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“Monmouth University/Gannett NJ Poll”

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REMEDIES FOR THE STATE PENSION FUND

New Jerseyans feel the costs are out of control

New Jersey’s pension system for public employees has faced a rocky road over the past few years. Downturns in the stock market have had a negative effect on the fund’s financial stability. This situation has led to a closer examination of how the system operates. New Jerseyans who have been following the issue are not happy with what they have learned.

The latest *Monmouth University/Gannett New Jersey Poll* finds that most residents believe the Garden State’s pension costs are out of control, in large part due to waste and fraud in the system. To right this course, most would cut pension eligibility for part-time workers, put a cap on income calculations for pension payments, and force public workers to share more in the cost of their health benefits.

The state pension issue is complex and few residents have been paying close attention to it. Just over 4-in-10 (44%) have read or heard recent news about the New Jersey pension system, including 18 percent who have been paying a lot of attention. Awareness is higher among those who are most affected by the pension fund – the 1-in-5 New Jersey adults who have worked for a state or local government agency or a public school at one time or another. Among this group, two-thirds (66%) have read or heard about recent pension issues, compared with only 37 percent of those with no ties to the state workforce.

Regardless of their level of awareness, residents statewide are concerned that costs have ballooned out of control. Overall, 59 percent of New Jerseyans say that pension costs are spiraling compared to only 13 percent who say they are being managed wisely. Among those who have been following this issue, 71 percent say spending is out of control.

Most of the state (56%) feels that waste and fraud contribute a lot to this problem. Another 25 percent say waste and fraud has only a small effect on the pension system and 6 percent say it has no impact. Those who have a past or present association with the state workforce (57%) are just as likely as those who do not (55%) to feel that waste and fraud has a large impact on the system.

“While few New Jerseyans have closely followed recent news stories about the pension system, they have a sense that some basic reforms are needed,” commented Patrick Murray, director of the Monmouth University Polling Institute.

Tackling the Pension Problem

What should be done to address concerns over the state pension fund? There are some clear solutions that most New Jerseyans agree upon. When state workers retire, their pension payment is based on their three highest salary years. Sometimes a public official may get a pay raise shortly before retirement that will significantly boost their pension. In such instances, 66 percent of New Jerseyans say there should be a cap on the amount of this “extra” income that is used to calculate pensions.

In another area, more than 6-in-10 residents (62%) say that state workers who officially retire but continue to work on either a part-time or interim basis should not be able to collect a pension and a paycheck at the same time. A majority of 57 percent also feel that part-time workers should not be eligible for the state pension system at all.

In addition to retirement payouts, the state pension system also provides health benefits to public workers. In most cases, employees covered by these plans do not have to pay any of the premium costs as long as they choose a managed care plan. Fully 8-in-10 New Jerseyans say that public workers should be expected to bear some of the premium costs for their health coverage. Most (63%) feel that somewhere around 10 to 25 percent of the full premium would be adequate.

Those who have been following the pension issue are even more supportive of these strategies for reform than the numbers reported here for all residents. But as may be expected, current and former state workers are slightly less likely than other residents to agree with any of these ideas. Even so, majorities of this admittedly self-interested group would still support all of these proposals.

The one idea that leads to a split decision among the public is possibly the most radical: revamping the state retirement system from a pension payout to a 403(b) plan – the government equivalent of a typical private sector 401(k) investment account, with contributions from both employer and employee. When considering this proposal, 46 percent of New Jerseyans would support such a change compared to 41 percent who oppose it. However, among those who have been following the pension issue, more oppose (47%) than support (43%) changing the system to a 403(b). And state workers are even more opposed to this idea – only 26 percent of current or former state workers would support the idea of instituting employee-administered investment accounts as the state’s retirement plan compared to 62 percent who are against this proposal.

Murray remarked, “New Jerseyans are not looking for radical change. Rather they want to plug those holes that allow some employees to unduly benefit from the system.”

Who Deserves a State Pension and How Much?

