

South Carolina Retirement System Investment Commission
Meeting Minutes
June 9, 2015
Capitol Center
1201 Main Street, 15th Floor
Columbia, South Carolina 29201
Meeting Location: Presentation Center

Commissioners Present:

Mr. Edward Giobbe, Chairman
Dr. Rebecca Gunnlaugsson, Vice Chair
Mr. Curtis Loftis, State Treasurer
Ms. Peggy Boykin, PEBA Executive Director
Dr. Ronald Wilder

By Phone:

Mr. Allen Gillespie
Mr. Reynolds Williams

Others present for all or a portion of the meeting on Thursday, June 9, 2015:

Ashli Aslin, Geoff Berg, Jeffrey Blethen, Corleon Brown, Betsy Burn, Alexander Campbell, Lily Cogdill, Dori Ditty, Robert Feinstein, Scott Forrest, David Haas, Hershel Harper, Jr., Michael Hitchcock, Monica Houston, Adam Jordan, James Manning, Lorrie Smith and Brian Wheeler from the South Carolina Retirement System Investment Commission; Edward Frazier from the State Treasurer's Office; Suzanne Bernard (via phone) from Aon Hewitt Investment Consulting; Donald Tudor, M. Sean Cary.

I. CALL TO ORDER AND CONSENT AGENDA

Chairman Edward Giobbe called the meeting of the South Carolina Retirement System Investment Commission ("Commission") to order at 2:06 p.m. Mr. Curtis Loftis made a motion, which was seconded by Mr. Gillespie and passed unanimously, to approve the agenda as presented.

II. BROOKFIELD CAPITAL PARTNERS IV INVESTMENT

Mr. Harper recognized Mr. Alexander Campbell, Investment Analyst, who provided an overview of Brookfield Capital Partners IV. Mr. Campbell discussed the search objectives and process, the strategy's fit in the real estate portfolio, the firm's capabilities and process, the investment rationale, and other considerations. Chairman Giobbe asked about the total size of the fund. Mr. Campbell replied that the fund's final size was likely to be between \$3.5 billion and \$4 billion. In response to a question, Mr. Campbell confirmed that Brookfield had made several acquisitions that would go into this fund. Mr. Loftis opined that the fund documents accorded extensive power to the general partner, including how the GP's commitment could be paid. Mr. Campbell described related mitigants and controls.

Dr. Wilder asked about how the manager's use of debt investments impacts its efforts to gain control of companies that it invests in. Mr. Campbell explained that Brookfield often makes an investment in a way to leverage the bankruptcy process in order to drive the restructuring and emerge with a sizable or control position of the equity. He indicated that the debt investment increases the manager's chances of profiting whether the company returns to profitability or not. Dr. Wilder then asked if there might be a decreasing marginal profitability in the private equity sector such that, over time, as the total assets involved get larger and larger, the profitable

opportunities begin to shrink. Mr. Campbell responded by distinguishing the prospects for mega-buyout funds from funds like this, which lend more to mid-market companies.

Chairman Giobbe asked about the fund's geographic areas of focus. Mr. Campbell said that seventy percent or more of the fund is expected to be deployed in the US or Canada, with up to thirty percent permitted for investment in Europe, Australia and Brazil, where the manager already has a significant operating presence.

III. EXECUTIVE SESSION

Dr. Gunnlaugsson made a motion, which was seconded by Dr. Wilder and approved unanimously, to recede into Executive Session to discuss investment matters pursuant to S.C. Code Ann. §§ 9-16-80 and 9-16-320, and receive advice from legal counsel pursuant to SC Code Ann. §30-4-70(a)(2). The Commission receded into Executive Session at 2:25 p.m.

The Commission reconvened in open session at 2:40 p.m. It was noted that no action had been taken in executive session. Dr. Wilder made the following motion:

- i. Subject to the terms discussed in Executive Session, adopt the recommendation of the CIO and the Internal Investment Committee as set forth in the Summary Terms Chart on Page 1 of the Due Diligence Report dated June 18th, 2015 regarding Brookfield Capital Partners IV, L.P.;
- ii. Authorize a commitment, not to exceed \$125 million, to Brookfield Capital Partners IV, L.P.;
- iii. Authorize the Chairman or his designee to negotiate and execute any necessary documents to implement the Investment as approved by the Commission, (1) upon documented approval for legal sufficiency by RSIC Legal, and, (2) upon expiration of the three business day review period as approved by the Commission on May 1, 2014 (or as the review period may be amended or superseded by the Commission); and
- iv. Authorize the Chairman and/or the CIO or their designee(s) to thereafter authorize the custodian of funds to transfer such funds as are necessary to meet the obligations of the South Carolina Retirement Systems Trust Funds with respect to the Investment.

The motion was seconded by Dr. Gunnlaugsson and approved 5-1, with Mr. Loftis opposed.

V. ADJOURNMENT

There being no further business and upon motion by Mr. Loftis to adjourn, which was seconded by Dr. Wilder and passed unanimously, the meeting adjourned at 2:43 p.m.

[Staff Note: In compliance with S.C. Code Ann. § 30-4-80, public notice of and the agenda for this meeting were delivered to the press and to parties who requested notice and were posted at the entrance, in the lobbies, and near the 15th Floor Presentation Center at 1201 Main Street, Columbia, SC, at 12:18 p.m. on June 8, 2015.]