

having a probable abbreviated life expectancy if sufficient corroborating medical evidence of the diagnosis can be obtained.

(c) **The Division reserves the right to require a member to sign a sworn certification that no underlying condition existed related to the disability for which the member is seeking a benefit and that all available medical reports related to the disability have been disclosed to the IME prior to the examination.**

(d) **A member filing for any type of disability retirement shall not file a separate application for any other type of retirement while an ordinary or accidental disability retirement application is pending.**

(e) **If a disability retirement application is denied by the Board and the applicant qualifies for any other retirement benefit, the applicant will be required to submit a written statement to receive that benefit. If the applicant amends the application for retirement within 30 days of the Board’s decision, the applicant may retain the retirement date designated on the disability retirement application.**

(f) **The member’s disability retirement application will be processed on the basis of the medical conditions described on the submitted application. If the disability retirement application is denied, the member may file an appeal within 45 days, based on the medical conditions described on the submitted application.**

(g) **If a disability retirement application is denied by the Board and the applicant wishes to reapply for a disability retirement based on a new incident date or different or additional medical condition, the applicant will be required to submit a new application with a new retirement date. The applicant must also continue to meet the requirements of N.J.A.C. 17:1-6.4(a). All supporting documentation required must be submitted in support of the new incident or medical conditions listed on the application.**

SUBCHAPTER 6. TRANSFERS

17:5-6.1 [Interfund] **Honorable service; interfund** transfers; other State systems

(a) (No change.)

(b) The member is not eligible to transfer service credit if any of the following conditions apply:

1.-2. (No change.)

3. The account has expired; that is, it has been more than two years from the date of the last contribution [and there was not sufficient service credit to be eligible for deferred retirement].

(c) (No change.)

(d) The system will transfer membership to any State-administered system as follows:

1. A member, desiring to transfer service credit and contributions from one State-administered retirement system to another shall file an Application of Interfund Transfer and an “Enrollment Application” in place of the customary “Application for Withdrawal.” This application will void all possible claims against the [present] **former system and all rights and benefits under the former** system when approved and the new membership is commenced in the new system.

2.-4. (No change.)

(e)-(g) (No change.)

(a)

STATE INVESTMENT COUNCIL

Rules of the State Investment Council

Proposed Amendments: N.J.A.C. 17:16-1.2, 3.1, 5.3, 23.4, 32.1, 32.2, 32.4, 48.3, 69.9, 71.4, 81.3, 90.4, 95.4, and 100.4

Authorized By: State Investment Council, Corey Amon, Acting Director, Division of Investment.

Authority: N.J.S.A. 52:18A-91 and P.L. 2018, c. 55.

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

Proposal Number: PRN 2019-029.

Submit written comments by May 3, 2019, to:

Corey Amon
 Administrative Practice Officer
 Division of Investment
 PO Box 290
 Trenton, New Jersey 08625-0290
 e-mail: Susan.sarnowski@treas.nj.gov

The agency proposal follows:

Summary

N.J.A.C. 17:16 provides the regulatory framework that governs the methods, practices, or procedures for investment, reinvestment, purchase, sale, or exchange transactions followed by the Director of the Division of Investment (Division) for the funds under the supervision of the State Investment Council (Council). On July 3, 2018, the Governor signed P.L. 2018, c. 55 (Act) which, among other changes, transfers the authority to direct investment policy of the Police and Firemen’s Retirement System (PFRS) to a newly constituted 12-member PFRS Board of Trustees (New PFRS Board). The Act further provides that all functions, powers, and duties relating to the formulation, establishment, amendment, modification, or repeal of any policy, procedure, method, or practice on the investment or reinvestment of moneys of PFRS shall be performed by the New PFRS Board. However, the purchase, sale, or exchange of any investments or securities under the control and management of the New PFRS Board shall continue to be exercised by the Division. In addition, the Act provides that the Division, the Director of the Division, and the Council shall retain all functions, powers, and duties relating to Common Pension Fund L assigned to the Division, the Director of the Division, and the Council by P.L. 2017, c. 98 (N.J.S.A. 5:9-22.5 et seq.). The Council is proposing amendments to its rules to reflect the provisions of the Act. The Council is also proposing amendments to the subchapter governing investment in certificates of deposit.

