

**SENATE CONCURRENT
RESOLUTION No. 38**

STATE OF NEW JERSEY

219th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

Sponsored by:

Senator STEPHEN M. SWEENEY

District 3 (Cumberland, Gloucester and Salem)

SYNOPSIS

Proposes constitutional amendment to specify type of pension for new public employees and employees with less than five years of service.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



SCR38 SWEENEY

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1 **A CONCURRENT RESOLUTION** proposing to amend Article VII of
2 the New Jersey Constitution by adding a new Section IV.

3
4 **BE IT RESOLVED** *by the Senate of the State of New Jersey (the*
5 *General Assembly concurring):*

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7 1. The following proposed amendment to the Constitution of
8 the State of New Jersey is agreed to:

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10 **PROPOSED AMENDMENT**

11
12 Amend Article VII by adding a new Section IV to read as
13 follows:

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15 1. a. An officer or employee of the State or any political
16 subdivision of the State who commences service after December 31
17 of the year in which this paragraph becomes part of the Constitution
18 and who is eligible and enrolled as a member of a State-
19 administered defined benefit retirement fund or system, or an
20 officer or employee of the State or a political subdivision of the
21 State who is enrolled as a member of a State-administered defined
22 benefit retirement fund or system as of December 31 of that year
23 but has less than five years of service credit in that fund or system
24 as of that date, shall make contributions to, and shall receive
25 benefits from, that fund or system based on compensation received
26 up to \$40,000 annually. If the compensation of the officer or
27 employee exceeds \$40,000 annually, the officer or employee shall
28 also be enrolled in a cash balance defined benefit plan and shall be
29 a member for the purpose of the contributions and benefits of that
30 plan only for the amount of compensation in excess of \$40,000
31 annually. The cash balance defined benefit plan shall be a plan that
32 provides an employee with a retirement benefit from an individual
33 account that has a guaranteed rate of return on the contributions
34 made to the account by the employee, and the contributions that
35 may be made by the employer, but does not require the employee to
36 manage the investment of that account. The cash balance plan shall
37 be established as a qualified governmental defined benefit plan
38 pursuant to applicable sections of the federal Internal Revenue
39 Code, regulations of the United States Department of the Treasury,
40 and other guidance of the federal Internal Revenue Service.

41 This paragraph shall not apply to judges of the Judicial Branch of
42 State government or officers or troopers of the State Police. This
43 paragraph shall not apply to officers or employees of all public
44 employers who are eligible and enrolled in a defined benefit
45 retirement system established by law pursuant to which: (1) the
46 board of trustees is authorized to administer and control the system
47 and to formulate and establish, amend, modify, or repeal policies
48 necessary or proper to govern the methods, practices, or procedures

1 for the investment and transactions of the assets of the system; and
 2 (2) the system is authorized to enroll primarily officers or
 3 employees (a) who are authorized to control, confine, extinguish,
 4 and suppress fires, (b) who are authorized to carry a firearm and
 5 who are charged with the protection, custody, and discipline of
 6 inmates, or (c) who are authorized to carry a firearm and who are
 7 authorized to investigate, apprehend, and detain persons suspected
 8 or convicted of violating the criminal laws of this State.

9 "State" means the Executive, Legislative, and Judicial Branches
 10 of State government, and any department, division, board, bureau,
 11 office, commission, or other instrumentality within or created by
 12 such branch, and any independent State authority, commission,
 13 instrumentality, corporation, or agency, including any State public
 14 institution of higher education.

15 b. Savings realized by a local unit or school district as a result
 16 of the implementation of this paragraph shall be used solely and
 17 exclusively by the local unit or school district for the purpose of
 18 reducing the amount that is required to be raised by the local
 19 property tax levy by the local unit for local unit purposes or by the
 20 school district for school district purposes, as appropriate. When a
 21 cap on the annual increase in the property tax levy for a local unit
 22 or school district is imposed by law, the savings realized pursuant to
 23 this paragraph shall be deducted from the adjusted tax levy for the
 24 previous budget year and the difference shall serve as the basis for
 25 calculating the adjusted tax levy for the next year.

26 The savings shall be calculated in the manner prescribed by law.

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28 2. When this proposed amendment to the Constitution is finally
 29 agreed to pursuant to Article IX, paragraph 1 of the Constitution, it
 30 shall be submitted to the people at the next general election
 31 occurring more than three months after the final agreement and
 32 shall be published at least once in at least one newspaper of each
 33 county designated by the President of the Senate, the Speaker of the
 34 General Assembly and the Secretary of State, not less than three
 35 months prior to the general election.

