

**STATE OF RHODE ISLAND**

**ANNUAL REPORT OF THE TREASURY DEPARTMENT**

**FISCAL YEAR 2012**

**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**

To the Honorable General Assembly:

I am pleased to submit the Office of General Treasurer Annual Report for fiscal year ending June 30, 2012 pursuant to Section 42-10-17 of the Rhode Island General Laws. The Annual Report summarizes the state's revenues and expenditures, cash investments, and activity involving state-administered retirement plans, as well as debt issues and payments.

New to this year's report is an analysis of investment expenses for the pension system, including details on both direct and indirect expenses for external investment managers.

While the Government Accounting Standards Board (GASB) financial reporting guidelines allow investment income to be presented net of related expenses when the expenses are not readily separable, Treasury has gone above and beyond standard practices to provide disclosure of these costs.

With this new level of transparency, Rhode Island joins only a handful of state public pensions that disclose both investment management and performance fees.

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

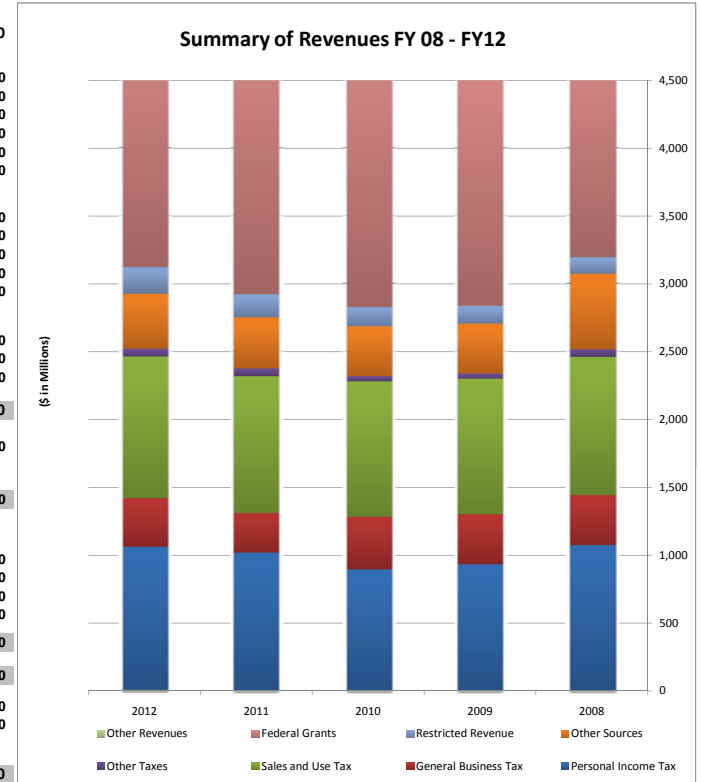
Sincerely,

Gina M. Raimondo  
General Treasurer

## REVENUES AND EXPENDITURES

State of Rhode Island  
Summary of Revenues  
June 30, 2012

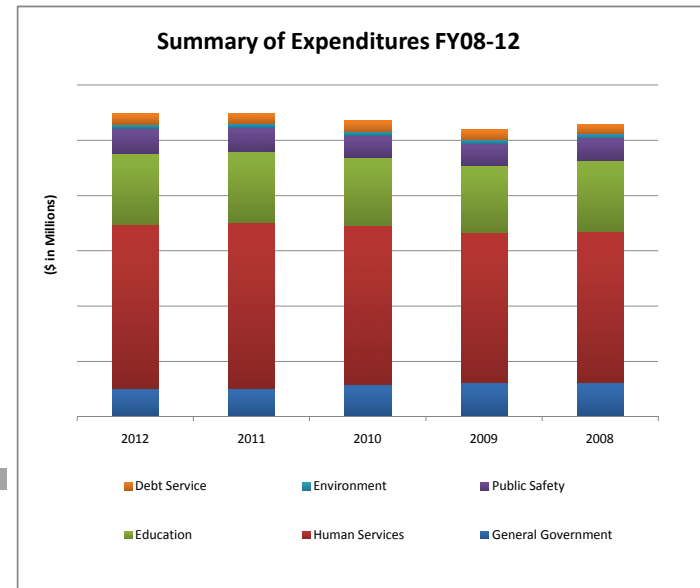
|                                      | 2012                    | 2011                    | 2010                    | 2009                    | 2008                    |
|--------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| <b>PERSONAL INCOME TAX</b>           | \$ 1,060,482,000        | \$ 1,021,339,000        | \$ 898,113,000          | \$ 940,513,781          | \$ 1,073,617,000        |
| <b>GENERAL BUSINESS TAXES:</b>       |                         |                         |                         |                         |                         |
| Business Corporations                | \$ 123,054,000          | \$ 84,510,000           | \$ 146,835,000          | \$ 104,436,811          | \$ 150,469,000          |
| Gross Earnings Tax-Public Utilities  | \$ 100,631,000          | \$ 103,744,000          | \$ 95,793,000           | \$ 126,664,890          | \$ 99,437,000           |
| Income Tax-Financial Institutions    | \$ 3,558,000            | \$ 2,459,000            | \$ 2,319,000            | \$ 5,358,740            | \$ 1,830,000            |
| Tax on Insurance Companies           | \$ 89,488,000           | \$ 60,590,000           | \$ 95,921,000           | \$ 78,016,930           | \$ 67,997,000           |
| Tax on Deposits-Banking Institutions | \$ 2,001,000            | \$ 1,967,000            | \$ 1,860,000            | \$ 1,802,796            | \$ 1,710,000            |
| Health Care Provider Assessment      | \$ 41,922,000           | \$ 40,761,000           | \$ 40,254,000           | \$ 46,030,570           | \$ 53,357,000           |
| <b>SALES AND USE TAXES:</b>          |                         |                         |                         |                         |                         |
| Sales and Use Tax                    | \$ 851,056,000          | \$ 813,007,000          | \$ 803,395,000          | \$ 807,946,985          | \$ 844,197,000          |
| Motor Vehicle Tax                    | \$ 48,392,000           | \$ 47,655,000           | \$ 48,285,000           | \$ 47,925,805           | \$ 48,610,000           |