N.J.A.C. 17:16-1, General Provisions, includes the overall purpose of the chapter and definitions for general terms used throughout the chapter. The proposed amendment to N.J.A.C. 17:16-1.2 adds a definition for proportionate interest. Proportionate interest means the percentage calculated by dividing one or more eligible fund’s units of participation in a Common Pension Fund by the total number of units of participation outstanding of the Common Pension Fund. The term “proportionate interest” is also proposed to be added to the investment limitations set forth in N.J.A.C. 17:16-23.4, 71.4, 90.4, 95.4, and 100.4, which respectively govern investment in global diversified credit investments, real assets, private equity, opportunistic investments, and absolute return strategy investments, the asset classes in which Common Pension Fund E is currently invested.

N.J.A.C. 17:16-3, Classification of Funds, establishes classifications for funds sharing similar investment characteristics and objectives. Proposed new N.J.A.C. 17:16-3.1(b) provides that until the transition date, Pension and Annuity Funds include the Consolidated Police and Firemen’s Pension Fund, Judicial Retirement System of New Jersey, Police and Firemen’s Retirement System, Prison Officers Pension Fund, Public Employees’ Retirement System, State Police Retirement System, and Teachers’ Pension and Annuity Fund. It further establishes that transition date means the date on which assets, other than any assets held by Common Pension Fund E and any assets that, for administrative reasons, cannot be transferred until a later date, have been transferred to the PFRS in accordance with the Act. The transition date will be determined by the Director and the assets will be transferred as soon as practicable in accordance with the Act, but in no event earlier than July 5, 2019, as specified by the Act. Any assets, other than assets held by Common Pension Fund E that are not transferred by the transition date, shall be transferred as soon as administratively practicable. Proposed new N.J.A.C. 17:16-3.1(c) establishes that beginning with the transition date, PFRS is no longer included in the definition of Pension and Annuity Funds, provided that, with respect to any assets, other than assets held by Common Pension Fund E that are not transferred in accordance with the Act, the Pension and Annuity Funds shall include PFRS. The proposed amendments will provide for a transition period. They also provide clarity for the manner in which investment limitations are applied since

investment limitations throughout the chapter are expressed as a percentage of Pension and Annuity Funds.

N.J.A.C. 17:16-5 governs securities lending transactions, N.J.A.C. 17:16-48 governs global equity investments, and N.J.A.C. 17:16-81 governs foreign currency transactions. The proposed amendments to N.J.A.C. 17:16-5.3(a), 48.3(a), and 81.3(a) delete PFRS as an eligible fund under the supervision of the Council.

N.J.A.C. 17:16-69 set forth the rules governing participation, permissible investments, valuation of investments and units, and liquidation procedures for Common Pension Funds A, B, D, E, and L. The proposed amendment to N.J.A.C. 17:16-69.9(d) clarifies that the 38 percent limitation for investments permitted under N.J.A.C. 17:16-71, 90, and 100, governing real assets, private equity, and absolute return strategy funds, respectively, will only apply to any fund under the supervision of the Council. The proposed amendment will, therefore, exclude the proportionate interest of PFRS in investments under the supervision of the New PFRS Board subsequent to the transition date.

N.J.A.C. 17:16-23, 71, 90, 95, and 100 establish that the Director may invest and reinvest the moneys of any eligible fund in global diversified credit investments, real assets, private equity, opportunistic investments, and absolute return strategy investments, respectively, subject to the limitations expressed in each subchapter. Investment in these private assets are made through a common trust fund, Common Pension Fund E. The PFRS, Public Employees' Retirement System (PERS), State Police Retirement System (SPRS), Teachers' Pension and Annuity Fund (TPAF), and Judicial Retirement System of New Jersey (JRS) own units of participation in Common Pension Fund E. PFRS will continue to have an ownership interest in Common Pension Fund E subsequent to the transition date. The proposed amendments to certain limitations contained in these subchapters, discussed below, provides that the limitations are applied to the proportionate interest of the Pension and Annuity Funds, which remain under the supervision of the Council. In conjunction with the proposed amendments to N.J.A.C. 17:16-1.2 and 3.1 discussed above, prior to the transition date, the Pension and Annuity Funds' proportionate interest will include PFRS' proportionate interest in such investments. Subsequent to the transition date, the Pension and Annuity Funds' proportionate interest will include the ownership interest of the four participating pension and annuity funds (PERS, SPRS, TPAF, and JRS) which remain under the supervision of the Council.

