

x. The definition of “clinic, outpatient” shall be amended as follows: the phrase “who are not rendered incapable of self-preservation by the services provided” shall be deleted, and “where evacuation is slow” shall be inserted.

[ix.] xi. (No change in text.)

xii. The definition of “detoxification facilities” shall be amended as follows: the phrase “who are incapable of self-preservation or are harmful to themselves or others” shall be deleted, and “where evacuation is impractical” shall be inserted.

Recodify existing x.-xvi. as xiii.-xix. (No change in text.)

xx. The definition of “hospitals and psychiatric hospitals” shall be amended as follows: “who are incapable of self-preservation” shall be deleted, and “where evacuation is impractical” shall be inserted.

[xvii.] xxi. The definition of “incapable of self-preservation” shall be deleted. This deletion shall include its cross-reference definition of the term “self-preservation, incapable of.”

Recodify existing xviii.-xxi. as xxii.-xxv. (No change in text.)

xxvi. The definition of nursing home shall be amended as follows: the phrase “incapable of self-preservation” shall be deleted, and “of impractical evacuation” shall be inserted.

Recodify existing xxii.-xxxv. as xxvii.-xl. (No change in text.)

3. (No change.)

4. Chapter 4, Special Detailed Requirements Based on Use and Occupancy, shall be amended as follows:

i.-ix. (No change.)

x. In Section 422.2, Separation, the phrase “to be incapable of self-preservation at any time” shall be deleted, and “of impractical evacuation” shall be inserted.

Recodify existing x.-xi. as xi.-xii. (No change in text.)

5.-7. (No change.)

8. Chapter 9, Fire Protection Systems, shall be amended as follows:

i.-v. (No change.)

vi. Section 903.2.2, Ambulatory Care Facilities, “Evacuation is impractical for” shall be inserted at the beginning of the sentence in item 1, and “are incapable of self-preservation” shall be deleted. “Evacuation is impractical for” shall be inserted at the beginning of the sentence in item 2, and “that are incapable of self-preservation” shall be deleted.

Recodify existing vi.-lxxxvi. as vii.-lxxxvii. (No change in text.)

9. (No change.)

10. Chapter 11, Accessibility, shall be amended as follows:

i.-ii. (No change.)

iii. In Section 1102.1, Design, “amended as follows:” shall be added to the end of the sentence and the following list shall be inserted:

1.-5. (No change.)

[6. In section 604.5.2, entitled “Rear Wall Grab Bars,” delete Exception 2 in its entirety.]

Recodify existing 7.-22. as 6.-21. (No change in text.)

iv.-lviii. (No change.)

11.-27. (No change.)

5:23-3.21 One- and two-family dwelling subcode

(a)-(b) (No change.)

(c) The following chapters or sections of the IRC/2018 shall be modified as follows:

1.-2. (No change.)

3. Chapter 3, Building Planning, shall be amended as follows:

i.-xxxviii. (No change.)

[xix.] xxxix. (No change in text.)

xl.-xliv. (No change.)

4.-24. (No change.)

SUBCHAPTER 6. REHABILITATION SUBCODE

5:23-6.5 Renovations

(a)-(d) (No change.)

(e) The following products and practices shall be required, when applicable:

1.-6. (No change.)

7. Any replacement to the electrical service equipment shall require that the grounding electrode system be updated to the

requirements of Article 250 Part III of the electrical subcode. (Electrical)

Recodify existing 7.-14. as 8.-15. (No change in text.)

(f)-(h) (No change.)

5:23-6.6 Alterations

(a)-(d) (No change.)

(e) The following products and practices shall be required, when applicable:

1.-9. (No change.)

10. Any replacement to the electrical service equipment shall require that the grounding electrode system be updated to the requirements of Article 250 Part III of the electrical subcode. (Electrical)

Recodify existing 10.-24. as 11.-25. (No change in text.)

(f)-(l) (No change.)

5:23-6.7 Reconstruction

(a)-(d) (No change.)

(e) The following products and practices shall be required, when applicable:

1.-9. (No change.)

10. Any [repair or] replacement to the electrical service equipment shall require that the grounding electrode system be updated to the requirements of [NEC] Article 250 Part III[, as referenced in] of the electrical subcode [(N.J.A.C. 5:23-3.16)]. (Electrical)

11.-22. (No change.)

(f)-(l) (No change.)

TREASURY—GENERAL

(a)

STATE INVESTMENT COUNCIL

Rules of the State Investment Council

Proposed Readoption with Amendments: N.J.A.C. 17:16

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

Authority: N.J.S.A. 52:18A-91.

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

Proposal Number: PRN 2021-059.

Submit comments by September 4, 2021, to:

Corey Amon  
Administrative Practice Officer  
Division of Investment  
PO Box 290  
Trenton, New Jersey 08625-0290  
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The agency proposal follows:

Summary

Pursuant to N.J.S.A. 52:14B-5.1.c, the rules at N.J.A.C. 17:16 were set to expire on February 3, 2021. Pursuant to Executive Order No. 127 (2020) and P.L. 2021, c. 104, any chapter of the New Jersey Administrative Code that would otherwise have expired during the Public Health Emergency originally declared in Executive Order No. 103 (2020) was extended through January 1, 2022. Therefore, this chapter has not yet expired and is extended 180 days from the later of the existing expiration date or the date of publication of this notice of proposed readoption, whichever is later, which date is January 2, 2022, pursuant to N.J.S.A. 52:14B-5.1.c, Executive Order No. 244 (2021), and P.L. 2021, c. 104.

