

Minutes of Investment Committee Meeting

February 23, 2021 – 9:35 AM – Livestream

Called to Order: 9:53 a.m. by Committee Chair, Glenn E. Becker

Attendance at Committee Meeting(s):

Glenn Becker, Committee Chair
James Bloom – Designee for Secretary Richard Vague
Senator John DiSanto
Lloyd Ebright – Designee for Treasurer Stacy Garrity
Charles Erdman – Designee for Senator John DiSanto
David Fillman, Assistant Chair
Alan Flannigan – Designee for Secretary Richard Vague
Representative Dan Frankel
Treasurer Stacy Garrity
Greg Jordan
Matt Lindsay – Designee for Senator Vincent Hughes
Toni Marchowsky – Designee for Senator Vincent Hughes
Dan Ocko – Designee for Representative Dan Frankel
Patrick Shaughnessy – Designee for Representative Dan Frankel
Gregory Thall

Other Board Members and Designees

Susan Boyle – Designee for Representative Paul Schemel
Representative Paul Schemel
Mary Soderberg
Jill Vecchio – Designee for Representative Paul Schemel

Senior Staff

Christopher Houston
Seth Kelly
N. Joseph Marcucci
Sara McSurdy
Terrill Sanchez
Joseph Torta

Other Staff

Rose Agnew
Katie Bates
Don Bell
Kelly Bernhard
Thomas Derr
Pam Hile
Kevin Kiehl

Daniel Krautheim
Karen Lynn
Katie Mathews
Jeff Meyer
Mark Walter

Committee Counsel

Jeffrey McCormick

Consultants

Mike Elio, StepStone Group, LP
Britt Murdoch, Callan Associates Inc.
Bud Pellecchia, Callan Associates Inc.
Matt Ritter, NEPC, LLC
Tom Shingler, Callan Associates Inc.
Meg von Schroeter, StepStone Group, LP

Presenters

Mike Elio, StepStone Group, LP
David Felix, SERS
Christopher Houston, SERS
Seth Kelly, SERS
Britt Murdoch, Callan Associates Inc.
Jim Nolan, SERS
Bud Pellecchia, Callan Associates Inc.
Zita Saurel, Hellman & Friedman Capital Partners LLC
Tom Shingler, Callan Associates Inc.
Allen Thorpe, Hellman & Friedman Capital Partners LLC
Bill Truong, SERS

Other

Todd Bailey, Mellon
Paul Benson, Mellon
Manuel Hayes, Mellon

1. CALL TO ORDER

Committee Chair, Glenn Becker, called the meeting to order at 9:53 a.m.

2. WELCOME AND ROLL CALL**3. ELECTION OF COMMITTEE CHAIRPERSON**

Board Secretary, Terrill Sanchez of SERS, facilitated the election of the 2021 Investment Committee Chairperson. As a result, Glenn Becker was elected as Chair of the Investment Committee.

4. APPROVAL OF MINUTES OF DECEMBER 1, 2020 INVESTMENT COMMITTEE MEETING

By motion, the Committee unanimously agreed to approve the minutes of the December 1, 2020 Investment Committee meeting.

5. OLD BUSINESS (None)

6. NEW BUSINESS

➤ APPOINTMENT OF ASSISTANT CHAIRPERSON

Chair Becker facilitated the appointment of the Assistant Chairperson. Upon unanimous consent of the Investment Committee, David Fillman was appointed as Assistant Chair.

➤ REVIEW OF INVESTMENT COMMITTEE WORK PLAN

Bill Truong of SERS provided a review of the 2021 Investment Committee Work Plan.

➤ INVESTMENT COMMITTEE CHARTER REVIEW/AMENDMENT

Seth Kelly and Chris Houston of SERS provided the Investment Committee with a review of the Investment Committee Charter. The Committee approved changes to its charter, including a provision that requires closer examination of the system's assets and liabilities within the Investment Committee. It passed a motion, as amended, cast by David Fillman and seconded by Greg Jordan, referring these changes to both the full Board and the Board Governance and Personnel Committee.

The motion was for the Investment Committee to recommend: (i) to the State Employees' Retirement Board that it approve the amendments to the Investment Committee Charter, as set forth in the attached, after receiving input from the Board Governance and Personnel Committee, and (ii) to the Board Governance and Personnel Committee that it concurs with this Committee's recommendation and so inform the State Employees' Retirement Board.

These proposed changes were not to be acted on by the Board at this time. Instead, the Board Governance and Personnel Committee will consider these changes and make a recommendation to the full Board at a future meeting. At that future meeting, the Board will be asked to vote approving the proposed changes.

