

THE WALL STREET JOURNAL.

WSJ.com

FEBRUARY 28, 2011, 5:28 PM ET

Outlook for N.J. Pension Is Bleak — Even With Christie's Reforms

By Romy Varghese



Bloomberg News

Retired firefighter Joe Verdon at a union demonstration against Gov. Chris Christie outside the statehouse in Trenton, N.J., on Friday.

New Jersey Gov. Chris Christie's proposed public pension reforms are a good start, Moody's Investors Service said in a note Monday. But the ratings agency warned that even if the proposals are enacted, the pension system—already the 7th-lowest funded in the U.S.—will continue to deteriorate.

The pension system faces a \$30.7 billion unfunded liability for state workers, Moody's said. In December, the Christie administration said the pension gap for New Jersey's state and local workers combined [had reached \\$53.9 billion](#).

The state won't begin making full contributions until 2018, according to Moody's. "Therefore, regardless of the reform proposal, the pension system's funding will actually deteriorate over the coming years, and will not return to its current funding levels for at least a decade," wrote Baye Larsen, a senior analyst at Moody's.

Larsen noted that the funded ratio for New Jersey's pensions, which stood at 62% in 2009, has dropped sharply in recent years as the state either slashed payments to the or skipped them entirely. Indeed, Christie skipped a \$3 billion pension payment last year.

New Jersey's unfunded pension liability is a significant factor in the decision not to buy state debt for Eaton Vance's tax-advantaged bond strategies group, said portfolio manager Evan Rourke.

"Christie's taking steps in the right direction, but our feeling is this is an issue that needs further action before it can be fixed," Rourke said.

Christie's proposals, if enacted, are likely to face union lawsuits, Moody's added. Christie plans to roll back a 9% benefit increase granted in 2001, eliminate automatic cost of living adjustments for current and future retirees, raise the retirement age and increase employee contributions.

To address the growing unfunded liability for retiree health benefits, Christie wants to hike employee contributions to 30% of the cost of benefits from 8% and increase co-pays and deductibles.

Copyright 2008 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our [Subscriber Agreement](#) and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit www.djreprints.com