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 (“Director” or “Division”) for the funds under the supervision

of the State Investment Council (Council). The rules proposed for readoption with amendments, will continue to provide such regulatory framework for the purpose for which it was originally promulgated. The rules will continue to provide strong investment guidelines for portfolio diversification as a means of both mitigating risk and providing the opportunity for positive overall risk adjusted returns for the State-administered funds.

The Council is proposing to readopt N.J.A.C. 17:16-1, 3, 5, 11, 12, 19, 20, 32, 33, 37, 40, 58, 61, 65, 68, 82, 83, 84, 85, and 95 without amendment. There is no discussion of N.J.A.C. 17:16-2, 6 through 10, 13, 14, 15, 16, 18, 21, 22, 24 through 30, 34, 35, 36, 38, 39, 41, 43 through 47, 49 through 57, 59, 60, 62, 63, 64, 66, 67, 70, 72 through 80, 86, 87, 88, 89, 91, 92, 93, 94, 96, 97, 98, and 99, as there are no existing rules in those subchapters. The remaining subchapters are proposed for readoption with amendment.

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

The following summarizes the content of each subchapter, noting proposed amendments, where applicable:

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.

N.J.A.C. 17:16-3, Classification of Funds, establishes classifications for funds sharing similar investment characteristics and objectives.

N.J.A.C. 17:16-4, State Investment Council's Policy Concerning Political Contributions and Prohibitions on Investment Management Business, sets forth prohibitions on the engagement of investment management firms if certain political contributions and payments to political parties have been made and reporting requirements for investment management firms that provide, or are applying to provide, investment management services to the State. N.J.A.C. 17:16-4.2 provides definitions for terms used in the subchapter. Proposed amendments to N.J.A.C. 17:16-4.2 clarify that "third-party solicitor" does not include a person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, the investment management firm and, therefore, would not be included in the compensation reporting requirement at N.J.A.C. 17:16-4.6(a)4. Persons employed by investment management firms that provide, or are applying to provide, investment management services to the State or intermediaries will continue to be included in the definition of Investment Management Professional. N.J.A.C. 17:16-4.11(a) provides that each Council member shall comply with the reporting provisions at N.J.A.C. 17:16-4.6 for his or her term as a member of the Council. This reporting requirement is proposed to be deleted as it is unrelated to investments made by the Division and, therefore, is not within the intention of the chapter.

N.J.A.C. 17:16-5 permits the Director to engage in securities lending transactions secured by cash and sets forth the rules that govern securities lending transactions.

N.J.A.C. 17:16-11 establishes that the Director may invest and reinvest the moneys of any eligible fund in United States Treasury and Government Agency Obligations, subject to the limitations expressed in the subchapter.

N.J.A.C. 17:16-12 establishes that the Director may invest and reinvest the moneys of any eligible fund in global debt obligations, subject to the limitations expressed in the subchapter.

N.J.A.C. 17:16-17 establishes that the Director may invest and reinvest the moneys of any eligible fund in state, municipal, and public authority obligations, subject to the limitations expressed in the subchapter. N.J.A.C. 17:16-17.4(a)1 provides that the total amount of debt issues directly purchased, or acquired, of any one obligor shall not exceed 10 percent of the outstanding debt of the entity. This limitation is proposed to be deleted as unnecessary and redundant since not more than 10 percent of any one issue, serial note, or maturity may directly be purchased in the aggregate by all eligible funds.

N.J.A.C. 17:16-19 establishes that the Director may invest and reinvest the moneys of any eligible fund in collateralized notes and mortgages, subject to the limitations expressed in the subchapter.

N.J.A.C. 17:16-20 establishes that the Director may invest and reinvest the moneys of any eligible fund in international government and agency obligations, subject to the limitations expressed in the subchapter.

N.J.A.C. 17:16-23 establishes that the Director may invest and reinvest the moneys of any eligible fund in global diversified credit investments, subject to the limitations expressed in the subchapter. The heading of the subchapter is proposed to be amended from "Global Diversified Credit Investments" to "Private Credit Investments," as that is more descriptive and consistent with industry terms. Accordingly, all references to global diversified credit investments throughout the subchapter are proposed to be amended to private credit investments.

N.J.A.C. 17:16-23.4(a), 71.4(a), 90.4(a), and 100.4(a) set forth investment limitations at the time of initial purchase for global diversified credit, real assets, private equity, and absolute return strategy investments, respectively. Investments in these asset classes can be made through the purchase of publicly traded securities; and capital commitments to separate accounts, funds-of-funds, commingled funds, co-investments, and joint ventures (private investments). The term "initial purchase" is not defined in the chapter, and the term is not clearly applicable to private investments, which often involve an initial "purchase" of fund interests through a subscription for interests with commitment to contribute capital at a future time, followed by a series of payments of capital contributions upon capital calls over the course of a multi-year investment period. The proposed amendments at N.J.A.C. 17:16-23.4(a), 71.4(a), 90.4(a), and 100.4(a) provide that the limitations for investments will be applied at the time of purchase, in the case of investments in publicly traded securities and at the time of presentation to the Investment Policy Committee in accordance with N.J.A.C. 17:16-69.9(a)1, in the case of private investments. The proposed amendment for private investments will, therefore, apply the investment limitations at the earliest date on which the investment may proceed under the chapter, allowing the Division to make a determination whether the investment is permitted prior to expending staff and legal resources on negotiating the final terms of the investment.

