

# ASSEMBLY, No. 3414

## STATE OF NEW JERSEY 218th LEGISLATURE

INTRODUCED FEBRUARY 15, 2018

**Sponsored by:**

**Assemblyman EDWARD H. THOMSON**  
**District 30 (Monmouth and Ocean)**

**SYNOPSIS**

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

**CURRENT VERSION OF TEXT**

As introduced.



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

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

7  
8 1. Section 2 of P.L.1958, c.143 (C.43:3B-2) is amended to read  
9 as follows:

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

14 a. **[the]** The maximum retirement allowance, without option,  
15 shall be considered the retirement allowance originally granted to  
16 any retirant who, at retirement, elected an Option I allowance  
17 pursuant to the provisions of the statutes stipulated in subsection b.  
18 of section 1 of this act (C.43:3B-1); and b. the minimum pension  
19 granted to any beneficiary stipulated in subsection d. (4) of section  
20 1 of this act (C.43:3B-1), shall be considered the pension originally  
21 granted to such beneficiary.

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27 shall not be decreased, increased, revoked or repealed except as  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

32 Commencing with the effective date of P.L.2011, c.78 and  
33 thereafter, no further adjustments to the monthly retirement  
34 allowance or pension originally granted to any retirant and the  
35 pension or survivorship benefit granted to any beneficiary shall be  
36 made in accordance with the provisions of P.L.1958, c.143  
37 (C.43:3B-1 et seq.), unless the adjustment is reactivated as  
38 permitted by law. This provision shall not reduce the monthly  
39 retirement benefit that a retirant or a beneficiary is receiving on the  
40 effective date of P.L.2011, c.78 when the benefit includes an  
41 adjustment granted prior to that effective date. The Board of  
42 Trustees of the Police and Firemen's Retirement System may adjust  
43 the monthly retirement allowance or pension of its retired members  
44 in accordance with subsection b. of section 13 of P.L.1944, c.255  
45 (C.43:16A-13).  
46 (cf: P.L.2011, c.78, s.25)

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

Matter underlined thus is new matter.

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

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

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

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

1 required contributions shall be included in all annual appropriations  
2 acts as a dedicated line item.

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

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

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

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

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

44

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

47 33. Whenever a committee of the Public Employees' Retirement  
48 System, the Teachers' Pension and Annuity Fund, **【**the Police and  
49 Firemen's Retirement System,**】** or the State Police Retirement

1 System fails to render a decision on a matter before the committee  
2 because it has not received a vote of the majority of the committee  
3 members after 60 days have passed following the initial  
4 consideration of the matter, the committee shall utilize a super  
5 conciliator, randomly selected from a list developed by the New  
6 Jersey Public Employment Relations Commission. The super  
7 conciliator shall assist the committee based upon procedures and  
8 subject to qualifications established by the commission pursuant to  
9 regulation.

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

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

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

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

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

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

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

33

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

36 60. a. Notwithstanding any law, rule or regulation to the  
37 contrary, the Teachers' Pension and Annuity Fund, established  
38 pursuant to N.J.S.18A:66-1 et seq., the Judicial Retirement System,  
39 established pursuant to P.L.1973, c.140 (C.43:6A-1 et seq.), the  
40 Prison Officers' Pension Fund, established pursuant to P.L.1941,  
41 c.220 (C.43:7-7 et seq.), the Public Employees' Retirement System,  
42 established pursuant to P.L.1954, c.84 (C.43:15A-1 et seq.), the  
43 Consolidated Police and Firemen's Pension Fund, established  
44 pursuant to R.S.43:16-1 et seq., the Police and Firemen's  
45 Retirement System, established pursuant to P.L.1944, c.255  
46 (C.43:16A-1 et seq.), and the State Police Retirement System,  
47 established pursuant to P.L.1965, c.89 (C.53:5A-1 et seq.), are  
48 established as qualified governmental defined benefit plans  
49 pursuant to sections 401(a) and 414(d) of the federal Internal

1 Revenue Code of 1986 (26 U.S.C. ss.401(a) and 414(d)), as  
2 amended, or such other provision of the federal Internal Revenue  
3 Code, as applicable, regulations of the U.S. Treasury Department,  
4 and other guidance of the federal Internal Revenue Service.

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

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

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

34

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

37 1. The Division of Pensions and Benefits in the Department of  
38 the Treasury shall provide for the prompt notification in writing of  
39 any member or retiree of the Teachers' Pension and Annuity Fund,  
40 established pursuant to N.J.S.18A:66-1 et seq., the Judicial  
41 Retirement System, established pursuant to P.L.1973, c.140  
42 (C.43:6A-1 et seq.), the Public Employees' Retirement System,  
43 established pursuant to P.L.1954, c.84 (C.43:15A-1 et seq.), **【**the  
44 Police and Firemen's Retirement System, established pursuant to  
45 P.L.1944, c.255 (C.43:16A-1 et seq.),**】** the State Police Retirement  
46 System, established pursuant to P.L.1965, c.89 (C.53:5A-1 et seq.),  
47 the Alternate Benefit Program, established pursuant to P.L.1969,  
48 c.242 (C.18A:66-167 et seq.), and the Defined Contribution  
49 Retirement Program, established pursuant to P.L.2007, c.92

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

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

26

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

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

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

45

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

48 1. As used in this act:

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

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

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

13 (ii) has police powers;

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

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

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

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

48 (3) "Member" shall mean any policeman or fireman included in  
49 the membership of the retirement system pursuant to this



1 amendatory and supplementary act, P.L.1989, c.204 (C.43:16A-15.6  
2 et al.).

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

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

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

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

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

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

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

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

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

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

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

44 (15) "Average final compensation" shall mean final  
45 compensation.

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

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

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

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

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

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

31 (22) "Parent" shall mean the parent of a member who was  
32 receiving at least one-half of his support from the member in the  
33 12-month period immediately preceding the member's death or the  
34 accident which was the direct cause of the member's death. The  
35 dependency of such a parent will be considered terminated by  
36 marriage of the parent subsequent to the death of the member.

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

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

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

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

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

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

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

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

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

41 (27) "Department" shall mean any police or fire department of a  
42 municipality or a fire department of a fire district located in a  
43 township or a county police or park police department or the  
44 appropriate department of the State or instrumentality thereof.

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

48 (b) In the case of a person who becomes a member of the  
49 retirement system on or after the effective date of P.L.2010, c.1,

1 "final compensation" means the average annual compensation for  
2 service for which contributions are made during any three fiscal  
3 years of membership providing the largest possible benefit to the  
4 member or the member's beneficiary.

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

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

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

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

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

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

18

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

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

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

31

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

34 1. Any member of the Police and Firemen's Retirement System  
35 of New Jersey who has been or shall be elected to the position of  
36 sheriff or who has accepted or shall accept appointment to the office  
37 or position of undersheriff may, by written notification to the  
38 **Director of the Division of Pensions** board of trustees and the  
39 county treasurer, elect to continue to be a member of the retirement  
40 system while serving as sheriff or undersheriff and shall be deemed  
41 to have waived any and all benefits to which he would otherwise be  
42 entitled by eligibility for membership in the Public Employees'  
43 Retirement System. The county treasurer shall make deductions  
44 from the salary of the sheriff or undersheriff and contributions on  
45 his behalf to the Police and Firemen's Retirement System as is  
46 required by law for members of that system.

