

SUBCHAPTER 8. FEES

13:42B-8.1 Fee schedule

(a) The following fees shall be charged by the Board:

1. Application fee	\$100.00
2. Initial license fee licensed applied behavior analyst:	
i. If paid during the first year of a biennial renewal period	\$200.00
ii. If paid during the second year of a biennial renewal period.....	\$100.00
3. Initial license fee licensed assistant applied behavior analyst:	
i. If paid during the first year of a biennial renewal period.....	\$100.00
ii. If paid during the second year of a biennial renewal period.....	\$50.00
4. Renewal of license licensed applied behavior analyst.....	\$200.00
5. Renewal of license licensed assistant applied behavior analyst	\$100.00
6. Late license renewal.....	\$75.00
7. Reinstatement fee.....	\$200.00
8. Inactive license fee.....(to be determined by Director by regulation)	
9. Duplicate/replacement license.....	\$25.00
10. Verification of license.....	\$25.00

TREASURY—GENERAL

(a)

BOARD OF TRUSTEES OF THE POLICE AND FIREMEN’S RETIREMENT SYSTEM

Police and Firemen’s Retirement System Investment Rules

Adopted Repeals and New Rules: N.J.A.C. 17:4A-1.3 and 1.4

Adopted Amendments: N.J.A.C. 17:4A-1.1, 1.2, 1.5, 2.2, 3.1, 3.3 through 3.13, 4.2, 4.4, 5.2, 6.2, 6.4, 7.2, 8.2, 8.4, 9.2, 9.4, 10.2, 10.4, 11.2, 11.4, 12.2, 12.4, 13.2, 14.2, 14.4, 15.2, 15.4, 16.2, 16.4, 17.2, 17.4, 18.2, 18.4, 19.2, 19.4, 20.2, 20.4, 21.2, 21.4, 22.2, 23.2, 23.4, 24.2, 24.4, 25.2, 25.4, 26.2, and 26.4

Adopted Repeals: N.J.A.C. 17:4A-2.1, 2.3, 3.2, 4.1, 4.3, 5.1, 5.3, 6.1, 6.3, 7.1, 7.3, 8.1, 8.3, 9.1, 9.3, 10.1, 10.3, 11.1, 11.3, 12.1, 12.3, 13.1, 13.3, 14.1, 14.3, 15.1, 15.3, 16.1, 16.3, 17.1, 17.3, 18.1, 18.3, 19.1, 19.3, 20.1, 20.3, 21.1, 21.3, 22.1, 22.3, 23.1, 23.3, 24.1, 24.3, 25.1, 25.3, 26.1, and 26.3

Proposed: January 16, 2024, at 56 N.J.R. 115(a).

Adopted: March 22, 2024, by Gregory Petzold, Executive Director of the Police and Firemen’s Retirement System of New Jersey.

Filed: March 22, 2024, as R.2024 d.037, **without change**.

Authority: N.J.S.A. 43:16A-1 et seq.; and P.L. 2018, c. 55.

Effective Date: May 6, 2024.

Expiration Date: January 16, 2031.

Summary of Public Comment and Agency Response:

No comments were received.

Federal Standards Statement

Investment-related activities are generally governed by the Securities and Exchange Act of 1934, 15 U.S.C. §§ 78a et seq. Enforcement actions pursuant to those laws are entrusted to the Securities and Exchange Commission. The conduct of their investment duties by the Board of

Trustees of the Police and Firemen's Retirement System, its individual trustees, employees, and investment advisors with respect to Police and Firemen's Retirement System of New Jersey (PFRS)-managed fund assets is subject to compliance with the Federal rules regarding exchange, purchase, and sales of securities in interstate commerce. PFRSNJ has reviewed the adopted amendments, repeals, and new rules in conjunction with the relevant Federal standards and has determined that the adopted amendments, repeals, and new rules match and do not exceed those standards imposed by Federal law.

Full text of the adopted amendments and new rules follows:

**CHAPTER 4A
POLICE AND FIREMEN’S RETIREMENT SYSTEM OF NEW JERSEY INVESTMENT RULES**

SUBCHAPTER 1. GENERAL PROVISIONS

17:4A-1.1 Purpose

The purpose of this chapter is to formulate and establish policies that shall govern the methods, practices, or procedures for investment, reinvestment, purchase, sale, or exchange transactions to be followed by the Board of Trustees of the Police and Firemen’s Retirement System of New Jersey with respect to those assets under the control and management of the Board.

17:4A-1.2 Definitions

The following words and terms, when used in this chapter, 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-term-only strategies to traditional performance benchmarks.

“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.

“Board” means the Board of Trustees of the Police and Firemen’s Retirement System of New Jersey, established pursuant to N.J.S.A. 43:16A-13.a.

“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.

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

“Cash equivalents” mean United States treasury obligations, irrevocable bank letters of credit, or any other security that can be converted immediately to cash.

“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.

“Chief Investment Officer” means the employed full-time in-house investment advisor selected by the Board of Trustees of the Police and Firemen’s Retirement System of New Jersey, pursuant to N.J.S.A. 43:16A-13.a(21).

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

“Co-investment” means an investment by two parties (usually the limited partner and the general partner of a fund) alongside each other. If a limited partner in a fund has co-investment rights, it can invest directly in a company that is also an investment of the fund. The limited partner, 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.

“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, but does not include investments made pursuant to N.J.A.C. 17:4A-10, Private Credit

Investments, 18, Real Assets, 24, Private Equity, or 26, Absolute Return Strategy Investments.

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

“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” mean 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 pension fund” means a common trust fund established by the Director of the Division of Investment pursuant to N.J.S.A. 52:18A-90.1.

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

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

“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.

“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 pertinent portfolio.

“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.

“Credit structured products” mean 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.

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

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

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

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

“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. Equity investments do not include investments made pursuant to N.J.A.C. 17:4A-10, Private Credit Investments, 18, Real Assets, 24, Private Equity, or 26, Absolute Return Strategy Investments.

“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 pursuant to the terms of the swap and may involve an equity-based cash flow that is traded for a fixed-income cash flow.

“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.

“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.

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

“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.

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

“Global debt obligations” mean debt issued by any corporation, bank, trust, master limited partnership, limited liability company, or other form of legal entity, but does not include investments made pursuant to N.J.A.C. 17:4A-10, Private Credit Investments, 18, Real Assets, 24, Private Equity, or 26, Absolute Return Strategy Investments.

“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.

“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.

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

“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.

“International government and agency obligations” mean 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, but does not include investments made pursuant to N.J.A.C. 17:4A-10, Private Credit Investments, 18, Real Assets, 24, Private Equity, or 26, Absolute Return Strategy Investments.

“Investment committee” means the investment committee established by the Board pursuant to N.J.S.A. 43:16A-13(e).

