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New Jersey's Public Pensions in Worst Shape Ever Ahead of Bond Sale.

March 18 - New Jersey's public pensions are as underfunded as they have ever been, which could pressure the state's sale next week of \$141.7 million of general obligation bonds.

The state's aggregate funded ratio of all plans is 48.6 percent, "the lowest funded ratio that the pension plans have ever experienced," a bond document for potential investors showed.

The document, dated March 14, detailed the deterioration of the state's roughly \$83 billion pension system, which covers nearly 770,500 members, both active and retired and state and local, across seven separate funds.

Since 2011, when the state enacted reforms aimed at shoring up the pension system, the funded ratio has only fallen further, the offering document said. The state has not made its full share of contributions for many years.

When including local government contributions to two funds - the public employees and the police and firefighter funds - the overall system appears somewhat better at 59.5 percent, which is still far below an 80 percent level considered baseline healthy.

Local governments participate in those two funds, which the state sponsors and also takes part in. State and local assets are invested together, but the members and actuarial liabilities are kept separate.

Under new Governmental Accounting Standards Board rules, the system is funded at 37.5 percent and with \$135.7 billion of unfunded liabilities, of which \$78.9 billion would fall to the state and the rest to local governments, the document showed.

The underfunding has pressured the state's creditworthiness. After nine downgrades since Governor Chris Christie took office in January 2010, it is now the second lowest rated U.S. state behind Illinois.

New Jersey's credit spreads have widened. When Christie took office, the spread on the state's 10-year bonds was about 25 basis points over top-rated U.S. municipal bonds. On Friday, it was 65 basis points wider at 90 basis points, according to data from Municipal Market Data, a Thomson Reuters unit.

By comparison, the single-A 10-year spread narrowed by about 32 basis points to 53 basis points over the same period.

The state will begin offering the GO bonds on Wednesday, the same day that the New Jersey Building Authority plans to issue \$96.7 million of state building revenue refunding bonds. Citigroup is lead manager on both negotiated deals.

Altogether, an estimated \$7.4 billion of municipal bonds and notes are scheduled to price next week, even though the market is closed on Friday for the Good Friday holiday.

Reuters

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