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"Police, firefighters gain control of pensions," South Jersey Times, July 4, 2018

"A victory for police, firefighter unions - Murphy signs law that splits retirement funds from other public worker pensions," The Star-Ledger, July 4, 2018

"MURPHY SIGNS TRANSGENDER, FILM CREDIT BILLS - MAINTAINING TREND OF UNDOING CHRISTIE POLICIES," The Record, July 4, 2018

RH

P.L. 2018, CHAPTER 55, *approved July 3, 2018*
Senate, No. 5 (*Third Reprint*)

1 AN ACT concerning the management of the Police and Firemen's
2 Retirement System, amending various parts of the statutory law,
3 and repealing section 1 of P.L.1947, c.217.
4

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

7
8 1. Section 2 of P.L.1958, c.143 (C.43:3B-2) is amended to read
9 as follows:

10 2. The monthly retirement allowance or pension originally
11 granted to any retirant and the pension or survivorship benefit
12 originally granted to any beneficiary shall be adjusted in accordance
13 with the provisions of this act provided, however, that:

14 a. **the** The maximum retirement allowance, without option,
15 shall be considered the retirement allowance originally granted to
16 any retirant who, at retirement, elected an Option I allowance
17 pursuant to the provisions of the statutes stipulated in subsection b.
18 of section 1 of this act (C.43:3B-1); and b. the minimum pension
19 granted to any beneficiary stipulated in subsection d. (4) of section
20 1 of this act (C.43:3B-1), shall be considered the pension originally
21 granted to such beneficiary.

22 Pension adjustments shall not be paid to retirants or beneficiaries
23 who are not receiving their regular, full, monthly retirement
24 allowances, pensions or survivorship benefits. The adjustment
25 granted under the provisions of this act shall be effective only on
26 the first day of a month, shall be paid in monthly installments, and
27 shall not be decreased, increased, revoked or repealed except as
28 otherwise provided in this act. No adjustment shall be due to a
29 retirant or a beneficiary unless it constitutes a payment for an entire
30 month; provided, however, that an adjustment shall be payable for
31 the entire month in which the retirant or beneficiary dies.

32 Commencing with the effective date of P.L.2011, c.78 and
33 thereafter, no further adjustments to the monthly retirement
34 allowance or pension originally granted to any retirant and the

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.

Matter enclosed in superscript numerals has been adopted as follows:

¹Senate SSG committee amendments adopted February 1, 2018.

²Senate floor amendments adopted March 26, 2018.

³Senate amendments adopted in accordance with Governor's recommendations June 7, 2018.

1 pension or survivorship benefit granted to any beneficiary shall be
2 made in accordance with the provisions of P.L.1958, c.143
3 (C.43:3B-1 et seq.), unless the adjustment is reactivated as
4 permitted by law. This provision shall not reduce the monthly
5 retirement benefit that a retirant or a beneficiary is receiving on the
6 effective date of P.L.2011, c.78 when the benefit includes an
7 adjustment granted prior to that effective date. The Board of
8 Trustees of the Police and Firemen's Retirement System may adjust
9 the monthly retirement allowance or pension of its retired members
10 in accordance with subsection b. of section 13 of P.L.1944, c.255
11 (C.43:16A-13).
12 (cf: P.L.2011, c.78, s.25)

13

14 2. Section 5 of P.L.1997, c.113 (C.43:3C-9.5) is amended to
15 read as follows:

16 5. a. For purposes of this section, a "non-forfeitable right to
17 receive benefits" means that the benefits program, for any employee
18 for whom the right has attached, cannot be reduced. The provisions
19 of this section shall not apply to post-retirement medical benefits
20 which are provided pursuant to law.

21 b. Vested members of the Teachers' Pension and Annuity Fund,
22 the Judicial Retirement System, the Prison Officers' Pension Fund,
23 the Public Employees' Retirement System, the Consolidated Police
24 and Firemen's Pension Fund, the Police and Firemen's Retirement
25 System, and the State Police Retirement System, upon the
26 attainment of five years of service credit in the retirement system or
27 fund or on the date of enactment of this bill, whichever is later,
28 shall have a non-forfeitable right to receive benefits as provided
29 under the laws governing the retirement system or fund upon the
30 attainment of five years of service credit in the retirement system or
31 fund or on the effective date of this act, whichever is later. This
32 subsection shall not be applicable to a person who becomes a
33 member of these systems or funds on or after the effective date of
34 P.L.2010, c.1, except that such person shall not include a person
35 who at the time of enrollment in the retirement system or fund on or
36 after that effective date transfers service credit, as permitted, from
37 another State-administered retirement system or fund of which the
38 person was a member immediately prior to the effective date and
39 continuously thereafter, but shall include a former member of the
40 retirement system or fund who has been granted a retirement
41 allowance and is reenrolled in the retirement system or fund on or
42 after that effective date after becoming employed again in a position
43 that makes the person eligible to be a member of the retirement
44 system.

45 c. (1) The State and all other applicable employers shall make
46 their annual normal contribution to each system or fund as
47 determined by the applicable board of trustees in consultation with
48 the system's or fund's actuary. The State and all other applicable

1 employers shall also make their annual unfunded accrued liability
2 contribution to each system or fund as determined by the applicable
3 board in consultation with the system's or fund's actuary, pursuant
4 to standard actuarial practices authorized by law, unless: (1) there
5 is no existing unfunded accrued liability contribution due to the
6 system or fund at the close of the valuation period applicable to the
7 upcoming fiscal year; or (2) there are excess valuation assets in
8 excess of the actuarial accrued liability of the system or fund at the
9 close of the valuation period applicable to the upcoming fiscal year.
10 The annual normal contribution plus the annual unfunded accrued
11 liability contribution shall together be the annual required
12 contribution, provided, however, that for the State, section 38 of
13 P.L.2010, c.1 (C.43:3C-14) shall apply with regard to the State's
14 annual required contribution. The amount of the State's annually
15 required contributions shall be included in all annual appropriations
16 acts as a dedicated line item.

17 (2) Each member of the Teachers' Pension and Annuity Fund,
18 the Judicial Retirement System, the Prison Officers' Pension Fund,
19 the Public Employees' Retirement System, the Consolidated Police
20 and Firemen's Pension Fund, the Police and Firemen's Retirement
21 System, and the State Police Retirement System shall have a
22 contractual right to the annual required contribution amount being
23 made by the member's employer or by any other public entity. The
24 contractual right to the annual required contribution means that the
25 employer or other public entity shall make the annual required
26 contribution on a timely basis to help ensure that the retirement
27 system is securely funded and that the retirement benefits to which
28 the members are entitled by statute and in consideration for their
29 public service and in compensation for their work will be paid upon
30 retirement. The failure of the State or any other public employer to
31 make the annually required contribution shall be deemed to be an
32 impairment of the contractual right of each employee. The Superior
33 Court, Law Division shall have jurisdiction over any action brought
34 by a member of any system or fund or any board of trustees to
35 enforce the contractual right set forth in this subsection. The State
36 and other public employers shall submit to the jurisdiction of the
37 Superior Court, Law Division and shall not assert sovereign
38 immunity in such an action. If a member or board prevails in
39 litigation to enforce the contractual right set forth in this subsection,
40 the court may award that party their reasonable attorney's fees.

41 d. This act shall not be construed to preclude forfeiture,
42 suspension or reduction in benefits for dishonorable service.

43 e. Except as expressly provided herein and only to the extent
44 so expressly provided, nothing in this act shall be deemed to (1)
45 limit the right of the State to alter, modify or amend such retirement
46 systems and funds, or (2) create in any member a right in the corpus
47 or management of a retirement system or pension fund. The rights
48 reserved to the State in this subsection shall not diminish the

1 contractual rights of employees established by subsections a., b.,
2 and c. of this section.

3 f. ~~1~~ **Nothing** ¹ in the provisions of P.L. , c. (pending
4 before the Legislature as this bill) shall be interpreted to diminish
5 the non-forfeitable right to benefits provided to any member of the
6 Police and Firemen's Retirement System under State law or
7 affirmed by a ruling or holding of a court in the Judiciary Branch of
8 State government.

9 (cf: P.L.2011, c.78, s.26)

10

11 3. Section 33 of P.L.2011, c.78 (C.43:3C-17) is amended to
12 read as follows:

13 33. Whenever a committee of the Public Employees' Retirement
14 System, the Teachers' Pension and Annuity Fund, **the Police and**
15 **Firemen's Retirement System,** or the State Police Retirement
16 System fails to render a decision on a matter before the committee
17 because it has not received a vote of the majority of the committee
18 members after 60 days have passed following the initial
19 consideration of the matter, the committee shall utilize a super
20 conciliator, randomly selected from a list developed by the New
21 Jersey Public Employment Relations Commission. The super
22 conciliator shall assist the committee based upon procedures and
23 subject to qualifications established by the commission pursuant to
24 regulation.

25 The super conciliator shall promptly schedule investigatory
26 proceedings. The purpose of the proceedings shall be to:

27 Investigate and acquire all relevant information regarding the
28 committee's failure to render a decision;

29 Discuss with the members of the committee their differences,
30 and utilize means and mechanisms, including but not limited to
31 requiring 24-hour per day negotiations, until a voluntary settlement
32 is reached, and provide recommendations to resolve the members'
33 differences; and

34 Institute any other non-binding procedures deemed appropriate
35 by the super conciliator.

36 If the actions taken by the super conciliator fail to resolve the
37 dispute, the super conciliator shall issue a final report, which shall
38 be provided to the committee promptly and made available to the
39 public within 10 days thereafter.

40 The super conciliator, while functioning in a mediatory capacity,
41 shall not be required to disclose any files, records, reports,
42 documents, or other papers classified as confidential which are
43 received or prepared by him or to testify with regard to mediation
44 conducted by him under this section. Nothing contained herein
45 shall exempt an individual from disclosing information relating to
46 the commission of a crime.

47 (cf: P.L.2011, c.78, s.33)

1 4. Section 60 of P.L.2011, c.78 (C.43:3C-18) is amended to
2 read as follows:

3 60. a. Notwithstanding any law, rule or regulation to the
4 contrary, the Teachers' Pension and Annuity Fund, established
5 pursuant to N.J.S.18A:66-1 et seq., the Judicial Retirement System,
6 established pursuant to P.L.1973, c.140 (C.43:6A-1 et seq.), the
7 Prison Officers' Pension Fund, established pursuant to P.L.1941,
8 c.220 (C.43:7-7 et seq.), the Public Employees' Retirement System,
9 established pursuant to P.L.1954, c.84 (C.43:15A-1 et seq.), the
10 Consolidated Police and Firemen's Pension Fund, established
11 pursuant to R.S.43:16-1 et seq., the Police and Firemen's
12 Retirement System, established pursuant to P.L.1944, c.255
13 (C.43:16A-1 et seq.), and the State Police Retirement System,
14 established pursuant to P.L.1965, c.89 (C.53:5A-1 et seq.), are
15 established as qualified governmental defined benefit plans
16 pursuant to sections 401(a) and 414(d) of the federal Internal
17 Revenue Code of 1986 (26 U.S.C. ss.401(a) and 414(d)), as
18 amended, or such other provision of the federal Internal Revenue
19 Code, as applicable, regulations of the U.S. Treasury Department,
20 and other guidance of the federal Internal Revenue Service.

21 b. Notwithstanding any law, rule or regulation to the contrary,
22 the Alternate Benefit Program, established pursuant to P.L.1969,
23 c.242 (C.18A:66-167 et seq.), and the Defined Contribution
24 Retirement Program, established pursuant to P.L.2007, c.92
25 (C.43:15C-1 et seq.) are established as qualified governmental
26 defined contribution plans pursuant to sections 401(a) and 414(d) of
27 the federal Internal Revenue Code of 1986 (26 U.S.C. ss.401(a) and
28 414(d)), as amended, or such other provision of the federal Internal
29 Revenue Code, as applicable, regulations of the U.S. Treasury
30 Department, and other guidance of the federal Internal Revenue
31 Service.

32 c. Notwithstanding the provisions of any law, rule or regulation
33 to the contrary, the Director of the Division of Pensions and
34 Benefits in the Department of the Treasury, and in the case of the
35 Police and Firemen's Retirement System, the board of trustees of
36 that system, shall be authorized to modify the provisions of the
37 foregoing retirement plans, when a modification is required to
38 maintain the qualified status of the retirement plans under the
39 Internal Revenue Code of 1986, applicable regulations of the U.S.
40 Treasury Department or other guidance of the federal Internal
41 Revenue Service. Notwithstanding the provisions of the
42 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
43 seq.), the director, and in the case of the Police and Firemen's
44 Retirement System, the board, may modify the provisions of the
45 foregoing retirement plans, when a modification is required to
46 maintain the qualified status of the retirement plans by
47 promulgating a rule or regulation which shall be effective upon

1 filing with the Office of Administrative Law.
2 (cf: P.L.2011, c.78, s.60)

3

4 5. Section 1 of P.L.2015, c.180 (C.43:3C-25) is amended to
5 read as follows:

6 1. The Division of Pensions and Benefits in the Department of
7 the Treasury shall provide for the prompt notification in writing of
8 any member or retiree of the Teachers' Pension and Annuity Fund,
9 established pursuant to N.J.S.18A:66-1 et seq., the Judicial
10 Retirement System, established pursuant to P.L.1973, c.140
11 (C.43:6A-1 et seq.), the Public Employees' Retirement System,
12 established pursuant to P.L.1954, c.84 (C.43:15A-1 et seq.), [the
13 Police and Firemen's Retirement System, established pursuant to
14 P.L.1944, c.255 (C.43:16A-1 et seq.),] the State Police Retirement
15 System, established pursuant to P.L.1965, c.89 (C.53:5A-1 et seq.),
16 the Alternate Benefit Program, established pursuant to P.L.1969,
17 c.242 (C.18A:66-167 et seq.), and the Defined Contribution
18 Retirement Program, established pursuant to P.L.2007, c.92
19 (C.43:15C-1 et seq.), when the member or retiree submits a change
20 to the designation of beneficiary for contributory and non-
21 contributory group life insurance available to the member or retiree
22 through the system, that there is on file a judgment, court order,
23 decree, or other legal document for that member or retiree
24 specifically designating the beneficiary of such life insurance. The
25 Board of Trustees of the Police and Firemen's Retirement System
26 ³or its designee³ shall provide for the prompt notification in writing
27 of any member or retiree of the Police and Firemen's Retirement
28 System, established pursuant to P.L.1944, c.255 (C.43:16A-1 et
29 seq.), when the member or retiree submits a change to the
30 designation of beneficiary for contributory and non-contributory
31 group life insurance available to the member or retiree through the
32 system, that there is on file a judgment, court order, decree, or other
33 legal document for that member or retiree specifically designating
34 the beneficiary of such life insurance. The notification requirement
35 shall apply only when there is a valid judgment, court order, decree,
36 or other legal document that has been filed with the division or, in
37 the case of the Police and Firemen's Retirement System, the board
38 of trustees or its designee pursuant to the division's or board's
39 determination to accept and honor such a judgment, court order,
40 decree, or document and that has been reviewed, approved, or
41 classified as qualified by the division or the board or the board's
42 designee.

43 (cf: P.L.2015, c.180, s.1)

44

45 6. Section 19 of P.L.1992, c.125 (C.43:4B-1) is amended to
46 read as follows:

47 19. There is hereby established the Retirement Systems Actuary
48 Selection Committee which shall consist of the State Treasurer, and

1 the directors of the Divisions of Pensions and Benefits and
2 Investment, and Office of Management and Budget, or their
3 designated representatives, and one member designated by each of
4 the boards of trustees of the Public Employees' Retirement System
5 established pursuant to P.L.1954, c.84 (C.43:15A-1 et seq.) **[,] and**
6 the Teachers' Pension and Annuity Fund established pursuant to
7 N.J.S.18A:66-1 et seq.**[,] and** the Police and Firemen's Retirement
8 System established pursuant to P.L.1944, c.255 (C.43:16A-1 et
9 seq.).**]** The committee shall select the actuary or actuaries for the
10 State retirement systems in accordance with the provisions of
11 P.L.1954, c.48 (C.52:34-6 et seq.), provided, however, that the
12 boards shall have the power to veto the selection of the actuary for
13 valid reason.

14 (cf: P.L.2011, c.78, s.24)

15

16 7. Section 1 of P.L.1944, c.255 (C.43:16A-1) is amended to
17 read as follows:

18 1. As used in this act:

19 (1) "Retirement system" or "system" shall mean the Police and
20 Firemen's Retirement System of New Jersey as defined in section 2
21 of this act.

22 (2) (a) "Policeman" shall mean a permanent, full-time employee
23 of a law enforcement unit as defined in section 2 of P.L.1961, c.56
24 (C.52:17B-67) or the State, other than an officer or trooper of the
25 Division of State Police whose position is covered by the State
26 Police Retirement System, whose primary duties include the
27 investigation, apprehension or detention of persons suspected or
28 convicted of violating the criminal laws of the State and who:

29 (i) is authorized to carry a firearm while engaged in the actual
30 performance of his official duties;

31 (ii) has police powers;

32 (iii) is required to complete successfully the training
33 requirements prescribed by P.L.1961, c.56 (C.52:17B-66 et seq.) or
34 comparable training requirements as determined by the board of
35 trustees; and

36 (iv) is subject to the physical and mental fitness requirements
37 applicable to the position of municipal police officer established by
38 an agency authorized to establish these requirements on a Statewide
39 basis, or comparable physical and mental fitness requirements as
40 determined by the board of trustees.

41 The term shall also include an administrative or supervisory
42 employee of a law enforcement unit or the State whose duties
43 include general or direct supervision of employees engaged in
44 investigation, apprehension or detention activities or training
45 responsibility for these employees and a requirement for
46 engagement in investigation, apprehension or detention activities if
47 necessary, and who is authorized to carry a firearm while in the
48 actual performance of his official duties and has police powers.

1 (b) "Fireman" shall mean a permanent, full-time employee of a
2 firefighting unit whose primary duties include the control and
3 extinguishment of fires and who is subject to the training and
4 physical and mental fitness requirements applicable to the position
5 of municipal firefighter established by an agency authorized to
6 establish these requirements on a Statewide basis, or comparable
7 training and physical and mental fitness requirements as determined
8 by the board of trustees. The term shall also include an
9 administrative or supervisory employee of a firefighting unit whose
10 duties include general or direct supervision of employees engaged
11 in fire control and extinguishment activities or training
12 responsibility for these employees and a requirement for
13 engagement in fire control and extinguishment activities if
14 necessary. As used in this paragraph, "firefighting unit" shall mean
15 a municipal fire department, a fire district, or an agency of a county
16 or the State which is responsible for control and extinguishment of
17 fires.

18 (3) "Member" shall mean any policeman or fireman included in
19 the membership of the retirement system pursuant to this
20 amendatory and supplementary act, P.L.1989, c.204 (C.43:16A-15.6
21 et al.).

22 (4) "Board of trustees" or "board" shall mean the board provided
23 for in section 13 of this act.

24 (5) "Medical board" shall mean the board of physicians
25 provided for in section 13 of this act.

26 (6) "Employer" shall mean the State of New Jersey, the county,
27 municipality or political subdivision thereof which pays the
28 particular policeman or fireman.

29 (7) "Service" shall mean service as a policeman or fireman paid
30 for by an employer.

31 (8) "Creditable service" shall mean service rendered for which
32 credit is allowed as provided under section 4 of this act.

33 (9) "Regular interest" shall mean interest as determined by the
34 **[State Treasurer, after consultation with the Directors of the**
35 **Divisions of Investment and Pensions, the]** ³**[board of trustees]**
36 State Treasurer³ **[and], after consultation with** the actuary. It shall
37 bear a reasonable relationship to the percentage rate of earnings on
38 investments based on the market value of assets but shall not exceed
39 the assumed percentage rate of increase applied to salaries plus 3%,
40 provided however that the board of trustees shall not set the average
41 percentage rate of increase applied to salaries below 6%. ³This rate
42 shall be distinct from any internally targeted rates used for
43 developing investment policy by the board of trustees pursuant to
44 section 13 of P.L.1944, c.255 (C.43:16A-13).³

45 (10) "Aggregate contributions" shall mean the sum of all the
46 amounts, deducted from the compensation of a member or

1 contributed by him or on his behalf, standing to the credit of his
2 individual account in the annuity savings fund.

3 (11) "Annuity" shall mean payments for life derived from the
4 aggregate contributions of a member.

5 (12) "Pension" shall mean payments for life derived from
6 contributions by the employer.

7 (13) "Retirement allowance" shall mean the pension plus the
8 annuity.

9 (14) "Earnable compensation" shall mean the full rate of the
10 salary that would be payable to an employee if he worked the full
11 normal working time for his position. In cases where salary
12 includes maintenance, the retirement system shall fix the value of
13 that part of the salary not paid in money which shall be considered
14 under this act.

15 (15) "Average final compensation" shall mean final
16 compensation.

17 (16) "Retirement" shall mean the termination of the member's
18 active service with a retirement allowance granted and paid under
19 the provisions of this act.

20 (17) "Annuity reserve" shall mean the present value of all
21 payments to be made on account of any annuity or benefit in lieu of
22 any annuity computed upon the basis of such mortality tables
23 recommended by the actuary as shall be adopted by the board of
24 trustees, and regular interest.

25 (18) "Pension reserve" shall mean the present value of all
26 payments to be made on account of any pension or benefit in lieu of
27 any pension computed upon the basis of such mortality tables
28 recommended by the actuary as shall be adopted by the board of
29 trustees, and regular interest.

30 (19) "Actuarial equivalent" shall mean a benefit of equal value
31 when computed upon the basis of such mortality tables
32 recommended by the actuary as shall be adopted by the board of
33 trustees, and regular interest.

34 (20) "Beneficiary" shall mean any person receiving a retirement
35 allowance or other benefit as provided by this act.

36 (21) "Child" shall mean a deceased member's or retirant's
37 unmarried child (a) under the age of 18, or (b) 18 years of age or
38 older and enrolled in a secondary school, or (c) under the age of 24
39 and enrolled in a degree program in an institution of higher
40 education for at least 12 credit hours in each semester, provided that
41 the member died in active service as a result of an accident met in
42 the actual performance of duty at some definite time and place, and
43 the death was not the result of the member's willful misconduct, or
44 (d) of any age who, at the time of the member's or retirant's death, is
45 disabled because of an intellectual disability or physical incapacity,
46 is unable to do any substantial, gainful work because of the
47 impairment and his impairment has lasted or can be expected to last

1 for a continuous period of not less than 12 months, as affirmed by
2 the medical board.

3 (22) "Parent" shall mean the parent of a member who was
4 receiving at least one-half of his support from the member in the
5 12-month period immediately preceding the member's death or the
6 accident which was the direct cause of the member's death. The
7 dependency of such a parent will be considered terminated by
8 marriage of the parent subsequent to the death of the member.

9 (23) (a) "Widower," for employees of the State, means the man
10 to whom a member or retirant was married, or a domestic partner as
11 defined in section 3 of P.L.2003, c.246 (C.26:8A-3), on the date of
12 her death and who has not since remarried or established a domestic
13 partnership. In the event of the payment of accidental death
14 benefits, pursuant to section 10 of P.L.1944, c.255 (C.43:16A-10),
15 the restriction concerning remarriage or establishment of a domestic
16 partnership shall be waived.

17 (b) Subject to the provisions of paragraph (c) of this subsection,
18 "widower," for employees of public employers other than the State,
19 means the man to whom a member or retirant was married on the
20 date of her death and who has not remarried.

21 (c) A public employer other than the State may adopt a
22 resolution providing that the term "widower" as defined in
23 paragraph (b) of this subsection shall include domestic partners as
24 provided in paragraph (a) of this subsection.

25 (24) (a) "Widow," for employees of the State, means the woman
26 to whom a member or retirant was married, or a domestic partner as
27 defined in section 3 of P.L.2003, c.246 (C.26:8A-3), on the date of
28 his death and who has not since remarried or established a domestic
29 partnership. In the event of the payment of accidental death
30 benefits, pursuant to section 10 of P.L.1944, c.255 (C.43:16A-10),
31 the restriction concerning remarriage or establishment of a domestic
32 partnership shall be waived.

33 (b) Subject to the provisions of paragraph (c) of this subsection,
34 "widow," for employees of public employers other than the State,
35 means the woman to whom a member or retirant was married on the
36 date of his death and who has not remarried.

37 (c) A public employer other than the State may adopt a
38 resolution providing that the term "widow" as defined in paragraph
39 (b) of this subsection shall include domestic partners as provided in
40 paragraph (a) of this subsection.

41 (25) "Fiscal year" shall mean any year commencing with July 1,
42 and ending with June 30, next following.

43 (26) (a) "Compensation" shall mean the base salary, for services
44 as a member as defined in this act, which is in accordance with
45 established salary policies of the member's employer for all
46 employees in the same position but shall not include individual
47 salary adjustments which are granted primarily in anticipation of

1 the member's retirement or additional remuneration for performing
2 temporary duties beyond the regular workday.

3 (b) In the case of a person who becomes a member of the
4 retirement system on or after the effective date of P.L.2010, c.1,
5 "compensation" means the amount of base salary equivalent to the
6 annual maximum wage contribution base for Social Security,
7 pursuant to the Federal Insurance Contributions Act, for services as
8 a member as defined in this act, which is in accordance with
9 established salary policies of the member's employer for all
10 employees in the same position but shall not include individual
11 salary adjustments which are granted primarily in anticipation of
12 the member's retirement or additional remuneration for performing
13 temporary duties beyond the regular workday.

14 (27) "Department" shall mean any police or fire department of a
15 municipality or a fire department of a fire district located in a
16 township or a county police or park police department or the
17 appropriate department of the State or instrumentality thereof.

18 (28) (a) "Final compensation" means the compensation received
19 by the member in the last 12 months of creditable service preceding
20 his retirement or death.

21 (b) In the case of a person who becomes a member of the
22 retirement system on or after the effective date of P.L.2010, c.1,
23 "final compensation" means the average annual compensation for
24 service for which contributions are made during any three fiscal
25 years of membership providing the largest possible benefit to the
26 member or the member's beneficiary.

27 (29) (Deleted by amendment, P.L.1992, c.78).

28 (30) (Deleted by amendment, P.L.1992, c.78).

29 (31) (a) "Spouse," for employees of the State, means the husband
30 or wife, or domestic partner as defined in section 3 of P.L.2003,
31 c.246 (C.26:8A-3), of a member.

32 (b) Subject to the provisions of paragraph (c) of this subsection,
33 "spouse," for employees of public employers other than the State,
34 means the husband or wife of a member.

35 (c) A public employer other than the State may adopt a
36 resolution providing that the term "spouse" as defined in paragraph
37 (b) of this subsection shall include domestic partners as provided in
38 paragraph (a) of this subsection.

39 (cf: P.L.2010, c.50, s.74)

40

41 8. Section 2 of P.L.1944, c.255 (C.43:16A-2) is amended to
42 read as follows:

43 2. A retirement system is hereby established in the **Division of**
44 **Pensions of the** Department of the Treasury for the purpose of
45 providing retirement allowances and other benefits for policemen
46 and firemen under the provisions of this act. It shall have the
47 powers and privileges of a corporation and shall be known as "The
48 Police and Firemen's Retirement System of New Jersey" and by

1 such name all of its business shall be transacted, all of its funds
2 invested, and all of its cash and securities and property held in trust
3 for the purpose for which received.

4 (cf: P.L.1967, c.250, s.2)

5
6 9. Section 1 of P.L.1976, c.134 (C.43:16A-3.5) is amended to
7 read as follows:

8 1. Any member of the Police and Firemen's Retirement System
9 of New Jersey who has been or shall be elected to the position of
10 sheriff or who has accepted or shall accept appointment to the office
11 or position of undersheriff may, by written notification to the
12 **【Director of the Division of Pensions】** board of trustees and the
13 county treasurer, elect to continue to be a member of the retirement
14 system while serving as sheriff or undersheriff and shall be deemed
15 to have waived any and all benefits to which he would otherwise be
16 entitled by eligibility for membership in the Public Employees'
17 Retirement System. The county treasurer shall make deductions
18 from the salary of the sheriff or undersheriff and contributions on
19 his behalf to the Police and Firemen's Retirement System as is
20 required by law for members of that system.

21 (cf: P.L.1976, c.134, s.1)

22
23 10. Section 3 of P.L.1983, c.439 (C.43:16A-3.7) is amended to
24 read as follows:

25 3. Any officer eligible to become a member pursuant to the
26 amendatory provisions of this act who is enrolled in the Public
27 Employees' Retirement System (P.L.1954, c.84, C. 43:15A-1 et
28 seq.) or any county pension fund established under Title 43 of the
29 Revised Statutes shall be permitted to transfer membership from the
30 aforesaid system or fund to the Police and Firemen's Retirement
31 System of New Jersey in accordance with the provisions of
32 P.L.1973, c.156 (C. 43:16A-62 et seq.) and upon a lump sum
33 payment into the Police and Firemen's Retirement System annuity
34 savings fund of the amount of the difference between the
35 contribution which was paid as a member of the Public Employees'
36 Retirement System or county pension fund and the contribution
37 that would have been required if he had been a member of the
38 Police and Firemen's Retirement System since the date of last
39 enrolling in the Public Employees' Retirement System or a county
40 pension fund. In addition, the employee shall be liable for any
41 payment to the retirement system that the employer would have
42 been required to make on behalf of the member for the purchase of
43 such credit; this payment may be made in regular monthly
44 installments or in a lump sum, as the employee may elect, and
45 pursuant to rules and regulations as may be promulgated by the
46 **【Division of Pensions】** board of trustees.

47 Whenever in P.L.1973, c.156 a period of time is set which is to
48 be calculated from the effective date of said act, such time shall be

1 calculated from the effective date of this amendatory and
2 supplementary act for the purposes hereof.

3 (cf: P.L.1983, c.439, s.3)

4

5 11. Section 6 of P.L.2000, c.127 (C.43:16A-11.7a) is amended
6 to read as follows:

7 6. The Adjutant General of the Department of Military and
8 Veterans' Affairs shall be responsible for determining whether any
9 person seeking to be considered a "veteran" under section 1 of
10 P.L.1983, c.391 (C.43:16A-11.7), for the purpose of purchasing
11 military service credit, meets the criteria set forth therein and
12 adjudicating an appeal from any person disputing this
13 determination. The determination of the Adjutant General shall be
14 binding upon the **【Division of Pensions and Benefits】** board of
15 trustees.

16 (cf: P.L.2000, c.127, s.6)

17

18 12. Section 1 of P.L.1985, c.450 (C.43:16A-11.9) is amended to
19 read as follows:

20 1. Any member of the Police and Firemen's Retirement System
21 of New Jersey who has at least 20 years of creditable service in the
22 retirement system and who leaves a position covered by the
23 retirement system, with the approval of the employer, to take a full-
24 time position with a. a federal agency, b. an agency of another state
25 or local government thereof, c. a national, regional, statewide,
26 areawide or metropolitan organization representing member state or
27 local governments, d. an association of state or local public
28 officials, or e. a nonprofit organization which has as one of its
29 principal functions the offering of professional advisory, research,
30 educational or development services, or related services, to
31 governments or universities concerned with public management,
32 may, upon filing an application with the board of trustees of the
33 retirement system, purchase credit in the retirement system for all
34 or a portion of the time of service with the public agency or private
35 organization, but not exceeding three years, as provided in this act.

36 The member may purchase credit for the service by paying into
37 the annuity savings fund the amount determined by applying the
38 factor, supplied by the actuary, applicable to his age at the time of
39 the purchase, to his creditable salary in the last 12 months of
40 creditable service in the position covered by the retirement system
41 immediately preceding the service with the public agency or private
42 organization. The purchase may be made in regular monthly
43 installments or in a lump sum as the member may elect and
44 pursuant to rules and regulations as may be promulgated by the
45 **【Division of Pensions】** board of trustees. The member shall bear
46 the entire cost for the additional retirement benefit attributable to
47 the purchased credit. If, upon retirement, the member's payment for
48 purchase of the credit is insufficient to provide for the additional

1 retirement benefit attributable to the service, the difference may be
2 assessed to the member, or a pro rata credit may be granted based
3 on service purchased prior to the date of retirement, at the election
4 of the member.

5 If the member retires prior to completing the purchase, he will
6 receive pro rata credit for service purchased prior to the date of
7 retirement, unless he makes an additional lump sum payment at that
8 time as will be necessary to provide full credit.

9 The purchase may be made within four years of the date of the
10 member's last contribution to the retirement system in the covered
11 position immediately preceding the service with the public agency
12 or private organization.

13 (cf: P.L.1985, c.450, s.1)

14

15 13. Section 1 of P.L.1999, c.338 (C.43:16A-11.13) is amended
16 to read as follows:

17 1. Notwithstanding the provisions of section 4 of P.L.1944,
18 c.255 (C.43:16A-4), any member who is separated involuntarily
19 from the police service covered by the retirement system, and not
20 by removal for cause or charges of misconduct or delinquency, and
21 who subsequently becomes a police service employee covered by
22 the retirement system may, upon filing an application with the
23 board of trustees of the retirement system, purchase credit in the
24 retirement system for all or a portion of the time of the hiatus in
25 creditable service, but not exceeding three years, as provided in this
26 section.

27 The member may purchase credit for the service by paying into
28 the annuity savings fund the amount determined by applying the
29 factor, supplied by the actuary, applicable to his age at the time of
30 the purchase, to his creditable salary in the last 12 months of
31 creditable service in the position covered by the retirement system
32 immediately preceding the involuntary separation from service. The
33 purchase may be made in regular monthly installments or in a lump
34 sum as the member may elect and pursuant to rules and regulations
35 as may be promulgated by the **【Division of Pensions and Benefits】**
36 board of trustees. The member shall bear the entire cost for the
37 additional retirement benefit attributable to the purchased credit. If,
38 upon retirement, the member's payment for purchase of the credit is
39 insufficient to provide for the additional retirement benefit
40 attributable to the service, the difference may be assessed to the
41 member, or a pro rata credit may be granted based on service
42 purchased prior to the date of retirement, at the election of the
43 member.

44 If the member retires prior to completing the purchase, he will
45 receive pro rata credit for service purchased prior to the date of
46 retirement, unless he makes an additional lump sum payment at that
47 time as will be necessary to provide full credit.

48 (cf: P.L.1999, c.338, s.1)

1 14. Section 1 of P.L.2001, c.228 (C.43:16A-11.14) is amended
2 to read as follows:

3 1. Notwithstanding the provisions of section 4 of P.L.1944,
4 c.255 (C.43:16A-4), any member who is separated involuntarily
5 from firefighting service covered by the retirement system, and not
6 by removal for cause or charges of misconduct or delinquency, and
7 who subsequently becomes a fireman in a position covered by the
8 retirement system may, upon filing an application with the board of
9 trustees of the retirement system, purchase credit in the retirement
10 system for all or a portion of the time of the hiatus in creditable
11 service, but not exceeding three years, as provided in this section.

12 The member may purchase credit for the service by paying into
13 the annuity savings fund the amount determined by applying the
14 factor, supplied by the actuary, applicable to the member's age at
15 the time of the purchase, to the member's creditable salary in the
16 last 12 months of creditable service in the position covered by the
17 retirement system immediately preceding the involuntary separation
18 from service. The purchase may be made in regular monthly
19 installments or in a lump sum as the member may elect and
20 pursuant to rules and regulations as may be promulgated by the
21 **【Division of Pensions and Benefits】** board of trustees. The member
22 shall bear the entire cost for the additional retirement benefit
23 attributable to the purchased credit. If, upon retirement, the
24 member's payment for purchase of the credit is insufficient to
25 provide for the additional retirement benefit attributable to the
26 service, the difference may be assessed to the member, or a pro rata
27 credit may be granted based on service purchased prior to the date
28 of retirement, at the election of the member.

29 If the member retires prior to completing the purchase, the
30 member shall receive pro rata credit for service purchased prior to
31 the date of retirement, unless the member makes an additional lump
32 sum payment at that time as shall be necessary to provide full
33 credit.

34 (cf: P.L.2001, c.228, s.1)

35
36 15. Section 13 of P.L.1944, c.255 (C.43:16A-13) is amended to
37 read as follows:

38 13. a. (1) Subject to the provisions of P.L.1955, c.70 (C.52:18A-
39 95 et seq.), the general responsibility for the proper operation of the
40 retirement system is hereby vested in a board of trustees **【**, and, as
41 specified, the committees established pursuant to subsection b. of
42 this section**】** ³, and, as specified, the committees established
43 pursuant to subsection e. of this subsection³. The board may ³with
44 the approval of at least eight members of the board³, in its
45 discretion and at such time and in such manner as the board
46 determines, enhance any benefit set forth in P.L.1944, c.255
47 (C.43:16A-1 et seq.) as the board determines to be reasonable and

1 appropriate or modify any such benefit as an alternative to an
2 increase in the member contribution rate, which increase the board
3 determines to be reasonable, necessary, and appropriate, or
4 reinstate, when appropriate, such reduced benefit to the statutory
5 level without an additional contribution by the member ³, so long as
6 an actuarial certification provided by the actuary demonstrates that
7 such change will not result in an increased employer contribution in
8 the current year and that such change will not impact the long term
9 viability of the fund³. The board shall act exclusively on behalf of
10 the contributing employers, active members of the retirement
11 system, and retired members as the fiduciary of the system. The
12 primary obligation of the board shall be to direct policies and
13 investments to achieve and maintain the full funding and
14 continuation of the retirement system for the exclusive benefit of its
15 members.

16 (2) The board shall consist of **【11】** 12 trustees as follows:

17 (a) **【Five members to be appointed by the Governor, with the**
18 **advice and consent of the Senate, who shall serve for a term of**
19 **office of four years and until their successors are appointed and**
20 **who shall be private citizens of the State of New Jersey who are**
21 **neither an officer thereof nor an active or retired member of any**
22 **police or fire department thereof. Of the four members initially**
23 **appointed by the Governor pursuant to P.L.1992, c.125 (C.43:4B-1**
24 **et al.), one shall be appointed for a term of one year, one for a term**
25 **of two years, one for a term of three years, and one for a term of**
26 **four years. The member appointed by the Governor pursuant to the**
27 **provisions of this amendatory act, P.L.1995, c.238, shall serve for a**
28 **term of four years and until a successor is appointed.】** (Deleted by
29 amendment, P.L. , c.) (pending before the Legislature as this
30 bill)

31 (b) **【The State Treasurer or the deputy State Treasurer, when**
32 **designated for that purpose by the State Treasurer.】** (Deleted by
33 amendment, P.L. , c.) (pending before the Legislature as this
34 bill)

35 (c) Three active policemen and three active firemen as follows:

36 (i) Two policemen and two firemen who shall be active
37 members of the system and who shall be appointed as follows:

38 one policeman shall be appointed by the President of the New
39 Jersey State Policemen's Benevolent Association;

40 one policeman shall be appointed by the President of the New
41 Jersey State Fraternal Order of Police;

42 one fireman shall be appointed by the President of the New
43 Jersey State Firemen's Mutual Benevolent Association; and

44 one fireman shall be appointed by the President of the
45 Professional Firefighters Association of New Jersey.

46 (ii) One policeman and one fireman who shall serve staggered
47 terms and shall be active members of the system and who shall be

1 elected by the active members of the system **【**for a term of four
2 years**】** according to such rules and regulations as the board of
3 trustees shall adopt to govern such election. The elected policeman
4 shall serve for an initial term of two years and the elected fireman
5 shall serve for an initial term of four years. Following their first
6 term, all trustees elected pursuant to this subparagraph shall serve
7 four-year terms. An election to select trustees, who are active
8 members of the system, shall be held no later than the first day of
9 the fifth month next following the date of enactment of
10 P.L. , c. (pending before the Legislature as this bill).

11 (d) One retiree from the system who shall be elected by retirees
12 from the system for a term of four years according to such rules and
13 regulations as the board of trustees shall adopt to govern the
14 election. An election to select a trustee, who is a retiree from the
15 system, shall be held no later than the first day of the fifth month
16 next following the date of enactment of P.L. , c. (pending before
17 the Legislature as this bill).

18 (e) Four trustees, to be appointed by the Governor, who shall
19 serve staggered terms and who either hold, or have held, an elective
20 public office as a mayor, member of a municipal council, or
21 member of a board of chosen freeholders or is employed, or has
22 been employed, by a municipal or county government as an
23 administrator, manager, or chief financial officer, to represent the
24 interests of local government employers. The Governor shall
25 appoint trustees pursuant to this subparagraph from among a list of
26 names submitted by the New Jersey League of Municipalities and
27 the New Jersey Association of Counties. Two trustees appointed by
28 the Governor pursuant to this subparagraph shall serve for an initial
29 term of two years and two trustees shall serve for an initial term of
30 four years. Following their first term, all trustees appointed
31 pursuant to this subparagraph shall serve four-year terms. The
32 Governor shall appoint trustees representing the interest of local
33 government employers pursuant to this subparagraph no later than
34 the first day of the seventh month next following the date of
35 enactment of P.L. , c. (pending before the Legislature as this
36 bill).

37 (f) One trustee, to be appointed by the Governor, who holds or
38 has held a management or supervisory position in the Executive
39 Branch of State government at the level of division director or
40 above to represent the interests of State government. The trustee
41 appointed by the Governor pursuant to this subparagraph shall serve
42 for an initial term of two years. Following the trustee's first term,
43 the trustee appointed pursuant to this subparagraph shall serve four-
44 year terms. The Governor shall appoint a trustee representing the
45 interest of State government pursuant to this subparagraph no later
46 than the first day of the seventh month next following the date of
47 enactment of P.L. , c. (pending before the Legislature as this
48 bill).

1 (3) Each trustee shall, after his appointment or election, take an
2 oath of office that, so far as it devolves upon him he will diligently
3 and honestly fulfill his duties as a board member, and that he will
4 not knowingly violate or willingly permit to be violated any of the
5 provisions of the law applicable to the retirement system. Such oath
6 shall be subscribed by the member making it, and certified by the
7 officer before whom it is taken, and immediately filed in the office
8 of the Secretary of State. The board may remove a trustee, upon a
9 majority vote of the trustees, for violating the trustee's oath of
10 office. Any trustee who is absent, without an official excuse
11 approved by a majority vote of the trustees, for more than three of
12 the board's meetings in any calendar year shall be removed from
13 the board and the trustee's position shall be filled in the same
14 manner as the position was previously filled. The board shall adopt
15 standards to define unexcused absences.

16 A member shall be permitted to participate in meetings of the
17 board by teleconference.

18 (4) (a) If a vacancy occurs in the office of a trustee, the vacancy
19 shall be filled in the same manner as the office was previously
20 filled. A vacancy shall not last more than 60 days, unless the board
21 is awaiting the certification of an election conducted pursuant to
22 paragraph (2) of this subsection. If a vacancy lasts for more than 60
23 days, then the board shall appoint, upon a majority vote of the
24 trustees then serving, a person qualified pursuant to subparagraph
25 (e) or (f) of paragraph (2) of this subsection to fill the vacancy until
26 a new trustee is appointed or elected in the manner set forth in
27 paragraph (2) of this subsection.

28 (b) A trustee serving pursuant to subparagraph (c) of paragraph
29 (2) of this subsection who retires from active service as policeman
30 or fireman may remain a trustee until an election is held to replace
31 the trustee. An election to replace a trustee serving pursuant to part
32 (ii) of subparagraph (c) of paragraph (2) of this subsection who
33 retires from active service shall be held no later than 30 days
34 following the effective date of the trustee's retirement and the
35 trustee shall relinquish the position on the board upon certification
36 of the results of the election.

37 (c) Trustees appointed pursuant to part (i) of subparagraph (c) of
38 paragraph (2) of this subsection shall serve at the pleasure of the
39 official who appointed the trustee, but may be removed pursuant to
40 paragraph (3) of this subsection.

41 (5) The trustees shall serve without compensation, but they shall
42 be reimbursed for all necessary expenses that they may incur
43 through service on the board.

44 (6) Each trustee shall be entitled to one vote in the board. **【Six】**
45 **Seven** trustees **【must】 shall** be present at any meeting of said board
46 for the transaction of its business.

47 (7) Subject to the limitations of this act, the board of trustees
48 shall annually establish rules and regulations for the administration

1 of the funds created by this act and for the transaction of the board's
2 **【and committees'】** business. **【Such rules and regulations shall be**
3 consistent with those adopted by the other pension funds within the
4 Division of Pensions and Benefits in order to permit the most
5 economical and uniform administration of all such retirement
6 systems. The committees shall adopt such regulations as provided
7 in subsection b. of this section. **】**

8 (8) ^{3(a)}³ The board of trustees shall elect from its membership a
9 **【chairman】** chair and vice chair. The chair, or vice chair in the
10 chair's absence, shall serve as the primary contact with board staff,
11 coordinate and approve meeting agendas, and shall have the power
12 to authorize any special staff action necessary to execute any of the
13 board's duties. ¹The chair and vice chair shall not have the
14 authority to discipline or discharge an employee of the board unless
15 authorized to take such action by a majority of the trustees at a
16 public meeting. ¹ The **【Director of the Division of Pensions and**
17 **Benefits】** board shall appoint a **【qualified employee of the division**
18 **to be】** secretary of the board. The administration of the program
19 shall be performed by **【the】** personnel **【of the Division of Pensions**
20 **and Benefits】** selected by the board in accordance with this section.
21 The board, reconstituted pursuant to P.L., c., (pending before
22 the Legislature as this bill), shall hold an initial meeting on the first
23 business day of the seventh month following the date of enactment
24 of P.L., c., (pending before the Legislature as this bill). At the
25 initial meeting of the board on the first business day of the seventh
26 month next following the date of enactment of P.L., c. (pending
27 before the Legislature as this bill), the board shall contract with the
28 Division of Pensions and Benefits for the division to perform the
29 administrative tasks that the division performed prior to the
30 enactment of P.L., c. (pending before the Legislature as this
31 bill) and such other tasks as the board may require. The division
32 shall receive compensation from the board for the performance of
33 the administrative tasks that the division performed prior to the
34 enactment of P.L., c. (pending before the Legislature as this
35 bill) in an amount equal to the cost the division incurred for the
36 performance of those administrative tasks prior to the enactment of
37 that act. At the expiration of the term of the contract negotiated by
38 the board with the division pursuant to this paragraph, the board
39 may contract with the division or with a private entity, pursuant to
40 the provisions of P.L.1954, c.48 (C.52:34-6 et seq.), to perform
41 administrative tasks that the board determines to be necessary or
42 convenient for its operation.

43 ^{3(b)} A majority of the authorized membership of the board shall
44 constitute a quorum for the transaction of business. ³

45 (9) The board of trustees shall keep a record of all of its
46 proceedings which shall be open to public inspection. The
47 retirement system shall publish annually a report showing the fiscal

1 transactions of the retirement system for the preceding year, the
2 amount of the accumulated cash and securities of the system, and
3 the last balance sheet showing the financial condition of the system
4 by means of an actuarial valuation of the assets and liabilities of the
5 retirement system.

6 (10) The board of trustees may, in its discretion, select and
7 employ, or contract with, legal counsel ¹with demonstrated
8 expertise in the law governing retirement systems for public or
9 private sector employees¹ to advise and represent the board. If the
10 board does not select and employ, or contract with, legal counsel,
11 the Attorney General of the State of New Jersey shall be the legal
12 adviser of the retirement system, except [that] if the Attorney
13 General determines that a conflict of interest would affect the
14 ability of the Attorney General to represent the board or the
15 committees on a matter affecting the retirement system [, the board
16 may select and employ legal counsel to advise and represent the
17 board or the committees on that matter].

18 (11) The **[State Treasurer]** board of trustees shall designate a
19 medical board **[after consultation with the Director of the Division**
20 **of Pensions and Benefits, subject to veto by the board of trustees for**
21 **valid reason]**. It shall be composed of a minimum of three
22 physicians who are not eligible to participate in the retirement
23 system. The medical board shall pass upon all medical examinations
24 required under the provisions of this act, shall investigate all
25 essential statements and certificates by or on behalf of a member in
26 connection with an application for disability retirement, and shall
27 report in writing to the retirement system its conclusions and
28 recommendations upon all matters referred to it.

29 (12) The actuary of the system shall be selected by the
30 **[Retirement Systems Actuary Selection Committee established by**
31 **P.L.1992, c.125. He]** board of trustees. The actuary shall be the
32 technical adviser of the board of trustees [and the committees]
33 on matters regarding the operation of the funds created by the
34 provisions of this act, and shall perform such other duties as are
35 required in connection therewith. ¹The actuary ³[may be an
36 employee of the board or] shall be³ an independent contractor
37 retained by the board. The actuary shall have demonstrated
38 experience in providing actuarial services to defined benefit
39 retirement systems for public employees ³and be a fellow with the
40 Society of Actuaries and an active member of the American
41 Academy of Actuaries^{3,1}

42 (13) The board of trustees, in consultation with the actuary, shall
43 establish actuarial funding policies for the system. At least once in
44 each three-year period the actuary shall make an actuarial
45 investigation into the mortality, service and compensation
46 experience of the members and beneficiaries of the retirement

1 system and, with the advice of the actuary, the board of trustees
2 shall adopt for the retirement system such mortality, service and
3 other tables as shall be deemed necessary and shall certify the rates
4 of contribution payable under the provisions of this act. The board
5 of trustees shall retain an independent actuary ², as selected by the
6 State Treasurer,² ¹with demonstrated experience in providing
7 actuarial services to retirement systems for public or private sector
8 employees¹ to review prior investigations into the mortality,
9 service, and compensation experience of the members and
10 beneficiaries of the retirement system and to review the three prior
11 actuarial valuations to certify that the actuary of the retirement
12 system conducted the investigations and valuations in accordance
13 with generally accepted actuarial standards.

14 (14) (Deleted by amendment, P.L.1970, c.57.)

15 (15) On the basis of such tables recommended by the actuary as
16 the board of trustees shall adopt and regular interest, the actuary
17 shall make an annual valuation of the assets and liability of the
18 funds of the system created by this act.

19 (16) (Deleted by amendment, P.L.1987, c.330.)

20 (17) Each policeman or fireman member of the board of trustees
21 or the committees shall be entitled to time off from his duty, with
22 pay, during the periods of his attendance upon regular or special
23 meetings of the board of trustees or the committees, and such time
24 off shall include reasonable travel time required in connection
25 therewith.

26 (18) The board of trustees shall have a minimum of one meeting
27 each calendar month.

28 (19) The board of trustees shall have authority to ³[invest and
29 reinvest the moneys in, and to acquire for or on behalf of the funds
30 of, the board. The board shall formulate and establish, and may
31 from time to time amend, modify, or repeal, such policies,
32 objectives or guidelines as it may deem necessary and proper to
33 govern the decisions, actions, methods, practices, or procedures for
34 investment, reinvestment, purchase, sale, or exchange transactions
35 of the board] formulate and establish, amend, modify or repeal such
36 policies as it may deem necessary or proper, which shall govern the
37 methods, practices or procedures for investment, reinvestment,
38 purchase, sale or exchange transactions to be followed by the
39 Division of Investment. The board may also review and approve
40 agreements which may be necessary or convenient for the
41 management of the investments of the retirement system. The board
42 shall also have the authority to inspect and audit the respective
43 accounts and funds administered by the Division of Investment, or a
44 successor entity, and take appropriate action as necessary to
45 effectuate the long term viability of the system. Notwithstanding
46 this provision, Common Pension Fund L and the assets held by
47 Common Pension Fund L as of the effective date of this Act and

1 thereafter, including the interest of the Police and Firemen's
2 Retirement System of New Jersey therein, shall remain within the
3 Division of Investment. The Director of the Division of Investment
4 and the State Investment Council shall retain all functions, powers,
5 and duties relating to Common Pension Fund L assigned to the
6 Division of Investment, the Director of the Division of Investment,
7 and the State Investment Council by P.L. 2017, c. 98 (C.5:9-22.5 et
8 seq.)³. (20) (a) The board of trustees shall select and employ an
9 executive director, who shall be responsible for ³recommending and
10 implementing³ the strategic direction of the board from an
11 ³[investment and]³ operational perspective. The executive director
12 shall provide strategic direction, planning, and leadership to the
13 board; organize, develop, and supervise a management team to
14 provide optimal ³[investment]³ results; maintain oversight of
15 ³[investment and]³ administrative operations conducted by the
16 board; develop an annual budget and a salary and compensation
17 guide for any managerial positions that are not subject to Title 11A,
18 Civil Service, of the New Jersey Statutes, arrange board agendas
19 with the approval of the board's chair; appoint administrative staff;
20 ³[conduct the executive and administrative functions of the
21 Investment Committee;]³ execute contracts on behalf of the board;
22 and perform any other responsibilities designated to the executive
23 director by the board.

24 The person employed by the board to hold the position of
25 executive director shall have, at a minimum upon commencement
26 of employment, a bachelor's degree from an accredited institution
27 of higher education, and at least five years of management
28 experience in accounting, finance, public administration,
29 government pension and retirement planning , investment banking,
30 financial consulting, money management, or a similar field. The
31 person shall meet all other requirements for employment as shall be
32 set forth in a standard adopted by the board. No member, retiree, or
33 other beneficiary of the system shall be eligible to hold the position
34 of executive director.

35 ³The executive director shall serve without term but may be
36 removed from office, upon notice and opportunity to be heard at a
37 public hearing, subject to an affirmative vote of the majority of all
38 authorized members of the board of trustees. Any vacancy
39 occurring shall be filled in the same manner as the original
40 appointment. The executive director shall devote his entire time and
41 attention to the duties of the office and shall not be engaged in any
42 other occupation or profession. The executive director shall act as a
43 fiduciary to the retirement system and shall be under a duty to
44 perform the obligations set forth herein according to the interest of
45 the beneficiaries of the system.³

46 (b) The board of trustees shall have the authority to retain other
47 administrative and professional staff as required to implement the

1 duties and responsibilities required to ensure the smooth transition
2 of responsibilities and authority from the division to the board
3 pursuant to P.L. , c. (pending before the Legislature as this bill).

4 ¹The board shall not employ a trustee and may employ a former
5 trustee only if the former trustee has not held the position of trustee
6 for more than two years.¹

7 (c) The board of trustees shall be authorized to access operating
8 funds from the system necessary for the management of the fund
9 and to employ staff immediately upon their election and
10 appointment, provided that the qualified status of the retirement
11 system under federal law is maintained.

12 (21) (a) The board of trustees shall select and employ a chief
13 investment officer, who shall oversee the ³management of funds
14 and investments with the State or private companies, coordinate the
15 transfer of assets from the State Treasurer, State Investment
16 Council, and Division of Investment to the board, and decide the
17 manner in which funds shall be invested development of the
18 methods, practices and procedures for investment, in coordination
19 with the Investment Committee. Notwithstanding this provision,
20 Common Pension Fund L and the assets held by Common Pension
21 Fund L as of the effective date of this Act and thereafter, including
22 the interest of the Police and Firemen's Retirement System of New
23 Jersey therein shall remain within the Division of Investment. The
24 Division of Investment and the Director of the Division of
25 Investment and the State Investment Council shall retain all
26 functions, powers, and duties relating to Common Pension Fund L
27 assigned to the Division of Investment, the Director of the Division
28 of Investment, and the State Investment Council by P.L. 2017, c. 98
29 (C.5:9-22.5 et seq.)³. The chief investment officer ³, in
30 coordination with the Investment Committee,³ shall establish and
31 maintain a policy to monitor and evaluate the effectiveness of
32 ³securities transactions executed investments made³ on behalf of
33 the board. The chief investment officer shall report to the executive
34 director.

35 The person employed by the board to hold the position of chief
36 investment officer shall have, at a minimum upon commencement
37 of employment, a bachelor's degree from an accredited institution
38 of higher education, and at least five years of management
39 experience ^{3,3} in ³addition to³ accounting, finance, public
40 administration, government pension and retirement planning,
41 investment banking, financial consulting, money management, or a
42 similar field. ³The person shall also have experience in the direct
43 management, analysis, supervision or investment of assets.³ The
44 person shall meet all other requirements for employment as shall be
45 set forth in a standard adopted by the board. No member, retiree, or
46 other beneficiary of the system shall be eligible to hold the position

1 of chief investment officer. ³The chief investment officer shall be
2 precluded from outside employment or other occupation. ³

3 (b) The board of trustees may make and execute agreements
4 pursuant to the provisions of P.L.1954, c.48 (C.52:34-6 et seq.),
5 which may be necessary or convenient for the management of the
6 investments of the retirement system. ³The board shall also have
7 the authority to inspect and audit the respective accounts and funds
8 administered by the Division of Investment, or a successor entity,
9 and take appropriate action as necessary to effectuate the long term
10 viability of the system. ³

11 (22) The board of trustees shall select and employ an
12 ombudsman, who shall provide individual death and disability
13 consultation and information to plan members and their dependents;
14 answer questions from, and provide information to, members
15 related to the process of applying for retirement and retirement
16 benefits; coordinate with other State and local agencies on behalf of
17 members; maintain federal, State, and local death and disability
18 benefit resources; recommend policy changes to the board; conduct
19 educational presentations for employers on death and disability
20 benefit options for members; and publish information about the
21 organization of the board for members, employers, and the public.

22 (23) All members of the board of trustees and of the Investment
23 Committee shall participate in annual investment training as
24 directed by the board's executive director. ¹In addition to the ethics
25 training required by paragraph (2) of subsection c. of this section,
26 the board shall adopt a policy requiring annually not less than 16
27 hours of continuing education in matters relating to the
28 administration of defined benefit retirement systems for public
29 employees and the fiduciary duty the board and its employees have
30 to the beneficiaries of the retirement system. ¹

31 b. **【**There are established two committees, to be composed of
32 10 members each as follows, one for the State employees part of the
33 retirement system and one for the part of the retirement system with
34 employees of employers other than the State.

35 Each committee shall have five members who shall be appointed
36 by the Governor as representatives of public employers whose
37 employees are enrolled in the retirement system, two members who
38 shall be appointed by the head of the union representing the greatest
39 number of police officer members of the retirement system having
40 union membership, one member who shall be appointed by the head
41 of the union representing the second greatest number of police
42 officer members of the retirement system having union
43 membership, one member who shall be appointed by the head of the
44 union representing the greatest number of firefighter members of
45 the retirement system having union membership, and one member
46 who shall be appointed by the head of the union representing the
47 second greatest number of firefighter members of the retirement

1 system having union membership. The members of the committees
2 shall not be appointed until that part of the system attains the target
3 funded ratio.

4 The members of each committee shall serve for a term of three
5 years and until a successor is appointed and qualified. For each
6 committee, of the initial appointments by the Governor, two
7 members shall serve for two years and until a successor is appointed
8 and qualified, and two shall serve for one year and until a successor
9 is appointed and qualified. For each committee, of the initial
10 appointments by the head of the union representing the greatest
11 number of police officer members of the retirement system, the
12 members shall serve for two years and until a successor is appointed
13 and qualified. For each committee, of the initial appointment by the
14 head of the union representing the greatest number of firefighter
15 members of the retirement system, the member shall serve for one
16 year and until a successor is appointed and qualified.

17 For each committee, the members of the committee shall select a
18 chairperson from among the members, who shall serve for a term of
19 one year, with no member serving more than one term until all the
20 members of the committee have served a term in a manner
21 alternating among the employer representatives and employee
22 representatives, unless the committee determines otherwise with
23 regard to this process.

24 The provisions of paragraphs (3) through (6), inclusive, and (17)
25 of subsection a. of this section, and subsection (4) of section 14 of
26 P.L.1944, c.255 (C.43:16A-14), shall apply to the committee and its
27 members, as appropriate. The committee shall keep a record of all
28 of its proceedings which shall be open to public inspection.

