

STATE OF RHODE ISLAND

ANNUAL REPORT OF THE TREASURY DEPARTMENT

FISCAL YEAR 2011

THE HONORABLE GINA M. RAIMONDO, GENERAL TREASURER





State of Rhode Island and Providence Plantations
General Treasurer
State House – 102
Providence, Rhode Island 02903

Gina M. Raimondo
General Treasurer

September 30, 2012

To the Honorable General Assembly:

I am pleased to submit the Office of General Treasurer Annual Report for fiscal year ending June 30, 2011 pursuant to Section 42-10-17 of the Rhode Island General Laws. The Annual Report summarizes the revenues and expenditures, cash investments, activity involving state-administered retirement plans, as well as debt issues and payments.

Accurately completing this report is in large part due to the efforts of the treasury and retirement system staff. In addition, members of both the State Investment Commission and State Retirement Boards have provided countless volunteer hours. Together these groups strive to achieve the common goal of efficiently managing the state's finances on behalf of all Rhode Islanders.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Gina M. Raimondo'.

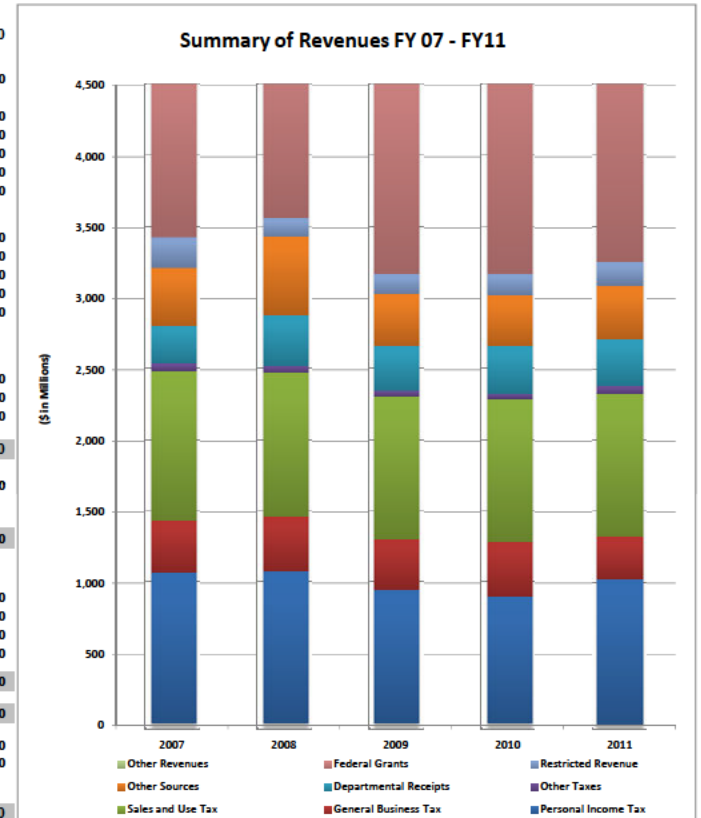
Gina M. Raimondo
General Treasurer

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REVENUES AND EXPENDITURES

State of Rhode Island
Summary of Revenues
June 30, 2011

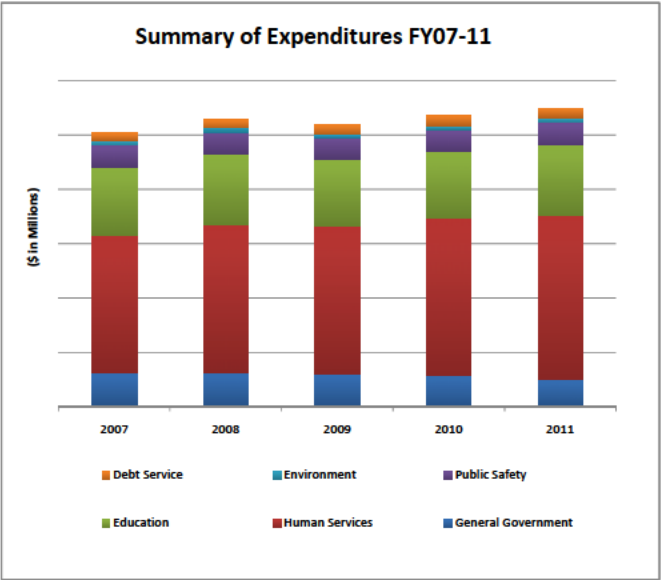
	2011	2010	2009	2008	2007
PERSONAL INCOME TAX	\$ 1,021,339,000.00	\$ 898,113,000.00	\$ 940,513,781.00	\$ 1,073,617,000.00	\$ 1,065,367,000
GENERAL BUSINESS TAXES					
Business Corporations	\$ 84,510,000.00	\$ 146,835,000.00	\$ 104,436,811.00	\$ 150,469,000.00	\$ 148,149,000
Franchise					
Gross Earnings Tax-Public Utilities	\$ 103,744,000.00	\$ 95,793,000.00	\$ 126,664,890.00	\$ 99,437,000.00	\$ 102,109,000
Income Tax-Financial Institutions	\$ 2,459,000.00	\$ 2,319,000.00	\$ 5,358,740.00	\$ 1,830,000.00	\$ 4,423,000
Tax on Insurance Companies	\$ 60,590,000.00	\$ 95,921,000.00	\$ 78,016,930.00	\$ 67,997,000.00	\$ 56,624,000
Tax on Deposits-Banking Institutions	\$ 1,967,000.00	\$ 1,860,000.00	\$ 1,802,796.00	\$ 1,710,000.00	\$ 1,674,000
Health Care Provider Assessment	\$ 40,761,000.00	\$ 40,254,000.00	\$ 46,030,570.00	\$ 53,357,000.00	\$ 47,970,000
SALES AND USE TAXES					
Sales and Use Tax	\$ 813,007,000.00	\$ 803,395,000.00	\$ 807,946,985.00	\$ 844,197,000.00	\$ 873,204,000
Motor Vehicle Tax	\$ 47,655,000.00	\$ 48,285,000.00	\$ 47,925,805.00	\$ 48,610,000.00	\$ 46,879,000
Gasoline Tax	\$ 1,055,000.00	\$ 969,000.00	\$ 1,325,034.00	\$ 991,000.00	\$ 1,312,000
Cigarette Tax	\$ 134,060,000.00	\$ 138,315,000.00	\$ 130,503,213.00	\$ 114,675,000.00	\$ 120,481,000
Alcohol	\$ 11,683,000.00	\$ 11,269,000.00	\$ 10,811,831.00	\$ 11,141,000.00	\$ 10,706,000
Controlled Substances	\$ -	\$ -	\$ -	\$ -	\$ -
OTHER TAXES					
Inheritance and Gift	\$ 46,855,000.00	\$ 29,057,000.00	\$ 28,096,912.00	\$ 35,334,000.00	\$ 34,684,000
Racing and Athletics	\$ 1,325,000.00	\$ 1,492,000.00	\$ 2,450,809.00	\$ 2,813,000.00	\$ 2,921,000
Realty Transfer Tax	\$ 6,371,000.00	\$ 6,994,000.00	\$ 6,811,322.00	\$ 10,223,000.00	\$ 12,737,000
	\$ 2,377,381,000.00	\$ 2,320,871,000.00	\$ 2,338,696,429.00	\$ 2,516,401,000.00	\$ 2,529,240,000
DEPARTMENTAL RECEIPTS	\$ 332,715,000.00	\$ 333,128,000.00	\$ 318,804,246.00	\$ 356,546,000.00	\$ 277,790,000
Total Taxes and Departmentals	\$ 2,710,096,000	\$ 2,653,999,000	\$ 2,657,500,675	\$ 2,872,947,000	\$ 2,807,030,000
OTHER SOURCES					
Gas Tax Transfer	\$ -	\$ 24,000	\$ 4,327,710	\$ 4,514,000	\$ 4,705,000
Other Miscellaneous	\$ 11,116,000	\$ 12,467,000	\$ 17,813,994	\$ 181,810,000	\$ 67,471,000
Lottery	\$ 354,861,000	\$ 344,673,000	\$ 337,515,478	\$ 354,321,000	\$ 320,990,000
Unclaimed Property	\$ 7,640,000	\$ 5,867,000	\$ 8,044,126	\$ 15,387,000	\$ 11,457,000
Total Other Sources	\$ 373,617,000	\$ 363,031,000	\$ 367,701,308	\$ 556,032,000	\$ 404,623,000
Total General Revenues	\$ 3,083,713,000	\$ 3,017,030,000	\$ 3,025,201,983	\$ 3,428,979,000	\$ 3,211,653,000
Restricted Revenue/Other	\$ 174,192,000	\$ 149,638,000	\$ 133,872,448	\$ 126,090,000	\$ 215,061,000
Federal Grants	\$ 2,314,100,000	\$ 2,275,606,000	\$ 2,001,605,092	\$ 1,740,283,000	\$ 1,629,715,000
Other Revenue	\$ 65,933,000	\$ 67,628,000	\$ 57,659,514		
	\$ 5,637,938,000	\$ 5,509,902,000	\$ 5,218,339,037	\$ 5,295,352,000	\$ 5,056,429,000



Source Data: This data is sourced from the Comprehensive Annual Financial Report prepared by the Office of Accounts and Controls, page titled Schedule of Revenues, Expenditures and Changes in Fund Balance, published at <http://controller.admin.ri.gov/FinancialReports/index.php>

State of Rhode Island
Summary of Expenditures
June 30, 2011

	2011	2010	2009	2008	2007
General Government	\$ 510,102,000	\$ 577,900,000	\$ 618,914,000	\$ 626,052,000	\$ 633,893,000
Human Services	\$ 3,009,098,000	\$ 2,884,418,000	\$ 2,711,166,000	\$ 2,727,534,000	\$ 2,512,286,000
Education	\$ 1,287,549,000	\$ 1,239,074,000	\$ 1,217,271,000	\$ 1,289,124,000	\$ 1,267,255,000
Public Safety	\$ 428,687,000	\$ 394,860,000	\$ 401,976,000	\$ 410,605,000	\$ 396,029,000
Environment	\$ 71,812,000	\$ 67,427,000	\$ 68,933,000	\$ 72,982,000	\$ 81,518,000
Debt Service	\$ 182,595,000	\$ 189,355,000	\$ 169,956,000	\$ 160,555,000	\$ 141,350,000
Total Expenditures	\$ 5,489,843,000	\$ 5,353,034,000	\$ 5,188,216,000	\$ 5,286,852,000	\$ 5,032,331,000



Source Data: This data is sourced from the Comprehensive Annual Financial Report prepared by the Office of Accounts and Controls published at <http://controller.admin.ri.gov/Financial Reports/index.php>

SHORT TERM CASH AND INVESTMENTS

**State of Rhode Island
Office of the General Treasurer
Schedule of Interest Earned
FY 2011**

Fund	Count	Amt. Matured	Interest Earned	(W)Avg Interest Rate	(W)Avg Duration
GENERAL FUND	235	\$ 2,601,379,476.02	\$ 379,476.02	0.40%	1.00
H.A.V.A	12	\$ 0.37	\$ 0.37	0.13%	1.00
GENERAL FUND (HIST PRES)	13	\$ 535,855.87	\$ 638.94	0.13%	1.00
TANS PROCEEDS	73	\$ 810,676,290.89	\$ 934,878.65	0.34%	38.97
HIGHWAY FUND	110	\$ 271,814,339.53	\$ 14,339.53	0.12%	1.00
T.D.I. RESERVE (DET)	83	\$ 555,237,808.44	\$ 160,966.87	0.18%	16.83
EMPLOYER PENSION CONTRIBUTION	20	\$ 8,503,003.62	\$ 3,003.61	0.11%	1.00
RICAP GL FUND 21	44	\$ 246,737,260.71	\$ 137,260.71	0.16%	1.00
BOND CAPITAL FUND	39	\$ 46,007,301.79	\$ 7,301.79	0.26%	1.00
R.I. CLEAN WATER ACT	14	\$ 3,001,365.60	\$ 1,365.60	0.13%	1.00
STATE LOTTERY FUND	212	\$ 406,826,759.39	\$ 76,759.39	0.21%	1.00
ASSESSED FRINGE BEN ADM	19	\$ 6,702,373.57	\$ 2,373.57	0.13%	1.00
AUTO EQUIPMENT SERVICE	16	\$ 2,100,375.20	\$ 375.20	0.16%	1.00
HEALTH INSURANCE FUND	44	\$ 62,412,964.32	\$ 12,964.32	0.08%	1.00
FLEET REVOLVING LOAN FUND	25	\$ 1,000,075.88	\$ 75.88	0.15%	1.00
EMPLOYEES RETIREMENT	187	\$ 460,547,715.29	\$ 47,715.29	0.25%	1.00
MUNICIPAL EMPLOYEES RET.	130	\$ 49,193,461.98	\$ 3,461.98	0.15%	1.00
RETIREE HEALTH FUND	30	\$ 18,911,089.36	\$ 11,089.36	0.14%	1.00
BOG RETIREE FUND	16	\$ 1,998,320.21	\$ 1,320.21	0.13%	1.00
RIPTA HEALTH FUND	20	\$ 6,885,391.13	\$ 2,391.13	0.14%	1.00
PERMANENT SCHOOL FUND	12	\$ 1,880.67	\$ 1,880.67	0.13%	1.00
TEACHER RETIREE HEALTH FUND	14	\$ 2,952,936.96	\$ 1,936.96	0.13%	1.00
RISTP RETIREE HEALTH	8	\$ 1,285,197.62	\$ 197.62	0.09%	1.00
RILEG RETIREEHEALTH	8	\$ 1,049,128.35	\$ 128.35	0.10%	1.00
RIJUD RETIREE HEALTH	8	\$ 692,068.54	\$ 68.54	0.10%	1.00
UNIVERSITY COLLEGE	22	\$ 11,001,947.76	\$ 1,947.76	0.16%	1.00
HIGHER EDUCATION	19	\$ 9,000,778.00	\$ 778.00	0.14%	1.00
INDUS. BLDG. & MTG. INS.	13	\$ 504,356.30	\$ 4,356.30	0.13%	1.00
Total Short Term Investments	1446	\$ 5,586,959,523.37	\$ 1,809,052.62	0.28%	8.08

Source: Data acquired from the State's Investment Management Software, APS2

State of Rhode Island
Office of the General Treasurer
Cash Management - Short-Term Investments

Investment Purchase Analysis - By Fund FY11

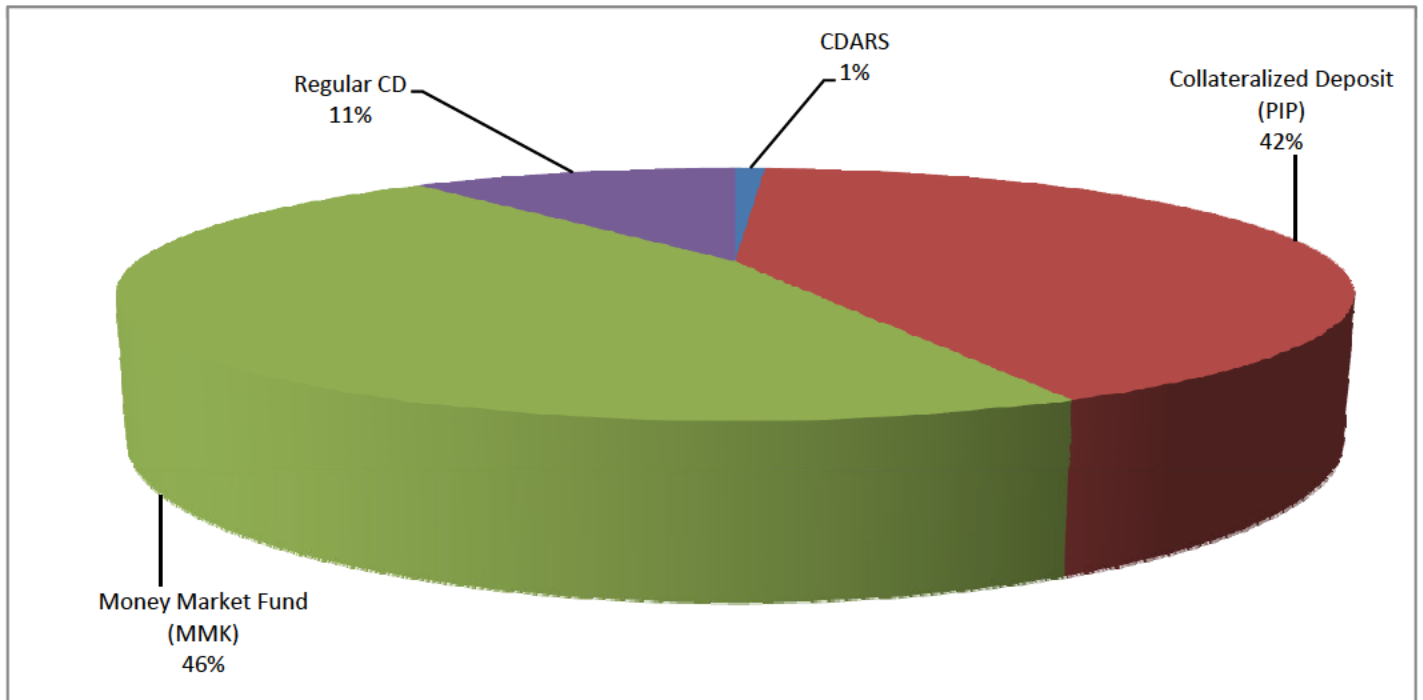
Fund	Investment Type	Count	Settlement Amount	Earnings	Total	Average Daily Balance	Yield	Duration (days)
GENERAL FUND	Collateralized Deposit (PIP)	210	\$ 2,502,878,804.36	\$ 378,804.36	\$ 2,503,257,608.72	94,342,076.90	0.40%	1.00
	Money Market Fund (MMK)	25	\$ 98,500,671.66	\$ 671.66	\$ 98,501,343.32	1,397,833.56	0.05%	1.00
		235	\$ 2,601,379,476.02	\$ 379,476.02	\$ 2,601,758,952.04	95,739,910.46	0.40%	1.00
H.A.V.A	Collateralized Deposit (PIP)	12	\$ 0.37	\$ 0.37	\$ 0.74	293.78	0.13%	1.00
		12	\$ 0.37	\$ 0.37	\$ 0.74	293.78	0.13%	1.00
GENERAL FUND (HIST PRES)	Collateralized Deposit (PIP)	13	\$ 535,855.87	\$ 638.94	\$ 536,494.81	498,558.24	0.13%	1.00
		13	\$ 535,855.87	\$ 638.94	\$ 536,494.81	498,558.24	0.13%	1.00
TANS PROCEEDS	Collateralized Deposit (PIP)	52	\$ 370,147,667.29	\$ 615,704.91	\$ 370,763,372.20	186,330,540.70	0.33%	1.00
	Regular CD - BRI	6	\$ 90,151,992.07	\$ 58,966.76	\$ 90,210,958.83	14,383,869.97	0.41%	58.34
	REGULAR CD-Mat A/360	3	\$ 50,000,000.00	\$ 195,000.00	\$ 50,195,000.00	48,081,657.53	0.41%	351.00
	CDARS	12	\$ 300,376,631.53	\$ 65,206.98	\$ 300,441,838.51	23,011,018.92	0.28%	28.00
		73	\$ 810,676,290.89	\$ 934,878.65	\$ 811,611,169.54	271,807,087.12	0.34%	38.97
HIGHWAY FUND	Collateralized Deposit (PIP)	76	\$ 180,910,174.23	\$ 10,174.23	\$ 180,920,348.46	5,181,472.62	0.20%	1.00
	Money Market Fund (MMK)	34	\$ 90,904,165.30	\$ 4,165.30	\$ 90,908,330.60	6,362,462.34	0.07%	1.00
		110	\$ 271,814,339.53	\$ 14,339.53	\$ 271,828,679.06	11,543,934.96	0.12%	1.00
T.D.I. RESERVE (DET)	Collateralized Deposit (PIP)	41	\$ 159,070,374.57	\$ 70,374.57	\$ 159,140,749.14	19,622,445.43	0.36%	1.00
	Money Market Fund (MMK)	29	\$ 70,724,424.38	\$ 24,424.38	\$ 70,748,848.76	43,640,417.08	0.06%	1.00
	CDARS	13	\$ 325,443,009.49	\$ 66,167.92	\$ 325,509,177.41	24,520,547.94	0.27%	28.00
		83	\$ 555,237,808.44	\$ 160,966.87	\$ 555,398,775.31	87,783,410.45	0.18%	16.83
EMPLOYER PENSION CONTRIBUTION	Collateralized Deposit (PIP)	10	\$ 5,601,401.07	\$ 1,401.07	\$ 5,602,802.14	777,180.15	0.18%	1.00
	Money Market Fund (MMK)	10	\$ 2,901,602.55	\$ 1,602.54	\$ 2,903,205.09	2,057,653.86	0.08%	1.00
		20	\$ 8,503,003.62	\$ 3,003.61	\$ 8,506,007.23	2,834,834.01	0.11%	1.00
RICAP GL FUND 21	Collateralized Deposit (PIP)	32	\$ 161,225,107.91	\$ 125,107.91	\$ 161,350,215.82	44,661,540.42	0.28%	1.00
	Money Market Fund (MMK)	12	\$ 85,512,152.80	\$ 12,152.80	\$ 85,524,305.60	39,389,863.01	0.03%	1.00
		44	\$ 246,737,260.71	\$ 137,260.71	\$ 246,874,521.42	84,051,403.43	0.16%	1.00
BOND CAPITAL FUND	Collateralized Deposit (PIP)	39	\$ 46,007,301.79	\$ 7,301.79	\$ 46,014,603.58	2,862,668.76	0.26%	1.00
		39	\$ 46,007,301.79	\$ 7,301.79	\$ 46,014,603.58	2,862,668.76	0.26%	1.00
R.I. CLEAN WATER ACT	Collateralized Deposit (PIP)	14	\$ 3,001,365.60	\$ 1,365.60	\$ 3,002,731.20	1,080,039.57	0.13%	1.00
		14	\$ 3,001,365.60	\$ 1,365.60	\$ 3,002,731.20	1,080,039.57	0.13%	1.00
STATE LOTTERY FUND	Collateralized Deposit (PIP)	174	\$ 326,321,112.31	\$ 71,112.31	\$ 326,392,224.62	24,244,153.68	0.29%	1.00
	Money Market Fund (MMK)	38	\$ 80,505,647.08	\$ 5,647.08	\$ 80,511,294.16	11,727,666.08	0.05%	1.00
		212	\$ 406,826,759.39	\$ 76,759.39	\$ 406,903,518.78	35,971,819.76	0.21%	1.00
ASSESSED FRINGE BEN ADM	Collateralized Deposit (PIP)	19	\$ 6,702,373.57	\$ 2,373.57	\$ 6,704,747.14	1,821,913.30	0.13%	1.00
		19	\$ 6,702,373.57	\$ 2,373.57	\$ 6,704,747.14	1,821,913.30	0.13%	1.00
AUTO EQUIPMENT SERVICE	Collateralized Deposit (PIP)	16	\$ 2,100,375.20	\$ 375.20	\$ 2,100,750.40	231,798.53	0.16%	1.00
		16	\$ 2,100,375.20	\$ 375.20	\$ 2,100,750.40	231,798.53	0.16%	1.00
HEALTH INSURANCE FUND	Collateralized Deposit (PIP)	28	\$ 50,409,306.01	\$ 9,306.01	\$ 50,418,612.02	7,358,805.54	0.13%	1.00
	Money Market Fund (MMK)	16	\$ 12,003,658.31	\$ 3,658.31	\$ 12,007,316.62	9,320,939.13	0.04%	1.00
		44	\$ 62,412,964.32	\$ 12,964.32	\$ 62,425,928.64	16,679,744.67	0.08%	1.00