New Jerseyans believe that state workers are adequately compensated during their working years and there is no need for retirement benefits that are better than one would get from a private company. Nearly 6-in-10 (58%) residents say that the benefits given to government employees are better than those available in the private sector. This includes 41 percent who say that state retirement benefits are a lot better. Another 19 percent say New Jersey’s benefits are comparable to private plans and 10 percent feel they are worse.

Among those aware of the issue, 67 percent say state workers get a better retirement package than other employees. State workers feel slightly differently – 50 percent of this group say their benefits are better and another 19 percent of this group feel their benefits are worse than those available in private employment.

One argument for higher public employee benefits is that they are needed to attract and retain a quality public workforce. Garden State residents tend to disagree with this view. A majority of 51 percent feel that the state already compensates its workforce well enough, compared to 39 percent who feel that higher benefits are a necessary incentive for state jobs.

The poll also asked residents to determine the pension eligibility of six different types of public employee. Overwhelming majorities say that police and firefighters (94%), teachers (86%) and civil service workers in state agencies (82%) are deserving of a state-funded retirement package.

About 2-in-3 (66%) say the same about municipal judges. However there is a caveat to this. Town attorneys who also have private clients should *not* receive state pensions according to 81 percent of those polled. Many municipal judges also fall into this category.

Finally, few New Jerseyans feel that the state should be making government pensions available solely on the basis of holding elected office. Only 36 percent of residents deem their mayors and legislators worthy of receiving a taxpayer-funded retirement package.

The latest *Monmouth University/Gannett NJ Poll* was conducted by telephone with 800 New Jersey adults from September 21 to 26, 2005. This sample has a margin of error of ± 3.5 percent.

TABLES – MUP01-6 / October 9, 2005

The questions referred to in this release are as follows:

(Some rows may not add to 100% due to rounding.)*

- PN1. In the past year or two, have you read or heard anything about the New Jersey state pension system that pays retirement and health benefits to government employees and public school teachers? [If “YES”: Have you heard a lot or just a little?]

	<u>Heard a lot</u>	<u>Heard a little</u>	<u>Not heard anything</u>	<u>(n)</u>
September 2005 New Jersey Adults	18%	26%	56%	(800)
<u>Registered Voter</u>				
--Yes	20	28	51	(649)
--No	10	18	72	(151)
<u>Party ID</u>				
--Democrat	14	30	56	(256)
--Independent	22	26	52	(237)
--Republican	21	26	53	(206)
<u>Have Retirement Plan</u>				
--Pension	36	35	29	(208)
--401(k)	20	32	47	(169)
--Neither	13	21	65	(335)
<u>Ever Work for State</u>				
--Yes	35	31	34	(196)
--No	13	24	63	(593)

- PN2. Do you think that the state of New Jersey is managing the costs of its pension system wisely or have the costs gotten out of control?

	<u>Managing Wisely</u>	<u>Costs out of Control</u>	<u>DK</u>	<u>(n)</u>
September 2005 New Jersey Adults	13%	59%	28%	(800)
<u>Registered Voter</u>				
--Yes	13	62	25	(649)
--No	14	49	37	(151)
<u>Party ID</u>				
--Democrat	17	53	30	(256)
--Independent	8	68	24	(237)
--Republican	14	62	24	(206)
<u>Have Retirement Plan</u>				
--Pension	14	61	24	(208)
--401(k)	8	60	32	(169)
--Neither	12	63	26	(335)
<u>Ever Work for State</u>				
--Yes	20	60	20	(196)
--No	12	58	30	(593)
<u>Aware of Pension Issue</u>				
--Yes	16	71	13	(391)
--No	11	49	40	(409)

PN3. How much does waste and fraud affect New Jersey’s pension system – a lot, a little, or not at all?

