



**State Investment Commission
Monthly Meeting Minutes
Wednesday, September 28th, 2022
9:00 a.m.**

Executive Conference Room, Department of Administration

[dial-in: +1 312 626 6799; Webinar ID: (899 4960 9087); link: (<https://bit.ly/3C6jE6X>)].

A Monthly Meeting of the State Investment Commission (“SIC”) was called to order at 9:01 AM, Wednesday, September 28th, 2022 in the Executive Conference Room, Department of Administration.

I. Roll Call of Members

The following members were present: Mr. Frank Karpinski, Ms. Sylvia Maxfield¹, Mr. Jim Thorsen¹, Ms. Karen Hammond, Ms. Karen Hazard, Mr. Michael Costello, Mr. Thomas Fay, Mr. Al Cumplido, and Treasurer Seth Magaziner.

Also in attendance: Mr. William Forde, Mr. Matt Maleri & Mr. Kevin Leonard, NEPC; Mr. Thomas Lynch, Cliffwater; Mr. Colin Hill, Meketa; Mr. Matthew Waters, Adler Pollock & Sheehan, legal counsel; Mr. Eric Baggesen, Chief Investment Officer; Mr. Justin Maistrow, Deputy Chief Investment Officer; Mr. Saul Ioffe, Portfolio Manager, Private Assets; Mr. Kevin Li, Senior Investment Analyst; and other members of the Treasurer’s Staff.

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

II. Approval of Minutes

On a motion by Ms. Karen Hammond and seconded by Mr. Al Cumplido, it was unanimously **VOTED: to approve the draft meeting minutes of the August 3rd, 2022 meeting of the State Investment Commission.**

III. Non-Core Real Estate Investment Recommendation, Raith Real Estate Fund III, LP

Mr. Kevin Li, Senior Investment Analyst, introduced the recommendations to make commitments to Raith Real Estate Fund III, LP (“Raith III”), for an amount of up to \$25 million by the Rhode Island Employees Retirement Systems Pooled Trust (“ERSRI”), and for an amount of up to \$500,000 by the Rhode Island OPEB System Trust (“OPEB”). Mr. Li noted that ERSRI had previously committed \$35 million to the prior fund, Raith II, which is performing well. Mr. Li described the fit of Raith’s strategy within ERSRI’s Non-Core Real Estate portfolio as the only U.S.-focused opportunistic strategy in the portfolio and as a strategy that represents most of the opportunistic real estate exposure for the allocation. For OPEB, Mr. Li noted that Raith III would represent the only exposure to opportunistic real estate within OPEB’s Private Growth allocation.

¹ Ms. Sylvia Maxfield and Mr. Jim Thorsen arrived after the Roll Call of Members and Approval of Minutes. Their temporary absences did not affect quorum.

Finally, Mr. Li described Raith's strategy, which allows Raith to invest flexibly across property types, U.S. regions, and different parts of the capital structure.

Mr. Colin Hill, Meketa, stressed the benefits of having an opportunistic strategy during times of volatility and illiquidity. Mr. Hill described the extensive history of Raith's team in this space and its demonstrated experience in successfully completing investments in this space.

The Board asked questions.

On a motion by Mr. Michael Costello and seconded by Mr. Thomas Fay, it was unanimously **VOTED: that the Rhode Island Employees Retirement Systems Pooled Trust make a commitment of up to \$25 million to Raith Real Estate Fund III, LP and that the Rhode Island OPEB System Trust make a commitment of up to \$500,000 to Raith Real Estate Fund III LP, in each case subject to legal and investment staff review.**

IV. Private Real Assets (ex-Real Estate) Investment Recommendation, Homestead Capital USA Farmland Fund IV, L.P.

Mr. Saul Ioffe, Portfolio Manager, Private Assets, introduced the recommendations to make commitments to Homestead Capital USA Farmland Fund IV, L.P. ("Homestead IV"), for an amount of up to \$50 million by the Rhode Island Employees Retirement Systems Pooled Trust ("ERSRI"), and for an amount of up to \$2 million by the Rhode Island OPEB System Trust ("OPEB"). Mr. Ioffe noted that ERSRI previously committed \$25 million to the prior fund, Homestead III, which is performing in-line with expectations. Mr. Ioffe described the role of Homestead's strategy within the Private Real Assets (ex-Real Estate) portfolios of ERSRI and OPEB, as the only manager providing farmland exposure. Mr. Ioffe explained the inflation-hedging qualities expected from Homestead's strategy due to its cash flows being tied to crop sales which rise with inflation and the positive relationship between farmland values and inflation. Finally, Mr. Ioffe described Homestead's value-add strategy of acquiring smaller scale farms, staffing them with top-tier farm operators, investing in modern equipment, and implementing other best agricultural practices, with the improved farms then being sold to new owners seeking stabilized assets.

