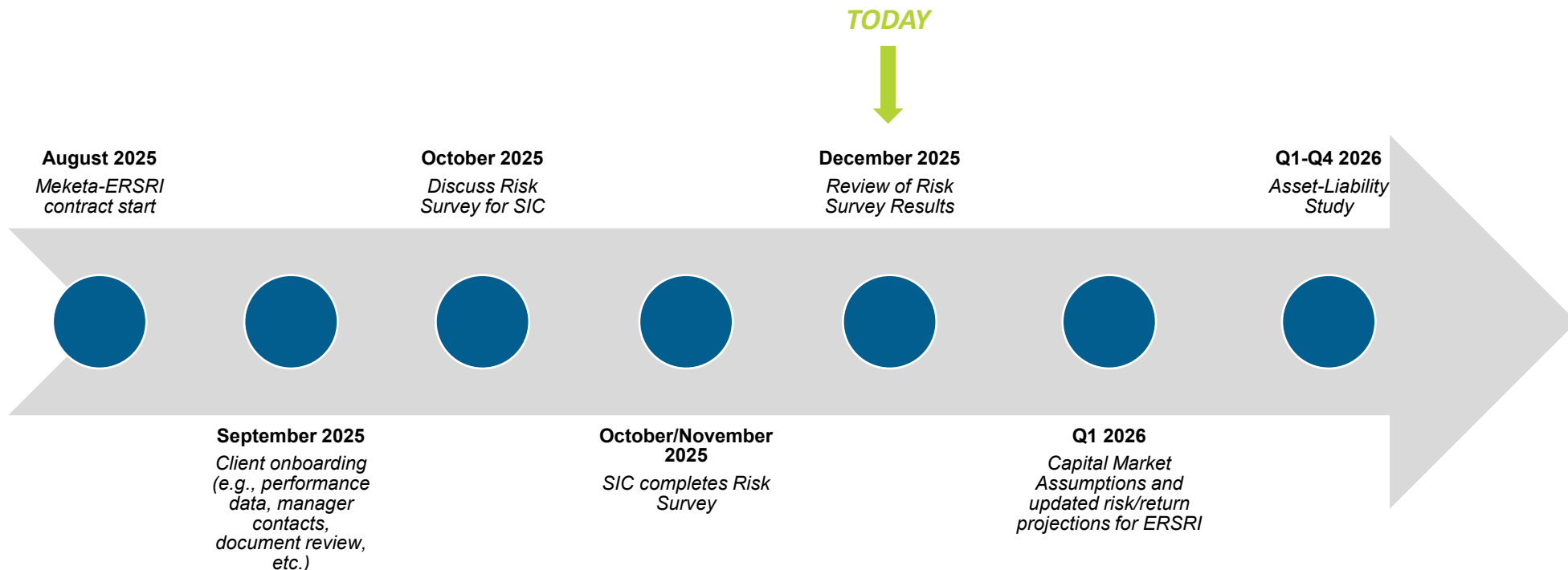


Employees' Retirement System of Rhode Island

December 3, 2025

Risk & Implementation Survey:
Results

The Big Picture – Asset Allocation Timeline



→ Calendar year 2025 is nearing its completion.

→ The asset-liability study will be a key focus for CY 2026, and the results of this survey form its foundation.

Survey Takeaways

Introduction

- This presents the responses to the *Risk and Implementation Survey* for the 2025/2026 Asset-Liability Study.
- Additional dialogue during the presentation will enhance the takeaways and utility of the exercise.
- The results of the survey serve as a foundation for the asset-liability modeling process. They begin to frame the inputs (e.g., classes and constraints) and output goals (e.g., key metrics and characteristics) of the process.

Key Takeaways

- For the vast majority of topics, there is a moderate-to-high level of consensus among SIC members.
- Areas of focus:
 - Continue making funding progress with the goal of outperforming the actuarial rate.
 - Examine probabilities of experiencing downside scenarios (for investment returns and funded status) and their corresponding impacts (e.g., liquidity, contributions, etc.).
 - Explore pros/cons of a regionally diversified portfolio given the mixed viewpoints on the efficacy of a global portfolio vs. a US-centric portfolio.
 - Provide further education on the CPC and its existing and potential future components.
 - Pursue a portfolio of similar risk level (compared to current policy) but also explore portfolios with more risk.
 - Upon completion of the A/L study, discuss the potential for an Opportunistic class and required implementation parameters/processes.

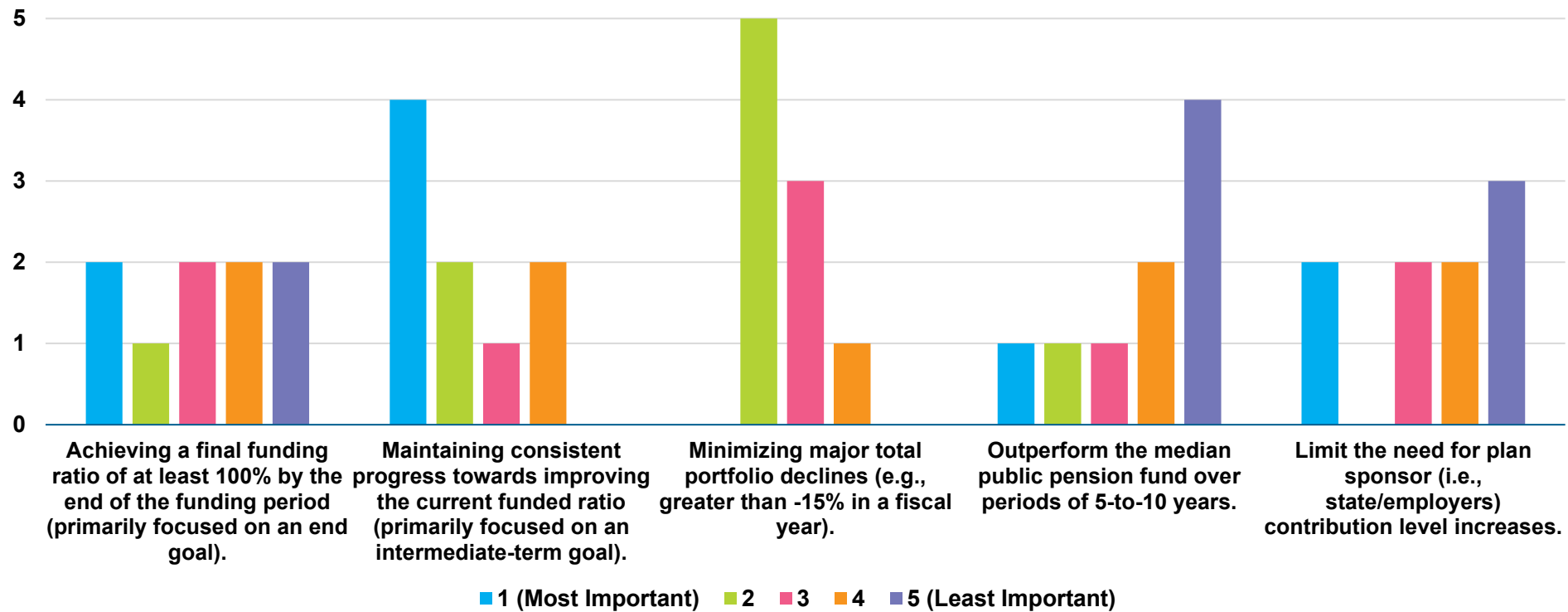
Commentary from Meketa

- **In aggregate, these results were very encouraging for proper portfolio design and oversight by a fiduciary body like the SIC.**
 - Given the background of SIC members, this is not surprising.
- Poor economic growth is an area of concern for the SIC; however, it is a risk that is extremely challenging to diversify away from (i.e., it is a systemic risk for most portfolios pursuing actuarial returns near 7%).
- The mixed viewpoint that a Global portfolio versus a US-centric portfolio may be influenced by the last 10-15 years of market experience.
- Certain viewpoints on downside funded ratio thresholds may be unrealistic if the global capital markets were to experience significantly deteriorating economic conditions.
- Illiquid strategies remain attractive for the SIC in aggregate.

