Minutes of the Regular Meeting
Held March 19, 2014 at the Trenton War Memorial, George Washington Ballroom, 1 Memorial Drive, Trenton, New Jersey.

Council Members in Attendance:
   Robert Grady, Chair  
   Brendan T. Byrne, Jr., Vice Chair  
   Marty Barrett  
   Michael Cleary  
   Charles Dolan  
   Michael Greaney  
   Guy Haselmann  
   James Joyner  
   Adam Liebtag  
   Jeffrey Oram

Mr. McGuckin, Mr. Maurer, Mr. Shivers, and Mr. Hanson were unable to attend.

Roll Call and Meeting Notice
The Regular Meeting was called to order by Robert Grady, Council Chair, at 2:02 PM. Ernestine Jones-Booker, Council Secretary, performed roll call and reported that notice of the Regular Meeting, scheduled for March 19, 2014, was posted on the Division’s website and faxed to the Times of Trenton, the Star-Ledger, the Bergen Record, and the Courier Post on February 18, 2014, and e-mailed to the Secretary of State. A copy of the notice was posted at the Division and is on file.

Minutes for the Special Meeting held February 03, 2014
Chair Grady stated that draft minutes for February 03, 2014 will be circulated to council members in advance of the next State Investment Council Meeting.

2014 SIC Regular Meeting Dates
Chair Grady noted that a new regular meeting on Monday, June 23, 2014, was added to the original proposed meeting schedule in order to make sure that the Council held six regularly scheduled meetings during the year, since the regular meeting scheduled for January 22, 2014 was cancelled on account of snow.

Presentation of FY2013 Pension Fund Financial Statements
John Megariotis of the Division of Pensions and Benefits presented the FY 2013 Pension Fund Financial Statements to the Council, noting that the report is a consolidated one, including cash flows in and out of the pension funds and including all funds administered by the Division of Investment, not only pension plans. Mr. Megariotis described various schedules in detail, including ones showing the fiduciary net position of all defined pension and benefit plans. He also described the plan for the FY 2014 audit, and discussed changes in GASB financial reporting requirements. Chair Grady noted that the auditor provided an unqualified clean opinion with no management letter. Mr. Barrett commented on
the State’s failure to fund its full actuarially required contribution. Mr. Megariotis responded that the contributions were in accordance with the provisions of the pension reform legislation enacted in 2011.

**Directors Report/Update**
Acting Director Chris McDonough reviewed the Director’s Report, describing recent changes in US and global economic and capital market conditions. Mr. McDonough noted that we were at the fifth anniversary of the bull market, with the Dow Jones Industrial Average having experienced a gain of over 150% since March 2009, and with the S&P 500 at an all-time high in early March. He also discussed the FYTD performance of the Pension Fund through February 2014, both overall and by asset class. Mr. McDonough noted that Pension Fund, ex-Police & Fire Mortgages, had experienced a gain of 10.65% from the beginning of the fiscal year to February 28, 2014. Mike Wszolek provided an update on the Division’s sales and trading activity. Mr. McDonough also discussed the Pension Fund’s asset allocation. Finally, pursuant to the Council’s Alternative Investment Modification Procedures, Mr. McDonough notified the SIC that Wells Fargo Asset Management increased its ownership stake in the Rock Creek Group, manager of one of the Division’s hedge fund-of-funds. Mr. McDonough noted that Wells Fargo is a passive owner, and the same individuals at the Rock Creek Group will continue to manage the fund.

**Deferred Compensation Plan Update**
Acting Director McDonough provided an update on the State Deferred Compensation Plan. Mr. McDonough noted the addition of emerging market and real asset categories in the options made available to participants in the Plan’s Goal Maker program, which allocates assets and automatically rebalances portfolios based on a participant’s investment goals and objectives. He also noted the replacement of the Boston Company with RBC Global Asset Management, at the recommendation of the Division. Finally, Mr. McDonough reported that the procurement of a new administrator is underway, and that when that process is complete, the Division intends to reopen two of the State-managed funds - small cap and equity - to plan participants.

