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Eric D. Brophy, Esq.
Executive Director

MEETING OF DECEMBER 17, 2019

AGENDA

1. Reading of Public Notice and Roll Call
2. Introductions
3. Approval of the Minutes of the Meeting of November 26, 2019 TAB 1
4. Executive Director's Report
5. Resolution of the New Jersey Educational Facilities Authority Authorizing the Issuance and Sale of NJEFA Revenue Bonds, Stockton University Issue, Series 2020 A TAB 2
6. Resolution of the New Jersey Educational Facilities Authority Acknowledging and Accepting the State Treasurer's Recommendation and Electing a Member to the Audit Committee TAB 3
7. Resolution of the New Jersey Educational Facilities Authority Adopting the Authority's Other Post-Employment Benefits Trust Investment Policy TAB 4
8. Report on Operating and Construction Fund Statements and Disbursements TAB 5
9. Next Meeting Date – January 28, 2020



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**MINUTES OF THE MEETING OF THE
NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
HELD AT 103 COLLEGE ROAD EAST, PRINCETON, NEW JERSEY
ON TUESDAY, DECEMBER 17, 2019**

The meeting was called to order at 10:04 a.m. by board Chair Joshua Hodes. The New Jersey Educational Facilities Authority gave notice of the time, place and date of this meeting via fax and email on June 17, 2019, to The Star Ledger, The Times of Trenton and the Secretary of State and by posting the notice at the offices of the Authority in Princeton, New Jersey. Pursuant to the New Jersey Open Public Meetings Act, a resolution must be passed by the New Jersey Educational Facilities Authority in order to hold a session from which the public is excluded.

AUTHORITY MEMBERS PRESENT:

Joshua Hodes, Chair (via phone)
Ridgeley Hutchinson, Vice Chair (via phone)
Louis Rodriguez (via phone)
Elizabeth Maher Muoio, State Treasurer, Treasurer (represented by Ryan Feeney [via phone])
Zakiya Smith Ellis, Secretary of Higher Education (via phone)

AUTHORITY MEMBERS ABSENT:

None

STAFF PRESENT:

Eric D. Brophy, Executive Director
Sheryl A. Stitt, Deputy Executive Director
Steven Nelson, Director of Project Management
Brian Sootkoos, Director of Finance-Controller
Ellen Yang, Director of Compliance Management
Zachary Barby, Communications/IT Coordinator
Sheila Toles, Exec. Asst./Human Resources Manager

ALSO PRESENT:

George Loeser, Esq., Deputy Attorney General
Craig Ambrose, Esq., Governor's Authorities Unit (via phone)

ITEMS OF DISCUSSION

1. Approval of the Minutes of the Meeting of November 26, 2019

The minutes of the meeting of November 26, 2019 were hand delivered to Governor Philip Murphy under the date of November 27, 2019. Mr. Rodriguez moved the meeting minutes for approval as presented; the motion was seconded by Mr. Feeney and passed unanimously.

Secretary Smith Ellis joined the meeting during the poll.

2. Executive Director's Report

Mr. Brophy provided the Executive Director's report for informational purposes only.

Mr. Brophy reported on various meetings attended by himself and/or Authority staff since the November Authority meeting.

Mr. Brophy reported that staff continued to work with the State Librarian to implement the Library Construction Bond Act. He reported that the regulations had been published and that staff continued to work on grant solicitation, application, scoring rubric and review committee guidelines and that the Notice of Availability had been sent to OAL for posting.

Mr. Brophy reported that staff continued to work with the Department of Education (DOE), Office of the Secretary of Higher Education (OSHE), Schools Development Authority (SDA) and the Governor's policy office to implement the Securing Our Children's Future grant program. Mr. Brophy explained that the MOU's for the program had been delayed as the working group's focus had been on the underlying grant documents.

Mr. Brophy reported that the Authority's fee policy was still under review to determine whether any changes were necessary.

3. **Resolution of the New Jersey Educational Facilities Authority Acknowledging and Accepting the State Treasurer's Recommendation and Electing a Member to the Audit Committee**

Ms. Yang reported that the current members of the Authority's Audit Committee are the State Treasurer, Ridgeley Hutchinson and Ryan Feeney and that on December 3rd the State Treasurer had designated Ryan Feeney to represent her at Authority meetings, including Audit Committee meetings. She explained that with Mr. Feeney sitting on the Audit Committee as the State Treasurer's designee, there was a vacancy in the Audit Committee and that under the Authority's By-Laws, in the event of a vacancy, the State Treasurer could recommend a qualified individual. Ms. Yang reported that accordingly, the State Treasurer had recommended David Moore from the Department of Treasury and that the resolution acknowledged and accepted the State Treasurer's recommendation and elects Mr. Moore as a member of the Audit Committee.

Mr. Hutchinson moved the adoption of the following entitled resolution:

RESOLUTION OF THE NEW JERSEY EDUCATIONAL
FACILITIES AUTHORITY ACKNOWLEDGING AND ACCEPTING
THE STATE TREASURER'S RECOMMENDATION AND
ELECTING A MEMBER TO THE AUDIT COMMITTEE

The motion was seconded by Mr. Rodriguez and passed unanimously.

