

June 9, 2015

**Re: New Jersey Supreme Court Ruling on Pension Payment Obligation**

Dear Mayor:

Earlier today, the New Jersey Supreme Court issued its ruling in *Burgos v. The State of New Jersey*. This litigation was initiated on behalf of a number of public sector unions, in which they assert that the FY 2014-2015 state budget did not comply with the provision of PL 2011, c. 78 (Chapter 78) and has underfunded pension and health benefits.

In essence the Court struck the trial court decision, which had ordered the Administration to work with the Legislature so as to make the full payment, as contemplated by statute. Today's ruling states that:

1. While Chapter 78 did indeed create a contractual right between public employees and the state, it is not enforceable because enforcing this provision would violate the state constitution's debt limitation clause; and
2. In order for this provision to be legally enforceable, it would have to be approved by the voters pursuant to the NJ Constitution.

The decision is online at: <http://www.judiciary.state.nj.us/opinions/supreme/A-55-14BurgosvState%29.pdf>

The NJ Supreme Court decision underscores the need for a State solution to the underfunded State pension and health benefits systems. This decision should have no impact on local budgets, as municipal employers and their employees will continue to meet their pension funding obligations, as required by statute. Because of that, the pensions of local employees are safe, and the local PERS and PFRS funds are fiscally sound.

Going forward, efforts to address the underfunding of the State's obligations need to recognize and respect the integrity of all locally funded retirement and benefit plans. Remedial efforts must not include the mingling of the State and local PERS and local PFRS, or the transfer the state's obligations to local government.

We will continue to keep you apprised of new developments.

Very truly yours,

Brian C. Wahler	William G. Dressel, Jr.
President, League of Municipalities	Executive Director, League of Mayor,
Piscataway Township	Municipalities