

**SENATE CONCURRENT
RESOLUTION No. 2**

STATE OF NEW JERSEY

217th LEGISLATURE

INTRODUCED FEBRUARY 4, 2016

Sponsored by:

Senator STEPHEN M. SWEENEY
District 3 (Cumberland, Gloucester and Salem)
Senator SHIRLEY K. TURNER
District 15 (Hunterdon and Mercer)
Senator LINDA R. GREENSTEIN
District 14 (Mercer and Middlesex)

Co-Sponsored by:

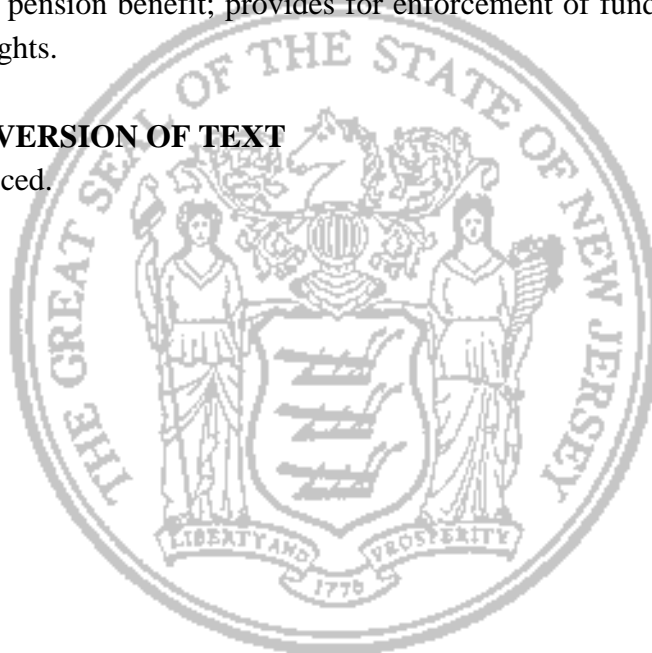
Senators Weinberg, Rice, Whelan and Van Drew

SYNOPSIS

Proposes constitutional amendment to require payments by State to State-administered retirement systems and establish in Constitution right of public employees to pension benefit; provides for enforcement of funding obligations and benefit rights.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 6/24/2016)

1 **A CONCURRENT RESOLUTION** proposing to amend Article VII of
2 the New Jersey Constitution by adding a new Section IV and to
3 amend Article VIII, Section II, paragraphs 2 and 3.
4

5 **BE IT RESOLVED** by the Senate of the State of New Jersey (the
6 *General Assembly concurring*):
7

8 1. The following proposed amendment to the Constitution of
9 the State of New Jersey is agreed to:
10

11 **PROPOSED AMENDMENT**
12

13 a. Amend Article VII by adding a new Section IV to read as
14 follows:

15 1. a. The State shall make its annual required contribution to
16 each retirement system and pension fund for public employees
17 administered by the State as that contribution is determined by the
18 board of trustees of each system or fund in consultation with the
19 actuary for that system or fund. The annual normal contribution
20 plus the annual unfunded accrued liability contribution together
21 shall be the annual required contribution. The actuary for each
22 system or fund shall compute the annual required contribution
23 based on an annual valuation of the assets and liabilities of the
24 system or fund pursuant to consistent and generally accepted
25 actuarial standards.

26 The State shall commence making its annual required
27 contribution in full to each retirement system and pension fund for
28 public employees administered by the State in the State fiscal year
29 that commences July 1, 2021 and shall make the required
30 contribution in full in each fiscal year thereafter. Commencing July
31 1, 2017, the State shall make a payment to each retirement system
32 and pension fund of at least 4/8ths of the full annual required
33 contribution for each system and fund for that State fiscal year and
34 a payment that increases by at least an additional 1/8th of the full
35 annual required contribution for each system and fund for each
36 subsequent fiscal year until payment of the full contribution is
37 required to be made commencing July 1, 2021. The required
38 contribution to be made by the State shall be paid in each State
39 fiscal year to each system and fund on the following schedule: at
40 least 25 percent by August 1; at least 50 percent by November 1; at
41 least 75 percent by February 1; and at least 100 percent by May 1.

