STATE OF RHODE ISLAND

ANNUAL REPORT OF THE TREASURY DEPARTMENT

FISCAL YEAR 2014

THE HONORABLE SETH MAGAZINER, GENERAL TREASURER

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

Seth Magaziner
General Treasurer

To the Honorable General Assembly:

I am pleased to submit the Office of General Treasurer Annual Report for fiscal year ending June 30, 2014 pursuant to section 42-10-17 of the Rhode Island General Laws. The Annual Report summarizes the state's revenues and expenditures, cash investments, and activity involving state-administered retirement plans, as well as debt issues and payments.

The Government Accounting Standards Board (GASB) financial reporting guidelines allow investment income to be presented net of related expenses when the expenses are not readily separable, which is how the information is reported in these financial statements. Recognizing the public's interest in greater transparency around fees, Treasury continues to go above and beyond standard practice to provide disclosure of investment expenses for the pension system, including details on both direct and indirect expenses for external investment managers. This information is readily available on the Treasury website (www.treasury.ri.gov).

We continually strive to improve all of our systems. In Retirement we have embarked on acquiring and implementing a new Accounting and Benefits management system which will improve our reporting capabilities and provide even better information to our members. Cash Management continues to work on its systems. An RFP is in the works to acquire a Treasury workstation which will enhance the monitoring and payment process and has the capabilities for future enhancements to assist other areas within Treasury. Our department oversees balances that approach a billion dollars at certain points of the year with daily flows of $25 million to $150 million daily. Additionally, we continue to work on fees paid to banks, and as a result of our comprehensive review of services and an RFP we save the state 40 percent on a year over year comparison. We have also embarked on a best practices tour of State and Quasi agencies, bringing technological improvements in electronic banking, saving both time and money while improving cash flows.

Accurately compiling this report of the state's financial position, and including more detailed data, is due to the efforts of the treasury and retirement system staff. Additionally, members of the State Investment Commission and Retirement Board have provided countless volunteer hours to improve accountability and disclosure for all of the programs they oversee. Together, all these individuals strive to achieve our common goal of efficiently managing the state's finances on behalf of all Rhode Islanders.

Sincerely,

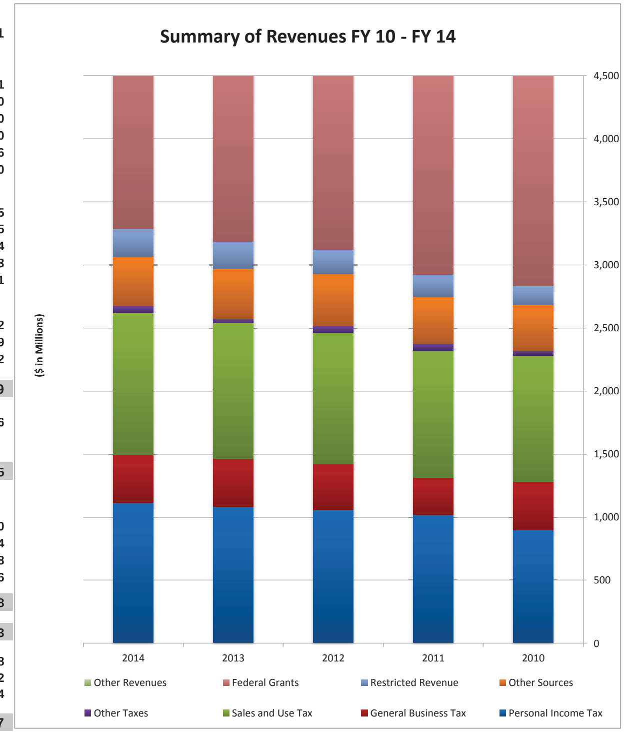
Seth Magaziner
General Treasurer

50 Service Avenue – Warwick, Rhode Island 02886-1021 – (401) 462–7650 / Fax 462–7695

REVENUES AND EXPENDITURES

State of Rhode Island
Summary of Revenues
June 30, 2014

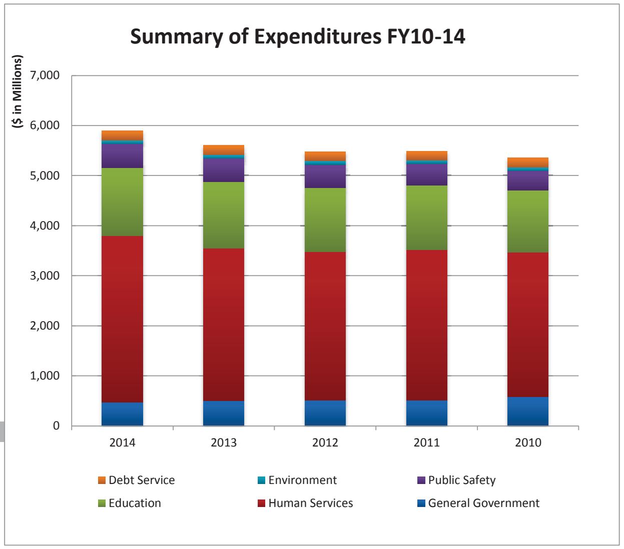
	2014	2013	2012	2011	2010	2009
PERSONAL INCOME TAX	$ 1,115,513,000	$ 1,085,765,000	$ 1,060,482,000	$ 1,021,339,000	$ 898,113,000	$ 940,513,781
GENERAL BUSINESS TAXES:						
Business Corporations	$ 114,215,000	$ 131,828,000	$ 123,054,000	$ 84,510,000	$ 146,835,000	$ 104,436,811
Gross Earnings Tax-Public Utilities	$ 101,382,000	$ 99,641,000	$ 100,631,000	$ 103,744,000	$ 95,793,000	$ 126,664,890
Income Tax-Financial Institutions	$ 16,611,000	$ 12,595,000	$ 3,558,000	$ 2,459,000	$ 2,319,000	$ 5,358,740
Tax on Insurance Companies	$ 102,357,000	$ 92,745,000	$ 89,488,000	$ 60,590,000	$ 95,921,000	$ 78,016,930
Tax on Deposits-Banking Institutions	$ 2,472,000	$ 2,877,000	$ 2,001,000	$ 1,967,000	$ 1,860,000	$ 1,802,796
Health Care Provider Assessment	$ 42,131,000	$ 41,569,000	$ 41,922,000	$ 40,761,000	$ 40,254,000	$ 46,030,570
SALES AND USE TAXES:						
Sales and Use Tax	$ 916,083,000	$ 878,866,000	$ 851,056,000	$ 813,007,000	$ 803,395,000	$ 807,946,985
Motor Vehicle Tax	$ 52,408,000	$ 49,431,000	$ 48,392,000	$ 47,655,000	$ 48,285,000	$ 47,925,805
Gasoline Tax	$ 524,000	$ 438,000	$ 733,000	$ 1,055,000	$ 969,000	$ 1,325,034
Cigarette Tax	$ 139,462,000	$ 132,516,000	$ 131,086,000	$ 134,060,000	$ 138,315,000	$ 130,503,213
Alcohol	$ 18,252,000	$ 12,176,000	$ 11,874,000	$ 11,683,000	$ 11,269,000	$ 10,811,831
OTHER TAXES:						
Inheritance and Gift	$ 43,592,000	$ 28,489,000	$ 46,412,000	$ 46,855,000	$ 29,057,000	$ 28,096,912
Racing and Athletics	$ 1,177,000	$ 1,171,000	$ 1,327,000	$ 1,325,000	$ 1,492,000	$ 2,450,809
Realty Transfer Tax	$ 7,962,000	$ 7,399,000	$ 6,435,000	$ 6,371,000	$ 6,994,000	$ 6,811,322
TOTAL TAXES	$ 2,674,141,000	$ 2,577,506,000	$ 2,518,451,000	$ 2,377,381,000	$ 2,320,871,000	$ 2,338,696,429
DEPARTMENTAL RECEIPTS	$ 360,678,000	$ 356,832,000	$ 339,895,000	$ 332,715,000	$ 333,128,000	$ 318,804,246
Total Taxes and Departmentals	$ 3,034,819,000	$ 2,934,338,000	$ 2,858,346,000	$ 2,710,096,000	$ 2,653,999,000	$ 2,657,500,675
OTHER SOURCES						
Gas Tax Transfer	$ -	$ -	$ -	$ -	$ 24,000	$ 4,327,710
Other Miscellaneous	$ 6,392,000	$ 4,166,000	$ 20,110,000	$ 11,116,000	$ 12,467,000	$ 17,813,994
Lottery	$ 376,327,000	$ 379,225,000	$ 377,706,000	$ 354,861,000	$ 344,673,000	$ 337,515,478
Unclaimed Property	$ 12,724,000	$ 6,269,000	$ 14,556,000	$ 7,640,000	$ 5,867,000	$ 8,044,126
Total Other Sources	$ 395,443,000	$ 389,660,000	$ 412,372,000	$ 373,617,000	$ 363,031,000	$ 367,701,308
Total General Revenues	$ 3,430,261,000	$ 3,323,998,000	$ 3,270,718,000	$ 3,083,713,000	$ 3,017,030,000	$ 3,025,201,983
Restricted Revenue/Other	$ 216,142,000	$ 220,983,000	$ 192,642,000	$ 174,192,000	$ 149,638,000	$ 133,872,448
Federal Grants	$ 2,345,942,000	$ 2,129,847,000	$ 2,119,476,000	$ 2,314,100,000	$ 2,275,606,000	$ 2,001,605,092
Other Revenue	$ 59,334,000	$ 62,372,000	$ 67,640,000	$ 65,933,000	$ 67,628,000	$ 57,659,514
TOTAL	$ 6,051,679,000	$ 5,737,200,000	$ 5,650,476,000	$ 5,637,938,000	$ 5,509,902,000	$ 5,218,339,037



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/Financial Reports/index.php

State of Rhode Island
Summary of Expenditures
June 30, 2014

	2014	2013	2012	2011	2010	2009
General Government	$ 468,696,000	$ 504,096,000	$ 507,698,000	$ 510,102,000	$ 577,900,000	$ 618,914,000
Human Services	$ 3,325,539,000	$ 3,042,755,000	$ 2,969,166,000	$ 3,009,098,000	$ 2,884,418,000	$ 2,711,166,000
Education	$ 1,357,630,000	$ 1,330,129,000	$ 1,281,879,000	$ 1,287,549,000	$ 1,239,074,000	$ 1,217,271,000
Public Safety	$ 479,997,000	$ 463,734,000	$ 459,114,000	$ 428,687,000	$ 394,860,000	$ 401,976,000
Environment	$ 76,118,000	$ 70,145,000	$ 75,141,000	$ 71,812,000	$ 67,427,000	$ 68,933,000
Debt Service	$ 188,013,000	$ 193,443,000	$ 184,960,000	$ 182,595,000	$ 189,355,000	$ 169,956,000
Total Expenditures	$ 5,895,993,000	$ 5,604,302,000	$ 5,477,958,000	$ 5,489,843,000	$ 5,353,034,000	$ 5,188,216,000



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SHORT TERM CASH AND INVESTMENTS

State of Rhode Island
Office of the General Treasurer
Schedule of Interest Earned
FY 2014

Fund	Count		Amt. Matured		Interest Earned	(W)Avg Interest Rate	(W)Avg Duration (Days)
GENERAL FUND	259	$	2,942,137,597.29	$	537,597.29	0.30%	1.00
H.A.V.A	12	$	0.31	$	0.31	0.11%	1.00
GENERAL FUND (HIST PRES)	12	$	432.95	$	432.95	0.08%	1.00
HISTORIC TAX CREDIT	15	$	3,100,510.07	$	510.07	0.08%	1.00
HIGHWAY FUND	104	$	301,132,080.29	$	32,080.29	0.20%	1.00
T.D.I. RESERVE (DET)	87	$	434,653,388.96	$	240,789.84	0.22%	24.26
RICAP GL FUND	74	$	153,935,362.13	$	135,362.13	0.17%	1.00
BOND CAPITAL FUND	34	$	32,008,009.87	$	8,009.87	0.25%	1.00
R.I. CLEAN WATER ACT	24	$	2,652.81	$	2,652.81	0.08%	1.00
STATE LOTTERY FUND	219	$	404,808,323.91	$	108,323.91	0.25%	1.00
ASSESSED FRINGE BEN ADM	25	$	1,500,133.01	$	133.01	0.08%	1.00
AUTO EQUIPMENT SERVICE	12	$	37.62	$	37.62	0.06%	1.00
HEALTH INSURANCE FUND	39	$	99,625,517.20	$	25,517.20	0.08%	1.00
FLEET REVOLVING LOAN FUND	24	$	18,259.62	$	18,259.62	0.24%	1.00
EMPLOYEES RETIREMENT	186	$	407,900,382.35	$	50,382.35	0.31%	1.00
MUNICIPAL EMPLOYEES RET.	155	$	42,105,066.74	$	5,066.74	0.25%	1.00
RETIREE HEALTH FUND	21	$	10,020,770.62	$	770.62	0.08%	1.00
BOG RETIREE FUND	13	$	255,076.46	$	76.46	0.08%	1.00
RIPTA HEALTH FUND	13	$	685,188.36	$	188.36	0.08%	1.00
PERMANENT SCHOOL FUND	24	$	1,558.12	$	1,558.12	0.08%	1.00
TEACHER RETIREE HEALTH FUND	14	$	1,930,346.18	$	346.18	0.08%	1.00
RISTP RETIREE HEALTH	13	$	285,187.28	$	187.28	0.08%	1.00
RILEG RETIREEHEALTH	13	$	55,001.39	$	1.39	0.08%	1.00
RIJUD RETIREE HEALTH	13	$	80,032.20	$	32.20	0.06%	1.00
UNIVERSITY COLLEGE	17	$	5,400,492.54	$	492.54	0.08%	1.00
HIGHER EDUCATION	16	$	9,901,341.75	$	1,341.75	0.08%	1.00
INDUS. BLDG. & MTG. INS.	14	$	2,387.91	$	2,387.91	0.08%	1.00
Total Short Term Investments	**1452**	**$**	**4,851,545,138**	**$**	**1,172,538.82**	**0.23%**	**3.08**

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 FY14

Fund	Investment Type	Count	Settlement Amount	Earnings	Total	Average Daily Balance	Maturity	Yield
GENERAL FUND	Collateralized Deposit	243	$ 2,848,410,760	$ 510,760.16	$ 2,848,921,520.32	$ 147,940,164.45	1.00	0.35%
	OSIP Fund	16	$ 93,726,837	$ 26,837.13	$ 93,753,674.26	$ 33,845,636.35	1.00	0.08%
GENERAL FUND Total		**259**	**$ 2,942,137,597**	**$ 537,597.29**	**$ 2,942,675,194.58**	**$ 181,785,800.80**	**1.00**	**0.30%**
H.A.V.A	Collateralized Deposit	12	$ 0	$ 0.31	$ 0.62	$ 294.60	1.00	0.11%
H.A.V.A Total		**12**	**$ 0**	**$ 0.31**	**$ 0.62**	**$ 294.60**	**1.00**	**0.11%**
GENERAL FUND (HIST PRES)	OSIP Fund	12	$ 433	$ 432.95	$ 865.90	$ 537,244.71	1.00	0.08%
GENERAL FUND (HIST PRES) Total		12	$ 433	$ 432.95	$ 865.90	$ 537,244.71	1.00	0.08%
HIST TAX CREDIT	Collateralized Deposit	2	$ 800,005	$ 5.48	$ 800,010.96	$ 2,206.54	1.00	0.25%
	OSIP Fund	13	$ 2,300,505	$ 504.59	$ 2,301,009.18	$ 612,714.39	1.00	0.08%
HIST TAX CREDIT Total		**15**	**$ 3,100,510**	**$ 510.07**	**$ 3,101,020.14**	**$ 614,920.93**	**1.00**	**0.08%**
HIGHWAY FUND	Collateralized Deposit	81	$ 241,328,624	$ 28,623.79	$ 241,357,247.58	$ 11,510,826.49	1.00	0.25%
	OSIP Fund	23	$ 59,803,457	$ 3,456.50	$ 59,806,913.00	$ 4,206,466.75	1.00	0.08%
HIGHWAY FUND Total		**104**	**$ 301,132,080**	**$ 32,080.29**	**$ 301,164,160.58**	**$ 15,717,293.24**	**1.00**	**0.20%**
T.D.I. RESERVE (DET)	CDARS - CD-Mat A/365	7	$ 175,145,263	$ 38,371.11	$ 175,183,634.51	$ 13,614,884.64	27.86	0.28%
	Collateralized Deposit	45	$ 97,576,911	$ 76,910.83	$ 97,653,821.66	$ 30,745,279.39	1.00	0.25%
	OSIP Fund	15	$ 31,018,345	$ 18,344.57	$ 31,036,689.14	$ 23,133,858.03	1.00	0.08%
	Money Market	14	$ 40,274,328	$ 61,990.51	$ 40,336,318.03	$ 24,709,766.19	1.00	0.25%
	CD-M A/365	6	$ 90,638,543	$ 45,172.82	$ 90,683,715.46	$ 15,080,166.64	60.67	0.30%
T.D.I. RESERVE (DET) Total		**87**	**$ 434,653,389**	**$ 240,789.84**	**$ 434,894,178.80**	**$ 107,283,954.89**	**24.26**	**0.22%**
RICAP GL FUND 21	Collateralized Deposit	48	$ 84,042,826	$ 42,826.39	$ 84,085,652.78	$ 16,970,804.72	1.00	0.25%
	OSIP Fund	14	$ 69,829,859	$ 29,859.45	$ 69,859,718.90	$ 37,626,884.17	1.00	0.08%
	Money Market	12	$ 62,676	$ 62,676.29	$ 125,352.58	$ 25,042,838.24	1.00	0.25%
RICAP GL FUND 21 Total		**74**	**$ 153,935,362**	**$ 135,362.13**	**$ 154,070,724.26**	**$ 79,640,527.13**	**1.00**	**0.17%**
BOND CAPITAL FUND	Collateralized Deposit	34	$ 32,008,010	$ 8,009.87	$ 32,016,019.74	$ 3,207,885.67	1.00	0.25%
BOND CAPITAL FUND Total		**34**	**$ 32,008,010**	**$ 8,009.87**	**$ 32,016,019.74**	**$ 3,207,885.67**	**1.00**	**0.25%**
R.I. CLEAN WATER ACT	Collateralized Deposit	12	$ 796	$ 795.97	$ 1,591.94	$ 873,907.45	1.00	0.09%
	OSIP Fund	12	$ 1,857	$ 1,856.84	$ 3,713.68	$ 2,304,133.64	1.00	0.08%
R.I. CLEAN WATER ACT Total		**24**	**$ 2,653**	**$ 2,652.81**	**$ 5,305.62**	**$ 3,178,041.09**	**1.00**	**0.08%**
STATE LOTTERY FUND	Collateralized Deposit	207	$ 404,802,057	$ 102,057.34	$ 404,904,114.68	$ 35,421,112.29	1.00	0.29%
	OSIP Fund	12	$ 6,267	$ 6,266.57	$ 12,533.14	$ 7,776,152.17	1.00	0.08%
STATE LOTTERY FUND Total		**219**	**$ 404,808,324**	**$ 108,323.91**	**$ 404,916,647.82**	**$ 43,197,264.46**	**1.00**	**0.25%**
ASSESSED FRINGE BEN ADM	Collateralized Deposit	12	$ 7	$ 6.66	$ 13.32	$ 7,322.76	1.00	0.09%
	OSIP Fund	13	$ 1,500,126	$ 126.35	$ 1,500,252.70	$ 160,707.93	1.00	0.08%
ASSESSED FRINGE BEN ADM Total		**25**	**$ 1,500,133**	**$ 133.01**	**$ 1,500,266.02**	**$ 168,030.69**	**1.00**	**0.08%**
AUTO EQUIPMENT SERVICE	Collateralized Deposit	12	$ 38	$ 37.62	$ 75.24	$ 62,028.12	1.00	0.06%
AUTO EQUIPMENT SERVICE Total		**12**	**$ 38**	**$ 37.62**	**$ 75.24**	**$ 62,028.12**	**1.00**	**0.06%**
HEALTH INSURANCE FUND	Collateralized Deposit	4	$ 31	$ 30.73	$ 61.46	$ 51,213.42	1.00	0.06%
	OSIP Fund	35	$ 99,625,486	$ 25,486.47	$ 99,650,972.94	$ 31,812,313.71	1.00	0.08%
HEALTH INSURANCE FUND Total		**39**	**$ 99,625,517**	**$ 25,517.20**	**$ 99,651,034.40**	**$ 31,863,527.13**	**1.00**	**0.08%**
FLEET REVOLVING LOAN FUND	Collateralized Deposit	24	$ 18,260	$ 18,259.62	$ 36,519.24	$ 7,614,222.80	1.00	0.24%
FLEET REVOLVING LOAN FUND Total		**24**	**$ 18,260**	**$ 18,259.62**	**$ 36,519.24**	**$ 7,614,222.80**	**1.00**	**0.24%**
EMPLOYEES RETIREMENT	Collateralized Deposit	186	$ 407,900,382	$ 50,382.35	$ 407,950,764.70	$ 16,185,867.69	1.00	0.31%
EMPLOYEES RETIREMENT Total		**186**	**$ 407,900,382**	**$ 50,382.35**	**$ 407,950,764.70**	**$ 16,185,867.69**	**1.00**	**0.31%**
MUNICIPAL EMPLOYEES RET.	Collateralized Deposit	155	$ 42,105,067	$ 5,066.74	$ 42,110,133.48	$ 2,008,794.75	1.00	0.25%

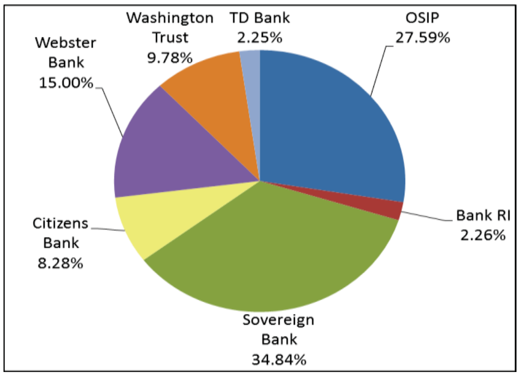
Fund	Investment Type	Count	Settlement Amount	Earnings	Total	Average Daily Balance	Maturity	Yield
MUNICIPAL EMPLOYEES RET. Total		**155**	**$ 42,105,067**	**$ 5,066.74**	**$ 42,110,133.48**	**$ 2,008,794.75**	**1.00**	**0.25%**
RETIREE HEALTH FUND	Collateralized Deposit	2	$ 0	$ 0.02	$ 0.04	$ 27.16	1.00	0.07%
	OSIP Fund	19	$ 10,020,771	$ 770.60	$ 10,021,541.20	$ 951,035.78	1.00	0.08%
RETIREE HEALTH FUND Total		**21**	**$ 10,020,771**	**$ 770.62**	**$ 10,021,541.24**	**$ 951,062.94**	**1.00**	**0.08%**
BOG RETIREE FUND	OSIP Fund	13	$ 255,076	$ 76.46	$ 255,152.92	$ 93,172.13	1.00	0.08%
BOG RETIREE FUND Total		**13**	**$ 255,076**	**$ 76.46**	**$ 255,152.92**	**$ 93,172.13**	**1.00**	**0.08%**
RIPTA HEALTH FUND	OSIP Fund	13	$ 685,188	$ 188.36	$ 685,376.72	$ 221,639.98	1.00	0.08%
RIPTA HEALTH FUND Total		**13**	**$ 685,188**	**$ 188.36**	**$ 685,376.72**	**$ 221,639.98**	**1.00**	**0.08%**
PERMANENT SCHOOL FUND	Collateralized Deposit	12	$ 1	$ 0.66	$ 1.32	$ 693.50	1.00	0.10%
	OSIP Fund	12	$ 1,557	$ 1,557.46	$ 3,114.92	$ 1,932,649.97	1.00	0.08%
PERMANENT SCHOOL FUND Total		**24**	**$ 1,558**	**$ 1,558.12**	**$ 3,116.24**	**$ 1,933,343.47**	**1.00**	**0.08%**
TEACHER RETIREE HEALTH FUND	OSIP Fund	14	$ 1,930,346	$ 346.18	$ 1,930,692.36	$ 421,861.40	1.00	0.08%
TEACHER RETIREE HEALTH FUND Total		**14**	**$ 1,930,346**	**$ 346.18**	**$ 1,930,692.36**	**$ 421,861.40**	**1.00**	**0.08%**
RISTP RETIREE HEALTH	OSIP Fund	13	$ 285,187	$ 187.28	$ 285,374.56	$ 231,923.65	1.00	0.08%
RISTP RETIREE HEALTH Total		**13**	**$ 285,187**	**$ 187.28**	**$ 285,374.56**	**$ 231,923.65**	**1.00**	**0.08%**
RILEG RETIREEHEALTH	Collateralized Deposit	13	$ 55,001	$ 1.39	$ 55,002.78	$ 1,732.29	1.00	0.08%
RILEG RETIREEHEALTH Total		**13**	**$ 55,001**	**$ 1.39**	**$ 55,002.78**	**$ 1,732.29**	**1.00**	**0.08%**
RIJUD RETIREE HEALTH	Collateralized Deposit	13	$ 80,032	$ 32.20	$ 80,064.40	$ 52,849.16	1.00	0.06%
RIJUD RETIREE HEALTH Total		**13**	**$ 80,032**	**$ 32.20**	**$ 80,064.40**	**$ 52,849.16**	**1.00**	**0.06%**
UNIVERSITY COLLEGE	Collateralized Deposit	2	$ 0	$ 0.02	$ 0.04	$ 60.93	1.00	0.03%
	OSIP Fund	15	$ 5,400,493	$ 492.52	$ 5,400,985.04	$ 601,963.84	1.00	0.08%
UNIVERSITY COLLEGE Total		**17**	**$ 5,400,493**	**$ 492.54**	**$ 5,400,985.08**	**$ 602,024.77**	**1.00**	**0.08%**
HIGHER EDUCATION	OSIP Fund	16	$ 9,901,342	$ 1,341.75	$ 9,902,683.50	$ 1,733,974.28	1.00	0.08%
HIGHER EDUCATION Total		**16**	**$ 9,901,342**	**$ 1,341.75**	**$ 9,902,683.50**	**$ 1,733,974.28**	**1.00**	**0.08%**
INDUS. BLDG. & MTG. INS.	Collateralized Deposit	2	$ 0	$ 0.02	$ 0.04	$ 44.83	1.00	0.04%
	OSIP Fund	12	$ 2,388	$ 2,387.89	$ 4,775.78	$ 2,963,550.41	1.00	0.08%
INDUS. BLDG. & MTG. INS. Total		**14**	**$ 2,388**	**$ 2,387.91**	**$ 4,775.82**	**$ 2,963,595.24**	**1.00**	**0.08%**
l		**1452**	**$ 4,851,545,138**	**$ 1,172,538.82**	**$ 4,852,717,676.76**	**$ 502,272,878.01**	**3.08**	**0.23%**

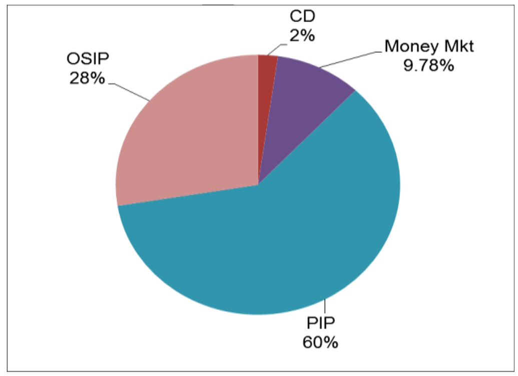
Investment Type	Count	Settlement Amount	Earnings	Total	Average Daily Balance
Collateralized Deposit	1,121	$ 4,159,128,808	$ 843,808	$ 4,159,972,616	$ 272,657,339
CDARS - CD-Mat A/365	7	$ 175,145,263	$ 38,371	$ 175,183,635	$ 13,614,885
CD-M A/365	6	$ 90,638,543	$ 45,173	$ 90,683,715	$ 15,080,167
OSIP Fund	292	$ 386,295,520	$ 120,520	$ 386,416,040	$ 151,167,883

State of Rhode Island
Office of the General Treasurer
Short Term Investments

Issuer Credit Rating
June 30, 2014

			Issuer Ratings	S-T Debt Rating		L-T Debt Rating		Credit Outlook
Issuer	Type of Instrument*	Month End % Portfolio	Moody's	Moody's	S&P	Moody's	S&P	S&P
Bank RI	3,4	2.26%	N/R	N/A	N/A	N/A	N/A	N/A
Sovereign Bank	3,4	34.84%	Baa1	P-2	A-2	Baa1	BBB	Stable
Bank of America		0.00%	Baa2	P-2	A-2	Baa2	A-	Negative
JP Morgan Chase		0.00%	A3	P-2	A-1	A3	A	Negative
Fidelity		0.00%	N/R	N/A	N/A	N/A	N/A	N/A
State Street Bank & Trust Company		0.00%	Aa3	P-1	A-1+	Aa3	AA-	Stable
RBS Citizens	3,4	8.28%	A3	P-2	A-2	A3	A-	Negative
Webster Bank	3,4	15.00%	A3	P-2	A-2	A3	BBB	Positive
Ocean State Investment Pool	6	27.59%	N/R	N/A	N/A	N/A	N/A	N/A
Washington Trust	3,7	9.78%	N/R	N/A	N/A	N/A	N/A	N/A
TD Bank	3	2.25%	Aa1	P-1	A-1+	Aa1	AA-	Stable





REPO	= Repurchase Agreement	1*
CP	= Commercial Paper	2*
CD	= Certificate of Deposit	3*
CoD	= Collateralized Deposit	4*
AG	= US Government Agency Note	5*
MM	= Government Money Market	6*
GID	= Government Insured Deposit	7*

Ratings Definitions

Moody's Short-Term Debt Ratings:
P-1 - Prime-1 have a superior ability for repayment of sr. S-T debt obligations
P-2 - Prime-1 have a strong ability for repayment of sr. S-T debt obligations
P-3 - Prime-1 have an acceptable ability for repayment of sr. S-T debt obligations
NP - Not Prime

Moody's Issuer Rating Symbols:
Aaa - Offer exceptional financial security (high-grade)
Aa - Offer excellent financial security (high-grade)
A - Offer good financial security
Baa - Offer adequate financial security
Ba - Offer questionable financial security
B - Offer poor financial security
Caa - Offer very poor financial security
Ca - Offer extremely poor financial security
C - Lowest rated class, usually in default

Moody's Long-Term Debt Ratings:
Aaa - Best Quality
Aa - High Quality
A - Posess many favorable investment attributes
Baa - Medium-grade obligations
Ba - Posess speculative elements
B - Generally lack characteristics of desirable investments
Caa - Poor standing
Ca - Speculative in a high degree
C - Lowest rated class of bonds

Modifiers:
1 - Higher end of letter rating category
2 - Mid-range of letter rating category
3 - Lower end of letter rating category

S&P Short -Term Credit Ratings:
A-1 - Highest rated, strong capacity to meet obligations
A-2 - Somewhat more susceptible to adverse effects of changes in financial conditions; satisfactory
A-3 - Exhibits adequate protection parameters
B - Significant speculative characteristics, faces major ongoing uncertainties
C - Vulnerable to non-payment
D - Payment default
Modifiers:
+ or - show relative standing within the category.

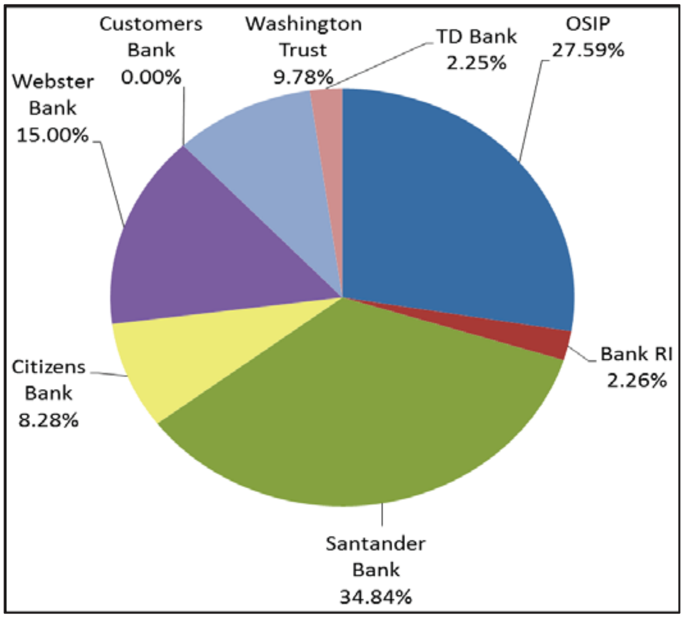
S&P Outlook Definitions:
Positive - A rating may be raised
Negative - A rating may be lowered
Stable - A rating is not likely to change
Developing - May be raised or lowered
NM - Not meaningful

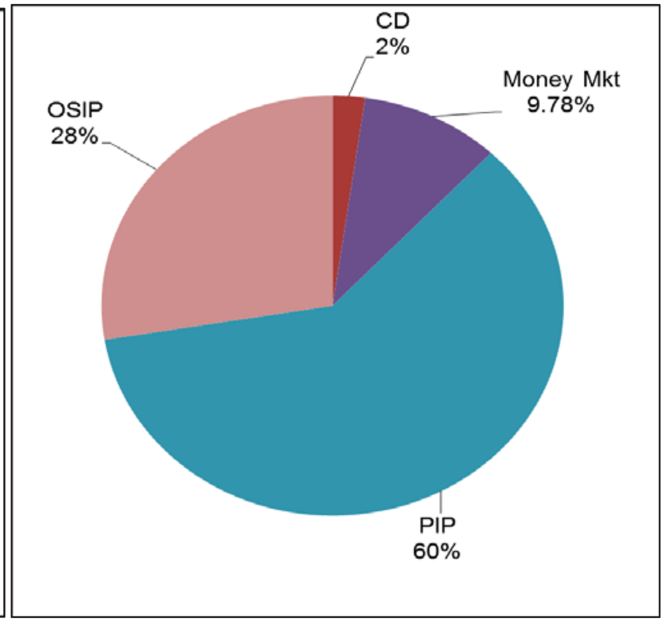
S&P Long-Term Debt Ratings:
AAA - Highest rating, extremely strong
AA - Differs slightly from highest rating, very strong
A - More susceptible to adverse effects of change in economic condition, strong
BBB - Exhibits adequate protection parameters
BB, B, - Have significant speculative characteristics. BB least speculative
CCC, CC, C - C highest degree
D - Payment default
Modifiers:
+ or - show relative standing within the category.

State of Rhode Island
Office of the General Treasurer
FY2013

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

June 30, 2014





Repo = Repurchase Agreement
MMKT = Money Market
CP = Commercial Paper
GID = Government Insured Deposit
CD = Certificate of Deposit
PIP = Collateralized Deposit
OSIP = Ocean State Investment Pool

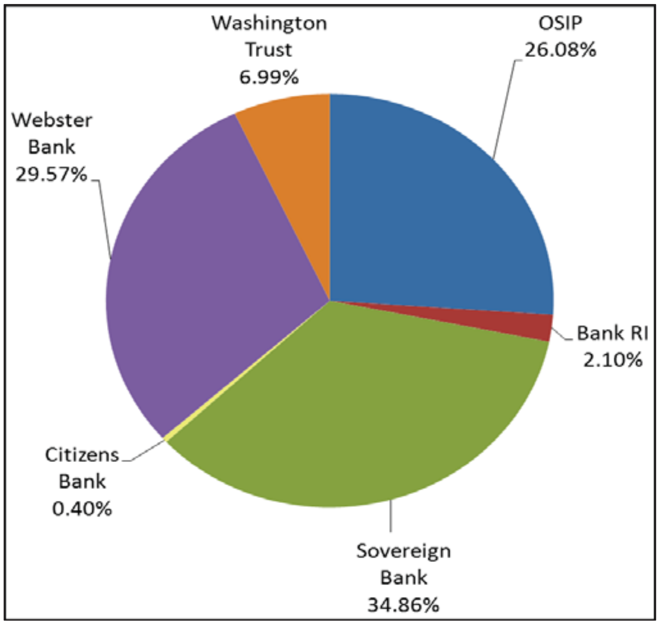
Vendor	CP	CD	Money Mkt	PIP	Repo	GID	OSIP	Total ($)
Guidelines-Total/Vendor	25%/10%	50%/20%	75%/35%	75%/35%	100%/20%	75%/35%	50%/50%	
OSIP	0 0%	0 0%	0 0%	0 0%	0 0%	0 0%	184,454,513 28%	184,454,513 27.59%
Bank RI	0 0%	15,125,339 2%	0 0%	0 0%	0 0%	0 0%	0 0%	15,125,339 2.26%
Santander Bank	0 0%	0 0%	0 0%	232,937,650 35%	0 0%	0 0%	0 0%	232,937,650 34.84%
Citizens Bank	0 0%	0 0%	0 0%	55,357,388 8%	0 0%	0 0%	0 0%	55,357,388 8.28%
Webster Bank	0 0%	0 0%	0 0%	100,308,287 15%	0 0%	0 0%	0 0%	100,308,287 15.00%
Washington Trust	0 0%	0 0%	65,379,842 10%	0 0%	0 0%	0 0%	0 0%	65,379,842 9.78%
TD Bank	0 0%	0 0%	0 0%	15,011,253 2%	0 0%	0 0%	0 0%	15,011,253 2.25%
TOTALS	**-**	**15,125,339**	**65,379,842**	**403,614,579**	**-**	**-**	**184,454,513**	**668,574,274**
(%) PORTFOLIO	**0.00%**	**2.26%**	**9.78%**	**60.37%**	**0.00%**	**0.00%**	**27.59%**	**100.00%**

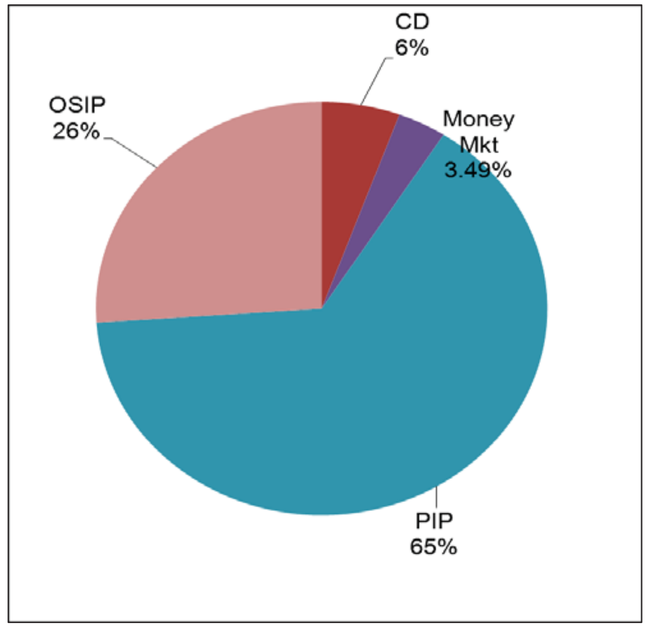
Note: Maximum participation by any one vendor limited to 35% of total portfolio.