The adopted resolution is appended as Exhibit I.

4. **Resolution of the New Jersey Educational Facilities Authority Adopting the Authority's Other Post-Employment Benefits Trust Investment Policy**

Mr. Sootkoos reported that the Authority adopted a resolution at the December 12, 2007 meeting to establish the Authority's Other Post-Employment Benefits (OPEB) Trust, which established an irrevocable trust to ensure the availability of funds for payment of eligible employees' post-employment benefits and set forth the Authority's permitted investments of moneys with respect to OPEB trust funds.

Mr. Sootkoos reported that on May 28, 2019 the Authority engaged the services of PFM Asset Management to advise on the investment of the proceeds of the OPEB trust to obtain optimal return while addressing the safety and security of the trust's assets. He reported that Authority staff had requested that PFM undertake a review of the Authority's existing investment policies as set forth in the OPEB trust agreement and that PFM had recommended the Authority amend the list of permitted investments identified in the agreement, create diversification criteria with sector and individual security limits and create a new comprehensive investment policy for the investment of the funds. Mr. Sootkoos reported that

staff had determined that it was in the best interests of the Authority's current employees and active retirees to adopt the OPEB Trust Investment Policy.

Secretary Smith Ellis moved the adoption of the following entitled resolution:

RESOLUTION OF THE NEW JERSEY EDUCATIONAL
FACILITIES AUTHORITY ADOPTING THE AUTHORITY'S
OTHER POST-EMPLOYMENT BENEFITS TRUST
INVESTMENT POLICY

The motion was seconded by Mr. Hutchinson and passed unanimously.

The adopted resolution is appended as Exhibit II.

5. Report on Operating and Construction Fund Statements and Disbursements

Mr. Sootkoos reviewed the Results of Operations and Budget Variance Analysis and reported on the status of construction funds and related investments for November 2019.

Mr. Rodriguez moved that the reports be accepted as presented; the motion was seconded by Mr. Feeney and passed unanimously.

The reports are appended as Exhibit III.

6. Next Meeting Date

Mr. Hodes reminded everyone that the next meeting is scheduled for Tuesday, January 28th at 10:00 a.m. at the Authority offices and requested a motion to adjourn.

Secretary Smith Ellis moved that the meeting be adjourned at 10:15 a.m. The motion was seconded by Mr. Hutchinson and passed unanimously.

Respectfully submitted,



Eric D. Brophy
Secretary

**RESOLUTION OF THE NEW JERSEY EDUCATIONAL FACILITIES
AUTHORITY ACKNOWLEDGING AND ACCEPTING THE STATE
TREASURER'S RECOMMENDATION AND ELECTING A MEMBER TO
THE AUDIT COMMITTEE**

Adopted: December 17, 2019

- WHEREAS:** The Audit Committee has been established pursuant to Article III, Section 12 of the By-Laws (the "By-Laws") of the New Jersey Educational Facilities Authority (the "Authority") and in accordance with Executive Order No. 122 (McGreevey) ("EO 122"); and
- WHEREAS:** The By-Laws provide that the Audit Committee shall consist of: (i) the Treasurer of the State of New Jersey (the "State Treasurer"); (ii) the Treasurer of the Authority (the "Authority Treasurer"), but only if said Authority Treasurer is a member of the Authority, and if the Authority Treasurer is not a member of the Authority, then the Chair; and (iii) a member of the Authority with significant financial experience, elected at the Annual Meeting of the members of the Authority or as soon thereafter as practicable; and
- WHEREAS:** At the Authority's Annual Meeting on May 28, 2019, the members elected the State Treasurer as the Authority Treasurer, and elected Ridgeley Hutchinson, as a public member of the Authority with significant financial experience, to serve on the Audit Committee; and
- WHEREAS:** The By-Laws provide that if the State Treasurer is elected as the Authority Treasurer, the State Treasurer may recommend a qualified individual who meets the membership criteria set forth in EO 122, to sit on the Audit Committee; and
- WHEREAS:** The State Treasurer recommended Ryan Feeney, Department of Treasury, which recommendation the Members of the Authority acknowledged and accepted at an Authority Meeting on June 27, 2019; and
- WHEREAS:** Subsequently on December 3, 2019, the State Treasurer designated Ryan Feeney to represent her at meetings of the Authority, including Audit Committee meetings; and
- WHEREAS:** The By-Laws provide that in the event that the Authority does not have sufficient members qualified or available to serve on the Audit Committee, or the Authority wishes to broaden the expertise on the Audit Committee, the State Treasurer may recommend a qualified individual who meets the membership criteria in EO 122; and
- WHEREAS:** The State Treasurer has recommended David Moore, Department of Treasury, as a qualified individual who meets the membership criteria set forth in EO 122, to sit as a member of the Audit Committee; and

WHEREAS: The Members of the Authority wish to acknowledge and accept the State Treasurer's recommendation and to elect David Moore to sit as a member of the Audit Committee.

