

# Politics by Brian Adams

International Business Times ([ibtimes.com](http://ibtimes.com))

## Chris Christie Gave Millions More Pension Dollars to Donor's Firm Than Disclosed, Documents Show

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**Gov. Chris Christie's administration paid more than **double the fees to Prudential Financial** that were previously disclosed. New Jersey rules require Republican Gov. Chris Christie's administration to cancel investment contracts with firms whose officials raise or donate money to the governor's political campaigns. **But his administration has paid more than \$16 million in pension fees to the financial firm that was led by Christie's chief fundraiser and top donor, Jon Hanson.****

**The money -- far more than previously disclosed -- flowed to Hanson's company,**

## **Prudential Financial, and its related funds that the state pension system has invested in.**

The new information, obtained through an open records request by International Business Times, comes as the **Christie administration is facing a government investigation into whether it has fully disclosed all fees paid to financial firms -- some of whose executives have made donations to GOP groups backing Christie.**

That investigation follows a recently concluded “pay to play” probe of the state’s pension system, and comes as **Christie must decide whether to sign or veto a bipartisan bill to strengthen the anti-corruption laws governing the state’s investments.** The new investigation was launched last week in response to IBTimes reporting that showed a significant **spike** in disclosed fees in 2014.

### **'Enhanced Transparency'**

New Jersey Treasurer Andrew Sidamon-Eristoff has **said** the higher fees reported this year were the result of a decision to publish performance fees, suggesting the public should “recognize that as enhanced transparency.”

**His statements -- and those of other Christie appointees -- suggest that the state had not acknowledged hundreds of millions of dollars in pension fees, despite state reports saying all fees were being disclosed.**

**New Jersey statutes say that it is illegal “to make any untrue statement of a material fact or to omit” key details in financial statements about securities.**

Tom Bruno, who chairs the pension’s board of trustees that is launching the probe, said the new Prudential numbers provided by the Treasury Department “validate the decision of the Board of Trustees to get to the bottom of this so that we might take the necessary measures to ensure the integrity of the Fund and its management.”

**Last week, a study by an industry-friendly financial consulting firm showed that more than half of all fees that pension systems are paying to private financial firms are being hidden.**

The new data about the fees paid by the Christie administration to Prudential Financial and its subsidiaries appears to exemplify that kind of discrepancy about disclosure.

**New Jersey's pension system has invested in three Prudential funds, and one other fund that is part-owned by the company. Currently, the state has nearly a half-billion dollars invested in three of the funds.**

**In response to the Philadelphia Inquirer's request for all performance and management fees associated with those investments in Hanson's firm, Christie officials in September provided documents asserting that between 2010 and 2013, the state paid just \$6.5 million in fees. But the documents just obtained by IBTimes show the state actually paid \$13.8 million -- more than double the amount previously disclosed -- for those investments.**

Christie's office referred IBTimes' request for comment on the new data to the New Jersey Treasury Department. Spokespeople there did not respond.

### **SEC Concern**

In 2014, the Securities and Exchange Commission expressed concern about undisclosed fees being paid by institutional investors to private money managers. That followed the agency's actions against the Christie administration for failing to adequately disclose financial information about the state's pension systems.

**A spokesperson for Hanson, who has reportedly been fundraising for a political committee to back Christie for a potential 2016 presidential campaign, referred**

**questions to Prudential and Christie's office.  
Hanson left Prudential's board in 2011.**

**The New Jersey State Investment Council's rules say pension management contracts must be terminated if "any person associated with an investment management firm" raises funds for or donates to a governor's campaign."**

Prudential [has asserted](#) that even though Hanson served as the lead director of the company's board until 2011, he wasn't covered by those rules.

Scot Hoffman, a spokesperson for Prudential, reiterated Wednesday that "we have made all the disclosures required by the state." Hoffman said that Hanson "was not an investment management professional employed by Prudential" and thus the firm did not have to disclose his financial support for Christie to the Investment Council.

## **Funding / Budgeting**

[NJTVonline.com](http://NJTVonline.com)

## **State Education Funding Flat for Fourth Year in a Row**

4-22-15

**By Michael Aron**

*Chief Political Correspondent*

**Education Commissioner David Hespe acknowledged this is a difficult time for school districts.**

**For the fourth year in a row the budget contains essentially flat funding.**

Assemblyman Benjie Wimberly is recreation coordinator for the Paterson schools.

**“Flat funding means less funding. Everything else goes up — program costs, teachers’ salaries, pensions and benefits,” he said.**

When Wimberly made that point to Hespe, the commissioner spun it this way: “I think flat funding was actually better than most people were expecting going into this budget for districts. The SFRA — the school funding formula — is underfunded by around \$1.1 billion.”