State of Rhode Island
Office of the General Treasurer
FY2013

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

June 30, 2013



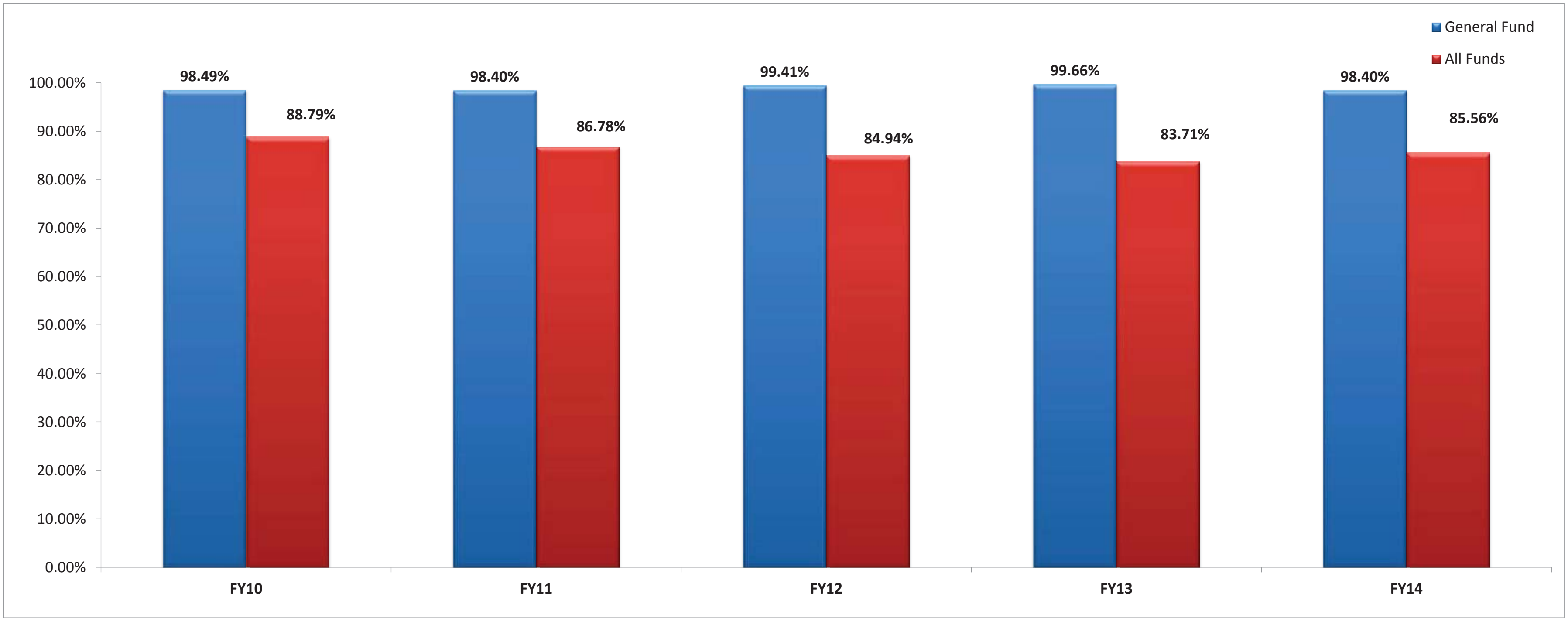


Repo = Repurchase Agreement
MMKT = Money Market
CP = Commercial Paper
GID = Government Insured Deposit
CD = Certificate of Deposit
PIP = Collateralized Deposit
OSIP = Ocean State Investment Pool

Vendor	CP	CD	Money Mkt	PIP	Repo	GID	OSIP	Total ($)
Guidelines-Total/Vendor	25%/10%	50%/20%	75%/35%	75%/35%	100%/20%	75%/35%	50%/50%	
OSIP	0	0	0	0	0	0	187,376,993	187,376,993
	0%	0%	0%	0%	0%	0%	26%	26.08%
Bank RI	0	15,080,167	0	0	0	0	0	15,080,167
	0%	2%	0%	0%	0%	0%	0%	2.10%
Sovereign Bank	0	0	0	250,447,987	0	0	0	250,447,987
	0%	0%	0%	35%	0%	0%	0%	34.86%
Citizens Bank	0	0	0	2,851,949	0	0	0	2,851,949
	0%	0%	0%	0%	0%	0%	0%	0.40%
Webster Bank	0	0	0	212,451,234	0	0	0	212,451,234
	0%	0%	0%	30%	0%	0%	0%	29.57%
Washington Trust	0	25,173,966	25,042,838	0	0	0	0	50,216,804
	0%	4%	3%	0%	0%	0%	0%	6.99%
TOTALS	-	**40,254,133**	**25,042,838**	**465,751,170**	-	-	**187,376,993**	**718,425,134**
(%) PORTFOLIO	**0.00%**	**5.60%**	**3.49%**	**64.83%**	**0.00%**	**0.00%**	**26.08%**	**100.00%**

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

State of Rhode Island
Office of the General Treasurer
Short-Term Percentage Invested
FY 2010 - FY 2014



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; net of Bond proceeds, inclusive of TANS).

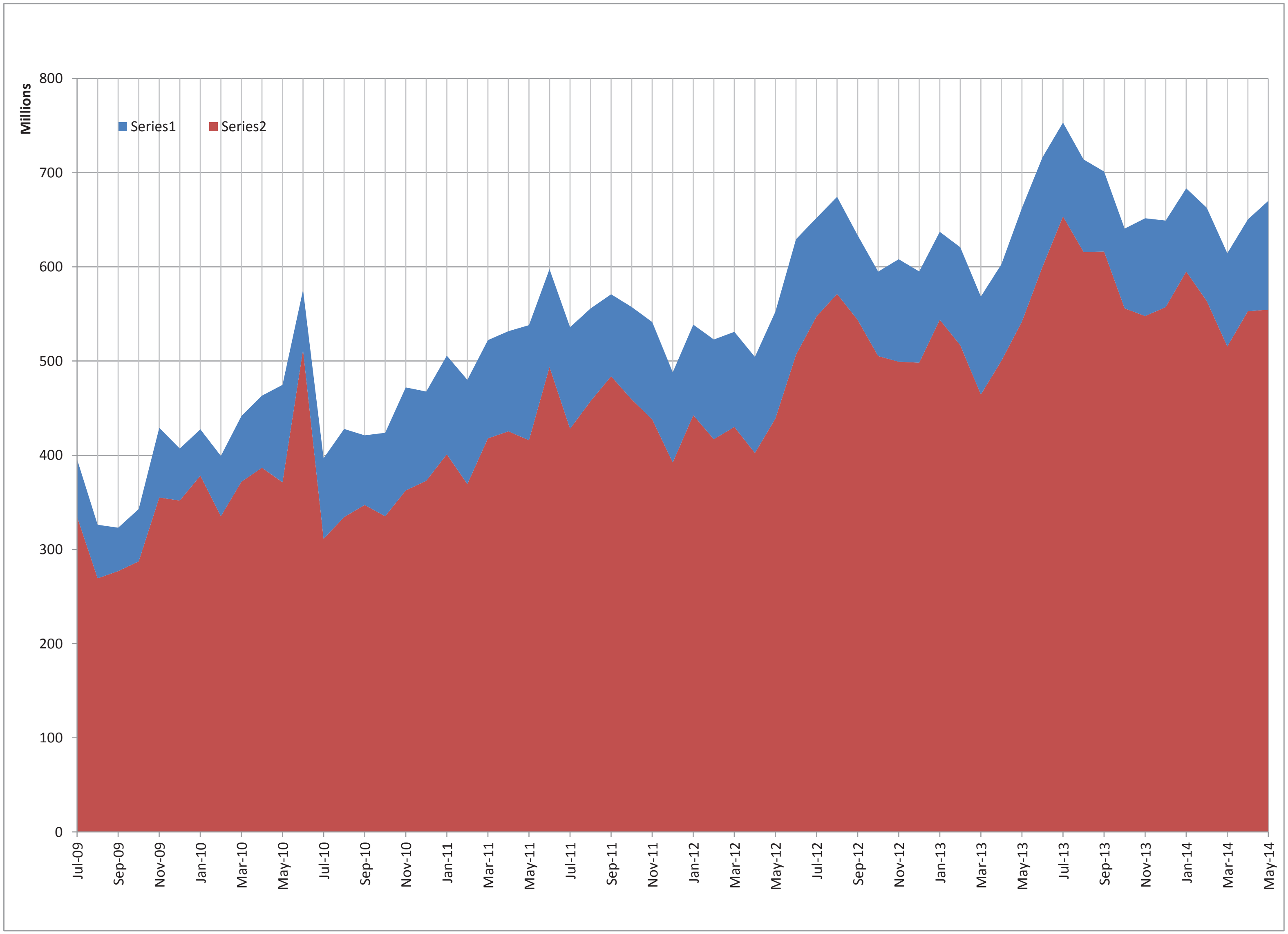
Commentary: The steady decrease in the ratio of cash invested in All Funds from FY2010 through FY2014 reflects a strategic change in cash management, due to the overall declines in short-term interest rates which remain at historic lows. Treasury negotiated favorable Earned Credit Rates as an offset 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 FY2010 to FY2014. 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

Short-Term Investment Portfolio by Fund
As of June 30, 2014

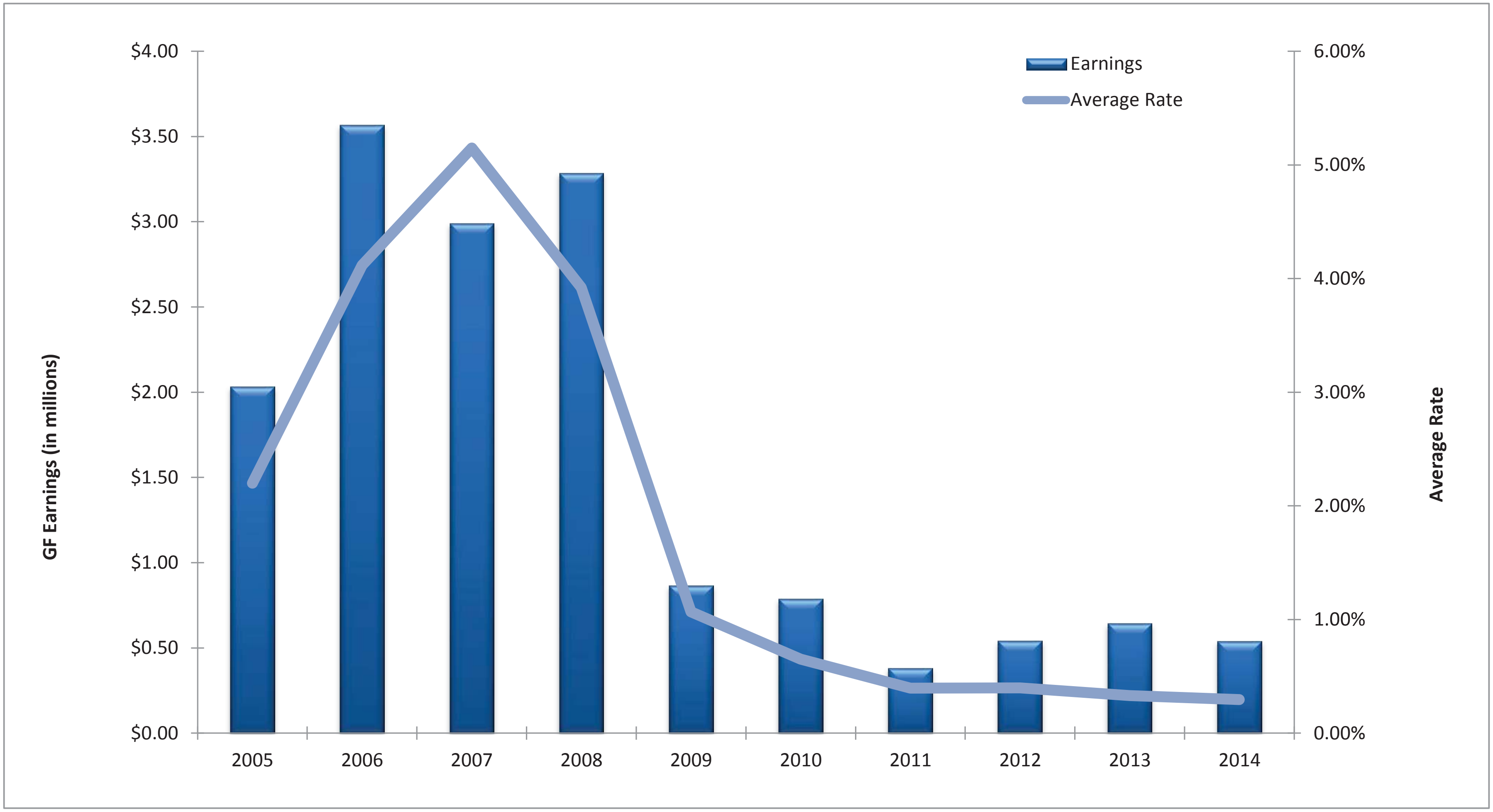
Fund	Principal	Cash Balance	Total
GENERAL FUND	$ 372,328,056	$ 7,524,505	$ 379,852,560
H.A.V.A	$ 295	$ -	$ 295
GENERAL FUND (HIST PRES)	$ 537,684	$ -	$ 537,684
HISTORIC TAX CREDIT	$ 3,202,828	$ -	$ 3,202,828
HIGHWAY FUND	$ 23,191,291	$ 81,553	$ 23,272,845
T.D.I. RESERVE (DET)	$ 106,561,731	$ 4,169,000	$ 110,730,731
EMPLOYER PENSION CONTRIBUTION	$ -		$ -
RICAP GL FUND 21	$ 86,647,396	$ 568,730	$ 87,216,126
BOND CAPITAL FUND	$ 6,228,361	$ 29,568	$ 6,257,930
R.I. CLEAN WATER ACT	$ 3,180,694	$ 199,182	$ 3,379,876
STATE LOTTERY FUND	$ 17,648,054	$ 941,819	$ 18,589,873
ASSESSED FRINGE BEN ADM	$ 1,507,890	$ 1,219,907	$ 2,727,796
AUTO EQUIPMENT SERVICE	$ 1,244	$ 722,004	$ 723,248
HEALTH INSURANCE FUND	$ 29,083,621	$ 891,264	$ 29,974,885
FLEET REVOLVING LOAN FUND	$ 7,632,482	$ 38,497	$ 7,670,979
EMPLOYEES RETIREMENT	$ 1,448,576	$ 23,627,031	$ 25,075,607
MUNICIPAL EMPLOYEES RET.	$ 318,656	$ 205,454	$ 524,110
RETIREE HEALTH FUND	$ 2,275,614	$ 3,427	$ 2,279,042
BOG RETIREE FUND	$ 262,264	$ 3,802	$ 266,066
RIPTA RETIREE HEALTH FUND	$ 685,666	$ 3,557	$ 689,223
PERMANENT SCHOOL FUND	$ 1,934,902	$ 118,813	$ 2,053,715
TEACHER RETIREE HEALTH FUND	$ 436,519	$ 3,537	$ 440,056
RI ST POLICE RETIREE HEALTH FUND	$ 452,909	$ 2,710	$ 455,619
RI LEGISLATIVE RETIREE HEALTH FUND	$ 55,197	$ 5,538	$ 60,734
RI JUDICIAL RETIREE HEALTH FUND	$ 80,169	$ 3,194	$ 83,363
UNIVERSITY COLLEGE	$ 8,956	$ 27,962	$ 36,917
HIGHER EDUCATION	$ 7,371	$ 530,033	$ 537,403
INDUS. BLDG. & MTG. INS.	$ 2,855,846	$ 15,950	$ 2,871,796
JUDICIAL RETIREMENT FUND	$ -	$ 147,626	$ 147,626
STATE POLICE RETIREMENT FUND	$ -	$ 256,549	$ 256,549
CORRECTIONAL INDUSTRIES	$ -	$ 256,549	$ 256,549
DET BENEFIT	$ -	$ 1,453,780	$ 1,453,780
CHILD SUPPORT	$ -	$ 4,707,976	$ 4,707,976
TAX REFUND	$ -	$ 943,782	$ 943,782
MERCHANT DEPOSIT	$ -	$ 205,696	$ 205,696
TAX REFUND/DIRECT DEPOSIT	$ -	$ 127,188	$ 127,188
RITE CARE/RITE SHARE	$ -	$ 50,023	$ 50,023
DISBURSEMENT ACCOUNT	$ -		$ -
INTERNAL SERVICES	$ -	$ 3,125,058	$ 3,125,058
PAYROLL A	$ -	$ 684,185	$ 684,185
PENSION C	$ -	$ 2,233,103	$ 2,233,103
ET CLEARANCE	$ -	$ 145,000	$ 145,000
EMPLOYER TAX	$ -	$ 75,084	$ 75,084
RECREATIONAL AREA	$ -	$ 75,084	$ 75,084
RECORD CENTER	$ -	$ 207,031	$ 207,031
DREDGING ACCOUNT	$ -	$ 673,383	$ 673,383
Subtotal	**$ 668,574,273**	**$ 56,304,131**	**$ 724,878,404**
G.O. NOTE 1991 SER. B	$ -	$ -	$ -
CCDL1993A	$ 7,386	$ -	$ 7,386
BOND CCDL 1994 SERIES A	$ 15,001	$ -	$ 15,001
BOND CCBL96A	$ -	$ -	$ -
CAP DEV OF 1997 SERIES A	$ 41,015	$ -	$ 41,015
CCDL1998A	$ 1,695,942	$ -	$ 1,695,942
CCDL 1998B	$ -	$ -	$ -
MMG099 1999	$ -	$ -	$ -
BOND CAPITOL CCDL2000A	$ 102,391	$ -	$ 102,391
MULTI-MODAL GEN OBL 2000	$ -	$ -	$ -
CCDL2001C	$ 201,340	$ -	$ 201,340
CCDL2002B	$ -	$ -	$ -
CCDL 2004 SERIES A	$ 2,446,517	$ -	$ 2,446,517
BOND CCDL 2005 SERIES C	$ 6,996,341	$ -	$ 6,996,341
BOND CCDL 2005 SERIES E	$ 393,345	$ -	$ 393,345
BOND CCDL 2006 SERIES B	$ -	$ -	$ -
BOND CCDL 2006 SERIES C	$ 1,416,840	$ -	$ 1,416,840
GO BND-NTAX 2007 SERIES A	$ 3,804,302	$ -	$ 3,804,302
GO BND-TAX 2007 SERIES B	$ -	$ -	$ -
GO BND-NTAX 2008 SERIES B	$ 349,808	$ -	$ 349,808
GO BND-TAX 2008 SERIES C	$ -	$ -	$ -
CCDL10B BOND CAPITAL COMPONENT	$ 1,730,111	$ -	$ 1,730,111
CCDL2010C	$ 159,156	$ -	$ 159,156
CCDL2010D	$ 103,923	$ -	$ 103,923
CCDL2011A	$ 16,921,223	$ -	$ 16,921,223
CCDL2012B	$ 55,255,104	$ -	$ 55,255,104
GO CCDL 2013A	$ 20,368,284	$ -	$ 20,368,284
GO CCDL 2013B	$ 9,375,600	$ -	$ 9,375,600
GO CCDL 2014A	$ -	$ -	$ -
GO CCDL 2014B	$ -	$ -	$ -
CLEAN WATER CCDL 1998B	$ -	$ -	$ -
CLEAN WATER CCDL 1994 (A)	$ -	$ -	$ -
CAP DEV. OF 1997 SERIES A	$ -	$ -	$ -
CLEAN WATER CCDL 2002 B	$ -	$ -	$ -
CLEAN WATER 2004 SERIES A	$ 187,033	$ -	$ 187,033
CLN WATER CCDL 2005 SER E	$ -	$ -	$ -
CAP DEV. OF 1997 SERIES A	$ -	$ -	$ -
RI POLLUT. CONT 94 SER. A	$ -	$ -	$ -
CCDL99A 1999A	$ 205,302	$ -	$ 205,302
POL. CTRL CCDL 2006 SER C	$ -	$ -	$ -
CLEAN WATER 2007 SERIES A	$ 283.270	$ -	$ 283.270
RI POLLUTION CONTROL 2008 B	$ -	$ -	$ -
CCDL2010B CLEAN WATER COMPONENT	$ -	$ -	$ -
CCDL2011A CLEAN WATER COMPONENT	$ 1,236,079	$ -	$ 1,236,079
CCDL2011A POLL CTRL CMPNT	$ -		
Bond Proceeds Total	**$ 123.295.311**	**$ -**	**$ 123.295.311**
TANS PROCEEDS	$ -	$ -	$ -
Grand Total	**$ 791,869,583**	**$ 56,304,131**	**$ 848,173,715**

State of Rhode Island
Office of the General Treasurer
Short-Term Average Bank Balance and Average Invested Balance
Actual FY2010-FY2014



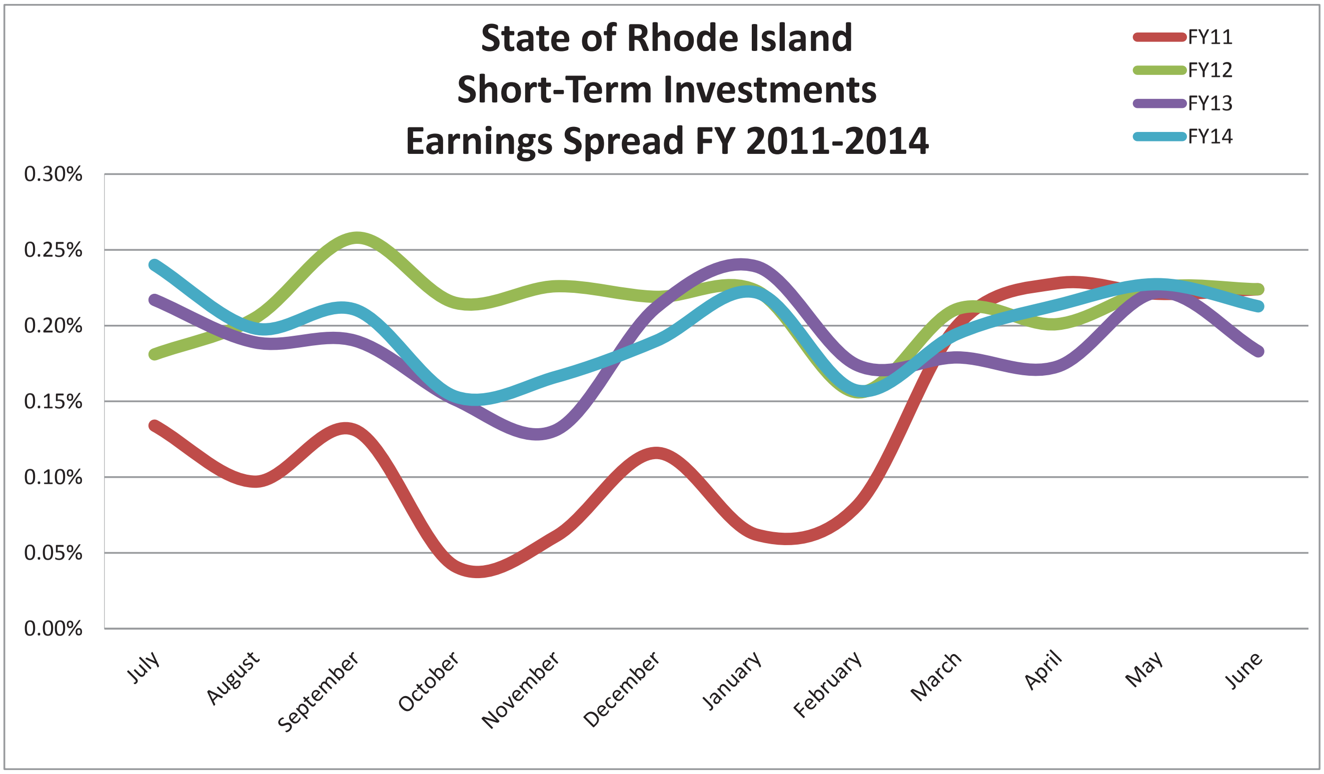
Commentary: This chart accurately reflects the cyclical pattern of the State's cash flow over the last 5 years, net of Bond proceeds and TANS. It also clearly demonstrates the increase in cash on deposit throughout that time as a result of the increased Earned Credit Rate and the decline in market interest rates.

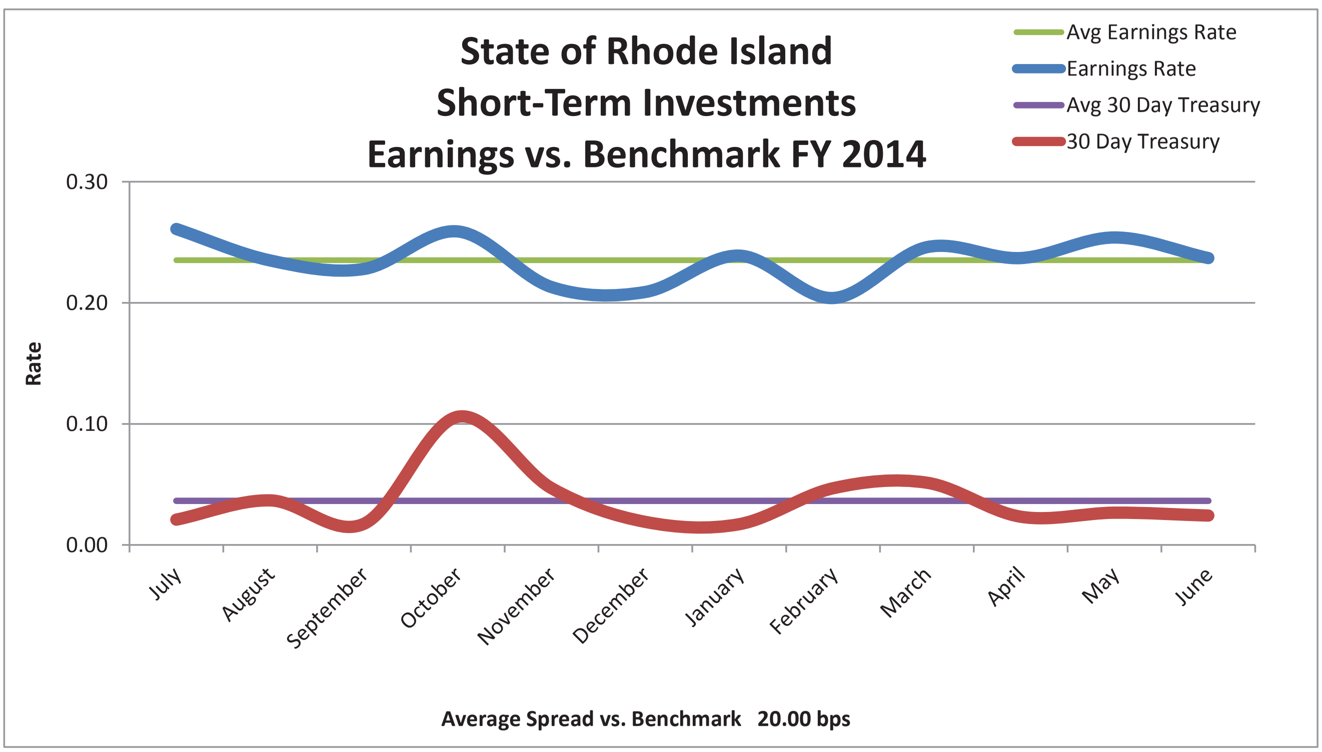
State of Rhode Island
Office of the General Treasurer
General Fund Interest Earnings / Average Rate
FY 2005 - FY 2014



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.

State of Rhode Island
Office of the General Treasurer
FY2014





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, H.15.

Commentary: The State's Short-Term Investments outperformed their benchmark, the 30-Day T-Bill, in 12 out of 12 months for FY2014, with an average spread over the benchmark of 20.0 basis points.

State of Rhode Island
Office of the General Treasurer
Cash Management Summary
All Funds, FY 2011 - FY 2014

	FY2014	FY2013	FY2012	FY2011
Average Daily Cash Position	$ 676,034,250.66	$ 630,521,368	$ 680,104,531	$ 753,370,282
Average Daily Bank Balance	$ 97,816,296.14	$ 102,816,296	$ 102,665,672	$ 99,848,740
Percent of Cash Invested	85.56%	83.71%	84.94%	86.78%
Percent of GF Cash Invested	98.40%	99.66%	99.41%	98.40%
Average Maturity of Portfolio	3.08	4.04	3.53 Days	8.08 Days
Spread to Benchmark	19.9 Basis Points	18.3 Basis Points	21.2 Basis Points	18.3 Basis Points
Average Rate of Return	0.23%	0.26%	0.24%	0.28%

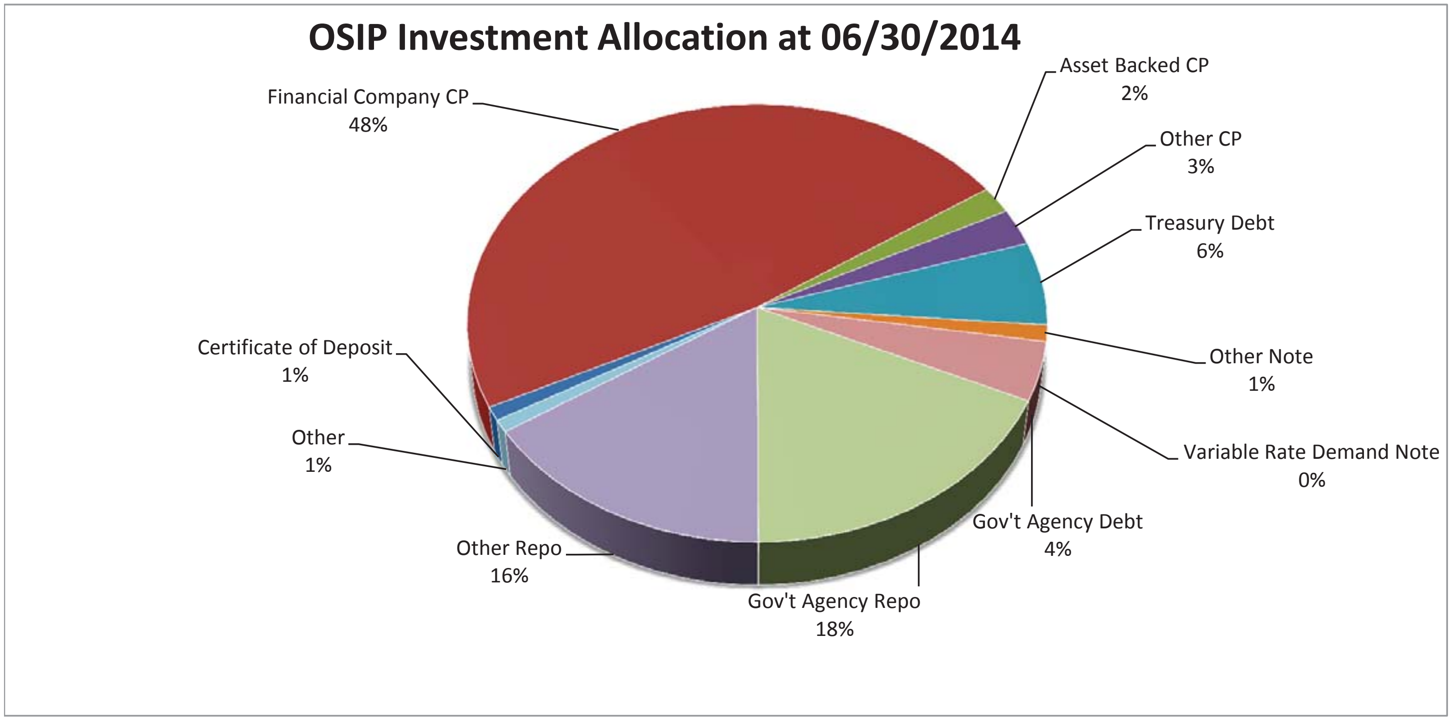
Note: "Cash Position" includes all operating fund investments, inclusive of TANS.

OSIP – OCEAN STATE INVESTMENT POOL

State of Rhode Island
OSIP Performance FY14
July 1, 2013-June 30, 2014

Fund Name	Beginning Balance	Ending Balance	Average Daily Balance	Earnings	Yield
GENERAL FUND	$ 57,296,869.23	$ 52,523,706.36	$ 33,845,636.35	$ 26,837.13	0.08%
GENERAL FUND (HIST PRES)	$ 537,244.71	$ 537,677.66	$ 537,244.71	$ 432.95	0.08%
HISTORIC TAX CREDITS	$ 102,303.43	$ 2,402,808.02	$ 612,714.39	$ 504.59	0.08%
HIGHWAY FUND	$ 11,415,781.82	$ 1,019,238.32	$ 4,206,466.75	$ 3,456.50	0.08%
T.D.I. RESERVE (DET)	$ 23,007,830.63	$ 32,026,175.20	$ 23,133,858.03	$ 18,344.57	0.08%
RICAP GL FUND 21	$ 49,023,322.53	$ 46,353,181.98	$ 37,626,884.17	$ 29,859.45	0.08%
R.I. CLEAN WATER ACT	$ 2,304,133.64	$ 2,305,990.48	$ 2,304,133.64	$ 1,856.84	0.08%
STATE LOTTERY FUND	$ 7,776,152.17	$ 7,782,418.74	$ 7,776,152.17	$ 6,266.57	0.08%
ASSESSED FRINGE BEN ADM	$ 433.96	$ 1,500,560.31	$ 160,707.93	$ 126.35	0.08%
HEALTH INSURANCE FUND	$ 24,858,067.13	$ 29,083,553.60	$ 31,812,313.71	$ 25,486.47	0.08%
RETIREE HEALTH FUND	$ 1,954,816.60	$ 2,275,587.20	$ 951,035.78	$ 770.60	0.08%
BOG RETIREE FUND	$ 437,185.83	$ 262,262.29	$ 93,172.13	$ 76.46	0.08%
RIPTA HEALTH FUND	$ 1,488,475.60	$ 685,663.96	$ 221,639.98	$ 188.36	0.08%
PERMANENT SCHOOL FUND	$ 1,932,649.97	$ 1,934,207.43	$ 1,932,649.97	$ 1,557.46	0.08%
TEACHER RETIREE HEALTH FUND	$ 306,162.77	$ 436,508.95	$ 421,861.40	$ 346.18	0.08%
RI ST POL RETIREE HEALTH	$ 567,718.17	$ 452,905.45	$ 231,923.65	$ 187.28	0.08%
UNIVERSITY COLLEGE	$ 908,402.20	$ 8,894.72	$ 601,963.84	$ 492.52	0.08%
HIGHER EDUCATION	$ 306,029.07	$ 7,370.82	$ 1,733,974.28	$ 1,341.75	0.08%
INDUS. BLDG. & MTG. INS.	$ 3,153,413.42	$ 2,855,801.31	$ 2,963,550.41	$ 2,387.89	0.08%
Operating Funds Totals	$ 187,376,992.88	$ 184,454,512.80	$ 151,167,883.29	$ 120,519.92	0.08%
CCDL1993A	$ 7,385.84	$ 7,385.72	$ 7,382.61	$ 5.96	0.08%
BOND CCDL 1994 SERIES A	$ 15,001.20	$ 15,000.96	$ 14,994.65	$ 12.08	0.08%
CAP DEV OF 1997 SERIES A	$ 41,015.61	$ 41,014.96	$ 40,997.72	$ 33.02	0.08%
CCDL1998A	$ 1,695,968.70	$ 1,695,941.93	$ 1,695,229.59	$ 1,366.15	0.08%
BOND CAPITOL CCDL2000A	$ 102,392.32	$ 102,390.71	$ 102,347.70	$ 82.49	0.08%
CCDL2001C	$ 201,342.93	$ 201,339.75	$ 201,255.19	$ 162.17	0.08%
CCDL 2004 SERIES A	$ 3,003,466.67	$ 2,446,516.51	$ 2,698,191.55	$ 2,175.79	0.08%
BOND CCDL 2005 SERIES C	$ 7,207,455.38	$ 6,996,341.15	$ 7,105,851.67	$ 5,727.05	0.08%
BOND CCDL 2005 SERIES E	$ 717,075.79	$ 393,344.94	$ 675,558.64	$ 544.63	0.08%
BOND CCDL 2006 SERIES C	$ 2,438,581.80	$ 1,416,839.81	$ 2,361,497.88	$ 1,903.71	0.08%
GO BND-NTAX 2007 SERIES A	$ 5,938,811.58	$ 3,804,302.19	$ 5,830,968.74	$ 4,699.03	0.08%
GO BND-NTAX 2008 SERIES B	$ 349,813.23	$ 349,807.70	$ 349,660.77	$ 281.78	0.08%
CCDL10B BOND CAPITAL COMPONENT	$ 1,833,369.80	$ 1,730,110.66	$ 1,744,078.44	$ 1,407.66	0.08%
CCDL10C	$ 161,617.33	$ 159,155.91	$ 160,457.44	$ 129.31	0.08%
CCDL10D	$ 103,924.23	$ 103,922.59	$ 103,878.94	$ 83.71	0.08%
CCDL2011A	$ 29,082,239.79	$ 16,921,223.07	$ 24,871,575.37	$ 20,044.46	0.08%
CCDL2012B	$ 58,345,985.23	$ 55,255,103.50	$ 56,063,869.51	$ 45,222.38	0.08%
GO CCDL 2013A	$ -	$ 20,368,284.16	$ 24,871,575.37	$ 13,872.99	0.08%
GO CCDL 2013B	$ -	$ 9,375,599.67	$ 56,063,869.51	$ 5,836.92	0.08%
CLEAN WATER 2004 SERIES A	$ 222,538.96	$ 187,033.17	$ 196,176.91	$ 158.63	0.08%
CCDL99A 1999A	$ 205,305.72	$ 205,302.48	$ 205,215.61	$ 165.38	0.08%
CLEAN WATER 2007 SERIES A	$ 283,274.65	$ 283,270.18	$ 283,150.32	$ 228.19	0.08%
CCDL2011A CLEAN WATER COMPONENT	$ 1,236,098.57	$ 1,236,079.06	$ 1,235,556.06	$ 995.71	0.08%
Bond Proceeds Fund Totals	$ 113,192,665.33	$ 123,295,310.78	$ 186,883,340.19	$ 105,139.20	0.07%
TANS PROCEEDS	$ -	$ -	$ -	$ -	0.00%
Grand Totals	$ 300,569,658.21	$ 307,749,823.58	$ 338,051,223.48	$ 225,659.12	0.08%

STATE OF RHODE ISLAND
OFFICE OF THE GENERAL TREASURER



INVESTMENT TYPE	MATURITIES					TOTAL VALUE AT 6/30/13
	0-30	31-90	90-180	181-397	>397	
Certificate of Deposit	5,000,000	-	-	-	-	$ 5,000,000
Financial Company CP	75,245,591	109,456,461	42,976,681	10,998,553	-	$ 238,677,286
Asset Backed CP	3,999,913	5,998,155	-	-	-	$ 9,998,068
Other CP	7,499,337	-	5,995,244	-	-	$ 13,494,581
Treasury Debt	12,606,087	8,008,185	6,003,975	3,995,612	-	$ 30,613,859
Other Note	-	1,000,000	5,000,000	-	-	$ 6,000,000
Variable Rate Demand Note	-	-	-	-	-	$ -
Gov't Agency Debt	-	2,999,884	-	9,998,979	8,768,652	$ 21,767,515
Gov't Agency Repo	90,375,000	-	-	-	-	$ 90,375,000
Other Repo	58,000,000	5,000,000	16,000,000	-	-	$ 79,000,000
Other	2,160,983	2,406,884	-	-	-	$ 4,567,867

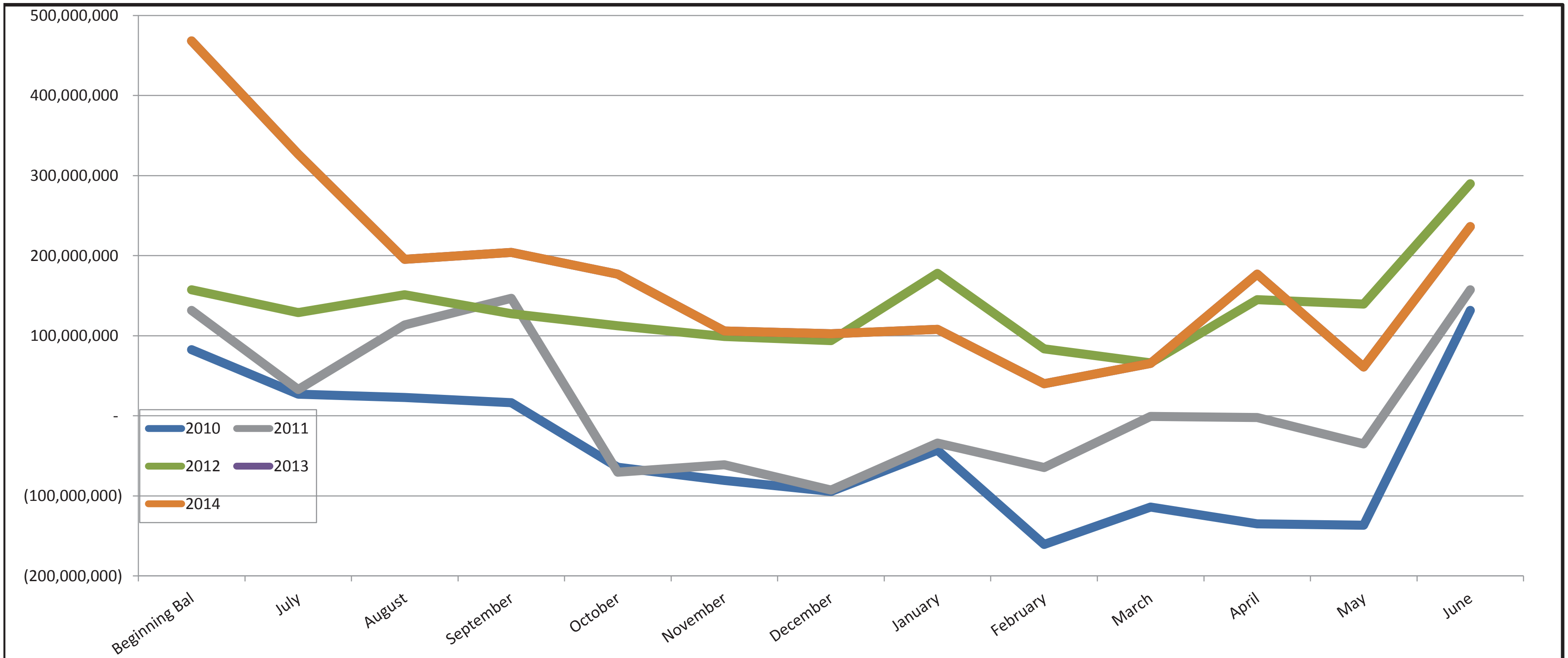
Source Data: Fidelity OSIP Annual Report FY2014. Weighted average maturity for the fiscal year was 51 days.