42 The amount of the contribution to be made to each retirement
43 system and pension fund by the State shall be included in the
44 general appropriation law for each State fiscal year. The payment
45 of the required contributions to be made by the State pursuant to
46 this subparagraph shall be an indefeasible obligation of the State.

47 b. Vested members of a retirement system or pension fund for
48 public employees administered by the State who were members of a

1 system or fund prior to May 21, 2010 and who attained five years of
2 service credit in the system or fund and were provided pursuant to
3 law with a non-forfeitable right to receive benefits shall have an
4 infeasible non-forfeitable right to receive benefits as provided
5 under the laws governing the system or fund upon the attainment of
6 five years of service credit in the retirement system or fund. A
7 "non-forfeitable right to receive benefits" shall mean that the
8 benefits program, for any employee for whom the right has
9 attached, cannot be reduced.

10 Vested members of a retirement system or pension fund for
11 public employees administered by the State for whom the non-
12 forfeitable right was not provided by law who attain ten years of
13 service credit shall have an infeasible right to receive the benefits
14 earned each year under the laws governing the system or fund.

15 This paragraph shall not be construed to preclude forfeiture,
16 suspension, or reduction in pension benefits for dishonorable
17 service by a member.

18 c. Except as expressly provided in this paragraph and only to
19 the extent so expressly provided, nothing in this paragraph shall be
20 deemed to (1) limit the right of the State to alter, modify, or amend
21 retirement systems and pension funds for public employees
22 administered by the State, or (2) create in any member a right in the
23 corpus or management of such a retirement system or pension fund.
24 The rights reserved to the State in this paragraph shall not diminish
25 or reduce the infeasible obligations of the State and the
26 infeasible rights of members established by subparagraphs a. and
27 b. of this paragraph.

28 d. The obligations and the rights set forth in this paragraph and
29 in Article VIII, Section II, paragraph 2 shall be enforceable in the
30 courts of this State. The courts of this State shall have jurisdiction
31 over any action brought by a member of any system or fund or any
32 board of trustees of such system or fund to enforce the obligations
33 and rights set forth in this paragraph. The State shall submit to the
34 jurisdiction of the courts and shall not assert sovereign immunity in
35 such an action.

36 e. The provisions of this paragraph shall be given effect
37 notwithstanding any other provision of this Constitution, provided,
38 however, that the appropriation obligation in subparagraph a. of this
39 paragraph is subject to and subordinate to appropriations for State
40 general obligation bonds heretofore authorized in accordance with
41 Article VIII, Section II, paragraph 3 of this Constitution.

42
43 b. Amend Article VIII, Section II, paragraphs 2 and 3 to read
44 as follows:

45 2. No money shall be drawn from the State treasury but for
46 appropriations made by law. All moneys for the support of the State
47 government and for all other State purposes as far as can be
48 ascertained or reasonably foreseen, shall be provided for in one

SCR2 SWEENEY, TURNER

1 general appropriation law covering one and the same fiscal year;
2 except that when a change in the fiscal year is made, necessary
3 provision may be made to effect the transition. No general
4 appropriation law or other law appropriating money for any State
5 purpose shall be enacted if the appropriation contained therein,
6 together with all prior appropriations made for the same fiscal
7 period, shall exceed the total amount of revenue on hand and
8 anticipated which will be available to meet such appropriations
9 during such fiscal period, as certified by the Governor. No general
10 appropriation law for a fiscal year shall be enacted without
11 including appropriations for the State contributions to each
12 retirement system and pension fund for public employees
13 administered by the State required pursuant to other provisions of
14 this Constitution.

