

SENATE, No. 1964

STATE OF NEW JERSEY
218th LEGISLATURE

INTRODUCED FEBRUARY 22, 2018

Sponsored by:

Senator DECLAN J. O'SCANLON, JR.

District 13 (Monmouth)

SYNOPSIS

Transfers management of PFRS to Board of Trustees of PFRS; provides safeguards against poor performance of investments.

CURRENT VERSION OF TEXT

As introduced.



S1964 O'SCANLON

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27 shall not be decreased, increased, revoked or repealed except as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
45 (C.43:16A-13).
46 (cf: P.L.2011, c.78, s.25)

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.

S1964 O'SCANLON

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

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

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

32 c. (1) The State and all other applicable employers shall make
33 their annual normal contribution to each system or fund as
34 determined by the applicable board of trustees in consultation with
35 the system's or fund's actuary. The State and all other applicable
36 employers shall also make their annual unfunded accrued liability
37 contribution to each system or fund as determined by the applicable
38 board in consultation with the system's or fund's actuary, pursuant
39 to standard actuarial practices authorized by law, unless: (1) there
40 is no existing unfunded accrued liability contribution due to the
41 system or fund at the close of the valuation period applicable to the
42 upcoming fiscal year; or (2) there are excess valuation assets in
43 excess of the actuarial accrued liability of the system or fund at the
44 close of the valuation period applicable to the upcoming fiscal year.
45 The annual normal contribution plus the annual unfunded accrued
46 liability contribution shall together be the annual required
47 contribution, provided, however, that for the State, section 38 of
48 P.L.2010, c.1 (C.43:3C-14) shall apply with regard to the State's

1 annual required contribution. The amount of the State's annually
2 required contributions shall be included in all annual appropriations
3 acts as a dedicated line item.

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

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

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

38 f. Nothing in the provisions of P.L. _____, _____ c.
39 (pending before the Legislature as this bill) shall be interpreted to
40 diminish the non-forfeitable right to benefits provided to any
41 member of the Police and Firemen's Retirement System under State
42 law or affirmed by a ruling or holding of a court in the Judiciary
43 Branch of State government.

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

45

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

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

13 The super conciliator shall promptly schedule investigatory
14 proceedings. The purpose of the proceedings shall be to:

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

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

22 Institute any other non-binding procedures deemed appropriate
23 by the super conciliator.

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

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

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

36

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

39 60. a. Notwithstanding any law, rule or regulation to the
40 contrary, the Teachers' Pension and Annuity Fund, established
41 pursuant to N.J.S.18A:66-1 et seq., the Judicial Retirement System,
42 established pursuant to P.L.1973, c.140 (C.43:6A-1 et seq.), the
43 Prison Officers' Pension Fund, established pursuant to P.L.1941,
44 c.220 (C.43:7-7 et seq.), the Public Employees' Retirement System,
45 established pursuant to P.L.1954, c.84 (C.43:15A-1 et seq.), the
46 Consolidated Police and Firemen's Pension Fund, established
47 pursuant to R.S.43:16-1 et seq., the Police and Firemen's
48 Retirement System, established pursuant to P.L.1944, c.255

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

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

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

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

38

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

41 1. The Division of Pensions and Benefits in the Department of
42 the Treasury shall provide for the prompt notification in writing of
43 any member or retiree of the Teachers' Pension and Annuity Fund,
44 established pursuant to N.J.S.18A:66-1 et seq., the Judicial
45 Retirement System, established pursuant to P.L.1973, c.140
46 (C.43:6A-1 et seq.), the Public Employees' Retirement System,
47 established pursuant to P.L.1954, c.84 (C.43:15A-1 et seq.), **the**
48 Police and Firemen's Retirement System, established pursuant to

1 P.L.1944, c.255 (C.43:16A-1 et seq.),**】** the State Police Retirement
2 System, established pursuant to P.L.1965, c.89 (C.53:5A-1 et seq.),
3 the Alternate Benefit Program, established pursuant to P.L.1969,
4 c.242 (C.18A:66-167 et seq.), and the Defined Contribution
5 Retirement Program, established pursuant to P.L.2007, c.92
6 (C.43:15C-1 et seq.), when the member or retiree submits a change
7 to the designation of beneficiary for contributory and non-
8 contributory group life insurance available to the member or retiree
9 through the system, that there is on file a judgment, court order,
10 decree, or other legal document for that member or retiree
11 specifically designating the beneficiary of such life insurance. The
12 Board of Trustees of the Police and Firemen's Retirement System
13 shall provide for the prompt notification in writing of any member
14 or retiree of the Police and Firemen's Retirement System,
15 established pursuant to P.L.1944, c.255 (C.43:16A-1 et seq.), when
16 the member or retiree submits a change to the designation of
17 beneficiary for contributory and non-contributory group life
18 insurance available to the member or retiree through the system,
19 that there is on file a judgment, court order, decree, or other legal
20 document for that member or retiree specifically designating the
21 beneficiary of such life insurance. The notification requirement
22 shall apply only when there is a valid judgment, court order, decree,
23 or other legal document that has been filed with the division or, in
24 the case of the Police and Firemen's Retirement System, the board
25 of trustees or its designee pursuant to the division's or board's
26 determination to accept and honor such a judgment, court order,
27 decree, or document and that has been reviewed, approved, or
28 classified as qualified by the division or the board or the board's
29 designee.
30 (cf: P.L.2015, c.180, s.1)

31
32 6. Section 19 of P.L.1992, c.125 (C.43:4B-1) is amended to
33 read as follows:

