

13:44H-3.4 Requirements for temporary license for licensees of other jurisdictions

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

(c) The holder of a temporary license shall be supervised by a licensee pursuant to N.J.A.C. 13:44H-3.6[(e)](d).

(d) A temporary license shall be issued for a [one year] **one-year** period. The holder of a temporary license shall take the first available licensing examination administered after receipt of the temporary license. An applicant who does not take the next administered examination for reasons of hardship such as illness, disability or other good cause may take the examination offered after the next administered examination. At the end of the [one year] **one-year** period, the Board may renew the temporary license if the holder has taken the first scheduled examination, shows good cause for the renewal and if the renewal of the temporary license would serve the well-being and interests of the clients of the establishment in which the holder practices. The holder of a renewed temporary license shall be supervised pursuant to N.J.A.C. 13:44H-3.6[(d)](c).

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

13:44H-3.5 Licensure as a prosthetist assistant, orthotist assistant or prosthetist-orthotist assistant

(a) (No change.)

[(b) A person who applies for licensure as an orthotist assistant, a prosthetist assistant or a prosthetist-orthotist assistant by June 17, 2003 and who has completed 1,900 hours of clinical practice under the supervision of a person who is not a licensed orthotist, a licensed prosthetist or a licensed prosthetist-orthotist in this State within the three years preceding June 17, 2002 shall qualify for licensure as an orthotist assistant, a prosthetist assistant or a prosthetist-orthotist assistant if he or she is able to demonstrate that the supervisor would qualify for licensure pursuant to N.J.A.C. 13:44H-3.3.]

13:44H-3.6 Supervision of an orthotist assistant, prosthetist assistant, prosthetist-orthotist assistant, student or holder of a temporary license

[(a) From June 17, 2002 until June 17, 2003, a licensed orthotist assistant, licensed prosthetist assistant, licensed prosthetist-orthotist assistant, student or holder of a temporary license shall be supervised, pursuant to (b) through (k) below, by either a licensed orthotist, licensed prosthetist, licensed prosthetist-orthotist or by a person who has a pending application for licensure as an orthotist, prosthetist or prosthetist-orthotist, which demonstrates that the supervisor would qualify for licensure. After that time period, the licensed orthotist assistant, licensed prosthetist assistant, licensed prosthetist-orthotist assistant, student or holder of a temporary license shall only be supervised by a licensed orthotist, licensed prosthetist or licensed prosthetist-orthotist pursuant to (b) through (k) below.]

Recodify existing (b)-(k) as **(a)-(j)** (No change in text.)

SUBCHAPTER 7. BUSINESS PRACTICES; PROFESSIONAL CONDUCT

13:44H-7.6 State office

Pursuant to N.J.S.A. 45:12B-20, every licensee shall maintain an office in New Jersey.

TREASURY — GENERAL

(a)

STATE INVESTMENT COUNCIL

Common Pension Fund A

Permissible Investments; Units of Participation; Valuation of Investments and Net Assets; Valuation of Units; Admission and Withdrawal; Distribution of Realized Appreciation; Liquidation

Proposed Amendments: N.J.A.C. 17:16-62.2, 62.3, 62.4, 62.6, 62.8 and 62.10

Proposed Repeal and New Rule: N.J.A.C. 17:16-62.5

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 2011-186.

Submit comments by November 5, 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. 17:16-62 sets forth the rules governing participation, permissible investments, valuation of investments and units, and liquidation procedures for Common Pension Fund A. Common Pension Fund A is a common trust fund established for the purpose of investing in stocks and related securities on behalf of the Police and Firemen's Retirement System, Public Employees' Retirement System, State Police Retirement System, Teachers' Pension and Annuity Fund and Judicial Retirement System of New Jersey.

N.J.A.C. 17:16-62.2 states that the Director may invest the assets of Common Pension Fund A in corporate common stocks or securities convertible into such stocks. The proposed amendment will clarify that Common Pension Fund A invests in stocks and related securities, consistent with the purpose as set forth in N.J.A.C. 17:16-62.1 and the chapters which govern investments in the common fund.

