SENATE, No. 5

STATE OF NEW JERSEY

218th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2018 SESSION

Sponsored by:
Senator STEPHEN M. SWEENEY
District 3 (Cumberland, Gloucester and Salem)
Senator THOMAS H. KEAN, JR.
District 21 (Morris, Somerset and Union)

Co-Sponsored by:
Senators A.R.Bucco and Oroho

SYNOPSIS

Transfers management of PFRS to Board of Trustees of PFRS.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.

AN ACT concerning the management of the Police and Firemen's Retirement System, amending various parts of the statutory law, and repealing section 1 of P.L.1947, c.217.

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

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

2. The monthly retirement allowance or pension originally granted to any retirant and the pension or survivorship benefit originally granted to any beneficiary shall be adjusted in accordance with the provisions of this act provided, however, that:

a. **[**the**]** <u>The</u> maximum retirement allowance, without option, shall be considered the retirement allowance originally granted to any retirant who, at retirement, elected an Option I allowance pursuant to the provisions of the statutes stipulated in subsection b. of section 1 of this act (C.43:3B-1); and b. the minimum pension granted to any beneficiary stipulated in subsection d. (4) of section 1 of this act (C.43:3B-1), shall be considered the pension originally granted to such beneficiary.

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on the first day of a month, shall be paid in monthly installments, and shall not be decreased, increased, revoked or repealed except as otherwise provided in this act.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

Commencing with the effective date of P.L.2011, c.78 and thereafter, no further adjustments to the monthly retirement allowance or pension originally granted to any retirant and the pension or survivorship benefit granted to any beneficiary shall be made in accordance with the provisions of P.L.1958, c.143 (C.43:3B-1 et seq.), unless the adjustment is reactivated as permitted by law. This provision shall not reduce the monthly retirement benefit that a retirant or a beneficiary is receiving on the effective date of P.L.2011, c.78 when the benefit includes an adjustment granted prior to that effective date. <u>The Board of Trustees of the Police and Firemen's Retirement System may adjust the monthly retirement allowance or pension of its retired members</u>

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 <u>thus</u> is new matter.

in accordance with subsection b. of section 13 of P.L.1944, c.255 (C.43:16A-13).
(cf: P.L.2011, c.78, s.25**)**

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

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

b. Vested members of the Teachers' Pension and Annuity Fund, the Judicial Retirement System, the Prison Officers' Pension Fund, the Public Employees' Retirement System, the Consolidated Police and Firemen's Pension Fund, the Police and Firemen's Retirement System, and the State Police Retirement System, upon the attainment of five years of service credit in the retirement system or fund or on the date of enactment of this bill, whichever is later, shall have a non-forfeitable right to receive benefits as provided under the laws governing the retirement system or fund upon the attainment of five years of service credit in the retirement system or fund or on the effective date of this act, whichever is later. This subsection shall not be applicable to a person who becomes a member of these systems or funds on or after the effective date of P.L.2010, c.1, except that such person shall not include a person who at the time of enrollment in the retirement system or fund on or after that effective date transfers service credit, as permitted, from another State-administered retirement system or fund of which the person was a member immediately prior to the effective date and continuously thereafter, but shall include a former member of the retirement system or fund who has been granted a retirement allowance and is reenrolled in the retirement system or fund on or after that effective date after becoming employed again in a position that makes the person eligible to be a member of the retirement system.

c. (1) The State and all other applicable employers shall make their annual normal contribution to each system or fund as determined by the applicable board of trustees in consultation with the system's or fund's actuary. The State and all other applicable employers shall also make their annual unfunded accrued liability contribution to each system or fund as determined by the applicable board in consultation with the system's or fund's actuary, pursuant to standard actuarial practices authorized by law, unless: (1) there is no existing unfunded accrued liability contribution due to the system or fund at the close of the valuation period applicable to the upcoming fiscal year; or (2) there are excess valuation assets in excess of the actuarial accrued liability of the system or fund at the close of the valuation period applicable to the upcoming fiscal year.

The annual normal contribution plus the annual unfunded accrued liability contribution shall together be the annual required contribution, provided, however, that for the State, section 38 of P.L.2010, c.1 (C.43:3C-14) shall apply with regard to the State's annual required contribution. The amount of the State's annually required contributions shall be included in all annual appropriations acts as a dedicated line item.

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

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

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

f. Noting in the provisions of P.L. , c. (pending before the Legislature as this bill) shall be interpreted to diminish the non-forfeitable right to benefits provided to any member of the Police and Firemen's Retirement System under State law or affirmed by a ruling or holding of a court in the Judiciary Branch of State government.

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

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

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

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

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

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

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

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

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

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

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

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

pursuant to R.S.43:16-1 et seq., the Police and Firemen's Retirement System, established pursuant to P.L.1944, c.255 (C.43:16A-1 et seq.), and the State Police Retirement System, established pursuant to P.L.1965, c.89 (C.53:5A-1 et seq.), are established as qualified governmental defined benefit plans pursuant to sections 401(a) and 414(d) of the federal Internal Revenue Code of 1986 (26 U.S.C. ss.401(a) and 414(d)), as amended, or such other provision of the federal Internal Revenue Code, as applicable, regulations of the U.S. Treasury Department, and other guidance of the federal Internal Revenue Service.

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

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

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

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

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

established pursuant to P.L.1954, c.84 (C.43:15A-1 et seq.), [the Police and Firemen's Retirement System, established pursuant to P.L.1944, c.255 (C.43:16A-1 et seq.),] the State Police Retirement System, established pursuant to P.L.1965, c.89 (C.53:5A-1 et seq.), the Alternate Benefit Program, established pursuant to P.L.1969, c.242 (C.18A:66-167 et seq.), and the Defined Contribution Retirement Program, established pursuant to P.L.2007, c.92 (C.43:15C-1 et seq.), when the member or retiree submits a change to the designation of beneficiary for contributory and non-contributory group life insurance available to the member or retiree through the system, that there is on file a judgment, court order, decree, or other legal document for that member or retiree specifically designating the beneficiary of such life insurance. The Board of Trustees of the Police and Firemen's Retirement System shall provide for the prompt notification in writing of any member or retiree of the Police and Firemen's Retirement System, established pursuant to P.L.1944, c.255 (C.43:16A-1 et seq.), when the member or retiree submits a change to the designation of beneficiary for contributory and non-contributory group life insurance available to the member or retiree through the system, that there is on file a judgment, court order, decree, or other legal document for that member or retiree specifically designating the beneficiary of such life insurance. The notification requirement shall apply only when there is a valid judgment, court order, decree, or other legal document that has been filed with the division or, in the case of the Police and Firemen's Retirement System, the board of trustees or its designee pursuant to the division's or board's determination to accept and honor such a judgment, court order, decree, or document and that has been reviewed, approved, or classified as qualified by the division or the board or the board's designee.

(cf: P.L.2015, c.180, s.1)

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

19. There is hereby established the Retirement Systems Actuary Selection Committee which shall consist of the State Treasurer, and the directors of the Divisions of Pensions and Benefits and Investment, and Office of Management and Budget, or their designated representatives, and one member designated by each of the boards of trustees of the Public Employees' Retirement System established pursuant to P.L.1954, c.84 (C.43:15A-1 et seq.) [,] and the Teachers' Pension and Annuity Fund established pursuant to N.J.S.18A:66-1 et seq.[, and the Police and Firemen's Retirement System established pursuant to P.L.1944, c.255 (C.43:16A-1 et seq.).] The committee shall select the actuary or actuaries for the State retirement systems in accordance with the provisions of

P.L.1954, c.48 (C.52:34-6 et seq.), provided, however, that the boards shall have the power to veto the selection of the actuary for valid reason.
(cf: P.L.2011, c.78, s.24)

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

1. As used in this act:

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

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

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

(ii) has police powers;

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

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

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

(b) "Fireman" shall mean a permanent, full-time employee of a firefighting unit whose primary duties include the control and extinguishment of fires and who is subject to the training and physical and mental fitness requirements applicable to the position of municipal firefighter established by an agency authorized to establish these requirements on a Statewide basis, or comparable training and physical and mental fitness requirements as determined by the board of trustees. The term shall also include an administrative or supervisory employee of a firefighting unit whose duties include general or direct supervision of employees engaged in fire control and extinguishment activities or training responsibility for these employees and a requirement for engagement in fire control and extinguishment activities if necessary. As used in this paragraph, "firefighting unit" shall mean a municipal fire department, a fire district, or an agency of a county or the State which is responsible for control and extinguishment of fires.