	<u>A lot</u>	<u>A little</u>	<u>Not at all</u>	<u>DK</u>	<u>(n)</u>
September 2005 New Jersey Adults	56%	25%	6%	14%	(800)
<u>Registered Voter</u>					
--Yes	58	22	6	13	(649)
--No	48	33	4	15	(151)
<u>Party ID</u>					
--Democrat	54	27	5	14	(256)
--Independent	60	22	6	12	(237)
--Republican	55	28	6	11	(206)
<u>Have Retirement Plan</u>					
--Pension	57	25	6	11	(208)
--401(k)	59	23	6	11	(169)
--Neither	60	21	5	14	(335)
<u>Ever Work for State</u>					
--Yes	57	26	8	9	(196)
--No	55	25	5	15	(593)
<u>Aware of Pension Issue</u>					
--Yes	60	27	6	7	(391)
--No	52	24	6	19	(409)

PN4. Based on what you know or have heard, do you think that the benefits given to New Jersey’s government employees are better, worse or about the same as the benefits given to someone who works for a private company? [If “better/worse” ask: Is that a lot (better/worse) or just a little?]

	<u>A lot better</u>	<u>A little better</u>	<u>About the same</u>	<u>A little worse</u>	<u>A lot worse</u>	<u>DK</u>	<u>(n)</u>
September 2005 New Jersey Adults	41%	17%	19%	5%	5%	13%	(800)
<u>Registered Voter</u>							
--Yes	44	18	19	5	3	11	(649)
--No	34	14	21	7	9	16	(151)
<u>Party ID</u>							
--Democrat	34	12	23	9	9	14	(256)
--Independent	46	20	16	3	3	11	(237)
--Republican	46	23	18	3	2	9	(206)
<u>Have Retirement Plan</u>							
--Pension	40	21	20	3	4	10	(208)
--401(k)	51	23	9	4	4	9	(169)
--Neither	41	16	20	5	5	14	(335)
<u>Ever Work for State</u>							
--Yes	36	14	19	9	10	13	(196)
--No	43	17	19	4	3	13	(593)
<u>Aware of Pension Issue</u>							
--Yes	51	16	17	5	5	6	(391)
--No	34	18	21	6	4	17	(409)

PN5. Which of the following statement comes closer to your view [ROTATE]: State and local governments need to give their employees higher benefits than workers in the private sector in order to attract and retain talented people in public service – OR – The salaries paid by government agencies in New Jersey are competitive with the private sector and there is no need to give public workers more benefits than they would probably get in the private sector.

	<u>Gov't needs to give higher benefits</u>	<u>No need for higher benefits</u>	<u>DK</u>	<u>(n)</u>
September 2005 New Jersey Adults	39%	51%	10%	(800)
<u>Registered Voter</u>				
--Yes	34	56	10	(649)
--No	53	36	11	(151)
<u>Party ID</u>				
--Democrat	49	42	9	(256)
--Independent	33	59	8	(237)
--Republican	32	61	7	(206)
<u>Have Retirement Plan</u>				
--Pension	33	60	7	(208)
--401(k)	30	64	6	(169)
--Neither	42	45	12	(335)
<u>Ever Work for State</u>				
--Yes	47	43	10	(196)
--No	37	53	10	(593)
<u>Aware of Pension Issue</u>				
--Yes	36	57	7	(391)
--No	42	46	12	(409)

PN6. I'm going to read you a list of different types of employees who are eligible to receive a New Jersey government pension. Please tell me whether you think these employees should or should not receive a pension from the government? [*QUESTION ASKED OF HALF THE SAMPLE*]

September 2005 New Jersey Adults	<u>Should</u>	<u>Should Not</u>	<u>DK</u>	<u>(n)</u>
A. Teachers	86%	11%	3%	(396)
B. Civil service workers in state agencies	82%	14%	4%	(396)
C. Town attorneys who also have private clients	14%	81%	5%	(396)
D. Municipal judges	66%	29%	5%	(404)
E. Elected officials, such as mayors and legislators	36%	54%	9%	(404)
F. Police and firefighters	94%	4%	2%	(404)

PN7. Do you think that public employees who work part-time should be eligible to collect a state pension or not?