Fund	Investment Type	Count	Settlement Amount	Earnings	Total	Average Daily Balance	Yield	Duration (days)
FLEET REVOLVING LOAN FUND	Collateralized Deposit (PIP)	25	\$ 1,000,075.88	\$ 75.88	\$ 1,000,151.76	\$ 50,614.63	0.15%	1.00
		25	\$ 1,000,075.88	\$ 75.88	\$ 1,000,151.76	\$ 50,614.63	0.15%	1.00
EMPLOYEES RETIREMENT	Collateralized Deposit (PIP)	179	\$ 453,247,130.19	\$ 47,130.19	\$ 453,294,260.38	\$ 18,270,438.08	0.26%	1.00
	Money Market Fund (MMK)	8	\$ 7,300,585.10	\$ 585.10	\$ 7,301,170.20	\$ 626,073.30	0.09%	1.00
		187	\$ 460,547,715.29	\$ 47,715.29	\$ 460,595,430.58	\$ 18,896,511.38	0.25%	1.00
MUNICIPAL EMPLOYEES RET.	Collateralized Deposit (PIP)	130	\$ 49,193,461.98	\$ 3,461.98	\$ 49,196,923.96	\$ 2,279,600.72	0.15%	1.00
		130	\$ 49,193,461.98	\$ 3,461.98	\$ 49,196,923.96	\$ 2,279,600.72	0.15%	1.00
RETIREE HEALTH FUND	Collateralized Deposit (PIP)	30	\$ 18,911,089.36	\$ 11,089.36	\$ 18,922,178.72	\$ 8,155,731.46	0.14%	1.00
		30	\$ 18,911,089.36	\$ 11,089.36	\$ 18,922,178.72	\$ 8,155,731.46	0.14%	1.00
BOG RETIREE FUND	Collateralized Deposit (PIP)	16	\$ 1,998,320.21	\$ 1,320.21	\$ 1,999,640.42	\$ 1,024,585.14	0.13%	1.00
		16	\$ 1,998,320.21	\$ 1,320.21	\$ 1,999,640.42	\$ 1,024,585.14	0.13%	1.00
RIPTA HEALTH FUND	Collateralized Deposit (PIP)	20	\$ 6,885,391.13	\$ 2,391.13	\$ 6,887,782.26	\$ 1,709,186.86	0.14%	1.00
		20	\$ 6,885,391.13	\$ 2,391.13	\$ 6,887,782.26	\$ 1,709,186.86	0.14%	1.00
PERMANENT SCHOOL FUND	Collateralized Deposit (PIP)	12	\$ 1,880.67	\$ 1,880.67	\$ 3,761.34	\$ 1,427,731.04	0.13%	1.00
		12	\$ 1,880.67	\$ 1,880.67	\$ 3,761.34	\$ 1,427,731.04	0.13%	1.00
TEACHER RETIREE HEALTH FUND	Collateralized Deposit (PIP)	14	\$ 2,952,936.96	\$ 1,936.96	\$ 2,954,873.92	\$ 1,469,847.51	0.13%	1.00
		14	\$ 2,952,936.96	\$ 1,936.96	\$ 2,954,873.92	\$ 1,469,847.51	0.13%	1.00
RISTP RETIREE HEALTH	Collateralized Deposit (PIP)	8	\$ 1,285,197.62	\$ 197.62	\$ 1,285,395.24	\$ 209,000.00	0.09%	1.00
		8	\$ 1,285,197.62	\$ 197.62	\$ 1,285,395.24	\$ 209,000.00	0.09%	1.00
RILEG RETIREE HEALTH	Collateralized Deposit (PIP)	8	\$ 1,049,128.35	\$ 128.35	\$ 1,049,256.70	\$ 134,380.82	0.10%	1.00
		8	\$ 1,049,128.35	\$ 128.35	\$ 1,049,256.70	\$ 134,380.82	0.10%	1.00
RIJUD RETIREE HEALTH	Collateralized Deposit (PIP)	8	\$ 692,068.54	\$ 68.54	\$ 692,137.08	\$ 72,032.88	0.10%	1.00
		8	\$ 692,068.54	\$ 68.54	\$ 692,137.08	\$ 72,032.88	0.10%	1.00
UNIVERSITY COLLEGE	Collateralized Deposit (PIP)	22	\$ 11,001,947.76	\$ 1,947.76	\$ 11,003,895.52	\$ 1,188,506.26	0.16%	1.00
		22	\$ 11,001,947.76	\$ 1,947.76	\$ 11,003,895.52	\$ 1,188,506.26	0.16%	1.00
HIGHER EDUCATION	Collateralized Deposit (PIP)	19	\$ 9,000,778.00	\$ 778.00	\$ 9,001,556.00	\$ 565,999.08	0.14%	1.00
		19	\$ 9,000,778.00	\$ 778.00	\$ 9,001,556.00	\$ 565,999.08	0.14%	1.00
INDUS. BLDG. & MTG. INS.	Collateralized Deposit (PIP)	13	\$ 504,356.30	\$ 4,356.30	\$ 508,712.60	\$ 3,363,096.52	0.13%	1.00
		13	\$ 504,356.30	\$ 4,356.30	\$ 508,712.60	\$ 3,363,096.52	0.13%	1.00
		1,446	\$ 5,586,959,523.37	\$ 1,809,052.62	\$ 5,588,768,575.99	\$ 653,454,241.34	0.28%	8.08

Investment Type	Count	Settlement Amount	Earnings	Total	Average Daily Balance	Yield	Duration (days)
Collateralized Deposit (PIP)	1,240	\$ 4,372,634,983.10	\$ 1,370,803.79	\$ 4,374,005,786.89	\$ 428,934,238.62	0.18%	1.00
Money Market Fund (MMK)	172	\$ 448,352,907.18	\$ 52,907.17	\$ 448,405,814.35	\$ 114,522,908.36	0.06%	1.00
REGULAR CD - Mat A/360	3	\$ 50,000,000.00	\$ 195,000.00	\$ 50,195,000.00	\$ 48,081,657.53	0.41%	351.00
Regular CD - BRI	6	\$ 90,151,992.07	\$ 58,966.76	\$ 90,210,958.83	\$ 14,383,869.97	0.41%	58.34
CDARS	25	\$ 625,819,641.02	\$ 131,374.90	\$ 625,951,015.92	\$ 47,531,566.86	0.28%	28.00
Government Insured Deposit	-	\$ -	\$ -	\$ -	\$ -	-	-
	1,446	\$ 5,586,959,523.37	\$ 1,809,052.62	\$ 5,588,768,575.99	\$ 653,454,241.34	0.28%	8.08

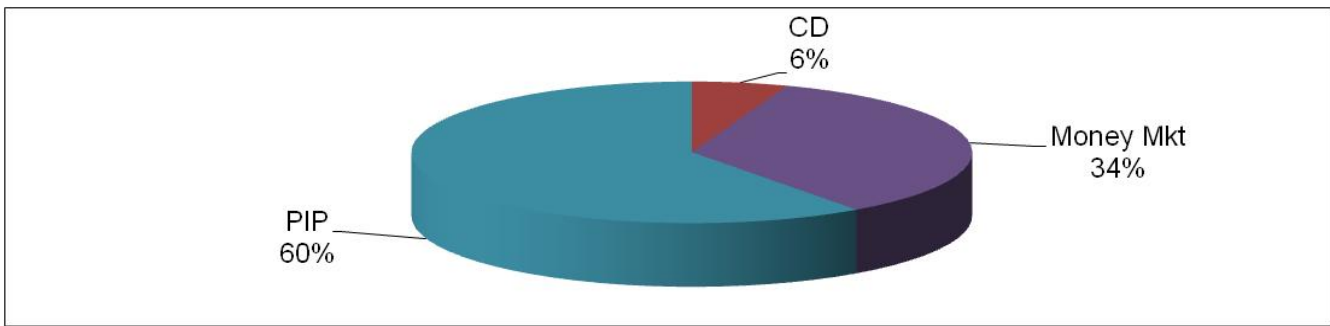
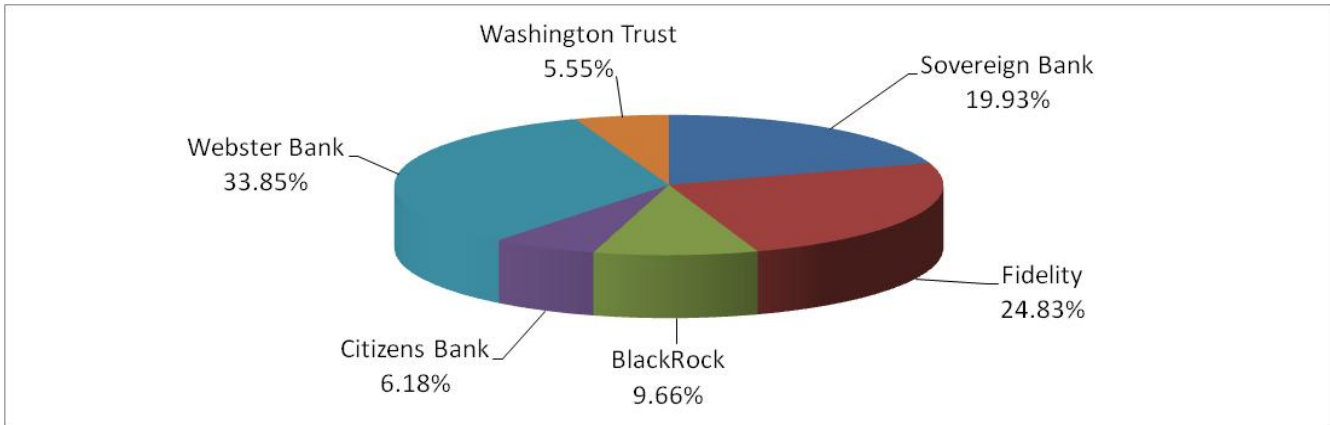
State of Rhode Island
Short Term Cash Monthly Performance
Performance By Vehicle for
July 01, 2010 to June 30, 2011

Investment Type	Earnings	Yield(Annual)	ADB
Repurchase Agreement			
Collateralized Deposit (PIP)	\$ 1,370,803.79	0.3196%	\$ 428,934,238.62
Money Market Fund (MMK)	\$ 52,907.17	0.0462%	\$ 114,522,908.36
Government Insured Deposit	\$ -		
US Treasury Bills			
FNMA Discount Note			
FHLB Discount Note			
FFCB Discount Note			
Commercial Paper			
Regular CD	\$ 195,089.19	0.4054%	\$ 48,118,227.03
CDARS	\$ 131,374.90	0.2764%	\$ 47,531,566.86
Grand Totals	\$ 1,750,175.05	0.277%	\$ 639,106,940.87



**RHODE ISLAND STATE INVESTMENT COMMISSION
SHORT-TERM CASH INVESTMENTS AT:**

June 30, 2011



REPO = Repurchase Agreement
CP = Commercial Paper
GID = Government Insured Deposit
CD = Certificate of Deposit
CoD = Collateralized Deposit
Agency = US Government Agency

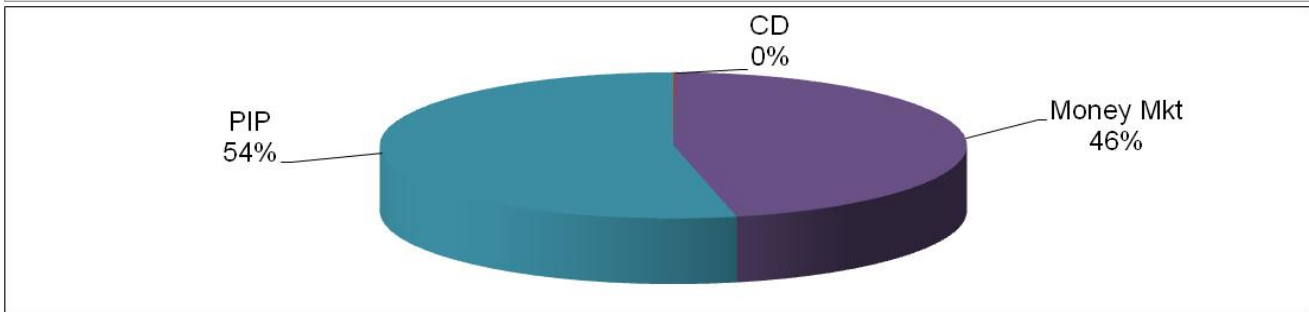
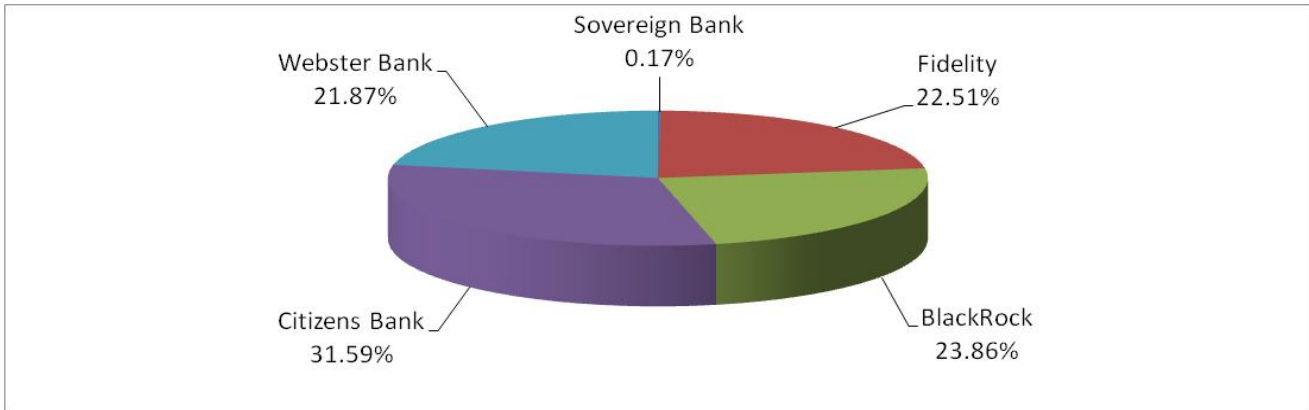
Vendor	CP	CD	Agency	Money Mkt	PIP	Repo	GID	Total (\$)
Guidelines-Total/Vendor	25%/10%	50%/20%	75%/35%	75%/35%	75%/35%	100%/20%	75%/35%	
Bank RI	0	0	0	0	0	0	0	0
	0%	0%	0%	0%	0%	0%	0%	0.00%
Sovereign Bank	0	0	0	0	90,098,475	0	0	90,098,475
	0%	0%	0%	0%	0%	0%	0%	19.93%
JP Morgan Chase	0	0	0	0	0	0	0	0
	0%	0%	0%	0%	0%	0%	0%	0.00%
Federated Investors	0	0	0	0	0	0	0	0
	0%	0%	0%	0%	0%	0%	0%	0.00%
Fidelity	0	0	0	112,240,414	0	0	0	112,240,414
	0%	0%	0%	25%	0%	0%	0%	24.83%
BlackRock	0	0	0	43,663,849	0	0	0	43,663,849
	0%	0%	0%	10%	0%	0%	0%	9.66%
Wells Fargo	0	0	0	0	0	0	0	0
	0%	0%	0%	0%	0%	0%	0%	0.00%
Citizens Bank	0	0	0	0	27,943,040	0	0	27,943,040
	0%	0%	0%	0%	6%	0%	0%	6.18%
Webster Bank	0	0	0	0	153,009,440	0	0	153,009,440
	0%	0%	0%	0%	34%	0%	0%	33.85%
Oppenheimer Inc	0	0	0	0	0	0	0	0
	0%	0%	0%	0%	0%	0%	0%	0.00%
Washington Trust	0	25,066,168	0	0	0	0	0	25,066,168
	0%	6%	0%	0%	0%	0%	0%	5.55%
TOTALS	-	25,066,167.92	-	155,904,263.23	271,050,954.25	-	-	452,021,385
(%) PORTFOLIO	0.00%	5.55%	0.00%	34.49%	59.96%	0.00%	0.00%	100.00%

Note: CoD + CD must be under 75%.

Note: Maximum participation by any one vendor limited to 35% of total portfolio.

**RHODE ISLAND STATE INVESTMENT COMMISSION
SHORT-TERM CASH INVESTMENTS AT:**

June 30, 2010



REPO = Repurchase Agreement
CP = Commercial Paper
GID = Government Insured Deposit
CD = Certificate of Deposit
CoD = Collateralized Deposit
Agency = US Government Agency

Vendor	CP	CD	Agency	Money Mkt	PIP	Repo	GID	Total (\$)
Guidelines-Total/Vendor	25%/10%	50%/20%	75%/35%	75%/35%	75%/35%	100%/20%	75%/35%	
Bank RI	0	0	0	0	0	0	0	0
	0%	0%	0%	0%	0%	0%	0%	0.00%
Sovereign Bank	0	535,128	0	0	0	0	0	535,128
	0%	0%	0%	0%	0%	0%	0%	0.17%
JP Morgan Chase	0	0	0	0	0	0	0	0
	0%	0%	0%	0%	0%	0%	0%	0.00%
Federated Investors	0	0	0	0	0	0	0	0
	0%	0%	0%	0%	0%	0%	0%	0.00%
Fidelity	0	0	0	69,676,766	0	0	0	69,676,766
	0%	0%	0%	23%	0%	0%	0%	22.51%
BlackRock	0	0	0	73,843,430	0	0	0	73,843,430
	0%	0%	0%	24%	0%	0%	0%	23.86%
Wells Fargo	0	0	0	0	0	0	0	0
	0%	0%	0%	0%	0%	0%	0%	0.00%
Citizens Bank	0	0	0	0	97,762,021	0	0	97,762,021
	0%	0%	0%	0%	32%	0%	0%	31.59%
Webster Bank	0	0	0	0	67,700,331	0	0	67,700,331
	0%	0%	0%	0%	22%	0%	0%	21.87%
Oppenheimer Inc	0	0	0	0	0	0	0	0
	0%	0%	0%	0%	0%	0%	0%	0.00%
Washington Trust	0	0	0	0	0	0	0	0
	0%	0%	0%	0%	0%	0%	0%	0.00%
TOTALS	-	535,127.74	-	143,520,196.59	165,462,352.18	-	-	309,517,677
(%) PORTFOLIO	0.00%	0.17%	0.00%	46.37%	53.46%	0.00%	0.00%	100.00%

Note: CoD + CD must be under 75%.

Note: Maximum participation by any one vendor limited to 35% of total portfolio.

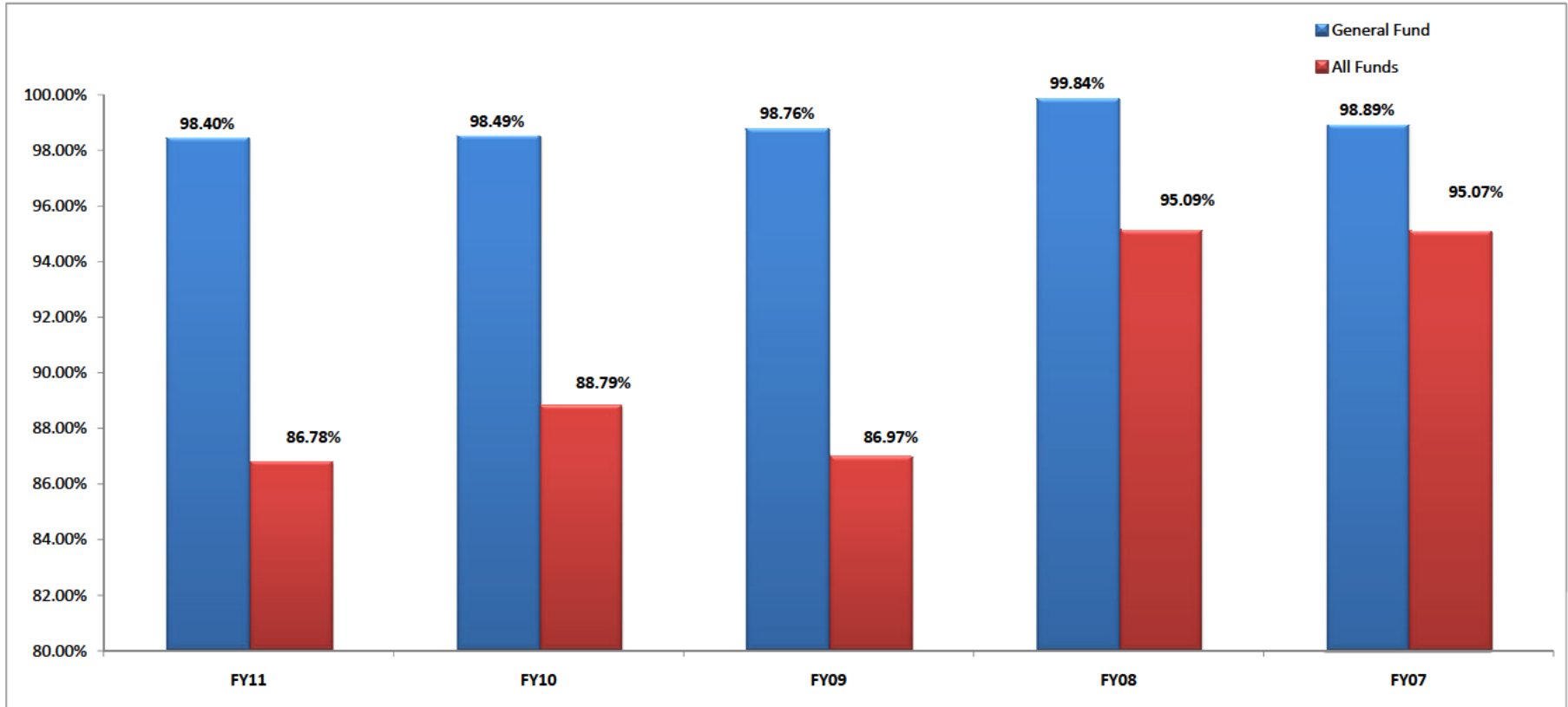
State of Rhode Island
Office of the General Treasurer
FY2011

Short-Term Investment Portfolio by Fund
As of June 30, 2011

Fund	Principal	Cash Balance	Total
GENERAL FUND	\$ 155,908,062.07	\$ 1,979,624.25	\$ 157,887,686.32
H.A.V.A	294.15	-	294.15
GENERAL FUND (HIST PRES)	\$ 535,855.87	\$ -	\$ 535,855.87
HIGHWAY FUND	\$ 21,014,438.87	\$ 447,144.10	\$ 21,461,582.97
T.D.I. RESERVE (DET)	\$ 86,569,034.63	\$ 25,062,896.53	\$ 111,631,931.16
EMPLOYER PENSION CONTRIBUTION	\$ 0.01	\$ -	\$ 0.01
RICAP GL FUND 21	\$ 128,854,417.56	\$ 460,175.59	\$ 129,314,593.15
DREDGING ACCOUNT	\$ -	\$ 241,303.75	\$ 241,303.75
BOND CAPITAL FUND	\$ 2,909,028.08	\$ 68,301.10	\$ 2,977,329.18
R.I. CLEAN WATER ACT	\$ 305,185.99	\$ 340,943.68	\$ 646,129.67
STATE LOTTERY FUND	\$ 17,982,688.74	\$ 259,463.87	\$ 18,242,152.61
ASSESSED FRINGE BEN ADM	\$ 3,006,478.65	\$ 386,704.09	\$ 3,393,182.74
AUTO EQUIPMENT SERVICE	\$ 899.76	\$ 423,418.24	\$ 424,318.00
HEALTH INSURANCE FUND	\$ 22,415,996.66	\$ 6,121,022.88	\$ 28,537,019.54
FLEET REVOLVING LOAN FUND	\$ 1,000,175.44	\$ 430,442.61	\$ 1,430,618.05
EMPLOYEES RETIREMENT	\$ 1,039,760.04	\$ 2,181,712.65	\$ 3,221,472.69
MUNICIPAL EMPLOYEES RET.	\$ 213,638.05	\$ 504,374.06	\$ 718,012.11
RETIREE HEALTH FUND	\$ 758,020.82	\$ 324,383.64	\$ 1,082,404.46
BOG RETIREE FUND	\$ 258,803.98	\$ 1,609.78	\$ 260,413.76
RIPITA RETIREE HEALTH FUND	\$ 2,241,199.91	\$ 1,215.28	\$ 2,242,415.19
PERMANENT SCHOOL FUND	\$ 1,429,611.71	\$ 389,125.49	\$ 1,818,737.20
TEACHER RETIREE HEALTH FUND	\$ 451,932.42	\$ 1,353.71	\$ 453,286.13
RI ST POLICE RETIREE HEALTH FUND	\$ 385,197.62	\$ 1,772.37	\$ 386,969.99
RI LEGISLATIVE RETIREE HEALTH FUND	\$ 149,128.35	\$ 1,921.76	\$ 151,050.11
RI JUDICIAL RETIREE HEALTH FUND	\$ 142,068.54	\$ 1,818.71	\$ 143,887.25
UNIVERSITY COLLEGE	\$ 300,717.03	\$ 1,093,351.65	\$ 1,394,068.68
HIGHER EDUCATION	\$ 504,585.30	\$ 319,718.20	\$ 824,303.50
INDUS. BLDG. & MTG. INS.	\$ 3,644,165.15	\$ 284,990.30	\$ 3,929,155.45
JUDICIAL RETIREMENT FUND	\$ -	\$ 58,925.40	\$ 58,925.40
STATE POLICE RETIREMENT FUND	\$ -	\$ 290,399.56	\$ 290,399.56
CORRECTIONAL INDUSTRIES	\$ -	\$ 1,601,310.42	\$ 1,601,310.42
DET BENEFIT	\$ -	\$ 2,953,728.13	\$ 2,953,728.13
CHILD SUPPORT	\$ -	\$ 6,526,623.86	\$ 6,526,623.86
TAX REFUND	\$ -	\$ 1,177,066.59	\$ 1,177,066.59
MERCHANT DEPOSIT	\$ -	\$ 344,166.01	\$ 344,166.01
TAX REFUND/DIRECT DEPOSIT	\$ -	\$ 32,368.92	\$ 32,368.92
RITE CARE/RITE SHARE	\$ -	\$ 21,615.32	\$ 21,615.32
DISBURSEMENT ACCOUNT	\$ -	\$ 23,787,883.06	\$ 23,787,883.06
INTERNAL SERVICES	\$ -	\$ 2,879,002.91	\$ 2,879,002.91
RI PUBLIC TELECOM	\$ -	\$ 4,465.99	\$ 4,465.99
PAYROLL A	\$ -	\$ 701,495.11	\$ 701,495.11
PENSION C	\$ -	\$ 3,148,822.29	\$ 3,148,822.29
ET CLEARANCE	\$ -	\$ 152,801.50	\$ 152,801.50
EMPLOYER TAX	\$ -	\$ 552,627.76	\$ 552,627.76
RECREATIONAL AREA	\$ -	\$ 671,913.30	\$ 671,913.30
RECORD CENTER	\$ -	\$ 185,688.74	\$ 185,688.74
Subtotal	\$ 452,021,385.40	\$ 86,419,693.16	\$ 538,441,078.56
G.O. NOTE 1991 SER. B	\$ -	\$ -	\$ 0.10
CCDL1993A	\$ 7,385.31	\$ -	\$ 7,385.38
BOND CCDL 1994 SERIES A	\$ 15,000.12	\$ -	\$ 15,005.06
BOND CCBL96A	\$ -	\$ -	\$ 7.07
CAP DEV OF 1997 SERIES A	\$ 41,012.68	\$ -	\$ 40,471.90
CCDL1998A	\$ 1,695,847.40	\$ -	\$ 1,710,368.43
CCDL 1998B	\$ -	\$ -	\$ 48.14
MMG099 1999	\$ -	\$ -	\$ 0.08
BOND CAPITOL CCDL2000A	\$ 102,385.00	\$ -	\$ 102,412.17
MULTI-MODAL GEN OBL 2000	\$ -	\$ -	\$ 0.08
CCDL2001C	\$ 201,328.56	\$ -	\$ 901,343.08
CCDL2002B	\$ -	\$ -	\$ 1,294,997.96
CCDL 2004 SERIES A	\$ 3,076,773.70	\$ -	\$ 5,424,634.75
BOND CCDL 2005 SERIES C	\$ 8,667,005.49	\$ -	\$ 12,595,402.78
BOND CCDL 2005 SERIES E	\$ 1,053,151.45	\$ -	\$ 944,023.79
BOND CCDL 2006 SERIES B	\$ -	\$ -	\$ 0.62
BOND CCDL 2006 SERIES C	\$ 8,106,761.90	\$ -	\$ 9,848,762.67
GO BND-NTAX 2007 SERIES A	\$ 6,388,951.74	\$ -	\$ 8,905,195.68
GO BND-TAX 2007 SERIES B	\$ -	\$ -	\$ 110.22
GO BND-NTAX 2008 SERIES B	\$ 1,596,321.02	\$ -	\$ 14,135,876.06
GO BND-TAX 2008 SERIES C	\$ -	\$ -	\$ 234.28
CCDL10B BOND CAPITAL COMPONENT	\$ 15,319,021.26	\$ -	\$ 36,355,895.48
CCDL10C	\$ 13,342,965.97	\$ -	\$ 47,578,248.74
CCDL10D	\$ 4,081,831.23	\$ -	\$ 21,621,737.38
CLEAN WATER CCDL 1998B	\$ -	\$ -	\$ -
CLEAN WATER CCDL 1994 (A)	\$ -	\$ -	\$ 12,366.79
CAP DEV. OF 1997 SERIES A	\$ -	\$ -	\$ 22,729.17
CLEAN WATER CCDL 2002 B	\$ -	\$ -	\$ -
CLEAN WATER 2004 SERIES A	\$ 225,921.61	\$ -	\$ 622,340.39
CLN WATER CCDL 2005 SER E	\$ -	\$ -	\$ 26,675.73
CAP DEV. OF 1997 SERIES A	\$ -	\$ -	\$ -
RI POLLUT. CONT 94 SER. A	\$ -	\$ -	\$ -
CCDL99A 1999A	\$ 233,212.05	\$ -	\$ 243,991.25
POL. CTRL CCDL 2006 SER C	\$ -	\$ -	\$ 233,205.89
CLEAN WATER 2007 SERIES A	\$ 283,254.39	\$ -	\$ 499,237.43
RI POLLUTION CONTROL 2008 B	\$ -	\$ -	\$ 698,463.14
CCDL10B CLEAN WATER COMPONENT	\$ 54,385.81	\$ -	\$ 56,150.54
Bond Proceeds Total	\$ 64,492,516.69	\$ -	\$ 64,492,516.69
TANS PROCEEDS	\$ 35,812.09	\$ -	\$ 35,812.09
Grand Total	\$ 516,549,714.18	\$ 86,419,693.16	\$ 602,969,407.34

* Many funds include investment in Money Market and Collateralized Deposit investment vehicles. These investments do not have a fixed yield or duration and as such, interest earnings on these investments will not be reflected above. These investments pay a dividend, or interest, on the 1st day of the month.