| Gasoline Tax                         | \$ 733,000              | \$ 1,055,000            | \$ 969,000              | \$ 1,325,034            | \$ 991,000              |
| Cigarette Tax                        | \$ 131,086,000          | \$ 134,060,000          | \$ 138,315,000          | \$ 130,503,213          | \$ 114,675,000          |
| Alcohol                              | \$ 11,874,000           | \$ 11,683,000           | \$ 11,269,000           | \$ 10,811,831           | \$ 11,141,000           |
| <b>OTHER TAXES:</b>                  |                         |                         |                         |                         |                         |
| Inheritance and Gift                 | \$ 46,412,000           | \$ 46,855,000           | \$ 29,057,000           | \$ 28,096,912           | \$ 35,334,000           |
| Racing and Athletics                 | \$ 1,327,000            | \$ 1,325,000            | \$ 1,492,000            | \$ 2,450,809            | \$ 2,813,000            |
| Realty Transfer Tax                  | \$ 6,435,000            | \$ 6,371,000            | \$ 6,994,000            | \$ 6,811,322            | \$ 10,223,000           |
| <b>Total Taxes and Departmentals</b> | <b>\$ 2,518,451,000</b> | <b>\$ 2,377,381,000</b> | <b>\$ 2,320,871,000</b> | <b>\$ 2,338,696,429</b> | <b>\$ 2,516,401,000</b> |
| <b>DEPARTMENTAL RECEIPTS</b>         | <b>\$ 339,895,000</b>   | <b>\$ 332,715,000</b>   | <b>\$ 333,128,000</b>   | <b>\$ 318,804,246</b>   | <b>\$ 356,546,000</b>   |
| <b>OTHER SOURCES</b>                 |                         |                         |                         |                         |                         |
| Gas Tax Transfer                     | \$ -                    | \$ -                    | \$ 24,000               | \$ 4,327,710            | \$ 4,514,000            |
| Other Miscellaneous                  | \$ 20,110,000           | \$ 11,116,000           | \$ 12,467,000           | \$ 17,813,994           | \$ 181,810,000          |
| Lottery                              | \$ 377,706,000          | \$ 354,861,000          | \$ 344,673,000          | \$ 337,515,478          | \$ 354,321,000          |
| Unclaimed Property                   | \$ 14,556,000           | \$ 7,640,000            | \$ 5,867,000            | \$ 8,044,126            | \$ 15,387,000           |
| <b>Total Other Sources</b>           | <b>\$ 412,372,000</b>   | <b>\$ 373,617,000</b>   | <b>\$ 363,031,000</b>   | <b>\$ 367,701,308</b>   | <b>\$ 556,032,000</b>   |
| <b>Total General Revenues</b>        | <b>\$ 3,270,718,000</b> | <b>\$ 3,083,713,000</b> | <b>\$ 3,017,030,000</b> | <b>\$ 3,025,201,983</b> | <b>\$ 3,428,979,000</b> |
| Restricted Revenue/Other             | \$ 192,642,000          | \$ 174,192,000          | \$ 149,638,000          | \$ 133,872,448          | \$ 126,090,000          |
| Federal Grants                       | \$ 2,119,476,000        | \$ 2,314,100,000        | \$ 2,275,606,000        | \$ 2,001,605,092        | \$ 1,740,283,000        |
| Other Revenue                        | \$ 67,640,000           | \$ 65,933,000           | \$ 67,628,000           | \$ 57,659,514           |                         |
| <b>Total</b>                         | <b>\$ 5,650,476,000</b> | <b>\$ 5,637,938,000</b> | <b>\$ 5,509,902,000</b> | <b>\$ 5,218,339,037</b> | <b>\$ 5,295,352,000</b> |