15 (cf: Art. VIII, Sec. II, par. 2)

16

17 3. a. The Legislature shall not, in any manner, create in any
18 fiscal year a debt or debts, liability or liabilities of the State, which
19 together with any previous debts or liabilities shall exceed at any
20 time one per centum of the total amount appropriated by the general
21 appropriation law for that fiscal year, unless the same shall be
22 authorized by a law for some single object or work distinctly
23 specified therein. Regardless of any limitation relating to taxation in
24 this Constitution, such law shall provide the ways and means,
25 exclusive of loans, to pay the interest of such debt or liability as it
26 falls due, and also to pay and discharge the principal thereof within
27 thirty-five years from the time it is contracted; and the law shall not
28 be repealed until such debt or liability and the interest thereon are
29 fully paid and discharged. Except as hereinafter provided, no such
30 law shall take effect until it shall have been submitted to the people
31 at a general election and approved by a majority of the legally
32 qualified voters of the State voting thereon.

33 b. On and after the date on which this subparagraph b. becomes
34 part of the Constitution, the Legislature shall not enact any law that,
35 in any manner, creates or authorizes the creation of a debt or
36 liability of an autonomous public corporate entity, established either
37 as an instrumentality of the State or otherwise exercising public and
38 essential governmental functions, which debt or liability has a
39 pledge of an annual appropriation as the ways and means to pay the
40 interest of such debt or liability as it falls due and pay and
41 discharge the principal of such debt, unless a law authorizing the
42 creation of that debt for some single object or work distinctly
43 specified therein shall have been submitted to the people at a
44 general election and approved by a majority of the legally qualified
45 voters of the State voting thereon. Voter approval shall not be
46 required for any such law providing that the ways and means to pay
47 the interest of and to pay and discharge the principal of such debt or
48 liability shall be subject to appropriations of an independent non-

1 State source of revenue paid by third persons for the use of the
2 single object or work thereof, or from a source of State revenue
3 otherwise required to be appropriated pursuant to another provision
4 of this Constitution.

5 c. No voter approval shall be required for any such law under
6 subparagraphs a. or b. of this paragraph authorizing the creation of
7 a debt or debts in a specified amount or an amount to be determined
8 in accordance with such law for the refinancing of all or a portion
9 of any outstanding debts or liabilities of the State, or of an
10 autonomous public corporate entity, established either as an
11 instrumentality of the State or otherwise exercising public and
12 essential governmental functions, heretofore or hereafter created, so
13 long as such law shall require that the refinancing provide a debt
14 service savings determined in a manner to be provided in such law
15 and that the proceeds of such debt or debts and any investment
16 income therefrom shall be applied to the payment of the principal
17 of, any redemption premium on, and interest due and to become due
18 on such debts or liabilities being refinanced on or prior to the
19 redemption date or maturity date thereof, together with the costs
20 associated with such refinancing.

21 d. All money to be raised by the authority of such law shall be
22 applied only to the specific object stated therein, and to the payment
23 of the debt thereby created.

24 e. This paragraph shall not be construed to refer to any money
25 that has been or may be deposited with this State by the government
26 of the United States. Nor shall anything in this paragraph contained
27 apply to the creation of any debts or liabilities for purposes of war,
28 or to repel invasion, or to suppress insurrection or to meet an
29 emergency caused by disaster or act of God. Nor shall anything in
30 this paragraph apply to the indefeasible obligation of the State to
31 make contributions to each retirement system and pension fund for
32 public employees administered by the State as required pursuant to
33 other provisions of this Constitution.

34 (cf: Art. VIII, Sec. II, par. 3; amended effective December 4, 2008)

35
36 2. When this proposed amendment to the Constitution is finally
37 agreed to pursuant to Article IX, paragraph 1 of the Constitution, it
38 shall be submitted to the people at the next general election
39 occurring more than three months after the final agreement and
40 shall be published at least once in at least one newspaper of each
41 county designated by the President of the Senate, the Speaker of the
42 General Assembly and the Secretary of State, not less than three
43 months prior to the general election.

