

STATE OF RHODE ISLAND

PASSIVE IMPLEMENTATION RECOMMENDATION

September, 2020

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BOSTON | ATLANTA | CHARLOTTE | CHICAGO | DETROIT | LAS VEGAS | PORTLAND | SAN FRANCISCO

EXECUTIVE SUMMARY

- **NEPC & the RI Investment team continues to evaluate the use of passive implementation and the broader SSGA index relationship**
 - SSGA currently manages \$3.2 billion across the Pension and OPEB funds in passive funds

Functional Bucket	SSGA Index Funds	Mkt. Value	% of Total Fund
Pension Fund		\$2,664	30.5%
Public Equity	Russell 3000	\$1,482	17.0%
Public Equity	MSCI EAFE	\$663	7.6%
Public Equity	MSCI CAD	\$56	0.6%
Public Equity	MSCI Emerging Mkts.	\$463	5.3%
OPEB Fund		\$275	65.0%
Public Equity	S&P 500	\$275	65.0%

- **As a result of our analysis, NEPC recommends considering the below:**
 1. Accepting the newly negotiated SSGA EM index fee decrease (Pension)
 2. Consolidate MSCI EAFE & Canada index funds to a MSCI World ex US index (Pension)
 3. Move active TIPS allocation to a passive TIPS index fund (Pension)
 4. Move active Core Bond allocation to a passive Barclay's Agg. index fund (OPEB)
- **The above changes would result in ~\$529,000 in fee savings while, we believe, not fundamentally altering the return profile of the respective allocations**

RECOMMENDATION: PENSION FUND

- **As a result of our analysis, NEPC recommends considering the below:**
 1. Accepting the newly negotiated SSGA EM index fee decrease (Pension)
 2. Consolidate MSCI EAFE & Canada index funds to a MSCI World ex US index (Pension)
 3. Move active TIPs allocation to a passive TIPs index fund (Pension)

	Current Allocation		Proposed Allocation (EM Fee Reduction)	
	Mkt. Value (\$)	Fee (bps)	Mkt. Value (\$)	Fee (bps)
Public Equity	\$ 2,664	0.0324%	\$ 2,664	0.0276%
Russell 3000	\$ 1,482	0.0125%	\$ 1,482	0.0125%
MSCI EAFE	\$ 663	0.0300%		0.0300%
MSCI CAD	\$ 56	0.0300%		0.0300%
MSCI World ex US			\$ 719	0.0250%
MSCI EM	\$ 463	0.1000%	\$ 463	0.0800%

Savings (\$)	\$ 128,550
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	Current Allocation		Proposed Allocation (Passive TIPs)	
	Mkt. Value (\$)	Fee (bps)	Mkt. Value (\$)	Fee (bps)
Inflation Protection	\$ 154	0.1500%	\$ 154	0.0150%
TIPs	\$ 154	0.1500%	\$ 154	0.0150%

Savings (\$)	\$ 207,900
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*The above market values are as of July, 2020 and the highlighted dollar savings are approximations

RECOMMENDATION: OPEB

- As a result of our analysis, NEPC recommends considering the below:
 - Move active Core Bond allocation to a passive Barclay’s Agg. index fund (OPEB)

	Current Allocation		Proposed Allocation (Passive Agg.)	
	Mkt. Value (\$)	Fee (bps)	Mkt. Value (\$)	Fee (bps)
Fixed Income	\$ 148	0.1450%	\$ 148	0.0150%
Core Bonds	\$ 148	0.1450%	\$ 148	0.0150%
Savings (\$)			\$ 192,400	



*The above market values are as of July, 2020 and the highlighted dollar savings are approximations

