
Commission Meeting

of

STATE HOUSE COMMISSION

LOCATION: Committee Room 1
State House Annex
Trenton, New Jersey

DATE: June 25, 2015
9:00 a.m.

MEMBERS OF COMMISSION PRESENT:

Amy E. Melick, Chair
Senator Bob Smith
Senator Gerald Cardinale
Assemblyman Paul D. Moriarty
Robert A. Romano



ALSO PRESENT:

Robert J. Shaughnessy Jr.
Commission Secretary

Gary A. Kotler
Commission Counsel

Meeting Recorded and Transcribed by
The Office of Legislative Services, Public Information Office,
Hearing Unit, State House Annex, PO 068, Trenton, New Jersey

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AMY E. MELICK (Chair): Good morning, everyone.

Welcome to the State House Commission. Today we are going to be--

Excuse me; are you interested in hearing about the State House Commission?

Today is a very busy day for the Legislature. We are probably only going to be able to be here for about an hour. So when it comes to testimony, we're going to ask that people be as concise as possible. It's not that we haven't read people's concerns and support of items; but, as I said, we have a quorum now, and if anybody has to leave the room then our Commission meeting will be over.

So as I said, I think we have about an hour. And I am going to defer to you -- the Secretary will give you a little more information.

MR. SHAUGHNESSY (Commission Secretary): Good morning.

This is the June 25, 2015, meeting of the New Jersey State House Commission.

In compliance with the Open Public Meeting Act, notice of this meeting was given by notice filed with the Secretary of State, delivered to the State House press corps, and posted in the Office of the State House Commission.

I'll next call the roll.

Special Counsel Melick.

MS. MELICK: Present.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY STATE TREASURER ROMANO: Present.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Here.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Present.

MR. SHAUGHNESSY: Assemblyman Moriarty.

ASSEMBLYMAN MORIARTY: Here.

MR. KOTLER (Commission Counsel): We have a quorum.

MR. SHAUGHNESSY: Thank you very much, Counsel.

The first order of business, under Old Business, is approval of the March 16, 2015, State House Commission meeting minutes.

SENATOR SMITH: So moved.

DEPUTY STATE TREASURER ROMANO: Second.

MR. SHAUGHNESSY: Motion and second.

All in favor? (affirmative responses)

MR. SHAUGHNESSY: Any discussion, any opposed?

SENATOR CARDINALE: Abstain.

MR. SHAUGHNESSY: And one abstention. Thank you very much.

ASSEMBLYMAN MORIARTY: I have a question.

MR. SHAUGHNESSY: Yes.

ASSEMBLYMAN MORIARTY: So the confidential Executive Session minutes--

MR. SHAUGHNESSY: Yes.

MS. MELICK: Do these ever go public?

MR. KOTLER: Yes; when the need for confidentiality ends, they can go public.

ASSEMBLYMAN MORIARTY: And that would be when?

MR. KOTLER: That dealt with a pension case and some personal issues that-- I couldn't give you an answer.

SENATOR SMITH: That's the judge, right?

ASSEMBLYMAN MORIARTY: Right.

SENATOR SMITH: Yes.

ASSEMBLYMAN MORIARTY: Thank you.

MR. SHAUGHNESSY: Okay. Moving on to other matters under Old Business: And let me announce, at the beginning; I'm sorry. No. 9 -- if anyone is here for No. 9 -- No. 9 is being held. It's not moving forward today, but may be considered at the next meeting.

And also No. 8 -- I know there are a number of people here on No. 8. No. 8 is intended to be held to the end of our regular agenda. So I just want to announce that right off.

And one other matter: The State House Commission acknowledges the receipt of an e-mail from a *Jean Public* containing comments on certain matters before the Commission. It has been distributed to the members and will become a part of the State House Commission records.

Now, returning to No. 2 under Old Business.

No. 2 is RPR 07-28, Trenton Office Complex, Block 202, part of Lot 6, in Trenton.

Treasury requests approval to lease two workstations, located at the Trenton Office Complex, to Comdata Network, Inc. Comdata provides assistance to the trucking industry in obtaining permits for overweight and dimensional goods. Comdata Network has leased the workstations since 1997. The lease will be for three years with one, three-year renewal option. The annual rent shall be \$8,000 per year.

Do I have any discussion by the members on this matter? (no response)

Any public comment? (no response)

Hearing none, may I have a motion?

DEPUTY STATE TREASURER ROMANO: So moved.

MR. SHAUGHNESSY: Thank you.

Second?

SENATOR CARDINALE: Second.

MR. SHAUGHNESSY: Any further discussion? (no response)

I'll call the roll.

Special Counsel Melick.

MS. MELICK: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY STATE TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Assemblyman Moriarty.

ASSEMBLYMAN MORIARTY: Yes.

MR. SHAUGHNESSY: The matter is approved.

Next, on to No. 3: RPR 01-36, Morven, Block 12.01, Lot 4, Princeton.

The New Jersey Department of Treasury proposes an extension of the current lease of Morven, the former Governor's residence, with Historic Morven, Inc., a nonprofit corporation. The purpose of the lease is to provide for the continued public use and enjoyment of Morven as a museum.

