

**ASSEMBLY, No. 2758**

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**STATE OF NEW JERSEY**

**220th LEGISLATURE**

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INTRODUCED FEBRUARY 28, 2022

**Sponsored by:**

**Assemblywoman VERLINA REYNOLDS-JACKSON**

**District 15 (Hunterdon and Mercer)**

**Assemblyman BENJIE E. WIMBERLY**

**District 35 (Bergen and Passaic)**

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**District 14 (Mercer and Middlesex)**

**Assemblywoman SHANIQUE SPEIGHT**

**District 29 (Essex)**

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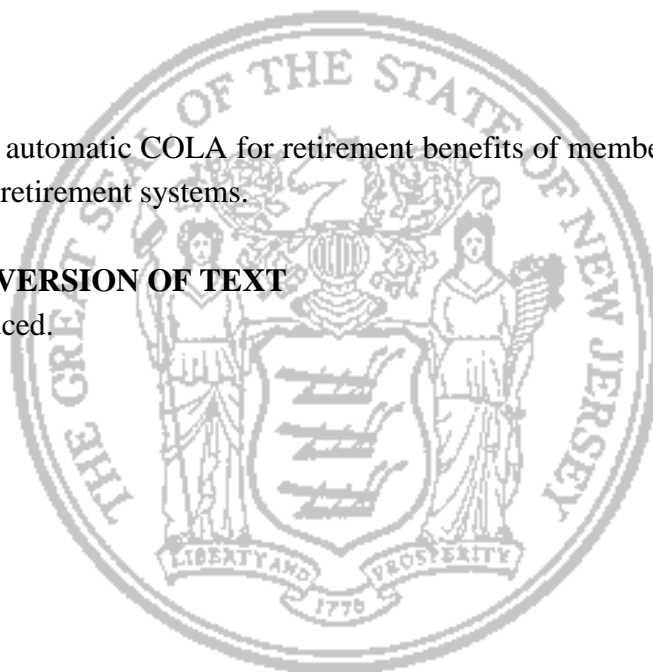
**Assemblywoman Swift, Assemblymen Clifton, Caputo, Mukherji, S.Kean, Assemblywoman DeFuccio, Assemblymen Catalano, McGuckin, Assemblywoman Gove, Assemblymen Rumpf, Guardian, Giblin, Assemblywomen Dunn, Chaparro, Assemblyman Atkins, Assemblywoman Jimenez, Assemblymen Mejia, Tully, Assemblywomen Swain, Sawyer and Quijano**

**SYNOPSIS**

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

**CURRENT VERSION OF TEXT**

As introduced.



(Sponsorship Updated As Of: 11/20/2023)

1 AN ACT concerning cost-of-living adjustments for retirement  
2 benefits of members of the State-administered retirement  
3 systems, and amending various parts of the statutory law.

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

7  
8 1. N.J.S.18A:66-56 is amended to read as follows:

9 18A:66-56. a. (1) Subject to the provisions of chapter 70 of the  
10 laws of 1955, the general responsibility for the proper operation of  
11 the teachers' pension and annuity fund shall be vested in the board  
12 of trustees, and, as specified, in the committee established pursuant  
13 to subsection b. of this section. Subject to the limitations of the law,  
14 the board shall annually establish rules and regulations for the  
15 administration and transaction of the board's and committee's  
16 business and for the control of the funds created by this article.  
17 Such rules and regulations shall be consistent with those adopted by  
18 the other pension funds within the Division of Pensions and  
19 Benefits in order to permit the most economical and uniform  
20 administration of all such retirement systems. The committee shall  
21 adopt such regulations as provided in subsection b. of this section.

22 (2) The membership of the board shall consist of the following:

23 (a) The State Treasurer or the deputy State Treasurer, when  
24 designated for that purpose by the State Treasurer;

25 (b) Two trustees appointed by the Governor, with the advice and  
26 consent of the Senate, who shall serve for a term of office of three  
27 years and until their successors are appointed, and who shall be  
28 private citizens of the State of New Jersey and who are neither an  
29 officer thereof nor active or retired members of the system, except  
30 that of the two trustees initially appointed by the Governor pursuant  
31 to P.L.1992, c.41 (C.43:6A-33.1 et al.), one shall be appointed for a  
32 term of two years and one for a term of three years;

33 (c) Three trustees from among the active or retired members of  
34 the retirement system, elected by the membership or by the  
35 delegates elected for this purpose by the membership, one of whom  
36 shall be elected each year for a three-year term commencing on  
37 January 1, following such election in such manner as the board of  
38 trustees may prescribe. If the board of trustees determines that the  
39 election of trustees under this subsection is to be made by delegates  
40 elected by the membership, it shall prescribe that those delegates  
41 shall be chosen from among active and retired members of the  
42 retirement system;

43 (d) One trustee not an active or retired teacher nor an officer of  
44 the State, elected by the other trustees, other than the State  
45 Treasurer, for a term of three years.

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

Matter underlined thus is new matter.

1 (3) A vacancy occurring in the board of trustees shall be filled  
2 in the same manner as provided in this section for regular  
3 appointment or election to the position where the vacancy exists,  
4 except that a vacancy occurring in the trustees elected from among  
5 the active or retired members of the retirement system shall be  
6 filled for the unexpired term.

7 Each member of the board shall, upon appointment or election,  
8 take an oath of office that, so far as it devolves upon him, he will  
9 diligently and honestly administer the board's affairs, and that he  
10 will not knowingly violate or willfully permit to be violated any  
11 provision of law applicable to this article. The oath shall be  
12 subscribed to by the member making it, certified by the officer  
13 before whom it is taken and filed immediately in the office of the  
14 Secretary of State.

15 Each trustee shall be entitled to one vote in the board and a  
16 majority of all the votes of the entire board shall be necessary for a  
17 decision by the board of trustees at a meeting of the board or  
18 committee. The board shall keep a record of all its proceedings,  
19 which shall be open to public inspection.

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

23 (4) The State Treasurer shall designate a medical board after  
24 consultation with the Director of the Division of Pensions and  
25 Benefits, subject to veto by the board for valid reason. It shall be  
26 composed of three physicians who are not eligible to participate in  
27 the retirement system. The medical board shall pass upon all  
28 medical examinations required under the provisions of this article,  
29 shall investigate all essential statements and certificates by or on  
30 behalf of a member in connection with an application for disability  
31 retirement, and shall report in writing to the retirement system its  
32 conclusions and recommendations upon all matters referred to it.

33 b. There is established a committee to be composed of eight  
34 members, four of whom shall be appointed by the Governor as  
35 representatives of public employers whose employees are enrolled  
36 in the retirement system, three of whom shall be appointed by the  
37 head of the union representing the greatest number of members of  
38 the retirement system having union membership, and one of whom  
39 shall be appointed by the head of the union representing the second  
40 greatest number of members of the retirement system having union  
41 membership. The members of the committee shall not be appointed  
42 until the system, or part of the system, attains the target funded  
43 ratio.