29 Upon the convening of any meeting of a committee, the members
30 shall consider a motion to assume the authority provided in this
31 subsection and shall proceed only if a majority of the members of
32 the committee vote in the affirmative on that motion.

33 Each committee may contract with such actuaries or consultants,
34 or both, in accordance with the provisions of P.L.1954, c.48
35 (C.52:34-6 et seq.), as the committee may deem necessary to
36 perform its duties, when that part of the system has attained the
37 target funded ratio.

38 When a part of the system, has attained the target funded ratio as
39 defined in section 27 of P.L.2011, c.78 (C.43:3C-16), the committee
40 for that part **】** The board of trustees shall have the discretionary
41 authority **【**for that part**】** to :

42 (1) modify the: member contribution rate; cap on creditable
43 compensation; formula for calculation of final compensation; age at
44 which a member may be eligible for and the benefits for service or
45 special retirement; and standards for approval, medical review
46 policies, and benefits provided for disability retirement; and

47 (2) ³subject to the provisions of P.L. , c. (pending before the
48 Legislature as this bill),³ activate the application of the "Pension

1 Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et seq.) for retirees
2 **【for the period that the part is at or above the target funded ratio】**
3 and modify the basis for the calculation of the adjustment and set
4 the duration and extent of the activation. The board of trustees,
5 after consultation with the actuary, may apply an adjustment to the
6 monthly retirement allowance or pension originally granted to any
7 member.

8 **【A committee shall give priority consideration to subparagraph**
9 **(2) of this paragraph. A committee】** The board of trustees shall
10 have the discretionary authority to modify the conditions and
11 standards for the purchase of service credit for death benefits. The
12 board of trustees shall not have the authority to change the years of
13 creditable service required for vesting.

14 At least eight votes of the authorized membership of the board
15 shall be required to approve any enhancement or reduction of a
16 member benefit, ²**【other than for】** including² the activation of the
17 application of the "Pension Adjustment Act," P.L.1958, c.143
18 (C.43:3B-1 et seq.), for retirees, or to approve any increase or
19 decrease in the employer contribution that is more than what is
20 recommended by the actuary for the system for the purpose of the
21 annual funding requirements of the system. ³An actuarial
22 certification must be provided by the actuary prior to any
23 enhancement or reduction of a member benefit, including the
24 activation of the application of the "Pension Adjustment Act,"
25 P.L.1958, c.143 (C.43:3B et. seq.), showing that such change will
26 not result in an increased employer contribution in the current year
27 and that such change will not impact the long term viability of the
28 fund.³

29 **【Each committee】** The board of trustees may consider a matter
30 described **【above】** in this subsection and render a decision
31 notwithstanding that the provisions of the statutory law may set
32 forth a specific requirement on that matter.

33 **【Each committee】** The board of trustees may consider a matter
34 described **【above】** in this subsection and render a decision
35 notwithstanding that the provisions of the statutory law do not set
36 forth a specific requirement on the considered aspect of that matter
37 or address that matter at all.

38 **【The members of each committee shall have the same duty and**
39 **responsibility to the retirement system as do the members of the**
40 **board of trustees. No decision of a committee shall be implemented**
41 **if the direct or indirect result of the decision will be that the funded**
42 **ratio of that part falls below the target funded ratio in any valuation**
43 **period during the 30 years following the implementation of the**
44 **decision. The actuary of the system shall make a determination of**
45 **the result in that regard and submit that determination in a written**
46 **report to the committee and the board prior to the implementation**
47 **of the decision.】**

1 **【**If any matter before a committee receives at least six votes in
2 the affirmative, the board of trustees shall approve and implement
3 the committee's decision.

4 If any matter regarding benefits before a committee receives five
5 votes in the affirmative and five votes in the negative or the
6 committee otherwise reaches an impasse on a decision, the
7 provisions of section 33 of P.L.2011, c.78 (C.43:3C-17) shall be
8 followed.】

9 A final action of the **【committee】** board of trustees under this
10 subsection shall be made by the adoption of a regulation that shall
11 identify the modifications to the system by reference to statutory
12 section. The regulations shall also specify the effective date of the
13 modification and the system members, including beneficiaries and
14 retirees, to whom the modification applies. Regulations of the
15 **【committee】** board of trustees are considered to be part of the plan
16 document for the system. A regulation adopted by the **【committee】**
17 board of trustees may be modified by regulation in order to comply
18 with the requirements of this section.

19 c. (1) No member of the board**【,】** or a committee of the board,
20 employee of the board, or employee of the Division of Pensions and
21 Benefits in the Department of the Treasury shall accept from any
22 person, whether directly or indirectly and whether by himself or
23 through his spouse or any member of his family, or through any
24 partner or associate, any gift, favor, service, employment or offer of
25 employment, or any other thing of value, including contributions to
26 the campaign of a member or employee as a candidate for elective
27 public office, which he knows or has reason to believe is offered to
28 him with intent to influence him in the performance of his public
29 duties and responsibilities. As used in this subsection, "person"
30 means an (1) individual or business entity, or officer or employee of
31 such an entity, who is seeking, or who holds, or who held within the
32 prior three years, a contract with the board; (2) an active or retired
33 member, or beneficiary, of the retirement system; or (3) an entity,
34 or officer or employee of such an entity, in which the assets of the
35 retirement system have been invested. A board or committee
36 member or employee violating this prohibition shall be guilty of a
37 crime of the third degree.

38 (2) ¹The board shall adopt an ethics policy either identical to the
39 provisions of the "New Jersey Conflicts of Interest Law," P.L.1971,
40 c.182 (C.52:13D-12 et seq.) or more restrictive, but not less
41 restrictive.¹ All trustees, officers, and employees of the board shall
42 participate in annual ethics training on the ¹board's policy, the¹
43 New Jersey Conflicts of Interest Law ^{1, 1} and any other applicable
44 law, rule, or standard of conduct relating to the area of ethics as
45 directed by the board's executive director.

1 d. The board of trustees shall have the authority to establish a
2 process for the review, approval, and appeal of applications for
3 retirement.

4 e. The board of trustees shall establish three committees as
5 follows:

6 (1) (a) An Audit Committee of no less than three members to
7 assist in the oversight of the financial reporting and audit processes
8 of the board of trustees. At least two of the members shall be
9 members of the board of trustees. At least one of the Audit
10 Committee members shall have accounting ¹, governmental
11 auditing,¹ or related financial expertise. If the board of trustees
12 does not have sufficient members qualified or available to serve on
13 the Audit Committee, or wishes to broaden the expertise on the
14 Audit Committee, the board of trustees may request that the State
15 Treasurer recommend one or more qualified individuals to sit on the
16 committee.

17 (b) The Audit Committee shall assist the board of trustees in
18 retaining an independent auditor to conduct an audit of the
19 retirement system's financial statements by making a
20 recommendation to the board of trustees after engaging in an
21 auditor selection process. The auditor selection process shall be
22 based upon public, competitive bidding principles and shall take
23 place no less than once every five years.

24 (c) In carrying out its duties, the Audit Committee shall
25 proactively assist the board of trustees in overseeing the integrity
26 and quality of the retirement system's finances and investments.
27 The Audit Committee shall:

28 (i) review and evaluate audit fees;

29 (ii) when the committee believes that the auditor's performance is
30 not adequate in quality or independence, recommend such steps as
31 may be necessary to elicit appropriate performance, including
32 replacement of the auditor;

33 (iii) at least once every three years, obtain and review a report of
34 the independent auditor describing for the preceding year: the
35 independent auditor's internal quality control procedures; any
36 material issues raised by the most recent internal quality control
37 peer review, or by reviews conducted by governmental or
38 professional authorities; and steps taken by the auditor to address
39 such issues;

40 (iv) regularly review with the independent auditor any audit
41 problems, any risks of material statements due to fraud, and
42 difficulties involving restrictions or attempts to restrict the auditor's
43 activities and restrictions on access to information;

44 (v) review the audited financial statements and interim
45 statements and discuss them with the board of trustees. These
46 discussions shall include a review of particularly sensitive
47 accounting estimates, reserves and accruals, judgmental areas, audit

1 adjustments, whether recorded or not, and any other matters the
2 Audit Committee or independent auditor shall deem appropriate;

3 (vi) review internal control functions such as the planned scope
4 of internal audit reviews, adequacy of staffing, actions to be taken
5 as a result of internal audit findings, the effectiveness of electronic
6 data processing procedures, and controls and related security
7 programs; ¹~~and~~¹

8 (vii) recommend policies with respect to risk assessment and risk
9 management ¹; and

10 (viii) establish a permanent position of internal auditor, who
11 shall be supervised by the executive director, but who may be
12 discharged only by an affirmative vote of the majority of the
13 board¹.

14 (2) An Actuary Committee of no less than three members to
15 assist in the selection and oversight of the actuary appointed by the
16 board of trustees. The Actuary Committee shall review the
17 performance of the actuary appointed by the board of trustees. If
18 the performance of the actuary is not adequate in quality, the
19 committee shall recommend such steps as may be necessary to elicit
20 appropriate performance, including replacement of the actuary.

21 (3) An Investment Committee of no less than three members to
22 assist in the oversight of the ³~~investments~~³ investment policies³
23 selected by the board of trustees ³~~and the management of the~~³
24 investments of the retirement system³. The Investment Committee
25 shall consist of two members of the board of trustees, and one
26 member who shall be the chief investment officer of the board, and
27 shall oversee investments and make recommendations on
28 investments to the board of trustees. ³A majority of the Investment
29 Committee members, one of which may be the Chief Investment
30 Officer, shall be qualified by training, experience or long-term
31 interest in the direct management, analysis, supervision or
32 investment of assets and this training, experience or long-term
33 interest shall have been supplemented by academic training in the
34 fields of economics, business, law, finance or actuarial science or
35 by actual employment in those fields. If the board of trustees does
36 not have sufficient members qualified or available to serve on the
37 Investment Committee, or determines to broaden the expertise of
38 the Investment Committee, the board of trustees may request that
39 the State Treasurer recommend one or more qualified individuals to
40 sit on the committee.³

41 f. At the end of six years following the enactment date of
42 P.L. , c. (pending before the Legislature as this bill), the board
43 of trustees shall conduct a review of the performance and funding
44 levels of the retirement system, as compared to available market
45 data including but, not limited to, the performance of the State
46 Investment Council and Division of Investment with regard to the
47 investment of other State-administered retirement systems or funds

1 and ³the Bloomberg Barclays Indices other appropriate
2 benchmarks³, and may, based on a majority vote of the authorized
3 membership of the board, petition the Legislature to consider
4 legislation that reverts control of the system ³to the Department of
5 the Treasury, or such other agency as the State deems appropriate
6 from the Board of Trustees to the State Investment Council and the
7 Division of Investment³.

8 (cf: P.L.2011, c.78, s.4)

9

10 16. Section 14 of P.L.1944, c.255 (C.43:16A-14) is amended to
11 read as follows:

12 14. (1) The board of trustees shall be and are hereby constituted
13 trustees of the various funds and accounts established by this act³;
14 provided, however, that all³ . All functions, powers and duties
15 relating to the ³formulation, establishment, amendment,
16 modification or repeal of any policy, procedure, method or practice
17 on the³ investment or reinvestment of moneys ³of, and³ shall be
18 performed by the board. The³ purchase, sale or exchange of any
19 investments or securities, of or for any fund or account established
20 under this act shall be exercised and performed by the [director of
21 the Division of Investment in accordance with the provisions of
22 chapter 270, of the laws of 1950] ³Division of Investment upon the
23 direction of the³ board. The [secretary] actuary of the board of
24 trustees shall determine from time to time the cash requirements of
25 the various funds and accounts established by this act and the
26 amount available for investment, all of which shall be certified to
27 the [Director of the Division of Investment.

28 An elected member of the board of trustees to be designated by a
29 majority vote thereof shall serve on the State Investment Council as
30 a representative of said board of trustees, for a term of three years
31 and until a successor is designated and qualified³ chair and
32 executive director of the board of trustees. ³Notwithstanding this
33 provision, Common Pension Fund L and the assets held by
34 Common Pension Fund L as of the effective date of this Act and
35 thereafter, including the interest of the Police and Firemen's
36 Retirement System of New Jersey therein shall remain within the
37 Division of Investment in the Department of the Treasury. The
38 Division of Investment, the Director of the Division of Investment
39 and the State Investment Council shall retain all functions, powers,
40 and duties relating to Common Pension Fund L assigned to the
41 Division of Investment, the Director of the Division of Investment,
42 and the State Investment Council, by P.L. 2017, c. 98 (C.5:9-22.5 et
43 seq.).³

44 (2) The [Treasurer of the State of New Jersey] ³[executive
45 director of the board] Treasurer of the State of New Jersey³ shall
46 be the custodian of the [several funds] fund created by this act,

1 shall select all depositories and custodians and shall negotiate and
2 execute custody agreements in connection with the assets or
3 investments of any of said ~~【funds】~~ fund. All payments from said
4 ~~【funds】~~ fund shall be made by him only upon vouchers signed by
5 the chairman and countersigned by the secretary of the board of
6 trustees. No voucher shall be drawn, except upon the authority of
7 the board duly entered in the records of its proceedings.

8 (3) (Deleted by amendment.)

9 (4) Except as otherwise herein provided, no trustee and no
10 employee of the board of trustees shall have any direct interest in
11 the gains or profits of any investments of the retirement system;
12 nor shall any trustee or employee of the board directly or
13 indirectly, for himself or as an agent in any manner use the moneys
14 of the retirement system, except to make such current and necessary
15 payments as are authorized by the board of trustees; nor shall any
16 trustee or employee of the board of trustees become an endorser or
17 surety, or in any manner an obligor for moneys loaned to or
18 borrowed from the retirement system.

19 (cf: P.L.2011, c.78, s.31)

20
21 ²【17. Section 15 of P.L.1944, c.255 (C.43:16A-15) is amended
22 to read as follows:

23 15. (1) The contributions required for the support of the
24 retirement system shall be made by members and their employers.

25 (2) (a) The uniform percentage contribution rate for members
26 shall be 8.5% of compensation. Members of the retirement system
27 shall contribute 10% of compensation to the system on and after the
28 effective date of P.L.2011, c.78.

29 (b) The board of trustees is authorized to make an adjustment to
30 the uniform contribution rate of the members set forth in this
31 subsection as the board deems reasonable, necessary, and
32 appropriate after consultation with, and the recommendation of, the
33 actuary. Any adjustment to a contribution rate shall be made at
34 such time and in such manner as the board shall determine.

35 (3) (Deleted by amendment, P.L.1989, c.204).

36 (4) Upon the basis of the tables recommended by the actuary
37 which the board adopts and regular interest, the actuary shall
38 compute annually, beginning as of June 30, 1991, the amount of
39 contribution which shall be the normal cost as computed under the
40 projected unit credit method attributable to service rendered under
41 the retirement system for the year beginning on July 1 immediately
42 succeeding the date of the computation. This shall be known as the
43 "normal contribution."

44 (5) (Deleted by amendment, P.L.1989, c.204).

45 (6) (Deleted by amendment, P.L.1994, c.62.)

46 (7) Each employer shall cause to be deducted from the salary of
47 each member the percentage of earnable compensation prescribed in
48 subsection (2) of this section. To facilitate the making of

1 deductions, the retirement system may modify the amount of
2 deduction required of any member by an amount not to exceed 1/10
3 of 1% of the compensation upon which the deduction is based.

4 (8) The deductions provided for herein shall be made
5 notwithstanding that the minimum salary provided for by law for
6 any member shall be reduced thereby. Every member shall be
7 deemed to consent and agree to the deductions made and provided
8 for herein, and payment of salary or compensation less said
9 deduction shall be a full and complete discharge and acquittance of
10 all claims and demands whatsoever for the service rendered by such
11 person during the period covered by such payment, except as to the
12 benefits provided under this act. The chief fiscal officer of each
13 employer shall certify to the retirement system in such manner as
14 the **【retirement system】** board of trustees may prescribe, the
15 amounts deducted; and when deducted shall be paid into said
16 annuity savings fund, and shall be credited to the individual account
17 of the member from whose salary said deduction was made.

18 (9) With respect to employers other than the State, upon the
19 basis of the tables recommended by the actuary which the board
20 adopts and regular interest, the actuary shall compute the amount of
21 the accrued liability as of June 30, 1991 under the projected unit
22 credit method, which is not already covered by the assets of the
23 retirement system, valued in accordance with the asset valuation
24 method established in this section. Using the total amount of this
25 unfunded accrued liability, the actuary shall compute the initial
26 amount of contribution which, if the contribution is paid annually in
27 level dollars for a specific period of time, will amortize this
28 liability. The **【State Treasurer shall determine, upon the advice of**
29 **the Director of the Division of Pensions and Benefits, the】** board of
30 trustees **【and】** shall determine, upon the advice of the actuary, the
31 time period for full funding of this liability, which shall not exceed
32 40 years on initial application of this section as amended by this act,
33 P.L.1994, c.62. This shall be known as the "accrued liability
34 contribution." Any increase or decrease in the unfunded accrued
35 liability as a result of actuarial losses or gains for the 10 valuation
36 years following valuation year 1991 shall serve to increase or
37 decrease, respectively, the unfunded accrued liability contribution.
38 Thereafter, any increase or decrease in the unfunded accrued
39 liability as a result of actuarial losses or gains for subsequent
40 valuation years shall serve to increase or decrease, respectively, the
41 amortization period for the unfunded accrued liability, unless an
42 increase in the amortization period will cause it to exceed 30 years.
43 If an increase in the amortization period as a result of actuarial
44 losses for a valuation year would exceed 30 years, the accrued
45 liability contribution shall be computed for the valuation year in the
46 same manner provided for the computation of the initial accrued
47 liability contribution under this section. Beginning with the July 1,
48 2018 actuarial valuation, the accrued liability contribution shall be

1 computed so that if the contribution is paid annually in level
2 dollars, it will amortize this unfunded accrued liability over a closed
3 30-year period. Beginning with the July 1, 2028 actuarial
4 valuation, when the remaining amortization period reaches 20 years,
5 any increase or decrease in the unfunded accrued liability as a result
6 of actuarial losses or gains for subsequent valuation years shall
7 serve to increase or decrease, respectively, the amortization period
8 for the unfunded accrued liability, unless an increase in the
9 amortization period will cause it to exceed 20 years. If an increase
10 in the amortization period as a result of actuarial losses for a
11 valuation year would exceed 20 years, the accrued liability
12 contribution shall be computed for the valuation year in the same
13 manner provided for the computation of the initial accrued liability
14 contribution under this section.

15 With respect to the State, upon the basis of the tables
16 recommended by the actuary which the board adopts and regular
17 interest, the actuary shall annually determine if there is an amount
18 of the accrued liability, computed under the projected unit credit
19 method, which is not already covered by the assets of the retirement
20 system, valued in accordance with the asset valuation method
21 established in this section. This shall be known as the "unfunded
22 accrued liability." If there was no unfunded accrued liability for the
23 valuation period immediately preceding the current valuation
24 period, the actuary, using the total amount of this unfunded accrued
25 liability, shall compute the initial amount of contribution which, if
26 the contribution is paid annually in level dollars for a specific
27 period of time, will amortize this liability. The [State Treasurer
28 shall determine, upon the advice of the Director of the Division of
29 Pensions and Benefits, the] board of trustees [and] shall determine,
30 upon the advice of the actuary, the time period for full funding of
31 this liability, which shall not exceed 30 years. This shall be known
32 as the "accrued liability contribution." Thereafter, any increase or
33 decrease in the unfunded accrued liability as a result of actuarial
34 losses or gains for subsequent valuation years shall serve to increase
35 or decrease, respectively, the amortization period for the unfunded
36 accrued liability, unless an increase in the amortization period will
37 cause it to exceed 30 years. If an increase in the amortization period
38 as a result of actuarial losses for a valuation year would exceed 30
39 years, the accrued liability contribution shall be computed for the
40 valuation year in the same manner provided for the computation of
41 the initial accrued liability contribution under this section.
42 Beginning with the July 1, 2018 actuarial valuation, the accrued
43 liability contribution shall be computed so that if the contribution is
44 paid annually in level dollars, it will amortize this unfunded accrued
45 liability over a closed 30-year period. Beginning with the July 1,
46 2028 actuarial valuation, when the remaining amortization period
47 reaches 20 years, any increase or decrease in the unfunded accrued
48 liability as a result of actuarial losses or gains for subsequent

1 valuation years shall serve to increase or decrease, respectively, the
2 amortization period for the unfunded accrued liability, unless an
3 increase in the amortization period will cause it to exceed 20 years.
4 If an increase in the amortization period as a result of actuarial
5 losses for a valuation year would exceed 20 years, the accrued
6 liability contribution shall be computed for the valuation year in the
7 same manner provided for the computation of the initial accrued
8 liability contribution under this section.

9 The State may pay all or any portion of its unfunded accrued
10 liability under the retirement system from any source of funds
11 legally available for the purpose, including, without limitation, the
12 proceeds of bonds authorized by law for this purpose.

13 The value of the assets to be used in the computation of the
14 contributions provided for under this section for valuation periods
15 shall be the value of the assets for the preceding valuation period
16 increased by the regular interest rate, plus the net cash flow for the
17 valuation period (the difference between the benefits and expenses
18 paid by the system and the contributions to the system) increased by
19 one half of the regular interest rate, plus 20% of the difference
20 between this expected value and the full market value of the assets
21 as of the end of the valuation period. This shall be known as the
22 "valuation assets." Notwithstanding the first sentence of this
23 paragraph, the valuation assets for the valuation period ending June
24 30, 1995 shall be the full market value of the assets as of that date
25 and, with respect to the valuation assets allocated to the State, shall
26 include the proceeds from the bonds issued pursuant to the "Pension
27 Bond Financing Act of 1997," P.L.1997, c.114 (C.34:1B-7.45 et
28 seq.), paid to the system by the New Jersey Economic Development
29 Authority to fund the unfunded accrued liability of the system.
30 Notwithstanding the first sentence of this paragraph, the percentage
31 of the difference between the expected value and the full market
32 value of the assets to be added to the expected value of the assets
33 for the valuation period ending June 30, 1998 for the State shall be
34 100% and for other employers shall be 57% plus such additional
35 percentage as is equivalent to \$150,000,000. Notwithstanding the
36 first sentence of this paragraph, the amount of the difference
37 between the expected value and the full market value of the assets
38 to be added to the expected value of the assets for the valuation
39 period ending June 30, 1999 shall include an additional amount of
40 the market value of the assets sufficient to fund (1) the unfunded
41 accrued liability for the supplementary "special retirement"
42 allowances provided under subsection b. of section 16 of P.L.1964,
43 c.241 (C.43:16A-11.1) and (2) the unfunded accrued liability for the
44 full credit toward benefits under the retirement system for service
45 credited in the Public Employees' Retirement System and
46 transferred pursuant to section 1 of P.L.1993, c.247 (C.43:16A-3.8)
47 and the reimbursement of the cost of any credit purchase pursuant

1 to section 3 of P.L.1993, c.247 (C.43:16A-3.10) provided under
2 section 1 of P.L.2001, c.201 (C.43:16A-3.14).

3 "Excess valuation assets" means, with respect to the valuation
4 assets allocated to the State, the valuation assets allocated to the
5 State for a valuation period less the actuarial accrued liability of the
6 State for the valuation period, and beginning with the valuation
7 period ending June 30, 1998, less the present value of the expected
8 additional normal cost contributions attributable to the amendatory
9 provisions of P.L.1999, c.428 [(C.43:16A-15.8 et al.)] (C.43:16A-1
10 et al.) payable on behalf of the active members employed by the
11 State as of the valuation period over the expected working lives of
12 the active members in accordance with the tables of actuarial
13 assumptions applicable to the valuation period, and less the present
14 value of the expected additional normal cost contributions
15 attributable to the provisions of P.L.2003, c.108 as amending
16 section 16 of P.L.1964, c.241 (C.43:16A-11.1) payable on behalf of
17 the active members employed by the State as of the valuation period
18 over the expected working lives of the active members in
19 accordance with the tables of actuarial assumptions applicable to
20 the valuation period, if the sum is greater than zero. "Excess
21 valuation assets" means, with respect to the valuation assets
22 allocated to other employers, the valuation assets allocated to the
23 other employers for a valuation period less the actuarial accrued
24 liability of the other employers for the valuation period, excluding
25 the unfunded accrued liability for early retirement incentive benefits
26 pursuant to P.L.1993, c.99 for the other employers, and beginning
27 with the valuation period ending June 30, 1998, less the present
28 value of the expected additional normal cost contributions
29 attributable to the amendatory provisions of P.L.1999, c.428
30 [(C.43:16A-15.8 et al.)] (C.43:16A-1 et al.) payable on behalf of
31 the active members employed by other employers as of the
32 valuation period over the expected working lives of the active
33 members in accordance with the tables of actuarial assumptions
34 applicable to the valuation period, and less the present value of the
35 expected additional normal cost contributions attributable to the
36 provisions of P.L.2003, c.108 as amending section 16 of P.L.1964,
37 c.241 (C.43:16A-11.1) payable on behalf of the active members
38 employed by other employers as of the valuation period over the
39 expected working lives of the active members in accordance with
40 the tables of actuarial assumptions applicable to the valuation
41 period, if the sum is greater than zero.

42 If there are excess valuation assets allocated to the State or to the
43 other employers for the valuation period ending June 30, 1995, the
44 normal contributions payable by the State or by the other employers
45 for the valuation periods ending June 30, 1995, and June 30, 1996
46 which have not yet been paid to the retirement system shall be
47 reduced to the extent possible by the excess valuation assets
48 allocated to the State or to the other employers, respectively,

1 provided that with respect to the excess valuation assets allocated to
2 the State, the General Fund balances that would have been paid to
3 the retirement system except for this provision shall first be
4 allocated as State aid to public schools to the extent that additional
5 sums are required to comply with the May 14, 1997 decision of the
6 New Jersey Supreme Court in *Abbott v. Burke*.

7 If there are excess valuation assets allocated to the other
8 employers for the valuation period ending June 30, 1998, the
9 accrued liability contributions payable by the other employers for
10 the valuation period ending June 30, 1997 shall be reduced to the
11 extent possible by the excess valuation assets allocated to the other
12 employers.

13 If there are excess valuation assets allocated to the State or to the
14 other employers for a valuation period ending after June 30, 1998,
15 the State Treasurer may reduce the normal contribution payable by
16 the State or by other employers for the next valuation period as
17 follows:

18 (1) for valuation periods ending June 30, 1996 through June 30,
19 2000, to the extent possible by up to 100% of the excess valuation
20 assets allocated to the State or to the other employers, respectively;

21 (2) for the valuation period ending June 30, 2001, to the extent
22 possible by up to 84% of the excess valuation assets allocated to the
23 State or to the other employers, respectively;

24 (3) for the valuation period ending June 30, 2002, to the extent
25 possible by up to 68% of the excess valuation assets allocated to the
26 State or to the other employers, respectively; and

27 (4) for valuation periods ending June 30, 2003 through June 30,
28 2007, to the extent possible by up to 50% of the excess valuation
29 assets allocated to the State or to the other employers, respectively.

30 Notwithstanding the discretion provided to the State Treasurer in
31 the previous paragraph to reduce the amount of the normal
32 contribution payable by employers other than the State, the State
33 Treasurer shall reduce the amount of the normal contribution
34 payable by employers other than the State by \$150,000,000 in the
35 aggregate for the valuation period ending June 30, 1998, and then
36 the State Treasurer may reduce further pursuant to the provisions of
37 the previous paragraph the normal contribution payable by such
38 employers for that valuation period.

39 The normal and accrued liability contributions shall be certified
40 annually by the retirement system and shall be included in the
41 budget of the employer and levied and collected in the same manner
42 as any other taxes are levied and collected for the payment of the
43 salaries of members.

44 Notwithstanding the preceding sentence, the normal and accrued
45 liability contributions to be included in the budget of and paid by
46 the employer other than the State shall be as follows: for the
47 payment due in the State fiscal year ending on June 30, 2004, 20%
48 of the amount certified by the retirement system; for the payment

1 due in the State fiscal year ending on June 30, 2005, a percentage of
2 the amount certified by the retirement system as the State Treasurer
3 shall determine but not more than 40%; for the payment due in the
4 State fiscal year ending on June 30, 2006, a percentage of the
5 amount certified by the retirement system as the State Treasurer
6 shall determine but not more than 60%; and for the payment due in
7 the State fiscal year ending on June 30, 2007, a percentage of the
8 amount certified by the retirement system as the State Treasurer
9 shall determine but not more than 80%.

10 The State Treasurer shall reduce the normal and accrued liability
11 contributions payable by employers other than the State to 50
12 percent of the amount certified annually by the retirement system
13 for payments due in the State fiscal year ending June 30, 2009. An
14 employer that elects to pay the reduced normal and accrued liability
15 contribution shall adopt a resolution, separate and apart from other
16 budget resolutions, stating that the employer needs to pay the
17 reduced contribution and providing an explanation of that need
18 which shall include (1) a description of its inability to meet the levy
19 cap without jeopardizing public safety, health, and welfare or
20 without jeopardizing the fiscal stability of the employer, or (2) a
21 description of another condition that offsets the long term fiscal
22 impact of the payment of the reduced contribution. An employer
23 also shall document those actions it has taken to reduce its
24 operating costs, or provide a description of relevant anticipated
25 circumstances that could have an impact on revenues or
26 expenditures. This resolution shall be submitted to and approved by
27 the Local Finance Board after making a finding that these fiscal
28 conditions are valid and affirming the findings contained in the
29 employer resolution.

30 An employer that elects to pay 100 percent of the amount
31 certified by the retirement system for the State fiscal year ending
32 June 30, 2009 shall be credited with such payment and any such
33 amounts shall not be included in the employer's unfunded liability.

34 The actuaries for the retirement system shall determine the
35 unfunded liability of the retirement system, by employer, for the
36 reduced normal and accrued liability contributions provided under
37 P.L.2009, c.19. This unfunded liability shall be paid by the
38 employer in level annual payments over a period of 15 years
39 beginning with the payments due in the State fiscal year ending
40 June 30, 2012 and shall be adjusted by the rate of return on the
41 actuarial value of assets.

42 The retirement system shall annually certify to each employer
43 the contributions due to the contingent reserve fund for the liability
44 under P.L.2009, c.19. The contributions certified by the retirement
45 system shall be paid by the employer to the retirement system on or
46 before the date prescribed by law for payment of employer
47 contributions for basic retirement benefits. If payment of the full
48 amount of the contribution certified is not made within 30 days

1 after the last date for payment of employer contributions for basic
2 retirement benefits, interest at the rate of 10% per year shall be
3 assessed against the unpaid balance on the first day after the
4 thirtieth day.

5 (10) The treasurer or corresponding officer of the employer shall
6 pay to the **【State Treasurer】** board of trustees no later than April 1
7 of the State's fiscal year in which payment is due the amount so
8 certified as payable by the employer, and shall pay monthly to the
9 **【State Treasurer】** board of trustees the amount of the deductions
10 from the salary of the members in the employ of the employer, and
11 the **【State Treasurer】** board of trustees shall credit such amount to
12 the appropriate fund or funds, of the retirement system. On April 1
13 next following the effective date of P.L. , c. (pending before the
14 Legislature as this bill), and in each year thereafter, the contribution
15 required to be made by the employer shall be made to the board of
16 trustees on the following schedule: at least 25 percent by March 1,
17 at least 50 percent by June 1, at least 75 percent by September 1,
18 and at least 100 percent by December 1. The amount of the
19 contribution shall be net of the amount of any increase in the
20 interest on the tax and revenue anticipation notes attributable solely
21 to the need to borrow an increased amount in order to make the
22 quarterly payments.

23 If payment of the **【full】** required amount of the employer's
24 obligation is not made within 30 days of the due **【date】** dates
25 established by this act, interest at the rate of 10% per annum shall
26 commence to run against the unpaid balance thereof on the first day
27 after such 30th day. Upon certification by the board of trustees to
28 the Director of the Division of Local Government Services in the
29 Department of Community Affairs of an employer contribution
30 payment being 30 days past due, the director shall withhold any
31 State aid payments that are disbursed by the Division of Local
32 Government Services from the employer in an amount equal to the
33 amount of the employer contribution due to the board. If the
34 employer is eligible for transitional aid, the Division of Local
35 Government Services shall consult with the board to develop a
36 payment plan to ensure that the required payment and interest owed
37 is paid in a timely manner. The director shall release the State aid
38 payments held pursuant to this subsection to the employer upon
39 certification by the board of trustees of its receipt of the delinquent
40 employer contribution. Nothing in P.L. , c. (pending before the
41 Legislature as this bill) shall relieve State or local government
42 employers of any present or future obligations of their normal cost
43 or unfunded liabilities required to be paid into the retirement
44 system.

45 If payment in full, representing the monthly transmittal and
46 report of salary deductions, is not made within 15 days of the due
47 date established by the retirement system, interest at the rate of 10%

1 per annum shall commence to run against the total transmittal of
2 salary deductions for the period on the first day after such 15th day.

3 (11) The expenses of administration of the retirement system
4 shall be paid by the State of New Jersey. Each employer shall
5 reimburse the State for a proportionate share of the amount paid by
6 the State for administrative expense. This proportion shall be
7 computed as the number of members under the jurisdiction of such
8 employer bears to the total number of members in the system. The
9 pro rata share of the cost of administrative expense shall be
10 included with the certification by the retirement system of the
11 employer's contribution to the system.

12 (12) Notwithstanding anything to the contrary, the retirement
13 system shall not be liable for the payment of any pension or other
14 benefits on account of the employees or beneficiaries of any
15 employer participating in the retirement system, for which reserves
16 have not been previously created from funds, contributed by such
17 employer or its employees for such benefits.

18 (13) (Deleted by amendment, P.L.1992, c.125.)

19 (14) Commencing with valuation year 1991, with payment to be
20 made in Fiscal Year 1994, the Legislature shall annually
21 appropriate and the State Treasurer shall pay into the pension
22 accumulation fund of the retirement system an amount equal to
23 1.1% of the compensation of the members of the system for the
24 valuation year to fund the benefits provided by section 16 of
25 P.L.1964, c.241 (C.43:16A-11.1), as amended by P.L.1979, c.109.

26 (15) If the valuation assets are insufficient to fund the normal
27 and accrued liability costs attributable to the amendatory provisions
28 of P.L.1999, c.428 [(C.43:16A-15.8 et al.)] (C.43:16A-1 et al.) as
29 provided hereinabove, the normal and unfunded accrued liability
30 contributions required to fund these costs for the State and other
31 employers shall be paid by the State.

32 (16) The savings realized as a result of the amendments to this
33 section by P.L.2001, c.44 in the payment of normal contributions
34 computed by the actuary for the valuation periods ending June 30,
35 1998 for employers other than the State shall be used solely and
36 exclusively by a county or municipality for the purpose of reducing
37 the amount that is required to be raised by the local property tax
38 levy by the county for county purposes or by the municipality for
39 municipal purposes, as appropriate. The Director of the Division of
40 Local Government Services in the Department of Community
41 Affairs shall certify for each year that each county or municipality
42 has complied with the requirements set forth herein. If the director
43 finds that a county or municipality has not used the savings solely
44 and exclusively for the purpose of reducing the amount that is
45 required to be raised by the local property tax levy by the county for
46 county purposes or by the municipality for municipal purposes, as
47 appropriate, the director shall direct the county or municipal

1 governing body, as appropriate, to make corrections to its budget.
2 (cf: P.L.2011, c.78, s.15)]²

3

4 ²17. Section 15 of P.L.1944, c.255 (C.43:16A-15) is amended to
5 read as follows:

6 15 (1) The contributions required for the support of the
7 retirement system shall be made by members and their employers.

8 (2) (a) The uniform percentage contribution rate for members
9 shall be 8.5% of compensation. Members of the retirement system
10 shall contribute 10% of compensation to the system on and after the
11 effective date of P.L.2011, c.78.

12 (b) The board of trustees is authorized to make an adjustment to
13 the uniform contribution rate of the members set forth in this
14 subsection as the board deems reasonable, necessary, and
15 appropriate ³with the approval of at least eight members of the
16 board³ after consultation with, and the recommendation of, the
17 actuary. Any adjustment to a contribution rate shall be made at
18 such time and in such manner as the board shall determine upon
19 ³[actuarial]³ certification ³by the actuary³ that such change will not
20 result in ³an³ increased employer ³[contributions] contribution in
21 the current year and that such change will not impact the long term
22 viability of the fund³.

23 (3) (Deleted by amendment, P.L.1989, c.204).

24 (4) Upon the basis of the tables recommended by the actuary
25 which the board adopts and regular interest, the actuary shall
26 compute annually, beginning as of June 30, 1991, the amount of
27 contribution which shall be the normal cost as computed under the
28 projected unit credit method attributable to service rendered under
29 the retirement system for the year beginning on July 1 immediately
30 succeeding the date of the computation. This shall be known as the
31 "normal contribution."

32 (5) (Deleted by amendment, P.L.1989, c.204).

33 (6) (Deleted by amendment, P.L.1994, c.62.)

34 (7) Each employer shall cause to be deducted from the salary of
35 each member the percentage of earnable compensation prescribed in
36 subsection (2) of this section. To facilitate the making of
37 deductions, the retirement system may modify the amount of
38 deduction required of any member by an amount not to exceed 1/10
39 of 1% of the compensation upon which the deduction is based.

40 (8) The deductions provided for herein shall be made
41 notwithstanding that the minimum salary provided for by law for
42 any member shall be reduced thereby. Every member shall be
43 deemed to consent and agree to the deductions made and provided
44 for herein, and payment of salary or compensation less said
45 deduction shall be a full and complete discharge and acquittance of
46 all claims and demands whatsoever for the service rendered by such
47 person during the period covered by such payment, except as to the

1 benefits provided under this act. The chief fiscal officer of each
2 employer shall certify to the retirement system in such manner as
3 the ~~【retirement system】~~ board of trustees may prescribe, the
4 amounts deducted; and when deducted shall be paid into said
5 annuity savings fund, and shall be credited to the individual account
6 of the member from whose salary said deduction was made.

7 (9) With respect to employers other than the State, upon the
8 basis of the tables recommended by the actuary which the board
9 adopts and regular interest, the actuary shall compute the amount of
10 the accrued liability as of June 30, 1991 under the projected unit
11 credit method, which is not already covered by the assets of the
12 retirement system, valued in accordance with the asset valuation
13 method established in this section. Using the total amount of this
14 unfunded accrued liability, the actuary shall compute the initial
15 amount of contribution which, if the contribution is paid annually in
16 level dollars for a specific period of time, will amortize this
17 liability. The ~~【State Treasurer shall determine, upon the advice of~~
18 ~~the Director of the Division of Pensions and Benefits, the】~~ board of
19 trustees ~~【and】~~ shall determine, upon the advice of the actuary, the
20 time period for full funding of this liability, which shall not exceed
21 40 years on initial application of this section as amended by this act,
22 P.L.1994, c.62. This shall be known as the "accrued liability
23 contribution." Any increase or decrease in the unfunded accrued
24 liability as a result of actuarial losses or gains for the 10 valuation
25 years following valuation year 1991 shall serve to increase or
26 decrease, respectively, the unfunded accrued liability contribution.
27 Thereafter, any increase or decrease in the unfunded accrued
28 liability as a result of actuarial losses or gains for subsequent
29 valuation years shall serve to increase or decrease, respectively, the
30 amortization period for the unfunded accrued liability, unless an
31 increase in the amortization period will cause it to exceed 30 years.
32 If an increase in the amortization period as a result of actuarial
33 losses for a valuation year would exceed 30 years, the accrued
34 liability contribution shall be computed for the valuation year in the
35 same manner provided for the computation of the initial accrued
36 liability contribution under this section. Beginning with the July 1,
37 2018 actuarial valuation, the accrued liability contribution shall be
38 computed so that if the contribution is paid annually in level
39 dollars, it will amortize this unfunded accrued liability over a closed
40 30-year period. Beginning with the July 1, 2028 actuarial
41 valuation, when the remaining amortization period reaches 20 years,
42 any increase or decrease in the unfunded accrued liability as a result
43 of actuarial losses or gains for subsequent valuation years shall
44 serve to increase or decrease, respectively, the amortization period
45 for the unfunded accrued liability, unless an increase in the
46 amortization period will cause it to exceed 20 years. If an increase
47 in the amortization period as a result of actuarial losses for a
48 valuation year would exceed 20 years, the accrued liability

1 contribution shall be computed for the valuation year in the same
2 manner provided for the computation of the initial accrued liability
3 contribution under this section.

4 With respect to the State, upon the basis of the tables
5 recommended by the actuary which the board adopts and regular
6 interest, the actuary shall annually determine if there is an amount
7 of the accrued liability, computed under the projected unit credit
8 method, which is not already covered by the assets of the retirement
9 system, valued in accordance with the asset valuation method
10 established in this section. This shall be known as the "unfunded
11 accrued liability." If there was no unfunded accrued liability for the
12 valuation period immediately preceding the current valuation
13 period, the actuary, using the total amount of this unfunded accrued
14 liability, shall compute the initial amount of contribution which, if
15 the contribution is paid annually in level dollars for a specific
16 period of time, will amortize this liability. The [State Treasurer
17 shall determine, upon the advice of the Director of the Division of
18 Pensions and Benefits, the] board of trustees [and] shall determine,
19 upon the advice of the actuary, the time period for full funding of
20 this liability, which shall not exceed 30 years. This shall be known
21 as the "accrued liability contribution." Thereafter, any increase or
22 decrease in the unfunded accrued liability as a result of actuarial
23 losses or gains for subsequent valuation years shall serve to increase
24 or decrease, respectively, the amortization period for the unfunded
25 accrued liability, unless an increase in the amortization period will
26 cause it to exceed 30 years. If an increase in the amortization period
27 as a result of actuarial losses for a valuation year would exceed 30
28 years, the accrued liability contribution shall be computed for the
29 valuation year in the same manner provided for the computation of
30 the initial accrued liability contribution under this section.
31 Beginning with the July 1, 2018 actuarial valuation, the accrued
32 liability contribution shall be computed so that if the contribution is
33 paid annually in level dollars, it will amortize this unfunded accrued
34 liability over a closed 30-year period. Beginning with the July 1,
35 2028 actuarial valuation, when the remaining amortization period
36 reaches 20 years, any increase or decrease in the unfunded accrued
37 liability as a result of actuarial losses or gains for subsequent
38 valuation years shall serve to increase or decrease, respectively, the
39 amortization period for the unfunded accrued liability, unless an
40 increase in the amortization period will cause it to exceed 20 years.
41 If an increase in the amortization period as a result of actuarial
42 losses for a valuation year would exceed 20 years, the accrued
43 liability contribution shall be computed for the valuation year in the
44 same manner provided for the computation of the initial accrued
45 liability contribution under this section.

46 The State may pay all or any portion of its unfunded accrued
47 liability under the retirement system from any source of funds

1 legally available for the purpose, including, without limitation, the
2 proceeds of bonds authorized by law for this purpose.

3 The value of the assets, excluding the special asset value set
4 forth in section 38 of P.L.2010, c.1 (C.43:3C-14), to be used in the
5 computation of the contributions provided for under this section for
6 valuation periods shall be the value of the assets for the preceding
7 valuation period increased by the regular interest rate, plus the net
8 cash flow for the valuation period (the difference between the
9 benefits and expenses paid by the system and the contributions to
10 the system) increased by one half of the regular interest rate, plus
11 20% of the difference between this expected value and the full
12 market value of the assets as of the end of the valuation period.
13 This shall be known as the "valuation assets." Notwithstanding the
14 first sentence of this paragraph, the valuation assets for the
15 valuation period ending June 30, 1995 shall be the full market value
16 of the assets as of that date and, with respect to the valuation assets
17 allocated to the State, shall include the proceeds from the bonds
18 issued pursuant to the "Pension Bond Financing Act of 1997,"
19 P.L.1997, c.114 (C.34:1B-7.45 et seq.), paid to the system by the
20 New Jersey Economic Development Authority to fund the unfunded
21 accrued liability of the system. Notwithstanding the first sentence of
22 this paragraph, the percentage of the difference between the
23 expected value and the full market value of the assets to be added to
24 the expected value of the assets for the valuation period ending June
25 30, 1998 for the State shall be 100% and for other employers shall
26 be 57% plus such additional percentage as is equivalent to
27 \$150,000,000. Notwithstanding the first sentence of this paragraph,
28 the amount of the difference between the expected value and the
29 full market value of the assets to be added to the expected value of
30 the assets for the valuation period ending June 30, 1999 shall
31 include an additional amount of the market value of the assets
32 sufficient to fund (1) the unfunded accrued liability for the
33 supplementary "special retirement" allowances provided under
34 subsection b. of section 16 of P.L.1964, c.241 (C.43:16A-11.1) and
35 (2) the unfunded accrued liability for the full credit toward benefits
36 under the retirement system for service credited in the Public
37 Employees' Retirement System and transferred pursuant to section 1
38 of P.L.1993, c.247 (C.43:16A-3.8) and the reimbursement of the
39 cost of any credit purchase pursuant to section 3 of P.L.1993, c.247
40 (C.43:16A-3.10) provided under section 1 of P.L.2001, c.201
41 (C.43:16A-3.14).

42 "Excess valuation assets" means, with respect to the valuation
43 assets allocated to the State, the valuation assets allocated to the
44 State for a valuation period less the actuarial accrued liability of the
45 State for the valuation period, and beginning with the valuation
46 period ending June 30, 1998, less the present value of the expected
47 additional normal cost contributions attributable to the amendatory
48 provisions of P.L.1999, c.428 [(C.43:16A-15.8 et al.)] (C.43:16A-1

1 et al.) payable on behalf of the active members employed by the
2 State as of the valuation period over the expected working lives of
3 the active members in accordance with the tables of actuarial
4 assumptions applicable to the valuation period, and less the present
5 value of the expected additional normal cost contributions
6 attributable to the provisions of P.L.2003, c.108 as amending
7 section 16 of P.L.1964, c.241 (C.43:16A-11.1) payable on behalf of
8 the active members employed by the State as of the valuation period
9 over the expected working lives of the active members in
10 accordance with the tables of actuarial assumptions applicable to
11 the valuation period, if the sum is greater than zero. "Excess
12 valuation assets" means, with respect to the valuation assets
13 allocated to other employers, the valuation assets allocated to the
14 other employers for a valuation period less the actuarial accrued
15 liability of the other employers for the valuation period, excluding
16 the unfunded accrued liability for early retirement incentive benefits
17 pursuant to P.L.1993, c.99 for the other employers, and beginning
18 with the valuation period ending June 30, 1998, less the present
19 value of the expected additional normal cost contributions
20 attributable to the amendatory provisions of P.L.1999, c.428
21 **[(C.43:16A-15.8 et al.)]** (C.43:16A-1 et al.) payable on behalf of
22 the active members employed by other employers as of the
23 valuation period over the expected working lives of the active
24 members in accordance with the tables of actuarial assumptions
25 applicable to the valuation period, and less the present value of the
26 expected additional normal cost contributions attributable to the
27 provisions of P.L.2003, c.108 as amending section 16 of P.L.1964,
28 c.241 (C.43:16A-11.1) payable on behalf of the active members
29 employed by other employers as of the valuation period over the
30 expected working lives of the active members in accordance with
31 the tables of actuarial assumptions applicable to the valuation
32 period, if the sum is greater than zero.

33 If there are excess valuation assets allocated to the State or to the
34 other employers for the valuation period ending June 30, 1995, the
35 normal contributions payable by the State or by the other employers
36 for the valuation periods ending June 30, 1995, and June 30, 1996
37 which have not yet been paid to the retirement system shall be
38 reduced to the extent possible by the excess valuation assets
39 allocated to the State or to the other employers, respectively,
40 provided that with respect to the excess valuation assets allocated to
41 the State, the General Fund balances that would have been paid to
42 the retirement system except for this provision shall first be
43 allocated as State aid to public schools to the extent that additional
44 sums are required to comply with the May 14, 1997 decision of the
45 New Jersey Supreme Court in *Abbott v. Burke*.

46 If there are excess valuation assets allocated to the other
47 employers for the valuation period ending June 30, 1998, the
48 accrued liability contributions payable by the other employers for

1 the valuation period ending June 30, 1997 shall be reduced to the
2 extent possible by the excess valuation assets allocated to the other
3 employers.

4 If there are excess valuation assets allocated to the State or to the
5 other employers for a valuation period ending after June 30, 1998,
6 the State Treasurer may reduce the normal contribution payable by
7 the State or by other employers for the next valuation period as
8 follows:

9 (1) for valuation periods ending June 30, 1996 through June 30,
10 2000, to the extent possible by up to 100% of the excess valuation
11 assets allocated to the State or to the other employers, respectively;

12 (2) for the valuation period ending June 30, 2001, to the extent
13 possible by up to 84% of the excess valuation assets allocated to the
14 State or to the other employers, respectively;

15 (3) for the valuation period ending June 30, 2002, to the extent
16 possible by up to 68% of the excess valuation assets allocated to the
17 State or to the other employers, respectively; and

18 (4) for valuation periods ending June 30, 2003 through June 30,
19 2007, to the extent possible by up to 50% of the excess valuation
20 assets allocated to the State or to the other employers, respectively.

21 Notwithstanding the discretion provided to the State Treasurer in
22 the previous paragraph to reduce the amount of the normal
23 contribution payable by employers other than the State, the State
24 Treasurer shall reduce the amount of the normal contribution
25 payable by employers other than the State by \$150,000,000 in the
26 aggregate for the valuation period ending June 30, 1998, and then
27 the State Treasurer may reduce further pursuant to the provisions of
28 the previous paragraph the normal contribution payable by such
29 employers for that valuation period.

30 The normal and accrued liability contributions shall be certified
31 annually by the retirement system and shall be included in the
32 budget of the employer and levied and collected in the same manner
33 as any other taxes are levied and collected for the payment of the
34 salaries of members.

35 Notwithstanding the preceding sentence, the normal and accrued
36 liability contributions to be included in the budget of and paid by
37 the employer other than the State shall be as follows: for the
38 payment due in the State fiscal year ending on June 30, 2004, 20%
39 of the amount certified by the retirement system; for the payment
40 due in the State fiscal year ending on June 30, 2005, a percentage of
41 the amount certified by the retirement system as the State Treasurer
42 shall determine but not more than 40%; for the payment due in the
43 State fiscal year ending on June 30, 2006, a percentage of the
44 amount certified by the retirement system as the State Treasurer
45 shall determine but not more than 60%; and for the payment due in
46 the State fiscal year ending on June 30, 2007, a percentage of the
47 amount certified by the retirement system as the State Treasurer
48 shall determine but not more than 80%.

1 The State Treasurer shall reduce the normal and accrued liability
2 contributions payable by employers other than the State to 50
3 percent of the amount certified annually by the retirement system
4 for payments due in the State fiscal year ending June 30, 2009. An
5 employer that elects to pay the reduced normal and accrued liability
6 contribution shall adopt a resolution, separate and apart from other
7 budget resolutions, stating that the employer needs to pay the
8 reduced contribution and providing an explanation of that need
9 which shall include (1) a description of its inability to meet the levy
10 cap without jeopardizing public safety, health, and welfare or
11 without jeopardizing the fiscal stability of the employer, or (2) a
12 description of another condition that offsets the long term fiscal
13 impact of the payment of the reduced contribution. An employer
14 also shall document those actions it has taken to reduce its
15 operating costs, or provide a description of relevant anticipated
16 circumstances that could have an impact on revenues or
17 expenditures. This resolution shall be submitted to and approved by
18 the Local Finance Board after making a finding that these fiscal
19 conditions are valid and affirming the findings contained in the
20 employer resolution.

21 An employer that elects to pay 100 percent of the amount
22 certified by the retirement system for the State fiscal year ending
23 June 30, 2009 shall be credited with such payment and any such
24 amounts shall not be included in the employer's unfunded liability.

25 The actuaries for the retirement system shall determine the
26 unfunded liability of the retirement system, by employer, for the
27 reduced normal and accrued liability contributions provided under
28 P.L.2009, c.19. This unfunded liability shall be paid by the
29 employer in level annual payments over a period of 15 years
30 beginning with the payments due in the State fiscal year ending
31 June 30, 2012 and shall be adjusted by the rate of return on the
32 actuarial value of assets.

33 The retirement system shall annually certify to each employer
34 the contributions due to the contingent reserve fund for the liability
35 under P.L.2009, c.19. The contributions certified by the retirement
36 system shall be paid by the employer to the retirement system on or
37 before the date prescribed by law for payment of employer
38 contributions for basic retirement benefits. If payment of the full
39 amount of the contribution certified is not made within 30 days
40 after the last date for payment of employer contributions for basic
41 retirement benefits, interest at the rate of 10% per year shall be
42 assessed against the unpaid balance on the first day after the
43 thirtieth day.

44 (10) The treasurer or corresponding officer of the employer shall
45 pay to the **[State Treasurer]** board of trustees no later than April 1
46 of the State's fiscal year in which payment is due the amount so
47 certified as payable by the employer, and shall pay monthly to the
48 **[State Treasurer]** board of trustees the amount of the deductions

1 from the salary of the members in the employ of the employer, and
2 the **【State Treasurer】** board of trustees shall credit such amount to
3 the appropriate fund or funds, of the retirement system. ³**【On April**
4 1 next following the effective date of P.L. , c. (pending before
5 the Legislature as this bill), and in each year thereafter, the
6 contribution required to be made by the employer shall be made to
7 the board of trustees on the following schedule: at least 25 percent
8 by March 1, at least 50 percent by June 1, at least 75 percent by
9 September 1, and at least 100 percent by December 1. The amount
10 of the contribution shall be net of the amount of any increase in the
11 interest on the tax and revenue anticipation notes attributable solely
12 to the need to borrow an increased amount in order to make the
13 quarterly payments.】³

14 If payment of the **【full】** required amount of the employer's
15 obligation is not made within 30 days of the due **【date】** dates
16 established by this act, interest at the rate of 10% per annum shall
17 commence to run against the unpaid balance thereof on the first day
18 after such 30th day. ³**【Upon certification by the board of trustees to**
19 the Director of the Division of Local Government Services in the
20 Department of Community Affairs of an employer contribution
21 payment being 30 days past due, the director shall withhold any
22 State aid payments that are disbursed by the Division of Local
23 Government Services from the employer in an amount equal to the
24 amount of the employer contribution due to the board. If the
25 employer is eligible for transitional aid, the Division of Local
26 Government Services shall consult with the board to develop a
27 payment plan to ensure that the required payment and interest owed
28 is paid in a timely manner. The director shall release the State aid
29 payments held pursuant to this subsection to the employer upon
30 certification by the board of trustees of its receipt of the delinquent
31 employer contribution.】³ Nothing in P.L. , c. (pending before the
32 Legislature as this bill) shall relieve State or local government
33 employers of any present or future obligations of their normal cost
34 or unfunded liabilities required to be paid into the retirement
35 system.

36 If payment in full, representing the monthly transmittal and
37 report of salary deductions, is not made within 15 days of the due
38 date established by the retirement system, interest at the rate of 10%
39 per annum shall commence to run against the total transmittal of
40 salary deductions for the period on the first day after such 15th day.

41 (11) The expenses of administration of the retirement system
42 shall be paid by the State of New Jersey. Each employer shall
43 reimburse the State for a proportionate share of the amount paid by
44 the State for administrative expense. This proportion shall be
45 computed as the number of members under the jurisdiction of such
46 employer bears to the total number of members in the system. The
47 pro rata share of the cost of administrative expense shall be

1 included with the certification by the retirement system of the
2 employer's contribution to the system.

3 (12) Notwithstanding anything to the contrary, the retirement
4 system shall not be liable for the payment of any pension or other
5 benefits on account of the employees or beneficiaries of any
6 employer participating in the retirement system, for which reserves
7 have not been previously created from funds, contributed by such
8 employer or its employees for such benefits.

9 (13) (Deleted by amendment, P.L.1992, c.125.)

10 (14) Commencing with valuation year 1991, with payment to be
11 made in Fiscal Year 1994, the Legislature shall annually
12 appropriate and the State Treasurer shall pay into the pension
13 accumulation fund of the retirement system an amount equal to
14 1.1% of the compensation of the members of the system for the
15 valuation year to fund the benefits provided by section 16 of
16 P.L.1964, c.241 (C.43:16A-11.1), as amended by P.L.1979, c.109.

17 (15) If the valuation assets are insufficient to fund the normal
18 and accrued liability costs attributable to the amendatory provisions
19 of P.L.1999, c.428 [(C.43:16A-15.8 et al.)] (C.43:16A-1 et al.) as
20 provided hereinabove, the normal and unfunded accrued liability
21 contributions required to fund these costs for the State and other
22 employers shall be paid by the State.

23 (16) The savings realized as a result of the amendments to this
24 section by P.L.2001, c.44 in the payment of normal contributions
25 computed by the actuary for the valuation periods ending June 30,
26 1998 for employers other than the State shall be used solely and
27 exclusively by a county or municipality for the purpose of reducing
28 the amount that is required to be raised by the local property tax
29 levy by the county for county purposes or by the municipality for
30 municipal purposes, as appropriate. The Director of the Division of
31 Local Government Services in the Department of Community
32 Affairs shall certify for each year that each county or municipality
33 has complied with the requirements set forth herein. If the director
34 finds that a county or municipality has not used the savings solely
35 and exclusively for the purpose of reducing the amount that is
36 required to be raised by the local property tax levy by the county for
37 county purposes or by the municipality for municipal purposes, as
38 appropriate, the director shall direct the county or municipal
39 governing body, as appropriate, to make corrections to its budget.²

40 (cf: P.L.2017, c.98, s.27)

41

42 18. Section 18 of P.L.1964, c.241 (C.43:16A-16.1) is amended
43 to read as follows:

44 18. Any member who has at least 3 years of service to his credit
45 for which he has contributed as a member may borrow from the
46 retirement system, an amount equal to not more than 50% of the
47 amount of his aggregate contributions, but not less than \$50.00;
48 provided that the amount so borrowed, together with interest

1 thereon, can be repaid by additional deductions from salary, not in
2 excess of 25% of the member's salary, made at the time the salary is
3 paid to the member. The amount so borrowed, together with
4 interest on any unpaid balance thereof, shall be repaid to the
5 retirement system in equal installments by deductions from the
6 salary of the member at the time the salary is paid or in such lump
7 sum amount to repay the balance of the loan but such installments
8 shall be at least equal to the member's rate of contribution to the
9 retirement system and at least sufficient to repay the amount
10 borrowed with interest thereon. Not more than two loans may be
11 granted to any member in any calendar year. Notwithstanding any
12 other law affecting the salary or compensation of any person or
13 persons to whom this act applies or shall apply, the additional
14 deductions required to repay the loan shall be made.

15 The rate of interest for a loan requested by a member prior to the
16 effective date of P.L.2007, c.92 (C.43:15C-1 et al.) shall be 4% per
17 annum on any unpaid balance thereof. For a loan requested after
18 the effective date of that act, the rate of interest per annum shall be
19 a commercially reasonable rate as required by the Internal Revenue
20 Code to be determined by the State Treasurer on that effective date,
21 and by the board of trustees on January 1 of each calendar year
22 thereafter. An administrative fee in an amount set by the **[State**
23 **Treasurer]** board of trustees for each calendar year may be charged
24 for any loan requested after the effective date of P.L.2007, c.92
25 (C.43:15C-1 et al.).

