

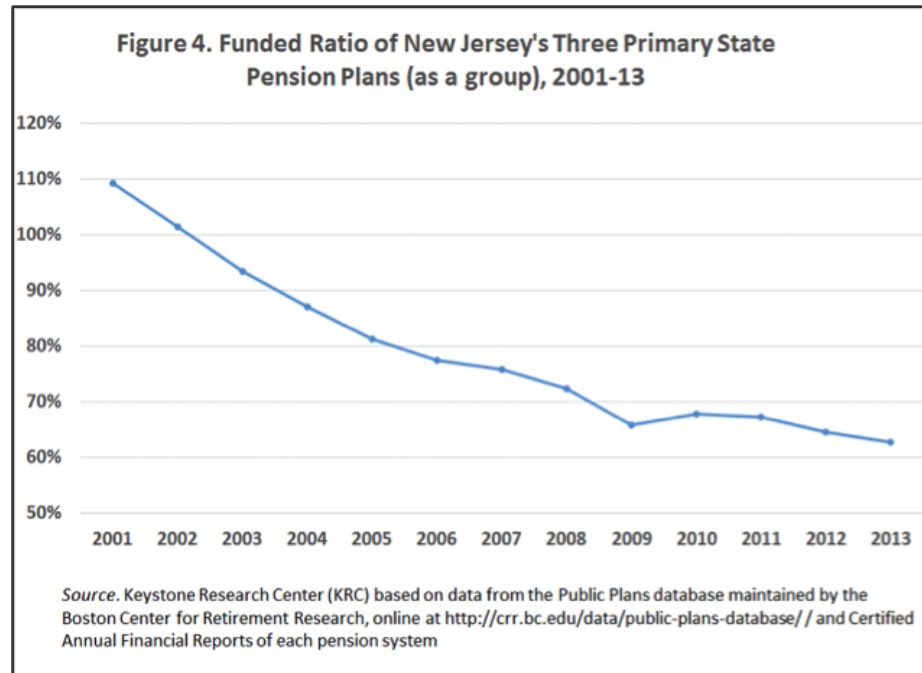
## Pension News Updates

State Senate President Stephen Sweeney says his call for a federal \$1 trillion low-interest pension loan to rescue states like New Jersey is “turning heads” to start a conversation.

“The national bailed out Wall Street and the car industry, so why not help out the taxpayers?” Sweeney said. New Jersey’s pension debt accounted for about 5 percent of the nearly \$1 trillion debt in public-sector retirement systems across the country.

Source: *Star Ledger*, Aug. 28, 2015

### Chart It: Funding Stability Plummets Under Christie



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## In the Next Bulletin

### Coming in October:

- Gov. 1% Leads the Attack on Public Workers
- Six Myths and Realities About the Pension System
- AFT, NJ AFL-CIO and Hedgeclippers Find Billions Wasted in NJ Pension
- Chart It: NJ Ranks Near Bottom in Pension Generosity



## What Is the Deal With Pensions?

Donna M. Chiera  
AFTNJ President



## Pension Action Bulletin

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## How to Fix the State Economy and Pension System

Fixing the state’s economy and pension system means increasing state revenue to cover the unfunded liability while still leaving money for a budget that meets human needs. Governor Chris Christie refuses to require millionaires to pay their fair share in taxes, while he continues to grant corporate subsidies and overpay vendors who contribute to the Republican Governor’s Association while they privatize state services.

New Jersey teacher pensions average \$40,000 while other public employees average \$26,000, according to NJ Policy Perspectives. The group’s study pegged New Jersey benefits as among the least generous in the nation. Still, many of us have always considered having a pension and health insurance as part of a deal for making lower wages than we might in the private sector.

Eliminating or weakening the pension makes that deal less attractive to prospective workers and detracts from the stability of public education and the entire public sector. That argument would resonate in Trenton if we had a Governor concerned with the integrity of the system.

Instead, we have seen Governor Chris Christie’s continued disregard for the stability of the state’s entire economy. The Governor refuses to honor the legislation he signed by withholding payments towards the unfunded liability and we are all paying more for debt as a result.

Let’s keep working together to articulate the message that paying the unfunded liability of the pension system is the right thing to do: we all benefit as workers can retire with dignity and contribute to the economy while the State can start regaining credit worthiness.

