



State Investment Commission
Monthly Meeting Minutes
Wednesday, February 22, 2017
9:00 a.m.
Room 205, State House

The Monthly Meeting of the State Investment Commission (SIC) was called to order at 9:01, Wednesday, February 22nd, 2017 in Room 205, State House.

I. Roll Call of Members

The following members were present: Mr. Michael Costello Mr. Thomas Fay, Mr. Frank Karpinski, Ms. Sylvia Maxfield, Ms. Paula McNamara, Mr. Thomas Mullaney, and Treasurer Seth Magaziner.

The following members were absent: Mr. Robert Benson, Ms. Marie Langlois, Ms. Marcia Reback.

Also in attendance: Mr. Tom Lynch, Cliffwater, consultant; Mr. Allen Emkin, Pension Consulting Alliance (PCA), general consultant; Mr. Chris Lewis and Mr. Michel Glouchvitch, Riordan, Lewis & Haden Equity Partners (RLH); Mr. Larry Brown and Mr. David Iden, TIAA, consultants; Mr. Tim Nguyen, Treasury Chief Investment Officer (interim); Ms. Sally Dowling, Adler, Pollock & Sheehan, legal counsel; Mr. Jon Popielarski, Treasury Investment Officer; Ms. Kimberly Shockley, Associate Director of the CollegeBound Savings Program; and other members of the Treasurer's staff.

Treasurer Magaziner called the meeting to order at 9:04 a.m.

II. Approval of Minutes

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

VOTED: to approve the draft minutes of the January 25th, 2017 meeting of the State Investment Commission.

III. Private Equity Allocation Plan

Mr. Nguyen prefaced the presentation by recalling that the new asset allocation, which the Board approved in September, included an increase in private equity, from 7% to 12% over a 5-year period. Mr. Lynch went on to summarize the current strategy and compare what the program may look like under the new allocation using a recommended model portfolio. The strategy will focus mainly on buyouts with venture capital and growth equity rounding out the allocation. A majority of geographic exposure will be domestic and roughly a quarter will be international, spread across both Europe and Asia. He noted the new strategy is to be opportunistic. He concluded by outlining the considerations when crafting a new Investment Policy Statement (IPS) for the Private Equity class. Treasurer Magaziner stated language for the IPS would be drafted and brought before the Board for a vote at a later time.

The board asked questions.

IV. Private Equity Manager Presentation

Mr. Glouchvitch provided the Board history of RLH, the background of its team and its approach to the market. RLH focuses on small, service businesses experiencing high organic growth in the healthcare, IT and government services sectors. The businesses are profitable market leaders with proven leadership in their sectors benefiting from macro growth trends. Mr. Lewis provided an example of the growth rates achieved with one of their acquisitions to illustrate their return on investment on such companies.

The board asked questions.

Mr. Lynch apprised the board of the due diligence conducted on RLH. He then recommended RLH based on their appealing strategy stating it is in line with the new growth mandate of the portfolio's allocation. He noted their experienced team, disciplined approach and good performance with cumulative performance over their previous 3 funds.

The board asked questions.

On a motion by Mr. Fay and seconded by Ms. Maxfield, it was unanimously **VOTED: to approve up to a \$40 million commitment to Riordan, Lewis & Haden Equity Partners (RLH) IV L.P.**

V. Defined Contribution Plan Quarterly Performance Review

Mr. Iden reported on quarterly numbers as of 12/31/2016. He summarized that total assets and contributions across both the 401a plan and the FARP plan, highlighting a \$31 million increase in the 401a portfolio and a \$39 thousand increase in the FARP portfolio.

Mr. Brown then spoke to member engagement, noting there had been an increase from 2015 to 2016 in individual sessions as well as attendees to the benefit fairs, seminars and workshops. The recent conference of Rhode Island's League of Cities and Towns had also yielded additional meetings this month.

The board asked questions.

VI. Legal Counsel Report

There was no legal counsel report.

VII. Chief Investment Officer Report

Mr. Nguyen provided the performance update for January. The total portfolio value increased by approximately \$94.5 million on the month to rest at \$7.8 billion. On a percentage basis, this translated to an increase of 1.55%, which lagged both the plan benchmark of 1.66% and basic 60% global equity/40% fixed income allocation of 1.72% but he highlighted that all disciplines posted a positive absolute return for the month. Fiscal year to date, the portfolio's 6.18% return has exceeded the 5.71% benchmark and well surpassed the 4.63% 60/40 return.

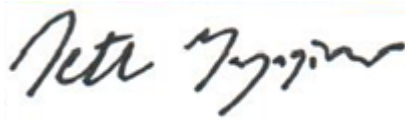
Mr. Nguyen also updated the Board on searches for the Crisis Protection Class (CPC) manager and Systematic Trend Following manager, which are scheduled to conclude this month. He then apprised the board of the first hedge fund redemption from Ascend totaling \$69 million.

VIII. Treasurer's General Comments

Treasurer Magaziner thanked the Board, consultants and staff for their continued work and commitment toward implementing the asset allocation, which is proceeding in a timely manner. He pointed out that the long term performance of the portfolio looks good, especially in relation to the 60/40. Lastly, he notified the Board the RFP had been issued for the deferred compensation and defined contribution plans, which were issued together so respondents could submit a cost structure that included both. He welcomed Ms. Shockley to provide details of the RFP process including the timetable for its conclusion.

There being no other business to come before the Board, on a motion by Ms. McNamara and seconded by Mr. Mullaney the meeting adjourned at 10:48 a.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Seth Magaziner", is centered on the page. The signature is written in a cursive, flowing style.

**Seth Magaziner,
General Treasurer**