

## Minutes of Investment Committee Meeting

April 28, 2021 – 9:45 AM – Livestream

**Called to Order: 10:01 a.m. by Committee Chair, Glenn E. Becker**

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

Glenn Becker, Committee Chair  
James Bloom – Designee for Secretary Richard Vague  
Christopher Craig – Designee for Treasurer Stacy Garrity  
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  
Secretary Richard Vague

### **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**

Don Bell  
Thomas Derr  
Pam Hile  
Christopher Houston  
Seth Kelly  
Daniel Krautheim  
Karen Lynn  
N. Joseph Marcucci  
Katie Mathews  
Sara McSurdy  
Terrill Sanchez  
Joseph Torta

**Other Staff**

Rose Agnew  
Katie Bates  
Kelly Bernhard  
Randy Gilson  
Mark Walter

**Committee Counsel**

Jeffrey McCormick

**Consultants**

Mike Elio, StepStone Group, LP  
Kevin Machiz, Callan Associates Inc.  
Britt Murdoch, Callan Associates Inc.  
Bud Pellecchia, Callan Associates Inc.  
Matt Roche, StepStone Group, LP  
Tom Shingler, Callan Associates Inc.  
Meg von Schroeter, StepStone Group, LP

**Presenters**

Mike Elio, StepStone Group, LP  
David Felix, SERS  
Mark Hastings, Providence Strategic Growth  
Seth Kelly, SERS  
Lisa Lee, Providence Strategic Growth  
Kevin Machiz, Callan Associates Inc.  
Jim Nolan, SERS  
Tom Shingler, Callan Associates Inc.  
Bill Truong, SERS  
Peter Wilde, Providence Strategic Growth

**1. CALL TO ORDER**

Committee Chair, Glenn Becker, called the meeting to order at 10:01 a.m.

**2. WELCOME AND ROLL CALL****3. APPROVAL OF MINUTES OF FEBRUARY 23, 2021 INVESTMENT COMMITTEE MEETING**

By motion, the Committee unanimously agreed to approve the minutes of the February 23, 2021 Investment Committee meeting.

**4. OLD BUSINESS (None)**

## 5. NEW BUSINESS

### ➤ CIO UPDATES

Seth Kelly of SERS provided the Investment Committee with an update on performance; Bill Truong of SERS provided an update on the Fixed Income transition; and Jim Nolan of SERS provided an update on rebalancing.

### ➤ PRIVATE EQUITY OPPORTUNITY: PSG V L.P.

David Felix of SERS provided an introduction of Providence Strategic Growth. Mike Elio of StepStone provided additional support by summarizing how the proposed fund being presented positively fits into SERS' Private Equity portfolio. Lisa Lee, Mark Hastings, and Peter Wilde of Providence Strategic Growth then presented. After their presentation, a motion by the Investment Committee was considered. The below motion was made as follows:

**MOTION:** That the Investment Committee recommend that the State Employees' Retirement Board commit up to \$50 million to PSG 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	Y
Dan Frankel	Y
Vincent Hughes (Toni Marchowsky)	Y
Stacy Garrity	Abstain
John DiSanto	Y
Greg Jordan	Y
Greg Thall	Y
Richard Vague	Y
Glenn Becker	Y

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

### ➤ PUBLIC EQUITY MANAGER STRUCTURE ANALYSIS/DEFINED BENEFIT PLAN IPS UPDATE

Seth Kelly of SERS led a presentation on the Analysis of Public Equity Manager Structure. Tom Shingler and Kevin Machiz led a separate presentation from the perspective of Callan. After these presentations, a motion by the Investment Committee was considered. The below motion was made as follows:

**\*MOTION:** That the Investment Committee recommend that the State Employees' Retirement Board approve the following enhancements to the Defined Benefit Plan's Investment Policy Statement:

- a. Enhanced U.S. Equity Structure section – (Section 20, Page 32); and
- b. Updated Policy Target Asset Allocation percentages, Estimated Risk percentages, and Liquidity levels (Section 21, Page 39; Section 23, Page 41; and Section 24, Page 42).

The revised sections are in the attached meeting material entitled "Public Equity Manager Structure Analysis Defined Benefit Plan IPS Update 2021.04.28.pdf".