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“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 other than the PFRSNJ;

3. Any person associated with an investment management firm who is a supervisor of any person described at 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” mean:

1. The business of making or recommending investment management decisions for, or on behalf of, the PFRSNJ;

2. The business of advising or managing a separate entity that makes or recommends investment management decisions for, or on behalf of, the PFRSNJ, including as general partner, investment manager, or similar entity of an investment vehicle; or

3. The provision of financial advisory or investment consulting services to the PFRSNJ.

“Investment vehicle” means an investment in which the PFRSNJ invests directly pursuant to N.J.A.C. 17:4A-10, Private Credit Investments, 18, Real Assets, 24, Private Equity, or 26, Absolute Return Strategy Investments.

“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.

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

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

“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 Board to be based in the United States, but does not include investments made pursuant to N.J.A.C. 17:4A-10, Private Credit Investments, 18, Real Assets, 24, Private Equity, or 26, Absolute Return Strategy Investments. In determining whether a sponsor is based in the United States, the factors to be considered include, but are 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 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.

“Mortgage-backed senior debt securities” mean senior debt securities that are fully collateralized by mortgage securities, but does not include investments made pursuant to N.J.A.C. 17:4A-10, Private Credit Investments, 18, Real Assets, 24, Private Equity, or 26, Absolute Return Strategy Investments.

“Non-convertible preferred stock” means shares of stock that provide a dividend that is paid before any dividends are paid to holders of common stock and confer additional rights above and beyond those conferred by common stock; the shares are not convertible into common stock of the issuing entity. Non-convertible preferred stocks do not include investments made pursuant to N.J.A.C. 17:4A-10, Private Credit Investments, 18, Real Assets, 24, Private Equity, or 26, Absolute Return Strategy Investments.

“Non-core real estate” means investments in 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.

“Operational cash” means funds that have not been allocated for investment by the Board, but have instead been reserved for payment of benefits and administrative expenses.

“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.

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

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

“PFRSNJ” means the Police and Firemen’s Retirement System of New Jersey established pursuant to N.J.S.A. 43:16A-2.

“PFRSNJ-managed fund assets” mean PFRSNJ assets under the control and management of the Board, excluding the PFRSNJ proportionate interest in the common pension funds.

“PFRSNJ proportionate” means the percentage calculated by dividing the PFRSNJ’s then-outstanding units of participation in a common pension fund by the total number of then-outstanding units of participation in the same common pension fund.

“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 a State official or 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.

“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 credit investments” mean 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.

“Private equity” means investments generally made through limited partnerships or other limited liability vehicles that, in turn, generally invest in the equity or debt of companies or entire business units or investment in the debt of equity of a trustee, general partner, or managing member of a fund, but does not include public securities or investments made pursuant to N.J.A.C. 17:4A-10, Private Credit Investments, 18, Real Assets, or 26, Absolute Return Strategy 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. A private placement includes the sale of securities pursuant to Section 4(2), Regulation D, Regulation S, or Rule 144A pursuant to the Securities Act of 1933, as amended. Private placement does not include investments made pursuant to N.J.A.C. 17:4A-10, Private Credit Investments, 18, Real Assets, 24, Private Equity, or 26, Absolute Return Strategy Investments.

“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” mean 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, but does not include investments made pursuant to N.J.A.C. 17:4A-10, Private Credit Investments, 18, Real Assets, 24, Private Equity, or 26, Absolute Return Strategy Investments.

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

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

“Real assets” 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 assets include investments in products, services, and technology related to the above categories.

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

“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.

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

“Securities lending agent” means a third-party engaged to effect securities lending transactions on behalf of the PFRSNJ.

“Securities lending agreement” means a legal contract between a borrower and the PFRSNJ (or a securities lending agent on behalf of the PFRSNJ) that governs the contractual obligations of the parties.

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

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

“Separate account” means an investment vehicle with a sole investor that is unaffiliated with the investment vehicle’s sponsor or manager. An investment in a separate account may take the form of an investment in the investment vehicle or in the trustee, general partner, or other managing member of such investment vehicle.

“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.

“State and municipal general obligations” 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, but does not include investments made pursuant to N.J.A.C. 17:4A-10, Private Credit Investments, 18, Real Assets, 24, Private Equity, or 26, Absolute Return Strategy Investments.

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

“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.

“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.

“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 person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the investment management firm; a third-party placement agent or lobbyist who solicits clients other than the PFRSNJ to engage that investment management firm to provide investment management services; or a third-party placement agent or lobbyist who solicits the PFRSNJ on behalf of another investment management firm.

“Total PFRSNJ fund assets” mean PFRSNJ-managed fund assets together with the PFRSNJ proportionate interest in the common pension funds.

“Transient cash” means funds created by transactional activity in a portfolio and that is expected to be reinvested shortly after receipt.

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“United States Treasury obligations” mean debt obligations of the United States Treasury or debt obligations of any other United States governmental agency that are explicitly guaranteed by the full faith and credit of the United States government.

17:4A-1.3 Permissible investments

The Board shall not make any commitment to purchase, sell, or exchange securities or other investments using PFRSNJ-managed fund assets unless such transaction complies with this chapter.

17:4A-1.4 Limitations

(a) For all investments in direct investments, separate accounts, funds-of-funds, commingled funds, co-investment, and joint ventures, the investment committee shall receive a written due diligence report which shall contain, among other things:

1. Sufficient evidence to demonstrate that the proposed investment satisfies the applicable limitations and conditions set forth in this chapter; and

2. A summary of any and all compensation arrangements with consultants and intermediaries (whether direct or indirect) in connection with the proposed investment.

(b) For all investments of PFRSNJ-managed fund assets, the following limitations shall apply:

1. A binding commitment shall not be made pursuant to N.J.A.C. 17:4A-10, Private Credit Investments, 18, Real Assets, 24, Private Equity, or 26, Absolute Return Strategy Investments, directly to an investment vehicle that, together with all other commitments of total PFRSNJ fund assets to investment vehicles managed by the investment management firm, comprises more than 20 percent of the investment management firm’s total assets under management at the time of such binding commitment. Notwithstanding this paragraph, a binding commitment may be made that exceeds the 20 percent limitation, provided that any obligation to fund such binding commitment shall be contingent upon the total amount of total PFRSNJ fund assets invested directly in an investment vehicle managed by the investment management firm (including unfunded commitments) being less than 20 percent of the investment management firm’s total assets under management (excluding unfunded commitments) at the time of funding. Calculation of this limitation shall exclude all investments in publicly traded securities.

2. Not more than 45 percent of the market value of total PFRSNJ fund assets shall be represented by the market value of investments made pursuant to N.J.A.C. 17:4A-10, Private Credit Investments, 18, Real Assets, 24, Private Equity, and 26, Absolute Return Strategy Investments. If the 45 percent limitation is exceeded, then the Board shall be notified at the next regularly scheduled meeting of the Board. The Board may grant a six-month grace period to reduce the level of participation to at or below the 45 percent limitation, except that the grace period may be extended by one or more additional four-month periods with the approval of the Board, provided the Board determines such extension is in the financial best

interest of the PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.