CASH FLOW

State of Rhode Island
Office of the General Treasurer
Cash Flow Analysis Summary
Fiscal 2014

	July	August	September	October	November	December	January	February	March	April	May	June	TOTAL
	2013	2013	2013	2013	2013	2013	2014	2014	2014	2014	2014	2014	2014
Beginning Balance	**468,157,555**	**326,882,062**	**195,511,296**	**203,889,552**	**176,779,981**	**106,045,394**	**102,591,012**	**107,889,843**	**40,188,291**	**65,373,465**	**132,300,971**	**77,326,272**	**468,157,555**
Add: Receipts/Deposits													
Motor Vehicles ACH & CHK	10,987,830	10,476,252	10,704,824	10,663,454	8,891,050	8,132,020	9,886,681	8,548,412	11,840,475	13,371,937	13,208,385	13,135,202	**129,846,522**
EOHHS ACH & CHK	6,404	32,473	25,145	10,288	182,435	10,486	20,528	74,928	8,598	21,271	10,016	1,881	**404,453**
Dept Bus Reg ACH & CHK	909,421	562,160	777,504	609,292	1,581,917	627,056	1,121,517	362,882	1,372,901	1,184,461	529,740	1,930,573	**11,569,425**
Secretary of State CHK	319,927	300,531	425,456	354,405	311,861	292,974	383,185	420,065	403,731	321,147	238,613	265,102	**4,036,997**
Dept Env Mgt ACH & CHK	1,049,479	893,380	465,002	726,052	999,560	1,149,335	1,844,084	995,748	813,966	889,497	767,459	636,566	**11,230,128**
Dept of Health ACH & CHK	100,401	522,194	130,229	132,930	118,870	69,791	49,974	113,781	86,196	52,276	59,172	88,418	**1,524,231**
Miscellaneous Receipts	36,636,575	16,437,858	25,853,740	23,759,340	14,488,459	20,635,150	12,577,361	16,178,704	15,503,513	14,177,012	16,717,341	27,153,653	**240,118,706**
Federal Grants	269,551,461	157,975,193	131,993,878	178,888,910	170,772,694	150,882,631	235,428,157	193,551,393	209,460,070	196,398,385	270,555,772	200,015,995	**2,365,474,539**
Interest	58,146	89,948	64,646	50,779	0	30,723	29,093	43,496	28,172	23,324	33,819	32,711	**484,857**
Add: Receipts/Wires													
Lottery Wires In	0	32,924,233	33,612,717	31,354,836	30,355,737	30,384,026	29,051,146	28,904,746	29,835,377	35,364,641	32,051,970	63,064,470	**376,903,899**
Payroll Receipts	20,727,798	23,681,740	20,462,967	20,157,772	20,571,168	20,315,104	24,611,016	21,108,133	19,484,687	20,349,372	19,845,067	20,550,017	**251,864,841**
Transfers in from DOT/ISTEA	1,909	2,056	2,120	7,594,450	2,961	7,595,099	4,002	3,326	2,228	2,172	2,393	15,304,876	**30,517,591**
Transfers in University/Colleges	28,497,394	42,821,010	30,337,269	29,706,599	29,531,613	30,381,897	44,081,316	29,591,110	27,338,654	29,341,863	29,515,947	28,762,499	**379,907,171**
Transfers in from Bond Capital	0	0	7,807	6,843	7,311	8,292	12,026	0	7,171	11,686	10,780	9,490	**81,407**
Historic Tax Credit	0	7,050,527	608,758	1,336,871	2,171,851	1,285,331	549,810	994,481	147,011	1,707,247	528,072	359,327	**16,739,285**
Taxation ACH & CHK Receipts	329,092,553	200,214,107	250,477,611	203,478,585	194,812,210	232,795,791	249,733,188	200,387,043	336,318,895	331,212,169	203,219,103	396,413,065	**3,128,154,319**
Miscellaneous Receipts	8,825,408	8,334,960	9,297,147	9,460,982	11,748,134	3,637,819	7,781,592	7,378,179	11,053,318	6,532,600	19,198,436	12,181,997	**115,430,572**
Total Receipts	706,764,706	502,318,622	515,246,820	518,292,389	486,547,831	508,233,524	617,164,677	508,656,425	663,704,962	650,961,059	606,492,086	779,905,841	**7,064,288,944**
Less: Disbursements													
Temp Assist. for Needy Families (TANF)	2,714,434	2,915,726	2,830,076	2,785,022	2,725,493	2,727,881	2,657,933	2,628,257	2,601,100	2,563,290	2,586,860	2,639,302	**32,375,375**
Pension	34,302,376	15,847,621	13,993,937	17,528,015	18,162,475	15,458,795	21,067,658	19,423,909	17,427,625	21,355,724	7,101,507	11,382,051	**213,051,694**
SSI Payments	3,018,386	1,501,217	1,470,779	1,520,739	1,506,718	1,399,487	1,641,255	1,491,865	1,531,386	1,491,643	1,485,555	0	**18,059,029**
Medicaid Payments	302,093,636	218,444,453	119,359,216	167,229,081	229,249,446	171,814,658	195,880,907	196,638,047	196,091,010	153,418,620	279,791,487	108,179,644	**2,338,190,205**
RICAP Funding	90,582,875	275,542	9,009,931	18,475,133	1,792,466	745,535	2,606,729	1,909,159	3,278,840	0	51,623,941	52,549,412	**232,849,563**
Transfers out to University/Colleges	19,409,557	28,528,526	19,219,021	7,396,284	8,396,284	10,596,284	13,674,380	6,852,898	6,960,340	9,151,930	9,411,715	8,917,718	**148,514,936**
Personal / Corp. Income tax	7,306,784	4,519,127	3,465,256	5,341,502	7,907,542	7,123,539	2,939,012	66,574,640	62,779,849	67,251,043	21,418,129	9,065,811	**265,692,234**
Debt Service	14,040,676	43,784,695	17,180,764	27,218,571	22,637,453	209,086	25,481,590	3,380,036	407,869	19,858,533	21,641,653	163,367	**196,004,294**
DHS - Child Care Assistance Program	4,181,694	4,732,481	2,433,713	5,975,373	4,067,935	4,007,670	3,877,993	1,864,949	4,108,376	6,017,402	4,218,838	4,236,667	**49,723,091**
Payroll/ FICA/ Misc	70,183,065	93,876,784	79,348,674	69,097,401	68,514,174	71,420,141	95,069,908	69,598,919	78,941,876	68,194,787	68,675,304	71,631,406	**904,552,440**
Payroll/ Workers Comp	4,059,323	4,174,056	2,804,933	2,801,705	2,792,147	2,790,198	4,168,094	2,794,864	2,790,201	2,776,381	2,781,779	2,792,891	**37,526,571**
Payroll/ Health Insurance	20,743,958	32,074,722	21,505,218	21,177,807	21,503,267	21,521,043	32,099,068	20,985,451	13,254,475	21,282,041	21,072,864	21,253,075	**268,472,988**
Payroll/ Retirement Contribution	16,277,494	25,182,301	17,541,101	16,989,181	16,982,120	17,172,588	25,502,671	17,067,680	17,025,746	17,032,470	16,997,251	17,089,155	**220,859,758**
Transfers out to DOT/ISTEA	6,407,314	11,952,694	12,131,084	17,514,607	11,790,360	11,056,483	11,386,355	12,046,972	9,673,213	12,456,474	11,061,023	13,326,488	**140,803,067**
Misc Split / CSH / Interfund	10,389,515	4,011,332	34,606,122	4,975,850	3,212,559	12,049,885	14,065,175	18,543,840	32,714,461	15,583,235	10,687,220	9,110,299	**169,949,494**
Disb. Check/ACH Pmts (ex. St/School Aid)	242,329,114	141,868,111	149,968,738	159,375,689	136,041,981	161,594,633	159,747,118	134,556,493	188,933,420	165,599,981	130,911,657	149,730,420	**1,920,657,354**
Total Disbursements	848,040,200	633,689,388	506,868,564	545,401,959	557,282,418	511,687,906	611,865,846	576,357,978	638,519,788	584,033,553	661,466,785	482,067,707	**7,157,282,093**
Overall Cash Position	**326,882,062**	**195,511,296**	**203,889,552**	**176,779,981**	**106,045,394**	**102,591,012**	**107,889,843**	**40,188,291**	**65,373,465**	**132,300,971**	**77,326,272**	**375,164,407**	**375,164,407**

State of Rhode Island
Office of the General Treasurer
General Fund Cash Flow
FY2009-FY2013



Note: All figures are net of TAN borrowings.

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.

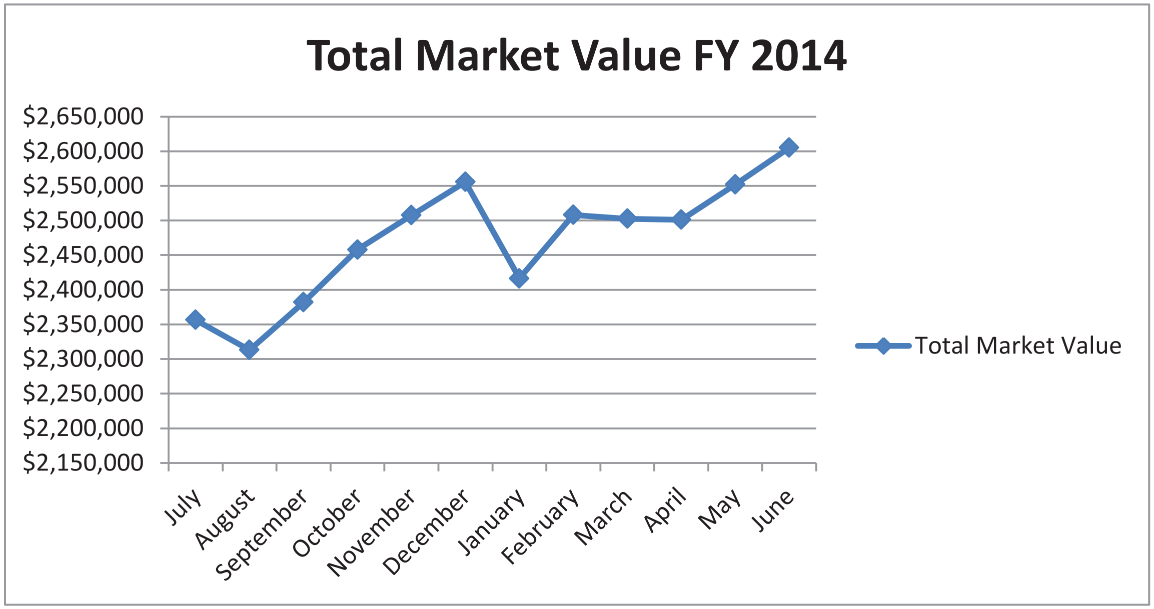
Commentary: Though there is some variance, this chart demonstrates the very cyclical nature of the State's cash flow. Any proceeds from TANS have been removed from the data to produce a more accurate history of cash flow as a function of revenue and expenditures. The chart clearly demonstrates that FY2014 has continued the trend of increased consistency and a positive cash balance. Due to the fact that TANS was issued and never utilized in FY2012, there was no issuance of TANS in FY2013 or FY2014 and the State remained cash positive throughout the year.

SPECIAL FUNDS

ABRAHAM TOURO FUND
INVESTMENT SUMMARY
Fiscal Year 2014

Month End	Year	Total Market Value
July	2013	$2,356,457
August	2013	$2,313,054
September	2013	$2,381,864
October	2013	$2,458,004
November	2013	$2,507,739
December	2013	$2,555,593
January	2014	$2,416,379
February	2014	$2,508,031
March	2014	$2,502,640
April	2014	$2,501,052
May	2014	$2,551,961
June	2014	$2,605,037

***2014 FY Net Change** **$248,580**



*Includes the annual withdrawl on January 2014 of $101,066

ACCOUNTS RECEIVABLE

State of Rhode Island
Office of the General Treasuer
Municipal Pension Contribution Delinquency
as of July 15, 2014,2013, 2012, 2011, 2010, 2009, 2008

	July, 2014 Total Arrears	July, 2013 Total Arrears	July, 2012 Total Arrears	July, 2011 Total Arrears	July, 2010 Total Arrears	July, 2009 Total Arrears	July, 2008 Total Arrears
Teachers							
Barrington							
Burrillville			$ 14,539.81				
Chariho Regional							
Coventry	$628,741.00						
East Providence							
East Greenwich			$ 112,452.23				
Foster							
Gloucester					$ 69,892.37		
Jamestown							
Johnston			$ 13,222.62				
Lincoln					$ 741,037.75	$ 299,312.44	
Little Compton							
Newport			$ 13,110.92				
N Providence							
N Smithfield	$ 5,435.00						
N Kingston			$ 907,465.14				
Providence (long term subs)			$ 4,717,669.24			$ 343,986.65	
Segue Institute		$ 6,821.14					
Smithfield							
South Kingstown							
Southern RI Collaborative							
Tiverton						$ 151,754.00	
Trinity Academy			$ 17,181.37				
Urban Collaborative			$ 28,299.56				
West Bay Collaborative							
Westerly							
Woonsocket					$ 1,446,130.59		
Subtotal	$634,176.00	$ 6,821.14	$ 5,823,940.89	$ -	$ 2,257,060.71	$ 795,053.09	$ -

Source Data: ERSRI Delinquency Statistics.

DEBT SERVICE

State of Rhode Island
Office of the General Treasurer
Debt Service System Inventory by Maturity Date

Amount of Original Issue	Description of Issue	Year	Series	Maturity Date	Principal Paid in FY 15	Interest Paid in FY 15	Principal Outstanding 6/30/2015	Interest Outstanding 6/30/2015
46,570,000.00	G.O. CCDL of 2008, Refunding Series A	2008	Refunding Series A	7/15/2014	5,555,000.00	138,875.00	0.00	0.00
8,360,000.00	G.O. CCDL of 2005, Refunding Series B	2005	Refunding Series B	8/1/2014	1,285,000.00	27,306.25	0.00	0.00
87,095,000.00	G.O. CCDL of 2005, Series C	2005	C	2/15/2015	2,795,000.00	139,750.00	0.00	0.00
65,830,000.00	G.O. CCDL of 2004, Refunding Series B	2004	Refunding Series B	8/1/2015	9,190,000.00	397,500.00	3,355,000.00	83,875.00
23,780,000.00	G.O. CCDL of 2011, Refunding Series B	2011	Refunding Series B	8/1/2015	7,310,000.00	419,000.00	4,725,000.00	118,125.00
2,230,000.00	LPC, Attorney General's Building - 2007 Refunding Series G	2007	Refunding Series G	10/1/2015	335,000.00	12,320.00	170,000.00	3,145.00
93,385,000.00	G.O. CCDL of 2005, Series E	2005	E	11/1/2015	2,285,000.00	275,375.00	4,365,000.00	109,125.00
12,380,000.00	LPC, Information Technology Project - 2009 Series A	2009	A	4/1/2016	1,860,000.00	146,750.00	1,925,000.00	77,000.00
20,680,000.00	G.O. CDL of 2006, Series B	2006	B	8/1/2016	900,000.00	222,056.25	1,335,000.00	65,700.00
13,375,000.00	LPC, Howard Center Improvements - 2007 Refunding Series E	2007	Refunding Series E	10/1/2016	1,840,000.00	177,625.00	2,865,000.00	100,687.50
21,420,000.00	LPC, Shepard's Building - 2007 Refunding Series F	2007	Refunding Series F	10/1/2016	2,610,000.00	350,750.00	5,710,000.00	289,750.00
98,105,000.00	G.O. CCDL of 2006, Series C	2006	C	11/15/2016	2,025,000.00	537,125.00	9,730,000.00	492,500.00
23,490,000.00	LPC, Information Technology Project - 2007 Series A	2007	A	5/1/2017	1,730,000.00	250,975.00	3,030,000.00	229,750.00
123,255,000.00	G.O. CCDL of 2007, Series A	2007	A	8/1/2017	4,830,000.00	2,335,870.00	11,115,000.00	1,050,625.00
8,500,000.00	G.O. CDL of 2007, Series B (Federally Taxable)	2007	B	8/1/2017	915,000.00	192,843.75	3,105,000.00	261,787.50
86,875,000.00	G.O. CCDL of 2008, Series B	2008	B	2/1/2018	3,500,000.00	2,129,712.50	8,020,000.00	841,850.00
8,500,000.00	G.O. CDL of 2008, Series C (Federally Taxable)	2008	C	2/1/2018	1,000,000.00	267,690.00	3,225,000.00	429,383.00
12,445,000.00	G.O. CCDL of 2008, Refunding Series D	2008	Refunding Series D	2/1/2018	1,575,000.00	309,675.00	5,145,000.00	505,575.00
56,315,000.00	G.O. CCDL of 2005, Refunding Series D	2005	Refunding Series D	7/15/2018	6,695,000.00	1,228,962.50	21,745,000.00	1,745,525.00
52,335,000.00	G.O. CCDL of 2005, Refunding Series A	2005	Refunding Series A	8/1/2018	3,460,000.00	2,453,231.26	47,700,000.00	4,341,809.41
23,800,000.00	G.O. CDL of 2010, Series D (Federally Taxable)	2010	D	4/1/2020	2,395,000.00	594,013.36	12,195,000.00	1,544,756.92
22,160,000.00	LPC, Central Power Plant - 2007 Refunding Series D	2007	Refunding Series D	10/1/2020	1,675,000.00	579,187.50	11,905,000.00	1,610,481.25
78,960,000.00	G.O. CCDL of 2010, Refunding Series A	2010	Refunding Series A	10/1/2020	15,645,000.00	2,079,475.00	39,390,000.00	6,718,575.00
11,805,000.00	LPC, Energy Conservation Project - 2009 Series B	2009	B	4/1/2021	940,000.00	381,062.50	7,500,000.00	1,335,150.00
74,835,000.00	G.O. CCDL of 2006, Refunding Series A	2006	Refunding Series A	8/1/2022	175,000.00	3,230,812.50	67,935,000.00	10,455,681.27
17,520,000.00	LPC, Energy Conservation Project - 2013 Series C	2013	C	4/1/2023	1,495,000.00	736,100.00	14,495,000.00	3,335,050.00
9,170,000.00	LPC, Information Technology Project - 2013 Series D	2013	D	4/1/2023	815,000.00	300,700.00	7,530,000.00	1,397,050.00
12,735,000.00	LPC, Energy Conservation Project - 2007 Series B	2007	B	5/1/2023	905,000.00	369,818.76	7,450,000.00	1,400,175.06
36,310,000.00	LPC, Kent County Courthouse Project - 2013 Refunding Series A	2013	Refunding Series A	10/1/2023	1,305,000.00	1,571,050.00	31,875,000.00	7,920,125.00
36,575,000.00	LPC, Training School Project - 2013 Refunding Series B	2013	Refunding Series B	10/1/2024	1,555,000.00	1,540,250.00	32,270,000.00	8,724,275.00
15,290,000.00	LPC, Traffic Tribunal Project - 2013 Refunding Series E	2013	Refunding Series E	10/1/2024	795,000.00	525,650.00	13,320,000.00	3,060,250.00
11,650,000.00	LPC, Pastore Center Energy Conservation Project - 2014 Series A	2014	A	11/1/2024	0.00	244,416.67	11,650,000.00	2,867,550.00
30,380,000.00	LPC, Information Technology Project - 2014 Series C	2014	C	11/1/2024	0.00	684,809.03	30,380,000.00	8,150,625.00
78,700,000.00	G.O. CCDL of 2014, Refunding Series A	2014	Refunding Series A	11/1/2025	2,565,000.00	3,515,480.84	76,135,000.00	18,296,025.00
31,980,000.00	LPC, Energy Conservation Project - 2011 Series A	2011	A	4/1/2026	2,920,000.00	875,850.00	21,585,000.00	3,385,150.00
122,950,000.00	G.O. CCDL of 2012, Refunding Series A	2012	Refunding Series A	8/1/2027	0.00	5,970,031.26	122,950,000.00	30,929,840.75
162,115,000.00	G.O. CCDL of 2014, Refunding Series D (Tax-Exempt)	2014	Refunding Series D	8/1/2027	935,000.00	1,895,858.05	161,180,000.00	70,043,425.00
30,425,000.00	LPC, School for the Deaf Project - 2009 Series C	2009	C	4/1/2029	1,180,000.00	1,300,250.00	24,005,000.00	10,739,437.52
7,465,000.00	LPC, R. I. College Energy Conservation Project - 2014 Series B	2014	B	11/1/2029	0.00	124,578.13	7,465,000.00	2,445,737.50
40,865,000.00	G.O. CCDL of 2010, Series B (Tax Exempt)	2010	B	4/1/2030	1,495,000.00	1,647,350.00	33,610,000.00	14,151,250.00
80,000,000.00	G.O. CDL of 2010, Series C	2010	C	4/1/2030	0.00	4,479,957.00	80,000,000.00	49,336,862.62
145,035,000.00	G.O. CCDL of 2011, Series A	2011	A	8/1/2031	4,825,000.00	7,013,787.50	132,590,000.00	68,670,856.25
81,400,000.00	G.O. CCDL of 2012, Series B	2012	B	10/15/2032	2,845,000.00	3,190,312.50	75,785,000.00	32,808,393.75
40,650,000.00	G.O. CCDL of 2013, Series A (Tax-Exempt)	2013	A	10/15/2033	1,255,000.00	1,871,087.50	39,395,000.00	20,312,518.77
12,500,000.00	G.O. CDL of 2013, Series B (Federally Taxable)	2013	B	10/15/2033	460,000.00	465,832.56	12,040,000.00	5,746,603.12
33,625,000.00	G.O. CCDL of 2014, Series B (Tax-Exempt)	2014	B	11/1/2034	0.00	779,435.56	33,625,000.00	19,380,350.00
12,500,000.00	G.O. CDL of 2014, Series C (Federally Taxable)	2014	C	11/1/2034	0.00	189,127.35	12,500,000.00	5,044,136.96
					107,875,000.00	58,169,676.08	1,258,025,000.00	420,556,544.15
					58,169,676.08			1,258,025,000.00
			Total Principle and Interest Paid in FY 2015		166,044,676.08	Total outstanding debt @ 6/30/15		1,678,581,544.15

State of Rhode Island - Office of the General Treasurer

Debt Service System Inventory of Matured or Retired Issues

File #	Amount of Original Issue	Description of Issue	Paying Agent	Year	Series	Type	Bond Use	Specific Use	Maturity or Retirement Date	
109	27,050,000.00	City of Cranston - General Obligation Bonds	U.S. Bank N.A.	2004	N/A	G.O.	Direct	General Obligation	8/15/2013	
101	62,765,000.00	G.O. CCDL of 2002, Refunding Series C	U.S. Bank	2002	Refunding Series C	CCDL	Direct	General Obligation	11/1/2013	
105	79,770,000.00	G.O. CCDL of 2004, Series A	U.S. Bank	2004	A	CCDL	Direct	General Obligation	2/1/2014	
126	9,100,000.00	LPC, State Vehicles Project - 2007 Series C	Wells Fargo	2007	C	LPC	State	Lease Part. Certificate	5/1/2014	FY 2014

Appendix C

Summary - All Outstanding Debt Service Payments[1]
(Exluding Performance Based Agreements)

Fiscal Year	Principal	Interest*	Total Gross Debt Service	Less:Capitalized Interest, Reserve Fund Deposit Self Supporting	Excess Two Cents of Gas Tax held by Trustee[2]	Total Net Debt Service Payment
2014	142,833,333	92,610,163	235,443,496	(14,942,708)	1,265,950	221,766,738
2015	152,986,822	87,727,297	240,714,119	(5,446,122)	1,197,048	236,465,045
2016	154,929,002	80,500,427	235,429,429	(5,229,585)	1,133,122	231,332,966
2017	162,095,725	72,754,428	234,850,153	(5,130,085)	1,433,029	231,153,097
2018	146,617,686	65,039,271	211,656,957	(5,028,085)	1,370,207	207,999,079
2019	126,226,562	57,611,563	183,838,124	(6,596,029)	1,301,612	178,543,707
2020	122,580,870	51,520,789	174,101,659	(5,882,389)	1,240,488	169,459,758
2021	126,965,000	45,357,015	172,322,015	(4,461,622)	1,175,307	169,035,700
2022	103,515,000	39,548,312	143,063,312	(4,460,453)	1,111,524	139,714,384
2023	137,395,000	34,369,097	171,764,097	(34,519,016)	1,046,483	138,291,564
2024	95,340,000	27,011,436	122,351,436	(86,603)	986,178	123,251,010
2025	86,830,000	22,453,287	109,283,287	(86,603)	1,399,698	110,596,382
2026	84,555,000	18,175,824	102,730,824	(86,603)	1,336,965	103,981,186
2027	68,465,000	14,114,185	82,579,185	(3,104,038)	-	79,475,148
2028	51,150,000	10,438,783	61,588,783	-	-	61,588,783
2029	36,490,000	7,898,760	44,388,760	-	-	44,388,760
2030	35,795,000	5,840,470	41,635,470	-	-	41,635,470
2031	24,995,000	3,837,250	28,832,250	-	-	28,832,250
2032	26,310,000	2,527,408	28,837,408	-	-	28,837,408
2033	15,495,000	1,500,785	16,995,785	-	-	16,995,785
2034	10,095,000	856,179	10,951,179	-	-	10,951,179
2035	6,510,000	394,506	6,904,506	-	-	6,904,506
2036	-	-	-	-	-	-
2037	-	-	-	-	-	-
	1,918,175,000	**742,087,234**	**2,660,262,234**	**(95,059,937)**	**15,997,608**	**2,581,199,904**

(1) Reflects amounts payable on net tax supported debt, including master lease payments, which are budgeted within the individual agencies rather than the debt service program within the Department of Administration. Excludes performance based obligations that are shown on subsequent schedules.

(2) Budget reflects dedication of two cent of gas tax to trustee for motor fuel bonds. Amount shown is the amount payable on the bonds but bond documents covenant that a full two cents of gas tax proceeds flow to the Trustee for coverage purposes. Assumes $8,310,000 in FY 2013 and thereafter for projection purposes.

RI EMPLOYEES RETIREMENT SYSTEM

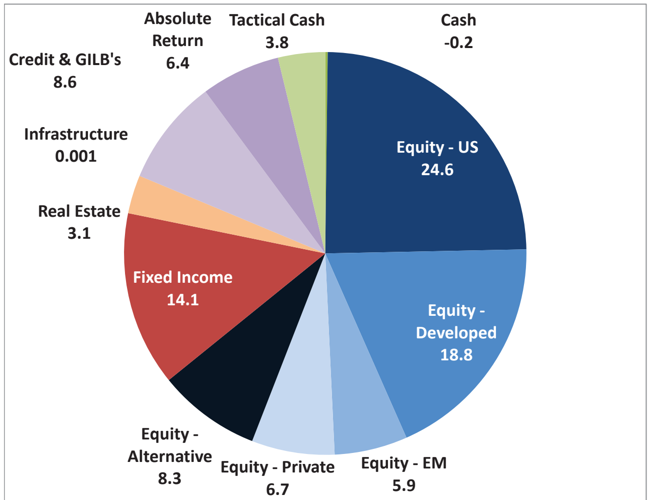
STATE OF RHODE ISLAND
ASSET ALLOCATION REPORT
June 30, 2014

	Style Mandate	Actual (Millions $)	
Cash & Misc			
CASH EQUIVALENTS	STIF, Yield+	275.80	3.36%
RUSSELL IMPLEMENTATION SERVICES	Other	16.20	0.20%
OTHER		1.20	0.01%
TOTAL		**293.20**	**3.55%**
Equity - US			
SSGA R3000 Index	Passive	2,055.30	25.02%
TOTAL		**2,055.30**	**25.02%**
Equity - Non-US			
SSGA MSCI EAFE	Passive	1,419.90	17.28%
SSGA MSCI CANADA	Passive	158.70	1.93%
SSGA MSCI EM	Passive	456.80	5.56%
TOTAL		**2,035.40**	**24.78%**
Equity - Private			
PRIVATE EQUITY	Private Equity	552.10	6.72%
TOTAL		**552.10**	**6.72%**
Equity - Hedge Funds			
ALTERNATIVE EQUITY	Hedge Fund	676.00	8.23%
TOTAL		**676.00**	**8.23%**
US Traditional Fixed Income			
PYRAMIS GLOBAL ADVISORS	Fixed Income	562.50	6.85%
MACKAY SHIELDS, LLC	Fixed Income	560.20	6.82%
TOTAL		**1,122.70**	**13.67%**
Credit			
PIMCO	High Yield / Lev Loan	208.40	2.54%
WAMCO	High Yield / Lev Loan	211.80	2.58%
TOTAL		**420.20**	**5.11%**
TIPS			
BROWN BROTHERS HARRIMAN - TIPS	GILBS	285.10	3.47%
TOTAL		**285.10**	**3.47%**
Absolute Return - Hedge Funds			
ALTERNATIVE ABSOLUTE RETURN	Hedge Fund	520.70	6.34%
TOTAL		**520.70**	**6.34%**
Real Estate			
REAL ESTATE	Real Estate	254.70	3.10%
TOTAL		**254.70**	**3.10%**
TOTAL ASSETS		**8,215.40**	**100%**

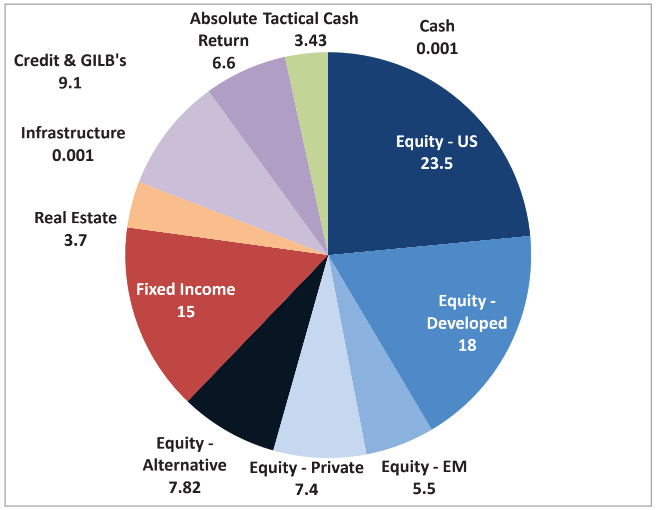
ERSRI Portfolio

%%% - as of June 30, 2014

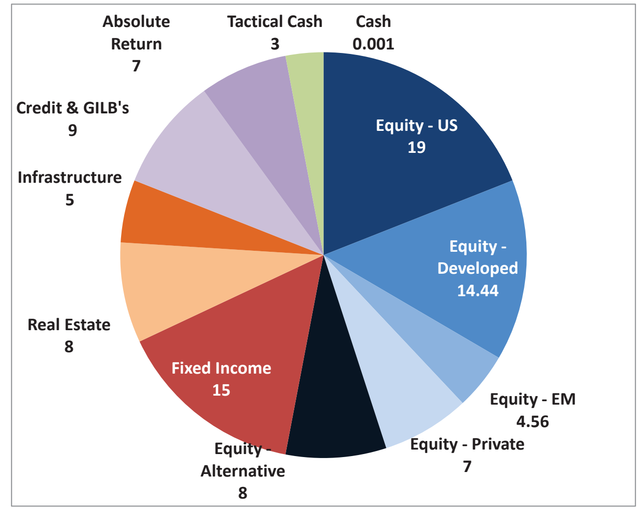
Actual Allocation



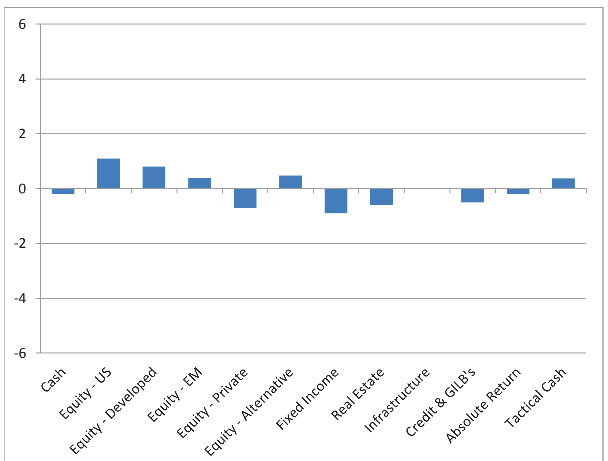
Tactical Allocation



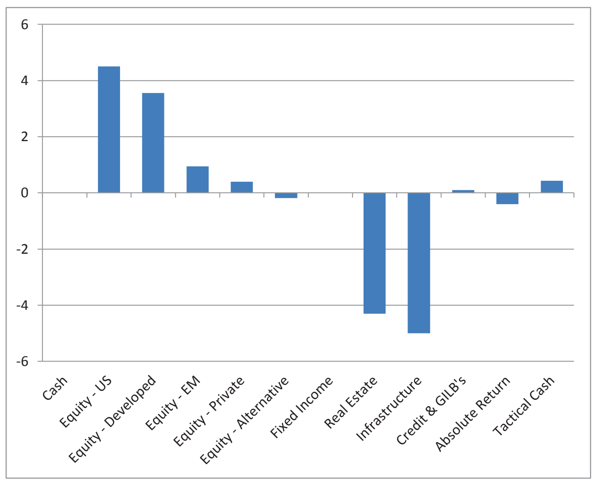
Policy Allocation



Actual vs. Tactical



Tactical vs. Policy

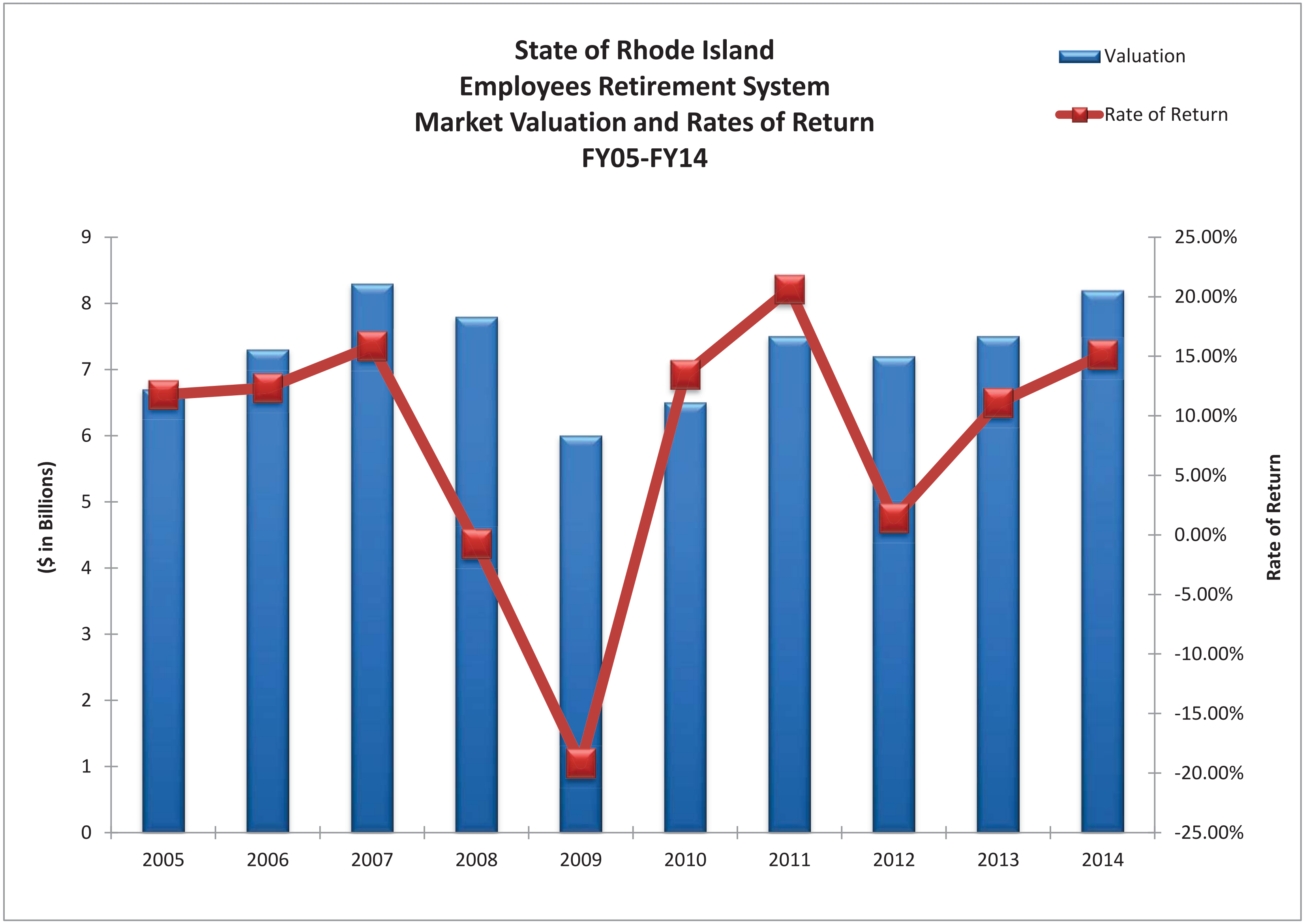


Notes:

Actual vs. Tactical: SIC policy allows for fluctuations of ±2% from Tactical to accommodate market movements while minimizing trading costs for rebalancing, and lags in rebalancing to less liquid asset classes.

