

May 8, 2017

**SENATE BILL NO. 3040**  
**(First Reprint)**

To the Senate:

Pursuant to Article V, Section I, Paragraph 14 of the New Jersey Constitution, I am returning Senate Bill No. 3040 (First Reprint) with my recommendations for reconsideration.

As Governor, a core accomplishment of my Administration has been the improvement of the fiscal health of our pension system. The first law I signed as Governor was pension reform which, among other things, limited defined benefit pensions and eliminated the non-forfeitable right to pension benefits to full-time employees hired after the bill took effect.

In 2011, I worked with the Legislature to pass historic, bi-partisan pension reform legislation that reduced our pension liability by more than a hundred billion dollars. That landmark reform - as well as other reforms during my Administration such as making quarterly pension payments and eliminating accounting gimmicks - has helped restore rationality to our pension systems. What's more, with a \$2.5 billion proposed contribution to the State's pension funds in the Fiscal Year 2018 budget, the total contributions by my Administration will be \$8.8 billion, which is more than two and a half times the total contributions made by all Governors combined during the 16-year period from Fiscal Year 1995 through Fiscal Year 2010. In short, my Administration has done more for the solvency of the pension system than any in recent history and the pension system will be left better than we found it.

That is not to say, however, that the pension crisis is behind us. Our work is far from done, and I look forward to working with the Legislature on implementing additional, rational solutions - such as contributing the Lottery Enterprise

to the pension system - to provide further relief to our taxpayers and further peace of mind to our current and future pensioners.

This bill transfers management of the Police and Firemen's Retirement System ("PFRS") from the Division of Pensions and Benefits in the Department of the Treasury to a newly created Board of Trustees ("Board") of the PFRS. The bill vests the Board with all the functions, powers, and duties relating to the investment and reinvestment of money in any fund or account under the Board's control, as well as all functions, powers, and duties relating to the administration of the PFRS retirement system. The Division of Investment in the Department of the Treasury currently performs the investment functions and the Division of Pensions and Benefits currently performs substantially all of the administrative functions. Under the bill, the Board removes itself from these divisions and is empowered to make and execute agreements with public and private enterprises for the administration of the retirement system and management of all of its investments. The Board would have the authority to, among other things, modify the system's member contribution and reinstate cost of living adjustments for retirees, allowing many changes to occur without a single vote of management representatives.

Unfortunately, this bill goes too far and undoes significant portions of the bi-partisan pension reform legislation I signed into law in 2011, unduly jeopardizing the financial health of PFRS. I understand that police and firefighters (and, for that matter, all current and future pensioners) have concerns with the fiscal health of the pensions

systems. I share them. But I refuse to repeat the mistakes of prior Governors and Legislatures who enacted pension legislation without ensuring appropriate safeguards for taxpayers nor securing significant concessions from labor. I refuse to hand PFRS a blank check, while handing the taxpayers the deposit slip.

The reforms of the last seven and a half years were not easy. But, they were the right thing to do and helped us collectively chart a better course towards fiscal sanity. Accordingly, I cannot allow slippage from the hard-earned, bi-partisan progress that the Legislature and I have implemented.

Therefore, I return this bill with a variety of recommendations to ensure that the concerns of taxpayers and local governments are appropriately considered. First, my recommendations ensure that the Board is bound by provisions of the landmark pension legislation of 2011. I cannot condone backsliding on those reforms that have so dramatically improved the solvency of our overall pension system.

Second, I recommend a Board that is equally balanced between labor and management membership, consistent with other bi-partisan legislation enacted during my Administration. Such representation more accurately represents stakeholder interests and ensures that local municipal officials have an appropriate voice in decision-making. In addition, this more balanced Board will require greater consensus, infusing moderation in to the debate and decision-making process.

Third, my recommendations include safeguards that require the Board to bear certain costs and risks. Indeed these recommended safeguards and assumption of risks are more in line

with the recommendations by New Jersey Pension and Health Benefit Study Commission in 2015 and will ensure that the benefits of this bargain are more appropriately balanced between PFRS members and taxpayers.

Fourth, my recommendations ensure transparency by requiring compliance with the Open Public Records Act and the Open Public Meetings Act, and require regular reporting to the Governor, Legislature, Department of the Treasury, and the tax-paying public.

