

18A:20-37

LEGISLATIVE HISTORY CHECKLIST

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(School boards--investments)

NJSA: 18A:20-37

LAWS OF: 1997 CHAPTER: 148

BILL NO: A832

SPONSOR(S): Arnone & others

DATE INTRODUCED: Pre-filed

COMMITTEE: ASSEMBLY: Financial Institutions

SENATE: State Government; Budget

AMENDED DURING PASSAGE: Yes Amendments during passage  
Sixth reprint enacted denoted by superscript numbers

DATE OF PASSAGE: ASSEMBLY: May 2, 1996

SENATE: May 8, 1996

DATE OF APPROVAL: June 30, 1997

FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:

SPONSOR STATEMENT: Yes Also attached: statement,  
adopted 3-22-97 & 3-28-97

COMMITTEE STATEMENT: ASSEMBLY: Yes

SENATE: Yes 11-18-96 & 12-1-96

FISCAL NOTE: No

VETO MESSAGE: Yes

MESSAGE ON SIGNING: No

FOLLOWING WERE PRINTED:  
REPORTS: No

HEARINGS: No

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[Sixth Reprint]

ASSEMBLY, No. 832

STATE OF NEW JERSEY

PRE-FILED FOR INTRODUCTION IN THE 1996 SESSION

By Assemblymen ARNONE, JONES,  
Assemblywoman Heck and Senator Bennett

1 AN ACT concerning the investment powers of boards of education and  
2 local units and amending P.L.1977, c.177 and P.L.1977, c.396.

3  
4 **BE IT ENACTED** by the Senate and General Assembly of the State  
5 of New Jersey:

6  
7 1. Section 1 of P.L.1977, c.177 (C.18A:20-37) is amended to read  
8 as follows:

9 1. <sup>1</sup>a.<sup>1</sup> When authorized by resolution adopted by a majority vote  
10 of all its members the board of education of any school district may  
11 use moneys, which may be in hand, for the purchase of the following  
12 types of securities which, if suitable for registry, may be registered in  
13 the name of the school district:

14 <sup>1</sup>**[a.] (1)**<sup>1</sup> Bonds or other obligations of the United States of  
15 America or obligations guaranteed by the United States of America <sup>1</sup>**[**,  
16 including securities of, or other interests in, any open-end or  
17 closed-end management type investment company or investment trust  
18 registered under the "Investment Company Act of 1940," 54 Stat.  
19 **[847] 789** (15 U.S.C. §80a-1 et seq.), purchased and redeemed only  
20 through the use of National or State banks located within this State or  
21 other financial intermediaries registered pursuant to section 9 of  
22 P.L.1967, c.93 (C.49:3-56), if the portfolio of that investment  
23 company or investment trust is limited to bonds or other obligations  
24 of the United States of America, bonds or other obligations guaranteed

EXPLANATION - Matter enclosed in bold-faced brackets **[thus]** in the above bill is not enacted and intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

<sup>1</sup> Assembly AFI committee amendments adopted March 4, 1996.

<sup>2</sup> Assembly floor amendments adopted March 28, 1996.

<sup>3</sup> Senate SSG committee amendments adopted November 18, 1996.

<sup>4</sup> Senate SBA committee amendments adopted December 16, 1996.

<sup>5</sup> Senate floor amendments adopted March 24, 1997.

<sup>6</sup> Assembly amendments adopted in accordance with Governor's recommendations June 23, 1997.

1 by the United States of America and repurchase agreements fully  
2 collateralized by bonds or other obligations of the United States of  
3 America or bonds or other obligations guaranteed by the United States  
4 of America, which collateral shall be delivered to or held by the  
5 investment company or investment trust, either directly or through an  
6 authorized custodian;

7 b. Bonds of any Federal Intermediate Credit Bank, Federal Home  
8 Loan Bank, Federal Land Bank, Federal National Mortgage Associates  
9 or of any United States Bank for Cooperatives which have a maturity  
10 date not greater than 12 months from the date of purchase; or

11 c. 1;

12 (2) Government money market mutual funds;

13 (3) Any obligation that a federal agency or a federal instrumentality  
14 has issued in accordance with an act of Congress, which security has  
15 a maturity date not greater than <sup>2</sup>[12 months] 397 days<sup>2</sup> from the date  
16 of purchase, provided that such obligations bear a fixed rate of interest  
17 not dependent on any index or other external factor;

18 (4)<sup>1</sup> Bonds or other obligations of the school district <sup>1</sup>[.] or bonds  
19 or other obligations of the local unit or units within which the school  
20 district is located;

21 (5) Bonds or other obligations, having a maturity date of not more  
22 than <sup>2</sup>[12 months] 397 days<sup>2</sup> from the date of purchase, approved by  
23 the Division of Investment in the Department of the Treasury for  
24 investment by <sup>2</sup>[local units] school districts<sup>2</sup>;

25 (6) Local government investment pools;

26 (7) Deposits with the State of New Jersey Cash Management Fund  
27 established pursuant to section 1 of P.L.1977, c.281 (C.52:18A-90.4  
28 <sup>3</sup>[et seq.]<sup>3</sup>); or

29 (8) Agreements for the repurchase of fully collateralized securities,  
30 <sup>3</sup>[where] if<sup>3</sup>:

31 (a) the underlying securities are permitted investments pursuant to  
32 paragraphs (1) and (3) of this subsection a.;

33 (b) the custody of collateral is transferred to a third party;

34 (c) the maturity of the agreement is <sup>3</sup>[no] not<sup>3</sup> more than 30 days;

35 (d) the underlying securities are purchased through a public  
36 depository as defined in section 1 of P.L.1970, c.236 (C.17:9-41) and  
37 for which a master repurchase agreement providing for the custody  
38 and security of collateral is executed.

39 b. Any investment instruments <sup>3</sup>[where] in which<sup>3</sup> the security is  
40 not physically held by the school district shall be covered by a third  
41 party custodial agreement which shall provide for the designation of  
42 such investments in the name of the school board and <sup>3</sup>[have such  
43 safeguards to]<sup>3</sup> prevent unauthorized use of such investments.

44 c. Purchase of investment securities shall be executed by the  
45 "delivery versus payment" method to ensure that securities are

1 <sup>2</sup>[deposited in the financial institution] either received by the school  
 2 district or a third party custodian<sup>2</sup> prior to <sup>2</sup>or upon<sup>2</sup> the release of the  
 3 school district's funds.

