

to the proposed amendments and repeals. Therefore, a Federal standards analysis is not required.

**Jobs Impact**

The Commission does not anticipate any jobs will be generated or lost as a result of the proposed amendments or repeals.

**Agriculture Industry Impact**

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

**Regulatory Flexibility Statement**

The proposed amendments and repeals have been reviewed with regard to the Regulatory Flexibility Act, N.J.S.A. 52:14B-16 et seq. The proposed amendments and repeals do not impose compliance requirements on school bus operators, some of which are small businesses as defined by the Regulatory Flexibility Act, N.J.S.A. 52:14B-16 et seq. The existing recordkeeping requirements pertain to the preparation and retention of inspection records by owners, employees and drivers, and the proposed amendments lessen the requirements for the reporting requirements, as discussed in the Summary above. The proposed amendments do not require small businesses to engage additional professional services. The rules proposed for amendment do not necessitate significant capital and annual expenditures for compliance by small businesses. These requirements are intended to set standards for reporting inspection results in order to advance overall safety. It is for these reasons that no differentiation in compliance based on business size is provided.

**Housing Affordability Impact Analysis**

The proposed amendments and repeals will have no impact on housing affordability and there is an extreme unlikelihood that the rules will evoke a change in the average costs associated with housing because the rules pertain to school bus inspection reporting.

**Smart Growth Development Impact Analysis**

The proposed amendments and repeals will have no impact on smart growth or new construction in Planning Areas 1 or 2, or within designated centers, under the State Development and Redevelopment Plan in New Jersey because the proposed amendments pertain to requirements for school bus inspection reporting.

**Full text** of the rules proposed for repeal may be found in the New Jersey Administrative Code at N.J.A.C. 13:20-30 Appendices A, B, and C.

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

SUBCHAPTER 30. INSPECTION OF SCHOOL BUSES

13:20-30.5 Inspection of school buses in operation

(a)-(e) (No change.)

(f) The person or persons completing the repairs required by the "out-of-service" notice, or a designee, shall certify to the Chief Administrator on a form prescribed by the Chief Administrator, the date and the time the required repairs were completed. The ["School Bus Out of Service Repair Certification" form is located at N.J.A.C. 13:20-30 Appendix A, incorporated herein by reference and] **school bus out-of-service repair certification shall include the bus number and registration number; a statement indicating that all out-of-service violations have been repaired and that the repairs meet all State and Federal requirements. The name of the repairer must be printed, the repairer's signature must be provided, and identification of the facility, date, and time of the repairs must be provided. The form that shall be used for the school bus out-of-service repair certification can be found on the Motor Vehicle Commission website at <http://www.state.nj.us/mvc/Inspections/SchoolBus.htm>.**

(g)-(i) (No change.)

13:20-30.7 Daily school bus condition report by driver

(a) Every operator shall require his or her drivers to report, and every driver shall prepare such a report in writing or [electronically] **via a Commission-approved electronic device** at the beginning of his or her

workday or tour of duty, which report shall list any defects or deficiencies of the school bus discovered by [said] **the** driver as would be likely to affect the safe operation of the school bus or result in its mechanical breakdown, or shall indicate that no such defects or deficiencies were discovered by him or her. [The] **A sample of the "Driver Daily Report" form [to be] that may be used for submitting the driver daily report [is located at N.J.A.C. 13:20-30 Appendix B, incorporated herein by reference and] can be found on the Motor Vehicle Commission[s] website at <http://www.state.nj.us/mvc/Inspections/SchoolBus.htm>. Similar forms containing the required information or electronic devices may be used to report daily school bus condition upon prior approval by the Commission.**

(b) The daily school bus condition report shall include, but not be limited to, **the driver's name and signature, the date and time the report was prepared, bus identifying information, and an assessment of safety, mechanical, and equipment components, including the following:**

1.-18. (No change.)

19. Special transportation equipment for special needs passengers; [and]

20. School bus warning equipment[.]; and

**21. Exterior damage.**

(c) An operator **or operator's designee** shall examine such reports and shall repair the defects or deficiencies noted therein. An operator **or operator's designee** shall certify on the report that the defects or the deficiencies have been repaired. The [driver] **operator or operator's designee** shall sign the report to acknowledge that he or she has reviewed the report and that there is a certification that the required repairs have been performed.

13:20-30.8 Required practices

(a) Specific equipment shall be inspected and maintained at least once every three months or as set forth in the manufacturer's recommended maintenance schedule, whichever occurs first; **the results of the inspections shall be reported on the "Quarterly Maintenance Inspection" form, [on which to report the results of the required inspection is located at N.J.A.C. 13:20-30 Appendix C, incorporated herein by reference and] which can be found on the Motor Vehicle Commission website at <http://www.state.nj.us/mvc/Inspections/SchoolBus.htm>, or on another form upon prior approval by the Commission.** The specific equipment to be inspected and maintained [is as follows] **shall include:**

1.-15. (No change.)