Historic Morven, Inc.'s next phase includes the addition of an educational center. The original lease-- At the State House Commission's December 5, 2000, meeting, the original lease was approved for a 25-year term with one 10-year mutual renewal option, with a potential expiration of June 30, 2036.

To solidify financial commitments required for the construction of the new center, Historic Morven requests, instead of the lease renewal, that the lease be extended so the lease expires on June 30, 2065. The continued rent of \$1 per year during the original term shall continue through the extended term.

Do any members have any discussion on this? (no response)

Any public members wish to be heard on this matter? (no response)

Hearing none -- and I will note--

Go ahead, Senator.

SENATOR CARDINALE: So moved.

MR. SHAUGHNESSY: Okay, moved. Second?

SENATOR SMITH: Second.

MR. SHAUGHNESSY: We'll call the roll.

Special Counsel Melick.

MS. MELICK: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY STATE TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Assemblyman Moriarty.

ASSEMBLYMAN MORIARTY: Yes.

MR. SHAUGHNESSY: That matter is approved.

And I want to note that the Executive Director, Clare Smith, and Board Member Michele Tuck-Ponder are here today; and I thank them for their appearance, and attendance, and support of Morven. Thank you very much.

Okay, moving on to No. 4 under Old Business -- the last item under Old Business; a DEP matter.

Douglass and Harrison Parks, Block 2556, part of Lot 1.01; Block 2556, part of Lot 1.02, Newark.

DEP, on behalf of the City of Newark, previously received State House Commission approval to allow the City to reconfigure Douglass Park and Harrison Park for improved functioning of both parks. The original State House Commission approval application inadvertently left out one Douglass Park lot intended for disposal -- that being Block 2556, Lot 1.01. To compensate, the replacement land remains the same because it always

was intended that the disposal and replacement land would be of similar acreage.

So this corrects the inadvertent omission of the lot to complete the park reconfiguration as originally intended.

Do I have a motion?

SENATOR CARDINALE: Move it.

MR. SHAUGHNESSY: Okay, motion.

Second?

MS. MELICK: Second.

MR. SHAUGHNESSY: Okay, motion and second.

Do I have any further discussion? (no response)

Any members of the public want to be heard on this matter?

(no response)

Hearing none, I'll call the roll.

Special Counsel Melick.

MS. MELICK: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY STATE TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Assemblyman Moriarty.

ASSEMBLYMAN MORIARTY: Yes.

MR. SHAUGHNESSY: The matter is approved.

Moving on to New Business -- this is No. 5 on the agenda.

First, the Department of Transportation requests.

No. 5 on the agenda: Route 31, now Rt. 206; Section 4, Parcel VX215, Block 112, adjoining Lot 3, Raritan Township.

New Jersey DOT requests approval to sell, by direct sale, 0.021 acres -- approximately 919 square feet -- of an excess surplus vacant lot. The property will be a direct sale to the only adjoining owner, Raritan Crossing LLC, for the purchase price of \$21,000, which is the appraised value.

Any members have any discussion on that? (no response)

Any member of the public want to be heard on this matter? (no response)

Hearing none, may I have a motion

SENATOR SMITH: So moved.

DEPUTY STATE TREASURER ROMANO: Second.

MR. SHAUGHNESSY: Motion and second; thank you.

Special Counsel Melick.

MS. MELICK: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY STATE TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith. (no response)

Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: I'm sorry.

MR. SHAUGHNESSY: And Assemblyman Moriarty.

ASSEMBLYMAN MORIARTY: Yes.

MR. SHAUGHNESSY: That matter is approved.

No. 6 on the agenda: This is Route 31 -- a somewhat related matter. Route 31, currently Rt. 206; Section 4, part of Parcels 5 and 7, Block 112 and 116.01, adjoining Lots 3, 27 and 27.01, Raritan Township.

New Jersey DOT requests approval to lease 0.034 acres of an excess vacant lot currently to-- The property has portions of the adjacent property owners parking on the parcels.

The property will be a direct lease to the only adjoining property owner, Raritan Crossing LLC, for the monthly rental of \$200, inclusive of the municipal service charge -- which is the appraised value -- and will increase according to the rent schedule, which is part of the lease.

Any members have any discussion on this matter? (no response)

Any member of the public want to be heard? (no response)

Hearing none, may I have a motion, please?

MS. MELICK: So moved.

SENATOR CARDINALE: Is this Item 6? Second.

MR. SHAUGHNESSY: And second -- motion and second.

Special Counsel Melick.

MS. MELICK: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY STATE TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Assemblyman Moriarty.

ASSEMBLYMAN MORIARTY: Yes.

MR. SHAUGHNESSY: That matter is approved as well.

No. 7 on our agenda today is Route 280, Section 5, Parcel VX331B, Block 2804, Lot 9, Orange.

NJ DOT is seeking approval to auction 0.261 acres -- that's approximately 1,140 square feet -- of excess vacant lot, which the only two adjoining owners have expressed interest in.

The parcel will be auctioned with a minimum starting bid of \$22,000, which is the appraised value.

