

**THE CLOSING BELL**  
**Report of Jim Marketti, Public Employee Committee, AFL-CIO**  
**Representative on the State Investment Council**  
**October 23, 2009**

The State Investment Council did not meet in October, 2009. However, the Director of Investments did issue an Investment Report for the month of September, 2009 – the results reported below. The next regular meeting of the Investment Council is scheduled for 1:00 PM, Thursday, November 19, 2009 at the George Washington Ballroom, Trenton War Memorial, Trenton, NJ followed at 3:00 PM by the annual public meeting of the Council.

The pension fund investments were up 2.94% for September closing at \$68.2 billion from \$66.7 billion at the end of August, 2009. Despite dreadful employment data, the financial markets continue to react favorably to the likely continuation of easy monetary policy by the Federal Reserve (cheap money for the banks to loan out and make profits). Investment returns improved across the board. Domestic equity investments up 4.18% for the month, domestic fixed income investments up 2.38%, international investments up 3.98% , and hedge funds up 2.61% for the month (though hedge fund investments still have not made any money overall since the program started).

New Jersey will pay out \$5.6 billion in pensions this year. In the past twenty years, two-thirds of pension payouts were obtained from returns on investments. Since pension investments lost about \$15 billion in the last year through June 30, 2009, the pension payouts will come from net pension assets and money coming in from employee contributions and the meager amounts that public employers are putting in this year. What this means is that pension security (measured by the amount of money in the pension funds) will be drastically reduced. The combination of poor investment returns and the lack of full funding by employers have put us in this position.

The strategy of putting more money in alternative investments (hedge funds, private equity, real estate) developed by SIC Chair Orin Kramer was supposed to improve the returns on investments to make up for New Jersey public employer failure to fully fund its pension promises. So far, that strategy has not panned out.