34 19. There is hereby established the Retirement Systems Actuary
35 Selection Committee which shall consist of the State Treasurer, and
36 the directors of the Divisions of Pensions and Benefits and
37 Investment, and Office of Management and Budget, or their
38 designated representatives, and one member designated by each of
39 the boards of trustees of the Public Employees' Retirement System
40 established pursuant to P.L.1954, c.84 (C.43:15A-1 et seq.) **【.】** and
41 the Teachers' Pension and Annuity Fund established pursuant to
42 N.J.S.18A:66-1 et seq.**【.**, and the Police and Firemen's Retirement
43 System established pursuant to P.L.1944, c.255 (C.43:16A-1 et
44 seq.).**】** The committee shall select the actuary or actuaries for the
45 State retirement systems in accordance with the provisions of
46 P.L.1954, c.48 (C.52:34-6 et seq.), provided, however, that the
47 boards shall have the power to veto the selection of the actuary for

1 valid reason.

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

3

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

6 1. As used in this act:

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

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

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

19 (ii) has police powers;

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

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

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

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

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

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

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

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

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

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

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

21 (9) "Regular interest" shall mean interest as determined by the
22 **【State Treasurer, after consultation with the Directors of the**
23 **Divisions of Investment and Pensions, the】** board of trustees **【and】**,
24 after consultation with the actuary. It shall bear a reasonable
25 relationship to the percentage rate of earnings on investments based
26 on the market value of assets but shall not exceed the assumed
27 percentage rate of increase applied to salaries plus 3%, provided
28 however that the board of trustees shall not set the average
29 percentage rate of increase applied to salaries below 6% , and further
30 provided, however, that the board of trustees shall set the regular
31 interest at the same rate at which the State Treasurer sets the regular
32 interest for the Teachers' Pension and Annuity Fund, the Judicial
33 Retirement System, the Public Employees' Retirement System, and
34 the State Police Retirement System.

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

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

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

43 (13) "Retirement allowance" shall mean the pension plus the
44 annuity.

45 (14) "Earnable compensation" shall mean the full rate of the
46 salary that would be payable to an employee if he worked the full
47 normal working time for his position. In cases where salary
48 includes maintenance, the retirement system shall fix the value of

1 that part of the salary not paid in money which shall be considered
2 under this act.

3 (15) "Average final compensation" shall mean final
4 compensation.

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

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

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

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

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

24 (21) "Child" shall mean a deceased member's or retirant's
25 unmarried child (a) under the age of 18, or (b) 18 years of age or
26 older and enrolled in a secondary school, or (c) under the age of 24
27 and enrolled in a degree program in an institution of higher
28 education for at least 12 credit hours in each semester, provided that
29 the member died in active service as a result of an accident met in
30 the actual performance of duty at some definite time and place, and
31 the death was not the result of the member's willful misconduct, or
32 (d) of any age who, at the time of the member's or retirant's death, is
33 disabled because of an intellectual disability or physical incapacity,
34 is unable to do any substantial, gainful work because of the
35 impairment and his impairment has lasted or can be expected to last
36 for a continuous period of not less than 12 months, as affirmed by
37 the medical board.

38 (22) "Parent" shall mean the parent of a member who was
39 receiving at least one-half of his support from the member in the
40 12-month period immediately preceding the member's death or the
41 accident which was the direct cause of the member's death. The
42 dependency of such a parent will be considered terminated by
43 marriage of the parent subsequent to the death of the member.

44 (23) (a) "Widower," for employees of the State, means the man
45 to whom a member or retirant was married, or a domestic partner as
46 defined in section 3 of P.L.2003, c.246 (C.26:8A-3), on the date of
47 her death and who has not since remarried or established a domestic
48 partnership. In the event of the payment of accidental death

1 benefits, pursuant to section 10 of P.L.1944, c.255 (C.43:16A-10),
2 the restriction concerning remarriage or establishment of a domestic
3 partnership shall be waived.

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

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

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

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

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

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

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

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

1 (27) "Department" shall mean any police or fire department of a
2 municipality or a fire department of a fire district located in a
3 township or a county police or park police department or the
4 appropriate department of the State or instrumentality thereof.

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

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

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

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

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

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

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

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

27

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

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

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

40

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

43 1. Any member of the Police and Firemen's Retirement System
44 of New Jersey who has been or shall be elected to the position of
45 sheriff or who has accepted or shall accept appointment to the office
46 or position of undersheriff may, by written notification to the
47 **Director of the Division of Pensions** board of trustees and the
48 county treasurer, elect to continue to be a member of the retirement

1 system while serving as sheriff or undersheriff and shall be deemed
2 to have waived any and all benefits to which he would otherwise be
3 entitled by eligibility for membership in the Public Employees'
4 Retirement System. The county treasurer shall make deductions
5 from the salary of the sheriff or undersheriff and contributions on
6 his behalf to the Police and Firemen's Retirement System as is
7 required by law for members of that system.

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

9

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

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

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

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

39

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

42 6. The Adjutant General of the Department of Military and
43 Veterans' Affairs shall be responsible for determining whether any
44 person seeking to be considered a "veteran" under section 1 of
45 P.L.1983, c.391 (C.43:16A-11.7), for the purpose of purchasing
46 military service credit, meets the criteria set forth therein and
47 adjudicating an appeal from any person disputing this
48 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
26 (C.52:18A-95 et seq.), the general responsibility for the proper
27 operation of the retirement system is hereby vested in a board of
28 trustees **【**, and, as specified, the committees established pursuant to
29 subsection b. of this section**】**. The board may, in its discretion and
30 at such time and in such manner as the board determines, enhance
31 any benefit set forth in P.L.1944, c.255 (C.43:16A-1 et seq.) as the
32 board determines to be reasonable and appropriate or modify any
33 such benefit as an alternative to an increase in the member
34 contribution rate, which increase the board determines to be
35 reasonable, necessary, and appropriate, or reinstate, when
36 appropriate, such reduced benefit to the statutory level without an
37 additional contribution by the member. The board shall act
38 exclusively on behalf of the contributing employers, active
39 members of the retirement system, and retired members as the
40 fiduciary of the system. The primary obligation of the board shall
41 be to direct policies and investments to achieve and maintain the
42 full funding and continuation of the retirement system for the
43 exclusive benefit of its members.