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY, AS FOLLOWS:

- Section 1.** The Members of the Authority hereby acknowledge and accept the State Treasurer's recommendation of David Moore as a member of the Audit Committee.
- Section 2.** The Members of the Authority hereby elect David Moore as a member of the Audit Committee.
- Section 3.** This Resolution supersedes all prior resolutions to the extent inconsistent herewith and with the By-Laws and shall take effect in accordance with the provisions of the Act.

____ Mr. Hutchinson ____ moved that the foregoing resolution be adopted as introduced and read, which motion was seconded by ____ Mr. Rodriguez ____ and upon roll call the following members voted:

AYE: Joshua Hodes
Ridgeley Hutchinson
Louis Rodriguez
Elizabeth Maher Muoio (represented by Ryan Feeney)
Zakiya Smith Ellis

NAY: None

ABSTAIN: None

ABSENT: None

The Chair thereupon declared said motion carried and said resolution adopted.

**RESOLUTION OF THE NEW JERSEY EDUCATIONAL FACILITIES
AUTHORITY ADOPTING THE AUTHORITY'S OTHER POST-EMPLOYMENT
BENEFITS TRUST INVESTMENT POLICY**

Adopted: December 17, 2019

- WHEREAS:** The New Jersey Educational Facilities Authority (the "Authority") was created pursuant to the New Jersey Educational Facilities Authority Law, P.L. 1967, c. 271, N.J.S.A. 18A:72A-1 et seq., as amended and supplemented (the "Act") and is authorized to issue its bonds and other obligations (the "Authority's Bonds") to provide a means for New Jersey public and private colleges and universities to obtain financing to construct educational facilities as defined in the Act; and
- WHEREAS:** The Authority adopted a resolution on December 12, 2007 ("2007 Resolution") to establish the Authority's Other Post-Employment Benefits Trust ("OPEB Trust"), which established an irrevocable trust to ensure the availability of funds for payment of eligible employees' post-employment benefits and set forth the Authority's permitted investments of moneys with respect to OPEB Trust funds; and
- WHEREAS:** As authorized by the 2007 Resolution, on March 14, 2008, the Authority entered into an Other Post-Employment Benefits Trust Agreement ("OPEB Trust Agreement") with the Bank of New York; and
- WHEREAS:** On May 28, 2019, the Authority adopted a resolution to engage the services of PFM Asset Management, LLC ("PFMAM") to advise the Authority on the investment of the Authority's OPEB Trust funds and to obtain the optimal return while addressing safety and security of the OPEB Trust assets; and
- WHEREAS:** The Authority's staff requested that PFMAM undertake a review of the Authority's existing investment policies as set forth in the 2007 Resolution and the OPEB Trust Agreement; and
- WHEREAS:** PFMAM, having undertaken such a review, has recommended that the Authority amend the list of permitted investments identified in the OPEB Trust Agreement, create diversification criteria with sector and individual security limits and create a new comprehensive investment policy for the investment of the OPEB Trust funds; and
- WHEREAS:** To incorporate the recommendations of PFMAM, the Authority has determined that it is in its best interests as well as the best interest of its current employees and active retirees to adopt an OPEB Trust Investment Policy Statement, attached hereto as **EXHIBIT A** and incorporated herein by reference (the "OPEB Trust Investment Policy Statement"); and

WHEREAS: The Members have determined that it advisable and beneficial for the Members to approve and adopt the OPEB Trust Investment Policy Statement under the terms and conditions set forth herein; and

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY THAT:

SECTION 1. The Authority hereby approves and adopts the OPEB Trust Investment Policy Statement as set forth in **EXHIBIT A** attached hereto in connection with the Authority's investment of the funds related to the Authority's OPEB Trust.

SECTION 2. The Authority hereby authorizes the Executive Director to execute any amendments, supplemental agreements, or other documents related to the OPEB Trust Agreement, to conform investment objectives and policies of the OPEB Trust Agreement to the Authority's OPEB Trust Investment Policy Statement, with the approval of the Attorney General of the State.

SECTION 3. The Authority hereby authorizes the Executive Director, the Deputy Executive Director and the Director of Finance/Controller to take and do any and all acts and things as may be necessary or desirable to implement the provisions of the OPEB Trust Investment Policy Statement and this resolution.

SECTION 4. This Resolution shall take effect in accordance with the Act.

____ Secretary Smith Ellis ____ moved that the foregoing resolution be adopted as introduced and read, which motion was seconded by ____ Mr. Hutchinson ____ and upon roll call the following members voted:

AYE: Joshua Hodes
Ridgeley Hutchinson
Louis Rodriguez
Elizabeth Maher Muoio (represented by Ryan Feeney)
Zakiya Smith Ellis

NAY: None

ABSTAIN: None

ABSENT: None

The Chair thereupon declared said motion carried and said resolution adopted.

NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
INVESTMENT POLICY STATEMENT
FOR
OTHER POST-EMPLOYMENT BENEFITS TRUST

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New Jersey Educational Facilities Authority (the "Authority") has established the New Jersey Educational Facilities Authority Other Post-Employment Benefits Trust (the "OPEB Trust" or "Trust"). This Trust is intended to provide funding of non-pension post-employment benefits ("OPEB") for those employees who meet the age and service requirements outlined in the plan document under the New Jersey State Health Benefits Program. The Trustees of the Trust shall adopt and comply with the methods, procedures, and practices of this Investment Policy Statement ("Policy Statement").

