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CL/JA

P.L. 2023, CHAPTER 43, *approved May 8, 2023*
Senate, No. 2423

1 AN ACT concerning the investments of local government deferred
2 compensation plans and amending P.L.1977, c.381.

3
4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:

6
7 1. Section 3 of P.L.1977, c.381 (C.43:15B-3) is amended to
8 read as follows:

9 3. a. The plan shall provide that all money not needed for the
10 immediate payment of benefits shall be invested by the employer in
11 interest bearing securities in which savings banks of this State are
12 authorized to invest their funds, or the employer shall make
13 deposits in interest bearing accounts, or in the State of New Jersey
14 Cash Management Fund established pursuant to section 1 of
15 P.L.1977, c.281 (C.52:18A-90.4), or in individual or group annuity
16 programs whether fixed or variable, mutual funds, or life insurance
17 contracts whether fixed or variable.

18 b. Notwithstanding section 1 of P.L.1977, c.381 (C.43:15B-1),
19 the employer may contract with one or more private organizations
20 for the administration of all or part of the plan, including the
21 management and investment, or either thereof, of deferred and
22 deducted salary funds.

23 Each contract shall be subject to the prior approval of the
24 Director of the Division of Local Government Services on the basis
25 of restrictions, limitations and other conditions established by the
26 director by rule and regulation promulgated pursuant to the
27 "Administrative Procedure Act" (P.L.1968, c.410, C.52:14B-1 et
28 seq.); provided, however, that the director shall not approve any
29 contract if it is inconsistent with any standards which the New
30 Jersey State Employees' Deferred Compensation Board, established
31 pursuant to P.L.1978, c.39 (C. 52:18A-163 et seq.), may adopt for
32 the deferred compensation plans of municipalities, counties, or
33 authorities thereof, including, but not limited to, any service cost
34 guidelines. If at the time a municipality, county or authority
35 submits a contract to the Director of the Division of Local
36 Government Services for his approval and the New Jersey State
37 Employees' Deferred Compensation Board has not adopted
38 standards for such deferred compensation plans, the director may
39 approve such contract if it is consistent with the rules and
40 regulations which he has promulgated for such contracts.

EXPLANATION – Matter enclosed in bold-faced brackets **[thus]** in the above bill is
not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 c. The employer may establish a plan or plan option which
2 permits a participating employee to request the employer to invest
3 all or a specified percentage of said employee's deferred salary in
4 one, or a specified combination of, the following kinds of
5 investments: (1) fixed or variable life insurance contracts, (2)
6 individual or group, fixed or variable annuity contracts, (3) mutual
7 fund shares, (4) interest bearing accounts or securities in which
8 savings banks of this State are authorized to invest their funds,
9 **[and]** (5) the State of New Jersey Cash Management Fund, and (6)
10 collective investment trusts; provided that the employer retains the
11 discretion to reject such request. Any such investments shall be
12 limited to investments that are authorized for fiduciaries of trust
13 estates pursuant to the "Prudent Investment Law" (P.L.1975, c.337,
14 C. 3A:15-35 et seq.); provided, however, that with the exception of
15 investments made by domestic insurance companies licensed to sell
16 life insurance and annuities in this State and subject to review by
17 the Commissioner of the Department of Banking and Insurance
18 pursuant to chapter 20 of Title 17B of the New Jersey Statutes, the
19 Director of the Division of Local Government Services may review
20 and reject any such investments as inconsistent with the standard
21 applicable to the prudent investor as provided in section 3 of
22 P.L.1975, c.337 (C.3A:15-37).

23 d. No organization seeking a contract pursuant to subsection b.
24 of this section, shall through distribution of written material or by
25 any other means, solicit employee participation in any deferred
26 compensation plan or solicit employees to support the efforts of the
27 organization to secure the contract. An organization holding a
28 contract approved pursuant to subsection b. may distribute written
29 material to solicit employee participation in a deferred
30 compensation program, provided that the organization has received
31 approval of the content and form of the material from the Director
32 of the Division of Local Government Services. No representative
33 of an organization under contract pursuant to subsection b. of this
34 section shall initiate verbal communication with any prospective
35 employee participant in a deferred compensation program without
36 the express consent of the employer; provided, however, that any
37 communication so authorized shall be consistent with the written
38 material approved by the Director of the Division of Local
39 Government Services.

