



REUTERS

## Chris Christie's pension reform: round two

March 4, 2014 @ 3:29 pm

By Cate Long

I have a lot of experience talking to Congressional staffers, regulators, rating agency analysts, municipal bond traders and portfolio managers. When you pump these parties for information there is always a clear line about the type and amount of information they will share.

But I had a bad encounter with the press spokesperson for New Jersey Governor Chris Christie's treasury department. When I questioned the department's methodology for their claim that reform in 2011 had reduced over \$100 billion in future state pension liabilities, the treasury spokesman told me I need to go to college to understand pension fund projections. I wrote in 2011 <sup>[1]</sup>:

The accomplishment that seemed to be propel Christie to national prominence was his pension reform efforts. He has over-inflated his accomplishments on the issue. For example, he claims he made only one of three payments in seventeen years into the state's public pension funds. If this were true the funds would have collapsed.

Now Christie is back with a new story about the pension system in New Jersey and how it needs to be repaired again because the first fix was not enough. This from John Reitmeyer of The Record <sup>[2]</sup>:

Christie has regaled audiences across the country with stories of how he teamed up with Democrats and pulled New Jersey's debt-plagued pension system back from the brink of insolvency. His victory lap after a 2011 bill-signing on pension reforms took him to California for a speech before Nancy Reagan and to the libertarian Cato Institute in Washington, D.C.

He also boasted during the nationally televised keynote speech at the Republican National Convention in Florida of how the reforms would save taxpayers \$132 billion over the next 30 years.

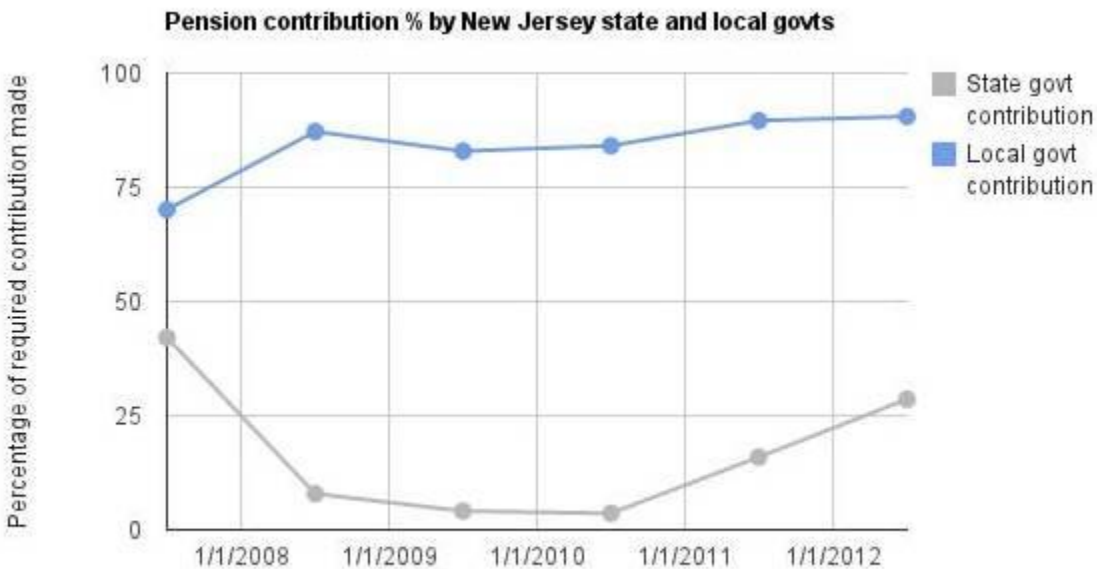
And with his eyes seemingly fixed on a run for president in 2016, Christie again held up pension reform shortly after notching his landslide reelection victory last November.

‘Maybe the folks in Washington, D.C., should tune in their TVs right now to see how it’s done,’ Christie said in his victory speech in Asbury Park.

Now Christie’s representative is saying that the state’s unfunded liabilities have ballooned again. This time he is using data from a combination of state and local government pension funds, where previously he only discussed state pension funding. The state only makes pension payments for state employees and retirees. Reitmeyer again:

[Christie spokesman] also defended Christie’s use of \$52 billion as the latest figure for the unfunded pension burden faced by New Jersey taxpayers. The state’s share is actually \$37 billion, not \$52 billion, according to the latest actuarial reports. The larger figure includes all unfunded liabilities for local governments as well, something that’s not a factor for the increasing pension payment in the state budget.

New Jersey local governments have been doing an excellent job making their required payments to the local government pension fund, averaging between 82 and 90 percent of their required contribution over the last five years. Meanwhile, the state has made a tiny percentage of the required contribution — between 16 and 29 percent — under Governor Christie:

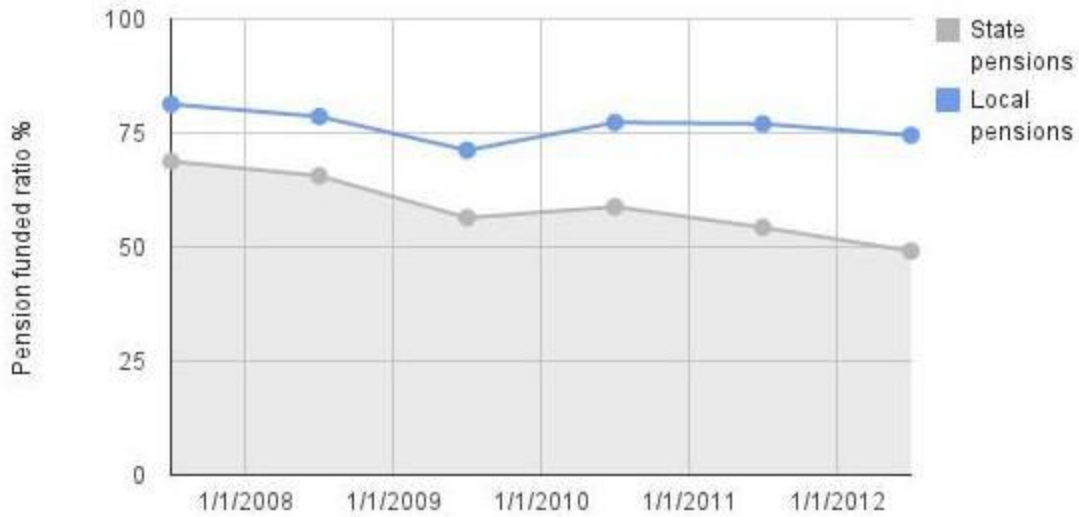


*NJ Pension System 2013 Financial Statement page 55*

[3]

That leaves the New Jersey state employee pension system less well funded than when Chris Christie took office.

**New Jersey Public Employee Retirement System - State and local funding levels**



Source: NJ Pension System 2013 Financial Statement page 50

[4]

After writing this blog for a few years I've come to realize that the closer I get to writing the truth when it conflicts with something a politician is promoting, the harder they fight back. But in the end, nothing a politician says really matters. What matters is what a government's audited financial statements says. I'm ready for Christie's round two of pension reform.