

SENATE, No. 3522

STATE OF NEW JERSEY
219th LEGISLATURE

INTRODUCED MARCH 9, 2021

Sponsored by:

Senator STEPHEN M. SWEENEY

District 3 (Cumberland, Gloucester and Salem)

SYNOPSIS

Creates Local Part of PERS; creates board of trustees for Local Part of PERS.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT concerning the board of trustees for the Local Part of the
2 Public Employees' Retirement System and amending various
3 parts of the statutory law and supplementing P.L.1954, c.84
4 (C.43:15A-1 et seq.).

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

8
9 1. (New section) a. (1) Subject to the provisions of P.L.1955,
10 c.70 (C.52:18A-95 et seq.), the general responsibility for the proper
11 operation of the Local Part of the Public Employees' Retirement
12 System is hereby vested in a board of trustees of the Local Part, and,
13 as specified, the committees established pursuant to subsection e. of
14 this section.

15 The board may with the approval of at least four members of the
16 board, in its discretion and at such time and in such manner as the
17 board determines, enhance any benefit set forth in P.L.1954, c.84
18 (C.43:15A-1 et seq.) as the board determines to be reasonable and
19 appropriate or modify any such benefit as an alternative to an
20 increase in the member contribution rate, which increase the board
21 determines to be reasonable, necessary, and appropriate, or reinstate,
22 when appropriate, such reduced benefit to the statutory level without
23 an additional contribution by the member, so long as an actuarial
24 certification provided by the actuary of the Local Part demonstrates
25 that such change will not result in an increased employer contribution
26 in the current year and that such change will not impact the long term
27 viability of the fund. The board shall act exclusively on behalf of the
28 contributing employers, active members, and retired members of the
29 Local Part of the retirement system, as the fiduciary of the system.
30 The primary obligation of the board shall be to direct policies and
31 investments to achieve and maintain the full funding and
32 continuation of the Local Part of the retirement system for the
33 exclusive benefit of its members.

34 (2) The board of trustees of the Local Part shall consist of seven
35 trustees as follows.

36 (a) Three trustees, to be appointed by the Governor, who shall
37 serve staggered terms and who either hold, or have held, an elective
38 public office as a mayor, member of a municipal council, or member
39 of a board of chosen freeholders or are employed, or have been
40 employed, by a municipal or county government as an administrator,
41 manager, or chief financial officer, to represent the interests of local
42 government employers. The Governor shall appoint trustees
43 pursuant to this subparagraph from among a list of names submitted
44 by the New Jersey League of Municipalities and the New Jersey
45 Association of Counties. Two trustees appointed by the Governor

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 pursuant to this subparagraph shall serve for an initial term of two
2 years and one trustee shall serve for an initial term of four years.
3 Following their first term, all trustees appointed pursuant to this
4 subparagraph shall serve for a term of four years.

5 (b) Three trustees, appointed by the Governor, who shall serve
6 staggered terms, from among recommendations by the Public
7 Employee Committee of the AFL-CIO, with each trustee to represent
8 a different collective bargaining unit that represents active members
9 of the Local Part of the retirement system having union membership.
10 Two trustees appointed by the Governor pursuant to this
11 subparagraph shall serve for an initial term of three years and one
12 trustee shall serve for an initial term of four years. Following their
13 first term, all trustees appointed pursuant to this subparagraph shall
14 serve for a term of four years.

15 (c) One trustee who is an active member of the Local Part of the
16 retirement system, to be appointed in a manner prescribed by the
17 board of trustees. The trustee appointed pursuant to this
18 subparagraph shall serve for a term of four years.

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

34 A trustee shall be permitted to participate in meetings of the board
35 by teleconference.

36 (4) (a) If a vacancy occurs in the office of a trustee, the vacancy
37 shall be filled in the same manner as the office was previously filled.
38 A vacancy shall not last more than 60 days. If a vacancy lasts for
39 more than 60 days, then the board shall appoint, upon a majority vote
40 of the trustees then serving, a person qualified pursuant to
41 subparagraph (a) or (b) of paragraph (2) of this subsection to fill the
42 vacancy until a new trustee is appointed in the manner set forth in
43 paragraph (2) of this subsection.

44 (b) A trustee serving pursuant to subparagraph (c) of paragraph
45 (2) of this subsection who retires from active service may remain a
46 trustee until a successor is appointed.

47 (c) Trustees appointed pursuant to paragraph (2) of this
48 subsection shall serve at the pleasure of the official who appointed

1 the trustee, but may be removed pursuant to paragraph (3) of this
2 subsection.

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

6 (6) Each trustee shall be entitled to one vote in the board. Four
7 trustees shall be present at any meeting of the board for the
8 transaction of its business.

9 (7) Subject to the limitations of this act, P.L. , c.
10 (C.)(pending before the Legislature as this bill), the board of
11 trustees shall annually establish rules and regulations for the
12 administration of the funds created by law and for the transaction of
13 the board's business.

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

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

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

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

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

14 (11) The board of trustees shall designate a medical board. It shall
15 be composed of a minimum of three physicians who are not eligible
16 to participate in the Local Part of the retirement system. The medical
17 board shall pass upon all medical examinations required under the
18 provisions of P.L.1954, c.84 (C.43:15A-1 et seq.), shall investigate
19 all essential statements and certificates by or on behalf of a member
20 in connection with an application for disability retirement, and shall
21 report in writing to the Local Party of the retirement system its
22 conclusions and recommendations upon all matters referred to it.

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

32 (13) The board of trustees, in consultation with the actuary, shall
33 establish actuarial funding policies for the Local Part of the
34 retirement system. At least once in each three-year period the actuary
35 shall make an actuarial investigation into the mortality, service and
36 compensation experience of the members and beneficiaries of the
37 Local Part of the retirement system and, with the advice of the
38 actuary, the board of trustees shall adopt for the Local Part of the
39 retirement system such mortality, service and other tables as shall be
40 deemed necessary and shall certify the rates of contribution payable
41 under the provisions of P.L.1954, c.84 (C.43:15A-1 et seq.). The
42 board of trustees shall retain an independent actuary, as selected by
43 the State Treasurer, with demonstrated experience in providing
44 actuarial services to retirement systems for public or private sector
45 employees to review prior investigations into the mortality, service,
46 and compensation experience of the members and beneficiaries of the
47 Local Part of the retirement system and to review the three prior
48 actuarial valuations to certify that the actuary of the retirement

1 system conducted the investigations and valuations in accordance
2 with generally accepted actuarial standards.

3 (14) On the basis of such tables recommended by the actuary as
4 the board of trustees shall adopt and regular interest, the actuary shall
5 make an annual valuation of the assets and liability of the funds of
6 the Local Part of the system created by this act, P.L. , c. (pending
7 before the Legislature as this bill).

8 (15) Each public employee who is a trustee of the board of trustees
9 or the committees shall be entitled to time off from duty, with pay,
10 during the periods of the trustee's attendance upon regular or special
11 meetings of the board of trustees or the committees, and such time
12 off shall include reasonable travel time required in connection
13 therewith.

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

16 (17) The board of trustees shall have authority to formulate and
17 establish, amend, modify or repeal such policies as it may deem
18 necessary or proper, which shall govern the methods, practices or
19 procedures for investment, reinvestment, purchase, sale or exchange
20 transactions to be followed by the Division of Investment. The board
21 may also review and approve agreements which may be necessary or
22 convenient for the management of the investments of the Local Part
23 of the retirement system. The board shall also have the authority to
24 inspect and audit the respective accounts and funds administered by
25 the Division of Investment, or a successor entity, and take
26 appropriate action as necessary to effectuate the long term viability
27 of the Local Part of the retirement system. The Director of the
28 Division of Investment and the State Investment Council shall retain
29 all functions, powers, and duties relating to Common Pension Fund
30 L assigned to the Division of Investment, the Director of the Division
31 of Investment, and the State Investment Council by P.L. 2017, c. 98
32 (C.5:9-22.5 et seq.).

33 (20) (a) The board of trustees shall select and employ an
34 executive director, who shall be responsible for recommending and
35 implementing the strategic direction of the board from an operational
36 perspective. The executive director shall provide strategic direction,
37 planning, and leadership to the board; organize, develop, and
38 supervise a management team to provide optimal results; maintain
39 oversight of administrative operations conducted by the board;
40 develop an annual budget and a salary and compensation guide for
41 any managerial positions that are not subject to Title 11A, Civil
42 Service, of the New Jersey Statutes; arrange board agendas with the
43 approval of the board's chair; appoint administrative staff; execute
44 contracts on behalf of the board; and perform any other
45 responsibilities designated to the executive director by the board.
46 The person employed by the board to hold the position of executive
47 director shall have, at a minimum upon commencement of
48 employment, a bachelor's degree from an accredited institution of
49 higher education, and at least five years of management experience

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

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

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

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

32 (21) (a) The board of trustees shall select and employ a chief
33 investment officer, who shall oversee the development of the
34 methods, practices and procedures for investment, in coordination
35 with the Investment Committee. The Division of Investment and the
36 Director of the Division of Investment and the State Investment
37 Council shall retain all functions, powers, and duties relating to
38 Common Pension Fund L assigned to the Division of Investment, the
39 Director of the Division of Investment, and the State Investment
40 Council by P.L.2017, c.98 (C.5:9-22.5 et seq.). The chief investment
41 officer, in coordination with the Investment Committee, shall
42 establish and maintain a policy to monitor and evaluate the
43 effectiveness of investments made on behalf of the board. The chief
44 investment officer shall report to the executive director.

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

1 pension and retirement planning, investment banking, financial
2 consulting, money management, or a similar field. The person shall
3 also have experience in the direct management, analysis, supervision
4 or investment of assets. The person shall meet all other requirements
5 for employment as shall be set forth in a standard adopted by the
6 board. No member, retiree, or other beneficiary of the Local Part of
7 the retirement system shall be eligible to hold the position of chief
8 investment officer. The chief investment officer shall be precluded
9 from outside employment or other occupation.

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

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

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

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

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

45 (2) subject to the provisions of P.L. , c. (pending before the
46 Legislature as this bill), activate the application of the "Pension
47 Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et seq.), for retirees
48 and modify the basis for the calculation of the adjustment and set the
49 duration and extent of the activation. The board of trustees, after

1 consultation with the actuary, may apply an adjustment to the
2 monthly retirement allowance or pension originally granted to any
3 member.

4 The board of trustees shall have the discretionary authority to
5 modify the conditions and standards for the purchase of service credit
6 for death benefits. The board of trustees shall not have the authority
7 to change the years of creditable service required for vesting.

8 At least five votes of the authorized membership of the board shall
9 be required to approve any enhancement or reduction of a member
10 benefit, including the activation of the application of the "Pension
11 Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et seq.), for retirees, or
12 to approve any increase or decrease in the employer contribution that
13 is more than what is recommended by the actuary for the Local Part
14 of the retirement system for the purpose of the annual funding
15 requirements of the Local Part of the retirement system. An actuarial
16 certification shall be provided by the actuary prior to any
17 enhancement or reduction of a member benefit, including the
18 activation of the application of the "Pension Adjustment Act,"
19 P.L.1958, c.143 (C.43:3B-1 et seq.), showing that such change will
20 not result in an increased employer contribution in the current year
21 and that such change will not impact the long term viability of the
22 fund.

23 The board of trustees may consider a matter described in this
24 subsection and render a decision notwithstanding that the provisions
25 of the statutory law may set forth a specific requirement on that
26 matter.

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

31 A final action of the board of trustees under this subsection shall
32 be made by the adoption of a regulation that shall identify the
33 modifications to the system by reference to statutory section. The
34 regulations shall also specify the effective date of the modification
35 and the Local Part retirement system members, including
36 beneficiaries and retirees, to whom the modification applies.
37 Regulations of the board of trustees shall be considered to be part of
38 the plan document for the retirement system. A regulation adopted
39 by the board of trustees may be modified by regulation in order to
40 comply with the requirements of this section.

41 c. (1) No member of the board or a committee of the board,
42 employee of the board, or employee of the Division of Pensions and
43 Benefits in the Department of the Treasury shall accept from any
44 person, whether directly or indirectly and whether by the member or
45 the member's spouse or any member of the member's family, or
46 through any partner or associate, any gift, favor, service, employment
47 or offer of employment, or any other thing of value, including
48 contributions to the campaign of a member or employee as a
49 candidate for elective public office, which the member knows or has

1 reason to believe is offered to the member with intent to influence
2 the member in the performance of the member's public duties and
3 responsibilities. As used in this subsection, "person" means an (1)
4 individual or business entity, or officer or employee of such an entity,
5 who is seeking, or who holds, or who held within the prior three
6 years, a contract with the board; (2) an active or retired member, or
7 beneficiary, of the retirement system; or (3) an entity, or officer or
8 employee of such an entity, in which the assets of the retirement
9 system have been invested. A board or committee member or
10 employee violating this prohibition shall be guilty of a crime of the
11 third degree.

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

20 d. The board of trustees shall have the authority to establish a
21 process for the review, approval, and appeal of applications for
22 retirement.

23 e. The board of trustees shall establish three committees as
24 follows:

25 (1) (a) An Audit Committee of no less than three members to
26 assist in the oversight of the financial reporting and audit processes
27 of the board of trustees. At least two of the members shall be
28 members of the board of trustees. At least one of the Audit
29 Committee members shall have accounting, governmental auditing,
30 or related financial expertise. If the board of trustees does not have
31 sufficient members qualified or available to serve on the Audit
32 Committee, or wishes to broaden the expertise on the Audit
33 Committee, the board of trustees may request that the State Treasurer
34 recommend one or more qualified individuals to serve on the
35 committee.

