

NEW JERSEY STATE AFL-CIO

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December 17, 2015

Dear Members of the Assembly Judiciary Committee:

RE: Please Support Constitutional Amendment to Require Pension Payments (ACR-3)

The New Jersey State AFL-CIO asks for your support of this very important remedy to help fix our state's ailing pension systems in which roughly 800,000 people depend on it.

We would like to focus on two main issues. Facts about exactly what public employees receive from the pension system in regards to a benefit compared to what they pay into it, and what the negative implications are for our state's economy and state's budget if we continue to short pension payments.

We have heard over and over again from some legislators and our Governor that public employees receive platinum plated benefits and that they need to give additional concessions and be realistic about further cuts to their pensions.

However, according to the New Jersey Division of Pensions and Benefits, public employee benefits are anything but platinum plated. On average, public worker annual pensions are \$26,000. Teacher are higher at \$40,000, and local government are lower at \$16,000. Again – averaged out to be \$26,000, much less than what's needed to live in a state that is consistently in the top three in the nation when it comes to cost of living.

Furthermore, a national study conducted in 2014 by the Keystone Research Group studied the 100 largest pension plans in the nation. New Jersey ranked 95 out of 100 when it comes to generosity of our pension systems. These facts clearly illustrate that it's time to put the "platinum benefit" myth to rest.

We raise this issue, because we recognize that everyone shares in the responsibility of solving the pension crisis. But our elected officials must acknowledge that workers are the only party that are doing so.

Union members pay between 7 and 10% of their salary into the pension system. We have never received a "pension holiday" like local governments have, we have never been able to arbitrarily reduce payments based upon our households willingness to pay like the state has done under the past several administrations – both Democratic and Republican alike, and we have never been able to pick and choose which provision of the pension law we want to follow, and which we do not, like our current Governor.

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We are the only ones that are holding up our end of the bargain. And the resolution before you changes that.

If we fix the pension crisis in our state, we will be securing much more than retirement security for our members and their families.

Various rating agencies and bond houses have stated that our failure to find a solution to this problem has resulted in a record high nine credit downgrades under Governor Christie, costing taxpayers tens of millions of dollars in higher interest rates. In April, Moody's wrote that a "weak financial position and large structural imbalance, primarily related to continued pension contribution shortfalls," was the primary reason for the ninth downgrade. The rating agency warned that future pension underfunding will drive future downgrades.

And to what extent have we shunned our responsibility to retirees? Our state currently has the dubious honor of being the biggest deadbeat in the nation when it comes to paying its pension bills. New Jersey Watchdog crunched the numbers and has ranked New Jersey last among all 50 states in funding public retirement plans. From FY 2001 to 2013, New Jersey paid only 38% of its annual required contributions. All but six states paid at least 75 percent.

And the result of this irresponsibility is startling. The "Roadmap" Benefit report issued in February states that TPAF will hit its depletion date and will be unable to cover its payments by 2027. The projected depletion date for PERS is 2024. That is just eight years away, and the longer we defer our obligations, the more expensive the cost to the state budget will become, because the State Supreme Court in the Burgos decision stated that these obligations must be paid.

Members of the Committee, what the amendment before you today seeks to accomplish is virtually identical to the law that many on this committee voted for in 2011, including every single member of the Republican party – with one significant change – if passed, the law must actually be followed, in its entirety. The fact that this issue has come to this step is a sad commentary on the failures of our Government to live up to its obligations, but it's a step that is desperately needed.

Sincerely,



Charles Wowkanech
President



Laurel Brennan
Secretary-Treasurer

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