Fifth, in exchange for the greater control of investment decisions sought by PFRS and allowed for in this bill, I recommend that the current practice of paying "supplemental compensation" to PFRS members at retirement for unused sick days be capped at no more than \$7,500 or the amount already accumulated, whichever is greater. This common sense reform - which legislators from both sides of the aisle in both houses have previously endorsed - will provide greater sanity to employee compensation and ensure that sick days are used for their intended purpose (i.e., for when you are sick), and not for taxpayer-funded, golden parachutes for retirees.

Despite the potential significant impact of this bill, I am willing to grant PFRS greater independence. But, in return, I seek sufficient guardrails that adequately protect pensioners and taxpayers, and long-awaited reform of runaway sick pay benefits.

Since I took my oath of office in 2010, I have endeavored to move our pension systems towards solvency to ensure fairness to taxpayers, while also keeping our commitments to current and future pensioners. I know from the bipartisan compromises we

have forged previously, that the Legislature shares that goal. With that guiding principle in mind, I return this bill with my recommendations for improvement.

Accordingly, I herewith return Senate Bill No. 3040 (First Reprint) and recommend that it be amended as follows:

<u>Page 2, Title, Line 1:</u>	After "management" insert "and members"
<u>Page 2, Title, Line 2:</u>	After "amending" insert "and supplementing"
<u>Page 2, Section 1, Lines 8-46:</u>	Delete in their entirety
<u>Page 3, Section 2, Line 1:</u>	Delete "2." and insert "1."
<u>Page 4, Section 2, Line 38:</u>	Delete "Noting" and insert "Nothing"
<u>Page 4, Section 2, Line 42:</u>	Delete "a" and insert "an appellate"
<u>Page 4, Section 3, Line 46:</u>	Delete "3." and insert "2."
<u>Page 5, Section 3, Line 4:</u>	After "System" insert "or the Board of Trustees of the Police and Fireman's Retirement System"
<u>Page 5, Section 3, Line 4:</u>	After "committee" insert "or board"
<u>Page 5, Section 3, Line 5:</u>	After "committee" insert "or board"
<u>Page 5, Section 3, Line 7:</u>	After "committee" insert "or board"
<u>Page 5, Section 3, Line 10:</u>	After "committee" insert "or board"
<u>Page 5, Section 3, Line 16:</u>	After "committee's" insert "or board's"
<u>Page 5, Section 3, Line 17:</u>	After "committee" insert "or board"
<u>Page 5, Section 3, Line 26:</u>	After "committee" insert "or board"
<u>Page 5, Section 4, Line 37:</u>	Delete "4." and insert "3."
<u>Page 6, Section 5, Line 39:</u>	Delete "5." and insert "4."
<u>Page 7, Section 6, Line 32:</u>	Delete "6." and insert "5."
<u>Page 8, Section 7, Line 4:</u>	Delete "7." and insert "6."
<u>Page 12, Section 8, Line 24:</u>	Delete "8." and insert "7."
<u>Page 12, Section 9, Line 37:</u>	Delete "9." and insert "8."

<u>Page 13, Section 10, Line 6:</u>	Delete "10." and insert "9."
<u>Page 13, Section 11, Line 36:</u>	Delete "11." and insert "10."
<u>Page 14, Section 12, Line 1:</u>	Delete "12." and insert "11."
<u>Page 14, Section 13, Line 46:</u>	Delete "13." and insert "12."
<u>Page 15, Section 14, Line 34:</u>	Delete "14." and insert "13."
<u>Page 16, Section 15, Line 21:</u>	Delete "15." and insert "14."
<u>Page 16, Section 15, Lines 27-34:</u>	Delete in their entirety
<u>Page 16, Section 15, Line 35:</u>	Delete "contribution by the member."
<u>Page 16, Section 15, Line 42:</u>	Delete "12" and insert "14"
<u>Page 17, Section 15, Lines 7-9:</u>	Delete in their entirety and insert: "Seven trustees appointed by the Governor who shall serve for a term of office of five years and until their successor is appointed. One trustee shall be recommended by the New Jersey League of Municipalities and one trustee shall be recommended by the New Jersey Association of Counties. One trustee shall be in a management or supervisory position in the Executive Branch of State government at the level of division director or above to represent the interests of State government. The trustees shall not be an active or retired member of the retirement system."
<u>Page 17, Section 15, Line 16:</u>	After "shall" insert "serve for a term of five years and shall"
<u>Page 17, Section 15, Line 29:</u>	Delete "The elected policeman"
<u>Page 17, Section 15, Lines 30-31:</u>	Delete in their entirety
<u>Page 17, Section 15, Line 32:</u>	Delete "term, all" and insert "All"
<u>Page 17, Section 15, Line 33:</u>	Delete "four-year" and insert "five-year"
<u>Page 17, Section 15, Line 38:</u>	Delete "four" and insert "five"
<u>Page 17, Section 15, Lines 44-47:</u>	Delete in their entirety
<u>Page 18, Section 15, Lines 1-27:</u>	Delete in their entirety