26 Loans shall be made to a member from his aggregate
27 contributions. The interest earned on such loans shall be treated in
28 the same manner as interest earned from investments of the
29 retirement system.

30 (cf: P.L.2007, c.92, s.38)

31

32 19. Section 2 of P.L.1981, c.370 (C.43:16A-16.2) is amended to
33 read as follows:

34 2. In the case of any member who retires without repaying the
35 full amount so borrowed, the **[Division of Pensions and Benefits]**
36 board of trustees shall deduct from the retirement benefit payments
37 the same monthly amount which was deducted from the
38 compensation of the member immediately preceding retirement
39 until the balance of the amount borrowed together with the interest
40 is repaid. In the case of a pensioner who dies before the
41 outstanding balance of the loan and interest thereon has been
42 recovered, the remaining balance shall be repaid from the proceeds
43 of any other benefits payable on the account of the pensioner either
44 in the form of monthly payments due to his beneficiaries or in the
45 form of lump sum payments payable for pension or group life
46 insurance.

47 (cf: P.L.2007, c.92, s.39)

1 20. Section 3 of P.L.1992, c.78 (C.43:16A-16.10) is amended to
2 read as follows:

3 3. The **【Director of the Division of Investment】** board of
4 trustees shall at all times have authority to invest and reinvest the
5 monies in, and to acquire for or on behalf of, the Police and
6 Firemen's Retirement System of New Jersey mortgage loans on
7 residential property.
8 (cf: P.L.1992, c.78, s.3)
9

10 21. Section 4 of P.L.1992, c.78 (C.43:16A-16.11) is amended to
11 read as follows:

12 4. a. In addition to any loan for which he may be eligible
13 pursuant to the provisions of section 18 of P.L.1964, c.241
14 (C.43:16A-16.1) and notwithstanding the provisions of that or any
15 other law to the contrary, any member of the Police and Firemen's
16 Retirement System who, at the time of application, is employed by
17 the State or a county, municipality or other political subdivision of
18 the State and who has at least one year of creditable service is, for
19 the purpose of securing for his own occupation as his principal
20 residence a residential property located within this State, eligible to
21 receive a mortgage loan pursuant to the provisions of this act. The
22 mortgage loan shall be used only for the purpose of enabling a
23 borrower to acquire or construct a residential property or refinance
24 an existing residential property loan.

25 No member shall be eligible hereunder for more than one
26 outstanding mortgage loan at any time, and no member shall be
27 eligible to receive a second mortgage loan on a residential property
28 already mortgaged by him. Preference shall be given in making
29 loans to members who are applying to acquire or construct their
30 first principal place of residence.

31 b. Any mortgage loan made pursuant to the provisions of this
32 act, together with any interest and expenses to the retirement system
33 associated with the making of that loan, shall be repaid in equal
34 installments.

35 c. The amount of interest charged with respect to a mortgage
36 loan made pursuant to the provisions of this act shall be fixed for
37 the entire term of the loan. The New Jersey Housing and Mortgage
38 Finance Agency, established under section 4 of P.L.1983, c.530
39 (C.55:14K-4), shall initially establish the rate within 120 days of
40 the effective date of this act and semiannually reset the rate
41 thereafter. The rate shall be determined by the New Jersey Housing
42 and Mortgage Finance Agency by adding 1% to the index. For the
43 purposes of this subsection, the index shall be the weekly average
44 yield at the time the rate is reset on ten-year United States Treasury
45 securities adjusted to a constant maturity as made available by the
46 Federal Reserve Board. If the issuance of ten-year United States
47 Treasury securities is discontinued, the subsequent index shall be
48 determined by the **【State Treasurer】** board of trustees with the

1 advice of the New Jersey Housing and Mortgage Finance Agency.
2 The term of any mortgage loan so made shall not exceed 30 years.

3 d. No mortgage loan made pursuant to the provisions of this act
4 shall be sold, transferred or assigned to any person, nor shall the
5 payments with respect to any mortgage loan so made be assumed by
6 any person other than the member to whom that loan was made,
7 except that in the event of the death of a member, the mortgage may
8 be assignable to a surviving spouse if the spouse is the sole heir to
9 the property.

10 e. The instrument evidencing a mortgage loan under the
11 provisions of this act may be in such form, and may contain such
12 provisions, not inconsistent with law, as the director may choose to
13 insert for the protection of the retirement system's lien and the
14 preservation of its interest in the real property mortgaged to it.

15 (cf: P.L.2001, c.293, s.1)

16

17 22. Section 5 of P.L.1992, c.78 (C.43:16A-16.12) is amended to
18 read as follows:

19 5. The **【State Treasurer】** board of trustees shall delegate the
20 administration of this mortgage loan program to the New Jersey
21 Housing and Mortgage Finance Agency established under section 4
22 of P.L.1983, c.530 (C.55:14K-4). The agency shall: a. originate
23 loans; b. appraise the value of any real property eligible to be
24 mortgaged under this act; c. guarantee and insure title to the real
25 property; and d. perform any other service necessary to accomplish
26 the purposes of this act in a manner consistent with the protection of
27 the rights of beneficiaries of the retirement system. The cost of the
28 performance of these services in connection with the making of a
29 mortgage loan shall be charged to the borrower and included in the
30 amount of that mortgage loan.

31 (cf: P.L.1992, c.78, s.5)

32

33 23. Section 6 of P.L.1992, c.78 (C.43:16A-16.13) is amended to
34 read as follows:

35 6. The **【State Treasurer】** board of trustees, with the advice of
36 **【the State Investment Council, the Board of Trustees of the Police
37 and Firemen's Retirement System, and】** the New Jersey Housing
38 and Mortgage Finance Agency, shall set mortgage loan standards
39 and guidelines for loans made pursuant to this act, including
40 mortgage loan maturity terms, participation fees, mortgage loan
41 insurance requirements, lender compensation rates, servicing fees,
42 loan-to-value ratios, minimum and maximum mortgage loan
43 amounts and eligibility standards consistent with section 4 of this
44 act.

45 (cf: P.L.1992, c.78, s.6)

46

47 24. Section 9 of P.L.1992, c.78 (C.43:16A-16.16) is amended to
48 read as follows:

1 9. The **【State Treasurer】** board of trustees shall, with the
2 advice of **【the State Investment Council, the Director of the**
3 **Division of Pensions and】** the Executive Director of the New Jersey
4 Housing and Mortgage Finance Agency and in accordance with the
5 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
6 seq.), promulgate any rules and regulations necessary to accomplish
7 the purposes of this act.

8 (cf: P.L.1992, c.78, s.9)

9
10 25. Section 19 of P.L.1964, c.241 (C.43:16A-17.1) is amended
11 to read as follows:

12 19. If possible, whenever any beneficiary shall, in writing,
13 request the **【Division of Pensions】** board of trustees to make
14 deductions from his retirement allowance or pension for the purpose
15 of paying premiums for the pensioners' group health insurance plan
16 or the State Health Benefits program, the **【division】** board may
17 make such deductions and transmit the sums so deducted to the
18 companies carrying the policies. Any such written authorization
19 may be withdrawn by any beneficiary upon filing notice of such
20 withdrawal with the division.

21 (cf: P.L.1971, c.175, s.14)

22
23 26. Section 2 of P.L.1973, c.92 (C.43:16A-48.2) is amended to
24 read as follows:

25 2. a. An eligible officer who is a member of a pension fund
26 established by a county or a county park commission or of the
27 Public Employees' Retirement System shall be permitted to transfer
28 his membership in said fund to the Police and Firemen's Retirement
29 System of New Jersey by waiving all rights and benefits which
30 would otherwise be provided by the county or county park
31 commission pension fund or by the Public Employees' Retirement
32 System. Any such officer will likewise be permitted to continue his
33 membership in the county or county park commission pension fund
34 or in the Public Employees' Retirement System by waiving all
35 rights and benefits which would otherwise be provided by the
36 Police and Firemen's Retirement System. Such waivers shall be
37 accomplished by filing forms satisfactory to the **【New Jersey State**
38 **Division of Pensions】** board of trustees, which is responsible for the
39 administration of the Police and Firemen's Retirement System,
40 within 90 days of the effective date of this act. In the absence of the
41 filing of a timely waiver by any eligible officer his pension status
42 shall remain unchanged and his membership shall not be transferred
43 to the Police and Firemen's Retirement System.

44 b. Each new officer who begins employment following the
45 effective date of this act and who is otherwise eligible, shall be
46 required to enroll in the Police and Firemen's Retirement System of
47 New Jersey as a condition of employment, provided he is otherwise

1 eligible for membership by meeting the appointment, age, and
2 health prescriptions required of all members. As of the effective
3 date of this act, the eligibility of membership for such new officers
4 in the county or county park commission pension fund or in the
5 Public Employees' Retirement System shall be terminated and the
6 membership requirements of such other funds will be deemed
7 satisfied by the enrollment of such employees in the Police and
8 Firemen's Retirement System.

9 c. All officers who, prior to the effective date of this act, were
10 not required to become and who are not members of county or
11 county park commission pension funds or the Public Employees'
12 Retirement System, and who anticipate the receipt of a pension
13 from the county under the provisions of chapter 4 of Title 43 of the
14 Revised Statutes or the "General Noncontributory Pension Act"
15 P.L.1955, c. 263 (C. 43:8B-1 et seq.), shall continue their eligibility
16 for such pension to be paid by the county and shall not be permitted
17 to enroll in the Police and Firemen's Retirement System of New
18 Jersey.

19 (cf: P.L.1973, c.92, s.2)

20
21 27. Section 7 of P.L.1973, c.92 (C.43:16A-48.7) is amended to
22 read as follows:

23 7. The chief fiscal officer of each employer shall transmit to
24 the retirement system such information as the system shall require
25 in order for the **【New Jersey State Division of Pensions】** board of
26 trustees to comply with the provisions of this act.

27 (cf: P.L.1973, c.92, s.7)

28
29 28. Section 20 of P.L.1964, c.241 (C.43:16A-53) is amended to
30 read as follows:

31 20. The **【State Treasurer】** board of trustees is hereby authorized
32 and permitted to purchase from one or more life insurance
33 companies, as determined by him, a group life insurance coverage
34 to provide for the death benefits specified in sections 5 **【,】** and 6,
35 **【7(3)】** subsection (3) of section 7, section 9, and **【10(5) of chapter**
36 **255 of the laws of 1944】** subsection (5) of section 10 of P.L.1944,
37 c.255 (C.43:16A-5 through C.43:16A-7, C.43:16A-9, and
38 C.43:16A-10) and sections 16 and 17 of **【chapter 241 of the laws of**
39 **1964】** P.L.1964, c.241 (C.43:16A-11.1 and C.43:16A-11.2). Such
40 group life insurance coverage may be provided under one or more
41 policies issued to the **【State Treasurer】** board of trustees
42 specifically for this purpose or, in the discretion of the **【State**
43 **Treasurer】** board of trustees, under one or more policies issued to
44 the **【State Treasurer】** board of trustees which provide group life
45 insurance coverage for members of one or more other retirement
46 systems of the State of New Jersey. Whenever such policy or
47 policies of group insurance shall be in effect, the benefits payable

1 thereunder shall be in lieu of the above mentioned death benefits
2 provided by said sections. Any dividend or retrospective rate credit
3 allowed by an insurance company shall be credited in an equitable
4 manner to the special insurance funds from which premiums are
5 paid.

6 (cf: P.L.1967, c.250, s.18)

7

8 29. Section 22 of P.L.1964, c.241 (C.43:16A-55) is amended to
9 read as follows:

10 22. The **【State Treasurer】** board of trustees may, in **【his】** its
11 discretion, determine to purchase group insurance coverage for the
12 death benefit provisions as provided in sections 5 **【,】** and 6, **【7(3)】**
13 subsection (3) of section 7, section 9, and 【10(5) of chapter 255 of
14 the laws of 1944】 subsection (5) of section 10 of P.L.1944, c.255
15 (C.43:16A-5 through C.43:16A-7, C.43:16A-9, and C.43:16A-10)
16 and sections 16 and 17 of **【chapter 241 of the laws of 1964】**
17 P.L.1964, c.241 (C.43:16A-11.1 and C.43:16A-11.2), or may
18 determine not to purchase any group insurance coverage for the
19 death benefit provisions heretofore mentioned.

20 (cf: P.L.1967, c.250, s.19)

21

22 30. Section 23 of P.L.1964, c.241 (C.43:16A-56) is amended to
23 read as follows:

24 23. In the event the **【State Treasurer】** board of trustees shall
25 determine to purchase group insurance coverage for the death
26 benefits, premiums for the same shall be paid from a special fund,
27 hereby created, called the "Group Insurance Premium Fund." The
28 **【State Treasurer】** board of trustees shall estimate annually the
29 amount which will be required for premiums for such benefits for
30 the ensuing fiscal year and shall certify such amounts to the
31 participating employers as due and owing from them. The
32 participating employers shall pay over to the **【State Treasurer】**
33 board of trustees the amount for premiums so certified and the
34 **【State Treasurer】** board of trustees shall deposit these amounts in
35 the Group Insurance Premium Fund. During the period such group
36 insurance policy or policies are in effect with respect to members of
37 the Police and Firemen's Retirement System of New Jersey the
38 **【State Treasurer】** board of trustees shall in no way commingle
39 moneys in this fund with any pension fund established by **【chapter**
40 **255 of the laws of 1944】** P.L.1944, c.255 (C.43:16A-1 et seq.).

41 (cf: P.L.1967, c.250, s.20)

42

43 31. Section 24 of P.L.1964, c.241 (C.43:16A-57) is amended to
44 read as follows:

45 24. All reserves and moneys held by the insurance carrier under
46 group life insurance contracts providing for employee contributions
47 pursuant to the provisions of **【chapter 241 of the laws of 1964】**

1 P.L.1964, c.241 (C.43:16A-11.1 et al.), and any amendments and
2 supplements thereto, shall be transferred and merged with those
3 purchased by the **【State Treasurer】** board of trustees.
4 (cf: P.L.1967, c.250, s.21)

5

6 32. Section 2 of P.L.1985, c.221 (C.43:16A-62.3) is amended to
7 read as follows:

8 2. a. Either the transfer to or the initial enrollment in the
9 Police and Firemen's Retirement System of chief investigators,
10 assistant chief investigators, senior investigators and investigators
11 in a county welfare agency is contingent upon the approval of the
12 county. A county may make such a transfer or allow such an
13 enrollment upon the adoption of an ordinance or resolution, as
14 appropriate.

15 b. If an ordinance or resolution is adopted pursuant to
16 subsection a. of this section, an eligible officer who is a member of
17 the Public Employees' Retirement System (P.L.1954, c.84,
18 C.43:15A-1 et seq.) or of a county pension fund created under
19 P.L.1943, c.160 (C.43:10-18.1 et seq.), or P.L.1948, c.310
20 (C.43:10-18.50), or article 1 of chapter 10 of Title 43 of the Revised
21 Statutes (R.S. 43:10-1 et seq.), hereinafter referred to as "county
22 pension fund," shall be permitted to transfer his membership in the
23 retirement system or county pension fund to the Police and
24 Firemen's Retirement System of New Jersey by: (1) waiving all
25 rights and benefits which would otherwise be provided by the
26 Public Employees' Retirement System or county pension fund; and
27 (2) making a lump sum payment into the Police and Firemen's
28 Retirement System annuity savings fund of the amount of the
29 difference between the contribution which was paid as a member of
30 the Public Employees' Retirement System or a county pension fund
31 and the contribution that would have been required if he had been a
32 member of the Police and Firemen's Retirement System since the
33 date of last enrolling in the Public Employees' Retirement System
34 or a county pension fund. In addition, the employee shall be liable
35 for the amount of the difference between (1) the total contribution
36 paid by the employer of the employee to the Public Employees'
37 Retirement System of New Jersey or county pension fund with
38 respect to any service credit transferred therefrom to the Police and
39 Firemen's Retirement System under this subsection, and (2) the
40 contribution which the employer would have been required to pay
41 to the Police and Firemen's Retirement System with respect to that
42 service credit if the employee had been enrolled in the Police and
43 Firemen's Retirement System during the entire period with respect
44 to which he accumulated that credit; this payment may be made in
45 regular monthly installments, or in a lump sum, as the employee
46 may elect, and pursuant to rules and regulations as may be
47 promulgated by the **【Division of Pensions】** board of trustees. Any
48 such officer will likewise be permitted to continue his membership

1 in the Public Employees' Retirement System or county pension fund
2 by waiving all rights and benefits which would otherwise be
3 provided by the Police and Firemen's Retirement System. Such
4 waivers shall be accomplished by filing forms satisfactory to the
5 **【New Jersey Division of Pensions】** board of trustees, which is
6 responsible for the administration of the Police and Firemen's
7 Retirement System, within 90 days following the effective date of
8 an ordinance or resolution adopted by a county under subsection a.
9 of this section. In the absence of a filing of a timely waiver by any
10 eligible officer, his pension status shall remain unchanged and his
11 membership shall not be transferred to the Police and Firemen's
12 Retirement System.

13 c. The transfer of membership from the Public Employees'
14 Retirement System or county pension fund to the Police and
15 Firemen's Retirement System shall be done in accordance with the
16 provisions of P.L. 1973, c. 156 (C. 43:16A-62 et seq.). Whenever in
17 P.L. 1973, c. 156 a period of time is set which is to be calculated
18 from the effective date of that act, such time shall be calculated
19 from the effective date of an ordinance or resolution adopted by a
20 county under subsection a. of this section for the purposes hereof.

21 d. If an ordinance or resolution is adopted pursuant to
22 subsection a. of this section, each new officer who begins
23 employment following the effective date of the ordinance or
24 resolution shall be required to enroll in the Police and Firemen's
25 Retirement System as a condition of employment, provided he is
26 otherwise eligible for membership by meeting appointment, age,
27 and health requirements prescribed for all members. As of the
28 effective date of the ordinance or resolution, eligibility for
29 membership of new officers in the Public Employees' Retirement
30 System shall be deemed terminated and the membership
31 requirements of such other retirement system shall be deemed
32 satisfied by the enrollment of such officers in the Police and
33 Firemen's Retirement System.

34 (cf: P.L.1985, c.221, s.2)

35

36 33. Section 4 of P.L.1973, c.156 (C.43:16A-63) is amended to
37 read as follows:

38 4. a. An eligible officer who is a member of the Public
39 Employees' Retirement System or of a county pension fund created
40 under P.L.1943, c. 160 (C.43:10-18.1 et seq.), or P.L.1948, c. 310
41 (C.43:10-18.50 et seq.) or article 2 of chapter 10 of Title 43 of the
42 Revised Statutes (R.S.43:10-19 et seq.), hereinafter referred to as a
43 "county pension fund" shall be permitted to transfer his
44 membership in said fund to the Police and Firemen's Retirement
45 System of New Jersey by waiving all rights and benefits which
46 would otherwise be provided by the Public Employees' Retirement
47 System or a county pension fund. Any such officer will likewise
48 be permitted to continue his membership in the Public Employees'

1 Retirement System or a county pension fund by waiving all rights
2 and benefits which would otherwise be provided by the Police and
3 Firemen's Retirement System. Such waivers shall be accomplished
4 by filing forms satisfactory to the **【New Jersey Division of**
5 **Pensions】** board of trustees, which is responsible for the
6 administration of the Police and Firemen's Retirement System,
7 within 90 days of the effective date of this 1975 amendatory and
8 supplementary act. In the absence of the filing of a timely waiver
9 by any eligible officer his pension status shall remain unchanged
10 and his membership shall not be transferred to the Police and
11 Firemen's Retirement System.

12 b. Each new officer who begins employment following the
13 effective date of this 1975 amendatory and supplementary act, shall
14 be required to enroll in the Police and Firemen's Retirement System
15 of New Jersey as a condition of employment, provided he is
16 otherwise eligible for membership by meeting the appointment, age,
17 and health prescriptions required of all members. As of the
18 effective date of this 1975 amendatory and supplementary act, the
19 eligibility of membership for such new officers in the Public
20 Employees' Retirement System or a county pension fund named in
21 paragraph a. above shall be terminated and the membership
22 requirements of such other fund will be deemed satisfied by the
23 enrollment of such employees in the Police and Firemen's
24 Retirement System.

25 (cf: P.L.1975, c.303, s.1)

26

27 34. Section 9 of P.L.1973, c.156 (C.43:16A-68) is amended to
28 read as follows:

29 9. The chief fiscal officer of the employer shall transmit to the
30 retirement system such information as the system shall require in
31 order for the **【New Jersey Division of Pensions】** board of trustees
32 to comply with the provisions of this act.

33 (cf: P.L.1973, c.156, s.9)

34

35 35 Section 7 of P.L.1950, c.270 (C.52:18A-85) is amended to
36 read as follows:

37 7. The functions, powers and duties vested by law in the
38 following enumerated agencies:

39 The Board of Trustees of the Public Employees' Retirement
40 System; the Board of Trustees of the State Police Retirement
41 System; the Prison Officers' Pension Commission; the Board of
42 Trustees of the Teachers' Pension and Annuity Fund; **【the Board of**
43 **Trustees of the Police and Firemen's Retirement System of New**
44 **Jersey;】** and the Consolidated Police and Firemen's Pension Fund
45 Commission; of, or relating to, investment or reinvestment of
46 moneys of, and purchase, sale or exchange of any investments or
47 securities of or for any funds or accounts under the control and

1 management of such agencies, are hereby transferred to and shall
 2 be exercised and performed for such agencies by the Director of
 3 the Division of Investment established hereunder. ³Notwithstanding
 4 this provision, the Board of Trustees of the Police and Firemen's
 5 Retirement System shall have the authority to direct investment policy.
 6 The purchase, sale or exchange of any investments or securities under
 7 the control and management of the Board of Trustees of the Police and
 8 Firemen's Retirement System shall be exercised and performed by the
 9 Director of the Division of Investment. Notwithstanding this
 10 provision, Common Pension Fund L and the assets held by Common
 11 Pension Fund L as of the effective date of this Act and thereafter,
 12 including the interest of the Police and Firemen's Retirement System
 13 of New Jersey therein shall remain within the Division of Investment.
 14 The Division of Investment, the Director of the Division of Investment
 15 and the State Investment Council shall retain all functions, powers,
 16 and duties relating to Common Pension Fund L assigned to the
 17 Division of Investment, the Director of the Division of Investment, and
 18 the State Investment Council, by P.L. 2017, c. 98 (C.5:9-22.5 et seq.).³
 19 (cf: P.L.1970, c.57, s.17)

20
 21 36. Section 1 of P.L.1959, c.17 (C.52:18A-88.1) is amended to
 22 read as follows:

23 1. The Director of the Division of Investment, in addition to
 24 other investments, presently or from time to time hereafter
 25 authorized by law, shall have authority to invest and reinvest the
 26 moneys in, and to acquire for or on behalf of the funds of the
 27 following enumerated agencies:

28 The Consolidated Police and Firemen's Pension Fund;

29 ³The Police and Firemen's Retirement System of New Jersey;³

30 **【The Police and Firemen's Retirement System of New Jersey;】**

31 The Prison Officers' Pension Fund;

32 The Public Employees' Retirement System of New Jersey;

33 The State Police Retirement System;

34 The Teachers' Pension and Annuity Fund;

35 The Judicial Retirement System of New Jersey;

36 The Trustees for the Support of Public Schools;

37 and all other funds in the custody of the State Treasurer, unless
 38 otherwise provided by law;

39 such investments which shall be authorized or approved for
 40 investment by regulation of the State Investment Council ³, or in the
 41 case of the Police and Firemen's Retirement System of New Jersey,
 42 by regulation of the Board of Trustees of the Police and Firemen's
 43 Retirement System of New Jersey, except that notwithstanding this
 44 provision, Common Pension Fund L and the assets held by
 45 Common Pension Fund L as of the effective date of this Act and
 46 thereafter, including the interest of the Police and Firemen's
 47 Retirement System of New Jersey therein shall remain within the
 48 Division of Investment. The Director of the Division of Investment

1 and the State Investment Council shall retain all functions, powers,
2 and duties relating to Common Pension Fund L assigned to the
3 Division of Investment, the Director of the Division of Investment,
4 and the State Investment Council, by P.L. 2017, c. 98 (C.5:9-22.5 et
5 seq.)³.

6 (cf: P.L.2013, c.253, s.39)

7

8 37. Section 11 of P.L.1950, c.270 (C.52:18A-89) is amended to
9 read as follows:

10 11. a. Limitations, conditions and restrictions contained in any
11 law concerning the kind or nature of investment of any of the
12 moneys of any of the funds or accounts referred to herein shall
13 continue in full force and effect; provided, however, that subject to
14 any acceptance required, or limitation or restriction contained
15 herein: the Director of the Division of Investment shall at all times
16 have authority to invest and reinvest any such moneys in
17 investments as defined in subsection c. of this section and, for or on
18 behalf of any such fund or account, to sell or exchange any such
19 investments; provided, however, that the Board of Trustees of the
20 Police and Firemen's Retirement System of New Jersey shall have
21 ³[sole] the³ authority to ³[invest and reinvest moneys] direct the
22 investment and reinvestment policies³ for or on behalf of the Police
23 and Firemen's Retirement System of New Jersey ³, with the
24 exception of those monies held by Common Pension Fund L as of
25 the effective date of this act and thereafter, which the Board of
26 Trustees of the Police and Firemen's Retirement System of New
27 Jersey shall have no authority to direct investment associated with
28 the Common Pension Fund L. The Director of the Division of
29 Investment shall retain all functions, powers, and duties pursuant to
30 P.L. 2017, c. 98 (C.5:9-22.5 et seq.)³.

31 b. In investing and reinvesting any and all money and property
32 committed to the director's investment discretion from any source
33 whatsoever, and in acquiring, retaining, selling, exchanging and
34 managing investments, the Director of the Division of Investment,
35 and in the case of the Police and Firemen's Retirement System of
36 New Jersey, the Board of Trustees of the Police and Firemen's
37 Retirement System of New Jersey, shall exercise the care, skill,
38 prudence and diligence under the circumstances then prevailing that
39 a prudent person acting in a like capacity and familiar with such
40 matters would use in the conduct of an enterprise of a like character
41 and with like aims. In making each investment, the director may,
42 depending on the nature and objectives of the portfolio, consider the
43 whole portfolio, provided that, in making each investment, the
44 director shall act with the reasonable expectation that the return on
45 each investment shall be commensurate with the risk associated
46 with each investment. The director ³[or board of trustees]³ shall be
47 under a duty to manage and invest the portfolio solely in the

1 interests of the beneficiaries of the portfolio and for the exclusive
2 purpose of providing financial benefits to the beneficiaries of the
3 portfolio.

4 c. For the purposes of this section, "investments" means and
5 includes property of every nature, real, personal and mixed, tangible
6 and intangible, and specifically includes, solely by way of
7 description and not by way of limitation, bonds, debentures and
8 other corporate obligations, direct and indirect investments in
9 equity real estate , mortgages and other direct or indirect interests
10 in real estate or investments secured by real estate, capital stocks,
11 common stocks, preferred stocks, diversified pools of venture
12 capital which otherwise could be made consistent with the standard
13 of care required by subsection b. of this section, common trust
14 funds as defined in and regulated by sections 36 through 46 of
15 P.L.1948, c.67 (C.17:9A-36 through 17:9A-46), repurchase
16 agreements, securities loan transactions secured by cash, securities
17 issued by the United States government or its agencies, or
18 irrevocable bank letters of credit, whether directly or through a
19 bank or similar financial institution acting as agent or trustee,
20 mutual funds, and any other security issued by an investment
21 company or investment trust, whether managed or not by third
22 parties, registered under the "Investment Company Act of 1940,"
23 (15 U.S.C. s.80a-1 et seq.). No investment that is otherwise
24 permissible under this subsection shall be considered to be unlawful
25 solely because the investment is made indirectly or through a
26 partnership, trust, or other legal entity.
27 (cf: P.L.1997, c.26, s.26)

28

29 38. All of the present functions, powers, ³and³ duties ³[,
30 equipment, and records]³ relating to the Police and Firemen's
31 Retirement System of New Jersey in the Division of Pensions and
32 Benefits in the Department of the Treasury ³[and the Division of
33 Investment]³ are hereby transferred to the Board of Trustees of the
34 Police and Firemen's Retirement System of New Jersey ³, except
35 that the Board of Trustees of the Police and Firemen's Retirement
36 System of New Jersey may contract with the Division of Pension
37 and Benefits in the Department of Treasury to effectuate the goals
38 of this Act. The Department of Treasury and the Division of
39 Investment shall retain all functions, powers, duties, equipment and
40 records relating to Common Pension Fund L assigned to the
41 Department of the Treasury and the Division of Investment by P.L.
42 2017, c.98 (C.5:9-22.5 et. seq.). Copies of records relating to the
43 Police and Firemen's Retirement System of New Jersey in the
44 Division of Pensions and Benefits in the Department of the
45 Treasury and the Division of Investment shall be made available to
46 the Board of Trustees of the Police and Firemen's Retirement
47 System of New Jersey upon request³.

1 39. The terms of service of those appointed and elected
2 members serving on the Board of Trustees of the Police and
3 Firemen's Retirement System on the date of enactment of P.L. , c.
4 (pending before the Legislature as this bill), shall be terminated as
5 of the first day of the seventh month next following that date of
6 enactment, so that the composition of the board as provided for in
7 this act shall be attained. A trustee whose service on the board has
8 been terminated pursuant to this section may be appointed or
9 elected to serve as a trustee after that effective date if qualified.

10
11 ³40. Section 5 of P.L.1950, c.270 (C.52:18A-83) is amended to
12 read as follows:

13 5. a. There is hereby established in the Division of Investment
14 a State Investment Council which shall consist of 16 members.

15 (1) Each of the following agencies, namely, the Board of
16 Trustees of the Public Employees' Retirement System, and the
17 Board of Trustees of the Teachers' Pension and Annuity Fund **】, and**
18 the Board of Trustees of the Police and Firemen's Retirement
19 System of New Jersey**】, shall designate one board member elected**
20 to serve on the board, to serve as a member of the State Investment
21 Council herein established. The **【three】** two members of the
22 council so designated shall serve as such for a period of three years
23 from the date of their designation and until their respective
24 successors are in like manner designated.

25 (2) Eight of the members of the State Investment Council shall
26 be appointed by the Governor, with the advice and consent of the
27 Senate, for a term of five years and shall serve until the member's
28 successor is appointed and has qualified. Of the initial members
29 appointed following the effective date of P.L.2011, c.78, one shall
30 serve for an initial period of three years, and one shall serve for an
31 initial period of two years.

32 (3) One member of the State Investment Council shall be
33 appointed by the Governor from among three persons nominated
34 jointly by the President of the Senate and the Speaker of the
35 General Assembly and shall serve for a term of five years and until
36 the member's successor is appointed and has qualified.

37 (4) Two members of the State Investment Council shall be
38 appointed by the Governor from among six persons nominated by
39 the Public Employee Committee of the New Jersey State AFL-CIO
40 and shall serve for a term of five years and until the member's
41 successor is appointed and has qualified. **【At least one of the two**
42 **members appointed shall be a member of a union representing**
43 **police officers or firefighters.】** If the persons nominated are not
44 acceptable to the Governor for appointment, the Governor may
45 request submission of new nominees.

46 (5) One member of the State Investment Council shall be
47 appointed by the Governor from among three persons nominated by

1 the New Jersey Education Association and shall serve for a term of
2 three years and until the member's successor is appointed and has
3 qualified. If the persons nominated are not acceptable to the
4 Governor for appointment, the Governor may request submission of
5 new nominees.

6 (6) One member of the State Investment Council shall be
7 appointed by the Governor from among three persons nominated by
8 the State Troopers Fraternal Association and shall serve for a term
9 of three years and until the member's successor is appointed and has
10 qualified. If the persons nominated are not acceptable to the
11 Governor for appointment, the Governor may request submission of
12 new nominees.

13 The four members appointed pursuant to paragraphs (4), (5) and
14 (6) of this subsection by the Governor to the council shall be
15 qualified by training, experience or long-term interest in the direct
16 management, analysis, supervision or investment of assets, and this
17 training, experience or long-term interest shall have been
18 supplemented by academic training in the fields of economics,
19 business, law, finance or actuarial science or by actual employment
20 in those fields.

21 At least seven of the nine members appointed pursuant to
22 paragraphs (2) and (3) of this subsection by the Governor to the
23 council shall be qualified by training and experience in the direct
24 management, analysis, supervision or investment of assets, which
25 training and experience shall have been acquired through academic
26 training or through actual employment in those fields.

27 b. No member of the State Investment Council shall hold any
28 office, position or employment in any political party nor shall any
29 such member benefit directly or indirectly from any transaction
30 made by the Director of the Division of Investment provided for
31 herein.

32 The members of the council shall elect annually from their
33 number a chairman of such council. Any member of the council so
34 elected shall serve as such chairman for a term of one year and until
35 a successor is, in like manner, elected. The chairman of the council
36 shall be its presiding officer.

37 The members of the council shall serve without compensation
38 but shall be reimbursed for necessary expenses incurred in the
39 performance of their duties as approved by the chairman of the
40 council. The members of the council shall be required to file the
41 same annual financial disclosure statements as those required to be
42 filed by members of other State boards and commissions who are
43 not compensated for their services, as such statements shall be
44 required by law or executive order of the Governor. The financial
45 disclosure statements of council members shall be made available to
46 the public in the same manner as the statements of members of
47 other State boards and commissions are made available to the
48 public.

1 Each member of the council, except the member appointed from
2 among persons nominated by the President of the Senate and the
3 Speaker of the General Assembly, may be removed from office by
4 the Governor, for cause, upon notice and opportunity to be heard at
5 a public hearing. Any vacancy in the membership of the council
6 occurring other than by expiration of term shall be filled in the same
7 manner as the original appointment, but for the unexpired term
8 only.

9 c. The terms of the members of the council serving pursuant to
10 paragraph (1) of subsection a. of this section and serving on the
11 effective date of P.L.2011, c.78 are terminated as of that effective
12 date. A member terminated pursuant to this subsection shall be
13 eligible for reappointment.³
14 (cf: P.L.2011, c.78, s.28)

15

16 ³[40.] 41.³ Section 1 of P.L.1947, c.217 (C.43:16A-13.1) is
17 repealed.

18

19 ³[41.] 42.³ This act shall take effect on the 366th day next
20 following enactment, except the provisions concerning the election,
21 appointment, and composition of the new Board of Trustees of the
22 Police and Firemen's Retirement System, set forth in section 15 of
23 this act, shall take effect as specified in that section and the new
24 Board of Trustees of the Police and Firemen's Retirement System
25 shall take office on the first business day of the seventh month next
26 following the date of enactment of this act. The Board of Trustees
27 of the Police and Firemen's Retirement System, the Division of
28 Pensions and Benefits, and the Division of Investment may take
29 such anticipatory administrative action in advance as shall be
30 necessary for the implementation of the act.

31

32

33

34

35 Transfers management of PFRS to Board of Trustees of PFRS.

SENATE, No. 5

STATE OF NEW JERSEY 218th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2018 SESSION

Sponsored by:

Senator STEPHEN M. SWEENEY

District 3 (Cumberland, Gloucester and Salem)

Senator THOMAS H. KEAN, JR.

District 21 (Morris, Somerset and Union)

Co-Sponsored by:

Senators A.R.Bucco and Oroho

SYNOPSIS

Transfers management of PFRS to Board of Trustees of PFRS.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



1 AN ACT concerning the management of the Police and Firemen's
2 Retirement System, amending various parts of the statutory law,
3 and repealing section 1 of P.L.1947, c.217.
4

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

7
8 1. Section 2 of P.L.1958, c.143 (C.43:3B-2) is amended to read
9 as follows:

10 2. The monthly retirement allowance or pension originally
11 granted to any retirant and the pension or survivorship benefit
12 originally granted to any beneficiary shall be adjusted in accordance
13 with the provisions of this act provided, however, that:

14 a. **[the]** The maximum retirement allowance, without option,
15 shall be considered the retirement allowance originally granted to
16 any retirant who, at retirement, elected an Option I allowance
17 pursuant to the provisions of the statutes stipulated in subsection b.
18 of section 1 of this act (C.43:3B-1); and b. the minimum pension
19 granted to any beneficiary stipulated in subsection d. (4) of section
20 1 of this act (C.43:3B-1), shall be considered the pension originally
21 granted to such beneficiary.

22 Pension adjustments shall not be paid to retirants or beneficiaries
23 who are not receiving their regular, full, monthly retirement
24 allowances, pensions or survivorship benefits. The adjustment
25 granted under the provisions of this act shall be effective only on
26 the first day of a month, shall be paid in monthly installments, and
27 shall not be decreased, increased, revoked or repealed except as
28 otherwise provided in this act. No adjustment shall be due to a
29 retirant or a beneficiary unless it constitutes a payment for an entire
30 month; provided, however, that an adjustment shall be payable for
31 the entire month in which the retirant or beneficiary dies.

32 Commencing with the effective date of P.L.2011, c.78 and
33 thereafter, no further adjustments to the monthly retirement
34 allowance or pension originally granted to any retirant and the
35 pension or survivorship benefit granted to any beneficiary shall be
36 made in accordance with the provisions of P.L.1958, c.143
37 (C.43:3B-1 et seq.), unless the adjustment is reactivated as
38 permitted by law. This provision shall not reduce the monthly
39 retirement benefit that a retirant or a beneficiary is receiving on the
40 effective date of P.L.2011, c.78 when the benefit includes an
41 adjustment granted prior to that effective date. The Board of
42 Trustees of the Police and Firemen's Retirement System may adjust
43 the monthly retirement allowance or pension of its retired members

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 in accordance with subsection b. of section 13 of P.L.1944, c.255
2 (C.43:16A-13).
3 (cf: P.L.2011, c.78, s.25)
4

5 2. Section 5 of P.L.1997, c.113 (C.43:3C-9.5) is amended to
6 read as follows:

7 5. a. For purposes of this section, a "non-forfeitable right to
8 receive benefits" means that the benefits program, for any employee
9 for whom the right has attached, cannot be reduced. The provisions
10 of this section shall not apply to post-retirement medical benefits
11 which are provided pursuant to law.

12 b. Vested members of the Teachers' Pension and Annuity Fund,
13 the Judicial Retirement System, the Prison Officers' Pension Fund,
14 the Public Employees' Retirement System, the Consolidated Police
15 and Firemen's Pension Fund, the Police and Firemen's Retirement
16 System, and the State Police Retirement System, upon the
17 attainment of five years of service credit in the retirement system or
18 fund or on the date of enactment of this bill, whichever is later,
19 shall have a non-forfeitable right to receive benefits as provided
20 under the laws governing the retirement system or fund upon the
21 attainment of five years of service credit in the retirement system or
22 fund or on the effective date of this act, whichever is later. This
23 subsection shall not be applicable to a person who becomes a
24 member of these systems or funds on or after the effective date of
25 P.L.2010, c.1, except that such person shall not include a person
26 who at the time of enrollment in the retirement system or fund on or
27 after that effective date transfers service credit, as permitted, from
28 another State-administered retirement system or fund of which the
29 person was a member immediately prior to the effective date and
30 continuously thereafter, but shall include a former member of the
31 retirement system or fund who has been granted a retirement
32 allowance and is reenrolled in the retirement system or fund on or
33 after that effective date after becoming employed again in a position
34 that makes the person eligible to be a member of the retirement
35 system.

36 c. (1) The State and all other applicable employers shall make
37 their annual normal contribution to each system or fund as
38 determined by the applicable board of trustees in consultation with
39 the system's or fund's actuary. The State and all other applicable
40 employers shall also make their annual unfunded accrued liability
41 contribution to each system or fund as determined by the applicable
42 board in consultation with the system's or fund's actuary, pursuant
43 to standard actuarial practices authorized by law, unless: (1) there
44 is no existing unfunded accrued liability contribution due to the
45 system or fund at the close of the valuation period applicable to the
46 upcoming fiscal year; or (2) there are excess valuation assets in
47 excess of the actuarial accrued liability of the system or fund at the
48 close of the valuation period applicable to the upcoming fiscal year.

1 The annual normal contribution plus the annual unfunded accrued
2 liability contribution shall together be the annual required
3 contribution, provided, however, that for the State, section 38 of
4 P.L.2010, c.1 (C.43:3C-14) shall apply with regard to the State's
5 annual required contribution. The amount of the State's annually
6 required contributions shall be included in all annual appropriations
7 acts as a dedicated line item.

8 (2) Each member of the Teachers' Pension and Annuity Fund,
9 the Judicial Retirement System, the Prison Officers' Pension Fund,
10 the Public Employees' Retirement System, the Consolidated Police
11 and Firemen's Pension Fund, the Police and Firemen's Retirement
12 System, and the State Police Retirement System shall have a
13 contractual right to the annual required contribution amount being
14 made by the member's employer or by any other public entity. The
15 contractual right to the annual required contribution means that the
16 employer or other public entity shall make the annual required
17 contribution on a timely basis to help ensure that the retirement
18 system is securely funded and that the retirement benefits to which
19 the members are entitled by statute and in consideration for their
20 public service and in compensation for their work will be paid upon
21 retirement. The failure of the State or any other public employer to
22 make the annually required contribution shall be deemed to be an
23 impairment of the contractual right of each employee. The Superior
24 Court, Law Division shall have jurisdiction over any action brought
25 by a member of any system or fund or any board of trustees to
26 enforce the contractual right set forth in this subsection. The State
27 and other public employers shall submit to the jurisdiction of the
28 Superior Court, Law Division and shall not assert sovereign
29 immunity in such an action. If a member or board prevails in
30 litigation to enforce the contractual right set forth in this subsection,
31 the court may award that party their reasonable attorney's fees.

32 d. This act shall not be construed to preclude forfeiture,
33 suspension or reduction in benefits for dishonorable service.

34 e. Except as expressly provided herein and only to the extent
35 so expressly provided, nothing in this act shall be deemed to (1)
36 limit the right of the State to alter, modify or amend such retirement
37 systems and funds, or (2) create in any member a right in the corpus
38 or management of a retirement system or pension fund. The rights
39 reserved to the State in this subsection shall not diminish the
40 contractual rights of employees established by subsections a., b.,
41 and c. of this section.

42 f. Noting in the provisions of P.L. , c. (pending before the
43 Legislature as this bill) shall be interpreted to diminish the non-
44 forfeitable right to benefits provided to any member of the Police
45 and Firemen's Retirement System under State law or affirmed by a
46 ruling or holding of a court in the Judiciary Branch of State
47 government.

48 (cf: P.L.2011, c.78, s.26)

1 3. Section 33 of P.L.2011, c.78 (C.43:3C-17) is amended to
2 read as follows:

3 33. Whenever a committee of the Public Employees' Retirement
4 System, the Teachers' Pension and Annuity Fund, [the Police and
5 Firemen's Retirement System,] or the State Police Retirement
6 System fails to render a decision on a matter before the committee
7 because it has not received a vote of the majority of the committee
8 members after 60 days have passed following the initial
9 consideration of the matter, the committee shall utilize a super
10 conciliator, randomly selected from a list developed by the New
11 Jersey Public Employment Relations Commission. The super
12 conciliator shall assist the committee based upon procedures and
13 subject to qualifications established by the commission pursuant to
14 regulation.

15 The super conciliator shall promptly schedule investigatory
16 proceedings. The purpose of the proceedings shall be to:

17 Investigate and acquire all relevant information regarding the
18 committee's failure to render a decision;

19 Discuss with the members of the committee their differences,
20 and utilize means and mechanisms, including but not limited to
21 requiring 24-hour per day negotiations, until a voluntary settlement
22 is reached, and provide recommendations to resolve the members'
23 differences; and

24 Institute any other non-binding procedures deemed appropriate
25 by the super conciliator.

26 If the actions taken by the super conciliator fail to resolve the
27 dispute, the super conciliator shall issue a final report, which shall
28 be provided to the committee promptly and made available to the
29 public within 10 days thereafter.

30 The super conciliator, while functioning in a mediatory capacity,
31 shall not be required to disclose any files, records, reports,
32 documents, or other papers classified as confidential which are
33 received or prepared by him or to testify with regard to mediation
34 conducted by him under this section. Nothing contained herein
35 shall exempt an individual from disclosing information relating to
36 the commission of a crime.

37 (cf: P.L.2011, c.78, s.33)

38

39 4. Section 60 of P.L.2011, c.78 (C.43:3C-18) is amended to
40 read as follows:

41 60. a. Notwithstanding any law, rule or regulation to the
42 contrary, the Teachers' Pension and Annuity Fund, established
43 pursuant to N.J.S.18A:66-1 et seq., the Judicial Retirement System,
44 established pursuant to P.L.1973, c.140 (C.43:6A-1 et seq.), the
45 Prison Officers' Pension Fund, established pursuant to P.L.1941,
46 c.220 (C.43:7-7 et seq.), the Public Employees' Retirement System,
47 established pursuant to P.L.1954, c.84 (C.43:15A-1 et seq.), the
48 Consolidated Police and Firemen's Pension Fund, established

1 pursuant to R.S.43:16-1 et seq., the Police and Firemen's
2 Retirement System, established pursuant to P.L.1944, c.255
3 (C.43:16A-1 et seq.), and the State Police Retirement System,
4 established pursuant to P.L.1965, c.89 (C.53:5A-1 et seq.), are
5 established as qualified governmental defined benefit plans
6 pursuant to sections 401(a) and 414(d) of the federal Internal
7 Revenue Code of 1986 (26 U.S.C. ss.401(a) and 414(d)), as
8 amended, or such other provision of the federal Internal Revenue
9 Code, as applicable, regulations of the U.S. Treasury Department,
10 and other guidance of the federal Internal Revenue Service.

11 b. Notwithstanding any law, rule or regulation to the contrary,
12 the Alternate Benefit Program, established pursuant to P.L.1969,
13 c.242 (C.18A:66-167 et seq.), and the Defined Contribution
14 Retirement Program, established pursuant to P.L.2007, c.92
15 (C.43:15C-1 et seq.) are established as qualified governmental
16 defined contribution plans pursuant to sections 401(a) and 414(d) of
17 the federal Internal Revenue Code of 1986 (26 U.S.C. ss.401(a) and
18 414(d)), as amended, or such other provision of the federal Internal
19 Revenue Code, as applicable, regulations of the U.S. Treasury
20 Department, and other guidance of the federal Internal Revenue
21 Service.

22 c. Notwithstanding the provisions of any law, rule or regulation
23 to the contrary, the Director of the Division of Pensions and
24 Benefits in the Department of the Treasury, and in the case of the
25 Police and Firemen's Retirement System, the board of trustees of
26 that system, shall be authorized to modify the provisions of the
27 foregoing retirement plans, when a modification is required to
28 maintain the qualified status of the retirement plans under the
29 Internal Revenue Code of 1986, applicable regulations of the U.S.
30 Treasury Department or other guidance of the federal Internal
31 Revenue Service. Notwithstanding the provisions of the
32 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
33 seq.), the director, and in the case of the Police and Firemen's
34 Retirement System, the board, may modify the provisions of the
35 foregoing retirement plans, when a modification is required to
36 maintain the qualified status of the retirement plans by
37 promulgating a rule or regulation which shall be effective upon
38 filing with the Office of Administrative Law.

39 (cf: P.L.2011, c.78, s.60)

40

41 5. Section 1 of P.L.2015, c.180 (C.43:3C-25) is amended to
42 read as follows:

43 1. The Division of Pensions and Benefits in the Department of
44 the Treasury shall provide for the prompt notification in writing of
45 any member or retiree of the Teachers' Pension and Annuity Fund,
46 established pursuant to N.J.S.18A:66-1 et seq., the Judicial
47 Retirement System, established pursuant to P.L.1973, c.140
48 (C.43:6A-1 et seq.), the Public Employees' Retirement System,

1 established pursuant to P.L.1954, c.84 (C.43:15A-1 et seq.), [the
2 Police and Firemen's Retirement System, established pursuant to
3 P.L.1944, c.255 (C.43:16A-1 et seq.),] the State Police Retirement
4 System, established pursuant to P.L.1965, c.89 (C.53:5A-1 et seq.),
5 the Alternate Benefit Program, established pursuant to P.L.1969,
6 c.242 (C.18A:66-167 et seq.), and the Defined Contribution
7 Retirement Program, established pursuant to P.L.2007, c.92
8 (C.43:15C-1 et seq.), when the member or retiree submits a change
9 to the designation of beneficiary for contributory and non-
10 contributory group life insurance available to the member or retiree
11 through the system, that there is on file a judgment, court order,
12 decree, or other legal document for that member or retiree
13 specifically designating the beneficiary of such life insurance. The
14 Board of Trustees of the Police and Firemen's Retirement System
15 shall provide for the prompt notification in writing of any member
16 or retiree of the Police and Firemen's Retirement System,
17 established pursuant to P.L.1944, c.255 (C.43:16A-1 et seq.), when
18 the member or retiree submits a change to the designation of
19 beneficiary for contributory and non-contributory group life
20 insurance available to the member or retiree through the system,
21 that there is on file a judgment, court order, decree, or other legal
22 document for that member or retiree specifically designating the
23 beneficiary of such life insurance. The notification requirement
24 shall apply only when there is a valid judgment, court order, decree,
25 or other legal document that has been filed with the division or, in
26 the case of the Police and Firemen's Retirement System, the board
27 of trustees or its designee pursuant to the division's or board's
28 determination to accept and honor such a judgment, court order,
29 decree, or document and that has been reviewed, approved, or
30 classified as qualified by the division or the board or the board's
31 designee.

32 (cf: P.L.2015, c.180, s.1)

33

34 6. Section 19 of P.L.1992, c.125 (C.43:4B-1) is amended to
35 read as follows:

36 19. There is hereby established the Retirement Systems Actuary
37 Selection Committee which shall consist of the State Treasurer, and
38 the directors of the Divisions of Pensions and Benefits and
39 Investment, and Office of Management and Budget, or their
40 designated representatives, and one member designated by each of
41 the boards of trustees of the Public Employees' Retirement System
42 established pursuant to P.L.1954, c.84 (C.43:15A-1 et seq.) **[.]** and
43 the Teachers' Pension and Annuity Fund established pursuant to
44 N.J.S.18A:66-1 et seq.**[.]**, and the Police and Firemen's Retirement
45 System established pursuant to P.L.1944, c.255 (C.43:16A-1 et
46 seq.).**]** The committee shall select the actuary or actuaries for the
47 State retirement systems in accordance with the provisions of

1 P.L.1954, c.48 (C.52:34-6 et seq.), provided, however, that the
2 boards shall have the power to veto the selection of the actuary for
3 valid reason.

4 (cf: P.L.2011, c.78, s.24)

5

6 7. Section 1 of P.L.1944, c.255 (C.43:16A-1) is amended to
7 read as follows:

8 1. As used in this act:

9 (1) "Retirement system" or "system" shall mean the Police and
10 Firemen's Retirement System of New Jersey as defined in section 2
11 of this act.

12 (2) (a) "Policeman" shall mean a permanent, full-time employee
13 of a law enforcement unit as defined in section 2 of P.L.1961, c.56
14 (C.52:17B-67) or the State, other than an officer or trooper of the
15 Division of State Police whose position is covered by the State
16 Police Retirement System, whose primary duties include the
17 investigation, apprehension or detention of persons suspected or
18 convicted of violating the criminal laws of the State and who:

19 (i) is authorized to carry a firearm while engaged in the actual
20 performance of his official duties;

21 (ii) has police powers;

22 (iii) is required to complete successfully the training
23 requirements prescribed by P.L.1961, c.56 (C.52:17B-66 et seq.) or
24 comparable training requirements as determined by the board of
25 trustees; and

26 (iv) is subject to the physical and mental fitness requirements
27 applicable to the position of municipal police officer established by
28 an agency authorized to establish these requirements on a Statewide
29 basis, or comparable physical and mental fitness requirements as
30 determined by the board of trustees.

31 The term shall also include an administrative or supervisory
32 employee of a law enforcement unit or the State whose duties
33 include general or direct supervision of employees engaged in
34 investigation, apprehension or detention activities or training
35 responsibility for these employees and a requirement for
36 engagement in investigation, apprehension or detention activities if
37 necessary, and who is authorized to carry a firearm while in the
38 actual performance of his official duties and has police powers.

39 (b) "Fireman" shall mean a permanent, full-time employee of a
40 firefighting unit whose primary duties include the control and
41 extinguishment of fires and who is subject to the training and
42 physical and mental fitness requirements applicable to the position
43 of municipal firefighter established by an agency authorized to
44 establish these requirements on a Statewide basis, or comparable
45 training and physical and mental fitness requirements as determined
46 by the board of trustees. The term shall also include an
47 administrative or supervisory employee of a firefighting unit whose
48 duties include general or direct supervision of employees engaged

1 in fire control and extinguishment activities or training
2 responsibility for these employees and a requirement for
3 engagement in fire control and extinguishment activities if
4 necessary. As used in this paragraph, "firefighting unit" shall mean
5 a municipal fire department, a fire district, or an agency of a county
6 or the State which is responsible for control and extinguishment of
7 fires.

8 (3) "Member" shall mean any policeman or fireman included in
9 the membership of the retirement system pursuant to this
10 amendatory and supplementary act, P.L.1989, c.204 (C.43:16A-15.6
11 et al.).

12 (4) "Board of trustees" or "board" shall mean the board provided
13 for in section 13 of this act.

14 (5) "Medical board" shall mean the board of physicians
15 provided for in section 13 of this act.

16 (6) "Employer" shall mean the State of New Jersey, the county,
17 municipality or political subdivision thereof which pays the
18 particular policeman or fireman.

19 (7) "Service" shall mean service as a policeman or fireman paid
20 for by an employer.

21 (8) "Creditable service" shall mean service rendered for which
22 credit is allowed as provided under section 4 of this act.

23 (9) "Regular interest" shall mean interest as determined by the
24 **【State Treasurer, after consultation with the Directors of the**
25 **Divisions of Investment and Pensions, the】** board of trustees **【and】**,
26 after consultation with the actuary. It shall bear a reasonable
27 relationship to the percentage rate of earnings on investments based
28 on the market value of assets but shall not exceed the assumed
29 percentage rate of increase applied to salaries plus 3%, provided
30 however that the board of trustees shall not set the average
31 percentage rate of increase applied to salaries below 6%.

32 (10) "Aggregate contributions" shall mean the sum of all the
33 amounts, deducted from the compensation of a member or
34 contributed by him or on his behalf, standing to the credit of his
35 individual account in the annuity savings fund.

36 (11) "Annuity" shall mean payments for life derived from the
37 aggregate contributions of a member.

38 (12) "Pension" shall mean payments for life derived from
39 contributions by the employer.

40 (13) "Retirement allowance" shall mean the pension plus the
41 annuity.

42 (14) "Earnable compensation" shall mean the full rate of the
43 salary that would be payable to an employee if he worked the full
44 normal working time for his position. In cases where salary
45 includes maintenance, the retirement system shall fix the value of
46 that part of the salary not paid in money which shall be considered
47 under this act.

- 1 (15 "Average final compensation" shall mean final
2 compensation.
- 3 (16) "Retirement" shall mean the termination of the member's
4 active service with a retirement allowance granted and paid under
5 the provisions of this act.
- 6 (17) "Annuity reserve" shall mean the present value of all
7 payments to be made on account of any annuity or benefit in lieu of
8 any annuity computed upon the basis of such mortality tables
9 recommended by the actuary as shall be adopted by the board of
10 trustees, and regular interest.
- 11 (18) "Pension reserve" shall mean the present value of all
12 payments to be made on account of any pension or benefit in lieu of
13 any pension computed upon the basis of such mortality tables
14 recommended by the actuary as shall be adopted by the board of
15 trustees, and regular interest.
- 16 (19) "Actuarial equivalent" shall mean a benefit of equal value
17 when computed upon the basis of such mortality tables
18 recommended by the actuary as shall be adopted by the board of
19 trustees, and regular interest.
- 20 (20) "Beneficiary" shall mean any person receiving a retirement
21 allowance or other benefit as provided by this act.
- 22 (21) "Child" shall mean a deceased member's or retirant's
23 unmarried child (a) under the age of 18, or (b) 18 years of age or
24 older and enrolled in a secondary school, or (c) under the age of 24
25 and enrolled in a degree program in an institution of higher
26 education for at least 12 credit hours in each semester, provided that
27 the member died in active service as a result of an accident met in
28 the actual performance of duty at some definite time and place, and
29 the death was not the result of the member's willful misconduct, or
30 (d) of any age who, at the time of the member's or retirant's death, is
31 disabled because of an intellectual disability or physical incapacity,
32 is unable to do any substantial, gainful work because of the
33 impairment and his impairment has lasted or can be expected to last
34 for a continuous period of not less than 12 months, as affirmed by
35 the medical board.
- 36 (22) "Parent" shall mean the parent of a member who was
37 receiving at least one-half of his support from the member in the
38 12-month period immediately preceding the member's death or the
39 accident which was the direct cause of the member's death. The
40 dependency of such a parent will be considered terminated by
41 marriage of the parent subsequent to the death of the member.
- 42 (23) (a) "Widower," for employees of the State, means the man
43 to whom a member or retirant was married, or a domestic partner as
44 defined in section 3 of P.L.2003, c.246 (C.26:8A-3), on the date of
45 her death and who has not since remarried or established a domestic
46 partnership. In the event of the payment of accidental death
47 benefits, pursuant to section 10 of P.L.1944, c.255 (C.43:16A-10),

1 the restriction concerning remarriage or establishment of a domestic
2 partnership shall be waived.

3 (b) Subject to the provisions of paragraph (c) of this subsection,
4 "widower," for employees of public employers other than the State,
5 means the man to whom a member or retirant was married on the
6 date of her death and who has not remarried.

7 (c) A public employer other than the State may adopt a
8 resolution providing that the term "widower" as defined in
9 paragraph (b) of this subsection shall include domestic partners as
10 provided in paragraph (a) of this subsection.

11 (24) (a) "Widow," for employees of the State, means the woman
12 to whom a member or retirant was married, or a domestic partner as
13 defined in section 3 of P.L.2003, c.246 (C.26:8A-3), on the date of
14 his death and who has not since remarried or established a domestic
15 partnership. In the event of the payment of accidental death
16 benefits, pursuant to section 10 of P.L.1944, c.255 (C.43:16A-10),
17 the restriction concerning remarriage or establishment of a domestic
18 partnership shall be waived.

19 (b) Subject to the provisions of paragraph (c) of this subsection,
20 "widow," for employees of public employers other than the State,
21 means the woman to whom a member or retirant was married on the
22 date of his death and who has not remarried.

23 (c) A public employer other than the State may adopt a
24 resolution providing that the term "widow" as defined in paragraph
25 (b) of this subsection shall include domestic partners as provided in
26 paragraph (a) of this subsection.

27 (25) "Fiscal year" shall mean any year commencing with July 1,
28 and ending with June 30, next following.

29 (26) (a) "Compensation" shall mean the base salary, for services
30 as a member as defined in this act, which is in accordance with
31 established salary policies of the member's employer for all
32 employees in the same position but shall not include individual
33 salary adjustments which are granted primarily in anticipation of
34 the member's retirement or additional remuneration for performing
35 temporary duties beyond the regular workday.

36 (b) In the case of a person who becomes a member of the
37 retirement system on or after the effective date of P.L.2010, c.1,
38 "compensation" means the amount of base salary equivalent to the
39 annual maximum wage contribution base for Social Security,
40 pursuant to the Federal Insurance Contributions Act, for services as
41 a member as defined in this act, which is in accordance with
42 established salary policies of the member's employer for all
43 employees in the same position but shall not include individual
44 salary adjustments which are granted primarily in anticipation of
45 the member's retirement or additional remuneration for performing
46 temporary duties beyond the regular workday.

