SUNLIGHT
POLICY CENTER
OF NEW JERSEY

ISSUE UPDATE

NJEA LEADERSHIP HAS A LOT TO ANSWER FOR WHEN IT COMES TO TEACHERS' PENSIONS

They neglected their members' pensions while taking care of themselves.

July 31, 2024

NJEA LEADERSHIP HAS A LOT TO ANSWER FOR WHEN IT COMES TO TEACHERS' PENSIONS

They neglected their members' pensions while taking care of themselves

INTRODUCTION

New Jersey Education Association (NJEA) Secretary-Treasurer Petal Robertson recently visited local affiliates to drum up teachers' support for NJEA President Sean Spiller's run for governor[1] The word is that Robertson tied support for Spiller to the NJEA's current "Pension Justice" campaign[2] to mobilize the entire NJEA membership to pressure the legislature to improve teachers' pensions. And, apparently, to elect Spiller governor.[3]

Tying Spiller's candidacy to teachers' pensions would certainly help to justify the $8 million that NJEA leadership (including Spiller) has already given to Spiller's personal Super PAC, which is widely seen as a platform for his gubernatorial ambitions,[4] and would justify more spending on Spiller down the road. So NJEA leadership's support for Spiller isn't about using teachers' dues to further Spiller's personal political ambitions, it's about improving teachers' pensions. How convenient.

As for the Pension Justice campaign, the NJEA claims that the current tiered pension system is inequitable and makes "a secure retirement out of reach ... especially for members hired after June 2011."[5] It is true that the Chapter 78 reforms enacted in 2011 by Republican Governor Chris Christie and the Democratic legislature placed newly hired teachers in Tier 5, where benefits were reduced, the retirement age raised, and the COLA (cost-of-living adjustment) stripped out. The NJEA says that almost half of all current teachers are in Tier 5 pensions, which are indeed modest and, like all teachers' pensions, severely underfunded.

What the NJEA does not mention is that Tier 5 teachers can thank NJEA leadership for the miserable condition of their pensions. The reason that Chapter 78 was passed by a

---

[1] Laura Waters, "NJEA Promotes 'Pension Justice' and Sean Spiller," *NJ Education Report*, June 5, 2024.
[2] New Jersey Education Association, "Pension Justice 10 Minute Meeting," njea.org, accessed June 13, 2024.
[3] Matt Friedman, "NJEA makes pension push as its prez tees up gov run," *Politico*, June 11, 2024.
[4] Matt Friedman, "NJEA has sent $8M to group promoting its president as he runs for governor," *Politico*, June 25, 2024.
[5] New Jersey Education Association, "Pension Justice 10 Minute Meeting," njea.org, accessed June 13, 2024.

strong bipartisan majorities was that New Jersey's public pensions were so severely underfunded and the strain on taxpayers so great that the choice was reform or insolvency.

How did the teachers' pension plan get into such poor condition?

The facts show that in the late 1990s and early 2000s, the NJEA played a leading role in political deals that severely undermined pension funding. NJEA leadership bet everything on legislation giving teachers the "non-forfeitable right" to their pensions, gambling that this contractual right would force the state to provide for teachers' pensions regardless of the funding level. Thereafter, NJEA leadership neglected sound pension funding.

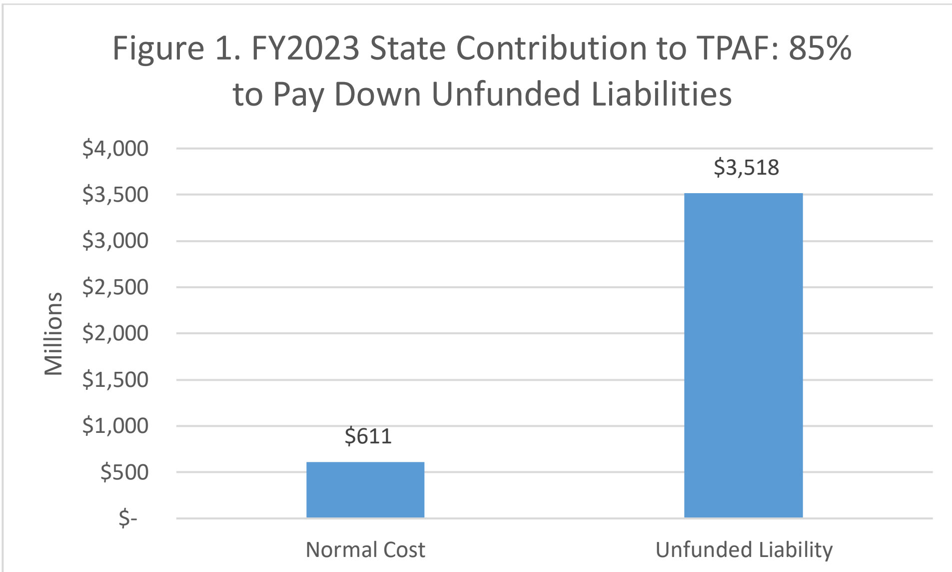
Critically, these deals allowed "surplus" assets to be substituted for the annual, required payments into the pension system. As a result, *from 1998-2005, no money was put into the pension system*. That was an enormous mistake that paved the way for the severe underfunding that existed in 2011 when Chapter 78 was enacted, and still exists today. The current, degraded state of teachers' pensions is directly attributable to the disastrous political deals made by NJEA leadership.

But while NJEA leadership neglected to care for their members' pensions, they ensured their own pensions were gold-plated and very secure. Leadership's pensions are worth 60% more than a Tier 5 teacher's pension. Even worse, a top exec like former-Executive Director Ed Richardson's pension is worth a jaw-dropping $5.5 million, or 6x a Tier 5 teacher's pension. And Richardson's pension is 122%-funded (meaning there is $1.22 set aside for every dollar owed) versus 35%-funded for the teachers' pension plan. ALL of this funded by those same teachers' highest-in-the-nation dues. NJEA leadership has a lot to answer for.