- Page 19, Section 15, Line 1: Delete "If a vacancy lasts for more than 60"
- Page 19, Section 15, Lines 2-6: Delete in their entirety
- Page 19, Section 15, Line 20: After "they" delete "shall" and insert "may"
- Page 19, Section 15, Line 24: Delete "Seven" and insert "Eight"
- Page 19, Section 15, Line 44: After "section" insert "and costs associated with the administration of the program shall be borne by the retirement system"
- Page 20, Section 15, Line 4: Delete "shall" and insert "may"
- Page 20, Section 15, Line 8: After "require" insert "and the division shall be compensated for all costs associated with enactment of P.L. , c. (pending before the Legislature as this bill). If the division and board are unable to come to a mutually acceptable agreement regarding the contractual terms, including price, the board shall be permitted to retain a third party administrator to perform all administrative functions previously performed by the division, which vendor shall be selected after a competitive bidding process pursuant to P.L.1954, c. 48 (C. 52:34-6 et seq.). Should the board and the division fail to contract for the provision of the administrative services referenced herein, any costs incurred by the division in assisting with transition and conversion pursuant to the enactment of P.L. , c. (pending before the Legislature as this bill) shall be paid for by the board in an amount that reasonably reflects direct costs associated with the transition"
- Page 20, Section 15, Line 8: Delete "The division"
- Page 20, Section 15, Lines 9-19: Delete in their entirety
- Page 20, Section 15, Line 21: After "to" insert "the"
- Page 20, Section 15, Line 21: After "public" insert "for"

- Page 20, Section 15, Line 21: After "inspection" insert ", copying, or examination in accordance with P.L.1963, c.73 (C.47:1A-1 et seq.)"
- Page 20, Section 15, Line 28: After "The" delete "board of trustees may, in its discretion, select and"
- Page 20, Section 15, Lines 29-30: Delete in their entirety
- Page 20, Section 15, Line 31: Delete "legal counsel, the"
- Page 20, Section 15, Line 35: After "system" insert ", the board may hire legal counsel to advise and represent the board or the committees on that matter"
- Page 21, Section 15, Line 2: After "it." insert "Costs associated with the designation and operation of the medical board selected by the board of trustees shall be borne by the retirement system."
- Page 21, Section 15, Line 9: After "therewith." insert "Costs associated with the retention and performance of the actuary selected by the board of trustees shall be borne by the retirement system."
- Page 21, Section 15, Line 11: After "system" insert ", which policies shall be subject to adoption by an affirmative vote of a majority of all authorized membership of the board of trustees"
- Page 21, Section 15, Line 25: After "standards." insert "Costs associated with the retention and performance of the independent actuary shall be borne by the retirement system."
- Page 21, Section 15, Line 39: After "month." insert "All meetings of the board shall be subject to the requirements of the "Senator Byron M. Baer Open Public Meetings Act," P.L.1975, c.231 (C.10:4-6 et seq.)."
- Page 21, Section 15, Line 40: After "(19)" insert "(a)"
- Page 21, Section 15, Line 40: Delete "to invest and"
- Page 21, Section 15, Line 41: Delete in its entirety
- Page 21, Section 15, Line 42: Delete "of, the board" and insert "and control over all"



functions, power, and duties of, or relating to, investment or reinvestment of moneys and purchase, sale or exchange of any investments or securities of or for any funds or accounts under the control and management of the board"

Page 21, Section 15, Line 47:

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

Page 22, Section 15, Line 2:

After "for" insert "recommending and implementing"

Page 22, Section 15, Line 19:

Delete "five" and insert "ten"

Page 22, Section 15, Line 26:

After "director." insert "Before entering upon his duties, the executive director established hereunder shall give bond conditioned upon the faithful performance of his duties. The bond of the executive director shall be approved by the Attorney General and shall be in a sum not less than one hundred thousand dollars (\$100,000.00).