Purpose

The main investment objective of the Trust is to achieve long-term growth of Trust assets by maximizing long-term rate of return on investments and by minimizing risk of loss to fulfill the Authority's current and long-term OPEB obligations.

The purpose of this Policy Statement is to achieve the following:

1. Document investment objectives, performance expectations and investment guidelines for Trust assets.
2. Establish an appropriate investment strategy for managing all Trust assets, including an investment time horizon, risk tolerance ranges and asset allocation to provide sufficient diversification and overall return over the long-term time horizon of the Trust.
3. Establish investment guidelines to control overall risk and liquidity.
4. Establish periodic performance reporting requirements to monitor investment results and confirm that the Policy Statement is being followed.
5. Comply with fiduciary, prudence, due diligence and legal requirements for Trust assets.

Statement of Investment Objectives

The investment objectives of the Trust are as follows:

1. To invest assets of the Trust in a manner consistent with the following fiduciary standards: (a) all transactions undertaken must be for the sole interest of Trust beneficiaries, and (b) assets are to be diversified in order to minimize the impact of large losses from individual investments.
2. To provide for funding and anticipated withdrawals on a continuing basis for payment of benefits and reasonable expenses of operation of the Trust.
3. To enhance the value of Trust assets in real terms over the long-term through asset appreciation and income generation, while maintaining a reasonable investment risk profile.
4. Subject to performance expectations over the long-term, to minimize principal fluctuations over the Time Horizon (as defined below).

5. To achieve a long-term level of return commensurate with contemporary economic conditions and equal to or exceeding the investment objective set forth in this Policy Statement under the section labeled "Performance Expectations".

Delegation of Authority and Standard of Care

The Authority may engage the services of an external investment manager ("Investment Advisor") through a procurement process to assist in the management of the Authority's OPEB Trust investment portfolio in a manner consistent with the Authority's Policy Statement. Such Investment Advisor must be registered as an investment advisor under the Investment Advisors Act of 1940, as amended.

In any retainer agreement that the Authority enters into with an Investment Advisor with respect to the OPEB Trust, the Investment Advisor shall agree to immediately notify the Authority if at any time during the term of its engagement that it is not so registered or if its registration is suspended. In addition, the Investment Advisor shall agree to perform its duties and responsibilities with reasonable care. The standard of prudence to be used by the Investment Advisor shall be the "prudent investor" standard in conformance with the New Jersey Prudent Investor Act, N.J.S.A. 3B:20-11.3 and shall be applied in the context of managing the overall portfolio of the OPEB Trust.

The Investment Advisor shall refrain from personal business activity that could conflict with the proper execution and management of the OPEB Trust investment portfolio, or that could impair its ability to make impartial investment decisions.

Investment Guidelines

Within this section of the Policy Statement, the following terms will be used to articulate various investment concepts. The descriptions are meant to be general and may share investments otherwise considered to be in the same asset class.

"Growth Assets" - a collection of investments and/or asset classes whose primary risk and return characteristics are focused on capital appreciation. Investments within the Growth Assets category may include income and risk mitigating characteristics, so long as the predominant investment risk and return characteristic is capital appreciation. Examples of such investments or asset classes are: domestic and international equities or equity funds, private or leveraged equity, certain real estate investments, and hedge funds focused on equity risk mitigation or equity-like returns.

"Income Assets" - a collection of investments and/or asset classes whose primary risk and return characteristics are focused on income generation. Investments within the Income Assets category may include capital appreciation and risk mitigating characteristics, so long as the primary investment risk and return characteristic is income generation. Examples of such investments or asset classes are: fixed income securities, guaranteed investment contracts, certain real estate investments, and hedge funds focused on interest rate risk mitigation or income investment-like returns.

“Real Return Assets” – a collection of investments and/or asset classes whose primary risk and return characteristics are focused on real returns after inflation. Investments within the Real Return category may include inflation protected securities, commodities, certain real estate investments and hedge funds.

Time Horizon

The Trust’s investment objectives are based on a long-term investment time horizon (“Time Horizon”) of five (5) years or longer. Interim fluctuations should be viewed with appropriate perspective. The Authority has adopted a Time Horizon such that the risks and duration of investment losses are carefully weighed against the long-term potential for appreciation of assets.

Liquidity and Diversification

In general, the Trust may hold some cash, cash equivalent, and/or money market funds for near-term Trust benefits and expenses (the “Trust Distributions”). Remaining assets will be invested in longer-term investments and shall be diversified with the intent to minimize the risk of long-term investment losses. Consequently, the total portfolio will be constructed and maintained to provide diversification with regard to the concentration of holdings in individual issues, issuers, countries, governments or industries.

