

New Jersey State Investment Council

August 29, 2013 Special Meeting

Minutes of the Special Meeting:

Held on August 29, 2013 at 11:00 AM in the Pension and Benefits Board Room, 50 West State Street, 1st Floor, Trenton, NJ.

Council Members in Attendance:

Robert Grady, Chair (via telephone)
Brendan Thomas Byrne, Jr., Vice Chair
James Joyner
Timothy McGuckin

Marty Barrett (via telephone)
Adam Liebttag (via telephone)
Peter Maurer (via telephone)
Guy Haselmann (via telephone)
James Hanson (via telephone)
Michael Cleary (via telephone)
Charles Dolan (via telephone)
Mitchell Shivers (via telephone)

Jeffrey Oram and Michael Greaney were not in attendance for this meeting.

Roll Call and Meeting Notice

Chair Grady called the meeting to order at 11:14am. Council Secretary Eckel performed roll call and reported that notice of the Special Meeting scheduled for August 29, 2013, was posted to the website of the Division of Investment (the Division) on August 23, 2013 and sent via fax to the Times of Trenton, the Star-Ledger, the Bergen Record, the Courier Post and the Secretary of State on August 23, 2013. A copy of the notice was posted at the Division and is on file.

Departure of Director Walsh

Chair Grady announced the departure of Director Walsh, who resigned from his position, effective August 30, 2013, to pursue opportunities in the private sector. Chair Grady stated Director Walsh has been a strong and effective leader for the Division, and had delivered outstanding investment performance, with an annualized gain of 10.59% per year for Fiscal Years 2011, 2012, and 2013 for the funds being invested by the Division. Chair Grady moved to approve the Resolution attached to these Minutes as Exhibit A. Vice Chair Byrne seconded the motion, and the motion was unanimously approved by all Councilmembers in attendance.

State Treasurer Andrew P. Sidamon-Eristoff thanked Director Walsh for his outstanding leadership, noting that during his tenure the Pension Fund has been in the top tier of all large public pension funds.

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The Treasurer stated that it has been a pleasure to work with Director Walsh, and wished him success in the future.

Vice Chair Byrne presented Director Walsh with a token of appreciation for his service from the State Investment Council.

Director Walsh acknowledged the Council's kind words, and noted the role of the Council in the fund's success.

Deputy Director McDonough thanked the State Treasurer, Chair Grady and the full State Investment Council for the opportunity to serve as Acting Director, and offered to make himself available to any Council member who had questions. He also thanked Director Walsh for the opportunity to work with and learn from him.

Fiscal 2013 Investment Returns

Mr. McDonough then discussed the Fiscal Year 2013 returns, stating that the return was 11.79%, which is 83 bps above the benchmark. This is the third straight year the fund has outperformed the benchmark, with a three-year return of 10.6%, which is 140 bps ahead of the benchmark. Chair Grady noted that the fund's diversification has had a positive long-term result.

Report on Process to Select a New Director

Chair Grady stated that the Council hopes to have a new Director appointed by January 2014. He appointed the following Councilmembers to serve on a Search Committee to assist the Council in selecting candidates for consideration by the Treasurer: Chair Grady, Vice Chair Byrne, Councilmember Oram, Councilmember Haselmann, Councilmember McGuckin and Councilmember Cleary. He stated the first phase of the process is to gather resumes, which has already begun and is expected to continue through the end of September. All resumes are to be forwarded to Doug Ianni of Treasury Human Resources. The second phase will be to filter the resumes for the best candidates, and the third step will be to interview semifinalists and finalists, which is expected to be done in November. The Council will then present to the Treasurer its list of one or more candidates qualified for the office of Director. The Treasurer will make the appointment of the new Director.

As a related issue, Chair Grady also reported that Council and staff will be reviewing the Division's compensation structure in order to attract and retain qualified senior investment professionals. Some steps will be possible to take administratively, while others will require Legislative approval. Chair Grady noted that compensation was a key factor in the departures of both Director Walsh and Christine Pastore, former Co-Head of Alternative Investments for the Division and stated the belief that New Jersey needs to take steps to be more competitive with other states in terms of compensation for those that invest its pension funds.

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Treasurer Sidamon-Eristoff, Vice Chair Byrne and Councilmember Haselmann expressed support for this initiative, and Councilmember Shivers requested additional information on the subject.

Public Comments

There were no public comments.

Adjournment

Councilmember Dolan moved to adjourn the meeting, with Chair Grady seconding the motion. All Councilmembers in attendance voted in favor. The meeting adjourned at 12:02 p.m.

STATE OF NEW JERSEY STATE
INVESTMENT COUNCIL
RESOLUTION

WHEREAS, Timothy Walsh has served with distinction as the Director of the New Jersey Division of Investment since August 2010; and

WHEREAS, the performance of the New Jersey state pension funds during Director Walsh's tenure has been outstanding, with an average gain of 10.59% per year for the funds being not only invested by the Division; and

WHEREAS, Director Walsh has been a strong and effective leader for the Division, assisting it in creating new investment structures which more closely align the interests of the beneficiaries of the New Jersey pension system with those of various investment partners of the Division; and

WHEREAS, the New Jersey pension plan was named the "Large Public Pension Plan of the Year" by the *Money Management Letter*, published by Institutional Investor; and

WHEREAS, Director Walsh has indicated his intention to resign his position as Director of the Division of Investment in order to pursue opportunities in the private sector;

NOW THEREFORE BE IT RESOLVED, that the New Jersey State Investment Council, on behalf of the approximately 800,000 beneficiaries of the New Jersey state pension system, and of the citizens of New Jersey, thanks Director Walsh for his hard work, strong and effective leadership, and outstanding investment performance as the Director of the New Jersey Division of Investment, and wishes him well in his future endeavors.

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