

THE CLOSING BELL
Report of Jim Marketti, Public Employee Committee, AFL-CIO
Representative on the State Investment Council
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The State Investment Council did not meet in December, 2009. An Investment Report for the month of November, 2009 was issue by William Clark, Director of the Division of Investments. The results are reported below.

Total pension fund assets were up 2.70% for the month of November. For the fiscal year-to-date period (July 1, 2009 thru November 30, 2009), total pension fund assets were up 13.61%. Domestic Equity investments (Common Pension Fund A) were up 5.39% for November. Domestic Fixed Income investments (Common Pension Fund B) were up 1.65% for the month. International Equity/Fixed Income investments (Common Pension Fund D) were up 2.40% for November (these are investments in off shore assets). Of the Alternative investments (Common Pension Fund E), only Hedge Funds are reported on a monthly basis and Hedge Funds were up 1.10% for the month. Since inception ((2005/2006), Hedge Funds are down -0.5%, nearly \$3 billion in pension fund assets on which there are negative returns. I calculate the "since inception" returns on Hedge Funds from raw data provided by the Division of Investments, since no one (except us) wants to report a summary of what the Hedge Funds have done since the investment program was first started.

Bloomberg.com reported in November that NJ Governor-Elect Chris Christie had requested that the Division of Investments stop all further hiring of external managers to run the Division's Alternative investment program. I have since obtained a copy of the letter to Governor Corzine from Christie in which the Governor-Elect states: "Freeze the retention of all new outside professionals, manager selections, and new contracts for managing alternative investments with respect to New Jersey's pension funds." Not sure at this point where this request will lead. But at least the new administration is apparently going to take a fresh look at the Alternative investments program.

As for Christie's plans for public employee pensions in New Jersey, I would suggest that we all dust off Governor Tom Kean's State Pension Study Commission Report dated March 15, 1984. That Commission recommended that employees covered under PERS and TPAF who were under the age of 40 and had fewer than 10 years of service and all new employees be mandatorily covered under an incentive savings plan (401-K) rather than a defined benefit pension plan. The proposal had a few other choice wrinkles such as a 3% cap on all COLA adjustments for retirement benefits. The recommendations were stopped after a significant mobilization and lobbying effort by New Jersey public employees.