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**STATE INVESTMENT COUNCIL  
Absolute Return Strategy Investments  
Definitions; Limitations  
Proposed Amendments: N.J.A.C. 17:16-100.1 and  
100.4**

Authorized By: State Investment Council, Timothy M. Walsh,  
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 2010-311.

Submit comments by February 4, 2011 to:

Timothy M. Walsh  
Administrative Practice Officer  
Division of Investment  
PO Box 290  
Trenton, New Jersey 08625-0290

The agency proposal follows:

**Summary**

N.J.A.C. 17:16-100 permits eligible funds to invest in absolute return strategy investments. The proposed amendments to N.J.A.C. 17:16-100.1 will expand the definition of “equity oriented fund” to clarify that it includes funds employing quantitative strategies and the definition of “opportunistic fund” to clarify that it includes tail risk hedging funds. The proposed amendments to N.J.A.C. 17:16-100.1 also add definitions of “quantitative strategy” and “tail risk hedging fund.”

N.J.A.C. 17:16-100.4(a)1 provides that the aggregate market value of absolute return strategy investments for any eligible fund shall not exceed seven percent of the market value of the assets of any Pension and Annuity Fund investing in Common Pension Fund E. The proposed amendment would increase this limitation from seven percent to 15 percent in order to provide greater flexibility in making investments in absolute return strategy investments and an opportunity for increased risk-adjusted returns for the State-administered funds.

Within the proposed 15 percent cap, the proposed amendments include: (1) an increase in the caps on investments in credit oriented funds and individual credit oriented funds from five percent and 0.5 percent, respectively, to 10 percent and one percent, respectively, in N.J.A.C. 17:16-100.4(a)2; (2) an increase in the caps on investments in equity oriented funds and individual equity oriented funds from five percent and 0.5 percent, respectively, to 10 percent and one percent, respectively, in N.J.A.C. 17:16-100.4(a)3; (3) an increase in the caps on investments in opportunistic funds and individual opportunistic funds from three percent and 0.5 percent, respectively, to 12 percent and two percent, respectively, in N.J.A.C. 17:16-100.4(a)4; and (4) an increase in the caps on investments in multi-strategy funds and individual multi-strategy funds from seven percent and 0.7 percent, respectively, to 15 percent and 2.5 percent, respectively, in N.J.A.C. 17:16-100.4(a)5. These amendments are intended to provide for greater flexibility in making investments in absolute return strategy investments and an opportunity for increased risk-adjusted returns for the State-administered funds.

N.J.A.C. 17:16-100.4(a)6 provides that no more than seven percent of the market value of the assets of any eligible fund shall be invested in the common and preferred stock of any one corporation. The proposed amendment clarifies that this limitation applies to direct investments in publicly traded corporations that primarily invest in absolute return strategy investments pursuant to N.J.A.C. 17:16-100.2(a)2 and does not apply to investments in corporations made through other investment vehicles. The proposed amendment to N.J.A.C. 17:16-100.4(a)7 clarifies that the five percent limitation of the total amount of stock purchased or acquired of any one corporation that entitles the holder to vote, applies to direct investments in publicly traded corporations that primarily invest in absolute return strategy investments pursuant to N.J.A.C. 17:16-100.2(a)2 and does not apply to investments in corporations made through other investment vehicles.

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 shall have a positive social impact because increased overall risk-adjusted returns for the State-administered funds will benefit the funds’ beneficiaries and will lessen the long-term burden on the State’s taxpayers.

**Economic Impact**

The proposed amendments 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 State Investment Council and the Division of Investment do not anticipate that any jobs will be generated or lost by virtue of the proposed amendments.

**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 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., but regulate only the Director of the Division of Investment.

**Smart Growth Impact**

The proposed amendments are not anticipated to have an impact on the achievement of smart growth and implementation of the State Development and Redevelopment Plan.

**Housing Affordability Impact**

The proposed amendments will have no impact on the affordability of housing in the State of New Jersey. The proposed amendments will permit a higher percentage of pension fund assets to be invested in absolute return strategy funds.

**Smart Growth Development Impact**

The proposed amendments are not anticipated to have an impact on the availability of affordable 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 will permit a higher percentage of pension fund assets to be invested in absolute return strategy funds.

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

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:

...

“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.

...

“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.

17:16-100.4 Limitations

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

1. The aggregate market value of absolute return strategy investments under this subchapter, for any eligible fund, shall not exceed [seven] 15 percent of the market value of the assets of any Pension and Annuity Fund investing in Common Pension Fund E;

2. No more than [five] 10 percent of the market value of the assets of any Pension and Annuity Fund investing in Common Pension Fund E may be invested in credit oriented funds, and no more than [0.5] one percent of the market value of the assets of any Pension and Annuity Fund investing in Common Pension Fund E may be invested directly in any individual credit oriented fund. This limitation shall not apply to investments in common and preferred stock, exchange-traded funds and convertible issues;

