



State of Rhode Island
Office of the General Treasurer

James A. Diossa
General Treasurer

26 May 2026

The Honorable Louis DiPalma
Chair, Senate Committee on Finance

The Honorable Members of the Senate Committee on Finance

RE: 2026-S 3014 – *An Act Relating to Public Finance – State Investment Commission*

Chair DiPalma:

I write in strong support of 2026-S 3014, which would create a Capital Access Initiative within the State Investment Commission (“SIC”) to enhance asset diversification, minimize risk, and boost returns through investments with traditionally underrepresented asset managers.

Chaired by the General Treasurer, the SIC oversees investment of the state’s pension fund. Year after year, the SIC strives to deliver strong long-term returns and reduced risk for the state’s investments in cooperation with Treasury’s investment staff. To achieve long-term stability despite day-to-day volatility, Treasury and the SIC prioritize asset diversification. As defined in the SIC’s Investment Policy statement, portfolio diversification:

[P]lays a critical role in improving the investment portfolio’s return per unit of risk and managing volatility while looking to achieve the ERSRI investment objectives. The ERSRI investment portfolio should be well-diversified by asset class, investment style, investment strategy, geography, *and Manager*.

(emphasis added). At its January 2025 meeting, the SIC reaffirmed its commitment to pursuing relationships with underrepresented investment managers as a facet of *manager* diversification. **This legislation codifies policy to effectuate that goal.**

The state’s pension assets are managed by a number of different investment managers. Public pension systems traditionally rely on a combination of larger institutional investors to manage the majority of funds. **While such partnerships offer advantages, there are significant fiscal benefits to expanding capital access to firms that traditionally face barriers. This includes investment managers that are generally smaller, with diverse backgrounds, shorter track records, and/or fewer assets under management.**

Institutional investors often operate within familiar networks, which can overlook high-potential opportunities—particularly in emerging or underinvested sectors and regions. **Diversifying investment partnerships can enhance portfolio resilience and unlock compelling, risk adjusted returns.** Indeed, a recent study published by the Zurich-headquartered asset management firm Unigestion found investment

managers that “gravitate to the perceived safety of both established brands and managers could be missing out” by steering away from new or diverse investment firms that “have the skills and capacity to add exposure to niche strategies with the potential for higher returns.” Grant Murgatroyd, *LPs who ignore emerging managers risk losing out on returns, data suggests*, Prequin News, Oct. 4, 2023. As confirmed by numerous studies, **manager diversification “can lead to excess returns and increase the probability of investment success.”** See The Denver Foundation, *Investing with diverse asset managers can lead to stronger investment performance*, Aug. 23, 2024.

This bill seeks to expand the state’s investment relationships and growth opportunities by establishing a Capital Access Initiative wherein Treasury and the SIC must strive to invest at least ten percent of the state pension fund with investment managers from underrepresented backgrounds. **This initiative creates an aspirational goal – similar to most other states with statutory programs – rather than a binding mandate.** This affords the SIC necessary flexibility to be conscious of investment managers *and* invest funds consistent with sound investment policy and fiduciary obligations. **Further, participants in the capital access initiative remain subject to the same requirements and scrutiny as any other investment manager engaged by the SIC.** This act provides *no* preferential treatment. Neither the SIC nor the Office of the General Treasurer would need to expend additional funds to comply with this legislation.

As proposed, only “underrepresented investment managers” qualify to participate in the capital access initiative. To be considered an underrepresented investment manager, at least 51% of a company must be owned by economically and socially disadvantaged groups or individuals and women. This definition parallels that pertaining to minority- and women-owned enterprises under R.I. Gen. Laws § 37-14.1-3.

This initiative mirrors a successful legislation enacted in Massachusetts in 2021. As in Rhode Island, the Massachusetts program creates a *policy goal* – rather than a mandate – for engaging with underrepresented asset managers. See Mass. Gen. Laws ch. 32, § 23 (8)(a) (“It *shall be the goal* of the [Massachusetts public investment board] that not less than 20 per cent of investment managers be minorities, females and persons with disabilities”) (emphasis added). A number of other public¹ and private entities – such as other investment managers and university endowments – have embraced similar policies in recent years and have seen higher returns as a result. See, e.g., Justin Mitchell, *MIT Endowment Credits ‘Overlooked’ Managers for Success*, FundFire, Apr. 20, 2022 (reporting that MIT’s endowment posted a 55.5% return in fiscal 2021, compared to an average one-year return of 27.19% for university endowments after pursuing diverse manager relationships); CalPERS, *Emerging & Diverse Manager Program*, May 2, 2024 (highlighting the California pension board’s \$1 billion commitment to support the “emerging and diverse manager strategy in Private Equity” to “mitigate risk, unlock alpha, accelerate growth, and provide risk-adjusted returns”).

If you have any further questions, please do not hesitate to reach out to me directly or to my Director of Policy and Intergovernmental Affairs, Robert Craven, Jr., at Robert.CravenJr@treasury.ri.gov.

Respectfully,



James A. Diossa
General Treasurer

cc: The Honorable Lammis Vargas

¹ Other states to adopt a similar policy include California, Connecticut, Illinois, Maryland, New York, and Texas.