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September 25, 2020

MEMORANDUM TO: The State Investment Council

FROM: Corey Amon
Director

SUBJECT: **Proposed Investment in Separate Account with BlackRock**

The Division of Investment (the "Division") is proposing an investment of up to $250 million in a separately managed investment vehicle (the "Fund") to be managed by BlackRock Private Equity Partners ("BlackRock"). This memorandum is presented to the State Investment Council (the "Council") pursuant to N.J.A.C. 17:16-69.9.

The Division is recommending this investment based on the following factors:

Benefits of co-investing: Co-investing provides several cost-efficient benefits to the Division along with heightened governance from the extra layer of due diligence and monitoring provided by BlackRock. In particular, co-investing allows the Division to better control pacing and manage risk exposures while also serving as an additional sourcing channel for potential future primary fund investments.

Strength of BlackRock's platform: BlackRock, Inc. is the largest asset manager in the world with 2,000 investment professionals, a global footprint across public and private markets, and relationships with thousands of companies across all sectors of the economy. BlackRock manages both a primary and secondaries fund business that results in hundreds of GP relationships. The scale of this platform provides differentiated resources and subject matter expertise for sourcing, underwriting and monitoring co-investments. BlackRock's capabilities and size position it as a preferred partner for co-investment opportunities.

Ability to leverage BlackRock's resources and scale: The Division has maintained a 14-year relationship with BlackRock's Private Equity Partners group based out of Princeton, NJ. This relationship provides benefits to the broader Division and Pension Fund through ongoing training, sharing of market intelligence, and leveraging BlackRock's technologies and tools.

A report of the Investment Policy Committee ("IPC") summarizing the details of the proposed investment is attached.

Division Staff and its private equity consultant, Aksia TorreyCove Partners, undertook extensive due diligence on the proposed investment in accordance with the Division's Alternative Investment Due Diligence Procedures.

As part of its due diligence process, staff determined that the Fund has not engaged a third-party solicitor ("placement agent").

BlackRock applies a robust, integrated approach to assessing and managing the environmental, social, and governance (ESG) implications of its investments to preserve and enhance the value of its investments throughout the investment lifecycle. When evaluating investments, ESG risks and opportunities are fully considered alongside traditional investment approaches by the investment teams. ESG factors are fully integrated into BlackRock's investment monitoring processes. BlackRock has a formal ESG policy and became a signatory to the UNPRI in 2008.

Staff will work with representatives of the Division of Law and outside counsel to review and negotiate specific terms of the legal documents to govern the investment. A preliminary Disclosure Report of Political Contributions has been obtained in accordance with the Council's regulation governing political contributions (N.J.A.C. 17:16-4) and no political contributions have been disclosed. An updated Disclosure Report will be obtained at the time of closing.

Note that the investment is authorized pursuant to Articles 69 and 90 of the Council's regulations. The Fund is considered a private equity buyout investment, as defined under N.J.A.C. 17:16-90.1.

A formal written due diligence report for the proposed investment was sent to each member of the IPC and a meeting of the Committee was held on September 23, 2020. In addition to the formal written due diligence report, all other information obtained by the Division on the investment was made available to the IPC.

We look forward to discussing the proposed investment at the Council's September 30, 2020 meeting.

Attachment

Fund Name: Separate Account with BlackRock

September 25, 2020

Contact Info: *Lynn Baranski, BlackRock Private Equity Partners, One University Square Drive, Princeton, NJ 08540*

Fund Details:

Firm AUM:	$7.43 trillion
Strategy:	Co-Investments and Primary Funds
Year Founded:	1988
Headquarters:	New York, NY
GP Commitment:	1.5%

Key Investment Professionals:

Russ Steenberg, Managing Director/Global Head of PEP: Hired by Merrill Lynch Investment Managers ("MLIM") in 1999 to establish a private equity fund of funds and direct co-investment business. PEP was formed in July 1999 as a business unit of MLIM and was combined with BlackRock in October 2006. Prior to joining MLIM to form PEP, Mr. Steenberg was employed by AT&T Investment Management Company, where he was instrumental in building one of the earliest private capitalprograms in the institutional investment community.

Lynn Baranski, Managing Director/Global Head of Investments: Ms. Baranski has over 20 years of private equity investment experience. Prior to joining Private Equity Partners in 2001, she worked for four years as a Portfolio Manager and Research Analyst in the fixed income division in the European High Yield Group and US Bank Loan Portfolio Group, respectively.

Johnathan Seeg: Managing Director/Global Head of Client Solutions & Strategy: With over 20 years of private equity experience, Mr. Seeg has primary responsibility for PEP's global strategy, business development and client service model. Mr. Seeg's service with the firm dates back to 1999, including his years with MLIM, which merged with BlackRock in 2006.

Investment Summary

BlackRock Private Equity Partners ("BlackRock") manages commitments of approximately $33.6 billion across private equity co-mingled funds and separate accounts, executed through primary and secondary fund investments as well as direct co-investments. BlackRock will invest opportunistically and have the flexibility to invest globally across the spectrum of private equity transactions and investment disciplines, including buyouts, recapitalizations, PIPEs, restructurings, growth equity, venture capital, distresed securities, and mezzanine financings. BlackRock will leverage the relationsihps it has formed over the years from various comingled programs and separate accounts for ample deal flow. BlackRock will target a portfolio diversified by number of investments, managers, geographies, sizes, and sectors, with no individual underlying investment exceeding $50 million (at cost).

Existing and Prior Funds

Funds	Vintage Year	Strategy	Returns as of 03/31/2020
SONJ I	2007	Co-Investments and primary funds	2.0% Net IRR; 1.15x Net TVPI; 1.14x DPI
SONJ II	2008	Co-Investments and primary funds	15.5% Net IRR; 1.57x Net TVPI; 0.70x DPI

Source of Returns - Aksia TorreyCove

IRR = Internal Rate of Return; TVPI= Total Value to Paid-In; DPI= Distributions to Paid-In

Vehicle Information:

Inception:	TBD	**Auditor:**	**Deloitte**
Fund Size:	$250 million to $1.55 billion	**Legal Counsel:**	**Ropes & Gray LLP and Fried Frank**
Management Fee:	co-invest: 0.30% on invested capital		
	primary funds: 0.20% on invested capital		
Profit allocation:	co-invest: 7.5% subject to 1.5x net MOIC		
	10% subject to 1.8x net MOIC		
	primary funds: no carry		
Multiple test:	1.5x net MOIC/1.8x net MOIC		

NJ AIP Program

Recommended Allocation ($mil)	Up to $250 million	**LP Advisory Board Membership:**	**N/A**
% of Fund:	98.5%	**Consultant Recommendation:**	**YES**
		Placement Agent:	**NO**
		Compliance w/ Division Placement Agent Policy:	**N/A**
		Compliance w/ SIC Political Contribution Reg:	**YES**

*This review memorandum was prepared in accordance with the State Investment Council rules governing the Alternatives Investment Program and the policies and procedures related thereto.