

## MEMORANDUM

**To:** NAIC Members

**From:** Robert L. Greene, President & CEO

**Date:** October 7, 2019

**Subject:** NAIC Trenton Roadshow to New Jersey Division of Investment

On September 25th, NAIC made the fourth roadshow stop of the year to meet with New Jersey Division of Investment senior staff members, the New Jersey State Treasurer, Treasury staff members, New Jersey State Investment Council Members, New Jersey Investment Policy Committee Members, and consultants from Torreycove, Aon, and Hamilton Lane. The roadshow participants and relevant contacts, with email addresses where available, are included below:

### **New Jersey Division of Investment Staff**

#### *Senior Staff*

**Corey Amon**, CIO - Corey.Amon@treas.nj.gov

**Gina Costello**, Chief of Staff

**Richmond Akumiah**, Senior Advisor, Investments & Operations - Richmond.Akumiah@treas.nj.gov

#### *Alternatives Staff*

**Christine S. Brennan**, Operations Manager - christine.brennan2@treas.nj.gov

**Jessie Choi**, Private Equity and Hedge Fund Principal/ Investment Officer - Jessie.Choi@treas.nj.gov

**Robin Clifford**, Private Equity Portfolio Manager - Robin.Clifford@treas.nj.gov

**Kevin Higgins**, Alternative Investment Portfolio Manager - Kevin.Higgins@treas.nj.gov

**Jared Speicher**, Private Markets - Jared.Speicher@treas.nj.gov

#### *Other Staff*

**Jesse Delgado**

### **New Jersey State Treasury**

**Treasurer Elizabeth Muoio** - Elizabeth.Muoio@treas.nj.gov

**Assistant Treasurer Dini Ajmani**

**Chief of Staff Joann Povia** - Joann.Povia@treas.nj.gov

#### *Diversity & Inclusion*

**Chief Diversity Officer Hester Agudosi** - Hester.Agudosi@treas.nj.gov

**Julia Presley**

### **New Jersey State Investment Policy Committee/ State Investment Council Members**

**Adam Liebttag**, Acting Chair - aliebttag@cwa1036.org

**Thomas Bruno** - CWATBRUNO@aol.com

Vaughn Crowe  
Tim McGuckin  
Deepak Raj  
Eric Richard

**Consultants**

*Hamilton Lane*  
Bob Flanagan

*Torreycove*

Michelle Davidson, Managing Director - mdavidson@torreycove.com  
Matt Coyne, Vice President - mcoyne@torreycove.com  
Charles Pender, Associate - cpender@torreycove.com

Twenty-eight (28) NAIC members joined five participants from NAIC: NAIC's Chairman, Joseph Haslip; President & CEO, Robert L. Greene (Bob); Executive Vice President, Carmen Ortiz-McGhee; Programs and Initiatives Manager, David Smith, and Advisor, Carra Wallace. The NAIC members included Avi Amin, Madryn Asset Management; Robert Azeke, Farol Group; Michele Chow-Tai, Fairview Capital; Craig Cimoroni, Elizabeth Park Capital Management; Marta Cotton, Matarin; Christopher Crevier, Neuberger Berman; Oscar Decotelli, DXA Investments; Troy Dixon, Hollis Park Partners; Craig Fowler, HarbourVest Partners; Xavier A. Gutierrez, Clearlake Capital Group; Jessica Holsey, GCM Grosvenor; Von Hughes, PAAMCO Prisma; Martin Hunt, Providence Friends Capital; Adrian Mendoza, Mendoza Ventures; Dolores Munoz, Cabrera Capital Markets; Adam Persiani, Pharos Capital Group; Dale Pescatore, Palladium Equity Partners; Carmen Rojas, GenNx360 Capital Partners; Andrew Rosato, MVision; Howard Sanders, Auldbrass Partners; Marlon Smith, JLC Infrastructure; Rendel Solomon, Muller & Monroe Asset Management; Billy Stewart, Advent Capital Management; James Tieng, Lumos Capital Group; Jacob Walthour, Jr., Blueprint Capital Advisors; Nia White, Astra Capital Management; Ray Whiteman, Stellex Capital Management; and Joanne Yoo, DPI.

Corey Amon, CIO of the New Jersey Division of Investment, welcomed everyone to the meeting and asked Bob Greene, NAIC's President and CEO, to lead the introductions. Bob Greene reflected on his recent conversation with Corey Amon, when Amon requested that NAIC invite everyone interested in meeting the Division of Investment team. Greene noted the overwhelming interest and the amount of NAIC members who took them up on their offer to engage. Amon responded that he had enjoyed a productive dialogue with NAIC and that he was appreciative of everyone taking the time to participate.