NJEA leadership wants to use dissatisfaction with their pensions to push teachers to support Spiller's run for governor, but the facts suggest teachers might be better served by seeking accountability for the degraded state of their pensions while NJEA leadership is sitting pretty.

I. THE CURRENT CONDITION OF TPAF: 85% OF STATE CONTRIBUTIONS GO TO UNFUNDED LIABILITIES

The teachers' pension plan -- the Teachers' Pension and Annuity Fund (TPAF) -- is severely underfunded. As shown in Figure 1 below, the vast majority of the state's annual contribution to TPAF goes to paying for TPAF's massive unfunded liabilities rather than the actual pension benefits that current employees are earning (the "normal cost"). As shown in Figure 1, in FY2023, $611 million of the state's contribution was for the normal cost, while $3.518 billion went to paying down TPAF's unfunded liabilities. In other words, 85 percent of the state's $4.1 billion payment into TPAF was due to past underfunding. If lawmakers had fully funded their pension promises, the state would only have to pay $611 million to properly fund TPAF, rather than $4.1 billion.[6]



Source: State of New Jersey, Division of Pensions & Benefits.

Of course, the NJEA wants to place all of the blame for underfunding TPAF on the state: "The state's failure to fund its share of pension cost is the only reason for [the] pension crisis faced by the state."[7] The NJEA wants to hide its own leading role in the funding decisions made by the state. They want teachers to believe that the NJEA is blameless when it comes to TPAF's underfunding. The facts show it was not.

II. THE NJEA PLAYED A LEADING ROLE IN THE UNDERFUNDING OF TPAF

As described in then Governor Jon Corzine's February 24, 2008 Budget Summary presented to the legislature:

> The seeds of this problem were sown in the mid-1990s, when New Jersey sold pension bonds and revalued its pension investments ... These tactics enabled the State to avoid making its normal appropriations into the system ... From fiscal

[6] Teachers' Pension and Annuity Fund of New Jersey, Actuarial Valuation Report as of July 1, 2023, Produced by Cheiron, February 2024, p. 4.
[7] 7 New Jersey Education Association, "NJEA Statement on Lottery Proposal," May 12, 2017, https://www.njea.org/njea-statement-lottery-proposal/.

> 1997 through 2005, no appropriations were made ... [T]he State shorted the pension system by substituting excess pension assets in place of the normal cash appropriation ... and triggered a rapid and steady increase in the system's unfunded liability ...[8]

What the NJEA-endorsed Corzine left out was that the NJEA played a leading role in the political deals that reduced TPAF assets by allowing them to be substituted for the annual contributions that the state was required to make to keep pensions sound.

Why would the NJEA do this?

1. The NJEA Trades Sound Pension Funding for the "Non-forfeitable" Right to Pensions.

The "non-forfeitable right. During the 1990s, the NJEA worked hard to win the "non-forfeitable right" to pension benefits, meaning that benefits earned by members would be deemed contractual rights and could not be diminished by future legislation. The NJEA treated this as a license to disregard underfunding because the pension benefits would have to be paid by the state when due. The state (and taxpayers) would be contractually -- and thus constitutionally -- obligated to make the pensions whole.

The NJEA was not alone in taking this risky approach to pensions. The unions and their political allies took this gamble in both Connecticut[9] and Illinois,[10] where state pensions are also severely underfunded. In all these cases, winning the non-forfeitable right resulted in complacency about funding levels. In New Jersey, the result was disastrous.

The Disastrous POB Deal. The NJEA won the non-forfeitable right in 1997 political deal with Governor Christine Whitman and the Republican-controlled legislature. Prior to this deal, Whitman had revalued pensions in order to create "surplus" assets that could then be substituted for the required, annual contributions. This allowed lawmakers to use the money for other priorities like Whitman's tax cuts. Rightly alarmed at the shorting of the pension system, the NJEA sued the Whitman administration over pension funding.[11]

That all changed with the infamous 1997 Pension Obligation Bond (POB) deal in which

---

[8] State of New Jersey, Office of Management and Budget, FY 2009 Budget In Brief, Executive Summary, p. 19.
[9] Frank Ricci and Bryce Chinault, "Government Unions Target Fiscal Sanity in Connecticut," *National Review*, February 13, 2024.
[10] Jeffrey Dorfman, "Illinois Credit Downgrade Proves Public Pensions Should Be Outlawed," *Forbes*, June 5, 2017.
[11] Miriam Bensman, "Just what is New Jersey doing?" *Institutional Investor*, July 1, 1995.

the NJEA traded sound pension funding for getting its members the non-forfeitable right to pensions.[12]

The POB deal was a disaster for teachers' pensions on several levels.

First, it was poor pension financing. It used $2.75 billion in debt to fund the pensions, betting that the interest rate on the bonds would be less than the returns gained by pension investments. But this turned out to be a very bad bet. Due to the high rate of interest on the non-tax-exempt POBs, New Jersey will ultimately spend more than $10 billion paying for the $2.75 billion bonds.[13] Realizing the damage POBs caused to the pension system, the legislature later enacted a moratorium on POBs.

Second, as part of the deal, the NJEA supported a law that officially sanctioned the use of surplus assets to substitute for regular contributions – exactly what it had sued over in the first place. In 2005, current Governor Phil Murphy led a task force ("The Murphy Task Force") created by Acting-Governor Richard Codey to address New Jersey's pension crisis, which detailed the negative consequences of the POB deal (P.L. 1997, c. 115):

> A full annual employer contribution was the practice of State government for the entire existence of the pension systems prior to the enactment of the 1997 [POB deal]. *Much of the reason for the erosion in the pension systems' fiscal health is attributable to the enactment of that law* (P.L. 1997, c. 115). From FY1997 to FY2003, employers ... use[d] surplus pension assets to replace the annual payments that should have been made ... [14] [Emphasis added].

Third, the NJEA dropped its pension-funding lawsuit against Whitman.[15] The NJEA was now sanctioning the shorting of its own members' pensions.

