

Minutes of Investment Committee Meeting

July 30, 2019 – 10:45 AM – Board Room

Called to Order: 11:00 a.m. by Chair Glenn E. Becker

Attendance at Committee Meeting(s):

Investment Committee Members and Designees

Glenn E. Becker, Chair
David R. Fillman, Assistant Chair
Michael G. Tobash
Robin L. Wiessmann
James Bloom – Designee for Secretary Robin L. Wiessmann
Susan Boyle – Designee for Representative Michael G. Tobash
Thomas Clancy – 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
Antoinette Marchowsky – Designee for Senator Vincent J. Hughes
Dan Ocko – Designee for Representative Dan B. Frankel
Leo Pandeladis – Designee for Secretary Robin L. Wiessmann

Other Board Members and Designees

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

Executive Staff

Alicia James
W. Bryan Lewis
N. Joseph Marcucci
Terrill Sanchez

Consultants

Andrew Brett, NEPC
Michael Elio, StepStone
Britton Murdoch, Callan
Tom Shingler, Callan
Matthew Ritter, NEPC
Matthew Roche, StepStone
Sweta Vaidya, Callan
Christopher Waddell, Olson Hagel & Fishburn LLP – via phone

Presenters

Jay Bernstein, KPS Capital Partners
Nathan Brown, Wind Point Partners
Saul Goldstein, Activum SG Capital Management Limited
Bonnie Ko, Activum SG Capital Management Limited
Alex Washington, Wind Point Partners

Visitors

Dyice Beckham, Invesco
Nick Rossmiller, Budget Office-Budget Intern

Staff

Rose Agnew
Randy Albright
Steve Balucha
Don Bell
Jason Burger
Dhanashree Chitnis
Thomas Derr
Myisha Ebersole
Marianna Fazylova
David Felix
Jonathan Ferrar
Brian Gilroy
Jason Giurintano
Phillip Greenberg
Suzi Hansel
Pam Hile
Christopher Houston
Kevin Kiehl
Khalfani King
Alan Lin
Karen Lynn
Katie Matthews
Jeffrey McCormick
Ryan McCoy
Sara McSurdy
Matthew Meads
Jeffrey Meyer
Ryan Morse
Catherine Nolan
James Nolan
Kara O'Donnell
Joel Rimby
Kathleen Ryan
David Sedlak

Sarah Souder
Bruce Thomas
Joseph Torta
William Truong

Interns

Anbria Bates
Emily Bonswick
Jacob Fahnestock

1. CALL TO ORDER AND ROLL CALL OF PARTICIPANTS

Chair Becker called the meeting to order at 11:00 a.m.

2. WELCOME AND INTRODUCTIONS

An introduction of the Committee members and designees was conducted. Chief Investment Officer Bryan Lewis introduced new Investment Office interns, Emily Bonswick and Jacob Fahnestock, to the Investment Committee and touched on the importance and value of the internship program. He also introduced Marianna Fazylova, a new Investment Analyst hired recently to the Investment team.

3. APPROVAL OF MINUTES OF JUNE 13, 2019 & JULY 15, 2019 INVESTMENT COMMITTEE MEETINGS

Chair Becker presented the minutes provided to the Committee. By motion, the Committee unanimously agreed to approve the minutes of the 6/13/19 and 7/15/19 Investment Committee meetings.

4. OLD BUSINESS**➤ PPM AIRC PROGRESS UPDATE**

Jeff Meyer of the SERS Investment Office provided an update to the Investment Committee regarding progress made to date on the following PPM AIRC recommendations: (i) ILPA reporting template; (ii) gross/net performance reporting; (iii) public dissemination of Board materials; (iv) quarterly performance report update; (v) specialty consultants performance reports; (vi) fee reporting; and (vii) working with PSERS in the development of a common standard transparency checklist. An additional update of the recommendations discussed in this meeting will be provided at the September 24th Investment Committee meeting.

5. NEW BUSINESS**➤ PRIVATE EQUITY: KPS SPECIAL SITUATIONS FUND V, LP/KPS SPECIAL SITUATIONS MID-CAP FUND, LP**

David Felix and Jason Burger of the SERS Investment Office provided an introduction of Jay Bernstein of KPS Capital Partners, who presented KPS Special Situations Fund V, LP and KPS

Special Situations Mid-Cap Fund, LP. to the Investment Committee for consideration of SERS' commitment. After their presentations, motions by the Investment Committee were 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 \$75 million to KPS Special Situations Fund V, LP, plus investment expenses and pro rata share of partnership operating expenses, consistent with executed partnership documents, as 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.

AND

That the Investment Committee recommend that the State Employees' Retirement Board accept the recommendation of the Investment Committee to commit up to \$25 million to KPS Special Situations Mid-Cap Fund, LP, plus investment expenses and pro rata share of partnership operating expenses, consistent with executed partnership documents, as 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.

