

shall not be replaced without the approval of the Department. The Department will have a reasonable basis for withholding approval.

(c) Proposals shall establish the cost of the design-build contract, which shall not be exceeded if the proposal is accepted without any change. Afterward, the maximum cost in the proposal may be converted to a fixed price to be negotiated by agreement between the Department and the design-builder.

(d) Proposals shall contain a statement that the prevailing wage rate is accounted for in the price bid proposal by the design-builder and that if awarded the contract, all workers employed in the design-build project shall be paid at least the prevailing wage determined by the Commissioner of the Department of Labor and Workforce Development, pursuant to the provisions of the New Jersey Prevailing Wage Act, N.J.S.A. 34:11-56.25 et seq.

16:44B-6.2 Proposal receipt, rejection, and withdrawal

(a) Unless and until a proposal is accepted, the drawings, specifications, and other information in the proposal shall remain the property of the design-builder. Once a proposal is accepted, the disclosure of the proposal and the information in the proposal, and the ownership of the drawings, specifications, and other information in the proposal, shall be determined in accordance with existing law and the terms of the design-build contract.

(b) The Department will have the right to reject any and all proposals. The Department may issue a new solicitation using the same evaluation factors, budget constraints, or qualifications, unless there has been a material change in circumstances affecting the needs of the Department including, but not limited to, an environmental issue, natural disaster, state of emergency, or unforeseen fiscal constraint.

(c) A proposal submitted pursuant to N.J.S.A. 52:35B-1 et seq., may be withdrawn for any reason at any time prior to acceptance.

16:44B-6.3 Technical review committee evaluation of proposals

(a) Pursuant to N.J.S.A. 52:35B-4 et seq., the technical review committee will evaluate, score, and rank the proposals and make a recommendation to the Design-Builder Selection Committee.

(b) Pursuant to N.J.S.A. 52:35B-4.f, the technical review committee will evaluate each proposal based on the technical submission for the proposal, including design concepts or proposed solutions to requirements addressed within the scope of work, and the evaluation factors, including a minimum of 50 percent consideration based on the design-builder's sealed bid.

(c) Where there is a question as to whether a proposal is within the design-builder's work classification or, where it reasonably appears that a design-builder may not have the work classification that will allow it to bid on a project for which request for proposals are being sought, the proposal will be opened provisionally. If the proposal is for a different work type or in a dollar amount greater than the design-builder's maximum work classification limit, the proposal may be rejected.

SUBCHAPTER 7. STIPEND

16:44B-7.1 Stipend

(a) Pursuant to N.J.S.A. 52:35B-4.d, the Department may, in its sole discretion, offer a stipend, based upon the project size and type, which shall not exceed three percent of the Department's estimated cost of the project, to any design-builder providing design, construction information, or materials presented in response to a request for second proposals. Nothing in this subsection shall require the Department to offer a stipend, nor does it provide entitlement to a stipend if one is not offered. Stipends are meant to encourage the submission of second proposals and to increase competition. If the Department, in its sole discretion, offers a stipend, and then rejects all submitted proposals, the stipend may be paid pursuant to the terms of the request for proposals.

(b) The Department in its sole discretion may deny a stipend to a design-builder for an incomplete or otherwise non-responsive second proposal.

SUBCHAPTER 8. TECHNICAL REVIEW COMMITTEE AND THE SHORTLIST SELECTION

16:44B-8.1 Technical Review Committee

The Technical Review Committee will, at a minimum, consist of a representative of the Department, the Department's project manager, and the Department's authorized design professional. The Department's attorney may advise the Committee.

16:44B-8.2 Technical Review Committee shortlist selection

(a) The Technical Review Committee will evaluate and score the SOQs received based on the specified evaluation factors in the request for proposals, select the highest qualified number of design-builders specified in the solicitation, and request that the shortlist design-builders submit a second proposal.

(b) The ranking and scores of all design-builders that submitted a SOQ to create the shortlist will be publicly read on a date established by the Department.

SUBCHAPTER 9. DESIGN-BUILDER SELECTION COMMITTEE AND DESIGN-BUILD CONTRACT AWARD PROCESS

16:44B-9.1 Design-Builder Selection Committee

The Design-Builder Selection Committee will consist of five voting members which shall be appointed by the Commissioner.

16:44B-9.2 Design-build contract award process

(a) The Design-Builder Selection Committee (DBSC) will select the winning design-builder, consistent with the award recommendation of the Technical Review Committee.

(b) The Commissioner will have final approval or rejection of the award recommendation of the DBSC.

(c) The design-builder awarded the design-build contract, the final ranking, price, and scoring of the shortlist will be publicly read on a previously established date by the Department.

TREASURY—GENERAL

(a)

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

Police and Firemen's Retirement System Investment Rules

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

Proposed 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

Proposed 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

Authorized By: The Board of Trustees of the Police and Firemen's Retirement System of New Jersey, Ed Donnelly, Chair.

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

Calendar Reference: See Summary below for explanation of exception to calendar requirement.

Proposal Number: PRN 2024-012.

Submit comments by March 16, 2024, to:

Robert Garrenger, Esq.
Police and Firemen's Retirement System of New Jersey
50 West State Street, 11th floor
Trenton, NJ 08625-0211
Attn: Board of Trustees of the Police and Firemen's Retirement
System of New Jersey - Regulations
Robert.Garrenger@pfrs.nj.gov

The agency proposal follows:

Summary

The Police and Firemen's Retirement System of New Jersey (PFRSNJ) is proposing amendments, new rules, and repeals to the existing rules that govern investments of PFRSNJ-managed fund assets, including, but not limited to, the methods, practices, and procedures for investing and reinvesting such assets, which are currently set forth at N.J.A.C. 17:4A. Through this rulemaking, the existing PFRSNJ investment rules would be comprehensively revised to promote increased consistency, in both substance and terminology, with the current rules that govern investments of other pension system assets by the Division of Investment (DOI), which, in conjunction with the State Investment Council (Council), is responsible for investing the assets of the other State-administered pension systems, including, but not limited to, the Public Employees' Retirement System, the Judicial Retirement System, and the Teachers' Pension and Annuity Fund.

On July 3, 2018, Governor Murphy signed P.L. 2018, c. 55 (Chapter 55), which among other changes, transferred responsibility for the direction and management of the investment and reinvestment of PFRSNJ-managed fund assets from the DOI and the Council to a newly constituted 12 member PFRSNJ Board of Trustees (Board). Consistent with Chapter 55, the Board and the DOI recently entered into a Memorandum of Understanding (MOU) to formally effectuate the segregation of PFRSNJ-managed fund assets currently held by the State Treasurer on behalf of the PFRSNJ and managed in comingled funds by the DOI and the Council, as well as the transfer of such assets to the PFRSNJ. As specified pursuant to Chapter 55, certain other PFRSNJ assets (Common Pension Fund L) would remain in the DOI.

Due to the ongoing, close working relationship between the DOI and the PFRSNJ contemplated and required pursuant to Chapter 55, both before and after the asset segregation and transfer process is complete, and in recognition of their respective fiduciary duties to the affected State pension systems, the proposed revisions to the PFRSNJ investment rules are intended to track the investment rules currently in place governing investments by the DOI and the Council, including their format and content, wherever appropriate. This approach will promote coordination among the affected agencies, ensure consistency of format and terminology across, that rules govern investments of State-administered pension system assets, and facilitate comparison of the investment rules governing different State pension systems by interested parties.

Accordingly, the PFRSNJ is proposing to revise its existing rules that govern the methods, practices, and procedures for investment, reinvestment, purchase, sale, or exchange transactions to be followed with respect to PFRSNJ-managed fund assets. As revised, N.J.A.C. 17:4A would more accurately reflect the fiduciary responsibilities of the Board with respect to PFRSNJ-managed fund assets and PFRSNJ beneficiaries and conform more closely to N.J.A.C. 17:16, the rules that govern the DOI and the Council, the only other investing agencies for the State of New Jersey.

Subchapter 1 establishes general provisions for the chapter. The PFRSNJ is proposing amendments that would reflect the statutory responsibility of the Board pursuant to Chapter 55 to act as the sole entity that shall make decisions regarding investments and management of PFRSNJ-managed fund assets. The proposed amendments also would clarify the assets that are under the Board's control. At N.J.A.C. 17:4A-1.1, the PFRSNJ is proposing an amendment that would remove the authority of the Board to delegate its investment responsibilities to the Board's Investment Committee or to the Chief Investment Officer of the PFRSNJ (this change is proposed throughout the chapter). Additionally, the PFRSNJ proposes amending N.J.A.C. 17:4A-1.2 to include all frequently used investment-related terms throughout the chapter in order

to consolidate all defined terms in one section and reduce redundancies in subchapter definitional sections throughout the chapter. In the consolidated definitions section, the PFRSNJ proposes amendments to certain defined terms to clarify or update the current definitions, as well as new definitions for necessary terms that were not previously included. Promulgated prior to the execution of the MOU, this chapter currently includes provisions directing certain actions to be taken by the Council and the DOI. The PFRSNJ proposes new N.J.A.C. 17:4A-1.3 to prohibit the Board, and the Board alone, from making any commitment to purchase, sell, or exchange securities or other investments using PFRSNJ-managed fund assets, unless such transaction complies with the conditions and limitations set forth in this chapter. Proposed new N.J.A.C. 17:4A-1.4 limits the applicability of the conditions and limitations set forth only to the investment activities of the Board on behalf of the PFRSNJ by removing a reference to the Division of Investment. N.J.A.C. 17:4A-1.4 further requires receipt by the Investment Committee of a due diligence report for specified investment categories, including direct investments, separate accounts, funds-of-funds, commingled funds, co-investments, and joint ventures, and to establish additional conditions and limitations for investments in order to minimize risk concentration, including percentage limitations on certain investment vehicles, including private credit, real assets, private equity, and absolute return strategy, based on total PFRSNJ fund assets. The due diligence report would be required to contain sufficient evidence to demonstrate that the proposed investment satisfies the applicable limitations and conditions set forth in the chapter and a summary of any and all compensation arrangements with consultants and intermediaries, whether direct or indirect, in connection with the proposed investment. With regard to legal documents, the PFRSNJ is proposing amendments to N.J.A.C. 17:4A-1.5 to reflect that the PFRSNJ may be represented by legal counsel to the Board, other than the Attorney General, in some instances.

Subchapter 2 addresses the Board's ability to make investment decisions with regard to the State of New Jersey Cash Management Fund. The PFRSNJ proposes revising this subchapter to remove definitions of terms used in this subchapter and consolidate all frequently used investment-related definitions at N.J.A.C. 17:4A-1.2, where definitions for all defined investment terms used throughout the entire chapter are codified. The PFRSNJ also proposes revising the section addressing permissible investments to reflect that the Board is the only entity that may invest and reinvest PFRSNJ-managed fund assets. The PFRSNJ proposes to repeal the section that addresses the "eligible fund," as it is no longer relevant to the PFRSNJ's investment practices and procedures following execution of the MOU and the contemplated segregation and transfer of PFRSNJ-managed fund assets from the DOI to the PFRSNJ.

Subchapter 3 addresses policies concerning political contributions by investment advisors, the PFRSNJ's commitment to engaging minority- and women-owned business entities (MWBES), and the PFRSNJ's commitment to transparency in investment-related matters. The PFRSNJ proposes amending the heading of Subchapter 3 to reflect that services would be provided by "advisors," which include investment management firms and professionals who provide investment management services to the Board. Throughout this subchapter, the PFRSNJ proposes revisions that would clarify that the Board is the entity responsible for receiving any investment management services. As the PFRSNJ proposes consolidating all defined terms at N.J.A.C. 17:4A-1.2, definitions would be deleted from this subchapter. The PFRSNJ proposes amending N.J.A.C. 17:4A-3.1 to remove references to the DOI and to investments made through a common pension fund, instead specifying that the Board would be the recipient of any investment management services subject to the provisions of this subchapter. The PFRSNJ proposes amending the sections governing restrictions and exemptions to change the value of applicable political contributions from \$250.00 to \$300.00 and to include "donations" in the examples of prohibited items.

Subchapter 4 addresses the Board's ability to enter into securities lending transactions. The PFRSNJ proposes revising this subchapter by deleting the definitions as part of the relocation of all relevant defined terms throughout the chapter to Subchapter 1. The PFRSNJ also proposes amendments throughout the subchapter to remove references to the term "eligible fund" in order to more accurately reflect the PFRSNJ-managed fund assets for which the Board is responsible. The PFRSNJ proposes

amendments to the section governing permissible transactions to reflect the authority of the PFRSNJ to engage in securities lending transactions provided that any portfolios that are eligible to have securities loaned by the PFRSNJ are designated by the Chief Investment Officer or the Investment Committee as eligible for securities lending, the borrower is on a list of approved borrowers maintained by the Chief Investment Officer or the Investment Committee, the transaction is evidenced by a written securities lending agreement, and sufficient collateral not less than 100 percent of the market value of the loaned securities is delivered by the borrower and held in a segregated custodial account on behalf of the PFRSNJ. The PFRSNJ proposes amending permissible transactions to reflect that the Chief Investment Officer or the Investment Committee are responsible for maintaining investment guidelines that shall govern the investment of cash collateral in securities that are eligible for such investment. The PFRSNJ proposes amending the section that authorizes the Board to approve securities lending transactions or the reinvestment of cash collateral on a case-by-case basis to specify that in such cases, the Board shall determine such transactions to be in the best financial interest of the PFRSNJ and its beneficiaries and consistent with the Board's fiduciary responsibility. Finally, the PFRSNJ proposes amending the section that authorizes the Board to grant a grace period to allow time to bring transactions into compliance with the requirements and limitations of the subchapter to remove a reference to the Chief Investment Officer and the Investment Committee and to require that any such grace period be consistent with the Board's fiduciary responsibility.

