

# *Assembly Budget Committee*

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TBA (Member to replace Karrow)

Statement of Anthony F. Wieners  
Assembly Budget Committee  
Assembly Bill 3688

January 26, 2009

Thank you Assemblyman Greenwald for the opportunity to comment on Assembly Bill 3688. My name is Tony Wieners and I am President of the 33,000 member New Jersey State PBA.

I think you are all aware that we consider maintaining a healthy and stable pension system to be the top priority for the State PBA. For nearly 20 years, our members have been making the highest pension contribution of any public employee in the nation to support our pensions. We are keenly aware, that the only way a pension system can survive is if contributions from employees and employers, coupled with good investments, are allowed to grow.

However, our pension system has grown more underfunded nearly every year since 2002. The primary reason for this can be traced to legislation similar to what is being proposed in Assembly Bill 3688.

Pension deferrals have been passed by the Legislature in 2000, 2001 and 2003 and the use of pension assets to skip pension payments dates back to the Whitman Administration. In each case, whether by use of pension assets or delayed contributions, local governments were given the ability to skip their pension payments. We know from the past few years that the lack of contributions coming into the system, coupled with bad investments, have led to dramatic drops in the value of the Police and Firemen's Retirement System.

The more these payments were delayed, the higher the cost to local government when the bill to repay them came due. That is exactly what happened at the end of the last pension deferral. It is what we can expect in three years when the deferred contributions must be repaid under Assembly Bill 3688. If the current required pension contribution for local governments is now

roughly 25%, it is not unreasonable to believe this number will be higher in 2012 as the payments are due back to the system with interest.

The Office of Legislative Services concurred in this opinion when they said in the Fiscal Note to Senate Bill 7 that “under almost any conceivable scenario the amount employers will have to pay will be higher than it otherwise would have been without the bill.” To defer \$1.3 billion from the pension system now will not only force higher costs down the road but will drain significant contributions from the system that will prevent its short and long term recovery.

I believe there is another lesson to be learned of the mistakes of past pension deferrals. The intended purpose of the deferrals was to either reduce the property tax burden or to provide direct property tax relief on taxpayers. The past deferrals did neither. Taxes went up and we are unaware of what became of the billions saved by local governments as a result of these skipped payments. In fact, the result has been a rush to lay the blame for rising taxes on public employees and we especially are feeling an impact as real and threatened layoffs are occurring today.

These concerns are not merely my own. Two different Committees established to study the pension system came to the same conclusion. The Murphy Commission, appointed by Governor Codey in 2005, and the Joint Committee on Public Employee Benefit Reform in 2006 both criticized pension deferrals as the reason for the growing unfunded liability in the pension systems. I believe this vicious circle has to be closed or we will be having this same discussion in 2012.

As taxpayers and employees, we are very sympathetic to the conditions facing the State and local governments in this economic crisis. High property taxes impact our members like every family in the State but we especially feel the impact of these pension deferrals and the lack of protections for law enforcement in the cap law.

Delaying these contributions again is like paying the American Express with the Visa card. Eventually, the bill is going to come due and the costs are going to be severe.

Thank you for considering my comments and I am happy to take any questions.