4 d. Any investments not purchased and redeemed directly from the  
 5 issuer, <sup>3</sup>government money market mutual fund, local government  
 6 investment pool, or the State of New Jersey Cash Management Fund.<sup>3</sup>  
 7 shall be purchased and redeemed through the use of a national or State  
 8 bank located within this State or <sup>3</sup>[other financial intermediary]  
 9 through a broker-dealer which, at the time of purchase or redemption,  
 10 has been<sup>3</sup> registered <sup>3</sup>continuously for a period of at least two years<sup>3</sup>  
 11 pursuant to section 9 of P.L.1967, c.93 (C.49:3-56) <sup>3</sup>and has at least  
 12 \$25 million in capital stock (or equivalent capitalization if not a  
 13 corporation), surplus reserves for contingencies and undivided profits<sup>3</sup>  
 14 <sup>4</sup>, or through a securities dealer who makes primary markets in U.S.  
 15 Government securities and reports daily to the Federal Reserve Bank  
 16 of New York its position in and borrowing on such U.S. Government  
 17 securities<sup>4</sup>.

18 e. For the purposes of this section:

19 (1) a "government money market mutual fund" means <sup>2</sup>[a fund:

20 (a) of]<sup>2</sup> an investment company or investment trust <sup>2</sup>[.];

21 (a)<sup>2</sup> which <sup>2</sup>[company or trust]<sup>2</sup> is registered with the Securities  
 22 and Exchange Commission under the "Investment Company Act of  
 23 1940," 15 U.S.C. §80a-1 et seq., and <sup>2</sup>[which fund is]<sup>2</sup> operated in  
 24 accordance with 17 C.F.R. §270.2a-7;

25 (b) the portfolio of which is limited to U.S. Government securities  
 26 that meet the definition of an eligible security pursuant to 17  
 27 C.F.R. §270.2a-7 and repurchase agreements that are collateralized by  
 28 such U.S. Government securities <sup>6</sup>in which direct investment may be  
 29 made pursuant to paragraphs (1) and (3) of subsection (a) of this  
 30 section<sup>6</sup> ; <sup>3</sup>and<sup>3</sup>

31 (c) which <sup>6</sup>is rated by a nationally recognized statistical rating  
 32 organization.<sup>6</sup> <sup>4</sup>[is rated <sup>3</sup>[in the highest category]<sup>3</sup> by a nationally  
 33 recognized statistical rating organization] <sup>6</sup>[has:

34 (i) attained the highest ranking or the highest letter and numerical  
 35 rating of a nationally recognized statistical rating organization; or

36 (ii) retained an investment advisor registered or exempt from  
 37 registration with the Securities and Exchange Commission pursuant to  
 38 the "Investment Advisers Act of 1940," 15 U.S.C. §80b-1 et seq., with  
 39 experience investing in U.S. Government securities for at least the  
 40 most recent past 60 months and with assets under management in  
 41 excess of \$500 million<sup>4</sup>]<sup>6</sup> <sup>3</sup>[; and

42 (d) which does not permit investments in instruments that: are  
 43 subject to high price volatility with changing market conditions; cannot  
 44 reasonably be expected, at the time of interest rate adjustment, to have  
 45 a market value that approximates their par value; or utilize an index

1 that does not support a stable net asset value<sup>3</sup> .

2 (2) a "local government investment pool" means an investment  
3 pool:

4 (a) which is managed in accordance with 17 C.F.R. <sup>3</sup> [§270.2a7]  
5 §270.2a-7<sup>3</sup>:

6 (b) which is rated in the highest category by a nationally  
7 recognized statistical rating organization; <sup>3</sup> [and]<sup>3</sup>

8 (c) the portfolio of which is limited to U.S. Government securities  
9 that meet the definition of an eligible security pursuant to 17  
10 C.F.R. §270.2a-7 and repurchase agreements that are collateralized by  
11 such U.S. Government securities <sup>6</sup> in which direct investment may be  
12 made pursuant to paragraphs (1) and (3) of subsection (a) of this  
13 section<sup>6</sup>:

14 (d) which is in compliance with rules adopted pursuant to the  
15 "Administrative Procedure Act," P.L.1968, <sup>3</sup> [c.412] c.410 <sup>3</sup>  
16 (C.52:14B-1 et seq.) by the Local Finance Board of the Division of  
17 Local <sup>3</sup> [Finance] Government Services <sup>3</sup> in the Department of  
18 Community Affairs, which rules shall provide for disclosure and  
19 reporting requirements, and other provisions deemed necessary by the  
20 board to provide for the safety, liquidity and yield of the investments;  
21 <sup>4</sup> [and]<sup>4</sup>

22 (e) which does not permit investments in instruments that: are  
23 subject to high price volatility with changing market conditions;  
24 cannot reasonably be expected, at the time of interest rate adjustment,  
25 to have a market value that approximates <sup>3</sup> [its] their<sup>3</sup> par value; or  
26 utilize an index that does not support a stable net asset value <sup>4</sup>; and

27 (f) which purchases and redeems investments directly from the  
28 issuer, a government money market mutual fund, or the State of New  
29 Jersey Cash Management Fund, or through the use of a national or  
30 State bank located within this State, or through a broker-dealer which,  
31 at the time of purchase or redemption, has been registered  
32 continuously for a period of at least two years pursuant to section 9 of  
33 P.L.1967, c.93 (C.49:3-56) and has at least \$25 million in capital stock  
34 (or equivalent capitalization if not a corporation), surplus reserves for  
35 contingencies and undivided profits, or through a securities dealer who  
36 makes primary markets in U.S. Government securities and reports  
37 daily to the Federal Reserve Bank of New York its position in and  
38 borrowing on such U.S. Government securities<sup>4</sup> <sup>1</sup>

39 <sup>2</sup>f. Investments in, or deposits or purchases of financial instruments  
40 made pursuant to this section shall not be subject to the requirements  
41 of the "Public School Contracts Law," N.J.S.18A:18A-1 et seq.<sup>2</sup>  
42 (cf: P.L.1991, c.458, s.1)

43

44 <sup>1</sup>2. N.J.S.40A:5-14 is amended to read as follows:

45 40A:5-14. a. Each local unit shall adopt a cash management plan  
46 and shall deposit <sup>5</sup>, or invest, or both deposit and invest,<sup>5</sup> its funds

1 pursuant to that plan. The cash management plan shall include <sup>3</sup>:

