

# PENSION ADVISORY WORKING GROUP

EMPLOYEES' RETIREMENT SYSTEM  
OF RHODE ISLAND

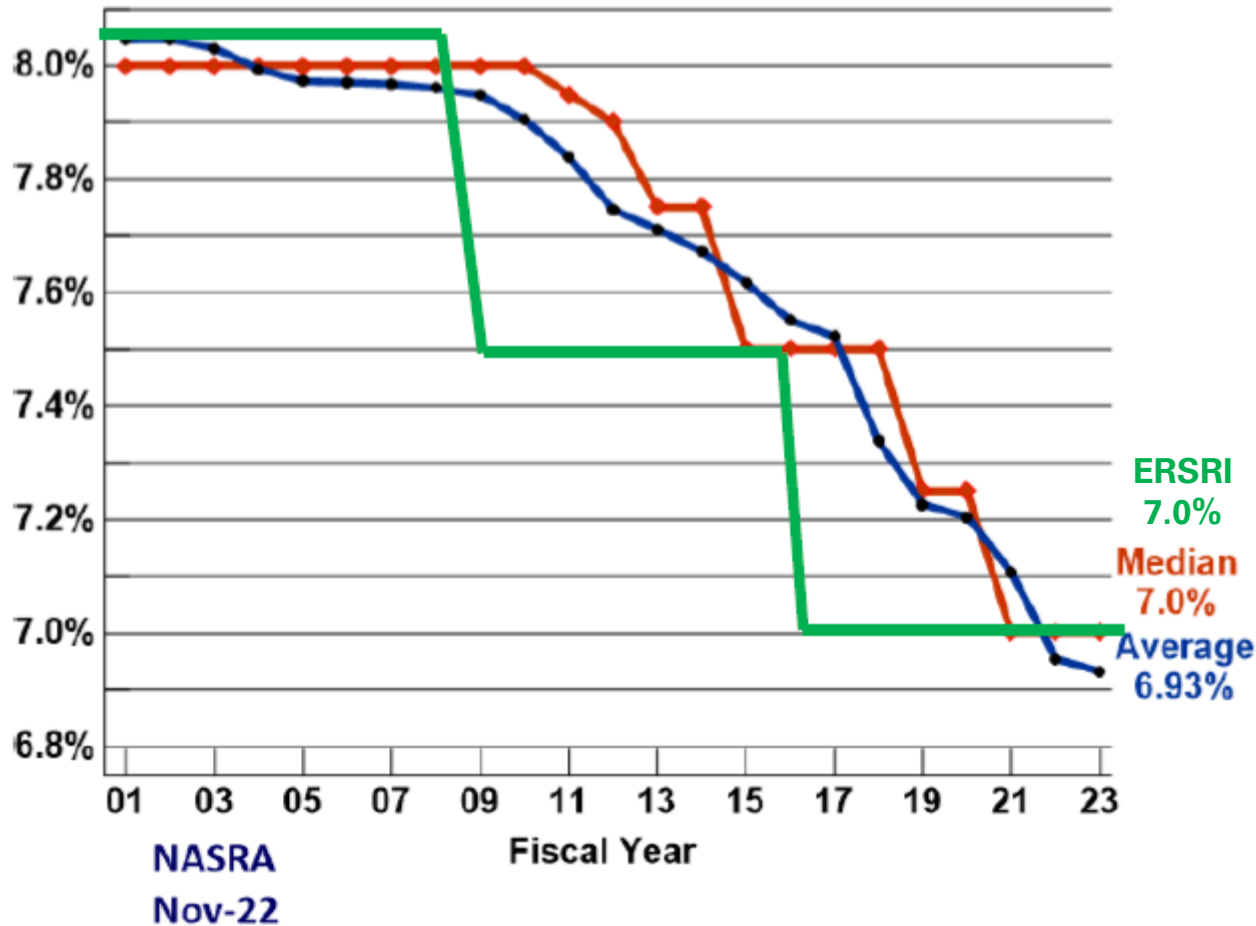
NOVEMBER 2, 2023

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# DISCOUNT RATE HISTORY

Change to Average and Median Investment Return Assumption, FY 01 to present



- The State of Rhode Island currently uses a 7.0% return assumption.
- Consistent with other public pension plans, the return assumption has declined over the last two decades.
- A declining interest rate environment is one of the primary reasons for the consistent decline in return assumptions.

