

Minutes of Investment Committee Meeting

April 23, 2019 – 10:35 AM – Board Room

Called to Order: 10:35 a.m. by Assistant Chair David R. Fillman

Attendance at Committee Meeting(s):

Members and Designees

David R. Fillman
Michael G. Tobash
Joseph M. Torsella – via bridge
Robin L. Wiessmann – via bridge
Susan Boyle – Designee for Representative Michael G. Tobash
Thomas Clancy – Designee for Treasurer Joseph M. Torsella
Christopher Craig – Designee for Treasurer Joseph M. Torsella
Lloyd Ebright – Designee for Treasurer Joseph M. Torsella
Alan Flannigan – Designee for Secretary Robin L. Wiessmann
Bernie Gallagher – Designee for Representative Dan B. Frankel
Brian LaForme – Designee for Secretary Robin L. Wiessmann
Toni Marchowsky – Designee for Senator Vincent J. Hughes
Dan Ocko – Designee for Representative Dan B. Frankel
Leo Pandeladis – Designee for Secretary Robin L. Wiessmann

Other Members and Designees

Stephen S. Aichele
Mary A. Soderberg

Consultants

Bryce Klempner, McKinsey and Company
Bud Pellicchia, Callan
Matthew Ritter, NEPC
Matt Roche, StepStone
Britt Murdoch, Callan
Tom Shingler, Callan
Elizabeth Skovira, McKinsey and Company - via bridge

Executive Staff

Bryan Lewis
N. Joseph Marcucci
Sara McSurdy
Terrill Sanchez

Presenting Managers

Michael Arougheti, ARES

Chris Austin, ICG
Susan Barlow, Blue Moon
Mark Benedetti, Ardian
Jason Brupbacher, Permira
Vladimir Colas, Ardian
John Haug, Ardian
Myles Gilbert, ARES
Gareth Knight, ICG
Tom Lister, Permira
Anthony Pawlowski, ARES
Kathryn Sweeney, Blue Moon

Visitors

James Bloom, Banking and Securities

Staff

Rose Agnew
Randy Albright
Don Bell
Jason Burger
Dhanashree Chitnis
Thomas Derr
Myisha Ebersole
David Felix
Jonathan Ferrar
Jason Giurintano
Randy Gilson
Phillip Greenberg
Suzi Hansel
Pam Hile
Christopher Houston
Kevin Kiehl
Khalfani King
Dan Krautheim
David Kuntch
Alan Lin
Karen Lynn
Katie Matthews
Jeffrey McCormick
Ryan McCoy
Jeffrey Meyer
Ryan Morse
James Nolan
M. Catherine Nolan
Joel Rimby
David Sedlak

Dana Shettel
Bruce Thomas
Joseph Torta
William Truong

1. CALL TO ORDER AND ROLL CALL OF PARTICIPANTS

Assistant Chair Fillman called the meeting to order at 10:35 a.m.

2. WELCOME AND INTRODUCTIONS

An introduction of the Committee members and designees was conducted.

3. APPROVAL OF MINUTES OF FEBRUARY 27, 2019 AND MARCH 15, 2019 INVESTMENT COMMITTEE MEETINGS

Assistant Chair Fillman presented the minutes provided to the committee. By motion, the Committee unanimously agreed to approve the minutes of the 2/27/19 and 3/15/19 Investment Committee meetings.

4. NEW BUSINESS

MULTI-STRATEGY/PRIVATE EQUITY

➤ ARES STRATEGIC PARTNERSHIP

Bryan Lewis and David Felix, provided an introduction of Ares Strategic Partnership to the Committee. Michael Arougheti, Myles Gilbert, and Anthony Pawlowski 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:

The Committee voted to recommend to the Board that SERS commit up to \$70 million to Ares Special Opportunities Fund, 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.

The Committee voted to recommend to the Board that SERS commit \$330 million to Ares PA Opportunities Fund, 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/Private Equity asset classes, 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.

5. OLD BUSINESS

➤ EXECUTIVE SESSION

At 11:50 p.m., the Committee recessed and entered executive session to discuss legal matters.

➤ PUBLIC SESSION RESUMES

At 2:15 p.m., the Committee resumed and entered public session of the meeting, to include both the Investment Committee and the Board Governance & Personnel Committee.

➤ PPM AIRC RECOMMENDATIONS PRIORITIZATION UPDATE

The Committee participated alongside the Board Governance & Personnel Committee discussions of the PPM AIRC recommendations. In regards to recommendations charged to the Committee, the consensus is that staff and consultants will continue to collaborate to provide updated information and commentary at the June meeting.

