
Commission Meeting

of

STATE HOUSE COMMISSION

LOCATION: Remote Meeting Via Zoom

DATE: June 23, 2021
9:00 a.m.

MEMBERS OF COMMISSION PRESENT:

Justin Braz, Chair
Senator Bob Smith
Senator Michael J. Doherty
Assemblyman Robert J. Karabinchak
Assemblyman John DiMaio
Lynn Azarchi
Catherine Z. Brennan



ALSO PRESENT:

Robert J. Shaughnessy Jr.
Commission Secretary

Gary A. Kotler, Esq.
Commission Counsel

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***Meeting Recorded and Transcribed by
The Office of Legislative Services, Public Information Office,
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JUSTIN BRAZ (Chair): We have a full roster, if you want to take roll.

MR. SHAUGHNESSY (Commission Secretary): Okay, that's fine.

We'll begin now.

Welcome to the June 23, 2021, State House Commission meeting.

We are in compliance with the Open Public Meetings Act. Notice of this meeting was given by way of notice, filed with the Secretary of State, delivered to the State House Press Corps, and posted in the Office of the State House Commission, as well as notice posted on the State House Commission websites.

I will now call the roll, please.

And as a reminder, this meeting is being conducted remotely via Zoom. It's appreciated if everyone will remain on mute, unless they're talking. Also identify yourself before speaking as well.

I'll call the roll.

Deputy Chief of Staff Braz.

MR. BRAZ: Here.

MR. SHAUGHNESSY: Deputy State Treasurer Brennan.

MS. BRENNAN: Here.

MR. SHAUGHNESSY: Director Azarchi.

MS. AZARCHI: Here.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Here.

MR. SHAUGHNESSY: Senator Doherty.

SENATOR DOHERTY: I am here.

MR. SHAUGHNESSY: Assemblyman DiMaio.

ASSEMBLYMAN DiMAIO: Here.

MR. SHAUGHNESSY: And Assemblyman Karabinchak. (no response)

Okay; Mr. Chair, you have a quorum. May we proceed?

MR. BRAZ: Yes; thank you, Mr. Shaughnessy.

MR. SHAUGHNESSY: I just want to note at the outset that we did receive certain comments from Jean Public, dated June 21. They were distributed to the members and will be part of the State House Commission public record.

Okay, on to old business.

No. 1 on the agenda: Approval of the April 26, 2021, State House Commission meeting minutes. They've been distributed, and does anyone have any questions or comments? (no response)

Hearing none, may I have a motion to accept?

MR. BRAZ: So moved.

SENATOR SMITH: Second.

MR. SHAUGHNESSY: Motion and second; thank you.

All in favor? (affirmative responses)

Any opposed? (no response)

Any abstentions? (no response)

Hearing none, No. 1 on the agenda -- the minutes are approved.

Moving on to No. 2 on the agenda, this is project RPR 09-13, Block 79, Lot 13, City of Camden, Camden County.

The State of New Jersey is requesting a direct conveyance from the State of the former Riverfront State Prison to the New Jersey Economic Development Authority and to the City of Camden.

The property disposition is currently subject to P.L. 2013, chapter 22. That law required payment to the State based upon a 2015 appraisal, and required that EDA follow a property disposition procedure previously approved by the Commission.

The property was intended to be developed as part of a park for the City of Camden, and the remainder for mixed-use development by a private developer obtained through public procurement.

As the property's current value exceeds \$500,000, new legislation is to be proposed that will supersede P.L. 2013, chapter 22. New Jersey and EDA are presenting the proposed disposition procedures of this property in advance of legislation to confirm the Commission's approval of the proposed transfer of the property.

The new legislation is intended to provide that the former Riverfront State Prison land be transferred by the State (*a*) for nominal consideration to the City, approximately 15.5 acres consisting of the parkland and roadways for continued public use as parkland and roadway; and (*b*) the balance of approximately 8.20 acres to the EDA for \$5 million.

Following transfer of the title of the property intended for development, the EDA will dispose of the Riverfront State Prison property in a manner consistent with its statute and regulations, and in accordance with existing agreements in relation to the property.

That's the proposed matter for consideration.

Do any members of the Commission have any questions or comments?

SENATOR SMITH: Yes, I have a question.

MR. SHAUGHNESSY: Go ahead, Senator Smith; please.

SENATOR SMITH: When I read the background material, the only thing that caused some additional attention was that, in effect, there's a request for the State House Commission to, I guess, give direction in the sense that we're saying, "We're willing to go ahead with this, if the legislation is passed."

Now, do we have some assurances that the legislation will match the terms and conditions that we're voting on today for the transfer of the property? What are the assurances, if it did not match the terms and conditions that it would come back to us for reconsideration?

MR. SHAUGHNESSY: Is there someone who would be able to speak to that and answer Senator Smith's question?

MR. BRAZ: Senator, I don't believe we have that assurance as of yet. I think this is a standard -- the State House Commission will make a recommendation on conveyance, and then, obviously, anything over \$500,000 needs to be approved by the Legislature.

SENATOR SMITH: Right.

MR. BRAZ: So it's similar to that process. But as of right now, to my understanding, there is legislation drafted.

SENATOR SMITH: All right, so the question is, suppose the legislation, for whatever reason -- I'm just speculating -- suppose the legislation was not acceptable to the State House Commission. Is this our one bite at the apple, or do they come back?

MR. BRAZ: I'm unclear. I mean, I would assume that if the Legislature has additional questions or does not agree with the decision by the State House Commission, it would kick it back to the State House Commission for further consideration.

But Mr. Shaughnessy, I'm not sure if you have a more concise answer to that question.

MR. SHAUGHNESSY: In the typical scenario, the State House Commission approves terms and conditions. If the legislation -- the legislation would trump the State House Commission, if you will.

However, if the legislation then said, "Pursuant to the terms and conditions as approved by the State House Commission," it would then revert, I believe, to what the State House Commission considered and approved.

But I would defer to Counsel if any more is needed.

SENATOR SMITH: Yes. Look, I'm not trying to create issues. I just -- I am concerned, a fiduciary concern, that we would get what we're signing onto here. Would it be unreasonable to say that in the event the legislation does not agree with the State House Commission's terms and conditions, that it would come back for additional review -- but in the event it does match the terms of the proposal, there's no need to come back.

MR. SHAUGHNESSY: Counsel?

Counsel has a comment as to that.

MR. KOTLER (Commission Counsel): Good morning, everyone.

I'm not sure, Senator, if we can mandate that. I think, as Bob had said, the legislation would prevail if it's different. But as the Chairman

then-- This is a process that often happens. So for any conveyance above \$500,000, it typically requires legislation. And there's always the possibility that the Legislature will come up with provisions that differ from what the State House Commission does.

But as Bob mentioned, in our experience, typically legislation does circle back and indicates that it's subject to the terms and conditions set forth by the State House Commission.

So I'm not sure if there's anything more that we can do.

SENATOR SMITH: So what is your-- First of all, we're all institutional here. We've been here for a while. In the past instances where we've done the *approval of the concept*, which is what I'm calling this, have we had instances where the legislation has significantly differed from the State House Commission conditions?

MR. SHAUGHNESSY: Generally not, Senator.

MR. KOTLER: That's not my--

SENATOR SMITH: Well, when you tell me nothing's screaming out of your memory--

MR. SHAUGHNESSY: Right.

