

[Second Reprint]

ASSEMBLY, No. 3122

STATE OF NEW JERSEY
218th LEGISLATURE

INTRODUCED FEBRUARY 8, 2018

Sponsored by:

Assemblyman JOHN J. BURZICHELLI
District 3 (Cumberland, Gloucester and Salem)
Assemblywoman CAROL A. MURPHY
District 7 (Burlington)
Assemblyman VINCENT MAZZEO
District 2 (Atlantic)
Senator STEPHEN M. SWEENEY
District 3 (Cumberland, Gloucester and Salem)

Co-Sponsored by:

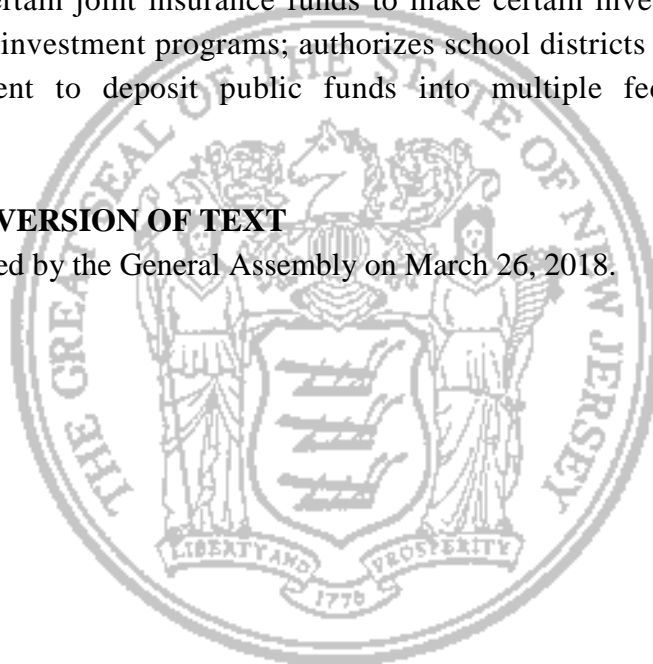
Assemblymen Schaer, Space, Holley and Senator Cardinale

SYNOPSIS

Allows certain joint insurance funds to make certain investments and to form certain investment programs; authorizes school districts and local units of government to deposit public funds into multiple federally-insured accounts.

CURRENT VERSION OF TEXT

As amended by the General Assembly on March 26, 2018.



(Sponsorship Updated As Of: 4/13/2018)

1 AN ACT concerning certain joint insurance funds and certain
2 deposits of public funds, amending P.L.1977, c.177 and N.J.S.
3 40A:5-14 and amending and supplementing P.L.1983, c.372 and
4 P.L. 1983, c.108.

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

8
9 1. Section 3 of P.L.1983, c.372 (C.40A:10-38) is amended to
10 read as follows:

11 3. a. The commissioners of a joint insurance fund shall have
12 the powers and authority granted to commissioners of individual
13 local insurance funds under the provisions of subsections a., b., c.,
14 and e. of N.J.S.40A:10-10.

15 b. The commissioners may invest and reinvest the funds,
16 including workers' compensation funds, as authorized under the
17 provisions of subsection b. of N.J.S.40A:10-10. The commissioners
18 may, subject to the cash management plan of the joint insurance
19 fund adopted pursuant to N.J.S.40A:5-14, delegate any of the
20 functions, powers and duties relating to the investment and
21 reinvestment of these funds, including the purchase, sale or
22 exchange of any investments, securities or funds to an investment or
23 asset manager. Any transfer of investment power and duties made
24 pursuant to this subsection shall be detailed in a written contract for
25 services between the joint insurance fund and an investment or asset
26 manager. The contract shall be filed with the Commissioner of
27 Banking and Insurance and the Commissioner of Community
28 Affairs. Compensation under such an arrangement shall not be
29 based upon commissions related to the purchase, sale or exchange
30 of any investments, securities or funds. In addition to the types of
31 securities in which the joint insurance fund may invest pursuant to
32 section 8 of P.L.1977, c.396 (C.40A:5-15.1), a joint insurance fund
33 may invest moneys held in the fund in bonds, notes, and other
34 obligations issued by an agency or corporation of the federal
35 government or a governmental entity established under the laws of
36 this State, provided that the agency, corporation, or governmental
37 entity responsible for the issuance of the bonds, notes, or other
38 obligations is not in default as to the payment of principal or
39 interest upon any of its outstanding obligations, and provided
40 further that the bonds, notes, or other obligations are purchased at
41 fair market value, guaranteed as to interest and principal, and have a
42 credit rating of A3 or higher by Moody's Investor Services, Inc., A-
43 or higher by Standard & Poor's Corporation, and A- or higher by
44 Fitch Ratings, except that two of the three ratings is sufficient and

