

# New Jersey Public Employee Pension Facts



## Public Employee Defined Benefit Pensions Are a **Good Deal** for States and Communities:

Public employee pensions are a modest, but irreplaceable source of security for public employees to which they generally contribute substantially.

- Employee contributions and investment returns fund the overwhelming majority of the cost of pensions.
  - TPAF members are expected to contribute \$740 million to the pension fund in 2015.
  - Taxpayers shouldered only 20.1% of all public pension funding from 1993-2012.
  - In fact, each dollar contributed by taxpayers supports \$8.82 of New Jersey economic activity.
- While the politicians who run state government have often failed to faithfully contribute to the pension plans, teachers, school employees, and other public employees have contributed every year and have never failed to make their legally required payments.

Pension benefits are not the cause of unfunded pension liabilities which are making the headlines.

- The deep financial downturn of 2008 and 2009, spurred by recklessness on Wall Street, caused significant problems for our state's pension fund.
- The pension fund is not at an imminent risk of default, and has years to recover investment losses.
- In any case, unfunded liabilities do not disappear if pension benefits are cut or the pension fund is closed. The pension liability debt remains.

The New Jersey Pension Fund has been well-managed and demonstrated favorable growth. Fund management, expenses, and fees are not the source of our longstanding pension and budget problems.

- In Fiscal Year 2014, the State Pension Fund exhibited growth of about 16.9%. The five-year annualized growth including FY 2014 was about 12.4%.

Defined benefit pension plans make sense in the public sector where jobs in public safety, education, social services and public management are unique to that sector.

- Pension plans are actually less expensive for the taxpayer, for long-term employees, than 401(k)-style plans. Pension plans can deliver the same retirement benefit as a 401(k)-style plan for 46 percent less cost – a huge savings for taxpayers.
- Costs are increasing for the state pension plan primarily because the state must now pay for past service that it did not properly fund.
- Pensions are a key tool for recruiting and retaining quality teachers and ESPs.

The economic crisis had a devastating effect on the retirement security of millions of Americans in all walks of life.

- Pension funds, unlike 401(k) plans, may be rebuilt over a period of decades because they cover a wide range of employees in terms of age and years of service.
- Depending on the age of a worker in a 401(k) plan, they may have only a few years in which to address their retirement savings deficit.

Pensions are engines of economic growth and help maintain economic stability and curtail poverty.

- The benefits provided by New Jersey's pension plan have a significant economic impact:
  - Every dollar of pension paid to retirees in 2012 led to \$1.77 of economic activity.
- In 2012, expenditures stemming from New Jersey public employee pensions supported...
  - 96,763 jobs that paid \$5.5 billion in wages and salaries,
  - \$15.3 billion in total economic output, and
  - \$2.4 billion in federal, state, and local tax revenues.
- Retirees and their beneficiaries personally paid \$104 million in taxes.