

NEW JERSEY DIVISION OF INVESTMENT



ANNUAL MEETING
State Investment Council
January 29, 2025

“The mission of the New Jersey Division of Investment is to achieve the best possible return at an acceptable level of risk using the highest fiduciary standards.”

Background: The New Jersey State Investment Council

New Jersey State Investment Council (the “Council”)

- **The Council is responsible for the formulation of policies that govern the investment of funds by the Division of Investment consistent with the fiduciary duties set forth by statute**
 - The Council provides fiduciary oversight for the assets managed by the Division
 - The Pension Fund, with \$78.7 billion in assets, comprises the bulk of assets managed by the Division
 - Pursuant to P.L. 2018, c. 55, the authority to direct investment policy of the Police and Firemen’s Retirement System of New Jersey (“PFRS”) was transferred from the Council to the Board of Trustees of the Police and Firemen's Retirement System of New Jersey.
 - The Council retains its oversight responsibility for the non-PFRS portion of the Pension Fund
- **The Council is NOT responsible for:**
 - Funding Policy (plan contributions)
 - Benefits Policy (plan design)
 - Actuarial Activities (setting actuarial expected return)

Background: The State of New Jersey Division of Investment

New Jersey Division of Investment (the "Division")

Division of Investment Assets under Management		Division of Investment "At a Glance"
Assets as of 6/30/2024	(\$ millions)	<ul style="list-style-type: none"> • One of the largest U.S. pension fund manager • 58 active employees with a \$13.2 million personnel budget⁽⁴⁾ • During Fiscal Year 2024, the Division traded: <ul style="list-style-type: none"> ➤ 315 million shares of stock worth \$7.2 billion ➤ \$17.5 billion in fixed income securities⁽⁵⁾ ➤ \$829 million in foreign currency transactions • During Fiscal Year 2024, the Pension Fund earned: <ul style="list-style-type: none"> ➤ \$910 million in stock dividends ➤ \$475 million in bond interest
Pension Fund ⁽¹⁾	78,771	
Cash Management Fund (CMF)	41,043	
Deferred Compensation Plan funds (DCP)	833	
NJBEST Funds (NJBEST)	106	
Supplemental Annuity Collective Trust (SACT)	334	
Trustees for the Support of Public Schools Fund (TSPSF)	178	
Total⁽²⁾	\$ 121,265	

Note: All figures are as of June 30, 2024 unless otherwise noted.

(1) Throughout this presentation, Pension Fund totals include PFRS assets managed in Common Funds.

(2) The total excludes \$9.4 billion held in CMF which is included in the totals for the Pension Fund, DCP, NJBEST, SACT, and TSPSF.

(3) As of January 2024.

(4) The total trades in fixed income securities include only the Pension Fund.

Division of Investment Update: 2024 Year in Review

Well balanced portfolio throughout the year

- The Pension Fund portfolio generated a double-digit return in fiscal year 2024 while maintaining good liquidity and dry powder to be deployed towards opportunities offering attractive risk-adjusted returns.
- For both fiscal year and calendar year 2024, portfolio positioning remained cautiously optimistic with a slight overweight to U.S. equity, while close to or slightly underweight other public equity and fixed income asset classes. Private market asset classes remained underweight as compared to target allocation. Cash and cash equivalents were overweight throughout the year as interest rates continued to remain on the higher end.

Transfer of assets to the Police and Firemen's Retirement System of New Jersey

- In 2018, P.L. 2018, c. 55 created the Police and Firemen's Retirement System of New Jersey (PFRSNJ).
- On April 1, 2024, the Division transferred \$20.8 billion of assets to the Police and Firemen's Retirement System of New Jersey.
- The transfer represented PFRSNJ's portion of assets in Common Pension Fund D.

Continued Progress on the emerging managers program for private market asset classes

- During 2024, the Division made meaningful progress on its Emerging Managers Platform.
- Through its program partners, the Division's objective is to source, diligence and invest in smaller, off-the-radar managers in order to access a larger and more robust set of investment opportunities.
- As of December 31, 2024, we added both a private real estate and a private credit sleeve to the platform, thereby expanding the program's capacity to the previously existing private equity sleeve.
- A second Emerging Managers Symposium was successfully conducted in June 2024.

NJ Pension Fund Annual Performance: Fiscal Years 2005-2024⁽²⁾

Fiscal Year	NJ Pension Fund ⁽¹⁾	Policy Benchmark	Variance (in bps)
2024	10.74	10.81	-7
2023	9.06	8.43	63
2022	-7.90	-4.67	-323
2021	28.63	26.28	235
2020	1.21	4.13	-292
2019	6.27	7.07	-80
2018	9.06	8.65	41
2017	13.07	13.14	-7
2016	-0.93	0.23	-116
2015	4.09	2.93	116
2014	16.79	15.79	100
2013	11.72	10.96	76
2012	2.47	0.26	221
2011	17.97	17.13	84
2010	13.34	13.51	-17
2009	-15.49	-14.76	-73
2008	-2.61	-6.00	339
2007	17.14	16.49	65
2006	9.79	8.13	166
2005	8.77	8.07	70
5 Year Annualized Returns	7.69	8.54	-85
10 Year Annualized Returns	6.94	7.42	-47
20 Year Annualized Returns	7.21	6.93	28

(1) Throughout this presentation, NJ Pension Fund returns exclude Police and Fireman's Retirement System assets as of April 1, 2024 and Police and Fire Mortgage program assets.

(2) Throughout this presentation, returns are preliminary, unaudited, and net of fees. Certain asset class returns, including private equity, real assets, real estate, and private credit do not include up-to-date valuations and benchmark returns as these asset classes are calculated on a lagged basis. This results in performance comparisons that may be less meaningful.

