

(b) (No change.)

13:37A-5.4 Use of computer to prepare client records

(a) A licensee who prepares a patient record maintained solely on a computer shall use a write-protected program that:

1. Contains an internal permanently activated date and time recordation for all entries;
2. Automatically prepares a back-up copy of the file; and
3. Is designed in such a manner that, after the licensee “signs” by means of a confidential personal code (CPC), the entry cannot be changed in any manner.

(b) The licensee shall include in the client record at least two forms of identification; for example, name and record number of the patient or any other specific identifying information.

(c) The licensee shall finalize or “sign” the entry by means of a CPC. Where more than one individual is authorized to make entries into the computer file of any client record, each such person shall obtain a CPC and uses the program in the same manner.

(d) The licensee shall generate a hard copy of the complete client record, or a portion thereof, upon request.

(e) A licensee who generates a hard copy of a patient record pursuant to (d) above shall ensure that the hard copy is paginated with each page being a specified number of the total number of pages in the record.

225 W State Street, 4th Floor
 Trenton, NJ 08625-0211
 Attn: Board of Trustees of the Police and Firemen’s Retirement System
Jennifer.maloney@treas.nj.gov

The agency proposal follows:

Summary

N.J.A.C. 17:5A provides the regulatory framework to govern the methods, practices, and procedures for investment, reinvestment, purchase, sale, or exchange transactions to be followed by the Director of the Division of Investment (the Division) for the funds under the supervision of the Board of Trustees (the Board) of the Police and Firemen’s Retirement System (the PFRS). On July 3, 2018, P.L. 2018, c. 55 (the Act) was enacted which, among other changes, transferred the policy direction of investment of assets from the State Investment Council (the Council) to the newly constituted 12-member board. The Act further provides that all functions, powers, and duties relating to the formulation, establishment, amendment, modification, or repeal of any policy, procedure, method, or practice on the investment or reinvestment of moneys of the PFRS shall be performed by the Board. However, the purchase, sale, or exchange of any investments or securities under the control and management of the Board shall continue to be exercised by the Division. In addition, the Act provides that the Division, the Director of the Division, and the Council shall retain all functions, powers, and duties relating to Common Pension Fund L assigned to the Division, the Director of the Division, and the Council by P.L. 2017, c. 98 (N.J.S.A. 5:9-22.5 et seq.). This new chapter will create the baseline regulatory structure for the Board that reflects the provisions of the Act.

Subchapter 1 establishes general provisions for the chapter, including: setting the chapter’s purpose, N.J.A.C. 17:5A-1.1, specifically, establishing that the rules that govern the methods, practices, and procedures for investment, reinvestment, purchase, sale, or exchange transactions to be followed by the Division of Investment; providing a host of necessary definitions (N.J.A.C. 17:5A-1.2); setting a standard for permissible investment by the Division of Investment (N.J.A.C. 17:5A-1.3); necessary investment limitations (N.J.A.C. 17:5A-1.4); and legal document requirements (N.J.A.C. 17:5A-1.5).

Subchapter 2 specifies that the eligible funds the Director of the Division of Investment may invest in the New Jersey Cash Management Fund include those funds under the control of the Board.

Subchapter 3 establishes the policy on political contributions and prohibitions on investment management business, including: a statement of purpose for the limitation (N.J.A.C. 17:5A-3.1); relevant definitions (N.J.A.C. 17:5A-3.2); an articulation of restrictions (N.J.A.C. 17:5A-3.3); limitations on solicitations (N.J.A.C. 17:5A-3.4); what constitutes an indirect violation of the policy (N.J.A.C. 17:5A-3.5); reporting requirements (N.J.A.C. 17:5A-3.6), including the ability to request additional information (N.J.A.C. 17:5A-3.8); public disclosure requirements (N.J.A.C. 17:5A-3.7); cause for termination in the event of violation of contracts (N.J.A.C. 17:5A-3.9); exemptions to the policy (N.J.A.C. 17:5A-3.10); and restrictions on board members (N.J.A.C. 17:5A-3.11).

Subchapter 4 sets forth rules related to securities lending transactions, including: relevant definitions (N.J.A.C. 17:5A-4.1); parameters on permissible transactions (N.J.A.C. 17:5A-4.2); funds eligible for investment (N.J.A.C. 17:5A-4.3); and what limitations may exist as it relates to investment (N.J.A.C. 17:5A-4.4).

Subchapter 5 establishes rules related to investment in the U.S. Treasury and other government agency obligations, including: relevant definitions (N.J.A.C. 17:5A-5.1); parameters on permissible investments (N.J.A.C. 17:5A-5.2); and funds eligible for investment (N.J.A.C. 17:5A-5.3).

Subchapter 6 pertains to investment in global debt obligations, including: relevant definitions (N.J.A.C. 17:5A-6.1); parameters on permissible investments (N.J.A.C. 17:5A-6.2); funds eligible for investment (N.J.A.C. 17:5A-6.3); and what limitations may exist as it relates to investment (N.J.A.C. 17:5A-6.4).

Subchapter 7 pertains to investment in State, municipal, and public authority obligations, including: relevant definitions (N.J.A.C. 17:5A-

SUBCHAPTER 6. BUSINESS REGISTRATION

13:37A-6.3 Duty to report

(a) A registration holder shall provide notice to the Board in writing, on such forms as the Board may require and within 10 days, of any changes, additions, or deletions pertaining to the following information last provided by the registration holder on the biennial renewal form or initial application:

1. The name and address of the business locations;
2. The owner/responsible party of the registration holder; and
3. Pending or final actions by criminal authorities for violations of law, rule, or regulation, or any arrest or conviction for any criminal or quasi-criminal offense pursuant to the laws of the United States, this State, or any other state, including, but not limited to, being indicted or convicted of a crime involving moral turpitude or a crime adversely relating to his or her practice.

(b) For each item listed in (a) above, the registration holder shall provide an explanation therefor.

(c) Failure by a registration holder to provide the Board with notice of any information required pursuant to this section within the required time period of the change or the event necessitating the filing of the notice may be deemed professional misconduct within the meaning of N.J.S.A. 45:1-21.e.

TREASURY — GENERAL

(a)

**BOARD OF TRUSTEES OF THE POLICE AND FIREMEN’S RETIREMENT SYSTEM
 Police and Firemen’s Retirement System Investment Rules**

Proposed New Rules: N.J.A.C. 17:5A

Authorized By: The Board of Trustees of the Police and Firemen’s Retirement System, Ed Donnelly, Chair.

Authority: N.J.S.A. 43:49A-1 et seq., and P.L. 2018, c. 55.

Calendar Reference: See Summary below for explanation of exception to calendar requirement.

Proposal Number: PRN 2019-108.

Submit comments by September 13, 2019, to:

Jennifer Keyes-Maloney
 Department of the Treasury

7.1); parameters on permissible investments (N.J.A.C. 17:5A-7.2); funds eligible for investment (N.J.A.C. 17:5A-7.3); and what limitations may exist as it relates to investment (N.J.A.C. 17:5A-7.4).

Subchapter 8 establishes rules related to investment in collateralized notes and mortgages, including: relevant definitions (N.J.A.C. 17:5A-8.1); parameters on permissible investments (N.J.A.C. 17:5A-8.2); funds eligible for investment (N.J.A.C. 17:5A-8.3); and what limitations may exist as it relates to investment (N.J.A.C. 17:5A-8.4).

Subchapter 9 pertains to investment in international government and agency obligations, including: relevant definitions (N.J.A.C. 17:5A-9.1); parameters on permissible investments (N.J.A.C. 17:5A-9.2); funds eligible for investment (N.J.A.C. 17:5A-9.3); and what limitations may exist as it relates to investment (N.J.A.C. 17:5A-9.4).

Subchapter 10 sets forth rules related to investment in global diversified credit investments, including: relevant definitions (N.J.A.C. 17:5A-10.1); parameters on permissible investments (N.J.A.C. 17:5A-10.2); funds eligible for investment (N.J.A.C. 17:5A-10.3); and what limitations may exist as it relates to investment (N.J.A.C. 17:5A-10.4).

Subchapter 11 establishes rules related to investment in commercial paper, including: relevant definitions (N.J.A.C. 17:5A-11.1); parameters on permissible investments (N.J.A.C. 17:5A-11.2); funds eligible for investment (N.J.A.C. 17:5A-11.3); and what limitations may exist as it relates to investment (N.J.A.C. 17:5A-11.4).

Subchapter 12 pertains to investment in certificates of deposit, including: relevant definitions (N.J.A.C. 17:5A-12.1); parameters on permissible investments (N.J.A.C. 17:5A-12.2); funds eligible for investment (N.J.A.C. 17:5A-12.3); and what limitations may exist as it relates to investment (N.J.A.C. 17:5A-12.4).

Subchapter 13 sets forth rules related to investment in repurchase agreements, including: relevant definitions (N.J.A.C. 17:5A-13.1); parameters on permissible investments (N.J.A.C. 17:5A-13.2); and funds eligible for investment (N.J.A.C. 17:5A-13.3).

Subchapter 14 sets forth rules related to investment in money market funds, including: relevant definitions (N.J.A.C. 17:5A-14.1); parameters on permissible investments (N.J.A.C. 17:5A-14.2); funds eligible for investment (N.J.A.C. 17:5A-14.3); and what limitations may exist as it relates to investment (N.J.A.C. 17:5A-14.4).

Subchapter 15 establishes rules related to investment in non-convertible preferred stocks, including: relevant definitions (N.J.A.C. 17:5A-15.1); parameters on permissible investments (N.J.A.C. 17:5A-15.2); funds eligible for investment (N.J.A.C. 17:5A-15.3); and what limitations may exist as it relates to investment (N.J.A.C. 17:5A-15.4).

Subchapter 16 sets forth rules related to investment in global equity investment, including: relevant definitions (N.J.A.C. 17:5A-16.1); parameters on permissible investments (N.J.A.C. 17:5A-16.2); funds eligible for investment (N.J.A.C. 17:5A-16.3); and what limitations may exist as it relates to investment (N.J.A.C. 17:5A-16.4).

Subchapter 17 sets forth rules related to investment in mortgage-backed senior debt securities and mortgage-backed pass-through securities, including: relevant definitions (N.J.A.C. 17:5A-17.1); parameters on permissible investments (N.J.A.C. 17:5A-17.2); funds eligible for investment (N.J.A.C. 17:5A-17.3); and what limitations may exist as it relates to investment (N.J.A.C. 17:5A-17.4).

Subchapter 18 pertains to investment in real assets, including: relevant definitions (N.J.A.C. 17:5A-18.1); parameters on permissible investments (N.J.A.C. 17:5A-18.2); funds eligible for investment (N.J.A.C. 17:5A-18.3); and what limitations may exist as it relates to investment (N.J.A.C. 17:5A-18.4).

Subchapter 19 sets forth rules related to investment in foreign currency transactions, including: relevant definitions (N.J.A.C. 17:5A-19.1); parameters on permissible investments (N.J.A.C. 17:5A-19.2); funds eligible for investment (N.J.A.C. 17:5A-19.3); and what limitations may exist as it relates to investment (N.J.A.C. 17:5A-19.4).

Subchapter 20 sets forth rules related to investment in futures contracts, including: relevant definitions (N.J.A.C. 17:5A-20.1); parameters on permissible investments (N.J.A.C. 17:5A-20.2); funds eligible for investment (N.J.A.C. 17:5A-20.3); and what limitations may exist as it relates to investment (N.J.A.C. 17:5A-20.4).

Subchapter 21 pertains to investment in swap transactions, including: relevant definitions (N.J.A.C. 17:5A-21.1); parameters on permissible

investments (N.J.A.C. 17:5A-21.2); funds eligible for investment (N.J.A.C. 17:5A-21.3); and what limitations may exist as it relates to investment (N.J.A.C. 17:5A-21.4).

Subchapter 22 sets forth rules related to investment in covered call options, including: relevant definitions (N.J.A.C. 17:5A-22.1); parameters on permissible investments (N.J.A.C. 17:5A-22.2); and funds eligible for investment (N.J.A.C. 17:5A-22.3).

Subchapter 23 sets forth rules related to investment in put options, including: relevant definitions (N.J.A.C. 17:5A-23.1); parameters on permissible investments (N.J.A.C. 17:5A-23.2); funds eligible for investment (N.J.A.C. 17:5A-23.3); and what limitations may exist as it relates to investment (N.J.A.C. 17:5A-23.4).

Subchapter 24 establishes rules related to investment in private equity, including: relevant definitions (N.J.A.C. 17:5A-24.1); parameters on permissible investments (N.J.A.C. 17:5A-24.2); funds eligible for investment (N.J.A.C. 17:5A-24.3); and what limitations may exist as it relates to investment (N.J.A.C. 17:5A-24.4).

Subchapter 25 sets forth rules related to investment in opportunistic investments, including: relevant definitions (N.J.A.C. 17:5A-25.1); parameters on permissible investments (N.J.A.C. 17:5A-25.2); funds eligible for investment (N.J.A.C. 17:5A-25.3); and what limitations may exist as it relates to investment (N.J.A.C. 17:5A-25.4).

Subchapter 26 pertains to investment in absolute return strategy investments, including: relevant definitions (N.J.A.C. 17:5A-26.1); parameters on permissible investments (N.J.A.C. 17:5A-26.2); funds eligible for investment (N.J.A.C. 17:5A-26.3); and what limitations may exist as it relates to investment (N.J.A.C. 17:5A-26.4).