44 (2) The board shall consist of **【11】** 15 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 (g) One trustee to be appointed directly by the New Jersey
31 League of Municipalities. The trustee appointed pursuant to this
32 subparagraph shall serve for an initial term of two years. Following
33 the trustee's first term, the trustee appointed pursuant to this
34 subparagraph shall serve four-year terms.

35 (h) One trustee to be appointed directly by the New Jersey
36 Association of Counties who shall serve four-year terms.

37 (i) One trustee, to be appointed by the Governor, who shall
38 serve four-year terms and shall represent the interest of taxpayers.
39 No member, retiree, or other beneficiary of the system, State or
40 local elected official, or officer of a local, county, or State labor
41 organization, union, or affiliate that represents public employees
42 shall be eligible to be appointed as a trustee pursuant to this
43 subparagraph.

44 (3) Each trustee shall, after his appointment or election, take an
45 oath of office that, so far as it devolves upon him he will diligently
46 and honestly fulfill his duties as a board member, and that he will
47 not knowingly violate or willingly permit to be violated any of the
48 provisions of the law applicable to the retirement system. Such oath

1 shall be subscribed by the member making it, and certified by the
2 officer before whom it is taken, and immediately filed in the office
3 of the Secretary of State. The board may remove a trustee, upon a
4 majority vote of the trustees, for violating the trustee's oath of
5 office. Any trustee who is absent, without an official excuse
6 approved by a majority vote of the trustees, for more than three of
7 the board's meetings in any calendar year shall be removed from
8 the board and the trustee's position shall be filled in the same
9 manner as the position was previously filled. The board shall adopt
10 standards to define unexcused absences.

11 A member shall be permitted to participate in meetings of the
12 board by teleconference.

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

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

32 (c) Trustees appointed pursuant to part (i) of subparagraph (c) of
33 paragraph (2) of this subsection shall serve at the pleasure of the
34 official who appointed the trustee, but may be removed pursuant to
35 paragraph (3) of this subsection.

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

39 (6) Each trustee shall be entitled to one vote in the board. **【Six】**
40 **Eight** trustees **【must】 shall** be present at any meeting of said board
41 for the transaction of its business.

42 (7) Subject to the limitations of this act, the board of trustees
43 shall annually establish rules and regulations for the administration
44 of the funds created by this act and for the transaction of the board's
45 **【and committees'】** business. **【Such** rules and regulations shall be
46 consistent with those adopted by the other pension funds within the
47 Division of Pensions and Benefits in order to permit the most
48 economical and uniform administration of all such retirement

1 systems. The committees shall adopt such regulations as provided
2 in subsection b. of this section.】

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

38 (9) The board of trustees shall keep a record of all of its
39 proceedings which shall be open to public inspection. The
40 retirement system shall publish annually a report showing the fiscal
41 transactions of the retirement system for the preceding year, the
42 amount of the accumulated cash and securities of the system, and
43 the last balance sheet showing the financial condition of the system
44 by means of an actuarial valuation of the assets and liabilities of the
45 retirement system.

46 (10) The board of trustees may, in its discretion, select and
47 employ, or contract with, legal counsel with demonstrated expertise

1 in the law governing retirement systems for public or private sector
2 employees to advise and represent the board. If the board does not
3 select and employ, or contract with, legal counsel, the Attorney
4 General of the State of New Jersey shall be the legal adviser of the
5 retirement system, except **【that】** if the Attorney General determines
6 that a conflict of interest would affect the ability of the Attorney
7 General to represent the board or the committees on a matter
8 affecting the retirement system **【**, the board may select and employ
9 legal counsel to advise and represent the board or the committees on
10 that matter**】**.

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

22 (12) The actuary of the system shall be selected by the
23 **【Retirement Systems Actuary Selection Committee established by**
24 **P.L.1992, c.125. He】** board of trustees. The actuary shall be the
25 technical adviser of the board of trustees 【and the committees】 on
26 matters regarding the operation of the funds created by the
27 provisions of this act, and shall perform such other duties as are
28 required in connection therewith. The actuary may be an employee
29 of the board or an independent contractor retained by the board.
30 The actuary shall have demonstrated experience in providing
31 actuarial services to defined benefit retirement systems for public
32 employees.

33 (13) The board of trustees, in consultation with the actuary, shall
34 establish actuarial funding policies for the system. At least once in
35 each three-year period the actuary shall make an actuarial
36 investigation into the mortality, service and compensation
37 experience of the members and beneficiaries of the retirement
38 system and, with the advice of the actuary, the board of trustees
39 shall adopt for the retirement system such mortality, service and
40 other tables as shall be deemed necessary and shall certify the rates
41 of contribution payable under the provisions of this act. The board
42 of trustees shall retain an independent actuary with demonstrated
43 experience in providing actuarial services to retirement systems for
44 public or private sector employees to review prior investigations
45 into the mortality, service, and compensation experience of the
46 members and beneficiaries of the retirement system and to review
47 the three prior actuarial valuations to certify that the actuary of the

1 retirement system conducted the investigations and valuations in
2 accordance with generally accepted actuarial standards.