40 e. Subject to rules and regulations established by a board or
41 any other body created or designated by the State or public official
42 designated by the State (said board, body or official hereinafter
43 "board"), to administer a deferred payment compensation plan
44 established by the State (hereinafter "State plan") and subject to the
45 approval of the board, the plan may provide for the employer for the
46 benefit of its participants to participate in any State plan established
47 by the board for State employees. In the event that such
48 participation is approved by the board, rules, regulations and

1 conditions established by the board or in the State plan shall apply
2 to such participants, or said rules, regulations and conditions shall
3 so apply as amended or supplemented with regard to said
4 participants.

5 f. The named fiduciary shall provide in the plan for the
6 distribution of any investment earnings, gains or losses, consistent
7 with the requirements of the federal Internal Revenue Code, as
8 amended. The distribution shall be allocated to each employee
9 when he or she withdraws from the plan or receives benefits from
10 the plan in accordance with the terms of the plan and the provisions
11 of this act. For those employees participating in the State plan
12 pursuant to subsection 3e. herein, the rules and regulations of the
13 State board shall apply.

14 g. The plan shall provide for a uniform system of accounting
15 for each participant and for investment of deferred compensation
16 funds with annual or more frequent reports to the participants in the
17 plan.

18 h. The named fiduciary shall have authority to take any steps
19 reasonably necessary to implement the plan consistent with this act
20 and the requirements of the federal Internal Revenue Code, as
21 amended.

22 (cf: P.L.1997, c.116, s.1)

23

24 2. This act shall take effect immediately.

25

26

STATEMENT

27

28 This bill adds collective investment trusts to the list of the kinds
29 of investments permitted for municipal, county, or local authority
30 deferred compensation plans. Currently these plans are allowed to
31 invest in (1) fixed or variable life insurance contracts, (2) individual
32 or group, fixed or variable annuity contracts, (3) mutual fund
33 shares, (4) interest bearing accounts or securities in which savings
34 banks of this State are authorized to invest their funds, and (5) the
35 State of New Jersey Cash Management Fund.

36 A collective investment trust is a trust administered by a bank or
37 trust company that combines assets for multiple investors. Its
38 trustees are considered fiduciaries under the Employees Retirement
39 Income Security Act (ERISA). Collective investment trusts are
40 regulated by the Office of the Comptroller of the Currency and
41 subject to oversight by the Internal Revenue Service. In contrast,
42 mutual funds are regulated by the Securities and Exchange
43 Commission.

44

45

46

47 Allows local government deferred compensation plans to invest
48 in collective investment trusts.

SENATE, No. 2423

STATE OF NEW JERSEY 220th LEGISLATURE

INTRODUCED MAY 9, 2022

Sponsored by:

Senator NELLIE POU

District 35 (Bergen and Passaic)

Assemblyman JOHN F. MCKEON

District 27 (Essex and Morris)

Assemblyman CLINTON CALABRESE

District 36 (Bergen and Passaic)

SYNOPSIS

Allows local government deferred compensation plans to invest in collective investment trusts.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 2/27/2023)

1 AN ACT concerning the investments of local government deferred
2 compensation plans and amending P.L.1977, c.381.

3

4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:

6

7 1. Section 3 of P.L.1977, c.381 (C.43:15B-3) is amended to
8 read as follows:

9 3. a. The plan shall provide that all money not needed for the
10 immediate payment of benefits shall be invested by the employer in
11 interest bearing securities in which savings banks of this State are
12 authorized to invest their funds, or the employer shall make
13 deposits in interest bearing accounts, or in the State of New Jersey
14 Cash Management Fund established pursuant to section 1 of
15 P.L.1977, c.281 (C.52:18A-90.4), or in individual or group annuity
16 programs whether fixed or variable, mutual funds, or life insurance
17 contracts whether fixed or variable.

