

STATE OF RHODE ISLAND

ANNUAL REPORT OF THE TREASURY DEPARTMENT

FISCAL YEAR 2010

THE HONORABLE GINA M. RAIMONDO, GENERAL TREASURER





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

Gina M. Raimondo
General Treasurer

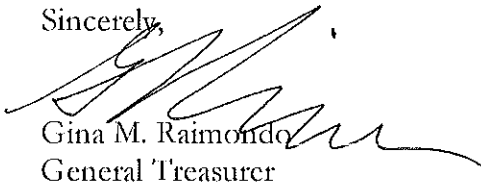
August 29, 2011

To the Honorable General Assembly:

I am pleased to submit the Office of General Treasurer Annual Report for fiscal year ending June 30, 2010 pursuant to Section 42-10-17 of the Rhode Island General Laws. The Annual Report summarizes revenues and expenditures, cash investments, activity involving state-administered retirement plans, as well as debt issues and payments.

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

Sincerely,

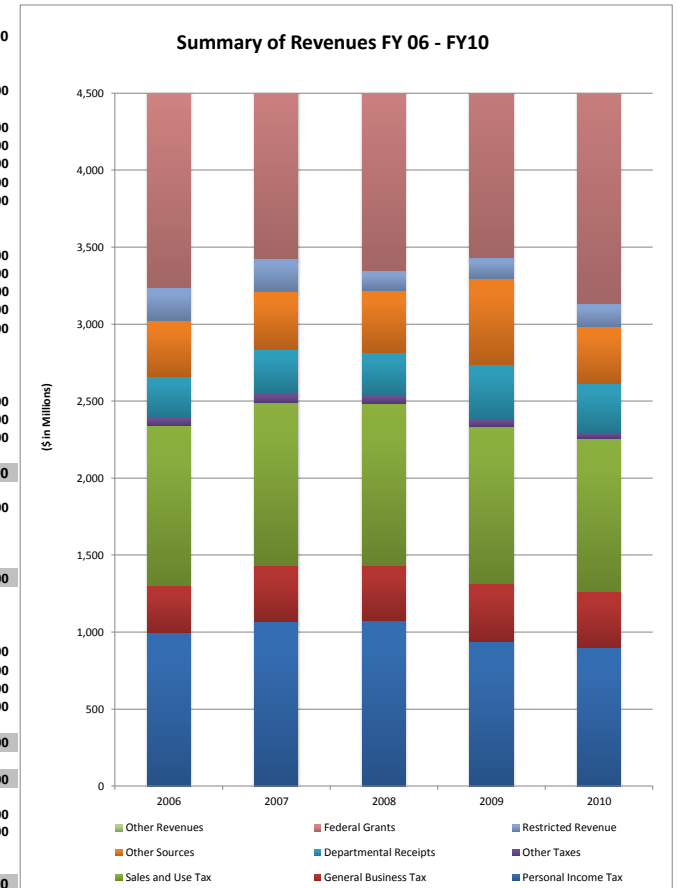


Gina M. Raimondo
General Treasurer

REVENUES AND EXPENDITURES

State of Rhode Island
Summary of Revenues
June 30, 2010

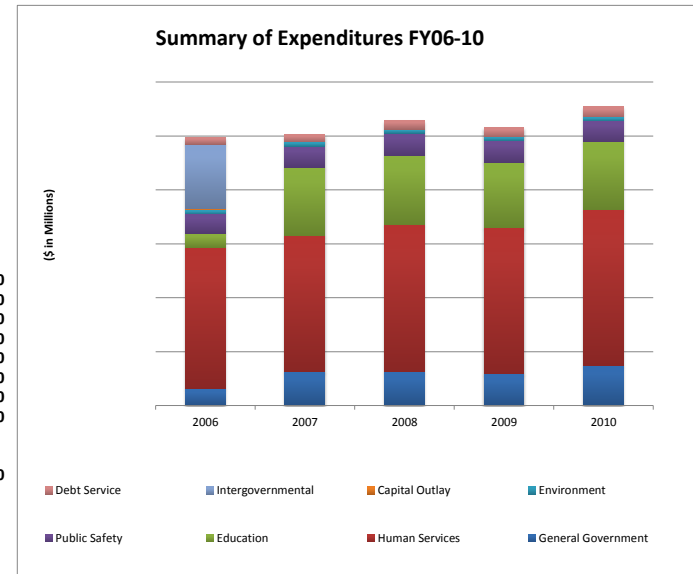
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
PERSONAL INCOME TAX	\$ 898,113,000.00	\$ 940,513,781.00	\$ 1,073,617,000.00	\$ 1,065,367,000	\$ 996,792,000
GENERAL BUSINESS TAXES:					
Business Corporations	\$ 146,835,000.00	\$ 104,436,811.00	\$ 150,469,000.00	\$ 148,149,000	\$ 165,054,000
Franchise					
Gross Earnings Tax-Public Utilities	\$ 95,793,000.00	\$ 126,664,890.00	\$ 99,437,000.00	\$ 102,109,000	\$ 96,027,000
Income Tax-Financial Institutions	\$ 2,319,000.00	\$ 5,358,740.00	\$ 1,830,000.00	\$ 4,423,000	\$ 3,989,000
Tax on Insurance Companies	\$ 95,921,000.00	\$ 78,016,930.00	\$ 67,997,000.00	\$ 56,624,000	\$ 52,878,000
Tax on Deposits-Banking Institutions	\$ 1,860,000.00	\$ 1,802,796.00	\$ 1,710,000.00	\$ 1,674,000	\$ 1,494,000
Health Care Provider Assessment	\$ 40,254,000.00	\$ 46,030,570.00	\$ 53,357,000.00	\$ 47,970,000	\$ 47,002,000
SALES AND USE TAXES:					
Sales and Use Tax	\$ 803,395,000.00	\$ 807,946,985.00	\$ 844,197,000.00	\$ 873,204,000	\$ 869,163,000
Motor Vehicle Tax	\$ 48,285,000.00	\$ 47,925,805.00	\$ 48,610,000.00	\$ 46,879,000	\$ 52,626,000
Gasoline Tax	\$ 969,000.00	\$ 1,325,034.00	\$ 991,000.00	\$ 1,312,000	\$ 31,000
Cigarette Tax	\$ 138,315,000.00	\$ 130,503,213.00	\$ 114,675,000.00	\$ 120,481,000	\$ 126,341,000
Alcohol	\$ 11,269,000.00	\$ 10,811,831.00	\$ 11,141,000.00	\$ 10,706,000	\$ 10,870,000
Controlled Substances	\$ -	\$ -	\$ -	\$ -	\$ -
OTHER TAXES:					
Inheritance and Gift	\$ 29,057,000.00	\$ 28,096,912.00	\$ 35,334,000.00	\$ 34,684,000	\$ 39,204,000
Racing and Athletics	\$ 1,492,000.00	\$ 2,450,809.00	\$ 2,813,000.00	\$ 2,921,000	\$ 3,490,000
Realty Transfer Tax	\$ 6,994,000.00	\$ 6,811,322.00	\$ 10,223,000.00	\$ 12,737,000	\$ 14,592,000
Total Taxes and Departmentals	\$ 2,320,871,000.00	\$ 2,338,696,429.00	\$ 2,516,401,000.00	\$ 2,529,240,000	\$ 2,479,553,000
DEPARTMENTAL RECEIPTS	\$ 333,128,000.00	\$ 318,804,246.00	\$ 356,546,000.00	\$ 277,790,000	\$ 287,315,000
OTHER SOURCES					
Gas Tax Transfer	\$ 24,000	\$ 4,327,710	\$ 4,514,000	\$ 4,705,000	\$ 4,322,000
Other Miscellaneous	\$ 12,467,000	\$ 17,813,994	\$ 181,810,000	\$ 67,471,000	\$ 31,163,000
Lottery	\$ 344,673,000	\$ 337,515,478	\$ 354,321,000	\$ 320,990,000	\$ 323,899,000
Unclaimed Property	\$ 5,867,000	\$ 8,044,126	\$ 15,387,000	\$ 11,457,000	\$ 14,243,000
Total Other Sources	\$ 363,031,000	\$ 367,701,308	\$ 556,032,000	\$ 404,623,000	\$ 373,627,000
Total General Revenues	\$ 3,017,030,000	\$ 3,025,201,983	\$ 3,428,979,000	\$ 3,211,653,000	\$ 3,140,495,000
Restricted Revenue/Other	\$ 149,638,000	\$ 133,872,448	\$ 126,090,000	\$ 215,061,000	\$ 216,018,000
Federal Grants	\$ 2,275,606,000	\$ 2,001,605,092	\$ 1,740,283,000	\$ 1,629,715,000	\$ 1,713,287,000
Federal Grants	\$ 67,628,000	\$ 57,659,514			
Total	\$ 5,509,902,000	\$ 5,218,339,037	\$ 5,295,352,000	\$ 5,056,429,000	\$ 5,069,800,000



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

State of Rhode Island
Summary of Expenditures
June 30, 2010

	2010	2009	2008	2007	2006
General Government	\$745,948,000	\$586,628,000	\$626,052,000	\$633,893,000	\$318,675,000
Human Services	\$2,885,024,000	\$2,711,167,000	\$2,727,534,000	\$2,512,286,000	\$2,614,712,000
Education	\$1,259,271,000	\$1,217,271,000	\$1,289,124,000	\$1,267,255,000	\$263,735,000
Public Safety	\$395,298,000	\$401,976,000	\$410,605,000	\$396,029,000	\$361,567,000
Environment	\$67,493,000	\$68,932,000	\$72,982,000	\$81,518,000	\$69,538,000
Capital Outlay					\$35,479,000
Intergovernmental					\$1,186,887,000
Debt Service	\$189,355,000	\$169,956,000	\$160,555,000	\$141,350,000	\$125,081,000
Total Expenditures	\$5,542,389,000	\$5,155,930,000	\$5,286,852,000	\$5,032,331,000	\$4,975,674,000



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

Note: For 2007 and subsequent years, the Intergovernmental and Capital Outlay line-items have been removed. Instead expenses are shown under the appropriate specific line item to which they relate. (e.g. in previous reports aid to local governments for schools was presented in the Intergovernmental line--since 2007 it is included in the Education line)

SHORT TERM CASH AND INVESTMENTS

**State of Rhode Island
Office of the General Treasurer
Schedule of Interest Earned
FY 2010**

Fund	Count	Amt. Matured	Interest Earned	(W) Average Int Rate	(W) Avg Duration
GENERAL FUND	286	\$ 2,444,501,452.48	\$ 786,017.48	0.65%	1
H.A.V.A	12	\$ 2.38	\$ 1.19	0.41%	1
GENERAL FUND (HIST PRES)	7	\$ 3,742,555.98	\$ 1,683.87	0.32%	52.01
TANS PROCEEDS	58	\$ 587,732,357.27	\$ 1,213,808.76	0.79%	19.98
HIGHWAY FUND	129	\$ 312,554,280.81	\$ 27,140.39	0.22%	1
T.D.I. RESERVE (DET)	131	\$ 962,245,490.67	\$ 338,170.66	0.32%	15.23
EMPLOYER PENSION CONTRIBUTION	17	\$ 50,427,133.64	\$ 13,566.82	0.23%	1
RICAP GL FUND 21	23	\$ 13,405,028.60	\$ 2,514.30	0.41%	1
BOND CAPITAL FUND	38	\$ 38,497,400.08	\$ 23,700.04	0.62%	1
R.I. CLEAN WATER ACT	14	\$ 1,305,485.88	\$ 2,742.94	0.57%	1
STATE LOTTERY FUND	242	\$ 480,187,624.66	\$ 90,885.90	0.28%	3.33
ASSESSED FRINGE BEN ADM	34	\$ 19,015,548.68	\$ 7,774.34	0.33%	1
AUTO EQUIPMENT SERVICE	27	\$ 6,403,415.90	\$ 1,707.95	0.33%	1
HEALTH INSURANCE FUND	62	\$ 162,620,673.48	\$ 35,336.74	0.16%	1
FLEET REVOLVING LOAN FUND	22	\$ 5,946,129.64	\$ 23,064.82	0.61%	1
EMPLOYEES RETIREMENT	205	\$ 478,444,196.96	\$ 72,098.46	0.37%	1
MUNICIPAL EMPLOYEES RET.	146	\$ 51,023,719.30	\$ 9,359.65	0.41%	1
RETIREE HEALTH FUND	43	\$ 27,361,875.80	\$ 30,937.90	0.40%	1
BOG RETIREE FUND	14	\$ 553,155.82	\$ 1,577.91	0.35%	1
RIPTA HEALTH FUND	26	\$ 9,203,850.60	\$ 1,925.30	0.33%	1
PERMANENT SCHOOL FUND	13	\$ 210,856.04	\$ 5,428.02	0.39%	1
TEACHER RETIREE HEALTH FUND	22	\$ 5,805,490.62	\$ 2,745.31	0.31%	1
UNIVERSITY COLLEGE	28	\$ 20,126,402.04	\$ 13,201.02	0.54%	1
HIGHER EDUCATION	21	\$ 8,205,989.34	\$ 2,994.67	0.45%	1
INDUS. BLDG. & MTG. INS.	12	\$ 25,047.18	\$ 12,523.59	0.40%	1
Total Short-Term Investments	1632	\$ 5,689,545,163.85	\$ 2,720,908.03	0.54%	5.59

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

Investment Purchase Analysis - By Fund FY10

Fund	Investment Type	Count	Settlement Amount	Earnings	Total	Average Daily Balance	Yield	Duration (days)
GENERAL FUND	Collateralized Deposit (PIP)	214	\$ 2,013,807,840.00	\$ 778,346.54	\$ 2,014,586,186.54	\$ 114,368,419.91	0.68%	1.00
	FHLB Discount Note	2	\$ 32,000,000.00	\$ 75.56	\$ 32,000,075.56	\$ 87,668.02	0.09%	1.00
	Money Market Fund (MMK)	70	\$ 397,907,595.00	\$ 7,595.38	\$ 397,915,190.38	\$ 6,171,436.81	0.12%	1.00
		286	\$ 2,443,715,435.00	\$ 786,017.48	\$ 2,444,501,452.48	\$ 120,627,524.74	0.65%	1.00
H.A.V.A	Collateralized Deposit (PIP)	12	\$ 1.19	\$ 1.19	\$ 2.38	\$ 292.59	0.41%	1.00
		12	\$ 1.19	\$ 1.19	\$ 2.38	\$ 292.59	0.41%	1.00
GENERAL FUND (HIST PRES)	Regular CD	7	\$ 3,740,872.11	\$ 1,683.87	\$ 3,742,555.98	\$ 533,443.87	0.32%	52.01
		7	\$ 3,740,872.11	\$ 1,683.87	\$ 3,742,555.98	\$ 533,443.87	0.32%	52.01
TANS PROCEEDS	Collateralized Deposit (PIP)	42	\$ 335,167,207.50	\$ 971,890.35	\$ 336,139,097.85	\$ 122,432,330.79	0.79%	1.00
	Regular CD	10	\$ 161,060,389.30	\$ 129,919.95	\$ 161,190,309.25	\$ 18,678,060.14	0.70%	42.46
	Regular CD 365 MA	1	\$ 15,102,068.34	\$ 9,930.12	\$ 15,111,998.46	\$ 1,240,857.80	0.80%	30.00
	Regular CD - BRI	5	\$ 75,188,883.37	\$ 102,068.34	\$ 75,290,951.71	\$ 11,165,498.42	0.91%	54.42
		58	\$ 586,518,548.51	\$ 1,213,808.76	\$ 587,732,357.27	\$ 153,516,747.15	0.79%	19.98
HIGHWAY FUND	Collateralized Deposit (PIP)	59	\$ 88,919,147.62	\$ 19,147.62	\$ 88,938,295.24	\$ 3,982,393.50	0.48%	1.00
	Money Market Fund (MMK)	70	\$ 223,607,992.80	\$ 7,992.77	\$ 223,615,985.57	\$ 8,599,217.72	0.09%	1.00
		129	\$ 312,527,140.42	\$ 27,140.39	\$ 312,554,280.81	\$ 12,581,611.22	0.22%	1.00
T.D.I. RESERVE (DET)	CDARS	9	\$ 185,070,557.30	\$ 48,735.93	\$ 185,119,293.23	\$ 14,188,126.38	0.34%	28.00
	Collateralized Deposit (PIP)	31	\$ 21,531,859.13	\$ 131,859.13	\$ 21,663,718.26	\$ 20,244,010.72	0.65%	1.00
	FHLB Discount Note	2	\$ 18,000,000.00	\$ 2,928.75	\$ 18,002,928.75	\$ 1,898,076.25	0.15%	38.50
	Money Market Fund (MMK)	49	\$ 178,546,179.20	\$ 46,179.17	\$ 178,592,358.37	\$ 46,310,436.69	0.10%	1.00
	Regular CD	35	\$ 513,682,050.40	\$ 106,321.04	\$ 513,788,371.44	\$ 23,294,470.71	0.46%	16.60
	Government Insured Deposit	5	\$ 45,076,673.98	\$ 2,146.64	\$ 45,078,820.62	\$ 590,162.91	0.36%	1.00
		131	\$ 961,907,320.01	\$ 338,170.66	\$ 962,245,490.67	\$ 106,525,283.66	0.32%	15.23
EMPLOYER PENSION CONTRIBUTION	Collateralized Deposit (PIP)	9	\$ 15,605,984.43	\$ 5,984.43	\$ 15,611,968.86	\$ 1,725,147.43	0.35%	1.00
	Money Market Fund (MMK)	8	\$ 34,807,582.39	\$ 7,582.39	\$ 34,815,164.78	\$ 4,200,518.07	0.18%	1.00
		17	\$ 50,413,566.82	\$ 13,566.82	\$ 50,427,133.64	\$ 5,925,665.50	0.23%	1.00
RICAP GL FUND 21	Collateralized Deposit (PIP)	23	\$ 13,402,514.30	\$ 2,514.30	\$ 13,405,028.60	\$ 606,149.40	0.41%	1.00
		23	\$ 13,402,514.30	\$ 2,514.30	\$ 13,405,028.60	\$ 606,149.40	0.41%	1.00
BOND CAPITAL FUND	Collateralized Deposit (PIP)	38	\$ 38,473,700.04	\$ 23,700.04	\$ 38,497,400.08	\$ 3,838,609.81	0.62%	1.00
		38	\$ 38,473,700.04	\$ 23,700.04	\$ 38,497,400.08	\$ 3,838,609.81	0.62%	1.00
R.I. CLEAN WATER ACT	Collateralized Deposit (PIP)	14	\$ 1,302,742.94	\$ 2,742.94	\$ 1,305,485.88	\$ 485,187.04	0.57%	1.00
		14	\$ 1,302,742.94	\$ 2,742.94	\$ 1,305,485.88	\$ 485,187.04	0.57%	1.00
STATE LOTTERY FUND	CDARS	1	\$ 5,000,000.00	\$ 882.27	\$ 5,000,882.27	\$ 382,783.31	0.23%	28.00
	Collateralized Deposit (PIP)	127	\$ 202,039,491.60	\$ 64,491.55	\$ 202,103,983.15	\$ 12,738,018.29	0.51%	1.00
	Money Market Fund (MMK)	100	\$ 202,937,567.10	\$ 12,567.01	\$ 202,950,134.11	\$ 16,621,129.25	0.08%	1.00
	Regular CD	14	\$ 70,119,680.06	\$ 12,945.07	\$ 70,132,625.13	\$ 2,873,247.76	0.45%	15.00
		242	\$ 480,096,738.76	\$ 90,885.90	\$ 480,187,624.66	\$ 32,615,178.61	0.28%	3.33

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

Investment Purchase Analysis - By Fund FY10

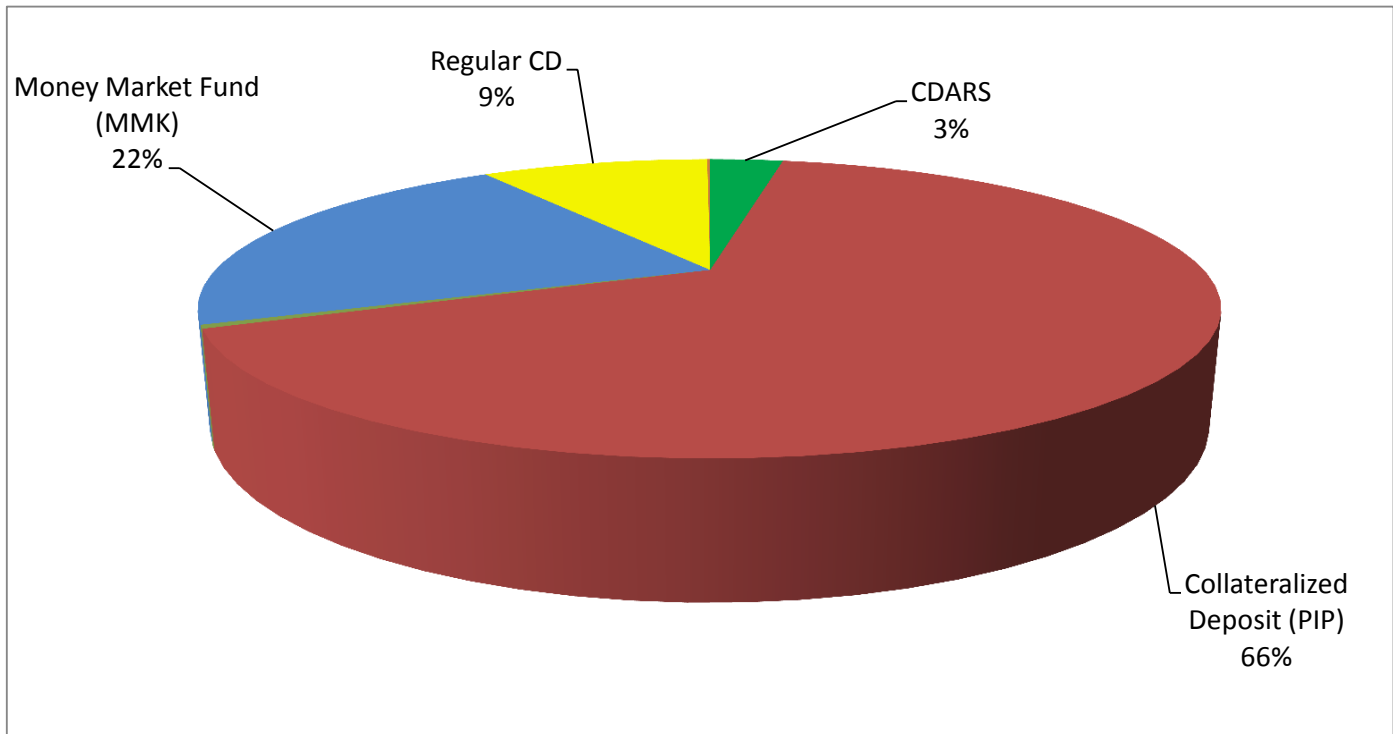
Fund	Investment Type	Count	Settlement Amount	Earnings	Total	Average Daily Balance	Yield	Duration (days)
ASSESSED FRINGE BEN ADM	Collateralized Deposit (PIP)	34	\$ 19,007,774.34	\$ 7,774.34	\$ 19,015,548.68	\$ 2,365,371.84	0.33%	1.00
		34	\$ 19,007,774.34	\$ 7,774.34	\$ 19,015,548.68	\$ 2,365,371.84	0.33%	1.00
AUTO EQUIPMENT SERVICE	Collateralized Deposit (PIP)	27	\$ 6,401,707.95	\$ 1,707.95	\$ 6,403,415.90	\$ 513,679.62	0.33%	1.00
		27	\$ 6,401,707.95	\$ 1,707.95	\$ 6,403,415.90	\$ 513,679.62	0.33%	1.00
HEALTH INSURANCE FUND	Collateralized Deposit (PIP)	30	\$ 82,071,969.79	\$ 21,969.79	\$ 82,093,939.58	\$ 4,431,493.29	0.50%	1.00
	Money Market Fund (MMK)	32	\$ 80,513,366.95	\$ 13,366.95	\$ 80,526,733.90	\$ 18,087,177.50	0.07%	1.00
		62	\$ 162,585,336.74	\$ 35,336.74	\$ 162,620,673.48	\$ 22,518,670.79	0.16%	1.00
FLEET REVOLVING LOAN FUND	Collateralized Deposit (PIP)	22	\$ 5,923,064.82	\$ 23,064.82	\$ 5,946,129.64	\$ 3,805,801.86	0.61%	1.00
		22	\$ 5,923,064.82	\$ 23,064.82	\$ 5,946,129.64	\$ 3,805,801.86	0.61%	1.00
EMPLOYEES RETIREMENT	Collateralized Deposit (PIP)	167	\$ 329,966,070.40	\$ 66,070.37	\$ 330,032,140.77	\$ 13,468,011.54	0.49%	1.00
	Money Market Fund (MMK)	38	\$ 148,406,028.10	\$ 6,028.09	\$ 148,412,056.19	\$ 5,903,702.08	0.10%	1.00
		205	\$ 478,372,098.50	\$ 72,098.46	\$ 478,444,196.96	\$ 19,371,713.62	0.37%	1.00
MUNICIPAL EMPLOYEES RET.	Collateralized Deposit (PIP)	146	\$ 51,014,359.65	\$ 9,359.65	\$ 51,023,719.30	\$ 2,308,273.95	0.41%	1.00
		146	\$ 51,014,359.65	\$ 9,359.65	\$ 51,023,719.30	\$ 2,308,273.95	0.41%	1.00
RETIREE HEALTH FUND	Collateralized Deposit (PIP)	43	\$ 27,330,937.90	\$ 30,937.90	\$ 27,361,875.80	\$ 7,700,431.92	0.40%	1.00
		43	\$ 27,330,937.90	\$ 30,937.90	\$ 27,361,875.80	\$ 7,700,431.92	0.40%	1.00
BOG RETIREE FUND	Collateralized Deposit (PIP)	14	\$ 551,577.91	\$ 1,577.91	\$ 553,155.82	\$ 450,275.72	0.35%	1.00
		14	\$ 551,577.91	\$ 1,577.91	\$ 553,155.82	\$ 450,275.72	0.35%	1.00
RIPTA HEALTH FUND	Collateralized Deposit (PIP)	26	\$ 9,201,925.30	\$ 1,925.30	\$ 9,203,850.60	\$ 591,171.15	0.33%	1.00
		26	\$ 9,201,925.30	\$ 1,925.30	\$ 9,203,850.60	\$ 591,171.15	0.33%	1.00
PERMANENT SCHOOL FUND	Collateralized Deposit (PIP)	13	\$ 205,428.02	\$ 5,428.02	\$ 210,856.04	\$ 1,385,316.72	0.39%	1.00
		13	\$ 205,428.02	\$ 5,428.02	\$ 210,856.04	\$ 1,385,316.72	0.39%	1.00
TEACHER RETIREE HEALTH FUND	Collateralized Deposit (PIP)	22	\$ 5,802,745.31	\$ 2,745.31	\$ 5,805,490.62	\$ 894,757.00	0.31%	1.00
		22	\$ 5,802,745.31	\$ 2,745.31	\$ 5,805,490.62	\$ 894,757.00	0.31%	1.00
UNIVERSITY COLLEGE	Collateralized Deposit (PIP)	28	\$ 20,113,201.02	\$ 13,201.02	\$ 20,126,402.04	\$ 2,437,444.96	0.54%	1.00
		28	\$ 20,113,201.02	\$ 13,201.02	\$ 20,126,402.04	\$ 2,437,444.96	0.54%	1.00
HIGHER EDUCATION	Collateralized Deposit (PIP)	21	\$ 8,202,994.67	\$ 2,994.67	\$ 8,205,989.34	\$ 671,360.58	0.45%	1.00
		21	\$ 8,202,994.67	\$ 2,994.67	\$ 8,205,989.34	\$ 671,360.58	0.45%	1.00
INDUS. BLDG. & MTG. INS.	Collateralized Deposit (PIP)	12	\$ 12,523.59	\$ 12,523.59	\$ 25,047.18	\$ 3,127,285.26	0.40%	1.00
		12	\$ 12,523.59	\$ 12,523.59	\$ 25,047.18	\$ 3,127,285.26	0.40%	1.00
		1,632	\$ 5,686,824,255.82	\$ 2,720,908.03	\$ 5,689,545,163.85	\$ 505,397,248.58	0.54%	5.59

Investment Type	Count	Settlement Amount	Earnings	Total	Average Daily Balance	Yield	Duration (days)
Collateralized Deposit (PIP)	1,174	\$ 3,296,056,769.42	\$ 2,201,958.73	\$ 3,298,258,728.15	\$ 324,571,234.89	0.68%	1.00
FHLB Discount Note	4	\$ 50,000,000.00	\$ 3,004.31	\$ 50,003,004.31	\$ 1,985,744.27	0.15%	14.50
Money Market Fund (MMK)	367	\$ 1,266,726,311.54	\$ 101,311.76	\$ 1,266,827,623.30	\$ 105,893,618.12	0.10%	1.00
Regular CD	66	\$ 748,602,991.87	\$ 250,869.93	\$ 748,853,861.80	\$ 45,379,222.48	0.55%	22.19
Regular CD 365 MA	1	\$ 15,102,068.34	\$ 9,930.12	\$ 15,111,998.46	\$ 1,240,857.80	0.80%	30.00
Regular CD - BRI	5	\$ 75,188,883.37	\$ 102,068.34	\$ 75,290,951.71	\$ 11,165,498.42	0.91%	54.42
CDARS	10	\$ 190,070,557.30	\$ 49,618.20	\$ 190,120,175.50	\$ 14,570,909.69	0.34%	28.00
Government Insured Deposit	5	\$ 45,076,673.98	\$ 2,146.64	\$ 45,078,820.62	\$ 590,162.91	0.36%	1.00
	1,632	\$ 5,686,824,255.82	\$ 2,720,908.03	\$ 5,689,545,163.85	\$ 505,397,248.58	0.54%	5.59