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, which title is concurrently being revised to private credit investments. The proposed amendment increases the limit from 10 percent to 13 percent to provide for continued investment diversification and the opportunity for increased risk-adjusted returns of the State-administered funds.

N.J.A.C. 17:16-31 establishes that the Director may invest and reinvest the moneys of any eligible fund in commercial paper, subject to the limitations expressed in the subchapter. N.J.A.C. 17:16-31.2(a)4 provides that the issuer must meet certain minimum rating criteria. It further provides that if a rating for the issue is not available, the issue may be purchased if the issuer rating meets the minimum rating criteria; this sentence is proposed to be deleted as there is no rating requirement set forth for an issue. N.J.A.C. 17:16-31.2(a)4 also provides that if, subsequent to purchase, the rating falls below the minimum rating criteria for such issue, the commercial paper does not have to be sold, and it may be exchanged for an issue with a credit rating lower than the minimum rating if the issue received in exchange is, on balance, similarly rated. The exchange provision is proposed to be deleted as unnecessary. The paragraph, as amended, will, therefore, provide that if the rating for the issuer subsequently fails to meet the minimum rating criteria, the issue does not have to be sold.

N.J.A.C. 17:16-32 establishes that the Director may invest and reinvest the moneys of any eligible fund in certificates of deposit, subject to the limitations expressed in the subchapter.

N.J.A.C. 17:16-33 establishes that the Director may invest and reinvest the moneys of any eligible fund in repurchase agreements, subject to the limitations expressed in the subchapter.

N.J.A.C. 17:16-37 establishes that the Director may invest and reinvest the moneys of any eligible fund in money market funds, subject to the limitations expressed in the subchapter.

N.J.A.C. 17:16-40 establishes that the Director may invest and reinvest the moneys of any eligible fund in non-convertible preferred stocks, subject to the limitations expressed in the subchapter.

N.J.A.C. 17:16-42 establishes that the Director may invest and reinvest the moneys of certain eligible funds (Supplemental Annuity Collective Trust, the Deferred Compensation Equity Fund, the Deferred Compensation Small Capitalization Equity Fund, and the New Jersey

Better Educational Savings Trust) in equity investments denominated in United States dollars that are traded on a securities exchange in the United States or the over-the-counter market, subject to the limitations expressed in the subchapter. N.J.A.C. 17:16-48 establishes that the Director may invest and reinvest the moneys of certain eligible funds (the Public Employees' Retirement System, the State Police Retirement System, the Teachers' Pension and Annuity Fund, the Judicial Retirement System of New Jersey, and any fund classified as a Common Pension Fund and permitted to invest in global equity investments) in global equity investments traded on a securities exchange or the over-the-counter market, or offered and sold through a private placement, subject to the limitations expressed in the subchapter.

N.J.A.C. 17:16-42.4(a)2 and 48.4(a)3, provide that the total amount of a particular class of stock directly purchased or acquired of any one entity by an eligible fund shall not exceed five percent and 10 percent, respectively, of that class of stock outstanding. The proposed amendments at N.J.A.C. 17:16-42.4(a)2 and 48.4(a)3 clarify that the total amount of shares owned under these sections, in the aggregate, of a swap dealer or major swap participant, as defined in the Commodity Futures Trading Commission rules, and that are eligible to vote, shall be less than 10 percent. For consistency, the proposed amendment at N.J.A.C. 17:16-48.4(a)3 also provides that the total amount of a particular class of stock directly purchased or acquired shall be less than 10 percent.

N.J.A.C. 17:16-58 establishes that the Director may invest and reinvest the moneys of any eligible fund in mortgage-backed senior debt securities, provided that the issue must be \$50,000,000 or more in size, subject to the limitations expressed in the subchapter. The Director may also invest or reinvest in mortgage-backed passthrough securities subject to the limitations expressed in the subchapter.

N.J.A.C. 17:16-61 sets forth the rules governing participation, permissible investments, valuation of investments and units, and liquidation procedures for the State of New Jersey Cash Management Fund.

N.J.A.C. 17:16-65 sets forth the rules governing participation, permissible investments, valuation of investments and units, and liquidation procedures for the New Jersey State Employees Deferred Compensation Equity Fund, the New Jersey State Employees Deferred Compensation Small Capitalization Equity Fund, the New Jersey State Employees Deferred Compensation Fixed Income Fund, and the New Jersey State Employees Deferred Compensation Cash Management Fund, as well as rules governing investment options offered and managed by outside vendors.

N.J.A.C. 17:16-68 sets forth the rules governing participation, permissible investments, valuation of investments and units, and liquidation procedures for the New Jersey Better Educational Savings Trust (NJBEST) Fund.

