



State of New Jersey

Department of the Treasury

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New Jersey Pension Fund Achieves 17 Percent Return for FY 2007

TRENTON – The New Jersey Division of Investment reported today that the State’s pension fund had an estimated return of over 17 percent for the fiscal year ending June 30, 2007. Total pension fund assets are now \$82.2 billion, which includes a \$1.1 billion contribution from the State that was received in June.

In a report to the State Investment Council today, Division Director William Clark said the fund’s estimated return, 17.06 percent, exceeded both the 8.25 percent assumed rate of return and the benchmark return of 16.35 percent. The benchmark return represents what the fund would have returned had the State realized indexed returns in each of its targeted asset classes.

“In short, our investment performance resulted in a \$9.1 billion increase in the value of the pension funds, of which over \$500 million was attributable solely to our investment management decisions. Most impressive is that we generated such strong numbers while also consciously reducing our risk by diversifying the portfolio and other measures,” said Clark.

In addition to exceeding its overall portfolio benchmark, the portfolio’s returns exceeded its benchmarks in each of the four major asset classes: domestic equity, international equity, domestic fixed income and short-term money market securities.

“These investment returns are an encouraging sign as we take a three-pronged approach to making New Jersey’s pension liabilities more manageable,” said Treasurer Abelow. “Through more than \$2 billion in cash contributions in our first two budgets, diversified investment strategies and the enactment of long term reforms, the Corzine Administration is attacking the pension funding challenge on multiple fronts,” Abelow said.

As of June 30, 2007, the asset allocation of the portfolio was 38.3 percent in domestic equity, 20.9 percent in international equity, 24.7 percent in domestic fixed income, 8.1 percent in short-term money market securities, 6.2 percent in alternative investments and 1.8 percent in other classes.

In domestic equity, the portfolio had nearly \$10.8 billion in net sales, primarily to fund purchases in other asset classes. The two biggest positive contributors to performance were stock selection in the technology sector and the relative lack of exposure to commercial banks and other financials with exposure to the residential mortgage market.

In domestic fixed income, the State extended the duration of the portfolio from five years to nearly eight years to better match the anticipated benefit payments of the various pension plans. On the international side, the portfolio had net purchases of \$578 million, moving actively between markets and individual stocks.

The State was also successful in further strengthening its alternative investments program, funding nearly \$4 billion in commitments during the fiscal year, and establishing relationships with 17 private equity funds, 19 real estate funds and 17 absolute return funds. Clark noted that although it is too early in their life cycles to expect returns from the State's private equity and real estate investments, the absolute return portfolio was up 13 percent for the year.

“We have tried to take methodical and prudent steps to modernize asset allocation, achieve risk-adjusted returns and align investment strategies with long term liabilities of the pension fund,” said Orin Kramer, Chairman of the Investment Council.

New Jersey's pension funds provide retirement benefits to over 700,000 current and future retirees from the public sector throughout the state.

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