36 (b) The Audit Committee shall assist the board of trustees in
37 retaining an independent auditor to conduct an audit of the retirement
38 system's financial statements by making a recommendation to the
39 board of trustees after engaging in an auditor selection process. The
40 auditor selection process shall be based upon public, competitive
41 bidding principles and shall take place no less than once every five
42 years.

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

47 (i) review and evaluate audit fees;

48 (ii) when the committee believes that the auditor's performance is
49 not adequate in quality or independence, recommend such steps as

- 1 may be necessary to elicit appropriate performance, including
2 replacement of the auditor;
- 3 (iii) at least once every three years, obtain and review a report of
4 the independent auditor describing for the preceding year: the
5 independent auditor's internal quality control procedures; any
6 material issues raised by the most recent internal quality control peer
7 review, or by reviews conducted by governmental or professional
8 authorities; and steps taken by the auditor to address such issues;
- 9 (iv) regularly review with the independent auditor any audit
10 problems, any risks of material statements due to fraud, and
11 difficulties involving restrictions or attempts to restrict the auditor's
12 activities and restrictions on access to information;
- 13 (v) review the audited financial statements and interim statements
14 and discuss them with the board of trustees. These discussions shall
15 include a review of particularly sensitive accounting estimates,
16 reserves and accruals, judgmental areas, audit adjustments, whether
17 recorded or not, and any other matters the Audit Committee or
18 independent auditor shall deem appropriate;
- 19 (vi) review internal control functions such as the planned scope
20 of internal audit reviews, adequacy of staffing, actions to be taken as
21 a result of internal audit findings, the effectiveness of electronic data
22 processing procedures, and controls and related security programs;
- 23 (vii) recommend policies with respect to risk assessment and risk
24 management; and
- 25 (viii) establish a permanent position of internal auditor, who shall
26 be supervised by the executive director, but who may be discharged
27 only by an affirmative vote of the majority of the board.
- 28 (2) An Actuary Committee of no less than three members to assist
29 in the selection and oversight of the actuary appointed by the board
30 of trustees. The Actuary Committee shall review the performance of
31 the actuary appointed by the board of trustees. If the performance of
32 the actuary is not adequate in quality, the committee shall
33 recommend such steps as may be necessary to elicit appropriate
34 performance, including replacement of the actuary.
- 35 (3) An Investment Committee of no less than three members to
36 assist in the oversight of the investment policies selected by the board
37 of trustees. The Investment Committee shall consist of two members
38 of the board of trustees, and one member who shall be the chief
39 investment officer of the board, and shall oversee investments and
40 make recommendations on investments to the board of trustees. A
41 majority of the Investment Committee members, one of which may
42 be the Chief Investment Officer, shall be qualified by training,
43 experience or long-term interest in the direct management, analysis,
44 supervision or investment of assets and this training, experience or
45 long-term interest shall have been supplemented by academic
46 training in the fields of economics, business, law, finance or actuarial
47 science or by actual employment in those fields. If the board of
48 trustees does not have sufficient members qualified or available to
49 serve on the Investment Committee, or determines to broaden the

1 expertise of the Investment Committee, the board of trustees may
2 request that the State Treasurer recommend one or more qualified
3 individuals to serve on the committee.

4 f. At the end of six years following the enactment date of this
5 act, P.L. , c. (pending before the Legislature as this bill), the
6 board of trustees shall conduct a review of the performance and
7 funding levels of the Local Part of the retirement system, as
8 compared to available market data including but, not limited to, the
9 performance of the State Investment Council and Division of
10 Investment with regard to the investment of other State-administered
11 retirement systems or funds and other appropriate benchmarks, and
12 may, based on a majority vote of the authorized membership of the
13 board, petition the Legislature to consider legislation that reverts
14 control of the Local Part of the retirement system from the board of
15 trustees to the State Investment Council and the Division of
16 Investment.

17 g. All of the present functions, powers, and duties relating for the
18 Local Part of the Public Employees' Retirement System in the
19 Division of Pensions and Benefits in the Department of the Treasury
20 are hereby transferred to the Board of Trustees of the Local Part of
21 the Public Employees' Retirement System, except that the board of
22 trustees of the Local Part may contract with the Division of Pensions
23 and Benefits in the Department of the Treasury to effectuate the goals
24 of this act, P.L. , c. (pending before the Legislature as this bill).
25 The Department of the Treasury and the Division of Investment shall
26 retain all functions, powers, duties, equipment and records relating
27 to Common Pension Fund L assigned to the Department of the
28 Treasury and the Division of Investment by P.L.2017, c.98 (C.5:9-
29 22.5 et seq.). Copies of records relating to the Local Part of the
30 retirement system in the Division of Pensions and Benefits in the
31 Department of the Treasury and the Division of Investment shall be
32 made available to the board of trustees of the Local Part of the Public
33 Employees' Retirement System upon request.

34 For the purposes of the group life insurance provided in
35 accordance with P.L.1954, c.84 (C.43:15A-1 et seq.) for members
36 and retirees of the Local Part of the Public Employees' Retirement
37 System, the responsibilities of the State Treasurer specified in statute
38 or regulation shall be transferred to and exercised by the board of
39 trustees of the Local Part.

40
41 2. Section 2 of P.L.1958, c.143 (C.43:3B-2) is amended to read
42 as follows:

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

47 a. **【The】** the maximum retirement allowance, without option,
48 shall be considered the retirement allowance originally granted to any
49 retirant who, at retirement, elected an Option I allowance pursuant to

1 the provisions of the statutes stipulated in subsection b. of section 1
2 of this act (C.43:3B-1); and

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

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

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

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

33

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

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

41 b. Vested members of the Teachers' Pension and Annuity Fund,
42 the Judicial Retirement System, the Prison Officers' Pension Fund,
43 the Public Employees' Retirement System, the Consolidated Police
44 and Firemen's Pension Fund, the Police and Firemen's Retirement
45 System, and the State Police Retirement System, upon the attainment
46 of five years of service credit in the retirement system or fund or on
47 the date of enactment of this bill, whichever is later, shall have a non-
48 forfeitable right to receive benefits as provided under the laws
49 governing the retirement system or fund upon the attainment of five

1 years of service credit in the retirement system or fund or on the
2 effective date of this act, whichever is later. This subsection shall
3 not be applicable to a person who becomes a member of these
4 systems or funds on or after the effective date of P.L.2010, c.1, except
5 that such person shall not include a person who at the time of
6 enrollment in the retirement system or fund on or after that effective
7 date transfers service credit, as permitted, from another State-
8 administered retirement system or fund of which the person was a
9 member immediately prior to the effective date and continuously
10 thereafter, but shall include a former member of the retirement
11 system or fund who has been granted a retirement allowance and is
12 reenrolled in the retirement system or fund on or after that effective
13 date after becoming employed again in a position that makes the
14 person eligible to be a member of the retirement system.

15 c. (1) The State and all other applicable employers shall make
16 their annual normal contribution to each system or fund as
17 determined by the applicable board of trustees in consultation with
18 the system's or fund's actuary. The State and all other applicable
19 employers shall also make their annual unfunded accrued liability
20 contribution to each system or fund as determined by the applicable
21 board in consultation with the system's or fund's actuary, pursuant to
22 standard actuarial practices authorized by law, unless: (1) there is no
23 existing unfunded accrued liability contribution due to the system or
24 fund at the close of the valuation period applicable to the upcoming
25 fiscal year; or (2) there are excess valuation assets in excess of the
26 actuarial accrued liability of the system or fund at the close of the
27 valuation period applicable to the upcoming fiscal year. The annual
28 normal contribution plus the annual unfunded accrued liability
29 contribution shall together be the annual required contribution,
30 provided, however, that for the State, section 38 of P.L.2010, c.1
31 (C.43:3C-14) shall apply with regard to the State's annual required
32 contribution. The amount of the State's annually required
33 contributions shall be included in all annual appropriations acts as a
34 dedicated line item.

35 (2) Each member of the Teachers' Pension and Annuity Fund, the
36 Judicial Retirement System, the Prison Officers' Pension Fund, the
37 Public Employees' Retirement System, the Consolidated Police and
38 Firemen's Pension Fund, the Police and Firemen's Retirement
39 System, and the State Police Retirement System shall have a
40 contractual right to the annual required contribution amount being
41 made by the member's employer or by any other public entity. The
42 contractual right to the annual required contribution means that the
43 employer or other public entity shall make the annual required
44 contribution on a timely basis to help ensure that the retirement
45 system is securely funded and that the retirement benefits to which
46 the members are entitled by statute and in consideration for their
47 public service and in compensation for their work will be paid upon
48 retirement. The failure of the State or any other public employer to
49 make the annually required contribution shall be deemed to be an

1 impairment of the contractual right of each employee. The Superior
2 Court, Law Division shall have jurisdiction over any action brought
3 by a member of any system or fund or any board of trustees to enforce
4 the contractual right set forth in this subsection. The State and other
5 public employers shall submit to the jurisdiction of the Superior
6 Court, Law Division and shall not assert sovereign immunity in such
7 an action. If a member or board prevails in litigation to enforce the
8 contractual right set forth in this subsection, the court may award that
9 party their reasonable attorney's fees.

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

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

20 f. Nothing in the provisions of **[P.L.2015]** P.L.2018, c.55 or in
21 the provisions of P.L. _____, c. _____ (C. _____)(pending before the
22 Legislature as this bill) shall be interpreted to diminish the non-
23 forfeitable right to benefits provided to any member of the Police and
24 Firemen's Retirement System or of the Local Part of the Public
25 Employees' Retirement System under State law or affirmed by a
26 ruling or holding of a court in the Judiciary Branch of State
27 government.

28 (cf: P.L.2018, c.55, s.2)

29

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

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

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

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

47 Discuss with the members of the committee their differences, and
48 utilize means and mechanisms, including but not limited to requiring
49 24-hour per day negotiations, until a voluntary settlement is reached,

1 and provide recommendations to resolve the members' differences;
2 and

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

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

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

16 (cf: P.L.2018, c.55, s.3)

17

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

20 60. a. Notwithstanding any law, rule or regulation to the contrary,
21 the Teachers' Pension and Annuity Fund, established pursuant to
22 N.J.S.18A:66-1 et seq., the Judicial Retirement System, established
23 pursuant to P.L.1973, c.140 (C.43:6A-1 et seq.), the Prison Officers'
24 Pension Fund, established pursuant to P.L.1941, c.220 (C.43:7-7 et
25 seq.), the Public Employees' Retirement System, established
26 pursuant to P.L.1954, c.84 (C.43:15A-1 et seq.), the Consolidated
27 Police and Firemen's Pension Fund, established pursuant to
28 R.S.43:16-1 et seq., the Police and Firemen's Retirement System,
29 established pursuant to P.L.1944, c.255 (C.43:16A-1 et seq.), and the
30 State Police Retirement System, established pursuant to P.L.1965,
31 c.89 (C.53:5A-1 et seq.), are established as qualified governmental
32 defined benefit plans pursuant to sections 401(a) and 414(d) of the
33 federal Internal Revenue Code of 1986 (26 U.S.C. ss.401(a) and
34 414(d)), as amended, or such other provision of the federal Internal
35 Revenue Code, as applicable, regulations of the U.S. Treasury
36 Department, and other guidance of the federal Internal Revenue
37 Service.

38 b. Notwithstanding any law, rule or regulation to the contrary,
39 the Alternate Benefit Program, established pursuant to P.L.1969,
40 c.242 (C.18A:66-167 et seq.), and the Defined Contribution
41 Retirement Program, established pursuant to P.L.2007, c.92
42 (C.43:15C-1 et seq.) are established as qualified governmental
43 defined contribution plans pursuant to sections 401(a) and 414(d) of
44 the federal Internal Revenue Code of 1986 (26 U.S.C. ss.401(a) and
45 414(d)), as amended, or such other provision of the federal Internal
46 Revenue Code, as applicable, regulations of the U.S. Treasury
47 Department, and other guidance of the federal Internal Revenue
48 Service.

1 c. Notwithstanding the provisions of any law, rule or regulation
2 to the contrary, the Director of the Division of Pensions and Benefits
3 in the Department of the Treasury, and in the case of the Police and
4 Firemen's Retirement System and of the Local Part of the Public
5 Employees' Retirement System, the board of trustees of **【that**
6 **system】** those systems, shall be authorized to modify the provisions
7 of the foregoing retirement plans, when a modification is required to
8 maintain the qualified status of the retirement plans under the Internal
9 Revenue Code of 1986, applicable regulations of the U.S. Treasury
10 Department or other guidance of the federal Internal Revenue
11 Service. Notwithstanding the provisions of the "Administrative
12 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), the director,
13 and in the case of the Police and Firemen's Retirement System or of
14 the Local Part of the Public Employees' Retirement System, the
15 board, may modify the provisions of the foregoing retirement plans,
16 when a modification is required to maintain the qualified status of the
17 retirement plans by promulgating a rule or regulation which shall be
18 effective upon filing with the Office of Administrative Law.
19 (cf: P.L.2018, c.55, s.4)

20
21 6. Section 1 of P.L.2015, c.180 (C.43:3C-25) is amended to read
22 as follows:

23 1. The Division of Pensions and Benefits in the Department of
24 the Treasury shall provide for the prompt notification in writing of
25 any member or retiree of the Teachers' Pension and Annuity Fund,
26 established pursuant to N.J.S.18A:66-1 et seq., the Judicial
27 Retirement System, established pursuant to P.L.1973, c.140
28 (C.43:6A-1 et seq.), the Public Employees' Retirement System,
29 established pursuant to P.L.1954, c.84 (C.43:15A-1 et seq.), the State
30 Police Retirement System, established pursuant to P.L.1965, c.89
31 (C.53:5A-1 et seq.), the Alternate Benefit Program, established
32 pursuant to P.L.1969, c.242 (C.18A:66-167 et seq.), and the Defined
33 Contribution Retirement Program, established pursuant to P.L.2007,
34 c.92 (C.43:15C-1 et seq.), when the member or retiree submits a
35 change to the designation of beneficiary for contributory and non-
36 contributory group life insurance available to the member or retiree
37 through the system, that there is on file a judgment, court order,
38 decree, or other legal document for that member or retiree
39 specifically designating the beneficiary of such life insurance. The
40 Board of Trustees of the Police and Firemen's Retirement System or
41 of the Local Part of the Public Employees' Retirement System, as
42 appropriate, or its designee shall provide for the prompt notification
43 in writing of any member or retiree of the Police and Firemen's
44 Retirement System, established pursuant to P.L.1944, c.255
45 (C.43:16A-1 et seq.), or the Local Part of the Public Employees'
46 Retirement System, established pursuant to P.L.1954, c.84
47 (C.43:15A-1 et seq.), as appropriate, when the member or retiree
48 submits a change to the designation of beneficiary for contributory
49 and non-contributory group life insurance available to the member or

1 retiree through the system, that there is on file a judgment, court
2 order, decree, or other legal document for that member or retiree
3 specifically designating the beneficiary of such life insurance. The
4 notification requirement shall apply only when there is a valid
5 judgment, court order, decree, or other legal document that has been
6 filed with the division or, in the case of the Police and Firemen's
7 Retirement System or the Local Part of the Public Employees'
8 Retirement System, as appropriate, the board of trustees or its
9 designee pursuant to the division's or board's determination to accept
10 and honor such a judgment, court order, decree, or document and that
11 has been reviewed, approved, or classified as qualified by the
12 division or the board or the board's designee.