N.J.A.C. 17:16-69 sets 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. N.J.A.C. 17:16-69.9(a)1 provides that the Director shall provide the Investment Policy Committee of the Council (Investment Committee) with the requested due diligence information for all investments recommended by the Division and a formal written report for each such investment. The paragraph further specifies the minimum requirements for such due diligence information. N.J.A.C. 17:16-69.9(a)2 provides that for investments of \$50 million or more, prior to any binding commitment, the Investment Committee shall provide a report to the Council, which report shall include a written memorandum by the Director. On a timely basis after receipt of such report, the Council may adopt, or otherwise act upon, the report. N.J.A.C. 17:16-69.9(a)3 provides that for investments of less than \$50 million, the Director shall provide an informational memorandum to the Council on each such investment made, which memorandum shall be provided no later than the first regularly scheduled meeting of the Council after the date such binding commitment has been made. N.J.A.C. 17:16-69.9(a)4 provides further requirements with respect to the number of investments and percentage of dollar amount of total investment commitments, which are subject to a report by the Investment Committee to the Council. N.J.A.C. 17:16-69.9(a)1 will be readopted without amendment and all investments made by, or on behalf of, any Common Pension Fund pursuant to N.J.A.C. 17:16-23.2(a)2, 71.2(a)1,

90.2(a)1, and 100.2(a)1 will continue to be subject to due diligence information being provided by the Director to the Investment Committee prior to any binding commitment. The proposed amendments at N.J.A.C. 17:16-69.9(a)2 will replace the requirement for the Investment Committee to provide a report to the Council on investments of \$50 million or more prior to any binding commitment with a requirement that the Director provide an informational memorandum to the Council on each binding commitment no later than the first regularly scheduled meeting of the Council after the date such binding commitment has been made. N.J.A.C. 17:16-69.9(a)3 and 4 are proposed to be deleted. The proposed amendments and deletions at N.J.A.C. 17:16-69.9(a) will provide the Division with the ability to commit capital to attractive investment opportunities and make investments in a more timely manner to meet closing deadlines established by the investment fund managers.

N.J.A.C. 17:16-69.9(c) provides that investments made through separate accounts, funds-of-funds, commingled funds, co-investments, and joint ventures pursuant to N.J.A.C. 17:16-23.2(a)2, 71.2(a)1, 90.2(a)1, and 100.2(a)1 cannot comprise more than 20 percent of any one investment manager's total assets. The proposed amendment will provide that a binding commitment shall not be made directly with an investment manager that, together with all other direct commitments made with the investment manager pursuant to N.J.A.C. 17:16-23.2(a)2, 71.2(a)1, 90.2(a)1, and 100.2(a)1, comprises more than 20 percent of the investment manager's total assets under management at the time of such binding commitment. Notwithstanding the above, a binding commitment may be made that exceeds the 20 percent limitation, provided that any obligation to fund the commitment shall be contingent upon the total amount invested directly with the investment manager (excluding unfunded commitments) being less than 20 percent of the investment manager's total assets under management (excluding unfunded commitments) at the time of funding.

N.J.A.C. 17:16-69.9(d) provides that 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 fair market value of investments as permitted at N.J.A.C. 17:16-71 (real assets), 90 (private equity), and 100 (absolute return strategy investments), whether held directly by such fund or through the Common Pension Funds. 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, which asset class title is concurrently being revised to private credit investments. The proposed amendments at N.J.A.C. 17:16-69.9(d) will include private credit investments made pursuant to N.J.A.C. 17:16-23.2(a)2 in the investment limitation, and revise the limitation to 45 percent. The proposed amendment will also clarify that the investment limitation only applies to investments made through separate accounts, funds-of-funds, commingled funds, co-investments and joint ventures, and not to publicly traded securities. This more appropriately categorizes private credit investments as an alternative investment, while lowering the overall aggregate regulatory limits from 48 percent to 45 percent.

N.J.A.C. 17:16-71 establishes that the Director may invest and reinvest the moneys of any eligible fund in real assets, subject to the limitations expressed in the subchapter. N.J.A.C. 17:16-71.4(a)1 provides that the Pension and Annuity Funds' proportionate interest in the aggregate market value of the investment in real estate under the subchapter shall not exceed 10 percent of the combined assets of all of the Pension and Annuity Funds. The proposed amendment increases the limit from 10 percent to 13 percent to provide for continued investment diversification and the opportunity for increased risk-adjusted returns of the State-administered funds.

N.J.A.C. 17:16-71.4(a)2 provides that 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 paragraph is proposed to be deleted, since a Common Pension Fund, as limited partner, cannot control the level of leverage used by the investment managers. N.J.A.C. 17:16-71.4(a)3, 4, and 5 provide various geographic, and property type concentration limitations. Given the maturity of the real estate investment program, these paragraphs are proposed to be deleted as unnecessary. Accordingly, the definitions at

N.J.A.C. 17:16-71.1 for East, Midwest, South, and West are likewise proposed to be deleted.

N.J.A.C. 17:16-81 establishes that the Director may enter into foreign currency contracts, subject to the limitations expressed in the subchapter. N.J.A.C. 17:16-81.4 provides that with respect to international securities, the portfolio should be unhedged, except in such instances in which the Director believes that unusual circumstances exist in which hedging would serve to improve and protect the inherent returns of the international portfolio. The proposed amendment at N.J.A.C. 17:16-81.4 would delete the word “unusual,” as ambiguous and unnecessary to the Director’s determination.