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

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹Assembly AFI committee amendments adopted March 5, 2018.

²Assembly floor amendments adopted March 26, 2018.

1 one of the three ratings is sufficient if only one rating is available.
2 If a rating for the bonds, notes, or other obligations has not been
3 obtained from one of the credit rating agencies, the bonds, notes, or
4 other obligations may be purchased if the agency, corporation, or
5 governmental entity responsible for the issuance meets the
6 minimum rating criteria specified by the previous sentence.

7 c. The commissioners may transfer moneys held in the fund to
8 the Director of the Division of Investment in the Department of the
9 Treasury for investment on behalf of the fund, pursuant to the
10 written directions of the commissioners, signed by an authorized
11 officer of the joint insurance fund, or any investment or asset
12 manager designated by them. The commissioners shall provide a
13 written notice to the director detailing the extent of the authority
14 delegated to the investment or asset manager so designated to act on
15 behalf of the joint insurance fund. Moneys transferred to the
16 director for investment shall be invested subject to section 8 of
17 P.L.1977, c.396 (C.40A:5-15.1), and in accordance with the
18 standards governing the investment of other funds which are
19 managed under the rules and regulations of the State Investment
20 Council. In addition to the types of securities in which the joint
21 insurance fund may invest pursuant to section 8 of P.L.1977, c.396
22 (C.40A:5-15.1), a joint insurance fund may invest in debt
23 obligations of federal agencies or government corporations with
24 maturities not to exceed 10 years from the date of purchase,
25 excluding mortgage backed or derivative obligations, provided that
26 the investments are purchased through the Division of Investment
27 and are invested consistent with the rules and regulations of the
28 State Investment Council.

29 d. Moneys transferred to the director for investment may not
30 thereafter be withdrawn except: (1) pursuant to the written
31 directions of the commissioners signed by an authorized officer of
32 the joint insurance fund, or any investment or asset manager
33 designated by them; (2) upon withdrawal or expulsion of a member
34 local unit from the fund; (3) termination of the fund; or (4) in
35 specific amounts in payment of specific claims, administrative
36 expenses or member dividends upon affidavit of the director or
37 other chief executive officer of the joint insurance fund.

38 e. The commissioners or the executive board, as the case may
39 be, of any joint insurance fund established pursuant to the
40 provisions of this act shall be subject to and operate in compliance
41 with the provisions of the "Local Fiscal Affairs Law" (N.J.S.40A:5-
42 1 et seq.), the "Local Public Contracts Law," P.L.1971, c.198
43 (C.40A:11-1 et seq.) and such other rules and regulations as govern
44 the custody, investment and expenditure of public funds by local
45 units.

46 (cf: P.L.1995, c.374, s.1)

1 2. (New section) Notwithstanding the provisions of any other
2 law to the contrary, and in addition to the powers otherwise
3 conferred by law, the commissioners of a joint insurance fund
4 established pursuant to P.L.1983, c.372 (C.40A:10-36 et seq.), and
5 the trustees of a joint insurance fund established pursuant to
6 P.L.1983, c.108 (C.18A:18B-1 et seq.) may amend the plan of risk
7 management of their respective funds to participate in a joint cash
8 management and investment program with other joint insurance
9 funds similarly established pursuant to P.L.1983, c.372 (C.40A:10-
10 36 et seq.), and P.L.1983, c.108 (C.18A:18B-1 et seq.). The joint
11 insurance funds participating in this program shall jointly file a cash
12 management plan for prior approval by the Commissioner of
13 Banking and Insurance and the Commissioner of Community
14 Affairs and shall comply with all provisions of P.L.1983, c.372
15 (C.40A:10-36 et seq.) and P.L.1983, c.108 (C.18A:18B-1 et seq.),
16 as appropriate.