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

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

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

9 (17) Each policeman or fireman member of the board of trustees
10 or the committees shall be entitled to time off from his duty, with
11 pay, during the periods of his attendance upon regular or special
12 meetings of the board of trustees or the committees, and such time
13 off shall include reasonable travel time required in connection
14 therewith.

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

17 (19) The board of trustees shall have authority to invest and
18 reinvest the moneys in, and to acquire for or on behalf of the funds
19 of, the board. The board shall formulate and establish, and may
20 from time to time amend, modify, or repeal, such policies,
21 objectives or guidelines as it may deem necessary and proper to
22 govern the decisions, actions, methods, practices, or procedures for
23 investment, reinvestment, purchase, sale, or exchange transactions
24 of the board.

25 (20) (a) The board of trustees shall select and employ an
26 executive director, who shall be responsible for the strategic
27 direction of the board from an investment and operational
28 perspective. The executive director shall provide strategic
29 direction, planning, and leadership to the board; organize, develop,
30 and supervise a management team to provide optimal investment
31 results; maintain oversight of investment and administrative
32 operations conducted by the board; develop an annual budget and a
33 salary and compensation guide for any managerial positions that are
34 not subject to Title 11A, Civil Service, of the New Jersey Statutes,
35 arrange board agendas with the approval of the board's chair;
36 appoint administrative staff; conduct the executive and
37 administrative functions of the Investment Committee; execute
38 contracts on behalf of the board; and perform any other
39 responsibilities designated to the executive director by the board.

40 The person employed by the board to hold the position of
41 executive director shall have, at a minimum upon commencement
42 of employment, a bachelor's degree from an accredited institution
43 of higher education, and at least five years of management
44 experience in accounting, finance, public administration,
45 government pension and retirement planning, investment banking,
46 financial consulting, money management, or a similar field. The
47 person shall meet all other requirements for employment as shall be
48 set forth in a standard adopted by the board. No member, retiree, or

1 other beneficiary of the system shall be eligible to hold the position
2 of executive director.

3 (b) The board of trustees shall have the authority to retain other
4 administrative and professional staff as required to implement the
5 duties and responsibilities required to ensure the smooth transition
6 of responsibilities and authority from the division to the board
7 pursuant to P.L. , c. (pending before the Legislature as this bill).
8 The board shall not employ a trustee and may employ a former
9 trustee only if the former trustee has not held the position of trustee
10 for more than two years.

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

16 (21) (a) The board of trustees shall select and employ a chief
17 investment officer, who shall oversee the management of funds and
18 investments with the State or private companies, coordinate the
19 transfer of assets from the State Treasurer, State Investment
20 Council, and Division of Investment to the board, and decide the
21 manner in which funds shall be invested. The chief investment
22 officer shall establish and maintain a policy to monitor and evaluate
23 the effectiveness of securities transactions executed on behalf of the
24 board. The chief investment officer shall report to the executive
25 director.

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

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

41 (22) The board of trustees shall select and employ an
42 ombudsman, who shall provide individual death and disability
43 consultation and information to plan members and their dependents;
44 answer questions from, and provide information to, members
45 related to the process of applying for retirement and retirement
46 benefits; coordinate with other State and local agencies on behalf of
47 members; maintain federal, State, and local death and disability
48 benefit resources; recommend policy changes to the board; conduct

1 educational presentations for employers on death and disability
2 benefit options for members; and publish information about the
3 organization of the board for members, employers, and the public.

4 (23) All members of the board of trustees and of the Investment
5 Committee shall participate in annual investment training as
6 directed by the board's executive director. In addition to the ethics
7 training required by paragraph (2) of subsection c. of this section,
8 the board shall adopt a policy requiring annually not less than 16
9 hours of continuing education in matters relating to the
10 administration of defined benefit retirement systems for public
11 employees and the fiduciary duty the board and its employees have
12 to the beneficiaries of the retirement system.

13 b. [There are established two committees, to be composed of
14 10 members each as follows, one for the State employees part of the
15 retirement system and one for the part of the retirement system with
16 employees of employers other than the State.

17 Each committee shall have five members who shall be appointed
18 by the Governor as representatives of public employers whose
19 employees are enrolled in the retirement system, two members who
20 shall be appointed by the head of the union representing the greatest
21 number of police officer members of the retirement system having
22 union membership, one member who shall be appointed by the head
23 of the union representing the second greatest number of police
24 officer members of the retirement system having union
25 membership, one member who shall be appointed by the head of the
26 union representing the greatest number of firefighter members of
27 the retirement system having union membership, and one member
28 who shall be appointed by the head of the union representing the
29 second greatest number of firefighter members of the retirement
30 system having union membership. The members of the committees
31 shall not be appointed until that part of the system attains the target
32 funded ratio.

33 The members of each committee shall serve for a term of three
34 years and until a successor is appointed and qualified. For each
35 committee, of the initial appointments by the Governor, two
36 members shall serve for two years and until a successor is appointed
37 and qualified, and two shall serve for one year and until a successor
38 is appointed and qualified. For each committee, of the initial
39 appointments by the head of the union representing the greatest
40 number of police officer members of the retirement system, the
41 members shall serve for two years and until a successor is appointed
42 and qualified. For each committee, of the initial appointment by the
43 head of the union representing the greatest number of firefighter
44 members of the retirement system, the member shall serve for one
45 year and until a successor is appointed and qualified.