Tactical vs. Policy: Tactical allocations diverge from policy to allow time to vet third-party managers allowing prudent implementation of SIC policy decisions, and to diversify vintage-year exposure for drawdown funds (e.g., private equity, real estate, infrastructure).

Currently tactical allocations are (4) percentage points (pps) below policy on real estate and (5) pps on infrastructure & MLP's, due to timing required to deploy funds. An additional +9 pps in equity offers interim exposure to economic growth and protection from interest rate volatility, capturing similar macroeconomic exposures to underallocated asset classes.



State of Rhode Island
Employees Retirement System
Market Valuation and Rates of Return
FY05-FY14
Valuation
Rate of Return
($ in Billions)
Rate of Return
9
8
7
6
5
4
3
2
1
0
25.00%
20.00%
15.00%
10.00%
5.00%
0.00%
-5.00%
-10.00%
-15.00%
-20.00%
-25.00%
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014

State of Rhode Island Private Equity Unfunded Commitment June 2014

Partnership Investment	Total Commitment	Unfunded
Advent Global Private Equity Fund VII	$ 20,000,000.00	$ 11,920,000.00
Alta BioPhama Partners III	$ 15,000,000.00	$ 750,000.00
Alta Partners VIII	$ 15,000,000.00	$ 750,000.00
Aurora Equity Partners III	$ 15,000,000.00	$ 835,850.00
Avenue Special Situations Fund IV	$ 20,000,000.00	$ -
Avenue V	$ 20,000,000.00	$ -
Bain X	$ 25,000,000.00	$ 762,500.00
Birch Hill Equity Partners III	$ 16,868,142.00	$ 618,660.16
Braemar Energy Ventures III	$ 10,000,000.00	$ 6,148,780.00
Carlyle Asia Partners IV	$ 30,000,000.00	$ 26,546,079.00
Castile III	$ 5,000,000.00	$ 150,000.00
Centerbridge	$ 15,000,000.00	$ 1,090,623.00
Centerbridge Special Credit Partners II	$ 25,000,000.00	$ 6,875,000.00
Charterhouse Capital Partners VIII	$ 19,443,312.75	$ 1,544,650.73
Coller International Capital IV**	$ 14,250,000.00	$ 1,350,000.00
Coller International Capital V	$ 15,000,000.00	$ 3,270,000.00
Constellation III	$ 15,000,000.00	$ 2,537,146.10
CVC European Equity Partners III	$ 20,000,000.00	$ 899,966.00
CVC European Equity Partners IV	$ 22,513,309.50	$ 2,631,038.07
CVC V	$ 27,288,860.00	$ 3,289,833.77
CVC VI	$ 20,466,645.00	$ 20,304,811.68
EnCap Energy Fund IX	$ 18,000,000.00	$ 14,592,083.59
Fenway Partners Capital Fund II	$ 15,000,000.00	$ 232,336.00
Fenway III	$ 15,000,000.00	$ 1,409,506.00
First Reserve Fund X	$ 20,000,000.00	$ 1.00
First Reserve Fund XI	$ 20,000,000.00	$ (1.00)
Focus Ventures III	$ 15,000,000.00	$ -
Granite Global Ventures II	$ 15,000,000.00	$ 675,000.00
Granite Global Ventures III	$ 15,000,000.00	$ 375,000.00
Green Equity Investors V	$ 20,000,000.00	$ 1,243,286.40
Kayne Anderson Energy Fund III	$ 15,000,000.00	$ 366,426.00
Kayne Anderson Energy Fund IV	$ 15,000,000.00	$ 798,406.00
Leapfrog Ventures II	$ 10,000,000.00	$ 510,000.00
Leeds Weld Equity Partners IV	$ 10,000,000.00	$ 1,099,639.00
Lighthouse Capital Partners V	$ 11,250,000.00	$ 787,500.00
Lighthouse Capital Partners VI	$ 15,000,000.00	$ 750,000.00
LNK Partners	$ 12,500,000.00	$ 628,507.52
Matlin Patterson Glb. Opp. Fund (CSFB)	$ 15,000,000.00	$ -
MHR Institutional Partners III	$ 20,000,000.00	$ 7,374,396.00
Nautic Partners V	$ 20,000,000.00	$ 647,276.49
Nautic Partners VI	$ 20,000,000.00	$ 1,413,312.94
Nautic Partners VII	$ 20,000,000.00	$ 20,000,000.00
Nordic Capital Fund V	$ 19,942,084.89	$ -
Nordic Capital Fund VI	$ 20,466,645.00	$ -
Nordic VII	$ 20,466,645.00	$ 3,856,939.65

Nordic VIII	$	20,466,645.00	$	18,751,110.75
Oaktree Capital Management Fund III	$	20,000,000.00	$	10,400,000.00
Palladin III	$	10,000,000.00	$	2,553,974.00
Parthenon Investors II	$	23,960,000.00	$	1,821,022.00
Perseus VII	$	15,000,000.00	$	525,615.17
Point 406	$	10,000,000.00	$	1,040,000.00
Point Judith II	$	5,000,000.00	$	463,939.06
Providence Equity Partners III	$	15,000,000.00	$	1,938,956.00
Providence Equity Partners IV	$	25,000,000.00	$	1,989,319.00
Providence Equity Partners V	$	25,000,000.00	$	2,157,993.00
Providence Equity Partners VI	$	25,000,000.00	$	2,590,094.00
Providence Equity Partners VII	$	25,000,000.00	$	20,904,277.00
Riverside VI	$	20,000,000.00	$	17,535,773.00
Summit Partners	$	20,000,000.00	$	2,100,000.00
Thomas McNerney & Partners	$	15,000,000.00	$	300,000.00
Thomas McNerney & Partners II	$	15,000,000.00	$	1,762,500.00
TPG Partners IV	$	13,953,742.00	$	64,421.00
TPG Partners V	$	20,000,000.00	$	2,328,181.00
TPG VI	$	10,000,000.00	$	1,692,485.00
Trilantic IV	$	11,098,351.00	$	1,339,290.54
VS&A Communication Partners III	$	15,000,000.00	$	-
W Capital Partners	$	15,000,000.00	$	802,500.00
W Capital Partners II	$	15,000,000.00	$	1,596,691.00
Wellspring Capital Partners III	$	20,000,000.00	$	283,861.00
Wellspring Capital Partners IV	$	20,000,000.00	$	2,088,979.00
WLR	$	8,000,000.00	$	765,256.00
Total Private Equity	$	1,220,934,382.14	$	246,830,791.61

Performance Summary

As of 6/30/2014

Employees Retirement System of Rhode Island

Partnership	Strategy	(A) Commit. Amount	Unfunded Amount	(B) Cumulative Cont.	% Drawn	(C) Cumulative Dist.	(D) Fair Value	(C+D) Total Value	(C+D-B) Gain/Loss	Net IRR	IRR Benchmark	TVPI	TVPI Benchmark
(in thousands)													
Vintage Year 1982													
*Narragansett First Fund	Buyout	1,000	0	969	100 %	2,877	0	2,877	1,907	35.43%	N/A	2.97x	N/A
Vintage Year 1982 Total		1,000	0	969	100 %	2,877	0	2,877	1,907	35.43%	N/A	2.97x	N/A
Vintage Year 1987													
*Narragansett Capital Partners-B	Buyout	3,000	0	3,916	100 %	6,190	0	6,190	2,274	6.81%	N/A	1.58x	N/A
Vintage Year 1987 Total		3,000	0	3,916	100 %	6,190	0	6,190	2,274	6.81%	N/A	1.58x	N/A
Vintage Year 1988													
*Crossroads Providence	Fund of Funds	45,000	0	45,000	100 %	106,749	0	106,749	61,749	19.94%	N/A	2.37x	N/A
Vintage Year 1988 Total		45,000	0	45,000	100 %	106,749	0	106,749	61,749	19.94%	N/A	2.37x	N/A
Vintage Year 1995													
*Doughty Hanson Fund II	Buyout	5,232	0	4,633	84 %	9,556	0	9,556	4,924	49.45%	N/A	2.06x	N/A
*Welsh, Carson, Anderson & Stowe VII	Buyout	15,000	0	15,028	100 %	32,502	0	32,502	17,474	17.69%	N/A	2.16x	N/A
*OCM Opportunities Fund, L.P.	Distressed Debt	8,000	0	8,000	100 %	13,112	0	13,112	5,112	10.30%	N/A	1.64x	N/A
Vintage Year 1995 Total		28,232	0	27,660	97 %	55,170	0	55,170	27,509	17.19%	N/A	1.99x	N/A
Vintage Year 1996													
*ABS Capital Partners II	Buyout	5,000	0	4,936	100 %	5,963	0	5,963	1,026	7.70%	N/A	1.21x	N/A
*Boston Ventures V	Buyout	5,000	0	5,786	100 %	7,901	0	7,901	2,115	6.61%	N/A	1.37x	N/A
*Providence Equity Partners, L.P.	Buyout	10,000	0	14,685	100 %	39,585	0	39,585	24,900	77.88%	N/A	2.70x	N/A
*Willis Stein & Partners	Buyout	5,000	0	5,007	100 %	10,716	0	10,716	5,709	20.70%	N/A	2.14x	N/A
*OCM Principal Opportunities Fund, L.P.	Distressed Debt	5,000	0	5,000	100 %	7,257	0	7,257	2,257	5.42%	N/A	1.45x	N/A
Vintage Year 1996 Total		30,000	0	35,414	100 %	71,422	0	71,422	36,007	30.71%	N/A	2.02x	N/A
Vintage Year 1997													
*Blackstone Capital Partners III Merchant Banking Fund	Buyout	20,000	0	21,715	100 %	35,911	0	35,911	14,196	12.71%	N/A	1.65x	N/A
*Doughty Hanson Fund III	Buyout	15,000	0	15,698	100 %	34,482	0	34,482	18,784	17.35%	N/A	2.20x	N/A
*Harvest Partners III, L.P.	Buyout	15,000	0	14,643	100 %	8,117	0	8,117	-6,525	-9.81%	N/A	0.55x	N/A
*Heritage Fund II	Buyout	5,000	0	4,997	100 %	4,553	0	4,553	-444	-1.53%	N/A	0.91x	N/A
SKM Equity Fund II, L.P.	Buyout	10,000	1,736	9,218	83 %	10,320	169	10,490	1,271	1.07%	N/A	1.14x	N/A
*TPG Partners II, L.P.	Buyout	10,000	0	10,742	100 %	18,243	0	18,243	7,502	9.93%	N/A	1.70x	N/A
OCM Opportunities Fund II, L.P.	Distressed Debt	12,000	0	12,000	100 %	18,130	11	18,141	6,141	8.45%	N/A	1.51x	N/A
Vintage Year 1997 Total		87,000	1,736	89,013	98 %	129,757	180	129,938	40,924	7.02%	N/A	1.46x	N/A
Vintage Year 1998													

*Liquidated Partnership

Performance Summary
As of 6/30/2014
Employees Retirement System of Rhode Island

Partnership	Strategy	(A) Commit. Amount	Unfunded Amount	(B) Cumulative Cont.	% Drawn	(C) Cumulative Dist.	(D) Fair Value	(C+D) Total Value	(C+D-B) Gain/Loss	Net IRR	IRR Benchmark	TVPI	TVPI Benchmark
(in thousands)													
Vintage Year 1998													
*Apollo Investment Fund IV	Buyout	15,000	0	15,471	100 %	25,184	0	25,184	9,712	8.47%	N/A	1.63x	N/A
*Aurora Equity Partners II	Buyout	15,000	0	16,847	100 %	23,623	0	23,623	6,776	4.65%	N/A	1.40x	N/A
*CVC European Equity Partners II	Buyout	15,000	0	17,293	100 %	35,769	0	35,769	18,476	19.44%	N/A	2.07x	N/A
Fenway Partners Capital Fund II	Buyout	15,000	232	18,513	98 %	20,037	2,136	22,174	3,661	5.10%	N/A	1.20x	N/A
*First Reserve Fund VIII, LP	Buyout	15,000	0	16,169	100 %	31,110	0	31,110	14,941	15.83%	N/A	1.92x	N/A
*Nordic Capital Fund III	Buyout	11,869	0	10,118	79 %	36,526	0	36,526	26,408	31.45%	N/A	3.61x	N/A
*Thomas H. Lee Equity Fund IV	Buyout	9,000	0	8,701	100 %	7,687	0	7,687	-1,013	-2.46%	N/A	0.88x	N/A
VS&A Communication Partners III	Buyout	15,000	0	15,072	100 %	20,243	485	20,728	5,656	6.29%	N/A	1.38x	N/A
*Washington & Congress Capital Partners	Buyout	15,000	0	14,980	100 %	16,772	49	16,820	1,841	2.61%	N/A	1.12x	N/A
*Wellspring Capital Partners II	Buyout	15,000	0	15,359	100 %	22,963	0	22,963	7,604	19.95%	N/A	1.50x	N/A
*Alta BioPharma Partners	Venture Capital	10,000	0	10,004	100 %	14,987	0	14,987	4,983	21.11%	N/A	1.50x	N/A
*Alta California Partners II	Venture Capital	10,000	0	10,039	100 %	7,007	0	7,007	-3,031	-7.13%	N/A	0.70x	N/A
Vintage Year 1998 Total		160,869	232	168,566	98 %	261,908	2,670	264,579	96,013	10.88%	N/A	1.57x	N/A
Vintage Year 1999													
*Parthenon Investors, L.P.	Buyout	15,000	0	17,811	100 %	24,555	0	24,555	6,743	6.47%	N/A	1.38x	N/A
Providence Equity Partners III, L.P.	Buyout	15,000	1,939	16,498	87 %	25,219	21	25,241	8,743	15.86%	N/A	1.53x	N/A
Vintage Year 1999 Total		30,000	1,939	34,309	94 %	49,774	21	49,795	15,487	9.97%	N/A	1.45x	N/A
Vintage Year 2000													
Nautic Partners V, L.P.	Buyout	20,000	647	20,320	97 %	38,485	3,015	41,500	21,179	17.25%	N/A	2.04x	N/A
Providence Equity Partners IV, L.P.	Buyout	25,000	1,989	35,958	92 %	66,815	1,808	68,623	32,665	23.92%	N/A	1.91x	N/A
*Alta California Partners III	Venture Capital	15,000	0	15,179	100 %	12,208	0	12,208	-2,971	-4.74%	N/A	0.80x	N/A
Vintage Year 2000 Total		60,000	2,637	71,457	96 %	117,508	4,823	122,330	50,873	14.77%	N/A	1.71x	N/A
Vintage Year 2001													
CVC European Equity Partners III	Buyout	20,000	900	23,158	96 %	59,147	896	60,042	36,884	41.07%	N/A	2.59x	N/A
*First Reserve Fund IX, L.P.	Buyout	20,000	0	21,640	100 %	61,602	0	61,602	39,962	48.12%	N/A	2.85x	N/A
*Harvest Partners IV, L.P.	Buyout	15,000	0	14,940	100 %	31,486	0	31,486	16,546	36.52%	N/A	2.11x	N/A
Parthenon Investors II, L.P.	Buyout	23,960	1,821	23,409	92 %	34,918	6,106	41,023	17,614	13.70%	N/A	1.75x	N/A
MatlinPatterson Global Opportunities Fund	Distressed Debt	15,000	0	15,505	100 %	26,338	7	26,346	10,841	15.82%	N/A	1.70x	N/A
Vintage Year 2001 Total		93,960	2,721	98,652	97 %	213,491	7,009	220,499	121,847	31.70%	N/A	2.24x	N/A
Vintage Year 2002													
*Charterhouse Capital Partners VII	Buyout	20,467	0	16,463	89 %	29,479	0	29,479	13,016	39.59%	N/A	1.79x	N/A
Wellspring Capital Partners III	Buyout	20,000	284	21,914	99 %	45,344	31	45,375	23,461	26.08%	N/A	2.07x	N/A
*Avenue Special Situations Fund III	Distressed Debt	15,000	0	19,254	100 %	26,580	0	26,580	7,325	16.73%	N/A	1.38x	N/A
Coller International Partners IV, L.P.	Secondary	15,000	600	13,295	96 %	16,470	1,643	18,113	4,819	11.89%	N/A	1.36x	N/A
Thomas, McNerney & Partners, L.P.	Venture Capital	15,000	300	14,700	98 %	5,252	7,455	12,708	-1,992	-2.83%	N/A	0.86x	N/A
Vintage Year 2002 Total		85,467	1,184	85,627	96 %	123,126	9,129	132,255	46,628	18.46%	N/A	1.54x	N/A
Vintage Year 2003													

*Liquidated Partnership

Performance Summary

As of 6/30/2014

Employees Retirement System of Rhode Island

Partnership	Strategy	(A) Commit. Amount	Unfunded Amount	(B) Cumulative Cont.	% Drawn	(C) Cumulative Dist.	(D) Fair Value	(C+D) Total Value	(C+D-B) Gain/Loss	Net IRR	IRR Benchmark	TVPI	TVPI Benchmark
(in thousands)													
Vintage Year 2003													
*Blackstone Capital Partners IV	Buyout	25,000	0	27,272	100 %	54,577	0	54,577	27,305	38.30%	N/A	2.00x	N/A
*Catterton Partners V	Buyout	15,000	0	16,240	100 %	19,262	0	19,262	3,022	5.23%	N/A	1.19x	N/A
*Green Equity Investors IV	Buyout	15,000	0	15,358	100 %	15,691	0	15,691	333	0.64%	N/A	1.02x	N/A
Leeds Weld Equity Partners IV	Buyout	10,000	1,100	10,198	90 %	6,868	6,337	13,205	3,007	4.49%	N/A	1.29x	N/A
Nordic Capital Fund V	Buyout	19,942	0	21,435	93 %	56,789	2,634	59,423	37,989	21.28%	N/A	2.77x	N/A
TPG Partners IV, L.P.	Buyout	15,000	64	16,673	100 %	26,900	5,290	32,190	15,517	16.25%	N/A	1.93x	N/A
Alta BioPharma Partners III	Venture Capital	15,000	750	14,250	95 %	14,264	5,423	19,687	5,437	5.19%	N/A	1.38x	N/A
Lighthouse Capital Partners V	Venture Capital	11,250	788	10,463	93 %	11,981	345	12,327	1,864	3.88%	N/A	1.18x	N/A
Vintage Year 2003 Total		126,192	2,702	131,887	97 %	206,332	20,030	226,362	94,476	14.38%	N/A	1.72x	N/A
Vintage Year 2004													
Aurora Equity Partners III	Buyout	15,000	836	16,238	94 %	26,550	1,118	27,668	11,430	15.50%	N/A	1.70x	N/A
First Reserve Fund X, L.P.	Buyout	20,000	0	20,000	100 %	35,250	1,521	36,771	16,771	31.18%	N/A	1.84x	N/A
W Capital Partners	Secondary	15,000	803	14,198	95 %	10,062	1,954	12,016	-2,181	-5.22%	N/A	0.85x	N/A
Granite Global Ventures II	Venture Capital	15,000	675	14,333	96 %	7,620	13,605	21,225	6,891	6.25%	N/A	1.48x	N/A
Vintage Year 2004 Total		65,000	2,313	64,769	96 %	79,482	18,198	97,680	32,911	11.77%	N/A	1.51x	N/A
Vintage Year 2005													
Birch Hill Equity Partners III	Buyout	16,868	619	18,619	96 %	14,309	15,729	30,037	11,419	11.51%	N/A	1.61x	N/A
CVC European Equity Partners IV	Buyout	22,513	2,631	21,256	85 %	31,721	7,664	39,385	18,129	17.34%	N/A	1.85x	N/A
Kayne Anderson Energy Fund III, L.P.	Buyout	15,000	366	15,965	98 %	14,669	2,367	17,036	1,071	3.19%	N/A	1.07x	N/A
Providence Equity Partners V, L.P.	Buyout	25,000	2,158	30,983	91 %	25,472	10,936	36,409	5,425	3.36%	N/A	1.18x	N/A
Leapfrog Ventures II	Venture Capital	10,000	510	9,490	95 %	6,812	4,349	11,161	1,671	3.42%	N/A	1.18x	N/A
Vintage Year 2005 Total		89,381	6,284	96,313	92 %	92,982	41,045	134,027	37,714	8.30%	N/A	1.39x	N/A
Vintage Year 2006													
*Apollo Investment Fund VI	Buyout	20,000	0	23,355	100 %	22,257	0	22,257	-1,097	-2.38%	N/A	0.95x	N/A
*Blackstone Capital Partners V	Buyout	20,000	0	18,267	100 %	11,220	0	11,220	-7,047	-18.36%	N/A	0.61x	N/A
*Catterton Partners VI	Buyout	15,000	0	10,453	100 %	8,545	0	8,545	-1,909	-7.67%	N/A	0.82x	N/A
Charterhouse Capital Partners VIII LP	Buyout	20,467	1,545	18,060	93 %	9,703	8,532	18,235	176	0.16%	N/A	1.01x	N/A
Fenway Partners Capital Fund III	Buyout	15,000	1,410	16,833	91 %	8,899	8,136	17,035	202	0.29%	N/A	1.01x	N/A
First Reserve Fund XI, L.P.	Buyout	20,000	0	22,126	100 %	12,915	12,129	25,043	2,918	3.20%	N/A	1.13x	N/A
LNK Partners	Buyout	12,500	629	11,874	95 %	12,217	6,444	18,661	6,787	11.29%	N/A	1.57x	N/A
Nordic Capital Fund VI	Buyout	20,467	0	22,392	101 %	16,611	17,636	34,247	11,854	8.22%	N/A	1.53x	N/A
Perseus Partners VII	Buyout	15,000	522	16,884	97 %	4,013	3,569	7,582	-9,302	-20.51%	N/A	0.45x	N/A
TPG Partners V, L.P.	Buyout	20,000	2,328	20,949	88 %	10,696	15,957	26,653	5,704	4.84%	N/A	1.27x	N/A
Wellspring Capital Partners IV	Buyout	20,000	2,089	20,621	90 %	17,370	12,924	30,294	9,672	8.84%	N/A	1.47x	N/A
Avenue Special Situations Fund IV	Distressed Debt	20,000	0	25,180	100 %	32,706	153	32,859	7,679	8.31%	N/A	1.30x	N/A
Centerbridge Capital Partners, L.P.	Distressed Debt	15,000	1,091	23,391	93 %	30,797	9,773	40,570	17,179	21.22%	N/A	1.73x	N/A
MHR Institutional Partners III	Distressed Debt	20,000	7,374	20,400	63 %	15,909	15,006	30,915	10,515	10.06%	N/A	1.52x	N/A
Coller International Partners V, L.P.	Secondary	15,000	3,270	12,521	78 %	10,164	7,644	17,808	5,287	9.68%	N/A	1.42x	N/A

*Liquidated Partnership

Performance Summary

As of 6/30/2014

Employees Retirement System of Rhode Island

Partnership	Strategy	(A) Commit. Amount	Unfunded Amount	(B) Cumulative Cont.	% Drawn	(C) Cumulative Dist.	(D) Fair Value	(C+D) Total Value	(C+D-B) Gain/Loss	Net IRR	IRR Benchmark	TVPI	TVPI Benchmark
(in thousands)													
Vintage Year 2006													
Alta Partners VIII	Venture Capital	15,000	750	14,250	95 %	7,127	15,979	23,106	8,856	13.27%	N/A	1.62x	N/A
Castile Ventures III	Venture Capital	5,000	150	4,860	97 %	1,351	2,068	3,418	-1,441	-8.94%	N/A	0.70x	N/A
Focus Ventures III	Venture Capital	15,000	0	15,000	100 %	3,714	9,893	13,607	-1,393	-2.17%	N/A	0.91x	N/A
Granite Global Ventures III	Venture Capital	15,000	375	14,625	98 %	11,732	20,156	31,889	17,263	18.68%	N/A	2.18x	N/A
Point 406 Ventures I	Venture Capital	10,000	1,040	9,811	90 %	3,901	10,562	14,462	4,651	10.09%	N/A	1.47x	N/A
Point Judith Venture Fund II	Venture Capital	5,000	464	5,563	91 %	1,772	6,445	8,217	2,654	9.90%	N/A	1.48x	N/A
Thomas, McNemey & Partners II, L.P.	Venture Capital	15,000	1,763	13,238	88 %	4,072	14,438	18,510	5,272	8.26%	N/A	1.40x	N/A
Vintage Year 2006 Total		348,433	24,799	360,651	93 %	257,690	197,442	455,132	94,481	5.87%	N/A	1.26x	N/A
Vintage Year 2007													
Green Equity Investors V	Buyout	20,000	1,731	20,286	91 %	17,518	17,575	35,093	14,807	19.23%	N/A	1.73x	N/A
Kayne Anderson Energy Fund IV, L.P.	Buyout	15,000	844	15,722	95 %	12,384	8,377	20,761	5,039	9.63%	N/A	1.32x	N/A
Nautic Partners VI, L.P.	Buyout	20,000	1,424	23,150	93 %	8,907	23,654	32,560	9,411	9.71%	N/A	1.41x	N/A
Providence Equity Partners VI, L.P.	Buyout	25,000	2,590	27,210	90 %	15,898	18,765	34,664	7,453	6.18%	N/A	1.27x	N/A
Trilantic Capital Partners IV L.P.	Buyout	11,098	1,339	11,038	88 %	9,840	10,274	20,113	9,076	20.52%	N/A	1.82x	N/A
Avenue Special Situations Fund V	Distressed Debt	20,000	0	20,329	100 %	26,322	122	26,444	6,115	10.58%	N/A	1.30x	N/A
WLR Recovery Fund IV	Distressed Debt	8,000	765	7,277	90 %	6,291	3,925	10,216	2,938	9.86%	N/A	1.40x	N/A
W Capital Partners II	Secondary	15,000	1,597	14,897	89 %	14,037	6,545	20,582	5,685	12.26%	N/A	1.38x	N/A
Constellation Ventures III	Venture Capital	15,000	1,398	15,522	91 %	3,059	7,875	10,934	-4,588	-9.32%	N/A	0.70x	N/A
Lighthouse Capital Partners VI	Venture Capital	15,000	750	14,250	95 %	12,312	7,637	19,949	5,699	7.09%	N/A	1.40x	N/A
Vintage Year 2007 Total		164,098	12,439	169,681	93 %	126,569	104,747	231,316	61,635	9.43%	N/A	1.36x	N/A
Vintage Year 2008													
*Apollo Investment Fund VII	Buyout	25,000	0	13,509	100 %	9,663	0	9,663	-3,846	-40.71%	N/A	0.72x	N/A
Bain Capital Fund X, L.P.	Buyout	25,000	763	24,300	97 %	7,251	22,494	29,745	5,445	6.20%	N/A	1.22x	N/A
CVC European Equity Partners V	Buyout	27,289	3,290	26,811	88 %	13,716	21,856	35,572	8,761	11.73%	N/A	1.33x	N/A
Nordic Capital Fund VII	Buyout	20,467	3,857	18,649	83 %	2,688	21,356	24,044	5,395	7.10%	N/A	1.29x	N/A
TPG Partners VI, LP	Buyout	10,000	1,692	12,503	84 %	5,979	9,329	15,308	2,805	8.95%	N/A	1.22x	N/A
Paladin III	Venture Capital	10,000	2,716	9,555	74 %	3,837	7,760	11,598	2,043	6.60%	N/A	1.21x	N/A
Vintage Year 2008 Total		117,755	12,318	105,326	89 %	43,135	82,796	125,931	20,605	6.38%	N/A	1.20x	N/A
Vintage Year 2011													
Oaktree European Principal Fund III (U.S.), L.P.	Distressed Debt	20,000	10,400	10,200	48 %	611	11,682	12,293	2,093	11.11%	N/A	1.21x	N/A
Summit Partners Credit Fund, LP	Opportunistic Cre	20,000	2,100	17,935	90 %	5,223	15,321	20,543	2,608	10.99%	N/A	1.15x	N/A
Braemar Energy Ventures III	Venture Capital	10,000	6,149	4,158	39 %	303	4,348	4,651	493	7.51%	N/A	1.12x	N/A
Vintage Year 2011 Total		50,000	18,649	32,293	63 %	6,136	31,350	37,486	5,193	10.57%	N/A	1.16x	N/A
Vintage Year 2012													
Advent International GPE VII-C, L.P.	Buyout	20,000	11,920	8,080	40 %	200	10,844	11,044	2,964	33.95%	N/A	1.37x	N/A
Providence Equity Partners VII, L.P.	Buyout	25,000	20,904	4,989	16 %	879	4,330	5,209	220	N/M	N/M	1.04x	N/A
Centerbridge Special Credit Partners II, L.P.	Distressed Debt	25,000	6,875	18,125	73 %	0	21,540	21,540	3,415	13.84%	N/A	1.19x	N/A

*Liquidated Partnership

Performance Summary

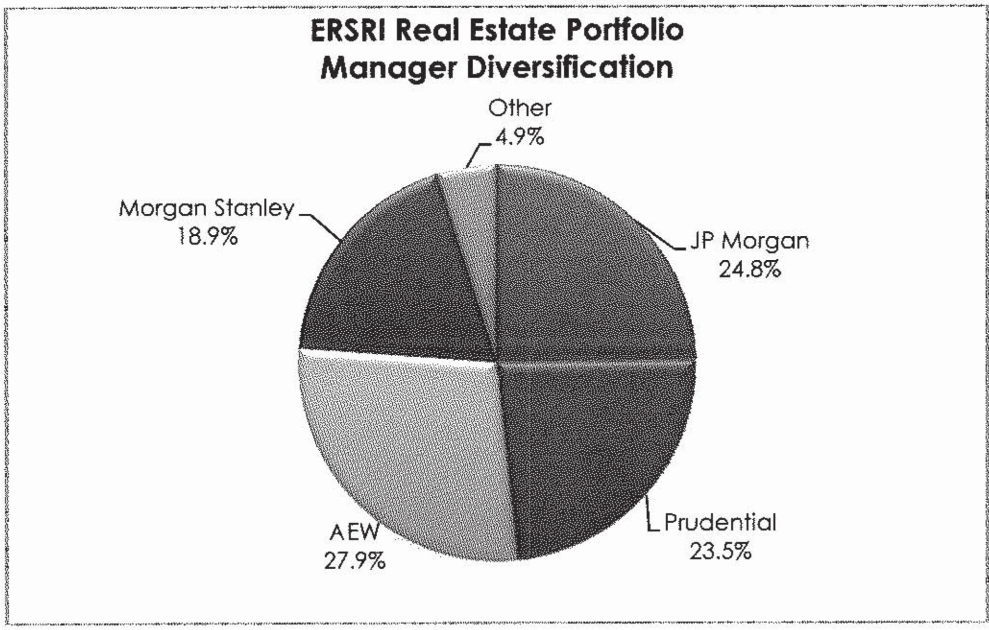
As of 6/30/2014

Employees Retirement System of Rhode Island

Partnership	Strategy	(A) Commit. Amount	Unfunded Amount	(B) Cumulative Cont.	% Drawn	(C) Cumulative Dist.	(D) Fair Value	(C+D) Total Value	(C+D-B) Gain/Loss	Net IRR	IRR Benchmark	TVPI	TVPI Benchmark
(in thousands)													
Vintage Year 2012													
Vintage Year 2012 Total		70,000	39,699	31,194	43 %	1,079	36,713	37,793	6,598	17.32%	N/A	1.21x	N/A
Vintage Year 2013													
Nordic Capital Fund VIII	Buyout	20,467	18,751	1,649	8 %	56	1,523	1,579	-70	N/M	N/M	0.96x	N/A
Riverside Capital Appreciation Fund VI, L.P.	Buyout	20,000	17,536	2,464	12 %	0	1,783	1,783	-681	N/M	N/M	0.72x	N/A
EnCap Energy Capital Fund IX, L.P.	Energy	18,000	14,592	3,662	19 %	254	4,744	4,999	1,337	N/M	N/M	1.36x	N/A
Vintage Year 2013 Total		58,467	50,879	7,775	13 %	310	8,050	8,360	585	N/M	N/M	1.08x	N/A
Vintage Year 2014													
CVC Capital Partners Fund VI L.P.	Buyout	20,467	20,305	163	1 %	0	2	2	-161	N/M	N/M	0.01x	N/A
Carlyle Asia Partners IV, LP	Buyout	30,000	26,546	3,511	12 %	0	2,729	2,729	-782	N/M	N/M	0.78x	N/A
Nautic Partners VII, L.P.	Buyout	20,000	20,000	0	0 %	0	N/A	0	0	N/M	N/M	N/A	N/A
Riverside Micro-Cap Fund III, L.P.	Buyout	20,000	20,000	0	0 %	0	N/A	0	0	N/M	N/M	N/A	N/A
Vintage Year 2014 Total		90,467	86,851	3,674	4 %	0	2,731	2,731	-943	N/M	N/M	0.74x	N/A
Portfolio Total:		**1,804,322**	**267,382**	**1,664,148**	**84 %**	**1,951,686**	**566,937**	**2,518,622**	**854,474**	**13.85%**	N/A	**1.51x**	
Portfolio Strategy Totals													
Buyout		950,558	135,521	894,214	85 %	1,100,609	219,858	1,320,468	426,253	12.23%		1.48x	
Distressed Debt		163,000	16,105	174,462	90 %	203,441	50,537	253,979	79,517	11.25%		1.46x	
Energy		18,000	14,592	3,662	19 %	254	4,744	4,999	1,337	N/M		1.36x	
Fund of Funds		45,000	0	45,000	100 %	106,749	0	106,749	61,749	19.94%		2.37x	
Opportunistic Credit		20,000	2,100	17,935	90 %	5,223	15,321	20,543	2,608	10.99%		1.15x	
Secondary		30,000	2,399	29,094	92 %	24,099	8,499	32,598	3,504	3.59%		1.12x	
Venture Capital		216,250	18,202	204,663	92 %	121,581	118,181	239,762	35,099	3.54%		1.17x	
Non-US		361,513	78,462	295,117	76 %	389,729	149,797	539,526	244,409	21.38%		1.83x	
Portfolio Total:		**1,804,322**	**267,382**	**1,664,148**	**84 %**	**1,951,686**	**566,937**	**2,518,622**	**854,474**	**13.85%**	N/A	**1.51x**	
Active / Liquidated Partnership Totals													
Active Partnerships		1,265,754	267,382	1,118,671	79 %	1,059,220	566,888	1,626,107	507,436	10.81%		1.45x	
Liquidated Partnerships		538,568	0	545,476	99 %	892,466	49	892,515	347,038	16.29%		1.64x	
Portfolio Total:		**1,804,322**	**267,382**	**1,664,148**	**84 %**	**1,951,686**	**566,937**	**2,518,622**	**854,474**	**13.85%**	**N/A**	**1.51x**	

*Liquidated Partnership

PORTFOLIO CHARACTERISTICS
(NET ASSET VALUE)



- As of June 30, 2014, ERSRI had eight different real estate managers[6]. The four largest real estate managers in the Portfolio account for 95.1% of the Portfolio's Assets. AEW manages 27.9% of the Portfolio's assets, JP Morgan manages 24.8% of the Portfolio's assets, Prudential manages 23.5%, and Morgan Stanley manages 18.9%. Generally, PCA recommends that no single investment manager should account for more than 25% of a real estate portfolio. Drawdowns of recent capital commitments to GEM Realty, Heitman, Waterton, Exeter and Industry Capital will further diversify ERSRI's manager base; AEW will no longer comprise greater than 25% of the Portfolio.