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

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

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

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

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

30

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

33       6. The Adjutant General of the Department of Military and  
34 Veterans' Affairs shall be responsible for determining whether any  
35 person seeking to be considered a "veteran" under section 1 of  
36 P.L.1983, c.391 (C.43:16A-11.7), for the purpose of purchasing  
37 military service credit, meets the criteria set forth therein and  
38 adjudicating an appeal from any person disputing this  
39 determination. The determination of the Adjutant General shall be  
40 binding upon the **【Division of Pensions and Benefits】** board of  
41 trustees.

42 (cf: P.L.2000, c.127, s.6)

43

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

46       1. Any member of the Police and Firemen's Retirement System  
47 of New Jersey who has at least 20 years of creditable service in the  
48 retirement system and who leaves a position covered by the  
49 retirement system, with the approval of the employer, to take a full-

1 time position with a. a federal agency, b. an agency of another state  
2 or local government thereof, c. a national, regional, statewide,  
3 areawide or metropolitan organization representing member state or  
4 local governments, d. an association of state or local public  
5 officials, or e. a nonprofit organization which has as one of its  
6 principal functions the offering of professional advisory, research,  
7 educational or development services, or related services, to  
8 governments or universities concerned with public management,  
9 may, upon filing an application with the board of trustees of the  
10 retirement system, purchase credit in the retirement system for all  
11 or a portion of the time of service with the public agency or private  
12 organization, but not exceeding three years, as provided in this act.

13 The member may purchase credit for the service by paying into  
14 the annuity savings fund the amount determined by applying the  
15 factor, supplied by the actuary, applicable to his age at the time of  
16 the purchase, to his creditable salary in the last 12 months of  
17 creditable service in the position covered by the retirement system  
18 immediately preceding the service with the public agency or private  
19 organization. The purchase may be made in regular monthly  
20 installments or in a lump sum as the member may elect and  
21 pursuant to rules and regulations as may be promulgated by the  
22 **【Division of Pensions】** board of trustees. The member shall bear  
23 the entire cost for the additional retirement benefit attributable to  
24 the purchased credit. If, upon retirement, the member's payment for  
25 purchase of the credit is insufficient to provide for the additional  
26 retirement benefit attributable to the service, the difference may be  
27 assessed to the member, or a pro rata credit may be granted based  
28 on service purchased prior to the date of retirement, at the election  
29 of the member.

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

34 The purchase may be made within four years of the date of the  
35 member's last contribution to the retirement system in the covered  
36 position immediately preceding the service with the public agency  
37 or private organization.

38 (cf: P.L.1985, c.450, s.1)

39

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

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

1     creditable service, but not exceeding three years, as provided in this  
2     section.

3     The member may purchase credit for the service by paying into  
4     the annuity savings fund the amount determined by applying the  
5     factor, supplied by the actuary, applicable to his age at the time of  
6     the purchase, to his creditable salary in the last 12 months of  
7     creditable service in the position covered by the retirement system  
8     immediately preceding the involuntary separation from service. The  
9     purchase may be made in regular monthly installments or in a lump  
10    sum as the member may elect and pursuant to rules and regulations  
11    as may be promulgated by the **【Division of Pensions and Benefits】**  
12    board of trustees. The member shall bear the entire cost for the  
13    additional retirement benefit attributable to the purchased credit. If,  
14    upon retirement, the member's payment for purchase of the credit is  
15    insufficient to provide for the additional retirement benefit  
16    attributable to the service, the difference may be assessed to the  
17    member, or a pro rata credit may be granted based on service  
18    purchased prior to the date of retirement, at the election of the  
19    member.

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

24    (cf: P.L.1999, c.338, s.1)

25

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

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

37    The member may purchase credit for the service by paying into  
38    the annuity savings fund the amount determined by applying the  
39    factor, supplied by the actuary, applicable to the member's age at  
40    the time of the purchase, to the member's creditable salary in the  
41    last 12 months of creditable service in the position covered by the  
42    retirement system immediately preceding the involuntary separation  
43    from service. The purchase may be made in regular monthly  
44    installments or in a lump sum as the member may elect and  
45    pursuant to rules and regulations as may be promulgated by the  
46    **【Division of Pensions and Benefits】** board of trustees. The member  
47    shall bear the entire cost for the additional retirement benefit  
48    attributable to the purchased credit. If, upon retirement, the  
49    member's payment for purchase of the credit is insufficient to

1 provide for the additional retirement benefit attributable to the  
2 service, the difference may be assessed to the member, or a pro rata  
3 credit may be granted based on service purchased prior to the date  
4 of retirement, at the election of the member.

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

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

11

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

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

33 (2) The board shall consist of **[11]** 15 trustees as follows:

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



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

1 Governor shall appoint trustees representing the interest of local  
2 government employers pursuant to this subparagraph no later than  
3 the first day of the seventh month next following the date of  
4 enactment of P.L. , c. (pending before the Legislature as this  
5 bill).

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

18 (g) One trustee to be appointed directly by the New Jersey  
19 League of Municipalities. The trustee appointed pursuant to this  
20 subparagraph shall serve for an initial term of two years. Following  
21 the trustee's first term, the trustee appointed pursuant to this  
22 subparagraph shall serve four-year terms.

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

25 (i) One trustee, to be appointed by the Governor, who shall  
26 serve four-year terms and shall represent the interest of taxpayers.  
27 No member, retiree, or other beneficiary of the system, State or  
28 local elected official, or officer of a local, county, or State labor  
29 organization, union, or affiliate that represents public employees  
30 shall be eligible to be appointed as a trustee pursuant to this  
31 subparagraph.

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

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

1 (4) (a) If a vacancy occurs in the office of a trustee, the vacancy  
2 shall be filled in the same manner as the office was previously  
3 filled. A vacancy shall not last more than 60 days, unless the board  
4 is awaiting the certification of an election conducted pursuant to  
5 paragraph (2) of this subsection. If a vacancy lasts for more than 60  
6 days, then the board shall appoint, upon a majority vote of the  
7 trustees then serving, a person qualified pursuant to subparagraph  
8 (e) or (f) of paragraph (2) of this subsection to fill the vacancy until  
9 a new trustee is appointed or elected in the manner set forth in  
10 paragraph (2) of this subsection.

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

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

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

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

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

39 (8) The board of trustees shall elect from its membership a  
40 **【chairman】** chair and vice chair. The chair, or vice chair in the  
41 chair's absence, shall serve as the primary contact with board staff,  
42 coordinate and approve meeting agendas, and shall have the power  
43 to authorize any special staff action necessary to execute any of the  
44 board's duties. The chair and vice chair shall not have the authority  
45 to discipline or discharge an employee of the board unless  
46 authorized to take such action by a majority of the trustees at a  
47 public meeting. The **【Director of the Division of Pensions and**  
48 **Benefits】** board shall appoint a **【qualified employee of the division**

1 to be] secretary of the board. The administration of the program  
2 shall be performed by [the] personnel [of the Division of Pensions  
3 and Benefits] selected by the board in accordance with this section.  
4 The board, reconstituted pursuant to P.L., c., (pending before  
5 the Legislature as this bill), shall hold an initial meeting on the first  
6 business day of the seventh month following the date of enactment  
7 of P.L., c., (pending before the Legislature as this bill). At the  
8 initial meeting of the board on the first business day of the seventh  
9 month next following the date of enactment of P.L. , c. (pending  
10 before the Legislature as this bill), the board shall contract with the  
11 Division of Pensions and Benefits for the division to perform the  
12 administrative tasks that the division performed prior to the  
13 enactment of P.L. , c. (pending before the Legislature as this  
14 bill) and such other tasks as the board may require. The division  
15 shall receive compensation from the board for the performance of  
16 the administrative tasks that the division performed prior to the  
17 enactment of P.L. , c. (pending before the Legislature as this  
18 bill) in an amount equal to the cost the division incurred for the  
19 performance of those administrative tasks prior to the enactment of  
20 that act. At the expiration of the term of the contract negotiated by  
21 the board with the division pursuant to this paragraph, the board  
22 may contract with the division or with a private entity, pursuant to  
23 the provisions of P.L.1954, c.48 (C.52:34-6 et seq.), to perform  
24 administrative tasks that the board determines to be necessary or  
25 convenient for its operation.

