

## Four Essential Questions

### 1. Where has the money gone?

\$2.3 billion in corporate tax cuts under Christie.<sup>1</sup>

- On track for \$4.3 billion total under Governor Christie.

\$3--\$5 billion in lost revenue due to failure to reauthorize surtax on those with AGI \$400,000+.<sup>2</sup>

- On track for \$5 billion--\$8 billion under Christie.

\$5.4 billion in corporate subsidies, or tax incentives.<sup>3</sup>

Christie has skipped \$14.9 billion in contributions

- More than the 5 previous governors combined.<sup>4</sup>

In FY15, New Jersey Democrats passed a reinstatement of the surtax on high earners, plus an increase in the corporate income tax (CBT).<sup>5</sup> Even if Christie hadn't vetoed it, corporations and those making more than \$400,000 a year would still have seen significant tax cuts relative to Corzine's last budget in FY10.

In other words, if New Jersey hadn't given away billions of dollars to corporations and the super-wealthy, we could come close to completely funding the pension.

### 2. How generous is the pension?

New Jersey pension benefits are the 95<sup>th</sup> most generous out of the 100 largest pension plans in the country.<sup>6</sup>

NJ civilian workers in the state and local government PERS contribute 79% of all contributions into their pension.

- When Chapter 78 changes are fully phased in, it will be 85% (Workers contribute 7.5% of salary, state contributes 1.35%).

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<sup>1</sup> New Jersey Office of Management and Budget. [State of New Jersey 2016 Fiscal Year Budget Summary](#). February 24, 2015. Page 5.

<sup>2</sup> MacInness, Godron and David Rousseau. [Selling New Jersey Short: Across-the-Board Income Tax Cut Would Harm the Garden State](#). New Jersey Policy Perspective. January 2014. Page 4.

<sup>3</sup> MacInness, Gordon and John Whiten. [Halt Corporate Tax Subsidies Until N.J. Reports on Their Results](#). nj.com. March 24, 2015.

<sup>4</sup> [A Roadmap to Resolution: Report of the New Jersey Pension and Health Benefit Study Commission](#). February 24, 2015. Page 7.

<sup>5</sup> Johnson, Brent. [Christie Presented with Democratic Budget Proposal with pension payments, tax hikes](#). nj.com. June 27, 2014.

<sup>6</sup> Herzenberg, Stephen. [New Jersey Has Modest Public Pension Benefits](#). Keystone Research Center, December 17, 2014.

The New Jersey state worker civilian pension is the least generous pension in the region

- New York, Pennsylvania, Delaware, Connecticut and Massachusetts all have more generous benefits, even though workers in New Jersey pay more for the benefit than all of those states except Massachusetts. (CWA research document).

In 2001, the pension plan was 109% funded.<sup>7</sup>

- Since then there have been four cuts.<sup>8</sup>
- The last cut, in 2011, meant that workers pay 25% more to receive a 30% less generous pension.

Despite all of the cuts, the state worker civilian plan is now 46% funded.<sup>9</sup>

- That's because the last year a full payment into the pension was made was 1996.<sup>10</sup>

### 3. Who Cashes in? ...Wall Street

If the fees going to Wall Street had remained flat at their FY10 levels under Governor Christie, the plan would have saved \$700 million.<sup>11</sup>

To put the fees in perspective, Chris Christie has contributed \$2.9 billion into all the plans.<sup>12</sup> During the same time period, his administration has paid more than half that amount--\$1.5 billion—in fees to Wall Street.<sup>13</sup> Astonishingly, Christie's co-chair of the pension and benefits commission called that amount “insignificant.”

If New Jersey had made better decisions under Chris Christie, there would be more money. New Jersey has chosen to invest in high-fee Wall Street money managers instead of low-fee stock-index funds. In fact, New Jersey had just kept the investment profile of Montgomery County, PA, there would be \$5.8 billion more in the fund now.<sup>14</sup> Due to an explosion of investments in hedge funds and other high-fee investments, New Jersey is now the second-heaviest investor in hedge funds of any public defined benefit pension system in the country.<sup>15</sup>

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<sup>7</sup> [Truth & Consequence: A Report of the New Jersey Pension and Health Benefits Study Commission](#). September 25, 2014. Page 16.

<sup>8</sup> [New Jersey Department of Treasury website](#). Retrieved April 21, 2014.

<sup>9</sup> [Truth & Consequence: A Report of the New Jersey Pension and Health Benefits Study Commission](#). September 25, 2014. Page 14.

<sup>10</sup> *Ibid.* page 7.

<sup>11</sup> Sirota, David. International Business Times. [Christie Administration Paid \\$600M in Fees in 2014](#). March 3, 2015.

<sup>12</sup> [Truth & Consequence: A Report of the New Jersey Pension and Health Benefits Study Commission](#). September 25, 2014. Page 17.

<sup>13</sup> Sirota, David. International Business Times. [Chris Christie Officials Suggest New Jersey Paid Millions in Undisclosed Fees](#). March 31, 2015.

<sup>14</sup> Sirota, David. International Business Times. [Under Gov Chris Christie, New Jersey's Wall Street Investments Trailed S&P 500](#). September 8, 2014.

<sup>15</sup> Williamson, Christine. Pensions and Investments Online. [Healthy growth of hedge fund assets continuing among DB plans](#). February 3, 2014.

This comes even as the over-reliance on hedge-funds and other high-fee investments underperform. Under Governor Christie, the funds in alternative investments have underperformed the S&P 500 by nearly half.<sup>16</sup>

#### **4. Who are the biggest beneficiaries? ...Christie's Political Allies**

\$6.5 million in fees went to Prudential, after company officials made significant contributions to his 2009 campaign and a member of Prudential's board of directors served as Christie's chief campaign fundraiser in 2009—a clear violation of state ethics rules.<sup>17</sup>

- Prudential got a new contract to invest \$300 million worth of retirement money in 2013.
- Weeks later, Prudential plc delivered nearly \$40,000 in political contributions to Christie's 2013 reelection campaign.<sup>18</sup>

Christie recently proposed investing \$100 million with a firm whose chair and founder, along with his wife, contributed \$2.5 million to the Republican Governors Association in 2013 and 2014—when Christie was running for reelection and then the RGA chair.<sup>19</sup>

The head of the State Investment Council, which oversees investments in the pension funds, was in direct weekly contact with Christie's senior campaign officials in 2013.<sup>20</sup>

- During the first five years of the Christie campaign, employees and PACs associated with firms managing New Jersey pension money contributed \$167,000 to Christie and other NJ Republicans, \$3.9 million to the Republican National Committee (which spent heavily on Christie's campaigns for governor), and \$7.1 million to the Republican Governor's Association.
- Christie was on the executive committee of the RGA from 2011—2014 and served as its chair in 2014.

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<sup>16</sup> Sirota. [Under Gov Chris Christie, New Jersey's Wall Street Investments Trailed S&P 500.](#)

<sup>17</sup> Sirota, David. International Business Times. [Chris Christie Maintained State Pension Investments in Prudential After Top Official Gave Contributions.](#) March 11, 2015.

<sup>18</sup> Sirota, David. International Business Times. [Chris Christie Officials Sent Pension Money to Subsidiary of Donor's Foreign Firm.](#) March 16, 2015.

<sup>19</sup> Sirota, David. International Business Times. [Chris Christie Officials Propose \\$100 Million for Top Donor to Republican Governors Association.](#) March 24, 2015.

<sup>20</sup> Sirota, David. International Business Times. [Chris Christie's Political Team Was in Direct Contact with Pension Overseer During Campaign.](#) August 15, 2014.