

# SENATE, No. 1310

## STATE OF NEW JERSEY 219th LEGISLATURE

INTRODUCED FEBRUARY 10, 2020

**Sponsored by:**

**Senator SHIRLEY K. TURNER**

**District 15 (Hunterdon and Mercer)**

**Senator BRIAN P. STACK**

**District 33 (Hudson)**

**SYNOPSIS**

Reinstates automatic COLA for retirement benefits of members of the State-administered retirement systems.

**CURRENT VERSION OF TEXT**

As introduced.



(Sponsorship Updated As Of: 3/5/2020)

1   **AN ACT** concerning cost-of-living adjustments for retirement  
2       benefits of members of the State-administered retirement  
3       systems, and amending various parts of the statutory law.

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

7  
8       1. N.J.S.18A:66-56 is amended to read as follows:

9       18A:66-56. a. (1) Subject to the provisions of chapter 70 of the  
10      laws of 1955, the general responsibility for the proper operation of  
11      the teachers' pension and annuity fund shall be vested in the board  
12      of trustees, and, as specified, in the committee established pursuant  
13      to subsection b. of this section. Subject to the limitations of the law,  
14      the board shall annually establish rules and regulations for the  
15      administration and transaction of the board's and committee's  
16      business and for the control of the funds created by this article.  
17      Such rules and regulations shall be consistent with those adopted by  
18      the other pension funds within the Division of Pensions and  
19      Benefits in order to permit the most economical and uniform  
20      administration of all such retirement systems. The committee shall  
21      adopt such regulations as provided in subsection b. of this section.

22      (2) The membership of the board shall consist of the following:

23      (a) The State Treasurer or the deputy State Treasurer, when  
24      designated for that purpose by the State Treasurer;

25      (b) Two trustees appointed by the Governor, with the advice and  
26      consent of the Senate, who shall serve for a term of office of three  
27      years and until their successors are appointed, and who shall be  
28      private citizens of the State of New Jersey and who are neither an  
29      officer thereof nor active or retired members of the system, except  
30      that of the two trustees initially appointed by the Governor pursuant  
31      to P.L.1992, c.41 (C.43:6A-33.1 et al.), one shall be appointed for a  
32      term of two years and one for a term of three years;

33      (c) Three trustees from among the active or retired members of  
34      the retirement system, elected by the membership or by the  
35      delegates elected for this purpose by the membership, one of whom  
36      shall be elected each year for a three-year term commencing on  
37      January 1, following such election in such manner as the board of  
38      trustees may prescribe. If the board of trustees determines that the  
39      election of trustees under this subsection is to be made by delegates  
40      elected by the membership, it shall prescribe that those delegates  
41      shall be chosen from among active and retired members of the  
42      retirement system;

43      (d) One trustee not an active or retired teacher nor an officer of  
44      the State, elected by the other trustees, other than the State  
45      Treasurer, for a term of three years.

**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 (3) A vacancy occurring in the board of trustees shall be filled  
2 in the same manner as provided in this section for regular  
3 appointment or election to the position where the vacancy exists,  
4 except that a vacancy occurring in the trustees elected from among  
5 the active or retired members of the retirement system shall be  
6 filled for the unexpired term.

7 Each member of the board shall, upon appointment or election,  
8 take an oath of office that, so far as it devolves upon him, he will  
9 diligently and honestly administer the board's affairs, and that he  
10 will not knowingly violate or willfully permit to be violated any  
11 provision of law applicable to this article. The oath shall be  
12 subscribed to by the member making it, certified by the officer  
13 before whom it is taken and filed immediately in the office of the  
14 Secretary of State.

15 Each trustee shall be entitled to one vote in the board and a  
16 majority of all the votes of the entire board shall be necessary for a  
17 decision by the board of trustees at a meeting of the board or  
18 committee. The board shall keep a record of all its proceedings,  
19 which shall be open to public inspection.

20 The members of the board shall serve without compensation but  
21 shall be reimbursed for any necessary expenditures. No employee  
22 shall suffer loss of salary or wages through serving on the board.

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

33 b. There is established a committee to be composed of eight  
34 members, four of whom shall be appointed by the Governor as  
35 representatives of public employers whose employees are enrolled  
36 in the retirement system, three of whom shall be appointed by the  
37 head of the union representing the greatest number of members of  
38 the retirement system having union membership, and one of whom  
39 shall be appointed by the head of the union representing the second  
40 greatest number of members of the retirement system having union  
41 membership. The members of the committee shall not be appointed  
42 until the system, or part of the system, attains the target funded  
43 ratio.

44 The members of the committee shall serve for a term of three  
45 years and until a successor is appointed and qualified. Of the initial  
46 appointments by the Governor, two members shall serve for two  
47 years and until a successor is appointed and qualified, and one shall  
48 serve for one year and until a successor is appointed and qualified.

1 Of the initial appointments by the head of the union representing  
2 the greatest number of members of the retirement system, one  
3 member shall serve for two years and until a successor is appointed  
4 and qualified, and one shall serve for one year and until a successor  
5 is appointed and qualified.

6 The members of the committee shall select a chairperson from  
7 among the members, who shall serve for a term of one year, with no  
8 member serving more than one term, until all the members of the  
9 committee have served a term in a manner alternating among the  
10 employer representatives and employee representatives, unless the  
11 committee determines otherwise with regard to this process.

12 The provisions of paragraph (3) of subsection a. of this section,  
13 and N.J.S.18A:66-60, shall apply to the committee and its members,  
14 as appropriate.

15 Upon the convening of any meeting of the committee, the  
16 members shall consider a motion to assume the authority provided  
17 in this subsection and shall proceed only if a majority of the  
18 members of the committee vote in the affirmative on that motion.

19 The committee may contract with such actuaries or consultants,  
20 or both, in accordance with the provisions of P.L.1954, c.48  
21 (C.52:34-6 et seq.), as the committee may deem necessary to  
22 perform its duties, when the system or part of the system has  
23 attained the target funded ratio.