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

Board/Investment Committee Member	Vote
David Fillman	Y
Dan Frankel	Y
Vincent Hughes (Toni Marchowsky)	Y
Stacy Garrity	Y
John DiSanto	Y
Greg Jordan	Y
Greg Thall	Y
Richard Vague (Alan Flannigan)	Y
Glenn Becker	Y

- **CIO UPDATE-2020 ACCOMPLISHMENTS AND 2021 GOALS & REBALANCING UPDATE**
Seth Kelly of SERS provided the Investment Committee with SERS' Investment 2020 accomplishments and 2021 goals. Seth Kelly and Jim Nolan also provided a summary of rebalancing actions taken by SERS since the last Investment Committee meeting.
- **CALLAN 2021 INVESTMENT INITIATIVES FOR SERS**
Seth Kelly of SERS provided an introduction of Tom Shingler of Callan, who provided the Investment Committee with Callan's 2021 investment initiatives for SERS.
- **SERS DEFINED BENEFIT PROGRAM QUARTERLY INVESTMENT PERFORMANCE ANALYSIS (AS OF DECEMBER 31, 2020)**
Tom Shingler of Callan provided the Defined Benefit Program Quarterly Performance Analysis as of December 31, 2020.
- **SERS DEFERRED COMPENSATION PROGRAM QUARTERLY INVESTMENT PERFORMANCE ANALYSIS (AS OF DECEMBER 31, 2020)**
Bud Pellecchia of Callan provided the Deferred Compensation Program Quarterly Performance Analysis as of December 31, 2020.
- **SERS DEFINED CONTRIBUTION PROGRAM QUARTERLY INVESTMENT PERFORMANCE ANALYSIS (AS OF DECEMBER 31, 2020)**
Britt Murdoch of Callan provided the Defined Contribution Program Quarterly Performance Analysis as of December 31, 2020.

➤ **PRIVATE EQUITY OPPORTUNITY: HELLMAN & FRIEDMAN CAPITAL PARTNERS X, L.P.**

Seth Kelly and David Felix of SERS provided an introduction of Hellman & Friedman Capital Partners LLC. Mike Elio of StepStone provided additional support by summarizing how the proposed fund being presented positively fits into the SERS Private Equity portfolio. Allen Thorpe and Zita Saurel of Hellman & Friedman Capital Partners LLC then presented. After their presentation, a motion by the Investment Committee was considered. The below motion, cast by David Fillman and seconded by Representative Dan Frankel, was made as follows:

RESOLVED: That the Investment Committee recommend that the State Employees’ Retirement Board commit up to \$125 million to Hellman & Friedman Capital Partners X, 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	Y
Dan Frankel	Y
Vincent Hughes (Toni Marchowsky)	Y
Stacy Garrity	N
John DiSanto	Y
Greg Jordan	Y
Greg Thall	Y
Richard Vague (Alan Flannigan)	Y
Glenn Becker	Y

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

➤ **FIXED INCOME OPPORTUNITY: MELLON U.S. HIGH YIELD ENHANCED INDEX STRATEGY**

Seth Kelly of SERS provided an introduction of Mellon’s U.S. High Yield Enhanced Index Strategy and how it fits into SERS’ new Fixed Income structure. After the presentation, a motion by the Investment Committee was considered. The below motion, cast by Alan Flannigan, Designee for Secretary Richard Vague, and seconded by David Fillman, was made as follows:

RESOLVED: That the Investment Committee recommend that the State Employees' Retirement Board commit up to \$500 million to BNYM Mellon DB SL High Yield Beta Fund as an investment within the Fixed Income 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	Y
Dan Frankel	Y
Vincent Hughes (Toni Marchowsky)	Y
Stacy Garrity	Y
John DiSanto	Y
Greg Jordan	Y
Greg Thall	Y
Richard Vague (Alan Flannigan)	Y
Glenn Becker	Y

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

➤ **EXTENSION OF STEPSTONE CONTRACT**

Seth Kelly of SERS informed the Investment Committee of the anticipated expiration of SERS' contract with Stepstone Group LLC for private equity consulting services. As a result, a motion by the Investment Committee, cast by David Fillman and seconded by Greg Thall, was made as follows:

RESOLVED: That the Investment Committee recommend that the State Employees' Retirement Board authorize an extension of the Agreement between SERS and StepStone Group LLC for private equity consulting services for 18 months (until October 4, 2022), 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, prior to its expiration.

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

Board/Investment Committee Member	Vote
David Fillman	Y
Dan Frankel	Y
Vincent Hughes (Toni Marchowsky)	Y
Stacy Garrity	Y
John DiSanto	Y
Greg Jordan	Y
Greg Thall	Y
Richard Vague (Alan Flannigan)	Y
Glenn Becker	Y

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

➤ **BOARD EDUCATION PRIMER: ROLE OF EQUITY IN THE FUND**

Seth Kelly of SERS provided the Investment Committee with an introduction of the educational presentation, “Role of Equity in the Fund”, scheduled to be held during the February 24, 2021 Board meeting.

7. SPECIAL PRESENTATION (None)

8. EXECUTIVE SESSION (None)

It was deemed that the materials prepared for Executive Session did not require the Investment Committee to break for an official Executive Session. Therefore, Public Session continued.

The following Executive Session agenda items were made available:

- a. SERS Defined Benefit Plan-Management Fee Analysis
(Informational Item Only)
- b. 2019 and 2020 Placement Agent Disclosure Report
(Informational Item Only)
- c. Investment Manager Evaluation Updates
- d. SERS Cash Flow Forecast
- e. 2021 SERS Private Markets Pacing
- f. Liquidity Schedule as of December 31, 2020
- g. Private Markets Unfunded Commitments Update

9. PUBLIC SESSION CONTINUATION

10. COMMITTEE COMMENTS/CONCERNS/QUESTIONS (None)

11. 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 11:42 a.m.

Respectfully Submitted,

s/Seth Kelly

Seth Kelly, Chief Investment Officer