Because the Board is providing a 60-day comment period on this notice of proposal, this notice is excepted from the rulemaking calendar requirements pursuant to N.J.A.C. 1:30-3.3(a)5.

Social Impact

The proposed new rules are necessary to implement P.L. 2018, c.55, which transfers the supervision of the investment of the PFRS assets to the Board. The Act allows the Board to direct investment policy for the PFRS assets, thereby impacting the members of PFRS.

Economic Impact

The proposed new rules are necessary to implement P.L. 2018, c.55, which transfers the supervision of the investment of the PFRS assets to the Board. The proposed new rules will provide a regulatory framework for the investment of State-administered funds under the supervision of the Board, which shall be followed by the Director of the Division. The proposed new rules provide for continued investment diversification and the continued opportunity for increased overall risk-adjusted returns for the State-administered funds under the supervision of the Board. As such, these proposed rules are beneficial to the long-term economic security of the PFRS' beneficiaries and are expected to lessen the long-term economic burden of the State employee pension plan on the State's taxpayers.

Federal Standards Statement

A Federal standards analysis is not required because the investment policy rules of the Board are not subject to any Federal requirements or standards.

Jobs Impact

The proposed new rules will have no impact on jobs.

Agriculture Industry Impact

The proposed new rules will have no impact on the agriculture industry.

Regulatory Flexibility Statement

A regulatory flexibility analysis is not required since the proposed new rules regulate only the Director of the Division and will have no effect on small businesses, as the term is defined in the Regulatory Flexibility Act, N.J.S.A. 52:14B-16 et seq.

Housing Affordability Impact Analysis

The proposed new rules will have no impact on the affordability of housing in the State of New Jersey and will not have any impact on the average cost of housing in the State. The rules are necessary to implement

P.L. 2018, c. 55, which transfers the supervision of investment of the PFRS assets to the Board.

Smart Growth Development Impact Analysis

The proposed new rules are not anticipated to have an impact on housing production within Planning Areas 1 or 2, or within designated centers, under the State Development and Redevelopment Plan in New Jersey. The proposed rules are necessary to implement P.L. 2018, c. 55, which transfers the supervision of the investment of the PFRS assets to the Board.

Racial and Ethnic Community Criminal Justice and Public Safety Impact

The Board has evaluated this rulemaking and determined that it will not have an impact on pretrial detention, sentencing, probation, or parole policies concerning adults and juveniles in the State. Accordingly, no further analysis is required.

Full text of the proposed new rules follows:

CHAPTER 5A

POLICE AND FIREMEN’S RETIREMENT SYSTEM INVESTMENT RULES

SUBCHAPTER 1. GENERAL PROVISIONS

17:5A-1.1 Purpose

The purpose of this chapter to establish rules to govern the methods, practices, or procedures for investment, reinvestment, purchase, sale, or exchange transactions to be followed by the Director of the Division of Investment.

17:5A-1.2 Definitions

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

“Board” means the Board of Trustees of the Police and Firemen’s Retirement System.

“Common pension fund” means a common trust fund established by, and under the supervision of, the State Investment Council pursuant to P.L. 1970, c. 270, including Common Pension Fund E and any other common pension fund made available for investment of funds under the supervision of the Board by the State Investment Council and Common Pension Fund L, established by P.L. 2017, c. 98.

“Director” means the Director of the Division of Investment.

“Division” means the Division of Investment, Department of the Treasury of the State of New Jersey.

“Investment management firm” means one or more natural persons, corporations, partnerships, or other entities, incorporated or unincorporated, that provide investment management services.

“Proportionate interest” means the percentage calculated by dividing the Police and Firemen’s Retirement System’s units of participation in a common pension fund by the total number of units of participation outstanding of the common pension fund.

“Treasurer” means the Treasurer of the State of New Jersey.

17:5A-1.3 Permissible investments

Notwithstanding the provisions of any law pertaining to legal investments, the Director shall not make any commitment to purchase securities or other investments for any fund, unless such securities are of the class of investments in which such fund may be invested pursuant to this chapter.

17:5A-1.4 Limitations

(a) For all investments made directly by the Police and Firemen’s Retirement System or an investment vehicle established by, or at the direction of, the Board through direct investments, separate accounts, funds-of-funds, commingled funds, co-investments, or joint ventures under N.J.A.C. 17:5A-10.2(a)2i, 18.2(a)1i, 24.2(a)1i, or 26.2(a)1i, and not through any common pension fund, the following shall occur:

1. The Director shall provide the Investment Committee of the Board with the requested due diligence information for all investments recommended by the Division and a formal written report for each such investment. Due diligence information shall include, but not be limited to,

in all cases, information demonstrating that the investment satisfies the limitations and conditions contained in N.J.A.C. 17:5A-10, 18, 24, and 26, and a written disclosure submitted by the asset manager summarizing any and all compensation arrangements with consultants and intermediaries, whether direct or indirect, in connection with the proposed investment.

2. On investments of \$50 million or more, prior to any binding commitment, the Investment Committee shall provide a report to the Board, which report shall include a written memorandum by the Director. On a timely basis after receipt of such report, the Board may adopt or otherwise act upon the report.

3. On investments of less than \$50 million, the Director shall provide an informational memorandum to the Board on each such investment made, which memorandum shall be provided no later than the first regularly scheduled meeting of the Board after the date such binding commitment has been made.

4. In any given calendar year, and at any point within such year, at least 80 percent of the number of investments and 80 percent of the dollar amount of total investment commitments must be eligible for a report by the Investment Committee to the Board. For investments under \$50 million, so long as such investments constitute no more than 20 percent of the number of investments approved and 20 percent of the total investment dollars committed, the Director shall provide an informational memorandum to the Board pursuant to (a)3 above. Once the 20 percent “exemption” has been exceeded in any given year, all proposed investments will be subject to the Investment Committee providing a report to the Board until the number and dollar value of “exempt” investment again falls below the 20 percent threshold.

(b) Not more than five percent of the market value of the assets invested through direct investments, separate accounts, funds-of-funds, commingled funds, co-investments, and joint ventures pursuant to N.J.A.C. 17:5A-10.2(a)2, 18.2(a)1, 24.2(a)1, and 26.2(a)1, plus outstanding commitments, may be committed to any one partnership or investment, without the prior written approval of the Board. Calculation of this limitation shall include the proportionate interest in investments made through a common pension fund.

(c) The investments made through separate accounts, funds-of-funds, commingled funds, co-investments, and joint ventures pursuant to N.J.A.C. 17:5A-10.2(a)2, 18.2(a)1, 24.2(a)1 and 26.2(a)1 cannot comprise more than 20 percent of any one investment management firm’s total assets. Calculation of this limitation shall include the proportionate interest in investments made through a common pension fund.

(d) Not more than 38 percent of the market value of the assets of the Police and Firemen’s Retirement System shall be represented by the market value of investments as permitted by N.J.A.C. 17:5A-18, 24, and 26, including investments made directly by the Police and Firemen’s Retirement System, investments made through any investment vehicle(s) established by, or at the direction of, the Board and the proportionate interest of investments made through a common pension fund. If the market value exceeds 38 percent, then the Board shall be notified at the next regularly scheduled meeting of the Board. The Division may be granted a six-month grace period to reduce the level of participation below the 38 percent level, provided that:

1. The reduction shall be achieved solely by the reduction of investments made directly by the Police and Firemen’s Retirement System or through investment vehicle(s) established by, or at the direction of, the Board and shall not be applied to its proportionate interest in investments made through a common pension fund; and

2. The grace period may be extended for additional four-month periods with the approval of the Board.

(e) Unless otherwise specifically provided therein, in the event that any subchapter contains a limitation on the percentage of an investment or class of investment in which the Director may invest, that limitation shall be construed to exclude investments made through separate accounts, funds-of-funds, commingled funds, co-investments, and joint ventures pursuant to N.J.A.C. 17:5A-10, 18, 24, and 26 on behalf of the Police and Firemen’s Retirement System.

17:5A-1.5 Legal documents

In connection with any permissible investments under this chapter, the Director shall obtain such documents, representations, or opinions as may be required by the Attorney General, where the Attorney General then serves as legal counsel to the Board, or as recommended by separately engaged legal counsel to the Board, where the Attorney General does not then serve as legal counsel to the Board.

SUBCHAPTER 2. STATE OF NEW JERSEY CASH MANAGEMENT FUND

17:5A-2.1 Definitions

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

“State of New Jersey Cash Management Fund” means the common trust fund established under and subject to the provisions of N.J.A.C. 17:16.

17:5A-2.2 Permissible investments

The Director may invest and reinvest the moneys of the eligible fund in the State of New Jersey Cash Management Fund.

17:5A-2.3 Eligible fund

For purposes of this subchapter, the eligible fund shall include the Police and Firemen’s Retirement System and any investment vehicle(s) as may be established by, or at the direction of, the Board.

SUBCHAPTER 3. PFRS BOARD’S POLICY CONCERNING POLITICAL CONTRIBUTIONS AND PROHIBITIONS ON INVESTMENT MANAGEMENT BUSINESS

17:5A-3.1 Purpose

(a) It is the policy of the Board to ensure that the selection of investment management firms to provide investment management services to the Police and Firemen’s Retirement System is based on the merits of such firms and not on the political contributions made by such firms. This subchapter is designed to protect the beneficiaries of the Police and Firemen’s Retirement System, the State taxpayers, and the public interest by:

1. Prohibiting investment management firms from being engaged to provide investment management services to the Police and Firemen’s Retirement System if certain political contributions have been made; and
2. Requiring investment management firms that provide, or are applying to provide, investment management services to the Police and Firemen’s Retirement System to disclose certain political contributions, as well as other information, thereby allowing meaningful public scrutiny of the selection of investment management firms.

(b) This subchapter shall apply to investment management firms engaged to provide investment management services through, or in connection with, investments made directly by the Police and Firemen’s Retirement System. This subchapter shall not apply to investment management firms engaged through or in connection with, investments made through a common pension fund.

17:5A-3.2 Definitions

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

“Control” means the power to exercise a controlling influence over the management or policies of an investment management firm or political action committee.

“Investment management firm” means one or more natural persons, corporations, partnerships, or other entities, incorporated or unincorporated, that provide investment management services.

“Investment management professional” means:

1. Any person associated with an investment management firm who is primarily engaged in the provision of investment management services;
2. Any person associated with an investment management firm involved in client development or the solicitation of business from

pension fund clients, including pension fund clients that are not the Police and Firemen’s Retirement System;

3. Any person associated with an investment management firm who is a supervisor of any person described in paragraphs 1 or 2 above, up through and including the chief executive officer or similarly situated official; or

4. Any person associated with an investment management firm, its parent company, or any other entity that controls the investment management firm, who is a member of the executive or management committee of such firm or controlling entity, or similarly situated officials, if any.

“Investment management services” means:

1. The business of making or recommending investment management decisions for, or on behalf of, the Police and Firemen’s Retirement System;

2. The business of advising or managing a separate entity that makes or recommends investment management decisions for, or on behalf of, the Police and Firemen’s Retirement System, including as general partner, investment manager, or similar entity of an investment vehicle; or

3. The provision of financial advisory or consultant services to the Police and Firemen’s Retirement System.

“Investment vehicle” means an investment in which the Police and Firemen’s Retirement System invests directly under N.J.A.C. 17:5A-10.2(a)2i, 18.2(a)1i, 24.2(a)1i, or 26.2(a)1i.

“Payment” means any gift, subscription, loan, advance, or deposit of money or anything of value.

“Political contribution” means any gift, subscription, loan, advance, or deposit of money or anything of value made:

1. For the purpose of influencing any election for State office;
2. For the purpose of influencing any election for local office by a person who is also:
 - i. A State official; or
 - ii. An employee or advisor of either the State or a State official;
3. For payment of debt incurred in connection with any such election; or
4. For transition or inaugural expenses incurred by the successful candidate in any such election.

“Political party” means any political party or political committee organized in the State, including, without limitation, State legislative leadership committees, county committees, and independent committees. The term “political party” does not include a Federal or national campaign committee or a non-State political committee, even if such Federal or national or non-State political committee makes payments or contributions to which this subchapter would otherwise apply.

“Separate account” means an investment vehicle in which the Police and Firemen’s Retirement System is the sole investor that is unaffiliated with the investment vehicle’s sponsor or manager.

“State official” means any person (including any election or political action committee for such person) who was, at the time of the political contribution, an incumbent, candidate, or successful candidate for Governor or for a seat in the Legislature. Communication with a State official includes communication with the employees and advisors of such official.

“Supervisor” means a person who has supervisory responsibility (whether or not related to investment management activities) for an investment management professional.

“Third-party solicitor” means a third-party placement agent or lobbyist who solicits investment management business through direct or indirect communication with a State officer, employee, or official on behalf of an investment management firm, but does not include any person whose sole basis of compensation from the investment management firm is the actual provision of legal, accounting, engineering, real estate, or other professional advice, services, or assistance. The term “third-party solicitor,” when used with respect to a particular investment management firm, shall not include a third-party placement agent or lobbyist who solicits clients other than the Division to engage that investment management firm to provide investment management services, or a third-party placement agent or lobbyist who solicits the Division on behalf of another investment management firm.

17:5A-3.3 Restrictions

(a) The Division shall not engage an investment management firm to provide investment management services for the benefit of the Police and Firemen's Retirement System and shall not recommend that a separate account invest with an investment management firm, if, within the two years prior to such engagement or recommendation, any political contribution or payment to a political party covered by this subchapter has been made or paid by:

1. The investment management firm, its parent company, or any other person or entity that controls the investment management firm;
2. Any investment management professional associated with such investment management firm;
3. Any third-party solicitor associated with such investment management firm; or
4. Any political action committee controlled by the investment management firm, its parent company, or any other entity that controls the investment management firm, or by an investment management professional of such investment management firm or controlling entity.

