Minutes of the Regular Meeting
Held January 29, 2015 at the Trenton War Memorial, George Washington Ballroom, 1 Memorial Drive, Trenton, New Jersey.

Council Members in Attendance:
- Brendan T. Byrne, Jr., Acting Chair
- Marty Barrett
- Michael Cleary
- Charles Dolan
- Michael Greaney
- Guy Haselmann
- Benjamin ‘Max’ Hurst
- James Joyner
- Adam Liebtag
- Timothy McGuckin
- Jeffrey Oram
- Mitchell Shivers (via telephone)

James Hanson was unable to attend.

Roll Call and Meeting Notice
The Regular Meeting was called to order by Tom Byrne, Acting Chair, at 12:44 PM. Ernestine Jones-Booker, Council Secretary, performed roll call and reported that notice of the Regular Meeting, scheduled for January 29, 2015, was posted on the Division’s website; 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 10, 2014. A copy of the notice was posted at the Division and is on file.

Minutes for the Regular Meeting held November 19, 2014
James Joyner made a motion to approve the minutes of the regular meeting held on November 19, 2014, with Charles Dolan seconding the motion. All Council Members present voted in favor, with the exception of Max Hurst who abstained since he did not attend the November 19 meeting.

Approval of SIC Annual Report
Susan Sarnowski of the Division presented a draft of the SIC Annual Report, including the revised pages distributed in the Council packet. Ms. Sarnowski noted additional changes to be made, including changing the assets held at the end of calendar year 2014 to $76.8M to include the Police and Fire mortgages and updating the blended benchmarks for the calendar year when the information for alternatives benchmarks is available. Ms. Sarnowski informed the Council that the report will be sent to the Governor, the Legislature and the State Treasurer by March 1st and posted on the Division’s website in accordance with the Statute. A motion was made by Mr. Byrne to approve the Annual Report, including the revisions outlined by Ms. Sarnowski. Guy Haselmann seconded the motion, and all Council Members in attendance voted in favor.
New Jersey State Investment Council  
January 29, 2015 Regular Meeting

**State Investment Council Officers and Committees**
Mr. Byrne made a motion to request that the nominating committee make recommendations for Chair and Vice Chair to be elected at the next Council meeting and to hold an election for Chair and Vice Chair at that meeting. Mitchell Shivers seconded the motion. All Council Members present voted in favor. In addition, Mr. Byrne announced that he had appointed Mr. Shivers to serve on the Investment Policy Committee (IPC), replacing Robert Grady, who had resigned from the Council.

**Director’s Report/Update**
Deputy Director Corey Amon provided an overview of world economic growth projections, focusing on the strong U.S. dollar, low oil prices, and divergent monetary policies between the U.S. and Europe. Mr. Haselmann noted the risks and opportunities presented by the strong dollar. Director McDonough provided an update of capital markets and fund performance both overall and by asset class, recapped the fund’s asset allocation, and provided an update on the development of the Division’s FY16 Asset Allocation Plan. Marty Barrett asked for clarification regarding hedge fund management fees and performance allocations, and voiced his support for increasing compensation for Division staff.

Finally, pursuant to the Council’s Alternative Investment Modification Procedures, Director McDonough notified the SIC that the Division will reallocate a portion of the $300 million commitment to JANA Strategic Investment Fund II, LP (JSI II) and related co-investment opportunities, so that $200 million would be allocated for investment in JSI II and $100 million would remain available for co-investment opportunities.

**Deferred Compensation Plan Update**
Director McDonough provided an update on the New Jersey State Employees Deferred Compensation Plan. Mr. McDonough announced that employees are now able to make new contributions to the equity and small-cap funds internally managed by the Division. The internally-managed money market and fixed income funds, which were not widely used by DCP participants, were closed with the assets mapped to similar funds. Mr. McDonough also announced that the DCP Board replaced Thornburg Investment Management with Lazard Asset Management in the investment lineup, and the Division was in the process of reviewing a Prudential Investment Management Fixed Income Fund as a potential replacement for an existing PIMCO fund choice, due to organizational changes at PIMCO. Mr. Hurst asked if the DCP was available to state employees only and not to municipal employees; Mr. McDonough confirmed that this was the case.

**Private Equity Investments**

**TPG Growth III, L.P.**
Jason MacDonald of the Division presented an investment of up to $150 million investment in TPG Growth III, L.P., a private equity fund which will invest in growth and small/middle market companies in North America, Asia and Latin America. TPG demonstrated top quartile performance in its two prior funds in which the Division invested. Mr. MacDonald described the terms of the investment. Mr. Byrne reported that the IPC discussed the investment and was satisfied that appropriate and adequate due diligence had been performed.

**JLL Partners Fund VII, LP**
Mr. MacDonald of the Division presented an investment of up to $150 million in JLL Partners Fund VII, L.P., a middle market fund focused on private equity and distressed investments. The Division previously committed to JLL Fund V and
JLL Fund VI. Mr. MacDonald described the favorable negotiated terms of the investment, including an 8% preferred return. Mr. Dolan commented on the compelling 8% hurdle rate. Mr. Byrne reported that the IPC reviewed the investment and was satisfied that appropriate and adequate due diligence had been conducted.