The roll call vote tabulation for both motions was as follows:

Board/Investment Committee Member	Vote
David Fillman	Y
Dan Frankel (Ocko)	Y
Vincent Hughes (Marchowsky)	Y
Michael Tobash	Y
Joseph Torsella (Ebright)	Y
Robin Wiessmann (Pandeladis*)	Recuse
Glenn Becker	Y

➤ **MULTI-STRATEGY: WIND POINT PARTNERS FUND IX-A, L.P.**

David Felix and Ryan Morse of the SERS Investment Office provided an introduction of Alex Washington and Nathan Brown of Wind Point Partners, who presented Wind Point Partners Fund IX-A, L.P. to the Investment Committee for consideration of SERS' commitment. After their presentation, a motion by the Investment Committee 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 \$75 million to Wind Point Partners IX-A, L.P. plus investment expenses and pro rata share of partnership operating expenses, consistent with executed partnership documents, as 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.

The roll call vote tabulation was as follows:

Board/Investment Committee Member	Vote
David Fillman	Y
Dan Frankel (Ocko)	Y
Vincent Hughes (Marchowsky)	Y
Michael Tobash	Y
Joseph Torsella (Ebright)	Abstain
Robin Wiessmann (Pandeladis*)	Recuse
Glenn Becker	Y

➤ REAL ESTATE: ACTIVUM SG FUND VI L.P./ACTIVUM SG FUND VI PENNSYLVANIA SIDE-CAR L.P.

Phil Greenberg and Matthew Meads of the SERS Investment Office provided an introduction of Saul Goldstein and Bonnie Ko of Activum SG Capital Management Limited, who presented Activum SG Fund VI L.P. and Activum SG Fund VI Pennsylvania Side-Car L.P. to the Committee for consideration of SERS’ commitment. After their presentations, motions by the Investment Committee were made as follows:

RESOLVED: That the Investment Committee recommend that the State Employees’ Retirement Board accept the recommendation of the Investment Committee to (i) commit up to €50 million to Activum SG Fund VI L.P., and (ii) commit €50 million to Activum SG Fund VI Co-Investments L.P., 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.

The roll call vote tabulation was as follows:

Board/Investment Committee Member	Vote
David Fillman	Y
Dan Frankel (Ocko)	Y
Vincent Hughes (Marchowsky)	Y
Michael Tobash	Y
Joseph Torsella (Ebright)	Y
Robin Wiessmann (Pandeladis*)	Recuse
Glenn Becker	Y

At 12:25 p.m., the Investment Committee broke for lunch. At 12:53 p.m., the regular Investment Committee meeting reconvened.

➤ SERS PRIVATE EQUITY 2018 ANNUAL REPORT

Michael Elio and Matthew Roche of StepStone and David Felix of the SERS Investment Office presented the SERS 2018 Annual Report for Private Equity.

➤ SERS EMERGING MANAGER INVESTMENT ACTIVITY UPDATE

Tom Shingler of Callan and Bruce Thomas and Bill Truong of the SERS Investment Office presented an Emerging Manager Investment Activity Update.

➤ SERS REAL ESTATE SEMI-ANNUAL PERFORMANCE REVIEW (AS OF DECEMBER 31, 2018)

Andrew Brett and Matthew Ritter of NEPC and Phil Greenberg and Matthew Meads of the SERS Investment Office presented the SERS Semi-Annual Report for Real Estate.

6. EXECUTIVE SESSION

The Investment Committee entered executive session at 1:30 p.m. At 3:03 p.m., the Investment Committee resumed public session.

7. NEW BUSINESS – CONTINUED

➤ COMPENSATION OF ACTING CHIEF INVESTMENT OFFICER

As a result of a discussion on the compensation of the Acting Chief Investment Officer and by a unanimous vote of 7 YES, a motion by the Investment Committee was made as follows:

RESOLVED: That the State Employees' Retirement Board accept the recommendation of the Investment Committee to approve and grant James G. Nolan a temporary 4.5% hourly pay increase, effective the date of his appointment as Acting Chief Investment Officer, until such time as a permanent Chief Investment Officer begins employment.

The roll call vote tabulation was as follows:

Board/Investment Committee Member	Vote
David Fillman	Y
Dan Frankel (Gallagher)	Y
Vincent Hughes (Marchowsky)	Y
Michael Tobash	Y
Joseph Torsella (Ebright)	Y
Robin Wiessmann	Y
Glenn Becker	Y

➤ **FIXED INCOME DISCUSSION**

It is noted that there was as an agenda item entitled Fixed Income Discussion; however, there was no discussion of this item during the public meeting.

8. SPECIAL PRESENTATION

- Britton Murdoch, Tom Shingler, and Sweta Vaidya of Callan led a presentation on Asset Liability for Board education purposes.

9. COMMITTEE COMMENTS/ANNOUNCEMENTS/DATE TO REMEMBER

NONE

10. MOTION TO ADJOURN

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

RESOLVED:

That this meeting is adjourned at 3:35 p.m.

Respectfully Submitted,



W. Bryan Lewis, Chief Investment Officer