Survey Questions and Results

Objectives Section

1. Please rank the following objectives in order of importance with 1 being most important and 5 being least important.

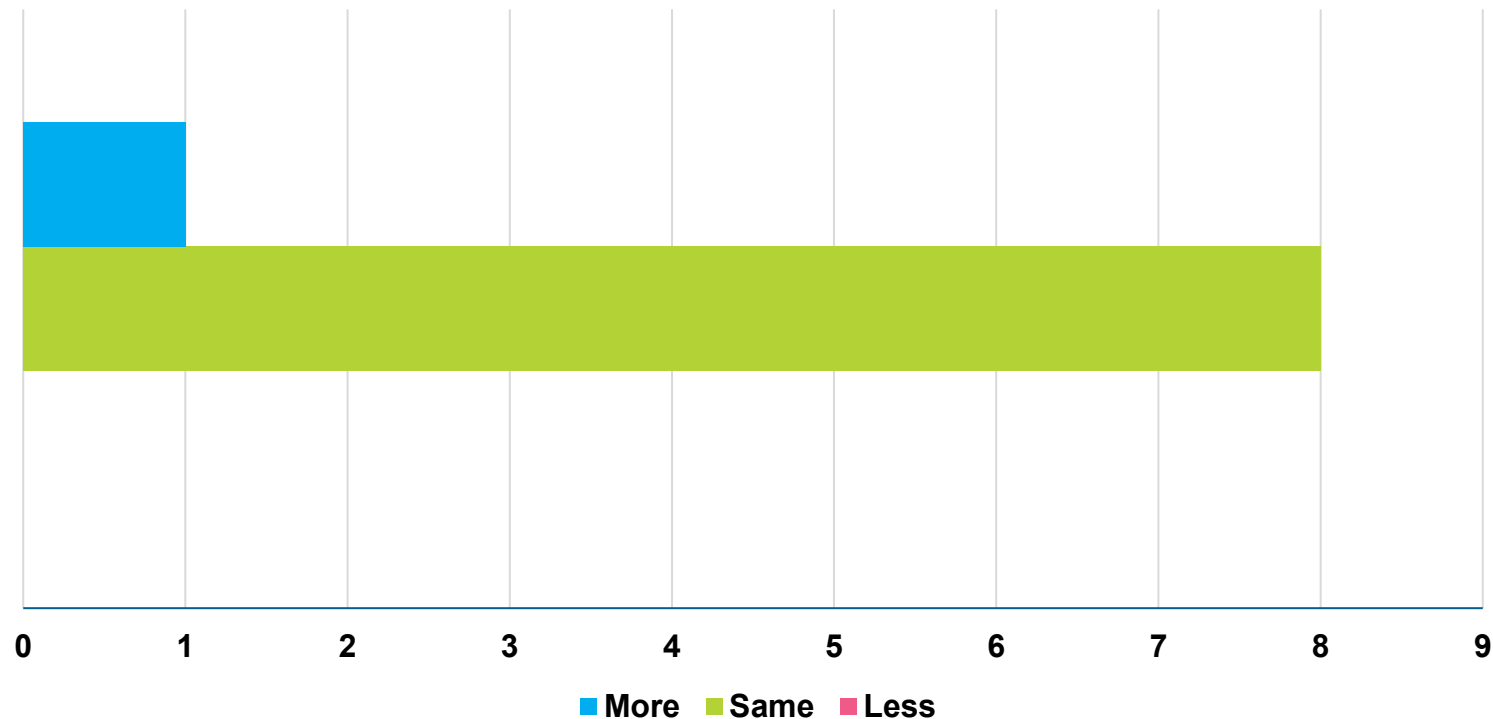


→ Maintaining consistent progress towards improving the current funded ratio and minimizing major total portfolio declines were most important among SIC members.

→ Peer relative results and limiting plan sponsor contribution level increases were least important.

Risk Appetite Section

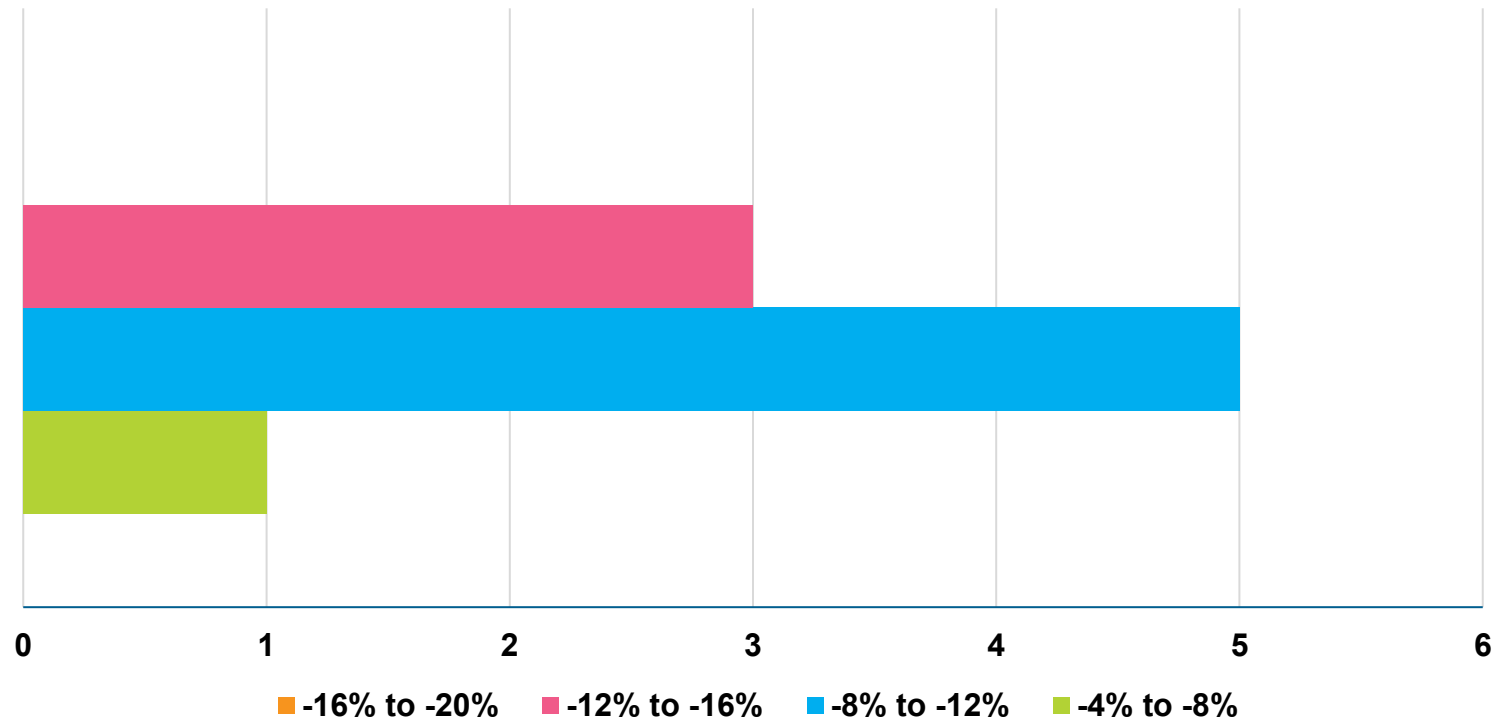
2. To achieve long term goals, should the SIC be taking more, less, or the same amount of investment risk in the ERSRI portfolio?



- High degree of consensus that the current long-term policy exhibits the appropriate amount of risk for ERSRI.
- “More risk” portfolios may also be explored in the modeling process.

Risk Appetite Section

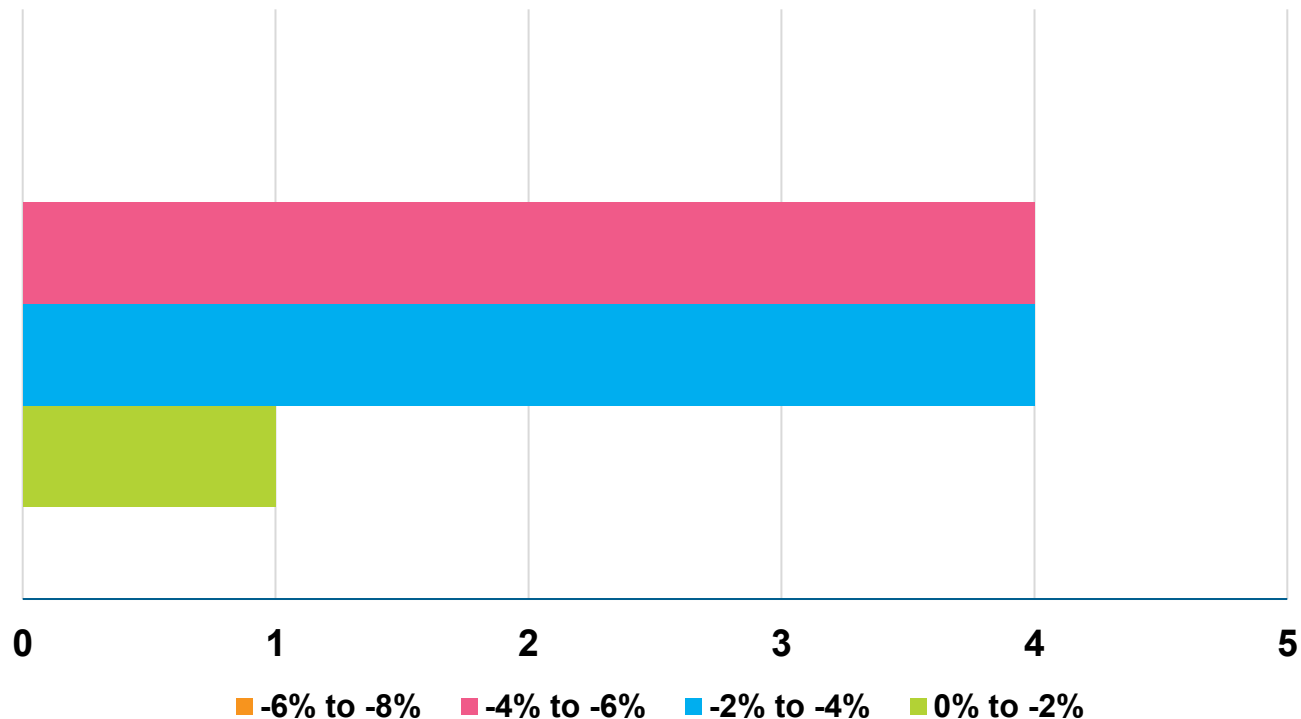
3. In your opinion, what would be considered to be a bad but not necessarily a catastrophic year for the Total Fund?