Asset Allocation

The Authority believes that to achieve the greatest likelihood of meeting the Trust’s investment objectives and the best balance between risk and return for optimal diversification, assets will be invested in accordance with the targets for each asset class as follows to achieve an average total annual rate of return that is equal to or greater than the Trust’s target rate of return over the long-term, as described in the section titled “Performance Expectations”.

| <u>Asset Weightings</u> | | |
|----------------------------|--------------|---------------|
| <u>Asset Classes</u> | <u>Range</u> | <u>Target</u> |
| Growth Assets | | |
| Domestic Equity | +/- 10 ppts | 33% |
| International Equity | +/- 10 ppts | 11% |
| Other | 0% - 20% | 4% |
| Income Assets | | |
| Core Fixed Income | +/- 10 ppts | 25% |
| Investment Grade Corporate | +/- 10 ppts | 12% |
| Emerging Markets Debt | +/- 10 ppts | 5.5% |
| High Yield | +/- 10 ppts | 5.5% |
| Cash Equivalents | 0% - 20% | 4% |

Rebalancing Philosophy

The asset allocation range established by this Policy Statement represents a long-term perspective. As such, rapid unanticipated market shifts or changes in economic conditions may cause the asset mix to fall outside Policy Statement ranges. When allocations breach the specified ranges, the Authority, or if engaged, the Authority's Investment Advisor will rebalance the assets within the specified ranges. The Investment Advisor may also rebalance based on market conditions and within the specified ranges.

Risk Tolerance

Subject to investment objectives and performance expectations, the Trust will be managed in a style that seeks to minimize principal fluctuations over the established Time Horizon.

Performance Expectations

Over the Time Horizon of five (5) years or longer, the performance objective for the Trust will be to achieve an average total annual rate of return that is equal to or greater than the Trust's actuarial discount rate. Additionally, it is expected that the annual rate of return on Trust assets will be commensurate with the then prevailing investment environment. Measurement of this return expectation will be judged by reviewing returns in the context of industry standard benchmarks, peer universe comparisons for individual Trust investments and blended benchmark comparisons for the Trust in its entirety.

Selection of Investment Managers

The Investment Advisor shall prudently select appropriate Managers to invest the assets of the Trust. Managers must meet the following criteria:

- The Manager must provide historical quarterly performance data compliant with Global Investment Performance Standards (GIPS®), Securities & Exchange Commission ("SEC"), Financial Industry Regulatory Agency ("FINRA") or industry recognized standards, as appropriate.
- The Manager must provide detailed information on the history of the firm, key personnel, support personnel, key clients, and fee schedule (including most-favored-nation clauses). This information may consist of a copy of a recent Request for Proposal completed by the Manager or regulatory disclosure.
- The Manager must clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.
- The investment professionals making the investment decisions must have a minimum of three (3) years of experience managing similar strategies either at their current firm or at previous firms.
- Where other than common funds such as mutual funds or commingled trusts are utilized, the Manager must confirm receipt, understanding and adherence to this Policy Statement and any

investment specific policies by signing a consent form provided to the Manager prior to investment of Trust assets.

Guidelines for Portfolio Holdings

Direct Investments by Investment Advisor

Every effort shall be made, to the extent practical, prudent and appropriate, to select investments with investment objectives and policies consistent with this Policy Statement (as outlined in the following sub-sections of the "Guidelines for Portfolio Holdings"). However, given the nature of the investments, it is recognized that there may be deviations between this Policy Statement and the objectives of these investments.

Limitations on Managers' Portfolios

EQUITIES

No more than the greater of five percent (5%) or weighting in the relevant index (Russell 3000 Index for U.S. issues and MSCI ACWI ex-U.S. for non-U.S. issues) of the total equity portfolio valued at market may be invested in the common equity of any one corporation; ownership of the shares of one company shall not exceed five percent (5%) of those outstanding; and not more than forty percent (40%) of equity valued at market may be held in any one sector, as defined by the Global Industry Classification Standard (GICS).

Domestic Equities. Other than the above constraints, there are no quantitative guidelines as to issues, industry or individual security diversification. However, prudent diversification standards should be developed and maintained by the Manager.

International Equities. The overall non-U.S. equity allocation should include a diverse global mix that is comprised of the equity of companies from multiple countries, regions and sectors.

FIXED INCOME

Fixed income securities of any one issuer shall not exceed five percent (5%) of the total bond portfolio at time of purchase. The five percent (5%) limitation does not apply to issues of the U.S. Treasury or other federal agencies. The overall rating of the fixed income assets as calculated by the Investment Advisor shall be investment grade, based on the rating of one Nationally Recognized Statistical Rating Organization ("NRSRO").

CASH EQUIVALENTS

Cash equivalents shall be held in funds complying with Rule 2(a)-7 of the Investment Company Act of 1940.

Portfolio Risk Hedging

Portfolio investments designed to hedge various risks including volatility risk, interest rate risk, etc. are allowed to the extent that the investments are not used for the sole purpose of leveraging Trust assets. One example of a hedge vehicle is an exchange traded fund ("ETF") which takes short positions.

Prohibited Investments

Except for purchase within authorized investments, securities having the following characteristics are not authorized and shall not be purchased: letter stock and other unregistered securities, direct commodities or commodity contracts, or private placements (with the exception of Rule 144A securities). Further, derivatives, options, or futures for the sole purpose of direct portfolio leveraging are prohibited. Direct ownership of real estate, natural resource properties such as oil, gas or timber and the purchase of collectibles is also prohibited.

