

SENATE, No. 260

STATE OF NEW JERSEY 220th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2022 SESSION

Sponsored by:

Senator SHIRLEY K. TURNER

District 15 (Hunterdon and Mercer)

Senator BRIAN P. STACK

District 33 (Hudson)

Co-Sponsored by:

Senators Polistina, A.M.Bucco, Cryan, Cunningham, Diegnan, Codey, Cruz-Perez, Bramnick, Holzapfel, Connors, Gill, Greenstein, Sacco, Gopal, Stanfield, Zwicker, Singer and Corrado

SYNOPSIS

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

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



(Sponsorship Updated As Of: 6/5/2023)

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 []; 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]. 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) **】** 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 **】**; 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**】**. 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**】**, including the activation of the application of the
22 "Pension Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et seq.),**】**
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 **【**including the activation of the application of the "Pension
29 Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et seq.)**】**, 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.”