The PFRSNJ proposes revising Subchapter 5, which addresses United States Treasury and government agency obligations, to replace the term "eligible fund" with "PFRSNJ-managed fund assets" and clarify that the authority to invest and reinvest PFRSNJ-managed fund assets lies with the Board alone, consistent with Chapter 55. Throughout the subchapter, the PFRSNJ proposes amendments to delete the definitions section and consolidate all applicable definitions at N.J.A.C. 17:4A-1.2. The PFRSNJ proposes deleting the current requirement that prior to any commitment to purchase a government agency obligation, it shall be ascertained that the issuer is included on a list of government agencies maintained by the Chief Investment Officer or the Investment Committee that has been previously approved by the full Board. The PFRSNJ further proposes repealing the section that addresses the "eligible fund," as it is no longer relevant to the PFRSNJ's investment practices and procedures following execution of the MOU and the contemplated segregation and transfer of PFRSNJ-managed fund assets from the DOI to the PFRSNJ.

The PFRSNJ proposes revising Subchapter 6, which addresses global debt obligations, to repeal the definitions section and consolidate all applicable definitions at N.J.A.C. 17:4A-1.2. The PFRSNJ also proposes amending the sections regarding permissible investments and limitations to replace all uses of the term "eligible fund" with either "PFRSNJ-managed fund assets" or "total PFRSNJ fund assets," as applicable, and clarify that authority to invest and reinvest PFRSNJ-managed fund assets, and to grant a six-month grace period to reduce the level of participation to at or below the maximum levels established in this subchapter, lies solely with the Board. The proposed amendments specify that the Board may invest and reinvest PFRSNJ-managed fund assets in global debt obligations that do not meet the current minimum standards established pursuant to this subchapter, provided that the aggregate market value of investments 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 chapter does not exceed eight percent of the total PFRSNJ fund assets. The PFRSNJ proposes amending the section that authorizes the Board to approve the purchase of global debt obligations and non-convertible preferred stock on a case-by-case basis to specify that in such cases, the Board shall determine such transactions to be in the best financial interest of the PFRSNJ and its beneficiaries and consistent with the Board's fiduciary responsibility. The PFRSNJ proposes repealing the section that addresses the "eligible fund," as it is no longer relevant to the PFRSNJ's investment practices and procedures following execution of the MOU and the contemplated segregation and transfer of PFRSNJ-managed fund assets from the DOI to the PFRSNJ. Finally, the PFRSNJ proposes amending the subsection that authorizes the

Board to grant a grace period to allow time to reduce the level of participation in global debt obligations to at or below the maximum levels specified in the subchapter to remove a reference to the Chief Investment Officer and the Investment Committee and to require that any such grace period be in the financial best interest of the PFRSNJ and its beneficiaries and consistent with the Board's fiduciary responsibility.

The PFRSNJ proposes revising Subchapter 7 addressing state, municipal, and public authority obligations to reflect the Board's fiduciary responsibilities with respect to the PFRSNJ-managed fund assets and clarify that the authority to invest and reinvest PFRSNJ-managed fund assets, and to grant a grace period to reduce the level of participation to comply with the maximum levels established by this subchapter, lies solely with the Board. The PFRSNJ proposes revising this subchapter by repealing the definitions section, as part of the relocation of all relevant defined terms throughout the chapter to Subchapter 1. The PFRSNJ proposes replacing the term "eligible fund" with "PFRSNJ-managed fund assets" or "total PFRSNJ fund assets" as applicable, to more accurately reflect the assets under the Board's control and to repeal the section that addresses the "eligible fund," as it is no longer relevant to the PFRSNJ's investment practices and procedures following execution of the MOU and the contemplated segregation and transfer of PFRSNJ-managed fund assets from the DOI to the PFRSNJ. The PFRSNJ further proposes amendments to the permissible investments section to update the required credit ratings for the obligors of state and municipal general obligations and public authority revenue obligations. The proposed amendments specify that the Board may invest and reinvest PFRSNJ-managed fund assets in state, municipal, and public authority obligations that do not meet the current minimum standards established in this subchapter, provided that the aggregate market value of investments 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 chapter does not exceed eight percent of the total PFRSNJ fund assets. The PFRSNJ proposes amending the subsection that allows the Board to authorize the purchase of state and municipal general obligations and public authority obligations on a case-by-case basis to specify that in such cases, the Board shall determine such purchase to be in the best financial interest of the PFRSNJ and its beneficiaries and consistent with the Board's fiduciary responsibility. The PFRSNJ proposes amending the section limiting investments of PFRSNJ-managed assets to no more than 10 percent of any one issue, serial note, or maturity and no more than five percent of the total PFRSNJ fund assets in any one obligor to specify that calculation of the five percent limitation shall exclude investments that are managed passively against a benchmark. Finally, the PFRSNJ proposes amending the section that authorizes the Board to grant a grace period to allow time to reduce the level of participation to at or below the maximum levels specified in the subchapter to remove a reference to the Chief Investment Officer and the Investment Committee and to require that any such grace period be in the financial best interest of the PFRSNJ and its beneficiaries and consistent with the Board's fiduciary responsibility.

The PFRSNJ proposes revising Subchapter 8 addressing collateralized notes and mortgages to reflect the Board's fiduciary responsibilities with respect to the PFRSNJ-managed fund assets and clarify that the authority to invest and reinvest PFRSNJ-managed fund assets, and to grant a grace period to reduce the level of participation to comply with the maximum levels established by this subchapter, lies solely with the Board. The PFRSNJ proposes revising this subchapter by repealing the definitions as part of the relocation of all relevant defined terms throughout the chapter to Subchapter 1. The PFRSNJ proposes replacing the term "eligible fund" with "PFRSNJ-managed fund assets" or "total PFRSNJ fund assets," as applicable, to more accurately reflect the assets under the Board's control and to repeal the section that addresses the "eligible fund," as it is no longer relevant to the PFRSNJ's investment practices and procedures following execution of the MOU and the contemplated segregation and transfer of PFRSNJ-managed fund assets from the DOI to the PFRSNJ. The PFRSNJ further proposes amendments to the permissible investments section to clarify that the required credit ratings for the obligors are minimum ratings. The proposed amendments specify that the Board may invest and reinvest PFRSNJ-managed fund assets in collateralized notes

and mortgages that do not meet the current minimum standards established in this subchapter, provided that the aggregate market value of investments 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 chapter does not exceed eight percent of the total PFRSNJ fund assets. The PFRSNJ proposes amending the subsection that allows the Board to authorize the purchase of collateralized notes and mortgages on a case-by-case basis to specify that in such cases, the Board shall determine such purchase to be in the best financial interest of the PFRSNJ and its beneficiaries and consistent with the Board's fiduciary responsibility. Finally, the PFRSNJ proposes amending the section that authorizes the Board to grant a grace period to allow time to reduce the level of participation in collateralized notes and mortgages to at or below the maximum levels specified in the subchapter to remove a reference to the Chief Investment Officer and the Investment Committee and to require that any such grace period be in the financial best interest of the PFRSNJ and its beneficiaries and consistent with the Board's fiduciary responsibility.

The PFRSNJ proposes revising Subchapter 9, which addresses international government and agency obligations, to reflect the Board's fiduciary responsibilities with respect to the PFRSNJ-managed fund assets and clarify that the authority to invest and reinvest PFRSNJ-managed fund assets, and to grant a grace period to reduce the level of participation to comply with the maximum levels established by this subchapter, lies solely with the Board. The PFRSNJ proposes revising this subchapter by repealing the definitions as part of the relocation of all relevant defined terms throughout the chapter to Subchapter 1. The PFRSNJ proposes replacing the term "eligible fund" with "PFRSNJ-managed fund assets" or "total PFRSNJ fund assets," as applicable, to more accurately reflect the assets under the Board's control and to repeal the section that addresses the "eligible fund," as it is no longer relevant to the PFRSNJ's investment practices and procedures following execution of the MOU and the contemplated segregation and transfer of PFRSNJ-managed fund assets from the DOI to the PFRSNJ. The PFRSNJ further proposes amendments to the permissible investments section to clarify that the required credit ratings for the obligors are minimum ratings. The proposed amendments specify that the Board may invest and reinvest PFRSNJ-managed fund assets in international government and agency obligations that do not meet the current minimum standards established in this subchapter, provided that the aggregate market value of investments 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 chapter does not exceed eight percent of the total PFRSNJ fund assets. The PFRSNJ proposes amending the section that allows the Board to authorize the purchase of international government and agency obligations on a case-by-case basis to specify that in such cases, the Board shall determine such purchase to be in the best financial interest of the PFRSNJ and its beneficiaries and consistent with the Board's fiduciary responsibility. Finally, the PFRSNJ proposes amending the section that authorizes the Board to grant a grace period to allow time to reduce the level of participation in international and government agency obligations to at or below the maximum levels specified in the subchapter to remove a reference to the Chief Investment Officer and the Investment Committee and to require that any such grace period be in the financial best interest of the PFRSNJ and its beneficiaries and consistent with the Board's fiduciary responsibility.

The PFRSNJ proposes amending the heading of Subchapter 10 to reflect that the subchapter will address the policies regarding private credit investments, rather than global diversified credit investments. The PFRSNJ further proposes amending all references to "global diversified credit investments" by deleting them and replacing them with the term "private credit investments." The proposed amendments reflect the Board's fiduciary responsibilities with respect to the PFRSNJ-managed fund assets and clarify that the authority to invest and reinvest PFRSNJ-managed fund assets, and to grant a grace period to reduce the level of participation to comply with the maximum levels established by this

subchapter, lies solely with the Board. The PFRSNJ proposes amending this subchapter by repealing the definitions as part of the relocation of all relevant defined terms throughout the chapter to Subchapter 1. The PFRSNJ proposes replacing the term "eligible fund" with "PFRSNJ-managed fund assets" or "total PFRSNJ fund assets," as applicable, to more accurately reflect the assets under the Board's control and to repeal the section that addresses the "eligible fund," as it is no longer relevant to the PFRSNJ's investment practices and procedures following execution of the MOU and the contemplated segregation and transfer of PFRSNJ-managed fund assets from the DOI to the PFRSNJ. The PFRSNJ further proposes amendments to the permissible investments section to clarify that if the borrower defaults or the borrower's equity falls below minimum levels established pursuant to the existing rules, the private credit investment is not required to be sold. The PFRSNJ proposes amending the section that allows the Board to authorize investments in private credit investments on a case-by-case basis to specify that in such cases, the Board shall determine such purchase to be in the best financial interest of the PFRSNJ and its beneficiaries and consistent with the Board's fiduciary responsibility. The proposed amendments would amend the section governing limitations on private credit investments to specify that at the time of purchase of publicly traded securities pursuant to this subchapter, or at the time of presentation to the Investment Committee for investments other than publicly traded securities, certain conditions shall be satisfied. The amendments would increase from 10 percent to 13 percent, the total PFRSNJ fund assets that may be invested in private credit investments, whether invested directly or through separate accounts, funds-of-funds, commingled funds, co-investments, or joint ventures that primarily invest in private credit instruments. The amendments also clarify that the current limitations on the total amount directly invested by the PFRSNJ in the equity and fixed income obligations of any one issuer and affiliated entities are to be measured in the aggregate. Finally, the PFRSNJ proposes amending the section that authorizes the Board to grant a grace period to allow time to reduce the level of participation in private credit investments to at, or below, the maximum levels specified in the subchapter to remove a reference to the Chief Investment Officer and the Investment Committee and to require that any such grace period be in the financial best interest of the PFRSNJ and its beneficiaries and consistent with the Board's fiduciary responsibility.

