

Minutes of Investment Committee Meeting

February 25, 2020 – 9:50 AM – Board Room

Called to Order: 10:03 a.m. by Board Secretary, Terrill J. Sanchez

Attendance at Committee Meeting(s):

Glenn E. Becker, Chair (via phone)
James Bloom – Designee for Secretary Richard Vague
Susan Boyle – Designee for Representative Michael G. Tobash
Thomas Clancy – Designee for Treasurer Joseph M. Torsella
Charles Duncan – Designee for Senator Vincent J. Hughes
Lloyd Ebright – Designee for Treasurer Joseph M. Torsella
David R. Fillman, Assistant Chair
Alan Flannigan – Designee for Secretary Richard Vague
Dan Ocko – Designee for Representative Dan B. Frankel
Patrick Shaughnessy – Designee for Representative Dan B. Frankel
Representative Michael G. Tobash
Jill Vecchio – Designee for Representative Michael G. Tobash

Other Board Members and Designees

Charles Erdman – Designee for Senator John M. DiSanto
Gregory K. Jordan
Mary A. Soderberg
Gregory C. Thall

Executive Staff

Alicia James
N. Joseph Marcucci
James Nolan
Terrill Sanchez

Consultants

Mike Elio, StepStone
Bud Pellecchia, Callan
Matthew Ritter, NEPC
Matthew Roche, StepStone
Meg Von Schroeter, StepStone
Tom Shingler, Callan

Presenters

Matt Cheng, HarbourVest
Chris Crevier, Neuberger Berman
George Aitken-Davies, Altaris

Peter Lipson, HarbourVest
Ed Powers, HarbourVest
Gary Rozier, Oak Street
David Stonberg, Neuberger Berman
Sean Sullivan, Oak Street
Jackie Wang, Neuberger Berman
Patricia Zollar, Neuberger Berman

Visitors

Greg Balewicz, Lord Abbett
Skip Corkran, Macquarie
Leigh Talbot, New Century Advisors

Staff

Rose Agnew
Randy Albright
Stephen Balucha
Don Bell
Jason Burger
Thomas Derr
Marianna Fazylova
David Felix
Jonathan Ferrar
Brian Gilroy
Randy Gilson
Phillip Greenberg
Suzi Hansel
Pam Hile
Christopher Houston
Meredith Jones
Kevin Kiehl
Dan Krautheim
Alan Lin
Karen Lynn
Katie Mathews
Jeffrey McCormick
Ryan McCoy
Matthew Meads
Jeffrey Meyer
Ryan Morse
Catherine Nolan
Kara O'Donnell
Melissa Seiders
Sarah Souder
Jay Stroup
Bruce Thomas

Joseph Torta
William Truong

1. CALL TO ORDER AND ROLL CALL OF PARTICIPANTS

Board Secretary, Terrill Sanchez, called the meeting to order at 10:03 a.m.

2. ELECTION OF COMMITTEE CHAIRPERSON

Board Secretary, Terrill Sanchez, facilitated the election of the 2020 Investment Committee Chairperson. As a result, Glenn Becker was elected as Chairperson of the Investment Committee.

3. WELCOME AND INTRODUCTIONS

4. APPROVAL OF MINUTES OF DECEMBER 3, 2019 INVESTMENT COMMITTEE MEETING

By motion, the Committee unanimously agreed to approve the minutes of the 12/3/19 meeting.

