State of New Jersey
OFFICE OF THE STATE TREASURER
PO BOX 002
TRENTON NJ 08625-0002

JON S. CORZINE
Governor

R. DAVID ROUSSEAU
State Treasurer

New Jersey Bank Investment Program

The proposed program will invest up to $500 million dollars in government-insured secure accounts in New Jersey banks. New protections provided by the FDIC **will provide a 100% guarantee on these investments.** Before there was no such guarantee, which limited the amount that the State invested in these local banks.

The local banks will pay interest on the guaranteed principal. The current rate for such accounts is between 2.5% - 4.0% depending on the time to maturity. The principal and interest are absolutely guaranteed and insured. The money to be invested comes from two sources: the Cash Management Fund, which include dollars the State has to meet budgeted obligations; and the pension funds, which invest its dollars to get a rate of return so that it can cover anticipated, future pension obligations. Some concerns have been raised over the use of these pension funds, so let's try to answer them:

What is the risk? **Because these dollars are only being deposited into fully insured and government-backed accounts they are secure.**

Where are the dollars that you will deposit now being held? **The Cash Management Fund, which currently has $14 billion in investments, invests in a variety of short-term investments such as Treasury bills, commercial paper and bank CDs. The pension fund accounts in these local banks will be part of the pension fund's bond portfolio, which currently is valued at $19 billion.**

Have these State portfolios invested in these type of accounts before**? Both the Cash Management Fund and the pension bond portfolio have invested in these types of accounts for many, many years. Now, by taking advantage of the new federal programs, we can continue to make these types of investments, include local banks and receive the benefit of the government guarantees.**

Why is the State doing this? **First and foremost, these are good, safe 100% guaranteed accounts for the Cash Management Fund and the pension fund. In addition, the New Jersey banks will be expected to loan money to small businesses in this State so they can continue and invest in this State. Right now, many banks are not making loans to credit-worthy small businesses, run by our neighbors and if that trend continues it will hurt all of us by driving jobs out of New Jersey.**

This is part of the State's response to these difficult times. State employee pension funds are not put at risk and the moneys we deposit into local banks can enable those local banks to help us recover economically. More specifics follow:

- The New Jersey Cash Management Fund ("CMF") will be permitted to purchase CDs, commercial paper or bonds issued by New Jersey banks all of which are government guaranteed and insured (collectively referred to as “NJ bank investments”) up to a term of one year. Common Pension Fund B (the pension fund’s commingled domestic fixed income fund) may purchase government-guaranteed and insured NJ bank investments with maturities up to five years. For this purpose, a “New Jersey Bank” will be defined as a bank with headquarters in the State or with significant branch operations in the State (threshold to be determined in consultation with the Division of Banking and Insurance).

- **All investments will be guaranteed by the Federal Deposit Insurance Corporation through either the Temporary Liquidity Guarantee Program or CDARS (Certificate of Deposit Account Registry Service).** A description of both programs is attached. Please note that the maximum maturity for NJ bank investments covered by the Temporary Liquidity Guarantee Program is June 30, 2012.
- The issuer, at the date of its last published balance sheet preceding the date of investment, was in conformance with all capital requirements as stipulated by the Federal Reserve Board and New Jersey Banking regulations.
- The issuer is a member of the Federal Deposit Insurance Corporation.
- The issuer shall be able to deliver the NJ bank debt through DTC.
- The rate on the NJ bank investments shall be in line with the current market rates for investments of equal amounts for an equal term issued by institutions of similar credit quality as determined by the Division of Investment.
- Each participating bank must have total capital of at least $25 million.
- Minimum amounts of $1 million.