Safekeeping

All assets of the Trust shall be held by a trustee approved by the Authority for safekeeping of Trust assets. The trustee shall produce statements on a monthly basis, listing the name and value of all assets held, and the dates and nature of all transactions in accordance with the terms in the Trust Agreement. Investments of the Trust not held as liquidity or investment reserves shall, at all times, be invested in interest-bearing accounts. Investments and portfolio securities may not be loaned.

Control Procedures

Review of Investment Objectives

The Investment Advisor shall review annually and report to the Authority the appropriateness of this Policy Statement for achieving the Trust's stated objectives. It is not expected that this Policy Statement will change frequently. In particular, short-term changes in the financial markets should not require an adjustment in this Policy Statement.

Review of Investment Performance

The Investment Advisor shall report to the Authority on a quarterly basis to provide a review of the investment performance of the Trust. In addition, the Investment Advisor shall be responsible for keeping the Authority apprised of any material change in investment strategy, Managers, and other pertinent information potentially affecting performance of the Trust.

The Investment Advisor shall compare the investment results on a quarterly basis to appropriate peer universe benchmarks, as well as market indices in both equity and fixed income markets. Examples of benchmarks and indexes that will be used include the Russell 3000 Index for broad U.S. equity strategies; S&P 500 Index for large cap U.S. equities, Russell 2000 Index for small cap U.S. equities, MSCI ACWI ex-U.S. Index for broad based non-U.S. equity strategies; MSCI Europe, Australasia, and

Far East (EAFE) Index for developed markets international equities, Barclays Capital Aggregate Bond Index for fixed income securities, and the U.S. 91 Day T-bill for cash equivalents. The Russell 3000 Index will be used to benchmark the U.S. equities portfolio; the MSCI ACWI ex-U.S. Index will be used to benchmark the non-U.S. equities portfolio; the Barclays U.S. Aggregate Bond Index will be used to benchmark the fixed income portfolio. Assets and funds categorized as “Other” will be benchmarked against appropriate indices depending on the specific characteristics of the strategies and funds used.

Voting of Proxies

The Authority recognizes that proxies are a significant and valuable tool in corporate governance. The voting rights of individual stocks held in separate accounts or collective, common, or pooled funds will be exercised by the investment managers in accordance with their own proxy voting policies. The voting rights of funds will be exercised by the Investment Advisor.

Investment Policy Statement Effective Date: December 17, 2019

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
2019 BUDGET VARIANCE ANALYSIS
FOR THE ELEVEN MONTHS ENDED NOVEMBER 30, 2019**

EXECUTIVE SUMMARY

Net Operating Income

The NJEFA concluded November with a year-to-date net operating loss in the amount of \$29,127 based on year to date revenues of \$2,408,235 and expenses of \$2,437,362.

Revenues

Year-to-date actual revenues were \$333,278 less than projected due to less transaction volume during the first eleven months of the year than anticipated and delays in the state backed grant programs.

Expenses

Actual operating expenditures for the first eleven month of the year were under budget by \$996,992 primarily due to timing of expenditures and staff vacancies.

Exhibits

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NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
ACTUAL vs. BUDGET REPORT
NOVEMBER 2019

| | Month Ended November 30, 2019 | | | Year-To-Date November 30, 2019 | | |
|---|----------------------------------|---------------------|--------------------|-----------------------------------|---------------------|---------------------|
| | <u>Actual</u> | <u>Budget</u> | <u>Variance</u> | <u>Actual</u> | <u>Budget</u> | <u>Variance</u> |
| <u>Operating Revenues</u> | | | | | | |
| Annual Administrative Fees | \$184,270 | \$206,212 | \$ (21,942) | \$ 2,184,761 | \$ 2,270,680 | \$ (85,919) |
| Initial Fees | - | - | - | 65,870 | 356,250 | (290,380) |
| Investment Income | 6,457 | 10,417 | (3,960) | 157,604 | 114,583 | 43,021 |
| | <u>\$ 190,727</u> | <u>\$ 216,629</u> | <u>\$ (25,902)</u> | <u>\$ 2,408,235</u> | <u>\$ 2,741,513</u> | <u>\$ (333,278)</u> |
| <u>Operating Expenses</u> | | | | | | |
| Salaries | \$123,079 | \$184,758 | \$ 61,679 | \$ 1,284,723 | \$ 1,478,054 | \$ 193,331 |
| Employee Benefits | 44,815 | 72,055 | 27,240 | 470,547 | 792,607 | 322,060 |
| Provision for Post Ret. Health Benefits | - | 29,167 | 29,167 | 175,000 | 320,833 | 145,833 |
| Office of The Governor | 2,083 | 2,083 | - | 22,917 | 22,917 | - |
| Office of The Attorney General | (63,749) | 10,417 | 74,166 | 30,000 | 114,583 | 84,583 |
| Sponsored Programs & Meetings | 274 | 817 | 543 | 4,291 | 8,983 | 4,692 |
| Telecom & Data | 2,774 | 2,833 | 59 | 28,296 | 31,167 | 2,871 |
| Rent | 16,445 | 16,667 | 222 | 179,165 | 183,333 | 4,168 |
| Utilities | 2,131 | 2,167 | 36 | 22,832 | 23,833 | 1,001 |
| Office Supplies & Postage Expense | 1,086 | 2,250 | 1,164 | 12,523 | 24,750 | 12,227 |
| Travel & Expense Reimbursement | 1,340 | 1,417 | 77 | 5,058 | 15,583 | 10,525 |
| Staff Training & Conferences | (25) | 3,583 | 3,608 | 22,374 | 39,417 | 17,043 |
| Insurance | 4,272 | 6,526 | 2,254 | 47,361 | 58,474 | 11,113 |
| Publications & Public Relations | - | 2,238 | 2,238 | 1,707 | 24,612 | 22,905 |
| Professional Services | 1,759 | 10,167 | 8,408 | 59,919 | 161,833 | 101,914 |
| Dues & Subscriptions | 2,663 | 7,458 | 4,795 | 29,167 | 82,042 | 52,875 |
| Maintenance Expense | 1,828 | 1,500 | (328) | 15,753 | 16,500 | 747 |
| Depreciation | 2,339 | 3,167 | 828 | 25,729 | 34,833 | 9,104 |
| Contingency | - | - | - | - | - | - |
| | <u>143,114</u> | <u>359,270</u> | <u>216,156</u> | <u>2,437,362</u> | <u>3,434,354</u> | <u>996,992</u> |
| Net Operating Income | <u>\$ 47,613</u> | <u>\$ (142,641)</u> | <u>\$ 190,254</u> | <u>\$ (29,127)</u> | <u>\$ (692,841)</u> | <u>\$ 663,714</u> |