13 (cf: P.L.2018, c.55, s.5)

14

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

17 19. There is hereby established the Retirement Systems Actuary
18 Selection Committee which shall consist of the State Treasurer, and
19 the directors of the Divisions of Pensions and Benefits and
20 Investment, and Office of Management and Budget, or their
21 designated representatives, and one member designated by each of
22 the boards of trustees of the State Part of the Public Employees'
23 Retirement System established pursuant to P.L.1954, c.84
24 (C.43:15A-1 et seq.) and the Teachers' Pension and Annuity Fund
25 established pursuant to N.J.S.18A:66-1 et seq. The committee shall
26 select the actuary or actuaries for the State retirement systems in
27 accordance with the provisions of P.L.1954, c.48 (C.52:34-6 et seq.),
28 provided, however, that the boards shall have the power to veto the
29 selection of the actuary for valid reason.

30 (cf: P.L.2018, c.55, s.6)

31

32 8. Section 6 of P.L.1954, c.84 (C.43:15A-6) is amended to read
33 as follows:

34 6. As used in this act:

35 a. "Accumulated deductions" means the sum of all the amounts,
36 deducted from the compensation of a member or contributed by or on
37 behalf of the member, standing to the credit of the member's
38 individual account in the annuity savings fund.

39 b. "Annuity" means payments for life derived from the
40 accumulated deductions of a member as provided in this act.

41 c. "Annuity reserve" means the present value of all payments to
42 be made on account of any annuity or benefit in lieu of an annuity,
43 granted under the provisions of this act, computed on the basis of
44 such mortality tables recommended by the actuary as the board of
45 trustees adopts, with regular interest.

46 d. "Beneficiary" means any person receiving a retirement
47 allowance or other benefit as provided in this act.

48 e. "Child" means a deceased member's unmarried child either
49 (1) under the age of 18 or (2) of any age who, at the time of the

1 member's death, is disabled because of an intellectual disability or
2 physical incapacity, is unable to do any substantial, gainful work
3 because of the impairment and the impairment has lasted or can be
4 expected to last for a continuous period of not less than 12 months,
5 as affirmed by the medical board.

6 f. "Parent" shall mean the parent of a member who was
7 receiving at least 1/2 of the parent's support from the member in the
8 12-month period immediately preceding the member's death or the
9 accident which was the direct cause of the member's death. The
10 dependency of such a parent will be considered terminated by
11 marriage of the parent subsequent to the death of the member.

12 g. (1) "Widower," for employees of the State, means the man to
13 whom a member was married, or a domestic partner as defined in
14 section 3 of P.L.2003, c.246 (C.26:8A-3), at least five years before
15 the date of her death and to whom she continued to be married or a
16 domestic partner until the date of her death and who was receiving at
17 least 1/2 of his support from the member in the 12-month period
18 immediately preceding the member's death or the accident which was
19 the direct cause of the member's death. The dependency of such a
20 widower will be considered terminated by marriage of, or
21 establishment of a domestic partnership by, the widower subsequent
22 to the death of the member. In the event of the payment of an
23 accidental death benefit, the five-year qualification shall be waived.

24 (2) Subject to the provisions of paragraph (3) of this subsection,
25 "widower," for employees of public employers other than the State,
26 means the man to whom a member was married at least five years
27 before the date of her death and to whom she continued to be married
28 until the date of her death and who was receiving at least 1/2 of his
29 support from the member in the 12-month period immediately
30 preceding the member's death or the accident which was the direct
31 cause of the member's death. The dependency of such a widower shall
32 be considered terminated by marriage of the widower subsequent to
33 the death of the member. In the event of the payment of an accidental
34 death benefit, the five-year qualification shall be waived.

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

39 h. (1) "Final compensation" means the average annual
40 compensation for which contributions are made for the three years of
41 creditable service in New Jersey immediately preceding the
42 member's retirement or death, or it shall mean the average annual
43 compensation for New Jersey service for which contributions are
44 made during any three fiscal years of his or her membership
45 providing the largest possible benefit to the member or the member's
46 beneficiary.

47 (2) In the case of a person who becomes a member of the
48 retirement system on or after the effective date of P.L.2010, c.1,
49 "final compensation" means the average annual compensation for

1 which contributions are made for the five years of creditable service
2 in New Jersey immediately preceding the member's retirement or
3 death, or it shall mean the average annual compensation for New
4 Jersey service for which contributions are made during any five fiscal
5 years of his or her membership providing the largest possible benefit
6 to the member or the member's beneficiary.

7 i. "Fiscal year" means any year commencing with July 1 and
8 ending with June 30 next following.

9 j. "Medical board" shall mean the board of physicians provided
10 for in section 17 of P.L.1954, c.84 (C.43:15A-17) or section 1 of
11 P.L. , c. (C.)(pending before the Legislature as this bill).

12 k. "Pension" means payments for life derived from
13 appropriations made by the employer as provided in this act.

14 l. "Pension reserve" means the present value of all payments to
15 be made on account of any pension or benefit in lieu of a pension
16 granted under the provisions of this act, computed on the basis of
17 such mortality tables recommended by the actuary as the board of
18 trustees adopts, with regular interest.

19 m. "Public Employees' Retirement System of New Jersey,"
20 hereinafter referred to as the "retirement system" or "system," is the
21 corporate name of the arrangement for the payment of retirement
22 allowances and other benefits under the provisions of this act
23 including the several funds placed under said system. By that name
24 all of its business shall be transacted, its funds invested, warrants for
25 money drawn, and payments made and all of its cash and securities
26 and other property held.

27 n. "Regular interest" shall mean interest as determined by the
28 State Treasurer for the State Part of the Public Employees'
29 Retirement System, after consultation with the Directors of the
30 Divisions of Investment and Pensions, the board of trustees and the
31 actuary, and as determined by the State Treasurer for the Local Part
32 of the Public Employees' Retirement System, after consultation with
33 the actuary. It shall bear a reasonable relationship to the percentage
34 rate of earnings on investments based on the market value of the
35 assets but shall not exceed the assumed percentage rate of increase
36 applied to salaries plus 3%, provided however that the board of
37 trustees shall not set the average percentage rate of increase applied
38 to salaries below 6%. This rate shall be distinct from any internally
39 targeted rates used for developing investment policy by the board of
40 trustees of the Local Part pursuant to section 1 of P.L. , c.
41 (C.)(pending before the Legislature as this bill).

42 o. "Retirement allowance" means the pension plus the annuity.

43 p. "Veteran" means any honorably discharged officer, soldier,
44 sailor, airman, marine or nurse who served in any Army, Air Force
45 or Navy of the Allies of the United States in World War I, between
46 July 14, 1914, and November 11, 1918, or who served in any Army,
47 Air Force or Navy of the Allies of the United States in World War II,
48 between September 1, 1939, and September 2, 1945, and who was
49 inducted into such service through voluntary enlistment, and was a

1 citizen of the United States at the time of such enlistment, and who
2 did not, during or by reason of such service, renounce or lose United
3 States citizenship, and any officer, soldier, sailor, marine, airman,
4 nurse or army field clerk, who has served in the active military or
5 naval service of the United States and has or shall be discharged or
6 released therefrom under conditions other than dishonorable, in any
7 of the following wars, uprisings, insurrections, expeditions, or
8 emergencies, and who has presented to the retirement system
9 evidence of such record of service in form and content satisfactory to
10 said retirement system:

11 (1) The Indian wars and uprisings during any of the periods
12 recognized by the War Department of the United States as periods of
13 active hostility;

14 (2) The Spanish-American War between April 20, 1898, and
15 April 11, 1899;

16 (3) The Philippine insurrections and expeditions during the
17 periods recognized by the War Department of the United States as of
18 active hostility from February 4, 1899, to the end of 1913;

19 (4) The Peking relief expedition between June 20, 1900, and May
20 27, 1902;

21 (5) The army of Cuban occupation between July 18, 1898, and
22 May 20, 1902;

23 (6) The army of Cuban pacification between October 6, 1906, and
24 April 1, 1909;

25 (7) The Mexican punitive expedition between March 14, 1916,
26 and February 7, 1917;

27 (8) The Mexican border patrol, having actually participated in
28 engagements against Mexicans between April 12, 1911, and June 16,
29 1919;

30 (9) World War I, between April 6, 1917, and November 11, 1918;

31 (10) World War II, between September 16, 1940, and December
32 31, 1946, who shall have served at least 90 days in such active
33 service, exclusive of any period of assignment (1) for a course of
34 education or training under the Army Specialized Training Program
35 or the Navy College Training Program which course was a
36 continuation of a civilian course and was pursued to completion, or
37 (2) as a cadet or midshipman at one of the service academies any part
38 of which 90 days was served between said dates; provided, that any
39 person receiving an actual service-incurred injury or disability shall
40 be classed as a veteran whether or not that person has completed the
41 90-day service as herein provided;

42 (11) Korean conflict on or after June 23, 1950, and on or prior to
43 January 31, 1955, who shall have served at least 90 days in such
44 active service, exclusive of any period of assignment (1) for a course
45 of education or training under the Army Specialized Training
46 Program or the Navy College Training Program which course was a
47 continuation of a civilian course and was pursued to completion, or
48 (2) as a cadet or midshipman at one of the service academies, any
49 part of which 90 days was served between said dates; provided, that

1 any person receiving an actual service-incurred injury or disability
2 shall be classed as a veteran whether or not that person has completed
3 the 90-day service as herein provided; and provided further, that any
4 member classed as a veteran pursuant to this paragraph prior to
5 August 1, 1966, shall continue to be classed as a veteran whether or
6 not that person completed the 90-day service between said dates as
7 herein provided;

8 (12) Lebanon crisis, on or after July 1, 1958, who has served in
9 Lebanon or on board any ship actively engaged in patrolling the
10 territorial waters of that nation for a period, continuous or in the
11 aggregate, of at least 14 days commencing on or before November 1,
12 1958 or the date of termination of that conflict, as proclaimed by the
13 President of the United States or Congress, whichever date of
14 termination is the latest, in such active service; provided, that any
15 person receiving an actual service-incurred injury or disability shall
16 be classed as a veteran whether or not that person has completed the
17 14 days' service as herein provided;

18 (13) Vietnam conflict on or after December 31, 1960, and on or
19 prior to May 7, 1975, who shall have served at least 90 days in such
20 active service, exclusive of any period of assignment (1) for a course
21 of education or training under the Army Specialized Training
22 Program or the Navy College Training Program which course was a
23 continuation of a civilian course and was pursued to completion, or
24 (2) as a cadet or midshipman at one of the service academies, any
25 part of which 90 days was served between said dates; and exclusive
26 of any service performed pursuant to the provisions of section 511(d)
27 of Title 10, United States Code, pursuant to an enlistment in the Army
28 National Guard or as a reserve for service in the Army Reserve, Naval
29 Reserve, Air Force Reserve, Marine Corps Reserve, or Coast Guard
30 Reserve; provided, that any person receiving an actual service-
31 incurred injury or disability shall be classed as a veteran whether or
32 not that person has completed the 90 days' service as herein provided;

33 (14) Lebanon peacekeeping mission, on or after September 26,
34 1982, who has served in Lebanon or on board any ship actively
35 engaged in patrolling the territorial waters of that nation for a period,
36 continuous or in the aggregate, of at least 14 days commencing on or
37 before December 1, 1987 or the date of termination of that mission,
38 as proclaimed by the President of the United States or Congress,
39 whichever date of termination is the latest, in such active service;
40 provided, that any person receiving an actual service-incurred injury
41 or disability shall be classed as a veteran whether or not that person
42 has completed the 14 days' service as herein provided;

43 (15) Grenada peacekeeping mission, on or after October 23, 1983,
44 who has served in Grenada or on board any ship actively engaged in
45 patrolling the territorial waters of that nation for a period, continuous
46 or in the aggregate, of at least 14 days commencing on or before
47 November 21, 1983 or the date of termination of that mission, as
48 proclaimed by the President of the United States or Congress,
49 whichever date of termination is the latest, in such active service;