Any member have any comment on that matter? (no response)

Hearing none, is there any public member to be heard on No. 7 on the agenda?

Hearing none, then we'll have a motion.

SENATOR SMITH: So moved.

MR. SHAUGHNESSY: Second?

MS. MELICK: Second.

MR. SHAUGHNESSY: Motion and second.

Special Counsel Melick.

MS. MELICK: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY STATE TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Assemblyman Moriarty.

ASSEMBLYMAN MORIARTY: Yes.

MR. SHAUGHNESSY: That matter is approved.

As I mentioned, No. 8 is going to be held temporarily and put at the end of the regular agenda.

So we're moving on to-- No. 9 has been pulled, as previously mentioned.

No. 10 on the agenda: Swartswood State Park, Block 1903, part of Lot 1, Township of Hampton.

New Jersey DEP requests approval to convey 0.138 plus or minus acres of Block 1903, part of Lot 1 in Hampton Township, Sussex County, to Wendy and Joe Priestner, the owners of an adjacent property, which is Block 1903, Lot 2.01. The purpose of the proposed land exchange is to eliminate the encroachment of a residence onto the State parkland. The encroachment was discovered during the pending sale of the private parcel.

In exchange, the private landowners have agreed to convey 0.276 plus or minus acres of land to the DEP to become part of Swartswood State Park. So this equals a resolution of an encroachment.

Any members of the Commission want to be heard on the matter? (no response)

Any public members want to be heard on this matter? (no response)

Hearing none, may I have a motion?

SENATOR CARDINALE: Move Item 10.

MR. SHAUGHNESSY: Moved. Second?

DEPUTY STATE TREASURER ROMANO: Second.

MR. SHAUGHNESSY: Special Counsel Melick.

MS. MELICK: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY STATE TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Assemblyman Moriarty.

ASSEMBLYMAN MORIARTY: Yes.

MR. SHAUGHNESSY: That matter is approved.

Okay, we're on to No. 11 on the agenda. Musconetcong Gorge Preserve, Block 1, Lot 1; Block 1.01, Lot 1; Block 2, Lot 1, Township of Holland.

New Jersey DEP, on behalf of the County of Hunterdon, requests approval to allow the disposal of 0.353 plus or minus acres of County-owned parkland within the Musconetcong Gorge Preserve. This disposal will allow the reconstruction of Milford Warren Glen Road/ County Route 519 to improve the roadway section and geometry, and upgrade the guide rail and signing to current standards.

To compensate for the proposed diversion and temporary impacts, the County proposes to remit \$10,000 to the Green Acres Program

for deposit in the Garden State Preservation Trust Fund to be used for the acquisition of additional Open Space.

Any member of the Commission want to be heard on this matter? (no response)

Any member of the public want to be heard on No. 11? (no response)

Hearing none, may I have a motion?

SENATOR CARDINALE: Move Item 11.

MR. SHAUGHNESSY: Move No. 11; second?

DEPUTY STATE TREASURER ROMANO: Second.

MR. SHAUGHNESSY: Special Counsel Melick.

MS. MELICK: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY STATE TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Assemblyman Moriarty.

ASSEMBLYMAN MORIARTY: Yes.

MR. SHAUGHNESSY: No. 11 is approved.

Now, as previously mentioned, we will return to No. 8. And I understand there are a number of folks who want to be heard on this matter. So we'll introduce it, and then take it from there.

As the Chair previously mentioned, if you could please not duplicate testimony or comments; and try to keep your comments to 3 minutes or less.

Moving now to No. 8 on the agenda -- it's Menantico Ponds Wildlife Management Area, Block 578, Lot 19, Millville.

New Jersey DEP proposes to convey to either the City of Millville, the Millville Urban Redevelopment Corporation, the Cumberland County Improvement Authority, or any other nonprofit or public entity designated by the City, the property which is Block 578, Lot 19 -- comprising of approximately 81 plus or minus acres -- to be used for commercial/industrial purposes consistent with current zoning.

The property was purchased by the DEP from the prior owner, Durand Glass Manufacturing Company, Inc., in July 2013 for \$335,000.

The proposed sales price for the conveyance by the DEP to the City or its designee is \$395,000. The NJDEP intends to apply the proceeds of the sale to the purchase of equal acreage of replacement property elsewhere in the City of Millville and/or Cumberland County. The replacement land will be purchased within two years of the approval of the proposed conveyance.

That's an introduction to the matter.

Do any members want to be, initially, heard on this matter?

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Yes, Senator Smith.

SENATOR SMITH: In anticipation of today's hearing, I asked the Office of Legislative Services to analyze the proposal that's before the State House Commission to determine whether or not, in the opinion of

the Office of Legislative Services, there were any procedural or substantive issues in the way in which the process has been handled up to this point.

Unfortunately -- and you know what the last two weeks in State Government have been like; actually, the last 10 years, but (laughter) -- only last night at about 5 p.m. did I get a signed memorandum from Legislative Services, with their concerns with regard to the procedural and substantive issues relating to Item 8 on the agenda.

I did ask them to put it in the form of a memo -- which I do have -- and I've made extra copies. I'd like a copy included in the record of the proceedings. Let me distribute the copies to the members so they get a chance to review it.