[6] Heitman, Waterton, Exeter, and Industry Capital are not included in this figure because capital has not yet been called for their respective funds.

Fund	Total Commitment ($)	Funded Commitment ($)	Unfunded Commitment ($)
Core			
AEW Core Property Trust	60,000,000	60,000,000	0
Heitman HART	60,000,000	0	60,000,000
JP Morgan Strategic Property Fund	75,000,000	50,000,000	25,000,000
Morgan Stanley Prime Property Fund	35,000,000	35,000,000	0
Prudential PRISA	50,000,000	50,000,000	0
Non-Core			
Exeter Industrial Value Fund III	30,000,000	0	30,000,000
Fillmore East Fund I	10,000,000	10,000,000	0
GEM Realty Fund V	50,000,000	5,349,375	44,650,625
IC Berkeley Partners III	18,000,000	0	18,000,000
JP Morgan Alternative Property Fund	20,000,000	20,000,000	0
Magna Hotel Fund III	4,000,000	3,332,455	667,545
Tri Con Capital Fund VII	15,000,000	14,571,533	428,467
Waterton Fund XII	35,000,000	0	35,000,000
Total	**$462,000,000**	**$248,253,363**	**$213,746,637**

Following June 30, 2014, $68.3 million of $213.7 million of committed capital has been called by Heitman HART ($33.0), JP Morgan Strategic Property Fund ($25.0), Exeter Industrial Value Fund III ($3.0), GEM Realty Fund V ($4.5) and IC Berkeley Partners III ($2.8).

CLIFFWATER

Employees' Retirement System of the State of Rhode Island
Hedge Fund Portfolio
Fund Level Performance Report
Estimated as of June 30, 2014

						Trailing Returns			Calendar Year Returns					5 Yr	Sharpe Ratio			Start
Fund	QTD	YTD	Jun	May	Apr	1 Year	3 Year	5 Year	2013	2012	2011	2010	2009	Std Dev	3 yr	5 yr	Incep.	Date
Global Equities																		
Ascend Partners Fund II LP	2.27%	2.92%	1.07%	1.19%	-1.60%	11.21%	3.89%	4.64%	12.22%	2.50%	-3.02%	2.94%	13.61%	3.98%	0.91	1.08	1.11	Jan-04
Davidson Kempner Institutional Partners, LP	2.65%	5.64%	1.43%	0.67%	0.79%	9.36%	6.33%	8.38%	9.20%	6.87%	1.27%	9.17%	17.79%	3.10%	2.13	2.51	1.62	Mar-96
Elliott Associates, L.P. (HFR98)	2.51%	4.57%	1.70%	0.40%	-0.10%	11.88%	10.02%	10.88%	12.44%	13.18%	3.94%	7.39%	30.85%	3.20%	3.16	3.16	1.95	Jan-90
ESG Cross Border Equity	-0.24%	0.52%	0.10%	2.40%	-1.70%	5.54%	7.44%	9.65%	13.62%	6.74%	9.45%	10.86%	7.79%	5.15%	1.32	1.76	1.04	Jan-04
Indus Asia Pacific Fund	-3.87%	-3.28%	1.60%	2.10%	-3.00%	-0.47%	1.24%	4.95%	4.97%	8.21%	-7.18%	7.36%	25.45%	7.57%	0.16	0.63	0.69	Dec-00
Luxor Capital Partners, LP	1.87%	0.54%	-1.37%	0.05%	0.02%	6.74%	4.62%	9.20%	14.77%	2.52%	6.07%	8.98%	31.26%	5.92%	0.73	1.47	1.21	Apr-02
Mason Capital, Ltd.	-1.31%	-0.89%	2.21%	-1.95%	0.21%	6.93%	4.84%	8.72%	22.83%	-5.73%	4.20%	9.62%	25.16%	6.83%	0.66	1.21	0.82	Feb-02
PFM Diversified Fund, LP	1.54%	-0.09%	0.35%	3.41%	-5.19%	15.25%	7.77%	7.70%	22.17%	5.59%	-3.35%	4.36%	21.35%	8.30%	0.84	0.90	0.95	Nov-04
Samlyn Capital - Composite	0.36%	2.40%	3.12%	0.96%	-2.00%	12.24%	7.80%	7.12%	18.93%	10.49%	-5.05%	1.98%	23.57%	7.59%	0.96	0.90	1.20	Mar-07
Viking Global Equities	0.69%	6.60%	1.10%	4.30%	0.40%	21.59%	14.16%	12.59%	22.47%	12.75%	7.71%	3.67%	19.20%	6.27%	2.06	1.88	1.54	Oct-99
Real Return																		
BlueCrest Capital International Limited	0.72%	0.77%	-0.31%	0.27%	0.09%	1.64%	2.76%	7.98%	-1.56%	5.83%	6.11%	12.80%	45.41%	3.81%	1.05	1.95	1.66	Dec-00
Brevan Howard L.P. (Series B)	-2.86%	-4.54%	-0.30%	-0.25%	-1.18%	-6.22%	3.08%	3.57%	1.77%	3.60%	11.33%	0.92%	17.10%	4.87%	0.49	0.68	1.06	Sep-05
Brigade Leveraged Capital Structures Fund	1.74%	5.13%	1.44%	1.40%	0.46%	9.61%	5.64%	7.99%	6.13%	6.91%	2.55%	7.66%	39.64%	3.16%	1.90	2.35	0.91	Jan-07
Capula Global Relative Value Fund Limited	1.64%	3.46%	0.59%	0.58%	0.61%	7.93%	5.31%	6.43%	7.60%	0.41%	6.19%	9.58%	12.24%	2.23%	2.14	2.67	1.69	Oct-05
Claren Road Credit Master Fund	2.79%	2.35%	-0.02%	-0.19%	-0.22%	1.29%	3.65%	5.41%	5.43%	1.49%	6.88%	4.64%	24.75%	4.06%	0.80	1.24	1.67	Jan-06
DE Shaw Composite International Fund	4.24%	8.77%	0.10%	2.70%	1.50%	12.05%	11.56%	9.39%	11.62%	13.94%	3.69%	1.56%	21.31%	4.36%	2.66	2.01	1.49	Mar-01
Graham Discretionary - 6V Portfolio	-2.43%	-3.47%	-0.26%	-0.47%	-0.34%	-2.08%	1.95%	4.14%	3.61%	3.82%	3.56%	7.12%	17.09%	2.89%	0.60	1.31	0.78	Jun-04
OZ Master Fund, Ltd	0.36%	1.86%	1.30%	1.46%	-1.25%	8.97%	7.93%	9.36%	14.20%	12.01%	0.17%	8.62%	26.15%	3.86%	1.86	2.26	1.21	Jan-04
Winton Futures Fund - USD Class B	-0.12%	1.27%	-0.57%	1.69%	0.28%	6.04%	4.32%	5.93%	9.43%	-3.56%	6.29%	14.47%	-4.64%	8.10%	0.55	0.71	0.71	Oct-97
Benchmarks																		
HFRI Fund of Funds Composite Index	0.55%	1.99%	0.86%	1.20%	-0.63%	7.50%	3.27%	4.22%	8.96%	4.79%	-5.72%	5.70%	11.47%	4.07%	0.73	0.96	0.65	Jan-90
HFRI Fund Weighted Composite Index	1.10%	3.20%	1.31%	0.98%	-0.23%	9.11%	4.04%	6.50%	9.13%	6.36%	-5.25%	10.25%	19.98%	5.34%	0.72	1.15	1.03	Jan-90
Market Indices																		
3 Month Libor - BOM	0.06%	0.11%	0.02%	0.02%	0.02%	0.24%	0.34%	0.33%	0.26%	0.42%	0.35%	0.35%	0.65%	0.03%				Mar-86
Barclays Aggregate Bond Index	1.84%	3.92%	0.05%	1.14%	0.84%	4.38%	3.67%	4.87%	-2.02%	4.23%	7.86%	6.56%	5.93%	2.85%				Jan-76
Barclays High Yield Credit Bond Index	2.98%	5.46%	0.84%	0.92%	0.63%	11.74%	9.49%	13.98%	7.46%	15.81%	4.98%	15.11%	58.21%	6.82%				Jul-83
S&P 500 (TR)	1.81%	7.14%	2.07%	2.35%	0.74%	24.61%	16.58%	18.83%	32.39%	16.00%	2.11%	15.06%	26.46%	13.40%				Jan-70
MSCI EAFE - Net - USD	0.66%	4.78%	0.96%	1.62%	1.45%	23.57%	8.10%	11.77%	22.78%	17.32%	-12.14%	7.75%	31.78%	17.05%				Dec-69
MSCI EM (EMERGING MARKETS) - Net - USD	-0.43%	6.14%	2.66%	3.49%	0.33%	14.31%	-0.39%	9.24%	-2.60%	18.22%	-18.42%	18.88%	78.51%	19.16%				Jan-99

Note: The above is manager composite history.

State of RI
Office of the General Treasurer
Hedge Funds at Market Value
June 30, 2014

Fund		**Capital Balance 6/30/14**
Ascend	$	70,361,542.00
BlueCrest	$	20,980,611.00
Brevan	$	77,046,526.00
Brigade	$	58,403,315.00
Capula	$	55,791,282.00
Claren Rd	$	51,863,169.00
DK	$	75,321,537.00
DE Shaw	$	73,443,236.00
Elliott	$	79,424,229.00
ESG	$	25,034,074.00
Graham	$	51,920,072.00
Indus	$	967,109.35
Luxor	$	49,132,855.00
Mason	$	69,216,723.00
OZ	$	98,918,323.00
PFM LP	$	37,378,457.00
PFM Ltd	$	37,103,581.00
Samlyn	$	101,532,110.00
Viking	$	88,499,462.00
Winton	$	32,474,996.00
Total HF	**$**	**1,154,813,209.35**

MINUTES FROM FY2014
STATE INVESTMENT COMMISSION MEETINGS

State Investment Commission

Monthly Meeting Minutes
Wednesday, July 24, 2013
9:00 a.m.
Room 135, State House

The Monthly Meeting of the State Investment Commission (SIC) was called to order at 9:03 a.m., Wednesday, July 24, 2013 in Room 135, State House.

I. Roll Call of Members

The following members were present: Mr. J. Michael Costello, Mr. Robert Giudici, Ms. Paula McNamara, Ms. Marcia Reback, Mr. Andrew Reilly and General Treasurer Gina Raimondo. Also in attendance: Mr. Timothy Walsh of TIAA-CREF; Mr. Christopher Flick of Vanguard Institutional Investor Group; Mr. Thomas Lynch and Mr. Mark Johnson, of Cliffwater, alternative investment consultant to the Commission; Ms. Esther Rombault and Mr. Kamil Salame of CVC Capital Partners; Mr. John Burns, Mr. Alan Emkin, Mr. David Glickman, Mr. Jeremy Thiessen, of Pension Consulting Alliance (PCA), General Consultant, Real Estate Consultant and 529 Consultant to the Commission; Mr. Greg Balewicz and Mr. Andrew Letts of State Street Global Advisors (SSGA); Ms. Sally Dowling, of Adler Pollock, legal counsel; Mr. Norm Geller and Ms. Denise Olsen of GEM Realty Capital, Inc.; Mr. Mark Sullivan of Bank New York Mellon, custodian bank to the Commission; Mr. Charlie Kelley and Ms. Gail Mance-Rios of Rhode Island Higher Education Assistance Authority (RIHEAA); Ms. Anne-Marie Fink, chief investment officer and members of the Treasurer's staff; Members of the House and Senate fiscal staff and various local reporters. Mr. Thomas Fay, Mr. Thomas Mullaney and Mr. Frank Karpinski were absent.
Treasurer Raimondo called the meeting to order at 9:03 a.m.

II. Approval of Minutes

On a motion by Mr. Costello and seconded by Ms. McNamara, it was unanimously
VOTED: To approve the draft of the minutes of the June 26, 2013 meeting of the State Investment Commission.

II. Defined Contribution Plan –Vanguard Vehicle Change

Ms. Fink said since the target date funds with TIAA-CREF have reached $100,000,000, the plan is eligible to go into a different vehicle. Currently the plan is in mutual funds vehicle. The plan can be changed to a Collective Investment Trust (CIT). She said a main advantage is that the cost would be lowered from approximately .18% to .11%. She said the CIT has the same investment approach as the target date mutual funds, however is a different structure.
Mr. Walsh added that the CIT is basically a clone product of the current vehicle and the benefit is cost. He said that there is a communication program to help participants understand the changes.
Ms. Fink explained that due to CIT being a trust, there are no prospectuses and the reporting is slightly different than a mutual fund and explained the governing entities of each. She reminded the

board of the state administrative fee participants will see in their September statements which were previously paid by the state during the transition year.

On a motion by Ms. Reback and seconded by Ms. McNamara, it was unanimously
VOTED: to approve the change for the Defined Contribution target date funds from Mutual Funds into a Collective Investment Trust.

III. Private Equity Recommendation

Mr. Lynch introduced CVC Capital Partners.
Mr. Salame introduced CVC Capital Partner's Fund VI. He reviewed the firm's business model, management structure.
Ms. Fink asked where they see opportunities in Fund VI and Mr. Salame answered disproportionally in Europe. He explained there was paralysis for a couple years and there is a bit more stability now.
Ms. Rombault added they also see opportunity in partnering with governments to help them improve business.
Ms. Rombault discussed performance and expected marks for the investment in the fund.
Mr. Salame added that CVC has built a franchise for long-term value creation all around.
CVC left the room.
Mr. Lynch said that this is one of the most experienced and one of the largest private equity firms in Europe. He added that all their prior funds are top quartile performers.
Mr. Lynch said PCA recommends a commitment of up to $25,000,000.

On a motion by Mr. Reilly and seconded by Mr. Costello, it was unanimously
VOTED: to invest in CVC Capital Partner's Fund VI for up to $25,000,000.

IV. CollegeBound Fund Review

Mr. Thiessen said, at the request of the Treasurer's Office and RIHEAA, he reviewed the current structure of the program and what is offered. He said the plan currently offers a full suite of age-based options and a suite of individual funds. He noted that in the current structure there are no individual fund options geared toward a rising inflation environment. He recommended offering short-date Treasury Inflation-Protected Securities.
Mr. Thiessen also said he looked at target-date allocations and concluded it is well positioned going forward in relation to others in the industry. He said a key point is that the target-date funds, compared to others in the industry, have gradual step down of equities into more conservative asset classes, making them less subject to timing risk.
Mr. Thiessen said PCA's monitoring models found persistent underperformance issues in many underlying funds, with the exception of fixed income. He added that the whole international equity lineup has consistently underperformed. He recommended identifying the key funds in the portfolio which have performed below benchmark significantly and recommends that AllianceBernstein suggest alternatives.
Mr. Thiessen also recommended including conservative, moderate and aggressive glide paths built with passively managed index funds.
Ms. Fink gave an update on ongoing discussions with AllianceBernstein and said Treasury staff, RIHEAA and PCA will work with AllianceBernstein in the coming months to continue work on improving the CollegeBound Fund.

V. 2013 Proxy Season Review- Issues and Outcomes

Ms. Fink introduced Mr. Balewicz from SSgA as part of an informational series to support the corporate governance policy. She reminded the board of Ann Yerger's presentation about the Council of Institutional Investors (CII).

Ms. Fink said SSgA manages the vast majority of ERSRI's equities, about $3.5B. Therefore, she pointed out, that is where the vast majority of our vote assets are.

Mr. Balewicz, senior relationship manager, introduced Mr. Letts, head of corporate governance at SSgA and chair of the proxy advisory committee and co-chair of their ESG Committee. Mr. Letts also serves on the advisory council of CII. Mr. Letts leads a team which votes on over 14,000 meetings a year over 63 markets globally and leads the engagement efforts with senior management and boards of companies.

Mr. Letts provided an overview of ESG investments using section two of the presentation.

He then took the board through SSgA's governance structure outlined in section three and explained his staff's background in the field. He explained their relationship with Institutional Shareholder Services (ISS) and the services they provide for SSgA.

Treasurer Raimondo asked how we can influence SSgA's policy and Mr. Letts explained the process and ways ERSRI could leverage their influence.

Mr. Costello asked if they could split votes and Mr. Letts said no, not in a pooled product.

Mr. Letts then reviewed their voting record and said they vote against management about 8% of the time over the past three years. He explained most of their activity is in antitakeover related issues and protecting shareholder rights. He touched on other issues they monitor including, director elections, say-on-pay and emerging markets accounting standards. He then gave a case study regarding Hess.

Mr. Emkin asked what percentage of the market SSgA is and Mr. Letts said they hold about 3% of the Russell 3000, the 4th largest shareholder. He explained further that they are the 2nd largest shareholder in the S&P 500 and the largest or 2nd largest in the Dow. He said this usually provides them with a lot of influence.

Mr. Emkin pointed out years ago big funds used to vote more in line with management where the trend is moving away from that because of pressure from funds like ERSRI.

VI. Legal Counsel Report

There was no legal counsel report.

VII. CIO Report

Ms. Fink updated the board on the discussion with Brown Brothers Harriman on the recent challenges of Global Inflation-Linked Bonds (GILBs) as an asset class. She said an option was to add a hedge, but that it looked expensive. She said another option is to change the benchmark from the Barclays Global Inflation-Linked Bond Index to the Barclays Intermediate Inflation-Linked Bond Index. She said such change would encourage Brown Brothers Harriman to lower the duration and the interest rate sensitivity in the portfolio. She said she believes this is a good idea to lower overall inflation sensitivity while preserving inflation protection.

Ms. Fink reviewed the portfolio's performance for the last month and reviewed each asset class. She said the portfolio is up 11.1% fiscal year to date compared to 11.3% for the total plan benchmark and compared to the 9.6% return for a 60% equity/40% bonds portfolio. She said the outperformance vs. 60/40 means asset allocation has paid off and risk is also lower.

She noted that since the hedge funds were added 20 months ago, return is higher and risk is lower compared to the 60/40 plan. She said ERSRI's risk is 6% versus 7.2% of the 60/40 approach.

VIII. Treasurer Report

Treasurer Raimondo commended the efforts of the board for their continued work.

On a motion by Ms. Reback and seconded by Mr. Reilly, it was unanimously
VOTED: to cancel the meeting scheduled for August 28, 2013.

IX. Real Estate Updates

Ms. Fink introduced GEM Realty Capital, Inc. She said GEM is the first value-add real estate asset allocation since before the global financial crisis.
Mr. Glickman said the fund is in line with the implementation of a change in real estate strategy. He said PCA recommends GEM's Fund V for the non-core portion of the real estate portfolio.
Ms. Olsen gave a brief introduction to the fund.
Mr. Geller further described the firm and the investment strategy. He said they focus on risk and trying to produce superior risk-adjusted returns. He believes GEM's platform to invest in private real estate and publicly traded real estate is what gives them an edge.
Mr. Geller gave an overview of Fund V. He said the fund's target is to produce an 18% net return for investors with moderate leverage and a focus on principal preservation.
Mr. Geller reviewed the primary strategies. He said he believes the greatest opportunities are in value-add investing. He said the fund will be opportunistic within real estate, even buying lower-risk debt instruments when they can generate equity-like returns.
Ms. Olsen went over their investment track record and portfolio construction over the prior four funds. She reviewed returns to date for the past four funds of realized and unrealized investments. She added that the fund has a very active pipeline for acquisition opportunities.
Ms. Olsen talked about the alignment of interests between GEM and its investors. She said GEM invests its own money alongside its LP's and went on to explain the fee structure. She pointed out the investor receives all the invested capital back plus an annualized 9% cumulative preferred return before GEM participates in any profit. She explained there is a management fee of 1.50% on 90% of committed capital during the investment period and 1.50% on invested capital throughout the life of the fund. She said for investors with a $50M or greater investment there is 0.25% fee break during both periods.
Mr. Giudici asked questions regarding valuations, the fund structure and the duration of holdings.
Treasurer Raimondo asked about the 9% hurdle rate in previous funds.
Gem answered board members questions and left the room.
Mr. Glickman said the size of the firm and the size of the fund suggest that they are focused on incentive fees rather than management fees. He also said because GEM will make its profits from selling properties after adding value, it means they will not sit on the assets longer than necessary.
Mr. Glickman also reviewed the risks of the fund. He said because GEM relies on their network of relationships to find deals, many of the deals are joint ventures with others. He said this potentially adds a level of complexity and difficulty. He added that GEM has the ability to have high leverage,

although historically they have not maxed out on it. He said that non-core funds, like GEM, don't use third party appraisers; however, the important mark is the ultimate sales proceeds.
Mr. Glickman said PCA recommends a $50,000,000 commitment. He pointed out this will provide ERSRI with the 0.25% fee break. He also mentioned that PCA is in discussion with GEM to give ERSRI the opportunity to observe or possibly gain a seat on the advisory board. He suggested the board not base their decision too much on this term, as the firm is very accessible.

On a motion by Mr. Reilly and seconded by Ms. Reback, it was unanimously
VOTED: to approve an investment of $50,000,000 in GEM Realty Capital, Inc. Fund VI as advised by PCA at stated terms.

For the next item, Ms. Fink stated since the next recommendation pertains to a former employer of hers, even though it was a separate division, she is recusing herself from the process to avoid even the appearance of any conflict of interest.

Ms. Renee Astphan, Treasury analyst introduced the next item saying the intent is to transition from an overweight in non-core real estate to core real estate. She said JP Morgan Strategic Property Fund is the largest of the core funds. She said that ERSRI currently has an investment which was committed to in 2006.
Mr. Glickman said PCA recommends considering committing up to an additional $25,000,000 to the JP Morgan Strategic Property Fund. He said PCA considers this fund one of the two best performing, large, open-end core real estate funds. He noted they have withdrawal procedures in place and said they reinvest the income generated from the fund.
Mr. Glickman said the fund invests in large, fully leased properties with no development or speculative risk. He said the fund has a moderate amount of leverage at around 25%.
Mr. Glickman added this additional investment is consistent with the strategy implemented last year to try to, whenever possible, reduce the number of relationships and to gradually expand core holdings so that they are the significant driver of real estate returns.

On a motion by Mr. Reilly and seconded by Mr. Costello, it was unanimously
VOTED: to approve the recommendation by PCA to make an additional investment of $25,000,000 in JP Morgan Strategic Property Fund.

A motion was then made by Mr. Costello and seconded by Mr. Guidici to convene into executive session pursuant to Rhode Island General Law §42-46-5 (a) (7) as the discussion may relate to the investment of public funds, the premature disclosure of which may adversely affect the public interest. A roll call vote was taken to enter executive session and the following members were present and voted Yea: Mr. J. Michael Costello, Mr. Robert Guidici, Ms. Paula McNamara, Ms. Marcia Reback, Mr. Andrew Riley, and General Treasurer Gina Raimondo.
It was then unanimously
VOTED: To convene into executive session pursuant to Rhode Island General Law §42-46-5 (a) (7) as the discussion may relate to the investment of public funds, the premature disclosure of which may adversely affect the public interest.

A motion was then made by Mr. Costello and seconded by Ms. Reback to seal the minutes of the executive session of July 24, 2013, pursuant to Rhode Island General Laws §42-46-5 (a) (7) as the discussion may relate to the investment of public funds, the premature disclosure of which may

adversely affect the public interest. A roll call vote was taken, and the following members were present and voted Yea: Mr. J. Michael Costello, Mr. Robert Guidici, Ms. Paula McNamara, Ms. Marcia Reback, Mr. Andrew Riley, and General Treasurer Gina Raimondo.
It was then unanimously
VOTED: To seal the minutes of the executive session of July 24, 2013, pursuant to Rhode Island General Law §42-46-5 (a) (7) as the discussion may relate to the investment of public funds, the premature disclosure of which may adversely affect the public interest.

On a motion made by Mr. Costello and seconded by Ms. Reback, to exit executive session pursuant to Rhode Island General Law §42-46-5 (a) (7). A roll call vote was taken and it was unanimously
VOTED: To exit executive session and return to open session.

It was reported to the public the only vote taken during executive session was an unanimous roll call vote to seal the minutes pursuant to Rhode Island General Law §42-46-5 (a) (7).

There being no other business to come before the Board, on a motion by Ms. McNamara and seconded by Mr. Reilly, the meeting adjourned at 11:54 a.m.

Respectfully submitted,

Gina M. Raimondo
General Treasurer

State Investment Commission
Monthly Meeting Minutes
Wednesday, September 25, 2013
9:00 a.m.
Room 205, State House

The Monthly Meeting of the State Investment Commission (SIC) was called to order at 9:03 a.m., Wednesday, September 25, 2013 in Room 205, State House.

I. Roll Call of Members

The following members were present: Mr. J. Michael Costello, Mr. Thomas Fay, Ms. Paula McNamara, Mr. Thomas Mullaney, Ms. Marcia Reback, Mr. Frank Karpinski , and General Treasurer Gina Raimondo. Mr. Robert Guidici arrived at 9:11 a.m.
Also in attendance: Mr. Darren Lopes and Mr. David Wonn of TIAA-CREF; Ms. Jennifer Delong, Mr. Christopher Nikolich, Ms. Patricia Roberts, and Mr. Vadim Zlotnikov of AllianceBernstein 529 fund manager for the State; Mr. David Blanchett of Morningstar Investment Management; Mr. Steve Nesbitt and Mr. Mark Johnson, of Cliffwater, alternative investment consultant to the Commission; Mr. John Burns of Pension Consulting Alliance (PCA), General Consultant; Ms. Susan Leach DeBlasio, of Adler Pollock, legal counsel; Mr. Charles Kelley and Ms. Gail Mance-Rios of Rhode Island Higher Education Assistance Authority (RIHEAA); Ms. Anne-Marie Fink, chief investment officer and members of the Treasurer's staff; Members of the House and Senate fiscal staff and various local reporters. Mr. Andrew Riley was absent.
Treasurer Raimondo called the meeting to order at 9:03 a.m.

II. Approval of Minutes

On a motion by Ms. Reback and seconded by Mr. Mullaney, it was unanimously
VOTED: to approve the draft of the minutes of the July 24, 2013 meeting of the State Investment Commission. Mr. Giudici was not yet present.

A motion was then made by Ms. McNamara and seconded by Mr. Mullaney it was
VOTED: to approve the draft of the Executive Session minutes of the July 24, 2013 meeting. Ms. Reback abstained from voting on this item as she had not reviewed the minutes. Mr. Giudici was not yet present.

II. Defined Contribution Plan Quarterly Update

Mr. Lopes briefly reviewed plan demographics as of June 30, 2013. He said the plan had approximately $122,000,000 at the end of June. He said about 93% of the funds are in the Vanguard Target Date Funds. He added that these funds will soon move into a collective investment trust with Vanguard which will save about 0.05% to 0.06% on average. He said this change will be communicated to participants in the comings weeks.
Mr. Lopes reviewed the on-site and one-on-one meetings. He said TIAA-CREF is hoping union leaders will send out communications regarding the plan regardless of what happens in mediation.

Treasurer Raimondo said the Retirement board will help with getting the word out about educational meeting opportunities and information will be included in the Retirement quarterly newsletter.

Mr. Lopes said TIAA-CREF is also making an effort to meet with plan administrators throughout the state and also trying to reach out to business managers to meet with participants.

Mr. Wonn reviewed the performance of the plan. He said the target-date funds modestly underperformed the benchmarks for the one year period. He attributed that to Vanguard going through a benchmark re-evaluation across a large number of their funds. He said the Vanguard performed well in comparison to other life-cycle strategies.

III. CollegeBound Fund Review

Ms. Fink briefly reviewed the recommendations made by Mr. Jeremy Thiessen of PCA regarding the CollegeBound Fund. She said the recommendations were: to replace some of the underperforming funds in the active glide paths that Alliance Bernstein offers, to replace some of the underperforming individual funds, to add an inflation-protected option for participants who customize their plans, to add passive glidepaths, and to hire a consultant to assist with ongoing monitoring of the plan.

Ms. Fink said Alliance Bernstein is working on four of these recommendations. She said that in order to hire a monitor, RIHEAA is working on an RFP so that will take some time. She said that the change that is the most complicated is the swapping the underlying funds within the active glide paths. Therefore this recommendation will come at the next meeting.

Ms. Nikolich reviewed AllianceBernstein's recommendations of replacements for the underlying funds and for an inflation-protected option.

Ms. Delong reviewed the recommendation of adding passive age-based portfolios. She said AllianceBernstein has been in discussion with Morningstar Investment Management to offer a co-branded, passive, age-based portfolio where they would be exclusively licensing and replicating a new 529 index glide path series. She said AllianceBernstein would manage the underlying asset classes. She noted it would be an exclusive arrangement that would make it a unique offering to CollegeBound Fund.

Mr. Blanchett gave a brief overview of Morningstar Investment Management. He described the strategy for the glide path and Morningstar's expertise.

Ms. Delong said it is a priority to have low-cost investment options for Rhode Islanders. She said AllianceBernstein proposes that this option be offered at 0.16%. She said the active glide path is offered at 0.20%, so the passive option would be at a very competitive rate.

Ms. Roberts asked the board for approval to continue discussions with Morningstar and continue the changes.

Treasurer Raimondo asked what the timeline would be to offer these options to participants.

Ms. Roberts said a potential timeframe, without committing to it, would be somewhere in the first quarter of next year.

Ms. Fink added that the SIC as well as the RIHEAA Board have to approve the changes.

On a motion by Mr. Fay and seconded by Mr. Mullaney, it was unanimously
VOTED: to approve the recommendations on page 7 of the presentation including the addition of a treasury-protected fund to the CollegeBound offerings, the replacement of individual funds, and the continuation of discussions with Morningstar regarding the passive glide path options, pending approval from RIHEAA.

IV. Private Equity Review

Mr. Johnson talked about performance for the first quarter of 2013. He said private equity generally lagged the U.S. equity market. He said it was due to a strong period of public equity returns. He said because private equity reporting tends to lag. Cliffwater would expect to pick it up in future quarters as peer comparison valuations roll through the private equity portfolios. He said the diversification in private equity has been beneficial to the construction of Rhode island's portfolio.

Mr. Johnson reviewed the goals and strategy for the private equity portfolio. He said Cliffwater has recently looked to add more in the small buyout space and lower the large buyout exposure of the portfolio. He said they are also currently working on adding some private debt exposure and lowering the venture capital exposure which had been higher in the past.

Mr. Johnson reviewed the long-term performance of the portfolio. He said long-term performance was good and has exceeded the venture capital benchmark. He said 1.46 times paid-in capital has been returned.

Mr. Nesbitt added distributions exceed the drawdowns. He said for the first time in a long time there is net outflow and a reduction in unfunded commitments.

Mr. Johnson reviewed the first quarter performance. He said distributions have been about $27,000,000 versus about $7,000,000 in contributions. He said the return for the quarter was 2.1% for the portfolio.

Mr. Johnson reviewed some of the drivers in performance for the first quarter. He said there has been a pick up especially in the U.S. as public equity prices have risen. He said there will be a lag effect but those valuation increases will flow through to the private equity portfolio.

Ms. Fink asked how soon this was expected to happen.

Mr. Nesbitt said that statistically it takes three quarters for it all to work through.

Mr. Johnson also reviewed the negative drivers in performance. He said the European market continues to be challenged.

Ms. Fink asked if the fact that the venture capital benchmark has not been great is due to particular funds or if it consistent across the sector.

Mr. Johnson said it is consistent across the sector and that the venture capital benchmark has had a difficult last decade particularly due to dry IPO market. He said it has been the poorest performing sector within private equity overall. He said that in the past couple of years they have seen more capital flowing into the space and at the same time the amount of capital the funds have raised has dropped dramatically. He said they believe that a lower level of capital coming into the sector should help returns over the long term.

Ms. Fink asked if the European buyout is consistent across the sector.

Mr. Johnson said it is consistent. He said, in general, European buyout funds have done poorly more recently.

Mr. Johnson went on to review the top distributions and contributions. He also reviewed the fund exposures. He reviewed the diversification by strategy and sector.

Mr. Nesbitt added that overall, the portfolio is meeting the return goals and it is well diversified. He said they are trying to concentrate the number of general partners over a longer period of time and only selecting top quality general partners. He said they would like to establish a consistent pace of new commitments.

Treasurer Raimondo asked how many more commitments they should look to do for this year.

Mr. Johnson said probably another three commitments at roughly $20,000,000 per manager.

V. Investment Policy Update

Ms. Fink presented the board a draft of the investment philosophy and the corporate governance philosophy. She said these were only two parts of the working investment policy draft and that more parts will be worked on and presented to the board in the future. She reviewed the investment policy draft. She said the draft talks about how the plan needs to balance risk and return and it also needs long-term appreciation and short term cash flows when investing. She said the philosophy talks about the value of diversification as one of the most powerful tools of getting return per unit of risk taken.

Ms. Fink went on to review the corporate governance philosophy draft. She said the basic philosophy is guided by the character of the fund. She said there are two salient attributes. One, all of the plans equities are held through commingled funds. She said given that and limited staff, the role of the board would be oversight of managers in how they invest and how they leverage the corporate governance asset. She said the other key attribute is that in long-only equities, the plan has passive allocation. She said with passive allocation the board can't elect to not be in a company because it believes that management is destroying value. She said this puts a greater emphasis on making sure that every company is taking full advantage of the assets that the company has in generating value. She said the intent is to hold managers responsible for making sure the plan is getting value from good corporate governance. She said the draft also outlines some of the principles for long-term shareholder value. She invited the board to give their input after they've reviewed the document.

VI. Legal Counsel Report

There was no legal counsel report.

VII. CIO Report

Ms. Fink referenced a question from the July 24 meeting regarding management fees. She said that the numbers are not confirmed. She said particularly with private equity and real estate, confirmation of their June valuations is needed. She said the numbers will definitely change and they are not final. She said for fiscal year 2013 the performance was up 11.1% net of all fees and expenses and the risk was about 8%. She said since adding the hedge funds 22 months ago, the fund is up 8.8% with 6% risk and that compares to 7.6% with 7.2% risk of a 60/40 portfolio. She said the asset allocation decisions that the board has made have really paid off.

She said that last year, the fund paid $36,000,000 in management fees to fund managers which works out to about 0.5% of assets. She said that because it was a really good performance year there were also meaningful incentive fees. She said that both management and incentive fees add up to $70,000,000 which is 0.9%.

Treasurer Raimondo asked Mr. Nesbitt to put the figures in perspective.

Mr. Nesbitt said that in relation to the performance it looks good. He said it is difficult to compare to other state pension systems due to fact that there is not a lot of transparency from other systems. He said the average expense ratio is somewhere between 0.40% and 0.50% not including incentive fees, which Rhode Island is one of few funds to disclose.

Ms. Reback asked where the custodians have physically placed the funds.

Mr. Nesbitt said that according to an analysis done in previous years approximately 90% of the assets are held physically in the U.S. and of the remaining 10% were held primarily in London. He

added that asking where the assets are domiciled is part of Cliffwater's operations due diligence with all hedge funds.
Treasurer Raimondo asked Mr. Nesbitt to have the analysis updated with the most current data.
Ms. Fink reviewed the portfolio's performance for July. She said July was a very strong month in equities globally and the portfolio was up 2.7% for the month with 8% volatility. She said that compares with 2.9% for a bottom-up benchmark and for the 60/40 benchmark. She said the portfolio did underperform into the strong up market. She said the portfolio will tend to do better in weaker markets and not so well in strong markets and over time it should generate better returns. She reviewed the changes made to the benchmark. She said the benchmark has been refined by essentially creating two benchmarks. She said that one of the biggest changes is in private equity where the benchmark was changed to Venture Economics which is a more comparable benchmark. She said the return of a 60% global equities/40% core bond index has been added as an additional benchmark to evaluate the asset allocation of the plan.
Ms. Fink went on to review the August performance. She said it was a tough month in the markets. She said the portfolio was down 0.99% for the month in comparison to the bottom-up benchmark of -1.2% and the 60/40 portfolio of -1.5%. She said the hedge funds and the private equity allocations were big helps in the month. She said the hedge funds were down about 0.5%. She said since adding the hedge funds, the plan has outperformed the 60/40 plan by about 15% with about 15% less risk.
Ms. Fink reminded the board about the efforts to align the OPEB trust with the core thinking of the SIC. She said that with approval from the OPEB board, the weighting was changed from 1/3 equity and 2/3 fixed income to 2/3 equity and 1/3 fixed income. She said this switch has really helped performance.

VIII. Treasurer Report

Treasurer Raimondo commended the efforts of the board and thanked them for their continued work.

There being no other business to come before the Board, on a motion by Ms. Reback and seconded by Mr. Fay the meeting adjourned at 11:19 a.m.

Respectfully submitted,

Gina Raimondo

Gina M. Raimondo
General Treasurer

State Investment Commission

Monthly Meeting Minutes
Wednesday, October 23, 2013
9:00 a.m.
Room 205, State House

The Monthly Meeting of the State Investment Commission (SIC) was called to order at 9:07 a.m., Wednesday, September 25, 2013 in Room 205, State House.