N.J.A.C. 17:16-62.3(b) specifies that physical certificates of participation must be prepared and issued by the Director. This is an extremely outdated, burdensome and unnecessary administrative task. It is not standard investment industry practice to issue physical certificates of ownership; ownership is typically evidenced in book entry form in the records of a fund or transfer agent. The proposed amendment to this subsection specifies that units of participation shall be evidenced by records maintained by the Division.

The proposed amendment to N.J.A.C. 17:16-62.3(c) clarifies that units shall be purchased at the unit valuation price as opposed to the principal unit valuation price, to be consistent with proposed terminology changes elsewhere within the subchapter.

N.J.A.C. 17:16-62.4 sets forth the valuation method for investments in the common fund. The heading of the section is being amended to make the word "investment" plural. The section is also being expanded to include the method for the valuation of net assets. The proposed amendments to N.J.A.C. 17:16-62.4(b) will provide that investments and net assets be valued each business day. Daily net asset valuation will provide the ability to transfer cash between the pension and annuity funds on any business day resulting in the more effective and efficient investment management of the pension and annuity funds. Currently, valuation is only performed monthly, and as a result, admission to or withdrawal from the common pension fund is only permitted within 15 days of a valuation date. Daily valuations will provide a more timely and accurate valuation for the transfer of funds. It will allow the common

fund to maintain a lower cash balance, providing for the continued investment of funds. N.J.A.C. 17:16-62.4(b) provides that the valuation of investments shall be based on market prices and accruals. Since this section is being expanded to cover the valuation of both investments and net assets, the proposed language stipulates that the valuations of investments and net assets shall be based on assets and liabilities as of the close of the previous business day which is consistent with industry practice.

The proposed amendments to N.J.A.C. 17:16-62.4(c) will replace previously specified valuation methodologies that attempted to outline industry pricing and accounting practices, certain of which have become outdated. The proposed amendments will stipulate that investments must be valued in accordance with applicable accounting standards, using recognized industry pricing sources. The proposed amendments will also require that the valuation of net assets be calculated as total assets minus total liabilities, in accordance with applicable accounting standards. This calculation is necessary in order to calculate unit value under new N.J.A.C. 17:16-62.5.

N.J.A.C. 17:16-62.5, which sets forth the procedure for the valuation of units in two component parts, principal value per unit and income value per unit, is being repealed and replaced with a new rule which governs the calculation of a net asset value per unit. Proposed N.J.A.C. 17:16-62.5(a) will stipulate that the net asset value per unit shall be calculated as the net assets of the fund divided by the total number of units outstanding as of such valuation date. The proposed new rule is consistent with current industry and accounting standards and practices.

N.J.A.C. 17:16-62.5(b) sets forth the procedure for calculating the income value per unit and specifies that the income shall be disbursed, monthly or quarterly in cash to each participating fund. The proposed repeal will eliminate the requirement to calculate an income value per unit and disburse the income as this is an unnecessary and burdensome administrative task. The distribution of income as cash to the participating funds is arbitrary and not related to the cash needs of those funds. It is more prudent to retain and reinvest the income in the common fund. The participating funds' share of such income will be reflected through an increased unit value under the proposed new rule. The proposed new rule will also conform the provisions of N.J.A.C. 17:16-62.5, 63.5, 67.5 and 69.5 since income is currently distributed to participating funds from Common Pension Funds A and B, and not distributed from Common Pension Funds D and E.

N.J.A.C. 17:16-62.5(b)5 requires that adjustments to income in the amount of \$50,000 or more in any one month be adjusted in the month in which the error occurred, while adjustments under \$50,000 shall be included in the current month's income. The proposed repeal will delete this requirement as \$50,000 is an arbitrary amount which is not directly related to the monthly income or size of the common fund. Based upon the current size of the fund, an adjustment of this size would have no impact on the unit calculations. Accounting standards require that all material adjustments be recorded. The proposed amendment to N.J.A.C. 17:16-62.4(c)2 will require that the net assets of the fund be valued in accordance with applicable accounting standards, which encompasses materiality irrespective of the size of the fund, since materiality will vary in proportion to fund size.