5. OLD BUSINESS (None)

6. SPECIAL PRESENTATIONS (None)

7. NEW BUSINESS

- **APPOINTMENT OF ASSISTANT CHAIRPERSON**
Chairperson Glenn Becker facilitated the appointment of the Assistant Chairperson. Upon unanimous consent of the Investment Committee, David Fillman was appointed as Assistant Chairperson.
- **REVIEW OF INVESTMENT COMMITTEE WORK PLAN**
A review of the 2020 Investment Committee Work Plan was conducted. No questions or concerns were expressed regarding the Work Plan.
- **CIO UPDATE-2019 ACCOMPLISHMENTS AND 2020 GOALS**
Jim Nolan provided the Investment Committee with an update of the Investment Office's 2019 accomplishments and 2020 goals.
- **ALTARIS HEALTH PARTNERS V, L.P.**
George Aitken-Davies of Altaris Health Partners presented. After his presentation of Altaris Health Partners V, L.P., a motion by the Investment Committee to recommend that the State Employees' Retirement Board commit up to \$50 million to Altaris Health Partners V, L.P. was made as follows:

RESOLVED: That the Investment Committee recommend that the State Employees' Retirement Board accept the recommendation of the Investment Committee to commit up to \$50 million to Altaris Health Partners V, L.P., plus investment expenses and pro rata

share of partnership operating expenses, consistent with executed partnership documents, as an investment within the Private Equity asset class, subject to successful completion of contract negotiations and execution and delivery of closing documents by all parties, including required Commonwealth legal approvals, within 12 months.

The roll call vote tabulation for the motion was as follows:

Board/Investment Committee Member	Vote
David Fillman	Yes
Dan Frankel (Dan Ocko)	Yes
Vincent Hughes (Charles Duncan)	Yes
Michael Tobash	Yes
Joseph Torsella (Lloyd Ebright)	No
Richard Vague (Alan Flannigan)	Yes
Glenn Becker	Yes

➤ **HARBOURVEST PA CO-INVESTMENT FUND L.P.**

Ed Powers, Peter Lipson, and Matt Cheng of HarbourVest presented. After their presentation of HarbourVest PA Co-investment Fund L.P., a motion by the Investment Committee to recommend that the State Employees' Retirement Board commit up to \$200 million to HarbourVest PA Co-investment Fund L.P. was made as follows:

RESOLVED: That the Investment Committee recommend that the State Employees' Retirement Board accept the recommendation of the Investment Committee to commit up to \$200 million to HarbourVest PA Co-investment Fund L.P., plus investment expenses and pro rata share of partnership operating expenses, consistent with executed partnership documents, as an investment within the Private Equity asset class, subject to successful completion of contract negotiations and execution and delivery of closing documents by all parties, including required Commonwealth legal approvals, within 12 months.

The roll call vote tabulation for the motion was as follows:

Board/Investment Committee Member	Vote
David Fillman	Yes
Dan Frankel (Dan Ocko)	Yes
Vincent Hughes (Charles Duncan)	Yes
Michael Tobash	Yes
Joseph Torsella	Yes

(Lloyd Ebright)	
Richard Vague (Alan Flannigan)	Yes
Glenn Becker	Yes

➤ **NEUBERGER BERMAN (NB) PA CO-INVESTMENT FUND LP**

David Stonberg, Patricia Zollar, Chris Crevier, and Jackie Wang of Neuberger Berman (NB) presented. After their presentation of NB PA Co-investment Fund LP, a motion by the Investment Committee to recommend that the State Employees' Retirement Board commit up to \$200 million to NB PA Co-investment Fund LP was made as follows:

RESOLVED: That the Investment Committee recommend that the State Employees' Retirement Board accept the recommendation of the Investment Committee to commit up to \$200 million to Neuberger Berman PA Co-investment Fund LP, plus investment expenses and pro rata share of partnership operating expenses, consistent with executed partnership documents, as an investment within the Private Equity asset class, subject to successful completion of contract negotiations and execution and delivery of closing documents by all parties, including required Commonwealth legal approvals, within 12 months.

