



**State Investment Commission  
Monthly Meeting Minutes  
Wednesday, June 26th, 2024  
9:00 a.m.**

**Executive Conference Room, Department of Administration**

**[dial-in: +1 312 626 6799; Webinar ID: (848 6590 7230); link: [(https://bit.ly/3Rvy3Ra)].**

A Monthly Meeting of the State Investment Commission (“SIC”) was called to order at 9:00 AM, Wednesday, June 26<sup>th</sup>, 2024, in the Executive Conference Room, Department of Administration.

## **I. Roll Call of Members**

The following members were present: Mr. Frank Karpinski, Mr. Paul Dion<sup>1</sup>, Mr. Michael Costello, Ms. Karen Hazard, Mr. Thomas Fay, Mr. Al Cumplido<sup>3</sup>, and Treasurer James A. Diossa.

Also in attendance: Mr. Kevin Leonard, NEPC; Mr. Thomas Lynch & Mr. George Bumeder, Cliffwater; Ms. Tiffany Spudich & Ms. Susan Somers, Capital Cities; Ms. Abigail Fischer, Meketa; Mr. William O’Gara, Pannone Lopes Devereaux & O’Gara, legal counsel; Mr. Eric Baggesen, Chief Investment Officer; and other members of the Treasurer’s Staff.

Treasurer Diossa called the meeting to order at 9:00 AM.

## **II. Approval of Minutes**

On a motion by Mr. Al Cumplido and seconded by Ms. Karen Hazard, it was unanimously **VOTED: to approve the draft meeting minutes of the May 22<sup>nd</sup>, 2024 meeting of the State Investment Commission.**

## **III. Private Equity Investment Recommendation, Nautic Partners XI (“Nautic XI”)**

Mr. Peter Coleman, Investment Officer, introduced the proposed recommendations for the Rhode Island Employees Retirement Systems Pooled Trust (“ERSRI”) and the Rhode Island OPEB System Trust (“OPEB”) to make commitments to Nautic Partners Fund XI. Mr. Coleman explained that this fund will target middle-market control buyouts within the sectors of healthcare, industrial, and service sectors. Mr. Coleman elaborated on the specific areas they focus on within these three sectors.

Mr. Coleman described the concerns with healthcare reform and headline risk. Mr. Coleman described the investment framework of Nautic Partners and highlighted the firm’s top quartile performance.

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<sup>1</sup> Mr. Paul Dion arrived after the Roll Call of Members and Approval of Minutes. His temporary absence did not affect quorum.

Coleman and Mr. Thomas Lynch went into depth pertaining to the lack of DEI efforts made by Nautic Partners. Mr. Lynch elaborated that, when looking at the firm, its best to look at their investment staff level rather than at the senior level and how they have adapted DEI into their hiring process and added a committee dedicated to DEI. Mr. Lynch then discussed the stability of the senior team in relation to Nautic's success and elaborated on the consistency of the firm.

The Board asked questions.

On a motion by Mr. Michael Costello and seconded by Mr. Al Cumplido, it was **VOTED by a margin of 5 to 1 (with Mr. Paul Dion abstaining): that (A) the Rhode Island Employees Retirement Systems Pooled Trust make a commitment of up to \$40 million to Nautic Partners Fund XI; and (B) that the Rhode Island OPEB System Trust make a commitment of up to \$2 million to Nautic Partners Fund XI; in each of the foregoing cases (A) and (B), subject to legal and investment staff review.**

#### **IV. Fidelity 457(b) Plan Fee Analysis and FARP IPS**

Ms. Tiffany Spudich and Ms. Susan Somers from Capital Cities introduced the Fidelity 457(b) plan fee analysis. Ms. Spudich explained that, due to Fidelity concluding the Fidelity Freedom Funds' Retail share class for institutional plans, RI will need to transition into a new share class in late 2024. Ms. Spudich then went into detail as to how Capital Cities evaluates each contribution plan.