In all the budget designates \$12.8 billion for school aid to the state’s 581 operating districts.

Hespe noted that even as the dollars stay flat, the share of state spending is rising.

“The overall share of the state budget going to support schools, going to support education, is growing even with this flat funding. That number’s been climbing from 33 percent and now it’s at 38 percent and it’s an extraordinary number,” Hespe said.

Wimberly says his schools in Paterson will have to shed hundred of jobs in the coming year.

**“Obviously it’s well documented. Districts such as my largest district, they’re gonna have a layoff of 369 employees,” he said.**

**“We are gonna see reductions in force in Newark, we’re going to see them in Camden,” Hespe said.**

Hespe said most districts can accommodate larger class sizes.

“The research is actually supporting that class sizes can go a little higher than we have in a lot of our districts,” he said.

Newark Assemblywoman Eliana Pintor Marin brought up the 250 to 300 Newark teachers who have been removed for ineffectiveness but are still being paid.

“Every year for the past two or three years we’ve had \$15 million to \$20 million tied up with educators that are not doing anything for our kids,” she said.

Pintor Marin blamed superintendent Cami Anderson.

“I think the superintendent would say parents wouldn’t want a teacher like this back in the classroom. So it’s a policy initiative she’s pursuing to improve teacher quality in the Newark school district,” Hespe said.

“So we’re gonna have a policy initiative we’re not gonna be able to pay for and we’re going to have to go back to square one? It’s doesn’t make sense to me,” Pintor Marin asked.

Hespe goes before the Senate Budget Committee Tuesday.

**NJ Spotlight**

# Little Things Are Often What Really Count in State Budget Line Items

John Mooney | April 23, 2015

Language changes tucked into appropriations act drastically hike what some districts will have to pay toward charter school costs

**Gov. Chris Christie, just like other governors, focuses on broad themes in his annual state budget address.**

**But some of the really significant details can be found tucked into the arcane language of the voluminous appropriations act that accompanies each year's proposed budget.**

**One of those details surfaced last month with language that extended the time that Christie has to pay off the state's whopping pension liability, as estimated by actuaries, by three years -- reducing the actual pension costs in his next budget by more than half.**

**And several more of those small but significant items surfaced yesterday when the Christie administration went before the state Assembly's budget committee for the first**

**hearings on proposed education funding for next year – at more than \$12 billion, the single largest slice of the budget.**

**None of the budget details carry the billion-plus dollar price tag of pension payments, for instance, but they were substantial enough to get the attention of legislators and their staff.**

**One example is new language that would protect charter schools from severe funding cuts** that state officials and advocates said could lead to the closing of several of the schools.

**The revised wording would see a handful of school districts transferring over \$100 million more – over a two-year period --** than what would be required under the state's charter school law.

**Under that 1995 law, districts must pay out 90 percent of their per-pupil costs for each student in a charter school.** But that percentage is often actually significantly lower for many charter schools, since not all state funding is counted in a school district's calculations.

**The new language would require charter schools to be funded at least at 2013-2014 per-pupil levels, resulting in an additional**

**\$70 million in funding this year and \$38 more next year for the charters.**

The move caught the eye of the Office of Legislative Services, the Legislature's bipartisan staff, in its annual analysis of each department's budget. In this case, the OLS devoted a full report to the charter language change, laying out the impact on every district that includes a charter school.

For a vast majority of districts, it will mean a small blip in their payments, and in some cases charter payments will actually be slightly reduced. **But in a dozen districts with big charter school presences, the impact will be significant.**

**Newark will see the biggest impact, with a \$38 million difference this year and \$24 million next year. Jersey City sees a \$4 million difference this year, while Camden would pay out \$9 million more this year and an additional \$2 million next year, according to the OLS report.**

Charter school advocates are quick to point out that the state's formula has left many charter schools underfunded in those cities. For instance, while Jersey City spends \$17,000 per student overall, the public school district gives their city's charter schools only about \$8,000 per student.

"This was an effort to mitigate what would have been a disaster," said Rick Pressler, the interim director of the New Jersey Charter Schools Association.

“And these still won’t repair the disparity that charters are facing (in terms of funding),” he said.

State Education Commissioner David Hespe was asked about the language change at the budget hearing yesterday, and said that as the state’s funding formula has been frozen for school districts, charters have only suffered. He said the move was meant to strike a middle ground.

“The freezing of the formula has forced us to make some really tough decisions for fiscal 2016,” Hespe said.

“Some charter budgets are very, very frail, and we don’t want them shuttering because we made a bad decision,” he said. “But we also don’t want to hurt district schools and only help charters.

“It’s imperfect, but it’s the best of the worst scenarios.”