

New Jersey State Investment Council September 25, 2019 Regular Meeting

Minutes of the Regular Meeting

Held September 25, 2019 at the Trenton War Memorial, George Washington Ballroom, 1 Memorial Drive, Trenton, New Jersey.

Council Members in Attendance:

Adam Liebttag, Acting Chair
Theodore Aronson
Wasseem Boraie
Thomas Bruno
Michael Cleary
Vaughn Crowe
Michael Greaney
Timothy McGuckin
Samir Pandiri (via telephone)
Deepak Raj
Eric Richard
Edward Yarusinsky

James Hanson was not in attendance.

Roll Call and Meeting Notice

The meeting was called to order by Adam Liebttag, Acting Chair, at 10:06 a.m. Ernestine Jones-Booker, Council Secretary, performed roll call. Ms. Jones-Booker announced that notice of the regular meeting scheduled for September 25, 2019 was posted on the public website of the Division of Investment (Division); faxed to the Times of Trenton, the Star Ledger, the Bergen Record, and the Courier Post; and e-mailed to the Secretary of State on August 27, 2019. A copy of the notice was posted at the Division and is on file.

Minutes of the Regular Meeting held July 24, 2019

Mr. Liebttag presented minutes of the regular meeting held July 24, 2019 for adoption. Theodore Aronson made a motion to approve the minutes, with Thomas Bruno seconding the motion. All members of the Council who were present voted in favor of the motion.

Resolution for Brian Arena

Mr. Liebttag read into the record the attached resolution recognizing Brian Arena's contributions to the Division. Mr. Liebttag made a motion to approve the resolution, which was seconded by Michael Greaney. All members of the Council who were present voted in favor of the motion.

Election of Chair and Vice Chair

Timothy McGuckin reported that the Nominating Committee, consisting of himself, Eric Richard and Michael Cleary, met and decided to nominate Deepak Raj to serve as Chair and Mr. Liebttag to serve as Vice Chair of the Council. There were no other nominations. Mr. McGuckin made a motion to elect Mr. Raj as Chair and Mr. Liebttag as Vice Chair, which motion was seconded by Mr. Bruno. All members of the Council present voted in favor of the motion.

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Appointment of members to the Executive, Investment Policy, Audit and ESG Committees

Mr. Raj deferred making any new appointments to Council Committees until November's Council Meeting.

Vaughn Crowe joined the meeting at this time.

Report from the State Treasurer

Dini Ajmani of the Treasurer's office congratulated Mr. Raj and Mr. Liebttag on their election as Chair and Vice Chair and thanked Mr. Liebttag for his service as Acting Chair. She provided an update on the State's annual billing to municipalities for pension and healthcare obligations.

Director's Report and Update

Corey Amon, Director of the Division, presented the Director's Report, including an update on investment returns for the Pension Fund, performance of capital markets, and changes in asset allocation. Mr. Amon also notified the Council of a modification to funds managed by Oz Management.

Suzanne Hannigan, Melanie Lomas, Todd Rowohlt, Kevin McGrath and Jared Speicher presented performance overviews for Fiscal Year 2019 with respect to the U.S. equity, international equity and fixed income portfolios.

In response to questions from Mr. Richard and Mr. Raj, Mr. Amon and Division staff discussed the fund's investments in the energy sector, both domestically and internationally. Mr. Liebttag requested more information from the Division regarding the performance of the fossil fuels component of the energy sector. Wasseem Boraie discussed recent concerns regarding short-term borrowing markets, to which Mr. McGrath discussed the Division's approach to short-term fixed income investments. Mr. Amon and Susan Sarnowski of the Division noted limitations in the Council's regulations regarding the duration of repurchase agreements held in the Division's securities lending program.

Proposed Amendment to State Investment Council Bylaws

Mr. Liebttag introduced a proposed amendment to the State Investment Council bylaws to conform to statutory changes regarding the membership and composition of the State Investment Council. Mr. Liebttag made a motion to adopt the bylaws as amended, with Mr. Bruno seconding the motion. On a roll call vote, all members of the Council who were present voted in favor of the motion.

