

## **Under the Dome with DeAngelo**

*An Update on the New Jersey State Government by Assemblyman Wayne DeAngelo  
(April 2017)*

Spring has finally sprung in our communities and Under the Dome! After marathon winter months of activity, the State Legislature will take a brief recess for April to solely focus on public hearings and departmental reviews for the Fiscal Year 2018 State Budget.

As a supplement to the current Fiscal Year 2017 budget, Governor Christie signed into law a bill -- championed by Senate President Sweeney and Assembly Speaker Prieto and passed with overwhelming bi-partisan support -- that would provide an additional \$400 million in funding for infrastructure programs. This infusion is in addition to the \$1.6 billion set aside through reauthorization of the Transportation Trust Fund. The new line of infrastructure funding will go toward projects throughout the state within 100 days of the law's enactment.

Meanwhile, Moody's Investors Services recently stated that New Jersey's economy is only growing "moderately." The highly regarded rating agency downgraded the State's credit rating for a record 11<sup>th</sup> time under Governor Christie's tenure in office citing the continued underfunding of the pension system.

Governor Christie's proposed \$33.5 billion state budget includes a payment into the pension system of \$2.5 billion. However, this represents only half of the full state contribution. Moody's does not view this contribution as sufficiently aggressive stating that the payments are "well below the level that would allow the state's reported net pension liability to tread water -- or remain stable from one year to the next."

In an effort to address the deficit, the Governor has proposed using lottery funds to pay into the pension system. Under the plan, approximately \$13 billion would be put toward the pension system thereby increasing the funding ratio from 49 percent to 64 percent. The Governor also believes that such action could "please" bond investors and rating agencies that would in-turn increase confidence by public employees concerned with the severe level of under-funding.

Lottery funds, however, are currently used for education services such as school nutrition, tuition aid grants, and the Marie Katzenbach School for the Deaf. It also funds critical institutions such as centers for the developmentally disabled, state psychiatric hospitals and homes for disabled soldiers. Diverting funds from the lottery to plug the hole in the budget system would leave these critical services and those who greatly need them in dire straits.

In an effort to positively transform and improve the standing of the state's second largest pension program, a new law was recently enacted to transfer management of the Police and Fire Retirement System (PFRS) from the state Division of Pension and Benefits in the Treasury Department to a Board of Trustees. PFRS solely provides retirement benefits for those who have invested in it through their service in police or fire service. The Board will have the primary responsibility of setting policies and investments with the goal of achieving full funding of the system.

The PFRS system had an unfunded liability of \$11.2 billion; a market value of \$24.1 billion; an actuarial value of \$26.3 billion as of July 1, 2016. The system, which consists of 40,789 active members, has 45,625 pensioners and beneficiaries receiving \$2.3 billion in payments. It became

evident that there needed to be a transformation of the PFRS system in order to continue to meet its obligations.

The Board of Trustees will have oversight over investment responsibilities thereby empowering the employees and union members. The 12-member Board will consist of three active police members; three active fire service members; one retiree in PFRS; four trustees appointed by the Governor who has experience in local government office; and one trustee appointed by the Governor with division director or higher experience in executive branch of state government.

At least seven members of the Board must be in attendance for meetings to occur. Furthermore, a two-thirds affirmative vote of the Board will be required to change benefit levels or contribution rates.

States such as Colorado, Ohio and Washington have a similar structure currently in place. The New Jersey law will take effect next year, 366 days after it was enacted. While this is a bold step, transforming was necessary in order to avoid continue under-funding and risk collapse of the system.

As you can tell, the next few months in Trenton will be dominated by matters of dollars and cents – and how the State spends taxpayer dollars. I, for one, as a representative of the 14<sup>th</sup> District will continue to primarily focus on pushing for a fulling funded, fair school funding formula. School districts throughout our District have continued to voice their concerns in budget committee as well as education funding formula forums. Those voices are being hear loud and clear Under the Dome.

**Editor's Note:** Assemblyman Wayne DeAngelo (D-Hamilton) represents the 14<sup>th</sup> Legislative District which includes parts of Mercer and Middlesex counties. He can be reached at [AsmDeAngelo@njleg.org](mailto:AsmDeAngelo@njleg.org); phone (609) 631-7501; [www.WayneDeAngelo.com](http://www.WayneDeAngelo.com); Facebook: Assemblyman Wayne DeAngelo; or Twitter: @DeAngeloLD14.