SENATOR SMITH: --that sounds like we don't have an issue.

All right; just wanted to probe that a little bit. I'm fine.

MR. KOTLER: Thank you.

MR. SHAUGHNESSY: Any other members have any questions or comments about No. 2 on the agenda? (no response)

Hearing none, are there any members of the public who wish to be heard on No. 2 on the agenda? (no response)

MR. BRAZ: I think Mayor Gusciora has his hand up.

Mayor, was it on this topic?

MAYOR W. REED GUSCIORA, Esq.: It's on Taxation; I'm sorry, I signed on late.

MR. BRAZ: Okay, we'll get you in next. I think it's next up on the agenda, sir.

MAYOR GUSCIORA: Okay, I'm sorry.

All right, thanks.

MR. SHAUGHNESSY: So nothing more on No. 2 from members of the public? (no response)

Hearing none, may I have a motion to approve No. 2?

MS. BRENNAN: Motion.

MR. SHAUGHNESSY: Thank you; second?

MR. BRAZ: Second.

MR. SHAUGHNESSY: Okay, thank you very much.

I'll call the roll.

Deputy Chief of Staff Braz.

MR. BRAZ: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Brennan.

MS. BRENNAN: Yes.

MR. SHAUGHNESSY: Director Azarchi.

MS. AZARCHI: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Senator Doherty.

SENATOR DOHERTY: Yes.

MR. SHAUGHNESSY: Assemblyman DiMaio.

ASSEMBLYMAN DiMAIO: Yes.

MR. SHAUGHNESSY: Assemblyman Karabinchak. (no response)

SENATOR DOHERTY: I don't believe he's joined yet.

MR. SHAUGHNESSY: Okay, that matter is approved.

So now we're on to new business.

No. 3, RPR 21-11, 50 Barrack Street, the former Taxation Building, Block 1902, Lot 1, City of Trenton, Mercer County.

The State of New Jersey recommends the disposal of the property known as *the former Taxation Building*, which has been declared surplus to the Department's needs.

It has been determined that an auction process is not suited to the disposition of this property due to the complex redevelopment concerns. It is recommended that a modified sales approach for the purchase and redevelopment of this property -- as more particularly set forth in a Memorandum of Understanding between the Capital City Redevelopment Corporation and Treasury -- would likely result in a more efficient disposal and cost savings to the State, as well as assist the City of Trenton in its economic redevelopment and provide for the enhancement of the Capital District.

The MOU requires the CCRC to market and sell the property by way of an RFP process in accordance with the disposition procedures as prepared by the parties.

Treasury is presenting the disposition procedures for approval by the State House Commission. This property disposition is also subject to legislation as its appraised value exceeds \$500,000.

Do any members have any comments or questions with regard to No. 3 on the agenda?

SENATOR SMITH: I have a question.

MR. SHAUGHNESSY: Go ahead, Senator.

SENATOR SMITH: In the description of the proposal before us, the comment is made that an auction process is not suited to the disposition due to the complex redevelopment concerns.

A couple of questions: In Trenton, who is the redevelopment agency? Is it the CCRC or is it the City Council?

MR. SHAUGHNESSY: Mayor, would you like to respond?

MAYOR GUSCIORA: Good morning, everyone.

It's always a pleasure to see my colleagues -- my former colleagues.

Originally the Taxation Building, under Governor Christie -- was to simply raze the building and then give the City the lot. The last thing the City of Trenton, with 1,500 abandoned properties, needs is another abandoned lot.

There's been further studying -- and I see Julie Krause from Treasury is on -- and we've been working very closely, not only with our legislative delegation, but also with the Treasury. We wanted the Taxation Building to become more useful, and to be part of the City's landscape, and, most importantly, go back on the tax rolls. That's why this is complex.

CCRC oversees the downtown Capital District, so to speak. And they would be the most appropriate agency, also with the resources, to properly dispose of this building -- i.e., transfer ownership to somebody in private industry that could take it over.

I don't think the Capital City itself, Trenton, has the resources or the connections to dispose of this property properly. And I think that it's in the best interest of the State, the State House Commission, and the Legislature to transfer this former government property into the right hands. And I think CCRC has the best expertise and the ability to accomplish that.

So that's why we wholeheartedly endorse the legislation, sponsored by Senator Turner, and Assemblywoman Verlina Reynolds-Jackson, and Anthony Verrelli, to transfer it to CCRC. I think that's the most appropriate agency to ensure that the Taxation Building will be regenerated to useful life and, most importantly, be on the tax rolls of the Capital City.

MR. BRAZ: Mayor, thank you.

And then Senator, if I may, I want to turn it over to Julie Krause. She's the Senior Assistant to the Treasurer, who also liaises with the CCRC. She can give a little bit more color into your questions, in terms of the role that they will play in this process.

Julie.

SENATOR SMITH: Great.

JULIE M. KRAUSE: Thank you.

So thank you for the opportunity to provide an overview of this building.

My name is Julie Krause; I'm a Senior Advisor in the Office of the State Treasurer. And my primary role in Treasury is to work collaboratively with the City of Trenton, Mercer County, sister State agencies, and community members, all in support of Trenton achieving its vision for revitalization.

So this role that I have is born out of Governor Murphy's Executive Order 40, which was signed in 2018. It established a State Capital Partnership and directed State agencies to take an active role in working with Trenton and other partners in supporting Trenton to achieve its revitalization goals.

So the future use of the old Taxation Building is a very important economic development factor, both for the State, and the City, and the downtown community. It's in a very prominent location--

I was just speaking about the prominent location of this building in downtown. It's on the corner of West State and Barrack streets. So it's less than a block from the State House and the War Memorial; it's across the street from the Old Barracks and Thomas Edison State University.

So it's really important that this building gets into the hands of an entity that has the capacity and the desire to put it into productive use. And so that's why we'd like to proceed with an RFP process, because it allows us to consider not just the price, but price and other factors.

And so similar to an auction process, what we're proposing in the disposition procedures is that the appraised value would be the minimum bid to purchase this building; but that CCRC, in consultation with Treasury, could consider not just the price, but other factors.

And another reason that we'd like to utilize an RFP process is that it gives us another tool, a redevelopment agreement, which is a mechanism that we can use to ensure that the project that is proposed to the State is the project that's actually delivered to the State. So the particular outcome that we want to ensure that we avoid, with the disposition of this building is that it's simply purchased by someone who sees it as a potential

investment property, sits on it idly, doesn't occupy it; even worse, doesn't maintain the building, and that it's not contributing to the downtown revitalization and economic -- the local economy.

Because this building is significant to the downtown, and because of its proximity to significant other State-owned buildings -- like the Capitol, and the War Memorial, and the Old Barracks -- we think that the RFP process is really the most prudent path forward, so that it's sold to an entity that has both the capacity and the desire to redevelop and reuse the property.

And to further echo what the Mayor said, by partnering with CCRC-- The Capital City Redevelopment Corporation was established by the Legislature in 1989. And it has the exclusive focus on guiding private and public development in downtown Trenton. So because CCRC is exclusively focused on the downtown development, and because it's a body that's comprised of both State representation and City representation, we really think that CCRC is the ideal entity to partner with for this RFP and disposition process.

SENATOR SMITH: Terrific. Thank you for the explanation.