47 (27) "Department" shall mean any police or fire department of a
48 municipality or a fire department of a fire district located in a

1 township or a county police or park police department or the
2 appropriate department of the State or instrumentality thereof.

3 (28) (a) "Final compensation" means the compensation received
4 by the member in the last 12 months of creditable service preceding
5 his retirement or death.

6 (b) In the case of a person who becomes a member of the
7 retirement system on or after the effective date of P.L.2010, c.1,
8 "final compensation" means the average annual compensation for
9 service for which contributions are made during any three fiscal
10 years of membership providing the largest possible benefit to the
11 member or the member's beneficiary.

12 (29) (Deleted by amendment, P.L.1992, c.78).

13 (30) (Deleted by amendment, P.L.1992, c.78).

14 (31) (a) "Spouse," for employees of the State, means the husband
15 or wife, or domestic partner as defined in section 3 of P.L.2003,
16 c.246 (C.26:8A-3), of a member.

17 (b) Subject to the provisions of paragraph (c) of this subsection,
18 "spouse," for employees of public employers other than the State,
19 means the husband or wife of a member.

20 (c) A public employer other than the State may adopt a
21 resolution providing that the term "spouse" as defined in paragraph
22 (b) of this subsection shall include domestic partners as provided in
23 paragraph (a) of this subsection.

24 (cf: P.L.2010, c.50, s.74)

25

26 8. Section 2 of P.L.1944, c.255 (C.43:16A-2) is amended to
27 read as follows:

28 2. A retirement system is hereby established in the **Division of**
29 **Pensions of the** Department of the Treasury for the purpose of
30 providing retirement allowances and other benefits for policemen
31 and firemen under the provisions of this act. It shall have the
32 powers and privileges of a corporation and shall be known as "The
33 Police and Firemen's Retirement System of New Jersey" and by
34 such name all of its business shall be transacted, all of its funds
35 invested, and all of its cash and securities and property held in trust
36 for the purpose for which received.

37 (cf: P.L.1967, c.250, s.2)

38

39 9. Section 1 of P.L.1976, c.134 (C.43:16A-3.5) is amended to
40 read as follows:

41 1. Any member of the Police and Firemen's Retirement System
42 of New Jersey who has been or shall be elected to the position of
43 sheriff or who has accepted or shall accept appointment to the office
44 or position of undersheriff may, by written notification to the
45 **Director of the Division of Pensions** board of trustees and the
46 county treasurer, elect to continue to be a member of the retirement
47 system while serving as sheriff or undersheriff and shall be deemed
48 to have waived any and all benefits to which he would otherwise be

1 entitled by eligibility for membership in the Public Employees'
2 Retirement System. The county treasurer shall make deductions
3 from the salary of the sheriff or undersheriff and contributions on
4 his behalf to the Police and Firemen's Retirement System as is
5 required by law for members of that system.

6 (cf: P.L.1976, c.134, s.1)

7

8 10. Section 3 of P.L.1983, c.439 (C.43:16A-3.7) is amended to
9 read as follows:

10 3. Any officer eligible to become a member pursuant to the
11 amendatory provisions of this act who is enrolled in the Public
12 Employees' Retirement System (P.L.1954, c.84, C. 43:15A-1 et
13 seq.) or any county pension fund established under Title 43 of the
14 Revised Statutes shall be permitted to transfer membership from the
15 aforesaid system or fund to the Police and Firemen's Retirement
16 System of New Jersey in accordance with the provisions of
17 P.L.1973, c.156 (C. 43:16A-62 et seq.) and upon a lump sum
18 payment into the Police and Firemen's Retirement System annuity
19 savings fund of the amount of the difference between the
20 contribution which was paid as a member of the Public Employees'
21 Retirement System or county pension fund and the contribution
22 that would have been required if he had been a member of the
23 Police and Firemen's Retirement System since the date of last
24 enrolling in the Public Employees' Retirement System or a county
25 pension fund. In addition, the employee shall be liable for any
26 payment to the retirement system that the employer would have
27 been required to make on behalf of the member for the purchase of
28 such credit; this payment may be made in regular monthly
29 installments or in a lump sum, as the employee may elect, and
30 pursuant to rules and regulations as may be promulgated by the
31 **【Division of Pensions】** board of trustees.

32 Whenever in P.L.1973, c.156 a period of time is set which is to
33 be calculated from the effective date of said act, such time shall be
34 calculated from the effective date of this amendatory and
35 supplementary act for the purposes hereof.

36 (cf: P.L.1983, c.439, s.3)

37

38 11. Section 6 of P.L.2000, c.127 (C.43:16A-11.7a) is amended
39 to read as follows:

40 6. The Adjutant General of the Department of Military and
41 Veterans' Affairs shall be responsible for determining whether any
42 person seeking to be considered a "veteran" under section 1 of
43 P.L.1983, c.391 (C.43:16A-11.7), for the purpose of purchasing
44 military service credit, meets the criteria set forth therein and
45 adjudicating an appeal from any person disputing this
46 determination. The determination of the Adjutant General shall be

1 binding upon the **【Division of Pensions and Benefits】** board of
2 trustees.

3 (cf: P.L.2000, c.127, s.6)

4

5 12. Section 1 of P.L.1985, c.450 (C.43:16A-11.9) is amended to
6 read as follows:

7 1. Any member of the Police and Firemen's Retirement System
8 of New Jersey who has at least 20 years of creditable service in the
9 retirement system and who leaves a position covered by the
10 retirement system, with the approval of the employer, to take a full-
11 time position with a. a federal agency, b. an agency of another state
12 or local government thereof, c. a national, regional, statewide,
13 areawide or metropolitan organization representing member state or
14 local governments, d. an association of state or local public
15 officials, or e. a nonprofit organization which has as one of its
16 principal functions the offering of professional advisory, research,
17 educational or development services, or related services, to
18 governments or universities concerned with public management,
19 may, upon filing an application with the board of trustees of the
20 retirement system, purchase credit in the retirement system for all
21 or a portion of the time of service with the public agency or private
22 organization, but not exceeding three years, as provided in this act.

23 The member may purchase credit for the service by paying into
24 the annuity savings fund the amount determined by applying the
25 factor, supplied by the actuary, applicable to his age at the time of
26 the purchase, to his creditable salary in the last 12 months of
27 creditable service in the position covered by the retirement system
28 immediately preceding the service with the public agency or private
29 organization. The purchase may be made in regular monthly
30 installments or in a lump sum as the member may elect and
31 pursuant to rules and regulations as may be promulgated by the
32 **【Division of Pensions】** board of trustees. The member shall bear
33 the entire cost for the additional retirement benefit attributable to
34 the purchased credit. If, upon retirement, the member's payment for
35 purchase of the credit is insufficient to provide for the additional
36 retirement benefit attributable to the service, the difference may be
37 assessed to the member, or a pro rata credit may be granted based
38 on service purchased prior to the date of retirement, at the election
39 of the member.

40 If the member retires prior to completing the purchase, he will
41 receive pro rata credit for service purchased prior to the date of
42 retirement, unless he makes an additional lump sum payment at that
43 time as will be necessary to provide full credit.

44 The purchase may be made within four years of the date of the
45 member's last contribution to the retirement system in the covered
46 position immediately preceding the service with the public agency
47 or private organization.

48 (cf: P.L.1985, c.450, s.1)

1 13. Section 1 of P.L.1999, c.338 (C.43:16A-11.13) is amended
2 to read as follows:

3 1. Notwithstanding the provisions of section 4 of P.L.1944,
4 c.255 (C.43:16A-4), any member who is separated involuntarily
5 from the police service covered by the retirement system, and not
6 by removal for cause or charges of misconduct or delinquency, and
7 who subsequently becomes a police service employee covered by
8 the retirement system may, upon filing an application with the
9 board of trustees of the retirement system, purchase credit in the
10 retirement system for all or a portion of the time of the hiatus in
11 creditable service, but not exceeding three years, as provided in this
12 section.

13 The member may purchase credit for the service by paying into
14 the annuity savings fund the amount determined by applying the
15 factor, supplied by the actuary, applicable to his age at the time of
16 the purchase, to his creditable salary in the last 12 months of
17 creditable service in the position covered by the retirement system
18 immediately preceding the involuntary separation from service. The
19 purchase may be made in regular monthly installments or in a lump
20 sum as the member may elect and pursuant to rules and regulations
21 as may be promulgated by the **【Division of Pensions and Benefits】**
22 board of trustees. The member shall bear the entire cost for the
23 additional retirement benefit attributable to the purchased credit. If,
24 upon retirement, the member's payment for purchase of the credit is
25 insufficient to provide for the additional retirement benefit
26 attributable to the service, the difference may be assessed to the
27 member, or a pro rata credit may be granted based on service
28 purchased prior to the date of retirement, at the election of the
29 member.

30 If the member retires prior to completing the purchase, he will
31 receive pro rata credit for service purchased prior to the date of
32 retirement, unless he makes an additional lump sum payment at that
33 time as will be necessary to provide full credit.

34 (cf: P.L.1999, c.338, s.1)

35

36 14. Section 1 of P.L.2001, c.228 (C.43:16A-11.14) is amended
37 to read as follows:

38 1. Notwithstanding the provisions of section 4 of P.L.1944,
39 c.255 (C.43:16A-4), any member who is separated involuntarily
40 from firefighting service covered by the retirement system, and not
41 by removal for cause or charges of misconduct or delinquency, and
42 who subsequently becomes a fireman in a position covered by the
43 retirement system may, upon filing an application with the board of
44 trustees of the retirement system, purchase credit in the retirement
45 system for all or a portion of the time of the hiatus in creditable
46 service, but not exceeding three years, as provided in this section.

47 The member may purchase credit for the service by paying into
48 the annuity savings fund the amount determined by applying the

1 factor, supplied by the actuary, applicable to the member's age at
2 the time of the purchase, to the member's creditable salary in the
3 last 12 months of creditable service in the position covered by the
4 retirement system immediately preceding the involuntary separation
5 from service. The purchase may be made in regular monthly
6 installments or in a lump sum as the member may elect and
7 pursuant to rules and regulations as may be promulgated by the
8 **【Division of Pensions and Benefits】** board of trustees. The member
9 shall bear the entire cost for the additional retirement benefit
10 attributable to the purchased credit. If, upon retirement, the
11 member's payment for purchase of the credit is insufficient to
12 provide for the additional retirement benefit attributable to the
13 service, the difference may be assessed to the member, or a pro rata
14 credit may be granted based on service purchased prior to the date
15 of retirement, at the election of the member.

16 If the member retires prior to completing the purchase, the
17 member shall receive pro rata credit for service purchased prior to
18 the date of retirement, unless the member makes an additional lump
19 sum payment at that time as shall be necessary to provide full
20 credit.

21 (cf: P.L.2001, c.228, s.1)

22

23 15. Section 13 of P.L.1944, c.255 (C.43:16A-13) is amended to
24 read as follows:

25 13. a. (1) Subject to the provisions of P.L.1955, c.70 (C.52:18A-
26 95 et seq.), the general responsibility for the proper operation of the
27 retirement system is hereby vested in a board of trustees **【**, and, as
28 specified, the committees established pursuant to subsection b. of
29 this section**】**. The board may, in its discretion and at such time and
30 in such manner as the board determines, enhance any benefit set
31 forth in P.L.1944, c.255 (C.43:16A-1 et seq.) as the board
32 determines to be reasonable and appropriate or modify any such
33 benefit as an alternative to an increase in the member contribution
34 rate, which increase the board determines to be reasonable,
35 necessary, and appropriate, or reinstate, when appropriate, such
36 reduced benefit to the statutory level without an additional
37 contribution by the member. The board shall act exclusively on
38 behalf of the contributing employers, active members of the
39 retirement system, and retired members as the fiduciary of the
40 system. The primary obligation of the board shall be to direct
41 policies and investments to achieve and maintain the full funding
42 and continuation of the retirement system for the exclusive benefit
43 of its members.

44 (2) The board shall consist of **【11】** 12 trustees as follows:

45 (a) **【**Five members to be appointed by the Governor, with the
46 advice and consent of the Senate, who shall serve for a term of
47 office of four years and until their successors are appointed and

1 who shall be private citizens of the State of New Jersey who are
2 neither an officer thereof nor an active or retired member of any
3 police or fire department thereof. Of the four members initially
4 appointed by the Governor pursuant to P.L.1992, c.125 (C.43:4B-1
5 et al.), one shall be appointed for a term of one year, one for a term
6 of two years, one for a term of three years, and one for a term of
7 four years. The member appointed by the Governor pursuant to the
8 provisions of this amendatory act, P.L.1995, c.238, shall serve for a
9 term of four years and until a successor is appointed. **】** (Deleted by
10 amendment, P.L. , c.) (pending before the Legislature as this
11 bill)

12 (b) **【**The State Treasurer or the deputy State Treasurer, when
13 designated for that purpose by the State Treasurer. **】** (Deleted by
14 amendment, P.L. , c.) (pending before the Legislature as this
15 bill)

16 (c) Three active policemen and three active firemen as follows:

17 (i) Two policemen and two firemen who shall be active
18 members of the system and who shall be appointed as follows:

19 one policeman shall be appointed by the President of the New
20 Jersey State Policemen's Benevolent Association;

21 one policeman shall be appointed by the President of the New
22 Jersey State Fraternal Order of Police;

23 one fireman shall be appointed by the President of the New
24 Jersey State Firemen's Mutual Benevolent Association; and

25 one fireman shall be appointed by the President of the
26 Professional Firefighters Association of New Jersey.

27 (ii) One policeman and one fireman who shall serve staggered
28 terms and shall be active members of the system and who shall be
29 elected by the active members of the system **【**for a term of four
30 years**】** according to such rules and regulations as the board of
31 trustees shall adopt to govern such election. The elected policeman
32 shall serve for an initial term of two years and the elected fireman
33 shall serve for an initial term of four years. Following their first
34 term, all trustees elected pursuant to this subparagraph shall serve
35 four-year terms. An election to select trustees, who are active
36 members of the system, shall be held no later than the first day of
37 the fifth month next following the date of enactment of
38 P.L. , c. (pending before the Legislature as this bill).

39 (d) One retiree from the system who shall be elected by retirees
40 from the system for a term of four years according to such rules and
41 regulations as the board of trustees shall adopt to govern the
42 election. An election to select a trustee, who is a retiree from the
43 system, shall be held no later than the first day of the fifth month
44 next following the date of enactment of P.L. , c. (pending before
45 the Legislature as this bill).

46 (e) Four trustees, to be appointed by the Governor, who shall
47 serve staggered terms and who either hold, or have held, an elective

1 public office as a mayor, member of a municipal council, or
2 member of a board of chosen freeholders or is employed, or has
3 been employed, by a municipal or county government as an
4 administrator, manager, or chief financial officer, to represent the
5 interests of local government employers. The Governor shall
6 appoint trustees pursuant to this subparagraph from among a list of
7 names submitted by the New Jersey League of Municipalities and
8 the New Jersey Association of Counties. Two trustees appointed by
9 the Governor pursuant to this subparagraph shall serve for an initial
10 term of two years and two trustees shall serve for an initial term of
11 four years. Following their first term, all trustees appointed
12 pursuant to this subparagraph shall serve four-year terms. The
13 Governor shall appoint trustees representing the interest of local
14 government employers pursuant to this subparagraph no later than
15 the first day of the seventh month next following the date of
16 enactment of P.L. , c. (pending before the Legislature as this
17 bill).

18 (f) One trustee, to be appointed by the Governor, who holds or
19 has held a management or supervisory position in the Executive
20 Branch of State government at the level of division director or
21 above to represent the interests of State government. The trustee
22 appointed by the Governor pursuant to this subparagraph shall serve
23 for an initial term of two years. Following the trustee's first term,
24 the trustee appointed pursuant to this subparagraph shall serve four-
25 year terms. The Governor shall appoint a trustee representing the
26 interest of State government pursuant to this subparagraph no later
27 than the first day of the seventh month next following the date of
28 enactment of P.L. , c. (pending before the Legislature as this
29 bill).

30 (3) Each trustee shall, after his appointment or election, take an
31 oath of office that, so far as it devolves upon him he will diligently
32 and honestly fulfill his duties as a board member, and that he will
33 not knowingly violate or willingly permit to be violated any of the
34 provisions of the law applicable to the retirement system. Such oath
35 shall be subscribed by the member making it, and certified by the
36 officer before whom it is taken, and immediately filed in the office
37 of the Secretary of State. The board may remove a trustee, upon a
38 majority vote of the trustees, for violating the trustee's oath of
39 office. Any trustee who is absent, without an official excuse
40 approved by a majority vote of the trustees, for more than three of
41 the board's meetings in any calendar year shall be removed from
42 the board and the trustee's position shall be filled in the same
43 manner as the position was previously filled. The board shall adopt
44 standards to define unexcused absences.

45 A member shall be permitted to participate in meetings of the
46 board by teleconference.

47 (4) (a) If a vacancy occurs in the office of a trustee, the vacancy
48 shall be filled in the same manner as the office was previously

1 filled. A vacancy shall not last more than 60 days, unless the board
2 is awaiting the certification of an election conducted pursuant to
3 paragraph (2) of this subsection. If a vacancy lasts for more than 60
4 days, then the board shall appoint, upon a majority vote of the
5 trustees then serving, a person qualified pursuant to subparagraph
6 (e) or (f) of paragraph (2) of this subsection to fill the vacancy until
7 a new trustee is appointed or elected in the manner set forth in
8 paragraph (2) of this subsection.

9 (b) A trustee serving pursuant to subparagraph (c) of paragraph
10 (2) of this subsection who retires from active service as policeman
11 or fireman may remain a trustee until an election is held to replace
12 the trustee. An election to replace a trustee serving pursuant to part
13 (ii) of subparagraph (c) of paragraph (2) of this subsection who
14 retires from active service shall be held no later than 30 days
15 following the effective date of the trustee's retirement and the
16 trustee shall relinquish the position on the board upon certification
17 of the results of the election.

18 (c) Trustees appointed pursuant to part (i) of subparagraph (c) of
19 paragraph (2) of this subsection shall serve at the pleasure of the
20 official who appointed the trustee, but may be removed pursuant to
21 paragraph (3) of this subsection.

22 (5) The trustees shall serve without compensation, but they shall
23 be reimbursed for all necessary expenses that they may incur
24 through service on the board.

25 (6) Each trustee shall be entitled to one vote in the board. **【Six】**
26 **Seven** trustees **【must】** shall be present at any meeting of said board
27 for the transaction of its business.

28 (7) Subject to the limitations of this act, the board of trustees
29 shall annually establish rules and regulations for the administration
30 of the funds created by this act and for the transaction of the board's
31 **【and committees'】** business. **【Such rules and regulations shall be**
32 **consistent with those adopted by the other pension funds within the**
33 **Division of Pensions and Benefits in order to permit the most**
34 **economical and uniform administration of all such retirement**
35 **systems. The committees shall adopt such regulations as provided**
36 **in subsection b. of this section.】**

37 (8) The board of trustees shall elect from its membership a
38 **【chairman】** chair and vice chair. The chair, or vice chair in the
39 chair's absence, shall serve as the primary contact with board staff,
40 coordinate and approve meeting agendas, and shall have the power
41 to authorize any special staff action necessary to execute any of the
42 board's duties. The **【Director of the Division of Pensions and**
43 **Benefits】** board shall appoint a **【qualified employee of the division**
44 **to be】** secretary of the board. The administration of the program
45 shall be performed by **【the】** personnel **【of the Division of Pensions**
46 **and Benefits】** selected by the board in accordance with this section.
47 The board, reconstituted pursuant to P.L., c., (pending before

1 the Legislature as this bill), shall hold an initial meeting on the first
2 business day of the seventh month following the date of enactment
3 of P.L. , c., (pending before the Legislature as this bill). At the
4 initial meeting of the board on the first business day of the seventh
5 month next following the date of enactment of P.L. , c. (pending
6 before the Legislature as this bill), the board shall contract with the
7 Division of Pensions and Benefits for the division to perform the
8 administrative tasks that the division performed prior to the
9 enactment of P.L. , c. (pending before the Legislature as this
10 bill) and such other tasks as the board may require. The division
11 shall receive compensation from the board for the performance of
12 the administrative tasks that the division performed prior to the
13 enactment of P.L. , c. (pending before the Legislature as this
14 bill) in an amount equal to the cost the division incurred for the
15 performance of those administrative tasks prior to the enactment of
16 that act. At the expiration of the term of the contract negotiated by
17 the board with the division pursuant to this paragraph, the board
18 may contract with the division or with a private entity, pursuant to
19 the provisions of P.L.1954, c.48 (C.52:34-6 et seq.), to perform
20 administrative tasks that the board determines to be necessary or
21 convenient for its operation.

22 (9) The board of trustees shall keep a record of all of its
23 proceedings which shall be open to public inspection. The
24 retirement system shall publish annually a report showing the fiscal
25 transactions of the retirement system for the preceding year, the
26 amount of the accumulated cash and securities of the system, and
27 the last balance sheet showing the financial condition of the system
28 by means of an actuarial valuation of the assets and liabilities of the
29 retirement system.

30 (10) The board of trustees may, in its discretion, select and
31 employ, or contract with, legal counsel to advise and represent the
32 board. If the board does not select and employ, or contract with,
33 legal counsel, the Attorney General of the State of New Jersey shall
34 be the legal adviser of the retirement system, except [that] if the
35 Attorney General determines that a conflict of interest would affect
36 the ability of the Attorney General to represent the board or the
37 committees on a matter affecting the retirement system [, the board
38 may select and employ legal counsel to advise and represent the
39 board or the committees on that matter].

40 (11) The **[State Treasurer]** board of trustees shall designate a
41 medical board **[after consultation with the Director of the Division**
42 **of Pensions and Benefits, subject to veto by the board of trustees for**
43 **valid reason]**. It shall be composed of a minimum of three
44 physicians who are not eligible to participate in the retirement
45 system. The medical board shall pass upon all medical examinations
46 required under the provisions of this act, shall investigate all
47 essential statements and certificates by or on behalf of a member in

1 connection with an application for disability retirement, and shall
2 report in writing to the retirement system its conclusions and
3 recommendations upon all matters referred to it.

4 (12) The actuary of the system shall be selected by the
5 **【Retirement Systems Actuary Selection Committee established by**
6 **P.L.1992, c.125. He】** board of trustees. The actuary shall be the
7 technical adviser of the board of trustees [and the committees] on
8 matters regarding the operation of the funds created by the
9 provisions of this act, and shall perform such other duties as are
10 required in connection therewith.

11 (13) The board of trustees, in consultation with the actuary, shall
12 establish actuarial funding policies for the system. At least once in
13 each three-year period the actuary shall make an actuarial
14 investigation into the mortality, service and compensation
15 experience of the members and beneficiaries of the retirement
16 system and, with the advice of the actuary, the board of trustees
17 shall adopt for the retirement system such mortality, service and
18 other tables as shall be deemed necessary and shall certify the rates
19 of contribution payable under the provisions of this act. The board
20 of trustees shall retain an independent actuary to review prior
21 investigations into the mortality, service, and compensation
22 experience of the members and beneficiaries of the retirement
23 system and to review the three prior actuarial valuations to certify
24 that the actuary of the retirement system conducted the
25 investigations and valuations in accordance with generally accepted
26 actuarial standards.

27 (14) (Deleted by amendment, P.L.1970, c.57.)

28 (15) On the basis of such tables recommended by the actuary as
29 the board of trustees shall adopt and regular interest, the actuary
30 shall make an annual valuation of the assets and liability of the
31 funds of the system created by this act.

32 (16) (Deleted by amendment, P.L.1987, c.330.)

33 (17) Each policeman or fireman member of the board of trustees
34 or the committees shall be entitled to time off from his duty, with
35 pay, during the periods of his attendance upon regular or special
36 meetings of the board of trustees or the committees, and such time
37 off shall include reasonable travel time required in connection
38 therewith.

39 (18) The board of trustees shall have a minimum of one meeting
40 each calendar month.

41 (19) The board of trustees shall have authority to invest and
42 reinvest the moneys in, and to acquire for or on behalf of the funds
43 of, the board. The board shall formulate and establish, and may
44 from time to time amend, modify, or repeal, such policies,
45 objectives or guidelines as it may deem necessary and proper to
46 govern the decisions, actions, methods, practices, or procedures for
47 investment, reinvestment, purchase, sale, or exchange transactions
48 of the board.

1 (20) (a) The board of trustees shall select and employ an
2 executive director, who shall be responsible for the strategic
3 direction of the board from an investment and operational
4 perspective. The executive director shall provide strategic
5 direction, planning, and leadership to the board; organize, develop,
6 and supervise a management team to provide optimal investment
7 results; maintain oversight of investment and administrative
8 operations conducted by the board; develop an annual budget and a
9 salary and compensation guide for any managerial positions that are
10 not subject to Title 11A, Civil Service, of the New Jersey Statutes,
11 arrange board agendas with the approval of the board's chair;
12 appoint administrative staff; conduct the executive and
13 administrative functions of the Investment Committee; execute
14 contracts on behalf of the board; and perform any other
15 responsibilities designated to the executive director by the board.

16 The person employed by the board to hold the position of
17 executive director shall have, at a minimum upon commencement
18 of employment, a bachelor's degree from an accredited institution
19 of higher education, and at least five years of management
20 experience in accounting, finance, public administration,
21 government pension and retirement planning, investment banking,
22 financial consulting, money management, or a similar field. The
23 person shall meet all other requirements for employment as shall be
24 set forth in a standard adopted by the board. No member, retiree, or
25 other beneficiary of the system shall be eligible to hold the position
26 of executive director.

27 (b) The board of trustees shall have the authority to retain other
28 administrative and professional staff as required to implement the
29 duties and responsibilities required to ensure the smooth transition
30 of responsibilities and authority from the division to the board
31 pursuant to P.L. , c. (pending before the Legislature as this bill).

32 (c) The board of trustees shall be authorized to access operating
33 funds from the system necessary for the management of the fund
34 and to employ staff immediately upon their election and
35 appointment, provided that the qualified status of the retirement
36 system under federal law is maintained.

37 (21) (a) The board of trustees shall select and employ a chief
38 investment officer, who shall oversee the management of funds and
39 investments with the State or private companies, coordinate the
40 transfer of assets from the State Treasurer, State Investment
41 Council, and Division of Investment to the board, and decide the
42 manner in which funds shall be invested. The chief investment
43 officer shall establish and maintain a policy to monitor and evaluate
44 the effectiveness of securities transactions executed on behalf of the
45 board. The chief investment officer shall report to the executive
46 director.

47 The person employed by the board to hold the position of chief
48 investment officer shall have, at a minimum upon commencement

1 of employment, a bachelor's degree from an accredited institution
2 of higher education, and at least five years of management
3 experience in accounting, finance, public administration,
4 government pension and retirement planning, investment banking,
5 financial consulting, money management, or a similar field. The
6 person shall meet all other requirements for employment as shall be
7 set forth in a standard adopted by the board. No member, retiree, or
8 other beneficiary of the system shall be eligible to hold the position
9 of chief investment officer.

10 (b) The board of trustees may make and execute agreements
11 pursuant to the provisions of P.L.1954, c.48 (C.52:34-6 et seq.),
12 which may be necessary or convenient for the management of the
13 investments of the retirement system.

14 (22) The board of trustees shall select and employ an
15 ombudsman, who shall provide individual death and disability
16 consultation and information to plan members and their dependents;
17 answer questions from, and provide information to, members
18 related to the process of applying for retirement and retirement
19 benefits; coordinate with other State and local agencies on behalf of
20 members; maintain federal, State, and local death and disability
21 benefit resources; recommend policy changes to the board; conduct
22 educational presentations for employers on death and disability
23 benefit options for members; and publish information about the
24 organization of the board for members, employers, and the public.

25 (23) All members of the board of trustees and of the Investment
26 Committee shall participate in annual investment training as
27 directed by the board's executive director.

28 b. **【**There are established two committees, to be composed of
29 10 members each as follows, one for the State employees part of the
30 retirement system and one for the part of the retirement system with
31 employees of employers other than the State.

32 Each committee shall have five members who shall be appointed
33 by the Governor as representatives of public employers whose
34 employees are enrolled in the retirement system, two members who
35 shall be appointed by the head of the union representing the greatest
36 number of police officer members of the retirement system having
37 union membership, one member who shall be appointed by the head
38 of the union representing the second greatest number of police
39 officer members of the retirement system having union
40 membership, one member who shall be appointed by the head of the
41 union representing the greatest number of firefighter members of
42 the retirement system having union membership, and one member
43 who shall be appointed by the head of the union representing the
44 second greatest number of firefighter members of the retirement
45 system having union membership. The members of the committees
46 shall not be appointed until that part of the system attains the target
47 funded ratio.

1 The members of each committee shall serve for a term of three
2 years and until a successor is appointed and qualified. For each
3 committee, of the initial appointments by the Governor, two
4 members shall serve for two years and until a successor is appointed
5 and qualified, and two shall serve for one year and until a successor
6 is appointed and qualified. For each committee, of the initial
7 appointments by the head of the union representing the greatest
8 number of police officer members of the retirement system, the
9 members shall serve for two years and until a successor is appointed
10 and qualified. For each committee, of the initial appointment by the
11 head of the union representing the greatest number of firefighter
12 members of the retirement system, the member shall serve for one
13 year and until a successor is appointed and qualified.

14 For each committee, the members of the committee shall select a
15 chairperson from among the members, who shall serve for a term of
16 one year, with no member serving more than one term until all the
17 members of the committee have served a term in a manner
18 alternating among the employer representatives and employee
19 representatives, unless the committee determines otherwise with
20 regard to this process.

21 The provisions of paragraphs (3) through (6), inclusive, and (17)
22 of subsection a. of this section, and subsection (4) of section 14 of
23 P.L.1944, c.255 (C.43:16A-14), shall apply to the committee and its
24 members, as appropriate. The committee shall keep a record of all
25 of its proceedings which shall be open to public inspection.

26 Upon the convening of any meeting of a committee, the members
27 shall consider a motion to assume the authority provided in this
28 subsection and shall proceed only if a majority of the members of
29 the committee vote in the affirmative on that motion.

30 Each committee may contract with such actuaries or consultants,
31 or both, in accordance with the provisions of P.L.1954, c.48
32 (C.52:34-6 et seq.), as the committee may deem necessary to
33 perform its duties, when that part of the system has attained the
34 target funded ratio.

35 When a part of the system, has attained the target funded ratio as
36 defined in section 27 of P.L.2011, c.78 (C.43:3C-16), the committee
37 for that part **】** The board of trustees shall have the discretionary
38 authority **【**for that part**】** to :

39 (1) modify the: member contribution rate; cap on creditable
40 compensation; formula for calculation of final compensation; age at
41 which a member may be eligible for and the benefits for service or
42 special retirement; and standards for approval, medical review
43 policies, and benefits provided for disability retirement; and

44 (2) activate the application of the "Pension Adjustment Act,"
45 P.L.1958, c.143 (C.43:3B-1 et seq.) for retirees **【**for the period that
46 the part is at or above the target funded ratio**】** and modify the basis
47 for the calculation of the adjustment and set the duration and extent
48 of the activation. The board of trustees, after consultation with the

1 actuary, may apply an adjustment to the monthly retirement
2 allowance or pension originally granted to any member.

3 **【A committee shall give priority consideration to subparagraph**
4 **(2) of this paragraph. A committee】** The board of trustees shall
5 have the discretionary authority to modify the conditions and
6 standards for the purchase of service credit for death benefits. The
7 board of trustees shall not have the authority to change the years of
8 creditable service required for vesting.

9 At least eight votes of the authorized membership of the board
10 shall be required to approve any enhancement or reduction of a
11 member benefit, other than for the activation of the application of
12 the "Pension Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et seq.),
13 for retirees, or to approve any increase or decrease in the employer
14 contribution that is more than what is recommended by the actuary
15 for the system for the purpose of the annual funding requirements of
16 the system.

17 **【Each committee】** The board of trustees may consider a matter
18 described **【above】** in this subsection and render a decision
19 notwithstanding that the provisions of the statutory law may set
20 forth a specific requirement on that matter.

21 **【Each committee】** The board of trustees may consider a matter
22 described **【above】** in this subsection and render a decision
23 notwithstanding that the provisions of the statutory law do not set
24 forth a specific requirement on the considered aspect of that matter
25 or address that matter at all.

26 **【The members of each committee shall have the same duty and**
27 **responsibility to the retirement system as do the members of the**
28 **board of trustees. No decision of a committee shall be implemented**
29 **if the direct or indirect result of the decision will be that the funded**
30 **ratio of that part falls below the target funded ratio in any valuation**
31 **period during the 30 years following the implementation of the**
32 **decision. The actuary of the system shall make a determination of**
33 **the result in that regard and submit that determination in a written**
34 **report to the committee and the board prior to the implementation**
35 **of the decision.】**

36 **【If any matter before a committee receives at least six votes in**
37 **the affirmative, the board of trustees shall approve and implement**
38 **the committee's decision.**

39 **If any matter regarding benefits before a committee receives five**
40 **votes in the affirmative and five votes in the negative or the**
41 **committee otherwise reaches an impasse on a decision, the**
42 **provisions of section 33 of P.L.2011, c.78 (C.43:3C-17) shall be**
43 **followed.】**

44 **A final action of the **【committee】** board of trustees under this**
45 **subsection shall be made by the adoption of a regulation that shall**
46 **identify the modifications to the system by reference to statutory**
47 **section. The regulations shall also specify the effective date of the**

1 modification and the system members, including beneficiaries and
2 retirees, to whom the modification applies. Regulations of the
3 **【committee】** board of trustees are considered to be part of the plan
4 document for the system. A regulation adopted by the **【committee】**
5 board of trustees may be modified by regulation in order to comply
6 with the requirements of this section.

7 c. (1) No member of the board【,】 or a committee of the board,
8 employee of the board, or employee of the Division of Pensions and
9 Benefits in the Department of the Treasury shall accept from any
10 person, whether directly or indirectly and whether by himself or
11 through his spouse or any member of his family, or through any
12 partner or associate, any gift, favor, service, employment or offer of
13 employment, or any other thing of value, including contributions to
14 the campaign of a member or employee as a candidate for elective
15 public office, which he knows or has reason to believe is offered to
16 him with intent to influence him in the performance of his public
17 duties and responsibilities. As used in this subsection, "person"
18 means an (1) individual or business entity, or officer or employee of
19 such an entity, who is seeking, or who holds, or who held within the
20 prior three years, a contract with the board; (2) an active or retired
21 member, or beneficiary, of the retirement system; or (3) an entity,
22 or officer or employee of such an entity, in which the assets of the
23 retirement system have been invested. A board or committee
24 member or employee violating this prohibition shall be guilty of a
25 crime of the third degree.

26 (2) All trustees, officers, and employees of the board shall
27 participate in annual ethics training on the New Jersey Conflicts of
28 Interest Law and any other applicable law, rule, or standard of
29 conduct relating to the area of ethics as directed by the board's
30 executive director.

31 d. The board of trustees shall have the authority to establish a
32 process for the review, approval, and appeal of applications for
33 retirement.

34 e. The board of trustees shall establish three committees as
35 follows:

36 (1) (a) An Audit Committee of no less than three members to
37 assist in the oversight of the financial reporting and audit processes
38 of the board of trustees. At least two of the members shall be
39 members of the board of trustees. At least one of the Audit
40 Committee members shall have accounting or related financial
41 expertise. If the board of trustees does not have sufficient members
42 qualified or available to serve on the Audit Committee, or wishes to
43 broaden the expertise on the Audit Committee, the board of trustees
44 may request that the State Treasurer recommend one or more
45 qualified individuals to sit on the committee.

46 (b) The Audit Committee shall assist the board of trustees in
47 retaining an independent auditor to conduct an audit of the
48 retirement system's financial statements by making a

1 recommendation to the board of trustees after engaging in an
2 auditor selection process. The auditor selection process shall be
3 based upon public, competitive bidding principles and shall take
4 place no less than once every five years.

5 (c) In carrying out its duties, the Audit Committee shall
6 proactively assist the board of trustees in overseeing the integrity
7 and quality of the retirement system's finances and investments.
8 The Audit Committee shall:

9 (i) review and evaluate audit fees;

10 (ii) when the committee believes that the auditor's performance
11 is not adequate in quality or independence, recommend such steps
12 as may be necessary to elicit appropriate performance, including
13 replacement of the auditor;

14 (iii) at least once every three years, obtain and review a report of
15 the independent auditor describing for the preceding year: the
16 independent auditor's internal quality control procedures; any
17 material issues raised by the most recent internal quality control
18 peer review, or by reviews conducted by governmental or
19 professional authorities; and steps taken by the auditor to address
20 such issues;

21 (iv) regularly review with the independent auditor any audit
22 problems, any risks of material statements due to fraud, and
23 difficulties involving restrictions or attempts to restrict the auditor's
24 activities and restrictions on access to information;

25 (v) review the audited financial statements and interim
26 statements and discuss them with the board of trustees. These
27 discussions shall include a review of particularly sensitive
28 accounting estimates, reserves and accruals, judgmental areas, audit
29 adjustments, whether recorded or not, and any other matters the
30 Audit Committee or independent auditor shall deem appropriate;

31 (vi) review internal control functions such as the planned scope
32 of internal audit reviews, adequacy of staffing, actions to be taken
33 as a result of internal audit findings, the effectiveness of electronic
34 data processing procedures, and controls and related security
35 programs; and

36 (vii) recommend policies with respect to risk assessment and risk
37 management.

38 (2) An Actuary Committee of no less than three members to
39 assist in the selection and oversight of the actuary appointed by the
40 board of trustees. The Actuary Committee shall review the
41 performance of the actuary appointed by the board of trustees. If
42 the performance of the actuary is not adequate in quality, the
43 committee shall recommend such steps as may be necessary to elicit
44 appropriate performance, including replacement of the actuary.

45 (3) An Investment Committee of no less than three members to
46 assist in the oversight of the investments selected by the board of
47 trustees and the management of the investments of the retirement
48 system. The Investment Committee shall consist of two members

1 of the board of trustees, and one member who shall be the chief
2 investment officer of the board, and shall oversee investments and
3 make recommendations on investments to the board of trustees.

4 f. At the end of six years following the enactment date of
5 P.L. , c. (pending before the Legislature as this bill), the board
6 of trustees shall conduct a review of the performance and funding
7 levels of the retirement system, as compared to available market
8 data including but, not limited to, the performance of the State
9 Investment Council and Division of Investment with regard to the
10 investment of other State-administered retirement systems or funds
11 and the Bloomberg Barclays Indices, and may, based on a majority
12 vote of the authorized membership of the board, petition the
13 Legislature to consider legislation that reverts control of the system
14 to the Department of the Treasury, or such other agency as the State
15 deems appropriate.

16 (cf: P.L.2011, c.78, s.4)

17
18 16. Section 14 of P.L.1944, c.255 (C.43:16A-14) is amended to
19 read as follows:

20 14. (1) The board of trustees shall be and are hereby constituted
21 trustees of the various funds and accounts established by this act【;】
22 provided, however, that all【】. All functions, powers and duties
23 relating to the investment or reinvestment of moneys of, and
24 purchase, sale or exchange of any investments or securities, of or
25 for any fund or account established under this act shall be exercised
26 and performed by the 【director of the Division of Investment in
27 accordance with the provisions of chapter 270, of the laws of 1950】
28 board. The 【secretary】 actuary of the board of trustees shall
29 determine from time to time the cash requirements of the various
30 funds and accounts established by this act and the amount available
31 for investment, all of which shall be certified to the 【Director of the
32 Division of Investment.

33 An elected member of the board of trustees to be designated by a
34 majority vote thereof shall serve on the State Investment Council as
35 a representative of said board of trustees, for a term of three years
36 and until a successor is designated and qualified【】 chair and
37 executive director of the board of trustees.

38 (2) The 【Treasurer of the State of New Jersey】 executive
39 director of the board shall be the custodian of the 【several funds】
40 fund created by this act, shall select all depositories and custodians
41 and shall negotiate and execute custody agreements in connection
42 with the assets or investments of any of said 【funds】 fund. All
43 payments from said 【funds】 fund shall be made by him only upon
44 vouchers signed by the chairman and countersigned by the secretary
45 of the board of trustees. No voucher shall be drawn, except upon
46 the authority of the board duly entered in the records of its
47 proceedings.

1 (3) (Deleted by amendment.)

2 (4) Except as otherwise herein provided, no trustee and no
3 employee of the board of trustees shall have any direct interest in
4 the gains or profits of any investments of the retirement system;
5 nor shall any trustee or employee of the board directly or
6 indirectly, for himself or as an agent in any manner use the moneys
7 of the retirement system, except to make such current and necessary
8 payments as are authorized by the board of trustees; nor shall any
9 trustee or employee of the board of trustees become an endorser or
10 surety, or in any manner an obligor for moneys loaned to or
11 borrowed from the retirement system.

12 (cf: P.L.2011, c.78, s.31)

13

14 17. Section 15 of P.L.1944, c.255 (C.43:16A-15) is amended to
15 read as follows:

16 15. (1) The contributions required for the support of the
17 retirement system shall be made by members and their employers.

18 (2) (a) The uniform percentage contribution rate for members
19 shall be 8.5% of compensation. Members of the retirement system
20 shall contribute 10% of compensation to the system on and after the
21 effective date of P.L.2011, c.78.

22 (b) The board of trustees is authorized to make an adjustment to
23 the uniform contribution rate of the members set forth in this
24 subsection as the board deems reasonable, necessary, and
25 appropriate after consultation with, and the recommendation of, the
26 actuary. Any adjustment to a contribution rate shall be made at
27 such time and in such manner as the board shall determine.

28 (3) (Deleted by amendment, P.L.1989, c.204).

29 (4) Upon the basis of the tables recommended by the actuary
30 which the board adopts and regular interest, the actuary shall
31 compute annually, beginning as of June 30, 1991, the amount of
32 contribution which shall be the normal cost as computed under the
33 projected unit credit method attributable to service rendered under
34 the retirement system for the year beginning on July 1 immediately
35 succeeding the date of the computation. This shall be known as the
36 "normal contribution."

37 (5) (Deleted by amendment, P.L.1989, c.204).

38 (6) (Deleted by amendment, P.L.1994, c.62.)

39 (7) Each employer shall cause to be deducted from the salary of
40 each member the percentage of earnable compensation prescribed in
41 subsection (2) of this section. To facilitate the making of
42 deductions, the retirement system may modify the amount of
43 deduction required of any member by an amount not to exceed 1/10
44 of 1% of the compensation upon which the deduction is based.

45 (8) The deductions provided for herein shall be made
46 notwithstanding that the minimum salary provided for by law for
47 any member shall be reduced thereby. Every member shall be
48 deemed to consent and agree to the deductions made and provided

1 for herein, and payment of salary or compensation less said
2 deduction shall be a full and complete discharge and acquittance of
3 all claims and demands whatsoever for the service rendered by such
4 person during the period covered by such payment, except as to the
5 benefits provided under this act. The chief fiscal officer of each
6 employer shall certify to the retirement system in such manner as
7 the **【retirement system】** board of trustees may prescribe, the
8 amounts deducted; and when deducted shall be paid into said
9 annuity savings fund, and shall be credited to the individual account
10 of the member from whose salary said deduction was made.

11 (9) With respect to employers other than the State, upon the
12 basis of the tables recommended by the actuary which the board
13 adopts and regular interest, the actuary shall compute the amount of
14 the accrued liability as of June 30, 1991 under the projected unit
15 credit method, which is not already covered by the assets of the
16 retirement system, valued in accordance with the asset valuation
17 method established in this section. Using the total amount of this
18 unfunded accrued liability, the actuary shall compute the initial
19 amount of contribution which, if the contribution is paid annually in
20 level dollars for a specific period of time, will amortize this
21 liability. The **【State Treasurer shall determine, upon the advice of**
22 **the Director of the Division of Pensions and Benefits, the】** board of
23 trustees **【and】** shall determine, upon the advice of the actuary, the
24 time period for full funding of this liability, which shall not exceed
25 40 years on initial application of this section as amended by this act,
26 P.L.1994, c.62. This shall be known as the "accrued liability
27 contribution." Any increase or decrease in the unfunded accrued
28 liability as a result of actuarial losses or gains for the 10 valuation
29 years following valuation year 1991 shall serve to increase or
30 decrease, respectively, the unfunded accrued liability contribution.
31 Thereafter, any increase or decrease in the unfunded accrued
32 liability as a result of actuarial losses or gains for subsequent
33 valuation years shall serve to increase or decrease, respectively, the
34 amortization period for the unfunded accrued liability, unless an
35 increase in the amortization period will cause it to exceed 30 years.
36 If an increase in the amortization period as a result of actuarial
37 losses for a valuation year would exceed 30 years, the accrued
38 liability contribution shall be computed for the valuation year in the
39 same manner provided for the computation of the initial accrued
40 liability contribution under this section. Beginning with the July 1,
41 2018 actuarial valuation, the accrued liability contribution shall be
42 computed so that if the contribution is paid annually in level
43 dollars, it will amortize this unfunded accrued liability over a closed
44 30-year period. Beginning with the July 1, 2028 actuarial
45 valuation, when the remaining amortization period reaches 20 years,
46 any increase or decrease in the unfunded accrued liability as a result
47 of actuarial losses or gains for subsequent valuation years shall
48 serve to increase or decrease, respectively, the amortization period

1 for the unfunded accrued liability, unless an increase in the
2 amortization period will cause it to exceed 20 years. If an increase
3 in the amortization period as a result of actuarial losses for a
4 valuation year would exceed 20 years, the accrued liability
5 contribution shall be computed for the valuation year in the same
6 manner provided for the computation of the initial accrued liability
7 contribution under this section.

8 With respect to the State, upon the basis of the tables
9 recommended by the actuary which the board adopts and regular
10 interest, the actuary shall annually determine if there is an amount
11 of the accrued liability, computed under the projected unit credit
12 method, which is not already covered by the assets of the retirement
13 system, valued in accordance with the asset valuation method
14 established in this section. This shall be known as the "unfunded
15 accrued liability." If there was no unfunded accrued liability for the
16 valuation period immediately preceding the current valuation
17 period, the actuary, using the total amount of this unfunded accrued
18 liability, shall compute the initial amount of contribution which, if
19 the contribution is paid annually in level dollars for a specific
20 period of time, will amortize this liability. The [State Treasurer
21 shall determine, upon the advice of the Director of the Division of
22 Pensions and Benefits, the] board of trustees [and] shall determine,
23 upon the advice of the actuary, the time period for full funding of
24 this liability, which shall not exceed 30 years. This shall be known
25 as the "accrued liability contribution." Thereafter, any increase or
26 decrease in the unfunded accrued liability as a result of actuarial
27 losses or gains for subsequent valuation years shall serve to increase
28 or decrease, respectively, the amortization period for the unfunded
29 accrued liability, unless an increase in the amortization period will
30 cause it to exceed 30 years. If an increase in the amortization period
31 as a result of actuarial losses for a valuation year would exceed 30
32 years, the accrued liability contribution shall be computed for the
33 valuation year in the same manner provided for the computation of
34 the initial accrued liability contribution under this section.
35 Beginning with the July 1, 2018 actuarial valuation, the accrued
36 liability contribution shall be computed so that if the contribution is
37 paid annually in level dollars, it will amortize this unfunded accrued
38 liability over a closed 30-year period. Beginning with the July 1,
39 2028 actuarial valuation, when the remaining amortization period
40 reaches 20 years, any increase or decrease in the unfunded accrued
41 liability as a result of actuarial losses or gains for subsequent
42 valuation years shall serve to increase or decrease, respectively, the
43 amortization period for the unfunded accrued liability, unless an
44 increase in the amortization period will cause it to exceed 20 years.
45 If an increase in the amortization period as a result of actuarial
46 losses for a valuation year would exceed 20 years, the accrued
47 liability contribution shall be computed for the valuation year in the

1 same manner provided for the computation of the initial accrued
2 liability contribution under this section.

3 The State may pay all or any portion of its unfunded accrued
4 liability under the retirement system from any source of funds
5 legally available for the purpose, including, without limitation, the
6 proceeds of bonds authorized by law for this purpose.

7 The value of the assets to be used in the computation of the
8 contributions provided for under this section for valuation periods
9 shall be the value of the assets for the preceding valuation period
10 increased by the regular interest rate, plus the net cash flow for the
11 valuation period (the difference between the benefits and expenses
12 paid by the system and the contributions to the system) increased by
13 one half of the regular interest rate, plus 20% of the difference
14 between this expected value and the full market value of the assets
15 as of the end of the valuation period. This shall be known as the
16 "valuation assets." Notwithstanding the first sentence of this
17 paragraph, the valuation assets for the valuation period ending June
18 30, 1995 shall be the full market value of the assets as of that date
19 and, with respect to the valuation assets allocated to the State, shall
20 include the proceeds from the bonds issued pursuant to the "Pension
21 Bond Financing Act of 1997," P.L.1997, c.114 (C.34:1B-7.45 et
22 seq.), paid to the system by the New Jersey Economic Development
23 Authority to fund the unfunded accrued liability of the system.
24 Notwithstanding the first sentence of this paragraph, the percentage
25 of the difference between the expected value and the full market
26 value of the assets to be added to the expected value of the assets
27 for the valuation period ending June 30, 1998 for the State shall be
28 100% and for other employers shall be 57% plus such additional
29 percentage as is equivalent to \$150,000,000. Notwithstanding the
30 first sentence of this paragraph, the amount of the difference
31 between the expected value and the full market value of the assets
32 to be added to the expected value of the assets for the valuation
33 period ending June 30, 1999 shall include an additional amount of
34 the market value of the assets sufficient to fund (1) the unfunded
35 accrued liability for the supplementary "special retirement"
36 allowances provided under subsection b. of section 16 of P.L.1964,
37 c.241 (C.43:16A-11.1) and (2) the unfunded accrued liability for the
38 full credit toward benefits under the retirement system for service
39 credited in the Public Employees' Retirement System and
40 transferred pursuant to section 1 of P.L.1993, c.247 (C.43:16A-3.8)
41 and the reimbursement of the cost of any credit purchase pursuant
42 to section 3 of P.L.1993, c.247 (C.43:16A-3.10) provided under
43 section 1 of P.L.2001, c.201 (C.43:16A-3.14).

44 "Excess valuation assets" means, with respect to the valuation
45 assets allocated to the State, the valuation assets allocated to the
46 State for a valuation period less the actuarial accrued liability of the
47 State for the valuation period, and beginning with the valuation
48 period ending June 30, 1998, less the present value of the expected

1 additional normal cost contributions attributable to the amendatory
2 provisions of P.L.1999, c.428 [(C.43:16A-15.8 et al.)] (C.43:16A-1
3 et al.) payable on behalf of the active members employed by the
4 State as of the valuation period over the expected working lives of
5 the active members in accordance with the tables of actuarial
6 assumptions applicable to the valuation period, and less the present
7 value of the expected additional normal cost contributions
8 attributable to the provisions of P.L.2003, c.108 as amending
9 section 16 of P.L.1964, c.241 (C.43:16A-11.1) payable on behalf of
10 the active members employed by the State as of the valuation period
11 over the expected working lives of the active members in
12 accordance with the tables of actuarial assumptions applicable to
13 the valuation period, if the sum is greater than zero. "Excess
14 valuation assets" means, with respect to the valuation assets
15 allocated to other employers, the valuation assets allocated to the
16 other employers for a valuation period less the actuarial accrued
17 liability of the other employers for the valuation period, excluding
18 the unfunded accrued liability for early retirement incentive benefits
19 pursuant to P.L.1993, c.99 for the other employers, and beginning
20 with the valuation period ending June 30, 1998, less the present
21 value of the expected additional normal cost contributions
22 attributable to the amendatory provisions of P.L.1999, c.428
23 [(C.43:16A-15.8 et al.)] (C.43:16A-1 et al.) payable on behalf of
24 the active members employed by other employers as of the
25 valuation period over the expected working lives of the active
26 members in accordance with the tables of actuarial assumptions
27 applicable to the valuation period, and less the present value of the
28 expected additional normal cost contributions attributable to the
29 provisions of P.L.2003, c.108 as amending section 16 of P.L.1964,
30 c.241 (C.43:16A-11.1) payable on behalf of the active members
31 employed by other employers as of the valuation period over the
32 expected working lives of the active members in accordance with
33 the tables of actuarial assumptions applicable to the valuation
34 period, if the sum is greater than zero.

35 If there are excess valuation assets allocated to the State or to the
36 other employers for the valuation period ending June 30, 1995, the
37 normal contributions payable by the State or by the other employers
38 for the valuation periods ending June 30, 1995, and June 30, 1996
39 which have not yet been paid to the retirement system shall be
40 reduced to the extent possible by the excess valuation assets
41 allocated to the State or to the other employers, respectively,
42 provided that with respect to the excess valuation assets allocated to
43 the State, the General Fund balances that would have been paid to
44 the retirement system except for this provision shall first be
45 allocated as State aid to public schools to the extent that additional
46 sums are required to comply with the May 14, 1997 decision of the
47 New Jersey Supreme Court in *Abbott v. Burke*.

1 If there are excess valuation assets allocated to the other
2 employers for the valuation period ending June 30, 1998, the
3 accrued liability contributions payable by the other employers for
4 the valuation period ending June 30, 1997 shall be reduced to the
5 extent possible by the excess valuation assets allocated to the other
6 employers.

7 If there are excess valuation assets allocated to the State or to the
8 other employers for a valuation period ending after June 30, 1998,
9 the State Treasurer may reduce the normal contribution payable by
10 the State or by other employers for the next valuation period as
11 follows:

12 (1) for valuation periods ending June 30, 1996 through June 30,
13 2000, to the extent possible by up to 100% of the excess valuation
14 assets allocated to the State or to the other employers, respectively;

15 (2) for the valuation period ending June 30, 2001, to the extent
16 possible by up to 84% of the excess valuation assets allocated to the
17 State or to the other employers, respectively;

18 (3) for the valuation period ending June 30, 2002, to the extent
19 possible by up to 68% of the excess valuation assets allocated to the
20 State or to the other employers, respectively; and

21 (4) for valuation periods ending June 30, 2003 through June 30,
22 2007, to the extent possible by up to 50% of the excess valuation
23 assets allocated to the State or to the other employers, respectively.

24 Notwithstanding the discretion provided to the State Treasurer in
25 the previous paragraph to reduce the amount of the normal
26 contribution payable by employers other than the State, the State
27 Treasurer shall reduce the amount of the normal contribution
28 payable by employers other than the State by \$150,000,000 in the
29 aggregate for the valuation period ending June 30, 1998, and then
30 the State Treasurer may reduce further pursuant to the provisions of
31 the previous paragraph the normal contribution payable by such
32 employers for that valuation period.

33 The normal and accrued liability contributions shall be certified
34 annually by the retirement system and shall be included in the
35 budget of the employer and levied and collected in the same manner
36 as any other taxes are levied and collected for the payment of the
37 salaries of members.

38 Notwithstanding the preceding sentence, the normal and accrued
39 liability contributions to be included in the budget of and paid by
40 the employer other than the State shall be as follows: for the
41 payment due in the State fiscal year ending on June 30, 2004, 20%
42 of the amount certified by the retirement system; for the payment
43 due in the State fiscal year ending on June 30, 2005, a percentage of
44 the amount certified by the retirement system as the State Treasurer
45 shall determine but not more than 40%; for the payment due in the
46 State fiscal year ending on June 30, 2006, a percentage of the
47 amount certified by the retirement system as the State Treasurer
48 shall determine but not more than 60%; and for the payment due in

1 the State fiscal year ending on June 30, 2007, a percentage of the
2 amount certified by the retirement system as the State Treasurer
3 shall determine but not more than 80%.

4 The State Treasurer shall reduce the normal and accrued liability
5 contributions payable by employers other than the State to 50
6 percent of the amount certified annually by the retirement system
7 for payments due in the State fiscal year ending June 30, 2009. An
8 employer that elects to pay the reduced normal and accrued liability
9 contribution shall adopt a resolution, separate and apart from other
10 budget resolutions, stating that the employer needs to pay the
11 reduced contribution and providing an explanation of that need
12 which shall include (1) a description of its inability to meet the levy
13 cap without jeopardizing public safety, health, and welfare or
14 without jeopardizing the fiscal stability of the employer, or (2) a
15 description of another condition that offsets the long term fiscal
16 impact of the payment of the reduced contribution. An employer
17 also shall document those actions it has taken to reduce its
18 operating costs, or provide a description of relevant anticipated
19 circumstances that could have an impact on revenues or
20 expenditures. This resolution shall be submitted to and approved by
21 the Local Finance Board after making a finding that these fiscal
22 conditions are valid and affirming the findings contained in the
23 employer resolution.

24 An employer that elects to pay 100 percent of the amount
25 certified by the retirement system for the State fiscal year ending
26 June 30, 2009 shall be credited with such payment and any such
27 amounts shall not be included in the employer's unfunded liability.

28 The actuaries for the retirement system shall determine the
29 unfunded liability of the retirement system, by employer, for the
30 reduced normal and accrued liability contributions provided under
31 P.L.2009, c.19. This unfunded liability shall be paid by the
32 employer in level annual payments over a period of 15 years
33 beginning with the payments due in the State fiscal year ending
34 June 30, 2012 and shall be adjusted by the rate of return on the
35 actuarial value of assets.

36 The retirement system shall annually certify to each employer
37 the contributions due to the contingent reserve fund for the liability
38 under P.L.2009, c.19. The contributions certified by the retirement
39 system shall be paid by the employer to the retirement system on or
40 before the date prescribed by law for payment of employer
41 contributions for basic retirement benefits. If payment of the full
42 amount of the contribution certified is not made within 30 days
43 after the last date for payment of employer contributions for basic
44 retirement benefits, interest at the rate of 10% per year shall be
45 assessed against the unpaid balance on the first day after the
46 thirtieth day.

47 (10) The treasurer or corresponding officer of the employer shall
48 pay to the **【State Treasurer】** board of trustees no later than April 1

1 of the State's fiscal year in which payment is due the amount so
2 certified as payable by the employer, and shall pay monthly to the
3 **[State Treasurer]** board of trustees the amount of the deductions
4 from the salary of the members in the employ of the employer, and
5 the **[State Treasurer]** board of trustees shall credit such amount to
6 the appropriate fund or funds, of the retirement system. On April 1
7 next following the effective date of P.L. , c. (pending before the
8 Legislature as this bill), and in each year thereafter, the contribution
9 required to be made by the employer shall be made to the board of
10 trustees on the following schedule: at least 25 percent by March 1,
11 at least 50 percent by June 1, at least 75 percent by September 1,
12 and at least 100 percent by December 1. The amount of the
13 contribution shall be net of the amount of any increase in the
14 interest on the tax and revenue anticipation notes attributable solely
15 to the need to borrow an increased amount in order to make the
16 quarterly payments.

17 If payment of the **[full]** required amount of the employer's
18 obligation is not made within 30 days of the due **[date]** dates
19 established by this act, interest at the rate of 10% per annum shall
20 commence to run against the unpaid balance thereof on the first day
21 after such 30th day. Upon certification by the board of trustees to
22 the Director of the Division of Local Government Services in the
23 Department of Community Affairs of an employer contribution
24 payment being 30 days past due, the director shall withhold any
25 State aid payments that are disbursed by the Division of Local
26 Government Services from the employer in an amount equal to the
27 amount of the employer contribution due to the board. If the
28 employer is eligible for transitional aid, the Division of Local
29 Government Services shall consult with the board to develop a
30 payment plan to ensure that the required payment and interest owed
31 is paid in a timely manner. The director shall release the State aid
32 payments held pursuant to this subsection to the employer upon
33 certification by the board of trustees of its receipt of the delinquent
34 employer contribution. Nothing in P.L. , c. (pending before the
35 Legislature as this bill) shall relieve State or local government
36 employers of any present or future obligations of their normal cost
37 or unfunded liabilities required to be paid into the retirement
38 system.

