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LT. GOV. GUADAGNO & THE \$170,000 STATE PENSION FUND SCAM – Investigative Report by Mark Lagerkvist

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False statements by Lt. Governor Kim Guadagno enabled a police official to improperly receive \$170,000 from a state pension fund, according to a New Jersey Watchdog investigation.

As Monmouth County Sheriff, Guadagno helped Chief Michael W. Donovan Jr. circumvent pension rules to collect more than \$85,000 a year in retirement pay while drawing an annual salary of \$87,500.

Guadagno hired Donovan as "Sheriff's Chief" in September 2008. In a memo to her staff, the future lieutenant governor announced Donovan was replacing John Cerrato as Chief. Donovan was a retired investigator who had worked for the Monmouth County Prosecutor's Office.

As the new Chief, Donovan should have re-enrolled in the Police and Firemen's Retirement System. Under state law – N.J.S.A. 43:16A-15.3 – retirement benefits should have stopped with his employment.

Instead, Guadagno deceived county officials, the press and the public about Donovan's job title.

In a news release, Guadagno announced the hiring of Donovan as "Chief Warrant Officer," a different position that's exempt from PFRS and its rules. In addition, the Sheriff's Office informed county payroll officials that Donovan was hired as Chief Warrant Officer.

Those statements were false. The position of Chief Warrant Officer had been eliminated by an order signed by Guadagno on Sept. 16, 2008 – the week before Donovan started.

There is a big difference between the two jobs. The Sheriff's Chief oversees the day-to-day operation of the Law Enforcement Division, including 115 officer and 30 civilian employees. The Chief Warrant Officer, under the previous organization structure, was a civilian position responsible for "community relations programs." Sheriff's Chief is a position covered by PFRS and its rules; a Chief Warrant Officer is not, according to the State Treasury's official list.

Donovan is identified as Sheriff's Chief on Monmouth County Sheriff's official web site. Yet personnel records still list Donovan as Chief Warrant Officer, a job that doesn't exist on the current organization chart. Meanwhile, Donovan continues to collect a pension along with his salary.

Donovan could be forced to repay the state plan roughly \$185,000. That figure includes roughly \$170,000 in retirement benefits he's received since September 2008, plus more than \$14,000 for back contributions he should have been paying into the PFRS.

Guadagno's pivotal role in the Donovan controversy is likely to embarrass Governor Chris Christie as he campaigns for widespread reform of New Jersey's public pension system. The New Jersey Treasury has estimated the state retirement plans for public employees are underfunded by roughly \$45 billion. An independent study earlier this year reported the shortfall could actually be as high as \$173 billion.

Christie is also likely to face calls to appoint a special prosecutor to investigate Guadagno under the New Jersey

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State Constitution Article 5, Section IV, Paragraph 5.

Ironically, Guadagno specialized in prosecuting corruption cases as an assistant U.S. attorney. In 2007, she was elected Monmouth County Sheriff. Two years later, she ascended to Lieutenant Governor as Christie's running mate. She is also New Jersey's Secretary of State.

Donovan began his career in 1974 as a police dispatcher in Neptune City. In 1982, he was hired as an investigator by the Monmouth County Prosecutor's Office. Three years after retiring in 2005, then-Sheriff Guadagno hired him as Chief.

"Mickey Donovan comes to the Sheriff's Office with a wealth of experience and I welcome him," Guadagno said in her 2008 press release. "Mickey will lead our law enforcement unit with new innovative approaches and strategies when in comes to dealing with the law enforcement challenges of the future."



Chief Donovan takes an oath, witnessed by his mother, Emily, Guadagno and the Hon. Lawrence M. Lawson

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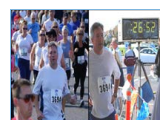
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