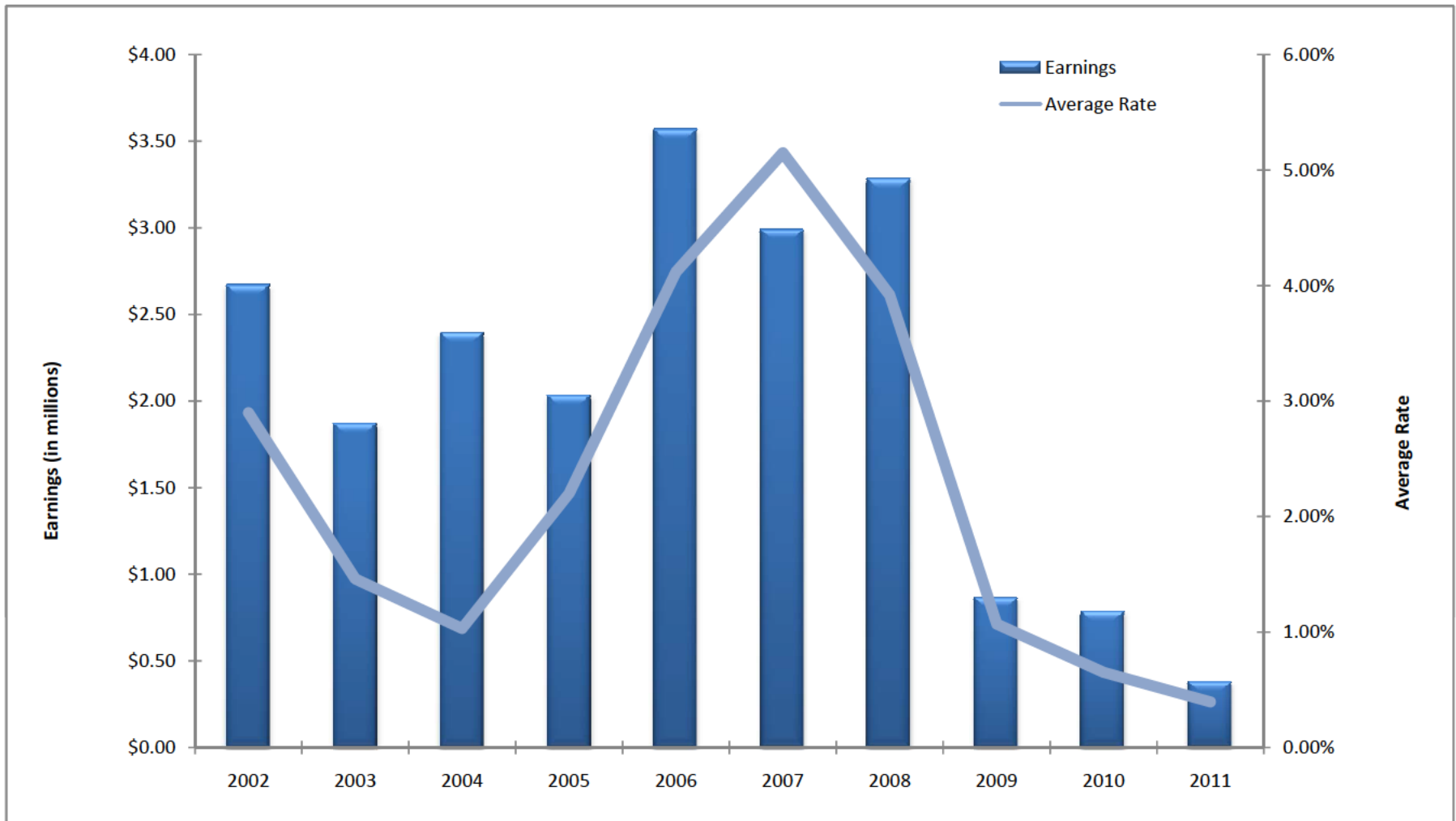
State of Rhode Island
Office of the General Treasurer
Short-Term Percentage Invested
FY 2007- FY 2011



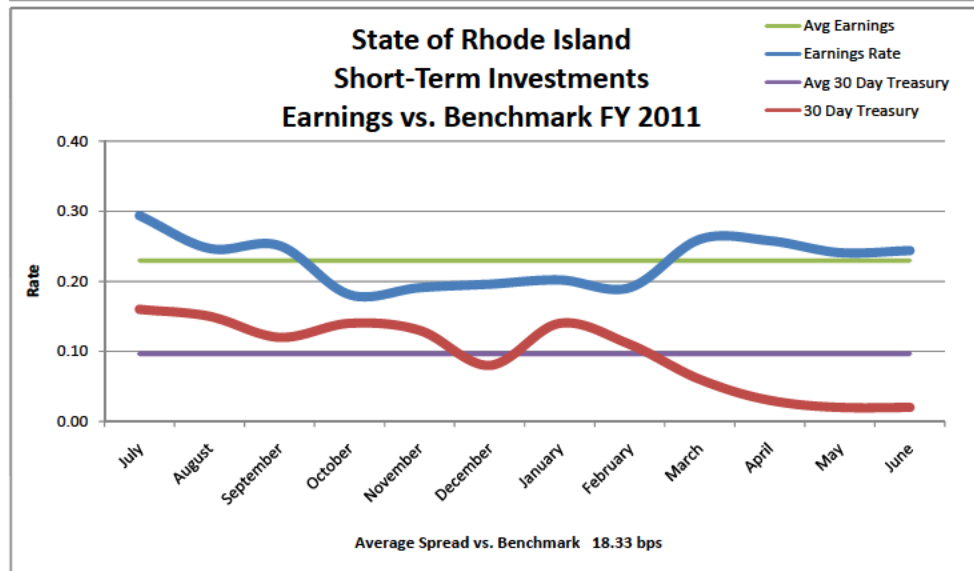
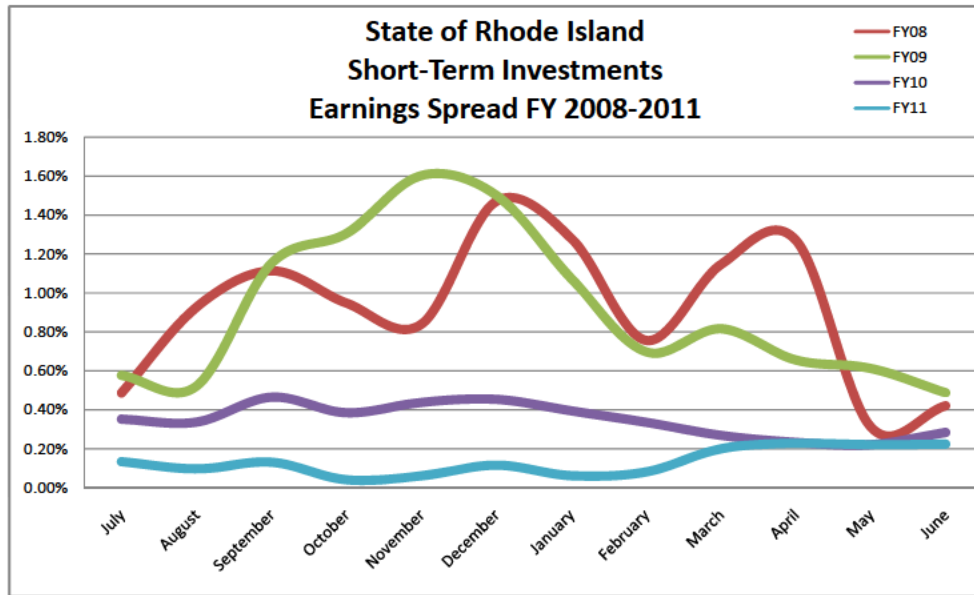
Source Data This data is derived by calculating the ratio of Invested Balances to Invested Balances + Cash Balances (obtained from bank account analysis and the APS2 investment software).

Commentary: The 8% decrease in the ratio of cash invested in All Funds from FY2007 to FY2011 is a result of a change in cash management strategy due in large part to overall declines in short-term interest rates, which remain at historic lows. Treasury negotiated favorable Earned Credit Rates as an offset to the lower interest rates in an effort to reduce overall bank fees. As a result, Treasury staff elected to increase bank balances, resulting in a 65% decrease of total fees paid from FY2007 to FY2011. An additional factor in the 8% decrease is the termination of the overnight investment sweep associated with the State's main disbursement account, resulting in higher average balances. The gap in performance between the General Fund ratio vs. the All Funds ratio is largely the result of statutory provisions on the investment of certain funds. For example, certain allocations of Federal funds are prohibited from being invested by Cash Management. Therefore, All Funds Cash Invested cannot be regarded as a performance metric, but it is presented for illustrative purposes.

State of Rhode Island
Office of the General Treasurer
General Fund Interest Earnings / Average Rate
FY 2002 - FY 2011



Source Data: Investment Earnings information and Average Rate information are obtained from the State Investment Software: APS2. The Average Rate is the Weighted Average interest rate for an entire fiscal year's short-term investments.



Source Data: This Avg Earnings and Earnings Rate are derived from the State Investment System: APS2. The Benchmark is the 30 Day Treasury Bill. The Benchmark data is derived from the Federal Reserve Board Statistical release, H15.

Commentary: The State's Short-Term Investments outperformed their benchmark, the 30-Day T-Bill, in 12 out of 12 months for FY2011, with an average spread over the benchmark of 18.3 basis points.

**State of Rhode Island
Office of the General Treasurer
Cash Management Summary
All Funds, FY 2008 - FY 2011**

	<u>FY2011</u>	<u>FY2010</u>	<u>FY 2009</u>	<u>FY 2008</u>
Average Daily Cash Position	\$ 753,370,282	\$ 570,948,786	\$ 454,485,583	\$ 380,562,337
Average Daily Bank Balance	\$ 99,848,740	\$ 64,629,536	\$ 59,655,627	\$ 18,871,717
Percent of Cash Invested	86.78%	88.79%	86.97%	95.09%
Percent of GF Cash Invested	98.40%	98.49%	98.76%	99.84%
Average Maturity of Portfolio	8.08 Days	5.59 Days	3.28	3.69 Days
Spread to Benchmark	18.3 Basis Points	45.5 Basis Points	85.0 Basis Points	106.0 Basis Points
Average Rate of Return	0.28%	0.54%	1.28%	3.84%

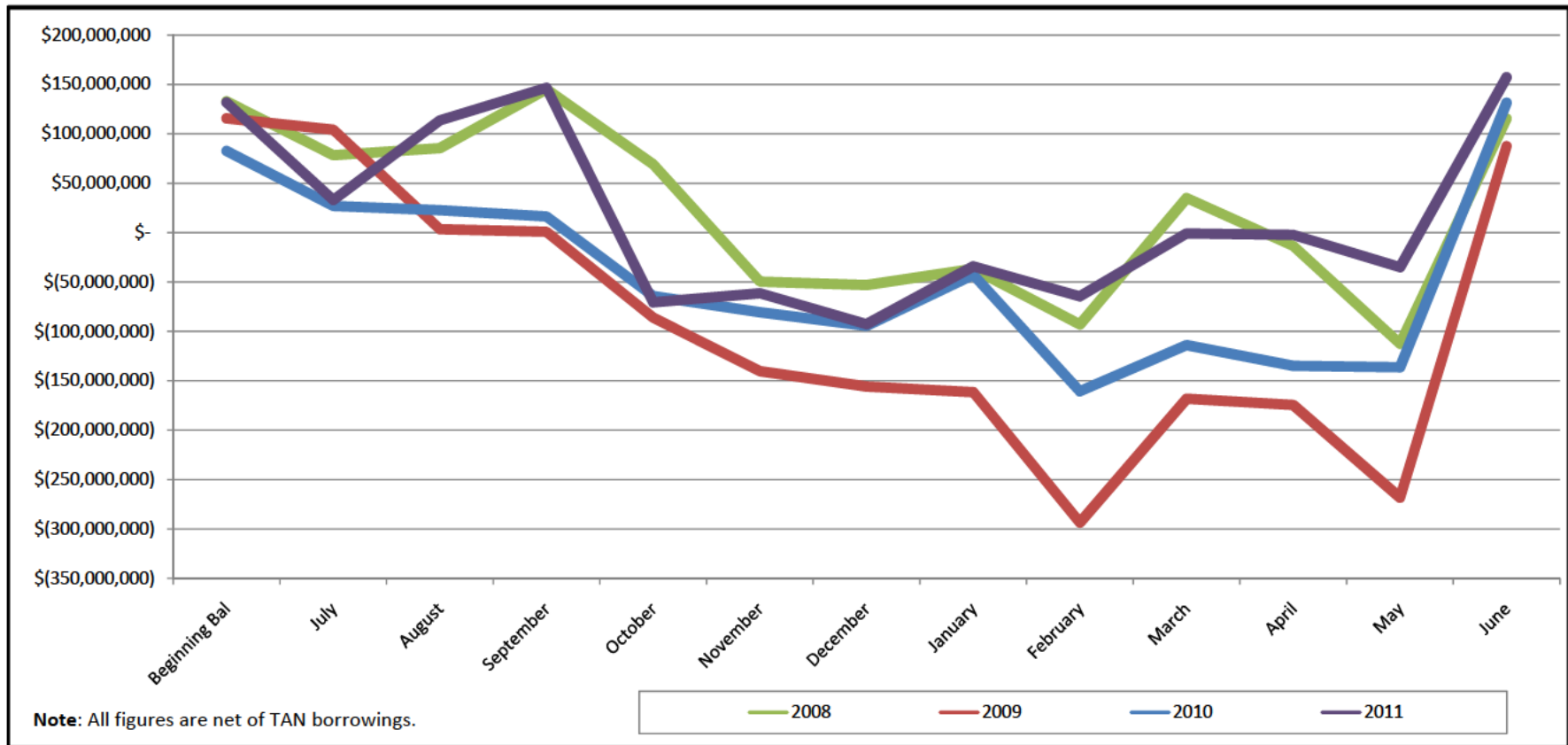
Note: "Cash Position" includes all operating fund investments, inclusive of TANS.

CASH FLOW

**State of Rhode Island
Office of the General Treasurer
Cash Flow Analysis Summary
Fiscal 2011**

	July 2010	August 2010	September 2010	October 2010	November 2010	December 2010	January 2011	February 2011	March 2011	April 2011	May 2011	June 2011	TOTAL
Estimated Beginning Balance	131,539,309	32,921,217	113,494,461	146,576,328	2,487,432	39,719,013	8,318,934	66,984,501	36,568,913	100,116,353	105,274,733	72,439,926	131,539,309
Prior Day Deposits/Adjustments													
Taxation Check Receipts	0	0	0	0	0	0	0	0	0	0	0	0	0
Motor Vehicles	10,684,030	9,628,703	9,901,688	8,952,106	9,579,752	8,889,956	8,145,910	8,276,313	13,006,112	12,008,881	12,465,156	13,396,558	124,935,164
Eleanor Slater / MHRH	574,424	1,223,206	790,455	2,769,873	913,286	1,364,793	597,137	1,046,524	568,551	1,372,641	1,191,230	587,566	12,999,687
Dept Bus Reg	818,143	666,242	833,158	1,000,931	1,002,921	814,805	919,285	846,206	1,483,693	1,200,162	1,407,313	2,066,520	13,059,378
Secretary of State	280,058	272,429	369,142	380,061	358,185	273,624	353,590	459,182	544,615	295,729	272,264	300,848	4,159,727
DEM	719,881	770,711	565,847	493,943	673,292	1,023,172	1,008,118	932,737	815,190	676,688	1,280,275	1,296,604	10,256,459
Health	85,757	142,548	98,245	121,491	58,198	72,570	116,682	174,659	157,060	112,423	183,309	139,238	1,462,179
Miscellaneous Receipts	31,591,498	26,394,515	33,449,932	20,648,812	12,400,390	23,490,129	17,010,566	7,528,657	13,499,855	16,864,680	14,258,622	25,151,049	242,288,705
Federal Grants	241,993,178	192,994,854	127,040,029	201,656,218	161,778,069	183,143,414	222,475,809	168,907,809	195,317,601	220,791,967	145,754,842	290,786,120	2,352,639,909
Interest	118,530	60,042	36,553	39,749	24,866	14,442	18,932	27,617	8,666	26,119	38,447	31,021	444,986
Plus: Receipts/Wires Current Day													
Advance Repayment	0	0	0	0	0	0	0	0	0	0	0	0	0
Lottery	0	28,900,000	30,884,742	29,445,936	29,225,178	26,457,815	27,518,848	27,104,333	29,151,394	33,442,684	32,872,402	58,771,898	353,775,230
Payroll	18,957,672	18,423,882	18,072,171	22,363,130	18,602,289	18,563,382	19,447,136	18,910,837	19,118,397	22,044,667	18,653,151	20,073,901	233,230,614
Trsf - DOT	1,478	11,121,339	1,925	1,202	1,120,488	1,366	2,074	11,119,978	238	223	223	494	33,372,496
Trsf - University / College	26,251,906	26,366,902	27,637,758	41,450,581	27,712,539	28,570,502	27,333,283	27,717,613	27,608,405	41,615,961	27,968,565	27,271,039	357,505,054
Trsf - Bond Capital	9,014	7,740	8,080	4,984	7,505,852	7,506,056	7,146	2,658	1,023	1,775	671	1,000,197	16,055,297
TANS Proceeds	10,919	0	0	73,000,000	28,000,000	0	0	0	0	6,500,000	0	248,111,741	355,622,660
Historic Tax Credit	191,750	402,243	180,720	702,907	1,830,416	1,986,685	1,251,260	294,618	6,272,814	135,498	543,851	1,000,197	14,189,642
Taxation EFT	310,419,591	191,654,176	221,383,131	176,164,827	181,061,436	222,557,678	228,664,506	170,100,895	308,771,673	326,640,983	185,342,729	357,891,273	2,880,652,898
Miscellaneous	7,799,062	6,434,314	4,123,754	10,110,914	4,086,691	4,832,057	7,259,942	6,453,134	6,018,550	9,480,587	15,765,100	15,294,792	97,658,898
Total Available Cash	782,046,200	548,385,063	588,871,793	735,884,480	487,301,994	580,400,583	570,449,156	516,888,370	658,913,879	793,328,037	563,272,884	1,135,007,665	7,235,848,291
Less: Disbursements													
TANF	3,090,959	3,293,645	3,029,897	2,994,370	3,042,529	3,993,037	2,002,098	2,893,685	2,944,677	2,825,194	2,950,780	2,861,950	35,922,820
Pension	10,985,801	10,980,558	11,198,541	26,472,793	11,079,229	26,369,506	21,997,058	18,416,900	16,812,957	9,562,254	25,888,836	14,975,148	204,739,580
SSI	3,753,315	1,838,106	1,857,000	1,856,000	0	3,145,913	1,731,904	1,633,039	1,665,533	1,563,470	1,570,149	0	20,614,429
Medicaid	288,508,900	146,025,623	107,646,374	212,578,539	111,452,648	224,960,995	171,126,488	107,450,966	155,285,987	224,159,623	105,784,064	270,749,254	2,125,729,462
Trsf to Other Fd	20,366,490	14,520,640	12,100,698	121,405,452	4,759,389	1,427,736	28,988,463	2,996,771	2,437,993	3,374,885	2,748,270	32,248,866	247,375,653
Trsf to Univ College	20,717,323	20,505,136	20,505,236	8,787,915	6,858,610	6,858,609	7,113,393	9,113,393	9,594,210	14,667,220	6,211,478	6,581,091	137,513,616
Personal / Corp. Income tax	11,870,431	8,198,288	5,056,572	3,508,560	10,200,358	10,375,176	3,292,780	38,401,697	71,496,721	54,016,329	28,366,119	11,119,231	255,902,260
Debt Service	23,868,776	27,448,544	18,783,725	5,288,469	34,140,029	1,403,255	1,792,269	26,538,369	9,816,536	15,691,231	43,346,697	12,483	208,130,383
TANS & TDI Repayment	0	0	0	0	0	0	0	0	0	0	0	356,727,778	356,727,778
DHS - Block Mothers	4,339,049	4,539,961	4,513,920	4,079,161	3,957,141	6,298,287	3,975,409	4,053,024	3,993,943	3,812,770	3,988,320	5,806,482	53,357,467
Payroll/ FICA/ Misc	70,082,452	66,159,016	66,804,499	89,240,478	75,409,891	68,768,614	65,967,439	67,134,784	65,082,080	89,027,875	76,030,118	68,253,867	867,961,114
Payroll/ Workers Comp	2,420,064	2,411,664	2,432,153	3,643,528	2,427,207	2,436,732	2,369,580	2,395,042	2,406,268	3,659,990	2,503,341	3,963,881	31,599,560
Payroll/ Health Insurance	18,580,844	18,366,545	18,480,266	30,569,822	19,109,135	18,859,232	18,692,810	18,751,558	18,777,613	28,151,719	18,863,344	18,819,833	246,022,811
Payroll/ Retirement Contribution	14,893,252	13,939,939	14,080,525	21,378,041	14,283,024	14,335,591	13,805,868	14,062,786	14,137,255	21,553,900	14,750,026	14,616,184	185,836,391
Trsfr ISTE/A/Split Deposit	12,056,355	13,117,677	12,546,582	11,967,431	11,881,378	12,459,741	11,458,233	10,284,699	10,802,542	11,492,825	11,261,680	11,532,063	140,861,206
Other	6,163,771	10,444,447	7,602,641	10,171,561	8,519,962	8,827,958	2,612,763	7,207,904	6,900,281	5,674,244	7,580,310	6,906,077	88,611,919
Disbursements/ACH's	237,427,200	73,100,812	135,656,836	179,454,928	130,462,450	161,561,266	146,548,028	148,984,841	166,642,930	198,819,775	138,989,338	155,190,697	1,872,839,100
State Mun/School Aid	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Disbursements	749,124,983	434,890,602	442,295,465	733,397,048	447,582,981	572,081,649	503,464,655	480,319,457	558,797,526	688,053,304	490,832,958	978,904,922	7,079,745,548
Overall Cash Position	32,921,217	113,494,461	146,576,328	2,487,432	39,719,013	8,318,934	66,984,501	36,568,913	100,116,353	105,274,733	72,439,926	156,102,743	156,102,743

State of Rhode Island
Office of the General Treasurer
General Fund Cash Flow
FY2008-FY2011



Source Data: Actual Cash Flow figures from daily Treasury operations. The Beginning Balance represents the Cash Balance at July 1st of each Fiscal Year; all other figures represent the balance at month-end.

Commentary: Though there is some variance, this chart demonstrates the very cyclical nature of the State's cash flow. Any proceeds from TANS have been removed from the data set to produce a more accurate history of cash flow as a function of revenue and expenditures.

SPECIAL FUNDS

State of Rhode Island
Office of the General Treasurer
Abraham Touro Fund
Investment Summary
FY2011

<u>Fund Name</u>	<u>6/30/2011 Market Value</u>	<u>6/30/2010 Market Value</u>
Abraham Touro Fund (Fidelity Balanced Fund)	\$ 2,113,653	\$ 1,821,084
Total Special Funds	\$ 2,113,653	\$ 1,821,084

Source: Bank Account Statement for Period Ending June 30, 2011 and June 30, 2010, respectively.

