



State Investment Commission
Monthly Meeting Minutes
Wednesday, January 25, 2017
9:00 a.m.
Room 205, State House

The Monthly Meeting of the State Investment Commission (SIC) was called to order at 9:01, Wednesday, January 25th 2017 in Room 205, State House.

I. Roll Call of Members

The following members were present: Mr. Robert Benson, Mr. Michael Costello Mr. Thomas Fay, Mr. Frank Karpinski, Ms. Marie Langlois, Ms. Sylvia Maxfield, Ms. Paula McNamara, Mr. Thomas Mullaney Ms. Marcia Reback, and Treasurer Seth Magaziner.

Also in attendance: Mr. John Burns and Mr. John Linder, Pension Consulting Alliance (PCA), general consultants; Mr. Justin Bullion, Payden & Rygel; Mr. Steve Johnson and Mr. Kerry Polk, Fidelity Investments; Ms. Kerri Baker, Treasury Cash Manager; Mr. Tim Nguyen, Treasury Chief Investment Officer (interim); Ms. Sally Dowling, Adler, Pollock & Sheehan, legal counsel; and other members of the Treasurer's staff.

Treasurer Magaziner called the meeting to order at 9:01 a.m.

II. Approval of Minutes

On a motion by Ms. Maxfield and seconded by Mr. Fay, it was unanimously

VOTED: to approve the draft minutes of the December 16th, 2016 meeting of the State Investment Commission.

III. Review and Consideration of Long Duration Investment Policy Statement

The board reviewed the updated Investment Policy Statement (IPS) language that specified the term "full faith government backed bonds" per last month's suggestion from the Board. It also included new language that the tracking error target be within the range of 1% or less.

On a motion by Ms. Reback and seconded by Mr. Mullaney, it was unanimously

VOTED: to approve the Long Duration IPS

IV. Review and Consideration of Cash Investment Policy Statement

Mr. Nguyen noted the language of the cash mandate was modeled after the current Ocean State Investment Pool (OSIP) IPS. Treasurer Magaziner reiterated the purpose of the cash portion of the portfolio is to maintain liquidity and not increase risk to maximize returns in this area.

The Board reviewed the IPS.

Ms. Maxfield asked Mr. Bullion if there was a practice of observing and recording events as a way to track potential market issues and ensure liquidity in those events. Mr. Nguyen interjected that the office was currently in the process of finding a provider to create a risk dashboard for the entire plan that would perform different analysis under various scenarios of which Ms. Maxfield is concerned. Treasurer Magaziner added that the output from such a dashboard would serve to establish protocols in which staff would engage Payden & Rygel under such circumstances.

The board asked additional questions.

On a motion by Ms. Maxfield and seconded by Ms. Reback, it was unanimously
VOTED: to approve the Cash IPS

V. Update on the Crisis Protection Class

Treasurer Magaziner noted the name change of the Crisis Risk Offset to Crisis Protection Class (CPC), as it will be known going forward. CPC program has three components: long duration treasuries manager, which has been selected, and the platform manager and the systematic trend following manager, neither of which have been determined.

Mr. Nguyen outlined the timeline for implementing the new class, stating it will be off the ground in April. This timeline is contingent on the selection and approval of the CPC platform and systematic trend following managers, including adequate time for evaluation and due diligence of the managers.

Mr. Nguyen spoke about the hedge fund redemption timeline, which will largely fund the new cash program as well as a portion of the upcoming income oriented strategies. It is important the timing of the redemptions coincide with the selection of managers in order to properly fund and balance the programs.

The board asked questions.

VI. Ocean State Investment Pool Update

Ms. Baker prefaced Fidelity's presentation with background information on OSIP and its purpose, noting it is an investment option for municipalities and quasi-public agencies. Treasurer Magaziner added that since its establishment in 2011, the rates have been prohibitively low, affecting participation. With rates rising and becoming more competitive, participation is expected to increase.

Mr. Johnson echoed the Treasurer's point on rising rates, stating Fidelity will be doing outreach to municipalities to showcase those rising rates and attractiveness of products.

Mr. Polk spoke about current market conditions and how they affect their products due to their market driven nature. He then highlighted that participation has increased over the year, with several more accounts being added. The pool value now totals \$460 million. He concluded that they are pleased with performance and are achieving their objectives. With rates increasing, they expect they will become more competitive relative to other similar bank products.

The board asked questions.

VII. Legal Counsel Report

There was no legal counsel report.

VIII. Chief Investment Officer Report

Mr. Nguyen provided the performance update for December, apprising the Board of domestic and global market conditions. For the month, the portfolio increased 1.35% matching the 60/40 allocation. For calendar year 2016, the portfolio increased 7.35%, exceeding both the benchmark of 6.34% and the 60/40 allocation's 5.92% return.

Treasurer Magaziner added it is indeed noteworthy the portfolio outperformed the 60/40, which is indicative the portfolio of adding value, attributing it in part to high performing asset classes such as private equity and real estate. He stated he is optimistic the implementation of the new asset allocation will further improve performance. He acknowledged staff for their manager selection as it is key to good performance.

Mr. Nguyen also advised the Board that in the coming month staff will be focused on getting the platform manager up and running, will be selecting the systematic trend strategies and vetting income oriented strategies.

IX. Treasurer's General Comments

Treasurer Magaziner remarked that 2016, while volatile at times, produced a solid overall performance for the portfolio.

There being no other business to come before the Board, on a motion by Ms. Maxfield and seconded by Ms. McNamara the meeting adjourned at 10:06 a.m.

Respectfully submitted,

**Seth Magaziner,
General Treasurer**