

Minutes of Investment Committee Meeting

December 7, 2021 – 9:30 AM – Livestream

Called to Order: 9:38 a.m. by Committee Chair, Glenn E. Becker

Attendance at Committee Meeting:

Investment Committee Board Members and Designees

Glenn Becker, Committee Chair

Senator John DiSanto (with Designee Charles Erdman)

David Fillman, Assistant Chair

Treasurer Stacy Garrity (with Designees Christopher Craig and Lloyd Ebright)

Greg Jordan

Representative Paul Schemel (with Designees Susan Boyle and Jill Vecchio)

Mary Soderberg

Gregory Thall

James Bloom – Designee for Secretary Richard Vague

Alan Flannigan – Designee for Secretary Richard Vague

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

Senior Staff

Don Bell

Thomas Derr

Randy Gilson

Christopher Houston

Daniel Krautheim

Karen Lynn

N. Joseph Marcucci

Katie Mathews

Sara McSurdy

Jeff Meyer

James Nolan

Terrill Sanchez

Joseph Torta

Bill Truong

Committee Counsel

Jeff McCormick

1. CALL TO ORDER

Committee Chair, Glenn Becker, called the meeting to order at 9:38 a.m.

2. WELCOME AND ROLL CALL

3. APPROVAL OF MINUTES OF SEPTEMBER 28, 2021 INVESTMENT COMMITTEE MEETING

By motion, the Committee unanimously agreed to approve the minutes of the September 28, 2021 Investment Committee meeting.

4. OLD BUSINESS (None)

5. NEW BUSINESS

➤ CIO UPDATES

Jim Nolan, Chief Investment Officer of SERS, made Investment Office staffing announcements that included promotions of Meredith Jones and Bill Truong and new hires of Britt Erney, Kirk Heavner, and Fred Wilson. He then provided the Investment Committee with an update on rebalancing.

➤ QUARTERLY INVESTMENT PERFORMANCE ANALYSES AS OF SEPTEMBER 30, 2021

Mr. Nolan introduced Tom Shingler of Callan Associates Inc., who provided the Quarterly Investment Performance Analysis as of September 30, 2021 for the Defined Benefit Plan. Bud Pellecchia of Callan then provided the Quarterly Investment Performance Analysis as of September 30, 2021 for the Deferred Compensation Plan. Britt Murdoch of Callan then provided the Quarterly Investment Performance Analysis as of September 30, 2021 for the Defined Contribution Plan.

➤ PRIVATE MARKETS PACING UPDATE

Mr. Nolan introduced Bill Truong, Deputy Chief Investment Officer of SERS, who provided updates on SERS' Private Equity, Private Credit, and Real Estate investment pacing schedules. Mike Elio of StepStone Group, LP presented further on the Private Equity and Private Credit pacing, and Matt Ritter of NEPC, LLC presented further on the Real Estate pacing.

➤ PRIVATE EQUITY OPPORTUNITY

Mr. Nolan provided data on SERS' Private Equity pacing and manager performance and transparency items for PSG. He then provided an introduction of PSG Europe II GP L.P. Mr. Elio provided additional support by summarizing how the proposed fund being presented positively fits into SERS' Private Equity portfolio. Peter Wilde, Dany Rammal, and Lisa Lee of PSG Europe II GP L.P. then presented. After their presentation, a motion by the Investment Committee was made as follows:

MOTION (PSG Europe II L.P. - Private Equity): That the Investment Committee recommend to the State Employees' Retirement Board to commit up to €70 million euros (not to exceed \$75 million USD) to PSG Europe II 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
Glenn Becker	Yes
John DiSanto	Yes
David Fillman	Yes
Dan Frankel (Dan Ocko)	Yes
Stacy Garrity	Yes
Vincent Hughes (Toni Marchowsky)	Yes
Greg Jordan	Yes
Paul Schemel (Susan Boyle)	Yes
Mary Soderberg	Yes
Greg Thall	Absent
Richard Vague (Alan Flannigan)	Yes

