

New Jersey State Investment Council

April 26, 2023 Regular Meeting

Minutes of the Regular Meeting

This meeting was held remotely via videoconference on April 26, 2023.

Council Members in Attendance:

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

Wasseem Boraie was unable to attend.

Roll Call and Meeting Notice

The regular meeting was called to order by Deepak Raj, Chair of the State Investment Council (Council), at 10:05 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 Annual and Regular Meetings held January 25, 2023

Theodore Aronson made a motion to approve the minutes of the annual meeting held on January 25, 2023, with Thomas Bruno seconding the motion. All Council Members present voted in favor of the motion, except for Michael Greaney who abstained since he was not present during the meeting. Michael Cleary made a motion to approve the minutes of the regular meeting held on January 25, 2023, with Mr. Bruno seconding the motion. All Council Members present voted in favor of the motion, except for Mr. Greaney who abstained since he was not present during the meeting.

Treasurer's Report

Assistant Treasurer Michael Kanef provided a report from the State Treasurer, giving an update on the State budget for Fiscal Year 2024, including a full pension contribution payment, and providing a general economic outlook.

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Vaughn Crowe joined the meeting at this time.

Portfolio Update

Director Shoab Khan introduced Brad Johnson, the Division's newly hired Head of Private Credit. Mr. Khan summarized the Director's Report, updating the Council on capital markets and reporting on pension fund performance and asset allocation. Mr. Khan further notified the Council of modifications to Asia Alternatives and BlackRock separately managed investment vehicles. Finally, Mr. Khan notified the Council of recent alternative investment fund commitments that closed as of April 21, 2023.

New Jersey State Employees Deferred Compensation Plan Annual Update

Todd Rowohl of the Division provided an update on the New Jersey State Employees Deferred Compensation Plan (DCP), reporting the addition of six index funds to the DCP fund line-up.

Report on Treasury Supplemental Code of Ethics

Lynn Jahn of the Division reported on the Treasury Supplemental Code of Ethics, which governs personal investing by Division employees. Ms. Jahn noted that there were five violations of the Supplemental Code during calendar year 2022.

Jerome St. John inquired about the calculation of pension fund actuarial obligations, including assumptions regarding cost of living adjustments. Mr. Khan responded that the Division would reach out to the Division of Pensions and Benefits and return with information.

Investments

Private Credit - HPS Investment Partners Separately Managed Account and Co-Investment Vehicle

Jessie Choi of the Division presented an investment of \$350 million in a separately managed investment vehicle to be managed by HPS Investment Partners, LLC and an investment of up to \$200 million in a related co-investment vehicle. Ms. Choi described the funds' investment strategies and summarized the terms of the investment. Mr. Raj reported that the Investment Policy Committee (IPC) reviewed the investment due diligence and recommended presentation to the full Council.

Private Equity - CVC Capital Partners IX, L.P.

Rob Colton of the Division presented an investment of up to €250 million in CVC Capital Partners IX, L.P. Mr. Colton described the fund's investment strategy and summarized the terms of the investment. In response to a question from Judge St. John, Mr. Khan clarified that the Division currently does not hedge against Euro currency risk. Mr. Colton and Mr. Khan also addressed questions raised by James Hanson and Mr. Raj regarding the manager's trend of increasing fund size. Mr. Raj reported that the IPC reviewed the investment due diligence and recommended presentation to the full Council.

Private Equity - American Industrial Partners Capital Fund VIII

Robin Clifford of the Division presented an investment of up to \$150 million in American Industrial Partners Capital Fund VIII. Ms. Clifford described the fund's investment strategy and summarized the

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terms of the investment. Mr. Raj reported that the IPC reviewed the investment due diligence and recommended presentation to the full Council.

Real Estate - GCM Grosvenor Emerging Manager Separately Managed Account

Mr. Khan provided a recap of the Division's Private Markets Emerging Managers Platform, which includes an existing private equity investment with Barings and a proposed real estate investment with GCM Grosvenor. He also announced the Division's Private Market Emerging Managers Virtual Symposium to be held on June 22, 2023. Kevin Higgins of the Division presented an investment of up to \$250 million in a separately managed investment vehicle to be managed by GCM Grosvenor. Mr. Higgins described the fund's investment strategy and summarized the terms of the investment. In response to a question from Mr. Raj, Mr. Higgins described the apportionment of investments between fund-of-fund investments and direct investments such as joint ventures, seed investments and co-investments. Mr. Raj reported that the IPC reviewed the investment due diligence and recommended presentation to the full Council.

Risk Mitigation Strategies (RMS) Portfolio Restructuring

Ms. Choi and Daniel Stern of Cliffwater summarized the steps taken by the Division to restructure its risk mitigation strategy (RMS) portfolio. Mr. Stern outlined the core strategies and characteristics proposed for the restructured portfolio. Leonard Carr emphasized the importance of selecting high quality fund managers with strong verifiable track records. In response to a question from Mr. Aronson, Mr. Stern described the Division's strategy for reducing fees across the portfolio.

Asset Allocation Study

Mr. Khan summarized steps taken by the Division to develop an asset allocation plan. Mr. Khan further informed the Council that the IPC held a meeting earlier in the day at which, at the invitation of the committee chair, Mary Erdoes, Ash Williams and Michael Hood of J.P. Morgan's Multi-Asset Solutions Team discussed market outlook, asset allocation and other topics of interest to the IPC.

James Voytko, Tony Johnson, and Jordan Cipriani of RVK presented a capital market assumptions update, a review of RVK's asset liability study, and an asset allocation study. In response to a question from Mr. Hanson, Mr. Khan noted that it was the Division's current inclination to recommend portfolio 1 (P1) in RVK's study to the Council at its July meeting. In response to Mr. Bruno's concern regarding the political risk of U.S. debt default, Mr. Khan stated that the Division has flexibility within the asset allocation to address short-term risks. In response to Mr. Raj's question regarding the effect of potential funding changes by the State, Mr. Voytko stated that such a change would affect the asset liability study more than the asset allocation study.

Public Comment

Tina Weishaus of the Divest NJ spoke regarding fossil fuel investments.

Adam Liebttag and Edward Yarusinsky departed the meeting at this time.

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Executive Session

Mr. Raj made a motion to adopt the following resolution to go into closed session, with Mr. Bruno seconding the motion:

In accordance with the provisions of N.J.S.A. 10:4-12(b)(5) and N.J.S.A. 10:4-13, BE IT RESOLVED THAT the State Investment Council go into closed (executive) session under the Open Public Meetings Act to discuss a matter involving investments of public funds where disclosure of the discussion could adversely affect the public interest.

The minutes of such meeting shall remain confidential until after such time as the Council determines that the need for confidentiality no longer exists and the matters discussed can be disclosed.

On a roll call vote, all Council members present voted in favor.

The Council entered into closed (executive) session, before reconvening to public session.

Mr. Crowe and Eric Richard departed the meeting at this time.

Adjournment

Mr. Bruno made a motion to adjourn the meeting, with Mr. Greaney seconding the motion. All Council members present voted in favor. The meeting was adjourned at 12:55 p.m.