The PFRSNJ proposes revisions at Subchapter 11, Commercial Paper, to reflect the Board's fiduciary responsibilities with respect to the PFRSNJ-managed fund assets and clarify that the authority to invest and reinvest PFRSNJ-managed fund assets, and to grant a grace period to reduce the level of participation to comply with the maximum levels established by this subchapter, lies solely with the Board. The PFRSNJ proposes revising this subchapter by repealing the definitions as part of the relocation of all relevant defined terms throughout the chapter to Subchapter 1. The PFRSNJ proposes replacing the term "eligible fund" with "PFRSNJ-managed fund assets" or "total PFRSNJ fund assets," as applicable, to more accurately reflect the assets under the Board's control and to repeal the section that addresses the "eligible fund," as it is no longer relevant to the PFRSNJ's investment practices and procedures following execution of the MOU and the contemplated segregation and transfer of PFRSNJ-managed fund assets from the DOI to the PFRSNJ. To promote consistency throughout the chapter, the PFRSNJ further proposes amendments to the permissible investments section to clarify that the required credit ratings for the obligations or the issuers are minimum ratings and to specify that achievement of two of the three required ratings is sufficient, and one of the ratings is sufficient if only one rating is available. The PFRSNJ proposes amending the section that allows the Board to authorize the purchase of commercial paper on a case-by-case basis to specify that in such cases, the Board shall determine such purchase to be in the best financial interest of the PFRSNJ and its beneficiaries and consistent with the Board's fiduciary responsibility. Finally, the PFRSNJ proposes amending the subsection that authorizes the Board to grant a grace period to allow time to reduce the level of participation in commercial paper to at, or below, the maximum levels specified in the subchapter to remove a reference to the Chief Investment Officer and the Investment Committee and to require that any such grace period be in the financial best interest of the PFRSNJ and its beneficiaries and consistent with the Board's fiduciary responsibility.

The PFRSNJ proposes revisions to Subchapter 12, Certificates of Deposit, to reflect the Board's fiduciary responsibilities with respect to the PFRSNJ-managed fund assets and clarify that the authority to invest and reinvest PFRSNJ-managed fund assets, and to grant a grace period to reduce the level of participation to comply with the maximum levels established by this subchapter, lies solely with the Board. The PFRSNJ proposes revising this subchapter by repealing the definitions as part of the relocation of all relevant defined terms throughout the chapter to Subchapter 1. The PFRSNJ proposes replacing the term "eligible fund" with "PFRSNJ-managed fund assets" or "total PFRSNJ fund assets," as applicable, to more accurately reflect the assets under the Board's control and to repeal the section that addresses the "eligible fund," as it is no longer relevant to the PFRSNJ's investment practices and procedures following execution of the MOU and the contemplated segregation and transfer of PFRSNJ-managed fund assets from the DOI to the PFRSNJ. To promote consistency throughout the chapter, the PFRSNJ further proposes amendments to the permissible investments section to clarify that the required credit ratings for the issuers of certificates of deposit are minimum ratings and to specify that achievement of two of the three required ratings is sufficient, and one of the ratings is sufficient if only one rating is available. The PFRSNJ proposes amending the section that allows the Board to authorize the purchase of certificates of deposit on a case-by-case basis to specify that in such cases, the Board shall determine such purchase to be in the best financial interest of the PFRSNJ and its beneficiaries and consistent with the Board's fiduciary responsibility. Finally, the PFRSNJ proposes amending the section that authorizes the Board to grant a grace period to allow time to reduce the level of participation in certificates of deposit to at or below the maximum levels specified in the subchapter to remove a reference to the Chief Investment Officer and the Investment Committee and to require that any such grace period be in the financial best interest of the PFRSNJ and its beneficiaries and consistent with the Board's fiduciary responsibility.

The PFRSNJ proposes revisions to Subchapter 13 addressing repurchase agreements to reflect the Board's fiduciary responsibilities with respect to the PFRSNJ-managed fund assets and clarify that the authority to invest and reinvest PFRSNJ-managed fund assets, and to grant a grace period to reduce the level of participation to comply with the maximum levels established by this subchapter, lies solely with the Board. The PFRSNJ proposes revising this subchapter by repealing the definitions as part of the relocation of all relevant defined terms throughout the chapter to Subchapter 1. The PFRSNJ proposes replacing the term "eligible fund" with "PFRSNJ-managed fund assets," to more accurately reflect the assets under the Board's control and to remove the section that addresses the "eligible fund," as it is no longer relevant to the PFRSNJ's investment practices and procedures following execution of the MOU and the contemplated segregation and transfer of PFRSNJ-managed fund assets from the DOI to the PFRSNJ. To promote consistency throughout the chapter, the PFRSNJ further proposes amendments to the permissible investments section to clarify that the required credit ratings for the corporate obligations are minimum ratings. The PFRSNJ proposes amending the section that allows the Board to authorize the purchase of repurchase agreements on a case-by-case basis to specify that in such cases, the Board shall determine such purchase to be in the best financial interest of the PFRSNJ and its beneficiaries and consistent with the Board's fiduciary responsibility.

The PFRSNJ proposes revisions to Subchapter 14, Money Market Funds, to reflect the Board's fiduciary responsibilities with respect to the PFRSNJ-managed fund assets and clarify that the authority to invest and reinvest PFRSNJ-managed fund assets, and to grant a grace period to reduce the level of participation to comply with the maximum levels established by this subchapter, lies solely with the Board. The PFRSNJ proposes revising this subchapter by repealing the definitions as part of the relocation of all relevant defined terms throughout the chapter to Subchapter 1. The PFRSNJ proposes replacing the term "eligible fund" with "PFRSNJ-managed fund assets" or "total PFRSNJ fund assets," as applicable, to more accurately reflect the assets under the Board's control and to remove the section that addresses the "eligible fund," as it is no longer relevant to the PFRSNJ's investment practices and procedures following execution of the MOU and the contemplated segregation and transfer of PFRSNJ-managed fund assets from the DOI to the PFRSNJ.

The PFRSNJ proposes amending the section that governs permissible investments to specify that the Board may invest and reinvest PFRSNJ-managed fund assets in money market funds or the State of New Jersey Cash Management Fund. The PFRSNJ further proposes amendments to the permissible investments section to specify that, at the time of purchase, a money market fund must invest primarily in securities authorized pursuant to this chapter, with the exception of credit quality limitations, and establish required aggregate credit ratings for the money market funds at the time of purchase. To promote consistency throughout the chapter, the PFRSNJ further proposes amendments to clarify that the required aggregate credit ratings for the money market funds are minimum ratings and to specify that achievement of two of the three required ratings is sufficient, and one of the ratings is sufficient if only one rating is available. The PFRSNJ proposes amending the section that allows the Board to authorize the purchase of money market funds on a case-by-case basis to specify that in such cases, the Board shall determine such purchase to be in the best financial interest of the PFRSNJ and its beneficiaries and consistent with the Board's fiduciary responsibility. The PFRSNJ proposes amending the section establishing limitations on investments in money market funds to specify that the current limitation of 10 percent of the market value of fund assets excludes operational cash and transient cash and shall be calculated based on total PFRSNJ fund assets. Finally, the PFRSNJ proposes amending the section that authorizes the Board to grant a grace period to allow time to reduce the level of participation in money market funds to at or below the maximum levels specified in the subchapter to remove a reference to the Chief Investment Officer and the Investment Committee and to require that any such grace period be in the financial best interest of the PFRSNJ and its beneficiaries and consistent with the Board's fiduciary responsibility.

The PFRSNJ proposes revising Subchapter 15 addressing non-convertible preferred stocks to reflect the Board's fiduciary responsibilities with respect to the PFRSNJ-managed fund assets and clarify that the authority to invest and reinvest PFRSNJ-managed fund assets, and to grant a grace period to reduce the level of participation to comply with the maximum levels established by this subchapter, lies solely with the Board. The PFRSNJ proposes revising this subchapter by repealing the definitions as part of the relocation of all relevant defined terms throughout the chapter to Subchapter 1. The PFRSNJ proposes replacing the term "eligible fund" with "PFRSNJ-managed fund assets" or "total PFRSNJ fund assets," as applicable, to more accurately reflect the assets under the Board's control and to repeal the section that addresses the "eligible fund," as it is no longer relevant to the PFRSNJ's investment practices and procedures following execution of the MOU and the contemplated segregation and transfer of PFRSNJ-managed fund assets from the DOI to the PFRSNJ. The PFRSNJ further proposes amendments to the permissible investments section to clarify that the required credit ratings for the stock are minimum ratings. The proposed amendments specify that the Board may invest and reinvest PFRSNJ-managed fund assets in non-convertible preferred stock that does not meet the current minimum standards established in this subchapter, provided that the aggregate market value of investments 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 chapter does not exceed eight percent of the total PFRSNJ fund assets. The PFRSNJ proposes amending the section that allows the Board to authorize the purchase of non-convertible preferred stocks on a case-by-case basis to specify that in such cases, the Board shall determine such purchase to be in the best financial interest of the PFRSNJ and its beneficiaries and consistent with the Board's fiduciary responsibility. Finally, the PFRSNJ proposes amending the section that authorizes the Board to grant a grace period to allow time to reduce the level of participation in non-convertible preferred stock to at or below the maximum levels specified in the chapter to remove a reference to the Chief Investment Officer and the Investment Committee and to require that any such grace period be in the financial best interest of the PFRSNJ and its beneficiaries and consistent with the Board's fiduciary responsibility.

The PFRSNJ proposes revisions to Subchapter 16, which addresses global equity investments, to reflect the Board's fiduciary responsibilities

with respect to the PFRSNJ-managed fund assets and clarify that the authority to invest and reinvest PFRSNJ-managed fund assets, and to grant a grace period to reduce the level of participation to comply with the maximum levels established by this subchapter, lies solely with the Board. The PFRSNJ proposes revising this subchapter by repealing the definitions as part of the relocation of all relevant defined terms throughout the chapter to Subchapter 1. The PFRSNJ proposes replacing the term “eligible fund” with “PFRSNJ-managed fund assets” or “PFRSNJ-managed fund assets,” as applicable, to more accurately reflect the assets under the Board’s control and to repeal the section that addresses the “eligible fund,” as it is no longer relevant to the PFRSNJ’s investment practices and procedures following execution of the MOU and the contemplated segregation and transfer of PFRSNJ-managed fund assets from the DOI to the PFRSNJ. The PFRSNJ proposes amending the section within the section governing permissible investments that allows the Board to authorize the purchase of global equity instruments on a case-by-case basis to specify that in such cases, the Board shall determine such purchase to be in the best financial interest of the PFRSNJ and its beneficiaries and consistent with the Board’s fiduciary responsibility. Finally, the PFRSNJ proposes amending the subsection within the section establishing limitations on global equity investments that authorizes the Board to grant a grace period to allow time to reduce the level of participation in global equity investments to at or below the maximum levels specified in the chapter to remove a reference to the Chief Investment Officer and the Investment Committee and to require that any such grace period be in the financial best interest of the PFRSNJ and its beneficiaries and consistent with the Board’s fiduciary responsibility.

The PFRSNJ proposes revisions to Subchapter 17, which addresses mortgage-backed senior debt securities and mortgage-backed pass-through securities, to reflect the Board’s fiduciary responsibilities with respect to the PFRSNJ-managed fund assets and clarify that the authority to invest and reinvest PFRSNJ-managed fund assets, and to grant a grace period to reduce the level of participation to comply with the maximum levels established by this subchapter, lies solely with the Board. The PFRSNJ proposes revising this subchapter by repealing the definitions as part of the relocation of all relevant defined terms throughout the chapter to Subchapter 1. The PFRSNJ proposes replacing the term “eligible fund” with “PFRSNJ-managed fund assets” or “total PFRSNJ fund assets,” as applicable, to more accurately reflect the assets under the Board’s control and to remove the section that addresses the “eligible fund,” as it is no longer relevant to the PFRSNJ’s investment practices and procedures following execution of the MOU and the contemplated segregation and transfer of PFRSNJ-managed fund assets from the DOI to the PFRSNJ. To promote consistency throughout the chapter, the PFRSNJ further proposes amendments to the permissible investments section to clarify that the required credit ratings for the securities are minimum ratings. The proposed amendments specify that the Board may invest and reinvest PFRSNJ-managed fund assets in mortgage-backed pass-through securities that do not meet the current minimum standards established in this subchapter, provided that the aggregate market value of investments 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 chapter does not exceed eight percent of the total PFRSNJ fund assets. The PFRSNJ proposes amending the section governing permissible investments that allows the Board to authorize the purchase of mortgage-backed pass-through securities on a case-by-case basis to specify that in such cases, the Board shall determine such purchase to be in the best financial interest of the PFRSNJ and its beneficiaries and consistent with the Board’s fiduciary responsibility. Finally, the PFRSNJ proposes amending the section establishing limitations on mortgage-backed senior debt securities and mortgage-backed pass-through securities that authorizes the Board to grant a grace period to allow time to reduce the level of participation in those securities to at or below the maximum level specified in the chapter to remove a reference to the Chief Investment Officer and the Investment Committee and to require that any such grace period be in the financial best interest of the PFRSNJ and its beneficiaries and consistent with the Board’s fiduciary responsibility.