Remarkably -- and memorably -- the NJEA was all-in for the POB deal and lobbied lawmakers to pass the bill.[16] Overall, the NJEA called the disastrous POB deal a "success" and "victory."[17]

---

[12] Ralph Siegel, "NJEA Endorses $2.9 Billion Bond Sale," *Bergen Record*, March 7, 1997.
[13] New Jersey Economic Development Authority, State Pension Funding Bonds, Series 1997A–1997C, official statement, June 26, 1997.
[14] Murphy Task Force, p. 16-17.
[15] Michael Demenchuk, "New Jersey Teachers Union Agrees to Whitman's Pension Bond Plan," *The Bond Buyer*, March 10, 1997.
[16] Ibid.
[17] New Jersey Education Association, "1998 NJEA Legislative Program," *NJEA Review* 71, no. 6 (February 1998): 28.

2. The NJEA Leads an "Indefensible" Pension Raid in 2001

Perhaps the most egregious abuse of the pension system occurred in 2001. Despite TPAF's now-questionable funding, the NJEA continued to lobby for pension enhancements, and the stock market's dot-com boom of the late 1990s provided the nominal surplus assets to pay for them. With the 2001 elections looming for NJEA-friendly Republican Acting-Governor Donald DiFrancesco and the Republican-controlled legislature, lawmakers fell over themselves to please the NJEA. The new law (P.L. 2001, c. 133) granted both existing and prospective retirees a 9% pension raise, dramatically increasing the pension system's liabilities. And the law created a new pension-funding holiday.[18]

Governor Christie's 2015 Study Commission on New Jersey's continuing pension crisis underscored how this raid hurt the condition of the pension plans:

> The burden of this instant retroactive increase in the state's pension obligations, combined with an extended pension-funding holiday, has been a key contributing factor to the current crisis.[19]

This raid on pension assets was so egregious that the legislature later enacted a moratorium on pension enhancements.

Indefensible underhandedness. In a stunningly deceitful move aimed at creating "surplus" assets to fund the enhancement, the legislature reached back to June 30, 1999, to value pension assets when they were $5.3 billion higher than under the then-current valuation — even though by 2001 the dot-com bust had in reality erased most of that value. Both legislators and the NJEA were fully aware that this bill was depleting pension assets, yet the NJEA engaged in a major effort to support the bill.[20]

The Murphy Task Force decried this underhandedness, calling it:

> ... a poster child for why the current system is a failure ... The process by which it was undertaken and the manner in which it was justified and implemented was indefensible.[21]

---

[18] Murphy Task Force, p. 106-7.
[19] New Jersey Pension and Health Benefit Study Commission, *Supplemental Report on Health Benefits*, February 11, 2016, p. 27.
[20] The Fiscal Note by the Office of Legislative Services attached to S2450 (which became P.L. 2001, c. 133) clearly identified the retroactive revaluation of assets and the increase in pension liabilities.
[21] Murphy Task Force, p. 20.

Yet the NJEA was 100% behind it. When it passed, the NJEA crowed that it was "one of the most significant legislative accomplishments in NJEA history."[22]

3. 1997-2005: Substituting Pension Assets for Regular contributions.

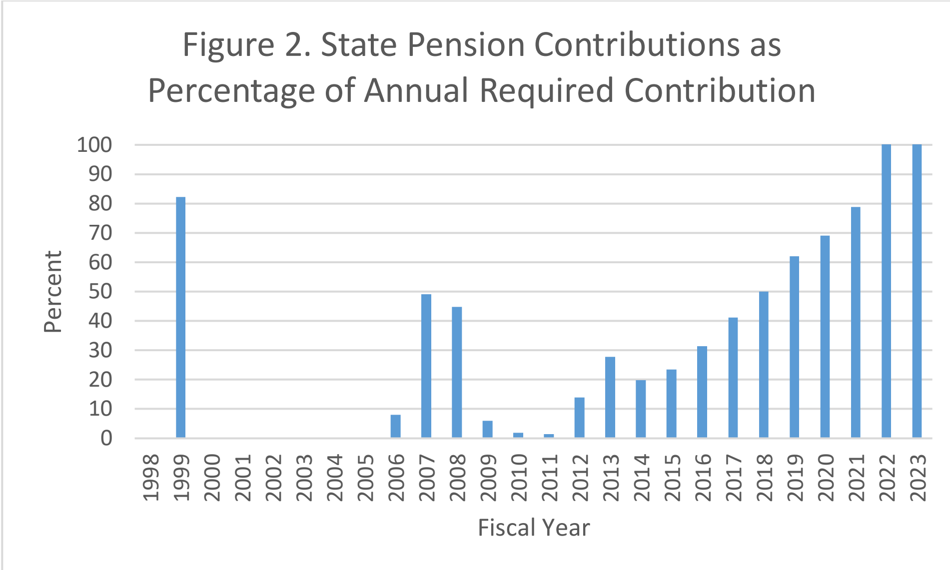
The common thread through all these political deals was permitting the use of "surplus" pension assets to substitute for required, annual contributions. Like all investments, the value of pension assets fluctuates with the markets. In order to keep state pensions fully funded and healthy, lawmakers must appropriate the required annual contributions every year, regardless of market fluctuations. In good years, this allows for the build-up of assets -- perhaps even to temporarily overfunded levels -- to provide a cushion for the inevitable bad years. Funds that are never contributed or assets that are removed from the pension system cannot earn the necessary, compounding returns that sound pension finance relies on. The result is increasing unfunded liabilities and ultimately pension crises. That is precisely what has happened in New Jersey. As shown in Figure 1, 85% of the current contributions to the pension system go to reducing unfunded liabilities.