N.J.A.C. 17:16-23.4(a)1 provides that not more than 10 percent of the market value of the combined assets of all of the Pension and Annuity Funds shall be invested in global diversified credit investments, whether directly or through separate accounts, fund-of-funds, commingled funds, co-investments, and joint ventures that primarily invest in global diversified credit investments. The proposed amendment clarifies that this limitation shall be applied to the Pension and Annuity Funds' proportionate interest in global diversified credit investments. As proposed for amendment, the limitation will include PFRS' proportionate interest in global diversified credit investments prior to the transition date and exclude its proportionate interest subsequent to the transition date.

N.J.A.C. 17:16-23.4(a)3 provides that the total amount directly invested in the equity and fixed income obligations of any one issuer and affiliated entities by the Pension and Annuity Funds and the Common Pension Funds, in the aggregate, shall not exceed five percent of the combined assets of all the Pension and Annuity Funds. The proposed amendment clarifies that the limitation shall be applied to the Pension and Annuity Fund's proportionate interest in global diversified credit investments. As proposed for amendment, the limitation will include PFRS' proportionate interest in the investments prior to the transition date and exclude its proportionate interest subsequent to the transition date.

N.J.A.C. 17:16-71.4(a)1 provides that investments in real estate shall not exceed nine percent of the combined assets of all of the Pension and Annuity Funds. The proposed amendment clarifies that the limitation will be applied to the Pension and Annuity Funds' proportionate interest in real estate investments. As proposed for amendment, the limitation will include PFRS' proportionate interest in real estate investments prior to the transition date and exclude its proportionate interest subsequent to the transition date.

N.J.A.C. 17:16-71.4(a)3 limits investments in real estate outside the United States to five percent of the combined assets of all of the Pension

and Annuity Funds. N.J.A.C. 17:16-71.4(a)4 limits investment in a single property type to seven percent of the combined assets of all of the Pension and Annuity Funds. N.J.A.C. 17:16-71.4(a)5 limits investments in any one region of the United States to five percent of the combined assets of the Pension and Annuity Funds. The proposed amendments to each of these limitations clarify that the limitation is applied to the Pension and Annuity Funds' proportionate interest in the real estate investments. As proposed for amendment, the limitation will include PFRS' proportionate interest in real estate investments prior to the transition date and exclude its proportionate interest subsequent to the transition date.

N.J.A.C. 17:16-71.4(a)6 limits investment in real assets other than real estate to seven percent of the market value of the combined assets of all of the Pension and Annuity Funds. The proposed amendment clarifies that the limitation will be applied to the Pension and Annuity Funds' proportionate interest in the real asset investments. As proposed for amendment, the limitation will include PFRS' proportionate interest in real estate investments prior to the transition date and exclude its proportionate interest subsequent to the transition date.

N.J.A.C. 17:16-71.4(a)7 provides that the total amount directly invested in the equity and fixed income obligations of any one issuer and affiliated entities by the Pension and Annuity Funds and the Common Pension Funds, in the aggregate, shall not exceed five percent of the combined assets of all the Pension and Annuity Funds. The proposed amendment clarifies that the limitation shall be applied to the Pension and Annuity Fund's proportionate interest in the investments. As proposed for amendment, the limitation will include PFRS' proportionate interest in the investments prior to the transition date and exclude its proportionate interest subsequent to the transition date.

N.J.A.C. 17:16-90.4(a)1 provides that the aggregate market value of private equity investments under this subchapter shall not exceed 12 percent of the combined assets of all of the Pension and Annuity Funds. The proposed amendment clarifies that this limitation shall be applied to the Pension and Annuity Funds' proportionate interest in private equity investments. As proposed for amendment, the limitation will include PFRS' proportionate interest in private equity investments prior to the transition date and exclude its proportionate interest subsequent to the transition date.