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

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

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

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

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

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

(9) "Regular interest" shall mean interest as determined by the ⟦State Treasurer, after consultation with the Directors of the Divisions of Investment and Pensions, the⟧ board of trustees ⟦and⟧<u>, after consultation with</u> the actuary. It shall bear a reasonable relationship to the percentage rate of earnings on investments based on the market value of assets but shall not exceed the assumed percentage rate of increase applied to salaries plus 3%, provided however that the board of trustees shall not set the average percentage rate of increase applied to salaries below 6%.

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

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

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

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

(14) "Earnable compensation" shall mean the full rate of the salary that would be payable to an employee if he worked the full normal working time for his position. In cases where salary includes maintenance, the retirement system shall fix the value of that part of the salary not paid in money which shall be considered under this act.

(15 "Average final compensation" shall mean final compensation.

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

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

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

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

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

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

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

(23) (a) "Widower," for employees of the State, means the man to whom a member or retirant was married, or a domestic partner as defined in section 3 of P.L.2003, c.246 (C.26:8A-3), on the date of her death and who has not since remarried or established a domestic partnership. In the event of the payment of accidental death benefits, pursuant to section 10 of P.L.1944, c.255 (C.43:16A-10),

the restriction concerning remarriage or establishment of a domestic partnership shall be waived.

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

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

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

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

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

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

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

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

(27) "Department" shall mean any police or fire department of a municipality or a fire department of a fire district located in a

township or a county police or park police department or the appropriate department of the State or instrumentality thereof.

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

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

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

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

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

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

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

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

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

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

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

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

1. Any member of the Police and Firemen's Retirement System of New Jersey who has been or shall be elected to the position of sheriff or who has accepted or shall accept appointment to the office or position of undersheriff may, by written notification to the ⟦Director of the Division of Pensions⟧ <u>board of trustees</u> and the county treasurer, elect to continue to be a member of the retirement system while serving as sheriff or undersheriff and shall be deemed to have waived any and all benefits to which he would otherwise be

entitled by eligibility for membership in the Public Employees' Retirement System. The county treasurer shall make deductions from the salary of the sheriff or undersheriff and contributions on his behalf to the Police and Firemen's Retirement System as is required by law for members of that system.
(cf: P.L.1976, c.134, s.1)

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

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

Whenever in P.L.1973, c.156 a period of time is set which is to be calculated from the effective date of said act, such time shall be calculated from the effective date of this amendatory and supplementary act for the purposes hereof.
(cf: P.L.1983, c.439, s.3)

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

6. The Adjutant General of the Department of Military and Veterans' Affairs shall be responsible for determining whether any person seeking to be considered a "veteran" under section 1 of P.L.1983, c.391 (C.43:16A-11.7), for the purpose of purchasing military service credit, meets the criteria set forth therein and adjudicating an appeal from any person disputing this determination. The determination of the Adjutant General shall be

binding upon the [Division of Pensions and Benefits] <u>board of trustees</u>.
(cf: P.L.2000, c.127, s.6)

12. Section 1 of P.L.1985, c.450 (C.43:16A-11.9) is amended to read as follows:

1. Any member of the Police and Firemen's Retirement System of New Jersey who has at least 20 years of creditable service in the retirement system and who leaves a position covered by the retirement system, with the approval of the employer, to take a full-time position with a. a federal agency, b. an agency of another state or local government thereof, c. a national, regional, statewide, areawide or metropolitan organization representing member state or local governments, d. an association of state or local public officials, or e. a nonprofit organization which has as one of its principal functions the offering of professional advisory, research, educational or development services, or related services, to governments or universities concerned with public management, may, upon filing an application with the board of trustees of the retirement system, purchase credit in the retirement system for all or a portion of the time of service with the public agency or private organization, but not exceeding three years, as provided in this act.

The member may purchase credit for the service by paying into the annuity savings fund the amount determined by applying the factor, supplied by the actuary, applicable to his age at the time of the purchase, to his creditable salary in the last 12 months of creditable service in the position covered by the retirement system immediately preceding the service with the public agency or private organization. The purchase may be made in regular monthly installments or in a lump sum as the member may elect and pursuant to rules and regulations as may be promulgated by the [Division of Pensions] <u>board of trustees</u>. The member shall bear the entire cost for the additional retirement benefit attributable to the purchased credit. If, upon retirement, the member's payment for purchase of the credit is insufficient to provide for the additional retirement benefit attributable to the service, the difference may be assessed to the member, or a pro rata credit may be granted based on service purchased prior to the date of retirement, at the election of the member.

If the member retires prior to completing the purchase, he will receive pro rata credit for service purchased prior to the date of retirement, unless he makes an additional lump sum payment at that time as will be necessary to provide full credit.

The purchase may be made within four years of the date of the member's last contribution to the retirement system in the covered position immediately preceding the service with the public agency or private organization.
(cf: P.L.1985, c.450, s.1)

13. Section 1 of P.L.1999, c.338 (C.43:16A-11.13) is amended to read as follows:

1. Notwithstanding the provisions of section 4 of P.L.1944, c.255 (C.43:16A-4), any member who is separated involuntarily from the police service covered by the retirement system, and not by removal for cause or charges of misconduct or delinquency, and who subsequently becomes a police service employee covered by the retirement system may, upon filing an application with the board of trustees of the retirement system, purchase credit in the retirement system for all or a portion of the time of the hiatus in creditable service, but not exceeding three years, as provided in this section.

The member may purchase credit for the service by paying into the annuity savings fund the amount determined by applying the factor, supplied by the actuary, applicable to his age at the time of the purchase, to his creditable salary in the last 12 months of creditable service in the position covered by the retirement system immediately preceding the involuntary separation from service. The purchase may be made in regular monthly installments or in a lump sum as the member may elect and pursuant to rules and regulations as may be promulgated by the ⟦Division of Pensions and Benefits⟧ <u>board of trustees</u>. The member shall bear the entire cost for the additional retirement benefit attributable to the purchased credit. If, upon retirement, the member's payment for purchase of the credit is insufficient to provide for the additional retirement benefit attributable to the service, the difference may be assessed to the member, or a pro rata credit may be granted based on service purchased prior to the date of retirement, at the election of the member.

If the member retires prior to completing the purchase, he will receive pro rata credit for service purchased prior to the date of retirement, unless he makes an additional lump sum payment at that time as will be necessary to provide full credit.

(cf: P.L.1999, c.338, s.1)

14. Section 1 of P.L.2001, c.228 (C.43:16A-11.14) is amended to read as follows:

1. Notwithstanding the provisions of section 4 of P.L.1944, c.255 (C.43:16A-4), any member who is separated involuntarily from firefighting service covered by the retirement system, and not by removal for cause or charges of misconduct or delinquency, and who subsequently becomes a fireman in a position covered by the retirement system may, upon filing an application with the board of trustees of the retirement system, purchase credit in the retirement system for all or a portion of the time of the hiatus in creditable service, but not exceeding three years, as provided in this section.

The member may purchase credit for the service by paying into the annuity savings fund the amount determined by applying the factor, supplied by the actuary, applicable to the member's age at the time of the purchase, to the member's creditable salary in the last 12 months of creditable service in the position covered by the retirement system immediately preceding the involuntary separation from service. The purchase may be made in regular monthly installments or in a lump sum as the member may elect and pursuant to rules and regulations as may be promulgated by the ⟦Division of Pensions and Benefits⟧ <u>board of trustees</u>. The member shall bear the entire cost for the additional retirement benefit attributable to the purchased credit. If, upon retirement, the member's payment for purchase of the credit is insufficient to provide for the additional retirement benefit attributable to the service, the difference may be assessed to the member, or a pro rata credit may be granted based on service purchased prior to the date of retirement, at the election of the member.

If the member retires prior to completing the purchase, the member shall receive pro rata credit for service purchased prior to the date of retirement, unless the member makes an additional lump sum payment at that time as shall be necessary to provide full credit.