18 b. Notwithstanding section 1 of P.L.1977, c.381 (C.43:15B-1),
19 the employer may contract with one or more private organizations
20 for the administration of all or part of the plan, including the
21 management and investment, or either thereof, of deferred and
22 deducted salary funds.

23 Each contract shall be subject to the prior approval of the
24 Director of the Division of Local Government Services on the basis
25 of restrictions, limitations and other conditions established by the
26 director by rule and regulation promulgated pursuant to the
27 "Administrative Procedure Act" (P.L.1968, c.410, C.52:14B-1 et
28 seq.); provided, however, that the director shall not approve any
29 contract if it is inconsistent with any standards which the New
30 Jersey State Employees' Deferred Compensation Board, established
31 pursuant to P.L.1978, c.39 (C. 52:18A-163 et seq.), may adopt for
32 the deferred compensation plans of municipalities, counties, or
33 authorities thereof, including, but not limited to, any service cost
34 guidelines. If at the time a municipality, county or authority
35 submits a contract to the Director of the Division of Local
36 Government Services for his approval and the New Jersey State
37 Employees' Deferred Compensation Board has not adopted
38 standards for such deferred compensation plans, the director may
39 approve such contract if it is consistent with the rules and
40 regulations which he has promulgated for such contracts.

41 c. The employer may establish a plan or plan option which
42 permits a participating employee to request the employer to invest
43 all or a specified percentage of said employee's deferred salary in
44 one, or a specified combination of, the following kinds of
45 investments: (1) fixed or variable life insurance contracts, (2)

EXPLANATION – Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 individual or group, fixed or variable annuity contracts, (3) mutual
2 fund shares, (4) interest bearing accounts or securities in which
3 savings banks of this State are authorized to invest their funds,
4 **【and】** (5) the State of New Jersey Cash Management Fund, and (6)
5 collective investment trusts; provided that the employer retains the
6 discretion to reject such request. Any such investments shall be
7 limited to investments that are authorized for fiduciaries of trust
8 estates pursuant to the "Prudent Investment Law" (P.L.1975, c.337,
9 C. 3A:15-35 et seq.); provided, however, that with the exception of
10 investments made by domestic insurance companies licensed to sell
11 life insurance and annuities in this State and subject to review by
12 the Commissioner of the Department of Banking and Insurance
13 pursuant to chapter 20 of Title 17B of the New Jersey Statutes, the
14 Director of the Division of Local Government Services may review
15 and reject any such investments as inconsistent with the standard
16 applicable to the prudent investor as provided in section 3 of
17 P.L.1975, c.337 (C.3A:15-37).

18 d. No organization seeking a contract pursuant to subsection b.
19 of this section, shall through distribution of written material or by
20 any other means, solicit employee participation in any deferred
21 compensation plan or solicit employees to support the efforts of the
22 organization to secure the contract. An organization holding a
23 contract approved pursuant to subsection b. may distribute written
24 material to solicit employee participation in a deferred
25 compensation program, provided that the organization has received
26 approval of the content and form of the material from the Director
27 of the Division of Local Government Services. No representative
28 of an organization under contract pursuant to subsection b. of this
29 section shall initiate verbal communication with any prospective
30 employee participant in a deferred compensation program without
31 the express consent of the employer; provided, however, that any
32 communication so authorized shall be consistent with the written
33 material approved by the Director of the Division of Local
34 Government Services.

35 e. Subject to rules and regulations established by a board or
36 any other body created or designated by the State or public official
37 designated by the State (said board, body or official hereinafter
38 "board"), to administer a deferred payment compensation plan
39 established by the State (hereinafter "State plan") and subject to the
40 approval of the board, the plan may provide for the employer for the
41 benefit of its participants to participate in any State plan established
42 by the board for State employees. In the event that such
43 participation is approved by the board, rules, regulations and
44 conditions established by the board or in the State plan shall apply
45 to such participants, or said rules, regulations and conditions shall
46 so apply as amended or supplemented with regard to said
47 participants.

