



**State of New Jersey**  
DEPARTMENT OF THE TREASURY

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***Bipartisan Commission Advises Against Constitutional Amendment on  
Pension Payments***

TRENTON – The Pension and Health Benefits Review Commission voted Friday to recommend against legislation that would create a constitutional amendment requiring pension payment increases. The majority opinion of the Commission echoes public statements from taxpayer advocates, New Jersey business coalitions, and rating agencies warning of the negative impact such legislation could have on the State’s fiscal position.

“The stark reality is that this Resolution places severe financial constraints on every beneficiary of the State Budget,” Acting State Treasurer Ford M. Scudder noted in written testimony submitted to the Commission.

“Passage of the Resolution by the electorate will have a dramatic, negative impact on the State’s finances and severely restrict the State’s ability to issue debt for either working capital or for long-term capital projects.”

The Pension and Health Benefits Review Commission is a statutory commission that is responsible for reviewing any legislation introduced in either chamber that establishes or modifies pension benefits or health benefits for public employees in the State. The Commission’s experts on New Jersey’s public employee benefits systems are appointed by the Governor, Senate President and Assembly Speaker.

The legislation (ACR-109/SCR-2) reviewed by the Commission Friday proposes a constitutional amendment to require increases in payments by the State to the pension systems, establishes in the State Constitution a right of public employees to pension benefits, and provides for enforcement of funding obligations and benefit rights. Of the Commission’s members in attendance Friday, only the two appointed by the Assembly Speaker did not support a motion to reject the joint resolution.

The written testimony from Treasurer Scudder submitted to the Commission Friday noted multiple considerations for rejecting the joint resolution:

- The proposed legislation requires rigid and dramatic spending increases for the benefit of public employees to take precedence over all other State spending except for debt service on General Obligation Bonds. Such a fiscally irresponsible action would place citizens at risk of large tax increases and/or cuts in State services;

- The proposed legislation would significantly harm the State’s relationship with investors and place bondholders in a secondary position behind the pension system. The State’s credit rating would likely suffer and our cost of borrowing would dramatically increase;
- The proposed legislation relies on a dramatic increase in annual financing that is both imprudent and unrealistic;
- The proposed legislation constitutionally prohibits additional reforms to limit pension abuses.

“The current unsustainability of the State’s public employee pension systems and public employee health benefits systems are acutely linked,” said Acting Treasurer Scudder.

“I encourage the Legislature to return to this Commission with legislation that simultaneously aligns pension benefits offered to public employees in New Jersey more closely with employees in the private sector, outlines a path to practical and significant health benefit savings, and reduces the undue and unsustainable influence pension contributions currently place on State budgeting.”

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