Long-Term Capital Market Returns

Annualized Returns for Periods Ending December 31, 2024 (%)

	One Year	Three Years	Five Years	Ten Years	Fifteen Years
Global Equity Indices					
MSCI ALL Country World Index	17.44	5.43	10.05	9.22	9.20
US Equity Indices					
MSCI USA	25.00	8.58	14.54	13.07	13.87
Russell 1000	24.42	8.38	14.24	12.85	13.77
Russell 2000	11.49	1.21	7.37	7.78	10.31
Russell 3000	23.72	7.98	13.83	12.52	13.55
Russell Growth	32.35	9.92	18.22	16.20	16.09
Russell Value	13.92	5.37	8.56	8.37	10.64
Non-US Equity Indices					
MSCI EAFE	3.81	1.64	4.72	5.19	5.24
MSCI EAFE + Canada	4.69	1.91	5.09	5.26	5.24
MSCI Emerging Markets	7.48	-1.92	1.70	3.63	3.01
Private Equity Index					
Cambridge Global PE and VC Index ⁽¹⁾	7.57	1.55	15.06	14.12	14.76

⁽¹⁾ Cambridge Global PE and VC Index returns are presented with a three-month lag and are calculated on an IRR basis.

Source: Bloomberg and Cambridge Associates

Long-Term Capital Market Returns

Annualized Returns for Periods Ending December 31, 2024 (%)

	One Year	Three Years	Five Years	Ten Years	Fifteen Years
Fixed Income Indices					
Bloomberg Barclays U.S. Aggregate	1.25	-2.41	-0.33	1.35	2.37
Bloomberg Barclays U.S. Treasury	0.58	-2.88	-0.68	0.83	1.84
Bloomberg Barclays U.S. Credit	2.02	-2.20	0.23	2.29	3.59
Bloomberg Barclays U.S. Credit (A or better)	1.51	-2.41	-0.01	1.92	3.15
Bloomberg Barclays U.S. Credit (Baa)	2.69	-1.89	0.58	2.75	4.25
Bloomberg Barclays U.S. High Yield	8.17	2.91	4.21	5.16	6.44
S&P/LSTA Leveraged Loan Index	8.93	7.00	5.85	5.14	5.29
Cliffwater BDC Index	14.34	9.36	10.01	9.27	9.92
Real Estate Indices					
NCREIF ODCE Index ⁽¹⁾	-8.04	-1.04	2.05	5.16	7.18
Bloomberg U.S. REIT Index	3.42	-6.03	2.01	5.14	8.95
Real Assets Index					
Custom Cambridge Blend for Real Assets ⁽¹⁾	5.34	11.07	8.80	3.34	n/a

