

(d) Notwithstanding the above restrictions, the Director may:

1. Exercise the conversion privileges in the common stock of any security acquired under this subchapter or N.J.A.C. 17:16-7;
2. Purchase the preferred stock, whether convertible or not, of a company the stock of which qualifies for investment and is on the "Approved Common and Preferred Stock and Convertible Securities List";
3. Purchase the convertible issue of a company the common stock of which qualifies for investment and is on the "Approved Common and Preferred Stock and Convertible Securities List".

Amended by R.1973 d.44, eff. Feb. 8, 1973.
 See: 5 N.J.R. 94(b).
 Amended by R.1986 d.356, effective September 8, 1986.
 See: 18 N.J.R. 1353(a), 18 N.J.R. 1838(a).
 Subchapter 8 amended to 7.
 Recodified by R.1991 d.274, effective June 3, 1991.
 See: 23 N.J.R. 983(a), 23 N.J.R. 1800(b).
 Amended by R.1995 d.385, effective July 17, 1995.
 See: 27 N.J.R. 1767(a), 27 N.J.R. 2703(b).

17:16-41.2 Applicable funds

(a) Applicable funds are as follows:

1. Police and Firemen's Retirement System.
2. Public Employees' Retirement System.
3. State Police Retirement System.
4. Teachers' Pension and Annuity Fund.
5. Common Pension Fund A.
6. Trustees for the Support of Public Schools.
7. Judicial Retirement System of New Jersey.
8. The Deferred Compensation Equity Fund.

Amended by R.1983 d.107, eff. April 18, 1983.
 See: 15 N.J.R. 133(a), 15 N.J.R. 627(a).
 Deleted reference to 1837 Surplus Revenue Fund.
 Recodified by R.1991 d.274, effective June 3, 1991.
 See: 23 N.J.R. 983(a), 23 N.J.R. 1800(b).
 Deferred Compensation Equity Fund added.
 Amended by R.1996 d.222, effective May 6, 1996.
 See: 28 N.J.R. 1366(a), 28 N.J.R. 2397(a).
 Deleted Consolidated Police and Firemen's Pension Fund.

17:16-41.3 Limitations

(a) The market value of total investments in common and preferred stock and issues convertible into common stock, both domestic, as permitted herein, and international, as permitted in N.J.A.C. 17:16-44, for any one of the pension funds listed in N.J.A.C. 17:16-41.2 shall not exceed 70 percent of the market value of such fund, with the exception of Common Pension Funds A and D. When the combined market value of the common and preferred stock and issues convertible into common stock, held by a pension fund, either directly or in Common Pension Funds A and D,

reaches or exceeds 68 percent of the total market value of the pension fund as of the end of a period used for evaluating unit values of participation, then the Council shall be notified at a regularly scheduled meeting of the Council or its Executive Committee. When the combined market value of the common and preferred stock and issues convertible into common stock, held by a pension fund, either directly or in Common Pension Funds A and D, exceeds 70 percent of the total market value of the respective 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.

(b) Not more than four percent of the market value of any pension fund shall be invested in the common and preferred stock of any one corporation except that this limitation for the Trustees for the Support of Public Schools shall be 10 percent. This four percent limitation shall not apply to Common Pension Fund A included in the list of applicable funds listed in N.J.A.C. 17:16-41.2.

(c) 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.

Amended by R.1973 d.44, eff. Feb. 8, 1973.
 See: 5 N.J.R. 94(b).
 Amended by R.1983 d.107, eff. April 18, 1983.
 See: 15 N.J.R. 133(a), 15 N.J.R. 627(a).
 25 percent deleted, replaced by 35 percent in subsection (a).
 Amended by R.1985 d.582, effective November 18, 1985.
 See: 17 N.J.R. 2239(b), 17 N.J.R. 2784(c).
 "40 percent" substituted for "35 percent"; deleted "1837 Surplus Revenue Fund".
 Amended by R.1986 d.356, effective September 8, 1986.
 See: 18 N.J.R. 1353(a), 18 N.J.R. 1838(a).
 (c) "five" amended to "10".
 Amended by R.1989 d.466, effective September 5, 1989.
 See: 21 N.J.R. 1821(a), 21 N.J.R. 2808(a).
 Exception to equity limitation for Common Pension Fund A added at (a).
 Administrative correction to (b).
 See: 21 N.J.R. 3556(a).
 Amended by R.1990 d.147, effective March 5, 1990.
 See: 22 N.J.R. 21(b), 22 N.J.R. 840(a).
 Individual stock holdings limited to four percent, except Common Pension Fund A.
 Amended by R.1991 d.388, effective August 5, 1991.
 See: 23 N.J.R. 1776(b), 23 N.J.R. 2344(b).
 In (a), added international stocks and increased market value from 40 to 60 percent. Also added council notification when Common Pension Funds A and D exceed 58 percent. Also added six-month grace period to reduce fund below 60 percent. In (c), reduced from 10 to 5 percent amount of stock permitted to be held in one company.
 Amended by R.1996 d.222, effective May 6, 1996.
 See: 28 N.J.R. 1366(a), 28 N.J.R. 2397(a).
 In (b) substituted market value for book value.
 Amended by R.1996 d.324, effective July 15, 1996.
 See: 28 N.J.R. 2514(a), 28 N.J.R. 3615(a).

