

## **Minutes of Investment Committee Meeting**

April 21, 2020 – 9:00 AM – Teleconference

**Called to Order: 9:02 a.m. by Committee Chair, Glenn E. Becker**

### **Attendance at Committee Meeting(s):**

Glenn E. Becker, Committee Chair  
James Bloom – Designee for Secretary Richard Vague  
Susan Boyle – Designee for Representative Michael G. Tobash  
Charles Duncan – Designee for Senator Vincent J. Hughes  
Lloyd Ebright – Designee for Treasurer Joseph M. Torsella  
David R. Fillman, Assistant Chairperson  
Alan Flannigan – Designee for Secretary Richard Vague  
Representative Dan B. Frankel  
Toni Marchowsky – Designee for Senator Vincent J. Hughes  
Dan Ocko – Designee for Representative Dan B. Frankel  
Patrick Shaughnessy – Designee for Representative Dan B. Frankel  
Representative Michael G. Tobash  
Treasurer Joseph M. Torsella  
Secretary Richard Vague  
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

### **Senior Staff**

Don Bell  
Alicia James  
Daniel Krautheim  
Jeffrey McCormick  
Christopher Houston  
N. Joseph Marcucci  
James Nolan  
Terrill Sanchez  
Joseph Torta

**Presenters**

Greg Elliott, Sterling Group Partners  
Franny Jones, Sterling Group Partners  
Scott MacLaren, Sterling Group Partners  
Chris Stadler, CVC Capital Partners  
Rob Squire, CVC Capital Partners  
Kent Wallace, Sterling Group Partners

**Consultants**

Andrew Brett  
Mike Elio  
Britt Murdoch  
Bud Pellecchia  
Matt Ritter  
Matt Roche  
Meg von Schroeter  
Tom Shingler

**1. CALL TO ORDER**

Committee Chair, Glenn Becker, called the meeting to order at 9:02 a.m.

**2. WELCOME AND INTRODUCTIONS**

Prior to the meeting being called to order, Jim Nolan welcomed meeting attendees and took the Investment Committee roll call.

**3. APPROVAL OF MINUTES OF FEBRUARY 25, 2020 INVESTMENT COMMITTEE MEETING AND MARCH 26, 2020 SPECIAL INVESTMENT COMMITTEE MEETING**

By motion, the Committee unanimously agreed to approve the minutes of both meetings.

**4. OLD BUSINESS** (None)**5. NEW BUSINESS**

- **CIO COMMENTS-SERS' MARKET UPDATE; MANAGER UPDATES: FIS GROUP NAME CHANGE; FRANKLIN TEMPLETON-LEGG MASON MERGER**  
Jim Nolan provided the Investment Committee with manager updates. The manager updates included notice of the consolidation of FIS Group and Piedmont Investment Advisors to a newly formed corporate entity, Xponance, Inc., and notice of Franklin Templeton's acquisition of Legg Mason, Inc. After the manager updates were addressed, Jim Nolan provided the Investment Committee with the SERS market update.
- **CVC CAPITAL PARTNERS VIII (A) L.P.**  
Rob Squire and Chris Stadler of CVC Capital Partners presented. After their presentation of CVC Capital Partners VIII (A) L.P., a motion by the Investment Committee, cast by David Fillman and seconded by Charles Duncan, Designee for Senator Vincent Hughes, to

recommend that the State Employees' Retirement Board commit up to €50 million (approximately \$54 million) to CVC Capital Partners VIII (A) L.P., was made as follows:

RESOLVED: That the Investment Committee recommend that the State Employees' Retirement Board commit up to €50 million (approximately \$54 million) to CVC Capital Partners VIII (A) L.P., plus investment expenses and pro rata share of partnership operating expenses, 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.

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	No
Joseph Torsella	No
Richard Vague (Alan Flannigan)	Abstain
Glenn Becker	Yes

As a result, the Motion passed, and the recommendation was brought to the Board.