⁽¹⁾ NCREIF ODCE Index returns are presented with a three-month lag

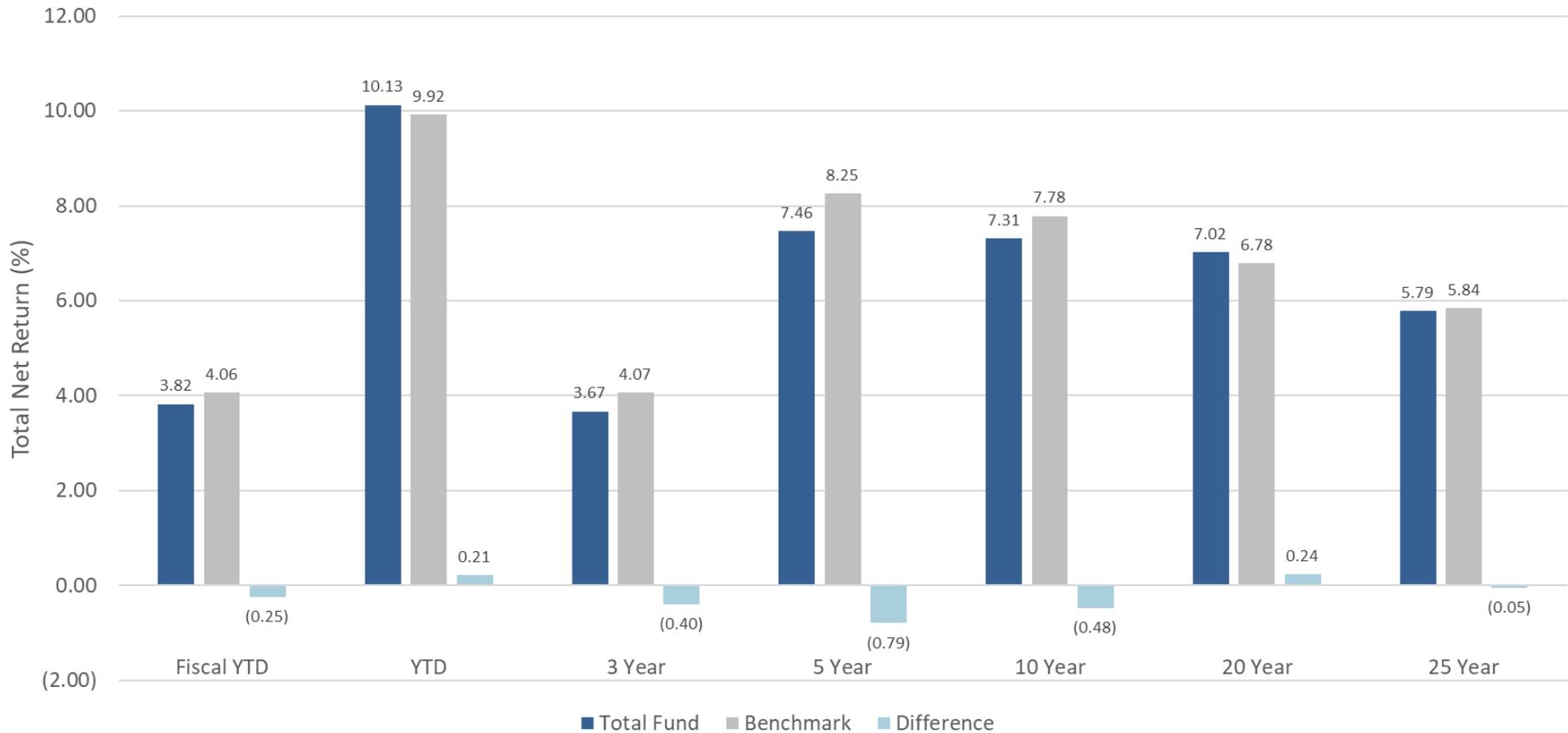
Ten Year Periodic Table of Returns⁽¹⁾

2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2015-2024
Real Estate 13.86	High Yield 17.13	Emerging Markets 37.28	Private Equity 10.44	Russell 3000 31.01	Private Equity 53.64	Commodities 27.05	Real Estate 20.96	Russell 3000 25.93	Russell 3000 23.80	Private Equity 13.52
Private Equity 9.46	Private Equity 16.97	EAFE & Canada 24.21	Real Estate 7.71	EAFE & Canada 22.49	Russell 3000 20.88	Russell 3000 25.64	Commodities 13.75	EAFE & Canada 17.94	High Yield 8.19	Russell 3000 12.53
Treasuries 0.84	Russell 3000 12.72	Russell 3000 21.12	Treasuries 0.86	Private Equity 20.37	Emerging Markets 18.31	Real Estate 13.64	Private Equity 3.68	High Yield 13.45	Private Equity 7.57	EAFE & Canada 5.26
Russell 3000 0.47	Commodities 11.40	Private Equity 17.91	High Yield -2.08	Emerging Markets 18.42	Corporates 9.89	EAFE & Canada 12.62	High Yield -11.19	Emerging Markets 9.83	Emerging Markets 7.50	High Yield 5.17
Corporates -0.68	Emerging Markets 11.19	High Yield 7.50	Corporates -2.51	Corporates 14.54	Treasuries 8.00	High Yield 5.28	Treasuries -12.46	Corporates 8.52	EAFE & Canada 4.70	Real Estate 5.16
EAFE & Canada -3.04	Real Estate 9.08	Real Estate 6.70	Russell 3000 -5.25	High Yield 14.32	EAFE & Canada 7.59	Corporates -1.04	EAFE & Canada -14.29	Private Equity 7.57	Corporates 2.13	Emerging Markets 3.64
High Yield -4.47	Corporates 6.11	Corporates 6.42	Commodities -12.99	Treasuries 6.86	High Yield 7.11	Treasuries -2.32	Corporates -15.76	Treasuries 4.05	Treasuries 0.58	Corporates 2.43
Emerging Markets -14.92	EAFE & Canada 2.75	Treasuries 2.31	EAFE & Canada -14.09	Commodities 5.44	Real Estate 0.52	Emerging Markets -2.54	Russell 3000 -19.22	Commodities -12.55	Commodities 0.12	Treasuries 0.83
Commodities -24.70	Treasuries 1.04	Commodities 0.75	Emerging Markets -14.57	Real Estate 4.64	Commodities -3.50	Private Equity -5.57	Emerging Markets -20.09	Real Estate -12.88	Real Estate -8.04	Commodities -0.55

Over the past ten years, Private Equity, U.S. Equities, and Non-U.S. International Developed Equities were the three best performing asset classes. The wide variation of returns amongst asset classes in each of the past ten years reinforces the important role of diversification in asset allocation.

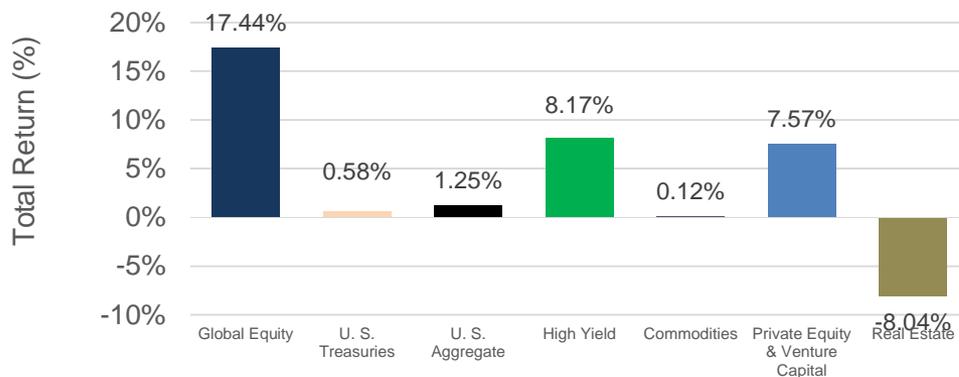
(1) Private Equity and Real Estate returns are presented with a three-month lag. Private Equity returns are calculated using an IRR methodology. Source: Bloomberg/DOI calculations, Cambridge Associates, and National Council of Real Estate Investment Fiduciaries

Long-Term NJ Pension Fund Returns versus Policy Benchmark (as of December 31, 2024)



2024 Capital Markets Review: Asset Class Returns

CY 2024 Select Asset Class Returns (1)



In 2024, public risk markets surged as concerns regarding Federal Reserve rate hikes turned to enthusiasm for Federal Reserve rate cuts. This enthusiasm did not filter through to the private markets though. Private Equity continued to digest the overindulgence that took place in late 2020 and 2021 while Real Estate worked through the continued cap rate adjustments. Higher quality fixed income continued to suffer from the new rate regime and US treasury curve volatility that occurred during the year.