46 For each committee, the members of the committee shall select a
47 chairperson from among the members, who shall serve for a term of
48 one year, with no member serving more than one term until all the

1 members of the committee have served a term in a manner
2 alternating among the employer representatives and employee
3 representatives, unless the committee determines otherwise with
4 regard to this process.

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

10 Upon the convening of any meeting of a committee, the members
11 shall consider a motion to assume the authority provided in this
12 subsection and shall proceed only if a majority of the members of
13 the committee vote in the affirmative on that motion.

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

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

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

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

35 **【**A committee shall give priority consideration to subparagraph
36 (2) of this paragraph. A committee**】** The board of trustees shall
37 have the discretionary authority to modify the conditions and
38 standards for the purchase of service credit for death benefits. The
39 board of trustees shall not have the authority to change the years of
40 creditable service required for vesting.

41 Unless the system has attained the target funded ratio as defined
42 in section 27 of P.L.2011, c.78 (C.43:3C-16), at least nine votes of
43 the authorized membership of the board shall be required to approve
44 any enhancement or reduction of a member benefit, including the
45 activation of the application of the "Pension Adjustment Act,"
46 P.L.1958, c.143 (C.43:3B-1 et seq.), for retirees, or to approve any
47 increase or decrease in the employee contribution rate or the

1 employer contribution that is more than what is recommended by
2 the actuary for the system for the purpose of the annual funding
3 requirements of the system.

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

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

13 **【The members of each committee shall have the same duty and**
14 **responsibility to the retirement system as do the members of the**
15 **board of trustees.】** No decision of **【a committee】** the board of
16 trustees shall be implemented if the direct or indirect result of the
17 decision will be that the funded ratio of that part falls below the
18 target funded ratio in any valuation period during the **【30】** five
19 years following the implementation of the decision. The actuary of
20 the system shall make a determination of the result in that regard
21 and submit that determination in a written report to the **【committee**
22 **and the board】** board of trustees prior to the implementation of the
23 decision.

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

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

32 A final action of the **【committee】** board of trustees under this
33 subsection shall be made by the adoption of a regulation that shall
34 identify the modifications to the system by reference to statutory
35 section. The regulations shall also specify the effective date of the
36 modification and the system members, including beneficiaries and
37 retirees, to whom the modification applies. Regulations of the
38 **【committee】** board of trustees are considered to be part of the plan
39 document for the system. A regulation adopted by the **【committee】**
40 board of trustees may be modified by regulation in order to comply
41 with the requirements of this section.

42 c. (1) No member of the board**【,】** or a committee of the board,
43 employee of the board, or employee of the Division of Pensions and
44 Benefits in the Department of the Treasury shall accept from any
45 person, whether directly or indirectly and whether by himself or
46 through his spouse or any member of his family, or through any

1 partner or associate, any gift, favor, service, employment or offer of
2 employment, or any other thing of value, including contributions to
3 the campaign of a member or employee as a candidate for elective
4 public office, which he knows or has reason to believe is offered to
5 him with intent to influence him in the performance of his public
6 duties and responsibilities. As used in this subsection, "person"
7 means an (1) individual or business entity, or officer or employee of
8 such an entity, who is seeking, or who holds, or who held within the
9 prior three years, a contract with the board; (2) an active or retired
10 member, or beneficiary, of the retirement system; or (3) an entity,
11 or officer or employee of such an entity, in which the assets of the
12 retirement system have been invested. A board or committee
13 member or employee violating this prohibition shall be guilty of a
14 crime of the third degree.

15 (2) The board shall adopt an ethics policy either identical to the
16 provisions of the "New Jersey Conflicts of Interest Law," P.L.1971,
17 c.182 (C.52:13D-12 et seq.) or more restrictive, but not less
18 restrictive. All trustees, officers, and employees of the board shall
19 participate in annual ethics training on the board's policy, the New
20 Jersey Conflicts of Interest Law, and any other applicable law, rule,
21 or standard of conduct relating to the area of ethics as directed by
22 the board's executive director.

23 d. The board of trustees shall have the authority to establish a
24 process for the review, approval, and appeal of applications for
25 retirement.

26 e. The board of trustees shall establish three committees as
27 follows:

28 (1) (a) An Audit Committee of no less than three members to
29 assist in the oversight of the financial reporting and audit processes
30 of the board of trustees. At least two of the members shall be
31 members of the board of trustees. At least one of the Audit
32 Committee members shall have accounting, governmental auditing,
33 or related financial expertise. If the board of trustees does not have
34 sufficient members qualified or available to serve on the Audit
35 Committee, or wishes to broaden the expertise on the Audit
36 Committee, the board of trustees may request that the State
37 Treasurer recommend one or more qualified individuals to sit on the
38 committee.

39 (b) The Audit Committee shall assist the board of trustees in
40 retaining an independent auditor to conduct an audit of the
41 retirement system's financial statements by making a
42 recommendation to the board of trustees after engaging in an
43 auditor selection process. The auditor selection process shall be
44 based upon public, competitive bidding principles and shall take
45 place no less than once every five years.

46 (c) In carrying out its duties, the Audit Committee shall
47 proactively assist the board of trustees in overseeing the integrity

1 and quality of the retirement system's finances and investments.