44 The members of the committee shall serve for a term of three  
45 years and until a successor is appointed and qualified. Of the initial  
46 appointments by the Governor, two members shall serve for two  
47 years and until a successor is appointed and qualified, and one shall  
48 serve for one year and until a successor is appointed and qualified.  
49 Of the initial appointments by the head of the union representing

1 the greatest number of members of the retirement system, one  
2 member shall serve for two years and until a successor is appointed  
3 and qualified, and one shall serve for one year and until a successor  
4 is appointed and qualified.

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

11 The provisions of paragraph (3) of subsection a. of this section,  
12 and N.J.S.18A:66-60, shall apply to the committee and its members,  
13 as appropriate.

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

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

23 When the retirement system, or a part of the system, has attained  
24 the target funded ratio as defined in section 27 of P.L.2011, c.78  
25 (C. ), the committee shall have the discretionary authority for  
26 the system or for that part, as appropriate, to **[(1)]** modify the:  
27 member contribution rate; formula for calculation of final  
28 compensation; the fraction of compensation applied to service  
29 credited after the modification; age at which a member may be  
30 eligible for and the benefits for service or early retirement; and  
31 benefits provided for disability retirement **];** and (2) activate the  
32 application of the "Pension Adjustment Act," P.L.1958, c.143  
33 (C.43:3B-1 et seq.) for retirees for the period that the system or part  
34 is at or above the target funded ratio and modify the basis for the  
35 calculation of the adjustment and set the duration and extent of the  
36 activation. The committee shall give priority consideration to  
37 subparagraph (2) of this paragraph**].** The committee shall not have  
38 the authority to change the years of creditable service required for  
39 vesting.

40 The committee may consider a matter described above and  
41 render a decision notwithstanding that the provisions of the  
42 statutory law may set forth a specific requirement on that matter.

43 The committee may consider a matter described above and  
44 render a decision notwithstanding that the provisions of the  
45 statutory law do not set forth a specific requirement on the  
46 considered aspect of that matter or address that matter at all.

47 The members of the committee shall have the same duty and  
48 responsibility to the retirement system as do the members of the  
49 board of trustees. No decision of the committee shall be

1 implemented if the direct or indirect result of the decision will be  
2 that the system's or part's funded ratio falls below the target funded  
3 ratio in any valuation period during the 30 years following the  
4 implementation of the decision. The actuary of the fund shall make  
5 a determination of the result in that regard and submit that  
6 determination in a written report to the committee and the board  
7 prior to the implementation of the decision.

8 If any matter before the committee receives at least five votes in  
9 the affirmative, the board of trustees shall approve and implement  
10 the committee's decision.

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

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

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

44 (cf: P.L.2011, c.78, s.1)

45  
46 2. Section 29 of P.L.1973, c.140 (C.43:6A-29) is amended to  
47 read as follows:

48 29. a. Subject to the provisions of P.L.1955, c.70 (C.52:18A-95  
49 to 52:18A-104), the general responsibility for the proper operation

1 of the retirement system is hereby vested in the State House  
2 Commission.

3 b. Except as otherwise herein provided, no member of the State  
4 House Commission shall have any direct interest in the gains or  
5 profits of any investments of the retirement system, nor shall any  
6 member of the State House Commission directly or indirectly, for  
7 himself or as an agent in any manner use the moneys of the  
8 retirement system, except to make such current and necessary  
9 payments as are authorized by the commission; nor shall any  
10 member of the State House Commission become an endorser or  
11 surety, or in any manner an obligor for moneys loaned to or  
12 borrowed from the retirement system.

13 c. For purposes of this act, each member of the State House  
14 Commission shall be entitled to one vote and a majority vote of all  
15 members shall be necessary for any decision by the commission at  
16 any meeting of said commission.

17 d. Subject to the limitations of this act, the State House  
18 Commission shall annually establish rules and regulations for the  
19 administration of the funds created by this act and for the  
20 transaction of its business. Such rules and regulations shall be  
21 consistent with those adopted by the other pension funds within the  
22 Division of Pensions and Benefits in order to permit the most  
23 economical and uniform administration of all such retirement  
24 systems.

25 e. The actuary of the system shall be selected by the  
26 Retirement Systems Actuary Selection Committee established by  
27 P.L.1992, c.125. He shall be the technical adviser of the  
28 commission on matters regarding the operation of the funds created  
29 by the provisions of this act and shall perform such other duties as  
30 are required in connection herewith.

31 f. The Attorney General shall be the legal adviser of the  
32 retirement system, except that if the Attorney General determines  
33 that a conflict of interest would affect the ability of the Attorney  
34 General to represent the commission on a matter affecting the  
35 retirement system, the commission may select and employ legal  
36 counsel to advise and represent the commission on that matter.

37 g. The Director of the Division of Pensions and Benefits of the  
38 State Department of the Treasury shall be the secretary of the  
39 commission for purposes pertaining to the provisions of this act.

40 h. For purposes of this act, the State House Commission shall  
41 keep a record of all of its proceedings which shall be open to public  
42 inspection. The retirement system shall publish annually a report  
43 showing the fiscal transactions of the retirement system for the  
44 preceding year, the amount of the accumulated cash and securities  
45 of the system and the last balance sheet showing the financial  
46 condition of the system by means of any actuarial valuation of the  
47 assets and liabilities of the retirement system.

48 i. The State Treasurer shall designate a medical board after  
49 consultation with the Director of the Division of Pensions and

1 Benefits. It shall be composed of three physicians. The medical  
2 board shall pass on all medical examinations required under the  
3 provisions of this act, and shall report in writing to the retirement  
4 system its conclusions and recommendations upon all matters  
5 referred to it.

6 j. When the retirement system has attained the target funded  
7 ratio as defined in section 27 of P.L.2011, c.78 (C.43:3C-16), the  
8 commission shall have the discretionary authority for the system to  
9 **[(1)]** modify the: member contribution rate; formula for calculation  
10 of final salary; age at which a member may be eligible for and the  
11 benefits for service or early retirement; and benefits provided for  
12 disability retirement **];** and (2) activate the application of the  
13 “Pension Adjustment Act,” P.L.1958, c.143 (C.43:3B-1 et seq.) for  
14 retirees for the period that the system is at or above the target  
15 funded ratio and modify the basis for the calculation of the  
16 adjustment and set the duration and extent of the activation. The  
17 commission shall give priority consideration to subparagraph (2) of  
18 this paragraph**].** The commission shall not have the authority to  
19 change the years of creditable service required for vesting.

20 The commission may consider a matter described above and  
21 render a decision notwithstanding that the provisions of the  
22 statutory law may set forth a specific requirement on that matter.

23 The commission may consider a matter described above and  
24 render a decision notwithstanding that the provisions of the  
25 statutory law do not set forth a specific requirement on the  
26 considered aspect of that matter or address that matter at all.

