

## 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 Pass-through, 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).

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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. NEW JERSEY 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:

"New Jersey State and municipal general obligations" shall mean debt obligations of the State of New Jersey 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.

### 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 New Jersey 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 New Jersey 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 New Jersey 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.

**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 New Jersey 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).

**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.