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

State of Rhode Island  
Summary of Expenditures  
June 30, 2012

|                       | 2012                    | 2011                    | 2010                    | 2009                    | 2008                    |
|-----------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| General Government    | \$ 507,698,000          | \$ 510,102,000          | \$ 577,900,000          | \$ 618,914,000          | \$ 626,052,000          |
| Human Services        | \$ 2,969,166,000        | \$ 3,009,098,000        | \$ 2,884,418,000        | \$ 2,711,166,000        | \$ 2,727,534,000        |
| Education             | \$ 1,281,879,000        | \$ 1,287,549,000        | \$ 1,239,074,000        | \$ 1,217,271,000        | \$ 1,289,124,000        |
| Public Safety         | \$ 459,114,000          | \$ 428,687,000          | \$ 394,860,000          | \$ 401,976,000          | \$ 410,605,000          |
| Environment           | \$ 75,141,000           | \$ 71,812,000           | \$ 67,427,000           | \$ 68,933,000           | \$ 72,982,000           |
| Debt Service          | \$ 184,960,000          | \$ 182,595,000          | \$ 189,355,000          | \$ 169,956,000          | \$ 160,555,000          |
| <b>Total Expendit</b> | <b>\$ 5,477,958,000</b> | <b>\$ 5,489,843,000</b> | <b>\$ 5,353,034,000</b> | <b>\$ 5,188,216,000</b> | <b>\$ 5,286,852,000</b> |



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

## **SHORT TERM CASH AND INVESTMENTS**

State of Rhode Island  
Office of the General Treasurer  
Schedule of Interest Earned  
FY 2012

