

ASSEMBLY, No. 402

STATE OF NEW JERSEY

219th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

Sponsored by:

Assemblyman EDWARD H. THOMSON

District 30 (Monmouth and Ocean)

SYNOPSIS

Requires PFRS to attain and maintain target funded ratio prior to enhancement of member benefits.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



1 **AN ACT** concerning the management of the Police and Firemen's
2 Retirement System and amending P.L.1944, c.255.

3

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

6

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

9 13. a. (1) Subject to the provisions of P.L.1955, c.70 (C.52:18A-
10 95 et seq.), the general responsibility for the proper operation of the
11 retirement system is hereby vested in a board of trustees, and, as
12 specified, the committees established pursuant to subsection e. of
13 this subsection. The board may with the approval of at least eight
14 members of the board, in its discretion and at such time and in such
15 manner as the board determines, enhance any benefit set forth in
16 P.L.1944, c.255 (C.43:16A-1 et seq.) as the board determines to be
17 reasonable and appropriate or modify any such benefit as an
18 alternative to an increase in the member contribution rate, which
19 increase the board determines to be reasonable, necessary, and
20 appropriate, or reinstate, when appropriate, such reduced benefit to
21 the statutory level without an additional contribution by the
22 member, so long as an actuarial certification provided by the
23 actuary demonstrates that such change will not result in an
24 increased employer contribution in the current year and that **[such**
25 **change will not impact the long term viability of the fund]** the
26 system has attained the target funded ratio of at least 80 percent and
27 shall maintain a funded ratio at or above 80 percent for five
28 valuation periods. The board shall act exclusively on behalf of the
29 contributing employers, active members of the retirement system,
30 and retired members as the fiduciary of the system. The primary
31 obligation of the board shall be to direct policies and investments to
32 achieve and maintain the full funding and continuation of the
33 retirement system for the exclusive benefit of its members.

34 (2) The board shall consist of 12 trustees as follows:

35 (a) (Deleted by amendment, P.L.2018, c.55)

36 (b) (Deleted by amendment, P.L.2018, c.55)

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

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

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

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

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

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

Matter underlined thus is new matter.

1 one fireman shall be appointed by the President of the
2 Professional Firefighters Association of New Jersey.

3 (ii) One policeman and one fireman who shall serve staggered
4 terms and shall be active members of the system and who shall be
5 elected by the active members of the system according to such rules
6 and regulations as the board of trustees shall adopt to govern such
7 election. The elected policeman shall serve for an initial term of
8 two years and the elected fireman shall serve for an initial term of
9 four years. Following their first term, all trustees elected pursuant
10 to this subparagraph shall serve four-year terms. An election to
11 select trustees, who are active members of the system, shall be held
12 no later than the first day of the fifth month next following the date
13 of enactment of P.L.2018, c.55.

14 (d) One retiree from the system who shall be elected by retirees
15 from the system for a term of four years according to such rules and
16 regulations as the board of trustees shall adopt to govern the
17 election. An election to select a trustee, who is a retiree from the
18 system, shall be held no later than the first day of the fifth month
19 next following the date of enactment of P.L.2018, c.55.

20 (e) Four trustees, to be appointed by the Governor, who shall
21 serve staggered terms and who either hold, or have held, an elective
22 public office as a mayor, member of a municipal council, or
23 member of a board of chosen freeholders or is employed, or has
24 been employed, by a municipal or county government as an
25 administrator, manager, or chief financial officer, to represent the
26 interests of local government employers. The Governor shall
27 appoint trustees pursuant to this subparagraph from among a list of
28 names submitted by the New Jersey League of Municipalities and
29 the New Jersey Association of Counties. Two trustees appointed by
30 the Governor pursuant to this subparagraph shall serve for an initial
31 term of two years and two trustees shall serve for an initial term of
32 four years. Following their first term, all trustees appointed
33 pursuant to this subparagraph shall serve four-year terms. The
34 Governor shall appoint trustees representing the interest of local
35 government employers pursuant to this subparagraph no later than
36 the first day of the seventh month next following the date of
37 enactment of P.L.2018, c.55.