N.J.A.C. 17:16-90.4(a)2 provides that no more than 12 percent of the combined assets of all of the Pension and Annuity Funds may be invested in buyout investments, and no more than seven percent of the combined assets of all of the Pension and Annuity Funds may be invested in buyout investments outside the United States. N.J.A.C. 17:16-90.4(a)3 provides that no more than five percent of the combined assets of all of the Pension and Annuity Funds may be invested in venture capital investments, and no more than three percent of the combined assets of all of the Pension and Annuity Funds may be invested in venture capital investment outside of the United States. N.J.A.C. 17:16-90.4(a)4 provides that no more than 12 percent of the combined assets of all of the Pension and Annuity Funds may be invested in debt-related investments, and no more than seven percent of the combined assets of all of the Pension and Annuity Funds may be invested in debt-related investments outside of the United States. The proposed amendments to each of these limitations clarify that the limitation shall be applied to the Pension and Annuity Funds' proportionate interest in the investments. As proposed for amendment, the limitation will include PFRS' proportionate interest in the investments prior to the transition date and exclude its proportionate interest subsequent to the transition date.

N.J.A.C. 17:16-90.4(a)5 provides that the total amount directly invested in the equity and fixed income obligations of any one issuer and affiliated entities by the Pension and Annuity Funds and the Common Pension Funds, in the aggregate, shall not exceed five percent of the combined assets of all the Pension and Annuity Funds. The proposed amendment clarifies that the limitation shall be applied to the Pension and Annuity Fund's proportionate interest in the investments. As proposed for amendment, the limitation will include PFRS' proportionate interest in the investments prior to the transition date and exclude its proportionate interest subsequent to the transition date.

N.J.A.C. 17:16-95.4(a)1 provides that not more than seven percent of the combined assets of all the Pension and Annuity Funds shall be invested in opportunistic investments in the aggregate. N.J.A.C. 17:16-

95.4(a)2 provides that not more than two percent of the combined assets of all the Pension and Annuity Funds shall be invested in any one opportunistic investment. The proposed amendments to these paragraphs clarify that the limitations shall be applied to the Pension and Annuity Funds' proportionate interest in opportunistic investments and in any one opportunistic investment. As proposed for amendment, these limitations will include PFRS' proportionate interest in opportunistic investments prior to the transition date and exclude its proportionate interest subsequent to the transition date.

N.J.A.C. 17:16-100.4(a)1 provides that the aggregate market value of absolute return strategy investments shall not exceed 15 percent of the combined assets of all of the Pension and Annuity Funds. The proposed amendment clarifies that this limitation shall be applied to the Pension and Annuity Funds' proportionate interest in absolute return strategy investments. As proposed for amendment, the limitation will include PFRS' proportionate interest in absolute return strategy investments prior to the transition date and exclude its proportionate interest subsequent to the transition date.

N.J.A.C. 17:16-100.4(a)2 provides that no more than 10 percent of the combined assets of all of the Pension and Annuity Funds may be invested in credit oriented funds, and no more than one percent of the combined assets of all of the Pension and Annuity Funds may be invested directly in any individual credit oriented fund. N.J.A.C. 17:16-100.4(a)3 provides that no more than 10 percent of the combined assets of all of the Pension and Annuity Funds may be invested in equity oriented funds, and no more than one percent of the combined assets of all of the Pension and Annuity Funds may be invested directly in any individual equity oriented fund. N.J.A.C. 17:16-100.4(a)4 provides that no more than 12 percent of the combined assets of all of the Pension and Annuity Funds may be invested in opportunistic funds, and no more than two percent of the combined assets of all of the Pension and Annuity Funds may be invested directly in any individual opportunistic fund. N.J.A.C. 17:16-100.4(a)5 provides that no more than 15 percent of the combined assets of all of the Pension and Annuity Funds may be invested in multi-strategy funds, and no more than 2.5 percent of the combined assets of all of the Pension and Annuity Funds may be invested directly in any individual multi-strategy fund. The proposed amendments to each of these limitations clarify that the limitation shall be applied to the Pension and Annuity Funds' proportionate interest in the investments. As proposed for amendment, the limitation will include PFRS' proportionate interest in the investments prior to the transition date and exclude its proportionate interest subsequent to the transition date.

N.J.A.C. 17:16-100.4(a)6 provides that the total amount directly invested in the equity and fixed income obligations of any one issuer and affiliated entities by the Pension and Annuity Funds and the Common Pension Funds, in the aggregate, shall not exceed five percent of the combined assets of all the Pension and Annuity Funds. The proposed amendment clarifies that the limitation shall be applied to the Pension and Annuity Fund's proportionate interest in the investments. As proposed for amendment, the limitation will include PFRS' proportionate interest in the investments prior to the transition date and exclude its proportionate interest subsequent to the transition date.