| Fund                                | Count       | Amt. Matured               | Interest Earned        | (W)Avg Interest Rate | (W)Avg Duration (Days) |
|-------------------------------------|-------------|----------------------------|------------------------|----------------------|------------------------|
| GENERAL FUND                        | 293         | \$ 2,700,650,409.75        | \$ 540,094.71          | 0.40%                | 1.00                   |
| H.A.V.A                             | 12          | \$ 0.24                    | \$ 0.24                | 0.08%                | 1.00                   |
| GENERAL FUND (HIST PRES)            | 14          | \$ 536,830.56              | \$ 652.44              | 0.12%                | 1.00                   |
| TANS PROCEEDS                       | 60          | \$ 429,566,774.15          | \$ 270,007.31          | 0.20%                | 1.00                   |
| HISTORIC TAX CREDIT                 | 10          | \$ 2,701,248.46            | \$ 993.52              | 0.15%                | 1.00                   |
| HIGHWAY FUND                        | 130         | \$ 352,123,020.89          | \$ 17,876.19           | 0.13%                | 1.00                   |
| T.D.I. RESERVE (DET)                | 94          | \$ 582,206,618.21          | \$ 143,805.63          | 0.16%                | 25.39                  |
| RICAP GL FUND                       | 54          | \$ 148,194,023.86          | \$ 178,710.29          | 0.19%                | 1.00                   |
| BOND CAPITAL FUND                   | 37          | \$ 44,704,070.47           | \$ 4,070.47            | 0.22%                | 1.00                   |
| R.I. CLEAN WATER ACT                | 19          | \$ 8,569,030.34            | \$ 2,747.57            | 0.11%                | 1.00                   |
| STATE LOTTERY FUND                  | 240         | \$ 655,831,876.93          | \$ 92,061.47           | 0.21%                | 1.00                   |
| ASSESSED FRINGE BEN ADM             | 16          | \$ 1,501,154.37            | \$ 1,154.37            | 0.11%                | 1.00                   |
| AUTO EQUIPMENT SERVICE              | 15          | \$ 1,500,049.00            | \$ 49.00               | 0.09%                | 1.00                   |
| HEALTH INSURANCE FUND               | 43          | \$ 60,128,550.17           | \$ 19,311.04           | 0.08%                | 1.00                   |
| FLEET REVOLVING LOAN FUND           | 24          | \$ 561.51                  | \$ 561.51              | 0.09%                | 1.00                   |
| EMPLOYEES RETIREMENT                | 205         | \$ 488,668,055.22          | \$ 68,055.22           | 0.35%                | 1.00                   |
| MUNICIPAL EMPLOYEES RET.            | 150         | \$ 51,555,427.61           | \$ 5,427.61            | 0.23%                | 1.00                   |
| RETIREE HEALTH FUND                 | 26          | \$ 16,663,104.59           | \$ 2,977.97            | 0.13%                | 1.00                   |
| BOG RETIREE FUND                    | 19          | \$ 624,253.81              | \$ 278.82              | 0.11%                | 1.00                   |
| RIPTA HEALTH FUND                   | 21          | \$ 4,361,247.10            | \$ 1,266.22            | 0.11%                | 1.00                   |
| PERMANENT SCHOOL FUND               | 15          | \$ 1,431,532.62            | \$ 1,532.62            | 0.11%                | 1.00                   |
| TEACHER RETIREE HEALTH FUND         | 18          | \$ 4,300,211.99            | \$ 1,291.04            | 0.10%                | 1.00                   |
| RISTP RETIREE HEALTH                | 22          | \$ 1,848,862.36            | \$ 396.13              | 0.11%                | 1.00                   |
| RILEG RETIREEHEALTH                 | 19          | \$ 288,064.46              | \$ 64.46               | 0.09%                | 1.00                   |
| RIJUD RETIREE HEALTH                | 19          | \$ 239,043.67              | \$ 43.67               | 0.09%                | 1.00                   |
| UNIVERSITY COLLEGE                  | 33          | \$ 41,455,965.88           | \$ 3,699.17            | 0.13%                | 1.00                   |
| HIGHER EDUCATION                    | 19          | \$ 5,505,238.91            | \$ 343.76              | 0.09%                | 1.00                   |
| INDUS. BLDG. & MTG. INS.            | 14          | \$ 3,650,793.81            | \$ 4,437.10            | 0.12%                | 1.00                   |
| <b>Total Short Term Investments</b> | <b>1641</b> | <b>\$ 5,608,806,020.94</b> | <b>\$ 1,361,909.55</b> | <b>0.24%</b>         | <b>3.53</b>            |

