



State of New Jersey
DEPARTMENT OF THE TREASURY

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New Jersey pension fund continues to show solid double-digit returns

TRENTON – The New Jersey Pension Fund has produced positive returns for Fiscal Year 2014 of 15.9 percent, according to preliminary data compiled as of June 30, 2014. The final return for the fiscal year is expected to exceed 16 percent once year-end valuations are completed for all investments.

This marks the fourth consecutive year of positive returns and the second year in a row that the fund has produced solid, double-digit returns. The New Jersey Division of Investment will report the performance gain to the State Investment Council during its monthly meeting on July 23, 2014.

“Gains above the assumed rate of return have provided the fund with unanticipated additional assets of \$6.1 billion for the fiscal year,” said State Treasurer Andrew Sidamon-Eristoff. “The two-year annualized performance of the fund is 13.8 percent, demonstrating that prudent yet innovative fiscal management of the fund realized strong returns for plan participants.”

The assumed, long-term rate of return is 7.9 percent.

“Our mission for the fund is to achieve the best possible rate of return at an acceptable level of risk,” said Robert Grady, Chairman of the State Investment Council, which oversees the Division of Investment’s management of the fund. “When I became chairman of the SIC four years ago, the fund balance was \$66 billion. Since then, it has achieved more than \$35 billion in gains, including substantial payouts to retirees. Since that time, the fund has achieved an annualized rate of return of 11.9 percent for the four years ended June 30, 2014. Our policy of diversifying our investments has provided important benefits for the plan’s participants.”

During the past four fiscal years, actual annualized returns have provided the fund with an incremental \$11.5 billion, or more than \$2.8 billion per year, above the rate of return assumed by actuaries in calculating the funded status of New Jersey’s pension plan.

The Division of Investment and the State Investment Council have pursued a policy of diversification in investing the fund's assets. The fund is now invested in large and small capitalization U.S. stocks, international stocks in both developed economies and emerging markets and a wide variety of fixed-income instruments that include investment grade bonds, U.S. Treasuries and high-yield bonds.

The fund's asset allocation also includes various credit instruments and debt-oriented private equity and real estate funds as well as alternative assets, which can include hedge funds, private equity, real estate and commodities. About 25.2 percent of the fund, or \$19.3 billion, was invested in alternative investments, as of Dec. 31, 2013. Comparable large public pension plans had an average of 31 percent of their funds invested in alternative assets, according to the Division's consultant, Hewitt Ennis Knupp.

The New Jersey Pension Fund is in line with other public pension funds that use alternative investments as a diversification strategy. Out of 70 public funds studied by the Pew Charitable Trusts, 67 had some investments in alternative assets, according to a Pew report.

Other facts about the New Jersey pension fund:

- Since June 30, 2010, the fund has distributed approximately \$34 billion to beneficiaries.
- The total value of the fund on June 30, 2010, was \$66.9 billion. As of June 30, 2014, it stood at \$80.6 billion based on preliminary, unaudited valuations.
- Net inflows to the fund from contributions have totaled approximately \$12 billion since June 30, 2010.
- Therefore, since June 30, 2010, the fund has experienced gains and income through investments totaling more than \$35 billion.

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