But their point is, that we may not have followed the correct statutory procedures under the law establishing the State House Commission, and Ogden-Rooney, and others. And I'm sure Mr. Shaughnessy is going to take a good look at that and see what he thinks. But I point it out to you, at the beginning of the meeting, because obviously if we're about to do a rather substantive hearing, you should know whether or not -- at least, in the opinion of Legislative Services -- there is or is not an issue that we are properly before the Commission.

MR. SHAUGHNESSY: Thank you. This is acknowledged receipt, and it will become part of the State House Commission record.

Anything else you'd like to indicate, Senator Smith, with regard to this matter?

SENATOR SMITH: No, not at all.

MR. SHAUGHNESSY: Okay. Thank you very much; we appreciate your efforts.

Senator, do you know if a copy has been provided to the DEP?

SENATOR SMITH: No.

MR. SHAUGHNESSY: Okay.

SENATOR SMITH: Nobody's gotten a copy because I only got this last night at about 5 p.m.

MR. SHAUGHNESSY: Understood.

SENATOR SMITH: Is there an extra copy we can give to the DEP? I just passed around copies; do we have an extra?

MR. SHAUGHNESSY: We'll provide it to the DEP.

SENATOR SMITH: I did it where there was just the right number.

MR. SHAUGHNESSY: Right.

SENATOR SMITH: Somebody can have mine.

**(The State House Commission and
audience read and discuss the memorandum)**

MS. MELICK: Given the fact that we just received this memorandum from the Office of Legislative Services, and our Counsel has not had the ability to review it, I think it's appropriate that we, at this point, hold off on doing this item until we can look at the complete perspective and get advice from counsel and from the Secretary.

Do I need to make a motion?

Does anyone on the Commission have any objections to holding this item?

SENATOR CARDINALE: I would concur with your opinion, having read the memorandum, that we should hold off on any further action until we clarify the issues raised by the memorandum.

MR. KOTLER: But I would just ask, affirmatively, if the members are in favor.

MR. SHAUGHNESSY: Yes, Senator Moriarty.

ASSEMBLYMAN MORIARTY: Well, I'm disappointed that we're not going to be able to hear this because of legal technicalities. But I would like to ask our attorney: Did we-- I mean, do you agree with the substance of this letter, and did we do proper notifications, to your knowledge?

MR. SHAUGHNESSY: I have not reviewed it in its entirety. I really cannot comment on it.

MR. KOTLER: Yes, and that's the essence of asking that this be adjourned until the next meeting, because we just got this and need to analyze it.

SENATOR SMITH: Right; and by the way, my apologies. The discovery by surprise is not my M.O.; 48 hours ago -- basically, Tuesday -- I said to myself, "An issue of this import -- we should know whether we dotted our *Is* and crossed our *Ts*." And only then did I call OLS, and they, in the next 24 hours, worked to evaluate the statutes and, as I said -- and a memo -- as of 5 p.m. yesterday.

If I had it any earlier, I would have sent it down so you could have started to take a look at it. I apologize for that; I hate doing last-minute stuff. On the other hand, you know that if you go forward and there are procedural defects, an awful lot of people will put an awful lot of

time on this -- no matter which way it's decided -- and it will be invalid. So it's better that, I think, you check that getting up to this point we've done what is necessary to be kosher -- that is in line with the law before proceeding. I think that's an appropriate decision.

MR. KOTLER: I think we would agree with that.

DEPUTY STATE TREASURER ROMANO: Yes, definitely.

MR. SHAUGHNESSY: So there's a consensus, then, to hold this matter? Any objection to holding this matter from the Commission?
(no response)

Okay. Thank you; thank you very much for your efforts.

And let's, then, move on.

If people are here on No, 8, the matter is being held to a later date. Thank you for your attendance.

JANE MORTON GALETTO: (off mike) Can we get a copy of the procedural review?

SENATOR SMITH: Do we have an extra copy? My own copy is missing.

MS. MELICK: That's completely up to Senator Smith.

SENATOR SMITH: Yes, I'd be happy to share it; the only thing is, I don't have enough copies. I'm sure I can get a copy from the office. If anybody would just call my Legislative--

MS. GALETTO: (off mike) Okay, thank you, Senator. We'll contact your office.

MR. SHAUGHNESSY: Moving on to-- We have completed our regular agenda, so I just need a motion, now, to convene and sit as the Judicial Retirement System Board of Trustees.

May I have a motion?

DEPUTY STATE TREASURER ROMANO: So moved.

SENATOR CARDINALE: Second.

MR. SHAUGHNESSY: Okay; all in favor? (affirmative responses)

Any opposed? (no response)

We're now sitting as the Judicial Retirement System Board of Trustees. And, first of all, the first item of business is approval of the minutes of the meeting held on March 16.

Do I have a motion?

SENATOR SMITH: So moved.

MR. SHAUGHNESSY: Second?

DEPUTY STATE TREASURER ROMANO: Second.

MR. SHAUGHNESSY: All in favor? (affirmative responses)

SENATOR CARDINALE: Abstain.

