



NORTH CAROLINA

OFFICE OF THE TREASURER

JANET COWELL, TREASURER

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FOR IMMEDIATE RELEASE
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TREASURER COWELL REPORTS FISCAL YEAR END PENSION FUND RETURNS

RALEIGH – State Treasurer Janet Cowell reported today that for the fiscal year ending June 30, 2010, investment performance for the North Carolina pension fund returned 11.97 percent. While returns were positive for the fiscal year, the most recent two quarters have been down with a second quarter decline of 4.25 percent. Pension fund assets are valued at \$65.3 billion, a decrease from the \$68.7 billion reported at the end of the first quarter.

The public equity (stock) portfolio declined 11.64 percent for the second quarter, but returned 14.31 percent for the fiscal year. The fixed income (bond) portfolio returned 4.87 percent for the quarter and 13.22 percent for the year. Bond markets made stronger returns during the quarter due largely to significant reductions in interest rates, while stock markets experienced renewed volatility as fears of a global slowdown increased.

“While markets are recovering, it will be some time before we are out of this recession,” stated Cowell. “The pension fund was hit hard by the 2008 crash and requires contributions from our state and local governments now and into the future in order to remain healthy. This is a critical obligation which investment returns alone cannot offset.”

Real estate losses continued into the quarter with the portfolio down 2.89 percent for the second quarter and 16.74 percent for the fiscal year. However, the negative returns have significantly slowed as markets continue to stabilize. The alternatives portfolio, comprised mostly of private equity, returned one percent for the quarter and 12.46 percent for the fiscal year.

The newly created credit and inflation portfolios have continued to produce positive returns, earning 5.16 percent and 0.88 percent respectively for the quarter. These portfolios were added at the beginning of the calendar year after receiving authority in the last legislative session to take better advantage of opportunistic credit and inflation strategies to mitigate risks and enhance returns.

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Second Quarter Performance Report included.

About the Pension Fund:

The North Carolina Retirement Systems, the formal name for the pension fund, is now the tenth largest public pension fund in the country. It provides retirement benefits and savings for more than 820,000 North Carolinians, including teachers, state employees, firefighters, police officers, and other public workers. For more information visit www.nctreasurer.com



NCRS Quarterly Update

2nd Quarter 2010



Performance

| | 3 Month | Cal YTD | 1 Yr | 3 Yr | 5 Yr | 10 Yr |
|--------------------|---------|---------|---------|---------|--------|--------|
| Global Equity | (11.64) | (7.26) | 14.31 | (9.57) | (0.04) | 0.21 |
| Benchmark | (11.95) | (8.11) | 13.16 | (10.45) | (0.43) | (0.79) |
| Fixed Income | 4.87 | 7.22 | 13.22 | 9.56 | 6.40 | 7.76 |
| Benchmark | 5.66 | 7.78 | 12.80 | 8.79 | 5.83 | 7.43 |
| Real Estate | (2.89) | (7.11) | (16.74) | (14.69) | (2.18) | 2.17 |
| Benchmark | (0.11) | (2.80) | (14.19) | (10.52) | 0.13 | 4.88 |
| Alternatives | 1.00 | 2.68 | 12.46 | (1.61) | 4.35 | (4.21) |
| Benchmark | 5.02 | 10.18 | 37.95 | 0.89 | 5.18 | 1.87 |
| Credit | 5.16 | 8.43 | - | - | - | - |
| Benchmark | 1.82 | 3.68 | - | - | - | - |
| Inflation | 0.88 | 0.82 | - | - | - | - |
| Benchmark | 0.38 | 1.35 | - | - | - | - |
| Total Pension Plan | (4.25) | (1.10) | 11.97 | (2.02) | 2.98 | 3.65 |
| Benchmark | (3.57) | (0.61) | 12.77 | (2.13) | 2.76 | 3.42 |

Asset Allocation

| | <u>Current %</u> | <u>Policy %</u> |
|---------------|------------------|-----------------|
| Global Equity | 47.9% | 48.5% |
| Fixed Income | 40.1% | 38.0% |
| Real Estate | 4.5% | 6.0% |
| Alternatives | 5.1% | 4.5% |
| Credit | 1.3% | 1.5% |
| Inflation | 1.1% | 1.5% |