# HISTORICAL PENSION PLAN PERFORMANCE

## TRAILING PERIOD & FISCAL YEAR PERFORMANCE

**As of September 30, 2023**

	1 Year	3 Year	5 Year	10 Year	15 Year	Inception
State of Rhode Island Total Plan	9.7%	8.3%	7.4%	7.1%	7.1%	5.6%

### Fiscal Years

	2023	2022	2021	2020	2019	2018
State of Rhode Island Total Plan	-1.2%	-1.4%	25.6%	3.8%	6.5%	8.0%

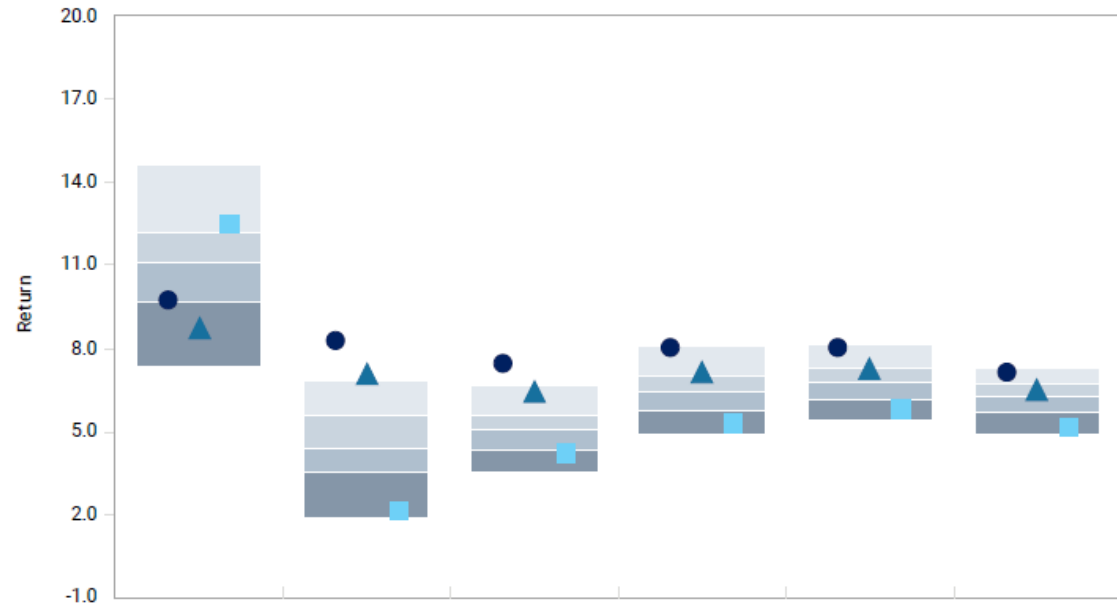
- **Over the last 10 to 15 years, the Plan has generated a return of more than 7%, consistent with the assumed rate of return**
- **As expected, there is a wide range of outcomes for individual fiscal years**



Inception date is July 2000. Performance is as of September 30, 2023 and net of fees. Periods greater than one year are annualized.

# HISTORICAL PERFORMANCE RELATIVE TO PEERS

## STATE OF RHODE ISLAND PLAN VS. ALL PUBLIC DB PLANS



	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	8 Yrs (%)	10 Yrs (%)
● State of Rhode Island Total Plan	9.7 (75)	8.3 (1)	7.4 (1)	8.0 (6)	8.1 (7)	7.1 (10)
▲ Strategic Benchmark Allocation	8.7 (88)	7.1 (4)	6.5 (7)	7.1 (22)	7.3 (27)	6.5 (35)
■ 60% MSCI ACWI (Net) / 40% Bloomberg Aggregate	12.5 (21)	2.1 (94)	4.2 (80)	5.3 (90)	5.8 (87)	5.2 (92)
5th Percentile	14.7	6.8	6.7	8.1	8.2	7.3
1st Quartile	12.1	5.5	5.5	7.0	7.3	6.7
Median	11.1	4.4	5.1	6.4	6.8	6.2
3rd Quartile	9.7	3.5	4.4	5.8	6.1	5.7
95th Percentile	7.4	1.8	3.5	4.9	5.4	4.9
Population	307	295	282	266	259	231



Based on the Investment Metrics All Public DB Plans Universe. As of September 30, 2023.

# IMPACT OF DIVERSIFYING INVESTMENTS

- **Diversifying and private market investments have been a meaningful contributor to the return of the State of Rhode Island Pension Plan.**
- **As shown in the table below, the State of Rhode Island Plan has outperformed more traditional mixes of stocks and bonds.**
- **Changes to the benefit structure resulting in more negative cash flows might result in the need to reduce private market investments and, as a result, potentially reduce future return outcomes.**

