



State Investment Commission
Monthly Meeting Minutes
Wednesday, November 18, 2015
9:00 a.m.
Room 205, State House

The Monthly Meeting of the State Investment Commission (SIC) was called to order at 9:03 a.m., Wednesday, November 18, 2015 in Room 205, State House.

I. Roll Call of Members

The following members were present: Mr. J. Michael Costello, Mr. Thomas Fay, Ms. Marie Langlois, Ms. Faith LaSalle, Ms. Paula McNamara, Mr. Thomas Mullaney, Ms. Marcia Reback, Mr. Frank Karpinski and Treasurer Seth Magaziner.

Also in attendance: Ms. Tiffany Spudich and Mr. Joe Bill Wiley from Capital Cities, 529 Plan Consultant; Mr. Kevin Cox, Ms. Peg Creonte and Mr. Jeff Howkins of Ascensus College Savings; Mr. Martin Flanagan, Mr. Duy Nguyen and Mr. Brian Thorp of Invesco; Mr. John Burns, and Mr. Allan Emkin of Pension Consulting Alliance (PCA), general consultant; Ms. Sally Dowling of Adler Pollock & Sheehan P.C., legal counsel; Ms. Anne-Marie Fink and members of the Treasurer's office staff.

Mr. Robert Benson was absent.

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

II. Approval of Minutes

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

VOTED: to approve the draft of the minutes of the October 28, 2015 meeting of the State Investment Commission.

III. 529 Plan Program Manager Recommendation

Ms. Spudich discussed the RFP process and evaluation criteria. She said through AB's efforts early on, the plan had gained significant market share over the years. *CollegeBoundfund* is the third largest advisor-sold program in the nation. She stated that Invesco and Ascensus are uniquely positioned to grow the plan.

She gave an overview of the considerations that led to the selection of the joint bid by Ascensus and Invesco. Invesco has robust distribution and strong investment resources. Capital Cities also cited Ascensus's ability to do community outreach in Rhode Island. Both firms have a lot of experience working with rating agencies, and they will be working with financial advisors to make the program easier to sell.

Then the Ascensus and Invesco team started their presentation. Mr. Hawkins gave an overview of the partnership and their guiding principles. He went on to review the Ascensus College Savings organization. They are very strong believers in risk management and compliance. They have substantial conversion expertise, having previously migrated numerous plans from other providers. He went on to review the terms of the partnership. He added that Ascensus would also bring jobs to Rhode Island as they plan to open an office in the state.

Mr. Hawkins introduced Mr. Flanagan, who gave a brief overview of Invesco as a firm. He noted that they are continually top-ranked among peers by rating agencies.

Then Mr. Nguyen reviewed Invesco's investment strategy and their investment team. He went on to describe the guiding principles for the design of the investment lineup.

Treasurer Magaziner noted the SIC would vote to approve the plan's investment lineup at a future date.

Next, Ms. Creonte reviewed a recommended change in the plan structure. Ascensus/Invesco recommend two different products, one for the state plan and another for the advisor-sold plan. Each product would have a

different investment lineup. For the state plan, they recommend a simpler line-up, whereas they suggest a more sophisticated lineup for the advisor-sold plan. They believe this structure would tailor appropriate products to the two different investment groups. Then she talked about the marketing expertise that both firms would bring to the plan. She reviewed the strategy for in-state marketing and community outreach. Mr. Thorp talked about marketing strategy for the advisor-sold plan. Invesco has extensive and deep relationships with advisors nationwide. They are excited about expanding the CollegeBoundfund into that network. They are confident they will significantly grow the plan. He also reviewed the sales strategy team. The board asked questions.

Ascensus and Invesco left the room.

Ms. Fink added that the best and final offer presented by Ascensus and Invesco was very attractive. They offered the highest state administration fee at 0.115%. They also offered compensation for any participant turnover in the first year, as well as a guarantee for account growth throughout the contract term. She noted that the plan's beneficiaries are relatively old and close to college age; that creates a challenge to maintain assets over the next few years. She also said that she feels comfortable with the transition experience that Ascensus has. Invesco also has great relationships with advisors.

The board asked questions and discussed.

On a motion by Ms. Reback and seconded by Ms. Langlois, it was unanimously

VOTED: to approve Invesco and Ascensus as the program managers for the 529 plan pending successful and final negotiation of the contract.

IV. Legal Counsel Report

There was no legal counsel report.

V. Chief Investment Officer Report

Ms. Fink reviewed the performance of the portfolio. The portfolio was up 3.65% for the month of October compared to 4.7% for the 60/40 basic allocation and 3.9% for the bottom-up benchmark. Given the portfolio's lower-risk approach, it's not surprising that the portfolio lagged a bit in October's strong risk-on market. The risk of the portfolio remains well below that of the 60/40 allocation while returns are higher. She went on to review performance by asset class.

She gave an update of the projects that she and staff are working on. They have received submissions for the proxy advisor RFP and will form a sub-committee for that process.

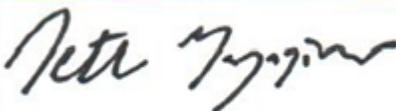
Treasurer Magaziner added that the office will be hiring a 529 program director to oversee the transition of the CollegeBoundfund.

VI. Treasurer's General Comments

Treasurer Magaziner thanked the commission for their work and commitment.

There being no other business to come before the Board, on a motion by Ms. Reback and seconded by Mr. Costello the meeting adjourned at 10:42 a.m.

Respectfully submitted,



**Seth Magaziner,
General Treasurer**