

STATE OF NEW JERSEY
DEPARTMENT OF THE TREASURY
STATE INVESTMENT COUNCIL

REGULATIONS



State of New Jersey
DEPARTMENT OF THE TREASURY
STATE HOUSE
TRENTON 25

DIVISION OF INVESTMENT

July 1, 1958

LETTER TO: ALL MEMBERS,
STATE INVESTMENT COUNCIL

Gentlemen:

Enclosed please find Regulations of the State Investment Council, as approved June 19, 1958, to be effective July 1, 1958, and superseding all previous regulations of the Council.

If it is convenient for you to do so, will you kindly return to us the "draft of proposed codification" which was distributed to you under date of June 5, 1958.

Respectfully submitted,

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Director, Division of Investment

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CC - Messrs. Neeld
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STATE OF NEW JERSEY
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STATE INVESTMENT COUNCIL

REGULATIONS

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ARTICLE 1. DEFINITIONS

1. Definitions.

As used in these regulations,

(a) "assets" shall mean the book value of the securities in any fund in addition to the cash made available for investment.

(b) "Attorney General" shall mean the Attorney General of the State of New Jersey or his duly assigned deputy.

(c) "commercial paper" shall mean unsecured promissory notes issued at a discount from par by any industrial or finance company.

(d) "Council" shall mean the State Investment Council.

(e) "Director" shall mean the Director of the Division of Investment in the Department of the Treasury.

(f) "short-term securities" shall mean securities having a maturity of twelve months or less.

(g) "United States Treasury obligations" shall include all direct obligations of the Government of the United States.

ARTICLE 2. AMORTIZATION PROCEDURES

2. Formula method.

The amortization program and procedures proposed by Peat, Marwick, Mitchell & Co. in their "Survey" dated September 1, 1951, which is referred to as the "formula method", shall be the standard method of amortization to be used by all funds.

3. Application; short-term securities.

The "formula method" for determining book values and effective rates of return shall apply to all security purchases except that short-term securities may be amortized on a straight-line basis.

ARTICLE 3. MONTHLY REPORT OF PURCHASES

4. Indication of applicable regulation.

All monthly reports of purchases of securities, issued by the Director, shall indicate for each fund acquiring securities, the applicable article of the regulations pursuant to which each investment was made.

ARTICLE 4. INVESTMENT CONTROL

5. Purchases subject to regulations; United States Treasury obligations.

Notwithstanding the provisions of any law pertaining to legal investments, the Director shall not make any commitment to purchase securities for any fund unless such securities are of the class of securities in which such fund may be invested pursuant to these regulations; except that United States Treasury obligations may be purchased for any fund without regard to any limitation.

ARTICLE 5. CLASSIFICATION OF FUNDS

6. In general.

Funds having similar investment characteristics and objectives under their respective enabling acts shall be grouped together.

7. Pension and annuity group.

The pension and annuity group shall include:

- (a) Consolidated Police and Firemen's Pension Fund Commission.
- (b) Police and Firemen's Retirement System.
- (c) Prison Officers' Pension Fund.
- (d) Public Employees' Retirement System.
- (e) State Police Retirement and Benevolent Fund.
- (f) Teachers' Pension and Annuity Fund.

8. Static Group.

The static group shall include:

- (a) Eighteen Thirty Seven Surplus Revenue Fund.
- (b) State Disability Benefits Fund.
- (c) Trustees for the Support of Public Schools.

9. Demand group.

The demand group shall include:

- (a) Escheat Reserve Fund - Unclaimed Bank Deposits.
- (b) Motor Vehicle Liability Security Fund.
- (c) State Society of the Battleship New Jersey.
- (d) Unsatisfied Claim and Judgment Fund.
- (e) Veterans' Emergency Housing Trust Account.
- (f) Veterans' Loan Guaranty and Insurance Fund (Veterans' Guaranteed Loan Fund).
- (g) Workmen's Compensation Security Fund - Mutual.
- (h) Workmen's Compensation Security Fund - Stock.