44
45 3. This proposed amendment to the Constitution shall be
46 submitted to the people at that election in the following manner and
47 form:

SCR2 SWEENEY, TURNER

- 1 There shall be printed on each official ballot to be used at the
2 general election, the following:
3 a. In every municipality in which voting machines are not used,
4 a legend which shall immediately precede the question as follows:
5 If you favor the proposition printed below make a cross (X), plus
6 (+), or check (☐) in the square opposite the word "Yes." If you are
7 opposed thereto make a cross (X), plus (+) or check (☐) in the
8 square opposite the word "No."
9 b. In every municipality the following question:
10

		<p style="text-align: center;">CONSTITUTIONAL AMENDMENT CONCERNING STATE PENSION PAYMENTS AND PUBLIC EMPLOYEE PENSION BENEFITS</p> <p>Do you approve amending the Constitution to require the State to make its payment to the pension systems for public employees each year and to establish in the Constitution the rights of public employees vested in these pension systems to receive earned pension benefits?</p> <p>The State would have until July 1, 2021 to start making each year's pension payment in full. Until then, the State would make a partial, but increasing, payment each year. The payment would be made on a quarterly basis.</p>
	YES	

1

	NO	<p style="text-align: center;">INTERPRETIVE STATEMENT</p> <p>This amendment to the Constitution concerns the State’s payment to the pension systems for public employees and the pension benefits of those employees.</p> <p>Current law, adopted in 2011, required the State to make its pension payment each year. The New Jersey Supreme Court ruled that the State could not be compelled to make the payment because of certain provisions in the Constitution. This amendment is a response to that ruling.</p> <p>This amendment would require the State to make its pension payment each year as a constitutional obligation. The obligation would be enforceable in the State courts. Payment of the full amount would start July 1, 2021. Until then, partial, but increasing, payments would be made each year. Quarterly payments would be made on the first day of August, November, February, and May of each year.</p> <p>This amendment requires the annual State budget law to include the pension payment.</p> <p>Current law provides a non-forfeitable right to receive a pension benefit for vested public employees who were employed before May 21, 2010. This amendment would incorporate that right into the Constitution. This amendment would establish the right of vested public employees hired after May 21, 2010 to receive earned pension benefits after ten years of service. These rights would be enforceable in the State courts. This amendment does not increase any pension benefit.</p>
--	----	--

2

3

4

5

STATEMENT

6

7

8

The purpose of this amendment to the State Constitution is to require the State to fund the pensions of public employees on a timely basis. Current law requires the State to do this under the

1 provisions set forth in subsection c. of N.J.S.A.43:3C-9.5, as
2 enacted by section 26 of P.L.2011, c.78, commonly referred to as
3 Chapter 78. However, currently these provisions cannot be
4 enforced by the courts of this State.

5 Chapter 78 requires the State and local government employers to
6 make annual contributions to the various pension systems
7 administered by the State: Teachers' Pension and Annuity Fund;
8 Judicial Retirement System; Prison Officers' Pension Fund; Public
9 Employees' Retirement System; Consolidated Police and Firemen's
10 Pension Fund; Police and Firemen's Retirement System; and State
11 Police Retirement System. The pension funding provisions of
12 Chapter 78 were part of a historic bipartisan compromise, endorsed
13 by the Governor, to ensure the solvency of the public employee
14 pension systems. Chapter 78 increased pension contributions by
15 public employees and suspended the payment of cost of living
16 adjustments (COLA) to retirees until certain funding threshold
17 levels are achieved. Chapter 78 also established a constitutionally
18 protected contractual right to the payment of the annual required
19 contributions to the pension systems by the State and all other
20 public employers.

21 This amendment to the Constitution is necessary to reverse a
22 2015 decision of the New Jersey Supreme Court, *Burgos v. State*,
23 222 N.J. 175, which held the contractual obligation of the State to
24 make its annual required contributions to the pension systems
25 unenforceable because it was "subject to appropriation" and
26 contravened the Debt Limitation Clause of the Constitution unless
27 approved by the voters. This amendment overrules that holding and
28 ensures that the commitment and requirement for annual funding to
29 eventually reach full funding for the pension systems are protected
30 by the New Jersey Constitution.