1 f. The named fiduciary shall provide in the plan for the
2 distribution of any investment earnings, gains or losses, consistent
3 with the requirements of the federal Internal Revenue Code, as
4 amended. The distribution shall be allocated to each employee
5 when he or she withdraws from the plan or receives benefits from
6 the plan in accordance with the terms of the plan and the provisions
7 of this act. For those employees participating in the State plan
8 pursuant to subsection 3e. herein, the rules and regulations of the
9 State board shall apply.

10 g. The plan shall provide for a uniform system of accounting
11 for each participant and for investment of deferred compensation
12 funds with annual or more frequent reports to the participants in the
13 plan.

14 h. The named fiduciary shall have authority to take any steps
15 reasonably necessary to implement the plan consistent with this act
16 and the requirements of the federal Internal Revenue Code, as
17 amended.

18 (cf: P.L.1997, c.116, s.1)

19

20 2. This act shall take effect immediately.

21

22

23

STATEMENT

24

25 This bill adds collective investment trusts to the list of the kinds
26 of investments permitted for municipal, county, or local authority
27 deferred compensation plans. Currently these plans are allowed to
28 invest in (1) fixed or variable life insurance contracts, (2) individual
29 or group, fixed or variable annuity contracts, (3) mutual fund
30 shares, (4) interest bearing accounts or securities in which savings
31 banks of this State are authorized to invest their funds, and (5) the
32 State of New Jersey Cash Management Fund.

33 A collective investment trust is a trust administered by a bank or
34 trust company that combines assets for multiple investors. Its
35 trustees are considered fiduciaries under the Employees Retirement
36 Income Security Act (ERISA). Collective investment trusts are
37 regulated by the Office of the Comptroller of the Currency and
38 subject to oversight by the Internal Revenue Service. In contrast,
39 mutual funds are regulated by the Securities and Exchange
40 Commission.

SENATE COMMERCE COMMITTEE

STATEMENT TO

SENATE, No. 2423

STATE OF NEW JERSEY

DATED: MAY 16, 2022

The Senate Commerce Committee reports favorably Senate Bill No. 2423.

This bill adds collective investment trusts to the list of the kinds of investments permitted for municipal, county, or local authority deferred compensation plans. Currently these plans are allowed to invest in (1) fixed or variable life insurance contracts, (2) individual or group, fixed or variable annuity contracts, (3) mutual fund shares, (4) interest bearing accounts or securities in which savings banks of this State are authorized to invest their funds, and (5) the State of New Jersey Cash Management Fund.

A collective investment trust is a trust administered by a bank or trust company that combines assets for multiple investors. Its trustees are considered fiduciaries under the Employees Retirement Income Security Act (ERISA). Collective investment trusts are regulated by the Office of the Comptroller of the Currency and subject to oversight by the Internal Revenue Service. In contrast, mutual funds are regulated by the Securities and Exchange Commission.

ASSEMBLY, No. 3746

STATE OF NEW JERSEY 220th LEGISLATURE

INTRODUCED MAY 2, 2022

Sponsored by:

Assemblyman JOHN F. MCKEON

District 27 (Essex and Morris)

Assemblyman CLINTON CALABRESE

District 36 (Bergen and Passaic)

SYNOPSIS

Allows local government deferred compensation plans to invest in collective investment trusts.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 1/19/2023)

1 AN ACT concerning the investments of local government deferred
2 compensation plans and amending P.L.1977, c.381.

3

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11 interest bearing securities in which savings banks of this State are
12 authorized to invest their funds, or the employer shall make
13 deposits in interest bearing accounts, or in the State of New Jersey
14 Cash Management Fund established pursuant to section 1 of
15 P.L.1977, c.281 (C.52:18A-90.4), or in individual or group annuity
16 programs whether fixed or variable, mutual funds, or life insurance
17 contracts whether fixed or variable.