N.J.A.C. 17:16-82 establishes that the Director may invest and reinvest the moneys of any eligible fund in futures contracts provided that the futures contracts trade on a securities exchange or the over-the-counter market, subject to the limitations expressed in the subchapter.

N.J.A.C. 17:16-83 establishes that the Director may enter into swap transactions, including index-based swap transactions, on behalf of any eligible fund, subject to the limitations expressed in the subchapter.

N.J.A.C. 17:16-84 establishes that the Director may sell and repurchase covered call options on behalf of any eligible fund, 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, subject to the limitations expressed in the subchapter.

N.J.A.C. 17:16-85 establishes that the Director may purchase and subsequently sell put options including index-based put options, on behalf of any eligible fund, 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, subject to the limitations expressed in the subchapter.

N.J.A.C. 17:16-90 establishes that the Director may invest and reinvest the moneys of any eligible fund in private equity, subject to the limitations expressed in the subchapter. N.J.A.C. 17:16-90.1 defines private equity as investments in companies or entire business units in order to either restructure the target company’s reserve capital, management, and/or organizational structure or facilitate ongoing growth of the firm. The definition states that private equity firms generally receive a return on their investment through an initial public offering, sale, or merger of the company they control, or a recapitalization. To avoid limiting potential investment opportunities, the definition of private equity is proposed to be simplified by defining private equity as investments generally made through limited partnerships or other limited liability vehicles that in turn generally invest in the equity or debt of companies or business units. The proposed amendment to the definition will also provide for investment in the debt or equity of a trustee, general partner, or managing member of a fund as permissible investments. The subchapter further requires private equity investments to be categorized as buyout investments, venture capital investments, and debt-related investments, with investment limitations set forth at N.J.A.C. 17:16-90.4(a)2, 3, and 4 for each subcategory, and on the amount that can be invested outside the United States. The proposed amendments to the subchapter delete the subcategories of buyout investments, venture capital investments, and debt-related investments included in the definition of private equity and their definitions at N.J.A.C. 17:16-90.1; and the corresponding limitations for the subcategories at N.J.A.C. 17:16-90.4(a)2, 3, and 4.

N.J.A.C. 17:16-90.4(a)1 provides that the Pension and Annuity Funds’ proportionate interest in the aggregate market value of private equity investments under the subchapter shall not exceed 15 percent of the combined assets of all of the Pension and Annuity Funds. The proposed amendment at N.J.A.C. 17:16-90.4(a)1 increases the limit from 15 percent to 18 percent to provide for continued investment diversification and the opportunity for increased risk-adjusted returns of the State-administered funds.

N.J.A.C. 17:16-95 establishes that the Director may invest and reinvest the moneys of any eligible fund in opportunistic investments, subject to the limitations expressed in the subchapter.

N.J.A.C. 17:16-100 establishes that the Director may invest and reinvest the moneys of any eligible fund in absolute return strategy investments, subject to the limitations expressed in the subchapter. The proposed amendments to the subchapter delete the definitions and

subcategories of credit oriented funds, equity oriented funds, opportunistic funds, and multi-strategy funds at N.J.A.C. 17:16-100.1 and 100.2; and the corresponding limitations for the subcategories at N.J.A.C. 17:16-100.4(a)2, 3, 4, and 5.

N.J.A.C. 17:16-100.4(a)1 limits the Pension and Annuity Fund’s proportionate interest in the aggregate market value of absolute return strategy investments to 15 percent of the combined assets of all the Pension and Annuity Funds. This limitation is proposed to be amended to 10 percent to reflect the reduction in the percentage of this asset class in the Council’s asset allocation strategy, while still providing flexibility for future asset allocation plans.

#### **Social Impact**

The rules proposed for re adoption with amendments will continue to provide a regulatory framework for the investment of State-administered funds to be followed by the Director of the Division of Investment. The proposed amendments provide necessary clarifications and simplifications and allow for more timely investment decision making. The rules proposed for re adoption with amendments, provides for continued investment diversification and the continued opportunity for overall risk-adjusted returns for the State-administered funds under the supervision of the Council, thereby benefitting the funds’ beneficiaries and the State’s taxpayers. If the chapter is not re adopted with the proposed amendments, there could be a substantial negative impact on the funds’ beneficiaries and the State’s taxpayers.

#### **Economic Impact**

The rules proposed for re adoption with amendments will continue to provide a regulatory framework for the investment of State-administered funds to be followed by the Director of the Division of Investment. The proposed amendments provide necessary clarifications and simplifications and allow for more timely investment decision making. The rules proposed for re adoption with amendments, provides for continued investment diversification and the continued opportunity for overall risk-adjusted returns for the State-administered funds under the supervision of the Council. As such, these rules 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. If the chapter is not re adopted with the proposed amendments, there could be a substantial negative economic impact on the funds’ beneficiaries and the State’s taxpayers.

#### **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 laws or standards.

#### **Jobs Impact**

The rules proposed for re adoption with amendments will have no impact on the generation or loss of jobs in New Jersey.