- Most common answer was that -8% to -12% would be a bad but not necessarily catastrophic investment year.
- This represents the loss of roughly 2.5 fiscal years.
- With the current strategic asset allocation, an annual loss of -8% or more is roughly a 10% chance.

Risk Appetite Section

4. In your opinion, what would be considered to be a bad but not necessarily a catastrophic annualized return over three years for the Total Fund?

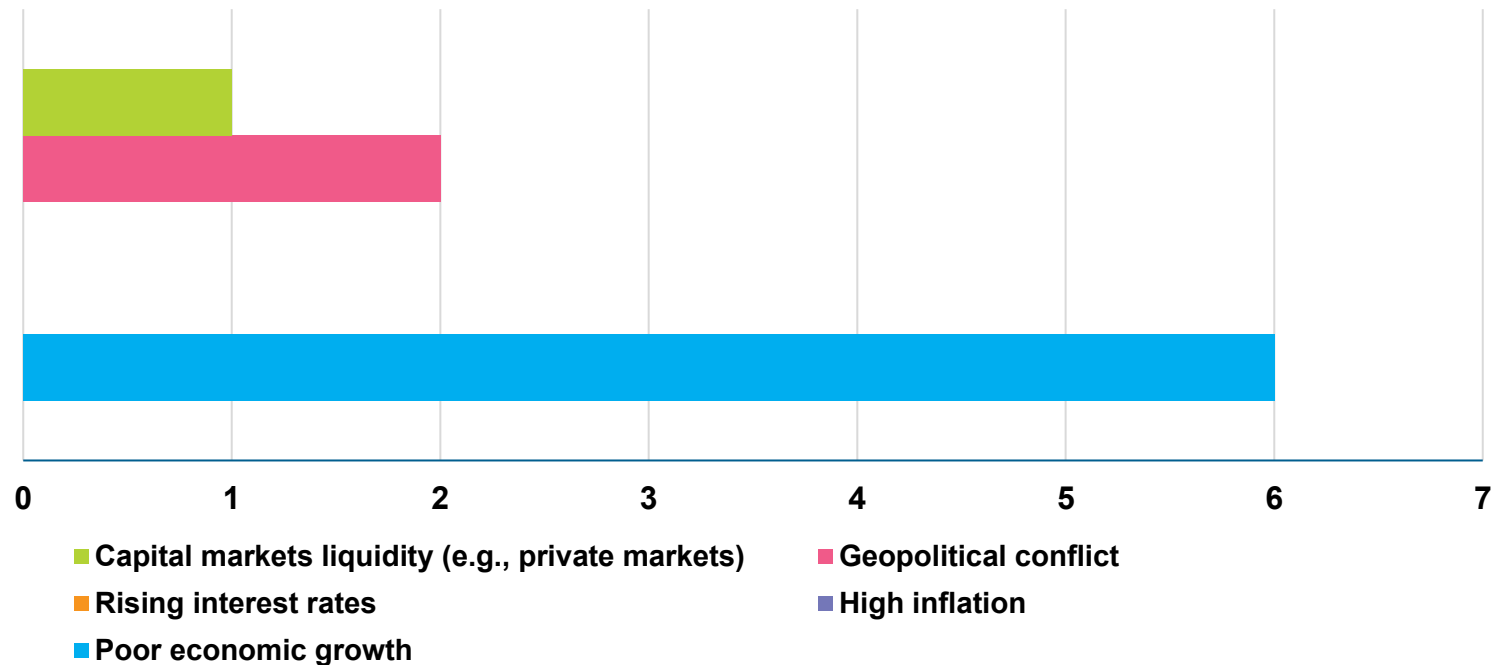


→ For “a bad but not necessarily catastrophic annualized return over three years,” there were equal responses for -2% to -4% and -4% to -6%.

→ Importantly, the results of this question and the previous question are statistically aligned.

Risk Appetite Section

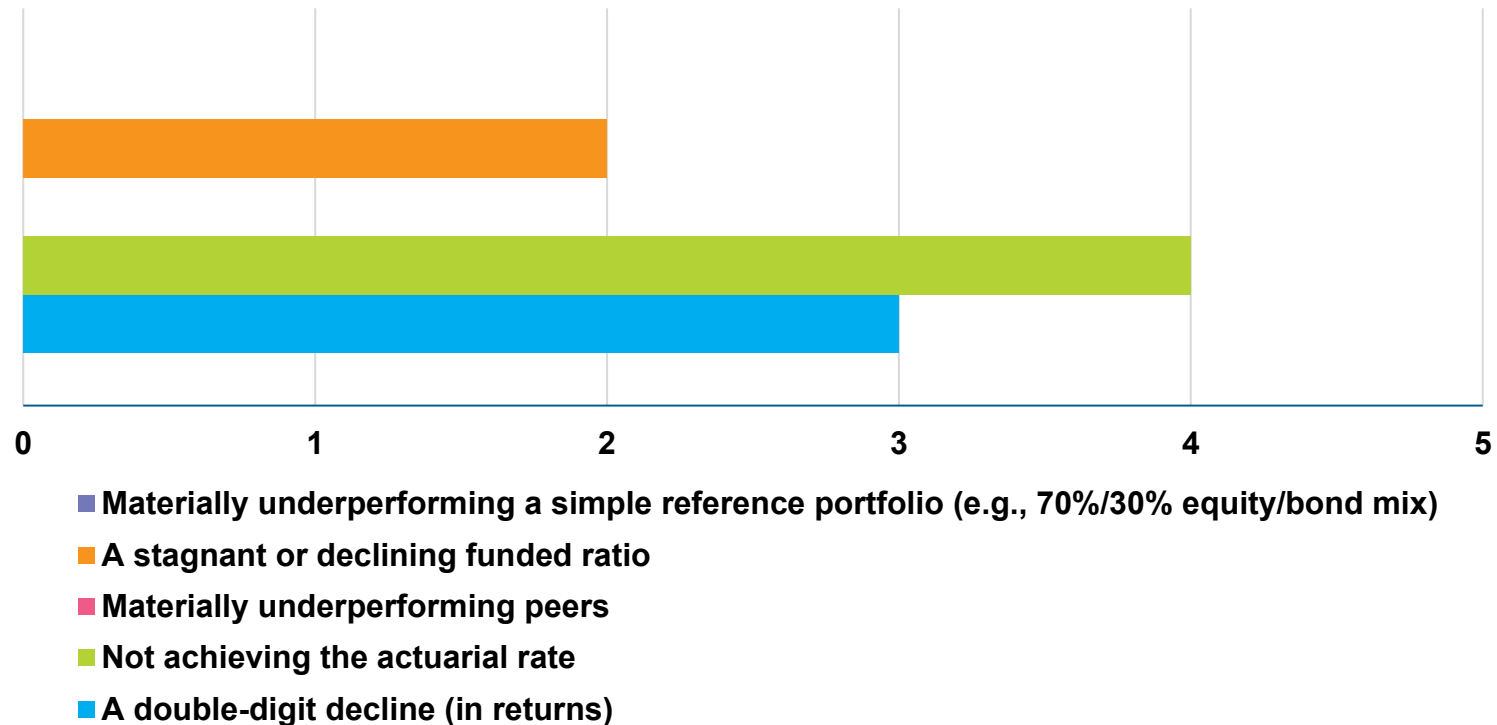
5. As an SIC member, I am most concerned with which of the following macroeconomic issues (and its impact on ERSRI) over the next 2-5 years?



