



State Investment Commission
Monthly Meeting Minutes
Wednesday, April 25th, 2018 9:00
a.m.

Executive Conference Room, Department of Administration

The Monthly Meeting of the State Investment Commission (SIC) was called to order at 9:05 AM, Wednesday, April 25th, 2018 in the Executive Conference Room, Department of Administration.

I. Roll Call of Members

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

Also in attendance: Ms. Gabrielle Zadra, Mr. Tom Lynch, Mr. Mark Williams and Mr. Bernie Gehlmann, Cliffwater; Mr. Axel Eichmeyer and Mr. Chris Peisch, ECM; Mr. Alec Stais, Chief Investment Officer; Ms. Sally Dowling and Ms. Nicole Verdi, Adler, Pollock & Sheehan, legal counsel; Mr. Kevin Leonard and Mr. Will Forde, NEPC; and other members of the Treasurer's staff.

Treasurer Magaziner called the meeting to order at 9:05 AM.

II. Approval of Minutes

On a motion by Mr. Fay and seconded by Mr. Costello, it was unanimously **VOTED: to approve the draft minutes of the March 28th, 2018 meeting of the State Investment Commission.**

III. Private Equity Investment Recommendation, ECM German Equity Partners Fund V

Mr. Tom Lynch introduced two of ECM's managing directors, Mr. Axel Eichmeyer and Mr. Chris Peisch. Mr. Peisch explained that ECM is the oldest independent private equity firm in Germany and focuses on primary transactions within the lower mid-market segment of the German speaking European region. Mr. Eichmeyer outlined the firm's strategic approach and described the differences between the German and U.S. markets. Mr. Eichmeyer discussed the firm's track record. Mr. Peisch discussed the make-up of the investment team. Mr. Eichmeyer noted that, in conjunction with Germany's relatively high degree of privately held low-to-mid-market companies, the region's underdeveloped, but evolving, PE market has created a robust investment opportunity set. Mr. Peisch outlined ECM's competitive differentiators and methods that allow ECM to remain well protected in downside scenarios. Mr. Eichmeyer summarized ECM's investment strategy, describing the methods used to drive value creation and growth.

The Board asked questions.

Mr. Lynch explained how ECM German Equity Partners Fund V fits into the Plan's current portfolio.

The Board asked questions.

On a motion by Mr. Costello which was seconded by Ms. Reback, it was unanimously **VOTED: that the Employees' Retirement System of the State of Rhode Island make a commitment up to a €35 million investment in ECM German Equity Partners Fund V, subject to legal and investment staff review.**

IV. Alternative Investment Consultant Finalist Presentation, Cliffwater

Mr. Stais summarized the RFP diligence process and explained the rationale behind the search committee's decision to recommend hiring Cliffwater as the Plan's Alternative Investment Consultant while retaining PCA as the Plan's Real Estate Investment Consultant. He elaborated on the scoring criteria used to evaluate pool of candidates.

Mr. Lynch provided background on the firm and described Cliffwater's senior leadership team. He then outlined Cliffwater's alternative asset class coverage and described the firm's proposed support team for the Plan. Mr. Lynch highlighted the firm's service capabilities on both the portfolio administration side and the legal side. He then discussed Cliffwater's operational due diligence and monitoring processes. Ms. Zadra highlighted some of the work performed by Cliffwater's ERSRI support team throughout the normal course of business, including regularly meeting with the Plan's managers, distributing written performance commentaries, handling partnership amendment memos, and monitoring the funds.

The Board asked questions.

On a motion by Mr. Costello which was seconded by Ms. Reback, it was unanimously **VOTED: to engage Cliffwater as the Alternative Investment Consultant to the Plan and that Alec Stais be authorized to execute and deliver a written agreement with Cliffwater on behalf of the Plan for a 3-year term and on such other terms as were previously outlined.**

On a motion by Ms. Reback which was seconded by Mr. Costello, it was unanimously **VOTED: to engage PCA as the Real Estate Investment Consultant to the Plan and that Alec Stais be authorized to execute and deliver a written agreement with PCA on behalf of the Plan for a 3-year term and on such other terms as were previously outlined.**

V. General Consultant Update, NEPC

Mr. Forde clarified NEPC's product rating system and how it applies to the Plan's current roster of active managers. Mr. Leonard described the process in which NEPC applies its rating scale and further explained the definitions associated with each of the rating categories, which are refreshed annually.

The Board asked questions.

VI. Legal Counsel Report

There was no legal counsel report

VII. Chief Investment Officer Report

Mr. Stais discussed the Plan's total performance during the first calendar quarter, highlighting the QVM allocation's outperformance relative to its benchmark through quarter's volatile market environment. He noted the impact of the dollar and interest rate movements on the Plan's performance to date.

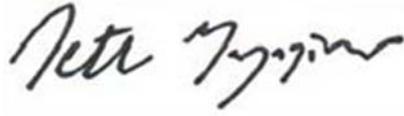
The Board asked questions.

VIII. Treasurer's General Comments

Treasurer Magaziner acknowledged the commission's hard work throughout both Consultant RFP processes and noted that the Staff and Board will continue to focus on executing the Plan's investment strategy.

On a motion by Ms. Reback and seconded by Mr. Fay, it was unanimously **VOTED: to adjourn the meeting at 11:07 AM.**

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Seth Magaziner". The signature is written in a cursive style with a prominent initial "S" and a long, sweeping tail.

**Seth Magaziner,
General Treasurer**