

N.J.A.C. 5:38-1.1

This file includes all Regulations adopted and published through the New Jersey Register, Vol. 56 No. 13, July 1, 2024

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§ 5:38-1.1 Definitions

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

"Cash management plan" means a plan, pursuant to which a joint insurance fund shall deposit and/or invest its funds.

"Fair market value" means the purchase price of a long-term investment purchased in a competitive sale, or a negotiated sale if the government entity issuer and/or guarantor is not a member of the JIF or, in the case of a joint cash management and investment program, the JIFs that compose the JCMI program.

"Government entity" or "governmental entity" means an agency or corporation of the Federal government or a governmental entity established under the laws of the State of New Jersey.

"Guaranty" means the obligation of a governmental entity to raise taxes without limitation as to rate or amount to satisfy repayment on a long-term investment issued by another governmental entity.

"Joint cash management and investment program" or "JCMI program" means a joint investment pool in which two or more joint insurance funds participate, with the pooled funds being invested pursuant to a joint cash management plan.

"Joint cash management plan" means a cash management plan approved by the Commissioner of Banking and Insurance and the Commissioner of Community Affairs, pursuant to which a joint cash management and investment program shall deposit and/or invest its funds.

"Joint insurance fund" or "JIF" means a joint insurance fund created pursuant to P.L. 1983, c. 372 ([N.J.S.A. 40A:10-36](#)) et seq.) or P.L. 1983, c. 108 ([N.J.S.A. 18A:18B-1](#)) et seq.).

"Long-term investments" means bonds, notes, or other obligations that are issued by a government entity. This term shall not include those types of securities already authorized for investment by a joint insurance fund pursuant to [N.J.S.A. 18A:20-37](#) and [40A:5-15.1](#).

History

HISTORY:

Amended by R.2020 d.054, effective May 4, 2020.

See:

[52 N.J.R. 96\(a\)](#)

[52 N.J.R. 1015\(a\)](#)

In the introductory paragraph, inserted "unless the context clearly indicates otherwise"; added definitions "Fair market value", " 'Government entity' or 'governmental entity' ", and "Guaranty", and rewrote definition "Long-term investments".

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§ 5:38-1.2 Long-term investments

(a) A joint insurance fund or a joint cash management and investment program may only purchase long-term investments that meet each of the following criteria:

1. The governmental entity responsible for the issuance of the long-term investment is not in default as to the payment of principal or interest upon any of its outstanding obligations;
2. The long-term investment is purchased at fair market value;
3. The long-term investment is secured by a pledge of all or a portion of the government entity issuer's revenues, secured by the government entity issuer's pledge to raise taxes without limitation as to the rate or amount and/or secured by another government entity's guaranty. This paragraph shall not be interpreted to bar JIF or JCMI program investment in long-term investments issued by governmental entities without taxing power, so long as the issuer and issuance meet the provisions of this section; and
4. The long-term investment has, or is being issued or guaranteed by a government entity that has, a credit rating of A3 or higher by Moody's Investor Services, Inc., A- or higher by Standard & Poor's Corporation, and A- or higher by Fitch Ratings, except that ratings from two of the three aforementioned credit ratings agencies shall be sufficient. If a rating for the long-term investment, or the government entity issuer or guarantor, has not been obtained from at least two of the three credit ratings agencies, the long-term investment may be purchased if the governmental entity responsible for the issuance or guaranty thereof has pledged to raise taxes without limitation as to rate or amount in order to satisfy repayment, and the issuance or the governmental entity responsible for the issuance or guarantee thereof has a rating from at least one of the aforementioned credit rating agencies that meets the above-referenced minimum rating criteria.
 - i. If the long-term investment, or the issuer or guarantor of a long-term investment, requires only one rating pursuant to this paragraph, but has multiple ratings, and at least one of the ratings is below the minimum required credit rating, a JIF or JCMI program shall not purchase the long-term investment.
 - ii. A JIF or JCMI program may invest in a long-term investment that is non-recourse, so long as the long-term investment has obtained ratings from at least two of the three credit ratings agencies, and those ratings meet at least the minimum required credit rating.

(b) A joint insurance fund or a joint cash management and investment program shall not invest in long-term investments with a maturity of greater than 20 years from the date of purchase, unless the fund or program seeks prior approval from the Department of Banking and Insurance and the Division of Local Government Services in the Department of Community Affairs to enter into a long-term investment of longer duration.

(c) A cash management plan or joint cash management plan shall not authorize long-term investments to make up more than 50 percent of a joint insurance fund's or JCMI program's investment portfolio.

1. In the event that the percentage exceeds 50 percent due to the maturity of other investments not meeting the definition of a "long-term investment" pursuant to this section, the JCMI program shall:

§ 5:38-1.2 Long-term investments

- i. Not purchase any long-term investments until a ratio of 50 percent or below is achieved; and
 - ii. Submit a corrective action plan for approval by the Division of Local Government Services and the Department of Banking and Insurance.
2. If the Division of Local Government Services or the Department of Banking and Insurance does not approve the corrective action plan offered by a joint insurance fund or a JCMI program, either agency may order appropriate remedies, up to and including divestment of one or more long-term investments, to reduce the share of long-term investments to 50 percent or less of an investment portfolio.

History

HISTORY:

Amended by R.2020 d.054, effective May 4, 2020.

See: [52 N.J.R. 96\(a\)](#), [52 N.J.R. 1015\(a\)](#).

Rewrote (a).

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§ 5:38-1.3 Cash management plans and joint cash management plans; reporting

(a) The status of a JIF or JCMI program's investments shall be reported at each meeting of a joint insurance fund, or in the case of a joint cash management and investment program, any entity that administers the same. The report shall be spread upon the minutes or attached to the minutes, and include, at a minimum:

1. All investments made or redeemed over the past month;
2. Each organization holding JIF or JCMI program funds;
3. The amount of securities purchased or sold, class or type of securities purchased, book value, earned income, fees incurred, and market value of all investments to date;
4. The duration of all investments, and the percentage of long-term investments, in the JIF or JCMI program investment portfolio; and
5. Such other information as may be required by the governing body.