27 No decision of the commission shall be implemented if the direct  
28 or indirect result of the decision will be that the system’s funded  
29 ratio falls below the target funded ratio in any valuation period  
30 during the 30 years following the implementation of the decision.  
31 The actuary of the system shall make a determination of the result  
32 in that regard and submit that determination in a written report to  
33 the commission prior to the implementation of the decision.

34 If any matter before the commission receives a majority vote, the  
35 commission shall implement the decision.

36 A final action of the commission shall be made by the adoption  
37 of a regulation that shall identify the modifications to the system by  
38 reference to statutory section. The regulations shall also specify the  
39 effective date of the modification and the system members,  
40 including beneficiaries and retirees, to whom the modification  
41 applies. Regulations of the commission are considered to be part of  
42 the plan document for the system. A regulation adopted by the  
43 commission may be modified by regulation in order to comply with  
44 the requirements of this section.

45 k. No member of the commission, employee of the  
46 commission, or employee of the Division of Pensions and Benefits  
47 in the Department of the Treasury shall accept from any person,  
48 whether directly or indirectly and whether by himself or through his  
49 spouse or any member of his family, or through any partner or

1 associate, any gift, favor, service, employment or offer of  
2 employment, or any other thing of value, including contributions to  
3 the campaign of a member or employee as a candidate for elective  
4 public office, which he knows or has reason to believe is offered to  
5 him with intent to influence him in the performance of his public  
6 duties and responsibilities. As used in this subsection, "person"  
7 means an (1) individual or business entity, or officer or employee of  
8 such an entity, who is seeking, or who holds, or who held within the  
9 prior three years, a contract with the commission; or (2) an active or  
10 retired member, or beneficiary, of the retirement system. A  
11 member or employee violating this prohibition shall be guilty of a  
12 crime of the third degree.  
13 (cf: P.L.2011, c.78, s.2)

14

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

17 17. a. (1) Subject to the provisions of P.L.1955, c.70 the  
18 general responsibility for the proper operation of the Public  
19 Employees' Retirement System shall be vested in the board of  
20 trustees, and, as specified, the committees established pursuant to  
21 subsection b. of this section. Subject to the limitations of the law,  
22 the board shall annually establish rules and regulations for the  
23 administration and transaction of the board's and committees'  
24 business and for the control of the funds created by this subtitle.  
25 Such rules and regulations shall be consistent with those adopted by  
26 the other pension funds within the Division of Pensions and  
27 Benefits in order to permit the most economical and uniform  
28 administration of all such retirement systems. The committees shall  
29 adopt such regulations as provided in subsection b. of this section.

30 (2) The membership of the board shall consist of the following:

31 (a) Two trustees appointed by the Governor, with the advice and  
32 consent of the Senate, who shall serve for a term of office of three  
33 years and until their successors are appointed, who shall be private  
34 citizens of the State of New Jersey and who are neither an officer  
35 thereof nor active or retired members of the system. Of the two  
36 trustees initially appointed by the Governor pursuant to  
37 P.L.1992, c.41 (C.43:6A-33.1 et al.), one shall be appointed for a  
38 term of two years and one for a term of three years.

39 (b) The State Treasurer or the Deputy State Treasurer, when  
40 designated for that purpose by the State Treasurer.

41 (c) Three trustees elected for a term of three years by the  
42 member employees of the State from among the active or retired  
43 State members of the retirement system in a manner prescribed by  
44 the board of trustees.

45 (d) One trustee elected for a term of three years by the member  
46 employees of counties from among the active or retired county  
47 members of the retirement system and the same method of holding  
48 an election from time to time used for the State employees'



1 representatives shall be followed in elections held for county  
2 representatives.

3 (e) Two trustees elected for a term of three years by the member  
4 employees of municipalities from among the active or retired  
5 municipal members of the retirement system and the same method  
6 of holding an election from time to time used for the State  
7 employees' representatives shall be followed in elections held for  
8 municipal representatives.

9 (3) A vacancy occurring in the board of trustees shall be filled  
10 by the appointment or election of a successor in the same manner as  
11 his predecessor.

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

20 Each trustee shall be entitled to one vote in the board and a  
21 majority of all the votes of the entire board shall be necessary for a  
22 decision by the board of trustees at a meeting of the board. The  
23 board shall keep a record of all its proceedings, which shall be open  
24 to public inspection.

25 The members of the board shall serve without compensation but  
26 shall be reimbursed for any necessary expenditures. No employee  
27 shall suffer loss of salary or wages through the serving on the  
28 board.

29 (4) The State Treasurer shall designate a medical board after  
30 consultation with the Director of the Division of Pensions and  
31 Benefits, subject to veto by the board of trustees for valid reason. It  
32 shall be composed of three physicians who are not eligible to  
33 participate in the retirement system. The medical board shall pass  
34 upon all medical examinations required under the provisions of this  
35 act, shall investigate all essential statements and certificates by or  
36 on behalf of a member in connection with an application for  
37 disability retirement, and shall report in writing to the retirement  
38 system its conclusions and recommendations upon all matters  
39 referred to it.

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

44 Each committee shall have four members who shall be appointed  
45 by the Governor as representatives of public employers whose  
46 employees are enrolled in the retirement system, and four members  
47 who shall be appointed by the Public Employee Committee of the  
48 AFL-CIO with the four appointments to be allocated among the  
49 unions representing members of the retirement system having union

1 membership in a manner that results in the unions representing a  
2 greater number of members receiving more appointments than the  
3 unions representing fewer members. The members of the  
4 committees shall not be appointed until that part of the system  
5 attains the target funded ratio.

6 The members of each committees shall serve for a term of three  
7 years and until a successor is appointed and qualified. For each  
8 committee, of the initial appointments by the Governor, two  
9 members shall serve for two years and until a successor is appointed  
10 and qualified, and one shall serve for one year and until a successor  
11 is appointed and qualified. For each committee, of the initial  
12 appointments by the Public Employee Committee of the AFL-CIO,  
13 one member shall serve for two years and until a successor is  
14 appointed and qualified, and one shall serve for one year and until a  
15 successor is appointed and qualified.

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

23 The provisions of paragraph (3) of subsection a. of this section,  
24 and section 36 of P.L.1954, c.84 (C.43:15A-36), shall apply to each  
25 committee and its members, as appropriate.

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

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

35 When a part of the system has attained the target funded ratio as  
36 defined in section 27 of P.L.2011, c.78 (C.43:3C-16), the committee  
37 for that part shall have the discretionary authority for that part to  
38 **[(1)]** modify the: member contribution rate; formula for calculation  
39 of final compensation; the fraction of compensation applied to  
40 service credited after the modification; age at which a member may  
41 be eligible for and the benefits for service or early retirement; and  
42 benefits provided for disability retirement **];** and (2) activate the  
43 application of the "Pension Adjustment Act," P.L.1958, c.143  
44 (C.43:3B-1 et seq.) for retirees for the period that the part is at or  
45 above the target funded ratio and modify the basis for the  
46 calculation of the adjustment and set the duration and extent of the  
47 activation. A committee shall give priority consideration to  
48 subparagraph (2) of this paragraph**].** A committee shall not have

1 the authority to change the years of creditable service required for  
2 vesting.

