



## Memorandum

To: Rhode Island State Investment Commission

From: Capital Cities, L.L.C.

Date: July 24, 2019

Re: Voya and Fidelity 457(b) Plans Investment Structure Review Presentation

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Capital Cities conducted an Investment Structure Review of the Voya and Fidelity 457(b) Plans, evaluating the investment menus and investment options offered within each Plan. The following recommendations were made within the presentation and require the State Investment Commission's vote during the July 24, 2019 meeting:

### **Voya 457(b) Plan Investment Structure Review:**

- Designate an age-appropriate Voya Solution Portfolio to serve as the 457(b) Plan's default option, meaning that Voya would invest a participant's assets in an age-appropriate Target Date Fund in the absence of investment direction from a participant.
- Replace the current International Equity Index option (Voya International Index) with a more broadly diversified International Equity Index option (SSGA Global All Cap Equity ex U.S. Index), while also reducing the investment management fee.
- Simplify the Small and Mid Cap Equity Index options by offering one broadly diversified Small/Mid Cap Equity Index option (SSGA U.S. Small/Mid Cap Index), while also reducing investment management fees.
- Add the Vanguard FTSE Social Index Fund as a socially responsible investment option for participants.
- Limit the Self-Directed Brokerage Account offering to a mutual fund only window to ensure greater diversification in participants' holdings.
- Eliminate the Voya Oppenheimer Global Fund due to a material personnel change. Map assets to the Voya U.S. Stock Index Fund for those participants who do not make an investment election change.
- Conduct a share class exchange of the Principal Mid Cap Fund (R5 to R6) and vehicle exchange of the PIMCO VIT Real Return Fund (insurance product to retail mutual fund—I shares) and Voya Intermediate Bond Portfolio (insurance product to retail mutual fund—I shares).
- Replace Voya US Bond Index (0.08%) with SSGA US Bond Index (0.02%).
- Adjust the Voya administration fee on each Fund so that all Funds will have a combination of administration fee and revenue-sharing that meets Voya's compensation requirement of 0.44%.

**Fidelity 457(b) Plan Investment Structure Review:**

- Replace the current International Equity Index option (Fidelity International Index) with a more broadly diversified International Equity Index option (SSGA Global All Cap Equity ex U.S. Index).
- Simplify the Small and Mid Cap Equity Index options by offering one broadly diversified Small/Mid Cap Equity Index option (SSGA U.S. Small/Mid Cap Index), while also slightly reducing investment management fees.
- Consider limiting the Self-Directed Brokerage Account offering to a mutual fund only window to ensure greater diversification in participants' holdings.
- Place Invesco Diversified Dividend on Watchlist status.
- Replace Harbor International Equity with American Funds EuroPacific Growth.
- Replace Fidelity S&P 500 Index (0.015%) with SSGA S&P 500 Index (0.01%).
- Replace Fidelity US Bond Index (0.025%) with SSGA US Bond Index (0.02%).
- Rebate revenue-sharing to individual participants who generate it (“fee leveling”) to provide a more equitable fee arrangement.