#### **Agricultural Industry Impact**

The rules proposed for re adoption with amendments will have no impact on the agriculture industry. While the rules permit pension fund assets to be invested in farmland, it is unlikely that such investments will significantly impact the agriculture industry within the State of New Jersey.

#### **Regulatory Flexibility Statement**

A regulatory flexibility analysis is not required since the rules proposed for re adoption with 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 rules proposed for re adoption with amendments will have no impact on the affordability of housing in the State of New Jersey and is unlikely to evoke a change in the average costs associated with housing because the rules provide for investment diversification and the opportunity for overall risk-adjusted returns for the State-administered funds.

**Smart Growth Development Impact Analysis**

The rules proposed for readoption with amendments is unlikely to evoke a change in housing production within Planning Areas 1 or 2, or within designated centers, under the State Development or Redevelopment Plan in New Jersey because the rules provide for investment diversification and the opportunity for overall risk-adjusted returns for the State-administered funds.

**Racial and Ethnic Community Criminal Justice and Public Safety Impact**

The Division has evaluated the rules proposed for readoption with amendments 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 readoption may be found in the New Jersey Administrative Code at N.J.A.C. 17:16.

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

SUBCHAPTER 4. STATE INVESTMENT COUNCIL’S POLICY CONCERNING POLITICAL CONTRIBUTIONS AND PROHIBITIONS ON INVESTMENT MANAGEMENT BUSINESS

17:16-4.2 Definitions

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

...  
 “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] **third-party** placement agent or lobbyist who solicits clients other than the Division to engage that investment management firm to provide investment management services[.]; or a [third party] **third-party** placement agent or lobbyist who solicits the Division on behalf of another investment management firm.

17:16-4.11 Restrictions on Council members

[(a) Each Council member shall comply with the reporting provisions of N.J.A.C. 17:16-4.6 for his or her term as a member of the Council.]

[(b)] It is prohibited for any Council member to receive any form of compensation, gratuity, gift, service, or payment in connection with the hiring or retention of any investment management firm by the Division during the Council member’s term and for a two-year period immediately following the completion of such Council member’s term. This subsection shall include any compensation, gratuity, gift, service, or payment to the Council member, the Council member’s immediate family, or any partner or associate of the Council member. For the purposes of this subsection, “immediate family” shall mean a person’s spouse, child, parent, or sibling residing in the same household or a person’s domestic partner as defined in P.L. 2003, c. 246 (N.J.S.A. 26:8A-3).

SUBCHAPTER 17. STATE, MUNICIPAL, AND PUBLIC AUTHORITY OBLIGATIONS

17:16-17.4 Limitations

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

1. [The total amount of debt issues directly purchased or acquired of any one obligor shall not exceed 10 percent of the outstanding debt of the entity, and not] **Not** more than 10 percent of any one issue, serial note, or maturity may directly be purchased in the aggregate by all eligible funds;

2.-5. (No change.)

(b) (No change.)

SUBCHAPTER 23. [GLOBAL DIVERSIFIED] PRIVATE CREDIT INVESTMENTS

17:16-23.1 Definitions

The following words and terms, when used in this [sub-chapter] **subchapter**, shall have the following meanings, unless the context clearly indicates otherwise:

...  
 “[Global diversified] **Private** credit investments” means 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 equity participation.

17:16-23.2 Permissible investments

(a) Subject to the limitations contained in this subchapter, the Director may invest and reinvest the moneys of any eligible fund in [global diversified] **private** credit investments in any of the following ways:

1. (No change.)

2. Invest in separate accounts, funds-of-funds, commingled funds, co-investments, and joint ventures that primarily invest in [global diversified] **private** credit investments; provided that the further provisos contained in N.J.A.C. 17:16-69.9 have been met;

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 invest 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 (a) above, the Director may:

1. (No change.)

2. 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.- 4. (No change.)

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

(c) Notwithstanding the restrictions in this subchapter, the Council may approve the purchase of [global diversified] **private** credit investments on a case-by-case basis.

(d) (No change.)

17:16-23.3 Eligible funds

For purposes of this subchapter, eligible funds shall include any fund classified as a Common Pension Fund and permitted to invest in [global diversified] **private** credit investments.

17:16-23.4 Limitations

(a) [At the time of initial purchase of global diversified credit investments, the] **The** following conditions shall all be met **at the time of purchase, in the case of investments in publicly traded securities, and at the time of presentation to the Investment Policy Committee in accordance with N.J.A.C. 17:16-69.9(a)1, in the case of private credit investments made pursuant to N.J.A.C. 17:16-23.2(a)2**:

1. Not more than [10] **13** percent of the market value of the combined assets of all of the Pension and Annuity Funds shall be invested in [global diversified] **private** credit investments, whether directly or through separate accounts, funds-of-funds, commingled funds, co-investments, and joint ventures that primarily invest in [global diversified] **private** credit investments. This limitation shall be applied to the Pension and Annuity Funds’ proportionate interest in [global diversified] **private** 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] private credit investments;

- 4.-5. (No change.)
- (b) (No change.)

SUBCHAPTER 31. COMMERCIAL PAPER

17:16-31.2 Permissible investments

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

- 1.-3. (No change.)
- 4. The issuer (or any guarantor pledging its full faith and credit to the issue) has a credit rating of 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. [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 issuer rating [falls below] **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) (No change.)

