

RULES OF THE STATE INVESTMENT COUNCIL

Subchapter 43, Mortgage-Backed Securities; Private Pass-Through, was recodified to N.J.A.C. 17:16-58 and Subchapter 43, Covered Call Options, was recodified from N.J.A.C. 17:16-42 by R.1991 d.274, effective June 3, 1991. See: 23 N.J.R. 983(a), 23 N.J.R. 1800(b).

Subchapter 44, Deferred Compensation Plan, was recodified to N.J.A.C. 17:16-65 and Subchapter 44, Common and Preferred Stocks and Issues Convertible into Common Stock of International Corporations, was recodified from N.J.A.C. 17:16-48 by R.1991 d.274, effective June 3, 1991. See: 23 N.J.R. 983(a), 23 N.J.R. 1800(b).

Subchapter 45, Real Estate Equity, was recodified to N.J.A.C. 17:16-71 and Subchapter 45, Covered Put Options, was recodified from N.J.A.C. 17:16-52 by R.1991 d.274, effective June 3, 1991. See: 23 N.J.R. 983(a), 23 N.J.R. 1800(b).

Subchapter 46, Common Pension Fund D, was recodified to N.J.A.C. 17:16-67 by R.1991 d.274, effective June 3, 1991. See: 23 N.J.R. 983(a), 23 N.J.R. 1800(b).

Subchapter 47, International Government and Agency Obligations, was recodified to N.J.A.C. 17:16-20 by R.1991 d.274, effective June 3, 1991. See: 23 N.J.R. 983(a), 23 N.J.R. 1800(b).

Subchapter 48, Common and Preferred Stock and Issues Convertible into Common Stock of International Corporations, was recodified to N.J.A.C. 17:16-44 by R.1991 d.274, effective June 3, 1991. See: 23 N.J.R. 983(a), 23 N.J.R. 1800(b).

Subchapter 49, Purchase and Sale of International Currency, was recodified to N.J.A.C. 17:16-81 by R.1991 d.274, effective June 3, 1991. See: 23 N.J.R. 983(a), 23 N.J.R. 1800(b).

Subchapter 50, U.S. Treasury Futures Contracts, was recodified to N.J.A.C. 17:16-21 by R.1991 d.274, effective June 3, 1991. See: 23 N.J.R. 983(a), 23 N.J.R. 1800(b).

Subchapter 52, Covered Put Options, was recodified to N.J.A.C. 17:16-45 by R.1991 d.274, effective June 3, 1991. See: 23 N.J.R. 983(a), 23 N.J.R. 1800(b).

Subchapter 53, Title II Federal Housing Administration—Insured Mortgages; Multi-family, was recodified from N.J.A.C. 17:16-28 by R.1991 d.274, effective June 3, 1991. See: 23 N.J.R. 983(a), 23 N.J.R. 1800(b).

Subchapter 54, Title II Federal Housing Administration Insured Construction Mortgages; Multifamily, was recodified from N.J.A.C. 17:16-29 by R.1991 d.274, effective June 3, 1991. See: 23 N.J.R. 983(a), 23 N.J.R. 1800(b).

Subchapter 55, Title II Federal Housing Administration Mortgages, was recodified from N.J.A.C. 17:16-10 by R.1991 d.274, effective June 3, 1991. See: 23 N.J.R. 983(a), 23 N.J.R. 1800(b).

Subchapter 58, Mortgage-Backed Securities; Private Pass-Through, was recodified from N.J.A.C. 17:16-43 by R.1991 d.274, effective June 3, 1991. See: 23 N.J.R. 983(a), 23 N.J.R. 1800(b).

Subchapter 61, State of New Jersey Cash Management Fund, was recodified from N.J.A.C. 17:16-31 by R.1991 d.274, effective June 3, 1991. See: 23 N.J.R. 983(a), 23 N.J.R. 1800(b).

Subchapter 62, Common Pension Fund A, was recodified from N.J.A.C. 17:16-32 by R.1991 d.274, effective June 3, 1991. See: 23 N.J.R. 983(a), 23 N.J.R. 1800(b).

Subchapter 63, Common Pension Fund B, was recodified from N.J.A.C. 17:16-36 by R.1991 d.274, effective June 3, 1991. See: 23 N.J.R. 983(a), 23 N.J.R. 1800(b).

Subchapter 65, Deferred Compensation Plan, was recodified from N.J.A.C. 17:16-44 by R.1991 d.274, effective June 3, 1991. See: 23 N.J.R. 983(a), 23 N.J.R. 1800(b).

Subchapter 67, Common Pension Fund D, was recodified from N.J.A.C. 17:16-46 by R.1991 d.274, effective June 3, 1991. See: 23 N.J.R. 983(a), 23 N.J.R. 1800(b).

Subchapter 71, Real Estate Equity, was recodified from N.J.A.C. 17:16-45 by R.1991 d.274, effective June 3, 1991. See: 23 N.J.R. 983(a), 23 N.J.R. 1800(b).

Subchapter 81, Purchase and Sale of International Currency, was recodified from N.J.A.C. 17:16-49 by R.1991 d.274, effective June 3, 1991. See: 23 N.J.R. 983(a), 23 N.J.R. 1800(b).

Pursuant to Executive Order No. 66(1978), Chapter 16, Rules of the State Investment Council, was readopted as R.1991 d.274, effective May 2, 1991. See: 23 N.J.R. 983(a), 23 N.J.R. 1800(b).

Subchapter 36, Guaranteed Income Contracts, was adopted as R.1991 d.387, effective August 5, 1991. See: 23 N.J.R. 1776(a), 23 N.J.R. 2344(b).

Pursuant to Executive Order No. 66(1978), Chapter 16, Rules of the State Investment Council, was readopted as R.1996 d.222, effective April 15, 1996. See: 28 N.J.R. 1366(a), 28 N.J.R. 2397(a).

Subchapter 68, New Jersey Better Educational Savings Trust (NJBEST) Fund, was adopted as R.1998 d.552, effective November 16, 1998. See: 30 N.J.R. 3167(a), 30 N.J.R. 4064(a).

Subchapter 46, Common and Preferred Stocks and Issues Convertible Into Common Stock of International Corporations in Emerging Markets, was adopted as R.2000 d.373, effective September 18, 2000. See: 32 N.J.R. 2584(b), 32 N.J.R. 3455(b).

Pursuant to Executive Order No. 66(1978), Chapter 16, Rules of the State Investment Council, was readopted as R.2001 d.119, effective March 9, 2001, and Subchapter 35, Loan Participation Notes, was repealed by R.2001 d.119, effective April 2, 2001. See: 33 N.J.R. 372(b), 33 N.J.R. 1115(a).

Subchapter 22, Fixed Income Exchange-Traded Funds, was adopted as R.2003 d.330, effective August 4, 2003. See: 35 N.J.R. 1869(a), 35 N.J.R. 3605(b).

Subchapter 37, Money Market Funds, was adopted as R.2003 d.331, effective August 4, 2003. See: 35 N.J.R. 1870(a), 35 N.J.R. 3606(a).

Subchapter 47, Equity Futures Contracts, was adopted as R.2003 d.334, effective August 4, 2003. See: 35 N.J.R. 1872(b), 35 N.J.R. 3607(b).

Subchapter 4, State Investment Council's Policy Concerning Political Contributions and Prohibitions on Investment Management Business, was adopted as new rules by R.2005 d.123, effective April 18, 2005. See: 36 N.J.R. 4695(a), 37 N.J.R. 1223(a).

Subchapter 69, Common Pension Fund E, was adopted as new rules by R.2005 d.201, effective June 20, 2005. See: 37 N.J.R. 575(a), 37 N.J.R. 2217(a).

Subchapter 71, Real Estate Equity, was repealed and Subchapter 71, Real Assets, was adopted as new rules by R.2005 d.202, effective June 20, 2005. See: 37 N.J.R. 577(a), 37 N.J.R. 2220(a).

Subchapter 90, Private Equity, was adopted as new rules by R.2005 d.203, effective June 20, 2005. See: 37 N.J.R. 579(a), 37 N.J.R. 2222(a).

Subchapter 100, Absolute Return Strategy Investments, was adopted as new rules by R.2005 d.204, effective June 20, 2005. See: 37 N.J.R. 580(a), 37 N.J.R. 2223(a).

Subchapter 46, Common and Preferred Stocks and Issues Convertible Into Common Stock of International Corporations In Emerging Markets and Global, Regional or Country Funds, was renamed Common and Preferred Stocks and Issues Convertible Into Common Stock of International Corporations and Global, Regional or Country Funds In Emerging Markets by R.2006 d.259, effective July 17, 2006. See: 38 N.J.R. 1410(a), 38 N.J.R. 3065(a).

Chapter 16, Rules of the State Investment Council, was readopted as R.2006 d.317, effective August 7, 2006. As a part of R.2006 d.317, Subchapter 1, General Provisions and Subchapter 13, Interest Rate Swap Transactions, were adopted as new rules; Subchapter 14, Finance Companies—Senior Debt, was renamed Finance Company Debt; Subchapter

16, Canadian Obligations, was renamed International Corporate Obligations; Subchapter 36, Guaranteed Income Contracts, was renamed Guaranteed Income Contracts and Funding Agreements; and Subchapter 41, U.S. Common and Preferred Stocks and Issues Convertible Into Common Stocks and Exchange-Traded Funds, was renamed Common and Preferred Stocks and Issues Convertible Into Common Stock of U.S. Corporations and U.S. Exchange-Traded Funds; Subchapter 44, Common and Preferred Stocks and Issues Convertible into Common Stock of International Corporations and International Equity Exchange-Traded Funds, was renamed Common and Preferred Stocks and Issues Convertible into Common Stock of International Corporations and International Exchange-Traded Funds; Subchapter 46, Common and Preferred Stocks and Issues Convertible into Common Stock of International Corporations in Emerging Markets and Global, Regional or Country Funds, was renamed Common and Preferred Stocks and Issues Convertible into Common Stock of International Corporations and Global, Regional or Country Funds in Emerging Markets; Subchapter 55, Title II Federal Housing Administration Hospital Mortgages, was renamed Title II Federal Housing Administration Insured Hospital Mortgages; Subchapter 58, Mortgage Backed Securities—Private Passthrough, was renamed Mortgage Backed Senior Debt Securities; Mortgage Backed Passthrough Securities; Subchapter 81, Purchase and Sale of International Currency, was renamed Foreign Exchange Contracts, effective September 5, 2006. See: Source and Effective Date. See also, section annotations.

Subchapter 2, Engagement of External Investment Managers, was adopted as new rules by R.2007 d.164, effective May 21, 2007. See: 39 N.J.R. 179(a), 39 N.J.R. 2137(a).

Subchapter 46, Common and Preferred Stocks and Issues Convertible Into Common Stock of International Corporations and Global, Regional or Country Funds In Emerging Markets, was renamed Common and Preferred Stocks and Issues Convertible Into Common Stock of International Corporations and Exchange-Traded, Global, Regional or Country Funds In Emerging Markets by R.2007 d.259, effective August 20, 2007. See: 39 N.J.R. 1465(a), 39 N.J.R. 3549(a).

Subchapter 14, Finance Company Debt, was repealed by R.2008 d.384, effective December 15, 2008. See: 40 N.J.R. 4685(a), 40 N.J.R. 6994(b).

Subchapter 15, Bank Debentures, was repealed by R.2008 d.385, effective December 15, 2008. See: 40 N.J.R. 4685(b), 40 N.J.R. 6994(c).

Subchapter 23, Bank Loans, was adopted as new rules by R.2008 d.388, effective December 15, 2008. See: 40 N.J.R. 4687(a), 40 N.J.R. 6995(c).

Subchapter 24, Credit Default Swap Transactions, was adopted as new rules by R.2008 d.389, effective December 15, 2008. See: 40 N.J.R. 4688(a), 40 N.J.R. 6996(a).

Subchapter 40, Non-Convertible Preferred Stocks of U.S. Corporations, was adopted as new rules by R.2008 d.390, effective December 15, 2008. See: 40 N.J.R. 4689(a), 40 N.J.R. 6997(a).

Subchapter 41, Common and Preferred Stocks and Issues Convertible into Common Stock of U.S. Corporations and U.S. Exchange-Traded Funds, was renamed Common and Preferred Stocks and Debt Issues Convertible into Common Stock of U.S. Corporations and U.S. Exchange-Traded Funds by R.2008 d.391, effective December 15, 2008. See: 40 N.J.R. 4690(a), 40 N.J.R. 6998(a).

Subchapter 44, Common and Preferred Stocks and Issues Convertible into Common Stock of International Corporations and International Exchange-Traded Funds, was renamed Common and Preferred Stocks and Debt Issues Convertible into Common Stock of International Corporations and International Exchange-Traded Funds by R.2008 d.392, effective December 15, 2008. See: 40 N.J.R. 4692(a), 40 N.J.R. 6998(b).

Subchapter 46, Common and Preferred Stocks and Issues Convertible into Common Stock of International Corporations and Exchange-Traded, Global, Regional or Country Funds in Emerging Markets, was renamed Common and Preferred Stocks and Debt Issues Convertible into Common Stock of International Corporations and Exchange-Traded, Global,

Regional or Country Funds in Emerging Markets by R.2008 d.393, effective December 15, 2008. See: 40 N.J.R. 4693(a), 40 N.J.R. 6999(a).

Subchapter 17, New Jersey State and Municipal General Obligations, was renamed State and Municipal General Obligations by R.2009 d.316, effective October 19, 2009. See: 41 N.J.R. 2635(a), 41 N.J.R. 3959(a).

Subchapter 2, Engagement of External Investment Managers, was repealed by R.2010 d.120, effective June 21, 2010. See: 41 N.J.R. 4423(a), 42 N.J.R. 1247(a).

Subchapter 45, Covered Put Options, was renamed Put Options by R.2011 d.223, effective August 15, 2011. See: 43 N.J.R. 1242(a), 43 N.J.R. 2193(a).

CHAPTER TABLE OF CONTENTS

SUBCHAPTER 1. GENERAL PROVISIONS

- 17:16-1.1 Purpose
- 17:16-1.2 Definitions
- 17:16-1.3 Permissible investments
- 17:16-1.4 Legal documents

SUBCHAPTER 2. (RESERVED)

SUBCHAPTER 3. CLASSIFICATION OF FUNDS

- 17:16-3.1 General provisions
- 17:16-3.2 Approved list
- 17:16-3.3 through 17:16-3.6 (Reserved)

SUBCHAPTER 4. STATE INVESTMENT COUNCIL'S POLICY CONCERNING POLITICAL CONTRIBUTIONS AND PROHIBITIONS ON INVESTMENT MANAGEMENT BUSINESS

- 17:16-4.1 Purpose
- 17:16-4.2 Definitions
- 17:16-4.3 Restrictions
- 17:16-4.4 Solicitations
- 17:16-4.5 Indirect violations
- 17:16-4.6 Reporting
- 17:16-4.7 Public disclosure
- 17:16-4.8 Additional information
- 17:16-4.9 Contract termination
- 17:16-4.10 Exemptions
- 17:16-4.11 Effectiveness

SUBCHAPTERS 5 THROUGH 10. (RESERVED)

SUBCHAPTER 11. UNITED STATES TREASURY AND GOVERNMENT AGENCY OBLIGATIONS

- 17:16-11.1 Definitions
- 17:16-11.2 Permissible investments
- 17:16-11.3 Eligible funds

SUBCHAPTER 12. CORPORATE OBLIGATIONS

- 17:16-12.1 Definitions
- 17:16-12.2 Permissible investments
- 17:16-12.3 Eligible funds
- 17:16-12.4 Limitations
- 17:16-12.5 Reports to Council

SUBCHAPTER 13. INTEREST RATE SWAP TRANSACTIONS

- 17:16-13.1 Definitions
- 17:16-13.2 Permissible investments
- 17:16-13.3 Eligible funds
- 17:16-13.4 Limitations

SUBCHAPTERS 14 THROUGH 15. (RESERVED)

RULES OF THE STATE INVESTMENT COUNCIL

SUBCHAPTER 16. INTERNATIONAL CORPORATE OBLIGATIONS

- 17:16-16.1 Definitions
- 17:16-16.2 Permissible investments
- 17:16-16.3 Eligible funds
- 17:16-16.4 Limitations
- 17:16-16.5 Reports to Council

SUBCHAPTER 17. STATE AND MUNICIPAL GENERAL OBLIGATIONS

- 17:16-17.1 Definitions
- 17:16-17.2 Permissible investments
- 17:16-17.3 Eligible funds
- 17:16-17.4 Limitations
- 17:16-17.5 Reports to Council

SUBCHAPTER 18. PUBLIC AUTHORITY REVENUE OBLIGATIONS

- 17:16-18.1 Definitions
- 17:16-18.2 Permissible investments
- 17:16-18.3 Eligible funds
- 17:16-18.4 Limitations
- 17:16-18.5 Reports to Council

SUBCHAPTER 19. COLLATERALIZED NOTES AND MORTGAGES

- 17:16-19.1 Definitions
- 17:16-19.2 Permissible investments
- 17:16-19.3 Eligible funds
- 17:16-19.4 Limitations
- 17:16-19.5 Reports to Council

SUBCHAPTER 20. INTERNATIONAL GOVERNMENT AND AGENCY OBLIGATIONS

- 17:16-20.1 Definitions
- 17:16-20.2 Permissible investments
- 17:16-20.3 Eligible funds
- 17:16-20.4 Limitations
- 17:16-20.5 Reports to Council

SUBCHAPTER 21. U.S. TREASURY FUTURES CONTRACTS

- 17:16-21.1 Definitions
- 17:16-21.2 Permissible investments
- 17:16-21.3 Eligible funds
- 17:16-21.4 Limitations

SUBCHAPTER 22. FIXED INCOME EXCHANGE-TRADED FUNDS

- 17:16-22.1 Definitions
- 17:16-22.2 Permissible investments
- 17:16-22.3 Eligible funds
- 17:16-22.4 Limitations

SUBCHAPTER 23. BANK LOANS

- 17:16-23.1 Definitions
- 17:16-23.2 Permissible investments
- 17:16-23.3 Eligible funds
- 17:16-23.4 Limitations
- 17:16-23.5 Reports to Council

SUBCHAPTER 24. CREDIT DEFAULT SWAP TRANSACTIONS

- 17:16-24.1 Definitions
- 17:16-24.2 Permissible transactions
- 17:16-24.3 Eligible funds
- 17:16-24.4 Limitations

SUBCHAPTERS 25 THROUGH 30. (RESERVED)

SUBCHAPTER 31. COMMERCIAL PAPER

- 17:16-31.1 Definitions
- 17:16-31.2 Permissible investments
- 17:16-31.3 Eligible funds
- 17:16-31.4 through 17:16-31.5 (Reserved)

SUBCHAPTER 32. CERTIFICATES OF DEPOSIT

- 17:16-32.1 Definitions
- 17:16-32.2 Permissible investments
- 17:16-32.3 Eligible funds
- 17:16-32.4 Limitations

SUBCHAPTER 33. REPURCHASE AGREEMENTS

- 17:16-33.1 Definitions
- 17:16-33.2 Permissible investments
- 17:16-33.3 Eligible funds
- 17:16-33.4 (Reserved)

SUBCHAPTER 34. BANKERS ACCEPTANCE

- 17:16-34.1 Definitions
- 17:16-34.2 Permissible investments
- 17:16-34.3 Eligible funds
- 17:16-34.4 Limitations
- 17:16-34.5 through 17:16-34.6 (Reserved)

SUBCHAPTER 35. (RESERVED)

SUBCHAPTER 36. GUARANTEED INCOME CONTRACTS AND FUNDING AGREEMENTS

- 17:16-36.1 Definitions
- 17:16-36.2 Permissible investments
- 17:16-36.3 Eligible funds

SUBCHAPTER 37. MONEY MARKET FUNDS

- 17:16-37.1 Definitions
- 17:16-37.2 Permissible investments
- 17:16-37.3 Eligible funds
- 17:16-37.4 Limitations

SUBCHAPTERS 38 THROUGH 39. (RESERVED)

SUBCHAPTER 40. NON-CONVERTIBLE PREFERRED STOCKS OF U.S. CORPORATIONS

- 17:16-40.1 Definitions
- 17:16-40.2 Permissible investments
- 17:16-40.3 Eligible funds
- 17:16-40.4 Limitations

SUBCHAPTER 41. COMMON AND PREFERRED STOCKS AND DEBT ISSUES CONVERTIBLE INTO COMMON STOCK OF U.S. CORPORATIONS AND U.S. EXCHANGE-TRADED FUNDS

- 17:16-41.1 Definitions
- 17:16-41.2 Permissible investments
- 17:16-41.3 Eligible funds
- 17:16-41.4 Limitations

SUBCHAPTER 42. COMMON STOCKS AND ISSUES CONVERTIBLE INTO COMMON STOCKS (TRUST FUNDS)

- 17:16-42.1 Definitions
- 17:16-42.2 Permissible investments
- 17:16-42.3 Eligible funds
- 17:16-42.4 Limitations
- 17:16-42.5 through 17:16-42.6 (Reserved)

