

THE CLOSING BELL
Report of Jim Marketti, Public Employee Committee, AFL-CIO
Representative on the State Investment Council
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This is a report on the State Investment Council meeting held on July 15, 2010 in which I participated by tele-conference (I was on vacation in Maine). There will be no SIC meeting in August. The next scheduled meeting of the Council will be on September 16, 2010 in Trenton.

The pension fund lost -0.57% for the month of June, 2010. This is attributed to the continued uncertainty in the capital markets. Despite all signs that the capitalists are recovering their wealth, the recovery has not reached Main Street. Pension fund assets declined to \$66.9 billion as of June 30, 2010 down from \$67.6 billion as of May 28, 2010. Domestic Equity investments (Common Pension Fund A) declined -5.97% in June. Domestic Fixed Income investments (Common Pension Fund B) were up 2.75% for the month (conservative investments continue to hold value in times of uncertainty). International Equity/Fixed Income investments (Common Pension Fund D) lost -0.64% for the month.

Among the Alternative Investments (Common Pension Fund E), commodities were down -0.17%, hedge funds declined -1.08% and no monthly figures were available for infrastructure investments (although they were down -2.70% for the fiscal year ending June 30, 2010). I will have more to say about private equity and real estate investments later in this report.

Three important events have transpired since my last report to you. Chair Kramer announced that the Council will be taking up in September, 2010 a proposed new regulation which will significantly increase the permissible regulatory limits for alternative investments such as private equity, real estate, hedge funds and commodities (i.e., they want the authority to pour additional pension funds into this rat hole). After the usual skirmish between myself and Chair Kramer, I did manage to get them to agree to do a study of performance of the fund's investment performance in these asset classes since 2005 when New Jersey first started making alternative investments. One of my complaints has been that Kramer always wants to make comparisons since 1996 on the alternatives capturing a period in the late 90s and early 00s when other pension funds made some gains with those assets. New Jersey's experience since the inception of its alternative program in 2005 have shown hedge funds making modest returns and private equity/realestate results which are disastrous (losing nearly \$2 billion). It should be interesting to see actual results rather than Kramer's cherry picking time frame.

Changes at the top: Timothy M. Walsh has been appointed as the new Director of Investments. Mr. Walsh was previously the Chief Investment Officer at the Indiana State Teachers Retirement Fund. Robert E. Grady, the Jackson Hole, Wyoming financier, who was recently appointed to the Council by Governor Christie is slated to become the new

Chair of the Investment Council in September. Mr. Grady is also apparently Mr. Christie's chief economic guru and previously served as a Deputy Special Assistant to the first President George Bush. A new set of eyes in a fresh head can only help.

After a long struggle with the powers that be, the Division of Investment has finally provided me with reports on the management fees and performance of individual private equity and real estate funds. I have a stack of data which I have not yet fully analyzed. But I will and report back to you.