17:16-41.4 Approved Common Stock List

(a) The "Approved Common and Preferred Stock and Convertible Securities List" is a list of those companies whose stocks can be purchased by the eligible funds. Additions to or deletions from the List shall be made by the Council, in its discretion, based, respectively, upon the presence or absence of the following:

1. The company shall have growth in revenues and earnings which exceed growth in the Gross National Product;

2. The company shall have a strong market franchise, unique products and proven marketing capability;

3. The company's management shall have demonstrated the ability to preserve profit margins, to avoid earnings surprises and to take the needed initiatives to preserve and improve upon the company's strengths;

4. The company shall have capitalization which is not heavily leveraged, thereby allowing it more flexibility to finance future expansion;

5. The company shall not be unduly capital intensive, which might expose it to the necessities of raising capital at times when capital markets are unduly expensive;

6. The company shall demonstrate that it can generate capital internally for growth;

7. The market for the company's shares shall have enough liquidity to permit the orderly acquisition and disposition of a full position; and

8. The company shall have conservative accounting practices.

(b) Companies which are not in conformance with (a)1 through 8 above may be added to or retained on the List, on a case-by-case basis, if the Council determines that the company is otherwise financially secure and presents a sound investment opportunity.

Amended by R.1996 d.222, effective May 6, 1996.
See: 28 N.J.R. 1366(a), 28 N.J.R. 2397(a).

Rewrote section.

**SUBCHAPTER 42. COMMON STOCKS AND
CONVERTIBLE SECURITIES (TRUST
FUND)**

17:16-42.1 Definition

As used in this subchapter, "convertible securities" shall mean convertible preferred stocks and convertible bonds.

17:16-42.2 Permissible investments

(a) The common stock and securities shall be listed on a securities exchange in the United States.

(b) The convertible preferred stocks and bonds must meet the following requirements:

1. The obligations have been registered with the Securities and Exchange Commission;

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

3. The obligor corporation has a capitalization of at least \$50,000,000.

(c) The Director shall submit a list of common stocks and convertible securities to the Council for its approval. Such list may be amended or enlarged from time to time subject to the Council's approval and shall be designated the "Approved Common and Preferred Stock and Convertible Securities List".

(d) The Director shall select for purchase issues of common stocks and convertible securities from the "Approved Common and Preferred Stock and Convertible Securities List".

(e) Notwithstanding the above restrictions, 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 and is on the "Approved Common and Preferred Stock and Convertible Securities List".

Amended by R.1972 d.75, effective April 19, 1972.

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

Amended by R.1993 d.189, effective May 3, 1993.

See: 25 N.J.R. 909(b), 25 N.J.R. 1886(b).

Deleted (b); Revised (c); Redesignated existing (c) through (f) as (b) through (e).

17:16-42.3 Applicable funds in the trust group

(a) Applicable funds in the trust group are:

1. College of Medicine and Dentistry of New Jersey—Endowment Funds;

2. Supplemental Annuity Collective Trust.

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

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

17:16-42.4 Limitations

(a) Not more than 10 percent of the market value of any fund shall be invested, in the aggregate, in the common stock and convertible securities of any one corporation.

(b) 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.

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.

17:16-42.5 Legal papers

(a) Prior to any commitment to purchase convertible securities of the type described in this subchapter, the Director shall have obtained:

1. A certification signed by two members of the Division's staff and endorsed by the Director stating that each proviso enumerated under Section 22.2 (permissible investments) of this Chapter had been checked by them and that, in their opinion, the security under consideration qualified as a satisfactory investment as outlined by Section 22.2 (Permissible investments) of this chapter; and
2. A written opinion from the Attorney General that the purchase of such obligations is authorized by the provisions of N.J.S.A. 52:18A-89, as amended and supplemented.

(b) Subsequent to the purchase, the Director shall obtain:

1. Such other documents or opinions which the Attorney General may require; and
2. 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.