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

34 (10) The board of trustees may, in its discretion, select and  
35 employ, or contract with, legal counsel with demonstrated expertise  
36 in the law governing retirement systems for public or private sector  
37 employees to advise and represent the board. If the board does not  
38 select and employ, or contract with, legal counsel, the Attorney  
39 General of the State of New Jersey shall be the legal adviser of the  
40 retirement system, except [that] if the Attorney General determines  
41 that a conflict of interest would affect the ability of the Attorney  
42 General to represent the board or the committees on a matter  
43 affecting the retirement system [, the board may select and employ  
44 legal counsel to advise and represent the board or the committees on  
45 that matter].

46 (11) The [State Treasurer] board of trustees shall designate a  
47 medical board [after consultation with the Director of the Division  
48 of Pensions and Benefits, subject to veto by the board of trustees for

1 valid reason]. It shall be composed of a minimum of three  
2 physicians who are not eligible to participate in the retirement  
3 system. The medical board shall pass upon all medical examinations  
4 required under the provisions of this act, shall investigate all  
5 essential statements and certificates by or on behalf of a member in  
6 connection with an application for disability retirement, and shall  
7 report in writing to the retirement system its conclusions and  
8 recommendations upon all matters referred to it.

9 (12) The actuary of the system shall be selected by the  
10 **[Retirement Systems Actuary Selection Committee established by**  
11 **P.L.1992, c.125. He]** board of trustees. The actuary shall be the  
12 technical adviser of the board of trustees [and the committees] on  
13 matters regarding the operation of the funds created by the  
14 provisions of this act, and shall perform such other duties as are  
15 required in connection therewith. The actuary may be an employee  
16 of the board or an independent contractor retained by the board.  
17 The actuary shall have demonstrated experience in providing  
18 actuarial services to defined benefit retirement systems for public  
19 employees.

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

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

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

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

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

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

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

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

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

37       (b) The board of trustees shall have the authority to retain other  
38 administrative and professional staff as required to implement the  
39 duties and responsibilities required to ensure the smooth transition  
40 of responsibilities and authority from the division to the board  
41 pursuant to P.L. , c. (pending before the Legislature as this bill).  
42 The board shall not employ a trustee and may employ a former  
43 trustee only if the former trustee has not held the position of trustee  
44 for more than two years.

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

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

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

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

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

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

46       b. **【**There are established two committees, to be composed of  
47 10 members each as follows, one for the State employees part of the  
48 retirement system and one for the part of the retirement system with  
49 employees of employers other than the State.

1 Each committee shall have five members who shall be appointed  
2 by the Governor as representatives of public employers whose  
3 employees are enrolled in the retirement system, two members who  
4 shall be appointed by the head of the union representing the greatest  
5 number of police officer members of the retirement system having  
6 union membership, one member who shall be appointed by the head  
7 of the union representing the second greatest number of police  
8 officer members of the retirement system having union  
9 membership, one member who shall be appointed by the head of the  
10 union representing the greatest number of firefighter members of  
11 the retirement system having union membership, and one member  
12 who shall be appointed by the head of the union representing the  
13 second greatest number of firefighter members of the retirement  
14 system having union membership. The members of the committees  
15 shall not be appointed until that part of the system attains the target  
16 funded ratio.

17 The members of each committee shall serve for a term of three  
18 years and until a successor is appointed and qualified. For each  
19 committee, of the initial appointments by the Governor, two  
20 members shall serve for two years and until a successor is appointed  
21 and qualified, and two shall serve for one year and until a successor  
22 is appointed and qualified. For each committee, of the initial  
23 appointments by the head of the union representing the greatest  
24 number of police officer members of the retirement system, the  
25 members shall serve for two years and until a successor is appointed  
26 and qualified. For each committee, of the initial appointment by the  
27 head of the union representing the greatest number of firefighter  
28 members of the retirement system, the member shall serve for one  
29 year and until a successor is appointed and qualified.

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

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

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

46 Each committee may contract with such actuaries or consultants,  
47 or both, in accordance with the provisions of P.L.1954, c.48  
48 (C.52:34-6 et seq.), as the committee may deem necessary to



1 perform its duties, when that part of the system has attained the  
2 target funded ratio.

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

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

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

19 **【**A committee shall give priority consideration to subparagraph  
20 (2) of this paragraph. A committee**】** The board of trustees shall  
21 have the discretionary authority to modify the conditions and  
22 standards for the purchase of service credit for death benefits. The  
23 board of trustees shall not have the authority to change the years of  
24 creditable service required for vesting.

25 Unless the system has attained the target funded ratio as defined  
26 in section 27 of P.L.2011, c.78 (C.43:3C-16), at least nine votes of  
27 the authorized membership of the board shall be required to approve  
28 any enhancement or reduction of a member benefit, including the  
29 activation of the application of the "Pension Adjustment Act,"  
30 P.L.1958, c.143 (C.43:3B-1 et seq.), for retirees, or to approve any  
31 increase or decrease in the employee contribution rate or the  
32 employer contribution that is more than what is recommended by  
33 the actuary for the system for the purpose of the annual funding  
34 requirements of the system.

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

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

44 **【**The members of each committee shall have the same duty and  
45 responsibility to the retirement system as do the members of the  
46 board of trustees.**】** No decision of **【**a committee**】** the board of  
47 trustees shall be implemented if the direct or indirect result of the  
48 decision will be that the funded ratio of that part falls below the

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

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

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

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

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

44 (2) The board shall adopt an ethics policy either identical to the  
45 provisions of the "New Jersey Conflicts of Interest Law," P.L.1971,  
46 c.182 (C.52:13D-12 et seq.) or more restrictive, but not less  
47 restrictive. All trustees, officers, and employees of the board shall  
48 participate in annual ethics training on the board's policy, the New

1 Jersey Conflicts of Interest Law, and any other applicable law, rule,  
2 or standard of conduct relating to the area of ethics as directed by  
3 the board's executive director.

4 d. The board of trustees shall have the authority to establish a  
5 process for the review, approval, and appeal of applications for  
6 retirement.

7 e. The board of trustees shall establish three committees as  
8 follows:

9 (1) (a) An Audit Committee of no less than three members to  
10 assist in the oversight of the financial reporting and audit processes  
11 of the board of trustees. At least two of the members shall be  
12 members of the board of trustees. At least one of the Audit  
13 Committee members shall have accounting, governmental auditing,  
14 or related financial expertise. If the board of trustees does not have  
15 sufficient members qualified or available to serve on the Audit  
16 Committee, or wishes to broaden the expertise on the Audit  
17 Committee, the board of trustees may request that the State  
18 Treasurer recommend one or more qualified individuals to sit on the  
19 committee.

20 (b) The Audit Committee shall assist the board of trustees in  
21 retaining an independent auditor to conduct an audit of the  
22 retirement system's financial statements by making a  
23 recommendation to the board of trustees after engaging in an  
24 auditor selection process. The auditor selection process shall be  
25 based upon public, competitive bidding principles and shall take  
26 place no less than once every five years.