(b) The Division shall terminate the contract of any investment management firm if it is discovered that, within the two years prior to such engagement or during the term of such engagement, any political contribution or payment to a political party covered by this subchapter was made or paid by:

1. The investment management firm, its parent company, or any other person or entity that controls the investment management firm;
2. Any investment management professional associated with such investment management firm;
3. Any third-party solicitor who solicited the Division to engage the investment management firm and was still associated with the investment management firm at the time of the contribution or payment; or
4. Any political action committee controlled by the investment management firm, its parent company, or any other entity that controls the investment management firm, or by an investment management professional of such investment management firm or controlling entity.

(c) The provisions of (a) and (b) above shall not prohibit the engagement, or require the termination, of an investment management firm, or prohibit the recommendation of an investment, if the only political contributions made by a person noted in this section within the two years prior to, and during, any such engagement were/are made by the contributor to State officials for whom the contributor was/is entitled to vote. Political contributions made by a contributor, pursuant to this subsection, shall not exceed \$250.00 per State official, per election.

(d) The provisions of (a) and (b) above shall not prohibit the engagement, or require the termination, of an investment management firm, or prohibit the recommendation of an investment, if the only payments to any political party made by a person noted in this section within the two years prior to, and during, any such engagement did/do not exceed \$250.00 per political party, per year.

(e) The provisions of (a) through (d) above shall apply to political contributions and payments to political parties made by any individual or entity for the 12-month period prior to such individual or entity becoming an investment management firm, investment management professional, or third-party solicitor.

17:5A-3.4 Solicitations

(a) Any investment management firm, investment management professional, or third-party solicitor that is engaged, or is seeking to be engaged, in providing investment management services to the Police and Firemen's Retirement System shall not:

1. Solicit any person or political action committee to make a political contribution or payment to a political party;
2. Coordinate political contributions or payments to a political party;
3. Fund political contributions or payments to a political party made by third parties, including consultants, attorneys, family members, or persons controlling the investment management firm; or
4. Engage in any exchange of political contributions or payments between State officials or political parties to circumvent the intent of this section.

17:5A-3.5 Indirect violations

(a) No investment management firm, investment management professional, or third-party solicitor shall, directly or indirectly, through or by any other person or any means whatsoever, do any act that would violate the provisions of N.J.A.C. 17:5A-3.3 or 3.4.

(b) Indirect violations shall include, but are not limited to:

1. A family member or other person making political contributions or payments to a political party on the person or entity's behalf;
2. A person or entity making payments to a Federal party committee or other political committee or organization for the purpose of influencing State or local elections governed by this subchapter; and
3. A third-party solicitor making political contributions or payments to a political party in order to encourage the engagement of an investment management firm for which it is not directly soliciting business from the Division.

17:5A-3.6 Reporting

(a) Except as otherwise provided in (b) and (c) below, each investment management firm that is engaged to provide investment management services to the Police and Firemen's Retirement System shall, prior to engagement and by the last day of the month following the end of each calendar quarter during the term of such engagement, send to the Board and the Division the following information:

1. A list of those persons who qualify as investment management professionals, and any updates to this list;
2. For all political contributions and payments to political parties made by persons described at N.J.A.C. 17:5A-3.3(a) or (b), excluding any political contribution or payment to a political party made pursuant to N.J.A.C. 17:5A-3.3(c) and (d):
 - i. The name and address of the contributor;
 - ii. The name and title of each State official or political party receiving the political contribution or payment;
 - iii. The amount of the political contribution or payment to the political party; and
 - iv. The date of the political contribution or payment to the political party;
3. Whether any reported political contribution or payment to a political party is the subject of an exemption pursuant to N.J.A.C. 17:5A-3.10 and the date of such exemption; and
4. For any payment made to a third-party solicitor, the name and business address of the recipient, the services provided by the recipient, the compensation arrangement between the investment management firm and the recipient, and the total dollar amount of payments made during the report period.

(b) No investment management firm shall be required to report to the Board and the Division for any calendar quarter in which such investment management firm has no additions or revisions to information that was already reported in a prior report.

(c) Once a political contribution or payment to a political party or third-party solicitor has been disclosed on a report, the investment management firm need not disclose that particular contribution or payment on subsequent reports.

(d) The information required by this section shall be reported on forms provided by the Division.

17:5A-3.7 Public disclosure

The Board and the Division shall make available to the public a copy of each report received from an investment management firm within 30 days of its receipt or as otherwise required by law.

17:5A-3.8 Additional information

The Board and the Division will accept additional information related to political contributions, payments to political parties, and payments to third-party solicitors voluntarily submitted by investment management firms or others.

17:5A-3.9 Contract termination

Each contract with an investment management firm shall provide that a violation of the provisions in this subchapter shall be cause for immediate termination of such contract. In the case of a violation by a general partner, investment manager, or similar entity of an investment vehicle, the governing documents of the investment vehicle shall provide

that the Police and Firemen's Retirement System shall have the right to terminate its relationship with the investment management firm.

17:5A-3.10 Exemptions

(a) An investment management firm that would otherwise be prohibited from being engaged to provide investment management services to the Police and Firemen's Retirement System pursuant to N.J.A.C. 17:5A-3.3 shall be exempt from such prohibition, subject to (b) and (c) below, upon satisfaction of the following requirements:

1. The investment management firm demonstrates in writing to the Board that:

i. The firm discovered the political contribution or the payment to a political party that resulted in the prohibition on business within four months of the date of such contribution or payment;

ii. Such political contribution or payment to a political party did not exceed \$250.00; and

iii. The contributor obtained a return of the political contribution or payment to the political party within 60 calendar days of the date of discovery of such contribution or payment; or

2. The Board determines that the investment management firm has demonstrated in writing that the violation of this subchapter was unintentional and inadvertent, and the Board determines that the beneficiaries of the Police and Firemen's Retirement System, the State taxpayers, and the public are best served by such an exemption.

(b) An investment management firm is entitled to no more than two exemptions in any 12-month period.

(c) An investment management firm may not utilize more than one exemption relating to political contributions or payment to a political party by the same investment management professional or third-party solicitor regardless of the time period.

17:5A-3.11 Restrictions on Board members

(a) Each Board member shall comply with the reporting provisions of N.J.A.C. 17:5A-3.6 for his or her term as a member of the Board.

(b) It is prohibited for any Board member to receive any form of compensation, gratuity, gift, service, or payment in connection with the hiring or retention of any investment management firm by the Division during the Board member's term and for a two-year period immediately following the completion of such Board member's term. This subsection shall include any compensation, gratuity, gift, service, or payment to the Board member, the Board member's immediate family, or any partner or associate of the Board member. For the purposes of this subsection, "immediate family" shall mean a person's spouse, child, parent, or sibling residing in the same household or a person's domestic partner as defined in P.L. 2003, c. 246 (N.J.S.A. 26:8A-3).

SUBCHAPTER 4. SECURITIES LENDING TRANSACTIONS

17:5A-4.1 Definitions

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

"Cash collateral" means cash and cash equivalents delivered by a borrower to secure its obligations under a securities lending agreement.

"Cash equivalents" mean U.S. Treasury obligations, irrevocable bank letters of credit, or any other security that can be converted immediately to cash.

"Securities lending agent" means a third-party engaged by the Division or the Treasurer to effect securities lending transactions on behalf of the eligible fund under the control of the Board.

"Securities lending agreement" means a legal contract between a borrower and an eligible fund under the control of the Board or a securities lending agent on behalf of an eligible fund under the control of the Board that governs the contractual obligations of the parties.

"Securities lending transactions" means arrangements whereby securities are loaned to a borrower in exchange for cash collateral. Ownership of the securities is transferred temporarily to the borrower.

17:5A-4.2 Permissible transactions

(a) Subject to the limitations contained in this subchapter, the Director may enter into securities lending transactions on behalf of the eligible fund under the control of the Board, provided that:

1. The securities are on a list of securities eligible for securities lending transactions maintained by the Director;

2. The borrower is on a list of approved borrowers maintained by the Director;

3. The transaction is evidenced by a written securities lending agreement executed by the borrower and an eligible fund;

4. The collateral is held in a separate account on behalf of the eligible fund;

5. The securities loaned by an eligible fund and the cash collateral delivered by the borrower shall be marked to market each business day. The borrower shall be required to deliver additional collateral in the event the market value of the cash collateral is less than the required percentage of the market value of the loaned securities, as required by the securities lending agreement; and

6. The securities lending agent, if applicable, shall establish and maintain such records as are reasonably necessary to account for the securities lending transactions and the income derived therefrom.

(b) The cash collateral shall be reinvested in securities permissible for investment for the eligible fund under this chapter and included on a list of securities permissible for securities lending transactions maintained by the Director.

(c) Notwithstanding the restrictions in this subchapter, the Board may approve securities lending transactions or the reinvestment of cash collateral on a case-by-case basis.

17:5A-4.3 Eligible fund

For purposes of this subchapter, the eligible fund shall include the Police and Firemen's Retirement System and any investment vehicle(s) as may be established by, or at, the direction of the Board.

17:5A-4.4 Limitations

(a) Not more than 15 percent of the market value of the assets of the eligible fund shall be loaned to any one borrower.

(b) The required collateral levels by type of security shall be specified in an agreement with the securities lending agent, where applicable, and in each securities lending agreement, but in no event shall the required collateral level be less than 100 percent of the market value of the loaned securities.

(c) If the limitations in this subchapter are not met, then the Board shall be notified at the next regularly scheduled meeting of the Board. The Division may be granted a six-month grace period to bring the transactions into compliance, except that the grace period may be extended for additional four-month periods with the approval of the Board.

SUBCHAPTER 5. UNITED STATES TREASURY AND GOVERNMENT AGENCY OBLIGATIONS

17:5A-5.1 Definitions

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

"Government agency obligations" mean debt obligations of any United States governmental agency that are not explicitly guaranteed by the full faith and credit of the United States Government included on a list of such agencies maintained by the Director.

"United States Treasury obligations" mean debt obligations of the United States Treasury or any debt obligations that are explicitly guaranteed by the full faith and credit of the United States Government.

17:5A-5.2 Permissible investments

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

(b) Prior to any commitment to purchase a government agency obligation, it shall be ascertained that the issuer is included on a list of government agencies maintained by the Director.

17:5A-5.3 Eligible fund

For purposes of this subchapter, the eligible fund shall include the Police and Firemen's Retirement System and any investment vehicle(s) as may be established by, or at, the direction of the Board.

SUBCHAPTER 6. GLOBAL DEBT OBLIGATIONS

17:5A-6.1 Definitions

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

"Global debt obligations" mean debt issued by any corporation, bank, trust, master limited partnership, limited liability company, or other form of legal entity.

"Private placement" means a negotiated sale in which the securities are sold directly to institutional or private investors, rather than through a public offering registered with the U.S. Securities and Exchange Commission or applicable foreign regulatory body. Private placement includes the sale of securities pursuant to Section 4(2), Regulation D, Regulation S, or Rule 144A under the Securities Act of 1933, as amended.

17:5A-6.2 Permissible investments

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

1. The obligor:

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

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

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

(b) Notwithstanding the restrictions under (a) above, the Director may invest and reinvest the moneys of the eligible fund in global debt obligations, collateralized notes and mortgages, non-convertible preferred stock, and mortgage-backed pass-through securities that do not meet the minimum credit ratings set forth in this section and N.J.A.C. 17:5A-8.2, 15.2, and 17.2, respectively; provided, however, the aggregate market value of such investments shall not exceed eight percent of the eligible fund.

(c) Notwithstanding the restrictions under (a) above, the Director may invest and reinvest the moneys of the eligible fund in global debt obligations and non-convertible preferred stock of companies that do not meet the minimum market capitalization or contributed capital set forth in this section and N.J.A.C. 17:5A-15.2, respectively; provided, however, the market value of such investments shall not exceed one percent of the eligible fund.

(d) In addition to the requirements under (a) above, the Director may:

1. Exercise the rights and conversion privileges of any security acquired under this subchapter; and

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

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

17:5A-6.3 Eligible fund

For purposes of this subchapter, the eligible fund shall include the Police and Firemen's Retirement System and any investment vehicle(s) as may be established by or at the direction of the Board.

17:5A-6.4 Limitations

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

1. The total amount of debt issues directly purchased or acquired for the eligible fund under this subchapter of any one issuer shall not exceed 10 percent of the outstanding long-term debt of the issuer, except that this requirement may be waived by the Board;

2. The total amount directly invested in the equity and fixed income obligations of any one issuer and affiliated entities by the eligible fund, shall not exceed five percent of the eligible fund's assets; and

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

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

SUBCHAPTER 7. STATE, MUNICIPAL, AND PUBLIC AUTHORITY OBLIGATIONS

17:5A-7.1 Definitions

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

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

"Public authority revenue obligations" means any bonds or other interest-bearing obligations of a public authority, the principal and interest of which are by their terms payable from a specified revenue source.

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

17:5A-7.2 Permissible investments

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

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

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

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

17:5A-7.3 Eligible fund

For purposes of this subchapter, the eligible fund shall include the Police and Firemen's Retirement System and any investment vehicle(s) as may be established by or at the direction of the Board.

17:5A-7.4 Limitations

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

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

2. Not more than two percent of the assets of the eligible fund shall be directly invested in the debt of any one obligor.