10. Temporary reserve group.

The temporary reserve group shall include:

- (a) Armory Construction Fund.
- (b) Escheat Trust Fund - Unclaimed Domestic Life Insurance.
- (c) General Investment Fund.
- (d) General Trust Funds.
- (e) Grade Crossing Elimination Fund.
- (f) School Building Aid - Capital Reserve Fund.
- (g) Special Railroad Deposits Trust Fund.
- (h) State Institution Construction Bond Fund.
- (i) State 1952 Institution Construction Fund.
- (j) State Teachers' College Building Construction Fund.
- (k) Unemployment Compensation Auxiliary Fund.

ARTICLE 6. GOVERNMENT AGENCIES

11. Permissible investments.

Subject to the limitations contained in this article, the Director may invest and reinvest moneys of any fund described in section 12 in any or all obligations of the following provided that such obligations are legal investments for savings banks in this State:

- (a) Federal Intermediate Credit Banks,
- (b) Federal Home Loan Banks,
- (c) Federal National Mortgage Association, and
- (d) Federal Land Banks.

12. Applicable funds.

Except as provided in section 13, the Director may purchase any of the obligations described in section 11 for any static, temporary reserve, pension and annuity or demand group fund with the exception of the State Society of the Battleship New Jersey fund; provided that any such obligations shall have a maturity of not more than 5 years from date of delivery.

13. Pension and annuity group; demand group.

Notwithstanding the provisions of section 12, the Director may purchase Federal Land Bank obligations having a maturity of not more than 15 years from date of delivery for any pension and annuity or demand group fund with the exception of the State Society of the Battleship New Jersey fund; provided further, that not more than 6% of the assets of any one such fund shall be invested in Federal Land Bank obligations having a maturity of more than 5 years from date of delivery.

ARTICLE 7. CORPORATE OBLIGATIONS

14. Permissible investments.

Subject to the limitations contained in this article, the Director may invest and reinvest the moneys of any fund described in sections 15 and 16 in any or all of the following types of corporate obligations, provided that such obligations are legal investments for savings banks in this State:

- (a) industrial obligations (excluding commercial paper),
- (b) public utility bonds and debentures, and
- (c) railroad equipment obligations.

15. Pension and annuity group; static group.

The Director may purchase any of the obligations described in section 14 for any pension and annuity or static group fund.

16. Demand group; temporary reserve group.

The Director may purchase any of the obligations described in section 14 for any demand group fund with the exception of the State Society of the Battleship New Jersey and the Veterans' Loan Guaranty and Insurance funds and for any temporary reserve group fund with the exception of the Escheat Trust - Unclaimed Domestic Life Insurance and the School Building Aid - Capital Reserve funds; provided that any such obligations shall have a maturity of not more than 3 years from date of delivery.

17. Legal papers.

Prior to any commitment to purchase obligations of the type described in this article, the Director shall have obtained:

(a) a written opinion from Moody's Investors Service to the effect that such obligations qualify as legal investments for savings banks in this State;

(b) such other documents or opinions which the Attorney General may require; and

(c) a written approving opinion from the Attorney General to the effect that all such documents and opinions received by the Director are satisfactory as to form and substance and that the purchase of such obligations is authorized under the laws of this State.

ARTICLE 8. NEW JERSEY STATE AND MUNICIPAL GENERAL OBLIGATIONS

18. Applicable funds.

The Director may invest and reinvest moneys of any pension and annuity group fund or of the Trustees for the Support of Public Schools fund in the obligations of the State of New Jersey or any municipal or political subdivision of this State provided that such obligations are legal investments for savings banks in this State.

19. Legal papers.

Prior to any commitment to purchase obligations of the type described in this article, the Director shall have received:

(a) a written opinion from Moody's Investors Service to the effect that such obligations qualify as legal investments for savings banks in this State;

(b) an unqualified approving opinion of recognized bond counsel to the effect that the obligations have been duly authorized and issued and are the legal, valid and binding obligations of the issuer;

(c) an affidavit from the chief fiscal officer of the issuer to the effect that the issuer has not, within 5 years prior to the making of the investment, been in default for more than 6 months in the payment of any part of the principal or interest of any debt evidenced by its bonds, notes or other obligations;

(d) such other documents or opinions which the Attorney General may require; and

(e) a written approving opinion from the Attorney General to the effect that all such documents and opinions received by the Director are satisfactory as to form and substance and that the purchase of such obligations is authorized under the laws of this State.

