

New Jersey State Investment Council

January 25, 2017, Annual Meeting

Minutes of the Annual Meeting:

Held January 25, 2017 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

Marty Barrett

Thomas Bruno, Jr.

Michael Cleary

Charles Dolan

James Hanson

Guy Haselmann

James Joyner

Jeffrey Oram (via telephone)

Eric E. Richard

Mitchell Shivers (via telephone)

Timothy McGuckin 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 10:05 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 January 25, 2017, was posted on the website of the Division of Investment; 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 16, 2016. A copy of the notice was posted at the Division and is on file.

Speaker, James Coulter of TPG

Mr. Byrne introduced James Coulter, Co-CEO and Founding Partner of Texas Pacific Group (TPG), who discussed investment opportunities in a low-return environment. Using the scientific concept of punctuated equilibrium, Mr. Coulter described growth opportunities during periods of rapid change in the evolution of various industries. Mr. Byrne asked Mr. Coulter about the reliability and sustainability of private equity returns, to which Mr. Coulter noted that private equity investors should consistently outperform public investors, since they have access to better information and the ability to make changes to a company's management and capital structure. He stated that, in his view, private equity values are generally under-marked, but that investors should focus on exit proceeds rather than interim valuations. In response to a question from Charles Dolan, Mr. Coulter described the current state of "evolution" of the financial technology, regulatory technology, blockchain and big data industries. Adam Liebttag inquired about the duration of investments, given rapid unforeseen changes in technology. Mr. Coulter explained that the base case for most private equity investments is 5 to 7 years, but the actual timeframe will vary depending on the specific enterprise. In response to questions from Mr. Byrne and James Hanson regarding risks for private equity firms, Mr. Coulter noted "tail" risks from unexpected changes in the

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investment environment, as well as the risk of managing assets across a broad portfolio. Mr. Byrne asked whether the fund's current allocation to private equity seemed appropriate, to which Mr. Coulter responded that the market would generally suggest a higher exposure. He also emphasized the importance of finding ways to innovate within the allocation. Jeffrey Oram inquired whether industry changes are driven more by economic shifts or technological shifts, to which Mr. Coulter commented that changes are hard to predict because they depend on the timely confluence of various factors.

Report from the Division of Investment

Christopher McDonough, Director of the Division of Investment (Division), and Corey Amon, Deputy Director of the Division, provided an overview of the Division, the Council and the pension fund and reviewed capital market trends during 2016, including the performance of various asset classes. Mr. McDonough and Mr. Amon described the pension fund's 2016 performance, and recent and historical trends in asset allocation. Mr. McDonough reviewed key Division developments in 2016 and initiatives for 2017.

Opportunity for Public Comment

Eileen O'Grady of UNITE HERE spoke regarding a labor dispute at the Palms Casino and Resort in Las Vegas, a property previously owned by TPG. Chair Byrne noted that Mr. Coulter was provided a copy of a letter from UNITE HERE regarding the matter.

Adjournment

The annual meeting was adjourned at 11:45pm.