N.J.A.C. 17:16-62.6 permits admission to or withdrawal from the common fund only on a valuation date or within 15 days thereafter. This language was based on monthly valuation dates, so that the unit values upon admission or withdrawal would not be stale. The proposed amendment will stipulate that admissions to or withdrawals from the common fund be permitted only on a valuation date based upon the value of each unit on the valuation date. The proposed amendments to the subchapter provide for the determination of unit values each business day, providing a more accurate valuation of the admissions to and withdrawals from the common fund.

N.J.A.C. 17:16-62.8(a)1 provides that realized appreciation may be distributed and that such distribution be deducted from the principal and added to the income in the common fund. The proposed amendment stipulates that the distribution be deducted from the net assets of the common fund, to be consistent with terminology changes being proposed concurrently, and distributed to the participating funds in proportion to the number of units owned.

N.J.A.C. 17:16-62.8(a)2 provides that the Council may declare as capital gains such percentage of said appreciation of principal as it may deem prudent. The proposed amendment eliminates this provision as unnecessary.

The proposed amendment to N.J.A.C. 17:16-62.10(d), which subsection concerns distribution upon liquidation, replaces the term "principal value" with "net asset value" to be consistent with terminology changes being proposed concurrently in the subchapter.

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

Social Impact

The proposed amendments, repeal and new rule shall have a positive social impact because they provide for the more streamlined and efficient management of cash balances for the State-administered funds which will benefit the funds' beneficiaries and lessen the long-term burden on the State's taxpayers.

Economic Impact

The proposed amendments, repeal and new rule shall have a positive economic impact by providing a more streamlined and efficient management of cash balances for 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, repeal and new rule.

Agriculture Industry Impact

The proposed amendments, repeal and new rule will have no impact on the agriculture industry.

Regulatory Flexibility Statement

A regulatory flexibility analysis is not required since the proposed amendments, repeal and new rule 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, repeal and new rule 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 Analysis

The proposed amendments, repeal and new rule will have no impact on the affordability of housing in the State of New Jersey. The proposed amendments, repeal and new rule will permit more streamlined and efficient management of cash balances of the State-administered funds.

Smart Growth Development Impact Analysis

The proposed amendments, repeal and new rule 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, repeal and new rule will permit more streamlined and efficient management of cash balances of the State-administered funds.

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

17:16-62.2 Permissible investments

The Director may invest the assets of Common Pension Fund A in [corporate common stocks or securities convertible into such] stocks **and related securities**, including any investments permitted under this chapter, the State of New Jersey Cash Management Fund, United States Treasury Obligations and commercial paper.

17:16-62.3 Units of participation

(a) (No change.)

(b) All units of participation in Common Pension Fund A, representing net capital contributions to the fund together with any income thereon, shall be evidenced by [a certificate prepared by and issued by the Director] **records maintained by the Division.** [Each such certificate may represent one or more units of participation, and shall contain the following information:

1. The number of units purchased;
2. The purchaser;
3. The aggregate principal valuation price for the number of units purchased;
4. The date of purchase;
5. The serial number of the certificate; and
6. The principal valuation price per unit purchased.]

(c) All units of participation shall be purchased by cash payments or in kind. All units shall be purchased by the participating fund for the [principal] **unit** valuation price determined by this subchapter.

17:16-62.4 Valuation of investments and net assets

(a) Upon each valuation date, as provided in (b) below, there shall be a valuation for every investment in the common fund **and the net assets of the common fund** in the method provided for in this section.

(b) The valuation of **investments and net assets** shall be determined at the opening of **each** business [of the first business] day [of each month], and shall be based on [market prices and accruals] **assets and liabilities** as of the close of the previous business day.

(c) The Director shall use the following method of valuation of investments **and net assets**:

1. [Where there have been recorded sales of an investment in the common fund on a security exchange, the last recorded sales price shall be used, unless on a day subsequent to such sale, there shall have been recorded bid and asked prices, in which event the mean of the most recent of such bid and asked prices shall be used.] **The valuation of investments shall be made in accordance with applicable accounting standards, using recognized industry pricing sources.**

2. [If there have been no such recorded sales, the mean of the most recent recorded bid and asked prices shall be used.] **The valuation of net assets shall be calculated as total assets minus total liabilities, in accordance with applicable accounting standards.**

[3. For the purpose of this subsection, recorded sales and bid and asked prices shall be those appearing in newspapers of general circulation published in the City of New York, in standard financial periodicals, or those established by a recognized pricing service.