SUBCHAPTER 43. COVERED CALL OPTIONS

- 17:16-43.1 Definitions
- 17:16-43.2 Permissible transactions
- 17:16-43.3 Eligible funds
- 17:16-43.4 (Reserved)

SUBCHAPTER 44. COMMON AND PREFERRED STOCKS AND DEBT ISSUES CONVERTIBLE INTO COMMON STOCK OF INTERNATIONAL CORPORATIONS AND INTERNATIONAL EXCHANGE-TRADED FUNDS

- 17:16-44.1 Definitions
- 17:16-44.2 Permissible investments
- 17:16-44.3 Eligible funds
- 17:16-44.4 Limitations

SUBCHAPTER 45. PUT OPTIONS

- 17:16-45.1 Definitions
- 17:16-45.2 Permissible transactions
- 17:16-45.3 Eligible funds
- 17:16-45.4 Limitations

SUBCHAPTER 46. COMMON AND PREFERRED STOCKS AND DEBT ISSUES CONVERTIBLE INTO COMMON STOCK OF INTERNATIONAL CORPORATIONS AND EXCHANGE-TRADED, GLOBAL, REGIONAL OR COUNTRY FUNDS IN EMERGING MARKETS

- 17:16-46.1 Definitions
- 17:16-46.2 Permissible investments
- 17:16-46.3 Eligible funds
- 17:16-46.4 Limitations

SUBCHAPTER 47. EQUITY FUTURES CONTRACTS

- 17:16-47.1 Definitions
- 17:16-47.2 Permissible investments
- 17:16-47.3 Eligible funds
- 17:16-47.4 Limitations

SUBCHAPTERS 48 THROUGH 52. (RESERVED)**SUBCHAPTER 53. TITLE II FEDERAL HOUSING ADMINISTRATION INSURED MORTGAGES—MULTI-FAMILY**

- 17:16-53.1 Definitions
- 17:16-53.2 Permissible investments
- 17:16-53.3 Eligible funds
- 17:16-53.4 Limitations

SUBCHAPTER 54. TITLE II FEDERAL HOUSING ADMINISTRATION INSURED CONSTRUCTION MORTGAGES—MULTI-FAMILY

- 17:16-54.1 Definitions
- 17:16-54.2 Permissible investments
- 17:16-54.3 Eligible funds
- 17:16-54.4 Limitations

SUBCHAPTER 55. TITLE II FEDERAL HOUSING ADMINISTRATION INSURED HOSPITAL MORTGAGES

- 17:16-55.1 Definitions
- 17:16-55.2 Permissible investments
- 17:16-55.3 Eligible funds
- 17:16-55.4 Limitations

SUBCHAPTERS 56 THROUGH 57. (RESERVED)**SUBCHAPTER 58. MORTGAGE BACKED SENIOR DEBT SECURITIES; MORTGAGE BACKED PASSTHROUGH SECURITIES**

- 17:16-58.1 Definitions
- 17:16-58.2 Permissible investments
- 17:16-58.3 Eligible funds
- 17:16-58.4 Limitations

SUBCHAPTERS 59 THROUGH 60. (RESERVED)**SUBCHAPTER 61. STATE OF NEW JERSEY CASH MANAGEMENT FUND**

- 17:16-61.1 General provisions
- 17:16-61.2 Permissible investments
- 17:16-61.3 Units of participation
- 17:16-61.4 Valuation of investments
- 17:16-61.5 Valuation of units
- 17:16-61.6 Admission and withdrawal
- 17:16-61.7 Amendments
- 17:16-61.8 (Reserved)
- 17:16-61.9 Limitations
- 17:16-61.10 Liquidation
- 17:16-61.11 through 17:16-61.14 (Reserved)

SUBCHAPTER 62. COMMON PENSION FUND A

- 17:16-62.1 General provisions
- 17:16-62.2 Permissible investments
- 17:16-62.3 Units of participation
- 17:16-62.4 Valuation of investments and net assets
- 17:16-62.5 Valuation of units
- 17:16-62.6 Admission and withdrawal
- 17:16-62.7 Amendments
- 17:16-62.8 Distribution of realized appreciation
- 17:16-62.9 Limitations
- 17:16-62.10 Liquidation
- 17:16-62.11 through 17:16-62.13 (Reserved)

SUBCHAPTER 63. COMMON PENSION FUND B

- 17:16-63.1 General provisions
- 17:16-63.2 Permissible investments
- 17:16-63.3 Units of participation
- 17:16-63.4 Valuation of investments and net assets
- 17:16-63.5 Valuation of units
- 17:16-63.6 Admission and withdrawal
- 17:16-63.7 Amendments
- 17:16-63.8 Distribution of realized appreciation
- 17:16-63.9 Limitations
- 17:16-63.10 Liquidation
- 17:16-63.11 through 17:16-63.13 (Reserved)

SUBCHAPTER 64. (RESERVED)**SUBCHAPTER 65. DEFERRED COMPENSATION PLAN**

- 17:16-65.1 General provisions
- 17:16-65.2 Permissible investments
- 17:16-65.3 Units of participation
- 17:16-65.4 Valuation of investments and net assets
- 17:16-65.5 Valuation of units
- 17:16-65.6 Admission and withdrawal
- 17:16-65.7 Amendments
- 17:16-65.8 (Reserved)
- 17:16-65.9 Limitations
- 17:16-65.10 through 17:16-65.13 (Reserved)

SUBCHAPTER 66. (RESERVED)**SUBCHAPTER 67. COMMON PENSION FUND D**

- 17:16-67.1 General provisions
- 17:16-67.2 Permissible investments
- 17:16-67.3 Units of participation
- 17:16-67.4 Valuation of investments and net assets
- 17:16-67.5 Valuation of units
- 17:16-67.6 Admission and withdrawal
- 17:16-67.7 Amendments
- 17:16-67.8 Distribution of realized appreciation
- 17:16-67.9 Limitations
- 17:16-67.10 Liquidation
- 17:16-67.11 through 17:16-67.13 (Reserved)

SUBCHAPTER 68. NEW JERSEY BETTER EDUCATIONAL SAVINGS TRUST (NJBEST) FUND

- 17:16-68.1 General provisions
- 17:16-68.2 Permissible investments
- 17:16-68.3 Units of participation
- 17:16-68.4 Valuation of investments
- 17:16-68.5 Valuation of units
- 17:16-68.6 Admission and withdrawal
- 17:16-68.7 Amendments
- 17:16-68.8 (Reserved)
- 17:16-68.9 Limitations
- 17:16-68.10 Liquidation
- 17:16-68.11 through 17:16-68.14 (Reserved)

SUBCHAPTER 69. COMMON PENSION FUND E

- 17:16-69.1 General provisions
- 17:16-69.2 Permissible investments
- 17:16-69.3 Units of participation
- 17:16-69.4 Valuation of investments and net assets
- 17:16-69.5 Valuation of units
- 17:16-69.6 Admission and withdrawal
- 17:16-69.7 Amendments
- 17:16-69.8 Distribution of realized appreciation
- 17:16-69.9 Limitations

- 17:16-69.10 Liquidation
- 17:16-69.11 through 17:16-69.13 (Reserved)

SUBCHAPTER 70. (RESERVED)**SUBCHAPTER 71. REAL ASSETS**

- 17:16-71.1 Definitions
- 17:16-71.2 Permissible investments
- 17:16-71.3 Eligible funds
- 17:16-71.4 Limitations
- 17:16-71.5 (Reserved)

SUBCHAPTERS 72 THROUGH 80. (RESERVED)**SUBCHAPTER 81. FOREIGN EXCHANGE CONTRACTS**

- 17:16-81.1 Definitions
- 17:16-81.2 Permissible investments
- 17:16-81.3 Limitations
- 17:16-81.4 (Reserved)

SUBCHAPTERS 82 THROUGH 89. (RESERVED)**SUBCHAPTER 90. PRIVATE EQUITY**

- 17:16-90.1 Definitions
- 17:16-90.2 Permissible investments
- 17:16-90.3 Eligible funds
- 17:16-90.4 Limitations
- 17:16-90.5 (Reserved)

SUBCHAPTERS 91 THROUGH 99. (RESERVED)**SUBCHAPTER 100. ABSOLUTE RETURN STRATEGY INVESTMENTS**

- 17:16-100.1 Definitions
- 17:16-100.2 Permissible investments
- 17:16-100.3 Eligible funds
- 17:16-100.4 Limitations
- 17:16-100.5 (Reserved)

Council members, arise only from political contributions, payments to political parties or payments to third party solicitors made or paid on or after April 18, 2005. The reporting requirements found in this subchapter, as applicable, shall take effect upon April 18, 2005.

SUBCHAPTERS 5 THROUGH 10. (RESERVED)

SUBCHAPTER 11. UNITED STATES TREASURY AND
GOVERNMENT AGENCY OBLIGATIONS

17:16-11.1 Definitions

The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise:

“Government Agency Obligations” shall mean debt obligations of any United States governmental agency included on a list of such agencies maintained by the Director.

“United States Treasury Obligations” shall mean debt obligations of the United States Treasury.

New Rule, R.2006 d.317, effective September 5, 2006.
See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Former N.J.A.C. 17:16-11.1, United States Treasury and Government Agency Obligations, recodified to N.J.A.C. 17:16-11.2.

17:16-11.2 Permissible investments

(a) Subject to the limitations contained in this subchapter, the Director may invest and reinvest the moneys of any eligible fund in United States Treasury Obligations and Government Agency Obligations, as well as Treasury receipts, certificates of accrual, collateralized mortgage obligations or similar securities which evidence ownership of interest and/or principal of United States Treasury Obligations or Government Agency Obligations, provided that the Director and a member of his staff certify that the security being considered for purchase is qualitatively substantially identical to the United States Treasury Obligations or Government Agency Obligations which secure or otherwise support it.

(b) Prior to any commitment to purchase a Government Agency Obligation, it shall be ascertained that the issuer is included on a list of government agencies maintained by the Director. The Director shall maintain a memorandum on file in support of the inclusion of any new government agencies on such list, and shall notify the Council of the inclusion at the next regularly scheduled meeting of the Council.

As amended, R.1972 d.75, eff. April 19, 1972.
See: 4 N.J.R. 109(a).

As amended, R.1974 d.323, eff. November 20, 1974.
See: 6 N.J.R. 496(a).

As amended, R.1975 d.97, eff. April 8, 1975.
See: 7 N.J.R. 241(a).

Amended by R.1985 d.552, effective November 4, 1985.

See: 17 N.J.R. 2093(a), 17 N.J.R. 2674(b).

Amended (a): added (a)1.-(a)3.

Recodified by R.1991 d.274, effective June 3, 1991.

See: 23 N.J.R. 983(a), 23 N.J.R. 1800(b).

Title changed.

Amended by R.2001 d.119, effective April 2, 2001.

See: 33 N.J.R. 372(b), 33 N.J.R. 1115(a).

Recodified from N.J.A.C. 17:16-11.1 and amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Section was “United States Treasury and Government Agency Obligations”. Rewrote the section.

17:16-11.3 Eligible funds

(a) For purposes of this subchapter, eligible funds shall include funds classified as:

1. Pension and Annuity Funds;
2. Static Funds;
3. Demand Funds;
4. Temporary Reserve Funds;
5. Trust Funds;
6. The State of New Jersey Cash Management Fund;
and
7. Common Pension Funds.

New Rule, R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

SUBCHAPTER 12. CORPORATE OBLIGATIONS

17:16-12.1 Definitions

The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise:

“Corporate obligations” shall mean debt obligations of any corporation or bank deemed by the Director to be based in the United States. In determining whether a corporation is based in the United States, the Director shall consider factors including, but not limited to, the corporation’s country of incorporation, its main equity trading market, its shareholder base, the geographical distribution of its operations, the location of its headquarters, and the country in which investors consider the corporation to be most appropriately classified.

“Private placement” shall mean a negotiated sale in which the securities are sold directly to institutional or private investors, rather than through a public offering. Such placements are not registered with the Securities and Exchange Commission.

New Rule, R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Former N.J.A.C. 17:16-12.1, Permissible investments, recodified to N.J.A.C. 17:16-12.2.

Amended by R.2008 d.382, effective December 15, 2008.

See: 40 N.J.R. 4683(a), 40 N.J.R. 6993(a).

In definition "Corporate obligations", inserted "or bank"; and added definition "Private placement".

17:16-12.2 Permissible investments

(a) Subject to the limitations contained in this subchapter, the Director may invest and reinvest the moneys of any eligible fund in corporate obligations provided that:

1. The issue has been registered with the Securities and Exchange Commission, or has been issued pursuant to Rule 144A of the Securities and Exchange Commission or through a private placement;

2. The obligor:

i. Is not in default as to the payment of principal or interest upon any of its outstanding obligations. Subsequent to purchase, if the obligor defaults, the obligations do not have to be sold; and

ii. Has a market capitalization of at least \$100 million. Subsequent to purchase, if capitalization falls below \$100 million, the investment does not have to be sold; and

3. The obligations have a credit rating of Baa3 or higher by Moody's Investors Service, Inc., BBB- or higher by Standard & Poor's Corporation, and BBB- or higher by Fitch Ratings, except that two of the three ratings is sufficient and one of the three ratings is sufficient if only one rating is available. If a rating for the obligations has not been obtained from the above services, the obligations may be purchased if the issuer rating meets the minimum rating criteria. Subsequent to purchase, if the ratings fall below the minimum rating for such obligations, they do not have to be sold, and they may be exchanged with obligations with credit ratings lower than the minimum rating if the obligations received in exchange are, on balance, similarly rated.

(b) Notwithstanding (a) above, the Director may only invest and reinvest the moneys of the State of New Jersey Cash Management Fund in corporate obligations with maturities of 25 months or less.

(c) Notwithstanding the restrictions in (a) above, the Director may invest and reinvest the moneys of Common Pension Fund B in corporate obligations, international corporate obligations, collateralized notes and mortgages, bank loans, non-convertible preferred stock and mortgage backed pass-through securities that do not meet the minimum credit ratings set forth in this section and N.J.A.C. 17:16-16.2, 19.2, 23.2, 40.2 and 58.2, respectively; provided, however, the market value of such investments shall not exceed five percent of the combined assets of all of the Pension and Annuity Funds.

(d) Notwithstanding the restrictions in (a) above, the Director may invest and reinvest the moneys of Common

Pension Fund B in corporate obligations, international corporate obligations and non-convertible preferred stock of companies that do not meet the minimum market capitalization set forth in this section and N.J.A.C. 17:16-16.2 and 40.2, respectively; provided, however, the market value of such investments shall not exceed one percent of the combined assets of all the Pension and Annuity Funds.

(e) Notwithstanding the restrictions in this subchapter, the Council may approve the purchase of corporate obligations on a case-by-case basis.

As amended, R.1972 d.75, eff. April 19, 1972.

See: 4 N.J.R. 109(a).

As amended, R.1976 d.152, eff. May 19, 1976.

See: 8 N.J.R. 313(a).

Amended by R.1985 d.553, effective November 4, 1985.

See: 17 N.J.R. 2093(a), 17 N.J.R. 2675(b).

Substantially amended.

Recodified by R.1991 d.274, effective June 3, 1991.

See: 23 N.J.R. 983(a), 23 N.J.R. 1800(b).

Standards deleted and reference to 12.2 added.

Amended by R.2001 d.119, effective April 2, 2001.

See: 33 N.J.R. 372(b), 33 N.J.R. 1115(a).

Substituted "Director" for "director"; deleted "below" from end of sentence.

Recodified from N.J.A.C. 17:16-12.1 and amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Rewrote the section. Former N.J.A.C. 17:16-12.2, Pension and annuity group; static group; trust group, recodified to N.J.A.C. 17:16-12.3.

Amended by R.2007 d.250, effective August 20, 2007.

See: 39 N.J.R. 1459(a), 39 N.J.R. 3546(b).

In (c), deleted "up to five percent of" following "reinvest" and inserted "; provided, however, the market value of such investments shall not exceed five percent of the combined assets of all of the Pension and Annuity Funds".

Amended by R.2008 d.382, effective December 15, 2008.

See: 40 N.J.R. 4683(a), 40 N.J.R. 6993(a).

Rewrote (a); and in (c), deleted "finance company debt, bank debentures," preceding "international", and "14.2, 15.2," following "N.J.A.C. 17:16-", and inserted "bank loans, non-convertible preferred stock" and ", 23.2, 40.2".

Amended by R.2009 d.379, effective December 21, 2009.

See: 41 N.J.R. 3211(a), 41 N.J.R. 4824(a).

Added new (d); and recodified former (d) as (e).

17:16-12.3 Eligible funds

(a) For purposes of this subchapter, eligible funds shall include:

1. Any fund classified as a Pension and Annuity Fund;
2. Any fund classified as a Static Fund;
3. Any fund classified as a Trust Fund;
4. Common Pension Fund B; and
5. The State of New Jersey Cash Management Fund.

Recodified from N.J.A.C. 17:16-12.2 and amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Section was "Pension and annuity group; static group; trust group". Rewrote the section. Former N.J.A.C. 17:16-12.3, Legal papers, repealed.

17:16-12.4 Limitations

(a) At the time of initial purchase, the following conditions shall be met:

1. The total amount of debt issues purchased or acquired under this subchapter of any one issuer shall not exceed 10 percent of the outstanding long term debt of the issuer, and shall not be more than 25 percent of the issue at the time of issue, except that these requirements may be waived by the Council;
2. Not more than five percent of the market value of the assets of any fund (other than the New Jersey State Employees Deferred Compensation Fixed Income Fund and the New Jersey Better Educational Savings Trust) shall be invested in the debt and non-convertible preferred stock of any one issuer;
3. Not more than 10 percent of the market value of the assets of the New Jersey State Employees Deferred Compensation Fixed Income Fund or the New Jersey Better Educational Savings Trust shall be invested in the debt of any one issuer; and
4. Not more than five percent of the market value of the assets of any eligible fund shall be invested in debt issued through a private placement.

(b) If, subsequent to initial purchase, the limitations in (a) above are exceeded, then the Council shall be notified at the next regularly scheduled meeting of the Council. The Division may be granted a six-month period of grace to reduce the level of participation below the maximum levels, except that the period of grace may be extended for additional four-month periods with the approval of the Council.

New Rule, R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Amended by R.2008 d.237, effective August 18, 2008.

See: 40 N.J.R. 2092(a), 40 N.J.R. 4824(a).

In (a)2, inserted "and the New Jersey Better Educational Savings Trust"; and in (a)3, inserted "or the New Jersey Better Educational Savings Trust".

Amended by R.2008 d.382, effective December 15, 2008.

See: 40 N.J.R. 4683(a), 40 N.J.R. 6993(a).

In (a)1, substituted the first occurrence of "issuer" for "corporation", "issuer, and shall not be" for "company, and not", and " , except that these requirements may be waived by the Council;" for a period at the end; in (a)2, inserted "and non-convertible preferred stock", and substituted "issuer;" for "corporation."; in (a)3, substituted "issuer; and" for "corporation."; and added (a)4.

17:16-12.5 Reports to Council

The Director shall report all purchases of corporate obligations under this subchapter at the next regularly scheduled meeting of the Council.

New Rule, R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

SUBCHAPTER 13. INTEREST RATE SWAP TRANSACTIONS

17:16-13.1 Definitions

The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise:

"Interest rate swap transactions" shall mean private agreements between two parties to exchange cash flows in the future, according to a prearranged formula.

17:16-13.2 Permissible investments

(a) Subject to the limitations contained in this subchapter, the Director may enter into interest rate swap transactions on behalf of any eligible fund provided that the counterparty (or any guarantor pledging its full faith and credit to the transaction) has a credit rating of A1 or higher by Moody's Investors Service, Inc., A+ or higher by Standard & Poor's Corporation, and A+ or higher by Fitch Ratings, except that two of the three ratings is sufficient and one of the three ratings is sufficient if only one rating is available. Subsequent to entering into the transaction, if the ratings fall below the minimum rating for such counterparty, the Division does not have to close out the transaction.

(b) Notwithstanding the restrictions in this subchapter, the Council may approve interest rate swap transactions on a case-by-case basis.

Amended by R.2008 d.383, effective December 15, 2008.

See: 40 N.J.R. 4684(a), 40 N.J.R. 6994(a).

In (a), substituted "A1" for "A3", and substituted "A+" for "A-" twice.

17:16-13.3 Eligible funds

(a) For purposes of this subchapter, eligible funds shall include:

1. Common Pension Fund B.

17:16-13.4 Limitations

(a) At the time of entering into an interest rate swap transaction, the notional value of net exposure to any one counterparty shall not exceed 10 percent of the market value of the assets of any fund.

(b) If, subsequent to entering into an interest rate swap transaction, the limitations in (a) above are exceeded, then the Council shall be notified at the next regularly scheduled meeting of the Council. The Division may be granted a six-month period of grace to reduce the net exposure below the maximum levels, except that the period of grace may be extended for additional four-month periods with the approval of the Council.