The executive director shall serve without term but may be removed from office for cause, upon notice and opportunity to be heard at a public hearing and subject to an affirmative vote of a majority of all authorized membership of the board of trustees. Any vacancy occurring in the office of the executive director shall be filled in the same manner as the original appointment. The executive director shall devote his entire time and attention to the duties of the office and shall not be engaged in any other occupation or profession. The executive director shall act as a fiduciary to the retirement system and shall be under a duty to perform the obligations set forth

herein solely in the interests of the beneficiaries of the system."

Page 22, Section 15, Line 31:

After "bill)" insert ", and all costs associated therewith shall be borne by the retirement system. No employee of the Division of Pensions and Benefits who is retained by the board of trustees shall lose, or suffer any diminution of, any right, power, privilege or benefit to which said participating employee would otherwise be entitled pursuant to the provisions of Title 11A, Civil Service, or Title 43 of the Revised Statutes"

Page 22, Section 15, Lines 38-39:

Delete "oversee the management of funds and investments with the State or private companies,"

Page 22, Section 15, Lines 41-42:

Delete "decide the manner in which funds shall be invested" and insert "invest and reinvest the moneys of the retirement system in, and to acquire for or on behalf of the retirement system, such investments which shall be authorized or approved for investment subject to the policies, objectives and guidelines referenced in subparagraph (19)"

Page 23, Section 15, Line 2:

Delete "five" and insert "ten"

Page 23, Section 15, Line 9:

After "officer." insert "In investing and reinvesting any and all money and property committed to the chief investment officer's investment discretion from any source whatsoever, and in acquiring, retaining, selling, exchanging and managing investments, the chief investment officer acts as a fiduciary to the retirement system in all such matters. In making each investment, the chief investment officer may, depending on the nature and objectives of the portfolio, consider the whole portfolio, provided that, in making each investment, the chief investment officer shall act

with the reasonable expectation that the return on each investment shall be commensurate with the risk associated with each investment. The chief investment officer shall be under a duty to manage and invest the portfolio solely in the interests of the beneficiaries of the portfolio and for the exclusive purpose of providing financial benefits to the beneficiaries of the portfolio.

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

considered to be unlawful solely because the investment is made indirectly or through a partnership, trust, or other legal entity.

The chief investment officer shall devote his entire time and attention to the duties of the office and shall not be engaged in any other occupation or profession."

Page 23, Section 15, Lines 10-13:

Delete in their entirety and insert "(b) Notwithstanding sub-subparagraph (a), until such time as the board has employed a chief investment officer and sufficient staff to implement P.L. , c. (pending before the Legislature as this bill), engaged a custodian for the assets of the retirement system, and formulated and established the policies, objectives and guidelines set forth above, the Director of the Division of Investment shall retain the authority to invest and reinvest moneys for or on behalf of the retirement system on an interim basis. Subject to sub-subparagraphs (d) and (e), the Director of the Division of Investment shall segregate the undivided interest of the retirement system in the assets held in the common trust funds established under the Division of Investment, and any new moneys received by the Division of Investment for investment on behalf of the retirement system, in one or more new funds, the ownership units of which shall be held exclusively by the retirement system. The Director of the Division of Investment shall invest and reinvest the moneys in such segregated funds in, and acquire for or on behalf of the retirement system, such investments as shall be authorized or approved for investment by regulation of the board, or in the absence of such regulation, in such investments as shall be authorized or approved for investment by regulation of

the State Investment Council, subject to the standards and requirements of P.L. 1950, c. 270 (C. 52:18A-89). For purposes of this subsection "investment" shall have the meaning set forth in P.L. 1950, c. 270 (C. 52:18A-89(c)).