MR. SHAUGHNESSY: Do any other members of the State House Commission have any questions or comments with regard to this? (no response)

Hearing none, does any other member of the public wish to be heard with regard to No. 3 on the agenda? (no response)

Anyone? (no response)

Hearing none--

SENATOR SMITH: Move the application.

MR. SHAUGHNESSY: Okay, Senator; thank you.

Second, please?

MS. BRENNAN: Second.

MR. SHAUGHNESSY: Thank you, Deputy State Treasurer.

I'll call the roll.

Deputy Chief of Staff Braz.

MR. BRAZ: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Brennan.

MS. BRENNAN: Yes.

MR. SHAUGHNESSY: Director Azarchi.

MS. AZARCHI: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Senator Doherty.

SENATOR DOHERTY: Yes.

MR. SHAUGHNESSY: Assemblyman DiMaio.

ASSEMBLYMAN DiMAIO: Yes.

MR. SHAUGHNESSY: The matter is approved.

MR. BRAZ: Mr. Shaughnessy, a point of personal privilege before we hop off.

MR. SHAUGHNESSY: Absolutely.

MR. BRAZ: I just wanted to thank the Mayor for joining us. And I know he sat on this Commission during some of the conversations on the Trenton Taxation Building under the former Administration. So we're happy to see this come full circle and have it provide a useful life for the redevelopment of downtown Trenton and its residents.

And Mayor, thank you for your leadership, and we miss you in the Legislature.

Thank you for joining us today.

MAYOR GUSCIORA: Thanks so much.

MR. SHAUGHNESSY: Thank you, Mr. Mayor; and thank you, Mr. Chair.

Okay, so No. 3 is approved, and we're moving on to No. 4 on our agenda; it begins Department of Environmental Protection requests.

No. 4 on the agenda is Votee and Windsor Parks, Block 4702, part of Lot 1, Votee Park; Block 4704, part of Lot 1, Votee Park; Block 4701, part of Lot 1, Windsor Park; Block 4901, part of Lot 2, Windsor Park. This is in Teaneck, Bergen County.

DEP, on behalf of Teaneck, requests approval to allow the diversion of a total of 0.842 acres of parkland at the two park locations to accommodate the upgrading of electrical lines by Public Service Electric & Gas.

In 2020, PSE&G upgraded existing electrical lines that cross portions of the Township's parks. To properly maintain the upgraded facilities, PSE&G is requesting to purchase three easements. Because PSE&G is a privately owned entity, the purchase of these easements is considered a major diversion.

The easements are valued at \$191,580, in accordance with the DEP Valuation/Appraisal Rules and Standards.

Under the terms, PSE&G has elected to provide Teaneck with cash compensation of \$1,918,500, which is slightly more than the 10:1 ratio required by the Green Acres rules. Teaneck will use the payment to purchase

at least 3.37 acres of replacement land, fee and easement, within two years of this State House Commission's approval, should it be approved.

The Township may propose, as replacement, land already owned by the Township, subject to Green Acres approval as to the eligibility and suitability of the replacement land, and certification of the value of the replacement land.

For the loss of eight trees greater than 6-inch DBH, 188 3-inch caliper trees will be planted at 15 Green Acres-encumbered parks within Teaneck; and the remaining basal area compensation of \$101,505 will be paid into the Shade Tree and Community Forest Preservation License Plate Fund.

Do any members have any questions or comments with regard to No. 4 on our agenda? (no response)

Hearing none, do any members of the public wish to be heard? (no response)

Hearing none as well, may I have a motion on No. 4 on the agenda?

MR. BRAZ: So moved.

MR. SHAUGHNESSY: Thank you; second?

SENATOR SMITH: Second.

ASSEMBLYMAN KARABINCHAK: Good morning.

MR. BRAZ: Mr. Shaughnessy, I'd like to just note that Assemblyman Karabinchak has joined the meeting.

MR. SHAUGHNESSY: Okay, that's great.

Assemblyman Karabinchak, welcome. Thank you for participating.

We are on No. 4 on the agenda, and we have a motion and second.

So I'm going to go through the roll call now.

Deputy Chief of Staff Braz.

MR. BRAZ: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Brennan.

MS. BRENNAN: Yes.

MR. SHAUGHNESSY: Director Azarchi.

MS. AZARCHI: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Senator Doherty.

SENATOR DOHERTY: Yes.

MR. SHAUGHNESSY: Assemblyman DiMaio.

ASSEMBLYMAN DiMAIO: Yes.

MR. SHAUGHNESSY: Assemblyman Karabinchak.

ASSEMBLYMAN KARABINCHAK: Yes.

MR. SHAUGHNESSY: Thank you; that matter is approved.

We're on to No. 5.

No. 5 on our agenda is Unnamed Park, Block 3404, part of Lot 3; and Block 3402, part of Lot 1, Englewood, Bergen County.

DEP, on behalf of the City of Englewood, requests approval to allow the conveyance of 0.226 acres of parkland, fee and easements, to NJDOT for its bridge replacement, and approach roadway and ramp improvements project along Jones Road and Route 4, having an estimated fair market value of \$108,000.

The DOT project affects two unfunded and undeveloped parkland parcels that are on opposite sides of Route 4 along Jones Road.

To compensate for this minor parkland diversion and the related tree removal, Englewood will permanently dedicate, for recreation and conservation purposes, a City-owned 4.6 +/- acre wooded lot that is not currently Green Acres-encumbered -- that being Block 3706, Lot 4, across Jones Road -- having an estimated fair market value of \$4,050,000 and subject to certain special conditions.

Do any members have any questions or comments with regard to No. 5 on our agenda? (no response)

Hearing none, do any members of the public wish to be heard on No. 5 on the agenda? (no response)

Again, none.

May I have a motion, please?

SENATOR SMITH: So moved.

ASSEMBLYMAN DiMAIO: Second.

MR. SHAUGHNESSY: Second? Okay, thank you for the motion and second.

I'll call the roll.

Deputy Chief of Staff Braz.

MR. BRAZ: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Brennan.

MS. BRENNAN: Yes.

MR. SHAUGHNESSY: Director Azarchi.

MS. AZARCHI: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Senator Doherty.

SENATOR DOHERTY: Yes.

MR. SHAUGHNESSY: Assemblyman DiMaio.

ASSEMBLYMAN DiMAIO: Yes.

MR. SHAUGHNESSY: Assemblyman Karabinchak.

ASSEMBLYMAN KARABINCHAK: Yes, yes.

MR. SHAUGHNESSY: Thank you, sir.

That matter is approved.

On to No. 6 on our agenda; again a DEP request.

This is Glen Alpin, Block 34, part of Lot 1, Township of Harding, Morris County.

The DEP, on behalf of the Township of Harding, requests approval to allow the disposal/diversion of a total of approximately 4.15 acres of Green Acres-encumbered parkland, known as the *Glen Alpin property*, with historic preservation restrictions designed to ensure the long-term preservation of the historic residence on the property.

The Township purchased the property with the intention of engaging a nonprofit organization to restore and manage the property for public use. After the plan did not materialize, the Township issued three Requests for Proposal, and proposed uses for the structure that would be compatible with the restrictions on the property imposed by the Morris County Preservation Trust and the Green Acres Program.

The RFPs did not result in any proposals that would be consistent with the restrictions.

