

New Jersey State Investment Council

October 25, 2023 Regular Meeting

Minutes of the Regular Meeting

This meeting was held remotely via videoconference on October 25, 2023.

Council Members in Attendance:

Deepak Raj, Chair

Adam Liebttag, Vice-Chair

Wasseem Boraie

Thomas Bruno

Leonard Carr

Michael Cleary

Michael Greaney

James Hanson

Timothy McGuckin

Samir Pandiri

Jerome St. John

Edward Yarusinsky

Theodore Aronson, Vaughn Crowe and Eric Richard were unable to attend.

Roll Call and Notice of Meeting

The regular meeting was called to order by Deepak Raj, Chair of the State Investment Council (Council), at 10:02 a.m. Ernestine Jones-Booker, Council Secretary, performed roll call. Ms. Jones-Booker announced that notice of the regular meeting schedule for 2023 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.

Approval of Minutes for Regular Meeting held July 26, 2023

Thomas Bruno made a motion to approve the minutes of the regular meeting held on July 26, 2023, with Adam Liebttag, Vice Chair of the State Investment Council, seconding the motion. On a roll call vote, all Council Members present voted in favor of the motion.

Report from the State Treasurer

Assistant Treasurer Michael Kanef provided a report from the State Treasurer, giving an update on the State's tax revenues and on the Anchor and Senior Freeze property tax programs. Mr. Kanef also provided a status update on the State's unclaimed property program. In response to a question from Michael Cleary, Director Shoaib Khan confirmed that the Division was on track to complete the transfer of public assets to the Police and Firemen's Retirement System during Fiscal Year 2024.

Wasseem Boraie and Jerome St. John joined the meeting at this time.

New Jersey State Investment Council

October 25, 2023 Regular Meeting

2024 Proposed State Investment Council Meeting Dates

Mr. Raj presented the proposed State Investment Council meeting dates for calendar year 2024. There were no comments to the proposed schedule.

Election of State Investment Council Chair and Vice Chair

Timothy McGuckin reported that the Nominating Committee, consisting of himself, Theodore Aronson and Mr. Cleary, decided to nominate Mr. Raj to serve as Chair of the Council and Mr. Liebttag to serve as Vice Chair of the Council. Mr. Liebttag asked if there were any other nominations for Chair of the Council. Hearing none, Mr. Cleary made a motion to elect Mr. Raj as Chair, with Mr. Bruno seconding the motion. On a roll call vote, all Council members present voted in favor of the motion. Mr. Raj asked if there were any other nominations for Vice Chair of the Council. Hearing none, Mr. Boraie made a motion to elect Mr. Liebttag as Vice Chair, with Michael Greaney seconding the motion. On a roll call vote, all present members voted in favor of the motion.

Appointment of Members to Council Committees

Mr. Raj made the following appointments to Council Committees: Mr. Cleary, Mr. Greaney, and Mr. McGuckin to the Audit Committee; Mr. Bruno, Leonard Carr, James Hanson, Mr. Liebttag, Mr. Raj and Mr. Richard to the ESG Policy Committee; Mr. Aronson, Mr. Boraie, Mr. Carr, Vaughn Crowe, Mr. Liebttag, Mr. McGuckin and Mr. Raj to the Investment Policy Committee; Mr. Crowe, Mr. Hanson, Mr. Liebttag, Samir Pandiri, Mr. Raj, and Mr. St. John to the Governance and Operations Committee; and Mr. Carr, Mr. Liebttag, Mr. McGuckin, Mr. Pandiri, and Mr. Raj for Executive Committee.

Director's Report/Update

Mr. Khan summarized the Director's Report, announcing unaudited pension fund performance for Fiscal Year 2023 and providing details regarding the portfolio's asset allocation.

Quarterly Performance Review for June 30, 2023

Tony Johnson of RVK presented a quarterly performance review of the Pension Fund, including a discussion of the Fund's relative performance against its peer group as well as a risk analysis. In response to a question from Mr. Raj, Mr. Johnson noted that the Pension Fund's current exposure to alternative investment classes was in line with that of its peer group.

