



State Investment Commission
Monthly Meeting Minutes
Monday, July 10th, 2017
9:00 a.m.
Room 205, State House

The Monthly Meeting of the State Investment Commission (SIC) was called to order at 8:59, Monday, July 10th, 2017 in Room 205, State House.

I. Roll Call of Members

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

Mr. Frank Karpinski arrived at 9:17.

Mr. Thomas Mullaney left at 10:58.

The following member was absent: Ms. Marie Langlois

Also in attendance: Mr. Tom Lynch and Mr. Mark Williams, Cliffwater; Mr. John Burns, Pension Consulting Alliance (PCA); Mr. George Aitken-Davis, Altaris Health Partners; Mr. Adil Rahmathulla and Mr. Andreas Moon, I-Squared Capital; Mr. Larry Brown and Mr. David Iden, TIAA; Ms. Kimberly Shockley, Associate Director of College and Retirement Savings Plan; Mr. Alec Stais, 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 8:59 a.m.

II. Approval of Minutes

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

VOTED: to approve the draft minutes of the May 24th, 2017 meeting of the State Investment Commission.

III. Treasurer's General Comments

Treasurer Magaziner provided the board several updates. Notably, he discussed the General Assembly's failure to pass a budget ahead of the new fiscal year and discussed the potential impacts of that inaction as it related to investment staffing and operations.

He then apprised the board that the CPC mandate will move forward with two Systematic Trend Following (STF) managers instead of three but will leave the option open to a third should a suitable opportunity arise in the future. Funding has begun for the two STF managers, the details of which were expressed by Mr. Stais.

Treasurer Magaziner also told the board to expect a different look in the upcoming SIC book as reporting is updated to reflect the new asset allocation.

IV. Chief Investment Officer Report

Mr. Stais provided the portfolio update for May. The portfolio exceeded the \$8 billion mark having increased by almost \$82 million for the month. On a percentage basis, the portfolio increased 1.37% matching the plan benchmark but lagging the basic 60% global equity/40% fixed income allocation of 1.63%. He also gave a preliminary outlook on the fiscal year end numbers, promising the final numbers be delivered to the group in several weeks.

V. Review and Consideration of the Income IPS

Treasurer Magaziner prefaced the conversation with the fact that Investment Policy Statements (IPSs) continue to be updated to reflect the new asset allocation adopted last year.

Mr. Burns summarized the Income Class portfolio and its purpose. He reminded the board that the Income class will be increased from 6% to 8% of the portfolio under the new asset allocation. He highlighted the objectives and reasons for doing so based on the model and policy presented and adopted through the asset allocation process. He concluded by describing the transition plan to implement the Income Class portfolio at its new allocation.

The board reviewed the Income Class Investment Policy Statement.

The board asked questions.

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

VOTED: to approve the Income Class Investment Policy Statement

VI. Private Equity Investment Recommendation, Altaris Health Partners

Mr. Aitken-Davis provided background information on Altaris, a healthcare focused private equity firm. They target companies that deliver value and efficiency to the healthcare system, and take an active approach to influencing the investment outcome through leveraging industry knowledge and network. He detailed the company culture and described how it influenced their processes and drives their results. He then outlined the Altaris investment strategy and sectors of focus, as well as the fund's principal terms for the board's consideration.

The board asked questions.

Mr. Lynch apprised the board of the due diligence conducted on Altaris. He summarized the firm's organization, strategy and process. He also gave an overview of the historical performance in their previous three funds and outlined the terms of Fund IV.

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

VOTED: that the Employees' Retirement System of the State of Rhode Island make a \$32 million investment in Altaris Health Partners IV, L.P. and an \$8 million investment in its affiliated fund, Altaris Constellation Partners IV, L.P., in each case with an effective closing date as of June 30, 2017, subject to legal and investment staff review and submission of required Subscription documents following the date of this resolution.

VII. Infrastructure Investment Recommendation, ISQ Global Infrastructure Fund

Mr. Rahmathulla gave an overview of I-Squared Capital, explaining it is a global, employee controlled investment platform. He discussed their organizational structure and company culture, as well as its investment approach which focuses on global infrastructure projects with risk-adjusted returns and downside protection. He went on to detail its current portfolio and the new fund strategy.

Mr. Williams summarized Cliffwater's recommendation of ISQ. He provided an overview of Fund II, noting it was similar to their previous Fund which globally invested in medium sized value-added infrastructure assets across thermal, renewables, utilities and transportation sectors. He also detailed their performance and the terms of the investment.

The board asked questions.

On a motion by Ms. Reback and seconded by Mr. Benson, it was unanimously
VOTED: to approve a \$40 million investment with ISQ Global Infrastructure Fund II

VIII. Review and Consideration of the 457/401a Investment Lineup

Treasurer Magaziner recalled there was a competitive RFP process for both the Defined Contribution and Deferred Compensation plans. The recommendations from that process yielded a change to one of the 457 vendors (the state requires 3 vendors for its 457 plan).

Ms. Shockley presented the recommended investment menu for the transition from Valic to TIAA. The recommended changes would offer a similar diverse menu of options but would come with reduced fees and a more concise package than the lineup under the previous provider.

The board asked questions.

On a motion by Mr. Fay and seconded by Mr. Benson, it was unanimously
VOTED: to approve the mapping plan for the 401a/457 investment lineup

IX. Review and Consideration of 529 Investment Options

Ms. Shockley summarized the recommendations from last month's CollegeBound Update provided by Capital Cities.

In order to streamline the naming convention across portfolios, Capital Cities recommended to change the name of the socially responsible equity portfolio.

On a motion by Ms. Reback and seconded by Ms. Maxfield, it was unanimously
VOTED: to approve the name change from "Invesco Global Sustainable Equity Portfolio" to "Global Sustainable Equity Portfolio"

In order to improve small cap access, Capital Cities recommended to enhance the age-based portfolios' domestic equity component by replacing iShares Core S&P 500 with iShares Core S&P Total U.S. Stock Market.

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

VOTED: to approve Small cap access by enhancing the age-based portfolios' domestic equity component by replacing iShares Core S&P 500 with iShares Core S&P Total US Stock Market

Capital Cities had assisted in establishing recommendations for the change to the 401a and 457 lineups. Ms. Shockley asked the board for an amendment to the Capital Cities contract that would allow to retroactively acquire and compensate Capital Cities at the amount of \$15,000 for that purpose.

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

VOTED: to approve to approve the hiring of Capital Cities of \$15,000 for the purposes of assisting in the 401a/457 lineup

X. Legal Counsel Report

There was no legal counsel report.

There being no other business to come before the board, on a motion by Mr. Fay and seconded by Mr. Costello, the meeting adjourned at 11:23 a.m.

Respectfully submitted,

**Seth Magaziner,
General Treasurer**