ARTICLE 9. PUBLIC AUTHORITY REVENUE OBLIGATIONS

20. Definitions.

As used in this article,

(a) "public authority" shall mean 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 2 or more States, and

(b) "revenue obligations" shall mean 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 owned or operated by the public authority which issued such bonds or obligations, or by an agency or instrumentality thereof.

21. Applicable funds.

Subject to the limitations contained in section 22, the Director may invest and reinvest the moneys of any pension and annuity group fund, the State Disability Benefits or the Trustees for the Support of Public Schools funds in the revenue obligations of any public authority provided that such obligations qualify as legal investments for savings banks in this State.

22. Limitations.

Not more than 2% of the assets of any fund described in section 21 shall be invested in the obligations of any one public authority.

23. Legal papers.

Prior to any commitment to purchase obligations of the type described in this article, the Director shall have received:

(a) a written opinion from Moody's Investors Service to the effect that such obligations qualify as legal investments for savings banks in this State;

(b) an unqualified approving opinion of recognized bond counsel to the effect that the obligations have been duly authorized and issued and are the legal, valid and binding obligations of the issuer;

(c) such other documents or opinions which the Attorney General may require; and

(d) a written approving opinion from the Attorney General to the effect that all such documents and opinions received by the Director are satisfactory as to form and substance and that the purchase of such obligations is authorized under the laws of this State.

ARTICLE 10. COMMERCIAL PAPER

24. Definition.

As used in this article, "commercial paper" shall mean unsecured promissory notes issued at a discount from par by any industrial or finance company.

25. In general.

Subject to the limitations contained in this article, the Director may invest and reinvest the moneys of any fund described in section 26 in commercial paper having a maturity of not less than 3 days nor more than 270 days from date of delivery; provided that:

- (a) the aggregate investment in such indebtedness shall not exceed 15% of the assets of any one fund; and
- (b) the investment in such indebtedness of any one issuing company shall not exceed 5% of the assets of any one fund.

26. Demand group; temporary reserve group.

Subject to the limitations contained in section 25, and except as provided in section 27, the Director may purchase commercial paper for the following funds:

- (a) Demand group:
 - (1) Unsatisfied Claim and Judgment Fund.
 - (2) Veterans' Loan Guaranty and Insurance Fund (Veterans' Guaranteed Loan Fund).
 - (3) Workmen's Compensation Security Fund - Stock.

- (b) Temporary reserve group:
 - (1) General Investment Fund.
 - (2) Grade Crossing Elimination Fund.
 - (3) State 1952 Institution Construction Fund.
 - (4) State Teachers' College Building Construction Fund.
 - (5) Unemployment Compensation Auxiliary Fund Account.

27. General Investment Fund.

The limitations contained in subsection (a) of section 25 may be exceeded to the extent of an additional 40% and the limitations contained in subsection (b) of section 25 may be exceeded to the extent of an additional 15% of the assets of the General Investment Fund for a period of not more than 90 days from the date of delivery.

28. Pension and annuity group.

The Director may invest and reinvest the moneys of any pension and annuity fund group in commercial paper having a maturity of not less than 3 days nor more than 270 days from date of delivery; provided that:

(a) the aggregate investment in such indebtedness shall not exceed 5% of the assets of any one fund; and

(b) the investment in such indebtedness of any one issuing company shall not exceed 1% of the assets of any one fund.

29. Legal papers.

Prior to any commitment to purchase commercial paper, the Director shall have obtained:

(a) a certification or other evidence that such commercial paper is rated "prime" by the National Credit Office, Inc.;

(b) a certification or other evidence that the paper proposed to be delivered is not subordinated to any other debt of the issuer;

(c) a certification or other evidence that there is no litigation pending or threatened affecting said paper;

(d) a certification or other evidence that the issuer is not in default as to the payment of principal or interest upon any of its outstanding obligations;

(e) a certification or other evidence that the issuer was incorporated within the United States and is transacting business within the United States;

(f) such other documents or opinions which the Attorney General may require; and

(g) a written approving opinion from the Attorney General to the effect that all such documents and opinions received by the Director are satisfactory as to form and substance and that the purchase of such obligations is authorized under the laws of this State.