3 Each committee may consider a matter described above and  
4 render a decision notwithstanding that the provisions of the  
5 statutory law may set forth a specific requirement on that matter.

6 Each committee may consider a matter described above and  
7 render a decision notwithstanding that the provisions of the  
8 statutory law do not set forth a specific requirement on the  
9 considered aspect of that matter or address that matter at all.

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

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

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

28 A final action of the committee shall be made by the adoption of  
29 a regulation that shall identify the modifications to the system by  
30 reference to statutory section. The regulations shall also specify the  
31 effective date of the modification and the system members,  
32 including beneficiaries and retirees, to whom the modification  
33 applies. Regulations of the committee are considered to be part of  
34 the plan document for the system. A regulation adopted by the  
35 committee may be modified by regulation in order to comply with  
36 the requirements of this section.

37 c. No member of the board, committee, employee of the board,  
38 or employee of the Division of Pensions and Benefits in the  
39 Department of the Treasury shall accept from any person, whether  
40 directly or indirectly and whether by himself or through his spouse  
41 or any member of his family, or through any partner or associate,  
42 any gift, favor, service, employment or offer of employment, or any  
43 other thing of value, including contributions to the campaign of a  
44 member or employee as a candidate for elective public office,  
45 which he knows or has reason to believe is offered to him with  
46 intent to influence him in the performance of his public duties and  
47 responsibilities. As used in this subsection, "person" means an (1)  
48 individual or business entity, or officer or employee of such an  
49 entity, who is seeking, or who holds, or who held within the prior

1 three years, a contract with the board; (2) an active or retired  
 2 member, or beneficiary, of the retirement system; or (3) an entity,  
 3 or officer or employee of such an entity, in which the assets of the  
 4 retirement system have been invested. A board or committee  
 5 member or employee violating this prohibition shall be guilty of a  
 6 crime of the third degree.  
 7 (cf: P.L.2011, c.78, s.3)

8  
 9 4. Section 13 of P.L.1944, c.255 (C.43:16A-13) is amended to  
 10 read as follows:

11 13. a. (1) Subject to the provisions of P.L.1955, c.70  
 12 (C.52:18A-95 et seq.), the general responsibility for the proper  
 13 operation of the retirement system is hereby vested in a board of  
 14 trustees, and, as specified, the committees established pursuant to  
 15 subsection e. of this section. The board may with the approval of at  
 16 least eight members of the board, in its discretion and at such time  
 17 and in such manner as the board determines, enhance any benefit set  
 18 forth in P.L.1944, c.255 (C.43:16A-1 et seq.) as the board  
 19 determines to be reasonable and appropriate or modify any such  
 20 benefit as an alternative to an increase in the member contribution  
 21 rate, which increase the board determines to be reasonable,  
 22 necessary, and appropriate, or reinstate, when appropriate, such  
 23 reduced benefit to the statutory level without an additional  
 24 contribution by the member, so long as an actuarial certification  
 25 provided by the actuary demonstrates that such change will not  
 26 result in an increased employer contribution in the current year and  
 27 that such change will not impact the long term viability of the fund.  
 28 The board shall act exclusively on behalf of the contributing  
 29 employers, active members of the retirement system, and retired  
 30 members as the fiduciary of the system. The primary obligation of  
 31 the board shall be to direct policies and investments to achieve and  
 32 maintain the full funding and continuation of the retirement system  
 33 for the exclusive benefit of its members.

34 (2) The board shall consist of 12 trustees as follows:

35 (a) (Deleted by amendment, P.L.2018, c.55)

36 (b) (Deleted by amendment, P.L.2018, c.55)

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

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

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

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

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

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

48 (ii) One policeman and one fireman who shall serve staggered  
 49 terms and shall be active members of the system and who shall be

1 elected by the active members of the system according to such rules  
2 and regulations as the board of trustees shall adopt to govern such  
3 election. The elected policeman shall serve for an initial term of  
4 two years and the elected fireman shall serve for an initial term of  
5 four years. Following their first term, all trustees elected pursuant  
6 to this subparagraph shall serve four-year terms. An election to  
7 select trustees, who are active members of the system, shall be held  
8 no later than the first day of the fifth month next following the date  
9 of enactment of P.L.2018, c.55.

10 (d) One retiree from the system who shall be elected by retirees  
11 from the system for a term of four years according to such rules and  
12 regulations as the board of trustees shall adopt to govern the  
13 election. An election to select a trustee, who is a retiree from the  
14 system, shall be held no later than the first day of the fifth month  
15 next following the date of enactment of P.L.2018, c.55.

16 (e) Four trustees, to be appointed by the Governor, who shall  
17 serve staggered terms and who either hold, or have held, an elective  
18 public office as a mayor, member of a municipal council, or  
19 member of a board of chosen freeholders or is employed, or has  
20 been employed, by a municipal or county government as an  
21 administrator, manager, or chief financial officer, to represent the  
22 interests of local government employers. The Governor shall  
23 appoint trustees pursuant to this subparagraph from among a list of  
24 names submitted by the New Jersey League of Municipalities and  
25 the New Jersey Association of Counties. Two trustees appointed by  
26 the Governor pursuant to this subparagraph shall serve for an initial  
27 term of two years and two trustees shall serve for an initial term of  
28 four years. Following their first term, all trustees appointed  
29 pursuant to this subparagraph shall serve four-year terms. The  
30 Governor shall appoint trustees representing the interest of local  
31 government employers pursuant to this subparagraph no later than  
32 the first day of the seventh month next following the date of  
33 enactment of P.L.2018, c.55.

34 (f) One trustee, to be appointed by the Governor, who holds or  
35 has held a management or supervisory position in the Executive  
36 Branch of State government at the level of division director or  
37 above to represent the interests of State government. The trustee  
38 appointed by the Governor pursuant to this subparagraph shall serve  
39 for an initial term of two years. Following the trustee's first term,  
40 the trustee appointed pursuant to this subparagraph shall serve four-  
41 year terms. The Governor shall appoint a trustee representing the  
42 interest of State government pursuant to this subparagraph no later  
43 than the first day of the seventh month next following the date of  
44 enactment of P.L.2018, c.55.