31 In *Burgos*, the Supreme Court relied on certain provisions of the
32 New Jersey Constitution, including the Debt Limitation and
33 Appropriations Clauses, to declare unenforceable the contractual
34 promise made in statute to public employees that the State will
35 make its annual required contributions to the pension systems.
36 Therefore, this amendment provides that its provisions will be given
37 effect notwithstanding any other provision of the Constitution.

38 As a result of the State's failure to fund the pension systems at
39 levels determined to be necessary by the actuaries of the pension
40 systems, the pension systems are approaching insolvency.

41 Notwithstanding the enactment of Chapter 78, in each of the last
42 three State fiscal years, the Governor has made contributions to the
43 pension systems that were less than that required of the State by
44 law. The purpose of this amendment to the Constitution is to ensure
45 full funding of the pension systems under generally accepted
46 actuarial principles.

47 To ease the financial burden on the State, the amendment
48 requires the State to make its full pension contribution payment

1 commencing July 1, 2021, and in each fiscal year thereafter, but
2 requires partial increasing contributions over a period of four years,
3 starting in State fiscal year 2017 when a payment to each retirement
4 system and pension fund of at least 4/8ths of the full annual
5 contribution is required. The payment will increase by at least an
6 additional 1/8th of the full annual required contribution for each
7 system and fund for each subsequent fiscal year until payment of
8 the full contribution is required to be made commencing July 1,
9 2021.

10 Quarterly payments are required to accelerate the return on
11 investment of the pension systems. Under current law, State
12 instrumentalities and local governments will continue to be
13 obligated to make full payments.

14 This amendment requires the pension payment to be included in
15 the annual State budget law. However, the appropriation obligation
16 would be subject to and subordinate to appropriations for State
17 general obligation bonds heretofore authorized in accordance with
18 Article VIII, Section II, paragraph 3 of the Constitution.

19 This amendment to the Constitution also incorporates in the
20 Constitution subsections a. and b. of N.J.S.A.43:3C-9.5 to protect
21 the contractual right of vested members of pension systems hired
22 prior to May 21, 2010, the effective date of P.L. 2010, c. 1, to the
23 pension benefits in effect upon the attainment by a public employee
24 of five years of service credit in a pension system. This means that
25 the pension benefit program for any employee for whom the right
26 has attached, inclusive of all pension service earned during their
27 employment, cannot be reduced. The amendment also establishes
28 the rights of all other employees, meaning that they will have vested
29 contractual rights to earned pension benefits after ten years of
30 service credit, and to the benefit earned each year thereafter;
31 however, the benefit formula can be reduced prospectively. These
32 provisions of the amendment are necessary because the Supreme
33 Court in the Burgos case left unresolved the issue as to whether
34 laws that create non-forfeitable and vested rights to pension benefits
35 are enforceable. The amendment does not alter current law that
36 authorizes pension service credit or benefits to be reduced or
37 forfeited for an employee's crime or misconduct.

38 This amendment does not impose any obligations on the State
39 concerning post-retirement health care benefits, which will continue
40 to be addressed through lawmaking and the State budget process.

41 The substantive constitutional rights and obligations established
42 by this amendment are enforceable by the courts of this State,
43 which can issue declaratory, injunctive, or other orders appropriate
44 to secure compliance with these rights and obligations. This too is
45 a necessary part of the amendment because in the Burgos decision,
46 the Court expressed concern that under the separation of powers
47 doctrine it would be inappropriate for the courts to enmesh
48 themselves in the enforcement of contractual rights to pension

SCR2 SWEENEY, TURNER

10

1 contributions and benefits. By providing for enforcement through
2 the courts, the amendment allows State courts to issue necessary
3 remedial orders to ensure compliance with the State's pension
4 payment obligations.