Minutes of the Annual Meeting:
Held January 26, 2012 at 10:00 AM at the Trenton War Memorial, George Washington Ballroom, 1 Memorial Drive, Trenton, New Jersey.

Council Members in Attendance:
Robert Grady, Chair
Marty Barrett
Brendan T. Byrne, Jr.
James Hanson
Guy Haselmann
James Joyner
James Marketti
Peter Maurer
Jeffrey Oram

Mr. McGuckin arrived at the Annual Meeting during the Public Comments.

Roll Call and Meeting Notice
Ms. Christine Eckel performed roll call and reported that notice of the Annual Meeting scheduled for January 26, 2012, was posted to the Division’s website on January 20, 2012 and sent via fax to the Times of Trenton, the Star-Ledger, the Bergen Record, the Courier Post and the Secretary of State on January 5, 2012. A copy of the notice was posted at the Division and is on file.

Economic Overview by David Kotok, Cumberland Advisors

David Kotok, Chief Investment Officer and Cofounder of Cumberland Advisors, made a presentation on the economy and investment outlook. Mr. Kotok presented Council with a slide presentation on the effects of the European debt situation on the investment universe and on the European market.

Report from the Division of Investment

Director Timothy Walsh and Pete Keliuotis of Strategic Investment Solutions made a presentation to the Council on risk, diversification and the performance of the pension fund. A copy of the presentation is on file in the Division and published on the Division’s website. Director Walsh stated that the mission of the Division is to achieve the best possible return at an acceptable level of risk, using the highest fiduciary standards.

Director Walsh presented the Council with a comparison of the Division’s asset allocation versus peer plans. Mr. Keliuotis discussed the different types of risk and how to hedge these risks through asset allocation policy. Director Walsh discussed the use of benchmarks and the use of asset allocation ranges. He also discussed the Division’s 2011 accomplishments, 2012 initiatives and investment themes, and provided an overview of the pension fund performance to the Council. Mr. Walsh noted that the Pension Fund had achieved a return on its investments, excluding statutorily-mandated investments in Police & Fire Mortgages, of 18.03% in Fiscal Year 2011, its best performance in 13 years.
Messrs. Barrett and Oram each commended Division staff members for their hard work and good results over the past year. Mr. Barrett requested that, in the future, the Division report on amounts distributed to each pension system, in addition to the aggregate amount. Chair Grady commented that the pension fund in total had paid out $7.7 billion, a record amount, to beneficiaries in fiscal year 2011.

Opportunity for Public Comment

Mr. Anthony Miskowski from Local CWA 1033 first commended the Division on the 2011 results and on comprehensive annual report. He then discussed CalPERS’ assumed rate of return and the Division’s assumed rate of 8.25%, which he deemed to be too high. Chair Grady noted that the Governor had proposed to reduce the Division’s assumed annual rate of return to 7.5% in the pension reform legislation he submitted to the Legislature, but the Legislature had not included this provision in the final legislation which ultimately became law. Chair Grady also noted that regardless of the assumed rate of return, the Division’s objective would be the same -- that is, to maximize returns to the beneficiaries while appropriately managing and mitigating risk – and that the Council’s objective would be the same, namely to provide oversight and governance in support of the Division’s objective.

Mr. Gideon Weissman of NJ Public Research addressed the Council with respect to NJPIRG’s opinions regarding the anticipated upcoming proxy season shareholder proposals regarding disclosure of political contributions. Chair Grady noted that the Council was focused on developing policies to maximize long-term investment returns and that it tried to stay out of politics but would take Mr. Weissman’s comments into consideration and would consult with proxy advisor Institutional Shareholder Services (“ISS”) on its recommendations. Mr. Grady also noted that the pension fund had been very active as a shareholder, voting its proxies in the past year on over 1,100 U.S. stocks and over 900 international stocks. Chair Grady noted that the State of New Jersey had voted against management’s proposals on 735 proxies on 1,118 issues on its domestic proxies, and had voted against management proposals 871 times on international proxies.

Another speaker, who had not registered to speak, also addressed concerns regarding the assumed rate of return on pension fund investments.

Chair Grady motioned to adjourn the annual meeting, with Council Member Oram seconding the motion. All voted in favor. The meeting was adjourned at 12:50 pm.