**Private Equity Investments**

*Vista Equity Partners Fund V, L.P.*
Meghna Desai of the Division presented a $200 million investment in Vista Equity Partners Fund V, L.P., a software-focused growth equity fund. The Division is already invested in three previous Vista funds, with Vista Equity Partners III, L.P. being the Division’s single best performing private equity fund. Vista is a top quartile private equity manager, having returned a 50% IRR on its realized investments since inception, and an IRR of 29% on all investments. Chair Grady reported that the Investment Policy Committee discussed the investment and was satisfied with the due diligence that was performed.

*Onex Partners IV LP*
Jason MacDonald of the Division presented a $200 million investment in Onex Partners IV, L.P., a buyout fund focused on manufacturing enterprises. Mr. MacDonald stated that prior Onex funds have been at or near top quartile, and noted that the Division has invested in Funds II and III, which were strong performers. Mr. Grady reported that the IPC determined that appropriate and adequate due diligence had been conducted.
Real Assets Investments

**HiTec Vision VIII, L.P.**
Mr. MacDonald presented a $100 million investment in Hitec Vision VII, L.P., a fund focusing on the European energy sector and related sectors. Mr. MacDonald reviewed HiTec’s consistent top-quartile performance, and noted that the Division has previously had exposure to Fund V, which was a strong performer, through one of its fund-of-fund investments. Chair Grady inquired if the energy sector in Europe was an area in which the Pension Fund had little exposure and was seeking more, and Mr. MacDonald and Mr. McDonough affirmed that this was the case. Chair Grady reported that the IPC had discussed the investment and was satisfied that appropriate due diligence had been performed.

**Real Estate Investments**
Mr. Oram recused himself from the discussion of the real estate investments presented to the IPC and to the Council.

**Och-Ziff Real Estate Fund III, L.P.**
Mr. MacDonald presented a $100 million investment in Och-Ziff Real Estate Fund III, a real estate fund focusing on opportunistic investments. Mr. MacDonald reported that the prior two Och-Ziff funds were both top-quartile performers. Chair Grady noted the favorable fee structure and other terms of the Och-Ziff platform, and reported that the IPC had discussed this investment and was satisfied that the due diligence performed by staff was adequate and appropriate.

**Real Estate Secondary Sale**
Acting Director McDonough provided an update on the real estate secondary sale transaction reporting that the Division completed the sale of its interests in 25 real estate funds at 100% of the aggregate 9/30/2012 NAV ($925 million), with 24 of the funds being sold to NorthStar Realty (in conjunction with a minority partner) with payments to be received over a four-year period, and the remaining fund sold to the general partner of the fund, who paid the entire amount up front.

**Report on Iran Divestment**
Susan Sarnowski of the Division reported that in accordance with a 2007 statute (P.L. 2007, Chapter 250), the Division provides an annual update to the Legislature on its divestment from foreign companies identified as having an equity tie to the government of Iran and that do business in specified sectors (e.g., energy, military). The Division relies on research provided by its consultant, IW Financial. Ms. Sarnowski reported on the statute’s effect on the Division’s benchmark. Ms. Sarnowski provided a copy of the report to the Council.

**Report on Northern Ireland**
Ms. Sarnowski stated that pursuant to a 1988 statute (P.L. 1987, c. 177), the Division reports annually to the Legislature on its investments in United States companies doing business in Northern Ireland with respect to their adherence to the MacBride Principles. The Division again utilized research provider, IW Financial, to furnish the required information. Ms. Sarnowski provided a copy of the report to the Council.
New Jersey State Investment Council  
March 19, 2014 Regular Meeting

Agenda Item 1

Report on Treasury Supplemental Code of Ethics
Ms. Sarnowski provided a verbal report on the Treasury supplemental code of ethics, which governs personal investing of Division employees in order to avoid any conflicts of interest. Ms. Sarnowski reported that there were two violations during the year which were referred to Treasury’s Department of Ethics for appropriate action.

Treasurer’s Report
Dr. Steindel of the Treasurer’s office provided an update on current US and NJ economic conditions, with an emphasis on the labor market.

Public Comment
There were no public comments.

Adjournment
Chair Grady motioned to adjourn the meeting, with Mr. Joyner seconding the motion. All members present voted in favor. The meeting was adjourned at 3:13 pm.