CD = Certificate of Deposit PIP = Collateralized Deposit CP = Commercial Paper REPO = Repurchase Agreements MMF = Money Market DISCOUNT NOTE = Agency Paper (Federal)

State of Rhode Island
Short Term Cash Monthly Performance
Performance By Vehicle for
July 01, 2009 to June 30, 2010

Investment Type		Earnings	Yield(Annual)		ADB
Repurchase Agreement					
Collateralized Deposit (PIP)	\$	1,230,068.38	0.6085%	\$	202,138,904.10
Money Market Fund (MMK)	\$	108,331.34	0.0922%	\$	117,559,434.92
Government Insured Deposit	\$	2,146.64	0.3637%	\$	590,162.91
US Treasury Bills					
FHLMC Discount Note					
FNMA Discount Note					
FHLB Discount Note	\$	3,004.31	0.1513%	\$	1,985,744.27
FFCB Discount Note					
Commercial Paper					
Regular CD	\$	120,949.98	0.4530%	\$	26,701,162.34
CDARS	\$	49,618.20	0.3405%	\$	14,570,909.69
Regular CD - BRI					
Regular CD 365 MA					
Grand Totals	\$	1,514,118.85	0.416%*	\$	363,546,318.23

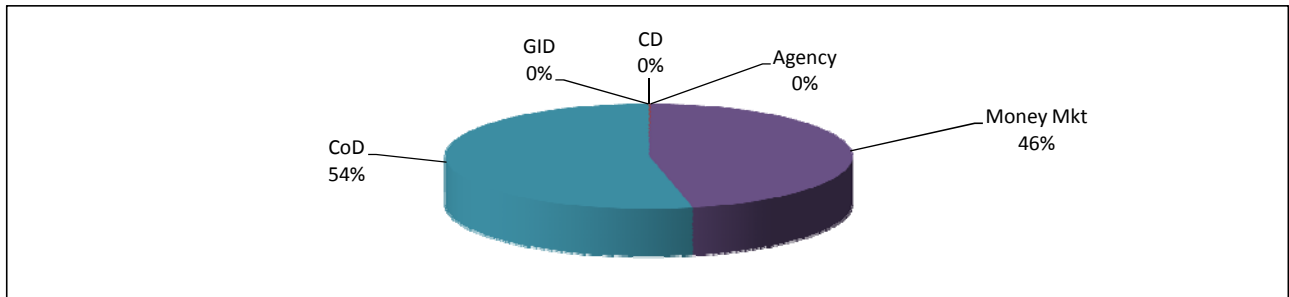
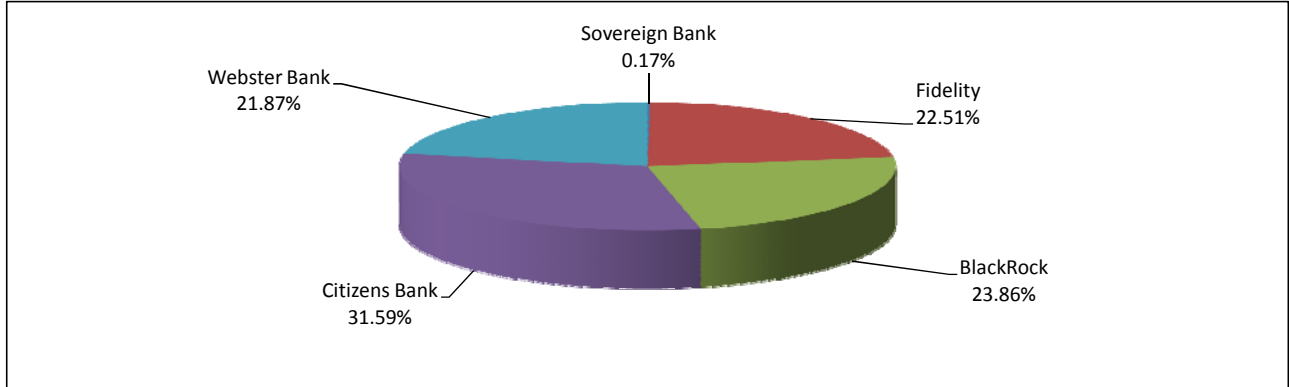


*Exclusive of TANS proceeds

RI SIC GUIDELINE COMPLIANCE REPORT

INVESTMENTS AS OF:

June 30, 2010



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

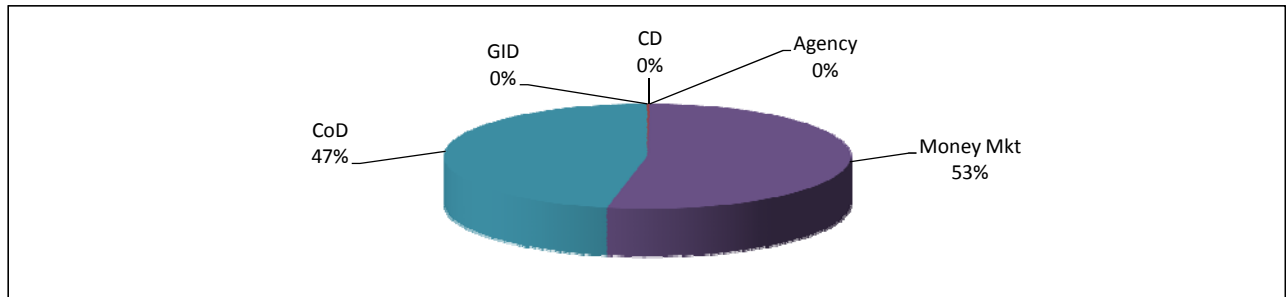
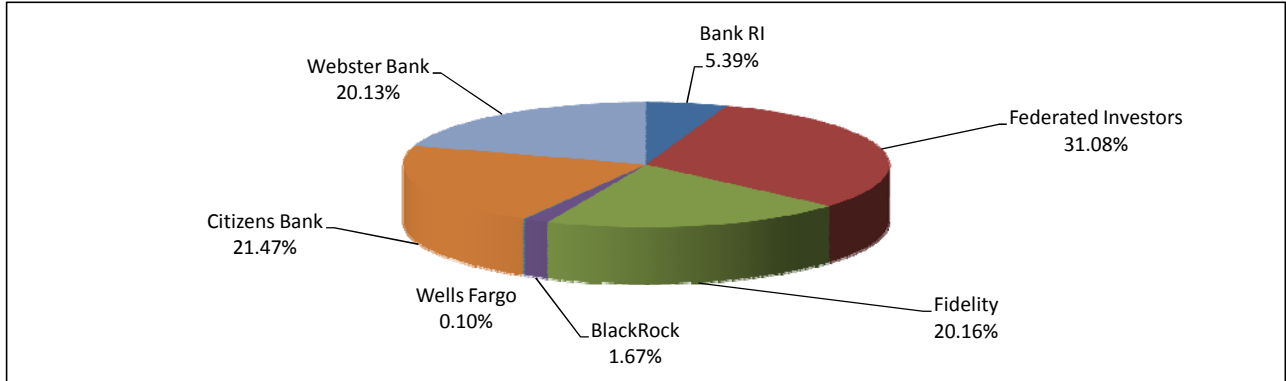
Vendor	CP	CD	Agency	Money Mkt	CoD	Repo	GID	Total (\$)
Guidelines-Total/Vendor	25%/10%	50%/20%	75%/35%	75%/35%	75%/35%	100%/20%	75%/35%	
Bank RI	0	0	0	0	0	0	0	0
Sovereign Bank	0	535,128	0	0	0	0	0	535,128
JP Morgan Chase	0	0	0	0	0	0	0	0
Federated Investors	0	0	0	0	0	0	0	0
Fidelity	0	0	0	69,676,766	0	0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

Note: CoD + CD must be under 75%. Acutal CoD + CD: 53.63%
Note: Maximum participation by any one vendor limited to 35% of total portfolio.

RI SIC GUIDELINE COMPLIANCE REPORT

INVESTMENTS AS OF:

June 30, 2009



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

Vendor	CP	CD	Agency	Money Mkt	CoD	Repo	GID	Total (\$)
Guidelines-Total/Vendor	25%/10%	50%/20%	75%/35%	75%/35%	75%/35%	100%/20%	75%/35%	
Bank RI	0	0	0	0	17,064,760	0	0	17,064,760
	0%	0%	0%	0%	5%	0%	0%	5.39%
Sovereign Bank	0	0	0	0	0	0	0	0
	0%	0%	0%	0%	0%	0%	0%	0.00%
JP Morgan Chase	0	0	0	0	0	0	0	0
	0%	0%	0%	0%	0%	0%	0%	0.00%
Federated Investors	0	0	0	98,477,960	0	0	0	98,477,960
	0%	0%	0%	31%	0%	0%	0%	31.08%
Fidelity	0	0	0	63,880,381	0	0	0	63,880,381
	0%	0%	0%	20%	0%	0%	0%	20.16%
BlackRock	0	0	0	5,304,372	0	0	0	5,304,372
	0%	0%	0%	2%	0%	0%	0%	1.67%
Wells Fargo	0	0	0	306,338	0	0	0	306,338
	0%	0%	0%	0%	0%	0%	0%	0.10%
Citizens Bank	0	533,444	0	0	67,507,201	0	0	68,040,645
	0%	0%	0%	0%	21%	0%	0%	21.47%
Webster Bank	0	0	0	0	63,796,507	0	0	63,796,507
	0%	0%	0%	0%	20%	0%	0%	20.13%
Oppenheimer Inc	0	0	0	0	0	0	0	0
	0%	0%	0%	0%	0%	0%	0%	0.00%
Washington Trust	0	0	0	0	0	0	0	0
	0%	0%	0%	0%	0%	0%	0%	0.00%
TOTALS	-	533,443.87	-	167,969,050.86	148,368,467.77	-	-	316,870,963
(%) PORTFOLIO	0.00%	0.17%	0.00%	53.01%	46.82%	0.00%	0.00%	100.00%

Note: CoD + CD must be under 75%.

Actual CoD + CD: 46.99%

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

State of Rhode Island
Office of the General Treasurer

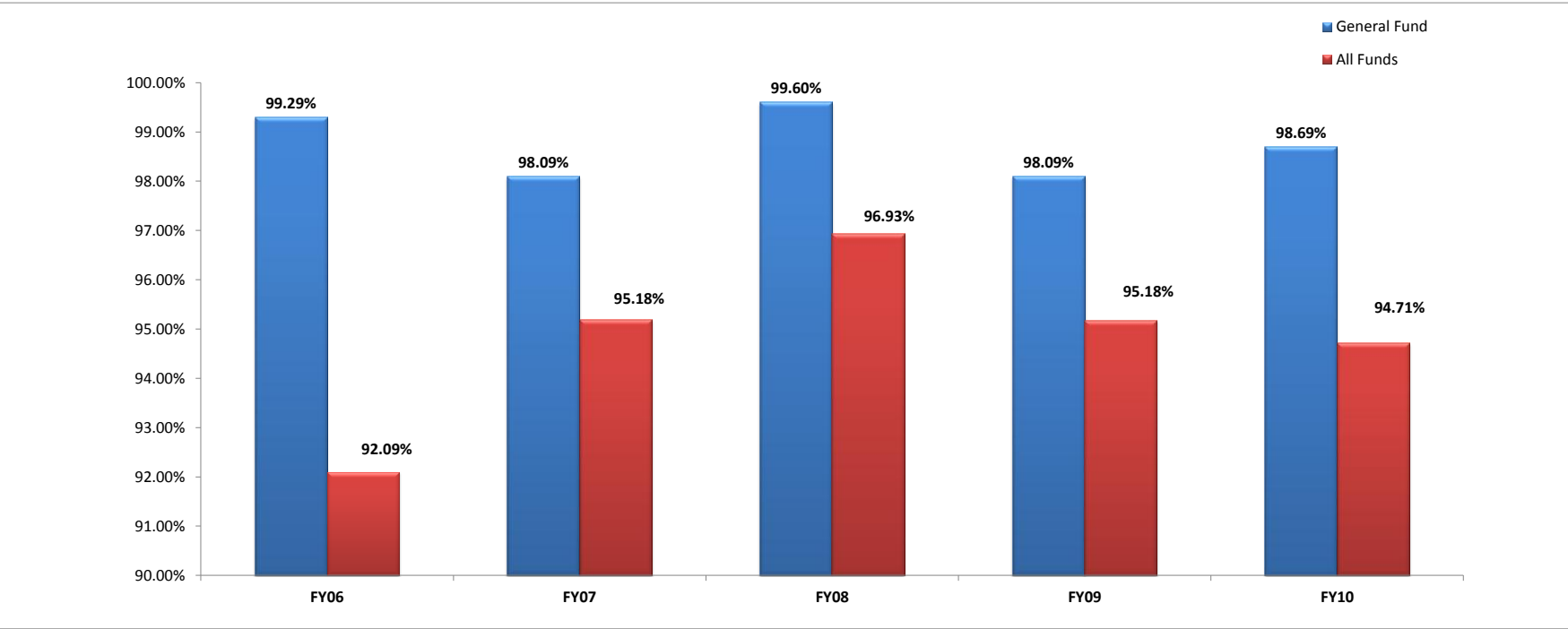
Short-Term Investment Portfolio by Fund
As of June 30, 2010

Fund	Principal	Cash Balance	Total
GENERAL FUND	\$ 131,593,606.89	\$ 1,692,488.86	\$ 133,286,095.75
H.A.V.A	\$ 293.78	-	\$ 293.78
GENERAL FUND (HIST PRES)	\$ 535,127.74	-	\$ 535,127.74
HIGHWAY FUND	\$ 16,842,099.34	\$ 4,162,193.82	\$ 21,004,293.16
T.D.I. RESERVE (DET)	\$ 93,608,067.76	\$ 17,851,451.65	\$ 111,459,519.41
EMPLOYER PENSION CONTRIBUTION	\$ 14,202,942.06	\$ 2,182,697.30	\$ 16,385,639.36
RICAP GL FUND 21	\$ 217,156.85	\$ 1,102,363.91	\$ 1,319,520.76
DREDGING ACCOUNT	-	\$ 107,392.07	\$ 107,392.07
BOND CAPITAL FUND	\$ 4,305,726.29	\$ 103,081.80	\$ 4,408,808.09
R.I. CLEAN WATER ACT	\$ 743,820.39	\$ 168,686.22	\$ 912,506.61
STATE LOTTERY FUND	\$ 14,255,929.35	\$ 246,280.81	\$ 14,502,210.16
ASSESSED FRINGE BEN ADM	\$ 2,704,105.08	\$ 98,175.60	\$ 2,802,280.68
AUTO EQUIPMENT SERVICE	\$ 605,524.56	\$ 423,418.24	\$ 1,028,942.80
HEALTH INSURANCE FUND	\$ 10,203,032.34	\$ 397,228.52	\$ 10,600,260.86
FLEET REVOLVING LOAN FUND	\$ 80,099.56	\$ 1,230,684.53	\$ 1,310,784.09
EMPLOYEES RETIREMENT	\$ 3,093,632.52	\$ 2,807,168.99	\$ 5,900,801.51
MUNICIPAL EMPLOYEES RET.	\$ 560,176.07	\$ 142,304.93	\$ 702,481.00
RETIREE HEALTH FUND	\$ 8,104,931.46	\$ 206,807.96	\$ 8,311,739.42
BOG RETIREE FUND	\$ 460,483.77	\$ 644,303.49	\$ 1,104,787.26
RIPTA RETIREE HEALTH FUND	\$ 1,655,808.78	\$ 1,498,760.23	\$ 3,154,569.01
PERMANENT SCHOOL FUND	\$ 1,427,731.04	\$ 197,159.81	\$ 1,624,890.85
TEACHER RETIREE HEALTH FUND	\$ 955,995.46	\$ 580,228.41	\$ 1,536,223.87
UNIVERSITY COLLEGE	\$ 17,769.27	\$ 785,226.38	\$ 802,995.65
HIGHER EDUCATION	\$ 203,807.30	\$ 139,792.64	\$ 343,599.94
INDUS. BLDG. & MTG. INS.	\$ 3,139,808.85	\$ 127,300.28	\$ 3,267,109.13
JUDICIAL RETIREMENT FUND	-	\$ 544.83	\$ 544.83
STATE POLICE RETIREMENT FUND	-	\$ 768,039.91	\$ 768,039.91
CORRECTIONAL INDUSTRIES	-	\$ 1,307,488.89	\$ 1,307,488.89
DET BENEFIT	-	\$ 2,893,917.67	\$ 2,893,917.67
CHILD SUPPORT	-	\$ 5,747,778.52	\$ 5,747,778.52
TAX REFUND	-	\$ 3,547,189.15	\$ 3,547,189.15
MERCHANT DEPOSIT	-	\$ 203,491.89	\$ 203,491.89
TAX REFUND/DIRECT DEPOSIT	-	\$ 1,047,143.40	\$ 1,047,143.40
RITE CARE/RITE SHARE	-	\$ 12,180.28	\$ 12,180.28
DISBURSEMENT ACCOUNT	-	\$ 23,960,392.69	\$ 23,960,392.69
INTERNAL SERVICES	-	\$ 3,343,037.74	\$ 3,343,037.74
RI PUBLIC TELECOM	-	\$ 5,539.11	\$ 5,539.11
PAYROLL A	-	\$ 703,134.36	\$ 703,134.36
PENSION C	-	\$ 3,312,992.94	\$ 3,312,992.94
ET CLEARANCE	-	\$ 13,446.72	\$ 13,446.72
EMPLOYER TAX	-	\$ 73,937.15	\$ 73,937.15
RECREATIONAL AREA	-	\$ 5,808.75	\$ 5,808.75
RECORD CENTER	-	\$ 197,282.60	\$ 197,282.60
Subtotal	\$ 309,517,676.51	\$ 84,038,543.05	\$ 393,556,219.56
G.O. NOTE 1991 SER. B	\$ 0.10	-	\$ 0.10
CCDL1993A	\$ 7,385.38	-	\$ 7,385.38
BOND CCDL 1994 SERIES A	\$ 15,005.06	-	\$ 15,005.06
BOND CCBL96A	\$ 7.07	-	\$ 7.07
CAP DEV OF 1997 SERIES A	\$ 40,471.90	-	\$ 40,471.90
CCDL1998A	\$ 1,710,368.43	-	\$ 1,710,368.43
CCDL 1998B	\$ 48.14	-	\$ 48.14
MMG099 1999	\$ 0.08	-	\$ 0.08
BOND CAPITOL CCDL2000A	\$ 102,412.17	-	\$ 102,412.17
MULTI-MODAL GEN OBL 2000	\$ 0.08	-	\$ 0.08
CCDL2001C	\$ 901,343.08	-	\$ 901,343.08
CCDL2002B	\$ 1,294,997.96	-	\$ 1,294,997.96
CCDL 2004 SERIES A	\$ 5,424,634.75	-	\$ 5,424,634.75
BOND CCDL 2005 SERIES C	\$ 12,595,402.78	-	\$ 12,595,402.78
BOND CCDL 2005 SERIES E	\$ 944,023.79	-	\$ 944,023.79
BOND CCDL 2006 SERIES B	\$ 0.62	-	\$ 0.62
BOND CCDL 2006 SERIES C	\$ 9,848,762.67	-	\$ 9,848,762.67
GO BND-NTAX 2007 SERIES A	\$ 8,905,195.68	-	\$ 8,905,195.68
GO BND-TAX 2007 SERIES B	\$ 110.22	-	\$ 110.22
GO BND-NTAX 2008 SERIES B	\$ 14,135,876.06	-	\$ 14,135,876.06
GO BND-TAX 2008 SERIES C	\$ 234.28	-	\$ 234.28
CCDL10B BOND CAPITAL COMPONENT	\$ 36,355,895.48	-	\$ 36,355,895.48
CCDL10C	\$ 47,578,248.74	-	\$ 47,578,248.74
CCDL10D	\$ 21,621,737.38	-	\$ 21,621,737.38
CLEAN WATER CCDL 1998B	-	-	-
CLEAN WATER CCDL 1994 (A)	\$ 12,366.79	-	\$ 12,366.79
CAP DEV. OF 1997 SERIES A	\$ 22,729.17	-	\$ 22,729.17
CLEAN WATER CCDL 2002 B	-	-	-
CLEAN WATER 2004 SERIES A	\$ 622,340.39	-	\$ 622,340.39
CLN WATER CCDL 2005 SER E	\$ 26,675.73	-	\$ 26,675.73
CAP DEV. OF 1997 SERIES A	-	-	-
RI POLLUT. CONT 94 SER. A	-	-	-
CCDL99A 1999A	\$ 243,991.25	-	\$ 243,991.25
POL. CTRL CCDL 2006 SER C	\$ 233,205.89	-	\$ 233,205.89
CLEAN WATER 2007 SERIES A	\$ 499,237.43	-	\$ 499,237.43
RI POLLUTION CONTROL 2008 B	\$ 698,463.14	-	\$ 698,463.14
CCDL10B CLEAN WATER COMPONENT	\$ 56,150.54	-	\$ 56,150.54
Bond Proceeds Total	\$ 163,897,322.23	-	\$ 163,897,322.23
TANS Proceeds	\$ 10,918.72	-	\$ 10,918.72*
Grand Total	\$ 473,425,917.46	\$ 84,038,543.05	\$ 557,464,460.51

*TANS monies were repaid by June 30, 2010. The \$10,918.72 represents interest earnings for the month of June. These earnings were subsequently transferred to the General Fund.

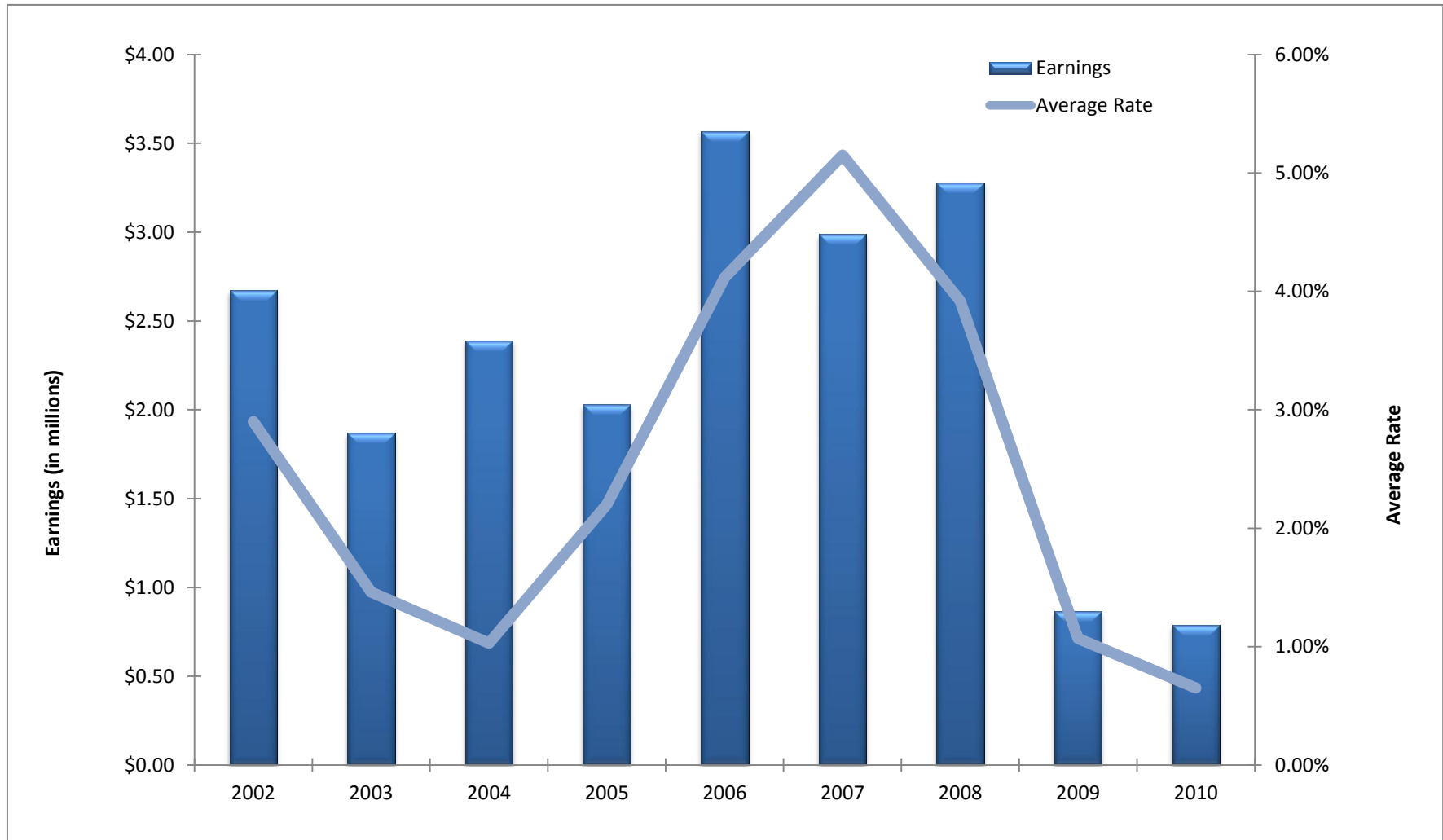
Many funds include investment in Money Market and Collateralized Deposit investment vehicles. These investments do not have a fixed yield or duration and as such, interest earnings on these investments will not be reflected above. These investments pay a dividend, or interest, on the 1st day of the month.

State of Rhode Island
Office of the General Treasurer
Short-Term Percentage Invested
FY 2006-2010



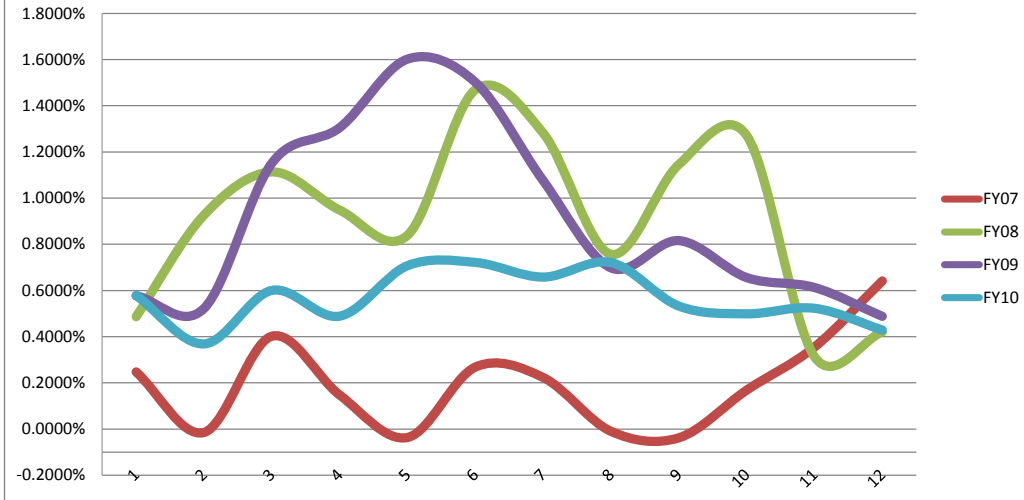
Source Data: This data is derived by calculating the ratio of Invested Balances to Invested Balances + Cash Balances (obtained from reconciliation data from the Business Office).

**State of Rhode Island
Office of the General Treasurer
General Fund Interest Earnings / Average Rate
FY 2002 - FY 2010**

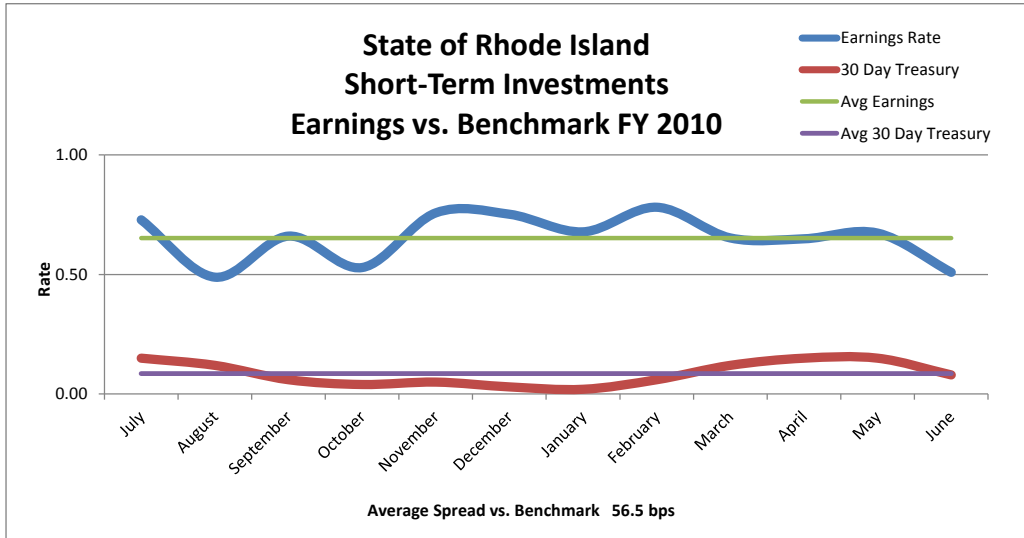


Source Data: Investment Earnings information and Average Rate information are obtained from the State Investment Software: APS2. The Average Rate is the Weighted Average interest rate for an entire fiscal year's short-term investments.