As previously discussed, both the 1997 POB deal and the 2001 pension raid allowed for pension-funding holidays. When Governor Jim McGreevey was elected (with NJEA support) in 2001, he continued the practice. Under McGreevey, the state put no new money into TPAF. The combination of increased benefits and extended pension holidays severely eroded the pension system. As the Murphy Task Force found:

> The State enjoyed a pension holiday for seven of the past nine years [FY1998-2006]. Moreover, the State changed the accounting and valuation rules as it saw fit to justify both pension holidays and increased benefits. Such valuation gimmicks and pension holidays must end.[23]

As shown in Figure 2, in FY1998 and from FY2000 to FY2005, the state did not make any contributions to TPAF. In other words, immediately following the POB deal until FY2005, ZERO new money was injected into TPAF. A 2006 Special Session of the legislature estimated that $8 billion of contributions were avoided – money that could have been compounding by earning investment returns.[24]

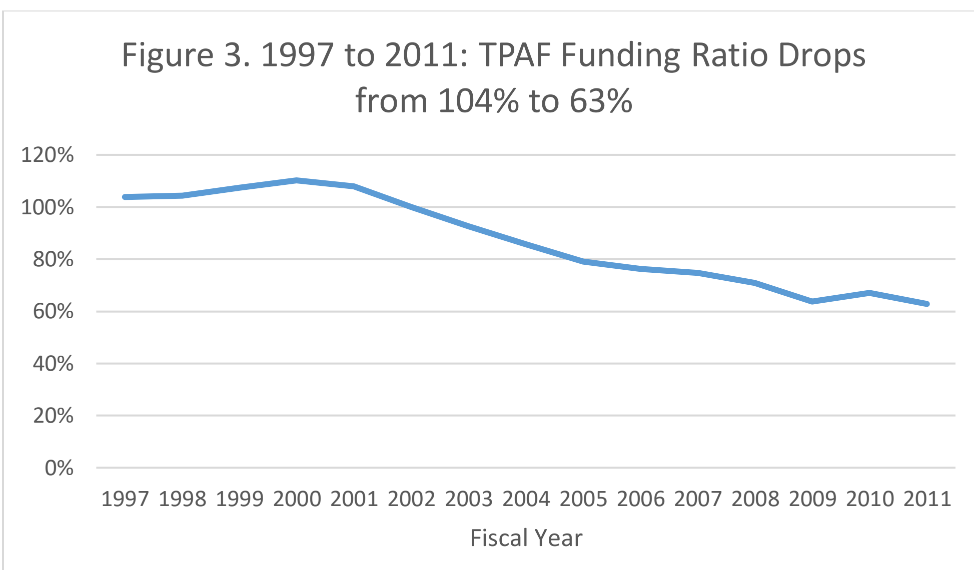
[22] New Jersey Education Association, "A Deal is a Deal – No Matter When It Was Made," *NJEA Reporter* 49, no. 3, (November 2005): 3.
[23] Murphy Task Force, p. 4.
[24] 2006 Special Session Joint Legislative Committee, *Public Employee Benefits Reform Final Report*, December 1, 2006, p. 110.



Source: New Jersey Division of Pensions and Benefits

III. BY 2011, TPAF WAS SEVERELY DAMAGED AND HAD TO BE REFORMED

Funding ratio drops from 104% to 63%. The decade from 1997 to 2006 severely damaged TPAF. As a result of all the political deals in which the NJEA played a leading role, TPAF's liabilities more than doubled, from $21 billion to $46 billion. As shown in Figure 3, TPAF's funding ratio dropped from 104% to 76%, and had declined to 63% by 2011.



Source: New Jersey Division of Pensions and Benefits

It was this reality that confronted Governor Christie and the legislature in 2011 and set the stage for the Chapter 78 reforms. It was either reform the pension system along the lines of the Murphy Task Force and Special Session recommendations or insolvency.[25]

The non-forfeitable right shapes the 2011 Chapter 78 Reforms. But the 1997 POB deal reared its ugly head again: the non-forfeitable right limited what lawmakers could do. Any benefits that had been earned by 2011 could not be reduced.[26] That meant existing teachers' pensions could not be touched. So *the burden of reducing the state's pension costs fell on prospective teachers*. This resulted in the reduced benefits in Tier 5, which was created as part of the Chapter 78 reforms. It is Tier 5 that the NJEA is complaining about today. (See Appendix A for TPAF's tiers).

Because the non-forfeitable right impinged on the ability of future legislatures -- including the 2011 legislature -- to address the solvency of the pension system, the Murphy Task Force recommended that the non-forfeitable right be repealed, which it was by the Chapter 78 reforms.[27]

That is where we stand today: almost half of New Jersey teachers are stuck with Tier 5 pensions.

IV. NJEA LEADERSHIP'S PLAN IS GOLD-PLATED AND OVERFUNDED

Not only are Tier 5 pensions meager, they are severely underfunded. By contrast, NJEA leadership's pension are gold-plated and overfunded.

1. NJEA Leadership's plan is 122%-funded vs. 35%-funded for TPAF.

Because of TPAF's massive underfunding during the 1990s and 2000s, it was so structurally damaged that its funding ratio continued to decline after 2011.[28] Despite Governor Murphy's record contributions (now totaling $39 billion), TPAF was only 35%-funded at the beginning of FY2023.[29]

---

[25] For concerns about insolvency, see, e.g., Governor Christie's 2018 State of the State address. Even the NJEA asserted that Chapter 78 was passed to remedy past underfunding. Howells, Charlotte Mary, "A Comparative Examination of Pension Reform and Subsequent Litigation in New Jersey After the Enactment of the 2011 Pension Reform Litigation," Seton Hall Law School Student Scholarship (2013), p. 25.