Global Diversified Credit Investment

**TCW Direct Lending**

Mr. MacDonald and Faraz Shooshani of SIS presented an investment of $300 million in the TCW Direct Lending strategy, including a commitment of $150 million to TCW Direct Lending LLC, a fund that invests in loans to middle market companies, and an additional $150 million to a TCW Direct Lending Separate Account, which would invest in lower yielding assets that do not fit into the investment parameters of the main fund. Mr. MacDonald and Mr. Shooshani described the manager’s successful track record, and the terms of the investment. Mr. Haselmann commented on the appropriateness of the investment given the current regulatory environment and the lack of correlation between the investment and other investments in the portfolio. Mr. Byrne reported that the IPC discussed the investment and was satisfied that appropriate and adequate 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)

**TGM Separate Account**

Mr. MacDonald presented an investment of up to $300 million in a separate account to be managed by TGM Associates, investing in and operating rental apartment communities throughout the United States. Mr. MacDonald described the favorable terms of the investment. In response to Mr. Byrne’s question regarding the size of the investment, Mr. McDonald responded that the Division retained the ability to limit the amount it contributed to the fund. Mr. Byrne reported that the IPC reviewed the investment and was satisfied that appropriate and adequate due diligence had been conducted.

Blackstone Strategic Relationship (Mr. Byrne recused himself from the discussion of the Blackstone investments presented to the IPC and to the Council to avoid any perceived conflict of interest since his company invested client assets in Blackstone stock. Mr. Oram recused himself from the discussion of the Blackstone real estate investments)

Director McDonough provided background on the Division’s strategic relationship with Blackstone. Meghna Desai of the Division presented a combination of new and additional commitments to various Blackstone investment vehicles totaling up to $1.05 billion, which will be partially offset by an approximately $400 million redemption in process from CT High Grade II, a core commercial real estate debt fund managed by Blackstone. The proposal includes commitments to the following separate account investment vehicles managed by Blackstone: (1) up to $250 million in aggregate commitments to existing Blackstone Tactical Opportunities Fund–A (Private Equity), existing Blackstone Tactical Opportunities Fund–A (Real Assets), and a new separate account vehicle for real estate tactical opportunities; (2) $150 million additional commitment to existing GSO Energy Partners–A; (3) $200 million additional commitment to existing GSO Credit Partners–A; and (4) $150 million commitment to a new separate account dedicated to core plus real estate opportunities. The proposal also included commitments to the following commingled funds: (1) $50 million commitment to Blackstone Capital Partners VII; (2) $100 million commitment to Blackstone Energy Partners II; (3) $100 million commitment to Blackstone Real Estate Partners VIII; and (4) $50 million commitment to Blackstone Property Partners.
Adam Liebtag inquired how the amount of invested capital in the existing Blackstone funds exceeded the commitment amounts approved by the Council. Ms. Desai responded that the invested capital amount includes recycled proceeds that are reinvested from the original commitment. Mr. Haselmann reported that the IPC had met and reviewed the investment and determined that appropriate and adequate due diligence had been conducted.

Report on Northern Ireland
Ms. Sarnowski reported that pursuant to a 1987 statute, the Division issued a report to the Legislature by January 15th due date on United States companies and their subsidiaries doing business in Northern Ireland with respect to their adherence to the MacBride Principles. The statute also requires the Division to vote in favor of certain shareholder proposals, of which there were none this past year.

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 actual or perceived conflicts of interest. Ms. Sarnowski reported that there were seven violations during the year, all of which were referred to the Office of Ethics Compliance for appropriate action.

Potential Exemption from State Investment Council’s Policy Concerning Political Contributions and Prohibitions on Investment Management Business
Mr. Byrne introduced a discussion of a request by Prologis Management II S.a.r.l. for approval of an exemption for a violation of the Council’s Policy (N.J.A.C. 17:16-4) concerning a political contribution in accordance with the provisions of the Policy. The Policy provides for an exemption when the firm demonstrates in writing that the violation was unintentional and inadvertent, and the Council determines that the beneficiaries, taxpayers and public are best served by such an exemption. Director McDonough discussed the fund’s projected returns and stated that maintaining the investment would be beneficial to the Pension Fund. Mr. Dolan stated that, while the Division needs to remain vigilant on these issues, he was comfortable with Prologis’ response to the violation. Mr. Hurst expressed that while a violation is a violation, the rules specifically provide the Council with the authority to grant exemptions. Mr. Joyner noted the problem with public perception and inquired about the media report concerning the violation. Mr. Liebtag asked about the duration of the engagement for the Prologis investment, to which Mr. McDonough responded that Prologis is an open ended fund with an indefinite duration. Mr. Haselmann stated that because of the issue with public perception he was not fully convinced that he should support the waiver without the support of the union representatives on the Council. Mr. Hurst made a motion, based on the unique circumstances presented on the case in its entirety, to find the criteria for an exemption were met and to approve the exemption, with Mr. Dolan seconding the motion. A roll call vote resulted in approval of the motion, with 8 votes in favor (Byrne, Cleary, Dolan, Greaney, Hurst, Joyner, Oram and Shivers), and 4 abstentions (Barrett, Haselmann, Liebtag and McGuckin).

Treasurer’s Report
Dr. Roger Cohen of the Treasurer’s office provided a brief update on New Jersey employment numbers.

Mr. Byrne announced that the Treasurer’s audit report regarding the General Catalyst matter had been completed, and proposed that the Council table discussion of the report until all Council members had a chance to review it. He proposed placing the item on the agenda for the next regularly scheduled Council meeting, so that the Council could discuss the report and suggest any modifications that would help avoid similar problems in the future.
Public Comment
There were no public comments.

Adjournment
Mr. Joyner made a motion to adjourn the meeting, with Mr. Haselmann seconding the motion. All Council members present voted in favor. The meeting was adjourned at 2:43 pm.