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## **New Jersey Top Court Sides With State in High-Stakes Pension Case.**

(Reuters) - The New Jersey Supreme Court ruled on Thursday that retired public employees do not have a contractual right to receive increasing cost-of-living adjustments, a decision that saves the state \$17.5 billion.

Governor Chris Christie's administration suspended the COLA payments, which are tied to inflation, as part of 2011 reforms aimed at curtailing the ballooning cost of public pensions.

Despite running a heavily Democratic state, Christie, a former Republican presidential candidate now stumping for presumptive nominee Donald Trump, has notched several victories against the public sector, beginning with his ability to garner bipartisan support for the pension reforms.

He was even allowed to go back on promises he made in those same reforms when, in 2014, he slashed the state's pension contributions, saying a surprise revenue gap left him no choice. The state Supreme Court vindicated that move last year.

"State taxpayers have won another huge victory, one that spares them from the burden of unaffordable benefit increases for public employee unions," Christie said of Thursday's ruling, citing the billions saved.

Credit rating agencies rank New Jersey the second-worst U.S. state partly because of its growing pension costs and narrow reserves.

Thursday's ruling "eliminates a major threat to the state's fiscal stability," said Moody's Investors Service analyst Baye Larsen in a statement.

The status of the state's roughly \$83 billion pension system has never been worse. The state's aggregate funded ratio for all plans is 48.6 percent.

Retired prosecutor Charles Ouslander and others sued when the reforms froze COLAs at 2011 levels, saying they had as much right to that benefit as their base pensions.

"The ramifications of a contract of that sort are harsh" because it binds the legislature "to a policy choice and surrenders the power of future elected representatives to cut back," Justice Jaynee LaVecchia wrote in the 6-1 opinion.

She cited a 2014 federal appellate decision upholding Maine's suspension of COLAs, agreeing that legislatures must use unmistakable language when creating contracts.

Ouslander, who argued the appeal himself, said after the decision that "all public employees should be gravely concerned that their remaining pension benefits have any legal protections left."

The only fix now, Ouslander said, is a potential November ballot initiative to fully fund annual state

pension contributions, which Christie opposes.

Wendell Steinhauer, president of the New Jersey Education Association, a teachers union, said the benefit freeze is “theft, plain and simple.”

New Jersey Justice Barry Albin dissented from the majority, saying he did not agree that the statutes lacked clarity.

In deciding when to retire, “public employees relied on the legislative promise that COLAs would protect their pensions from the ravages of inflation,” Albin wrote.

However, the United States has not had significant inflation in more than a decade and it likely will not for years to come, said municipal bond expert Richard Ciccarone, CEO of Merritt Research Services.

“To keep COLAs as a rigid right provides public servants with an advantage that surpasses what most taxpayers can earn on a parallel basis,” he said.

By REUTERS

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(Reporting by Hilary Russ in New York; editing by Phil Berlowitz, Bernard Orr)

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