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

31 (i) review and evaluate audit fees;

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

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

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

47 (v) review the audited financial statements and interim  
48 statements and discuss them with the board of trustees. These  
49 discussions shall include a review of particularly sensitive

1 accounting estimates, reserves and accruals, judgmental areas, audit  
2 adjustments, whether recorded or not, and any other matters the  
3 Audit Committee or independent auditor shall deem appropriate;

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

9 (vii) recommend policies with respect to risk assessment and  
10 risk management; and

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

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

21 (3) An Investment Committee of no less than three members to  
22 assist in the oversight of the investments selected by the board of  
23 trustees and the management of the investments of the retirement  
24 system. The Investment Committee shall consist of two members  
25 of the board of trustees, and one member who shall be the chief  
26 investment officer of the board, and shall oversee investments and  
27 make recommendations on investments to the board of trustees.

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

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

41

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

44 14. (1) The board of trustees shall be and are hereby constituted  
45 trustees of the various funds and accounts established by this act【;  
46 provided, however, that all】. All functions, powers and duties  
47 relating to the investment or reinvestment of moneys of, and  
48 purchase, sale or exchange of any investments or securities, of or  
49 for any fund or account established under this act shall be exercised

1 and performed by the [director of the Division of Investment in  
2 accordance with the provisions of chapter 270, of the laws of 1950]  
3 board. The [secretary] actuary of the board of trustees shall  
4 determine from time to time the cash requirements of the various  
5 funds and accounts established by this act and the amount available  
6 for investment, all of which shall be certified to the [Director of the  
7 Division of Investment.

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

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

23 (3) (Deleted by amendment.)

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

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

35

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

38 15. (1) The contributions required for the support of the  
39 retirement system shall be made by members and their employers.

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

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

1 such time and in such manner as the board shall determine. An  
2 adjustment shall not implemented if the direct or indirect result of  
3 the adjustment will be that the funded ratio of that part falls below  
4 the target funded ratio in any valuation period during the five years  
5 following the implementation of the decision.

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

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

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

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

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

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

37 (9) With respect to employers other than the State, upon the  
38 basis of the tables recommended by the actuary which the board  
39 adopts and regular interest, the actuary shall compute the amount of  
40 the accrued liability as of June 30, 1991 under the projected unit  
41 credit method, which is not already covered by the assets of the  
42 retirement system, valued in accordance with the asset valuation  
43 method established in this section. Using the total amount of this  
44 unfunded accrued liability, the actuary shall compute the initial  
45 amount of contribution which, if the contribution is paid annually in  
46 level dollars for a specific period of time, will amortize this  
47 liability. The **【State Treasurer shall determine, upon the advice of**  
48 **the Director of the Division of Pensions and Benefits, the】** board of

1 trustees **【and】** shall determine, upon the advice of the actuary, the  
2 time period for full funding of this liability, which shall not exceed  
3 40 years on initial application of this section as amended by this act,  
4 P.L.1994, c.62. This shall be known as the "accrued liability  
5 contribution." Any increase or decrease in the unfunded accrued  
6 liability as a result of actuarial losses or gains for the 10 valuation  
7 years following valuation year 1991 shall serve to increase or  
8 decrease, respectively, the unfunded accrued liability contribution.  
9 Thereafter, any increase or decrease in the unfunded accrued  
10 liability as a result of actuarial losses or gains for subsequent  
11 valuation years shall serve to increase or decrease, respectively, the  
12 amortization period for the unfunded accrued liability, unless an  
13 increase in the amortization period will cause it to exceed 30 years.  
14 If an increase in the amortization period as a result of actuarial  
15 losses for a valuation year would exceed 30 years, the accrued  
16 liability contribution shall be computed for the valuation year in the  
17 same manner provided for the computation of the initial accrued  
18 liability contribution under this section. Beginning with the July 1,  
19 2018 actuarial valuation, the accrued liability contribution shall be  
20 computed so that if the contribution is paid annually in level  
21 dollars, it will amortize this unfunded accrued liability over a closed  
22 30-year period. Beginning with the July 1, 2028 actuarial  
23 valuation, when the remaining amortization period reaches 20 years,  
24 any increase or decrease in the unfunded accrued liability as a result  
25 of actuarial losses or gains for subsequent valuation years shall  
26 serve to increase or decrease, respectively, the amortization period  
27 for the unfunded accrued liability, unless an increase in the  
28 amortization period will cause it to exceed 20 years. If an increase  
29 in the amortization period as a result of actuarial losses for a  
30 valuation year would exceed 20 years, the accrued liability  
31 contribution shall be computed for the valuation year in the same  
32 manner provided for the computation of the initial accrued liability  
33 contribution under this section.

34 With respect to the State, upon the basis of the tables  
35 recommended by the actuary which the board adopts and regular  
36 interest, the actuary shall annually determine if there is an amount  
37 of the accrued liability, computed under the projected unit credit  
38 method, which is not already covered by the assets of the retirement  
39 system, valued in accordance with the asset valuation method  
40 established in this section. This shall be known as the "unfunded  
41 accrued liability." If there was no unfunded accrued liability for the  
42 valuation period immediately preceding the current valuation  
43 period, the actuary, using the total amount of this unfunded accrued  
44 liability, shall compute the initial amount of contribution which, if  
45 the contribution is paid annually in level dollars for a specific  
46 period of time, will amortize this liability. The **【State Treasurer**  
47 **shall determine, upon the advice of the Director of the Division of**  
48 **Pensions and Benefits, the】** board of trustees **【and】** shall determine,

1 upon the advice of the actuary, the time period for full funding of  
2 this liability, which shall not exceed 30 years. This shall be known  
3 as the "accrued liability contribution." Thereafter, any increase or  
4 decrease in the unfunded accrued liability as a result of actuarial  
5 losses or gains for subsequent valuation years shall serve to increase  
6 or decrease, respectively, the amortization period for the unfunded  
7 accrued liability, unless an increase in the amortization period will  
8 cause it to exceed 30 years. If an increase in the amortization period  
9 as a result of actuarial losses for a valuation year would exceed 30  
10 years, the accrued liability contribution shall be computed for the  
11 valuation year in the same manner provided for the computation of  
12 the initial accrued liability contribution under this section.  
13 Beginning with the July 1, 2018 actuarial valuation, the accrued  
14 liability contribution shall be computed so that if the contribution is  
15 paid annually in level dollars, it will amortize this unfunded accrued  
16 liability over a closed 30-year period. Beginning with the July 1,  
17 2028 actuarial valuation, when the remaining amortization period  
18 reaches 20 years, any increase or decrease in the unfunded accrued  
19 liability as a result of actuarial losses or gains for subsequent  
20 valuation years shall serve to increase or decrease, respectively, the  
21 amortization period for the unfunded accrued liability, unless an  
22 increase in the amortization period will cause it to exceed 20 years.  
23 If an increase in the amortization period as a result of actuarial  
24 losses for a valuation year would exceed 20 years, the accrued  
25 liability contribution shall be computed for the valuation year in the  
26 same manner provided for the computation of the initial accrued  
27 liability contribution under this section.