39 If payment in full, representing the monthly transmittal and
40 report of salary deductions, is not made within 15 days of the due
41 date established by the retirement system, interest at the rate of 10%
42 per annum shall commence to run against the total transmittal of
43 salary deductions for the period on the first day after such 15th day.

44 (11) The expenses of administration of the retirement system
45 shall be paid by the State of New Jersey. Each employer shall
46 reimburse the State for a proportionate share of the amount paid by
47 the State for administrative expense. This proportion shall be
48 computed as the number of members under the jurisdiction of such

1 employer bears to the total number of members in the system. The
2 pro rata share of the cost of administrative expense shall be
3 included with the certification by the retirement system of the
4 employer's contribution to the system.

5 (12) Notwithstanding anything to the contrary, the retirement
6 system shall not be liable for the payment of any pension or other
7 benefits on account of the employees or beneficiaries of any
8 employer participating in the retirement system, for which reserves
9 have not been previously created from funds, contributed by such
10 employer or its employees for such benefits.

11 (13) (Deleted by amendment, P.L.1992, c.125.)

12 (14) Commencing with valuation year 1991, with payment to be
13 made in Fiscal Year 1994, the Legislature shall annually
14 appropriate and the State Treasurer shall pay into the pension
15 accumulation fund of the retirement system an amount equal to
16 1.1% of the compensation of the members of the system for the
17 valuation year to fund the benefits provided by section 16 of
18 P.L.1964, c.241 (C.43:16A-11.1), as amended by P.L.1979, c.109.

19 (15) If the valuation assets are insufficient to fund the normal
20 and accrued liability costs attributable to the amendatory provisions
21 of P.L.1999, c.428 [(C.43:16A-15.8 et al.)] (C.43:16A-1 et al.) as
22 provided hereinabove, the normal and unfunded accrued liability
23 contributions required to fund these costs for the State and other
24 employers shall be paid by the State.

25 (16) The savings realized as a result of the amendments to this
26 section by P.L.2001, c.44 in the payment of normal contributions
27 computed by the actuary for the valuation periods ending June 30,
28 1998 for employers other than the State shall be used solely and
29 exclusively by a county or municipality for the purpose of reducing
30 the amount that is required to be raised by the local property tax
31 levy by the county for county purposes or by the municipality for
32 municipal purposes, as appropriate. The Director of the Division of
33 Local Government Services in the Department of Community
34 Affairs shall certify for each year that each county or municipality
35 has complied with the requirements set forth herein. If the director
36 finds that a county or municipality has not used the savings solely
37 and exclusively for the purpose of reducing the amount that is
38 required to be raised by the local property tax levy by the county for
39 county purposes or by the municipality for municipal purposes, as
40 appropriate, the director shall direct the county or municipal
41 governing body, as appropriate, to make corrections to its budget.
42 (cf: P.L.2011, c.78, s.15)

43

44 18. Section 18 of P.L.1964, c.241 (C.43:16A-16.1) is amended
45 to read as follows:

46 18. Any member who has at least 3 years of service to his credit
47 for which he has contributed as a member may borrow from the
48 retirement system, an amount equal to not more than 50% of the

1 amount of his aggregate contributions, but not less than \$50.00;
2 provided that the amount so borrowed, together with interest
3 thereon, can be repaid by additional deductions from salary, not in
4 excess of 25% of the member's salary, made at the time the salary is
5 paid to the member. The amount so borrowed, together with
6 interest on any unpaid balance thereof, shall be repaid to the
7 retirement system in equal installments by deductions from the
8 salary of the member at the time the salary is paid or in such lump
9 sum amount to repay the balance of the loan but such installments
10 shall be at least equal to the member's rate of contribution to the
11 retirement system and at least sufficient to repay the amount
12 borrowed with interest thereon. Not more than two loans may be
13 granted to any member in any calendar year. Notwithstanding any
14 other law affecting the salary or compensation of any person or
15 persons to whom this act applies or shall apply, the additional
16 deductions required to repay the loan shall be made.

17 The rate of interest for a loan requested by a member prior to the
18 effective date of P.L.2007, c.92 (C.43:15C-1 et al.) shall be 4% per
19 annum on any unpaid balance thereof. For a loan requested after
20 the effective date of that act, the rate of interest per annum shall be
21 a commercially reasonable rate as required by the Internal Revenue
22 Code to be determined by the State Treasurer on that effective date,
23 and by the board of trustees on January 1 of each calendar year
24 thereafter. An administrative fee in an amount set by the **[State**
25 **Treasurer]** board of trustees for each calendar year may be charged
26 for any loan requested after the effective date of P.L.2007, c.92
27 (C.43:15C-1 et al.).

28 Loans shall be made to a member from his aggregate
29 contributions. The interest earned on such loans shall be treated in
30 the same manner as interest earned from investments of the
31 retirement system.

32 (cf: P.L.2007, c.92, s.38)

33

34 19. Section 2 of P.L.1981, c.370 (C.43:16A-16.2) is amended to
35 read as follows:

36 2. In the case of any member who retires without repaying the
37 full amount so borrowed, the **[Division of Pensions and Benefits]**
38 board of trustees shall deduct from the retirement benefit payments
39 the same monthly amount which was deducted from the
40 compensation of the member immediately preceding retirement
41 until the balance of the amount borrowed together with the interest
42 is repaid. In the case of a pensioner who dies before the
43 outstanding balance of the loan and interest thereon has been
44 recovered, the remaining balance shall be repaid from the proceeds
45 of any other benefits payable on the account of the pensioner either
46 in the form of monthly payments due to his beneficiaries or in the

1 form of lump sum payments payable for pension or group life
2 insurance.

3 (cf: P.L.2007, c.92, s.39)

4

5 20. Section 3 of P.L.1992, c.78 (C.43:16A-16.10) is amended to
6 read as follows:

7 3. The **【Director of the Division of Investment】** board of
8 trustees shall at all times have authority to invest and reinvest the
9 monies in, and to acquire for or on behalf of, the Police and
10 Firemen's Retirement System of New Jersey mortgage loans on
11 residential property.

12 (cf: P.L.1992, c.78, s.3)

13

14 21. Section 4 of P.L.1992, c.78 (C.43:16A-16.11) is amended to
15 read as follows:

16 4. a. In addition to any loan for which he may be eligible
17 pursuant to the provisions of section 18 of P.L.1964, c.241
18 (C.43:16A-16.1) and notwithstanding the provisions of that or any
19 other law to the contrary, any member of the Police and Firemen's
20 Retirement System who, at the time of application, is employed by
21 the State or a county, municipality or other political subdivision of
22 the State and who has at least one year of creditable service is, for
23 the purpose of securing for his own occupation as his principal
24 residence a residential property located within this State, eligible to
25 receive a mortgage loan pursuant to the provisions of this act. The
26 mortgage loan shall be used only for the purpose of enabling a
27 borrower to acquire or construct a residential property or refinance
28 an existing residential property loan.

29 No member shall be eligible hereunder for more than one
30 outstanding mortgage loan at any time, and no member shall be
31 eligible to receive a second mortgage loan on a residential property
32 already mortgaged by him. Preference shall be given in making
33 loans to members who are applying to acquire or construct their
34 first principal place of residence.

35 b. Any mortgage loan made pursuant to the provisions of this
36 act, together with any interest and expenses to the retirement system
37 associated with the making of that loan, shall be repaid in equal
38 installments.

39 c. The amount of interest charged with respect to a mortgage
40 loan made pursuant to the provisions of this act shall be fixed for
41 the entire term of the loan. The New Jersey Housing and Mortgage
42 Finance Agency, established under section 4 of P.L.1983, c.530
43 (C.55:14K-4), shall initially establish the rate within 120 days of
44 the effective date of this act and semiannually reset the rate
45 thereafter. The rate shall be determined by the New Jersey Housing
46 and Mortgage Finance Agency by adding 1% to the index. For the
47 purposes of this subsection, the index shall be the weekly average
48 yield at the time the rate is reset on ten-year United States Treasury

1 securities adjusted to a constant maturity as made available by the
2 Federal Reserve Board. If the issuance of ten-year United States
3 Treasury securities is discontinued, the subsequent index shall be
4 determined by the **【State Treasurer】** board of trustees with the
5 advice of the New Jersey Housing and Mortgage Finance Agency.
6 The term of any mortgage loan so made shall not exceed 30 years.

7 d. No mortgage loan made pursuant to the provisions of this act
8 shall be sold, transferred or assigned to any person, nor shall the
9 payments with respect to any mortgage loan so made be assumed by
10 any person other than the member to whom that loan was made,
11 except that in the event of the death of a member, the mortgage may
12 be assignable to a surviving spouse if the spouse is the sole heir to
13 the property.

14 e. The instrument evidencing a mortgage loan under the
15 provisions of this act may be in such form, and may contain such
16 provisions, not inconsistent with law, as the director may choose to
17 insert for the protection of the retirement system's lien and the
18 preservation of its interest in the real property mortgaged to it.
19 (cf: P.L.2001, c.293, s.1)

20

21 22. Section 5 of P.L.1992, c.78 (C.43:16A-16.12) is amended to
22 read as follows:

23 5. The **【State Treasurer】** board of trustees shall delegate the
24 administration of this mortgage loan program to the New Jersey
25 Housing and Mortgage Finance Agency established under section 4
26 of P.L.1983, c.530 (C.55:14K-4). The agency shall: a. originate
27 loans; b. appraise the value of any real property eligible to be
28 mortgaged under this act; c. guarantee and insure title to the real
29 property; and d. perform any other service necessary to accomplish
30 the purposes of this act in a manner consistent with the protection of
31 the rights of beneficiaries of the retirement system. The cost of the
32 performance of these services in connection with the making of a
33 mortgage loan shall be charged to the borrower and included in the
34 amount of that mortgage loan.

35 (cf: P.L.1992, c.78, s.5)

36

37 23. Section 6 of P.L.1992, c.78 (C.43:16A-16.13) is amended to
38 read as follows:

39 6. The **【State Treasurer】** board of trustees, with the advice of
40 **【the State Investment Council, the Board of Trustees of the Police
41 and Firemen's Retirement System, and】** the New Jersey Housing
42 and Mortgage Finance Agency, shall set mortgage loan standards
43 and guidelines for loans made pursuant to this act, including
44 mortgage loan maturity terms, participation fees, mortgage loan
45 insurance requirements, lender compensation rates, servicing fees,
46 loan-to-value ratios, minimum and maximum mortgage loan

1 amounts and eligibility standards consistent with section 4 of this
2 act.

3 (cf: P.L.1992, c.78, s.6)

4

5 24. Section 9 of P.L.1992, c.78 (C.43:16A-16.16) is amended to
6 read as follows:

7 9. The **【State Treasurer】** board of trustees shall, with the
8 advice of **【the State Investment Council, the Director of the**
9 **Division of Pensions and】** the Executive Director of the New Jersey
10 Housing and Mortgage Finance Agency and in accordance with the
11 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
12 seq.), promulgate any rules and regulations necessary to accomplish
13 the purposes of this act.

14 (cf: P.L.1992, c.78, s.9)

15

16 25. Section 19 of P.L.1964, c.241 (C.43:16A-17.1) is amended
17 to read as follows:

18 19. If possible, whenever any beneficiary shall, in writing,
19 request the **【Division of Pensions】** board of trustees to make
20 deductions from his retirement allowance or pension for the purpose
21 of paying premiums for the pensioners' group health insurance plan
22 or the State Health Benefits program, the **【division】** board may
23 make such deductions and transmit the sums so deducted to the
24 companies carrying the policies. Any such written authorization
25 may be withdrawn by any beneficiary upon filing notice of such
26 withdrawal with the division.

27 (cf: P.L.1971, c.175, s.14)

28

29 26. Section 2 of P.L.1973, c.92 (C.43:16A-48.2) is amended to
30 read as follows:

31 2. a. An eligible officer who is a member of a pension fund
32 established by a county or a county park commission or of the
33 Public Employees' Retirement System shall be permitted to transfer
34 his membership in said fund to the Police and Firemen's Retirement
35 System of New Jersey by waiving all rights and benefits which
36 would otherwise be provided by the county or county park
37 commission pension fund or by the Public Employees' Retirement
38 System. Any such officer will likewise be permitted to continue his
39 membership in the county or county park commission pension fund
40 or in the Public Employees' Retirement System by waiving all
41 rights and benefits which would otherwise be provided by the
42 Police and Firemen's Retirement System. Such waivers shall be
43 accomplished by filing forms satisfactory to the **【New Jersey State**
44 **Division of Pensions】** board of trustees, which is responsible for the
45 administration of the Police and Firemen's Retirement System,
46 within 90 days of the effective date of this act. In the absence of the
47 filing of a timely waiver by any eligible officer his pension status

1 shall remain unchanged and his membership shall not be transferred
2 to the Police and Firemen's Retirement System.

3 b. Each new officer who begins employment following the
4 effective date of this act and who is otherwise eligible, shall be
5 required to enroll in the Police and Firemen's Retirement System of
6 New Jersey as a condition of employment, provided he is otherwise
7 eligible for membership by meeting the appointment, age, and
8 health prescriptions required of all members. As of the effective
9 date of this act, the eligibility of membership for such new officers
10 in the county or county park commission pension fund or in the
11 Public Employees' Retirement System shall be terminated and the
12 membership requirements of such other funds will be deemed
13 satisfied by the enrollment of such employees in the Police and
14 Firemen's Retirement System.

15 c. All officers who, prior to the effective date of this act, were
16 not required to become and who are not members of county or
17 county park commission pension funds or the Public Employees'
18 Retirement System, and who anticipate the receipt of a pension
19 from the county under the provisions of chapter 4 of Title 43 of the
20 Revised Statutes or the "General Noncontributory Pension Act"
21 P.L.1955, c. 263 (C. 43:8B-1 et seq.), shall continue their eligibility
22 for such pension to be paid by the county and shall not be permitted
23 to enroll in the Police and Firemen's Retirement System of New
24 Jersey.

25 (cf: P.L.1973, c.92, s.2)

26

27 27. Section 7 of P.L.1973, c.92 (C.43:16A-48.7) is amended to
28 read as follows:

29 7. The chief fiscal officer of each employer shall transmit to the
30 retirement system such information as the system shall require in
31 order for the **【New Jersey State Division of Pensions】** board of
32 trustees to comply with the provisions of this act.

33 (cf: P.L.1973, c.92, s.7)

34

35 28. Section 20 of P.L.1964, c.241 (C.43:16A-53) is amended to
36 read as follows:

37 20. The **【State Treasurer】** board of trustees is hereby authorized
38 and permitted to purchase from one or more life insurance
39 companies, as determined by him, a group life insurance coverage
40 to provide for the death benefits specified in sections 5 **【,】** and 6,
41 **【7(3)】** subsection (3) of section 7, section 9, and **【10(5) of chapter**
42 **255 of the laws of 1944】** subsection (5) of section 10 of P.L.1944,
43 c.255 (C.43:16A-5 through C.43:16A-7, C.43:16A-9, and
44 C.43:16A-10) and sections 16 and 17 of **【chapter 241 of the laws of**
45 **1964】** P.L.1964, c.241 (C.43:16A-11.1 and C.43:16A-11.2). Such
46 group life insurance coverage may be provided under one or more
47 policies issued to the **【State Treasurer】** board of trustees

1 specifically for this purpose or, in the discretion of the **【State**
2 **Treasurer】** board of trustees, under one or more policies issued to
3 the **【State Treasurer】** board of trustees which provide group life
4 insurance coverage for members of one or more other retirement
5 systems of the State of New Jersey. Whenever such policy or
6 policies of group insurance shall be in effect, the benefits payable
7 thereunder shall be in lieu of the above mentioned death benefits
8 provided by said sections. Any dividend or retrospective rate credit
9 allowed by an insurance company shall be credited in an equitable
10 manner to the special insurance funds from which premiums are
11 paid.

12 (cf: P.L.1967, c.250, s.18)

13

14 29. Section 22 of P.L.1964, c.241 (C.43:16A-55) is amended to
15 read as follows:

16 22. The **【State Treasurer】** board of trustees may, in **【his】** its
17 discretion, determine to purchase group insurance coverage for the
18 death benefit provisions as provided in sections 5 **【,】** and 6, **【7(3)】**
19 subsection (3) of section 7, section 9, and **【10(5) of chapter 255 of**
20 **the laws of 1944】** subsection (5) of section 10 of P.L.1944, c.255
21 (C.43:16A-5 through C.43:16A-7, C.43:16A-9, and C.43:16A-10)
22 and sections 16 and 17 of **【chapter 241 of the laws of 1964】**
23 P.L.1964, c.241 (C.43:16A-11.1 and C.43:16A-11.2), or may
24 determine not to purchase any group insurance coverage for the
25 death benefit provisions heretofore mentioned.

26 (cf: P.L.1967, c.250, s.19)

27

28 30. Section 23 of P.L.1964, c.241 (C.43:16A-56) is amended to
29 read as follows:

30 23. In the event the **【State Treasurer】** board of trustees shall
31 determine to purchase group insurance coverage for the death
32 benefits, premiums for the same shall be paid from a special fund,
33 hereby created, called the "Group Insurance Premium Fund." The
34 **【State Treasurer】** board of trustees shall estimate annually the
35 amount which will be required for premiums for such benefits for
36 the ensuing fiscal year and shall certify such amounts to the
37 participating employers as due and owing from them. The
38 participating employers shall pay over to the **【State Treasurer】**
39 board of trustees the amount for premiums so certified and the
40 **【State Treasurer】** board of trustees shall deposit these amounts in
41 the Group Insurance Premium Fund. During the period such group
42 insurance policy or policies are in effect with respect to members of
43 the Police and Firemen's Retirement System of New Jersey the
44 **【State Treasurer】** board of trustees shall in no way commingle
45 moneys in this fund with any pension fund established by **【chapter**

1 255 of the laws of 1944】 P.L.1944, c.255 (C.43:16A-1 et seq.).
2 (cf: P.L.1967, c.250, s.20)

3
4 31. Section 24 of P.L.1964, c.241 (C.43:16A-57) is amended to
5 read as follows:

6 24. All reserves and moneys held by the insurance carrier under
7 group life insurance contracts providing for employee contributions
8 pursuant to the provisions of **【chapter 241 of the laws of 1964】**
9 P.L.1964, c.241 (C.43:16A-11.1 et al.), and any amendments and
10 supplements thereto, shall be transferred and merged with those
11 purchased by the **【State Treasurer】** board of trustees.
12 (cf: P.L.1967, c.250, s.21)

13
14 32. Section 2 of P.L.1985, c.221 (C.43:16A-62.3) is amended to
15 read as follows:

16 2. a. Either the transfer to or the initial enrollment in the Police
17 and Firemen's Retirement System of chief investigators, assistant
18 chief investigators, senior investigators and investigators in a
19 county welfare agency is contingent upon the approval of the
20 county. A county may make such a transfer or allow such an
21 enrollment upon the adoption of an ordinance or resolution, as
22 appropriate.

23 b. If an ordinance or resolution is adopted pursuant to subsection
24 a. of this section, an eligible officer who is a member of the Public
25 Employees' Retirement System (P.L.1954, c.84, C.43:15A-1 et seq.)
26 or of a county pension fund created under P.L.1943, c.160
27 (C.43:10-18.1 et seq.), or P.L.1948, c.310 (C.43:10-18.50), or
28 article 1 of chapter 10 of Title 43 of the Revised Statutes (R.S.
29 43:10-1 et seq.), hereinafter referred to as "county pension fund,"
30 shall be permitted to transfer his membership in the retirement
31 system or county pension fund to the Police and Firemen's
32 Retirement System of New Jersey by: (1) waiving all rights and
33 benefits which would otherwise be provided by the Public
34 Employees' Retirement System or county pension fund; and (2)
35 making a lump sum payment into the Police and Firemen's
36 Retirement System annuity savings fund of the amount of the
37 difference between the contribution which was paid as a member of
38 the Public Employees' Retirement System or a county pension fund
39 and the contribution that would have been required if he had been a
40 member of the Police and Firemen's Retirement System since the
41 date of last enrolling in the Public Employees' Retirement System
42 or a county pension fund. In addition, the employee shall be liable
43 for the amount of the difference between (1) the total contribution
44 paid by the employer of the employee to the Public Employees'
45 Retirement System of New Jersey or county pension fund with
46 respect to any service credit transferred therefrom to the Police and
47 Firemen's Retirement System under this subsection, and (2) the
48 contribution which the employer would have been required to pay

1 to the Police and Firemen's Retirement System with respect to that
2 service credit if the employee had been enrolled in the Police and
3 Firemen's Retirement System during the entire period with respect
4 to which he accumulated that credit; this payment may be made in
5 regular monthly installments, or in a lump sum, as the employee
6 may elect, and pursuant to rules and regulations as may be
7 promulgated by the **【Division of Pensions】** board of trustees. Any
8 such officer will likewise be permitted to continue his membership
9 in the Public Employees' Retirement System or county pension fund
10 by waiving all rights and benefits which would otherwise be
11 provided by the Police and Firemen's Retirement System. Such
12 waivers shall be accomplished by filing forms satisfactory to the
13 **【New Jersey Division of Pensions】** board of trustees, which is
14 responsible for the administration of the Police and Firemen's
15 Retirement System, within 90 days following the effective date of
16 an ordinance or resolution adopted by a county under subsection a.
17 of this section. In the absence of a filing of a timely waiver by any
18 eligible officer, his pension status shall remain unchanged and his
19 membership shall not be transferred to the Police and Firemen's
20 Retirement System.

21 c. The transfer of membership from the Public Employees'
22 Retirement System or county pension fund to the Police and
23 Firemen's Retirement System shall be done in accordance with the
24 provisions of P.L. 1973, c. 156 (C. 43:16A-62 et seq.). Whenever in
25 P.L. 1973, c. 156 a period of time is set which is to be calculated
26 from the effective date of that act, such time shall be calculated
27 from the effective date of an ordinance or resolution adopted by a
28 county under subsection a. of this section for the purposes hereof.

29 d. If an ordinance or resolution is adopted pursuant to subsection
30 a. of this section, each new officer who begins employment
31 following the effective date of the ordinance or resolution shall be
32 required to enroll in the Police and Firemen's Retirement System as
33 a condition of employment, provided he is otherwise eligible for
34 membership by meeting appointment, age, and health requirements
35 prescribed for all members. As of the effective date of the
36 ordinance or resolution, eligibility for membership of new officers
37 in the Public Employees' Retirement System shall be deemed
38 terminated and the membership requirements of such other
39 retirement system shall be deemed satisfied by the enrollment of
40 such officers in the Police and Firemen's Retirement System.

41 (cf: P.L.1985, c.221, s.2)

42

43 33. Section 4 of P.L.1973, c.156 (C.43:16A-63) is amended to
44 read as follows:

45 4. a. An eligible officer who is a member of the Public
46 Employees' Retirement System or of a county pension fund created
47 under P.L.1943, c. 160 (C.43:10-18.1 et seq.), or P.L.1948, c. 310
48 (C.43:10-18.50 et seq.) or article 2 of chapter 10 of Title 43 of the

1 Revised Statutes (R.S.43:10-19 et seq.), hereinafter referred to as a
2 "county pension fund" shall be permitted to transfer his
3 membership in said fund to the Police and Firemen's Retirement
4 System of New Jersey by waiving all rights and benefits which
5 would otherwise be provided by the Public Employees' Retirement
6 System or a county pension fund. Any such officer will likewise
7 be permitted to continue his membership in the Public Employees'
8 Retirement System or a county pension fund by waiving all rights
9 and benefits which would otherwise be provided by the Police and
10 Firemen's Retirement System. Such waivers shall be accomplished
11 by filing forms satisfactory to the **【New Jersey Division of**
12 **Pensions】** board of trustees, which is responsible for the
13 administration of the Police and Firemen's Retirement System,
14 within 90 days of the effective date of this 1975 amendatory and
15 supplementary act. In the absence of the filing of a timely waiver
16 by any eligible officer his pension status shall remain unchanged
17 and his membership shall not be transferred to the Police and
18 Firemen's Retirement System.

19 b. Each new officer who begins employment following the
20 effective date of this 1975 amendatory and supplementary act, shall
21 be required to enroll in the Police and Firemen's Retirement System
22 of New Jersey as a condition of employment, provided he is
23 otherwise eligible for membership by meeting the appointment, age,
24 and health prescriptions required of all members. As of the
25 effective date of this 1975 amendatory and supplementary act, the
26 eligibility of membership for such new officers in the Public
27 Employees' Retirement System or a county pension fund named in
28 paragraph a. above shall be terminated and the membership
29 requirements of such other fund will be deemed satisfied by the
30 enrollment of such employees in the Police and Firemen's
31 Retirement System.

32 (cf: P.L.1975, c.303, s.1)

33

34 34. Section 9 of P.L.1973, c.156 (C.43:16A-68) is amended to
35 read as follows:

36 9. The chief fiscal officer of the employer shall transmit to the
37 retirement system such information as the system shall require in
38 order for the **【New Jersey Division of Pensions】** board of trustees
39 to comply with the provisions of this act.

40 (cf: P.L.1973, c.156, s.9)

41

42 35. Section 7 of P.L.1950, c.270 (C.52:18A-85) is amended to
43 read as follows:

44 7. The functions, powers and duties vested by law in the
45 following enumerated agencies:

46 The Board of Trustees of the Public Employees' Retirement
47 System; the Board of Trustees of the State Police Retirement
48 System; the Prison Officers' Pension Commission; the Board of

1 Trustees of the Teachers' Pension and Annuity Fund; **【**the Board of
2 Trustees of the Police and Firemen's Retirement System of New
3 Jersey;**】** and the Consolidated Police and Firemen's Pension Fund
4 Commission; of, or relating to, investment or reinvestment of
5 moneys of, and purchase, sale or exchange of any investments or
6 securities of or for any funds or accounts under the control and
7 management of such agencies, are hereby transferred to and shall
8 be exercised and performed for such agencies by the Director of
9 the Division of Investment established hereunder.
10 (cf: P.L.1970, c.57, s.17)

11
12 36. Section 1 of P.L.1959, c.17 (C.52:18A-88.1) is amended to
13 read as follows:

14 1. The Director of the Division of Investment, in addition to
15 other investments, presently or from time to time hereafter
16 authorized by law, shall have authority to invest and reinvest the
17 moneys in, and to acquire for or on behalf of the funds of the
18 following enumerated agencies:

19 The Consolidated Police and Firemen's Pension Fund;

20 **【**The Police and Firemen's Retirement System of New Jersey;**】**

21 The Prison Officers' Pension Fund;

22 The Public Employees' Retirement System of New Jersey;

23 The State Police Retirement System;

24 The Teachers' Pension and Annuity Fund;

25 The Judicial Retirement System of New Jersey;

26 The Trustees for the Support of Public Schools;

27 and all other funds in the custody of the State Treasurer, unless
28 otherwise provided by law;

29 such investments which shall be authorized or approved for
30 investment by regulation of the State Investment Council.

31 (cf: P.L.2013, c.253, s.39)

32

33 37. Section 11 of P.L.1950, c.270 (C.52:18A-89) is amended to
34 read as follows:

35 11. a. Limitations, conditions and restrictions contained in any
36 law concerning the kind or nature of investment of any of the
37 moneys of any of the funds or accounts referred to herein shall
38 continue in full force and effect; provided, however, that subject to
39 any acceptance required, or limitation or restriction contained
40 herein: the Director of the Division of Investment shall at all times
41 have authority to invest and reinvest any such moneys in
42 investments as defined in subsection c. of this section and, for or on
43 behalf of any such fund or account, to sell or exchange any such
44 investments; provided, however, that the Board of Trustees of the
45 Police and Firemen's Retirement System of New Jersey shall have
46 sole authority to invest and reinvest moneys for or on behalf of the
47 Police and Firemen's Retirement System of New Jersey.

1 b. In investing and reinvesting any and all money and property
2 committed to the director's investment discretion from any source
3 whatsoever, and in acquiring, retaining, selling, exchanging and
4 managing investments, the Director of the Division of Investment,
5 and in the case of the Police and Firemen's Retirement System of
6 New Jersey, the Board of Trustees of the Police and Firemen's
7 Retirement System of New Jersey, shall exercise the care, skill,
8 prudence and diligence under the circumstances then prevailing that
9 a prudent person acting in a like capacity and familiar with such
10 matters would use in the conduct of an enterprise of a like character
11 and with like aims. In making each investment, the director may,
12 depending on the nature and objectives of the portfolio, consider the
13 whole portfolio, provided that, in making each investment, the
14 director shall act with the reasonable expectation that the return on
15 each investment shall be commensurate with the risk associated
16 with each investment. The director or board of trustees shall be
17 under a duty to manage and invest the portfolio solely in the
18 interests of the beneficiaries of the portfolio and for the exclusive
19 purpose of providing financial benefits to the beneficiaries of the
20 portfolio.

21 c. For the purposes of this section, "investments" means and
22 includes property of every nature, real, personal and mixed, tangible
23 and intangible, and specifically includes, solely by way of
24 description and not by way of limitation, bonds, debentures and
25 other corporate obligations, direct and indirect investments in
26 equity real estate , mortgages and other direct or indirect interests
27 in real estate or investments secured by real estate, capital stocks,
28 common stocks, preferred stocks, diversified pools of venture
29 capital which otherwise could be made consistent with the standard
30 of care required by subsection b. of this section, common trust
31 funds as defined in and regulated by sections 36 through 46 of
32 P.L.1948, c.67 (C.17:9A-36 through 17:9A-46), repurchase
33 agreements, securities loan transactions secured by cash, securities
34 issued by the United States government or its agencies, or
35 irrevocable bank letters of credit, whether directly or through a
36 bank or similar financial institution acting as agent or trustee,
37 mutual funds, and any other security issued by an investment
38 company or investment trust, whether managed or not by third
39 parties, registered under the "Investment Company Act of 1940,"
40 (15 U.S.C. s.80a-1 et seq.). No investment that is otherwise
41 permissible under this subsection shall be considered to be unlawful
42 solely because the investment is made indirectly or through a
43 partnership, trust, or other legal entity.

44 (cf: P.L.1997, c.26, s.26)

45

46 38. All of the present functions, powers, duties, equipment, and
47 records relating to the Police and Firemen's Retirement System of
48 New Jersey in the Division of Pensions and Benefits in the

1 Department of the Treasury and the Division of Investment are
2 hereby transferred to the Board of Trustees of the Police and
3 Firemen's Retirement System of New Jersey.

4
5 39. The terms of service of those appointed and elected
6 members serving on the Board of Trustees of the Police and
7 Firemen's Retirement System on the date of enactment of P.L. , c.
8 (pending before the Legislature as this bill), shall be terminated as
9 of the first day of the seventh month next following that date of
10 enactment, so that the composition of the board as provided for in
11 this act shall be attained. A trustee whose service on the board has
12 been terminated pursuant to this section may be appointed or
13 elected to serve as a trustee after that effective date if qualified.

14
15 40. Section 1 of P.L.1947, c.217 (C.43:16A-13.1) is repealed.

16
17 41. This act shall take effect on the 366th day next following
18 enactment, except the provisions concerning the election,
19 appointment, and composition of the new Board of Trustees of the
20 Police and Firemen's Retirement System, set forth in section 15 of
21 this act, shall take effect as specified in that section and the new
22 Board of Trustees of the Police and Firemen's Retirement System
23 shall take office on the first business day of the seventh month next
24 following the date of enactment of this act. The Board of Trustees
25 of the Police and Firemen's Retirement System, the Division of
26 Pensions and Benefits, and the Division of Investment may take
27 such anticipatory administrative action in advance as shall be
28 necessary for the implementation of the act.

29
30
31 STATEMENT

32
33 This bill transfers management of the Police and Firemen's
34 Retirement System (PFRS) from the Division of Pensions and
35 Benefits in the Department of the Treasury to the Board of Trustees
36 of the PFRS.

37 The bill changes the membership of the Board of Trustees of the
38 PFRS from 11 to 12 members. Seven trustees must be present at any
39 meeting of the board for the transaction of its business. A member
40 of the Board of Trustees of the PFRS may be removed if the
41 member has more than three unexcused absences from the board's
42 meetings in any calendar year. A member may also participate in
43 meetings of the board by teleconference.

44 Under the bill, the board will consist of three active policemen
45 and three active firemen. The active members of the system will
46 elect one active policeman and one active fireman. The remaining
47 active policemen and firemen will be appointed by the heads of four

1 unions representing policemen and firemen in the State. In addition,
2 the board will contain one retiree elected by retirees in the PFRS.

3 To represent the interests of local government employers, the
4 Governor will appoint four trustees, who either hold or have held an
5 elective local public office or are employed, or have been
6 employed, by a local government as an administrator, manager, or
7 chief financial officer. The Governor will also appoint one trustee,
8 who holds, or has held, a position in the Executive Branch of State
9 government at the level of division director or above, to represent
10 the interests of State government.

11 The bill vests with the board of trustees all the functions, powers,
12 and duties relating to the investment and reinvestment of money in
13 any fund or account under the control of the board. The Division of
14 Investment in the Department of the Treasury currently performs
15 these functions. Under the bill, the board of trustees may make and
16 execute agreements with public and private enterprises for the
17 management of the investments of the retirement system. The bill
18 requires the board to hire an executive director, actuary, chief
19 investment officer, and ombudsman.

20 This bill requires the executive director and chief investment
21 officer employed by the board to have, at minimum, a bachelor's
22 degree from an accredited institution of higher education, and at
23 least five years management experience in accounting, finance,
24 public administration, government pension and retirement planning,
25 investment banking, financial consulting, money management, or a
26 similar field, and to meet all other requirements for employment set
27 forth in a standard adopted by the board. A member, retiree, or
28 other beneficiary of the retirement system may not hold the position
29 of executive director or chief investment officer.

30 Under the bill, the board of trustees has the authority to establish
31 a process for the review, approval, and appeal of applications for
32 retirement. The bill provides the board of trustees with authority to
33 modify the system's member contribution rate; cap on creditable
34 compensation; formula for calculation of final compensation; and
35 standards for special retirement and disability retirement. The bill
36 allows the board to reinstate cost of living adjustments for retirees.
37 Under the bill, the board may alter any benefit set forth in statute
38 for the PFRS. There are to be at least eight votes of the authorized
39 membership of the board to approve any enhancement or reduction
40 of a member benefit, other than the activation of the now-suspended
41 cost of living adjustment for retirees, or to approve any increase or
42 decrease in the employer contribution that is more than what is
43 recommended by the actuary for the system for the purpose of the
44 annual funding requirements of the system.

45 Moreover, the bill requires local employers to pay their required
46 contributions to the PFRS on a quarterly basis. If a local employer
47 does not make a required contribution within 30 days of the due
48 date, the Division of Local Government Services will withhold any

1 State aid payment due to that employer in an amount equal to the
2 amount of the delinquent contribution. If the employer is eligible
3 for transitional aid, the Division of Local Government Services is to
4 consult with the board to develop a payment plan to ensure that the
5 required payment and interest owed is paid in a timely manner. The
6 director will release the withheld State aid payment to the employer
7 upon certification by the board of the receipt of the delinquent
8 contribution.

9 This bill requires the board of trustees, at the end of six years
10 following the enactment date of this bill, to conduct a review of the
11 performance and funding levels of the retirement system, as
12 compared to available market data, including, but not limited to, the
13 performance of the State Investment Council and Division of
14 Investment with regard to the investment of other State-
15 administered retirement systems or funds and the Bloomberg
16 Barclays Indices, and may, based on a majority vote of the
17 authorized membership of the board, petition the Legislature to
18 consider legislation that reverts control of the system to the
19 Department of the Treasury, or other agency as the State deems
20 appropriate.

21 The bill does not diminish the non-forfeitable right PFRS
22 members have to receive the benefits provided under State law or
23 affirmed by the State's courts. Nothing in the bill relieves the State
24 or local government employers of any past, present, or future
25 obligations to the PFRS or its members.

SENATE STATE GOVERNMENT, WAGERING, TOURISM &
HISTORIC PRESERVATION COMMITTEE

STATEMENT TO

SENATE, No. 5

with committee amendments

STATE OF NEW JERSEY

DATED: FEBRUARY 1, 2018

The Senate State Government, Wagering, Tourism and Historic Preservation Committee reports favorably and with committee amendments Senate Bill No. 5.

As amended, this bill transfers management of the Police and Firemen's Retirement System (PFRS) from the Division of Pensions and Benefits in the Department of the Treasury to the Board of Trustees of the PFRS.

The bill changes the membership of the Board of Trustees of the PFRS from 11 to 12 members. Seven trustees must be present at any meeting of the board for the transaction of its business. A member of the Board of Trustees of the PFRS may be removed if the member has more than three unexcused absences from the board's meetings in any calendar year. A member may also participate in meetings of the board by teleconference. Under the bill, the board will consist of three active policemen and three active firemen. The active members of the system will elect one active policeman and one active fireman. The remaining active policemen and firemen will be appointed by the heads of four unions representing policemen and firemen in the State. In addition, the board will contain one retiree elected by retirees in the PFRS.

To represent the interests of local government employers, the Governor will appoint four trustees, who either hold or have held an elective local public office or are employed, or have been employed, by a local government as an administrator, manager, or chief financial officer. The Governor will also appoint one trustee, who holds, or has held, a position in the Executive Branch of State government at the level of division director or above, to represent the interests of State government.

The bill vests with the board of trustees all the functions, powers, and duties relating to the investment and reinvestment of money in any fund or account under the control of the board. The Division of Investment in the Department of the Treasury currently performs these functions. Under the bill, the board of trustees may make and execute agreements with public and private enterprises for the

management of the investments of the retirement system. The bill requires the board to hire an executive director, actuary, chief investment officer, and ombudsman.

This bill requires the executive director and chief investment officer employed by the board to have, at minimum, a bachelor's degree from an accredited institution of higher education, and at least five years management experience in accounting, finance, public administration, government pension and retirement planning, investment banking, financial consulting, money management, or a similar field, and to meet all other requirements for employment set forth in a standard adopted by the board. A member, retiree, or other beneficiary of the retirement system may not hold the position of executive director or chief investment officer.

Under the bill, the board of trustees has the authority to establish a process for the review, approval, and appeal of applications for retirement. The bill provides the board of trustees with authority to modify the system's member contribution rate; cap on creditable compensation; formula for calculation of final compensation; and standards for special retirement and disability retirement. The bill allows the board to reinstate cost of living adjustments for retirees. Under the bill, the board may alter any benefit set forth in statute for the PFRS. There are to be at least eight votes of the authorized membership of the board to approve any enhancement or reduction of a member benefit, other than the activation of the now-suspended cost of living adjustment for retirees, or to approve any increase or decrease in the employer contribution that is more than what is recommended by the actuary for the system for the purpose of the annual funding requirements of the system.

The bill requires the board to complete at least 16 hours of continuing education annually, in addition to any other training required by the bill; and requires the board to adopt an ethics policy that is comparable to the "New Jersey Conflicts of Interest Law."

The bill provides that the board may retain experienced legal counsel with demonstrated expertise in the law governing retirement systems for public or private sector employees. Additionally, under the bill, the board may retain an actuary that must have demonstrated experience in providing actuarial services to retirement systems for public or private sector employees. The actuary may be an employee of the board or an independent contractor retained by the board.

A permanent position of internal auditor would be established under the bill, and the internal auditor would be supervised by the executive director.

The bill prohibits the chair and vice-chair from disciplining or discharging an employee of the board unless authorized by a majority of trustees. Moreover, the bill prohibits the board from employing a trustee, and may employ a former trustee only if the

former trustee has not held the position of trustee for more than two years.

Moreover, the bill requires local employers to pay their required contributions to the PFRS on a quarterly basis. If a local employer does not make a required contribution within 30 days of the due date, the Division of Local Government Services will withhold any State aid payment due to that employer in an amount equal to the amount of the delinquent contribution. If the employer is eligible for transitional aid, the Division of Local Government Services is to consult with the board to develop a payment plan to ensure that the required payment and interest owed is paid in a timely manner. The director will release the withheld State aid payment to the employer upon certification by the board of the receipt of the delinquent contribution.

This bill requires the board of trustees, at the end of six years following the enactment date of this bill, to conduct a review of the performance and funding levels of the retirement system, as compared to available market data, including, but not limited to, the performance of the State Investment Council and Division of Investment with regard to the investment of other State-administered retirement systems or funds and the Bloomberg Barclays Indices, and may, based on a majority vote of the authorized membership of the board, petition the Legislature to consider legislation that reverts control of the system to the Department of the Treasury, or other agency as the State deems appropriate.

The bill does not diminish the non-forfeitable right PFRS members have to receive the benefits provided under State law or affirmed by the State's courts. Nothing in the bill relieves the State or local government employers of any past, present, or future obligations to the PFRS or its members.

This bill was pre-filed for introduction in the 2018-2019 session pending technical review. As reported, the bill includes the changes required by technical review, which has been performed.

COMMITTEE AMENDMENTS

The committee amended the bill to:

(1) prohibit the chair and vice-chair from disciplining or discharging an employee of the board unless authorized by a majority of trustees;

(2) allow the board of trustees of the PFRS to retain experienced legal counsel with demonstrated expertise in the law governing retirement systems for public or private sector employees;

(3) provide that the actuary may be an employee of the board or an independent contractor retained by the board, with demonstrated experience in providing actuarial services to defined benefit retirement systems for public employees;

(4) provide that the independent actuary must have demonstrated experience in providing actuarial services to retirement systems for public or private sector employees;

(5) provide that the board shall not employ a trustee and may employ a former trustee only if the former trustee has not held the position of trustee for more than two years;

(6) require the board to complete at least 16 hours of continuing education annually, in addition to any other training required by the bill;

(7) require the board to adopt an ethics policy that is comparable to the “New Jersey Conflicts of Interest Law”;

(8) revise the required experience for one of the Audit Committee members;

(9) establish a permanent position of internal auditor; and

(10) correct a typographical error.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

[First Reprint]

SENATE, No. 5

STATE OF NEW JERSEY

DATED: FEBRUARY 5, 2018

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 5 (1R).

This bill transfers management of the Police and Firemen's Retirement System (PFRS) from the Division of Pensions and Benefits in the Department of the Treasury to the Board of Trustees of the PFRS.

The bill changes the membership of the Board of Trustees of the PFRS from 11 to 12 members. Seven trustees must be present at any meeting of the board for the transaction of its business. A member of the Board of Trustees of the PFRS may be removed if the member has more than three unexcused absences from the board's meetings in any calendar year. A member may also participate in meetings of the board by teleconference.

Under the bill, the board will consist of three active policemen and three active firemen. The active members of the system will elect one active policeman and one active fireman. The remaining active policemen and firemen will be appointed by the heads of four unions representing policemen and firemen in the State. In addition, the board will contain one retiree elected by retirees in the PFRS.

To represent the interests of local government employers, the Governor will appoint four trustees, who either hold or have held an elective local public office or are employed, or have been employed, by a local government as an administrator, manager, or chief financial officer. The Governor will also appoint one trustee, who holds, or has held, a position in the Executive Branch at the level of division director or above, to represent the interests of State government.

The bill vests with the board of trustees all the functions, powers, and duties relating to the investment and reinvestment of money in any fund or account under the control of the board. Under the bill, the board of trustees may make and execute agreements with public and private enterprises for the management of the investments of the retirement system. The bill requires the board to hire an executive director, actuary, chief investment officer, ombudsman, and internal auditor, as well as retain experienced legal counsel.

This bill requires the executive director and chief investment officer employed by the board to have, at minimum, a bachelor's

degree from an accredited institution of higher education, and at least five years management experience in accounting, finance, public administration, government pension and retirement planning, investment banking, financial consulting, money management, or a similar field, and to meet all other requirements for employment set forth in a standard adopted by the board. A member, retiree, or other beneficiary of the retirement system may not hold the position of executive director or chief investment officer.

Under the bill, the board of trustees has the authority to establish a process for the review, approval, and appeal of applications for retirement. The bill provides the board of trustees with authority to modify the system's member contribution rate; cap on creditable compensation; formula for calculation of final compensation; and standards for special retirement and disability retirement. The bill allows the board to reinstate cost of living adjustments for retirees. Under the bill, the board may alter any benefit set forth in statute for the PFRS. There are to be at least eight votes of the authorized membership of the board to approve any enhancement or reduction of a member benefit, other than the activation of the now-suspended cost of living adjustment for retirees, or to approve any increase or decrease in the employer contribution that is more than what is recommended by the actuary for the system for the purpose of the annual funding requirements of the system.

Moreover, the bill requires local employers to pay their required contributions to the PFRS on a quarterly basis. If a local employer does not make a required contribution within 30 days of the due date, the Division of Local Government Services will withhold any State aid payment due to that employer in an amount equal to the amount of the delinquent contribution. If the employer is eligible for transitional aid, the Division of Local Government Services is to consult with the board to develop a payment plan to ensure that the required payment and interest owed is paid in a timely manner. The director will release the withheld State aid payment to the employer upon certification by the board of the receipt of the delinquent contribution.

This bill requires the board of trustees, at the end of six years following the enactment date of this bill, to conduct a review of the performance and funding levels of the retirement system, as compared to available market data, including, but not limited to, the performance of the State Investment Council and Division of Investment with regard to the investment of other State-administered retirement systems or funds and the Bloomberg Barclays Indices, and may, based on a majority vote of the authorized membership of the board, petition the Legislature to consider legislation that reverts control of the system to the Department of the Treasury, or other agency as the State deems appropriate.

The bill does not diminish the non-forfeitable right PFRS members have to receive the benefits provided under State law or affirmed by

the State's courts. Nothing in the bill relieves the State or local government employers of any past, present, or future obligations to the PFRS or its members.

FISCAL IMPACT:

The OLS notes that the authority provided to the Board of Trustees of the PFRS under the bill may have a fiscal impact on the administrative costs of operating the PFRS. For instance, the bill requires the board to hire an executive director, actuary, chief investment officer, and ombudsman and retain experienced legal counsel. Administrative costs will depend on the board's future decisions, such as a decision of the board to employ additional staff instead of continuing to use the services of the Division of Pensions and Benefits in the Department of the Treasury.

Additionally, as the PFRS board chooses to make and execute agreements with public and private companies for the management of the investment of the PFRS, the administrative costs and investment expenses of the PFRS will be impacted.

The OLS notes that the bill may increase employer pension costs because the bill allows the board to reinstate cost of living adjustments for retirees and to alter any benefit set forth in statute for the PFRS. Since the bill requires the board of trustees to conduct a review of the performance and funding levels of the retirement system and allows the board to petition the Legislature to consider legislation that reverts control of the system to the Department of Treasury or another agency, if the PFRS underperforms over the six-year period, the State and local government employers may incur higher employer costs to fund the PFRS pension fund. The converse is also true, if the PFRS outperforms over the six-year period, the State and local government employers benefit from higher returns and may experience lower costs to fund the PFRS pension fund.

As of June 30, 2016 (most recent), total administrative expenses allocated to the PFRS were \$4,779,598, and investment management expenses and fees allocated to the PFRS were \$1,837,898. Related consultant costs for an actuary, actuarial services, and other consulting costs for the PFRS were \$1,188,034 in FY 2016. In FY 2016, the PFRS accounted for approximately 11 percent of total pension fund administrative expenses. Administrative costs for actuarial services (40 percent), medical reviews and exams (25 percent), elections (55 percent), and travel (27 percent) were higher, as a percentage of total PFRS administrative costs, than other PFRS administrative costs.

In addition, the bill requires local governments to make their annual payment to the PFRS on a quarterly basis, which may require additional short term borrowing by these governments. The bill permits a local government to reduce the pension payment by the additional borrowing cost.

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 5

STATE OF NEW JERSEY 218th LEGISLATURE

DATED: FEBRUARY 22, 2018

SUMMARY

- Synopsis:** Transfers management of PFRS to Board of Trustees of PFRS.
- Type of Impact:** Indeterminate Fiscal Impact to Administrative Costs Paid by Police and Firemen's Retirement System.
- Agencies Affected:** Police and Firemen's Retirement System; Division of Pensions and Benefits and Division of Investment, Department of the Treasury; Department of Community Affairs.

Office of Legislative Services Estimate

Fiscal Impact	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Administrative Costs - Police and Firemen's Retirement System	Indeterminate - See comments below		

- The Office of Legislative Services (OLS) notes that the authority provided to the Board of Trustees may have a fiscal impact on the administrative costs of operating the system. Any increase in the administrative costs will depend on the board's decisions to establish its own staff and vendors, instead of continuing to use the services of the Division of Pensions and Benefits and Division of Investment.
- After six years, the bill requires the board of trustees to conduct a review of the performance and funding levels of the retirement system and based on a majority vote of the board, allows the board to petition the Legislature to consider legislation that reverts control of the system to the Department of Treasury, or other agency as the State deems appropriate and emphasizes that nothing in the bill relieves the State or local government employers of obligations to the PFRS or its members.

BILL DESCRIPTION

This bill transfers management of the Police and Firemen's Retirement System (PFRS) from the Division of Pensions and Benefits in the Department of the Treasury to the Board of Trustees of the PFRS.

The bill vests with the board of trustees all the functions, powers, and duties relating to the investment and reinvestment of money in any fund or account under the control of the board. The Division of Investment in the Department of the Treasury currently performs these functions. Under the bill, the board of trustees may make and execute agreements with public and private enterprises for the management of the investments of the retirement system. The bill requires the board to hire an executive director, actuary, chief investment officer, and ombudsman.

This bill requires the executive director and chief investment officer employed by the board to have, at minimum, a bachelor's degree from an accredited institution of higher education, and at least five years management experience in accounting, finance, public administration, government pension and retirement planning, investment banking, financial consulting, money management, or a similar field, and to meet all other requirements for employment set forth in a standard adopted by the board. A member, retiree, or other beneficiary of the retirement system may not hold the position of executive director or chief investment officer.

Under the bill, the board of trustees has the authority to establish a process for the review, approval, and appeal of applications for retirement. The bill provides the board of trustees with authority to modify the system's member contribution rate; cap on creditable compensation; formula for calculation of final compensation; and standards for special retirement and disability retirement. The bill allows the board to reinstate cost of living adjustments for retirees. Under the bill, the board may alter any benefit set forth in statute for the PFRS. There are to be at least eight votes of the authorized membership of the board to approve any enhancement or reduction of a member benefit, other than the activation of the now-suspended cost of living adjustment for retirees, or to approve any increase or decrease in the employer contribution that is more than what is recommended by the actuary for the system for the purpose of the annual funding requirements of the system.

Moreover, the bill requires local employers to pay their required contributions to the PFRS on a quarterly basis. If a local employer does not make a required contribution within 30 days of the due date, the Division of Local Government Services will withhold any State aid payment due to that employer in an amount equal to the amount of the delinquent contribution. If the employer is eligible for transitional aid, the Division of Local Government Services is to consult with the board to develop a payment plan to ensure that the required payment and interest owed is paid in a timely manner. The director will release the withheld State aid payment to the employer upon certification by the board of the receipt of the delinquent contribution.

This bill requires the board of trustees, at the end of six years following the enactment date of this bill, to conduct a review of the performance and funding levels of the retirement system, as compared to available market data, including, but not limited to, the performance of the State Investment Council and Division of Investment with regard to the investment of other State-administered retirement systems or funds and the Bloomberg Barclays Indices, and may, based on a majority vote of the authorized membership of the board, petition the Legislature to consider legislation that reverts control of the system to the Department of the Treasury, or other agency as the State deems appropriate.

The bill does not diminish the non-forfeitable right PFRS members have to receive the benefits provided under State law or affirmed by the State's courts. Nothing in the bill relieves the State or local government employers of any past, present, or future obligations to the PFRS or its members.

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS notes that the authority provided to the Board of Trustees under the bill may have a fiscal impact on the administrative costs of operating the PFRS. Administrative costs will depend on the board's future decisions. Currently, the Division of Pensions and Benefits in the Department of the Treasury provides the administrative services for State-administered retirement systems, including PFRS. The bill requires the board to hire an executive director, actuary, chief investment officer, and ombudsman. Also, any increase in administrative costs will depend on the board's decisions to employ additional staff instead of continuing to use the services of the Division of Pensions and Benefits in the Department of the Treasury.

Additionally, after six years, the bill requires the board of trustees to conduct a review of the performance and funding levels of the retirement system and based on a majority vote of the board, allows the board to petition the Legislature to consider legislation that reverts control of the system to the Department of Treasury, or other agency as the State deems appropriate.

The bill vests with the board of trustees all the functions, powers, and duties relating to the investment and reinvestment of money in any fund or account under the control of the board. Currently, the Division of Investment in the Department of the Treasury performs these duties. As the PFRS board chooses to make and execute agreements with public and private companies for the management of the investment of the PFRS, the administrative costs and investment expenses of the PFRS will be impacted. Whether this impact will result in increased or decreased investment management costs depends on future decisions that cannot be foreseen by the OLS.

As of June 30, 2016 (most recent information available), total administrative expenses allocated to the PFRS were \$4,779,598, and investment management expenses and fees allocated to the PFRS were \$1,837,898. Related consultant costs for an actuary, actuarial services, and other consulting costs for the PFRS were \$1,188,034 in FY 2016.

The charts below show the allocation of expenditures among the State-administered retirement systems as of June 30, 2016. In FY 2016, the PFRS accounted for approximately 11 percent of total pension fund administrative expenses. Administrative costs for actuarial services (40 percent), medical reviews and exams (25 percent), elections (55 percent), and travel (27 percent) were higher, as a percentage of total PFRS administrative costs, than other PFRS administrative costs.

FE to S5 [1R]

STATE OF NEW JERSEY										
DIVISION OF PENSIONS AND BENEFITS										
Schedule of Administrative Expenses										
Year Ended June 30, 2016										
\$										
	JRS	POPF	SPRS	CPFPF	TPAF	PFRS	PERS	NJSEDCP	Total	PFRS as a % of Total
Personal Services:										
Salaries and wages	\$ 86,267	\$ 1,719	\$ 123,043	\$ 1,738	\$ 5,020,548	\$ 1,363,553	\$ 8,398,909	\$ 100,389	\$ 15,096,166	9%
Employee Benefits	\$ 39,352	\$ 805	\$ 57,581	\$ 814	\$ 2,349,494	\$ 698,583	\$ 3,930,485	\$ 61,394	\$ 7,138,508	10%
Total personal services	\$ 125,619	\$ 2,524	\$ 180,624	\$ 2,552	\$ 7,370,042	\$ 2,062,136	\$ 12,329,394	\$ 161,783	\$ 22,234,674	9%
Professional Services:										
Actuarial services	\$ 8,268	\$ 695	\$ 49,734	\$ 703	\$ 207,299	\$ 690,600	\$ 750,000	\$ -	\$ 1,707,299	40%
Data processing	\$ 15,157	\$ 487	\$ 11,862	\$ 493	\$ 1,422,489	\$ 384,090	\$ 2,379,692	\$ 13,261	\$ 4,227,531	9%
Information systems	\$ 8,465	\$ 718	\$ 17,529	\$ 1,998	\$ 2,180,389	\$ 257,065	\$ 3,151,635	\$ -	\$ 5,617,799	5%
Other professional	\$ 3,035	\$ 255	\$ 18,481	\$ 258	\$ 745,734	\$ 256,572	\$ 1,248,688	\$ -	\$ 2,273,023	11%
Medical reviews (exams/hearings)	\$ -	\$ -	\$ 21,700	\$ -	\$ 358,734	\$ 472,545	\$ 1,023,255	\$ -	\$ 1,876,234	25%
Elections	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,889	\$ 20,000	\$ -	\$ 44,889	55%
Internal audit and legal	\$ 2,101	\$ 177	\$ 12,639	\$ 179	\$ 515,703	\$ 175,500	\$ 862,723	\$ 36	\$ 1,569,058	11%
Total professional services	\$ 37,026	\$ 2,332	\$ 131,945	\$ 3,631	\$ 5,430,348	\$ 2,261,261	\$ 9,435,993	\$ 13,297	\$ 17,315,833	13%
Communications:										
Travel	\$ 7	\$ 1	\$ 41	\$ 1	\$ 4,271	\$ 4,134	\$ 7,115	\$ -	\$ 15,570	27%
Telephone	\$ 353	\$ 30	\$ 2,125	\$ 30	\$ 86,715	\$ 29,510	\$ 145,065	\$ 2,800	\$ 266,628	11%
Postage	\$ 1,600	\$ 134	\$ 9,622	\$ 136	\$ 392,608	\$ 133,609	\$ 656,796	\$ 1,000	\$ 1,195,505	11%
Motor pool	\$ 12	\$ 1	\$ 73	\$ 1	\$ 2,994	\$ 1,019	\$ 5,009	\$ -	\$ 9,109	11%
Printing and Office	\$ 450	\$ 38	\$ 2,705	\$ 38	\$ 110,369	\$ 37,560	\$ 184,637	\$ -	\$ 335,797	11%
Total communications	\$ 2,422	\$ 204	\$ 14,566	\$ 206	\$ 596,957	\$ 205,832	\$ 998,622	\$ 3,800	\$ 1,822,609	11%
Miscellaneous:										
Office Space	\$ 2,868	\$ 241	\$ 17,253	\$ 244	\$ 703,978	\$ 239,572	\$ 1,177,691	\$ -	\$ 2,141,847	11%
Maintenance	\$ 16	\$ 1	\$ 94	\$ 1	\$ 3,849	\$ 1,310	\$ 6,439	\$ -	\$ 11,710	11%
Equipment	\$ 97	\$ 8	\$ 586	\$ 8	\$ 23,894	\$ 8,131	\$ 39,973	\$ -	\$ 72,697	11%
Other services and charges	\$ 16	\$ 2	\$ 98	\$ 1	\$ 3,985	\$ 1,356	\$ 6,667	\$ 12,000	\$ 24,125	6%
Total miscellaneous	\$ 2,997	\$ 252	\$ 18,031	\$ 254	\$ 735,706	\$ 250,369	\$ 1,230,770	\$ 12,000	\$ 2,250,379	11%
Total administrative expenses	\$ 168,064	\$ 5,312	\$ 345,166	\$ 6,643	\$ 14,133,053	\$ 4,779,598	\$ 23,994,779	\$ 190,880	\$ 43,623,495	14%
Average										14%
Source: State of New Jersey Division of Pensions and Benefits, Financial Statements and Supplementary Schedules June 30, 2016.										
STATE OF NEW JERSEY										
DIVISION OF PENSIONS AND BENEFITS										
Schedule of Expenses for Consultants										
Year Ended June 30, 2016										
\$										
	JRS	POPF	SPRS	CPFPF	TPAF	PFRS	PERS	NJSEDCP	Total	PFRS as a % of Total
Actuarial:										
Buck consultants	\$ 8,268	\$ 695	\$ 49,734	\$ 703	\$ -	\$ 690,600	\$ 750,000	\$ -	\$ 1,500,000	46%
Milliman	\$ -	\$ -	\$ -	\$ -	\$ 207,299	\$ -	\$ -	\$ -	\$ 207,299	0%
Medical Reviews	\$ -	\$ -	\$ 21,700	\$ -	\$ 358,734	\$ 472,545	\$ 1,023,255	\$ -	\$ 1,876,234	25%
Board of elections:										
Global Support	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,889	\$ 20,000	\$ -	\$ 44,889	55%
Total Expenses for Consultants	\$ 8,268	\$ 695	\$ 71,434	\$ 703	\$ 566,033	\$ 1,188,034	\$ 1,793,255	\$ -	\$ 3,628,422	33%
Source: State of New Jersey Division of Pensions and Benefits, Financial Statements and Supplementary Schedules June 30, 2016.										
STATE OF NEW JERSEY										
DIVISION OF PENSIONS AND BENEFITS										
Investment Income and Expenses										
Year Ended June 30, 2016										
\$										
	JRS	POPF	SPRS	CPFPF	TPAF	PFRS	PERS	NJSEDCP	Total	PFRS as a % of Total
Investment income	\$ 21,872	\$ 2,032	\$ 132,734	\$ 2,549	\$ 5,434,567	\$ 1,837,898	\$ 9,226,688	\$ 247,860	\$ 16,906,200	11%
Source: State of New Jersey Division of Pensions and Benefits, Financial Statements and Supplementary Schedules June 30, 2016.										

