

**THE CLOSING BELL**  
**Report of Jim Marketti, Public Employee Committee, AFL-CIO**  
**Representative on the State Investment Council**  
**May 22, 2009**

The State Investment Council meeting for April, 2009 was canceled. This is a two month report – for March, 2009 and April, 2009. Both months results were reported at the May, 2009 meeting.

For the month of March, 2009, the pension fund was up 4.17%. Total pension fund assets as of March 31, 2009 were \$57.8 billion, up from \$56.4 billion as of February 28, 2009 – an increase of \$1.4 billion. For the month of April, 2009, the fund was up another 4.35%. Total pension fund assets as of April 30, 2009 were \$60.5 billion, up from \$57.8 billion as of March 31, 2009 – an increase of \$2.7 billion.

Increases in asset values for the two months, March and April, exceeded \$4 billion. At this rate of increase, the fund could equal what its value was at the end of June, 2008 by the end of this calendar year (December 31, 2009). However, I wouldn't count on it. I would not be surprised to see some downward slid as the market roller coasters over the next several months. The recent increases result from improvements in domestic stock equity returns (up nearly 19% in the past two months) and in international stock equity returns (up more than 17% in the past two months). These two sectors have led the market declines for the past six months and remain far below previous levels.

Alternative investments continue to show disastrous results. Hedge fund investments, despite some recent small improvements, are still down nearly \$1 billion. At the May, 2009 meeting, the SIC was given updated results on valuations on private equity and real estate investments. Private equity and real estate valuations are provided every three months on a lagged basis. So, the results we received were as of December 31, 2008:

Private equity investments were written down by \$509 million as of December 31, 2008. Real estate investments were written down by \$385 million as of December 31, 2008. Hedge fund, private equity and real estate investments have resulted in nearly \$2 billion in pension fund losses.

At the May, 2009 meeting, I posed two question to Division of Investment Director Bill Clark: (1) What would it cost to unwind the pension fund's investments in alternatives and (2) Would the Division be inclined to divest the alternative investments? Before Clark could answer, Chair Kramer interrupted and stated that there would be no move to change investments from alternatives back to stock equities under his watch. This led to a skirmish between he and I on the other true alternatives to stock equities (as I have stated on numerous previous occasions, I would prefer greater investment in investment grade bonds, both public sector and corporate bonds rather than more stock equity investments).

When Clark finally attempted to answer my questions, he opined that it would be very expensive to divest from the alternative investments but that no full real study has been made of the issue. I do not believe that any real study will be made while Kramer is Chair of the Council.