(c) In the event that any subchapter of this chapter contains a limitation on the percentage of an investment, or class of investment:

1. That limitation applies only to investments (or classes of investments) that are the subject of that subchapter;

2. Unless otherwise specified, that limitation shall be construed to exclude investments made pursuant to N.J.A.C. 17:4A-10, Private Credit Investments, 18, Real Assets, 24, Private Equity, and 26, Absolute Return Strategy Investments; and

3. Calculation of the limitation shall exclude investments in the mortgage loan program administered by the New Jersey Housing and Mortgage Finance Authority, pursuant to N.J.S.A. 43:16A-16.9 et seq.

17:4A-1.5 Legal documents

In connection with any permissible investments pursuant to this chapter, the Board shall obtain such documents, representations, or opinions as may be required by legal counsel to the Board.

SUBCHAPTER 2. STATE OF NEW JERSEY CASH MANAGEMENT FUND

17:4A-2.1 Permissible investments

The Board may invest and reinvest PFRSNJ-managed fund assets in the State of New Jersey Cash Management Fund.

SUBCHAPTER 3. POLICIES CONCERNING POLITICAL CONTRIBUTIONS BY INVESTMENT ADVISORS; COMMITMENT TO MINORITY- AND WOMEN-OWNED BUSINESS ENTITIES; COMMITMENT TO TRANSPARENCY

17:4A-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 PFRSNJ 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 PFRSNJ, the State taxpayers, and the public interest by:

1. Prohibiting investment management firms from being engaged to provide investment management services to the Board 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 Board 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 in connection with investments of PFRSNJ-managed assets.

17:4A-3.2 Restrictions

(a) The Board shall not engage an investment management firm to provide investment management services for the benefit of the PFRSNJ 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.-4. (No change.)

(b) The Board 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.-2. (No change.)

3. Any third-party solicitor who solicited the Board 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. (No change.)

(c) The provisions at (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 prior two years 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 \$300.00 per State official, per election.

(d) The provisions at (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 prior two years to, and during, any such engagement did/do not exceed \$300.00 per political party, per year.

(e) The provisions at (a), (b), (c), and (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.

17:4A-3.3 Solicitations

(a) Any investment management firm, investment management professional, or third-party solicitor that is engaged, or seeking to be engaged, in providing investment management services to the Board shall not:

1.-4. (No change.)

17:4A-3.4 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 at N.J.A.C. 17:4A-3.2 or 3.3.

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

1.-3. (No change.)

17:4A-3.5 Reporting

(a) Except as otherwise provided at (b) and (c) below, each investment management firm that is engaged to provide investment management services to the Board 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 the following information:

1. (No change.)

2. For all political contributions and payments to political parties made by persons set forth at N.J.A.C. 17:4A-3.2(a) or (b), excluding any political contribution or payment to a political party made pursuant to N.J.A.C. 17:4A-3.2(c) and (d):

i.-iv. (No change.)

3. Whether any reported political contribution or payment to a political party is the subject of an exemption pursuant to N.J.A.C. 17:4A-3.9 and the date of such exemption; and

4. (No change.)

(b)-(d) (No change.)

Recodify existing 17:4A-3.7 and 3.8 as 3.6 and 3.7 (No change in text.)

17:4A-3.8 Contract termination

The Board shall provide in each contract with an investment management firm 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 PFRSNJ shall have the right to terminate its relationship with the investment management firm.

17:4A-3.9 Exemptions

(a) An investment management firm that would otherwise be prohibited from being engaged to provide investment management services to the Board pursuant to N.J.A.C. 17:4A-3.2 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. (No change.)

ii. Such political contribution or payment to a political party did not exceed \$300.00; and

iii. (No change.)

2. The investment management firm demonstrates, in writing, to the Board that the violation of this subchapter was unintentional and inadvertent, and the Board determines that the beneficiaries of the PFRSNJ, the State taxpayers, and the public are best served by such an exemption.

(b)-(c) (No change.)

17:4A-3.10 Restrictions on Board members

It is prohibited for any Board member to receive any form of compensation, gratuity, gift, donation, service, or payment in connection with the hiring or retention, of any investment management firm by the Board 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, donation, 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 at P.L. 2003, c. 246 (N.J.S.A. 26:8A-3).

17:4A-3.11 Board commitment to working with minority- and women-owned business entities (MWBEs)

The Board understands and acknowledges that in pursuing its investment goals there are material financial benefits to the PFRSNJ and its beneficiaries resulting from working with minority- and women-owned business entities (MWBEs). The Board shall consider the hiring of MWBEs in determining how to invest PFRSNJ-managed fund assets, taking into consideration its fiduciary obligation and any other factors important to the Board. This commitment, consistent with the legislative mandate at N.J.S.A. 52:18A-89.15, requires the Board, subject to and consistent with the Board's fiduciary duties and the applicable standard for prudent investment, to attempt to use, to the greatest extent feasible, qualified minority- and women-owned financial institutions to provide brokerage and investment advisor services.

17:4A-3.12 Board commitment to transparency

The Board considers public transparency of its investment decisions to be an important public policy objective. The Board shall use its authority and discretion to disclose information to the public, including beneficiaries of the PFRSNJ, about investments of PFRSNJ-managed fund assets. In considering the information to disclose, the Board shall take into consideration its fiduciary obligation, as well as other factors, including, without limitation, the disclosure policies adopted by other public pension investment funds, the level of disclosure acceptable to fund sponsors and managers, and the effect that the disclosure policy may have on sourcing investment opportunities.

SUBCHAPTER 4. SECURITIES LENDING TRANSACTIONS

17:4A-4.1 Permissible transactions

(a) Subject to the limitations in this subchapter, the Board may enter into securities lending transactions on behalf of the PFRSNJ, provided that:

1. The portfolios eligible to have securities loaned by the PFRSNJ are designated by the Chief Investment Officer or the Investment Committee as eligible for securities lending;

2. (No change.)

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

4. The collateral delivered by the borrower is held in a segregated custodial account on behalf of the PFRSNJ;

5. The securities loaned by the PFRSNJ and the 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 collateral is less than the required percentage of the market value of the loaned securities, as required by the securities lending agreement; and

6. (No change.)

(b) The cash collateral shall be reinvested in securities permissible for investment pursuant to this chapter and in accordance with investment

guidelines established by the Chief Investment Officer or the Investment Committee.

(c) Notwithstanding the restrictions in this subchapter, the Board may approve securities lending transactions or the reinvestment of collateral on a case-by-case basis if the Board determines such transactions to be in the best financial interest of the PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.

