



State Investment Commission
Monthly Meeting Minutes
Wednesday, November 20th, 2019
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, November 20th, 2019 in the Executive Conference Room, Department of Administration.

I. Roll Call of Members

The following members were present: Mr. Robert Benson, Mr. Erik Carleton, Mr. Michael Costello, Mr. Thomas Fay, Ms. Karen Hammond¹, Ms. Karen Hazard, Mr. Thomas Mullaney, Mr. Frank Karpinski, Ms. Sylvia Maxfield and Treasurer Seth Magaziner.

Also in attendance: Phil Nelson, Tim O'Connell & Kevin Leonard, NEPC; Dave Ament & Bill Winterer, Parthenon; Thomas Lynch, Cliffwater; Karen Reeves, Meketa; Mr. Alec Stais, Chief Investment Officer; Mr. Matthew Waters, Adler Pollock & Sheehan, legal counsel; 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 Ms. Sylvia Maxfield and seconded by Mr. Thomas Fay, it was unanimously **VOTED: to approve the draft meeting minutes of the October 30th, 2019 meeting of the State Investment Commission.**

III. Asset Allocation Analysis, NEPC

Mr. Phil Nelson, Tim O'Connell & Kevin Leonard, NEPC, provided an overview of the additional asset classes and new allocation mixes for consideration following NEPC's asset allocation analysis presentations at previous meetings of the State Investment Commission. Mr. Nelson reintroduced two new allocations; emerging market debt and equity options, and the possibility to increase or maintain the Crisis Protection Class (CPC) allocation.

Mr. Nelson recommended emerging market debt and equity options strategies with a target allocation of 2% in the Income bucket and a modest increase to the CPC. In addition, Mr. Nelson recommended reallocating the unfunded commodities allocation to Treasury Inflation-Protected Securities (TIPS) and reallocating Disaggregate Core Bonds to investment grade credit and securitized sector-focused mandates.

The Board asked questions.

¹ Commissioner Hammond arrived to the meeting at approximately 9:06 AM and did not vote on item II. Her partial absence during the beginning of the meeting did not impact quorum.

IV. Private Equity Investment Recommendation, Parthenon Investors VI, L.P.

Mr. Dave Ament & Mr. Bill Winterer, Parthenon, provided an overview of the firm. Mr. Ament explained approach Parthenon's growth in the healthcare, financial services and business services sectors, with a focus on industries that use tech-enabled solutions, software and technology. Mr. Ament discussed Parthenon's approach to sourcing, value creation and its track record.

The Board asked questions.

Mr. Thomas Lynch, Cliffwater, highlighted Parthenon's track record and noted that the proposed investment terms were consistent with the fund's competitors in the current market environment.

The Board asked questions.

On a motion by Mr. Michael Costello which was seconded by Mr. Thomas Fay, it was **VOTED by a margin of 8 to 1 (with Ms. Karen Hammond voting against): that the Rhode Island Employees Retirement Systems Pooled Trust make a commitment of up to \$50 million, in Parthenon Investors VI, L.P., subject to legal and investment staff review.**

V. Core Real Estate Redemption Recommendation

Ms. Karen Reeves, Meketa, recommend a \$60 million redemption from the Plan's allocation to Core Real Estate in order to bring its actual allocation in line with its strategic target allocation of 3.6%. Ms. Reeves identified JP Morgan Strategic Property Fund (JPM Strategic) as the recommended manager from which to redeem.

The Board asked questions.

On a motion by Mr. Michael Costello which was seconded by Ms. Karen Hammond, it was unanimously **VOTED: that the Employees' Retirement System of the State of Rhode Island make a full redemption from JP Morgan Strategic Property Fund and reallocate approximately \$50.7 million to the remaining core open-ended funds (Morgan Stanley Prime Property Fund and Heitman America Real Estate Trust), subject to legal and investment staff review.**

VI. Owl Rock Review & Liquidation Recommendation

Mr. Thomas Lynch, Cliffwater, summarized the Plan's \$50 million commitment to Owl Rock Capital Corporation from December of 2017. Mr. Lynch informed the Board that Owl Rock has successfully listed on the public markets and recommended the Plan liquidate the public shares, as they no longer meet the definition of Private Credit.

The Board asked questions.

On a motion by Mr. Thomas Fay which was seconded by Mr. Michael Costello, it was unanimously **VOTED: to approve the recommendation to liquidate ERSRI's public shares of Owl Rock Capital**

Corporation in accordance with the lock-up schedule applicable to existing investors, when such shares are trading at or above a reasonable price target and subject to market liquidity, and subject to legal and investment staff review.

VII. Short-Term Investment and Community Deposit Policy Update

Mr. Vincent Izzo & Mr. Jeffrey Thurston, Treasury, provided an overview of their evaluation of Short-Term Investment Policies conducted for the purpose of developing recommendations to enhance the state's short-term investment policy and practices. Mr. Thurston recommended (i) increasing the maximum allowable investment in the Ocean State Investment Pool (OSIP) to 60% of Short-Term operating funds (currently 50% maximum), (ii) increasing the maximum total allocation for the Community Deposit Program to \$40 million (currently \$30 million), and (iii) increasing the maximum allocation in the Community Deposit Program to \$10 million per institution (currently \$5 million).

On a motion by Ms. Karen Hammond which was seconded by Mr. Robert Benson, it was unanimously **VOTED: to adopt the recommendations of Treasury Staff outlined above for enhancement of Short-Term Investment Policies, subject to legal and investment staff review.**

VIII. Legal Counsel Report

There was no legal counsel report.

IX. Chief Investment Officer Report

Mr. Alec Stais discussed the Plan's performance across the different asset classes and buckets, highlighting the positive effects of diversification. Mr. Stais discussed the Total Plan's strong performance relative to its peers.

The Board asked questions.

X. Treasurer's General Comments

Treasurer Magaziner asked if there were any further comments or questions and thanked the Board and Staff.

On a motion by Mr. Michael Costello and seconded by Mr. Thomas Fay, it was unanimously **VOTED: to adjourn the meeting at 11:02 AM.**

Respectfully submitted,

**Seth Magaziner,
General Treasurer**