45 (3) Each trustee shall, after his appointment or election, take an  
46 oath of office that, so far as it devolves upon him he will diligently  
47 and honestly fulfill his duties as a board member, and that he will  
48 not knowingly violate or willingly permit to be violated any of the  
49 provisions of the law applicable to the retirement system. Such oath

1 shall be subscribed by the member making it, and certified by the  
2 officer before whom it is taken, and immediately filed in the office  
3 of the Secretary of State. The board may remove a trustee, upon a  
4 majority vote of the trustees, for violating the trustee's oath of  
5 office. Any trustee who is absent, without an official excuse  
6 approved by a majority vote of the trustees, for more than three of  
7 the board's meetings in any calendar year shall be removed from the  
8 board and the trustee's position shall be filled in the same manner as  
9 the position was previously filled. The board shall adopt standards  
10 to define unexcused absences.

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

13 (4) (a) If a vacancy occurs in the office of a trustee, the vacancy  
14 shall be filled in the same manner as the office was previously  
15 filled. A vacancy shall not last more than 60 days, unless the board  
16 is awaiting the certification of an election conducted pursuant to  
17 paragraph (2) of this subsection. If a vacancy lasts for more than 60  
18 days, then the board shall appoint, upon a majority vote of the  
19 trustees then serving, a person qualified pursuant to subparagraph  
20 (e) or (f) of paragraph (2) of this subsection to fill the vacancy until  
21 a new trustee is appointed or elected in the manner set forth in  
22 paragraph (2) of this subsection.

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

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

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

39 (6) Each trustee shall be entitled to one vote in the board. Seven  
40 trustees shall be present at any meeting of said board for the  
41 transaction of its business.

42 (7) Subject to the limitations of this act, the board of trustees  
43 shall annually establish rules and regulations for the administration  
44 of the funds created by this act and for the transaction of the board's  
45 business.

46 (8) (a) The board of trustees shall elect from its membership a  
47 chair and vice chair. The chair, or vice chair in the chair's absence,  
48 shall serve as the primary contact with board staff, coordinate and  
49 approve meeting agendas, and shall have the power to authorize any

1 special staff action necessary to execute any of the board's duties.  
2 The chair and vice chair shall not have the authority to discipline or  
3 discharge an employee of the board unless authorized to take such  
4 action by a majority of the trustees at a public meeting. The board  
5 shall appoint a secretary of the board. The administration of the  
6 program shall be performed by personnel selected by the board in  
7 accordance with this section. The board, reconstituted pursuant to  
8 P.L.2018, c.55, shall hold an initial meeting on the first business  
9 day of the seventh month following the date of enactment of  
10 P.L.2018, c.55. At the initial meeting of the board on the first  
11 business day of the seventh month next following the date of  
12 enactment of P.L.2018, c.55, the board shall contract with the  
13 Division of Pensions and Benefits for the division to perform the  
14 administrative tasks that the division performed prior to the  
15 enactment of P.L.2018, c.55 and such other tasks as the board may  
16 require. The division shall receive compensation from the board for  
17 the performance of the administrative tasks that the division  
18 performed prior to the enactment of P.L.2018, c.55 in an amount  
19 equal to the cost the division incurred for the performance of those  
20 administrative tasks prior to the enactment of that act. At the  
21 expiration of the term of the contract negotiated by the board with  
22 the division pursuant to this paragraph, the board may contract with  
23 the division or with a private entity, pursuant to the provisions of  
24 P.L.1954, c.48 (C.52:34-6 et seq.), to perform administrative tasks  
25 that the board determines to be necessary or convenient for its  
26 operation.

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

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

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

47 (11) The board of trustees shall designate a medical board. It  
48 shall be composed of a minimum of three physicians who are not  
49 eligible to participate in the retirement system. The medical board

1 shall pass upon all medical examinations required under the  
2 provisions of this act, shall investigate all essential statements and  
3 certificates by or on behalf of a member in connection with an  
4 application for disability retirement, and shall report in writing to  
5 the retirement system its conclusions and recommendations upon all  
6 matters referred to it.

7 (12) The actuary of the system shall be selected by the board of  
8 trustees. The actuary shall be the technical adviser of the board of  
9 trustees on matters regarding the operation of the funds created by  
10 the provisions of this act, and shall perform such other duties as are  
11 required in connection therewith. The actuary shall be an  
12 independent contractor retained by the board. The actuary shall  
13 have demonstrated experience in providing actuarial services to  
14 defined benefit retirement systems for public employees and be a  
15 fellow with the Society of Actuaries and an active member of the  
16 American Academy of Actuaries.

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

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

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

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

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

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



1       (19) The board of trustees shall have authority to formulate and  
2 establish, amend, modify or repeal such policies as it may deem  
3 necessary or proper, which shall govern the methods, practices or  
4 procedures for investment, reinvestment, purchase, sale or exchange  
5 transactions to be followed by the Division of Investment. The  
6 board may also review and approve agreements which may be  
7 necessary or convenient for the management of the investments of  
8 the retirement system. The board shall also have the authority to  
9 inspect and audit the respective accounts and funds administered by  
10 the Division of Investment, or a successor entity, and take  
11 appropriate action as necessary to effectuate the long term viability  
12 of the system. Notwithstanding this provision, Common Pension  
13 Fund L and the assets held by Common Pension Fund L as of the  
14 effective date of this Act and thereafter, including the interest of the  
15 Police and Firemen's Retirement System of New Jersey therein,  
16 shall remain within the Division of Investment. The Director of the  
17 Division of Investment and the State Investment Council shall  
18 retain all functions, powers, and duties relating to Common Pension  
19 Fund L assigned to the Division of Investment, the Director of the  
20 Division of Investment, and the State Investment Council by  
21 P.L.2017, c.98 (C.5:9-22.5 et seq.).

22       (20) (a) The board of trustees shall select and employ an  
23 executive director, who shall be responsible for recommending and  
24 implementing the strategic direction of the board from an  
25 operational perspective. The executive director shall provide  
26 strategic direction, planning, and leadership to the board; organize,  
27 develop, and supervise a management team to provide optimal  
28 results; maintain oversight of administrative operations conducted  
29 by the board; develop an annual budget and a salary and  
30 compensation guide for any managerial positions that are not  
31 subject to Title 11A, Civil Service, of the New Jersey Statutes,  
32 arrange board agendas with the approval of the board's chair;  
33 appoint administrative staff; execute contracts on behalf of the  
34 board; and perform any other responsibilities designated to the  
35 executive director by the board. The person employed by the board  
36 to hold the position of executive director shall have, at a minimum  
37 upon commencement of employment, a bachelor's degree from an  
38 accredited institution of higher education, and at least five years of  
39 management experience in accounting, finance, public  
40 administration, government pension and retirement planning,  
41 investment banking, financial consulting, money management, or a  
42 similar field. The person shall meet all other requirements for  
43 employment as shall be set forth in a standard adopted by the board.  
44 No member, retiree, or other beneficiary of the system shall be  
45 eligible to hold the position of executive director.