17:4A-4.2 Limitations

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

(b) The credit quality of the required collateral shall be specified in an agreement with the securities lending agent, where applicable, and in each securities lending agreement.

(c) In no event shall the required collateral level be less than 100 percent of the market value of the loaned securities.

(d) 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 Board may grant a six-month grace period to bring the transactions into compliance, except that the grace period may be extended by one or more additional four-month periods with the approval of the Board, provided the Board determines such extension is in the financial best interest of the PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.

SUBCHAPTER 5. UNITED STATES TREASURY AND GOVERNMENT AGENCY OBLIGATIONS

17:4A-5.1 Permissible investments

Subject to the limitations in this subchapter, the Board may invest and reinvest PFRSNJ-managed fund assets in United States Treasury obligations and government agency obligations; and 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 Chief Investment Officer or the Investment Committee certifies 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.

SUBCHAPTER 6. GLOBAL DEBT OBLIGATIONS

17:4A-6.1 Permissible investments

(a) Subject to the limitations in this subchapter, the Board may invest and reinvest PFRSNJ-managed fund assets 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; and

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

2. The obligations have credit ratings of at least: 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 at (a) above, the Board may invest and reinvest PFRSNJ-managed fund assets in: global debt obligations; state, municipal, and public authority obligations; collateralized notes and mortgages; international government and agency obligations; non-convertible preferred stock; and mortgage-backed pass-through securities that do not meet the minimum credit ratings set forth in this section and at

N.J.A.C. 17:4A-6.1, 7.1, 8.1, 9.1, 15.1, and 17.1, respectively; provided, however, the aggregate market value of such investments shall not exceed eight percent of the total PFRSNJ fund assets.

(c) Notwithstanding the restrictions at (a) above, the Board may invest and reinvest the moneys of the PFRSNJ-managed fund assets 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 at N.J.A.C. 17:4A-15.1, respectively; provided, however, that the market value of such investments shall not exceed one percent of the total PFRSNJ fund assets.

(d) In addition to making the investments described at (a) above, the Board may:

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

2. (No change.)

(e) Notwithstanding the restrictions in this subchapter, the Board may approve the purchase of global debt obligations on a case-by-case basis if the Board determines such purchase to be in the financial best interest of the PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.

17:4A-6.2 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 pursuant to 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 shall not exceed five percent of the total PFRSNJ fund assets; and

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

(b) If, subsequent to initial purchase, the limitations at (a) above are exceeded, then the Board shall be notified at the next regularly scheduled meeting of the Board. The Board may grant a six-month grace period to reduce the level of participation to at or below the maximum levels, except that the grace period may be extended by one or more additional four-month periods with the approval of the Board, provided the Board determines such extension is in the financial best interest of the PFRSNJ and its beneficiaries, and is consistent with the Board's fiduciary responsibility.

SUBCHAPTER 7. STATE, MUNICIPAL, AND PUBLIC AUTHORITY OBLIGATIONS

17:4A-7.1 Permissible investments

(a) Subject to the limitations in this subchapter, the Board may invest and reinvest PFRSNJ-managed fund assets in state, municipal general, and public authority obligations, provided that:

1. (No change.)

2. The obligations have a credit rating of at least: 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 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) (No change.)

(c) Notwithstanding the restrictions at (a) above, the Board may invest and reinvest PFRSNJ-managed fund assets in: state, municipal, and public authority obligations, global debt obligations, collateralized notes and mortgages, international government and agency obligations, 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. 17:4A-6.1, 7.1, 8.1, 9.1, 15.1, and 17.1, respectively; provided,

however, the aggregate market value of such investments shall not exceed eight percent of the total PFRSNJ fund assets.

(d) Notwithstanding the restrictions set forth in this subchapter, the Board may authorize the purchase of state, municipal general, and public authority obligations on a case-by-case basis if the Board determines such purchase to be in the financial best interest of the PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.

17:4A-7.2 Limitations

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

1. The Board shall not directly purchase more than 10 percent of any one issue, serial note, or maturity; and

2. The total amount directly invested in the debt of any one obligor shall not exceed five percent of the total PFRSNJ fund assets. Calculation of this limitation shall exclude investments managed passively against a benchmark.

(b) If, subsequent to the initial purchase, the limitations at (a) above are exceeded, then the Board shall be notified at the next regularly scheduled meeting of the Board. The Board may grant a six-month grace period to reduce the level of participation to at or below the maximum levels, except that the grace period may be extended by one or more additional four-month periods with the approval of the Board, provided the Board determines such extension is in the financial best interest of the PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.

SUBCHAPTER 8. COLLATERALIZED NOTES AND MORTGAGES

17:4A-8.1 Permissible investments

(a) Subject to the limitations in this subchapter, the Board may invest or reinvest PFRSNJ-managed fund assets in collateralized notes and mortgages, provided that:

1.-2. (No change.)

3. The issue must be rated at least: 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 at (a) above, the Board may invest and reinvest the PFRSNJ-managed fund assets in: global debt obligations; state, municipal, and public authority obligations; collateralized notes and mortgages; international government and agency obligations; non-convertible preferred stock; and mortgage-backed pass-through securities that do not meet the minimum credit ratings set forth in this section and at N.J.A.C. 17:4A-6.1, 7.1, 9.1, 15.1, and 17.1, respectively; provided, however, the aggregate market value of such investments shall not exceed eight percent of the total PFRSNJ fund assets.

(c) Notwithstanding the restrictions in this subchapter, the Board may authorize the purchase of collateralized notes and mortgages on a case-by-case basis if the Board determines such purchase to be in the financial best interest of the PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.

17:4A-8.2 Limitations

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

1. (No change.)

2. Not more than five percent of the total PFRSNJ fund assets 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 shall not exceed five percent of the total PFRSNJ fund assets.

(b) If, subsequent to initial purchase, the limitations at (a) above are exceeded, then the Board shall be notified at the next regularly scheduled meeting of the Board. The Board may grant a six-month grace period to reduce the level of participation to at or below the maximum levels, except

that the grace period may be extended by one or more additional four-month periods with the approval of the Board, provided the Board determines such extension is in the financial best interest of the PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.

SUBCHAPTER 9. INTERNATIONAL GOVERNMENT AND AGENCY OBLIGATIONS

17:4A-9.1 Permissible investments

(a) Subject to the limitations in this subchapter, the Board may invest or reinvest the moneys of the PFRSNJ-managed fund assets in international government and agency obligations, provided that the obligations have a credit rating of at least: 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 ratings fall below the minimum rating for such obligations, the obligations do not have to be sold.

(b) Notwithstanding (a) above, the Board may invest and reinvest the PFRSNJ-managed fund assets in: global debt obligations, state, municipal, and public authority obligations, collateralized notes and mortgages, international government and agency obligations, non-convertible preferred stock, and mortgage-backed pass-through securities that do not meet the minimum credit ratings set forth in this section and at N.J.A.C. 17:4A-6.1, 7.1, 8.1, 15.1, and 17.1, respectively; provided, however, the aggregate market value of such investments shall not exceed eight percent of the total PFRSNJ fund assets.