The Township, now, has filed a disposal/diversion application seeking to lift the restrictions and to market the property to a private entity with the resources to properly restore and maintain the historic building for use likely as a private residence, restaurant, or food-related event space.

The Township has expended \$1.3 million to repair the roof and prevent further deterioration. But estimates are that over \$2 million would be needed to make the structure habitable.

The Township proposes to convey the structure on a 3.52 acre lot, along with two surface easements and one subsurface easement on an additional 0.63 acres of parkland for access.

The remaining 6.06 acres of the current Glen Alpin property will be retained as parkland and managed by the Township.

Under the proposed terms, to compensate for the proposed disposal/diversion, the Township proposes to dedicate, for recreation and conservation purposes, two properties in the Township totaling 18 acres.

As a condition of this application, the Township will convey a permanent historic easement on the entire Glen Alpin property to the New Jersey Historic Trust prior to selling the disposal area, and a trail easement will be conveyed to the Morris County Park Commission.

That is the item under consideration.

Do any members have any questions or comments on this? (no response)

Hearing none, do any members of the public wish to be heard before we further consider the matter? (no response)

Any public comment? (no response)

Hearing none, may I have a motion, please?

MR. BRAZ: So moved.

SENATOR SMITH: Second.

MR. SHAUGHNESSY: Okay, motion and second.

Any further discussion? (no response)

Hearing none, I'll call the roll.

Deputy Chief of Staff Braz.

MR. BRAZ: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Brennan.

MS. BRENNAN: Yes.

MR. SHAUGHNESSY: Director Azarchi.

MS. AZARCHI: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Senator Doherty.

SENATOR DOHERTY: Yes.

MR. SHAUGHNESSY: Assemblyman DiMaio.

ASSEMBLYMAN DiMAIO: Yes.

MR. SHAUGHNESSY: Assemblyman Karabinchak.

ASSEMBLYMAN KARABINCHAK: Yes.

MR. SHAUGHNESSY: That matter is approved; No. 6 on our agenda is approved.

Moving on to No. 7, Unnamed Open Space, Route 33, Block 7232, Lot 2.04, Township of Manalapan, Monmouth County.

DEP, on behalf of the Township of Manalapan, requests approval to allow the disposal of a 1.158 acre portion, having a fair market value of \$17,000, of an unnamed open space parcel.

The Township proposes to convey the property to Stavola Asphalt Company, Inc., to provide access to a proposed multi-family residential development. The 150-unit development will include 45, or 30 percent, affordable housing units.

Under the proposed terms, to compensate for the proposed disposal, including the associated tree removal, the Township proposes to acquire from Stavola, for recreation/conservation purposes, a 4.633 acre parcel of vacant and wooded replacement land located elsewhere in the Township -- it being known as Block 7232, Lot 1.06, having a fair market value of \$48,620.

Do any members have any questions or comments on this matter? (no response)

Hearing none, do any members of the public wish to be heard on No. 7 on our agenda? (no response)

Again, none.

May I have a motion, please?

MR. BRAZ: So moved.

MR. SHAUGHNESSY: Thank you; second?

ASSEMBLYMAN KARABINCHAK: Second.

MR. SHAUGHNESSY: We have a motion and a second.

Any further discussion? (no response)

Hearing none, I'm calling the roll.

Deputy Chief of Staff Braz.

MR. BRAZ: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Brennan.

MS. BRENNAN: Yes.

MR. SHAUGHNESSY: Director Azarchi.

MS. AZARCHI: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Senator Doherty.

SENATOR DOHERTY: Yes.

MR. SHAUGHNESSY: Assemblyman DiMaio.

ASSEMBLYMAN DiMAIO: Yes.

MR. SHAUGHNESSY: Assemblyman Karabinchak.

ASSEMBLYMAN KARABINCHAK: Yes.

MR. SHAUGHNESSY: That matter is approved.

And we are now moving to No. 8, the last of the DEP matters on the agenda.

Brighton Avenue Complex, Block 175-- Well, let me say that block and lots as more specifically identified in the public agenda. This is in the City of Pleasantville, Atlantic County.

DEP, on behalf of the City of Pleasantville, requests approval to legalize the unauthorized, inadvertent disposal of a 2.688-acre portion of the Brighton Avenue Complex, having a fair market value of \$78,800.

In 2003, the City conveyed a portion of the Brighton Avenue Complex to the Pleasantville Housing Authority in connection with the development of a community revitalization and affordable housing project, known as the *New Hope Community*.

To compensate for this unauthorized, inadvertent disposal, the City will dedicate, for recreation and conservation purposes, a 5.509-acre parcel located elsewhere in the City, having a fair market value of \$5,500.

The City will also contribute \$73,300 to the Garden State Preservation Trust for a shortfall in the fair market value of the compensation parcel; and donate \$25,000 to the New Jersey Shade Tree and Community Forest Preservation License Plate Fund.

This is the matter up for consideration.

Do any members have any questions or comments on No. 8 on our agenda? (no response)

Hearing none, are there any members of the public who would like to comment on No. 8 on the agenda? (no response)

Again hearing none, may I have a motion, please?

MR. BRAZ: So moved.

MR. SHAUGHNESSY: Thank you; second?

SENATOR SMITH: Second.

MR. SHAUGHNESSY: Motion and second.

Any other discussion? (no response)

None; I'll call the roll.

Deputy Chief of Staff Braz.

MR. BRAZ: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Brennan.

MS. BRENNAN: Yes.

MR. SHAUGHNESSY: Director Azarchi.

MS. AZARCHI: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Senator Doherty.

SENATOR DOHERTY: Yes.

MR. SHAUGHNESSY: Assemblyman DiMaio.

ASSEMBLYMAN DiMAIO: Yes.

MR. SHAUGHNESSY: Assemblyman Karabinchak.

ASSEMBLYMAN KARABINCHAK: Yes.

MR. SHAUGHNESSY: No. 8 is approved.

Now we're moving on to the one and only Department of Transportation request. This is No. 9 on our agenda.

This is Route 130, Section 11, Parcel VXBE45C, Block 160.01; and various lots in Florence Township, Burlington County.

Before we consider this further, there is one point of clarification.

In the members' case memorandum that was received, it was inadvertently stated that parcel 45C, that I mentioned, was in the Borough of Glassboro. It is, rather, in the Township of Florence, as previously mentioned, Burlington County.

So with that one amendment, I'll continue on with this matter.

DOT is requesting approval to sell Parcel V45B, which is a 4.45-acre parcel of a ramp required for DOT by New Jersey Transit in the vicinity of their Exit 6 Improvement Project. The ramp has been partially declared excess, with a portion of Parcel 45A along Route 130 to be retained for future Route 130 widening purposes.

In exchange, the developer, Florence Associates, LLC, will convey to the DOT Parcel E45C, consisting of a 0.24-acre widening easement for the expansion of Route 130 in a future project.

The property will be sold directly to the only adjacent property owner, Florence Associates, LLC. The recommend sales price is \$71,000,

meaning the appraised value of \$100,000, less than \$29,000 to offset the value of the permanent easements.

Do any members have any questions or comments on No. 9 on our agenda? (no response)

Hearing none, do any members of the public wish to be heard on No. 9 on the agenda? (no response)

Again, none.

May I have a motion, please?

MR. BRAZ: So moved.

SENATOR SMITH: Second.