NJEFA
Vendor Payments
November 2019

10:41 AM

| Type | Date | Numb | Name | Memo | Account | Accrual Basis Amount |
|-----------------|------------|------|---|--|------------------|----------------------|
| Bill Pmt -Check | 11/01/2019 | EFT | NJSHBP | 11/19 Covg | Accounts Payable | 15,915.97 |
| Bill Pmt -Check | 11/01/2019 | EFT | NJSHBP | 11/19 Covg | Accounts Payable | 6,519.50 |
| Bill Pmt -Check | 11/01/2019 | EFT | NJSHBP | 11/19 Covg | Accounts Payable | 3,058.51 |
| Bill Pmt -Check | 11/05/2019 | EFT | BMO Financial Group | 10/27/19 Smt Crash Plan | Accounts Payable | 9.99 |
| Bill Pmt -Check | 11/12/2019 | EFT | 1st Constitution | Wire Charge Reversal | Accounts Payable | -15.00 |
| Bill Pmt -Check | 11/18/2019 | 1116 | B&H Photo-Video | 163765184 APC UPS for Server | Accounts Payable | 1,407.14 |
| Bill Pmt -Check | 11/18/2019 | 1117 | Brophy, Eric D. | 11012019 10/29/19 Travel | Accounts Payable | 20.82 |
| Bill Pmt -Check | 11/18/2019 | 1118 | Clark, Rebecca | 11012019 10/31/19-10/29/19 Travel & Exp | Accounts Payable | 208.62 |
| Bill Pmt -Check | 11/18/2019 | 1119 | DocuSafe | 124936 | Accounts Payable | 173.92 |
| Bill Pmt -Check | 11/18/2019 | 1120 | Government News Network | 85639-G | Accounts Payable | 340.00 |
| Bill Pmt -Check | 11/18/2019 | 1121 | Governor's Authorities Unit | FY2020 Annual Assessment | Accounts Payable | 21,926.31 |
| Bill Pmt -Check | 11/18/2019 | 1122 | MacDonald, Carl J. | 11082019 10/29/19 Travel | Accounts Payable | 15.00 |
| Bill Pmt -Check | 11/18/2019 | 1123 | Nelson, Steven | 10162019 10/14/19-10/16/19 Travel EACUBO | Accounts Payable | 588.61 |
| Bill Pmt -Check | 11/18/2019 | 1124 | O'Donnell, Jamie | VC11082019 - Makenzie | Accounts Payable | 300.00 |
| Bill Pmt -Check | 11/18/2019 | 1125 | Panera Bread | 607011321946 | Accounts Payable | 149.24 |
| Bill Pmt -Check | 11/18/2019 | 1126 | PFM Asset Management LLC | SMA-M0919-13034D | Accounts Payable | 749.51 |
| Bill Pmt -Check | 11/18/2019 | 1127 | Polar Inc. | 066262 | Accounts Payable | 105.75 |
| Bill Pmt -Check | 11/18/2019 | 1128 | Refinitive Global Markets Inc. | 97128292 | Accounts Payable | 760.00 |
| Bill Pmt -Check | 11/18/2019 | 1129 | UPS | 2Y687X449, 2Y687X429 | Accounts Payable | 70.66 |
| Bill Pmt -Check | 11/18/2019 | 1130 | W.B. Mason Company, Inc. | IS1033639 | Accounts Payable | 657.52 |
| Bill Pmt -Check | 11/19/2019 | 1131 | Clark, Rebecca | VC11122019 | Accounts Payable | 73.54 |
| Bill Pmt -Check | 11/19/2019 | 1132 | Comcast | 110719 | Accounts Payable | 86.90 |
| Bill Pmt -Check | 11/19/2019 | 1134 | Kean University | Libor Settlement, KU, Check #57129071 | Accounts Payable | 666,171.15 |
| Bill Pmt -Check | 11/19/2019 | 1135 | Middleton, Kristen E. | Employee Reimbursement | Accounts Payable | 300.00 |
| Bill Pmt -Check | 11/19/2019 | 1136 | NJ Economic Development Authority | 2019November | Accounts Payable | 1,522.09 |
| Bill Pmt -Check | 11/19/2019 | 1137 | Perna's Plant and Flower Shop, Inc. | 632 | Accounts Payable | 92.95 |
| Bill Pmt -Check | 11/19/2019 | 1138 | Treasurer, State of New Jersey - Pinnacle | 01-Nov-2019 | Accounts Payable | 1,184.50 |
| Bill Pmt -Check | 11/19/2019 | 1139 | Verizon Wireless | 9841294601 | Accounts Payable | 303.76 |
| Bill Pmt -Check | 11/19/2019 | 1140 | 100 & RW CRA, LLC | 006478 | Accounts Payable | 12,251.67 |
| Bill Pmt -Check | 11/26/2019 | 1141 | Government Finance Officers Association | 2020Membership Notice #0138509 EY, BS | Accounts Payable | 310.00 |
| Bill Pmt -Check | 11/26/2019 | 1142 | NJ Alliance For Action, Inc. | 2020Membership | Accounts Payable | 600.00 |
| Bill Pmt -Check | 11/26/2019 | 1143 | NJ OIT Fiscal Services | 2019October | Accounts Payable | 1,198.46 |
| Bill Pmt -Check | 11/26/2019 | 1144 | PFM Asset Management LLC | SMA-M1019-13589D | Accounts Payable | 763.70 |
| Bill Pmt -Check | 11/26/2019 | 1145 | Raymond James | 2019NJIC SN, RC, CM, SS, EB | Accounts Payable | 125.00 |
| Bill Pmt -Check | 11/26/2019 | 1146 | TGI Office Automation | INV2101391, INV2091796 | Accounts Payable | 765.93 |
| | | | | | | 738,711.72 |