APPENDIX

NEPC, LLC

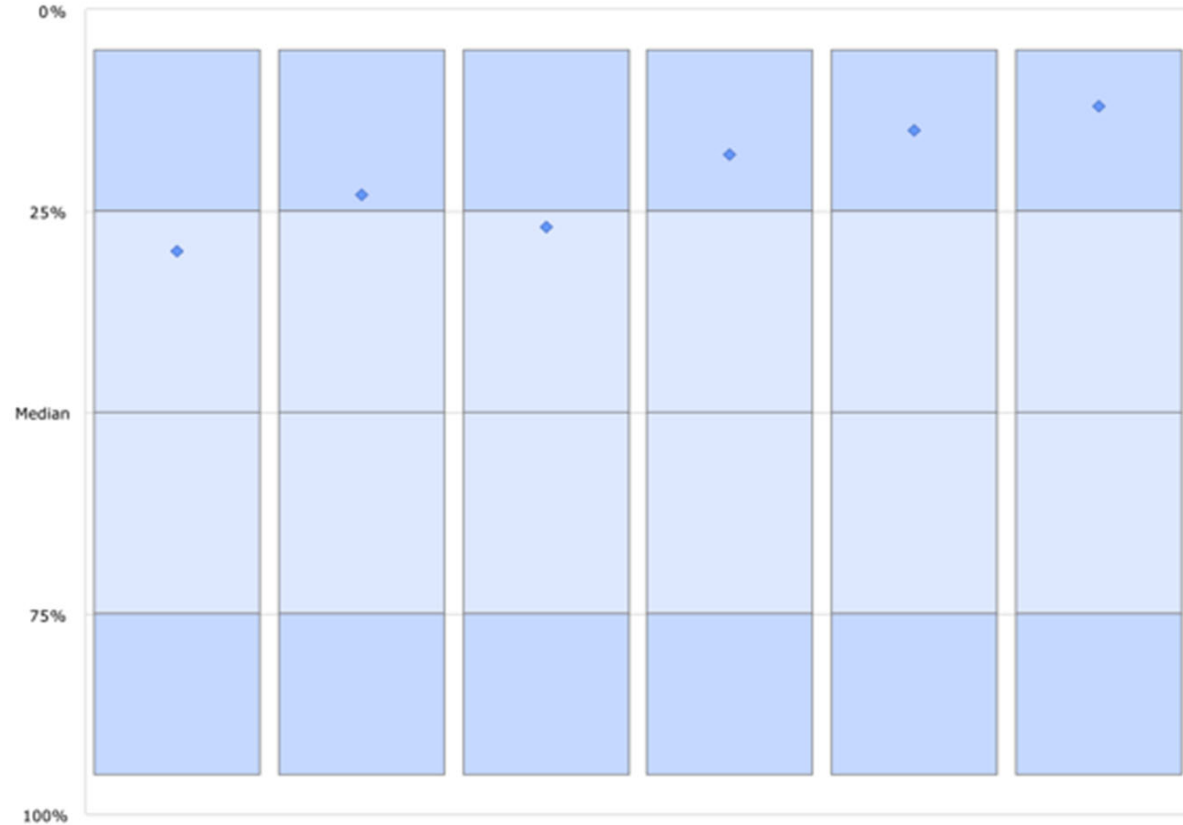
SIC ASSET ALLOCATION

		Current Target
Growth	Global Equity	40%
	Private Equity	11.3%
	Non-Core Real Estate	2.3%
	Opp. Private Credit	1.5%
	Private Growth	15%
	TOTAL GROWTH	55%
Income	Equity Options	2.0%
	Liquid Credit	2.8%
	EMD (Blended)	2.0%
	HY Infrastructure	1%
	REITs	1%
	Private Credit	3.2%
	TOTAL INCOME	12%
Stability	Long Treasuries	5%
	Systematic Trend	5%
	CPC	10%
	Core Real Estate	3.6%
	Private Infrastructure	2.4%
	TIPS	2%
	Inflation Protection	8%
	IG Corp Credit (Core Bonds)	3.25%
	Securitized Credit (Core Bonds)	3.25%
	Absolute Return	6.5%
	Strategic Cash	2%
	Volatility Protection	15%
	TOTAL STABILITY	33%
Other	Short-Term Cash	0.0%
	Russell Overlay	0.0%
	TOTAL CASH	0.0%



ACTIVE TIPS MANAGER PERFORMANCE

◆ Bloomberg Barclays Index: Bloomberg Barclays US TIPS



Universe: eVestment US TIPS / Inflation Fixed Income

	VT	RM	YTD		1 Year		3 Years		5 Years		7 Years		10 Years	
				Rk		Rk		Rk		Rk		Rk		Rk
5th percentile			9.68		11.78		6.22		4.54		3.74		3.90	
25th percentile			6.08		8.27		5.06		3.72		2.96		3.47	
Median			5.21		7.61		4.77		3.56		2.82		3.18	
75th percentile			4.03		5.65		3.83		2.87		2.29		2.80	
95th percentile			-3.23		-1.68		0.85		0.85		0.08		2.58	
# of Observations			30		29		28		28		24		21	
◆ Bloomberg Barclays Index	IX	IX	6.01	30	8.28	23	5.05	27	3.75	18	3.05	15	3.52	12



*The above performance is based on net of fee returns

June, 2020