**State of Rhode Island
Short-Term Investments
Earnings Spread VS. Benchmark FY 2007-2010**



**State of Rhode Island
Short-Term Investments
Earnings vs. Benchmark FY 2010**



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

**State of Rhode Island
Office of the General Treasurer
Cash Management Summary
All Funds, FY 2006 - FY 2010**

	<u>FY2010</u>	<u>FY 2009</u>	<u>FY 2008</u>	<u>FY 2007</u>	<u>FY 2006</u>
Average Daily Cash Position	\$ 210,030,288	\$ 301,165,598	\$ 361,690,620	\$ 287,864,043	\$ 218,317,939
Average Daily Bank Balance	\$ 11,845,840	\$ 15,424,041	\$ 11,620,154	\$ 15,053,120	\$ 18,740,977
Percent of Cash Invested	94.71%	95.18%	96.93%	95.07%	92.09%
Percent of GF Cash Invested	98.69%	98.09%	99.60%	98.89%	99.29%
Average Maturity of Portfolio	5.59 Days	3.24 Days	3.69 Days	4.45 Days	5.61 Days
Spread to Benchmark	56.5 Basis Points	84.9 Basis Points	105.3 Basis Points	19.6 Basis Points	9 Basis Points
Average Rate of Return	0.54%	1.28%	3.84%	5.16%	4.08%

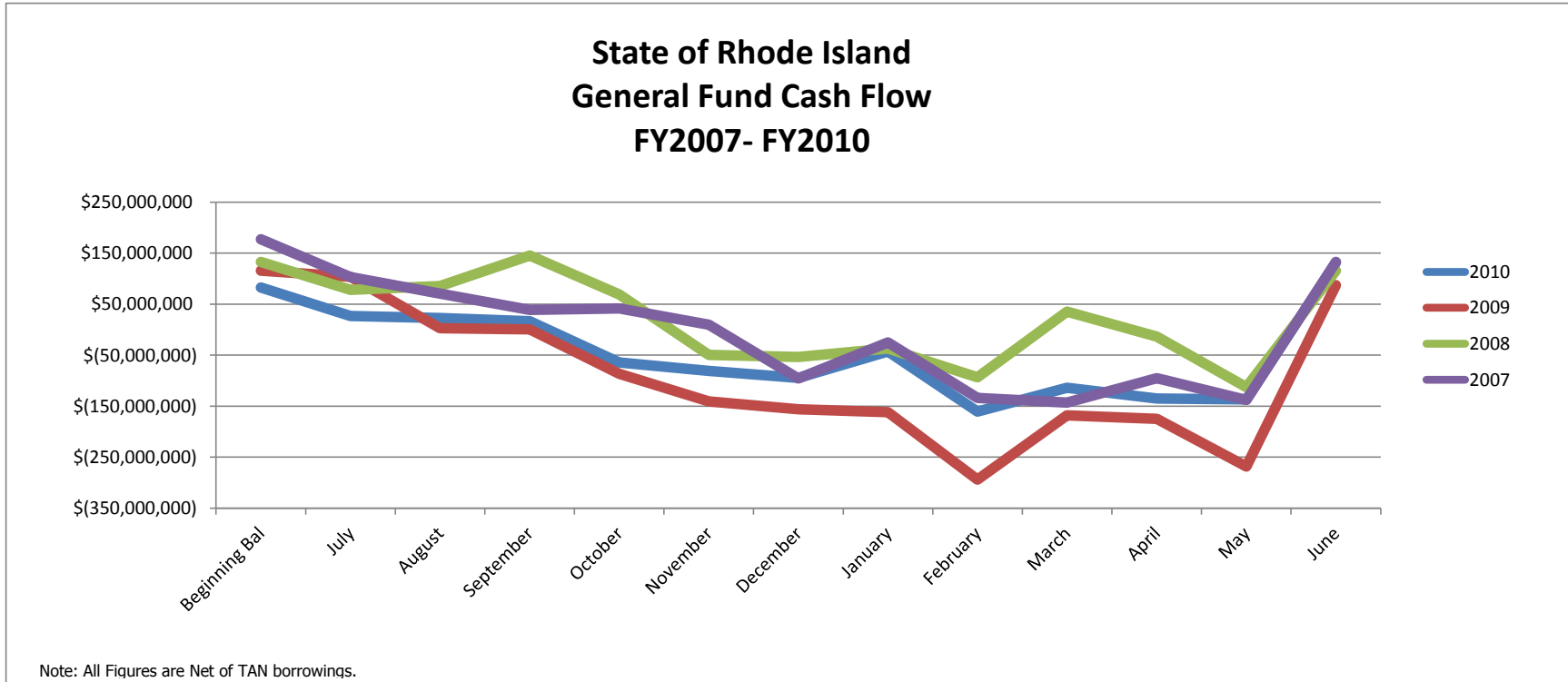
Note: "Cash Position" includes all operating fund investments, inclusive of TANS.

CASH FLOW

**State of Rhode Island
Office of the General Treasurer
Cash Flow Analysis Summary
Fiscal 2010**

	July 2009	August 2009	September 2009	October 2009	November 2009	December 2009	January 2009	February 2009	March 2009	April 2009	May 2009	June 2009	TOTAL
Estimated Beginning Balance	82,647,786	27,044,525	22,782,439	31,909,003	81,939,286	97,722,237	99,910,394	151,534,663	88,611,276	156,873,336	136,066,536	134,526,666	82,647,786
Prior Day Deposits/Adjustments													
Taxation Check Receipts	48,010,159	37,360,828	57,401,616	50,591,096	28,696,974	34,033,243	57,707,949	33,824,819	68,676,724	3,481,832	0	13,481,172	419,785,229
Motor Vehicles	9,064,836	9,554,409	10,241,351	8,979,364	7,444,731	7,588,936	7,035,693	6,533,073	11,958,644	11,389,357	11,495,184	13,481,172	114,766,750
Eleanor Slater / MHRH	660,939	644,399	940,499	2,173,482	2,085,362	1,261,850	607,048	1,606,812	474,210	2,420,432	982,005	1,276,389	15,133,427
Dept Bus Reg	949,057	1,419,244	801,594	1,448,928	766,339	1,817,003	1,609,209	808,291	1,370,598	1,339,626	1,205,155	1,912,807	15,447,850
Secretary of State	318,179	327,244	441,230	431,262	397,034	327,653	417,358	486,315	557,531	297,735	278,102	283,645	4,563,485
DEM	849,469	779,659	394,437	810,659	974,437	675,412	974,573	805,340	1,080,769	1,022,394	984,604	1,059,457	10,411,210
Health	294,327	145,732	836,492	695,016	386,600	116,559	53,800	158,440	167,194	249,536	75,939	68,320	3,247,954
Miscellaneous Receipts	16,587,968	16,601,285	22,888,268	18,118,304	15,669,760	13,876,199	13,004,930	10,713,232	8,277,570	10,702,921	14,512,833	21,652,697	182,605,967
Federal Grants	257,094,369	136,408,582	150,214,548	169,903,157	193,185,743	157,474,257	217,347,624	183,715,975	175,375,209	209,852,801	16,118,522	208,999,403	2,220,756,890
Interest	120,279	41,489	9,064	21,891	27,470	73,875	72,289	96,837	60,576	79,447	95,473	89,076	787,766
Plus: Receipts/Wires Current Day													
Advance Repayment	0	0	0	0	0	0	0	0	0	0	0	0	0
Lottery	0	28,700,000	31,238,241	27,300,000	30,013,042	26,253,814	25,833,736	27,798,796	28,630,589	30,770,500	29,650,000	58,636,139	344,824,857
Payroll	18,361,974	18,105,138	17,964,772	20,974,301	18,058,096	17,918,740	18,103,608	17,968,671	17,942,058	20,911,976	17,827,963	16,653,565	221,790,862
Tsfr - DOT	10,337,506	0	6,243	1,496	3,181	10,339,033	3,605	1,434	1,211	3,546	2,487	20,222,511	40,922,522
Tsfr - University / College	26,208,071	26,116,541	26,811,084	40,614,250	26,882,044	27,718,018	26,579,255	26,933,509	26,813,553	40,337,222	22,829,074	24,482,960	342,315,581
Tsfr - Bond Capital	0	0	23,505	7,286	4,980	3,405	288,971	1,962	1,643	0	6,950,487	17,003,412	24,285,560
TANS Proceeds	0	0	15,500,000	130,585,635	32,267,509	16,000,000	0	55,000,000	21,600,000	0	18,200	85,722,961	356,694,305
Taxation EFT	254,103,981	143,697,721	149,540,144	147,295,874	145,090,084	194,650,237	165,253,039	147,078,055	247,013,604	209,659,401	209,562,305	343,435,135	2,356,379,580
Miscellaneous	8,186,508	9,028,382	5,323,826	4,255,771	5,522,805	2,678,623	16,466,602	4,449,266	4,424,683	5,297,505	10,546,789	16,264,028	92,444,786
Total Available Cash	733,495,408	455,975,177	513,359,352	656,116,772	589,415,476	610,529,084	651,269,684	669,505,487	703,037,641	707,712,732	626,722,531	968,368,873	6,856,887,858
Less: Disbursements													
TANF	3,507,375	3,521,496	3,400,542	3,520,312	3,434,985	3,423,574	3,392,328	3,945,665	3,265,942	3,305,406	3,297,863	3,316,567	40,775,058
Pension	11,637,297	12,864,486	10,765,683	10,712,172	10,786,992	17,638,934	22,634,890	15,293,538	17,004,721	27,533,759	10,929,929	10,951,005	178,783,406
SSI	3,497,000	1,821,000	1,835,000	1,874,000	1,940,205	1,840,000	1,810,000	1,801,000	1,796,000	1,846,000	0	1,877,000	21,937,205
Medicaid	296,779,692	150,151,114	150,456,871	156,698,120	156,855,277	153,370,482	163,525,114	158,778,684	149,298,842	158,400,735	149,916,157	165,284,270	2,009,515,358
Tsfr to Other Fd	7,611,930	1,098,472	7,048,472	6,667,933	6,760,078	19,616,003	13,839,021	23,979,176	8,960,149	9,148,095	23,649,266	9,078,370	137,456,964
Tsfr to Univ College	20,929,510	20,929,509	20,929,508	8,969,790	5,979,860	6,479,859	8,316,467	8,330,930	8,330,932	12,496,398	8,369,419	7,244,913	137,307,096
Personal / Corp. Income tax	11,829,193	4,046,293	5,164,647	5,416,801	9,067,265	22,575,626	6,253,262	54,631,891	63,645,892	19,780,642	27,709,160	32,964,674	263,085,346
Debt Service	20,127,315	36,182,054	18,616,271	11,144,345	26,249,976	1,761,950	2,130,876	32,681,321	9,924,467	7,310,322	45,525,323	363,154,522	574,808,751
TANS & TDI Repayment	0	0	0	0	0	0	0	0	0	0	0	356,694,304	0
DHS - Block Mothers	5,732,062	4,126,243	4,189,196	3,683,134	3,825,121	6,013,113	4,003,415	3,877,584	3,875,210	3,805,279	3,780,479	6,119,954	52,996,105
Payroll/ FICA/ Misc	65,275,493	65,452,249	56,105,090	86,247,946	72,105,262	65,402,188	62,507,253	62,945,911	62,703,419	84,717,306	63,705,045	74,996,817	818,055,688
Payroll/ Workers Comp	2,445,898	2,462,299	2,469,480	3,635,389	2,384,723	2,382,750	2,963,652	2,703,312	2,699,645	4,112,704	0	1,415,939	29,405,791
Payroll/ Health Insurance	16,930,631	17,047,025	17,048,124	25,383,548	16,858,805	16,892,487	16,894,941	16,848,894	16,831,521	25,294,825	3,793,831	10,677,647	200,502,278
Payroll/ Retirement Contribution	14,131,876	14,215,559	14,309,205	21,034,080	13,812,000	13,916,487	13,781,819	13,824,555	13,824,445	13,780,337	3,981,434	9,044,177	161,687,514
Tsfr ISTEA/Split Deposit	11,372,424	12,613,967	12,710,919	12,208,030	11,874,426	12,634,302	11,628,743	10,825,086	10,965,456	242,177	5,591	12,309,169	119,390,290
Other	5,397,798	7,777,412	12,004,322	11,267,842	3,981,078	7,152,094	6,953,960	6,884,622	6,992,462	6,808,316	19,931,503	7,150,770	102,302,178
Disbursements/ACH's	209,545,389	78,883,561	135,569,416	205,714,046	145,777,187	159,518,841	158,881,474	163,483,074	166,901,377	206,649,632	125,990,581	120,454,944	1,877,369,522
State Mun/School Aid	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Disbursements	706,750,883	433,192,738	481,450,350	574,177,487	491,693,239	510,618,690	499,735,021	580,894,211	546,164,305	571,646,196	492,195,866	836,829,564	6,725,348,549
Overall Cash Position	27,044,525	22,782,439	31,909,003	81,939,286	97,722,237	99,910,394	151,534,663	88,611,276	156,873,336	136,066,536	134,526,666	131,539,308	131,539,309
Cash Position Net TANS	27,044,525	22,782,439	16,409,003	(64,146,349)	(80,630,907)	(94,442,750)	(42,818,481)	(160,741,868)	(114,079,808)	(134,886,608)	(136,444,678)	131,539,308	

State of Rhode Island
 Office of the General Treasurer
 General Fund Cash Flow
 FY2007-FY2010



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.

SPECIAL FUNDS

State of Rhode Island
Office of the General Treasurer
Abraham Touro Fund
Investment Summary
FY2010

<u>Fund Name</u>	<u>6/30/2010 Market Value</u>	<u>6/30/2009 Market Value</u>
Abraham Touro Fund (Fidelity Balanced Fund)	\$ 1,821,084	\$ 1,676,097
Total Special Funds	\$ 1,821,084	\$ 1,676,097

Source: Bank Account Statement for Period Ending June 30, 2010 and June 30, 2009, respectively.

ACCOUNTS RECEIVABLE

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

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

Source Data: ERSRI Delinquency Statistics.

DEBT SERVICE

State of Rhode Island - Office of the General Treasurer
Debt Service Inventory by Maturity Date as of 6/30/10

Amount of Original Issue	Description of Issue	Year	Series	Maturity Date	Principal Paid in FY 10	(Actual) Interest Paid in FY 10	Principal Outstanding 6/30/2010	(Projected) Interest Outstanding 6/30/2010
35,990,000.00	G.O. CCDL of 1997, Refunding Series	1997	Refunding	8/1/2009	5,644,000.00	141,100.00	0.00	0.00
65,720,000.00	G.O. CCDL of 1998, Series A	1998	A	9/1/2009	2,315,000.00	57,875.00	0.00	0.00
28,185,000.00	LPC, Correctional Facilities - 1997 Refunding (Intake Center)	1997	Refunding	10/1/2009	2,775,000.00	72,843.75	0.00	0.00
39,875,000.00	Refunding Bond Authority State Public Projects, 1998 Series A	1998	Refunding Series A	2/1/2010	6,040,000.00	317,100.00	0.00	0.00
57,230,000.00	G.O. CCDL of 2000, Series A	2000	A	4/28/2010	0.00	144,500.00	0.00	0.00
63,005,000.00	G.O. CCDL of 2001, Refunding Series B	2001	Refunding Series B	4/28/2010	0.00	263,000.00	0.00	0.00
135,400,000.00	G.O. CCDL of 2001, Series C	2001	C	4/28/2010	0.00	2,804,250.00	0.00	0.00
350,000,000.00	G.O. Tax Anticipation Notes - Fiscal Year 2010	2010	TAN's	6/30/2010	350,000,000.00	7,583,333.33	0.00	0.00
63,120,000.00	G.O. CCDL of 1999, Series A	1999	A	9/1/2010	0.00	141,250.00	2,825,000.00	70,625.00
6,950,000.00	LPC, State Vehicles Project - 2005 Series C	2005	C	4/1/2012	795,000.00	137,137.50	1,590,000.00	83,475.00
77,140,000.00	G.O. CCDL of 2002, Series B	2002	B	11/1/2012	3,695,000.00	895,743.75	10,085,000.00	770,125.00
3,890,000.00	C.O.P. in L.P.A. (State Vehicles Projects), 2002 Series A	2002	A	12/15/2012	270,000.00	54,135.00	810,000.00	50,017.50
6,000,000.00	LPC, State Vehicles Project - 2006 Series A	2006	A	4/15/2013	420,000.00	127,512.00	1,400,000.00	112,662.00
62,765,000.00	G.O. CCDL of 2002, Refunding Series C	2002	Refunding Series C	11/1/2013	5,850,000.00	1,542,975.00	26,465,000.00	2,864,006.25
9,100,000.00	LPC, State Vehicles Project - 2007 Series C	2007	C	5/1/2014	2,490,000.00	284,250.00	1,625,000.00	162,200.00
46,570,000.00	G.O. CCDL of 2008, Refunding Series A	2008	Refunding Series A	7/15/2014	12,680,000.00	1,948,100.00	33,890,000.00	3,486,750.00
8,360,000.00	G.O. CCDL of 2005, Refunding Series B	2005	Refunding Series B	8/1/2014	1,060,000.00	258,206.26	5,955,000.00	632,109.41
55,990,000.00	G.O. CCDL of 2001, Refunding Series A	2001	Refunding Series A	8/1/2015	2,170,000.00	2,479,796.25	46,890,000.00	6,495,407.50
65,830,000.00	G.O. CCDL of 2004, Refunding Series B	2004	Refunding Series B	8/1/2015	3,515,000.00	2,536,051.89	49,825,000.00	7,699,215.00
2,230,000.00	LPC, Attorney General's Building - 2007 Refunding Series G	2007	Refunding Series G	10/1/2015	285,000.00	125,172.50	1,745,000.00	175,417.50
12,380,000.00	LPC, Information Technology Project - 2009 Series A	2009	A	4/1/2016	1,695,000.00	569,595.00	10,685,000.00	1,336,950.00
13,375,000.00	LPC, Howard Center Improvements - 2007 Refunding Series E	2007	Refunding Series E	10/1/2016	1,430,000.00	1,132,500.00	11,200,000.00	1,842,687.50
21,420,000.00	LPC, Shepard's Building - 2007 Refunding Series F	2007	Refunding Series F	10/1/2016	1,910,000.00	1,756,015.00	17,245,000.00	3,231,875.00
23,490,000.00	LPC, Information Technology Project - 2007 Series A	2007	A	5/1/2017	2,870,000.00	1,431,506.25	15,250,000.00	2,844,737.50
8,500,000.00	G.O. CDL of 2007, Series B (Federally Taxable)	2007	B	8/1/2017	680,000.00	393,592.50	7,180,000.00	1,656,136.25
8,500,000.00	G.O. CDL of 2008, Series C (Federally Taxable)	2008	C	2/1/2018	695,000.00	561,537.13	7,805,000.00	2,280,520.52
12,445,000.00	G.O. CCDL of 2008, Refunding Series D	2008	Refunding Series D	2/1/2018	0.00	595,012.71	12,445,000.00	2,622,550.00
56,315,000.00	G.O. CCDL of 2005, Refunding Series D	2005	Refunding Series D	7/15/2018	4,365,000.00	2,519,625.00	51,100,000.00	10,596,025.00
52,335,000.00	G.O. CCDL of 2005, Refunding Series A	2005	Refunding Series A	8/1/2018	55,000.00	2,546,006.26	51,410,000.00	16,958,681.96
23,800,000.00	G.O. CDL of 2010, Series D (Federally Taxable)	2010	D	4/1/2020	0.00	0.00	23,800,000.00	4,893,303.98
22,160,000.00	LPC, Central Power Plant - 2007 Refunding Series D	2007	Refunding Series D	10/1/2020	1,385,000.00	1,717,957.50	19,650,000.00	5,131,513.75
78,960,000.00	G.O. CCDL of 2010, Refunding Series A	2010	Refunding Series A	10/1/2020	0.00	0.00	78,960,000.00	20,965,683.13
11,805,000.00	LPC, Energy Conservation Project - 2009 Series B	2009	B	4/1/2021	240,000.00	721,912.50	11,565,000.00	3,486,212.50
74,835,000.00	G.O. CCDL of 2006, Refunding Series A	2006	Refunding Series A	8/1/2022	140,000.00	3,262,512.50	68,745,000.00	26,675,843.77
79,770,000.00	G.O. CCDL of 2004, Series A	2004	A	2/1/2023	3,365,000.00	2,899,150.00	60,485,000.00	20,948,575.00
12,735,000.00	LPC, Energy Conservation Project - 2007 Series B	2007	B	5/1/2023	660,000.00	784,546.89	11,455,000.00	3,575,268.86
58,910,000.00	LPC, Kent County Courthouse Project - 2004 Series A	2004	A	10/1/2023	2,450,000.00	4,300,997.50	47,240,000.00	17,420,731.25
87,095,000.00	G.O. CCDL of 2005, Series C	2005	C	2/15/2024	3,470,000.00	3,601,375.00	71,340,000.00	28,626,912.50
51,985,000.00	LPC, Training School Project - 2005 Series A	2005	A	10/1/2024	1,970,000.00	4,456,950.00	44,500,000.00	18,707,250.00
21,565,000.00	LPC, Traffic Tribunal Project - 2005 Series B	2005	B	10/1/2024	875,000.00	1,590,110.00	18,215,000.00	6,932,518.85
93,385,000.00	G.O. CCDL of 2005, Series E	2005	E	11/1/2025	3,240,000.00	3,869,521.26	81,220,000.00	33,697,733.27
98,105,000.00	G.O. CCDL of 2006, Series C	2006	C	11/15/2025	3,545,000.00	4,191,766.25	87,980,000.00	37,520,662.50
20,680,000.00	G.O. CDL of 2006, Series B	2006	B	8/1/2026	740,000.00	819,028.76	18,550,000.00	7,925,688.22
123,255,000.00	G.O. CCDL of 2007, Series A	2007	A	8/1/2027	3,840,000.00	5,599,027.50	115,765,000.00	57,241,841.25
86,875,000.00	G.O. CCDL of 2008, Series B	2008	B	2/1/2028	2,430,000.00	4,816,325.76	84,445,000.00	47,636,250.00

30,425,000.00	LPC, School for the Deaf Project - 2009 Series C	2009	C	4/1/2029	925,000.00	2,240,506.67	29,500,000.00	17,647,587.52
40,865,000.00	G.O. CDL of 2010, Series B (Tax Exempt)	2010	B	4/1/2030	0.00	0.00	40,865,000.00	22,612,044.44
80,000,000.00	G.O. CDL of 2010, Series C	2010	C	4/1/2030	0.00	0.00	80,000,000.00	71,039,765.42
	Subtotal from the DBC system.				442,979,000.00	78,251,410.17	1,361,705,000.00	518,657,560.10
	Total outstanding debt @ 6/30/10							<u>1,361,705,000.00</u>
								<u>1,880,362,560.10</u>
11,325,000.00	R.I.E.D.C. McCoy Stadium Issue, Series 1998	1998	McCoy Stadium	12/1/2010	1,090,000.00	7,834.72	1,130,000.00	25,425.00
					444,069,000.00	78,259,244.89		
								<u>78,299,244.89</u>
	Total FY 10 debt service payments made by Treasury including McCoy Stadium from the Excel cumulative worksheets.							<u>522,368,244.89</u>

State of Rhode Island									
Office of the General Treasurer									
Debt Service System Inventory of Matured or Retired Issues - Fiscal Year 2010									
File #	Amount of Original Issue	Description of Issue	Paying Agent	Year	Series	Type	Bond Use	Specific Use	Maturity or Retirement Date
65	35,990,000.00	G.O. CCDL of 1997, Refunding Series	Bank of New York	1997	Refunding	CCDL	Direct	General Obligation	8/1/2009
74	65,720,000.00	G.O. CCDL of 1998, Series A	U.S. Bank	1998	A	CCDL	Direct	General Obligation	9/1/2009
62	28,185,000.00	LPC, Correctional Facilities - 1997 Refunding (Intake Center)	U.S. Bank	1997	Refunding	LPC	State	Lease Part. Certificate	10/1/2009
71	39,875,000.00	Refunding Bond Authority State Public Projects, 1998 Series A	U.S. Bank	1998	Refunding Series A	RBA	Other	Refunding Bond Authority	2/1/2010
83	57,230,000.00	G.O. CCDL of 2000, Series A	U.S. Bank	2000	A	CCDL	Direct	General Obligation	4/28/2010
90	63,005,000.00	G.O. CCDL of 2001, Refunding Series B	U.S. Bank	2001	Refunding Series B	CCDL	Direct	General Obligation	4/28/2010
93	135,400,000.00	G.O. CCDL of 2001, Series C	U.S. Bank	2001	C	CCDL	Direct	General Obligation	4/28/2010
143	350,000,000.00	G.O. Tax Anticipation Notes - Fiscal Year 2010	U.S. Bank	2010	TAN's	TAN's	Direct	Tax Anticipation Notes	6/30/2010

State of Rhode Island - Office of the General Treasurer
Debt Service Inventory by Maturity Date as of 6/30/10

Amount of Original Issue	Description of Issue	Year	Series	Maturity Date	Principal Paid in FY 10	(Actual) Interest Paid in FY 10	Principal Outstanding 6/30/2010	(Projected) Interest Outstanding 6/30/2010
35,990,000.00	G.O. CCDL of 1997, Refunding Series	1997	Refunding	8/1/2009	5,644,000.00	141,100.00	0.00	0.00
65,720,000.00	G.O. CCDL of 1998, Series A	1998	A	9/1/2009	2,315,000.00	57,875.00	0.00	0.00
28,185,000.00	LPC, Correctional Facilities - 1997 Refunding (Intake Center)	1997	Refunding	10/1/2009	2,775,000.00	72,843.75	0.00	0.00
39,875,000.00	Refunding Bond Authority State Public Projects, 1998 Series A	1998	Refunding Series A	2/1/2010	6,040,000.00	317,100.00	0.00	0.00
57,230,000.00	G.O. CCDL of 2000, Series A	2000	A	4/28/2010	0.00	144,500.00	0.00	0.00
63,005,000.00	G.O. CCDL of 2001, Refunding Series B	2001	Refunding Series B	4/28/2010	0.00	263,000.00	0.00	0.00
135,400,000.00	G.O. CCDL of 2001, Series C	2001	C	4/28/2010	0.00	2,804,250.00	0.00	0.00
350,000,000.00	G.O. Tax Anticipation Notes - Fiscal Year 2010	2010	TAN's	6/30/2010	350,000,000.00	7,583,333.33	0.00	0.00
63,120,000.00	G.O. CCDL of 1999, Series A	1999	A	9/1/2010	0.00	141,250.00	2,825,000.00	70,625.00
6,950,000.00	LPC, State Vehicles Project - 2005 Series C	2005	C	4/1/2012	795,000.00	137,137.50	1,590,000.00	83,475.00
77,140,000.00	G.O. CCDL of 2002, Series B	2002	B	11/1/2012	3,695,000.00	895,743.75	10,085,000.00	770,125.00
3,890,000.00	C.O.P. in L.P.A. (State Vehicles Projects), 2002 Series A	2002	A	12/15/2012	270,000.00	54,135.00	810,000.00	50,017.50
6,000,000.00	LPC, State Vehicles Project - 2006 Series A	2006	A	4/15/2013	420,000.00	127,512.00	1,400,000.00	112,662.00
62,765,000.00	G.O. CCDL of 2002, Refunding Series C	2002	Refunding Series C	11/1/2013	5,850,000.00	1,542,975.00	26,465,000.00	2,864,006.25
9,100,000.00	LPC, State Vehicles Project - 2007 Series C	2007	C	5/1/2014	2,490,000.00	284,250.00	1,625,000.00	162,200.00
46,570,000.00	G.O. CCDL of 2008, Refunding Series A	2008	Refunding Series A	7/15/2014	12,680,000.00	1,948,100.00	33,890,000.00	3,486,750.00
8,360,000.00	G.O. CCDL of 2005, Refunding Series B	2005	Refunding Series B	8/1/2014	1,060,000.00	258,206.26	5,955,000.00	632,109.41
55,990,000.00	G.O. CCDL of 2001, Refunding Series A	2001	Refunding Series A	8/1/2015	2,170,000.00	2,479,796.25	46,890,000.00	6,495,407.50
65,830,000.00	G.O. CCDL of 2004, Refunding Series B	2004	Refunding Series B	8/1/2015	3,515,000.00	2,536,051.89	49,825,000.00	7,699,215.00
2,230,000.00	LPC, Attorney General's Building - 2007 Refunding Series G	2007	Refunding Series G	10/1/2015	285,000.00	125,172.50	1,745,000.00	175,417.50
12,380,000.00	LPC, Information Technology Project - 2009 Series A	2009	A	4/1/2016	1,695,000.00	569,595.00	10,665,000.00	1,336,950.00
13,375,000.00	LPC, Howard Center Improvements - 2007 Refunding Series E	2007	Refunding Series E	10/1/2016	1,430,000.00	1,132,500.00	11,200,000.00	1,842,687.50
21,420,000.00	LPC, Shepard's Building - 2007 Refunding Series F	2007	Refunding Series F	10/1/2016	1,910,000.00	1,756,015.00	17,245,000.00	3,231,875.00
23,490,000.00	LPC, Information Technology Project - 2007 Series A	2007	A	5/1/2017	2,870,000.00	1,431,506.25	15,250,000.00	2,844,737.50
8,500,000.00	G.O. CDL of 2007, Series B (Federally Taxable)	2007	B	8/1/2017	680,000.00	393,592.50	7,180,000.00	1,656,136.25
8,500,000.00	G.O. CDL of 2008, Series C (Federally Taxable)	2008	C	2/1/2018	695,000.00	561,537.13	7,805,000.00	2,280,520.52
12,445,000.00	G.O. CCDL of 2008, Refunding Series D	2008	Refunding Series D	2/1/2018	0.00	595,012.71	12,445,000.00	2,622,550.00
56,315,000.00	G.O. CCDL of 2005, Refunding Series D	2005	Refunding Series D	7/15/2018	4,365,000.00	2,519,625.00	51,100,000.00	10,596,025.00
52,335,000.00	G.O. CCDL of 2005, Refunding Series A	2005	Refunding Series A	8/1/2018	55,000.00	2,546,006.26	51,410,000.00	16,958,681.96
23,800,000.00	G.O. CDL of 2010, Series D (Federally Taxable)	2010	D	4/1/2020	0.00	0.00	23,800,000.00	4,893,303.98
22,160,000.00	LPC, Central Power Plant - 2007 Refunding Series D	2007	Refunding Series D	10/1/2020	1,385,000.00	1,717,957.50	19,650,000.00	5,131,513.75
78,960,000.00	G.O. CCDL of 2010, Refunding Series A	2010	Refunding Series A	10/1/2020	0.00	0.00	78,960,000.00	20,965,683.13
11,805,000.00	LPC, Energy Conservation Project - 2009 Series B	2009	B	4/1/2021	240,000.00	721,912.50	11,565,000.00	3,486,212.50
74,835,000.00	G.O. CCDL of 2006, Refunding Series A	2006	Refunding Series A	8/1/2022	140,000.00	3,262,512.50	68,745,000.00	26,675,843.77
79,770,000.00	G.O. CCDL of 2004, Series A	2004	A	2/1/2023	3,365,000.00	2,899,150.00	60,485,000.00	20,948,575.00
12,735,000.00	LPC, Energy Conservation Project - 2007 Series B	2007	B	5/1/2023	660,000.00	784,546.89	11,455,000.00	3,575,268.86
58,910,000.00	LPC, Kent County Courthouse Project - 2004 Series A	2004	A	10/1/2023	2,450,000.00	4,300,997.50	47,240,000.00	17,420,731.25
87,095,000.00	G.O. CCDL of 2005, Series C	2005	C	2/15/2024	3,470,000.00	3,601,375.00	71,340,000.00	28,626,912.50
51,985,000.00	LPC, Training School Project - 2005 Series A	2005	A	10/1/2024	1,970,000.00	4,456,950.00	44,500,000.00	18,707,250.00
21,565,000.00	LPC, Traffic Tribunal Project - 2005 Series B	2005	B	10/1/2024	875,000.00	1,590,110.00	18,215,000.00	6,932,518.85
93,385,000.00	G.O. CCDL of 2005, Series E	2005	E	11/1/2025	3,240,000.00	3,869,521.26	81,220,000.00	33,697,733.27
98,105,000.00	G.O. CCDL of 2006, Series C	2006	C	11/15/2025	3,545,000.00	4,191,766.25	87,980,000.00	37,520,662.50
20,680,000.00	G.O. CDL of 2006, Series B	2006	B	8/1/2026	740,000.00	819,028.76	18,550,000.00	7,925,688.22
123,255,000.00	G.O. CCDL of 2007, Series A	2007	A	8/1/2027	3,840,000.00	5,599,027.50	115,765,000.00	57,241,841.25
86,875,000.00	G.O. CCDL of 2008, Series B	2008	B	2/1/2028	2,430,000.00	4,816,325.76	84,445,000.00	47,636,250.00