2 (1)<sup>3</sup> the designation of a <sup>3</sup>public<sup>3</sup> depository or depositories as  
 3 defined in section 1 of P.L.1970, c.236 (C.17:9-41) <sup>3</sup>[, designation of  
 4 any fund that meets the requirements established pursuant to section  
 5 8 of P.L.1977, c.396 (C.40A:5-15.1), or authorization for investments  
 6 in other investment instruments as permitted pursuant to law, or any  
 7 combination of the previously permitted designations or  
 8 authorization.]<sup>3</sup> and may permit deposits in such <sup>3</sup>public<sup>3</sup> depository  
 9 or depositories as permitted in section 4 of P.L.1970, c.236  
 10 (C.17:9-44)<sup>3</sup>:

11 (2) <sup>6</sup>the designation of any fund that meets the requirements  
 12 established pursuant to section 8 of P.L.1977, c.396 (C.40A:5-15.1)  
 13 and<sup>6</sup> <sup>5</sup>[the designation of any fund that meets the requirements  
 14 established pursuant to section 8 of P.L.1977, c.396 (C.40A:5-15.1);

15 (3)<sup>5</sup> the authorization for investments [in other investment  
 16 instruments]<sup>5</sup> as permitted <sup>5</sup>[by law] pursuant to section 8 of  
 17 P.L.1977, c.396 (C.40A:5-15.1)<sup>5</sup> ; or

18 <sup>5</sup>[(4)] (3)<sup>5</sup> any combination of the designations or authorizations  
 19 permitted pursuant to this subsection a<sup>3</sup>. [In lieu of designating a  
 20 depository or in addition to the designation, the cash management plan  
 21 may provide that the local unit make deposits with the State of New  
 22 Jersey Cash Management Fund established pursuant to section 1 of  
 23 P.L.1977, c.281 (C.52:18A-90.4).]

24 b. The cash management plan shall be approved annually by  
 25 majority vote of the governing body of the local unit and may be  
 26 modified from time to time in order to reflect changes in federal or  
 27 State law or regulations, or in the designations of depositories <sup>6</sup>, funds  
 28 or investment instruments<sup>6</sup> <sup>5</sup>[<sup>3</sup>, funds<sup>3</sup> or investment instruments] or  
 29 the authorization for investments<sup>5</sup> . The chief financial officer of the  
 30 local unit shall be charged with administering the plan.

31 c. The cash management plan shall be designed to assure to the  
 32 extent practicable the investment of local funds in interest bearing  
 33 accounts and [may be modified from time to time in order to reflect  
 34 changes in federal or state law or regulations] other permitted  
 35 investments. The cash management plan shall be subject to the annual  
 36 audit conducted pursuant to N.J.S.40A:5-4. When an investment in  
 37 bonds maturing in more than one year is authorized, the maturity of  
 38 <sup>3</sup>[such] those<sup>3</sup> bonds <sup>3</sup>[must] shall<sup>3</sup> approximate the prospective use  
 39 of the funds invested.

40 d. The cash management plan may include authorization to invest  
 41 in any of the investments authorized pursuant to <sup>3</sup>section 8 of<sup>3</sup>  
 42 P.L.1977, c.396 (C.40A:5-15.1) and shall set policies for selecting and  
 43 evaluating investment instruments accordingly. Such policies shall  
 44 consider preservation of capital, liquidity, current and historical  
 45 investment returns, diversification, maturity requirements, costs and

1 fees, and when appropriate, policies of investment instrument  
2 administrators. Policies shall be based on a cash flow analysis  
3 prepared by the chief financial officer and be commensurate with the  
4 nature and size of the funds held by the local unit. All investments  
5 shall be made on a competitive basis insofar as practicable.

6 e. The cash management plan shall require a monthly report to the  
7 governing body summarizing all investments made or redeemed since  
8 the last meeting. The report shall set forth each organization holding  
9 local unit funds, the amount of securities purchased or sold, class or  
10 type of securities purchased, book value, earned income, fees incurred,  
11 and market value of all investments as of the report date and other  
12 information that may be required by the governing body.

13 f. The official charged with the custody of moneys of a local unit  
14 shall deposit or invest them as designated <sup>5</sup>or authorized<sup>5</sup> by the cash  
15 management plan <sup>5</sup>pursuant to subsection a. of this section<sup>5</sup> and shall  
16 thereafter be relieved of any liability for loss of such moneys due to the  
17 insolvency or closing of any depository <sup>5</sup>[or fund]<sup>5</sup> designated <sup>5</sup>[in]  
18 by, or the decrease in value of any investment authorized by,<sup>5</sup> the cash  
19 management plan <sup>5</sup>pursuant to subsection a. of this section<sup>5</sup>.

20 g. Any official involved in the <sup>3</sup>[naming] designation <sup>3</sup>of  
21 depositories <sup>5</sup>[or government money market mutual funds,]<sup>5</sup> <sup>3</sup>or in  
22 the authorization for <sup>5</sup>[investment in other investment instruments]  
23 investments as permitted pursuant to section 8 of P.L.1977, c.396  
24 (C.40A:5-15.1)<sup>5</sup>, or any combination of the preceding,<sup>3</sup> <sup>5</sup>[pursuant to  
25 subsection a. of this section,]<sup>5</sup> or <sup>3</sup>the<sup>3</sup> selection of an entity seeking  
26 to sell an investment to the local unit who has a material business or  
27 personal relationship with that organization shall disclose that  
28 relationship to the governing body of the local unit and to the Local  
29 <sup>3</sup>[Government Ethics] Finance<sup>3</sup> Board <sup>3</sup>or a county or municipal  
30 ethics board, as appropriate<sup>3</sup>.

31 h. The registered principal of any security brokerage firm selling  
32 securities to the local unit shall be provided with, and sign an  
33 acknowledgment that the principal has seen and reviewed the local  
34 unit's cash management plan <sup>5</sup>[, and <sup>3</sup>[certifies]<sup>3</sup> that the firm<sup>3</sup> [has  
35 implemented controls against] shall not execute transactions resulting  
36 in<sup>3</sup> investments that are <sup>3</sup>[contrary to]<sup>3</sup> not authorized under<sup>3</sup> the  
37 local unit's cash management plan or State law]<sup>5</sup> <sup>4</sup>, except that <sup>5</sup>[if  
38 the registered principal of any security brokerage firm selling securities  
39 to the local unit is only selling securities of] with respect to the sale  
40 of<sup>5</sup> a government money market mutual fund, the registered principal  
41 <sup>5</sup>[shall] need only<sup>5</sup> be provided with and sign an acknowledgement  
42 that the government money market mutual fund whose securities are  
43 being sold to the local unit meets the criteria of a government money  
44 market mutual fund as set forth in paragraph (1) of subsection e. of  
45 section 8 of P.L.1977, c.396 (C.40A:5-15.1) <sup>5</sup>[and has been so

1 designated in the local unit's cash management plan <sup>4</sup> <sup>5</sup> .<sup>1</sup>

2 (cf: P.L.1983, c.8, s.2)

3

4 <sup>1</sup> **[2.] 3.** Section 8 of P.L.1977, c.396 (C.40A:5-15.1) is amended  
5 to read as follows:

6 8. Securities which may be purchased by local units.