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)	N
Stacy Garrity	Y
John DiSanto (Charles Erdman)	N
Greg Jordan	N
Greg Thall	Y
Richard Vague	Y
Glenn Becker	Y

As a result, the Motion passed.

➤ **ACTIVE LONG CREDIT MANAGER SEARCH**

Seth Kelly of SERS led a presentation on the Fixed Income Active Long Credit Manager Search. As a result, a motion by the Investment Committee was considered. The below motion was made as follows:

**MOTION:** That the Investment Committee recommend that the State Employees' Retirement Board delegate authority to the Chief Investment Officer to hire actively-managed long credit mandates to increase efficiencies in the implementation of the enhanced Fixed Income structure through the following process:

1. The Chief Investment Officer and the Board's general investment consultant will provide recommendation memos via email to the Investment Committee which detail the rationale to hire actively-managed long credit mandates;
2. Investment Committee members will have two weeks from the timestamp on the sent email to review the recommendation;

3. If Investment Committee members are comfortable with the hire and there are no objections during the two-week period, SERS will proceed with hiring the actively-managed long credit mandates; and
4. If any Investment Committee members objects, SERS will postpone the hiring process and provide the recommendation at the next Investment Committee meeting for a formal vote.

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 (Charles Erdman)	Y
Greg Jordan	Y
Greg Thall	Y
Richard Vague	Y
Glenn Becker	Y

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

➤ **ABEL NOSER (TRANSACTION COST CONSULTANT)**

Seth Kelly of SERS provided the Investment Committee with a recommendation on the retention of SERS' contract with Abel Noser to continue to provide transaction cost analysis consultant services. As a result, a motion by the Investment Committee was considered. The below motion was made as follows:

**MOTION:** That the Investment Committee recommend that the State Employees' Retirement Board authorize the retention of Abel Noser as its investment transactions cost analysis consultant under a new Consulting Agreement, subject to successful completion of contract negotiations prior to the expiration of the current Agreement between SERS and Abel Noser.

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 (Charles Erdman)	Y
Greg Jordan	Y
Greg Thall	Y
Richard Vague	Y
Glenn Becker	Y

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

#### 6. SPECIAL PRESENTATION (None)

#### 7. 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 to the Committee and designated SERS staff:

- a. SERS Cash Flow Forecast
- b. 2021 SERS Private Markets Pacing
- c. Liquidity Schedule as of December 31, 2020
- d. Private Markets Unfunded Commitments Update

#### 8. PUBLIC SESSION CONTINUATION

#### 9. COMMITTEE COMMENTS/CONCERNS/QUESTIONS (None)

#### 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 11:39 a.m.

Respectfully Submitted,

s/Seth Kelly

Seth Kelly, Chief Investment Officer

\*During the regular Board meeting, this motion was raised again and divided into three motions as follows:

### **U.S. Micro-Cap Strategy**

#### **Board Motion**

I move that the State Employees' Retirement Board approve a new 2% target allocation to a U.S. Micro-Cap Strategy within the U.S. Equity asset class, with a corresponding reduction to the Private Equity asset class target allocation to 12%.

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

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

As a result, the Motion passed.

### **U.S. Covered Call Strategy**

#### **Board Motion**

I move that the State Employees' Retirement Board approve a new 3% target allocation to a U.S. Covered Call Strategy within the U.S. Equity asset class, with a corresponding reduction to the U.S. Large/Mid-Cap strategy target allocation to 18%.

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

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

As a result, the Motion passed.

### **Investment Policy Statement**

#### **Board Motion**

I move that the Board accept the recommendation of the Investment Committee to approve the following enhancements to the Defined Benefit Plan's Investment Policy Statement:

- a. Enhanced U.S. Equity Structure section – (Section 20, Page 32); and
- b. Updated Policy Target Asset Allocation percentages, Estimated Risk percentages, and Liquidity levels (Section 21, Page 39; Section 23, Page 41; and Section 24, Page 42).

The revised sections are in the attached meeting material entitled "Public Equity Manager Structure Analysis Defined Benefit Plan IPS Update 2021.04.28.pdf".



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

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

As a result, the Motion passed.