

# ASSEMBLY, No. 4704

## STATE OF NEW JERSEY 217th LEGISLATURE

INTRODUCED MARCH 20, 2017

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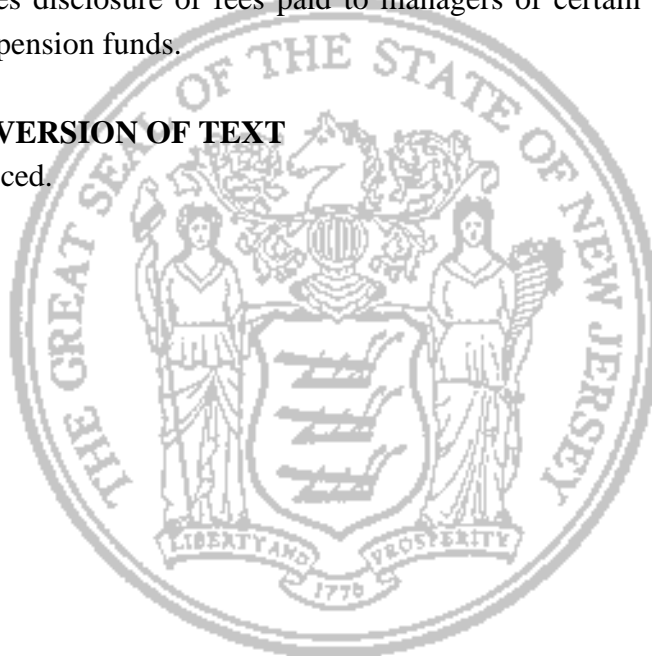
**Assemblywoman Pinkin, Assemblymen Coughlin, Eustace, Senators  
Gordon and Madden**

**SYNOPSIS**

Requires analyses and reporting of investment performance of pension funds; requires disclosure of fees paid to managers of certain funds in which State invests pension funds.

**CURRENT VERSION OF TEXT**

As introduced.



**(Sponsorship Updated As Of: 12/19/2017)**

1 AN ACT concerning transparency in the investment of State-  
2 administered pension funds, supplementing P.L.1968, c.23  
3 (C.43:3C-1 et seq.), and amending P.L.1950, c.270.

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

7  
8 1. (New section) a. The boards of trustees of the Teachers'  
9 Pension and Annuity Fund, established pursuant to N.J.S.18A:66-1  
10 et seq., the Judicial Retirement System, established pursuant to  
11 P.L.1973, c.140 (C.43:6A-1 et seq.), the Public Employees'  
12 Retirement System, established pursuant to P.L.1954, c.84  
13 (C.43:15A-1 et seq.), the Police and Firemen's Retirement System,  
14 established pursuant to P.L.1944, c.255 (C.43:16A-1 et seq.), and  
15 the State Police Retirement System, established pursuant to  
16 P.L.1965, c.89 (C.53:5A-1 et seq.), shall adopt a uniform method to  
17 conduct and report regular stress test analyses of these State-  
18 administered retirement systems. The uniform method adopted by  
19 the boards of trustees shall be a method recommended by an  
20 organization of actuaries in accordance with generally accepted and  
21 nationally recognized actuarial standards, and approved by a  
22 majority of the actuaries of the foregoing State-administered  
23 retirement systems. The stress test analyses shall provide a  
24 forward-looking projection, which considers the effects of long-  
25 term conditions and patterns of behavior of the investment market,  
26 to assess how well the investments of each State-administered  
27 retirement system are likely to perform in periods when market  
28 returns are significantly above or below baseline assumed returns.  
29 The stress test analyses shall include past investment performance  
30 data for each of the foregoing State-administered retirement  
31 systems for a minimum period of 25 years, including investment  
32 returns, both gross and net of fees, and returns by asset class.

33 b. The Division of Pensions and Benefits shall post, on its  
34 Internet website and in the same location as other reports and  
35 analyses produced by the division, the stress test analyses required  
36 pursuant to this section.

37  
38 2. Section 13 of P.L.1950, c.270 (C.52:18A-91) is amended to  
39 read as follows:

40 13. a. The State Investment Council shall consult with the  
41 Director of the Division of Investment from time to time with  
42 respect to the work of the division. It shall have access to all files  
43 and records of the division and may require any officer or employee  
44 therein to provide such information as it may deem necessary in the  
45 performance of its functions. The council shall have authority to

**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 inspect and audit the respective accounts and funds administered  
2 through the Division of Investment. It shall formulate and  
3 establish, and may from time to time amend, modify or repeal, such  
4 policies as it may deem necessary or proper, which shall govern the  
5 methods, practices or procedures for investment, reinvestment,  
6 purchase, sale or exchange transactions to be followed by the  
7 Director of the Division of Investment established hereunder.