7 <sup>1</sup> **a.** When authorized by <sup>1</sup> **[**resolution adopted by a majority vote  
8 of all its members, the governing body of **]** a cash management plan  
9 approved pursuant to N.J.S.40A:5-14, any local unit may use moneys  
10 which may be in hand for the purchase of the following types of  
11 securities which, if suitable for registry, may be registered in the name  
12 of the local unit:

13 <sup>1</sup> **[a.] (1)** Bonds or other obligations of the United States of  
14 America or obligations guaranteed by the United States of America <sup>1</sup> **[**,  
15 including securities of, or other interests in, any open-end or  
16 closed-end management type investment company or investment trust  
17 registered under the "Investment Company Act of 1940," 54 Stat.  
18 **[847] 789** (15 U.S.C. §80a-1 et seq.), purchased and redeemed only  
19 through the use of National or State banks located within this State or  
20 other financial intermediaries registered pursuant to section 9 of  
21 P.L.1967, c.93 (C.49:3-56), if the portfolio of that investment  
22 company or investment trust is limited to bonds or other obligations  
23 of the United States of America, bonds or other obligations guaranteed  
24 by the United States of America and repurchase agreements fully  
25 collateralized by bonds or other obligations of the United States of  
26 America or bonds or other obligations guaranteed by the United States  
27 of America, which collateral shall be delivered to or held by the  
28 investment company or investment trust, either directly or through an  
29 authorized custodian;

30 b. Bonds of any Federal Intermediate Credit Bank, Federal Home  
31 Loan Bank, Federal Land Bank, Federal National Mortgage Associates  
32 or of any United States Bank for Cooperatives which have a maturity  
33 date not greater than 12 months from the date of purchase;

34 **c.]**;

35 (2) Government money market mutual funds;

36 (3) Any obligation that a federal agency or a federal  
37 instrumentality has issued in accordance with an act of Congress,  
38 which security has a maturity date not greater than <sup>2</sup> **[12 months]** <sup>397</sup>  
39 days <sup>2</sup> from the date of purchase, provided that such obligation bears  
40 a fixed rate of interest not dependent on any index or other external  
41 factor <sup>3</sup> **[.]** <sup>3</sup>

42 <sup>1</sup> **(4)** Bonds or other obligations of the local unit or bonds or other  
43 obligations of school districts of which the local unit is a part or within  
44 which the school district is located; <sup>1</sup> **[**or

45 **d.] (5)** Bonds or other obligations, having a maturity date not



1 more than <sup>2</sup>[12 months] 397 days<sup>2</sup> from the date of purchase,  
 2 approved by the Division of Investment of the Department of the  
 3 Treasury for investment by local units <sup>3</sup>[.] <sup>3</sup>;

4 <sup>1</sup>(6) Local government investment pools;

5 (7) Deposits with the State of New Jersey Cash Management Fund  
 6 established pursuant to section 1 of P.L.1977, c.281 (C.52:18A-90.4);  
 7 or

8 (8) Agreements for the repurchase of fully collateralized  
 9 securities, <sup>3</sup>[where] if<sup>3</sup>:

10 (a) the underlying securities are permitted investments pursuant to  
 11 paragraphs (1) and (3) of this subsection a.;

12 (b) the custody of collateral is transferred to a third party;

13 (c) the maturity of the agreement is not more <sup>3</sup>[that] than<sup>3</sup> 30  
 14 days;

15 (d) the underlying securities are purchased through a public  
 16 depository as defined in section 1 of P.L.1970, c.236 (C.17:9-41); and

17 (e) a master repurchase agreement providing for the custody and  
 18 security of collateral is executed.

19 b. Any investment instruments <sup>3</sup>[where] in which<sup>3</sup> the security is  
 20 not physically held by the local unit shall be covered by a third party  
 21 custodial agreement which shall provide for the designation of such  
 22 investments in the name of the local unit and <sup>3</sup>[have such safeguards  
 23 to]<sup>3</sup> prevent unauthorized use of such investments.

24 c. Purchase of investment securities shall be executed by the  
 25 "delivery versus payment" method to ensure that securities are  
 26 <sup>2</sup>[deposited in the financial institution] either received by the local  
 27 unit or a third party custodian<sup>2</sup> prior to <sup>2</sup>or upon<sup>2</sup> the release of the  
 28 local unit's funds.

29 d. Any investments not purchased and redeemed directly from the  
 30 issuer, <sup>3</sup>government money market mutual fund, local government  
 31 investment pool, or the State of New Jersey Cash Management Fund,<sup>3</sup>  
 32 shall be purchased and redeemed through the use of a national or State  
 33 bank located within this State or <sup>3</sup>[other financial intermediary]  
 34 through a broker-dealer which, at the time of purchase or redemption,  
 35 has been <sup>3</sup>registered <sup>3</sup>continuously for a period of at least two years<sup>3</sup>  
 36 pursuant to section 9 of P.L.1967, c.93 (C.49:3-56) <sup>3</sup>and has at least  
 37 \$25 million in capital stock (or equivalent capitalization if not a  
 38 corporation), surplus reserves for contingencies and undivided profits<sup>3</sup>  
 39 <sup>4</sup>, or through a securities dealer who makes primary markets in U.S.  
 40 Government securities and reports daily to the Federal Reserve Bank  
 41 of New York its position in and borrowing on such U.S. Government  
 42 securities<sup>4</sup> .