ACCOUNTS RECEIVABLE

State of Rhode Island
Office of the General Treasurer
Municipal Pension Contribution Delinquency
as of July 15, 2011, 2010, 2009, 2008, 2007, 2006, 2005

	July, 2011 Total Arrears	July, 2010 Total Arrears	July, 2009 Total Arrears	July, 2008 Total Arrears	July, 2007 Total Arrears	July, 2006 Total Arrears	July, 2005 Total Arrears
Teachers							
Barrington							
Burrillville							
Chariho Regional							
Coventry							
East Providence							
Foster							
Gloucester		\$ 69,892.37					
Jamestown							
Johnston							
Lincoln		\$ 741,037.75	\$ 299,312.44				\$ 658,226.00
Little Compton							
N Providence							
N Smithfield							
Providence (long term subs)			\$ 343,986.65		\$ 66,371.54	\$ 259,018.46	
Smithfield							
South Kingstown							
Southern RI Collaborative							
Tiverton			\$ 151,754.00				
Urban Collaborative							
West Bay Collaborative							
Westerly							
Woonsocket		\$ 1,446,130.59					
Subtotal	\$ -	\$ 2,257,060.71	\$ 795,053.09	\$ -	\$ 66,371.54	\$ 259,018.46	\$ 658,226.00

Source Data: ERSRI Delinquency Statistics.

DEBT SERVICE

State of Rhode Island - Office of the General Treasurer
Debt Service Inventory by Maturity Date as of 6/30/11

Amount of Original Issue	Description of Issue	Year	Series	Maturity Date	Principal Paid in FY 11	(Actual)		Principal Outstanding 6/30/2011	Interest Outstanding 6/30/2011
						Interest Paid in FY 11	Interest Outstanding 6/30/2011		
63,120,000.00	G.O. CCDL of 1989, Series A	1989	A	9/1/2010	2,825,000.00	70,625.00	0.00	0.00	
350,000,000.00	G.O. Tax Anticipation Notes - Fiscal Year 2011	2011	TANs	6/30/2011	350,000,000.00	6,727,777.78	0.00	0.00	
6,950,000.00	LPC, State Vehicles Project - 2005 Series C	2005	C	4/1/2012	795,000.00	55,650.00	795,000.00	27,825.00	
77,140,000.00	G.O. CCDL of 2002, Series B	2002	B	11/1/2012	3,225,000.00	423,625.00	6,860,000.00	346,500.00	
3,890,000.00	C.O.P. in L.P.A. (State Vehicles Projects), 2002 Series A	2002	A	12/15/2012	270,000.00	27,540.00	540,000.00	22,477.50	
6,000,000.00	LPC, State Vehicles Project - 2006 Series A	2006	A	4/15/2013	445,000.00	55,440.00	955,000.00	57,222.00	
62,765,000.00	G.O. CCDL of 2002, Refunding Series C	2002	C	11/1/2013	6,140,000.00	1,228,237.50	20,325,000.00	1,635,768.75	
9,100,000.00	LPC, State Vehicles Project - 2007 Series C	2007	C	5/1/2014	410,000.00	65,000.00	1,215,000.00	97,200.00	
46,570,000.00	G.O. CCDL of 2008, Refunding Series A	2008	A	7/15/2014	13,315,000.00	1,361,625.00	20,575,000.00	2,125,125.00	
8,360,000.00	G.O. CCDL of 2005, Refunding Series B	2005	B	8/1/2014	1,100,000.00	219,306.26	4,855,000.00	412,803.15	
55,990,000.00	G.O. CCDL of 2001, Refunding Series A	2001	A	8/1/2015	5,845,000.00	2,299,295.00	41,045,000.00	4,196,112.50	
65,830,000.00	G.O. CCDL of 2004, Refunding Series B	2004	B	8/1/2015	65,000.00	2,487,602.50	49,760,000.00	5,211,612.50	
2,230,000.00	LPC, Attorney General's Building - 2007 Refunding Series G	2007	G	10/1/2015	295,000.00	55,367.50	1,450,000.00	120,050.00	
12,380,000.00	LPC, Information Technology Project - 2009 Series A	2009	A	4/1/2016	1,665,000.00	337,575.00	9,020,000.00	999,375.00	
13,375,000.00	LPC, Howard Center Improvements - 2007 Refunding Series E	2007	E	10/1/2016	1,505,000.00	510,750.00	9,695,000.00	1,331,937.50	
21,420,000.00	LPC, Shepard's Building - 2007 Refunding Series F	2007	F	10/1/2016	2,025,000.00	811,625.00	15,220,000.00	2,420,250.00	
23,490,000.00	LPC, Information Technology Project - 2007 Series A	2007	A	5/1/2017	2,880,000.00	810,837.50	12,370,000.00	2,033,900.00	
8,500,000.00	G.O. CDL of 2007, Series B (Federally Taxable)	2007	B	8/1/2017	720,000.00	358,592.50	6,460,000.00	1,297,543.75	
8,500,000.00	G.O. CDL of 2008, Series C (Federally Taxable)	2008	C	2/1/2018	775,000.00	463,396.26	7,030,000.00	1,817,124.26	
12,445,000.00	G.O. CCDL of 2008, Refunding Series D	2008	D	2/1/2018	1,350,000.00	531,525.00	11,095,000.00	2,091,025.00	
56,315,000.00	G.O. CCDL of 2005, Refunding Series D	2005	D	7/15/2018	7,065,000.00	2,246,887.50	44,035,000.00	8,349,137.50	
52,335,000.00	G.O. CCDL of 2005, Refunding Series A	2005	A	8/1/2018	60,000.00	2,544,163.76	51,350,000.00	14,414,518.20	
23,800,000.00	G.O. CDL of 2010, Series D (Federally Taxable)	2010	D	4/1/2020	2,345,000.00	645,028.04	21,455,000.00	4,248,275.94	
22,160,000.00	LPC, Central Power Plant - 2007 Refunding Series D	2007	D	10/1/2020	1,430,000.00	823,957.50	18,220,000.00	4,307,556.25	
78,960,000.00	G.O. CCDL of 2010, Refunding Series A	2010	A	10/1/2020	0.00	3,166,020.63	78,960,000.00	17,799,662.50	
11,805,000.00	LPC, Energy Conservation Project - 2009 Series B	2009	B	4/1/2021	700,000.00	468,412.50	10,865,000.00	3,017,800.00	
74,835,000.00	G.O. CCDL of 2006, Refunding Series A	2006	A	8/1/2022	3,500,000.00	2,762,625.00	56,985,000.00	18,185,950.00	
79,770,000.00	G.O. CCDL of 2004, Series A	2004	A	2/1/2023	700,000.00	496,631.26	10,755,000.00	3,078,637.60	
12,735,000.00	LPC, Energy Conservation Project - 2007 Series B	2007	B	5/1/2023	2,525,000.00	2,093,905.00	44,715,000.00	15,326,826.25	
58,910,000.00	LPC, Kent County Courthouse Project - 2004 Series A	2004	A	2/15/2024	3,645,000.00	3,479,925.00	67,695,000.00	25,146,987.50	
87,095,000.00	G.O. CCDL of 2005, Series C	2005	C	10/1/2024	2,050,000.00	2,162,450.00	42,450,000.00	16,544,800.00	
21,565,000.00	LPC, Training School Project - 2005 Series A	2005	A	10/1/2024	905,000.00	774,351.88	17,310,000.00	6,158,166.97	
93,385,000.00	G.O. CCDL of 2005, Series B	2005	B	11/1/2025	3,400,000.00	3,703,521.26	77,820,000.00	29,994,212.01	
98,105,000.00	G.O. CCDL of 2006, Series C	2006	C	11/1/2025	3,715,000.00	4,037,491.25	84,265,000.00	33,483,171.25	
20,680,000.00	G.O. CDL of 2006, Series B	2006	B	8/1/2026	770,000.00	788,828.76	17,780,000.00	7,136,859.46	
123,255,000.00	G.O. CCDL of 2007, Series A	2007	A	8/1/2027	4,025,000.00	5,412,465.00	111,740,000.00	51,829,376.25	
86,875,000.00	G.O. CCDL of 2008, Series B	2008	B	2/1/2028	3,005,000.00	4,205,225.00	81,440,000.00	43,431,025.00	
30,425,000.00	LPC, School for the Deaf Project - 2009 Series C	2009	C	4/1/2029	1,030,000.00	1,451,950.00	28,470,000.00	16,195,637.52	
40,865,000.00	G.O. CCDL of 2010, Series B (Tax Exempt)	2010	B	4/1/2030	1,590,000.00	1,547,444.44	39,275,000.00	21,064,600.00	
80,000,000.00	G.O. CDL of 2010, Series C	2010	C	4/1/2030	0.00	3,783,074.80	80,000,000.00	67,256,690.62	
	Subtotal from the DBC system.				436,260,000.00	66,752,463.88	1,273,445,000.00	456,632,874.00	
	Total outstanding debt @ 6/30/11						1,273,445,000.00	1,730,077,874.00	
11,825,000.00	R.I.E.D.C. McCoy Stadium Issue, Series 1998	1998		12/1/2010	1,130,000.00	2,390.95	0.00	0.00	
	Subtotal from the DBC system.				436,260,000.00	66,752,463.88	1,273,445,000.00	456,632,874.00	
	Total outstanding debt @ 6/30/11						1,273,445,000.00	1,730,077,874.00	
	McCoy Stadium			12/1/2010	1,130,000.00	2,390.95	0.00	0.00	
	Subtotal from the DBC system.				436,260,000.00	66,752,463.88	1,273,445,000.00	456,632,874.00	
	Total outstanding debt @ 6/30/11						1,273,445,000.00	1,730,077,874.00	

Total FY 11 debt service payments made by Treasury including McCoy Stadium from the Excel cumulative worksheets. 508,144,854.83

State of Rhode Island
Office of the General Treasurer

Debt Service System Inventory of Matured or Retired Issues - Fiscal Year 2011

File #	Amount of Original Issue	Description of Issue	Paying Agent	Year	Series	Type	Bond Use	Specific Use	Maturity or Retirement Date
82	63,120,000.00	G.O. CCDL of 1999, Series A	U.S. Bank	1999	A	CCDL	Direct	General Obligation	9/1/2010
80	11,825,000.00	R.I.E.D.C. McCoy Stadium Issue, Series 1998	Bank of New York	1998	McCoy Stadium	Variable Rate	Quasi Public	Tax Exempt Revenue Bds	12/1/2010
119	7,500,000.00	R.I.H.M.F.C. Neighborhood Opportunities Program dated 12/1/05	Bank of New York	2005	N.O.P.	Housing			5/15/2011
148	350,000,000.00	G.O. Tax Anticipation Notes - Fiscal Year 2011	Bank of New York	2011	TAN's	TAN's	Direct	Tax Anticipation Notes	6/30/2011

State of Rhode Island
Office of the General Treasurer
FY 2011 Annual Report

**Summary - All Outstanding and Projected Debt Service Payments
(Including Performance Based Agreements)**

Fiscal Year	Principal	Interest	Total Gross Debt Service	Less: Offsetting & Self-supporting	Excess Two Cents of Gas Tax Held by Trustee(2)	Net Debt Service Payable
2012	132,485,037	92,162,892	224,647,929	(4,680,143)	1,319,031	221,286,817
2013	157,472,699	84,617,291	242,089,990	(4,321,918)	1,328,100	239,096,172
2014	150,895,431	92,368,189	243,263,619	(3,454,354)	1,330,628	241,139,894
2015	168,027,995	93,963,281	261,991,276	(3,335,887)	1,293,809	259,949,198
2016	170,372,243	96,630,257	267,002,500	(3,738,788)	1,277,578	264,541,290
2017	185,461,473	95,451,113	280,912,586	(3,737,408)	1,636,250	278,811,428
2018	177,899,660	97,063,123	274,962,783	(3,731,244)	1,637,959	272,869,498
2019	160,177,973	91,035,916	251,213,888	(3,735,299)	1,640,538	249,119,127
2020	161,215,159	86,297,329	247,512,488	(3,733,498)	1,651,094	245,430,083
2021	168,131,300	81,286,175	249,417,475	(2,440,904)	1,653,925	248,630,496
2022	155,891,040	76,129,612	232,020,652	(2,441,766)	5,248,311	234,827,197
2023	157,995,393	71,328,521	229,323,914	(1,726,738)	1,672,343	229,269,519
2024	147,510,875	62,740,585	210,251,460	(1,728,561)	1,674,618	210,197,517
2025	136,836,336	58,200,374	195,036,710	(1,730,786)	2,150,218	195,456,141
2026	126,726,861	54,215,737	180,942,598	(1,726,460)	2,149,068	181,365,205
2027	113,781,229	50,917,977	164,699,205	(4,625,109)	8,324,728	168,398,824
2028	98,722,710	47,912,864	146,635,574	(698,375)	-	145,937,198
2029	88,720,758	45,957,863	134,678,621	(698,375)	-	133,980,246
2030	92,188,049	44,266,526	136,454,575	(399,499)	-	136,055,076
2031	85,638,155	42,424,197	128,062,352	-	-	128,062,352
2032	91,877,113	41,003,232	132,880,345	-	-	132,880,345
2033	77,806,024	39,578,111	117,384,135	-	-	117,384,135
2034	74,902,934	38,591,891	113,494,825	-	-	113,494,825
2035	74,910,661	37,781,660	112,692,321	-	-	112,692,321
2036	68,935,039	36,967,121	105,902,161	-	-	105,902,161
	3,224,582,147	1,658,891,837	4,883,473,982	(52,685,112)	35,988,198	4,866,777,065

(1) Reflects amounts payable on net tax supported debt, excluding master lease payments which are budgeted within the individual agencies rather than the debt service program within the Department of Administration.

2) Budget reflects dedication of two cent of gas tax to trustee for motor fuel bonds. Two later series are also to be funded from this gas tax dedication. Amount shown is amount payable on bonds, but bond documents covenant full two cents flows to Trustee for coverage purposes. Assumes \$8,420,000 in FY2011 and thereafter.

Source Data: Page C-35 of Appendix C of the 2011 Capital Budget

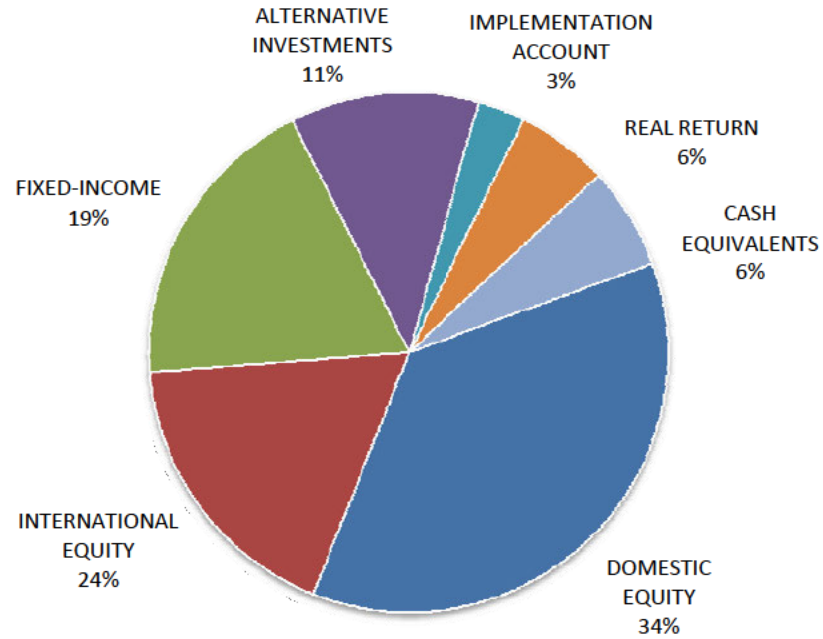
RI EMPLOYEES RETIREMENT SYSTEM

**STATE OF RHODE ISLAND
ASSET ALLOCATION REPORT
June 30, 2011**

	Style Mandate	Actual (Millions \$)	
<i>Domestic Equity</i>			
SSGA S&P 500 INDEX FUND	Passive	1,874.84	25.08%
WELLINGTON TECHNICAL EQUITY	Passive	166.15	2.22%
SHOTT CAPITAL	Enhanced Equity	3.27	0.04%
RUSSELL 2000 INDEX FUND	Tactical Equity	690.33	9.24%
TOTAL DOMESTIC EQUITY		2,734.59	36.58%
<i>International Equity</i>			
MSCI ACWI EX US INDEX FUND	Passive	1,328.37	17.77%
MONDRIAN	Active Intl Equity	0.07	0.00%
SSGA TRANSITION ACCOUNT	Passive	0.40	0.01%
GOLDMAN SACHS	Active Intl Equity	0.08	0.00%
BOSTON COMPANY	Active Intl Equity	0.04	0.00%
TOTAL INT'L EQUITY		1,328.96	17.78%
<i>Domestic Fixed Income</i>			
BROWN BROTHERS HARRIMAN - CORE	Opportunistic Core	371.54	4.97%
PYRAMIS GLOBAL ADVISORS	Mortgages	476.01	6.37%
MACKAY SHIELDS, LLC	High Yield	179.43	2.40%
TAPLIN, CANIDA & HABACHT	Corporates	374.61	5.01%
TOTAL FIXED-INCOME		1,401.59	18.75%
<i>Alternative Investments</i>			
Real Estate	Real Estate	628.91	8.41%
Pacific Corp Group	Private Equity	253.70	3.39%
TOTAL ALTERNATIVE INVESTMENTS		882.61	11.81%
<i>Real Return Pool</i>			
BROWN BROTHERS HARRIMAN - TIPS	TIPS	429.93	5.75%
TOTAL REAL RETURN POOL		429.93	5.75%
<i>Cash</i>			
CASH EQUIVALENTS	STIF, Yield+	20.67	0.28%
FIXED INCOME CASH ACCOUNT	STIF, Yield+	454.33	6.08%
TOTAL CASH ACCOUNTS		475.00	6.08%
<i>Other</i>			
RUSSELL IMPLEMENTATION SERVICES		222.12	2.97%
TOTAL ASSETS		7,474.80	100.00%

State of Rhode Island
Office of the General Treasurer

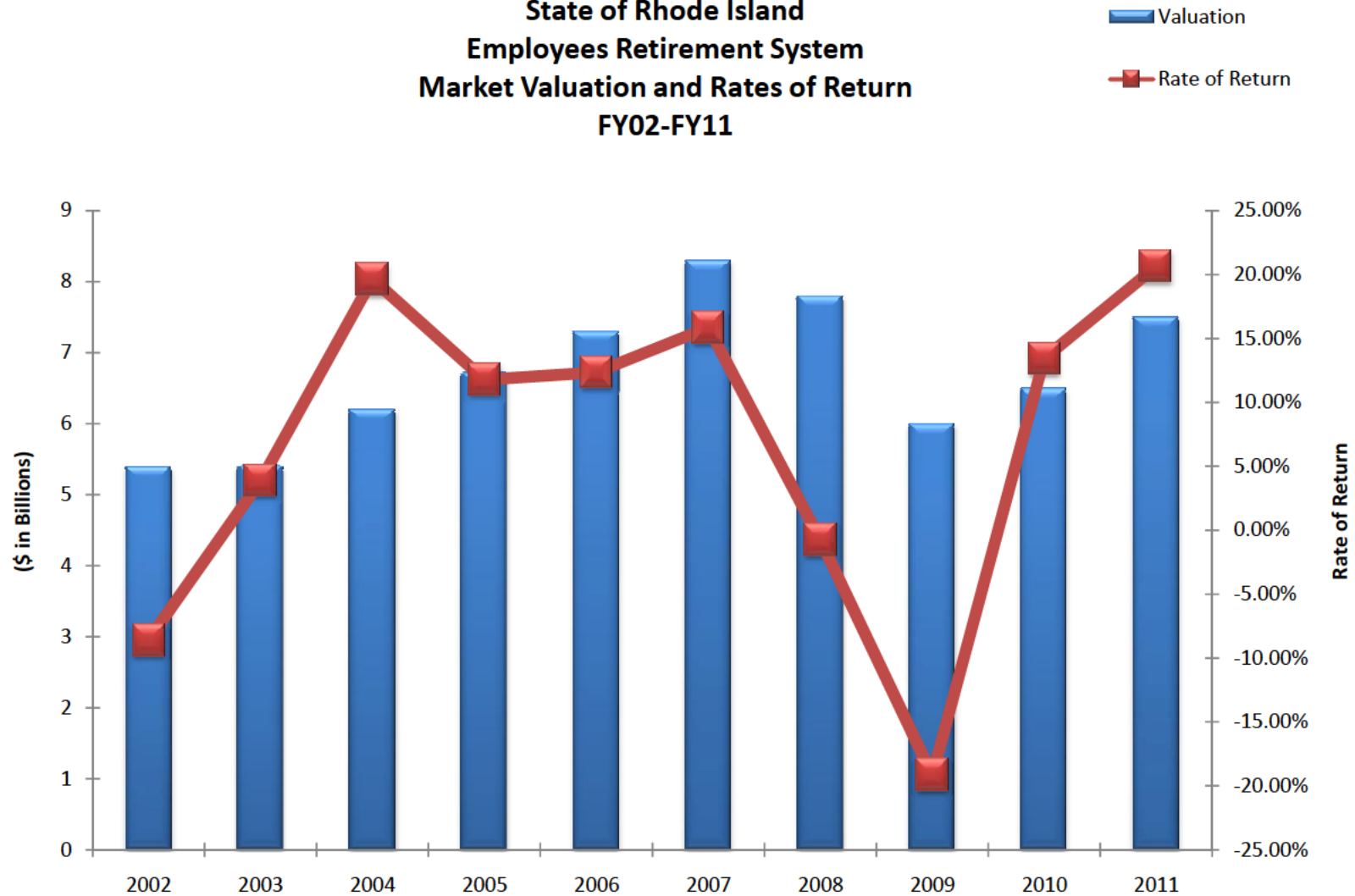
ERSRI Asset Allocation at 06/30/2011



Asset Class	Asset Value as of 06/30/2011	
DOMESTIC EQUITY	\$	2,734.59
INTERNATIONAL EQUITY	\$	1,328.96
FIXED-INCOME	\$	1,401.59
ALTERNATIVE INVESTMENTS	\$	882.61
RUSSELL IMPLEMENTATION	\$	222.12
REAL RETURN	\$	429.93
CASH	\$	475.00
TOTAL	\$	7,474.80

Source Data: State Street Analytics Data as of 06/30/2011

**State of Rhode Island
Employees Retirement System
Market Valuation and Rates of Return
FY02-FY11**



State of Rhode Island
Office of the General Treasurer
Private Equity
FY 2011

Limited Partnership	First Funding Date	Investment Type	Commitment	Unfunded Commitment	Total Contribution	Total Distributions	Market Value at 6/30/2011	IRR
Alta BioPharma Partners III	11/19/03	Venture Capital	15,000,000	750,000	14,250,000	3,955,000	7,829,000	(4.39)
Alta Partners VIII	11/30/06	Venture Capital	15,000,000	5,250,000	9,750,000	5,330,000	5,033,000	2.15
Aurora Equity Partners II	05/22/98	Buyout	15,000,000	-	16,847,000	17,150,000	6,246,000	4.85
Aurora Equity Partners III	11/16/04	Buyout	15,000,000	836,000	16,198,000	8,310,000	14,765,000	16.33
Avenue Special Situations Fund IV	03/27/06	Distressed Debt	20,000,000	-	25,180,000	30,333,000	2,294,000	8.34
Avenue Special Situations Fund V	08/31/07	Distressed Debt	20,000,000	1,791,000	20,329,000	24,341,000	2,632,000	11.87
Bain Capital Fund X, L.P.	01/15/08	Buyout	25,000,000	10,813,000	14,188,000	1,583,000	12,543,000	(0.25)
Birch Hill Equity Partners III	12/13/05	Buyout	18,428,000	824,000	17,101,000	11,905,000	13,254,000	13.21
Castile Ventures III	12/28/06	Venture Capital	5,000,000	1,225,000	3,785,000	412,000	2,336,000	(12.59)
Centerbridge Capital Partners, L.P.	08/03/06	Distressed Debt	15,000,000	1,680,000	21,800,000	12,936,000	18,564,000	22.42
Charterhouse Capital Partners VIII LP	04/19/06	Buyout	21,586,000	3,576,000	17,268,000	-	16,676,000	(0.93)
Coller International Partners IV, L.P.	11/06/02	Secondary	15,000,000	2,100,000	13,244,000	11,856,000	7,843,000	16.49
Coller International Partners V, L.P.	12/21/06	Secondary	15,000,000	4,073,000	11,490,000	3,324,000	10,748,000	10.08
Constellation Ventures III	10/23/08	Venture Capital	15,000,000	4,124,000	10,876,000	-	8,944,000	(12.37)
CVC European Equity Partners III	09/04/01	Buyout	20,000,000	900,000	23,158,000	52,055,000	9,506,000	42.09
CVC European Equity Partners IV	08/31/05	Buyout	23,744,000	3,024,000	20,884,000	14,178,000	15,728,000	13.97
CVC European Equity Partners V	08/29/08	Buyout	28,781,000	14,751,000	14,672,000	2,498,000	15,478,000	15.43
Fenway Partners Capital Fund II	09/09/98	Buyout	15,000,000	182,000	18,513,000	19,155,000	4,244,000	6.66
Fenway Partners Capital Fund III	12/14/07	Buyout	15,000,000	877,000	15,565,000	1,744,000	10,657,000	(9.54)
First Reserve Fund X, L.P.	10/28/04	Buyout	20,000,000	-	20,000,000	24,853,000	13,072,000	35.77
First Reserve Fund XI, L.P.	12/14/06	Buyout	20,000,000	4,627,000	16,906,000	6,336,000	12,691,000	4.18
Focus Ventures III	08/01/06	Venture Capital	15,000,000	375,000	14,625,000	2,923,000	13,400,000	5.02
Granite Global Ventures II	11/19/04	Venture Capital	15,000,000	675,000	14,333,000	6,421,000	15,020,000	9.28
Granite Global Ventures III	11/01/06	Venture Capital	15,000,000	2,250,000	12,750,000	1,655,000	18,165,000	20.04
Green Equity Investors V	08/10/07	Buyout	20,000,000	6,594,000	14,704,000	3,339,000	16,094,000	18.05
Harvest Partners III, L.P.	12/19/97	Buyout	15,000,000	357,000	14,643,000	7,721,000	399,000	(9.83)
Kayne Anderson Energy Fund III, L.P.	04/13/05	Buyout	15,000,000	371,000	14,629,000	10,142,000	10,539,000	20.37
Kayne Anderson Energy Fund IV, L.P.	07/13/07	Buyout	15,000,000	4,800,000	10,200,000	1,808,000	10,539,000	9.63
Leapfrog Ventures II	03/15/05	Venture Capital	10,000,000	1,030,000	8,970,000	2,344,000	6,667,000	0.15
Leeds Weld Equity Partners IV	11/12/04	Buyout	10,000,000	14,000	10,064,000	3,837,000	12,025,000	11.10
Lighthouse Capital Partners V	12/10/03	Venture Capital	11,250,000	788,000	10,463,000	11,064,000	1,693,000	4.79
Lighthouse Capital Partners VI	08/10/07	Venture Capital	15,000,000	2,475,000	12,525,000	798,000	13,336,000	4.24
LNK Partners	04/13/06	Buyout	12,500,000	1,143,000	11,359,000	7,000	13,593,000	7.67
Ma linPatterson Global Opportunities Fund	01/09/02	Distressed Debt	15,000,000	-	15,505,000	26,118,000	155,000	15.79