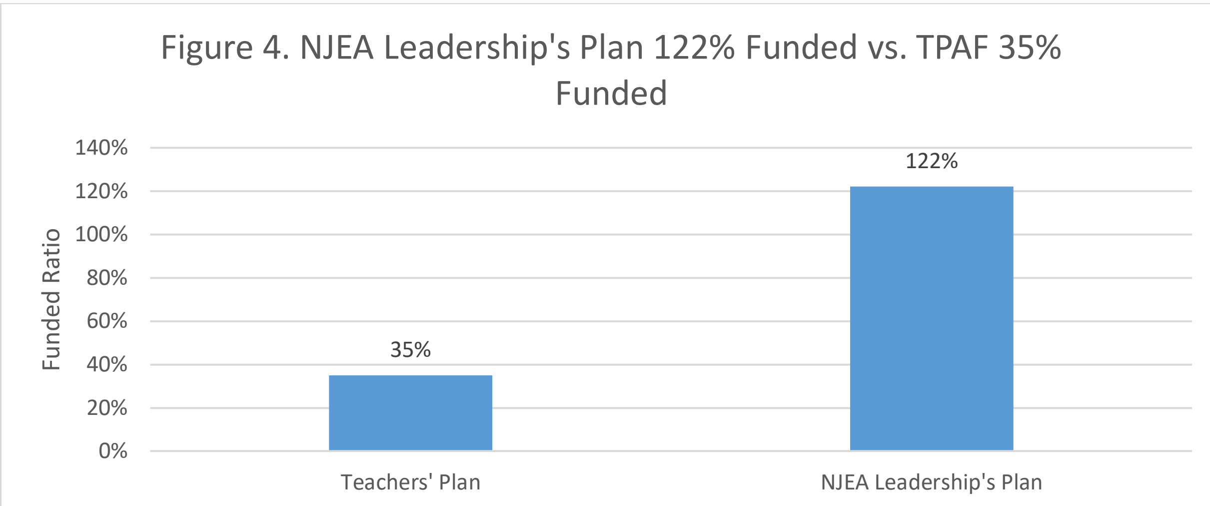
[26] Mary Williams Walsh, "New Jersey Diverts Billions, Endangering Pension Fund," *New York Times,* April 4, 2007.

[27] Murphy Task Force, p. 77.

[28] There were also accounting changes such as GASB 67, which made states use lower discount rates to account for underfunded pension plans and resulted in lower funding ratios.

[29] State of New Jersey, Division of Pensions & Benefits, FY2023 Audit Report, p. 58.

By contrast, NJEA leadership has ensured that their own pensions were very, very secure. As shown in Figure 4, the NJEA Leadership's Plan is 122%-funded (meaning that there is $1.22 set aside for each $1 owed),[30] as compared to TPAF's 35% (35 cents set aside for each $1 owed).



Sources: 2022 IRS Form 5500; TPAF FY2023 Audit Report.

The 35%-funding level reflects the actual condition of TPAF as it was originally structured and the level to which NJEA leadership let it deteriorate. Because TPAF was once again headed towards insolvency, in 2017, Governor Christie and the legislature agreed to dedicate 77.8% of the annual state lottery proceeds to TPAF until 2047, resulting in the addition of a $9.6 billion asset. Including the lottery asset, TPAF's funding ratio increases to 47% -- still woefully underfunded compared to the NJEA leadership plan's 122%.

2. NJEA Leadership's Plan Is Vastly Superior to TPAF.

Not only are the NJEA leadership's pensions much more secure, they are also vastly superior to teachers' pensions. The numbers are striking. Table 1 provides a comparison between the current TPAF plan (Tier 5) and the NJEA leadership's plan. In every measure, the NJEA leadership's plan proves superior to TPAF. This is also true for longer-serving teachers who have more generous pensions that are still inferior.[31]

[30] See Appendix C.
[31] See Appendix A for a comparison of the two plans' terms for the various tiers of beneficiaries.

Table 1

Measure	TPAF	NJEA Leadership's Plan	Advantage
Annual Contribution Rate	7.5% of salary	3.5% of salary	NJEA LP
Years to Vesting	10 yrs.	5 yrs.	NJEA LP
Retirement Age	65 yrs.	62 yrs.	NJEA LP
Years of Service Multiplier	1.67%	2.0% Plus*	NJEA LP
Final Salary	Last 5 yrs.	Last 3 yrs.	NJEA LP
Annual COLA	0	2.50%	NJEA LP
Early Retirement Years of Service	30	20	NJEA LP
Early Retirement Penalty	Yes	No	NJEA LP

Source: TPAF Actuarial Valuation Report; 2018 IRS Form 5500. *Three additional payments for length of service.

Annual contribution rate: Teachers must contribute 7.5% of their annual salaries to their pensions. NJEA Leadership's Plan requires only a 3.5% annual contribution. Thus, the typical teacher is forced to contribute $6,082 annually into TPAF,[32] or $3,243 more per year than a comparable NJEA employee, for a greatly inferior pension plan.

Early Retirement: Under TPAF, a teacher with a minimum of 30 years of service may retire early, but if younger than 65 years, the teacher's pension benefit will be reduced by 3% for every year that the retirement date precedes 65. So for a teacher with 30 years of service who chooses to retire at 55, the annual pension benefit would be reduced by 30%.[33]

Under the NJEA Leadership's Plan, an employee with 20 years' service can retire early upon reaching the age of 55 without a penalty. So a 20-year NJEA employee could choose to retire at 55, not 62, and still receive a full pension. NJEA leadership has a real choice about retiring early after only 20 years of service. A teacher must work 30 years and then pay a substantial penalty, which is not much of a choice at all.