17

18 3. Section 4 of P.L.1983, c.108 (C.18A:18B-4) is amended to
19 read as follows:

20 4. Bylaws of the group; trustees; powers.

21 a. The bylaws of any school board insurance group shall:

22 (1) Set forth a statement of purposes of the group;

23 (2) Set forth provisions for organization of the group, including
24 governance by a board of trustees;

25 (3) Provide for the delivery of a risk management program in
26 conjunction with any joint self-insurance fund or funds which the
27 board of trustees shall establish. The risk management program
28 shall include, but not be limited to:

29 (a) the perils of liabilities to be insured against;

30 (b) limits of coverage, whether self-insurance, direct insurance
31 purchased from a commercial carrier or reinsurance;

32 (c) the amount of risk to be retained by the fund;

33 (d) the amount of reserves to be established;

34 (e) the proposed method of assessing contributions to be paid by
35 each member of the fund;

36 (f) procedures governing loss adjustment and legal fees;

37 (g) coverage to be purchased from a commercial insurer, if any;

38 (h) reinsurance to be purchased, if any, and the amount of
39 premium therefor; and

40 (i) such other procedures and information as the commissioner
41 may require by rule or regulation;

42 (4) Set forth procedures to enforce the collection of any
43 contributions or payments in default;

44 (5) Set forth membership standards as required in section 3 of
45 P.L.1983, c.108 (C.18A:18B-3);

46 (6) Require that, for each joint self-insurance fund, a contract or
47 contracts of specific and aggregate excess insurance or reinsurance
48 is maintained;

- 1 (7) Set forth procedures for:
- 2 (a) Withdrawal from the group and a fund by a member;
- 3 (b) Termination of the group or fund and disposition of assets;
- 4 and
- 5 (c) Determining the obligations, if any, of a member in the
- 6 event that the group is unable to pay indemnification obligations
- 7 and expenses payable from a fund administered by it;
- 8 (8) Require an annual certified audit to be prepared and filed
- 9 with the commissioner;
- 10 (9) Require that any joint self-insurance fund or funds be
- 11 developed and operated in accordance with accepted and sound
- 12 actuarial practices;
- 13 (10) Provide that any expenditure of moneys in a fund be in
- 14 furtherance of the purpose of the fund;
- 15 (11) Set forth other provisions as desired for operation and
- 16 governance of the group;
- 17 (12) Provide for expulsion of a member; and
- 18 (13) Comply with any requirement established by the
- 19 commissioner by rule or regulation.
- 20 b. The bylaws of a group shall provide for governance of the
- 21 group by a board of trustees selected in accordance with the
- 22 provisions of the bylaws. The bylaws shall provide for trustee
- 23 powers and duties and shall include, but not be limited to, the
- 24 following powers of the board of trustees:
- 25 (1) To determine and establish contributions and rates, loss
- 26 reserves, surplus, limits of coverage, limits of excess or reinsurance,
- 27 coverage documents, dividends and other financial and operating
- 28 policies of the group or fund;
- 29 (2) To invest moneys held in trust under any fund in investments
- 30 which are approved for investment by regulation of the State
- 31 Investment Council for surplus moneys of the State or, at the
- 32 discretion of the board, to transfer moneys held in trust under any
- 33 fund to the Director of the Division of Investment in the
- 34 Department of the Treasury for investment on behalf of the board in
- 35 accordance with the standards governing the investment of other
- 36 funds which are managed under the rules and regulations of the
- 37 State Investment Council. However, any moneys transferred to the
- 38 director for investment may not thereafter be withdrawn except
- 39 upon withdrawal of a member from the group or a fund or
- 40 termination of the group or a fund or in specific amounts in
- 41 payment of specific claims, administrative expenses or member
- 42 dividends upon affidavit of the director or other chief executive
- 43 officer of the group. In addition to the types of securities in which
- 44 the joint insurance fund may otherwise invest, a joint insurance
- 45 fund may invest moneys held in trust under any fund in bonds,
- 46 notes, and other obligations issued by an agency or corporation of
- 47 the federal government or a governmental entity established under
- 48 the laws of this State, provided that the agency, corporation, or