MR. SHAUGHNESSY: Thank you; thank you, Chair; thank you, Senator.

Any further discussion? (no response)

None; I'm calling the roll.

Deputy Chief of Staff Braz.

MR. BRAZ: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Brennan.

MS. BRENNAN: Yes.

MR. SHAUGHNESSY: Director Azarchi.

MS. AZARCHI: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Senator Doherty.

SENATOR DOHERTY: Yes.

MR. SHAUGHNESSY: Assemblyman DiMaio.

ASSEMBLYMAN DiMAIO: Yes.

MR. SHAUGHNESSY: Assemblyman Karabinchak.

ASSEMBLYMAN KARABINCHAK: Yes.

MR. SHAUGHNESSY: That matter is approved; so No. 9 is approved, and that's the final matter on our primary agenda.

Now we are moving to the Division of Pensions and Benefits' requests.

To do so, I need a motion to adjourn as the State House Commission, and a motion to convene as the Judicial Retirement System Board of Trustees.

MR. BRAZ: So moved.

MR. SHAUGHNESSY: Thank you, Chairman.

MS. BRENNAN: Second.

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

Any opposed? (no response)

Any abstentions? (no response)

Okay, we're now sitting as the Judicial Retirement System Board of Trustees to consider the four matters on this agenda.

The first is approval of the minutes of the Judicial Retirement System meeting held on April 26, 2021.

Any questions or comments about those minutes? (no response)

None; may I have a motion?

SENATOR SMITH: So moved.

MR. SHAUGHNESSY: Second?

MS. BRENNAN: Second.

MR. SHAUGHNESSY: Motion and second; thank you.

All in favor? (affirmative responses)

Any opposed? (no response)

Any abstentions? (no response)

No. 1 on the agenda is approved.

Moving to No. 2 on the Judicial Retirement System agenda, is confirmation of the Death Claims, Retirements, and Survivor Benefits, as referenced in the members' books.

Do any members have any questions or concerns about that matter? (no response)

Hearing none, any members of the public wish to be heard? (no response)

Hearing none, may I have a motion on No. 2?

SENATOR SMITH: So moved.

MR. SHAUGHNESSY: Second?

ASSEMBLYMAN DiMAIO: Second.

MR. SHAUGHNESSY: Thank you; I'll call the roll on this.

Deputy Chief of Staff Braz.

MR. BRAZ: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Brennan.

MS. BRENNAN: Yes.

MR. SHAUGHNESSY: Director Azarchi.

MS. AZARCHI: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Senator Doherty.

SENATOR DOHERTY: Yes.

MR. SHAUGHNESSY: Assemblyman DiMaio.

ASSEMBLYMAN DiMAIO: Yes.

MR. SHAUGHNESSY: Assemblyman Karabinchak.

ASSEMBLYMAN KARABINCHAK: Yes.

MR. SHAUGHNESSY: No. 2 is approved.

No. 3: No. 3 is Receipt of the Financial Statement for November 2020 to January 2021.

Do I have any questions, or concerns, or comments about that?

(no response)

Okay; as to the receipt of the financial statement, do any public members wish to be heard? (no response)

Hearing none, may I have a motion for that, a motion for No. 3?

MR. BRAZ: So moved.

MR. SHAUGHNESSY: Second?

SENATOR SMITH: Second.

MR. SHAUGHNESSY: Thank you; I'll call the roll.

Deputy Chief of Staff Braz.

MR. BRAZ: Yes.

MR. SHAUGHNESSY: Okay, thank you.

Deputy State Treasurer Brennan.

MS. BRENNAN: Yes.

MR. SHAUGHNESSY: Director Azarchi.

MS. AZARCHI: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Senator Doherty.

SENATOR DOHERTY: Yes.

MR. SHAUGHNESSY: Assemblyman DiMaio.

ASSEMBLYMAN DiMAIO: Yes.

MR. SHAUGHNESSY: Assemblyman Karabinchak.

ASSEMBLYMAN KARABINCHAK: Yes.

MR. SHAUGHNESSY: Okay, No. 3 has been approved.

Now on to the fourth and final matter on the agenda.

This is a presentation by the actuary of the June 2020 JRS Valuation Report, an experience study that was distributed to the members. It is in their packages.

May we have the actuary come up and make a brief presentation on the highlights and receive any questions that the members may have?

JANET CRANNA: Thank you.

I'm Janet Cranna from Cheiron, and with me is Anu Patel.

You should have the presentation in front of you.

In the interest of time, we're not going to go through every page, but we are going to give you some of the highlights and important information that we think you need to understand.

And feel free to ask questions as we go along.

I'm going to jump to Page 2, just to give a very quick overview of what we do in an actuarial valuation.

The tank represents the Judicial Retirement System, the size of which is determined by your benefit provisions and the assumptions used to value the liabilities. The green represents the assets -- and this is not drawn to scale. But the goal is to fund the system while the members work so that when they retire there are sufficient assets to pay benefits.

Coming into the system you have employer and employee contributions, as well as investment earnings. Coming out, you have the benefits that you pay to your members each month, as well as the expenses of running the system.

When we do the valuation, we receive data on every one of the members in the retirement system. We receive financial information, as well as your plan provisions. We apply our assumptions to determine what the expected benefit payments will be. They get discounted to the valuation date and, from there, we determine what your liabilities and contributions are.

Page 3 gives you some of the highlights of this year's results.

The market value of assets' return was 1.35 percent. That is less than what the assumption is, of 7.3 percent. That assumption of 7.3 percent is determined by the State Treasurer. So the assets earned less than expected.

When we do the valuation, we also calculate what we call an *actuarial value of assets*. And what that value is, it's a smoothing of the market value. The market value is very volatile from year to year, so when we determine contributions we like to base it on what we call the *actuarial value of assets*, which smooths the gains and losses over a 5-year period. That return this year was 4.3 percent. Again, it's less than a 7.3 percent assumed rate of return. That means that it resulted in an asset loss of approximately \$4.8 million. And because you've had other prior asset losses, you have about \$19.3 million in deferred asset losses.

We also looked at your demographic experience. These are things that happen to people. So how retirements were compared to what we expected; how mortality was compared to expected. And that resulted in a slight liability gain of \$4.4 million.

This valuation determines the results for the contributions for Fiscal Year 2022. In doing so, we do look at what the State is expected to pay in contributions prior to this valuation. For Fiscal Year ending 2021, the State is only expected to put in 78 percent of what the required contribution is. And because the State put in less than what is expected, that increased your unfunded liability by \$16.5 million.

And the unfunded liability -- what that means is, it's the difference between your assets and liabilities.

Moving on to Page 4, that unfunded liability -- the difference between your assets and liabilities was \$594.9 million.

The funded ratio -- I look at your assets compared to your liabilities. The assets that are in there now can only cover 26.5 percent of your liabilities, so the system is underfunded.

The contribution for Fiscal Year ending 2021 is increased to \$67.1 million.

That unfunded liability has to be paid for, and it's being paid for over 29 years. And that's based on Chapter 78, P.L. 2011.

Now, this valuation determines the contributions for Fiscal Year 2022. It is expected that the State will put in 100 percent of what the statutory contribution is, and this is the first time that the State is expected to appropriate the full 100 percent. Originally, it was supposed to be 90 percent, but our understanding is that the State will appropriate the full amount. So this will be the first time in a long time that the State is going to make the full contribution.