Unrelated to the Act, the Council is also proposing amendments to N.J.A.C. 17:16-32 governing investments in certificates of deposit. The proposed amendment to the definition of certificates of deposit in N.J.A.C. 17:16-32.1 clarifies that certificates of deposit may be issued by a branch of a bank or trust company to reflect current bank practice. The proposed amendment will also delete the requirement that the full faith and credit of the bank or trust company be pledged to certificates of deposit issued by a wholly owned subsidiary or branch as this requirement does not independently validate the creditworthiness of the instrument. The proposed amendment to N.J.A.C. 17:16-32.2(a)3 will likewise clarify that the requirement for membership in the Federal Reserve System and Federal Deposit Insurance Corporation applies to a United States branch of a foreign bank. The proposed deletion of N.J.A.C. 17:16-32.2(a)3ii and proposed amendments to recodified N.J.A.C. 17:16-32.2(b) will: i. delete the long-term deposit rating requirements for issuers of certificates of deposit since the maturities are limited to a term of one year or less under the subchapter; ii. replace the short-term deposit rating with a short-term issuer rating, as not all issuers have short-term deposit ratings and this

requirement, therefore, unnecessarily limits the current investment opportunities; and iii. conform the rating requirements for domestic and international issuers of certificates of deposit. Existing N.J.A.C. 17:16-32.2(b) requires that prior to any commitment to purchase a certificate of deposit, it shall be ascertained that the issuer is included on a list of banks certified by the Director as having met the requirements of the subchapter. This requirement is proposed for deletion as it is inconsistent with other subchapters and deemed unnecessary for the Director to maintain such a list.

N.J.A.C. 17:16-32.4(a)1 requires that the total investment by any eligible fund in certificates of deposit of any one issuer not exceed 10 percent of the issuer's primary capital. It is proposed for amendment to include outstanding debt, as it is an appropriate metric and more easily accessible than primary capital.

Because the Division is providing a 60-day comment period on this notice of proposal, this notice is excepted from the rulemaking calendar requirement pursuant to N.J.A.C. 1:30-3.3(a)5.

Social Impact

The proposed amendments are necessary to implement the Act, which transfers the supervision of the investment of the PFRS assets to the New PFRS Board. The Act changes the composition of the Council and allows the New PFRS Board to direct investment policy for the PFRS assets, thereby impacting the members of PFRS.

Economic Impact

The proposed amendments are necessary to implement P.L. 2018, c. 55, which transfers the supervision of the investment of the PFRS assets to the New PFRS Board. The proposed amendments will continue to provide a regulatory framework for the investment of State-administered funds that remain under the supervision of the Council and will, in turn, be followed by the Director of the Division of Investment. The proposed amendments provide for continued investment diversification and the continued opportunity for increased overall risk-adjusted returns for the State-administered funds under the supervision of the Council. As such, the proposed amendments are beneficial to the long-term economic security of the funds' beneficiaries and are expected to lessen the long-term economic burden of State employee pension plans on the State's taxpayers.

The proposed amendments to N.J.A.C. 17:16-32 shall have a positive economic impact by providing an opportunity for increased risk-adjusted returns of the State-administered funds.

Federal Standards Statement

A Federal standards analysis is not required because the investment policy rules of the State Investment Council are not subject to any Federal requirements or standards.

Jobs Impact

The proposed amendments will have no impact on jobs.

Agriculture Industry Impact

The proposed amendments will have no impact on the agriculture industry.

Regulatory Flexibility Statement

A regulatory flexibility analysis is not required since the proposed amendments regulate only the Director of the Division of Investment 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 will have no impact on the affordability of housing or on the average costs of housing in the State of New Jersey. The proposed amendments are necessary to implement P.L. 2018, c. 55, which transfers the supervision of the investment of the PFRS assets to the New PFRS Board. The proposed amendments to N.J.A.C. 17:16-32 will provide an opportunity for increased risk-adjusted returns of the State-administered funds.

Smart Growth Development Impact Analysis

The proposed amendments are not anticipated to have an impact on the availability of affordability of housing or housing production within Planning Areas 1 or 2, or within designated centers, under the State

Development and Redevelopment Plan in New Jersey. The proposed amendments are necessary to the implementation of P.L. 2018, c. 55, which transfers the supervision of the investment of the PFRS assets to the New PFRS Board. The proposed amendments to N.J.A.C. 17:16-32 will provide an opportunity for increased risk-adjusted returns of the State-administered funds.