1 governmental entity responsible for the issuance of the bonds,
2 notes, or other obligations is not in default as to the payment of
3 principal or interest upon any of its outstanding obligations, and
4 provided further that the bonds, notes, or other obligations are
5 purchased at fair market value, guaranteed as to interest and
6 principal, and have a credit rating of A3 or higher by Moody's
7 Investor Services, Inc., A- or higher by Standard & Poor's
8 Corporation, and A- or higher by Fitch Ratings, except that two of
9 the three ratings is sufficient and one of the three ratings is
10 sufficient if only one rating is available. If a rating for the bonds,
11 notes, or other obligations has not been obtained from one of the
12 credit rating agencies, the bonds, notes, or other obligations may be
13 purchased if the agency, corporation, or governmental entity
14 responsible for the issuance meets the minimum rating criteria
15 specified by the previous sentence;

16 (3) To purchase, acquire, hold, lease, sell and convey real and
17 personal property, all of which property shall be exempt from
18 taxation under chapter 4 of Title 54, Taxation, of the Revised
19 Statutes;

20 (4) To collect and disburse all money due to or payable by the
21 group, or authorize such collection and disbursement;

22 (5) To enter into contracts with other persons or with public
23 bodies of this State for any professional, administrative or other
24 services as may be necessary to carry out the purposes of the group
25 or any fund;

26 (6) To purchase and serve as the master policyholders if desired,
27 for any insurance, including excess or reinsurance;

28 (7) To prepare, or cause to be prepared, a risk management
29 program for the joint insurance group;

30 (8) As the need arises, from time to time, to amend the bylaws
31 or risk management program of the fund; except that no such
32 amendment shall take effect until approved in the following
33 manner:

34 (a) The trustees shall file with the commissioner, for his
35 approval: a copy of any amendment to the bylaws of the fund, upon
36 approval by resolution of three-fourths of the member school boards
37 or in such other manner as established by the fund and approved by
38 the commissioner; or any amendment to the risk management
39 program, upon adoption by the trustees.

40 (b) Within 60 days of receipt, the commissioner shall either
41 approve or disapprove any amendment to the bylaws or risk
42 management program. If the commissioner fails to either approve
43 or disapprove the amendment within that 60 day period, the
44 amendment shall be deemed approved;

45 (c) If any amendment is disapproved, the commissioner shall set
46 forth, in writing, the reasons for disapproval. Upon the receipt of
47 the notice of disapproval, the trustee of the affected joint insurance

1 fund may request a public hearing. The public hearing shall be
2 convened by the commissioner in a timely manner;

3 (d) Within 90 days after the effective date of any amendment to
4 the bylaws, a member school board which did not approve the
5 amendment may withdraw from the fund, except that it shall remain
6 liable for its share of any claim or expense incurred by the fund
7 during its period of membership;

8 (9) To do all other things necessary and proper to carry out the
9 purposes for which the group is established.

10 (cf: P.L.1995, c.74, s.2)

11

12 4. (New section) Notwithstanding the provisions of any other
13 law to the contrary, and in addition to the powers otherwise
14 conferred by law, the trustees of a joint insurance fund established
15 pursuant to P.L.1983, c.108 (C.18A:18B-1 et seq.) and the
16 commissioners of a joint insurance fund established pursuant to
17 P.L.1983, c.372 (C.40A:10-36 et seq.), may amend the plan of risk
18 management of their respective funds to participate in a joint cash
19 management and investment program with other joint insurance
20 funds similarly established pursuant to P.L.1983, c.108
21 (C.18A:18B-1 et seq.) and P.L.1983, c.372 (C.40A:10-36 et seq.).
22 The joint insurance funds participating in this program shall jointly
23 file a cash management plan for prior approval by the
24 Commissioner of Banking and Insurance and the Commissioner of
25 Community Affairs and shall comply with all provisions of
26 P.L.1983, c.108 (C.18A:18B-1 et seq.) and P.L.1983, c.372
27 (C.40A:10-36 et seq.), as appropriate.