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

SUBCHAPTER 8. COLLATERALIZED NOTES AND MORTGAGES

17:5A-8.1 Definitions

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

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

17:5A-8.2 Permissible investments

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

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

2. The collateral must be fully maintained and not under the direct control of the originator of the collateral underlying the obligation, but under the control of a trustee, special purpose vehicle, or other independent entity incorporated in the United States; and

3. The issue must be rated Baa3 or higher by Moody’s Investor Service, Inc., BBB- or higher by Standard & Poor’s Corporation, and BBB- or higher by Fitch Ratings, except that two of the three ratings is sufficient and one of the three ratings is sufficient if only one rating is available. Subsequent to purchase, if the rating falls below the minimum rating for such issue, the issue does not have to be sold, and it may be exchanged with issues with credit ratings lower than the minimum rating if the issues received in exchange are, on balance, similarly rated.

(b) Notwithstanding the restrictions under (a) above, the Director may invest and reinvest the moneys of the eligible fund in global debt obligations, collateralized notes and mortgages, non-convertible preferred stock, and mortgage-backed pass-through securities that do not meet the minimum credit ratings set forth in N.J.A.C. 17:5A-6.2, this section, and N.J.A.C. 17:5A-15.2 and 17.2, respectively; provided, however, the aggregate market value of such investments shall not exceed eight percent of the assets of eligible fund.

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

17:5A-8.3 Eligible fund

For purposes of this subchapter, the eligible fund shall include the Police and Firemen’s Retirement System and any investment vehicle(s) as may be established by or at the direction of the Board.

17:5A-8.4 Limitations

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

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

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

3. The total amount directly invested in the equity and fixed income obligations of any one issuer and affiliated entities by the eligible fund, shall not exceed five percent of the assets of the eligible fund.

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

SUBCHAPTER 9. INTERNATIONAL GOVERNMENT AND AGENCY OBLIGATIONS

17:5A-9.1 Definitions

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

“International government and agency obligations” means direct debt obligations of a sovereign government or its political subdivisions, debt obligations of agencies of a sovereign government that are unconditionally guaranteed as to principal and interest by the sovereign government’s full faith and credit, and debt obligations of international agencies or financial institutions that are backed, but not necessarily guaranteed, by the collective credit of multiple sovereign governments.

17:5A-9.2 Permissible investments

(a) Subject to the limitations contained in this subchapter, the Director may invest and reinvest the moneys of the eligible fund in international government and agency obligations, provided that the international government and agency obligations have a credit rating of Baa3 or higher by Moody’s Investor Service, Inc., BBB- or higher by Standard & Poor’s Corporation, and BBB- or higher by Fitch Ratings, except that two of the three ratings is sufficient and one of the three ratings is sufficient if only one rating is available.

(b) Notwithstanding the restrictions contained under (a) above, the Board may approve the purchase of international government and agency obligations on a case-by-case basis.

17:5A-9.3 Eligible fund

For purposes of this subchapter, the eligible fund shall include the Police and Firemen’s Retirement System and any investment vehicle(s) as may be established by or at the direction of the Board.

17:5A-9.4 Limitations

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

1. The total amount of international government and agency debt issues directly purchased or acquired of any one issuer shall not exceed 25 percent of the outstanding debt of the issuer, and not more than 25 percent of any one issue may be purchased at the time of issue, except that these requirements may be waived by the Board; and

2. Not more than five percent of the assets of the eligible fund shall be directly invested in international government and agency obligations.

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

SUBCHAPTER 10. GLOBAL DIVERSIFIED CREDIT INVESTMENTS

17:5A-10.1 Definitions

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

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

“Bridge financing” means interim financing used by entities until a long-term financing option can be arranged. Bridge financing typically comes in the form of a debt obligation or equity investment.

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

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

“Common stock” means shares of stock, other than preferred stock, representing ownership in a corporation or other form of legal entity.

“Convertible debt issue” means a debt obligation of any corporation or other form of legal entity that is convertible into the common stock of the entity.

“Convertible preferred stock” means preferred stock of any corporation or other form of legal entity that is convertible into the common stock of the entity.

“Credit structured products” means investments whose cash flow characteristics depend upon a pool of collateral, one or more securities, indices, or similar strategies designed to replicate the return of a basket of securities, or that have embedded forwards or options or securities where the investment return is contingent on, or sensitive to, changes in the value of underlying assets, indices, interest rates, or cash flows.

“Debtor-in-possession financings” means financing arranged by an entity while under a bankruptcy reorganization process.

“Exchange-traded funds” means funds that invest in underlying securities that track a pre-determined index or strategy, a commodity, or a basket of assets, and whose shares can be traded like shares of common stock.

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

“Global collateralized notes” means securities collateralized by loans, receivables, claims, or any other assets.

“Global diversified credit investments” means investments in opportunistic credit, global collateralized notes, bank loans, mezzanine debt, credit structured products, commercial and residential mortgage-backed securities, commercial and residential whole loans, and other similar strategies, including through equity participation.

“High yield debt” means a debt obligation with a lower credit rating than investment-grade debt.

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

“Mezzanine debt” means subordinated debt that may include embedded equity instruments.

“Mortgage-backed securities” mean asset-backed securities that represent a right to receive a portion of the cash flows from mortgage loans. Residential mortgage-backed securities are typically secured by single-family or two-to-four-family real estate. Commercial mortgage-backed securities are typically secured by commercial and multi-family properties, such as apartment buildings, hotels, schools, retail, or office properties, industrial properties, and other commercial sites.

“Opportunistic credit” means primary and secondary opportunities in performing, stressed, and distressed public and private securities. This includes senior loans, high yield debt, debtor-in-possession financings, and bridge financings, as well as post-reorganization equity.

“Post-reorganization equity” means equity issued by an entity as part of a bankruptcy, reorganization, or other similar restructuring.

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

“Private placement” means a negotiated sale in which the securities are sold directly to institutional or private investors, rather than through a public offering registered with the U.S. Securities and Exchange Commission or applicable foreign regulatory body. Private placement includes the sale of securities pursuant to Section 4(2), Regulation D, Regulation S, or Rule 144A under the Securities Act of 1933, as amended.

“Senior loan” means a debt financing obligation that holds legal claim above other junior debt obligations. Senior loans may include embedded equity instruments.

“Separate account” means an investment vehicle with a single investor that is unaffiliated with its sponsor or manager.

17:5A-10.2 Permissible investments

(a) Subject to the applicable limitations contained in this subchapter, the Director may invest and reinvest the moneys of the eligible fund in global diversified credit investments in any of the following ways:

1. Invest in direct bank loans provided that the borrower:

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

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

2. Invest in separate accounts, funds-of-funds, commingled funds, co-investments, and joint ventures that primarily invest in global diversified credit investments either:

i. Directly by the eligible fund provided that the requirements at N.J.A.C. 17:5A-1.4 have been met; or

ii. Through participation in a common pension fund made available for investment of funds under the supervision of the Board by the State Investment Council, which investments shall be subject to the supervision, policies, and rules of the State Investment Council.

3. Purchase the common stock of an entity that primarily invests in global diversified credit investments, and whose stock is traded on a securities exchange or over-the-counter market or offered and sold through a private placement; and

4. Purchase exchange-traded funds traded on a securities exchange or the over-the-counter market that primarily invest in global diversified credit investments. For the purposes of this subchapter, exchange-traded funds shall be considered as common stock in determining all applicable limitations contained in this subchapter.

(b) In addition to (a) above, the Director may:

1. Exercise the rights or conversion privileges of any security acquired under this subchapter;

2. Retain any distribution received as a result of a corporate action or distribution by a global diversified credit investment, even if such distribution does not meet the requirements of this subchapter;

3. Purchase the preferred stock, whether convertible or not, or rights of an entity, the common stock of which qualifies for investment under this subchapter;

4. Purchase the convertible debt issue of an entity, the common stock of which qualifies for investment under this subchapter; and

5. Purchase stock in new public offerings of entities that primarily invest in global diversified credit investments.

(c) Notwithstanding the restrictions in this subchapter, the Board may approve the purchase of global diversified credit investments on a case-by-case basis.

(d) Nothing in this subchapter shall preclude the Director from investing the monies of the eligible fund directly in individual collateralized notes and mortgages pursuant to N.J.A.C. 17:5A-8 and individual mortgage-backed senior debt securities pursuant to N.J.A.C. 17:5A-17.

17:5A-10.3 Eligible fund

For purposes of this subchapter, the eligible fund shall include the Police and Firemen’s Retirement System and any investment vehicle(s) as may be established by or at the direction of the Board.

17:5A-10.4 Limitations

(a) For all investments made under N.J.A.C. 17:5A-10.2(a)2i, at the time of presentation to the Board (or, for investments under \$50 million, the Investment Committee) in accordance with N.J.A.C. 17:5A-1.4(a), or at the time of purchase of publicly traded securities, the following conditions shall be met:

1. Not more than 10 percent of the market value of the assets of the eligible fund shall be invested in global diversified credit investments, whether directly or through separate accounts, funds-of-funds, commingled funds, co-investments, and joint ventures that primarily invest in global diversified credit investments. Calculation of this limitation shall be applied to the aggregate of investments made directly by the eligible fund and the eligible fund's proportionate interest in global diversified credit investments made through a common pension fund;

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

3. The total amount directly invested in the equity and fixed income obligations of any one issuer and affiliated entities by the eligible fund, shall not exceed five percent of the assets of the eligible fund. Calculation of this limitation shall be applied to the aggregate of investments made directly by the eligible fund and the eligible fund's proportionate interest in global diversified credit investments made through a common pension fund;

4. The total amount of a particular class of stock purchased or acquired of any one issuer shall not exceed 10 percent of that class of stock outstanding; and

5. The total amount of shares directly purchased or acquired of any one exchange-traded fund shall not exceed 10 percent of the total shares outstanding of such fund.

(b) If, subsequent to the time of initial presentation to the Board (or, for investments under \$50 million, the Investment Committee) in accordance with N.J.A.C. 17:5A-1.4(a), or purchase of publicly traded securities, the limitations under (a) above are exceeded, then the Board shall be notified at the next regularly scheduled meeting of the Board. The Division may be granted a six-month grace period to reduce the level of participation below the maximum levels, provided that:

1. The reduction shall be achieved solely by the reduction of investments made directly by the eligible fund and shall not be applied to the eligible fund's proportionate interest in investments made through a common pension fund; and

2. The grace period may be extended for additional four-month periods with the approval of the Board.

SUBCHAPTER 11. COMMERCIAL PAPER

17:5A-11.1 Definitions

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

"Commercial paper" means secured or unsecured short-term debt issued by a company.

17:5A-11.2 Permissible investments

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

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

2. All such securities are payable as to both principal and interest in United States dollars;

3. The maturity of the issue does not exceed 270 days; and

4. The issuer (or any guarantor pledging its full faith and credit to the issue) has a credit rating of P-1 or higher by Moody's Investors Service, Inc., A-1 or higher by Standard & Poor's Corporation, or F-1 or higher by Fitch Ratings. If a rating for the issue has not been obtained from the above services, the issue may be purchased if the issuer rating meets the minimum rating criteria. Subsequent to purchase, if the rating falls below the minimum rating for such issue, it does not have to be sold, and it may

be exchanged with an issue with a credit rating lower than the minimum rating if the issue received in exchange is, on balance, similarly rated.

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

17:5A-11.3 Eligible fund

For purposes of this subchapter, the eligible fund shall include the Police and Firemen's Retirement System and any investment vehicle(s) as may be established by or at the direction of the Board.

17:5A-11.4 Limitations

(a) At the time of initial purchase not more than five percent of the market value of the assets of the eligible fund shall be directly invested in the equity and fixed income obligations of any one issuer and affiliated entities.

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

SUBCHAPTER 12. CERTIFICATES OF DEPOSIT

17:5A-12.1 Definitions

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

"Certificates of deposit" mean debt instruments issued by a bank or trust company, or by a wholly owned subsidiary or branch of a bank or trust company.

17:5A-12.2 Permissible investments

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

1. The investment in the certificate of deposit is limited to a term of one year or less;

2. The certificate of deposit is in an amount of at least \$1 million;

3. If headquartered in the United States or if a United States subsidiary or branch of a foreign bank, the issuer (or any parent bank or trust company, whose full faith and credit is pledged to the issue) is a member of the Federal Reserve System and the Federal Deposit Insurance Corporation; and

4. If headquartered outside of the United States, the issuer (or any parent bank or trust company, whose full faith and credit is pledged to the issue) is headquartered in a country that has agreed to adhere to the international capital standards as stipulated in the Basel Accord.

(b) The issuer (or any parent bank or trust company, whose full faith and credit is pledged to the issue) has a credit rating of P-1 or higher by Moody's Investors Service, Inc., A-1 or higher by Standard & Poor's Corporation, or F-1 or higher by Fitch Ratings. Subsequent to purchase, if the issuer rating fails to meet the minimum rating criteria, the certificate of deposit does not have to be sold.

(c) Notwithstanding the restrictions contained in this subchapter, the Board may approve the purchase of certificates of deposit on a case-by-case basis.

17:5A-12.3 Eligible fund

For purposes of this subchapter, the eligible fund shall include the Police and Firemen's Retirement System and any investment vehicle(s) as may be established by or at the direction of the Board.

17:5A-12.4 Limitations

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

1. The total investment by the eligible fund in certificates of deposit of any one issuer shall not exceed 10 percent of the issuer's outstanding debt; and

2. The total amount directly invested in the equity and fixed income obligations of any one issuer and affiliated entities by the eligible fund, shall not exceed five percent of the assets of the eligible fund.