24 When the retirement system, or a part of the system, has attained  
25 the target funded ratio as defined in section 27 of P.L.2011, c.78  
26 (C. ), the committee shall have the discretionary authority for  
27 the system or for that part, as appropriate, to **[(1)]** modify the:  
28 member contribution rate; formula for calculation of final  
29 compensation; the fraction of compensation applied to service  
30 credited after the modification; age at which a member may be  
31 eligible for and the benefits for service or early retirement; and  
32 benefits provided for disability retirement **];** and (2) activate the  
33 application of the "Pension Adjustment Act," P.L.1958, c.143  
34 (C.43:3B-1 et seq.) for retirees for the period that the system or part  
35 is at or above the target funded ratio and modify the basis for the  
36 calculation of the adjustment and set the duration and extent of the  
37 activation. The committee shall give priority consideration to  
38 subparagraph (2) of this paragraph**].** The committee shall not have  
39 the authority to change the years of creditable service required for  
40 vesting.

41 The committee may consider a matter described above and  
42 render a decision notwithstanding that the provisions of the  
43 statutory law may set forth a specific requirement on that matter.

44 The committee may consider a matter described above and  
45 render a decision notwithstanding that the provisions of the  
46 statutory law do not set forth a specific requirement on the  
47 considered aspect of that matter or address that matter at all.

1       The members of the committee shall have the same duty and  
2 responsibility to the retirement system as do the members of the  
3 board of trustees. No decision of the committee shall be  
4 implemented if the direct or indirect result of the decision will be  
5 that the system's or part's funded ratio falls below the target funded  
6 ratio in any valuation period during the 30 years following the  
7 implementation of the decision. The actuary of the fund shall make  
8 a determination of the result in that regard and submit that  
9 determination in a written report to the committee and the board  
10 prior to the implementation of the decision.

11       If any matter before the committee receives at least five votes in  
12 the affirmative, the board of trustees shall approve and implement  
13 the committee's decision.

14       If any matter regarding benefits before the committee receives  
15 four votes in the affirmative and four votes in the negative or the  
16 committee otherwise reaches an impasse on a decision, the  
17 provisions of section 33 of P.L.2011, c.78 (C.43:3C-17) shall be  
18 followed.

19       A final action of the committee shall be made by the adoption of  
20 a regulation that shall identify the modifications to the system by  
21 reference to statutory section. The regulations shall also specify the  
22 effective date of the modification and the system members,  
23 including beneficiaries and retirees, to whom the modification  
24 applies. Regulations of the committee are considered to be part of  
25 the plan document for the system. A regulation adopted by the  
26 committee may be modified by regulation in order to comply with  
27 the requirements of this section.

28       c. No member of the board, committee, employee of the board,  
29 or employee of the Division of Pensions and Benefits in the  
30 Department of the Treasury shall accept from any person, whether  
31 directly or indirectly and whether by himself or through his spouse  
32 or any member of his family, or through any partner or associate,  
33 any gift, favor, service, employment or offer of employment, or any  
34 other thing of value, including contributions to the campaign of a  
35 member or employee as a candidate for elective public office, which  
36 he knows or has reason to believe is offered to him with intent to  
37 influence him in the performance of his public duties and  
38 responsibilities. As used in this paragraph, "person" means an (1)  
39 individual or business entity, or officer or employee of such an  
40 entity, who is seeking, or who holds, or who held within the prior  
41 three years, a contract with the board; (2) an active or retired  
42 member, or beneficiary, of the retirement system; or (3) an entity,  
43 or officer or employee of such an entity, in which the assets of the  
44 retirement system have been invested. A board or committee  
45 member or employee violating this prohibition shall be guilty of a  
46 crime of the third degree.  
47 (cf: P.L.2011, c.78, s.1)

1       2. Section 29 of P.L.1973, c.140 (C.43:6A-29) is amended to  
2 read as follows:

3       29. a. Subject to the provisions of P.L.1955, c.70 (C.52:18A-95  
4 to 52:18A-104), the general responsibility for the proper operation  
5 of the retirement system is hereby vested in the State House  
6 Commission.

7       b. Except as otherwise herein provided, no member of the State  
8 House Commission shall have any direct interest in the gains or  
9 profits of any investments of the retirement system, nor shall any  
10 member of the State House Commission directly or indirectly, for  
11 himself or as an agent in any manner use the moneys of the  
12 retirement system, except to make such current and necessary  
13 payments as are authorized by the commission; nor shall any  
14 member of the State House Commission become an endorser or  
15 surety, or in any manner an obligor for moneys loaned to or  
16 borrowed from the retirement system.

17       c. For purposes of this act, each member of the State House  
18 Commission shall be entitled to one vote and a majority vote of all  
19 members shall be necessary for any decision by the commission at  
20 any meeting of said commission.

21       d. Subject to the limitations of this act, the State House  
22 Commission shall annually establish rules and regulations for the  
23 administration of the funds created by this act and for the  
24 transaction of its business. Such rules and regulations shall be  
25 consistent with those adopted by the other pension funds within the  
26 Division of Pensions and Benefits in order to permit the most  
27 economical and uniform administration of all such retirement  
28 systems.

29       e. The actuary of the system shall be selected by the  
30 Retirement Systems Actuary Selection Committee established by  
31 P.L.1992, c.125. He shall be the technical adviser of the  
32 commission on matters regarding the operation of the funds created  
33 by the provisions of this act and shall perform such other duties as  
34 are required in connection herewith.

35       f. The Attorney General shall be the legal adviser of the  
36 retirement system, except that if the Attorney General determines  
37 that a conflict of interest would affect the ability of the Attorney  
38 General to represent the commission on a matter affecting the  
39 retirement system, the commission may select and employ legal  
40 counsel to advise and represent the commission on that matter.

