



State of New Jersey

OFFICE OF THE GOVERNOR
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PHILIP D. MURPHY
Governor

PARIMAL GARG
Chief Counsel

October 18, 2023

The Honorable Ed Donnelly
Chairman, Board of Trustees
Police and Firemen's Retirement System of New Jersey
50 West State Street
Trenton, NJ 08608-1220

Dear Chairman Donnelly:

I write concerning the financial disclosure statement requirements set forth in Executive Order No. 2 (Murphy 2018) and their applicability to the Police and Firemen's Retirement System ("PFRSNJ"), its Board of Trustees, and certain PFRSNJ staff members.

As you are aware, Governor Murphy expects that all Executive Branch agencies, employees, and officers will adhere to the highest ethical standards at all times. To this end, Executive Order No. 2 emphasizes the importance of ensuring that financial disclosure requirements are applied equally and consistently across all State government boards, commissions, and other bodies that perform important governmental functions in areas such as regulation, policymaking, and the expenditure of public funds.

For the reasons outlined below, this letter shall serve as confirmation that the Governor hereby exercises the authority reserved to him pursuant to subparagraph (b)(1) of paragraph 6 of Executive Order No. 2 to supplement the list of New Jersey State boards, commissions, independent authorities, and public corporations whose members are defined as "public officers" and who are subject to the requirements, restrictions, and limitations set forth in that Order, to include the "Police and Firemen's Retirement System of New Jersey." Additionally, pursuant to subparagraph (a) of paragraph 6 of Executive Order 2, the Governor hereby further exercises his authority to include the below-described senior staff members employed by the PFRSNJ among the various "public employees" who are required to comply with the provisions of the Order.

Executive Order No. 2 sets forth detailed definitions of a "public employee" and a "public officer" who shall be subject to the provisions of the Order. The definitions specifically enumerate several state offices and boards, and also generally include boards and commissions organized "in but not of" a principal department and "independent authorities." Subsection (b) of paragraph 6 of Executive Order 2 includes a list of more than five dozen boards, commissions, authorities, and corporations within the Executive Branch of State Government that perform important governmental functions in areas such as regulation, policymaking, and the expenditure of public

funds. The PFRSNJ is not specifically mentioned anywhere in paragraph 6, and it is neither an entity organized “in but not of” a principal department nor an “authority.”

Approximately six months after the issuance of Executive Order No. 2, Governor Murphy comprehensively amended the statutory framework governing the PFRSNJ when he signed P.L.2018, c. 55 (“Chapter 55”), with an effective date of the three hundred sixty sixth day following enactment. Chapter 55 transferred general responsibility for the management and operation of a police and firemen’s retirement system away from the Division of Pensions and Benefits (“DPB”) in the Department of the Treasury (“Treasury”) and vested that responsibility in a newly reconstituted PFRSNJ Board of Trustees. Chapter 55 formally established the PFRSNJ as an entity “in the Department of the Treasury” and conferred upon the PFRSNJ “the powers and privileges of a corporation.” Additionally, Chapter 55 vested in the Board of Trustees all of the functions, powers, and duties previously exercised by the Division of Investment (“DOI”) relating to the investment and reinvestment of money in any fund or account under the control of the Board. Chapter 55 further authorized the PFRSNJ Board of Trustees to make and execute agreements with public and private enterprises for the management of assets and investments of the retirement system. Chapter 55 also included a requirement that the Board hire an executive director, a chief investment officer, an ombudsman, an actuary, and an internal auditor, and provided for the retention of legal counsel.

Chapter 55 contemplated a continuing relationship between the PFRSNJ, the DPB, and the DOI. In furtherance of that continuing relationship, and as a component of the pending transition and separation of PFRSNJ assets from the commingled assets of other public pension funds, the PFRSNJ and the DOI executed a Memorandum of Understanding (“MOU”) earlier this year. That MOU sets forth at length the processes for segregating assets held by the custodian of the State Treasurer on behalf of the PFRSNJ, as well as coordinating the operations, administration, separation, and transfer of PFRSNJ assets, and establishing the respective roles and responsibilities of the DOI and the PFRSNJ with respect to the investment of PFRSNJ assets. The MOU further provided for the creation of a “Working Group” to formulate a detailed transition plan for the segregation and transfer of PFRSNJ assets, including modification of custodial relationships, valuation of investments, determination of the PFRSNJ’s interest in investments, and the handling of fractional, non-transferable, and non-crossable investment positions. Finally, the DOI and the PFRSNJ agreed under the MOU to establish a “Transition Date,” currently contemplated to be April 1, 2024, at which time the proportionate share of PFRSNJ’s assets held by the DOI will be transferred to PFRSNJ control.

As indicated above, because of the significant authority and responsibilities conferred upon the PFRSNJ, its Board of Trustees, and its senior staff members by Chapter 55, and in light of the approaching Transition Date when substantial fund assets will be transferred from the DOI, the Governor has determined that the individual PFRSNJ Trustees and certain PFRSNJ senior staff are subject to and must comply with the financial disclosure requirements set forth in Executive Order No. 2. Accordingly, the PFRSNJ Trustees are hereby designated to be “public officers”

pursuant to paragraph 6 of the Order, and the PFRSNJ is hereby added to the enumerated list of boards, commissions, authorities, and corporations. Moreover, the following PFRSNJ senior staff employees are hereby included as “public employees” for purposes of compliance with paragraph 6(a) of Executive Order 2: the Executive Director; the Chief Investment Officer; the Chief Compliance Officer; the Chief of Accounting; the Chief Legal Officer; the Ombudsman; and any deputy to any of the foregoing PFRSNJ staff members.

The required financial disclosure statements must be completed and filed with the State Ethics Commission within 120 days of the date of this letter and filed annually on or before May 15 of each subsequent year, in accordance with the provisions of Executive Order No. 2. A copy of this correspondence will be provided to the State Ethics Commission.

Thank you for your attention to this matter and your service to the State of New Jersey.

Sincerely,

A handwritten signature in black ink, appearing to read "Parimal Garg". The signature is written in a cursive, flowing style.

Parimal Garg
Chief Counsel

Cc: Joy-Michele Johnson, State Ethics Commission