1 provided, that any person receiving an actual service-incurred injury
2 or disability shall be classed as a veteran whether or not that person
3 has completed the 14 days' service as herein provided;

4 (16) Panama peacekeeping mission, on or after December 20,
5 1989 or the date of inception of that mission, as proclaimed by the
6 President of the United States or Congress, whichever date of
7 inception is earliest, who has served in Panama or on board any ship
8 actively engaged in patrolling the territorial waters of that nation for
9 a period, continuous or in the aggregate, of at least 14 days
10 commencing on or before January 31, 1990 or the date of termination
11 of that mission, as proclaimed by the President of the United States
12 or Congress, whichever date of termination is the latest, in such
13 active service; provided, that any person receiving an actual service-
14 incurred injury or disability shall be classed as a veteran whether or
15 not that person has completed the 14 days' service as herein provided;

16 (17) Operation "Desert Shield/Desert Storm" mission in the
17 Arabian peninsula and the Persian Gulf, on or after August 2, 1990
18 or the date of inception of that operation, as proclaimed by the
19 President of the United States or Congress, whichever date of
20 inception is earliest, who has served in the Arabian peninsula or on
21 board any ship actively engaged in patrolling the Persian Gulf for a
22 period, continuous or in the aggregate, of at least 14 days
23 commencing on or before the date of termination of that mission, as
24 proclaimed by the President of the United States or Congress,
25 whichever date of termination is the latest, in such active service;
26 provided, that any person receiving an actual service-incurred injury
27 or disability shall be classed as a veteran whether or not that person
28 has completed the 14 days' service as herein provided;

29 (18) Operation Northern Watch and Operation Southern Watch,
30 on or after August 27, 1992, or the date of inception of that operation,
31 as proclaimed by the President of the United States, Congress or
32 United States Secretary of Defense, whichever date of inception is
33 earliest, who served in the theater of operation, including in the
34 Arabian peninsula and the Persian Gulf, and in direct support of that
35 operation for a period, continuously or in the aggregate, of at least 14
36 days in such active service, commencing on or before the date of
37 termination of that operation, as proclaimed by the President of the
38 United States, Congress or United States Secretary of Defense,
39 whichever date of termination is the latest; provided, that any person
40 receiving an actual service-incurred injury or disability while
41 engaged in such service shall be classed as a veteran whether or not
42 that person has completed the 14 days' service as herein provided;

43 (19) Operation "Restore Hope" in Somalia, on or after December
44 5, 1992, or the date of inception of that operation as proclaimed by
45 the President of the United States or Congress, whichever date is
46 earliest, who has served in Somalia or on board any ship actively
47 engaged in patrolling the territorial waters of that nation for a period,
48 continuously or in the aggregate, of at least 14 days in such active
49 service commencing on or before March 31, 1994; provided that any

1 person receiving an actual service-incurred injury or disability shall
2 be classed as a veteran whether or not that person has completed the
3 14-day service as herein provided;

4 (20) Operations "Joint Endeavor" and "Joint Guard" in the
5 Republic of Bosnia and Herzegovina, on or after November 20, 1995,
6 who served in such active service in direct support of one or both of
7 the operations for at least 14 days, continuously or in the aggregate,
8 commencing on or before June 20, 1998 and (1) was deployed in that
9 nation or in another area in the region, or (2) was on board a United
10 States naval vessel operating in the Adriatic Sea, or (3) operated in
11 airspace above the Republic of Bosnia and Herzegovina; provided
12 that any person receiving an actual service-incurred injury or
13 disability shall be classed as a veteran whether or not that person
14 completed the 14-day service requirement;

15 (21) Operation "Enduring Freedom", on or after September 11,
16 2001, who served in a theater of operation and in direct support of
17 that operation for a period, continuously or in the aggregate, of at
18 least 14 days in such active service commencing on or before the date
19 the President of the United States or the United States Secretary of
20 Defense designates as the termination date of that operation;
21 provided, that any person receiving an actual service-incurred injury
22 or disability while engaged in such service shall be classed as a
23 veteran whether or not that person has completed the 14 days' service
24 as herein provided; and

25 (22) Operation "Iraqi Freedom", on or after the date the President
26 of the United States or the United States Secretary of Defense
27 designates as the inception date of that operation, who served in Iraq
28 or in another area in the region in direct support of that operation for
29 a period, continuously or in the aggregate, of at least 14 days in such
30 active service commencing on or before the date the President of the
31 United States or the United States Secretary of Defense designates as
32 the termination date of that operation; provided, that any person
33 receiving an actual service-incurred injury or disability while
34 engaged in such service shall be classed as a veteran whether or not
35 that person has completed the 14 days' service as herein provided.

36 "Veteran" also means any honorably discharged member of the
37 American Merchant Marine who served during World War II and is
38 declared by the United States Department of Defense to be eligible
39 for federal veterans' benefits.

40 q. (1) "Widow," for employees of the State, means the woman
41 to whom a member was married, or a domestic partner as defined in
42 section 3 of P.L.2003, c.246 (C.26:8A-3), at least five years before
43 the date of his death and to whom he continued to be married or a
44 domestic partner until the date of his death and who was receiving at
45 least 1/2 of her support from the member in the 12-month period
46 immediately preceding the member's death or the accident which was
47 the direct cause of the member's death. The dependency of such a
48 widow will be considered terminated by the marriage of, or
49 establishment of a domestic partnership by, the widow subsequent to

1 the member's death. In the event of the payment of an accidental
2 death benefit, the five-year qualification shall be waived.

3 (2) Subject to the provisions of paragraph (3) of this subsection,
4 "widow," for employees of public employers other than the State,
5 means the woman to whom a member was married at least five years
6 before the date of his death and to whom he continued to be married
7 until the date of his death and who was receiving at least 1/2 of her
8 support from the member in the 12-month period immediately
9 preceding the member's death or the accident which was the direct
10 cause of the member's death. The dependency of such a widow shall
11 be considered terminated by the marriage of the widow subsequent
12 to the member's death. In the event of the payment of an accidental
13 death benefit, the five-year qualification shall be waived.

14 (3) A public employer other than the State may adopt a resolution
15 providing that the term "widow" as defined in paragraph (2) of this
16 subsection shall include domestic partners as provided in paragraph
17 (1) of this subsection.

18 r. (1) "Compensation" means the base or contractual salary, for
19 services as an employee, which is in accordance with established
20 salary policies of the member's employer for all employees in the
21 same position but shall not include individual salary adjustments
22 which are granted primarily in anticipation of the member's
23 retirement or additional remuneration for performing temporary or
24 extracurricular duties beyond the regular workday or the regular
25 work year.

26 (2) In the case of a person who becomes a member of the
27 retirement system on or after July 1, 2007, "compensation" means the
28 amount of base or contractual salary equivalent to the annual
29 maximum wage contribution base for Social Security, pursuant to the
30 Federal Insurance Contributions Act, for services as an employee,
31 which is in accordance with established salary policies of the
32 member's employer for all employees in the same position but shall
33 not include individual salary adjustments which are granted primarily
34 in anticipation of the member's retirement or additional remuneration
35 for performing temporary or extracurricular duties beyond the regular
36 workday or the regular work year. This paragraph shall not apply to
37 a person who at the time of enrollment in the retirement system on or
38 after July 1, 2007 transfers service credit from another State-
39 administered retirement system pursuant to section 14 of P.L.1954,
40 c.84 (C.43:15A-14), but shall apply to a former member of the
41 retirement system who has been granted a retirement allowance and
42 is reenrolled in the retirement system on or after July 1, 2007
43 pursuant to section 27 of P.L.1966, c.217 (C.43:15A-57.2) after
44 becoming employed again in a position that makes the person eligible
45 to be a member of the retirement system.

46 In cases where salary includes maintenance, the retirement system
47 shall fix the value of that part of the salary not paid in money which
48 shall be considered under this act.

1 For the period of July 1, 2009 through June 30, 2011, "contractual
2 salary" for State employees shall include across the board negotiated
3 wage increases under a collective negotiations agreement that were
4 payable to all State employees covered by that agreement
5 notwithstanding that, by amendment to that collective negotiations
6 agreement, the effective date of the contractual increase has been
7 deferred. For the purpose of this paragraph, "State employee" means
8 an employee in the Executive Branch or the Judicial Branch of State
9 government of New Jersey or an employee of the State University
10 authorized to participate in the system under subsection b. of section
11 73 of P.L.1954, c.84 (C.43:15A-73), but shall not include employees
12 of agencies authorized to participate in the system under subsections
13 a., c., d., e., f., and g. of section 73 of P.L.1954, c.84 (C.43:15A-73)
14 or under P.L.1990, c.25 (C.43:15A-73.2 et al.).

15 For the period of July 1, 2009 through June 30, 2011, "contractual
16 salary" for county and municipal employees shall include across the
17 board negotiated wage increases under a collective negotiations
18 agreement that were payable to all county or all municipal employees
19 covered by that agreement notwithstanding that, by amendment to
20 that collective negotiations agreement which has been filed with the
21 Division of Pensions and Benefits, the effective date of the
22 contractual increase has been deferred. For the purpose of this
23 paragraph, "county and municipal employees" means all persons
24 employed by a county or municipality in this State.

25 (cf: P.L.2010, c.50, s.71)

26

27 9. Section 7 of P.L.1954, c.84 (C.43:15A-7) is amended to read
28 as follows:

29 7. There is hereby established the Public Employees' Retirement
30 System of New Jersey in the Division of Pensions and Benefits of the
31 Department of the Treasury.

32 Commencing on the effective date of P.L. , c. (pending before
33 the Legislature as this bill), the retirement system shall be comprised
34 of two separate parts. The parts shall be the State Part and the Local
35 Part, and each part shall be governed by a separate board of trustees
36 as established in accordance with section 1 of P.L. , c.
37 (C.)(pending before the Legislature as this bill) and section 17
38 of P.L.1954, c.84 (C.43:15A-17). The membership of the State Part
39 shall include those members of the retirement system who are
40 employed by the State or any independent board, commission,
41 authority, or instrumentality thereof. The membership of the Local
42 Part shall include those members of the retirement system who are
43 employed by an employer other than the State. Any reference in
44 P.L.1954, c.84 (C.43:15A-1 et seq.) or any other law, rule, regulation,
45 contract, document, judicial or administrative proceeding, or
46 otherwise to the Public Employees' Retirement System, shall be a
47 reference to both the board of trustees of the State Part and the board
48 of trustees of the Local Part unless otherwise specified by law or by
49 the context within which reference is made.

1 The membership of the retirement system shall include:

2 a. The members of the former "State Employees' Retirement
3 System of New Jersey" enrolled as such as of December 30, 1954,
4 who shall not have claimed for refund their accumulated deductions
5 in said system as provided in this section;

6 b. Any person becoming an employee of the State or other
7 employer after January 2, 1955 and every veteran, other than a retired
8 member who returns to service pursuant to subsection b. of section
9 27 of P.L.1966, c.217 (C.43:15A-57.2) and other than those whose
10 appointments are seasonal, becoming an employee of the State or
11 other employer after such date, including a temporary employee with
12 at least one year's continuous service. The membership of the
13 retirement system shall not include those persons appointed to serve
14 as described in paragraphs (2) and (3) of subsection a. of section 2 of
15 P.L.2007, c.92 (C.43:15C-2), except a person who was a member of
16 the retirement system prior to the effective date of sections 1 through
17 19 of P.L.2007, c.92 (C.43:15C-1 through C.43:15C-15, C.43:3C-9,
18 C.43:15A-7, C.43:15A-75 and C.43:15A-135) and continuously
19 thereafter; and

20 c. Every employee veteran in the employ of the State or other
21 employer on January 2, 1955, who is not a member of any retirement
22 system supported wholly or partly by the State.

23 d. Membership in the retirement system shall be optional for
24 elected officials other than veterans, and for school crossing guards,
25 who having become eligible for benefits under other pension systems
26 are so employed on a part-time basis. Elected officials commencing
27 service on or after the effective date of sections 1 through 19 of
28 P.L.2007, c.92 (C.43:15C-1 through C.43:15C-15, C.43:3C-9,
29 C.43:15A-7, C.43:15A-75 and C.43:15A-135) shall not be eligible
30 for membership in the retirement system based on service in the
31 elective public office, except that an elected official enrolled in the
32 retirement system as of that effective date who continues to hold that
33 elective public office or, for an elected official specified in section 5
34 of P.L.2017, c.344 (C.43:15A-7.5), another elective public office,
35 without a break in service shall be eligible to continue membership
36 in the retirement system under the terms and conditions of
37 enrollment. Service in the Legislature shall be considered a single
38 elective public office. Any part-time school crossing guard who is
39 eligible for benefits under any other pension system and who was
40 hired as a part-time school crossing guard prior to March 4, 1976,
41 may at any time terminate his membership in the retirement system
42 by making an application in writing to the board of trustees of the
43 retirement system. Upon receiving such application, the board of
44 trustees shall terminate his enrollment in the system and direct the
45 employer to cease accepting contributions from the member or
46 deducting from the compensation paid to the member. State
47 employees who become members of any other retirement system
48 supported wholly or partly by the State as a condition of employment
49 shall not be eligible for membership in this retirement system.

1 Notwithstanding any other law to the contrary, all other persons
2 accepting employment in the service of the State shall be required to
3 enroll in the retirement system as a condition of their employment,
4 regardless of age.

5 (1) Before or on November 1, 2008, no person in employment,
6 office or position, for which the annual salary or remuneration is
7 fixed at less than \$1,500.00, shall be eligible to become a member of
8 the retirement system.

9 (2) After November 1, 2008, a person who was a member of the
10 retirement system on that date and continuously thereafter shall be
11 eligible to be a member of the retirement system in employment,
12 office or position, for which the annual salary or remuneration is
13 fixed at \$1,500 or more.