30,425,000.00	LPC, School for the Deaf Project - 2009 Series C	2009	C	4/1/2029	925,000.00	2,240,506.67	29,500,000.00	17,647,587.52
40,865,000.00	G.O. CDL of 2010, Series B (Tax Exempt)	2010	B	4/1/2030	0.00	0.00	40,865,000.00	22,612,044.44
80,000,000.00	G.O. CDL of 2010, Series C	2010	C	4/1/2030	0.00	0.00	80,000,000.00	71,039,765.42
Subtotal from the DBC system.					442,979,000.00	78,251,410.17	1,361,705,000.00	518,657,560.10
Total outstanding debt @ 6/30/10								<u>1,361,705,000.00</u>
								<u>1,880,362,560.10</u>
11,325,000.00	R.I.E.D.C. McCoy Stadium Issue, Series 1998	1998	McCoy Stadium	12/1/2010	1,090,000.00	7,834.72	1,130,000.00	25,425.00
					444,069,000.00	78,259,244.89		
								<u>78,299,244.89</u>
Total FY 10 debt service payments made by Treasury including McCoy Stadium from the Excel cumulative worksheets.								<u>522,368,244.89</u>

State of Rhode Island									
Office of the General Treasurer									
Debt Service System Inventory of Matured or Retired Issues - Fiscal Year 2010									
File #	Amount of Original Issue	Description of Issue	Paying Agent	Year	Series	Type	Bond Use	Specific Use	Maturity or Retirement Date
65	35,990,000.00	G.O. CCDL of 1997, Refunding Series	Bank of New York	1997	Refunding	CCDL	Direct	General Obligation	8/1/2009
74	65,720,000.00	G.O. CCDL of 1998, Series A	U.S. Bank	1998	A	CCDL	Direct	General Obligation	9/1/2009
62	28,185,000.00	LPC, Correctional Facilities - 1997 Refunding (Intake Center)	U.S. Bank	1997	Refunding	LPC	State	Lease Part. Certificate	10/1/2009
71	39,875,000.00	Refunding Bond Authority State Public Projects, 1998 Series A	U.S. Bank	1998	Refunding Series A	RBA	Other	Refunding Bond Authority	2/1/2010
83	57,230,000.00	G.O. CCDL of 2000, Series A	U.S. Bank	2000	A	CCDL	Direct	General Obligation	4/28/2010
90	63,005,000.00	G.O. CCDL of 2001, Refunding Series B	U.S. Bank	2001	Refunding Series B	CCDL	Direct	General Obligation	4/28/2010
93	135,400,000.00	G.O. CCDL of 2001, Series C	U.S. Bank	2001	C	CCDL	Direct	General Obligation	4/28/2010
143	350,000,000.00	G.O. Tax Anticipation Notes - Fiscal Year 2010	U.S. Bank	2010	TAN's	TAN's	Direct	Tax Anticipation Notes	6/30/2010

Appendix C

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

Fiscal Year	Principal	Interest	Total Gross Debt Service	Less:Other Offsets	Less: Motor Fuel & Self Supporting(2)	Net Debt Service Payable(1)
2010	135,104,631	92,695,608	227,800,239	(7,252,005)	1,243,494	221,791,728
2011	128,079,452	102,385,316	230,464,768	(9,071,939)	1,294,131	222,686,960
2012	155,156,235	109,553,412	264,709,647	(8,111,590)	1,294,831	257,892,889
2013	173,309,654	110,691,342	284,000,996	(7,265,102)	1,304,541	278,040,436
2014	177,736,290	108,896,326	286,632,616	(6,461,601)	1,310,103	281,481,119
2015	181,626,701	104,830,720	286,457,421	(6,044,258)	1,271,778	281,684,942
2016	185,826,277	100,567,885	286,394,161	(6,047,660)	1,254,681	281,601,183
2017	189,722,050	95,873,243	285,595,292	(6,046,280)	1,608,309	281,157,322
2018	186,099,697	91,200,077	277,299,774	(6,040,116)	1,615,588	272,875,246
2019	156,886,969	86,352,701	243,239,671	(6,044,171)	1,619,194	238,814,694
2020	147,422,632	83,489,918	230,912,550	(6,042,370)	1,626,600	226,496,781
2021	152,563,059	81,073,261	233,636,320	(4,749,776)	1,632,075	230,518,619
2022	141,842,044	78,723,034	220,565,078	(4,750,638)	1,645,899	217,460,339
2023	150,791,975	76,549,401	227,341,376	(4,747,885)	1,643,943	224,237,434
2024	140,168,601	74,053,841	214,222,442	(4,749,708)	1,646,218	211,118,952
2025	137,422,143	71,956,311	209,378,454	(4,751,933)	2,121,818	206,748,339
2026	137,777,929	70,012,339	207,790,268	(3,921,848)	5,014,431	208,882,851
2027	128,987,647	68,247,590	197,235,237	(4,050,406)	-	193,184,831
2028	116,016,878	66,589,300	182,606,178	-	-	182,606,178
	2,922,540,863	1,673,741,625	4,596,282,489	(106,149,278)	29,147,632	4,519,280,843

(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 which are shown on subsequent schedules.

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

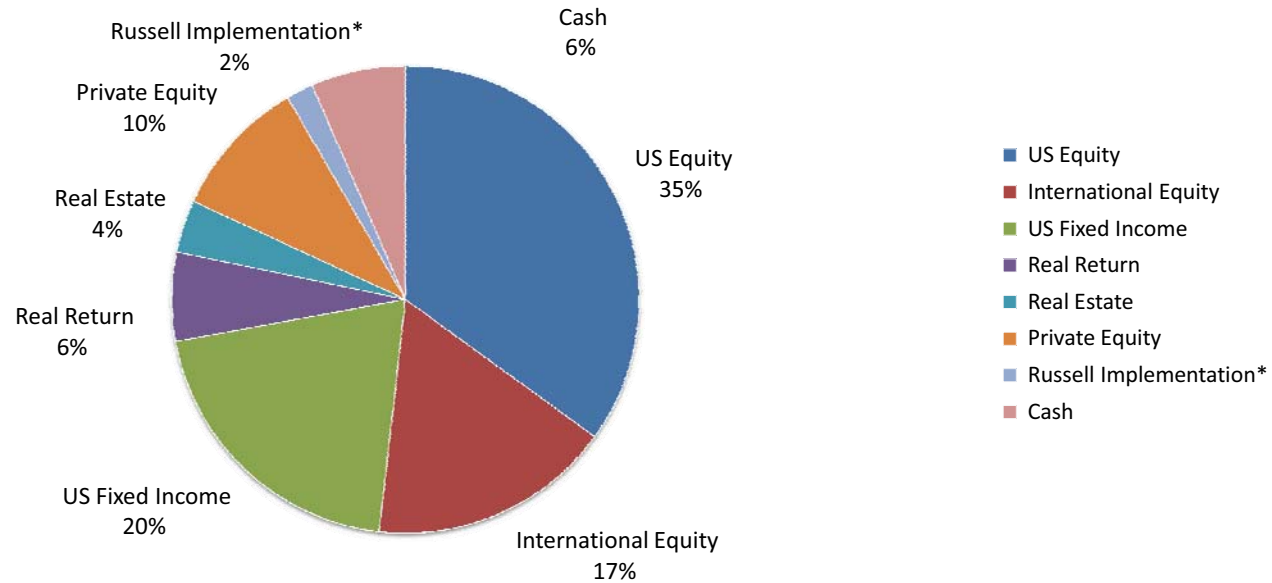
RI EMPLOYEES RETIREMENT SYSTEM

**STATE OF RHODE ISLAND
ASSET ALLOCATION REPORT
June 30, 2010**

	Style Mandate	Actual (Millions \$)	
<i>Domestic Equity</i>			
SSGA S&P 500 INDEX FUND	Passive	1,569.79	24.10%
WELLINGTON TECHNICAL EQUITY	Passive	134.85	2.07%
SHOTT CAPITAL	Enhanced Equity	1.52	0.02%
RUSSELL 2000 INDEX FUND	Tactical Equity	573.47	8.80%
TOTAL DOMESTIC EQUITY		2,279.63	35.00%
<i>International Equity</i>			
MSCI ACWI EX US INDEX FUND	Passive	1,094.17	16.80%
TAX RECLAIMS	Closed	0.26	0.00%
SSGA TRANSITION ACCOUNT	Closed	0.26	0.00%
TOTAL INT'L EQUITY		1,094.69	16.81%
<i>Domestic Fixed Income</i>			
BROWN BROTHERS HARRIMAN - CORE	Opportunistic Core	354.01	5.43%
PYRAMIS GLOBAL ADVISORS	Mortgages	456.36	7.01%
MACKAY SHIELDS, LLC	High Yield	158.37	2.43%
TAPLIN, CANIDA & HABACHT	Corporates	354.34	5.44%
TOTAL FIXED-INCOME		1,323.08	20.31%
<i>Alternative Investments</i>			
Real Estate	Real Estate	236.46	3.63%
Pacific Corp Group	Private Equity	631.68	9.70%
TOTAL ALTERNATIVE INVESTMENTS		868.14	13.33%
<i>Real Return Pool</i>			
BROWN BROTHERS HARRIMAN - TIPS	TIPS	400.51	6.15%
TOTAL REAL RETURN POOL		400.51	6.15%
<i>Cash</i>			
CASH EQUIVALENTS	STIF, Yield+	61.54	0.94%
FIXED INCOME CASH ACCOUNT	STIF, Yield+	364.24	5.59%
<i>Other</i>			
Russell Implementation Services		121.98	1.87%
TOTAL ASSETS		6,513.82	100.00%

State of Rhode Island

Asset Allocation
6/30/2010

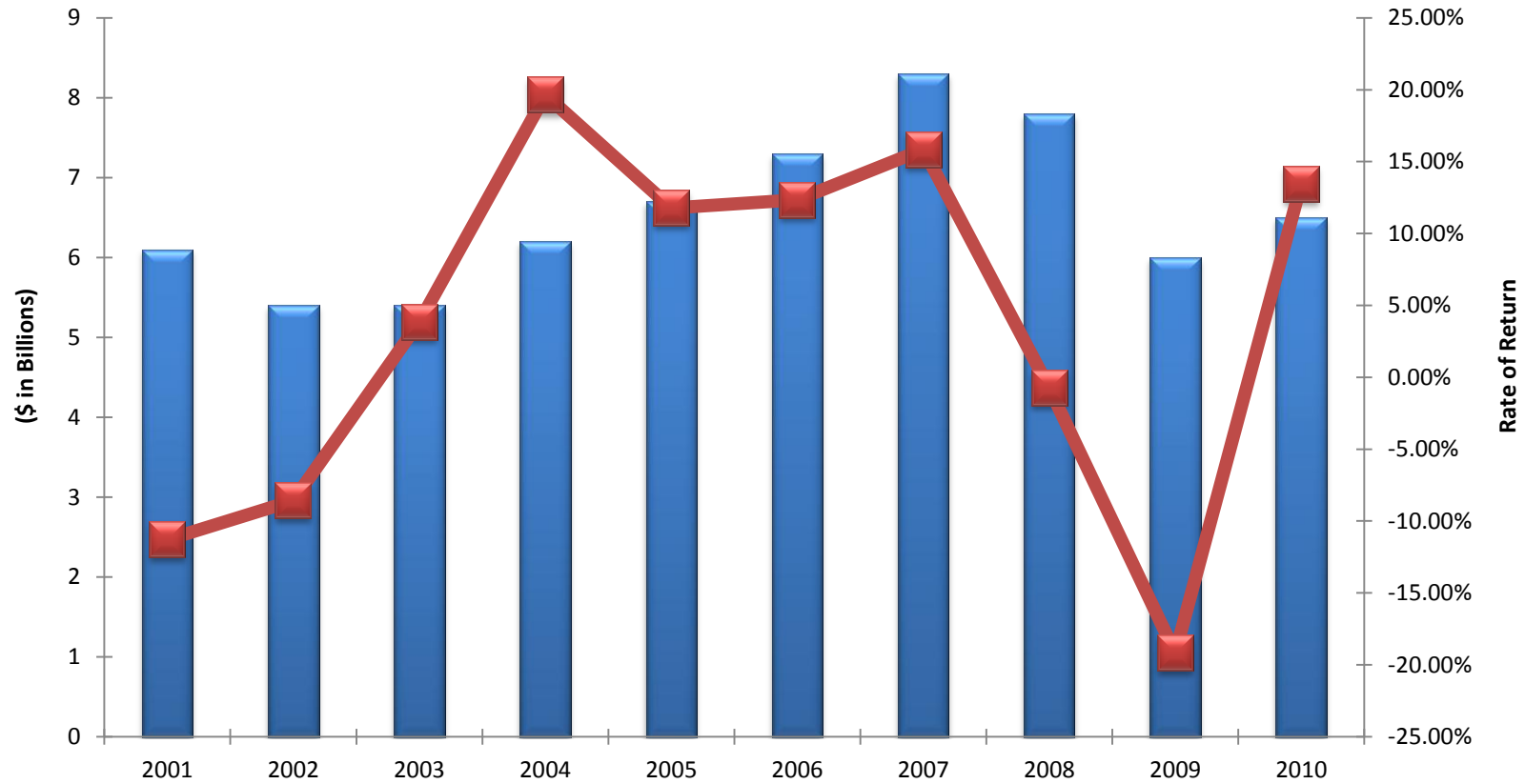


	Value	Allocation
US Equity	2,279.63	35.0%
International Equity	1,094.69	16.8%
US Fixed Income	1,323.08	20.3%
Real Return	400.51	6.1%
Real Estate	236.46	3.6%
Private Equity	631.68	9.7%
Russell Implementation*	121.98	1.9%
Cash	425.78	6.5%
Total Fund	6,513.82	100.0%

* Difference in actual investment allocation versus target allocation policy is offset by the notional overlay provided by the Russell Implementation account.

**State of Rhode Island
Employees Retirement System
Market Valuation and Rates of Return
FY01-FY10**

Valuation
Rate of Return



State of Rhode Island
Office of the General Treasurer
Private Equity
FY 2010

Limited Partnership	First Funding Date	Investment Type	Commitment	Unfunded Commitment	Total Contribution	Total Distributions	Market Value at 6/30/2010	IRR
ABS Capital Partners II	7/29/1996	Buyout	5,000,000.00	-	4,936,159.00	5,962,564.51	-	7.70
Alta BioPharma Partners	4/10/1998	Venture Capital	10,000,000.00	-	10,003,993.00	14,987,297.14	-	21.11
Alta BioPharma Partners III	11/19/2003	Venture Capital	15,000,000.00	2,250,000.00	12,750,000.00	2,576,995.64	8,300,235.00	(3.86)
Alta California Partners II	12/21/1998	Venture Capital	10,000,000.00	-	10,038,807.00	7,007,320.45	-	(7.13)
Alta California Partners III	3/16/2001	Venture Capital	15,000,000.00	-	15,178,673.00	12,208,027.43	-	(4.74)
Alta Partners VIII	11/30/2006	Venture Capital	15,000,000.00	6,000,000.00	9,000,000.00	-	7,584,842.00	(7.60)
Apollo Investment Fund IV	6/25/1998	Buyout	15,000,000.00	41,214.94	15,471,215.06	21,802,558.00	2,398,926.00	7.96
Apollo Investment Fund VI	5/10/2006	Buyout	20,000,000.00	2,532,173.43	23,354,559.85	6,785,712.00	18,900,040.00	4.82
Apollo Investment Fund VII	8/5/2008	Buyout	25,000,000.00	15,460,421.00	13,508,688.00	4,476,944.00	10,507,710.00	13.29
Aurora Equity Partners II	5/22/1998	Buyout	15,000,000.00	-	16,847,386.00	12,428,137.00	10,679,682.24	4.98
Aurora Equity Partners III	11/16/2004	Buyout	15,000,000.00	769,174.00	16,097,752.00	6,545,458.00	14,238,086.00	16.39
Avenue Special Situations Fund III	1/22/2003	Distressed Debt	15,000,000.00	-	19,254,494.00	26,455,723.00	62,198.00	16.67
Avenue Special Situations Fund IV	3/27/2006	Distressed Debt	20,000,000.00	-	25,179,595.00	15,823,080.00	15,614,505.00	8.00
Avenue Special Situations Fund V	8/31/2007	Distressed Debt	20,000,000.00	-	20,119,941.00	546,331.00	22,996,520.00	8.57
Bain Capital Fund X, L.P.	1/15/2008	Buyout	25,000,000.00	15,625,000.00	9,375,000.00	882,648.00	7,141,983.00	(10.43)
Birch Hill Equity Partners III	12/13/2005	Buyout	17,169,019.46	1,054,631.80	16,802,971.45	2,863,263.22	18,164,800.65	9.81
Blackstone Capital Partners III Merchant Banking Fund	11/3/1997	Buyout	20,000,000.00	-	21,714,819.00	35,910,878.99	-	12.71
Blackstone Capital Partners IV	1/10/2003	Buyout	25,000,000.00	-	27,271,681.97	54,576,924.24	-	38.30
Blackstone Capital Partners V	1/30/2006	Buyout	20,000,000.00	-	18,267,015.00	11,219,657.10	-	(18.36)
Boston Ventures V	11/18/1996	Buyout	5,000,000.00	-	5,785,992.00	7,901,333.00	-	6.61
CVC European Equity Partners II	7/9/1998	Buyout	15,000,000.00	-	17,293,353.00	35,768,975.35	-	19.44
CVC European Equity Partners III	9/4/2001	Buyout	20,000,000.00	899,966.05	23,158,042.77	49,207,885.30	10,387,461.00	42.48
CVC European Equity Partners IV	8/31/2005	Buyout	20,139,143.17	2,570,283.36	20,838,884.94	9,550,608.57	15,290,589.53	8.95
CVC European Equity Partners V	8/29/2008	Buyout	24,411,082.63	19,260,098.18	6,241,449.25	123,323.19	6,221,357.26	1.25
Castile Ventures III	12/28/2006	Venture Capital	5,000,000.00	1,725,000.00	3,284,730.00	326,686.89	2,230,794.00	(12.77)
Catterton Partners V	10/29/2003	Buyout	15,000,000.00	-	16,239,727.00	19,262,193.37	-	5.23
Catterton Partners VI	12/14/2006	Buyout	15,000,000.00	-	10,453,453.00	8,544,926.93	-	(7.67)
Centerbridge Capital Partners, L.P.	8/3/2006	Distressed Debt	15,000,000.00	2,586,632.28	17,843,665.91	6,207,680.00	16,333,439.00	18.12
Charterhouse Capital Partners VII	1/20/2003	Buyout	18,308,311.97	-	16,462,983.55	29,479,471.06	-	39.59
Charterhouse Capital Partners VIII LP	4/19/2006	Buyout	18,308,311.97	3,770,628.85	16,423,288.76	-	11,114,844.38	(12.74)
Coller International Partners IV, L.P.	11/6/2002	Secondary	15,000,000.00	2,100,000.00	13,244,378.28	11,856,453.02	6,113,545.00	15.23
Coller International Partners V, L.P.	12/21/2006	Secondary	15,000,000.00	6,787,500.00	8,550,000.00	1,404,022.30	6,987,306.00	(1.08)
Constellation Ventures III	10/23/2008	Venture Capital	15,000,000.00	7,847,081.83	7,152,918.17	-	6,505,027.00	(7.43)
Crossroads Providence	12/6/1988	Fund of Funds	45,000,000.00	-	45,000,000.00	106,747,689.81	78,365.42	19.94
Doughty Hanson Fund II	3/8/1996	Buyout	4,680,445.50	-	4,632,838.92	9,556,348.07	-	49.45
Doughty Hanson Fund III	11/3/1997	Buyout	15,000,000.00	-	15,698,375.80	34,482,271.41	-	17.35
Fenway Partners Capital Fund II	9/9/1998	Buyout	15,000,000.00	348,826.02	18,346,584.00	19,143,123.89	4,070,881.00	6.90
Fenway Partners Capital Fund III	12/14/2007	Buyout	15,000,000.00	3,963,217.00	12,348,625.00	1,408,790.00	8,672,974.00	(9.96)
First Reserve Fund IX, L.P.	4/9/2001	Buyout	20,000,000.00	-	21,640,174.00	61,534,728.98	67,000.00	48.12
First Reserve Fund VIII, LP	4/30/1998	Buyout	15,000,000.00	-	16,169,268.00	31,011,849.89	99,000.00	15.83
First Reserve Fund X, L.P.	10/28/2004	Buyout	20,000,000.00	1.00	19,999,999.00	23,613,285.00	11,762,000.00	36.85
First Reserve Fund XI, L.P.	12/14/2006	Buyout	20,000,000.00	4,646,414.00	16,847,405.00	2,179,734.00	13,126,000.00	(4.53)
Focus Ventures III	8/1/2006	Venture Capital	15,000,000.00	2,775,000.00	12,225,000.00	2,923,233.09	7,404,592.47	(9.96)
Granite Global Ventures II	11/19/2004	Venture Capital	15,000,000.00	675,000.00	14,333,349.67	3,630,847.83	10,131,844.00	(1.11)
Granite Global Ventures III	11/1/2006	Venture Capital	15,000,000.00	4,500,000.00	10,500,043.00	1,654,654.18	8,679,070.00	(0.95)
Green Equity Investors IV	2/26/2003	Buyout	15,000,000.00	345,838.84	15,357,723.76	4,721,431.97	13,172,104.00	4.50
Green Equity Investors V	8/10/2007	Buyout	20,000,000.00	11,999,808.44	8,595,997.56	1,892,551.28	8,448,756.00	12.34
Harvest Partners III, L.P.	12/19/1997	Buyout	15,000,000.00	364,023.61	14,635,976.39	6,821,156.24	982,637.00	(11.18)
Harvest Partners IV, L.P.	11/12/2001	Buyout	15,000,000.00	-	14,939,579.00	31,485,866.00	-	36.52
Heritage Fund II	8/18/1997	Buyout	5,000,000.00	-	4,997,312.00	4,552,947.00	-	(1.53)
Kayne Anderson Energy Fund III, L.P.	4/13/2005	Buyout	15,000,000.00	2,202,794.00	12,797,206.00	7,506,184.00	8,947,460.00	18.41
Kayne Anderson Energy Fund IV, L.P.	7/13/2007	Buyout	15,000,000.00	7,350,000.00	7,650,000.00	-	6,997,705.00	(5.63)
LNK Partners	4/13/2006	Buyout	12,500,000.00	3,393,750.84	9,108,501.68	-	8,339,743.00	(4.67)

