

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 3522

STATE OF NEW JERSEY

DATED: MARCH 22, 2021

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 3522.

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

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

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

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

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

The bill provides the board of trustees of the Local Part with authority to modify the system's member contribution rate; cap on creditable compensation; formula for calculation of final compensation; and standards for special retirement and disability retirement. The bill allows the board to reinstate cost of living adjustments for retirees. At least five votes of the authorized membership of the board would need to approve any enhancement or reduction of a member benefit, or to approve any increase or decrease in the employer contribution that is more than what is recommended by the actuary for the system for the purpose of the annual funding requirements of the system.

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

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

FISCAL IMPACT:

Fiscal information for this bill is currently unavailable.