New Jersey Educational Facilities Authority
Summary of Construction Funds
As of November 30, 2019

| <u>Institution</u> | <u>Issue</u> | <u>Description</u> | <u>Bond Proceeds</u> | <u>Net Disbursed</u> | <u>Balance</u> | <u>% Complete</u> |
|---------------------------------|-----------------|--|--------------------------|----------------------------|--------------------------|-------------------|
| <u>Private</u> | | | | | | |
| Stevens Institute of Technology | 2017 Series A | Various Renov & Improvements, Refund 1998 I, 2007 A | \$ 76,911,558.14 | \$ (67,211,399.79) | \$ 9,700,158.35 | 87% |
| Rider University | 2017 Series F | Academic & Residential Facilities, Science & Technology Bldg | 44,228,160.45 | (23,410,208.70) | 20,817,951.75 | 53% |
| Georgian Court University | 2017 Series G&H | Various Capital Improvements & Renovations, Refund 07 D, H | 7,874,383.16 | (171,087.80) | 7,703,295.36 | 2% |
| Sub Total | | | \$ 129,014,101.75 | \$ (90,792,696.29) | \$ 38,221,405.46 | |
| <u>Public</u> | | | | | | |
| New Jersey City University | Series 2015 A | Various Renovations & Improv, Refund 02 A, 08 E | 37,869,656.10 | (34,784,996.37) | 3,084,659.73 | 92% |
| Ramapo College of New Jersey | Series 2017 A | Refund 06 I, Renov Library, Learning Center | 11,278,830.75 | (865,737.58) | 10,413,093.17 | 8% |
| Sub Total | | | \$ 49,148,486.85 | \$ (35,650,733.95) | \$ 13,497,752.90 | |
| <u>Other Programs</u> | | | | | | |
| Equipment Leasing Fund | Series 2014 A&B | Acquisition and Installation of Equipment | \$ 101,266,893.00 | \$ (95,839,912.91) | \$ 5,426,980.09 | 95% |
| Technology Infrastructure Fund | Series 2014 | Development of Technology Infrastructure | 41,313,667.00 | (38,284,537.45) | 3,029,129.55 | 93% |
| Capital Improvement Fund | Series 2014 A-D | Capital Improvements | 191,905,596.00 | (185,797,743.60) | 6,107,852.40 | 97% |
| Facilities Trust Fund | Series 2014 | Construct, Reconstruct, Develop & Improve Facilities | 219,977,164.00 | (201,134,839.69) | 18,842,324.31 | 91% |
| Capital Improvement Fund | Series 2016 B | Capital Improvements | 146,700,261.19 | (125,920,683.64) | 20,779,577.55 | 86% |
| Sub Total | | | \$ 701,163,581.19 | \$ (646,977,717.29) | \$ 54,185,863.90 | |
| Grand Total | | | \$ 879,326,169.79 | \$ (773,421,147.53) | \$ 105,905,022.26 | |

* This issue has reached a completion rate of 95% or higher and will not appear on future reports.