Years of Service (YOS) Multiplier: Both pension plans rely on a formula: YOS Multiplier x YOS x Final Salary. For TPAF, the retirement multiplier is 1.67% (1/60). The NJEA Leadership's Plan has a retirement multiplier of 2.0% (1/50) plus an additional three supplements of 1/2 to 2/3 of a percent depending on YOS.[34]

COLA: Very importantly, the NJEA Leadership's Plan provides a 2.5% annual cost-of-living adjustment (COLA), which means that the retiree's annual pension benefit compounds annually at 2.5% for every year of retirement. Teachers lost their COLA as part of Chapter 78. As will be shown below, the COLA makes an enormous difference in

---

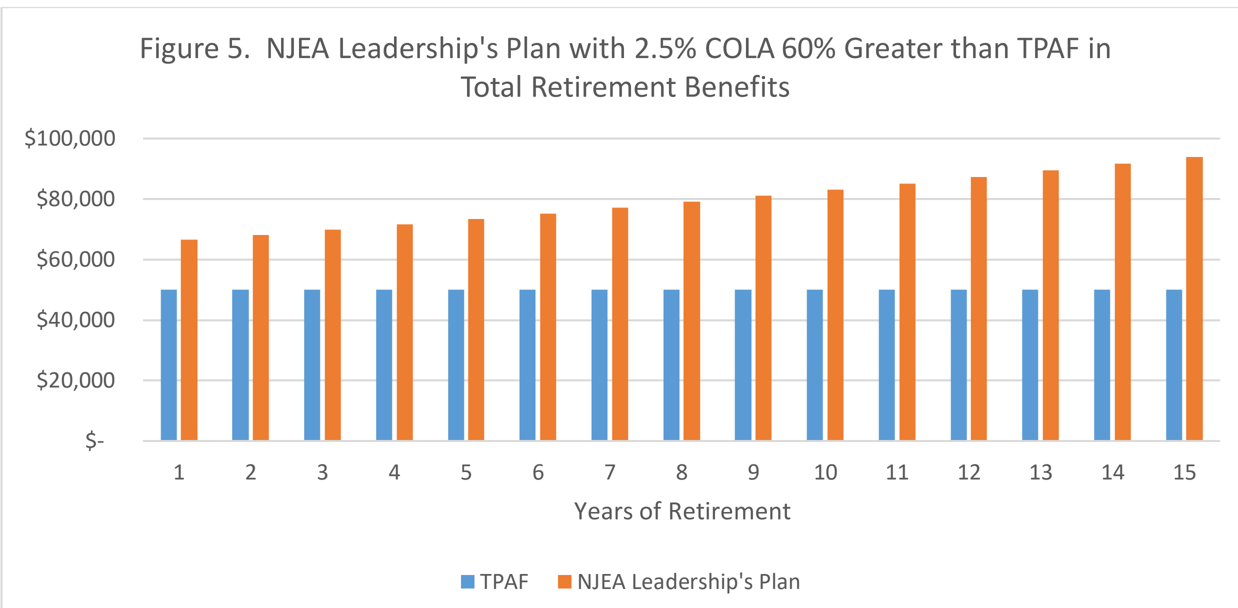
[32] The average salary for a New Jersey teacher is $81,102 at a contribution rate of 7.5 percent, equaling $6,082.
[33] See Appendix A.
[34] See Appendix B.

total pension benefits paid out over the length of a retirement. The longer the retirement, the greater the impact of the COLA.

Illustrative Example: For ease of comparison, we will assume a Final Salary of $100,000.[35] Thus, for a teacher retiring at 65 with 30 years of service:

> TPAF formula: 1.67% x 30 x $100,000 = $50,100 annual pension benefit with no COLA.
>
> NJEA Leadership's Plan formula: 2.0%-plus x 30 x $100,000 = $66,520 annual pension benefit, compounded annually with a 2.5% COLA.

With a 15-year retirement, the total benefits under the TPAF formula would amount to $765,000.[36] With its 2.5% COLA, the NJEA Leadership's Plan formula would result in total benefits of $1,192,832, or 60% greater than under the TPAF formula. Figure 5 shows the affect the COLA has on annual pension payments.



Source: TPAF Actuarial Valuation Report; 2018 IRS Form 5500.

3. Ed Richardson's $5.5 Million Pension

But many in NJEA leadership earn a lot more than $100,000 a year. Sunlight has documented the rich compensation packages for top NJEA execs, notably former Former-Executive Director Ed Richardson, who made $9.3 million over his 11-year career. What would his pension look like?

---

35 $100,000 is used for ease of comparison. A teacher 55 or older with 30 years or more of service averages $106,335 in annual salary. Cheiron, "Teachers' Pension and Annuity Fund of New Jersey, Actuarial Valuation Report as of July 1, 2019," New Jersey Division of Pensions & Benefits, April 2020, 51, (hereinafter "TPAF Actuarial Valuation Report").
36 The average life expectancy in New Jersey is 80.4 years, allowing for a 15-year retirement.

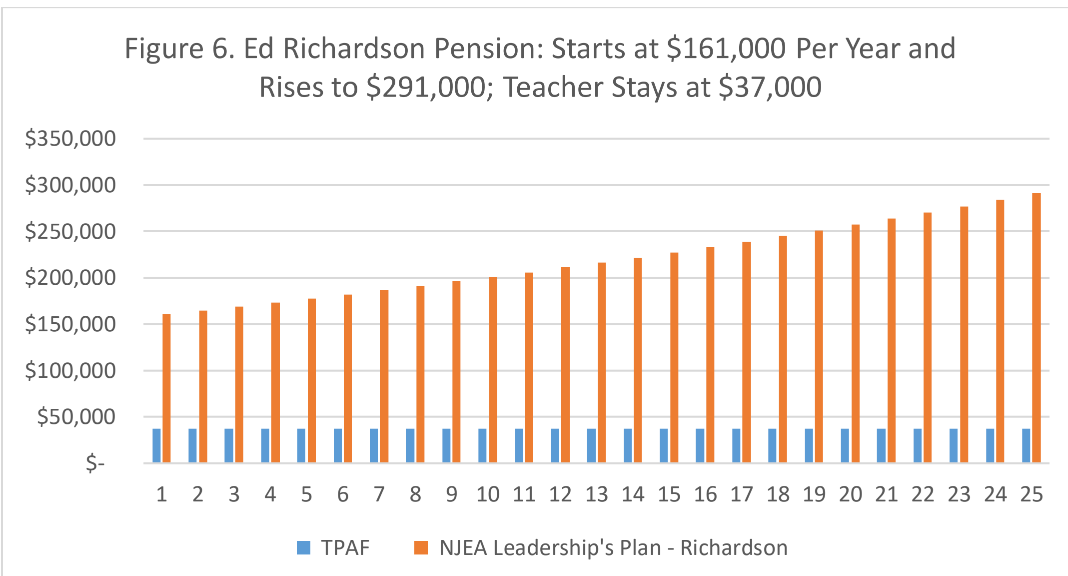
Richardson's Final Salary would be $275,000.[37] Assuming Richardson retired at 55 with 26 years of service[38] and will have a 25-year retirement with a 2.5 percent annual COLA, his pension formula would be as follows:

> 2%-plus x 26yrs. x $275,000 = $160,930 annual benefit with a 2.5% COLA.