CY 2024 Pension Fund Asset Allocation



In 2024, Cash continued to provide real return. This Cash position, barbelled against a slightly overweight position to US Equities, afforded the Pension Fund exposure to the strongest performing asset class while maintaining maximum liquidity. Duration risk was maintained during the year as rates traded in a relatively broad range of 3.6% to 4.6%. Private market asset class weightings continued to ebb and flow as consistent deployment was offset by consistent distributions.

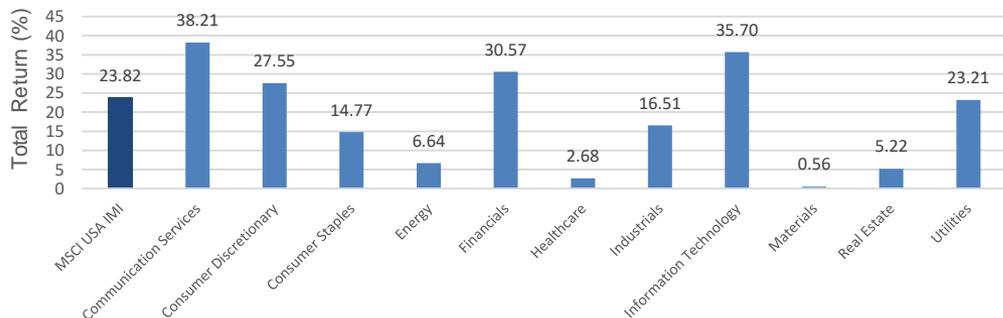
Slowing of inflation and monetary easing in 2024 provided the impetus for a continuation of risk taking in the public equity and public and private credit markets.

(1) Private Equity (PE) and Real Estate (RE) returns reflect a three-month lag.

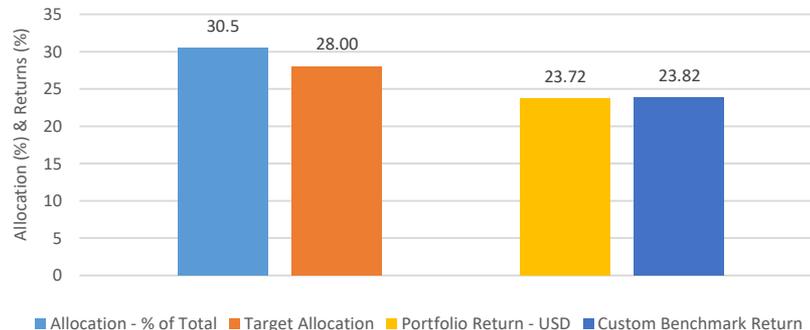
Source: Bloomberg, Cambridge Associates, National Council of Real Estate Investment Fiduciaries, State Street

2024 Capital Markets Review: U.S. Equity Returns

2024 U.S. Equity Sector Returns



2024 U.S. Equity Asset Allocation and Returns

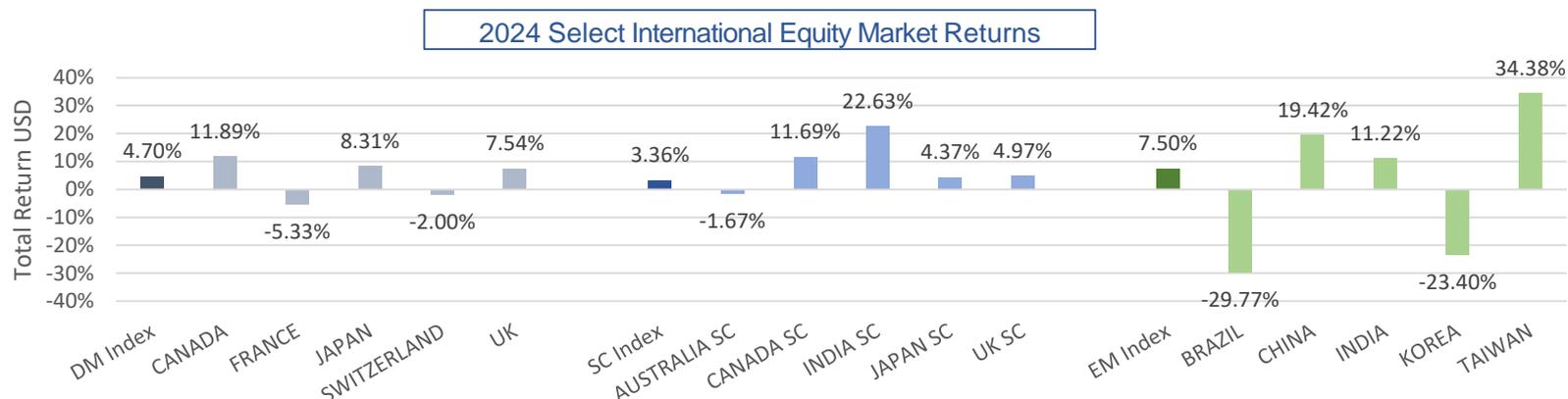


The exceptionalism of the U.S. market was again in evidence, having returned 23.82% for calendar year 2024, following the 26.25% gain of the prior year. The market began 2024 on a strong note, setting new all-time highs in January, led by the Magnificent 7 amid the optimism for the profit potential of AI. The market rally remained relatively intact for the year, with few notable pauses, including a 5% decline in the spring on interest rate concerns and a 10% decline in the summer on economic growth concerns. The narrow concentration of the rally broadened across sectors and market caps in the second half of the year, especially after the Presidential election. But interest rate uncertainty emerged once more, causing the market to close out a year of robust returns on a weak note.

