

# New Jersey State Investment Council

## March 25, 2020 Regular Meeting

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### **Minutes of the Regular Meeting**

Due to public health considerations related to COVID-19, this meeting was held solely via telephone on March 25, 2020.

### **Council Members in Attendance:**

Deepak Raj, Chair  
Adam Liebttag, Vice-Chair  
Theodore Aronson  
Wasseem Boraie  
Thomas Bruno  
Michael Cleary  
Vaughn Crowe  
Michael Greaney  
James Hanson  
Timothy McGuckin  
Samir Pandiri  
Eric Richard  
Jerome St. John  
Edward Yarusinsky

### **Roll Call and Meeting Notice**

The Regular Meeting was called to order by Deepak Raj, Council Chair, at 10:17 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 scheduled for March 25, 2020 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 10, 2020. A copy of the notice was posted at the Division and is on file.

### **Minutes of the Annual and Regular Meetings held January 29, 2020**

Theodore Aronson made a motion to approve the minutes of the annual and regular meetings held on January 30, 2019, with Adam Liebttag, Council Vice Chair, seconding the motion. All Council Members present voted in favor, with the exception of Michael Greaney, Eric Richard, and Jerome St. John who abstained since they were not present during the meeting.

### **Treasurer's Report**

Assistant Treasurer Dini Ajmani reported on Fiscal Year 2020 tax revenues and the long-term impact of COVID-19 closures on the Fiscal Year 2021 budget. Ms. Ajmani also discussed the status of contributions to the Pension Fund.

### **Director's Report**

Division Director Corey Amon updated the Council on the Division's emergency contingency plan for remote access and the status of the Division's executive search for senior investment professionals. Mr.

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Amon summarized the Director's Report, reporting on pension fund performance, providing an update on capital markets, and describing asset class allocations. In response to a question from Mr. Raj, Mr. Amon discussed the liquidity of the Pension Fund.

### **Risk Mitigation Portfolio Restructuring Update**

Jessie Choi of the Division updated the Council on the restructuring of the Risk Mitigation portfolio, including redemptions intended to reduce the portfolio's allocation to approach the Council's target allocation. Daniel Stern of Cliffwater summarized the performance of the risk mitigation portfolio in 2019 and early 2020.

### **Pacing and Cash Flow Analysis**

Michelle Davidson of TorreyCove presented a pacing and cash flow analysis for the Private Equity, Real Assets and Private Credit portfolios. In response to questions from Council members, Ms. Davidson discussed potential effects of a disruption in distributions and the long-term risk of suspending or reducing new commitments. Mr. Liebttag expressed his concern about paying fees on unfunded commitments in an environment where funds have difficulty employing capital.

Sean Barber of Hamilton Lane presented a pacing and cash flow analysis for the Real Estate portfolio. Mr. Barber, at the request of Council members, discussed the impact of current market disruptions on near-term distributions and cash flows. James Hanson emphasized the importance of monitoring portfolio leverage exposure.

Vaughn Crowe departed the meeting at this time.

### **Proposed Amendment to State Investment Council Bylaws**

Mr. Raj introduced proposed amendments to the State Investment Council bylaws reflecting recent statutory changes with respect to Council membership. Mr. Liebttag made a motion to approve the proposed amendments, which motion was seconded by Mr. Aronson. On a roll call vote, all Council members present voted in favor.

### **Private Equity Limitation**

Mr. Raj noted that the Council had previously approved a proposal to amend the Council's regulations to increase the limit on private equity investments from 12 to 15 percent of the Pension Fund's assets. He proposed two resolutions to allow the Division to continue to invest in private equity investments in accordance with the Council's asset allocation policy pending final adoption of this proposal. First, Mr. Raj read a resolution into the record (attached as Exhibit A) approving the Division's authority to purchase private equity investments so long as the aggregate value of the investments do not exceed fifteen percent of the Pension Fund's assets. Michael Cleary made a motion to approve the resolution, and the motion was seconded by Mr. Greaney. On a roll call vote, all Council members present voted in favor of the motion. Mr. Raj then read a resolution into the record (attached as Exhibit B) granting the Division a six-month grace period to reduce the level of private equity investments below the maximum levels set forth in N.J.C. 17:16-90.4(a). Thomas Bruno made a motion to approve the resolution, which motion was

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seconded by Wasseem Boraie. On a roll call vote, all Council members present voted in favor of the motion.

At this time, Mr. Crowe returned to the meeting and Mr. Greaney departed the meeting.