2 The Audit Committee shall:

3 (i) review and evaluate audit fees;

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

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

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

19 (v) review the audited financial statements and interim
20 statements and discuss them with the board of trustees. These
21 discussions shall include a review of particularly sensitive
22 accounting estimates, reserves and accruals, judgmental areas, audit
23 adjustments, whether recorded or not, and any other matters the
24 Audit Committee or independent auditor shall deem appropriate;

25 (vi) review internal control functions such as the planned scope
26 of internal audit reviews, adequacy of staffing, actions to be taken
27 as a result of internal audit findings, the effectiveness of electronic
28 data processing procedures, and controls and related security
29 programs;

30 (vii) recommend policies with respect to risk assessment and risk
31 management; and

32 (viii) establish a permanent position of internal auditor, who
33 shall be supervised by the executive director, but who may be
34 discharged only by an affirmative vote of the majority of the board.

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

42 (3) An Investment Committee of no less than three members to
43 assist in the oversight of the investments selected by the board of
44 trustees and the management of the investments of the retirement
45 system. The Investment Committee shall consist of two members
46 of the board of trustees, and one member who shall be the chief
47 investment officer of the board, and shall oversee investments and
48 make recommendations on investments to the board of trustees.

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

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

14

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

17 14. (1) The board of trustees shall be and are hereby constituted
18 trustees of the various funds and accounts established by this act【;】
19 provided, however, that all【 . All functions, powers and duties
20 relating to the investment or reinvestment of moneys of, and
21 purchase, sale or exchange of any investments or securities, of or
22 for any fund or account established under this act shall be exercised
23 and performed by the 【director of the Division of Investment in
24 accordance with the provisions of chapter 270, of the laws of 1950】
25 board. The 【secretary】 actuary of the board of trustees shall
26 determine from time to time the cash requirements of the various
27 funds and accounts established by this act and the amount available
28 for investment, all of which shall be certified to the 【Director of the
29 Division of Investment.

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

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

45 (3) (Deleted by amendment.)

46 (4) Except as otherwise herein provided, no trustee and no
47 employee of the board of trustees shall have any direct interest in

1 the gains or profits of any investments of the retirement system;
2 nor shall any trustee or employee of the board directly or
3 indirectly, for himself or as an agent in any manner use the moneys
4 of the retirement system, except to make such current and necessary
5 payments as are authorized by the board of trustees; nor shall any
6 trustee or employee of the board of trustees become an endorser or
7 surety, or in any manner an obligor for moneys loaned to or
8 borrowed from the retirement system.

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

10

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

13 15. (1) The contributions required for the support of the
14 retirement system shall be made by members and their employers.

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

19 (b) The board of trustees is authorized to make an adjustment to
20 the uniform contribution rate of the members set forth in this
21 subsection as the board deems reasonable, necessary, and
22 appropriate after consultation with, and the recommendation of, the
23 actuary. Any adjustment to a contribution rate shall be made at
24 such time and in such manner as the board shall determine. An
25 adjustment shall not implemented if the direct or indirect result of
26 the adjustment will be that the funded ratio of that part falls below
27 the target funded ratio in any valuation period during the five years
28 following the implementation of the decision.

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

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

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

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

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

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

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

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

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

9 With respect to the State, upon the basis of the tables
10 recommended by the actuary which the board adopts and regular
11 interest, the actuary shall annually determine if there is an amount
12 of the accrued liability, computed under the projected unit credit
13 method, which is not already covered by the assets of the retirement
14 system, valued in accordance with the asset valuation method
15 established in this section. This shall be known as the "unfunded
16 accrued liability." If there was no unfunded accrued liability for the
17 valuation period immediately preceding the current valuation
18 period, the actuary, using the total amount of this unfunded accrued
19 liability, shall compute the initial amount of contribution which, if
20 the contribution is paid annually in level dollars for a specific
21 period of time, will amortize this liability. The [State Treasurer
22 shall determine, upon the advice of the Director of the Division of
23 Pensions and Benefits, the] board of trustees [and] shall determine,
24 upon the advice of the actuary, the time period for full funding of
25 this liability, which shall not exceed 30 years. This shall be known
26 as the "accrued liability contribution." Thereafter, any increase or
27 decrease in the unfunded accrued liability as a result of actuarial
28 losses or gains for subsequent valuation years shall serve to increase
29 or decrease, respectively, the amortization period for the unfunded
30 accrued liability, unless an increase in the amortization period will
31 cause it to exceed 30 years. If an increase in the amortization period
32 as a result of actuarial losses for a valuation year would exceed 30
33 years, the accrued liability contribution shall be computed for the
34 valuation year in the same manner provided for the computation of
35 the initial accrued liability contribution under this section.
36 Beginning with the July 1, 2018 actuarial valuation, the accrued
37 liability contribution shall be computed so that if the contribution is
38 paid annually in level dollars, it will amortize this unfunded accrued
39 liability over a closed 30-year period. Beginning with the July 1,
40 2028 actuarial valuation, when the remaining amortization period
41 reaches 20 years, any increase or decrease in the unfunded accrued
42 liability as a result of actuarial losses or gains for subsequent
43 valuation years shall serve to increase or decrease, respectively, the
44 amortization period for the unfunded accrued liability, unless an
45 increase in the amortization period will cause it to exceed 20 years.
46 If an increase in the amortization period as a result of actuarial
47 losses for a valuation year would exceed 20 years, the accrued
48 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
30 subsection a. of this section, each new officer who begins
31 employment following the effective date of the ordinance or
32 resolution shall be required to enroll in the Police and Firemen's
33 Retirement System as a condition of employment, provided he is
34 otherwise eligible for membership by meeting appointment, age,
35 and health requirements prescribed for all members. As of the
36 effective date of the ordinance or resolution, eligibility for
37 membership of new officers in the Public Employees' Retirement
38 System shall be deemed terminated and the membership
39 requirements of such other retirement system shall be deemed
40 satisfied by the enrollment of such officers in the Police and
41 Firemen's Retirement System.