SUBCHAPTERS 14 THROUGH 15. (RESERVED)

SUBCHAPTER 16. INTERNATIONAL CORPORATE OBLIGATIONS

17:16-16.1 Definitions

The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise:

“International corporate obligations” shall mean debt obligations of any corporation deemed by the Director to be not based in the United States. In determining whether or not a corporation is based in the United States, the Director shall consider factors including, but not limited to, the corporation’s country of incorporation, its main equity trading market, its shareholder base, the geographical distribution of its operations, the location of its headquarters, and the country in which investors consider the corporation to be most appropriately classified.

New Rule, R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Former N.J.A.C. 17:16-16.1, Permissible investments, recodified to N.J.A.C. 17:16-16.2.

17:16-16.2 Permissible investments

(a) Subject to the limitations contained in this subchapter, the Director may invest and reinvest the moneys of any eligible fund in international corporate obligations provided that:

1. All such securities must be payable as to both principal and interest in United States dollars;
2. The obligor is not in default as to the payment of principal or interest upon any of its outstanding obligations. Subsequent to purchase, if the obligor defaults, the obligations do not have to be sold;
3. The obligor has a market capitalization of at least \$US 100 million. Subsequent to purchase, if capitalization falls below \$US 100 million, the investment does not have to be sold; and
4. The obligations have a credit rating of Baa3 or higher by Moody’s Investor Service, Inc., BBB- or higher by Standard & Poor’s Corporation, and BBB- or higher by Fitch Ratings, except that two of the three ratings is sufficient and one of the three ratings is sufficient if only one rating is available. If a rating has not been obtained from the above services, the obligations may be purchased if the publicly issued outstanding debt of the obligor carries the minimum rating or higher. Subsequent to purchase, if ratings fall below the minimum rating for such obligations, they do not have to be sold, and they may be exchanged

with obligations with credit ratings lower than the minimum rating if the obligations received in exchange are, on balance, similarly rated.

(b) Notwithstanding the restrictions in (a) above, the Director may invest and reinvest the moneys of Common Pension Fund B in corporate obligations, international corporate obligations, collateralized notes and mortgages, bank loans, non-convertible preferred stock and mortgage backed passthrough securities that do not meet the minimum credit ratings set forth in N.J.A.C. 17:16-12.2, this section, and N.J.A.C. 17:16-19.2, 23.2, 40.2 and 58.2, respectively; provided, however, the market value of such investments shall not exceed five percent of the combined assets of all of the Pension and Annuity Funds.

(c) Notwithstanding the restrictions in (a) above, the Director may invest and reinvest the moneys of Common Pension Fund B in corporate obligations, international corporate obligations and non-convertible preferred stock of companies that do not meet the minimum market capitalization set forth in N.J.A.C. 17:16-12.2, this section and N.J.A.C. 17:16-40.2, respectively; provided, however, the market value of such investments shall not exceed one percent of the combined assets of all the Pension and Annuity Funds.

(d) Notwithstanding the restrictions in this subchapter, the Council may approve the purchase of international corporate obligations on a case-by-case basis.

Recodified by R.1991 d.274, effective June 3, 1991.

See: 23 N.J.R. 983(a), 23 N.J.R. 1800(b).

Council approval of each issuer deleted; minimum rating added; investment in Canadian obligations specified.

Amended by R.2001 d.119, effective April 2, 2001.

See: 33 N.J.R. 372(b), 33 N.J.R. 1115(a).

Recodified from N.J.A.C. 17:16-16.1 and amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Rewrote the section.

Amended by R.2007 d.253, effective August 20, 2007.

See: 39 N.J.R. 1461(a), 39 N.J.R. 3547(b).

In (b), deleted “up to five percent of” following “reinvest” and inserted “; provided, however, the market value of such investments shall not exceed five percent of the combined assets of all of the Pension and Annuity Funds”.

Amended by R.2008 d.386, effective December 15, 2008.

See: 40 N.J.R. 4686(a), 40 N.J.R. 6995(a).

In (a)2, inserted “. Subsequent to purchase, if the obligor defaults, the obligations do not have to be sold”; in (a)3, substituted “100 million.” for “50 million”, and inserted the second sentence; and in (b), deleted “finance company debt, bank debentures,” preceding “international” and “14.2, 15.2,” following “N.J.A.C. 17:16-12.2,” and inserted “bank loans, non-convertible preferred stock” and “; 23.2, 40.2”.

Amended by R.2009 d.380, effective December 21, 2009.

See: 41 N.J.R. 3212(a), 41 N.J.R. 4824(b).

Added new (c); and recodified former (c) as (d).

17:16-16.3 Eligible funds

(a) For purposes of this subchapter, eligible funds shall include:

1. Common Pension Fund B.

Repeal and New Rule, R.2006 d.317, effective September 5, 2006.
 See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).
 Section was "Legal papers".

17:16-16.4 Limitations

(a) At the time of initial purchase, the following conditions shall be met:

1. Not more than 10 percent of the market value of the assets of any eligible fund shall be invested in international corporate obligations, whether direct or guaranteed;
2. The total amount of debt issues purchased or acquired of any one issuer shall not exceed 10 percent of the

outstanding debt of the issuer, or 25 percent of any one issue may be purchased at the time of issue, except that these requirements may be waived by the Council;

3. Not more than five percent of the assets of any one fund shall be invested in debt issues and non-convertible preferred stock of any one issuer; and

4. The market value of international corporate obligations, when combined with common and preferred stock and issues convertible into common stock permitted under N.J.A.C. 17:16-44 and 46 and international government and agency obligations permitted under N.J.A.C. 17:16-20,

held by any fund (other than Common Pension Funds B or D), either directly or through Common Pension Fund B or D, shall not exceed 30 percent of the market value of the assets of such fund, subject to such further provisos as are contained in N.J.A.C. 17:16-67.

(b) If, subsequent to initial purchase, the limitations in (a) above are exceeded, then the Council shall be notified at the next regularly scheduled meeting of the Council. The Division may be granted a six-month period of grace to reduce the level of participation below the maximum levels, except that the period of grace may be extended for additional four-month periods with the approval of the Council.

As amended, R.1972 d.75, effective April 19, 1972.

See: 4 N.J.R. 109(a).

As amended, R.1976 d.155, effective May 19, 1976.

See: 8 N.J.R. 314(b).

Recodified by R.1991 d.274, effective June 3, 1991.

See: 23 N.J.R. 983(a), 23 N.J.R. 1800(b).

Stylistic changes.

Amended by R.1996 d.222, effective May 6, 1996.

See: 28 N.J.R. 1366(a), 28 N.J.R. 2397(a).

In (a) and (b) inserted "book value".

Recodified from N.J.A.C. 17:16-16.2 and amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Rewrote the section.

Amended by R.2007 d.253, effective August 20, 2007.

See: 39 N.J.R. 1461(a), 39 N.J.R. 3547(b).

In (a)4, substituted "30 percent" for "22 percent".

Amended by R.2008 d.386, effective December 15, 2008.

See: 40 N.J.R. 4686(a), 40 N.J.R. 6995(a).

In (a)3, inserted "and non-convertible preferred stock", and deleted "maturing more than 12 months from date of purchase" following "issuer"; and in (a)4, deleted "held by any fund (other than Common Pension Fund D), either directly or through Common Pension Fund B or D" preceding ", when", and inserted "held by any fund (other than Common Pension Funds B or D), either directly or through Common Pension Fund B or D,".

17:16-16.5 Reports to Council

The Director shall report all purchases of international corporate obligations under this subchapter at the next regularly scheduled meeting of the Council.

New Rule, R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

SUBCHAPTER 17. STATE AND MUNICIPAL GENERAL OBLIGATIONS

17:16-17.1 Definitions

The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise:

"State and municipal general obligations" shall mean debt obligations of any state or any municipal or political subdivision thereof that are backed by the full faith and credit of the obligor.

New Rule, R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Former N.J.A.C. 17:16-17.1, Applicable funds, recodified to N.J.A.C. 17:16-17.2.

Amended by R.2009 d.316, effective October 19, 2009.

See: 41 N.J.R. 2635(a), 41 N.J.R. 3959(a).

Substituted definition "State and municipal general obligations" for definition "New Jersey State and municipal general obligations"; and in definition "State and municipal general obligations", substituted "any state" for "the State of New Jersey".

17:16-17.2 Permissible investments

(a) Subject to the limitations contained in this subchapter, the Director may invest and reinvest moneys of any eligible fund in state and municipal general obligations provided that:

1. The obligor is not in default as to the payment of principal or interest upon any of its outstanding obligations; and

2. The obligations have a credit rating of A3 or higher by Moody's Investors Service, Inc., A- or higher by Standard & Poor's Corporation, and A- or higher by Fitch Ratings, except that two of the three ratings is sufficient and one of the three ratings is sufficient if only one rating is available. If a rating for the obligations has not been obtained from the above services, the obligations may be purchased if the issuer rating meets the minimum rating criteria. Subsequent to purchase, if ratings fall below the minimum rating for such obligations, they do not have to be sold, and they may be exchanged with obligations with a credit rating lower than the minimum rating if the obligations received in exchange are, on balance, similarly rated.

(b) Investments made pursuant to this subchapter shall comply with Federal arbitrage regulations.

(c) Notwithstanding (a) above, the Director may only invest and reinvest the moneys of a fund classified as a Temporary Reserve Fund, a Demand Fund or a Static Fund in state and municipal general obligations provided that such investment in tax exempt securities is required in order to comply with Federal arbitrage regulations and further provided that such investment qualifies under this subchapter and that the obligations were issued with an unqualified approving opinion of a recognized bond counsel to the effect that the obligations have been duly authorized and issued and are legal, valid and binding obligations of the issuer. If the obligations are guaranteed by the Federal government, the above requirement may be waived.

(d) Notwithstanding the restrictions in this subchapter, the Council may approve the purchase of state and municipal general obligations on a case-by-case basis.

As amended, R.1975 d.363, effective December 11, 1975.

See: 7 N.J.R. 51(b).

Recodified by R.1991 d.274, effective June 3, 1991.

See: 23 N.J.R. 983(a), 23 N.J.R. 1800(b).

Provisions amended to include all funds.

Amended by R.2001 d.119, effective April 2, 2001.

See: 32 N.J.R. 372(b), 33 N.J.R. 1115(a).

Recodified from N.J.A.C. 17:16-17.1 and amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Section was "Applicable funds". Rewrote the section.

Amended by R.2009 d.316, effective October 19, 2009.

See: 41 N.J.R. 2635(a), 41 N.J.R. 3959(a).

In the introductory paragraph of (a) and in (c), substituted "state" for "New Jersey State"; and in (d), deleted "New Jersey" preceding "state".

17:16-17.3 Eligible funds

(a) For purposes of this subchapter, eligible funds shall include:

1. Any fund classified as a Pension and Annuity Fund;
2. Any fund classified as a Static Fund;
3. Any fund classified as a Demand Fund;
4. Any fund classified as a Temporary Reserve Fund;
5. Any funds classified as a Trust Fund; and
6. Common Pension Fund B.

Repeal and New Rule, R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Section was "Legal papers".

17:16-17.4 Limitations

(a) At the time of initial purchase, the following conditions should be met:

1. The total amount of debt issues purchased or acquired of any one political entity shall not exceed 10 percent of the outstanding debt of the entity, and not more than 10 percent of any one issue, serial note or maturity may be purchased in the aggregate by all eligible funds; and

2. Not more than two percent of the assets at the time of purchase of any one fund shall be invested in senior debt of any one political entity maturing more than 12 months from date of purchase.

(b) If, subsequent to initial purchase, the limitations in (a) above are exceeded, then the Council shall be notified at the next regularly scheduled meeting of the Council. The Division may be granted a six-month period of grace to reduce the level of participation below the maximum levels, except that the period of grace may be extended for additional four-month periods with the approval of the Council.

New Rule, R.1982 d.192, effective June 4, 1982.

See: 13 N.J.R. 526(b), 14 N.J.R. 663(b).

Recodified by R.1991 d.274, effective June 3, 1991.

See: 23 N.J.R. 983(a), 23 N.J.R. 1800(b).

Eligible funds broadened; tax-exempt bond purchase specified; minimum quality standard and maximum level of purchases set.

Amended by R.2001 d.119, effective April 2, 2001.

See: 33 N.J.R. 372(b), 33 N.J.R. 1115(a).

Repeal and New Rule, R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Section was "Purchases for Temporary Reserve Group, Demand and Static Funds".

17:16-17.5 Reports to Council

The Director shall report all purchases of state and municipal general obligations under this subchapter at the next regularly scheduled meeting of the Council.

New Rule, R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Amended by R.2009 d.316, effective October 19, 2009.

See: 41 N.J.R. 2635(a), 41 N.J.R. 3959(a).

Deleted "New Jersey" preceding "state".

SUBCHAPTER 18. PUBLIC AUTHORITY REVENUE OBLIGATIONS

17:16-18.1 Definitions

The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise:

"Public authority" means any state or any political subdivision thereof, any authority, department, district or commission, or any agency or instrumentality of any of the foregoing, or any agency or instrumentality of the Federal government, or a commission or other public body created by an Act of Congress or pursuant to a compact between any two or more states.

"Revenue obligations" means any bonds or other interest-bearing obligations of a public authority, the principal and interest of which are by their terms payable from the revenues derived from a utility or enterprise owned or operated by the public authority which issued such bonds or obligations, or by an agency or instrumentality thereof.

Recodified by R.1991 d.274, effective June 3, 1991.

See: 23 N.J.R. 983(a), 23 N.J.R. 1800(b).

"Enterprise" added to "Revenue obligations".

Amended by R.2001 d.119, effective April 2, 2001.

See: 33 N.J.R. 372(b), 33 N.J.R. 1115(a).

Amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

In the introductory paragraph, inserted "clearly" following "context", substituted ":" for "." at the end; in definition "Public authority", substitute "state" for "State" and "states" for "States".

17:16-18.2 Permissible investments

(a) Subject to the limitations contained in this subchapter, the Director may invest and reinvest moneys of any eligible fund in the revenue obligations of any public authority provided that such obligations are rated A3 or higher by Moody's Investors Service, Inc., A- or higher by Standard & Poor's Corporation, and A- or higher by Fitch Ratings, except that two of the three ratings is sufficient and one of the three ratings is sufficient if only one rating is available. If a rating for the obligations has not been obtained from the above services, the obligations may be purchased if the issuer rating meets the minimum rating criteria. Subsequent to purchase, if ratings fall below the minimum rating for such obligations,

they do not have to be sold, and they may be exchanged with obligations with credit ratings lower than the minimum rating if the obligations credits received in exchange are, on balance, similarly rated.

(b) Notwithstanding the restrictions in this subchapter, the Council may approve the purchase of public authority revenue obligations on a case-by-case basis.

Amended by R.1982 d.192, effective June 4, 1982.

See: 13 N.J.R. 526(b), 14 N.J.R. 663(b).

(b) added.

Recodified by R.1991 d.274, effective June 3, 1991.

See: 23 N.J.R. 983(a), 23 N.J.R. 1800(b).

Eligible funds broadened; tax-exempt bond purchase specified; minimum quality standard and maximum level of purchases set.

Amended by R.2001 d.119, effective April 2, 2001.

See: 33 N.J.R. 372(b), 33 N.J.R. 1115(a).

Repeal and New Rule, R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Section was "Applicable funds".

17:16-18.3 Eligible funds

For purposes of this subchapter, eligible funds shall include:

1. Any fund classified as a Pension and Annuity Fund;
2. Any fund classified as a Static Fund;
3. Any fund classified as a Demand Fund;
4. Any fund classified as a Temporary Reserve Fund;
5. Any fund classified as a Trust Fund; and
6. Common Pension Fund B.

New Rule, R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Former N.J.A.C. 17:16-18.3, Limitations, recodified to N.J.A.C. 17:16-18.4.

17:16-18.4 Limitations

(a) At the time of initial purchase, the following conditions shall be met:

1. Not more than two percent of the assets of any fund shall be invested in the obligations of any one public authority; and
2. No more than 10 percent of any one issue, serial note or maturity may be purchased in the aggregate by all eligible funds.

(b) If, subsequent to initial purchase, the limitations in (a) above are exceeded, then the Council shall be notified at the next regularly scheduled meeting of the Council. The Division may be granted a six-month period of grace to reduce the level of participation below the maximum levels, except that the period of grace may be extended for additional four-month periods with the approval of the Council.

Amended by R.1982 d.192, effective June 4, 1982.

See: 13 N.J.R. 526(b), 14 N.J.R. 663(b).

Added "pension and annuity group".

Recodified by R.1991 d.274, effective June 3, 1991.

See: 23 N.J.R. 983(a), 23 N.J.R. 1800(b).

Definition of eligible funds broadened.

Recodified from N.J.A.C. 17:16-18.3 and amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Rewrote the section. Former N.J.A.C. 17:16-18.4, Legal papers, repealed.

17:16-18.5 Reports to Council

The Director shall report all purchases of public authority revenue obligations under this subchapter at the next regularly scheduled meeting of the Council.

New Rule, R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

SUBCHAPTER 19. COLLATERALIZED NOTES AND MORTGAGES

17:16-19.1 Definitions

The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise:

"Collateralized notes and mortgages" shall mean securities fully collateralized by mortgage-backed securities, credit card receivables, automobile loans, home equity loans, bank loans or other forms of receivables originated in the United States.

New Rule, R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Former N.J.A.C. 17:16-19.1, Permissible investments, recodified to N.J.A.C. 17:16-19.2.

17:16-19.2 Permissible investments

(a) Subject to the limitations contained in this subchapter, the Director may invest or reinvest the moneys of any eligible fund in collateralized notes and mortgages provided that:

1. The obligor is not in default as to the payment of principal or interest upon any of its outstanding obligations. Subsequent to purchase, if the obligor defaults, the obligations do not have to be sold;
2. The collateral must be fully maintained and not under the direct control of the originator of the collateral underlying the obligation, but under the control of a trustee, special purpose vehicle or other independent entity incorporated in the United States; and
3. The issue must be rated Baa3 or higher by Moody's Investor Service, Inc., BBB- or higher by Standard & Poor's Corporation, and BBB- or higher by Fitch Ratings, except that two of the three ratings is sufficient and one of the three ratings is sufficient if only one rating is available. Subsequent to purchase, if the rating falls below the minimum rating for such issue, it does not have to be sold, and it may be exchanged with issues with credit ratings lower than the minimum rating if the issues received in exchange are, on balance, similarly rated.

(b) Notwithstanding the restrictions in (a) above, the Director may invest and reinvest the moneys of Common Pension Fund B in corporate obligations, international corporate obligations, collateralized notes and mortgages, bank loans, non-convertible preferred stock and mortgage backed

passthrough securities that do not meet the minimum credit ratings set forth in N.J.A.C. 17:16-12.2 and 16.2, this section, and N.J.A.C. 17:16-23.2, 40.2 and 58.2, respectively; provided, however, the market value of such investments shall not exceed five percent of the combined assets of all of the Pension and Annuity Funds.

(c) Notwithstanding the restrictions in this subchapter, the Council may approve the purchase of collateralized notes and mortgages on a case-by-case basis.

As amended, R.1982 d.191, eff. June 21, 1982.

See: 13 N.J.R. 528(a), 14 N.J.R. 663(c).

(a) "debt" added; (a)2i: deleted "be of . . . regulations" and replaced with "consist outstanding".

Amended by R.2001 d.119, effective April 2, 2001.

See: 33 N.J.R. 372(b), 33 N.J.R. 1115(a).

In (a)4, substituted "of" for "or".

Amended by R.2003 d.329, effective August 4, 2003.

See: 35 N.J.R. 1869(a), 35 N.J.R. 3605(a).

Rewrote the section.

Amended by R.2004 d.32, effective January 20, 2004.

See: 35 N.J.R. 4832(a), 36 N.J.R. 441(a).

In (a), inserted "and the Cash Management Fund" in the introductory paragraph.

Recodified from N.J.A.C. 17:16-19.1 and amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Rewrote the section. Former N.J.A.C. 17:16-19.2. Legal papers, repealed.

Amended by R.2007 d.254, effective August 20, 2007.

See: 39 N.J.R. 1462(a), 39 N.J.R. 3547(c).

In (b), deleted "up to five percent of" following "reinvest" and inserted "": provided, however, the market value of such investments shall not exceed five percent of the combined assets of all of the Pension and Annuity Funds".

Amended by R.2008 d.387, effective December 15, 2008.

See: 40 N.J.R. 4686(b), 40 N.J.R. 6995(b).

In (a)1, inserted "": Subsequent to purchase, if the obligor defaults, the obligations do not have to be sold"; and in (b), deleted "finance company debt, bank debentures," preceding "international", and "14.2, 15.2" following "N.J.A.C. 17:16-12.2", and inserted "": bank loans, non-convertible preferred stock", and "23.2, 40.2 and".