38 (f) One trustee, to be appointed by the Governor, who holds or
39 has held a management or supervisory position in the Executive
40 Branch of State government at the level of division director or
41 above to represent the interests of State government. The trustee
42 appointed by the Governor pursuant to this subparagraph shall serve
43 for an initial term of two years. Following the trustee's first term,
44 the trustee appointed pursuant to this subparagraph shall serve four-
45 year terms. The Governor shall appoint a trustee representing the
46 interest of State government pursuant to this subparagraph no later
47 than the first day of the seventh month next following the date of
48 enactment of P.L.2018, c.55.

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

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

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

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

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

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

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

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

1 of the funds created by this act and for the transaction of the board's
2 business.

3 (8) (a) The board of trustees shall elect from its membership a
4 chair and vice chair. The chair, or vice chair in the chair's absence,
5 shall serve as the primary contact with board staff, coordinate and
6 approve meeting agendas, and shall have the power to authorize any
7 special staff action necessary to execute any of the board's duties.
8 The chair and vice chair shall not have the authority to discipline or
9 discharge an employee of the board unless authorized to take such
10 action by a majority of the trustees at a public meeting. The board
11 shall appoint a secretary of the board. The administration of the
12 program shall be performed by personnel selected by the board in
13 accordance with this section. The board, reconstituted pursuant to
14 P.L.2018, c.55, shall hold an initial meeting on the first business
15 day of the seventh month following the date of enactment of
16 P.L.2018, c.55. At the initial meeting of the board on the first
17 business day of the seventh month next following the date of
18 enactment of P.L.2018, c.55, the board shall contract with the
19 Division of Pensions and Benefits for the division to perform the
20 administrative tasks that the division performed prior to the
21 enactment of P.L.2018, c.55 and such other tasks as the board may
22 require. The division shall receive compensation from the board for
23 the performance of the administrative tasks that the division
24 performed prior to the enactment of P.L.2018, c.55 in an amount
25 equal to the cost the division incurred for the performance of those
26 administrative tasks prior to the enactment of that act. At the
27 expiration of the term of the contract negotiated by the board with
28 the division pursuant to this paragraph, the board may contract with
29 the division or with a private entity, pursuant to the provisions of
30 P.L.1954, c.48 (C.52:34-6 et seq.), to perform administrative tasks
31 that the board determines to be necessary or convenient for its
32 operation.

33 (b) A majority of the authorized membership of the board shall
34 constitute a quorum for the transaction of business.

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

43 (10) The board of trustees may, in its discretion, select and
44 employ, or contract with, legal counsel ¹with demonstrated
45 expertise in the law governing retirement systems for public or
46 private sector employees¹ to advise and represent the board. If the
47 board does not select and employ, or contract with, legal counsel,
48 the Attorney General of the State of New Jersey shall be the legal

1 adviser of the retirement system, except if the Attorney General
2 determines that a conflict of interest would affect the ability of the
3 Attorney General to represent the board or the committees on a
4 matter affecting the retirement system.

5 (11) The board of trustees shall designate a medical board. It
6 shall be composed of a minimum of three physicians who are not
7 eligible to participate in the retirement system. The medical board
8 shall pass upon all medical examinations required under the
9 provisions of this act, shall investigate all essential statements and
10 certificates by or on behalf of a member in connection with an
11 application for disability retirement, and shall report in writing to
12 the retirement system its conclusions and recommendations upon all
13 matters referred to it.

14 (12) The actuary of the system shall be selected by the board of
15 trustees. The actuary shall be the technical adviser of the board of
16 trustees on matters regarding the operation of the funds created by
17 the provisions of this act, and shall perform such other duties as are
18 required in connection therewith. The actuary shall be an
19 independent contractor retained by the board. The actuary shall
20 have demonstrated experience in providing actuarial services to
21 defined benefit retirement systems for public employees and be a
22 fellow with the Society of Actuaries and an active member of the
23 American Academy of Actuaries.

24 (13) The board of trustees, in consultation with the actuary, shall
25 establish actuarial funding policies for the system. At least once in
26 each three-year period the actuary shall make an actuarial
27 investigation into the mortality, service and compensation
28 experience of the members and beneficiaries of the retirement
29 system and, with the advice of the actuary, the board of trustees
30 shall adopt for the retirement system such mortality, service and
31 other tables as shall be deemed necessary and shall certify the rates
32 of contribution payable under the provisions of this act. The board
33 of trustees shall retain an independent actuary, as selected by the
34 State Treasurer, with demonstrated experience in providing
35 actuarial services to retirement systems for public or private sector
36 employees to review prior investigations into the mortality, service,
37 and compensation experience of the members and beneficiaries of
38 the retirement system and to review the three prior actuarial
39 valuations to certify that the actuary of the retirement system
40 conducted the investigations and valuations in accordance with
41 generally accepted actuarial standards.

