

CHAPTER 277

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

BE IT ENACTED by the Senate and General Assembly of the State of New Jersey:

C.43:3C-26 Adoption of uniform method to conduct, report regular stress test analyses of State-administered retirement systems.

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

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

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

C.52:18A-91 Powers and duties of State Investment Council.

13. a. The State Investment Council shall consult with the Director of the Division of Investment from time to time with respect to the work of the division. It shall have access to all files and records of the division and may require any officer or employee therein to provide such information as it may deem necessary in the performance of its functions. The council shall have authority to inspect and audit the respective accounts and funds administered through the Division of Investment. It shall formulate and establish, and may from time to time amend, modify or repeal, such policies as it may deem necessary or proper, which shall govern the methods, practices or procedures for investment, reinvestment, purchase, sale or exchange transactions to be followed by the Director of the Division of Investment established hereunder, except that the provisions of this subsection shall not apply to the operations account of Common Pension Fund L established pursuant to section 6 of P.L.2017, c.98 (C.5:9-22.10). Notwithstanding any provision of the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.) to the contrary, the council may adopt, immediately upon filing with the Office of Administrative Law such policies and regulations relating to the investment account, established pursuant to section 6 of P.L.2017, c.98 (C.5:9-22.10), as are necessary to implement that section, which regulations shall be effective for a period not to exceed 12 months following adoption, and may thereafter be amended, adopted,

or readopted by the council in accordance with the requirements of the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.).

b. On or before January first of each year, and at such other times as it may deem in the public interest, the council shall report to the Governor, the Legislature, and the State Treasurer with respect to its work and the work of the Division of Investment. In addition to the reports specified above and in section 14 of P.L.1950, c.270 (C.52:18A-92), the council shall issue a report by March 1 of each year on the investment activities for the prior State fiscal year, which shall include a summary of the current investment policies and strategies of the council and those in effect during the prior State fiscal year, a detailed summary for each financial product of the amount invested, performance benchmarks, and actual performance during the State 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. In addition, the council shall issue a report listing, in the aggregate and segregated by asset class, the investment returns achieved by the State-administered retirement system funds under the council's supervision by external managers. As part of any contract between the council and an external manager for the investment of State-administered retirement system funds executed after the effective date of P.L.2017, c.277, the council shall require the external manager to disclose the rate and amount of fees charged by the external manager, including performance-based earnings and carried interest. The council shall include such rate and fees in the council's report and shall submit the report to the boards of trustees of each State-administered retirement system mentioned in the report and to the Division of Pensions and Benefits, which shall post the report on its Internet website in the same location as other reports and analyses produced by the division.

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

d. 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.

3. This act shall take effect immediately.

Approved January 8, 2018.