



Going Even Further With Bipartisan Pension Reform

Governor Christie To Legislature: A Time To Choose

"We knew we had to fundamentally reform the way things work. The problem we were facing was systemic. So together, we made the choice to touch the third rail of politics and do what everyone else said was impossible. We chose to do what was hard and politically unsafe by putting the future of our state and the prosperity of our people first. Together, we worked to achieve a sweeping, bipartisan plan to deal with our state's pension and benefit system."

– Governor Chris Christie, New Jersey State Budget Address, February 25, 2014

In September of 2010, Governor Christie put forward a bold, ambitious and unprecedented plan to deal with the enormous unfunded liability in New Jersey's state and local public pension funds. The result was a series of landmark, bipartisan reforms enacted in June of 2011 that dramatically improved the long-term financial stability of the State-administered retirement systems.

Those historic reforms, which were hailed as the "first knot in the rescue rope as the state tries to pull itself out of a terrifyingly deep \$120 billion pension and health benefits hole..." recognized the system was broken and unaffordable. Under Governor Christie's leadership, leaders of both parties came to the table and made the choice – together – to begin to change course and control these costs.

Making The Choice In 2011 To Touch The Third Rail:

The bipartisan pension reforms of 2011 are expected to save New Jersey's state and local governments \$122 billion in the 30 years from 2011 to 2041. It accomplished this with tough, responsible choices that served as a national model for bipartisanship and real reform:

- Raising the ages for early and regular retirement for the pension systems
- Increasing employee contributions
- Ending mandated Cost-of-Living-Adjustments (COLAs) until funds are healthy
- Better management of the 7 individual pension systems through reformed management boards
- Mandating a healthy level of funding for each system that cannot be violated once it is reached

Governor Christie has met those systematic reforms with a firm commitment from the state to meet its own funding obligations to retirees.

*Under Governor Christie, New Jersey has made the largest state payment to the pension fund in history, and he goes further this year with a pension payment in fiscal year 2015 of nearly **\$2.25 billion**.*

Choosing Responsibility: Taking on the Looming Pension, Health Benefit and Debt Crisis:

This budget meets the State's obligations while funding key priorities, but the challenge today is immediate and clear –the looming crisis posed by New Jersey's out-of-control pension, health benefits, and debt service costs is at our doorstep.

Though the historic, bipartisan pension and health benefits reforms enacted in 2011 reduced New Jersey's state and local unfunded pension liabilities, New Jersey's long-term fiscal health continues to be seriously threatened:

- While **Governor Christie** is making the largest pension payment in state history, an astounding **78%** of the **\$2.25 billion** payment goes to the Accrued Unfunded Liability – the legacy of years of irresponsibility from governors and legislators who paid little or nothing into the system.
- **94%** of the year-over-year growth from last year to this year is not going to schools, infrastructure, or higher education. It's going to cover the growth in pension, health benefits, and debt service costs.
- More than **\$3.2 billion** of the \$5.4 billion in increased revenue since fiscal year 2012 is being eaten up by pension, health benefits, and debt service obligations.

Unless New Jersey's leaders make the choice to go further with reforms, these costs will overwhelm the State budget, monopolize resources, and threaten the investments and progress New Jersey has made over the past four years. New Jersey is at a crossroads and the choice is simple to either reform the system to bring these costs under control or forego, and perhaps reverse, investments in other priorities essential to our state's future.