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

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

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

1 (17) Each policeman or fireman member of the board of trustees
2 or the committees shall be entitled to time off from his duty, with
3 pay, during the periods of his attendance upon regular or special
4 meetings of the board of trustees or the committees, and such time
5 off shall include reasonable travel time required in connection
6 therewith.

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

9 (19) The board of trustees shall have authority to formulate and
10 establish, amend, modify or repeal such policies as it may deem
11 necessary or proper, which shall govern the methods, practices or
12 procedures for investment, reinvestment, purchase, sale or exchange
13 transactions to be followed by the Division of Investment. The
14 board may also review and approve agreements which may be
15 necessary or convenient for the management of the investments of
16 the retirement system. The board shall also have the authority to
17 inspect and audit the respective accounts and funds administered by
18 the Division of Investment, or a successor entity, and take
19 appropriate action as necessary to effectuate the long term viability
20 of the system. Notwithstanding this provision, Common Pension
21 Fund L and the assets held by Common Pension Fund L as of the
22 effective date of this Act and thereafter, including the interest of the
23 Police and Firemen's Retirement System of New Jersey therein,
24 shall remain within the Division of Investment. The Director of the
25 Division of Investment and the State Investment Council shall
26 retain all functions, powers, and duties relating to Common Pension
27 Fund L assigned to the Division of Investment, the Director of the
28 Division of Investment, and the State Investment Council by P.L.
29 2017, c. 98 (C.5:9-22.5 et seq.).

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

44 The person employed by the board to hold the position of
45 executive director shall have, at a minimum upon commencement
46 of employment, a bachelor's degree from an accredited institution
47 of higher education, and at least five years of management
48 experience in accounting, finance, public administration,

1 government pension and retirement planning , investment banking,
2 financial consulting, money management, or a similar field. The
3 person shall meet all other requirements for employment as shall be
4 set forth in a standard adopted by the board. No member, retiree, or
5 other beneficiary of the system shall be eligible to hold the position
6 of executive director.

7 The executive director shall serve without term but may be
8 removed from office, upon notice and opportunity to be heard at a
9 public hearing, subject to an affirmative vote of the majority of all
10 authorized members of the board of trustees. Any vacancy
11 occurring shall be filled in the same manner as the original
12 appointment. The executive director shall devote his entire time and
13 attention to the duties of the office and shall not be engaged in any
14 other occupation or profession. The executive director shall act as a
15 fiduciary to the retirement system and shall be under a duty to
16 perform the obligations set forth herein according to the interest of
17 the beneficiaries of the system.

18 (b) The board of trustees shall have the authority to retain other
19 administrative and professional staff as required to implement the
20 duties and responsibilities required to ensure the smooth transition
21 of responsibilities and authority from the division to the board
22 pursuant to P.L.2018, c.55. The board shall not employ a trustee
23 and may employ a former trustee only if the former trustee has not
24 held the position of trustee for more than two years.

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

30 (21) (a) The board of trustees shall select and employ a chief
31 investment officer, who shall oversee the development of the
32 methods, practices and procedures for investment, in coordination
33 with the Investment Committee. Notwithstanding this provision,
34 Common Pension Fund L and the assets held by Common Pension
35 Fund L as of the effective date of this Act and thereafter, including
36 the interest of the Police and Firemen's Retirement System of New
37 Jersey therein shall remain within the Division of Investment. The
38 Division of Investment and the Director of the Division of
39 Investment and the State Investment Council shall retain all
40 functions, powers, and duties relating to Common Pension Fund L
41 assigned to the Division of Investment, the Director of the Division
42 of Investment, and the State Investment Council by P.L. 2017, c. 98
43 (C.5:9-22.5 et seq.). The chief investment officer, in coordination
44 with the Investment Committee, shall establish and maintain a
45 policy to monitor and evaluate the effectiveness of investments
46 made on behalf of the board. The chief investment officer shall
47 report to the executive director.