In addition, the bill requires local governments to make their annual payment to the PFRS on a quarterly basis, which may reduce short term borrowing by some local governments but increase short term borrowing by others. The bill permits a local government to reduce the pension payment by any additional borrowing cost. Such a payment method is already required by law for the State as an employer. If a local government does not make a pension payment on time, the Department of Community Affairs is authorized to withhold any State-aid available for payment to that government until the pension payment is made. Spreading local employer

contributions over four quarters, rather than requiring a single annual payment, will reduce the number of days those contributions are available to be invested, which may reduce investment returns.

Section: State Government

*Analyst: Kimberly M. Clemmensen
Senior Fiscal Analyst*

*Approved: Frank W. Haines III
Legislative Budget and Finance Officer*

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).

STATEMENT TO

[First Reprint]

SENATE, No. 5

with Senate Floor Amendments
(Proposed by Senator SWEENEY)

ADOPTED: MARCH 26, 2018

This Senate floor amendment modifies the bill to require:

at least eight votes of the 12-member board of trustees of the Police and Firemen's Retirement System (PFRS) to activate a COLA for retirees under the "Pension Adjustment Act," N.J.S.A.43:3B-1 et seq.. At least eight votes of the board are already required under the bill to approve any other enhancement or reduction of a member benefit;

the State Treasurer to select the independent actuary who is to review prior investigations into the mortality, service, and compensation experience of the members and beneficiaries of the PFRS and to review the three prior actuarial valuations to certify that the actuary of the PFRS system conducted the investigations and valuations in accordance with generally accepted actuarial standards; and

an actuarial certification that a change in the contribution rate of the members of the PFRS made by the board of trustees will not result in increased employer contributions.

Section 17 is being replaced to reflect current law.

This amendment will make this bill identical to Assembly, No. 3671.

LEGISLATIVE FISCAL ESTIMATE

[Third Reprint]

SENATE, No. 5

STATE OF NEW JERSEY 218th LEGISLATURE

DATED: JUNE 28, 2018

SUMMARY

- Synopsis:** Transfers management of PFRS to Board of Trustees of PFRS.
- Type of Impact:** Indeterminate Fiscal Impact to Administrative Costs Paid by Police and Firemen's Retirement System.
- Agencies Affected:** Police and Firemen's Retirement System; Division of Pensions and Benefits and Division of Investment, Department of the Treasury; Department of Community Affairs.

Office of Legislative Services Estimate

Fiscal Impact	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Administrative Costs - Police and Firemen's Retirement System			Indeterminate - See comments below

- The Office of Legislative Services (OLS) notes that the authority provided to the Board of Trustees may have a fiscal impact on the administrative costs of operating the system. Any increase in the administrative costs will depend on the board's decisions to establish its own staff and vendors, instead of continuing to use the services of the Division of Pensions and Benefits.
- After six years, the bill requires the board of trustees to conduct a review of the performance and funding levels of the retirement system and based on a majority vote of the board, allows the board to petition the Legislature to consider legislation that reverts control of the system to the Department of Treasury, or other agency as the State deems appropriate and emphasizes that nothing in the bill relieves the State or local government employers of obligations to the PFRS or its members.

BILL DESCRIPTION

This bill transfers management of the Police and Firemen's Retirement System (PFRS) from the Division of Pensions and Benefits in the Department of the Treasury to the Board of Trustees of the PFRS.

The bill vests with the board of trustees all the functions, powers, and duties relating to the Police and Firemen's Retirement System of New Jersey in the Division of Pensions and Benefits (division) to the Board of Trustees of the Police and Firemen's Retirement System of New Jersey (board), except that the board may contract with the division for administrative purposes. The bill provides the board with the authority to direct the investment and reinvestment policies for or on behalf of the PFRS except for those monies held by Common Pension Fund L. The Division of Investment in the Department of the Treasury retains all functions powers and duties relating to the investment and reinvestment functions in acquiring, retaining, selling exchanging, and managing investments. The bill requires the board to hire an executive director, actuary, chief investment officer, and ombudsman.

This bill requires the executive director and chief investment officer employed by the board to have, at minimum, a bachelor's degree from an accredited institution of higher education, and at least five years management experience in accounting, finance, public administration, government pension and retirement planning, investment banking, financial consulting, money management, or a similar field. The chief investment officer is also required to have experience in management, analysis, supervision, or investment of assets. The executive director and the chief investment officer shall also meet all other requirements for employment set forth in a standard adopted by the board. A member, retiree, or other beneficiary of the retirement system may not hold the position of executive director or chief investment officer.

Under the bill, the board of trustees has the authority to establish a process for the review, approval, and appeal of applications for retirement. The bill provides the board of trustees with authority to modify the system's member contribution rate; cap on creditable compensation; formula for calculation of final compensation; age at which a member may be eligible for and the benefits for service or special retirements, and standards for special retirement and disability retirement. The bill allows the board to reinstate cost of living adjustments for retirees. Under the bill, the board may alter any benefit set forth in statute for the PFRS. There are to be at least eight votes of the authorized membership of the board to approve any enhancement or reduction of a member benefit, other than the activation of the now-suspended cost of living adjustment for retirees, or to approve any increase or decrease in the employer contribution that is more than what is recommended by the actuary for the system for the purpose of the annual funding requirements of the system. An actuarial certification is required to be provided by the actuary prior to any enhancement or reduction of a member benefits, including the activation of cost of living adjustments for retirees, showing that such change will not result in increased employer contributions in the current year and that such change will not impact the long term viability of the fund.

This bill requires the board of trustees, at the end of six years following the enactment date of this bill, to conduct a review of the performance and funding levels of the retirement system, as compared to available market data, including, but not limited to, the performance of the State Investment Council and Division of Investment with regard to the investment of other State-administered retirement systems or funds and other appropriate benchmarks and may, based on a majority vote of the authorized membership of the board, petition the

Legislature to consider legislation that reverts control of the system to the State Investment Council and the Division of Investment.

The bill does not diminish the non-forfeitable right PFRS members have to receive the benefits provided under State law or affirmed by the State's courts. Nothing in the bill relieves the State or local government employers of any past, present, or future obligations to the PFRS or its members.

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS notes that the authority provided to the Board of Trustees under the bill may have a fiscal impact on the administrative costs of operating the PFRS. Administrative costs will depend on the board's future decisions. Currently, the Division of Pensions and Benefits in the Department of the Treasury provides the administrative services for State-administered retirement systems, including PFRS. The bill requires the board to hire an executive director, actuary, chief investment officer, and ombudsman. Also, any increase in administrative costs will depend on the board's decisions to employ additional staff instead of continuing to use the services of the Division of Pensions and Benefits in the Department of the Treasury.

As of June 30, 2017 (most recent information available), total administrative expenses allocated to the PFRS were \$4,120,107, and investment management expenses and fees allocated to the PFRS were \$2,060,765. Related consultant costs for an actuary, actuarial services, and other consulting costs for the PFRS were \$969,647 in FY 2017.

The charts below show the allocation of expenditures among the State-administered retirement systems as of June 30, 2016. In FY 2016, the PFRS accounted for approximately 11 percent of total pension fund administrative expenses. Administrative costs for actuarial services (36 percent), medical reviews and exams (26 percent), elections (53 percent), and travel (22 percent) were higher, as a percentage of total PFRS administrative costs, than other PFRS administrative costs.

FE to S5 [3R]

STATE OF NEW JERSEY										
DIVISION OF PENSIONS AND BENEFITS										
Schedule of Administrative Expenses										
Year Ended June 30, 2017										
\$										
	JRS	POPF	SPRS	CPFPPF	TPAF	PFRS	PERS	NJSEDCP	Total	PFRS as a % of Total
Personal Services:										
Salaries and wages	\$ 82,714	\$ 1,424	\$ 82,653	\$ 1,435	\$ 4,221,544	\$ 958,754	\$ 6,868,339	\$260,674	\$12,477,537	8%
Employee Benefits	\$ 35,312	\$ 759	\$ 32,143	\$ 784	\$ 2,306,210	\$ 436,329	\$ 3,155,931	\$144,270	\$ 6,111,738	7%
Total personal services	\$118,026	\$ 2,183	\$ 114,796	\$ 2,219	\$ 6,527,754	\$ 1,395,083	\$10,024,270	\$404,944	\$18,589,275	8%
Professional Services:										
Actuarial services	\$ 6,241	\$ 436	\$ 36,766	\$ 430	\$ 401,401	\$ 511,185	\$ 461,397	\$ -	\$ 1,417,856	36%
Data processing	\$ 3,961	\$ 276	\$ 23,335	\$ 273	\$ 947,053	\$ 324,433	\$ 1,571,304	\$ 23,643	\$ 2,894,278	11%
Information systems	\$ 9,155	\$ 593	\$ 50,360	\$ 630	\$ 1,683,685	\$ 666,913	\$ 3,602,669	\$ -	\$ 6,014,005	11%
Other professional	\$ 240	\$ 17	\$ 1,636	\$ 17	\$ 59,213	\$ 22,705	\$ 97,616	\$ 115	\$ 181,559	13%
Medical reviews (exams/hearings)	\$ 2,700	\$ -	\$ 16,762	\$ -	\$ 331,462	\$ 424,872	\$ 888,807	\$ -	\$ 1,664,603	26%
Elections	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,590	\$ 30,000	\$ -	\$ 63,590	53%
Internal audit and legal	\$ 3,447	\$ 241	\$ 20,303	\$ 237	\$ 824,005	\$ 282,281	\$ 1,367,150	\$ -	\$ 2,497,664	11%
Total professional services	\$ 25,744	\$ 1,563	\$ 149,162	\$ 1,587	\$ 4,246,819	\$ 2,265,979	\$ 8,018,943	\$ 23,758	\$14,733,555	15%
Communications:										
Travel	\$ 14	\$ 1	\$ 84	\$ 1	\$ 6,302	\$ 4,808	\$ 10,430	\$ -	\$ 21,640	22%
Telephone	\$ 376	\$ 26	\$ 2,215	\$ 26	\$ 89,874	\$ 30,788	\$ 149,114	\$ 2,800	\$ 275,219	11%
Postage	\$ 1,441	\$ 101	\$ 8,488	\$ 99	\$ 344,487	\$ 118,011	\$ 571,556	\$ 1,000	\$ 1,045,183	11%
Motor pool	\$ 14	\$ 1	\$ 83	\$ 1	\$ 3,383	\$ 1,159	\$ 5,613	\$ -	\$ 10,254	11%
Printing and Office	\$ 470	\$ 33	\$ 2,769	\$ 32	\$ 112,401	\$ 38,505	\$ 186,491	\$ -	\$ 340,701	11%
Total communications	\$ 2,315	\$ 162	\$ 13,639	\$ 159	\$ 556,447	\$ 193,271	\$ 923,204	\$ 3,800	\$ 1,692,997	11%
Miscellaneous:										
Office Space	\$ 3,127	\$ 218	\$ 18,418	\$ 215	\$ 747,512	\$ 256,077	\$ 1,240,237	\$ -	\$ 2,265,804	11%
Maintenance	\$ 30	\$ 2	\$ 178	\$ 2	\$ 7,209	\$ 2,469	\$ 11,960	\$ -	\$ 21,850	11%
Equipment	\$ 87	\$ 6	\$ 514	\$ 6	\$ 20,851	\$ 7,143	\$ 34,594	\$ -	\$ 63,201	11%
Other services and charges	\$ 1	\$ -	\$ 5	\$ -	\$ 247	\$ 85	\$ 411	\$ 12,001	\$ 12,750	1%
Total miscellaneous	\$ 3,245	\$ 226	\$ 19,115	\$ 223	\$ 775,819	\$ 265,774	\$ 1,287,202	\$ 12,001	\$ 2,363,605	11%
Total administrative expenses	\$149,330	\$ 4,134	\$ 296,712	\$ 4,188	\$12,106,839	\$ 4,120,107	\$20,253,619	\$444,503	\$37,379,432	14%
Average										
(1) Portion of consulting										
Source: State of New Jersey Division of Pensions and Benefits, Financial Statements and Supplementary Schedules June 30, 2017.										

STATE OF NEW JERSEY										
DIVISION OF PENSIONS AND BENEFITS										
Schedule of Expenses for Consultants										
Year Ended June 30, 2017										
\$										
	JRS	POPF	SPRS	CPFPPF	TPAF	PFRS	PERS	NJSEDCP	Total	PFRS as a % of Total
Actuarial:										
Buck consultants	\$ 6,241	\$ 436	\$ 36,766	\$ 430	\$ -	\$ 511,185	\$ 461,397	\$ -	\$ 1,016,455	45%
Milliman					\$ 401,401				\$ 401,401	0%
Medical Reviews	\$ 2,700		\$ 16,762		\$ 331,462	\$ 424,872	\$ 888,807		\$ 1,664,603	53%
Board of elections:										
Global Support	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,590	\$ 30,000		\$ 63,590	47%
Total Expenses for Consultants	\$ 8,941	\$ 436	\$ 53,528	\$ 430	\$ 732,863	\$ 969,647	\$ 1,380,204	\$ -	\$ 3,146,049	44%
Source: State of New Jersey Division of Pensions and Benefits, Financial Statements and Supplementary Schedules June 30, 2017.										

STATE OF NEW JERSEY										
DIVISION OF PENSIONS AND BENEFITS										
Investment Expenses										
Year Ended June 30, 2017										
\$										
	JRS	POPF	SPRS	CPFPPF	TPAF	PFRS	PERS	NJSEDCP	Total	PFRS as a % of Total
Investment expense	\$ 24,670	\$ 2,082	\$ 148,404	\$ 2,100	\$ 6,055,521	\$ 2,060,765	\$ 10,130,329	\$212,389	\$ 18,636,260	11%
Source: State of New Jersey Division of Pensions and Benefits, Financial Statements and Supplementary Schedules June 30, 2015.										

Additionally, after six years, the bill requires the board of trustees to conduct a review of the performance and funding levels of the retirement system and based on a majority vote of the board, allows the board to petition the Legislature to consider legislation that reverts control of the system to the State Investment Council and the Division Investment in the Department of the Treasury.

The bill provides the board with the authority to direct the investment and reinvestment policies for or on behalf of the PFRS except for those monies held by Common Pension Fund L. The Division of Investment in the Department of the Treasury retains all functions

powers and duties relating to the investment and reinvestment functions in acquiring, retaining, selling exchanging, and managing investments.

Section: State Government

*Analyst: Kimberly M. Clemmensen
Senior Fiscal Analyst*

*Approved: Frank W. Haines III
Legislative Budget and Finance Officer*

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).

ASSEMBLY, No. 3671

STATE OF NEW JERSEY 218th LEGISLATURE

INTRODUCED MARCH 13, 2018

Sponsored by:

Assemblyman GORDON M. JOHNSON

District 37 (Bergen)

Assemblyman RONALD S. DANCER

District 12 (Burlington, Middlesex, Monmouth and Ocean)

Co-Sponsored by:

Assemblywoman Murphy

SYNOPSIS

Transfers management of PFRS to Board of Trustees of PFRS.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 3/27/2018)

A3671 JOHNSON, DANCER

2

1 AN ACT concerning the management of the Police and Firemen's
2 Retirement System, amending various parts of the statutory law,
3 and repealing section 1 of P.L.1947, c.217.

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

7
8 1. Section 2 of P.L.1958, c.143 (C.43:3B-2) is amended to read
9 as follows:

10 2. The monthly retirement allowance or pension originally
11 granted to any retirant and the pension or survivorship benefit
12 originally granted to any beneficiary shall be adjusted in accordance
13 with the provisions of this act provided, however, that:

14 a. **[the]** The maximum retirement allowance, without option,
15 shall be considered the retirement allowance originally granted to
16 any retirant who, at retirement, elected an Option I allowance
17 pursuant to the provisions of the statutes stipulated in subsection b.
18 of section 1 of this act (C.43:3B-1); and b. the minimum pension
19 granted to any beneficiary stipulated in subsection d. (4) of section
20 1 of this act (C.43:3B-1), shall be considered the pension originally
21 granted to such beneficiary.

22 Pension adjustments shall not be paid to retirants or beneficiaries
23 who are not receiving their regular, full, monthly retirement
24 allowances, pensions or survivorship benefits. The adjustment
25 granted under the provisions of this act shall be effective only on
26 the first day of a month, shall be paid in monthly installments, and
27 shall not be decreased, increased, revoked or repealed except as
28 otherwise provided in this act. No adjustment shall be due to a
29 retirant or a beneficiary unless it constitutes a payment for an entire
30 month; provided, however, that an adjustment shall be payable for
31 the entire month in which the retirant or beneficiary dies.

32 Commencing with the effective date of P.L.2011, c.78 and
33 thereafter, no further adjustments to the monthly retirement
34 allowance or pension originally granted to any retirant and the
35 pension or survivorship benefit granted to any beneficiary shall be
36 made in accordance with the provisions of P.L.1958, c.143
37 (C.43:3B-1 et seq.), unless the adjustment is reactivated as
38 permitted by law. This provision shall not reduce the monthly
39 retirement benefit that a retirant or a beneficiary is receiving on the
40 effective date of P.L.2011, c.78 when the benefit includes an
41 adjustment granted prior to that effective date. The Board of
42 Trustees of the Police and Firemen's Retirement System may adjust
43 the monthly retirement allowance or pension of its retired members
44 in accordance with subsection b. of section 13 of P.L.1944, c.255

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.43:16A-13).

2 (cf: P.L.2011, c.78, s.25)

3

4 2. Section 5 of P.L.1997, c.113 (C.43:3C-9.5) is amended to
5 read as follows:

6 5. a. For purposes of this section, a "non-forfeitable right to
7 receive benefits" means that the benefits program, for any employee
8 for whom the right has attached, cannot be reduced. The provisions
9 of this section shall not apply to post-retirement medical benefits
10 which are provided pursuant to law.

11 b. Vested members of the Teachers' Pension and Annuity Fund,
12 the Judicial Retirement System, the Prison Officers' Pension Fund,
13 the Public Employees' Retirement System, the Consolidated Police
14 and Firemen's Pension Fund, the Police and Firemen's Retirement
15 System, and the State Police Retirement System, upon the
16 attainment of five years of service credit in the retirement system or
17 fund or on the date of enactment of this bill, whichever is later,
18 shall have a non-forfeitable right to receive benefits as provided
19 under the laws governing the retirement system or fund upon the
20 attainment of five years of service credit in the retirement system or
21 fund or on the effective date of this act, whichever is later. This
22 subsection shall not be applicable to a person who becomes a
23 member of these systems or funds on or after the effective date of
24 P.L.2010, c.1, except that such person shall not include a person
25 who at the time of enrollment in the retirement system or fund on or
26 after that effective date transfers service credit, as permitted, from
27 another State-administered retirement system or fund of which the
28 person was a member immediately prior to the effective date and
29 continuously thereafter, but shall include a former member of the
30 retirement system or fund who has been granted a retirement
31 allowance and is reenrolled in the retirement system or fund on or
32 after that effective date after becoming employed again in a position
33 that makes the person eligible to be a member of the retirement
34 system.

35 c. (1) The State and all other applicable employers shall make
36 their annual normal contribution to each system or fund as
37 determined by the applicable board of trustees in consultation with
38 the system's or fund's actuary. The State and all other applicable
39 employers shall also make their annual unfunded accrued liability
40 contribution to each system or fund as determined by the applicable
41 board in consultation with the system's or fund's actuary, pursuant
42 to standard actuarial practices authorized by law, unless: (1) there
43 is no existing unfunded accrued liability contribution due to the
44 system or fund at the close of the valuation period applicable to the
45 upcoming fiscal year; or (2) there are excess valuation assets in
46 excess of the actuarial accrued liability of the system or fund at the
47 close of the valuation period applicable to the upcoming fiscal year.
48 The annual normal contribution plus the annual unfunded accrued

1 liability contribution shall together be the annual required
2 contribution, provided, however, that for the State, section 38 of
3 P.L.2010, c.1 (C.43:3C-14) shall apply with regard to the State's
4 annual required contribution. The amount of the State's annually
5 required contributions shall be included in all annual appropriations
6 acts as a dedicated line item.

7 (2) Each member of the Teachers' Pension and Annuity Fund,
8 the Judicial Retirement System, the Prison Officers' Pension Fund,
9 the Public Employees' Retirement System, the Consolidated Police
10 and Firemen's Pension Fund, the Police and Firemen's Retirement
11 System, and the State Police Retirement System shall have a
12 contractual right to the annual required contribution amount being
13 made by the member's employer or by any other public entity. The
14 contractual right to the annual required contribution means that the
15 employer or other public entity shall make the annual required
16 contribution on a timely basis to help ensure that the retirement
17 system is securely funded and that the retirement benefits to which
18 the members are entitled by statute and in consideration for their
19 public service and in compensation for their work will be paid upon
20 retirement. The failure of the State or any other public employer to
21 make the annually required contribution shall be deemed to be an
22 impairment of the contractual right of each employee. The Superior
23 Court, Law Division shall have jurisdiction over any action brought
24 by a member of any system or fund or any board of trustees to
25 enforce the contractual right set forth in this subsection. The State
26 and other public employers shall submit to the jurisdiction of the
27 Superior Court, Law Division and shall not assert sovereign
28 immunity in such an action. If a member or board prevails in
29 litigation to enforce the contractual right set forth in this subsection,
30 the court may award that party their reasonable attorney's fees.

31 d. This act shall not be construed to preclude forfeiture,
32 suspension or reduction in benefits for dishonorable service.

33 e. Except as expressly provided herein and only to the extent
34 so expressly provided, nothing in this act shall be deemed to (1)
35 limit the right of the State to alter, modify or amend such retirement
36 systems and funds, or (2) create in any member a right in the corpus
37 or management of a retirement system or pension fund. The rights
38 reserved to the State in this subsection shall not diminish the
39 contractual rights of employees established by subsections a., b.,
40 and c. of this section.

41 f. Nothing in the provisions of P.L. , c. (pending before the
42 Legislature as this bill) shall be interpreted to diminish the non-
43 forfeitable right to benefits provided to any member of the Police
44 and Firemen's Retirement System under State law or affirmed by a
45 ruling or holding of a court in the Judiciary Branch of State
46 government.

47 (cf: P.L.2011, c.78, s.26)

1 3. Section 33 of P.L.2011, c.78 (C.43:3C-17) is amended to
2 read as follows:

3 33. Whenever a committee of the Public Employees' Retirement
4 System, the Teachers' Pension and Annuity Fund, [the Police and
5 Firemen's Retirement System,] or the State Police Retirement
6 System fails to render a decision on a matter before the committee
7 because it has not received a vote of the majority of the committee
8 members after 60 days have passed following the initial
9 consideration of the matter, the committee shall utilize a super
10 conciliator, randomly selected from a list developed by the New
11 Jersey Public Employment Relations Commission. The super
12 conciliator shall assist the committee based upon procedures and
13 subject to qualifications established by the commission pursuant to
14 regulation.

15 The super conciliator shall promptly schedule investigatory
16 proceedings. The purpose of the proceedings shall be to:

17 Investigate and acquire all relevant information regarding the
18 committee's failure to render a decision;

19 Discuss with the members of the committee their differences,
20 and utilize means and mechanisms, including but not limited to
21 requiring 24-hour per day negotiations, until a voluntary settlement
22 is reached, and provide recommendations to resolve the members'
23 differences; and

24 Institute any other non-binding procedures deemed appropriate
25 by the super conciliator.

26 If the actions taken by the super conciliator fail to resolve the
27 dispute, the super conciliator shall issue a final report, which shall
28 be provided to the committee promptly and made available to the
29 public within 10 days thereafter.

30 The super conciliator, while functioning in a mediatory capacity,
31 shall not be required to disclose any files, records, reports,
32 documents, or other papers classified as confidential which are
33 received or prepared by him or to testify with regard to mediation
34 conducted by him under this section. Nothing contained herein
35 shall exempt an individual from disclosing information relating to
36 the commission of a crime.

37 (cf: P.L.2011, c.78, s.33)

38

39 4. Section 60 of P.L.2011, c.78 (C.43:3C-18) is amended to
40 read as follows:

41 60. a. Notwithstanding any law, rule or regulation to the
42 contrary, the Teachers' Pension and Annuity Fund, established
43 pursuant to N.J.S.18A:66-1 et seq., the Judicial Retirement System,
44 established pursuant to P.L.1973, c.140 (C.43:6A-1 et seq.), the
45 Prison Officers' Pension Fund, established pursuant to P.L.1941,
46 c.220 (C.43:7-7 et seq.), the Public Employees' Retirement System,
47 established pursuant to P.L.1954, c.84 (C.43:15A-1 et seq.), the
48 Consolidated Police and Firemen's Pension Fund, established

1 pursuant to R.S.43:16-1 et seq., the Police and Firemen's
2 Retirement System, established pursuant to P.L.1944, c.255
3 (C.43:16A-1 et seq.), and the State Police Retirement System,
4 established pursuant to P.L.1965, c.89 (C.53:5A-1 et seq.), are
5 established as qualified governmental defined benefit plans
6 pursuant to sections 401(a) and 414(d) of the federal Internal
7 Revenue Code of 1986 (26 U.S.C. ss.401(a) and 414(d)), as
8 amended, or such other provision of the federal Internal Revenue
9 Code, as applicable, regulations of the U.S. Treasury Department,
10 and other guidance of the federal Internal Revenue Service.

11 b. Notwithstanding any law, rule or regulation to the contrary,
12 the Alternate Benefit Program, established pursuant to P.L.1969,
13 c.242 (C.18A:66-167 et seq.), and the Defined Contribution
14 Retirement Program, established pursuant to P.L.2007, c.92
15 (C.43:15C-1 et seq.) are established as qualified governmental
16 defined contribution plans pursuant to sections 401(a) and 414(d) of
17 the federal Internal Revenue Code of 1986 (26 U.S.C. ss.401(a) and
18 414(d)), as amended, or such other provision of the federal Internal
19 Revenue Code, as applicable, regulations of the U.S. Treasury
20 Department, and other guidance of the federal Internal Revenue
21 Service.

22 c. Notwithstanding the provisions of any law, rule or regulation
23 to the contrary, the Director of the Division of Pensions and
24 Benefits in the Department of the Treasury, and in the case of the
25 Police and Firemen's Retirement System, the board of trustees of
26 that system, shall be authorized to modify the provisions of the
27 foregoing retirement plans, when a modification is required to
28 maintain the qualified status of the retirement plans under the
29 Internal Revenue Code of 1986, applicable regulations of the U.S.
30 Treasury Department or other guidance of the federal Internal
31 Revenue Service. Notwithstanding the provisions of the
32 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
33 seq.), the director, and in the case of the Police and Firemen's
34 Retirement System, the board, may modify the provisions of the
35 foregoing retirement plans, when a modification is required to
36 maintain the qualified status of the retirement plans by
37 promulgating a rule or regulation which shall be effective upon
38 filing with the Office of Administrative Law.

39 (cf: P.L.2011, c.78, s.60)

40

41 5. Section 1 of P.L.2015, c.180 (C.43:3C-25) is amended to
42 read as follows:

43 1. The Division of Pensions and Benefits in the Department of
44 the Treasury shall provide for the prompt notification in writing of
45 any member or retiree of the Teachers' Pension and Annuity Fund,
46 established pursuant to N.J.S.18A:66-1 et seq., the Judicial
47 Retirement System, established pursuant to P.L.1973, c.140
48 (C.43:6A-1 et seq.), the Public Employees' Retirement System,

1 established pursuant to P.L.1954, c.84 (C.43:15A-1 et seq.), [the
2 Police and Firemen's Retirement System, established pursuant to
3 P.L.1944, c.255 (C.43:16A-1 et seq.),] the State Police Retirement
4 System, established pursuant to P.L.1965, c.89 (C.53:5A-1 et seq.),
5 the Alternate Benefit Program, established pursuant to P.L.1969,
6 c.242 (C.18A:66-167 et seq.), and the Defined Contribution
7 Retirement Program, established pursuant to P.L.2007, c.92
8 (C.43:15C-1 et seq.), when the member or retiree submits a change
9 to the designation of beneficiary for contributory and non-
10 contributory group life insurance available to the member or retiree
11 through the system, that there is on file a judgment, court order,
12 decree, or other legal document for that member or retiree
13 specifically designating the beneficiary of such life insurance. The
14 Board of Trustees of the Police and Firemen's Retirement System
15 shall provide for the prompt notification in writing of any member
16 or retiree of the Police and Firemen's Retirement System,
17 established pursuant to P.L.1944, c.255 (C.43:16A-1 et seq.), when
18 the member or retiree submits a change to the designation of
19 beneficiary for contributory and non-contributory group life
20 insurance available to the member or retiree through the system,
21 that there is on file a judgment, court order, decree, or other legal
22 document for that member or retiree specifically designating the
23 beneficiary of such life insurance. The notification requirement
24 shall apply only when there is a valid judgment, court order, decree,
25 or other legal document that has been filed with the division or, in
26 the case of the Police and Firemen's Retirement System, the board
27 of trustees or its designee pursuant to the division's or board's
28 determination to accept and honor such a judgment, court order,
29 decree, or document and that has been reviewed, approved, or
30 classified as qualified by the division or the board or the board's
31 designee.

32 (cf: P.L.2015, c.180, s.1)

33

34 6. Section 19 of P.L.1992, c.125 (C.43:4B-1) is amended to
35 read as follows:

36 19. There is hereby established the Retirement Systems Actuary
37 Selection Committee which shall consist of the State Treasurer, and
38 the directors of the Divisions of Pensions and Benefits and
39 Investment, and Office of Management and Budget, or their
40 designated representatives, and one member designated by each of
41 the boards of trustees of the Public Employees' Retirement System
42 established pursuant to P.L.1954, c.84 (C.43:15A-1 et seq.) **[.]** and
43 the Teachers' Pension and Annuity Fund established pursuant to
44 N.J.S.18A:66-1 et seq.**[.]**, and the Police and Firemen's Retirement
45 System established pursuant to P.L.1944, c.255 (C.43:16A-1 et
46 seq.)**].** The committee shall select the actuary or actuaries for the
47 State retirement systems in accordance with the provisions of

1 P.L.1954, c.48 (C.52:34-6 et seq.), provided, however, that the
2 boards shall have the power to veto the selection of the actuary for
3 valid reason.

4 (cf: P.L.2011, c.78, s.24)

5

6 7. Section 1 of P.L.1944, c.255 (C.43:16A-1) is amended to
7 read as follows:

8 1. As used in this act:

9 (1) "Retirement system" or "system" shall mean the Police and
10 Firemen's Retirement System of New Jersey as defined in section 2
11 of this act.

12 (2) (a) "Policeman" shall mean a permanent, full-time employee
13 of a law enforcement unit as defined in section 2 of P.L.1961, c.56
14 (C.52:17B-67) or the State, other than an officer or trooper of the
15 Division of State Police whose position is covered by the State
16 Police Retirement System, whose primary duties include the
17 investigation, apprehension or detention of persons suspected or
18 convicted of violating the criminal laws of the State and who:

19 (i) is authorized to carry a firearm while engaged in the actual
20 performance of his official duties;

21 (ii) has police powers;

22 (iii) is required to complete successfully the training
23 requirements prescribed by P.L.1961, c.56 (C.52:17B-66 et seq.) or
24 comparable training requirements as determined by the board of
25 trustees; and

26 (iv) is subject to the physical and mental fitness requirements
27 applicable to the position of municipal police officer established by
28 an agency authorized to establish these requirements on a Statewide
29 basis, or comparable physical and mental fitness requirements as
30 determined by the board of trustees.

31 The term shall also include an administrative or supervisory
32 employee of a law enforcement unit or the State whose duties
33 include general or direct supervision of employees engaged in
34 investigation, apprehension or detention activities or training
35 responsibility for these employees and a requirement for
36 engagement in investigation, apprehension or detention activities if
37 necessary, and who is authorized to carry a firearm while in the
38 actual performance of his official duties and has police powers.

39 (b) "Fireman" shall mean a permanent, full-time employee of a
40 firefighting unit whose primary duties include the control and
41 extinguishment of fires and who is subject to the training and
42 physical and mental fitness requirements applicable to the position
43 of municipal firefighter established by an agency authorized to
44 establish these requirements on a Statewide basis, or comparable
45 training and physical and mental fitness requirements as determined
46 by the board of trustees. The term shall also include an
47 administrative or supervisory employee of a firefighting unit whose
48 duties include general or direct supervision of employees engaged

1 in fire control and extinguishment activities or training
2 responsibility for these employees and a requirement for
3 engagement in fire control and extinguishment activities if
4 necessary. As used in this paragraph, "firefighting unit" shall mean
5 a municipal fire department, a fire district, or an agency of a county
6 or the State which is responsible for control and extinguishment of
7 fires.

8 (3) "Member" shall mean any policeman or fireman included in
9 the membership of the retirement system pursuant to this
10 amendatory and supplementary act, P.L.1989, c.204 (C.43:16A-15.6
11 et al.).

12 (4) "Board of trustees" or "board" shall mean the board provided
13 for in section 13 of this act.

14 (5) "Medical board" shall mean the board of physicians
15 provided for in section 13 of this act.

16 (6) "Employer" shall mean the State of New Jersey, the county,
17 municipality or political subdivision thereof which pays the
18 particular policeman or fireman.

19 (7) "Service" shall mean service as a policeman or fireman paid
20 for by an employer.

21 (8) "Creditable service" shall mean service rendered for which
22 credit is allowed as provided under section 4 of this act.

23 (9) "Regular interest" shall mean interest as determined by the
24 **State Treasurer, after consultation with the Directors of the**
25 **Divisions of Investment and Pensions, the** board of trustees **and**,
26 after consultation with the actuary. It shall bear a reasonable
27 relationship to the percentage rate of earnings on investments based
28 on the market value of assets but shall not exceed the assumed
29 percentage rate of increase applied to salaries plus 3%, provided
30 however that the board of trustees shall not set the average
31 percentage rate of increase applied to salaries below 6%.

32 (10) "Aggregate contributions" shall mean the sum of all the
33 amounts, deducted from the compensation of a member or
34 contributed by him or on his behalf, standing to the credit of his
35 individual account in the annuity savings fund.

36 (11) "Annuity" shall mean payments for life derived from the
37 aggregate contributions of a member.

38 (12) "Pension" shall mean payments for life derived from
39 contributions by the employer.

40 (13) "Retirement allowance" shall mean the pension plus the
41 annuity.

42 (14) "Earnable compensation" shall mean the full rate of the
43 salary that would be payable to an employee if he worked the full
44 normal working time for his position. In cases where salary
45 includes maintenance, the retirement system shall fix the value of
46 that part of the salary not paid in money which shall be considered
47 under this act.

1 (15) "Average final compensation" shall mean final
2 compensation.

3 (16) "Retirement" shall mean the termination of the member's
4 active service with a retirement allowance granted and paid under
5 the provisions of this act.

6 (17) "Annuity reserve" shall mean the present value of all
7 payments to be made on account of any annuity or benefit in lieu of
8 any annuity computed upon the basis of such mortality tables
9 recommended by the actuary as shall be adopted by the board of
10 trustees, and regular interest.

11 (18) "Pension reserve" shall mean the present value of all
12 payments to be made on account of any pension or benefit in lieu of
13 any pension computed upon the basis of such mortality tables
14 recommended by the actuary as shall be adopted by the board of
15 trustees, and regular interest.

16 (19) "Actuarial equivalent" shall mean a benefit of equal value
17 when computed upon the basis of such mortality tables
18 recommended by the actuary as shall be adopted by the board of
19 trustees, and regular interest.

20 (20) "Beneficiary" shall mean any person receiving a retirement
21 allowance or other benefit as provided by this act.

22 (21) "Child" shall mean a deceased member's or retirant's
23 unmarried child (a) under the age of 18, or (b) 18 years of age or
24 older and enrolled in a secondary school, or (c) under the age of 24
25 and enrolled in a degree program in an institution of higher
26 education for at least 12 credit hours in each semester, provided that
27 the member died in active service as a result of an accident met in
28 the actual performance of duty at some definite time and place, and
29 the death was not the result of the member's willful misconduct, or
30 (d) of any age who, at the time of the member's or retirant's death, is
31 disabled because of an intellectual disability or physical incapacity,
32 is unable to do any substantial, gainful work because of the
33 impairment and his impairment has lasted or can be expected to last
34 for a continuous period of not less than 12 months, as affirmed by
35 the medical board.

36 (22) "Parent" shall mean the parent of a member who was
37 receiving at least one-half of his support from the member in the
38 12-month period immediately preceding the member's death or the
39 accident which was the direct cause of the member's death. The
40 dependency of such a parent will be considered terminated by
41 marriage of the parent subsequent to the death of the member.

42 (23) (a) "Widower," for employees of the State, means the man
43 to whom a member or retirant was married, or a domestic partner as
44 defined in section 3 of P.L.2003, c.246 (C.26:8A-3), on the date of
45 her death and who has not since remarried or established a domestic
46 partnership. In the event of the payment of accidental death
47 benefits, pursuant to section 10 of P.L.1944, c.255 (C.43:16A-10),

1 the restriction concerning remarriage or establishment of a domestic
2 partnership shall be waived.

3 (b) Subject to the provisions of paragraph (c) of this subsection,
4 "widower," for employees of public employers other than the State,
5 means the man to whom a member or retirant was married on the
6 date of her death and who has not remarried.

7 (c) A public employer other than the State may adopt a
8 resolution providing that the term "widower" as defined in
9 paragraph (b) of this subsection shall include domestic partners as
10 provided in paragraph (a) of this subsection.

11 (24) (a) "Widow," for employees of the State, means the woman
12 to whom a member or retirant was married, or a domestic partner as
13 defined in section 3 of P.L.2003, c.246 (C.26:8A-3), on the date of
14 his death and who has not since remarried or established a domestic
15 partnership. In the event of the payment of accidental death
16 benefits, pursuant to section 10 of P.L.1944, c.255 (C.43:16A-10),
17 the restriction concerning remarriage or establishment of a domestic
18 partnership shall be waived.

19 (b) Subject to the provisions of paragraph (c) of this subsection,
20 "widow," for employees of public employers other than the State,
21 means the woman to whom a member or retirant was married on the
22 date of his death and who has not remarried.

23 (c) A public employer other than the State may adopt a
24 resolution providing that the term "widow" as defined in paragraph
25 (b) of this subsection shall include domestic partners as provided in
26 paragraph (a) of this subsection.

27 (25) "Fiscal year" shall mean any year commencing with July 1,
28 and ending with June 30, next following.

29 (26) (a) "Compensation" shall mean the base salary, for services
30 as a member as defined in this act, which is in accordance with
31 established salary policies of the member's employer for all
32 employees in the same position but shall not include individual
33 salary adjustments which are granted primarily in anticipation of
34 the member's retirement or additional remuneration for performing
35 temporary duties beyond the regular workday.

36 (b) In the case of a person who becomes a member of the
37 retirement system on or after the effective date of P.L.2010, c.1,
38 "compensation" means the amount of base salary equivalent to the
39 annual maximum wage contribution base for Social Security,
40 pursuant to the Federal Insurance Contributions Act, for services as
41 a member as defined in this act, which is in accordance with
42 established salary policies of the member's employer for all
43 employees in the same position but shall not include individual
44 salary adjustments which are granted primarily in anticipation of
45 the member's retirement or additional remuneration for performing
46 temporary duties beyond the regular workday.

47 (27) "Department" shall mean any police or fire department of a
48 municipality or a fire department of a fire district located in a

1 township or a county police or park police department or the
2 appropriate department of the State or instrumentality thereof.

3 (28) (a) "Final compensation" means the compensation received
4 by the member in the last 12 months of creditable service preceding
5 his retirement or death.

6 (b) In the case of a person who becomes a member of the
7 retirement system on or after the effective date of P.L.2010, c.1,
8 "final compensation" means the average annual compensation for
9 service for which contributions are made during any three fiscal
10 years of membership providing the largest possible benefit to the
11 member or the member's beneficiary.

12 (29) (Deleted by amendment, P.L.1992, c.78).

13 (30) (Deleted by amendment, P.L.1992, c.78).

14 (31) (a) "Spouse," for employees of the State, means the husband
15 or wife, or domestic partner as defined in section 3 of P.L.2003,
16 c.246 (C.26:8A-3), of a member.

17 (b) Subject to the provisions of paragraph (c) of this subsection,
18 "spouse," for employees of public employers other than the State,
19 means the husband or wife of a member.

20 (c) A public employer other than the State may adopt a
21 resolution providing that the term "spouse" as defined in paragraph
22 (b) of this subsection shall include domestic partners as provided in
23 paragraph (a) of this subsection.

24 (cf: P.L.2010, c.50, s.74)

25

26 8. Section 2 of P.L.1944, c.255 (C.43:16A-2) is amended to
27 read as follows:

28 2. A retirement system is hereby established in the **【**Division of
29 Pensions of the**】** Department of the Treasury for the purpose of
30 providing retirement allowances and other benefits for policemen
31 and firemen under the provisions of this act. It shall have the
32 powers and privileges of a corporation and shall be known as "The
33 Police and Firemen's Retirement System of New Jersey" and by
34 such name all of its business shall be transacted, all of its funds
35 invested, and all of its cash and securities and property held in trust
36 for the purpose for which received.

37 (cf: P.L.1967, c.250, s.2)

38

39 9. Section 1 of P.L.1976, c.134 (C.43:16A-3.5) is amended to
40 read as follows:

41 1. Any member of the Police and Firemen's Retirement System
42 of New Jersey who has been or shall be elected to the position of
43 sheriff or who has accepted or shall accept appointment to the office
44 or position of undersheriff may, by written notification to the
45 **【**Director of the Division of Pensions**】** board of trustees and the
46 county treasurer, elect to continue to be a member of the retirement
47 system while serving as sheriff or undersheriff and shall be deemed
48 to have waived any and all benefits to which he would otherwise be

1 entitled by eligibility for membership in the Public Employees'
2 Retirement System. The county treasurer shall make deductions
3 from the salary of the sheriff or undersheriff and contributions on
4 his behalf to the Police and Firemen's Retirement System as is
5 required by law for members of that system.

6 (cf: P.L.1976, c.134, s.1)

7

8 10. Section 3 of P.L.1983, c.439 (C.43:16A-3.7) is amended to
9 read as follows:

10 3. Any officer eligible to become a member pursuant to the
11 amendatory provisions of this act who is enrolled in the Public
12 Employees' Retirement System (P.L.1954, c.84, C. 43:15A-1 et
13 seq.) or any county pension fund established under Title 43 of the
14 Revised Statutes shall be permitted to transfer membership from the
15 aforesaid system or fund to the Police and Firemen's Retirement
16 System of New Jersey in accordance with the provisions of
17 P.L.1973, c.156 (C.43:16A-62 et seq.) and upon a lump sum
18 payment into the Police and Firemen's Retirement System annuity
19 savings fund of the amount of the difference between the
20 contribution which was paid as a member of the Public Employees'
21 Retirement System or county pension fund and the contribution
22 that would have been required if he had been a member of the
23 Police and Firemen's Retirement System since the date of last
24 enrolling in the Public Employees' Retirement System or a county
25 pension fund. In addition, the employee shall be liable for any
26 payment to the retirement system that the employer would have
27 been required to make on behalf of the member for the purchase of
28 such credit; this payment may be made in regular monthly
29 installments or in a lump sum, as the employee may elect, and
30 pursuant to rules and regulations as may be promulgated by the
31 **【Division of Pensions】** board of trustees.

32 Whenever in P.L.1973, c.156 a period of time is set which is to
33 be calculated from the effective date of said act, such time shall be
34 calculated from the effective date of this amendatory and
35 supplementary act for the purposes hereof.

36 (cf: P.L.1983, c.439, s.3)

37

38 11. Section 6 of P.L.2000, c.127 (C.43:16A-11.7a) is amended
39 to read as follows:

40 6. The Adjutant General of the Department of Military and
41 Veterans' Affairs shall be responsible for determining whether any
42 person seeking to be considered a "veteran" under section 1 of
43 P.L.1983, c.391 (C.43:16A-11.7), for the purpose of purchasing
44 military service credit, meets the criteria set forth therein and
45 adjudicating an appeal from any person disputing this
46 determination. The determination of the Adjutant General shall be
47 binding upon the **【Division of Pensions and Benefits】** board of

1 trustees.

2 (cf: P.L.2000, c.127, s.6)

3

4 12. Section 1 of P.L.1985, c.450 (C.43:16A-11.9) is amended to
5 read as follows:

6 1. Any member of the Police and Firemen's Retirement System
7 of New Jersey who has at least 20 years of creditable service in the
8 retirement system and who leaves a position covered by the
9 retirement system, with the approval of the employer, to take a full-
10 time position with a. a federal agency, b. an agency of another state
11 or local government thereof, c. a national, regional, statewide,
12 areawide or metropolitan organization representing member state or
13 local governments, d. an association of state or local public
14 officials, or e. a nonprofit organization which has as one of its
15 principal functions the offering of professional advisory, research,
16 educational or development services, or related services, to
17 governments or universities concerned with public management,
18 may, upon filing an application with the board of trustees of the
19 retirement system, purchase credit in the retirement system for all
20 or a portion of the time of service with the public agency or private
21 organization, but not exceeding three years, as provided in this act.

22 The member may purchase credit for the service by paying into
23 the annuity savings fund the amount determined by applying the
24 factor, supplied by the actuary, applicable to his age at the time of
25 the purchase, to his creditable salary in the last 12 months of
26 creditable service in the position covered by the retirement system
27 immediately preceding the service with the public agency or private
28 organization. The purchase may be made in regular monthly
29 installments or in a lump sum as the member may elect and
30 pursuant to rules and regulations as may be promulgated by the
31 **【Division of Pensions】** board of trustees. The member shall bear
32 the entire cost for the additional retirement benefit attributable to
33 the purchased credit. If, upon retirement, the member's payment for
34 purchase of the credit is insufficient to provide for the additional
35 retirement benefit attributable to the service, the difference may be
36 assessed to the member, or a pro rata credit may be granted based
37 on service purchased prior to the date of retirement, at the election
38 of the member.

39 If the member retires prior to completing the purchase, he will
40 receive pro rata credit for service purchased prior to the date of
41 retirement, unless he makes an additional lump sum payment at that
42 time as will be necessary to provide full credit.

43 The purchase may be made within four years of the date of the
44 member's last contribution to the retirement system in the covered
45 position immediately preceding the service with the public agency
46 or private organization.

47 (cf: P.L.1985, c.450, s.1)

1 13. Section 1 of P.L.1999, c.338 (C.43:16A-11.13) is amended
2 to read as follows:

3 1. Notwithstanding the provisions of section 4 of P.L.1944,
4 c.255 (C.43:16A-4), any member who is separated involuntarily
5 from the police service covered by the retirement system, and not
6 by removal for cause or charges of misconduct or delinquency, and
7 who subsequently becomes a police service employee covered by
8 the retirement system may, upon filing an application with the
9 board of trustees of the retirement system, purchase credit in the
10 retirement system for all or a portion of the time of the hiatus in
11 creditable service, but not exceeding three years, as provided in this
12 section.

13 The member may purchase credit for the service by paying into
14 the annuity savings fund the amount determined by applying the
15 factor, supplied by the actuary, applicable to his age at the time of
16 the purchase, to his creditable salary in the last 12 months of
17 creditable service in the position covered by the retirement system
18 immediately preceding the involuntary separation from service. The
19 purchase may be made in regular monthly installments or in a lump
20 sum as the member may elect and pursuant to rules and regulations
21 as may be promulgated by the **【Division of Pensions and Benefits】**
22 board of trustees. The member shall bear the entire cost for the
23 additional retirement benefit attributable to the purchased credit. If,
24 upon retirement, the member's payment for purchase of the credit is
25 insufficient to provide for the additional retirement benefit
26 attributable to the service, the difference may be assessed to the
27 member, or a pro rata credit may be granted based on service
28 purchased prior to the date of retirement, at the election of the
29 member.

30 If the member retires prior to completing the purchase, he will
31 receive pro rata credit for service purchased prior to the date of
32 retirement, unless he makes an additional lump sum payment at that
33 time as will be necessary to provide full credit.

34 (cf: P.L.1999, c.338, s.1)

35

36 14. Section 1 of P.L.2001, c.228 (C.43:16A-11.14) is amended
37 to read as follows:

38 1. Notwithstanding the provisions of section 4 of P.L.1944,
39 c.255 (C.43:16A-4), any member who is separated involuntarily
40 from firefighting service covered by the retirement system, and not
41 by removal for cause or charges of misconduct or delinquency, and
42 who subsequently becomes a fireman in a position covered by the
43 retirement system may, upon filing an application with the board of
44 trustees of the retirement system, purchase credit in the retirement
45 system for all or a portion of the time of the hiatus in creditable
46 service, but not exceeding three years, as provided in this section.

47 The member may purchase credit for the service by paying into
48 the annuity savings fund the amount determined by applying the

1 factor, supplied by the actuary, applicable to the member's age at
2 the time of the purchase, to the member's creditable salary in the
3 last 12 months of creditable service in the position covered by the
4 retirement system immediately preceding the involuntary separation
5 from service. The purchase may be made in regular monthly
6 installments or in a lump sum as the member may elect and
7 pursuant to rules and regulations as may be promulgated by the
8 **【Division of Pensions and Benefits】** board of trustees. The member
9 shall bear the entire cost for the additional retirement benefit
10 attributable to the purchased credit. If, upon retirement, the
11 member's payment for purchase of the credit is insufficient to
12 provide for the additional retirement benefit attributable to the
13 service, the difference may be assessed to the member, or a pro rata
14 credit may be granted based on service purchased prior to the date
15 of retirement, at the election of the member.

16 If the member retires prior to completing the purchase, the
17 member shall receive pro rata credit for service purchased prior to
18 the date of retirement, unless the member makes an additional lump
19 sum payment at that time as shall be necessary to provide full
20 credit.

21 (cf: P.L.2001, c.228, s.1)

22

23 15. Section 13 of P.L.1944, c.255 (C.43:16A-13) is amended to
24 read as follows:

25 13. a. (1) Subject to the provisions of P.L.1955, c.70 (C.52:18A-
26 95 et seq.), the general responsibility for the proper operation of the
27 retirement system is hereby vested in a board of trustees **【**, and, as
28 specified, the committees established pursuant to subsection b. of
29 this section**】**. The board may, in its discretion and at such time and
30 in such manner as the board determines, enhance any benefit set
31 forth in P.L.1944, c.255 (C.43:16A-1 et seq.) as the board
32 determines to be reasonable and appropriate or modify any such
33 benefit as an alternative to an increase in the member contribution
34 rate, which increase the board determines to be reasonable,
35 necessary, and appropriate, or reinstate, when appropriate, such
36 reduced benefit to the statutory level without an additional
37 contribution by the member. The board shall act exclusively on
38 behalf of the contributing employers, active members of the
39 retirement system, and retired members as the fiduciary of the
40 system. The primary obligation of the board shall be to direct
41 policies and investments to achieve and maintain the full funding
42 and continuation of the retirement system for the exclusive benefit
43 of its members.

44 (2) The board shall consist of **【11】** 12 trustees as follows:

45 (a) **【**Five members to be appointed by the Governor, with the
46 advice and consent of the Senate, who shall serve for a term of
47 office of four years and until their successors are appointed and

1 who shall be private citizens of the State of New Jersey who are
2 neither an officer thereof nor an active or retired member of any
3 police or fire department thereof. Of the four members initially
4 appointed by the Governor pursuant to P.L.1992, c.125 (C.43:4B-1
5 et al.), one shall be appointed for a term of one year, one for a term
6 of two years, one for a term of three years, and one for a term of
7 four years. The member appointed by the Governor pursuant to the
8 provisions of this amendatory act, P.L.1995, c.238, shall serve for a
9 term of four years and until a successor is appointed. **】** (Deleted by
10 amendment, P.L. , c.) (pending before the Legislature as this
11 bill)

12 (b) **【**The State Treasurer or the deputy State Treasurer, when
13 designated for that purpose by the State Treasurer. **】** (Deleted by
14 amendment, P.L. , c.) (pending before the Legislature as this
15 bill)

16 (c) Three active policemen and three active firemen as follows:

17 (i) Two policemen and two firemen who shall be active
18 members of the system and who shall be appointed as follows:

19 one policeman shall be appointed by the President of the New
20 Jersey State Policemen's Benevolent Association;

21 one policeman shall be appointed by the President of the New
22 Jersey State Fraternal Order of Police;

23 one fireman shall be appointed by the President of the New
24 Jersey State Firemen's Mutual Benevolent Association; and

25 one fireman shall be appointed by the President of the
26 Professional Firefighters Association of New Jersey.

27 (ii) One policeman and one fireman who shall serve staggered
28 terms and shall be active members of the system and who shall be
29 elected by the active members of the system **【**for a term of four
30 years**】** according to such rules and regulations as the board of
31 trustees shall adopt to govern such election. The elected policeman
32 shall serve for an initial term of two years and the elected fireman
33 shall serve for an initial term of four years. Following their first
34 term, all trustees elected pursuant to this subparagraph shall serve
35 four-year terms. An election to select trustees, who are active
36 members of the system, shall be held no later than the first day of
37 the fifth month next following the date of enactment of
38 P.L. , c. (pending before the Legislature as this bill).

39 (d) One retiree from the system who shall be elected by retirees
40 from the system for a term of four years according to such rules and
41 regulations as the board of trustees shall adopt to govern the
42 election. An election to select a trustee, who is a retiree from the
43 system, shall be held no later than the first day of the fifth month
44 next following the date of enactment of P.L. , c. (pending before
45 the Legislature as this bill).

46 (e) Four trustees, to be appointed by the Governor, who shall
47 serve staggered terms and who either hold, or have held, an elective

1 public office as a mayor, member of a municipal council, or
2 member of a board of chosen freeholders or is employed, or has
3 been employed, by a municipal or county government as an
4 administrator, manager, or chief financial officer, to represent the
5 interests of local government employers. The Governor shall
6 appoint trustees pursuant to this subparagraph from among a list of
7 names submitted by the New Jersey League of Municipalities and
8 the New Jersey Association of Counties. Two trustees appointed by
9 the Governor pursuant to this subparagraph shall serve for an initial
10 term of two years and two trustees shall serve for an initial term of
11 four years. Following their first term, all trustees appointed
12 pursuant to this subparagraph shall serve four-year terms. The
13 Governor shall appoint trustees representing the interest of local
14 government employers pursuant to this subparagraph no later than
15 the first day of the seventh month next following the date of
16 enactment of P.L. , c. (pending before the Legislature as this
17 bill).

18 (f) One trustee, to be appointed by the Governor, who holds or
19 has held a management or supervisory position in the Executive
20 Branch of State government at the level of division director or
21 above to represent the interests of State government. The trustee
22 appointed by the Governor pursuant to this subparagraph shall serve
23 for an initial term of two years. Following the trustee's first term,
24 the trustee appointed pursuant to this subparagraph shall serve four-
25 year terms. The Governor shall appoint a trustee representing the
26 interest of State government pursuant to this subparagraph no later
27 than the first day of the seventh month next following the date of
28 enactment of P.L. , c. (pending before the Legislature as this
29 bill).

30 (3) Each trustee shall, after his appointment or election, take an
31 oath of office that, so far as it devolves upon him he will diligently
32 and honestly fulfill his duties as a board member, and that he will
33 not knowingly violate or willingly permit to be violated any of the
34 provisions of the law applicable to the retirement system. Such oath
35 shall be subscribed by the member making it, and certified by the
36 officer before whom it is taken, and immediately filed in the office
37 of the Secretary of State. The board may remove a trustee, upon a
38 majority vote of the trustees, for violating the trustee's oath of
39 office. Any trustee who is absent, without an official excuse
40 approved by a majority vote of the trustees, for more than three of
41 the board's meetings in any calendar year shall be removed from
42 the board and the trustee's position shall be filled in the same
43 manner as the position was previously filled. The board shall adopt
44 standards to define unexcused absences.

45 A member shall be permitted to participate in meetings of the
46 board by teleconference.

47 (4) (a) If a vacancy occurs in the office of a trustee, the vacancy
48 shall be filled in the same manner as the office was previously

1 filled. A vacancy shall not last more than 60 days, unless the board
2 is awaiting the certification of an election conducted pursuant to
3 paragraph (2) of this subsection. If a vacancy lasts for more than 60
4 days, then the board shall appoint, upon a majority vote of the
5 trustees then serving, a person qualified pursuant to subparagraph
6 (e) or (f) of paragraph (2) of this subsection to fill the vacancy until
7 a new trustee is appointed or elected in the manner set forth in
8 paragraph (2) of this subsection.

9 (b) A trustee serving pursuant to subparagraph (c) of paragraph
10 (2) of this subsection who retires from active service as policeman
11 or fireman may remain a trustee until an election is held to replace
12 the trustee. An election to replace a trustee serving pursuant to part
13 (ii) of subparagraph (c) of paragraph (2) of this subsection who
14 retires from active service shall be held no later than 30 days
15 following the effective date of the trustee's retirement and the
16 trustee shall relinquish the position on the board upon certification
17 of the results of the election.

18 (c) Trustees appointed pursuant to part (i) of subparagraph (c) of
19 paragraph (2) of this subsection shall serve at the pleasure of the
20 official who appointed the trustee, but may be removed pursuant to
21 paragraph (3) of this subsection.

22 (5) The trustees shall serve without compensation, but they shall
23 be reimbursed for all necessary expenses that they may incur
24 through service on the board.

25 (6) Each trustee shall be entitled to one vote in the board. **【Six】**
26 **Seven** trustees **【must】 shall** be present at any meeting of said board
27 for the transaction of its business.