(cf: P.L.2001, c.228, s.1)

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

13. a. (1) Subject to the provisions of P.L.1955, c.70 (C.52:18A-95 et seq.), the general responsibility for the proper operation of the retirement system is hereby vested in a board of trustees ⟦, and, as specified, the committees established pursuant to subsection b. of this section⟧. <u>The board may, in its discretion and at such time and in such manner as the board determines, enhance any benefit set forth in P.L.1944, c.255 (C.43:16A-1 et seq.) as the board determines to be reasonable and appropriate or modify any such benefit as an alternative to an increase in the member contribution rate, which increase the board determines to be reasonable, necessary, and appropriate, or reinstate, when appropriate, such reduced benefit to the statutory level without an additional contribution by the member. The board shall act exclusively on behalf of the contributing employers, active members of the retirement system, and retired members as the fiduciary of the system. The primary obligation of the board shall be to direct policies and investments to achieve and maintain the full funding and continuation of the retirement system for the exclusive benefit of its members.</u>

(2) The board shall consist of ⟦11⟧ <u>12</u> trustees as follows:

(a) ⟦Five members to be appointed by the Governor, with the advice and consent of the Senate, who shall serve for a term of office of four years and until their successors are appointed and who shall be private citizens of the State of New Jersey who are neither an officer thereof nor an active or retired member of any police or fire department thereof. Of the four members initially appointed by the Governor pursuant to P.L.1992, c.125 (C.43:4B-1 et al.), one shall be appointed for a term of one year, one for a term of two years, one for a term of three years, and one for a term of four years. The member appointed by the Governor pursuant to the provisions of this amendatory act, P.L.1995, c.238, shall serve for a term of four years and until a successor is appointed.] (Deleted by amendment, P.L. , c.) (pending before the Legislature as this bill)

(b) [The State Treasurer or the deputy State Treasurer, when designated for that purpose by the State Treasurer.] (Deleted by amendment, P.L. , c.) (pending before the Legislature as this bill)

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

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

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

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

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

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

(ii) One policeman and one fireman who shall serve staggered terms and shall be active members of the system and who shall be elected by the active members of the system [for a term of four years] according to such rules and regulations as the board of trustees shall adopt to govern such election. The elected policeman shall serve for an initial term of two years and the elected fireman shall serve for an initial term of four years. Following their first term, all trustees elected pursuant to this subparagraph shall serve four-year terms. An election to select trustees, who are active members of the system, shall be held no later than the first day of the fifth month next following the date of enactment of P.L. , c. (pending before the Legislature as this bill).

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

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

(f) One trustee, to be appointed by the Governor, who holds or has held a management or supervisory position in the Executive Branch of State government at the level of division director or above to represent the interests of State government. The trustee appointed by the Governor pursuant to this subparagraph shall serve for an initial term of two years. Following the trustee's first term, the trustee appointed pursuant to this subparagraph shall serve four-year terms. The Governor shall appoint a trustee representing the interest of State government pursuant to this subparagraph no later than the first day of the seventh month next following the date of enactment of P.L. , c. (pending before the Legislature as this bill).

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

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

(4) (a) If a vacancy occurs in the office of a trustee, the vacancy shall be filled in the same manner as the office was previously

filled. A vacancy shall not last more than 60 days, unless the board is awaiting the certification of an election conducted pursuant to paragraph (2) of this subsection. If a vacancy lasts for more than 60 days, then the board shall appoint, upon a majority vote of the trustees then serving, a person qualified pursuant to subparagraph (e) or (f) of paragraph (2) of this subsection to fill the vacancy until a new trustee is appointed or elected in the manner set forth in paragraph (2) of this subsection.

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

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

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

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

(7) Subject to the limitations of this act, the board of trustees shall annually establish rules and regulations for the administration of the funds created by this act and for the transaction of the board's ⟦and committees'⟧ business. ⟦Such rules and regulations shall be consistent with those adopted by the other pension funds within the Division of Pensions and Benefits in order to permit the most economical and uniform administration of all such retirement systems. The committees shall adopt such regulations as provided in subsection b. of this section.⟧

(8) The board of trustees shall elect from its membership a ⟦chairman⟧ chair and vice chair. The chair, or vice chair in the chair's absence, shall serve as the primary contact with board staff, coordinate and approve meeting agendas, and shall have the power to authorize any special staff action necessary to execute any of the board's duties. The ⟦Director of the Division of Pensions and Benefits⟧ board shall appoint a ⟦qualified employee of the division to be⟧ secretary of the board. The administration of the program shall be performed by ⟦the⟧ personnel ⟦of the Division of Pensions and Benefits⟧ selected by the board in accordance with this section. The board, reconstituted pursuant to P.L.,   c.,   (pending before

the Legislature as this bill), shall hold an initial meeting on the first business day of the seventh month following the date of enactment of P.L., c., (pending before the Legislature as this bill). At the initial meeting of the board on the first business day of the seventh month next following the date of enactment of P.L. , c. (pending before the Legislature as this bill), the board shall contract with the Division of Pensions and Benefits for the division to perform the administrative tasks that the division performed prior to the enactment of P.L. , c. (pending before the Legislature as this bill) and such other tasks as the board may require. The division shall receive compensation from the board for the performance of the administrative tasks that the division performed prior to the enactment of P.L. , c. (pending before the Legislature as this bill) in an amount equal to the cost the division incurred for the performance of those administrative tasks prior to the enactment of that act. At the expiration of the term of the contract negotiated by the board with the division pursuant to this paragraph, the board may contract with the division or with a private entity, pursuant to the provisions of P.L.1954, c.48 (C.52:34-6 et seq.), to perform administrative tasks that the board determines to be necessary or convenient for its operation.

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

(10) The board of trustees may, in its discretion, select and employ, or contract with, legal counsel to advise and represent the board. If the board does not select and employ, or contract with, legal counsel, the Attorney General of the State of New Jersey shall be the legal adviser of the retirement system, except [that] if the Attorney General determines that a conflict of interest would affect the ability of the Attorney General to represent the board or the committees on a matter affecting the retirement system [, the board may select and employ legal counsel to advise and represent the board or the committees on that matter].

(11) The [State Treasurer] board of trustees shall designate a medical board [after consultation with the Director of the Division of Pensions and Benefits, subject to veto by the board of trustees for valid reason]. It shall be composed of a minimum of three physicians who are not eligible to participate in the retirement system. The medical board shall pass upon all medical examinations required under the provisions of this act, shall investigate all essential statements and certificates by or on behalf of a member in

connection with an application for disability retirement, and shall report in writing to the retirement system its conclusions and recommendations upon all matters referred to it.

(12) The actuary of the system shall be selected by the [Retirement Systems Actuary Selection Committee established by P.L.1992, c.125. He] board of trustees. The actuary shall be the technical adviser of the board of trustees [and the committees] on matters regarding the operation of the funds created by the provisions of this act, and shall perform such other duties as are required in connection therewith.

(13) The board of trustees, in consultation with the actuary, shall establish actuarial funding policies for the system. At least once in each three-year period the actuary shall make an actuarial investigation into the mortality, service and compensation experience of the members and beneficiaries of the retirement system and, with the advice of the actuary, the board of trustees shall adopt for the retirement system such mortality, service and other tables as shall be deemed necessary and shall certify the rates of contribution payable under the provisions of this act. The board of trustees shall retain an independent actuary to review prior investigations into the mortality, service, and compensation experience of the members and beneficiaries of the retirement system and to review the three prior actuarial valuations to certify that the actuary of the retirement system conducted the investigations and valuations in accordance with generally accepted actuarial standards.

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

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

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

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

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

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

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

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

(b) The board of trustees shall have the authority to retain other administrative and professional staff as required to implement the duties and responsibilities required to ensure the smooth transition of responsibilities and authority from the division to the board pursuant to P.L. , c. (pending before the Legislature as this bill).

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

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

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

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

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

(23) All members of the board of trustees and of the Investment Committee shall participate in annual investment training as directed by the board's executive director.

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

Each committee shall have five members who shall be appointed by the Governor as representatives of public employers whose employees are enrolled in the retirement system, two members who shall be appointed by the head of the union representing the greatest number of police officer members of the retirement system having union membership, one member who shall be appointed by the head of the union representing the second greatest number of police officer members of the retirement system having union membership, one member who shall be appointed by the head of the union representing the greatest number of firefighter members of the retirement system having union membership, and one member who shall be appointed by the head of the union representing the second greatest number of firefighter members of the retirement system having union membership. The members of the committees shall not be appointed until that part of the system attains the target funded ratio.

The members of each committee shall serve for a term of three years and until a successor is appointed and qualified. For each committee, of the initial appointments by the Governor, two members shall serve for two years and until a successor is appointed and qualified, and two shall serve for one year and until a successor is appointed and qualified. For each committee, of the initial appointments by the head of the union representing the greatest number of police officer members of the retirement system, the members shall serve for two years and until a successor is appointed and qualified. For each committee, of the initial appointment by the head of the union representing the greatest number of firefighter members of the retirement system, the member shall serve for one year and until a successor is appointed and qualified.

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

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

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

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

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

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

(2) activate the application of the "Pension Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et seq.) for retirees [for the period that the part is at or above the target funded ratio] and modify the basis for the calculation of the adjustment and set the duration and extent of the activation. The board of trustees, after consultation with the

actuary, may apply an adjustment to the monthly retirement allowance or pension originally granted to any member.

[A committee shall give priority consideration to subparagraph (2) of this paragraph. A committee] The board of trustees shall have the discretionary authority to modify the conditions and standards for the purchase of service credit for death benefits. The board of trustees shall not have the authority to change the years of creditable service required for vesting.

