



**State Investment Commission**  
**Monthly Meeting Minutes**  
**Wednesday, October 23, 2013**  
**9:00 a.m.**  
**Room 205, State House**

The Monthly Meeting of the State Investment Commission (SIC) was called to order at 9:07 a.m., Wednesday, September 25, 2013 in Room 205, State House.

## **I. Roll Call of Members**

The following members were present: Mr. J. Michael Costello, Mr. Thomas Fay, Mr. Robert Guidici, Ms. Paula McNamara, Mr. Thomas Mullaney, Mr. Frank Karpinski, and General Treasurer Gina Raimondo. Also in attendance: Ms. Jennifer Delong, Mr. Christopher Nikolich and Ms. Patricia Roberts of AllianceBernstein 529 fund manager for the State; Mr. Thomas Lynch of Cliffwater, alternative investment consultant to the Commission; Mr. John Burns, Mr. Alan Emkin and Mr. David Glickman of Pension Consulting Alliance (PCA), General Consultant; Ms. Sally Dowling, of Adler Pollock, legal counsel; Ms. Gail Mance-Rios of Rhode Island Higher Education Assistance Authority (RIHEAA); Ms. Anne-Marie Fink, chief investment officer and members of the Treasurer's staff; Members of the House fiscal staff and various local reporters. Ms. Marcia Reback and Mr. Andrew Riley were absent.

Treasurer Raimondo called the meeting to order at 9:07 a.m.

## **II. Approval of Minutes**

On a motion by Mr. Guidici and seconded by Ms. McNamara, it was unanimously

**VOTED: to approve the draft of the minutes of the September 25, 2013 meeting of the State Investment Commission.**

## **II. CollegeBound Fund Update**

Ms. Fink briefly reviewed the changes in progress by AllianceBernstein. She also talked about the recent rating of the fund by Morningstar. She said the program received an overall negative rating. She said with all the improvements being made, she was hoping for a better rating. She added that Morningstar's write-up did comment positively on the changes being made as well as the fees charged. She then introduced AllianceBernstein to talk further on the changes being made.

Mr. Nikolich reviewed the recommendations by PCA.

Ms. Fink said there will be a jointly issued RFP with RIHEAA to hire a consultant to monitor the program. She said the RFP expected to be issued later this year.

Mr. Nikolich said the remaining recommendation to be addressed is the change in underperforming funds in the age-based and in the risk-based portfolio. He said the proposal is where there were two portfolios previously, the US Large Cap Growth and the US value, to implement that on a combined basis with the growth and income portfolio. He said this fund is part of the current stand-alone menu and it has already been reviewed by PCA. He reviewed the proposal in the non-US based to move two funds into one. He said they propose to move the International Large Cap Growth and the

International Value Exposure a Dynamic Factor Fund portfolio. He said this portfolio is predominantly quantitative driven investment process.

On a motion by Mr. Mullaney and seconded by Mr. Costello, it was unanimously

**VOTED: to approve the changes in the fund line-up in the active and risk- based glide paths including swapping out the US exposure with the AllianceBernstein growth and income fund and swapping out the Intenational funds with the proposed AllianceBernstein Factor Fund.**

### **III. Discussion of Portfolio Investments Related to Corporate Governance and Firearms**

Ms. Fink discussed the next steps regarding the managers with material investments in firearms distributors. She reminded the board that Wellspring owns United Sporting Company. She said in addition to it they have a private debt manager, Summit Partners, who also has exposure to the same company. For the Wellspring holding she proposed that the board authorize Cliffwater to perform a secondary sale process. She added that they should not specify acceptable ranges to not constrict the negotiation process.

On a motion by Mr. Fay and seconded by Mr. Guidici, it was unanimously

**VOTED: to authorize Cliffwater to obtain possible bids for a secondary sale of the interests in Wellspring.**

Ms. Fink went on to discuss Summit Partners. She said that this investment is earlier in its life and it would be more advantageous not to sell it. She said the General Partner has proposed a solution to the concern of the investment's regulatory risk. She said Summit Partners has offered to buy the economic interest in the United Sporting Company. She said she considers this a good solution because it would allow ERSRI to remain in the larger private debt fund.

On a motion by Mr. Costello and seconded by Mr. Mullaney, it was unanimously

**VOTED: To move forward with the assignment of our interests in the United Sporting Companies loan subject to staff and counsel executing the appropriate agreement.**

### **IV. Periodic Asset Allocation Review**

Ms. Fink said that staff recommends commissioning PCA to do a review of asset allocation and the fees paid to asset managers. She said the last asset liability study was based on data at the end of 2010 and there have been sizable moves in the markets since then. She also proposed working with PCA to build an asset allocation appropriate to the forward-looking opportunity over the next three to five years. She said she would ask them to review the fees paid to assure they are industry standard given the level of investment and terms they transact with the managers.

Mr. Emnkin said this review will be unlike the 2011 study. He said this should be an asset allocation only study to refresh the capital market assumptions and dynamics. He said it would be a revisiting to look at downside risk primarily.

Treasurer Raimondo added that the board has come up with an asset allocation to suit the plan being extremely underfunded. She said the review will assist in determining and evaluating the selected investments chosen by the SIC.

On a motion by Mr. Guidici and seconded by Mr. Mullaney, it was unanimously  
**VOTED: to commission PCA to conduct an asset allocation review and to review the fees paid by the plan.**

## **V. Legal Counsel Report**

There was no legal counsel report.

## **VI. CIO Report**

Ms. Fink reviewed the portfolio's performance for September. She said July was a very strong month in the markets. She said that the portfolio lagged in the strong up move. She added that the portfolio has been specifically created that won't capture all of the upside but will protect against downside. She said the portfolio was up 3% for the month which is in line with the bottom-up benchmark. She said that compares to about 3.5% in the 60/40 plan. She said the risk in the portfolio was 7.5% for the month and remains below that of the blended benchmark and the 60/40 plan. She added that the portfolio has less risk and better return than the 60/40 plan and is about on par with the blended benchmark for the three-year risk return.

Ms. Fink reviewed the performance for the hedge funds for the 23 months since inception. She said on annualized basis the overall fund is up 10.6% with 6% risk. She said that compares to the 60/40 plan which was up 9.5% with 7.4% risk. She said this is ensuring better return lower risk over time. Ms. Fink went on to review the overall fund's current valuation for the month of October. She said she believes that the fund should pass the \$8-billion mark by the end of October for the first time since the 2008 financial crisis.

Ms. Fink discussed a recent report on Rhode Island's pension plan which was commissioned by AFSCME. She said the report contains a number of gross misrepresentations and unfounded innuendos. Ms. Fink prepared a letter to address these criticisms, of which a copy was distributed to the board. She said the letter addressed the main points made in the report and corrects a number of inaccuracies.

The board discussed the report as well as the letter prepared by Ms. Fink.

## **VII. Treasurer Report**

Treasurer Raimondo commended the efforts of the board and thanked them for their continued work.

There being no other business to come before the Board, on a motion by Mr. Mullaney and seconded by Mr. Guidici the meeting adjourned at 10:17 a.m.

Respectfully submitted,

**Gina M. Raimondo**  
General Treasurer

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