SENATOR SMITH: Let me stop you for a second.

MS. CRANNA: Sure.

SENATOR SMITH: How does our performance compare to the State pension performance?

MS. CRANNA: The other systems that are in the New Jersey retirement systems -- they are better funded than the Judicial Retirement System.

SENATOR SMITH: How about performance-wise? Because where they stand could be a function of what the contributions were every year. But how is-- I think you said we have -- is it 1.4 percent--

MS. CRANNA: The assets, yes. The assets are somewhat comparable among systems because the assets are all invested in the same asset pool. The assets are all in the same tranche. So the return is similar; there might be some differences because of the timing of contributions when they come in. But overall, the returns are fairly similar amongst the systems.

SENATOR SMITH: All right. Now, do you do these types of, in effect, audits for other states other than New Jersey?

MS. CRANNA: We do.

SENATOR SMITH: And how do we rank up, compared to other states, in terms of performance?

MS. CRANNA: I think the asset performance is somewhat similar.

Anu, do you have any thoughts on that as well? But I think they're pretty similar.

Again, we're looking at the assets' return as of June 30. So yes, the markets have done-- And this is June 30, 2020; we were still in the pandemic at that point. And again, this is just a snapshot. The market has

recovered since then; but as of the time we did the valuation, the asset return was just 1.34 percent.

SENATOR SMITH: Thank you.

MS. CRANNA: Anu, I know you also work on other systems as well.

A N U P A T E L: Yes, I'd agree with that -- that the return was very similar. And with the volatility -- with COVID and the volatility in the markets of the time-- As of June 30, many systems, state and city, ended up in around the same range as you guys are.

SENATOR SMITH: Thank you.

MR. SHAUGHNESSY: Thank you, Senator.

MS. CRENNNA: Any other questions before we move on? (no response)

Moving on to Slide 5 -- one of the things we look at is the trends. And as you can see, the trends -- that the bars show the liabilities, and the lines show the assets over the period, and the percents are the funded ratio. You can see that because -- you can see the funded ratio is coming down. It was 53 percent in 2011; in 2020, it was 27 percent. And there were a few reasons why the system is so poorly funded. One is that the State has historically put in less than the required contributions every year. The second is, the assumptions have changed over the year. The Treasurer has been trying to get the investment rate of return -- or the assumed rate of return -- down over the period. That causes the liabilities to increase. The assets, historically, have not performed as expected. That also contributes to the lower funded ratio.

So those are some of the reasons why the funded ratio has been coming down over the years. Hopefully, going forward, with the State making the full amount of the contributions, we can slowly start to see that funded ratio come up over time.

I now want to jump to some of the key results of this valuation.

Page 12 shows your membership; and the membership was slightly lower this year compared to last year. Total members of the system was 1,061, primarily because the number of active judges has decreased from last year, so that was the cause in the overall decrease in the membership.

Page 13 compared your assets and liabilities this year compared to last year. The liabilities went up slightly. They're at \$809.8 million; the assets were \$214.9 million. So the unfunded liability -- the difference between those two -- is \$594.9 million, for a funded ratio of 26.5 percent.

If we look at that same statistic based on the market value of assets, that is 24.1 percent funded.

I'm going to jump to the next slide, for contributions, on Page 15.

The contributions consist of two components. There is the normal cost, which is the value of your benefits accruing every year. That gets offset by the contributions the members make. So your normal contribution for the State is \$16 million dollars. Then we have to amortize that unfunded liability; that represents \$49.9 million of the contribution. So your total contribution for this year is \$67.1 million, and the State is expected to put in the full amount for Fiscal Year 2022.

With that, I'm going to turn it over to Anu to just show you what some of the projected outlook is for the system.

MS. PATEL: Good morning, everybody.

So we're going to look at some projections; I'm looking at Page 17.

And so on Page 17 here, we're showing what we call a *baseline projection*, where we're projecting the assets, the liabilities, and the contributions for the system over the next 30 years. This is based on the assumptions we have, and with the expectation that we're going to meet all of those assumptions. Some of those are shown over to the left, the table that shows -- the first column shows -- in yellow, the first column shows you the return; and we're expecting the long-term rate of return of 7 percent, if that was done every single year. The discount rate was decreased to 7 percent starting July 1, 2021 valuation; and that the State will appropriate the full contributions. So with 100 percent in each of those years over the projection period, we expect that the assets and liabilities would project in this manner.

So looking at the graphs then, the gray bars show you the liability; the lines -- the yellow and green lines are the asset lines. And you can see that the liabilities are expected to increase over time, which is expected as members -- as new members are coming in, and the current members are earning more and retiring, we would expect that the liabilities would go up.

The good thing is, the assets are also expected to go up, primarily because the contributions needed to fund the assets will be coming in.

At the top of the graph we show the funded ratio -- the ratio of the assets to liabilities that, as Janet mentioned for the July 1, 2012, valuation, is about 27 percent. And it's projected to increase to 90 percent.

So it's slow but steady progress if the return on average is about 7 percent and the State continues to contribute at 100 percent.

The bottom graph shows you the contributions; the purple portion of the bar represents the member contributions which, currently, members are paying around 12 percent of their pay.

The yellow portion shows you the State's contributions, and you can see that the contributions are also expected to grow over this period.

We also show, in the solid black line, what we call *the tread water line*. And what that represents is the normal cost -- which is the annual accrual cost and the interest on the unfunded liability. If the contributions coming in are going to be higher than what's being accrued and the interest on the unfunded, then you would expect that the funded ratio would improve over time. So you can see that that's actually happening; the yellow bars -- the top of the yellow bars are higher than the solid black line. And correspondingly, the funded ratio increases over time.

So any questions on that before I move on?

MS. BRENNAN: So am I to interpret pages -- some of the other pages in the back, such as 24 -- are those your other stress test scenarios on 25?

MS. PATEL: Correct. Those are stress test scenarios.

So this is the baseline; and then we are required, under Chapter 277, to stress test both the investment return, and then we evaluate some risks.

So I wrote-- If we have time here, I was planning to, just quickly, go over--

MS. BRENNAN: Okay.

MS. PATEL: --some of the others.

MS. BRENNAN: Right; just since you mentioned six different scenarios, I just wanted to be sure that we have those.

MS. PATEL: Yes. All of the -- we have some scenarios here in this report, but our full valuation report has the remaining scenarios.

So on Page 19, where it's stress testing investment return -- so if, in the first year, instead of making 7 percent the system made a negative 9.7 percent, that's a *negative shock scenario*; that's a big negative decrease. What happens to the funded ratio -- it's one year of negative return, so the impact is over the projection period -- instead of being 90 percent funded, the system would be 88 percent funded.

And in the bottom graph we've now added a red dashed line for comparison purposes. You can see under this scenario, contributions will be -- that the top of the gold bars are slightly higher than the red dashed line. So contributions are expected to be higher.

On Page 20, we show a one-year positive shock scenario. This is likely around where you would actually be for the 2021 year, just with the rebound of the markets over the last several months. Here we're showing a 26.6 percent return in that one year, and what that does is -- you can see the funded ratio of the projected period is 92 percent instead of 90. And the contributions are slightly lower for each of those following years.

So some of the other stress test scenarios we show are evaluating some of the system's risks.