17:16-42.6 Approved Common Stock and Convertible Securities List

(a) The "Approved Common and Preferred Stock and Convertible Securities List" is a list of those companies whose stocks can be purchased by the eligible funds. Additions to or deletions from the List shall be made by the Council, in its discretion, based, respectively, upon the presence or absence of the following:

1. The company shall have growth in revenues and earnings which exceed growth in the Gross National Product;
2. The company shall have a strong market franchise, unique products and proven marketing capability;
3. The company's management shall have demonstrated the ability to preserve profit margins, to avoid earnings surprises and to take the needed initiatives to preserve and improve upon the company's strengths;
4. The company shall have capitalization which is not heavily leveraged, thereby allowing it more flexibility to finance future expansion;
5. The company shall not be unduly capital intensive, which might expose it to the necessities of raising capital at times when capital markets are unduly expensive;
6. The company shall demonstrate that it can generate capital internally for growth;

7. The market for the company's shares shall have enough liquidity to permit the orderly acquisition and disposition of a full position; and

8. The company shall have conservative accounting practices.

(b) Companies which are not in conformance with (a)1 through 8 above may be added to or retained on the List, on a case-by-case basis, if the Council determines that the company is otherwise financially secure and presents a sound investment opportunity.

Amended by R.1996 d.222, effective May 6, 1996.
 See: 28 N.J.R. 1366(a), 28 N.J.R. 2397(a).
 Rewrote section.

SUBCHAPTER 43. COVERED CALL OPTIONS

17:16-43.1 Definition; covered call options

As used in this subchapter, "covered call options" shall mean options on common stocks held in the pertinent portfolio.

17:16-43.2 Permissible transactions

(a) Options may be written only on stocks held in the pertinent portfolio.

(b) Any option purchased or sold shall be listed on the Chicago Board Option Exchange, the American Stock Exchange, the Philadelphia Stock Exchange or the Pacific Stock Exchange.

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.

17:16-43.3 Applicable funds

(a) Applicable funds include:

1. Common Pension Fund A;
2. Supplemental Annuity Collective Trust; and
3. Deferred Compensation Plan—Equity Fund.

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.

17:16-43.4 Limitations

Sales of covered call options shall not exceed 10 percent of any one common stock holding.

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.

SUBCHAPTER 44. COMMON AND PREFERRED STOCKS AND ISSUES CONVERTIBLE INTO COMMON STOCK OF INTERNATIONAL CORPORATIONS

17:16-44.1 Permissible investments

(a) Permissible investments include stock issued by a company or bank incorporated or organized under the laws of the countries listed on the Approved List of International Government and Agency Obligations set forth in N.J.A.C. 17:16-20.

(b) The Director shall submit a list of common stocks to the Council for its approval. Such list may be amended or enlarged from time to time subject to the Council's approval and shall be designated the "Approved Common and Preferred Stock and Convertible Securities List of International Corporations".

(c) The Director shall only select issues of common stocks from the "Approved Common and Preferred Stock and Convertible Securities List of International Corporations" to be purchased by the pension funds.

(d) Notwithstanding the above restrictions, 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 and is on the "Approved Common and Preferred Stock Convertible Securities List of International Corporations"; and
3. Purchase the convertible issue of a company, the common stock of which qualifies for investment and is on the "Approved Common and Preferred Stock and Convertible Securities List of International Corporations".

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.

17:16-44.2 Applicable funds

(a) The following funds may invest in common and preferred stock of international corporations pursuant to this subchapter:

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.

17:16-44.3 Limitations

(a) Not more than one percent of the market value of any pension fund shall be invested in the common and preferred stock of any one corporation.

(b) 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.

(c) The market value of international common and preferred stock and issues convertible into common stock that can be held by a pension fund directly or through Common Pension Fund D, when combined with the market value of common and preferred domestic stock, and issues convertible into such common stocks, permitted under N.J.A.C. 17:16-41, cannot exceed 60 percent of the market value of a pension fund, subject to such further provisos as are contained in N.J.A.C. 17:16-41.

(d) The market value of international preferred and common stocks and issues convertible into common stocks, when combined with the market value of international government and agency obligations permitted under N.J.A.C. 17:16-20, cannot exceed 20 percent of the market value of a pension fund, subject to such further provisos as are contained in N.J.A.C. 17:16-67.

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.

(g) No mortgage shall be recommended for purchase to the pension funds unless the Research Group within the Division of Investment shall have certified that the purchase is a legal investment and that the terms and yield on the security purchased are fair and equitable when compared with other securities available in the marketplace.

(h) No mortgage shall be purchased in a state which gives the borrower a redemption period.

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.