8 b. On or before January first of each year, and at such other  
9 times as it may deem in the public interest, the council shall report  
10 to the Governor, the Legislature, and the State Treasurer with  
11 respect to its work and the work of the Division of Investment. In  
12 addition to the reports specified above and in section 14 of  
13 P.L.1950, c.270 (C.52:18A-92), the council shall issue a report by  
14 March 1 of each year on the investment activities for the prior  
15 calendar year, which shall include a summary of the current  
16 investment policies and strategies of the council and those in effect  
17 during the prior calendar year, a detailed summary for each  
18 financial product of the amount invested, whether the investments  
19 were made by employees of the Division of Investment or by  
20 external managers, performance benchmarks, and actual  
21 performance during the calendar year. The report shall be  
22 submitted to the Governor, the Legislature, and the State Treasurer,  
23 and shall be made available to the public through the official  
24 Internet site of the State. In addition, the council shall issue a  
25 report listing, in the aggregate and segregated by asset class, the  
26 investment returns achieved by the State-administered retirement  
27 system funds under the council's supervision by external managers.  
28 As part of any contract between the council and an external  
29 manager for the investment of State-administered retirement system  
30 funds executed after the effective date of P.L. , c. (pending  
31 before the Legislature as this bill), the council shall require the  
32 external manager to disclose the rate and amount of fees charged by  
33 the external manager, including performance-based earnings and  
34 carried interest. The council shall include such rate and fees in the  
35 council's report and shall submit the report to the boards of trustees  
36 of each State-administered retirement system mentioned in the  
37 report and to the Division of Pensions and Benefits, which shall  
38 post the report on its Internet website in the same location as other  
39 reports and analyses produced by the division.

40 c. The council shall hold a meeting each year that shall be open  
41 to the public, and shall accept comments from the public at such  
42 meeting. The matters that shall be open to discussion and public  
43 comment during this annual meeting shall include the investment  
44 policies and strategies of the council, the investment activities of  
45 the council, the financial disclosure statements filed by council  
46 members, and the certification of contributions filed by external  
47 managers, as well as other appropriate matters concerning the  
48 operations, activities and reports of the council.

1 d. An external manager shall be required to file a certification  
2 before being retained, and annually thereafter, that discloses the  
3 political contributions made, during the 12 months preceding the  
4 certification, by the manager or the manager's firm, or a political  
5 committee in which the manager or firm was active. The  
6 certification shall specify the political contributions made to  
7 candidates for elective public office in this State and any political  
8 committee established for the support of such candidates, and  
9 contributions made for the transition and inaugural expenses of any  
10 candidate who is elected to public office. As used in this  
11 subsection, "contribution" and "political committee" shall have the  
12 meaning set forth in "The New Jersey Campaign Contributions and  
13 Expenditures Reporting Act," P.L.1973, c.83 (C.19:44A-1 et al.).  
14 This certification shall be in addition to any other such disclosure  
15 required by law or executive order of the Governor.  
16 (cf: P.L.2007, c.103, s.51)

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18 3. This act shall take effect immediately.

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#### STATEMENT

22

23 This bill requires the boards of trustees of the Teachers' Pension  
24 and Annuity Fund, the Judicial Retirement System, the Public  
25 Employees' Retirement System, the Police and Firemen's  
26 Retirement System, and the State Police Retirement System to  
27 conduct and report regular stress test analyses of these State-  
28 administered retirement systems. The bill also requires the State  
29 Investment Council to report the fees charged by external managers  
30 for the investment of pension funds under the supervision of the  
31 State Investment Council.

32

33 Under the bill, the Division of Pensions and Benefits must post,  
34 on its Internet website and in the same location as other reports and  
35 analyses produced by the division, the stress test analyses required  
36 by this bill. The bill requires the boards of trustees of the  
37 aforementioned retirement systems to adopt a stress testing method  
38 recommended by an organization of actuaries in accordance with  
39 generally accepted and nationally recognized actuarial standards,  
40 and approved by a majority of the actuaries of the retirement  
41 systems. The stress test analyses must provide a forward-looking  
42 projection, which considers the effects of long-term conditions and  
43 patterns of behavior of the investment market, to assess how well  
44 each of the State-administered retirement systems is likely to  
45 perform in periods where market returns are significantly above or  
46 below baseline assumed returns. Additionally, the stress test  
47 analyses must include past investment performance data for each  
State-administered retirement system for a period of 25 years,

1 including investment returns, both gross and net of fees, and returns  
2 by asset class.

3 Moreover, the bill requires that the State Investment Council  
4 issue a report listing, in the aggregate and segregated by asset class,  
5 the investment returns achieved for the State-administered  
6 retirement funds under the council's supervision by external  
7 managers. The bill requires the council, in all future contracts  
8 entered into after this bill takes effect, to compel each external  
9 manager to disclose the rate and amount of fees charged by the  
10 external manager for the investment of State-administered  
11 retirement system funds, including performance-based earnings and  
12 carried interest. The council will include these fee disclosures by  
13 the external managers in its report. The council must submit the  
14 report to the boards of trustees of each State-administered  
15 retirement system mentioned in the report and to the Division of  
16 Pensions and Benefits, which must post the report on its Internet  
17 website in the same location as other reports and analyses produced  
18 by the division.