Amon noted that Richmond Akumiah, Senior Advisor, has been leading the diversity initiatives for the Division of Investment and initiated the outreach to Bob Greene. Hester Agudosi, the New Jersey Chief Diversity Officer, expressed interest in participating after holding a very large and significant diversity event for the state during the prior week.

Amon began to discuss the New Jersey investment portfolio with \$76 billion in assets under management (source: preqin). He mentioned that the staff had been very active in private equity and that the target allocation for private equity was recently increased from 10% to 12%. The actual allocation to private equity had already reached 12% because of movement in the markets and faster distributions than expected. Despite the target allocation being at the upper end of the target, Amon said that there is always a need to vet the best managers.

Amon then discussed the importance of diversity and the support of diversity and inclusion initiatives from New Jersey's state leaders, including Governor Phil Murphy and State Treasurer Elizabeth Maher Muoio, who participated in the roadshow meeting, down to the New Jersey Investment Council. He mentioned two council members in attendance who were supportive of the Division's focus on increased diversity, Vaughn Crowe and Adam Liebttag. Amon also mentioned that his team recently presented its belief that increasing the diversity of its managers will enhance their investment outcomes and that the use of MWBE managers will lead to better risk-adjusted returns. He added that three of NAIC's largest member firms have generated strong returns for the New Jersey Division of Investment and that two of the three had presented in their recent annual meetings.

Private equity, Amon said, has been the Division's top performing asset class for several years. He noted the wide range of outcomes in private equity and shared that manager selection is paramount. Amon stated that MWBE managers manage 10% of the plan's assets. He said he wants to do more with MWBE firms. The Division's investment staff meets every week to discuss the investment strategy, pipeline, and pacing models. Amon said they follow a thorough due diligence process. The team works with Torreycove in private equity and very closely with Michelle Davidson, who was present at the meeting. Amon also mentioned his consultants in attendance from Aon.

Amon continued that the pension plan is a very mature one with highly selective due diligence processes. Over the last decade, the plan has committed to "137 private equity firms versus the 20,000 firms out there". Amon described how his team had just presented three private equity funds for commitments to the Investment Council. He said that distributions are coming back faster-than-expected. There has been a slowdown in new private equity commitments, but they are always looking to add the very best.

Robert Greene continued the session with an overview of NAIC. He described the organization's history since 1971. He described how NAIC has close to 80 members today and that, by strategy, approximately 70% and 20% are in private equity and hedge funds, respectively, and the balance are focused on other strategies. Greene noted how we are seeing members outperforming in every category where we have membership. He shared that he and Joe Haslip both sat where the New Jersey team sits today, when he was Chairman of the Board of Trustees for the Virginia Retirement System and Haslip was the New York City as Deputy Comptroller for Pensions.

Greene emphasized that performance is not compromised by working with diverse managers, highlighting that multiple studies support the outperformance of diverse managers. He stressed the importance of alignment. He commented on the New Jersey Investment Council meeting earlier that day, when two funds with \$3 billion and \$6 billion of assets under management were considered for private equity allocations. Greene mentioned that the larger NAIC member firms are raising billions of dollars, noting that most of them are raising oversubscribed funds for two reasons: first, their stellar performance, and second, the amount of investor capital chasing them. In closing, Greene reminded the audience that NAIC does not pitch individual managers. He said that as a trade organization, NAIC seeks to provide institutional investors with good information to make informed decisions.

Following the NAIC Overview, questions were taken from Division of Investment and the NAIC team and members. Corey Amon was asked how a meeting like the roadshow could lead to more commitments. Amon responded that Torreycove has shown a commitment to the importance of diversity in their process. He described how their due diligence process begins with strategy, then includes pipeline,

incorporates pacing goals, and then looks to fill gaps. He mentioned that the announced commitment to a mid-market buyout fund in Europe was because they were underweight in that area.

Greene asked whether the investment staff and Torreycove have developed a list of diverse firms either institution is currently targeting. Amon said the Division has an open-door policy, where the investment staff brings funds to committee. Greene asked how Torreycove specifically helps the Division in the diverse and emerging manager space. Amon said that his team has worked with Michelle Davidson from Torreycove for many years. He said they want to know every diverse manager in the market to incorporate into their pipeline and that they attend many conferences and remain on the lookout for high-quality managers. Greene asked whether Torreycove had identified a target list of diverse managers they are working on with New Jersey. Amon said that a list exists that they are working on incorporating into the pipeline over the next year. When asked how many are on the list, he said they have met with six to nine diverse managers over the last six months. Amon said the investment staff is aware in all cases that MWBE managers need to move up to the front of the line.