17:16-53.4 Legal papers

(a) Prior to issuance of a commitment to purchase, the Director shall have obtained and approved:

1. Advance commitment.
 - i. A current credit report on the borrower;
 - ii. Plans and specifications of proposed construction and a survey of the property;
 - iii. A copy of FHA commitment;
 - iv. A copy of FHA mortgagee's application for insurance, completed in its entirety;
 - v. All other pertinent FHA documents and approvals including, but not limited to, project analysis, estimated cost of construction and personal financial and credit statements.
2. Immediate purchase commitment:
 - i. Photographs of the property;
 - ii. Credit report on mortgagor;
 - iii. Mortgagor's most recent financial statement;
 - iv. Current operating statement and occupancy report;
 - v. Copy of the application for FHA commitment, the FHA commitment for insurance and project analysis.

(b) Subsequent to the time of closing, the Director shall obtain:

1. Such documents as the Attorney General shall determine were required to effect the investment;

2. 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;

3. A servicing agreement in such form as the Attorney General may direct, entered into with the agent approved by the Director.

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.

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

17:16-54.1 Definitions

(a) As used in this subchapter, a "Federal Housing Administration insured multi-family construction mortgage" (hereinafter referred to as a "construction 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 the following sections:

- | | |
|-----------|-----------|
| 1. 207; | 4. 221D4; |
| 2. 220; | 5. 236. |
| 3. 221D3; | |

As amended, R.1975 d.364, eff. December 11, 1975.

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

17:16-54.2 General provision

Subject to the limitations contained in this Subchapter, the Director may invest and reinvest the moneys in any pension and annuity group fund in Title II Federal Housing Administration Insured Construction Mortgages—Multi-Family.

17:16-54.3 Limitations

(a) Any investment in any construction mortgage shall be not less than \$1,000,000 nor more than \$10,000,000.

(b) The book value of construction mortgages and those purchased under N.J.A.C. 17:16-53 and 54 shall not exceed 20 percent of the assets of any pension and annuity fund at any one time.

17:16-63.10 Amendments

(a) This subchapter may be amended from time to time by the State Investment Council.

(b) Any amendment adopted by the State Investment Council shall be binding upon all participating trusts and beneficiaries thereof.

(c) An amendment shall become effective on the date the adoption notice is published in the New Jersey Register. The State Investment Council may, at its discretion, postpone the effectiveness of any amendment by including an operative date in the adoption notice.

17:16-63.11 Distribution of realized appreciation

(a) Subsequent to the receipt of audited financial statements for the proper fiscal year, the State Investment Council may consider the realized appreciation in the Common Fund per unit.

(b) The Council may, in its sole discretion, choose any or all 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 principal in the Common Fund and added to income in the Common Fund prior to the next regular monthly valuation. Following such declaration, the amount declared as income shall be treated and distributed as income to the participating funds monthly or quarterly in cash and/or units.

2. Declare as capital gains 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 shall be deducted from the total principal in the Common Fund and distributed monthly or quarterly in cash and/or units.

(c) Retain any or all realized appreciation for future investments within the Common Fund.

Amended by R.1974 d.265, effective September 24, 1974.
See: 6 N.J.R. 416(b).
Amended by R.1987 d.87, effective February 2, 1987.
See: 18 N.J.R. 2378(a), 19 N.J.R. 304(b).
(c) added.
Amended by R.1994 d.327, effective July 5, 1994.
See: 26 N.J.R. 1772(a), 26 N.J.R. 2798(c).

17:16-63.12 Limitations

(a) The Common Pension Fund B shall be permitted to invest in the Cash Management Fund and in such securities subject to the limitations and conditions contained in the rules of the State Investment Council, N.J.A.C. 17:16 except for the condition as to classification of funds contained in N.J.A.C. 17:16-3.

(b) In the event that any regulation contains a limitation of the assets of any pension and annuity group fund which may be invested either in one issue or a class of issues, that limitation shall be construed to apply to the combined assets of all of the pension funds and shall not restrict the total common pension fund investment in such asset or assets to those limitations for any individual pension fund.

Amended by R.1972 d.229, effective November 16, 1972.
See: 4 N.J.R. 311(a).
Amended by R.1988 d.247, effective June 6, 1988.
See: 20 N.J.R. 742(a), 20 N.J.R. 1208(e).
Added Cash Management Fund and State Investment Council.

17:16-63.13 Liquidation

(a) The Director, Division of Investment, subject to the approval of the State Investment Council and the State Treasurer, may, upon two months' notice, liquidate the aforementioned Common Fund.

(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 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 principal value per unit determined upon such valuation date.

(e) No liquidation will be effectuated without the approval by the State Investment Council of a plan of distribution of the assets of the Common Fund.