41       g. The Director of the Division of Pensions and Benefits of the  
42 State Department of the Treasury shall be the secretary of the  
43 commission for purposes pertaining to the provisions of this act.

44       h. For purposes of this act, the State House Commission shall  
45 keep a record of all of its proceedings which shall be open to public  
46 inspection. The retirement system shall publish annually a report  
47 showing the fiscal transactions of the retirement system for the  
48 preceding year, the amount of the accumulated cash and securities

1 of the system and the last balance sheet showing the financial  
2 condition of the system by means of any actuarial valuation of the  
3 assets and liabilities of the retirement system.

4 i. The State Treasurer shall designate a medical board after  
5 consultation with the Director of the Division of Pensions and  
6 Benefits. It shall be composed of three physicians. The medical  
7 board shall pass on all medical examinations required under the  
8 provisions of this act, and shall report in writing to the retirement  
9 system its conclusions and recommendations upon all matters  
10 referred to it.

11 j. When the retirement system has attained the target funded  
12 ratio as defined in section 27 of P.L.2011, c.78 (C.43:3C-16), the  
13 commission shall have the discretionary authority for the system to  
14 **[(1)]** modify the: member contribution rate; formula for calculation  
15 of final salary; age at which a member may be eligible for and the  
16 benefits for service or early retirement; and benefits provided for  
17 disability retirement **];** and (2) activate the application of the  
18 "Pension Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et seq.) for  
19 retirees for the period that the system is at or above the target  
20 funded ratio and modify the basis for the calculation of the  
21 adjustment and set the duration and extent of the activation. The  
22 commission shall give priority consideration to subparagraph (2) of  
23 this paragraph**].** The commission shall not have the authority to  
24 change the years of creditable service required for vesting.

25 The commission may consider a matter described above and  
26 render a decision notwithstanding that the provisions of the  
27 statutory law may set forth a specific requirement on that matter.

28 The commission may consider a matter described above and  
29 render a decision notwithstanding that the provisions of the  
30 statutory law do not set forth a specific requirement on the  
31 considered aspect of that matter or address that matter at all.

32 No decision of the commission shall be implemented if the direct  
33 or indirect result of the decision will be that the system's funded  
34 ratio falls below the target funded ratio in any valuation period  
35 during the 30 years following the implementation of the decision.  
36 The actuary of the system shall make a determination of the result  
37 in that regard and submit that determination in a written report to  
38 the commission prior to the implementation of the decision.

39 If any matter before the commission receives a majority vote, the  
40 commission shall implement the decision.

41 A final action of the commission shall be made by the adoption  
42 of a regulation that shall identify the modifications to the system by  
43 reference to statutory section. The regulations shall also specify the  
44 effective date of the modification and the system members,  
45 including beneficiaries and retirees, to whom the modification  
46 applies. Regulations of the commission are considered to be part of  
47 the plan document for the system. A regulation adopted by the

1 commission may be modified by regulation in order to comply with  
2 the requirements of this section.

3 k. No member of the commission, employee of the  
4 commission, or employee of the Division of Pensions and Benefits  
5 in the Department of the Treasury shall accept from any person,  
6 whether directly or indirectly and whether by himself or through his  
7 spouse or any member of his family, or through any partner or  
8 associate, any gift, favor, service, employment or offer of  
9 employment, or any other thing of value, including contributions to  
10 the campaign of a member or employee as a candidate for elective  
11 public office, which he knows or has reason to believe is offered to  
12 him with intent to influence him in the performance of his public  
13 duties and responsibilities. As used in this subsection, "person"  
14 means an (1) individual or business entity, or officer or employee of  
15 such an entity, who is seeking, or who holds, or who held within the  
16 prior three years, a contract with the commission; or (2) an active or  
17 retired member, or beneficiary, of the retirement system. A  
18 member or employee violating this prohibition shall be guilty of a  
19 crime of the third degree.  
20 (cf: P.L.2011, c.78, s.2)

21  
22 3. Section 17 of P.L.1954, c.84 (C.43:15A-17) is amended to  
23 read as follows:

24 17. a. (1) Subject to the provisions of P.L.1955, c.70 the  
25 general responsibility for the proper operation of the Public  
26 Employees' Retirement System shall be vested in the board of  
27 trustees, and, as specified, the committees established pursuant to  
28 subsection b. of this section. Subject to the limitations of the law,  
29 the board shall annually establish rules and regulations for the  
30 administration and transaction of the board's and committees'  
31 business and for the control of the funds created by this subtitle.  
32 Such rules and regulations shall be consistent with those adopted by  
33 the other pension funds within the Division of Pensions and  
34 Benefits in order to permit the most economical and uniform  
35 administration of all such retirement systems. The committees shall  
36 adopt such regulations as provided in subsection b. of this section.

37 (2) The membership of the board shall consist of the following:

38 (a) Two trustees appointed by the Governor, with the advice and  
39 consent of the Senate, who shall serve for a term of office of three  
40 years and until their successors are appointed, who shall be private  
41 citizens of the State of New Jersey and who are neither an officer  
42 thereof nor active or retired members of the system. Of the two  
43 trustees initially appointed by the Governor pursuant to P.L.1992,  
44 c.41 (C.43:6A-33.1 et al.), one shall be appointed for a term of two  
45 years and one for a term of three years.

46 (b) The State Treasurer or the Deputy State Treasurer, when  
47 designated for that purpose by the State Treasurer.

1 (c) Three trustees elected for a term of three years by the  
2 member employees of the State from among the active or retired  
3 State members of the retirement system in a manner prescribed by  
4 the board of trustees.

5 (d) One trustee elected for a term of three years by the member  
6 employees of counties from among the active or retired county  
7 members of the retirement system and the same method of holding  
8 an election from time to time used for the State employees'  
9 representatives shall be followed in elections held for county  
10 representatives.