Throughout 2024, the allocation to the U.S. Equity market remained at an overweight to the Policy Target Allocation. During the year, a new position in a broad-market ETF was established to be used as a tactical asset allocation instrument. For 2024, the optimization strategy informing the portfolio's passive construction performed as expected, as the portfolio return was closely aligned to the benchmark return.

In 2024, a resilient economy and a relatively constructive interest rate environment provided support for a market rally fueled by optimism for AI.

2024 Capital Markets Review: International Equity Market Returns

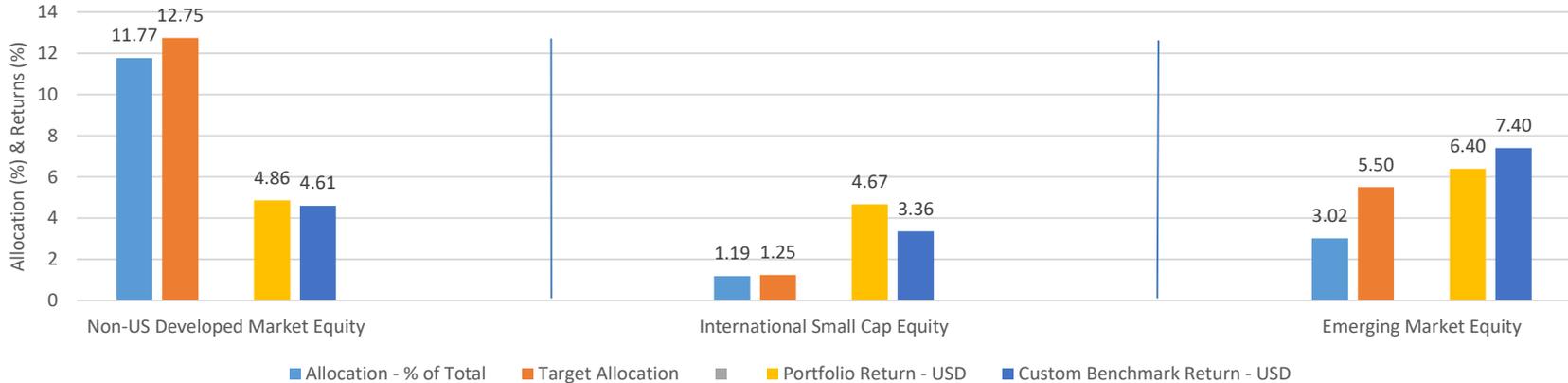


International equity markets ended the year up 5.53%, as measured by the MSCI ACWI ex-US Index. Through most of 2024, fears related to inflation and recession faded substantially and attention shifted to elections, with the US outcome looming the largest over the global economic outlook. Performance was a strong 14.21% leading up to the 4th quarter, during which Eurozone shares declined amid fears of recession and political instability in France and Germany, the UK declined over uncertainty regarding the country's macro-economic outlook, and Emerging Markets (EM) fell after Donald Trump's victory in the US presidential election. For much of 2024, China and Hong Kong were among the worst performing regions, with the Chinese economy continuing to experience consumer weakness and a slowdown in its real estate sector. Following the announcements of a variety of stimulus measures, Chinese stocks rallied in September. In 2024, the Fed and ECB embarked on a series of interest rate cuts to stimulate their respective economies, as inflation levels appeared to be easing.

Non-US Developed Market Equity (DM) finished the year at a positive 4.70%, and International Small Cap Equity (SC) closed the year up 3.36%. Emerging Market Equity (EM) advanced by 7.50%, with strong performance in Taiwan, mainly due to the rise of AI and demand for memory chips. However, China experienced a sharp decline in the 4th quarter as the prospect of a second Trump presidency raised the risk of heightened tensions over trade and technology.

2024 Capital Markets Review: Allocation and Portfolio Returns

2024 International Equity Asset Allocation and Returns

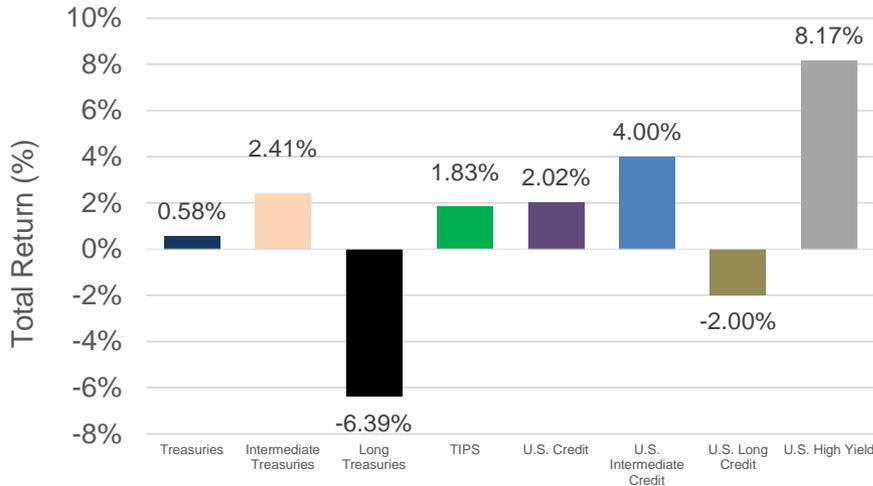


During the calendar year 2024, there were no changes to the allocation levels of Non-US Developed Market Equity, International Small Cap Equity, or Emerging Markets Equity. The Non-US Developed Market Equity portfolio performed as expected, returning 4.86% versus a 4.61% gain for its benchmark, resulting in an excess return of 25 basis points. The International Small Cap Equity portfolio outperformed its benchmark return by 131 basis points, returning 4.67%. The Fed's lowering of interest rates had a positive impact on global financial markets and on small cap stocks, in particular.