- Poor economic growth was the primary concern for the SIC over the next 2-5 years.
- Discussions will occur regarding how the current and potential portfolios may be exposed to or otherwise mitigate these various risks.

Risk Appetite Section

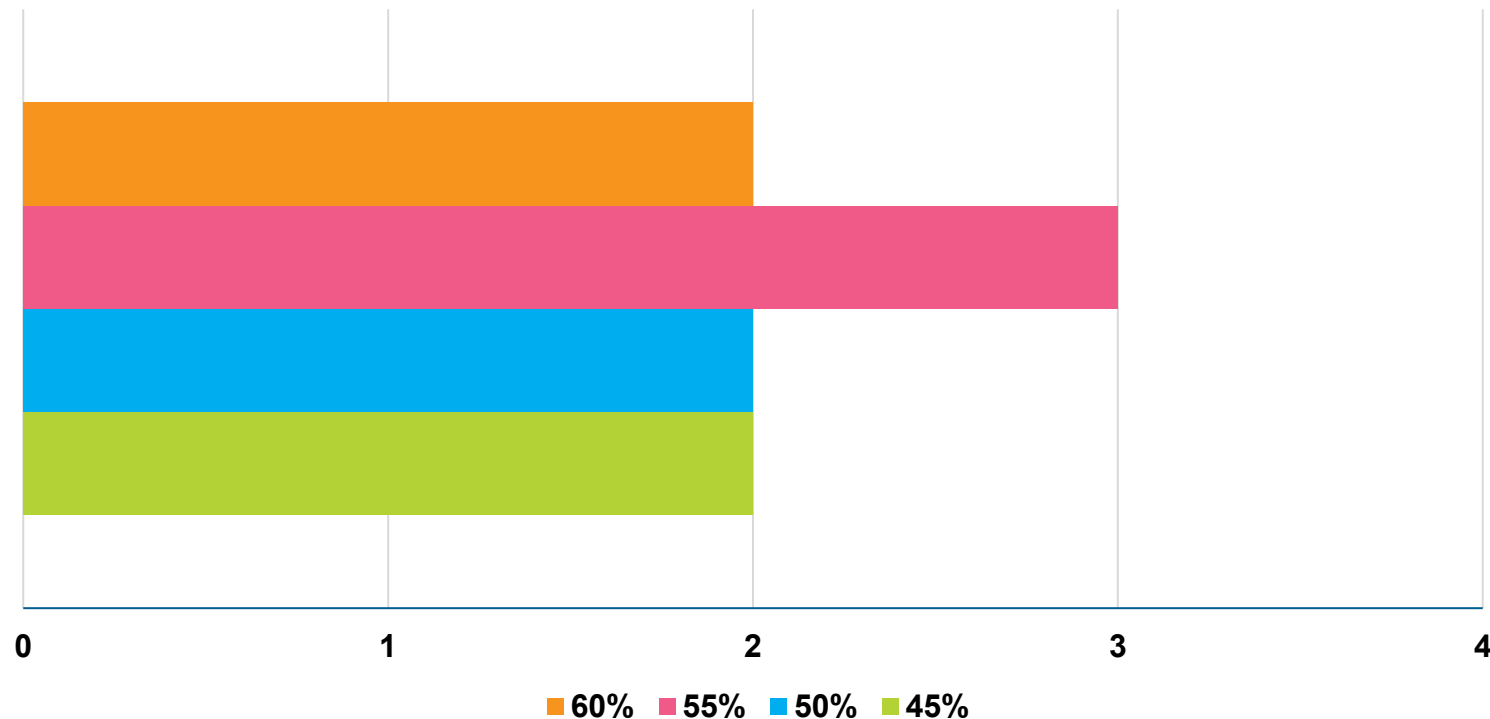
6. Which of the following outcomes is of the greatest concern over the next 10 years?



- Not achieving the actuarial rate and a double-digit decline (in returns) are the primary concerns over the next 10 years.
- The third most common response (a stagnant or declining funded ratio) is related to the two primary concerns.

Risk Mitigation Section

7. Focusing on the State Employees and Teachers, what is the minimum funded ratio that you would be willing to accept in a market crisis scenario (i.e., rapid deterioration in economic conditions)? 6/30/24 Valuation = ~63%.

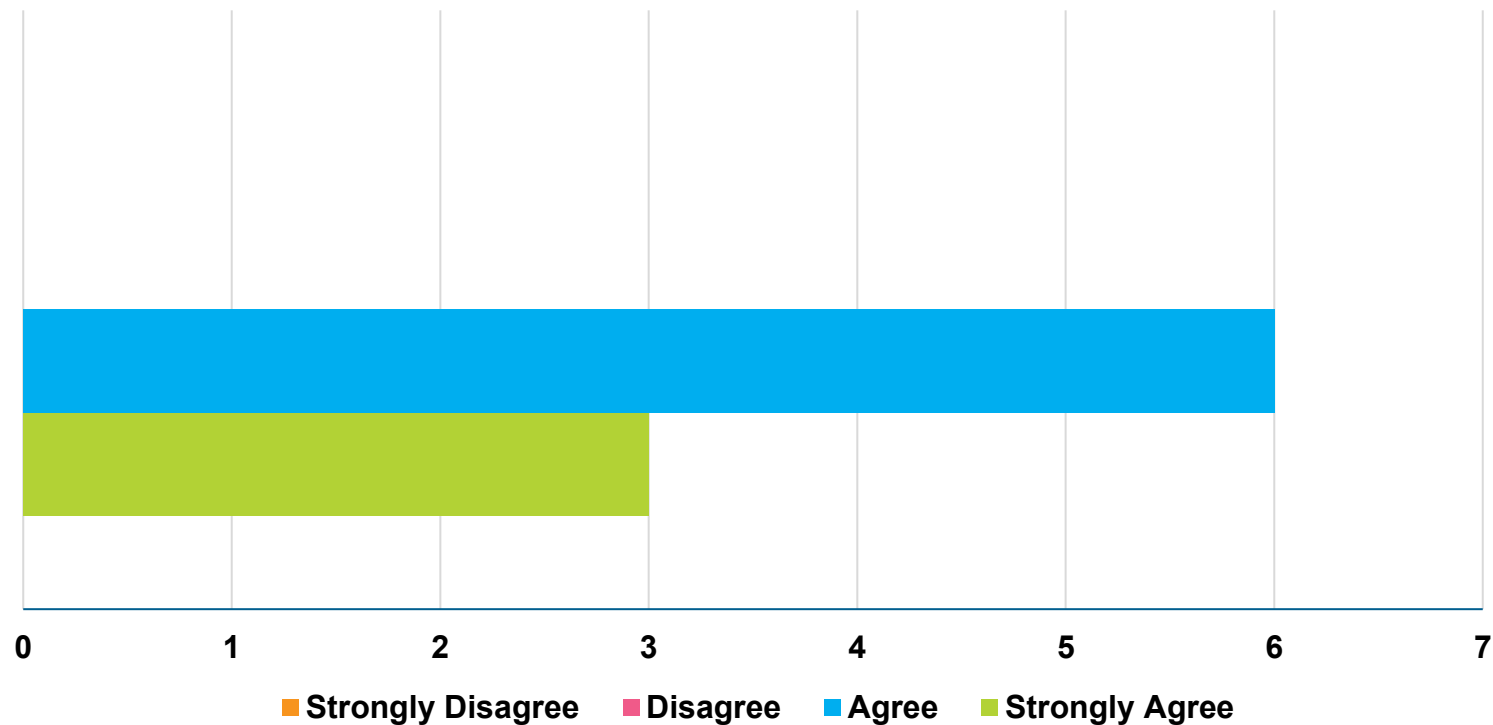


→ There were generally mixed viewpoints on what the SIC would be willing to accept during a market crisis scenario.

→ It will be important to discuss which expectations may be unrealistic should a material crisis occur.