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

SUBCHAPTER 13. REPURCHASE AGREEMENTS

17:5A-13.1 Definitions

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

“Repurchase agreements” mean agreements between parties whereby one party sells another a security at a specified price with a commitment to repurchase the security at a later date at a specified price.

17:5A-13.2 Permissible investments

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

1. The seller is a bank or trust company or a wholly owned subsidiary of such bank or trust company that:
 - i. Is headquartered in the United States; and
 - ii. Is a member of the Federal Reserve System; or
2. The seller is a securities broker that:
 - i. Is headquartered in the United States;
 - ii. Is registered with the Securities and Exchange Commission; and
 - iii. Meets the criteria for issuers of commercial paper as specified at N.J.A.C. 17:5A-11.

3. The seller demonstrates the capacity to wire collateral against payment through the Federal Reserve System to a designated custodian bank;

4. The security subject to repurchase is:
 - i. An obligation of the United States Government;
 - ii. An obligation of a United States Government agency eligible for investment pursuant to N.J.A.C. 17:5A-5;
 - iii. A collateralized note or mortgage or mortgage-backed security eligible for investment pursuant to N.J.A.C. 17:5A-8 or 17:5A-17, respectively; or
 - iv. A corporate obligation with a credit rating of Aa3 or higher by Moody’s Investors Service, Inc., AA- or higher by Standard & Poor’s Corporation, and AA- or higher by Fitch Ratings, except that two of the three ratings is sufficient and one of the three ratings is sufficient if only one rating is available;

5. The maturity of the repurchase agreement shall not exceed 30 days;

6. The market value of the securities delivered pursuant to the repurchase agreement shall be equal to at least 102 percent of the par value of the repurchase agreement; and

7. The securities delivered pursuant to the repurchase agreement shall have a maturity not exceeding 10 years from the date of the repurchase agreement.

(b) Notwithstanding the restrictions contained in this subchapter, the Board may approve the purchase of repurchase agreements on a case-by-case basis.

17:5A-13.3 Eligible fund

For purposes of this subchapter, the eligible fund shall include the Police and Firemen’s Retirement System and any investment vehicle(s) as may be established by or at the direction of the Board.

SUBCHAPTER 14. MONEY MARKET FUNDS

17:5A-14.1 Definitions

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

“Money market funds” mean mutual funds that invest in short-term debt instruments and seek to maintain a stable share price of one dollar.

17:5A-14.2 Permissible investments

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

1. Invest primarily in money market securities authorized pursuant to N.J.A.C. 17:5A-5, 11, 12, and 13;

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

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

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

17:5A-14.3 Eligible fund

For purposes of this subchapter, the eligible fund shall include the Police and Firemen’s Retirement System and any investment vehicle(s) as may be established by or at the direction of the Board.

17:5A-14.4 Limitations

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

1. Not more than 10 percent of the market value of the eligible fund shall be invested in money market funds; and

2. The total amount of shares or units purchased or acquired by the eligible fund of any one money market fund shall not exceed five percent of the shares or units outstanding.

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

SUBCHAPTER 15. NON-CONVERTIBLE PREFERRED STOCKS

17:5A-15.1 Definitions

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

“Non-convertible preferred stocks” mean shares of stock that provide a dividend that is paid before any dividends are paid to holders of common stock and additional rights above and beyond those conferred by common stock. The shares are not convertible into common stock of the issuing entity.

“Private placement” means a negotiated sale in which the securities are sold directly to institutional or private investors, rather than through a public offering registered with the U.S. Securities and Exchange Commission or applicable foreign regulatory body. Private placement includes the sale of securities pursuant to Section 4(2), Regulation D, Regulation S, or Rule 144A under the Securities Act of 1933.

17:5A-15.2 Permissible investments

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

1. The stock is traded on a securities exchange or the over-the-counter market or issued through a private placement;

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

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

rating if the securities received in exchange are, on balance, similarly rated.

(b) Notwithstanding the restrictions under (a) above, the Director may invest and reinvest the moneys of the eligible fund in global debt obligations, collateralized notes and mortgages, non-convertible preferred stock, and mortgage-backed pass-through securities that do not meet the minimum credit ratings set forth in N.J.A.C. 17:5A-6.2 and 8.2, this section, and N.J.A.C. 17:5A-17.2, respectively; provided, however, the aggregate market value of such investments shall not exceed eight percent of the assets of the eligible fund.

(c) Notwithstanding the restrictions under (a) above, the Director may invest and reinvest the moneys of the eligible fund in global debt obligations and non-convertible preferred stock of companies that do not meet the minimum market capitalization or contributed capital set forth in N.J.A.C. 17:5A-6.2 and this section, respectively; provided, however, the market value of such investments shall not exceed one percent of the assets of the eligible fund.

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

17:5A-15.3 Eligible fund

For purposes of this subchapter, the eligible fund shall include the Police and Firemen's Retirement System and any investment vehicle(s) as may be established by or at the direction of the Board.

17:5A-15.4 Limitations

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

1. The total amount of non-convertible preferred stock purchased or acquired under this subchapter of any one issuer shall not exceed 10 percent of the outstanding non-convertible preferred stock or 25 percent of the issue at the time of issue, except that these requirements may be waived by the Board;

2. The total amount directly invested in the equity and fixed income obligations of any one issuer and affiliated entities by the eligible fund, shall not exceed five percent of the assets of the eligible fund; and

3. The total amount directly invested in debt issued through a private placement by the eligible fund, shall not exceed seven percent of the assets of the eligible fund.

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

SUBCHAPTER 16. GLOBAL EQUITY INVESTMENTS

17:5A-16.1 Definitions

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

"Closed-end global, regional, or country funds" mean funds that invest in underlying securities that concentrate on a specific industry, geographic market, or sector.

"Common stock" means shares of stock, other than preferred stock, representing ownership in a corporation or other form of legal entity.

"Convertible debt issue" means a debt obligation of any corporation or other form of legal entity that is convertible into the common stock of the entity.

"Convertible preferred stock" means preferred stock of any corporation or other form of legal entity that is convertible into the common stock of the entity.

"Equity investments" mean common stock, convertible and non-convertible preferred stock, rights, convertible debt issues, or any other security representing an ownership interest in a corporation, bank, master limited partnership, limited liability company, limited liability partnership, or other form of legal entity. Equity investments may also include investments in exchange-traded funds and closed-end global, regional, or country funds.

"Exchange-traded funds" mean funds that invest in underlying securities that track a predetermined index or strategy, a commodity, or a basket of assets, and whose shares can be traded like shares of common stock.

"Non-convertible preferred stock" means preferred stock of any corporation or other form of legal entity that is not convertible into the common stock of the entity.

"Preferred stock" means shares of stock that provide a dividend that is paid before any dividends are paid to holders of common stock and additional rights above and beyond those conferred by common stock.

"Private placement" means a negotiated sale in which the securities are sold directly to institutional or private investors, rather than through a public offering registered with the U.S. Securities and Exchange Commission or applicable foreign regulatory body. Private placement includes the sale of securities pursuant to Section 4(2), Regulation D, Regulation S, or Rule 144A under the Securities Act of 1933, as amended.

17:5A-16.2 Permissible investments

(a) Subject to the limitations contained in this subchapter, the Director may invest and reinvest the moneys of the eligible fund in global equity investments traded on a securities exchange or the over-the-counter market, or offered and sold through a private placement.

(b) In addition to (a) above, the Director may:

1. Exercise the rights or conversion privileges of any global equity investment acquired under this subchapter;

2. Purchase the convertible preferred stock or rights of an entity, the common stock of such entity which qualifies for investment under this subchapter;

3. Purchase the convertible debt issue of an entity, the common stock of such entity which qualifies for investment under this subchapter;

4. Purchase stock in new public offerings of entities; and

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

(c) Notwithstanding the restrictions in this subchapter, the Board may approve the purchase of global equity investments on a case-by-case basis.

17:5A-16.3 Eligible fund

For purposes of this subchapter, the eligible fund shall include the Police and Firemen's Retirement System and any investment vehicle(s) as may be established by or at the direction of the Board.

17:5A-16.4 Limitations

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

1. The combined market value of global equity investments, excluding exchange-traded funds that invest in fixed-income assets, strategies, or indices, held directly by the eligible fund under this subchapter shall not exceed 70 percent of the total market value of the assets of the eligible fund. The Board shall be notified at the next regularly scheduled meeting of the Board when the combined market value of the equity investments held by the eligible fund reaches or exceeds 68 percent of the total market value of the assets of the eligible fund. Subsection (b) below shall apply when the combined market value of the equity investments held by the eligible fund exceeds 70 percent of the total market value of the assets of the eligible fund;

2. The total amount directly invested in the equity and fixed income obligations of any one issuer and affiliated entities by the eligible fund shall not exceed five percent of the assets of the eligible fund;

3. The total amount of a particular class of stock directly purchased or acquired of any one entity shall not exceed 10 percent of that class of stock outstanding;

4. The total amount of shares or interests directly purchased or acquired of any one exchange-traded fund or closed-end global, regional, or country fund shall not exceed 10 percent of the total shares outstanding or interests of such fund; and

5. The total amount directly invested in equity investments issued through a private placement by the eligible fund shall not exceed two percent of the assets of the eligible fund.

(b) If, subsequent to initial purchase, the limitations under (a) above are exceeded, then the Board shall be notified at the next regularly

scheduled meeting of the Board. The Division may be granted a six-month grace period to reduce the level of participation below the maximum levels, except that the grace period may be extended for additional four-month periods with the approval of the Board.

SUBCHAPTER 17. MORTGAGE-BACKED SENIOR DEBT SECURITIES; MORTGAGE-BACKED PASSTHROUGH SECURITIES

17:5A-17.1 Definitions

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

“Mortgage-backed pass-through securities” mean pass-through securities that are fully collateralized by residential or commercial mortgage securities and are issued by a sponsor deemed by the Director to be based in the United States. In determining whether a sponsor is based in the United States, the Director shall consider factors including, but not limited to, the sponsor’s country of incorporation, its main equity trading market, its shareholder base, the geographical distribution of its operations, the location of its headquarters, and the country in which investors consider the sponsor to be most appropriately classified.

“Mortgage-backed senior debt securities” mean senior debt securities that are fully collateralized by mortgage securities.

17:5A-17.2 Permissible investments

(a) Subject to the limitations contained in this subchapter, the Director may invest and reinvest the moneys of the eligible fund in mortgage-backed senior debt securities provided that the issue must be \$50 million or more in size.

(b) Subject to the limitations contained in this subchapter, the Director may invest and reinvest the moneys of the eligible fund in mortgage-backed passthrough securities provided that:

1. The issue has been registered with the Securities and Exchange Commission, except that this requirement may be waived by the Board;

2. The sponsor is not in default as to the payment of principal or interest upon any of its outstanding obligations. If subsequent to purchase, the sponsor defaults, the investment does not have to be sold; and

3. The issue has a credit rating of A3 or higher by Moody’s Investors Service, Inc., A- or higher by Standard & Poor’s Corporation, and A- or higher by Fitch Ratings, except that two of three ratings is sufficient and one of the three ratings is sufficient if only one rating is available. Subsequent to purchase, if the rating falls below the minimum rating for such issue, it does not have to be sold, and the issue may be exchanged with an issue with a credit rating lower than the minimum rating if the issue received in exchange is, on balance, similarly rated.

(c) Notwithstanding the restrictions under (b) above, the Director may invest and reinvest the moneys of the eligible fund in global debt obligations, collateralized notes and mortgages, non-convertible preferred stock, and mortgage-backed pass-through securities that do not meet the minimum credit ratings set forth in N.J.A.C. 17:5A-6.2, 8.2, and 15.2, and this section, respectively; provided, however, the aggregate market value of such investments shall not exceed eight percent of the assets of the eligible fund.

(d) Notwithstanding the restrictions contained in this subchapter, the Board may approve the purchase of mortgage-backed securities on a case-by-case basis.

17:5A-17.3 Eligible fund

For purposes of this subchapter, the eligible fund shall include the Police and Firemen’s Retirement System and any investment vehicle(s) as may be established by or at the direction of the Board.

17:5A-17.4 Limitations

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

1. Not more than 25 percent of any one issue of mortgage-backed senior debt securities may be directly purchased at the time of issue, except that this requirement may be waived by the Board;

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

3. Not more than 10 percent of the assets of the eligible fund shall be directly invested in mortgage-backed senior debt securities and mortgage-backed pass-through securities.

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

SUBCHAPTER 18. REAL ASSETS

17:5A-18.1 Definitions

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

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

“Commingled funds” means all open-end and closed-end pooled investment vehicles. A commingled fund may be organized as a group trust, partnership, limited liability company, corporation, insurance company separate account, or other multiple ownership entity. An investment in a commingled fund may take the form of an investment in the fund or in the trustee, general partner, or other managing member of such fund.

“Commodity-linked investments” means equity or debt investments from which all or a portion of the return is linked to the price of a particular commodity or equity security, or to an index of such prices. These include commodity-indexed deposits, loans, debt issues, and derivative products, such as forwards, futures, options, and swaps. In these transactions, the interest, principal, or both, or payment streams in the case of swaps, are linked to the price of a commodity.

“Commodity-related investments” mean equity or debt investments in the exploration, production, processing, transportation, storage, or trading of commodities, or other similar activities.

“Common stock” means shares of stock, other than preferred stock, representing ownership in a corporation or other form of legal entity.