At least eight votes of the authorized membership of the board shall be required to approve any enhancement or reduction of a member benefit, other than for the activation of the application of the "Pension Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et seq.), for retirees, or to approve any increase or decrease in the employer contribution that is more than what is recommended by the actuary for the system for the purpose of the annual funding requirements of the system.

[Each committee] The board of trustees may consider a matter described [above] in this subsection and render a decision notwithstanding that the provisions of the statutory law may set forth a specific requirement on that matter.

[Each committee] The board of trustees may consider a matter described [above] in this subsection and render a decision notwithstanding that the provisions of the statutory law do not set forth a specific requirement on the considered aspect of that matter or address that matter at all.

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

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

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

A final action of the [committee] board of trustees under this subsection shall be made by the adoption of a regulation that shall identify the modifications to the system by reference to statutory section. The regulations shall also specify the effective date of the modification and the system members, including beneficiaries and retirees, to whom the modification applies. Regulations of the [committee] <u>board of trustees</u> are considered to be part of the plan document for the system. A regulation adopted by the [committee] <u>board of trustees</u> may be modified by regulation in order to comply with the requirements of this section.

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

<u>(2) All trustees, officers, and employees of the board shall participate in annual ethics training on the New Jersey Conflicts of Interest Law and any other applicable law, rule, or standard of conduct relating to the area of ethics as directed by the board's executive director.</u>

<u>d. The board of trustees shall have the authority to establish a process for the review, approval, and appeal of applications for retirement.</u>

<u>e. The board of trustees shall establish three committees as follows:</u>

<u>(1) (a) An Audit Committee of no less than three members to assist in the oversight of the financial reporting and audit processes of the board of trustees. At least two of the members shall be members of the board of trustees. At least one of the Audit Committee members shall have accounting or related financial expertise. If the board of trustees does not have sufficient members qualified or available to serve on the Audit Committee, or wishes to broaden the expertise on the Audit Committee, the board of trustees may request that the State Treasurer recommend one or more qualified individuals to sit on the committee.</u>

<u>(b) The Audit Committee shall assist the board of trustees in retaining an independent auditor to conduct an audit of the retirement system's financial statements by making a</u>

recommendation to the board of trustees after engaging in an auditor selection process. The auditor selection process shall be based upon public, competitive bidding principles and shall take place no less than once every five years.

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

(i) review and evaluate audit fees;

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

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

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

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

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

(vii) recommend policies with respect to risk assessment and risk management.

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

(3) An Investment Committee of no less than three members to assist in the oversight of the investments selected by the board of trustees and the management of the investments of the retirement system. The Investment Committee shall consist of two members

of the board of trustees, and one member who shall be the chief investment officer of the board, and shall oversee investments and make recommendations on investments to the board of trustees.

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

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

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

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

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

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

(3) (Deleted by amendment.)

(4) Except as otherwise herein provided, no trustee and no employee of the board of trustees shall have any direct interest in the gains or profits of any investments of the retirement system; nor shall any trustee or employee of the board directly or indirectly, for himself or as an agent in any manner use the moneys of the retirement system, except to make such current and necessary payments as are authorized by the board of trustees; nor shall any trustee or employee of the board of trustees become an endorser or surety, or in any manner an obligor for moneys loaned to or borrowed from the retirement system.

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

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

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

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

(b) The board of trustees is authorized to make an adjustment to the uniform contribution rate of the members set forth in this subsection as the board deems reasonable, necessary, and appropriate after consultation with, and the recommendation of, the actuary. Any adjustment to a contribution rate shall be made at such time and in such manner as the board shall determine.

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

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

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

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

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

(8) The deductions provided for herein shall be made notwithstanding that the minimum salary provided for by law for any member shall be reduced thereby. Every member shall be deemed to consent and agree to the deductions made and provided

for herein, and payment of salary or compensation less said deduction shall be a full and complete discharge and acquittance of all claims and demands whatsoever for the service rendered by such person during the period covered by such payment, except as to the benefits provided under this act. The chief fiscal officer of each employer shall certify to the retirement system in such manner as the [retirement system] <u>board of trustees</u> may prescribe, the amounts deducted; and when deducted shall be paid into said annuity savings fund, and shall be credited to the individual account of the member from whose salary said deduction was made.

(9) With respect to employers other than the State, upon the basis of the tables recommended by the actuary which the board adopts and regular interest, the actuary shall compute the amount of the accrued liability as of June 30, 1991 under the projected unit credit method, which is not already covered by the assets of the retirement system, valued in accordance with the asset valuation method established in this section. Using the total amount of this unfunded accrued liability, the actuary shall compute the initial amount of contribution which, if the contribution is paid annually in level dollars for a specific period of time, will amortize this liability. The [State Treasurer shall determine, upon the advice of the Director of the Division of Pensions and Benefits, the] board of trustees [and] <u>shall determine, upon the advice of</u> the actuary, the time period for full funding of this liability, which shall not exceed 40 years on initial application of this section as amended by this act, P.L.1994, c.62. This shall be known as the "accrued liability contribution." Any increase or decrease in the unfunded accrued liability as a result of actuarial losses or gains for the 10 valuation years following valuation year 1991 shall serve to increase or decrease, respectively, the unfunded accrued liability contribution. Thereafter, any increase or decrease in the unfunded accrued liability as a result of actuarial losses or gains for subsequent valuation years shall serve to increase or decrease, respectively, the amortization period for the unfunded accrued liability, unless an increase in the amortization period will cause it to exceed 30 years. If an increase in the amortization period as a result of actuarial losses for a valuation year would exceed 30 years, the accrued liability contribution shall be computed for the valuation year in the same manner provided for the computation of the initial accrued liability contribution under this section. Beginning with the July 1, 2018 actuarial valuation, the accrued liability contribution shall be computed so that if the contribution is paid annually in level dollars, it will amortize this unfunded accrued liability over a closed 30-year period. Beginning with the July 1, 2028 actuarial valuation, when the remaining amortization period reaches 20 years, any increase or decrease in the unfunded accrued liability as a result of actuarial losses or gains for subsequent valuation years shall serve to increase or decrease, respectively, the amortization period

for the unfunded accrued liability, unless an increase in the amortization period will cause it to exceed 20 years. If an increase in the amortization period as a result of actuarial losses for a valuation year would exceed 20 years, the accrued liability contribution shall be computed for the valuation year in the same manner provided for the computation of the initial accrued liability contribution under this section.

With respect to the State, upon the basis of the tables recommended by the actuary which the board adopts and regular interest, the actuary shall annually determine if there is an amount of the accrued liability, computed under the projected unit credit method, which is not already covered by the assets of the retirement system, valued in accordance with the asset valuation method established in this section. This shall be known as the "unfunded accrued liability." If there was no unfunded accrued liability for the valuation period immediately preceding the current valuation period, the actuary, using the total amount of this unfunded accrued liability, shall compute the initial amount of contribution which, if the contribution is paid annually in level dollars for a specific period of time, will amortize this liability. The **[**State Treasurer shall determine, upon the advice of the Director of the Division of Pensions and Benefits, the**]** board of trustees **[**and**]** shall determine, upon the advice of the actuary, the time period for full funding of this liability, which shall not exceed 30 years. This shall be known as the "accrued liability contribution." Thereafter, any increase or decrease in the unfunded accrued liability as a result of actuarial losses or gains for subsequent valuation years shall serve to increase or decrease, respectively, the amortization period for the unfunded accrued liability, unless an increase in the amortization period will cause it to exceed 30 years. If an increase in the amortization period as a result of actuarial losses for a valuation year would exceed 30 years, the accrued liability contribution shall be computed for the valuation year in the same manner provided for the computation of the initial accrued liability contribution under this section. Beginning with the July 1, 2018 actuarial valuation, the accrued liability contribution shall be computed so that if the contribution is paid annually in level dollars, it will amortize this unfunded accrued liability over a closed 30-year period. Beginning with the July 1, 2028 actuarial valuation, when the remaining amortization period reaches 20 years, any increase or decrease in the unfunded accrued liability as a result of actuarial losses or gains for subsequent valuation years shall serve to increase or decrease, respectively, the amortization period for the unfunded accrued liability, unless an increase in the amortization period will cause it to exceed 20 years. If an increase in the amortization period as a result of actuarial losses for a valuation year would exceed 20 years, the accrued liability contribution shall be computed for the valuation year in the same manner provided for the computation of the initial accrued liability contribution under this section.