The roll call vote tabulation for the motion was as follows:

Board/Investment Committee Member	Vote
David Fillman	Yes
Dan Frankel (Dan Ocko)	Yes
Vincent Hughes (Charles Duncan)	Yes
Michael Tobash	Yes
Joseph Torsella (Lloyd Ebright)	Yes
Richard Vague (Alan Flannigan)	Yes
Glenn Becker	Yes

➤ **AMENDMENT TO MOTION 2019-27 PRIVATE EQUITY-PERMIRA VII & PERMIRA SUSQUEHANNA FUND**

An amendment to Board Motion 2019-27 re: Permira VII L.P.1./Permira Susquehanna (Co-Investment) Fund, L.P. was presented to the Investment Committee by Jeffrey McCormick. As a result, a motion by the Investment Committee to recommend that the State Employees' Retirement Board amend Board Motion 2019-27 was made as follows:

RESOLVED: That the Investment Committee recommend that the State Employees' Retirement Board accept the recommendation of the Investment Committee to amend Board Motion 2019-27 adopted on April 24, 2019, changing the Board's capital

commitment to Permira Susquehanna (Co-Investment) Fund, L.P. from €36 million Euros to \$40 million U.S. Dollars. All other provisions of Board Motion 2019-27 remain unchanged.

The roll call vote tabulation for the motion was as follows:

Board/Investment Committee Member	Vote
David Fillman	Yes
Dan Frankel (Dan Ocko)	Yes
Vincent Hughes (Charles Duncan)	Yes
Michael Tobash	Yes
Joseph Torsella (Lloyd Ebright)	Abstain
Richard Vague (Alan Flannigan)	Yes
Glenn Becker	Yes

➤ **OAK STREET REAL ESTATE CAPITAL FUND V, LP**

Gary Rozier and Sean Sullivan of Oak Street presented. After their presentation of Oak Street Real Estate Capital Fund V, LP, a motion by the Investment Committee to recommend that the State Employees' Retirement Board commit up to \$50 million to Oak Street Real Estate Capital Fund V, LP was made as follows:

RESOLVED: That the Investment Committee recommend that the State Employees' Retirement Board accept the recommendation of the Investment Committee to commit up to \$50 million to Oak Street Real Estate Capital Fund V, LP, plus investment expenses and pro rata share of partnership operating expenses, consistent with executed partnership documents, as a follow-on investment within the Real Estate asset class, subject to successful completion of contract negotiations and execution and delivery of closing documents by all parties, including required Commonwealth legal approvals, within 12 months.

The roll call vote tabulation for the motion was as follows:

Board/Investment Committee Member	Vote
David Fillman	Yes
Dan Frankel (Dan Ocko)	Yes
Vincent Hughes (Charles Duncan)	Yes
Michael Tobash	Yes
Joseph Torsella	Yes

(Lloyd Ebright)	
Richard Vague (Alan Flannigan)	Yes
Glenn Becker	Yes

- **SERS QUARTERLY PERFORMANCE ANALYSIS (AS OF DECEMBER 31, 2019)**
Tom Shingler and Bud Pellecchia of Callan provided the Defined Benefit Quarterly Performance Analysis as of December 31, 2019.
- **SERS DEFINED CONTRIBUTION QUARTERLY INVESTMENT PERFORMANCE ANALYSIS (AS OF DECEMBER 31, 2019)**
Tom Shingler and Bud Pellecchia of Callan provided the Defined Contribution Quarterly Performance Analysis as of December 31, 2019.
- **SERS DEFERRED COMPENSATION PROGRAM QUARTERLY INVESTMENT PERFORMANCE ANALYSIS (AS OF DECEMBER 31, 2019)**
Tom Shingler and Bud Pellecchia of Callan provided the Deferred Compensation Program Quarterly Performance Analysis as of December 31, 2019.

8. EXECUTIVE SESSION/PUBLIC SESSION RESUMES

The Investment Committee entered executive session at 12:44 p.m.

The following agenda items were discussed:

- a. Investment Manager Evaluation Lists
- b. SERS Cash Flow Forecast
- c. 2020 SERS Private Markets Pacing
- d. Liquidity Schedule as of December 31, 2019
- e. Private Markets Unfunded Commitments Update
- f. Real Estate Separate Account Update
- g. CIO Search Update Discussion
- h. Personnel Issues

At 2:05 p.m., the Investment Committee resumed public session.