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

43

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

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

1 (C.43:10-18.50 et seq.) or article 2 of chapter 10 of Title 43 of the
2 Revised Statutes (R.S.43:10-19 et seq.), hereinafter referred to as a
3 "county pension fund" shall be permitted to transfer his
4 membership in said fund to the Police and Firemen's Retirement
5 System of New Jersey by waiving all rights and benefits which
6 would otherwise be provided by the Public Employees' Retirement
7 System or a county pension fund. Any such officer will likewise
8 be permitted to continue his membership in the Public Employees'
9 Retirement System or a county pension fund by waiving all rights
10 and benefits which would otherwise be provided by the Police and
11 Firemen's Retirement System. Such waivers shall be accomplished
12 by filing forms satisfactory to the **【New Jersey Division of**
13 **Pensions】** board of trustees, which is responsible for the
14 administration of the Police and Firemen's Retirement System,
15 within 90 days of the effective date of this 1975 amendatory and
16 supplementary act. In the absence of the filing of a timely waiver
17 by any eligible officer his pension status shall remain unchanged
18 and his membership shall not be transferred to the Police and
19 Firemen's Retirement System.

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

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

34

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

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

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

42

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

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

47 The Board of Trustees of the Public Employees' Retirement
48 System; the Board of Trustees of the State Police Retirement

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

11 (cf: P.L.1970, c.57, s.17)

12

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

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

20 The Consolidated Police and Firemen's Pension Fund;

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

22 The Prison Officers' Pension Fund;

23 The Public Employees' Retirement System of New Jersey;

24 The State Police Retirement System;

25 The Teachers' Pension and Annuity Fund;

26 The Judicial Retirement System of New Jersey;

27 The Trustees for the Support of Public Schools;

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

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

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

33

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

36 11. a. Limitations, conditions and restrictions contained in any
37 law concerning the kind or nature of investment of any of the
38 moneys of any of the funds or accounts referred to herein shall
39 continue in full force and effect; provided, however, that subject to
40 any acceptance required, or limitation or restriction contained
41 herein: the Director of the Division of Investment shall at all times
42 have authority to invest and reinvest any such moneys in
43 investments as defined in subsection c. of this section and, for or on
44 behalf of any such fund or account, to sell or exchange any such
45 investments; provided, however, that the Board of Trustees of the
46 Police and Firemen's Retirement System of New Jersey shall have
47 sole authority to invest and reinvest moneys for or on behalf of the
48 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. (New section) Beginning December 31 of the third year
16 next following the effective date of P.L. , c. (pending before the
17 Legislature as this bill) and every three years thereafter, the
18 Director of the Division of Investment shall compare the investment
19 rate of return attained by the Board of Trustees of the Police and
20 Firemen's Retirement System with the investment rate of return
21 attained by the division on behalf of the other State-administered
22 retirement systems. If the director determines that the investments
23 made by the board of trustees yielded a lower rate of return than the
24 investments made by the division on behalf of the other State-
25 administered retirement systems during the preceding three years,
26 then the board of trustees shall increase the employer contribution
27 and employee contribution rates. The board of trustees shall
28 increase the employer contribution and employee contribution rates
29 by an amount necessary to contribute to the retirement fund, within
30 two years, the difference between the investment returns that the
31 division would have attained with the division's rate of return for
32 the other State-administered retirement systems and the investment
33 returns attained by the board of trustees. The employee
34 contribution and employer contribution rates shall be increased by
35 the amount necessary for each to generate 50 percent of the amount
36 required to be contributed by this section.

37
38 41. Section 1 of P.L.1947, c.217 (C.43:16A-13.1) is repealed.

39
40 42. This act shall take effect on the 366th day next following
41 enactment, except the provisions concerning the election,
42 appointment, and composition of the new Board of Trustees of the
43 Police and Firemen's Retirement System, set forth in section 15 of
44 this act, shall take effect as specified in that section and the new
45 Board of Trustees of the Police and Firemen's Retirement System
46 shall take office on the first business day of the seventh month next
47 following the date of enactment of this act. The Board of Trustees
48 of the Police and Firemen's Retirement System, the Division of

1 Pensions and Benefits, and the Division of Investment may take
2 such anticipatory administrative action in advance as shall be
3 necessary for the implementation of the act.

4

5

6

STATEMENT

7

8 This bill transfers management of the Police and Firemen's
9 Retirement System from the Division of Pensions and Benefits in
10 the Department of the Treasury to the Board of Trustees of the
11 Police and Firemen's Retirement System.

12

13 Structure of the Board of Trustees

14

15 The bill changes the membership of the Board of Trustees of the
16 Police and Firemen's Retirement System (PFRS) from 11 to 15
17 members. The bill requires that the trustees be elected or appointed
18 six months after the date of enactment of the bill. Eight trustees
19 must be present at any meeting of the board for the transaction of its
20 business.

21 The bill requires the board of trustees to have a minimum of one
22 meeting each calendar month. The chair of the board of trustees, or
23 vice chair in the chair's absence, serves as the primary contact with
24 board staff, coordinates and approves meeting agendas, and has the
25 power to authorize any special staff action necessary to execute any
26 of the board's duties. The board may remove a trustee, upon a
27 majority vote of the trustees, for violating the trustee's oath of
28 office or if a trustee is absent without a valid excuse for more than
29 half of the board's meetings in any calendar year. The bill prohibits
30 any vacancy occurring on the board from lasting for more than 60
31 days.