28 (7) Subject to the limitations of this act, the board of trustees
29 shall annually establish rules and regulations for the administration
30 of the funds created by this act and for the transaction of the board's
31 **【and committees'】** business. **【Such rules and regulations shall be**
32 **consistent with those adopted by the other pension funds within the**
33 **Division of Pensions and Benefits in order to permit the most**
34 **economical and uniform administration of all such retirement**
35 **systems. The committees shall adopt such regulations as provided**
36 **in subsection b. of this section.】**

37 (8) The board of trustees shall elect from its membership a
38 **【chairman】** chair and vice chair. The chair, or vice chair in the
39 chair's absence, shall serve as the primary contact with board staff,
40 coordinate and approve meeting agendas, and shall have the power
41 to authorize any special staff action necessary to execute any of the
42 board's duties. The chair and vice chair shall not have the authority
43 to discipline or discharge an employee of the board unless
44 authorized to take such action by a majority of the trustees at a
45 public meeting. The **【Director of the Division of Pensions and**
46 **Benefits】** board shall appoint a **【qualified employee of the division**
47 to be**】** secretary of the board. The administration of the program

1 shall be performed by **the** personnel **of the** Division of Pensions
2 and Benefits **selected by the board in accordance with this section.**
3 The board, reconstituted pursuant to P.L., c., (pending before
4 the Legislature as this bill), shall hold an initial meeting on the first
5 business day of the seventh month following the date of enactment
6 of P.L., c., (pending before the Legislature as this bill). At the
7 initial meeting of the board on the first business day of the seventh
8 month next following the date of enactment of P.L., c. (pending
9 before the Legislature as this bill), the board shall contract with the
10 Division of Pensions and Benefits for the division to perform the
11 administrative tasks that the division performed prior to the
12 enactment of P.L., c. (pending before the Legislature as this
13 bill) and such other tasks as the board may require. The division
14 shall receive compensation from the board for the performance of
15 the administrative tasks that the division performed prior to the
16 enactment of P.L., c. (pending before the Legislature as this
17 bill) in an amount equal to the cost the division incurred for the
18 performance of those administrative tasks prior to the enactment of
19 that act. At the expiration of the term of the contract negotiated by
20 the board with the division pursuant to this paragraph, the board
21 may contract with the division or with a private entity, pursuant to
22 the provisions of P.L.1954, c.48 (C.52:34-6 et seq.), to perform
23 administrative tasks that the board determines to be necessary or
24 convenient for its operation.

25 (9) The board of trustees shall keep a record of all of its
26 proceedings which shall be open to public inspection. The
27 retirement system shall publish annually a report showing the fiscal
28 transactions of the retirement system for the preceding year, the
29 amount of the accumulated cash and securities of the system, and
30 the last balance sheet showing the financial condition of the system
31 by means of an actuarial valuation of the assets and liabilities of the
32 retirement system.

33 (10) The board of trustees may, in its discretion, select and
34 employ, or contract with, legal counsel with demonstrated expertise
35 in the law governing retirement systems for public or private sector
36 employees to advise and represent the board. If the board does not
37 select and employ, or contract with, legal counsel, the Attorney
38 General of the State of New Jersey shall be the legal adviser of the
39 retirement system, except **that** if the Attorney General determines
40 that a conflict of interest would affect the ability of the Attorney
41 General to represent the board or the committees on a matter
42 affecting the retirement system **], the board may select and employ**
43 legal counsel to advise and represent the board or the committees on
44 that matter**].**

45 (11) The **State Treasurer** board of trustees shall designate a
46 medical board **after consultation with the Director of the Division**
47 **of Pensions and Benefits, subject to veto by the board of trustees for**

1 valid reason]. It shall be composed of a minimum of three
2 physicians who are not eligible to participate in the retirement
3 system. The medical board shall pass upon all medical examinations
4 required under the provisions of this act, shall investigate all
5 essential statements and certificates by or on behalf of a member in
6 connection with an application for disability retirement, and shall
7 report in writing to the retirement system its conclusions and
8 recommendations upon all matters referred to it.

9 (12) The actuary of the system shall be selected by the
10 **[Retirement Systems Actuary Selection Committee established by**
11 **P.L.1992, c.125. He]** board of trustees. The actuary shall be the
12 technical adviser of the board of trustees [and the committees] on
13 matters regarding the operation of the funds created by the
14 provisions of this act, and shall perform such other duties as are
15 required in connection therewith. The actuary may be an employee
16 of the board or an independent contractor retained by the board.
17 The actuary shall have demonstrated experience in providing
18 actuarial services to defined benefit retirement systems for public
19 employees.

20 (13) The board of trustees, in consultation with the actuary, shall
21 establish actuarial funding policies for the system. At least once in
22 each three-year period the actuary shall make an actuarial
23 investigation into the mortality, service and compensation
24 experience of the members and beneficiaries of the retirement
25 system and, with the advice of the actuary, the board of trustees
26 shall adopt for the retirement system such mortality, service and
27 other tables as shall be deemed necessary and shall certify the rates
28 of contribution payable under the provisions of this act. The board
29 of trustees shall retain an independent actuary, as selected by the
30 State Treasurer, with demonstrated experience in providing
31 actuarial services to retirement systems for public or private sector
32 employees to review prior investigations into the mortality, service,
33 and compensation experience of the members and beneficiaries of
34 the retirement system and to review the three prior actuarial
35 valuations to certify that the actuary of the retirement system
36 conducted the investigations and valuations in accordance with
37 generally accepted actuarial standards.

38 (14) (Deleted by amendment, P.L.1970, c.57.)

39 (15) On the basis of such tables recommended by the actuary as
40 the board of trustees shall adopt and regular interest, the actuary
41 shall make an annual valuation of the assets and liability of the
42 funds of the system created by this act.

43 (16) (Deleted by amendment, P.L.1987, c.330.)

44 (17) Each policeman or fireman member of the board of trustees
45 or the committees shall be entitled to time off from his duty, with
46 pay, during the periods of his attendance upon regular or special
47 meetings of the board of trustees or the committees, and such time

1 off shall include reasonable travel time required in connection
2 therewith.

3 (18) The board of trustees shall have a minimum of one meeting
4 each calendar month.

5 (19) The board of trustees shall have authority to invest and
6 reinvest the moneys in, and to acquire for or on behalf of the funds
7 of, the board. The board shall formulate and establish, and may
8 from time to time amend, modify, or repeal, such policies,
9 objectives or guidelines as it may deem necessary and proper to
10 govern the decisions, actions, methods, practices, or procedures for
11 investment, reinvestment, purchase, sale, or exchange transactions
12 of the board.

13 (20) (a) The board of trustees shall select and employ an
14 executive director, who shall be responsible for the strategic
15 direction of the board from an investment and operational
16 perspective. The executive director shall provide strategic
17 direction, planning, and leadership to the board; organize, develop,
18 and supervise a management team to provide optimal investment
19 results; maintain oversight of investment and administrative
20 operations conducted by the board; develop an annual budget and a
21 salary and compensation guide for any managerial positions that are
22 not subject to Title 11A, Civil Service, of the New Jersey Statutes,
23 arrange board agendas with the approval of the board's chair;
24 appoint administrative staff; conduct the executive and
25 administrative functions of the Investment Committee; execute
26 contracts on behalf of the board; and perform any other
27 responsibilities designated to the executive director by the board.

28 The person employed by the board to hold the position of
29 executive director shall have, at a minimum upon commencement
30 of employment, a bachelor's degree from an accredited institution
31 of higher education, and at least five years of management
32 experience in accounting, finance, public administration,
33 government pension and retirement planning, investment banking,
34 financial consulting, money management, or a similar field. The
35 person shall meet all other requirements for employment as shall be
36 set forth in a standard adopted by the board. No member, retiree, or
37 other beneficiary of the system shall be eligible to hold the position
38 of executive director.

39 (b) The board of trustees shall have the authority to retain other
40 administrative and professional staff as required to implement the
41 duties and responsibilities required to ensure the smooth transition
42 of responsibilities and authority from the division to the board
43 pursuant to P.L. , c. (pending before the Legislature as this bill).
44 The board shall not employ a trustee and may employ a former
45 trustee only if the former trustee has not held the position of trustee
46 for more than two years.

47 (c) The board of trustees shall be authorized to access operating
48 funds from the system necessary for the management of the fund

1 and to employ staff immediately upon their election and
2 appointment, provided that the qualified status of the retirement
3 system under federal law is maintained.

4 (21) (a) The board of trustees shall select and employ a chief
5 investment officer, who shall oversee the management of funds and
6 investments with the State or private companies, coordinate the
7 transfer of assets from the State Treasurer, State Investment
8 Council, and Division of Investment to the board, and decide the
9 manner in which funds shall be invested. The chief investment
10 officer shall establish and maintain a policy to monitor and evaluate
11 the effectiveness of securities transactions executed on behalf of the
12 board. The chief investment officer shall report to the executive
13 director.

14 The person employed by the board to hold the position of chief
15 investment officer shall have, at a minimum upon commencement
16 of employment, a bachelor's degree from an accredited institution
17 of higher education, and at least five years of management
18 experience in accounting, finance, public administration,
19 government pension and retirement planning, investment banking,
20 financial consulting, money management, or a similar field. The
21 person shall meet all other requirements for employment as shall be
22 set forth in a standard adopted by the board. No member, retiree, or
23 other beneficiary of the system shall be eligible to hold the position
24 of chief investment officer.

25 (b) The board of trustees may make and execute agreements
26 pursuant to the provisions of P.L.1954, c.48 (C.52:34-6 et seq.),
27 which may be necessary or convenient for the management of the
28 investments of the retirement system.

29 (22) The board of trustees shall select and employ an
30 ombudsman, who shall provide individual death and disability
31 consultation and information to plan members and their dependents;
32 answer questions from, and provide information to, members
33 related to the process of applying for retirement and retirement
34 benefits; coordinate with other State and local agencies on behalf of
35 members; maintain federal, State, and local death and disability
36 benefit resources; recommend policy changes to the board; conduct
37 educational presentations for employers on death and disability
38 benefit options for members; and publish information about the
39 organization of the board for members, employers, and the public.

40 (23) All members of the board of trustees and of the Investment
41 Committee shall participate in annual investment training as
42 directed by the board's executive director. In addition to the ethics
43 training required by paragraph (2) of subsection c. of this section,
44 the board shall adopt a policy requiring annually not less than 16
45 hours of continuing education in matters relating to the
46 administration of defined benefit retirement systems for public
47 employees and the fiduciary duty the board and its employees have
48 to the beneficiaries of the retirement system.

1 b. [There are established two committees, to be composed of
2 10 members each as follows, one for the State employees part of the
3 retirement system and one for the part of the retirement system with
4 employees of employers other than the State.

5 Each committee shall have five members who shall be appointed
6 by the Governor as representatives of public employers whose
7 employees are enrolled in the retirement system, two members who
8 shall be appointed by the head of the union representing the greatest
9 number of police officer members of the retirement system having
10 union membership, one member who shall be appointed by the head
11 of the union representing the second greatest number of police
12 officer members of the retirement system having union
13 membership, one member who shall be appointed by the head of the
14 union representing the greatest number of firefighter members of
15 the retirement system having union membership, and one member
16 who shall be appointed by the head of the union representing the
17 second greatest number of firefighter members of the retirement
18 system having union membership. The members of the committees
19 shall not be appointed until that part of the system attains the target
20 funded ratio.

21 The members of each committee shall serve for a term of three
22 years and until a successor is appointed and qualified. For each
23 committee, of the initial appointments by the Governor, two
24 members shall serve for two years and until a successor is appointed
25 and qualified, and two shall serve for one year and until a successor
26 is appointed and qualified. For each committee, of the initial
27 appointments by the head of the union representing the greatest
28 number of police officer members of the retirement system, the
29 members shall serve for two years and until a successor is appointed
30 and qualified. For each committee, of the initial appointment by the
31 head of the union representing the greatest number of firefighter
32 members of the retirement system, the member shall serve for one
33 year and until a successor is appointed and qualified.

34 For each committee, the members of the committee shall select a
35 chairperson from among the members, who shall serve for a term of
36 one year, with no member serving more than one term until all the
37 members of the committee have served a term in a manner
38 alternating among the employer representatives and employee
39 representatives, unless the committee determines otherwise with
40 regard to this process.

41 The provisions of paragraphs (3) through (6), inclusive, and (17)
42 of subsection a. of this section, and subsection (4) of section 14 of
43 P.L.1944, c.255 (C.43:16A-14), shall apply to the committee and its
44 members, as appropriate. The committee shall keep a record of all
45 of its proceedings which shall be open to public inspection.

46 Upon the convening of any meeting of a committee, the members
47 shall consider a motion to assume the authority provided in this

1 subsection and shall proceed only if a majority of the members of
2 the committee vote in the affirmative on that motion.

3 Each committee may contract with such actuaries or consultants,
4 or both, in accordance with the provisions of P.L.1954, c.48
5 (C.52:34-6 et seq.), as the committee may deem necessary to
6 perform its duties, when that part of the system has attained the
7 target funded ratio.

8 When a part of the system, has attained the target funded ratio as
9 defined in section 27 of P.L.2011, c.78 (C.43:3C-16), the committee
10 for that part **】** The board of trustees shall have the discretionary
11 authority **【**for that part**】** to :

12 (1) modify the: member contribution rate; cap on creditable
13 compensation; formula for calculation of final compensation; age at
14 which a member may be eligible for and the benefits for service or
15 special retirement; and standards for approval, medical review
16 policies, and benefits provided for disability retirement; and

17 (2) activate the application of the "Pension Adjustment Act,"
18 P.L.1958, c.143 (C.43:3B-1 et seq.) for retirees **【**for the period that
19 the part is at or above the target funded ratio**】** and modify the basis
20 for the calculation of the adjustment and set the duration and extent
21 of the activation. The board of trustees, after consultation with the
22 actuary, may apply an adjustment to the monthly retirement
23 allowance or pension originally granted to any member.

24 **【**A committee shall give priority consideration to subparagraph
25 (2) of this paragraph. A committee**】** The board of trustees shall
26 have the discretionary authority to modify the conditions and
27 standards for the purchase of service credit for death benefits. The
28 board of trustees shall not have the authority to change the years of
29 creditable service required for vesting.

30 At least eight votes of the authorized membership of the board
31 shall be required to approve any enhancement or reduction of a
32 member benefit, including the activation of the application of the
33 "Pension Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et seq.), for
34 retirees, or to approve any increase or decrease in the employer
35 contribution that is more than what is recommended by the actuary
36 for the system for the purpose of the annual funding requirements of
37 the system.

38 **【**Each committee**】** The board of trustees may consider a matter
39 described **【**above**】** in this subsection and render a decision
40 notwithstanding that the provisions of the statutory law may set
41 forth a specific requirement on that matter.

42 **【**Each committee**】** The board of trustees may consider a matter
43 described **【**above**】** in this subsection and render a decision
44 notwithstanding that the provisions of the statutory law do not set
45 forth a specific requirement on the considered aspect of that matter
46 or address that matter at all.

1 **【**The members of each committee shall have the same duty and
2 responsibility to the retirement system as do the members of the
3 board of trustees. No decision of a committee shall be implemented
4 if the direct or indirect result of the decision will be that the funded
5 ratio of that part falls below the target funded ratio in any valuation
6 period during the 30 years following the implementation of the
7 decision. The actuary of the system shall make a determination of
8 the result in that regard and submit that determination in a written
9 report to the committee and the board prior to the implementation
10 of the decision.**】**

11 **【**If any matter before a committee receives at least six votes in
12 the affirmative, the board of trustees shall approve and implement
13 the committee's decision.

14 If any matter regarding benefits before a committee receives five
15 votes in the affirmative and five votes in the negative or the
16 committee otherwise reaches an impasse on a decision, the
17 provisions of section 33 of P.L.2011, c.78 (C.43:3C-17) shall be
18 followed.**】**

19 A final action of the **【committee】** board of trustees under this
20 subsection shall be made by the adoption of a regulation that shall
21 identify the modifications to the system by reference to statutory
22 section. The regulations shall also specify the effective date of the
23 modification and the system members, including beneficiaries and
24 retirees, to whom the modification applies. Regulations of the
25 **【committee】** board of trustees are considered to be part of the plan
26 document for the system. A regulation adopted by the **【committee】**
27 board of trustees may be modified by regulation in order to comply
28 with the requirements of this section.

29 c. (1) No member of the board**【,】** or a committee of the board,
30 employee of the board, or employee of the Division of Pensions and
31 Benefits in the Department of the Treasury shall accept from any
32 person, whether directly or indirectly and whether by himself or
33 through his spouse or any member of his family, or through any
34 partner or associate, any gift, favor, service, employment or offer of
35 employment, or any other thing of value, including contributions to
36 the campaign of a member or employee as a candidate for elective
37 public office, which he knows or has reason to believe is offered to
38 him with intent to influence him in the performance of his public
39 duties and responsibilities. As used in this subsection, "person"
40 means an (1) individual or business entity, or officer or employee of
41 such an entity, who is seeking, or who holds, or who held within the
42 prior three years, a contract with the board; (2) an active or retired
43 member, or beneficiary, of the retirement system; or (3) an entity,
44 or officer or employee of such an entity, in which the assets of the
45 retirement system have been invested. A board or committee
46 member or employee violating this prohibition shall be guilty of a
47 crime of the third degree.

1 (2) The board shall adopt an ethics policy either identical to the
2 provisions of the "New Jersey Conflicts of Interest Law," P.L.1971,
3 c.182 (C.52:13D-12 et seq.) or more restrictive, but not less
4 restrictive. All trustees, officers, and employees of the board shall
5 participate in annual ethics training on the board's policy, the New
6 Jersey Conflicts of Interest Law, and any other applicable law, rule,
7 or standard of conduct relating to the area of ethics as directed by
8 the board's executive director.

9 d. The board of trustees shall have the authority to establish a
10 process for the review, approval, and appeal of applications for
11 retirement.

12 e. The board of trustees shall establish three committees as
13 follows:

14 (1) (a) An Audit Committee of no less than three members to
15 assist in the oversight of the financial reporting and audit processes
16 of the board of trustees. At least two of the members shall be
17 members of the board of trustees. At least one of the Audit
18 Committee members shall have accounting, governmental auditing,
19 or related financial expertise. If the board of trustees does not have
20 sufficient members qualified or available to serve on the Audit
21 Committee, or wishes to broaden the expertise on the Audit
22 Committee, the board of trustees may request that the State
23 Treasurer recommend one or more qualified individuals to sit on the
24 committee.

25 (b) The Audit Committee shall assist the board of trustees in
26 retaining an independent auditor to conduct an audit of the
27 retirement system's financial statements by making a
28 recommendation to the board of trustees after engaging in an
29 auditor selection process. The auditor selection process shall be
30 based upon public, competitive bidding principles and shall take
31 place no less than once every five years.

32 (c) In carrying out its duties, the Audit Committee shall
33 proactively assist the board of trustees in overseeing the integrity
34 and quality of the retirement system's finances and investments.
35 The Audit Committee shall:

36 (i) review and evaluate audit fees;

37 (ii) when the committee believes that the auditor's performance is
38 not adequate in quality or independence, recommend such steps as
39 may be necessary to elicit appropriate performance, including
40 replacement of the auditor;

41 (iii) at least once every three years, obtain and review a report of
42 the independent auditor describing for the preceding year: the
43 independent auditor's internal quality control procedures; any
44 material issues raised by the most recent internal quality control
45 peer review, or by reviews conducted by governmental or
46 professional authorities; and steps taken by the auditor to address
47 such issues;

1 (iv) regularly review with the independent auditor any audit
2 problems, any risks of material statements due to fraud, and
3 difficulties involving restrictions or attempts to restrict the auditor's
4 activities and restrictions on access to information;

5 (v) review the audited financial statements and interim
6 statements and discuss them with the board of trustees. These
7 discussions shall include a review of particularly sensitive
8 accounting estimates, reserves and accruals, judgmental areas, audit
9 adjustments, whether recorded or not, and any other matters the
10 Audit Committee or independent auditor shall deem appropriate;

11 (vi) review internal control functions such as the planned scope
12 of internal audit reviews, adequacy of staffing, actions to be taken
13 as a result of internal audit findings, the effectiveness of electronic
14 data processing procedures, and controls and related security
15 programs;

16 (vii) recommend policies with respect to risk assessment and risk
17 management; and

18 (viii) establish a permanent position of internal auditor, who shall
19 be supervised by the executive director, but who may be discharged
20 only by an affirmative vote of the majority of the board.

21 (2) An Actuary Committee of no less than three members to
22 assist in the selection and oversight of the actuary appointed by the
23 board of trustees. The Actuary Committee shall review the
24 performance of the actuary appointed by the board of trustees. If
25 the performance of the actuary is not adequate in quality, the
26 committee shall recommend such steps as may be necessary to elicit
27 appropriate performance, including replacement of the actuary.

28 (3) An Investment Committee of no less than three members to
29 assist in the oversight of the investments selected by the board of
30 trustees and the management of the investments of the retirement
31 system. The Investment Committee shall consist of two members
32 of the board of trustees, and one member who shall be the chief
33 investment officer of the board, and shall oversee investments and
34 make recommendations on investments to the board of trustees.

35 f. At the end of six years following the enactment date of
36 P.L. , c. (pending before the Legislature as this bill), the board
37 of trustees shall conduct a review of the performance and funding
38 levels of the retirement system, as compared to available market
39 data including but, not limited to, the performance of the State
40 Investment Council and Division of Investment with regard to the
41 investment of other State-administered retirement systems or funds
42 and the Bloomberg Barclays Indices, and may, based on a majority
43 vote of the authorized membership of the board, petition the
44 Legislature to consider legislation that reverts control of the system
45 to the Department of the Treasury, or such other agency as the State
46 deems appropriate.

47 (cf: P.L.2011, c.78, s.4)

1 16. Section 14 of P.L.1944, c.255 (C.43:16A-14) is amended to
2 read as follows:

3 14. (1) The board of trustees shall be and are hereby constituted
4 trustees of the various funds and accounts established by this act【;】
5 provided, however, that all【】. All functions, powers and duties
6 relating to the investment or reinvestment of moneys of, and
7 purchase, sale or exchange of any investments or securities, of or
8 for any fund or account established under this act shall be exercised
9 and performed by the 【director of the Division of Investment in
10 accordance with the provisions of chapter 270, of the laws of 1950】
11 board. The 【secretary】 actuary of the board of trustees shall
12 determine from time to time the cash requirements of the various
13 funds and accounts established by this act and the amount available
14 for investment, all of which shall be certified to the 【Director of the
15 Division of Investment.

16 An elected member of the board of trustees to be designated by a
17 majority vote thereof shall serve on the State Investment Council as
18 a representative of said board of trustees, for a term of three years
19 and until a successor is designated and qualified【 chair and
20 executive director of the board of trustees.

21 (2) The 【Treasurer of the State of New Jersey】 executive
22 director of the board shall be the custodian of the 【several funds】
23 fund created by this act, shall select all depositories and custodians
24 and shall negotiate and execute custody agreements in connection
25 with the assets or investments of any of said 【funds】 fund. All
26 payments from said 【funds】 fund shall be made by him only upon
27 vouchers signed by the chairman and countersigned by the secretary
28 of the board of trustees. No voucher shall be drawn, except upon
29 the authority of the board duly entered in the records of its
30 proceedings.

31 (3) (Deleted by amendment.)

32 (4) Except as otherwise herein provided, no trustee and no
33 employee of the board of trustees shall have any direct interest in
34 the gains or profits of any investments of the retirement system; nor
35 shall any trustee or employee of the board directly or indirectly, for
36 himself or as an agent in any manner use the moneys of the
37 retirement system, except to make such current and necessary
38 payments as are authorized by the board of trustees; nor shall any
39 trustee or employee of the board of trustees become an endorser or
40 surety, or in any manner an obligor for moneys loaned to or
41 borrowed from the retirement system.

42 (5) For purposes of this section, during the term of the lottery
43 contribution made pursuant to section 4 of P.L.2017, c.98 (C.5:9-
44 22.8), the expenses of the Lottery Enterprise shall not be considered
45 to be expenses of the retirement system.

46 (cf: P.L.2017, c.98, s.26)

1 17. Section 15 of P.L.1944, c.255 (C.43:16A-15) is amended to
2 read as follows:

3 15. (1) The contributions required for the support of the
4 retirement system shall be made by members and their employers.

5 (2) (a) The uniform percentage contribution rate for members
6 shall be 8.5% of compensation. Members of the retirement system
7 shall contribute 10% of compensation to the system on and after the
8 effective date of P.L.2011, c.78.

9 (b) The board of trustees is authorized to make an adjustment to
10 the uniform contribution rate of the members set forth in this
11 subsection as the board deems reasonable, necessary, and
12 appropriate after consultation with, and the recommendation of, the
13 actuary. Any adjustment to a contribution rate shall be made at
14 such time and in such manner as the board shall determine upon
15 actuarial certification that such change will not result in increased
16 employer contributions.

17 (3) (Deleted by amendment, P.L.1989, c.204).

18 (4) Upon the basis of the tables recommended by the actuary
19 which the board adopts and regular interest, the actuary shall
20 compute annually, beginning as of June 30, 1991, the amount of
21 contribution which shall be the normal cost as computed under the
22 projected unit credit method attributable to service rendered under
23 the retirement system for the year beginning on July 1 immediately
24 succeeding the date of the computation. This shall be known as the
25 "normal contribution."

26 (5) (Deleted by amendment, P.L.1989, c.204).

27 (6) (Deleted by amendment, P.L.1994, c.62.)

28 (7) Each employer shall cause to be deducted from the salary of
29 each member the percentage of earnable compensation prescribed in
30 subsection (2) of this section. To facilitate the making of
31 deductions, the retirement system may modify the amount of
32 deduction required of any member by an amount not to exceed 1/10
33 of 1% of the compensation upon which the deduction is based.

34 (8) The deductions provided for herein shall be made
35 notwithstanding that the minimum salary provided for by law for
36 any member shall be reduced thereby. Every member shall be
37 deemed to consent and agree to the deductions made and provided
38 for herein, and payment of salary or compensation less said
39 deduction shall be a full and complete discharge and acquittance of
40 all claims and demands whatsoever for the service rendered by such
41 person during the period covered by such payment, except as to the
42 benefits provided under this act. The chief fiscal officer of each
43 employer shall certify to the retirement system in such manner as
44 the **【retirement system】** board of trustees may prescribe, the
45 amounts deducted; and when deducted shall be paid into said
46 annuity savings fund, and shall be credited to the individual account
47 of the member from whose salary said deduction was made.

1 (9) With respect to employers other than the State, upon the
2 basis of the tables recommended by the actuary which the board
3 adopts and regular interest, the actuary shall compute the amount of
4 the accrued liability as of June 30, 1991 under the projected unit
5 credit method, which is not already covered by the assets of the
6 retirement system, valued in accordance with the asset valuation
7 method established in this section. Using the total amount of this
8 unfunded accrued liability, the actuary shall compute the initial
9 amount of contribution which, if the contribution is paid annually in
10 level dollars for a specific period of time, will amortize this
11 liability. The [State Treasurer shall determine, upon the advice of
12 the Director of the Division of Pensions and Benefits, the] board of
13 trustees [and] shall determine, upon the advice of the actuary, the
14 time period for full funding of this liability, which shall not exceed
15 40 years on initial application of this section as amended by this act,
16 P.L.1994, c.62. This shall be known as the "accrued liability
17 contribution." Any increase or decrease in the unfunded accrued
18 liability as a result of actuarial losses or gains for the 10 valuation
19 years following valuation year 1991 shall serve to increase or
20 decrease, respectively, the unfunded accrued liability contribution.
21 Thereafter, any increase or decrease in the unfunded accrued
22 liability as a result of actuarial losses or gains for subsequent
23 valuation years shall serve to increase or decrease, respectively, the
24 amortization period for the unfunded accrued liability, unless an
25 increase in the amortization period will cause it to exceed 30 years.
26 If an increase in the amortization period as a result of actuarial
27 losses for a valuation year would exceed 30 years, the accrued
28 liability contribution shall be computed for the valuation year in the
29 same manner provided for the computation of the initial accrued
30 liability contribution under this section. Beginning with the July 1,
31 2018 actuarial valuation, the accrued liability contribution shall be
32 computed so that if the contribution is paid annually in level
33 dollars, it will amortize this unfunded accrued liability over a closed
34 30-year period. Beginning with the July 1, 2028 actuarial
35 valuation, when the remaining amortization period reaches 20 years,
36 any increase or decrease in the unfunded accrued liability as a result
37 of actuarial losses or gains for subsequent valuation years shall
38 serve to increase or decrease, respectively, the amortization period
39 for the unfunded accrued liability, unless an increase in the
40 amortization period will cause it to exceed 20 years. If an increase
41 in the amortization period as a result of actuarial losses for a
42 valuation year would exceed 20 years, the accrued liability
43 contribution shall be computed for the valuation year in the same
44 manner provided for the computation of the initial accrued liability
45 contribution under this section.

46 With respect to the State, upon the basis of the tables
47 recommended by the actuary which the board adopts and regular
48 interest, the actuary shall annually determine if there is an amount

1 of the accrued liability, computed under the projected unit credit
2 method, which is not already covered by the assets of the retirement
3 system, valued in accordance with the asset valuation method
4 established in this section. This shall be known as the "unfunded
5 accrued liability." If there was no unfunded accrued liability for the
6 valuation period immediately preceding the current valuation
7 period, the actuary, using the total amount of this unfunded accrued
8 liability, shall compute the initial amount of contribution which, if
9 the contribution is paid annually in level dollars for a specific
10 period of time, will amortize this liability. The [State Treasurer
11 shall determine, upon the advice of the Director of the Division of
12 Pensions and Benefits, the] board of trustees [and] shall determine,
13 upon the advice of the actuary, the time period for full funding of
14 this liability, which shall not exceed 30 years. This shall be known
15 as the "accrued liability contribution." Thereafter, any increase or
16 decrease in the unfunded accrued liability as a result of actuarial
17 losses or gains for subsequent valuation years shall serve to increase
18 or decrease, respectively, the amortization period for the unfunded
19 accrued liability, unless an increase in the amortization period will
20 cause it to exceed 30 years. If an increase in the amortization period
21 as a result of actuarial losses for a valuation year would exceed 30
22 years, the accrued liability contribution shall be computed for the
23 valuation year in the same manner provided for the computation of
24 the initial accrued liability contribution under this section.
25 Beginning with the July 1, 2018 actuarial valuation, the accrued
26 liability contribution shall be computed so that if the contribution is
27 paid annually in level dollars, it will amortize this unfunded accrued
28 liability over a closed 30-year period. Beginning with the July 1,
29 2028 actuarial valuation, when the remaining amortization period
30 reaches 20 years, any increase or decrease in the unfunded accrued
31 liability as a result of actuarial losses or gains for subsequent
32 valuation years shall serve to increase or decrease, respectively, the
33 amortization period for the unfunded accrued liability, unless an
34 increase in the amortization period will cause it to exceed 20 years.
35 If an increase in the amortization period as a result of actuarial
36 losses for a valuation year would exceed 20 years, the accrued
37 liability contribution shall be computed for the valuation year in the
38 same manner provided for the computation of the initial accrued
39 liability contribution under this section.

40 The State may pay all or any portion of its unfunded accrued
41 liability under the retirement system from any source of funds
42 legally available for the purpose, including, without limitation, the
43 proceeds of bonds authorized by law for this purpose.

44 The value of the assets, excluding the special asset value set
45 forth in section 38 of P.L.2010, c.1 (C.43:3C-14), to be used in the
46 computation of the contributions provided for under this section for
47 valuation periods shall be the value of the assets for the preceding
48 valuation period increased by the regular interest rate, plus the net

1 cash flow for the valuation period (the difference between the
2 benefits and expenses paid by the system and the contributions to
3 the system) increased by one half of the regular interest rate, plus
4 20% of the difference between this expected value and the full
5 market value of the assets as of the end of the valuation period.
6 This shall be known as the "valuation assets." Notwithstanding the
7 first sentence of this paragraph, the valuation assets for the
8 valuation period ending June 30, 1995 shall be the full market value
9 of the assets as of that date and, with respect to the valuation assets
10 allocated to the State, shall include the proceeds from the bonds
11 issued pursuant to the "Pension Bond Financing Act of 1997,"
12 P.L.1997, c.114 (C.34:1B-7.45 et seq.), paid to the system by the
13 New Jersey Economic Development Authority to fund the unfunded
14 accrued liability of the system. Notwithstanding the first sentence of
15 this paragraph, the percentage of the difference between the
16 expected value and the full market value of the assets to be added to
17 the expected value of the assets for the valuation period ending June
18 30, 1998 for the State shall be 100% and for other employers shall
19 be 57% plus such additional percentage as is equivalent to
20 \$150,000,000. Notwithstanding the first sentence of this paragraph,
21 the amount of the difference between the expected value and the
22 full market value of the assets to be added to the expected value of
23 the assets for the valuation period ending June 30, 1999 shall
24 include an additional amount of the market value of the assets
25 sufficient to fund (1) the unfunded accrued liability for the
26 supplementary "special retirement" allowances provided under
27 subsection b. of section 16 of P.L.1964, c.241 (C.43:16A-11.1) and
28 (2) the unfunded accrued liability for the full credit toward benefits
29 under the retirement system for service credited in the Public
30 Employees' Retirement System and transferred pursuant to section 1
31 of P.L.1993, c.247 (C.43:16A-3.8) and the reimbursement of the
32 cost of any credit purchase pursuant to section 3 of P.L.1993, c.247
33 (C.43:16A-3.10) provided under section 1 of P.L.2001, c.201
34 (C.43:16A-3.14).

35 "Excess valuation assets" means, with respect to the valuation
36 assets allocated to the State, the valuation assets allocated to the
37 State for a valuation period less the actuarial accrued liability of the
38 State for the valuation period, and beginning with the valuation
39 period ending June 30, 1998, less the present value of the expected
40 additional normal cost contributions attributable to the amendatory
41 provisions of P.L.1999, c.428 [(C.43:16A-15.8 et al.)] (C.43:16A-1
42 et al.) payable on behalf of the active members employed by the
43 State as of the valuation period over the expected working lives of
44 the active members in accordance with the tables of actuarial
45 assumptions applicable to the valuation period, and less the present
46 value of the expected additional normal cost contributions
47 attributable to the provisions of P.L.2003, c.108 as amending
48 section 16 of P.L.1964, c.241 (C.43:16A-11.1) payable on behalf of

1 the active members employed by the State as of the valuation period
2 over the expected working lives of the active members in
3 accordance with the tables of actuarial assumptions applicable to
4 the valuation period, if the sum is greater than zero. "Excess
5 valuation assets" means, with respect to the valuation assets
6 allocated to other employers, the valuation assets allocated to the
7 other employers for a valuation period less the actuarial accrued
8 liability of the other employers for the valuation period, excluding
9 the unfunded accrued liability for early retirement incentive benefits
10 pursuant to P.L.1993, c.99 for the other employers, and beginning
11 with the valuation period ending June 30, 1998, less the present
12 value of the expected additional normal cost contributions
13 attributable to the amendatory provisions of P.L.1999, c.428
14 **[(C.43:16A-15.8 et al.)]** (C.43:16A-1 et al.) payable on behalf of
15 the active members employed by other employers as of the
16 valuation period over the expected working lives of the active
17 members in accordance with the tables of actuarial assumptions
18 applicable to the valuation period, and less the present value of the
19 expected additional normal cost contributions attributable to the
20 provisions of P.L.2003, c.108 as amending section 16 of P.L.1964,
21 c.241 (C.43:16A-11.1) payable on behalf of the active members
22 employed by other employers as of the valuation period over the
23 expected working lives of the active members in accordance with
24 the tables of actuarial assumptions applicable to the valuation
25 period, if the sum is greater than zero.

26 If there are excess valuation assets allocated to the State or to the
27 other employers for the valuation period ending June 30, 1995, the
28 normal contributions payable by the State or by the other employers
29 for the valuation periods ending June 30, 1995, and June 30, 1996
30 which have not yet been paid to the retirement system shall be
31 reduced to the extent possible by the excess valuation assets
32 allocated to the State or to the other employers, respectively,
33 provided that with respect to the excess valuation assets allocated to
34 the State, the General Fund balances that would have been paid to
35 the retirement system except for this provision shall first be
36 allocated as State aid to public schools to the extent that additional
37 sums are required to comply with the May 14, 1997 decision of the
38 New Jersey Supreme Court in *Abbott v. Burke*.

39 If there are excess valuation assets allocated to the other
40 employers for the valuation period ending June 30, 1998, the
41 accrued liability contributions payable by the other employers for
42 the valuation period ending June 30, 1997 shall be reduced to the
43 extent possible by the excess valuation assets allocated to the other
44 employers.

45 If there are excess valuation assets allocated to the State or to the
46 other employers for a valuation period ending after June 30, 1998,
47 the State Treasurer may reduce the normal contribution payable by

1 the State or by other employers for the next valuation period as
2 follows:

3 (1) for valuation periods ending June 30, 1996 through June 30,
4 2000, to the extent possible by up to 100% of the excess valuation
5 assets allocated to the State or to the other employers, respectively;

6 (2) for the valuation period ending June 30, 2001, to the extent
7 possible by up to 84% of the excess valuation assets allocated to the
8 State or to the other employers, respectively;

9 (3) for the valuation period ending June 30, 2002, to the extent
10 possible by up to 68% of the excess valuation assets allocated to the
11 State or to the other employers, respectively; and

12 (4) for valuation periods ending June 30, 2003 through June 30,
13 2007, to the extent possible by up to 50% of the excess valuation
14 assets allocated to the State or to the other employers, respectively.

15 Notwithstanding the discretion provided to the State Treasurer in
16 the previous paragraph to reduce the amount of the normal
17 contribution payable by employers other than the State, the State
18 Treasurer shall reduce the amount of the normal contribution
19 payable by employers other than the State by \$150,000,000 in the
20 aggregate for the valuation period ending June 30, 1998, and then
21 the State Treasurer may reduce further pursuant to the provisions of
22 the previous paragraph the normal contribution payable by such
23 employers for that valuation period.

24 The normal and accrued liability contributions shall be certified
25 annually by the retirement system and shall be included in the
26 budget of the employer and levied and collected in the same manner
27 as any other taxes are levied and collected for the payment of the
28 salaries of members.

29 Notwithstanding the preceding sentence, the normal and accrued
30 liability contributions to be included in the budget of and paid by
31 the employer other than the State shall be as follows: for the
32 payment due in the State fiscal year ending on June 30, 2004, 20%
33 of the amount certified by the retirement system; for the payment
34 due in the State fiscal year ending on June 30, 2005, a percentage of
35 the amount certified by the retirement system as the State Treasurer
36 shall determine but not more than 40%; for the payment due in the
37 State fiscal year ending on June 30, 2006, a percentage of the
38 amount certified by the retirement system as the State Treasurer
39 shall determine but not more than 60%; and for the payment due in
40 the State fiscal year ending on June 30, 2007, a percentage of the
41 amount certified by the retirement system as the State Treasurer
42 shall determine but not more than 80%.

43 The State Treasurer shall reduce the normal and accrued liability
44 contributions payable by employers other than the State to 50
45 percent of the amount certified annually by the retirement system
46 for payments due in the State fiscal year ending June 30, 2009. An
47 employer that elects to pay the reduced normal and accrued liability
48 contribution shall adopt a resolution, separate and apart from other

1 budget resolutions, stating that the employer needs to pay the
2 reduced contribution and providing an explanation of that need
3 which shall include (1) a description of its inability to meet the levy
4 cap without jeopardizing public safety, health, and welfare or
5 without jeopardizing the fiscal stability of the employer, or (2) a
6 description of another condition that offsets the long term fiscal
7 impact of the payment of the reduced contribution. An employer
8 also shall document those actions it has taken to reduce its
9 operating costs, or provide a description of relevant anticipated
10 circumstances that could have an impact on revenues or
11 expenditures. This resolution shall be submitted to and approved by
12 the Local Finance Board after making a finding that these fiscal
13 conditions are valid and affirming the findings contained in the
14 employer resolution.

15 An employer that elects to pay 100 percent of the amount
16 certified by the retirement system for the State fiscal year ending
17 June 30, 2009 shall be credited with such payment and any such
18 amounts shall not be included in the employer's unfunded liability.

19 The actuaries for the retirement system shall determine the
20 unfunded liability of the retirement system, by employer, for the
21 reduced normal and accrued liability contributions provided under
22 P.L.2009, c.19. This unfunded liability shall be paid by the
23 employer in level annual payments over a period of 15 years
24 beginning with the payments due in the State fiscal year ending
25 June 30, 2012 and shall be adjusted by the rate of return on the
26 actuarial value of assets.

27 The retirement system shall annually certify to each employer
28 the contributions due to the contingent reserve fund for the liability
29 under P.L.2009, c.19. The contributions certified by the retirement
30 system shall be paid by the employer to the retirement system on or
31 before the date prescribed by law for payment of employer
32 contributions for basic retirement benefits. If payment of the full
33 amount of the contribution certified is not made within 30 days
34 after the last date for payment of employer contributions for basic
35 retirement benefits, interest at the rate of 10% per year shall be
36 assessed against the unpaid balance on the first day after the
37 thirtieth day.

38 (10) The treasurer or corresponding officer of the employer shall
39 pay to the **【State Treasurer】** board of trustees no later than April 1
40 of the State's fiscal year in which payment is due the amount so
41 certified as payable by the employer, and shall pay monthly to the
42 **【State Treasurer】** board of trustees the amount of the deductions
43 from the salary of the members in the employ of the employer, and
44 the **【State Treasurer】** board of trustees shall credit such amount to
45 the appropriate fund or funds, of the retirement system. On April 1
46 next following the effective date of P.L. , c. (pending before the
47 Legislature as this bill), and in each year thereafter, the contribution
48 required to be made by the employer shall be made to the board of

1 trustees on the following schedule: at least 25 percent by March 1,
2 at least 50 percent by June 1, at least 75 percent by September 1,
3 and at least 100 percent by December 1. The amount of the
4 contribution shall be net of the amount of any increase in the
5 interest on the tax and revenue anticipation notes attributable solely
6 to the need to borrow an increased amount in order to make the
7 quarterly payments.

8 If payment of the **【full】** required amount of the employer's
9 obligation is not made within 30 days of the due **【date】** dates
10 established by this act, interest at the rate of 10% per annum shall
11 commence to run against the unpaid balance thereof on the first day
12 after such 30th day. Upon certification by the board of trustees to
13 the Director of the Division of Local Government Services in the
14 Department of Community Affairs of an employer contribution
15 payment being 30 days past due, the director shall withhold any
16 State aid payments that are disbursed by the Division of Local
17 Government Services from the employer in an amount equal to the
18 amount of the employer contribution due to the board. If the
19 employer is eligible for transitional aid, the Division of Local
20 Government Services shall consult with the board to develop a
21 payment plan to ensure that the required payment and interest owed
22 is paid in a timely manner. The director shall release the State aid
23 payments held pursuant to this subsection to the employer upon
24 certification by the board of trustees of its receipt of the delinquent
25 employer contribution. Nothing in P.L. , c. (pending before the
26 Legislature as this bill) shall relieve State or local government
27 employers of any present or future obligations of their normal cost
28 or unfunded liabilities required to be paid into the retirement
29 system.

30 If payment in full, representing the monthly transmittal and
31 report of salary deductions, is not made within 15 days of the due
32 date established by the retirement system, interest at the rate of 10%
33 per annum shall commence to run against the total transmittal of
34 salary deductions for the period on the first day after such 15th day.

35 (11) The expenses of administration of the retirement system
36 shall be paid by the State of New Jersey. Each employer shall
37 reimburse the State for a proportionate share of the amount paid by
38 the State for administrative expense. This proportion shall be
39 computed as the number of members under the jurisdiction of such
40 employer bears to the total number of members in the system. The
41 pro rata share of the cost of administrative expense shall be
42 included with the certification by the retirement system of the
43 employer's contribution to the system.

44 (12) Notwithstanding anything to the contrary, the retirement
45 system shall not be liable for the payment of any pension or other
46 benefits on account of the employees or beneficiaries of any
47 employer participating in the retirement system, for which reserves

1 have not been previously created from funds, contributed by such
2 employer or its employees for such benefits.

3 (13) (Deleted by amendment, P.L.1992, c.125.)

4 (14) Commencing with valuation year 1991, with payment to be
5 made in Fiscal Year 1994, the Legislature shall annually
6 appropriate and the State Treasurer shall pay into the pension
7 accumulation fund of the retirement system an amount equal to
8 1.1% of the compensation of the members of the system for the
9 valuation year to fund the benefits provided by section 16 of
10 P.L.1964, c.241 (C.43:16A-11.1), as amended by P.L.1979, c.109.

11 (15) If the valuation assets are insufficient to fund the normal
12 and accrued liability costs attributable to the amendatory provisions
13 of P.L.1999, c.428 [(C.43:16A-15.8 et al.)] (C.43:16A-1 et al.) as
14 provided hereinabove, the normal and unfunded accrued liability
15 contributions required to fund these costs for the State and other
16 employers shall be paid by the State.

17 (16) The savings realized as a result of the amendments to this
18 section by P.L.2001, c.44 in the payment of normal contributions
19 computed by the actuary for the valuation periods ending June 30,
20 1998 for employers other than the State shall be used solely and
21 exclusively by a county or municipality for the purpose of reducing
22 the amount that is required to be raised by the local property tax
23 levy by the county for county purposes or by the municipality for
24 municipal purposes, as appropriate. The Director of the Division of
25 Local Government Services in the Department of Community
26 Affairs shall certify for each year that each county or municipality
27 has complied with the requirements set forth herein. If the director
28 finds that a county or municipality has not used the savings solely
29 and exclusively for the purpose of reducing the amount that is
30 required to be raised by the local property tax levy by the county for
31 county purposes or by the municipality for municipal purposes, as
32 appropriate, the director shall direct the county or municipal
33 governing body, as appropriate, to make corrections to its budget.

34 (cf: P.L.2017, c.98, s.27)

35

36 18. Section 18 of P.L.1964, c.241 (C.43:16A-16.1) is amended
37 to read as follows:

38 18. Any member who has at least 3 years of service to his credit
39 for which he has contributed as a member may borrow from the
40 retirement system, an amount equal to not more than 50% of the
41 amount of his aggregate contributions, but not less than \$50.00;
42 provided that the amount so borrowed, together with interest
43 thereon, can be repaid by additional deductions from salary, not in
44 excess of 25% of the member's salary, made at the time the salary is
45 paid to the member. The amount so borrowed, together with
46 interest on any unpaid balance thereof, shall be repaid to the
47 retirement system in equal installments by deductions from the
48 salary of the member at the time the salary is paid or in such lump

1 sum amount to repay the balance of the loan but such installments
2 shall be at least equal to the member's rate of contribution to the
3 retirement system and at least sufficient to repay the amount
4 borrowed with interest thereon. Not more than two loans may be
5 granted to any member in any calendar year. Notwithstanding any
6 other law affecting the salary or compensation of any person or
7 persons to whom this act applies or shall apply, the additional
8 deductions required to repay the loan shall be made.

9 The rate of interest for a loan requested by a member prior to the
10 effective date of P.L.2007, c.92 (C.43:15C-1 et al.) shall be 4% per
11 annum on any unpaid balance thereof. For a loan requested after
12 the effective date of that act, the rate of interest per annum shall be
13 a commercially reasonable rate as required by the Internal Revenue
14 Code to be determined by the State Treasurer on that effective date,
15 and by the board of trustees on January 1 of each calendar year
16 thereafter. An administrative fee in an amount set by the **State**
17 **Treasurer** board of trustees for each calendar year may be charged
18 for any loan requested after the effective date of P.L.2007, c.92
19 (C.43:15C-1 et al.).

20 Loans shall be made to a member from his aggregate
21 contributions. The interest earned on such loans shall be treated in
22 the same manner as interest earned from investments of the
23 retirement system.

24 (cf: P.L.2007, c.92, s.38)

25

26 19. Section 2 of P.L.1981, c.370 (C.43:16A-16.2) is amended to
27 read as follows:

28 2. In the case of any member who retires without repaying the
29 full amount so borrowed, the **Division of Pensions and Benefits**
30 board of trustees shall deduct from the retirement benefit payments
31 the same monthly amount which was deducted from the
32 compensation of the member immediately preceding retirement
33 until the balance of the amount borrowed together with the interest
34 is repaid. In the case of a pensioner who dies before the
35 outstanding balance of the loan and interest thereon has been
36 recovered, the remaining balance shall be repaid from the proceeds
37 of any other benefits payable on the account of the pensioner either
38 in the form of monthly payments due to his beneficiaries or in the
39 form of lump sum payments payable for pension or group life
40 insurance.

41 (cf: P.L.2007, c.92, s.39)

42

43 20. Section 3 of P.L.1992, c.78 (C.43:16A-16.10) is amended to
44 read as follows:

45 3. The **Director of the Division of Investment** board of
46 trustees shall at all times have authority to invest and reinvest the
47 monies in, and to acquire for or on behalf of, the Police and

1 Firemen's Retirement System of New Jersey mortgage loans on
2 residential property.

3 (cf: P.L.1992, c.78, s.3)

4

5 21. Section 4 of P.L.1992, c.78 (C.43:16A-16.11) is amended to
6 read as follows:

7 4. a. In addition to any loan for which he may be eligible
8 pursuant to the provisions of section 18 of P.L.1964, c.241
9 (C.43:16A-16.1) and notwithstanding the provisions of that or any
10 other law to the contrary, any member of the Police and Firemen's
11 Retirement System who, at the time of application, is employed by
12 the State or a county, municipality or other political subdivision of
13 the State and who has at least one year of creditable service is, for
14 the purpose of securing for his own occupation as his principal
15 residence a residential property located within this State, eligible to
16 receive a mortgage loan pursuant to the provisions of this act. The
17 mortgage loan shall be used only for the purpose of enabling a
18 borrower to acquire or construct a residential property or refinance
19 an existing residential property loan.

20 No member shall be eligible hereunder for more than one
21 outstanding mortgage loan at any time, and no member shall be
22 eligible to receive a second mortgage loan on a residential property
23 already mortgaged by him. Preference shall be given in making
24 loans to members who are applying to acquire or construct their
25 first principal place of residence.

26 b. Any mortgage loan made pursuant to the provisions of this
27 act, together with any interest and expenses to the retirement system
28 associated with the making of that loan, shall be repaid in equal
29 installments.

30 c. The amount of interest charged with respect to a mortgage
31 loan made pursuant to the provisions of this act shall be fixed for
32 the entire term of the loan. The New Jersey Housing and Mortgage
33 Finance Agency, established under section 4 of P.L.1983, c.530
34 (C.55:14K-4), shall initially establish the rate within 120 days of
35 the effective date of this act and semiannually reset the rate
36 thereafter. The rate shall be determined by the New Jersey Housing
37 and Mortgage Finance Agency by adding 1% to the index. For the
38 purposes of this subsection, the index shall be the weekly average
39 yield at the time the rate is reset on ten-year United States Treasury
40 securities adjusted to a constant maturity as made available by the
41 Federal Reserve Board. If the issuance of ten-year United States
42 Treasury securities is discontinued, the subsequent index shall be
43 determined by the **【State Treasurer】** board of trustees with the
44 advice of the New Jersey Housing and Mortgage Finance Agency.
45 The term of any mortgage loan so made shall not exceed 30 years.

46 d. No mortgage loan made pursuant to the provisions of this act
47 shall be sold, transferred or assigned to any person, nor shall the
48 payments with respect to any mortgage loan so made be assumed by

1 any person other than the member to whom that loan was made,
2 except that in the event of the death of a member, the mortgage may
3 be assignable to a surviving spouse if the spouse is the sole heir to
4 the property.

5 e. The instrument evidencing a mortgage loan under the
6 provisions of this act may be in such form, and may contain such
7 provisions, not inconsistent with law, as the director may choose to
8 insert for the protection of the retirement system's lien and the
9 preservation of its interest in the real property mortgaged to it.
10 (cf: P.L.2001, c.293, s.1)

11

12 22. Section 5 of P.L.1992, c.78 (C.43:16A-16.12) is amended to
13 read as follows:

14 5. The **【State Treasurer】** board of trustees shall delegate the
15 administration of this mortgage loan program to the New Jersey
16 Housing and Mortgage Finance Agency established under section 4
17 of P.L.1983, c.530 (C.55:14K-4). The agency shall: a. originate
18 loans; b. appraise the value of any real property eligible to be
19 mortgaged under this act; c. guarantee and insure title to the real
20 property; and d. perform any other service necessary to accomplish
21 the purposes of this act in a manner consistent with the protection of
22 the rights of beneficiaries of the retirement system. The cost of the
23 performance of these services in connection with the making of a
24 mortgage loan shall be charged to the borrower and included in the
25 amount of that mortgage loan.

26 (cf: P.L.1992, c.78, s.5)

27

28 23. Section 6 of P.L.1992, c.78 (C.43:16A-16.13) is amended to
29 read as follows:

30 6. The **【State Treasurer】** board of trustees, with the advice of
31 **【the State Investment Council, the Board of Trustees of the Police
32 and Firemen's Retirement System, and】** the New Jersey Housing
33 and Mortgage Finance Agency, shall set mortgage loan standards
34 and guidelines for loans made pursuant to this act, including
35 mortgage loan maturity terms, participation fees, mortgage loan
36 insurance requirements, lender compensation rates, servicing fees,
37 loan-to-value ratios, minimum and maximum mortgage loan
38 amounts and eligibility standards consistent with section 4 of this
39 act.

40 (cf: P.L.1992, c.78, s.6)

41

42 24. Section 9 of P.L.1992, c.78 (C.43:16A-16.16) is amended to
43 read as follows:

44 9. The **【State Treasurer】** board of trustees shall, with the
45 advice of **【the State Investment Council, the Director of the
46 Division of Pensions and】** the Executive Director of the New Jersey
47 Housing and Mortgage Finance Agency and in accordance with the

1 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
2 seq.), promulgate any rules and regulations necessary to accomplish
3 the purposes of this act.
4 (cf: P.L.1992, c.78, s.9)

5
6 25. Section 19 of P.L.1964, c.241 (C.43:16A-17.1) is amended
7 to read as follows:

8 19. If possible, whenever any beneficiary shall, in writing,
9 request the **【Division of Pensions】** board of trustees to make
10 deductions from his retirement allowance or pension for the purpose
11 of paying premiums for the pensioners' group health insurance plan
12 or the State Health Benefits program, the **【division】** board may
13 make such deductions and transmit the sums so deducted to the
14 companies carrying the policies. Any such written authorization
15 may be withdrawn by any beneficiary upon filing notice of such
16 withdrawal with the division.
17 (cf: P.L.1971, c.175, s.14)

18
19 26. Section 2 of P.L.1973, c.92 (C.43:16A-48.2) is amended to
20 read as follows:

21 2. a. An eligible officer who is a member of a pension fund
22 established by a county or a county park commission or of the
23 Public Employees' Retirement System shall be permitted to transfer
24 his membership in said fund to the Police and Firemen's Retirement
25 System of New Jersey by waiving all rights and benefits which
26 would otherwise be provided by the county or county park
27 commission pension fund or by the Public Employees' Retirement
28 System. Any such officer will likewise be permitted to continue his
29 membership in the county or county park commission pension fund
30 or in the Public Employees' Retirement System by waiving all
31 rights and benefits which would otherwise be provided by the
32 Police and Firemen's Retirement System. Such waivers shall be
33 accomplished by filing forms satisfactory to the **【New Jersey State**
34 **Division of Pensions】** board of trustees, which is responsible for the
35 administration of the Police and Firemen's Retirement System,
36 within 90 days of the effective date of this act. In the absence of the
37 filing of a timely waiver by any eligible officer his pension status
38 shall remain unchanged and his membership shall not be transferred
39 to the Police and Firemen's Retirement System.

40 b. Each new officer who begins employment following the
41 effective date of this act and who is otherwise eligible, shall be
42 required to enroll in the Police and Firemen's Retirement System of
43 New Jersey as a condition of employment, provided he is otherwise
44 eligible for membership by meeting the appointment, age, and
45 health prescriptions required of all members. As of the effective
46 date of this act, the eligibility of membership for such new officers
47 in the county or county park commission pension fund or in the
48 Public Employees' Retirement System shall be terminated and the

1 membership requirements of such other funds will be deemed
2 satisfied by the enrollment of such employees in the Police and
3 Firemen's Retirement System.

4 c. All officers who, prior to the effective date of this act, were
5 not required to become and who are not members of county or
6 county park commission pension funds or the Public Employees'
7 Retirement System, and who anticipate the receipt of a pension
8 from the county under the provisions of chapter 4 of Title 43 of the
9 Revised Statutes or the "General Noncontributory Pension Act"
10 P.L.1955, c. 263 (C. 43:8B-1 et seq.), shall continue their eligibility
11 for such pension to be paid by the county and shall not be permitted
12 to enroll in the Police and Firemen's Retirement System of New
13 Jersey.

14 (cf: P.L.1973, c.92, s.2)

15

16 27. Section 7 of P.L.1973, c.92 (C.43:16A-48.7) is amended to
17 read as follows:

18 7. The chief fiscal officer of each employer shall transmit to
19 the retirement system such information as the system shall require
20 in order for the **【New Jersey State Division of Pensions】** board of
21 trustees to comply with the provisions of this act.

22 (cf: P.L.1973, c.92, s.7)

23

24 28. Section 20 of P.L.1964, c.241 (C.43:16A-53) is amended to
25 read as follows:

26 20. The **【State Treasurer】** board of trustees is hereby authorized
27 and permitted to purchase from one or more life insurance
28 companies, as determined by him, a group life insurance coverage
29 to provide for the death benefits specified in sections 5 **【,】** and 6,
30 **【7(3)】** subsection (3) of section 7, section 9, and 【10(5) of chapter
31 255 of the laws of 1944】 subsection (5) of section 10 of P.L.1944,
32 c.255 (C.43:16A-5 through C.43:16A-7, C.43:16A-9, and
33 C.43:16A-10) and sections 16 and 17 of 【chapter 241 of the laws of
34 1964】 P.L.1964, c.241 (C.43:16A-11.1 and C.43:16A-11.2). Such
35 group life insurance coverage may be provided under one or more
36 policies issued to the **【State Treasurer】** board of trustees
37 specifically for this purpose or, in the discretion of the **【State**
38 **Treasurer】** board of trustees, under one or more policies issued to
39 the **【State Treasurer】** board of trustees which provide group life
40 insurance coverage for members of one or more other retirement
41 systems of the State of New Jersey. Whenever such policy or
42 policies of group insurance shall be in effect, the benefits payable
43 thereunder shall be in lieu of the above mentioned death benefits
44 provided by said sections. Any dividend or retrospective rate credit
45 allowed by an insurance company shall be credited in an equitable

1 manner to the special insurance funds from which premiums are
2 paid.

3 (cf: P.L.1967, c.250, s.18)

4

5 29. Section 22 of P.L.1964, c.241 (C.43:16A-55) is amended to
6 read as follows:

7 22. The **【State Treasurer】** board of trustees may, in **【his】** its
8 discretion, determine to purchase group insurance coverage for the
9 death benefit provisions as provided in sections 5 **【,】** and 6, 【7(3)】
10 subsection (3) of section 7, section 9, and **【10(5) of chapter 255 of**
11 **the laws of 1944】** subsection (5) of section 10 of P.L.1944, c.255
12 (C.43:16A-5 through C.43:16A-7, C.43:16A-9, and C.43:16A-10)
13 and sections 16 and 17 of **【chapter 241 of the laws of 1964】**
14 P.L.1964, c.241 (C.43:16A-11.1 and C.43:16A-11.2), or may
15 determine not to purchase any group insurance coverage for the
16 death benefit provisions heretofore mentioned.

17 (cf: P.L.1967, c.250, s.19)

18

19 30. Section 23 of P.L.1964, c.241 (C.43:16A-56) is amended to
20 read as follows:

21 23. In the event the **【State Treasurer】** board of trustees shall
22 determine to purchase group insurance coverage for the death
23 benefits, premiums for the same shall be paid from a special fund,
24 hereby created, called the "Group Insurance Premium Fund." The
25 **【State Treasurer】** board of trustees shall estimate annually the
26 amount which will be required for premiums for such benefits for
27 the ensuing fiscal year and shall certify such amounts to the
28 participating employers as due and owing from them. The
29 participating employers shall pay over to the **【State Treasurer】**
30 board of trustees the amount for premiums so certified and the
31 **【State Treasurer】** board of trustees shall deposit these amounts in
32 the Group Insurance Premium Fund. During the period such group
33 insurance policy or policies are in effect with respect to members of
34 the Police and Firemen's Retirement System of New Jersey the
35 **【State Treasurer】** board of trustees shall in no way commingle
36 moneys in this fund with any pension fund established by **【chapter**
37 **255 of the laws of 1944】** P.L.1944, c.255 (C.43:16A-1 et seq.).