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

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



1 of the difference between the expected value and the full market  
2 value of the assets to be added to the expected value of the assets  
3 for the valuation period ending June 30, 1998 for the State shall be  
4 100% and for other employers shall be 57% plus such additional  
5 percentage as is equivalent to \$150,000,000. Notwithstanding the  
6 first sentence of this paragraph, the amount of the difference  
7 between the expected value and the full market value of the assets  
8 to be added to the expected value of the assets for the valuation  
9 period ending June 30, 1999 shall include an additional amount of  
10 the market value of the assets sufficient to fund (1) the unfunded  
11 accrued liability for the supplementary "special retirement"  
12 allowances provided under subsection b. of section 16 of P.L.1964,  
13 c.241 (C.43:16A-11.1) and (2) the unfunded accrued liability for the  
14 full credit toward benefits under the retirement system for service  
15 credited in the Public Employees' Retirement System and  
16 transferred pursuant to section 1 of P.L.1993, c.247 (C.43:16A-3.8)  
17 and the reimbursement of the cost of any credit purchase pursuant  
18 to section 3 of P.L.1993, c.247 (C.43:16A-3.10) provided under  
19 section 1 of P.L.2001, c.201 (C.43:16A-3.14).

20 "Excess valuation assets" means, with respect to the valuation  
21 assets allocated to the State, the valuation assets allocated to the  
22 State for a valuation period less the actuarial accrued liability of the  
23 State for the valuation period, and beginning with the valuation  
24 period ending June 30, 1998, less the present value of the expected  
25 additional normal cost contributions attributable to the amendatory  
26 provisions of P.L.1999, c.428 [(C.43:16A-15.8 et al.)] (C.43:16A-1  
27 et al.) payable on behalf of the active members employed by the  
28 State as of the valuation period over the expected working lives of  
29 the active members in accordance with the tables of actuarial  
30 assumptions applicable to the valuation period, and less the present  
31 value of the expected additional normal cost contributions  
32 attributable to the provisions of P.L.2003, c.108 as amending  
33 section 16 of P.L.1964, c.241 (C.43:16A-11.1) payable on behalf of  
34 the active members employed by the State as of the valuation period  
35 over the expected working lives of the active members in  
36 accordance with the tables of actuarial assumptions applicable to  
37 the valuation period, if the sum is greater than zero. "Excess  
38 valuation assets" means, with respect to the valuation assets  
39 allocated to other employers, the valuation assets allocated to the  
40 other employers for a valuation period less the actuarial accrued  
41 liability of the other employers for the valuation period, excluding  
42 the unfunded accrued liability for early retirement incentive benefits  
43 pursuant to P.L.1993, c.99 for the other employers, and beginning  
44 with the valuation period ending June 30, 1998, less the present  
45 value of the expected additional normal cost contributions  
46 attributable to the amendatory provisions of P.L.1999, c.428  
47 [(C.43:16A-15.8 et al.)] (C.43:16A-1 et al.) payable on behalf of  
48 the active members employed by other employers as of the  
49 valuation period over the expected working lives of the active

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

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

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

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

34 (1) for valuation periods ending June 30, 1996 through June 30,  
35 2000, to the extent possible by up to 100% of the excess valuation  
36 assets allocated to the State or to the other employers, respectively;

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

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

43 (4) for valuation periods ending June 30, 2003 through June 30,  
44 2007, to the extent possible by up to 50% of the excess valuation  
45 assets allocated to the State or to the other employers, respectively.

46 Notwithstanding the discretion provided to the State Treasurer in  
47 the previous paragraph to reduce the amount of the normal  
48 contribution payable by employers other than the State, the State  
49 Treasurer shall reduce the amount of the normal contribution

1 payable by employers other than the State by \$150,000,000 in the  
2 aggregate for the valuation period ending June 30, 1998, and then  
3 the State Treasurer may reduce further pursuant to the provisions of  
4 the previous paragraph the normal contribution payable by such  
5 employers for that valuation period.

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

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

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

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

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

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

20 (10) The treasurer or corresponding officer of the employer  
21 shall pay to the **【State Treasurer】** board of trustees no later than  
22 April 1 of the State's fiscal year in which payment is due the  
23 amount so certified as payable by the employer, and shall pay  
24 monthly to the **【State Treasurer】** board of trustees the amount of the  
25 deductions from the salary of the members in the employ of the  
26 employer, and the **【State Treasurer】** board of trustees shall credit  
27 such amount to the appropriate fund or funds, of the retirement  
28 system. On April 1 next following the effective date of P.L. \_\_\_\_,  
29 c. (pending before the Legislature as this bill), and in each year  
30 thereafter, the contribution required to be made by the employer  
31 shall be made to the board of trustees on the following schedule: at  
32 least 25 percent by March 1, at least 50 percent by June 1, at least  
33 75 percent by September 1, and at least 100 percent by December 1.  
34 The amount of the contribution shall be net of the amount of any  
35 increase in the interest on the tax and revenue anticipation notes  
36 attributable solely to the need to borrow an increased amount in  
37 order to make the quarterly payments.

38 If payment of the **【full】** required amount of the employer's  
39 obligation is not made within 30 days of the due **【date】** dates  
40 established by this act, interest at the rate of 10% per annum shall  
41 commence to run against the unpaid balance thereof on the first day  
42 after such 30th day. Upon certification by the board of trustees to  
43 the Director of the Division of Local Government Services in the  
44 Department of Community Affairs of an employer contribution  
45 payment being 30 days past due, the director shall withhold any  
46 State aid payments that are disbursed by the Division of Local  
47 Government Services from the employer in an amount equal to the  
48 amount of the employer contribution due to the board. If the

1 employer is eligible for transitional aid, the Division of Local  
2 Government Services shall consult with the board to develop a  
3 payment plan to ensure that the required payment and interest owed  
4 is paid in a timely manner. The director shall release the State aid  
5 payments held pursuant to this subsection to the employer upon  
6 certification by the board of trustees of its receipt of the delinquent  
7 employer contribution. Nothing in P.L. , c. (pending before the  
8 Legislature as this bill) shall relieve State or local government  
9 employers of any present or future obligations of their normal cost  
10 or unfunded liabilities required to be paid into the retirement  
11 system.

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

17 (11) The expenses of administration of the retirement system  
18 shall be paid by the State of New Jersey. Each employer shall  
19 reimburse the State for a proportionate share of the amount paid by  
20 the State for administrative expense. This proportion shall be  
21 computed as the number of members under the jurisdiction of such  
22 employer bears to the total number of members in the system. The  
23 pro rata share of the cost of administrative expense shall be  
24 included with the certification by the retirement system of the  
25 employer's contribution to the system.

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

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

33 (14) Commencing with valuation year 1991, with payment to be  
34 made in Fiscal Year 1994, the Legislature shall annually  
35 appropriate and the State Treasurer shall pay into the pension  
36 accumulation fund of the retirement system an amount equal to  
37 1.1% of the compensation of the members of the system for the  
38 valuation year to fund the benefits provided by section 16 of  
39 P.L.1964, c.241 (C.43:16A-11.1), as amended by P.L.1979, c.109.

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

46 (16) The savings realized as a result of the amendments to this  
47 section by P.L.2001, c.44 in the payment of normal contributions  
48 computed by the actuary for the valuation periods ending June 30,  
49 1998 for employers other than the State shall be used solely and

1 exclusively by a county or municipality for the purpose of reducing  
2 the amount that is required to be raised by the local property tax  
3 levy by the county for county purposes or by the municipality for  
4 municipal purposes, as appropriate. The Director of the Division of  
5 Local Government Services in the Department of Community  
6 Affairs shall certify for each year that each county or municipality  
7 has complied with the requirements set forth herein. If the director  
8 finds that a county or municipality has not used the savings solely  
9 and exclusively for the purpose of reducing the amount that is  
10 required to be raised by the local property tax levy by the county for  
11 county purposes or by the municipality for municipal purposes, as  
12 appropriate, the director shall direct the county or municipal  
13 governing body, as appropriate, to make corrections to its budget.

