

Pensions, Property Taxes and Public Workers: Getting Beyond the Rhetoric

**CWA District One
February 16th, 2010**

Overall PERS Benefits are Modest

- **Average benefit for all Retirements
In PERS in 2008**

State

- \$ 26,928 - \$2,244 a month

Local Government

- \$ 17,903 - \$1492 a month

Pension Benefits for State and Local Gov't Workers after 25 years

- Average pension for state worker with 25 years of service: **\$35,412** or \$2,951 per month
- Average pension for local government worker with 25 years: **\$31,533** or \$2,628 per month
- Compare to others
 - Judges: **\$99,785** (after 10 years of service)
 - State Trooper: **\$79,109**
 - Local Police and Fire: **\$70,972**

Normal Cost of Pension of State and Local Government Workers is Manageable

- Local government workers
 - Normal Cost for 224,000 Local Government Workers is **\$248 million**
 - Actual cost per worker is \$1107 or 3.37% of pay
- State government workers
 - Normal Cost for 95,300 state workers is **\$224.2 million**
 - Actual cost per worker is \$2352 or 4.8% of pay

NJ Public Pensions Comparable to or Less Than Those in Surrounding States

State Ffund	State Contrib	Employee Contrib	Yrs to Vest	Normal Retire	Multiplier	COLA	# Yrs AFC	Pension @ 30 y AFC \$33K	Pension @ 30 AFC \$50k
NJ	0%	5.5%	10	62/10	1.85%	Yes	3	17,998	27,270
MA	6.64%	11%	10	65/10	2.5%	Yes	3	24,750	37,500
PA	10.7%	3%	5	60/3	2.5%	Ad Hoc	3	24,750	37,500
NY	10.7%	3%	5	62/5	2.0%	Yes	3	19,800	30,000
DE	21.13%	8.75%	10	60/10	1.85%	Ad Hoc	3	18,216	27,600
CT	4.9%	0%	5	62/5	1.33%	Yes	3	13,167	19,950

Origins of Problem: Not Public Workers

Year	State & Local - Owed Total	State & Local - Accrued Liability	% of Total from Accrued Liability	State & Local Paid - Total	State & Local - Normal Cost	State Funded Ratio	Local Funded Ratio
1998	\$213	-\$23	-10.8%	\$0	\$236	108%	112%
1999	\$289	\$20	6.9%	\$0	\$269	114%	118%
2000	\$331	\$20	6.0%	\$0	\$311	114%	119%
2001	\$384	\$21	5.5%	\$0	\$363	113%	120%
2002	\$404	\$16	4.0%	\$0	\$388	103%	110%
2003	\$444	\$17	3.8%	\$0	\$428	91%	103%
2004	\$441	\$25	5.7%	\$0	\$416	85%	96%
2005	\$509	\$81	15.9%	\$42	\$427	79%	90%
2006	\$690	\$213	30.9%	\$146	\$476	72%	82%
2007	\$828	\$318	38.4%	\$440	\$510	69%	81%
2008	\$1,009	\$484	48.0%	\$0	\$528	73%	73%
2009	\$1,000	\$575	57.5%	\$0	\$424		
2010	\$1,157	\$686	59.3%	\$0	\$471		

All \$ in millions

US Faces a Retirement Security Crisis: Is Cutting Public Sector Pensions the Best Response?

- Defined benefit plans are less prevalent
 - 21% of Americans have a Defined Benefit pension; 25 years ago, 80% of large and medium-sized firms offered DB plans
 - Half of all full-time workers (and most part-time) workers have no workplace retirement plan at all
- Individuals' defined contribution (401k-type) plans are underfunded, and tax incentives are skewed
 - Average 401(k) has a balance of \$45,519
 - 46% of 401(k)s have less than \$10,000; median account value is \$13,000
 - 70% of tax subsidies for DC plans go to top 20% in income; nearly half go to top 10%
 - Tax expenditures for retirement plans (401(k), IRA tax breaks) actually exceeded personal savings in 2003 according to Urban-Brookings Tax Policy Center
- The result: 60% of unmarried women and 56% of Blacks and Hispanics approaching retirement age have expected retirement incomes below 2x poverty level

Senate President Steve Sweeney's comments illustrate a common misunderstanding

"Take a construction worker who says, 'I got to pay for my health coverage. I got to pay for my pension. And I'm paying the taxes here, too. And I'm a union person. So why don't [public employees] have to pay for something? That's where the separation is. It's an entitlement issue.'"

- In reality, state workers and teachers pay 5.5% of salary to their pensions. We agreed to a 0.5% increase in the contribution in 2007
 - worth \$275 million from FY 2008 – 11
 - worth \$1.5 billion from FY 08 to FY 2022
- State workers pay 1.5% of salary for health care (roughly equivalent to 10% of premium), worth \$290 million from all state employees from FY 08-11

Gov. Christie's recent comment illustrates another "misunderstanding":

"One state retiree, 49 years old, paid, over the course of his entire career, a total of \$124,000 towards his retirement pension and health benefits. What will we pay him? \$3.3 million in pension payments over his life and nearly \$500,000 for health care benefits -- a total of \$3.8m on a \$120,000 investment. Is that fair?"

In fact, if this individual was part of PERS, to receive \$3.3 million in pension benefits, they would have:

- Gone to work at age 21.5 in 1932
- Retired at age 49 in 1960 after working for 27.5 years
- Had a final average salary of \$160,000
- Lived to be 99 and collected a pension of nearly \$66,000 a year for 50 years

This was not one of our members.

What's driving property taxes?

- Total local government obligation for normal cost of Local PERS for 224,000 employees: \$248 million
- Total local government obligation for normal cost of Police and Fire for 33,300 uniformed workers: \$475 million
- NYC – 8.2 million people, 1.1 million school children, 1 school district, Chancellor Salary - \$250,000
- NJ – 8.7 million people, 1.37 million students, 591 school districts, average Superintendent Salary \$158,400, \$93.6 million in Supt salaries alone

State Workers Have Made Significant Sacrifices

- 1.5% of salary towards health care in 2007 contract, \$50 million per year from unionized workforce, \$290 million from all state employees thru 2011
- 0.5% increase in pension contribution, \$68.7 million to PERS and TPAF in FY 2008, over \$2 billion for State and Local PERS and TPAF from FY 2008 to FY 2022.
- Cap participation in DB plan at Soc Sec maximum
- Increase retirement age from 55 to 62
- In 2009, agreement for 10 unpaid furlough days (equal to 4% of pay)
- Postpone 3.5% raise in effort to protect jobs

Total concessions in 2009 agreement = \$250 million

Total concessions since 2007 = \$450 million

A Special Interest?

- We protect the most endangered children in NJ
- We care for and teach the developmentally disabled in our state institutions
- We make sure the state's beaches are kept clean
- We inspect the state's roads and bridges
- We help the unemployed obtain their benefits
- We service the public at the DMV
- We process the tax returns
- We are the clerical workers in the state colleges
- We care for disabled veterans in NJ's Veterans Home
- We process tests for newborn disease screening
- We regulate the cleanup of hazardous waste sites and landfill sites