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

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

23 (22) The board of trustees shall select and employ an
24 ombudsman, who shall provide individual death and disability
25 consultation and information to plan members and their dependents;
26 answer questions from, and provide information to, members
27 related to the process of applying for retirement and retirement
28 benefits; coordinate with other State and local agencies on behalf of
29 members; maintain federal, State, and local death and disability
30 benefit resources; recommend policy changes to the board; conduct
31 educational presentations for employers on death and disability
32 benefit options for members; and publish information about the
33 organization of the board for members, employers, and the public.

34 (23) All members of the board of trustees and of the Investment
35 Committee shall participate in annual investment training as
36 directed by the board's executive director. In addition to the ethics
37 training required by paragraph (2) of subsection c. of this section,
38 the board shall adopt a policy requiring annually not less than 16
39 hours of continuing education in matters relating to the
40 administration of defined benefit retirement systems for public
41 employees and the fiduciary duty the board and its employees have
42 to the beneficiaries of the retirement system.

43 b. The board of trustees shall have the discretionary authority
44 to:

45 (1) modify the: member contribution rate; cap on creditable
46 compensation; formula for calculation of final compensation; age at
47 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; and

3 (2) subject to the provisions of P.L.2018, c.55, activate the
4 application of the "Pension Adjustment Act," P.L.1958, c.143
5 (C.43:3B-1 et seq.) for retirees and modify the basis for the
6 calculation of the adjustment and set the duration and extent of the
7 activation. The board of trustees, after consultation with the
8 actuary, may apply an adjustment to the monthly retirement
9 allowance or pension originally granted to any member.

10 The board of trustees shall have the discretionary authority to
11 modify the conditions and standards for the purchase of service
12 credit for death benefits. The board of trustees shall not have the
13 authority to change the years of creditable service required for
14 vesting.

15 At least eight votes of the authorized membership of the board
16 shall be required to approve any enhancement or reduction of a
17 member benefit, including the activation of the application of the
18 "Pension Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et seq.), for
19 retirees, or to approve any increase or decrease in the employer
20 contribution that is more than what is recommended by the actuary
21 for the system for the purpose of the annual funding requirements of
22 the system. An actuarial certification must be provided by the
23 actuary prior to any enhancement or reduction of a member benefit,
24 including the activation of the application of the "Pension
25 Adjustment Act," P.L.1958, c.143 (C.43:3B et. seq.), showing that
26 such change will not result in an increased employer contribution in
27 the current year and that **such change will not impact the long term**
28 **viability of the fund】 the system has attained the target funded ratio**
29 **of at least 80 percent and shall maintain a funded ratio at or above**
30 **80 percent for five valuation periods.**

31 The board of trustees may consider a matter described in this
32 subsection and render a decision notwithstanding that the provisions
33 of the statutory law may set forth a specific requirement on that
34 matter.

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

39 A final action of the board of trustees under this subsection shall
40 be made by the adoption of a regulation that shall identify the
41 modifications to the system by reference to statutory section. The
42 regulations shall also specify the effective date of the modification
43 and the system members, including beneficiaries and retirees, to
44 whom the modification applies. Regulations of the board of
45 trustees are considered to be part of the plan document for the
46 system. A regulation adopted by the board of trustees may be
47 modified by regulation in order to comply with the requirements of
48 this section.

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

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

28 d. The board of trustees shall have the authority to establish a
29 process for the review, approval, and appeal of applications for
30 retirement.

31 e. The board of trustees shall establish three committees as
32 follows:

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

44 (b) The Audit Committee shall assist the board of trustees in
45 retaining an independent auditor to conduct an audit of the
46 retirement system's financial statements by making a
47 recommendation to the board of trustees after engaging in an
48 auditor selection process. The auditor selection process shall be