SUBCHAPTER 42. EQUITY INVESTMENTS (TRUST FUNDS)

17:16-42.4 Limitations

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

- 1. (No change.)
- 2. The total amount of a particular class of stock directly purchased or acquired of any one entity shall not exceed five percent of that class of stock outstanding; **provided, however, that the total amount of shares owned pursuant to this section and N.J.A.C. 17:16-48, in the aggregate, of a swap dealer or major swap participant as defined in the Commodity Futures Trading Commission rules and that are eligible to vote, shall be less than 10 percent of that class of stock outstanding;** and
- 3. (No change.)

- (b) (No change.)

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

17:16-48.4 Limitations

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

- 1.-2. (No change.)
- 3. The total amount of a particular class of stock directly purchased or acquired of any one entity shall [not exceed ten] **be less than 10 percent of that class of stock outstanding; provided, however, that the total amount of shares owned pursuant to this section and N.J.A.C. 17:16-42, in the aggregate, of a swap dealer or major swap participant as defined in the Commodity Futures Trading Commission rules and that are eligible to vote, shall be less than 10 percent of that class of stock outstanding;**

- 4.-5. (No change.)
- (b) (No change.)

SUBCHAPTER 69. COMMON PENSION FUNDS

17:16-69.9 Limitations

(a) For all investments made by or on behalf of any Common Pension Fund through direct investments, separate accounts, funds-of-funds, commingled funds, co-investments, or joint ventures under N.J.A.C. 17:16-23.2(a)2, 71.2(a)1, 90.2(a)1, and 100.2(a)1, the following shall occur:

- 1. (No change.)
- 2. [On investments of \$50 million or more, prior to any binding commitment, the Investment Committee] **The Director** shall provide [a report] **an informational memorandum** to the Council **on each binding commitment**, which [report] **memorandum** shall [include a written memorandum by the Director] **be provided at the first regularly scheduled meeting of the Council subsequent to the date such binding commitment has been made.** [On a timely basis after receipt of such report, the Council may adopt or otherwise act upon the report.]

[3. On investments of less than \$50 million, the Director shall provide an informational memorandum to the Council on each such investment made, which memorandum shall be provided no later than the first regularly scheduled meeting of the Council after the date such binding commitment has been made.

4. In any given calendar year, and at any point within such year, at least 80 percent of the number of investments and 80 percent of the dollar amount of total investment commitments must be eligible for a report by the Investment Committee to the Council. For investments under \$50 million, so long as such investments constitute no more than 20 percent of the number of investments approved and 20 percent of the total investment dollars committed, the Director shall provide an informational memorandum to the Council pursuant to (a)3 above. Once the Division has exceeded its 20 percent "exemption" in any given year, all proposed investments will be subject to the Investment Committee providing a report to the Council until the number and dollar value of "exempt" investment again falls below the 20 percent threshold.]

- (b) (No change.)

(c) [The investments] **A binding commitment shall not be made** [through separate accounts, funds-of-funds, commingled funds, co-investments, and joint ventures] **directly with an investment manager that, together with all other direct commitments made with the investment manager** pursuant to N.J.A.C. 17:16-23.2(a)2, 71.2(a)1, 90.2(a)1, and 100.2(a)1, [cannot] **comprises more than 20 percent of [any one] the investment manager's total assets under management at the time of such binding commitment. Notwithstanding this subsection, a binding commitment may be made that exceeds the 20 percent limitation, provided that any obligation to fund the commitment shall be contingent upon the total amount invested directly with the investment manager (excluding unfunded commitments) being less than 20 percent of the investment manager's total assets under management (excluding unfunded commitments) at the time of funding.**

(d) Not more than [38] **45** 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. 17:16-23.2(a)2, 71.2(a)1, 90.2(a)1, and 100.2(a)1, whether held directly by such fund or through the Common Pension Funds. If the market value exceeds [38] **45** 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] **45** 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

17:16-71.1 Definitions

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

...  
 ["East" means Maine, New Hampshire, Vermont, Massachusetts, Connecticut, Rhode Island, New Jersey, New York, Pennsylvania, Delaware, Kentucky, Maryland, North Carolina, South Carolina, Virginia, Washington D.C. and West Virginia.]

...  
 ["Midwest" means Illinois, Indiana, Michigan, Ohio, Wisconsin, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota and South Dakota.]

...

["South" means Alabama, Florida, Georgia, Mississippi, Tennessee, Arkansas, Louisiana, Oklahoma and Texas.

"West" means Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming, Alaska, California, Hawaii, Oregon and Washington.]

17:16-71.4 Limitations

(a) [At the time of initial purchase, the] **The following conditions shall be met at the time of purchase, in the case of investments in publicly traded securities, and at the time of presentation to the Investment Policy Committee in accordance with N.J.A.C. 17:16-69.9(a)1, in the case of real asset investments made pursuant to N.J.A.C. 17:16-71.2(a)1:**

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 [10] **13** percent of the combined assets of all of the Pension and Annuity Funds;

[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. 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;]

Recodify existing 6.-9. as **2.-5.** (No change in text.)

(b) (No change.)