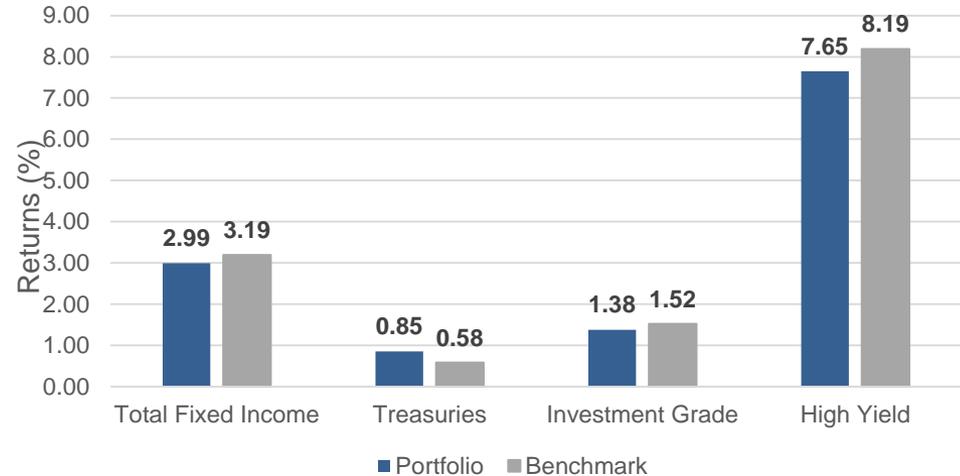
The Emerging Market Equity portfolio underperformed its benchmark by -100 basis points, returning 6.40%. Core and growth-oriented strategies delivered most of the performance, with East Asian countries outperforming mainly due to Taiwan outperformance. However, South Korea, the fourth largest country in terms of weight in the portfolio, posted losses on the back of political instability as first the president, and then the acting president, were impeached. Indian banks experienced slower earnings growth and downgrades in the last half of 2024, which were attributable to slower growth in loans and deposits. Brazil, the largest overweight in the portfolio, fell amid rising concerns over the country's fiscal outlook.

2024 Capital Markets Review: Fixed Income Returns

CY 2024 Select Fixed Income Returns



CY 2024 NJDOI Fixed Income Returns



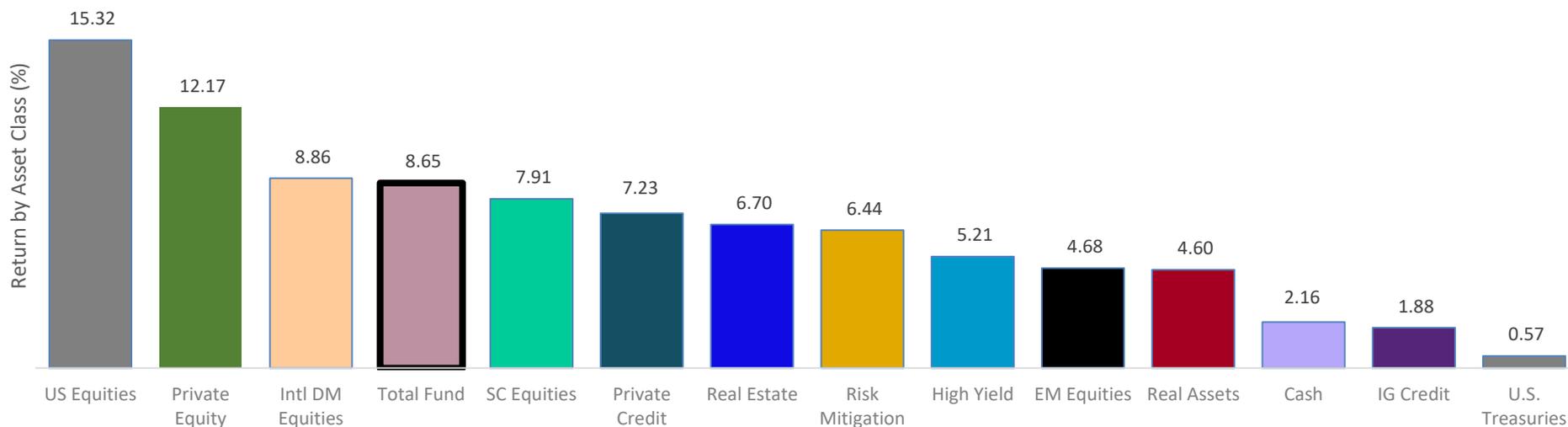
Fixed Income markets realized solid returns in Credit mixed with underperformance in Long Duration. The Treasury yield curve bear steepened over the year as the Fed cut rates by 100bps despite an economy that maintained solid growth and inflation that remained well above the 2% mandate. Credit spreads ended the year near historical lows.

The Fixed Income portfolio underperformed the benchmark as the credit portion was positioned somewhat defensively in a year where lower rated credit outperformed higher quality credit meaningfully. The Treasuries portfolio outperformed due to TIPs positioning.