So on Page 24, if the discount rate is reduced to 6 percent-- So it's expected to go down from 7.3 percent to 7 percent for the July 1, 2021, valuation. If that was further decreased to 6 percent, the discount rate would

decrease, and so would the expected asset return; then both of those change down to 6 percent. The funded ratio remains about similar; you're still going to be 91 percent at the end of the projection period. But you'll see at the bottom bar that the contributions are going to be higher, which is expected. The discount rate is less, as it's expected to earn less; then contributions -- required contributions would be higher. What that would really do is change the risk profile of the system. If you're expecting to earn less, the asset investments would be less risky.

And then Page 25 shows one of the other risks, a contribution risk, that we talk about in our report. And if the State was-- The expected appropriation percent for the Fiscal Year ending 2021 was 78 percent. If the State remained at 78 percent for all of the following years, you see that the funded ratio -- the liabilities continue to increase as expected, but the assets are dramatically reduced, and the funded ratio is 45 percent, compared to 90 percent.

You look at the contributions -- there are some savings of contributions in the initial years when the State is paying less. But if you compare the red line to the gold bars, you'll see that in the second half of the projection period the State will still pay the same contribution, but it would result in a lower funded ratio.

So I know I went through that quickly. If there are any other questions, I'm happy to answer.

ASSEMBLYMAN DiMAIO: I have just a quick question.

With this assumption of 7 percent return each year, how have the returns been over the past 10 years? Have we hit 7 percent every year, on average?

MS. CRANNA: We have not.

If you flip back to one of the earlier slides -- we didn't actually cover it in the interest of time -- but if you go to slide -- or Page 6, this is a good illustration of what the returns have been. The assumption that we were using is shown in blue. It started out about over 8 percent back in 2000; that assumption has been coming down. So now, in 2020, it's 7.3 percent.

The green line is your market value return, and you can see how that fluctuates a lot from year to year. It's very volatile. The actuarial rate of return, which smooths those asset gains and losses over a five-year period -- you can see that in the gold. And that has historically, for the entire projection period, been lower than expected. And so one of the reasons why your unfunded continues to go up is because you're not able to meet that expected rate of return.

ASSEMBLYMAN DiMAIO: Then why are--

MS. CRANNA: It illustrates the reason why we need to keep getting that investment rate of return -- the assumed rate down.

ASSEMBLYMAN DiMAIO: Why are we using a higher number than we have actually received for a period of time? It doesn't make sense to me.

MS. CRANNA: The State Treasurer is trying to get that return down. It will be dropped to 7 percent next year. And we're seeing this with a lot of State systems. A lot of the public retirement systems are starting to decrease that rate of return. But that has been coming down over the years.

ASSEMBLYMAN DiMAIO: They ought to, because one of the things that's going to affect this is the fact that the Federal and State governments still want to tax corporations at a higher rate all the time. And

that's going to take some of these numbers down, just by basis of the government taking money away from them.

MS. CRANNA: But the goal is that the State Treasurer lowers that rate to the 7 percent. That will take, as Anu mentioned, some of the risk off the table. So there will be a greater chance of hitting that rate of return in future years.

ASSEMBLYMAN DiMAIO: *A chance.*

MS. CRANNA: I mean, the market value is volatile. We have-- And there are some systems now that are dropping the discount rate to below 7 percent. So I'm sure the State-- We continue to have discussions with the Division of Pensions and Benefits. But we know that the rate of return is assumed to be lowered to 7 percent next valuation.

ASSEMBLYMAN DiMAIO: It's still higher than what it actually has been.

MS. CRANNA: That is true.

ASSEMBLYMAN DiMAIO: (laughter) That makes no sense.

Okay. I think that it makes-- I know I wouldn't do that in my own retirement planning.

MS. PATEL: And compared to other systems, 7 percent is still good. The median for other systems across the country is actually 7.23 percent. There are some systems that are higher. And I think, overall, the trend across the country is that they're trying to decrease it. But, of course, drastic changes leads to big increases in contributions and budgetary constraints. So at 7 percent you're still lower than the median, and it's on the right track if the contributions are being appropriated at 100 percent and, at the same time, the discount rate is being decreased over time.

MR. BRAZ: And Assemblyman, just to add to that.

When the Treasurer drops the expected rate of return, that also affects the contributions, not just at the State level, but also at the county and municipal levels as well. So there's a cascading effect, so we just have to be careful. That's why you see the Treasurer moved down from 7.3 to 7. We're trying to phase it down in a responsible way so we're not sticker-shocking municipalities and counties.

ASSEMBLYMAN DiMAIO: Understood. But the reality is, how real is this? We'll see -- I guess we'll see over the next 10 years. The markets--

MS. PATEL: So your five-year average return, looking at historic market value, was 5.35 percent. But 10-year was 7.85, and 15-year was 6.45. So, I mean, the 15-year would include the market decline -- the 2008 financial crisis -- which dramatically reduced the return for everybody, and the average came down.

But the 10-year return is still 7.85.

ASSEMBLYMAN DiMAIO: These events will happen; these events will happen. The market doesn't always continually go up; things happen.

MS. PATEL: Correct.

ASSEMBLYMAN DiMAIO: And government, and how it spends, and how it taxes impacts this, too. And I just caution, having higher-than-realistic anticipated returns can be dangerous. But that's just my opinion.

Thank you, Chairman.

MR. SHAUGHNESSY: Do any other members have any questions or comments of the actuaries?

SENATOR DOHERTY: Yes, I do.

The market value return -- what are you basing that on? Where do you get that number?

MS. CRANNA: The assets are sent to us from the Division of Pensions and Benefits each year. So that's a return that we calculate. We take into consideration the timing of when the contributions are coming in as well.

SENATOR DOHERTY: Well, the market value return -- right? -- isn't that outside of the system? And where do you get that number from? What is that *market value return*, in the green?

MS. CRANNA: Yes, that return is calculated. It's based on the -- we know what the beginning and end-of-year market values are. We know what contributions have come in during the year, as well as the benefit payments and expenses. So from there we are able to calculate what the return is over the period.

SENATOR DOHERTY: Yes, but I thought the 7-- I thought the market value return was outside of the system, and that the action--

So the green is what the--

MS. PATEL: Actual -- that's actual asset performance, just looking at every valuation date, looking at what happened in that 12-month period from the beginning of the year until the end of the year.

SENATOR DOHERTY: Okay.

MS. PATEL: What the assets earned over the year.

SENATOR DOHERTY: Okay. And is there-- How do we see here how-- Okay, so you said 7.3 percent. But how do we see how the pension fund performance is doing versus, say, some other investments that are out there; say, like an S&P fund -- that kind of thing. Is there any information you're providing comparing?

MS. CRANNA: We don't have the comparisons in this report. If that's something that you want, we can get that information.

SENATOR DOHERTY: Well, I think it's sort of important to see that, right? Because there are a lot of investment vehicles that may be investing in, say, the S&P 500 versus what the pension fund is investing in. Is there-- Like, I also don't see what the heck we are investing in, you know? Like, it would be nice to have a break out of, "Okay, we're investing in *this*," so we can compare it, maybe, to other states -- what they're investing in, right? So you may be investing in real estate investment trusts, bonds, this, that, and the other thing, and how New Jersey compares to other states.