SUBCHAPTER 81. FOREIGN CURRENCY TRANSACTIONS

17:16-81.4 Limitations

With respect to international securities, the portfolio should be unhedged, except in such instances in which the Director believes that [unusual] circumstances exist in which hedging would serve to improve and protect the inherent returns of the international portfolio.

SUBCHAPTER 90. PRIVATE EQUITY

17:16-90.1 Definitions

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

["Buyout investment" means the acquisition of an established company. The acquisition may or may not be leveraged.]

... ["Debt related investment" means the purchase of investments in debt instruments which may include equity participation.]

... ["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. Private placement

includes the sale of securities pursuant to Section 4(2), Regulation D, Regulation S, or Rule 144A under the Securities Act of 1933, as amended.]

"Private equity" means investments [in] **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 [in order to either restructure the target company's reserve capital, management and/or organizational structure or facilitate ongoing growth of the firm. Private equity firms generally receive a return on their investment through an initial public offering, sale, or merger of the company they control, or a recapitalization. Private equity may consist of buyout investments, venture capital investments, and debt-related investments], **or investments in the debt or equity of a trustee, general partner, or managing member of a fund.**

"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. **Private placement includes the sale of securities pursuant to Section 4(2), Regulation D, Regulation S, or Rule 144A under the Securities Act of 1933, as amended.**

... ["Venture capital investment" means investment in the equity of a small, privately-owned, high-growth company during its early or expansion stages.]

17:16-90.2 Permissible investments

(a) Subject to the limitations contained in this subchapter, the Director may invest and reinvest the moneys of any eligible fund in 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 subject to the further provisos as contained [in] **at N.J.A.C. 17:16-69.9;**

2.-3. (No change.)

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

17:16-90.4 Limitations

(a) [At the time of initial purchase, the] **The following conditions shall be met at the time of purchase, in the case of investments in publicly traded securities, and at the time of presentation to the Investment Policy Committee in accordance with N.J.A.C. 17:16-69.9(a)1, in the case of private equity investments made pursuant to N.J.A.C. 17:16-90.2(a)1:**

1. The Pension and Annuity Funds' proportionate interest in the aggregate market value of private equity investments [under] **pursuant to** this subchapter shall not exceed [15] **18** percent of the combined assets of all of the Pension and Annuity Funds;

[2. No more than 15 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;]

Recodify existing 5.-7. as 2.-4. (No change in text.)

(b) (No change.)

SUBCHAPTER 100. ABSOLUTE RETURN STRATEGY INVESTMENTS

17:16-100.1 Definitions

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

... [“Commodity trading advisor fund” means a fund trading commodities, currencies and financial futures using mostly trend-following systems but sometimes discretionary/fundamental models.]

... [“Credit oriented fund” means a fund investing in convertible bond arbitrage, fixed income arbitrage, credit instruments, securities of companies under distress (in bankruptcy or close to bankruptcy), or other similar strategies primarily involving investment in fixed income securities.]

... [“Equity long/short strategy” means holding a combination of long and short positions primarily in publicly traded equities, with a net market exposure less than that of the overall equity market.

“Equity market neutral strategy” means holding a combination of long and short positions primarily in publicly traded equities, with minimal net market exposure to the overall equity market.

“Equity oriented fund” means a fund investing primarily in publicly traded positions employing equity long/short, quantitative, equity market neutral, event driven or other similar strategies.

“Event driven strategy” means merger arbitrage, capital structure arbitrage, relative value, activist or other similar strategies.]

... [“Global macro fund” means a fund investing in top-down, fundamental investments on global price movements in all markets, countries and currencies.

“Multi-strategy fund” means a fund that employs a combination of strategies including strategies employed by credit oriented funds, equity oriented funds, and opportunistic funds.

“Opportunistic fund” means a fund investing in speculative opportunities with high net market exposure across varied markets. Opportunistic funds include global macro funds, commodity trading advisor funds, tail risk hedging funds and funds employing other similar strategies.]

... [“Quantitative strategy” means the use of mathematical techniques to identify profit opportunities arising from relationships affecting the prices of various securities.]

... [“Tail risk hedging fund” means a fund that hedges the risk that a rare event will significantly and adversely affect the value of an asset or portfolio.]

17:16-100.2 Permissible investments

(a) Subject to the limitations contained in this subchapter, the Director may invest and reinvest the moneys of any eligible fund in 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 subject to the further provisos as contained [in] at N.J.A.C. 17:16-69.9;

2.-3. (No change.)

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

17:16-100.4 Limitations

(a) [At the time of initial purchase, the] **The following conditions shall be met at the time of purchase, in the case of investments in publicly traded securities, and at the time of presentation to the Investment Policy Committee in accordance with N.J.A.C. 17:16-69.9(a)1, in the case of absolute return strategy investments made pursuant to N.J.A.C. 17:16-100.2(a)1:**

1. The Pension and Annuity Funds’ proportionate interest in the aggregate market value of absolute return strategy investments [under] **pursuant to** this subchapter shall not exceed [15] **10** percent of the combined assets of all of the Pension and Annuity Funds[;] **and not more than one percent of the combined assets of all of the Pension and Annuity Funds may be invested directly in any individual fund.** [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;]

Recodify existing 6.-8. as 2.-4. (No change in text.)

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