I. Roll Call of Members

The following members were present: Mr. J. Michael Costello, Mr. Thomas Fay, Mr. Robert Guidici, Ms. Paula McNamara, Mr. Thomas Mullaney, Mr. Frank Karpinski, and General Treasurer Gina Raimondo. Also in attendance: Ms. Jennifer Delong, Mr. Christopher Nikolich and Ms. Patricia Roberts of AllianceBernstein 529 fund manager for the State; Mr. Thomas Lynch of Cliffwater, alternative investment consultant to the Commission; Mr. John Burns, Mr. Alan Emkin and Mr. David Glickman of Pension Consulting Alliance (PCA), General Consultant; Ms. Sally Dowling, of Adler Pollock, legal counsel; Ms. Gail Mance-Rios of Rhode Island Higher Education Assistance Authority (RIHEAA);
Ms. Anne-Marie Fink, chief investment officer and members of the Treasurer's staff; Members of the House fiscal staff and various local reporters. Ms. Marcia Reback and Mr. Andrew Riley were absent.
Treasurer Raimondo called the meeting to order at 9:07 a.m.

II. Approval of Minutes

On a motion by Mr. Guidici and seconded by Ms. McNamara, it was unanimously
VOTED: to approve the draft of the minutes of the September 25, 2013 meeting of the State Investment Commission.

II. CollegeBound Fund Update

Ms. Fink briefly reviewed the changes in progress by AllianceBernstein. She also talked about the recent rating of the fund by Morningstar. She said the program received an overall negative rating. She said with all the improvements being made, she was hoping for a better rating. She added that Morningstar's write-up did comment positively on the changes being made as well as the fees charged. She then introduced AllianceBernstein to talk further on the changes being made.
Mr. Nikolich reviewed the recommendations by PCA.
Ms. Fink said there will be a jointly issued RFP with RIHEAA to hire a consultant to monitor the program. She said the RFP expected to be issued later this year.
Mr. Nikolich said the remaining recommendation to be addressed is the change in underperforming funds in the age-based and in the risk-based portfolio. He said the proposal is where there were two portfolios previously, the US Large Cap Growth and the US value, to implement that on a combined basis with the growth and income portfolio. He said this fund is part of the current stand-alone menu and it has already been reviewed by PCA. He reviewed the proposal in the non-US based to move two funds into one. He said they propose to move the International Large Cap Growth and the

International Value Exposure a Dynamic Factor Fund portfolio. He said this portfolio is predominantly quantitative driven investment process.

On a motion by Mr. Mullaney and seconded by Mr. Costello, it was unanimously
VOTED: to approve the changes in the fund line-up in the active and risk- based glide paths including swapping out the US exposure with the AllianceBernstein growth and income fund and swapping out the Intenational funds with the proposed AllianceBernstein Factor Fund.

III. Discussion of Portfolio Investments Related to Corporate Governance and Firearms

Ms. Fink discussed the next steps regarding the managers with material investments in firearms distributors. She reminded the board that Wellspring owns United Sporting Company. She said in addition to it they have a private debt manager, Summit Partners, who also has exposure to the same company. For the Wellspring holding she proposed that the board authorize Cliffwater to perform a secondary sale process. She added that they should not specify acceptable ranges to not constrict the negotiation process.

On a motion by Mr. Fay and seconded by Mr. Guidici, it was unanimously
VOTED: to authorize Cliffwater to obtain possible bids for a secondary sale of the interests in Wellspring.

Ms. Fink went on to discuss Summit Partners. She said that this investment is earlier in its life and it would be more advantageous not to sell it. She said the General Partner has proposed a solution to the concern of the investment's regulatory risk. She said Summit Partners has offered to buy the economic interest in the United Sporting Company. She said she considers this a good solution because it would allow ERSRI to remain in the larger private debt fund.

On a motion by Mr. Costello and seconded by Mr. Mullaney, it was unanimously
VOTED: To move forward with the assignment of our interests in the United Sporting Companies loan subject to staff and counsel executing the appropriate agreement.

IV. Periodic Asset Allocation Review

Ms. Fink said that staff recommends commissioning PCA to do a review of asset allocation and the fees paid to asset managers. She said the last asset liability study was based on data at the end of 2010 and there have been sizable moves in the markets since then. She also proposed working with PCA to build an asset allocation appropriate to the forward-looking opportunity over the next three to five years. She said she would ask them to review the fees paid to assure they are industry standard given the level of investment and terms they transact with the managers.
Mr. Emnkin said this review will be unlike the 2011 study. He said this should be an asset allocation only study to refresh the capital market assumptions and dynamics. He said it would be a revisiting to look at downside risk primarily.
Treasurer Raimondo added that the board has come up with an asset allocation to suit the plan being extremely underfunded. She said the review will assist in determining and evaluating the selected investments chosen by the SIC.

On a motion by Mr. Guidici and seconded by Mr. Mullaney, it was unanimously
VOTED: to commission PCA to conduct an asset allocation review and to review the fees paid by the plan.

V. Legal Counsel Report

There was no legal counsel report.

VI. CIO Report

Ms. Fink reviewed the portfolio's performance for September. She said July was a very strong month in the markets. She said that the portfolio lagged in the strong up move. She added that the portfolio has been specifically created that won't capture all of the upside but will protect against downside. She said the portfolio was up 3% for the month which is in line with the bottom-up benchmark. She said that compares to about 3.5% in the 60/40 plan. She said the risk in the portfolio was 7.5% for the month and remains below that of the blended benchmark and the 60/40 plan. She added that the portfolio has less risk and better return than the 60/40 plan and is about on par with the blended benchmark for the three-year risk return.

Ms. Fink reviewed the performance for the hedge funds for the 23 months since inception. She said on annualized basis the overall fund is up 10.6% with 6% risk. She said that compares to the 60/40 plan which was up 9.5% with 7.4% risk. She said this is ensuring better return lower risk over time.

Ms. Fink went on to review the overall fund's current valuation for the month of October. She said she believes that the fund should pass the $8-billion mark by the end of October for the first time since the 2008 financial crisis.

Ms. Fink discussed a recent report on Rhode Island's pension plan which was commissioned by AFSCME. She said the report contains a number of gross misrepresentations and unfounded innuendos. Ms. Fink prepared a letter to address these criticisms, of which a copy was distributed to the board. She said the letter addressed the main points made in the report and corrects a number of inaccuracies.

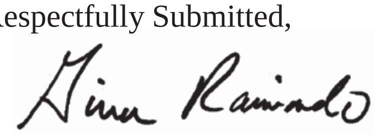
The board discussed the report as well as the letter prepared by Ms. Fink.

VII. Treasurer Report

Treasurer Raimondo commended the efforts of the board and thanked them for their continued work.

There being no other business to come before the Board, on a motion by Mr. Mullaney and seconded by Mr. Guidici the meeting adjourned at 10:17 a.m.

Respectfully Submitted,



Gina M. Raimondo
General Treasurer

State Investment Commission

Monthly Meeting Minutes
Wednesday, November 20, 2013
9:00 a.m.
Room 205, State House

The Monthly Meeting of the State Investment Commission (SIC) was called to order at 9:05 a.m., Wednesday, November 20, 2013 in Room 205, State House.

I. Roll Call of Members

The following members were present: Mr. Thomas Fay, Mr. Robert Giudici, Ms. Paula McNamara, Mr. Thomas Mullaney, Ms. Marcia Reback, Mr. Frank Karpinski, and General Treasurer Gina Raimondo. Also in attendance:
Mr. Darren Lopes and Mr. Larry Brown of TIAA-CREF, administrator of the defined contribution plan; Mr. Mark Johnson of Cliffwater, alternative investment consultant to the Commission; Mr. John Burns and Mr. Alan Emkin of Pension Consulting Alliance (PCA), General Consultant; Mr. Mark Sullivan of Bank of New York Mellon, Custodian bank of the fund; Mr. Seth Magaziner, candidate for Rhode Island General Treasurer; Ms. Sally Dowling, of Adler Pollock & Sheehan P.C., legal counsel;
Ms. Anne-Marie Fink, chief investment officer and members of the Treasurer's staff; Members of the Senate fiscal staff and various local reporters.
Mr. J. Michael Costello and Mr. Andrew Riley were absent. Mr. Reilly listened by phone.
Treasurer Raimondo called the meeting to order at 9:05 a.m.

II. Approval of Minutes

On a motion by Mr. Fay and seconded by Mr. Giudici, it was unanimously
VOTED: to approve the draft of the minutes of the October 23, 2013 meeting of the State Investment Commission.

III. Defined Contribution Plan Quarterly Update & Socially Aware Lineup Addition Recommendation

Mr. Lopes reviewed the current demographics of the plan. He said the total assets were about $154 million through the end of September. Roughly 93% of the assets remain in target date funds. He noted that the mapping of assets from the Vanguard target date funds to the collective trust funds went smoothly and was effective as of October 31.
Mr. Lopes said participant online log-ins have increased and calls have decreased. This is common, as participants log in and don't see much volatility in the market. He said they are starting to gain traction with on-site visits and one-on-one counselling sessions.
Mr. Brown reviewed the performance of the plan through September 30. He said the plan has had very strong returns for the quarter and year-to-date and good exposure to asset classes.

Ms. Fink said that there are a number of participants that are not diversified and have exposures to only one or two asset classes. TIAA-CREF will send out a letter offering a free counseling session to those participants to help them avoid any unintended consequences.

Ms. Fink said that now that the plan is established, it is a good time to consider adding an additional option. Since there are a number of people concerned with social risk, she said staff would like to look for a fund that would meet their preference. This would be added as an option to the lineup and would not be a default option.

Ms. Fink said staff will work with PCA to examine the available socially aware funds. They will select one to bring before the board for a vote at a later meeting.

IV. Quarterly Private Equity Review

Mr. Johnson reviewed the market performance for Q2 of 2013. He said all U.S. private equity was up 3.43% versus the Wilshire 5000 which was up 2.88%. He noted that private equity has outperformed the public equity markets in the long term.

He reviewed the goals and strategies for the portfolio. The goal is to maintain a 7% allocation target. The performance goal target is 3% over public equities over the long term. Cliffwater targets top quartile managers for this portfolio.

He said the portfolio is well diversified. The near-term strategy is to reduce the number of managers, which they have been working on with staff and being selective in the types of new funds that they're allocating to. He noted that in the current market they are seeing managers being more selective in their choice of limited partners. A number of clients have had difficulty getting the full size allocations they would like. Funds similar to Rhode Island have been getting decent allocations. But it has been a challenge as managers are trying to keep their fund sizes reasonable and reward existing clients. Cliffwater will continue to work on achieving this.

Mr. Johnson said that going forward the goal is to target 5 to 8 new partnerships per year and $100 million to $120 million in total commitments per year.

Mr. Johnson gave a brief summary of the portfolio since inception. The portfolio has had 13.7% annualized returns since inception and 15.2% over ten years. Performance has been comparable to the benchmark.

He said the portfolio was up about 3% in value as of the quarter ending in June, which is in line with the rest of industry. In the second quarter they closed on one new partnership, Riverside Fund Appreciation Fund VI for a $20 million commitment.

Mr. Johnson reviewed the positive and negative drivers in the portfolio. He said 37% of the overall gains in the quarter came from the top five managers. Some of the detractors are 2005-2007 vintage year funds. The long-term positive performance drivers are funds from the 2000-2004 vintage period. He reviewed the return by vintage year and said the strongest returns in the last 10 years are 2003 and 2004. He also pointed out the private equity portfolio has good diversification across various sectors.

It has been a good year in terms of distributions and the equity markets have performed well. The challenge is to redeploy money into funds in order to maintain the 7.0%-7.5% allocation to Private Equity.

Mr. Johnson said 2013 looks to be a record year in distributions out of the private equity industry in terms of total dollars. The amount of investment overhang that has existed the last 4-5 years is coming down and distributions are going up. They predict it to be very strong the next couple of years. In terms of new capital being deployed, more funds are coming to market to raise capital. Next year should also be a good year for raising capital as well. He sees ample opportunity for the State to make more investments.

V. Investment Policy Statement Phase I Adoption

Ms. Fink reminded the board that the plan is to create a more consolidated investment policy statement (IPS). The policy will be broken down in four parts: philosophy, roles and responsibilities, asset allocation and individual asset policies. Changes were made to the first draft of the policy brought before the board at the previous meeting. The revised version was distributed to members of the board.

Mr. Emkin expressed the importance of a clear IPS from a macro perspective.

Ms. Reback expressed concern over the emphasis on risk in the statement and on the purpose of a policy statement. Ms. Fink explained that the investment policy statement includes voting proxies, but also provides the macro framework Mr. Emkin stressed.

Mr. Emkin explained the challenge for institutional investors is that returns are geometric not arithmetic. Because of this compounding effect, managing risk and volatility is imperative. He pointed out that ERSRI's fund has negative cash flow due to its large pension payments, therefore negative returns have an even greater impact. He stressed that preserving capital in this financial environment is crucial. He said the fund does need to take risk, and does, but it is a question of how much risk and how diversified that risk is. He pointed out the largest mistake institutional investors made before the financial crisis is that they only were concerned about returns and didn't spend enough time on risk. Mr. Emkin then explained the volatility penalty and how volatility and negative returns have a bigger impact on long-term performance. Ms. Fink then pointed out the hedge fund's collective net returns are above our statutory rate of return.

The vote on the draft was moved to a later meeting to allow for further discussion.

Treasurer Raimondo noted that an off-site meeting is being planned for January. This meeting will be longer than usual and will be scheduled pending member availability. PCA will be presenting their asset allocation study at this time as well.

VI. Fidelity 457 Plan Share Class Recommendation

Ms. Fink noted that currently there are three providers for the 457 plan, one of them being Fidelity. As of September 30, the plan has $5.5 million in the Fidelity Spartan 500 Index Fund. This size makes the plan eligible to move from the Fidelity Advantage Mutual Fund Share Class to the Institutional Share Class. This change will reduce fees from 0.05% to 0.04%. Ms. Fink said it's prudent to make this switch as this is the same strategy with lower fees.

On a motion by Ms. Reback and seconded by Mr. Mullaney, it was unanimously
VOTED: to approve the 457 Plan change from the Fidelity Advantage Spartan 500 Fund Share Class to the Institutional Share Class.

VII. FICA Alternative Retirement Plan

Mr. Dingley said the role of the SIC in the FICA Alternative Retirement Plan is advisory. The Department of Administration has not yet reached agreement on all aspects of the plan with the provider. Once it's finalized, it will be brought before the board for review.

VIII. Non-Contributory Judges Plan Asset Allocation Recommendation.

Ms. Fink explained that this relates to a group of judges who had historically not contributed to the retirement plan. Following implementation of the Retirement Security Act of 2011 they are now contributing. A decision should be made on how to invest these contributions. The retirement board voted to fund the accrued liability associated with these judges with an annual required contribution (ARC) similar to that of the rest of the pension plan.

Ms. Fink said that with the ARC and the expected rate of return of 7.5%, this plan is very similar to the rest of the plans that the SIC administers. The advantage is that these assets can now be commingled with the rest of the defined benefit plan.

Mr. Mullaney noted that the Retirement Board adopted the option which will require the state to appropriate $1.3million yearly. There is no law that requires the State to do so. Given the budget constraints, Governor Chafee would have to decide on whether to include the appropriation in his budget proposal or not.

Mr. Dingley noted that it would not have to be taken out of the commingled fund. If the appropriation is not funded, the only difference would be the assumed rate of return would be 4.5% instead of 7.5%. The best decision for the amount of money would be to leave it in a fund where the management expenses are reasonable.

On a motion by Ms. McNamara and Seconded by Ms. Reback, it was unanimously
VOTED: to commingle the assets of the Non-Contributory Judges plan with the rest of the pool and give them the diversification and strategy of the overall plan.

IX. Legal Counsel Report

There was no legal counsel report.

X. CIO Report

Ms. Fink reviewed the portfolio's performance for October. She said October was a very strong month in the markets. The portfolio rose 2.5%, ahead of the bottom-up benchmark which was up 2.3%, and a bit behind the 60/40 plan, which was up 2.7%. With global equities up 4% and bonds up 0.8%, the portfolio performed as expected. Year-to-date the portfolio is up 7.4% with 7.5% risk. The portfolio is continuing to get better returns with less risk. She added that risk and return are connected over the long-term: as risk goes down you compound faster and end up with better returns over time. Comparatively, the benchmark, year-to-date, is up 7.1% with 8.2% risk and the 60/40 up 7.8% with 8.6% risk.

Ms. Fink noted that the expected rate of return is 7.5% and in four months the portfolio is up 7.4%, giving a sense of how strong the markets are. It has been a very strong period, but it would not be surprising if there is more volatility in the future.

Ms. Fink said that on a two-year basis, the portfolio continues to benefit from the hedge fund allocation. Over that period, the portfolio annualized 11.5% compared to 10.6% for the 60/40. Part of the reason for that is the asymmetric return in which the portfolio captures 95% of the upside during up months and only 65% of the market move in the down months. She added that in the past twenty-four months, only seven have been down months, which is unusually few.

Ms. Fink said it is a good time for PCA's asset allocation review to guide the next step of the portfolio as assets are becoming more richly priced.

Ms. Fink noted markets have remained strong in November. As of the end of day on Monday, November 18, the portfolio topped $8 billion for the first time since the financial crisis.

Ms. Fink gave an update on the secondary sale of the Wellspring interests. More than a dozen groups have indicated interest. They are currently in the process of signing non-disclosure agreements and getting information out to the bidders. The timetable is moving forward as expected and she will have more information at the December meeting.

XI. Treasurer Report

Treasurer Raimondo commended the efforts of the board and thanked them for their continued work.

There being no other business to come before the Board, on a motion by Ms. Reback and seconded by Mr. Fay the meeting adjourned at 10:45 a.m.

Respectfully submitted,

Gina Raimondo

Gina M. Raimondo
General Treasurer

State Investment Commission

Monthly Meeting Minutes
Wednesday, December 18, 2013
9:00 a.m.
Room 205, State House

The Monthly Meeting of the State Investment Commission (SIC) was called to order at 9:07 a.m., Wednesday, December 18, 2013 in Room 205, State House.

I. Roll Call of Members

The following members were present: Mr. J. Michael Costello, Mr. Thomas Fay, Mr. Robert Giudici, Ms. Paula McNamara, Mr. Thomas Mullaney, Ms. Marcia Reback, Mr. Andrew Riley, Mr. Frank Karpinski, and General Treasurer Gina Raimondo.
Also in attendance: Mr. Darren Lopes and Ms. Christine Pishko (by phone) of TIAA-CREF, administrator of the defined contribution plan; Mr. John Burns, Mr. Austin Carmichael, Ms. Christy Fields and Mr. Alan Emkin of Pension Consulting Alliance (PCA), general and real estate consultant; Mr. David Schwartz, Mr. Marc Swerdlow and Ms. Michelle Wells of Waterton Associates; Mr. Thomas Lynch of Cliffwater, alternative investment consultant to the Commission; Mr. James Freeland, Ms. Courtney McCarthy and Mr. Thomas Roberts of Summit Partners; Ms. Sally Dowling of Adler Pollock & Sheehan P.C., legal counsel; Ms. Anne-Marie Fink, chief investment officer and members of the Treasurer's staff. Treasurer Raimondo called the meeting to order at 9:07 a.m.

II. Approval of Minutes

On a motion by Ms. Reback and seconded by Mr. Giudici, it was unanimously
VOTED: to approve the draft of the minutes of the November 20, 2013 meeting of the State Investment Commission.

III. Socially Aware Addition Recommendation

Ms. Fink reminded the board of a previous discussion about looking into adding a socially aware fund option to the Defined Contribution lineup. PCA was asked to analyze the socially aware funds available.
Mr. Burns reviewed the recommendation by PCA to select TIAA-CREF Social Choice Equity Fund. He said the fund is well diversified and has 862 holdings. He reviewed some of the criteria used to screen companies in the fund.
Mr. Burns reviewed the performance of the fund. Since July 1999, the fund trailed the Russell 3000 by 0.10%. In a peer group comparison with other equity funds in general, the fund looks very competitive. In comparison with a socially responsible index, the fund outperformed the KLD 400 Social Index. PCA put together a peer group comparison of other socially responsible funds. This fund is in the top half in performance.

Mr. Burns reviewed fees of the fund. He said the fees are very competitive versus other large institutional equity funds and even more competitive versus any similar, screened funds. The expense ratio in the fund is 0.19%.
The board discussed the fund further.

On a motion by Ms. Reback and seconded by Mr. Riley, it was unanimously
VOTED: to approve the addition of the TIAA-CREF Social Choice Equity Fund as an option to participants of the Defined Contribution Plan.

IV. Real Estate Recommendation—Waterton Residential Property Venture XII

Ms. Fink introduced Waterton Residential, a firm specializing in multi-family real estate.
She explained Waterton is a more specialized manager than the generalist funds the board has seen recently. She noted the benefit of adding a more niche firm specialized in a specific area. As a vertically integrated specialist in multi-family, Waterton is well situated. Historically, Waterton has used an outsourced marketing firm when raising new funds. Because of Treasury's strict placement agent policy, this placement agent was not at all involved in sourcing or vetting the fund.
Ms. Fields presented the recommendation. She said the investment is consistent with the strategic plan for the portfolio. This allocation would assist with reinvesting the proceeds received from the secondary sale executed in the past year and help reach the target allocation in real estate.
Mr. Carmichael explained Waterton has experts in the multi-family space and they have managed to find unique opportunities throughout various market cycles. PCA believes there is still an opportunity in the multi-family sector and that fundamentals are strong for the long term.
Mr. Carmichael said PCA likes this firm, especially in the apartment space, because it is a vertically integrated operator who is hands-on with the assets on a day to day basis through all the different steps. PCA believes there is good alignment of interests between Waterton as the general partner and the limited partners.
Mr. Schwartz briefly reviewed the firm. He and co-founder Pete Vilim have been doing apartment acquisitions for almost 28 years. Waterton specializes in renovation and repositioning of apartments. Since inception, Waterton has bought about $5 billion dollars in multi-family assets.
Mr. Schwartz reviewed the current fund. It has about 20,000 units and is geographically diverse with properties coast to coast. The fund has good return history with an IRR on realized investment of over 20%.
Mr. Schwartz added that the firm is vertically integrated. Waterton does the property management, construction management and construction supervision in-house.
Mr. Swerdlow talked about the Waterton organization. He said on-the-ground research is the key to their investment strategy. With regional management offices, they have management teams in the field to help in identifying opportunities and acquiring properties.
Mr. Swerdlow added that Waterton is focused on top 30 designated market areas (DMAs) where there is economic growth and they can bring the value-add approach to buying existing real estate, improving it and driving rental growth.
Mr. Schwartz talked about the opportunities and risks in the market. He said there are currently historically low vacancies and the propensity to rent is high. Waterton believes supply additions will be at the long-time average rate in 2014 and 2015. They hope to see economic and employment growth as job growth is directly correlated to apartment demand. As far as risks, they are most

concerned about supply. Most concentrations of upcoming supply are in urban areas so fund XII will be most likely be more concentrated in suburban areas. He added that an increasing interest rate environment may create unique opportunities from misvaluations. They also foresee maturing mortgages in the investment period for Venture XII that could create opportunity.

Mr. Schwartz went over the terms of the fund. Waterton is looking to raise $500 million with a first closing in January. The expected IRR to investors is 13%. Waterton will cap leverage at 65% of project cost. Fees are 1.25% on committed capital during the investment period and 1.5% on invested capital thereafter.

The board asked questions and Waterton Associates left the room.

Treasurer Raimondo expressed concern regarding PCA's recommended size of investment (up to $50 million) and the potential to be 30% of the fund's first close.

Ms. Fink said although PCA's recommendation is up to $50 million, she would recommend an investment of $35 million. Being that Waterton is more of a niche manager and more value-add, she wouldn't make the size of investment as in core manager.

On a motion made by Mr. Riley and seconded by Mr. Costello, it was unanimously
Voted: to approve up to $35 million of investment but not to exceed 10% of the total Waterton Residential Property Fund XII and only if the fund exceeds a minimum committed value of $200 million.

V. Private Equity Recommendation—Summit Credit Fund II

Mr. Lynch introduced Summit Partners. He said the state was invested in Summit Credit Fund I. The fund is part of the overall portfolio strategy to increase private debt exposure in the private equity portfolio. He mentioned Cliffwater has negotiated a preferential fee for its clients.

Mr. Roberts gave a brief introduction to the fund. Summit Credit lends to companies with $10 million to $50 million in earnings. With interest rates in the mid-teens, these loans are riskier than bank loans. However, the loans are well above the companies' equity components in repayment priority with the goal being to have the loans in the top half of the companies' capital.

Mr. Roberts reviewed Fund I. Summit Partners is raising Fund II to pursue the exact same strategy. Fund I was able to accomplish its goals with interest rates of 14% on average.

Mr. Roberts added that the general partner has committed $50 million to Fund II and will be co-investing in it as well. He said the vast majority of interest is current pay; the fund remits any cash interest to investors as it's received. The fund will essentially be producing 0.80% to 1% in payments per month.

Mr. Fay asked how compression in the high yield market affected terms on new debt.

Mr. Roberts said that their rates are influenced, but not dominated, by the high yield or bank markets. The companies Summit lends to are too small to access the high yield market; they average about $40 million of earnings.

Mr. Roberts added that their strategy is to have a group of analysts whose job is to be in touch with companies in industries they follow, striking up a relationship with the companies before they need capital.

The board asked further questions and Summit Partners left the room.

Treasurer Raimondo asked what the negotiated fee would be.

Mr. Lynch said Cliffwater negotiated a management fee of 0.75% for their clients compared to 1.5% and 1.35% after the investment period once certain aggregate commitments have been raised.

The board discussed the recommendation.
On a motion by Mr. Riley and seconded by Mr. Costello, it was unanimously
VOTED: to approve into Summit Credit Fund II up to $25 million of investment.

VI. Update on Secondary Sale of Interests in Wellspring

A motion was then made by Mr. Mullaney and seconded by Mr. Riley to convene into executive session pursuant to Rhode Island General Law §42-46-5 (a) (7) as the discussion may relate to the investment of public funds, the premature disclosure of which may adversely affect the public interest. A roll call vote was taken to enter executive session and the following members were present and voted Yea: Mr. J. Michael Costello, Mr. Thomas Fay, Mr. Robert Giudici, Ms. Paula McNamara, Mr. Thomas Mullaney, Ms. Marcia Reback, Mr. Andrew Riley, and General Treasurer Gina Raimondo.
It was then unanimously
VOTED: To convene into executive session pursuant to Rhode Island General Law §42-46-5 (a) (7) as the discussion may relate to the investment of public funds, the premature disclosure of which may adversely affect the public interest.

A motion was then made by Mr. Costello and seconded by Ms. Reback to seal the minutes of the executive session of December 18, 2013, pursuant to Rhode Island General Laws §42-46-5 (a) (7) as the discussion may relate to the investment of public funds, the premature disclosure of which may adversely affect the public interest. A roll call vote was taken, and the following members were present and voted Yea: Mr. J. Michael Costello, Mr. Thomas Fay, Mr. Robert Giudici, Ms. Paula McNamara, Mr. Thomas Mullaney, Ms. Marcia Reback, Mr. Andrew Riley, and General Treasurer Gina Raimondo.
It was then unanimously
VOTED: To seal the minutes of the executive session of December 18, 2013, pursuant to Rhode Island General Law §42-46-5 (a) (7) as the discussion may relate to the investment of public funds, the premature disclosure of which may adversely affect the public interest.

On a motion made by Mr. Giudici and seconded by Mr. Riley, to exit executive session pursuant to Rhode Island General Law §42-46-5 (a) (7). A roll call vote was taken and it was unanimously
VOTED: To exit executive session and return to open session.

It was reported to the public that two votes were taken during the executive session.
In the first vote during executive session, it was unanimously voted to authorize Cliffwater to negotiate and execute the sale of the State's limited partnership interests in Wellspring Capital Partners IV on terms satisfactory to Treasury staff and pending legal review.
The second vote taken during executive session was an unanimous roll call vote to seal the minutes pursuant to Rhode Island General Law §42-46-5 (a) (7).

VII. PCA Market Risk Metrics Briefing

Mr. Emkin made an abbreviated presentation of the market risk measures PCA looks at and compares against historical averages. He said he could do a more thorough presentation in the extended meeting scheduled for January.

VIII. Legal Counsel Report

There was no legal counsel report.

IX. CIO Report

Ms. Fink said November was the first month the total fund value finished above $8 billion since the financial crisis. She praised the efforts of the SIC for this testament to their work. She cautioned the $8 billion level may not hold as markets have been going down in December with equities down 2.5% and bond markets down 0.4%. The hedge funds protected the portfolio, only down 0.8% as of the prior Friday. She explained that as ups and downs are to be expected, the diversification of the portfolio is important.

Ms. Fink said in November the portfolio was up 1.2% compared to just under 1% for the policy benchmark and 0.7% for the 60/40 plan. Fiscal-year-to-date the portfolio is up 8.7%. She cautioned this increase is more than expected in any given year and has been accomplished in five months. The performance is ahead of the benchmark which is up 8.3% and the 60/40 plan up 8.6%.

Ms. Fink said that despite the strong returns, the portfolio continues to have less risk. The portfolio is at 7.4% volatility compared to 8.1% for the benchmark and 8.5% for the 60/40 plan. Not only is the plan getting better returns, it also has less volatility. Those two are not disconnected over the long-term. Pursuing a strategy of less volatility over time, the compounding works and the portfolio gets better returns.

X. Treasurer Report

Treasurer Raimondo commended the efforts of the board and thanked them for their continued work.

There being no other business to come before the Board, on a motion by Ms. Reback and seconded by Mr. Fay the meeting adjourned at 11:40 a.m.

Respectfully submitted,

Gina M. Raimondo
General Treasurer

State Investment Commission
Monthly Meeting Minutes
Monday, January 27, 2014
9:00 a.m.
University of Rhode Island,
W. Alton Jones Campus—Sycamore Lodge

The Monthly Meeting of the State Investment Commission (SIC) was called to order at 9:06 a.m., Monday, January 27, 2014 in the Sycamore Lodge of the University of Rhode Island's W. Alton Jones Campus.

I. Roll Call of Members

The following members were present: Mr. J. Michael Costello, Mr. Thomas Fay, Mr. Robert Giudici, Ms. Paula McNamara, Mr. Thomas Mullaney, Ms. Marcia Reback, Mr. Frank Karpinski, and General Treasurer Gina Raimondo. Mr. Andrew Riley arrived at 9:24 a.m. Also in attendance: Mr. Gregory Balewicz and Mr. Daniel Farley of State Street Global Advisors (SSGA); Mr. John Burns, Ms. Judy Chambers, Mr. Alan Emkin, and Mr. David Glickman of Pension Consulting Alliance (PCA), general and real estate consultant; Mr. Thomas Lynch and Mr. Steve Nesbitt of Cliffwater, alternative investment consultant to the Commission; Ms. Susan Leach DeBlasio, of Adler Pollock & Sheehan P.C., legal counsel; Ms. Anne-Marie Fink, chief investment officer, members of the Treasurer's staff and Pete Spalding. Treasurer Raimondo called the meeting to order at 9:06 a.m. Mr. Karpinski left at 2:41 p.m.; Mr. Costello left at 3:06 p.m.

II. Approval of Minutes

On a motion by Ms. Reback and seconded by Mr. Giudici, it was unanimously
VOTED: to approve the draft of the minutes of the December 18, 2013 meeting of the State Investment Commission.
Mr. Riley was not present for this vote.

III. Review of ERSRI Actuarial Valuation

Mr. Karpinski reviewed the yearly ERSRI actuarial valuation for 2013. The valuation measures the liabilities, explains changes in the actuarial conditions and tracks changes over time.
He reviewed the funded ratios. He noted that due to actuarial smoothing and amortization of shortfalls, the actuarial value of assets dipped in fiscal year 2013.
He discussed a graph showing the actuary projections from the 2012 valuation compared to the actual 2013 valuation. The positive sources of impact were that the investments outperformed the 7.5% assumption and the liabilities grew at a slower pace than expected.
The negative impacts were lower contributions. He explained how contributions are collected. The actuary predicts contributions that are based on growth rates and payrolls. When lower than expected contributions are received, the following year's contribution rate must be increased to compensate for the prior year. The projected sources of funds are employee contributions, taxpayer

or employer contributions and the portfolio. If there are losses in any given year, the employer must make up the difference.

He noted some actuarial changes. Investments had a 6.7% return using a five-year smoothing. That generated cost of living adjustments (COLAs) for 56 municipal units. These municipal units have reached the 80% funding level. State employees, teachers, state police, and judges have yet to reach the 80% funding levels so no COLAs have been reinstated. He reviewed the actuarial asset values. He said they show the difference between compounded returns of 7.24% for the last 10 years and the simple average return of 8%.

He noted that the number of current state employees are almost a one-to-one match to the number of retirees. The actuaries foresee a reasonable projected increase in benefit payments.

He added that funding ratios are improving.

IV. Overview of Markets and Recent Performance

Mr. Farley reviewed the broad capital markets and economic outlook. SSGA believes global recovery is happening, although occurring differently around the world. The US is improving. The Eurozone is going from bad to weak. In Asia, there are a lot of good things in Japan that are creating recovery, but he also sees China causing some negative ripple effects in the markets.

He reviewed SSGA's perspective on global growth. Their view for next year is 3.6% global GDP growth, which is in line with long-term historical averages. SSGA forecasts that US GDP will come in at about 1.7% this past year and next year jump up to 2.8%. In the Eurozone, they project GDP growth to come in modestly negative for 2013, jumping up to a modestly positive number in 2014. Japan is projected to be relatively flat on a year-over-year perspective, but they see a little bit of a pick-up from an emerging markets perspective.

In Europe they foresee the banking system continuing to be a big issue, but expect improvement. In Japan they see that Abenomics is keeping the yen lower, allowing Japan to stay competitive in exporting, seeing improvements in hiring and ultimately wage increases. In emerging markets SSGA foresees a more controlled slow-down but not a significant one.

He reviewed SSGA's Market Regime Indicator and how it measures investor sentiment. This indicator forecasts what kind of market environment we will be in in the next 6-12 months. They haven't seen a major spark in risk with their measures. They see a reasonably good economic backdrop and accommodative monetary policy.

He reviewed the outlook for fixed income rates. Their perspective is that rates will continue to move up across the developed markets and particularly in the US. Their concern is a big spike in rates because people want to get out of rising rates in the future. This has the potential for rates to spike much faster and would have a very big ripple effect across multiple markets.

He reviewed the outlook for the equity markets. Their view is that US equities are not cheap anymore but are not overvalued either. Looking at other parts of the world, valuations in Europe are much cheaper. Accommodative policy in Japan continues to be a very positive thing there. He described emerging markets as a wildcard. SSGA doesn't think now is the time to get back in to emerging markets from an overweight perspective.

He reviewed SSGA's active positions in their portfolios right now. They continue to be very positive in equities, about 8% overweight stocks across the portfolios, with a modest overweight to US. Their biggest positions are in European and Asia Pacific equities. They are underweight in emerging markets and fixed income. They have a bit of an overweight to long credit as they are taking advantage of the spreads.

He discussed their forecast looking across multiple time horizons. Looking forward, they see a market where the focus on diversification and returns will be harder to come by.

The board asked questions.

V. Chief Investment Officer Report

Ms. Fink said December was a good month and the portfolio was up 0.99%. Fiscal year to date, the portfolio was up 9.7% and 14.1% for the calendar year. Risk was at 7.2%. The 60/40 plan generated 0.8% in December, 9.5% FYTD and 12.3% for the calendar year, with a risk of 8.3%. The portfolio's performance did lag that of the bottom-up benchmark, mostly because the absolute return hedge funds in the portfolio tend to have less market sensitivity than the benchmark. The other place where there seems to be a bit of a mismatch is in real estate and that is just a timing issue for how the returns come in.

She said the strong performance was driven by developed equity markets. The portfolio's underweight in bonds mitigated the impact of rising rates due to Fed tapering.

The equity hedge funds performed well in December despite having less market sensitivity.

In January, the equity markets have come down and bonds have stabilized. Dispersion between stocks has continued so the hedge funds have done very well.

VI. Asset Allocation Review

Mr. Emkin noted that since the last time this review was done in 2012, the capital markets have changed. The biggest single change is that the equity markets have had an extraordinary rally. They assume the return on stocks will be plus or minus 8%. US stocks last year were up 32%; simplistically that's 4 years' worth of returns in one year.

He noted this would be a mid-course review, not a full asset/liability study. This review just looks at the investment component and not liabilities. He noted it's important to keep in mind that the plans are still underfunded, on average. The plans are mature, meaning that the number of retirees is growing much more rapidly than active members. This demographic means less contributions, putting increased burden on employer contributions and the investment portfolio to generate rates of return. This must be managed on both the liability and the asset sides as the plan's planning horizon changes. The ultimate goal of the plan is to pay benefits. Having major losses has a disproportionate negative impact on the portfolio because there is not enough money coming in to overcome the losses over time.

He noted that capital markets tend to overreact on the extremes. The cost of losing lots of money on the downside is disproportionate to making money on the upside.

He explained how actual geometric return is always less than the arithmetic return because of the volatility penalty. The more volatility the greater that penalty. He reviewed an example of the impact of volatility and the impact when assets go up and down together. This example demonstrated the need to be diversified and to manage the asset allocation.

He explained the optimization model used by PCA to generate potential allocations for the asset allocation review. He briefly reviewed the role of each asset class and its risk. He noted that the goal of the study is to identify how each asset reacts in different economic conditions and the correlation between them. He discussed the impact of the recent economic instability on various portfolio combinations. He explained how they input correlation into the model. The goal is to combine assets that are not highly correlated. He noted asset correlations can change and provide a challenge as they are not stable over time. PCA revisits these correlations and makes changes based on the way the market is being perceived over time.

The model generated portfolios that provide the best return per unit of risk at different risk levels, which is called the "efficient frontier". Performance of portfolios and asset classes is measured by using the Sharpe ratio to see if the risk taken is paying off in returns.

He reviewed the resulting portfolios that the optimizer generated when the assumptions and constraints were entered. He compared these outputs to the current portfolio and the 60/40 plan. He said the current portfolio has slightly more risk. The current portfolio is pretty close to the efficient frontier. The fact that the portfolio is slightly off the efficient frontier is normal.

Mr. Nesbitt noted that more alternative investments would get the portfolio even closer to the "efficient frontier".

