



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

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## Chapter I: Introduction

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### **A. Purpose**

The purpose of the policy is to provide clear instruction as to how to monitor compliance of the Police and Firemen's Retirement System of New Jersey's investment program. This policy will lay out the relevant parties and their responsibilities as they pertain to the Compliance Policy.

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 complying with all relevant laws, regulations, policies, and investment guidelines.

## Chapter II: Governance and Responsibilities

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

The Board of Trustees will review any suggested changes to Compliance Policy from the Investment Committee for potential approval. The Board will review any updates provided by the Investment Committee and/or Compliance Officer regarding the implementation of this policy.

### **B. Investment Committee**

The Investment Committee will monitor the implementation of this policy at a minimum annually. The Investment Committee will update the Board on an as needed basis regarding the Compliance Policy's implementation. The Investment Committee will review any suggested changes to the Compliance Policy by the Compliance Officer and potentially make recommendations for changes to the Board.

### **C. Compliance Officer**

It is the responsibility of the Compliance Officer to maintain the Compliance policy. The Compliance Officer will recommend any changes to this policy to the Investment Committee and/or the Board. It is the responsibility of the Compliance officer to, in a timely manner, update all necessary parties of compliance breaches. The Compliance Officer will create an internal report on a monthly basis for outlining any Investment Guideline breaches by Investment Advisors as well as any specific Investment Regulation breaches (e.g. asset class requirements, total portfolio requirements) for Senior Management and Investment Staff. The Compliance Officer will also present a semi-annual report to the Investment Committee on any Investment Guideline breaches as well as Investment Regulation breaches. In addition, the Compliance Officer shall annually update the Investment Committee, Chief Investment Officer, and Board on the Compliance Policy Implementation.

### **D. Chief Investment Officer**

It is the responsibility of the Chief Investment Officer to review any compliance breaches and their remedies. The Chief Investment Officer shall direct the Investment Staff to make any recommendations arising due to compliance incidents.

### **E. Asset Class Committee**

The relevant Asset Class Committee shall review all Compliance Reports provided and coordinate any follow up action required to inform their investment opinion.

### **F. Public/Private Markets Review Committee**

The relevant review committee shall review all Compliance Reports provided and coordinate any follow up action required to inform their investment opinion. The relevant review committee shall review and approve proposed changes in compliance questions.

## Chapter III: The Program

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The Compliance Officer shall semi-annually update the Board regarding the Plan's compliance with this policy.

PFRSNJ will provide the Division of Investment with monthly and quarterly compliance reports. In the event of a breach in daily, monthly, and quarterly compliance monitoring, PFRSNJ will notify the Division of Investment of such breach and provide all relevant reports/communications.

### **A. Investment Portfolio Compliance**

The Compliance Officer will review PFRSNJ's investment portfolio for compliance with Chapter 55, PFRSNJ's investment regulations, PFRSNJ's Investment Policy Statement, adopted policies, the Investment Advisors Investment Guidelines and all applicable laws and regulations.

#### Daily Compliance Monitoring

The Compliance Officer on a daily basis shall review the overall investment program against the advisor guidelines, investment rules and regulatory requirements. Issues will be reviewed, documented, remediated or escalated as required daily.

#### Monthly Compliance Monitoring

On a monthly basis, The Compliance Officer shall review the overall program, asset class exposures, and individual portfolios with-in the program to ensure compliance with all guidelines and regulations. Breaches will be recorded in a monthly compliance report. The report will include the breaches that occurred, the responsible investment advisor(s) (if any), the corrective actions taken and/or being taken, and if the breaches have been remediated. Breaches will remain on the monthly compliance report until they have been fully rectified. The report will be provided to the relevant Asset Class Committee and Public/Private Review Committee, Senior Management and Investment Staff. Depending upon the threshold of the breach, a notice may need to be sent to the Board as stipulated in the Investment Regulations. Finally, on a semi-annual basis a report will be compiled and presented to the Investment Committee and to the Board.

#### Potential examples of compliance Monitoring

- Asset Allocation
- Industry, Sector, and/or Security investment limits both at an aggregated level and individual portfolio level
- Duration, Credit Quality, other risk characteristic measurements
- Aggregated/Total Fund Issuer Concentration Reporting
- Country and regional exposure

#### Quarterly Compliance Monitoring

On a quarterly basis, Investment Staff will issue RFIs or DDQs to all public market investment advisors. The Compliance Officer is expected to review the compliance answers provided. Any issues identified will be included in the next monthly compliance memorandum. The memorandum will include each issue, the responsible investment advisor for each issue, the corrective actions taken and/or being taken, and if the breaches are now in compliance. Breaches will remain on the compliance

memorandum until they have been rectified. The memorandum will be provided to the relevant Asset Class Committee and Public/Private Review Committee.

The quarterly compliance questions should include the following areas of concern:

- Maintenance of Insurance Policies (by advisor)
- Ownership Changes
- Compliance with applicable regulatory agencies
- Pending/Anticipated/On-going Litigation
- Civil or Criminal investigation by SEC, IRS, DOL, etc.
- Turnover in Compliance Team / Change in Auditor

#### Annual Compliance Monitoring

Review the compliance questions issued as part of RFQs, RFIs, and DDQs. Suggest any changes to the compliance questions to Public and Private Markets Review Committees for approval.

#### Public Investment Advisor Initial Underwrite

The Compliance Officer will maintain an on-boarding compliance questionnaire that is included in public RFQs. This is to ensure the potential investment advisors have the required capabilities to monitor their own compliance and review for any potential red flags.

The compliance questions included in the RFQ should include the following areas of concern:

- Registration with SEC (Registered Investment Advisor under the '40 Act)
- Compliance Policies
- Maintenance of Insurance Policies (by advisor)
- Ownership Changes
- Compliance with applicable regulatory agencies
- Pending/Anticipated/On-going Litigation
- Civil or Criminal investigation by SEC, IRS, DOL, etc.
- Turnover in Compliance Team / Change in Auditor

When potential investment advisors have been cleared for a full due diligence by the relevant Asset Class Committee, the Compliance Officer shall coordinate Compliance Due Diligence to be completed and incorporated into the Investment Staff Opinion Memorandum. The Compliance Officer shall follow the Compliance Due Diligence Procedures of the PFRSNJ Investment Process.

#### **B. Regulatory Compliance**

The Compliance Officer shall formally review on an annual basis, all policies adopted by the Board to ensure PFRSNJ is in compliance. This review will be completed after all annual reviews required by other policies are complete. When there is non-compliance with a policy, the Compliance Officer shall inform the Chief Investment Officer and the responsible individual and/or Committee and if time permits allow them to cure the problem. The Compliance Officer shall draft an Annual Compliance Memorandum certifying PFRSNJ was in compliance with Chapter 55, the Investment Regulations, Investment Policy Statement and adopted policies for the previous year. The Annual Compliance Memorandum shall be presented to the Chief Investment Officer, Investment Committee, and Board.

PFRSNJ will report and or provide all necessary information and forms required by regulatory bodies and or law. For example, 13F, 13G, 13H SEC filings.