4. In the case of a stock where a dividend has been declared and not as yet paid and the amount of such dividend has been included as income, such amount shall be deducted from the value of the stock as determined in (c)1 and 2 above, unless such value has been based on an ex-dividend valuation.

5. An investment purchased and awaiting payment against delivery shall be included for valuation purposes as a security and the cost thereof recorded as an account payable.

6. An investment sold but not delivered pending receipt of proceeds shall be valued at the net sales price.

7. For the purposes of valuation of an investment, with the exception of investments sold but not delivered, it shall not be necessary to deduct from the value ascertained by this section, brokers' commission or other expenses which would be incurred on a sale thereof.]

17:16-62.5 Valuation of units

[(a) The following method shall be used in determining the principal value per unit:

1. To the valuation of investments determined as provided in N.J.A.C. 17:16-62.4, there shall be added:

- i. Uninvested cash principal;
- ii. The value of any rights or stock dividends which may have been declared but not received as of the valuation date when the security has been valued ex-right and ex-dividend;
- iii. Such portion as shall constitute principal of any extraordinary or liquidating dividend which may have been declared but which is unpaid as of the valuation date when the particular security has been valued ex-dividend; and

iv. Temporary investments which shall be valued at cost. The yield on these temporary investments shall not be accrued, but shall be included in income monthly as paid.

2. There shall be deducted from the sum so ascertained all expenses chargeable to principal due or accrued. The net principal value thus determined shall be divided by the number of existing units in order to ascertain the principal value of each unit.

(b) The following method shall be used in determining the income value per unit:

1. Income shall include all moneys received or accrued which are not included in or defined as principal in this section.

2. From such income on hand and accrued there shall be deducted the expenses and liabilities due and accrued which are chargeable to income.

3. The amount of net income thus determined shall be divided by the number of existing units in order to ascertain the income value per unit.

4. Such income value per unit shall be disbursed, monthly or quarterly and in cash, to each participating fund according to ownership of units.

5. Adjustments to income in the amount of \$50,000 or more in any one month shall be adjusted according to the participating fund's holdings as of the month in which the error occurred. Adjustments under \$50,000 shall be included in the current month's income.]

The net asset value per unit shall be calculated as the net assets of the fund divided by the total number of units outstanding as of such valuation date.

17:16-62.6 Admission and withdrawal

(a) No admission to or withdrawal from the common fund shall be permitted except on a valuation date [or within 15 days thereafter; however, in the event that an admission or withdrawal occurs within the 15-day period aforementioned, it shall be based upon the principal value as of the last valuation date preceding said admission or withdrawal] **and shall be based upon the value of each unit as of that valuation date.**

(b) (No change.)

17:16-62.8 Distribution of realized appreciation

(a) Subsequent to the receipt of audited financial statements for the prior fiscal year, the Council may consider the realized appreciation in the common fund per unit. The Council may, in its sole discretion, choose [any or all] **either** of the following options:

1. Declare as income to the participating funds such percentage of said realized appreciation of principal as it may deem prudent. When such declaration is made, the percentage of such appreciation of principal declared to be income shall be deducted from the total [principal in] **net assets of the common fund** [and added to income in the common fund prior to the next regular monthly valuation. Following such declaration, the amount declared as income shall be treated] and distributed [as income] to the participating funds [monthly or quarterly in cash and/or units.] **in proportion to the number of units owned; or**

[2. Declare as capital gains to the participating funds such percentage of said realized appreciation of principal as it may deem prudent. When such declaration is made the percentage of such appreciation of principal declared shall be deducted from the total principal in the common fund and distributed monthly or quarterly in cash and/or units.]

[3.] **2.** (No change in text.)

17:16-62.10 Liquidation

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

(d) Distribution upon liquidation shall occur within five days after a valuation date and shall be based upon the [principal] **net asset** value per unit determined upon such valuation date.

(e) (No change.)