

Philadelphia Business Journal - September 24, 2007

<http://philadelphia.bizjournals.com/philadelphia/stories/2007/09/24/focus6.html>



Friday, September 21, 2007

N.J. businesses and retirees to benefit from investment fund

Philadelphia Business Journal - by [Athena D. Merritt](#) Staff Writer

New Jersey is raising money for a fund that will make investments in state businesses and generate greater returns for its pension fund.

The **New Jersey Division of Investment** committed \$100 million and investment bank **Lehman Brothers** committed \$5 million to roll out the New Jersey Directed Investment Fund, announced Aug. 31. Additional investors are being sought to increase the amount of the fund, which will be used to invest in private-equity funds and private companies that are based, have substantial operations or are willing to move or grow in the state.

Investors will have an eye on growing companies, with a focus on venture capital, growth equity or small to mid-cap companies.

New Jersey hopes the investments will boost its pension fund. State pension fund managers generated an estimated return of more than 17 percent for this fiscal year, which ended June 30. The state wants to do even better.

It's not the first time the state has invested in New Jersey companies, Department of Treasury spokesman Mark Perkiss said. What the new fund does differently is allow for a more targeted approach, with the dual goals of strengthening both the state pension fund and the state's economy, he said.

"The focus here is two-fold. The Division of Investment has a fiduciary responsibility to increase the value of the pension funds," Perkiss said. "The first thing we are looking at is a good return on investment and the second is to promote economic development."

Lehman Brothers, who partnered with the Division of Investment earlier this year to establish the fund, will serve as a general partner and conduct investments through its global private-equity business. No investments have been made yet out of the fund, Perkiss said.

The New Jersey Technology Council has pushed for investments in New Jersey companies by the state for the past nine years. The new fund answers that long overdue call, NJTC President, Founder and CEO Maxine Ballen said.

"We feel where better to put their money than into supporting New Jersey companies," Ballen said. "We have wonderful companies in New Jersey and we need to start investing in home. It's critical to the success of this state."

Just 12.2 percent of investments in New Jersey companies arrived from within the state between July 2005 and July of this year, the National Venture Capital Association reported. The state of Massachusetts led investment in the Garden State at 15 percent, the association reported. That New Jersey hadn't already targeted its own businesses for investment in the past is peculiar, said Joan Verplanck, president of the New Jersey Chamber of Commerce, which has pushed for such investments since former Gov. Christine Todd Whitman's administration.

"Most states do this," Verplanck said. "Clearly we can target some growth industries within our own state and help them grow and prosper -- even from a logic standpoint investing close to home where you can watch it is never a bad idea."

New Jersey's pension fund assets, which totaled \$82.2 billion at the end of this fiscal year, provide retirement benefits to more than 700,000 current and future retirees from the state's public sector. This fiscal year's estimated return of 17.06 percent exceeded both the assumed rate of return of 8.25 percent and the benchmark return of 16.35 percent. The investment performance boosted the value of pension funds by \$9.1 billion, more than \$500 million of which was attributed solely to investment management decisions by the Division of Investment.

The fund is part of a larger strategy that got under way in 2005 to diversify pension fund assets into alternative investments.

The state -- which established relationships with 17 private-equity funds, 19 real estate funds and 17 absolute return funds -- funded nearly \$4 billion in commitments during this fiscal year to strengthen its alternative investments. The absolute return portfolio is up 13 percent for the year. Returns on private-equity and real estate investments are not yet available.

As of the end of this fiscal year, the asset allocation of the state's pension portfolio was 6.2 percent in alternative investments, 38.3 percent in domestic equity, 20.9 percent in international equity, 24.7 in domestic fixed income, 8.1 percent in short-term money market securities and 1.8 percent in other classes.

amerritt@bizjournals.com | 215-238-5149

All contents of this site © American City Business Journals Inc. All rights reserved.