16. Mirror system adjustment, including the proper adjustment thereof in accordance with the school bus mirror test procedure set forth in FMVSS No. 111 (49 CFR [§] 571.111), incorporated herein by reference, as amended and supplemented; and

17. (No change.)

TREASURY — GENERAL

(a)

STATE INVESTMENT COUNCIL

Corporate Obligations

Permissible Investments; Limitations

Proposed Amendments: N.J.A.C. 17:16-12.2 and 12.4

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 2012-132.

Submit comments by November 30, 2012 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. 17:16-12 permits the Director to invest the monies of any eligible fund in corporate obligations of any corporation or bank deemed by the Director to be based in the United States. The heading of the subchapter is proposed to be amended to “Corporate Obligations of U.S. Based Corporations” from “Corporate Obligations” to more accurately describe the contents of the subchapter.

N.J.A.C. 17:16-12.2(a)2ii provides that obligors must have a market capitalization of at least \$100 million. N.J.A.C. 17:16-12.2(d) stipulates that up to one percent of the combined assets of all the Pension and Annuity Funds may be invested in debt obligations and non-convertible preferred stock of corporations that do not meet the minimum capitalization requirements. The proposed amendments to these provisions will provide that contributed capital may be considered when evaluating the obligor since non-public companies lack market capitalization. The proposed amendment to N.J.A.C. 17:16-12.2(d) also clarifies that corporate obligations means corporate obligations of U.S. based corporations.

N.J.A.C. 17:16-12.2(c) provides that up to five percent of the combined assets of all of the Pension and Annuity Funds may be invested in corporate obligations, international corporate obligations, collateralized notes and mortgages, bank loans, non-convertible preferred stock, and mortgage backed passthrough securities that do not meet the minimum credit ratings set forth in N.J.A.C. 17:16-12.2, 16.2, 19.2, 23.2, 40.2, and 58.2, respectively. The proposed amendment to N.J.A.C. 17:16-12.2(c), concurrent with the proposed amendments to the other subchapters published elsewhere in this issue of the New Jersey Register, will raise the five percent cap to eight percent and expand the high yield category to include global diversified credit investments to provide the opportunity for increased risk-adjusted returns. The proposed amendment also clarifies that corporate obligations means corporate obligations of U.S. based corporations.

Proposed N.J.A.C. 17:16-12.2(e) will provide that the Director may exercise the rights and conversion privileges of any security acquired under the subchapter and retain any distribution received as a result of a corporate action, even if such distribution does not meet the requirements of the subchapter.

The proposed amendment to N.J.A.C. 17:16-12.4(a)1 will delete the limitation that not more than 25 percent of an issue may be purchased at the time of issue to provide for improved duration management of the portfolio.

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 shall have a positive social impact because the opportunity for 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.

**Housing Affordability Impact Analysis**

The proposed amendments will have no impact on the affordability of housing in the State of New Jersey. The proposed amendments will modify investment in corporate obligations thereby providing an opportunity for increased risk-adjusted returns of the State-administered funds.

**Smart Growth Development Impact Analysis**

The proposed amendments are not anticipated to have an impact on the availability of 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 modify investment in corporate obligations thereby providing an opportunity for increased risk-adjusted returns of the State-administered funds.

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

**SUBCHAPTER 12. CORPORATE OBLIGATIONS OF U.S. BASED CORPORATIONS**

17:16-12.2 Permissible investments

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

1. (No change.)
2. The obligor:
  - i. (No change.)
  - ii. Has a market capitalization **or contributed capital** of at least \$100 million. Subsequent to purchase, if capitalization **or contributed capital** falls below \$100 million, the investment does not have to be sold; and
3. (No change.)

(b) (No change.)

(c) Notwithstanding the restrictions in (a) above, the Director may invest and reinvest the moneys of Common Pension Fund B in corporate obligations **of U.S. based corporations**, international corporate obligations, collateralized notes and mortgages, [bank loans] **global diversified credit investments**, non-convertible preferred stock, and mortgage backed passthrough securities that do not meet the minimum credit ratings set forth in this section and N.J.A.C. 17:16-16.2, 19.2, 23.2, 40.2, and 58.2, respectively; provided, however, the market value of such investments shall not exceed [five] **eight** percent of the combined assets of all of the Pension and Annuity Funds.

(d) Notwithstanding the restrictions in (a) above, the Director may invest and reinvest the moneys of Common Pension Fund B in corporate obligations **of U.S. based corporations**, international corporate obligations, and non-convertible preferred stock of companies that do not meet the minimum market capitalization **or contributed capital** set forth in this section and N.J.A.C. 17:16-16.2 and 40.2, respectively; provided, however, the market value of such investments shall not exceed one percent of the combined assets of all the Pension and Annuity Funds.