“Convertible debt issue” means a debt obligation of any corporation or other form of legal entity that is convertible into the common stock of the entity.

“Convertible preferred stock” means preferred stock of any corporation or other form of legal entity that is convertible into the common stock of the entity.

“Core real estate” means investments in existing, stabilized (meaning at least 80 percent occupied), well-leased assets.

“Direct investment” means the purchase of an interest in a company or venture directly by an eligible fund, rather than through an external investment vehicle.

“East” means Maine, New Hampshire, Vermont, Massachusetts, Connecticut, Rhode Island, New Jersey, New York, Pennsylvania, Delaware, Kentucky, Maryland, North Carolina, South Carolina, Virginia, Washington D.C., and West Virginia.

“Exchange-traded funds” mean funds that invest in underlying securities that track a predetermined index or strategy, a commodity, or a basket of assets, and whose shares can be traded like shares of common stock.

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

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

“Midwest” means Illinois, Indiana, Michigan, Ohio, Wisconsin, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota.

“Non-core real estate” means value-added or opportunistic strategies, including direct property investment with lease-up, development, or redevelopment risk. Non-core real estate includes recapitalizations across capital structures and property types and access to niche markets.

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

“Private placement” means a negotiated sale in which the securities are sold directly to institutional or private investors, rather than through a public offering registered with the U.S. Securities and Exchange Commission or applicable foreign regulatory body. Private placement includes the sale of securities pursuant to Section 4(2), Regulation D, Regulation S, or Rule 144A under the Securities Act of 1933, as amended.

“Real asset investments” mean equity or debt investments in real estate, infrastructure, energy, utilities, water, timber, agriculture, metals, mining and royalty trusts, and commodity-related and commodity-linked investments. Real asset investments include investments in products, services, and technology related to the above.

“Real estate” includes core real estate and non-core real estate.

“Royalty trusts” mean investments that generate an income stream for investors; these primarily include natural resource assets, and pharmaceuticals and medical devices.

“Separate account” means an investment vehicle with a single investor that is unaffiliated with its sponsor or manager.

“South” means Alabama, Florida, Georgia, Mississippi, Tennessee, Arkansas, Louisiana, Oklahoma, and Texas.

“West” means Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming, Alaska, California, Hawaii, Oregon, and Washington.

17:5A-18.2 Permissible investments

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

1. Invest in real assets through direct investments, separate accounts, commingled funds, co-investments, funds-of-funds, and joint ventures either:

i. Directly by the eligible fund provided that the further provisos in N.J.A.C. 17:5A-1.4 have been met; or

ii. Through participation in a common pension fund made available for investment of funds under the supervision of the Board by the State Investment Council, which investments shall be subject to the supervision, policies, and rules of the State Investment Council.

2. Purchase the common stock of an entity that primarily invests in real assets, and whose stock is traded on a securities exchange or over-the-counter market or offered and sold through a private placement; and

3. Purchase exchange-traded funds traded on a securities exchange or the over-the-counter market that primarily invest in real assets. For the purposes of this subchapter, exchange-traded funds shall be considered as common stock in determining all applicable limitations contained in this subchapter.

(b) In addition to the requirements under (a) above, the Director may:

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

2. Purchase the preferred stock, whether convertible or not, or rights of an entity, the common stock of which qualifies for investment under this subchapter;

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

4. Purchase stock in new public offerings of entities that primarily invest in real assets; and

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

(c) Notwithstanding the restrictions contained in this subchapter, the Board may approve the purchase of real assets on a case-by-case basis.

17:5A-18.3 Eligible fund

For purposes of this subchapter, the eligible fund shall include the Police and Firemen’s Retirement System and any investment vehicle(s) as may be established by or at the direction of the Board.

17:5A-18.4 Limitations

(a) For all investments made under N.J.A.C. 17:5A-18.2(a)1i, at the time of presentation to the Board (or, for investments under \$50 million, the Investment Committee) in accordance with N.J.A.C. 17:5A-1.4(a), or at the time of purchase of publicly traded securities, the following conditions shall be met:

1. The aggregate market value of the investment in real estate under this subchapter shall not exceed nine percent of the assets of the eligible fund. Calculation of this limitation shall be applied to the aggregate of investments made directly by the eligible fund and the eligible fund’s proportionate interest in real estate investments made through a common pension fund;

2. The maximum consolidated principal amount of leverage within the real estate portfolio shall not exceed 50 percent and 75 percent of the gross market value of the investment in core real estate and non-core real estate, respectively. This limitation shall not apply to direct investments in common and preferred stock, exchange-traded funds, and convertible debt issues;

3. No more than five percent of the assets of the eligible fund may be invested in real estate located outside the United States. Calculation of this limitation shall be applied to the aggregate of investments made directly by the eligible fund and the eligible fund’s proportionate interest in investments made through a common pension fund. This limitation shall not apply to direct investments in common and preferred stock, exchange-traded funds, and convertible debt issues;

4. No more than seven percent of the assets of the eligible fund may be invested in a single real estate property type, such types being defined as office, retail, apartment/multi-family, hotel, industrial, and specialty use. Calculation of this limitation shall be applied to the aggregate of investments made directly by the eligible fund and the eligible fund’s proportionate interest in the real estate investments made through a common pension fund. This limitation shall not apply to direct investments in common and preferred stock, exchange-traded funds, and convertible debt issues;

5. No more than five percent of the assets of the eligible fund may be invested in direct investments, co-investments, and joint ventures investing in real estate in any one region of the United States, such regions being defined as: East, South, Midwest, and West. Calculation of this limitation shall be applied to the aggregate of investments made directly by the eligible fund and the eligible fund’s proportionate interest in the real estate investments made through a common pension fund. This limitation shall not apply to investments in common and preferred stock, exchange-traded funds, and convertible issues;

6. No more than seven percent of the market value of the assets of the eligible fund may be invested in real assets other than real estate. Calculation of this limitation shall be applied to the aggregate of investments made directly by the eligible fund and the eligible fund’s proportionate interest in the real asset investments made through a common pension fund;

7. The total amount directly invested in the equity and fixed income obligations of any one issuer and affiliated entities by the eligible fund, shall not exceed five percent of the assets of the eligible fund. Calculation of this limitation shall be applied to the aggregate of investments made directly by the eligible fund and the eligible fund’s proportionate interest in the real estate investments made through a common pension fund;

8. The total amount of a particular class of stock purchased or acquired of any one issuer eligible for investment pursuant to N.J.A.C. 17:5A-18.2(a)2 and (b) shall not exceed 10 percent of that class of stock outstanding; and

9. The total amount of shares directly purchased or acquired of any one exchange-traded fund shall not exceed 10 percent of the total shares outstanding of such fund.

(b) If, subsequent to the time of initial presentation to the Board (or, for investments under \$50 million, the Investment Committee) in accordance with N.J.A.C. 17:5A-1.4(a), or purchase of publicly traded

securities, the limitations under (a) above are exceeded, then the Board shall be notified at the next regularly scheduled meeting of the Board. The Division may be granted a six-month grace period to reduce the level of participation below the maximum levels, provided that:

1. The reduction shall be achieved solely by the reduction of investments made directly by the eligible fund and shall not be applied to the eligible fund's proportionate interest in investments made through a common pension fund; and

2. The grace period may be extended for additional four-month periods with the approval of the Board.

SUBCHAPTER 19. FOREIGN CURRENCY TRANSACTIONS

17:5A-19.1 Definitions

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

"Foreign currency transactions" mean agreements between two parties to exchange two currencies at a specific time in the future. Foreign currency transactions include both spot and forward contracts.

"Forward contracts" mean agreements to sell or buy a specified amount of a specified foreign currency at a rate fixed at the time of the transaction but with delivery at a specified future time. These contracts take place on a date after the date that a spot contract settles. Forward exchange contracts may involve the purchase or sale of foreign currency.

"Hedging" means combining a long position in an asset denominated in a currency other than United States dollars with a short position in the international currency in which the asset is denominated in order to offset fluctuations in the value of the underlying asset attributable to international currency fluctuations.

"Spot contracts" mean agreements to sell or buy a specified amount of a specified foreign currency at a rate fixed at the time of the transaction but with settlement (payment and delivery) on the spot date. The settlement cycle of spot contracts is generally related to the settlement cycle of the related security transaction.

17:5A-19.2 Permissible investments

(a) Subject to the limitations in this subchapter, the Director may enter into spot contracts for the purpose of settling investment transactions denominated in foreign currency.

(b) Subject to the limitations contained in this subchapter, the Director may enter into forward contracts for the purpose of hedging the eligible fund's international portfolio.

(c) Counterparties to foreign currency transactions shall be approved by, and included on, a list maintained by the Director. At the time of each transaction, the counterparty (or any guarantor pledging its full faith and credit to the transaction) shall have a long-term credit rating of Baa2 or higher by Moody's Investors Service, Inc, BBB or higher by Standard & Poor's Corporation, and BBB or higher by Fitch Ratings, or the counterparty must be approved by the Board, except that two of the three ratings are sufficient and one of the three ratings is sufficient if only one rating is available.

(d) Notwithstanding the restrictions in this subchapter, the Board may approve the entering into foreign currency transactions on a case-by-case basis.

17:5A-19.3 Eligible fund

For purposes of this subchapter, the eligible fund shall include the Police and Firemen's Retirement System and any investment vehicle(s) as may be established by or at the direction of the Board.

17:5A-19.4 Limitations

With respect to international securities, the portfolio should be unhedged, except in such instances in which the Director believes that unusual circumstances exist in which hedging would serve to improve and protect the inherent returns of the international portfolio.

SUBCHAPTER 20. FUTURES CONTRACTS

17:5A-20.1 Definitions

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

"Futures contract" means an agreement between a buyer and a seller that is based on a referenced item, such as financial indices or interest rates, or a financial instrument, such as equity or fixed income securities, physical commodities, or currencies. Futures contracts may call for physical delivery of a specified quantity of the underlying asset at a specified price (futures or strike price) and date, or be settled in cash. Prices are determined by competitive bids on the applicable exchange. The terms of the contract are standardized and the applicable exchange is the counterparty to each cleared transaction.

17:5A-20.2 Permissible investments

(a) Subject to the limitations contained in this subchapter, the Director may invest and reinvest the moneys of the eligible fund in futures contracts provided that the futures contracts trade on a securities exchange or the over-the-counter market.

(b) The Director may deliver securities to satisfy contractual obligations pursuant to the Division's purchase and sale of a futures contract.

(c) Notwithstanding the restrictions in this subchapter, the Board may approve the purchase of futures contracts on a case-by-case basis.

17:5A-20.3 Eligible fund

For purposes of this subchapter, the eligible fund shall include the Police and Firemen's Retirement System and any investment vehicle(s) as may be established by or at the direction of the Board.

17:5A-20.4 Limitations

(a) At the time of each transaction, the following conditions shall be met:

1. Each transaction shall be subject to applicable market or other regulatory position limits;

2. The aggregate market value of each asset class, together with the notional value of any futures contract obligations should be within the asset allocation range for the respective asset class; and

3. The total aggregate notional value of all futures contracts shall not exceed an amount equal to five percent of the assets of the eligible fund, except that this limit may be increased to an amount not to exceed 10 percent by the Director for a fixed period of time after consultation with the Investment Committee of the Board. Long and short positions shall not be netted when computing total aggregate notional value.

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

SUBCHAPTER 21. SWAP TRANSACTIONS

17:5A-21.1 Definitions

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

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

"Currency swap transactions" mean agreements between two parties that involves the exchange of principal and interest in one currency for the same in another currency.

"Equity swap transactions" mean agreements between two parties to exchange cash flows while still holding the original assets. The two sets of nominally equal cash flows are exchanged per the terms of the swap,

and may involve an equity-based cash flow that is traded for a fixed-income cash flow.

“Interest rate swap transactions” mean agreements between two parties where one stream of future interest payments is exchanged for another according to a prearranged formula. Interest rate swap transactions often exchange a fixed payment for a floating payment that is linked to an interest rate.

“Swap transactions” mean agreements between two parties to exchange securities or cash flows in the future, according to a prearranged formula. Swap transactions may include equity swap transactions, currency swap transactions, interest rate swap transactions, and credit default swap transactions.

17:5A-21.2 Permissible investments

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

1. Swap transactions shall be listed on a securities exchange, traded on an over-the-counter market, or be bid/offered on a competitive basis with multiple broker dealers;

2. Credit default swap transactions may only be purchased for fixed-income securities held in the pertinent portfolio of the eligible fund, except that index-based swaps may be purchased if the Director determines that a significant number of the underlying obligations contained in the index correspond to securities eligible for investment by, and are actually held in the portfolio of, the eligible fund; and

3. The counterparty (or any guarantor pledging its full faith and credit to the transaction) has been approved by, and is included on, a list maintained by the Director. At the time of each transaction, the counterparty (or any guarantor pledging its full faith and credit to the transaction) shall have a long-term credit rating of Baa2 or higher by Moody’s Investors Service, Inc, BBB or higher by Standard & Poor’s Corporation, and BBB or higher by Fitch Ratings, or the counterparty must be approved by the Board, except that two of the three ratings are sufficient and one of the three ratings is sufficient if only one rating is available.

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

17:5A-21.3 Eligible fund

For purposes of this subchapter, the eligible fund shall include the Police and Firemen’s Retirement System and any investment vehicle(s) as may be established by or at the direction of the Board.