Ms. Spudich then explained that RI should transition from Retail share class to K share class for the Fidelity Freedom Fund to do what's most equitable for most participants. Ms. Spudich concluded by describing the monitoring process for the Fidelity 457(b) recordkeeper and total fees and summarizing the findings from the Fee Analysis.

The Board asked questions.

On a motion by Mr. Michael Costello and seconded by Mr. Al Cumplido, it was unanimously **VOTED: (i) to transition from Fidelity Contrafund K6 share class to the Retail share class to reduce the investment management expense; (ii) to transition from Fidelity Low-Prices Stock K share class to the Retail share class to reduce the investment management expense; and (iii) to transition from the Fidelity Freedom Funds' Retail share class to the K share class, given Fidelity's upcoming elimination of the Retail share class for institutional plans.**

Ms. Somers then transitioned the topic to FARP IPS. Ms. Somers explained how, during the RFP process earlier in the year, the investment policy statement expanded to include the FICA Alternative Retirement Plan. Ms. Somers briefly described this plan at a high level. Ms. Somers highlighted that the policy statement aligns with the 401a and 457(b) plans. Ms. Somers stated that Capital Cities will conduct an investment structure review and fee analysis when they complete the full program review.

The Board asked questions.

On a motion by Mr. Thomas Fay and seconded by Ms. Karen Hazard, it was unanimously **VOTED: to adopt the FICA Alternative Retirement Plan's Investment Policy Statement.**

## V. Absolute Portfolio Return Review

Mr. Kevin Leonard, NEPC, began to review of the Absolute return portfolio from an asset allocation standpoint stating that this portfolio has a target allocation of 6.5% and resides within the Volatility Protection category which has a 15% target of the overall portfolio. Mr. Leonard then described the purpose of an absolute return portfolio and summarized ERSRI's specific objectives. Mr. Leonard highlighted RI's exceptionally strong performance given the portfolio's low volatility. Mr. Leonard concluded by reviewing ERSRI's historical performance and risk statistics.

Mr. Thomas Lynch discussed the implementation of the RI portfolio objectives. Mr. Lynch then reviewed the portfolio's performance compared to the benchmark, demonstrating RI's overperformance. Mr. Lynch also displayed individual manager performance.

Mr. Lynch showed how the RI portfolio has produced superior downside protection, generating an average positive return in down equity markets. Mr. Lynch then discussed managers strategy exposure and the portfolio construction by manager positioning. Mr. Tom Lynch went into Fee Evaluation in relation to Alpha.

The Board asked questions.

A motion was made by Mr. Al Cumplido, which was seconded by Ms. Karen Hazard, to go into Executive Session under Rhode Island General Laws §42-46-5(a)(7), for a matter related to the investment of public funds where premature disclosure would adversely affect the public interest. A roll-call vote was taken, and each Commission member present voted affirmatively to go into Executive Session.

Executive Session was concluded, and it was announced that during Executive Session, the Board **VOTED: (i) the first vote will not be disclosed per RI Gen. Laws § 42-46-4(b); (ii) to seal the minutes of the Executive Session; and (iii) to exit Executive Session.**

## VI. Legal Counsel Report

There was no legal counsel report.

## VII. Chief Investment Officer Report

Mr. Eric Baggesen, CIO, reviewed the performance of the fund on a fiscal year to date basis, noting the portfolio's 9.4% fiscal year-to-date return and highlighting some of the contributing and detracting asset classes. Mr. Baggesen then reviewed the performance of the OPEB Trust.

Mr. Baggesen went through the ERSRI Portfolio risk, return, and volatility over a 3,5, and 10-year time frame taking special account to generating return and mitigating risk. Lastly, on the short-term investments sheet, Mr. Baggesen made a comment to add an additional column to the chart which consists of the current return level of the short-term cash investments.

The Board asked questions.

## **VIII. Treasurer's General Comments**

Treasurer Diossa asked if there were any further comments or questions and thanked the Board and Staff.

**The meeting was adjourned at 10:42 AM.**

Respectfully submitted,

**James A. Diossa,  
General Treasurer**

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