(c) When the conditions set forth in the first sentence of paragraph (b) have been met, the board shall certify the same to the Director of the Division of Investment. Upon receipt of such certification, the Director of the Division of Investment shall begin the orderly transfer to the board of the assets in the segregated funds created pursuant to paragraph (b), net of such amount of assets as the Director of the Division of Investment shall determine is necessary to satisfy the retirement system's pro rata share of any outstanding commitments to fund investments that have not been transferred to the segregated funds; provided that the board and the Director of the Division of Investment are authorized to enter into an agreement at any time under which the Director of the Division of Investment shall have the authority to invest and reinvest moneys for or on behalf of the retirement system in accordance with the provisions of this section for a term to be negotiated by the parties.

(d) The Director of the Division of Investment, and after its formation the board in consultation and coordination with the Director of the Division of Investment, shall determine the timing of the transfer of assets to the segregated funds and to the board, and whether and when assets will be liquidated prior to such segregation or transfer, taking into consideration applicable contractual, legal and regulatory requirements as well as the fiduciary

duties of the board to the retirement system and the Director of the Division of Investment to all retirement systems that, along with the retirement system, have interests in common trust funds managed by the Division of Investment. Notwithstanding the effective date of P.L. , c. (pending before the Legislature as this bill), during the first five years following the effective date, the Director of the Division of Investments may delay the sale, redemption, divestment or withdrawal of any investment where such action would be subject to contractual, legal, or other limitations on the transaction, or if such transaction would be premature or otherwise imprudent.

(e) Nothing in P.L. , c. (pending before the Legislature as this bill) shall be construed to require the premature or otherwise imprudent sale, redemption, divestment or withdrawal of any investment, or any sale, redemption, divestment, transfer or withdrawal of any investment that would adversely affect the retirement system or any other retirement system."

Page 23, Section 15, Line 27:

After "director." insert "(24) (a) On or before January first of each year, and at such other times as it may deem in the public interest, the board shall report to the Governor, the Legislature, and the State Treasurer regarding investment of the retirement system assets. In addition to the reports set forth in sub-subparagraph (c) below, the board shall issue a report by March 1 of each year on the investment activities for the prior fiscal year, which shall include a summary of the current investment policies and strategies of the board and those in effect during the prior fiscal year, a

detailed summary for each financial product of the amount invested, whether the investments were made by employees of the board or external managers, performance benchmarks, and actual performance during the fiscal year. The report shall be submitted to the Governor, the Legislature, and the State Treasurer, and shall be made available to the public through the official Internet site of the State.

(b) An external manager shall be required to file a certification before being retained, and annually thereafter, that discloses the political contributions made, during the 12 months preceding the certification, by the manager or the manager's firm, or a political committee in which the manager or firm was active. The certification shall specify the political contributions made to candidates for elective public office in this State and any political committee established for the support of such candidates, and contributions made for the transition and inaugural expenses of any candidate who is elected to public office. As used in this subsection, "contribution" and "political committee" shall have the meaning set forth in the "New Jersey Campaign Contributions and Expenditures Reporting Act," P.L. 1973, c. 83 (C.19:44A-1 et al.). This certification shall be in addition to any other such disclosure required by law or executive order of the Governor.

(c) Not later than fifteen days after the close of each month, the director shall cause to be prepared and make available to the board, the State Treasurer, the press and the public, a report of the operations of the Office of Director and the Chief Investment Officer. Each report shall include a

detailed summary of investment, reinvestment, purchase, sale or exchange transactions, setting forth, among other things, the investment, reinvestment, purchase, sale or exchange transactions, the dates thereof, the prices paid and obtained, the names of the dealers involved, and a statement of the funds or accounts referred to herein."

Page 24, Section 15, Line 37:

Delete "The" and insert "When a part of the system has attained the target funded ratio as defined in section 27 of P.L.2011, c.78 (C.43:3C-16), the"

Page 25, Section 15, Line 2:

After "member" insert "for the period that the part is at or above the target funded ratio provided that the funded ratio of that part will not fall below the target funded ratio in any valuation period during the 30 years following the implementation of the decision"

Page 25, Section 15, Line 11:

Delete ", other than for the activation of the application of"

Page 25, Section 15, Line 12:

Delete in its entirety

Page 25, Section 15, Line 13:

Delete "for retirees,"

Page 26, Section 15, Line 36:

Delete "three" and insert "five"

Page 26, Section 15, Line 38:

Delete "two" and insert "four"

Page 27, Section 15, Line 38:

Delete "three" and insert "five"

Page 27, Section 15, Line 45:

