

New Jersey's Pension-Funding Deficit Climbs More Than 17% to \$53.9 Billion

By [David Lipton](#) and [Paul Delfino](#)

New Jersey's pension-funding deficit increased by \$8.05 billion, or 18 percent, this year to \$53.9 billion as the state failed to make contributions.

The unfunded pension liability was \$45.8 billion as of June 2009. New Jersey also faces an unfunded liability of \$66.8 billion for providing medical care to retired public employees, the treasury department said in a statement today.

“Unchecked, the cost of this impossible burden will fall not just on the taxpayers of today, but on future generations,” Treasurer [Andrew Sidamon-Eristoff](#) said in the statement. “It’s crucial that we act now to protect public-worker pensions and retirement benefits, as well as the state’s ability to fund critical services.”

Twenty U.S. states, including New Jersey, California and Illinois, skipped or underfunded their pensions from 2007 to 2009, Chicago-based Loop Capital Markets said in an October report. Skipped funding and investment losses left 91 of 145 retirement systems that Loop studied below the 80 percent of future benefits that actuaries recommend.

New Jersey’s pension deficit is also the result of investment losses amid the economic slump and lawmakers’ expansion of pension benefits without identifying funds to pay for them, said Andrew Pratt, a spokesman for the treasurer.

Action Urged

Governor [Chris Christie](#), a first-term Republican, proposed measures in September to pare down the deficit. His plan would freeze cost-of-living adjustments, roll back a 9 percent pension benefit increase enacted in 2001, raise the retirement age to 65 and increase workers’ required payments to 8.5 percent of their salaries from 5.5 percent. The Democratic-controlled Legislature has not approved the measures.

Kevin Roberts, a spokesman for Christie, said without the governor’s changes the pension deficit will grow to \$125 billion by 2026 and \$181 billion by 2041. Even with full contributions over the past

decade, the system still would have a deficit, Roberts said.

“This report underscores the need for serious reform to the system,” Roberts said in an interview. “We have a benefits problem, both the governor and Senate president have made that clear. And without a change we run the risk of a pension not being there for folks who are counting on it, which is not an acceptable option.”

Payments Missed

Christie skipped a \$3 billion pension payment this fiscal year, saying he wouldn't put money into a “broken system” until his overhaul is approved. His full plan would whittle the deficit to about \$14 billion over 15 years, assuming the state makes all contributions, he said in September.

The last time New Jersey contributed to the pension fund was in fiscal 2008, when former Governor Jon Corzine, a one-term Democrat, paid \$1 billion.

The state Treasury's Investment Division manages money for seven pension plans, which provide benefits to 728,000 working and retired teachers, police officers and government employees.

As of June 30, New Jersey's pension system was 62 percent funded, according to the treasury department's statement. That's down from 66 percent a year earlier.

The market value of New Jersey's pension assets increased to \$70.5 billion as of June 30, from \$66.2 billion as year earlier. The fund was valued at more than \$82 billion as of June 2007.

To contact the reporter on this story: Terrence Dopp in Trenton, New Jersey, at tdopp@bloomberg.net.

To contact the editor responsible for this story: Mark Tannenbaum in New York at mtannen@bloomberg.net.