Risk Mitigation Section

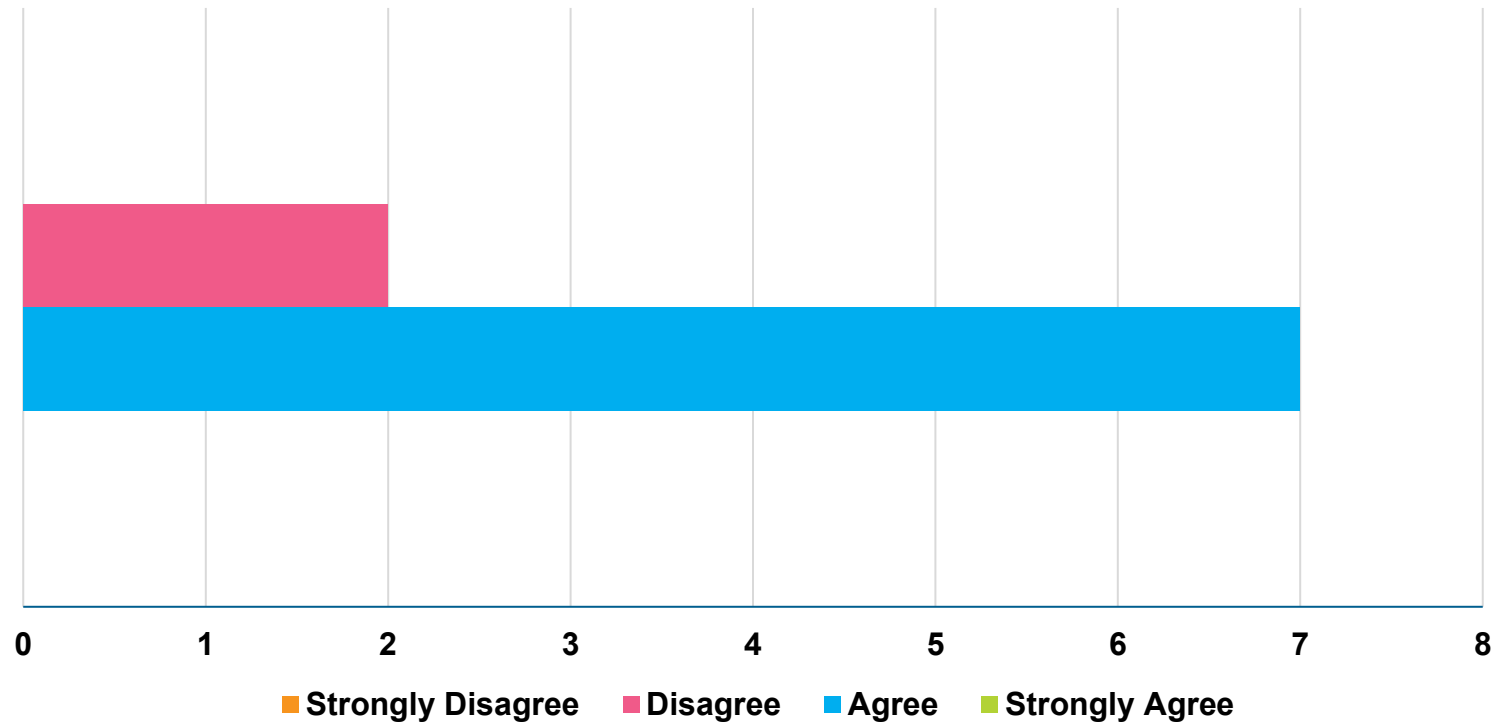
8. The Crisis Protection Class (“CPC”) can provide stability in funded ratio level over time.



→ Strong consensus that the CPC can be a source of stability in the ERSRI investment portfolio.

Risk Mitigation Section

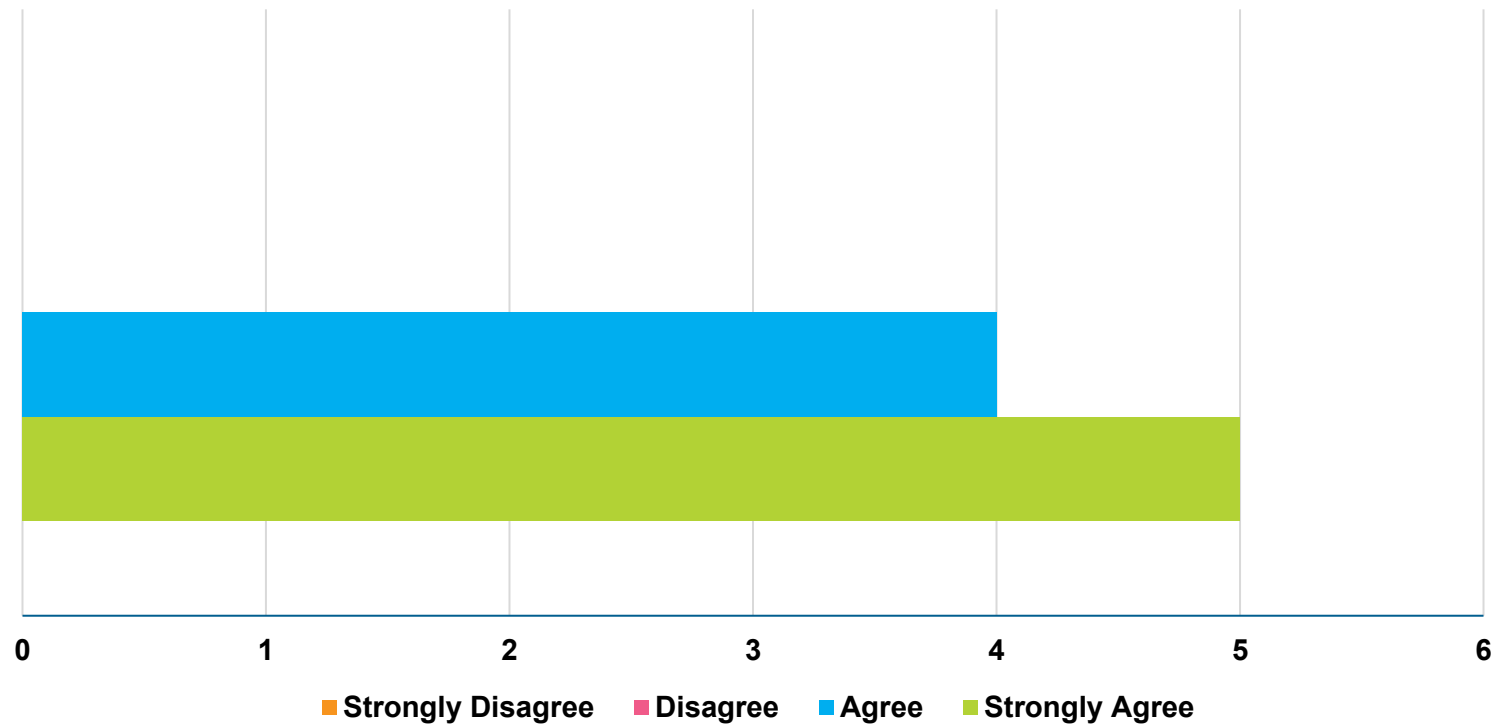
9. It is straight-forward to understand what can and cannot be included in the CPC class.



→ Although there is broad consensus on CPC understanding, Meketa will engage the SIC with education on the CPC's current and future potential structure(s).

Risk Mitigation Section

10. The cash-flow position of the ERSRI (e.g., net positive contributions or net negative benefit payments) is an important consideration when constructing an investment portfolio.