18 b. Notwithstanding section 1 of P.L.1977, c.381 (C.43:15B-1),
19 the employer may contract with one or more private organizations
20 for the administration of all or part of the plan, including the
21 management and investment, or either thereof, of deferred and
22 deducted salary funds.

23 Each contract shall be subject to the prior approval of the
24 Director of the Division of Local Government Services on the basis
25 of restrictions, limitations and other conditions established by the
26 director by rule and regulation promulgated pursuant to the
27 "Administrative Procedure Act" (P.L.1968, c.410, C.52:14B-1 et
28 seq.); provided, however, that the director shall not approve any
29 contract if it is inconsistent with any standards which the New
30 Jersey State Employees' Deferred Compensation Board, established
31 pursuant to P.L.1978, c.39 (C. 52:18A-163 et seq.), may adopt for
32 the deferred compensation plans of municipalities, counties, or
33 authorities thereof, including, but not limited to, any service cost
34 guidelines. If at the time a municipality, county or authority
35 submits a contract to the Director of the Division of Local
36 Government Services for his approval and the New Jersey State
37 Employees' Deferred Compensation Board has not adopted
38 standards for such deferred compensation plans, the director may
39 approve such contract if it is consistent with the rules and
40 regulations which he has promulgated for such contracts.

41 c. The employer may establish a plan or plan option which
42 permits a participating employee to request the employer to invest
43 all or a specified percentage of said employee's deferred salary in
44 one, or a specified combination of, the following kinds of
45 investments: (1) fixed or variable life insurance contracts, (2)

EXPLANATION – Matter enclosed in bold-faced brackets **[thus]** in the above bill is
not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 individual or group, fixed or variable annuity contracts, (3) mutual
2 fund shares, (4) interest bearing accounts or securities in which
3 savings banks of this State are authorized to invest their funds,
4 **【and】** (5) the State of New Jersey Cash Management Fund, and (6)
5 collective investment trusts; provided that the employer retains the
6 discretion to reject such request. Any such investments shall be
7 limited to investments that are authorized for fiduciaries of trust
8 estates pursuant to the "Prudent Investment Law" (P.L.1975, c.337,
9 C. 3A:15-35 et seq.); provided, however, that with the exception of
10 investments made by domestic insurance companies licensed to sell
11 life insurance and annuities in this State and subject to review by
12 the Commissioner of the Department of Banking and Insurance
13 pursuant to chapter 20 of Title 17B of the New Jersey Statutes, the
14 Director of the Division of Local Government Services may review
15 and reject any such investments as inconsistent with the standard
16 applicable to the prudent investor as provided in section 3 of
17 P.L.1975, c.337 (C.3A:15-37).

18 d. No organization seeking a contract pursuant to subsection b.
19 of this section, shall through distribution of written material or by
20 any other means, solicit employee participation in any deferred
21 compensation plan or solicit employees to support the efforts of the
22 organization to secure the contract. An organization holding a
23 contract approved pursuant to subsection b. may distribute written
24 material to solicit employee participation in a deferred
25 compensation program, provided that the organization has received
26 approval of the content and form of the material from the Director
27 of the Division of Local Government Services. No representative
28 of an organization under contract pursuant to subsection b. of this
29 section shall initiate verbal communication with any prospective
30 employee participant in a deferred compensation program without
31 the express consent of the employer; provided, however, that any
32 communication so authorized shall be consistent with the written
33 material approved by the Director of the Division of Local
34 Government Services.

35 e. Subject to rules and regulations established by a board or
36 any other body created or designated by the State or public official
37 designated by the State (said board, body or official hereinafter
38 "board"), to administer a deferred payment compensation plan
39 established by the State (hereinafter "State plan") and subject to the
40 approval of the board, the plan may provide for the employer for the
41 benefit of its participants to participate in any State plan established
42 by the board for State employees. In the event that such
43 participation is approved by the board, rules, regulations and
44 conditions established by the board or in the State plan shall apply
45 to such participants, or said rules, regulations and conditions shall
46 so apply as amended or supplemented with regard to said
47 participants.