Assuming a teacher retires at 55 with 30 years of service, a final salary of $106,335,[39] a 25-year retirement, a 30% early retirement penalty, and no COLA, the TPAF formula would be:

> 1.67% x 30yrs. x $106,335 = $53,273 annual pension benefit, less a 30% penalty for early retirement, for a total annual benefit of $37,291.

Figure 6 compares the hypothetical total pension benefits for Richardson with the average teacher's. Richardson's pension starts at Year 1 with $160,930 and reaches $291,000 in Year 25. The teacher's pension stays at $37,000 throughout her retirement.

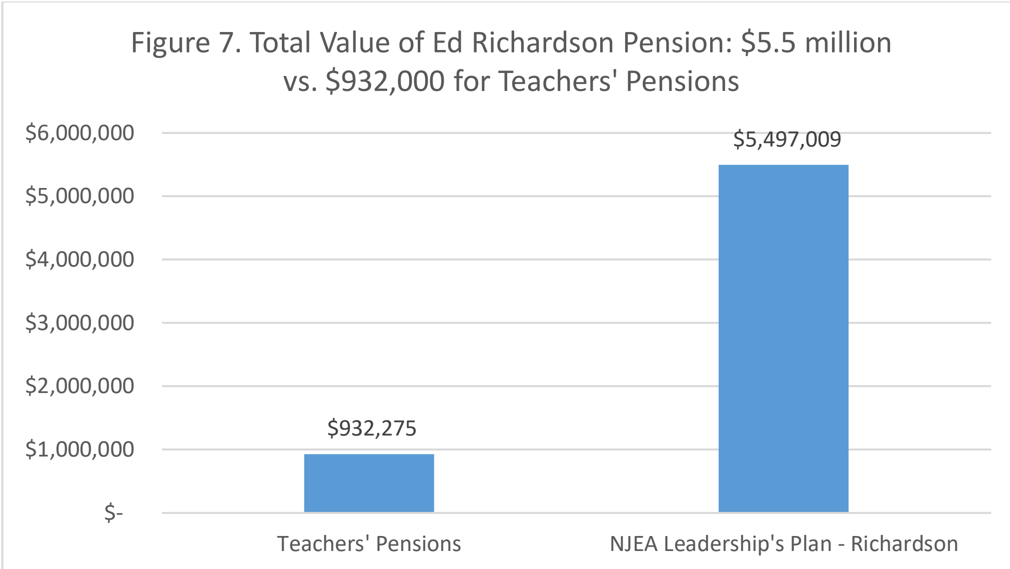


As shown in Figure 7, in total, over a 25-year retirement, Richardson's hypothetical pension amounts to a jaw-dropping $5,497,009, or $4,564,734 greater than the teacher's total of $932,275. Richardson's total pension would be 5.9x larger than a teacher's.

[37] Richardson's annual compensation for his last three years as Executive Director (2016-18) averaged $639,293, which far exceeded the $275,000 limit under the Internal Revenue Code at the time of his retirement in 2019. See Appendix D.

[38] Richardson retired in 2019 after 26 years of service. Therefore, he would qualify for all three of the supplemental benefits under the NJEA Employee Plan. According to LinkedIn, Richardson graduated from college in 1983, so he was almost certainly not younger than 55 when he retired and thus would not accrue any penalty. See Appendix B.

[39] See footnote 35.



CONCLUSION

When it comes to their pensions, New Jersey teachers have a lot to be upset about. Nearly half of them have reduced Tier 5 pensions. The rest have fairly modest pensions with no COLAs that will be eroded by inflation. All of them have pensions that are severely underfunded. How did this happen?

The facts show that in the 1990s and 2000s NJEA leadership made fateful and ultimately disastrous decisions. They bet teachers' pensions on gaining them the non-forfeitable right to their pension benefits. They took the lead in political deals that allowed "surplus" assets to be substituted for required pension contributions. They irresponsibly enhanced benefits without securing sound funding for them. They looked on while TPAF's unfunded liabilities climbed to unsustainable levels. They allowed TPAF to deteriorate until insolvency threatened.

And then they were forced by political reality to accept the Chapter 78 reforms because the pension system was in crisis. Yet the non-forfeitable right ensured that most of the pain was inflicted on prospective teachers in the form of reduced Tier 5 pensions.

Meanwhile, using the dues of those very same teachers, NJEA leadership made sure their own pensions were both gold-plated and overfunded. NJEA leadership took care of themselves but not their members. They have a lot to answer for.

NJEA leadership wants to use dissatisfaction with their pensions to push teachers to support Spiller's run for governor, but the facts suggest teachers might be better served by seeking accountability for the degraded state of their pensions while NJEA leadership is sitting pretty.

APPENDIX A

Terms of the Teachers' Pension and Annuity Fund (five tiers of beneficiaries) and NJEA Employees' Retirement Plan (two tiers of beneficiaries)

TPAF Terms	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5
Start date of covered employees	Before 7/1/2007	7/1/2007 - 11/1/2008	11/2/2008 - 5/21/2010	5/21/2010 - 6/27/2011	After 6/28/2011
Vesting (years)	10	10	10	10	10
Normal Retirement Age	60	60	62	62	65
Years of Service Multiplier	1.82%	1.82%	1.82%	1.67%	1.67%
Number of Years for Final Salary	Top 3	Top 3	Top 3	Top 5	Top 5
Years of Service for Early Retirement	25	25	25	25	30
Early Retirement Penalty (per year)	3% before 55	1% 55-59, 3% before 55	1% 55-61, 3% before 55	1% 55-61, 3% before 55	3% before 65
COLA	None	None	None	None	None
Employee Contributions (% of salary)	7.5%	7.5%	7.5%	7.5%	7.5%

Source: TPAF Actuarial Valuation Report (see footnote 6).