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37 3. This proposed amendment to the Constitution shall be
 38 submitted to the people at that election in the following manner and
 39 form:

40 There shall be printed on each official ballot to be used at the
 41 general election, the following:

42 a. In every municipality in which voting machines are not used,
 43 a legend which shall immediately precede the question as follows:

44 If you favor the proposition printed below make a cross (X), plus
 45 (+), or check (✓) in the square opposite the word "Yes." If you are
 46 opposed thereto make a cross (X), plus (+) or check (✓) in the
 47 square opposite the word "No."

48 b. In every municipality the following question:

	YES	<p>CONSTITUTIONAL AMENDMENT SPECIFYING TYPE OF PENSION FOR CERTAIN PUBLIC EMPLOYEES</p> <p>Do you approve a change to the Constitution to require certain public employees to be enrolled in a cash balance defined benefit retirement plan?</p> <p>The requirement would apply to new employees and employees with less than five years of public service.</p> <p>The plan would cover a public employee for the amount of the employee’s salary that is over \$40,000 a year.</p> <p>This requirement will not apply to judges, the State Police, firefighters, and officers who investigate, arrest, and detain criminal offenders.</p>
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		<p>INTERPRETIVE STATEMENT</p> <p>This amendment requires new public employees to be in a certain type of retirement plan. New public employees would be in a cash balance plan for the amount of their salary that is over \$40,000 in each year.</p> <p>Public employees with less than five years of public service would also be in a cash balance plan for the amount of their salary that is over \$40,000 in each year.</p> <p>These employees would remain in the current defined benefit retirement systems for the amount of their salary that is \$40,000 or less in each year.</p> <p>This requirement will not apply to judges, the State Police, firefighters, or officers who have the power to investigate, arrest, and detain criminal offenders.</p> <p>A cash balance plan provides an employee with a retirement benefit based on money deposited into an account. The account has a guaranteed rate of return. The employee does not manage the investment of that account.</p> <p>The current defined benefit retirement systems provide a guaranteed lifetime retirement benefit based on an employee's years of service and final salary.</p> <p>Savings that come from this requirement would be used by local governments and school districts to reduce property taxes.</p>
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STATEMENT

This amendment to the State Constitution provides that any public employee of the State or a political subdivision of the State who commences service after December 31 of the year in which this change becomes part of the Constitution and who is enrolled in a State-administered defined benefit retirement fund or system, to make contributions to, and receive benefits from, that fund or system based on compensation received up to \$40,000 annually. The same would apply to an employee who is enrolled in a State-administered defined benefit retirement fund or system as of

1 December 31 of that year but has less than five years of service
 2 credit as of that date in that fund or system. If such an employee's
 3 compensation exceeds \$40,000 annually, the employee would also
 4 be enrolled in a cash balance defined benefit plan and would be a
 5 member for the purpose of contributions and benefits of that plan
 6 only for the amount of compensation in excess of \$40,000 annually.
 7 The cash balance defined benefit plan must be established as a
 8 qualified governmental defined benefit plan pursuant to applicable
 9 sections of the federal Internal Revenue Code, regulations of the
 10 United States Department of the Treasury, and other guidance of the
 11 federal Internal Revenue Service.

12 This requirement will not apply to judges of the Judicial Branch
 13 of State government or officers or troopers of the State Police.
 14 Also, this requirement will not apply to officers or employees of all
 15 public employers who are eligible and enrolled in a defined benefit
 16 retirement system established by law pursuant to which: (1) the
 17 board of trustees is authorized to administer and control the system
 18 and to formulate and establish, amend, modify, or repeal policies
 19 necessary or proper to govern the methods, practices, or procedures
 20 for the investment and transactions of the assets of the system; and
 21 (2) the system is authorized to enroll primarily officers or
 22 employees (a) who are authorized to control, confine, extinguish,
 23 and suppress fires, (b) who are authorized to carry a firearm and
 24 who are charged with the protection, custody, and discipline of
 25 inmates, or (c) who are authorized to carry a firearm and who are
 26 authorized to investigate, apprehend, and detain persons suspected
 27 or convicted of violating the criminal laws of this State.

28 Savings realized by a county, municipality, or school district as a
 29 result of this amendment must be used solely and exclusively by the
 30 county, municipality, or school district for the purpose of reducing
 31 the amount that is required to be raised by the local property tax
 32 levy for county purposes, for municipal purposes, and for school
 33 district purposes, as appropriate. When a cap on the annual
 34 increase in the property tax levy for a local unit or school district is
 35 imposed by law, the savings realized would be deducted from the
 36 adjusted tax levy for the previous budget year and the difference
 37 would serve as the basis for calculating the adjusted tax levy for the
 38 next year.