➤ **STERLING GROUP PARTNERS V, L.P.**

Greg Elliott, Kent Wallace, Scott MacLaren, and Franny Jones of Sterling Group Partners presented. After their presentation of Sterling Group Partners V, L.P., a motion by the Investment Committee to recommend that the State Employees' Retirement Board commit up to \$50 million to Sterling Group Partners V, L.P. was considered. David Fillman cast the motion, but it was not immediately seconded (see continued entry below).

**6. SPECIAL PRESENTATIONS (None)**

**7. COMMITTEE COMMENTS/CONCERNS/QUESTIONS (None)**

**8. EXECUTIVE SESSION**

The Investment Committee entered Executive Session at 10:41 a.m.

The following agenda items were discussed:

- a. SERS Cash Flow Forecast
- b. 2020 SERS Private Markets Pacing
- c. Liquidity Schedule as of February 29, 2020

- d. Private Markets Unfunded Commitments Update
- e. Board Temporary Expanded Delegation of Authority

At 12:07 p.m., the Investment Committee resumed public session.

## 9. PUBLIC SESSION RESUMES

### ➤ BOARD TEMPORARY EXPANDED DELEGATION OF AUTHORITY

As a result of discussions held in Executive Session, a motion by the Investment Committee, cast by David Fillman and seconded by Treasurer Joseph Torsella, to recommend that the State Employees' Retirement Board approve a temporary expanded delegation of authority to the Chief Investment Officer until December 31, 2020 (or such earlier date that the Board shall direct), was made as follows:

RESOLVED: That the Investment Committee recommend that the State Employees' Retirement Board approve a temporary expanded delegation of authority to the Chief Investment Officer until December 31, 2020 (or such earlier date that the Board shall direct). The temporary expanded delegation of authority allows the Chief Investment Officer to:

- 1) make strategic withdrawals of up to a total of \$500 million from existing investment portfolios within the Public Markets asset classes, if in the opinion of the Chief Investment Officer it is fiduciarily prudent to do so;
- 2) if The Pennsylvania State University makes a lump sum payment for the advance payment of its unfunded actuarial accrued liability, or if cash exceeds its current level, then to the extent that it is not retained as cash or needed for liquidity purposes, it may be invested in existing investment vehicles according to the ranges established in the Investment Policy Statement as is fiduciarily prudent; and
- 3) amend investment manager guidelines where necessary to prevent forced selling of securities that may be outside of their current guidelines due to rating agency downgrades during this volatile market environment, or other similar amendments to mitigate adverse impacts on a portfolio.

The Chief Investment Officer shall consult with the Board general investment consultant, SERS Investment Committee Chair, and Board Chair prior to executing the above expanded authority investment action. All actions taken shall be consistent with the long-term investment guidelines established by the Board. In the event such action is taken, the Board and the Investment Committee will be apprised as soon as practicable, but no later than the next regularly scheduled Board or Investment Committee meeting, respectively.

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
Richard Vague (Alan Flannigan)	Yes
Glenn Becker	Yes

As a result, the Motion passed, and the recommendation was brought to the Board.

- **STERLING GROUP PARTNERS V, L.P. (Continued)**  
Committee Chair Glenn Becker expressed his desire to second the earlier motion for Sterling Group Partners V, L.P. so as to progress to a roll call vote by the Investment Committee on a motion to recommend that the State Employees' Retirement Board commit up to \$50 million to Sterling Group Partners V, L.P., which was made as follows:

**RESOLVED:** That the Investment Committee recommend that the State Employees' Retirement Board commit up to \$50 million to Sterling Group Partners V, 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.

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

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

As a result, the Motion did not pass, and no recommendation was made to the Board.

10. MOTION TO ADJOURN

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

RESOLVED:

That this meeting is adjourned at 12:15 p.m.

Respectfully Submitted,

s/James Nolan

James Nolan, Acting Chief Investment Officer