State of Rhode Island
Office of the General Treasurer
Private Equity
FY 2010

Limited Partnership	First Funding Date	Investment Type	Commitment	Unfunded Commitment	Total Contribution	Total Distributions	Market Value at 6/30/2010	IRR
Leapfrog Ventures II	3/15/2005	Venture Capital	10,000,000.00	1,935,000.00	8,065,000.00	947,169.30	7,459,706.00	1.57
Leeds Weld Equity Partners IV	11/12/2004	Buyout	10,000,000.00	132,206.08	9,945,209.04	3,756,652.60	11,907,211.00	13.33
Lighthouse Capital Partners V	12/10/2003	Venture Capital	11,250,000.00	787,500.00	10,462,500.00	8,835,274.59	4,134,706.00	5.46
Lighthouse Capital Partners VI	8/10/2007	Venture Capital	15,000,000.00	2,475,000.00	12,525,000.00	449,158.96	13,052,961.00	3.93
MHR Institutional Partners III	10/2/2006	Distressed Debt	20,000,000.00	7,477,953.00	13,000,000.00	630,483.00	9,271,634.00	(10.48)
MatlinPatterson Global Opportunities Fund	1/9/2002	Distressed Debt	15,000,000.00	-	15,504,941.06	24,634,714.16	1,671,458.00	15.91
Narragansett Capital Partners-B	3/12/1987	Buyout	3,000,000.00	-	3,915,985.30	6,189,894.76	-	6.81
Narragansett First Fund	12/20/1982	Buyout	1,000,000.00	-	969,411.00	2,876,755.00	-	35.43
Nautic Partners V, L.P.	4/27/2001	Buyout	20,000,000.00	684,346.21	20,283,131.67	22,300,303.44	10,906,340.38	15.13
Nautic Partners VI, L.P.	5/14/2007	Buyout	20,000,000.00	12,486,342.48	8,852,079.23	1,517,565.06	6,186,025.20	(5.81)
Nordic Capital Fund III	2/26/1998	Buyout	10,248,001.64	167,053.31	10,117,791.88	36,316,553.34	97,949.25	31.45
Nordic Capital Fund V	8/4/2003	Buyout	17,839,069.94	0.09	21,027,236.19	9,748,363.72	27,081,860.08	16.49
Nordic Capital Fund VI	5/26/2006	Buyout	18,308,311.97	1,063,009.67	20,553,563.52	1,073,055.40	16,621,960.32	(5.06)
Nordic Capital Fund VII	7/1/2008	Buyout	18,308,311.97	13,184,148.10	6,394,748.23	-	4,732,617.81	(17.42)
OCM Opportunities Fund II, L.P.	10/28/1997	Distressed Debt	12,000,000.00	-	12,000,000.00	18,059,640.70	19,512.00	8.41
OCM Opportunities Fund, L.P.	1/11/1996	Distressed Debt	8,000,000.00	-	8,000,000.00	13,046,883.62	54,075.00	10.30
OCM Principal Opportunities Fund, L.P.	11/12/1996	Distressed Debt	5,000,000.00	-	5,000,000.00	7,238,816.63	9,964.00	5.41
Paladin III	12/31/2007	Venture Capital	10,000,000.00	5,318,898.99	4,757,320.01	582,704.00	3,761,895.00	(5.96)
Parthenon Investors II, L.P.	1/31/2001	Buyout	21,320,000.00	2,054,422.00	23,175,981.00	16,195,684.00	16,669,501.00	12.09
Parthenon Investors, L.P.	2/4/1999	Buyout	15,000,000.00	-	17,811,157.00	21,941,535.00	4,040,809.00	7.47
Perseus Partners VII	12/27/2007	Buyout	15,000,000.00	3,067,983.00	13,411,930.00	1,295,206.00	13,431,433.00	7.22
Point 406 Ventures I	3/27/2008	Venture Capital	10,000,000.00	4,229,999.84	5,969,291.42	191,824.58	5,651,225.00	(1.33)
Point Judith Venture Fund II	10/25/2007	Venture Capital	5,000,000.00	2,150,450.79	2,849,549.21	-	2,137,703.15	(14.21)
Providence Equity Partners III, L.P.	1/22/1999	Buyout	15,000,000.00	1,935,457.51	16,497,650.00	24,139,463.35	826,505.00	15.84
Providence Equity Partners IV, L.P.	11/27/2000	Buyout	25,000,000.00	1,811,573.00	35,915,180.00	46,465,122.00	14,814,704.00	22.90
Providence Equity Partners V, L.P.	4/4/2005	Buyout	25,000,000.00	2,171,825.00	30,334,652.00	8,625,954.00	23,656,249.00	1.99
Providence Equity Partners VI, L.P.	3/16/2007	Buyout	25,000,000.00	9,403,489.00	16,939,473.00	1,377,115.00	14,755,031.00	(2.52)
Providence Equity Partners, L.P.	12/19/1996	Buyout	10,000,000.00	-	14,684,891.00	39,584,639.00	-	77.88
SKM Equity Fund II, L.P.	3/13/1997	Buyout	10,000,000.00	1,735,947.00	9,218,206.00	4,661,037.00	4,315,175.00	(0.26)
TPG Partners II, L.P.	6/4/1997	Buyout	10,000,000.00	308,515.00	10,741,756.00	18,240,221.00	1,613.00	9.93
TPG Partners IV, L.P.	2/10/2004	Buyout	15,000,000.00	1,210,207.00	16,277,016.00	11,786,787.00	11,363,900.00	13.36
TPG Partners V, L.P.	6/27/2006	Buyout	20,000,000.00	3,334,433.00	19,194,673.00	3,466,962.00	11,822,396.00	(9.88)
TPG Partners VI, LP	5/22/2008	Buyout	20,000,000.00	15,931,870.00	4,297,406.00	248,056.00	3,290,772.00	(20.35)
Thomas H. Lee Equity Fund IV	4/24/1998	Buyout	9,000,000.00	-	8,700,587.00	7,687,108.34	-	(2.46)
Thomas, McNerney & Partners II, L.P.	11/30/2006	Venture Capital	15,000,000.00	7,612,500.00	7,387,500.00	631,871.90	5,672,464.00	(7.64)
Thomas, McNerney & Partners, L.P.	10/9/2002	Venture Capital	15,000,000.00	1,537,500.00	13,462,500.00	5,252,354.15	9,301,072.00	2.36
Trilantic Capital Partners IV L.P.	10/22/2007	Buyout	11,098,351.00	5,993,960.78	5,209,802.45	119,022.99	5,164,299.00	0.90
VS&A Communication Partners III	12/15/1998	Buyout	15,000,000.00	-	15,071,595.00	14,081,970.00	6,043,832.00	6.24
W Capital Partners	3/15/2004	Secondary	15,000,000.00	1,143,000.00	13,857,000.00	7,757,190.23	5,335,583.00	(2.28)
W Capital Partners II	10/3/2007	Secondary	15,000,000.00	6,565,631.00	8,894,384.45	611,008.47	10,265,125.00	12.81
WLR Recovery Fund IV	12/21/2007	Distressed Debt	8,000,000.00	4,035,098.00	3,976,858.00	443,244.00	4,404,987.00	10.93
Washington & Congress Capital Partners	2/17/1998	Buyout	15,000,000.00	305,637.24	14,979,758.16	16,771,575.55	24,886.00	2.59
Wellspring Capital Partners II	2/10/1998	Buyout	15,000,000.00	-	15,359,102.00	22,350,246.00	645,819.00	20.06
Wellspring Capital Partners III	12/5/2002	Buyout	20,000,000.00	119,345.00	21,769,305.00	35,807,195.00	5,677,625.00	25.64
Wellspring Capital Partners IV	6/14/2006	Buyout	20,000,000.00	4,978,440.00	15,721,560.00	1,777,601.00	15,279,546.00	3.69
Welsh, Carson, Anderson & Stowe VII	12/15/1995	Buyout	15,000,000.00	-	15,027,581.00	32,501,844.58	-	17.69
Willis Stein & Partners	6/28/1996	Buyout	5,000,000.00	-	5,006,918.00	10,714,891.00	700.00	20.70
			1,524,888,361.22	261,193,221.56	1,377,086,755.56	1,290,490,488.76	640,316,852.14	

**State of Rhode Island
Office of the General Treasurer
Real Estate Holdings
June 30, 2010**

Limited Partnership	Inception Date	Partnership Commitment	Net Funding Thru June 2010	Unfunded Balance	Market Values at June 30, 2009
AEW	December, 2007	35,000,000.00	15,555,217.00	19,444,783.00	16,193,318.00
Magna	September, 2008	4,000,000.00	1,290,102.00	2,709,898.00	1,167,916.00
RREEF America REIT II	June, 2005	35,000,000.00	35,000,000.00	-	21,769,380.00
Prime Property Fund	September, 2005	35,000,000.00	35,000,000.00	-	32,569,287.00
PRISA	September, 2005	50,000,000.00	50,000,000.00	-	41,534,617.00
PRISA II	June, 2007	15,000,000.00	15,000,000.00	-	9,383,989.00
JP Morgan Strategic Property Fund	March, 2006	50,000,000.00	50,000,000.00	-	44,439,548.00
LaSalle Income & Growth Fund IV	June, 2005	15,000,000.00	14,602,063.00	397,937.00	8,724,508.00
Capmark Commercial Realty Partners II	March, 2006	15,000,000.00	12,844,883.00	2,155,117.00	4,436,777.00
JP Morgan Alternative Property Fund	March, 2006	20,000,000.00	20,000,000.00	-	10,391,341.00
Fillmore East Fund	December, 2005	10,000,000.00	10,000,000.00	-	160,438.00
TA Fund VIII	September, 2006	15,000,000.00	15,000,000.00	-	9,896,117.00
Fremont Strategic Property Partners II	December, 2004	15,000,000.00	13,126,892.00	1,873,108.00	7,561,951.00
Tri Continental Capital VII	June, 2005	15,000,000.00	14,571,533.00	428,467.00	2,979,605.00
Starwood Capital Hospitality Fund I	September, 2005	10,000,000.00	10,000,000.00	-	8,861,519.00
Westbrook Real Estate Fund VI	June, 2006	15,000,000.00	15,000,000.00	-	4,274,441.00
Walton Real Estate Fund V	September, 2006	20,000,000.00	20,000,000.00	-	8,906,575.00
Westbrook Real Estate Fund VII	June, 2007	15,000,000.00	15,000,000.00	-	8,721,447.00
		389,000,000.00	361,990,690.00	27,009,310.00	241,972,774.00

MINUTES FROM FY2010
STATE INVESTMENT COMMISSION MEETINGS



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

Frank T. Caprio
General Treasurer

State of Rhode Island and Providence Plantations
STATE INVESTMENT COMMISSION

Monthly Meeting August 26, 2009

A State Investment Commission (SIC) meeting was held in Room 135, State House, Providence, Rhode Island on Wednesday, August 26, 2009. The Treasurer called the meeting to order at 9:02 a.m.

Membership Roll Call. Present were: Ms. Rosemary Booth Gallogly, Mr. Michael Costello, Mr. Robert Gaudreau, Mr. Robert Giudici, Ms. Marcia Reback, Mr. Andrew Reilly, Mr. John Treat, and General Treasurer Frank T. Caprio. Also present were Ms. Sally Dowling, of Adler, Pollock, and Sheehan; Mr. David Ursillo, of Rodio & Ursillo, Legal Counsel to the Commission; Mr. Allan Emkin, and Mr. John Burns of Pension Consulting Alliance (PCA), General Policy Consultants to the Commission; Ms. Lisa Tyrrell of State Street Corporation; and Mr. Mark Dingley and other members of the Treasurer's staff. Dr. Robert McKenna was not present.

State Investment Commission Minutes. Treasurer Caprio entertained a motion for approval of the minutes for the meeting of June 24, 2009. Ms. Gallogly moved, Mr. Treat seconded, and the subsequent motion passed. The following members voted in favor: Ms. Rosemary Booth Gallogly, Mr. Michael Costello, Mr. Robert Gaudreau, Mr. Robert Giudici, Ms. Marcia Reback, Mr. Andrew Reilly, Mr. John Treat, and General Treasurer Frank T. Caprio.

VOTED: To approve the Minutes of the June 24, 2009 monthly meeting.

General Consultant Report. Treasurer Caprio stated he contacted the board in anticipation of the report from PCA focusing on recommendations regarding a new asset allocation policy, and the potential new asset class of real return.

Mr. Burns ensued with information regarding asset allocation as detailed in the meeting material, *Optimizations III*. He highlighted some changes made based on prior board discussions: Treasury Inflation Protected Securities (TIPS) were moved into the real return asset class; the opportunistic portfolio has been taken out of this analysis because its omission makes the analysis much easier to understand and benchmark. Six optimizations were prepared by PCA and compared to the current portfolio on the basis of risk and return characteristics. He added further detail by breaking the different portfolios down by asset classes. Some optimizations demonstrated superior profiles. Initial findings suggest that adding the real return asset class reduces total fund volatility. The primary tradeoff is between real asset and fixed income, increasing flexibility and ability to structure the portfolio, and between moderate growth assets and growth-oriented assets. He pointed out that Portfolio #4 is PCA's recommendation.

The presentation shifted to policy allocation target ranges. Ranges or bands introduce an element of flexibility after policy is established. The previous outcome, buy and hold up or down, is reduced through what Mr. Burns described as moderate flexibility. Bands would also enable us to take risk off the table (to some degree) or add some risk, depending on market conditions.



Mr. Costello inquired about the assessment of liquidity as it currently relates to the portfolio.

Mr. Burns replied that Mr. Goodreau provided the rationale for holding the current amount of cash; this included the need to meet all the anticipated liabilities (i.e. capital calls, balancing asset allocation) as well as a built in buffer. Liquidity is addressed, differently from a year ago, by placing a permanent 2% Cash allocation.

Mr. Emkin provided insight on the merits and drawbacks of holding cash in the context of different economic times.

Mr. Goodreau explained holding cash mitigates the unfortunate circumstance of forced liquidation, where the State might be forced to sell a potentially more profitable investment because the appropriate amount of cash wasn't on hand to cover commitments. Also, when active money managers were handling more funds they had an average of 1% to 3% of cash.

Ms. Booth Gallogy inquired about the current TIPS allocation and the proposed range guidelines.

Mr. Burns stated TIPS are currently 6.1% of the portfolio. He discussed how the current portfolio is structured without the Russell Overlay and how Russell brings the portfolio back within policy guidelines. Current bands are tight. With Russell, bands could be expanded or shrunk according to SIC policy decisions. However, the intent here is to define/open the discussion to what would be the tolerable bands.

Discussion followed among the members on the use and definition of bands.

Mr. Emkin clarified 'the range' is a management tool to reach the target. It is a risk control device based on board policy.

Mr. Burns discussed ranges and how establishing triggers allows for Russell to re-balance according to SIC policy.

Mr. Costello described how bands allow for a collar around asset classes and how this engenders discipline and doesn't let the market distort allocation.

Mr. Goodreau suggested there are situations in which this proposed structure would enhance control and the ability to manage. He commented on how the market could control the portfolio and possibly throw things out of whack. However, the alternative is that the board sets policy, essentially being proactive and enabling discretion.

Treasurer Caprio recommended advancing the discussion on standard deviation and the move to this new asset class (real return) that exhibits less volatility while still achieving a return above target. He asked that PCA re-run some of the analysis with certain guidelines.

Treasurer Caprio stated the private equity allocation in portfolio 4 is 9%. Currently we have 7.5% allocation. He asked for the return to keep private equity at 7.5% as the target and put the 1.5% into U. S. and non-U. S. equity.

Treasurer Caprio returned to the discussion topic of real return and TIPS.

Mr. Burns stated this will provide some protection against unanticipated inflation and provide some diversity in the form of asset allocation and a beta source.

Treasurer Caprio inquired about the options in today's market to invest in this asset class through an index type product if available; preferably a low risk way to invest in the asset class that would avoid consultants or fund managers. That would be an attractive option because of the avoidance of fees.

Ms. Reback expressed concerns over the infrastructure asset class; specifically, the privatization of existing public venues and employees losing jobs, benefits and pensions. She expressed interest in putting some criteria together to address her concerns.

Mr. Emkin responded by using previous PCA client-directed asset class and investment mandates. All relationships have been characterized by supporting fair labor practices. However, he mentioned that the decision is up to the SIC and that before a decision would be made, the commission could vote on policy guidelines.

Mr. Burns provided background information on the real return asset class. He mentioned that every investment in the portfolio has an expected inflation component built into the expected return and price. The key thing to be cognizant of is unanticipated inflation, or higher than what was priced into the product. TIPS are the cleanest, purest investment that's tied directly into CPI, or the appropriate index. Real return asset class differs from real asset because Real assets are tangible, like timber. However, they all belong in the same bucket. Holding small amounts of many different real return class vehicles probably won't have the desired effect on the overall portfolio. In that light, Mr. Burns suggested that the SIC focus on the first few classes, at least initially, like Commodities and TIPS, which could be implemented quickly.

Mr. Emkin added that an educational opportunity would be made available to members of the SIC before recommendations to invest are made.

Ms. Reback stated that she thought Commodities, in general, were risky because you're predicting the future.

Mr. Emkin explained that while commodities have exhibited volatility, they have historically tracked inflation. He also explained the benefits of diversification though the return is not guaranteed.

The discussion concluded with the consultants suggesting that policy guidelines be implemented.

Treasurer Caprio requested materials on policy guidelines and best practices to be presented at the next meeting.

Mr. Emkin concluded by acknowledging the tough economic times have placed significant stress on state institutions. In response to this, he has announced a 10% fee reduction.

Treasurer Caprio thanked Mr. Emkin and noted that we will be seeking fee adjustments from our general partners.

Legal Counsel Report. Legal Counsel had no report.

Cash Manager Report Treasurer Caprio remarked, in introduction, that in anticipation of revenue that will be collected in the latter part of the budget year, the State borrowed \$350M (TANS) about 2 wks ago at a rate of .52%. In the same period of time Illinois borrowed the same type of funds and they paid 1.1%. RI received the highest rating a state could get for borrowing short-term funds. This rating is a result in part because of the financial management practices that Rosemary and her team performs and the work Vin does in the cash management area.

Mr. Izzo thanked Treasurer Caprio and proceeded with an update on the fee elimination created by the move into the passive portfolio for the pension fund. In the 4th quarter we saved approximately \$1.55M in fees over what we paid in previous quarters for active manager fees. Additionally there is \$350K received as a credit due to the transition. In total we saved almost \$2M in the 4th quarter of FY2009.

Regarding RI Short Term Cash Performance, Mr. Izzo asked the board to consider an increase to the ability to invest in collateralized deposits to the same level as money market investments (75% in total and 35% with one institution; the current allocation is 50% and 20%). The collateralized deposits are the highest performing part of our portfolio, and there is minimal risk due to 100% collateralization. The handout showed that collateralized deposits from January 1, 2009 to August 25, 2009 outperformed money market investments by 68 basis points. If we could have maximized the use of collateralized deposits from January to August, we would have earned an additional \$392K.

Mr. Giudici asked what we demand as the collateral on collateralized deposits.

Mr. Izzo replied that we demand 102% on deposit in treasury and agencies, and most of the banks we employ use BNY Mellon as the 3rd party custodian.

Treasurer Caprio asked Mr. Izzo to clarify an agency for the board.

Mr. Izzo replied that an agency could be any of the United States agency discount houses and U. S. Treasury.

Treasurer Caprio entertained a motion to allow the maximum for collateralized deposits to increase from 50% to 75%, and for the individual vendor maximum to go from 20% to 35% as we have with money markets. Ms. Gallogly moved. Mr. Giudici and Mr. Reilly seconded and the subsequent motion passed. The following members voted in favor: Ms. Rosemary Booth Gallogly, Mr. Michael Costello, Mr. Robert Gaudreau, Mr. Robert Giudici, Ms. Marcia Reback, Mr. Andrew Reilly, Mr. John Treat, and General Treasurer Frank T. Caprio.

VOTED: To allow the collateralized deposits' maximum to increase from 50% to 75%, and the individual maximum vendor to go from 20% to 35%.

Chief Investment Officer Report. Mr. Goodreau informed the board that the portfolio is picking up good performance in all asset classes. The portfolio was up 5.5% in July though there still is real estate and private equity adjustments of almost 1% which will offset our gains. The bench mark for real estate and private equity is S & P 500 plus 300 basis points. Because of the accounting lag, it looks like we are under-performing our policy when in fact we are out-performing our policy by about 50 basis points. In publicly traded equities, bonds and liquid assets, the fund would have been up almost 14% for the year. We are up 7.581% for the year even when the re-adjustments for real estate and private equity are included.

Treasurer Caprio commented that our switch from active managers to the indexes during this unprecedented volatility in the markets has allowed us to fully participate in the markets' rise. News stories coming out now illustrate many active managers were defensive after the drop in March. Therefore as the market started to move to the up side many active managers were still in defensive positions and did not participate fully. Now they are forced to play catch up to the indexes.

Mr. Goodreau stated the Treasurer is on point that during this difficult time it is important to know we are fully participating. On aggregate return after expenses would have been behind based on how our former managers have performed.

He mentioned that what Mr. Izzo touched on earlier is only the beginning of cost savings, which is not our primary reason for the switch. The Treasurer pinpointed the issue in stating our primary focus is to have and maintain an efficient exposure, the by-product is the savings, which nevertheless is real money for the fund.

In regard to the Russell program, he observed that it is measured against perfect implementation. During volatile markets this program gets more active, when we are out of balance the program will automatically start to work more. We have picked up 16 basis points of performance over the perfect implementation which is \$11.3M. It would have been difficult to perfectly implement due to time delay and the extreme volatility we experienced. The program has allowed us to manage the portfolio efficiently through a difficult period.

Treasurer's Report Treasurer Caprio confirmed the fee reduction initiative previously discussed – RI will embark on a very aggressive discussion with our partners to reduce fees. We think that there is momentum behind these discussions among institutional investors around the country and we should fully participate. We will continue to update the board going forward.

He highlighted the fee disclosure policy that PCA is drafting. This policy will require our partners to disclose to us, before we hire them, how they are spending their fee dollars.

Treasurer Caprio also stated he is proud of the staff in his office for their outstanding work as they went through a very in depth review by some of the members of our local media. He feels the story that resulted was one that highlighted the strengths of the office and its transparency.

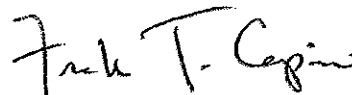
New Business. There was no new business.

There being no new business, the Treasurer entertained a motion to adjourn. Ms. Reback moved, Mr. Treat seconded and the subsequent motion passed. The following members voted in favor: Ms. Rosemary Booth Gallogly, Mr. Michael Costello, Mr. Robert Gaudreau, Mr. Robert Giudici, Ms. Marcia Reback, Mr. Andrew Reilly, Mr. John Treat, and General Treasurer Frank T. Caprio.

VOTED: To adjourn the meeting.

There being no further business, the meeting was adjourned at 10:35AM.

Respectfully submitted,

A handwritten signature in cursive script that reads "Frank T. Caprio".

Frank T. Caprio
General Treasurer

**State of Rhode Island and Providence Plantations
STATE INVESTMENT COMMISSION**

Monthly Meeting September 23, 2009

A State Investment Commission (SIC) meeting was held in Room 135, State House, Providence, Rhode Island on Wednesday, September 23, 2009. The Treasurer called the meeting to order at 9:10 a.m.

Membership Roll Call. Present were: Ms. Rosemary Booth Gallogly, Mr. Michael Costello, Mr. Robert Giudici, Dr. Robert McKenna, Ms. Marcia Reback, Mr. Andrew Reilly, Mr. John Treat, and General Treasurer Frank T. Caprio. Also present were Mr. Paul Campellone, of Adler, Pollock, and Sheehan and Mr. David Ursillo, of Rodio & Ursillo, Legal Counsel to the Commission; Mr. Allan Emkin and Mr. John Burns of Pension Consulting Alliance (PCA), General Policy Consultants to the Commission; Ms. Lisa Tyrrell of State Street Corporation; Ms. Michelle Davidson of PCG, and Mr. Mark Dingley and other members of the Treasurer's staff. Mr. Robert Gaudreau was not present.

State Investment Commission Minutes. Treasurer Caprio entertained a motion for approval of the minutes for the meeting of August 26, 2009. Ms. Reback moved, Mr. Giudici seconded, and the subsequent motion passed. The following members voted in favor: Ms. Rosemary Booth Gallogly, Mr. Michael Costello, Mr. Robert Giudici, Dr. Robert McKenna, Ms. Marcia Reback, Mr. Andrew Reilly, Mr. John Treat, and General Treasurer Frank T. Caprio.

VOTED: To approve the Minutes of the August 26, 2009 monthly meeting.

General Consultant Report. Mr. Burns reviewed the information regarding asset allocation discussed in prior meetings. He explained there are only a few minor changes from the prior optimizations and the current one resulting in no material change. He pointed out that in optimization 4-A which is the proposed policy allocation, private equity was reduced from 9% to 7.5% and 1.5% was reallocated to non-US equity.

Ms. Reback inquired about the current percentage in US equity.

Mr. Burns stated that it is 43% and will be 36% and real return will move up to 10%.

Mr. Emkin commented there is also a slight reduction in international equity. Our goal is to reduce volatility and to give the portfolio more sensitivity to inflation. Even though that is not an issue now it will be at some time in the future.

Mr. Burns stated that implementation would happen over time after the policy is approved. He gave an overview of the changes in allocation classes before the Russell overlay.

Mr. Emkin mentioned that today the board is considering the concept not the implementation.

Ms. Reback asked if this is a good time to sell equity given the current market.

Mr. Emkin stated the goal is to make a long term decision on asset allocation that is not based on where the markets are today.

Treasurer Caprio remarked when looking at the larger picture we will still be over 60% in equity which is an aggressive position. Our target return is 8.25% therefore we need an allocation which produces that.

Ms. Booth Gallogly questioned how we get the rebalancing in private equity.

Mr. Emkin commented with the slow down in performance, it may self-adjust. Going forward good opportunities should continue to be considered in a measured way.

Treasurer Caprio said the reality is the public equity market has the allocation where it should be at +/- 1%.

Treasurer Caprio entertained a motion, with the understanding that following will be a presentation on the real return asset class and policy details, to approve the asset allocation # 4A presented by PCA on page 5 of the September 23, 2009 presentation subject to orderly implementation with the advice of the commission's consultants and board approval of those initiatives.

Ms. Reback moved, Dr. McKenna seconded, and the subsequent motion passed. The following members voted in favor: Ms. Rosemary Booth Gallogly, Mr. Michael Costello, Mr. Robert Giudici, Dr. Robert McKenna, Ms. Marcia Reback, Mr. Andrew Reilly, Mr. John Treat, and General Treasurer Frank T. Caprio.

VOTED: To approve the asset allocation # 4A presented by PCA on page 5 of the September 23, 2008 presentation.

Treasurer Caprio introduced the real return portfolio policy investment statement.

Mr. Burns remarked that the board has approved a 10% allocation to real return asset class. Now, we turn to implementation. He reviewed the document: Real Return Portfolio Investment Policy Statement. The primary objective of this portfolio is to hedge against unanticipated inflation. The second objective is to bring an additional return source aside from US & non-US equity. We want to populate the 10% allocation with products that will impact return.

Treasurer Caprio observed that as part of implementation we would look for products that are low fee and as liquid as possible.

Mr. Burns commented that you are trying to build a portfolio with inflation protection and beta return.

Mr. Emkin commented that all other asset classes have a less timely link to inflation than TIPS that is why you want diversification.

Ms. Booth Gallogly asked if the ranges showing are due to implementation.

Treasurer Caprio asked how the percentages were determined.

Mr. Burns explained that to get to CPI +400 basis points, the portfolio needs some inflation linked higher returning products.

Mr. Costello asked if the further we get from CPI, the less it is linked to inflation.

Mr. Burns stated that is correct.

Mr. Costello asked, in relation to other funds, how does our fund compare.

Mr. Emkin noted that the range is 300 to 500 basis points above CPI. Mr. Costello questioned if initially the goal should be towards the CPI TIPS number.

Mr. Emkin stated that a moving benchmark that reflects the transition over time could be included in the policy.

Ms. Booth Gallogly asked if there are any investments in real return where we would need to formulate an exit strategy when making the investment.

Mr. Emkin stated that for the first couple of years all products would have a public market and we are looking at investments that have only a thirty, sixty or ninety day lock-up.

Mr. Giudici requested a clarification on the risk analysis for commodities.

Mr. Emkin commented the biggest risk is leverage and we will not recommend you lever the portfolio. The goal is to get exposure to a broad basket of commodities that will have a relationship to inflation over time.

Mr. Burns noted that to achieve CPI +400 bps does not require added risks.

Ms. Reback inquired about the reasoning for a large percentage of commodities.

Mr. Burns replied that timber and infrastructure are long-term investments therefore the more liquid investment is the best way to start in the new class.

Mr. Emkin stated as you review policies in years to come you can modify policy to best fit investment strategy.

Treasurer Caprio noted that the portfolio has been well served by TIPS for the past eight years.

Mr. Burns concluded by saying the policy reflects industry best practices.

Mr. Emkin mentioned the phased benchmark will be included.

Ms. Booth Gallogly asked if each category would have a benchmark.

Mr. Emkin noted that each strategy currently has a unique benchmark with the market being the broad benchmark.

Ms. Booth Gallogly asked if each commodity would have a benchmark and will there be variation.

Mr. Emkin replied when we come back to you on this bucket we will go over the various benchmarks.

Mr. Burns noted the issue is addressed on performance objectives on the first page.

Treasurer Caprio entertained a motion to approve the real return portfolio investment policy as presented to the commission defined in the handout Real Return Portfolio Investment Policy Statement.

Ms. Reback moved, Dr. McKenna seconded.

Mr. Costello asked if we should include the transition benchmark.

Mr. Emkin replied we will include a transition benchmark.

Treasurer Caprio withdrew the motion.

He entertained a motion to approve the real return portfolio investment policy as presented to the commission defined in the handout Real Return Portfolio Investment Policy Statement and we will transition to the benchmark with a policy presented to the board at a future meeting.

Ms. Reback moved, Dr. McKenna seconded, and the subsequent motion passed. The following members voted in favor: Ms. Rosemary Booth Gallogly, Mr. Michael Costello, Mr. Robert Giudici, Dr. Robert McKenna, Ms. Marcia Reback, Mr. Andrew Reilly, Mr. John Treat, and General Treasurer Frank T. Caprio.

VOTED: To approve the real return portfolio investment policy as presented to the commission defined in the handout Real Return Portfolio Investment Policy Statement and we will transition to the benchmark with a policy presented to the board at a future meeting.

Legal Counsel Report. Legal Counsel had no report.

Chief Investment Officer Report. Mr. Goodreau stated before giving his report that he is presenting the proposal to add a new asset class to the short term cash pool because Mr. Izzo and Mr. Marr are in a meeting with Taxation on pressing issues; they deserve the recognition for the work involved in this presentation.

The cash management proposal, Temporary Liquidity Guarantee Program (TLGP), was initiated through the FDIC last year. In August the FDIC extended the program through June 30, 2010. We are currently being offered 10 to 12 basis points on certain current investment products; TLGP enhances the yield on very short term liquidity pools or noninterest-bearing account transactions defined by US Treasury as less than or equal to 50 basis points. The recommendation is to create a new asset class – Government Insured Deposits with the same guideline mandates as collateralized deposits - 75% maximum and 35% with one institution. Relationships will be with existing board approved vendors. Treasury staff will verify with the FDIC and receive certification from the vendor that they are participating in the program. Benefits of the program are a possible \$120,000.00 to \$240,000.00 in additional interest income from \$35,000,000 to \$60,000,000 in operating cash with very little risk. The asset class will expire when the program ends.

Mr. Reilly asked if this is an asset class or policy under cash management.

Mr. Goodreau stated this is actually a guaranteed deposit, we are not buying Treasuries. Treasurer Caprio asked how this relates to the government policy on surety money market funds that just expired.

Mr. Goodreau stated the money market provision just sunset and it was for existing troubled money markets. This is different because it is intended for liquid deposits (daily liquidity) and when the program ends all deposits will mature and be redeemed.

Treasurer Caprio entertained a motion to add a temporary asset class for TLGP deposits. Dr. McKenna moved. Mr. Reilly seconded, and the following members voted in favor: Ms. Rosemary Booth Gallogly, Mr. Michael Costello, Mr. Robert Giudici, Dr. Robert McKenna, Ms. Marcia Reback, Mr. Andrew Reilly, Mr. John Treat, and General Treasurer Frank T. Caprio.

VOTED: To add a temporary asset class for TLGP deposits.

Mr. Goodreau commented that the fund had another spectacular month. The portfolio is up 10% for the year, and without private equity and private real estate it would be up over 17% this (calendar) year. We have come a long way in three months. The board's efforts are commendable on the total return program. We will always be looking for new tools to manage the fund in a volatile environment.