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

15

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

18 18. Any member who has at least 3 years of service to his credit  
19 for which he has contributed as a member may borrow from the  
20 retirement system, an amount equal to not more than 50% of the  
21 amount of his aggregate contributions, but not less than \$50.00;  
22 provided that the amount so borrowed, together with interest  
23 thereon, can be repaid by additional deductions from salary, not in  
24 excess of 25% of the member's salary, made at the time the salary is  
25 paid to the member. The amount so borrowed, together with  
26 interest on any unpaid balance thereof, shall be repaid to the  
27 retirement system in equal installments by deductions from the  
28 salary of the member at the time the salary is paid or in such lump  
29 sum amount to repay the balance of the loan but such installments  
30 shall be at least equal to the member's rate of contribution to the  
31 retirement system and at least sufficient to repay the amount  
32 borrowed with interest thereon. Not more than two loans may be  
33 granted to any member in any calendar year. Notwithstanding any  
34 other law affecting the salary or compensation of any person or  
35 persons to whom this act applies or shall apply, the additional  
36 deductions required to repay the loan shall be made.

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

48 Loans shall be made to a member from his aggregate  
49 contributions. The interest earned on such loans shall be treated in

1 the same manner as interest earned from investments of the  
2 retirement system.

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

4

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

7 2. In the case of any member who retires without repaying the  
8 full amount so borrowed, the **【Division of Pensions and Benefits】**  
9 board of trustees shall deduct from the retirement benefit payments  
10 the same monthly amount which was deducted from the  
11 compensation of the member immediately preceding retirement  
12 until the balance of the amount borrowed together with the interest  
13 is repaid. In the case of a pensioner who dies before the  
14 outstanding balance of the loan and interest thereon has been  
15 recovered, the remaining balance shall be repaid from the proceeds  
16 of any other benefits payable on the account of the pensioner either  
17 in the form of monthly payments due to his beneficiaries or in the  
18 form of lump sum payments payable for pension or group life  
19 insurance.

20 (cf: P.L.2007, c.92, s.39)

21

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

24 3. The **【Director of the Division of Investment】** board of  
25 trustees shall at all times have authority to invest and reinvest the  
26 monies in, and to acquire for or on behalf of, the Police and  
27 Firemen's Retirement System of New Jersey mortgage loans on  
28 residential property.

29 (cf: P.L.1992, c.78, s.3)

30

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

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

46 No member shall be eligible hereunder for more than one  
47 outstanding mortgage loan at any time, and no member shall be  
48 eligible to receive a second mortgage loan on a residential property  
49 already mortgaged by him. Preference shall be given in making

1 loans to members who are applying to acquire or construct their  
2 first principal place of residence.

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

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

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

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

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

36

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

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



1 mortgage loan shall be charged to the borrower and included in the  
2 amount of that mortgage loan.

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

4

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

7 6. The **【State Treasurer】** board of trustees, with the advice of  
8 **【the State Investment Council, the Board of Trustees of the Police**  
9 **and Firemen's Retirement System, and】** the New Jersey Housing  
10 and Mortgage Finance Agency, shall set mortgage loan standards  
11 and guidelines for loans made pursuant to this act, including  
12 mortgage loan maturity terms, participation fees, mortgage loan  
13 insurance requirements, lender compensation rates, servicing fees,  
14 loan-to-value ratios, minimum and maximum mortgage loan  
15 amounts and eligibility standards consistent with section 4 of this  
16 act.

17 (cf: P.L.1992, c.78, s.6)

18

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

21 9. The **【State Treasurer】** board of trustees shall, with the  
22 advice of **【the State Investment Council, the Director of the**  
23 **Division of Pensions and】** the Executive Director of the New Jersey  
24 Housing and Mortgage Finance Agency and in accordance with the  
25 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et  
26 seq.), promulgate any rules and regulations necessary to accomplish  
27 the purposes of this act.

28 (cf: P.L.1992, c.78, s.9)

29

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

32 19. If possible, whenever any beneficiary shall, in writing,  
33 request the **【Division of Pensions】** board of trustees to make  
34 deductions from his retirement allowance or pension for the purpose  
35 of paying premiums for the pensioners' group health insurance plan  
36 or the State Health Benefits program, the **【division】** board may  
37 make such deductions and transmit the sums so deducted to the  
38 companies carrying the policies. Any such written authorization  
39 may be withdrawn by any beneficiary upon filing notice of such  
40 withdrawal with the division.

41 (cf: P.L.1971, c.175, s.14)

42

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

45 2. a. An eligible officer who is a member of a pension fund  
46 established by a county or a county park commission or of the  
47 Public Employees' Retirement System shall be permitted to transfer  
48 his membership in said fund to the Police and Firemen's Retirement

1 System of New Jersey by waiving all rights and benefits which  
2 would otherwise be provided by the county or county park  
3 commission pension fund or by the Public Employees' Retirement  
4 System. Any such officer will likewise be permitted to continue his  
5 membership in the county or county park commission pension fund  
6 or in the Public Employees' Retirement System by waiving all  
7 rights and benefits which would otherwise be provided by the  
8 Police and Firemen's Retirement System. Such waivers shall be  
9 accomplished by filing forms satisfactory to the **【New Jersey State**  
10 **Division of Pensions】** board of trustees, which is responsible for the  
11 administration of the Police and Firemen's Retirement System,  
12 within 90 days of the effective date of this act. In the absence of the  
13 filing of a timely waiver by any eligible officer his pension status  
14 shall remain unchanged and his membership shall not be transferred  
15 to the Police and Firemen's Retirement System.

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

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

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

39

40 27 Section 7 of P.L.1973, c.92 (C.43:16A-48.7) is amended to  
41 read as follows:

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

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

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

3       20. The **【State Treasurer】** board of trustees is hereby  
4 authorized and permitted to purchase from one or more life  
5 insurance companies, as determined by him, a group life insurance  
6 coverage to provide for the death benefits specified in sections 5**【,】**  
7 and 6, 【7(3)】 subsection (3) of section 7, section 9, and 【10(5) of  
8 chapter 255 of the laws of 1944】 subsection (5) of section 10 of  
9 P.L.1944, c.255 (C.43:16A-5 through C.43:16A-7, C.43:16A-9, and  
10 C.43:16A-10) and sections 16 and 17 of 【chapter 241 of the laws of  
11 1964】 P.L.1964, c.241 (C.43:16A-11.1 and C.43:16A-11.2). Such  
12 group life insurance coverage may be provided under one or more  
13 policies issued to the **【State Treasurer】** board of trustees  
14 specifically for this purpose or, in the discretion of the **【State**  
15 **Treasurer】** board of trustees, under one or more policies issued to  
16 the **【State Treasurer】** board of trustees which provide group life  
17 insurance coverage for members of one or more other retirement  
18 systems of the State of New Jersey. Whenever such policy or  
19 policies of group insurance shall be in effect, the benefits payable  
20 thereunder shall be in lieu of the above mentioned death benefits  
21 provided by said sections. Any dividend or retrospective rate credit  
22 allowed by an insurance company shall be credited in an equitable  
23 manner to the special insurance funds from which premiums are  
24 paid.

25 (cf: P.L.1967, c.250, s.18)

26

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

29       22. The **【State Treasurer】** board of trustees may, in **【his】** its  
30 discretion, determine to purchase group insurance coverage for the  
31 death benefit provisions as provided in sections 5**【,】** and 6, 【7(3)】  
32 subsection (3) of section 7, section 9, and 【10(5) of chapter 255 of  
33 the laws of 1944】 subsection (5) of section 10 of P.L.1944, c.255  
34 (C.43:16A-5 through C.43:16A-7, C.43:16A-9, and C.43:16A-10)  
35 and sections 16 and 17 of 【chapter 241 of the laws of 1964】  
36 P.L.1964, c.241 (C.43:16A-11.1 and C.43:16A-11.2), or may  
37 determine not to purchase any group insurance coverage for the  
38 death benefit provisions heretofore mentioned.