3. No more than [five] 10 percent of the market value of the assets of any Pension and Annuity Fund investing in Common Pension Fund E may be invested in equity oriented funds, and no more than [0.5] one percent of the market value of the assets of any Pension and Annuity Fund investing in Common Fund E may be invested directly in any individual equity oriented fund. This limitation shall not apply to investments in common and preferred stock, exchange-traded funds and convertible issues;

4. No more than [three] 12 percent of the market value of the assets of any Pension and Annuity Fund investing in Common Pension Fund E may be invested in opportunistic funds, and no more than [0.5] two percent of the market value of the assets of any Pension and Annuity Fund investing in Common Pension Fund E may be invested directly in any individual opportunistic fund. This limitation shall not apply to investments in common and preferred stock, exchange-traded funds, and convertible issues;

5. No more than [seven] 15 percent of the market value of the assets of any Pension and Annuity Fund investing in Common Pension Fund E may be invested in multi-strategy funds, and no more than [0.7] 2.5 percent of the market value of the assets of any Pension and Annuity Fund investing in Common Fund E may be invested directly in any individual multi-strategy fund. 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 assets of any eligible fund shall be invested in the common and preferred stock of any one corporation **eligible for investment pursuant to N.J.A.C. 17:16-100.2(a)2**. This seven percent limitation shall not apply to Common Pension Fund E;

7. The total amount of stock purchased or acquired of any one corporation **eligible for investment pursuant to N.J.A.C. 17:16-100.2(a)2** shall not exceed five percent of the common stock, or of another class of stock which entitles the holder thereof to vote at all elections of directors, of such corporation; and

8. (No change.)

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

OTHER AGENCIES

(a)

NEW JERSEY MEADOWLANDS COMMISSION

District Zoning Regulations, Subdivision Regulations and District Transportation Rules

**Proposed Amendments: N.J.A.C. 19:4-2.2, 3.5, 3.22, 4.4, 4.8, 4.13, 4.14, 4.16, 4.19, 5.2, 5.46, 5.73, 5.74, 5.75, 5.80, 5.82, 5.87, 5.89, 6.4, 8.2, 8.4, 8.11, 8.14, 8.15, 8.16, 11.2, 11.4 and 11.5; 19:5-5.9; and 19:7-5.1, 5.2, 5.4, 5.5 and 5.6**

**Proposed New Rule: N.J.A.C. 19:4-4.12A**

Authorized By: New Jersey Meadowlands Commission, Robert R. Ceberio, Secretary.

Authority: N.J.S.A. 13:17-1 et seq., specifically 13:17-6(i).

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

Proposal Number: PRN 2010-303.

A **public hearing** on this matter will be held on January 4, 2011 at 10:00 A.M. at the following location:

New Jersey Meadowlands Commission  
One DeKorte Park Plaza  
Lyndhurst, New Jersey 07071

Submit written comments by February 4, 2011 to:

Sara J. Sundell, P.E., P.P.  
Director of Land Use Management  
New Jersey Meadowlands Commission  
One DeKorte Park Plaza  
Lyndhurst, New Jersey 07071

It is requested (but not required) that anyone submitting written comments also include a disc containing a digital version, preferably in Microsoft Word. Interested persons may obtain a copy of this notice of proposal from the New Jersey Meadowland Commission (NJMC) website, [www.njmeadowlands.gov](http://www.njmeadowlands.gov). The notice of proposal may also be inspected during normal office hours at the NJMC, One DeKorte Park Plaza, Lyndhurst, New Jersey 07071.

The agency proposal follows:

**Summary**

On February 24, 2010, the New Jersey Meadowlands Commission (NJMC) adopted Resolution No. 10-08 in response to Executive Order No. 2 (2010), which directs certain State agencies, within the first 90 days of the administration of Governor Christie, to facilitate intermediate relief from regulatory burdens by identifying any rules and processes that impede economic development.

Pursuant to this regulatory review, the NJMC staff identified a number of existing rules that are consistent with the intent of Executive Order No. 2 (2010) to provide flexibility in the regulatory review process. The NJMC staff also identified rules to be amended in response to Executive Order No. 2 (2010) in order to further promote economic development and regulatory flexibility in the Meadowlands District.

Executive Order No. 2 (2010) further directs those State agencies, within 180 days, to redraft such rules and processes as identified to ensure that each rule and process is necessary to implement the underlying statute and amend or rescind such rules or processes that are considered unnecessary, ineffective, contradictory, redundant, inefficient, needlessly burdensome, that unnecessarily impede economic growth or that have had unintended negative consequences.

The NJMC staff proposes to amend selected rules within the NJMC District Zoning Regulations at N.J.A.C. 19:4, Subdivision Regulations at N.J.A.C. 19:5 and District Transportation Rules at N.J.A.C. 19:7, in response to Executive Order No. 2 (2010). The NJMC is authorized by N.J.S.A. 13:17-1, et seq., to adopt codes and standards regarding the zoning and rezoning of lands within the Meadowlands District.

On April 28, 2010, the NJMC adopted Resolution No. 10-33 authorizing the NJMC staff to prepare the notice of proposal for