Greene mentioned that NAIC has recently met with 10 of the largest investment consulting firms, who all said that their clients do not ask for diverse managers within their mandates. He said he wanted to know whether New Jersey was asking for that. Hester Agudosi, the New Jersey Chief Diversity Officer made a few comments. She described her appointment to the position in May 2018 and her focus on looking across all areas of the state, including financial services, for diversity and inclusion. On September 20<sup>th</sup>, the Treasurer announced that there would be a disparity study to understand who is ready, willing, and able to provide services the state needs. Agudosi said she has been reaching out to organizations like NAIC to adopt best practices and to customize for New Jersey.

Treasurer Muoio then spoke. She described how one of the primary points of focus from the summit during the prior week was outreach. She said there were two seminars held for participants to learn how to do business with the state. Speakers represented the Treasury, the Office of Finance, etc. Amon continued commenting that the Division of Investment is committed to the diversity effort and recognizes the importance of diversity. He also said that they are considering adding a diversity officer to the Division of Investment. Greene said NAIC would be happy to share our experiences and speak to each of the asset class heads regarding best practices. He then turned the floor over to NAIC members to provide brief introductions of their firms. The firm introductions were organized by investment strategy: private equity, hedge funds, and other strategies.

Following firm introductions, Greene commented that “Talent is evenly distributed, but opportunities are not.” He closed by saying that “we are not asking New Jersey to do anything you don’t already do. We are just asking you to do much more.” NAIC’s goal is to make sure the New Jersey Division of Investment and Investment Council have all of the information to make good and informed decisions. He offered to Agudosi to share NAIC’s specific definitions for diversity. He said we would also share New Jersey’s guidelines with members.

Oscar Decotelli from DXA Investments asked about the longer-term plan for private equity allocations. Von Hughes from PAAMCO Prisma added to the question to inquire about plans for hedge funds as well. Corey Amon said that the State Investment Council reviews the allocations on an annual basis. The target allocation for private equity was moved from 10% to 12% most recently to close a funding gap, because the asset class was the top-performer. Amon described how the increase in the target to private equity was unanimously approved, noting the Council’s sensitivities to fees. He mentioned how transparent they are in regard to fees, which leads to strong considerations regarding the costs and

liquidity constraints of private equity. Amon continued that hedge funds are not considered an asset class but rather a wide range of strategies across asset classes. He pointed out that it is well-known that the hedge fund industry has been challenged. The Council has lowered and limited the allocations to hedge strategies. In particular, Risk Mitigation Strategies have not done what they have promised. He said that as an industry, those strategies have been subpar versus objectives of LIBOR + 300. The target allocation to Risk Mitigation Strategies was decreased from 5% to 3%. He finished with their team's desire to right-size each of the asset classes for enhanced performance.

Michelle Chow-Tai of Fairview Capital asked whether New Jersey has a requirement for MWBE certifications. Agudosi said they have not made any definitive steps but want to make sure each firm is diverse. Bob Greene offered to share NAIC's list of diverse-owned firms. Jacob Walthour of Blueprint Capital Advisors asked the members of the Council to comment on funds-of-funds and its partnerships to build out certain parts of its program, adding that Blueprint was awarded a \$300 million partnership from Jersey, which was its largest allocation to a first-time diverse-owned fund.

Carmen Rojas from GenNx360 asked about the best way to start working with the New Jersey Division of Investment following the meeting. Corey Amon responded that it was a very good question and that the answer is that it takes a team effort on their side. He mentioned that Robin Clifford is the appropriate person to contact for private equity. She, unfortunately, was away in Asia. He mentioned that Jared Speicher had done a lot in private credit and that Chrissy Brennan was the Head of Operations. Amon also said that his team would not be shy about reaching out to anyone from the roadshow who piques their interest. He reiterated that he relies heavily on their external consultants. He said Michelle Davidson had been a tremendous liaison. Michelle Davidson then offered to have everyone contact her to be put in touch with the appropriate research person from TorreyCove. To close the meeting, Richmond Akumiah thanked everyone for coming and said that it had been a great meeting.

Immediately following the meeting, Chrissy Brennan sent a link to share with NAIC members to follow the Division of Investment's portfolio. Please review the Director's Monthly Investment Reports that are located online [here](#).