



September 27, 2010

An Open Letter to the New Jersey Legislature: New Jersey's Public Pension and Health Benefit Systems Need Fundamental Reform

Dear Legislator:

New Jersey taxpayers face a growing and unmanageable burden in the form of the state's public employee pension and benefit systems, and we urge you to consider the long-term reforms proposed by Governor Chris Christie.

State estimates forecast an unfunded pension liability in excess of \$110 billion, while a study using private-sector accounting methods by the Mercatus Center at George Mason University forecasts an unfunded liability of nearly \$180 billion. The raw dollar amounts and increasing share of the state budget make this cost unsustainable for state taxpayers, and further delay of serious reforms only exacerbates the problem.

The legislature deserves praise for its bipartisan work on pension and health benefit reforms during the 2006 special session on property taxes, and for the improvements enacted earlier this year. New Jersey is already further down the road of reform than other states facing problems of similar scale.

However, the action taken earlier this year is not enough to prevent future insolvency. Governor Christie's proposals to adjust benefit calculations, increase the retirement age, change benefit options and use a more realistic formula for predicting investment returns, would largely close the entitlement gap, and thus deserves your immediate support.

Proposed changes to health benefit packages, such as greater cost sharing and a broader menu of benefit choices for employees, will help rein in unfunded healthcare liabilities and annual costs, while offering protections to taxpayers. It is time again for the real bi-partisan leadership you have demonstrated in the past on behalf of the hard working citizens we all represent in our various leadership roles.

The New Jersey Taxpayers Alliance also supports closing the defined benefit plan to new hires, and offering new state and local employees a defined contribution retirement plan, which has become standard in the federal government and private sectors. While this shift will lead to short- and medium-term increases in the state's contribution to retirement accounts, it would also safeguard future taxpayers from the huge unfunded liabilities faced under current conditions.

We hope you will continue your bipartisan work to revitalize New Jersey and protect its taxpayers by making these reforms to the state's pension and benefit systems.

And finally, we look forward to continue working with you to reform New Jersey, and make it an even greater place to live, learn, and do business.

Let's make the Garden State a national leader in positive fiscal reform.

Sincerely,

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