17:5A-21.4 Limitations

(a) At the time of entering into a swap transaction:

1. The notional value of net exposure to any one counterparty shall not exceed one percent of the value of the eligible fund; and

2. The total aggregate notional value of all swap transactions shall not exceed five percent of the assets of the eligible fund, except that this limit may be increased to an amount not to exceed 10 percent by the Director for a fixed period of time after consultation with the Investment Committee of the Board.

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

SUBCHAPTER 22. COVERED CALL OPTIONS

17:5A-22.1 Definitions

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

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

17:5A-22.2 Permissible transactions

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

(b) Notwithstanding the restrictions in this subchapter, the Board may approve covered call options on a case-by-case basis.

17:5A-22.3 Eligible fund

For purposes of this subchapter, the eligible fund shall include the Police and Firemen’s Retirement System and any investment vehicle(s) as may be established by or at the direction of the Board.

SUBCHAPTER 23. PUT OPTIONS

17:5A-23.1 Definitions

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

“Put options” mean put options, including index-based put options, purchased or written for securities, assets, or foreign currencies permissible for investment in the eligible fund.

“Put spreads” mean the purchase of put options on particular underlying securities, assets, or foreign currencies permissible for investment in the eligible fund, with the simultaneous writing of put options on the same underlying securities, assets, or currencies, at a lower strike price.

17:5A-23.2 Permissible transactions

(a) Subject to the limitations contained in this subchapter, the Director may purchase and subsequently sell put options, including index-based put options, on behalf of the eligible fund, provided that any put option purchased or sold shall be listed on a securities exchange, traded on the over-the-counter market, or be bid/offered on a competitive basis with multiple broker dealers.

(b) Subject to the limitations contained in this subchapter, the Director may execute, and subsequently terminate, put spreads, provided that the purchased and written put options shall be for the same number of contracts, and shall be listed on a securities exchange, traded on the over-the-counter market, or be bid/offered on a competitive basis with multiple broker dealers.

(c) Notwithstanding the restrictions in this subchapter, the Board may approve put options or put spreads on a case-by-case basis.

17:5A-23.3 Eligible fund

For purposes of this subchapter, the eligible fund shall include the Police and Firemen’s Retirement System and any investment vehicle(s) as may be established by or at the direction of the Board.

17:5A-23.4 Limitations

(a) The difference between the aggregate market value of purchased put options and written put options outstanding at any one time cannot exceed two percent of the market value of the eligible fund.

(b) If subsequent to purchasing or writing put options, the limitation under (a) above is exceeded, the Director shall sell put options in an amount necessary to comply with such limitation.

SUBCHAPTER 24. PRIVATE EQUITY

17:5A-24.1 Definitions

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

“Buyout investment” means the acquisition of an established company. The acquisition may or may not be leveraged.

“Co-investment” means two parties (usually the limited partner and the general partner of a fund) invest alongside each other in the same company. If an investor in a fund has co-investment rights, it can invest directly in a company that is also backed by the fund. The investor, therefore, ends up with two separate stakes in the company — one indirectly through the fund; one directly in the company. Co-investment

may also include multiple like-minded institutional investors investing in a specific company or portfolio.

“Commingled fund” means all open-end and closed-end pooled investment vehicles. A commingled fund may be organized as a group trust, partnership, limited liability company, corporation, insurance company separate account, or other multiple ownership entity. An investment in a commingled fund may take the form of an investment in the fund or in the trustee, general partner, or other managing member of such fund.

“Common stock” means shares of stock, other than preferred stock, representing ownership in a corporation or other form of legal entity.

“Convertible debt issue” means a debt obligation of any corporation or other form of legal entity that is convertible into the common stock of the entity.

“Convertible preferred stock” means preferred stock of any corporation or other form of legal entity that is convertible into the common stock of the entity.

“Debt-related investment” means the purchase of investments in debt instruments that may include equity participation.

“Direct investment” means the purchase of an interest in a company or venture directly by an eligible fund, rather than through an external investment vehicle.

“Exchange-traded funds” means funds that invest in underlying securities that track a pre-determined index or strategy, a commodity, or a basket of assets, and whose shares can be traded like shares of common stock.

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

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

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

“Private equity” means investments in companies or entire business units in order to either restructure the target company’s reserve capital, management, and/or organizational structure or facilitate ongoing growth of the firm. Private equity firms generally receive a return on their investment through an initial public offering, sale, or merger of the company they control, or a recapitalization. Private equity may consist of buyout investments, venture capital investments, and debt-related investments.

“Private placement” means a negotiated sale in which the securities are sold directly to institutional or private investors, rather than through a public offering registered with the U.S. Securities and Exchange Commission or applicable foreign regulatory body. Private placement includes the sale of securities pursuant to Section 4(2), Regulation D, Regulation S, or Rule 144A under the Securities Act of 1933, as amended.

“Separate account” means an investment vehicle with a single investor that is unaffiliated with its sponsor or manager.

“Venture capital investment” means investment in the equity of a small, privately-owned, high-growth company during its early or expansion stages.

17:5A-24.2 Permissible investments

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

1. Invest in buyout investments, venture capital investments, and debt-related investments through separate accounts, funds-of-funds, commingled funds, direct investments, co-investments, and joint ventures either:

i. Directly by the eligible fund provided that the requirements at N.J.A.C. 17:5A-1.4 have been met; or

ii. Through participation in a common pension fund made available for investment of funds under the supervision of the Board by the State Investment Council, which investments shall be subject to the supervision, policies, and rules of the State Investment Council.

2. Purchase the common stock of an entity that primarily invests in private equity, and whose stock is traded on a securities exchange or over-the-counter market or offered and sold through a private placement; and

3. Purchase exchange-traded funds traded on a securities exchange or the over-the-counter market that primarily invest in private equity. For the purposes of this subchapter, exchange-traded funds shall be considered as common stock in determining all applicable limitations contained in this subchapter.

(b) In addition to (a) above, the Director may:

1. Exercise the rights or conversion privileges of any security acquired under this subchapter;

2. Purchase the preferred stock, whether convertible or not, or rights of an entity the common stock of which qualifies for investment under this subchapter;

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

4. Purchase stock in new public offerings of entities that primarily invest in private equity; and

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

(c) Notwithstanding the restrictions contained in this subchapter, the Board may approve the purchase of private equity on a case-by-case basis.

17:5A-24.3 Eligible fund

For purposes of this subchapter, the eligible fund shall include the Police and Firemen’s Retirement System and any investment vehicles(s) as may be established by or at the direction of the Board.

17:5A-24.4 Limitations

(a) For all investments made under N.J.A.C. 17:5A-24.2(a)1i, at the time of presentation to the Board (or, for investments under \$50 million, the Investment Committee) in accordance with N.J.A.C. 17:5A-1.4(a), or at the time of purchase of publicly traded securities, the following conditions shall be met:

1. The aggregate market value of private equity investments under this subchapter shall not exceed 12 percent of the assets of the eligible fund. Calculation of this limitation shall be applied to the aggregate of investments made directly by the eligible fund and the eligible fund’s proportionate interest in private equity investments made through a common pension fund;

2. No more than 12 percent of the assets of the eligible fund may be invested in buyout investments, and no more than seven percent of the assets of the eligible fund may be invested in buyout investments outside of the United States. Calculation of this limitation shall be applied to the aggregate of investments made directly by the eligible fund and the eligible fund’s proportionate interest in investments made through a common pension fund. This limitation shall not apply to direct investments in common and preferred stock, exchange-traded funds, and convertible debt issues;

3. No more than five percent of the assets of the eligible fund may be invested in venture capital investments, and no more than three percent of the assets of the eligible fund may be invested in venture capital investments outside of the United States. Calculation of this limitation shall be applied to the aggregate of investments made directly by the eligible fund and the eligible fund’s proportionate interest in investments made through a common pension fund. This limitation shall not apply to direct investments in common and preferred stock, exchange-traded funds, and convertible debt issues;

4. No more than 12 percent of the assets of the eligible fund may be invested in debt-related investments, and no more than seven percent of the assets of the eligible fund may be invested in debt-related investments outside of the United States. Calculation of this limitation shall be applied to the aggregate of investments made directly by the eligible fund and the eligible fund’s proportionate interest in investments made through a common pension fund. This limitation shall not apply to direct investments in common and preferred stock, exchange-traded funds, and convertible debt issues;

5. The total amount directly invested in the equity and fixed income obligations of any one issuer and affiliated entities by the eligible fund, shall not exceed five percent of the assets of the eligible fund. Calculation

of this limitation shall be applied to the aggregate of investments made directly by the eligible fund and the eligible fund's proportionate interest in investments made through a common pension fund;

6. The total amount of a particular class of stock purchased or acquired of any one issuer shall not exceed 10 percent of that class of stock outstanding; and

7. The total amount of shares directly purchased or acquired of any one exchange-traded fund shall not exceed 10 percent of the total shares outstanding of such fund.

(b) If, subsequent to the time of initial presentation to the Board (or, for investments under \$50 million, the Investment Committee) in accordance with N.J.A.C. 17:5A-1.4(a), or purchase of publicly traded securities, the limitations under (a) above are exceeded, then the Board shall be notified at the next regularly scheduled meeting of the Board. The Division may be granted a six-month grace period to reduce the level of participation below the maximum levels, provided that:

1. The reduction shall be achieved solely by the reduction of investments made directly by the eligible fund and shall not be applied to the eligible fund's proportionate interest in investments made through a common pension fund; and

2. The grace period may be extended for additional four-month periods with the approval of the Board.

SUBCHAPTER 25. OPPORTUNISTIC INVESTMENTS

17:5A-25.1 Definitions

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

"Opportunistic investments" mean investments that have one or more readily identifiable attributes that are sufficiently different from those of other asset classes permitted under this chapter, so as to be outside the scope of such asset classes.

17:5A-25.2 Permissible investments

(a) Subject to the applicable limitations contained in this subchapter, the Director may invest and reinvest the moneys of the eligible fund in opportunistic investments, either directly by the eligible fund or through participation in a common pension fund made available for investment of funds under the supervision of the Board by the State Investment Council, which investments shall be subject to the supervision, policies, and rules of the State Investment Council, provided that:

1. For all investments made directly by the eligible fund:

i. The Director shall provide the Investment Committee of the Board, prior to any binding commitment, with the requested due diligence information for all opportunistic investments made directly by the eligible fund recommended by the Division and a formal written report for each such investment; and

ii. The Director shall provide an informational memorandum to the Board of every opportunistic investment made, which memorandum shall be provided at the next regularly scheduled meeting of the Board subsequent to the date such investment has been made.

2. For all investments made through participation in a common pension fund, the Director shall provide an informational memorandum to the Board of every opportunistic investment made through a common pension fund, which memorandum shall be provided at the next regularly scheduled meeting of the Board subsequent to the date such investment has been made.

17:5A-25.3 Eligible fund

For purposes of this subchapter, the eligible fund shall include the Police and Firemen's Retirement System and any investment vehicle(s) as may be established by or at the discretion of the Board.

17:5A-25.4 Limitations

(a) At the time of presentation to the Investment Committee, the following conditions shall be met:

1. Not more than seven percent of the assets of the eligible fund shall be invested in opportunistic investments in the aggregate. Calculation of this limitation shall be applied to the aggregate of investments made directly by the eligible fund and the eligible fund's proportionate interest in opportunistic investments made through a common pension fund; and

2. Not more than two percent of the assets of the eligible fund shall be invested in any one opportunistic investment. Calculation of this limitation shall be applied to the aggregate of investments made directly by the eligible fund and the eligible fund's proportionate interest in any one opportunistic investment made through a common pension fund.

(b) If, subsequent to the time of initial presentation to the Investment Committee in accordance with this subchapter, the limitations under (a) above are exceeded, then the Board shall be notified at the next regularly scheduled meeting of the Board. The Division may be granted a six-month grace period to reduce the level of participation below the maximum levels, provided that:

1. The reduction shall be achieved solely by the reduction of investments made directly by the eligible fund and shall not be applied to the eligible fund's proportionate interest in investments made through a common pension fund; and

2. The grace period may be extended for additional four-month periods with the approval of the Board.

SUBCHAPTER 26. ABSOLUTE RETURN STRATEGY INVESTMENTS

17:5A-26.1 Definitions

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

"Absolute return strategy" means an investment strategy with the goal of achieving positive returns with less correlation than long-only strategies to traditional performance benchmarks.

"Commingled fund" means all open-end and closed-end pooled investment vehicles. A commingled fund may be organized as a group trust, partnership, limited liability company, corporation, insurance company separate account, or other multiple ownership entity. An investment in a commingled fund may take the form of an investment in the fund or in the trustee, general partner, or other managing member of such fund.

"Commodity trading advisor fund" means a fund trading commodities, currencies, and financial futures using mostly trend-following systems but sometimes discretionary/fundamental models.

"Common stock" means shares of stock, other than preferred stock, representing ownership in a corporation or other form of legal entity.

"Convertible debt issue" means a debt obligation of any corporation or other form of legal entity that is convertible into the common stock of the entity.

"Convertible preferred stock" means preferred stock of any corporation or other form of legal entity that is convertible into the common stock of the entity.

"Credit-oriented fund" means a fund investing in convertible bond arbitrage, fixed income arbitrage, credit instruments, securities of companies under distress (in bankruptcy or close to bankruptcy), or other similar strategies primarily involving investment in fixed income securities.

"Direct investment" means the purchase of an interest in a company or venture directly by an eligible fund, rather than through an external investment vehicle.

"Equity long/short strategy" means holding a combination of long- and short-positions primarily in publicly traded equities, with a net market exposure less than that of the overall equity market.

