



**State of New Jersey**  
OFFICE OF THE STATE TREASURER  
PO Box 002  
TRENTON NJ 08625-0002

CHRIS CHRISTIE  
Governor

KIM GUADAGNO  
Lt. Governor

ANDREW P. SIDAMON - ERISTOFF  
State Treasurer

April 13, 2015

Dr. David J. Rosen  
Legislative Budget and Finance Officer  
Office of Legislative Services  
State House Annex, P.O. Box 068  
Trenton, NJ 08625-0068

Dear Dr. Rosen:

Pursuant to your letter dated April 2, 2015 it was requested that I provide a written response to two questions posed by Senator Sarlo at a meeting of the March 31 hearing of the Senate Budget and Appropriations Committee. The questions and their subsequent answers are as follows:

***For each asset class in the portfolio of the State public employee pension system please provide for FY 2014: a) the total dollar amount allocated to the asset class as of June 30, 2014; b) the FY 2014 and three-year annualized rate of return, as of June 30, 2014; c) the total dollar amount of FY 2014 investment returns; d) an indication whether the asset class holdings are actively managed by Division of Investment staff or investment firms; e) the total dollar amount of management expenses; f) the total dollar amount of any performance-based compensation or allocations, and g) the management and incentive compensation costs as a percentage of assets under management.***

Please see the attached chart.

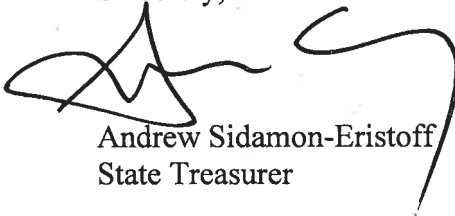
***Concerning the funds loaned to and expended by New Jersey Transit in FY 2015: If this money was received in anticipation of federal funds, why would its expenditure count as part of the State transportation project expenditure in FY 2015, and how is it not double counting if the repayment of this money is being used to finance State transportation expenditures yet again in 2016? Since NJ Transit is using a letter of credit to repay the TTF, what is the backing for this borrowing? Finally, what are the actual cash expenditures of the TTF on State transportation projects appropriated by the legislature (eliminate from net cash flows all NJT, DOT, and treasury net loan activity, any operating costs, loan financing costs, etc. that do not represent actual cash expenditures on a project itemized in the State funded portion of the transportation capital program) for FY 2012 -2015?***

The attached chart identifies actual or projected cash expenditures in the TTF. Actual amounts are listed for FY12 through FY14, a revised estimate is provided for FY15, and a projection appears for FY16. State transportation project costs are shown on the line labeled "State TTF Projects." Debt service costs attributable to certificates of participation sold by NJ Transit (i.e., rolling stock purchases) and the Economic Development Authority (i.e., River Line), which are supported by the annual State appropriation to the TTFA, are also listed separately. The cash advances and subsequent repayments by NJ Transit are summarized under the header "Transit Cash Advances/Repayments."

From a technical standpoint, NJ Transit arranges short term cash loans from the TTFA by accessing its allocation of TTF spending authority. Therefore, a cash advance from the TTFA to NJ Transit appears as a TTF expenditure until the loan is repaid. If the repayment occurs in the same year in which the loan was provided, there is no net effect on TTF expenditures. If, however, the repayment occurs in the following fiscal year, the transaction triggers a "refund of disbursement" against the original expenditure from the prior fiscal year, as federal funds are substituted in place of TTF funds, and a credit of a like amount is established against NJ Transit's TTF expenditures in the fiscal year in which the repayment is made. There is no double count. It should be noted that at any time during this process, the TTF's annual capital program authorization remains fixed and does not change.

Beginning in fiscal year 2016, NJ Transit will secure its short term cash loans from a private facility rather than the TTFA. That borrowing will be backed by future receipts of FTA Section 5307 and 5337 Grants.

Sincerely,



Andrew Sidamon-Eristoff  
State Treasurer

Attachments

	Amount Allocated (\$, millions)	FY 2014 Return	3-Yr Annualized Return (Net of All Fees, Expenses, and Performance Allocations)	Total Dollar Gain/(Loss) For FY14 <sup>1</sup> (\$, millions, Net of All Fees, Expenses, and Performance Allocations)	Assets Primarily Managed by Division of Investment Staff or External Investment Firms	FY14 Management Fees & Expenses Paid (\$, millions)	FY14 Management Fees & Expenses Paid as a % of Total Fund Assets	FY14 Performance Allocation Earned (\$, millions)	FY14 Performance Allocation Earned as a % of Total Fund Assets	Management Fee & Expenses and Incentive Compensation as % of Allocation (Total Fund) <sup>4</sup>
<b>Data for fiscal year ending June 30, 2014</b>										
Domestic Equity	21,569	25.5%	16.5%	4,925	DOI Staff					
International Equity	15,206	19.4%	3.7%	2,739	DOI Staff <sup>2</sup>	23.9	0.03%			0.03%
Investment Grade Fixed Income	11,840	6.2%	7.2%	671	DOI Staff					
Cash and Short Term Cash Equiv	5,443	0.4%	0.2%	9	DOI Staff					
Public High Yield	1,655	12.1%	9.9%	211	DOI Staff <sup>2</sup>	4.6	0.01%			0.01%
Global Diversified Credit	2,261	18.4%	12.8%	345	External Investment Firms	12.4	0.02%	41.6	0.05%	0.07%
Hedge funds	8,918	10.5%	7.1%	836	External Investment Firms	93.1	0.11%	143.9	0.18%	0.29%
Private Equity	7,274	24.1%	14.4%	1,418	External Investment Firms	79.6	0.10%	91.3	0.11%	0.21%
Real Estate	4,135	14.2%	11.8%	512	External Investment Firms <sup>3</sup>	37.2	0.05%	49.1	0.06%	0.11%
Commodities & Real Asset	2,029	9.7%	-0.5%	180	External Investment Firms <sup>3</sup>	14.6	0.02%	8.9	0.01%	0.03%
Police and Fire Mortgage Program	890	4.2%	2.9%	36	N/A					

<sup>1</sup> Per State Street (Global Custodian)

<sup>2</sup> The Division utilizes the services of external advisors for a portion of the Public High Yield and International Equity assets. The Division maintains final investment discretion on all assets in these categories.

<sup>3</sup> The Division manages a portion of the Real Estate and Commodities & Real Assets internally. As of 3/30/14, Division staff was managing \$485 million of Real Estate Investments and \$291 million of Commodities and Real Assets Investments

<sup>4</sup> Calculated as: (FY14 Management Fees & Expenses Paid + FY14 Performance Allocation Earned) / Total Plan Assets

TTF Cash Expenses

FY2012 Actual FY2013 Actual FY2014 Actual FY2015 Revised FY2016 Projected NOTES

Project Line Item Costs

State TTF Projects 1,120.1 1,239.6 1,116.1 1,000.5 1,127.5  
 NJ Transit COPs/EDA Debt Service 94.4 93.6 92.9 75.8 75.9  
**Total Project Line Item Costs 1,214.5 1,333.2 1,209.0 1,076.3 1,203.4** Excludes any NJT cash advances/repayments

Transit Cash Advances/Repayments

Transit Cash Advances 65.0 60.0 94.0 241.5 -  
 Transit Repayments (110.0) - (125.0) (94.0) (241.5)  
**Transit Net Activity (45.0) 60.0 (31.0) 147.5 (241.5)**