	<u>Should be eligible</u>	<u>Should not be eligible</u>	<u>DK</u>	<u>(n)</u>
September 2005 New Jersey Adults	37%	57%	6%	(800)
<u>Registered Voter</u>				
--Yes	36	58	6	(649)
--No	39	54	7	(151)
<u>Party ID</u>				
--Democrat	43	51	7	(256)
--Independent	36	60	4	(237)
--Republican	25	68	7	(206)
<u>Have Retirement Plan</u>				
--Pension	35	57	8	(208)
--401(k)	29	67	4	(169)
--Neither	36	57	7	(335)
<u>Ever Work for State</u>				
--Yes	43	52	5	(196)
--No	35	58	7	(593)
<u>Aware of Pension Issue</u>				
--Yes	32	62	6	(391)
--No	40	53	7	(409)

PN8. Should someone who officially retires from a state government job be able to or not be able to start collecting their pension if they are still working on an interim basis or at another job in state government?

	<u>Should be able to</u>	<u>Should not be able to</u>	<u>DK</u>	<u>(n)</u>
September 2005 New Jersey Adults	32%	62%	6%	(800)
<u>Registered Voter</u>				
--Yes	31	63	5	(649)
--No	36	57	7	(151)
<u>Party ID</u>				
--Democrat	37	56	7	(256)
--Independent	25	70	4	(237)
--Republican	31	67	3	(206)
<u>Have Retirement Plan</u>				
--Pension	28	64	8	(208)
--401(k)	31	67	2	(169)
--Neither	29	66	5	(335)
<u>Ever Work for State</u>				
--Yes	42	53	6	(196)
--No	30	65	6	(593)
<u>Aware of Pension Issue</u>				
--Yes	31	65	4	(391)
--No	34	59	7	(409)

PN9. Currently most workers who retire from government jobs in the state receive an annual pension payment based on their years of service and salary while working. Some people have proposed changing this system to be more like a 401(k) plan where retirement payments are based on how well that plan performs and no additional state money is paid out after the person retires. Do you support or oppose this proposal to change the state worker's retirement system from a pension to a 401(k) type plan?

	<u>Support</u>	<u>Oppose</u>	<u>DK</u>	<u>(n)</u>
September 2005 New Jersey Adults	46%	41%	13%	(800)
<u>Registered Voter</u>				
--Yes	47	39	13	(649)
--No	42	45	12	(151)
<u>Party ID</u>				
--Democrat	45	45	10	(256)
--Independent	44	47	9	(237)
--Republican	52	32	16	(206)
<u>Have Retirement Plan</u>				
--Pension	32	54	14	(208)
--401(k)	56	39	4	(169)
--Neither	49	36	14	(335)
<u>Ever Work for State</u>				
--Yes	26	62	12	(196)
--No	52	35	13	(593)
<u>Aware of Pension Issue</u>				
--Yes	43	47	10	(391)
--No	49	36	15	(409)

PN10. Under the current system of calculating benefits, the amount someone receives for their state pension is based on their average salary during their three highest paid years. Say a state employee gets appointed to another job in state government that pays a lot more. Then he or she retires just three years later. Should this employee's pension payment be based on those last three years of higher pay or should there be a cap on the amount of that extra income that can be used to determine the employee's pension?

	<u>Based on highest pay</u>	<u>Cap extra income</u>	<u>DK</u>	<u>(n)</u>
September 2005 New Jersey Adults	27%	66%	7%	(800)
<u>Registered Voter</u>				
--Yes	26	67	7	(649)
--No	29	63	9	(151)
<u>Party ID</u>				
--Democrat	32	62	6	(256)
--Independent	27	65	8	(237)
--Republican	20	75	4	(206)
<u>Have Retirement Plan</u>				
--Pension	27	67	6	(208)
--401(k)	23	71	6	(169)
--Neither	27	65	8	(335)
<u>Ever Work for State</u>				
--Yes	35	57	8	(196)
--No	24	69	7	(593)
<u>Aware of Pension Issue</u>				
--Yes	26	71	3	(391)
--No	27	62	11	(409)

PN11. Currently most public employees pay little for the cost of their health benefits as long as they participate in a managed care plan. How much of their health care premiums do you think public employees should pay – nothing, about 10 percent, about 25 percent, about half, or more?