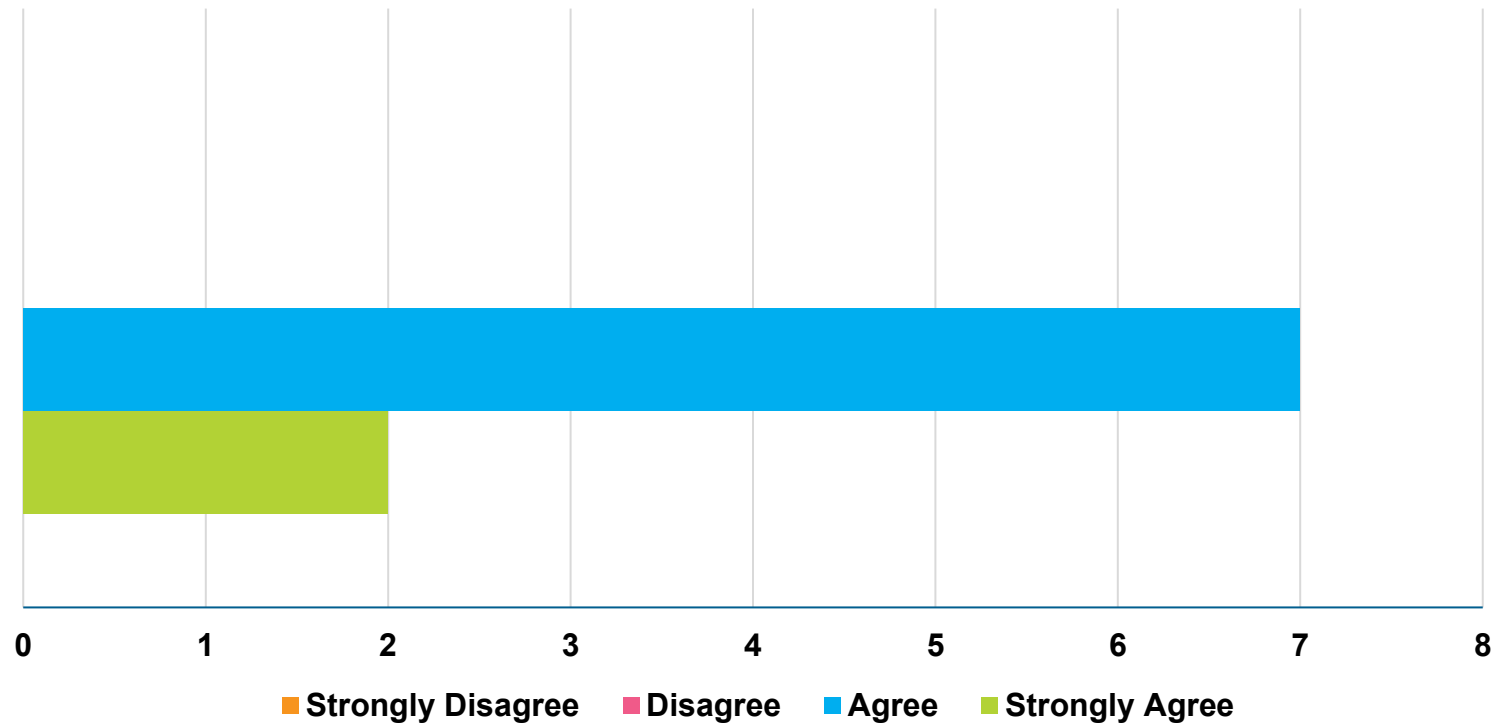


→ This was the one question where there are right/wrong answers.

→ The SIC views the cash-flow position of ERSRI as a critical consideration. ✓

Implementation Section

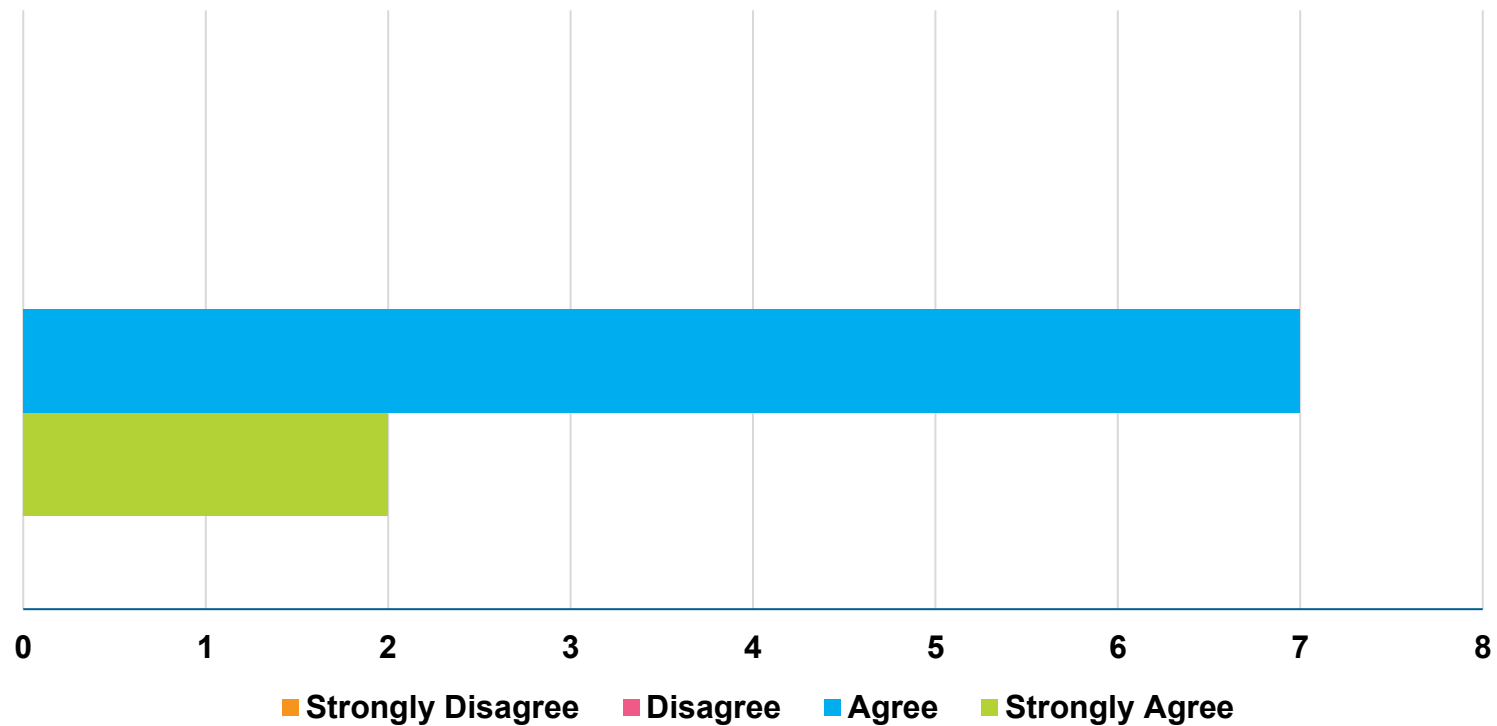
11. Opportunistic investments have the potential to add value.



- The SIC exhibited strong consensus on the potential value of opportunistic investments.
- While not directly incorporating into an A/L model, additional education will be provided on this topic.

Implementation Section

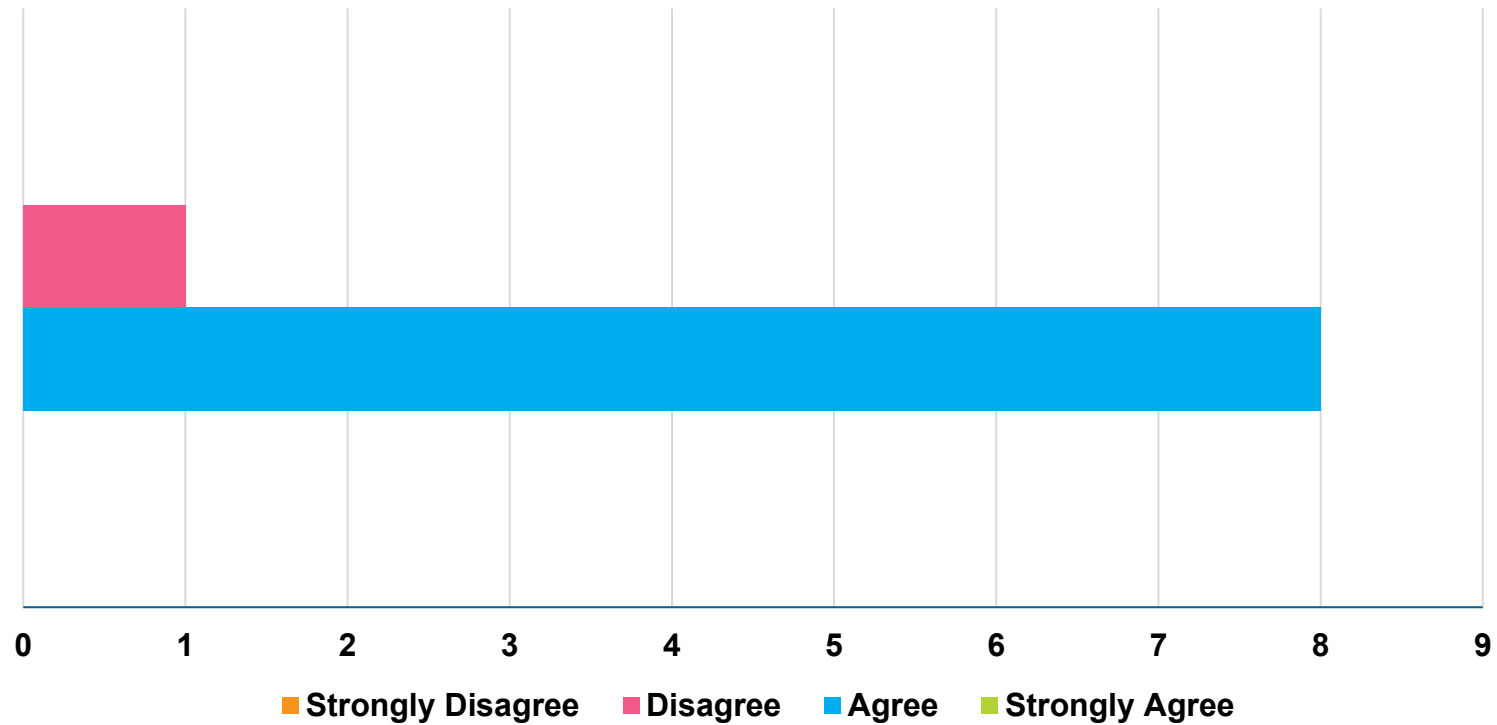
12. High fee strategies are worthwhile if they produce high net-of-fee returns (e.g., a strategy with a 1% management fee and an 8.5% expected net-of-fee return is preferred to a strategy with a 20 basis point management fee and an 8.3% expected net-of-fee return).