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

The value of the assets to be used in the computation of the contributions provided for under this section for valuation periods shall be the value of the assets for the preceding valuation period increased by the regular interest rate, plus the net cash flow for the valuation period (the difference between the benefits and expenses paid by the system and the contributions to the system) increased by one half of the regular interest rate, plus 20% of the difference between this expected value and the full market value of the assets as of the end of the valuation period. This shall be known as the "valuation assets." Notwithstanding the first sentence of this paragraph, the valuation assets for the valuation period ending June 30, 1995 shall be the full market value of the assets as of that date and, with respect to the valuation assets allocated to the State, shall include the proceeds from the bonds issued pursuant to the "Pension Bond Financing Act of 1997," P.L.1997, c.114 (C.34:1B-7.45 et seq.), paid to the system by the New Jersey Economic Development Authority to fund the unfunded accrued liability of the system. Notwithstanding the first sentence of this paragraph, the percentage of the difference between the expected value and the full market value of the assets to be added to the expected value of the assets for the valuation period ending June 30, 1998 for the State shall be 100% and for other employers shall be 57% plus such additional percentage as is equivalent to $150,000,000. Notwithstanding the first sentence of this paragraph, the amount of the difference between the expected value and the full market value of the assets to be added to the expected value of the assets for the valuation period ending June 30, 1999 shall include an additional amount of the market value of the assets sufficient to fund (1) the unfunded accrued liability for the supplementary "special retirement" allowances provided under subsection b. of section 16 of P.L.1964, c.241 (C.43:16A-11.1) and (2) the unfunded accrued liability for the full credit toward benefits under the retirement system for service credited in the Public Employees' Retirement System and transferred pursuant to section 1 of P.L.1993, c.247 (C.43:16A-3.8) and the reimbursement of the cost of any credit purchase pursuant to section 3 of P.L.1993, c.247 (C.43:16A-3.10) provided under section 1 of P.L.2001, c.201 (C.43:16A-3.14).

"Excess valuation assets" means, with respect to the valuation assets allocated to the State, the valuation assets allocated to the State for a valuation period less the actuarial accrued liability of the State for the valuation period, and beginning with the valuation period ending June 30, 1998, less the present value of the expected additional normal cost contributions attributable to the amendatory provisions of P.L.1999, c.428 **[**(C.43:16A-15.8 et al.)**]** (C.43:16A-1 et al.) payable on behalf of the active members employed by the State as of the valuation period over the expected working lives of the active members in accordance with the tables of actuarial assumptions applicable to the valuation period, and less the present value of the expected additional normal cost contributions attributable to the provisions of P.L.2003, c.108 as amending section 16 of P.L.1964, c.241 (C.43:16A-11.1) payable on behalf of the active members employed by the State as of the valuation period over the expected working lives of the active members in accordance with the tables of actuarial assumptions applicable to the valuation period, if the sum is greater than zero. "Excess valuation assets" means, with respect to the valuation assets allocated to other employers, the valuation assets allocated to the other employers for a valuation period less the actuarial accrued liability of the other employers for the valuation period, excluding the unfunded accrued liability for early retirement incentive benefits pursuant to P.L.1993, c.99 for the other employers, and beginning with the valuation period ending June 30, 1998, less the present value of the expected additional normal cost contributions attributable to the amendatory provisions of P.L.1999, c.428 **[**(C.43:16A-15.8 et al.)**]** (C.43:16A-1 et al.) payable on behalf of the active members employed by other employers as of the valuation period over the expected working lives of the active members in accordance with the tables of actuarial assumptions applicable to the valuation period, and less the present value of the expected additional normal cost contributions attributable to the provisions of P.L.2003, c.108 as amending section 16 of P.L.1964, c.241 (C.43:16A-11.1) payable on behalf of the active members employed by other employers as of the valuation period over the expected working lives of the active members in accordance with the tables of actuarial assumptions applicable to the valuation period, if the sum is greater than zero.

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

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

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

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

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

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

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

Notwithstanding the discretion provided to the State Treasurer in the previous paragraph to reduce the amount of the normal contribution payable by employers other than the State, the State Treasurer shall reduce the amount of the normal contribution payable by employers other than the State by $150,000,000 in the aggregate for the valuation period ending June 30, 1998, and then the State Treasurer may reduce further pursuant to the provisions of the previous paragraph the normal contribution payable by such employers for that valuation period.

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

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

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

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

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

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

(10) The treasurer or corresponding officer of the employer shall pay to the 【State Treasurer】 <u>board of trustees</u> no later than April 1

of the State's fiscal year in which payment is due the amount so certified as payable by the employer, and shall pay monthly to the [State Treasurer] board of trustees the amount of the deductions from the salary of the members in the employ of the employer, and the [State Treasurer] board of trustees shall credit such amount to the appropriate fund or funds, of the retirement system. On April 1 next following the effective date of P.L. , c. (pending before the Legislature as this bill), and in each year thereafter, the contribution required to be made by the employer shall be made to the board of trustees on the following schedule: at least 25 percent by March 1, at least 50 percent by June 1, at least 75 percent by September 1, and at least 100 percent by December 1. The amount of the contribution shall be net of the amount of any increase in the interest on the tax and revenue anticipation notes attributable solely to the need to borrow an increased amount in order to make the quarterly payments.

If payment of the [full] required amount of the employer's obligation is not made within 30 days of the due [date] dates established by this act, interest at the rate of 10% per annum shall commence to run against the unpaid balance thereof on the first day after such 30th day. Upon certification by the board of trustees to the Director of the Division of Local Government Services in the Department of Community Affairs of an employer contribution payment being 30 days past due, the director shall withhold any State aid payments that are disbursed by the Division of Local Government Services from the employer in an amount equal to the amount of the employer contribution due to the board. If the employer is eligible for transitional aid, the Division of Local Government Services shall consult with the board to develop a payment plan to ensure that the required payment and interest owed is paid in a timely manner. The director shall release the State aid payments held pursuant to this subsection to the employer upon certification by the board of trustees of its receipt of the delinquent employer contribution. Nothing in P.L. , c. (pending before the Legislature as this bill) shall relieve State or local government employers of any present or future obligations of their normal cost or unfunded liabilities required to be paid into the retirement system.

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

(11) The expenses of administration of the retirement system shall be paid by the State of New Jersey. Each employer shall reimburse the State for a proportionate share of the amount paid by the State for administrative expense. This proportion shall be computed as the number of members under the jurisdiction of such

employer bears to the total number of members in the system. The pro rata share of the cost of administrative expense shall be included with the certification by the retirement system of the employer's contribution to the system.

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

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

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

(15) If the valuation assets are insufficient to fund the normal and accrued liability costs attributable to the amendatory provisions of P.L.1999, c.428 **[**(C.43:16A-15.8 et al.)**]** (C.43:16A-1 et al.) as provided hereinabove, the normal and unfunded accrued liability contributions required to fund these costs for the State and other employers shall be paid by the State.

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

(cf: P.L.2011, c.78, s.15)

18. Section 18 of P.L.1964, c.241 (C.43:16A-16.1) is amended to read as follows:

18. Any member who has at least 3 years of service to his credit for which he has contributed as a member may borrow from the retirement system, an amount equal to not more than 50% of the

amount of his aggregate contributions, but not less than $50.00; provided that the amount so borrowed, together with interest thereon, can be repaid by additional deductions from salary, not in excess of 25% of the member's salary, made at the time the salary is paid to the member. The amount so borrowed, together with interest on any unpaid balance thereof, shall be repaid to the retirement system in equal installments by deductions from the salary of the member at the time the salary is paid or in such lump sum amount to repay the balance of the loan but such installments shall be at least equal to the member's rate of contribution to the retirement system and at least sufficient to repay the amount borrowed with interest thereon. Not more than two loans may be granted to any member in any calendar year. Notwithstanding any other law affecting the salary or compensation of any person or persons to whom this act applies or shall apply, the additional deductions required to repay the loan shall be made.

The rate of interest for a loan requested by a member prior to the effective date of P.L.2007, c.92 (C.43:15C-1 et al.) shall be 4% per annum on any unpaid balance thereof. For a loan requested after the effective date of that act, the rate of interest per annum shall be a commercially reasonable rate as required by the Internal Revenue Code to be determined by the State Treasurer on that effective date, and <u>by the board of trustees</u> on January 1 of each calendar year thereafter. An administrative fee in an amount set by the ⟦State Treasurer⟧ <u>board of trustees</u> for each calendar year may be charged for any loan requested after the effective date of P.L.2007, c.92 (C.43:15C-1 et al.).

Loans shall be made to a member from his aggregate contributions. The interest earned on such loans shall be treated in the same manner as interest earned from investments of the retirement system.

