

New Jersey State Investment Council September 29, 2021 Regular Meeting

Minutes of the Regular Meeting

Due to public health considerations related to COVID-19, this meeting was held remotely via video conference on September 29, 2021.

Council Members in Attendance:

Deepak Raj, Chair

Adam Liebttag, Vice-Chair

Theodore Aronson

Wasseem Boraie

Thomas Bruno

Leonard Carr

Michael Cleary

Michael Greaney

James Hanson

Timothy McGuckin

Samir Pandiri

Eric Richard

Jerome St. John

Edward Yarusinsky

Vaughn Crowe was unable to attend.

Roll Call and Meeting Notice

The Regular Meeting was called to order by Deepak Raj, Council Chair, at 10:05 a.m. Ernestine Jones-Booker, Council Secretary, performed roll call and reported that a quorum was present. Ms. Jones-Booker announced that notice of the Regular Meeting schedule for calendar year 2021 was posted on the website of the Division of Investment (Division); mailed to the Times of Trenton, the Star Ledger, the Bergen Record, and the Courier Post; and e-mailed to the Secretary of State on January 8, 2021 and is on file at the Division.

Minutes of the Regular Meeting held July 21, 2021

Council Vice-Chair Adam Liebttag made a motion to approve the minutes of the regular meeting held on July 21, 2021, with Theodore Aronson seconding the motion. On a roll call vote, all Council members present voted in favor of the motion except Thomas Bruno, who abstained since he was not present at the July meeting.

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Director's Report/Updates

Acting Director Shoaib Khan presented the Director's Report, discussing capital market trends, detailing pension fund performance for Fiscal Year 2021 and describing allocations to various asset classes. Mr. Khan also notified the Council of a modification to certain BlackRock separate accounts, Neuberger Berman / New Jersey Custom Investment Fund III LP, and investments that were pending legal closings.

In response to a question from Mr. Bruno regarding the BlackRock modifications, Mr. Khan stated that the modification would not mandate recycling, but would instead provide more flexibility to the Division with respect to recycling. In response to questions from Mr. Bruno and Michael Cleary regarding the pending separation of PFRS assets from the other pension funds, Mr. Khan described the separation's potential impact on asset allocation, especially with respect to PFRS assets that were not being invested in alternative investments.

Tony Johnson of RVK presented a capital markets summary and an asset allocation and performance update for the Pension Fund. Melanie Lomas, Todd Rowohlt, Bill Connors, Jared Speicher, Kevin Higgins, Niraj Agarwal, and Jessie Choi of the Division presented performance overviews for Fiscal Year 2021 with respect to their respective portfolios. In response to a question from Mr. Bruno regarding a potential crisis from not raising the debt ceiling, Mr. Rowohlt, Ms. Lomas and Mr. Khan noted the potential negative impact on the international portfolio from a short-term spike in interest rates. In response to a question from James Hanson about geopolitical risk and other investment-related concerns in China, Mr. Rowohlt and Mr. Khan discussed the Division's active monitoring of the Pension Fund's allocation to Chinese securities. In response to a question from Mr. Raj regarding the effect of increased inflation and interest rates on the international portfolio, Mr. Ramos distinguished effects resulting from increased economic activity from effects resulting from exchange rate fluctuations.

Edward Yarusinsky temporarily departed the meeting at this time.

Treasurer's Report

Treasurer Elizabeth Maher Muoio announced the departure of Assistant State Treasurer Dini Ajmani and thanked her for her four years of service to the State of New Jersey. Ms. Muoio also thanked the Council and the Division for their hard work in achieving extraordinary pension fund investment returns for Fiscal Year 2021. Ms. Muoio discussed Fiscal Year 2022 revenues and the State's improved credit outlook.

Michael Greaney joined the meeting at this time.

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Election of Chair and Vice Chair

Timothy McGuckin reported that the Nominating Committee, consisting of himself, Mr. Aronson and Mr. Cleary, met and decided to nominate Mr. Raj to continue to serve as Chair of the Council and Mr. Liebttag to continue to serve as Vice Chair of the Council. There were no other nominations. Mr. McGuckin made a motion to elect Mr. Raj as Chair, with Mr. Bruno seconding the motion. On a roll call vote, all Council members present voted in favor of the motion. Eric Richard made a motion to elect Mr. Liebttag as Vice-Chair, with Mr. Aronson seconding the motion. On a roll call vote, all Council members present voted in favor of the motion.

