

# ICYMI: "Gov. Chris Christie Panel Proposes Overhaul of New Jersey's Pension System"

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## "Gov. Chris Christie Panel Proposes Overhaul of New Jersey's Pension System"

- Wall Street Journal

### Christie lays out \$33.8B budget; wants to make public pensions more similar to those in private sector

Dustin Racioppi and Melissa Hayes

The Record

February 24, 2015

Pitching what he said could become a "national model," Governor Christie used his budget speech Tuesday to speak almost exclusively about pension reform, returning to the issue that won him national acclaim and one that sets up fights with unions and Democrats that control the Legislature.

The governor's reforms - a sweeping package of pension freezes, new union-controlled benefit plans and health care changes - would need approval from lawmakers and from voters who would be asked to rewrite the state constitution.

"I am here today to ask you to do what may be politically difficult, but what is morally the right thing to do," Christie said. "This is the type of leadership our state requires."

Christie's team began the morning with a 15-second social-media video publicizing the address and touting his plan as having the backing of the New Jersey Education Association, the powerful union that spent millions against him and opposed initial pension changes he signed into law in 2011. ...

He made a point Tuesday of saying that pension obligations are not just a New Jersey issue, but are a struggle for many other states.

"In state after state, pension, health care costs and debt service are crushing the ability of states to finance schools, colleges, new technology and new infrastructure," Christie said. "I will not willingly sit by and let this continue."

The proposed spending plan holds the line on municipal and school aid and phases in the final year of a corporate business-tax program the governor has championed. The budget calls for a \$74 million cut in charity care to hospitals that treat the uninsured, saying an increase in insurance enrollment through President Obama's federal marketplace initiative has helped shrink those costs. The governor wants to add \$27 million for graduate medical education, some of which could go to the proposed school backed by Seton Hall and Hackensack University Medical Center.

Christie also sets aside \$2 million for the Opportunity Scholarship Act pilot program, which would give students in "failing" schools vouchers to attend schools elsewhere, an effort he has pushed. He also is proposing \$2.3 million in new funding for a single-point-of-entry addiction treatment program he announced in his State of the State address last month. ...

Christie's address to a joint session of the Legislature on Tuesday highlighted what he said are pension fund contributions that total more than any other New Jersey governor's. Christie's plan to spend \$1.3 billion on pensions would bring his total contributions to \$4.2 billion, which he said is the most in state history. ...

[New Jersey Education Association President Wendell] Steinhauer acknowledged that the NJEA signed a joint memo with the governor's pension commission that establishes a "road map" for addressing long-term pension and health benefit concerns. But he said that document doesn't represent a final agreement. ...

Republicans backed Christie and said the NJEA was wrong to say there was no substantive agreement.

"When adversaries have this concept, I'll call it a memo of understanding, that's a pretty good start. I think the tough dealing is whether you can reduce the cost of health benefits. If you do that, the deal's done," said Assemblyman John Bramnick, R-Union.

Full article [HERE](#).

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### **Gov. Chris Christie Panel Proposes Overhaul of New Jersey's Pension System**

*Lower-cost 'cash balance' plan recommended for state workers in future*

Josh Dawsey

Wall Street Journal

February 24, 2015

Gov. Chris Christie's committee to study New Jersey's troubled pension system wants to overhaul the retirement program for public employees, freezing the current setup and replacing it with a "cash balance" plan.

The plan would spread out the current pension system's unfunded liability over many years, and would more closely reflect benefits in the private sector, according to members of the commission. Mr. Christie endorsed the report conclusions Tuesday in a speech to the Legislature.

The commission is also calling for a state constitutional amendment to require governors to make payments to the new plan.

"Although the proposed plans are likely to be less generous to long-tenured employees as compared with the current plans, a less generous plan that is funded is preferable to a more-generous plan that isn't," the report says. ...

Workers in the system would have their current plan frozen, according to Tom Healey, the commission chairman, and new workers would be entered into the new plan. Employees would have individual accounts, he said.

"You can do lots of different things with a total mess," Mr. Healey said in an interview. "You can either say, let's try to fix it or you can move to Wisconsin. We're at the edge of the cliff here." ...

Mr. Healey said he had met with the state's main teachers union, and said its leaders were cooperative. Other meetings are scheduled in coming weeks.

Wendell Steinhauer, president of the New Jersey Education Association, said the union supports the proposal's recommendations to freeze benefits of the current pension system, create a newly managed one and adopt a guarantee of state funding in the state constitution. ...

Joshua Franzel, a vice president for research at the Center for State and Local Government Excellence, said cash benefit plans are a way for states to provide more predictability in their pension systems.

The plans tend to guarantee a certain rate of investment return, but unlike a defined benefit pension system the hybrid ones don't lock in a fixed allowance based just on the worker's salary. It shifts some of the risk of market fluctuations to the employee without fully doing so, Mr. Franzel said.

"It's a middle approach for managing risk and trying to control costs and control liabilities," said Mr. Franzel, whose center studies pensions. "We are seeing a trend to more states beginning to consider and implement hybrid plans."

New Jersey's pension system is underfunded by about \$37 billion.

The commission's report said parts of its approach are likely to be unpopular at first but that "in time they will be viewed as the best way to move forward."

Full article [HERE](#).

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