plan.

At separation or retirement, any additional accumulated sick leave shall be compensated for at his then per diem rate.

Personal Leave. The Superintendent shall be granted three (3) days of absence annually for personal matters. Unused personal days shall convert to accumulated sick leave at the end of each year.

Bereavement Leave. The Superintendent shall be allowed bereavement consistent with board policy No. 3436.1.

The Board shall provide at no cost to Superintendent, full family coverage: Major Medical, Dental Care, Prescription Plan, Vision Care. The Board shall reimburse the Superintendent for all medical benefits not covered by the Board's health, medical hospital, dental and vision benefits policies, including out-of-pocket expenses, co-pays and deductibles.

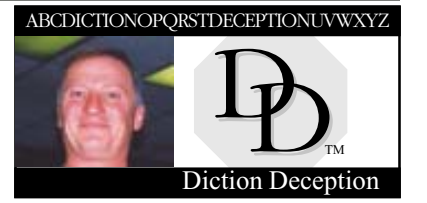
(1) Automobile Entitlement. In light of the unique nature of the professional duties of the Superintendent, the Board will provide the Superintendent with a leased automobile and One Thousand (\$1,000.00) Dollars annually for the expenses in connection with the use thereof for each year of the five school years of this Agreement. In addition, the Board will reimburse Dr. Coleman the existing annual IRS mileage

G. Other Compensation....the full cost of registration fees, tuition expenses, and textbooks for graduate school coursework at an institution of the Superintendent's choosing.

4. RETIREMENT. The Board will pay for all unused accumulated vacation and sick days.

The Superintendent's per diem rate shall be calculated at 1/240 of his then-current annual salary.

PROFESSIONAL GROWTH. The Board encourages the continuing profes-



Below are four arcane words, each with four definitions — only one is correct. The others are made up. Are you sharp enough to discern this deception of diction?

If you can guess one correctly — good guess. If you get two — well-read individual. If you get three — word expert. If you get all four — You must have a lot of free time!

All words and correct definitions come from the board game Diction Deception.

Answers to last week's arcane words.

1. Madid - Wet; moist
2. Poort - A mountain pass
3. Hin - A Hebrew measure of liquids holding about six quarts
4. Poplital - The part of the leg behind the knee

- SCREE**
1. The decay of teeth or bones
 2. A pebble; a stone
 3. Turmoil
 4. A meteorite containing nothing but iron

- WALM**
1. To infect
 2. Well-formed
 3. To bubble or boil
 4. Peaceful; friendly

- SECK**
1. Barren; unprofitable
 2. Of little or no consequence
 3. A little shoot; a twig
 4. Hives

- WHELK**
1. A young female swine
 2. An old work horse
 3. To shackle, to chain
 4. A pimple

Special Feature Comment

This page is a special feature covering this newspaper's views and reviews of the debate over public debt, property taxes, government employee compensation and retirement benefits. We're positive that this is not the last word on the matter.

Sample New Jersey Pension Calculations

Year	Employee-1 \$ Salary	Present Value \$ EC	Employee-2 \$ Salary	Present Value \$ EC
1	35,000	1,750	7,500	375
2	37,135	1,857	7,500	375
3	39,400	1,970	7,500	375
4	41,804	2,090	7,500	375
5	44,354	2,218	7,500	375
6	47,059	2,353	7,500	375
7	49,930	2,496	7,500	375
8	52,976	2,649	7,500	375
9	56,207	2,810	7,500	375
10	59,636	2,982	7,500	375
11	63,274	3,164	7,500	375
12	67,133	3,357	7,500	375
13	71,228	3,561	7,500	375
14	75,573	3,779	7,500	375
15	80,183	4,009	7,500	375
16	85,074	4,254	7,500	375
17	90,264	4,513	7,500	375
18	95,770	4,789	7,500	375
19	101,612	5,081	7,500	375
20	107,810	5,391	7,500	375
21	114,387	5,719	7,500	375
22	121,364	6,068	7,500	375
23	128,768	6,438	7,500	375
24	136,622	6,831	7,500	375
25	144,956	7,248	7,500	375
26	153,799	7,690	7,500	375
27	163,180	8,159	7,500	375
28	173,134	8,657	7,500	8,750
29	183,696	9,185	7,500	9,250
30	194,901	9,745	7,500	10,000
subtotal		140,811		38,125
Retire/yr.	100,315		101,818	
years	30		30	
retire age	62		62	
death	78	16	78	
Avg. 3 High	\$ 183,910		\$ 186,667	
Sum Retire	\$ 1,234,114		\$ 1,251,003	
Payout	\$ 2,281,340		\$ 2,305,395	

The above table illustrates two pension calculations for school or public employees in New Jersey. The calculations are based on a 5 percent interest rate. Employee 1 receives a 4 percent raise each year. Employee 2 is part-time for 27 years then receives a political appointment to a high paying job for the last three years (of which retirement salary is calculated). Employee 2 would receive retirement pay of \$101,818 per year plus healthcare for life. Employee 1 would receive slightly less.

Each employee contributed 5 percent of their salary to the retirement plan and the money was invested at 5 percent interest.

The total cost of the retirement plan for each individual is about \$1,250,000 (Present Value Lump Sum); or about \$2,300,000 payout over 16 years. Employee 1 invested contribution totals of about 25 percent of the retirement cost; Employee 2 invested contribution covers of about 5 percent of the cost. The public pays the rest and assumes all risks.

Let's see...\$50 for speeding, \$40 surcharge for state budget deficit; another \$30 for Abbott districts, \$25 for sick day bonuses, add 2% for Open Space, multiply by 1.35 for affordable housing; \$10 to keep state parks open; \$45 for study to justify pay-to-play; \$5 for backdoor payment to Rutgers football coach; \$25 for Giants and Jets license to renew, \$15 for Gov's trips to Israel;...now to look at the back side of this form...NJEA adders.