28

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

31 1. a. When authorized by resolution adopted by a majority vote
32 of all its members the board of education of any school district may
33 use moneys, which may be in hand, for the purchase of the
34 following types of securities which, if suitable for registry, may be
35 registered in the name of the school district:

36 (1) Bonds or other obligations of the United States of America
37 or obligations guaranteed by the United States of America;

38 (2) Government money market mutual funds;

39 (3) Any obligation that a federal agency or a federal
40 instrumentality has issued in accordance with an act of Congress,
41 which security has a maturity date not greater than 397 days from
42 the date of purchase, provided that such obligations bear a fixed rate
43 of interest not dependent on any index or other external factor;

44 (4) Bonds or other obligations of the school district or bonds or
45 other obligations of the local unit or units within which the school
46 district is located;

47 (5) Bonds or other obligations, having a maturity date of not
48 more than 397 days from the date of purchase, ¹issued by New

- 1 Jersey school districts, municipalities, counties, and entities subject
2 to the "Local Authorities Fiscal Control Law," P.L.1983, c.313
3 (C.40A:5A-1 et seq.). Other bonds or obligations having a maturity
4 date not more than 397 days from the date of purchase may be
5 ¹approved by the Division of Investment in the Department of the
6 Treasury for investment by school districts;
- 7 (6) Local government investment pools;
- 8 (7) Deposits with the State of New Jersey Cash Management
9 Fund established pursuant to section 1 of P.L.1977, c.281
10 (C.52:18A-90.4); **[or]**
- 11 (8) Agreements for the repurchase of fully collateralized
12 securities, if:
- 13 (a) the underlying securities are permitted investments pursuant
14 to paragraphs (1) and (3) of this subsection a. ¹or are bonds or other
15 obligations, having a maturity date of not more than 397 days from
16 the date of purchase, issued by New Jersey school districts,
17 municipalities, counties, and entities subject to the requirements of
18 the "Local Authorities Fiscal Control Law," P.L.1983, c.313
19 (C.40A:5A-1 et seq.)¹;
- 20 (b) the custody of collateral is transferred to a third party;
- 21 (c) the maturity of the agreement is not more than 30 days;
- 22 (d) the underlying securities are purchased through a public
23 depository as defined in section 1 of P.L.1970, c.236 (C.17:9-41)
24 and for which a master repurchase agreement providing for the
25 custody and security of collateral is executed ; or
- 26 (9) Deposit of funds in accordance with the following
27 conditions:
- 28 (a) the funds are initially invested through a public depository
29 as defined in section 1 of P.L.1970, c.236 (C.17:9-41) designated by
30 the school district;
- 31 (b) the designated public depository arranges for the deposit of
32 the funds in deposit accounts in one or more federally insured banks
33 ²[or],² savings and loan associations, ²or credit unions² for the
34 account of the school district;
- 35 (c) 100 percent of the principal and accrued interest of each
36 deposit is insured by the Federal Deposit Insurance Corporation or
37 the National Credit Union Share Insurance Fund;
- 38 (d) the designated public depository acts as custodian for the
39 school district with respect to those deposits; and
- 40 (e) on the same date that the school district's funds are
41 deposited pursuant to subparagraph (b) of this paragraph, the
42 designated public depository receives an amount of deposits from
43 customers of other financial institutions, wherever located, equal to
44 the amount of funds initially invested by the school district through
45 the designated public depository.
- 46 b. Any investment instruments in which the security is not
47 physically held by the school district shall be covered by a third

1 party custodial agreement which shall provide for the designation of
2 such investments in the name of the school board and prevent
3 unauthorized use of such investments.

4 c. Purchase of investment securities shall be executed by the
5 "delivery versus payment" method to ensure that securities are
6 either received by the school district or a third party custodian prior
7 to or upon the release of the school district's funds.