17:16-19.3 Eligible funds

(a) For purposes of this subchapter, eligible funds shall include:

1. Any fund classified as a Pension and Annuity Fund;
2. The State of New Jersey Cash Management Fund; and
3. Common Pension Fund B.

New Rule, R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

17:16-19.4 Limitations

(a) At the time of initial purchase, the following conditions shall be met:

1. No amount in excess of 25 percent of any one issue may be purchased. For the purpose of this limitation, the issue size shall be considered as the principal amount issued pursuant to all classes of securities payable from the returns generated by the underlying collateral;

2. Not more than five percent of the assets of any one fund shall be invested in the obligations of any one issue; and

3. Not more than 10 percent of the assets of any one fund (or 20 percent of the assets of Common Pension Fund B) shall consist of collateralized notes and mortgages purchased pursuant to this subchapter.

(b) If, subsequent to initial purchase, the limitations in (a) above are exceeded, then the Council shall be notified at the next regularly scheduled meeting of the Council. The Division may be granted a six-month period of grace to reduce the level of participation below the maximum levels, except that the period of grace may be extended for additional four-month periods with the approval of the Council.

New Rule, R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

17:16-19.5 Reports to Council

The Director shall report all purchases of collateralized notes and mortgages under this subchapter at the next regularly scheduled meeting of the Council.

New Rule, R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

SUBCHAPTER 20. INTERNATIONAL GOVERNMENT AND AGENCY OBLIGATIONS

17:16-20.1 Definitions

The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise:

"International government and agency obligations" shall mean direct debt obligations of a sovereign government or its political subdivisions, debt obligations of agencies of a sovereign government which are unconditionally guaranteed as to principal and interest by the sovereign government's full faith and credit, and debt obligations of international agencies that are directly backed by the collective credit of multiple sovereign governments.

"Emerging market country" shall mean a country that is not included in the Morgan Stanley Capital International (MSCI) Equity Index Series for developed markets or another

similar index selected by the Director and approved by the Council.

New Rule, R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Former N.J.A.C. 17:16-20.1, Permissible investments, recodified to N.J.A.C. 17:16-20.2.

17:16-20.2 Permissible investments

(a) Subject to the limitations contained in this subchapter, the Director may invest and reinvest the moneys of any eligible fund in:

1. Direct obligations of sovereign governments;
2. Obligations of political subdivisions of a sovereign government;
3. Obligations of agencies of a sovereign government which are unconditionally guaranteed as to principal and interest by the sovereign government's full faith and credit; and
4. Obligations of international agencies which are directly backed by the collective credit of multiple sovereign governments.

(b) Notwithstanding (a) above, the Director may only invest and reinvest the moneys of the State of New Jersey Cash Management Fund in direct obligations of the Canadian government or a province thereof that are:

1. Denominated in United States dollars; and
2. Have a credit rating of Aa3 or higher by Moody's Investor Service, Inc., AA- or higher by Standard & Poor's Corporation, and AA- or higher by Fitch Ratings, except that two of the three ratings is sufficient and one of the three ratings is sufficient if only one rating is available.

(c) Notwithstanding (a) above, the Director may only invest and reinvest the moneys of Common Pension Fund B in international government and agency obligations that are:

1. Denominated in United States dollars; and
2. Have a credit rating of Baa3 or higher by Moody's Investor Service, Inc., BBB- or higher by Standard & Poor's Corporation, and BBB- or higher by Fitch Ratings, except that two of the three ratings is sufficient and one of the three ratings is sufficient if only one rating is available.

(d) Notwithstanding the restrictions contained in (a) through (c) above, the Council may approve the purchase of international government and agency obligations on a case-by-case basis.

Amended by R.1991 d.386, effective August 5, 1991.

See: 23 N.J.R. 1775(b), 23 N.J.R. 2344(a).

In (a)2, added Common Pension Fund D.

Amended by R.1992 d.274, effective July 6, 1992.

See: 24 N.J.R. 1690(a), 24 N.J.R. 2464(a).

Revised text.

Amended by R.2004 d.249, effective July 6, 2004.

See: 36 N.J.R. 1739(a), 36 N.J.R. 3269(b).

In (b), deleted "; their subdivisions and their agencies, and international agencies" in the first sentence and deleted "and Agencies" in the second sentence; deleted (c).

Amended by R.2005 d.322, effective September 19, 2005.

See: 37 N.J.R. 2149(a), 37 N.J.R. 3720(a).

In (a), rewrote the introductory paragraph, 1, 3, and 4.

Amended by R.2006 d.257, effective July 17, 2006.

See: 38 N.J.R. 1407(a), 38 N.J.R. 3063(a).

Rewrote the section.

Recodified from N.J.A.C. 17:16-20.1 and amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

In introductory paragraph of (b), inserted "State of New Jersey" preceding "Cash"; in introductory paragraph of (c), substituted "(a)" for "subsection". Former N.J.A.C. 17:16-20.2, Eligible Funds, recodified to N.J.A.C. 17:16-20.3.

17:16-20.3 Eligible funds

(a) For purposes of this subchapter, eligible funds shall include:

1. Police and Firemen's Retirement System;
2. Public Employees' Retirement System;
3. State Police Retirement System;
4. Teachers' Pension and Annuity Fund;
5. Judicial Retirement System of New Jersey;
6. Common Pension Fund B;
7. Common Pension Fund D; and
8. The State of New Jersey Cash Management Fund.

New Rule, R.2006 d.257, effective July 17, 2006.

See: 38 N.J.R. 1407(a), 38 N.J.R. 3063(a).

Former N.J.A.C. 17:16-20.2, Limitations, recodified to N.J.A.C. 17:16-20.3.

Recodified from N.J.A.C. 17:16-20.2 and amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

In (a)8, inserted "State of New Jersey" preceding "Cash". Former N.J.A.C. 17:16-20.3, Limitations, recodified to N.J.A.C. 17:16-20.4.

17:16-20.4 Limitations

(a) At time of initial purchase, the following conditions shall be met:

1. Not more than one percent of the market value of the assets of any eligible fund, either directly or through Common Pension Funds B or D, shall be invested in obligations, whether direct or guaranteed, of any one issuer. The one percent limitation shall not apply to Common Pension Funds B and D.

2. The total amount of debt issues purchased or acquired of any one issuer shall not exceed 25 percent of the outstanding debt of the issuer, and not more than the greater of \$US 10 million or 25 percent of any one issue may be purchased at the time of issue, except that these requirements may be waived by the Council.

3. The market value of international government and agency obligations held by an eligible fund (other than Common Pension Fund D), either directly or through Common Pension Fund D, when combined with common and preferred stock and issues convertible into common stock permitted under N.J.A.C. 17:16-44 and 46 and international corporate obligation permitted under N.J.A.C. 17:16-16, cannot exceed 30 percent of the market value of the assets of such fund, subject to such further provisos as are contained in N.J.A.C. 17:16-67.

4. The total market value of stock, or securities convertible into stock, of companies in emerging market countries permitted under N.J.A.C. 17:16-46, the shares or interests in global, regional or country funds in emerging market countries permitted under N.J.A.C. 17:16-46, and international government and agency obligations in emerging market countries permitted under this subchapter, held by Common Pension Fund D shall not exceed 1.5 times the percentage derived by dividing the total market capitalization of companies included in the MSCI Emerging Market Index by the total market capitalization of the companies included in the MSCI All-Country World Ex-United States Index of the total market value of the assets held by Common Pension Fund D. In calculating the above percentage, the Director may substitute such other similar indices as may be selected by the Director and approved by the Council.

(b) If, subsequent to initial purchase, the limitations in (a) above are exceeded, then the Council shall be notified at the next regularly scheduled meeting of the Council. The Division may be granted a six-month period of grace to reduce the level of participation of the fund below the maximum levels, except that the period of grace may be extended for additional four-month periods with the approval of the Council.

Amended by R.1991 d.386, effective August 5, 1991.
See: 23 N.J.R. 1775(b), 23 N.J.R. 2344(a).

Deleted prior (a); recodified (b)-(d) as (a)-(c). In (a), added "any one issuer of". In (b), changed rating from "Aaa/AAA" to "Aa/AA".

Amended by R.1994 d.445, effective September 6, 1994.

See: 26 N.J.R. 2751(a), 26 N.J.R. 3742(a).

Amended by R.2001 d.119, effective April 2, 2001.

See: 33 N.J.R. 372(b), 33 N.J.R. 1115(a).

Amended by R.2004 d.249, effective July 6, 2004.

See: 36 N.J.R. 1739(a), 36 N.J.R. 3269(b).

In (a), substituted "any one issuer of obligations under this subchapter, whether" for "any one issuer of international government and agency obligations, whether"; rewrote (b); in (c), deleted "on the Approved List".

Amended by R.2005 d.322, effective September 19, 2005.

See: 37 N.J.R. 2149(a), 37 N.J.R. 3720(a).

In (a), added the last sentence, "The one percent limitation shall not apply to Common Pension Funds B and D."

Recodified from N.J.A.C. 17:16-20.2 and amended by R.2006 d.257, effective July 17, 2006.

See: 38 N.J.R. 1407(a), 38 N.J.R. 3063(a).

Rewrote the section. Former N.J.A.C. 17:16-20.3, Legal papers, repealed.

Recodified from N.J.A.C. 17:16-20.3 and amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

In (a)3, substitute "international corporate" for "Canadian", and added (a)4.

Amended by R.2007 d.255, effective August 20, 2007.

See: 39 N.J.R. 1463(a), 39 N.J.R. 3548(a).

In (a)3, substituted "30 percent" for "22 percent".

17:16-20.5 Reports to Council

The Director shall report all purchases of international government and agency obligations under this subchapter at the next regularly scheduled meeting of the Council.

New Rule, R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

SUBCHAPTER 21. U.S. TREASURY FUTURES CONTRACTS

17:16-21.1 Definitions

The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise:

"U.S. Treasury Futures Contract" shall mean a legal agreement between a buyer and a seller in which the seller agrees to deliver and the buyer agrees to take delivery of a specified quantity of U.S. Treasury securities at a specified price (futures price) at a stated time in the future (delivery date). Prices are determined by competitive bids on the floor of the Chicago Board of Exchange. The terms of the contract are standardized and the Chicago Board of Exchange Clearinghouse takes the opposite side to each cleared transaction.

Amended by R.2001 d.119, effective April 2, 2001.

See: 33 N.J.R. 372(b), 33 N.J.R. 1115(a).

Amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Section was "Definition of U.S. Treasury Futures Contract". Rewrote the section.

17:16-21.2 Permissible investments

(a) Subject to the limitations contained in this subchapter, the Director may invest and reinvest the moneys of any eligible fund in U.S. Treasury Futures Contracts listed on an exchange in the United States for the purpose of hedging U.S. Treasury securities held in Common Pension Fund B.

(b) The Director may deliver U.S. Treasury Securities to satisfy contractual obligations pursuant to the Division's purchase and sale of U.S. Treasury Futures Contracts.

(c) Only Primary Government Securities Dealers may be used for executing transactions in U.S. Treasury Futures Contracts.

(d) Notwithstanding the restrictions in this subchapter, the Council may approve the purchase of U.S. Treasury Futures Contracts on a case-by-case basis.

Repeal and New Rule, R.2006 d.317, effective September 5, 2006.
See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

17:16-21.3 Eligible funds

(a) For purposes of this subchapter, eligible funds shall include:

1. Common Pension Fund B.

New Rule, R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Former N.J.A.C. 17:16-21.3, Limitations, recodified to N.J.A.C. 17:16-21.4.

17:16-21.4 Limitations

Net purchases of U.S. Treasury Futures Contracts shall not exceed the amount equal to 10 percent of the market value of Common Pension Fund B's underlying U.S. Treasury Bond holdings, except that this limit may be increased to an amount not to exceed 50 percent by the Director for a fixed period of time after consultation with the Executive Committee of the Council.

Recodified from N.J.A.C. 17:16-21.3 and amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Rewrote the section.

SUBCHAPTER 22. FIXED INCOME EXCHANGE-TRADED FUNDS

17:16-22.1 Definitions

The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise:

"Exchange-traded funds" shall mean mutual funds that track a predetermined index and can be traded like shares of common stock.

"Fixed income exchange-traded funds" shall mean exchange-traded funds that invest primarily in fixed income securities.

New Rule, R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Former N.J.A.C. 17:16-22.1, Permissible investments, recodified to N.J.A.C. 17:16-22.2.

Amended by R.2011 d.224, effective August 15, 2011.

See: 43 N.J.R. 1241(a), 43 N.J.R. 2192(c).

In definition "Fixed income exchange-traded fund", deleted "domestic" preceding "fixed".

17:16-22.2 Permissible investments

(a) Subject to the limitations contained in this subchapter, the Director may invest and reinvest the moneys of any eligible fund in fixed income exchange-traded funds which are traded on a securities exchange in the United States or the over-the-counter markets, provided that the exchange-traded funds are denominated in United States dollars and have a minimum market capitalization of \$100 million. Subsequent

to purchase, if capitalization falls below \$100 million, the investment does not have to be sold.

(b) Notwithstanding the restrictions in this subchapter, the Council may approve the purchase of fixed income exchange-traded funds on a case-by-case basis.

Amended by R.2004 d.250, effective July 6, 2004.

See: 36 N.J.R. 1740(a), 36 N.J.R. 3269(c).

Rewrote the section.

Recodified from N.J.A.C. 17:16-22.1 and amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Rewrote the section. Former N.J.A.C. 17:16-22.2, Applicable Funds, recodified to N.J.A.C. 17:16-22.3.

Amended by R.2011 d.224, effective August 15, 2011.

See: 43 N.J.R. 1241(a), 43 N.J.R. 2192(c).

In (a), inserted "provided that the exchange-traded funds are denominated in United States dollars".

17:16-22.3 Eligible funds

(a) For purposes of this subchapter, eligible funds shall include:

1. Police and Firemen's Retirement System;
2. Public Employees' Retirement System;
3. State Police Retirement System;
4. Teachers' Pension and Annuity Fund;
5. Judicial Retirement System of New Jersey; and
6. Common Pension Fund B.

Recodified from N.J.A.C. 17:16-22.2 and amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Section was "Applicable funds". Rewrote introductory paragraph of (a), recodified (a)5 as (a)6, added new (a)5, and deleted former (a)6 and (a)7. Former N.J.A.C. 17:16-22.3, Limitations, recodified to N.J.A.C. 17:16-22.4.

17:16-22.4 Limitations

(a) At the time of initial purchase, the following conditions shall be met:

1. Not more than four percent of the market value of any fund shall be invested in a single fixed income exchange-traded fund; and
2. The total amount of shares or units purchased or acquired of any one fixed income exchange-traded fund shall not exceed five percent of the shares or units outstanding of any fixed income exchange-traded fund.

(b) If, subsequent to initial purchase, the limitations in (a) above are exceeded, then the Council shall be notified at the next regularly scheduled meeting of the Council. The Division may be granted a six-month period of grace to reduce the level of participation below the maximum levels, except that the period of grace may be extended for additional four-month periods with the approval of the Council.

Recodified from N.J.A.C. 17:16-22.3 and amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Rewrote the section.

SUBCHAPTER 23. BANK LOANS

17:16-23.1 Definitions

The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise:

“Bank loans” means loans that are originated by commercial and/or investment banks or other lending syndicates. Bank loans are typically comprised of loans to corporations and tend to be the most senior debt in the corporate debt structure.

“Co-investment” means two parties (usually the limited partner and the general partner of a fund) invest alongside each other. If a limited partner in a fund has co-investment rights, it can invest directly in a company that is also backed by a fund. The institution therefore ends up with two separate stakes in the company — one indirectly through the fund; one directly in the company. Co-investment may also include multiple like-minded institutional investors investing in a specific company or portfolio.

“Commingled fund” means pooled investment vehicles formed for the purpose of investing. A commingled fund may be organized as a group trust, partnership, corporation, insurance company separate account, or other multiple ownership entity. An investment in a commingled fund may take the form of an investment in the trustee, general partner, or other managing member of such fund.

“Funds-of-funds” means funds set up to distribute investments among a selection of fund managers, who in turn invest the capital directly.

“Joint venture” means a contractual agreement joining two or more parties for the purpose of executing a particular undertaking. All parties agree to share in the profits and losses of the enterprise. Joint ventures are usually private.

“Separate account” means ownership is segregated and kept in the investor’s name.

17:16-23.2 Permissible investments

(a) Subject to the limitations contained in this subchapter, the Director may invest and reinvest the moneys of any eligible fund in:

1. Direct bank loans provided that:
 - i. All such loans must be payable as to both principal and interest in United States dollars;
 - ii. The borrower:
 - (1) Is not in default as to the payment of principal or interest upon any of its outstanding obligations. Subsequent to purchase, if the borrower defaults, the loans do not have to be sold; and

(2) Has shareholder’s equity of at least \$200 million. Subsequent to purchase, if shareholder’s equity falls below \$200 million, the investment does not have to be sold; and

iii. The issue has a credit rating of Baa3 or higher by Moody’s Investors Service, Inc., BBB- or higher by Standard & Poor’s Corporation, and BBB- or higher by Fitch Ratings, except that two of the three ratings is sufficient and one of the three ratings is sufficient if only one rating is available. If a rating for the issue has not been obtained from the above services, the issue may be purchased if the issuer rating meets the minimum rating criteria. Subsequent to purchase, if ratings fall below the minimum rating for such issues, they do not have to be sold, and they may be exchanged with issues with a credit rating lower than the minimum rating if the issues received in exchange are, on balance, similarly rated; and

2. Separate accounts, funds-of-funds, commingled funds, co-investments and joint ventures that primarily invest in bank loans subject to such further provisos as are contained in N.J.A.C. 17:16-63.

(b) Notwithstanding the restrictions in (a) above, the Director may invest and reinvest the moneys of Common Pension Fund B in corporate obligations, international corporate obligations, collateralized notes and mortgages, bank loans, non-convertible preferred stock and mortgage backed pass-through securities that do not meet the minimum credit ratings set forth in N.J.A.C. 17:16-12.2, 16.2, 19.2, this section and N.J.A.C. 17:16-40.2 and 58.2, respectively; provided, however, the market value of such investments shall not exceed five percent of the combined assets of all of the Pension and Annuity Funds.

(c) Notwithstanding the restrictions in this subchapter, the Council may approve the purchase of bank loans on a case-by-case basis.

17:16-23.3 Eligible funds

(a) For purposes of this subchapter, eligible funds shall include:

1. Common Pension Fund B; and
2. Common Pension Fund E.

17:16-23.4 Limitations

(a) At the time of initial purchase of bank loans, the following conditions shall be met:

1. Not more than 10 percent of the market value of the assets of any eligible fund shall be invested in bank loans, whether direct or through separate accounts, funds-of-funds, commingled funds, co-investments and joint ventures that primarily invest in bank loans; and

2. The total amount of direct bank loans purchased or acquired under this subchapter shall not exceed 10 percent of the outstanding long-term debt of the borrower except that these requirements may be waived by the Council.

(b) If, subsequent to initial purchase, the limitations in (a) above are exceeded, then the Council shall be notified at the next regularly scheduled meeting of the Council. The Division may be granted a six-month period of grace to reduce the level of participation below the maximum levels, except that the period of grace may be extended for additional four-month periods with the approval of the Council.

17:16-23.5 Reports to Council

The Director shall report all purchases of bank loans under this subchapter at the next regularly scheduled meeting of the Council.

SUBCHAPTER 24. CREDIT DEFAULT SWAP TRANSACTIONS

17:16-24.1 Definitions

The following words and terms, when used in this subchapter, shall have the following meaning, unless the context clearly indicates otherwise:

“Credit default swap transactions” means a contract between two parties, whereby one makes periodic payments to the other and receives the promise of a payoff if a third party defaults. The former party receives credit protection and is said to be the “buyer” while the other party provides credit protection and is said to be the “seller.” The risk of default is transferred from the buyer of the swap to the seller of the swap.

17:16-24.2 Permissible transactions

(a) Subject to the limitations contained in this subchapter, the Director may enter into credit default swap transactions, including index-based swap transactions, on behalf of any eligible fund, provided that:

1. The credit default swap transaction shall be listed on a securities exchange, traded on an over-the-counter market or be bid/offered on a competitive basis with multiple broker dealers;
2. Credit default swap transactions may only be purchased for fixed income securities held in the pertinent portfolio, except that index-based swaps may be purchased if a significant number of the underlying obligations contained in the index correspond to securities eligible for investment by, and are actually held in the portfolio of, an eligible fund; and
3. The counterparty (or any guarantor pledging its full faith and credit to the transaction) has a credit rating of A1

or higher by Moody’s Investors Service, Inc., A+ or higher by Standard & Poor’s Corporation, and A+ or higher by Fitch Ratings, except that two of the three ratings is sufficient and one of the three ratings is sufficient if only one rating is available. Subsequent to entering into the swap transaction, if the ratings fall below the minimum rating for such counterparty, the Division does not have to close out the transaction.

(b) Notwithstanding the restrictions in this subchapter, the Council may approve credit default swap transactions on a case-by-case basis.