38 (cf: P.L.1967, c.250, s.20)

39

40 31. Section 24 of P.L.1964, c.241 (C.43:16A-57) is amended to
41 read as follows:

42 24. All reserves and moneys held by the insurance carrier under
43 group life insurance contracts providing for employee contributions
44 pursuant to the provisions of **【chapter 241 of the laws of 1964】**
45 P.L.1964, c.241 (C.43:16A-11.1 et al.), and any amendments and
46 supplements thereto, shall be transferred and merged with those

1 purchased by the **【State Treasurer】** board of trustees.
2 (cf: P.L.1967, c.250, s.21)

3
4 32. Section 2 of P.L.1985, c.221 (C.43:16A-62.3) is amended to
5 read as follows:

6 2. a. Either the transfer to or the initial enrollment in the
7 Police and Firemen's Retirement System of chief investigators,
8 assistant chief investigators, senior investigators and investigators
9 in a county welfare agency is contingent upon the approval of the
10 county. A county may make such a transfer or allow such an
11 enrollment upon the adoption of an ordinance or resolution, as
12 appropriate.

13 b. If an ordinance or resolution is adopted pursuant to
14 subsection a. of this section, an eligible officer who is a member of
15 the Public Employees' Retirement System (P.L.1954, c.84,
16 C.43:15A-1 et seq.) or of a county pension fund created under
17 P.L.1943, c.160 (C.43:10-18.1 et seq.), or P.L.1948, c.310
18 (C.43:10-18.50), or article 1 of chapter 10 of Title 43 of the Revised
19 Statutes (R.S.43:10-1 et seq.), hereinafter referred to as "county
20 pension fund," shall be permitted to transfer his membership in the
21 retirement system or county pension fund to the Police and
22 Firemen's Retirement System of New Jersey by: (1) waiving all
23 rights and benefits which would otherwise be provided by the
24 Public Employees' Retirement System or county pension fund; and
25 (2) making a lump sum payment into the Police and Firemen's
26 Retirement System annuity savings fund of the amount of the
27 difference between the contribution which was paid as a member of
28 the Public Employees' Retirement System or a county pension fund
29 and the contribution that would have been required if he had been a
30 member of the Police and Firemen's Retirement System since the
31 date of last enrolling in the Public Employees' Retirement System
32 or a county pension fund. In addition, the employee shall be liable
33 for the amount of the difference between (1) the total contribution
34 paid by the employer of the employee to the Public Employees'
35 Retirement System of New Jersey or county pension fund with
36 respect to any service credit transferred therefrom to the Police and
37 Firemen's Retirement System under this subsection, and (2) the
38 contribution which the employer would have been required to pay
39 to the Police and Firemen's Retirement System with respect to that
40 service credit if the employee had been enrolled in the Police and
41 Firemen's Retirement System during the entire period with respect
42 to which he accumulated that credit; this payment may be made in
43 regular monthly installments, or in a lump sum, as the employee
44 may elect, and pursuant to rules and regulations as may be
45 promulgated by the **【Division of Pensions】** board of trustees. Any
46 such officer will likewise be permitted to continue his membership
47 in the Public Employees' Retirement System or county pension fund
48 by waiving all rights and benefits which would otherwise be

1 provided by the Police and Firemen's Retirement System. Such
2 waivers shall be accomplished by filing forms satisfactory to the
3 **【New Jersey Division of Pensions】** board of trustees, which is
4 responsible for the administration of the Police and Firemen's
5 Retirement System, within 90 days following the effective date of
6 an ordinance or resolution adopted by a county under subsection a.
7 of this section. In the absence of a filing of a timely waiver by any
8 eligible officer, his pension status shall remain unchanged and his
9 membership shall not be transferred to the Police and Firemen's
10 Retirement System.

11 c. The transfer of membership from the Public Employees'
12 Retirement System or county pension fund to the Police and
13 Firemen's Retirement System shall be done in accordance with the
14 provisions of P.L.1973, c.156 (C.43:16A-62 et seq.). Whenever in
15 P.L.1973, c. 156 a period of time is set which is to be calculated
16 from the effective date of that act, such time shall be calculated
17 from the effective date of an ordinance or resolution adopted by a
18 county under subsection a. of this section for the purposes hereof.

19 d. If an ordinance or resolution is adopted pursuant to
20 subsection a. of this section, each new officer who begins
21 employment following the effective date of the ordinance or
22 resolution shall be required to enroll in the Police and Firemen's
23 Retirement System as a condition of employment, provided he is
24 otherwise eligible for membership by meeting appointment, age,
25 and health requirements prescribed for all members. As of the
26 effective date of the ordinance or resolution, eligibility for
27 membership of new officers in the Public Employees' Retirement
28 System shall be deemed terminated and the membership
29 requirements of such other retirement system shall be deemed
30 satisfied by the enrollment of such officers in the Police and
31 Firemen's Retirement System.

32 (cf: P.L.1985, c.221, s.2)

33

34 33. Section 4 of P.L.1973, c.156 (C.43:16A-63) is amended to
35 read as follows:

36 4. a. An eligible officer who is a member of the Public
37 Employees' Retirement System or of a county pension fund created
38 under P.L.1943, c.160 (C.43:10-18.1 et seq.), or P.L.1948, c.310
39 (C.43:10-18.50 et seq.) or article 2 of chapter 10 of Title 43 of the
40 Revised Statutes (R.S.43:10-19 et seq.), hereinafter referred to as a
41 "county pension fund" shall be permitted to transfer his
42 membership in said fund to the Police and Firemen's Retirement
43 System of New Jersey by waiving all rights and benefits which
44 would otherwise be provided by the Public Employees' Retirement
45 System or a county pension fund. Any such officer will likewise
46 be permitted to continue his membership in the Public Employees'
47 Retirement System or a county pension fund by waiving all rights
48 and benefits which would otherwise be provided by the Police and

1 Firemen's Retirement System. Such waivers shall be accomplished
2 by filing forms satisfactory to the **【New Jersey Division of**
3 **Pensions】** board of trustees, which is responsible for the
4 administration of the Police and Firemen's Retirement System,
5 within 90 days of the effective date of this 1975 amendatory and
6 supplementary act. In the absence of the filing of a timely waiver
7 by any eligible officer his pension status shall remain unchanged
8 and his membership shall not be transferred to the Police and
9 Firemen's Retirement System.

10 b. Each new officer who begins employment following the
11 effective date of this 1975 amendatory and supplementary act, shall
12 be required to enroll in the Police and Firemen's Retirement System
13 of New Jersey as a condition of employment, provided he is
14 otherwise eligible for membership by meeting the appointment, age,
15 and health prescriptions required of all members. As of the
16 effective date of this 1975 amendatory and supplementary act, the
17 eligibility of membership for such new officers in the Public
18 Employees' Retirement System or a county pension fund named in
19 paragraph a. above shall be terminated and the membership
20 requirements of such other fund will be deemed satisfied by the
21 enrollment of such employees in the Police and Firemen's
22 Retirement System.

23 (cf: P.L.1975, c.303, s.1)

24

25 34. Section 9 of P.L.1973, c.156 (C.43:16A-68) is amended to
26 read as follows:

27 9. The chief fiscal officer of the employer shall transmit to the
28 retirement system such information as the system shall require in
29 order for the **【New Jersey Division of Pensions】** board of trustees
30 to comply with the provisions of this act.

31 (cf: P.L.1973, c.156, s.9)

32

33 35. Section 7 of P.L.1950, c.270 (C.52:18A-85) is amended to
34 read as follows:

35 7. The functions, powers and duties vested by law in the
36 following enumerated agencies:

37 The Board of Trustees of the Public Employees' Retirement
38 System; the Board of Trustees of the State Police Retirement
39 System; the Prison Officers' Pension Commission; the Board of
40 Trustees of the Teachers' Pension and Annuity Fund; **【the Board of**
41 **Trustees of the Police and Firemen's Retirement System of New**
42 **Jersey;】** and the Consolidated Police and Firemen's Pension Fund
43 Commission; of, or relating to, investment or reinvestment of
44 moneys of, and purchase, sale or exchange of any investments or
45 securities of or for any funds or accounts under the control and
46 management of such agencies, are hereby transferred to and shall

1 be exercised and performed for such agencies by the Director of
2 the Division of Investment established hereunder.

3 (cf: P.L.1970, c.57, s.17)

4

5 36. Section 1 of P.L.1959, c.17 (C.52:18A-88.1) is amended to
6 read as follows:

7 1. The Director of the Division of Investment, in addition to
8 other investments, presently or from time to time hereafter
9 authorized by law, shall have authority to invest and reinvest the
10 moneys in, and to acquire for or on behalf of the funds of the
11 following enumerated agencies:

12 The Consolidated Police and Firemen's Pension Fund;

13 **【The Police and Firemen's Retirement System of New Jersey;】**

14 The Prison Officers' Pension Fund;

15 The Public Employees' Retirement System of New Jersey;

16 The State Police Retirement System;

17 The Teachers' Pension and Annuity Fund;

18 The Judicial Retirement System of New Jersey;

19 The Trustees for the Support of Public Schools;

20 and all other funds in the custody of the State Treasurer, unless
21 otherwise provided by law;

22 such investments which shall be authorized or approved for
23 investment by regulation of the State Investment Council.

24 (cf: P.L.2013, c.253, s.39)

25

26 37. Section 11 of P.L.1950, c.270 (C.52:18A-89) is amended to
27 read as follows:

28 11. a. Limitations, conditions and restrictions contained in any
29 law concerning the kind or nature of investment of any of the
30 moneys of any of the funds or accounts referred to herein shall
31 continue in full force and effect; provided, however, that subject to
32 any acceptance required, or limitation or restriction contained
33 herein: the Director of the Division of Investment shall at all times
34 have authority to invest and reinvest any such moneys in
35 investments as defined in subsection c. of this section and, for or on
36 behalf of any such fund or account, to sell or exchange any such
37 investments; provided, however, that the Board of Trustees of the
38 Police and Firemen's Retirement System of New Jersey shall have
39 sole authority to invest and reinvest moneys for or on behalf of the
40 Police and Firemen's Retirement System of New Jersey.

41 b. In investing and reinvesting any and all money and property
42 committed to the director's investment discretion from any source
43 whatsoever, and in acquiring, retaining, selling, exchanging and
44 managing investments, the Director of the Division of Investment,
45 and in the case of the Police and Firemen's Retirement System of
46 New Jersey, the Board of Trustees of the Police and Firemen's
47 Retirement System of New Jersey, shall exercise the care, skill,
48 prudence and diligence under the circumstances then prevailing that

1 a prudent person acting in a like capacity and familiar with such
2 matters would use in the conduct of an enterprise of a like character
3 and with like aims. In making each investment, the director may,
4 depending on the nature and objectives of the portfolio, consider the
5 whole portfolio, provided that, in making each investment, the
6 director shall act with the reasonable expectation that the return on
7 each investment shall be commensurate with the risk associated
8 with each investment. The director or board of trustees shall be
9 under a duty to manage and invest the portfolio solely in the
10 interests of the beneficiaries of the portfolio and for the exclusive
11 purpose of providing financial benefits to the beneficiaries of the
12 portfolio.

13 c. For the purposes of this section, "investments" means and
14 includes property of every nature, real, personal and mixed, tangible
15 and intangible, and specifically includes, solely by way of
16 description and not by way of limitation, bonds, debentures and
17 other corporate obligations, direct and indirect investments in
18 equity real estate , mortgages and other direct or indirect interests
19 in real estate or investments secured by real estate, capital stocks,
20 common stocks, preferred stocks, diversified pools of venture
21 capital which otherwise could be made consistent with the standard
22 of care required by subsection b. of this section, common trust
23 funds as defined in and regulated by sections 36 through 46 of
24 P.L.1948, c.67 (C.17:9A-36 through 17:9A-46), repurchase
25 agreements, securities loan transactions secured by cash, securities
26 issued by the United States government or its agencies, or
27 irrevocable bank letters of credit, whether directly or through a
28 bank or similar financial institution acting as agent or trustee,
29 mutual funds, and any other security issued by an investment
30 company or investment trust, whether managed or not by third
31 parties, registered under the "Investment Company Act of 1940,"
32 (15 U.S.C. s.80a-1 et seq.) No investment that is otherwise
33 permissible under this subsection shall be considered to be unlawful
34 solely because the investment is made indirectly or through a
35 partnership, trust, or other legal entity.

36 (cf: P.L.1997, c.26, s.26)

37

38 38. All of the present functions, powers, duties, equipment, and
39 records relating to the Police and Firemen's Retirement System of
40 New Jersey in the Division of Pensions and Benefits in the
41 Department of the Treasury and the Division of Investment are
42 hereby transferred to the Board of Trustees of the Police and
43 Firemen's Retirement System of New Jersey.

44

45 39. The terms of service of those appointed and elected
46 members serving on the Board of Trustees of the Police and
47 Firemen's Retirement System on the date of enactment of P.L. ,
48 c. (pending before the Legislature as this bill), shall be terminated

1 as of the first day of the seventh month next following that date of
2 enactment, so that the composition of the board as provided for in
3 this act shall be attained. A trustee whose service on the board has
4 been terminated pursuant to this section may be appointed or
5 elected to serve as a trustee after that effective date if qualified.

6
7 40. Section 1 of P.L.1947, c.217 (C.43:16A-13.1) is repealed.

8 41. This act shall take effect on the 366th day next following
9 enactment, except the provisions concerning the election,
10 appointment, and composition of the new Board of Trustees of the
11 Police and Firemen's Retirement System, set forth in section 15 of
12 this act, shall take effect as specified in that section and the new
13 Board of Trustees of the Police and Firemen's Retirement System
14 shall take office on the first business day of the seventh month next
15 following the date of enactment of this act. The Board of Trustees
16 of the Police and Firemen's Retirement System, the Division of
17 Pensions and Benefits, and the Division of Investment may take
18 such anticipatory administrative action in advance as shall be
19 necessary for the implementation of the act.

20
21
22 STATEMENT

23
24 This bill transfers management of the Police and Firemen's
25 Retirement System (PFRS) from the Division of Pensions and
26 Benefits in the Department of the Treasury to the Board of Trustees
27 of the PFRS.

28 The bill changes the membership of the Board of Trustees of the
29 PFRS from 11 to 12 members. Seven trustees must be present at any
30 meeting of the board for the transaction of its business. A member
31 of the Board of Trustees of the PFRS may be removed if the
32 member has more than three unexcused absences from the board's
33 meetings in any calendar year. A member may also participate in
34 meetings of the board by teleconference. Under the bill, the board
35 will consist of three active policemen and three active firemen. The
36 active members of the system will elect one active policeman and
37 one active fireman. The remaining active policemen and firemen
38 will be appointed by the heads of four unions representing
39 policemen and firemen in the State. In addition, the board will
40 contain one retiree elected by retirees in the PFRS.

41 To represent the interests of local government employers, the
42 Governor will appoint four trustees, who either hold or have held an
43 elective local public office or are employed, or have been
44 employed, by a local government as an administrator, manager, or
45 chief financial officer. The Governor will also appoint one trustee,
46 who holds, or has held, a position in the Executive Branch of State
47 government at the level of division director or above, to represent
48 the interests of State government.

1 The bill vests with the board of trustees all the functions, powers,
2 and duties relating to the investment and reinvestment of money in
3 any fund or account under the control of the board. The Division of
4 Investment in the Department of the Treasury currently performs
5 these functions. Under the bill, the board of trustees may make and
6 execute agreements with public and private enterprises for the
7 management of the investments of the retirement system. The bill
8 requires the board to hire an executive director, actuary, chief
9 investment officer, and ombudsman.

10 This bill requires the executive director and chief investment
11 officer employed by the board to have, at minimum, a bachelor's
12 degree from an accredited institution of higher education, and at
13 least five years management experience in accounting, finance,
14 public administration, government pension and retirement planning,
15 investment banking, financial consulting, money management, or a
16 similar field, and to meet all other requirements for employment set
17 forth in a standard adopted by the board. A member, retiree, or
18 other beneficiary of the retirement system may not hold the position
19 of executive director or chief investment officer.

20 Under the bill, the board of trustees has the authority to establish
21 a process for the review, approval, and appeal of applications for
22 retirement. The bill provides the board of trustees with authority to
23 modify the system's member contribution rate; cap on creditable
24 compensation; formula for calculation of final compensation; and
25 standards for special retirement and disability retirement. The bill
26 allows the board to reinstate cost of living adjustments for retirees.
27 Under the bill, the board may alter any benefit set forth in statute
28 for the PFRS. There are to be at least eight votes of the authorized
29 membership of the board to approve any enhancement or reduction
30 of a member benefit, including the activation of the now-suspended
31 cost of living adjustment for retirees, or to approve any increase or
32 decrease in the employer contribution that is more than what is
33 recommended by the actuary for the system for the purpose of the
34 annual funding requirements of the system. With regard to
35 changing the employee contribution rate, the bill requires an
36 actuarial certification that such change will not result in increased
37 employer contributions

38 The bill requires the board to complete at least 16 hours of
39 continuing education annually, in addition to any other training
40 required by the bill; and requires the board to adopt an ethics policy
41 that is comparable to the "New Jersey Conflicts of Interest Law."

42 The bill provides that the board may retain experienced legal
43 counsel with demonstrated expertise in the law governing
44 retirement systems for public or private sector employees.
45 Additionally, under the bill, the board may retain an actuary that
46 must have demonstrated experience in providing actuarial services
47 to retirement systems for public or private sector employees. The
48 actuary may be an employee of the board or an independent

1 contractor retained by the board. The bill also requires the board of
2 trustees to retain an independent actuary, as selected by the State
3 Treasurer, with demonstrated experience in providing actuarial
4 services to retirement systems for public or private sector
5 employees to review prior investigations into the mortality, service,
6 and compensation experience of the members and beneficiaries of
7 the retirement system and to review the three prior actuarial
8 valuations to certify that the actuary of the retirement system
9 conducted the investigations and valuations in accordance with
10 generally accepted actuarial standards.

11 A permanent position of internal auditor would be established
12 under the bill, and the internal auditor would be supervised by the
13 executive director.

14 The bill prohibits the chair and vice-chair from disciplining or
15 discharging an employee of the board unless authorized by a
16 majority of trustees. Moreover, the bill prohibits the board from
17 employing a trustee, and may employ a former trustee only if the
18 former trustee has not held the position of trustee for more than two
19 years.

20 Moreover, the bill requires local employers to pay their required
21 contributions to the PFRS on a quarterly basis. If a local employer
22 does not make a required contribution within 30 days of the due
23 date, the Division of Local Government Services will withhold any
24 State aid payment due to that employer in an amount equal to the
25 amount of the delinquent contribution. If the employer is eligible
26 for transitional aid, the Division of Local Government Services is to
27 consult with the board to develop a payment plan to ensure that the
28 required payment and interest owed is paid in a timely manner. The
29 director will release the withheld State aid payment to the employer
30 upon certification by the board of the receipt of the delinquent
31 contribution.

32 This bill requires the board of trustees, at the end of six years
33 following the enactment date of this bill, to conduct a review of the
34 performance and funding levels of the retirement system, as
35 compared to available market data, including, but not limited to, the
36 performance of the State Investment Council and Division of
37 Investment with regard to the investment of other State-
38 administered retirement systems or funds and the Bloomberg
39 Barclays Indices, and may, based on a majority vote of the
40 authorized membership of the board, petition the Legislature to
41 consider legislation that reverts control of the system to the
42 Department of the Treasury, or other agency as the State deems
43 appropriate.

44 The bill does not diminish the non-forfeitable right PFRS
45 members have to receive the benefits provided under State law or
46 affirmed by the State's courts. Nothing in the bill relieves the State
47 or local government employers of any past, present, or future
48 obligations to the PFRS or its members.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 3671

STATE OF NEW JERSEY

DATED: MARCH 22, 2018

The Assembly Appropriations Committee reports favorably Assembly Bill No. 3671.

This bill transfers management of the Police and Firemen's Retirement System (PFRS) from the Division of Pensions and Benefits in the Department of the Treasury to the Board of Trustees of the PFRS.

The bill changes the membership of the Board of Trustees of the PFRS from 11 to 12 members. Seven trustees must be present at any meeting of the board for the transaction of its business. A member of the Board of Trustees of the PFRS may be removed if the member has more than three unexcused absences from the board's meetings in any calendar year. A member may also participate in meetings of the board by teleconference.

Under the bill, the board will consist of three active policemen and three active firemen. The active members of the system will elect one active policeman and one active fireman. The remaining active policemen and firemen will be appointed by the heads of four unions representing policemen and firemen in the State. In addition, the board will contain one retiree elected by retirees in the PFRS.

To represent the interests of local government employers, the Governor will appoint four trustees, who either hold or have held an elective local public office or are employed, or have been employed, by a local government as an administrator, manager, or chief financial officer. The Governor will also appoint one trustee, who holds, or has held, a position in the Executive Branch at the level of division director or above, to represent the interests of State government.

The bill vests with the board of trustees all the functions, powers, and duties relating to the investment and reinvestment of money in any fund or account under the control of the board. Under the bill, the board of trustees may make and execute agreements with public and private enterprises for the management of the investments of the retirement system. The bill requires the board to hire an executive director, actuary, chief investment officer, ombudsman, and internal auditor, as well as retain experienced legal counsel.

This bill requires the executive director and chief investment officer employed by the board to have, at minimum, a bachelor's degree from an accredited institution of higher education, and at least five years management experience in accounting, finance, public

administration, government pension and retirement planning, investment banking, financial consulting, money management, or a similar field, and to meet all other requirements for employment set forth in a standard adopted by the board. A member, retiree, or other beneficiary of the retirement system may not hold the position of executive director or chief investment officer.

Under the bill, the board of trustees has the authority to establish a process for the review, approval, and appeal of applications for retirement. The bill provides the board of trustees with authority to modify the system's member contribution rate; cap on creditable compensation; formula for calculation of final compensation; and standards for special retirement and disability retirement. The bill requires at least eight votes of the authorized membership of the board to approve any enhancement or reduction of a member benefit, including the activation of the now-suspended cost of living adjustment for retirees. Additionally, eight votes are required to approve any increase or decrease in the employer contribution that is greater than what the actuary recommends for the system.

Moreover, the bill requires local employers to pay their required contributions to the PFRS on a quarterly basis. If a local employer does not make a required contribution within 30 days of the due date, the Division of Local Government Services will withhold any State aid payment due to that employer in an amount equal to the amount of the delinquent contribution. If the employer is eligible for Transitional Aid to Localities, the Division of Local Government Services is to consult with the board to develop a payment plan to ensure that the required payment and interest owed is paid in a timely manner. The Director of the Division of Local Government Services will release the withheld State aid payment to the employer upon certification by the board of the receipt of the delinquent contribution.

This bill requires the board of trustees, at the end of six years following the enactment date of this bill, to conduct a review of the performance and funding levels of the retirement system, as compared to available market data, including, but not limited to, the performance of the State Investment Council and Division of Investment with regard to the investment of other State-administered retirement systems or funds and the Bloomberg Barclays Indices, and may, based on a majority vote of the authorized membership of the board, petition the Legislature to consider legislation that reverts control of the system to the Department of the Treasury, or other agency as the State deems appropriate.

The bill does not diminish the non-forfeitable right PFRS members have to receive the benefits provided under State law or affirmed by the State's courts. Nothing in the bill relieves the State or local government employers of any past, present, or future obligations to the PFRS or its members.

FISCAL IMPACT:

The OLS notes that the authority provided to the Board of Trustees of the PFRS under the bill may have a fiscal impact on the administrative costs of operating the PFRS. For instance, the bill requires the board to hire an executive director, actuary, chief investment officer, and ombudsman and retain experienced legal counsel. Administrative costs will depend on the board's future decisions, such as a decision of the board to employ additional staff instead of continuing to use the services of the Division of Pensions and Benefits in the Department of the Treasury.

Additionally, as the PFRS board chooses to make and execute agreements with public and private companies for the management of the investment of the PFRS, the administrative costs and investment expenses of the PFRS will be impacted.

The OLS notes that the bill may increase employer pension costs because the bill allows the board to reinstate cost of living adjustments for retirees and to alter any benefit set forth in statute for the PFRS. Since the bill requires the board of trustees to conduct a review of the performance and funding levels of the retirement system and allows the board to petition the Legislature to consider legislation that reverts control of the system to the Department of Treasury or another agency, if the PFRS underperforms over the six-year period, the State and local government employers may incur higher employer costs to fund the PFRS pension fund. The converse is also true, if the PFRS outperforms over the six-year period, the State and local government employers benefit from higher returns and may experience lower costs to fund the PFRS pension fund.

As of June 30, 2016 (most recent), total administrative expenses allocated to the PFRS were \$4,779,598, and investment management expenses and fees allocated to the PFRS were \$1,837,898. Related consultant costs for an actuary, actuarial services, and other consulting costs for the PFRS were \$1,188,034 in FY 2016. In FY 2016, the PFRS accounted for approximately 11 percent of total pension fund administrative expenses. Administrative costs for actuarial services (40 percent), medical reviews and exams (25 percent), elections (55 percent), and travel (27 percent) were higher, as a percentage of total PFRS administrative costs, than other PFRS administrative costs.

In addition, the bill requires local governments to make their annual payment to the PFRS on a quarterly basis, which may require additional short term borrowing by these governments. The bill permits a local government to reduce the pension payment by the additional borrowing cost.

LEGISLATIVE FISCAL ESTIMATE
ASSEMBLY, No. 3671
STATE OF NEW JERSEY
218th LEGISLATURE

DATED: MARCH 28, 2018

SUMMARY

Synopsis: Transfers management of PFRS to Board of Trustees of PFRS.

Type of Impact: Indeterminate Fiscal Impact to Administrative Costs Paid by Police and Firemen’s Retirement System.

Agencies Affected: Police and Firemen’s Retirement System; Division of Pensions and Benefits and Division of Investment, Department of the Treasury; Department of Community Affairs.

Office of Legislative Services Estimate

Fiscal Impact	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Administrative Costs - Police and Firemen’s Retirement System		Indeterminate	

- The Office of Legislative Services (OLS) notes that the authority provided to the Board of Trustees may have a fiscal impact on the administrative costs of operating the system. Any increase or decrease in the administrative costs will depend on the board’s decisions to establish its own staff and vendors, instead of continuing to use the services of the Division of Pensions and Benefits and Division of Investment.
- After six years, the bill requires the board of trustees to conduct a review of the performance and funding levels of the retirement system and, based on a majority vote of the board, allows the board to petition the Legislature to consider legislation that reverts control of the system to the Department of the Treasury, or other agency as the State deems appropriate, and emphasizes that nothing in the bill relieves the State or local government employers of obligations to the PFRS or its members.

BILL DESCRIPTION

This bill transfers management of the Police and Firemen's Retirement System (PFRS) from the Division of Pensions and Benefits in the Department of the Treasury to the Board of Trustees of the PFRS.

The bill vests with the board of trustees all the functions, powers, and duties relating to the investment and reinvestment of money in any fund or account under the control of the board. The Division of Investment in the Department of the Treasury currently performs these functions. Under the bill, the board of trustees may make and execute agreements with public and private enterprises for the management of the investments of the retirement system. The bill requires the board to hire an executive director, actuary, chief investment officer, and ombudsman.

This bill requires the executive director and chief investment officer employed by the board to have, at minimum, a bachelor's degree from an accredited institution of higher education, and at least five years management experience in accounting, finance, public administration, government pension and retirement planning, investment banking, financial consulting, money management, or a similar field, and to meet all other requirements for employment set forth in a standard adopted by the board. A member, retiree, or other beneficiary of the retirement system may not hold the position of executive director or chief investment officer.

Under the bill, the board of trustees has the authority to establish a process for the review, approval, and appeal of applications for retirement. The bill provides the board of trustees with authority to modify the system's member contribution rate; cap on creditable compensation; formula for calculation of final compensation; and standards for special retirement and disability retirement. The bill allows the board to reinstate cost of living adjustments for retirees. Under the bill, the board may alter any benefit set forth in statute for the PFRS. There are to be at least eight votes of the authorized membership of the board to approve any enhancement or reduction of a member benefit, including the activation of the now-suspended cost of living adjustment for retirees, or to approve any increase or decrease in the employer contribution that is more than what is recommended by the actuary for the system for the purpose of the annual funding requirements of the system. With regard to changing the employee contribution rate, the bill requires an actuarial certification that such change will not result in increased employer contributions

Moreover, the bill requires local employers to pay their required contributions to the PFRS on a quarterly basis. If a local employer does not make a required contribution within 30 days of the due date, the Division of Local Government Services will withhold any State aid payment due to that employer in an amount equal to the amount of the delinquent contribution. If the employer is eligible for transitional aid, the Division of Local Government Services is to consult with the board to develop a payment plan to ensure that the required payment and interest owed is paid in a timely manner. The director will release the withheld State aid payment to the employer upon certification by the board of the receipt of the delinquent contribution.

This bill requires the board of trustees, at the end of six years following the enactment date of this bill, to conduct a review of the performance and funding levels of the retirement system, as compared to available market data, including, but not limited to, the performance of the State Investment Council and Division of Investment with regard to the investment of other State-administered retirement systems or funds and the Bloomberg Barclays Indices, and may, based on a majority vote of the authorized membership of the board, petition the Legislature to consider legislation that reverts control of the system to the Department of the Treasury, or other agency as the State deems appropriate.

The bill does not diminish the non-forfeitable right PFRS members have to receive the benefits provided under State law or affirmed by the State's courts. Nothing in the bill relieves the State or local government employers of any past, present, or future obligations to the PFRS or its members.

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS notes that the authority provided to the Board of Trustees under the bill may have a fiscal impact on the administrative costs of operating the PFRS. Administrative costs will depend on the board's future decisions. Currently, the Division of Pensions and Benefits in the Department of the Treasury provides the administrative services for State-administered retirement systems, including PFRS. The bill requires the board to hire an executive director, actuary, independent actuary, chief investment officer, and ombudsman. Any increase or decrease in administrative costs will depend on the board's decisions to employ additional staff instead of continuing to use the services of the Division of Pensions and Benefits in the Department of the Treasury.

Additionally, after six years, the bill requires the board of trustees to conduct a review of the performance and funding levels of the retirement system, and based on a majority vote of the board, allows the board to petition the Legislature to consider legislation that reverts control of the system to the Department of the Treasury, or other agency as the State deems appropriate.

The bill vests with the board of trustees all the functions, powers, and duties relating to the investment and reinvestment of money in any fund or account under the control of the board. Currently, the Division of Investment in the Department of the Treasury performs these duties. As the PFRS board chooses to make and execute agreements with public and private companies for the management of the investment of the PFRS, the administrative costs and investment expenses of the PFRS will be impacted. Whether this impact will result in increased or decreased investment management costs depends on future decisions that cannot be foreseen by the OLS.

As of June 30, 2016 (most recent information available), total administrative expenses allocated to the PFRS were \$4,779,598, and investment management expenses and fees allocated to the PFRS were \$1,837,898. Related consultant costs for an actuary, actuarial services, and other consulting costs for the PFRS were \$1,188,034 in FY 2016.

The charts below show the allocation of expenditures among the State-administered retirement systems as of June 30, 2016. In FY 2016, the PFRS accounted for approximately 11 percent of total pension fund administrative expenses. Administrative costs for actuarial services (40 percent), medical reviews and exams (25 percent), elections (55 percent), and travel (27 percent) were higher, as a percentage of total PFRS administrative costs, than other PFRS administrative costs.

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STATE OF NEW JERSEY										
DIVISION OF PENSIONS AND BENEFITS										
Schedule of Administrative Expenses										
Year Ended June 30, 2016										
\$										
	JRS	POPF	SPRS	CPFPF	TPAF	PFRS	PERS	NJSEDCP	Total	PFRS as a % of Total
Personal Services:										
Salaries and wages	\$ 86,267	\$ 1,719	\$ 123,043	\$ 1,738	\$ 5,020,548	\$ 1,363,553	\$ 8,398,909	\$ 100,389	\$ 15,096,166	9%
Employee Benefits	\$ 39,352	\$ 805	\$ 57,581	\$ 814	\$ 2,349,494	\$ 698,583	\$ 3,930,485	\$ 61,394	\$ 7,138,508	10%
Total personal services	\$ 125,619	\$ 2,524	\$ 180,624	\$ 2,552	\$ 7,370,042	\$ 2,062,136	\$ 12,329,394	\$ 161,783	\$ 22,234,674	9%
Professional Services:										
Actuarial services	\$ 8,268	\$ 695	\$ 49,734	\$ 703	\$ 207,299	\$ 690,600	\$ 750,000	\$ -	\$ 1,707,299	40%
Data processing	\$ 15,157	\$ 487	\$ 11,862	\$ 493	\$ 1,422,489	\$ 384,090	\$ 2,379,692	\$ 13,261	\$ 4,227,531	9%
Information systems	\$ 8,465	\$ 718	\$ 17,529	\$ 1,998	\$ 2,180,389	\$ 257,065	\$ 3,151,635	\$ -	\$ 5,617,799	5%
Other professional	\$ 3,035	\$ 255	\$ 18,481	\$ 258	\$ 745,734	\$ 256,572	\$ 1,248,688	\$ -	\$ 2,273,023	11%
Medical reviews (exams/hearings)	\$ -	\$ -	\$ 21,700	\$ -	\$ 358,734	\$ 472,545	\$ 1,023,255	\$ -	\$ 1,876,234	25%
Elections	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,889	\$ 20,000	\$ -	\$ 44,889	55%
Internal audit and legal	\$ 2,101	\$ 177	\$ 12,639	\$ 179	\$ 515,703	\$ 175,500	\$ 862,723	\$ 36	\$ 1,569,058	11%
Total professional services	\$ 37,026	\$ 2,332	\$ 131,945	\$ 3,631	\$ 5,430,348	\$ 2,261,261	\$ 9,435,993	\$ 13,297	\$ 17,315,833	13%
Communications:										
Travel	\$ 7	\$ 1	\$ 41	\$ 1	\$ 4,271	\$ 4,134	\$ 7,115	\$ -	\$ 15,570	27%
Telephone	\$ 353	\$ 30	\$ 2,125	\$ 30	\$ 86,715	\$ 29,510	\$ 145,065	\$ 2,800	\$ 266,628	11%
Postage	\$ 1,600	\$ 134	\$ 9,622	\$ 136	\$ 392,608	\$ 133,609	\$ 656,796	\$ 1,000	\$ 1,195,505	11%
Motor pool	\$ 12	\$ 1	\$ 73	\$ 1	\$ 2,994	\$ 1,019	\$ 5,009	\$ -	\$ 9,109	11%
Printing and Office	\$ 450	\$ 38	\$ 2,705	\$ 38	\$ 110,369	\$ 37,560	\$ 184,637	\$ -	\$ 335,797	11%
Total communications	\$ 2,422	\$ 204	\$ 14,566	\$ 206	\$ 596,957	\$ 205,832	\$ 998,622	\$ 3,800	\$ 1,822,609	11%
Miscellaneous:										
Office Space	\$ 2,868	\$ 241	\$ 17,253	\$ 244	\$ 703,978	\$ 239,572	\$ 1,177,691	\$ -	\$ 2,141,847	11%
Maintenance	\$ 16	\$ 1	\$ 94	\$ 1	\$ 3,849	\$ 1,310	\$ 6,439	\$ -	\$ 11,710	11%
Equipment	\$ 97	\$ 8	\$ 586	\$ 8	\$ 23,894	\$ 8,131	\$ 39,973	\$ -	\$ 72,697	11%
Other services and charges	\$ 16	\$ 2	\$ 98	\$ 1	\$ 3,985	\$ 1,356	\$ 6,667	\$ 12,000	\$ 24,125	6%
Total miscellaneous	\$ 2,997	\$ 252	\$ 18,031	\$ 254	\$ 735,706	\$ 250,369	\$ 1,230,770	\$ 12,000	\$ 2,250,379	11%
Total administrative expenses	\$ 168,064	\$ 5,312	\$ 345,166	\$ 6,643	\$ 14,133,053	\$ 4,779,598	\$ 23,994,779	\$ 190,880	\$ 43,623,495	14%
Average										14%
Source: State of New Jersey Division of Pensions and Benefits, Financial Statements and Supplementary Schedules June 30, 2016.										
STATE OF NEW JERSEY										
DIVISION OF PENSIONS AND BENEFITS										
Schedule of Expenses for Consultants										
Year Ended June 30, 2016										
\$										
	JRS	POPF	SPRS	CPFPF	TPAF	PFRS	PERS	NJSEDCP	Total	PFRS as a % of Total
Actuarial:										
Buck consultants	\$ 8,268	\$ 695	\$ 49,734	\$ 703	\$ -	\$ 690,600	\$ 750,000	\$ -	\$ 1,500,000	46%
Milliman	\$ -	\$ -	\$ -	\$ -	\$ 207,299	\$ -	\$ -	\$ -	\$ 207,299	0%
Medical Reviews	\$ -	\$ -	\$ 21,700	\$ -	\$ 358,734	\$ 472,545	\$ 1,023,255	\$ -	\$ 1,876,234	25%
Board of elections:										
Global Support	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,889	\$ 20,000	\$ -	\$ 44,889	55%
Total Expenses for Consultants	\$ 8,268	\$ 695	\$ 71,434	\$ 703	\$ 566,033	\$ 1,188,034	\$ 1,793,255	\$ -	\$ 3,628,422	33%
Source: State of New Jersey Division of Pensions and Benefits, Financial Statements and Supplementary Schedules June 30, 2016.										
STATE OF NEW JERSEY										
DIVISION OF PENSIONS AND BENEFITS										
Investment Income and Expenses										
Year Ended June 30, 2016										
\$										
	JRS	POPF	SPRS	CPFPF	TPAF	PFRS	PERS	NJSEDCP	Total	PFRS as a % of Total
Investment income	\$ 21,872	\$ 2,032	\$ 132,734	\$ 2,549	\$ 5,434,567	\$ 1,837,898	\$ 9,226,688	\$ 247,860	\$ 16,906,200	11%
Source: State of New Jersey Division of Pensions and Benefits, Financial Statements and Supplementary Schedules June 30, 2016.										

In addition, the bill requires local governments to make their annual payment to the PFRS on a quarterly basis, which may reduce short term borrowing by some local governments but increase short term borrowing by others. The bill permits a local government to reduce the pension payment by any additional borrowing cost. Such a payment method is already required by law for the State as an employer. If a local government does not make a pension payment on time, the Department of Community Affairs is authorized to withhold any State aid available for payment to that government until the pension payment is made. Spreading local employer

contributions over four quarters, rather than requiring a single annual payment, will reduce the number of days those contributions are available to be invested, which may reduce investment returns.

Section: State Government

*Analyst: Kimberly M. Clemmensen
Senior Fiscal Analyst*

*Approved: Frank W. Haines III
Legislative Budget and Finance Officer*

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).

SENATE BILL NO. 5
(Second Reprint)

To the Senate:

Pursuant to Article V, Section I, Paragraph 14 of the New Jersey Constitution, I am returning Senate Bill No. 5 (Second Reprint) with my recommendations for reconsideration.

I commend the sponsors of this legislation for their strong commitment and efforts to recognize the unique status and circumstances of the Police and Firemen's Retirement System ("PFRS") within the context of New Jersey's overall pension funding crisis. I certainly sympathize with the motivations underlying the bill, which comes in response to years of partial and deferred State pension payments and mounting unfunded liabilities. Despite recent statutory reforms intended to control costs and increased State pension payments, New Jersey's overall pension system remains one of the worst-funded retirement systems in the nation. The chronically underfunded system is largely responsible for the record number of credit rating downgrades sustained during the previous administration. These downgrades weakened investor confidence and increase our borrowing costs.

To be clear, the challenges we now face should not be blamed on any one governor or a single political party. Actions by governors and legislatures over several decades and on both sides of the aisle have brought us to where we are now. But, without question, now is the time we must take steps together to do better. My proposed budget includes a record \$3.2 billion pension contribution and maintains our path towards full funding. Moreover, in support of this effort, my Administration took swift action to impose a more realistic and responsible assumed rate of return on pension investments, and to implement

a plan to gradually lower the rate over time, promoting stability in employers' contributions and signaling to credit rating agencies and investors that the State takes seriously its commitment to reduce longer-term funding costs within appropriate levels of risk.

Still, the stakeholders advocating on behalf of the bill are rightly frustrated. In relative terms, PFRS is the healthiest of the State's individual pension systems, with a total funded ratio of more than 69 percent. The other systems have an average funded ratio of just 60.2 percent. Unlike the State, New Jersey counties and municipalities have only rarely failed to make their full annual employer contributions when required to do so. And PFRS members contribute ten percent of their salaries to the system, a higher contribution level than many other public sector employees contribute to their respective pension funds. These factors support adopting a different approach for PFRS, to treat it differently than our other retirement systems.

I am convinced that this different approach should include embracing the unions' strongly-held desire to oversee their own investments. Despite my support for the core reforms and the sponsors' efforts to put in place various safeguards, however, there are several technical changes that must be made to ensure that the proposed reforms are implemented in an appropriate manner, as intended, and that taxpayers are protected in the process.

For example, the bill directs the transfer of \$26 billion of pension assets. I am advised by the State Treasurer, that such a massive transfer would risk immediately destabilizing the value of all the State's pension funds, including the PFRS fund. In this regard, more than a quarter of PFRS' assets are tied up

in investments that would require significant time, as well as some cost, to liquidate. Immediately transferring assets would also require the Board to replicate investment management functions currently performed by the State's Division of Investment, creating extra expenses that the Treasurer advises could cost the PFRS fund an estimated \$12 million a year.

Additionally, the bill would vest the newly established board with the discretion to make changes to members' benefits, but would not require an actuary to first certify the long-term viability of the fund - a safeguard statutorily required in every other State pension system. The bill also would allow the Board of Trustees to set its own rate of return for PFRS investments. The assumed rate of return has broad implications for the State, municipalities and counties, as well as for the other pension systems.

My recommended changes address these and related technical concerns while preserving the board's control over the management and allocation of its investments. I am confident that these changes strike an appropriate balance by both empowering the new board with the management of PFRS while continuing to protect the stability of the State's pension funds, the expectations of PFRS members and, ultimately, the financial interests of the taxpayers of this State.

Therefore, I herewith return Senate Bill No. 5 (Second Reprint) and recommend that it be amended as follows:

<u>Page 7, Section 5, Line 14:</u>	After "System" insert "or its designee"
<u>Page 9, Section 7, Line 25:</u>	Delete "board of trustees" and insert "State Treasurer"
<u>Page 9, Section 7, Line 31:</u>	After "6%." insert "This rate shall be distinct from any internally targeted rates used for developing investment policy by the board of trustees pursuant to

Section 13 of P.L.1944, c.255
(C.43:16A-13)."

- Page 16, Section 15, Line 27: After "trustees" insert ", and, as specified, the committees established pursuant to subsection e. of this subsection"
- Page 16, Section 15, Line 29: After "may," insert "with the approval of at least eight members of the board,"
- Page 16, Section 15, Line 37: After "member" insert ", so long as an actuarial certification provided by the actuary demonstrates that such change will not result in an increased employer contribution in the current year and that such change will not impact the long term viability of the fund"
- Page 19, Section 15, Line 37: After "(8)" insert "(a)"
- Page 20, Section 15, Line 24: After "operation." insert "(b) A majority of the authorized membership of the board shall constitute a quorum for the transaction of business."
- Page 21, Section 15, Lines 15-16: Delete "may be an employee of the board or" and insert "shall be"
- Page 21, Section 15, Line 19: After "employees" insert "and be a fellow with the Society of Actuaries and an active member of the American Academy of Actuaries"
- Page 22, Section 15, Line 5: Delete "invest and"
- Page 22, Section 15, Lines 6-12: Delete in their entirety and insert "formulate and establish, amend, modify or repeal such policies as it may deem necessary or proper, which shall govern the methods, practices or procedures for investment, reinvestment, purchase, sale or exchange transactions to be followed by the Division of Investment. The board may also review and approve agreements which may be necessary or convenient for the management of the investments of the retirement system. The board shall also have the authority to inspect and audit the respective accounts and funds administered by the Division of Investment, or a successor entity, and take appropriate

action as necessary to effectuate the long term viability of the system. Notwithstanding this provision, Common Pension Fund L and the assets held by Common Pension Fund L as of the effective date of this Act and thereafter, including the interest of the Police and Firemen's Retirement System of New Jersey therein, shall remain within the Division of Investment. The Director of the Division of Investment and the State Investment Council shall retain all functions, powers, and duties relating to Common Pension Fund L assigned to the Division of Investment, the Director of the Division of Investment, and the State Investment Council by P.L. 2017, c. 98 (C.5:9-22.5 et seq.)."

- Page 22, Section 15, Line 14: After "for" insert "recommending and implementing"
- Page 22, Section 15, Line 15: Delete "investment and"
- Page 22, Section 15, Line 18: Delete "investment"
- Page 22, Section 15, Line 19: Delete "investment and"
- Page 22, Section 15, Lines 24-25: Delete "conduct the executive and administrative functions of the Investment Committee;"
- Page 22, Section 15, Line 38: After "director." insert "The executive director shall serve without term but may be removed from office, upon notice and opportunity to be heard at a public hearing, subject to an affirmative vote of the majority of all authorized members of the board of trustees. Any vacancy occurring shall be filled in the same manner as the original appointment. The executive director shall devote his entire time and attention to the duties of the office and shall not be engaged in any other occupation or profession. The executive director shall act as a fiduciary to the retirement system and shall be under a duty to perform the obligations set forth herein according to the interest of the beneficiaries of the system."

- Page 23, Section 15, Line 5: Delete "management of funds and"
- Page 23, Section 15, Lines 6-8: Delete in their entirety
- Page 23, Section 15, Line 9: Delete "manner in which funds shall be invested" and insert "development of the methods, practices and procedures for investment, in coordination with the Investment Committee. Notwithstanding this provision, Common Pension Fund L and the assets held by Common Pension Fund L as of the effective date of this Act and thereafter, including the interest of the Police and Firemen's Retirement System of New Jersey therein shall remain within the Division of Investment. The Division of Investment and the Director of the Division of Investment and the State Investment Council shall retain all functions, powers, and duties relating to Common Pension Fund L assigned to the Division of Investment, the Director of the Division of Investment, and the State Investment Council by P.L. 2017, c. 98 (C.5:9-22.5 et seq.)"
- Page 23, Section 15, Line 10: After "officer" insert ", in coordination with the Investment Committee,"
- Page 23, Section 15, Line 11: Delete "securities transactions executed" and insert "investments made"
- Page 23, Section 15, Line 18: After "experience" insert ","
- Page 23, Section 15, Line 18: After "in" insert "addition to"
- Page 23, Section 15, Line 20: After "field." insert "The person shall also have experience in the direct management, analysis, supervision or investment of assets."
- Page 23, Section 15, Line 24: After "officer." insert "The chief investment officer shall be precluded from outside employment or other occupation."
- Page 23, Section 15, Line 28: After "system." insert "The board shall also have the authority to inspect and audit the respective accounts and funds administered by the Division of Investment, or a

successor entity, and take appropriate action as necessary to effectuate the long term viability of the system."

Page 25, Section 15, Line 17:

After "(2)" insert "Subject to the provisions of P.L. , c. (pending before the Legislature as this bill),"

Page 25, Section 15, Line 37:

After "system." insert "An actuarial certification must be provided by the actuary prior to any enhancement or reduction of a member benefit, including the activation of the application of the "Pension Adjustment Act," P.L.1958, c.143 (C.43:3B et. seq.), showing that such change will not result in an increased employer contribution in the current year and that such change will not impact the long term viability of the fund."

Page 28, Section 15, Line 30:

Delete "investments" and insert "investment policies"

Page 28, Section 15, Lines 31-32:

Delete "and the management of the investments of the retirement system"

Page 28, Section 15, Line 35:

After "trustees." insert "A majority of the Investment Committee members, one of which may be the Chief Investment Officer, shall be qualified by training, experience or long-term interest in the direct management, analysis, supervision or investment of assets and this training, experience or long-term interest shall have been supplemented by academic training in the fields of economics, business, law, finance or actuarial science or by actual employment in those fields. If the board of trustees does not have sufficient members qualified or available to serve on the Investment Committee, or determines to broaden the expertise of the Investment Committee, the board of trustees may request that the State Treasurer recommend one or more qualified individuals to sit on the committee."

Page 28, Section 15, Line 43:

Delete "the Bloomberg Barclays Indices" and insert

"other appropriate benchmarks"

- Page 28, Section 15, Lines 46-47: Delete in their entirety and insert "from the Board of Trustees to the State Investment Council and the Division of Investment."
- Page 29, Section 16, Line 6: After "the" insert "formulation, establishment, amendment, modification or repeal of any policy, procedure, method or practice on the"
- Page 29, Section 16, Line 6: Delete "of, and" and insert "shall be performed by the board. The"
- Page 29, Section 16, Lines 9: After "the" insert "Division of Investment upon the direction of the"
- Page 29, Section 16, Line 20: After "trustees." insert "Notwithstanding this provision, Common Pension Fund L and the assets held by Common Pension Fund L as of the effective date of this Act and thereafter, including the interest of the Police and Firemen's Retirement System of New Jersey therein shall remain within the Division of Investment in the Department of the Treasury. The Division of Investment, the Director of the Division of Investment and the State Investment Council shall retain all functions, powers, and duties relating to Common Pension Fund L assigned to the Division of Investment, the Director of the Division of Investment, and the State Investment Council, by P.L. 2017, c. 98 (C.5:9-22.5 et seq.)."
- Page 29, Section 16, Lines 21-22: Delete "executive director of the board" and insert "Treasurer of the State of New Jersey"
- Page 38, Section 17, Line 39: After "appropriate" insert ", with the approval of at least eight members of the board,"
- Page 38, Section 17, Line 42: Delete "actuarial"
- Page 38, Section 17, Line 42: After "certification" insert "by the actuary"
- Page 38, Section 17, Line 42: After "in" insert "an"
- Page 38, Section 17, Line 43: Delete "contributions" and insert "contribution in the"

current year and that such change will not impact the long term viability of the fund"

- Page 45, Section 17, Line 22: Delete "On April 1"
- Page 45, Section 17, Lines 23-32: Delete in their entirety
- Page 45, Section 17, Line 37: Delete "Upon certification by the board of trustees to"
- Page 45, Section 17, Lines 38-47: Delete in their entirety
- Page 46, Section 17, Lines 1-2: Delete in their entirety
- Page 46, Section 17, Line 3: Delete "employer contribution."
- Page 56, Section 35, Line 22: After "hereunder." insert "Notwithstanding this provision, the Board of Trustees of the Police and Firemen's Retirement System shall have the authority to direct investment policy. The purchase, sale or exchange of any investments or securities under the control and management of the Board of Trustees of the Police and Firemen's Retirement System shall be exercised and performed by the Director of the Division of Investment. Notwithstanding this provision, Common Pension Fund L and the assets held by Common Pension Fund L as of the effective date of this Act and thereafter, including the interest of the Police and Firemen's Retirement System of New Jersey therein shall remain within the Division of Investment. The Division of Investment, the Director of the Division of Investment and the State Investment Council shall retain all functions, powers, and duties relating to Common Pension Fund L assigned to the Division of Investment, the Director of the Division of Investment, and the State Investment Council, by P.L. 2017, c. 98 (C.5:9-22.5 et seq.)."
- Page 56, Section 36, Line 32: After "Fund;" insert "The Police and Firemen's Retirement System of New Jersey;"
- Page 56, Section 36, Line 43: After "Council" insert ", or in the case of the Police and Firemen's Retirement System

of New Jersey, by regulation of the Board of Trustees of the Police and Firemen's Retirement System of New Jersey, except that notwithstanding this provision, Common Pension Fund L and the assets held by Common Pension Fund L as of the effective date of this Act and thereafter, including the interest of the Police and Firemen's Retirement System of New Jersey therein shall remain within the Division of Investment. The Director of the Division of Investment and the State Investment Council shall retain all functions, powers, and duties relating to Common Pension Fund L assigned to the Division of Investment, the Director of the Division of Investment, and the State Investment Council, by P.L. 2017, c. 98 (C.5:9-22.5 et seq.)."

- Page 57, Section 37, Line 12: Delete "sole" and insert "the"
- Page 57, Section 37, Line 12: Delete "invest and reinvest moneys" and insert "direct the investment and reinvestment policies"
- Page 57, Section 37, Line 13: After "Jersey" insert ", with the exception of those monies held by Common Pension Fund L as of the effective date of this act and thereafter, which the Board of Trustees of the Police and Firemen's Retirement System of New Jersey shall have no authority to direct investment associated with the Common Pension Fund L." The Director of the Division of Investment shall retain all functions, powers, and duties pursuant to P.L. 2017, c. 98 (C.5:9-22.5 et seq.)."
- Page 57, Section 17, Line 29: Delete "or board of trustees"
- Page 58, Section 38, Line 11: After "powers," insert "and"
- Page 58, Section 38, Lines 11-12: Delete ", equipment, and records"
- Page 58, Section 38, Line 14: Delete "and the Division of Investment"
- Page 58, Section 38, Line 16: After "Jersey" insert ", except that the Board of Trustees of the Police and Firemen's Retirement System

of New Jersey may contract with the Division of Pension and Benefits in the Department of Treasury to effectuate the goals of this Act. The Department of Treasury and the Division of Investment shall retain all functions, powers, duties, equipment and records relating to Common Pension Fund L assigned to the Department of the Treasury and the Division of Investment by P.L. 2017, c.98 (C.5:9-22.5 et. seq.). Copies of records relating to the Police and Firemen's Retirement System of New Jersey in the Division of Pensions and Benefits in the Department of the Treasury and the Division of Investment shall be made available to the Board of Trustees of the Police and Firemen's Retirement System of New Jersey upon request"

Page 58, Line 27:

Insert new section:

"40. Section 5 of P.L.1950, c. 270 (C.52:18A-83) is amended to read as follows:

5. a. There is hereby established in the Division of Investment a State Investment Council which shall consist of 16 members.

(1) Each of the following agencies, namely, the Board of Trustees of the Public Employees' Retirement System, and the Board of Trustees of the Teachers' Pension and Annuity Fund[, and the Board of Trustees of the Police and Firemen's Retirement System of New Jersey,] shall designate one board member elected to serve on the board, to serve as a member of the State Investment Council herein established. The [three] two members of the council so designated shall serve as such for a period of three years from the date of their designation and until their respective successors are in like manner designated.

(2) Eight of the members of the State Investment Council shall be appointed by the Governor, with the advice and

consent of the Senate, for a term of five years and shall serve until the member's successor is appointed and has qualified. Of the initial members appointed following the effective date of P.L.2011, c.78, one shall serve for an initial period of three years, and one shall serve for an initial period of two years.

(3) One member of the State Investment Council shall be appointed by the Governor from among three persons nominated jointly by the President of the Senate and the Speaker of the General Assembly and shall serve for a term of five years and until the member's successor is appointed and has qualified.

(4) Two members of the State Investment Council shall be appointed by the Governor from among six persons nominated by the Public Employee Committee of the New Jersey State AFL-CIO and shall serve for a term of five years and until the member's successor is appointed and has qualified. [At least one of the two members appointed shall be a member of a union representing police officers or firefighters.] If the persons nominated are not acceptable to the Governor for appointment, the Governor may request submission of new nominees.

(5) One member of the State Investment Council shall be appointed by the Governor from among three persons nominated by the New Jersey Education Association and shall serve for a term of three years and until the member's successor is appointed and has qualified. If the persons nominated are not acceptable to the Governor for appointment, the Governor may request submission of new nominees.

(6) One member of the State Investment Council shall be appointed by the Governor from among three persons nominated by the State

Troopers Fraternal Association and shall serve for a term of three years and until the member's successor is appointed and has qualified. If the persons nominated are not acceptable to the Governor for appointment, the Governor may request submission of new nominees.

The four members appointed pursuant to paragraphs (4), (5) and (6) of this subsection by the Governor to the council shall be qualified by training, experience or long-term interest in the direct management, analysis, supervision or investment of assets, and this training, experience or long-term interest shall have been supplemented by academic training in the fields of economics, business, law, finance or actuarial science or by actual employment in those fields.

At least seven of the nine members appointed pursuant to paragraphs (2) and (3) of this subsection by the Governor to the council shall be qualified by training and experience in the direct management, analysis, supervision or investment of assets, which training and experience shall have been acquired through academic training or through actual employment in those fields.

b. No member of the State Investment Council shall hold any office, position or employment in any political party nor shall any such member benefit directly or indirectly from any transaction made by the Director of the Division of Investment provided for herein.

The members of the council shall elect annually from their number a chairman of such council. Any member of the council so elected shall serve as such chairman for a term of one year and until a successor is, in like manner, elected. The chairman of the

council shall be its presiding officer.

The members of the council shall serve without compensation but shall be reimbursed for necessary expenses incurred in the performance of their duties as approved by the chairman of the council. The members of the council shall be required to file the same annual financial disclosure statements as those required to be filed by members of other State boards and commissions who are not compensated for their services, as such statements shall be required by law or executive order of the Governor. The financial disclosure statements of council members shall be made available to the public in the same manner as the statements of members of other State boards and commissions are made available to the public.

Each member of the council, except the member appointed from among persons nominated by the President of the Senate and the Speaker of the General Assembly, may be removed from office by the Governor, for cause, upon notice and opportunity to be heard at a public hearing. Any vacancy in the membership of the council occurring other than by expiration of term shall be filled in the same manner as the original appointment, but for the unexpired term only.

c. The terms of the members of the council serving pursuant to paragraph (1) of subsection a. of this section and serving on the effective date of P.L.2011, c.78 are terminated as of that effective date. A member terminated pursuant to this subsection shall be eligible for reappointment."

Page 58, Section 40, Line 28:

Delete "40." and insert "41."

Page 58, Section 41, Line 30:

Delete "41." and insert "42."

Respectfully,

[seal]

/s/ Philip D. Murphy

Governor

Attest:

/s/ Matthew J. Platkin

Chief Counsel to the Governor

State of New Jersey

Governor Phil Murphy

Governor Murphy Signs Legislation to Transfer PFRS Management

07/3/2018

TRENTON- Governor Phil Murphy today signed Senate Bill No. 5 after the Legislature concurred with recommendations made by the Governor to the bill. The bill will transfer the management of the Police and Firemen’s Retirement System (PFRS) to a newly constituted Board of Trustees of PFRS. The bill will allow for members to oversee their own investments, while also stabilizing the value of the pension fund.

“It is critical that those who have paid into the pension system are comfortable that they will be able to retire with dignity,” **said Governor Murphy**. “Labor is the backbone of many New Jersey families. The state must move forward with stable, reliable pension payments and this bill is a good first step toward making sure that our retiring police officers and firefighters feel secure as they move toward retirement, while also protecting the financial interests of taxpayers.”

The PFRS legislation will require an actuary to certify the long-term viability of the pension fund, a critical safeguard to ensure stability. Additionally, the Treasurer would continue to set the rate of return for the PFRS fund, but the Board would set its own internal targets.

The bill will take effect immediately.



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