Racial and Ethnic Community Criminal Justice and Public Safety Impact

The Division 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 proposal follows (additions indicated in boldface **thus**; deletions indicated in brackets [thus]):

SUBCHAPTER 1. GENERAL PROVISIONS

17:16-1.2 Definitions

...
“Proportionate interest” means the percentage calculated by dividing one or more eligible fund’s units of participation in a Common Pension Fund by the total number of units of participation outstanding of the Common Pension Fund.
 ...

SUBCHAPTER 3. CLASSIFICATION OF FUNDS

17:16-3.1 General provisions

(a) (No change.)

(b) Until the transition date, the Pension and Annuity Funds shall include the Consolidated Police and Firemen’s Pension Fund, the Judicial Retirement System of New Jersey, the Police and Firemen’s Retirement System, the Prison Officer’s Pension Fund, the Public Employees’ Retirement System, the State Police Retirement System, and the Teachers’ Pension and Annuity Fund.

1. As used in this subsection, **“transition date” means the date on which assets, other than any assets held by Common Pension Fund E and any assets that, for administrative reasons, cannot be transferred until a later date, have been transferred to the Police and Firemen’s Retirement System in accordance with P.L. 2018, c. 55. The transition date will be determined by the Director, and the assets will be transferred as soon as practicable in accordance with P.L. 2018, c. 55, but shall in no event be earlier than July 5, 2019. Any assets, other than assets held by Common Pension Fund E that are not transferred by the transition date, shall be transferred as soon as administratively practicable.**

(c) Beginning with the transition date (as defined in (b)1 above), the Pension and Annuity Funds shall include the following, provided that, with respect to any assets, other than assets held by Common Pension Fund E, that are not transferred in accordance with P.L. 2018, c. 55, the Pension and Annuity Funds shall include the Police and Firemen’s Retirement System:

1. Consolidated Police and Firemen’s Pension Fund;
2. Judicial Retirement System of New Jersey;
3. Prison Officer’s Pension Fund;
4. Public Employees’ Retirement System;
5. State Police Retirement System; and
6. Teachers’ Pension and Annuity Fund.

SUBCHAPTER 5. SECURITIES LENDING TRANSACTIONS

17:16-5.3 Eligible funds

- (a) For purposes of this subchapter, eligible funds shall include:
 [1. The Police and Firemen’s Retirement System;]
 Recodify existing 2.-6. as 1.-5. (No change in text.)

SUBCHAPTER 23. GLOBAL DIVERSIFIED CREDIT INVESTMENTS

17:16-23.4 Limitations

(a) At the time of initial purchase of global diversified credit investments, the following conditions shall all be met:

1. Not more than 10 percent of the market value of the combined assets of all of the Pension and Annuity Funds shall be invested in global diversified credit investments, whether directly or through separate accounts, funds-of-funds, commingled funds, co-investments, and joint ventures that primarily invest in global diversified credit investments. **This limitation shall be applied to the Pension and Annuity Funds’ proportionate interest in global diversified credit investments;**

2. (No change.)

3. The total amount directly invested in the equity and fixed income obligations of any one issuer and affiliated entities by the Pension and Annuity Funds and the Common Pension Funds, in the aggregate, shall not exceed five percent of the combined assets of all the Pension and Annuity Funds. **This limitation shall be applied to the Pension and Annuity Funds’ proportionate interest in global diversified credit investments;**

4.-5. (No change.)

(b) (No change.)

SUBCHAPTER 32. CERTIFICATES OF DEPOSIT

17:16-32.1 Definitions

The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise:

“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 [where the full faith and credit of the bank or trust company is pledged to the issue].

17:16-32.2 Permissible investments

(a) Subject to the limitations contained in this subchapter, the Director may invest and reinvest the moneys of any eligible fund in certificates of deposit, provided that:

1.-2. (No change.)