State of Rhode Island
Office of the General Treasurer
Private Equity
FY 2011

Limited Partnership (cont'd)	First Funding Date (cont'd)	Investment Type (cont'd)	Commitment (cont'd)	Unfunded Commitment (cont'd)	Total Contribution (cont'd)	Total Distributions (cont'd)	Market Value at 6/30/2011 (cont'd)	IRR (cont'd)
MHR Insituional Partners III	10/02/06	Distressed Debt	20,000,000	7,213,000	15,200,000	2,600,000	15,293,000	5.40
Nautic Partners V, L.P.	04/27/01	Buyout	20,000,000	656,000	20,312,000	28,152,000	8,995,000	16.57
Nautic Partners VI, L.P.	05/14/07	Buyout	20,000,000	7,177,000	14,910,000	2,273,000	12,661,000	0.07
Nordic Capital Fund III	02/26/98	Buyout	12,623,000	-	10,118,000	36,317,000	121,000	31.44
Nordic Capital Fund V	08/04/03	Buyout	21,033,000	-	21,268,000	14,318,000	39,136,000	22.26
Nordic Capital Fund VI	05/26/06	Buyout	21,586,000	1,008,000	21,308,000	2,731,000	23,720,000	5.94
Nordic Capital Fund VII	07/01/08	Buyout	21,586,000	8,208,000	13,259,000	-	12,094,000	(5.83)
OCM Opportunities Fund II, L.P.	10/28/97	Distressed Debt	12,000,000	-	12,000,000	18,124,000	2,000	8.44
Paladin III	12/31/07	Venture Capital	10,000,000	4,389,000	5,688,000	654,000	5,231,000	1.66
Parthenon Investors II, L.P.	01/31/01	Buyout	23,960,000	1,953,000	23,277,000	22,909,000	12,711,000	12.90
Parthenon Investors, L.P.	02/04/99	Buyout	15,000,000	-	17,811,000	23,321,000	1,476,000	6.64
Perseus Partners VII	12/27/07	Buyout	15,000,000	1,907,000	14,728,000	1,450,000	15,061,000	5.69
Point 406 Ventures I	03/27/08	Venture Capital	10,000,000	3,200,000	7,122,000	626,000	6,726,000	1.45
Point Judith Venture Fund II	10/25/07	Venture Capital	5,000,000	1,211,000	4,150,000	361,000	4,046,000	2.79
Providence Equity Partners III, L.P.	01/22/99	Buyout	15,000,000	1,939,000	16,498,000	24,682,000	417,000	15.86
Providence Equity Partners IV, L.P.	11/27/00	Buyout	25,000,000	1,911,000	35,929,000	57,363,000	11,105,000	24.33
Providence Equity Partners V, L.P.	04/04/05	Buyout	25,000,000	2,232,000	30,505,000	13,546,000	24,658,000	5.90
Providence Equity Partners VI, L.P.	03/16/07	Buyout	25,000,000	6,485,000	21,788,000	4,217,000	20,181,000	4.91
SKM Equity Fund II, L.P.	03/13/97	Buyout	10,000,000	1,736,000	9,218,000	4,661,000	1,555,000	(3.81)
Thomas, McNerney & Partners II, L.P.	11/30/06	Venture Capital	15,000,000	5,325,000	9,675,000	1,540,000	7,484,000	(2.98)
Thomas, McNerney & Partners, L.P.	10/09/02	Venture Capital	15,000,000	975,000	14,025,000	5,252,000	7,181,000	(3.39)
TPG Partners II, L.P.	06/04/97	Buyout	10,000,000	309,000	10,742,000	18,240,000	2,000	9.93
TPG Partners IV, L.P.	02/10/04	Buyout	15,000,000	1,003,000	16,673,000	13,971,000	13,294,000	15.85
TPG Partners V, L.P.	06/27/06	Buyout	20,000,000	3,305,000	19,972,000	5,155,000	11,741,000	(5.64)
TPG Partners VI, LP	05/22/08	Buyout	10,000,000	5,340,000	8,146,000	3,162,000	4,401,000	(7.48)
Trilantic Capital Partners IV L.P.	10/22/07	Buyout	11,098,000	4,330,000	7,127,000	3,378,000	6,123,000	14.84
VS&A Communication Partners III	12/15/98	Buyout	15,000,000	-	15,072,000	16,079,000	4,465,000	6.35
W Capital Partners	03/15/04	Secondary	15,000,000	881,000	14,120,000	9,663,000	3,829,000	(1.65)
W Capital Partners II	10/03/07	Secondary	15,000,000	5,854,000	10,544,000	6,012,000	10,222,000	20.95
Washington & Congress Capital Partners	02/17/98	Buyout	15,000,000	306,000	14,980,000	16,772,000	26,000	2.59
Wellspring Capital Partners II	02/10/98	Buyout	15,000,000	-	15,359,000	22,350,000	640,000	19.99
Wellspring Capital Partners III	12/05/02	Buyout	20,000,000	59,000	21,830,000	38,523,000	3,627,000	25.34
Wellspring Capital Partners IV	06/14/06	Buyout	20,000,000	376,000	20,324,000	1,984,000	20,315,000	3.65
WLR Recovery Fund IV	12/21/07	Distressed Debt	8,000,000	3,448,000	4,564,000	972,000	4,967,000	10.91
			1,103,175,000	165,011,000	1,025,016,000	751,789,000	656,214,000	

**State of Rhode Island
Office of the General Treasurer
Real Estate Holdings
June 30, 2011**

Limited Partnership	Inception Date	Partnership Commitment	Net Funding Thru June 30, 2011	Unfunded Balance	Market Values at June 30, 2011
AEW	December, 2007	\$ 35,000,000	\$ 34,351,851	\$ 648,148	\$ 37,800,415
Magna	September, 2008	\$ 4,000,000	\$ 1,965,919	\$ 2,034,081	\$ 2,899,527
Prime Property Fund	September, 2005	\$ 35,000,000	\$ 41,330,176	\$ -	\$ 37,100,622
PRISA	September, 2005	\$ 50,000,000	\$ 52,928,291	\$ -	\$ 48,254,762
JP Morgan Strategic Property Fund	March, 2006	\$ 50,000,000	\$ 52,737,819	\$ -	\$ 50,080,718
LaSalle Income & Growth Fund IV	June, 2005	\$ 15,000,000	\$ 14,592,561	\$ 397,937	\$ 8,768,608
TRECAP Commercial Realty Partners II	March, 2006	\$ 15,000,000	\$ 12,844,883	\$ 2,155,117	\$ 4,815,071
JP Morgan Alternative Property Fund	March, 2006	\$ 20,000,000	\$ 20,000,000	\$ -	\$ 8,976,818
Fillmore East Fund	December, 2005	\$ 10,000,000	\$ 12,561,528	\$ -	\$ 1,644,881
TA Fund VIII	September, 2006	\$ 15,000,000	\$ 15,000,000	\$ -	\$ 10,062,794
Fremont Strategic Property Partners II	December, 2004	\$ 15,000,000	\$ 14,775,137	\$ 1,873,108	\$ 9,246,909
Tri Continental Capital VII	June, 2005	\$ 15,000,000	\$ 17,490,511	\$ 428,467	\$ 3,200,736
Starwood Capital Hospitality Fund I	September, 2005	\$ 10,000,000	\$ 10,000,000	\$ -	\$ 10,398,967
Westbrook Real Estate Fund VI	June, 2006	\$ 15,000,000	\$ 18,063,188	\$ 79,399	\$ 4,224,277
Walton Real Estate Fund V	September, 2006	\$ 20,000,000	\$ 20,000,000	\$ -	\$ 11,609,783
Westbrook Real Estate Fund VII	June, 2007	\$ 15,000,000	\$ 16,015,246	\$ 1,439,324	\$ 11,446,186
		\$ 339,000,000	\$ 354,657,110	\$ 9,055,581	\$ 260,531,074

**MINUTES FROM FY2011
STATE INVESTMENT COMMISSION MEETINGS**



State of Rhode Island and Providence Plantations
Office of the General Treasurer

State of Rhode Island and Providence Plantations
STATE INVESTMENT COMMISSION

Frank T. Caprio
General Treasurer

Monthly Meeting July 28, 2010

A State Investment Commission (SIC) meeting was held in Room 135, State House, Providence, Rhode Island on Wednesday, July 28, 2010. The Treasurer called the meeting to order at 9:03 a.m.

Membership Roll Call. Present were: Mr. Michael Costello, Mr. Thomas Fay, Mr. Robert Giudici, Mr. Andrew Reilly and General Treasurer Frank T. Caprio, establishing a quorum. Also present were: Ms. Sally Dowling, of Adler Pollock, & Sheehan, and Mr. David Ursillo, of Rodio & Ursillo, Legal Counsel to the Commission; Mr. John Burns of Pension Consulting Alliance (PCA), General Policy Consultant to the Commission; Mr. Nicholas Katsikis of State Street Corporation, Mr. Scott Reinig of Pacific Corporate Group, and members of the Treasurer's staff. Ms. Rosemary Booth Gallogly, Mr. Robert Gaudreau, Ms. Marcia Reback and Dr. Robert McKenna were not present.

State Investment Commission Minutes. Treasurer Caprio entertained a motion for approval of the minutes for the meeting of June 23, 2010. Mr. Costello moved, Mr. Giudici seconded, and the subsequent motion passed. The following members voted in favor: Mr. Costello, Mr. Fay, Mr. Giudici, Mr. Reilly and General Treasurer Caprio.

VOTED: To approve the Minutes of the June 23, 2010 monthly meeting.

General Consultant Report. Mr. Burns asked the board to turn to the handout 2010 Fixed Income Review – Part IV. He stated that he would review background material, which addresses some questions raised last month, PCA's recommendation and rationale for this proposal and supporting documentation in the appendix.

He then reviewed page three, which is the current Rhode Island portfolio, and page four, which addresses the issue of interest rate sensitivity that Mr. Fay raised. He commented on the general impact to the portfolio if interest rates move 100 basis points either up or down. He stated that the duration of this portfolio is about 4.6 years and the yield to maturity is roughly 3.5%, which is very similar to the aggregate bond index. He then addressed the performance of current managers, stating that in addition to not adding much value, they did not offer increased risk protection over the benchmark.

Mr. Burns stated that the fund is currently using a hybrid sector approach plus one traditional core manager. The recommendation is to use a sector approach removing high yield from fixed income and placing it in the Opportunistic Portfolio. The Fixed Income portfolio would consist of U.S. Treasury, Mortgage and Investment-grade Credit broken up into three sectors. Additionally, the recommendation is that the Treasury and Mortgage sectors would be passively managed because there is little a manager can do to add value in those sectors.

For the Credit sector, triple B or better, active management is recommended. The sector weight would be 40 – 40 – 20, which keeps the portfolio heavily weighted in government backed securities. For the High Yield Sector in the Opportunistic Portfolio, we propose active long – short managers.

Mr. Burns then discussed page nine which covered manager activities. He explained what is allowed under the current structure and would be allowed under the proposed structure for interest rate anticipation, yield curve strategy, security selection and sector rotation. He continued with a chart on page ten that shows where the value added or alpha return is derived from in the current and proposed structures. He stated that the current expected alpha return is 27 basis points and the proposed structure is 20 basis points. He pointed out that the new structure doesn't include the high yield sector that will be moved to the opportunistic portfolio that is the long-short part of the overall portfolio which is where the fund is supposed to get alpha returns.

Mr. Burns provided the supporting rationale for the proposal stating that there would be a clear delineation of risk factors; the board would set the risk and return preferences, the focus of genuine active management would be in the most inefficient sectors and cost management would be enhanced. Fixed income provides the anchor for the rest of the portfolio; the other parts of the portfolio have a lot of growth opportunity.

Mr. Goodreau commented that fixed income fees are relatively high. Currently the fund pays fees for services that are not producing alpha. Under this structure, the focus would be on paying for management where alpha can be achieved.

Mr. Burns then detailed the proposed structure stating it would be focused on publicly-traded U.S. Fixed Income. It would exclude Commercial Mortgage-backed Securities (CMBS), private Residential Mortgage-backed Securities (RMBS) and Non-U.S. Fixed Income. The excluded segments would be handled in the Real Estate and Opportunistic Portfolios. He concluded by stating the next steps in this process would be to: adopt a Fixed Income Policy Portfolio, an Investment Policy Statement, Sector structure and management guidelines and hire managers.

The group proceeded to discuss Mr. Burns' presentation and general fixed income matters.

Mr. Goodreau commented that an important part of this structure is to give managers flexibility to address risk in the event of a dislocation that is likely to occur, at some future point, after a 25 year bull credit market.

Mr. Costello stated he thought the managers had done a pretty respectable job and inquired if the recommendation is hiring a new group of managers or issuing new guidelines to current managers.

Mr. Burns asked the board to turn back to page eight for clarification.

The board completed the discussion of performance and risk and then turned to the issue of timing.

Mr. Fay asked what type of transition and/or time frame is suggested.

Mr. Burns commented that transition would be a policy decision that would require a review of the mitigating factors. He stressed the overriding consideration is the policy.

Mr. Goodreau said the transition depends on the comfort level of the board though once a policy is set a move to it should be prompt. The reason we are engaged in this review is because fixed income is likely to be a dynamic sector in the future.

Treasurer Caprio stated that this item is very important as the policy will impact 20% of the portfolio. He would like to continue the discussion next month considering the level of input and the fact that some members of the board are absent.

Legal Counsel Report. Legal Counsel had no report.

Chief Investment Officer Report. Mr. Goodreau stated that the return for fiscal year 2010 ended just under 13.6%. This puts the fund 220 basis points over the benchmark, 120 basis points over the 2 year benchmark, and 70 basis points over the 3 year benchmark. In every average time period the fund is beating its benchmark, because of efficiencies and exposure. He noted that the fund performance is 200 basis points over CALPERS and 150 basis points over CALSTERS.

He continued stating that the move to the passive mandate enabling the board and staff to focus on important issues is confirmed in these returns. Right now the correlation of (individual) stock movement to the stock market, the S & P 500, is 83%. This means the current environment is not about a market of individual stocks, but the stock market itself, which has not been the case except one other time in 1987. Consequently, making risk decisions right now is very difficult, so the critical decision is either to be in the market or out.

He told the group that currently the market is at about the halfway point in recouping the damage from the 800 point decline in 2008.

He reported that the \$100 million sale of private equity has been successfully completed at one of the lowest discount rates available recently. He noted that the low discount no longer exists at this time.

Treasurer's Report. Treasurer Caprio stated that it is very good for Rhode Island to be in the top quartile of funds. He commended the board and staff for the work that has been done to place Rhode Island in the top rankings, outperforming CALPERS and CALSTERS, the biggest funds in the country.

New Business. There was no new business.

There being no new business, the Treasurer entertained a motion to adjourn. Mr. Giudici moved, Mr. Reilly seconded and the subsequent motion passed. The following members voted in favor: Mr. Michael Costello, Mr. Thomas Fay, Mr. Robert Giudici, Mr. Andrew Reilly and General Treasurer Frank T. Caprio.

VOTED: To adjourn the meeting.

There being no further business, the meeting was adjourned at 9:58 a.m.

Respectfully submitted,



Frank T. Caprio
General Treasurer



State of Rhode Island and Providence Plantations
Office of the General Treasurer

Frank T. Caprio
General Treasurer

State of Rhode Island and Providence Plantations
STATE INVESTMENT COMMISSION

Monthly Meeting August 25, 2010

A State Investment Commission (SIC) meeting was held in Room 135, State House, Providence, Rhode Island on Wednesday, August 25, 2010. The Treasurer called the meeting to order at 9:07 a.m.

Membership Roll Call. Present were: Ms. Rosemary Booth Gallogly, Mr. Michael Costello, Mr. Robert Gaudreau, Mr. Robert Giudici, Mr. Andrew Reilly and General Treasurer Frank T. Caprio, establishing a quorum. Also present were: Ms. Sally Dowling, of Adler Pollock, & Sheehan, and Mr. David Ursillo, of Rodio & Ursillo, Legal Counsel to the Commission; Mr. John Burns of Pension Consulting Alliance (PCA), General Policy Consultant to the Commission; Ms. Lisa Tyrrell of State Street Corporation, Ms. Michelle Davidson of Pacific Corporate Group, and members of the Treasurer's staff. Mr. Fay, Ms. Marcia Reback and Dr. Robert McKenna were not present.

State Investment Commission Minutes. Treasurer Caprio entertained a motion for approval of the minutes for the meeting of July 28, 2010. Mr. Gaudreau moved, Mr. Costello seconded, and the subsequent motion passed. The following members voted in favor: Ms. Booth Gallogly, Mr. Costello, Mr. Gaudreau, Mr. Giudici, Mr. Reilly and General Treasurer Caprio.

VOTED: To approve the Minutes of the July 28, 2010 monthly meeting.

General Consultant Report. Mr. Burns introduced the private equity consultant search topic. He stated that the board authorized the staff to issue a request for proposals (RFP) for a private equity consultant. PCA worked with the staff to develop the RFP tailored to Rhode Island specifications and a scoring process for responses. He turned to Mr. Goodreau to provide details on the responses and further action to complete the process.

Mr. Goodreau stated that there were 11 respondents which are listed in the handout. The fees and scope of services greatly vary. Several of the listed firms should not be considered further because they are extremely expensive and inflexible. Therefore, the suggestion today is to narrow this list down to three or four candidates for the next part of the process. The (staff) recommendation is that the focus be on three firms for further due diligence. These firms are: PCG, Hamilton Lane, and Cliffwater.

Mr. Reilly commented that like the process that that board went through for general consultant selection, narrowing the field down for further review will simplify the process into something the board is comfortable with.

The group briefly discussed the current private equity portfolio, the current consultant and investment staff structure.

Mr. Costello and Mr. Reilly commended PCG for their service.

Mr. Burns stated that PCG, Hamilton Lane and Cliffwater conform very well to the current structure of the non-discretionary model. He noted that among PCA's clients that this is the model predominantly used.

Treasurer Caprio entertained a motion to continue the RFP, narrowing the search to three or more entities as staff and consultant advise with no decision to eliminate any entity unless it is brought back to the board. Ms. Booth Gallogly moved, Mr. Costello seconded, and the subsequent motion passed. The following members voted in favor: Ms. Booth Gallogly, Mr. Costello, Mr. Gaudreau, Mr. Giudici, Mr. Reilly and General Treasurer Caprio.

VOTED: To approve to continue the RFP, narrowing the search to three or more entities as staff and consultant advise with no decision to eliminate any entity unless it is brought back to the board.

Legal Counsel Report. Legal Counsel had no report.

Cash Management Report. Mr. Izzo asked the group to refer to the current collateral policy that was distributed. He said that the request today is to increase the collateral pool so that letters of credit issued by any of the twelve regional Federal Home Loan Banks (FHLB) become an acceptable form of collateral. He stressed that this request is in line with Treasurer Caprio's directive that safety of the fund's assets is the primary concern. The cost to the bank for this type of collateral is about one-third of a regular traditional discount note and the fund would benefit from the savings.

Treasurer Caprio asked about the process should recovery of assets be necessary.

Mr. Marr stated that if the counterparty were to default, the fund would immediately receive payment from the FHLB. This is much simpler when compared to the current structure of obtaining possession of pledged securities and arranging for liquidation. Further, the Letters of Credit (LOC) issued by a Federal Home Loan Bank are the joint and several liabilities of the 12 Federal Home Loan Banks. Even if the FHLB that issued the LOC were to fail, the FHLB system would assume the liability. And of course, there is also the implicit guarantee from the Federal government over the entire system—the FHLB system is integral to the operation of the country's banking system. From an asset protection and recovery standpoint, this method of collateralization is just as secure as current practices and would potentially result in faster recovery in the event of default.

Treasurer Caprio entertained a motion to approve the revised policy on collateralization of deposits as presented by Mr. Izzo and Mr. Marr. Mr. Costello moved, Ms. Booth Gallogly and Mr. Gaudreau seconded and the subsequent motion passed. The following members voted in favor: Ms. Booth Gallogly, Mr. Costello, Mr. Gaudreau, Mr. Giudici, Mr. Reilly and General Treasurer Caprio.

VOTED: To approve the revised policy on collateralization of deposits as presented by Mr. Izzo and Mr. Marr.

Alliance Bernstein Modification Global REIT Allocation Update. Mr. Dingley asked the group to turn to the Alliance Bernstein document Migrating Global Real Estate to Multi-Asset

Inflation Strategy. He explained that Alliance Bernstein is taking their global REIT allocation and diversifying it to include commodity stocks and commodity futures. This allocation is similar to what this board is doing with the real return allocation in order to lower the correlation in the class, therefore reducing risk in the event of another downturn.

Chief Investment Officer Report. Mr. Goodreau stated that the investment program for the fund has been simplified by moving to the indexes. However, there are not a lot of options to invest money currently because fixed income is at the maximum and a product that really fits the total return portfolio has not been identified. As an alternative, until there is a total return mechanism, a product that is already in the existing allocation policy might be worth considering.

He said that State Street Global Advisors, with whom the SIC has an existing relationship, offers ETFs that are like our S&P 500 index. One that is worth considering is the SDY. The SDY is a basket of the S&P 500 stocks that pay a high quality, consistent dividend similar to that of a total return product. He reviewed a fact sheet and a report compiled by Ned Davis Research that was included in the Board packet. He concluded by asking the group to consider dividend strategies for further discussion at a future meeting.

Ms. Booth Gallogly commented that this would be an interesting option to pursue and that she would provide an article from Fortune on a similar product.

Treasurer's Report. Treasurer Caprio asked that Treasury and PCA staffs continue the review process in the private equity consultant search and update the board next month.

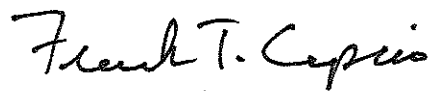
New Business. There was no new business.

There being no new business, the Treasurer entertained a motion to adjourn. Mr. Giudici moved, Ms. Booth Gallogly seconded and the subsequent motion passed. The following members voted in favor: Ms. Booth Gallogly, Mr. Costello, Mr. Gaudreau, Mr. Giudici, Mr. Reilly and General Treasurer Caprio.

VOTED: To adjourn the meeting.

There being no further business, the meeting was adjourned at 9:54 a.m.

Respectfully submitted,



Frank T. Caprio
General Treasurer



State of Rhode Island and Providence Plantations
Office of the General Treasurer

Frank T. Caprio
General Treasurer

State of Rhode Island and Providence Plantations
STATE INVESTMENT COMMISSION

Monthly Meeting September 22, 2010

A State Investment Commission (SIC) meeting was held in Room 135, State House, Providence, Rhode Island on Wednesday, September 22, 2010. The Treasurer called the meeting to order at 9:04 a.m.

Membership Roll Call. Present were: Ms. Rosemary Booth Gallogly, Mr. Michael Costello, Ms. Marcia Reback, Mr. Andrew Reilly and General Treasurer Frank T. Caprio, establishing a quorum. Also present were: Ms. Sally Dowling, of Adler Pollock, & Sheehan, and Mr. David Ursillo, of Rodio & Ursillo, Legal Counsel to the Commission; Mr. Allan Emkin and Mr. John Burns of Pension Consulting Alliance (PCA), General Policy Consultant to the Commission; and members of the Treasurer's staff. Mr. Thomas Fay, Mr. Robert Gaudreau, Mr. Robert Giudici, and Dr. Robert McKenna were not present.

State Investment Commission Minutes. Treasurer Caprio entertained a motion for approval of the minutes for the meeting of August 25, 2010. Mr. Costello moved, Ms. Booth Gallogly seconded, and the subsequent motion passed. The following members voted in favor: Ms. Booth Gallogly, Mr. Costello, Ms. Marcia Reback, Mr. Reilly and General Treasurer Caprio.

VOTED: To approve the Minutes of the August 25, 2010 monthly meeting.

General Consultant Report. Treasurer Caprio called on Mr. Emkin to provide background on the private equity consultant request for proposals (RFP) and the prospective consultant presentations that will take place today.

Mr. Emkin commented that the investment staff issued the RFP for a private equity consultant and evaluated the responses with input from him and others at PCA. The three candidates believed to be the most capable to work with the board and the staff will give short presentations and answer any questions. Listening to these presentations is part of the boards general due diligence and a selection decision is not expected today. He noted that he has worked with each of these groups on more than one occasion and that neither he nor PCA has a business relationship with any of them.

Mr. Goodreau stated the presenters have been instructed to be general in scope. Anything that the group may want to address in more detail can be done by conference calls or site visits. Each presentation will be 15 minutes followed by an opportunity for questions. They will proceed in alphabetical order by firm.

Mr. Dennis Sugino, the President of Cliffwater LLC, introduced himself and his colleagues, Managing Directors James Feidler, and Gabrielle Zadra, and gave brief education and career summaries. He noted that Tom Lynch, who has over 25 years of consulting experience, from their NY office, would be the relationship service person.

Mr. Sugino then asked the group to turn to page 3 of the Cliffwater presentation booklet. He stated that Cliffwater is an independent advisory firm, with no partners, and is employee owned. They advise globally on \$9 billion in private equity and have 26 clients overall. They are registered with the SEC and have no regulatory issues. The firm aims to be a leader in thought, service and performance.