**(e) Notwithstanding the restrictions in (a) above, the Director may:**

1. **Exercise the rights and conversion privileges of any security acquired under this subchapter; and**
2. **Retain any distribution received as a result of a corporate action, even if such distribution does not meet the requirements of this subchapter.**

[e)] (f) (No change in text.)

17:16-12.4 Limitations

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

1. The total amount of debt issues purchased or acquired under this subchapter of any one issuer shall not exceed 10 percent of the

outstanding long term debt of the issuer, [and shall not be more than 25 percent of the issue at the time of issue,] except that these requirements may be waived by the Council;

2.-4. (No change.)

(b) (No change.)

**(a)**

**STATE INVESTMENT COUNCIL**

**International Corporate Obligations  
Permissible Investments; Limitations**

**Proposed Amendments: N.J.A.C. 17:16-16.2 and 16.4**

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 2012-133.

Submit comments by November 30, 2012 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. 17:16-16 permits the Director to invest in international corporate obligations on behalf of any eligible fund. N.J.A.C. 17:16-16.2(a)1 requires that all securities must be payable as to both principal and interest in United States dollars. This requirement is proposed to be deleted, thereby allowing investment in international corporate obligations denominated in foreign currency to provide for expanded investment opportunities and the opportunity for increased risk-adjusted returns.

N.J.A.C. 17:16-16.2(a)3 provides that obligors must have a market capitalization of at least \$100 million. N.J.A.C. 17:16-16.2(c) stipulates that up to one percent of the combined assets of all the Pension and Annuity Funds may be invested in debt obligations and non-convertible preferred stock of corporations that do not meet the minimum capitalization requirements. The proposed amendments to these provisions will provide that contributed capital may be considered when evaluating the obligor since non-public companies lack market capitalization. The proposed amendment to N.J.A.C. 17:16-16.2(c) also clarifies that corporate obligations means corporate obligations of U.S. based corporations.

N.J.A.C. 17:16-16.2(b) provides that up to five percent of the combined assets of all of the Pension and Annuity Funds may be invested in corporate obligations, international corporate obligations, collateralized notes and mortgages, bank loans, non-convertible preferred stock and mortgage backed passthrough securities that do not meet the minimum credit ratings set forth in N.J.A.C. 17:16-12.2, 16.2, 19.2, 23.2, 40.2, and 58.2, respectively. The proposed amendment to N.J.A.C. 17:16-16.2(b), concurrent with the proposed amendments to the other subchapters published elsewhere in this issue of the New Jersey Register, will raise the five percent cap to eight percent and expand the high yield category to include global diversified credit investments to provide the opportunity for increased risk-adjusted returns. The proposed amendment also clarifies that corporate obligations means corporate obligations of U.S. based corporations.

Proposed N.J.A.C. 17:16-16.2(d) will provide that the Director may exercise the rights and conversion privileges of any security acquired under the subchapter and retain any distribution received as a result of a corporate action, even if such distribution does not meet the requirements of the subchapter.

N.J.A.C. 17:16-16.4(a)1 provides not more than 10 percent of the market value of the assets of any eligible fund shall be invested in

international corporate obligations, whether direct or guaranteed. The proposed amendment will revise the expression of the limitation to not more than 2.5 percent of the market value of the combined assets of all of the Pension and Annuity Funds. The increased limit will provide the opportunity for increased risk adjusted returns and express the limitation in a manner which is consistent with the asset allocation plan.

The proposed amendment to N.J.A.C. 17:16-16.4(a)2 will delete the limitation that not more than 25 percent of an issue may be purchased at the time of issue. This amendment will provide for improved duration management of the portfolio.

The proposed amendment to N.J.A.C. 17:16-16.4(a)3 will clarify that the five percent investment limitation in any one issuer applies to any eligible fund.

N.J.A.C. 17:16-16.4(a)4 provides that the market value of international debt and equity securities held by any fund, other than Common Pension Funds B or D, shall not exceed 30 percent of the market value of the fund. This paragraph is proposed to be deleted since concurrently proposed amendments will provide for separate limitations for the international debt and equity portfolios.

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 shall have a positive social impact because the opportunity for 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.

**Housing Affordability Impact Analysis**

The proposed amendments will have no impact on the affordability of housing in the State of New Jersey. The proposed amendments will modify investment in international corporate obligations thereby providing an opportunity for increased risk-adjusted returns of the State-administered funds.

**Smart Growth Development Impact Analysis**

The proposed amendments are not anticipated to have an impact on the availability of 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 modify investment in international corporate obligations thereby providing an opportunity for increased risk-adjusted returns of the State-administered funds.

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