→ SIC feedback is in favor of pursuing high fee strategies when the net-of-fee results are expected to be attractive.

Implementation Section

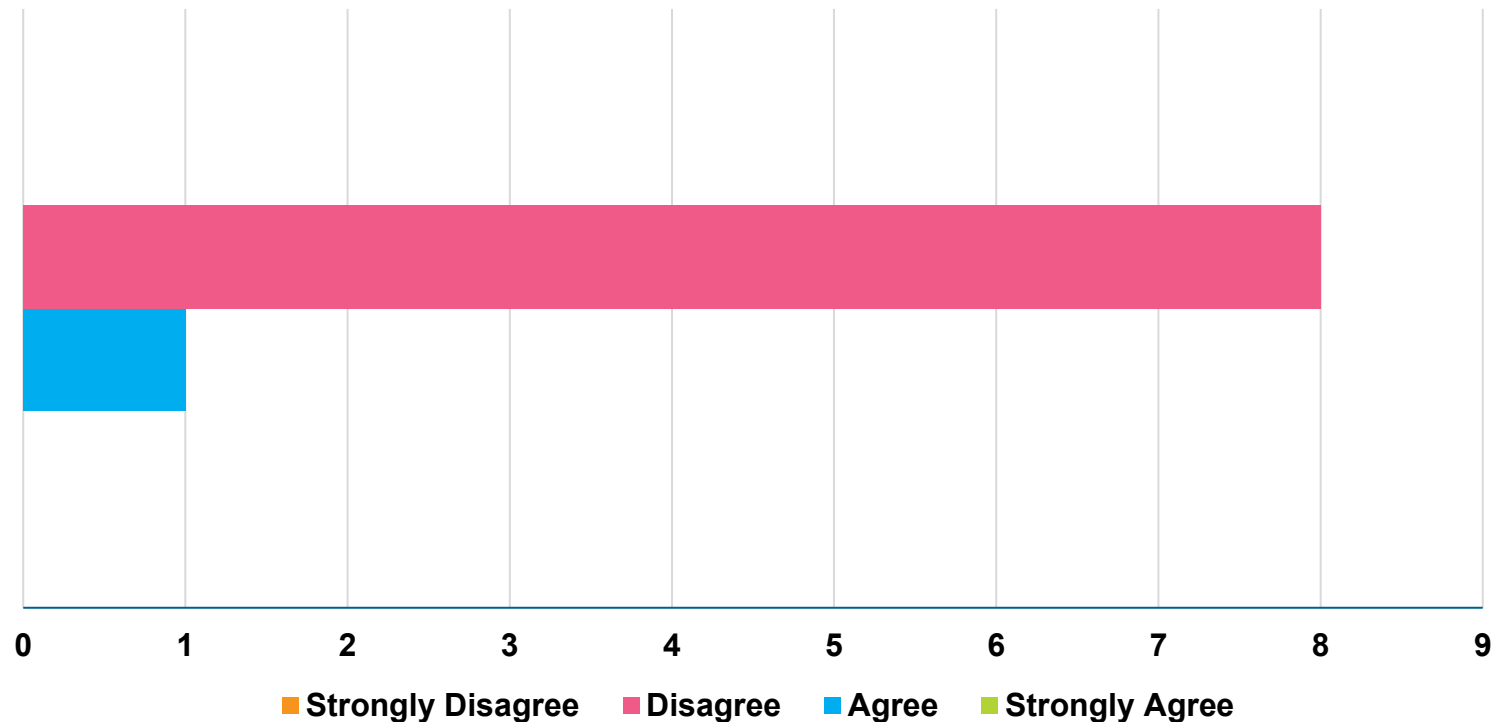
13. Illiquid strategies typically return more than similar-risk, liquid strategies (e.g., private equity typically returns more than public equity on a risk-adjusted basis).



→ SIC feedback generally indicates that illiquid strategies are expected to outperform comparable liquid strategies.

Implementation Section

14. Producing a return pattern that is different than peers is something I care about (given the same long-term return).

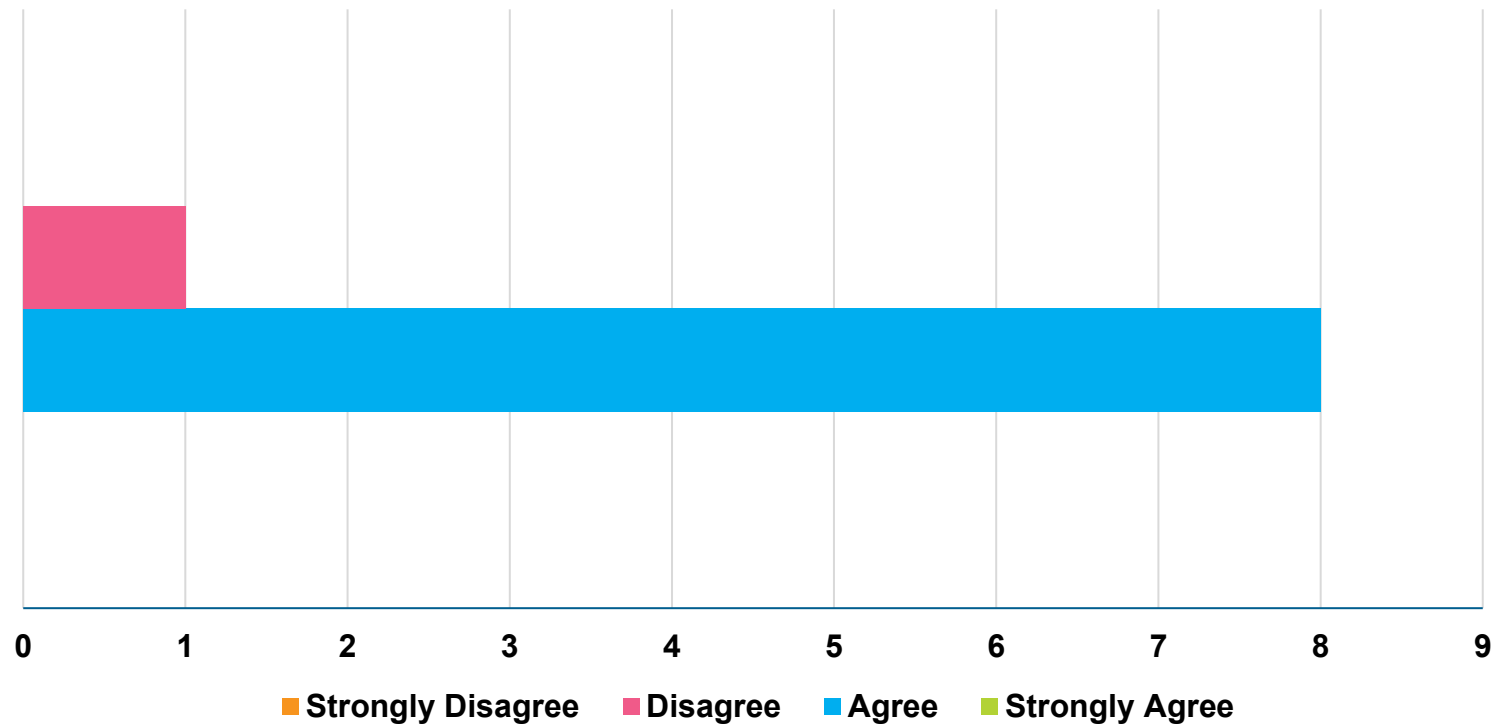


→ Strong consensus that peer-relative results are not the primary area of focus for ERSRI.

→ For public pension fiduciaries, this is a very prudent response.

