

APPENDIX



Michele N. Siekerka
President

TO: Members of the Senate State Government, Wagering, Tourism and Historic Preservation Committee

FR: Michele N. Siekerka, Esq., President and CEO of the New Jersey Business and Industry Association

DATE: January 7, 2016

RE: SCR-184 (Sweeney)

The New Jersey Business & Industry Association which represents 20,000 businesses who employ 1.2 million people respectfully opposes SCR-184 which calls for a constitutional amendment mandating the state make its annual required pension payment.

At a time when the state is just recovering from the recession and revenues are increasing this is not the time to forever commit a significant part of the state budget for any one mandated purpose. The proposed amendment, if approved by the voters, would tie the hands of future Governors and Legislatures which, each year, must balance all of the priorities of the state against available revenues. This amendment would set funding pensions as the super-priority over all other priorities and it would dramatically and negatively impact the state's ability to fund other essential services such as healthcare, public safety and education.

If we require these annual payments it would make an already difficult budget process even more challenging. If the state does not have the revenue to make its scheduled payment, ALL New Jersey taxpayers would face massive tax increases. And if history is any guide these tax increases would hit small business the hardest.

We already face the annual threat of an increase to the Corporate Business tax and the so-called millionaire's tax, which is really just an income tax increase on small businesses who are LLCs or partnerships, which encompass most small businesses. And, small business is the bedrock and foundation of New Jersey's economy. These two tax proposals alone would not raise nearly enough to make the pension payment. If this proposed amendment passes we would be talking about tax increases on a scale not seen in decades.

This proposal would chill businesses' investment at a time when we are just recovering from the recession and our members are finally just feeling slightly optimistic about their businesses. However, that optimism is for the short term only. In fact, our most recent annual Business Outlook Survey validated our recent research evidencing that the state has a serious outmigration problem. Our members told us that due to the current economic conditions about two thirds of

IX

our members say they would not expand here, will not retire here and take the estate and inheritance taxes into account when making business decisions.

We need a comprehensive and practical solution to the pension crisis and health care reform and a constitutional amendment is not the answer. The legislature has a fiduciary responsibility to show New Jersey taxpayers specifically how this proposal would be funded, not just now, but into the future. We have not seen evidence of that to date.

For these reasons, we respectfully ask that you vote "NO" on SCR-184. Thank you for your consideration of our comments.



**NJPSA Testimony on ACR-3/SCR- 184 (Prieto/Sweeney, Turner)
Before the Senate State Government Committee
January 7, 2016**

Thank you for the opportunity to express the **strong support** of the over 8,000 active and retired members of the NJ Principals and Supervisors Association for ACR-3/SCR-184, legislation addressing the State's legal, moral and fiscal obligations to fund public employee pensions in New Jersey.

Our members are career public employees who have dedicated their professional lives to leading our public schools and educating the students of New Jersey. They are also members of the Teachers' Pension and Annuity Fund (TPAF). They have earned their pensions and made their required pension contributions on time and in full throughout their professional careers.

Today, we are here to add our voice of support, along with our colleagues throughout the public sector, to a solid, long-term solution to the chronic underfunding, and in some fiscal years, the total lack of state funding of public employee pensions, across the past two decades. Despite significant reforms on the elements of the public pensions systems available to current and future employees, the State of New Jersey has consistently failed to meet its fiscal obligations to support public employee pensions. Public employees have exclusively borne the burden of pension reform through increases in retirement age and employee pension contribution rates, restrictions on enrollment eligibility, limitations on the pensionability of critical income (social security wage cap), the loss of cost of living adjustments, and the development of a five tiered retirement system. Yet, we continue to work hard to provide services to the public in hopes that our commitment will result in a secure retirement even when the State, including the New Jersey Supreme Court, has let us down.

Today, we thank Assembly Speaker Prieto, Senate President Sweeney, Senator Turner and the members of this committee for your collective leadership in ending this dysfunctional cycle. We applaud your efforts to protect the interests of both public sector employees and New Jersey taxpayers alike. ACR3/SCR-184 recognizes that public employee pensions are a form of deferred compensation for services rendered and that the State must honor its obligations under law.

It establishes, through a constitutional amendment with voter approval, a return to a phased- in payment schedule which balances public employee pension obligations with other critical state needs. Significantly, the legislation also makes this payment schedule enforceable in our courts. Further, the legislation promotes growth in the investment arm of public pension funding, through a system of quarterly payments on an annual basis, which will lead to a deeper pool for investments returns and ultimately savings to state taxpayers. Most importantly, it firmly and responsibly addresses a major fiscal obligation of the state which will lead to future fiscal stability, positive credit ratings and the avoidance of a future shifting of this financial burden to our children.

For these reasons, the NJ Principals and Supervisors Association urges this Committee to support ACR-3/SCR-184 today. Thank you for your support of our members and all of the hardworking public employees in New Jersey.

