



State of Rhode Island
Office of the General Treasurer

SSGA INDEXING
TIPS, Public Equities, OPEB Core Fixed Income
October-2020

RECOMMENDATION

We are recommending a reauthorization of the SSGA Indexing recommendations that were approved during the September 23, 2020 SIC meeting, based on the revised fee terms presented today.

SUMMARY

The following recommendations were approved at the September 23, 2020 SIC meeting:

Defined Benefit Plan

- 1) Terminate Brown Brothers Harriman active TIPS mandate → Replace with passive SSGA TIPS Indexed implementation
- 2) Consolidate investments in SSGA MSCI EAFE and SSGA MSCI Canada Index Funds → Replace with passive SSGA MSCI World Ex-US Index Fund

SSGA has also agreed to reduce our SSGA MSCI EM Index Fund fee from 10bps to 8bps.

OPEB

- 3) Terminate MacKay Shields active Core Fixed Income mandate → Replace with passive SSGA Agg Index Fund

The SSGA fee proposals that were incorporated into the September 23, 2020 SIC recommendation would have resulted in cost savings of approximately **\$533,000/year**. SSGA uncovered a Most Favored Nation clause during the passive TIPS account setup process, preventing them from fulfilling the 1.5 basis point fee proposal. The lowest fee that can be offered on the SSGA TIPS Index account is 3 basis points (approximately \$23,000/year more expensive than the 1.5 basis fee proposal).

REVISED PROPOSAL

While 3 basis points is still viewed as a favorable proposal in isolation, SSGA has revised their equity index proposals to offset the additional 1.5 basis point TIPS Index fee. SSGA has offered to reduce the fees on our MSCI World Ex-US and MSCI EM Index funds by an additional 1.5 basis points, in aggregate. The resulting savings amounts to approximately **\$592,000/year**, or roughly **\$59,000/year** of additional savings in excess of the previous proposal's savings.

Account	MV as of 8/31 (\$mm)	Pre-Sept' 20 SIC Fees	Sept 2020 SIC Proposal	Oct 2020 SIC Proposal
BBH Active TIPS → SSGA Indexed TIPS	\$156.2	15 bps	1.5 bps	3.0 bps
SSGA Int'l Developed Index Funds*	\$704.2	3 bps	2.5 bps	2 bps
SSGA MSCI EM Index Fund	\$473.0	10 bps	8 bps	7 bps
OPEB: Mackay Shields Active Core Bonds → SSGA Indexed Agg	\$147.8	14.5 bps	1.5 bps	1.5 bps

Total Annual Savings	\$532,890	→	\$591,966
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Difference	\$59,076
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*Consolidated into the SSGA MSCI World Ex-US Index Fund following the September SIC vote