Implementation Section

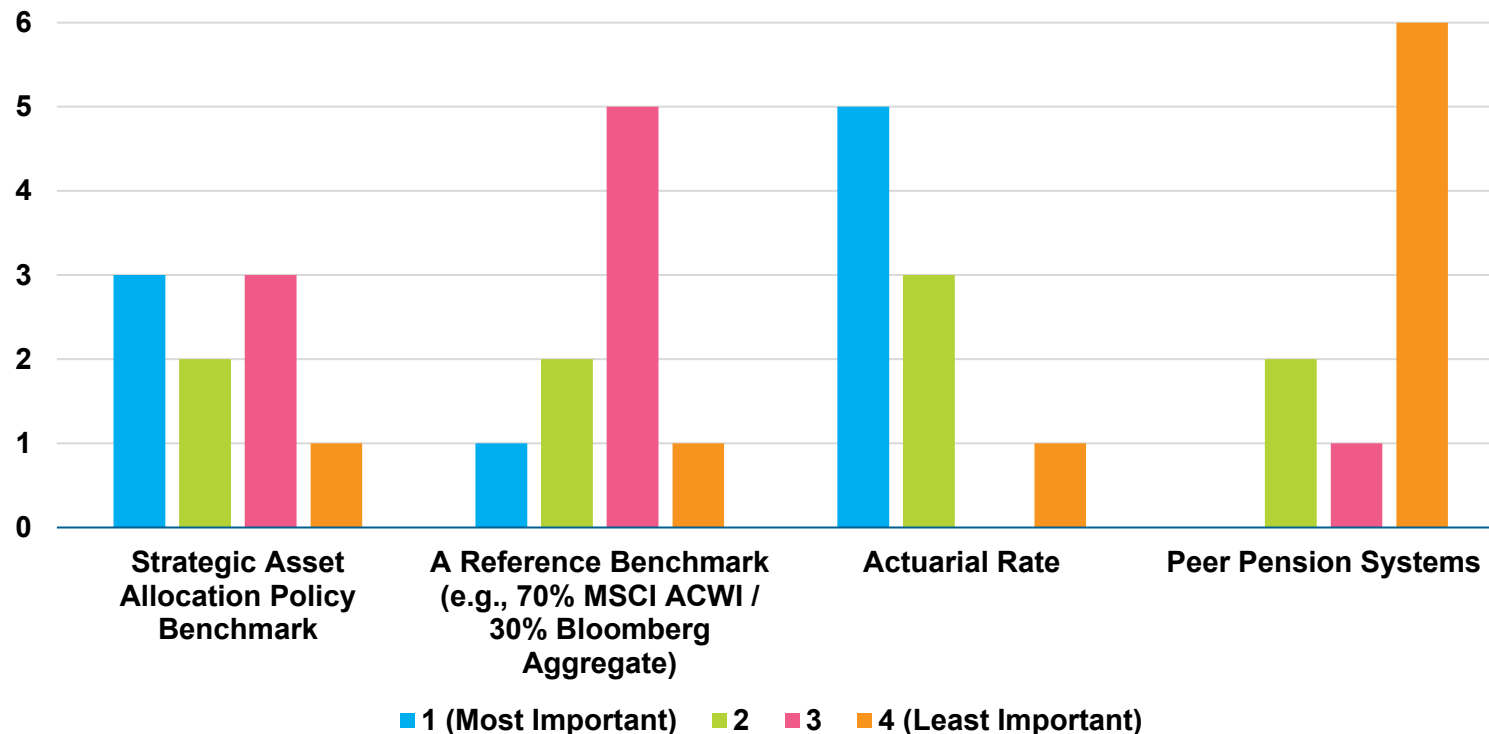
15. Strategies that are designed to hedge equity risk (e.g., insurance-like long volatility or tail risk strategies, etc.) can enhance the risk/return profile of ERSRI over the long-term (as a potential component of CPC).



- Strong consensus that strategies which seek to hedge equity risk can enhance the risk/return profile for ERSRI.
- This concept was discussed at the November off-site, and additional education will be provided during the A/L study.

Implementation Section

16. Rank the following “benchmarks” in order of what you would prefer to not see ERSRI “underperform” over a 1-5 year horizon.

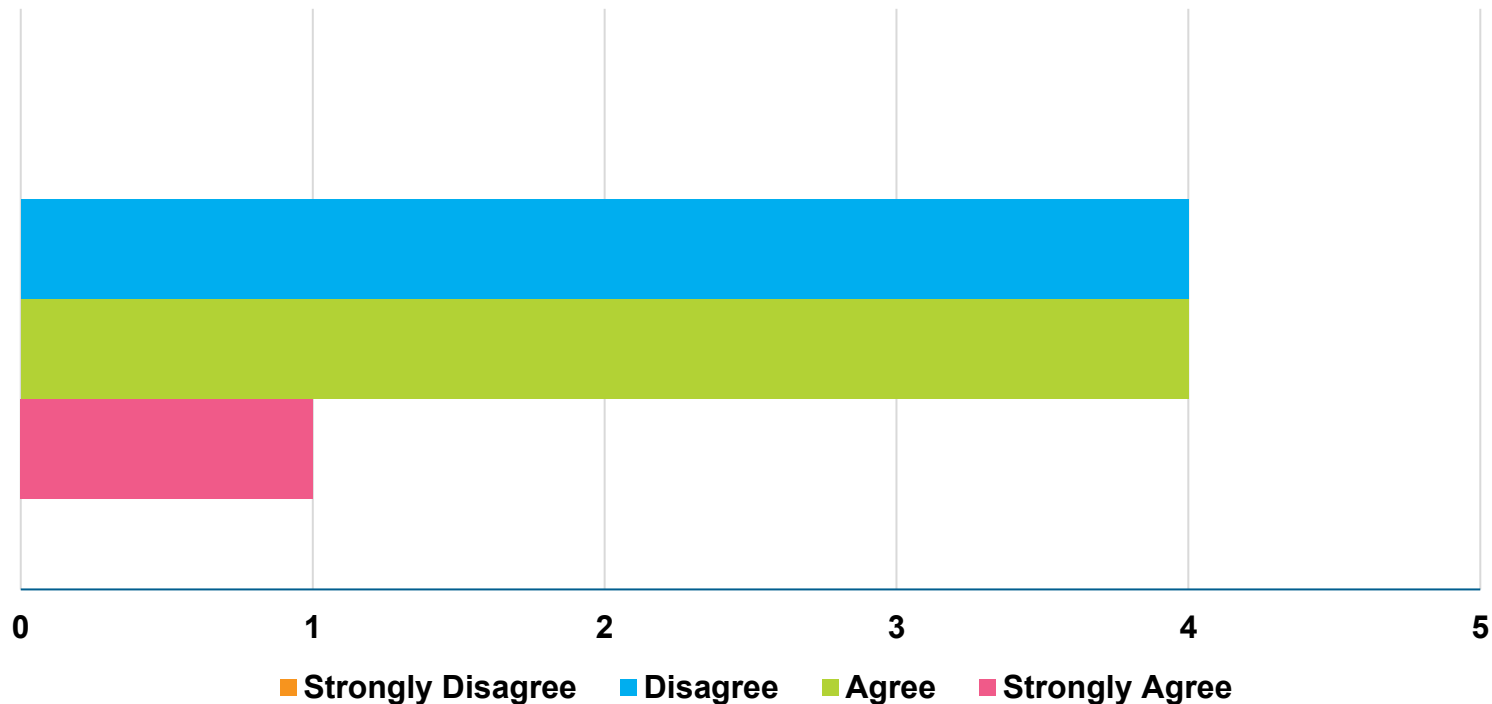


→ Actuarial Rate and Strategic Asset Allocation Policy Benchmark are the most pertinent gauges of performance success.

→ As illustrated in a previous question, peer-relative results are not a major area of focus.

Implementation Section

17. A globally diversified portfolio (e.g., US, non-US developed, and emerging markets) offers a better forward-looking risk-adjusted portfolio than a US-centric portfolio.



- The SIC exhibited mixed viewpoints on the efficacy of a global portfolio vs. a US-centric portfolio.
- This will be a key discussion/education item during the asset-liability study.

Conclusion and Next Steps

- These survey results serve as a foundational guide for the asset-liability modeling process. The preferences and viewpoints of the SIC will be built into the model and its corresponding output.
- For the vast majority of topics, there is a moderate-to-high level of consensus among the SIC.
- Areas of focus:
 - Continue making funding progress with the goal of outperforming the actuarial rate.
 - Examine probabilities of experiencing downside scenarios (for investment returns and funded status) and their corresponding impacts (e.g., liquidity, contributions, etc.).
 - Explore pros/cons of a diversified portfolio given the mixed viewpoints on the efficacy of a global portfolio vs. a US-centric portfolio
 - Provide further education on the CPC and its existing and potential future components.
 - Pursue a portfolio of similar risk level (compared to current policy) but also explore portfolios with more risk.
 - Upon completion of the A/L study, discuss the potential for an Opportunistic class and required implementation parameters/processes.
- Next steps
 - Throughout the asset-liability study process, the results from the survey will be revisited and decisions will be compared to survey results in order to ensure consistency.

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