MARIE BLISTAN, NJEA VICE PRESIDENT
TESTIMONY BEFORE THE SENATE STATE GOVERNMENT, WAGERING,
TOURISM AND HISTORIC PRESERVATION COMMITTEE
SCR-184 CONSTITUTIONAL AMENDMENT
Thursday, January 7, 2016

Good morning. I am Marie Blistan, Vice President of NJEA. I am here on behalf of more than 200,000 active and retired school employees who have contributed to the public pension systems in every paycheck and now need this constitutional amendment to make the state keep its promise and stop shorting its obligation to state pension systems.

This should not be a controversial issue.

In 2011, Gov. Christie signed a law known as Ch. 78. It mandated the same funding requirement contained in this amendment.

In 2014 and 2015, the New Jersey State Legislature passed budgets that honored the fiscally responsible pension funding schedule set out in that law.

So the principle that the state must meet its pension funding obligations by making regular payments, determined by actuaries, is anything but revolutionary. It's a responsible and common sense approach.

Unfortunately, the New Jersey Supreme Court ruled last June that while pension funding is necessary, the Constitution as it currently exists contains a loophole that allows the state to shirk its responsibilities and kick the problem down the road, where future taxpayers will have to pay for it at a much greater cost.

And because of that loophole, that's what's happened for the last three years.

Gov. Christie has chosen to ignore both the law he signed and the will of the Legislature. As a result, New Jersey has been punished with repeated credit downgrades while our pension system plunged further and further into crisis.

It's been devastating to members of the pension system, to taxpayers, and to our state's economy.

The amendment before you is designed to guarantee discipline, so New Jersey can do what we all agree is necessary. This amendment provides the legal framework to compel governors and legislatures, now and in the future, finally to obey the 2011 pension funding law.

The amendment is also fiscally responsible. It does not add a single cent to the state's pension liability. In fact, it would quickly begin to reduce that liability, providing real relief to taxpayers concerned about the fiscal future of our state.

The numbers are impressive. Simply by moving to quarterly pension payments, without increasing its contribution at all, the state will save nearly \$13 billion over the next 30 years.

How can quarterly payments do that? They do it by generating \$8.5 billion in additional investment income from the same contributions, while cutting the unfunded liability by \$4.9 billion.

And that's just by making the exact same contributions but not waiting until the very last minute each year to do it.

It's an easy and obvious solution. We need this amendment.

The required funding schedule won't be easy. We're past easy solutions. But, it will work. And we can do it if we set our priorities straight.

Every year since Ch. 78 became law, this Legislature has passed a balanced budget with the full required payment -- so it can be done. Now, we just need the Constitution to help lawmakers achieve what most of them -- and most New Jersey residents -- agree is the fair and responsible thing to do.

And it's not just right fiscally, it's right morally.

Public employees have done their part. They've never missed a pension payment. They've never waited until the end of the year and then decided not to pay.

And since Ch. 78, they have done much, much more than ever before. Their pension contributions have gone from 5.5 percent of salary to over 7 percent, and that number is still climbing.

For that, they have seen their COLA stripped away, and new employees are earning greatly reduced benefits.

And all of that is on top of new health care premium contributions mandated in Ch. 78 that can run many thousands of dollars for families struggling to get by. I have members across the state who have seen their take-home pay decrease each year since that law was passed.

With this amendment, my members aren't asking for any new benefit. They aren't asking for any special treatment. They're just asking the state to keep the promise it's made and pay them the pensions they've earned.

This amendment is nothing radical or revolutionary. It's simply about following the law. It's about fiscal responsibility. It's about fair treatment of the men and women who have done their part to stabilize the pension system and who just want the state to do what it agreed it would do.

- It's time to follow the law.
- It's time to be fiscally responsible.
- It's time to bring this issue to the voters.

We ask lawmakers and voters alike to work with us to pass this constitutional amendment.

Thank you.

/cam

6X

Testimony of
Cathy Fulton, Jackson, NJ
January 7, 2016

I am here this morning as a citizen of New Jersey to publically state my awareness of the egregious conduct and actions the legislature is pursuing in order to pass four NJ state constitution amendments. These four amendments are being craftily rushed through the last days of the session in order to benefit personal, political and financial gains. This is a blatant disrespect to NJ citizens in cramming these public hearings on a single work day right after the holidays where it is difficult for many people to take off work in order to be here.

The four issues have no place to be even proposed as amendments. Budget policy decisions need to be conducted in the legislature. These amendments are stripping away the rights of the people of New Jersey.

Words matter. The explanatory statements for these amendments are very misleading and unclear and in no way express the broad consequences of these amendments.

The actions being taken here are a mirror image of the dysfunction that is going on at the federal level in Washington, D.C. Americans are tired, frustrated and angry at the total disregard of the will of the people.