14 (3) After November 1, 2008 and before or on the effective date of
15 P.L.2010, c.1, a person who was not a member of the retirement
16 system on November 1, 2008, or who was a member of the retirement
17 system on that date but not continuously thereafter, and who is in
18 employment, office or position, for which the annual salary or
19 remuneration is certified by the applicable public entity at \$7,500 or
20 more, shall be eligible to become a member of the retirement system.
21 The \$7,500 minimum annual salary or remuneration amount shall be
22 adjusted annually by the Director of the Division of Pensions and
23 Benefits, by regulation, in accordance with changes in the Consumer
24 Price Index but by no more than 4 percent. "Consumer Price Index"
25 means the average of the annual increase, expressed as a percentage,
26 in the consumer price index for all urban consumers in the New York
27 City and Philadelphia metropolitan statistical areas during the
28 preceding calendar year as reported by the United States Department
29 of Labor.

30 (4) After the effective date of P.L.2010, c.1, no person in an
31 employment, office or position of the State, or an agency, board,
32 commission, authority or instrumentality of the State, for which the
33 hours of work are fixed at fewer than 35 per week shall be eligible to
34 become a member of the retirement system; and no person in
35 employment, office or position with a political subdivision of the
36 State, or an agency, board, commission, authority or instrumentality
37 of a political subdivision of the State, for which the hours of work
38 are fixed by an ordinance or resolution of the political subdivision,
39 or agency, board, commission, authority or instrumentality thereof,
40 at fewer than 32 per week shall be eligible to become a member of
41 the retirement system. Any hour or part thereof, during which the
42 person does not work due to the person's participation in a voluntary
43 or mandatory furlough program shall not be deducted in determining
44 if a person's hours of work are fixed at fewer than 35 or 32 per week,
45 as appropriate, for the purpose of eligibility and the person's service
46 credit as a member of the system or fund shall include the period of
47 mandatory or voluntary furlough provided the person continues to
48 make contributions based on the person's base salary or
49 compensation. If the pay of a furloughed person is insufficient to

1 withhold the entirety of the person's regular contributions, then the
2 person shall remit the entirety of the regular contribution which was
3 not withheld from the person's pay to the Division of Pensions and
4 Benefits in the Department of the Treasury in a manner determined
5 by the division, except that no deduction for the payment of such
6 contributions shall be made from the unemployment compensation
7 benefits of the employee.

8 e. Membership of any person in the retirement system shall
9 cease if he shall discontinue his service for more than two
10 consecutive years.

11 f. The accumulated deductions of the members of the former
12 "State Employees' Retirement System" which have been set aside in
13 a trust fund designated as Fund A as provided in section 5 of this act
14 and which have not been claimed for refund prior to February 1, 1955
15 shall be transferred from said Fund A to the Annuity Savings Fund
16 of the Retirement System, provided for in section 25 of this act. Each
17 member whose accumulated deductions are so transferred shall
18 receive the same prior service credit, pension credit, and membership
19 credit in the retirement system as he previously had in the former
20 "State Employees' Retirement System" and shall have such
21 accumulated deductions credited to his individual account in the
22 Annuity Savings Fund. Any outstanding obligations of such member
23 shall be continued.

24 g. Any school crossing guard electing to terminate his
25 membership in the retirement system pursuant to subsection d. of this
26 section shall, upon his request, receive a refund of his accumulated
27 deductions as of the date of his appointment to the position of school
28 crossing guard. Such refund of contributions shall serve as a waiver
29 of all benefits payable to the employee, to his dependent or
30 dependents, or to any of his beneficiaries under the retirement
31 system.

32 h. A temporary employee who is employed under the federal
33 Workforce Investment Act shall not be eligible for membership in
34 the system. Membership for temporary employees employed under
35 the federal Job Training Partnership Act, Pub.L.97-300 (29
36 U.S.C.s.1501) who are in the system on September 19, 1986 shall be
37 terminated, and affected employees shall receive a refund of their
38 accumulated deductions as of the date of commencement of
39 employment in a federal Job Training Partnership Act program. Such
40 refund of contributions shall serve as a waiver of all benefits payable
41 to the employee, to his dependent or dependents, or to any of his
42 beneficiaries under the retirement system.

43 i. Membership in the retirement system shall be optional for a
44 special service employee who is employed under the federal Older
45 American Community Service Employment Act, Pub.L.94-135 (42
46 U.S.C.s.3056). Any special service employee employed under the
47 federal Older American Community Service Employment Act,
48 Pub.L.94-135 (42 U.S.C.s.3056), who is in the retirement system on
49 the effective date of P.L.1996, c.139 may terminate membership in

1 the retirement system by making an application in writing to the
2 board of trustees of the retirement system. Upon receiving the
3 application, the board shall terminate enrollment in the system and
4 the member shall receive a refund of accumulated deductions as of
5 the date of commencement of employment in a federal Older
6 American Community Service Employment Act program. This
7 refund of contributions shall serve as a waiver of all benefits payable
8 to the employee, to any dependent or dependents, or to any
9 beneficiary under the retirement system.

10 j. An employee of the South Jersey Port Corporation who was
11 employed by the South Jersey Port Corporation as of the effective
12 date of P.L.1997, c.150 (C.34:1B-144 et al.) and who shall be re-
13 employed within 365 days of such effective date by a subsidiary
14 corporation or other corporation, which has been established by the
15 Delaware River Port Authority pursuant to subdivision (m) of Article
16 I of the compact creating the Delaware River Port Authority
17 (R.S.32:3-2), as defined in section 3 of P.L.1997, c.150 (C.34:1B-
18 146), shall be eligible to continue membership while an employee of
19 such subsidiary or other corporation.

20 k. An employee of a renaissance school project established
21 pursuant to P.L.2011, c.176 (C.18A:36C-1 et seq.) upon
22 commencement of employment.
23 (cf: P.L.2018, c.129, s.2)

24
25 10. Section 17 of P.L.1954, c.84 (C.43:15A-17) is amended to
26 read as follows:

27 17. a. (1) Subject to the provisions of P.L.1955, c.70 the general
28 responsibility for the proper operation of the State Part of the Public
29 Employees' Retirement System shall be vested in the board of
30 trustees for the State Part, and, as specified, the committees
31 established pursuant to subsection b. of this section. The general
32 responsibility for the proper operation of the Local Part of the Public
33 Employees' Retirement System shall be vested in the board of
34 trustees for the Local Part as established in accordance with section
35 1 of P.L. , c. (C.)(pending before the Legislature as this bill).
36 The provisions of this section shall apply to the State Part of the
37 retirement system. Subject to the limitations of the law, the board of
38 the State Part shall annually establish rules and regulations for the
39 administration and transaction of the board's and committees'
40 business and for the control of the funds created by this subtitle. Such
41 rules and regulations shall be consistent with those adopted by the
42 other pension funds within the Division of Pensions and Benefits in
43 order to permit the most economical and uniform administration of
44 all such retirement systems. The committees shall adopt such
45 regulations as provided in subsection b. of this section.

46 (2) (a) The membership of the board of the State Part shall
47 consist of the following:

48 **[(a)]** Two trustees appointed by the Governor, with the advice
49 and consent of the Senate, who shall serve for a term of office of

1 three years and until their successors are appointed, who shall be
2 private citizens of the State of New Jersey and who are neither an
3 officer thereof nor active or retired members of the system. Of the
4 two trustees initially appointed by the Governor pursuant to
5 P.L.1992, c.41 (C.43:6A-33.1 et al.), one shall be appointed for a
6 term of two years and one for a term of three years.

7 **[(b)]** The State Treasurer or the Deputy State Treasurer, when
8 designated for that purpose by the State Treasurer.

9 **[(c) Three]** ~~Four~~ trustees elected for a term of three years by the
10 member employees of the State Part from among the active or retired
11 State members of the retirement system in a manner prescribed by
12 the board of trustees.

13 **[(d) One** trustee elected for a term of three years by the member
14 employees of counties from among the active or retired county
15 members of the retirement system and the same method of holding
16 an election from time to time used for the State employees'
17 representatives shall be followed in elections held for county
18 representatives.

19 (e) Two trustees elected for a term of three years by the member
20 employees of municipalities from among the active or retired
21 municipal members of the retirement system and the same method of
22 holding an election from time to time used for the State employees'
23 representatives shall be followed in elections held for municipal
24 representatives.

25 (3) **]** Within five days following the effective date of P.L. , c.
26 (pending before the Legislature as this bill), the Governor shall
27 appoint one trustee from among the active or retired State members
28 of the State Part of the retirement system to serve until an election
29 for one such trustee is held and the elected trustee is determined and
30 takes the oath of office.

31 A vacancy occurring in the board of trustees shall be filled by the
32 appointment or election of a successor in the same manner as his
33 predecessor.

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

41 Each trustee shall be entitled to one vote in the board and a
42 majority of all the votes of the entire board shall be necessary for a
43 decision by the board of trustees at a meeting of the board. The board
44 shall keep a record of all its proceedings, which shall be open to
45 public inspection.

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

1 (4) The State Treasurer shall designate a medical board after
2 consultation with the Director of the Division of Pensions and
3 Benefits, subject to veto by the board of trustees of the State Part for
4 valid reason. It shall be composed of three physicians who are not
5 eligible to participate in the retirement system. The medical board
6 shall pass upon all medical examinations required under the
7 provisions of this act, shall investigate all essential statements and
8 certificates by or on behalf of a member in connection with an
9 application for disability retirement, and shall report in writing to the
10 State Part of the retirement system its conclusions and
11 recommendations upon all matters referred to it.

12 b. There **【are】** is established **【two committees】** a committee, to
13 be composed of eight members **【each】** as follows**【,** one for the State
14 employees part of the retirement system and one for the part of the
15 retirement system with employees of employers other than the State**】**.

16 **【Each】** The committee shall have four members who shall be
17 appointed by the Governor as representatives of public employers
18 whose employees are enrolled in the State Part of the retirement
19 system, and four members who shall be appointed by the Public
20 Employee Committee of the AFL-CIO with the four appointments to
21 be allocated among the unions representing members of the State Part
22 of the retirement system having union membership in a manner that
23 results in the unions representing a greater number of members
24 receiving more appointments than the unions representing fewer
25 members. The members of the **【committees】** committee shall not
26 be appointed until **【that part】** the State Part of the system attains the
27 target funded ratio.

28 The members of **【each】** the committee shall serve for a term of
29 three years and until a successor is appointed and qualified. **【For**
30 **each committee, of】** Of the initial appointments by the Governor, two
31 members shall serve for two years and until a successor is appointed
32 and qualified, and one shall serve for one year and until a successor
33 is appointed and qualified. **【For each committee, of】** Of the initial
34 appointments by the Public Employee Committee of the AFL-CIO,
35 one member shall serve for two years and until a successor is
36 appointed and qualified, and one shall serve for one year and until a
37 successor is appointed and qualified.

38 **【For each committee, the】** The members of the committee shall
39 select a chairperson from among the members, who shall serve for a
40 term of one year, with no member serving more than one term until
41 all the members of that committee have served a term in a manner
42 alternating among the employer representatives and employee
43 representatives, unless the committee determines otherwise with
44 regard to this process.

45 The provisions of paragraph (3) of subsection a. of this section,
46 and section 36 of P.L.1954, c.84 (C.43:15A-36), shall apply to
47 **【each】** the committee and its members**【,** as appropriate**】**.

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

5 **【Each】** The committee may contract with such actuaries or
6 consultants, or both, in accordance with the provisions of P.L.1954,
7 c.48 (C.52:34-6 et seq.), as the committee may deem necessary to
8 perform its duties, when **【that part】** the State Part of the system has
9 met the target funded ratio.

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

26 **【Each】** The committee may consider a matter described above and
27 render a decision notwithstanding that the provisions of the statutory
28 law may set forth a specific requirement on that matter.

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

33 The members of **【each】** the committee shall have the same duty
34 and responsibility to the State Part of the retirement system as do the
35 members of the board of trustees. No decision of **【a】** the committee
36 shall be implemented if the direct or indirect result of the decision
37 will be that the funded ratio of that part falls below the target funded
38 ratio in any valuation period during the 30 years following the
39 implementation of the decision. The actuary of the fund shall make
40 a determination of the result in that regard and submit that
41 determination in a written report to the committee and the board prior
42 to the implementation of the decision.

43 If any matter before **【a】** the committee receives at least five votes
44 in the affirmative, the board of trustees shall approve and implement
45 the committee's decision.

46 If any matter regarding benefits before **【a】** the committee receives
47 four votes in the affirmative and four votes in the negative or **【a】** the

1 committee otherwise reaches an impasse on a decision, the provisions
2 of section 33 of P.L.2011, c.78 (C.43:3C-17) shall be followed.

3 A final action of the committee shall be made by the adoption of
4 a regulation that shall identify the modifications to the system by
5 reference to statutory section. The regulations shall also specify the
6 effective date of the modification and the system members, including
7 beneficiaries and retirees, to whom the modification applies.
8 Regulations of the committee are considered to be part of the plan
9 document for the system. A regulation adopted by the committee
10 may be modified by regulation in order to comply with the
11 requirements of this section.

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

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

31

32 11. Section 24 of P.L.1954, c.84 (C.43:15A-24) is amended to
33 read as follows:

34 24. The contingent reserve fund shall be the fund in which shall
35 be credited contributions made by the State and other employers.

36 a. Upon the basis of the tables recommended by the actuary
37 which the board adopts and regular interest, the actuary shall
38 compute annually, beginning as of March 31, 1992, the amount of
39 contribution which shall be the normal cost as computed under the
40 projected unit credit method attributable to service rendered under
41 the retirement system for the year beginning on July 1 immediately
42 succeeding the date of the computation. This shall be known as the
43 "normal contribution."