The PFRSNJ proposes revisions to Subchapter 18, Real Assets, to reflect the Board’s fiduciary responsibilities with respect to the PFRSNJ-managed fund assets and clarify that the authority to invest PFRSNJ-managed fund assets, and to grant a grace period to reduce the level of participation to comply with the maximum levels established by this subchapter, lies solely with the Board. The PFRSNJ proposes revising this subchapter by repealing the definitions as part of the relocation of all relevant defined terms throughout the chapter to Subchapter 1. The PFRSNJ proposes replacing the term “eligible fund” with “PFRSNJ-managed fund assets” or “total PFRSNJ fund assets,” as applicable, to more accurately reflect the assets under the Board’s control and to repeal the section that addresses the “eligible fund,” as it is no longer relevant to the PFRSNJ’s investment practices and procedures following execution of the MOU and the contemplated segregation and transfer of PFRSNJ-managed fund assets from the DOI to the PFRSNJ. The PFRSNJ proposes amending the section governing permissible investments that allows the Board to authorize the purchase of real assets on a case-by-case basis to specify that in such cases, the Board shall determine such purchase to be in the best financial interest of the PFRSNJ and its beneficiaries and consistent with the Board’s fiduciary responsibility. The PFRSNJ further proposes that the limitations section be amended to specify that, at the time of purchase of publicly traded securities or at the time of presentation to the Investment Committee for investments other than publicly traded securities, the conditions set forth in the subchapter must be satisfied. The amendments would increase, from five to 13 percent of the market value of total PFRSNJ fund assets, the amount of PFRSNJ-managed fund assets that may be invested in real estate. The proposed amendments also would delete current limitations on specific investments in certain types of real estate, including office, retail, apartment/multi-family, hotel, industrial, and specialty use, as well as geographic limitations on real estate investments within certain regions of the United States. Finally, the PFRSNJ proposes amending the section establishing limitations on investments in real assets that authorizes the Board to grant a grace period to allow time to reduce the level of participation in real assets to at or below the maximum levels specified in the chapter to remove a reference to the Chief Investment Officer and the Investment Committee and to require that any such grace period be in the financial best interest of the PFRSNJ and its beneficiaries and consistent with the Board’s fiduciary responsibility.

The PFRSNJ proposes revisions to Subchapter 19 addressing foreign currency transactions to reflect the Board’s fiduciary responsibilities with respect to the PFRSNJ-managed fund assets and clarify that the authority to enter into spot contracts lies solely with the Board. The PFRSNJ proposes revising this subchapter by repealing the definitions as part of the relocation of all relevant defined terms throughout the chapter to Subchapter 1. The PFRSNJ proposes repealing the section that addresses the “eligible fund,” as it is no longer relevant to the PFRSNJ’s investment practices and procedures following execution of the MOU and the contemplated segregation and transfer of PFRSNJ-managed fund assets from the DOI to the PFRSNJ. To promote consistency throughout the chapter, the PFRSNJ further proposes amendments to the permissible investments section to clarify that the required credit ratings for the issuers of certificates of deposit are minimum ratings. The PFRSNJ also proposes removing the requirement that a list be maintained by the Board of counterparties to foreign currency transactions. The PFRSNJ proposes amending the subsection within the section governing permissible investments that allows the Board to authorize entry into foreign currency transactions on a case-by-case basis to specify that in such cases, the Board shall determine such purchase to be in the best financial interest of the PFRSNJ and its beneficiaries and consistent with the Board’s fiduciary responsibility. The PFRSNJ additionally proposes amendments to the section addressing limitations to allow the Chief Investment Officer to hedge the portfolio when the Chief Investment Officer believes that circumstances exist in which hedging the foreign currency risk would serve to improve or protect the inherent returns of the portfolio.

The PFRSNJ proposes revisions to Subchapter 20, Futures Contracts, to reflect the Board’s fiduciary responsibilities with respect to the PFRSNJ-managed fund assets and clarify that the authority to invest and reinvest PFRSNJ-managed fund assets, and to grant a grace period to reduce the level of participation to comply with the maximum levels

established by this subchapter, lies solely with the Board. The PFRSNJ proposes revising this subchapter by repealing the definitions as part of the relocation of all relevant defined terms throughout the chapter to Subchapter 1. The PFRSNJ proposes replacing the term “eligible fund” with “PFRSNJ-managed fund assets” or “total PFRSNJ fund assets,” as applicable, to more accurately reflect the assets under the Board’s control and to remove the section that addresses the “eligible fund,” as it is no longer relevant to the PFRSNJ’s investment practices and procedures following execution of the MOU and the contemplated segregation and transfer of PFRSNJ-managed fund assets from the DOI to the PFRSNJ. Finally, the PFRSNJ proposes amending the section establishing limitations on investments in futures contracts that authorizes the Board to grant a grace period to allow time to reduce the level of participation in futures contracts to at or below the maximum levels specified in the chapter to remove a reference to the Chief Investment Officer and the Investment Committee and to require that any such grace period be in the financial best interest of the PFRSNJ and its beneficiaries and consistent with the Board’s fiduciary responsibility.

The PFRSNJ proposes revisions to Subchapter 21, Swap Transactions, to reflect the Board’s fiduciary responsibilities with respect to the PFRSNJ-managed fund assets and clarify that the authority to enter into swap transactions on behalf of the PFRSNJ, and to grant a grace period to reduce the level of participation to comply with the maximum levels established by this subchapter, lies solely with the Board. The PFRSNJ proposes revising this subchapter by repealing the definitions as part of the relocation of all relevant defined terms throughout the chapter to Subchapter 1. The PFRSNJ proposes replacing the term “eligible fund” with “PFRSNJ-managed fund assets” or “total PFRSNJ fund assets,” to more accurately reflect the assets under the Board’s control and to repeal the section “eligible fund,” as it is no longer relevant to the PFRSNJ’s investment practices and procedures following execution of the MOU and the contemplated segregation and transfer of PFRSNJ-managed fund assets from the DOI to the PFRSNJ. The PFRSNJ proposes amendments to the section regarding permissible investments to remove a reference to a list maintained by the Chief Investment Officer or Investment Committee for the Board of the counterparties to or guarantors of swap transactions. The PFRSNJ further proposes amendments to the permissible investments section to clarify that the required credit ratings for the counterparties or guarantors are minimum ratings. The PFRSNJ proposes amending the section that allows the Board to approve swap transactions on a case-by-case basis to specify that in such cases, the Board shall determine such purchase to be in the best financial interest of the PFRSNJ and its beneficiaries and consistent with the Board’s fiduciary responsibility. Finally, the PFRSNJ proposes amending the section that authorizes the Board to grant a grace period to allow time to reduce the level of participation in swap transaction to at or below the maximum levels specified in the chapter to remove a reference to the Chief Investment Officer and the Investment Committee and to require that any such grace period be in the financial best interest of the PFRSNJ and its beneficiaries and consistent with the Board’s fiduciary responsibility.

The PFRSNJ proposes revising Subchapter 22, Covered Call Options, to reflect the Board’s fiduciary responsibilities with respect to the PFRSNJ-managed fund assets and clarify that the authority to repurchase and sell covered call options on behalf of the PFRSNJ lies solely with the Board. The PFRSNJ proposes revising this subchapter by repealing the definitions as part of the relocation of all relevant defined terms throughout the chapter to Subchapter 1. The PFRSNJ also proposes amending the heading of recodified N.J.A.C. 17:4A-22.1, Permissible transactions, to Permissible investments. The PFRSNJ proposes repealing the section that addresses “eligible fund,” as it is no longer relevant to the PFRSNJ’s investment practices and procedures following execution of the MOU and the contemplated segregation and transfer of PFRSNJ-managed fund assets from the DOI to the PFRSNJ. The PFRSNJ proposes amending the section that allows the Board to approve covered call options on a case-by-case basis to specify that in such cases, the Board shall determine such purchase to be in the best financial interest of the PFRSNJ and its beneficiaries and consistent with the Board’s fiduciary responsibility.

The PFRSNJ proposes revising Subchapter 23, Put Options, to reflect the Board’s fiduciary responsibilities with respect to the PFRSNJ-

managed fund assets and clarify that the authority to purchase and sell put options and to execute and terminate put spreads on behalf of the PFRSNJ lies solely with the Board. The PFRSNJ proposes revising this subchapter by repealing the definitions as part of the relocation of all relevant defined terms throughout the chapter to Subchapter 1. The PFRSNJ proposes replacing the term “eligible fund” with “PFRSNJ-managed fund assets” or “total PFRSNJ fund assets,” as applicable, to more accurately reflect the assets under the Board’s control, and to remove the section that addresses the “eligible fund,” as it is no longer relevant to the PFRSNJ’s investment practices and procedures following execution of the MOU and the contemplated segregation and transfer of PFRSNJ-managed fund assets from the DOI to the PFRSNJ. The PFRSNJ also proposes to amend the heading of recodified N.J.A.C. 17:4A-23.1, Permissible transactions, to Permissible investments. The PFRSNJ proposes amending the section that allows the Board to approve put options or put spreads on a case-by-case basis to specify that in such cases, the Board shall determine such transaction to be in the best financial interest of the PFRSNJ and its beneficiaries and consistent with the Board’s fiduciary responsibility.

The PFRSNJ proposes revisions to Subchapter 24, Private Equity, to reflect the Board’s fiduciary responsibilities with respect to the PFRSNJ-managed fund assets and clarify that the authority to invest and reinvest PFRSNJ-managed fund assets, and to grant a grace period to reduce the level of participation to comply with the maximum levels established by this subchapter, lies solely with the Board. The PFRSNJ proposes revising this subchapter by repealing the definitions as part of the relocation of all relevant defined terms throughout the chapter to Subchapter 1. The PFRSNJ proposes replacing the term “eligible fund” with “PFRSNJ-managed fund assets” or “total PFRSNJ fund assets,” as applicable, to more accurately reflect the assets under the Board’s control, and to remove reference to participation in a common fund and repeal the section that addresses the “eligible fund,” as it is no longer relevant to the PFRSNJ’s investment practices and procedures following execution of the MOU and the contemplated segregation and transfer of PFRSNJ-managed fund assets from the DOI to the PFRSNJ. The PFRSNJ proposes amendments to the section governing permissible investments to replace the terms “buyout investments, venture capital investments, and debt-related investments” with the term “private equity investments” and to specify in the section that allows the Board to approve private equity investments on a case-by-case basis, that in such cases, the Board shall determine such transactions to be in the best financial interest of the PFRSNJ and its beneficiaries and consistent with the Board’s fiduciary responsibility. The PFRSNJ proposes amendments to the limitations section to clarify that the permitted levels of investment are aggregate levels that must be met at the time of presentation to the “Investment Committee” instead of the “Board,” to increase the maximum aggregate market value of permissible investments in private equity investments from 15 to 18 percent of total PFRSNJ fund assets, and to remove conditions for investments based on proportionate interests in common pension funds that are not applicable to the Board’s investments. Finally, the PFRSNJ proposes amending the subsection that authorizes the Board to grant a grace period to allow time to reduce the level of participation in private equity investments to at or below the maximum levels specified in the chapter to remove a reference to the Chief Investment Officer and the Investment Committee and to require that any such grace period be in the financial best interest of the PFRSNJ and its beneficiaries and consistent with the Board’s fiduciary responsibility.

The PFRSNJ proposes revisions to Subchapter 25, Opportunistic Investments, to reflect the Board’s fiduciary responsibilities with respect to the PFRSNJ-managed fund assets and clarify that the authority to invest and reinvest PFRSNJ-managed fund assets, and to grant a grace period to reduce the level of participation to comply with the maximum levels established by this subchapter, lies solely with the Board. The PFRSNJ proposes revising this subchapter by repealing the definitions as part of the relocation of all relevant defined terms throughout the chapter to Subchapter 1. The PFRSNJ proposes replacing the term “eligible fund” with “PFRSNJ-managed fund assets” or “total PFRSNJ fund assets,” as applicable, to more accurately reflect the assets under the Board’s control and to repeal the section that addresses the “eligible fund,” as it is no longer relevant to the PFRSNJ’s investment practices and procedures following execution of the MOU and the contemplated segregation and

transfer of PFRSNJ-managed fund assets from the DOI to the PFRSNJ. The PFRSNJ proposes amending the section governing permissible investments to include a reference to the requirements set forth at N.J.A.C. 17:4A-1.4 concerning due diligence. The PFRSNJ also proposes amending the limitations section to clarify all conditions required pursuant to this subchapter shall be met at the time of “initial purchase” instead of at the time of “presentation to the Investment Committee.” Finally, the PFRSNJ proposes amending the subsection that authorizes the Board to grant a grace period to allow time to reduce the level of participation in opportunistic investments to at or below the maximum levels specified in the chapter to remove a reference to the Chief Investment Officer and the Investment Committee and to require that any such grace period be in the financial best interest of the PFRSNJ and its beneficiaries and consistent with the Board’s fiduciary responsibility.