- 1 based upon public, competitive bidding principles and shall take
2 place no less than once every five years.
- 3 (c) In carrying out its duties, the Audit Committee shall
4 proactively assist the board of trustees in overseeing the integrity
5 and quality of the retirement system's finances and investments.
6 The Audit Committee shall:
- 7 (i) review and evaluate audit fees;
- 8 (ii) when the committee believes that the auditor's performance
9 is not adequate in quality or independence, recommend such steps
10 as may be necessary to elicit appropriate performance, including
11 replacement of the auditor;
- 12 (iii) at least once every three years, obtain and review a report
13 of the independent auditor describing for the preceding year: the
14 independent auditor's internal quality control procedures; any
15 material issues raised by the most recent internal quality control
16 peer review, or by reviews conducted by governmental or
17 professional authorities; and steps taken by the auditor to address
18 such issues;
- 19 (iv) regularly review with the independent auditor any audit
20 problems, any risks of material statements due to fraud, and
21 difficulties involving restrictions or attempts to restrict the auditor's
22 activities and restrictions on access to information;
- 23 (v) review the audited financial statements and interim
24 statements and discuss them with the board of trustees. These
25 discussions shall include a review of particularly sensitive
26 accounting estimates, reserves and accruals, judgmental areas, audit
27 adjustments, whether recorded or not, and any other matters the
28 Audit Committee or independent auditor shall deem appropriate;
- 29 (vi) review internal control functions such as the planned scope
30 of internal audit reviews, adequacy of staffing, actions to be taken
31 as a result of internal audit findings, the effectiveness of electronic
32 data processing procedures, and controls and related security
33 programs;
- 34 (vii) recommend policies with respect to risk assessment and
35 risk management; and
- 36 (viii) establish a permanent position of internal auditor, who
37 shall be supervised by the executive director, but who may be
38 discharged only by an affirmative vote of the majority of the board.
- 39 (2) An Actuary Committee of no less than three members to
40 assist in the selection and oversight of the actuary appointed by the
41 board of trustees. The Actuary Committee shall review the
42 performance of the actuary appointed by the board of trustees. If
43 the performance of the actuary is not adequate in quality, the
44 committee shall recommend such steps as may be necessary to elicit
45 appropriate performance, including replacement of the actuary.
- 46 (3) An Investment Committee of no less than three members to
47 assist in the oversight of the investment policies selected by the
48 board of trustees. The Investment Committee shall consist of two

1 members of the board of trustees, and one member who shall be the
2 chief investment officer of the board, and shall oversee investments
3 and make recommendations on investments to the board of trustees.
4 A majority of the Investment Committee members, one of which
5 may be the Chief Investment Officer, shall be qualified by training,
6 experience or long-term interest in the direct management, analysis,
7 supervision or investment of assets and this training, experience or
8 long-term interest shall have been supplemented by academic
9 training in the fields of economics, business, law, finance or
10 actuarial science or by actual employment in those fields. If the
11 board of trustees does not have sufficient members qualified or
12 available to serve on the Investment Committee, or determines to
13 broaden the expertise of the Investment Committee, the board of
14 trustees may request that the State Treasurer recommend one or
15 more qualified individuals to sit on the committee.

16 f. At the end of six years following the enactment date of
17 P.L.2018, c.55, the board of trustees shall conduct a review of the
18 performance and funding levels of the retirement system, as
19 compared to available market data including but, not limited to, the
20 performance of the State Investment Council and Division of
21 Investment with regard to the investment of other State-
22 administered retirement systems or funds and other appropriate
23 benchmarks, and may, based on a majority vote of the authorized
24 membership of the board, petition the Legislature to consider
25 legislation that reverts control of the system from the Board of
26 Trustees to the State Investment Council and the Division of
27 Investment.

28 (cf: P.L.2018, c.55, s.15)

29

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

32 15. (1) The contributions required for the support of the
33 retirement system shall be made by members and their employers.

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

38 (b) The board of trustees is authorized to make an adjustment to
39 the uniform contribution rate of the members set forth in this
40 subsection as the board deems reasonable, necessary, and
41 appropriate with the approval of at least eight members of the board
42 after consultation with, and the recommendation of, the actuary.
43 Any adjustment to a contribution rate shall be made at such time
44 and in such manner as the board shall determine upon certification
45 by the actuary that such change will not result in an increased
46 employer contribution in the current year and that **the system has**
47 **attained the target funded ratio of at least 80 percent and shall**
48

1 maintain a funded ratio at or above 80 percent for five valuation
2 periods.

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

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

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

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

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

20 (8) The deductions provided for herein shall be made
21 notwithstanding that the minimum salary provided for by law for
22 any member shall be reduced thereby. Every member shall be
23 deemed to consent and agree to the deductions made and provided
24 for herein, and payment of salary or compensation less said
25 deduction shall be a full and complete discharge and acquittance of
26 all claims and demands whatsoever for the service rendered by such
27 person during the period covered by such payment, except as to the
28 benefits provided under this act. The chief fiscal officer of each
29 employer shall certify to the retirement system in such manner as
30 the board of trustees may prescribe, the amounts deducted; and
31 when deducted shall be paid into said annuity savings fund, and
32 shall be credited to the individual account of the member from
33 whose salary said deduction was made.