46       The executive director shall serve without term but may be  
47 removed from office, upon notice and opportunity to be heard at a  
48 public hearing, subject to an affirmative vote of the majority of all  
49 authorized members of the board of trustees. Any vacancy

1 occurring shall be filled in the same manner as the original  
2 appointment. The executive director shall devote his entire time  
3 and attention to the duties of the office and shall not be engaged in  
4 any other occupation or profession. The executive director shall act  
5 as a fiduciary to the retirement system and shall be under a duty to  
6 perform the obligations set forth herein according to the interest of  
7 the beneficiaries of the system.

8 (b) The board of trustees shall have the authority to retain other  
9 administrative and professional staff as required to implement the  
10 duties and responsibilities required to ensure the smooth transition  
11 of responsibilities and authority from the division to the board  
12 pursuant to P.L.2018, c.55. The board shall not employ a trustee  
13 and may employ a former trustee only if the former trustee has not  
14 held the position of trustee for more than two years.

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

20 (21) (a) The board of trustees shall select and employ a chief  
21 investment officer, who shall oversee the development of the  
22 methods, practices and procedures for investment, in coordination  
23 with the Investment Committee. Notwithstanding this provision,  
24 Common Pension Fund L and the assets held by Common Pension  
25 Fund L as of the effective date of this Act and thereafter, including  
26 the interest of the Police and Firemen's Retirement System of New  
27 Jersey therein shall remain within the Division of Investment. The  
28 Division of Investment and the Director of the Division of  
29 Investment and the State Investment Council shall retain all  
30 functions, powers, and duties relating to Common Pension Fund L  
31 assigned to the Division of Investment, the Director of the Division  
32 of Investment, and the State Investment Council by P.L.2017, c.98  
33 (C.5:9-22.5 et seq.). The chief investment officer, in coordination  
34 with the Investment Committee, shall establish and maintain a  
35 policy to monitor and evaluate the effectiveness of investments  
36 made on behalf of the board. The chief investment officer shall  
37 report to the executive director.

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

1 chief investment officer. The chief investment officer shall be  
2 precluded from outside employment or other occupation.

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

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

22 (23) All members of the board of trustees and of the Investment  
23 Committee shall participate in annual investment training as  
24 directed by the board's executive director. In addition to the ethics  
25 training required by paragraph (2) of subsection c. of this section,  
26 the board shall adopt a policy requiring annually not less than 16  
27 hours of continuing education in matters relating to the  
28 administration of defined benefit retirement systems for public  
29 employees and the fiduciary duty the board and its employees have  
30 to the beneficiaries of the retirement system.

31 b. The board of trustees shall have the discretionary authority  
32 to~~to~~: (1) modify the: member contribution rate; cap on creditable  
33 compensation; formula for calculation of final compensation; age at  
34 which a member may be eligible for and the benefits for service or  
35 special retirement; and standards for approval, medical review  
36 policies, and benefits provided for disability retirement ~~to~~; and

37 (2) subject to the provisions of P.L.2015, c.55, activate the  
38 application of the "Pension Adjustment Act," P.L.1958, c.143  
39 (C.43:3B-1 et seq.) for retirees and modify the basis for the  
40 calculation of the adjustment and set the duration and extent of the  
41 activation~~to~~. The board of trustees, after consultation with the  
42 actuary, may apply an adjustment to the monthly retirement  
43 allowance or pension originally granted to any member.

44 The board of trustees shall have the discretionary authority to  
45 modify the conditions and standards for the purchase of service  
46 credit for death benefits. The board of trustees shall not have the  
47 authority to change the years of creditable service required for  
48 vesting.

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

15       The board of trustees may consider a matter described in this  
16 subsection and render a decision notwithstanding that the provisions  
17 of the statutory law may set forth a specific requirement on that  
18 matter.

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

23       A final action of the board of trustees under this subsection shall  
24 be made by the adoption of a regulation that shall identify the  
25 modifications to the system by reference to statutory section. The  
26 regulations shall also specify the effective date of the modification  
27 and the system members, including beneficiaries and retirees, to  
28 whom the modification applies. Regulations of the board of  
29 trustees are considered to be part of the plan document for the  
30 system. A regulation adopted by the board of trustees may be  
31 modified by regulation in order to comply with the requirements of  
32 this section.

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

1 member or employee violating this prohibition shall be guilty of a  
2 crime of the third degree.

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

11 d. The board of trustees shall have the authority to establish a  
12 process for the review, approval, and appeal of applications for  
13 retirement.

14 e. The board of trustees shall establish three committees as  
15 follows:

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

27 (b) The Audit Committee shall assist the board of trustees in  
28 retaining an independent auditor to conduct an audit of the  
29 retirement system's financial statements by making a  
30 recommendation to the board of trustees after engaging in an  
31 auditor selection process. The auditor selection process shall be  
32 based upon public, competitive bidding principles and shall take  
33 place no less than once every five years.

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

38 (i) review and evaluate audit fees;

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

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

- 1 (iv) regularly review with the independent auditor any audit  
2 problems, any risks of material statements due to fraud, and  
3 difficulties involving restrictions or attempts to restrict the auditor's  
4 activities and restrictions on access to information;
- 5 (v) review the audited financial statements and interim  
6 statements and discuss them with the board of trustees. These  
7 discussions shall include a review of particularly sensitive  
8 accounting estimates, reserves and accruals, judgmental areas, audit  
9 adjustments, whether recorded or not, and any other matters the  
10 Audit Committee or independent auditor shall deem appropriate;
- 11 (vi) review internal control functions such as the planned scope  
12 of internal audit reviews, adequacy of staffing, actions to be taken  
13 as a result of internal audit findings, the effectiveness of electronic  
14 data processing procedures, and controls and related security  
15 programs;
- 16 (vii) recommend policies with respect to risk assessment and risk  
17 management; and
- 18 (viii) establish a permanent position of internal auditor, who  
19 shall be supervised by the executive director, but who may be  
20 discharged only by an affirmative vote of the majority of the board.
- 21 (2) An Actuary Committee of no less than three members to  
22 assist in the selection and oversight of the actuary appointed by the  
23 board of trustees. The Actuary Committee shall review the  
24 performance of the actuary appointed by the board of trustees. If  
25 the performance of the actuary is not adequate in quality, the  
26 committee shall recommend such steps as may be necessary to elicit  
27 appropriate performance, including replacement of the actuary.
- 28 (3) An Investment Committee of no less than three members to  
29 assist in the oversight of the investment policies selected by the  
30 board of trustees. The Investment Committee shall consist of two  
31 members of the board of trustees, and one member who shall be the  
32 chief investment officer of the board, and shall oversee investments  
33 and make recommendations on investments to the board of trustees.  
34 A majority of the Investment Committee members, one of which  
35 may be the Chief Investment Officer, shall be qualified by training,  
36 experience or long-term interest in the direct management, analysis,  
37 supervision or investment of assets and this training, experience or  
38 long-term interest shall have been supplemented by academic  
39 training in the fields of economics, business, law, finance or  
40 actuarial science or by actual employment in those fields. If the  
41 board of trustees does not have sufficient members qualified or  
42 available to serve on the Investment Committee, or determines to  
43 broaden the expertise of the Investment Committee, the board of  
44 trustees may request that the State Treasurer recommend one or  
45 more qualified individuals to sit on the committee.
- 46 f. At the end of six years following the enactment date of  
47 P.L.2018, c.55, the board of trustees shall conduct a review of the  
48 performance and funding levels of the retirement system, as  
49 compared to available market data including but, not limited to, the

1 performance of the State Investment Council and Division of  
2 Investment with regard to the investment of other State-  
3 administered retirement systems or funds and other appropriate  
4 benchmarks, and may, based on a majority vote of the authorized  
5 membership of the board, petition the Legislature to consider  
6 legislation that reverts control of the system from the Board of  
7 Trustees to the State Investment Council and the Division of  
8 Investment.