The PFRSNJ proposes revisions to Subchapter 26, Absolute Return Strategy Investments, to reflect the Board’s fiduciary responsibilities with respect to the PFRSNJ-managed fund assets and clarify that the authority to invest and reinvest PFRSNJ-managed fund assets, and to grant a grace period to reduce the level of participation to comply with the maximum levels established by this subchapter, lies solely with the Board. The PFRSNJ proposes revising this subchapter to repeal the definitions section and consolidate all applicable definitions at Subchapter 1. The PFRSNJ proposes replacing the term “eligible fund” with “PFRSNJ-managed fund assets” or “total PFRSNJ fund assets,” as applicable, to more accurately reflect the assets under the Board’s control and to repeal the section “eligible fund,” as it is no longer relevant to the PFRSNJ’s investment practices and procedures following execution of the MOU and the contemplated segregation and transfer of PFRSNJ-managed fund assets from the DOI to the PFRSNJ. The PFRSNJ proposes amendments to the limitations section to clarify that the permitted level of investment must be met at the time of purchase of publicly traded securities or, for investments other than publicly traded securities, at the time of presentation to the “Investment Committee” instead of the “Board.” The proposed amendments also would increase the maximum aggregate market value of permissible investments in absolute return strategy investments from five percent to 10 percent of the total PFRSNJ fund assets and remove conditions on investments based on proportionate interests in common pension funds that are not applicable to the Board’s investments. Finally, the PFRSNJ proposes amending the section that authorizes the Board to grant a grace period to allow time to reduce the level of participation in absolute return strategy investments to at or below the maximum levels specified in the chapter to remove references to the Chief Investment Officer and the Investment Committee and to require that any such grace period be in the financial best interest of the PFRSNJ and its beneficiaries and consistent with the Board’s fiduciary responsibility.

As the PFRSNJ has provided a 60-day comment period for this notice of proposal, this notice is excepted from the rulemaking calendar requirements at N.J.A.C. 1:30-3.3(a)5.

Social Impact

The proposed amendments, repeals, and new rules would have a positive social impact insofar as they are necessary to implement P.L. 2018, c. 55, which transferred responsibility for the investment and management of the assets of the PFRSNJ to the PFRSNJ Board, created the Office of Chief Investment Officer, and established the Investment Committee to support the investment and reinvestment of the PFRSNJ-managed fund assets on behalf of, and with approval of, the Board consistent with its fiduciary responsibilities. Chapter 55 requires the Board to direct investment policies concerning the PFRSNJ-managed fund assets, thereby impacting the members of the PFRSNJ and their beneficiaries. Additionally, the proposed amendments, repeals, and new rules recognize that there are material financial benefits to the PFRSNJ and its beneficiaries resulting from working with minority- and women-owned business entities and, therefore, require that the Board consider the hiring of minority- and women-owned business entities in determining how to invest PFRSNJ-managed fund assets, consistent with the Board’s fiduciary obligation. This commitment also requires the Board to attempt to use, to the greatest extent feasible consistent with its fiduciary obligation and the applicable standard for prudent investment, qualified

women- and minority-owned financial institutions to provide brokerage and investment advisor services. These policies may have a positive social impact.

Economic Impact

The proposed amendments, repeals, and new rules are necessary to implement P.L. 2018, c. 55, which transferred the supervision of the investment management of the assets of the PFRSNJ to the Board. The proposed amendments, repeals, and new rules would provide a regulatory framework for the investment of PFRSNJ-managed fund assets under the supervision of the PFRSNJ Board. The proposed amendments, repeals, and new rules provide for continued investment diversification and the continued opportunity for increased overall risk-adjusted returns for the PFRSNJ-managed fund assets under the supervision of the Board. As such, the proposed amendments, repeals, and new rules are beneficial to the long-term economic security of the PFRSNJ’s members and beneficiaries and are expected to lessen the long-term economic burden of the overall retirement system on the State’s taxpayers.

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, its individual trustees, employees, and investment advisors with respect to PFRSNJ-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 proposed amendments, repeals, and new rules in conjunction with the relevant Federal standards and has determined that the proposed amendments, repeals, and new rules match and do not exceed those standards imposed by Federal law.

Jobs Impact

The proposed amendments, repeals, and new rules are not anticipated to have a direct impact on jobs. To the extent that the proposed amendments, repeals, and new rules promote investments of PFRSNJ-managed fund assets in a manner that has a beneficial impact on local and regional economies and business communities, the proposed amendments, repeals, and new rules may have an indirect but positive impact on jobs in the State of New Jersey.

Agriculture Industry Impact

The proposed amendments, repeals, and new rules will have no impact on the agriculture industry.

Regulatory Flexibility Statement

A regulatory flexibility analysis is not required since the proposed amendments, repeals, and new rules regulate only the internal investment activities of the PFRSNJ with respect to PFRSNJ-managed fund assets under the supervision of the Board and will have no effect on small businesses, as the term is defined in the Regulatory Flexibility Act, N.J.S.A. 52:14B-16 et seq.

Housing Affordability Impact Analysis

The proposed amendments, repeals, and new rules would have no impact on the affordability of housing in the State of New Jersey and will not have any impact on the average cost of housing in the State. The basis for this finding is that the rules do not pertain to housing or housing affordability in any way, but rather are necessary to implement P.L. 2018, c. 55, which transferred the supervision of investment of the assets of the PFRSNJ to the Board.

Smart Growth Development Impact Analysis

The proposed amendments, repeals, and new rules would not have an impact on housing production within Planning Areas 1 or 2, or within designated centers, pursuant to the State Development and Redevelopment Plan in New Jersey. The basis for this finding is that the proposed amendments, repeals, and new rules do not pertain to housing or housing production in any way, but rather implement P.L. 2018, c. 55, which transferred the supervision of the investment of the assets of the PFRSNJ to the Board.

Racial and Ethnic Community Criminal Justice and Public Safety Impact

The Board has evaluated this rulemaking and determined that it will not have an impact on pretrial detention, sentencing, probation, or parole policies concerning adults and juveniles in the State. Accordingly, no further analysis is required.

Full text of the rules proposed for repeal may be found in the New Jersey Administrative Code at N.J.A.C. 17:4A-1.3, 1.4, 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.

Full text of the proposed amendments and new rules follows (additions indicated in boldface **thus**; deletions indicated in brackets [thus]):

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 [rules] **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[, and, when appropriately delegated, to the Investment Committee and Chief Investment Officer of the PFRSNJ] 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.

"Chapter 55" means the enactment of P.L. 2018, c. 55, an act concerning the management of the Police and Firemen's Retirement System amending various parts of the statutory law, repealing Section 1 of P.L. 1947, c. 217.]

"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[, and under the supervision of, the State Investment Council pursuant to P.L. 1970, c. 270, including Common Pension Fund D and E and any other common pension fund made available for investment of funds under the supervision of the Board by the State Investment Council and Common Pension Fund L, established by P.L. 2017, c. 98] 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.

... “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).

... [“Proportionate interest” means the percentage calculated by dividing the Police and Firemen’s Retirement System’s units of participation in a common pension fund by the total number of units of participation outstanding of the common pension fund.]

“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.

“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 [under] pursuant to this chapter, the [Chief Investment Officer, the Investment Committee, or the Board’s independent outside investment advisor] Board shall obtain such documents, representations, or opinions as may be required by [the Attorney General, where the Attorney General then serves as legal counsel to the Board, or as recommended by separately engaged legal counsel to the Board, where the Attorney General does not serve as] legal counsel to the Board.

SUBCHAPTER 2. STATE OF NEW JERSEY CASH
MANAGEMENT FUND

17:4A-[2.2]2.1 Permissible investments

The [Chief Investment Officer, the Investment Committee, or the Board's independent investment advisor] **Board** may [recommend the investment and reinvestment of the moneys of the eligible fund] **invest and reinvest PFRSNJ-managed fund assets** in the State of New Jersey Cash Management Fund.

SUBCHAPTER 3. [PFRS BOARD'S POLICY] **POLICIES**
CONCERNING POLITICAL CONTRIBUTIONS
[AND PROHIBITIONS ON] **BY INVESTMENT**
[MANAGEMENT BUSINESS] **ADVISORS;**
COMMITMENT TO MINORITY- AND
WOMEN-OWNED BUSINESS ENTITIES;
COMMITMENT TO TRANSPARENCY [WITH
INVESTMENTS]

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 [Police and Firemen's Retirement System] **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 [Police and Firemen's Retirement System] **PFRSNJ**, the State taxpayers, and the public interest by:

1. Prohibiting investment management firms from being engaged to provide investment management services to the [Police and Firemen's Retirement System] **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 [Police and Firemen's Retirement System] **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 [through, or] in connection with[,] investments [made directly by the Police and Firemen's Retirement System] **of PFRSNJ-managed assets**. [This subchapter shall not apply to investment management firms engaged through, or in connection with, investments made through a common pension fund, as contracted and agreed to by the Division of Investments. This subchapter does apply to any investment made solely by the Police and Firemen's Retirement System of New Jersey, separate and apart from the Division of Investments.]

17:4A-[3.3]3.2 Restrictions

(a) The Board [of Trustees for the PFRSNJ] shall not engage an investment management firm to provide investment management services for the benefit of the [Police and Firemen's Retirement System] **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 [Division of Investments or 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 [of] **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 [\$250.00] **\$300.00** per State official, per election.

(d) The provisions [of] **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 [\$250.00] **\$300.00** per political party, per year.

(e) The provisions [of] **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-[3.4]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 [Police and Firemen's Retirement System] **Board** shall not:

1.-4. (No change.)

17:4A-[3.5]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 [of] **at** N.J.A.C. 17:4A-[3.3 or 3.4] **3.2 or 3.3**.

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

1.-3. (No change.)

17:4A-[3.6]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 [Police and Firemen's Retirement System] **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-[3.3(a)] **3.2(a)** or (b), excluding any political contribution or payment to a political party made pursuant to N.J.A.C. 17:4A-[3.3(c)] **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-[3.10] **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-[3.9]3.8 Contract termination

[Each] **The Board shall provide in each** contract with an investment management firm [shall provide] 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 [Police and Firemen's Retirement System] **PFRSNJ** shall have the right to terminate its relationship with the investment management firm.

17:4A-[3.10]3.9 Exemptions

(a) An investment management firm that would otherwise be prohibited from being engaged to provide investment management services to the [Police and Firemen's Retirement System] **Board** pursuant to N.J.A.C. 17:4A-[3.3] **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 [\$250.00] **\$300.00**; and

iii. (No change.)

2. The [Board determines that the] investment management firm [has demonstrated] **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 [Police and Firemen's Retirement System] **PFRSNJ**, the State taxpayers, and the public are best served by such an exemption.

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

17:4A-[3.11]3.10 Restrictions on [board] **Board** members [and employees]

[(a) Each Board member and PFRSNJ employee shall comply with the reporting provisions of N.J.A.C. 17:4A-3.6 for his or her term as a member of the Board, or in the case of employees, his or her term of employment.]

[(b)] It is prohibited for any Board member [or employee] 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 [or employee], the Board [member or employee's] **member's** immediate family, or any partner or associate of the Board member [or employee]. 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-[3.12]3.11 Board commitment to [investments in] **working with** minority- and women-owned [businesses (MWBE)] **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 [its funds] **PFRSNJ-managed fund assets**, taking into consideration its fiduciary obligation and any other factors important to the Board. This commitment, [shall be] consistent with the legislative mandate at N.J.S.A. 52:18A-89.15, [which shall be analogously applied to the Board of Trustees for the PFRS, and is] **requires the Board**, subject to and consistent with the Board's fiduciary duties and the **applicable** standard for prudent investment, [and] **to attempt to use**, to the greatest extent feasible, qualified minority- and women-owned financial institutions to provide brokerage and investment [management] **advisor** services.

17:4A-[3.13]3.12 Board commitment to transparency [with alternative investments]

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 [its] beneficiaries **of the PFRSNJ**, about [its] investments **of PFRSNJ-managed fund assets**. In considering the information to disclose, the Board shall take into consideration its fiduciary obligation [and ensure that there is no detrimental effect on the fund. The Board may consider], **as well as** other factors, including, without limitation, the disclosure policies adopted by other public pension investment funds, the level of disclosure acceptable to [the investment] **fund** sponsors and managers, and the effect that the disclosure policy may have on sourcing investment opportunities.

SUBCHAPTER 4. SECURITIES LENDING TRANSACTIONS

17:4A-[4.2]4.1 Permissible transactions

(a) Subject to the limitations [contained] in this subchapter, the Board[, and, when appropriate, the Chief Investment Officer or Investment Committee may authorize] **may enter into** securities lending transactions on behalf of the [eligible fund under the control of the Board] **PFRSNJ**, provided that:

1. The **portfolios eligible to have** securities **loaned by the PFRSNJ** are [on a list of securities eligible for securities lending transactions maintained] **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 [an eligible fund] **the PFRSNJ**;

4. The collateral **delivered by the borrower** is held in a [separate] **segregated custodial** account on behalf of the [eligible fund] **PFRSNJ**;

5. The securities loaned by [an eligible fund] **the PFRSNJ** and the [cash] 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 [cash] 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 [for the eligible fund under] **pursuant to** this chapter and [included on a list of securities permissible for securities lending transactions maintained] **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 [cash] 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-[4.4]4.2 Limitations

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

(b) The **credit quality of the** required collateral [levels by type of security] shall be specified in an agreement with the securities lending agent, where applicable, and in each securities lending agreement[, but in].