43 e. For the purposes of this section:

44 (1) a "government money market mutual fund" means <sup>2</sup>[a fund:

45 (a) of]<sup>2</sup> an investment company or investment trust <sup>2</sup>[.] :

1       (a)<sup>2</sup> which <sup>2</sup>[company or trust]<sup>2</sup> is registered with the Securities  
2 and Exchange Commission under the "Investment Company Act of  
3 1940," 15 U.S.C. §80a-1 et seq., and <sup>2</sup>[which fund is]<sup>2</sup> operated in  
4 accordance with 17 C.F.R. §270.2a-7;

5       (b) the portfolio of which is limited to U.S. Government securities  
6 that meet the definition of an eligible security pursuant to 17 C.F.R.  
7 §270.2a-7 and repurchase agreements that are collateralized by such  
8 U.S. Government securities <sup>6</sup>in which direct investment may be made  
9 pursuant to paragraphs (1) and (3) of subsection (a) of this section<sup>6</sup>;  
10 <sup>2</sup>[and]<sup>2</sup> <sup>3</sup>and<sup>3</sup>

11       (c) which <sup>6</sup>is rated by a nationally recognized statistical rating  
12 organization. <sup>6</sup> <sup>4</sup>[is rated <sup>3</sup>[in the highest category]<sup>3</sup> by a nationally  
13 recognized statistical rating organization] <sup>6</sup>[has:

14       (i) attained the highest ranking or the highest letter and numerical  
15 rating of a nationally recognized statistical rating organization; or

16       (ii) retained an investment advisor registered or exempt from  
17 registration with the Securities and Exchange Commission pursuant to  
18 the "Investment Advisers Act of 1940," 15 U.S.C. §80b-1 et seq., with  
19 experience investing in U.S. Government securities for at least the  
20 most recent past 60 months and with assets under management in  
21 excess of \$500 million<sup>4</sup> <sup>6</sup> <sup>3</sup>]; and

22       (d) which does not permit investments in instruments that: are  
23 subject to high price volatility with changing market conditions; cannot  
24 reasonably be expected, at the time of interest rate adjustment, to have  
25 a market value that approximates their par value; or utilize an index  
26 that does not support a stable net asset value]<sup>3</sup> .

27       (2) a "local government investment pool" means an investment  
28 pool:

29       (a) which is managed in accordance with 17 C.F.R. <sup>3</sup>[\$270.2a7]  
30 §270.2a-7]<sup>3</sup>;

31       (b) which is rated in the highest category by a nationally  
32 recognized statistical rating organization; <sup>2</sup>[and]<sup>2</sup>

33       (c) which is limited to U.S. Government securities that meet the  
34 definition of an eligible security pursuant to 17 C.F.R. §270.2a-7 and  
35 repurchase agreements that are collateralized by such U.S.  
36 Government securities <sup>6</sup>in which direct investment may be made  
37 pursuant to paragraphs (1) and (3) of subsection (a) of this section<sup>6</sup>;

38       (d) which is in compliance with rules adopted pursuant to the  
39 "Administrative Procedure Act," P.L.1968, <sup>3</sup>[c.412] c.410<sup>3</sup>  
40 (C.52:14B-1 et seq.) by the Local Finance Board of the Division of  
41 Local <sup>3</sup>[Finance] Government Services<sup>3</sup> in the Department of  
42 Community Affairs, which rules shall provide for disclosure and  
43 reporting requirements, and other provisions deemed necessary by the  
44 board to provide for the safety, liquidity and yield of the investments;

45 <sup>4</sup>[and]<sup>4</sup>

1 (e) which does not permit investments in instruments that: are  
 2 subject to high price volatility with changing market conditions;  
 3 cannot reasonably be expected, at the time of interest rate adjustment,  
 4 to have a market value that approximates <sup>3</sup>~~its~~ <sup>3</sup> their<sup>3</sup> par value; or  
 5 utilize an index that does not support a stable net asset value <sup>4</sup>; and

6 (f) which purchases and redeems investments directly from the  
 7 issuer, government money market mutual fund, or the State of New  
 8 Jersey Cash Management Fund, or through the use of a national or  
 9 State bank located within this State, or through a broker-dealer which,  
 10 at the time of purchase or redemption, has been registered  
 11 continuously for a period of at least two years pursuant to section 9 of  
 12 P.L.1967, c.93 (C.49:3-56) and has at least \$25 million in capital stock  
 13 (or equivalent capitalization if not a corporation), surplus reserves for  
 14 contingencies and undivided profits, or through a securities dealer who  
 15 makes primary markets in U.S. Government securities and reports  
 16 daily to the Federal Reserve Bank of New York its position in and  
 17 borrowing on such U.S. Government securities<sup>4</sup> .<sup>1</sup>

18 <sup>2</sup>f. Investments in, or deposits or purchases of financial  
 19 instruments made pursuant to this section shall not be subject to the  
 20 requirements of the "Local Public Contracts Law," P.L.1971, c.198  
 21 (C.40A:11-1 et seq.).<sup>2</sup>

22 (cf: P.L.1991, c.458, s.2)

23  
 24 <sup>1</sup>[3.] 4.<sup>1</sup> This act shall take effect immediately.

25  
 26  
 27  
 28  
 29 \_\_\_\_\_  
 30 Allows school boards and local units to invest mutual funds through  
 certain financial intermediaries other than banks.

1 date not greater than 12 months from the date of purchase; or

2 c. Bonds or other obligations of the school district.

3 (cf: P.L.1991, c.458, s.1)

4

5 2. Section 8 of P.L.1977, c.396 (C.40A:5-15.1) is amended to read  
6 as follows:

7 8. When authorized by resolution adopted by a majority vote of all  
8 its members, the governing body of any local unit may use moneys  
9 which may be in hand for the purchase of the following types of  
10 securities which, if suitable for registry, may be registered in the name  
11 of the local unit:

12 a. Bonds or other obligations of the United States of America or  
13 obligations guaranteed by the United States of America, including  
14 securities of, or other interests in, any open-end or closed-end  
15 management type investment company or investment trust registered  
16 under the "Investment Company Act of 1940," 54 Stat. **[847]** 789 (15  
17 U.S.C. §80a-1 et seq.), purchased and redeemed only through the use  
18 of National or State banks located within this State or other financial  
19 intermediaries registered pursuant to section 9 of P.L.1967, c.93  
20 (C.49:3-56), if the portfolio of that investment company or investment  
21 trust is limited to bonds or other obligations of the United States of  
22 America, bonds or other obligations guaranteed by the United States  
23 of America and repurchase agreements fully collateralized by bonds or  
24 other obligations of the United States of America or bonds or other  
25 obligations guaranteed by the United States of America, which  
26 collateral shall be delivered to or held by the investment company or  
27 investment trust, either directly or through an authorized custodian;

28 b. Bonds of any Federal Intermediate Credit Bank, Federal Home  
29 Loan Bank, Federal Land Bank, Federal National Mortgage Associates  
30 or of any United States Bank for Cooperatives which have a maturity  
31 date not greater than 12 months from the date of purchase;

32 c. Bonds or other obligations of the local unit or bonds or other  
33 obligations of school districts of which the local unit is a part or within  
34 which the school district is located; or

35 d. Bonds or other obligations, having a maturity date not more  
36 than 12 months from the date of purchase, approved by the Division  
37 of Investment of the Department of the Treasury for investment by  
38 local units.

