

THE CLOSING BELL
Report of Jim Marketti, Public Employee Committee, AFL-CIO
Representative on the State Investment Council
February 24, 2010

The State Investment Council did not meet in February, 2010. An Investment Report for the month of January, 2010 was issued by Ray Joseph, Acting Director of the Division of Investments. The results are reported below. William Clark, Director of the Division for seven years, resigned effective February 1, 2010.

Total pension fund assets were down -1.24% for the month of January due to investments. Total assets were \$67.4 billion, down from \$68.1 billion as of December 31, 2009. Domestic Equity investments (Common Pension Fund A) were down -3.97% for January. Domestic Fixed Income investments (Common Pension Fund B) were up 1.88% for the month. International Equity/Fixed Income investments (Common Pension Fund D) were down -3.41% for the month. I will no longer report the short term returns on Alternative Investments (Common Pension Fund E – hedge funds, private equity, real estate, commodities, infrastructure) because of what I see as a complete lack of transparency by the Division on returns in these investments. For example, they report that hedge funds returned 0.48% for January, 2010, commodities returned 6.66% and infrastructure lost -3.54% in value during the same period. No results are reported for private equity and real estate. Since private equity and real estate account for 56% of the \$9.6 Billion invested in alternatives, we do not have adequate, timely reports on what is happening to \$5.3 billion of the alternative investments.

The Division claims, with some justification, that private equity and real estate funds only report their results on a quarterly basis and then with some time lag. The last report Council members received on returns on private equity and real estate were as of September 30, 2009. By digging deeply into the Division's Investment Reports, I have calculated that the Division has invested \$4.1 billion in current Private Equity holdings which have a current value of \$3.6 billion. Private Equity investments are down half a billion dollars or -12.2% of the amount invested. \$2.6 billion was invested in current Real Estate holdings which have a current value of \$1.7 billion or a loss of \$900 million or -34.6% of amount invested. These are my calculations and are not the official results. It looks like no one in the Division nor the State Investment Council wants to make such calculations official.

In the upcoming State Investment Council meetings I will begin to make this lack of transparency and reporting an issue.