(c) Notwithstanding the restrictions set forth at (a) above, the Board may authorize the purchase of international government and agency obligations on a case-by-case basis if the Board determines such purchase to be in the financial best interest of the PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.

17:4A-9.2 Limitations

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

1. (No change.)
2. Not more than five percent of the total PFRSNJ fund assets shall be directly invested in international government and agency obligations.

(b) If, subsequent to initial purchase, the limitations at (a) above are exceeded, then the Board shall be notified at the next regularly scheduled meeting of the Board. The Board may grant a six-month grace period to reduce the level of participation to at or below the maximum levels, except that the grace period may be extended by one or more additional four-month periods with the approval of the Board, provided the Board determines such extension is in the financial best interest of the PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.

SUBCHAPTER 10. PRIVATE CREDIT INVESTMENTS

17:4A-10.1 Permissible investments

(a) Subject to the limitations in this subchapter, the Board may invest and reinvest PFRSNJ-managed fund assets in private 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; and
 - ii. Has shareholder's equity of at least \$200 million. Subsequent to purchase, if the borrower defaults or the borrower's 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 private credit investments, provided that the requirements at N.J.A.C. 17:4A-1.4 have been met;

3. Purchase the common stock of an entity that primarily invests in private 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 invests in private credit investments. For the purposes of this subchapter, exchange-traded funds shall be considered as common stock in determining all applicable limitations in this subchapter.

(b) In addition to making the investments described at (a) above, the Board may:

1. Exercise the rights or conversion privileges of any security acquired pursuant to this subchapter;
2. Retain any distribution received as a result of a corporate action or distribution by a private 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 pursuant to this subchapter;
4. Purchase the convertible debt issue of an entity, the common stock of which qualifies for investment pursuant to this subchapter; and
5. Purchase stock in new public offerings of entities that primarily invest in private credit investments.

(c) Notwithstanding the restrictions in this subchapter, the Board may authorize the purchase of private credit investments on a case-by-case basis if the Board determines such purchase to be in the financial best interest of the PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.

(d) Nothing in this subchapter shall preclude the Board from investing PFRSNJ-managed fund assets directly in individual collateralized notes and mortgages pursuant to N.J.A.C. 17:4A-8 and individual mortgage-backed senior debt securities pursuant to N.J.A.C. 17:4A-17.

17:4A-10.2 Limitations

(a) At the time of purchase of publicly traded securities pursuant to this subchapter, or at the time of presentation to the Investment Committee in accordance with N.J.A.C. 17:4A-1.4(a) for investments other than publicly traded securities, the following conditions shall be met:

1. Not more than 13 percent of the market value of the total PFRSNJ fund assets shall be invested in private credit investments, whether invested directly or through separate accounts, funds-of-funds, commingled funds, co-investments, and joint ventures that primarily invest in private credit investments;
2. (No change.)
3. The total amount directly invested by the PFRSNJ in the equity and fixed income obligations of any one issuer and affiliated entities, in the aggregate, shall not exceed five percent of the total PFRSNJ fund assets;
- 4.-5. (No change.)

(b) If, subsequent to initial purchase, the limitations at (a) above are exceeded, then the Board shall be notified at the next regularly scheduled meeting of the Board. The Board may grant a six-month grace period to reduce the level of participation to at or below the maximum levels, except that the grace period may be extended by one or more additional four-month periods with the approval of the Board, provided the Board determines such extension is in the financial best interest of the PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.

SUBCHAPTER 11. COMMERCIAL PAPER

17:4A-11.1 Permissible investments

(a) Subject to the limitations in this subchapter, the Board may invest or reinvest the PFRSNJ-managed fund assets in commercial paper, provided that:

- 1.-3. (No change.)
4. The obligation or the issuer (or any guarantor pledging its full faith and credit to the issue) has an aggregate credit rating of at least: P-1 or higher by Moody's Investors Service, Inc., A-1 or higher by Standard & Poor's Corporation, and F-1 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 aggregate credit rating of the obligation, issuer, or guarantor fails to meet the minimum rating criteria, the commercial paper does not have to be sold.

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

Board determines such purchase to be in the financial best interest of the PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.

17:4A-11.2 Limitations

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

1. The total amount invested in the equity and fixed income obligations of any one issuer and affiliated entities shall not exceed five percent of the total PFRSNJ fund assets.

(b) If, subsequent to initial purchase, the limitations at (a) above are exceeded, then the Board shall be notified at the next regularly scheduled meeting of the Board. The Board may grant a six-month grace period to reduce the level of participation to at or below the maximum levels, except that the grace period may be extended by one or more additional four-month periods with the approval of the Board, provided the Board determines such extension is in the financial best interest of the PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.

SUBCHAPTER 12. CERTIFICATES OF DEPOSIT

17:4A-12.1 Permissible investments

(a) Subject to the limitations in this subchapter, the Board may invest and reinvest the PFRSNJ-managed fund assets in certificates of deposit, provided that:

1.-4. (No change.)

(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 at least: P-1 or higher by Moody's Investors Service, Inc., A-1 or higher by Standard & Poor's Corporation, and F-1 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 fails to meet the minimum rating criteria, the certificate of deposit does not have to be sold.

(c) Notwithstanding the restrictions in this subchapter, the Board may authorize the purchase of certificates of deposit on a case-by-case basis if the Board determines such purchase to be in the financial best interest of the PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.

17:4A-12.2 Limitations

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

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

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

(b) If, subsequent to the initial purchase, the limitations at (a) above are exceeded, then the Board shall be notified at the next regularly scheduled meeting of the Board. The Board may grant a six-month grace period to reduce the level of participation to at or below the maximum levels, except that the grace period may be extended by one or more additional four-month periods with the approval of the Board, provided the Board determines such extension is in the financial best interest of the PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.

SUBCHAPTER 13. REPURCHASE AGREEMENTS

17:4A-13.1 Permissible investments

(a) Subject to the limitations in this subchapter, the Board may invest and reinvest the PRFSNJ-managed fund assets in repurchase agreements, provided that:

1.-3. (No change.)

4. The security subject to repurchase is:

i.-iii. (No change.)

iv. A corporate obligation with a credit rating of at least: P-1 or higher by Moody's Investors Service, Inc., A-1 or higher by Standard & Poor's Corporation, and F-1 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.-7. (No change.)

(b) Notwithstanding the restrictions in this subchapter, the Board may authorize the purchase of repurchase agreements on a case-by-case basis if the Board determines such purchase to be in the financial best interest of the PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.