Mr. Feidler told the group that the firm utilizes disciplined and documented due diligence exclusively in the alternative investment arena. He noted that the firm services only institutional investors and has many advantages including: access to top tier funds, a customized approach, a disciplined investment process and an experienced team. The team that would be available to the Rhode Island fund would be comprised of 18 professionals with extensive experience that would cover the following areas: portfolio strategy and construction, private equity sourcing and due diligence, and monitoring and operations.

Ms. Zadra explained that the Cliffwater team reviews 300 to 400 opportunities each year. The team is proactive in researching and identifying the top performing funds by strategy and in building relationships with those firms. There is a firm investment committee that meets several times a month to review all approved funds. There is also a forward calendar of funds that are coming to market in the next 18 months. This process is important to construction of a portfolio that is diversified by time, strategy and geography.

Ms. Zadra said that Cliffwater has built a proprietary data base of over 2000 funds to track the funds they monitor and the funds they perform due diligence on. They produce a quarterly client memo on the top ranked funds that they are active in due diligence on and the best funds coming to market in the next year.

Mr. Fiedler commented that he and Tom Lynch of their NY office would lead the dedicated consulting team but the entire staff is available to Rhode Island.

Mr. Sugino provided a summary of Cliffwater's advantages including: they engage in customized advisory services only; the firm is the proper size to give clients access to funds; and Rhode Island would be one of their top clients.

Treasurer Caprio asked for the proposed fee structure.

Mr. Sugino said that the fee is \$400,000 for non-discretionary services and \$700,000 for discretionary services.

Ms. Booth Gallogly asked how do they balance due diligence with maintaining access and relationships with the funds they would recommend.

Ms. Zadra said the general partners do protest the level of information we require but many eventually commend our thoroughness and the firms that will not provide the required information are not the type we will recommend to our clients.

Mr. Mike DiMartile, Vice President of Hamilton Lane introduced himself and his associates, Vice President Mike Koenig, Managing Director Andrea Kramer and Chief Executive Officer Mario Giannini.

Mr. Giannini asked the group to turn to page 2 of the presentation material. He stated that Hamilton Lane is an independent, global firm, the majority of which is owned by over 40 employees with their funds invested along side the client's. Hamilton Lane is a recognized leader in private equity; they are the largest of advisory firms in the asset class with \$15 billion in assets under management. The client base is 50% U.S., including top pension funds, and 50% non-U.S.

The diverse base gives the staff an understanding of what others are doing in the asset class globally.

Mr. Giannini noted that the firm provides discretionary and nondiscretionary management with a customized strategy. The type and depth of services depends on the client's needs and can be modified as needs change. They offer the specialized strategies of: co-investments, secondaries, and fund-of-funds.

Ms. Kramer told the group that she is part of the investment team and heads the global offices. The team of 31 professionals has allocated over \$12 billion during the past two years in all of the various strategies. Hamilton Lane has a proprietary data base to evaluate and track all the information they receive and for client monitoring.

Mr. Giannini commented that every general partner that Hamilton Lane reviews is top quartile. The firm's track record is something they are very proud of, as is the extensive network of contacts with the LP and GP community. These factors enhance the due diligence, monitoring and reporting functions.

Mr. Costello asked how often they say no to a general partner when that person holds an advisory seat.

Mr. Giannini replied about 20% of the time. He provided additional insights on board participation.

Ms. Kramer remarked that it is a challenging conversation, but our decision process is the same every time.

Mr. Koenig spoke about the process of customizing the diligence process for each client through defining objectives and guidelines.

Mr. Giannini stated their goal is to understand what the client needs and utilize their staff and systems to meet that need.

Mr. Goodreau asked for information on the proposed fee structure.

Mr. Koenig explained that the fee for taking over the legacy portfolio for monitoring and reporting is \$200,000.00. Going forward with investment management services for new commitments there would be a tiered fee; 75 basis points for up to \$150 million and the fee would come down at certain points as you invest more. Additionally, there are fee options for legal services.

Ms. Davidson of Pacific Corporate Group Asset Management (PCG) introduced David Fann, President and CEO and Scott Reining, Vice President.

Mr. Fann provided an overview of PCG, a specialist private equity firm that provides customized services tailored specifically for each client. The firm has invested over \$44 billion for clients globally. He explained the firm's investment philosophy is to deliver strong investment returns and exceptional service on a custom basis. This is accomplished through business practices including a research-driven investment process, term negotiation to add value and diligent monitoring and reporting.

Mr. Fann stated that in the past year representatives of PCG worked with the White House. They have also worked with the Federal Reserve Board and the U. S. Treasury Department and several states. Since 1995, PCG has continually generated top quartile rates of return, outperforming the benchmark during the entire time Rhode Island has been their client.

Ms. Davidson said the history of working with Rhode Island for the past 15 years to build the private equity portfolio from the ground up sets PCG apart from other firms. PCG's longevity and standing has aided in Rhode Island's ability to secure allocations in the top performing funds. They have worked with each administration to assemble a top performing private equity portfolio.

Ms. Davidson commented during the current administration, PCG has actively participated in optimizing the portfolio. They executed 2 successful secondary sales; the first was innovative at the time and the second rebalanced the portfolio. Each was priced at the peak, resulted in a gain and saved millions in fees.

Ms. Davidson reviewed the 7 member team dedicated to Rhode Island's customized services and noted that there are an additional 32 investment professionals providing support.

Mr. Reining told the group that PCG has a record independently verified in compliance with Global Investment Performance Standards (GIPS). Since 1990, PCG has exceeded public and private market benchmarks on an aggregate basis. They have also consistently exceeded benchmarks on a vintage basis with periods of significant out performance relative to the benchmark. Of the funds PCG selected, 40% have been first quartile and 70% have been first or second quartile.

He stated the Rhode Island track record, on an aggregate basis or a vintage basis, mirrors that of PCG. Rhode Island's since inception performance is 14.4%, which is well above public and private benchmarks.

Ms. Davidson addressed the question of relationship structure posed in the RFP, stating that PCG would be pleased to continue the 15 year relationship on a non-discretionary basis or could provide discretionary services for all or part of the program.

Mr. Costello asked for clarification on the difference in the discretionary and non-discretionary programs.

Ms. Davidson commented that depends on how the program is set up and there are many relationship options that can be employed to meet your objectives.

The group discussed the various aspects of the discretionary / non-discretionary relationship structure.

Mr. Dingley asked how the discretionary accounts perform relative to the non-discretionary accounts.

Ms. Davidson stated the accounts are very similar; both are included in the performance numbers you see.

Ms. Booth Gallogly asked why a discretionary program has a higher fee.

Mr. Emkin clarified that the fee is higher because the fiduciary duty and liability is shifted away from the board and there is the back office accounting and administrative work to be considered.

Mr. Reilly asked for a performance projection for year end 2010.

Ms. Davidson said it will likely be slightly higher from where it is now.

Mr. Goodreau asked Ms. Davidson to review the fee structure.

Ms. Davidson told the board that to maintain what we are doing now, where everything stays the same, PCG proposed \$337, 000. This is the same as the current agreement. We are prepared to discuss alternate structures.

The group briefly discussed the private equity consultant topic.

Legal Counsel Report. Legal Counsel had no report.

Cash Management Report. Mr. Izzo stated that he and Mr. Marr would like to introduce a new type of investment, the Local Government Investment Pool (LGIP), for the state's short-term portfolio which would improve our yield and preserve safety and liquidity. He asked the group to refer to the handout Discussion regarding Creation of State and Local Government Pool. Our research shows that 44 out of 50 states including all of the other New England states have investment pools consisting of state, municipality and quasi agency funds.

Mr. Marr commented that the guidelines would be the same as those the SIC prescribes for the state's short-term cash. The LGIP would create operational efficiencies and the opportunity for increased yield. An outside manager would be utilized. At a future meeting we will present a more detailed proposal.

Ms. Booth Gallogly asked if each individual government entity would deal directly with the outside manager.

Mr. Izzo replied that each entity would have direct access to the outside manager and get their own statements.

Mr. Marr stated that the LGIP is a trust that would sell units of participation.

Treasurer Caprio asked what size the pool would be.

Mr. Izzo stated that right now the state has an average of \$500 million in short-term funds. With the state and full quasi agency participation, the LGIP be between \$500 million and \$1 billion dollars and with municipalities it would be a billion plus size fund.

Mr. Marr stated the yield pick up achieved by other LGIPs in our region is anywhere from 15 to 20 basis points over comparable investment vehicles, which earn 5 to 10 basis points. There would be a significant amount of additional revenue for the state and participating municipalities.

Chief Investment Officer Report. Mr. Goodreau stated that the fund was above the benchmark for the month and it is about 95 basis points ahead for the year.

Treasurer's Report. Treasurer Caprio reported that last year and this year we compared the Rhode Island fund performance to that of the Harvard endowment and to the states of Massachusetts and California. For the second year in a row Rhode Island is outperforming all three.

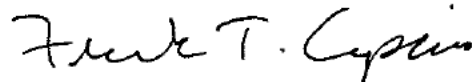
New Business. There was no new business.

There being no new business, the Treasurer entertained a motion to adjourn. Mr. Costello moved, Ms. Booth Gallogly and Mr. Reilly seconded and the subsequent motion passed. The following members voted in favor: Ms. Booth Gallogly, Mr. Costello, Ms. Marcia Reback, Mr. Reilly and General Treasurer Caprio.

VOTED: To adjourn the meeting.

There being no further business, the meeting was adjourned at 10:56 a.m.

Respectfully submitted,



Frank T. Caprio
General Treasurer



State of Rhode Island and Providence Plantations
Office of the General Treasurer

Frank T. Caprio
General Treasurer

State of Rhode Island and Providence Plantations
STATE INVESTMENT COMMISSION

Monthly Meeting October 27, 2010

A State Investment Commission (SIC) meeting was held in Room 135, State House, Providence, Rhode Island on Wednesday, October 27, 2010. Mr. Dingley (designee for General Treasurer Frank Caprio) called the meeting to order at 9:08 a.m.

Membership Roll Call. Present were: Ms. Rosemary Booth Gallogly, Mr. Michael Costello, Mr. Thomas Fay, Mr. Robert Gaudreau, Mr. Robert Giudici, Mr. Andrew Reilly and Mr. Mark Dingley (designee for General Treasurer Frank Caprio) establishing a quorum. Also present were: Ms. Sally Dowling, of Adler Pollock, & Sheehan, and Mr. Michael Murphy, of Rodio & Ursillo, Legal Counsel to the Commission; Mr. Allan Emkin and Mr. John Burns of Pension Consulting Alliance (PCA), General Policy Consultant to the Commission; Mr. Scott Reining of Pacific Corporate Group, Ms. Lisa Tyrrell and Mr. Nicholas Katsikis of State Street Corporation and members of the Treasurer's staff. Dr. Robert McKenna and Ms. Marcia Reback were not present.

State Investment Commission Minutes. Mr. Dingley (designee for General Treasurer Caprio) entertained a motion for approval of the minutes for the meeting of September 22, 2010. Ms. Booth Gallogly moved, Mr. Reilly seconded, and the subsequent motion passed. The following members voted in favor: Ms. Booth Gallogly, Mr. Costello, Mr. Fay, Mr. Gaudreau, Mr. Giudici, Mr. Reilly and Mr. Dingley (designee for General Treasurer Frank Caprio).

VOTED: To approve the Minutes of the September 22, 2010 monthly meeting.

General Consultant Report. Mr. Burns asked the group to turn to the PCA handout Investment Market Risk Metrics – October 2010. He stated that risk is a topic PCA will be addressing on a regular basis going forward. He reviewed the report summary, the highlights of significant items and a matrix in the report. He commented that the yield curve slope is at a very unusual position and interest rate risk is at an unusual position relative to history. He also pointed out that typically PCA will perform capital market assumptions annually in January, however, at mid-year they lowered the expected return estimate for fixed income. The 10-year duration for Treasury Bonds is as high as it has ever been which is a function of interest rates being so low. If interest rates spike up 100 basis points, the principal is reduced by 8.7%. The 10 year is only one bond; nevertheless it demonstrates the risk potential in the current market.

Mr. Fay asked what the change was in the rate of return estimate for fixed income.

Mr. Burns stated it went from 4 to 3.

The board members discussed the Rhode Island TIPS allocation relative to the existing perilous environment.

Ms. Booth Gallogly asked about the security of the fund's TIPS allocation.

Mr. Goodreau commented that the Rhode Island TIPS portfolio is safe. In the future scaling out of TIPS may be a consideration.

Ms. Booth Gallogly asked if fixed income managers are doing anything to mitigate risk.

Mr. Goodreau replied that our managers will not protect us from this type of risk. The manager's mandate is to be 95% invested.

Mr. Fay commented that in the current environment we are still in a position where deflation and the issues associated with it are compelling. Therefore, care with structuring the portfolio in the near term is vital.

Short-term Investments. Mr. Dingley stated that at the last meeting Mr. Izzo and Mr. Marr introduced the topic of a Local Government Investment Pool (LGIP). There is a handout with additional information on this matter in the material packet.

Ms. Booth Gallogly commented that this is a great idea. Due to issues that occurred in the fall of 2008, she would like to see language that assures the State is not taking responsibility for other entities' deposits.

Mr. Izzo stated that the same level of safety will apply to the LGIP as any other short-term investment.

Legal Counsel Report. Legal Counsel had no report.

Selection of Custodian for Rhode Island OPEB System. Mr. Dingley introduced the topic of selection of a custodian for the Rhode Island Other Post Employment Benefits (OPEB) System. OPEB is a mechanism to finance the state's retiree health benefits. He stated a copy of the legislation that established OPEB and its 2011 funding, as well as a draft copy of the OPEB Trust, are in the material packet.

Mr. Dingley explained that the OPEB system is like the judicial or municipal retirement plans that have separate trusts. The OPEB Trust would be put together with our existing funds solely for investment purposes and would utilize the custodial services of State Street. The group discussed various aspects of the topic including: funding, cash flow, actuarial impact and SIC policy.

Mr. Costello asked if the funds are co-mingled.

Mr. Dingley explained that the funds would be co-mingled for investment purposes only but the earnings and liabilities are separate just like the municipal employees fund that is currently co-mingled.

Ms. Booth Gallogly commented that this issue has been worked on for several years and recommends approval by the board.

Mr. Giudici asked if there are liquidity issues on a short-term basis.

Mr. Izzo stated that liquidity issues are not a concern.

Mr. Costello stated that he conceptually agrees with the measure but would like to see a separate policy statement for OPEB that would be reviewed annually.

Mr. Dingley (designee for General Treasurer Caprio) entertained a motion to approve the OPEB Trust using the SIC custodial relationship, subject to the adoption of appropriate investment policies and guidelines by the SIC for the OPEB Trust. Mr. Costello moved, Ms. Booth Gallogly seconded and the subsequent motion passed.

The following members voted in favor: Ms. Booth Gallogly, Mr. Costello, Mr. Fay, Mr. Gaudreau, Mr. Giudici, Mr. Reilly and Mr. Dingley (designee for General Treasurer Caprio).

VOTED: To approve the OPEB Trust using the SIC custodial relationship subject to adoption of appropriate investment policies and guidelines by the SIC for the OPEB Trust.

Chief Investment Officer Report. Mr. Goodreau had no report.

Treasurer's Report. Treasurer Caprio had no report.

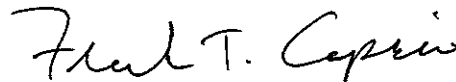
New Business. There was no new business.

There being no new business, Mr. Dingley (designee for General Treasurer Caprio) entertained a motion to adjourn. Ms. Booth Gallogly moved, Mr. Gaudreau seconded and the subsequent motion passed. The following members voted in favor: Ms. Booth Gallogly, Mr. Costello, Mr. Fay, Mr. Gaudreau, Mr. Giudici, Mr. Reilly and Mr. Dingley (designee for General Treasurer Caprio).

VOTED: To adjourn the meeting.

There being no further business, the meeting was adjourned at 9:54 a.m.

Respectfully submitted,



Frank T. Caprio
General Treasurer



State of Rhode Island and Providence Plantations
Office of the General Treasurer

Frank T. Caprio
General Treasurer

State of Rhode Island and Providence Plantations
STATE INVESTMENT COMMISSION

Monthly Meeting November 17, 2010

A State Investment Commission (SIC) meeting was held in Room 135, State House, Providence, Rhode Island on Wednesday, November 17, 2010. General Treasurer Caprio called the meeting to order at 9:03 a.m.

Membership Roll Call. Present were: Ms. Rosemary Booth Gallogly, Mr. Michael Costello, Mr. Thomas Fay, Mr. Robert Giudici, Ms. Marcia Reback and General Treasurer Frank T. Caprio, establishing a quorum. Also present were: Ms. Sally Dowling, of Adler Pollock, & Sheehan, and Mr. Michael Murphy, of Rodio & Ursillo, Legal Counsel to the Commission; Mr. John Burns of Pension Consulting Alliance (PCA), General Policy Consultant to the Commission; Ms. Lisa Tyrrell and Ms. Kirti Patel of State Street Corporation, Ms. Michelle Davidson of Pacific Corporate Group, Mr. Peter Kerwin and Gail Mance-Rios of RI Higher Education Assistance Authority, Robert Keith, Christopher Nikolich and Patricia Roberts of AllianceBernstein and members of the Treasurer's staff. Mr. Robert Gaudreau, Mr. Andrew Reilly and Dr. Robert McKenna were not present.

State Investment Commission Minutes. Treasurer Caprio entertained a motion for approval of the minutes for the meeting of October 27, 2010. Ms. Booth Gallogly moved, Mr. Fay seconded, and the subsequent motion passed. The following members voted in favor: Ms. Booth Gallogly, Mr. Costello, Mr. Fay, Mr. Giudici, Ms. Reback and Treasurer Caprio.

VOTED: To approve the Minutes of the October 27, 2010 monthly meeting.

General Consultant Report. Mr. Burns stated that he will comment on two documents, the fixed income Revised 2010 Ten-Year Capital Market Assumptions and the Rhode Island Fixed Income Portfolio as of September 30, 2010. He observed that in the history of PCA this is the first time that more than one fixed income capital market assumption has been calculated in a calendar year for asset allocation or liabilities studies. Conditions in the fixed income market, where yields have gone from 4.04% to 2.77%, are currently 3.0%, warranted the revised calculation. He emphasized that the important changes are TIPS going from 5% to 4% and domestic fixed income from 4% to 3%. The expected risk did not change but it probably will in January.

Mr. Burns turned to the Fixed Income Portfolio overview. He stated that based on the data as of September 30, 2010, the managers are doing exactly what they were hired to do. They are managing various risks, including interest rate and credit risk, consistent with the fund's mandate guidelines. He noted all the mandates are benchmark sensitive.

CollegeBoundfund Presentation.

Treasurer Caprio called Mr. Robert Keith, Mr. Christopher Nikolich and Ms. Patricia Roberts of AllianceBernstein to give the presentation on the CollegeBoundfund.

Ms. Roberts stated that she is the CollegeBound*fund* relationship manager for the State of Rhode Island. Ms. Roberts noted that the team was on the agenda for a program review, including performance and investment philosophy, and that the topic of the recent Morningstar analysis had been added for discussion.

Ms. Roberts asked the group to turn to page 4 of the CollegeBound*fund* presentation to review a summary of the criteria for the Morningstar analysis. She stated that CollegeBound*fund* received a favorable ranking for its "Pricing" and was ranked nationally as #13 for lowest fees out of the 33 programs in the review. She noted that although CollegeBound*fund*'s competitive pricing nationally was acknowledged, the very favorable fees for Rhode Island residents were omitted. With respect to the topic of "Performance," the CollegeBound*fund* was average in its five-year, age-based performance plans. With regard to the topic of Portfolio construction, she noted that Morningstar offered positive commentary about CollegeBound*fund*'s popular age-based tracks, calling them "well-diversified". She also indicated that CollegeBound*fund* has a variety of other options in addition to the age-based portfolios, including a popular stable value choice, risk-based portfolios and individual fund portfolios. She noted that in the "People" category, CollegeBound*fund* was also given a favorable ranking, indicating that Morningstar ranked the firm #19, a top quartile rank, for strong manager tenure out of 79 plans. Further, she noted that Morningstar ranked AllianceBernstein as #7 out of 18 plans for 5-year manager retention.

Mr. Keith stated that he met with Don Phillips, one of the founders of Morningstar, last week and had met the week prior with individuals who conducted the analysis and issued the report. Mr. Keith noted that Morningstar views corporate change as a question mark whereas AllianceBernstein views it as part of the ongoing evolution of any firm.

The group then discussed investment philosophy and the 2008 market downturn impact.

Ms. Booth Gallogly asked if Morningstar discussed age based options in a child's later years, as a child approaches 17 or 18.

Mr. Nikolich stated that the team had incorporated the following: asset allocation, college inflation, risk factors and participant behavior. There are individual and principal protected options for participants who do not want aged based options. He referred the group to page 48 and 49 in the appendix and highlighted that economic and market downturns were typically short and that markets tended to rebound prior to the bottom of the economic cycle. 2008 was no different from prior market downturns in this regard.

Mr. Costello stated that he recalled that two years ago AllianceBernstein told the board that the reason for the higher equity percentage was that there was an 11 to 12 year payout cycle. He asked if AllianceBernstein's view on that duration has changed or whether it is up to the participant to change options.

Mr. Nikolich commented that AllianceBernstein has not viewed the draw-down period as 11 or 12 years. The examination of over 17 million investor transactions demonstrated that investors typically draw down money over 4 or 5 years, not typically all monies in the beneficiary's first year of college. Therefore, a higher equity allocation can benefit participants by helping to grow their savings above the rate of college inflation as they are saving for college. This is critical as college tuition inflation has averaged over 5% per year.

Mr. Fay asked for clarification of the gain indicated in the chart on page 49.

Mr. Nikolich responded that the slide illustrated that while market downturns were severe, the length of the decline was typically short, averaging 15 months excluding the depression.

Ms. Roberts commented that the AllianceBernstein team has met several times with Mr. Dingley, Mr. Goodreau and others after the difficult time in 2008 to talk about enhancements to the current program structure that might be considered. She also noted that a decision was made by the small group to hold off on any modifications until the direction of the relationship was decided. Early 2009 was clearly not an opportune time to make any modifications to the program that might result in selling at the market bottom. AllianceBernstein will continue to work with the SIC and RIHEAA to consider and potentially implement enhancements to the program.

Treasurer Caprio commented that when we review this issue we should consider that Morningstar focused on the national portion of the program in the fee ranking and in doing so, overlooked that Rhode

Island residents who invest in the program have the lowest available fees in the country for the popular age-based investment options. He also noted the newly-launched CollegeBound*baby* fund provides \$100 for each newly born or adopted child in the state whose parents or guardians open an account within one year of birth or adoption.

Ms. Roberts stated that additionally, RI residents do not have an annual fee as their annual account maintenance fees are waived by AllianceBernstein. She asked the group to look at page 28 of the appendix for current information on the size of the program and the number of accounts established in Rhode Island and across the nation. She noted that Rhode Island's partnership with AllianceBernstein is something you should feel proud of. Treasurer Caprio mentioned that the relationship also provides substantial funding for matching grants and scholarships for Rhode Island residents.

Mr. Nikolich proceeded with a review of performance for the fund and discussed pages 13 – 16 of the presentation. Mr. Nikolich highlighted that all of the underlying components that make up the age-based and risk-based program options have good long-term track records.

Legal Counsel Report. Legal Counsel had no report.

Chief Investment Officer Report. Mr. Goodreau stated that the fund is performing very well in a year that has been hard to navigate. The one month return is up 16 basis points. The fund is 49 basis points ahead of the benchmark for the calendar year and 106 basis points up from the benchmark of 12.95% for the 12 month period ending October 31, 2010. The standard deviation numbers are down relative to peers, and where the fund was in the past. The standard deviation is 11.5 and the benchmark is 12.5. The fund is beating almost every average time period with less volatility.

Treasurer Caprio asked for the return numbers for the fiscal and calendar year to date.

Mr. Goodreau replied that calendar year to date the fund is up 8.6% which is 50 basis points ahead of the 8.1% and for the fiscal year starting July 1, 2010 the fund is up almost 11% with lower fees.

Treasurer's Report. Treasurer Caprio reported that we will keep with the past practice and not hold a December meeting. He said that he and his staff are working closely to assist in a smooth transition. The fund is in a favorable position for the start of the new administration.

New Business. There was no new business.

There being no new business, Treasurer Caprio entertained a motion to adjourn. Ms. Booth Gallogly moved, Ms. Reback seconded, and the subsequent motion passed. The following members voted in favor: Ms. Booth Gallogly, Mr. Costello, Mr. Fay, Mr. Giudici, Ms. Reback and Treasurer Caprio.

VOTED: To adjourn the meeting.

There being no further business, the meeting was adjourned at 10:01 a.m.

Respectfully submitted,



Frank T. Caprio
General Treasurer

RHODE ISLAND INVESTMENT COMMISSION

The meeting of the Rhode Island Investment Commission scheduled for Wednesday, December 15, 2010 was cancelled.



State of Rhode Island and Providence Plantations
Office of the General Treasurer

Gina M. Raimondo
General Treasurer

State of Rhode Island and Providence Plantations
STATE INVESTMENT COMMISSION

Monthly Meeting January 26, 2011

A State Investment Commission (SIC) meeting was held in Room 135, State House, Providence, Rhode Island on Wednesday, January 26, 2011. General Treasurer Raimondo called the meeting to order at 9:02 a.m.

Membership Roll Call. Present were: Ms. Rosemary Booth Gallogly, Mr. Michael Costello, Mr. Thomas Fay, Mr. Robert Giudici, Mr. Andrew Reilly and General Treasurer Gina Raimondo, establishing a quorum. Also present were: Ms. Sally Dowling, of Adler Pollock, & Sheehan and Mr. David Ursillo, of Rodio & Ursillo, Legal Counsel to the Commission; Mr. John Burns of Pension Consulting Alliance (PCA), General Policy Consultant to the Commission; Mr. Scott Paton and Ms. Lisa Tyrrell of State Street Corporation, Ms. Michelle Davidson of Pacific Corporate Group and members of the Treasurer's staff. Mr. Robert Gaudreau, Dr. Robert McKenna and Ms. Marcia Reback were not present.