32

33 *Employee Representatives*

34

35 Under the bill, the board will consist of three active policemen
36 and three active firemen. One policeman and one fireman will be
37 active members of the retirement system and elected by the active
38 members of the system. The remaining active policemen and
39 firemen will be appointed as follows:

40 one policeman appointed by the President of the New Jersey
41 State Policemen's Benevolent Association;

42 one policeman appointed by the President of the New Jersey
43 State Fraternal Order of Police;

44 one fireman appointed by the President of the New Jersey State
45 Firemen's Mutual Benevolent Association; and

46 one fireman appointed by the President of the Professional
47 Firefighters Association of New Jersey.

1 In addition, the board will contain one retiree from the system
2 elected by retirees from the system.

3

4 *Employer Representatives*

5

6 The Governor will appoint four trustees, who either hold, or have
7 held, an elective public office as a mayor, member of a municipal
8 council, or member of a board of chosen freeholders or is
9 employed, or has been employed, by a municipal or county
10 government as an administrator, manager, or chief financial officer
11 to represent the interests of local government employers. In
12 addition, one trustee is to be appointed by the New Jersey
13 Association of Counties and one trustee is to be appointed by the
14 New Jersey League of Municipalities.

15 The Governor will appoint one trustee, who holds or has held a
16 management or supervisory position in the Executive Branch of
17 State government at the level of division director or above to
18 represent the interests of State government. Finally, the Governor
19 will appoint one trustee to represent the interests of taxpayers. The
20 member appointed to represent taxpayers cannot be a member,
21 retiree, or other beneficiary of the system, State or local elected
22 official, or officer of a local, county, or State labor organization,
23 union, or affiliate that represents public employees.

24

25 Powers and Duties of the Board of Trustees

26

27 The bill vests with the board of trustees all the functions, powers,
28 and duties for, or relating to, investment or reinvestment of moneys,
29 and the purchase, sale or exchange of any investments or securities,
30 of or for any funds or accounts under the control and management
31 of the board. The Division of Investment in the Department of the
32 Treasury currently performs these functions and duties. Under the
33 bill, the board of trustees may make and execute agreements with
34 private enterprises that are necessary or convenient for the
35 management of the investments of the retirement system. The bill
36 requires the board to hire an executive director, actuary, chief
37 investment officer, and ombudsman. The bill creates an Audit
38 Committee and Actuary Committee to assist in the selection and
39 oversight of the auditors and actuary appointed by the board, and an
40 Investment Committee to assist in the oversight of the investments
41 selected by the board and the management of the investments of the
42 retirement system.

43 Under the bill, the board of trustees has the authority to establish
44 a process for the review, approval, and appeal of applications for
45 retirement. The bill provides the board of trustees with authority to
46 modify the system's member contribution rate; cap on creditable
47 compensation; formula for calculation of final compensation; age at
48 which a member may be eligible for and the benefits for service or

1 special retirement; and standards for approval, medical review
2 policies, and benefits provided for disability retirement. The bill
3 allows the board to reinstate cost of living adjustments for retirees.
4 The bill also allows the board of trustees to apply an adjustment to
5 the monthly retirement allowance or pension originally granted to
6 any member.

7 The bill provides that the board, with nine votes, may enhance
8 any benefit set forth in statute for the PFRS as the board determines
9 to be reasonable and appropriate, or modify any benefit. However,
10 if the retirement system reaches the target-funded ratio of 80
11 percent, then the board may approve an enhancement of benefits by
12 a simple majority. No decision of the board to enhance a benefit
13 may be implemented if the actuary finds that the direct or indirect
14 result of the decision will be that the funded ratio falls below the
15 target funded ratio in any valuation period during the five years
16 following the implementation of the decision.

17 The bill also requires all trustees, officers, and employees of the
18 board to participate in annual ethics training on the New Jersey
19 Conflicts of Interest Law and any other applicable law, rule, or
20 standard of conduct relating to the area of ethics.

21

22 Employer Contributions to PFRS

23

24 Moreover, the bill requires employers to pay to the board of
25 trustees their required contribution to the retirement system on a
26 quarterly basis. If employers do not make payment of the required
27 amount of an employer's obligation within 30 days of the due dates,
28 the board of trustees must notify the Director of the Division of
29 Local Government Services in the Department of Community
30 Affairs. Upon certification by the board to the director of an
31 employer contribution payment being 30 days past due, the director
32 will withhold any State aid payments that are disbursed by the
33 Division of Local Government Services from the employer in an
34 amount equal to the amount of the employer contribution due to the
35 board. The director will release the State aid payments held to the
36 employer upon certification by the board of its receipt of the
37 delinquent employer contribution.

38

39 Non-forfeitable Right

40

41 Moreover, the bill does not diminish the non-forfeitable right
42 PFRS members have to receive the benefits provided under State
43 law or affirmed by the State's courts. Nothing in the bill relieves
44 the State or local government employers of any past, present, or
45 future obligations or their normal cost or unfunded liabilities
46 required to be paid into the retirement system.

1 Safeguard Against Poor Investment Performance

2

3 The bill requires the Director of the Division of Investment to
4 compare the rate of return on investments attained by the board of
5 trustees with the rate of return attained by the division on behalf of
6 the other State-administered retirement systems every three years.
7 If the rate of return attained by the board of trustees underperforms
8 against the other pension funds, the employee and employer
9 contribution rates will be increased from the current statutory and
10 actuarially-determined contribution rates to make up the difference,
11 within two years, between the investment returns that the division
12 would have attained with its rate of return for the other systems and
13 the investment returns attained by the board of trustees. The
14 employee contribution and employer contribution rates will be
15 increased by the amount necessary for each to generate 50 percent
16 of the amount required to make up for the shortfall.

17

18 Effective Date

19

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