## Historical Performance as of September 30, 2023

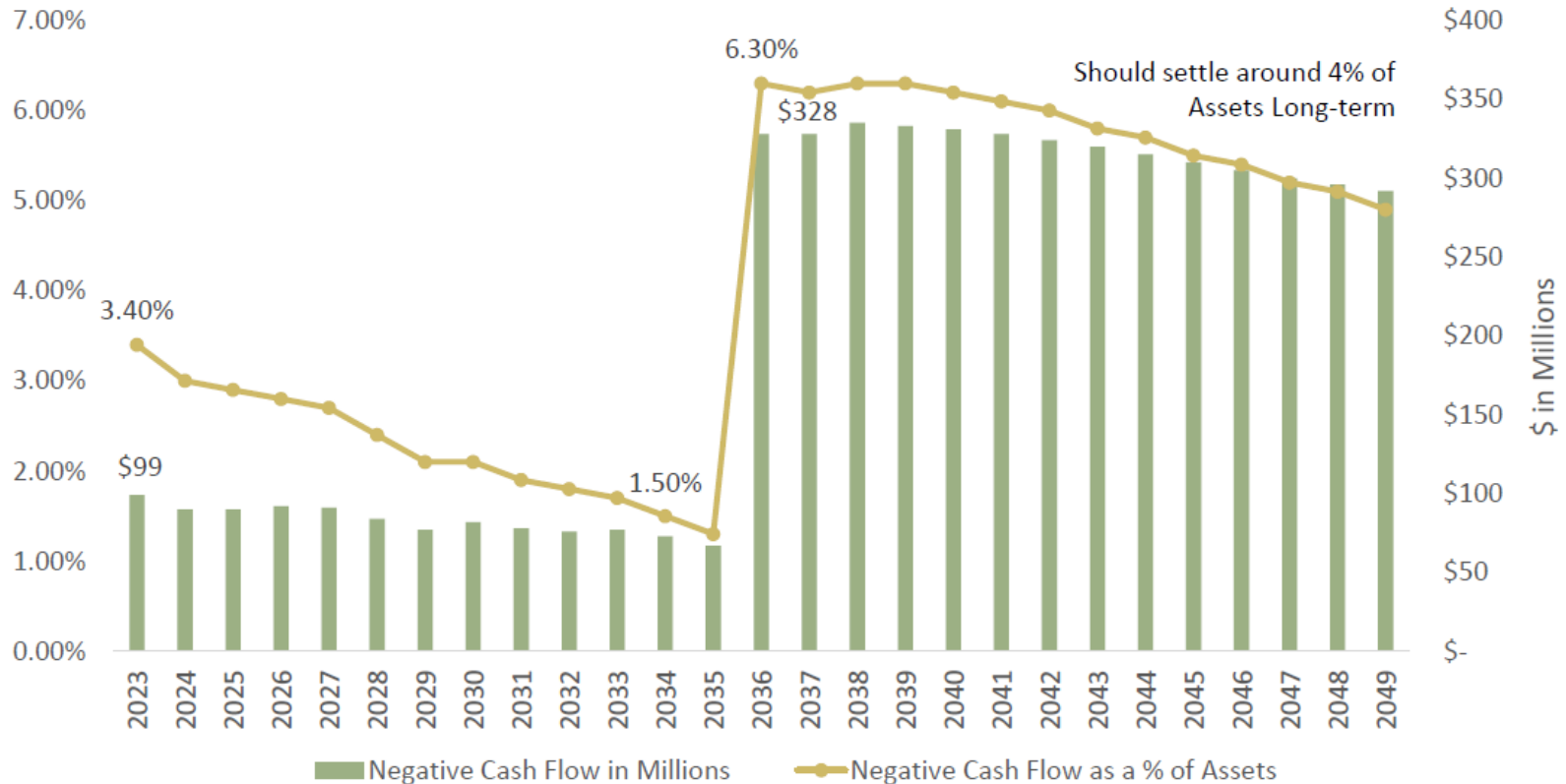
	5 Year	10 Year
State of Rhode Island Total Plan	7.4%	7.1%
60% Stocks / 40% Bonds	4.5%	5.5%
80% Stocks / 20% Bonds	5.8%	6.8%



Stocks are represented by the MSCI ACWI Index. Bonds are represented by the Bloomberg Aggregate Index. Returns are annualized.

# PENSION CASH FLOW EXPECTATIONS

## Negative Cash Flow, State Employees



- The Plan's negative cash flow position is favorable for the next 10-12 years before changing meaningfully in 2036 due to both the COLA and the decline in contributions due to the plan becoming better funded**



Source: GRS March 22, 2023 presentation



# APPENDIX



# NEPC DISCLOSURES

Past performance is no guarantee of future results.

NEPC, LLC is an investment consulting firm. We provide asset-liability studies for certain clients but we do not provide actuarial services. Any projections of funded ratio or contributions contained in this report should not be used for budgeting purposes. We recommend contacting the plan's actuary to obtain budgeting estimates.

The goal of this report is to provide a basis for substantiating asset allocation recommendations. The opinions presented herein represent the good faith views of NEPC as of the date of this report and are subject to change at any time.

Information on market indices was provided by sources external to NEPC. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.

The projection of liabilities in this report uses standard actuarial projection methods and does not rely on actual participant data. Asset and liability information was received from the plan's actuary, and other projection assumptions are stated in the report.

All investments carry some level of risk. Diversification and other asset allocation techniques do not ensure profit or protect against losses.

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