You know, like, bonds, for example, are returning next to nothing, right? Historically, they've been a lot higher. Is New Jersey still locked in all these bonds? And if so, why? And are other states making adjustments, in view of the fact that bonds don't pay anything anymore -- right? -- the interest rates on them?

MS. CRANNA: In the valuation report, we do show a page that has a breakdown of some of the asset classes. The only information we get we've actually duplicated and put in the report. So any additional detail, other than the broad classifications, would probably have to come from the Division of Investments.

SENATOR DOHERTY: And-- Okay. Is that something that you sent us? Do you have a page--

MS. CRANNA: Yes, in the report -- let me see if I can pull up the page that that's-- In the valuation report itself--

MS. PATEL: On Page 32.

MS. CRANNA: Okay, Page 32? Okay.

SENATOR DOHERTY: What page?

MS. PATEL: So on Page 32 we do have the assets. Yes, but this is still from the Division. I think that details on the investments and how they did would probably come from the Division of Investments.

MS. BRENNAN: So Senator, this report that was prepared by the actuaries for the Division of Pensions and Benefits would be different from information we could get, as suggested, from our Division of Investments. And if appropriate, and the Chair would put something like that on an agenda, I'm sure we can have Division of Investments provide some additional information as to how the funds are actually invested.

SENATOR DOHERTY: Yes, okay. Because it's tough to make any kind of evaluation here, right? So we have a pension fund that invests; right now, we don't know what it's investing in, as we're sitting here. I guess we could find out that information. And also, there's no comparison to how the pension funds investments are performing versus, say, some other investment vehicles out there, right? I mean, if you look-- I'm no technical subject matter expert here, but if you look at, say, like just the S&P 500 from -- it's gone up almost four times from 2010, right? That's 400 percent -- not 100 percent -- four times. And so how are we doing versus that type of investment vehicle? Because-- Are we in -- do we have the right investment

mix in New Jersey? I've always heard that State pension funds invest in bonds, because you want it to be more reliable, right? It's not as volatile. I can understand that to some extent. But how far are we falling behind, compared to some of these other investment vehicles that are out there? Because the numbers look -- unless I'm reading it wrong, the numbers look like the S&P 500 fund, the top 500 companies, has gone up, on average, 400 percent in the last 10 years. Now, has our pension fund gone up 400 percent -- the performance? Probably not.

MS. BRENNAN: Yes, Senator, that is not my area of expertise either. But, you know, we could pursue your questions with our Division of Investments and, through the Chair, provide additional information.

I'm not sure what the mix of investment classes is, or what the rationale is.

SENATOR DOHERTY: Okay; do we--

Okay. Yes, that would be nice to see.

Do we know -- what are the expenses? We have total assets under management. Is there a certain percentage that's being paid in expenses?

MS. CRANNA: We do also show that on Page 33 of the report; not the presentation, but in the full report itself it does show you what amount is being paid out of the system for administrative expenses.

SENATOR DOHERTY: What line is that?

MS. CRANNA: The administrative expenses are being shown under *deductions* on Page 33. There are several lines that show administrative expenses. And these come directly from the asset information that we receive from the Division of Pensions and Benefits.

SENATOR DOHERTY: All right; so there's a number that I'm reading; it says \$219,916. Now, is that the actual expense, or is that in millions? I don't know, because sometimes there's thousands -- there are three more zeroes there; I don't know.

MS. CRANNA: Those are in -- those are the actual dollars.

MS. PATEL: Right. And those are the administrative expenses of running the system itself, and running the -- taking care of the benefits and all that. But if you're referring to investment expenses, I don't believe we get a breakdown of that.

SENATOR DOHERTY: You know, because that's another thing, too, that-- I mean, we're shooting in the dark here, to some extent. We don't even know what the number is; because there's a lot of investment vehicles out there now that are very proud to be well under 1 percent of total assets under management, right? And some of them are even below one-tenth of 1 percent, right? So what's New Jersey paying for these funds to be managed compared to some of the other investment vehicles that are out there that charge very low rates now? Do we know? Any idea?

MS. CRANNA: We're not provided with that information from the Division of Pensions and Benefits, so--

SENATOR DOHERTY: So-- So yes.

MS. CRANNA: --I want to discuss that with the Division of Investments.

SENATOR DOHERTY: I mean, how do we -- what are we evaluating here? I don't even know what we're evaluating, other than it's a nice report you prepared. But it just seems that -- are we getting good value for the dollar for who we're hiring to manage these funds? And how are their

returns compared to some of these other investment vehicles that are out there? All with the understanding that preserving the principle is important. When you come to a pension fund, I can understand that. You may not perform as well over time as some other investment vehicles, but what's the divergence there?

That would be nice for us to have that information.

MR. SHAUGHNESSY: Do any other members have any questions of the actuaries? (no response)

Hearing none, is there any member of the public, in the Zoom or online, who wishes to be heard or make a comment with regard to the Judicial Retirement System portion of the agenda? (no response)

Hearing none, if there's nothing further then, on No. 4, we're just going to vote to receive -- let me be clear on this -- it's a vote to receive the actuarial valuation results as of July 1, 2020, which was dated June 17, 2021.

May I have a motion for that?

MR. BRAZ: So moved.

MR. SHAUGHNESSY: Thank you; second?

ASSEMBLYMAN KARABINCHAK: Second.

Motion and second; I'll call the roll.

Deputy Chief of Staff Braz.

MR. BRAZ: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Brennan.

MS. BRENNAN: Yes; and thanks to Cheiron for the presentation.

MR. SHAUGHNESSY: Director Azarchi.

MS. AZARCHI: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Senator Doherty.

SENATOR DOHERTY: Yes.

MR. SHAUGHNESSY: Assemblyman DiMaio.

ASSEMBLYMAN DiMAIO: Yes.

MR. SHAUGHNESSY: Assemblyman Karabinchak.

ASSEMBLYMAN KARABINCHAK: Yes.

MR. SHAUGHNESSY: Thank you; that's been received.

And I think that concludes this portion of the agenda.

I just need a motion to adjourn as the Judicial Retirement System Board of Trustees, and sit again as the State House Commission.

MR. BRAZ: So moved.

SENATOR SMITH: Second.

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

Any opposed? (no response)

Any abstentions? (no response)

Okay, so we're now back to the State House Commission.

The last order of business -- unless any member has anything else to add -- is just to adjourn.

MR. BRAZ: Mr. Shaughnessy, I do have one thing.

I just want to thank all the members for what has been an incredibly trying year. Hopefully, this is our last meeting virtually. I don't expect any meetings over the summer, so I want to wish everyone a happy, and restful, and relaxing summer.

I want to thank everyone for all the hard work that we've -- that everyone has put into this Commission. I've always enjoyed this for the spirit of bipartisanship, cooperation, collegiality, and discussion. And I just wanted to thank everyone for their leadership, and being flexible, and making sure that we still carried on the work of the State that was necessary through the State House Commission. And we hope to see everyone in person after the summer.

So thank you.

MR. SHAUGHNESSY: Thank you, Mr. Chair; thank you all.

MR. BRAZ: And Mr. Shaughnessy, I'm sorry.

To you, and your staff, and to Mr. Kotler, thank you so much for all your help in keeping us all together and in line.

Thank you.

MR. SHAUGHNESSY: Thank you. Kind words, Chair. Thank you very much.

Everyone take care.

ALL: Thank you.

(MEETING CONCLUDED)