11 (e) Two trustees elected for a term of three years by the member  
12 employees of municipalities from among the active or retired  
13 municipal members of the retirement system and the same method  
14 of holding an election from time to time used for the State  
15 employees' representatives shall be followed in elections held for  
16 municipal representatives.

17 (3) A vacancy occurring in the board of trustees shall be filled  
18 by the appointment or election of a successor in the same manner as  
19 his predecessor.

20 Each member of the board shall, upon appointment or election,  
21 take an oath of office that, so far as it devolves upon him, he will  
22 diligently and honestly administer the board's affairs, and that he  
23 will not knowingly violate or willfully permit to be violated any  
24 provision of law applicable to this act. The oath shall be subscribed  
25 to by the member making it, certified by the officer before whom it  
26 is taken and filed immediately in the office of the Secretary of  
27 State.

28 Each trustee shall be entitled to one vote in the board and a  
29 majority of all the votes of the entire board shall be necessary for a  
30 decision by the board of trustees at a meeting of the board. The  
31 board shall keep a record of all its proceedings, which shall be open  
32 to public inspection.

33 The members of the board shall serve without compensation but  
34 shall be reimbursed for any necessary expenditures. No employee  
35 shall suffer loss of salary or wages through the serving on the  
36 board.

37 (4) The State Treasurer shall designate a medical board after  
38 consultation with the Director of the Division of Pensions and  
39 Benefits, subject to veto by the board of trustees for valid reason. It  
40 shall be composed of three physicians who are not eligible to  
41 participate in the retirement system. The medical board shall pass  
42 upon all medical examinations required under the provisions of this  
43 act, shall investigate all essential statements and certificates by or  
44 on behalf of a member in connection with an application for  
45 disability retirement, and shall report in writing to the retirement  
46 system its conclusions and recommendations upon all matters  
47 referred to it.

1       b. There are established two committees, to be composed of  
2 eight members each as follows, one for the State employees part of  
3 the retirement system and one for the part of the retirement system  
4 with employees of employers other than the State.

5       Each committee shall have four members who shall be appointed  
6 by the Governor as representatives of public employers whose  
7 employees are enrolled in the retirement system, and four members  
8 who shall be appointed by the Public Employee Committee of the  
9 AFL-CIO with the four appointments to be allocated among the  
10 unions representing members of the retirement system having union  
11 membership in a manner that results in the unions representing a  
12 greater number of members receiving more appointments than the  
13 unions representing fewer members. The members of the  
14 committees shall not be appointed until that part of the system  
15 attains the target funded ratio.

16       The members of each committees shall serve for a term of three  
17 years and until a successor is appointed and qualified. For each  
18 committee, of the initial appointments by the Governor, two  
19 members shall serve for two years and until a successor is appointed  
20 and qualified, and one shall serve for one year and until a successor  
21 is appointed and qualified. For each committee, of the initial  
22 appointments by the Public Employee Committee of the AFL-CIO,  
23 one member shall serve for two years and until a successor is  
24 appointed and qualified, and one shall serve for one year and until a  
25 successor is appointed and qualified.

26       For each committee, the members of the committee shall select a  
27 chairperson from among the members, who shall serve for a term of  
28 one year, with no member serving more than one term until all the  
29 members of that committee have served a term in a manner  
30 alternating among the employer representatives and employee  
31 representatives, unless the committee determines otherwise with  
32 regard to this process.

33       The provisions of paragraph (3) of subsection a. of this section,  
34 and section 36 of P.L.1954, c.84 (C.43:15A-36), shall apply to each  
35 committee and its members, as appropriate.

36       Upon the convening of any meeting of a committee, the members  
37 shall consider a motion to assume the authority provided in this  
38 subsection and shall proceed only if a majority of the members of  
39 the committee vote in the affirmative on that motion.

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

45       When a part of the system has attained the target funded ratio as  
46 defined in section 27 of P.L.2011, c.78 (C.43:3C-16), the committee  
47 for that part shall have the discretionary authority for that part to  
48 **[(1)]** modify the: member contribution rate; formula for calculation

1 of final compensation; the fraction of compensation applied to  
2 service credited after the modification; age at which a member may  
3 be eligible for and the benefits for service or early retirement; and  
4 benefits provided for disability retirement **1**; and (2) activate the  
5 application of the "Pension Adjustment Act," P.L.1958, c.143  
6 (C.43:3B-1 et seq.) for retirees for the period that the part is at or  
7 above the target funded ratio and modify the basis for the  
8 calculation of the adjustment and set the duration and extent of the  
9 activation. A committee shall give priority consideration to  
10 subparagraph (2) of this paragraph**1**. A committee shall not have  
11 the authority to change the years of creditable service required for  
12 vesting.

13 Each committee may consider a matter described above and  
14 render a decision notwithstanding that the provisions of the  
15 statutory law may set forth a specific requirement on that matter.

16 Each committee may consider a matter described above and  
17 render a decision notwithstanding that the provisions of the  
18 statutory law do not set forth a specific requirement on the  
19 considered aspect of that matter or address that matter at all.

20 The members of each committee shall have the same duty and  
21 responsibility to the retirement system as do the members of the  
22 board of trustees. No decision of a committee shall be implemented  
23 if the direct or indirect result of the decision will be that the funded  
24 ratio of that part falls below the target funded ratio in any valuation  
25 period during the 30 years following the implementation of the  
26 decision. The actuary of the fund shall make a determination of the  
27 result in that regard and submit that determination in a written  
28 report to the committee and the board prior to the implementation of  
29 the decision.

30 If any matter before a committee receives at least five votes in  
31 the affirmative, the board of trustees shall approve and implement  
32 the committee's decision.

33 If any matter regarding benefits before a committee receives four  
34 votes in the affirmative and four votes in the negative or a  
35 committee otherwise reaches an impasse on a decision, the  
36 provisions of section 33 of P.L.2011, c.78 (C.43:3C-17) shall be  
37 followed.

