



# Rhode Island State Investment Commission

## ERSRI Fair Value Measurement and Disclosures

Presented by:

**Pension Consulting Alliance, LLC**

Allan Emkin

John J. Burns, CFA

March 23, 2016



# ERSRI PORTFOLIO ASC FAIR VALUE MEASUREMENT OVERVIEW

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Following the market meltdown in 2008, market regulators and investors have become more focused on asset pricing and market liquidity. The following is a hierarchy of asset fair value measurement. The systems was designed to increase consistency and comparability in fair value measurements and disclosure.

## ***FASB Accounting Standards Codification Topic 820, Fair Value Measurements and Disclosures***

- Level 1 Assets have readily observable prices, and therefore a reliable fair market value.
  - Level 1 assets include listed stocks, bonds, funds, or any assets that have a regular "mark to market" mechanism for pricing.
- Level 2 assets are assets that do not have regular market pricing, but whose fair value can be readily determined based on other data values or market prices.
  - Level 2 asset values can be closely approximated using simple models and extrapolation methods using known, observable prices as parameters.
- Level 3 assets are assets whose fair value cannot be determined by using observable measures, such as market prices or models.
  - Level 3 assets are typically very illiquid, and fair value can only be calculated using estimates or risk-adjusted value ranges.

# ERSRI PORTFOLIO FAIR VALUE MEASUREMENT - MANAGERS' DISCLOSURES

## Publicly-traded Portfolio

Product	Market Value (\$)	% of Product			Market Value (\$)			% Total Fund		
		Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
SSgA Global Equity Index Products <sup>1</sup>	2,880,630,357		100.0%			2,880,630,357		0.0%	38.3%	0.0%
QVM Tilt	502,493,791	100.0%			502,493,791			6.7%	0.0%	0.0%
Mackay Core Plus Fixed Income <sup>2</sup>	528,306,554		100.0%			528,306,554		0.0%	7.0%	0.0%
Fidelity Core Plus Fixed Income	537,350,029		100.0%			537,350,029		0.0%	7.1%	0.0%
BH TIPS	281,046,690	100.0%			281,046,690			3.7%	0.0%	0.0%
PIMCO HY/Bank Loans <sup>3</sup>	204,510,483	100.0%			204,510,483			2.7%	0.0%	0.0%
WAMCO/Bank Loans <sup>4</sup>	194,684,284	0.0%	99.1%	0.9%	38,937	192,912,657	1,732,690	0.0%	2.6%	0.0%
Harvest MLP	127,173,277	100.0%			127,173,277			1.7%	0.0%	0.0%
<b>Total Publicly Traded Portfolio</b>	<b>5,256,195,465</b>	<b>21.2%</b>	<b>78.8%</b>	<b>0.0%</b>	<b>1,115,263,178</b>	<b>4,139,199,597</b>	<b>1,732,690</b>	<b>14.8%</b>	<b>55.0%</b>	<b>0.0%</b>

1. If an investor is able to redeem the investment at its net asset value per unit as of the measurement date, an investment in a collective investment fund may be classified as a level 2 measurement. Based upon this guidance, SSGA generally classifies investments in collective investment funds as level 2 investments within the fair value hierarchy.
2. These securities are classified as Level 2 because securities are valued based on evaluated prices received from third party pricing vendors.
3. 100% Level 1 as prices are quoted in active markets
4. Level 2 includes include most vendor priced securities for which they can obtain documentation on pricing methodologies; this category includes FTID and JP Morgan. Western Asset will also classify broker priced securities in this category as long as they have obtained sufficient documentation from the broker to understand their processes.

12/31/15 data

# ERSRI PORTFOLIO FAIR VALUE MEASUREMENT – TOTAL PORTFOLIO

## Total Portfolio

Product	Market Value (\$)	% of Product			Market Value (\$)			% Total Fund		
		Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<i>Private Equity</i>	518,912,174	12.8%	2.7%	84.6%	66,234,363	13,836,978	438,873,521	0.9%	0.2%	5.8%
<i>Global Equity Hedge Funds</i>	606,092,835	80.4%	10.7%	8.9%	487,383,247	65,117,956	53,953,355	6.5%	0.9%	0.7%
<i>Real Return Hedge Funds</i>	517,720,010	61.2%	33.4%	5.4%	316,847,077	172,946,812	27,926,121	4.2%	2.3%	0.4%
<i>Real Estate</i>	452,527,746	0.0%	0.0%	100.0%	0	0	452,527,746	0.0%	0.0%	6.0%
<i>Total Publicly Traded Portfolio</i>	5,256,195,465	21.2%	78.8%	0.0%	1,115,263,178	4,139,199,597	1,732,690	14.8%	55.0%	0.0%
<b>Total Portfolio</b>	<b>7,520,316,582</b>	<b>26.4%</b>	<b>58.4%</b>	<b>13.0%</b>	<b>1,985,727,865</b>	<b>4,391,101,343</b>	<b>975,013,432</b>	<b>26.4%</b>	<b>58.4%</b>	<b>13.0%</b>

12/31/15 data

Note: Private Equity and Hedge Fund data source – Cliffwater

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