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

[(c)] **(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 [Chief Investment Officer or the Investment Committee] **Board** may [authorize] **grant** a six-month grace period to bring the transactions into compliance, except that the grace period may be extended [for] **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 [fund] **PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility**.

SUBCHAPTER 5. UNITED STATES TREASURY AND GOVERNMENT AGENCY OBLIGATIONS

17:4A-[5.2]5.1 Permissible investments

[(a)] Subject to the limitations [contained] in this subchapter, the Board[, and, when appropriate, the Chief Investment Officer or the Investment Committee,] may [authorize the investment] **invest** and [reinvestment of the moneys of the eligible] **reinvest PFRSNJ-managed fund assets** in United States Treasury obligations and government agency obligations[, as well as]; **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 [certify] **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.

[(b)] Prior to any commitment to purchase a government agency obligation, it shall be ascertained that the issuer is included on a list of government agencies maintained by the Chief Investment Officer or the Investment Committee that has been previously approved by the full Board.]

SUBCHAPTER 6. GLOBAL DEBT OBLIGATIONS

17:4A-[6.2]6.1 Permissible investments

(a) Subject to the limitations [contained] in this subchapter, the Board [and, when appropriate, the Chief Investment Officer or the Investment Committee,] may [authorize the investment and reinvestment of the moneys of the eligible] **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[. Subsequent to purchase, if the obligor defaults, the obligations do not have to be sold]; 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 [a] 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 [and, when appropriate, the Chief Investment Officer or the Investment Committee,] may [authorize the investment and reinvestment of the moneys of the eligible] **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-[8.2, 15.2, and 17.2]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 [eligible] total PFRSNJ fund assets.**

(c) Notwithstanding the restrictions at (a) above, the Board [or, when appropriate, the Chief Investment Officer or Investment Committee,] may [authorize the investment and reinvestment of the moneys of the eligible] **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-[15.2]15.1, respectively; provided, however, **that the market value of such investments shall not exceed one percent of the [eligible] total PFRSNJ fund assets.**

(d) In addition to [the requirements] **making the investments described** at (a) above, the [Chief Investment Officer or Investment Committee] **Board** may:

1. [Authorize the exercise] **Exercise the rights** and conversion privileges of any security acquired [under] **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-[6.4]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 [for the eligible fund under] **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 [by the eligible fund,] shall not exceed five percent of the [eligible fund's] **total PFRSNJ fund assets;** and

3. Not more than seven percent of the [market value of the assets of the eligible] **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 [Chief Investment Officer or the Investment Committee] **Board** may [authorize] **grant** a [grace period of up to six months] **six-month grace period** to reduce the level of participation **to at or below** the maximum levels[. The], **except that the grace period may be extended [for] 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 [fund] **PFRSNJ and its beneficiaries, and is consistent with the Board's fiduciary responsibility.**

SUBCHAPTER 7. STATE, MUNICIPAL, AND PUBLIC AUTHORITY OBLIGATIONS

17:4A-[7.2]7.1 Permissible investments

(a) Subject to the limitations [contained] in this subchapter, the Board [and, when appropriate, the Chief Investment Officer or the Investment Committee,] may [authorize the investment and reinvestment of moneys of the eligible] **invest and reinvest PFRSNJ-managed fund assets** in state, [and] municipal general, [obligations] and public authority [revenue] obligations, provided that:

1. (No change.)

2. The obligations have a credit rating of [A3] **at least: Baa3 or higher by Moody's Investors Service, Inc., [A-] BBB- or higher by Standard & Poor's Corporation, and [A-] 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 [only] invest and reinvest [the moneys of a fund classified as a Temporary Reserve Fund, a Demand Fund, or a Static Fund] **PFRSNJ-managed fund assets in: state, [and] municipal [general], 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 [that], however, the aggregate market value of such [investment in tax exempt securities is required in order to comply with Federal arbitrage regulations and further provided that such investment qualifies under this subchapter and that the obligations were issued with an unqualified approving opinion of a recognized bond counsel to the effect that the obligations have been duly authorized and issued and are legal, valid, and binding obligations of the issuer. If the obligations are guaranteed by the Federal government, the above requirement may be waived] 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, [and] municipal general, [obligations] and public authority [revenue] 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-[7.4]7.2 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 of any one obligor] **Board** shall not [exceed 10 percent of the outstanding debt of the entity, and not] **directly purchase** more than 10 percent of any one issue, serial note, or maturity [may directly be purchased by the eligible fund]; and

2. [Not more than five percent of the assets of the eligible fund shall be] **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 [Chief Investment Officer or the Investment Committee,] **Board** may [authorize] **grant** a six-month grace period to reduce the level of participation **to at or below** the maximum levels[. The], **except that the grace period may be extended [for] 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 [fund] **PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.**

SUBCHAPTER 8. COLLATERALIZED NOTES AND MORTGAGES

17:4A-[8.2]8.1 Permissible investments

(a) Subject to the limitations [contained] in this subchapter, the Board [or, when appropriate, the Chief Investment Officer or the Investment Committee,] may [authorize investment or reinvestment of the moneys of the eligible] **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 [and, when appropriate, the Chief Investment Officer or the Investment Committee,] may invest and reinvest the [moneys of the eligible] **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 [at N.J.A.C. 17:4A-6.2,] in this section[,], and at N.J.A.C. 17:4A-[15.2 and 17.2.]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 [assets of the eligible] **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-[8.4]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 [assets of the eligible] **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 [by the eligible fund,] shall not exceed five percent of the [assets of the eligible] **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 [Chief Investment Officer or the Investment

Committee] **Board** may [authorize] **grant** a six-month grace period to reduce the level of participation **to at or below** the maximum levels[. The], **except that the grace period may be extended [for] 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 [fund] **PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.**

SUBCHAPTER 9. INTERNATIONAL GOVERNMENT AND AGENCY OBLIGATIONS

17:4A-[9.2]9.1 Permissible investments

(a) Subject to the limitations [contained] in this subchapter, the Board [and, when appropriate, the Chief Investment Officer or the Investment Committee,] may [authorize the investment and reinvestment of] **invest or reinvest** the moneys of the [eligible] **PFRSNJ-managed fund assets** in international government and agency obligations, provided that the [international government and agency] 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. **Subject to purchase, if the ratings fall below the minimum rating for such obligations, the obligations do not have to be sold.**

(b) Notwithstanding [the restrictions contained at] (a) above, the Board may [authorize the purchase of] **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 [on a case-by-case basis], 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-[9.4]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 [assets of the eligible] **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 [Chief Investment Officer or Investment Committee,] **Board** may [authorized] **grant** a six-month grace period to reduce the level of participation [of the fund] **to at or below** the maximum levels[. The], **except that the grace period may be extended [for] 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 [fund] **PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.**

SUBCHAPTER 10. [GLOBAL DIVERSIFIED] PRIVATE CREDIT INVESTMENTS

17:4A-[10.2]10.1 Permissible investments

(a) Subject to the [applicable] limitations [contained] in this subchapter, the Board [and, when appropriate, the Chief Investment Officer or Investment Committee] may [authorize the investment and reinvestment of the moneys of the eligible] **invest and reinvest PFRSNJ-managed fund assets** in [global diversified] **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[. Subsequent to purchase, if the borrower defaults, the loans do not have to be sold]; 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 [global diversified] **private** credit investments [either: i. Directly by the eligible fund], provided that the requirements at N.J.A.C. 17:4A-1.4 have been met; [or]

[ii. Through participation in a common pension fund made available for investment by the State Investment Council that grants permission to the PFRSNJ to coinvest with the other State pension funds, and when the PFRSNJ Board determines it to be in the best interest of the retirement system;]

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

(b) In addition to **making the investments described at** (a) above, the [Chief Investment Officer or Investment Committee] **Board** may [authorize the]:

1. Exercise [of] the rights or conversion privileges of any security acquired [under] **pursuant to** this subchapter;

2. [Retention of] **Retain** any distribution received as a result of a corporate action or distribution by a [global diversified] **private** credit investment, even if such distribution does not meet the requirements of this subchapter;

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

4. Purchase [of] the convertible debt issue of an entity, the common stock of which qualifies for investment [under] **pursuant to** this subchapter; and

5. Purchase [of] stock in new public offerings of entities that primarily invest in [global diversified] **private** credit investments.

(c) Notwithstanding the restrictions in this subchapter, the Board may authorize the purchase of [global diversified] **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 [Chief Investment Officer or Investment Committee] **Board** from [authorizing the investment of the monies of the eligible] **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-[10.4]10.2 Limitations

(a) [For all investments made pursuant to N.J.A.C. 17:4A-10.2(a)2i, at] **At the time of purchase of publicly traded securities pursuant to this subchapter, or at** the time of presentation to the [Board (or, for investments under \$50 million, the) Investment Committee] in accordance with N.J.A.C. 17:4A-1.4(a)[, or at the time of purchase of] **for investments other than** publicly traded securities, the following conditions shall be met:

1. Not more than [10] **13** percent of the market value of the [assets of the eligible] **total PFRSNJ fund assets** shall be invested in [global diversified] **private** credit investments, whether **invested** directly or through separate accounts, funds-of-funds, commingled funds, co-investments, and joint ventures that primarily invest in [global diversified] **private** credit investments[. Calculation of this limitation shall be applied to the aggregate of investments made directly by the eligible fund and the eligible fund's proportionate interest in global diversified credit investments made through a common pension fund];

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 [by the eligible fund], **in the aggregate**, shall not exceed five percent of the [assets of the eligible] **total PFRSNJ fund assets**[. Calculation of this limitation shall be applied to the aggregate of investments made directly by the eligible fund and the eligible fund's proportionate interest in global diversified credit investments made through a common pension fund];

4.-5. (No change.)

(b) If, subsequent to [the time of] initial [presentation to the Board (or, for investments under \$50 million, 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 [Chief Investment Officer or the Investment Committee] **Board** may [authorize] **grant** a six-month grace period to reduce the level of participation **to at or** below the maximum levels, [provided] **except that**:

1. The reduction shall be achieved solely by the reduction of investments made directly by the eligible fund and shall not be applied to the eligible fund's proportionate interest in investments made through a common pension fund managed by the Division of Investments and the State Investment Council; and

2. The **the** grace period may be extended [for] **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 [fund] **PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.**

SUBCHAPTER 11. COMMERCIAL PAPER

17:4A-[11.2]11.1 Permissible investments

(a) Subject to the limitations [contained] in this subchapter, the Board [and, when appropriate, the Chief Investment Officer or Investment Committee,] may [authorize the investment and reinvestment of the moneys of the eligible] **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 [a] **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, [or] **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.** [If a rating for the issue has not been obtained from the above services, the issue may be purchased if the issuer rating meets the minimum rating criteria.] Subsequent to purchase, if the [rating falls below] **aggregate credit rating of the obligation, issuer, or guarantor fails to meet** the minimum rating [for such issue, it] **criteria, the commercial paper** does not have to be sold[, and it 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].

(b) Notwithstanding the restrictions [contained] 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-[11.4]11.2 Limitations

(a) At the time of initial purchase [not more than five percent of the market value of the assets of the eligible fund shall be directly], **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 [is] **are** exceeded, then the Board shall be notified at the next regularly scheduled meeting of the Board. The [Chief Investment Officer or the Investment Committee] **Board** may [authorize] **grant** a six-month grace period to reduce the level of participation **to at or** below the maximum levels[. The], **except that the** grace period may be extended [for] **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 [fund] **PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.**

SUBCHAPTER 12. CERTIFICATES OF DEPOSIT

17:4A-[12.2]12.1 Permissible investments

(a) Subject to the limitations [contained] in this subchapter, the Board [and, when appropriate, the Chief Investment Officer or Investment Committee,] may [authorize the investment and reinvestment of the moneys of the eligible] **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, [or] **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 [issuer] rating fails to meet the minimum rating criteria, the certificate of deposit does not have to be sold.