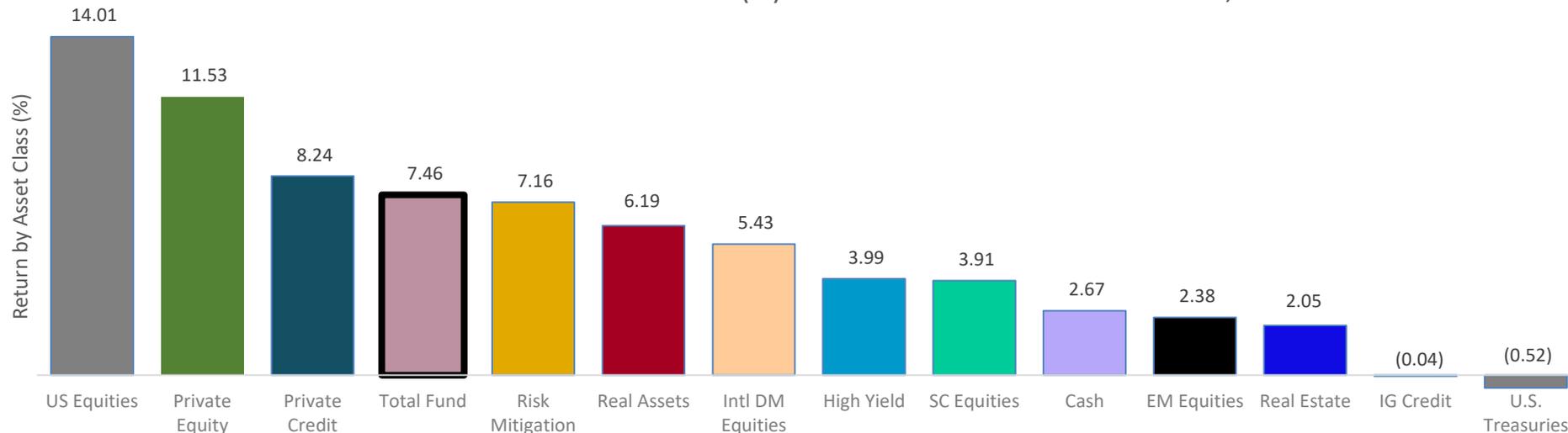
During 2024, risk outperformed as growth remained firm and inflation held enough to allow the Fed to cut rates by 100bps. In Credit, lower quality/lower rated paper outperformed meaningfully and having an underweight to that portion hurt performance. Towards the end of year, the presidential election came into focus and markets reacted with higher equities and steeper rates in expectation of policy that should favor business growth and threaten to keep inflation on the hotter side.

Pension Fund Five Year Net Returns By Asset Class

Annualized Net Returns (%) for Five Years Ended December 31, 2023

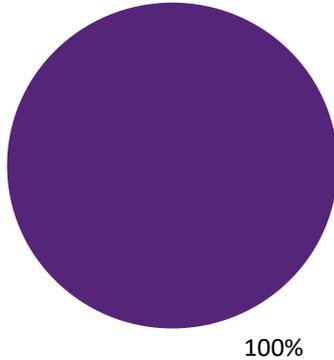


Annualized Net Returns (%) for Five Years Ended December 31, 2024

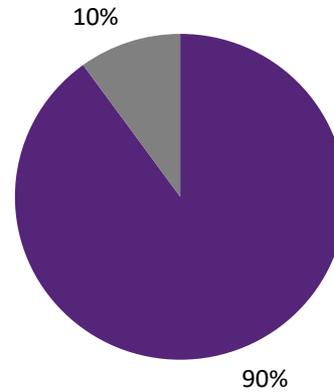


Pension Fund Asset Allocation Target: A Long-Term Perspective

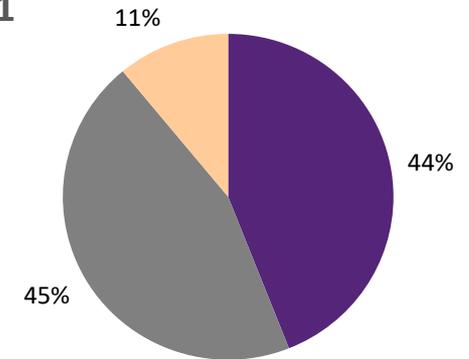
1951



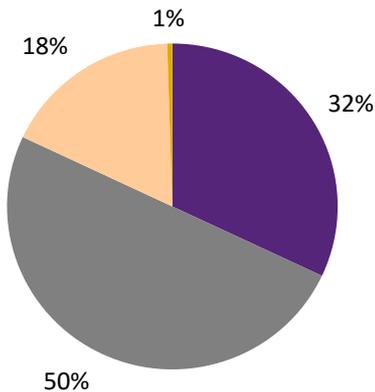
1975



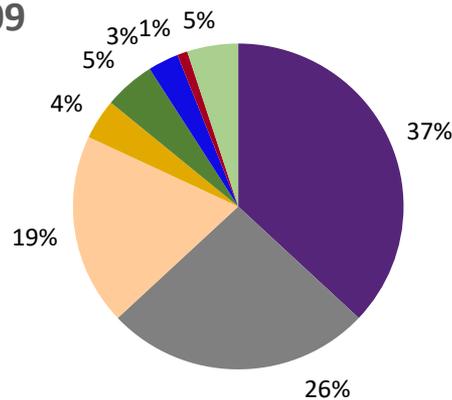
2001



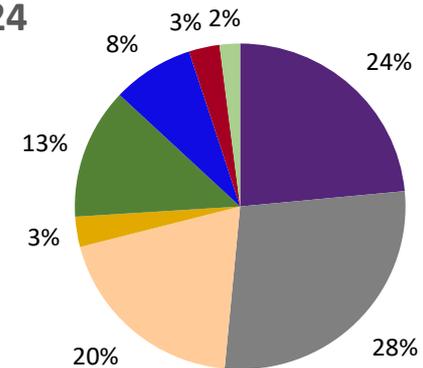
2006



2009



2024



Legend:



The well-diversified NJ Pension Fund asset allocation has evolved over a period of decades from a portfolio comprised solely of fixed income securities.