State Investment Commission Minutes. Treasurer Raimondo entertained a motion for approval of the minutes for the meeting of November 17, 2010. Mr. Reilly moved, Ms. Booth Gallogly seconded, and the subsequent motion passed. The following members voted in favor: Ms. Booth Gallogly, Mr. Costello, Mr. Fay, Mr. Giudici, Mr. Reilly and Treasurer Raimondo.

VOTED: To approve the Minutes of the November 17, 2010 monthly meeting.

General Consultant Report. Mr. Burns introduced the discussion on risk and asked the committee to look at the first page and noted five of the six bullet points are related to fixed income. He thinks there will be a significant issue in 2011 and 2012 and we should start taking a good look at inflation risk and interest rate risk in this portfolio. Mr. Burns said that risk permeates the whole fixed income portfolio especially if interest rates rise quickly. Our goal to combat this risk is to build out a real return portfolio.

Treasurer Raimondo asked if there were any questions and Ms. Booth Gallogly inquired how these concepts apply to hedge funds.

Mr. Burns replied that hedge funds include many different types of investments. An absolute return component of a real return portfolio would be designed to achieve improved performance without adding significant volatility.

Mr. Goodreau added that an appropriate hedge fund is one that not only lowers risk from a volatility standpoint but also provides some kind of correlation benefit.

Mr. Fay asked if there are any capital market assumptions that have changed and Mr. Burns replied that at mid-year, for the first time ever, PCA adjusted their assumptions because interest rates

have gone down so fast and so low. Equity return premiums are the same or higher and long-term these assumptions tend to be stable.

Mr. Costello then asked if there are any managers on a watch list. Mr. Burns replied no, but last year the committee reviewed fixed income. There was nothing critical at the time and the managers performed according to mandate.

Mr. Costello talked about the 529 program and stated that although Alliance said they wouldn't have moving parts they were in the news because a chief financial officer left. Treasurer Raimondo mentioned that during her report she will talk about launching a full review into the 529 program as well as reviewing the entire portfolio top-to-bottom.

Legal Counsel Report. Legal Counsel had no report.

Chief Investment Officer Report. Mr. Goodreau reported that the portfolio has beaten its benchmark across most time periods. The only exception is the 2-year period. Alternatives, due to accounting and liquidity, have hindered performance. The private equity benchmark is S&P plus 300 basis points and the 2 year benchmark is 24% where private equity is up only 5% during that period. This has been a drag on the portfolio and if we strip out private equity and real estate, the rest of the portfolio is performing well against the benchmarks.

Mr. Fay asked for peer review comparisons, because in November, 2010 three-quarters of managers were underperforming their benchmark. Mr. Goodreau answered that most of the fund's active management is in fixed income where the numbers look good compared to the benchmark now, but the volatility is high which is his concern.

Treasurer's Report. Treasurer Raimondo described her first three weeks in office. She brings with her an investment background in alternatives and wants to put that experience to work for the portfolio. She plans to meet individually with all the board members to review the current state of the program. The Treasurer's priorities are to address the allocation for absolute returns, complete the RFP process for an alternatives consultant and do a top-to-bottom review concentrating on the pension portfolio and the 529 account.

New Business. There was no new business.

There being no new business, Ms. Booth Gallogly moved to adjourn, Mr. Reilly seconded and the subsequent motion passed. The following members voted in favor: Ms. Booth Gallogly, Mr. Costello, Mr. Fay, Mr. Giudici, Mr. Reilly and Treasurer Raimondo.

VOTED: To adjourn the meeting.

There being no further business, the meeting was adjourned at 9:27 a.m.

Respectfully submitted,



Gina M. Raimondo
General Treasurer



State of Rhode Island and Providence Plantations
Office of the General Treasurer

Gina M. Raimondo
General Treasurer

State of Rhode Island and Providence Plantations
STATE INVESTMENT COMMISSION

Monthly Meeting February 23, 2011

A State Investment Commission (SIC) meeting was held in Room 135, State House, Providence, Rhode Island on Wednesday, February 23, 2011. General Treasurer Raimondo called the meeting to order at 9:04 a.m.

Membership Roll Call. Present were: Ms. Rosemary Booth Gallogly, Mr. Michael Costello, Mr. Thomas Fay, Mr. Robert Gaudreau Jr., Mr. Robert Giudici, Ms. Marcia Reback, Mr. Andrew Reilly and General Treasurer Gina Raimondo, establishing a quorum. Also present were: Ms. Sally Dowling, of Adler Pollock, & Sheehan and Joe Rodio, Jr., of Rodio & Ursillo, Legal Counsel to the Commission; Mr. John Burns of Pension Consulting Alliance (PCA), General Policy Consultant to the Commission; Mr. Nick Katsikis and Ms. Lisa Tyrrell of State Street Corporation, Frank Karpinski, Executive Director of the Employees' Retirement System of Rhode Island and members of the Treasurer's staff.

State Investment Commission Minutes. Treasurer Raimondo entertained a motion for approval of the minutes for the meeting of January 26, 2011. Mr. Costello moved, Ms. Booth Gallogly seconded, and the subsequent motion passed. The following members voted in favor: Ms. Rosemary Booth Gallogly, Mr. Michael Costello, Mr. Thomas Fay, Mr. Robert Gaudreau Jr., Mr. Robert Giudici, Ms. Marcia Reback, Mr. Andrew Reilly and General Treasurer Gina Raimondo.

VOTED: To approve the Minutes of the January 26, 2011 monthly meeting.

General Consultant Report. The Treasurer asked John Burns from Pension Consulting Alliance to make a presentation on asset liability study.

Mr. Burns pointed out that page two of his handout is basically what we need to know on the topic. The last liability study was in 2003 by Wilshire Associates. PCA did do an asset allocation study in 2009. The asset liability study needs to be performed more frequently to ensure that investments are on track with long-term objectives. The third bullet is important in that the investment markets have changed since 2003 and more importantly the plan's financial condition has changed. Reasons to consider in deciding on a study are: 1. your tolerance for risk could change 2. The plan's financial condition constantly changes or 3. your funding ratio changes. Your view of risk when your 75% funded is very different than when you are 55% funded. The study primarily focuses on risk and return but will also incorporate planned financial metrics like funding ratio, contribution level, and volatility. Typically a study like this takes 2-4 months and there is a lot of board involvement and interactions. A study is usually conducted once every 4 or 5 years and also when RFPs are issued for consultants.

Treasurer Raimondo asked, in addition to the fact that this is a good thing to do because we're over due for it and as trustees we ought to do it, this will also be an opportunity to engage in a discussion about risk. What does risk mean and what level of risk do we feel comfortable with? This is a great board exercise to go through.

Treasurer Raimondo said she also chairs the retirement board which represents the liability side. They are in the process of conducting an experience study. The actuary should finish the study in April. What they do is test our actual experience relative to the assumptions they made. We will have the most accurate data around the liabilities which is another benefit to doing this now.

Treasurer Raimondo entertained a motion to begin an asset liability study. Ms. Booth Gallogly moved, Ms. Reback seconded, and the subsequent motion passed. The following members voted in favor: Ms. Rosemary Booth Gallogly, Mr. Michael Costello, Mr. Thomas Fay, Mr. Robert Gaudreau Jr., Mr. Robert Giudici, Ms. Marcia Reback, Mr. Andrew Reilly and General Treasurer Gina Raimondo.

VOTED: To begin an asset liability study.

Update on the Alternative Consultant Mr. Goodreau stated we have an active alternative consultant RFP and we had three firms come in to make presentations. We've also opened the discussion to look at real estate, the hedge fund space and the total return bucket. The Treasurer has had discussions with many of the board members and she thinks we need to look seriously at making the switch from PCG. She has met with Cliffwater and is meeting with Hamilton Lane this week. The Treasurer thinks we should move on this because we have a large alternative asset portfolio that needs to be managed. If we can find a firm which has expertise across the spectrum there may be benefits because of economies of scale and we should get a little more attention. We are not making a recommendation today, because we are taking it very seriously and being very diligent about it, but next month we may come back and have someone present to the board and we want to engage all of you in this process.

Local Government Investment Pool Presentation: Vincent Izzo explained that we have presented this study on two occasions in the prior administration about our thoughts and research on LGIP. We want to further this discussion and ask the board's approval to go to the next step. To recap, 45 of the 50 states have some type of government pool which services the state, state quasi-agencies, municipalities and legal subdivisions of municipalities. The time is right to bring this to the state of Rhode island. The big benefit is that the pool can get enhanced yield over what we currently invest in while not changing our investment policies. The investment commission's investment policies for short-term investments will govern the pool and we expect, because of the composition of the pool, to get a 25 plus basis point yield in this environment.

Mr. Goodreau stated that this is a vehicle that will be attractive and other municipalities will want to be involved. We are going to be the biggest client, so it will predominately be our decision-making that affects the pool and not 40 different types of opinions. It will have liquidity and is materially more attractive in a low interest rate environment. It will be even more attractive in an environment with higher rates of return.

Treasurer Raimondo says to be clear, in order to set this up it will require some resources from Treasury and Vin's team to establish the structure, an RFP proposal and some education. There will be some start up time commitments that the Treasurer's staff will have to do, but on a go-forward basis the plan would be very limited involvement from our staff. The Treasurer had a lunch with city managers and mayors and the concept has been very favorably viewed.

The Treasurer entertained for a motion to move forward with the a creation of an LGIP and to seek statutory authority for the LGIP. Ms. Booth Gallogly moved, Mr. Costello seconded, and the subsequent motion passed. The following members voted in favor; Ms. Rosemary Booth Gallogly, Mr.

Michael Costello, Mr. Thomas Fay, Mr. Robert Gaudreau Jr., Mr. Robert Giudici, Ms. Marcia Reback, Mr. Andrew Reilly and General Treasurer Gina Raimondo.

VOTED: To move forward with a creation of an LGIP and to seek statutory authority for the LGIP.

Consideration of SBA Pools as Acceptable Collateral for Short-Term Investments: Mr. Izzo says this has risen from a request from our providers. This practice is used throughout the country as the SBA pool is considered a US agency obligation, but since we have never accepted or used SBA pools as collateral, we are asking for formal approval. Being a US agency obligation means it is guaranteed by the full faith and credit of the United States government. From the banks perspective these pools are rated as a zero risk weighted asset. Vin passed out a research paper by Morgan Keegan that supports the use of the pools an investment vehicle and means of collateral. The state of Massachusetts accepts these as collateral and the GFOA best practices states they are accepted by almost every state and subdivision in the country. Mr. Izzo hopes it can produce higher yields on the state's investments because the banks have lower costs of collateral.

Treasurer Raimondo entertained a motion to accept SBA pools as collateral for short-term investments. Ms. Reback moved, Mr. Reilly seconded, and the subsequent motion passed. The following members voted in favor: Ms. Rosemary Booth Gallogly, Mr. Michael Costello, Mr. Thomas Fay, Mr. Robert Gaudreau Jr., Mr. Robert Giudici, Ms. Marcia Reback, Mr. Andrew Reilly and General Treasurer Gina Raimondo.

VOTED: To accept SBA pools as collateral for short-term investments.

Presentation on the OPEB Custodian Contract: Mr. Dingley explained the trust was executed and put into place in December and submitted to the IRS for a favorable determination letter. The state is ready to move assets, but because it deals with retiree health benefits, which must be kept completely separate from pension benefits, a separate custodial agreement is required. We have worked closely with State Street and used the existing custodial agreement for pension assets and revised it to eliminate mention of pension assets and to incorporate the appropriate parts of the OPEB statute. Sally Dowling has reviewed the agreement.

Ms. Dowling stated that the agreement is a traditional custodial agreement which has been modified to conform to the statute. The state needs to do the schedule B fee agreement.

Mr. Dingley says the two remaining elements are the investment policy and fee schedule. Once we finalize the investment policy, we will talk to State Street about fees. We expect the fees to be a few thousand dollars.

Treasurer Raimondo entertained a motion to approve the separate custodial agreement for the OPEB trust subject to final review and approval by legal counsel. Ms. Booth Gallogly moved, Mr. Fay seconded, and the subsequent motion passed. The following members voted in favor: Ms. Rosemary Booth Gallogly, Mr. Michael Costello, Mr. Thomas Fay, Mr. Robert Gaudreau Jr., Mr. Robert Giudici, Ms. Marcia Reback, Mr. Andrew Reilly and General Treasurer Gina Raimondo.

VOTED: To approve the separate custodial agreement for the OPEB trust subject to final review and approval by legal counsel.

Legal Counsel Report. Legal Counsel had no other report.

Chief Investment Officer Report. Mr. Goodreau had no other report.

Treasurer's Report. Treasurer Raimondo thanked everyone for taking the time to meet with her one-on-one. She has a couple more and she is looking forward to those meetings. These meetings are helpful for her to hear the board's ideas, get some historical perspective and hear the board's suggestions on how we should go forward. The board will be hearing from the Treasurer's office about attending some educational sessions. The Treasurer is continuing the review of her office. She has met with most of the and today she is meeting with PCG to get updated on the private equity portfolio. Mr. Costello asked for an update on Alliance Bernstein.

Treasurer Raimondo has engaged a consultant who is an expert in the 529 area and they started a study last week so hopefully we will know more in 30-60 days. The Treasurer has not yet met with Alliance who has asked for a meeting, but she prefers to do her due diligence first and then have the meeting.

New Business. There was no new business.

There being no new business, Ms. Marcia Reback moved to adjourn, Mr. Costello seconded and the subsequent motion passed. The following members voted in favor: Ms. Rosemary Booth Gallogly, Mr. Michael Costello, Mr. Thomas Fay, Mr. Robert Gaudreau Jr., Mr. Robert Giudici, Ms. Marcia Reback, Mr. Andrew Reilly and General Treasurer Gina Raimondo.

VOTED: To adjourn the meeting.

There being no further business, the meeting was adjourned at 9:55 a.m.

Respectfully submitted,



Gina M. Raimondo
General Treasurer



State of Rhode Island and Providence Plantations
Office of the General Treasurer

Gina M. Raimondo
General Treasurer

State of Rhode Island and Providence Plantations
STATE INVESTMENT COMMISSION

Monthly Meeting March 23, 2011

A State Investment Commission (SIC) meeting was held in Room 135, State House, Providence, Rhode Island on Wednesday, March 23, 2011. General Treasurer Raimondo called the meeting to order at 9:08 a.m.

Membership Roll Call. Present were: Mr. Michael Costello, Mr. Thomas Fay, Mr. Robert Gaudreau Jr., Mr. Robert Giudici, Ms. Marcia Reback, Mr. Andrew Reilly and General Treasurer Gina Raimondo, establishing a quorum. Ms. Rosemary Booth Gallogly arrived after the vote on the minutes and left prior to the vote on the alternative consultants. Also present were: Ms. Sally Dowling, of Adler Pollock, Legal Counsel to the Commission; Mr. John Burns and Mr. Alan Emkin of Pension Consulting Alliance (PCA), General Policy Consultant to the Commission; Ms. Lisa Tyrrell of State Street Corporation; Steve Nesbitt and Thomas Lynch of Cliffwater and members of the Treasurer's staff.

State Investment Commission Minutes. Treasurer Raimondo entertained a motion for approval of the minutes for the meeting of February 23, 2011. Ms. Reback moved, Mr. Costello seconded, and the subsequent motion passed. The following members voted in favor: Mr. Michael Costello, Mr. Thomas Fay, Mr. Robert Gaudreau Jr., Mr. Robert Giudici, Ms. Marcia Reback, Mr. Andrew Reilly and General Treasurer Gina Raimondo.

VOTED: To approve the Minutes of the February 23, 2011 monthly meeting.

Update on Asset Liability Study. Treasurer called upon Pension Consulting Alliance (PCA) to update the board on the asset liability study. Mr. Emkin reviewed the presentation and provided a brief review of the asset liability process. Mr. Emkin pointed out this fund hasn't gone through an asset liability study in 8 years. He gave a history of the study in 2003 and talked about the changing market. He explained the portfolio went through a terrific time in the capital markets in the last 25 years. Mr. Emkin discussed low returns on bonds, but explained bonds were needed to diversify the portfolio. As a result he predicted a lower return going forward than in the previous 25 years. Mr. Emkin went on to explain that all academic work has found greater than 90% of the return and the risk of the investment portfolio will be driven by asset allocation. For years, clients concentrated on the return part of the equation. What the industry found in 2008 was a need to study risk. PCA will help the board determine a philosophy on risk.

Treasurer Raimondo commented that she is looking forward to the process and believes the study is critical. The Treasurer conducted due diligence and spoke with the executive vice president of EFI Actuaries who will calculate the liability side of the study. They have 30 years of experience with public pensions. She believes this study will serve as a roadmap the board can use going forward.

Cliffwater Presentation:

Treasurer Raimondo asked Cliffwater to leave the room and called upon Mr. Emkin for an update on PCG and his views on Cliffwater. Mr. Emkin disclosed that he and Steve Nesbitt worked together at Wilshire 28 years ago, but they have no economic relationships today. He explained that PCG has not worked out their business challenges and has lost a large amount of business. Mr. Emkin believes Michelle Davidson is a talented consultant, but the organization, in PCA's opinion, is unstable. Mr. Emkin stated that Cliffwater has excellent clients with highly experienced staff and thinks they will do a commendable job. Treasurer Raimondo welcomed

Cliffwater and introduced Steve Nesbitt as the CEO. The Treasurer turned it over to Cliffwater to make a brief presentation and take questions.

Mr. Nesbitt introduced Thomas Lynch who he has worked with for 20 years. He has a great background in private equity and is the managing director of the firm. Steve Nesbitt reviewed the presentation. He explained that Cliffwater, founded in 2004, is an independent alternative consulting firm that is 100% employee owned. They are SEC registered and accept fiduciary responsibility. They are headquartered in Los Angeles and Rhode Island would be serviced from their New York City location. Cliffwater is considered one of the largest in the alternative space, with \$27 billion of total assets under advisement; over \$15 billion in hedge fund, over \$10 billion in private equity and about \$2 billion in real assets. They only deal with institutional clients and do not deal with high net-worth or taxable investors. They have 28 clients including large retirement systems, state retirement systems, corporate retirement systems, endowments and foundations. Total staff number 36 of which 32 are seasoned investment professionals. Cliffwater has individual teams focused on private equity, hedge funds and real assets.

Mr. Lynch explained that the senior team under investment research, together with Steve Nesbitt, comprises their investment committee.

Mr. Costello asked if Cliffwater had a chance to look at the private equity of the portfolio and if they recommend the vast majority of them?

Mr. Lynch says they would recommend about a third of them.

Mr. Fay asked if they lost any key individuals since inception and are there any large clients that have left?

Mr. Lynch said no one at a director level or higher has left since inception. The largest client Cliffwater lost was Alcatel-Lucent in Boston, because they brought that effort in-house.

Treasurer Raimondo said she spoke to someone from Alcatel-Lucent and she affirmed it was to bring the effort in-house to save money.

Mr. Reilly asked how Cliffwater would recommend a different allocation, how they execute it and at what pace.

Mr. Lynch said Cliffwater could recommend where the portfolio should be in 60 days. They would pick out top-tier general partners and strategies they think would fit in Rhode Island's portfolio and determine when these managers are coming back to the market to raise more funds.

Treasurer Raimondo asked if there were any other questions. There were none and Cliffwater left the room.

Treasurer Raimondo, having formally been in the business, shared her own due diligence and reported that of those she spoke with, all had positive comments toward Cliffwater. Cliffwater has been very responsive and this is the third time their CEO has come to Rhode Island. The Treasurer explained this is a big piece of business for Cliffwater. She also spoke with a representative from Maine who said out of all their consultants, Cliffwater is the best in terms of customer service. The Treasurer likes the hunger of the new business along with the 30 plus years of experience of the senior team. The Treasurer stated she was comfortable proceeding with this firm. The Treasurer then asked Mr. Goodreau to review the due diligence process.

Mr. Goodreau reviewed the process starting with board approval of the RFP in May of 2010. The board received responses from a variety of firms on June 2010. In July and August the Treasurer's office spent 2 months reviewing RFPs and consulted with board members and people to narrow the list. During the August meeting, the firms were narrowed down to Cliffwater, Hamilton Lane and PCG. Since that time, the three firms have presented to the board and subsequently met with staff and the newly elected Treasurer. Staff proceeded to do extensive diligence.

Treasurer Raimondo thanked Mr. Emkin and Mr. Burns for going above and beyond in this process.

Treasurer Raimondo asked for the scope of services.

Mr. Goodreau said Cliffwater is willing to provide complete alternate investment consulting (hedge, private equity, real estate) for \$450,000. He explained that the Cliffwater mandate would offer a complete alternatives solution for slightly more than what we pay PCG for just private equity.

Treasurer Raimondo confirmed that Cliffwater was willing to be the board's complete alternatives advisor for \$450,000 for one year. Their strength is private equity, hedge funds and real assets.

Treasurer Raimondo said Cliffwater is a good fit for the portfolio at this time, because it has no hedge fund, commodity or real asset exposure.

Mr. Goodreau said everything is subject to contract negotiations. The fee structure and scope of services will be negotiated and the contract will only be signed if the structure is beneficial and cost-efficient.

Mr. Emkin explained the board reserves the right to terminate on 30 days notice.

Treasurer Raimondo entertained a motion to terminate PCG and hire Cliffwater for the entire alternative asset space. Ms. Costello moved, Ms. Reback seconded, and the subsequent motion passed. The following members

voted in favor: Mr. Michael Costello, Mr. Thomas Fay, Mr. Robert Gaudreau Jr., Mr. Robert Giudici, Ms. Marcia Reback, Mr. Andrew Reilly and General Treasurer Gina Raimondo.

VOTED: To terminate PCG and hire Cliffwater for the entire alternative asset space.

Short Term Investments: Cash Manager Vincent Izzo was looking for a point of clarification and reaffirmation by the board. Last year, Federal Home Loan Bank (FHLB) letters of credit were approved as a method of collateral for the short-term investment portfolio. One of Rhode Island's banks was going to use one of these vehicles and it was discovered that something brought forward in a previous presentation to the board needed to be clarified. Mr. Izzo stated these letters of credit were the joint liabilities of all 12 FHLBs, according to a white paper from the FHLB of Pittsburg, however in reality the letters of credit are the exclusive responsibility of the issuing FHLB.

Treasurer Raimondo entertained a motion to reaffirm the use of FHLBs as collateral for short-term investments. Ms. Reilly moved, Mr. Costello seconded, and the subsequent motion passed. The following members voted in favor: Mr. Michael Costello, Mr. Robert Gaudreau Jr., Mr. Robert Giudici, Ms. Marcia Reback, Mr. Andrew Reilly and General Treasurer Gina Raimondo. Mr. Fay recused out of any type of conflict of interest with RBS Citizens.

VOTED: To reaffirm the use of FHLBs as collateral for short-term investments.

Legal Counsel Report. Legal Counsel had no other report.

Chief Investment Officer Report. Mr. Goodreau had no other report.

Treasurer's Report. Treasurer Raimondo reported that the first fiduciary training session at the Retirement Board was held and Ms. Booth Gallogly attended. It was successful and Retirement Board was pleased. She shared that the SIC board will continue to receive training invitations and encouraged participation.

New Business. There was no new business.

There being no new business, Ms. Reback moved to adjourn, Mr. Reilly seconded and the subsequent motion passed. The following members voted in favor: Mr. Michael Costello, Mr. Thomas Fay, Mr. Robert Gaudreau Jr., Mr. Robert Giudici, Ms. Marcia Reback, Mr. Andrew Reilly and General Treasurer Gina Raimondo.

VOTED: To adjourn the meeting.

There being no further business, the meeting was adjourned at 10:41 a.m.

Respectfully submitted,



Gina M. Raimondo
General Treasurer



State of Rhode Island and Providence Plantations
Office of the General Treasurer

Gina M. Raimondo
General Treasurer

State of Rhode Island and Providence Plantations
STATE INVESTMENT COMMISSION

Monthly Meeting April 27, 2011

A State Investment Commission (SIC) meeting was held in Room 135, State House, Providence, Rhode Island on Wednesday, April 27, 2011. General Treasurer Raimondo called the meeting to order at 9:05 a.m.

Membership Roll Call. Present were: Ms. Rosemary Booth Gallogly, Mr. Thomas Fay, Mr. Robert Giudici, Ms. Marcia Reback, Mr. Andrew Reilly and General Treasurer Gina Raimondo, establishing a quorum. Also present were: Ms. Sally Dowling, of Adler Pollock, & Sheehan, and Joe Rodio Jr., of Rodio & Ursillo, Legal Counsel to the Commission; Mr. John Burns of Pension Consulting Alliance (PCA), General Policy Consultant to the Commission; Mr. Nicholas Katsikis of State Street Corporation; Thomas Lynch of Cliffwater and members of the Treasurer's staff.

State Investment Commission Minutes. Treasurer Raimondo entertained a motion to approve the minutes for the meeting of March 23, 2011. Ms. Reback moved, Mr. Fay seconded, and the subsequent motion passed. The following members voted in favor: Ms. Rosemary Booth Gallogly, Mr. Thomas Fay, Mr. Robert Giudici, Ms. Marcia Reback, Mr. Andrew Reilly and General Treasurer Gina Raimondo

VOTED: To approve the Minutes of the March 23, 2011 monthly meeting.

Update on Asset Liability Study. Treasurer Raimondo called upon Mr. Burns to update the board on the asset liability study. Mr. Burns referenced the handout to review the strategic asset classes and the role of assets. Mr. Burns described the asset classes to be modeled. Mr. Burns explained how he would model undefined classes such as real return and real estate to best reflect the portfolio.

Ms. Booth Gallogly asked if we are modifying it to get us to where Townsend is now or is that a starting point. Mr. Burns said it is a starting point, but it will be a little more conservative. He pointed out, if you are aggressive today, it is going to take years to get out of that posture. This is why you can blend those models together now and not give up a lot.

Mr. Fay asked how consistent this is with other institutional portfolios looking at the real estate space.

