Facts and Figures about State PERS and the rest of the State funded Pension Plans

What portion of the pension plans is paid for by employees?

- **According to an NJPP study of pension plan generosity, where 1 is the most generous of 100 State plans, and 100 is the least, N.J. PERS is 95.**

- **If the State was making all its payments and properly funding the Plan, a PERS employee would pay 0% or $24,000 of $30,000 pension, through his/her own contributions.**

- **In 12 years, Employees made $10.2 billion in payments, the State made $4.3 billion in payments.**

- **If the State made all of the payments and made the right assumptions, all there would be to pay would be the Normal Cost of the pension.**

- **Employees pay nearly 80% of the PERS Normal Cost.**

- **The State only pays $2,400 a year toward the Normal Cost for PERS employees.**

What is the Normal Cost of the State Funded Pension Plans?

The Normal Cost of a Defined Benefit pension plan is the amount that is needed each year to pay for the amount of benefit that is earned that year so that the benefit will be fully funded at the time of retirement.

The Normal Cost is determined by how much benefit is earned in a given year, what age and years of service the people earning the benefit are, how many years left they have before they retire, and how much it is expected that the normal cost payment will earn over time.

If the Pension Plan actuarial assumptions were always perfect, that is if the employees retired when the actuaries planned that they would, and if they died at the exact rate the plan assumed, and if the contributions earned what the plan assumed, and if the payments were always made – the only cost to the Plans would be the Normal Cost.

An Unfunded Accrued Actuarial Liability (UAAL) occurs because assumptions are not exact and – in the case of the State of New Jersey – because the Normal Cost was not paid and that created a UAAL.

In the Public Sector Pensions – the Normal Costs of the Plan are split between the Employees and the State. The Normal Cost is calculated, and the contributions that the employees make are subtracted from the total Normal Cost, and the State is supposed to pay the remainder of that cost.

Plan	Total Normal Cost as % of Pay	% NC Employees Pay	% NC State Pays
PERS (State)	**9.5%**	**79.4%**	**21.6%**

In 2013, 9.5% of pay a year would pay the cost of the pension plan at retirement. (If there were no unfunded liability, if all payments are made, and if the actuarial assumptions are correct.)

Of the 9.5% of the cost in 2013, employees paid 79% of that cost, and the employer paid 21%. As more new employees are hired, the Normal Cost will actually drop to something closer to 8.5% of pay and the employee contributions will go up to 7.5% of pay.

If the State had made all its payments and if there were no unfunded liability, the Plan would being paid for entirely by the Normal Cost. Active State Employees would pay more than 80% of the cost of their current retirement benefits. That means that if an employee gets a pension benefit of $30,000 a year, $24,000 of it would be paid for by the employee's own contributions and the earnings to those contributions. The State's contributions would pay $6,000 a year.

Normal Cost as a % of pay in Plan Year 2013 (Last complete actuarial valuation)

Plan	# active employees	Normal Cost as % Pay	Employee %	State %
PERS (State)	**73,355**	**9.5%**	**79.4%**	**21.6%**
TPAF	138,921	10.1%	67.5%	32.5%
PFRS (State)	7,098	32.9%	31.4%	67.6%
SPRS	2,481	20%*	*	100%*

How much did the State pay in Normal Costs per employee?

Plan	# active employees	State Normal Cost	Cost per employee
PERS (State)	**73,355**	**177,000,000**	**$2,400**
TPAF	138,921	436,000,000	$3,100
PFRS	7,098	130,000,000	$18,315
SPRS	2,481	39,000,000	$15,719

The Governor brags that he has made over $ 3 billion in payments. But the fact is that employees have made many billions more in payments than the State has.

Total Payments to Pension Plans 2001 - 2013

Plan	Paid by Employees	Paid by State	Total $ in plan	% paid by Employees
PERS (State)	**$ 3,076,000,000**	**$1,017,550,000**	**$4,093,550,000**	**75%**
TPAF	$ 6,341,000,000	$2,605,000,000	$8,946,000,000	71%
PFRS (State)	$ 589,000,000	$ 618,000,000	$1,207,000,000	48.8%
SPRS	$ *	*	$ 353,000,000	*
Total	$10,230,000,000	$4,369,550,000	$14,599,550,000	70%

If the cost of the Normal Cost is so modest for civilian employees, and if employees are paying so much of the cost, why are the pension costs so high?

The Annual Required Contribution is not only the Normal Cost. It is the Normal Cost + the Unfunded Actuarial Accrued Liability. The UAAL is made up of all the payments that were not made, plus the earnings on all the payments that the plan didn't get that it was supposed to get, plus the cost of any wrong plan assumptions. In other words, the State ended up with the enormous UAAL because:

- The State did not make its Normal Cost payments
- The Plan didn't earn what the actuarial assumptions said it would earn.
- That created an Unfunded Actuarial Accrued Liability
- The State then didn't make its payments for the UAAL *or* pay its Normal Cost
- Interest accrued and compounded on every dollar that the State didn't pay
- When the market picked up and the Pension Plans earned more than what the actuarial assumptions were, the Plans didn't get the benefit of the gains because they were so underfunded that less money earned the larger gains.

Most of the UAAL – possibly as much as 75% is made up of the payments that the State did not make for workers who have *already* retired.

BUT – the Christie Pension Commission's plan is that ACTIVE employees, who pay 80% of the cost of their benefit, should also pay the cost of the Unfunded Actuarial Accrued Liability for Retirees that was caused by the State not making its payments.

The Buck Consulting report shows the State making the entire Normal Cost payment for State Trooper Retirement System since 2010. This does not make sense and needs to be investigated given that employees are making contributions. CWA has asked for an explanation from the Division of Pensions and Benefits but we have not yet received an explanation.

Summary of Facts about the State PERS Plan:

1. Employees currently pay 79% of the cost of the benefits they are accruing under the PERS plan. When their increased contributions are fully phased in, they will pay 83% or more of the cost of their own benefits.

2. During the time the State made $1 billion in payments to the PERS plan, employees made over $3 billion in payments to the PERS plan. For all State Funded Plans, employees paid over $10 billion to the State's $4 billion.

3. The PERS plan is MODEST. It is 95th out of 100 in large State plans in terms of value. [i]

4. Employees have made 70% of all pension plan payments made since 2001. Of those, PERS employees have paid the greatest % of payments made to their plan - 75%, they are paying the greatest % of the Normal Cost - 79%, they have the most modest benefit, and the State PERS plan is the most unfunded of all the plans.

5. The high cost of the pension payments in due to the State not making past payments, not due to rich benefits for civilian employees.

6. The high cost of pension payments is due to the Unfunded Actuarial Accrued Liability, not the Normal Cost, and the UAAL is mostly made up of liabilities from employees who have ALREADY retired, but the "solutions" proposed all fall on the backs of active employees.

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[i] http://www.njpp.org/reports/new-jersey-has-modest-public-pension-benefits