



**Police & Firemen's Retirement System of New Jersey
Rebalancing Guidelines Policy**

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Chapter I: Introduction

A. Purpose

The purpose of the policy is to provide clear guidelines for rebalancing the Plan's assets. The Plan will periodically rebalance its assets in order to maintain its exposures as described in the Asset Allocation Policy. The Plan understands that it is important to maintain these exposures through all market cycles and individual asset class volatility in order to achieve the desired long-term return set out in the Asset Allocation Policy.

This Policy has been drafted by PFRSNJ Staff and reviewed and approved 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 provide the System with clear allowable ranges for asset class exposures relative to overall Plan assets. The objective of this policy is to ensure asset allocation weights prescribed in the asset allocation policy are adhered to in order to potentially achieve the Asset Allocation Policy's desired risk, return, and correlation assumptions.

Chapter II: Governance and Responsibilities

The Board of Trustees has discretion regarding the movement of assets, including for rebalancing. Per the investment regulations the Board the ability to delegate discretion for investment and reinvestment to the Chief Investment Officer.

A. Board of Trustees

The Board maintains discretion regarding the transfer of assets as well as approval of this policy. The Board delegate's authority to the Chief Investment Officer to rebalance the Plan's assets in accordance with the guidelines set forth in this policy to ensure appropriate implementation of the Plan's Asset Allocation Policy.

The Board shall receive quarterly updates regarding the implementation of the asset allocation including individual asset class weights compared to their target and allowed ranges. The Chief Investment Officer shall also quarterly update the Board of rebalancing activity to allow the Board to appropriately monitor its responsibility.

B. Investment Committee

The Investment Committee shall monitor the implementation of the asset allocation including individual asset class weights compared to their target and allowed ranges. In addition, the Investment Committee shall monitor the rebalancing activity of the portfolio. The Investment Committee shall bring the attention to the Board any breach of the Rebalance Guideline Policy.

The Investment Committee shall review the rationale and asset allocation impact of all rebalancing activities requiring their approval.

The Investment Committee is responsible for drafting, periodically reviewing, and updating these policies as needed. Creation of these polices and any update shall be recommended by the Investment Committee for approval by the Board.

C. Chief Investment Officer

It is the responsibility of the Chief Investment Officer to provide the Board and the Investment Committee with timely and complete information to allow both to monitor implementation of this policy. This includes providing both entities with timely asset class weights as well as their target exposure and allowed ranged, rebalancing activity, and making suggested changes to these policies.

The Chief Investment Officer will monitor the Plan's exposure to each asset class compared to its targeted weight as outlined in the Asset Allocation Policy and its allowed range as outlined in this policy. The Chief Investment Officer will make necessary actions, within the allowed guidelines of this policy, to ensure the Plan's asset allocation is implemented as set forth in adopted Asset Allocation Policy. The Chief Investment Officer will determine the amount(s) to be transferred and between what accounts.

Chapter III: The Program

A. Rebalancing Guidelines

Rebalancing is defined as the movement of assets between accounts, funds, and/ or mandates already approved by the Board.

The following rebalancing actions can be completed by the Chief Investment Officer without prior approval by the Investment Committee;

- Rebalancing between asset classes towards their prescribed weights in the Asset Allocation Policy.
- Rebalancing within an asset class to more closely align with benchmark exposures. Such as reducing stylistic (growth vs. value) or duration exposures compared to the benchmark.
- Rebalance between investment accounts and/or investment advisors within an asset class.

Within each asset class the maximum style exposure is 65% and the minimum is 35%.

The Chief Investment Officer, in concert with the General Consultant and with prior approval by the Investment Committee may make the following rebalancing actions;

- Rebalance an asset class away from the desired target, but within the allowed range.
- Rebalance within an asset class away from the benchmark characteristics (e.g. style, duration), but within the allowed range.

B. Asset Allocation Targets and Allowable Ranges

Asset Allocation		Policy Benchmark		Guideline	Range
U.S. Large Cap Equity	24%	Russel 1000 Index	24%	+ / - 10%	14% - 34%
U.S. Small / Mid Cap Equity	4%	Russell 2500 Index	4%	-2 / + 3%	2% - 7%
Non-U.S. Developed Equity	9.5%	MSCI EAFE Index	9.5%	+ / - 5%	4.5% - 14.5%
Non-U.S. Developed Small-Cap Equity	2%	MSCI EAFE Small-Cap Index	2%	+ / - 2%	0% - 4%
Emerging Markets Equity	6%	MSCI Emerging Markets Index	6%	+ / - 3%	3% - 9%
Emerging Markets Small-Cap Equity	1.5%	MSCI Emerging Markets Small-Cap Index	1.5%	+ / - 1.5%	0% - 3%
Private Equity	10%	Cambridge Associates Global Private Equity Index Quarter Lag	10%	-5% / +10%	5% - 20%
U.S. Treasury	7%	Bloomberg Barclays U.S. Treasury Index	7%	+ / - 7%	0% - 14%
PFRS Mortgage	5%	Bloomberg Barclays U.S. Mortgage Back Security Index -125 bps	5%	+ / - 5%	0% - 10%
Global Multisector Fixed Income	6%	Bloomberg Barclays U.S. Aggregate Index	6%	-3% / +6%	3% - 12%
US Corporate Bonds	5%	Bloomberg Barclays US Corporate Index	5%	-3% / +5%	2% - 10%
Private Debt	8%	Credit Suisse Leveraged Loan Index +100 bps	8%	-3% / +8%	5% - 16%
Real Estate	7%	43% NCREIF ODCE (Capitalization Weighted) Index / 57% NCREIF Property Index Quarter Lag	7%	-3% / +7%	4% - 14%
Infrastructure	3%	Core CPI + 300 bps	3%	+ / - 3%	0% - 6%
Cash	2%	Bloomberg Barclays U.S. 1-3 Month Treasury Bill Index	2%	-2% / +4%	0 - 6%