(c) Notwithstanding the restrictions [contained] 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-[12.4]12.2 Limitations

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

1. The total investment [by the eligible] **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 [by the eligible fund,] shall not exceed five percent of the [assets of the eligible] **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 [Chief Investment Officer or the Investment Committee] **Board** may [authorize] **grant** a six-month grace period to reduce the level of participation **to at or below the maximum levels.** The], **except that the grace period may be extended [for] 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 [fund] PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.**

SUBCHAPTER 13. REPURCHASE AGREEMENTS

17:4A-[13.2]13.1 Permissible investments

(a) Subject to the limitations [contained] in this subchapter, the Board [and, when appropriate, the Chief Investment Officer or Investment Committee,] may [authorize the investment and reinvestment of moneys of the eligible] **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 [Aa3] **at least: P-1** or higher by Moody's Investors Service, Inc., [AA-] **A-1** or higher by Standard & Poor's Corporation, and [AA-] **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 [contained] 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-[14.2]14.1 Permissible investments

(a) Subject to the limitations [contained] in this subchapter, the Board [and, when appropriate, the Chief Investment Officer or Investment Committee,] may [authorize the investment and reinvestment of the moneys of the eligible] **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 [money market] 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 [contained in this subchapter] **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-[14.4]14.2 Limitations

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

1. [Not more than] **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 [eligible fund shall be invested in money market] total PFRSNJ fund[s] assets;** and

2. The total amount of shares or units purchased or acquired [by the eligible fund] 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 [Chief Investment Officer or the Investment Committee] **Board** may [authorize] **grant** a six-month grace period to reduce the level of participation **to at or below the maximum levels.** The], **except that the grace period may be extended [for] 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 [fund] PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.**

SUBCHAPTER 15. NON-CONVERTIBLE PREFERRED STOCKS

17:4A-[15.2]15.1 Permissible investments

(a) Subject to the limitations [contained] in this subchapter, the Board [and, when appropriate, the Chief Investment Officer or Investment Committee,] may [authorize the investment and reinvestment of the moneys of the eligible] **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 [and, when appropriate, the Chief Investment Officer or the Investment Committee,] may [authorize the investment and reinvestment of the moneys of the eligible] **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-[6.2 and 8.2, this section, and N.J.A.C. 17:4A-17.2,]**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 [assets of the eligible] **total PFRSNJ fund assets.**

(c) Notwithstanding the restrictions at (a) above, the Board [and, when appropriate, the Chief Investment Officer or Investment Committee,] may [authorize the investment and reinvestment of] **invest and reinvest** the moneys of the [eligible] **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-[6.2]**6.1** and this section, respectively; provided, however, the market value of such investments shall not exceed one percent of the [assets of the eligible] **total PFRSNJ fund assets.**

(d) Notwithstanding the restrictions [contained] 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-[15.4]**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 [under] **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 [these] **this** requirement[s] 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** [by the eligible fund], shall not exceed five percent of [the assets of the eligible] **total PFRSNJ fund assets;** and

3. The total amount directly invested in debt issued through a private placement [by the eligible fund], **in the aggregate,** shall not exceed seven percent of the [assets of the eligible] **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 [Chief Investment Officer or the Investment Committee] **Board** may [authorize] **grant** a six-month grace period to reduce the level of participation **to at or** below the maximum levels[. The], **except that the** grace period may be extended [for] **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 [fund] **PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.**

SUBCHAPTER 16. GLOBAL EQUITY INVESTMENTS

17:4A-[16.2]**16.1** Permissible investments

(a) Subject to the limitations [contained] in this subchapter, the Board [and, when appropriate, the Chief Investment Officer or Investment Committee,] may [authorize the investment and reinvestment of the moneys of the eligible] **invest and reinvest PFRSNJ-managed fund assets** in global equity investments [traded on a securities exchange or the over-the-counter market, or offered and sold through a private placement].

(b) In addition to **making the investments described at** (a) above, the Board[, and when appropriate, the Chief Investment Officer or Investment Committee] 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-[16.4]**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 [eligible fund under] **PFRSNJ pursuant to** this subchapter shall not exceed 70 percent of the total [market value of the assets of the eligible] **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 [eligible fund] **PFRSNJ** reaches or exceeds 68 percent of the total [market value of the assets of the eligible] **PFRSNJ-managed fund assets.** Subsection (b) below shall apply when the combined market value of the equity investments held by the [eligible fund] **PFRSNJ** exceeds 70 percent of the total [market value of the assets of the eligible] **PFRSNJ-managed fund assets;**

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

3. The total amount of a particular class of stock directly purchased or acquired of any one entity shall [not exceed] **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,** [by the eligible fund] shall not exceed two percent of the [assets of the eligible] **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 [Chief Investment Officer or the Investment Committee] **Board** may [authorize] **grant** a six-month grace period to reduce the level of participation **to at or** below the maximum levels[. The], **except that the** grace period may be extended [for] **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 [fund] **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-[17.2]**17.1** Permissible investments

(a) Subject to the limitations [contained] in this subchapter, the Board [and, when appropriate, the Chief Investment Officer or Investment Committee,] may [authorize the investment and reinvestment of the moneys of the eligible] **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 [contained] in this subchapter, the Board [and, when appropriate, the Chief Investment Officer or Investment Committee,] may [authorize the investment and reinvestment of the moneys of the eligible] **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 [A3] **at least Baa3** or higher by Moody's Investors Service, Inc., [A-] **BBB-** or higher by Standard & Poor's Corporation, and [A-] **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 [and, when appropriate, the Chief Investment Officer or Investment Committee,] may [authorize the investment and reinvestment of the moneys of the eligible] **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-[6.2, 8.2, 15.2, and this section,]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 [assets of the eligible] **total PFRSNJ fund assets**.

(d) Notwithstanding the restrictions [contained] 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-[17.4]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 [assets of the eligible] **total PFRSNJ fund assets** shall be directly invested in any one issue; and
3. Not more than 10 percent of the [assets of the eligible] **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 [Chief Investment Officer or the Investment Committee] **Board** may [authorize] **grant** a six-month grace period to reduce the level of participation **to at or below the maximum levels** [The], **except that the grace period may be extended [for] 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 [fund] PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility**.

SUBCHAPTER 18. REAL ASSETS

17:4A-[18.2]18.1 Permissible investments

(a) Subject to the [applicable] limitations [contained] in this subchapter, the Board [and, when appropriate, the Chief Investment Officer or Investment Committee,] may [authorize the investment and reinvestment of the moneys of the eligible] **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 [either:

- i. Directly by the eligible fund **directly**, provided that the further provisions at N.J.A.C. 17:4A-1.4 have been met; [or
- ii. Through participation in a common pension fund made available for investment of funds under the supervision of the Board by the State Investment Council, which investments shall be subject to the supervision, policies, and rules of the State Investment Council;]

2.-3. (No change.)

(b) In addition to [the requirements] **making the investments described** at (a) above, the Board [and, when appropriate, the Chief Investment Officer or Investment Committee] may [authorize the]:

1. Exercise [of] the rights or conversion privileges into the common stock of any security acquired [under this subchapter] **by the PFRSNJ**;

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

3. Purchase [of] the convertible debt issue of an entity, the common stock of which qualifies for investment [under] **pursuant to this subchapter**;

4. Purchase [of] stock in new public offerings of entities that primarily invest in real assets; and

5. [Retention of] **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 [contained] in this subchapter, the Board may [approve] **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-[18.4]18.2 Limitations

(a) [For all investments made pursuant to N.J.A.C. 17:4A-18.2(a)1i, at the time of presentation to the Board (or, for investments under \$50 million, the Investment Committee) in accordance with N.J.A.C. 17:4A-1.4(a), or at] **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 the investment in real estate under this subchapter shall not exceed 10 percent of the assets of the eligible fund. Calculation of this limitation shall be applied to the aggregate of investments made directly by the eligible fund and the eligible fund's proportionate interest in real estate investments made through a common pension fund;

2. The maximum consolidated principal amount of leverage within the real estate portfolio shall not exceed 50 percent and 75 percent of the gross market value of the investment in core real estate and non-core real estate, respectively. This limitation shall not apply to direct investments in common and preferred stock, exchange-traded funds, and convertible debt issues;]

[3.] **1.** No more than [five] **13** percent of the [assets of the eligible] **market value of total PFRSNJ fund assets** may be invested in real estate [located outside the United States. Calculation of this limitation shall be applied to the aggregate of investments made directly by the eligible fund and the eligible fund's proportionate interest in investments made through a common pension fund. This limitation shall not apply to direct investments in common and preferred stock, exchange-traded funds, and convertible debt issues];

[4. No more than seven percent of the assets of the eligible fund may be invested in a single real estate property type, such types being defined as office, retail, apartment/multi-family, hotel, industrial, and specialty use. Calculation of this limitation shall be applied to the aggregate of investments made directly by the eligible fund and the eligible fund's proportionate interest in the real estate investments made through a common pension fund. This limitation shall not apply to direct investments in common and preferred stock, exchange-traded funds, and convertible debt issues;

5. No more than five percent of the assets of the eligible fund may be invested in direct investments, co-investments, and joint ventures investing in real estate in any one region of the United States, such regions being defined as: East, South, Midwest, and West. Calculation of this limitation shall be applied to the aggregate of investments made directly by the eligible fund and the eligible fund's proportionate interest in the real estate investments made through a common pension fund. This limitation shall not apply to investments in common and preferred stock, exchange-traded funds, and convertible issues;]

[6.] **2.** No more than seven percent of the market value of the [assets of the eligible] **total PFRSNJ fund assets** may be invested in real assets other than real estate [Calculation of this limitation shall be applied to the aggregate of investments made directly by the eligible fund and the eligible fund's proportionate interest in the real asset investments made through a common pension fund];

[7.] **3.** The total amount directly invested in the equity and fixed income obligations of any one issuer and affiliated entities [by the eligible fund,] shall not exceed five percent of the [assets of the eligible fund. Calculation of this limitation shall be applied to the aggregate of investments made directly by the eligible fund and the eligible fund's proportionate interest in the real estate investments made through a common pension] **total PFRSNJ fund assets**;

[8.] **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-[18.2(a)2] **18.1(a)** and (b) shall not exceed 10 percent of that class of stock outstanding; and

[9.] **5.** (No change in text.)

(b) If, subsequent to the time of initial presentation to the [Board (or, for investments under \$50 million, 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

[Chief Investment Officer or the Investment Committee] **Board** may [authorize] **grant** a six-month grace period to reduce the level of participation **to at or** below the maximum levels, [provided] **except** that:

1. The reduction shall be achieved solely by the reduction of investments made directly by the eligible fund and shall not be applied to the eligible fund's proportionate interest in investments made through a common pension fund; and

2. The **the** grace period may be extended [for] **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 [fund] **PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.**

SUBCHAPTER 19. FOREIGN CURRENCY TRANSACTIONS

17:4A-[19.2]19.1 Permissible investments

(a) Subject to the limitations in this subchapter, the Board [and, when appropriate, the Chief Investment Officer or Investment Committee] may [authorize entry] **enter** into spot contracts for the purpose of settling investment transactions denominated in foreign currency.

(b) Subject to the limitations [contained] in this subchapter, the Board [and, when appropriate, the Chief Investment Officer or Investment Committee] may [authorize entry] **enter** into forward contracts for the purpose of hedging the [eligible fund's international] portfolio.

(c) [Counterparties to foreign currency transactions shall be authorized by, and included on, a list maintained by the Board and, when appropriate, the Chief Investment Officer or Investment Committee.] 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, [entry into an agreement with the counter party must have been authorized by the Board,] 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 [authorize the entry] **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-[19.4]19.2 Limitations

[With respect to international securities, the] **The** portfolio should be unhedged, except in such instances in which the [Board and, when appropriate, the] Chief Investment Officer [or Investment Committee] believes that [unusual] circumstances exist in which hedging **foreign currency risk** would serve to improve [and] **or** protect the inherent returns of the [international] portfolio.

SUBCHAPTER 20. FUTURES CONTRACTS

17:4A-[20.2]20.1 Permissible investments

(a) Subject to the limitations [contained] in this subchapter, the Board [and, when appropriate, the Chief Investment Officer or Investment Committee] may [authorize the investment and reinvestment of the moneys of the eligible] **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 [or, when appropriate, the Chief Investment Officer or Investment Committee, in its discretion,] may [authorize the delivery of] **deliver** securities to satisfy contractual obligations pursuant to the [Division's] **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-[20.4]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 [assets of the eligible] **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 [Chief Investment Officer] **Board** may [authorize] **grant** a six-month grace period to reduce the level of participation **to at or** below the maximum levels[. The], **except that the** grace period may be extended [for] **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 [fund] **PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.**

SUBCHAPTER 21. SWAP TRANSACTIONS

17:4A-[21.2]21.1 Permissible investments

(a) Subject to the limitations [contained] in this subchapter, the Board [and, when appropriate, the Chief Investment Officer or Investment Committee] may [authorize entrance] **enter** into swap transactions, including index-based swap transactions, on behalf of the [eligible fund] **PFRSNJ** provided that:

1. (No change.)