17:16-24.3 Eligible funds

(a) For purposes of this subchapter, eligible funds shall include:

1. Common Pension Fund B; and
2. Common Pension Fund E.

17:16-24.4 Limitations

(a) At the time of entering into a credit default swap transaction, the notional value of net exposure to any one counterparty shall not exceed 10 percent of the market value of the assets of any fund.

(b) If, subsequent to entering into a credit default swap transaction, the limitations in (a) above are exceeded, then the Council shall be notified at the next regularly scheduled meeting of the Council. The Division may be granted a six-month period of grace to reduce the net exposure below the maximum levels, except that the period of grace may be extended for additional four-month periods with the approval of the Council.

SUBCHAPTERS 25 THROUGH 30. (RESERVED)

SUBCHAPTER 31. COMMERCIAL PAPER

17:16-31.1 Definitions

The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise:

“Commercial paper” shall mean secured or unsecured promissory notes issued by a company deemed by the Director to be based in the United States. In determining whether an obligor is based in the United States, the Director shall consider factors including, but not limited to, the obligor’s country of incorporation, its main equity trading market, its shareholder base, the geographical distribution of its operations, the location of its headquarters, and the

country in which investors consider the obligor to be most appropriately classified.

Amended by R.1969 d.32, effective Dec. 19, 1969.

See: 1 N.J.R. 24(b), 2 N.J.R. 44(c).

Amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Section was "Definition". Rewrote the section.

17:16-31.2 Permissible investments

(a) Subject to the limitations contained in this subchapter, the Director may invest and reinvest the moneys of any eligible fund in commercial paper provided that:

1. The issuer is not in default as to the payment of principal or interest upon any of its outstanding obligations.
2. The maturity of the issue does not exceed 270 days; and
3. The issuer (or any guarantor pledging its full faith and credit to the issue) has a credit rating of P-1 or higher by Moody's Investors Service, Inc., A-1 or higher by Standard & Poor's Corporation, and F-1 or higher by Fitch Ratings, except that two of the three ratings is sufficient and one of the three ratings is sufficient if only one rating is available. If a rating for the issue has not been obtained from the above services, the issue may be purchased if the issuer rating meets the minimum rating criteria. Subsequent to purchase, if the rating falls below the minimum rating for such issue, it does not have to be sold, and it may be exchanged with an issue with a credit rating lower than the minimum rating if the issue received in exchange is, on balance, similarly rated.

(b) Notwithstanding the restrictions contained in this subchapter, the Council may approve the purchase of commercial paper on a case-by-case basis.

As amended, R.1972 d.75, eff. April 19, 1972.

See: 4 N.J.R. 109(a).

Amended by R.2001 d.119, effective April 2, 2001.

See: 33 N.J.R. 372(b), 33 N.J.R. 1115(a).

Amended by R.2004 d.251, effective July 6, 2004.

See: 36 N.J.R. 1740(b), 36 N.J.R. 3270(a).

In (a), added the last sentence; rewrote (b).

Amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Rewrote (a).

17:16-31.3 Eligible funds

(a) For purposes of this subchapter, eligible funds shall include:

1. Any fund classified as a Pension and Annuity Fund;
2. Any fund classified as a Static Fund;
3. Any fund classified as a Demand Fund;
4. Any fund classified as a Temporary Reserve Fund;
5. Any fund classified as a Trust Fund;
6. The State of New Jersey Cash Management Fund; and
7. Any fund classified as a Common Pension Fund.

Repeal and New Rule, R.1991 d.274, effective June 3, 1991.

See: 23 N.J.R. 983(a), 23 N.J.R. 1800(b).

Amended by R.2004 d.251, effective July 6, 2004.

See: 36 N.J.R. 1740(b), 36 N.J.R. 3270(a).

Repeal and New Rule, R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Section was "Limitations".

Amended by R.2007 d.256, effective August 20, 2007.

See: 39 N.J.R. 1463(b), 39 N.J.R. 3548(b).

In (a)7, inserted "Any fund classified as a" and deleted "B" following "Fund".

17:16-31.4 (Reserved)

17:16-31.5 (Reserved)

Repealed by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Section was "Legal papers".

SUBCHAPTER 32. CERTIFICATES OF DEPOSIT

17:16-32.1 Definitions

The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise:

"Certificates of deposit" shall mean a debt instrument issued by a bank or trust company, or by a wholly-owned subsidiary of a bank or trust company where the full faith and credit of the bank or trust company is pledged to the issue.

New Rule, R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Former N.J.A.C. 17:16-32.1, Permissible investments, recodified to N.J.A.C. 17:16-32.2.

2. Are in compliance with Rule 2a-7 under the Investment Company Act of 1940 as promulgated by the U.S. Securities and Exchange Commission; and

3. Have a minimum net asset value of \$1 billion. Subsequent to purchase, if the net asset value falls below \$1 billion, the investment does not have to be sold.

(b) Notwithstanding the restrictions contained in this subchapter, the Council may approve the purchase of money market funds on a case-by-case basis.

Amended by R.2004 d.253, effective July 6, 2004.

See: 36 N.J.R. 1742(a), 36 N.J.R. 3270(c).

Rewrote the section.

Recodified from N.J.A.C. 17:16-37.1 and amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Rewrote (a). Former N.J.A.C. 17:16-37.2, Other limitations, recodified to N.J.A.C. 17:16-37.4.

17:16-37.3 Eligible funds

(a) For purposes of this subchapter, eligible funds shall include:

1. Any fund classified as a Pension and Annuity Fund;
2. Any fund classified as a Static Fund;
3. Any fund classified as a Demand Fund;
4. Any fund classified as a Temporary Reserve Fund;
5. Any fund classified as a Trust Fund;
6. The State of New Jersey Cash Management Fund; and
7. Common Pension Fund B.

Repeal and New Rule, R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Section was "Legal papers".

17:16-37.4 Limitations

(a) At the time of initial purchase, the following conditions shall be met:

1. Not more than 10 percent of the market value of any fund shall be invested in money market funds; and
2. The total amount of shares or units purchased or acquired of any one money market fund shall not exceed five percent of the shares or units outstanding.

(b) If, subsequent to initial purchase, the limitations in (a) above are exceeded, then the Council shall be notified at the next regularly scheduled meeting of the Council. The Division may be granted a six-month period of grace to reduce the level of participation below the maximum levels, except that the period of grace may be extended for additional four-month periods with the approval of the Council.

Recodified from N.J.A.C. 17:16-37.2 and amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Section was "Other limitations". Rewrote the section.

SUBCHAPTERS 38 THROUGH 39. (RESERVED)

SUBCHAPTER 40. NON-CONVERTIBLE PREFERRED STOCKS OF U.S. CORPORATIONS

17:16-40.1 Definitions

The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise:

"Non-convertible preferred stocks" means shares of stock which provide a dividend that is paid before any dividends are paid to holders of common stock and additional rights above and beyond those conferred by common stock. The shares are not convertible into common stock of the corporation.

"Private placement" shall mean a negotiated sale in which the securities are sold directly to institutional or private investors, rather than through a public offering. Such placements are not registered with the Securities and Exchange Commission.

"U.S. corporation" means a corporation deemed by the Director to be based in the United States. In determining whether a corporation is based in the United States, the Director shall consider factors including, but not limited to, the corporation's country of incorporation, its main equity trading market, its shareholder base, the geographical distribution of its operations, the location of its headquarters, and the country in which investors consider the corporation to be most appropriately classified.

17:16-40.2 Permissible investments

(a) Subject to the limitations contained in this subchapter, the Director may invest and reinvest the moneys of any eligible fund in the non-convertible preferred stock of a U.S. corporation provided that:

1. The stock is traded on a securities exchange in the United States or the over-the-counter market or issued through a private placement. If the Director invests in non-convertible preferred stock of a company not incorporated in the United States, but is deemed to be based in the United States, he or she shall prepare a memorandum explaining such determination, and shall inform the Council of his or her determination at its next regularly scheduled meeting;

2. The company has a market capitalization of at least \$100 million. Subsequent to purchase, if capitalization falls below \$100 million, the investment does not have to be sold; and

3. The stock has a credit rating of Baa3 or higher by Moody's Investors Service, Inc., BBB- or higher by Standard & Poor's Corporation, and BBB- or higher by Fitch Ratings, except that two of the three ratings is sufficient and one of the three ratings is sufficient if only one rating is available. Subsequent to purchase, if the ratings fall below the minimum rating for such securities, they do not have to be sold, and they may be exchanged with securities with credit ratings lower than the minimum rating if the securities received in exchange are, on balance, similarly rated.

(b) Notwithstanding the restrictions in (a) above, the Director may invest and reinvest the moneys of Common Pension Fund B in corporate obligations, international corporate obligations, collateralized notes and mortgages, bank loans, non-convertible preferred stock and mortgage backed passthrough securities that do not meet the minimum credit ratings set forth in N.J.A.C. 17:16-12.2, 16.2, 19.2, 23.2, this section and N.J.A.C. 17:16-58.2, respectively; provided, however, the market value of such investments shall not exceed five percent of the combined assets of all of the Pension and Annuity Funds.

(c) Notwithstanding the restrictions in (a) above, the Director may invest and reinvest the moneys of Common Pension Fund B in corporate obligations, international corporate obligations and non-convertible preferred stock of companies that do not meet the minimum market capitalization set forth in N.J.A.C. 17:16-12.2 and 16.2 and this section, respectively; provided, however, the market value of such investments shall not exceed one percent of the combined assets of all the Pension and Annuity Funds.

(d) Notwithstanding the restrictions contained in this subchapter, the Council may approve the purchase of non-convertible preferred stock on a case-by-case basis.

Amended by R.2009 d.381, effective December 21, 2009.

See: 41 N.J.R. 3212(b), 41 N.J.R. 4824(c).

Added new (c); and recodified former (c) as (d).

17:16-40.3 Eligible funds

(a) For purposes of this subchapter, eligible funds shall include:

1. Common Pension Fund B.

17:16-40.4 Limitations

(a) At the time of initial purchase, the following conditions shall be met:

1. The total amount of non-convertible preferred stock purchased or acquired under this subchapter of any one corporation shall not exceed 10 percent of the outstanding

non-convertible preferred stock or 25 percent of the issue at the time of issue, except that these requirements may be waived by the Council;

2. Not more than five percent of the market value of the assets of any eligible fund shall be invested in the debt and non-convertible preferred convertible stock of any one corporation; and

3. Not more than five percent of the market value of the assets of any eligible fund shall be invested in debt issued through a private placement.

(b) If, subsequent to initial purchase, the limitations in (a) above are exceeded, then the Council shall be notified at the next regularly scheduled meeting of the Council. The Division may be granted a six-month period of grace to reduce the level of participation below the maximum levels, except that the period of grace may be extended for additional four-month periods with the approval of the Council.

SUBCHAPTER 41. COMMON AND PREFERRED STOCKS AND DEBT ISSUES CONVERTIBLE INTO COMMON STOCK OF U.S. CORPORATIONS AND U.S. EXCHANGE-TRADED FUNDS

17:16-41.1 Definitions

The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise:

"Common stocks" shall mean shares of stock, other than preferred stocks, representing ownership in a corporation.

"Convertible debt issue" shall mean debt obligations of any corporation which is convertible into the common stock of the corporation.

"Convertible preferred stocks" shall mean shares of stock which provide a dividend that is paid before any dividends are paid to holders of common stock and additional rights above and beyond those conferred by common stock. The shares are convertible into common stock of the corporation.

"Exchange-traded funds" shall mean mutual funds that track a predetermined index and can be traded like shares of common stock.

"U.S. corporation" shall mean a corporation deemed by the Director to be based in the United States. In determining whether a corporation is based in the United States, the Director shall consider factors including, but not limited to, the corporation's country of incorporation, its main equity trading market, its shareholder base, the geographical distribution of its operations, the location of its headquarters, and the country in which investors consider the corporation to be most appropriately classified.

“Preferred stocks” shall mean shares of stock which provide a specific dividend that is paid before any dividends are paid to holders of common stock and additional rights above and beyond those conferred by common stock.

New Rule, R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Former N.J.A.C. 17:16-42.1, Permissible investments, recodified to N.J.A.C. 17:16-42.2.

17:16-42.2 Permissible investments

(a) Subject to the limitations contained in this subchapter, the Director may invest and reinvest the moneys of any eligible fund in common stock issued by a company that is traded on a securities exchange in the United States or the over-the-counter market, except that:

1. The common stock for the Supplemental Annuity Collective Trust Fund shall be listed on a securities exchange in the United States, as required by N.J.S.A. 52:18A-115; and

2. The common stock for the University of Medicine and Dentistry of New Jersey - Endowment Funds shall be issued by a company incorporated with in the United States or within the Dominion of Canada, as required by N.J.S.A. 18A:64G-9.

(b) Notwithstanding the restrictions contained in this subchapter, the Council may approve the purchase of common stock on a case-by-case basis.

(c) Notwithstanding the restrictions in (a) above, the Director may:

1. Exercise the conversion privileges into common stock of any security acquired under this Subchapter;
2. Purchase the convertible issue of a company, the common stock of which qualifies for investment under this subchapter;
3. Purchase stock in new public offerings of companies without prior approval of the Council provided, however, approval will be sought at the next regularly scheduled Council meeting in the event the security does not subsequently meet the requirements of this subchapter. If approval is not granted, the securities will be sold within three months of the Council’s disapproval; and
4. Retain any distribution received as a result of a corporate action, even if the security does not meet the requirements of this subchapter.

Recodified from N.J.A.C. 17:16-42.2 and amended by R.2000 d.250, effective June 19, 2000.

See: 32 N.J.R. 1324(b), 32 N.J.R. 2257(c).

Rewrote the section. Former N.J.A.C. 17:16-42.1, Definition, repealed.

Amended by R.2004 d.255, effective July 6, 2004.

See: 36 N.J.R. 1744(a), 36 N.J.R. 3271(b).

Rewrote the section.

Recodified from N.J.A.C. 17:16-42.1 and amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Rewrote the section. Former N.J.A.C. 17:16-42.2, Applicable funds in the trust group, recodified to N.J.A.C. 17:16-42.3.

17:16-42.3 Eligible funds

(a) For purposes of this subchapter, eligible funds shall include:

1. University of Medicine and Dentistry of New Jersey—Endowment Funds;
2. Supplemental Annuity Collective Trust;
3. The Deferred Compensation Equity Fund;
4. The Deferred Compensation Small Capitalization Equity Fund; and
5. New Jersey Better Educational Savings Trust.

As amended, R.1972 d.75, eff. April 19, 1972.

See: 4 N.J.R. 109(a).

Recodified from N.J.A.C. 17:16-42.3 by R.2000 d.250, effective June 19, 2000.

See: 32 N.J.R. 1324(b), 32 N.J.R. 2257(c).

Former N.J.A.C. 17:16-42.3, Applicable funds in the trust group, recodified to N.J.A.C. 17:16-42.2. In (a), added 3 through 6.

Recodified from N.J.A.C. 17:16-42.2 and amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Section was “Applicable funds in the trust group”. Rewrote (a); deleted (a)3; and recodified (a)4 through (a)6 as (a)3 through (a)5. Former N.J.A.C. 17:16-42.3, Limitations, recodified to N.J.A.C. 17:16-42.4.

17:16-42.4 Limitations

(a) At the time of initial purchase, the following conditions shall be met:

1. Not more than 10 percent of the market value of the assets of any eligible fund shall be invested in the common stock and convertible securities of any one corporation; and
2. The total amount of stock purchased or acquired of any one corporation shall not exceed five percent of the common stock, or of any other class of stock which entitles the holder thereof to vote at all the elections of directors, of such corporation.

(b) If, subsequent to initial purchase, the limitations in (a) above are exceeded, then the Council shall be notified at the next regularly scheduled meeting of the Council. The Division may be granted a six-month period of grace to reduce the level of participation below the maximum levels, except that the period of grace may be extended for additional four-month periods with the approval of the Council.

Amended by R.1996 d.222, effective May 6, 1996.

See: 28 N.J.R. 1366(a), 28 N.J.R. 2397(a).

In (a) substituted market value for book value.

Recodified from N.J.A.C. 17:16-42.4 by R.2000 d.250, effective June 19, 2000.

See: 32 N.J.R. 1324(b), 32 N.J.R. 2257(c).

Former N.J.A.C. 17:16-42.3, Applicable funds in the trust group, recodified to N.J.A.C. 17:16-42.2.

Recodified from N.J.A.C. 17:16-42.3 and amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Recodified former (a) and (b) as (a)1 and (a)2; rewrote (a)1; and added new (a) and (b).

17:16-42.5 (Reserved)

Repealed by R.2000 d.250, effective June 19, 2000.

See: 32 N.J.R. 1324(b), 32 N.J.R. 2257(c).

Section was "Legal papers".

17:16-42.6 (Reserved)

Recodified to N.J.A.C. 17:16-42.4 by R.2000 d.250, effective June 19, 2000.

See: 32 N.J.R. 1324(b), 32 N.J.R. 2257(c).

SUBCHAPTER 43. COVERED CALL OPTIONS

17:16-43.1 Definitions

The following words and terms, when used in this subchapter, shall have the following meaning, unless the context clearly indicates otherwise:

"Covered call options" shall mean call options, including index-based call options sold on common stocks held in the pertinent portfolio, except that index-based call options may be sold and subsequently repurchased if substantially all of the underlying securities contained in the index correspond to securities eligible for investment by, and are actually held in the portfolio of, an eligible fund.

Amended by R.2001 d.119, effective April 2, 2001.

See: 33 N.J.R. 372(b), 33 N.J.R. 1115(a).

In section name, deleted "; covered call options".

Amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Section was "Definition". Rewrote the section.

Amended by R.2008 d.238, effective August 18, 2008.

See: 40 N.J.R. 2092(b), 40 N.J.R. 4824(b).

In definition "Covered call options", substituted "index-based" for "index-base".

17:16-43.2 Permissible transactions

Subject to the limitations contained in this subchapter, the Director may sell and repurchase covered call options on behalf of any eligible fund, provided that any covered call option purchased or sold shall be listed on a securities exchange, traded on an over-the-counter market or be bid/offered on a competitive basis with multiple broker dealers.

As amended, R.1982 d.193, eff. June 21, 1982.

See: 13 N.J.R. 750(b), 14 N.J.R. 663(d).

(b): Added "the Philadelphia ... Pacific Stock Exchange."

(c) deleted.

Amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Rewrote the section.

Amended by R.2008 d.238, effective August 18, 2008.

See: 40 N.J.R. 2092(b), 40 N.J.R. 4824(b).

Deleted designation (a), substituted ", traded on an" for "in the United States or the" and inserted "or be bid/offered on a competitive basis with multiple broker dealers".

17:16-43.3 Eligible funds

(a) For purposes of this subchapter, eligible funds shall include:

1. New Jersey Better Educational Savings Trust;
2. Supplemental Annuity Collective Trust;
3. New Jersey State Employees Deferred Compensation Equity Fund;
4. New Jersey State Employees Deferred Compensation Small Capitalization Equity Fund;
5. Common Pension Fund A; and
6. Common Pension Fund D.

As amended, R.1982 d.192, eff. June 4, 1982.

See: 13 N.J.R. 526(b), 14 N.J.R. 663(b).

(a)2 added.

Amended by R.1996 d.222, effective May 6, 1996.

See: 28 N.J.R. 1366(a), 28 N.J.R. 2397(a).

Added Deferred Compensation Plan-Equity Fund.

Amended by R.1998 d.30, effective January 5, 1998.

See: 29 N.J.R. 4410(a), 30 N.J.R. 106(b).

Added (a)4.

Amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Section was "Applicable funds". Rewrote (a), (a)1, (a)3 and (a)4; and added (a)5 and (a)6.

17:16-43.4 (Reserved)

As amended, R.1982 d.193, eff. June 21, 1982.

See: 13 N.J.R. 750(b), 14 N.J.R. 663(d).

"10" percent was "5".

Amended by R.1986 d.30, effective February 18, 1986.

See: 17 N.J.R. 2968(a), 18 N.J.R. 428(a).

Added text ", except in the ... P.L. 1985, c.308."

Amended by R.1996 d.222, effective May 6, 1996.

See: 28 N.J.R. 1366(a), 28 N.J.R. 2397(a).

Deleted exception for holdings subject to divestment under P.L. 1985, c.308.

Repealed by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Section was "Limitations".

SUBCHAPTER 44. COMMON AND PREFERRED STOCKS AND DEBT ISSUES CONVERTIBLE INTO COMMON STOCK OF INTERNATIONAL CORPORATIONS AND INTERNATIONAL EXCHANGE-TRADED FUNDS

17:16-44.1 Definitions

The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise:

“Common stocks” shall mean shares of stock, other than preferred stocks, representing ownership in a corporation.

“Convertible debt issue” shall mean debt obligations of any corporation which is convertible into the common stock of the corporation.

“Developed market country” shall mean a country, other than the United States, included in the Morgan Stanley Capital International (MSCI) Equity Index Series for developed markets or another similar index selected by the Director and approved by the Council.