MR. SHAUGHNESSY: Any opposed? (no response) And one abstention.

Next -- Confirmation of death claims, retirements and survivor benefits.

May I have a motion for that?

DEPUTY STATE TREASURER ROMANO: So moved.

MR. SHAUGHNESSY: Second?

SENATOR CARDINALE: Second.

MR. SHAUGHNESSY: Special Counsel Melick.

MS. MELICK: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY STATE TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Assemblyman Moriarty.

ASSEMBLYMAN MORIARTY: Yes.

MR. SHAUGHNESSY: The matter is approved.

Moving on to No. 3 -- that's to receive the financial statements from October 2014 to March 2015.

May I have a motion for that?

SENATOR CARDINALE: So moved.

MR. SHAUGHNESSY: Second?

DEPUTY STATE TREASURER ROMANO: Second.

Special Counsel Melick.

MS. MELICK: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY STATE TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Assemblyman Moriarty.

ASSEMBLYMAN MORIARTY: Yes.

MR. SHAUGHNESSY: The matter is approved.

The last Judicial Retirement System Pension matter is to receive the Annual Report of the Actuary prepared as of July 1, 2014, by Buck Consultants.

Is there-- Please step up, gentlemen.

Please identify yourselves, for the record.

HENRY MATWIEJEWICZ: Good morning, Ms. Chairperson and members of the Commission.

My name is Henry Matwiejewicz. I'm the Acting Secretary for the Judicial Retirement System -- an employee of the Division of Pensions and Benefits.

I'm here this morning to introduce to you Mr. Aaron Shapiro. He's an employee of Buck Consultants, who are the actuaries for the Judicial Retirement System. And Mr. Shapiro is here today to present the most recent actuarial valuation report of the Judicial Retirement System, which provides a snapshot of the financial condition of the pension fund as of July 1, 2014, and produces the State's contribution requirement for Fiscal Year 2016.

A summary of Mr. Shapiro's presentation was distributed to the Commission members.

And, on that note, I'll turn it over to Mr. Shapiro.

AARON SHAPIRO: Good morning; thank you.

You have in front of you a copy of the summary of the highlights of the valuation as of July 1, 2014; and I'll just go through that, and stop me along the way.

The first few pages of that summary just describe our valuation process for members of the Commission -- the Board -- in terms of what we

use as the inputs into the valuation. We have data, assumptions, and plan provisions as three key inputs to produce the valuation status, and determine required contributions based on that.

Jumping on to page 6 of the presentation -- some highlights from the 2014 valuation. We had a return on assets, on the actuarial basis, of just over 6 percent, as compared to our 7.9 percent assumption. And that's what's used in determining required contributions. However, in a market value basis -- which is the actual return for the year on the assets in the plan -- it was just over 16 percent. The actuarial value simply smoothes gains and losses over time to avoid large swings in the asset value changes.

The total funded status was just over 40 percent on actuarial value basis, and 38 -- close to 39 percent on a market value basis.

On to page 7, which provides the summary of the liability by participant group. In total, liability as of July 1, 2014, was just over \$630 million, up from \$620 million as of July 1, 2013. And, again, the funded status was just over 40 percent on an actuarial basis.

One of the things we also do in performing the valuation is review experience and determine the gain on loss, and ensure that gain on loss is appropriate over time and consistent, and our assumptions are appropriate. We monitor that gain on loss, and for the year the total gain was \$2 million -- which is reasonable relative to the size of this plan.

On to page 9. We're showing here the contributions for Fiscal Year 2016 versus -- as compared to Fiscal Year 2015. This is the so-called *recommended actuarial contribution*, which includes a normal cost, or the cost of benefits being earned during the year, as well as an accrued liability contribution which represents an amortization of the unfunded

contribution over 30 years. By statute, that's the actuarial recommended contribution.

And for 2014, which determined the 2016 fiscal year recommended contribution, the recommended contribution is \$46.5 million.

Now, that's the-- Normally, the presentation would end there with the results of the funding requirements for the pension plan. However, the accounting requirements have changed -- the accounting reporting requirements have changed this past year with the introduction of GASB 67. And we are showing results here. In the summary presentation, from that GASB 67 valuation, the full valuation report -- there's been two separate reports issued: one for the funding of the plan, and the one for the accounting reporting requirements.

So on to page 10. Some things to understand about the GASB 67 and how that's different, is that there is a different discount rate used; and that's the primary driver for the different results you'll see on the coming pages. The discount rate is determined based on the expected depletion date of the fund. And that blended discount rate, as of 2014, was 4.58.

Now, let me just correct that -- it's not the expected depletion date, but it's the depletion date that's calculated in accordance with the accounting requirements. And that is assuming a certain contribution level in the future, as has been done in the past. To the extent that contributions in the future are higher than what's been in the past, that depletion date will be extended or simply eliminated, ideally.

Another key difference between the funding valuation and the accounting valuation is -- this is technical speak, but -- the *actuarial cost method*. It's important because it's very different from a *projected unit credit method*, which is used with funding -- by statute -- versus accounting where we use the *entry age normal*, which computes liability in a different way and results in a higher liability at any given point in time.