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

47 c. No member of the board, committee, employee of the board,  
48 or employee of the Division of Pensions and Benefits in the

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

18 (cf: P.L.2011, c.78, s.3)

19

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

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

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

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

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

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

- 1 (i) Two policemen and two firemen who shall be active  
2 members of the system and who shall be appointed as follows:  
3 one policeman shall be appointed by the President of the New  
4 Jersey State Policemen's Benevolent Association;  
5 one policeman shall be appointed by the President of the New  
6 Jersey State Fraternal Order of Police;  
7 one fireman shall be appointed by the President of the New  
8 Jersey State Firemen's Mutual Benevolent Association; and  
9 one fireman shall be appointed by the President of the  
10 Professional Firefighters Association of New Jersey.
- 11 (ii) One policeman and one fireman who shall serve staggered  
12 terms and shall be active members of the system and who shall be  
13 elected by the active members of the system according to such rules  
14 and regulations as the board of trustees shall adopt to govern such  
15 election. The elected policeman shall serve for an initial term of  
16 two years and the elected fireman shall serve for an initial term of  
17 four years. Following their first term, all trustees elected pursuant  
18 to this subparagraph shall serve four-year terms. An election to  
19 select trustees, who are active members of the system, shall be held  
20 no later than the first day of the fifth month next following the date  
21 of enactment of P.L.2018, c.55.
- 22 (d) One retiree from the system who shall be elected by retirees  
23 from the system for a term of four years according to such rules and  
24 regulations as the board of trustees shall adopt to govern the  
25 election. An election to select a trustee, who is a retiree from the  
26 system, shall be held no later than the first day of the fifth month  
27 next following the date of enactment of P.L.2018, c.55.
- 28 (e) Four trustees, to be appointed by the Governor, who shall  
29 serve staggered terms and who either hold, or have held, an elective  
30 public office as a mayor, member of a municipal council, or  
31 member of a board of chosen freeholders or is employed, or has  
32 been employed, by a municipal or county government as an  
33 administrator, manager, or chief financial officer, to represent the  
34 interests of local government employers. The Governor shall  
35 appoint trustees pursuant to this subparagraph from among a list of  
36 names submitted by the New Jersey League of Municipalities and  
37 the New Jersey Association of Counties. Two trustees appointed by  
38 the Governor pursuant to this subparagraph shall serve for an initial  
39 term of two years and two trustees shall serve for an initial term of  
40 four years. Following their first term, all trustees appointed  
41 pursuant to this subparagraph shall serve four-year terms. The  
42 Governor shall appoint trustees representing the interest of local  
43 government employers pursuant to this subparagraph no later than  
44 the first day of the seventh month next following the date of  
45 enactment of P.L.2018, c.55.
- 46 (f) One trustee, to be appointed by the Governor, who holds or  
47 has held a management or supervisory position in the Executive  
48 Branch of State government at the level of division director or

1 above to represent the interests of State government. The trustee  
2 appointed by the Governor pursuant to this subparagraph shall serve  
3 for an initial term of two years. Following the trustee's first term,  
4 the trustee appointed pursuant to this subparagraph shall serve four-  
5 year terms. The Governor shall appoint a trustee representing the  
6 interest of State government pursuant to this subparagraph no later  
7 than the first day of the seventh month next following the date of  
8 enactment of P.L.2018, c.55.

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

24 A member shall be permitted to participate in meetings of the  
25 board by teleconference.

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

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

45 (c) Trustees appointed pursuant to part (i) of subparagraph (c) of  
46 paragraph (2) of this subsection shall serve at the pleasure of the  
47 official who appointed the trustee, but may be removed pursuant to  
48 paragraph (3) of this subsection.

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

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

7 (7) Subject to the limitations of this act, the board of trustees  
8 shall annually establish rules and regulations for the administration  
9 of the funds created by this act and for the transaction of the board's  
10 business.

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

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

43 (9) The board of trustees shall keep a record of all of its  
44 proceedings which shall be open to public inspection. The  
45 retirement system shall publish annually a report showing the fiscal  
46 transactions of the retirement system for the preceding year, the  
47 amount of the accumulated cash and securities of the system, and  
48 the last balance sheet showing the financial condition of the system

1 by means of an actuarial valuation of the assets and liabilities of the  
2 retirement system.

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

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

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

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

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

38 (20) (a) The board of trustees shall select and employ an  
39 executive director, who shall be responsible for recommending and  
40 implementing the strategic direction of the board from an  
41 operational perspective. The executive director shall provide  
42 strategic direction, planning, and leadership to the board; organize,  
43 develop, and supervise a management team to provide optimal  
44 results; maintain oversight of administrative operations conducted  
45 by the board; develop an annual budget and a salary and  
46 compensation guide for any managerial positions that are not  
47 subject to Title 11A, Civil Service, of the New Jersey Statutes,  
48 arrange board agendas with the approval of the board's chair;

1 appoint administrative staff; execute contracts on behalf of the  
2 board; and perform any other responsibilities designated to the  
3 executive director by the board. The person employed by the board  
4 to hold the position of executive director shall have, at a minimum  
5 upon commencement of employment, a bachelor's degree from an  
6 accredited institution of higher education, and at least five years of  
7 management experience in accounting, finance, public  
8 administration, government pension and retirement planning,  
9 investment banking, financial consulting, money management, or a  
10 similar field. The person shall meet all other requirements for  
11 employment as shall be set forth in a standard adopted by the board.  
12 No member, retiree, or other beneficiary of the system shall be  
13 eligible to hold the position of executive director.

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

25 (b) The board of trustees shall have the authority to retain other  
26 administrative and professional staff as required to implement the  
27 duties and responsibilities required to ensure the smooth transition  
28 of responsibilities and authority from the division to the board  
29 pursuant to P.L.2018, c.55. The board shall not employ a trustee  
30 and may employ a former trustee only if the former trustee has not  
31 held the position of trustee for more than two years.