### **Investment**

#### ***CVC Capital Partners VIII***

Jared Speicher and Robert Colton of the Division of Investment, along with Ms. Davidson of TorreyCove, presented an investment of up to €100 million in CVC Capital Partners VIII, a private equity fund that will pursue buyouts of medium to large sized businesses across Europe and North America. Mr. Colton described the manager's track record and investment platforms, and summarized the fund's key investment terms. In response to a question from Mr. Raj, Mr. Speicher and Ms. Davidson discussed various funds focusing on European investment opportunities. Mr. Raj reported that the IPC reviewed the investment and recommended presentation to the Council.

### **Public Comment**

Tina Weishaus, Daniel Cummings and Pranita Bijlani of Divest New Jersey spoke regarding fossil fuel divestment.

### **Adjournment**

Mr. Aronson made a motion to adjourn the meeting, with Mr. Bruno seconding the motion. All Council Members present voted in favor. The meeting was adjourned at 12:27 p.m.

**Resolution Approving Division of Investment  
Authority to Purchase Private Equity Investments  
Pursuant to N.J.A.C. 17:16-90.2**

WHEREAS, as currently in effect, N.J.A.C. 17:16-90.4(a)(1) provides that at the time of purchase of a private equity investment, the aggregate market value of private equity investments under Subchapter 90 (Private Equity) shall not exceed 12 percent of the combined assets of all of the Pension and Annuity Funds (the "Pension Fund");

WHEREAS, due to the recent downturn in the public equity markets, the aggregate value of the Pension Fund's private equity investments currently exceeds 12 percent of the Pension Fund's assets (12.78% as of March 20, 2020);

WHEREAS, N.J.A.C. 17:16-90.2(c) provides that, notwithstanding the restrictions contained in the subchapter, the Council may approve the purchase of private equity on a case-by-case basis;

WHEREAS, the Council, at its November meeting, approved a proposed amendment to N.J.A.C. 17:16-90.4(a)(1) which would increase the limitation on private equity investments from 12% to 15% of Pension Fund assets (the "Amendment"). The Amendment was published in the NJ Register on January 6, 2020, and the comment period is currently scheduled to end on April 6, 2020;

WHEREAS, in order to continue making private equity investments that are in excess of the existing 12 percent limitation but in conformance with the proposed 15 percent limitation, the Division is asking that the Council approve the Division making investments in private equity pursuant to N.J.A.C. 17:16-90.2(c);

**BE IT RESOLVED THAT:**

Pursuant to N.J.A.C. 17:16-90.2(c), the Council hereby approves the purchase of private equity by the Division so long as the aggregate value of the Pension Fund's private equity investments do not exceed 15 percent of the Pension Fund's assets.

This resolution shall take effect immediately and shall continue in effect until the earlier of (1) the date on which the proposed Amendment becomes effective, or (2) the date on which the Council determines not to proceed with the proposed Amendment.

DATED: March 25, 2020

**Resolution Granting Division of Investment Six-Month Grace Period  
Pursuant to N.J.A.C. 17:16-90.4(b)**

WHEREAS, as currently in effect, N.J.A.C. 17:16-90.4(a)(1) provides that at the time of purchase of a private equity investment, the aggregate market value of private equity investments under Subchapter 90 (Private Equity) shall not exceed 12 percent of the combined assets of all of the Pension and Annuity Funds (the "Pension Fund");

WHEREAS, due to the recent downturn in the public equity markets, the aggregate value of the Pension Fund's private equity investments has exceeded 12 percent of the Pension Fund's assets on most days beginning with March 12, 2020 (the percentage was 12.78% as of March 20, 2020);

WHEREAS, N.J.A.C. 17:16-90.4(b) provides that if the limitation is exceeded, the Council shall be notified at its next regularly scheduled meeting and that the Council may grant the Division a six-month period of grace to reduce the level of participation below the maximum levels;

WHEREAS, given the current volatility of the global public markets and taking into account the pending proposed amendment to increase the limitation on private equity investments from 12% to 15% of Pension and Annuity Fund assets, the Division has requested that the Council grant the Division a six-month period of grace in accordance with N.J.A.C. 17:16-90.4(b).

BE IT RESOLVED THAT:

Pursuant to N.J.A.C. 17:16-90.4(b), the Council hereby grants the Division a six-month period of grace, ending on September 25, 2020, to reduce the level of private equity investments below the maximum levels set forth in N.J.A.C. 17:16- 90.4(a).

This resolution shall take effect immediately and shall continue in effect until the later of (1) September 25, 2020, and (2) such later date as extended by the Council pursuant to N.J.A.C. 17:16-90.4(b).

DATED: March 25, 2020