So the GASB 67 results for the plan as a liability, as of 2014 -- \$900 million. The net position, or the -- and that's a typo in the presentation; that should be *fiduciary net position*; I apologize for that -- and that represents the assets in the plan of \$230 million. And then the net pension liability would be the unfunded liability of almost \$670 million -- again, on an accounting basis in accordance with the GASB 67.

And with GASB 67--

ASSEMBLYMAN MORIARTY: Excuse me--

MR. SHAPIRO: Sure.

ASSEMBLYMAN MORIARTY: Excuse me. Can I interrupt for a second?

I need-- You're speaking Chinese to me. I don't know what *GASB 67* is; you have to explain what that is.

MR. SHAPIRO: Sure.

ASSEMBLYMAN MORIARTY: And I'd actually like to go back to the beginning, because this is Chinese to me. And it's my fault, because I have a small mind, but you need to talk to me like I'm a child -- because I am. (laughter)

MR. SHAPIRO: No, absolutely. And I apologize for not being clear upfront. Any questions, please feel free to--

ASSEMBLYMAN MORIARTY: That's why I figured -- I figured you'd be receptive to someone who has a small brain who needs more guidance here. (laughter)

Thank you.

MR. SHAPIRO: So do you want me to just stick with the first part, and--

ASSEMBLYMAN MORIARTY: The Treasurer is lapping it up, but I don't know any of it. (laughter)

MR. SHAPIRO: So *GASB* is the Governmental Accounting Standards Board, and they issued new reporting requirements this past year.

ASSEMBLYMAN MORIARTY: And there were 67 requirements prior to this one? (laughter)

MR. SHAPIRO: Apparently; that's how, I guess, they came up with the number 67. I don't know all the prior 66 by heart, but *GASB* 67 replaces the old reporting requirement for governmental plans -- and that was *GASB* 25. And that was previously how we reported accounting results--

ASSEMBLYMAN MORIARTY: We went from 25 to 67?

MR. SHAPIRO: They did a lot of stuff in between; they were busy doing other stuff. But, yes.

ASSEMBLYMAN MORIARTY: Great. (laughter)

MR. SHAPIRO: Since the prior standard has been implemented they're up to 67. And that changes how plans -- public governmental plans report their liabilities. And the change has resulted in significant increase in liabilities, and the reason for that increase is because

of the discount rate. Now, for funding valuation we use a 7.9 discount rate to discount all of our expected payments in the future. So that means we assume we're going to earn that 7.9 percent return on assets as well, and that sort of -- we have the same discount rate as the expected return.

For accounting requirements, you can use that 7.9 percent if you have enough money in the plan to pay benefits as they come due. However, if based on your contribution history and future expectations -- if you expect to run out of money, then you can't use that expected return forever. You can only use it up to the point when you expect to run out of money. And then for all the benefit payments beyond that date, you have to use a bond rate. And then you blend those two rates. And that's how we come up with that 4.58 percent. And then we use that rate to actually determine the liability as of the valuation date -- in this case, June 30, 2014.

ASSEMBLYMAN MORIARTY: Can we go back to page 6 for a minute?

MR. SHAPIRO: Absolutely.

ASSEMBLYMAN MORIARTY: So the rate of return on assets -- it says "actuarial value of assets." Does that mean the actuary says that our assets went up 6.2 percent? Am I -- Okay.

MR. SHAPIRO: Yes, right. So the rate of return--

ASSEMBLYMAN MORIARTY: But the market value of the assets actually went up 16.29 percent?

MR. SHAPIRO: Right.

ASSEMBLYMAN MORIARTY: And the expected return was 7.9 percent?

MR. SHAPIRO: Right. So we have an expected return that we use every year in determining the liability, and that's what we discount all future payments to -- that 7.9 percent.

ASSEMBLYMAN MORIARTY: Okay. So on our assets last year -- our investments -- the experts who are investing our money -- what did we take back on the assets? Was it 16--

MR. SHAPIRO: It was 16; yes, 16 is the actual investment return for the year.

ASSEMBLYMAN MORIARTY: Okay.

MR. SHAPIRO: The 6.27 on the actuarial value -- the actuarial value is not the money you have in the bank. It's a number that represents the smoothing of prior gains and losses over five-year periods. So every year we take that difference between that expected and actual and spread it over five years, and then the same the following year. And what that does is smooth out gains and losses so there are not these huge swings -- one year it's plus 16, and another year it could be minus 20.

ASSEMBLYMAN MORIARTY: Right. So what I'm getting at is, I'd like to know how our investors are doing. So I'm trying to figure out: We got 16.9 percent return on our investments. Do you know what the average return was for the market last year?

MR. SHAPIRO: No, that's beyond the scope of my responsibility in terms of determining the liability for the plan.

ASSEMBLYMAN MORIARTY: No, I understand. I was just wondering if you--

MR. SHAPIRO: So the answer is "no." I do not know how that compares to some sort of benchmark.

ASSEMBLYMAN MORIARTY: So you don't know whether that's a good return, or a bad return, or a mediocre return.