(cf: P.L.2007, c.92, s.38)

19. Section 2 of P.L.1981, c.370 (C.43:16A-16.2) is amended to read as follows:

2. In the case of any member who retires without repaying the full amount so borrowed, the ⟦Division of Pensions and Benefits⟧ <u>board of trustees</u> shall deduct from the retirement benefit payments the same monthly amount which was deducted from the compensation of the member immediately preceding retirement until the balance of the amount borrowed together with the interest is repaid. In the case of a pensioner who dies before the outstanding balance of the loan and interest thereon has been recovered, the remaining balance shall be repaid from the proceeds of any other benefits payable on the account of the pensioner either in the form of monthly payments due to his beneficiaries or in the

form of lump sum payments payable for pension or group life insurance.
(cf: P.L.2007, c.92, s.39)

20. Section 3 of P.L.1992, c.78 (C.43:16A-16.10) is amended to read as follows:

3. The [Director of the Division of Investment] <u>board of trustees</u> shall at all times have authority to invest and reinvest the monies in, and to acquire for or on behalf of, the Police and Firemen's Retirement System of New Jersey mortgage loans on residential property.
(cf: P.L.1992, c.78, s.3)

21. Section 4 of P.L.1992, c.78 (C.43:16A-16.11) is amended to read as follows:

4. a. In addition to any loan for which he may be eligible pursuant to the provisions of section 18 of P.L.1964, c.241 (C.43:16A-16.1) and notwithstanding the provisions of that or any other law to the contrary, any member of the Police and Firemen's Retirement System who, at the time of application, is employed by the State or a county, municipality or other political subdivision of the State and who has at least one year of creditable service is, for the purpose of securing for his own occupation as his principal residence a residential property located within this State, eligible to receive a mortgage loan pursuant to the provisions of this act. The mortgage loan shall be used only for the purpose of enabling a borrower to acquire or construct a residential property or refinance an existing residential property loan.

No member shall be eligible hereunder for more than one outstanding mortgage loan at any time, and no member shall be eligible to receive a second mortgage loan on a residential property already mortgaged by him. Preference shall be given in making loans to members who are applying to acquire or construct their first principal place of residence.

b. Any mortgage loan made pursuant to the provisions of this act, together with any interest and expenses to the retirement system associated with the making of that loan, shall be repaid in equal installments.

c. The amount of interest charged with respect to a mortgage loan made pursuant to the provisions of this act shall be fixed for the entire term of the loan. The New Jersey Housing and Mortgage Finance Agency, established under section 4 of P.L.1983, c.530 (C.55:14K-4), shall initially establish the rate within 120 days of the effective date of this act and semiannually reset the rate thereafter. The rate shall be determined by the New Jersey Housing and Mortgage Finance Agency by adding 1% to the index. For the purposes of this subsection, the index shall be the weekly average yield at the time the rate is reset on ten-year United States Treasury securities adjusted to a constant maturity as made available by the Federal Reserve Board. If the issuance of ten-year United States Treasury securities is discontinued, the subsequent index shall be determined by the [State Treasurer] board of trustees with the advice of the New Jersey Housing and Mortgage Finance Agency. The term of any mortgage loan so made shall not exceed 30 years.

d. No mortgage loan made pursuant to the provisions of this act shall be sold, transferred or assigned to any person, nor shall the payments with respect to any mortgage loan so made be assumed by any person other than the member to whom that loan was made, except that in the event of the death of a member, the mortgage may be assignable to a surviving spouse if the spouse is the sole heir to the property.

e. The instrument evidencing a mortgage loan under the provisions of this act may be in such form, and may contain such provisions, not inconsistent with law, as the director may choose to insert for the protection of the retirement system's lien and the preservation of its interest in the real property mortgaged to it.

(cf: P.L.2001, c.293, s.1)

22. Section 5 of P.L.1992, c.78 (C.43:16A-16.12) is amended to read as follows:

5. The [State Treasurer] board of trustees shall delegate the administration of this mortgage loan program to the New Jersey Housing and Mortgage Finance Agency established under section 4 of P.L.1983, c.530 (C.55:14K-4). The agency shall: a. originate loans; b. appraise the value of any real property eligible to be mortgaged under this act; c. guarantee and insure title to the real property; and d. perform any other service necessary to accomplish the purposes of this act in a manner consistent with the protection of the rights of beneficiaries of the retirement system. The cost of the performance of these services in connection with the making of a mortgage loan shall be charged to the borrower and included in the amount of that mortgage loan.

(cf: P.L.1992, c.78, s.5)

23. Section 6 of P.L.1992, c.78 (C.43:16A-16.13) is amended to read as follows:

6. The [State Treasurer] board of trustees, with the advice of [the State Investment Council, the Board of Trustees of the Police and Firemen's Retirement System, and] the New Jersey Housing and Mortgage Finance Agency, shall set mortgage loan standards and guidelines for loans made pursuant to this act, including mortgage loan maturity terms, participation fees, mortgage loan insurance requirements, lender compensation rates, servicing fees, loan-to-value ratios, minimum and maximum mortgage loan

amounts and eligibility standards consistent with section 4 of this act.
(cf: P.L.1992, c.78, s.6)

24. Section 9 of P.L.1992, c.78 (C.43:16A-16.16) is amended to read as follows:

9. The ⟦State Treasurer⟧ board of trustees shall, with the advice of ⟦the State Investment Council, the Director of the Division of Pensions and⟧ the Executive Director of the New Jersey Housing and Mortgage Finance Agency and in accordance with the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), promulgate any rules and regulations necessary to accomplish the purposes of this act.
(cf: P.L.1992, c.78, s.9)

25. Section 19 of P.L.1964, c.241 (C.43:16A-17.1) is amended to read as follows:

19. If possible, whenever any beneficiary shall, in writing, request the ⟦Division of Pensions⟧ board of trustees to make deductions from his retirement allowance or pension for the purpose of paying premiums for the pensioners' group health insurance plan or the State Health Benefits program, the ⟦division⟧ board may make such deductions and transmit the sums so deducted to the companies carrying the policies. Any such written authorization may be withdrawn by any beneficiary upon filing notice of such withdrawal with the division.
(cf: P.L.1971, c.175, s.14)

26. Section 2 of P.L.1973, c.92 (C.43:16A-48.2) is amended to read as follows:

2. a. An eligible officer who is a member of a pension fund established by a county or a county park commission or of the Public Employees' Retirement System shall be permitted to transfer his membership in said fund to the Police and Firemen's Retirement System of New Jersey by waiving all rights and benefits which would otherwise be provided by the county or county park commission pension fund or by the Public Employees' Retirement System. Any such officer will likewise be permitted to continue his membership in the county or county park commission pension fund or in the Public Employees' Retirement System by waiving all rights and benefits which would otherwise be provided by the Police and Firemen's Retirement System. Such waivers shall be accomplished by filing forms satisfactory to the ⟦New Jersey State Division of Pensions⟧ board of trustees, which is responsible for the administration of the Police and Firemen's Retirement System, within 90 days of the effective date of this act. In the absence of the filing of a timely waiver by any eligible officer his pension status

shall remain unchanged and his membership shall not be transferred to the Police and Firemen's Retirement System.

b. Each new officer who begins employment following the effective date of this act and who is otherwise eligible, shall be required to enroll in the Police and Firemen's Retirement System of New Jersey as a condition of employment, provided he is otherwise eligible for membership by meeting the appointment, age, and health prescriptions required of all members. As of the effective date of this act, the eligibility of membership for such new officers in the county or county park commission pension fund or in the Public Employees' Retirement System shall be terminated and the membership requirements of such other funds will be deemed satisfied by the enrollment of such employees in the Police and Firemen's Retirement System.

c. All officers who, prior to the effective date of this act, were not required to become and who are not members of county or county park commission pension funds or the Public Employees' Retirement System, and who anticipate the receipt of a pension from the county under the provisions of chapter 4 of Title 43 of the Revised Statutes or the "General Noncontributory Pension Act" P.L.1955, c. 263 (C. 43:8B-1 et seq.), shall continue their eligibility for such pension to be paid by the county and shall not be permitted to enroll in the Police and Firemen's Retirement System of New Jersey.

(cf: P.L.1973, c.92, s.2)

27. Section 7 of P.L.1973, c.92 (C.43:16A-48.7) is amended to read as follows:

7. The chief fiscal officer of each employer shall transmit to the retirement system such information as the system shall require in order for the **[**New Jersey State Division of Pensions**]** board of trustees to comply with the provisions of this act.

