

Minutes of Investment Committee Meeting

February 27, 2019 – 9:30 AM – Board Room

Called to Order: 9:41 a.m. by Assistant Chair David R. Fillman

Attendance at Committee Meeting(s):

Members and Designees

David R. Fillman

Dan B. Frankel

Joseph M. Torsella

Robin L. Weissmann

Thomas Clancy – Designee for Treasurer Joseph M. Torsella

Charles Duncan – Designee for Senator Vincent J. Hughes

Bernie Gallagher – Designee for Representative Dan B. Frankel

Brian LaForme – Designee for Secretary Robin L. Weissmann

Toni Marchowsky – Designee for Senator Vincent J. Hughes

Dan Ocko – Designee for Representative Dan B. Frankel

Leo Pandeladis – Designee for Secretary Robin L. Weissmann

Other Members and Designees

Stephen S. Aichele

Mary A. Soderberg

Michael G. Tobash

Consultants

Jed Drake, NEPC

Mike Elio, StepStone

Tony Johnson, RVK

Bud Pellecchia, Callan

Matthew Ritter, NEPC

Matt Roche, StepStone

Tom Shingler, Callan

Executive Staff

Bryan Lewis

N. Joseph Marcucci

Jeffrey McCormick

Presenting Managers

Steve Blazejewski, PGIM

Michael Collins, Primavera

Jose Feliciano, Clearlake

Lisa Lee, PSG

Tom Reardon, PSG
Larry Teitelbaum, PGIM
Nick Weber, Henderson Park
Kenneth Wong, Primavera

Other Presenters

Lofton Holder, Pine Street
Carrie Lee, Pine Street
Brian Mathis, Pine Street
Vinod Kurup, Pine Street

Staff

Rose Agnew
Randy Albright
Stephen Balucha
Don Bell
Jason Burger
Dhanashree Chitnis
Thomas Derr
Linda Engle
Tony Faiola
David Felix
Jonathan Ferrar
Jason Giurintano
Phillip Greenberg
Suzi Hansel
Pam Hile
Christopher Houston
Kevin Kiehl
Khalfani King
Alan Lin
Karen Lynn
Katie Matthews
Ryan McCoy
Sara McSurdy
Matthew Meads
Jeffrey Meyer
Ryan Morse
James Nolan
M. Catherine Nolan
Maribeth Peters
Joel Rimby
Terrill Sanchez
David Sedlak
Bruce Thomas
William Truong

A. CALL TO ORDER AND ROLL CALL OF PARTICIPANTS

Assistant Chair Fillman called the meeting to order at 9:41 am.

B. WELCOME AND INTRODUCTIONS

An introduction of the Committee members and designees was conducted.

C. APPROVAL OF MINUTES OF FEBRUARY 19, 2019 INVESTMENT COMMITTEE MEETING

Assistant Chair Fillman presented the minutes provided to the committee (2/26/19 email of materials for 2/27/19 Investment Committee meeting). By motion, the Committee unanimously agreed to approve the minutes of the 2/19/19 Investment Committee meeting.

D. PPMAIRC RECOMMENDATIONS PRIORITIZATION

CIO Bryan Lewis presented the most recent update of the PPMAIRC Recommendations Prioritization chart with comments from the investment staff to the Committee. The Committee will provide its own prioritized list, to include comments, to staff prior to the Board Retreat (03/14/19 & 03/15/19) with the expectation that collaboration between the Committees will occur at that time in order to prepare SERS' response and plan of action.

E. CONSULTANT CONSOLIDATION DISCUSSION

Mr. Lewis presented McKinsey & Company firm overview materials to the Committee to review and consider in preparation for future discussion regarding pension investment management consolidation.

F. PINE STREET PRESENTATION

Pine Street Alternative Asset Management presented their investment strategy on seeding emerging hedge fund managers to the Committee for the purpose of future discussion and consideration of hedge fund investment options.

G. QUARTERLY PERFORMANCE

Deputy CIO Jim Nolan and Tony Johnson of RVK presented the SERS Quarterly Performance Report to the Committee.

H. DCP QUARTERLY PERFORMANCE

Mr. Nolan presented the SERB DCP Quarterly Performance Report to the Committee.

I. MULTI-STRATEGY RECOMMENDATION

➤ CLEARLAKE OPPORTUNITIES PARTNERS II, L.P.

Managing Director David Felix provided an introduction of Clearlake Opportunities Partners II, L.P. to the Committee. Jason Burger of SERS, Mike Elio and Matt Roche of StepStone, and Jose Feliciano of Clearlake presented an introduction of the firm and plan for the fund to the Committee for consideration of SERS' commitment.

