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Governor Christie: Lottery Funds Can Help Fix Our Long-Term Pension Problem

Tuesday, February 28, 2017

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Governor Christie: Lottery Funds Can Help Fix Our Long-Term Pen...


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Transcript:

Governor Christie: Finally, we have also decreased the assumed rate of return on pension assets from 8.25 percent when I took office to 7.95 percent in 2012 to 7.9 percent in 2013 and yesterday, through the actions of myself and the Treasurer, we reduced it to 7.65 percent. Now understand, by reducing the reduced rate of return, we are stopping the gimmickry. When we have too high an assumed rate of return, we are not telling the public the truth. We'll continue to reverse the gimmicks of the past and while this concerted effort contributed to increasing the annual required contribution, because we assume less of a return, you've got to make a higher contribution. Those payments are crucial in insuring the long-term viability of the pension system. Now, this hasn't been easy for us to do, but the right thing rarely is easy. We obviously have not done it to get the credit, good thing because we haven't gotten any, we've done it for our state pensioners and our state's fiscal health. All and all, there is no question that our administration has been the most focused in our state's history on shoring up the pension system. So today, I'm proposing to go a step further: following the lead of a number of private sector pension plans, one potential path to greater solvency is to make large transfers of assets into the pension fund. Such a scenario has the same effect as a cash infusion. The value of the assets increases, thereby reducing the unfunded liability in our pension system. In the case of New Jersey, we have one incredibly attractive asset that could be utilized in such a fashion. The state lottery. This is a state sponsored monopoly that spins off large amounts of cash. Today, though we have no ability to recognize the significant value of that asset. I am proposing to contribute the revenues from the lottery to eligible pension plans. The contribution would have the immediate effect of reducing the unfunded liability of the pension system by approximately \$13 billion and would increase the funded ratio of the entire pension system by almost 15 percentage

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points in one fell swoop from 49 percent to 64 percent. This would also significantly reduce the amount we have to pay into the pension system every year out of the general fund. So, I look forward to sitting with all the stakeholders right away to discuss the specifics of implementing this plan which would give even greater solvency and stability to our pension system, but let's be clear- if implemented correctly, this action would not only increase the value and stability of our pension funds immediately, but it would also please bond investors and credit rating agencies, giving greater confidence to New Jersey's public employees. I am committed, as I have been since the day I got here, to making every effort to fix our long-term pension problem. This type of bold action can make that goal achievable, We should work together to do it.

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