34 (9) With respect to employers other than the State, upon the
35 basis of the tables recommended by the actuary which the board
36 adopts and regular interest, the actuary shall compute the amount of
37 the accrued liability as of June 30, 1991 under the projected unit
38 credit method, which is not already covered by the assets of the
39 retirement system, valued in accordance with the asset valuation
40 method established in this section. Using the total amount of this
41 unfunded accrued liability, the actuary shall compute the initial
42 amount of contribution which, if the contribution is paid annually in
43 level dollars for a specific period of time, will amortize this
44 liability. The board of trustees shall determine, upon the advice of
45 the actuary, the time period for full funding of this liability, which
46 shall not exceed 40 years on initial application of this section as
47 amended by this act, P.L.1994, c.62. This shall be known as the
48 "accrued liability contribution." Any increase or decrease in the

1 unfunded accrued liability as a result of actuarial losses or gains for
2 the 10 valuation years following valuation year 1991 shall serve to
3 increase or decrease, respectively, the unfunded accrued liability
4 contribution. Thereafter, any increase or decrease in the unfunded
5 accrued liability as a result of actuarial losses or gains for
6 subsequent valuation years shall serve to increase or decrease,
7 respectively, the amortization period for the unfunded accrued
8 liability, unless an increase in the amortization period will cause it
9 to exceed 30 years. If an increase in the amortization period as a
10 result of actuarial losses for a valuation year would exceed 30 years,
11 the accrued liability contribution shall be computed for the
12 valuation year in the same manner provided for the computation of
13 the initial accrued liability contribution under this section.
14 Beginning with the July 1, 2018 actuarial valuation, the accrued
15 liability contribution shall be computed so that if the contribution is
16 paid annually in level dollars, it will amortize this unfunded accrued
17 liability over a closed 30-year period. Beginning with the July 1,
18 2028 actuarial valuation, when the remaining amortization period
19 reaches 20 years, any increase or decrease in the unfunded accrued
20 liability as a result of actuarial losses or gains for subsequent
21 valuation years shall serve to increase or decrease, respectively, the
22 amortization period for the unfunded accrued liability, unless an
23 increase in the amortization period will cause it to exceed 20 years.
24 If an increase in the amortization period as a result of actuarial
25 losses for a valuation year would exceed 20 years, the accrued
26 liability contribution shall be computed for the valuation year in the
27 same manner provided for the computation of the initial accrued
28 liability contribution under this section.

29 With respect to the State, upon the basis of the tables
30 recommended by the actuary which the board adopts and regular
31 interest, the actuary shall annually determine if there is an amount
32 of the accrued liability, computed under the projected unit credit
33 method, which is not already covered by the assets of the retirement
34 system, valued in accordance with the asset valuation method
35 established in this section. This shall be known as the "unfunded
36 accrued liability." If there was no unfunded accrued liability for the
37 valuation period immediately preceding the current valuation
38 period, the actuary, using the total amount of this unfunded accrued
39 liability, shall compute the initial amount of contribution which, if
40 the contribution is paid annually in level dollars for a specific
41 period of time, will amortize this liability. The board of trustees
42 shall determine, upon the advice of the actuary, the time period for
43 full funding of this liability, which shall not exceed 30 years. This
44 shall be known as the "accrued liability contribution." Thereafter,
45 any increase or decrease in the unfunded accrued liability as a result
46 of actuarial losses or gains for subsequent valuation years shall
47 serve to increase or decrease, respectively, the amortization period
48 for the unfunded accrued liability, unless an increase in the

1 amortization period will cause it to exceed 30 years. If an increase
2 in the amortization period as a result of actuarial losses for a
3 valuation year would exceed 30 years, the accrued liability
4 contribution shall be computed for the valuation year in the same
5 manner provided for the computation of the initial accrued liability
6 contribution under this section. Beginning with the July 1, 2018
7 actuarial valuation, the accrued liability contribution shall be
8 computed so that if the contribution is paid annually in level
9 dollars, it will amortize this unfunded accrued liability over a closed
10 30-year period. Beginning with the July 1, 2028 actuarial
11 valuation, when the remaining amortization period reaches 20 years,
12 any increase or decrease in the unfunded accrued liability as a result
13 of actuarial losses or gains for subsequent valuation years shall
14 serve to increase or decrease, respectively, the amortization period
15 for the unfunded accrued liability, unless an increase in the
16 amortization period will cause it to exceed 20 years. If an increase
17 in the amortization period as a result of actuarial losses for a
18 valuation year would exceed 20 years, the accrued liability
19 contribution shall be computed for the valuation year in the same
20 manner provided for the computation of the initial accrued liability
21 contribution under this section.