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

22 e. For the purposes of this section:

23 (1) a "government money market mutual fund" means an
24 investment company or investment trust:

25 (a) which is registered with the Securities and Exchange
26 Commission under the "Investment Company Act of 1940," 15
27 U.S.C. s.80a-1 et seq., and operated in accordance with 17 C.F.R.
28 s.270.2a-7¹, except that a government money market mutual fund
29 may not impose liquidity fees or redemption gates regardless of
30 whether permitted to do so under 17 C.F.R. s.270.2a-7¹;

31 (b) the portfolio of which is limited to U.S. Government
32 securities ¹that meet the definition of an eligible security pursuant
33 to 17 C.F.R. s.270.2a-7, securities that have been issued by New
34 Jersey school districts, municipalities, counties, and entities subject
35 to the requirements of the "Local Authorities Fiscal Control Law,"
36 P.L.1983, c.313 (C.40A:5A-1 et seq.)¹ that meet the definition of an
37 eligible security pursuant to 17 C.F.R. s.270.2a-7 and repurchase
38 agreements that are collateralized by such ¹U.S.
39 Government¹ securities in which direct investment may be made
40 pursuant to paragraphs (1)¹ and ¹(3)¹, and (5)¹ of subsection a. of
41 this section ; and

42 (c) which is rated by a nationally recognized statistical rating
43 organization.

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

46 (a) which is managed in accordance with ¹17 C. F.R. s.270.2a-
47 ⁷ generally accepted accounting and financial reporting principles

- 1 for local government investment pools established by the
2 Governmental Accounting Standards Board¹;
- 3 (b) which is rated in the highest category by a nationally
4 recognized statistical rating organization;
- 5 (c) the portfolio of which is limited to U.S. Government
6 securities ¹that meet the definition of an eligible security pursuant
7 to 17 C.F.R. s.270.2a-7, securities that have been issued by New
8 Jersey school districts, municipalities, counties, and entities subject
9 to the requirements of the "Local Authorities Fiscal Control Law,"
10 P.L.1983, c.313 (C.40A:5A-1 et seq.)¹ that meet the definition of an
11 eligible security pursuant to 17 C.F.R. s.270.2a-7 and repurchase
12 agreements that are collateralized by such ¹**U.S.**
13 **Government**¹ securities in which direct investment may be made
14 pursuant to paragraphs (1)¹**and**,¹ (3)¹, and (5)¹ of subsection a. of
15 this section;
- 16 (d) which is in compliance with ¹such¹ rules ¹as may be¹
17 adopted pursuant to the "Administrative Procedure Act," P.L.1968,
18 c.410 (C.52:14B-1 et seq.) by the Local Finance Board of the
19 Division of Local Government Services in the Department of
20 Community Affairs, which ¹may promulgate¹ rules ¹**U.S.**
21 **Government**¹ providing¹ for disclosure and reporting requirements, and other
22 provisions deemed necessary by the board to provide for the safety,
23 liquidity and yield of the investments;
- 24 (e) which does not permit investments in instruments that: are
25 subject to high price volatility with changing market conditions;
26 cannot reasonably be expected, at the time of interest rate
27 adjustment, to have a market value that approximates their par
28 value; or utilize an index that does not support a stable net asset
29 value ;¹**and**¹
- 30 (f) which purchases and redeems investments directly from the
31 issuer, a government money market mutual fund, or the State of
32 New Jersey Cash Management Fund, or through the use of a
33 national or State bank located within this State, or through a broker-
34 dealer which, at the time of purchase or redemption, has been
35 registered continuously for a period of at least two years pursuant to
36 section 9 of P.L.1967, c.93 (C.49:3-56) and has at least \$25 million
37 in capital stock (or equivalent capitalization if not a corporation),
38 surplus reserves for contingencies and undivided profits, or through
39 a securities dealer who makes primary markets in U.S. Government
40 securities and reports daily to the Federal Reserve Bank of New
41 York its position in and borrowing on such U.S. Government
42 securities;¹and
- 43 (g) which does not impose liquidity fees or redemption gates¹.
- 44 f. Investments in, or deposits or purchases of financial
45 instruments made pursuant to this section shall not be subject to the

1 requirements of the "Public School Contracts Law,"
2 N.J.S.18A:18A-1 et seq.
3 (cf: P.L.2017, c.310, s.1)

4
5 6. N.J.S.40A:5-14 is amended to read as follows:

6 40A:5-14. a. Each local unit shall adopt a cash management
7 plan and shall deposit, or invest, or both deposit and invest, its
8 funds pursuant to that plan. The cash management plan shall
9 include:

10 (1) the designation of a public depository or depositories as
11 defined in section 1 of P.L.1970, c.236 (C.17:9-41) and may permit
12 deposits in such public depository or depositories as permitted in
13 section 4 of P.L.1970, c.236 (C.17:9-44) or in subsection i. of this
14 section;

15 (2) the designation of any fund that meets the requirements
16 established pursuant to section 8 of P.L.1977, c.396 (C.40A:5-
17 15.1);

18 (3) the authorization for investments as permitted pursuant to
19 section 8 of P.L.1977, c.396 (C.40A:5-15.1); or

20 (4) any combination of the designations or authorizations
21 permitted pursuant to this subsection a.