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

37 (21) (a) The board of trustees shall select and employ a chief  
38 investment officer, who shall oversee the development of the  
39 methods, practices and procedures for investment, in coordination  
40 with the Investment Committee. Notwithstanding this provision,  
41 Common Pension Fund L and the assets held by Common Pension  
42 Fund L as of the effective date of this Act and thereafter, including  
43 the interest of the Police and Firemen's Retirement System of New  
44 Jersey therein shall remain within the Division of Investment. The  
45 Division of Investment and the Director of the Division of  
46 Investment and the State Investment Council shall retain all  
47 functions, powers, and duties relating to Common Pension Fund L  
48 assigned to the Division of Investment, the Director of the Division

1 of Investment, and the State Investment Council by P.L.2017, c.98  
2 (C.5:9-22.5 et seq.). The chief investment officer, in coordination  
3 with the Investment Committee, shall establish and maintain a  
4 policy to monitor and evaluate the effectiveness of investments  
5 made on behalf of the board. The chief investment officer shall  
6 report to the executive director.

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

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

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

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

1       b. The board of trustees shall have the discretionary authority  
2 to~~to~~: (1)~~to~~ modify the: member contribution rate; cap on creditable  
3 compensation; formula for calculation of final compensation; age at  
4 which a member may be eligible for and the benefits for service or  
5 special retirement; and standards for approval, medical review  
6 policies, and benefits provided for disability retirement ~~to~~; and

7       (2) subject to the provisions of P.L.2015, c.55, activate the  
8 application of the "Pension Adjustment Act," P.L.1958, c.143  
9 (C.43:3B-1 et seq.) for retirees and modify the basis for the  
10 calculation of the adjustment and set the duration and extent of the  
11 activation~~to~~. The board of trustees, after consultation with the  
12 actuary, may apply an adjustment to the monthly retirement  
13 allowance or pension originally granted to any member.

14       The board of trustees shall have the discretionary authority to  
15 modify the conditions and standards for the purchase of service  
16 credit for death benefits. The board of trustees shall not have the  
17 authority to change the years of creditable service required for  
18 vesting.

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

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

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

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

1 system. A regulation adopted by the board of trustees may be  
2 modified by regulation in order to comply with the requirements of  
3 this section.

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

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

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

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

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

47 (b) The Audit Committee shall assist the board of trustees in  
48 retaining an independent auditor to conduct an audit of the

1 retirement system's financial statements by making a  
2 recommendation to the board of trustees after engaging in an  
3 auditor selection process. The auditor selection process shall be  
4 based upon public, competitive bidding principles and shall take  
5 place no less than once every five years.

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

10 (i) review and evaluate audit fees;

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

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

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

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

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

37 (vii) recommend policies with respect to risk assessment and risk  
38 management; and

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

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

1       (3) An Investment Committee of no less than three members to  
2 assist in the oversight of the investment policies selected by the  
3 board of trustees. The Investment Committee shall consist of two  
4 members of the board of trustees, and one member who shall be the  
5 chief investment officer of the board, and shall oversee investments  
6 and make recommendations on investments to the board of trustees.  
7 A majority of the Investment Committee members, one of which  
8 may be the Chief Investment Officer, shall be qualified by training,  
9 experience or long-term interest in the direct management, analysis,  
10 supervision or investment of assets and this training, experience or  
11 long-term interest shall have been supplemented by academic  
12 training in the fields of economics, business, law, finance or  
13 actuarial science or by actual employment in those fields. If the  
14 board of trustees does not have sufficient members qualified or  
15 available to serve on the Investment Committee, or determines to  
16 broaden the expertise of the Investment Committee, the board of  
17 trustees may request that the State Treasurer recommend one or  
18 more qualified individuals to sit on the committee.

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

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

32

33       5. Section 30 of P.L.1965, c.89 (C.53:5A-30) is amended to  
34 read as follows:

35       30. a. Subject to the provisions of P.L.1955, c.70 (C.52:18A-95  
36 et seq.), the general responsibility for the proper operation of the  
37 retirement system is hereby vested in the board of trustees, and, as  
38 specified, the committee established pursuant to subsection o. of  
39 this section.

40       b. The board shall consist of five trustees as follows:

41       (1) Two active or retired members of the system who shall be  
42 appointed by the Superintendent of State Police, who shall serve at  
43 the pleasure of the superintendent and until their successors are  
44 appointed and one of whom shall be or shall have been a  
45 commissioned officer of the Division of State Police.

46       (2) Two members to be appointed by the Governor, with the  
47 advice and consent of the Senate, who shall serve for a term of  
48 office of three 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 active or retired members of the  
3 system. Of the two members initially appointed by the Governor  
4 pursuant to P.L.1992, c.125 (C.43:4B-1 et al.), one shall be  
5 appointed for a term of two years and one for a term of three years.

6 (3) The State Treasurer ex officio. The Deputy State Treasurer,  
7 when designated for that purpose by the State Treasurer, may sit as  
8 a member of the board of trustees and when so sitting shall have all  
9 the powers and shall perform all the duties vested by this act in the  
10 State Treasurer.

11 c. Each trustee shall, after his appointment, take an oath of  
12 office that, so far as it devolves upon him, he will diligently and  
13 honestly fulfill his duties as a board member, that he will not  
14 knowingly violate or permit to be violated any of the provisions of  
15 the law applicable to the retirement system. Such oath shall be  
16 subscribed by the member taking it, and certified by the official  
17 before whom it is taken, and immediately filed in the office of the  
18 Secretary of State.

19 d. If a vacancy occurs in the office of a trustee, the vacancy  
20 shall be filled in the same manner as the office was previously  
21 filled.

22 e. The trustees shall serve without compensation, but they shall  
23 be reimbursed by the State for all necessary expenses that they may  
24 incur through service on the board. No employee member shall  
25 suffer loss of salary through the serving on the board.