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

26 The value of the assets, excluding the special asset value set
27 forth in section 38 of P.L.2010, c.1 (C.43:3C-14), to be used in the
28 computation of the contributions provided for under this section for
29 valuation periods shall be the value of the assets for the preceding
30 valuation period increased by the regular interest rate, plus the net
31 cash flow for the valuation period (the difference between the
32 benefits and expenses paid by the system and the contributions to
33 the system) increased by one half of the regular interest rate, plus
34 20% of the difference between this expected value and the full
35 market value of the assets as of the end of the valuation period.
36 This shall be known as the "valuation assets." Notwithstanding the
37 first sentence of this paragraph, the valuation assets for the
38 valuation period ending June 30, 1995 shall be the full market value
39 of the assets as of that date and, with respect to the valuation assets
40 allocated to the State, shall include the proceeds from the bonds
41 issued pursuant to the "Pension Bond Financing Act of 1997,"
42 P.L.1997, c.114 (C.34:1B-7.45 et seq.), paid to the system by the
43 New Jersey Economic Development Authority to fund the unfunded
44 accrued liability of the system. Notwithstanding the first sentence of
45 this paragraph, the percentage of the difference between the
46 expected value and the full market value of the assets to be added to
47 the expected value of the assets for the valuation period ending June
48 30, 1998 for the State shall be 100% and for other employers shall

1 be 57% plus such additional percentage as is equivalent to
2 \$150,000,000. Notwithstanding the first sentence of this paragraph,
3 the amount of the difference between the expected value and the
4 full market value of the assets to be added to the expected value of
5 the assets for the valuation period ending June 30, 1999 shall
6 include an additional amount of the market value of the assets
7 sufficient to fund (1) the unfunded accrued liability for the
8 supplementary "special retirement" allowances provided under
9 subsection b. of section 16 of P.L.1964, c.241 (C.43:16A-11.1) and
10 (2) the unfunded accrued liability for the full credit toward benefits
11 under the retirement system for service credited in the Public
12 Employees' Retirement System and transferred pursuant to section 1
13 of P.L.1993, c.247 (C.43:16A-3.8) and the reimbursement of the
14 cost of any credit purchase pursuant to section 3 of P.L.1993, c.247
15 (C.43:16A-3.10) provided under section 1 of P.L.2001, c.201
16 (C.43:16A-3.14).

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

1 P.L.2003, c.108 as amending section 16 of P.L.1964, c.241
2 (C.43:16A-11.1) payable on behalf of the active members employed
3 by other employers as of the valuation period over the expected
4 working lives of the active members in accordance with the tables
5 of actuarial assumptions applicable to the valuation period, if the
6 sum is greater than zero.

7 If there are excess valuation assets allocated to the State or to the
8 other employers for the valuation period ending June 30, 1995, the
9 normal contributions payable by the State or by the other employers
10 for the valuation periods ending June 30, 1995, and June 30, 1996
11 which have not yet been paid to the retirement system shall be
12 reduced to the extent possible by the excess valuation assets
13 allocated to the State or to the other employers, respectively,
14 provided that with respect to the excess valuation assets allocated to
15 the State, the General Fund balances that would have been paid to
16 the retirement system except for this provision shall first be
17 allocated as State aid to public schools to the extent that additional
18 sums are required to comply with the May 14, 1997 decision of the
19 New Jersey Supreme Court in *Abbott v. Burke*.

20 If there are excess valuation assets allocated to the other
21 employers for the valuation period ending June 30, 1998, the
22 accrued liability contributions payable by the other employers for
23 the valuation period ending June 30, 1997 shall be reduced to the
24 extent possible by the excess valuation assets allocated to the other
25 employers.