➤ PROXY VOTING SERVICES UPDATE

Bruce Thomas, Bill Truong, and Tom Shingler of Callan provided an update to proxy voting services. The Committee authorized investment staff to initiate a search for a proxy voting service provider.

6. SPECIAL PRESENTATIONS – NONE

7. NEW BUSINESS CONTINUED

➤ STEPSTONE CONTRACT EXTENSION

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

RESOLVED:

The Committee voted to recommend to the Board that SERS authorize an extension of the Agreement between SERS and StepStone Group LLC for private equity consulting services for 18 months (until April 5, 2021), under the existing terms, services, and fee schedules, subject to successful completion of contract negotiations and execution and delivery of closing documents by all parties, including required Commonwealth legal approvals, within 6 months.

PRIVATE EQUITY

➤ ARDIAN SF VIII

David Felix and Jason Burger provided an introduction of Ardian SF VIII to the Committee. John Haug, Vladimir Colas, and Mark Benedetti 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 who abstained and Treasurer Torsella who voted no, and thus;

RESOLVED:

The Committee voted to recommend to the Board that SERS commit up to (i) \$100 million to ASF VIII B L.P., and up to (ii) \$50 million to ASF VIII PA Co-Investment Fund, plus investment expenses and pro rata share of partnership operating expenses, consistent with executed partnership documents, as follow-on investments 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.

➤ **PERMIRA VII**

David Felix and Ryan Morse provided an introduction of Permira VII to the Committee. Jason Brupbacher and Tom Lister 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:

The Committee voted to recommend to the Board that SERS commit up to (i) €67 million Euros (approximately \$75 million USD) to Permira VII L.P.1, and up to (ii) €36 million Euros (approximately \$40 million USD) to the Permira Susquehanna (Co-investment) Fund, L.P., plus investment expenses and pro rata share of partnership operating expenses, consistent with executed partnership documents, as follow-on investments 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.

MULTI-STRATEGY➤ **PERMIRA CREDIT SOLUTIONS FUND IV**

Mr. Felix provided an introduction of Permira Credit Solutions Fund IV to the Committee. Jason Brupbacher and Tom Lister 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 Treasurer Torsella who abstained, and thus;

RESOLVED:

The Committee voted to recommend to the Board that SERS commit up to (i) \$75 million to Permira Credit Solutions IV Master (Feeder) SCSp, and up to (ii) \$60 million to the Permira Susquehanna (Co-investment) Fund, L.P., plus investment expenses and pro rata share of partnership operating expenses, consistent with executed partnership documents, as investments 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.

➤ ICG EUROPE VII MID-MARKET FUND

David Felix and Ryan Morse provided an introduction of ICG Europe VII Mid-Market Fund to the Committee. Chris Austin and Gareth Knight 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 Treasurer Torsella who abstained, and thus;

RESOLVED:

The Committee voted to recommend to the Board that SERS commit up to €67 million Euros (approximately \$75 million USD) to ICG Europe Mid-Market Fund SCSp, plus investment expenses and pro rata share of partnership operating expenses, consistent with executed partnership documents, as a follow-on 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.

REAL ESTATE

➤ BLUE MOON SENIOR HOUSING II LP, BLUE MOON SENIOR HOUSING II SIDECAR LP

Mr. Greenberg provided an introduction of Blue Moon Senior Housing II LP/Blue Moon Senior Housing II Sidecar LP to the Committee. Kathryn Sweeney and Susan Barlow 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:

The Committee voted to recommend to the Board that SERS commit up to \$50 million to Blue Moon Senior Housing II LP, and (ii) commit \$50 million to Blue Moon Senior Housing II Sidecar LP, plus investment expenses and pro rata share of partnership operating expenses, consistent with executed partnership documents, as investments 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.

PUBLIC MARKETS

➤ RUSSELL 3000 INDEX RECOMMENDATION

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

RESOLVED:

The Committee voted to recommend to the Board that SERS liquidate the Mellon Capital Management Russell 3000 Index portfolio and transfer the proceeds to cash.

8. EXECUTIVE SESSION – NONE

9. BOARD COMMENTS/CONCERNS/QUESTIONS - NONE

10. MOTION TO ADJOURN

By motion that was moved by Assistant Chair Fillman and approved unanimously by committee members, it was;

RESOLVED:

That this meeting is adjourned at 5:00 p.m.

Respectfully Submitted,



Bryan Lewis, CIO