(cf: P.L.1973, c.92, s.7)

28. Section 20 of P.L.1964, c.241 (C.43:16A-53) is amended to read as follows:

20. The **[**State Treasurer**]** board of trustees is hereby authorized and permitted to purchase from one or more life insurance companies, as determined by him, a group life insurance coverage to provide for the death benefits specified in sections 5**[**,**]** and 6, **[**7(3)**]** subsection (3) of section 7, section 9, and **[**10(5) of chapter 255 of the laws of 1944**]** subsection (5) of section 10 of P.L.1944, c.255 (C.43:16A-5 through C.43:16A-7, C.43:16A-9, and C.43:16A-10) and sections 16 and 17 of **[**chapter 241 of the laws of 1964**]** P.L.1964, c.241 (C.43:16A-11.1 and C.43:16A-11.2). Such group life insurance coverage may be provided under one or more policies issued to the **[**State Treasurer**]** board of trustees

specifically for this purpose or, in the discretion of the [State Treasurer] <u>board of trustees</u>, under one or more policies issued to the [State Treasurer] <u>board of trustees</u> which provide group life insurance coverage for members of one or more other retirement systems of the State of New Jersey. Whenever such policy or policies of group insurance shall be in effect, the benefits payable thereunder shall be in lieu of the above mentioned death benefits provided by said sections. Any dividend or retrospective rate credit allowed by an insurance company shall be credited in an equitable manner to the special insurance funds from which premiums are paid.
(cf: P.L.1967, c.250, s.18)

29. Section 22 of P.L.1964, c.241 (C.43:16A-55) is amended to read as follows:

22. The [State Treasurer] <u>board of trustees</u> may, in [his] <u>its</u> discretion, determine to purchase group insurance coverage for the death benefit provisions as provided in sections 5[,] <u>and</u> 6, [7(3)] <u>subsection (3) of section 7</u>, <u>section</u> 9<u>,</u> and [10(5) of chapter 255 of the laws of 1944] <u>subsection (5) of section 10 of P.L.1944, c.255 (C.43:16A-5 through C.43:16A-7, C.43:16A-9, and C.43:16A-10)</u> and sections 16 and 17 of [chapter 241 of the laws of 1964] <u>P.L.1964, c.241 (C.43:16A-11.1 and C.43:16A-11.2)</u>, or may determine not to purchase any group insurance coverage for the death benefit provisions heretofore mentioned.
(cf: P.L.1967, c.250, s.19)

30. Section 23 of P.L.1964, c.241 (C.43:16A-56) is amended to read as follows:

23. In the event the [State Treasurer] <u>board of trustees</u> shall determine to purchase group insurance coverage for the death benefits, premiums for the same shall be paid from a special fund, hereby created, called the "Group Insurance Premium Fund." The [State Treasurer] <u>board of trustees</u> shall estimate annually the amount which will be required for premiums for such benefits for the ensuing fiscal year and shall certify such amounts to the participating employers as due and owing from them. The participating employers shall pay over to the [State Treasurer] <u>board of trustees</u> the amount for premiums so certified and the [State Treasurer] <u>board of trustees</u> shall deposit these amounts in the Group Insurance Premium Fund. During the period such group insurance policy or policies are in effect with respect to members of the Police and Firemen's Retirement System of New Jersey the [State Treasurer] <u>board of trustees</u> shall in no way commingle moneys in this fund with any pension fund established by [chapter

255 of the laws of 1944】 P.L.1944, c.255 (C.43:16A-1 et seq.).
(cf: P.L.1967, c.250, s.20)

31. Section 24 of P.L.1964, c.241 (C.43:16A-57) is amended to read as follows:

24. All reserves and moneys held by the insurance carrier under group life insurance contracts providing for employee contributions pursuant to the provisions of 【chapter 241 of the laws of 1964】 P.L.1964, c.241 (C.43:16A-11.1 et al.), and any amendments and supplements thereto, shall be transferred and merged with those purchased by the 【State Treasurer】 board of trustees.
(cf: P.L.1967, c.250, s.21)

32. Section 2 of P.L.1985, c.221 (C.43:16A-62.3) is amended to read as follows:

2. a. Either the transfer to or the initial enrollment in the Police and Firemen's Retirement System of chief investigators, assistant chief investigators, senior investigators and investigators in a county welfare agency is contingent upon the approval of the county. A county may make such a transfer or allow such an enrollment upon the adoption of an ordinance or resolution, as appropriate.

b. If an ordinance or resolution is adopted pursuant to subsection a. of this section, an eligible officer who is a member of the Public Employees' Retirement System (P.L.1954, c.84, C.43:15A-1 et seq.) or of a county pension fund created under P.L.1943, c.160 (C.43:10-18.1 et seq.), or P.L.1948, c.310 (C.43:10-18.50), or article 1 of chapter 10 of Title 43 of the Revised Statutes (R.S. 43:10-1 et seq.), hereinafter referred to as "county pension fund," shall be permitted to transfer his membership in the retirement system or county pension fund to the Police and Firemen's Retirement System of New Jersey by: (1) waiving all rights and benefits which would otherwise be provided by the Public Employees' Retirement System or county pension fund; and (2) making a lump sum payment into the Police and Firemen's Retirement System annuity savings fund of the amount of the difference between the contribution which was paid as a member of the Public Employees' Retirement System or a county pension fund and the contribution that would have been required if he had been a member of the Police and Firemen's Retirement System since the date of last enrolling in the Public Employees' Retirement System or a county pension fund. In addition, the employee shall be liable for the amount of the difference between (1) the total contribution paid by the employer of the employee to the Public Employees' Retirement System of New Jersey or county pension fund with respect to any service credit transferred therefrom to the Police and Firemen's Retirement System under this subsection, and (2) the contribution which the employer would have been required to pay to the Police and Firemen's Retirement System with respect to that service credit if the employee had been enrolled in the Police and Firemen's Retirement System during the entire period with respect to which he accumulated that credit; this payment may be made in regular monthly installments, or in a lump sum, as the employee may elect, and pursuant to rules and regulations as may be promulgated by the ⟦Division of Pensions⟧ <u>board of trustees</u>. Any such officer will likewise be permitted to continue his membership in the Public Employees' Retirement System or county pension fund by waiving all rights and benefits which would otherwise be provided by the Police and Firemen's Retirement System. Such waivers shall be accomplished by filing forms satisfactory to the ⟦New Jersey Division of Pensions⟧ <u>board of trustees</u>, which is responsible for the administration of the Police and Firemen's Retirement System, within 90 days following the effective date of an ordinance or resolution adopted by a county under subsection a. of this section. In the absence of a filing of a timely waiver by any eligible officer, his pension status shall remain unchanged and his membership shall not be transferred to the Police and Firemen's Retirement System.

c. The transfer of membership from the Public Employees' Retirement System or county pension fund to the Police and Firemen's Retirement System shall be done in accordance with the provisions of P.L. 1973, c. 156 (C. 43:16A-62 et seq.). Whenever in P.L. 1973, c. 156 a period of time is set which is to be calculated from the effective date of that act, such time shall be calculated from the effective date of an ordinance or resolution adopted by a county under subsection a. of this section for the purposes hereof.

d. If an ordinance or resolution is adopted pursuant to subsection a. of this section, each new officer who begins employment following the effective date of the ordinance or resolution shall be required to enroll in the Police and Firemen's Retirement System as a condition of employment, provided he is otherwise eligible for membership by meeting appointment, age, and health requirements prescribed for all members. As of the effective date of the ordinance or resolution, eligibility for membership of new officers in the Public Employees' Retirement System shall be deemed terminated and the membership requirements of such other retirement system shall be deemed satisfied by the enrollment of such officers in the Police and Firemen's Retirement System.

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

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

4. a. An eligible officer who is a member of the Public Employees' Retirement System or of a county pension fund created under P.L.1943, c. 160 (C.43:10-18.1 et seq.), or P.L.1948, c. 310 (C.43:10-18.50 et seq.) or article 2 of chapter 10 of Title 43 of the

Revised Statutes (R.S.43:10-19 et seq.), hereinafter referred to as a "county pension fund" shall be permitted to transfer his membership in said fund to the Police and Firemen's Retirement System of New Jersey by waiving all rights and benefits which would otherwise be provided by the Public Employees' Retirement System or a county pension fund. Any such officer will likewise be permitted to continue his membership in the Public Employees' Retirement System or a county pension fund by waiving all rights and benefits which would otherwise be provided by the Police and Firemen's Retirement System. Such waivers shall be accomplished by filing forms satisfactory to the ⟦New Jersey Division of Pensions⟧ <u>board of trustees</u>, which is responsible for the administration of the Police and Firemen's Retirement System, within 90 days of the effective date of this 1975 amendatory and supplementary act. In the absence of the filing of a timely waiver by any eligible officer his pension status shall remain unchanged and his membership shall not be transferred to the Police and Firemen's Retirement System.

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

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

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

9. The chief fiscal officer of the employer shall transmit to the retirement system such information as the system shall require in order for the ⟦New Jersey Division of Pensions⟧ <u>board of trustees</u> to comply with the provisions of this act.