Fiscal Year 2023 Performance Review

Mr. Khan, Deputy Director Lisa Walker and Deputy CIO William Connors, along with Melanie Lomas, Todd Rowohlt, Phil Pagliaro, Kevin McGrath, Dana Johns, Brad Johnson, Kevin Higgins, Niraj Agarwal, and Jessie Choi of the Division, presented performance overviews for Fiscal Year 2023 with respect to their respective asset class portfolios. In response to a question from Mr. Boraie, Ms. Johns and Mr. Connors described trends in private equity fundraising and financing strategies. Mr. Raj emphasized the importance of fund manager selection in the venture capital space, to which Ms. Johns and Mr. Khan described the Division's plans with respect to the venture capital portfolio. In response to questions from Mr. Boraie and Mr. Hanson, Mr. Johnson and Mr. Connors described strategic adjustments, including the use of leverage, by

New Jersey State Investment Council October 25, 2023 Regular Meeting

private credit fund managers in response to changes in the credit markets. Mr. Raj noted the outperformance of the private credit portfolio versus the asset class benchmark, which Mr. Johnson credited in large part to fund managers' active management of their respective portfolios. In response to questions from Mr. Boraie and Mr. Raj, Mr. Higgins and Mr. Connors described the real estate portfolio's geographic exposure and the Division's strategy for investing in the real estate market. In response to a question from Mr. Raj, Mr. Agarwal explained the pension fund's progress in investing in renewables.

Mr. Carr departed the meeting at this time.

Alternative Investment Closings Update

Mr. Khan updated the Council on alternative investment fund commitments that closed between July 19, 2023 and October 19, 2023.

Selection of External Investment Advisers for High Yield Fixed Income Portfolio

Mr. Hanson recused himself from this discussion due to his association with certain bidders.

Kevin McGrath of the Division presented a report summarizing the selection of non-discretionary investment advisers for the high yield fixed income portfolio. He explained the selection process and reported that seven advisers were selected: AllianceBernstein, PGIM, PineBridge, Lord Abbett, Federated Hermes, Blackstone and Nomura. In response to questions from Mr. Raj and Mr. St. John, Mr. McGrath described the durations of the contracts and noted that PGIM and Lord Abbett were headquartered in New Jersey.

Private Equity Investment - Altaris Health Partners VI, L.P.

Dana Johns of the Division presented an investment of up to \$150 million in Altaris Health Partners VI, L.P. Ms. Johns described the fund's investment strategy and the terms of the investment. She also discussed the investment team and their performance record. In response to a question from Mr. Bruno regarding the investment's targeted return, Ms. Johns noted the fund's investment period and term. Mr. Raj announced that the Investment Policy Committee reviewed the Division's due diligence with respect to the investment and recommended its presentation to the full Council.

Real Estate Investment – Cerberus Institutional Real Estate Partners VI, L.P.

Kevin Higgins of the Division presented an investment of up to \$200 million into Cerberus Institutional Real Estate Partners VI, L.P. Mr. Higgins described the fund's investment strategy, fund terms, and the Division's investment thesis behind the investment. Mr. Higgins also discussed the fund's investment team and their past investment performance. In response to a question from Mr. Hanson, Mr. Higgins and Mr. Connors discussed the performance of Cerberus' 2015 vintage year fund. Mr. Liebttag noted certain ESG concerns raised in 2022 were not resolved despite engagement efforts made by the Division and asked that such engagement continue. Mr. Raj announced that the Investment Policy Committee reviewed the Division's due diligence with respect to the investment and recommended its presentation to the full Council.

New Jersey State Investment Council

October 25, 2023 Regular Meeting

Private Credit Investment – Separately Managed Account and Potential Co-Investment Vehicle managed by Cerberus Business Finance

Brad Johnson and Vitaly Smirnov of the Division presented an investment of up to \$225 million into a direct lending strategy managed by Cerberus Business Finance, to be allocated up to \$150 million into a separately managed account and up to \$75 million into a potential co-investment vehicle or sleeve. Mr. Smirnov described the funds' investment strategy, targeted returns and fee terms, as well as the funds' management team. Mr. Raj announced that the Investment Policy Committee reviewed the Division's due diligence with respect to the investment and recommended its presentation to the full Council.

Private Equity Investment – Institutional Venture Partners Fund XVIII, L.P.

Dana Johns and Robert Colton of the Division presented an investment of up to \$100 million in Institutional Venture Partners XVIII, L.P. Mr. Colton described the fund's investment focus and terms and the Division's investment thesis. In response to an inquiry from Mr. Raj regarding the fund's exit strategies, Ms. Johns noted the fund's flexibility in using IPOs and strategic partners to exit investments. Mr. Bruno expressed his concern regarding the fund's management fees compared to other types of private equity funds. Mr. Raj announced that the Investment Policy Committee reviewed the Division's due diligence with respect to the investment and recommended its presentation to the full Council.

Public Comment

Holly Cox, Anne Price, and Rachel Dawn Davis spoke regarding fossil fuel investments.

Adjournment

Mr. Cleary made a motion to adjourn the meeting, with Mr. Greaney seconding the motion. On a roll call vote, all Council members present voted in favor of the motion. Meeting was adjourned at 12:58 p.m.