



# IMPLEMENTATION DISCUSSION

EMPLOYEES' RETIREMENT SYSTEM  
OF RHODE ISLAND

MAY 2024

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# IMPLEMENTATION OVERVIEW

- **The SIC completed a full asset/liability study in 2023 and approved only modest changes to the target asset allocation.**
- **To date in 2024, we have engaged the SIC in a series of implementation discussions, focused primarily on liquidity and alternative asset pacing plan studies.**
- **We would like to continue the implementation discussions and have provided topic areas for consideration on the next slide.**
- **We have also included a slide following up on the liquidity discussions from the prior meeting.**

# IMPLEMENTATION TOPICS

Portfolio Category	Current Approach	Topics	
Growth	<ul style="list-style-type: none"> <li>• Passively managed global equity with regional weights similar to the MSCI ACWI Index</li> <li>• Actively managed private equity</li> <li>• Actively managed non-core real estate</li> </ul>	<ul style="list-style-type: none"> <li>• Review active/passive decision with public equity</li> <li>• Review the role of factor investing</li> <li>• Review regional and market cap allocations within public equity</li> <li>• Pacing plan analysis for private market exposure</li> <li>• Liquidity planning and guardrails for private markets</li> </ul>	<ul style="list-style-type: none"> <li>✓</li> <li>✓</li> </ul>
Income	<ul style="list-style-type: none"> <li>• Actively managed “traditional” income exposure (high yield, convertible bonds)</li> <li>• Actively managed “non-traditional” income exposure (equity options, CLO equity)</li> <li>• Actively managed private credit</li> </ul>	<ul style="list-style-type: none"> <li>• Revisit the mix of “traditional” income assets</li> <li>• Discuss implementation of non-traditional income assets in today’s higher yield environment</li> <li>• Pacing plan analysis for private credit exposure (to be combined with other private assets)</li> </ul>	<ul style="list-style-type: none"> <li>✓</li> </ul>
Stability	<ul style="list-style-type: none"> <li>• Three sub-categories, primarily actively managed</li> <li>• <b>Crisis Protection:</b> Long Treasuries and Systematic Trend</li> <li>• <b>Inflation Protection:</b> Core Real Estate and Private Real Assets</li> <li>• <b>Volatility Protection:</b> IG Fixed Income, Absolute Return, and Cash</li> </ul>	<ul style="list-style-type: none"> <li>• Deep dive on each of the sub-categories to revisit the goals, objectives, and mix of underlying assets</li> <li>• Pacing plan analysis for private real assets exposure (to be combined with other private assets)</li> </ul>	<ul style="list-style-type: none"> <li>✓</li> </ul>

# LIQUIDITY DECISIONS IN TIMES OF STRESS

## MANAGING CHANGES TO THE PORTFOLIO'S LIQUIDITY POSTURE

- **Private Market Commitment Pacing**
- **Private Market Secondary Sales**
- **Sourcing Liquidity from Equities vs. Other Asset Classes**
- **Portfolio Leverage**
- **Cash Buffer Sizing**
- **Income Harvesting vs. Reinvestment**
- **Others?**



# APPENDIX



# NEPC DISCLOSURES

Past performance is no guarantee of future results.

NEPC, LLC is an investment consulting firm. We provide asset-liability studies for certain clients but we do not provide actuarial services. Any projections of funded ratio or contributions contained in this report should not be used for budgeting purposes. We recommend contacting the plan's actuary to obtain budgeting estimates.

The goal of this report is to provide a basis for substantiating asset allocation recommendations. The opinions presented herein represent the good faith views of NEPC as of the date of this report and are subject to change at any time.

Information on market indices was provided by sources external to NEPC. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.

The projection of liabilities in this report uses standard actuarial projection methods and does not rely on actual participant data. Asset and liability information was received from the plan's actuary, and other projection assumptions are stated in the report.

All investments carry some level of risk. Diversification and other asset allocation techniques do not ensure profit or protect against losses.

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