



October 29, 2013

Ms. Ann-Marie Fink
Chief Investment Officer
Office of the General Treasurer State of Rhode Island
50 Service Avenue
Warwick, RI 02886

Dear Ann-Marie:

Below is a scope of work for the ERSRI 2013 asset allocation project. The project objective is to review the ERSRI current asset allocation policy give the changes in capital market conditions since the 2011 asset liability study. The project will focus on assets only and does not include plan liabilities.

Scope of Work:

The project will include the following tasks:

1. Develop asset allocation model inputs including: expected returns, risk, correlation and constraints. The model inputs will be based on the PCA 2013 capital market assumptions – revised in August 2013. Real Estate, Real Return and Hedge Fund allocation input data will be customized for the ERSRI portfolio. Model inputs are to be approved by the CIO / SIC.
2. The model is a mean-variance optimizer.
3. Output will focus on risk and return trade-offs for multiple efficient portfolios
4. The optimization will be completed and model output will be presented to the Rhode Island SIC in December.
5. PCA will evaluate the portfolio's cost structure relative to industry benchmarks and peer universes.

Project Costs:

The cost of performing the project as outlined above will be \$20,000. We look forward to working with the Treasurer's Office on this important and interesting project.

Respectfully submitted,



Allan Emkin
Pension Consulting Alliance, Inc.