

New Jersey State Investment Council

July 26, 2023 Regular Meeting

Minutes of the Regular Meeting

This meeting was held remotely via video conference on July 26, 2023.

Council Members in Attendance:

Adam Liebttag, Vice-Chair
Wasseem Boraie
Thomas Bruno
Leonard Carr
Michael Cleary
Vaughn Crowe
Michael Greaney
James Hanson
Samir Pandiri
Jerome St. John

Theodore Aronson, Timothy McGuckin, Deepak Raj, Eric Richard, and Edward Yarusinsky were unable to attend.

Roll Call and Meeting Notice

The regular meeting was called to order by Adam Liebttag, Vice-Chair of the State Investment Council (Council), at 10:02 a.m. Ernestine Jones-Booker, Council Secretary, performed roll call. Ms. Jones-Booker announced that notice of the regular meeting schedule for the 2023 calendar year was posted on the public website of the Division of Investment (Division); mailed to the Star Ledger, the Bergen Record, and the Courier Post; and e-mailed to the Secretary of State on December 5, 2022. A copy of the notice is on file at the Division.

Minutes of the Regular Meeting held April 26, 2023

Mr. Liebttag presented the minutes of the regular meeting held on April 26, 2023. A motion to approve the minutes was made by Thomas Bruno, with James Hanson seconding the motion. On a roll call vote, all Council members present voted in favor of the motion.

Minutes of the Executive Session held April 26, 2023

Mr. Liebttag presented the minutes of the executive session held on April 26, 2023. A motion to approve the executive session minutes was made by Michael Cleary, with Mr. Bruno seconding the motion. On a roll call vote, all Council members present voted in favor of the motion.

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Wasseem Boraie joined the meeting at this point.

Election of Nominating Committee

Mr. Liebttag called for nominations for Council members to serve on the Nominating Committee. Mr. Bruno nominated Timothy McGuckin, Michael Cleary, and Theodore Aronson as candidates to serve on the Council's nominating committee. Mr. Liebttag asked the Council if there were any additional nominations. Hearing none, Mr. Liebttag asked for a motion to approve the nominations. Mr. Bruno made a motion to nominate Messrs. McGuckin, Cleary, and Aronson. The motion was seconded by Mr. Boraie. On a roll call vote, all Council members present voted in favor of the motion.

Treasurer's Report

Assistant Treasurer Michael Kanef reported on the completed Fiscal Year 2024 budget, including a third consecutive full funding of the State's pension obligation. He also discussed State revenues, including lottery revenues and tax revenues. Mr. Kanef congratulated the Division for the success of its Private Market Emerging Managers Symposium held virtually in June.

Director's Report

Director Shoaib Khan summarized the Director's Report, providing an update on capital markets through May 31, 2023, and reporting on the Pension Fund's asset allocation and net returns. In response to questions from Mr. Cleary and Mr. Hanson, Mr. Khan and William Connors of the Division described the one-quarter lag for private market benchmarks and returns. In response to a question from Jerome St. John, Mr. Khan confirmed that the fund was currently underperforming the assumed rate of return year-to-date, but noted performance was preliminary and some asset classes reported on a lag. He and Mr. Kanef added that public market returns for the month of June were strong.

Mr. Khan notified the Council of recent alternative investment fund commitments that closed since the Council's last meeting. In response to a question from Mr. Cleary, Mr. Khan confirmed that Police and Fire Retirement System assets were not being invested in alternative investment funds, which could eventually result in a different return profile. In response to a question from Mr. Liebttag, Mr. Connors estimated there were approximately a half dozen additional investments that were still in the process of closing.

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Mr. Khan notified the Council of the termination of RFP for Securities Lending Services. Further, Khan notified the Council of a modification to alternative investment funds managed by Blue Owl Capital (formerly Dyal Capital Partners and Owl Rock Capital Partners).

Verbal Report on Qualified Independent Representative (QIR) Policy

Lynn Jahn of the Division reported to the Council regarding the Division's Qualified Independent Representative (QIR) Policy, stating that the Division received all of the required representations from the relevant QIRs and that the Division was in compliance with the QIR Policy.

Vaughn Crowe joined the meeting at this point.

Asset Allocation Study

Mr. Liebttag announced that on June 9, 2023, the Investment Policy Committee invited and heard from members of the Black Rock team (including Donald Perault, Christian Olinger, Matt Cortese, and Arlyn Lopez) on their capital market assumptions during its meeting. Mr. Liebttag thanked them for their input.

Tony Johnson and Jordan Cipriani of RVK presented a capital market assumptions update, a summary of RVK's asset/liability study, and its asset allocation recommendations. In response to questions from Mr. St. John, Ms. Cipriani and Mr. Khan described the risk expectations for the asset allocation options.

Mr. Khan proposed the establishment of asset class targets, target ranges and recommended changes to benchmarks and benchmark weights. Mr. St. John repeated his overall concerns with the Council's limited authority and lack of guardrails regarding certain asset classes. Mr. Liebttag welcomed Mr. St. John to propose any changes for the IPC and Council to consider. Following questions and comments from Council members on the asset allocation study, Mr. Liebttag presented the proposed asset allocation changes to the Council for adoption.

Mr. Hanson made a motion to approve proposed asset allocation changes (included targets and target ranges) with Mr. Bruno seconding the motion. On a roll call vote, all Council members present voted in favor of the motion. Mr. Bruno made a motion to approve proposed benchmarks and benchmark weights with Mr. Hanson seconding the motion. On a roll call vote, all Council members present voted in favor of the motion.

Vista Equity Partners Fund VIII, L.P.

Robin Clifford of the Division presented an investment of up to \$100 million in Vista Equity Partners VIII L.P. and up to \$100 million in a related co-investment vehicle. Ms. Clifford described

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the fund manager's track record, the funds' investment strategies and the Division's investment thesis. Mr. Liebtag asked if there were any concerns with concentration risks given the amount of existing commitments with Vista. Ms. Clifford stated that the Division had recently received large distributions, which reduced its overall exposure to the fund manager. Further, Ms. Clifford stated that the Division was looking at investments with other fund managers in the software space. Mr. Liebtag announced that the Investment Policy Committee reviewed the Division's due diligence with respect to the investment and recommended its presentation to the full Council.

Public Comment

Pranita Bijlani and Holly Cox of the DivestNJ Coalition spoke regarding the Division's investments in fossil fuels. Ms. Cox was unable to finish her comments due to technical issues; Mr. Liebtag requested that she submit her testimony to the Council in writing for its review.

Adjournment

Mr. Bruno made a motion to adjourn the meeting, with Mr. Cleary seconding the motion. On a roll call vote, all Council members present voted in favor of the motion. The meeting was adjourned at 11:37 a.m.