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

➤ PRIVATE EQUITY OPPORTUNITY

Mr. Nolan provided an introduction of TSG Consumer Partners. He also provided data on manager performance and transparency items for TSG. Mr. Elio provided additional support by summarizing how the proposed fund being presented positively fits into SERS' Private Equity portfolio. Jamie O'Hara and Jessica Duran of TSG Consumer Partners then presented. After their presentation, a motion by the Investment Committee was made as follows:

MOTION: That the Investment Committee recommend to the State Employees' Retirement Board to commit up to \$100 million to TSG9 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
Glenn Becker	Yes
John DiSanto	No
David Fillman	Yes
Dan Frankel (Dan Ocko)	No
Stacy Garrity	No
Vincent Hughes (Toni Marchowsky)	No
Greg Jordan	Yes
Paul Schemel (Susan Boyle)	Yes
Mary Soderberg	Yes
Greg Thall	Absent
Richard Vague (Alan Flannigan)	Yes

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

➤ **PRIVATE CREDIT OPPORTUNITY**

Mr. Nolan provided an introduction of Ares Management. Mr. Elio provided additional support by summarizing how the proposed fund being presented positively fits into SERS' Private Credit portfolio. Michael Arougheti, Scott Graves, Indhira Arrington, Craig Snyder, Myles Gilbert, and Merritt Hooper of Ares Management then presented. Mr. Nolan then provided data on SERS' Private Credit pacing and manager performance and transparency items for Ares. After their presentation, a motion by the Investment Committee was made as follows:

MOTION: That the Investment Committee recommend to the State Employees' Retirement Board to commit up to \$100 million to Ares PA Opportunities Fund L.P., to be invested in Ares Special Opportunities Fund II L.P., and related co-investments, plus investment expenses and pro rata share of partnership operating expenses, consistent with executed partnership documents, as investments within the Private Credit 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
Glenn Becker	Yes
John DiSanto	Abstain
David Fillman	Yes
Dan Frankel (Dan Ocko)	Yes
Stacy Garrity	Yes
Vincent Hughes (Toni Marchowsky)	Yes
Greg Jordan	Yes
Paul Schemel (Susan Boyle)	Yes
Mary Soderberg	Yes
Greg Thall	Absent
Richard Vague (Alan Flannigan)	Yes

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

➤ REAL ESTATE OPPORTUNITY

Mr. Nolan provided data on SERS' Real Estate pacing and manager performance and transparency items for LEM. Mr. Ritter provided additional support by summarizing how the proposed fund being presented positively fits into SERS' Real Estate portfolio. Jay Eisner, Allison Bradshaw, and Jenn Clausen of LEM Capital then presented. After their presentation, a motion by the Investment Committee was made as follows:

MOTION: That the Investment Committee recommend to the State Employees' Retirement Board to commit up to \$75 million to LEM Multifamily Fund VI, 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 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 for the motion was as follows:

Board/Investment Committee Member	Vote
Glenn Becker	Yes
John DiSanto	Yes
David Fillman	Yes
Dan Frankel (Dan Ocko)	Yes
Stacy Garrity	Yes
Vincent Hughes (Toni Marchowsky)	Yes
Greg Jordan	Yes
Paul Schemel (Susan Boyle)	Yes
Mary Soderberg	Yes
Greg Thall	Absent
Richard Vague (Alan Flannigan)	Yes

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

➤ **EMERGING INVESTMENT MANAGER PROGRAM UPDATE/INVESTMENT POLICY STATEMENT UPDATES (INCLUSION OF VETERAN-OWNED FIRMS)**

Mr. Nolan referenced proposed updates to the Emerging Investment Manager Program as provided within the documents seen on BoardDocs for this agenda item. Jared Snyder, Portfolio Manager of SERS, was available to provide feedback to the Investment Committee members. As a result, a motion by the Investment Committee was made as follows:

MOTION: That the Investment Committee recommend to the State Employees' Retirement Board to approve the updates to the Emerging Investment Manager Program section of the Defined Benefit Plan's Investment Policy Statement, which updates are provided in the attached meeting materials entitled "5h DB Plan IPS EIM Update 2021.12.7.pdf".