“Exchange-traded funds” shall mean mutual funds that track a predetermined index and can be traded like shares of common stock.

“International corporation” shall mean a corporation deemed by the Director to be based in a country other than the United States. In determining where a corporation is based, the Director shall consider factors including, but not limited to, the corporation’s country of incorporation, its main equity trading market, its shareholder base, the geographical distribution of its operations, the location of its headquarters, and the country in which investors consider the corporation to be most appropriately classified.

“Preferred stocks” shall mean shares of stock which provide a dividend that is paid before any dividends are paid to holders of common stock and additional rights above and beyond those conferred by common stock.

New Rule, R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Former N.J.A.C. 17:16-44.1, Permissible investments, recodified to N.J.A.C. 17:16-44.2.

Amended by R.2008 d.392, effective December 15, 2008.

See: 40 N.J.R. 4692(a), 40 N.J.R. 6998(b).

Added definition “Convertible debt issue”; and in definition “Preferred stocks”, deleted “specific” preceding “dividend”.

17:16-44.2 Permissible investments

(a) Subject to the limitations contained in this subchapter, the Director may invest and reinvest the moneys of any eligible fund in:

1. Stock issued by an international corporation deemed by the Director to be based in a developed market country and whose stock trades on a securities exchange or over-the-counter market. If the Director determines that a company that is not incorporated in a developed market country is based in a developed market country, he or she shall prepare a memorandum explaining such determination, and shall inform the Council of his or her determination at its next regularly scheduled meeting; and

2. International exchange-traded funds or closed-end global, regional or country funds that are traded on a securities exchange or over-the-counter market, and have a minimum market capitalization of \$US 100 million. For the purposes of this subchapter, exchange-traded funds or

closed-end global, regional or country funds shall be considered as common stock in determining all applicable limitations contained within this subchapter. Subsequent to purchase, if capitalization falls below \$US 100 million, the investment does not have to be sold.

(b) Notwithstanding the restrictions contained in (a) above, the Council may approve the purchase of common and preferred stock and issues convertible into common stock of international corporations or international equity exchange-traded funds or closed-end global, regional or country funds on a case-by-case basis.

(c) Notwithstanding the restrictions in (a) above, the Director may:

1. Exercise the conversion privileges in the common stock of any security acquired under this subchapter;

2. Purchase the preferred stock, whether convertible or not, of a company, the stock of which qualifies for investment under this subchapter;

3. Purchase the convertible debt issue of a company, the common stock of which qualifies for investment under this subchapter;

4. Purchase stock in new public offerings of companies without prior approval of the Council provided, however, approval will be sought at the next regularly scheduled Council meeting in the event the security does not subsequently meet the requirements of this subchapter. If approval is not granted, the securities will be sold within three months of the Council’s disapproval; and

5. Retain any distribution received as a result of a corporate action, even if the security does not meet the requirements of this subchapter.

Recodified by R.1991 d.274, effective June 3, 1991.

See: 23 N.J.R. 983(a), 23 N.J.R. 1800(b).

Citations corrected.

Amended by R.1996 d.222, effective May 6, 1996.

See: 28 N.J.R. 1366(a), 28 N.J.R. 2397(a).

Deleted requirements relating to regular dividends, long term debt, and current assets and liabilities.

Amended by R.2000 d.180, effective May 1, 2000.

See: 32 N.J.R. 744(b), 32 N.J.R. 1526(c).

Added (d)4.

Amended by R.2001 d.119, effective April 2, 2001.

See: 33 N.J.R. 372(b), 33 N.J.R. 1115(a).

Administrative correction.

See: 33 N.J.R. 2280(a).

Amended by R.2003 d.20, effective January 6, 2003.

See: 34 N.J.R. 3071(a), 35 N.J.R. 230(b).

Rewrote (a).

Amended by R.2003 d.333, effective August 4, 2003.

See: 35 N.J.R. 1872(a), 35 N.J.R. 3607(a).

Added new (c); recodified former (c) and (d) as new (d) and (e); in new (d), inserted “or international equity exchange-traded funds from the “Approved List of International Equity Exchange-traded Funds” preceding “to be purchased”.

Amended by R.2004 d.256, effective July 6, 2004.

See: 36 N.J.R. 1745(a), 36 N.J.R. 3272(a).

Rewrote the section.

Amended by R.2005 d.323, effective September 19, 2005.

See: 37 N.J.R. 2149(b), 37 N.J.R. 3720(b).

Rewrote (a).

Amended by R.2006 d.258, effective July 17, 2006.

See: 38 N.J.R. 1409(a), 38 N.J.R. 3064(a).

Rewrote the section.

Recodified from N.J.A.C. 17:16-44.1 and amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Rewrote (a)1 and (a)2. Former N.J.A.C. 17:16-44.2, Eligible funds, recodified to N.J.A.C. 17:16-44.3.

Amended by R.2007 d.258, effective August 20, 2007.

See: 39 N.J.R. 1464(b), 39 N.J.R. 3548(d).

In (a)2, substituted "100 million" for "50 million" two times.

Administrative correction.

See: 39 N.J.R. 3780(a).

Amended by R.2008 d.392, effective December 15, 2008.

See: 40 N.J.R. 4692(a), 40 N.J.R. 6998(b).

In (a)1, substituted "an international corporation" for "a company"; and in (c)3, inserted "debt".

17:16-44.3 Eligible funds

(a) For purposes of this subchapter, eligible funds shall include:

1. Police and Firemen's Retirement System;
2. Public Employees' Retirement System;
3. State Police Retirement System;
4. Teachers' Pension and Annuity Fund;
5. Judicial Retirement System of New Jersey; and
6. Common Pension Fund D.

Recodified by R.1991 d.274, effective June 3, 1991.

See: 23 N.J.R. 983(a), 23 N.J.R. 1800(b).

Common Pension Fund D added.

Amended by R.2006 d.258, effective July 17, 2006.

See: 38 N.J.R. 1409(a), 38 N.J.R. 3064(a).

Section was "Applicable funds". In (a), rewrote introductory paragraph.

Recodified from N.J.A.C. 17:16-44.2 by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Changes previously implemented at 38 N.J.R. 3064(a). Former N.J.A.C. 17:16-44.3, Limitations, recodified to N.J.A.C. 17:16-44.4.

17:16-44.4 Limitations

(a) At time of initial purchase, the following conditions shall be met:

1. Not more than 1.5 percent of the market value of the assets of any eligible fund, either directly or through Common Pension Fund D, shall be invested in the common and preferred stock of any one corporation. This 1.5 percent limitation shall not apply to Common Pension Fund D.
2. The total amount of stock purchased or acquired of any one corporation shall not exceed five percent of the common stock, or of any other class of stock which entitles the holder thereof to vote at all elections of directors, of such corporation.
3. The combined market value of common and convertible preferred stock and debt issues convertible into common stock, both domestic, as permitted in N.J.A.C.

17:16-41, and international, as permitted in this subchapter and in N.J.A.C. 17:16-46, held by an eligible fund (other than Common Pension Fund D), directly or through Common Pension Funds A and D, cannot exceed 70 percent of the market value of the assets of the fund, subject to such further provisos as are contained in N.J.A.C. 17:16-67. When the combined market value of the common and convertible preferred stock and debt issues convertible into common stock held by a fund, directly or through Common Pension Funds A and D, reaches or exceeds 68 percent of the market value of the assets of the fund as of the end of a period used for evaluating unit values of participation, then the Council shall be notified at the next regularly scheduled meeting of the Council. When the combined market value of the common and convertible preferred stock and debt issues convertible into common stock held by the fund, directly or through Common Pension Funds A and D, exceeds 70 percent of the market value of the assets of the fund, then the Division may have a six-month period of grace to reduce the level of participation of the fund below the 70 percent level, except that the period of grace may be extended for additional four month periods with the approval of the Council.

4. The market value of international common and preferred stock and issues convertible into common stock held by an eligible fund (other than Common Pension Fund D), either directly or through Common Pension Fund D, when combined with the market value of international government and agency obligations permitted under N.J.A.C. 17:16-20 and international corporate obligations permitted under N.J.A.C. 17:16-16, cannot exceed 30 percent of the market value of the assets of such fund, subject to such further provisos as are contained in N.J.A.C. 17:16-67.

5. Not more than seven percent of the market value of the assets of any eligible fund shall be invested in international exchange-traded funds that invest in commodities or assets other than corporate equity securities.

(b) If, subsequent to initial purchase, the limitations in (a) above are exceeded, then the Council shall be notified at the next regularly scheduled meeting of the Council. The Division may be granted a six-month period of grace to reduce the level of participation of the fund below the maximum levels, except that the period of grace may be extended for additional four-month periods with the approval of the Council.

Amended by R.1991 d.389, effective August 5, 1991.

See: 23 N.J.R. 1777(a), 23 N.J.R. 2345(a).

Deleted prior (a); recodified (b) to (c) as (a) to (b); added (c) and (d).

Amended by R.1995 d.484, effective September 5, 1995.

See: 27 N.J.R. 2544(a), 27 N.J.R. 3378(c).

Amended by R.1996 d.222, effective May 6, 1996.

See: 28 N.J.R. 1366(a), 28 N.J.R. 2397(a).

In (a) substituted market value for book value.

Amended by R.2000 d.251, effective June 19, 2000.

See: 32 N.J.R. 1325(a), 32 N.J.R. 2258(a).

In (a), added a second sentence; and in (c), substituted a reference to 70 percent for a reference to 60 percent, and inserted "with the exception of Common Pension Funds A and D," following "fund,".

Amended by R.2000 d.372, effective September 18, 2000.

See: 32 N.J.R. 2584(a), 32 N.J.R. 3455(a).

In (d), substituted a reference to 22 percent for a reference to 20 percent.

Amended by R.2006 d.258, effective July 17, 2006.

See: 38 N.J.R. 1409(a), 38 N.J.R. 3064(a).

Rewrote the section.

Recodified from N.J.A.C. 17:16-44.3 and amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

In (a)4, substituted "international corporate" for "Canadian"; and added (a)5.

Amended by R.2007 d.258, effective August 20, 2007.

See: 39 N.J.R. 1464(b), 39 N.J.R. 3548(d).

In (a)4, substituted "30 percent" for "22 percent"; and in (b), deleted "1 or 2" following "(a)".

Amended by R.2007 d.385, effective December 17, 2007.

See: 39 N.J.R. 3727(a), 39 N.J.R. 5367(b).

In (a)2, substituted "five" for "10".

Amended by R.2008 d.392, effective December 15, 2008.

See: 40 N.J.R. 4692(a), 40 N.J.R. 6998(b).

In (a)3, inserted "convertible" preceding "preferred" three times, and inserted "debt" three times.

SUBCHAPTER 45. PUT OPTIONS

17:16-45.1 Definitions

The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise:

"Put options" shall mean put options, including index-based put options, purchased or written for securities, assets or foreign currencies permissible for investment in the eligible fund.

"Put spreads" shall mean the purchase of put options on particular underlying securities, assets or foreign currencies permissible for investment in the eligible fund, with the simultaneous writing of put options on the same underlying securities, assets or currencies, at a lower strike price.

Amended by R.2001 d.119, effective April 2, 2001.

See: 33 N.J.R. 372(b), 33 N.J.R. 1115(a).

In section name, deleted "; covered call options".

Amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Section was "Definition". Rewrote the section.

Amended by R.2011 d.223, effective August 15, 2011.

See: 43 N.J.R. 1242(a), 43 N.J.R. 2193(a).

Substituted definition "Put options" for definition "Covered put options"; rewrote definition "Put options"; and added definition "Put spreads".

17:16-45.2 Permissible transactions

(a) Subject to the limitations contained in this subchapter, the Director may purchase and subsequently sell put options, including index-based put options, on behalf of any eligible fund, provided that any put option purchased or sold shall be listed on a securities exchange, traded on an over-the-counter market or be bid/offered on a competitive basis with multiple broker dealers.

(b) Subject to the limitations contained in this subchapter, the Director may execute and subsequently terminate put spreads, provided that the purchased and written put options shall be for the same number of contracts, and shall be listed on a securities exchange, traded on an over-the-counter market or be bid/offered on a competitive basis with multiple broker dealers.

(c) Notwithstanding the restrictions in this subchapter, the Council may approve put options or put spreads on a case-by-case basis.

Amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Rewrote the section.

Amended by R.2008 d.239, effective August 18, 2008.

See: 40 N.J.R. 2093(a), 40 N.J.R. 4824(c).

Deleted designation (a), substituted "traded on an" for "in the United States or the" and inserted "or be bid/offered on a competitive basis with multiple broker dealers".

Amended by R.2011 d.223, effective August 15, 2011.

See: 43 N.J.R. 1242(a), 43 N.J.R. 2193(a).

Inserted designation (a); in (a), deleted "covered" preceding the third occurrence of "put"; and added (b) and (c).

17:16-45.3 Eligible funds

(a) For purposes of this subchapter, eligible funds shall include:

1. Common Pension Fund A;
2. Common Pension Fund B;
3. Common Pension Fund D; and
4. Common Pension Fund E.

Amended by R.1996 d.222, effective May 6, 1996.

See: 28 N.J.R. 1366(a), 28 N.J.R. 2397(a).

Added Deferred Compensation Plan-Equity Fund.

Amended by R.1998 d.31, effective January 5, 1998.

See: 29 N.J.R. 4410(b), 30 N.J.R. 106(c).

Added (a)4.

Amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Section was "Applicable funds". Rewrote the section.

Amended by R.2011 d.223, effective August 15, 2011.

See: 43 N.J.R. 1242(a), 43 N.J.R. 2193(a).

Deleted former (a)1 through (a)4; recodified former (a)5 as (a)1 and (a)6 as (a)3; in (a)1, deleted "and" from the end; added (a)2 and (a)4; and in (a)3, substituted "; and" for a period at the end.

17:16-45.4 Limitations

(a) The difference between the aggregate market value of purchased put options and written put options outstanding at any one time cannot exceed two percent of the market value of all the pension and annuity funds.

(b) If subsequent to purchasing or writing put options, the limitation in (a) above is exceeded, the Director shall sell put options in an amount necessary to comply with such limitation.

Amended by R.1996 d.222, effective May 6, 1996.

See: 28 N.J.R. 1366(a), 28 N.J.R. 2397(a).

Deleted exception for holdings subject to divestment under P.L. 1985, c.308.

Repealed by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Section was "Limitations".

New Rule, R.2011 d.223, effective August 15, 2011.

See: 43 N.J.R. 1242(a), 43 N.J.R. 2193(a).

Section was "Reserved".

Amended by R.2008 d.393, effective December 15, 2008.

See: 40 N.J.R. 4693(a), 40 N.J.R. 6999(a).

Added definitions "Common stocks", "Convertible debt issue", and "Preferred stocks".

SUBCHAPTER 46. COMMON AND PREFERRED STOCKS AND DEBT ISSUES CONVERTIBLE INTO COMMON STOCK OF INTERNATIONAL CORPORATIONS AND EXCHANGE-TRADED, GLOBAL, REGIONAL OR COUNTRY FUNDS IN EMERGING MARKETS

17:16-46.1 Definitions

The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise:

"Common stocks" shall mean shares of stock, other than preferred stocks, representing ownership in a corporation.

"Convertible debt issue" shall mean debt obligations of any corporation which is convertible into the common stock of the corporation.

"Emerging markets" shall mean countries that are not included in the Morgan Stanley Capital International (MSCI) Equity Index Series for developed markets or another similar index selected by the Director and approved by the Council.

"Exchange-traded funds" shall mean mutual funds that track a predetermined index and can be traded like shares of common stock.

"International corporation" shall mean a corporation deemed by the Director to be based in a country other than the United States. In determining where a corporation is based, the Director shall consider factors including, but not limited to, the corporation's country of incorporation, its main equity trading market, its shareholder base, the geographical distribution of its operations, the location of its headquarters, and the country in which investors consider the corporation to be most appropriately classified.

"Preferred stocks" shall mean shares of stock which provide a dividend that is paid before any dividends are paid to holders of common stock and additional rights above and beyond those conferred by common stock.

New Rule, R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Former N.J.A.C. 17:16-46.1, Permissible investments, recodified to N.J.A.C. 17:16-46.2.

Amended by R.2007 d.259, effective August 20, 2007.

See: 39 N.J.R. 1465(a), 39 N.J.R. 3549(a).

Added definition "Exchange-traded funds".

17:16-46.2 Permissible investments

(a) Subject to the limitations contained in this subchapter, the Director may invest and reinvest the moneys of any eligible fund in:

1. Stock issued by an international corporation deemed by the Director to be based in an emerging market country and whose stock trades on a securities exchange or over-the-counter market. If the Director determines that a company that is not incorporated in an emerging market country is based in an emerging market country, he or she shall prepare a memorandum explaining such determination and shall inform the Council of his or her determination at its next regularly scheduled meeting; and

2. Exchange-traded funds or closed-end global, regional or country funds which invest in emerging markets and which are traded on a securities exchange or the over-the-counter markets, and which have a minimum market capitalization of \$US 100 million. For purposes of this subchapter, exchange-traded funds or closed-end global, regional or country funds shall be considered as common stock in determining all applicable limitations contained within this subchapter. Subsequent to purchase, if capitalization falls below \$US 100 million, the investment does not have to be sold.

(b) Notwithstanding the restrictions contained in (a) above, the Council may approve the purchase of common and preferred stocks and issues convertible into common stock of international corporations or global, regional or country funds in emerging markets on a case-by-case basis.

(c) Notwithstanding the restrictions contained in (a) above, the Director may:

1. Exercise the conversion privileges in the common stocks of any security acquired under this subchapter;

2. Purchase the preferred stock, whether convertible or not, of a company, the stock of which qualifies for investment and under this subchapter;

3. Purchase the convertible debt issue of a company, the common stock of which qualifies for investment under this subchapter;

4. Purchase stock in new public offerings of companies in emerging markets without prior approval of the Council provided, however, approval will be sought at the next regularly scheduled Council meeting in the event the investment does not subsequently meet the requirements of this subchapter. If approval is not granted, the securities shall be sold within three months of the Council's disapproval; and

5. Retain any distribution received as a result of a corporate action, even if the security does not meet the requirements of this subchapter.

Amended by R.2004 d.257, effective July 6, 2004.

See: 36 N.J.R. 1747(a), 36 N.J.R. 3272(b).

Rewrote the section.

Recodified from N.J.A.C. 17:16-46.2 and amended by R.2006 d.259, effective July 17, 2006.

See: 38 N.J.R. 1410(a), 38 N.J.R. 3065(a).

Rewrote the section. Former N.J.A.C. 17:16-46.1, Definition of emerging markets, repealed.

Recodified from N.J.A.C. 17:16-46.1 and amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Rewrote (a)1: in (a)2, inserted "a securities exchange"; and deleted (d). Former N.J.A.C. 17:16-46.2, Eligible funds, recodified to N.J.A.C. 17:16-46.3.

Amended by R.2007 d.259, effective August 20, 2007.

See: 39 N.J.R. 1465(a), 39 N.J.R. 3549(a).

In (a)2, substituted "Exchange-traded funds or closed-end global" for "Global", substituted "100 million" for "50 million" two times, and added the second sentence.

Amended by R.2008 d.240, effective August 18, 2008.

See: 40 N.J.R. 2094(a), 40 N.J.R. 4824(d).

In (a)1, rewrote the first sentence and inserted the second sentence.

Amended by R.2008 d.393, effective December 15, 2008.

See: 40 N.J.R. 4693(a), 40 N.J.R. 6999(a).

In (c)2 and (c)3, substituted "subchapter" for "Subchapter"; and in (c)3, inserted "debt".

17:16-46.3 Eligible funds

For purposes of this subchapter, eligible funds shall include Common Pension Fund D.

Recodified from N.J.A.C. 17:16-46.3 and amended by R.2006 d.259, effective July 17, 2006.

See: 38 N.J.R. 1410(a), 38 N.J.R. 3065(a).

Section was "Applicable funds". Rewrote the section. Former N.J.A.C. 17:16-46.2, Permissible investments, recodified to N.J.A.C. 17:16-46.1.

Recodified from N.J.A.C. 17:16-46.2 by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Former N.J.A.C. 17:16-46.3, Limitations, recodified to N.J.A.C. 17:16-46.4.

