

Minutes of the Regular Meeting

**Held May 20, 2010 at 1 PM at Rutgers University
College Center, New Brunswick, New Jersey**

Council Members in Attendance:

Jonathan Berg, Vice Chair
Mark Kandrac
Douglas A. Love
Maj. Karl Kleeberg
Susan Crotty
James C. Kellogg
James Clemente
Timothy McGuckin (*arrived at 1:16 after the voting items*)
James P. Marketti

Council Members Absent:

Orin Kramer, Chair

The Regular Meeting was called to order by Vice Chair Berg at 1:00 p.m.

Meeting Notice

Vice Chair Berg advised the Council and attendees that adequate notice was given for the meeting by posting in the Division of Investment, mailing to the Times of Trenton, the Star-Ledger, the Bergen Record and the Courier Post, and filing with the Secretary of State.

Statement Regarding Chair Kramer's Leave of Absence

Vice Chair Berg read a prepared statement prior to handling any agenda items regarding Chair Kramer's requested leave of absence from his State Investment Council duties for the months of May and June for personal reasons.

Approval of Minutes from March 18, 2010 Meeting

Vice Chair Berg presented the minutes from the March 18, 2010 meeting. No Council members presented any objections to the minutes. Council Member Kandrac moved for approval and Council Member Kleeberg seconded the motion. The motion was approved unanimously, with Council Member Crotty abstaining from the vote because she was absent from the March meeting.

Approval of Adopted Repeal of NJAC 17:16-2

Vice Chair Berg moved to adopt the attached resolution adopting the repeal of NJAC 17:16-2 regarding the engagement of external investment managers. Several members had questions for Staff regarding the impact of the repeal as well as the delay in adopting the repeal due to Governor Christie's Executive Order regarding changes to agency regulations. Clemente seconded the motion, which was approved unanimously with no oppositions or abstentions.

Welcome of New Members

Vice Chair Berg welcomed Jeffrey Oram, one of the new gubernatorial appointments to the State Investment Council, who was attending the meeting as an observer. Ms. Straight advised

Vice Chair Berg that Robert Grady, another gubernatorial Council appointee, was en route to the meeting. Vice Chair Berg advised Ms. Straight to let him know when Mr. Grady arrived so that he could be properly welcomed. It was reported that the Police and Fire Retirement System Board appointed Marty Barrett to serve as their representative to the State Investment Council, that the Teachers' Pension and Annuity Fund appointed Richard Klockner to replace Council Member Clemente, and that the PERS Board was in the process of selecting a new member on the State Investment Council. Council Member Kleeberg advised that the State Police Retirement System Board had scheduled a meeting for the following Tuesday to select a new Council representative. Vice Chair Berg advised that two more candidates, Brendan Byrne Jr. and Guy Haselmann, had been nominated by Governor Christie to serve on the State Investment Council. Mr. Grady arrived several minutes later and was heartily welcomed by the Council.

Director's Report

Memorandum "Investment Reports" dated May 14, 2010

Acting Director Joseph reported that the Pension Fund was up 1.56% vs. the benchmark of 1.52%. This was primarily attributable to outperformance in the fixed income and domestic and emerging equity markets. The pension fund value was \$68.9 million as of April 30, 2009, up from \$68.0 million on March 30, 2009. The Fund was up 19.45% fiscal year to date versus the benchmark of 18.57%.

Investment Officer Arena reported that April was a strong month with the S&P up 1.95%. He stated the Pension Fund was modestly ahead of the benchmark for the fiscal year, and had sold \$1 billion in stock in April.

Staff reported that Common Pension B fund was neutral for the month of April; however, year to date the fund was significantly outperforming, 12.5% vs. 10.5%, the relevant benchmark. There was discussion about the impact of Build America Bonds on the bond portfolio. It was reported that the Pension Fund's portfolio duration was around 11 years, while the benchmark duration was just over 12 years.

In the alternative investment portfolio, staff reported that hedge funds were up 1.08% versus the benchmark of 0.98%. The Pension Fund had added to the hedge fund portfolio recently, but was now comfortable with current weight of hedge funds in the portfolio. It was also reported that the Division recently funded \$94 million in private equity and real estate commitments.

Committee Reports

Council Member Kellogg stated that the Audit Committee had a meeting to go over the audit procedures for giving an opinion. He reported that this meeting was held twice yearly, once before the audit begins and once around the end of the audit.

Staff reported that the Division is changing from multiple custodians to a single custodian, State Street, for the pension funds effective July 1. The transition was on schedule.

Council Member Crotty reported that there will be some Director candidates within the next few weeks, but the search team has been very busy.

Communications

There was no report from the State Treasurer.

Public Comment

Vice Chair Berg stated that no one contacted the Division requesting to speak at the meeting. He offered the public in attendance if they would like to make any remarks and all declined.

Adjournment of Meeting

The meeting was adjourned at 2:09 pm by unanimous vote on a motion by Council Member Clemente, seconded by Council Member Crotty.

Respectfully submitted,



Kaitlyn J. Adams
Secretary to the Council