Ms. Reback inquired how many bad years have we had in terms of the five year slow down.

Treasurer Caprio commented there is 2 year lag; the fiscal year that was closed June 30²⁰⁰⁹ will not be felt for one and one half years. The best information on where we stand is the actuarial presentation to the Retirement Board. Among the findings it showed: MERS is 90% funded, Teachers and State Employees is 60% funded. MERS has one employee for every retiree, Teachers and State Employees have more retirees than employees. He asked that the report be sent to SIC members.

Treasurer Caprio asked Ms. Davidson if she would like to state anything on behalf of PCG even though she is not on the agenda.

Ms. Davidson told the board the issue of the 7.5% asset allocations for private equity will be monitored. There will be isolated softness with the 2006 -2007 vintages in the foreseeable future. In the current environment 2009 - 2010 is better for private investment. The measured approach the Treasurer mentioned is the best way to go forward.

Mr. Reilly asked what the capital call outlook is.

Ms. Davidson said this should be slow through 2009 and below historical norms through the first 6 months of 2010 then it should ramp up as liquidity returns to the market.

Mr. Costello questioned which performers were stand out in our portfolio.

Ms. Davidson stated that the large buy-out funds are doing better for the second quarter, valuations should be up between 9% and 12%; on the negative side venture capital is down because of the exit environment.

Treasurer's Report. Treasurer Caprio asked, in addition to these remarks, that his report include his comments throughout the meeting. He informed the group that treasury staff and PCG have embarked on an endeavor to contact our general partners to have a discussion about our fee structure. He stated he will be meeting with PCG about their relationship with Rhode Island going forward.

He remarked that he is pleased that these meetings have taken a proactive stance rather than simply reviewing investment results. He thanked the board for the time in developing a solid policy to impact the future results of the fund.

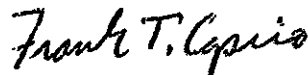
New Business. There was no new business.

There being no new business, the Treasurer entertained a motion to adjourn. Ms. Reback moved, Dr. McKenna seconded and the subsequent motion passed. The following members voted in favor: Ms. Rosemary Booth Gallogly, Mr. Michael Costello, Mr. Robert Giudici, Dr. Robert McKenna, Ms. Marcia Reback, Mr. Andrew Reilly, Mr. John Treat, and General Treasurer Frank T. Caprio.

VOTED: To adjourn the meeting.

There being no further business, the meeting was adjourned at 10:14AM.

Respectfully submitted,



Frank T. Caprio
General Treasurer



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

Frank T. Caprio
General Treasurer

State of Rhode Island and Providence Plantations
STATE INVESTMENT COMMISSION

Monthly Meeting October 28, 2009

A State Investment Commission (SIC) meeting was held in Room 135, State House, Providence, Rhode Island on Wednesday, October 28, 2009. The Treasurer called the meeting to order at 9:01 a.m.

Membership Roll Call. Present were: Mr. Michael Costello, Mr. Robert Gaudreau, Mr. Robert Giudici, Mr. John Treat, and General Treasurer Frank T. Caprio. Mr. Andrew Reilly arrived at 9:06 a.m. Also present were Mr. Stephen Geanacopoulos, of Adler, Pollock, and Sheehan and Mr. David Ursillo, of Rodio & Ursillo, Legal Counsel to the Commission; Mr. John Burns of Pension Consulting Alliance (PCA), General Policy Consultants to the Commission; Mr. Nick Katsikis and Vin DeBaggis of State Street Corporation; Ms. Michelle Davidson of PCG, and Mr. Mark Dingley and other members of the Treasurer's staff. Ms. Rosemary Booth Gallogly, Dr. Robert McKenna, Ms. Marcia Reback were not present.

State Investment Commission Minutes. Treasurer Caprio entertained a motion for approval of the minutes for the meeting of September 23, 2009. Mr. Costello moved, Mr. Giudici and Mr. Treat seconded, and the subsequent motion passed. The following members voted in favor: Mr. Michael Costello, Mr. Robert Gaudreau, Mr. Robert Giudici, Mr. John Treat, and General Treasurer Frank T. Caprio

VOTED: To approve the Minutes of the September 23, 2009 monthly meeting.

General Treasurer Caprio reviewed the agenda then introduced Mr. Burns of PCA.

General Consultant Report. Mr. Burns indicated that members have a copy of the Real Return Investment Policy Statement for their records. This statement was approved at the September 23, 2009 meeting with these changes: A correction on the amount in TIPS now reads 0 to 40% per Ms. Booth Gallogly's request and the inclusion of a transitional benchmark that Mr. Costello suggested.

Mr. Burns reviewed the Opportunistic Portfolio Investment Policy Statement noting the material in this document incorporates the commission members views that have been discussed at prior meetings. The policy calls for a 5% allocation, which would be the alpha generator that can be held anywhere in the portfolio. It is designed to find cyclically high return investments or it could be a risk reducer in a unique instance.

Mr. Costello asked as we continue to add more asset classes and look at our overall benchmark at what point do we need a more static benchmark to measure the success or failure of our asset allocation decisions.

Mr. Burns clarified that there is a band of 1% on either side and these individual investments are all going to have benchmarks. The over all benchmark needs to have a return of 8.25% to meet the long-term policy benchmark.

Treasurer Caprio observed that the Opportunistic Portfolio Investment Policy is a tool that will be available but does not require immediate implementation. He asked the board if there were any additional questions for Mr. Burns.

Treasurer Caprio entertained a motion to approve the Opportunistic Portfolio Investment Policy Statement as presented by Mr. Burns of PCA.

Mr. Giudici moved, and Mr. Costello and Mr. Treat seconded, and the subsequent motion passed. The following members voted in favor: Mr. Michael Costello, Mr. Robert Gaudreau, Mr. Robert Giudici, Mr. Andrew Reilly, Mr. John Treat, and General Treasurer Frank T. Caprio

VOTED: To approve the Opportunistic Portfolio Investment Policy Statement as presented on October 28, 2009.

Legal Counsel Report. Legal Counsel had no report.

General Treasurer Caprio then introduced Mr. Izzo and Mr. Marr, members of the Treasury staff.

Mr. Izzo stated Treasury manages \$1.8M to 2M in the Touro Synagogue Fund under the Commission's authority as designated in a bequest to the synagogue. Mr. Marr will cover the request of the synagogue representative.

Mr. Marr commented that the original donation of \$5,000 has been managed by the state for some time. The synagogue currently draws 4.5% per year. It is appropriately invested in a Fidelity Balanced Mutual Fund. Their concern is they are invested in one fund only and would prefer to diversify money managers since this represents a major part of their operating funds. We are in agreement with the request and ask the board to carry the following motion. To diversify the holdings of the Touro fund to mitigate institutional risk. To invest the funds in a way consistent with the Fund's need to withdraw the statutorily mandated 4.5% per annum. To maintain the general asset allocation strategy of investing in "Balanced" Mutual Funds where the asset allocation is approximately 60% Equities, 40% Fixed Income.

Treasurer Caprio asked for clarification on the fund as this is the first time some board members have addressed this fund.

Mr. Marr explained the fund was created in a bequest designating the state as the custodian to invest according to the prudent man theory. This is part of the General Laws 39.5-1. There was an amendment in the 1990s to codify the way the draw down is facilitated.

Mr. Treat asked if the Rhode Island Foundation would qualify as a manager.

Treasurer Caprio requested legal counsel look into the question raised by Mr. Treat.

Mr. Izzo stated the treasurer of the synagogue relayed the importance of this fund to their continued operation and strongly urges the approval of this motion.

Treasurer Caprio entertained a motion to adopt the language presented by Mr. Marr.

Mr. Treat moved, Mr. Gaudreau seconded, and the subsequent motion passed. The following members voted in favor: Mr. Michael Costello, Mr. Robert Gaudreau, Mr. Robert Giudici, Mr. Andrew Reilly, Mr. John Treat, and General Treasurer Frank T. Caprio

VOTED: To diversify the holdings of the Touro Fund to mitigate institutional risk. To invest the funds in a way consistent with the Fund's need to withdraw the statutorily mandated 4.5% per anum. To maintain the general asset allocation strategy of investing in "Balanced" Mutual Funds where the asset allocation is approximately 60% Equities, 40% Fixed Income.

Treasurer Caprio told the board there are two State Street matters to be addressed next. He asked Mr. Dingley to present the issue of the contract extension.

Mr. Dingley informed the board that we are requesting an extension of the current custodial contract with State Street for 2 months while negotiations are conducted for a renewal contract.

Treasurer Caprio entertained a motion that was made by Mr. Costello to extend the State Street Contract for 2 months under the existing terms and was seconded by Mr. Reilly. The subsequent motion passed. The following members voted in favor: Mr. Michael Costello, Mr. Robert Gaudreau, Mr. Robert Giudici, Mr. Andrew Reilly, Mr. John Treat, and General Treasurer Frank T. Caprio

VOTED: To extend the State Street contract under the same terms for two months.

Treasurer Caprio advised the group that he and the treasury staff had been following a matter involving transactions made by State Street on behalf of two California pension funds, and therefore he requested a presentation by State Street to the SIC. He introduced Mr. Vincent DeBaggis of State Street.

Mr. DeBaggis provided the group with a written statement. He said State Street is disappointed that the Attorney General has moved on a whistleblower's claim surrounding foreign exchange services for 2 California pension funds. State Street denies any wrongdoing and spent 18 months providing information on the claim. He noted it was the Attorney General and not the pension funds that brought the action. The market in question is open 24 hours a day five days a week where prices move every second. State Street acts as a principal not an agent in the foreign exchange market like many other dealers. State Street is directed in writing for these services.

Mr. Goodreau requested a clarification for the group of the difference between a principal and an agent relationship. He also asked if Rhode Island has ever acted with State Street on an agent basis.

Mr. DeBaggis explained that State Street acts as an Agent as your custodian to provide services at your direction. A Principal means State Street takes a position and acts as counter party to the fund.

Mr. Costello inquired if our legal counsel has reviewed our position.

Mr. Dingley commented that he had reviewed the complaint and spoke with our consultant Alan Emkin who is out in California. Mr. Emkin said that there was some concern regarding the level of communication between the Attorney General and the California pension funds.

Treasurer Caprio commented that we are interested in additional information as the case progresses and want State Street to provide correspondence or presentations on new developments.

Mr. DeBaggis reported updated information is available through their web site for staff and managers.

Treasurer Caprio requested the board's consideration in moving the November meeting date from the day before Thanksgiving to the preceding Wednesday, November, 18, 2009.

A motion that was made by Mr. Reilly to move the November meeting to November 18, 2009 and was seconded by Mr. Giudici. The subsequent motion passed. The following members voted in favor: Mr. Michael Costello, Mr. Robert Gaudreau, Mr. Robert Giudici, Mr. Andrew Reilly, Mr. John Treat, and General Treasurer Frank T. Caprio

VOTED: To move the November meeting date to November 18, 2009.

Treasurer Caprio called on Mr. Burns to start the dialog on the subject of commodities.

Mr. Burns asked the members to reference the hand out Commodities – Policy Issues. He noted this is a long term strategic allocation as a potential inflation hedge. The goal is broad based or beta exposure with a return of 7 or 8% every year. We will look for products that are cost effective, have moderate liquidity and transparency without long lockups and without leverage. There are several vehicles and a variety of instruments that are appropriate.

Mr. Goodreau asked if we limit the types of instruments we permit will that also limit the managers we can use.

Mr. Burns replied it could limit managers.

He continued by covering the source of return, the styles of management available, commodity indexes, market headline risk and management strategies.

Treasurer Caprio called on Mr. Goodreau to introduce the PIMCO representatives.

Mr. Goodreau stated we have discussed the class in general resulting with board approval of the asset class in September. It is time to gain more specific information; therefore we called on PIMCO because of our longstanding relationship. He called on Bob Greer and Melody Rollins of PIMCO to make their presentation.

Ms. Rollins stated that Mr. Greer was the first to define an investable commodity index and is a leading expert in the area.

Mr. Greer asked the group to open the handout, a Fundamental Briefing on Commodities. This class is historically a good diversifier and a hedge against inflation. He discussed what drives the returns to a commodities investment.

Mr. Costello asked if there is any type of investors that should not invest in commodities.

Mr. Greer stated just like any other asset you do not put more into it than you can afford to lose. As it relates to Rhode Island, a small investment will make a difference and should be comfortable.

Treasurer Caprio asked Mr. Greer's opinion of the notion in main street media that this type of investing can drive up pricing in certain classes.

Mr. Greer made clear he believes investors do not drive demand in the market place because they do not buy, hoard, store or consume the commodity.

He continued with a description of the different styles of managers. He gave an explanation of futures, swaps and notes.

Mr. Costello asked which method the larger funds use.

Mr. Greer stated most are swaps, but some are futures.

Mr. Treat asked about the risks posed by the counter party.

Mr. Greer stated the risk is the amount owing. If the party becomes insolvent it is unlikely payment will be made. A posting of collateral will buffer this outcome.

Treasurer Caprio asked why commodities move with the rest of the market (last year).

Mr. Greer stated the recession affected the demand for commodities followed by a global financial crisis further driving down prices. He continued with benchmarks the board might consider in the future.

Mr. Costello asked if the funds track the indexes well.

Mr. Greer replied they do especially those that use T-bills as collateral.

Treasurer Caprio thanked Bob Greer of PIMCO and called on Michele Davidson of PCG.

Ms. Davidson commented that valuations are stabilizing in private equity; they were trending down in the past few quarters given the decline in the public markets. In the second quarter we see valuations come up a bit. However, fully realized opportunities (including secondary sale) have provided a 19% net return since inception and 2.0x investment multiple.

Mr. Costello asked if the ratings in the report are based on numbers as of December or the fiscal year end.

Ms. Davidson replied the ratings are in the audited financials as of December 31. We will change ratings quarterly where necessary.

Mr. Costello asked if the base was fluctuating or an absolute rate of return.

Ms. Davidson replied the base depends on the age of the fund, the j curve, relative to its peer group, relative performance, how much capital has been deployed, and a number of other factors.

Treasurer Caprio stated that Ken and he met with Christopher Bower, the Chairman and CEO of PCG, to discuss our relationship with PCG and some issues we need to address. He noted Rhode Island has the one of their longest client relationships with 14 years.

Chief Investment Officer Report Mr. Goodreau thanked Mr. Burns for all the work he has done which has resulted in simplifying our program. Performance for the fund in the current month was up about 3%, although we are still seeing some lag from real estate. We are beating our benchmark by 69 basis point excluding private equity and real estate. The total plan is up almost 14% for the year.

Treasurer's Report. Treasurer Caprio thanked Bob Greer and Melody Rollins of PIMCO and the group for their consideration of the commodities presentation. He noted that Mr. Costello has vast experience in this area and thanked him for his insight.

He stated he is pleased that we are exceeding our benchmark. Our simplified program is paying off. Our philosophy on security lending has proved to be prudent seeing that California recently lost \$700 million in their plan and we exited ours with a \$10 million profit during the past year.

The Treasurer and CIO were recently asked to make a presentation to the Chinese Investment Corporation. It is an investment pool of \$200 billion that the Chinese government has put together. They were interested in our board structure and staff and how we look at products and costs of those products. They also met with the Harvard endowment.

New Business. There was no new business.

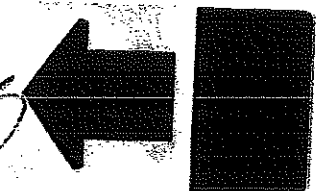
There being no new business, the Treasurer entertained a motion to adjourn. Mr. Treat moved, Mr. Giudici seconded and the subsequent motion passed. The following members voted in favor: Mr. Michael Costello, Mr. Robert Gaudreau, Mr. Robert Giudici, Mr. Andrew Reilly, Mr. John Treat, and General Treasurer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

VOTED: To adjourn the meeting.

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

Respectfully submitted,


Frank T. Caprio
General Treasurer



**State of Rhode Island and Providence Plantations
STATE INVESTMENT COMMISSION**

Monthly Meeting November 18, 2009

A State Investment Commission (SIC) meeting was held in Room 135, State House, Providence, Rhode Island on Wednesday, November 18, 2009. The Treasurer called the meeting to order at 9:12 a.m.

Membership Roll Call. Present were: Ms. Rosemary Booth Gallogly, Mr. Robert Gaudreau, Mr. Robert Giudici, Mr. Andrew Reilly and General Treasurer Frank T. Caprio. Also present were Ms. Sally Dowling, of Adler, Pollock, and Sheehan and Mr. David Ursillo, of Rodio & Ursillo, Legal Counsel to the Commission; Mr. Allan Emkin and Mr. John Burns of Pension Consulting Alliance (PCA), General Policy Consultants to the Commission; Mr. Nick Katsikis and Ms Lisa Tyrell of State Street Corporation; Mr. Michael Bane of PCG, and Mr. Mark Dingley and other members of the Treasurer's staff. Mr. Michael Costello, Dr. Robert McKenna, Ms. Marcia Reback and Mr. John Treat, were not present.

State Investment Commission Minutes. Treasurer Caprio entertained a motion for approval of the minutes for the meeting of October 28, 2009. Mr. Reilly moved, Mr. Giudici seconded, and the subsequent motion passed. The following members voted in favor: Ms. Rosemary Booth Gallogly, Mr. Robert Gaudreau, Mr. Robert Giudici, Mr. Andrew Reilly and General Treasurer Frank T. Caprio.

VOTED: To approve the Minutes of the October 28, 2009 monthly meeting.

General Treasurer Caprio introduced Mr. Emkin of PCA.

General Consultant Report. Mr. Emkin stated that he will provide background on hedge funds as the board has decided as part of the strategic asset allocation to look at hedge funds as a possible method to diversify. This presentation is intended to provide a platform for discussion on policy considerations. He pointed out all other vehicles used are long duration and do not use leverage, this very complex vehicle uses short duration and leverage. He asked the group to refer to the handout 'Hedge Fund Investing: Introduction and Implementation Issues'.

He noted hedge funds have been used in the U. S. for sixty years and they can own anything. Institutional investors have played a large role in the growth of hedge funds. The SEC now takes an active role in monitoring the funds. Hedge Funds are not actually an asset class rather they are a contract structure of a business relationship or fee arrangement similar to private equity or real estate.

Mr. Emkin told the group there are various strategies for investing in hedge funds including relative value, event driven and opportunistic. When looking at an industry breakdown by strategy the largest component is equity hedge, which is both long and short, where there is limited exposure to risk and a lot of exposure to active management skills. He gave a synopsis of hedge funds' characteristics and attributes. The benefit of diversification is that hedge fund performance is not driven by the public markets; however transparency is more limited than the public markets. The fees associated with hedge funds are currently about a 1.5% management and 15 to 20% performance fee.

He stressed a third party expert is strongly advisable. Selecting specific funds is not an area where PCA can advise the board. Mr. Emkin detailed the risks of transparency, leverage and varied rates of return that are associated

with hedge funds. He outlined the major reasons in favor and against investing in hedge funds and pointed out that the value added or alpha characteristic is the main reason to invest.

Treasurer Caprio inquired about Mr. Emkin's comment that we do not want an index fund of hedge funds.

Mr. Emkin said you are buying the average of all the players which is zero. In the inefficient markets, private equity, real estate and hedge funds, PCA does not recommend an index fund. This is all about manager selection and PCA has assisted a number of clients select a manager. He noted that none of their clients had exposure to Madoff.

Mr. Emkin reviewed industry changes in the last year highlighting pricing, liquidity, transparency and disclosure. He explained the importance of reviewing leverage so that a worst case scenario would have the least impact on outcome.

Mr. Burns added that we talked about hedge fund investing a year or so ago and decided to wait because of anticipated industry changes. We are seeing these changes now which benefit our position.

Mr. Emkin noted the SEC and legislative bodies have taken a more active role in oversight and regulation of hedge funds. Mr. Emkin stressed that if the board decides to invest in this area, third party expertise is essential. He emphasized risk management, diversification and several other reasons to outsource hedge fund management. Mr. Emkin entertained questions from the group about hedge fund investing.

Mr. Giudici asked why the trend against institutional investing in hedge funds has shifted.

Mr. Emkin asked the group to turn to page five of the handout and commented that today many states have invested in hedge funds. As institutional investing expands, transparency should increase and fees should decrease.

Mr. Goodreau commented that notwithstanding the bad year in 2008, the reason there is so much attention to hedge funds now is this is the space that most strongly does not correlate with the public markets. New regulation and fee reduction make this space more attractive.

Ms. Booth Gallogly said the presentation was very informative, and then expressed some concern over the risks of this type of investment.

Mr. Emkin observed that the short position is tightly managed and there is a long position to balance risk.

Ms. Booth Gallogly asked what the level of risk and diversification is on other classes in this pool, i.e. commodities.

Mr. Emkin remarked that hedge funds have the most safeguards at the institutional investment level. They have a unique position in the real return portfolio. This makes sense as part of the strategy the board is considering.

Mr. Goodreau commented that "hedge fund" is a broad term and we are looking at the least complex funds that have the most transparency and least risk.

Mr. Emkin suggested the SIC bring in a manager to explain what they do. Until the board members are comfortable, the SIC should not go forward in this area. Today's goal was to start the education process.

Mr. Giudici asked if there is a typical percentage that a pension fund invests in hedge funds.

Mr. Emkin said we generally tell clients to get to three or four percent in hedge funds for meaningful return.

Mr. Burns stated the real return policy has three to five percent in this space so it will be meaningful.

Mr. Giudici asked about liquidity.

Mr. Emkin stated hedge funds are less liquid than public stocks and bonds but more liquid than real estate and private equity. The issue of liquidity should be managed at the total portfolio level.

Mr. Burns noted that managers understand client needs and build expectations on a worse case scenario.

Mr. Reilly asked who will execute due diligence in manager selection for this class of investment.

Treasurer Caprio said that with advice of PCA there would be a request for proposals in that area.

Mr. Burns noted the PCA team has experience in manager selection for clients of our size. The discussion regarding hedge funds having concluded, Treasurer Caprio asked for the PCA team to give their thoughts on the portfolio in the current environment.

Mr. Emkin commented that we have had a big rally of late especially in the bond market. The high yield market has almost doubled. There is beginning to be more credit available, but only for those with the best credit rating. The foreign markets, chiefly the emerging markets, have done extremely well, up almost 100% from their bottom. Our advice is to invest in the future, meaning invest in growth. Global growth should be normal over the next 10 years, dominated by growth in the emerging markets. Government debt will be a problem. Inflation will likely come into play when the current debt needs to be repaid. Real estate will continue to be challenged.

The SIC's timing on indexing equities was good. The response to the bond market last year has enabled the fund to recapture almost all losses. The fund should see improvement in private equity. The portfolio has done well relative to its benchmark and its peers. Now is the time to diversify risk.

Legal Counsel Report. Legal Counsel had no report.

Chief Investment Officer Report Mr. Goodreau reported that our performance numbers were very good at October 31, 2009 we are up close to 14% and to date almost 16% for the year. We did exit the PIMCO portfolio on September 30th with the cash coming into the account in October. Most of the liquidity was equitized through the Russell rebalancing program. Our rebalancing was very timely. For the month of October we beat our benchmark by 8 basis points, excluding private equity. For the year we are beating our benchmark by 80 basis points excluding private equity and real estate.

When we reduced our exposure to active managers, going to a passive mandate, we realized major benefits as evidenced by our rank in the top 5% as of September 30th in all the peer groups State Street monitors in international equity. Fixed income has returned to normalcy.

Ms. Booth Gallogly asked if Wellington Technical Equity is behind benchmark.

Mr. Goodreau replied it was behind but is now above the benchmark; however, looking at the aggregate it is beating the market by about 25%.

Treasurer Caprio asked for a report before the next meeting.

Treasurer's Report. Treasurer Caprio introduced Larry Jillson, a local financial planner. Treasurer Caprio mentioned he is always interested in talking with our local financial leaders. Someone like Larry met with the Treasurer in early 2007 and pointed out some of the issues in securities lending and sub-prime mortgages. Treasurer Caprio provided a few recent articles on securities lending. He mentioned we are not facing the issues raised in these articles. When we fully exited securities lending we profited about \$10 million for the year. He noted that in one State Street index fund there is still 8% of the portfolio subject to a securities lending program that is winding down. This was in place before we fully indexed. We are monitoring the collateral while we wait for it to mature. Treasurer Caprio said that we have two contracts that are ending; therefore we are going to start the RFP process. PCG is one; Treasurer Caprio met with Mr. Bauer recently to discuss this. First Southwest's contract, our financial advisor for when the state issues debt, is also set to expire. We have notified both parties that we will be issuing RFPs.

Mr. Reilly asked for more information on real estate holdings.

Mr. Goodreau replied he would ask Townsend for a valuations report on real estate for next meeting.

Treasurer Caprio stated we need to address one housekeeping item before we adjourn. He said this month we moved our meeting up a week because of the holiday. He suggested we do the same for December. He asked the members to mark their calendar for December 16, 2009.

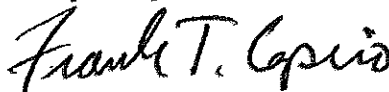
New Business. There was no new business.

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

VOTED: To adjourn the meeting.

There being no further business, the meeting was adjourned at 10:29AM.

Respectfully submitted,



Frank T. Caprio
General Treasurer



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

Frank T. Caprio
General Treasurer

State of Rhode Island and Providence Plantations
STATE INVESTMENT COMMISSION

Monthly Meeting December 16, 2009

A State Investment Commission (SIC) meeting was held in Room 135, State House, Providence, Rhode Island on Wednesday, December 16, 2009. The Treasurer called the meeting to order at 9:00 a.m.

Membership Roll Call. Present were: Mr. Michael Costello, Mr. Robert Gaudreau, Mr. Andrew Reilly, Mr. John Treat and General Treasurer Frank T. Caprio establishing a quorum. Ms. Rosemary Booth Gallogly arrived at 9:06 a.m.. Also present were Ms. Sally Dowling, of Adler, Pollock, and Sheehan and Mr. David Ursillo, of Rodio & Ursillo, Legal Counsel to the Commission; Mr. Allan Emkin and Mr. John Burns of Pension Consulting Alliance (PCA), General Policy Consultants to the Commission; Mr. Nick Katsikis and Ms Lisa Tyrell of State Street Corporation; Mr. Michael Bane of PCG, and members of the Treasurer's staff. Dr. Robert McKenna, Mr. Robert Giudici, and Ms. Marcia Reback were not present.

State Investment Commission Minutes. Treasurer Caprio entertained a motion for approval of the minutes for the meeting of November 18, 2009. Mr. Reilly moved, Mr. Gaudreau seconded, and the subsequent motion passed. The following members voted in favor: Mr. Michael Costello, Mr. Robert Gaudreau, Mr. Andrew Reilly, Mr. John Treat and General Treasurer Frank T. Caprio.

VOTED: To approve the Minutes of the November 18, 2009 monthly meeting.

General Consultant Report. Mr. Burns introduced Mr. David Saunders of K2 Advisors, a noted practitioner in the hedge fund field.

Mr. Goodreau noted K2 Advisors was highly recommended by the staff at Mass PRIM.

Mr. Saunders asked the board to refer to the presentation material, then told the board about his professional experience culminating with the founding of K2 Advisors in 1994. He gave an overview of K2 Advisors, its global regulatory registrations, and client list.

He stated a hedge fund is not solely an absolute return investment. Hedge funds have delivered significant performance over time, however, there have been losses. He defined hedge funds as nothing more than a fee structure agreement. He then detailed some of the reasons to invest in hedge funds, highlighting the key elements of: an attractive risk adjusted return and a vehicle that is meant to protect capital. The main reason is risk diversification because the exposure is uncorrelated to equity and fixed income portfolios.

He covered points to consider when investing in hedge funds, stressing transparency, ongoing due diligence, and access to good managers as the most important.

A discussion among the group followed.

Mr. Saunders then addressed the long/short strategies, the least risky in hedge funds, explaining there are levels of diversification. At Mr. Burns' request he covered an example of a long/short investment.

Mr. Treat asked what the duration of a long/short investment would be.

Mr. Saunders explained that just like there are different methodologies there are different timelines for these investments.

He then told the group that in the 1990s investment banks developed a system based on Value at Risk (VaR). VaR is based on the common sense fact that risk is the odds of losing money. This is the quantitative method used to measure risk in hedge fund investments.

Ms. Booth Gallogly asked if the VaR calculation would have shown a high risk of losing money for the hedge funds that failed.

Mr. Saunders replied there are three types of risk we consider with hedge funds, headline risk, operational short falls (fraud) and market risk.

Ms. Booth Gallogly asked if there is less government oversight on this type of investment than with others even after the recent scandals.

Mr. Saunders replied that it is difficult for the government to monitor the financial industry with the resources they have. Common sense and vigilant due diligence will keep the investor out of trouble with hedge fund investing. Transparency is essential. To illustrate the optimal level of transparency he reviewed numerous examples of reports on hedge fund portfolios.

Ms. Booth Gallogly asked if the VaR calculation takes into account the liquidity issue.

Mr. Saunders replied that it is a separate measurement, which allows you to calculate liquidity at the fund level. VaR is not a 100% measurement, a stress test is needed as well. He continued reviewing additional examples of methods and reports to measure risk. He noted we have addressed market exposure and the other risk element is skill. Once market exposure is backed out of the equation you are left with the skill function.

Mr. Costello asked for information on multi-strategy and fund to fund hedge fund management.

Mr. Saunders reviewed benefits and liabilities in both; however, in fund to fund you are getting exactly what you specify in your guidelines.