(1) 2024 reflects the Council's current targeted asset allocation that took effect on October 1, 2023

Note: Totals may not equal 100% due to rounding

Recent Trends in the Pension Fund's Targeted Asset Allocation⁽¹⁾

Asset Class	FY 2016 Target ⁽²⁾	FY 2017-19 Target	FY 2020 Target	FY 2021-22 Target	FY 2023 Target	FY 2024-25 Target ⁽³⁾
GLOBAL GROWTH	54.75%	58.25%	59.00%	59.00%	59.00%	60.50%
US Equity	26.00%	30.00%	28.00%	27.00%	27.00%	28.00%
Non-U.S. DM Equity	13.25%	11.50%	12.50%	13.50%	13.50%	12.75%
International Small Cap Equity ⁽⁴⁾						1.25%
Emerging Market Eq	6.50%	6.50%	6.50%	5.50%	5.50%	5.50%
Private Equity	9.00%	10.25%	12.00%	13.00%	13.00%	13.00%
REAL RETURN	8.55%	9.75%	10.00%	11.00%	11.00%	11.00%
Real Estate	6.05%	7.25%	7.50%	8.00%	8.00%	8.00%
Real Assets	2.50%	2.50%	2.50%	3.00%	3.00%	3.00%
INCOME	18.75%	18.50%	18.00%	18.00%	19.00%	19.50%
High Yield	2.00%	2.50%	2.00%	2.00%	4.00%	4.50%
Private Credit	8.75%	6.00%	8.00%	8.00%	8.00%	8.00%
Investment Grade Credit	8.00%	10.00%	8.00%	8.00%	7.00%	7.00%
DEFENSIVE	13.00%	13.50%	13.00%	12.00%	11.00%	9.00%
Cash Equivalents	5.00%	5.50%	5.00%	4.00%	4.00%	2.00%
US Treasuries	3.00%	3.00%	5.00%	5.00%	4.00%	4.00%
Risk Mitigation Strategies	5.00%	5.00%	3.00%	3.00%	3.00%	3.00%
TOTAL	95.05%	100.00%	100.00%	100.00%	100.00%	100.00%

- (1) Prior year targeted allocations have been restated to be consistent with the current asset allocation plan categories approved by the Council. Global Diversified Credit and Credit-Oriented Hedge Funds were combined into Private Credit. Buyouts/Venture Cap and Debt-Related Private Equity were combined into Private Equity. Equity-Related Real Estate and Debt-Related Real Estate were combined into Real Estate.
- (2) The FY 2016 target excludes a 3.75% allocation to Equity-Oriented Hedge Funds and a 1.2% allocation to the PFRS mortgage program.
- (3) A new target asset allocation was approved effective October 1, 2023.
- (4) Prior year targeted allocations for Non-U.S. Dev. Markets Equity included International Small Cap Equity. In the targeted allocation that went into effect October 1, 2023, the allocation to International Small Cap Equity is separate from Non-U.S. Dev. Markets Equity.

Division of Investment Update: 2025 Key Goals and Initiatives

Continue to strengthen and diversify the Pension Fund portfolio

- While the direction of inflation has changed from last year, policy uncertainty and lack of clarity exist resulting in a pause to the Federal Reserve's objective of bringing down interest rates.
- Rates are expected to remain higher for longer, allowing the Pension Fund portfolio an opportunity to continue to benefit from higher yield on its holdings in cash equivalents.
- With a robust pipeline of new private market investment opportunities and pending closings, cash positioning is expected to decline throughout 2025.
- In addition to allocating to underweight positions, the investment team will continue to look for opportunistic investments, while continue to maintain ample liquidity in case of potential market volatility.
- Enhanced portfolio diversification effort to continue towards both public and private asset classes.

Emerging managers platform

- The Emerging Managers Platform continues at a strong pace, attracting value-add interest from smaller investment managers. This allows the Pension Fund portfolio to establish a foothold with investment firms that serve to diversify the portfolio in addition to creating a path for the Pension Fund portfolio to identify the next generation of managers at an earlier point in the cycle.
- In 2025, the Division will look to expand the platform to potentially include select public market asset classes through the utilization of emerging advisers.

Strong focus on Issuing and completing RFPs/procurements

- Throughout 2024, the Division embarked on a focused approach to reviewing pending RFPs and other procurement needs.
- In order to further strengthen the Division's legal capabilities, we have on boarded a third team member to the legal specialists currently in place.
- We anticipate good progress on this front throughout 2025.

Division of Investment Update: 2025 Key Goals and Initiatives

Continue to enhance and strengthen the Division

- Having previously conducted an organizational review to identify key areas of risk and staffing gaps, the Division will continue the effort to fill these gaps so as to appropriately and diligently invest, manage and monitor the assets of the Pension Fund.
- The Division will continue to strengthen its internal processes and through the procurement process seek to add new systems towards this objective.

Continue to work with the Police & Firemen's Retirement System of New Jersey

- Having completed the transfer of over \$20 billion in 2024 to the Police & Firemen's Retirement System of New Jersey (PFRSNJ), the Division maintains a strong working relationship with PFRSNJ.
- The Division will continue to offer assistance and input as and when needed and appropriate.