

**RESPONSES TO INQUIRIES REGARDING STATE INVESTMENT COUNCIL'S
POLICY CONCERNING POLITICAL CONTRIBUTIONS AND PROHIBITIONS
ON INVESTMENT MANAGEMENT BUSINESS**

N.J.A.C. 17:16-4.2 Definitions

- “Investment management professional”

Question: Is the term “investment management professional” limited to persons associated with an investment management firm who have contacts with the State of New Jersey (for instance, professionals who engage in client development in New Jersey)?

Answer: The term “investment management professional” only includes a person associated with an investment management firm who:

- (1) provides investment management services for or on behalf of State pension fund clients;
- (2) is involved in client development or the solicitation of business for investment management services from pension fund clients;
- (3) is a supervisor of any person described in (1) or (2); or
- (4) is a member of the executive or management committee of the investment management firm, its parent company or any controlling entity.

Persons covered by (1) include only those service providers who provide services to State pension fund clients. Persons covered by (2) include all persons involved in soliciting or developing business from pension fund clients, including from non-State pension fund clients.

- “Investment management services”

Question: Is an investment management professional considered to be engaged in the provision of “investment management services,” if he or she advises or manages a collective investment vehicle (e.g., a private equity fund or hedge fund) in which a State pension fund invests either directly or through a common trust fund?

Answer: A person in the business of advising or managing a collective investment vehicle (e.g., a private equity or hedge fund) in which a State pension fund invests is considered to be engaged in the provision of “investment management services.”

Question: Is an investment management professional considered to be engaged in the provision of “investment management services,” if he or she advises or manages a collective investment vehicle (e.g., a private equity fund or hedge fund) in which a State pension fund invests indirectly (e.g., through a separate account limited partnership)?

Answer: A person in the business of advising or managing a collective investment vehicle (e.g., a private equity or hedge fund) in which a State pension fund invests indirectly is considered to be engaged in the provision of “investment management services,” only if the Division of Investment recommends to the investing entity the particular investment vehicle.

Question: Is an investment management professional considered to be engaged in the provision of “investment management services,” if he or she provides financial advisory or consultant services to the New Jersey State Employees Deferred Compensation Plan?

Answer: A person that provides financial advisory or consultant services to the New Jersey State Employees Deferred Compensation Plan is considered to be engaged in the provision of “investment management services.”

Question: Is an investment management professional considered to be engaged in the provision of “investment management services,” if he or she manages an outside fund that is (1) recommended by a financial advisor or consultant to the New Jersey State Employees Deferred Compensation Plan and (2) selected by participants in the New Jersey State Employees Deferred Compensation Plan?

Answer: A person in the business of advising or managing an outside fund is not considered to be engaged in the provision of “investment management services,” if he or she manages an outside fund that is (1) recommended by a financial advisor or consultant to the New Jersey State Employees Deferred Compensation Plan and (2) selected by participants in the New Jersey State Employees Deferred Compensation Plan.

N.J.A.C. 17:16-4.3 Restrictions

Question: Is the Division precluded from engaging, or required to terminate a contract with, an investment management firm (Firm A) that has engaged a third party solicitor that has made prohibited payments, where such third party solicitor solicits investment management business from the State solely on behalf of another investment management firm (Firm B)?

Answer: Payments by the third-party solicitor, as described above, would automatically disqualify Firm B from providing investment management services to the State, but would not automatically disqualify Firm A from providing such services. Firm A could still be disqualified if the payments by the third-party solicitor were intended to indirectly benefit Firm A.

Question: Is the Division required to terminate a contract with an investment management firm, if prohibited payments or contributions are made by a third party solicitor who remains associated with the investment management firm subsequent to the third party's solicitation of investment management business from the State?

Answer: Payments by a third party solicitor associated with the investment management firm are prohibited by N.J.A.C. 17:16-4.3 through the term of the firm's engagement by the State, even after the solicitation has been completed.