



State of Rhode Island  
Office of the General Treasurer

## **Asset Liability Analysis**

*December 6, 2023*

### **SUMMARY**

The State Investment Commission (“SIC”) approved the adoption of a revised strategic asset allocation for the Employees’ Retirement System of Rhode Island (“ERSRI”) defined benefit investment portfolio during the November 8, 2023, SIC Meeting; the recommendations included herein represent steps towards implementing the SIC’s strategic allocation decision.

### **RECOMMENDATIONS**

*1) Rebalance out of Wellington’s Blended Opportunistic Emerging Markets Debt Fund.*

Emerging Market Debt (“EMD”) is no longer a component of the defined benefit portfolio’s strategic asset allocation. Thus, it is recommended that the SIC approve a redemption from Wellington, the portfolio’s lone dedicated EMD manager.

*2) Revise the ERSRI Defined Benefit Plan Investment Policy Statement (“IPS”), effective Jan 1, 2024.*

The proposed IPS incorporates the recently approved revision to the ERSRI defined benefit portfolio’s strategic asset allocation.

*3) Revise the OPEB Trust’s strategic asset allocation (remove 4% EMD allocation, increase Liquid Credit allocation from 4% to 8%).*

The proposal represents a strategic alignment with the SIC’s recent ERSRI allocation decision. Execution of this recommendation would not require any rebalancing activity given OPEB’s EMD allocation remains unfunded.

*4) Revise the OPEB Trust Investment Policy Statement (“IPS”), effective Jan 1, 2024.*

The proposed IPS incorporates the changes outlined in #3, above.

## APPENDIX

### ERSRI Defined Benefit Investment Portfolio

		Previous Asset Allocation Targets	11/8/2023 Approved Asset Allocation Targets
<b>Growth</b>	<b>Global Equity</b>	40.0%	40.0%
	Private Equity	12.5%	12.5%
	Non-Core Real Estate	2.5%	2.5%
	<b>Private Growth</b>	15.0%	15.0%
	<b>TOTAL GROWTH</b>	55.0%	55.0%
<b>Income</b>	Equity Options	2.0%	2.0%
	Liquid Credit	3.0%	5.0%
	EMD (Blended)	2.0%	0.0%
	CLO Mezz/Equity	2.0%	2.0%
	Private Credit	3.0%	3.0%
	<b>TOTAL INCOME</b>	12.0%	12.0%
<b>Stability</b>	Long Treasuries	5.0%	5.0%
	Systematic Trend	5.0%	5.0%
	<b>CPC</b>	10.0%	10.0%
	Core Real Estate	4.0%	4.0%
	Private Real Assets (ex-Real Estate)	4.0%	4.0%
	<b>Inflation Protection</b>	8.0%	8.0%
	Inv. Grade Fixed (ex-Treasuries)	6.5%	6.5%
	Absolute Return	6.5%	6.5%
	Strategic Cash	2.0%	2.0%
	<b>Volatility Protection</b>	15.0%	15.0%
	<b>TOTAL STABILITY</b>	33.0%	33.0%

### OPEB Trust Investment Portfolio

		Current Targets	Proposed Targets	Current Allocation (as of 10/31/2023)
<b>Growth</b>	<b>Global Equity</b>	40.0%	40.0%	44.0%
	<b>Private Growth</b>	5.0%	5.0%	0.8%
	<b>TOTAL GROWTH</b>	45.0%	45.0%	44.7%
<b>Income</b>	Equity Options	4.0%	4.0%	3.8%
	Liquid Credit	4.0%	8.0%	12.3%
	EMD (Blended)	4.0%	0.0%	0.0%
	CLO Mezz/Equity	4.0%	4.0%	4.3%
	Private Credit	5.0%	5.0%	0.4%
	<b>TOTAL INCOME</b>	21.0%	21.0%	20.9%
<b>Stability</b>	Core Real Estate	4.0%	4.0%	2.8%
	Private Real Assets (ex-Real Estate)	4.0%	4.0%	1.5%
	<b>Inflation Protection</b>	8.0%	8.0%	4.3%
	Inv. Grade Fixed Income	26.0%	26.0%	29.8%
	<b>Volatility Protection</b>	26.0%	26.0%	29.8%
<b>TOTAL STABILITY</b>	34.0%	34.0%	34.0%	