



State of New Jersey

Department of the Treasury

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New Jersey's Pension Fund returns up 10.6 percent In FY 2010

TRENTON --- The market value of New Jersey's public pension fund is up 10.6 percent through the first four months of the current fiscal year, 15.6 percent for the calendar year, and yielded the top performance among peer pension funds nationally for the fiscal year that ended June 30, 2009, Division of Investment Director William Clark said today.

Director Clark's comments came before both the regular monthly meeting of the State Investment Council (SIC), as well as at the Council's annual meeting. As of October 31, the market value of the pension fund was \$66.7 billion, up from \$63.2 billion as of June 30, 2009. Measuring the market value changes as compared to the beginning of the calendar year, the fund is up by 15.6 percent, from \$62.8 billion as of December 31, 2008 to \$66.7 billion. The current fund value reflects approximately \$3.5 billion in net disbursements from the fund to beneficiaries during 2009.

"While the financial markets remain in flux, New Jersey's pension portfolio has recently been positioned to benefit from the expected economic recovery," said Clark. "We are continuing to navigate through volatile times by exercising sound judgment and protecting the interests of beneficiaries and taxpayers."

In an annual report presentation to the Investment Council, Clark noted that fiscal year 2009 performance came during what renowned investor Warren Buffet termed "an economic Pearl Harbor."

Over this period of time, US stocks had the lowest rate of return since 1932. As a result, the 44 state pension funds that have reported results so far have an average return of -19.6 percent for the year ended June 30, 2009. Conversely, New Jersey was the top performing fund in the country, with a return of -14.2 percent.

Clark attributed New Jersey's superior performance over this historic period to several factors, including portfolio steps to purchase investment grade corporate bonds, additional and selective bank loan fund investments in response to margin calls, and the superior performance of the fund's hedge fund portfolio relative to the stock market.

SIC Chairman Orin Kramer noted that New Jersey's estimated value of alternative investments, as of September 30, 2009, was \$7.6 billion, or 11.1 percent of the fund. "We estimate that from the time New Jersey's pension fund began diversifying into hedge funds, private equity, real estate and inflation-sensitive assets earlier this decade, the allocation to these alternative classes has increased the total fund by approximately \$2.1 billion versus what returns would have yielded under the prior asset allocation," Kramer said, noting that the fund was 65 percent invested in public equities prior to diversification steps in 2005.

As of October 31, 46.1 percent of pension assets were in public equities; 30.9 percent were in fixed income; 6.6 percent were in inflation sensitive investments, including commodities and TIPs, 11.5 percent were in alternative assets and the remainder in short-term money market investments

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