



## Drop in N.J. bond rating could add to state's borrowing costs, financial problems

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**TRENTON** — New Jersey's bond rating was downgraded Wednesday by Standard & Poor's, a move that could add significantly to the state's borrowing costs and focuses even more attention on public-employee pension and health care payments.

The agency dropped New Jersey to a rating that is among the lowest in the country. According to S&P, the only states with worse credit ratings are California and Illinois, widely considered to be in the steepest financial trouble.

With S&P citing pension and post-retirement-benefits costs as a key reason for the downgrade, Republican Gov. Chris Christie and Democrats pointed fingers at each other. At a town hall meeting in Union City, Christie said the downgrade could have been avoided if Democratic lawmakers approved his pension overhaul.

"The sky started to fall in today," said Christie. "You've already seen this morning what the Legislature's inaction has cost the state of New Jersey."

State Treasurer Andrew Sidamon-Eristoff said that the state's bonds remain "sound and respected" investments, but that "the financial markets can send no clearer signal that the Legislature needs to follow the governor's lead and act on the pension and benefit reforms."

Democrats who have their own pension reform plan said the downgrade shows what Wall Street thinks of governors who fail to make annual contributions to the pension fund, a long pattern that Christie continued last year as he tried to close a nearly \$11 billion budget gap.

"This pension 'time bomb' is the result of failures dating back to the Whitman years and undertaken by members of both parties, including this governor, who has failed to put any money into the system for 13 months," said Derek Roseman, a spokesman for the Senate Democrats.

In downgrading the rating from AA to AA-, S&P analyst Jeffrey Panger wrote, "The lower rating reflects our concern regarding the stresses from the state's poorly funded pension system, substantial post-employment obligations and above-average debt levels."

The report says Christie's pension reforms could help manage the state's liability but notes, "Progress on this front is likely to be gradual, and we expect the state's debt and liability profile to remain weak and continue to be a source of budget pressure."

Christie wants broad pension reforms, such as reversing a 9 percent increase granted in 2001, raising the retirement age and freezing cost-of-living increases. The Democrats' plan would, among other things, create labor-management boards to set workers' annual pension contributions based on the solvency of the system.

The state's pension deficit grew by roughly \$8 billion as of June and totals \$53.9 billion, according to the latest actuarial report. The state also faces an unfunded liability of \$66.8 billion for post-retirement medical benefits. Like most states, New Jersey has not set aside a dime for health costs.

S&P did maintain its stable outlook for the state, noting that its diverse economy shows signs of recovery and that leaders will likely address the structural deficit.

**By Jarrett Renshaw and Ginger Gibson/The Star-Ledger**

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