26 f. Except as otherwise herein provided, no member of the  
27 board of trustees shall have any direct interest in the gains or profits  
28 of any investments of the retirement system; nor shall any member  
29 of the board of trustees directly or indirectly, for himself or as an  
30 agent in any manner use the moneys of the retirement system,  
31 except to make such current and necessary payments as are  
32 authorized by the board of trustees; nor shall any member of the  
33 board of trustees become an endorser or surety, or in any manner an  
34 obligor for moneys loaned to or borrowed from the retirement  
35 system.

36 g. Each trustee shall be entitled to one vote in the board. A  
37 majority vote of all trustees shall be necessary for any decision by  
38 the trustees at any meeting of said board.

39 h. Subject to the limitations of this act, the board of trustees  
40 shall annually establish rules and regulations for the administration  
41 of the funds created by this act and for the transactions of the  
42 board's and committee's business. Such rules and regulations shall  
43 be consistent with those adopted by the other pension funds within  
44 the Division of Pensions and Benefits in order to permit the most  
45 economical and uniform administration of all such retirement  
46 systems. The committee shall adopt such regulations as provided in  
47 subsection o. of this section.

1 i. The actuary of the fund shall be selected by the Retirement  
2 Systems Actuary Selection Committee established by P.L.1992,  
3 c.125. He shall be the technical adviser of the board and the  
4 committee on matters regarding the operation of the funds created  
5 by the provisions of this act and shall perform such other duties as  
6 are required in connection herewith.

7 j. The Attorney General shall be the legal adviser of the  
8 retirement system, except that if the Attorney General determines  
9 that a conflict of interest would affect the ability of the Attorney  
10 General to represent the board or the committee on a matter  
11 affecting the retirement system, the board may select and employ  
12 legal counsel to advise and represent the board or the committee on  
13 that matter.

14 k. The Director of the Division of Pensions and Benefits of the  
15 State Department of the Treasury shall appoint a qualified member  
16 of the division who shall be the secretary of the board.

17 l. The board of trustees shall keep a record of all of its  
18 proceedings which shall be open to public inspection. The  
19 retirement system shall publish annually a report showing the fiscal  
20 transactions of the retirement system for the preceding year, the  
21 amount of the accumulated cash and securities of the system and the  
22 last balance sheet showing the financial condition of the system by  
23 means of an actuarial valuation of the assets and liabilities of the  
24 retirement system.

25 m. The State Treasurer shall designate a medical board after  
26 consultation with the Director of the Division of Pensions and  
27 Benefits, subject to veto by the board of trustees for valid reason. It  
28 shall be composed of three physicians. The medical board shall  
29 pass on all medical examinations required under the provisions of  
30 this act, and shall report in writing to the retirement system its  
31 conclusions and recommendations upon all matters referred to it.

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

33 o. There is established a committee to be composed of eight  
34 members, four of whom shall be appointed by the Governor as  
35 representatives of the public employer whose employees are  
36 enrolled in the retirement system, three of whom shall be appointed  
37 by the head of the State Troopers Fraternal Association, and one of  
38 whom shall be appointed by the head of the union representing the  
39 greatest number of members of the retirement system who are  
40 supervisory officers having union membership. The members of  
41 the committee shall not be appointed until the system attains the  
42 target funded ratio.

43 The members of the committee shall serve for a term of three  
44 years and until a successor is appointed and qualified. Of the initial  
45 appointments by the Governor, two members shall serve for two  
46 years and until a successor is appointed and qualified, and one shall  
47 serve for one year and until a successor is appointed and qualified.  
48 Of the initial appointments by the State Troopers Fraternal

1 Association, one member shall serve for two years and until a  
2 successor is appointed and qualified, and one shall serve for one  
3 year and until a successor is appointed and qualified.

4 The members of the committee shall select a chairperson from  
5 among the members, who shall serve for a term of one year, with no  
6 member serving more than one term until all the members of the  
7 committee have served a term in a manner alternating among the  
8 employer representatives and employee representatives, unless the  
9 committee determines otherwise with regard to this process.

10 The provisions of subsections c. through g., inclusive, of this  
11 section shall apply to the committee and its members, as  
12 appropriate. The committee shall keep a record of all of its  
13 proceedings which shall be open to public inspection.

14 Upon the convening of any meeting of the committee, the  
15 members shall consider a motion to assume the authority provided  
16 in this subsection and shall proceed only if a majority of the  
17 members of the committee vote in the affirmative on that motion.

18 The committee may contract with such actuaries or consultants,  
19 or both, in accordance with the provisions of P.L.1954, c.48  
20 (C.52:34-6 et seq.), as the committee may deem necessary to  
21 perform its duties, when the system has attained the target funded  
22 ratio.

23 When the retirement system has attained the target funded ratio  
24 as defined in section 27 of P.L.2011, c.78 (C.43:3C-16), the  
25 committee shall have the discretionary authority for the system to  
26 **[(1)]** modify the: member contribution rate; formula for calculation  
27 of final compensation or final salary; age at which a member may  
28 be eligible for and the benefits for service or special retirement; and  
29 benefits provided for disability retirement **];** and (2) activate the  
30 application of the "Pension Adjustment Act," P.L.1958, c.143  
31 (C.43:3B-1 et seq.) for retirees for the period that the system is at or  
32 above the target funded ratio and modify the basis for the  
33 calculation of the adjustment and set the duration and extent of the  
34 activation. The committee shall give priority consideration to  
35 subparagraph (2) of this paragraph**].** The committee shall not have  
36 the authority to change the years of creditable service required for  
37 vesting.

38 The committee may consider a matter described above and  
39 render a decision notwithstanding that the provisions of the  
40 statutory law may set forth a specific requirement on that matter.

41 The committee may consider a matter described above and  
42 render a decision notwithstanding that the provisions of the  
43 statutory law do not set forth a specific requirement on the  
44 considered aspect of that matter or address that matter at all.