Appointment of Members to the Audit, Investment Policy, ESG, and Governance and Operations Committees

Mr. Raj appointed for another year the following members to committees:

Audit Committee: Mr. Cleary, Mr. Liebttag, Mr. Greaney, and Mr. McGuckin

Investment Policy Committee: Mr. Aronson, Leonard Carr, Wasseem Boraie, Mr. Liebttag, Mr. Crowe, Mr. McGuckin, and Mr. Raj

ESG Committee: Mr. Bruno, Mr. Liebttag, Mr. Carr, Mr. Richard, Mr. Hanson, and Mr. Raj

Governance and Operations Committee: Mr. Crowe, Samir Pandiri, Jerome St. John, Mr. Hanson, Mr. Liebttag, Mr. Richard, and Mr. Raj

Mr. Raj deferred appointments to the Executive Committee until the next State Investment Council Meeting on November 17, 2021.

Approval of State Investment Council Regulation Readoption

Lynn Jahn of the Division presented the Council's regulations for readoption, summarizing amendments to the existing regulations. Mr. McGuckin made a motion to adopt the attached resolution approving the readoption, with Mr. Aronson seconding the motion. Mr. St. John expressed concern that the amended regulations lacked sufficient guard rails and would allow the Division to commit to alternative investments prior to presentation to or approval by the Council. On a roll call vote, all Council members present voted in favor of the motion, with the exception of Mr. St. John who voted against the motion.

In response to Mr. St. John's concerns, Mr. Raj and Mr. Liebttag noted that the Governance and Operations Committee would continue to discuss potential changes to the Council's regulations and bylaws where appropriate.

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Mr. Yarusinsky rejoined the meeting at this time.

Investments

CVC Credit Partners European Direct Lending Strategy – Global Diversified Credit

Mr. Speicher presented an investment of up to €300 million in direct lending funds managed by CVC Credit Partners Investment Management Limited, to be allocated between (i) CVC Credit Partners European Direct Lending Fund III, and (ii) a co-invest vehicle investing alongside the fund. Mr. Speicher provided details regarding the funds' management team, investment strategy and material terms.

Hammes Partners IV, L.P. – Real Estate

Mr. Higgins and Mr. Panebianco presented an investment of up to \$150 million in Hammes Partners IV, L.P., a health-care related real estate fund to be managed by Hammes Partners. Mr. Panebianco described the fund's investment strategy and management team and the material terms of the investment. In response to questions from Mr. Raj and Mr. Boraie, Mr. Panebianco, Mr. Higgins and Sean Barber from Hamilton Lane described the Division's efforts to negotiate fee discounts. In response to questions from Mr. Aronson, Mr. Carr and Mr. Raj, Mr. Panebianco discussed the size and number of other investor commitments to the fund.

TPG Real Estate Thematic Advantage Core-Plus JV, L.P. – Real Estate

Kevin Higgins of the Division presented an investment of up to \$150 million in TPG Real Estate Thematic Advantage Core-Plus JV, L.P., or a related separate account, to be managed by TPG Real Estate Partners, an affiliate of TPG Capital. Mr. Higgins described the fund's investment strategy and management team and the material terms of the investment.

Mr. Raj reported that the IPC reviewed the Division's due diligence with respect to the three investments and had recommended their presentation to the full Council.

Public Comment

Hoboken City Councilman Phil Cohen and John Huyler of Divest NJ spoke regarding the Division's investments in fossil fuels.

Adjournment

Mr. Cleary made a motion to adjourn the meeting, with Mr. Bruno seconding the motion. On a roll call vote, all Council members present voted in favor of the motion. The meeting was adjourned at 11:59 a.m.

Resolution Approving Readoption of N.J.A.C.17:16 with Amendments

BE IT RESOLVED THAT:

The State Investment Council (the "Council") hereby approves the readoption of N.J.A.C. 17:16 with amendments, as attached hereto.

The Council hereby authorizes the Acting Director of the Division of Investment to submit the attached notice of adoption to the Office of Administrative Law for publication, and hereby delegates to staff of the Council and the Division of Investment the authority to make revisions to the notice of adoption as required and as shall be made upon the advice of the Attorney General.

This resolution shall take effect immediately.

DATED: September 29, 2021