Mr. Burns responded nearly everyone was surprised with their real estate portfolios. They thought they had core real estate and they actually had private equity. Many of PCA's clients are trying to adjust their portfolio to fix this.

Treasurer Raimondo explained the key objective of this study is to provide guidance on the role of real estate and fixed income in our portfolio. The reason Mr. Burns is making it more aggressive is to reflect what we actually own.

Mr. Burns said it is going to be aggressive for awhile no matter what the policy. Also, they don't assume any manager alpha. Just because you have active managers doesn't mean you automatically account for that. It is less the case for Rhode Island because they have less active managers, but this is what the market will give you. Mr. Burns then explained that PCA does not rely on mean variance optimization (MVO), and explained the reasons it was out-dated. He then pointed out how PCA does it differently to create a more realistic set of possible outcomes. He went on to describe allocation restraints used in asset-liability simulations to account for the possibility that the current asset allocation policy might change. Mr. Burns explained that the portfolio is 2:1 U.S. equity to non-U.S. equity. He explained the benefits of diversifying more globally including less risk, greater participation in emerging markets and a better alignment with the investment opportunity universe. The potential risks are larger geopolitical risk and increased currency risk.

Mr. Fay pointed out that most of the models will separate emerging from developed because the characteristics are so different. They are aggregated in this model.

Mr. Burns said that international gets a marginally higher expected return and slightly higher risk. Once you start parsing the portfolio too tightly, mathematically it gets unwieldy, so sometimes you have to refine it more simply.

Ms. Booth Gallogly asked if there are any geopolitical and currency risk in other asset classes.

Mr. Burns said everything is dollar based including foreign based bonds.

Treasurer Raimondo asked Mr. Burns how he will engage the board in the process, because some decisions have to be made.

Mr. Burns said the actuary who is doing the study has all the liability work from Gabriel, Roeder, Smith & Company and is in the process of modeling that as we speak. After today, we will give him the return data. He will have the first attempt at the study and Mr. Burns hopes the board will point out where they want to spend their limited time and resources.

Treasurer Raimondo let the board know she and Mark Dingley spent some time with the actuary Robert McCrory and she was impressed with his experience, diligence and ability to get his arms around the portfolio.

Mr. Burns went on to show the expected return in 2003 compared to 2011 and pointed out the main difference is interest rates.

Cliffwater Presentation: Treasurer Raimondo praised Pacific Corporate Group for being cooperative in the transition process. All of the general partners have been notified of the transition. Cliffwater has done a fantastic job getting started.

Mr. Lynch updated the board on the short-term and long-term objectives with the mandated objective to build a superior alternative investment portfolio to meet strategic asset allocation. In the short-term, Cliffwater will complete the transition from PCG, develop goals and objectives for the portfolio, provide an assessment of the current portfolio and develop an investment plan for the portfolio.

Mr. Goodreau mentioned, if any of the board finds something they want to be more involved in that opportunity is available.

Mr. Lynch then went over the timeline for the objectives on page 4 of the handout.

Treasurer Raimondo asked when Cliffwater anticipates coming to the board with specific recommendations in private equity.

Mr. Lynch reported at the end of May.

Treasurer Raimondo asked if there is any detriment to waiting.

Mr. Lynch said you will not miss anything in the next 30 days.

Treasurer Raimondo asked if Cliffwater is recommending any secondary sales.

Mr. Lynch says yes, to be opportunistic. Cliffwater will put the portfolio into three categories: buy, hold and sell.

Treasurer Raimondo asked if we have a private equity subcommittee.

Mr. Reilly replied yes, it was Mr. Goodreau, Michelle Davidson and Mr. Reilly.

Mr. Reilly pointed out, if you monitor funds, there are times when people would be willing to pay a lot in the secondary market for funds they weren't willing to buy before.

Mr. Goodreau pointed out the secondary approach before was a big macro decision to get back in line with cash flows. Now we have positive cash flow so we don't feel we have to sell private equity. Now we can approach it from an opportunistic standpoint.

Mr. Reilly said what is important now is active portfolio management to reduce drag to the IRR.

Mr. Lynch reviewed the specific objectives for the alternative portfolio: generating the right kind of alpha and avoiding added equity, beta restructuring the existing alternative investment portfolio and facilitating an investment process that allows for efficient execution and implementation. The target is to generate annual alpha of 300bps with an information ratio of 1.0 or greater. He explained the Cliffwater conducts a survey of 97 public pension funds with \$2.1 trillion in assets and their alternative investment allocations. Roughly 20% of all pension fund assets are invested in alternative investments and they are increasing about 1-2% per year with hedge funds as the fastest growing subgroup.

Treasurer Raimondo asked why hedge funds would be a separate category from real assets.

Mr. Lynch answered that real assets have a positive correlation to unexpected inflation and hedge funds do not have that component. But there is still a little beta exposure and some have positive correlation to equities, interest rates, credit spreads and commodities. It is only a small part of the hedge fund world that has commodity exposure, which is why it is looked at as a separate allocation.

Treasurer Raimondo asked, if you have a long-short U.S. equity fund that is unlevered, should that be in the hedge fund or equity?

Mr. Lynch responded that he would break out the hedge fund strategies to produce alpha and apply it to the traditional asset class as it associates to beta. He would put the long-short manager in the equity portfolio. The best practice would be to apply the hedge fund strategies which are trying to approve alpha to the beta they are investing in.

Mr. Reilly pointed out the board has never had the conversation of the allocation within the private equity allocation. There are certain areas within this where we have no exposure.

Mr. Lynch agreed and said mezzanine is an area the portfolio doesn't have exposure. He then explained a chart of public pension funds and their allocation to alternatives, including MOSERS which has a 54% allocation to alternatives and is similar in size to ERSRI. The median is 17% and the average is 20%. He then explained the types of alternative investment used by public funds. The biggest systematic shift is from real estate to hedge funds.

Treasurer Raimondo explained the slide on page 7 showing public funds allocation to alternatives is useful, but would be more useful if we knew the liability side of the equation for those funds.

Ms. Booth Gallogly asked about the plans with the largest allocation to alternatives and if that is where they wanted to be. Do they have cash problems?

Mr. Lynch said they didn't necessarily want to be that high.

Mr. Goodreau explained MOSERS has made a collective decision and Pennsylvania has a lot of portable alpha and real estate they didn't necessarily want to be in.

Mr. Lynch then provided a brief private equity market outlook. He pointed out the buyout market continues expansion with more credit and the buyout volume is expanding with larger buyout deals. Cliffwater believes the opportunities going forward are in the buyout space more weighted in the small to medium size funds. Venture capital is still attractive in the early stage because of social media companies. There are distressed opportunities in Europe as banks restructure and growth in emerging markets in Asia, South America and Eastern Europe.

Legal Counsel Report. Legal Counsel had no other report.

Chief Investment Officer Report. Mr. Goodreau reported performance is more reflective of reality because private equity accounting was lagging dramatically. Our three year number is 2.8% and the benchmark is 2.1%. Our one year is 13% and our benchmark is 12.9% so we are either modestly above or below. Year to date is 4.3% with a 4.0% benchmark. There is still some lag in the S & P, with a benchmark of S& P plus 300bps. The private equity has a quarter of lag, so it is catching up and that is where the drag was before. We are north of \$7.5 billion as of last night's close and \$7.48 billion in this report.

Treasurer's Report. Treasurer Raimondo pointed out the board received a copy of the experience study from the Rhode Island Retirement Board. The retirement board voted to approve the recommendations in the actuary's report which include the adjustment of the mortality assumptions and a reduction in the assumed rate of return. She let the board know the next fiduciary training is in June.

Mr. Goodreau asked the board to let him know if they have an interest in the private equity subcommittee.

New Business. There was no new business.

There being no new business, Mr. Reilly moved to adjourn, Ms. Booth Gallogly seconded and the subsequent motion passed. The following members voted in favor: Ms. Rosemary Booth Gallogly, Mr. Thomas Fay, Mr. Robert Giudici, Ms. Marcia Reback, Mr. Andrew Reilly and General Treasurer Gina Raimondo

VOTED: To adjourn the meeting.

There being no further business, the meeting was adjourned at 10:15 a.m.

Respectfully submitted,



Gina M. Raimondo
General Treasurer



State of Rhode Island and Providence Plantations
Office of the General Treasurer

Gina M. Raimondo
General Treasurer

State of Rhode Island and Providence Plantations
STATE INVESTMENT COMMISSION

Monthly Meeting May 25, 2011

A State Investment Commission (SIC) meeting was held in Room 135, State House, Providence, Rhode Island on Wednesday, May 25, 2011. General Treasurer Raimondo called the meeting to order at 9:04 a.m.

Membership Roll Call. Present were: Ms. Rosemary Booth Gallogly, Mr. J. Michael Costello, Mr. Thomas Fay, Mr. Robert Giudici, Ms. Marcia Reback, Mr. Andrew Reilly and General Treasurer Gina Raimondo, establishing a quorum. Also present were: Ms. Sally Dowling, of Adler Pollock, & Sheehan, and Mr. Joe Rodio Jr., of Rodio & Ursillo, Legal Counsel to the Commission; Mr. John Burns and Mr. Alan Emkin of Pension Consulting Alliance (PCA), General Policy Consultant to the Commission; Mr. Robert McCrory, Executive Vice President of EFI Actuaries; Ms. Lisa Tyrell of State Street Corporation; Thomas Lynch of Cliffwater; Mr. Frank Karpinski, Executive Director of Employees' Retirement System of Rhode Island and members of the Treasurer's staff.

State Investment Commission Minutes. Treasurer Raimondo entertained a motion to approve the minutes for the meeting of April 27, 2011. Ms. Gallogly moved, Mr. Fay seconded, and the subsequent motion passed. The following members voted in favor: Ms. Rosemary Booth Gallogly, Mr. J. Michael Costello, Mr. Thomas Fay, Mr. Robert Giudici, Ms. Marcia Reback, Mr. Andrew Reilly and General Treasurer Gina Raimondo

VOTED: To approve the Minutes of the April 27, 2011 monthly meeting.

Update on Asset Liability Study. Treasurer Raimondo called upon Mr. McCrory and Mr. Emkin to update the board on the asset liability study.

Mr. McCrory confronted the issue of Rhode Island's unique demographic and how that demographic plays a role in how to balance the state's assets and liabilities. Mr. McCrory pointed out that the employer's cost as well as funding risk will be increasing over the next couple of years. Mr. McCrory showed some projections from the actuaries for the expected benefit payouts and how the state's plans were not like most other plans because of the state's demographics.

Treasurer Raimondo asked if Mr. McCrory was referring to public sector plans in his comparison.

Mr. McCrory confirmed that he was comparing the state's plan to other public sector plans.

Mr. Fay asked if the difference in Rhode Island's projections was a function of the change in staffing and the fact that the number of employees goes up at a higher rate.

Mr. McCrory said the staffing issue comes down to when people were hired. Mr. McCrory continued to explain the assumptions were made to create the models in the presentation.

Ms. Gallogly asked why five year smoothing and capital market assumptions on the return were not used.

Mr. McCrory reassured that gains and losses are not the issue and that five year smoothing does not accomplish that much because the fact that the five year period moves over time and creates additional volatility.

Treasurer Raimondo asked if it was unusual to have such a high percentage of the liabilities be attributed to inactive members.

Mr. McCrory agreed that it is a very unusual circumstance. Mr. McCrory said the state is about 20% higher than the typical pattern for most plans. He said no money has been put aside for active members and the state is still working on completely funding the inactive members.

Ms. Reback pointed out the state is down several thousand members due to lay-offs and forced retirements.

Mr. Emkin said the problem with people retiring early is that it means those people will begin taking out of the system earlier and then if you don't replace them, this compounds the problem.

Ms. Gallogly asked how this solution of hiring young workers would affect the liability side under the current benefit structure.

Mr. McCrory said usually with younger employees, their entire cost is paid for by their own contributions. He also pointed out that these younger employees would be so far away from retirement that the chances of them making it to retirement, not being terminated or leaving, is very low so they become donors to this plan and expand the payroll base.

Treasurer Raimondo asked how long-term investment gains are accounted for when creating the number ratio of the rate benefits are going out to the amount coming in.

Mr. Emkin said that number comes from contribution minus benefit payments; it doesn't look at the investment side of the equation at all.

Mr. Fay asked why the numbers in the liability wouldn't dramatically drop in the 30 year projections when the older population generation passes on and no longer takes from it.

Mr. McCrory showed another chart showing 100 years out, that liabilities do go down significantly.

Mr. Emkin said that the reason the liability doesn't go down as rapidly as one might expect is because the state is so currently under funded.

Mr. McCrory said another problem is the schedule B benefits are so much lower than the schedule A benefits and as the amount funded goes up, the cost risk also increases. Mr. McCrory explained that the more assets you have the riskier the plan is in terms of employer's cost.

Mr. Emkin said as the state becomes better funded it must decide what level of risk it would like to take on and maintain to work best for the state in the future.

Mr. Costello asked what the current ratio was.

Mr. McCrory said the ratio was 3.3 times assets to payroll, but as the plan increases that ratio will increase and become closer to the normal ratio which is about 5 times.

Ms. Gallogly asked if the state would need to achieve the higher percentages in order to achieve 100% funded status by the actuary's projected date.

Mr. Emkin confirmed this and he also stated this would not happen using the current portfolio.

Ms. Gallogly asked if the state would adopt a portfolio that could in fact hit these benchmarks.

Mr. Emkin said that would have to be decided after looking at the tradeoff of having more volatility and a wider range of outcomes.

Cliffwater Presentation: Mr. Lynch gave a quick overview on where the private equity portfolio stands today. He recommended that the state begin to make more commitments in order to maintain its target of 7.5%. Mr. Lynch pointed out biases in the portfolio such as large exposure to large corporate finance and its small exposure to small corporate finance as well as very little exposure to certain international markets specifically the Asia/Pacific area and maintain diversification. He suggested the state moves toward medium to smaller sized corporate finance. Mr. Lynch said the state should be looking for a premium on its private equity of about 300 basis points. He showed the expectations and distributions for the maturity of the current portfolios and noted without making more commitments the portfolio will decline pretty quickly.

Mr. Reilly asked if the later years would also be less on these distributions.

Mr. Lynch confirmed and noted that the state's international exposure is mainly Europe and that the exposure in Asia is a very small percentage of the total.

Treasurer Raimondo asked what Mr. Lynch thought would be a good number of partners for the state's fund.

Mr. Lynch responded that the number would be somewhere between 20 and 30, ideally 25 partners.

Mr. Kenneth Goodreau, chief investment officer, asked if there are some portfolio managers the board is not going to re-up, so how should the state approach new secondary opportunities.

Mr. Lynch answered if there is an opportunity to sell then they should sell. Mr. Lynch showed a few models of the state's private equity budget with the assumptions that the total fund will grow by 4.5% per year. Mr. Lynch commented that he knows down the road the model will be wrong because it's just a simulation of what might happen to market values.

Mr. Lynch showed a chart of a recommended commitment schedule. Mr. Lynch provided a breakdown of the different sections that would be acquiring new partners and commitments.

Mr. Reilly expressed fear that in another financial crisis the cash flow would be much worse if the state had to deal with frozen private equity.

Mr. Emkin said that next month the board may know how much money may be put into this. Mr. Emkin commented that the lack of liquidity that existed in previous financial crises is better regulated today. Mr. Lynch said that Cliffwater updates their models frequently to adapt so that it is better prepared to foresee possible issues of illiquidity and minimize risk. Treasurer Raimondo asked Mr. Lynch to bring a distribution of some newly invested commitments to his next presentation. Mr. Lynch said he would bring the information and framework to his next presentation and would like to keep a forward looking approach, so he will bring short term as well as long term commitment recommendations.

OPEB. Treasurer Raimondo referred to the OPEB Trust Investment Policy handout. Mr. Mark Dingley discussed the statute passed by the General Assembly that requires funding of the OPEB Trust with the actuarial assumption of 5% returns. He explained the SIC is responsible for the investment of the funds. It's members must make sure investments are made in accordance with the policies of the Trust. Mr. Dingley said the SIC could recommend different allocations for its policy in order to meet the expected value of return. Treasurer Raimondo entertained a motion to approve the investment policy for the OPEB Trust. Ms. Gallogly moved, Mr. Costello seconded, and the subsequent motion passed. The following members voted in favor: Ms. Rosemary Booth Gallogly, Mr. J. Michael Costello, Mr. Thomas Fay, Mr. Robert Giudici, Mr. Andrew Reilly and General Treasurer Gina Raimondo

VOTED: To approve the investment policy for the OPEB Trust.

Legal Counsel Report. Legal Counsel had no other report.

Chief Investment Officer Report. Mr. Goodreau had no other report.

Treasurer's Report. Treasurer Raimondo noted that next month is an important meeting that will require a decision on whether it's appropriate to make any changes to the state's investment policy in light of what is now known about the liabilities. Treasurer Raimondo brought up the possibility of entering hedge funds and that asset class sometime this year. Treasurer Raimondo mentioned her new website that was just launched called SecurePathwayRI.com and noted that they will continually be posting new educational information on that site in case anyone has questions.

New Business. There was no new business.

There being no new business, Ms. Gallogly moved to adjourn, Mr. Costello seconded and the subsequent motion passed. The following members voted in favor: Ms. Rosemary Booth Gallogly, Mr. J. Michael Costello, Mr. Thomas Fay, Mr. Robert Giudici, Mr. Andrew Reilly and General Treasurer Gina Raimondo

VOTED: To adjourn the meeting.

There being no further business, the meeting was adjourned at 10:50 a.m.

Respectfully submitted,



Gina M. Raimondo
General Treasurer



State Investment Commission

Monthly Meeting Minutes

Wednesday, June 22, 2011

9:00 a.m.

Room 135, State House

The Monthly Meeting of the State Investment Commission (SIC) was called to order at 9:00 a.m., Wednesday, June 22, 2011 in Room 135, State House.

I. Roll Call of Members

The following members were present at roll call: Ms. Rosemary Booth Gallogly, Mr. J. Michael Costello, Mr. Thomas Fay, Mr. Robert Giudici, Ms. Marcia Reback, Mr. Andrew Reilly and General Treasurer Gina Raimondo.

Also in attendance: Ms. Sally Dowling, of Adler Pollock, & Sheehan, and Mr. Joe Rodio Jr., of Rodio & Ursillo, Legal Counsel to the Commission; Mr. Nicholas Katsikis of State Street Corporation; Mr. John Burns and Mr. Alan Emkin of Pension Consulting Alliance (PCA), General Policy Consultant to the Commission; Thomas Lynch and Steve Nesbitt of Cliffwater; Mr. Christopher Nikolich and Ms. Patricia Roberts of AllianceBernstein and members of the Treasurer's staff.

Recognizing a quorum, Treasurer Raimondo called the meeting to order.

II. Approval of Minutes

On a motion by Ms. Gallogly and seconded by Mr. Costello, it was unanimously **VOTED: To approve the draft of the minutes of the May 25, 2011 meeting of the State Investment Commission.**

III. Update on Asset Liability Study

Treasurer Raimondo called upon Mr. Emkin and Mr. Burns to update the board on the asset liability study.

Mr. Emkin gave background information on the difference in the economy of today versus over 10 years ago and explained the state lacks the diversification in its portfolio is necessary to succeed in the market with steady returns. Mr. Emkin said investments will not solve the financial challenges facing the state currently. Mr. Emkin recommended the state adopt a policy with a similar rate of return while assuming a lower level of risk, achieving this through a more diversified portfolio.

Mr. Fay expressed that the newly built portfolio may be too short-term and modeled around avoiding the tail-risk, which can be very significant.

Mr. Burns explained the plan is optimized on a ten year tail.

Ms. Gallogly and Mr. Emkin discussed the level of risk involved in real estate and the role it should play in the new portfolio.

Treasurer Raimondo asked Mr. Emkin what type of return stream he was assuming.

Mr. Emkin said he expected a lower return stream which was less correlated.

Treasurer Raimondo asked for PCA to bring an implementation plan to the next meeting.

Mr. Costello, Mr. Fay, and Mr. Emkin discussed the differences between the recommended plan, plan 10, and a similar plan with a different level of private equity and global exposure, plan 17. Mr. Emkin defended plan 10 as the best option for the state at this time, but agreed the situation down the road may be different.

Mr. Kenneth Goodreau prefers to use ranges of target returns in discussion as opposed to overly specific percentages to avoid the rounding errors as well as to address the true nature of the market which in reality is not going to be able to hit an exact percentage consistently, there needs to be flexibility. The discussion needs to include what the states range of tolerance will be for this new plan.

Mr. Emkin said there can be a target and a range.

Treasurer Raimondo explained this is a dynamic process and it does not have to be a static, unchanging process.

Mr. Emkin recommended the board adopt the policy and then they can change implementation any way they choose at a later time. Mr. Emkin recommended plan 10.

Treasurer Raimondo entertained a motion to adopt allocation plan 10, as recommended by PCA. Mr. Costello moved, Ms. Gallogly seconded, and the subsequent motion passed. The following members voted in favor: Ms. Rosemary Booth Gallogly, Mr. J. Michael Costello, Mr. Thomas Fay, Mr. Robert Giudici, Ms. Marcia Reback, Mr. Andrew Reilly and General Treasurer Gina Raimondo.

VOTED: To adapt allocation plan 10, as recommended by PCA.

IV. AllianceBernstein Presentation

Treasurer Raimondo asked Josh Brumberger to give an overview of the current state of the CollegeBoundfund.

Mr. Brumberger said after a thorough review of the 529 industry, he found

CollegeBoundfund to have a higher equity exposure in two of the age based glide-paths, and it's those paths which represent a bulk of the assets. Mr. Brumberger stated he believes the fund would benefit from additional international equity exposure as well as additional low cost index and conservative options and more robust and descriptive language around the product offerings specifically around age based paths. Mr. Brumberger said the program is a strong program, but he wants to make sure the program remains proactive instead of reactive. Mr. Nikolich said it would make sense to de-risk from the asset allocation and this would enhance the strength of the fund with volatility management.

Mr. Fay and Mr. Nikolich discussed the mechanics of volatility management for the fund.

Mr. Brumberger and Treasurer Raimondo stressed the importance of protecting families from losing all of their savings in a volatile market and then not being able to send their child to college as a result.

Treasurer Raimondo said she would like to make sure people have options so they can choose a low level of risk or a higher level of risk depending on their situation.

Mr. Costello and Mr. Nikolich discussed the assumptions made in projections of the fund in the future versus the assumptions made in previous projections.

Ms. Gallogly expressed interest in a no risk option but asked about how that would be marketed versus the conservative risk option.

Mr. Fay asked for an overview of what the average account looks like, since there are 500,000 accounts approximately. Mr. Fay also asked how the board and the account owners could measure the success of the fund.

Mr. Emkin suggested the board use an up-side capture and a down-side capture because it's easy to understand.

Treasurer Raimondo said the board needs to keep in mind that the account owners are not always thinking long term, as they get closer and closer to college age children they become more and more short-term thinkers.

Treasurer Raimondo thanked AllianceBernstein for being a good partner and also offering two Vanguard products as options. Treasurer Raimondo entertained a motion to adopt the proposed changes from AllianceBernstein. Ms. Reback moved, Mr. Fay seconded, and the subsequent motion passed. The following members voted in favor: Ms. Rosemary Booth Gallogly, Mr. J. Michael Costello, Mr. Thomas Fay, Mr. Robert Giudici, Ms. Marcia Reback, Mr. Andrew Reilly and General Treasurer Gina Raimondo

VOTED: To adopt the proposed changes as recommended on pages 6 and 7 of the AllianceBernstein presentation.

V. Cliffwater Presentation

Mr. Lynch said the main point of the presentation for this meeting would be hedge strategies and hedge funds in the asset allocations and the equity portfolio of the state.

Mr. Nesbitt said hedge funds would be a great implementation tool for the asset allocation. Mr. Nesbitt explained hedge funds have become very popular to use for pension funds. Mr. Nesbitt pointed out the attractiveness of hedge funds comes from their equity like returns but with low levels of risk. Mr. Nesbitt recommends the state invests directly into hedge funds and not through a fund of funds system to avoid an intermediary fee.

Mr. Goodreau gave more examples of why direct investment into hedge funds is more advantageous for the state than going through a fund of funds and explained there's more control for the manager.

Mr. Lynch pointed out hedge funds are not immune to risk and losses, but even in the crisis of 2008 the losses were predictable given the risk level.

Mr. Goodreau emphasized the importance of recognizing that hedge funds are different than anything else and it becomes dangerous if you start grouping it together with other completely different products.

Mr. Emkin and Mr. Fay acknowledged the most important thing about hedge funds to remember is active management and leverage.

Mr. Lynch broke down hedge funds into six different categories and explained which ones would go into which asset class. Mr. Lynch said he would like PCA to make a recommendation for percentages of global equity and hedge funds so they can make an implementation plan to make it clear.

Treasurer Raimondo said next month the board will expect an implementation strategy and the board can pick some managers.

Mr. Lynch said he hopes the board can have this fully implemented by year end.

VI. Legal Counsel Report

Legal Counsel had no other report.

VII. Chief Investment Officer Report

Mr. Goodreau pointed out two extremes on page two under other historical metrics to pay attention to in PCA's risk overview monthly report; one extreme was the slope of the yield curve and one was the interest rate risk. Mr. Goodreau also noted US private equity and real estate are approaching unfavorable pricing. Mr. Goodreau said these are the things the board needs to spend time on and discuss when they are building the new portfolio.

VIII. Treasurer's Report

Treasurer Raimondo noted the contract with State Street is finishing up at the end of July so they're going to go ahead and put out an RFP for a new custodian contract.

Mr. Dingley added they are extending the State Street contract for another six months.

Treasurer Raimondo said she will be working with Mr. Goodreau to change the way the state does its benchmarking so benchmarks can be more productive for the pension fund.

Treasurer Raimondo also told the board about her pension advisory group with governor and invited anyone to discuss that with her at anytime.

IX. New Business

None this month

X. Adjournment

There being no other business to come before the Board, on a motion by Mr. Fay and seconded by Mr. Costello the meeting adjourned at 10:50 a.m.

Respectfully submitted,



Gina M. Raimondo
General Treasurer