45 The members of the committee shall have the same duty and  
46 responsibility to the retirement system as do the members of the  
47 board of trustees. No decision of the committee shall be  
48 implemented if the direct or indirect result of the decision will be

1 that the system's funded ratio falls below the target funded ratio in  
2 any valuation period during the 30 years following the  
3 implementation of the decision. The actuary of the fund shall make  
4 a determination of the result in that regard and submit that  
5 determination in a written report to the committee and the board  
6 prior to the implementation of the decision.

7 If any matter before the committee receives at least five votes in  
8 the affirmative, the board of trustees shall approve and implement  
9 the committee's decision.

10 If any matter regarding benefits before the committee receives  
11 four votes in the affirmative and four votes in the negative or the  
12 committee otherwise reaches an impasse on a decision, the  
13 provisions of section 33 of P.L. , c.78 (C. ) shall be followed.

14 A final action of the committee shall be made by the adoption of  
15 a regulation that shall identify the modifications to the system by  
16 reference to statutory section. The regulations shall also specify the  
17 effective date of the modification and the system members,  
18 including beneficiaries and retirees, to whom the modification  
19 applies. Regulations of the committee are considered to be part of  
20 the plan document for the system. A regulation adopted by the  
21 committee may be modified by regulation in order to comply with  
22 the requirements of this section.

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

42 (cf: P.L.2011, c.78, s.5)

43

44 6. Section 2 of P.L.1958, c.143 (C.43:3B-2) is amended to read  
45 as follows:

46 2. The monthly retirement allowance or pension originally  
47 granted to any retirant and the pension or survivorship benefit

1 originally granted to any beneficiary shall be adjusted in accordance  
2 with the provisions of this act provided, however, that:

3 a. The maximum retirement allowance, without option, shall be  
4 considered the retirement allowance originally granted to any  
5 retirant who, at retirement, elected an Option I allowance pursuant  
6 to the provisions of the statutes stipulated in subsection b. of section  
7 1 of this act (C.43:3B-1); and

8 b. the minimum pension granted to any beneficiary stipulated  
9 in subsection d. (4) of section 1 of this act (C.43:3B-1), shall be  
10 considered the pension originally granted to such beneficiary.

11 Pension adjustments shall not be paid to retirants or beneficiaries  
12 who are not receiving their regular, full, monthly retirement  
13 allowances, pensions or survivorship benefits. The adjustment  
14 granted under the provisions of this act shall be effective only on  
15 the first day of a month, shall be paid in monthly installments, and  
16 shall not be decreased, increased, revoked or repealed except as  
17 otherwise provided in this act. No adjustment shall be due to a  
18 retirant or a beneficiary unless it constitutes a payment for an entire  
19 month; provided, however, that an adjustment shall be payable for  
20 the entire month in which the retirant or beneficiary dies.

21 **【Commencing with the effective date of P.L.2011, c.78 and**  
22 **thereafter, no further adjustments to the monthly retirement**  
23 **allowance or pension originally granted to any retirant and the**  
24 **pension or survivorship benefit granted to any beneficiary shall be**  
25 **made in accordance with the provisions of P.L.1958, c.143**  
26 **(C.43:3B-1 et seq.), unless the adjustment is reactivated as**  
27 **permitted by law. This provision shall not reduce the monthly**  
28 **retirement benefit that a retirant or a beneficiary is receiving on the**  
29 **effective date of P.L.2011, c.78 when the benefit includes an**  
30 **adjustment granted prior to that effective date. The Board of**  
31 **Trustees of the Police and Firemen's Retirement System may adjust**  
32 **the monthly retirement allowance or pension of its retired members**  
33 **in accordance with subsection b. of section 13 of P.L.1944, c.255**  
34 **(C.43:16A-13).】**

35 (cf: P.L.2018, c.55, s.1)

36  
37 7. This act shall take effect immediately.  
38  
39

#### 40 STATEMENT

41  
42 This bill reinstates automatic cost-of-living adjustments  
43 (COLAs) for retirement benefits under the “Pension Adjustment  
44 Act,” P.L.1958, c.143 (C.43:3B-1 et seq.), for members of the  
45 Teachers’ Pension and Annuity Fund, the Judicial Retirement  
46 System, the Public Employees’ Retirement System, the Police and  
47 Firemen’s Retirement System, and the State Police Retirement  
48 System. Provisions contained in P.L.2011, c.78 (C.43:3C-16 et al),

1 signed into law on June 28, 2011, cancelled the automatic, annual  
2 adjustment for current and future retirees and beneficiaries of these  
3 State-administered retirement systems.

4 COLAs protect retirement benefits against erosion by inflation,  
5 the ills of which were addressed by the Legislature, both for the  
6 individual and the State, with the enactment of the “Pension  
7 Adjustment Act” in 1958.

8 Without the annual adjustment, retirees and beneficiaries will  
9 gradually see significant reductions in their purchasing power. The  
10 loss of COLAs will impact their everyday lives, and, over time,  
11 make it harder to afford more necessary elements of living, such as  
12 out-of-pocket medical costs, groceries, and utility bills. Retirees  
13 and beneficiaries will find it more prudent, or perhaps necessary, to  
14 leave this State for other states with a comparably lower cost of  
15 living.

16 For the State, such outbound migration will result in the loss of  
17 the economic activity of those retirees and beneficiaries, and any  
18 tax revenues concomitant with such activity. In addition, New  
19 Jersey’s fiscal outlook may be further strained by the retirees and  
20 beneficiaries who remain. These persons will continue to slip  
21 further downward on the socioeconomic scale. In some cases, they  
22 will require, or at the least become eligible and utilize, greater  
23 levels of public assistance under the many taxpayer funded social  
24 programs administered by the State, counties, and municipalities,  
25 requiring more revenues to meet this increased demand.

26 In the interests of the retirees and beneficiaries of the State-  
27 administered retirement systems, and the State, this bill reinstates  
28 the automatic COLAs for retirement benefits under the “Pension  
29 Adjustment Act.”