44 b. With respect to employers other than the State, upon the basis
45 of the tables recommended by the actuary which the board of the
46 Local Part adopts and regular interest, the actuary shall compute the
47 amount of the accrued liability of the retirement system as of March
48 31, 1992 under the projected unit credit method, excluding the
49 liability for pension adjustment benefits for active employees funded

1 pursuant to section 2 of P.L.1990, c.6 (C.43:15A-24.1), which is not
2 already covered by the assets of the retirement system, valued in
3 accordance with the asset valuation method established in this
4 section. Using the total amount of this unfunded accrued liability, the
5 actuary shall compute the initial amount of contribution which, if
6 paid annually in level dollars for a specific period of time, will
7 amortize this liability. The **【State Treasurer】** board of trustees of the
8 Local Part shall determine, upon the advice of the **【Director of the**
9 **Division of Pensions and Benefits, the board of trustees and the】**
10 actuary, the time period for full funding of this liability, which shall
11 not exceed 40 years on initial application of this section as amended
12 by this act, P.L.1994, c.62. This shall be known as the "accrued
13 liability contribution." Any increase or decrease in the unfunded
14 accrued liability as a result of actuarial losses or gains for the 10
15 valuation years following valuation year 1992 shall serve to increase
16 or decrease, respectively, the unfunded accrued liability contribution.
17 Thereafter, any increase or decrease in the unfunded accrued liability
18 as a result of actuarial losses or gains for subsequent valuation years
19 shall serve to increase or decrease, respectively, the amortization
20 period for the unfunded accrued liability, unless an increase in the
21 amortization period will cause it to exceed 30 years. If an increase in
22 the amortization period as a result of actuarial losses for a valuation
23 year would exceed 30 years, the accrued liability contribution shall
24 be computed for the valuation year in the same manner provided for
25 the computation of the initial accrued liability contribution under this
26 section. Beginning with the July 1, 2019 actuarial valuation, the
27 accrued liability contribution shall be computed so that if the
28 contribution is paid annually in level dollars, it will amortize this
29 unfunded accrued liability over a closed 30-year period. Beginning
30 with the July 1, 2029 actuarial valuation, when the remaining
31 amortization period reaches 20 years, any increase or decrease in the
32 unfunded accrued liability as a result of actuarial losses or gains for
33 subsequent valuation years shall serve to increase or decrease,
34 respectively, the amortization period for the unfunded accrued
35 liability, unless an increase in the amortization period will cause it to
36 exceed 20 years. If an increase in the amortization period as a result
37 of actuarial losses for a valuation year would exceed 20 years, the
38 accrued liability contribution shall be computed for the valuation
39 year in the same manner provided for the computation of the initial
40 accrued liability contribution under this section.

41 With respect to the State, upon the basis of the tables
42 recommended by the actuary which the commission adopts and
43 regular interest, the actuary shall annually determine if there is an
44 amount of the accrued liability of the retirement system, computed
45 under the projected unit credit method, which is not already covered
46 by the assets of the retirement system, valued in accordance with the
47 asset valuation method established in this section. This shall be
48 known as the "unfunded accrued liability." If there was no unfunded

1 accrued liability for the valuation period immediately preceding the
2 current valuation period, the actuary, using the total amount of this
3 unfunded accrued liability, shall compute the initial amount of
4 contribution which, if paid annually in level dollars for a specific
5 period of time, will amortize this liability. The State Treasurer shall
6 determine, upon the advice of the Director of the Division of
7 Pensions and Benefits, the commission and the actuary, the time
8 period for full funding of this liability, which shall not exceed 30
9 years. This shall be known as the "accrued liability contribution."
10 Thereafter, any increase or decrease in the unfunded accrued liability
11 as a result of actuarial losses or gains for subsequent valuation years
12 shall serve to increase or decrease, respectively, the amortization
13 period for the unfunded accrued liability, unless an increase in the
14 amortization period will cause it to exceed 30 years. If an increase
15 in the amortization period as a result of actuarial losses for a
16 valuation year would exceed 30 years, the accrued liability
17 contribution shall be computed for the valuation year in the same
18 manner provided for the computation of the initial accrued liability
19 contribution under this section. Beginning with the July 1, 2019
20 actuarial valuation, the accrued liability contribution shall be
21 computed so that if the contribution is paid annually in level dollars,
22 it will amortize this unfunded accrued liability over a closed 30-year
23 period. Beginning with the July 1, 2029 actuarial valuation, when
24 the remaining amortization period reaches 20 years, any increase or
25 decrease in the unfunded accrued liability as a result of actuarial
26 losses or gains for subsequent valuation years shall serve to increase
27 or decrease, respectively, the amortization period for the unfunded
28 accrued liability, unless an increase in the amortization period will
29 cause it to exceed 20 years. If an increase in the amortization period
30 as a result of actuarial losses for a valuation year would exceed 20
31 years, the accrued liability contribution shall be computed for the
32 valuation year in the same manner provided for the computation of
33 the initial accrued liability contribution under this section.

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

38 The value of the assets, excluding the special asset value set forth
39 in section 38 of P.L.2010, c.1 (C.43:3C-14), to be used in the
40 computation of the contributions provided for under this section for
41 valuation periods shall be the value of the assets for the preceding
42 valuation period increased by the regular interest rate, plus the net
43 cash flow for the valuation period (the difference between the
44 benefits and expenses paid by the system and the contributions to the
45 system) increased by one half of the regular interest rate, plus 20%
46 of the difference between this expected value and the full market
47 value of the assets as of the end of the valuation period. This shall
48 be known as the "valuation assets." Notwithstanding the first
49 sentence of this paragraph, the valuation assets for the valuation

1 period ending March 31, 1996 shall be the full market value of the
2 assets as of that date and, with respect to the valuation assets
3 allocated to the State, shall include the proceeds from the bonds
4 issued pursuant to the "Pension Bond Financing Act of 1997,"
5 P.L.1997, c.114 (C.34:1B-7.45 et seq.), paid to the system by the
6 New Jersey Economic Development Authority to fund the unfunded
7 accrued liability of the system. Notwithstanding the first sentence of
8 this paragraph, the valuation assets for the valuation period ending
9 June 30, 1999 shall be the full market value of the assets as of that
10 date.

11 "Excess valuation assets" for a valuation period means, with
12 respect to the valuation assets allocated to the State:

13 (1) the valuation assets allocated to the State; less

14 (2) the actuarial accrued liability of the State for basic benefits
15 and pension adjustment benefits under the retirement system; less

16 (3) the contributory group insurance premium fund, created by
17 section 4 of P.L.1955, c.214 (C.43:15A-91), as amended by section
18 4 of P.L.1960, c.79; less

19 (4) the post retirement medical premium fund, created pursuant
20 to section 2 of P.L.1990, c.6 (C.43:15A-24.1), as amended by section
21 8 of P.L.1994, c.62; less

22 (5) the present value of the projected total normal cost for pension
23 adjustment benefits in excess of the projected total phased-in normal
24 cost for pension adjustment benefits for the State authorized by
25 section 2 of P.L.1990, c.6 (C.43:15A-24.1) over the full phase-in
26 period, determined in the manner prescribed for the determination
27 and amortization of the unfunded accrued liability of the system, if
28 the sum of the foregoing items is greater than zero.

29 "Excess valuation assets" for a valuation period means, with
30 respect to the valuation assets allocated to other employers:

31 (1) the valuation assets allocated to the other employers; less

32 (2) the actuarial accrued liability of the other employers for basic
33 benefits and pension adjustment benefits under the retirement
34 system, excluding the unfunded accrued liability for early retirement
35 incentive benefits pursuant to P.L.1991, c.229, P.L.1991, c.230,
36 P.L.1993, c.138, and P.L.1993, c.181, for employers other than the
37 State; less

38 (3) the contributory group insurance premium fund, created by
39 section 4 of P.L.1955, c.214 (C.43:15A-91), as amended by section
40 4 of P.L.1960, c.79; less

41 (4) the present value of the projected total normal cost for pension
42 adjustment benefits in excess of the projected total phased-in normal
43 cost for pension adjustment benefits for the other employers
44 authorized by section 2 of P.L.1990, c.6 (C.43:15A-24.1) over the
45 full phase-in period, determined in the manner prescribed for the
46 determination and amortization of the unfunded accrued liability of
47 the system, if the sum of the foregoing items is greater than zero.

48 If there are excess valuation assets allocated to the State or to the
49 other employers for the valuation period ending March 31, 1996, the

1 normal contributions payable by the State or by the other employers
2 for the valuation periods ending March 31, 1996 and March 31, 1997
3 which have not yet been paid to the retirement system shall be
4 reduced to the extent possible by the excess valuation assets allocated
5 to the State or to the other employers, respectively, provided that with
6 respect to the excess valuation assets allocated to the State, the
7 General Fund balances that would have been paid to the retirement
8 system except for this provision shall first be allocated as State aid to
9 public schools to the extent that additional sums are required to
10 comply with the May 14, 1997 decision of the New Jersey Supreme
11 Court in *Abbott v. Burke*. If there are excess valuation assets
12 allocated to the State or to the other employers for a valuation period
13 ending after March 31, 1996, the State Treasurer may reduce the
14 normal contribution payable by the State or by the other employers
15 for the next valuation period as follows:

16 (1) for valuation periods ending March 31, 1997 through March
17 31, 2001, to the extent possible by up to 100% of the excess valuation
18 assets allocated to the State or to the other employers, respectively;

19 (2) for the valuation period ending March 31, 2002, to the extent
20 possible by up to 84% of the excess valuation assets allocated to the
21 State or to the other employers, respectively;

22 (3) for the valuation period ending March 31, 2003, to the extent
23 possible by up to 68% of the excess valuation assets allocated to the
24 State or to the other employers, respectively; and

25 (4) for valuation periods ending March 31, 2004 through June 30,
26 2007, to the extent possible by up to 50% of the excess valuation
27 assets allocated to the State or to the other employers, respectively.

28 For calendar years 1998 and 1999, the rate of contribution of
29 members of the retirement system under section 25 of P.L.1954, c.84
30 (C.43:15A-25) shall be reduced by 1/2 of 1% from excess valuation
31 assets and for calendar years 2000 and 2001, the rate of contribution
32 shall be reduced by 2% from excess valuation assets. Thereafter,
33 through calendar year 2007, the rate of contribution of members of
34 the retirement system under that section for a calendar year shall be
35 reduced equally with normal contributions to the extent possible, but
36 not by more than 2%, from excess valuation assets if the State
37 Treasurer determines that excess valuation assets shall be used to
38 reduce normal contributions by the State and local employers for the
39 fiscal year beginning immediately prior to the calendar year, or for
40 the calendar year for local employers whose fiscal year is the
41 calendar year, and excess valuation assets above the amount
42 necessary to fund the reduction for that calendar year in the member
43 contribution rate plus an equal reduction in the normal contribution
44 shall be available for the further reduction of normal contributions,
45 subject to the limitations prescribed by this subsection.

46 If there are excess valuation assets after reductions in normal
47 contributions and member contributions as authorized in the
48 preceding paragraphs for a valuation period beginning with the
49 valuation period ending June 30, 1999, an amount of excess valuation

1 assets not to exceed the amount of the member contributions for the
2 fiscal year in which the normal contributions are payable shall be
3 credited to the benefit enhancement fund. The amount of excess
4 valuation assets credited to the benefit enhancement fund shall not
5 exceed the present value of the expected additional normal
6 contributions attributable to the provisions of P.L.2001, c.133
7 payable on behalf of the active members over the expected working
8 lives of the active members in accordance with the tables of actuarial
9 assumptions for the valuation period. No additional excess valuation
10 assets shall be credited to the benefit enhancement fund after the
11 maximum amount is attained. Interest shall be credited to the benefit
12 enhancement fund as provided under section 33 of P.L.1954, c.84
13 (C.43:15A-33).

14 The normal contribution for the increased benefits for active
15 employees under P.L.2001, c.133 shall be paid from the benefit
16 enhancement fund. If assets in the benefit enhancement fund are
17 insufficient to pay the normal contribution for the increased benefits
18 for a valuation period, the State shall pay the amount of normal
19 contribution for the increased benefits not covered by assets from the
20 benefit enhancement fund.

21 c. The retirement system shall certify annually the aggregate
22 amount payable to the contingent reserve fund in the ensuing year,
23 which amount shall be equal to the sum of the amounts described in
24 this section.

25 The State Treasurer shall reduce the normal and accrued liability
26 contributions payable by employers other than the State, excluding
27 the contribution payable from the benefit enhancement fund, to a
28 percentage of the amount certified annually by the retirement system,
29 which percentage shall be: for payments due in the State fiscal year
30 ending June 30, 2005, 20%; for payments due in the State fiscal year
31 ending June 30, 2006, not more than 40%; for payments due in the
32 State fiscal year ending June 30, 2007, not more than 60%; and for
33 payments due in the State fiscal year ending June 30, 2008, not more
34 than 80%.

35 The State Treasurer shall reduce the normal and accrued liability
36 contributions payable by employers other than the State, excluding
37 the contribution payable from the benefit enhancement fund, to 50
38 percent of the amount certified annually by the retirement system, for
39 payments due in the State fiscal year ending June 30, 2009. An
40 employer that elects to pay the reduced normal and accrued liability
41 contribution shall adopt a resolution, separate and apart from other
42 budget resolutions, stating that the employer needs to pay the reduced
43 contribution and providing an explanation of that need which shall
44 include (1) a description of its inability to meet the levy cap without
45 jeopardizing public safety, health, and welfare or without
46 jeopardizing the fiscal stability of the employer, or (2) a description
47 of another condition that offsets the long term fiscal impact of the
48 payment of the reduced contribution. An employer also shall
49 document those actions it has taken to reduce its operating costs, or

1 provide a description of relevant anticipated circumstances that could
2 have an impact on revenues or expenditures. This resolution shall be
3 submitted to and approved by the Local Finance Board after making
4 a finding that these fiscal conditions are valid and affirming the
5 findings contained in the employer resolution.

