



**State Investment Commission**  
**Monthly Meeting Minutes**  
**Wednesday, May 24, 2017**  
**9:00 a.m.**  
**Room 205, State House**

The Monthly Meeting of the State Investment Commission (SIC) was called to order at 9:00, Wednesday, May 24<sup>th</sup>, 2017 in Room 205, State House.

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

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

Ms. Marie Langlois arrived at 9:07.

The following member was absent: Ms. Marcia Reback

Also in attendance: Mr. Tom Lynch, Cliffwater; Ms. Esther Rombaut and Lars Haegg, CVC; Mr. John Burns, Pension Consulting Alliance (PCA); Ms. Tiffany Spudich, Capital Cities; Mr. Matthew Dicroce, TIAA; Ms. Kimberly Shockley, Associate Director of College and Retirement Savings Plan; Mr. Alec Stais, Chief Investment Officer, Mr. Tim Nguyen, Deputy Chief Investment Officer; Ms. Sally Dowling, Adler, Pollock & Sheehan, legal counsel; and other members of the Treasurer's staff.

Treasurer Magaziner called the meeting to order at 9:00 a.m.

## **II. Approval of Minutes**

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

**VOTED: to approve the draft minutes of the April 26th, 2017 meeting of the State Investment Commission.**

## **III. Private Equity Re-Up Recommendation**

Ms. Rombaut provided informational and historical background on CVC noting their global presence.

Mr. Haegg summarized CVC's growth during the previous fund (Fund VI) before highlighting the key features of upcoming Fund VII. The approach will be to make investments where they can influence 30-40 fundamentally sound, cash generative businesses throughout Europe, with capped exposure to North America and beyond. He discussed the systematic approach to creating value throughout the investment cycle.

The board asked questions.

Mr. Lynch briefly reviewed CVC's investment strategy and process, and summarized their investment terms and overall performance. Treasurer Magaziner added that CVC provides geographic diversification and has been a good performer.

On a motion by Mr. Benson and seconded by Ms. Langlois it was  
**VOTED: to approve a 35-million-euro commitment to CVC Fund VII**

#### **IV. Review and Consideration of Crisis Protection Class, Systematic Trend Following Investment Policy Statement**

Mr. Stais informed the Board that the Crisis Protection Class (CPC) was on track to be fully implemented in the month of June. CPC documentation is comprised of two different portions, the Systematic Trend Following (STF) and the Platform Manager. In preparation, the Board must codify the new class's definition, purpose, and overarching activities as described in the two related 2 IPS documents.

The board reviewed the Systematic Trend Following Investment Policy Statement.

On a motion by Ms. Langlois and seconded by Ms. Maxfield it was  
**VOTED: to approve the Crisis Protection Class, Systematic Trend Following Investment Policy Statement**

#### **V. Review and Consideration of Crisis Protection Class, Platform Manager Investment Policy Statement**

The board reviewed the Platform Manager Investment Policy Statement.

On a motion by Mr. Fay and seconded by Ms. Maxfield, it was  
**VOTED: to approve the Crisis Protection Class, Platform Manager Investment Policy Statement**

#### **VI. CollegeBound Update**

Ms. Spudich recapped the past year during which time the state transitioned from Alliance Bernstein to Ascensus College Savings, achieving the largest 529 conversion in history. She stated this afforded the program to start fresh and it is currently operating within the best practices of the 529 industry. She went on to say that the program investment lineup is in very strong shape and reviewed the investment menu for both the Advisor and Direct plans with the Board. She also reviewed performance.

The board asked questions.

Ms. Spudich suggested that the IPS add a signature section so it may be validated each year that it is reviewed. Given this item would require a vote and was not added to the agenda, the vote will be brought at a subsequent meeting.

Mr. Fay asked if Invesco could come to a future meeting regarding the rationale of the glide path. He noted the asset allocation is conservative but considerably more so in the 5 to 10 year student age period, which is a timeframe more significant in college bound funds. Treasurer Magaziner stated that information would be obtained.

#### **VII. Defined Contribution Plan Update**

Ms. Shockley began by summarizing member engagement for the 1<sup>st</sup> quarter and 2<sup>nd</sup> quarter-to-date. Most notable, she stated that members were moving their money into TIAA accounts given their low fees and desire for customers to consolidate their assets. She also cited a new activity of the field representative stating they are now attending periodic ERSRI Board meetings to make themselves visible and available to impending retirees.

Mr. DiCroce explored the investment performance as of 3/31/2017. He summarized the total assets and contributions across both the 401(a) plan and FARP plan. The 401(a) plan saw an increase in total plan assets over the same time last year and a minimal decline in contributions. The FARP plan also saw an increase in assets over the same time last year but a marked decrease in contributions when compared to March 2016.

The board asked questions.

## **VIII. Legal Counsel Report**

There was no legal counsel report.

## **IX. Chief Investment Officer Report**

Mr. Stais provided the performance report for April, noting it was a reasonably good month. The total portfolio value increased by approximately \$42.4 million to remain at \$7.9 billion. The month's increase comes from \$78.8 million of positive investment performance, primarily driven by the equities and bond markets, offset by \$36.4 million of transfers to meet pension payroll in excess of pension contributions.

Mr. Stais also apprised the Board of the hedge fund redemption schedule that will be funding, in part, the Systematic Trend Following allocation.

## **X. Treasurer's General Comments**

Treasurer Magaziner outlined some of the items the Board would be exploring in the coming months as it relates to the asset allocation transition, including the Income Class and gradual build-up of Private Equity.

Treasurer Magaziner stated staff was interested in engaging Capital Cities as a consultant during the implementation of the new 457 vendor and reupping TIAA as the 401(a) provider. An expansion of their contract will be brought before the board for a vote at the following meeting.

Treasurer Magaziner also highlighted the work of the Retirement Board, recently lowering the assumed rate of return from 7.5% to 7.0%, which is a more realistic and conservative number. He stated the groundwork for addressing the assumed rate of return was laid last summer during the Asset/Liability Study. The process of establishing an investment strategy prior to setting the rates, taking risk appetite into account before addressing these rates, was vital to establishing the correct rate of return assumption.

Treasurer Magaziner thanked Mr. Nguyen for his year of service as Interim Chief Investment Officer, a time in which the office was undertaking the Asset/Liability Study and its subsequent implementation. He noted that during Mr. Nguyen's tenure, the portfolio's performance was positive, increasing 10.5% over the year, beating the benchmark by 52 basis points and the 60/40 by 125 basis points.

Lastly, Treasurer Magaziner notified the board the upcoming scheduled June and July meetings would be rescheduled and condensed into one meeting in mid-July. The staff will reach out to confirm the date once availability is determined.

There being no other business to come before the board, on a motion by Mr. Mullaney and seconded by Ms. Langlois, the meeting adjourned at 10:44 a.m.

Respectfully submitted,

**Seth Magaziner,  
General Treasurer**

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