By motion presented by Assistant Chair Fillman, it was moved, seconded, and approved by Committee members, except Secretary Wiessmann and Treasurer Torsella who abstained, and thus

RESOLVED: That the Investment Committee recommend that the State Employees' Retirement Board commit up to \$75 million to Clearlake Opportunities Partners II, L.P., plus investment expenses and pro rata share of partnership operating expenses, consistent with executed partnership documents, as an investment within the Multi-Strategy 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.

J. EXECUTIVE SESSION

At 12:07 p.m., the Committee recessed and entered executive session to discuss legal matters.

K. PUBLIC SESSION RESUMES

At 12:49 p.m., the Committee resumed and entered public session of the meeting.

L. PRIVATE EQUITY RECOMMENDATIONS

➤ PRIMAVERA CAPITAL FUND III L.P.

Mr. Felix provided an introduction of Primavera Capital Fund III L.P. to the Committee. Ryan Morse of SERS, Messrs. Elio and Roche, and Kenneth Wong and Michael Collins of Primavera presented an introduction of the firm and plan for the fund to the Committee for consideration of SERS' commitment.

By motion presented by Assistant Chair Fillman, it was moved, seconded, and approved by Committee members, except Secretary Wiessmann and Treasurer Torsella who abstained, and thus

RESOLVED: That the Investment Committee recommend that the State Employees' Retirement Board commit up to \$75 million to Primavera Capital Fund III L.P., plus investment expenses and pro rata share of partnership operating expenses, consistent with executed partnership documents, as a follow-on 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.

➤ PROVIDENCE STRATEGIC GROWTH IV L.P.

Mr. Felix provided an introduction of Providence Strategic Growth IV L.P. to the Committee. Messrs. Burger, Elio and Roche, and Tom Reardon and Lisa Lee of PSG presented an introduction of the firm and plan for the fund to the Committee for consideration of SERS' commitment.

By motion presented by Assistant Chair Fillman, it was moved, seconded, and approved by Committee members, except Secretary Wiessmann and Treasurer Torsella who abstained, and thus

RESOLVED: That the Investment Committee recommend that the State Employees' Retirement Board commit up to \$75 million to Providence Strategic Growth IV L.P., plus investment expenses and pro rata share of partnership operating expenses, consistent with executed partnership documents, as a follow-on 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.

M. PRIVATE EQUITY SEMI-ANNUAL PERFORMANCE

Messrs. Elio and Roche presented the SERS semi-annual performance report to the Committee.

N. REAL ESTATE RECOMMENDATIONS

➤ HENDERSON PARK ENHANCED INCOME FUND, LP

Managing Director Phillip Greenberg provided an introduction of Henderson Park Enhanced Income Fund, LP to the Committee. Matthew Meads of SERS, Matt Ritter and Jed Drake of NEPC, and Nick Weber of Henderson Park presented an introduction of the firm and plan for the fund to the Committee for consideration of SERS' commitment.

By motion presented by Assistant Chair Fillman, it was moved, seconded, and approved by Committee members, and thus

RESOLVED: That the Investment Committee recommend that the State Employees' Retirement Board commit \$300 million to Henderson Park Enhanced Income Fund, LP, plus investment expenses and pro rata share of partnership operating expenses, consistent with executed partnership documents, as an 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.

➤ PGIM SENIOR HOUSING PARTNERSHIP FUND VI, L.P.

Mr. Greenberg provided an introduction of PGIM Senior Housing Partnership Fund VI, L.P. to the Committee. Messrs. Meads, Ritter and Drake, and Steve Blazejewski and Larry Teitelbaum of PGIM presented an introduction of the firm and plan for the fund to the Committee for consideration of SERS' commitment.

By motion presented by Assistant Chair Fillman, it was moved, seconded, and approved by Committee members, and thus

RESOLVED: That the Investment Committee recommend that the State Employees' Retirement Board commit up to \$100 million to Senior Housing Partnership Fund VI, L.P., 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.

O. GLOBAL PUBLIC MARKETS

➤ FIXED INCOME STRUCTURE STUDY

The Committee decided to postpone this presentation until the Board Retreat (3/14/19 & 3/15/19) due to time constraints.

➤ **PROXY VOTING SERVICES RECOMMENDATION**

Portfolio Managers Bruce Thomas and William Truong of SERS, and Tom Shingler and Bud Pellecchia of Callan, provided an introduction and commentary on proxy voting options for Committee discussion and consideration.

P. MOTION TO ADJOURN

By motion presented by Assistant Chair Fillman, it was moved, seconded and approved by Committee members, and thus

RESOLVED: That the meeting was adjourned at 2:54 p.m.

Respectfully Submitted,

David R. Fillman, Assistant Chair