SUBCHAPTER 14. MONEY MARKET FUNDS

17:4A-14.1 Permissible investments

(a) Subject to the limitations in this subchapter, the Board may invest and reinvest the PFRSNJ-managed fund assets in money market funds or the State of New Jersey Cash Management Fund provided that the money market funds, at the time of purchase:

1. Invest primarily in securities authorized pursuant to N.J.A.C. 17:4A-5, 6, 7, 11, 12, and 13, with the exception of the credit quality limitations;

2. Have an aggregate credit rating of at least: P-1 or higher by Moody's Investors Service, Inc., A-1 or higher by Standard & Poor's Corporation, and F-1 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;

Recodify existing 2.-3. as 3.-4. (No change in text.)

(b) Notwithstanding the restrictions at (a) above, the Board may authorize the purchase of money market funds on a case-by-case basis if the Board determines such purchase to be in the financial best interest of the PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.

17:4A-14.2 Limitations

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

1. The total amount of investments in money market funds by PFRSNJ-managed fund assets, excluding operational cash and transient cash, shall not exceed 10 percent of the market value of the total PFRSNJ fund assets; and

2. The total amount of shares or units purchased or acquired 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 at (a) above are exceeded, then the Board shall be notified at the next regularly scheduled meeting of the Board. The Board may grant a six-month grace period to reduce the level of participation to at or below the maximum levels, except that the grace period may be extended by one or more additional four-month periods with the approval of the Board, provided the Board determines such extension is in the financial best interest of the PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.

SUBCHAPTER 15. NON-CONVERTIBLE PREFERRED STOCKS

17:4A-15.1 Permissible investments

(a) Subject to the limitations in this subchapter, the Board may invest and reinvest PFRSNJ-managed fund assets in non-convertible preferred stock, provided that:

1.-2. (No change.)

3. The stock has a credit rating of at least: 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 at (a) above, the Board may invest and reinvest PFRSNJ-managed fund assets in: global debt obligations; state, municipal, and public authority obligations; collateralized notes and mortgages; international government and agency obligations; non-convertible preferred stock; and mortgage-backed pass-through securities

that do not meet the minimum credit ratings set forth in this section and at N.J.A.C. 17:4A-6.1, 7.1, 8.1, 9.1, and 17.1, respectively; provided, however, the aggregate market value of such investments shall not exceed eight percent of the total PFRSNJ fund assets.

(c) Notwithstanding the restrictions at (a) above, the Board may invest and reinvest the moneys of the PFRSNJ-managed fund assets in global debt obligations and non-convertible preferred stock of companies that do not meet the minimum market capitalization or contributed capital set forth at N.J.A.C. 17:4A-6.1 and this section, respectively; provided, however, the market value of such investments shall not exceed one percent of the total PFRSNJ fund assets.

(d) Notwithstanding the restrictions in this subchapter, the Board may authorize the purchase of non-convertible preferred stock on a case-by-case basis if the Board determines such purchase to be in the financial best interest of the PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.

17:4A-15.2 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 pursuant to this subchapter, in the aggregate, 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 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, in the aggregate, shall not exceed five percent of total PFRSNJ fund assets; and

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

(b) If, subsequent to initial purchase, the limitations at (a) above are exceeded, then the Board shall be notified at the next regularly scheduled meeting of the Board. The Board may grant a six-month grace period to reduce the level of participation to at or below the maximum levels, except that the grace period may be extended by one or more additional four-month periods with the approval of the Board, provided the Board determines such extension is in the financial best interest of the PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.

SUBCHAPTER 16. GLOBAL EQUITY INVESTMENTS

17:4A-16.1 Permissible investments

(a) Subject to the limitations in this subchapter, the Board may invest and reinvest PFRSNJ-managed fund assets in global equity investments.

(b) In addition to making the investments described at (a) above, the Board may:

1.-5. (No change.)

(c) Notwithstanding the restrictions in this subchapter, the Board may approve the purchase of global equity investments on a case-by-case basis if the Board determines such purchase to be in the financial best interest of the PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.

17:4A-16.2 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 PFRSNJ pursuant to this subchapter shall not exceed 70 percent of the total PFRSNJ-managed fund assets. 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 PFRSNJ reaches or exceeds 68 percent of the total PFRSNJ-managed fund assets. Subsection (b) below shall apply when the combined market value of the equity investments held by the PFRSNJ exceeds 70 percent of the total PFRSNJ-managed fund assets;

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

3. The total amount of a particular class of stock directly purchased or acquired of any one entity shall be less than 10 percent of that class of stock outstanding;

4. (No change.)

5. The total amount of PFRSNJ-managed fund assets directly invested in equity investments issued through a private placement in the aggregate, shall not exceed two percent of the total PFRSNJ fund assets.

(b) If, subsequent to initial purchase, the limitations at (a) above are exceeded, then the Board shall be notified at the next regularly scheduled meeting of the Board. The Board may grant a six-month grace period to reduce the level of participation to at or below the maximum levels, except that the grace period may be extended by one or more additional four-month periods with the approval of the Board, provided the Board determines such extension is in the financial best interest of the PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.

SUBCHAPTER 17. MORTGAGE-BACKED SENIOR DEBT SECURITIES; MORTGAGE-BACKED PASS-THROUGH SECURITIES

17:4A-17.1 Permissible investments

(a) Subject to the limitations in this subchapter, the Board may invest and reinvest PFRSNJ-managed fund assets in mortgage-backed senior debt securities provided that the issue must be \$50 million or more in size.

(b) Subject to the limitations in this subchapter, the Board may invest and reinvest PFRSNJ-managed fund assets in mortgage-backed pass-through securities provided that:

1.-2. (No change.)

3. The issue has a credit rating of at least 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 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 at (b) above, the Board may invest and reinvest PFRSNJ-managed fund assets in: global debt obligations; state, municipal, and public authority obligations; collateralized notes and mortgages; international government and agency obligations; non-convertible preferred stock; and mortgage-backed pass-through securities that do not meet the minimum credit ratings set forth in this section and at N.J.A.C. 17:4A-6.1, 7.1, 8.1, 9.1, and 15.1, respectively; provided, however, the aggregate market value of such investments shall not exceed eight percent of the total PFRSNJ fund assets.

(d) Notwithstanding the restrictions in this subchapter, the Board may authorize the purchase of mortgage-backed pass-through securities on a case-by-case basis if the Board determines such purchase to be in the financial best interest of the PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.

17:4A-17.2 Limitations

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

1. (No change.)

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

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

(b) If, subsequent to initial purchase, the limitations at (a) above are exceeded, then the Board shall be notified at the next regularly scheduled meeting of the Board. The Board may grant a six-month grace period to reduce the level of participation to at or below the maximum levels, except that the grace period may be extended by one or more additional four-month periods with the approval of the Board, provided the Board determines such extension is in the financial best interest of the PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.

