



Written by [Bob Adelman](#) on January 17, 2018

New Jersey Governor Ignores Pension Crisis, Wants More Spending

While running for governor of New Jersey, Democrat Phil Murphy (shown) was asked what he would do about the state's overwhelming pension crisis, and he waffled: there's "no easy answer," he said. He added that the state would have to do something about the problem. Said Murphy, "The state has to stand up for its side of the bargain. Period. If the state doesn't, there's no use in having [any further] discussion."



Murphy was inaugurated as the New Jersey's 56th governor on Tuesday and promptly forgot all about the pension tsunami about to engulf the state. [Instead he offered both a "wish list" and a "to-do list"](#) for his supporters and Democratic legislators in attendance. His "wish list" contained the usual collection of liberal promises, while his "to-do" list is what he wants the state legislature to bring to his desk within the next 30 days.

His "wish list" was a rehash of his campaign promises — long on generalities but short on specifics — including legalizing marijuana, protecting illegal immigrants from ICE, providing free tuition at the state's community colleges, eliminating "tax breaks" that large corporations are allegedly unfairly enjoying, investing state funds in more costly "green energy" projects, and paying for it all by raising taxes on those few millionaires still residing in one the country's highest-tax states.

He was much more specific with his "to-do" list. He ordered the state's liberal and heavily Democratic legislators to get off the snide and send him six bills within the next 30 days, each of which, said Murphy, "will be met with a signing ceremony." Their marching orders from Murphy included new funding for "women's health" and Planned Parenthood, raising the minimum wage in the state to \$15 an hour, mandating "equal pay" for women, requiring employers in the state to provide paid sick leave to their employees, passing laws removing barriers to having illegals vote, and, of course, additional attacks on the state's more than three million law-abiding gun owners.

He mentioned not a word about the state's pension crisis, which has been brewing for years and accelerating nearly exponentially. It's not that Murphy doesn't know about the crisis or its extent and potential for bankrupting the state. In 2005, acting New Jersey Governor Richard Codey convened a commission to study "the problem," naming Phil Murphy as its head. In its conclusion, that study urged the state in no uncertain terms to end immediately all "pension holidays" (the skipping of payments to the state's five pension plans for a period of time), to avoid actuarial "gimmicks" commonly used to make those liabilities appear to be smaller than they actually are, and to eliminate borrowing to pay the state's contributions. It also recommended a series of reforms, including an end to pension "spiking" (by which employees can sweeten their final payouts as they approach retirement), and raising the age at which plan beneficiaries could retire with full benefits. That last recommendation, which was never implemented, would have raised the full-benefit retirement age from 55 to 60.

So Murphy cannot claim ignorance. He is also certain to know of the accounting chicanery that took



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place last year, i.e., using the state's lottery program to help pay the state's pension contributions. But it was chicanery taken to level of audacity rarely seen even in states as corrupt as New Jersey. Instead of demanding that the lottery's annual \$1 billion proceeds flow into the pension funds' coffers, the legislature actually transferred the entire program into those coffers and then declared that the future value of those annual proceeds (happily and likely generously estimated at more than \$13 billion) was now an asset, reducing (on paper at least) the amount of the unfunded liability.

Moody's Analytics was not impressed: "The lottery transfer does not change the state's weak [and] steeply rising pension contribution schedule. [Even after the transfer] there remains considerable risk that the state will be unable to afford rapidly growing pension contributions."

Also not impressed were two senior fellows at the Manhattan Institute, who just released their study of New Jersey's pension problems. In January, well before Murphy neatly demurred on even mentioning them, the authors concluded: "It is highly unlikely that New Jersey will generate enough new revenues to meet its pension obligations without severely hobbling the rest of the state's budget. At the same time, allowing its pension system to continue to accumulate debt by not contributing adequately to it will push New Jersey toward a potentially catastrophic failure of its government pensions."

At the moment, those five government pension plans have the lowest funding ratio of any state in the union, with a liability estimated to be \$124 billion. Those plans are only 30-percent funded currently and declining with each passing day.

But Murphy's term is for only four years, and if he wins reelection, his tenure ends in eight years. Those plans will likely remain in place, continuing to threaten pensioners who still think they will be getting their benefits, and threatening the state with bankruptcy if it tries to fund them properly. But Murphy will be long gone, proving once again the old adage: Politicians come and go, but the unfunded promises they make live long after them.

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