39 (cf: P.L.1991, c.458, s.2)

40

41 3. This act shall take effect immediately.

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#### STATEMENT

45

46 This bill expands the range of agents through whom school boards

1 and local units may purchase and redeem authorized mutual funds by  
2 permitting the use of broker-dealers and agents registered pursuant to  
3 the "Uniform Securities Law (1967)." Currently, the only avenue  
4 through which a school board or local unit may purchase such  
5 securities is a national or State bank located within this State. Thus,  
6 the bill would make a safe and flexible type of investment more  
7 accessible to the fiscal officers of school boards and local units in this  
8 State.

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13 Allows school boards and local units to invest mutual funds through  
14 certain financial intermediaries other than banks.

# ASSEMBLY FINANCIAL INSTITUTIONS COMMITTEE

## STATEMENT TO

### **ASSEMBLY, No. 832**

with committee amendments

# **STATE OF NEW JERSEY**

DATED: MARCH 4, 1996

The Assembly Financial Institutions Committee reports favorably and with committee amendments Assembly Bill No. 832.

This bill expands the alternatives by which school boards and local units may purchase and redeem authorized mutual funds by permitting direct purchase from the issuer and by permitting the use of broker-dealers and agents registered pursuant to the "Uniform Securities Law (1967)." Currently, the only avenue through which a school board or local unit may purchase such securities is a national or State bank located within this State.

Amendments to bill equalize investment authority between school boards and local units; narrow the type of investments in mutual funds to government money market funds and tighten existing practices with respect to investments in local government pools and repurchase agreements.

In addition, under the amendments: local units are required to approve on an annual basis a cash management plan; receive a monthly report summarizing all investments made or redeemed since the last meeting of the governing body; any local unit official involved in designating a depository or selecting an entity seeking to sell an investment to the local unit, is required to disclose to the Local Government Ethics Board information on a material or personal relationship, if any, that official has with the depository, fund or entity; and the local unit is required to provide local unit's cash management plan to the registered principal of any security brokerage firm selling securities to the local unit and that registered principal is required to sign an acknowledgment that the registered principal has seen and reviewed the local unit's cash management plan, and certifies that the firm has implemented controls against investments that are contrary to the local unit's cash management plan or State law.

This bill was pre-filed for introduction in the 1996 session pending technical review. As reported, the bill includes the changes required by technical review which has been performed.

# SENATE STATE GOVERNMENT COMMITTEE

## STATEMENT TO

[Second Reprint]

### **ASSEMBLY, No. 832**

with committee amendments

# **STATE OF NEW JERSEY**

DATED: NOVEMBER 18, 1996

The Senate State Government Committee reports favorably and with committee amendments Assembly Bill No. 832 (2R).

Assembly Bill No. 832 (2R), as amended, expands the methods by which school boards and local units may purchase and redeem authorized mutual funds by permitting direct purchase and redemption from the issuer, government money market mutual funds, local government investment pools, or the State of New Jersey Cash Management Fund and purchase and redemption through the use of broker-dealers, which at the time of purchase or redemption, have been registered continuously for a period of at least two years pursuant to the "Uniform Securities Law (1967)" and have at least \$25 million in capital stock (or equivalent capitalization if not a corporation), surplus reserves for contingencies and undivided profits. Currently, the only avenue through which a school board or local unit may purchase and redeem such securities is a national or State bank located within this State.

The bill equalizes investment authority between school boards and local units, while restricting the type of investments in mutual funds to government money market mutual funds and tightening existing practices with respect to investments in local government pools and repurchase agreements. The bill defines a government money market mutual fund to mean an investment company: which is registered with the Securities and Exchange Commission and operated in accordance with federal regulations; the portfolio of which is limited to U.S. Government securities and repurchase agreements that are collateralized by U.S. Government securities; and which is rated by a nationally recognized statistical rating organization.

In addition, under the bill: local units are required to approve on an annual basis a cash management plan; local units must receive a monthly report summarizing all investments made or redeemed since the last meeting of the governing body; and any local unit official involved in selecting an entity seeking to sell an investment to the local

unit is required to disclose to the governing body of the local unit and to the Local Finance Board or a county or municipal ethics board, as appropriate, information on a material or personal relationship, if any, that official has with that entity. The local unit is also required to provide its cash management plan to the registered principal of any security brokerage firm selling securities to the local unit and that registered principal is required to sign an acknowledgment that the registered principal has seen and reviewed the local unit's cash management plan, and that the firm will not execute transactions resulting in investments that are not authorized under the local unit's cash management plan or State law.

Finally, the bill provides that: the maturity date of certain federal obligations or other bonds or obligations approved by the Division of Investment shall be 397 days, consistent with the federal regulation, 17 C.F.R. §270.2a-7; the purchase of investment securities shall be executed under a "delivery versus payment" method which requires that the securities are to be received either by the school district, local unit or a third party custodian prior to or upon release of the school district's or local unit's funds; and deposits or purchases of financial instruments made by boards of education or local units consistent with the requirements of the bill are not subject to the requirements of the "Public School Contracts Law," N.J.S.18A:18A-1 et seq. or of the "Local Public Contracts Law," P.L.1971, c.198 (C.40A:11-1 et seq.), respectively.

As amended, Assembly Bill No.832 (2R) is identical to Senate Bill No.1413, as amended.

#### COMMITTEE AMENDMENTS

Amendments to the bill change the definition of a government money market mutual fund by: deleting the prohibition on investing in instruments that (1) are subject to high price volatility with changing market conditions; (2) cannot reasonably be expected, at the time of interest rate adjustment, to have a market value that approximates their par value; and (3) do not utilize an index that supports a stable net asset value (these prohibitions are currently in the federal regulations, 17 C.F.R. §270.2a-7, which are incorporated in the bill); provide clarification that investments can be purchased directly not only from the issuer, but also from a government money market mutual fund, local government investment pool and the State of New Jersey Cash Management Fund; and clarify that when the local unit provides its cash management plan to the registered principal of any security brokerage firm selling securities to the local unit, the registered principal is required to sign an acknowledgment that the registered principal has seen and reviewed the local unit's cash management plan, and, instead of certifying that the firm has implemented controls against investments that are contrary to the local



unit's cash management plan or State law, to acknowledge that the firm will not execute transactions resulting in investments that are not authorized under the local unit's cash management plan or State law.

