



NJDOI PEER COMPARISON

NEW JERSEY DIVISION OF INVESTMENT ANNUAL MEETING

NOVEMBER 19, 2009

STRATEGIC INVESTMENT SOLUTIONS, INC.

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Asset Allocation Comparison

Asset Allocation Comparison (6/30/09)	NJDOI Targets (1)	Large Public Plan Median (2)	P&I Top 200 Public Plan Average (3)	ICC Public Plan Median (> \$1 bn)
Domestic Equities	23.0%	35.0%	35.4%	30.7%
International Equities (Global Equities)	18.5% (41.5%)	17.0% (50.0%)	17.5%	15.8%
Total Fixed Income (incl TIPS, Cash)	41.0%	28.3%	28.4%	27.7%
Real Estate	4.0%	9.0%	7.4%	4.4%
Private Equity	5.5%	10.5%	7.9%	1.9%
Absolute Return	5.0%	6.3%	< 3.4%	0.7%
Real Assets/Commodities	3.0%	5.0%	< 3.4%	

(1) Midpoint of FY'09 Annual Plan

(2) Large Plan Sample = CalSTRS, Oregon, Washington, NYSCRF, Florida, IL TRS, Tx TRS, PSERS, North Carolina, Tennessee

(3) Source: Pensions & Investments, as of 9/30/2008

- NJDOI exposure to Alternative Investments still below peers
- Fixed Income considerably above peers; US Equity target below peers
- NJDOI portfolio more well-diversified overall with larger hedge to interest rate risk; inflation hedge has been increasing
- Liquidity has been more than adequate (high FI, TIPS, Cash exposure)

Performance Comparison

Large Plan Sample Median (median size = \$54.3 bn) (1)	Period Ending	1 Year		3 Years		5 Years	
		Fund Return (%)	Alpha (%)	Fund Return (%)	Alpha (%)	Fund Return (%)	Alpha (%)
Total Fund	6/30/2009	-21.90	-1.52	-2.78	0.00	2.50	0.36
Domestic Equity	6/30/2009	-26.57		-8.40		-1.92	
International Equity	6/30/2009	-30.63		-5.00		4.80	
Fixed Income	6/30/2009	2.10		4.72		4.52	
Real Estate	3/31/2009	-31.43		-3.71		8.52	
Private Equity	3/31/2009	-25.76		0.89		10.63	
Hedge Funds	6/30/2009	-14.70		-0.27		3.80	

ICC Universe Median (Public Plans > \$1 bn)	Period Ending	1 Year		3 Years		5 Years	
		Median Return (%)	NJDOI Percentile Ranking	Median Return (%)	NJDOI Percentile Ranking	Median Return (%)	NJDOI Percentile Ranking
Total Fund	6/30/2009	-19.00	Top 5th	-3.00	Top 10th	2.28	Top 15th
Domestic Equity	6/30/2009	-26.70	Top 20th	-8.29	Top 20th	-1.21	Top 20th
International Equity	6/30/2009	-31.57	Top Half	-6.88	Top 10th	3.52	Top 20th
Fixed Income	6/30/2009	3.07	Top 10th	4.94	Top 15th	4.44	Top 15th
Real Estate	3/31/2009	-26.95	Top 65th	-6.15		3.80	
Private Equity	3/31/2009	-21.68	Top 80th	0.87		7.04	

(1) Large Plan Sample = CalPERS, CalSTRS, NYSCRF, Wisconsin, Oregon, Washington, Florida, Tx TRS, PSERS, NYC Police, N Carolina, Tennessee

"Alpha" is median alpha for only those plans that provided benchmark returns

Performance Comparison

New Jersey Division of Investment	Period Ending	1 Year		3 Years		5 Years	
		Fund Return (%)	Alpha (%)	Fund Return (%)	Alpha (%)	Fund Return (%)	Alpha (%)
Total Fund	6/30/2009	-14.20	2.27	-0.73	2.22	3.16	1.84
Domestic Equity	6/30/2009	-22.84	3.40	-5.80	2.38	-0.15	1.79
International Equity	6/30/2009	-31.17	0.00	-3.89	4.25	4.71	2.51
Emerging Market Equity	6/30/2009	-28.37	-2.97				
US Fixed Income	6/30/2009	6.64	1.28	7.02	0.83	5.52	0.67
Mortgages	6/30/2009	12.35	2.65				
Non-US Fixed Income	6/30/2009	19.73	14.83				
High Yield FI	6/30/2009	10.38	12.81				
Real Estate	3/31/2009	-32.38	-17.22				
Private Equity	3/31/2009	-25.89	-3.54				
Hedge Funds	6/30/2009	-17.70	-4.68				

During FY'09 NJDOI benefited from:

- Strong Domestic Equity, Fixed Income, and Commodities alpha
- High strategic and tactical allocation to Fixed Income
- Sector rotation within Equities (Financials) and Fixed Income (Treasury overweight in H1'09, Credit overweight in H2'09, extending duration)

NJDOI was hurt by:

- J-Curve within Private Equity and Real Estate; poor Opportunistic RE returns
- Poor Commodities absolute returns
- Poor HF relative returns

Staffing Comparison

INVESTMENT STAFF DEPTH COMPARISON

Selected Large State-Sponsored Public Funds (1)

<u>Fund</u>	<u>Investment Staff (2)</u>
California PERS	77
California STRS	49
Florida SBA	56
Michigan SBI	48
Ohio PERS	41
Ohio STRS	113
Wisconsin SIB	57
AVERAGE	63
MEDIAN	56
NJDOI	32

(1) Selected public funds with a substantial portion of assets internally managed

(2) Includes PMs, analysts, and traders

NJDOI has outperformed its peers despite having far fewer investment staff than average. The Division employs approximately one-half the average and median staff of large internally-managed peers:

- two senior fixed income professionals;
- six senior alternative investment professionals;
- “double (or triple) duty”: senior staff often involved in multiple tasks