Join the fight for pensions: Click the image below at [www.aftnj.org](http://www.aftnj.org) or call 732-661-9393



The Governor knows how to break the pension system—by not funding it. That is easy. What is difficult is finding the money to fix the massive unfunded liability that has amassed over decades and skyrocketed under Governor Christie’s administration.

Here are a few simple actual “reforms” that AFTNJ, in conjunction with other public sector unions and analysis from financial experts, propose:

*(continued on page 3)*

*Labor Produced.*

## On the Ground in Trenton

AFTNJ represents approximately 30,000 workers, including several thousand prekindergarten to 12 teachers in the Teachers Pension and Annuity Fund (TPAF) while district support staff and some titles in higher education are in the Public Employees Retirement System (PERS). A majority of AFTNJ higher education members are in the 401(k) style defined contribution system, the Alternate Benefits Program (ABP).



Eric Richard coordinates the PEC

Our union works closely on pension advocacy, legal and outreach efforts with the other public employee unions through the AFL-CIO's Public Employee Council (PEC). The PEC brings our union together with others representing all levels of state, county and municipal public workers from nurses to firefighters and from your local sanitation operators to skilled trades and toll-takers on the highways. The PEC forms a coalition for lobbying purposes and has been the driving force behind many successful legislative, political and legal efforts.

For more information about the PEC effort on pensions, see the "Issues" section at [www.njafclcio.org](http://www.njafclcio.org).

## Litigating the Right to Pensions

AFTNJ has advanced multiple legal defenses of the pension system, arguing for funding and bringing back cost-of-living adjustments (COLAs) to current pensioners. A current challenge questions the right of the legislature to block increases in the 2011 legislation, known as "Chapter 78."

*AFTNJ will advance every means possible to save and secure the pension system: Join the Electoral, Legislative, Advocacy and Outreach efforts at [www.aftnj.org](http://www.aftnj.org)*

AFTNJ, and president Donna Chiera (individually as a retiree), have been party to several legal challenges that successfully upheld the constitutional right to earned pension. Unfortunately, a subsequent challenge to include payments promised in the 2011 pension legislation for 2015 and 2016 state budgets fell short as Christie-appointed Supreme Court justices reversed a lower-court ruling mandating the payments.

In addition to direct advocacy and political pressure, legal challenges remain a channel AFTNJ will continue to pursue in coordination with other public worker unions.

## State Budget and Pension Fixes *(continued from page 1)*

- Increase revenues by raising taxes on those who can afford it such as those making hundreds of thousands of dollars per year. Under Governor Jon Corzine, the millionaires' tax started on income exceeding \$250,000 and there was no exodus of high-income earners.
- Save state revenue by stopping unaccountable public subsidies of private corporations (often favoring Governor Christie's political cronies) disguised as employment incentives.
- Manage pension funds wisely by avoiding risky hedge funds with high management fees. Governor Christie's hedge fund friends and donors are collecting an estimated \$1 billion in fees from New Jersey public pension funds, according to the group Hedgeclippers which recommends divesting from these costly funds.

While these recommendations are not exhaustive these simple measures are a start to move New Jersey in the right direction. The Governor's alternative is continuing to claim revenues are not there and defund the system, while blaming educators, nurses, firefighters and police for his refusal to prioritize fiscal stability.

### Amend State Constitution?

Will New Jersey voters approve constitutional language focused on mandating paying state debts such as the pension system? This is one approach to responsible fiscal policy being considered.

Moving such a ballot measure would be an expensive and labor intensive project requiring extensive outreach and education. Foes would likely challenge the wisdom of the process and the

commitment of state funds.

Ballot measures for a constitutional amendment for raising the minimum wage and for bonding funding for higher education facilities construction have been successful over the past few years. Unions have gained great experience in working with community to craft responsible policies, but the effort is significantly labor extensive and would require a lot of time and attention for passage.

Look for volunteer opportunities to get involved with the initiative with your local and at [www.aftnj.org](http://www.aftnj.org).

## Three Efficiencies of Defined Benefit Pensions

1. Defined benefit pensions pool the longevity risks of large numbers of individuals to provide stable income that won't run out in retirement. A 10% cost savings.
2. Are "ageless" and therefore can perpetually maintain an optimally balanced investment portfolio. This feature generates an 11% cost savings.
3. Achieve higher investment returns as compared to individual investors because they have lower fees and are managed by investment professionals. This generates a 27% cost savings.

*Source: Still a Better Bang for the Buck: Update on the Economic Efficiencies of Pensions, The National Institute on Retirement Security*