



**State Investment Commission
Monthly Meeting Minutes
Wednesday, September 26, 2012
9:00 a.m.
Room 135, State House**

The Monthly Meeting of the State Investment Commission (SIC) was called to order at 9:03 a.m., Wednesday, September 26, 2012 in Room 135, State House.

I. Roll Call of Members

The following members were present: Ms. Rosemary Booth Gallogly, Mr. J. Michael Costello, Mr. Robert Giudici, Ms. Paula McNamara, Mr. Andrew Reilly, General Treasurer Gina Raimondo and Mr. Frank Karpinski. The committee respects and recognizes Ms. Reback was absent due to Yom Kippur.

Also in attendance: Mr. Thomas Lynch of Cliffwater, Alternative Investment Consultant to the Commission; Mr. Allan Emkin and Mr. John Burns, of Pension Consulting Alliance (PCA), General Policy Consultant to the Commission; Ms. Sally Dowling, of Adler Pollock Legal Counsel to the Commission; Kenneth Goodreau, chief investment officer and members of the Governor's, Treasurer's and Auditor General's staff.

Treasurer Raimondo called the meeting to order at 9:03 a.m.

II. Approval of Minutes

On a motion by Ms. Booth Gallogly and seconded by Mr. Reilly, it was unanimously **VOTED: To approve the draft of the minutes of the August 22, 2012 meeting of the State Investment Commission.**

III. General Consultant Fixed Income Update

Mr. Burns updated the board on the core manager hirings and explained the guidelines and contracts are being negotiated. Treasury is currently working with a transition manager to execute and Mr. Goodreau and Mr. Kem Edwards, from Treasury, then gave an update on the specifics on timeline and logistics of the transition.

Treasurer Raimondo explained PCA and Treasury staff will create a timeline for the remainder of the fixed income transition.

IV. Legal Counsel Report

There was no legal update.

V. CIO Report

Mr. Goodreau gave an update on performance and explained some upcoming changes in reporting performance. He explained our performance relative to the benchmark is good, but volatility is down and this is especially important when the fund has negative cash flows to pay benefits. All our volatility numbers in the past five years have been dramatically reduced. He said the plan's costs are around the median when compared to other state's plans. He elaborated, when compared to similar risk-averse states with higher alternatives exposure their average fees are much higher than ERSRI's. In conclusion, the portfolio is hitting its benchmark while reducing risk and volatility in a relatively cost-efficient manner.

Ms. Booth Gallogly asked about the best page to analyze the hedge funds and Mr. Goodreau pointed her to the Cliffwater performance reports and then analyzed them.

Mr. Lynch gave a brief update on the overall hedge fund portfolio and explained it is beating the hedge fund benchmark with a third less risk. The portfolio is producing half the return of the equity market with about 20% of the volatility.

Mr. Costello reiterated, while competitive returns are important, lowering risk and the standard deviation is also very important because of the plan's liquidity issues.

Mr. Emkin stated the equity and bond markets have done extremely well recently.

The committee discussed best practices on how to analyze the hedge fund portfolio and Treasurer Raimondo recommended Cliffwater present next meeting on how the hedge fund portfolio is being monitored.

VI. Treasurer's Report

Treasurer Raimondo explained the custody transition is going very well and gave a brief update.

Separately, she also mentioned TIAA-CREF opened their Providence Office last week with about 10 full-time employees.

VII. Adjournment

There being no other business to come before the Board, on a motion by Mr. Costello and seconded by Ms. McNamara the meeting adjourned at 9:27 a.m.

Respectfully submitted,

Gina M. Raimondo
General Treasurer