SUBCHAPTER 18. REAL ASSETS

17:4A-18.1 Permissible investments

(a) Subject to the limitations in this subchapter, the Board may invest PFRSNJ fund assets 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 directly, provided that the further provisions at N.J.A.C. 17:4A-1.4 have been met;

2.-3. (No change.)

(b) In addition to making the investments described at (a) above, the Board may:

1. Exercise the rights or conversion privileges into the common stock of any security acquired by the PFRSNJ;

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

3. Purchase the convertible debt issue of an entity, the common stock of which qualifies for investment pursuant to 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 in this subchapter, the Board may authorize the purchase of real assets on a case-by-case basis if the Board determines such purchase to be in the financial best interest of the PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.

17:4A-18.2 Limitations

(a) At the time of purchase of publicly traded securities pursuant to this subchapter, or at the time of presentation to the Investment Committee in accordance with N.J.A.C. 17:4A-1.4 for investments other than publicly traded securities, the following conditions shall be met:

1. No more than 13 percent of the market value of total PFRSNJ fund assets may be invested in real estate;

2. No more than seven percent of the market value of the total PFRSNJ fund assets may be invested in real assets other than real estate;

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

4. 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. 17:4A-18.1(a) and (b) shall not exceed 10 percent of that class of stock outstanding; and

5. (No change in text.)

(b) If, subsequent to the time of initial presentation to the Investment Committee in accordance with N.J.A.C. 17:4A-1.4(a), or subsequent to the purchase of publicly traded securities, the limitations at (a) above are exceeded, then the Board shall be notified at the next regularly scheduled meeting. The Board may grant a six-month grace period to reduce the level of participation to at or below the maximum levels, except that the grace period may be extended by one or more additional four-month periods with the approval of the Board, provided the Board determines such extension is in the financial best interest of the PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.

SUBCHAPTER 19. FOREIGN CURRENCY TRANSACTIONS

17:4A-19.1 Permissible investments

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

(b) Subject to the limitations in this subchapter, the Board may enter into forward contracts for the purpose of hedging the portfolio.

(c) 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 at least: Baa2 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 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 enter into foreign currency transactions on a case-by-case basis if the Board determines such purchase to be in the financial best interest of the PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.

17:4A-19.2 Limitations

The portfolio should be unhedged, except in such instances in which the Chief Investment Officer believes that circumstances exist in which hedging foreign currency risk would serve to improve or protect the inherent returns of the portfolio.

SUBCHAPTER 20. FUTURES CONTRACTS

17:4A-20.1 Permissible investments

(a) Subject to the limitations in this subchapter, the Board may invest and reinvest PFRSNJ-managed fund assets in futures contracts, provided that the futures contracts trade on a securities exchange or the over-the-counter market.

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

(c) Notwithstanding the restrictions in this subchapter, the Board may authorize the purchase of futures contracts on a case-by-case basis if the Board determines such purchase to be in the financial best interest of the PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.

17:4A-20.2 Limitations

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

1.-2. (No change.)

3. The total aggregate notional value of all futures contracts shall not exceed an amount equal to five percent of the total PFRSNJ fund assets, except that this limit may be increased to an amount not to exceed 10 percent by the Chief Investment Officer 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 at (a) above are exceeded, then the Board shall be notified at the next regularly scheduled meeting of the Board. The Board may grant a six-month grace period to reduce the level of participation to at or below the maximum levels, except that the grace period may be extended by one or more additional four-month periods with the approval of the Board, provided the Board determines such extension is in the financial best interest of the PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.

SUBCHAPTER 21. SWAP TRANSACTIONS

17:4A-21.1 Permissible investments

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

1. (No change.)

2. Credit default swap transactions may only be purchased for fixed-income securities held in the pertinent portfolio, except that index-based swaps may be purchased if the Board 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 pertinent portfolio; and

3. 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 at least: Baa2 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 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 if the Board determines

such purchase to be in the financial best interest of the PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.

17:4A-21.2 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 total PFRSNJ fund assets; and

2. The total aggregate notional value of all swap transactions shall not exceed five percent of the total PFRSNJ fund assets, except that this limit may be increased to an amount not to exceed 10 percent by the Chief Investment Officer 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 at (a) above are exceeded, then the Board shall be notified at the next regularly scheduled meeting of the Board. The Board may grant a six-month grace period to reduce the level of participation to at or below the maximum levels, except that the grace period may be extended by one or more additional four-month periods with the approval of the Board, provided the Board determines such extension is in the financial best interest of the PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.

SUBCHAPTER 22. COVERED CALL OPTIONS

17:4A-22.1 Permissible investments

(a) Subject to the limitations in this subchapter, the Board may sell and repurchase covered call options on behalf of the PFRSNJ, 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 if the Board determines such transaction to be in the financial best interest of the PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.

SUBCHAPTER 23. PUT OPTIONS

17:4A-23.1 Permissible investments

(a) Subject to the limitations in this subchapter, the Board may purchase and sell put options, including index-based put options, on behalf of the PFRSNJ, 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 in this subchapter, the Board 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 if the Board determines such transaction to be in the financial best interest of the PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.

17:4A-23.2 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 total PFRSNJ fund assets.

(b) If subsequent to purchasing or writing put options, the limitation at (a) above is exceeded, the Board shall authorize the sale of put options in an amount necessary to comply with such limitation.

SUBCHAPTER 24. PRIVATE EQUITY

17:4A-24.1 Permissible investments

(a) Subject to the limitations in this subchapter, the Board may invest and reinvest the moneys of the PFRSNJ-managed fund assets in private equity in any of the following ways:

1. Invest in private equity investments through separate accounts, funds-of-funds, commingled funds, direct investments, co-investments,

and joint ventures provided that the requirements at N.J.A.C. 17:4A-1.4 have been met;

2.-3. (No change.)

(b) In addition to making the investments described at (a) above, the Board may:

1. Exercise the rights or conversion privileges of any security acquired by the PFRSNJ;

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

3. Purchase the convertible debt issue of an entity, the common stock of which qualifies for investment pursuant to 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 in this subchapter, the Board may authorize the purchase of private equity on a case-by-case basis if the Board determines such purchase to be in the financial best interest of the PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.

17:4A-24.2 Limitations

(a) At the time of purchase of publicly traded securities pursuant to this subchapter or at the time of presentation to the Investment Committee in accordance with N.J.A.C. 17:4A-1.4 for investments other than publicly traded securities, the following conditions shall be met:

1. The aggregate market value of private equity investments shall not exceed 18 percent of the total PFRSNJ fund assets;

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

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

4. (No change in text.)

(b) If, subsequent to the time of initial presentation to the Investment Committee in accordance with N.J.A.C. 17:4A-1.4(a), or purchase of publicly traded securities, the limitations at (a) above are exceeded, then the Board shall be notified at the next regularly scheduled meeting of the Board. The Board may grant a six-month grace period to reduce the level of participation to at or below the maximum levels, except that the grace period may be extended by one or more additional four-month periods with the approval of the Board, provided the Board determines such extension is in the financial best interest of the PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.

