ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 99

STATE OF NEW JERSEY

DATED: MARCH 20, 2017

The Assembly Appropriations Committee reports favorably Assembly Bill No. 99.

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.

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.

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.

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. The director will release the withheld State aid payment to the employer upon certification by the board of the receipt of the delinquent contribution.

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.

As reported, this bill is identical to Senate Bill No. 3040 (1R), as reported by the committee.

FISCAL IMPACT:

The Office of Legislative Services (OLS) notes that the authority provided to the Board of Trustees under the bill may have an indeterminate fiscal impact on the administrative costs of operating the Police and Firemen's Retirement System (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 the 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.