Other amendments make Assembly, No.832 (2R) identical to Senate Bill No. 1413.

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

[Third Reprint]

### **ASSEMBLY, No. 832**

with Senate committee amendments

# **STATE OF NEW JERSEY**

DATED: DECEMBER 16, 1996

The Senate Budget and Appropriations Committee reports favorably Assembly Bill No. 832 (3R) with amendments.

As amended, Assembly Bill No. 832 (3R) expands the methods by which school boards and local units may purchase and redeem authorized mutual funds by permitting direct purchase and redemption from the issuer, government money market mutual funds, local government investment pools, or the State of New Jersey Cash Management Fund. Purchase and redemption will also be permitted through the use of certain broker-dealers or certain securities dealers. Currently, the only avenue through which a school board or local unit may purchase and redeem such securities is a national or State bank located within this State.

The bill equalizes investment authority between school boards and local units, while restricting the type of investments in mutual funds to government money market mutual funds and tightening existing practices with respect to investments in local government investment pools and repurchase agreements. The bill defines a government money market mutual fund to mean an investment company: that is registered with the Securities and Exchange Commission and operated in accordance with federal regulations; the portfolio of which is limited to U.S. Government securities and repurchase agreements that are collateralized by U.S. Government securities; and that has attained the highest rating or ranking from a nationally recognized statistical rating organization or has retained an investment advisor who meets certain criteria.

In addition, local units are required to approve on an annual basis a cash management plan; local units must receive a monthly report summarizing all investments made or redeemed since the last meeting of the governing body; and any local unit official involved in selecting an entity seeking to sell an investment to the local unit is required to disclose to the governing body of the local unit and to the Local Finance Board or a county or municipal ethics board, as appropriate, information on a material or personal relationship, if any, that official

has with that entity. The local unit is also required to provide its cash management plan to the registered principal of any security brokerage firm selling securities to the local unit and that registered principal is required to sign an acknowledgment that the registered principal has seen and reviewed the local unit's cash management plan, and that the firm will not execute transactions resulting in investments that are not authorized under the local unit's cash management plan or State law. If the registered principal of any security brokerage firm selling securities to the local unit is only selling securities of a government money market mutual fund, the registered principal will be provided with and sign an acknowledgment that the government money market mutual fund whose securities are being sold to the local unit meets the criteria of a government money market mutual fund and has been so designated in the local units cash management plan.

Finally, the bill provides that: the maturity date of certain federal obligations or other bonds or obligations approved by the Division of Investment shall be 397 days, consistent with federal regulation, 17 C.F.R. §270.2a-7; the purchase of investment securities shall be executed under a "delivery versus payment" method which requires that the securities are to be received either by the school district, local unit or a third party custodian prior to or upon release of the school district's or local unit's funds; and deposits or purchases of financial instruments made by boards of education or local units consistent with the requirements of the bill are not subject to the requirements of the "Public School Contracts Law," N.J.S.18A:18A-1 et seq. or of the "Local Public Contracts Law," P.L.1971, c.198 (C.40A:11-1 et seq.), respectively.

As amended and reported, Assembly, No. 832 (3R) is identical to Senate, No. 1413 (1R) of 1996 (Bennett) as amended and reported by this committee on December 16, 1996.

#### COMMITTEE AMENDMENTS

The committee amended the bill to: change the definition of "local government investment pool" to limit such pools to the purchase and redemption of investments from or through certain sources; provide that an investment company or investment trust can qualify as a government money market mutual fund by having attained the highest ranking or rating of a nationally recognized statistically rating organization or by retaining an investment advisor registered or exempt from registration with the Securities and Exchange Commission, with experience investing in U.S. Government securities for at least the most recent 60 months and with assets under management in excess of \$500 million; provide a third intermediary through which a local unit or board of education may purchase and redeem investments, namely a securities dealer who makes primary markets in U.S. Government securities and reports daily to the Federal Reserve Bank of New York its position in and borrowing on such U.S. Government securities; and provide that if the registered principal

of any security brokerage firm selling securities to the local unit is only selling securities of a government money market mutual fund, the registered principal will be provided with and must sign an acknowledgment that the government money market mutual fund whose securities are being sold to the local unit meets the criteria of a government money market mutual fund and has been so designated in the local unit's cash management plan.

FISCAL IMPACT

This bill has not been certified as requiring a fiscal note because it will not have an impact on State revenues or expenditures.

# STATEMENT TO

[First Reprint]

## **ASSEMBLY, No. 832**

with Assembly Floor Amendments  
(Proposed By Assemblyman ARNONE)

ADOPTED: MARCH 28, 1996

The amendments to Assembly, No.832(1R) change the maturity date of certain federal obligations or other bonds or obligations approved by the Division of Investment from 12 months to 397 days, consistent with the federal regulation, 17 C.F.R. §270.2a-7; clarify that purchase of investment securities under a delivery versus payment method means that the securities are to be received either by the school district, local unit or a third party custodian prior to or upon release of the school district's or local unit's funds; clarify that it is the government money market fund that is registered as an investment company or investment trust under the "Investment Company Act of 1940," 15 U.S.C. §80a-1 et seq; and provide that investments in, or deposits or purchases of financial instruments made consistent with the provision of sections 1 or 3 of the act are not subject to the requirements of the "Public School Contracts Law," N.J.S.18A:18A-1 et seq. or the requirements of the "Local Public Contracts Law," P.L.1971, c.198 (C.40A:11-1 et seq.).

STATEMENT TO  
[Fourth Reprint]  
**ASSEMBLY, No. 832**

with Senate Floor Amendments  
(Proposed By Senator PALAIA)

ADOPTED: MARCH 24, 1997

These amendments to Assembly, No. 832 (4R): remove the requirement that a local unit's cash management plan has to designate the specific investments in which a local unit may invest its moneys and require instead that the cash management plan may include general authorization for those investments which are permitted pursuant to section 8 of P.L.1977, c.396 (C.40A:5-15.1); remove the requirement that the registered principal of any security brokerage firm selling securities to the local unit has to acknowledge that the principal's firm will not execute transactions resulting in investments that are not authorized by the local unit's cash management plan; and provide that if the registered principal is selling only the securities of a government money market mutual fund, the registered principal need only be provided with and sign an acknowledgment that the government money market mutual fund whose securities are being sold to the local unit meets the criteria of a government money market mutual fund as set forth in subsection e. of section 8 of P.L.1977, c.396 (C.40A:5-15.1).

