



**Police & Firemen's Retirement System of New Jersey  
Emergency Investment Disposition Policy**

## Table of Contents

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<b>Chapter I: Introduction</b> .....	3
A. Purpose .....	3
B. Investment Objective .....	3
<b>Chapter II: Governance and Responsibilities</b> .....	4
A. Board of Trustees .....	4
B. Investment Committee .....	4
C. Chief Investment Officer .....	4
D. Executive Director .....	4
E. PFRSNJ Investment Staff .....	4
F. Investment Consultant .....	4
<b>Chapter III: The Program</b> .....	5
A. Emergency Investment Disposition .....	5

## Chapter I: Introduction

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### **A. Purpose**

The purpose of the policy is to provide clear instruction as the procedure and required criteria for emergency investment disposition. This policy will lay out the relevant parties and their responsibilities as they pertain to emergency investment disposition.

This Policy has been drafted by staff, reviewed by the Investment Committee and approved by a majority of the Board. Material deviation from this document is not permitted without explicit written permission, in advance, from the Board.

### **B. Investment Objectives**

To limit risk in the Police and Firemen's Retirement System of New Jersey's investment program by enabling Investment Staff to, when necessary, remove risk immediately from the portfolio.

## Chapter II: Governance and Responsibilities

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### **A. Board of Trustees**

The Board of Trustees will review any suggested changes to Emergency Investment Disposition Policy from the Investment Committee for potential approval. The Board will receive a report on any implementation of the Emergency Investment Disposition Policy, including the investment/investment advisor exited, the rationale for disposing of the investment/investment advisor, and the need for urgency.

### **B. Investment Committee**

The Investment Committee will review any suggested changes to the Emergency Investment Disposition Policy by the Chief Investment Officer and potentially make recommendations for changes to the Board. The Investment Committee will review any implementation of the Emergency Investment Disposition Policy, including both the investment/investment advisor exited, the rationale for disposing of the investment/investment advisor, and the need for urgency.

### **C. Chief Investment Officer**

It is the responsibility of the Chief Investment Officer to maintain the Emergency Investment Disposition Policy. The Chief Investment Officer shall review investments/investment advisors to determine if they should be disposed of and the urgency of the disposition in determining if this policy should be utilized, subject to confirmation by the Executive Director. It is the duty of the Chief Investment Officer to determine the most prudent way to reallocate the funds/assets received through disposition of an investment/investment advisor.

### **D. Executive Director**

The Executive Director shall review investments/investment advisors to confirm the Chief Investment Officer's determination that they should be disposed of and the urgency of the disposition in determining if this policy should be utilized.

### **E. PFRSNJ Investment Staff**

PFRSNJ Investment Staff shall monitor all PFRSNJ investments and investment advisors and make necessary investment recommendations. PFRSNJ Investment Staff shall review investments/investment advisors to determine if they should be disposed of and the urgency of the disposition in determining if this policy should be utilized, and then make a recommendation to the Chief Investment Officer.

### **F. Investment Consultant**

The Investment Consultant shall monitor all PFRSNJ investments and investment advisors and make necessary investment recommendations. The Investment Consultant shall review investments/investment advisors to determine if they should be disposed of and the urgency of the disposition in determining if this policy should be utilized, and then make a recommendation to the PFRSNJ Investment Staff and/or Chief Investment Officer.

## Chapter III: The Program

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### **A. Emergency Investment Disposition**

These procedures should be followed when it is determined there is urgent risk to the PFRSNJ portfolio with the continued retention of the investment or investment advisor.

Due to the immediate nature of this emergency, the determination of Urgent Financial Risk shall be determined by a joint decision by the following parties with the CIO being ultimately responsible:

- Chief Investment Officer
- Executive Director

For purposes hereunder, an Urgent Financial Risk shall mean any of the following which may reasonably be expected to have a material adverse impact upon a particular PFRSNJ investment in the immediate short term if action is not promptly taken:

- Breach of State or Federal Government law, guidelines, and/or regulations by an investment advisor or an investment;
- Departure of a key investment professional from an investment advisor or with regard to an alternative investment;
- The legal inability of a counter-party to an investment contract or an investment advisor act as a fiduciary.
- Significant capital, as a percentage of the commitment, is a risk.

The determination will be memorialized in a written report explaining the existence of the Urgent Financial Risk and why the investment should be disposed of.

Per the Investment Policy Statement, "If termination is recommended, the Investment Committee shall report effectuation of any such termination recommendation to the Board through the Chairman immediately upon occurrence." Immediate notice after this determination will be send to the Chairman of the Board, the Investment Committee and the DOI. Upon its completion, a report outlining the emergency investment disposition will be provided to the Investment Committee and DOI. The report will be presented to the Board.

The Chief Investment Officer will determine, following the emergency disposition of an investment, the most prudent course of action for reallocating the funds. The reallocation of these funds shall be in accordance with all other laws, regulations, policies and procedures.

PFRSNJ will notify the Division of Investment whenever an Urgent Financial Risk exists and the Emergency Investment Disposition policy is utilized. The Division of Investment will also notify PFRSNJ of any similar event of occurrence causing an investment emergency disposition in the DOI's portfolios.

In the event The Division of Investment believes an Urgent Financial Risk exists effecting the PFRSNJ's portfolio and the PFRSNJ has not so determined that and Urgent Financial Risk exists, the DOI will follow the procedures set forth in the certain Memorandum of Understanding by and among the PFRSNJ and the Division of Investment of the State of New Jersey.