

New Jersey State Investment Council

February 01, 2018 Annual Meeting

Minutes of the Annual Meeting:

Held February 01, 2018 at 10:00 a.m. at the Trenton War Memorial, George Washington Ballroom, 1 Memorial Drive, Trenton NJ.

Council Members in Attendance:

Brendan T. Byrne, Jr., Chair

Adam Liebttag, Vice Chair

Thomas Bruno, Jr.

Michael Cleary

Charles Dolan

James Hanson (via telephone)

Timothy McGuckin

Brady Middlesworth

Eric Richard

Mitchell Shivers (via telephone)

James Joyner and Michael Greaney were not in attendance.

Roll Call and Meeting Notice

The Annual Meeting was called to order by Brendan T. Byrne, Jr., Council Chair, at 10:15 a.m. Ernestine Jones-Booker, Council Secretary, performed roll call and reported that a quorum of the Council was present. Ms. Jones-Booker reported that notice of the Annual Meeting, scheduled for February 01, 2018, was posted on the 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 December 29, 2017. A copy of the notice was posted at the Division and is on file.

Opening Remarks by Chair

Mr. Byrne announced the resignation of Council members Guy Haselmann and Jeffrey Oram, stating that he had appointed James Hanson and Michael Greaney to replace Mr. Haselmann and Mr. Oram on the Investment Policy Committee. Mr. Byrne noted the inauguration of the new governor and administration, and welcomed the new Treasurer's representative, Dini Ajmani, to the meeting. Mr. Byrne cited positive earnings for the fiscal year to date, but cautioned that challenges remained and emphasized the difficulty in predicting markets or quantifying risk.

Speaker, Afsaneh Beschloss, Founder and CEO of Rock Creek

Mr. Byrne introduced Afsaneh Beschloss, founder and CEO of Rock Creek, who described the firm's general investment outlook. In response to questions from Council members, Ms. Beschloss discussed market risks and volatility, the relative advantages of passive versus active investing, the benefits and disadvantages of deregulation, and the risks and rewards of investing in emerging markets. Ms. Beschloss cited the cost-effectiveness of passive investment in efficient markets such as the United States, in contrast to markets with less information (e.g., emerging markets). She noted the rapid pace of technological innovation throughout the world, and emphasized the importance of venture capital. Finally, Ms. Beschloss identified a faster than expected spike in inflation as the most important

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known risk in the markets, and recommended caution when investing in inflation-sensitive assets such as consumer discretionary products.

Report from the Division of Investment

Christopher McDonough, Director of the Division, and Corey Amon, Deputy Director of the Division, provided an overview of the Division and the Council, summarized the pension fund's historical and recent performance and asset allocation, and described capital market trends during the 2017 calendar year. Mr. McDonough reviewed the progress of key Division initiatives in 2017 and proposed initiatives for 2018. Mr. Amon provided an introduction and overview of the Asset Liability Study being performed by the Division along with its consultant Aon Hewitt. In response to Council member questions, Mr. Amon provided greater detail on the assumed rates of employer contributions (including State and local), and the assumed rate of return for investments used in the analysis.

Mr. Hanson left the meeting at this point.

Responding to a question from Eric Richard, Mr. McDonough provided an update on the Division's actions with respect to ESG issues. Mr. McDonough identified Jeffrey Warshauer of the Division as the lead contact on ESG matters, and agreed to provide a further update at a future Council meeting. At the suggestion of Adam Liebttag, Mr. Byrne agreed to form an ESG subcommittee and invited Council members to contact Mr. Liebttag if they were interested in being members of the subcommittee.

Opportunity for Public Comment

Maribel Soto of Make the Road New Jersey and Jim Baker of Private Equity Stakeholder Project spoke about housing foreclosures in Puerto Rico. Mr. Baker noted the efforts of his organization to contact TPG as certain TPG-controlled companies are involved in such foreclosures.

Mr. Liebttag made a motion to call on TPG to establish an open line of dialogue with the Private Equity Stakeholder Project and similar groups to discuss an extended moratorium and other next steps to resolve housing foreclosure issues in Puerto Rico. Mr. Shivers seconded the motion, and all members of the Council voted in favor.

Gregg Sgambati of S Network Global Indexes spoke about consideration of ESG issues as part of the investment process.

Adjournment

Mr. Liebttag made a motion to adjourn the Annual Meeting, with Charles Dolan seconding the motion. All Council members present voted in favor of the motion. The meeting was adjourned at 12:47 p.m.