MR. SHAPIRO: Right. Relative to the asset allocation serving as a benchmark against what the portfolio should have earned, on average, across other large plans -- we have not done that analysis.

ASSEMBLYMAN MORIARTY: Okay. Do you do this actuarial stuff for other plans outside of our state?

MR. SHAPIRO: Serve as the actuary?

ASSEMBLYMAN MORIARTY: Yes.

MR. SHAPIRO: Yes.

ASSEMBLYMAN MORIARTY: You have other clients, right?

MR. SHAPIRO: Yes.

ASSEMBLYMAN MORIARTY: How are they doing? What was their rate of return last year?

MR. SHAPIRO: Well, every client -- not every client -- but many clients have different fiscal years compared to the State's fiscal year. So the fiscal year, obviously, matters significantly when you look at the return--

ASSEMBLYMAN MORIARTY: Sure.

MR. SHAPIRO: --for any given 12-month period. But overall, the returns have been positive during this past couple years, depending on-- One client--

ASSEMBLYMAN MORIARTY: I would think so. I check the market every day; it's been pretty damn good.

MR. SHAPIRO: Right.

ASSEMBLYMAN MORIARTY: I don't know that-- I mean, I'm going to have to get more information to figure out if 16.29 percent is a good rate of return when you have active management -- as opposed to if we put this in a Vanguard fund that has no management, what would that return be? So I'd be interested in knowing more about that.

I'm going to have to leave shortly, and I know that you have a presentation. I didn't mean to throw you off your game, but what I'd like to know is, if this were your retirement plan for you and your extended family, would you feel good about it, would you feel nervous, or would you be elated?

MR. SHAPIRO: Somewhere in between. And the reason why I say that is because--

ASSEMBLYMAN MORIARTY: Again, you're blending, I guess.

MR. SHAPIRO: If you're working for a plan sponsor, like the State of New Jersey, I have to believe that, somehow or another, my benefits are going to be paid when it comes due. At the same time, the funded status is not great, and that is an understatement. It's really not great. And money has to be put into the plan in order to fund the plan. So there's no two ways about it. If the money is not put in, the assets aren't there, and then when benefits come due they can't get paid unless it becomes a pay-as-you-go system -- which is also not great.

ASSEMBLYMAN MORIARTY: So the retirement fund that we're responsible for is really not great -- that would be the headline to me.

MR. SHAPIRO: I mean, I don't generally pull punches. The funded status at 40 percent is not good. It's obviously a reflection of what

has happened in the past. I think there's been a strong effort to raise the contribution level, looking forward. And to the extent that that effort is continued and maintained with that increase, the plan can be put on a path to sustainability. If the contributions are not put into the plan, then greater contributions in the future will be required.

ASSEMBLYMAN MORIARTY: I've heard from people in the past that if your pension fund goes down to 42 percent, that it never comes back; it's only going one-way.

MR. SHAPIRO: Well, in theory--

ASSEMBLYMAN MORIARTY: Did you ever hear that?

MR. SHAPIRO: Well, we do a lot of projections for a lot of clients. And in that projection, there's a rate of return assumed, as well as a contribution level assumed. In theory, if the 60 percent that the plan is missing was contributed tomorrow, the plan would be 100 percent funded. Obviously, that is not going to happen. But it's all about developing a contribution path that allows the plan to return to a comfortable position where then the rate of return and a regular contribution level will sustain itself. But right now, there's a significant unfunded liability, and that needs to be made up and contributed over time in order to return the plan to a healthier funded position.

ASSEMBLYMAN MORIARTY: How much should we be putting in this year?

MR. SHAPIRO: Well, again, according to statute, the recommended contribution is shown here, and that is simply taking the cost of benefits accruing -- so that way you say, "Whatever people are earning this year, I contribute *that*; and on top of that, I add on a contribution to

start paying down the unfunded.” And, per statute, that is amortized over 30 years. And what that would suggest is, over time that would then start to increase the funded level of the plan; and that’s shown here as \$46.5 million.

ASSEMBLYMAN MORIARTY: Will that bring the plan up from 40 percent to 41 percent, or just keep it status quo?

MR. SHAPIRO: It would improve the funded status, right. So I mean, it would-- We haven’t done a -- I don’t have the numbers in front of me; we do projections all the time for this plan as well as other plans. But that will improve things over time. I don’t have a number in front of me as to what that will do for next year; but over time, if that plan was followed it would improve the funded status gradually.

ASSEMBLYMAN MORIARTY: Thank you. I’m sorry to put you on the spot.

I have to leave at this point. I think I get the picture, and it’s not good. And--

MR. SHAUGHNESSY: We need to vote to receive the annual report. That’s the last item.

ASSEMBLYMAN MORIARTY: Oh, can we do that, and then continue?

MR. SHAUGHNESSY: Yes, that’s the last item.

ASSEMBLYMAN MORIARTY: I don’t want to shut down further discussion. I didn’t mean to hijack the panel.

MR. SHAUGHNESSY: Okay.

ASSEMBLYMAN MORIARTY: But if you need a vote, I can vote. But can he continue to--

MR. KOTLER: Yes, because for the -- when we sit as the Judicial Pension Board, it's just a majority that is needed to approve any matter. So that would be 4 out of the 7, so that would qualify as the quorum.