SUBCHAPTER 25. OPPORTUNISTIC INVESTMENTS

17:4A-25.1 Permissible investments

(a) Subject to the limitations in this subchapter, the Board may invest and reinvest PFRSNJ-managed fund assets in opportunistic investments, provided that the requirements at N.J.A.C. 17:4A-1.4 have been met.

(b) For all investments of PFRSNJ-managed fund assets in opportunistic investments, the Chief Investment Officer or Investment Committee shall provide an informational memorandum to the Board, which memorandum shall be provided at the next regularly scheduled meeting of the Board subsequent to the date such investment has been made.

17:4A-25.2 Limitations

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

1. Not more than seven percent of the total PFRSNJ fund assets shall be invested in opportunistic investments; and

2. Not more than two percent of the total PFRSNJ fund assets shall be invested in any one opportunistic investment.

(b) If, subsequent to initial purchase, the limitations at (a) above are exceeded, then the Board shall be notified at the next regularly scheduled meeting of the Board. The Board may grant a six-month grace period to

reduce the level of participation to at or below the maximum levels, except that the grace period may be extended by one or more additional four-month periods with the approval of the Board, provided the Board determines such extension is in the financial best interest of the PFRSNJ and its beneficiaries and is consistent with the Board’s fiduciary responsibility.

SUBCHAPTER 26. ABSOLUTE RETURN STRATEGY INVESTMENTS

17:4A-26.1 Permissible investments

(a) Subject to the limitations in this subchapter, the Board may invest and reinvest PFRSNJ-managed fund assets in absolute return strategy investments in any of the following ways:

1. Invest in absolute return strategy funds through commingled funds, funds-of-funds, separate accounts, managed accounts, and direct investments in individual funds, provided that the requirements at N.J.A.C. 17:4A-1.4 have been met;
- 2.-3. (No change.)

(b) In addition to making the investments described at (a) above, the Board may:

1. Exercise of the rights or conversion privileges of any security acquired pursuant to this subchapter;
2. Purchase the preferred stock, whether convertible or not, or rights of an entity, the common stock of which qualifies for investment pursuant to this subchapter;
3. Purchase the convertible debt issue of an entity, the common stock of which qualifies for investment pursuant to 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 in this subchapter, the Board may authorize the purchase of absolute return strategy investments on a case-by-case basis if the Board determines such purchase to be in the financial best interest of the PFRSNJ and its beneficiaries and is consistent with the Board’s fiduciary responsibility.

17:4A-26.2 Limitations

(a) At the time of purchase of publicly traded securities pursuant to this subchapter, or at the time of presentation to the Investment Committee in accordance with N.J.A.C. 17:4A-1.4 for investments other than publicly traded securities, the following conditions shall be met:

1. The aggregate market value of investments in absolute return strategy investments shall not exceed 10 percent of the total PFRSNJ fund assets;
2. The total amount directly invested in the equity and fixed-income obligations of any one issuer and affiliated entities shall not exceed five percent of the total PFRSNJ fund assets;
3. The total amount of a particular class of stock purchased or acquired of any one issuer eligible for investment pursuant to 24.1(a)2 and (b) shall not exceed 10 percent of that class of stock outstanding; and
4. (No change in text.)

(b) If, subsequent to initial purchase, the limitations at (a) above are exceeded, then the Board shall be notified at the next regularly scheduled meeting of the Board. The Board may grant a six-month grace period to reduce the level of participation to at or below the maximum levels, except that the grace period may be extended by one or more additional four-month periods with the approval of the Board, provided the Board determines such extension is in the financial best interest of the PFRSNJ and its beneficiaries and is consistent with the Board’s fiduciary responsibility.

(c) For investments of funds-of-funds, the limitations at (a) above shall apply to the underlying investments.

OTHER AGENCIES

(a)

NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY

Notice of Readoption and Recodification with Technical Changes

N.J.A.C. 19:31-1 through 28 as 19:31, 19:31A, 19:31B, and 19:31D through 19:31AA, Respectively

Authorized By: New Jersey Economic Development Authority, Tim Sullivan, Chief Executive Officer.

Authority: N.J.S.A. 34:1B-1 et seq.

Effective Dates: March 27, 2024, Readoption; May 6, 2024, Technical Changes and Recodifications.

New Expiration Date: March 27, 2031.

Take notice that the New Jersey Economic Development Authority (“Authority” or “NJEDA”) was created in, but not of, the Department of the Treasury by the New Jersey Economic Development Authority Act, N.J.S.A. 34:1B-1 through 34:1B-21.36 (the Act), effective August 7, 1974. Beginning in December 1974, the Authority has duly adopted rules in accordance with the Act and as required by subsequent legislative action.

The rules at N.J.A.C. 19:31 governing Authority Assistance Programs (Chapter 31) were scheduled to expire on May 8, 2025, pursuant to N.J.S.A. 52:14B-5.1. Chapter 31 was established to effectuate the Authority’s obligations pursuant to the Act and subsequent legislative action to grow the State’s economy and increase equitable access to opportunity by supporting high-quality job creation, catalyzing investment, and fostering vibrant, inclusive community development. The Authority has reviewed existing Chapter 31 and determined that it remains necessary and responsive to the purposes for which it was originally promulgated and should be readopted. Therefore, pursuant to N.J.S.A. 52:14B-5.1.c, N.J.A.C. 19:31 is readopted and shall continue in effect for a seven-year period, except that Garden State Film and Digital Media Jobs Program, currently codified at N.J.A.C. 19:31-20, recodified as N.J.A.C. 19:31T, and Aspire, currently codified at N.J.A.C. 19:31-23A, recodified as N.J.A.C. 19:31V shall continue in effect in accordance with their respective special adoption expiration dates.

The Authority has requested, and the Office of Administrative Law (OAL), has agreed to administratively recodify N.J.A.C. 19:31-1 through 28 as 19:31, 19:31A, 19:31B, and 19:31D through 19:31AA, respectively, along with attendant technical changes to the rule text updating cross-references, agency names, and addresses, etc. The rules at N.J.A.C. 19:31C pertain to the Fort Monmouth Economic Redevelopment Authority and are not subject to this rulemaking. The table below sets forth the existing Chapter 31 subchapters along with their subchapter headings and codifications as individual chapters. The rule text is not shown, but will be included in the 05-06-24 Code Update of the New Jersey Administrative Code.

Current Codification (N.J.A.C.)	Subchapter Heading (Name)	Recodified Codification (N.J.A.C.)
19:31-1	Bond Financing Program	19:31
19:31-2	Loan Guarantee Programs	19:31A
19:31-3	Direct Loan Program	19:31B
19:31-4	Economic Redevelopment and Growth Program (ERG)	19:31D
19:31-5	Main Street Recovery Finance Program	19:31E