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

29 c. The cash management plan shall be designed to assure to the
30 extent practicable the investment of local funds in interest bearing
31 accounts and other permitted investments. The cash management
32 plan shall be subject to the annual audit conducted pursuant to
33 N.J.S.40A:5-4. When an investment in bonds maturing in more
34 than one year is authorized, the maturity of those bonds shall
35 approximate the prospective use of the funds invested.

36 d. The cash management plan may include authorization to
37 invest in any of the investments authorized pursuant to section 8 of
38 P.L.1977, c.396 (C.40A:5-15.1) and shall set policies for selecting
39 and evaluating investment instruments accordingly. Such policies
40 shall consider preservation of capital, liquidity, current and
41 historical investment returns, diversification, maturity requirements,
42 costs and fees, and when appropriate, policies of investment
43 instrument administrators. Policies shall be based on a cash flow
44 analysis prepared by the chief financial officer and be
45 commensurate with the nature and size of the funds held by the
46 local unit. All investments shall be made on a competitive basis
47 insofar as practicable.

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

9 f. The official charged with the custody of moneys of a local
10 unit shall deposit or invest them as designated or authorized by the
11 cash management plan pursuant to subsection a. of this section and
12 shall thereafter be relieved of any liability for loss of such moneys
13 due to the insolvency or closing of any depository designated by, or
14 the decrease in value of any investment authorized by, the cash
15 management plan pursuant to subsection a. of this section.

16 g. Any official involved in the designation of depositories or in
17 the authorization for investments as permitted pursuant to section 8
18 of P.L.1977, c.396 (C.40A:5-15.1), or any combination of the
19 preceding, or the selection of an entity seeking to sell an investment
20 to the local unit who has a material business or personal
21 relationship with that organization shall disclose that relationship to
22 the governing body of the local unit and to the Local Finance Board
23 or a county or municipal ethics board, as appropriate.

24 h. The registered principal of any security brokerage firm
25 selling securities to the local unit shall be provided with, and sign
26 an acknowledgment that the principal has seen and reviewed the
27 local unit's cash management plan, except that with respect to the
28 sale of a government money market mutual fund, the registered
29 principal need only be provided with and sign an acknowledgment
30 that the government money market mutual fund whose securities are
31 being sold to the local unit meets the criteria of a government
32 money market mutual fund as set forth in paragraph (1) of
33 subsection e. of section 8 of P.L.1977, c.396 (C.40A:5-15.1).

34 i. The cash management plan may provide for the **【purchase of**
35 **certificates of】** deposit of funds in deposit accounts in accordance
36 with the following conditions:

37 (1) the funds are initially invested through a public depository
38 as defined in section 1 of P.L.1970, c.236 (C.17:9-41) designated by
39 the local unit;

40 (2) the designated public depository arranges for the deposit of
41 the funds in **【certificates of】** deposit accounts in one or more
42 federally insured ²**【banks or savings and loans associations】**
43 financial institutions², for the account of the local unit;

44 (3) 100 percent of the principal and accrued interest of each
45 **【certificate of】** deposit is insured by the Federal Deposit Insurance
46 Corporation;

1 (4) the designated public depository acts as custodian for the
2 local unit with respect to **【the certificates of deposit issued for the**
3 **local unit's account】** those deposits; and

4 (5) **【at】** on the same **【time】** date that the local unit's funds are
5 deposited **【and the certificates of deposit are issued】** pursuant to
6 paragraph (2) of this subsection, the designated public depository
7 receives an amount of deposits from customers of other **【banks and**
8 **savings and loan associations】** financial institutions, wherever
9 located, equal to the amount of funds initially invested by the local
10 unit through the designated public depository.

11 (cf: P.L.2007, c.241, s.1.)

12

13 7. This act shall take effect immediately.