9. NEW BUSINESS-CONTINUED

- **2020 INVESTMENT INITIATIVES**
Jim Nolan and Bill Truong of the SERS Investment Office, along with Tom Shingler of Callan, provided Callan's 2019 Recap and 2020 Initiatives of SERS' Defined Benefit, Defined Contribution Plan, and Deferred Compensation Plan.
- **REBALANCE RECOMMENDATION**
Jim Nolan and Bill Truong of the SERS Investment Office, along with Tom Shingler of Callan, provided a rebalance recommendation for the Investment Committee to consider. As a result, the following motions were made:

RESOLVED:

1. That the State Employees' Retirement Board accept the recommendation of the Investment Committee to approve the redemption of \$1.615 billion from the BlackRock MSCI World ex-US Index Fund and allocate the proceeds to Cash.

2. That the State Employees' Retirement Board accept the recommendation of the Investment Committee to approve the redemption of \$535 million from the Walter Scott Global Growth Stock Portfolio and allocate the proceeds to Cash. A transition manager may be used to execute this transaction.

3. That the State Employees' Retirement Board accept the recommendation of the Investment Committee to approve the redemption of \$200 million from the Harris Associates International Small Cap Equity Portfolio and allocate the proceeds to Cash. A transition manager may be used to execute this transaction.

4. That the State Employees' Retirement Board accept the recommendation of the Investment Committee to approve the redemption of \$500 million from the BlackRock MSCI Emerging Markets Fund and allocate the proceeds to Cash.

5. That the State Employees' Retirement Board accept the recommendation of the Investment Committee to approve a contribution of \$2.5 billion to the Mellon U.S. Aggregate Bond Index Portfolio to be funded from Cash. A transition manager may be used to execute this transaction.

6. That the State Employees' Retirement Board accept the recommendation of the Investment Committee to approve a contribution of \$350 million to the Brown Brothers Harriman & CO. Treasury Inflation Protected Securities Portfolio to be funded from Cash. A transition manager may be used to execute this transaction.

7. That the State Employees' Retirement Board accept the recommendation of the Investment Committee to approve a contribution of \$750 million to the Mellon U.S. Aggregate Bond Index Portfolio to be funded from Cash. A transition manager may be used to execute this transaction.

The roll call vote tabulation for the motions were as follows:

Board/Investment Committee Member	Vote
David Fillman	Yes
Dan Frankel (Dan Ocko)	Yes
Vincent Hughes (Charles Duncan)	No
Michael Tobash (Jill Vecchio)	Yes

Joseph Torsella (Lloyd Ebright)	Yes
Richard Vague (Alan Flannigan)	Yes
Glenn Becker	Yes

➤ **INVESTMENT COMMITTEE CHARTER AMENDMENTS**

Bill Truong and Chris Houston of SERS proposed an amendment to the Investment Committee Charter for consideration. As a result, the following motion was made:

RESOLVED: That the State Employees' Retirement Board accept the recommendation of the Investment Committee to adopt the amendments to the Investment Committee Charter, as set forth in the attachment, to be effective immediately upon adoption.

The roll call vote tabulation for the motion was as follows:

Board/Investment Committee Member	Vote
David Fillman	Yes
Dan Frankel (Dan Ocko)	Yes
Vincent Hughes (Charles Duncan)	Yes
Michael Tobash (Jill Vecchio)	Yes
Joseph Torsella (Lloyd Ebright)	Yes
Richard Vague (Alan Flannigan)	Yes
Glenn Becker	Yes

➤ **CIO SEARCH UPDATE**

Katie Mathews provided an update of the process of selecting a new Chief Investment Officer.

10. COMMITTEE COMMENTS/CONCERNS/QUESTIONS (None)

11. MOTION TO ADJOURN

By motion that was moved by Chairperson Becker and approved unanimously by Investment Committee members, it was;

RESOLVED:

That this meeting is adjourned at 2:33 p.m.

Respectfully Submitted,

s/James Nolan

James Nolan, Acting Chief Investment Officer