6 An employer that elects to pay 100 percent of the amount certified
7 by the retirement system for the State fiscal year ending June 30,
8 2009 shall be credited with such payment and any such amounts shall
9 not be included in the employer's unfunded liability.

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

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

27 The State shall pay into the contingent reserve fund during the
28 ensuing year the amount so determined. The death benefits, payable
29 as a result of contribution by the State under the provisions of this
30 chapter upon the death of an active or retired member, shall be paid
31 from the contingent reserve fund.

32 d. The disbursements for benefits not covered by reserves in the
33 system on account of veterans shall be met by direct contributions of
34 the State and other employers.

35 (cf: P.L.2017, c.98, s.24)

36

37 12. Section 25 of P.L.1954, c.84 (C.43:15A-25) is amended to
38 read as follows:

39 25. a. The annuity savings fund shall be the fund in which shall
40 be credited accumulated deductions and contributions by members or
41 on their behalf to provide for their allowances. A single account shall
42 be established in this fund for each person who is or shall become a
43 member and all contributions deducted from each such member's
44 compensation shall be credited to this single account.

45 b. (1) Members enrolled in the retirement system on or after July
46 1, 1994 shall contribute 5% of compensation to the system. Members
47 enrolled in the system prior to July 1, 1994 shall contribute 5% of
48 compensation to the system effective with the payroll period for
49 which the beginning date is closest to July 1, 1995, provided,

1 however, that any member enrolled before July 1, 1994, whose full
2 contribution rate under the system prior to the revisions by this act
3 was less than 6%, shall pay 4% of compensation to the system
4 effective with the payroll period for which the beginning date is
5 closest to July 1, 1995, and 5% of compensation to the system
6 effective with the payroll period for which the beginning date is
7 closest to July 1, 1996.

8 (2) Members enrolled in the retirement system on or after July 1,
9 2007 who are:

10 employees of the State, other than employees of the Judicial
11 Branch;

12 employees of an independent State authority, board, commission,
13 corporation, agency or organization;

14 employees of a local school district, regional school district,
15 county vocational school district, county special services school
16 district, jointure commission, educational services commission,
17 State-operated school district, charter school, county college, any
18 officer, board, or commission under the authority of the
19 Commissioner of Education or of the State Board of Education, and
20 any other public entity which is established pursuant to authority
21 provided by Title 18A of the New Jersey Statutes; or

22 employees of a State public institution of higher education shall
23 contribute 5.5% of compensation to the system, and all such members
24 described above enrolled in the system prior to July 1, 2007 shall
25 contribute 5.5% of compensation to the system effective with the
26 payroll period for which the beginning date is closest to July 1, 2007.

27 Members enrolled in the retirement system on or after July 1,
28 2008, other than those described in the paragraph above, shall
29 contribute 5.5% of compensation to the system. Members enrolled in
30 the system prior to July 1, 2008, other than those described in the
31 paragraph above, shall contribute 5.5% of compensation to the
32 system effective with the payroll period that begins immediately after
33 July 1, 2008.

34 (3) Members of the retirement system shall contribute 6.5% of
35 compensation to the system on and after the effective date of
36 P.L.2011, c.78, with an additional contribution of 1% to be phased in
37 in equal increments over a period of seven years commencing with
38 the first year following that effective date.

39 (4) The board of trustees of the Local Part is authorized to make
40 an adjustment to the uniform contribution rate of the members of the
41 Local Part set forth in this subsection as the board deems reasonable,
42 necessary, and appropriate with the approval of at least five members
43 of the board of trustees of the Local Part after consultation with, and
44 the recommendation of, the actuary. Any adjustment to a
45 contribution rate shall be made at such time and in such manner as
46 the board shall determine upon certification by the actuary that such
47 change will not result in an increased employer contribution in the
48 current year and that such change will not impact the long term
49 viability of the fund.

1 c. The retirement system shall certify to each State department
2 or subdivision thereof, and to each branch of the State service not
3 included in a State department, and to every other employer, the
4 proportion of each member's compensation to be deducted and to
5 facilitate the making of deductions the retirement system may modify
6 the deduction required by a member by such an amount as shall not
7 exceed 1/10 of 1% of the compensation upon the basis of which the
8 deduction is to be made.

9 If payment in full, representing the monthly or biweekly
10 transmittal and report of salary deductions, is not made within 15
11 days of the due date established by the retirement system, interest at
12 the rate of 6% per annum shall commence to run against the total
13 transmittal of salary deductions for the period on the first day after
14 such fifteenth day.

15 d. Every employee to whom this act applies shall be deemed to
16 consent and agree to any deduction from his compensation required
17 by this act and to all other provisions of this act. Notwithstanding any
18 other law, rule or regulation affecting the salary, pay, compensation,
19 other perquisites, or tenure of a person to whom this act applies, or
20 shall apply, and notwithstanding that the minimum salary, pay, or
21 compensation or other perquisites provided by law for him shall be
22 reduced thereby, payment, less such deductions, shall be a full and
23 complete discharge and acquittance of all claims and demands for
24 service rendered by him during the period covered by such payment.
25 (cf: P.L.2012, c.45, s.124)

26

27 13. Section 32 of P.L.1954, c.84 (C.43:15A-32) is amended to
28 read as follows:

29 32. The board of trustees of the State Part and the Local Part shall
30 be and are hereby constituted trustees of the various funds and
31 accounts established by this act **]; provided, however, that all]** for
32 the State Part and the Local Part, as appropriate. All functions,
33 powers, and duties relating to the investment or reinvestment of
34 moneys of, and purchase, sale, or exchange of any investments or
35 securities, of or for any fund or account for the State Part established
36 under this act, shall be exercised and performed by the Director of
37 the Division of Investment in accordance with the provisions of
38 chapter 270, P.L.1950, as amended and supplemented, for the State
39 Part. The secretary of the board of trustees for the State Part and the
40 actuary for the Local Part shall determine from time to time the cash
41 requirements of the various funds and accounts established by this
42 act and the amount available for investment, all of which shall be
43 certified to the Director of the Division of Investment for the State
44 Part and to the chair and executive director of the board of trustees
45 for the Local Part.

46 The members of the finance committee of the board of trustees of
47 the State Part shall be appointed at or after July 1 of each calendar
48 year by the chairman of the board of trustees of the State Part to
49 serve through June 30 of the ensuing calendar year and until their

1 successors are appointed. The finance committee of the board of
2 trustees of the State Part shall consist of five members of the board
3 of trustees, one of whom shall be the State Treasurer, and one of
4 whom shall be the member designated to serve on the State
5 Investment Council. At least three members of the finance
6 committee shall be members of the board of trustees of the State Part
7 who have been elected by members of the system. A quorum of the
8 finance committee shall consist of three members thereof.

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

14 The Division of Investment, the Director of the Division of
15 Investment, and the State Investment Council shall retain all
16 functions, powers, and duties relating to Common Pension Fund L
17 assigned to the Division of Investment, the Director of the Division
18 of Investment, and the State Investment Council, by P.L. 2017, c. 98
19 (C.5:9-22.5 et seq.).

20 (cf: P.L.2011, c.78, s.30)

21
22 14. Section 34 of P.L.1954, c.84 (C.43:15A-34) is amended to
23 read as follows:

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

43 The rate of interest for a loan requested by a member prior to the
44 effective date of P.L.2007, c.92 (C.43:15C-1 et al.) shall be 4% per
45 annum on any unpaid balance thereof. For a loan requested after the
46 effective date of that act, the rate of interest per annum shall be a
47 commercially reasonable rate as required by the Internal Revenue
48 Code to be determined by the State Treasurer on that effective date,
49 and on January 1 of each calendar year thereafter, or by the board of

1 trustees of the Local Part for each calendar year after the effective
2 date of P.L. , c. (pending before the Legislature as this bill). An
3 administrative fee in an amount set by the State Treasurer for the
4 State Part, or the board of trustees for the Local Part, as appropriate,
5 for each calendar year may be charged for any loan requested after
6 the effective date of P.L.2007, c.92 (C.43:15C-1 et al.).

7 Loans shall be made to a member from his accumulated
8 deductions. The interest earned on such loans shall be treated in the
9 same manner as interest earned from investments of the retirement
10 system.

11 (cf: P.L.2007, c.92, s.36)

12
13 15. Section 65 of P.L.1954, c.84 (C.43:15A-65) is amended to
14 read as follows:

15 65. (a) All employees of any public agency or organization of
16 this State, which employs persons engaged in service to the public,
17 shall be eligible to participate in the Local Part of the Public
18 Employees' Retirement System; provided the employer consents
19 thereto by resolution and files a certified copy of such resolution with
20 the board of trustees of the Public Employees' Retirement System and
21 the board of trustees approves thereof by resolution. Such
22 organization shall be referred to in this act as the employer. If the
23 participation of such employees is so approved then the employer
24 shall contribute to the contingent reserve fund on account of its
25 members at the same rate per centum as would be paid by employers
26 other than the State.

27 (b) Notwithstanding the provisions of subsection (a) of this
28 section, every person becoming an employee of a public agency or
29 organization of this State, which employs persons engaged in service
30 to the public, after June 30, 1966, who is not eligible to become a
31 member of any other retirement system, shall be required to
32 participate in the Local Part of the Public Employees' Retirement
33 System. Notwithstanding the provisions of subsection (a) of this
34 section, membership in the Public Employees' Retirement System
35 shall be optional with any person in the employ of any such public
36 agency or organization on June 30, 1966, provided such person is not
37 required to be a member pursuant to another provision of this act, and
38 provided further that such person is not eligible to be a member of
39 any other retirement system. The provisions of this subsection shall
40 not apply to any person whose position is temporary or seasonal, nor
41 to any person in office, position or employment for which the annual
42 salary or remuneration, or the number of hours of work, is fixed at
43 less than that which is required for membership pursuant to section 7
44 of P.L.1954, c.84 (C.43:15A-7) as applicable to the member, nor to
45 any person whose position is not covered by the old-age and
46 survivors' insurance provisions of the federal Social Security Act.
47 After the effective date of P.L.2010, c.1, the provisions of this
48 subsection shall not apply to any person in office, position or
49 employment for which the hours of work are fewer per week than

1 those required for membership pursuant to subsection d. of section 7
2 of P.L.1954, c.84 (C.43:15A-7), unless the person shall have been a
3 member since that effective date continuously. The public agency or
4 organization employing any such person who becomes a member of
5 the retirement system pursuant to this subsection shall contribute to
6 the contingent reserve fund on account of such employees at the same
7 rate per centum as would be paid by employers other than the State.
8 (cf: P.L.2010, c.1, s.5)

9
10 16. Section 68 of P.L.1954, c.84 (C.43:15A-68) is amended to
11 read as follows:

12 68. The Public Employees' Retirement System shall certify to the
13 chief fiscal officer of the employer the rates of contributions payable
14 by members. The system shall further certify, no later than December
15 31 each year, the contributions, including the accrued liability
16 contribution similar to the State accrued liability contribution,
17 payable by the employer to the contingent reserve fund on behalf of
18 these members, and a pro rata share of the cost of the administration
19 of the retirement system, based upon the payroll of the members who
20 are employees of the employer. The initial actuarial expense incident
21 to the determination of the accrued liability contribution payable by
22 the employer shall be paid by the employer. The amount certified by
23 the system as payable by such employer to the contingent reserve
24 fund shall be included in the next budget subsequent to the
25 certification by the system. The treasurer or corresponding officer
26 shall pay to the State Treasurer or the board of trustees of the Local
27 Part, as appropriate, no later than April 1 of the State's fiscal year in
28 which payment is due the amount of the employer's charges so
29 certified. If payment of the full amount of such obligation is not
30 made within 30 days after April 1, interest at the rate of 10% per
31 annum shall commence to run against the unpaid balance thereof on
32 the first day after such thirtieth day. The treasurer or corresponding
33 officer shall also pay to the State Treasurer or the board of trustees
34 of the Local Part the amount of the deductions from the compensation
35 of the members who are employees of the employer. The State
36 Treasurer or the board of trustees of the Local Part, as appropriate,
37 shall credit these amounts to the appropriate fund or account.

38 Nothing in P.L. , c. (C.)(pending before the Legislature
39 as this bill) shall relieve State or local government employers of any
40 present or future obligations of their normal cost or unfunded
41 liabilities required to be paid into the retirement system.

42 (cf: P.L.1992, c.41, s.17)

43
44 17. Section 5 of P.L.1950, c.270 (C.52:18A-83) is amended to
45 read as follows:

46 5. a. There is hereby established in the Division of Investment a
47 State Investment Council which shall consist of 16 members.

48 (1) Each of the following agencies, namely, the State Part of the
49 Board of Trustees of the Public Employees' Retirement System, and

1 the Board of Trustees of the Teachers' Pension and Annuity Fund,
2 shall designate one board member elected to serve on the board, to
3 serve as a member of the State Investment Council herein
4 established. The Chief Justice of the New Jersey Supreme Court shall
5 designate one member of the Retired Judges Association of New
6 Jersey to serve as a member of the State Investment Council herein
7 established. The three members of the council so designated shall
8 serve as such for a period of three years from the date of their
9 designation and until their respective successors are in like manner
10 designated.