NJEA Plan Terms	Tier 1	Tier 2
Start date of covered employees	Before 9/1/2004	After 9/1/2004
Vesting (years)	None	5
Normal Retirement Age	55	62
Years of Service Multiplier	2% Plus	2% Plus
Number of Years for Final Salary	Last 3	Last 3
Years of Service for Early Retirement	20	20
Early Retirement Penalty (per year)	None	1.2% before 55
COLA	2.50%	2.50%
Employee Contributions (% of salary)	3.5%	3.5%

* Tier 1 beneficiaries can qualify for all three supplemental multipliers; Tier 2 can qualify for two. See Appendix B for formula and source.

APPENDIX B

NJEA leadership's plan pension formula

Final Salary is average basic salary earned during the last 3 years of employment, but not greater than the IRS 401(a)(17) limit ($275,000 in 2019; $305,000 today).

1. 2% (1/50) x Years of Service x Final Salary; plus

2. 0.5% (1/200) x Years of Service x Final Salary for 5 years of continuous service up to 2000; plus

3. 0.67% (1/150) x Years of Service x Final Salary for number of years of continuous service between years 16 and 20, inclusive; plus

4. 0.67% (1/150) x 26th Year of Service x Final Salary.

Source: New Jersey Education Association Employees' Retirement Plan, Financial Statements, Supplemental Information, August 31, 2023, pp. 43-46. Filed along with New Jersey Education Association Employees' Retirement and Trust Fund 2022 IRS Form 5500.

APPENDIX C

According to the NJEA Employees' Retirement and Trust Fund 2022 IRS Form 5500, the market value of assets was $400,517,502 (line 2a below) and the total liabilities were $329,001,698 (Total Funding Target, line 3d). That makes for a funding ratio of 121.7%.

SCHEDULE SB (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	**Single-Employer Defined Benefit Plan Actuarial Information** This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6059 of the Internal Revenue Code (the Code). ▶ **File as an attachment to Form 5500 or 5500-SF.**	OMB No. 1210-0110 **2022** **This Form is Open to Public Inspection**

For calendar plan year 2022 or fiscal plan year beginning 09/01/2022 and ending 08/31/2023

▶ **Round off amounts to nearest dollar.**

▶ **Caution:** A penalty of $1,000 will be assessed for late filing of this report unless reasonable cause is established.

A Name of plan NEW JERSEY EDUCATION ASSOCIATION EMPLOYEES' RETIREMENT AND TRUST FUND	**B** Three-digit plan number (PN) ▶ 001
C Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF NEW JERSEY EDUCATION ASSOCIATION	**D** Employer Identification Number (EIN) 21-0524390
E Type of plan: [X] Single [ ] Multiple-A [ ] Multiple-B	**F** Prior year plan size: [ ] 100 or fewer [ ] 101-500 [X] More than 500

Part I Basic Information

		(1) Number of participants	(2) Vested Funding Target	(3) Total Funding Target
1	Enter the valuation date: Month 09 Day 01 Year 2022			
2	Assets:			
	a Market value		2a	400,517,502
	b Actuarial value		2b	440,569,252
3	Funding target/participant count breakdown	(1) Number of participants	(2) Vested Funding Target	(3) Total Funding Target
	a For retired participants and beneficiaries receiving payment	350	257,855,272	257,855,272
	b For terminated vested participants	8	647,052	647,052
	c For active participants	231	65,022,771	70,499,374
	d Total	589	323,525,095	329,001,698
4	If the plan is in at-risk status, check the box and complete lines (a) and (b) [ ]			
	a Funding target disregarding prescribed at-risk assumptions		4a	
	b Funding target reflecting at-risk assumptions, but disregarding transition rule for plans that have been in at-risk status for fewer than five consecutive years and disregarding loading factor		4b	
5	Effective interest rate		5	5.42%
6	Target normal cost			
	a Present value of current plan year accruals		6a	5,930,265
	b Expected plan-related expenses		6b	110,144
	c Total (line 6a + line 6b)		6c	6,040,409

Statement by Enrolled Actuary

To the best of my knowledge, the information supplied in this schedule and accompanying schedules, statements and attachments, if any, is complete and accurate. Each prescribed assumption was applied in accordance with applicable law and regulations. In my opinion, each other assumption is reasonable (taking into account the experience of the plan and reasonable expectations) and such other assumptions, in combination, offer my best estimate of anticipated experience under the plan.

SIGN HERE Vincent Carpenter VC 05/22/2024

APPENDIX D

Ed Richardson's total compensation as a member of the NJEA staff from 2008 to 2018 was $9,311,371, an average of $846,488 per year for his 11 years as an active employee. $3,363,926 of this was paid to Richardson in 2019 and 2020 -- after he retired.

Year	Position	Amount
2008	Asst Dir HR	$ 286,470
2009	Asst Dir HR	$ 313,423
2010	Asst Dir HR	$ 346,312
2011	Asst Dir HR	$ 424,674
2012	Asst Dir HR	$ 154,109
2013	Executive Director	$ 703,927
2014	Executive Director	$ 588,025
2015	Executive Director	$ 1,212,625
2016	Executive Director	$ 473,451
2017	Executive Director	$ 347,104
2018	Executive Director	$ 1,097,325
2019	Former Exec Dir	$ 2,485,357
2020	Former Exec Dir	$ 878,569
TOTAL		**$ 9,311,371**
AVERAGE		**$ 716,259**

Source: NJEA IRS Forms 990, 2008-2020.