9 (cf: P.L.2018, c.55, s.15)

10  
11 5. Section 30 of P.L.1965, c.89 (C.53:5A-30) is amended to  
12 read as follows:

13 30. a. Subject to the provisions of P.L.1955, c.70 (C.52:18A-95  
14 et seq.), the general responsibility for the proper operation of the  
15 retirement system is hereby vested in the board of trustees, and, as  
16 specified, the committee established pursuant to subsection o. of  
17 this section.

18 b. The board shall consist of five trustees as follows:

19 (1) Two active or retired members of the system who shall be  
20 appointed by the Superintendent of State Police, who shall serve at  
21 the pleasure of the superintendent and until their successors are  
22 appointed and one of whom shall be or shall have been a  
23 commissioned officer of the Division of State Police.

24 (2) Two members to be appointed by the Governor, with the  
25 advice and consent of the Senate, who shall serve for a term of  
26 office of three years and until their successors are appointed and  
27 who shall be private citizens of the State of New Jersey who are  
28 neither an officer thereof nor active or retired members of the  
29 system. Of the two members initially appointed by the Governor  
30 pursuant to P.L.1992, c.125 (C.43:4B-1 et al.), one shall be  
31 appointed for a term of two years and one for a term of three years.

32 (3) The State Treasurer ex officio. The Deputy State Treasurer,  
33 when designated for that purpose by the State Treasurer, may sit as  
34 a member of the board of trustees and when so sitting shall have all  
35 the powers and shall perform all the duties vested by this act in the  
36 State Treasurer.

37 c. Each trustee shall, after his appointment, take an oath of  
38 office that, so far as it devolves upon him, he will diligently and  
39 honestly fulfill his duties as a board member, that he will not  
40 knowingly violate or permit to be violated any of the provisions of  
41 the law applicable to the retirement system. Such oath shall be  
42 subscribed by the member taking it, and certified by the official  
43 before whom it is taken, and immediately filed in the office of the  
44 Secretary of State.

45 d. If a vacancy occurs in the office of a trustee, the vacancy  
46 shall be filled in the same manner as the office was previously  
47 filled.

48 e. The trustees shall serve without compensation, but they shall  
49 be reimbursed by the State for all necessary expenses that they may

1 incur through service on the board. No employee member shall  
2 suffer loss of salary through the serving on the board.

3 f. Except as otherwise herein provided, no member of the  
4 board of trustees shall have any direct interest in the gains or profits  
5 of any investments of the retirement system; nor shall any member  
6 of the board of trustees directly or indirectly, for himself or as an  
7 agent in any manner use the moneys of the retirement system,  
8 except to make such current and necessary payments as are  
9 authorized by the board of trustees; nor shall any member of the  
10 board of trustees become an endorser or surety, or in any manner an  
11 obligor for moneys loaned to or borrowed from the retirement  
12 system.

13 g. Each trustee shall be entitled to one vote in the board. A  
14 majority vote of all trustees shall be necessary for any decision by  
15 the trustees at any meeting of said board.

16 h. Subject to the limitations of this act, the board of trustees  
17 shall annually establish rules and regulations for the administration  
18 of the funds created by this act and for the transactions of the  
19 board's and committee's business. Such rules and regulations shall  
20 be consistent with those adopted by the other pension funds within  
21 the Division of Pensions and Benefits in order to permit the most  
22 economical and uniform administration of all such retirement  
23 systems. The committee shall adopt such regulations as provided in  
24 subsection o. of this section.

25 i. The actuary of the fund shall be selected by the Retirement  
26 Systems Actuary Selection Committee established by P.L.1992,  
27 c.125. He shall be the technical adviser of the board and the  
28 committee on matters regarding the operation of the funds created  
29 by the provisions of this act and shall perform such other duties as  
30 are required in connection herewith.

31 j. The Attorney General shall be the legal adviser of the  
32 retirement system, except that if the Attorney General determines  
33 that a conflict of interest would affect the ability of the Attorney  
34 General to represent the board or the committee on a matter  
35 affecting the retirement system, the board may select and employ  
36 legal counsel to advise and represent the board or the committee on  
37 that matter.

38 k. The Director of the Division of Pensions and Benefits of the  
39 State Department of the Treasury shall appoint a qualified member  
40 of the division who shall be the secretary of the board.

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



1       m. 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 for valid reason. It  
4 shall be composed of three physicians. The medical board shall  
5 pass on all medical examinations required under the provisions of  
6 this act, and shall report in writing to the retirement system its  
7 conclusions and recommendations upon all matters referred to it.

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

9       o. There is established a committee to be composed of eight  
10 members, four of whom shall be appointed by the Governor as  
11 representatives of the public employer whose employees are  
12 enrolled in the retirement system, three of whom shall be appointed  
13 by the head of the State Troopers Fraternal Association, and one of  
14 whom shall be appointed by the head of the union representing the  
15 greatest number of members of the retirement system who are  
16 supervisory officers having union membership. The members of  
17 the committee shall not be appointed until the system attains the  
18 target funded ratio.

19       The members of the committee shall serve for a term of three  
20 years and until a successor is appointed and qualified. Of the initial  
21 appointments by the Governor, two members shall serve for two  
22 years and until a successor is appointed and qualified, and one shall  
23 serve for one year and until a successor is appointed and qualified.  
24 Of the initial appointments by the State Troopers Fraternal  
25 Association, one member shall serve for two years and until a  
26 successor is appointed and qualified, and one shall serve for one  
27 year and until a successor is appointed and qualified.

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

34       The provisions of subsections c. through g., inclusive, of this  
35 section shall apply to the committee and its members, as  
36 appropriate. The committee shall keep a record of all of its  
37 proceedings which shall be open to public inspection.