11 (2) Eight of the members of the State Investment Council shall be
12 appointed by the Governor, with the advice and consent of the Senate,
13 for a term of five years and shall serve until the member's successor
14 is appointed and has qualified. Of the initial members appointed
15 following the effective date of P.L.2011, c.78, one shall serve for an
16 initial period of three years, and one shall serve for an initial period
17 of two years.

18 (3) One member of the State Investment Council shall be
19 appointed by the Governor from among three persons nominated
20 jointly by the President of the Senate and the Speaker of the General
21 Assembly and shall serve for a term of five years and until the
22 member's successor is appointed and has qualified.

23 (4) Two members of the State Investment Council shall be
24 appointed by the Governor from among six persons nominated by the
25 Public Employee Committee of the New Jersey State AFL-CIO and
26 shall serve for a term of five years and until the member's successor
27 is appointed and has qualified. If the persons nominated are not
28 acceptable to the Governor for appointment, the Governor may
29 request submission of new nominees.

30 (5) One member of the State Investment Council shall be
31 appointed by the Governor from among three persons nominated by
32 the New Jersey Education Association and shall serve for a term of
33 three years and until the member's successor is appointed and has
34 qualified. If the persons nominated are not acceptable to the
35 Governor for appointment, the Governor may request submission of
36 new nominees.

37 (6) One member of the State Investment Council shall be
38 appointed by the Governor from among three persons nominated by
39 the State Troopers Fraternal Association and shall serve for a term of
40 three years and until the member's successor is appointed and has
41 qualified. If the persons nominated are not acceptable to the
42 Governor for appointment, the Governor may request submission of
43 new nominees.

44 The four members appointed pursuant to paragraphs (4), (5) and
45 (6) of this subsection by the Governor to the council shall be qualified
46 by training, experience or long-term interest in the direct
47 management, analysis, supervision or investment of assets, and this
48 training, experience or long-term interest shall have been
49 supplemented by academic training in the fields of economics,

1 business, law, finance or actuarial science or by actual employment
2 in those fields.

3 At least seven of the nine members appointed pursuant to
4 paragraphs (2) and (3) of this subsection by the Governor to the
5 council shall be qualified by training and experience in the direct
6 management, analysis, supervision or investment of assets, which
7 training and experience shall have been acquired through academic
8 training or through actual employment in those fields.

9 b. No member of the State Investment Council shall hold any
10 office, position or employment in any political party nor shall any
11 such member benefit directly or indirectly from any transaction made
12 by the Director of the Division of Investment provided for herein.

13 The members of the council shall elect annually from their number
14 a chairman of such council. Any member of the council so elected
15 shall serve as such chairman for a term of one year and until a
16 successor is, in like manner, elected. The chairman of the council
17 shall be its presiding officer.

18 The members of the council shall serve without compensation but
19 shall be reimbursed for necessary expenses incurred in the
20 performance of their duties as approved by the chairman of the
21 council. The members of the council shall be required to file the same
22 annual financial disclosure statements as those required to be filed by
23 members of other State boards and commissions who are not
24 compensated for their services, as such statements shall be required
25 by law or executive order of the Governor. The financial disclosure
26 statements of council members shall be made available to the public
27 in the same manner as the statements of members of other State
28 boards and commissions are made available to the public.

29 Each member of the council, except the member appointed from
30 among persons nominated by the President of the Senate and the
31 Speaker of the General Assembly, may be removed from office by
32 the Governor, for cause, upon notice and opportunity to be heard at a
33 public hearing. Any vacancy in the membership of the council
34 occurring other than by expiration of term shall be filled in the same
35 manner as the original appointment, but for the unexpired term only.

36 c. The terms of the members of the council serving pursuant to
37 paragraph (1) of subsection a. of this section and serving on the
38 effective date of P.L.2011, c.78 are terminated as of that effective
39 date. A member terminated pursuant to this subsection shall be
40 eligible for reappointment.

41 (cf: P.L.2019, c.435, s.1)

42

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

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

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

1 Board of Trustees of the Teachers' Pension and Annuity Fund; and
2 the Consolidated Police and Firemen's Pension Fund Commission;
3 of, or relating to, investment or reinvestment of moneys of, and
4 purchase, sale or exchange of any investments or securities of or for
5 any funds or accounts under the control and management of such
6 agencies, are hereby transferred to and shall be exercised and
7 performed for such agencies by the Director of the Division of
8 Investment established hereunder. Notwithstanding this provision,
9 the Board of Trustees of the Police and Firemen's Retirement System
10 and of the Local Part of the Public Employees' Retirement System
11 shall have the authority to direct investment policy. The purchase,
12 sale or exchange of any investments or securities under the control
13 and management of the Board of Trustees of the Police and Firemen's
14 Retirement System or of the Local Part of the Public Employees'
15 Retirement System shall be exercised and performed by the Director
16 of the Division of Investment. Notwithstanding this provision,
17 Common Pension Fund L and the assets held by Common Pension
18 Fund L as of the effective date of this Act and thereafter, including
19 the interest of the Police and Firemen's Retirement System of New
20 Jersey and of the Local Part of the Public Employees' Retirement
21 System therein shall remain within the Division of Investment. The
22 Division of Investment, the Director of the Division of Investment
23 and the State Investment Council shall retain all functions, powers,
24 and duties relating to Common Pension Fund L assigned to the
25 Division of Investment, the Director of the Division of Investment,
26 and the State Investment Council, by P.L. 2017, c. 98 (C.5:9-22.5 et
27 seq.).

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

29

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

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

37 The Consolidated Police and Firemen's Pension Fund;

38 The Police and Firemen's Retirement System of New Jersey;

39 The Prison Officers' Pension Fund;

40 The Public Employees' Retirement System of New Jersey;

41 The State Police Retirement System;

42 The Teachers' Pension and Annuity Fund;

43 The Judicial Retirement System of New Jersey;

44 The Trustees for the Support of Public Schools;

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

47 such investments which shall be authorized or approved for
48 investment by regulation of the State Investment Council, or in the
49 case of the Police and Firemen's Retirement System of New Jersey,

1 by regulation of the Board of Trustees of the Police and Firemen's
2 Retirement System of New Jersey, or in the case of the board of
3 trustees of the Local Part of the Public Employees' Retirement
4 System, by regulation of the board of trustees of the Local Part,
5 except that notwithstanding this provision, Common Pension Fund L
6 and the assets held by Common Pension Fund L as of the effective
7 date of this Act and thereafter, including the interest of the Police and
8 Firemen's Retirement System of New Jersey or Local Part of the
9 Public Employees' Retirements System therein shall remain within
10 the Division of Investment. The Director of the Division of
11 Investment and the State Investment Council shall retain all
12 functions, powers, and duties relating to Common Pension Fund L
13 assigned to the Division of Investment, the Director of the Division
14 of Investment, and the State Investment Council, by P.L. 2017, c. 98
15 (C.5:9-22.5 et seq.).
16 (cf: P.L.2018, c.55, s.36)

17
18 20. Section 11 of P.L.1950, c.270 (C.52:18A-89) is amended to
19 read as follows:

20 11. a. Limitations, conditions and restrictions contained in any
21 law concerning the kind or nature of investment of any of the moneys
22 of any of the funds or accounts referred to herein shall continue in
23 full force and effect; provided, however, that subject to any
24 acceptance required, or limitation or restriction contained herein: the
25 Director of the Division of Investment shall at all times have
26 authority to invest and reinvest any such moneys in investments as
27 defined in subsection c. of this section and, for or on behalf of any
28 such fund or account, to sell or exchange any such investments;
29 provided, however, that the Board of Trustees of the Police and
30 Firemen's Retirement System of New Jersey, and the Board of
31 Trustees of the Local Part of the Public Employees' Retirement
32 System, shall have the authority to direct the investment and
33 reinvestment policies for or on behalf of the Police and Firemen's
34 Retirement System of New Jersey or the Local Part of the Public
35 Employees' Retirement System, as appropriate, with the exception of
36 those monies held by Common Pension Fund L as of the effective
37 date of this act and thereafter, which the Board of Trustees of the
38 Police and Firemen's Retirement System of New Jersey or the Board
39 of Trustees of the Local Part of the Public Employees' Retirement
40 System shall have no authority to direct investment associated with
41 the Common Pension Fund L. The Director of the Division of
42 Investment shall retain all functions, powers, and duties pursuant to
43 P.L. 2017, c. 98 (C.5:9-22.5 et seq.).

44 b. In investing and reinvesting any and all money and property
45 committed to the director's investment discretion from any source
46 whatsoever, and in acquiring, retaining, selling, exchanging and
47 managing investments, the Director of the Division of Investment,
48 and in the case of the Police and Firemen's Retirement System of
49 New Jersey, the Board of Trustees of the Police and Firemen's

1 Retirement System of New Jersey, and in the case of the Local Part
2 of the Public Employees' Retirement System, the board of trustees of
3 the Local Part, the shall exercise the care, skill, prudence and
4 diligence under the circumstances then prevailing that a prudent
5 person acting in a like capacity and familiar with such matters would
6 use in the conduct of an enterprise of a like character and with like
7 aims. In making each investment, the director may, depending on the
8 nature and objectives of the portfolio, consider the whole portfolio,
9 provided that, in making each investment, the director shall act with
10 the reasonable expectation that the return on each investment shall be
11 commensurate with the risk associated with each investment. The
12 director shall be under a duty to manage and invest the portfolio
13 solely in the interests of the beneficiaries of the portfolio and for the
14 exclusive purpose of providing financial benefits to the beneficiaries
15 of the portfolio.

16 c. For the purposes of this section, "investments" means and
17 includes property of every nature, real, personal and mixed, tangible
18 and intangible, and specifically includes, solely by way of description
19 and not by way of limitation, bonds, debentures and other corporate
20 obligations, direct and indirect investments in equity real estate,
21 mortgages and other direct or indirect interests in real estate or
22 investments secured by real estate, capital stocks, common stocks,
23 preferred stocks, diversified pools of venture capital which otherwise
24 could be made consistent with the standard of care required by
25 subsection b. of this section, common trust funds as defined in and
26 regulated by sections 36 through 46 of P.L.1948, c.67 (C.17:9A-36
27 through 17:9A-46), repurchase agreements, securities loan
28 transactions secured by cash, securities issued by the United States
29 government or its agencies, or irrevocable bank letters of credit,
30 whether directly or through a bank or similar financial institution
31 acting as agent or trustee, mutual funds, and any other security issued
32 by an investment company or investment trust, whether managed or
33 not by third parties, registered under the "Investment Company Act
34 of 1940," (15 U.S.C. s.80a-1 et seq.). No investment that is otherwise
35 permissible under this subsection shall be considered to be unlawful
36 solely because the investment is made indirectly or through a
37 partnership, trust, or other legal entity.
38 (cf: P.L.2018, c.55, s.37)

39
40 21. The terms of service of those elected members serving on the
41 board of trustees of the Public Employees' Retirement System on the
42 effective date of P.L. , c. (pending before the Legislature as this
43 bill) in accordance with subparagraph (d) and (e) of paragraph (2) of
44 subsection a. of section 17 of P.L.1954, c.84 (C.43:15A-17) shall be
45 terminated as of the effective date of P.L. c. (pending before
46 the Legislature as this bill), so that the board of trustees of the Local
47 Part of the Public Employees' Retirement System shall commence its
48 duties. A trustee whose service on the board has been terminated

1 pursuant to this section may be appointed to serve as a trustee of the
2 Local Part if qualified.

3
4 22. This act shall take effect on the 366th day next following the
5 date of enactment, except the provisions concerning the appointment
6 and composition of the new board of trustees of the Local Part of the
7 Public Employees' Retirement System, set forth in section 1 of this
8 act, shall take effect on the first day of the fourth month next
9 following the date of enactment of this act and the new board of
10 trustees of the Local Part shall take office on the first business day of
11 the seventh month next following the date of enactment of this act.
12 The board of trustees of the Public Employees' Retirement System,
13 the Division of Pensions and Benefits, and the Division of Investment
14 may take such anticipatory administrative action in advance as shall
15 be necessary for the implementation of the act.

16
17
18 STATEMENT

19
20 This bill divides the Public Employees' Retirement System
21 (PERS) into a State Part for employees and retirees of the State and
22 a Local Part for employees and retirees of public employers other
23 than State. The bill transfers management of the Local Part from the
24 Division of Pensions and Benefits in the Department of the Treasury
25 to the Board of Trustees of the Local Part of PERS.

26 The bill creates a board of trustees for the Local Part composed of
27 seven members. There will be three trustees representing public
28 employers who have active members and retirees in the Local Part of
29 PERS, and three trustees representing collective bargaining units that
30 represent active employees in the Local Part of PERS. There will be
31 one trustee appointed in a manner provided by the other trustees.

32 The board of trustees for the Local Part will manage the Local Part
33 of PERS and develop the policies for the investment of the funds of
34 the Local Part of PERS. The Division of Investment in the
35 Department of the Treasury will manage the investments in
36 accordance with polices developed by the board.

37 The bill requires the board to hire an executive director, actuary,
38 chief investment officer, ombudsman, and internal auditor, and retain
39 legal counsel.

40 This bill imposes certain education and experience requirements
41 on the executive director and chief investment officer employed by
42 the board.

43 The bill provides the board of trustees of the Local Part with
44 authority to modify the system's member contribution rate; cap on
45 creditable compensation; formula for calculation of final
46 compensation; and standards for special retirement and disability
47 retirement. The bill allows the board to reinstate cost of living
48 adjustments for retirees. At least five votes of the authorized
49 membership of the board would need to approve any enhancement or

1 reduction of a member benefit, or to approve any increase or decrease
2 in the employer contribution that is more than what is recommended
3 by the actuary for the system for the purpose of the annual funding
4 requirements of the system.

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

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