Mr. Emkin presented a graph with a 60/40 allocation. He noted the volatility is 93% from stock and only 7% from bonds. The goal of diversification is to reduce that concentration of risk. The difficulty is that with the exception of private equity, every other asset class has a lower expected rate of return than public equity. Diversification will improve the relationship between return and risk.

He presented another graph showing the current portfolio using the same methodology. He estimates that between 80% and 85% of the current portfolio's volatility is driven by the equity market because equity market risk exists across different asset classes. He compared this to a portfolio generated by the optimizer with a higher Sharpe ratio. He noted that effectively, the allocation to alternative assets gets maxed out because they have the highest Sharpe ratios. Adding alternatives to the portfolio makes for more diversified sources of risk. If the portfolio gets less volatility with similar rates of return, over the long term, it will compound to a greater level.

Mr. Emkin discussed how the portfolio needs to have assets available to pay benefits. The key is to align cash flows out of the pension funds with the contributions and income of the investment portfolio to meet liabilities without having to sell assets at the wrong point in time. Because of the demographics and financial conditions of the plan, much more thought has to be given to liquidity and loss aversion.

He reviewed a mathematical example of the impact of volatility comparing two portfolios with the same rate of return. One having more volatility than the other. He noted that with a mature plan, at the end of the sample period the more volatile portfolio has less money than the other. Managing and reducing volatility increases the likelihood of having the assets to pay benefits when they come due. The cost of taking too much risk is the potential for not having the ability to meet the obligations.

Ms. Fink noted that the example illustrates how the impact of volatility is more painful with a more mature portfolio.

Mr. Emkin said the challenge is how to generate the best risk-adjusted return. Given the current assumptions, the only way to improve the risk-return relationship is to expand away from the 60/40 portfolio by moving to assets with better Sharpe ratios and better risk-adjusted rates of return. He said the board may consider expanding or changing some of the hedge fund portfolios at the margins. He said he foresees a more challenging environment to generate the 7.5% rate of return.

Ms. Fink added that the work of PCA is comforting to her given how close the current portfolio is to the efficient frontier. She said that no vote would be taken regarding asset allocation as there was no vote scheduled on the agenda. However, the board could discuss this further at a future meeting.

The board asked questions.

VII. Investment Policy Statement Review

Ms. Fink reviewed the second part of the Investment Policy draft. This part of the Investment Policy is designed to address the roles and responsibilities of the various parties that work on the portfolio.
Mr. Costello expressed concern over the 7.5% expected rate of return stated in the Investment Policy draft. He referred to the previous presentations by both State Street and PCA regarding future market environment and how it would be difficult to achieve that return.
Mr. Riley suggested that the policy should include language clarifying that the 7.5% is the targeted return which is given to the SIC by another governing body.
The board further discussed the Investment Policy.
Ms. Fink asked the board for a vote on part one of the Investment Policy.
Ms. Reback expressed concern that she believed the policy emphasized risk over return. She said that she would abstain from a vote pertaining to the first part of the Investment Policy.
Treasurer Raimondo suggested to further discuss the Policy and to postpone a vote for both parts until the next meeting. She asked Ms. Fink to incorporate the feedback given by the board and to present the Policy at the next meeting.

VIII. Fiduciary Training

Mr. Mark Dingley, Treasury Legal Counsel, explained the fiduciary responsibility and liabilities. He said the SIC acts in a fiduciary role and is defined as a fiduciary. The number one rule for a fiduciary is to follow the plan documents. For the SIC those are the statutes and any adopted policy. He identified the legal sources of fiduciary requirements as ERISA, the Internal Revenue Code, State and Local Statutes and ordinances, common law, and plan documents such as Investment Policies. These should be the blueprint for decision-making.
He explained the division of responsibility between the employer and the fiduciary. The fiduciary responsibilities are to act in accordance with the Exclusive Benefit Rule and Prudent Person Standard, to follow the plan documents, to diversify investments, and to monitor service providers.
He reviewed the rules that apply under RIGL 35-10-6, known as the Exclusive Benefit Rule. The rules requires members to act solely in the interest of plan participants and beneficiaries, to act with the exclusive purpose of providing benefits to participants, to pay reasonable administrative expenses, and to follow the no-self-dealing or conflict-of-interest rule.
The prudent person standard adopted by the State is an experienced prudent person standard. It is the highest fiduciary standard out there. He reviewed the doctrine of procedural prudence. The duties of the SIC are to investigate, make informed decisions, maintain accurate records, obtain expert assistance, monitor the investments, and follow the plan documents.
The purpose of diversification is to mitigate losses and protect participants from fraud. He reviewed the factors to consider in regards to diversification.
He reviewed the duty to secure expert assistance and monitor providers.
He discussed the liabilities of fiduciaries as read in section 9-1-31.1 of the Rhode Island General Law. He reviewed the limitation of liability. Generally, the board has protection from civil liability.
Mr. Giudici asked how the fiduciary liability applies to custodians and fund manager contracts.
Mr. Dingley said that it is a different type of fiduciary responsibility. When the board is successful in getting managers to acknowledge a fiduciary status, it’s one that they will adhere to the investment directives given to them. Their responsibility is to advise the board. The ultimate fiduciary responsibility rests with the board members.
He went on to talk about the defined contribution plan and how it adheres to the ERISA guidelines.

IX. Survey of Portfolio by Asset Class

Ms. Fink compared three snapshots of the portfolio: the policy allocation, the tactical allocation and the actual allocation. The tactical allocation differs from the policy allocation due to the nature of some of the asset classes and the time required to deploy investments in these classes. The actual allocation differs from the tactical allocation due to impacts of market moves.

Mr. Burns briefly reviewed the role of each asset class and the type of risk associated with each asset class depending on how the portfolio is constructed. He went on to review the public equity portion of the portfolio. Global equities are the largest investment. It has a high expected return with an expected volatility of about 18%. Historically, that risk has paid off. He described the equity portfolio as a beta portfolio, as it will move in line with the overall equity markets. The portfolio is well-diversified by country, economic sector and industry. He reviewed price/earnings ratio statistics of the current public equity market compared to long-time averages, as an indication of valuations.

Mr. Lynch reviewed the fund’s private equity portfolio. The primary risk exposure of private equity is growth. It has a high expected return with a volatility of about 20%. Liquidity is low in this asset class as the investments are in partnerships with an average 10-year life. He described the investment strategy for private equity. The key differentiation from public equity is that this is where the portfolio can get alpha return as managers are active and have tools to add value. He briefly summarized the portfolio since inception. He described the portfolio as well diversified by manager, fund and industry. He reviewed the performance of the portfolio. Since inception, the portfolio has outperformed the benchmark by 2.35%. Relative to public equities, the portfolio has also outperformed the Russell 3000 Index by 6.76% since inception. He described the typical measurements of performance.

Mr. Nesbitt reviewed the fund’s hedged equity portfolio. This group of hedge fund strategies is designed to produce equity-like returns with approximately half the risk. He described the investment strategy of hedged equity. The role of this portion of the portfolio is to lower the risk of the equity portfolio. He reviewed what is in the portfolio. This allocation has lowered risk with a standard deviation of 3.68% since inception. He discussed the performance of the portfolio. Since inception and through December of 2013, the portfolio return is 10.9% with 3.68% risk.

Mr. Glickman reviewed the fund’s real estate portfolio. The primary role of the real estate portfolio is to provide income and a secondary role is to provide growth opportunities over a long period of time. The growth in real estate values will be fairly well correlated to the overall growth of the economy. He said PCA feels positive about the real estate market as uncertainty in the economy has begun to melt away. He briefly reviewed the diversification of the real estate portfolio and said it generally lines up closely to what the reported benchmark should be. He went on to discuss the performance of the real estate portfolio.

Ms. Chambers reviewed the fund’s infrastructure portfolio. She noted that the investment in IFM that was approved by the SIC in 2013 has yet to be drawn down. She said there is no guarantee when the fund will call Rhode Island’s funds but she is hoping it will be sometime this year. She discussed the current marketplace. She will continue to work with staff and come back to the board with additional opportunities when appropriate.

Mr. Nesbitt reviewed the absolute return hedge fund portfolio. The design of these funds is to mitigate risk and do well when the market goes down. He reviewed the investment strategy for the portfolio. The portfolio is diversified across strategies. The beta for the absolute return hedge funds is 0.06% with volatility of 2.38%. He reviewed the performance of the portfolio. This is a very efficient asset class with a Sharpe ratio of 2.31%.

Mr. Burns reviewed the rate-insulated credit portfolio. The addition of this asset class was part of the strategy to reduce interest rate risk in the portfolio. He discussed the spread on bank loans, a valuation measure. He noted that there are allocations to two managers with two different strategies in the portfolio and they are well diversified across sectors.

Mr. Burns went on to review the GILBs portion of the portfolio. The primary risk in this portfolio is inflation. The benchmark was recently changed to intermediate benchmark so they take even less duration risk.

Ms. Fink noted that this is the part of the portfolio that did not work last year because inflation was lower than expected and interest rates backed up. Usually when rates back up it's because there is inflation and the GILBs are designed to protect in that environment.

X. Recommendation to Reduce Beta Exposure in Hedged Equity Allocation

Ms. Fink noted that last year was a great year for equities but returns can be expected to be lower going forward. She identified the possibility of reducing the beta exposure in the portfolio. She recommended redeeming the Third Point investment and putting the money back to work within the hedge fund allocation but with lower beta exposure. The Third Point investment is about $70 million. She recommended putting $20 million of that into Samlyn. Rhode Island already has an investment with Samlyn and they have performed very well. She added that Samlyn has two share classes. One is a traditional fee structure with a one-year commitment and the other has lower fees and a three-year commitment. She recommended putting the $20 million in the share class with the three-year commitment and lower fees. Cliffwater would be enlisted to bring a recommendation to invest the rest of the money.

On a motion by Ms. Reback and seconded by Ms. McNamara, it was unanimously

VOTED: to redeem the investment in Third Point.

Additionally, a motion was made by Mr. Giudici and seconded by Ms. Reback, and it was unanimously

VOTED: to invest $20 million into Samlyn's share class with the longer lockup and lower fee structure.

XI. Secondary Sale Update

A motion was made by Ms. Reback and seconded by Mr. Fay to convene into executive session pursuant to Rhode Island General Law §42-46-5 (a) (7) as the discussion may relate to the investment of public funds, the premature disclosure of which may adversely affect the public interest. A roll call vote was taken to enter into executive session and the following members were present and voted Yea: Mr. Thomas Fay, Mr. Robert Giudici, Ms. Paula McNamara, Mr. Thomas Mullaney, Ms. Marcia Reback, Mr. Andrew Riley, and General Treasurer Gina Raimondo. Mr. Costello was not present.

It was then unanimously

VOTED: To convene into executive session pursuant to Rhode Island General Law §42-46-5 (a) (7) as the discussion may relate to the investment of public funds, the premature disclosure of which may adversely affect the public interest.

A motion was then made by Mr. Mullaney and seconded by Mr. Riley, to exit executive session pursuant to Rhode Island General Law §42-46-5 (a) (7). A roll call vote was taken, and the following members were present and voted Yea: Mr. Thomas Fay, Mr. Robert Giudici, Ms. Paula McNamara, Mr. Thomas Mullaney, Ms. Marcia Reback, Mr. Andrew Riley, and General Treasurer Gina Raimondo. Mr. Costello was not present.
It was then unanimously
VOTED: To exit executive session and return to open session.

It was reported to the public that there were votes taken during the executive session.
It was unanimously voted to authorize staff to take action to sell the USC interest in Wellspring Capital Partners IV. Mr. Costello was not present for this vote. And it was unanimously voted to seal the minutes.

XII. Legal Counsel Report

There was no legal counsel report.

XIII. Treasurer Report

Treasurer Raimondo commended the efforts of the board and thanked them for their continued work.

There being no other business to come before the Board, on a motion by Ms. Reback and seconded by Ms. McNamara the meeting adjourned at 3:25 p.m.

Respectfully submitted,

Gina Raimondo

Gina M. Raimondo
General Treasurer

State Investment Commission
Monthly Meeting Minutes
Wednesday, February 26, 2014
9:00 a.m.
Room 205, State House

The Monthly Meeting of the State Investment Commission (SIC) was called to order at 9:04 a.m., Wednesday, February 26, 2014 in Room 205, State House.

I. Roll Call of Members

The following members were present: Mr. J. Michael Costello, Mr. Robert Giudici, Ms. Paula McNamara, Mr. Thomas Mullaney, Ms. Marcia Reback, Mr. Frank Karpinski, and General Treasurer Gina Raimondo.

Also in attendance: Mr. Larry Brown and Mr. Darren Lopes of TIAA-CREF, defined contribution plan administrator; Mr. Thomas Lynch of Cliffwater, alternative investment consultant to the Commission; Ms. Monica Chase and Mr. Loren Schlachet of The Riverside Company; Mr. John Burns and Mr. Alan Emkin of Pension Consulting Alliance (PCA), general consultant; Ms. Sally Dowling of Adler Pollock & Sheehan P.C., legal counsel; Mr. Kevin Sullivan and Mr. Mark Sullivan of Bank of New York Mellon, custodian to the pension plan; Mr. Seth Magaziner, candidate for treasurer; Ms. Anne-Marie Fink, chief investment officer, and members of the Treasurer's staff. Treasurer Raimondo called the meeting to order at 9:04 a.m.

Mr. Thomas Fay and Mr. Andrew Reilly were absent.

II. Approval of Minutes

On a motion by Mr. Mullaney and seconded by Mr. Costello, it was unanimously

VOTED: to approve the draft of the minutes of the January 27, 2014 meeting of the State Investment Commission.

III. Defined Contribution Plan—Quarterly Update

Mr. Lopes provided an overview of the State's D/C plan at year end 2013. As of December 31, 2013 the plan had a total of $196 million in assets. The bulk of the assets remain in the target-date funds. Effective March 12, 2014 the social choice equity fund will be added to the lineup as an option for participants. A communication has gone out to participants to notify them of the addition. He also provided an update on TIAA-CREF's continuing outreach efforts, saying the number of meetings with participants increased throughout 2013.

Mr. Brown reviewed the performance of the plan. He noted the stable value current rate as of the first of February has increased to 2% from 1.75%. He reviewed how each class ranks against its peers. The Vanguard total bond market index had negative returns last quarter but it has since topped the underlying benchmark. The only portion of the fixed income market that posted positive returns last year was high yield. The plan did offer participants an opportunity to capture large returns in the equity markets, ranging from 32% for the large cap S&P 500 to 37.7% for small caps. All these funds are in the top half of their respective peer groups.

The international equity index posted a 29.9% return and was in the top quartile. Real estate investment selections had a return of 9.65%. Vanguard target-date fund returns have ranged from 5.8% in the retirement income trust to 24% in the target date funds with longer horizons. The average peer group rankings for the Vanguard funds are in 28th percentile. He said all the funds have performed as expected.

IV. Private Equity Recommendation—Riverside Micro Cap III

Mr. Lynch introduced The Riverside Company. He reminded the board that in 2013 an investment in another Riverside Company fund was approved. He added that the current strategy for ERSRI private equity allocation is to increase the exposure to smaller company buyouts, which offer more attractive opportunities. Today there is a lot of competition for larger company buyouts so he believes targeting smaller companies should have a competitive advantage.

Mr. Schlachet gave a brief review of Riverside Company and its Micro-Cap Fund III. This fund invests in lower middle market private companies around the world. Their consistent approach has proven effective as measured on returns. The fund seeks to buy the very best companies in North America with less than $5 million Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA).

He reviewed the team and touted their expertise and experience. They have had 9 years of experience in a micro-cap fund and have acquired 75 companies during that time. They see no shortages of small companies with robust prospects.

He added that their team is split between investors and operators. They bring the benefit of Riverside's global private equity platform to the lowest end of the middle market. One of the unique aspects of this fund is that they are a Small Business Investment Company (SBIC). On each fund they are able to borrow up to $150M from the Small Business Administration (SBA) at a cost of 4%.

Mr. Giudici asked if they are actively involved in the running of their portfolio companies.

Mr. Schlachet said they buy the controlling equity stake in an underlying company as well as offering mezzanine debt. Once they make an investment, they do not bring in their own management team. The companies have their own management teams, board of directors, and balance sheets. The Riverside team is most involved in strategy and overall efficiency.

Mr. Giudici asked where the cash flow comes from to pay back the debt.

Mr. Schlachet explained that when they buy a company, the first three turns of the capital structure will be financed with bank debt. The next turn and a half will be Riverside's mezzanine debt. On the mezzanine piece, they charge 18% with 12% being current pay and 6% payment in kind. The 12% is paid on a quarterly basis to the fund. This interest income more than satisfies the interest expense from the SBA loan.

Mr. Giudici asked how many of the companies they have invested in that have failed.

Mr. Schlachet said they have done 36 platforms to date and have lost money on only two platforms. He would estimate over the long term the loss ratio would be between 10-12%.

Mr. Schlachet then gave an overview of the investment strategy. Riverside holds companies for five to seven years. The companies they acquire are growing at an average 27% per year leading up to acquisition. They look for companies that have recurring revenue and do not have large customer concentrations.

He reviewed the composition of the portfolio. Their growth-oriented investment strategy leads them into sectors like software, branded consumer products, and healthcare. They focus on the ability of

a company to grow organically so they seek sectors where there are still a lot of growth opportunities.
He said they focus on add-on acquisitions. They do roughly 1.4 times add-ons for every platform. It has been a very successful strategy for them.
Talking about their performance, he said they have had top quartile performance across 36 platforms. They have had two formal funds to date, RMCF I and RMCF II. RMCF I is a top quartile performer with marks of 1.9 times and 13% net return as of year-end 2013. They still have about 13 companies left in the first fund that still have a lot of value to be created. Ultimately, they see the entire fund return ending up at about 2.3X net of fees.

The board asked questions.

The representatives from The Riverside Company left the room.

Mr. Lynch noted that Cliffwater recommends a $20 million investment into RMCF III.
Ms. Fink noted that the SBIC space enables going down in size, where there is less competition. In a time when private equity is very competitive, Riverside is targeting a niche of the market that is less competitive, which means higher returns.

On a motion by Mr. Costello and seconded by Mr. Mullaney, it was
VOTED: to invest $20 million into Riverside Micro Cap Fund III.
Ms. Reback voted nay.

V. Hedge Fund Review—Calendar Year 2013

Mr. Lynch reviewed the performance of the hedge fund portfolio from inception through January 2014. The absolute return hedge funds have $511 million of invested capital across 9 hedge funds. With an annualized return of 5.75%, the absolute return hedge funds have risk comparable to bonds with a higher rate of return. The global equity hedge funds have $635 million invested capital across 9 hedge funds. They have a 10.5% return with volatility below 4%, which is a two thirds reduction in risk relative to the equity market. Both portfolios have a combined 8.33% return and have produced these returns with very attractive levels of risk. Also, both portfolios have outperformed their relative benchmarks.
Mr. Lynch then gave an overview of the components of return: alpha and beta. Beta is a measure of market exposure. Alpha is the return that the manager produces above the market return. The goal is to try to manage the beta and get a lot of alpha. He pointed out that there has substantial alpha produced in both the global equity and the real return portfolios. Likewise, the beta for the equity hedge fund index has only been 0.24, basically ¾ less beta than the equity index. The beta for the real return portfolio has been 0.09 so less than 10% of the beta of the equity index. The alpha of global equity hedge funds has been 7.3% annualized. The real return portfolio’s alpha has been 4.41%. The alpha in their respective benchmarks has been substantially less than that in the portfolio. He reviewed the alpha by manager. The alpha has been positive for all the managers except two, Indus Asia and Winton Futures. Indus Asia invests in Asia markets, was a difficult place to perform last year. Winton Futures, which is a commodity trading advisor (CTA) that uses a quantitative momentum strategy, is also in a space that was challenging last year. It is expected that not all strategies or geographies will perform in all environments.

The board asked questions.

VI. Asset Allocation Review

Mr. Emkin gave a follow-up to the discussion at the previous meeting regarding asset allocation. He reviewed the findings of the process. He said in a well-diversified portfolio where most of the risk is equity risk, adding return becomes challenging because any amount of return would add significant amounts of risk. He noted that there is no compelling reason to change the current policy portfolio and PCA would encourage the board to stay the course on the current track.

He said PCA had few minor recommendations. In the near term, they recommend focusing on fully implementing the current policy, particularly filling out the real estate and infrastructure allocations. They would like to see more money being allocated to assets that are less correlated to the equity market and to remain mindful of diversifying by vintage year.

VII. Investment Policy Statement Review

Ms. Fink talked about some of the changes in the Investment Policy Draft. She said the policy now states more explicitly that the 7.5% is an actuarial rate of return is determined by The Retirement Board. Also, throughout the document the goal of achieving returns is emphasized as much as the need to manage risk.

Ms. Reback pointed out that the corporate governance piece should clarify which "Board" is being referenced.

Ms. Fink agreed and said the change would be made.

On a motion by Mr. Costello and seconded by Mr. Mullaney, it was unanimously

VOTED: to adopt parts 1 and 2 of the Investment Policy draft with the clarification of "corporate boards" in the corporate governance section.

VIII. Legal Counsel Report

There was no legal counsel report.

IX. CIO Report

Ms. Fink reviewed January's performance, stating it was a tough month due to concerns over emerging markets growth and fourth quarter earnings were lacking. In this environment the portfolio was down 1.7%, which compared favorably to the 60/40 benchmark which fell 1.8%. Asset allocation is working, particularly the hedge funds, which helped protect the portfolio in January. Fiscal-year-to-date the portfolio is up 7.9% compared to the 60/40 benchmark, which is up 7.5%. The portfolio had 7.5% risk with a return of about 8%. She reviewed the performance of each asset class for the month.

Ms. Fink gave an update on the Waterton investment. She said Waterton has raised more than $200 million outside of the investment by Rhode Island. Consistent with what was previously voted upon by the SIC staff will invest about $20 million of the approved $35 million to work in the fund. If Waterton manages to raise more money, the rest of the money will be put to work in subsequent transactions.

Ms. Fink notified the board there will be an RFP issued jointly with RIHEAA seeking a consultant to assist in the evaluation of the 529 college plan.

Ms. Fink briefly commented on February's markets. She said February has been an almost complete reversal of January with equity markets up more than 4% and treasury yields up a bit to 2.75% on the 10-year. She added that as of February 21st, the defined benefit portfolio was back above $8 billion.

X. Treasurer Report

Treasurer Raimondo thanked the consultants for their work.

She then gave an update on the recent mediated pension settlement. She distributed a press release from the governor's office in conjunction with her office outlining some of the changes. She noted the settlement would not change the work of the board and that it only has a negligible impact on the unfunded liability. All the key structural changes will stay in place. She also noted that the settlement is not yet finalized as the union membership has to vote on it, and then it must go before the general assembly.

Treasurer Raimondo commended the board and thanked them for their continued work.

There being no other business to come before the Board, on a motion by Ms. Reback and seconded by Mr. Mullaney the meeting adjourned at 10:41 a.m.

Respectfully submitted,

Gina Raimondo

Gina M. Raimondo
General Treasurer

State Investment Commission

Monthly Meeting Minutes
Wednesday, March 26, 2014
9:00 a.m.
Room 205, State House

The Monthly Meeting of the State Investment Commission (SIC) was called to order at 9:08 a.m., Wednesday, March 26, 2014 in Room 205, State House.

I. Roll Call of Members

The following members were present: Mr. J. Michael Costello, Mr. Thomas Fay, Mr. Robert Giudici, Mr. Thomas Mullaney, Ms. Marcia Reback, Mr. Andrew Reilly, Mr. Frank Karpinski, and General Treasurer Gina Raimondo.

Also in attendance: Mr. Thomas Lynch of Cliffwater, alternative investment consultant to the Commission; Ms. Katherine Dowling of Thoma Bravo; Mr. John Burns of Pension Consulting Alliance (PCA), general consultant; Ms. Sally Dowling of Adler Pollock & Sheehan P.C., legal counsel; Ms. Faith Lasalle, Esq., Chairperson of the Rhode Island Higher Education Assistance Authority (RIHEAA) Board of Directors; Mr. Seth Magaziner, candidate for treasurer; Ms. Anne-Marie Fink, chief investment officer, and members of the Treasurer's staff. Treasurer Raimondo called the meeting to order at 9:08 a.m.

Ms. Paula McNamara was absent.

II. Approval of Minutes

On a motion by Mr. Mullaney and seconded by Mr. Costello, it was unanimously

VOTED: to approve the draft of the minutes of the February 26, 2014 meeting of the State Investment Commission.

III. Private Equity Recommendation—Thoma Bravo XI

Mr. Lynch introduced Thoma Bravo, a private equity fund Cliffwater recommends for the portfolio.

Ms. Katherine Dowling gave an overview of the firm. She said Thoma Bravo has a long history in middle-market private equity. She noted the team has deep sector knowledge in the software industry. They've had close to one hundred software firm purchases in the last several years. Their strategy is to maintain a watch list of the companies in the industry and maintain contact with them.

They strive to be the go-to entity when companies want to make a move. This approach enables them to get access to proprietary deals when something is happening. They look for companies that have recurring revenue of at least 50%. During the diligence time and even prior to it, they have already identified possible add-on acquisitions and efficiencies. In this way they can move quickly to make offers and close deals.

Ms. Katherine Dowling said Fund XI would have $3.4 billion in limited partner commitments with the general partner commitment in addition. She reviewed their team and the work personnel do on strategy.

The board asked questions and Ms. Katherine Dowling left the room.

Mr. Lynch added that software is a big component of the economy today and Cliffwater finds this sector appealing. Secondly, Cliffwater looks for firms which have more advantage in getting investment transactions and that can add a lot of value to the companies they acquire. He added that Thoma Bravo has a very experienced team and their performance has been outstanding.

Treasurer Raimondo asked if Cliffwater has any other clients going into the fund and if they would represent enough of the investor base to push back on the fees.

Mr. Lynch said they have been trying and they will continue to try. He noted that many of their pension fund clients would still commit to the fund with the firm's higher-than-market fee because the performance has been so good.

Treasurer Raimondo expressed concern over the lack of a hurdle rate in the fund.

Mr. Reilly echoed the Treasurer's concern and also expressed concern over the velocity of capital and the fees.

The board discussed the recommendation. They asked Mr. Lynch to communicate their concerns to the firm in hopes of negotiating more attractive terms. No vote was taken.

IV. Private Equity Quarterly Review

Mr. Lynch presented the calendar year-end private equity review. He noted final numbers as of year-end weren't available for all the partnerships. Last year there was a record amount of distributions. High levels of IPOs, sales of companies and dividend recaps led to strong flows of capital from partnerships back to limited partners. In terms of outlook, Cliffwater isn't currently green-lighting any private equity category because valuations are high. Their preference within the buyout category continues to be firms that focus on smaller transactions and sector-specific funds.

He reviewed the portfolio. He noted that the portfolio has exceeded the amount of capital invested and produced very good long-term rates of return. He reviewed the flow of capital for calendar year 2013. The portfolio had net gains of $73 million for the year. Distributions exceeded contributions 3 to 1. The return for the year was 13.8% so performance continues to be strong.

Mr. Lynch reviewed the drivers of performance and noted that there were a lot of positive drivers. The few disappointments were in venture capital. He reviewed top long-term performers and noted that they continue to be some of the commitments made in the most recent years.

Mr. Lynch added that the portfolio has good diversification.

Mr. Costello asked about the number of limited partnerships and Mr. Lynch said they were looking to decrease the number of manager relationships, not necessarily the number of funds.

Mr. Costello expressed a preference that the committee focus on diversifying vintage years in a methodical way and not put as much importance on hitting the 7% private equity allocation quickly. Mr. Lynch agreed and said historically, when distributions exceed contributions, one may want to slow down commitments.

The board asked more questions.

Concerning the hedge fund portfolio, Mr. Lynch informed the SIC that Indus Asia Pacific fund has been put on Cliffwater's watch list. He cited concerns about modifications in concentration and the roles of the portfolio managers, but noted that the concerns were not yet at a level where Cliffwater would recommend redemption. He also noted that the fund has not performed as well as expected as Asian markets have been particularly challenging. Because of their performance Indus has made a moderate portfolio strategy change to be more concentrated with their positions. In addition, they have switched from two co-portfolio managers to one sole manager. This portfolio manager has also relocated from Hong Kong, where most of their research is being done, to Indus's San Francisco office.

V. Legal Counsel Report—Securities Litigation Discussion

A motion was made by Mr. Reilly and seconded by Ms. Reback to convene into executive session pursuant to Rhode Island General Law §42-46-5 (a) (2). A roll call vote was taken to enter executive session and the following members were present and voted Yea: Mr. J. Michael Costello, Mr. Thomas Fay, Mr. Robert Giudici, Mr. Thomas Mullaney, Ms. Marcia Reback, Mr. Andrew Reilly, and General Treasurer Gina Raimondo.
It was then unanimously
VOTED: To convene into executive session pursuant to Rhode Island General Law §42-46-5 (a) (2).

It was reported to the public that three votes were taken during the executive session.
In the first vote, it was unanimously voted to join the existing lawsuit against The Royal Bank of Scotland (RBS) regarding RBS's rights issuance of April 30, 2008 and to seek all recourse with the assistance of Grant & Eisenhofer. The second vote taken during executive session was a unanimous roll call vote to seal the minutes of the executive session of March 26, 2014 and a third to exit the executive session.

VI. CIO Report

Ms. Fink reviewed the performance for the month of February. The portfolio was up 2.9% which puts it at 11% fiscal-year-to-date. Risk and return continue to be better than the bottom-up benchmark and the basic 60/40 plan so the asset allocation is working. She reviewed the overall investment environment for the month. The equity hedge fund portfolio benefited from increasing focus on fundamentals and dispersion among stocks. The strong environment also helped the private equity funds. The absolute return hedge funds were up about 1%, which is slightly less than the benchmark due to their lower equity sensitivity and the strong equity markets. Real estate and GILBs were in line with their benchmarks and were solid performers.
Ms. Fink noted that the bank loan portfolio was a bit disappointing in February, particularly PIMCO which staff will continue to monitor.
Ms. Fink gave a brief update on the CollegeBound*fund*. She said the options approved by the committee have gone into effect and are now available to participants. She added that the RFP for a consultant has been expanded to include additional elements.
Ms. Fink gave an update on the Third Point redemption and said it will be effective as of March 31st.

VII. Treasurer Report

Treasurer Raimondo gave a brief update on a recent meeting with AllianceBernstein regarding the CollegeBound*fund*.
She thanked the board and commended them on their continued work.
There being no other business to come before the Board, on a motion by Ms. Reback and seconded by Mr. Fay the meeting adjourned at 10:56 a.m.

Respectfully submitted,

Gina Raimondo

Gina M. Raimondo
General Treasurer

State Investment Commission

Monthly Meeting Minutes
Wednesday, April 23, 2014
9:00 a.m.
Room 205, State House

The Monthly Meeting of the State Investment Commission (SIC) was called to order at 9:07 a.m., Wednesday, April 23, 2014 in Room 205, State House.

I. Roll Call of Members

The following members were present: Mr. J. Michael Costello, Mr. Thomas Fay, Mr. Robert Giudici, Ms. Paula McNamara, Mr. Thomas Mullaney, Ms. Marcia Reback, Mr. Frank Karpinski, and General Treasurer Gina Raimondo.

Also in attendance: Mr. Joe Grogan, Mr. Nat Evarts and Mr. Charles Cullinane of State Street Global Advisors; Mr. Thomas Lynch of Cliffwater, alternative investment consultant to the Commission; Ms. Jessica Brennan and Ms. Janine Feng of The Carlyle Group; Mr. John Burns, Mr. Allan Emkin and Mr. David Glickman of Pension Consulting Alliance (PCA), general consultant; Ms. Susan Leach DeBlasio of Adler Pollock & Sheehan P.C., legal counsel; Ms. Faith LaSalle, Esq., Chairperson of the Rhode Island Higher Education Assistance Authority (RIHEAA) Board of Directors; Ms. Anne-Marie Fink, chief investment officer, and members of the Treasurer's staff. Treasurer Raimondo called the meeting to order at 9:07 a.m.

Mr. Andrew Reilly was absent.

II. Approval of Minutes

On a motion by Mr. Giudici and seconded by Mr. Fay, it was unanimously
VOTED: to approve the draft of the minutes of the March 26, 2014 meeting of the State Investment Commission.

A motion was then made by Mr. Mullaney and seconded by Mr. Costello, and it was unanimously
VOTED: to approve the draft of the minutes of the March 26, 2014 executive session of the State Investment Commission.

III. Equity Indexes and Trading

Mr. Grogan gave a brief overview of the relationship between ERSRI and SSGA. Currently, SSGA manages slightly more than $4 billion on behalf of ERSRI. By placing these assets in passive portfolios with SSGA, the plan has gained exposure to certain asset classes while dramatically reducing the cost in the form of management fees and transaction cost. He added that SSGA employs rigorous governance standards, and offers complete investment transparency and risk management.

Mr. Evarts reviewed what SSGA is doing to minimize trading costs. He noted that, by market estimates, roughly 80% of high-frequency or algorithmic trading is valid, legitimate and authorized market-making. The rest is related to statistical arbitrage, latency arbitrage and the more edgy parts of high-frequency trading, which are the smallest amounts.

He quoted a Transaction Cost Analysis (TCA) report that stated trading cost for institutions were roughly 0.23% in 2002 and are now estimated to be roughly 0.11% for 2013.

Mr. Evarts explained the structural component to high-frequency trading as it exists today. In 2005, the SEC passed Regulation NMS. The regulation was implemented to increase competition between trading venues. This rule made competing on price paramount, which in turn made speed vital for markets to remain robust and work correctly.

Mr. Evarts noted that he sits on a committee along with other top industry participants to discuss topics such as improvements to the trading architecture. This committee focuses on keeping transparency, fairness, good governance, market stability and overall liquidity.

He described how SSGA seeks to lower costs on its own trading. SSGA has an internal cross process to match orders within the firm, which lowers cost and reduces overall market impact, since these cross transactions never make it to the market. There are no commissions on those trades. Even when it goes out to the market, SSGA's commission rates, in general, are low. As competition has grown and technology advanced, commissions have declined and that has benefited investors.

Mr. Evarts gave some background of the SSGA trading desks. No matter where a client executes globally, SSGA has a dedicated trader for the passive index funds. That trader is fully responsible for managing and monitoring transaction costs versus the benchmark. In deciding where to trade, SSGA looks at all liquidity pools based on value of liquidity and the prices at which they provide it.

He said high-frequency trading is one and the same with algorithmic trading. SSGA uses lots of different tools to manage execution impact cost, exposure and risk. About 70%-75% of order flow is executed by the traders themselves through electronic means, so they can manage impact cost vs benchmark, opportunity cost and total cost. Keeping the order (as opposed to giving it to a broker) gives SSGA's traders anonymity and flexibility to best work within the confines of the marketplace.

Any orders that are entered on any of SSGA's equity desks have benchmarks associated with them. Those benchmarks relate to what they are trading against. The Transaction Cost Analysis (TCA) group at SSGA has over 17 million records of equity transactions in their database. They have been doing Transaction Cost Analysis since 2001.

Mr. Evarts reviewed the ways SSGA maintains consistent standards among the tools they utilize as well as their providers. He noted that SSGA also employs a third party TCA vendor to verify their findings and to ensure their internal TCA offering is consistent with market practices. He feels the rules put in place best protect their clients from adverse selection and predatory tactics that may exist.

The board asked questions.

IV. Private Equity Recommendation—Carlyle Asia Partners IV

Ms. Fink said she and Cliffwater had looked for investments where it might be easier to generate return in light of managers saying traditional buyout markets being frothy. In doing so, they came up with Asia. In Asia (excluding Japan), public companies trade at 12 times earnings whereas in the U.S. it's 17 times. They believe if companies are less expensive in the public market, it's probably a great entry opportunity for private equity buyers.

Ms. Brennan gave a brief introduction of the Carlyle Group. Carlyle Group was one of the first private equity funds to open offices in Asia. They have 700 investment professionals globally with about 20% in Asia, where they have been successfully investing in Asia since 1998. They have ten industry groups they rely on globally.

Ms. Feng gave a brief overview of the Carlyle Asia track record. She noted that they are one of the oldest private equity funds in Asia. So far, they have invested $6.7 billion in 32 companies across the region. They have also distributed $11.2 billion to investors, the highest amount among their peers. The net return on capital is about 2 times or a net IRR of over 20%. She noted that one of the reasons for their track record is their stable and experienced team.

Ms. Feng reviewed their distributions and pace of investment. In Asia, the exits are not as predictable but Carlyle Group has demonstrated that they can effect exits over time and over cycles, primarily through strategic sales.

Ms. Feng reviewed the senior leadership of the fund and how they have expanded their deal team as they've grown. They have also brought in operating directors that have more than 20 years of experience in managing businesses and corporations in different industries. These operating directors help with diligence as well as operations after investment.

She then reviewed the markets and industries they cover. They cover most of the Asian geography except Japan. The regions they cover are considered high-growth regions. She noted that they will be increasing their healthcare exposure in the next fund.

Ms. Feng gave an overview of their strategy by region. China has about 40% of their investments and they see that continuing. China has about half of the GDP of the regions they cover. In the next fund they expect to see more Southeast Asia exposure. Part of their business model comes from industry expertise. They are very active in portfolio companies, not just through board representation but also through management rights. They have appointed more than 40 senior executives among their portfolio companies. Through operations, directors and global partners they create value and work together with the company owners as well as shareholders. And they eventually exit through a strategic buyer or IPO. Their active involvement is the main driver of their value, so their strategy is not solely dependent on the capital markets.

For fund IV they are targeting $3.5 billion and expect the final closing at the end of May. The hurdle rate for incentive fee is 8% with management fee of 1.5% on committed capital during the investment period and 1% on invested capital thereafter. It is a five year investment period on a 10 year fund. Carlyle has at least $250 million of their own capital committed.

The board asked questions.

On a motion by Mr. Costello seconded by Ms. Reback, it was unanimously

VOTED: to approve the $30 million investment in Carlyle Asia Fund IV.

V. Hedge Fund Reallocation

Ms. Fink said that the reallocation of these funds is part of the continuing effort to reduce the beta in the portfolio.

Mr. Lynch noted that the reallocation will help reach the target rate for the equity hedge fund portfolio, upgrade the manager lineup, and reduce the beta in the portfolio.