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

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

47       When the retirement system has attained the target funded ratio  
48 as defined in section 27 of P.L.2011, c.78 (C.43:3C-16), the  
49 committee shall have the discretionary authority for the system to

1    **[(1)]** modify the: member contribution rate; formula for calculation  
2    of final compensation or final salary; age at which a member may  
3    be eligible for and the benefits for service or special retirement; and  
4    benefits provided for disability retirement **];** and (2) activate the  
5    application of the "Pension Adjustment Act," P.L.1958, c.143  
6    (C.43:3B-1 et seq.) for retirees for the period that the system is at or  
7    above the target funded ratio and modify the basis for the  
8    calculation of the adjustment and set the duration and extent of the  
9    activation. The committee shall give priority consideration to  
10   subparagraph (2) of this paragraph**].** The committee shall not have  
11   the authority to change the years of creditable service required for  
12   vesting.

13     The committee may consider a matter described above and  
14     render a decision notwithstanding that the provisions of the  
15     statutory law may set forth a specific requirement on that matter.

16     The committee may consider a matter described above and  
17     render a decision notwithstanding that the provisions of the  
18     statutory law do not set forth a specific requirement on the  
19     considered aspect of that matter or address that matter at all.

20     The members of the committee shall have the same duty and  
21     responsibility to the retirement system as do the members of the  
22     board of trustees. No decision of the committee shall be  
23     implemented if the direct or indirect result of the decision will be  
24     that the system's funded ratio falls below the target funded ratio in  
25     any valuation period during the 30 years following the  
26     implementation of the decision. The actuary of the fund shall make  
27     a determination of the result in that regard and submit that  
28     determination in a written report to the committee and the board  
29     prior to the implementation of the decision.

30     If any matter before the committee receives at least five votes in  
31     the affirmative, the board of trustees shall approve and implement  
32     the committee's decision.

33     If any matter regarding benefits before the committee receives  
34     four votes in the affirmative and four votes in the negative or the  
35     committee otherwise reaches an impasse on a decision, the  
36     provisions of section 33 of P.L. , c.78 (C. ) shall be followed.

37     A final action of the committee shall be made by the adoption of  
38     a regulation that shall identify the modifications to the system by  
39     reference to statutory section. The regulations shall also specify the  
40     effective date of the modification and the system members,  
41     including beneficiaries and retirees, to whom the modification  
42     applies. Regulations of the committee are considered to be part of  
43     the plan document for the system. A regulation adopted by the  
44     committee may be modified by regulation in order to comply with  
45     the requirements of this section.

46     p. No member of the board, committee, employee of the board,  
47     or employee of the Division of Pensions and Benefits in the  
48     Department of the Treasury shall accept from any person, whether  
49     directly or indirectly and whether by himself or through his spouse

1 or any member of his family, or through any partner or associate,  
2 any gift, favor, service, employment or offer of employment, or any  
3 other thing of value, including contributions to the campaign of a  
4 member or employee as a candidate for elective public office,  
5 which he knows or has reason to believe is offered to him with  
6 intent to influence him in the performance of his public duties and  
7 responsibilities. As used in this subsection, "person" means an (1)  
8 individual or business entity, or officer or employee of such an  
9 entity, who is seeking, or who holds, or who held within the prior  
10 three years, a contract with the board; (2) an active or retired  
11 member, or beneficiary, of the retirement system; or (3) an entity,  
12 or officer or employee of such an entity, in which the assets of the  
13 retirement system have been invested. A board or committee  
14 member or employee violating this prohibition shall be guilty of a  
15 crime of the third degree.

16 (cf: P.L.2011, c.78, s.5)

17  
18 6. Section 2 of P.L.1958, c.143 (C.43:3B-2) is amended to read  
19 as follows:

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

24 a. The maximum retirement allowance, without option, shall be  
25 considered the retirement allowance originally granted to any  
26 retirant who, at retirement, elected an Option I allowance pursuant  
27 to the provisions of the statutes stipulated in subsection b. of section  
28 1 of this act (C.43:3B-1); and

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

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

42 【Commencing with the effective date of P.L.2011, c.78 and  
43 thereafter, no further adjustments to the monthly retirement  
44 allowance or pension originally granted to any retirant and the  
45 pension or survivorship benefit granted to any beneficiary shall be  
46 made in accordance with the provisions of P.L.1958, c.143  
47 (C.43:3B-1 et seq.), unless the adjustment is reactivated as  
48 permitted by law. This provision shall not reduce the monthly  
49 retirement benefit that a retirant or a beneficiary is receiving on the

1 effective date of P.L.2011, c.78 when the benefit includes an  
2 adjustment granted prior to that effective date. The Board of  
3 Trustees of the Police and Firemen's Retirement System may adjust  
4 the monthly retirement allowance or pension of its retired members  
5 in accordance with subsection b. of section 13 of P.L.1944, c.255  
6 (C.43:16A-13).**】**  
7 (cf: P.L.2018, c.55, s.1)  
8

9 7. This act shall take effect immediately.  
10  
11

## 12 STATEMENT

13  
14 This bill reinstates automatic cost-of-living adjustments  
15 (COLAs) for retirement benefits under the “Pension Adjustment  
16 Act,” P.L.1958, c.143 (C.43:3B-1 et seq.), for members of the  
17 Teachers’ Pension and Annuity Fund, the Judicial Retirement  
18 System, the Public Employees’ Retirement System, the Police and  
19 Firemen’s Retirement System, and the State Police Retirement  
20 System. Provisions contained in P.L.2011, c.78 (C.43:3C-16 et al),  
21 signed into law on June 28, 2011, cancelled the automatic, annual  
22 adjustment for current and future retirees and beneficiaries of these  
23 State-administered retirement systems.

24 COLAs protect retirement benefits against erosion by inflation,  
25 the ills of which were addressed by the Legislature, both for the  
26 individual and the State, with the enactment of the “Pension  
27 Adjustment Act” in 1958.

28 Without the annual adjustment, retirees and beneficiaries will  
29 gradually see significant reductions in their purchasing power. The  
30 loss of COLAs will impact their everyday lives, and, over time,  
31 make it harder to afford more necessary elements of living, such as  
32 out-of-pocket medical costs, groceries, and utility bills. Retirees  
33 and beneficiaries will find it more prudent, or perhaps necessary, to  
34 leave this State for other states with a comparably lower cost of  
35 living.

36 For the State, such outbound migration will result in the loss of  
37 the economic activity of those retirees and beneficiaries, and any  
38 tax revenues concomitant with such activity. In addition, New  
39 Jersey’s fiscal outlook may be further strained by the retirees and  
40 beneficiaries who remain. These persons will continue to slip  
41 further downward on the socioeconomic scale. In some cases, they  
42 will require, or at the least become eligible and utilize, greater  
43 levels of public assistance under the many taxpayer funded social  
44 programs administered by the State, counties, and municipalities,  
45 requiring more revenues to meet this increased demand.

46 In the interests of the retirees and beneficiaries of the State-  
47 administered retirement systems, and the State, this bill reinstates  
48 the automatic COLAs for retirement benefits under the “Pension  
49 Adjustment Act.”