SUBCHAPTER 64. (RESERVED)

SUBCHAPTER 65. DEFERRED COMPENSATION PLAN

17:16-65.1 Definition

Pursuant to N.J.S.A. 52:18A-163 there is hereby created in the Division of Investment, Department of Treasury, three common funds to be known as New Jersey State Employees Deferred Compensation Equity Fund, New Jersey State Employees Deferred Compensation Income Fund and the New Jersey State Employees Deferred Compensation Cash Management Fund, in which will be deposited monies from salary reductions of New Jersey State employees.

17:16-65.2 Participation in the State of New Jersey Deferred Compensation Plan

Participation in the State of New Jersey Deferred Compensation Plan represented by contributions to the funds shall be evidenced by proper entries setting forth ownership units in the records of the Bureau of Accounting, Division of Budget and Accounting, Department of the Treasury, or an agent thereof. Contributions to the three common funds shall be made in cash. The participation of State employees is subject to the Plan as established by the State of New Jersey Deferred Compensation Board.

17:16-65.3 Distribution of income

All income as calculated pursuant to N.J.A.C. 17:16-65.7 shall be invested in units of participation in accordance with N.J.A.C. 17:16-65.9 and such units shall be withdrawn in accordance with N.J.A.C. 17:16-65.10.

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.

17:16-65.4 Permissible investments

(a) The Director may invest the assets of the State of New Jersey Deferred Compensation Plan in securities which are legal investments for fiduciaries of trust estates in New Jersey which are permitted under N.J.S.A. 52:18A-163, subject to the applicable provisions of the regulations of the State Investment Council. The New Jersey State Employees Deferred Compensation Fixed Income Fund will be invested in fixed income securities having a maturity of one year or more, and the New Jersey State Employees Deferred Compensation Equity Fund will be invested in such common and preferred stocks and issues convertible into common stock as are permitted under N.J.A.C. 17:16-41 subject, in the case of both funds, to the exception noted in (b) below. The New Jersey State Employees Deferred Compensation Cash Management Fund shall be invested in the State of New Jersey Cash Management Fund, which in turn will be invested in accordance with N.J.A.C. 17:16-61, or in such other fixed income securities maturing in less than one year as may be permitted by N.J.A.C. 17:16.

(b) Both the State of New Jersey State Employees Deferred Compensation Fixed Income Fund and the State of New Jersey State Employees Deferred Compensation Equity Fund may hold up to 25 percent of its assets either in short term fixed income securities, as permitted by the rules and regulations of the State Investment Council, or in the State of New Jersey Cash Management Fund.

(c) With respect to the State of New Jersey Employees Deferred Compensation Equity Fund, not more than 10 percent of the book value of the Fund shall be invested in the common stocks, preferred stocks and securities convertible into common stock of any one corporation.

(d) With respect to the State of New Jersey State Employees Deferred Compensation Fixed Income Fund, not more than 10 percent of the book value of the assets of the fund shall be invested in the debt of any one corporation, and not more than 10 percent of any one issue may be purchased at the time of issue.

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.

17:16-65.5 Units of participation

Each unit of participation shall represent an equal beneficial interest in each of the funds and no unit shall have priority or preference over any other in each respective fund. Each unit of participation shall be valued at the net asset value per unit as defined in N.J.A.C. 17:16-65.7.

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.

17:16-65.6 Date of valuation

The valuation shall be determined after the close of business on the last day of each month, and shall be based on market prices and accruals as of the close of such day.

17:16-65.7 Valuation

The net asset value of each fund on the last day of each month shall be determined by dividing the total value of the fund's securities and other assets, less any administrative expenses or other liabilities, by the total outstanding units of participation in the fund. Securities' prices will be determined by a pricing service or a method which has been approved by the State Investment Council. Accrual and amortization procedures will be calculated by procedures and formulas approved by the State Investment Council. The method of pricing each fund monthly will be in accordance with contractual obligations of the custodian bank, subject to the approval of the State Investment Council. The method of calculation of units of participation will be in accordance with an agreement between the State of New Jersey and the Plan Administrator. Initial unit values will be \$1.00.

17:16-65.8 Guidelines for valuation of securities

(a) An investment purchased and awaiting payment against delivery shall be included for valuation purposes as security and the cost thereof recorded as an account payable.

(b) An investment sold but not delivered pending receipt of proceeds shall be valued at the net sales price.

(c) For the purposes of valuation of an investment, with the exception of investments sold but not delivered, it shall not be necessary to deduct from the value ascertained by this rule, brokers' commission or other expenses which would be incurred on a sale thereof.