Mr. Thomas Lynch, Cliffwater, noted that Rhode Island has been selective in committing to non-infrastructure strategy funds in the Private Real Assets (Ex-Real Estate) portfolio, but that farmland meets the return target for the allocation and provides important diversification. Mr. Lynch explained the appraisal process for farms in Homestead's portfolio and highlighted the historical sensitivity that farmland has exhibited to inflation.

The Board asked questions.

On a motion by Mr. Jim Thorsen and seconded by Mr. Al Cumplido, it was unanimously **VOTED: that the Rhode Island Employees Retirement Systems Pooled Trust make a commitment of up to \$50 million to Homestead Capital USA Farmland Fund IV, L.P. and that the Rhode Island OPEB System Trust make a commitment of up to \$2 million to Homestead Capital USA Farmland Fund IV, LP, in each case subject to legal and investment staff review.**

V. OPEB Reauthorization Recommendation, AEW Core Property (U.S.), L.P. and Neuberger Berman CLO Equity/Mezzanine Debt

Mr. Justin Maistrow, Deputy Chief Investment Officer, introduced the recommendation to reauthorize the Rhode Island OPEB System Trust (“OPEB”) to make a commitment of up to \$5 million to AEW Core Property (U.S.), L.P. (“AEW Core Property”) and to make an investment of up to \$12.5 million in Neuberger Berman’s CLO Equity/Mezzanine Debt strategy (“NB CLO”). Mr. Maistrow clarified that, due to ERSRI’s existing commitment to AEW Core Property, OPEB will be subject to a lower fee for its proposed \$5 million commitment than it otherwise would have paid as a standalone investor. Mr. Maistrow also clarified that, in connection with OPEB’s proposed investment in NB CLO, OPEB will pay 0% fees on its first \$2.5 million and a standard 0.5% fee on the remainder of the \$12.5 million investment, similarly leveraging ERSRI for scale with existing managers.

On a motion by Mr. Jim Thorsen and seconded by Ms. Karen Hammond, it was unanimously **VOTED: to reauthorize the votes from the August 3rd, 2022 meeting of the State Investment Commission that the Rhode Island OPEB System Trust make a commitment of up to \$5 million to AEW Core Property (U.S.), L.P., and that the Rhode Island OPEB System Trust make an initial investment of \$12.5 million in Neuberger Berman’s CLO Equity and Mezzanine Debt Strategy, in each case subject to legal and investment staff review.**

VI. Legal Counsel Report

There was no legal counsel report.

VII. Chief Investment Officer Report

Mr. Eric Baggesen, Chief Investment Officer, commented on the recent activity of the Federal Reserve of rapidly raising interest rates as well as the impacts of these rate hikes on the marketplace. Mr. Baggesen noted that in response to these market conditions, the most prudent action is to continue to implement the strategic asset allocation rather than attempt to time markets. Mr. Baggesen explained that under the next Treasurer’s administration in 2023, staff may conduct an asset allocation study to assess whether any changes would benefit the plan. Mr. Baggesen also noted that Will Forde, NEPC, will be moving to a new role within the firm and that NEPC’s services for the state going forward will be led by Kevin Leonard and Matt Maleri. The SIC congratulated Mr. Forde and thanked him for his contributions. Finally, Mr. Baggesen previewed that Staff plans to bring Funston Advisory Services to the next SIC meeting, which will take place in November, to discuss its review of the SIC governance structure and provide recommendations.

VIII. Treasurer’s General Comments

Treasurer Magaziner highlighted that ERSRI’s strategic asset allocation is serving its intended purpose, including most notably the strong performance of the Inflation Protection Bucket during a period of high inflation. Treasurer Magaziner lauded the value of diversification in the portfolio, which declined less than 1% over the last 12 months compared to an almost 14% decline by the 60/40 global equities/US bonds benchmark.

Treasurer Magaziner briefly discussed recent reconfigurations of the investment staff and reminded the Board of upcoming governance reviews and recommendations.

On a motion by Ms. Sylvia Maxfield and seconded by Mr. Thomas Fay, it was unanimously **VOTED: to adjourn the meeting at 10:02 AM.**

Respectfully submitted,

**Seth Magaziner,
General Treasurer**

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