1 f. The named fiduciary shall provide in the plan for the
2 distribution of any investment earnings, gains or losses, consistent
3 with the requirements of the federal Internal Revenue Code, as
4 amended. The distribution shall be allocated to each employee
5 when he or she withdraws from the plan or receives benefits from
6 the plan in accordance with the terms of the plan and the provisions
7 of this act. For those employees participating in the State plan
8 pursuant to subsection 3e. herein, the rules and regulations of the
9 State board shall apply.

10 g. The plan shall provide for a uniform system of accounting
11 for each participant and for investment of deferred compensation
12 funds with annual or more frequent reports to the participants in the
13 plan.

14 h. The named fiduciary shall have authority to take any steps
15 reasonably necessary to implement the plan consistent with this act
16 and the requirements of the federal Internal Revenue Code, as
17 amended.

18 (cf: P.L.1997, c.116, s.1)

19

20 2. This act shall take effect immediately.

21

22

23

STATEMENT

24

25 This bill adds collective investment trusts to the list of the kinds
26 of investments permitted for municipal, county, or local authority
27 deferred compensation plans. Currently these plans are allowed to
28 invest in (1) fixed or variable life insurance contracts, (2) individual
29 or group, fixed or variable annuity contracts, (3) mutual fund
30 shares, (4) interest bearing accounts or securities in which savings
31 banks of this State are authorized to invest their funds, and (5) the
32 State of New Jersey Cash Management Fund.

33 A collective investment trust is a trust administered by a bank or
34 trust company that combines assets for multiple investors. Its
35 trustees are considered fiduciaries under the Employees Retirement
36 Income Security Act (ERISA). Collective investment trusts are
37 regulated by the Office of the Comptroller of the Currency and
38 subject to oversight by the Internal Revenue Service. In contrast,
39 mutual funds are regulated by the Securities and Exchange
40 Commission.

ASSEMBLY FINANCIAL INSTITUTIONS AND INSURANCE
COMMITTEE

STATEMENT TO

ASSEMBLY, No. 3746

STATE OF NEW JERSEY

DATED: JUNE 2, 2022

The Assembly Financial Institutions and Insurance Committee reports favorably Assembly Bill No. 3746.

This bill adds collective investment trusts to the list of the kinds of investments permitted for municipal, county, or local authority deferred compensation plans. Currently these plans are allowed to invest in (1) fixed or variable life insurance contracts, (2) individual or group, fixed or variable annuity contracts, (3) mutual fund shares, (4) interest bearing accounts or securities in which savings banks of this State are authorized to invest their funds, and (5) the State of New Jersey Cash Management Fund.

A collective investment trust is a trust administered by a bank or trust company that combines assets for multiple investors. Its trustees are considered fiduciaries under the Employees Retirement Income Security Act (ERISA). Collective investment trusts are regulated by the Office of the Comptroller of the Currency and subject to oversight by the Internal Revenue Service. In contrast, mutual funds are regulated by the Securities and Exchange Commission.

ASSEMBLY STATE AND LOCAL GOVERNMENT
COMMITTEE

STATEMENT TO

ASSEMBLY, No. 3746

STATE OF NEW JERSEY

DATED: OCTOBER 17, 2022

The Assembly State and Local Government Committee reports favorably Assembly Bill No. 3746.

This bill adds collective investment trusts to the list of the kinds of investments permitted for municipal, county, or local authority deferred compensation plans. Currently these plans are allowed to invest in (1) fixed or variable life insurance contracts, (2) individual or group, fixed or variable annuity contracts, (3) mutual fund shares, (4) interest bearing accounts or securities in which savings banks of this State are authorized to invest their funds, and (5) the State of New Jersey Cash Management Fund.

A collective investment trust is a trust administered by a bank or trust company that combines assets for multiple investors. Its trustees are considered fiduciaries under the Employees Retirement Income Security Act (ERISA). Collective investment trusts are regulated by the Office of the Comptroller of the Currency and subject to oversight by the Internal Revenue Service. In contrast, mutual funds are regulated by the Securities and Exchange Commission.