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## In Case You Missed It: "N.J. Can't Wait On Reforming Public-Sector Benefits"

Wednesday, March 4, 2015

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*In Case You Missed It*  
**"N.J. Can't Wait On Reforming Public-Sector Benefits"**  
 – Thomas J. Healey

### N.J. can't wait on reforming public-sector benefits

Thomas J. Healey, New Jersey Pension and Health Benefit Study Commission

Star-Ledger - Guest Columnist

March 1, 2015

The State of New Jersey at last has a clear-cut pathway to meaningful reform of its deeply troubled public sector pension and health benefits system. In its just-released final report, the New Jersey Pension and Health Benefit Study Commission has proposed a bold and viable blueprint for change that would provide secure benefits funding at a cost within the means of the state's already hard-pressed taxpayers.

The independent Commission is particularly encouraged that it has been able to jointly draft with the New Jersey Education Association (NJEA) a conceptual "roadmap" for reform. The roadmap expresses accord on many issues, such as "freezing" the teachers' existing pension plan to stop the accrual of additional benefits under that plan, while not affecting the pensions of existing retirees and preserving the pension credits current employees have earned through the effective date of the freeze. A new, more affordable plan would be created to provide retirement benefits going forward.

The conceptual accord extends to transfer of the frozen pension plan and new retirement plan to a trust under NJEA oversight. Under this approach, the State would fund the frozen plan pursuant to a preset payment schedule enforceable through a constitutional mandate. In return, NJEA would assume the assets, liabilities, authority and risks of operating the plans in a manner that matches benefits to the resources available. This is a groundbreaking approach to providing public employee benefits. The roadmap does not reflect agreement on all elements of the commission's plan, but it recognizes the need to resolve the open issues and sets forth a process and a timetable for doing so.

The roadmap reflects recognition of the fact that, however the state dug itself into this hole, the hole is too deep for the state to spend its way out of. Reforming existing benefits is necessary because fully funding the existing pension benefits would have required \$3 billion more than the State spent on pensions in 2014, which would increase to \$3.6 billion a year by 2016, with health benefits expenses increasing just as fast. Raising an additional \$3.6 billion a year would require a 29 percent across-the-board income tax increase or raising the sales tax to 10 percent. Without reform, that cost would be more than \$8 billion annually - 23 percent of the state's \$34 billion budget. Numbers like this simply are not realistic or sustainable.

Fortunately, New Jersey now has the chance for a brighter future through sweeping reform. Essentially, the Commission's program proposes hitting the "reset button," that is, setting public retirement and health benefits more in line with those enjoyed by employees in the private sector. We're convinced this approach represents the best model for concrete reform.

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