39 (cf: P.L.1967, c.250, s.19)

40

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

43       23. In the event the **【State Treasurer】** board of trustees shall  
44 determine to purchase group insurance coverage for the death  
45 benefits, premiums for the same shall be paid from a special fund,  
46 hereby created, called the "Group Insurance Premium Fund." The  
47 **【State Treasurer】** board of trustees shall estimate annually the

1 amount which will be required for premiums for such benefits for  
2 the ensuing fiscal year and shall certify such amounts to the  
3 participating employers as due and owing from them. The  
4 participating employers shall pay over to the **【State Treasurer】**  
5 board of trustees the amount for premiums so certified and the  
6 **【State Treasurer】** board of trustees shall deposit these amounts in  
7 the Group Insurance Premium Fund. During the period such group  
8 insurance policy or policies are in effect with respect to members of  
9 the Police and Firemen's Retirement System of New Jersey the  
10 **【State Treasurer】** board of trustees shall in no way commingle  
11 moneys in this fund with any pension fund established by **【chapter**  
12 **255 of the laws of 1944】** P.L.1944, c.255 (C.43:16A-1 et seq.).  
13 (cf: P.L.1967, c.250, s.20)  
14

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

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

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

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

34 b. If an ordinance or resolution is adopted pursuant to subsection  
35 a. of this section, an eligible officer who is a member of the Public  
36 Employees' Retirement System (P.L.1954, c.84, C.43:15A-1 et seq.)  
37 or of a county pension fund created under P.L.1943, c.160  
38 (C.43:10-18.1 et seq.), or P.L.1948, c.310 (C.43:10-18.50), or  
39 article 1 of chapter 10 of Title 43 of the Revised Statutes (R.S.  
40 43:10-1 et seq.), hereinafter referred to as "county pension fund,"  
41 shall be permitted to transfer his membership in the retirement  
42 system or county pension fund to the Police and Firemen's  
43 Retirement System of New Jersey by: (1) waiving all rights and  
44 benefits which would otherwise be provided by the Public  
45 Employees' Retirement System or county pension fund; and (2)  
46 making a lump sum payment into the Police and Firemen's  
47 Retirement System annuity savings fund of the amount of the  
48 difference between the contribution which was paid as a member of

1 the Public Employees' Retirement System or a county pension fund  
2 and the contribution that would have been required if he had been a  
3 member of the Police and Firemen's Retirement System since the  
4 date of last enrolling in the Public Employees' Retirement System  
5 or a county pension fund. In addition, the employee shall be liable  
6 for the amount of the difference between (1) the total contribution  
7 paid by the employer of the employee to the Public Employees'  
8 Retirement System of New Jersey or county pension fund with  
9 respect to any service credit transferred therefrom to the Police and  
10 Firemen's Retirement System under this subsection, and (2) the  
11 contribution which the employer would have been required to pay  
12 to the Police and Firemen's Retirement System with respect to that  
13 service credit if the employee had been enrolled in the Police and  
14 Firemen's Retirement System during the entire period with respect  
15 to which he accumulated that credit; this payment may be made in  
16 regular monthly installments, or in a lump sum, as the employee  
17 may elect, and pursuant to rules and regulations as may be  
18 promulgated by the **【Division of Pensions】** board of trustees. Any  
19 such officer will likewise be permitted to continue his membership  
20 in the Public Employees' Retirement System or county pension fund  
21 by waiving all rights and benefits which would otherwise be  
22 provided by the Police and Firemen's Retirement System. Such  
23 waivers shall be accomplished by filing forms satisfactory to the  
24 **【New Jersey Division of Pensions】** board of trustees, which is  
25 responsible for the administration of the Police and Firemen's  
26 Retirement System, within 90 days following the effective date of  
27 an ordinance or resolution adopted by a county under subsection a.  
28 of this section. In the absence of a filing of a timely waiver by any  
29 eligible officer, his pension status shall remain unchanged and his  
30 membership shall not be transferred to the Police and Firemen's  
31 Retirement System.

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

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

1 retirement system shall be deemed satisfied by the enrollment of  
2 such officers in the Police and Firemen's Retirement System.

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

4

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

7 4. a. An eligible officer who is a member of the Public  
8 Employees' Retirement System or of a county pension fund created  
9 under P.L.1943, c. 160 (C.43:10-18.1 et seq.), or P.L.1948, c. 310  
10 (C.43:10-18.50 et seq.) or article 2 of chapter 10 of Title 43 of the  
11 Revised Statutes (R.S.43:10-19 et seq.), hereinafter referred to as a  
12 "county pension fund" shall be permitted to transfer his  
13 membership in said fund to the Police and Firemen's Retirement  
14 System of New Jersey by waiving all rights and benefits which  
15 would otherwise be provided by the Public Employees' Retirement  
16 System or a county pension fund. Any such officer will likewise  
17 be permitted to continue his membership in the Public Employees'  
18 Retirement System or a county pension fund by waiving all rights  
19 and benefits which would otherwise be provided by the Police and  
20 Firemen's Retirement System. Such waivers shall be accomplished  
21 by filing forms satisfactory to the **【New Jersey Division of**  
22 **Pensions】** board of trustees, which is responsible for the  
23 administration of the Police and Firemen's Retirement System,  
24 within 90 days of the effective date of this 1975 amendatory and  
25 supplementary act. In the absence of the filing of a timely waiver  
26 by any eligible officer his pension status shall remain unchanged  
27 and his membership shall not be transferred to the Police and  
28 Firemen's Retirement System.

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

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

43

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

46 9. The chief fiscal officer of the employer shall transmit to the  
47 retirement system such information as the system shall require in

1 order for the **【New Jersey Division of Pensions】** board of trustees  
2 to comply with the provisions of this act.

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

4

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

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

9 The Board of Trustees of the Public Employees' Retirement  
10 System; the Board of Trustees of the State Police Retirement  
11 System; the Prison Officers' Pension Commission; the Board of  
12 Trustees of the Teachers' Pension and Annuity Fund; **【the Board of**  
13 **Trustees of the Police and Firemen's Retirement System of New**  
14 **Jersey;】** and the Consolidated Police and Firemen's Pension Fund  
15 Commission; of, or relating to, investment or reinvestment of  
16 moneys of, and purchase, sale or exchange of any investments or  
17 securities of or for any funds or accounts under the control and  
18 management of such agencies, are hereby transferred to and shall  
19 be exercised and performed for such agencies by the Director of  
20 the Division of Investment established hereunder.

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

22

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

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

30 The Consolidated Police and Firemen's Pension Fund;

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

32 The Prison Officers' Pension Fund;

33 The Public Employees' Retirement System of New Jersey;

34 The State Police Retirement System;

35 The Teachers' Pension and Annuity Fund;

36 The Judicial Retirement System of New Jersey;

37 The Trustees for the Support of Public Schools;

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

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

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

43

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

46 11. a. Limitations, conditions and restrictions contained in any  
47 law concerning the kind or nature of investment of any of the  
48 moneys of any of the funds or accounts referred to herein shall

1 continue in full force and effect; provided, however, that subject to  
2 any acceptance required, or limitation or restriction contained  
3 herein: the Director of the Division of Investment shall at all times  
4 have authority to invest and reinvest any such moneys in  
5 investments as defined in subsection c. of this section and, for or on  
6 behalf of any such fund or account, to sell or exchange any such  
7 investments; provided, however, that the Board of Trustees of the  
8 Police and Firemen's Retirement System of New Jersey shall have  
9 sole authority to invest and reinvest moneys for or on behalf of the  
10 Police and Firemen's Retirement System of New Jersey.