"Equity market neutral strategy" means holding a combination of long- and short-positions primarily in publicly traded equities, with minimal net market exposure to the overall equity market.

"Equity oriented fund" means a fund investing primarily in publicly traded positions employing equity long/short, quantitative, equity market neutral, event driven, or other similar strategies.

"Event driven strategy" means merger arbitrage, capital structure arbitrage, relative value, activist, or other similar strategies.

"Exchange-traded funds" means funds that invest in underlying securities that track a predetermined index or strategy, a commodity, or a basket of assets, and whose shares can be traded like shares of common stock.

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

“Global macro fund” means a fund investing in top-down, fundamental investments on global price movements in all markets, countries, and currencies.

“Multi-strategy fund” means a fund that employs a combination of strategies, including strategies employed by credit-oriented funds, equity-oriented funds, and opportunistic funds.

“Opportunistic fund” means a fund investing in speculative opportunities with high net market exposure across varied markets. Opportunistic funds include global macro funds, commodity trading advisor funds, tail risk hedging funds, and funds employing other similar strategies.

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

“Private placement” means a negotiated sale in which the securities are sold directly to institutional or private investors, rather than through a public offering registered with the U.S. Securities and Exchange Commission or applicable foreign regulatory body. Private placement includes the sale of securities pursuant to Section 4(2), Regulation D, Regulation S, or Rule 144A under the Securities Act of 1933, as amended.

“Quantitative strategy” means the use of mathematical techniques to identify profit opportunities arising from relationships affecting the prices of various securities.

“Separate accounts” means an investment vehicle with a single investor that is unaffiliated with its fund sponsor or manager.

“Tail risk hedging fund” means a fund that hedges the risk that a rare event will significantly and adversely affect the value of an asset or portfolio.

17:5A-26.2 Permissible investments

(a) Subject to the applicable limitations contained in this subchapter, the Director may invest and reinvest the moneys of the eligible fund in absolute return strategy investments in any of the following ways:

1. Invest in credit-oriented funds, equity-oriented funds, opportunistic funds, or multi-strategy funds through commingled funds, funds-of-funds, separate accounts, managed accounts, and direct investments in individual funds either:

i. Directly by the eligible fund provided that the requirements at N.J.A.C. 17:5A-1.4 have been met; or

ii. Through participation in a common pension fund made available for investment of funds under the supervision of the Board by the State Investment Council, which investments shall be subject to the supervision, policies, and rules of the State Investment Council.

2. Purchase the common stock of an entity that primarily invests in absolute return strategy investments, and whose stock is traded on a securities exchange, over-the-counter market, or offered and sold through a private placement; and

3. Purchase exchange-traded funds traded on a securities exchange or the over-the-counter market that primarily invests in absolute return strategy investments. For the purposes of this subchapter, exchange-traded funds shall be considered as common stock in determining all applicable limitations contained in this subchapter.

(b) In addition to the requirements at (a) above, the Director may:

1. Exercise the rights or conversion privileges of any security acquired under this subchapter;

2. Purchase the preferred stock, whether convertible or not, or rights of an entity, the common stock of which qualifies for investment under this subchapter;

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

4. Purchase stock in new public offerings of entities that primarily invest in absolute return strategy investments; and

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

(c) Notwithstanding the restrictions contained in this subchapter, the Board may approve the purchase of absolute return strategy investments on a case-by-case basis.

17:5A-26.3 Eligible fund

For purposes of this subchapter, the eligible fund shall include the Police and Firemen’s Retirement System and any investment vehicle(s) as may be established by or at the direction of the Board.

17:5A-26.4 Limitations

(a) For all investments made under N.J.A.C. 17:5A-26.2(a)1i, at the time of presentation to the Board (or, for investments under \$50 million, the Investment Committee) in accordance with N.J.A.C. 17:5A-1.4(a), or at the time of purchase of publicly traded securities, the following conditions shall be met:

1. The aggregate market value of absolute return strategy investments under this subchapter shall not exceed 15 percent of the assets of the eligible fund. Calculation of this limitation shall be applied to the aggregate of investments made directly by the eligible fund and the eligible fund’s proportionate interest in investments made through a common pension fund;

2. No more than 10 percent of the assets of the eligible fund may be invested in credit-oriented funds, and no more than one percent of the assets of the eligible fund may be invested directly in any individual credit-oriented fund. Calculation of this limitation shall be applied to the aggregate of investments made directly by the eligible fund and the eligible fund’s proportionate interest in investments made through a common pension fund. This limitation shall not apply to direct investments in common and preferred stock, exchange-traded funds, and convertible debt issues;

3. No more than 10 percent of the assets of the eligible fund may be invested in equity-oriented funds, and no more than one percent of the assets of the eligible fund may be invested directly in any individual equity-oriented fund. Calculation of this limitation shall be applied to the aggregate of investments made directly by the eligible fund and the eligible fund’s proportionate interest in investments made through a common pension fund. This limitation shall not apply to direct investments in common and preferred stock, exchange-traded funds, and convertible debt issues;

4. No more than 12 percent of the assets of the eligible fund may be invested in opportunistic funds, and no more than two percent of the assets of the eligible fund may be invested directly in any individual opportunistic fund. Calculation of this limitation shall be applied to the aggregate of investments made directly by the eligible fund and the eligible fund’s proportionate interest in investments made through a common pension fund. This limitation shall not apply to direct investments in common and preferred stock, exchange-traded funds, and convertible debt issues;

5. No more than 15 percent of the assets of the eligible fund may be invested in multi-strategy funds, and no more than 2.5 percent of the assets of the eligible fund may be invested directly in any individual multi-strategy fund. Calculation of this limitation shall be applied to the aggregate of investments made directly by the eligible fund and the eligible fund’s proportionate interest in investments made through a common pension fund. This limitation shall not apply to direct investments in common and preferred stock, exchange-traded funds, and convertible debt issues;

6. The total amount directly invested in the equity and fixed income obligations of any one issuer and affiliated entities by the eligible fund, shall not exceed five percent of the assets of the eligible fund. Calculation of this limitation shall be applied to the aggregate of investments made directly by the eligible fund and the eligible fund’s proportionate interest in investments made through a common pension fund;

7. The total amount of a particular class of stock purchased or acquired of any one issuer eligible for investment pursuant to N.J.A.C. 17:5A-24.2(a)2 and (b) shall not exceed 10 percent of that class of stock outstanding; and

8. The total amount of shares directly purchased or acquired of any one exchange-traded fund shall not exceed 10 percent of the total shares outstanding of such fund.

(b) If, subsequent to the time of initial presentation to the Board (or, for investments under \$50 million the Investment Committee) in accordance with N.J.A.C. 17:5A-1.4(a) or purchase of publicly traded securities, the limitations under (a) above are exceeded, then the Board

shall be notified at the next regularly scheduled meeting of the Board. The Division may be granted a six-month grace period to reduce the level of participation below the maximum levels, provided that:

1. The reduction shall be achieved solely by the reduction of investments made directly by the eligible fund and shall not be applied to the eligible fund's proportionate interest in investments made through a common pension fund; and

2. The grace period may be extended for additional four-month periods with the approval of the Board.

(c) For investments in funds-of-funds, the limitations under (a) above shall apply to the underlying investments, and not to the funds-of-funds themselves.

(a)

DIVISION OF PENSIONS AND BENEFITS Defined Contribution Retirement Program Proposed Readoption with Amendments: N.J.A.C. 17:6

Authorized by: Defined Contribution Retirement Program, John D. Megariotis, Acting Director.

Authority: N.J.S.A. 43:15C-1.

Calendar Reference: See Summary below for explanation of exception to calendar requirement.

Proposal Number: PRN 2019-105.

Submit comments by September 13, 2019, to:

Susanne Culliton
Assistant Director
Division of Pensions and Benefits
PO Box 295
Trenton, NJ 08625-0295
DPB.regulations@treas.nj.gov

The agency proposal follows:

Summary

The Board of Trustees (Board) of the Defined Contribution Retirement Program ("DCRP" or "System") is responsible for maintaining the administrative rules at N.J.A.C. 17:6. The rules are periodically reviewed by the Division of Pensions and Benefits (Division) and the Board's staff to determine whether the existing rules are necessary, are cost-efficient, reflect the current policies and procedures of the Division, and maintain qualified-plan status in compliance with Federal IRS regulations. When clarification or revision is required, the affected rules are amended accordingly. Finally, when the rules at N.J.A.C. 17:6 are about to expire, they must be reviewed, amended as needed, and repromulgated.

The Board proposes to readopt with amendments the rules at N.J.A.C. 17:6, which were scheduled to expire on June 8, 2019. As the Board filed this notice of readoption prior to the expiration date, that date is extended 180 days to December 5, 2019, pursuant to N.J.S.A. 52:14B-5.1.c(2). The rules proposed for readoption with amendments affect the administration, enrollment, contributions, withdrawals, insurance and death benefits, membership, eligible service, service-credit purchases, retirements, and transfers within the DCRP. A summary of the rules proposed for readoption with amendments follows.

Subchapter 1. Establishment of Program

N.J.A.C. 17:6-1.1, Program established, remains unchanged.

N.J.A.C. 17:6-1.2, Program consists of three plans, remains unchanged.

N.J.A.C. 17:6-1.3, ERISA does not apply, remains unchanged.

N.J.A.C. 17:6-1.4, Governmental plan rules, remains unchanged.

N.J.A.C. 17:6-1.5, Exclusive benefit, remains unchanged.

N.J.A.C. 17:6-1.6, No third-party beneficiary, remains unchanged.

Subchapter 2. Definitions

At N.J.A.C. 17:6-2.1, Definitions, the Board proposes to expand the definition of "distribution," so that it accurately conveys that any kind of

payment, whether it be a withdrawal, retirement, or rollover, is to be considered a distribution. The definition of "effective date" is proposed for amendment to exclude the second sentence regarding the effective date of the chapter, which had been improperly placed in Subchapter 2.

Also, the Board proposes to add the following terms: "retired," "vested," and "withdrawal." "Retired" was added to mean when a vested Defined Contribution Retirement Program member separates from covered employment and elects to receive a distribution of funds (of any amount) containing both employer and employee contributions plus interest. This action renders the former participant "retired" and, therefore, ineligible to reenroll in the DCRP or enroll in any other New Jersey State-administered retirement system, pursuant to N.J.S.A. 43:15C-2.b(3). For purposes of determining whether a person working in a position otherwise eligible for participation in one of the State's retirement plans is "retired" from the DCRP, it does not matter whether the person withdrew a small lump sum many years ago or the person is currently receiving a retirement allowance; that person is considered retired and not eligible to enroll in any State pension system. That person could choose to accept employment in the position, but no pension benefit is associated with that employment. "Vested" was added to mean a member's eligibility to receive both employer and employee contributions. All members of the Public Employees Retirement System (PERS), Teachers' Pension and Annuity Fund (TPAF), Police and Firemen's Retirement System (PFRS), Alternate Benefits Program (ABP), and State Police Retirement System (SPRS) are immediately vested, as are newly hired members of DCRP aged 65 or older; DCRP members who commence DCRP employment while under the age of 65 vest after one year of contributions. "Withdrawal" was added to mean when a non-vested DCRP member separates from covered employment and submits a request to the vendor for a withdrawal of contributions. Only the member's contributions are available for withdrawal; employer contributions are forfeited, pursuant to N.J.S.A. 43:15C-3.c. After a withdrawal, the individual is not considered "retired," and, therefore, is eligible for reenrollment in the DCRP or enrollment in another New Jersey State-administered retirement system upon a return to covered employment.

Subchapter 3. Defined Contribution Retirement Program Board

N.J.A.C. 17:6-3.1, Composition, remains unchanged.

N.J.A.C. 17:6-3.2, Powers, remains unchanged.

Subchapter 4. Participation in the Retirement System

In Subchapter 4, the Board proposes to amend N.J.A.C. 17:6-4.1(a) to clarify when the retirement system was established. The addition of the date is necessary so that potential members will know that the eligibility requirements for membership must be met as of the enactment of the DCRP. N.J.A.C. 17:6-4.1(a)6 is proposed for amendment to specify what counts as eligible employment. N.J.S.A. 43:15C-2 clearly defines eligible employment to exclude: an employee with a base salary of less than \$5,000 per year; an employee who is eligible for membership in another State-administered retirement plan; an employee who is receiving a benefit from a State or locally administered plan; and persons excluded by N.J.S.A. 43:15A-7.2 (professional service contracts).

N.J.A.C. 17:6-4.2, Ineligibility, remains unchanged.

N.J.A.C. 17:6-4.3, Waiver of participation, is proposed for amendment to include the use of a waiver form that notifies members of a one-time opportunity to become a member of the DCRP after the waiver was submitted. Pursuant to N.J.S.A. 43:15C-2.c, a person eligible and required to participate in the retirement program may elect to waive participation, when first eligible, on a form required by the Division. Employees enrolled in PERS or TPAF on or after July 1, 2007, or enrolled in PFRS or SPRS after May 21, 2010, are subject to a maximum compensation limit for pension contributions. The maximum compensation limit is based on the annual maximum wage for Social Security and is subject to change at the start of each calendar year. Thus, for PERS and TPAF members enrolled in the DCRP on or after July 1, 2007, or PFRS or SPRS members enrolled in the DCRP after May 21, 2010, the employee's eligible DCRP compensation is the amount of salary that exceeds the annual maximum wage for pension contributions. For example, the maximum compensation limit for 2019 is \$132,900. Thus, a PERS