

## Pension and Health Benefits Timeline

**1996:** Governor Whitman skips a pension payment for the first time. This is in order to fund her income tax cuts. 2/3 of the benefit of those cuts went to the top 10%. Less than 10% of the benefit went to the bottom 60% of wage earners.

**1997:** Whitman signs a law granting workers a non-forfeitable right to pension benefits and requiring the State to make an annual normal contribution and an annual unfunded liability contribution. The law changes how pension assets are recognized, therefore “increasing” the value of pension funds. The law allows local governments to use those “increased” assets to make slightly reduced payments beginning in 1998.

**2001:** Governor DiFrancesco increases pension benefits. The plan is 109% funded.

**2007:** The first pension cuts take place, raising the early retirement age from 55 to 60. PERS worker contributions increase from 5% to 5.5% of salary. Workers pay more into the plan. Legislators say they will make full payments in the future. State workers negotiate paying 1.5% of pay to health benefits.

**2008:** The pension is cut again, raising the retirement age for all pensioners. Legislators say they will return to making full payments.

**2009:** An optional pension holiday is passed for county and local governments, allowing them to pay as little as 50% of the required payment in 2009, 60% in 2010, 80% in 2011, and resuming full payments in 2012. The only year since 2007 when workers do not have increased costs for pensions or benefits, or a cut in benefit, or both. State workers negotiate 10 furlough days per worker to avoid layoffs. Many local governments face furloughs and/or layoffs due to cuts resulting from the recession.

**2010:** The pension is cut again. Final average salary goes from average salary of highest 3 years ÷ 55 to highest 5 years ÷ 60. The non-forfeitable right for all workers not vested is eliminated. Length of time to vest goes from five years to ten. Disability retirement is eliminated for civilian workers. Legislators say they will return to making full payments and pass a funding phase in of 1/7<sup>th</sup> per year increase for 7 years, beginning in FY2012. Legislation passes requiring all workers to pay at least 1.5% of pay to health benefits. Following 15 years of under-funding and no funding, the NJEA sues the state. The New Jersey Supreme Court rules that workers have a right to the pension benefit, but no right to the funding of the pension.

**2011:** Pension and benefits reform passes. The plan for increased worker contributions is phased in over four years. At the end, in 2015, workers pay 25% more to get 30% less pension. Workers are required to pay an increasing amount of the health care premium, with a top rate of 35% of premium for the highest earners. The state budget includes a 1/7<sup>th</sup> payment for FY12. Christie makes the payment on the final day of the fiscal year, in June 2012. In response to the 2010 Supreme Court ruling, the legislature creates a contractual right to the funding of the pension.

**2012:** The state budget includes a 2/7<sup>th</sup> payment required by the law for FY13. Christie makes the payment on the final day of the fiscal year in June 2013. Worker contributions to pension and health benefits increase.

**2013:** The state budget includes a 3/7<sup>th</sup> payment required by the law for FY14. Worker contributions to pension and health benefits increase.

**2014:** Near the end of the Fiscal Year, despite months of warnings from OLS, Christie announces an unexpected budget shortfall and declares a state of emergency. Christie announces he will not make the pension payment. The unions take Christie to court. Judge Jacobsen rules that she believes the budget emergency was genuine and that the emergency allows the state to substantially impair the contractual right to funding of the pension. Christie declares he will not abide by the funding formula in the pension and benefits law, but that he will only make the normal cost payments moving forward. Christie creates a commission to make recommendations to cut health and benefits further. Worker contributions to pension and health benefits increase.

**2014:** The legislature passes a budget that includes the 4/7<sup>th</sup> payment required by the law for FY15. Christie vetoes funding for the payment. Unions take Christie to court. Worker contributions to pension and health benefits increase.

**February 23, 2015:** Judge Jacobsen rules that the pension and benefits law creates a clear contractual right to the funding of the pension. She rules that Christie must make the full payment required for FY15.

**February 24, 2015:** Christie announces in his budget address that he will not make the full legally-required payment for FY16. The unions take Christie to court. Christie's commission releases its report.

**March, 2015:** Christie appeals the ruling on FY15 to the Supreme Court.

**April 19:** The New Jersey legislature files an amicus brief supporting the unions' position for FY16.

**May 6, 2015:** The Supreme Court will hear arguments on the funding for FY15.

**May 12, 2015:** Judge Jacobsen will hear arguments on the funding for FY16.