Delete "three" and insert "five"

Page 27, Section 15, Line 45:

After "members" insert "selected by the board of trustees"

Page 27, Section 15, Lines 46-47:

Delete "selected by the board of trustees"

Page 27, Section 15, Line 48:

Delete "two" and insert "four"

Page 28, Section 15, Line 3:

After "trustees." insert "At least one of the Investment Committee members, which may



be the chief investment officer, shall have investment or related financial expertise. If the board of trustees does not have sufficient members qualified or available to serve on the Investment Committee, or wishes to broaden the expertise on the Investment Committee, the board of trustees may request that the State Treasurer recommend one or more qualified individuals to sit on the committee."

Page 28, Section 15, Line 15:

After "appropriate." insert "In the event that control of the system reverts to the Department of the Treasury, or such other agency as the State deems appropriate, the system shall assume all costs arising from the transfer of control from the board to the department or other State agency."

Page 28, Section 16, Line 18:

Delete "16." and insert "15."

Page 29, Section 17, Line 14:

Delete "17." and insert "16."

Page 29, Section 17, Line 26:

After "actuary" insert "so long as the system has attained the target funded ratio as defined in section 27 of P.L.2011, c.78 (C.43:3C-16)"

Page 36, Section 17, Line 13:

After "December 1" insert ", except that for State Fiscal Year municipalities, the contribution shall be made to the board of trustees on the following schedule: 25 percent by September 1, 50 percent by December 1, 75 percent by March 1, and 100 percent by June 1"

Page 36, Section 17, Line 21:

Delete "Upon certification by the board of trustees to"

Page 36, Section 17, Lines 22-33:

Delete in their entirety

Page 36, Section 17, Line 34:

Delete "employer contribution."

Page 36, Section 17, Line 45:

Delete "State of New Jersey" and insert "retirement system to the extent permitted under the federal Internal Revenue Code, regulations of the U.S. Treasury Department, and

other guidance of the federal Internal Revenue Service"

- Page 36, Section 17, Line 46: Delete "State" and insert "retirement system"
- Page 36, Section 17, Lines 46-47: Delete "the amount paid by the State for administrative expense" and insert "administrative expenses not permitted to be paid by the retirement system under the federal Internal Revenue Code, regulations of the U.S. Treasury Department, and other guidance of the federal Internal Revenue Service"
- Page 37, Section 17, Line 20: Delete "If the valuation assets are insufficient to fund the normal"
- Page 37, Section 17, Lines 21-25: Delete in their entirety and insert "Deleted by amendment, P.L. , c. (pending before the Legislature as this bill)"
- Page 37, Section 18, Line 45: Delete "18." and insert "17."
- Page 38, Section 19, Line 35: Delete "19." and insert "18."
- Page 39, Section 20, Line 5: Delete "20." and insert "19."
- Page 39, Section 21, Line 14: Delete "21." and insert "20."
- Page 40, Section 22, Line 21: Delete "22." and insert "21."
- Page 40, Section 23, Line 37: Delete "23." and insert "22."
- Page 41, Section 24, Line 5: Delete "24." and insert "23."
- Page 41, Section 25, Line 16: Delete "25." and insert "24."
- Page 41, Section 26, Line 29: Delete "26." and insert "25."
- Page 42, Section 27, Line 27: Delete "27." and insert "26."
- Page 42, Section 28, Line 35: Delete "28." and insert "27."
- Page 43, Section 29, Line 14: Delete "29." and insert "28."
- Page 43, Section 29, Line 25: After "mentioned." insert "The group life insurance policy in effect prior to the effective date of P.L. , c. (pending before the Legislature as this bill) shall remain in effect for pension members until the board takes action to obtain other group insurance except that the board shall pay to the State Treasurer its pro rata share of the cost of administration of the group

policy and all claims on behalf of members of the retirement system shall be paid solely by the retirement system."

Page 43, Section 30, Line 28: Delete "30." and insert "29."  
Page 44, Section 31, Line 4: Delete "31." and insert "30."  
Page 44, Section 32, Line 14: Delete "32." and insert "31."  
Page 45, Section 33, Line 43: Delete "33." and insert "32."  
Page 46, Section 34, Line 34: Delete "34." and insert "33."  
Page 46, Line 41: Insert "34. Section 5 of P.L.1950, c.270 (C.52:18A-83) is amended to read as follows:

5. a. There is hereby established in the Division of Investment a State Investment Council which shall consist of [16] 15 members.

