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State of New Jersey Department of the Treasury

Christie Administration Announces New Jersey Property Taxpayers See Projected Savings of \$540 Million

*Local Government Pension Costs 25% Lower This Year Than They Would Have Been
Without Governor's Historic Bipartisan Pension & Benefit Reforms*

Trenton – Continuing to show the significant savings to property taxpayers resulting from the Governor's bipartisan pension reforms of 2011, the Christie Administration today released Fiscal Year 2014 pension bills for local governments across the state. These bills, which provide the formal actuarial assessment of pension costs to each local government with employees in the Public Employee Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS), are accompanied by actuarial projections that demonstrate that pension costs are \$540 million – or 25 percent – lower for the coming fiscal year than they would have been without the Governor's historic reforms.

Prior to the enactment of reforms, an unreformed system saddled local governments and property taxpayers with skyrocketing costs, including spikes of 17.7 percent, 9.6 percent, and 25.8 percent in fiscal years 2009, 2010, and 2011 respectively. In the two years following Governor Christie's bold reforms enacted in June 2011, pension costs fell by 6.1 percent (fiscal year 2012) and 1.5 percent (fiscal year 2013) to a new, affordable baseline for property taxpayers.

"The tough decisions we made in 2011 to get our pension and benefit costs under control are paying dividends every year for New Jersey's overburdened property taxpayers," said Governor Christie. "The combination of pension and benefit reform and other bipartisan reforms such as the 2 percent cap on annual increases in local property taxes, the reform of interest arbitration and promoting shared services are all bringing well-deserved relief to middle-class taxpayers. With the other commonsense reforms we are pursuing, such as ending the abuse of unused sick day payouts and comprehensive shared services

legislation, we can achieve even more relief for our families and continue to drive down the burden on our local governments and property taxpayers.”

Local governments throughout New Jersey make annual contributions to the Public Employees Retirement System (PERS) and the Police and Firemen’s Retirement System (PFRS) to fund pension benefits for their employees and these contributions are one of the largest components of their budgets.

The total savings from pension reforms and reform-enabled revisions to assumptions on future salary growth and investments now amount to nearly \$1.3 billion when compared to the costs local governments would have had to absorb without Governor Christie’s bipartisan reforms.

The total amount that local governments and school districts will have to contribute to PERS and PFRS in Fiscal Year 2014 will be \$1.57 billion, compared to the \$2.11 billion they would have had to pay without Governor Christie’s reforms.

In Fiscal Year 2014, there will be a 11.15 percent increase in actuarially recommended contributions to PERS and a .28 percent increase in recommended contributions to PFRS, or an aggregate increase of 5.68 percent.

These contribution rates are based on actuarial calculations that weigh a large number of factors. These include the longer than anticipated life expectancy that plan participants are enjoying in retirement and a small reduction in the anticipated rate of return on the pension plan’s assets – from 7.95 percent to 7.90 percent – to reflect current market realities and investment performance in Fiscal Year 2012 that fell short of the expected rate of return even though it exceeded that of many other large institutional funds.

These factors were offset somewhat by reductions in anticipated wage increases for plan participants, increased contributions from individual plan participants and lower benefit levels for new hires adopted as part of the reforms in 2011 for many of the State’s pension systems.

A comprehensive spreadsheet comparing the Fiscal Year 2014 pension contribution amounts against last year’s actual bills and against the pre-reform baseline of projected pension costs for every local government unit in New Jersey can be found at <http://www.state.nj.us/treasury/pensions/pdf/financial/2014-pers-pfrs-ch78-compare.pdf>.