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

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

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

The Board of Trustees of the Public Employees' Retirement System; the Board of Trustees of the State Police Retirement System; the Prison Officers' Pension Commission; the Board of

Trustees of the Teachers' Pension and Annuity Fund; [the Board of Trustees of the Police and Firemen's Retirement System of New Jersey;] and the Consolidated Police and Firemen's Pension Fund Commission; of, or relating to, investment or reinvestment of moneys of, and purchase, sale or exchange of any investments or securities of or for any funds or accounts under the control and management of such agencies, are hereby transferred to and shall be exercised and performed for such agencies by the Director of the Division of Investment established hereunder.
(cf: P.L.1970, c.57, s.17)

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

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

The Consolidated Police and Firemen's Pension Fund;
[The Police and Firemen's Retirement System of New Jersey;]
The Prison Officers' Pension Fund;
The Public Employees' Retirement System of New Jersey;
The State Police Retirement System;
The Teachers' Pension and Annuity Fund;
The Judicial Retirement System of New Jersey;
The Trustees for the Support of Public Schools;

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

such investments which shall be authorized or approved for investment by regulation of the State Investment Council.
(cf: P.L.2013, c.253, s.39)

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

11. a. Limitations, conditions and restrictions contained in any law concerning the kind or nature of investment of any of the moneys of any of the funds or accounts referred to herein shall continue in full force and effect; provided, however, that subject to any acceptance required, or limitation or restriction contained herein: the Director of the Division of Investment shall at all times have authority to invest and reinvest any such moneys in investments as defined in subsection c. of this section and, for or on behalf of any such fund or account, to sell or exchange any such investments<u>; provided, however, that the Board of Trustees of the Police and Firemen's Retirement System of New Jersey shall have sole authority to invest and reinvest moneys for or on behalf of the Police and Firemen's Retirement System of New Jersey</u>.

b. In investing and reinvesting any and all money and property committed to the director's investment discretion from any source whatsoever, and in acquiring, retaining, selling, exchanging and managing investments, the Director of the Division of Investment<u>, and in the case of the Police and Firemen's Retirement System of New Jersey, the Board of Trustees of the Police and Firemen's Retirement System of New Jersey,</u> shall exercise the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. In making each investment, the director may, depending on the nature and objectives of the portfolio, consider the whole portfolio, provided that, in making each investment, the director shall act with the reasonable expectation that the return on each investment shall be commensurate with the risk associated with each investment. The director <u>or board of trustees</u> shall be under a duty to manage and invest the portfolio solely in the interests of the beneficiaries of the portfolio and for the exclusive purpose of providing financial benefits to the beneficiaries of the portfolio.

c. For the purposes of this section, "investments" means and includes property of every nature, real, personal and mixed, tangible and intangible, and specifically includes, solely by way of description and not by way of limitation, bonds, debentures and other corporate obligations, direct and indirect investments in equity real estate , mortgages and other direct or indirect interests in real estate or investments secured by real estate, capital stocks, common stocks, preferred stocks, diversified pools of venture capital which otherwise could be made consistent with the standard of care required by subsection b. of this section, common trust funds as defined in and regulated by sections 36 through 46 of P.L.1948, c.67 (C.17:9A-36 through 17:9A-46), repurchase agreements, securities loan transactions secured by cash, securities issued by the United States government or its agencies, or irrevocable bank letters of credit, whether directly or through a bank or similar financial institution acting as agent or trustee, mutual funds, and any other security issued by an investment company or investment trust, whether managed or not by third parties, registered under the "Investment Company Act of 1940," <u>(</u>15 U.S.C. s.80a-1 et seq.<u>).</u> No investment that is otherwise permissible under this subsection shall be considered to be unlawful solely because the investment is made indirectly or through a partnership, trust, or other legal entity.

(cf: P.L.1997, c.26, s.26)

38. All of the present functions, powers, duties, equipment, and records relating to the Police and Firemen's Retirement System of New Jersey in the Division of Pensions and Benefits in the

Department of the Treasury and the Division of Investment are hereby transferred to the Board of Trustees of the Police and Firemen's Retirement System of New Jersey.

39. The terms of service of those appointed and elected members serving on the Board of Trustees of the Police and Firemen's Retirement System on the date of enactment of P.L. , c. (pending before the Legislature as this bill), shall be terminated as of the first day of the seventh month next following that date of enactment, so that the composition of the board as provided for in this act shall be attained. A trustee whose service on the board has been terminated pursuant to this section may be appointed or elected to serve as a trustee after that effective date if qualified.

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

41. This act shall take effect on the 366th day next following enactment, except the provisions concerning the election, appointment, and composition of the new Board of Trustees of the Police and Firemen's Retirement System, set forth in section 15 of this act, shall take effect as specified in that section and the new Board of Trustees of the Police and Firemen's Retirement System shall take office on the first business day of the seventh month next following the date of enactment of this act. The Board of Trustees of the Police and Firemen's Retirement System, the Division of Pensions and Benefits, and the Division of Investment may take such anticipatory administrative action in advance as shall be necessary for the implementation of the act.

STATEMENT

This bill transfers management of the Police and Firemen's Retirement System (PFRS) from the Division of Pensions and Benefits in the Department of the Treasury to the Board of Trustees of the PFRS.

The bill changes the membership of the Board of Trustees of the PFRS from 11 to 12 members. Seven trustees must be present at any meeting of the board for the transaction of its business. A member of the Board of Trustees of the PFRS may be removed if the member has more than three unexcused absences from the board's meetings in any calendar year. A member may also participate in meetings of the board by teleconference.

Under the bill, the board will consist of three active policemen and three active firemen. The active members of the system will elect one active policeman and one active fireman. The remaining active policemen and firemen will be appointed by the heads of four unions representing policemen and firemen in the State. In addition, the board will contain one retiree elected by retirees in the PFRS.

To represent the interests of local government employers, the Governor will appoint four trustees, who either hold or have held an elective local public office or are employed, or have been employed, by a local government as an administrator, manager, or chief financial officer. The Governor will also appoint one trustee, who holds, or has held, a position in the Executive Branch of State government at the level of division director or above, to represent the interests of State government.

The bill vests with the board of trustees all the functions, powers, and duties relating to the investment and reinvestment of money in any fund or account under the control of the board. The Division of Investment in the Department of the Treasury currently performs these functions. Under the bill, the board of trustees may make and execute agreements with public and private enterprises for the management of the investments of the retirement system. The bill requires the board to hire an executive director, actuary, chief investment officer, and ombudsman.

This bill requires the executive director and chief investment officer employed by the board to have, at minimum, a bachelor's degree from an accredited institution of higher education, and at least five years management experience in accounting, finance, public administration, government pension and retirement planning, investment banking, financial consulting, money management, or a similar field, and to meet all other requirements for employment set forth in a standard adopted by the board. A member, retiree, or other beneficiary of the retirement system may not hold the position of executive director or chief investment officer.

Under the bill, the board of trustees has the authority to establish a process for the review, approval, and appeal of applications for retirement. The bill provides the board of trustees with authority to modify the system's member contribution rate; cap on creditable compensation; formula for calculation of final compensation; and standards for special retirement and disability retirement. The bill allows the board to reinstate cost of living adjustments for retirees. Under the bill, the board may alter any benefit set forth in statute for the PFRS. There are to be at least eight votes of the authorized membership of the board to approve any enhancement or reduction of a member benefit, other than the activation of the now-suspended cost of living adjustment for retirees, or to approve any increase or decrease in the employer contribution that is more than what is recommended by the actuary for the system for the purpose of the annual funding requirements of the system.

Moreover, the bill requires local employers to pay their required contributions to the PFRS on a quarterly basis. If a local employer does not make a required contribution within 30 days of the due date, the Division of Local Government Services will withhold any

State aid payment due to that employer in an amount equal to the amount of the delinquent contribution. If the employer is eligible for transitional aid, the Division of Local Government Services is to consult with the board to develop a payment plan to ensure that the required payment and interest owed is paid in a timely manner. The director will release the withheld State aid payment to the employer upon certification by the board of the receipt of the delinquent contribution.

This bill requires the board of trustees, at the end of six years following the enactment date of this bill, to conduct a review of the performance and funding levels of the retirement system, as compared to available market data, including, but not limited to, the performance of the State Investment Council and Division of Investment with regard to the investment of other State-administered retirement systems or funds and the Bloomberg Barclays Indices, and may, based on a majority vote of the authorized membership of the board, petition the Legislature to consider legislation that reverts control of the system to the Department of the Treasury, or other agency as the State deems appropriate.

The bill does not diminish the non-forfeitable right PFRS members have to receive the benefits provided under State law or affirmed by the State's courts. Nothing in the bill relieves the State or local government employers of any past, present, or future obligations to the PFRS or its members.