17:16-46.4 Limitations

(a) At the time of initial purchase, the following conditions shall be met:

1. Not more than 10 percent of the market value of the emerging markets stocks in Common Pension Fund D shall be invested in the common and preferred stock of any one corporation;

2. The total amount of stock purchased or acquired under this subchapter of any one corporation shall not exceed five percent of the common stock, or of any other class of stock which entitles the holder thereof to vote at all elections of directors, of such corporation;

3. The total amount of shares or interests in any one emerging market global, regional or country fund shall not exceed 10 percent of the total shares or interests of such fund;

4. The total market value of stock, or securities convertible into stock, of companies in emerging markets, the shares or interests in global, regional or country funds in emerging markets, and international government and agency obligations in emerging markets permitted under N.J.A.C. 17:16-20, held by Common Pension Fund D shall not exceed 1.5 times the percentage derived by dividing the total market capitalization of companies included in the MSCI Emerging Market Index by the total market capitalization of the companies included in the MSCI All-Country World Ex-United States Index of the total market value of the assets held by Common Pension Fund D. In calculating the above percentage, the Director may substitute such other similar indices as may be selected by the Director and approved by the Council;

5. The combined market value of common and convertible preferred stock and debt issues convertible into common stock, both domestic, as permitted in N.J.A.C. 17:16-41, and international, as permitted in this subchapter and in N.J.A.C. 17:16-44, held by an eligible fund (other than Common Pension Fund D), directly or through Common Pension Funds A and D, cannot exceed 70 percent of the market value of the assets of the fund, subject to such further provisos as are contained in N.J.A.C. 17:16-67. When the combined market value of the common and convertible preferred stock and debt issues convertible into common stock held by a fund, directly or through Common Pension Funds A and D, reaches or exceeds 68 percent of the market value of the assets of the fund as of the end of a period used for evaluating unit values of participation, then the Council shall be notified at the next regularly scheduled meeting of the Council. When the combined market value of the common and convertible preferred stock and debt issues convertible into common stock held by the fund,

directly or through Common Pension Funds A and D, exceeds 70 percent of the market value of the assets of the fund, then the Division may have a six-month period of grace to reduce the level of participation of the fund below the 70 percent level, except that the period of grace may be extended for additional four month periods with the approval of the Council; and

6. The market value of international common and preferred stock and issues convertible into common stock held by an eligible fund (other than Common Pension Fund D), either directly or through Common Pension Fund D, when combined with the market value of international government and agency obligations permitted under N.J.A.C. 17:16-20 and international corporate obligations permitted under N.J.A.C. 17:16-16, cannot exceed 30 percent of the market value of the assets of such fund, subject to such further provisions as are contained in N.J.A.C. 17:16-67.

(b) If, subsequent to initial purchase, the limitations in (a) above are exceeded, then the Council shall be notified at the next regularly scheduled meeting of the Council. The Division may be granted a six-month period of grace to reduce the level of participation below the maximum levels, except that the period of grace may be extended for additional four-month periods with the approval of the Council.

Amended by R.2001 d.119, effective April 2, 2001.

See: 33 N.J.R. 372(b), 33 N.J.R. 1115(a).

Amended by R.2004 d.257, effective July 6, 2004.

See: 36 N.J.R. 1747(a), 36 N.J.R. 3272(b).

Rewrote the section.

Recodified from N.J.A.C. 17:16-46.4 and amended by R.2006 d.259, effective July 17, 2006.

See: 38 N.J.R. 1410(a), 38 N.J.R. 3065(a).

In introductory paragraph of (a), inserted comma; in (a)1 and (a)2, substituted "10" for "five"; in (a)3, inserted "emerging market" and deleted "and" from the end; rewrote (a)4; added (a)5 and (a)6; and rewrote (b). Former N.J.A.C. 17:16-46.3, Applicable funds, recodified to N.J.A.C. 17:16-46.2.

Recodified from N.J.A.C. 17:16-46.3 and amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

In the introductory paragraph of (a), inserted "the" preceding "time"; in (a)2, inserted "which entitles the holder thereof to vote at all elections of directors"; in (a)6, substituted "international corporate" for "Canadian"; and rewrote (b).

Amended by R.2007 d.259, effective August 20, 2007.

See: 39 N.J.R. 1465(a), 39 N.J.R. 3549(a).

In (a)6, substituted "30 percent" for "22 percent".

Amended by R.2008 d.393, effective December 15, 2008.

See: 40 N.J.R. 4693(a), 40 N.J.R. 6999(a).

In (a)5, inserted "convertible" preceding "preferred" three times, and inserted "debt" three times.

SUBCHAPTER 47. EQUITY FUTURES CONTRACTS

17:16-47.1 Definitions

The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise:

“Equity futures contract” means a legal agreement between a buyer and a seller in which the seller agrees to deliver and the buyer agrees to take delivery of a specified quantity of equity securities constituting a recognized equity index at a specified price (futures price) at a stated time in the future (delivery date). Prices are determined by competitive bids on the applicable exchange. The terms of the contract are standardized and the applicable exchange (for example, the Chicago Board of Trade) is the counterparty to each cleared transaction.

Amended by R.2006 d.317, effective September 5, 2006.
See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Section was “Definition”. Rewrote the section.

17:16-47.2 Permissible investments

(a) Subject to the limitations contained in this subchapter, the Director may enter into equity futures contracts with a minimum average daily trading volume of \$US 1 billion and that trade on a securities exchange or the over-the-counter market.

(b) The Director may accept or deliver equity securities to satisfy contractual obligations pursuant to the purchase and sale of an equity futures contract.

(c) Notwithstanding the restrictions contained in this subchapter, the Council may approve the entering into equity futures contracts on a case-by-case basis.

New Rule, R.2006 d.317, effective September 5, 2006.
See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Former N.J.A.C. 17:16-47.2, Permissible investments, recodified to N.J.A.C. 17:16-47.3.

Amended by R.2007 d.260, effective August 20, 2007.

See: 39 N.J.R. 1466(a), 39 N.J.R. 3549(b).

In (a), deleted “in connection with securities held in an eligible fund”.

17:16-47.3 Eligible funds

(a) For purposes of this subchapter, eligible funds shall include:

1. Common Pension Fund A; and
2. Common Pension Fund D.

Amended by R.2004 d.258, effective July 6, 2004.

See: 36 N.J.R. 1748(a), 36 N.J.R. 3273(a).

Rewrote the section.

Recodified from N.J.A.C. 17:16-47.2 and amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Section was “Permissible investments”. Rewrote the section. Former N.J.A.C. 17:16-47.3, Limitations, recodified to N.J.A.C. 17:16-47.4.

17:16-47.4 Limitations

(a) At the time of initial purchase, net transactions of equity futures contracts shall not exceed the amount equal to

10 percent of the market value of the assets of any eligible fund, except that this limit may be increased to an amount not to exceed 50 percent by the Director for a fixed period of time after consultation with the Executive Committee of the Council.

(b) If, subsequent to initial purchase, the limitations in (a) above are exceeded, then the Council shall be notified at the next regularly scheduled meeting of the Council. The Division may be granted a six-month period of grace to reduce the level of participation below the maximum levels, except that the period of grace may be extended for additional four-month periods with the approval of the Council.

Recodified from N.J.A.C. 17:16-47.3 and amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Rewrote the section.

SUBCHAPTERS 48 THROUGH 52. (RESERVED)

SUBCHAPTER 53. TITLE II FEDERAL HOUSING ADMINISTRATION INSURED MORTGAGES— MULTI-FAMILY

17:16-53.1 Definitions

The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise:

“Federal Housing Administration Insured Multi-Family Mortgage” or “mortgage” shall mean a mortgage on a multi-family dwelling insured or to be insured by the Federal Housing Administration as authorized under Title II of the National Housing Act and more specifically described under sections 207, 220, 221(d)(3), 221(d)(4), and 236 of such Act.

Amended by R.2001 d.119, effective April 2, 2001.

See: 33 N.J.R. 372(b), 33 N.J.R. 1115(a).

Amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Section was “Definition”. Rewrote the section.

17:16-53.2 Permissible investments

(a) Subject to the limitations contained in this subchapter, the Director may invest and reinvest the moneys of any eligible fund in Federal Housing Administration Insured Multi-Family Mortgages provided that:

1. Any investment in any mortgage shall be not less than \$1,000,000 nor more than \$10,000,000;

2. The Director shall approve the servicing agent for the mortgage; and

3. No mortgage shall be purchased in a state which gives the borrower a redemption period.

(b) Prior to the purchase of any mortgage, the Director may designate a qualified consultant to inspect the property and general area and render a report of the feasibility of the purchase including his opinion of value. His fee shall be paid by the borrower or the sponsoring financial organization.

(c) No mortgage application for a mortgage on real property located within the State shall be considered except upon the recommendation of:

1. A New Jersey corporation presently servicing mortgages worth over \$50,000,000;

2. A bank chartered by the Federal government and whose principal office is located in New Jersey and is presently servicing mortgages worth over \$50,000,000; or

3. The real estate department of a bank or brokerage firm with capital stock, surplus and undivided profits totaling at least \$50,000,000, engaged in the purchase of FHA insured multi-family housing mortgages.

(d) An entity in making a recommendation under (c) above shall take the following factors into consideration:

1. The net worth of the borrower;
2. The adequacy of the Federal Housing Administration escrow arrangements;
3. The salability of the property;
4. The income productivity of the property at the levels designated in the Federal Housing Administration documentation; and

5. Any feasibility report of the consultant designated by the Director.

(e) Notwithstanding the restrictions contained in this subchapter, the Council may approve the purchase of mortgages on a case-by-case basis.

As amended, R.1970 d.57, eff. May 21, 1970.

See: 2 N.J.R. 51(c).

As amended, R.1970 d.137, eff. November 13, 1970.

See: 2 N.J.R. 86(e), 2 N.J.R. 102(d).

As amended, R.1972 d.182, eff. September 18, 1972.

See: 4 N.J.R. 249(b).

As amended, R.1982 d.192, eff. June 4, 1982.

See: 13 N.J.R. 526(b), 14 N.J.R. 663(b).

Sections substantially amended.

Recodified by R.1991 d.274, effective June 3, 1991.

See: 23 N.J.R. 983(a), 23 N.J.R. 1800(b).

Citations corrected.

Amended by R.2001 d.119, effective April 2, 2001.

See: 33 N.J.R. 372(b), 33 N.J.R. 1115(a).

In (c), inserted "agent" following "servicing".

Amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Section was "General Provision". Section combined with former N.J.A.C. 17:16-53.3, Limitations, and substantially amended.

17:16-53.3 Eligible funds

(a) For purposes of this subchapter, eligible funds shall include:

1. Any fund classified as a Pension and Annuity Fund; and

2. Common Pension Fund B.

New Rule, R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Former N.J.A.C. 17:16-53.3, Limitations, combined with N.J.A.C. 17:16-53.2.

17:16-53.4 Limitations

(a) At the time of initial purchase, the following conditions shall be met:

1. The market value of mortgages purchased under this subchapter, combined with construction mortgages purchased under N.J.A.C. 17:16-54 and hospital mortgages purchased under N.J.A.C. 17:16-55, shall not exceed 20 percent of the assets of any fund; and

2. Not more than five percent of the market value of the assets of any fund shall be invested in any one issue.

(b) If, subsequent to initial purchase, the limitations in (a) above are exceeded, then the Council shall be notified at the next regularly scheduled meeting of the Council. The Division may be granted a six-month period of grace to reduce the level of participation below the maximum levels, except that the period of grace may be extended for additional four-month periods with the approval of the Council.

As amended, R.1970 d.57, eff. May 21, 1970.

See: 2 N.J.R. 51(c).

As amended, R.1972 d.182, eff. September 18, 1972.

See: 4 N.J.R. 249(b).

As amended, R.1982 d.192, eff. June 4, 1982.

See: 13 N.J.R. 526(b), 14 N.J.R. 663(b).

(a)1 added. Renumbered 1-5 as i-v;

(a)6 now (a)2 with "such" and "data as" deleted.

(b)3 "bank ... mortgage" deleted and "agent approved by the Director" added.

Amended by R.2001 d.119, effective April 2, 2001.

See: 33 N.J.R. 372(b), 33 N.J.R. 1115(a).

Repeal and New Rule, R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Section was "Legal papers".

SUBCHAPTER 54. TITLE II FEDERAL HOUSING ADMINISTRATION INSURED CONSTRUCTION MORTGAGES—MULTI-FAMILY

17:16-54.1 Definitions

The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise:

“Federal Housing Administration Insured Multi-Family Construction Mortgage” or “construction mortgage” shall mean a construction mortgage on a multi-family dwelling insured or to be insured by the Federal Housing Administration as authorized under Title II of the National Housing Act and more specifically described under sections 207, 220, 221(d)(3), 221(d)(4), and 236 of such Act.

As amended, R.1975 d.364, eff. December 11, 1975.
See: 7 N.J.R. 51(c).

Amended by R.2001 d.119, effective April 2, 2001.

See: 33 N.J.R. 372(b), 33 N.J.R. 1115(a).

Amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Rewrote the section.

17:16-54.2 Permissible investments

(a) Subject to the limitations contained in this subchapter, the Director may invest and reinvest the moneys of any eligible fund in Title II Federal Housing Administration Insured Construction Mortgages — Multi-Family provided that:

1. Any investment in any construction mortgage shall be not less than \$1,000,000 nor more than \$10,000,000;
2. No construction mortgage shall be made except in conjunction with a mortgage and under the limitations contained in N.J.A.C. 17:16-53, Title II Federal Housing Administration Insured Mortgages — Multi-Family; and
3. No construction mortgage application shall be considered unless said mortgage is to be on real property located within the State.

(b) A corporation, brokerage firm or bank qualified under N.J.A.C. 17:16-53 must recommend the construction mortgage, but must, as a condition of their recommendation, arrange for a bank located in New Jersey to act as a principal in said construction mortgage for an amount not less than 10 percent and not more than 30 percent of the total amount of the construction mortgage. Said principal bank shall in all cases be approved by the Director.

(c) Notwithstanding the restrictions contained in this subchapter, the Council may approve the purchase of construction mortgages on a case-by-case basis.

As amended, R.1970 d.137, eff. November 13, 1970.

See: 2 N.J.R. 86(e), 2 N.J.R. 102(d).

As amended, R.1982 d.192, eff. June 4, 1982.

See: 13 N.J.R. 526(b), 14 N.J.R. 663(b).

(a): \$10,000,000 was \$8,000,000.

(e): “New Jersey” deleted, “brokerage firm” added.

(f): Substantially amended.

Recodified by R.1991 d.274, effective June 3, 1991.

See: 23 N.J.R. 983(a), 23 N.J.R. 1800(b).

Citations corrected.

Amended by R.2001 d.119, effective April 2, 2001.

See: 33 N.J.R. 372(b), 33 N.J.R. 1115(a).

In (c), substituted “N.J.A.C. 17:16-53” for “Subchapter 28” and deleted “of this Chapter” following “Multi-Family”; in (e), substituted “principal” for “principle” following “in said construction” and updated the N.J.A.C. reference.

Amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Section was “General Provision”. Section combined with former N.J.A.C. 17:16-54.3, Limitations, and substantially amended.

17:16-54.3 Eligible funds

(a) For purposes of this subchapter, eligible funds shall include:

1. Any fund classified as a Pension and Annuity Fund; and
2. Common Pension Fund B.

New Rule, R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Former N.J.A.C. 17:16-54.3, Limitations, combined with N.J.A.C. 17:16-54.2.

17:16-54.4 Limitations

(a) At the time of initial purchase, the following conditions shall be met:

1. The market value of construction mortgages purchased under this subchapter, combined with mortgages purchased under N.J.A.C. 17:16-53 and hospital mortgages purchased under N.J.A.C. 17:16-55, shall not exceed 20 percent of the assets of any fund; and
2. Not more than five percent of the market value of the assets of any fund shall be invested in any one issue.

(b) If, subsequent to initial purchase, the limitations in (a) above are exceeded, then the Council shall be notified at the next regularly scheduled meeting of the Council. The Division may be granted a six-month period of grace to reduce the level of participation below the maximum levels, except that the period of grace may be extended for additional four-month periods with the approval of the Council.

As amended, R.1972 d.182, eff. September 18, 1972.

See: 4 N.J.R. 249(b).

Repeal and New Rule, R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Section was “Legal papers”.

SUBCHAPTER 55. TITLE II FEDERAL HOUSING ADMINISTRATION INSURED HOSPITAL MORTGAGES

17:16-55.1 Definitions

The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise:

“Federal Housing Administration Insured Hospital Mortgage” or “hospital mortgage” shall mean a mortgage on a hospital insured or to be insured by the Federal Housing Administration as authorized under Title II of the National Housing Act and more specifically described under Section 242(G) of such Act.

Amended by R.2001 d.119, effective April 2, 2001.
 See: 33 N.J.R. 372(b), 33 N.J.R. 1115(a).
 Amended by R.2006 d.317, effective September 5, 2006.
 See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).
 Section was "Definition". Rewrote the section.

17:16-55.2 Permissible investments

(a) Subject to the limitations contained in this subchapter, the Director may invest and reinvest the moneys of any eligible fund in Federal Housing Administration Insured Hospital Mortgages provided that:

1. Any investment in any hospital mortgage shall be not less than \$1,000,000 nor more than \$15,000,000; and
2. The hospital mortgage must be on a hospital located in the State and the hospital mortgage must be serviced by the Division.

(b) Notwithstanding the restrictions contained in this subchapter, the Council may approve the purchase of hospital mortgages on a case-by-case basis.

Amended by R.1970 d.137, effective November 13, 1970.
 See: 2 N.J.R. 86(e), 2 N.J.R. 102(d).
 Amended by R.1972 d.52, eff. March 10, 1972.
 See: 4 N.J.R. 108(a).
 Amended by R.1991 d.274, effective June 3, 1991.
 See: 23 N.J.R. 983(a), 23 N.J.R. 1800(b).
 Citations corrected in (b).
 Amended by R.1996 d.222, effective May 6, 1996.
 See: 28 N.J.R. 1366(a), 28 N.J.R. 2397(a).
 Rewrote (d).
 Amended by R.2001 d.119, effective April 2, 2001.
 See: 32 N.J.R. 372(b), 33 N.J.R. 1115(a).
 Amended by R.2006 d.317, effective September 5, 2006.
 See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).
 Section was "General Provision". Section combined with former N.J.A.C. 17:16-55.3, Limitations, and substantially amended.

17:16-55.3 Eligible funds

(a) For purposes of this subchapter, eligible funds shall include:

1. Any fund classified as a Pension and Annuity Fund; and
2. Common Pension Fund B.

New Rule, R.2006 d.317, effective September 5, 2006.
 See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).
 Former N.J.A.C. 17:16-55.3, Limitations, combined with N.J.A.C. 17:16-55.2.

17:16-55.4 Limitations

(a) At the time of initial purchase, the following conditions shall be met:

1. The market value of hospital mortgages purchased under this subchapter, combined with mortgages purchased under N.J.A.C. 17:16-53 and construction mortgages purchased under N.J.A.C. 17:16-54, shall not exceed 20 percent of the assets of any fund; and

2. Not more than five percent of the market value of the assets of any fund shall be invested in any one issue.

(b) If, subsequent to initial purchase, the limitations in (a) above are exceeded, then the Council shall be notified at the next regularly scheduled meeting of the Council. The Division may be granted a six-month period of grace to reduce the level of participation below the maximum levels, except that the period of grace may be extended for additional four-month periods with the approval of the Council.

Amended by R.1972 d.182, effective September 18, 1972.
 See: 4 N.J.R. 249(b).
 Amended by R.2001 d.119, effective April 2, 2001.
 See: 33 N.J.R. 372(b), 33 N.J.R. 1115(a).
 Repeal and New Rule, R.2006 d.317, effective September 5, 2006.
 See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).
 Section was "Legal papers".

SUBCHAPTERS 56 THROUGH 57. (RESERVED)

SUBCHAPTER 58. MORTGAGE BACKED SENIOR DEBT SECURITIES; MORTGAGE BACKED PASSTHROUGH SECURITIES

17:16-58.1 Definitions

The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise:

"Mortgage backed senior debt securities" shall mean senior debt securities that are fully collateralized by mortgage securities.

"Mortgage backed passthrough securities" shall mean pass-through securities that are fully collateralized by residential or commercial mortgage securities and are issued by a sponsor deemed by the Director to be based in the United States. In determining whether a sponsor is based in the United States, the Director shall consider factors including, but not limited to, the sponsor's country of incorporation, its main equity trading market, its shareholder base, the geographical distribution of its operations, the location of its headquarters, and the country in which investors consider the sponsor to be most appropriately classified.

New Rule, R.2006 d.317, effective September 5, 2006.
 See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).
 Former N.J.A.C. 17:16-58.1, Permissible investments, recodified to N.J.A.C. 17:16-58.2.

17:16-58.2 Permissible investments

(a) Subject to the limitations contained in this subchapter, the Director may invest and reinvest the moneys of any eligible fund in senior debt securities which are fully collateralized by mortgage securities provided that the issue must be \$50,000,000 or more in size.

(b) Subject to the limitations contained in this subchapter, the Director may invest and reinvest the moneys of any eligible fund in mortgage backed passthrough securities provided that:

1. The issue has been registered with the Securities and Exchange Commission, except that this requirement may be waived by the State Investment Council;

2. The sponsor is not in default as to the payment of principal or interest upon any of its outstanding obligations. If subsequent to purchase, the sponsor defaults, the investment does not have to be sold;

3. The individual mortgage loans serving as collateral have an average loan-to-value ratio of 75 percent or less; and the collateral is at least 90 percent single-family detached residential property and at least 95 percent owner-occupied residential property; and

4. The issue has a credit rating of A3 or higher by Moody's Investors Service, Inc., A- or higher by Standard & Poor's Corporation, and A- or higher by Fitch Ratings, except that two of three ratings is sufficient and one of the three ratings is sufficient if only one rating is available. Subsequent to purchase, if the rating falls below the minimum rating for such issue, it does not have to be sold, and it may be exchanged with an issue with a credit rating lower than the minimum rating if the issue received in exchange is, on balance, similarly rated.