ASSEMBLYMAN MORIARTY: Okay.

SENATOR SMITH: So would you like a motion--

MR. KOTLER: Yes, let's--

SENATOR SMITH: Motion to receive.

DEPUTY STATE TREASURER ROMANO: Second.

MR. SHAUGHNESSY: Motion and second.

I'll call the roll right now.

Special Counsel Melick.

MS. MELICK: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY STATE TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Assemblyman Moriarty.

ASSEMBLYMAN MORIARTY: Yes.

MR. SHAUGHNESSY: Okay, thank you very much.

That concludes the matters on the agenda for today.

SENATOR SMITH: Well, you know, I would like to ask a question.

MR. SHAUGHNESSY: Oh, sure. We won't leave that matter.

SENATOR SMITH: Is the Judicial Retirement investment--

MR. SHAUGHNESSY: Thank you, Assemblyman.

SENATOR SMITH: --handled by outside professional investment personnel or companies, or is it done in-house by our State staff?

MR. MATWIEJEWICZ: There is a percentage of the assets of the fund which are handled by outside managers. But that is the responsibility of the Division of Investments. The Division of Pensions and Benefits does not get directly involved in the investments of the fund.

SENATOR SMITH: Do you know what that percentage is?

MR. MATWIEJEWICZ: I think it could be up to 30 percent, but don't quote me on that.

SENATOR SMITH: Well, I'd like to quote you. How about sending to the State House Commission, after you have a chance to research it, how much of the Judicial Retirement fund is managed by outside, and what are the fees that they're collecting. If you could provide that information, it would be appreciated.

MR. MATWIEJEWICZ: Yes.

SENATOR SMITH: For the record, the gentleman is nodding his head "yes" that he will do that.

DEPUTY STATE TREASURER ROMANO: But if I may just ask one question, Henry -- just to clarify, though, to the Senator's point.

Although all of the investment is the responsibility of the Division of Investments -- is that not right?

MR. MATWIEJEWICZ: That's correct.

DEPUTY STATE TREASURER ROMANO: And it is the Director of the Division of Investments who has the fiduciary responsibility to invest all of the assets of the retirement system?

MR. MATWIEJEWICZ: Absolutely.

DEPUTY STATE TREASURER ROMANO: The fact that he uses his own staff, or he has vendors to help him, etc. -- that's the mix that he comes up with in the exercise of his fiduciary responsibilities. Is that correct?

MR. MATWIEJEWICZ: Absolutely.

DEPUTY STATE TREASURER ROMANO: Okay.

SENATOR SMITH: All right. And so, let me add one other question to the list of questions -- and that is, on the 30 percent that the outside advisors are investing, what's been the return over the last year that the outside advisors have been able to produce? And I understand that it is our fiduciary responsibility, but I think there's this whole question being discussed, not only about the judicial pensions, but about the pension system in general--

DEPUTY STATE TREASURER ROMANO: Yes.

SENATOR SMITH: --whether these fees are justified. You know, my broker says you want -- well, the broker never says it; but every investment column that I read says you want to keep your fees down to an absolute minimum if you want maximum return.

DEPUTY STATE TREASURER ROMANO: Sure.

SENATOR SMITH: Hence, the efficiency of things like exchange-traded funds. They are a wonderful thing for the individual investor because you don't have huge commissions, whatever.

So I would like to have the basic information that would evaluate whether this placement of, your guess, 30 percent of the Judicial Retirement Pension System is worthwhile. Who's managing those funds, what fees are they collecting, and how well are they performing? Just send us a little memo -- it would be most appreciated.

MR. SHAUGHNESSY: Thank you, Senator.

So I believe that concludes all of the matters on the Judicial Retirement System.

May I have a motion to return to sit as the State House Commission?

SENATOR CARDINALE: So moved.

DEPUTY STATE TREASURER ROMANO: Second.

MR. SHAUGHNESSY: Motion and second.

All in favor? (affirmative responses)

Okay, we're back sitting as the State House Commission.

Is there any other business that is meant to come before the State House Commission, or is desired to be brought before the Commission?

SENATOR CARDINALE: Adjournment. (laughter)

DEPUTY STATE TREASURER ROMANO: If I may be indulged.

I'd like to make one motion. As everyone is aware, Charlene Holzbaaur is retiring, effective June 30, as Director of the Division of Budget and Accounting. She has been a member of this Commission for the last, almost, 16 years.

I would like to make a motion that the Commission adopt a resolution expressing their appreciation to Charlene Holzbaaur for all her years of service -- both to the State, and to the Commission and its work.

SENATOR SMITH: Happy to second that.

MR. SHAUGHNESSY: Motion and second.

Okay, all in favor? (affirmative responses)

Any opposed? (no response)

Hearing none, the motion to adjourn.

MS. MELICK: So moved.

MR. SHAUGHNESSY: So moved. Second?

DEPUTY STATE TREASURER ROMANO: Second.

MR. SHAUGHNESSY: We are adjourned. Thank you for your time.

(MEETING CONCLUDED)