Mr. Costello asked in a managed low risk portfolio what the expected rates of return are.

Mr. Saunders replied that the market is dynamic and there are times when you want more risk and times you want less. Historically the goal was 8% but from 1990 to now the fluctuation has been remarkable. He thanked the group for their attention.

Performance Review.

Mr. Emkin mentioned that in reviewing performance material the underperformance of real estate relative to its benchmark stood out. He encouraged the board to bring in Townsend for information on performance in the real estate portfolio.

Treasurer Caprio commented the commission has taken a patient approach to real estate and has invested very little over the past three years; most investments were made prior to 2007. The changes we made in other areas of the portfolio in the past year are producing meaningful results. We are looking to the future in exploring vehicles for additional return.

Mr. Saunders noted he applauds the action the board is taking.

Legal Counsel Report. Legal Counsel had no report.

Chief Investment Officer Report Mr. Goodreau thanked Mr. Saunders for the presentation. He asked the group to turn to the performance material and to note that the total plan was up 3.61% for the month, the total plan benchmark was up 3.32%. Additionally, fiscal year return to date is 16.43% with private equity and real estate markdowns. Non-private equity and real estate is up 23.68%. It is good to see the increase in the overall value of the program; we are at \$6.9 billion as of last night's close. We will continue to focus on risk management going forward.

Treasurer's Report. Treasurer Caprio stated that there are contractual matters to address; the first item is the State Street contract. He said the distributed spread sheet shows the SIC will be paying less for more services than was paid ten years ago. That translates into a 2009 fee that is about 60% of the 1999 fee. Based on the positive negotiations and the agreement we have reached, it is the staff's recommendation that we extend the contract eighteen months. Treasurer Caprio asked if there were any questions for Treasury or State Street staff.

He then entertained a motion to extend the State Street contract for 18 months subject to final documents being negotiated and signed. Mr. Costello moved, Mr. Reilly and Mr. Treat seconded and the subsequent motion passed. The following members voted in favor: Ms. Rosemary Booth Gallogly, Mr. Michael Costello, Mr. Robert Gaudreau, Mr. Andrew Reilly, Mr. John Treat and General Treasurer Frank T. Caprio.

VOTED: To extend the State Street contract for 18 months subject to final documents being negotiated and signed.

Treasurer Caprio told the board that the current legal representation of the board is Adler, Pollock and Sheehan for alternative investments and Rodio and Ursillo for day to day and open meeting issues. The contracts with Adler, Pollock and Sheehan and Rodio and Ursillo allow for an extension for one year.

He entertained a motion to extend those contracts pursuant to the original contracts negotiated after the RFP process. Mr. Costello moved, Mr. Reilly seconded and the subsequent motion passed. The following members voted in favor: Ms. Rosemary Booth Gallogly, Mr. Michael Costello, Mr. Robert Gaudreau, Mr. Andrew Reilly, Mr. John Treat and General Treasurer Frank T. Caprio.

VOTED: To extend the contract with Adler, Pollock and Sheehan and the contract with Rodio and Ursillo for one year.

Treasurer Caprio then stated there is a recommendation for a bond custody services RFP and asked Mr. Izzo to give the group details of the recommendation.

Mr. Izzo commented that insurance, construction companies and banks are required to post a bond in order to conduct business in RI. The custodian will monitor and manage these accounts.

Treasurer Caprio entertained a motion for the authority for a bond custody services RFP. Mr. Treat moved, Mr. Costello seconded and the subsequent motion passed. The following members voted in favor: Ms. Rosemary Booth Gallogly, Mr. Michael Costello, Mr. Robert Gaudreau, Mr. Andrew Reilly, Mr. John Treat and General Treasurer Frank T. Caprio.

VOTED: To authorize a bond custody services RFP.

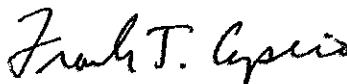
New Business. There was no new business.

There being no new business, the Treasurer entertained a motion to adjourn. Mr. Treat moved, Mr. Reilly seconded and the subsequent motion passed. The following members voted in favor: Ms. Rosemary Booth Gallogly, Mr. Michael Costello, Mr. Robert Gaudreau, Mr. Andrew Reilly, Mr. John Treat and General Treasurer Frank T. Caprio.

VOTED: To adjourn the meeting.

There being no further business, the meeting was adjourned at 10:14AM.

Respectfully submitted,



Frank T. Caprio
General Treasurer

**State of Rhode Island and Providence Plantations
STATE INVESTMENT COMMISSION**

Monthly Meeting January 27, 2010

A State Investment Commission (SIC) meeting was held in Room 135, State House, Providence, Rhode Island on Wednesday, January 27, 2010. The Treasurer called the meeting to order at 9:00 a.m.

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

State Investment Commission Minutes. Treasurer Caprio entertained a motion for approval of the minutes for the meeting of December 16, 2009. Mr. Reilly moved, Ms. Reback seconded, and the subsequent motion passed. The following members voted in favor: Ms. Gallogly, Mr. Costello, Mr. Giudici, Ms. Reback, Mr. Reilly, Mr. Treat and General Treasurer Caprio.

VOTED: To approve the Minutes of the December 16, 2009 monthly meeting.

Treasurer Caprio asked Gregg Hymowitz, Jill Zelenko & Jill Daschle of Entrust Capital to join the meeting to make their educational presentation on hedge fund investing.

Mr. Hymowitz asked the group to refer to the presentation book, and then told the board about Entrust and his professional background. He gave an overview of the recent history and current view of the market as well as the hedge fund sector. He explained that hedge funds are simply different ways of managing stocks and bonds.

He noted that over the past few years there has been a significant increased allocation to hedge funds by institutional investors. The increase is partly due to the fact that it has become more difficult to make the 7 to 10% return pension funds look for in other vehicles. Also, the reduced volatility and the increased risk adjusted rate of return have contributed to the increase.

He detailed strategies hedge fund managers use by comparing scenarios of traditional equity management and hedge fund management. He noted hedge fund managers are focused on the down side protection, this is why they generate significant out-performance over a period of time. This strategy allows for reduced volatility and provides a significant level of diversification and the ability to preserve capital in the difficult times.

He reviewed performance for various equity indices and hedge fund strategies for the years 2000, 2008 and 2009 to illustrate the different rates of return and levels of diversification. He spoke about the issue of transparency and how the participation of institutional investors has spurred its increase. He stressed the importance of ongoing due diligence. Going forward the opportunities are significant because of debt incurred in the equity and commercial real estate markets over the past few years. He explained how a fund is set up and how it is diversified among managers. Addressing the issue of leverage, he said its excessive use contributed to the recent crisis more than any other factor, then elaborated on the 2008 market. He cautioned to avoid hedge funds that use significant amounts of leverage.

The presentation concluded and the Entrust team departed the meeting.

Treasurer Caprio told the group that the RI General Laws Section 35-10 provides for up to 5% in Economically Targeted investments; like other segments of the portfolio it is prudent to have an investment policy, he then called on Mr. Burns.

General Consultant Report. Mr. Burns asked the group to refer to the handout Statement of Investment Policy for Economically Targeted Investment Program (ETI). He stated that over the past fifteen years it has been common for state and large municipal funds to make these types of investments. The idea of an ETI is to use a portion of the assets to invest in the local economy that will earn a market rate of return commensurate with the risk criterion that would be used to judge any investment. The secondary benefit would be to promote the local economy. He went through several fact patterns to demonstrate what an ETI would and would not be. He stressed this is not a mandate to invest, the policy is intended to focus on the board's fiduciary responsibility and to give direction to the staff. He then covered each section of the policy draft.

The group discussed various elements of the class, the draft policy and fact patterns that may arise.

Treasurer Caprio stated that we have been approached with ETI ideas for the fund; our philosophy has been if they were not already in the institutional investor world, with a track record - it was not an investment that we would consider. He said the policy should not be open to interpretation and that he would like Mr. Dingley to work with Mr. Burns to refine the policy.

Ms. Booth Gallogly asked for specific language to clarify that a state agency or quasi-agency could not guarantee an ETI.

Mr. Costello commented that this is a good approach for the board to take.

Treasurer Caprio introduced the topic of the alternative investment search. He asked for consideration for a request for proposals (RFP) in this area without a commitment to select a manager.

Mr. Goodreau told the members that after hearing the educational material over the past two months this search should be viewed as a continuation of exploration in this area. We want to look at institutions, fees and industry standards and are not making a commitment to engage.

The members discussed various aspects of the search, policy and allocation.

Mr. Burns clarified the policy for this class is 3% or about \$180 million which is part of the 10% real return allocation. As in any search, PCA will assist in crafting the scope of the search.

Treasurer Caprio entertained a motion to authorize a search as defined by PCA. Ms. Reback moved, and Mr. Costello, Mr. Giudici, and Mr. Treat seconded, and the subsequent motion passed. The following members voted in favor: Ms. Gallogly, Mr. Costello, Mr. Giudici, Ms. Reback, Mr. Reilly, Mr. Treat and General Treasurer Caprio.

VOTED: To authorize a search as defined by PCA

Mr. Burns turned to the topic of real estate investments. He noted that the quarterly report shows the real estate portfolio off 42.2% for the year. At the next meeting we will have Townsend come in for a review of the entire real estate portfolio.

Mr. Goodreau commented that this is an issue that is impacting a number of pension funds and he has been engaged in discussions with our peers from around the country exchanging information on how best to proceed.

Treasurer Caprio noted over the last 3 years we have made few investments. The allocation to real estate is always targeted at 5%, and although this seems small, it is having a major impact on overall performance.

Legal Counsel Report. Mr. Dingley asked the board to turn to the Placement Agent Disclosure Certificate. He said the document is a collaborative effort of Treasury, PCG and Adler Pollock and Sheehan staff which represents the best practices in the industry to get as much transparency as possible. It requires the general partner of real estate or private equity firms certify there are no placement fees in connection with the RI investment. Additionally they must disclose any placement fees involved in the transaction with other investors. Staff recommends we require this certificate on all future transactions.

Treasurer Caprio entertained a motion to adopt the Placement Agent Disclosure Certificate and make it part of our due diligence package. Mr. Costello moved, Ms. Booth Gallogly and Ms. Reback seconded, and the subsequent motion passed. The following members voted in favor: Ms. Gallogly, Mr. Costello, Mr. Giudici, Ms. Reback, Mr. Reilly, Mr. Treat and General Treasurer Caprio.

VOTED: To adopt the Placement Agent Disclosure Certificate.

Chief Investment Officer Report Mr. Goodreau said calendar year 2009 was a very positive year for the fund. Total assets were up 18%, which is in line or out-performing our peers. Without private equity & real estate the total plan would be up 26%, beating benchmark by 4.98%. He explained how the increase in private equity from \$350 million to \$600 million during 2006 is producing the current drag on performance. Regardless of the drag, the board's decisions have resulted in the fund being near the top quartile for the year.

Mr. Costello asked if we are using the S&P+300 and if there is a better benchmark?

The group discussed the benchmark types and options then agreed to get consultant guidance and to continue a more in depth discussion in the future.

Mr. Goodreau asked the group to turn to the money manager fee savings calculation document. He explained how the board's initiatives to reduce fees are becoming a reality. The fee savings through December 31, 2009 were \$4.4 million. The additional trading and market impact related cost savings are not included in this calculation.

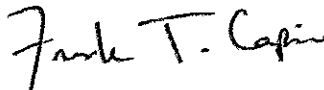
Treasurer's Report. Treasurer Caprio reported, in addition to his previous comments, a good benchmark was recently released. CALPERS, the largest fund in the country, earned 12% for calendar year 2009. Our fund earned 18% last year. Your efforts to minimize fees, simplify our process and monitor liquidity is a large part of our success. He turned the meeting over to Ms. Booth Gallogly and exited the meeting at 10:28.

New Business. There was no new business.

There being no new business, Ms. Rosemary Booth Gallogly entertained a motion to adjourn. Mr. Costello moved, Ms. Reback seconded and the subsequent motion passed. The following members voted in favor: Ms. Booth Gallogly, Mr. Costello, Mr. Giudici, Ms. Reback, Mr. Reilly, and Mr. Treat.
VOTED: To adjourn the meeting.

There being no further business, the meeting was adjourned at 10:44AM.

Respectfully submitted,



Frank T. Caprio
General Treasurer



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

Frank T. Caprio
General Treasurer

State of Rhode Island and Providence Plantations
STATE INVESTMENT COMMISSION

Monthly Meeting February 24, 2010

A State Investment Commission (SIC) meeting was held in Room 135, State House, Providence, Rhode Island on Wednesday, February 24, 2010. The Treasurer called the meeting to order at 9:05 a.m.

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

State Investment Commission Minutes. Treasurer Caprio entertained a motion for approval of the minutes for the meeting of January 27, 2010. Mr. Reilly moved, Mr. Michael Costello seconded, and the subsequent motion passed. The following members voted in favor: Ms. Rosemary Booth Gallogly, Mr. Michael Costello, Mr. Robert Giudici, Mr. Andrew Reilly, and General Treasurer Frank T. Caprio.

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

General Consultant Report. Mr. Burns asked the group to refer to the handout Statement of Investment Policy for the Economically Targeted Investment Program and specifically the new language in section B, bullet three. This document reflects the board's consensus at the January meeting that the State of Rhode Island should not guarantee these investments.

Treasurer Caprio entertained a motion to adopt the Investment Policy for Economically Targeted Program as presented by Mr. Burns of PCA. Mr. Costello moved, Ms. Booth Gallogly and Mr. Giudici seconded, and the subsequent motion passed. The following members voted in favor: Ms. Rosemary Booth Gallogly, Mr. Michael Costello, Mr. Robert Giudici, Mr. Andrew Reilly, and General Treasurer Frank T. Caprio.

VOTED: To adopt the Statement of Investment Policy for the Economically Targeted Program

Real Estate Review. Mr. Burns introduced Mr. Anthony Frammartino and Mr. Martin Rosenberg from the Townsend Group.

Mr. Frammartino gave a brief history of the program that started in late 2004 with the majority of the capital committed between 2005 and 2006. There were only two commitments (with limited exposure) made during 2007, 2008, and 2009. He said the program is currently underperforming the

benchmark mainly due to investment timing. The 65% allocation to core investments mitigated losses overall within the portfolio relative to riskier strategies investors were pursuing at the time. The current down-turn in this asset class in one year has surpassed that of the early 1990s. At this point in the cycle there has been a severe correction, which may have been overshoot. To the SIC's credit, by design you had a much higher weighting to core strategies, 65% of your portfolio are stable core investments, with low leverage and income flowing, that are well diversified by property type and market.

Treasurer Caprio asked for clarification on the valuation of core assets due to the down-turn.

Mr. Rosenberg replied that the correction from peak to trough for core funds is about 40%. The general view among managers is we are close to a bottom of the correction. This is consistent with what we have seen for over a year, with the valuation metrics that we are seeing, and activities that we are starting to see in the market. The timing of the inception of the portfolio detracted value, however, to some degree, manager selection preserved value.

Mr. Frammartino said that the fund hasn't put any money to work in several years now. There were plenty of investors who used the pause in the market in 2007 as a "buy signal" and put money back in, which was immediately re-priced. To give you an idea of the volatility of the opportunistic funds, we were seeing an average of 50% to 70% write down in some of those strategies.

Mr. Rosenberg stated that this isn't true across the board, but some of the selected managers, shown on a graph on page 11, slowed their commitment pace very significantly, so at the absolute peak in 2007, the fund didn't put that much capital to work when it became clear that we were starting a severe down track.

Mr. Frammartino remarked that the program was conditioned on a 3 to 5 year investment horizon to get to the full allocation target in that time period. We essentially started investing in 2005 and 2006 at a point of very rapidly increasing equity markets. At the end of 2006 we were not actively investing but were monitoring our exposure. Generally you don't time the market, but this proved to be the kind of market where not being in for the last couples of years has worked to our benefit. We think now there are opportunities to continue with the program, to make some attractive investments. We need a clear understanding of what the SIC wants the real estate program to mean to the total plan long term. Historically investors had looked to the asset class to give returns that were higher than fixed income returns and lower than equity risks and real estate had done that. On average your peers have 50 % of their portfolio in core, where Rhode Island has 65 % percent in core, so you are actually a little more conservative.

The group then discussed the aspects of the real estate portfolio presentation and future opportunities.

Ms. Booth Gallogly asked for clarification on how core investments are allocated.

Mr. Rosenberg replied that 65% is invested in the core funds.

Mr. Reilly asked for clarification of the opportunities for the remaining obligations, aside from AEW, Magna Hotel and new commitments in the portfolio.

Mr. Frammartino commented that AEW and Westbrook are great examples of future opportunity. Being able to make new transactions will result in better pricing. Magna is another good example that is already in place in your portfolio. We feel strongly about the lodging opportunity.

Mr. Goodreau noted that we shut down real estate in 2007 -- AEW offered a commitment with no leverage and the ability to go to market when the opportunity presents -- to their credit the majority of the capital is uncommitted. I believe having the capital in patient hands will pay off, this is the structure we will look for in the next fund we partner with.

Mr. Reilly commented that the portfolio is highly concentrated in the AEW fund and he would like to see diversity through future investments.

Mr. Costello said that we have to be mindful of the structure we have here and the way we operate. We can participate in a reasonable manner but to put additional monies in now is likely unwise.

Mr. Goodreau said that he agrees that this may not be the time to allocate fresh capital into a new fund; a fee incentive should be in place in the fee structure to encourage patience.

Mr. Guidici asked if Townsend had performed any trend analysis studies indicating the peaks and valleys with the time frame for turn around.

Treasurer Caprio commented that this is the appropriate time to start the RFP process in these areas.

Treasurer's Report. The focus for the upcoming weeks will be in the cash flow area with the busy season approaching for revenue collections. We will be working with Ms. Booth Gallogly on payments of TANs and new bond issues.

We have received extensive media requests on the fund's 2009 performance because our returns were relatively strong in this environment. The staff will get you copies of the items where the fund is mentioned.

New Business. There was no new business.

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

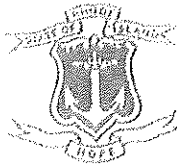
VOTED: To adjourn the meeting.

There being no further business, the meeting was adjourned at 10:24AM.

Respectfully submitted,



Frank T. Caprio
General Treasurer



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

State of Rhode Island and Providence Plantations
STATE INVESTMENT COMMISSION

Frank T. Caprio
General Treasurer

Monthly Meeting March 24, 2010

A State Investment Commission (SIC) meeting was held in Room 135, State House, Providence, Rhode Island on Wednesday, March 24, 2010. The Treasurer called the meeting to order at 9:04 a.m.

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

State Investment Commission Minutes. Treasurer Caprio entertained a motion for approval of the minutes for the meeting of February 24, 2010. Ms. Booth Gallogly moved, Mr. Reilly seconded, and the subsequent motion passed. The following members voted in favor: Ms. Gallogly, Mr. Costello, Mr. Gaudreau, Mr. Giudici, Ms. Reback, Mr. Reilly, Mr. Treat and Treasurer Caprio.

VOTED: To approve the Minutes of the February 24, 2010 monthly meeting.

General Consultant Report. Mr. Burns asked the group to refer to the handout "2010 Fixed Income Review." He started the presentation by stating that fixed income has undergone a difficult period over the past 2 years and in general, it was not the diversifying asset most expected it to be. Today we will start the discussion of what the changed interest rate environment will mean long-term for the policy and what role the 22 to 25% of the pension portfolio in fixed income will play in the fund among the diversified asset classes. He explained that the role of fixed income could be: for diversification, a principal protector, a value added asset or to match liabilities. He then reviewed some of the characteristics of each role.

Mr. Burns stressed that fixed income markets are undergoing dramatic changes. There is no clear industry consensus on how an investor like Rhode Island should structure the fixed income portfolio.

Mr. Emkin commented that fixed income portfolio management has evolved over 25 years. Years ago there was 1 benchmark, the Lehman Government-Corporate Index, which was composed of only high quality bonds. Over the years bond portfolios have taken on more

risk as they added components because the Government did not sell as many bonds. The government sector shrank as the corporate sector expanded in the index, therefore the industry became more driven by credit risk. *In 2007/2008 that blew up.* The result was that fixed income did not do what it was traditionally supposed to do, which is to diversify risk of equities. The SIC should consider this point of reference when they consider the strategic decision of what they want fixed income to do in the future.

Mr. Burns continued by saying that the primary factors that drive returns are interest rates and credit risks. He explained the key fixed income concepts are duration, convexity, yield curve structure and credit risk. He said that duration is of primary importance. The calculation of duration is the sensitivity to interest rates for a bond or a portfolio. He then reviewed an example on page 10 in the handout. He noted that duration of the benchmark for the RI portfolio is about 4.7 years, while the duration of liabilities is about 13 years. Generally benchmarks have gotten broader as the number of potential investments available has grown.

He then turned to an overview of the composition of the U.S. bond market, noting that mortgages take up a large part of the space, but that this will change as the government issues more bonds. He asked the group to refer to page 19 for a snapshot of the characteristics of the Rhode Island portfolio's benchmark. He pointed out the 4.57 duration means that if interest rates move up or down 1%, then the portfolio will move up or down about 4.5% and the average (credit) quality is very, very high with 81% being backed by the US Government. The SIC should keep this snapshot in mind when they consider the objectives and the benchmark for the fixed income portfolio.

Mr. Goodreau commented that there will be massive amounts of debt coming into the market but that the SIC can't let supply lead their decision making. The question is how the board will approach that debt. This period of time is so different from anything that has been seen, the SIC can't just look at the indexes and past performances. Mr. Goodreau commented that Mr. Burns' input is very important.

Mr. Emkin said recent returns are not likely to happen again. Over the past 10 years bonds had a positive return and stocks were flat, while during the previous 10 years that was not the case. There has been a 25 year period where interest rates have gone down and the new generation on Wall Street has no point of reference.

Mr. Burns said that is part of a structural review of fixed income starting with a definition of policy, manager reviews and how it will be implemented to meet the goals. The focus going forward is on what the board wants the role of fixed income to be that is not being provided elsewhere in the portfolio. Depending on the role the make-up will be different.

Ms. Reback asked if the roles are mutually exclusive.

Mr. Emkin stated that it is not black and white; there could be an orientation towards one role and have elements of another.

Treasurer Caprio asked if there were any comments on the market in general.

Mr. Emkin commented that the world markets are changing swiftly. A short time ago the view was that the dollar was dead, yet there has been a rally in the dollar – as people around the globe have sold the Euro and the Yen and bought U. S. dollars. The focus in public pension plans, for the first time, is on their financial condition and the liabilities of the plan rather than investments.

Treasurer Caprio mentioned that Rhode Island has been focused on this issue for some time and has made reforms to bring liabilities down.

Educational Series. Treasurer Caprio introduced Mr. Robert Cusack of Newport Investment Management.

Mr. Cusack introduced his colleagues Mr. Earl Chambers, Mr. Werner Keller and Mr. Matthew Lenehan with a brief career summary. He then gave an overview of the firm and their idea to go beyond the traditional strategic asset allocation and diversification benefits of index investing and really try to find a systematic way to address portfolio risk. He stated that risk control has come to the forefront of the institutional investing community and they are pleased to provide an overview of risk control and its benefits. He then turned to Newport Investments' research advisor, Mr. Keller, noting the Keller model is used to manage over \$100,000,000 of assets.

Mr. Keller asked the group to turn to page 6 of the Newport Risk Control Advisory Overview to illustrate the problem of draw down with the Standard & Poors index of the last 40 years that routinely draws down 30% from the high. He said that returns from equities, in addition to being very noisy, also are delivered in spurts which are illustrated in the Dow Jones graph on page 7.

He continued stating that return is almost 10 times larger than the contribution of the manager, if you attack systematic risk partially, the rewards would be fairly significant, maybe enough to offset the frictional cost of the management process. Markets have a propensity to trend. There are some seasonal inefficiencies: the second half of the year tends to be weaker than the first half and that is statistically significant, and there's a presidential cycle, which is also statistically significant. The inefficiency that drives the model is trend persistence, what is also called momentum effects. The model has all of these internal market items in it. This is not trying to alter the behavior of the S&P; it takes the S&P and just puts a control on it. He asked the group to turn to page 11 and gave an overview of the Keller Equity Trend Model.

Mr. Cusack commented that he was particularly interested if the model can identify the downtrends so that the SIC protects itself during those periods.

Mr. Costello asked if this is a static model or if they are constantly looking at new inputs and tweaks to the model.

Mr. Keller said that it's static, and that's very important. He stated that he does look at new things but that he always keeps the original one that's dated 12/31/2004 in place. The model has flexible parameters, it has envelopes that widen when volatility widens. It has moving averages that move around so it does try to flex with change in market conditions. He reviewed several charts illustrating various aspects of the model.

Mr. Reilly asked if some signals are stronger than others.

Mr. Keller said that no, he has forced it into a red or green format, it just follows the money.

To summarize, he said that the model is a series of inputs to the extent thye SIC has indexed S&P exposure. This is a harness that could ride on top of that S&P exposure, and encourage the SIC to increase it or decrease it, to some extent. Mr. Keller said that it's a statistical process and it simply responds to the movement of money and the pressure of demand and supply inside the marketplace.

Secondary Opportunity Review. Ms. Davidson began the by telling the group that PCG would recommend the consideration of another secondary sale. Given the successful sale of June 2008, the thought was to continue to evaluate opportunities to sell as appropriate. With the market dislocation and resulting decline in the public markets in the interim, the private equity portfolio is now exceeding targets.

She asked the group to look at first page of the Rhode Island Secondary Transaction Update. She explained that the SIC target is 7.5% and that now the actual is around 9.8% for

the private equity allocation relative to total pension assets. Given that the portfolio exceeded the target, it was natural to think of selling funds to manage down exposure, but the distress and uncertainty in the market impacted prices during the second half of 2008 and 2009 to the point where discounts were as much as 40 to 60%. For a non-distressed investor such as RI, it was better not to sell in that environment. Starting in 2010, private equity valuations have been stabilizing, and less market uncertainty has led to improved pricing, with discounts now in the 20 to 25% range and in some cases up to 15%.

Given the improved pricing environment, it was suggested that the board start looking at another potential secondary sale which will lower the exposure to private equity, reduce unfunded liabilities and allow a rebalancing of the portfolio.

A majority of unfunded liabilities within private equities lie in 2006 commitments in the large and middle market buy out space. Those were appropriate investments at the time, but now strategies are needed that are better positioned to take advantage of the current environment to be of maximum benefit to the portfolio return and have a shorter time to liquidity. Some of those sectors include distressed or secondary strategies.

Mr. Costello stated he is surprised that we are this much out of line given that this asset class over the last few years has done relatively nothing if not declined. He asked if the \$639 million was the committed amount but unfunded.

Ms. Davidson replied that this is actually the net asset value, so it is the fair market value of the assets and doesn't include the unfunded.

Mr. Goodreau said that we were only close to target when we had the reverse denominator effect, but we have always been somewhat over allocated.

Treasurer Caprio commented that we are under in real estate so the blend kept us under 12%.

Mr. Costello asked how confident PCG is with the fair market value.

Ms. Davidson replied that we are confident, but it is reported on a lagged basis. This is as of September 30, 2009. Values have increased since then.

She continued, saying that we have designed sale options from \$50 to \$200 million for the board's consideration, with the larger end bringing exposure more in-line, all things being equal. If the proceeds of the sale are redeployed into appropriate areas, over the long-term the overall performance would increase versus the status quo. The sale over the short-term would have a minor negative impact on performance given the discount, but our estimates show that after three years the performance would be higher with the sale than without. She then reviewed graphs of the various scenarios' impact on allocation. She pointed out that with the \$100 million sale scenario, even if proceeds were redeployed, the fund would be nearer target, have better vintage diversification and be rebalanced. Another factor is the impact on cash flow – a sale would have an immediate positive impact on cash flow, and would remain cash flow positive. The key is to reinvest in strategies that have a shorter time to liquidity and earlier distributions over the near term.

She then asked the board to turn to a list of the potential offerings and explained that the SIC is creating an opportunity with a small subset of private equity buyers so the SIC can get the best pricing and combination for the portfolio. The focus is on large buyouts and medium buyouts to manage down that exposure to funds where the investment pace is slower and there is already adequate capital or "dry powder" available for investment. The most likely scenario, to get the most attractive pricing and most positive impact for the portfolio, will be a sale between \$50 and \$100 million that would consist of about half cash and half would be a reduction in unfunded liabilities. The purpose of this presentation is to start the

discussion on the topic of another secondary sale and to give a sense of some of the opportunities and parameters.

Treasurer Caprio entertained a motion to allow the staff and consultants to explore a secondary sale to rebalance the portfolio subject to board approval. Ms. Reback, moved, Mr. Costello and Mr. Treat seconded, and the subsequent motion passed. The following members voted in favor: Ms. Gallogly, Mr. Costello, Mr. Gaudreau, Mr. Giudici, Ms. Reback, Mr. Reilly, Mr. Treat and Treasurer Caprio.

VOTED: To allow the staff and consultants to explore a secondary sale to rebalance portfolio subject to board approval.

Legal Counsel Report. Legal Counsel had no report.

Chief Investment Officer Report. Mr. Goodreau reported that the portfolio value is over \$7 billion based on recent market activity.

Mr. Costello asked about the status of regular manager reviews. Mr. Goodreau commented that he and Mr. Burns have done a full review of fixed income. All the managers came in to answer questionnaires. They concentrated on fixed income because this is the area where most of the active managers are. They will present information on each manager and how they look at the entire program in the future.