(c) Notwithstanding the restrictions in (b) above, the Director may invest and reinvest the moneys of Common Pension Fund B in corporate obligations, international corporate obligations, collateralized notes and mortgages, bank loans, non-convertible preferred stock and mortgage backed pass-through securities that do not meet the minimum credit ratings set forth in N.J.A.C. 17:16-12.2, 16.2, 19.2, 23.2, 40.2 and this section, respectively; provided, however, the market value of such investments shall not exceed five percent of the combined assets of all of the Pension and Annuity Funds.

(d) Notwithstanding the restrictions contained in this subchapter, the Council may approve the purchase of mortgage-backed securities on a case-by-case basis.

Amended by R.2001 d.119, effective April 2, 2001.

See: 32 N.J.R. 372(b), 33 N.J.R. 1115(a).

Substituted "\$50,000,000" for "\$50 million".

Recodified from N.J.A.C. 17:16-58.1 and amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Section combined with former N.J.A.C. 17:16-58.2, Pension and annuity group; static group; trust group, and substantially amended.

Amended by R.2007 d.261, effective August 20, 2007.

See: 39 N.J.R. 1467(a), 39 N.J.R. 3550(a).

In (c), deleted "up to five percent of" following "reinvest" and inserted "; provided, however, the market value of such investments shall not exceed five percent of the combined assets of all of the Pension and Annuity Funds".

Amended by R.2008 d.394, effective December 15, 2008.

See: 40 N.J.R. 4694(a), 40 N.J.R. 7000(a).

In (b)2, inserted the second sentence; and in (c), deleted "finance company debt, bank debentures," preceding "international" and "14.2,

15.2," preceding "16.2", and inserted "bank loans, non-convertible preferred stock" and "23.2, 40.2".

17:16-58.3 Eligible funds

(a) For purposes of N.J.A.C. 17:16-58.2(a), eligible funds shall include:

1. Any fund classified as a Pension and Annuity Fund;
2. Any fund classified as a Static Fund;
3. Any fund classified as a Demand Fund;
4. Any fund classified as a Temporary Reserve Fund;
5. Any fund classified as a Trust Fund;
6. Any fund classified as a Cash Management Fund; and
7. Common Pension Fund B.

(b) For purposes of N.J.A.C. 17:16-58.2(b), eligible funds shall include:

1. Any fund classified as a Pension and Annuity Fund;
2. Any fund classified as a Static Fund;
3. Any fund classified as a Trust Fund; and
4. Common Pension Fund B.

Amended by R.2001 d.119, effective April 2, 2001.

See: 33 N.J.R. 372(b), 33 N.J.R. 1115(a).

Substituted "subchapter" for "article".

Repeal and New Rule, R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Former N.J.A.C. 17:16-58.3, Legal papers, repealed.

17:16-58.4 Limitations

(a) At the time of initial purchase, the following conditions shall be met:

1. Not more than 25 percent of any one issue of senior debt securities which are fully collateralized by mortgage loans may be purchased at the time of issue, except that this requirement may be waived by the Council; and
2. Not more than five percent of the market value of the assets of any fund shall be invested in any one issue.

(b) If, subsequent to initial purchase, the limitations in (a) above are exceeded, then the Council shall be notified at the next regularly scheduled meeting of the Council. The Division may be granted a six-month period of grace to reduce the level of participation below the maximum levels, except that the period of grace may be extended for additional four-month periods with the approval of the Council.

New Rule, R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

SUBCHAPTERS 59 THROUGH 60. (RESERVED)

SUBCHAPTER 61. STATE OF NEW JERSEY CASH
MANAGEMENT FUND

17:16-61.1 General provisions

(a) Pursuant to chapter 270, P.L. 1970, as amended and supplemented by chapter 281, P.L. 1977, there is hereby

17:16-68.13 (Reserved)

Recodified to N.J.A.C. 17:16-68.10 by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).
Section was "Liquidation".

17:16-68.14 (Reserved)

Repealed by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).
Section was "Classification of the fund".

SUBCHAPTER 69. COMMON PENSION FUND E

17:16-69.1 General provisions

(a) Pursuant to P.L. 1970, c. 270, there is hereby created in the Division a common trust fund, to be known as Common Pension Fund E, for the purpose of investing in alternative investments.

(b) The following funds may participate in Common Pension Fund E:

1. Police and Firemen's Retirement System;
2. Public Employees' Retirement System;
3. State Police Retirement System;
4. Teachers' Pension and Annuity Fund; and
5. Judicial Retirement System of New Jersey.

Amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Section was "Definition". In (a), deleted "of Investment, Department of the Treasury," following "Division" and added ", for the purpose of investing in alternative investments" at the end; and in (b), deleted "participating" preceding "funds", substituted "participate" for "invest" and deleted "said" preceding "Common".

17:16-69.2 Permissible investments

The Director may invest the assets of Common Pension Fund E in alternative investments, including any investment permitted under this chapter, the State of New Jersey Cash Management Fund, United States Treasury Obligations and commercial paper.

Recodified in part to N.J.A.C. 17:16-69.3 and amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Rewrote the section.

Amended by R.2007 d.264, effective August 20, 2007.

See: 39 N.J.R. 1469(a), 39 N.J.R. 3550(d).

Deleted "and in" preceding "the State" and inserted ", United States Treasury Obligations and commercial paper".

17:16-69.3 Units of participation

(a) Common Pension Fund E shall be composed of units of participation of unlimited quantity. Each unit of participation shall represent an equal beneficial interest in the fund and no unit shall have priority or preference over any other. Each

unit of participation shall be valued at the net asset value per unit as provided in N.J.A.C. 17:16-69.5.

(b) All units of participation in Common Pension Fund E, representing net capital contributions to the fund together with any income thereon, shall be evidenced by records maintained by the Division.

(c) All units of participation shall be purchased by cash payments or in kind. All units shall be purchased by the participating fund for the unit valuation price determined by this subchapter.

Repeal and New Rule, R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Section was "Certificates of ownership".

Amended by R.2012 d.020, effective January 17, 2012.

See: 43 N.J.R. 2286(a), 44 N.J.R. 176(a).

In (b), substituted "records maintained by the Division" for "a certificate prepared by and issued by the Director", and deleted the last sentence; deleted (b)1 through (b)6; and in (c), substituted "unit" for "principal", and deleted the last sentence.

17:16-69.4 Valuation of investments and net assets

(a) Upon each valuation date, as provided in (b) below, there shall be a valuation for every investment in the common fund and the net assets of the common fund in the method provided for in this section.

(b) The valuation of investments and net assets shall be determined at the opening of each business day at the discretion of the Director but in any event such valuation of investments shall be determined no less frequently than once per quarter. The valuation shall be based on assets and liabilities as of the close of the previous business day, in every case converted into United States dollars.

(c) The Director shall use the following method of valuation of investments and net assets:

1. The valuation of an investment established by an outside entity, including the general partner or manager of an investment, may be used; provided that such entity provides supporting information to the Director, and the valuation is reviewed and approved by the Director. The valuation of investments shall be made in accordance with applicable accounting standards.

2. Subsequent to the date of the last available investment valuation, and until the next valuation is received from the outside entity, all subsequent cash contributions and distributions will be recorded as of the date of the transaction as an adjustment to the valuation.

3. The valuation of publicly traded securities shall be made in accordance with applicable accounting standards, using recognized industry pricing sources.

4. The valuation of net assets shall be calculated as total assets minus total liabilities, in accordance with applicable accounting standards.

5. All valuations determined under this section shall be converted on the valuation date into United States dollars at rates established by a recognized pricing service.

Recodified from N.J.A.C. 17:16-69.5 and amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Section was "Valuation". Section combined with former N.J.A.C. 17:16-69.6, Date of valuation, and 17:16-69.7, Method of valuation, and substantially amended. Former N.J.A.C. 17:16-69.4, Units of participation, repealed.

Amended by R.2012 d.020, effective January 17, 2012.

See: 43 N.J.R. 2286(a), 44 N.J.R. 176(a).

Section was "Valuation of investments". In (a), inserted "and the net assets of the common fund"; rewrote (b) and (c)2 through (c)5; in the introductory paragraph of (c), inserted "and net assets"; in (c)1, inserted "of an investment"; and the last sentence; and deleted (d).

17:16-69.5 Valuation of units

The net asset value per unit shall be calculated as the net assets of the fund divided by the total number of units outstanding as of such valuation date.

Recodified from N.J.A.C. 17:16-69.8 and amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

In (a)1, (a)1ii and (a)1iii, substituted "69.4" for "69.7"; and recodified existing (b) as (a)3. Former N.J.A.C. 17:16-69.5, Valuation, recodified to N.J.A.C. 17:16-69.4.

Repeal and New Rule, R.2012 d.020, effective January 17, 2012.

See: 43 N.J.R. 2286(a), 44 N.J.R. 176(a).

Section was "Valuation of units".

17:16-69.6 Admission and withdrawal

(a) No admission to or withdrawal from the common fund shall be permitted except on a valuation date and shall be based upon the value of each unit as of that valuation date.

(b) All admissions or withdrawals shall be made in cash or in kind.

Recodified from N.J.A.C. 17:16-69.9 and amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Section was "Admission date". Rewrote (a) and (b). Former N.J.A.C. 17:16-69.6, Date of valuation, recodified in part to N.J.A.C. 17:16-69.4. Amended by R.2012 d.020, effective January 17, 2012.

See: 43 N.J.R. 2286(a), 44 N.J.R. 176(a).

Rewrote (a).

17:16-69.7 Amendments

This subchapter may be amended from time to time by the Council. Any amendment adopted by the Council shall be binding upon all participating funds, trusts and beneficiaries thereof.

Recodified from N.J.A.C. 17:16-69.10 and amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Rewrote the section. Former N.J.A.C. 17:16-69.7, Method of valuation, recodified in part to N.J.A.C. 17:16-69.4.

17:16-69.8 Distribution of realized appreciation

(a) Subsequent to the receipt of audited financial statements for the prior fiscal year, the Council may consider the realized appreciation in the common fund per unit. The Council may, in its sole discretion, choose either of the following options:

1. Declare as income to the participating funds such percentage of said realized appreciation of principal as it may deem prudent. When such declaration is made, the percentage of such appreciation of principal declared to be income shall be deducted from the total net assets of the common fund and distributed to the participating funds in proportion to the number of units owned; or

2. Retain any or all realized appreciation for future investments within the common fund.

Recodified from N.J.A.C. 17:16-69.11 and amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

In introductory paragraph of (a), deleted "State Investment" preceding "Council". Former N.J.A.C. 17:16-69.8, Valuation of units, recodified to N.J.A.C. 17:16-69.5.

Amended by R.2012 d.020, effective January 17, 2012.

See: 43 N.J.R. 2286(a), 44 N.J.R. 176(a).

In the introductory paragraph of (a), substituted "either" for "any or all"; rewrote (a)1; deleted (a)2; and recodified (a)3 as (a)2.

17:16-69.9 Limitations

(a) For all investments (other than the State of New Jersey Cash Management Fund, United States Treasury Obligations, commercial paper, common and preferred stocks, issues convertible into common stock and exchange-traded funds, direct bank loans, and forward, option and swap transactions) made in Common Pension Fund E, the following shall occur:

1. The Director shall provide the Investment Policy Committee of the Council (Investment Committee) with the requested due diligence information for all investments recommended by the Division and a formal written report for each such investment. Due diligence information shall include, but not be limited to, in all cases, information demonstrating that the investment satisfies the limitations and conditions contained in N.J.A.C. 17:16-71, 90 and 100, and a written disclosure submitted by the asset manager summarizing any and all compensation arrangements with consultants and intermediaries, whether direct or indirect, in connection with the proposed investment.

2. On investments of \$50 million or more, prior to any binding commitment, the Investment Committee shall provide a report to the Council, which report shall include a written memorandum by the Director. On a timely basis after receipt of such report, the Council may adopt or otherwise act upon the report.

3. On investments of less than \$50 million, the Director shall provide an informational memorandum to the Council of every investment made, which shall be provided on a regular basis subsequent to the date such investment has been made.

4. In any given calendar year, and at any point within such year, at least 80 percent of the number of investments which are approved and 80 percent of the dollar amount of total investment commitments must be eligible for a report by the Investment Committee to the Council. For investments under \$50 million, so long as such investments constitute no more than 20 percent of the number of investments approved and 20 percent of the total investment dollars committed, the Director shall provide an informational memorandum to the Council pursuant to (a)3 above. Once the Division has exceeded its 20 percent "exemption" in any given year, all proposed investments will be subject to the Investment Committee providing a report to the Council until the number and dollar value of "exempt" investment again falls below the 20 percent threshold.

(b) After the Director has made binding commitments aggregating an amount between \$2 billion and \$5 billion, not more than 10 percent of the market value of the assets of Common Pension Fund E, plus outstanding commitments, may be committed to any one partnership or investment, without the prior written approval of the Council. After the Director has made binding commitments aggregating an amount of \$5 billion or more, not more than five percent of the market value of the assets of Common Pension Fund E, plus outstanding commitments, may be committed to any one partnership or investment, without the prior written approval of the Council.

(c) The investments in Common Pension Fund E cannot comprise more than 20 percent of any one investment manager's total assets.

(d) Not more than 38 percent of the market value of the assets of any fund shall be represented by the market value of investments as permitted by N.J.A.C. 17:16-71, 90 and 100, whether held directly by such fund or through Common Pension Fund E. If the market value exceeds 38 percent, then the Council shall be notified at the next regularly scheduled meeting of the Council. The Division may be granted a six-month period of grace to reduce the level of participation of the fund below the 38 percent level, except that the period of grace may be extended for additional four-month periods with the approval of the Council.

(e) Unless otherwise specifically provided therein, in the event that any subchapter contains a limitation on the percentage of assets of any Pension and Annuity Fund which may be invested in an investment or class of investments, that limitation shall be construed to apply to the percentage of combined assets of all of the Pension and Annuity Funds participating in Common Pension Fund E and shall not restrict the total investment by Common Pension Fund E in such

investment or class of investments to the percentage limitations applicable to any individual Pension and Annuity Fund.

(f) Unless otherwise specifically provided therein, in the event that any subchapter contains a limitation on the percentage of an investment or class of investment in which the Director may invest, that limitation shall be construed to exclude investments purchased on behalf of Common Pension Fund E.

Recodified from N.J.A.C. 17:16-69.12 and amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Rewrote the section. Former N.J.A.C. 17:16-69.9, Admission date, recodified to N.J.A.C. 17:16-69.6.

Amended by R.2007 d.264, effective August 20, 2007.

See: 39 N.J.R. 1469(a), 39 N.J.R. 3550(d).

In the introductory paragraph of (a), inserted "(other than the State of New Jersey Cash Management Fund, United States Treasury Obligations and commercial paper)".

Amended by R.2008 d.241, effective August 18, 2008.

See: 40 N.J.R. 2094(b), 40 N.J.R. 4825(a).

In the introductory paragraph of (a), substituted a comma for "and" following "Obligations" and inserted ", common and preferred stocks and issues convertible into common stock and exchange-traded funds"; in (a)1, deleted "due diligence" preceding "report for each such" and inserted a comma following "include"; in (a)2 and (a)3, substituted "memorandum" for "due diligence report"; and in (d), substituted "28" for "18" three times.

Amended by R.2008 d.396, effective December 15, 2008.

See: 40 N.J.R. 4695(a), 40 N.J.R. 7001(a).

In the introductory paragraph of (a), substituted a comma for "and" following "stocks", and inserted ", direct bank loans, and credit default swap transactions".

Amended by R.2011 d.123, effective April 18, 2011.

See: 42 N.J.R. 2933(a), 43 N.J.R. 1037(a).

In (a)4, substituted "the Director shall provide an informational memorandum to the Council pursuant to (a)3 above" for "the Investment Committee will not issue a report to the Council"; and in (d), substituted "38" for "28" throughout.

Amended by R.2012 d.020, effective January 17, 2012.

See: 43 N.J.R. 2286(a), 44 N.J.R. 176(a).

In the introductory paragraph of (a), substituted "forward, option and" for "credit default".

17:16-69.10 Liquidation

(a) The Director, subject to the approval of the Council and the Treasurer, may, upon two months' notice, liquidate Common Pension Fund E.

(b) In the event of such liquidation, the owners of the units shall share proportionately, according to units owned, in each investment held by the common fund.

(c) When such proportionate distribution is impracticable in the judgment of the Director, he or she may instead distribute on liquidation, cash or temporary investments held by the common fund.

(d) Distribution upon liquidation shall occur within five days after a valuation date and shall be based upon the net asset value per unit determined upon such valuation date.

(e) No liquidation will be effectuated without the approval by the Council of a plan of distribution of the assets of the common fund.

Recodified from N.J.A.C. 17:16-69.13 and amended by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Rewrote (a); and in (e), deleted "State Investment" preceding "Council". Former N.J.A.C. 17:16-69.10, Amendments, recodified to N.J.A.C. 17:16-69.7.

Amended by R.2012 d.020, effective January 17, 2012.

See: 43 N.J.R. 2286(a), 44 N.J.R. 176(a).

In (d), substituted "net asset" for "principal".

17:16-69.11 (Reserved)

Recodified to N.J.A.C. 17:16-69.8 by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Section was "Distribution of realized appreciation".

17:16-69.12 (Reserved)

Recodified to N.J.A.C. 17:16-69.9 by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Section was "Limitations".

17:16-69.13 (Reserved)

Recodified to N.J.A.C. 17:16-69.10 by R.2006 d.317, effective September 5, 2006.

See: 38 N.J.R. 2039(a), 38 N.J.R. 3632(a).

Section was "Liquidation".

SUBCHAPTER 70. (RESERVED)

SUBCHAPTER 71. REAL ASSETS

17:16-71.1 Definitions

The following words and terms, as used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise:

"Co-investment" means two parties (usually the limited partner and the general partner of a fund) invest alongside each other in the same company, portfolio or property. If a limited partner in a fund has co-investment rights, it can invest directly in a company, portfolio or property in which the fund also invests. The institution, therefore, ends up with two separate stakes — one indirectly through the fund; one directly in the company, portfolio or property. Co-investment may also include multiple like-minded institutional investors investing in a specific company, portfolio or property.

"Commingled funds" means all open-end and closed-end pooled investment vehicles designed primarily for institutional tax-exempt investors. A commingled fund may be organized as a group trust, partnership, corporation, insurance company separate account, or other multiple ownership entity. An investment in a commingled fund may take the form of an investment in the trustee, general partner, or other managing member of such fund.

"Commodity-linked investments" means equity or debt investments from which all or a portion of the return is linked to the price of a particular commodity or equity security, or to an index of such prices. These include commodity-indexed deposits, loans, debt issues, and derivative products, such as forwards, futures, options, and swaps. In these transactions, the interest, principal, or both, or payment streams in the case of swaps, are linked to the price of a commodity.

"Commodity-related investments" mean equity or debt investments in the exploration, production, processing, transportation, storage, or trading of commodities, or other similar activities.

"Common stocks" means shares of stock, other than preferred stocks, representing ownership in a corporation.

"Core real estate" means investments in existing, stabilized (meaning at least 80 percent occupied), well-leased assets.

"Direct investment" means the purchase of an interest in a company or venture directly by an eligible fund, rather than through an investment vehicle.

"East" means Maine, New Hampshire, Vermont, Massachusetts, Connecticut, Rhode Island, New Jersey, New York, Pennsylvania, Delaware, Kentucky, Maryland, North Carolina, South Carolina, Virginia, Washington D.C. and West Virginia.

"Exchange-traded funds" means funds that invest in underlying securities that track a predetermined index, a commodity, or a basket of assets like an index fund, and can be traded like shares of common stock.

"Joint venture" means a contractual agreement joining two or more parties for the purpose of executing a particular undertaking. All parties agree to share in the profits and losses of the enterprise.

"Midwest" means Illinois, Indiana, Michigan, Ohio, Wisconsin, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota and South Dakota.

"Non-core real estate" means value-added or opportunistic strategies, including direct property investment with lease-up, development, or redevelopment risk. Non-core real estate includes recapitalizations across capital structures and property types and access to niche markets.

"Preferred stocks" means shares of stock which provide a specific dividend that is paid before any dividends are paid to holders of common stock and additional rights above and beyond those conferred by common stock.

"Real asset investments" mean equity or debt investments in real estate, infrastructure, energy, utilities, water, timber, agriculture, metals, mining and royalty trusts, and commodity-related and commodity-linked investments. Real asset investments include investments in products, services, and technology related to the above.