26 If there are excess valuation assets allocated to the State or to the
27 other employers for a valuation period ending after June 30, 1998,
28 the State Treasurer may reduce the normal contribution payable by
29 the State or by other employers for the next valuation period as
30 follows:

31 (1) for valuation periods ending June 30, 1996 through June 30,
32 2000, to the extent possible by up to 100% of the excess valuation
33 assets allocated to the State or to the other employers, respectively;

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

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

40 (4) for valuation periods ending June 30, 2003 through June 30,
41 2007, to the extent possible by up to 50% of the excess valuation
42 assets allocated to the State or to the other employers, respectively.

43 Notwithstanding the discretion provided to the State Treasurer in
44 the previous paragraph to reduce the amount of the normal
45 contribution payable by employers other than the State, the State
46 Treasurer shall reduce the amount of the normal contribution
47 payable by employers other than the State by \$150,000,000 in the
48 aggregate for the valuation period ending June 30, 1998, and then

1 the State Treasurer may reduce further pursuant to the provisions of
2 the previous paragraph the normal contribution payable by such
3 employers for that valuation period.

4 The normal and accrued liability contributions shall be certified
5 annually by the retirement system and shall be included in the
6 budget of the employer and levied and collected in the same manner
7 as any other taxes are levied and collected for the payment of the
8 salaries of members.

9 Notwithstanding the preceding sentence, the normal and accrued
10 liability contributions to be included in the budget of and paid by
11 the employer other than the State shall be as follows: for the
12 payment due in the State fiscal year ending on June 30, 2004, 20%
13 of the amount certified by the retirement system; for the payment
14 due in the State fiscal year ending on June 30, 2005, a percentage of
15 the amount certified by the retirement system as the State Treasurer
16 shall determine but not more than 40%; for the payment due in the
17 State fiscal year ending on June 30, 2006, a percentage of the
18 amount certified by the retirement system as the State Treasurer
19 shall determine but not more than 60%; and for the payment due in
20 the State fiscal year ending on June 30, 2007, a percentage of the
21 amount certified by the retirement system as the State Treasurer
22 shall determine but not more than 80%.

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

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

1 The actuaries for the retirement system shall determine the
2 unfunded liability of the retirement system, by employer, for the
3 reduced normal and accrued liability contributions provided under
4 P.L.2009, c.19. This unfunded liability shall be paid by the
5 employer in level annual payments over a period of 15 years
6 beginning with the payments due in the State fiscal year ending
7 June 30, 2012 and shall be adjusted by the rate of return on the
8 actuarial value of assets.

9 The retirement system shall annually certify to each employer
10 the contributions due to the contingent reserve fund for the liability
11 under P.L.2009, c.19. The contributions certified by the retirement
12 system shall be paid by the employer to the retirement system on or
13 before the date prescribed by law for payment of employer
14 contributions for basic retirement benefits. If payment of the full
15 amount of the contribution certified is not made within 30 days
16 after the last date for payment of employer contributions for basic
17 retirement benefits, interest at the rate of 10% per year shall be
18 assessed against the unpaid balance on the first day after the
19 thirtieth day.

20 (10) The treasurer or corresponding officer of the employer shall
21 pay to the board of trustees no later than April 1 of the State's fiscal
22 year in which payment is due the amount so certified as payable by
23 the employer, and shall pay monthly to the board of trustees the
24 amount of the deductions from the salary of the members in the
25 employ of the employer, and the board of trustees shall credit such
26 amount to the appropriate fund or funds, of the retirement system.

27 If payment of the required amount of the employer's obligation is
28 not made within 30 days of the due dates established by this act,
29 interest at the rate of 10% per annum shall commence to run against
30 the unpaid balance thereof on the first day after such 30th day.
31 Nothing in P.L.2018, c.55 shall relieve State or local government
32 employers of any present or future obligations of their normal cost
33 or unfunded liabilities required to be paid into the retirement
34 system.

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

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

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

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

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

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

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

38 (cf: P.L.2018, c.55, s.17)

39
40 3. This act shall take effect immediately.

41 42 43 STATEMENT

44
45 This bill will require the Police and Firemen's Retirement
46 System (PFRS) to attain a target funded ratio of at least 80 percent
47 and be able to maintain that target funded ratio of 80 percent or
48 above for five valuation periods, as certified by the actuary of the

- 1 system, before the board of the PFRS is allowed to enhance or
- 2 modify any benefit or make any adjustment to the uniform
- 3 contribution rate of the members.