



State of New Jersey

Department of the Treasury

For Immediate Release
December 30, 2010

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Division of Investments Restates Pension Fund Return Estimates

TRENTON – Timothy Walsh, Director of the New Jersey Division of Investment, announced today that the Division is restating its annualized performance numbers for Fiscal Years 2009 and 2010. Walsh said he ordered a review of the internal calculations after he took office in August because the annual returns had not been verified by outside consultants. Walsh stressed that the review focused on the calculation of returns and did not affect fund balance amounts for funds managed by the Division. The fund balances are final, audited and unchanged. The outside review was conducted by the Division's consultant, Strategic Investment Solutions, and by Ernst & Young, the fund's auditor.

The Division originally said that the state lost 14.28 percent on its investments in Fiscal Year 2009 and gained 14.84% in Fiscal 2010. The new, verified figures show that the return on the state's pension investments was -15.48% in Fiscal 2009 and +13.36% in Fiscal 2010.

"None of the changes in these calculations reduces the market value of the total fund or increases the state's pension liability," Walsh said. "The pension funds had \$66.824 billion in assets on June 30, 2010, as originally estimated and as verified by the audit of our financial statements."

The calculations used for reporting performance for fiscal 2009 and 2010 were conducted internally, using preliminary estimates. In previous years, the reported calculations were based on final, audited financials and verified by the general consultant of the pension fund.

"While the system used during fiscal years 2009-2010 was intended to provide performance figures more quickly, clearly the old system of calculating returns looking backward at actual

final financial statements was more likely to produce reliable results,” Walsh said. “We will return to that system for fiscal 2011, and the years thereafter, and we will take other steps to ensure the accuracy of our performance figures.”

Walsh pointed out that the performance of the pensions remains strong relative to other public pension systems even after the re-statement.

“The Division of Investment has outperformed the majority of its peer funds in recent years,” Walsh said. “The state of New Jersey Division of Investment continues to generate strong returns for retirees and taxpayers.”

The Division has been nominated as 2010 Large Public Pension Fund of the Year from Money Management Letter, its second nomination in the past three years. The Division of Investment, under the supervision of the State Investment Council, is the 10th largest public pension fund manager in the United States and the 15th largest among public and corporate and pension fund managers. The Division is responsible for the management of the seven investment funds that comprise the New Jersey Pension Fund and the State of New Jersey Cash Management Fund.