ARTICLE 11. CANADIAN GOVERNMENT AND PROVINCIAL OBLIGATIONS

30. In general.

Subject to the limitations contained in section 31, the Director may invest and reinvest the moneys of any pension and annuity group fund in obligations which are either:

(a) the direct obligations of or unconditionally guaranteed as to principal and interest by the government of Canada; or

(b) the direct obligations of or unconditionally guaranteed as to principal and interest by any province of Canada;

provided that the principal of and interest on any such obligations is payable in United States funds; provided further, that such obligations qualify as legal investments for savings banks in this State.

31. Limitations.

(a) Not more than 10% of the assets of any pension and annuity group fund shall be invested in the obligations, whether direct or guaranteed, of the government of Canada and the provinces thereof.

(b) Not more than 1% of the assets of any pension and annuity group fund shall be invested in the obligations, whether direct or guaranteed, of any province of Canada.

32. Legal papers.

Prior to any commitment to purchase obligations of the type described in this article, the Director shall have obtained;

(a) a written opinion from Moody's Investors Service to the effect that such obligations qualify as legal investments for savings banks in this State;

(b) an unqualified approving opinion of recognized bond counsel to the effect that the obligations have been duly authorized and issued, are the legal, valid, binding and unconditional obligations of the issuer and/or guarantor;

(c) such other documents or opinions which the Attorney General may require; and

(d) a written approving opinion from the Attorney General to the effect that all such documents and opinions received by the Director are satisfactory as to form and substance and that the purchase of such obligations is authorized under the laws of this State.

ARTICLE 12. INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

33. Applicable funds; limitations.

The Director may invest and reinvest the moneys of any pension and annuity group fund or of the State Disability Benefits fund in obligations of or guaranteed by the International Bank for Reconstruction and Development provided that such obligations are legal investments for savings banks in this State; provided further, that:

(a) both the principal of and interest on such obligations are payable in United States funds; and

(b) not more than 2% of the assets of any one such fund shall be invested in such obligations.

34. Legal papers.

Prior to any commitment to purchase obligations of the type described in this article, the Director shall have obtained:

(a) an unqualified approving opinion of recognized bond counsel to the effect that the obligations have been duly authorized and issued and are the legal, binding and valid obligations of the Bank;

(b) such other documents or opinions which the Attorney General may require; and

(c) a written approving opinion from the Attorney General to the effect that all such documents and opinions received by the Director are satisfactory as to form and substance and that the purchase of such obligations is authorized under the laws of this State.

ARTICLE 13. CAPEHART MORTGAGES

35. Definition.

As used in this article, "Capehart mortgages" shall mean mortgages or other securities of the character of mortgages which are first liens on the fee or on a lease of the fee of real property designed for use for residential purposes by personnel of the armed forces and situated at or near a military installation, which mortgages the United States has fully guaranteed.

36. In general.

Subject to the limitations contained in this article, the Director may invest and reinvest the moneys of any pension and annuity group fund in permanent type Capehart mortgages provided that such mortgages qualify as legal investments for savings banks in this State.

37. Limitation.

Not more than 10% of the assets of any pension and annuity group fund shall be invested in Capehart mortgages.

38. Legal papers.

(a) Prior to any commitment to invest in Capehart mortgages, the Director shall have obtained:

(1) documentary evidence to the effect that the Federal Housing Administration has agreed to insure such a mortgage for 100% of the completed project cost;

(2) such other documents or opinions which the Attorney General may require; and

(3) a written approving opinion from the Attorney General to the effect that all such documents and opinions received by the Director are satisfactory as to form and substance and that the investment in such mortgages is authorized under the laws of this State.

(b) Prior to any settlement with respect to such mortgages, the Director shall have obtained:

(1) documentary evidence to the effect that the "guaranty with respect to mortgage payment", issued by the United States, has become effective; and

(2) an additional written approving opinion from the Attorney General as aforesaid.