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Opinion: Cracks in the state's public pension and health care funds

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IN THE FORTHCOMING debate over revisions in New Jersey's public pension and health care package, at least one outcome seems assured — those enrolled in the program will be required to make a greater contribution toward their retirement benefits and pay a larger share of their medical-insurance premiums.

While the recommendations made by Governor Christie and Senate President Steven Sweeney differ in several respects, the central point in both recognizes clearly that an increase in employee contributions is imperative to prevent the system from slipping into insolvency.

The pension system is slowly being crushed under the weight of an unfunded liability of $50 billion to $100 billion — depending on whose estimate is believed — while the expense of providing health insurance consumes a greater chunk of government budgets with each passing year.

The ripple effect produced by the precarious state of the pension system was felt two weeks ago when Standard & Poor's reduced the state's credit rating a notch, citing as its principle reason the system's massive unfunded liability. Both the governor and the Democratic leadership were quick to blame one another for the rating agency's decision, Christie arguing that it was the result of the Legislature's failure to act expeditiously on his reform agenda and Democrats contending the administration's failure to make a contribution to the fund last year was at fault.

While there are significant points of conflict between the governor's and the Democratic leader's reform agendas, the willingness of both to engage in serious debate over a benefits system clearly in deep trouble is the first step toward reaching compromise.

arbitration system to settle contract disputes, and providing greater state involvement in efforts to reinvigorate the casino industry in Atlantic City.

He's guaranteed that the high-profile successes the governor has achieved will have a Democratic imprint on them, especially heading into the 2011 legislative election season.

At the same time, he hasn't hesitated to bump heads with the governor over such issues as job creation and economic growth, and taxes on high-income residents.

He's demonstrated his willingness to take on public employee unions despite the risk of alienating a voting bloc that has been a consistent financial and ballot box supporter of Democratic candidates.

His personal lengthy background in organized labor has enhanced his credibility in matters involving public employee benefits by creating the impression that if he perceives a problem in need of attention, the problem must be a valid one.

In any attempt to come to grips effectively with the pension system crisis, there will be renewed criticism of state government's failure to live up to its obligations over the years by withholding its annual contributions to the system.

That the state has ignored its responsibility to support the pension fund is undeniable and the anger and frustration expressed by union leaders over that failure is thoroughly understandable.

Government's failure, not employees

Employees, the unions properly point out, faithfully made their contributions year after year; the crisis now faced is a direct result of government's failures, not theirs.

Valid as this criticism is, harsh reality has arrived in the form of a pension system teetering on the edge of bankruptcy. Assigning blame for past sins accomplishes little toward curing current woes.

The pieces are in place for a compromise and there is in the air a desire to cooperate to achieve significant reforms and rescue a deeply distressed benefits system.

There will most certainly be a cost involved and it will be necessary for the governor and Sweeney — as leaders in the effort — to convince everyone with a stake in the outcome that the cost is well worth the eventual result.