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NJEA STATEMENT ON PUBLIC EMPLOYEES' PENSION FUNDS

NJEA President Joyce Powell today issued the following statement in response to an article in today's *New York Times* which has also been reported in other media:

For years, NJEA has protested New Jersey's underfunding of its pension funds. In newspaper advertisements, op-ed articles, and speeches, we have criticized the state for taking a "pension holiday" for nine of the last 10 years.

On December 28, 2003, NJEA filed a lawsuit challenging the state's underfunding of the pension funds. That case was challenged by the state on procedural grounds, but that challenge was unsuccessful. The case is expected to be heard later this month.

Each year since 2002, NJEA has testified during the appropriations process that the state was shortchanging the pension funds. We have called attention to the financial gimmicks the state has used to justify not putting money into the pension funds. Even the Benefits Review Task Force appointed by Gov. Codey confirmed that the state has not used fiscally sound practices in that area.

We were pleased last year when Gov. Corzine and the legislature made a substantial contribution to the fund. This year's proposed state budget includes another significant pension contribution and the Governor has publicly pledged to include similar contributions in future budgets. The state can solve this problem by making the necessary and required contributions in future years. As *The Times* correctly noted, under its Constitution, New Jersey cannot reduce earned pension benefits.

Moreover, NJEA and its members have done their part to address the problem. School employees contribute five percent of their salaries to the fund. Under a recent agreement with Governor Corzine, that contribution will increase to 5.5 percent, pending passage of legislation to implement that agreement. In addition, NJEA also agreed to increase the early retirement age for prospective employees to age 60 and cap the amount of money that is "pensionable" in the defined benefit plans at the Social Security base amount, which is currently \$97,500. When we reached these agreements, our goal was to help stabilize the funds. When approved by the legislature, each of these changes will help accomplish that objective.

In 2006, NJEA organized a rally in Trenton to call on the legislature to pass the penny increase in the sales tax. We also called on the legislature to contribute the proceeds to the pension funds. Ultimately, half the increase went to the pension funds and half to property tax relief.

Regardless of its past actions, New Jersey has a legal and moral obligation to meet its pension obligations. To do so, the state must not use accounting gimmicks and must responsibly contribute its necessary share every year moving forward.

Questions about NJEA's lawsuit challenging the underfunding of the pension plans can be addressed to the attorney handling the case, Kenneth Nowak, at 973-623-1822.

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