



State Investment Commission
Monthly Meeting Minutes Wednesday,
June 27th, 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 9:06 AM, Wednesday, June 27th, 2018 in the Executive Conference Room, Department of Administration.

I. Roll Call of Members

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

Also in attendance: Mr. Tom Lynch, Cliffwater; Mr. Loren Schlachet and Mr. Erick Bronner, Riverside; Ms. Tiffany Spudich and Mr. Peter Harvey, Capital Cities; Mr. David Iden and Mr. Larry Brown, TIAA; Mr. Alec Stais, Chief Investment Officer; Ms. Sally Dowling and Ms. Nicole Verdi, Adler, Pollock & Sheehan, legal counsel; Mr. Doug Moseley and Mr. Will Forde, NEPC; and other members of the Treasurer's staff.

Treasurer Magaziner called the meeting to order at 9:06 AM.

II. Approval of Minutes

On a motion by Ms. Maxfield and seconded by Ms. Hammond, it was unanimously **VOTED: to approve the draft minutes of the May 23rd, 2018 meeting of the State Investment Commission.**

III. Private Equity Investment Recommendation, Riverside Micro-Cap Fund V

Mr. Tom Lynch introduced Mr. Loren Schlachet and Mr. Erick Bronner from Riverside. Mr. Schlachet provided an overview of Riverside as a firm before discussing his background. He highlighted the depth and experience of the RMCF team. Mr. Schlachet described the fund's standardized processes and analytical tools, which facilitate a consistent approach to buying, building and selling companies. He walked the Board through the typical stages of a RMCF investment, noting the teams responsible for each stage of the process. He discussed the fund's investment strategy, noting target company characteristics and sector focus. Mr. Schlachet emphasized RMCF's strong realized acquisition to exit EBITDA growth, citing the roles of organic growth and add-on acquisitions in the value creation process. He illustrated some of the steps taken to transform the portfolio companies sold to date; namely, management upgrades, sales initiatives, and working capital improvements. Mr. Schlachet walked the Board through a couple of successful portfolio company case studies and referenced RMCF realization statistics. Mr. Bronner provided a summary of the terms and expected close. Mr. Lynch summarized Riverside's fit in the Plan's overall Private Equity portfolio.

The Board asked questions.

On a motion by Ms. Maxfield 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 \$40 million investment in Riverside Micro-Cap Fund V, subject to legal and investment staff review.

IV. Investment Policy Statement and Benchmark Update

Mr. Alec Stais reminded the board that the broad IPS language had been changed a few years ago in light of the asset/liability study. He noted that a few remaining changes to the IPS are still necessary in order for the IPS to align with the new asset allocation adopted by the board in 2016, including small changes to some of the sub-asset class benchmarks. He presented updated IPS language for the board to consider.

On a motion by Mr. Mullaney which was seconded by Ms. Reback, excluding Ms. Hammond, who abstained, it was unanimously **VOTED: that the Employees' Retirement System of the State of Rhode Island adopt the proposed Defined Benefit Investment Policy Statement and Benchmark adjustments.**

V. 529 Review, Capital Cities

Ms. Tiffany Spudich provided background on her firm and briefly described its relationship with Rhode Island's 529 program. She explained that Capital Cities is not currently recommending any changes to the program's investment menu, but they will be closely monitoring the 2017 tax reform's impact on other programs across the industry. Ms. Spudich summarized the structure of the investment products offered across both the direct and advisor 529 plans. She reviewed the program's individual portfolios' menu and reminded the board of the upcoming name change to the Invesco Global Sustainable Equity Portfolio. Ms. Spudich then overviewed the target risk and aged-based portfolios' menu. She referenced a graphic that compares Rhode Island's age-based glide path to that of Morningstar's peer group. Ms. Spudich explained the investment manager qualitative and quantitative review processes. She noted that overall the portfolio investment lineup was in good shape, but noted that three underlying funds—Diversified Dividend, International Growth, and Global Growth Funds—should be monitored. She elaborated on the comparative fee charts published in the Capital Cities meeting materials, describing efforts to continue reducing fees beyond what is already considered to be a relatively low-cost program. Ms. Spudich concluded by recommending a change to the IPS language to reflect the changes to 529 plans made in the recent tax reform.

The Board asked questions.

On a motion by Mr. Costello which was seconded by Ms. Reback, it was unanimously **VOTED: to implement the proposed update to the Investment Policy Statement for the Rhode Island Tuition Savings Program (CollegeBound Saver and CollegeBound 529).**

VI. 401/457 Review, TIAA

Mr. David Iden reviewed TIAA's Rhode Island member engagement and outreach statistics during the first calendar quarter. He noted the recent attention that has been given to the 457 multi-vendor coordinator implementation and referenced the vendor-agnostic Retirement@work website. Mr. Larry Brown referenced the Market Values for the 401a plan as of May 31. He noted that the Vanguard Total Bond Market Index Admiral has qualified for the cheaper share class, resulting in a change from 5 to 4 basis points. He also pointed out that roughly 96% of the 401a assets are indexed. Mr. Brown summarized performance across TIAA's Rhode Island 401a and 457 plans.

The Board asked questions.

VII. Legal Counsel Report

There was no legal counsel report

VIII. Chief Investment Officer Report

Mr. Stais reviewed the Plan's fiscal year-to-date performance, breaking down returns at the functional and asset class levels.

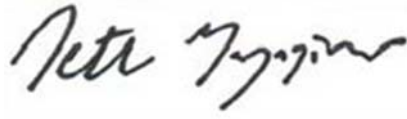
The Board asked questions.

IX. Treasurer's General Comments

Treasurer Magaziner noted the Plan's outperformance relative to the 60/40 benchmark and the plan benchmark.

On a motion by Mr. Mullaney and seconded by Ms. Maxfield, it was unanimously **VOTED: to adjourn the meeting at 10:42 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**