STATE OF NEW JERSEY  
Executive Department

June 23, 1997

**ASSEMBLY BILL NO. 832**  
**( Fifth Reprint )**

To the General Assembly:

Pursuant to Article V, Section I, Paragraph 14 of the New Jersey Constitution, I am returning Assembly Bill No. 832 (Fifth Reprint) with my recommendations for reconsideration.

A. Summary of Bill

This bill accommodates the changing nature of the securities industry by adjusting current law regarding investment opportunities for school boards and local units. First, this bill allows them to purchase securities directly from the securities industry. Under current law, school districts and local units may purchase securities only from national or State banks located in New Jersey. Under this bill, they will be able to purchase securities from issuers, broker-dealers, and agents as well as State banks.

Second, this bill expands the types of securities in which school boards and local units may invest. Under current law, they may invest only in federal bonds or other obligations guaranteed by the federal government. This bill changes current law by allowing them to invest in seven other securities: (1) government money market mutual funds; (2) any federal security which has a maturity date not greater than 397 days from the date of purchase; (3) school district obligations; (4) bonds or other obligations having a maturity date of not more than 397 days from the date of purchase, approved by the Department of Treasury for investment by the school district; (5) local government investment pools; (6) deposits with the New Jersey Cash Management Fund; and (7) agreements for the purchase of fully collateralized securities.

Under the bill, government money market mutual funds must satisfy two criteria in order for them to be purchased by local governments and school districts. First, the funds must be registered and operated in accordance with the rules of the Securities and Exchange Commission ("SEC"). Second, the funds must have either attained the highest rating of a nationally recognized rating organization or, in lieu of a rating requirement, the funds must have retained an investment advisor registered or exempt from registration with the SEC with experience investing in U.S. government securities for at least the most recent 60 months and with assets under management in excess of \$500 million.

Third, the bill broadens the role of a local unit's cash management plan. Currently, cash management plans identify only the depositories of its funds. The purpose of the plan is to assure the investment of local funds in interest bearing accounts. The plan is subject to an annual audit by a registered municipal accountant hired by the municipality or, if the municipality prefers, by the Department of Community Affairs, Division of Local Government Services.

Under the bill, cash management plans must require that a report of all investments made or redeemed be provided to the governing body on a monthly basis. This report must include the following information: (1) the name of the organization holding the local unit's funds; (2) the amount of securities purchased or sold; (3) the class or type of securities purchased; (3) the book value of the securities; (4) earned income; (5) fees incurred; and (6) the market value of all investments as of the report date. The bill allows the governing body to require that the monthly report include other items of interest to the local unit.

Additionally, the bill requires that the cash management plan be approved annually by a majority vote of the governing body. The bill allows the governing body to make more frequent modifications of the cash management plan to reflect changes in federal or State law or regulations, or in the designation of depositories, or the authorization for investments. The bill charges the chief financial officer with the responsibility to administer the cash management plan.

The bill also imposes a disclosure requirement upon some officials involved in the implementation of the cash management plan. The disclosure requirement applies only to those officials involved in the designation of depositories, the selection of investments, or the selection of securities sellers. Under the bill, those officials must disclose any material business or personal relationships with the potential sellers or investment organizations. The bill requires that the information be disclosed to the Department of Community Affairs, Local Finance Board or local ethics board.

#### B. Recommended Action

I commend the sponsors for introducing this bill. By increasing the investment options available to local government, the bill both recognizes the changing nature of the securities industry and advances one of this Administration's consistent



goals: to afford local government greater flexibility to manage its property tax levy.

I am concerned, however, that in affording greater flexibility, the bill must also provide the necessary assurance that local government investing will be done prudently. Accordingly, I recommend that the bill be amended to provide such additional assurances.

First, the bill should be amended to require that government money market mutual funds be rated. Requiring that local governments invest only in rated government money market mutual funds encourages a common-sense approach to investing. Ratings ensure the investor that an independent party has reviewed and analyzed the security. While ratings do not guarantee a safe investment, they provide indicia of reliability which investors use in deciding in which securities to invest. Most important, requiring that local governments invest only in rated funds reassures the public that local government is interested in investing its money wisely.

Second, I propose that the bill be amended to require that the cash management plan identify in which funds local government may invest. Amending the cash management plan to require that local units designate in which funds they may invest reaffirms the significance of the deliberative process on how local government money is spent. The amendment encourages informed decision making. It ensures that governing bodies will consider a variety of funds available for investments and that the funds are identified with particularity. Because the bill allows the governing body to modify the cash management fund from time to time, updated decisions can be incorporated into the plan as necessary. Again, information is key to the decision making process. This amendment encourages local representatives to discuss and share information with their chief financial officers, who are statutorily required to administer the cash management plan.

The bill should also be amended to clarify that the U.S. government securities in which local units and school boards may invest are those in which direct investment may be made pursuant to the terms and conditions outlined in the bill.

Therefore, I herewith return Assembly Bill No. 832 (Fifth Reprint) and recommend that it be amended as follows:

Page 3. Section 1, Line 24:

After "securities" insert "in which direct investment may be made pursuant to paragraphs (1)

and (3) of subsection (a) of this section"

Page 3, Section 1, Line 25:

After "which" insert "is rated by a nationally recognized statistical rating organization."

Page 3, Section 1, Line 26:

Delete "has:"

Page 3, Section 1, Lines 27-34:

Delete in entirety.

Page 4, Section 1, Line 4:

After "securities" insert "in which direct investment may be made pursuant to paragraphs (1) and (3) of subsection (a) of this section"

Page 5, Section 2, Line 2:

After "(2)" insert "the designation of any fund or funds that meets the requirements established pursuant to section 8 of P.L. 1977, c.396 (C.40A-5-15.1) and"

Page 5, Section 2, Line 16:

After "depositories" insert ", funds or investment instruments"

Page 8, Section 3, Line 42:

After "securities" insert "in which direct investment may be made pursuant to paragraphs (1) and (3) of subsection (a) of this section"

Page 8, Section 3, Line 43:

After "which" insert "is rated by a nationally recognized statistical rating organization."

Page 8, Section 3, Line 44:

Delete "has:"

Page 8, Section 3, Line 45:

Delete in entirety.

Page 9, Section 3, Lines 1-7:

Delete in entirety.

Page 9, Section 3, Line 22:

After "securities" insert "in which direct investment may be made pursuant to paragraphs (1) and (3) of subsection (a) of this section"

Respectfully,

/s/ Christine Todd Whitman

Governor

[seal]

Attest:

Michael P. Torpey  
Chief Counsel to the Governor