He gave a brief update on performance as of March 31, 2014. The return for the equity hedge fund portfolio has been 10.27% annualized with a risk of 4.05%. The return for the real return portfolio has been 5.58% with a risk of 2.37%. The combined portfolio has had a return of 8.13% with a risk of 3.06%. Overall, the portfolio has a good rate of return for the low risk taken. The hedge funds have also outperformed their relative benchmarks. The overall combined hedge fund portfolio has beaten the HFRI Fund of Funds index by over 3% with lower risk. The global equity hedge fund portfolio has beaten the HFRI Equity Hedge index by over 2% and with a third less risk. The real return portfolio has outshined T-bills and the Barclays Aggregate. Overall in the portfolio, the majority of return is coming from alpha and it has a lower beta exposure relative to the benchmark.

Mr. Lynch stated that Cliffwater had two recommendations. The first one was the addition of Luxor Capital Partners. He gave some background on the firm. Luxor Capital Partners currently manages one fund which has $5.7 billion in assets. The strategy is event-driven with a focus in middle-market companies. Luxor invests across the capital structure of companies. He reviewed the fund's performance. Since inception, the fund has generated a 17.5% return with a volatility of 12.2%. It ranks in the top 13% of all event-driven managers in the universe. He added that Luxor has two share classes. One offers higher liquidity with a higher fee structure. The other is lower liquidity (2 year lockup) with a lower-fee structure (1.5% management and 17.5% incentive fees).

Mr. Lynch said Cliffwater also recommends redemption from Indus Asia Pacific Fund due to underperformance and changes in the roles of the fund's managers. He said that ERSRI has an opportunity to invest in a fund with a similar, somewhat broader strategy. Cliffwater recommends Emerging Sovereign Group (ESG) Cross Border Fund as a replacement for Indus Asia Pacific Fund. This fund invests in emerging market countries on a global basis, not just Asia. Mr. Lynch gave a brief review of the firm. Since inception, the fund has produced an annualized rate of return of 11.76% with a standard deviation of 8.98%. Relative to the peer group, the fund ranks in the top decile. Management fees are 1.5% and a performance fee of 20% with a high water mark, meaning if they produce losses they must make up for losses before they can get a performance fee. They provide quarterly liquidity with 60-day notice.
The board discussed the recommendations.

On a Motion by Mr. Fay and seconded by Mr. Mullaney, it was unanimously
VOTED: to redeem from the Indus Asia Pacific Fund.

A motion was then made by Ms. McNamara and seconded by Mr. Mullaney, and it was unanimously
VOTED: to approve a $50 million investment into Luxor Capital Partners.

A motion was then made by Mr. Costello and seconded by Ms. McNamara, and it was unanimously
VOTED: to approve a $50 million investment into ESG Cross Border Equity Fund.

VI. Real Estate Review—Quarterly Review

Mr. Glickman gave an introduction to his review of the state of the real estate market. The portfolio's target allocation is 8% and the actual allocation is currently at about 5% including commitments not yet drawn. The target is to make the commitments of about $220 million over the next two years in order to reach the 8%. He noted that PCA suggests committing to fewer managers with larger investments.
In terms of the overall commercial real estate markets, there is reasonable equilibrium between supply and demand for space. In office, PCA is less apprehensive than they have been. They still think that there needs to be more recovery in the overall economy to convince decision makers to take more space. In the apartment sector there seems to be a quicker response to the demand for apartments and the creation of new supply. Of the four main real estate types, apartments have had the best overall combined performance between income and appreciation. As a result, PCA is more encouraged to go into non-core investments such as value-add or opportunistic. They are more open to more aggressive real estate and will suggest the board consider it in the 3rd and 4th quarter and the 1st quarter of next year.
He added that normally if interest rates go up, property values will go down. That didn't happen when rates went up last year. They believe that is because there was still high demand, so prices didn't move. Currently, PCA expects that as interest rates move up over time, cap rates will probably move up as well making properties worth slightly less. However, the fact that the economy is recovering and rents rising should help offset that reaction.
Mr. Glickman said that volume of new purchases continues to go up. Net absorptions of new space being taken up is pretty much in equilibrium with how much new space is being created. There is still enough vacant space to accommodate people that want space.
Overall, PCA is pleased with the way the portfolio performed. The portfolio did not meet the benchmark last year; however, they think that the portfolio is moving towards it.
The board asked questions.

VII. Legal Counsel Report

There was no legal counsel report.

VIII. CIO Report

Ms. Fink gave a review of the performance for the month of March. After a weak January and a strong February, March was largely a calmer month. The portfolio rose 0.25% which puts it at a 11.3% return for the fiscal year-to-date. For the month, the portfolio slightly lagged the bottom-up benchmark and beat the 60/40. The portfolio's risk was 7.5%, which is better than both benchmarks. She added that the risk-reward balance and the asset allocation in the portfolio are working.

Ms. Fink said the best performers in March were emerging market equities and private equity. The weaker performers in the month were some of the hedge funds and the traditional fixed income. Other asset classes that were down were those tied to interest rates like core fixed income and the inflation-link bonds. Bonds were down between 0.2% and 0.3%. She said the good news is that floating rate bonds were not affected, so the floating rate credit investments were up 0.3% on the month.

She said that looking forward, efforts will continue to be to reduce hedge fund beta and to rebalance equity overweights. Those moves have helped performance and have reduced the portfolio's sensitivity to equity market moves. After last year's strong up move and with earnings multiples above long-term averages she expects more temperate returns from the overall market. Therefore, the goal will continue to be to keep reducing the portfolio beta and diversify the asset allocation.

IX. Treasurer Report

Treasurer Raimondo thanked the board and commended them on their continued work.

There being no other business to come before the Board, on a motion by Mr. Mullaney and seconded by Ms. Reback, the meeting adjourned at 11:01 a.m.

Respectfully submitted,

Gina Raimondo

Gina M. Raimondo
General Treasurer

State Investment Commission

Monthly Meeting Minutes
Wednesday, May 28, 2014
9:00 a.m.
Room 205, State House

The Monthly Meeting of the State Investment Commission (SIC) was called to order at 9:03 a.m., Wednesday, May 28, 2014 in Room 205, State House.

I. Roll Call of Members

The following members were present: Mr. Thomas Fay, Mr. Robert Giudici, Ms. Paula McNamara, Mr. Thomas Mullaney, Ms. Marcia Reback, Mr. Andrew Reilly, Mr. Frank Karpinski, and General Treasurer Gina Raimondo.

Also in attendance: Mr. Larry Brown of TIAA-CREF, defined contribution plan administrator; Ms. Ellen Savary of Fidelity Investments, 457 plan provider; Mr. Thomas Lynch and Mr. Steve Nesbitt of Cliffwater, alternative investment consultant to the Commission; Mr. John Burns and Mr. David Glickman of Pension Consulting Alliance (PCA), general consultant; Mr. Ward Fitzgerald of Exeter Property Group; Mr. Matthew Novak and Mr. Aaron Snegg of Industry Capital; Mr. Joe Grogan and Ms. Rakhi Kumar of State Street Global Advisors (SSGA); Ms. Sally Dowling of Adler Pollock & Sheehan P.C., legal counsel; Mr. Mark Sullivan of Bank New York Mellon, custodian bank to the fund; Ms. Faith LaSalle, Esq., Chairperson of the Rhode Island Higher Education Assistance Authority (RIHEAA) Board of Directors; Ms. Anne-Marie Fink, chief investment officer, and members of the Treasurer's staff.

Treasurer Raimondo called the meeting to order at 9:03 a.m.

Mr. J. Michael Costello was absent. Ms. McNamara left at 11:23 a.m.

II. Approval of Minutes

On a motion by Mr. Giudici and seconded by Mr. Fay, it was unanimously

VOTED: to approve the draft of the minutes of the April 23, 2014 meeting of the State Investment Commission.

III. Defined Contribution Plan—Quarterly Update

Mr. Brown reviewed the plan and said it holds nearly $244 million at the end of April. 92% of the plan's assets are in the Vanguard target-date funds. He mentioned that consultations with participants for 2014are on pace to eclipse the number of sessions held last year.

He went on to review the returns of the investment lineup. As of March 31, the returns were all in line with their respective benchmarks. He reviewed the rankings of the underlying funds versus the relevant peer groups.

Mr. Brown began an in-depth analysis on the target-date fund universe towards the end of the presentation. He noted the Vanguard funds rankings are very competitive with their peer groups. He compared Vanguard to the rest of the target-date market, specifically comparing the assets used and progression of the allocations. He added that Vanguard has five underlying mutual funds where some others in the market have 20+. Vanguard funds' risk and return profiles are top tier.

Mr. Brown noted that the SEC currently has a proposal to mandate that marketing materials forglide-path funds show not only asset allocation but also some measure of risk. This mandate has not been approved yet; it's still out for public comment.
He compared the equity exposure of the Vanguard funds and the other funds in the market. He noted that Vanguard doesn't have the most equity exposure or the least; it's right in the middle. He added that the Vanguard funds are getting similar returns with standard deviations that are line with the rest of the glide-path universe.

IV. Fidelity 457 Share Class Recommendations

Ms. Fink said that funds within the 457 plan with Fidelity have reached size thresholds such that they can be switched into cheaper institutional share classes.
Ms. Savary explained that Fidelity is proposing to switch into lower-fee share classes for five different funds within the line-up. She reviewed each of the five current share classes and the share class Fidelity recommends switching into.
The recommendations are as follow: switching Fidelity Contra Fund to the Fidelity Contra Fund Class K, Fidelity Low Price Stock Fund to the Fidelity Low Price Stock Fund Class K, The Harbor International Fund Investor Class to The Harbor International Fund Institutional Class, the Invesco Diversified Dividend Fund Investor Class to the Invesco Diversified Dividend Fund R5 Class, the PIMCO Total Return Fund Administrative to the PIMCO Total Return Class Institutional Fund.
The move would lower fees by about 0.10% annually and these five funds make up about 45% of the plan assets. It's about a $50,000 reduction overall.

On a motion by Ms. Reback and seconded by Mr. Reilly, it was unanimously
VOTED: to switch to the new lower-fee share classes.

V. CollegeBound*fund* Extension Recommendation

Ms. Fink noted that the contract with Alliance Bernstein, record keeper and administrator of CollegeBound*fund*, is up at the end of June 2015. If the board does not intend to renew the contract for five additional years, Alliance Bernstein must be notified by end of June 2014.
She added that during this administration, a lot of changes have been made to the plan and its offerings. Although many of these changes were voted on by the SIC in October, they were not implemented until the end of March due to time required to make changes to prospectuses and other legal documents. The changes are just starting to take hold among investors.
Additionally, an RFP was just issued to hire an advisor to oversee the program's investment line-up. Given the newness and innovativeness of the investment changes and the time required to evaluate and hire a consultant to advise on the program's investment options, she believes some additional time on the contract would be a beneficial. She proposed a one-year extension on the contract to allow the new investment options to really take hold and to make sure the program is getting the best results for the State. She noted that RIHEAA also has to make a decision on the contract extension and they have voted to approve it.
The board discussed the recommendation.

On a motion by Mr. Mullaney and seconded by Ms. Reback, it was unanimously
VOTED: to approve a one-year extension of the contract with Alliance Bernstein.

VI. Alternatives Consultant Review

Mr. Nesbitt gave an overview of Cliffwater. He started by reviewing the organization. Cliffwater has 36 clients, of which 31 receive advice on hedge funds. Over its ten-year history, Cliffwater has established themselves as a leader in alternatives. He reviewed some of the firm's clients. The coverage spans hedge funds, private equity, real assets and real estate.

Next, he reviewed their organizational structure. He described the investment process and how the team conducts operations due diligence. He said each functional group will vote on funds when their due diligence has been done. If they approve it, a fund will then go on to Cliffwater's investment committee comprised of senior personnel who hold a final vote on whether Cliffwater can recommend a fund.

Some of the firm's defining characteristics are their uniform process and collective decision-making. The team prides themselves on 100% transparency. Everything they see is available to clients subject to non-disclosure agreements. They consider themselves a client-driven organization.

Mr. Lynch briefly noted that they do yearly due diligence on funds and monthly monitoring meetings with the managers. Clients are given regular risk reports along with the performance reports for the managers in their portfolios.

Next, Mr. Lynch reviewed the services provided by the private equity group. The recommendation process is similar to that of the hedge funds. In addition, the team has a quarterly monitoring process.

Mr. Nesbitt gave an overview of the activity in the hedge fund portfolio. Hedge fund results are in line with expectations. Return was 7.56% at a risk level of 3.12%. Since inception the hedge fund portfolio has outperformed the HFRI fund of funds index by about 3% per year net of fees with a lower level of risk. From an allocation point of view, they view hedge funds as a substitute for fixed income with a comparable level of risk but higher level of return. They view private equity as delivering something akin to the risk of public equities but higher level of return.

Mr. Lynch reviewed the progress in the private equity portfolio. The goal is to achieve long-term returns equal to public equity returns plus 3%. To maintain the strategic allocation of 8%, new commitments must be made continually because private equity firms return capital and don't automatically reinvest it. He reviewed the activity of the private equity portfolio over the past three years. The portfolio has had approximately $300 million in commitments with 14 partnerships. In terms of structuring, Cliffwater would like to move some of the allocation into more attractive areas and diversify portfolio. They would like to limit the allocation to more competitive areas.

He reviewed the performance of the private equity portfolio since Cliffwater came on as the consultant. He cautioned that it is too early to talk about performance because the average fund Cliffwater recommended has been in the portfolio about 1.3 years. Cumulatively, the portfolio has produced a return of 10.7% since inception. Overall, the portfolio has an internal rate of return of approximately 14% since inception. He added that the private equity portfolio continues to outperform equities.

The board asked questions.

Cliffwater left the room.

Ms. Fink said as the third anniversary with Cliffwater approaches, it would is a good time to review the existing partnership and whether to continue it. She noted that the current contract does not have an expiration date; in the event that the board wanted to end the contract, it would only require 30 days' notice to Cliffwater. She mentioned that the Massachusetts Pension Reserves Investment Management Board recently ended its hedge-fund advisory relationship with Cliffwater, hiring a different firm with expertise in running separately managed accounts. Given the complex implementation and staffing requirements for separate accounts, she suggested further research and observation before exploring separate accounts. Then she explained her review process of the consultant landscape. She surveyed the universe and did further research on two other consultants, who stood out as particularly well regarded. She reviewed how these firms compared to Cliffwater. She concluded that, while the other consultants had some relative advantages and disadvantages, these differences were not significant enough to warrant a change to a more expensive consultant, which both of these would be. Based on a combination of the fees, the continuity of approach, and the strong work from Cliffwater, she recommended the SIC continue its contract engagement with Cliffwater. She stated that staff would continue to monitor the landscape and look for best practices. She also noted that there are still several things Cliffwater is working on improving in regards to reporting.

VII. Real Estate Recommendations—Exeter Industrial Value Fund III L.P. and IC Berkeley Partners III L.P.

Mr. Glickman said his goal continues to be to reach the target real estate allocation. The commitments made during the last twelve months are beginning to be drawn down and invested. PCA expects more commitments to be made through the remainder of the year and into the next calendar year in order to reach the target amount and maintain vintage year diversity.

Mr. Glickman gave a brief review of the real estate market. He said the asset values and the leasing markets continue to firm up, particularly in industrial which has lagged other real estate types in the recovery. PCA believes this is an appropriate time to be looking at industrial real estate.

Mr. Fitzgerald introduced the Exeter Industrial Value Fund III. He gave a review of the firm and its organizational structure. The principals have more than 25 years of professional experience and about 10 years investing in the value-add sector. Exeter has employees involved with construction and development, leasing space and property management, in addition to their investment professionals. This fund will be Exeter's third value-add fund. He reviewed their track record and clients.

Next he reviewed the strategy. Exeter has nine, fully staffed regional offices across the country. They rely on local deal-sourcing and have relationships with national banks and regional banks. They make sure the portfolios are well-diversified by geography. They add value by improving the physical plants of their buildings and through their strong relationships with heads of real estate and logistics at major retailers, consumer products companies and others who lease warehouses.

Mr. Fitzgerald briefly reviewed performance of their previous funds. He gave an overview of recently acquired assets. He believes the industrial sector should outperform other real estate sectors. He added that Exeter has the experience and track record of executing as investment managers and as operators. The fact that they do their own operating eliminates additional operating expenses.

The board asked questions.

Mr. Fitzpatrick left the room.

Mr. Glickman noted that the firm is growing so PCA believes there is some expansion risk. As they sell their existing assets that will mitigate that risk. In the meantime, there will be a bit of stress on the organization. PCA recommends an investment of up to $30 million.

Ms. Fink added that large industrial is an interesting space tied more to the consumer economy than manufacturing. She believes Exeter's value-add approach is a reasonably risk-controlled way to generate attractive returns. She recommended a $30 million investment.

On a motion by Mr. Mullaney and seconded by Mr. Fay, it was unanimously
VOTED: to approve a $30 million investment in Exeter Industrial Value Fund III, L.P.

Mr. Glickman introduced IC Berkeley Partners as an up-and-coming firm. Their approach to investing in the industrial space is specialized at the local level. They are owner-operators and not allocators. Berkeley Partners' properties are smaller and PCA believes the fund provides more diversification within the industrial warehouse space.

Mr. Snegg reviewed the firm. The team specializes in value-add industrial for smaller businesses. It's consistently outperformed the broader industrial market over the past 20 years in terms of occupancy and rental rates. They have a diversified tenant mix with more than 700 tenants across many industries.

He explained their strategy. They acquire smaller, multi-tenant warehouses to not compete with larger operators and allocators. They do all their own leasing, construction and facilities management. They add value to the properties without having to depend on third parties. Historically the return across their funds has been 14.7%.

Mr. Novack reviewed the markets they focus on, mostly areas with population and economic growth. Going forward they expect to enter two to three new markets across the country as the recovery is taking hold. He reviewed some of the acquisitions made in the fund so far.

Mr. Snegg said the fund will be $100 million with a $120 million hard cap. They currently have $74 million of commitments. Any new investors come in as if they came in on the first close. It's a nice aspect as there has already been some substantial appreciation in portfolio.

The board asked questions.

Mr. Snegg and Mr. Novak left the room.

Mr. Glickman said this this investment would be complimentary to the Exeter investment. The risks with this investment are that the State may be their largest investor. PCA believes that they do have enough of an institutional-quality back office to service their customers. He noted that he is comfortable that at this point in the cycle there is going to be more take-up of space and this is a way to take advantage of that.

Mr. Glickman added that the recommendation from PCA is to invest up to $20 million but not to be more than 20% of the fund.

Ms. Fink suggested a $15 million dollar investment if they raise $100 million. If they raise over $100 million, she would recommend a $20 million investment.

Mr. Fay expressed concern over an investment being 20% of the fund. He suggested the board target a 15% maximum instead.

On a motion by Mr. Fay and seconded by Mr. Reilly, it was unanimously

VOTED: to approve an investment in IC Berkeley Partners III fund with an investment amount limited to a maximum of 15% of the fund.

VIII. State Street Global Advisors Presentation—Corporate Governance

Ms. Fink reminded the board that the investment policy requires the board to get value from corporate governance and proxy votes. The biggest place where the State has "vote assets" is in the equity index funds. She noted that SSGA has taken a more proactive role in corporate governance as of late.

Ms. Kumar said SSGA provides the stewardship required to make sure clients are covered in terms of environmental, social, and governance engagement with companies. SSGA pools all their holdings and vote all proxies in the same way. This approach increases the amount of weight the firm carries. SSGA has their own voting policies aligned by six geographic regions that have policies suited to the local customs. They have minimum standards which may exceed what local law provides.

She gave an overview of the scope of SSGA's voting. Last year they voted proxies in 14,000 companies. Overall SSGA would rather engage and work with companies rather than vote against them. Statistically, they vote against companies about 11% of the time. On shareholder proposals, they vote against management about 34% of the time and that number is up. The kinds of shareholder proposals they're seeing, particularly in U.S. are changing in nature. With stewardship responsibilities increasing as well as clients getting more interested, SSGA is moving the dial a bit on what they're pushing. In 2014 the biggest change in the U.S. voting related to board refreshment and director succession. SSGA adopted a new tenure policy. They looked at 5,600 listed companies and saw that the average board tenure in the U.S. is 9 years and compared that number to outside the U.S. In companies with board members serving more than 13 years, they started voting against such long-tenured directors. SSGA continues to improve their engagement with companies with 74% of engagements inside the U.S. They are also increasing their engagement outside the U.S.

Ms. Kumar gave an overview of the current proxy season. This year was characterized by activism. Compensation also continues to be a big issue. Investors are looking for more pay-for-performance connections and for structures tied to long-term shareholder returns. She noted that UK and European shareholders have fought more against compensation in banks as it is far more political there.

The board asked questions.

IX. Legal Counsel Report

There was no legal counsel report.

X. CIO Report

Ms. Fink said the portfolio was up 0.5% in the month, which puts is at 11.9% fiscal year to date. The portfolio continues to look good on three-year basis with a 7.5% return and about 7.5% risk. This return per unit of risk is better than the bottom-up benchmark and 60/40 basic allocation. The program is doing well on a long-term basis.

On a short-term basis, April didn't perform as well. The portfolio lagged the bottom-up benchmark and the 60/40 blend. The defining market move in April was a sizeable rotation out of small-cap indexes, causing meaningful underperformance. The Russell 2000 was down almost 4% on the month at the same time as the large cap, S&P 500, was up 0.75%.

On a longer-term basis, small caps have outperformed larger caps. Over the last ten years, small caps have outperformed large caps by about 1% a year.

She noted that the small-cap rotation also impacted the hedged equity funds in the month. The real return hedge funds had a good month. Overall, the hedge fund portfolio outperformed the fund-of-funds composite index.

She said fixed income had a good month with U.S. treasury rates down. The portfolio had a 0.9% gain in core fixed income. Floating rate loans didn't do quite as well. They were up 0.1% and underperformed the benchmark. The GILBs benefited from the tightening of rates.

She said overall, the board should look for the diversified portfolio to continue to deliver solid returns.

XI. Treasurer Report

Treasurer Raimondo thanked the board and commended them on their continued work, particularly the breadth of their oversight from the defined benefit to defined contribution to 457 plan and college savings portfolios.

There being no other business to come before the Board, on a motion by Ms. Reback and seconded by Mr. Giudici, the meeting adjourned at 11:48 a.m.

Respectfully submitted,

Gina Raimondo

Gina M. Raimondo
General Treasurer

State Investment Commission

Monthly Meeting Minutes
Wednesday, June 25 2014
9:00 a.m.
Room 205, State House

The Monthly Meeting of the State Investment Commission (SIC) was called to order at 9:03 a.m., Wednesday, June 25, 2014 in Room 205, State House.

I. Roll Call of Members

The following members were present: Mr. J. Michael Costello, Ms. Faith LaSalle, Ms. Paula McNamara, Mr. Thomas Mullaney, Mr. Frank Karpinski, and General Treasurer Gina Raimondo. Mr. Reilly was available by phone for the private equity recommendation.
Also in attendance:
Mr. Thomas Lynch of Cliffwater, alternative investment consultant to the Commission; Mr. Hans Swildens and Mr. Roland Reynolds of Industry Ventures; Ms. Patricia Roberts and Mr. Christopher Nikolich of AllianceBernstein; Mr. Cameron Lochhead and Mr. Greg Nordquist (by phone) of Russell Investments; Mr. John Burns and Mr. Allan Emkin of Pension Consulting Alliance (PCA), general consultant; Mr. Greg Balewicz of State Street Global Advisors (SSGA); Ms. Gail Mance-Rios of the Rhode Island Higher Education Assistance Authority (RIHEAA); Ms. Sally Dowling of Adler Pollock & Sheehan P.C., legal counsel; Ms. Anne-Marie Fink, chief investment officer, Mr. Vincent Izzo, cash manager for the state, and members of the Treasurer's staff.
Treasurer Raimondo called the meeting to order at 9:03 a.m.
Mr. Thomas Fay, Ms. Marcia Reback and Mr. Andrew Reilly were absent.

II. Approval of Minutes

On a motion by Ms. McNamara and seconded by Mr. Mullaney, it was unanimously
VOTED: to approve the draft of the minutes of the May 28, 2014 meeting of the State Investment Commission.

III. Private Equity Recommendation—Industry Ventures Partnership Holdings III, L.P.

Mr. Lynch introduced Industry Ventures as a hybrid strategy in the venture capital space.
Mr. Swildens gave a review of the firm. The firm specializes in venture capital. They manage almost $2 billion of institutional money, mostly from pension funds.
He went on to review the firm's investment strategies. They have two types of funds: a liquidity fund comprised of companies that are at later stages in their lives with $30 million to $200 million in revenue and a Partnership Holdings set of funds that invests in early part of the venture capital market in high growth, innovative companies.
For the current Partnership Holdings fund, they have closed on $100 million in commitments, including from three state pension funds. Mr. Swildens noted that by specializing in venture capital, the firm is unique in the asset class. The firm has a very big data set and a lot of relationships.
He reviewed the experience of the team. They are the largest team focused on secondary strategies in the venture market. They have invested across multiple market cycles and are pioneers in the strategy.

Mr. Reynolds added that the Partnership Holdings strategy has a unique window of opportunity. The fund began making investments in the 3rd quarter of last year.
He reviewed the current portfolio. The portfolio is comprised of 22 investments for almost 50% of the total committed capital. The investments in the portfolio have already increased in value. They expect the portfolio to be valued at 1.4 times cost as of 3/31/14. He noted that new investors will have an immediate gain. He said there is an opportunity for a fee reduction on a separate account when paired with a larger commitment to the core partnership.
Mr. Reynolds said their strategy is a unique hybrid strategy which includes investments in early and mid-stage venture capital assets. The intention is to create downside protection and faster time to liquidity while preserving upside potential.
The fund focuses on the small end of the venture market and high growth companies through a unique combination of primary fund commitments, secondary purchases of early-stage limited partnerships, purchases, and direct co-investments into companies.
The team expects to invest 40% of the portfolio in primary commitments to small venture funds at inception, another 40% into early secondary transactions at deep discounts in small fund managers, and 20% of the portfolio directly into companies alongside underlying fund managers.
He reviewed the opportunities they see in the market. He noted that small venture funds have outperformed large funds by a significant margin over a 15-year period. This trend is likely to continue in the future as the overall commitments to the asset class are down substantially. Also, 85% of all the exits of venture-backed companies actually happen in the M&A markets, which is easier for smaller investments to access.
Mr. Reynolds reviewed the fund terms. He said they have a preferred return of 6% and a significant general partner commitment of 2%. He reiterated that this investment offers a unique window of opportunity to receive immediate gain with unusual visibility into the 22 investments already. The fund creates the opportunity for outsize returns through exposure to the small end of venture market. The strategy is designed to generate attractive returns through M&A exits and is not reliant on the volatile IPO market.
The board asked questions.
Mr. Swildens and Mr. Reynolds left the room.
Mr. Lynch said Cliffwater recommends a $25 million commitment. In terms of portfolio fit, Cliffwater sees venture capital as a favorable asset class. In terms of the ERSRI's portfolio, there has been very little done in venture capital in the last few years. Currently venture stands at about 18% of the private-equity allocation with most of it invested prior to 2008. He added that there are no other firms that implement the strategy that Industry Ventures has. They are a high quality firm with deep knowledge in the space and they execute it with discipline.
The board discussed the recommendation.

On a motion by Mr. Mullaney and seconded by Ms. McNamara, it was unanimously
VOTED: to approve a $25 million investment in Industry Ventures Partnership Holdings III.

A motion was then made by Mr. Costello and seconded by Mr. Mullaney and it was unanimously
VOTED: to move the item on the agenda pertaining to the addition of short-term investment provider.

IV. Addition to List of Short-Term Investment Providers: U.S. Bank

Mr. Vincent Izzo, cash manager for the state, asked the board for approval to add U.S. Bank to the short-term investment lineup. He noted it is the fifth largest commercial bank in the country and is well capitalized. He explained the bank wouldn't necessarily provide any new services or products right away; once they were on the list, the bank would only receive deposits if its rates were competitive with our current providers. Mr. Izzo noted the bank meets all the criteria for short-term investments providers, except having a AAA rating from Moody's and Standard & Poors. Since the global financial crisis, none of the bank short-term investment providers have AAA ratings. He noted the investment policy allows for the board to approve a bank even though they don't meet all of the criteria. He said any product from U.S. Bank would be FDIC insured or 102% collateralized.

On a motion by Mr. Costello and seconded by Mr. Mullaney, it was unanimously
VOTED: to approve the addition of U.S. Bank to the short-term investment lineup pending review by legal counsel.

Treasurer Raimondo asked for an update on the Ocean State Investment Pool.
Mr. Izzo said the fund ranges from $420 million to $500 million depending on monies committed. It is heavily funded by bond proceeds. The interest rates hover around 0.10%, better than prime money-market funds, which are about 0.02%. He said Fidelity continues to reach out to cities in any towns to promote the fund.

V. Infrastructure Consultant Extension

Ms. Fink reminded the board about the infrastructure allocation approved a year ago. At the time, Judy Chambers from PCA was hired on a project basis to complete the infrastructure RFI, which resulted in the allocation to Industry Funds. Going forward, the goal is to continue to invest in infrastructure, both through private partnerships and also publicly traded master limited partnerships. In order to do so, she believes staff needs consulting advice on a systematic basis. She proposed an extension to the contract with PCA to add them as infrastructure advisor for $75,000 a year on a retainer basis.

On a motion by Ms. McNamara and seconded by Mr. Costello, it was unanimously
VOTED: to extend the contract with PCA to add an infrastructure advisor on a retainer basis.

VI. CollegeBound*fund* Quarterly Update

Ms. Roberts gave a brief summary of CollegeBound*fund*. The fund has $7.8 billion in assets under management of which $356 million is from Rhode Islanders. There are approximately 427,000 accounts nationally and about 25,000 in Rhode Island as of May 31, 2014.
She said the CollegeBound*fund* remains the second largest advisor-sold program in the country. The fund is fifth overall in terms of size. She noted most of the assets in the fund are in the age-based moderate and age-based aggressive-growth portfolios.
She reviewed the recently added Morningstar Index portfolios. As of May 30, the Morningstar option has about $2 million in assets, of which 25% of all the assets have come from Rhode Island.
Ms. Fink asked if this participation rate is what they had expected.
Ms. Roberts said yes and added that they are hearing from advisors across the country who are very excited about the offering because it is unique in the advisor space. AllianceBernstein has received a number of rollovers from other programs where investors are interested in age-based portfolios with a lower fee structure.
Mr. Nikolich gave a performance review of the funds on a year-to-date basis through May 31, 2014. He noted that in some cases the numbers are misleading given what the capital markets have done in the last couple of weeks.
He reviewed the performance, starting with the single-fund portfolios. The stable value fund is an attractive option in its strategy, with 0.67% return year-to-date. This option is the largest stand-alone

allocation at about 10% of all the assets. With the individual equity funds, one thing that has been weighing on performance has been the outperformance of US large cap versus international equities. The small-cap growth portfolio has been a stellar performer over 1, 3, 5, and 10 years relative to the benchmark. Within the active age-based portfolios, the more aggressive funds with higher levels of equity exposure have outperformed the moderate and the conservative. All the performance numbers look even better through the first three weeks of June.
Mr. Costello asked questions regarding AllianceBernstein's performance and the board discussed.

A motion was then made by Mr. Mullaney and seconded by Mr. Costello and it was unanimously **VOTED: to move the item on the agenda pertaining to the equity replacement strategies discussion.**

VII. Equity Replacement Strategies Discussion

Ms. Fink said she and staff are constantly looking for opportunities that provide an asymmetric payoff, seeking investments that can gain more on the upside than they participate on the down side. The equity market is by far the portfolio's biggest risk with the overall portfolio having approximately 0.9% sensitivity to equity market moves (beta).
She reminded the board that a year and a half ago the board discussed buying some put protection for the portfolio. Staff did an extensive analysis and at the time the SIC decided pricing was unfavorable. She said at the current time a risk reversal position looks interesting. She explained how this position works; it entails selling a 10% out-of-the-money put and using the proceeds to buy a call so the entire position requires no cash. Currently a 3.5% out-of-the-money call can be purchased on a cashless basis. It would replace outright equity exposure. This position would protect against the first 10% of a down move. Downside after that would be one for one. The call would provide upside participation. What makes this option interesting is where the pricing is right now. Essentially the position protects against 10% of the downside and only gives up 3.5% of the upside.
She suggested considering this in lieu of the equity overweight. The position would be paired with a reduction in the long exposure. She noted that one thing to be aware of is that the option position does not participate in dividends. Secondly, they would want to transact in S&P 500 just because it has the best liquidity. She said they would recommend using Russell. They would have to factor in trading costs and also an oversight fee to Russell. She then gave a brief overview of the analysis that was done.
Mr. Nordquist noted there's been a great run-up in the markets. After the most recent market crisis, there was interest in protection early on but it was expensive. As the markets have recovered, the landscape has changed. Russell has developed a 'heat map' framework that helps them guide clients to when option strategies make sense. Recently, the markets have had a great run-up so some of the costs of protection are very low. Funded statuses have improved a lot so Russell is seeing a lot more interest in risk-reversal and even outright protections.
The board asked questions.
Ms. McNamara noted she understands the unique opportunity, but expressed concern that this kind of investment is out of her comfort zone considering the beneficiaries of the plan.
Treasurer Raimondo also expressed concern over the limited number of state investment staff and increasing active investment at this time.

VIII. Global Public Equity Allocation

Ms. Fink introduced PCA for a briefing of the long-only equity portfolio. This allocation is the largest in the portfolio.

Mr. Burns described the portfolio as passively managed to efficiently capture equity market returns. The risk associated with equities is growth risk. The portfolio is broadly diversified globally. Unusually the dividend yield is higher than the bond market yield. The management fees of this portion of the portfolio are very low. He went on to review the funds that are in the portfolio. The fees are approximately 0.03%.

He said this approach is a very efficient way of getting equity exposure. The policy of this portfolio is allocated to 50% US and 50% non-US.

He reviewed the characteristics of the underlying portfolios and industry weights. He went on to compare the portfolio versus the world equity portfolio in terms of exposure. Coincidentally, the world equity portfolio is very close to 50/50, though it is not always that way.

He reviewed the countries and the companies in the portfolio. Some of the biggest holdings in the U.S. are Apple and Exxon. He noted that historically companies come in and out of the top 10 list. In non-U.S. markets the portfolio has less exposure to consumer goods and health care holdings than in the U.S.

Mr. Emkin added that the globalization leads to a more global portfolio, because a big percentage of the earnings of non-U.S. companies are outside their home countries. Holding non-U.S. stocks doesn't give an exposure to any one region or one country; the portfolio is constructed to take advantage of every opportunity.

Mr. Burns said that at 50/50 U.S./non-U.S. the portfolio is more globally diversified than a typical large U.S. plan. He noted that PCA is seeing their clients and the industry overall moving portfolios more to 50/50 exposure for diversification and risk management.

He reviewed a chart with five year rolling returns. At different times there can be a big difference in returns from the U.S. and the non-U.S.

He talked about the small-cap stocks exposure in the portfolio. He said small-cap stocks tend to have bigger exposures to their local markets and offer some characteristics that are different than typical large-cap stocks. He noted that the portfolio has a gap with no non-U.S. small-cap exposure. He described the characteristics of a non-US equity index with small caps and compared it to the portfolio's current index exposure. He noted that investing in one versus the other won't change the portfolio significantly. In terms of performance, small-cap has outperformed in the last 10 years, but they don't outperform every year and are currently more expensive than large caps. He said both indices have almost the same standard deviation.

Ms. Fink asked Mr. Balewicz how fees would change if they were to switch to the all-cap international index, the I.M.I. Mr. Balewicz said fees are very low and to add the small cap would increase fees by 0.02% to 0.03%.

Mr. Burns went on to review the equity allocation's currency exposure. He noted that currency is a very complex topic and ERSRI does not hedge its currency exposure. He said return is shown as one return that includes local market moves and currency impacts. Over a long time frame, currency is neither helping nor hurting.

Ms. Fink noted that the portfolio is more volatile with the currency exposure. Over a sufficiently long period of time there is no reason to hedge currency as it generates no inherent return, but there will be volatility in the interim. The question for the board is whether they want staff to explore hedging out half or all of the currency exposure, or just stick with current policy and accept the volatility.

The Treasurer said the board could discuss this when there is a light agenda or a future retreat.

IX. Legal Counsel Report

There was no legal counsel report.

X. CIO Report

Ms. Fink said May was a very strong month in the markets due to improved economic activity and confidence. Though GDP declined in the first quarter, the improvement of the past few months suggest the slowing was entirely winter related. Global equities rose 2% in May. At the same time the Fed continued to taper its asset purchasing, while messaging that interest rates are likely to stay low for long. Core bonds were up 1% in the month. These moves caused the portfolio to rise 1.66% on the month, which is in line with the 60/40 portfolio and a little ahead of the bottom-up benchmark. Fiscal year-to-date, the portfolio is up 13.7% with risk below 7.5%. It remains better than the bottom-up benchmark and a 60/40 allocation. The annualized standard deviation has come down significantly over the last two years. Part of that is the market and part of it is the moves made by the SIC to improve the portfolio. She added that the alpha has been a little disappointing recently and staff continues to monitor it. The annualized Sharpe ratio, which measures return per unit of risk, has stayed steady. Private equity and real estate had a particularly strong month relative to benchmarks. In the bank loan portfolio, WAMCO had an uncharacteristically underperforming month at 0.3% vs. the benchmark at 0.5%

Ms. Fink gave an update on staff activity. She said they are working on an RFP of a manager of publicly traded infrastructure stocks or MLPs. They are looking to investigate that opportunity further.

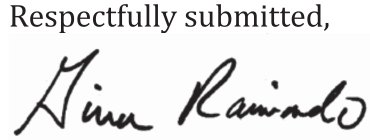
XI. Treasurer Report

Treasurer Raimondo gave an update of the most recent Retirement Board meeting. She said the retirement board voted unanimously to accept the actuary's recommendation for the experience study and valuation. She also noted that Mr. Emkin presented at the meeting, where he described the added value of the SIC by managing risk and generating strong long-term returns.

Treasurer Raimondo welcomed Ms. Faith LaSalle to the board. She thanked the board and commended them on their continued work.

There being no other business to come before the Board, on a motion by Mr. Mullaney and seconded by Mr. Costello the meeting adjourned at 11:02 a.m.

Respectfully submitted,



Gina M. Raimondo
General Treasurer