3. If headquartered in the United States or if a United States subsidiary **or branch** of a foreign bank[:

i. The], **the** issuer (or any parent bank or trust company, whose full faith and credit is pledged to the issue) is a member of the Federal Reserve System and the Federal Deposit Insurance Corporation; and

[ii. The issuer (or any parent bank or trust company, whose full faith and credit is pledged to the issue) has a rating on its long-term and short-term deposits, respectively, of A3/P-1 or higher by Moody’s Investors Service, Inc., A-/A-1 or higher by Standard & Poor’s Corporation, or A-/F-1 or higher by Fitch Ratings. Subsequent to purchase, if the issuer rating fails to meet the minimum rating criteria, the certificate of deposit does not have to be sold; and]

4. If headquartered outside of the United States[:

i. The], **the** issuer (or any parent bank or trust company, whose full faith and credit is pledged to the issue) is headquartered in a country [which] **that** has agreed to adhere to the international capital standards as stipulated in the Basel Accord[; and].

[ii.] **(b)** The issuer (or any parent bank or trust company, whose full faith and credit is pledged to the issue) has a **credit** rating [on its long-term and short-term deposits, respectively,] of [at least Aa3/P-1] **P-1** or higher by Moody’s Investors Service, Inc., [AA-/A-1] **A-1** or higher by Standard & Poor’s Corporation, or [AA-/F-1] **F-1** or higher by Fitch Ratings. Subsequent to purchase, if the issuer rating fails to meet the minimum rating criteria, the certificate of deposit does not have to be sold.

[b] Prior to any commitment to purchase a certificate of deposit under this subchapter, it shall be ascertained that the issuer is included on a list of banks which has been certified by the Director as having met the requirements of this subchapter.]

(c) (No change.)

17:16-32.4 Limitations

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

1. The total investment by any eligible fund in certificates of deposit of any one issuer shall not exceed 10 percent of the issuer's [primary capital] **outstanding debt**;

2.-4. (No change.)

(b) (No change.)

SUBCHAPTER 48. GLOBAL EQUITY INVESTMENTS (PENSION AND ANNUITY FUNDS)

17:16-48.3 Eligible funds

(a) For purposes of this subchapter, eligible funds shall include:

[1. The Police and Firemen's Retirement System;]

Recodify existing 2.-6. as **1.-5.** (No change in text.)

SUBCHAPTER 69. COMMON PENSION FUNDS

17:16-69.9 Limitations

(a)-(c) (No change.)

(d) Not more than 38 percent of the market value of the assets of any fund **under the supervision of the Council** shall be represented by the market value of investments as permitted by N.J.A.C. 17:16-71, 90, and 100, whether held directly by such fund or through the Common Pension Funds. If the market value exceeds 38 percent, then the Council shall be notified at the next regularly scheduled meeting of the Council. The Division may be granted a six-month period of grace to reduce the level of participation of the fund below the 38 percent level, except that the period of grace may be extended for additional four-month periods with the approval of the Council.

(e)-(f) (No change.)

SUBCHAPTER 71. REAL ASSETS

17:16-71.4 Limitations

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

1. The **Pension and Annuity Funds' proportionate interest in the aggregate market value of the investment in real estate under this subchapter shall not exceed nine percent of the combined assets of all of the Pension and Annuity Funds**;

2. (No change.)

3. No more than five percent of the combined assets of all of the Pension and Annuity Funds may be invested in real estate located outside the United States. **This limitation shall be applied to the Pension and Annuity Funds' proportionate interest in the real estate investments.** 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 combined assets of all of the Pension and Annuity Funds 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. **This limitation shall be applied to the Pension and Annuity Funds' proportionate interest in the real estate investments.** 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 combined assets of all of the Pension and Annuity Funds 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. **This limitation shall be applied to the Pension and Annuity Funds' proportionate interest in the real estate investments.** This limitation shall not apply to investments in common and preferred stock, exchange-traded funds, and convertible issues;

6. No more than seven percent of the market value of the combined assets of all of the Pension and Annuity Funds may be invested in real assets other than real estate. **This limitation shall be applied to the Pension and Annuity Funds' proportionate interest in the real asset investments**;

7. The total amount directly invested in the equity and fixed income obligations of any one issuer and affiliated entities by the Pension and Annuity Funds and the Common Pension Funds, in the aggregate, shall not exceed five percent of the combined assets of all the Pension and Annuity Funds. **This limitation shall be applied to the Pension and Annuity Funds' proportionate interest in the investments**;

8.-9. (No change.)

(b) (No change.)

SUBCHAPTER 81. FOREIGN CURRENCY TRANSACTIONS

17:16-81.3 Eligible funds

(a) For purposes of this subchapter, eligible funds shall include:

[1. Police and Firemen's Retirement System;]

Recodify existing 2.-6. as **1.-5.** (No change in text.)

