



MEMORANDUM

To: Rhode Island SIC

Date: May 19, 2011

From: A. Emkin
J. Burns

cc:

RE: Asset Liability Report – May 25, 2011

Attached is the first model output of the PCA/EFI asset liability study. This report is intended to facilitate a discussion with the SIC on the liability structure of the ERSRI Plan and related issues such as expected future cost, cost variability and funding ratios.

Many of the initial findings and graphs of financial metrics presented in this document are not intuitive. Bob McCrory from EFI Actuaries will present the report, will explain the concepts in more detail, provide perspective and answer trustee questions. At that point the SIC will have a better sense of the Fund's financial condition and the discussion will turn to identifying risks to be managed.

The next step will integrate various portfolio asset allocations with projected liabilities/costs. Policy makers will select a portfolio allocation that meets their investment objectives.