Treasurer's Report. Treasurer Caprio told the group that at the next meeting there will be a presentation regarding the renewal of the Alliance Bernstein - 529 Plan contract. This board and the Rhode Island Higher Education Assistance Authority (RIHEAA) have joint responsibility in the 529 Plan. Alliance Bernstein currently handles the 529 investments, which are a number of mutual funds, where RI residents can manage their college savings. The Alliance Bernstein contract is due to expire. There have been full active negotiations between RIHEAA, Treasury and Alliance Bernstein staffs. As a condition of renewal the Treasurer has insisted that Rhode Island families have the lowest fees charged on investments of any State in the country. Additionally, the funds that come into RIHEAA for scholarships for Rhode Islanders would increase by approximately 50%.

New Business. There was no new business.

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

VOTED: To adjourn the meeting.

There being no further business, the meeting was adjourned at 11:38 a.m.

Respectfully submitted,

Frank T. Caprio

Frank T. Caprio
General Treasurer



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

Frank T. Caprio
General Treasurer

State of Rhode Island and Providence Plantations
STATE INVESTMENT COMMISSION

Monthly Meeting April 28, 2010

A State Investment Commission (SIC) meeting was held in Room 135, State House, Providence, Rhode Island on Wednesday, April 28, 2010. The Treasurer called the meeting to order at 9:07 a.m.

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

State Investment Commission Minutes. Treasurer Caprio entertained a motion for approval of the minutes for the meeting of February 24, 2010. Mr. Reilly moved, Mr. Costello seconded, and the subsequent motion passed. The following members voted in favor: Ms. Gallogly, Mr. Costello, Mr. Fay, Mr. Gaudreau, Mr. Giudici, Ms. Reback, Mr. Reilly and Treasurer Caprio.

VOTED: To approve the Minutes of the March 24, 2010 monthly meeting.

General Consultant Report. Mr. Burns stated that the General Consultant Report is going to be handled by Mr. Goodreau today.

Treasurer Caprio asked Ms. Michelle Davidson of Pacific Corporate Group to provide a presentation on the secondary sale opportunity.

Secondary Opportunity Review. Ms. Davidson stated that at last month's meeting, we discussed consideration of a secondary sale of private equity interests and approved evaluating the options. The primary driver is allocation, as at year end private equity was significantly over allocated at 10.1% of the portfolio, versus the policy, which is 7.5%, which made it difficult to consider new investments. This transaction would immediately drop the allocation by about 2%, which would put the allocation in a normal tolerance range. Additionally, by selling some funds you would get a large cash in-flow, and then the portfolio would likely remain cash positive. Over time, the proceeds can be redeployed into strategies, managers, and vintage years that are more attractive given the current environment. This allows a rebalancing of the portfolio, which given the long term contracts in private equity, is otherwise difficult to do. One reason why rebalancing can be important is the cyclical nature of private equity returns. Ms. Davidson asked the commission to

refer to a graph in the presentation which showed returns of the industry and the portfolio over time, and noted immediately there is a lot of variation by vintage year. When you deploy capital is very important; it is really a factor of the economy as well as the flows of capital into private equity. In the current environment, you can typically buy companies cheaper, as you can buy at lower multiples of depressed earnings, so if you redeploy money with managers now, most likely you will be able to achieve better returns than over the last few vintage years.

There are several mitigating factors to the concerns expressed last month of giving away upside and taking a large discount. Redeploying the proceeds into currently attractive strategies helps to negate any upside concession, and with the sale proceeds on the transaction plus the collected distributions on these funds, there will be an effective gain. The way the overall transaction is structured the portfolio realizes this gain on the funds. Further, given the time value of money, selling now with a low discount offsets waiting for future distributions. The timing of this transaction will effectively catch the peak with a single digit discount which was unprecedented until now; even a few months ago discounts were as high as 50%. This proposal is to sell ten funds, with four managers, to three buyers in order to get the best pricing for the fund. With this structure the blended discount will be 8.6% giving sales proceeds of about \$82 million. Combining the sale proceeds with the \$120 million of distributions received there is a total value of about 1.2 times on the investment capital. No intermediaries will be used on this transaction, so the fund will not pay any fees or commissions, which will result in savings on commissions of just over \$3 million, and that's going to drop to the bottom line on the transaction.

The board discussed the rationale of the sale and various aspects of the transaction.

Ms. Booth Gallogly asked if the actual funds would be willing to reduce our commitment at no discount.

Ms. Davidson explained how occasionally that happens, but generally only if it's driven by a very large investor, and because of most favored nations clauses they have to offer that to all investors. Given the size of the large buyout funds, there would not be enough leverage to negotiate a commitment reduction, and you are effectively already getting one hundred percent of the value on the unfunded portion of your commitment on this type of transaction.

Mr. Costello asked for clarification on the fund's returns and if the sale is for strategic allocation and what due diligence was done on the values for this proposed transaction.

Ms. Davidson stated that 1.2x is the return and that allocation is the driver on this sale. These funds are monitored on an ongoing basis including daily cash flows, and we are monitoring the value information and methodologies and comparing that to other general partners that may be in the same transactions. In this case we evaluated the values of the funds versus the bidders' proposals, and we spoke to each general partner to get a sense of future distributions.

Mr. Fay asked for clarification on the objective of the sale.

Ms. Davidson stated that the primary driver is to reduce allocation; however you are accomplishing three objectives: reducing the private equity allocation, rebalancing, which included reducing exposure to buyouts, and receiving a favorable price.

Ms. Booth Gallogly stated that it is our responsibility to ask the GP to buy our commitment.

Mr. Goodreau commented that the main objective is to bring the allocation back to policy at 7.5% of the total plan assets. As fiduciaries if we don't do this transaction we either have to change the policy or say it is acceptable to be dramatically overweight in the space. Mr. Reilly stated that we are getting full credit for the unfunded commitments so the pricing is based on

NAV. So if the GP takes it back or if a buyer takes it - it is 100% gone for us and we will reduce the allocation with the sale.

Mr. Goodreau said that there is a choice A and choice B: either do it or not do it. There isn't a choice C, none of the above. Because we are outside of the policy, so we have to change the policy if we are comfortable being at a 10 % allocation, or take steps to bring the allocation within policy.. Not voting for the sale is a vote for a policy change or acceptance of a violation

The group then discussed the current view of the market focusing on private equity as it relates to the potential sale.

Mr. Fay mentioned that coming back to policy and reducing the overweight to large buyouts makes complete sense from a strategic stand point. He asked if liquidity is back in the market such that this is the time to sell.

Ms. Davidson said that about a year ago prices were 50 % of asset values.

Mr. Goodreau remarked that it is important to recognize there have been few times in history that you see single digit discounts even when we are not coming out of a credit disaster. We caught a very good time. We got a single digit discount, and literally 3 months earlier we were looking at a 30 to 40% discount.

Mr. Reilly commented that he agreed, that he didn't think that 91.4 % was achievable. He thought that about 12.5 to 13 % discount was the best we can do on a blended basis.

Treasurer Caprio entertained a motion to approve the secondary sale as presented by Ms. Davidson of PCG to rebalance the allocation of the private equity portfolio and proceed with sale of the option 1, of 10 funds, at a blended basis of no more than an 8.6% discount to the proposed bidders. The following members voted in favor: Mr. Costello, Mr. Fay, Mr. Gaudreau, Mr. Giudici, Ms. Reback, Mr. Reilly and Treasurer Caprio. The following member voted against: Ms. Gallogly.

VOTED: To approve the secondary sale as presented by Ms. Davidson of PCG to rebalance the allocation of the private equity portfolio and proceed with sale of option 1, of 10 funds, at a blended basis of no more than an 8.6% discount to the proposed bidders.

Legal Counsel Report. Legal Counsel had no report.

Chief Investment Officer Report. Mr. Goodreau reported that we continue to explore hedge fund of funds, and that the initial goal was to determine if an alternative in the portfolio would reduce the standard deviation. A formal invitation only search was issued to approximately 30 of the largest institutional firms that deal with state pensions. The first phase, which is quantitative, reviewing the response data; including performance, underlying managers, verifying proper registration was lead by Brockhouse Cooper. We are now in the qualitative phase where we will review: age of the firm, employee turnover, and similar client base. We will likely conduct one or more site visits. This may be a good time to get a sub-committee together to review the best firms with the consultants and to make a report to the full board.

Mr. Goodreau commented that over the past couple of years we have gone through one of the toughest times for investing in the country's history. The board has made some difficult decisions during that time. We have a policy benchmark, and our job as a board, as fiduciaries, is to be prudent and our secondary goal is to increase performance versus our benchmark. For the first time the RI program is out-performing its benchmark in every average time period. Decisions that the board made over the past two years ago are now starting to filter into our longer term numbers. One of our other mandates is to get the best risk adjusted rate of return

possible. In the past our standard deviation, our measure of volatility and risk, was consistently over 12.5% and consistently over our benchmark. Our standard deviation right now is 11.28%, while our standard deviation for our benchmark is 12.25%. So we have reduced our standard deviation or volatility by almost a full point. We are beating our benchmark, we have reduced risk and we have reduced fees between \$12 and \$15 million on an annualized basis. All of these factors have led to out-performance.

Treasurer's Report. Treasurer Caprio stated that last month he reported on the Treasury & RIHEAA staff's negotiations with Alliance Bernstein on the 529 plan renewal. He called on Mr. Dingley to give an update on the Alliance Bernstein contract.

Mr. Dingley said that the substantive issues have been agreed upon and now the lawyers are reviewing the 30 page revised contract. Alliance representatives should make a presentation here next month.

Treasurer Caprio commented that the major point is that RI families participating in the 529 plan will get absolute lowest fees nationally.

Mr. Dingley noted that another new feature is that a \$100 contribution will be made for every new baby born in RI so they will start out with \$100 in their college savings account.

Treasurer Caprio commented that there have been a lot of discussions about public pensions in RI in which the Treasurer's office has been active. The RI House and Senate passed changes but they did not become law yet this year because they differed. As discussions continue the staff will continue to provide information and the Treasurer will keep the SIC informed.

New Business. There was no new business.

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

VOTED: To adjourn the meeting.

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

Respectfully submitted,

Frank T. Caprio

Frank T. Caprio
General Treasurer

**State of Rhode Island and Providence Plantations
STATE INVESTMENT COMMISSION**

Monthly Meeting May 26, 2010

A State Investment Commission (SIC) meeting was held in Room 135, State House, Providence, Rhode Island on Wednesday, May 26, 2010. The Treasurer called the meeting to order at 9:05 a.m.

Membership Roll Call. Present were: Ms. Rosemary Booth Gallogly, Mr. Michael Costello, Mr. Thomas Fay, Mr. Andrew Reilly and General Treasurer Frank T. Caprio, establishing a quorum. Also present were: Ms. Sally Dowling, of Adler Pollock, & Sheehan, and Mr. David Ursillo, of Rodio & Ursillo, Legal Counsel to the Commission; Mr. John Burns of Pension Consulting Alliance (PCA), General Policy Consultant to the Commission; Ms. Michelle Davidson of Pacific Corporate Group, Mr. Richard Davies, Mr. Chris Nikolich, Ms. Patricia Roberts, of Alliance Bernstein, Mr. William H. Hurry, Jr. and Mr. Peter Kerwin of the RI Higher Education Assistance Authority and members of the Treasurer's staff. Mr. Robert Gaudreau, Mr. Robert Giudici, Dr. Robert McKenna and Ms. Marcia Reback were not present.

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

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

General Consultant Report. Mr. Burns gave a perspective on the world financial markets. He commented that they are unstable due to events in Greece and double digit recession in Europe and fear of sovereign defaults bringing the financial system back down. He noted this has some bearing on the Rhode Island portfolio due to the exposure to Europe in the international equity portfolio. U.S. stock holdings are affected because of the global repercussions.

Over the past few months this group has been in the process of building a portfolio that is less dependent on the equity return premium. Thus far the board has set up a policy for a real return portfolio, are moving forward on the hedge fund of funds search, and have developed a policy adding commodities to the portfolio. All these steps alleviate exposure to what is going on right now.

Mr. Burns stated that previous meetings have had presentations on fixed income in general, historical returns, and the way the class works. Today the focus is on the role of fixed income or policy considerations. He proceeded by telling the group that with fixed income the general rule that investment returns are related to the risks taken is applicable. Additionally, Government sponsored mortgage-backed securities and corporate bonds will out perform equivalent U. S. Treasury obligations in the long-term. Long maturity bonds out perform cash and short maturity notes over the long-term. He covered facets of the three types of fixed income risk, interest rate, credit and reinvestment. He then turned to active management risks that could be encountered when lower quality products are employed to outperform the benchmark.

Mr. Burns then addressed the day's principal issue, the role of fixed income. He asked the group to consider fixed income as part of the whole portfolio when deliberating policy. He then defined three usual roles for consideration: diversification to reduce volatility and risk, principal protection to guard principal and value-added to achieve the target return. He noted that this is usually the role that fixed

income has taken in the last 10 years. He reviewed how a fixed income portfolio would be structured by sector to meet each one of these objectives.

Mr. Burns stated the current role of fixed income is to provide a stable investment return and generate income while diversifying assets. This portfolio has a large allocation to corporate credit - investment grade and high yield. He then moved to an overview of the existing Rhode Island portfolio by asset class, category, sector and manager and allocation percentage to provide a foundation to determine the fixed income objective. He noted a fixed income allocation of 22% will have an impact on the overall portfolio regardless of the strategy the board determines.

The group discussed the topic presented by Mr. Burns.

Ms. Booth Gallogly asked which strategy the fund reflects based on the current allocation.

Mr. Burns replied currently the fund reflects the return value added allocation.

Mr. Fay asked Mr. Burns to address correlations.

Mr. Burns stated that the correlation with equity underlies the thinking in defining the various role options.

Ms. Booth Gallogly asked that if TIPS are included in the figures we are discussing.

Mr. Burns responded that TIPS are figured in the real return portfolio.

Treasurer Caprio, as a next step, asked Mr. Burns to come back with some options for the board. Short Term Investments Collateral Policy Review. Mr. Izzo asked the board to turn to the document: Policy on Collateralization of Public Deposits Fiscal Year 2010. This policy, which was put in place by Treasurer Caprio before the markets turned down, is formalizing the initiative to have maximum protection on our state's cash. In conjunction with the Auditor General, during the past year's audit, we have produced a written policy.

Treasurer Caprio asked for a brief overview of the type of collateral we are seeking.

Mr. Izzo stated the policy requires the highest quality collateral from our vendors, issued by the U.S. government, in the form of Treasuries or agency discount notes backed by the government in the form of Federal Home Loans, Farm Credits, Ginny Mae and Freddy Macs. Again, our goal is to have the highest integrity in case there is a need to liquidate and get our money back immediately. He noted that due to market trends and situations we ask for the board to provide an annual review to maintain safety at all times.

Treasurer Caprio entertained a motion to accept the collateral policy on public deposits as presented by Mr. Izzo.

Mr. Reilly moved, Mr. Costello and Ms. Booth Gallogly seconded, and the subsequent motion passed. The following members voted in favor: Ms. Booth Gallogly, Mr. Costello, Mr. Fay, Mr. Reilly and General Treasurer Caprio.

VOTED: To accept the collateral policy on public deposits as presented by Mr. Izzo.

Alliance Bernstein 529 Plan Contract. Mr. Dingley informed the group that Rhode Island has the second largest advisor-sold 529 plan in the country and a great partnership with Alliance Bernstein including the benefits of matching funds for low income population and scholarship funds. Last fall we hired an independent consultant to work closely with RIHEEA and to report on the 529 vendor marketplace, other states' benefits and the possibility of issuing an RFP. After several months of working with the consultant the conclusion was the existing relationship greatly benefits Rhode Island. The staff has negotiated at great length a stronger contract that RIHEEA has approved. He called on the Alliance Bernstein team to make their presentation.

Mr. Richard Davies introduced his colleagues Mr. Chris Nikolich and Ms. Patricia Roberts of Alliance Bernstein.

Ms. Roberts stated the 529 program has grown from about 1,700 to over 500,000 accounts and about \$8.5 million to \$7.4 billion in assets in the past 10 years. There are over 22,000 accounts established by Rhode Island families.

Mr. Nikolich, senior portfolio manager, presented information on performance. He reviewed Alliance's overall year to date, three year and five year returns for the various education strategies. He

then explained that the CollegeBoundfund returns for Rhode Island families are essentially the same as that of investors from the rest of the country, however, Rhode Island participants pay lower fees.

Ms. Roberts detailed the terms of the contract. She emphasized that with the implementation of the newly agreed-upon fee adjustment, Rhode Islanders will benefit from having the lowest cost age-based or passive option available to them in the nation. With respect to RIHEAA revenue, which is used for grants and scholarships there is a new asset-based formula that replaces the account fee formula to potentially garner additional revenue. Additionally, there is a provision that if the new formula produces less than the current formula, it will revert back to the current formula.

She highlighted the 'new baby program' that has been added under the contract. Every child born on or after July 01, 2010 will be eligible to receive a \$100.00 dollar starter deposit in CollegeBoundfund when the parents complete the application process and open an account within a year of the child's birth (or adoption). For each baby born after July 01, 2010, whose family does not open an account, \$50.00 will go to RIHEAA to be used in connection with various initiatives to support college access.

Ms. Roberts addressed the additional marketing and administrative support provided in the new contract. There will be an increase in the marketing budget of \$60,000 dollars totaling \$750,000 dollars a year. The \$250,000 dollars for administrative oversight of the program will remain the same and will add an additional \$25,000 for the state to use for investment oversight of the program each year. She then reviewed the technology enhancements provided for under the contract: integration of waytogoRI.org, live customer service through colledgebound.com/ri, online gifting and paperless enrolment.

The group engaged in discussion of the information presented by the Alliance Bernstein team.

Mr. Costello inquired about strategy changes in anticipation of another significant market adjustment like that experienced in 2008.

Mr. Nikolich stated that there have not been any changes to allocation. However, a lot of research has been done on mitigating short-term risk. Further discussions with the Treasury and RIHEAA staff are necessary to discuss enhancements to keep up with college inflation in the long-term, and to mitigate risk due to extreme environments in the short-term.

Mr. Fay said it was his understanding that a Rhode Islander has a unique advantage of the lowest cost structure available. He asked if that is the case.

Ms. Roberts explained that the lowest cost structure is correct and that there is nothing currently lower in the cost of age-based or passive options in 529 programs available to Rhode Island residents.

Treasurer Caprio mentioned that he is very proud of the \$100 new baby program that is also unique to Rhode Island.

Mr. Hurry pointed out that Rhode Island also has a matching program that most residents can participate in.

Mr. Fay asked what the time period of the contract is.

Mr. Dingley stated that the contract is for five years with an option to terminate or to extend for another five years.

Treasurer Caprio entertained a motion to accept the 529 contract as presented by Alliance Bernstein

Mr. Costello moved, Mr. Reilly seconded, and the subsequent motion passed. The following members voted in favor: Ms. Booth Gallogly, Mr. Costello, Mr. Fay, Mr. Reilly and General Treasurer Caprio.

VOTED: To accept the 529 contract as presented by Alliance Bernstein.

Legal Counsel Report. Legal Counsel had no report.

Chief Investment Officer Report. Mr. Goodreau reported that he is encouraged with the fund's relative performance. The 1 year returns are 166 basis points over the benchmark and the standard deviation was reduced during the same time by almost 100 basis points under our policy. Some of the performance numbers are getting stronger. The 2 year number is 110 basis points, the 3 year number is 60 basis points, and the 5 year number is 20 basis points over our benchmark. The fund had a good month at about 13

basis points over the benchmark, and it is over the benchmark by about 37 basis points for the calendar year.

He noted that with the Russell program a good portion of our fixed income allocation is essentially indexed. The treasury portion is indexed, it is not only very cheap but it is giving us the ability to make sure there is no kind of slippage in that area and has given us a lot of latitude with the recent volatility.

Now that the data is in, the sub-committee meeting on the hedge fund of funds search is on track.

Treasurer's Report. Treasurer Caprio stated that the private equity consultant request for proposals has been advertised in national and local publications. We expect to get numerous responses to that RFP.

He noted that the fund's out performance of the benchmark in all time periods has garnered attention from the national press. He and Mr. Goodreau recently met at length with a reporter from Pensions & Investments on this topic.

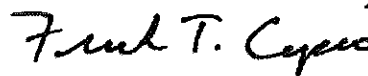
New Business. There was no new business.

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

VOTED: To adjourn the meeting.

There being no further business, the meeting was adjourned at 10:08 a.m.

Respectfully submitted,



Frank T. Caprio
General Treasurer



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

Frank T. Caprio
General Treasurer

State of Rhode Island and Providence Plantations
STATE INVESTMENT COMMISSION

Monthly Meeting June 23, 2010

A State Investment Commission (SIC) meeting was held in Room 135, State House, Providence, Rhode Island on Wednesday, June 23, 2010. The Treasurer called the meeting to order at 9:03 a.m.

Membership Roll Call. Present were: Ms. Rosemary Booth Gallogly (arrived at 9:06), Mr. Michael Costello, Mr. Thomas Fay, Mr. Robert Gaudreau, Mr. Robert Giudici, Ms. Marcia Reback, Mr. Andrew Reilly and General Treasurer Frank T. Caprio, establishing a quorum. Also present were: Ms. Sally Dowling, of Adler Pollock & Sheehan, and Mr. David Ursillo, of Rodio & Ursillo, Legal Counsel to the Commission; Mr. Allan Emkin and Mr. John Burns of Pension Consulting Alliance (PCA), General Policy Consultant to the Commission; Mr. Nicholas Katsikis of State Street Corporation, Ms. Michelle Davidson and Mr. Scott Reinig of Pacific Corporate Group, and members of the Treasurer's staff. Dr. Robert McKenna was not present.

State Investment Commission Minutes. Treasurer Caprio entertained a motion for approval of the minutes for the meeting of May 26, 2010. Mr. Costello moved, Mr. Fay seconded, and the subsequent motion passed. The following members voted in favor: Mr. Costello, Mr. Fay, Mr. Gaudreau, Mr. Giudici, Mr. Reilly and General Treasurer Caprio. Ms. Reback abstained.

VOTED: To approve the Minutes of the May 26, 2010 monthly meeting.

General Consultant. Mr. Burns asked the board to turn to the handout 2010 Fixed Income Review – Part III which has further background and options to consider for future policy decisions on the structure of the fixed income portfolio. He then reviewed the current RI fixed income portfolio and contrasted it to the Barclay's Capital Aggregate Index as a point of reference. He highlighted the fact that currently there is a sizable allocation to corporate credit risk, through the investment grade and high yield portfolios, for future allocation consideration.

He continued by stating that the fixed income portfolio is important in the context of your total portfolio, because of correlations. Treasury and mortgage-backed securities have lower correlations with equity than investment grade bond and high yield bonds. When equities are performing poorly, fixed income is a defense to negative returns. He then reviewed graphs that illustrate the correlations of the various segments of the fixed income market compared to the Russell 3000. He pointed out that the high yield market and investment grade bonds have a fairly high correlation. However, with governments and mortgages there is actually a negative correlation. That's good, because it's a risk reducer.

Mr. Emkin noted that the traditional role of fixed income is to diversify the risk of equities and to provide a source of cash flow. In 2008, universally amongst PCA's clients, it did not provide a hedge because of the exposure to credit. Because fixed income did not accomplish the goal of diversification, institutional investors are seeking better ways of looking at this asset class.

Mr. Burns commented that there is data in the appendix supporting Mr. Emkin's comments. It is very important for this board to set policy for corporate and high yield investments and not leave this decision to managers. He then asked the group to turn to page five of the handout for a review of the sectors similar to that of Rhode Island's fixed income. A U. S. Treasury - Agency manager (only) historically has not added value because this is typically a very efficient market. The policy implication is: nothing is to be gained from active management, so index that segment.

Managers in the mortgage-backed area vary in outperforming the benchmark after fees in this fairly efficient segment. The policy consideration is to focus on a specialist manager. Historically corporate managers have added value after fees as do high yield managers. In these segments there are opportunities to add value by taking active management risk.

Mr. Emkin commented that it is important to remember that active management risk in fixed income doesn't mean more volatility.

Mr. Burns then reviewed the traditional structure of active management and its benefits and liabilities. He stated that in this case there would be four core managers, or four core plus managers, that would get value added out of sector rotation. With the segmented portfolio, currently employed, there is not an opportunity for this model. He then reviewed passive management where the fixed income portfolio could be indexed in entirety or in portions.

Treasurer Caprio asked Mr. Emkin for his thoughts on how the active fund manager returns compare to the index returns.

Mr. Emkin stated that net of fees the market is pretty efficient and not only will the board need to pick the right managers but those managers need to do well to beat the index net of costs and fees over the long term. The challenge as policy makers is that you need try to project if the past is any indicator of the future or if there will be a different market environment.

Mr. Burns detailed four fixed income alternative structures with varying uses of passive and active management. He noted that portfolio D is a new model in which corporate and high yield could be part of a long/short strategy.

Mr. Goodreau commented that his view of fixed income is in two parts: one that's designed to protect the money with a guaranteed rate of return in the market and the other which is like an equity component to try and add value; therefore, portfolio D would be attractive in a modified extreme barbell structure.

Mr. Burns remarked that the board could structure this portfolio in many ways to effectuate the policy view. In this scenario, the board would be responsible for sector weight management.

Mr. Emkin observed that generally speaking bond managers aren't managing risk as much as they're managing return. Their goal is to beat the benchmarked return and they might be willing to accept a much higher level of risk than the board. Risk should weigh into the policy consideration.

Mr. Burns concluded his presentation by addressing the current manager performance that was previously requested by Ms. Booth Gallogly. He stated that the snapshot of the last 10 years, after fees, shows: Brown Brothers below the benchmark by 30 basis points, Pyramid is right on the benchmark, TCH is 13 basis points above the benchmark and Mackay, over the seven years since inception, added 90 basis points to the benchmark.

Mr. Fay asked that PCA provide additional information on the standard deviation, the risk side of the equation and what value was provided by the current managers.

Mr. Goodreau noted that the fund is getting index like returns with the uncertainty of potential overweight risks.

Treasurer Caprio asked that PCA come back with information on costs and options to continue the discussion.

Mr. Dingley stated that he would like to see an analysis of an inflation scenario with interest rate increase to determine what impact it potentially would have on the historical analysis.

Mr. Emkin concluded by commenting that the past five years fund performance has been outstanding. Relative to your peers, Rhode Island is in good standing. The board, the treasurer's office, and the staff deserve a tremendous amount of credit. Looking back at a longer period of time the assets weren't as well managed and the performance wasn't as good. When making decisions about future policy, keep in mind the world has changed; it has become a much more volatile place with many uncertainties out there. Now is the time to be very cautious and attentive to monitoring all your positions. Mr. Emkin stated that he doesn't know of any of PCA's clients that are making major moves and they are being less risk inclined.

Legal Counsel Report. Legal Counsel had no report.

Chief Investment Officer Report. Mr. Goodreau stated that he agreed with Mr. Emkin's statement that the board's primary responsibility is to be prudent with these assets. The long term annualized averages across the board show strong relative results. The year to date number is 190 basis points above the benchmark for the fiscal year, the one year number 230 basis point above the benchmark, a two year number 250 basis points ahead, a 3 year number about 180 basis point ahead, and a 5 year number 40 basis point ahead. Additionally, the portfolio has a reduced risk factor and the standard deviation is now down close to 11. It is also important to recognize that, in November of last year, the board made a policy decision to reduce the exposure to international equity from just over 20% to 17.5%. Focusing on asset allocation and cutting fees has resulted in a relatively more conservative portfolio that is performing far better.

The hedge fund sub-committee met to review the summary of the vast data that our consultants have processed over the past few months. Present were Mr. Costello, Mr. Fay, Mr. Reilly, Treasurer Caprio, Mr. Goodreau, and Mr. Burns. Mr. Sandwich of PCA joined the meeting by phone conference. The consensus was that the hedge fund universe should feature high single to low double digit type returns, a significantly low standard deviation consistent with return and low fees. For the next meeting, the sub-committee will review recommendations of what the hedge fund portfolio structure may look like.

Treasurer's Report. Treasurer Caprio asked the group to turn to the PCG Private Equity Portfolio Report – Fourth Quarter 2009 and asked Ms. Davidson to briefly review the year end 2009 data.

Ms. Davidson stated that the report is based on year end, audited numbers, from all managers. The trend has been upward since first quarter 2009. Returns are up 20% which gives the portfolio a since inception rate of return of 14.4% as of year end, beating the S & P 500 plus 300 basis points, your relative benchmark which was about 9.4%.

Mr. Costello asked about the level of credit that is currently available in the private equity market.

Ms. Davidson stated that it varies by sector, with bank and high yield debt being fairly available to finance large transactions. However, at the smaller end of the market and within the middle market, financing is still difficult to get. This creates an opportunity, however, for investing in strategies that provide liquidity, such as mezzanine debt strategies.

Mr. Reinig noted that now there are more restrictions in place on the debt that private equity firms receive, such as more covenants, than during the credit bubble.

Treasurer Caprio asked Mr. Goodreau to give an update on the secondary sale the board approved in March.

Mr. Goodreau commented that the transaction has been completed and it is a matter of waiting for checks to arrive, the majority of which should be in hand later this month. He noted that again, the timing was ideal and he thanked Ms. Davidson for her efforts.

Treasurer Caprio closed by noting that the PCG contract is due to conclude and it will be on the agenda for the July meeting.

New Business. There was no new business.

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

VOTED: To adjourn the meeting.

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

Respectfully submitted,



Frank T. Caprio
General Treasurer