(1) Each of the following agencies, namely, the Board of Trustees of the Public Employees' Retirement System [,] and the Board of Trustees of the Teachers' Pension and Annuity Fund, [and the Board of Trustees of the Police and Firemen's Retirement System of New Jersey,] shall designate one board member elected to serve on the board, to serve as a member of the State Investment Council herein established. The [three] two members of the council so designated shall serve as such for a period of three years from the date of their designation and until their respective successors are in like manner designated.

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

years, and one shall serve for an initial period of two years.

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

(4) Two members of the State Investment Council shall be appointed by the Governor from among six persons nominated by the Public Employee Committee of the New Jersey State AFL-CIO and shall serve for a term of five years and until the member's successor is appointed and has qualified. [At least one of the two members appointed shall be a member of a union representing police officers or firefighters.] If the persons nominated are not acceptable to the Governor for appointment, the Governor may request submission of new nominees.

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

(6) One member of the State Investment Council shall be appointed by the Governor from among three persons nominated by the State Troopers Fraternal Association and shall serve for a term of three years and until the member's successor is appointed and has qualified. If the persons

nominated are not acceptable to the Governor for appointment, the Governor may request submission of new nominees.

The four members appointed pursuant to paragraphs (4), (5) and (6) of this subsection by the Governor to the council shall be qualified by training, experience or long-term interest in the direct management, analysis, supervision or investment of assets, and this training, experience or long-term interest shall have been supplemented by academic training in the fields of economics, business, law, finance or actuarial science or by actual employment in those fields.

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

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

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

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

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

c. [The terms of the members of the council serving pursuant to paragraph (1) of subsection a. of this section and serving on the effective date of P.L.2011, c.78 are terminated as of that effective date. A member terminated pursuant to this subsection shall be eligible for reappointment.] Delete by amendment, (P.L. \_\_\_\_\_, c. \_\_\_\_\_) (pending before the Legislature as this bill)."

(cf: P.L. 2011, c.78, s.28)

Page 48, Section 38, Line 46:

Delete "All of" and insert "Except as otherwise provided in this act,"

Page 49, Section 38, Line 3:

After "New Jersey." insert "The originals of any such records that also relate to any other retirement system shall be retained by the Division of Pensions and Benefits and the Division of Investment and copies of such records shall instead be provided or made available to the board. The transfer of or granting of access to any such records shall be subject to the satisfaction of any requirements of applicable law and contractual or other confidentiality requirements."

Page 49, Line 14:

Insert new section: "40. (New section) Notwithstanding any law, rule or regulation to the contrary, after the effective date of P.L. , c. (pending before the Legislature as this bill) any officer or employee who is a member of the Police and Firemen's Retirement System shall not receive supplemental compensation for accumulated unused sick leave in an amount in excess of \$7,500 for unused sick leave accumulated after the effective date of P.L. , c. (pending before the Legislature as this bill) or after the expiration of a collective negotiations agreement or contract of employment applicable to an officer or employee in effect on that date. An officer or employee who is a member of the Police and Firemen's Retirement System who has accrued supplemental compensation based upon accumulated unused sick leave prior to the effective date of P.L. , c. (pending before the Legislature as this bill) shall, upon retirement, be eligible to receive for any unused leave not more than the amount so accumulated prior to the effective date of P.L. , c. pending before the Legislature as this bill) or not more than \$7,500,

whichever is greater. Supplemental compensation for accumulated unused sick leave shall be forfeited if an officer or employee is convicted of a crime that subjects the officer or employee to the provisions of section 6 of P.L.2007, c.49, or for a substantially similar offense under the laws of another state or the United States which would have been such a crime under the laws of this State."

Page 49, Section 40, Line 15:

Delete "40." and insert "41."

Page 49, Section 41, Line 17:

Delete "41. This act" and insert "42. Section 39 of this act shall take effect immediately and all other sections"

Page 49, Section 41, Line 20:

Delete "15" and insert "14"

[seal]

Respectfully,

/s/ Chris Christie

Governor

Attest:

/s/ Gregory L. Acquaviva

Chief Counsel to the Governor