2. Credit default swap transactions may only be purchased for fixed-income securities held in the pertinent portfolio [of the eligible fund], except that index-based swaps may be purchased if the Board [or, when appropriate, the Chief Investment Officer or Investment Committee] 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 [of, the eligible fund]; and

3. [The counterparty (or any guarantor pledging its full faith and credit to the transaction) entry into an agreement with the counterparty has been authorized by, and is included on, a list maintained by the Chief Investment Officer or Investment Committee.] 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, [or the counterparty must have been authorized by the Board,] 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 [authorize] **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-[21.4]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 [value of the eligible] **total PFRSNJ fund assets**; and

2. The total aggregate notional value of all swap transactions shall not exceed five percent of the [assets of the eligible] **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 [Chief Investment Officer or Investment Committee] **Board** may [authorize] **grant** a six-month grace period to reduce the [net exposure] **level of participation to at or** below the maximum levels[. The], **except that the** grace period may be extended [for] **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 [fund] **PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.**

SUBCHAPTER 22. COVERED CALL OPTIONS

17:4A-[22.2]22.1 Permissible [transactions] investments

(a) Subject to the limitations [contained] in this subchapter, the Board [and, when appropriate, the Chief Investment Officer or Investment Committee] may [authorize the sale and repurchase of] **sell and repurchase** covered call options on behalf of the [eligible fund] **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 [authorize the execution of] **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-[23.2]23.1 Permissible [transactions] investments

(a) Subject to the limitations [contained] in this subchapter, the Board [and, when appropriate, the Chief Investment Officer or Investment Committee] may [authorize the] purchase [of,] and [the subsequent sale of,] **sell** put options, including index-based put options, on behalf of the [eligible fund] **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 [contained] in this subchapter, the Board [and, when appropriate, the Chief Investment Officer or Investment Committee] may [authorize the execution] **execute** and [subsequent termination of,] **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 [authorize] **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-[23.4]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 [eligible] **total PFRSNJ fund assets.**

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

SUBCHAPTER 24. PRIVATE EQUITY

17:4A-[24.2]24.1 Permissible investments

(a) Subject to the [applicable] limitations [contained] in this subchapter, the Board [and, when appropriate, the Chief Investment Officer or Investment Committee] may [authorize investment and reinvestment of the moneys of the eligible] **invest and reinvest the moneys of the PFRSNJ-managed fund assets** in private equity in any of the following ways:

1. Invest in [buyout investments, venture capital investments, and debt-related] **private equity** investments through separate accounts, funds-of-funds, commingled funds, direct investments, co-investments, and joint ventures [either:

i. Directly by the eligible fund] provided that the requirements at N.J.A.C. 17:4A-1.4 have been met; [or

ii. Through participation in a common pension fund made available for investment of funds under the supervision of the Board by the State Investment Council, which investments shall be subject to the supervision, policies, and rules of the State Investment Council;]

2.-3. (No change.)

(b) In addition to **making the investments described at (a) above**, the [Chief Investment Officer or Investment Committee] **Board** may [authorize the]:

1. Exercise [of] the rights or conversion privileges of any security acquired [under this subchapter] **by the PFRSNJ;**

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

3. Purchase [of] the convertible debt issue of an entity, the common stock of which qualifies for investment [under] **pursuant to** this subchapter;

4. Purchase [of] stock in new public offerings of entities that primarily invest in private equity; and

5. [Retention of] **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 [contained] in this subchapter, the Board may [approve] **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-[24.4]24.2 Limitations

(a) [For all investments made pursuant to N.J.A.C. 17:4A-24.2(a)1i, at the time of presentation to the Board (or, for investments under \$50 million, the Investment Committee) in accordance with N.J.A.C. 17:4A-1.4(a), or at] **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 [under this subchapter] shall not exceed [15] **18** percent of the [assets of the eligible fund. Calculation of this limitation shall be applied to the aggregate of investments made directly by the eligible fund and the eligible fund's proportionate interest in private equity investments made through a common pension] **total PFRSNJ fund assets;**

[2. No more than 15 percent of the assets of the eligible fund may be invested in buyout investments, and no more than seven percent of the assets of the eligible fund may be invested in buyout investments outside of the United States. Calculation of this limitation shall be applied to the aggregate of investments made directly by the eligible fund and the eligible fund's proportionate interest in investments made through a common pension fund. This limitation shall not apply to direct investments in common and preferred stock, exchange-traded funds, and convertible debt issues;

3. No more than five percent of the assets of the eligible fund may be invested in venture capital investments, and no more than three percent of the assets of the eligible fund may be invested in venture capital investments outside of the United States. Calculation of this limitation shall be applied to the aggregate of investments made directly by the eligible fund and the eligible fund's proportionate interest in investments made through a common pension fund. This limitation shall not apply to direct investments in common and preferred stock, exchange-traded funds, and convertible debt issues;

4. No more than 12 percent of the assets of the eligible fund may be invested in debt-related investments, and no more than seven percent of the assets of the eligible fund may be invested in debt-related investments outside of the United States. Calculation of this limitation shall be applied to the aggregate of investments made directly by the eligible fund and the eligible fund's proportionate interest in investments made through a common pension fund. This limitation shall not apply to direct investments in common and preferred stock, exchange-traded funds, and convertible debt issues;]

[5.] **2.** The total amount directly invested in the equity and fixed income obligations of any one issuer and affiliated entities [by the eligible fund], **in the aggregate**, shall not exceed five percent of the [assets of the eligible fund. Calculation of this limitation shall be applied to the aggregate of investments made directly by the eligible fund and the

eligible fund's proportionate interest in investments made through a common pension] **total PFRSNJ fund assets**;

[6.] **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

[7.] **4.** (No change in text.)

(b) If, subsequent to the time of initial presentation to the [Board (or, for investments under \$50 million, 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 [Chief Investment Officer or Investment Committee] **Board** may [authorize] **grant** a six-month grace period to reduce the level of participation **to at or** below the maximum levels, [provided that:

1. The reduction shall be achieved solely by the reduction of investments made directly by the eligible fund and shall not be applied to the eligible fund's proportionate interest in investments made through a common pension fund; and

2. The grace period may be extended for additional four-month periods with the approval of the Board, provided the extension is in the financial best interest of the fund] **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-[25.2]25.1 Permissible investments

(a) Subject to the [applicable] limitations [contained] in this subchapter, the Board [and, when appropriate, the Chief Investment Officer or Investment Committee] may [authorize investment and reinvestment of the moneys of the eligible] **invest and reinvest PFRSNJ-managed fund assets** in opportunistic investments, [either directly by the eligible fund or through participation in a common pension fund made available for investment of funds under the supervision of the Board by the State Investment Council, which investments shall be subject to the supervision, policies, and rules of the State Investment Council,] provided that[:] **the requirements at N.J.A.C. 17:4A-1.4 have been met.**

[1. For all investments made directly by the eligible fund:

i. The Chief Investment Officer shall provide the Investment Committee of the Board, prior to any binding commitment, with the requested due diligence information for all opportunistic investments made directly by the eligible fund recommended by the Chief Investment Officer and a formal written report for each such investment; and

ii. The Chief Investment Officer or Investment Committee shall provide an informational memorandum to the Board of every opportunistic investment made, which memorandum shall be provided at the next regularly scheduled meeting of the Board subsequent to the date such investment has been made; and]

[2.] (b) For all investments [made through participation in a common pension] **of PFRSNJ-managed fund assets in opportunistic investments**, the Chief Investment Officer or Investment Committee shall provide an informational memorandum to the Board [of every opportunistic investment made through a common pension fund], 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-[25.4]25.2 Limitations

(a) At the time of [presentation to the Investment Committee] **initial purchase**, the following conditions shall be met:

1. Not more than seven percent of the [assets of the eligible] **total PFRSNJ fund assets** shall be invested in opportunistic investments [in the aggregate. Calculation of this limitation shall be applied to the aggregate of investments made directly by the eligible fund and the eligible fund's proportionate interest in opportunistic investments made through a common pension fund]; and

2. Not more than two percent of the [assets of the eligible] **total PFRSNJ fund assets** shall be invested in any one opportunistic investment. [Calculation of this limitation shall be applied to the aggregate of investments made directly by the eligible fund and the eligible fund's

proportionate interest in any one opportunistic investment made through a common pension fund.]

(b) If, subsequent to [the time of initial presentation to the Investment Committee in accordance with this subchapter] **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 [Chief Investment Officer or Investment Committee] **Board** may [authorize] **grant** a six-month grace period to reduce the level of participation **to at or** below the maximum levels, [provided] **except** that[:

1. The reduction shall be achieved solely by the reduction of investments made directly by the eligible fund and shall not be applied to the eligible fund's proportionate interest in investments made through a common pension fund; and

2. The] **the** grace period may be extended [for] **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 [fund] **PFRSNJ and its beneficiaries and is consistent with the Board's fiduciary responsibility.**

SUBCHAPTER 26. ABSOLUTE RETURN STRATEGY INVESTMENTS

17:4A-[26.2]26.1 Permissible investments

(a) Subject to the [applicable] limitations [contained] in this subchapter, the Board [and, when appropriate, the Chief Investment Officer or Investment Committee] may [authorize investment and reinvestment of the moneys of the eligible] **invest and reinvest PFRSNJ-managed fund assets** in absolute return strategy investments in any of the following ways:

1. Invest in [credit-oriented funds, equity-oriented funds, opportunistic funds, or multi-strategy] **absolute return strategy** funds through commingled funds, funds-of-funds, separate accounts, managed accounts, and direct investments in individual funds [either:], **provided that the requirements at N.J.A.C. 17:4A-1.4 have been met;**

[i. Directly by the eligible fund provided that the requirements at N.J.A.C. 17:4A-1.4 have been met; or

ii. Through participation in a common pension fund made available for investment of funds under the supervision of the Board by the State Investment Council, which investments shall be subject to the supervision, policies, and rules of the State Investment Council;]

2.-3. (No change.)

(b) In addition to [the requirements at (a) above, the Chief Investment Officer or Investment Committee] **making the investments described at (a) above, the Board** may [authorize the]:

1. Exercise of the rights or conversion privileges of any security acquired [under] **pursuant to** this subchapter;

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

3. Purchase [of] the convertible debt issue of an entity, the common stock of which qualifies for investment [under] **pursuant to** this subchapter;

4. Purchase [of] stock in new public offerings of entities that primarily invest in absolute return strategy investments; and

5. [Retention of] **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 [contained] 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-[26.4]26.2 Limitations

(a) [For all investments made pursuant to N.J.A.C. 17:4A-26.2(a)1i, at the time of presentation to the Board (or, for investments under \$50 million, the Investment Committee) in accordance with N.J.A.C. 17:4A-1.4(a), or at] **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 [under this subchapter] shall not exceed [five] **10** percent of the [assets of the eligible fund. Calculation of this limitation shall be applied to the aggregate of investments made directly by the eligible fund and the eligible fund’s proportionate interest in investments made through a common pension] **total PFRSNJ fund assets**;

[2. No more than 10 percent of the assets of the eligible fund may be invested in credit-oriented funds, and no more than one percent of the assets of the eligible fund may be invested directly in any individual credit-oriented fund. Calculation of this limitation shall be applied to the aggregate of investments made directly by the eligible fund and the eligible fund’s proportionate interest in investments made through a common pension fund. This limitation shall not apply to direct investments in common and preferred stock, exchange-traded funds, and convertible debt issues;

3. No more than 10 percent of the assets of the eligible fund may be invested in equity-oriented funds, and no more than one percent of the assets of the eligible fund may be invested directly in any individual equity-oriented fund. Calculation of this limitation shall be applied to the aggregate of investments made directly by the eligible fund and the eligible fund’s proportionate interest in investments made through a common pension fund. This limitation shall not apply to direct investments in common and preferred stock, exchange-traded funds, and convertible debt issues;

4. No more than 12 percent of the assets of the eligible fund may be invested in opportunistic funds, and no more than two percent of the assets of the eligible fund may be invested directly in any individual opportunistic fund. Calculation of this limitation shall be applied to the aggregate of investments made directly by the eligible fund and the eligible fund’s proportionate interest in investments made through a common pension fund. This limitation shall not apply to direct investments in common and preferred stock, exchange-traded funds, and convertible debt issues;

5. No more than 15 percent of the assets of the eligible fund may be invested in multi-strategy funds, and no more than 2.5 percent of the assets of the eligible fund may be invested directly in any individual multi-strategy fund. Calculation of this limitation shall be applied to the aggregate of investments made directly by the eligible fund and the eligible fund’s proportionate interest in investments made through a

common pension fund. This limitation shall not apply to direct investments in common and preferred stock, exchange-traded funds, and convertible debt issues;]

[6.] **2.** The total amount directly invested in the equity and fixed-income obligations of any one issuer and affiliated entities [by the eligible fund.] shall not exceed five percent of the [assets of the eligible fund. Calculation of this limitation shall be applied to the aggregate of investments made directly by the eligible fund and the eligible fund’s proportionate interest in investments made through a common pension] **total PFRSNJ fund assets**;

[7.] **3.** 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-[24.2(a)2]**24.1(a)2** and (b) shall not exceed 10 percent of that class of stock outstanding; and

[8.] **4.** (No change in text.)

(b) If, subsequent to [the time of initial presentation to the Board (or, for investments under \$50 million, the Investment Committee) in accordance with N.J.A.C. 17:4A-1.4(a) or purchase of publicly traded securities] **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 [Chief Investment Officer or Investment Committee] **Board** may [authorize] **grant** a six-month grace period to reduce the level of participation **to at or** below the maximum levels, [provided] **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.**

[1. The reduction shall be achieved solely by the reduction of investments made directly by the eligible fund and shall not be applied to the eligible fund’s proportionate interest in investments made through a common pension fund; and

2. The grace period may be extended for additional four-month periods with the approval of the Board, provided the extension is in the financial best interest of the fund.]

(c) For investments [in] **of** funds-of-funds, the limitations at (a) above shall apply to the underlying investments [and not to the funds-of-funds themselves].