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

Board/Investment Committee Member	Vote
Glenn Becker	Yes
John DiSanto	Yes
David Fillman	Yes
Dan Frankel (Dan Ocko)	Yes
Stacy Garrity	Yes
Vincent Hughes (Matt Lindsay)	Yes
Greg Jordan	Yes
Paul Schemel (Susan Boyle)	Yes
Mary Soderberg	Yes
Greg Thall	Absent
Richard Vague (Alan Flannigan)	Yes

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

➤ INVESTMENT-RELATED POLICY UPDATES

Mr. Nolan referenced proposed updates to SERS' Defined Contribution Plan's Investment Policy Statement, SERS' Deferred Compensation Plan's Investment Policy Statement, and SERS' Defined Benefit Plan's Investment Manager Monitoring Policy as provided within the documents seen on BoardDocs for this agenda item. Mr. Snyder and Mr. Truong were available to provide feedback to the Investment Committee members. Treasurer Stacy Garrity proposed further changes be made to SERS' Investment Manager Monitoring Policy. It was deemed by Chair Becker that further discussion would occur between SERS staff, SERS consultants, and Investment Committee members, and that this agenda item would be readdressed at a future Investment Committee meeting.

➤ PROXY VOTING POLICY UPDATE

Mr. Nolan referenced proposed updates to SERS' U.S. and International Proxy Voting Policy as provided within the documents seen on BoardDocs for this agenda item. Jeff Meyer, Managing Director of Investment Operations of SERS, and Meredith Jones, Portfolio Manager of SERS, and Jay Zubillaga, Jacob Farris, Edward Apsy, and Valerie Sullivan of Institutional Shareholder Services, Inc. (ISS) were available to provide feedback to the Investment Committee members. It was deemed by Chair Becker that further discussion would occur between SERS staff, ISS staff, and Investment Committee members, and that this agenda item would be readdressed at a future Investment Committee meeting.

➤ **EXTENSION OF NEPC CONTRACT**

Mr. Snyder informed the Investment Committee of the upcoming expiration of the contract SERS holds with NEPC, LLC for real estate consulting services on June 1, 2022. As a result, a motion by the Investment Committee was made as follows:

MOTION: That the Investment Committee recommend to the State Employees' Retirement Board to authorize an extension of the Agreement between SERS and NEPC, LLC for real estate consulting services for 18 months (until December 1, 2023), with an amended fee schedule, 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
Glenn Becker	Yes
John DiSanto	Yes
David Fillman	Yes
Dan Frankel (Dan Ocko)	Yes
Stacy Garrity (Lloyd Ebright)	Yes
Vincent Hughes (Matt Lindsay)	Yes
Greg Jordan	Yes
Paul Schemel (Susan Boyle)	Yes
Mary Soderberg	Yes
Greg Thall	Absent
Richard Vague (Alan Flannigan)	Yes

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

➤ **INFORMATIONAL ITEMS**

Informational items as listed below were made available to the Investment Committee for review:

- a. SERS Private Equity Semi-Annual Board Update as of June 30, 2021
- b. SERS Private Credit Semi-Annual Board Update as of June 30, 2021
- c. SERS Real Estate Semi-Annual Board Update as of June 30, 2021
- d. Report of SERS' Investment Office Travel for Period Ending June 30, 2021
- e. Funston Recommendations WorkPlan Update
- f. September 2021 Asset Allocation Report

6. SPECIAL PRESENTATIONS (None)

7. EXECUTIVE SESSION

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

The following Executive Session agenda item was made available to the Committee:

- a. Investment Manager Evaluation Quarterly Updates (Watchlists)
(Informational Item Only)

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 12:57 p.m.

Respectfully Submitted,

s/Jim Nolan

Jim Nolan, Chief Investment Officer