



# New Jersey

**NEW JERSEY HAS DONE AN ABYSMAL JOB** of keeping up with annual funding requirements for its pension system. And when it comes to retiree health benefits, the state faces bills coming due of nearly \$22 billion just for state employees, and another \$36.5 billion for teachers. (Only some states have calculated the latter; in many, the liability for teachers will appear at the local school district level.) Although New Jersey’s pensions, in the aggregate, are only slightly less well funded than the 50-state mean, the system has suffered from a number of problems. The state recently passed several reforms designed to improve its performance and provide better and clearer public disclosure of the inner workings of the pension systems. On the non-pension side, retiree health benefit costs are substantial and growing far faster than the rest of the state budget.

## PENSIONS

TOTAL BILL COMING DUE: **\$109.6 billion**<sup>1</sup>

FUNDS SET ASIDE: **\$86.5 billion**

PORTION UNFUNDED: **\$23.1 billion**

PERCENT FUNDED: **79 as of 2006**<sup>2</sup>

TEN YEAR FUNDING HIGH: **111% in 2000**

TEN YEAR FUNDING LOW: **79% in 2006**

HOW IS THE STATE DOING IN PAYING ITS ANNUAL BILL? 

**ASSUMPTIONS:** New Jersey assumes 8.25% interest on its pension investments (compared with a 50-state median of 8%). It uses a five-year smoothing period, similar to most states. The amortization period conforms to accounting standards.

<sup>1</sup> Pension funds include public employees, teachers, and judicial, state police and police and fire employees.

<sup>2</sup> 50-state mean was 82%.

## OTHER BENEFITS

TOTAL BILL COMING DUE: **\$21.6 billion**<sup>1</sup>

FUNDS SET ASIDE: **\$0**

PORTION UNFUNDED: **\$21.6 billion**<sup>2</sup>


PERCENT FUNDED: **0 as of 2006**

HOW IS THE STATE DOING IN MANAGING THIS BILL? 

<sup>1</sup> With another \$36.5 billion for teachers.

<sup>2</sup> 333% of covered payroll, compared to a national median of 135%.

**REFORMS:** In 2007 the legislature established a defined contribution plan, in place of the traditional defined benefit plan, for newly elected and some appointed officials, and prohibited professional service contractors from being part of the state’s pension system as of January 1, 2008. In addition, state policy makers approved a 10% increase in contributions for some of its public employees, teachers and defined contribution plans. Pension contributions for wages over the maximum wage contribution mark for Social Security will be shifted to a defined contribution plan.

KEY:  Top Performer  Needs Improvement  Below Par  Non-Pension Benefits are Minimal

This fact sheet stems from a 50-state analysis of states’ retiree benefit obligations by Pew’s Center on the States. The full report and 50 state fact sheets can be found at [www.pewcenteronthestates.org](http://www.pewcenteronthestates.org).



The Pew Charitable Trusts applies the power of knowledge to solve today’s most challenging problems. Our Pew Center on the States identifies and advances effective policy approaches to critical issues facing states.  
2005 Market Street, Suite 1700 | Philadelphia, PA 19103 | [www.pewtrusts.org](http://www.pewtrusts.org)