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

31 c. For the purposes of this section, "investments" means and  
32 includes property of every nature, real, personal and mixed, tangible  
33 and intangible, and specifically includes, solely by way of  
34 description and not by way of limitation, bonds, debentures and  
35 other corporate obligations, direct and indirect investments in  
36 equity real estate, mortgages and other direct or indirect interests  
37 in real estate or investments secured by real estate, capital stocks,  
38 common stocks, preferred stocks, diversified pools of venture  
39 capital which otherwise could be made consistent with the standard  
40 of care required by subsection b. of this section, common trust  
41 funds as defined in and regulated by sections 36 through 46 of  
42 P.L.1948, c.67 (C.17:9A-36 through 17:9A-46), repurchase  
43 agreements, securities loan transactions secured by cash, securities  
44 issued by the United States government or its agencies, or  
45 irrevocable bank letters of credit, whether directly or through a  
46 bank or similar financial institution acting as agent or trustee,  
47 mutual funds, and any other security issued by an investment  
48 company or investment trust, whether managed or not by third  
49 parties, registered under the "Investment Company Act of 1940,"



1 (15 U.S.C. s.80a-1 et seq.). No investment that is otherwise  
2 permissible under this subsection shall be considered to be unlawful  
3 solely because the investment is made indirectly or through a  
4 partnership, trust, or other legal entity.  
5 (cf: P.L.1997, c.26, s.26)

6  
7 38. All of the present functions, powers, duties, equipment, and  
8 records relating to the Police and Firemen's Retirement System of  
9 New Jersey in the Division of Pensions and Benefits in the  
10 Department of the Treasury and the Division of Investment are  
11 hereby transferred to the Board of Trustees of the Police and  
12 Firemen's Retirement System of New Jersey.

13  
14 39. The terms of service of those appointed and elected  
15 members serving on the Board of Trustees of the Police and  
16 Firemen's Retirement System on the date of enactment of P.L. ,  
17 c. (pending before the Legislature as this bill), shall be terminated  
18 as of the first day of the seventh month next following that date of  
19 enactment, so that the composition of the board as provided for in  
20 this act shall be attained. A trustee whose service on the board has  
21 been terminated pursuant to this section may be appointed or  
22 elected to serve as a trustee after that effective date if qualified.

23  
24 40. (New section) Beginning December 31 of the third year  
25 next following the effective date of P.L. , c. (pending before the  
26 Legislature as this bill) and every three years thereafter, the  
27 Director of the Division of Investment shall compare the investment  
28 rate of return attained by the Board of Trustees of the Police and  
29 Firemen's Retirement System with the investment rate of return  
30 attained by the division on behalf of the other State-administered  
31 retirement systems. If the director determines that the investments  
32 made by the board of trustees yielded a lower rate of return than the  
33 investments made by the division on behalf of the other State-  
34 administered retirement systems during the preceding three years,  
35 then the board of trustees shall increase the employer contribution  
36 and employee contribution rates. The board of trustees shall  
37 increase the employer contribution and employee contribution rates  
38 by an amount necessary to contribute to the retirement fund, within  
39 two years, the difference between the investment returns that the  
40 division would have attained with the division's rate of return for  
41 the other State-administered retirement systems and the investment  
42 returns attained by the board of trustees. The employee  
43 contribution and employer contribution rates shall be increased by  
44 the amount necessary for each to generate 50 percent of the amount  
45 required to be contributed by this section.

46  
47 41. Section 1 of P.L.1947, c.217 (C.43:16A-13.1) is repealed.

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

13

14

15

#### STATEMENT

16

17 This bill transfers management of the Police and Firemen's  
18 Retirement System from the Division of Pensions and Benefits in  
19 the Department of the Treasury to the Board of Trustees of the  
20 Police and Firemen's Retirement System.

21

#### Structure of the Board of Trustees

22

23  
24 The bill changes the membership of the Board of Trustees of the  
25 Police and Firemen's Retirement System (PFRS) from 11 to 15  
26 members. The bill requires that the trustees be elected or appointed  
27 six months after the date of enactment of the bill. Eight trustees  
28 must be present at any meeting of the board for the transaction of its  
29 business.

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

41

#### *Employee Representatives*

42

43

44 Under the bill, the board will consist of three active policemen  
45 and three active firemen. One policeman and one fireman will be  
46 active members of the retirement system and elected by the active  
47 members of the system. The remaining active policemen and  
48 firemen will be appointed as follows:

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

3 one policeman appointed by the President of the New Jersey  
4 State Fraternal Order of Police;

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

7 one fireman appointed by the President of the Professional  
8 Firefighters Association of New Jersey.

9 In addition, the board will contain one retiree from the system  
10 elected by retirees from the system.

11

12 *Employer Representatives*

13

14 The Governor will appoint four trustees, who either hold, or have  
15 held, an elective public office as a mayor, member of a municipal  
16 council, or member of a board of chosen freeholders or is  
17 employed, or has been employed, by a municipal or county  
18 government as an administrator, manager, or chief financial officer  
19 to represent the interests of local government employers. In  
20 addition, one trustee is to be appointed by the New Jersey  
21 Association of Counties and one trustee is to be appointed by the  
22 New Jersey League of Municipalities.

23 The Governor will appoint one trustee, who holds or has held a  
24 management or supervisory position in the Executive Branch of  
25 State government at the level of division director or above to  
26 represent the interests of State government. Finally, the Governor  
27 will appoint one trustee to represent the interests of taxpayers. The  
28 member appointed to represent taxpayers cannot be a member,  
29 retiree, or other beneficiary of the system, State or local elected  
30 official, or officer of a local, county, or State labor organization,  
31 union, or affiliate that represents public employees.

32

33 Powers and Duties of the Board of Trustees

34

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

1 selected by the board and the management of the investments of the  
2 retirement system.

3 Under the bill, the board of trustees has the authority to establish  
4 a process for the review, approval, and appeal of applications for  
5 retirement. The bill provides the board of trustees with authority to  
6 modify the system's member contribution rate; cap on creditable  
7 compensation; formula for calculation of final compensation; age at  
8 which a member may be eligible for and the benefits for service or  
9 special retirement; and standards for approval, medical review  
10 policies, and benefits provided for disability retirement. The bill  
11 allows the board to reinstate cost of living adjustments for retirees.  
12 The bill also allows the board of trustees to apply an adjustment to  
13 the monthly retirement allowance or pension originally granted to  
14 any member.

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

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

29

### 30 Employer Contributions to PFRS

31

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

1 Non-forfeitable Right

2

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

9

10 Safeguard Against Poor Investment Performance

11

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

26

27 Effective Date

28

29       The bill, if enacted, will take effect on the 366th day next  
30 following enactment, except the provisions concerning the election,  
31 appointment, and composition of the new Board of Trustees of the  
32 Police and Firemen's Retirement System, set forth in section 15 of  
33 the bill, will take effect as specified in that section and the new  
34 board of trustees will take office on the first business day of the  
35 seventh month next following the date of enactment of this bill.  
36 The Board of Trustees of the Police and Firemen's Retirement  
37 System, the Division of Pensions and Benefits, and the Division of  
38 Investment may take such anticipatory administrative action in  
39 advance as shall be necessary for the implementation of the act.