SUBCHAPTER 90. PRIVATE EQUITY

17:16-90.4 Limitations

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

1. The **Pension and Annuity Funds' proportionate interest in the aggregate market value of private equity investments under this subchapter shall not exceed 12 percent of the combined assets of all of the Pension and Annuity Funds**;

2. No more than 12 percent of the combined assets of all of the Pension and Annuity Funds may be invested in buyout investments, and no more than seven percent of the combined assets of all of the Pension and Annuity Funds may be invested in buyout investments outside of the United States. **This limitation shall be applied to the Pension and Annuity Funds' proportionate interest in the investments.** 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 combined assets of all of the Pension and Annuity Funds may be invested in venture capital investments, and no more than three percent of the combined assets of all of the Pension and Annuity Funds may be invested in venture capital investments outside of the United States. **This limitation shall be applied to the Pension and Annuity Funds' proportionate interest in the investments.** 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 combined assets of all of the Pension and Annuity Funds may be invested in debt-related investments, and no more than seven percent of the combined assets of all of the Pension and Annuity Funds may be invested in debt-related investments outside of the United States. **This limitation shall be applied to the Pension and Annuity Funds' proportionate interest in the investments.** This limitation shall not apply to direct investments in common and preferred stock, exchange-traded funds, and convertible debt issues;

5. The total amount directly invested in the equity and fixed income obligations of any one issuer and affiliated entities by the Pension and Annuity Funds and the Common Pension Funds, in the aggregate, shall not exceed five percent of the combined assets of all the Pension and Annuity Funds. **This limitation shall be applied to the Pension and Annuity Funds' proportionate interest in the investments**;

6.-7. (No change.)

(b) (No change.)

SUBCHAPTER 95. OPPORTUNISTIC INVESTMENTS

17:16-95.4 Limitations

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

1. Not more than seven percent of the combined assets of all the Pension and Annuity Funds shall be invested in opportunistic investments in the aggregate. **This limitation shall be applied to the Pension and Annuity Funds' proportionate interest in opportunistic investments**; and

2. Not more than two percent of the combined assets of all the Pension and Annuity Funds shall be invested in any one opportunistic investment.

This limitation shall be applied to the Pension and Annuity Funds' proportionate interest in any one opportunistic investment.

(b) (No change.)

SUBCHAPTER 100. ABSOLUTE RETURN STRATEGY INVESTMENTS

17:16-100.4 Limitations

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

1. The **Pension and Annuity Funds' proportionate interest in the aggregate market value of absolute return strategy investments under this subchapter shall not exceed 15 percent of the combined assets of all of the Pension and Annuity Funds;**

2. No more than 10 percent of the combined assets of all of the Pension and Annuity Funds may be invested in credit oriented funds, and no more than one percent of the combined assets of all of the Pension and Annuity Funds may be invested directly in any individual credit oriented fund. **This limitation shall be applied to the Pension and Annuity Funds' proportionate interest in the investments.** 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 combined assets of all of the Pension and Annuity Funds may be invested in equity oriented funds, and no more than one percent of the combined assets of all of the Pension and Annuity Funds may be invested directly in any individual equity oriented fund. **This limitation shall be applied to the Pension and Annuity Funds' proportionate interest in the investments.** 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 combined assets of all of the Pension and Annuity Funds may be invested in opportunistic funds, and no more than two percent of the combined assets of all of the Pension and Annuity Funds may be invested directly in any individual opportunistic fund. **This limitation shall be applied to the Pension and Annuity Funds' proportionate interest in the investments.** 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 combined assets of all of the Pension and Annuity Funds may be invested in multi-strategy funds, and no more than 2.5 percent of the combined assets of all of the Pension and Annuity Funds may be invested directly in any individual multi-strategy fund. **This limitation shall be applied to the Pension and Annuity Funds' proportionate interest in the investments.** This limitation shall not apply to direct investments in common and preferred stock, exchange-traded funds, and convertible debt issues;

6. The total amount directly invested in the equity and fixed income obligations of any one issuer and affiliated entities by the Pension and Annuity Funds and the Common Pension Funds, in the aggregate, shall not exceed five percent of the combined assets of all the Pension and Annuity Funds. **This limitation shall be applied to the Pension and Annuity Funds' proportionate interest in the investments;**

7.-8. (No change.)

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