

ASSEMBLY, No. 2556

STATE OF NEW JERSEY

INTRODUCED DECEMBER 9, 1996

By Assemblyman JONES

1 AN ACT concerning the investment of certain public funds and
2 supplementing P.L.1950, c.270 (C.52:18A-79 et seq.).

3

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

6

7 1. Notwithstanding the provisions of any law, rule or regulation to
8 the contrary, no assets subject to investment by or otherwise under the
9 jurisdiction of the Division of Investment in the Department of the
10 Treasury shall be invested in any security representing an equity
11 interest in or a debt or other obligation of Texaco Incorporated or any
12 wholly owned subsidiary of that corporation. If, on the effective date
13 of P.L. , c. (C.) (now pending before the Legislature
14 as this bill), any such assets are invested in any such security in
15 violation of the provisions hereof, the State Investment Council and
16 the Director of the Division of Investment shall take appropriate action
17 to sell, redeem, divest, or withdraw that investment. Such sale,
18 redemption, divestment, or withdrawal shall be effected in strict
19 accordance with the principles of prudent financial management and
20 in such manner as shall best protect the interests of the public and of
21 the active and retired members of the several State-administered
22 retirement systems of this State, but shall in any case be completed not
23 later than six months following that effective date.

24

25 2. This act shall take effect immediately.

26

27

28

STATEMENT

29

30 This bill provides that no assets subject to investment by or under
31 the jurisdiction of the Division of Investment in the Department of the
32 Treasury shall be invested in the corporate stock or debt obligations
33 of Texaco Incorporated or any wholly-owned subsidiary thereof. If
34 any such assets are invested in any such Texaco security when the bill
35 takes effect as law, the State shall dispose of that investment. Such
36 disposition is to be effected in strict accordance with the principles of
37 prudent financial management and in such manner as best protects the

1 interests of the public and the active and retired members of New
2 Jersey's several State-administered retirement systems, but must be
3 completed within six months following that effective date.

4 This bill responds to the recent disclosure of the intolerant remarks
5 uttered by Texaco executives against the African-American and Jewish
6 communities. This incident revealed the apparent practice of active
7 discrimination as a part of the company's corporate culture. In the
8 past, the State divested the assets of its pension funds out of
9 companies doing business in South Africa. Similarly, because of the
10 severity of the Texaco incident and the negative publicity that has
11 resulted, Texaco is no longer a good investment for the State. The
12 State must protect the fiduciary obligation of its pension system while
13 ensuring that the firms in which the State invests maintain standards
14 and practices consistent with the public policies of the State.

15

16

17

18

19 Prohibits investment of State funds in equity or debt of Texaco Inc.