	<u>Nothing</u>	<u>10%</u>	<u>25%</u>	<u>Half</u>	<u>More</u>	<u>DK</u>	<u>(n)</u>
September 2005 New Jersey Adults	13%	37%	26%	15%	2%	6%	(800)
<u>Registered Voter</u>							
--Yes	12	37	26	17	2	6	(649)
--No	17	37	26	12	3	6	(151)
<u>Party ID</u>							
--Democrat	16	42	21	14	2	5	(256)
--Independent	11	38	29	18	2	3	(237)
--Republican	11	33	31	14	2	8	(206)
<u>Have Retirement Plan</u>							
--Pension	22	29	29	12	3	4	(208)
--401(k)	10	34	28	18	4	5	(169)
--Neither	11	41	25	17	1	6	(335)
<u>Ever Work for State</u>							
--Yes	27	35	18	14	2	4	(196)
--No	10	37	27	16	3	7	(593)
<u>Aware of Pension Issue</u>							
--Yes	15	36	26	16	2	5	(391)
--No	12	38	25	15	2	8	(409)

D6A. Do you now or did you ever work for a local or state government agency or institution or a public school on New Jersey?

	<u>Yes</u>	<u>No</u>	<u>DK</u>	<u>(n)</u>
September 2005 New Jersey Adults	22%	76%	2%	(800)
<u>Registered Voter</u>				
--Yes	25	73	1	(649)
--No	13	86	2	(151)
<u>Party ID</u>				
--Democrat	24	76	0	(256)
--Independent	25	75	0	(237)
--Republican	19	80	1	(206)
<u>Age</u>				
--18-29	13	87	0	(93)
--30-49	28	71	1	(295)
--50-69	22	78	0	(271)
--70+	18	81	1	(125)

[ASKED ONLY OF RETIREES AND CURRENT WORKFORCE:]

D7. Do you either participate, pay into, or receive payments from any type of retirement or pension plan other than social security?

	<u>Yes,</u> <u>Pension</u>	<u>Yes,</u> <u>401(k)</u>	<u>Yes,</u> <u>Both</u>	<u>No</u>	<u>DK</u>	<u>(n)</u>
September 2005 New Jersey Workforce	20%	19%	5%	55 %	1%	(681)
<u>Registered Voter</u>						
--Yes	24	20	5	49	2	(569)
--No	7	14	3	76	0	(112)
<u>Party ID</u>						
--Democrat	21	14	5	60	1	(225)
--Independent	20	27	6	47	1	(210)
--Republican	23	16	3	56	1	(175)
<u>Age</u>						
--18-29	5	22	0	70	3	(68)
--30-49	13	26	7	53	1	(253)
--50-69	26	14	6	54	0	(241)
--70+	49	4	3	42	2	(114)
<u>Ever Work for State</u>						
--Yes	37	12	9	42	1	(179)
--No	15	21	4	59	1	(501)

Results for this *Monmouth University/Gannett NJ Poll* are based on telephone interviews conducted September 21-26, 2005 with a statewide random sample of 800 adults, age 18 and older. For results based on the total sample, one can say with 95% confidence that the error attributable to sampling has a maximum margin of plus or minus 3.5 percentage points. Sampling error increases as the sample size decreases, so statements based on various population subgroups, such as separate figures reported by gender or party identification, are subject to more error than are statements based on the total sample. In addition to sampling error, one should bear in mind that question wording and practical difficulties in conducting surveys can introduce error or bias into the findings of opinion polls.

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