Report on Soft Dollar Expenditures

Gina Costello and Michael Wszolek of the Division reported on the Division's soft dollar arrangements, under which a portion of commissions paid by the Division is utilized to pay for research and trading services on behalf of the Division.

Private Equity Investments

Ardian Buyout Fund VII

Jared Speicher of the Division along with Michelle Davidson of Torrey Cove presented an investment of up to €125 million in Ardian Buyout Fund VII, a pan-European private equity buyout fund, plus up to another €50 million in a co-investment side car vehicle alongside the Fund. Mr. Speicher discussed the fund's investment team, investment strategy, track record and ESG policy. He also described the terms of the investment and its fit into the private equity portfolio. In response to questions from Mr. Liebttag, Mr. Aronson and Mr. Crowe, Mr. Speicher and Ms. Davidson described the size and terms of the co-investment vehicle, discussed the timing of distributions, and addressed the performance of prior funds. They also

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responded to questions from Mr. Raj regarding the pension fund's overall exposure to European funds and the labor and legal environment in Europe regarding corporate restructuring. Mr. Liebttag reported that the IPC had extensively reviewed the investment and recommended presentation to the Council.

KPS Special Situations Fund V, L.P. and KPS Special Situations Mid-Cap Fund, L.P.

Jessie Choi of the Division along with Michelle Davidson of Torrey Cove presented an investment of up to \$175 million in KPS Special Situations Fund V, L.P. and up to \$25 million in KPS Special Situations Mid-Cap Fund, L.P. Ms. Choi discussed the funds' management team and investment strategy. She also described the terms of the investment and its fit within the private equity portfolio. In response to a question from Mr. Crowe, Ms. Davidson discussed how funds with more than one geographic focus are allocated among sectors. Mr. Bruno expressed concern regarding the illiquidity of private equity investments generally. Mr. Liebttag reported that the IPC had extensively reviewed the investment and recommended presentation to the Council.

Public Comment

Leticia Zavala of the Farm Labor Organizing Committee, AFL-CIO spoke about the Division's investment in the British American Tobacco Company.

James Boyle of Central Jersey Climate Coalition, Tina Weishaus of the DivestNJ Coalition, and Ted Glick of 350 New Jersey spoke about fossil fuel investments.

Mr. Amon announced that the Division would host a roadshow sponsored by the National Association of Investment Companies ("NAIC") roadshow following the meeting as part of its initiative to identify a wider range of diverse private equity firms.

Adjournment

Mr. Liebttag made a motion to adjourn the meeting, with Mr. Aronson seconding the motion. All Council members present voted in favor. The meeting was adjourned at 12:12 p.m.

**STATE OF NEW JERSEY
STATE INVESTMENT COUNCIL**

RESOLUTION

WHEREAS, Brian Arena recently retired after thirty-three years as an employee of the State of New Jersey, Department of the Treasury, Division of Investment (the "Division"), serving as a systems analyst, investment analyst, portfolio manager, head of global equities and most recently as investment officer;

WHEREAS, Mr. Arena successfully faced the challenge of managing the Pension Fund's domestic equity portfolio through increasingly volatile and complex market conditions;

WHEREAS, Mr. Arena performed his duties diligently, with integrity and with extraordinary humility;

WHEREAS, Mr. Arena's hard work and dedication ensured that assets entrusted to the Division were invested on behalf of the beneficiaries consistent with the Division's mandate to achieve the best possible return at an acceptable level of risk using the highest fiduciary standards.

THEREFORE BE IT RESOLVED, that the State Investment Council (the "Council"), on behalf of itself and the Division, hereby expresses its gratitude to Mr. Arena for his dedicated service and valuable contributions on behalf of the citizens, taxpayers and fund beneficiaries of the State of New Jersey. The Council acknowledges and appreciates Mr. Arena's selfless and exemplary service and congratulates him on a well-deserved retirement.

Read into the record on the 25th day of September, 2019

Adam Liebttag, Acting Chair