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

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

Investment Purchase Analysis - By Fund FY12

| Fund                             | Investment Type        | Count      | Settlement Amount       | Earnings          | Total                   | Average Daily Balance | Duration (days) | Yield        |
|----------------------------------|------------------------|------------|-------------------------|-------------------|-------------------------|-----------------------|-----------------|--------------|
| <b>GENERAL FUND</b>              | Collateralized Deposit | 277        | \$ 2,645,626,624        | \$ 526,624        | \$ 2,646,153,247        | \$ 126,956,540        | 1.00            | 0.41%        |
|                                  | Money Market           | 9          | \$ 50                   | \$ 50             | \$ 100                  | \$ 499,317            | 1.00            | 0.01%        |
|                                  | OSIP Fund              | 7          | \$ 55,023,736           | \$ 13,421         | \$ 55,037,157           | \$ 7,216,412          | 1.00            | 0.19%        |
|                                  |                        | <b>293</b> | <b>\$ 2,700,650,410</b> | <b>\$ 540,095</b> | <b>\$ 2,701,190,504</b> | <b>\$ 134,672,270</b> | <b>1.00</b>     | <b>0.40%</b> |
| <b>H.A.V.A</b>                   | Collateralized Deposit | 12         | \$ 0.24                 | \$ 0.24           | \$ 0.48                 | \$ 294.15             | 1.00            | 0.08%        |
|                                  |                        | <b>12</b>  | <b>\$ 0.24</b>          | <b>\$ 0.24</b>    | <b>\$ 0.48</b>          | <b>\$ 294.15</b>      | <b>1.00</b>     | <b>0.08%</b> |
| <b>GENERAL FUND (HIST PRES)</b>  | Collateralized Deposit | 9          | \$ 329                  | \$ 329            | \$ 658                  | \$ 364,455            | 1.00            | 0.09%        |
|                                  | OSIP Fund              | 5          | \$ 536,502              | \$ 324            | \$ 536,825              | \$ 171,401            | 1.00            | 0.19%        |
|                                  |                        | <b>14</b>  | <b>\$ 536,831</b>       | <b>\$ 652</b>     | <b>\$ 537,483</b>       | <b>\$ 535,856</b>     | <b>1.00</b>     | <b>0.12%</b> |
| <b>TANS PROCEEDS</b>             | Collateralized Deposit | 43         | \$ 202,213,996          | \$ 158,996        | \$ 202,372,991          | \$ 78,617,875         | 1.00            | 0.20%        |
|                                  | Money Market           | 9          | \$ 25,032,207           | \$ 32,207         | \$ 25,064,414           | \$ 15,094,567         | 1.00            | 0.21%        |
|                                  | OSIP Fund              | 8          | \$ 202,320,571          | \$ 78,805         | \$ 202,399,376          | \$ 42,025,262         | 1.00            | 0.19%        |
|                                  |                        | <b>60</b>  | <b>\$ 429,566,774</b>   | <b>\$ 270,007</b> | <b>\$ 429,836,781</b>   | <b>\$ 135,737,704</b> | <b>1.00</b>     | <b>0.20%</b> |
| <b>HIST TAX CREDIT</b>           | Collateralized Deposit | 5          | \$ 1,500,269            | \$ 269            | \$ 1,500,539            | \$ 299,099            | 1.00            | 0.09%        |
|                                  | OSIP Fund              | 5          | \$ 1,200,979            | \$ 724            | \$ 1,201,703            | \$ 383,688            | 1.00            | 0.19%        |
|                                  |                        | <b>10</b>  | <b>\$ 2,701,248</b>     | <b>\$ 994</b>     | <b>\$ 2,702,242</b>     | <b>\$ 682,787</b>     | <b>1.00</b>     | <b>0.15%</b> |
| <b>HIGHWAY FUND</b>              | Collateralized Deposit | 92         | \$ 285,213,660          | \$ 13,660         | \$ 285,227,320          | \$ 6,218,882          | 1.00            | 0.22%        |
|                                  | Money Market           | 30         | \$ 47,900,572           | \$ 572            | \$ 47,901,144           | \$ 5,622,874          | 1.00            | 0.01%        |
|                                  | OSIP Fund              | 8          | \$ 19,008,789           | \$ 3,644          | \$ 19,012,433           | \$ 1,919,404          | 1.00            | 0.19%        |
|                                  |                        | <b>130</b> | <b>\$ 352,123,021</b>   | <b>\$ 17,876</b>  | <b>\$ 352,140,897</b>   | <b>\$ 13,761,160</b>  | <b>1.00</b>     | <b>0.13%</b> |
| <b>T.D.I. RESERVE (DET)</b>      | CDARS - CD-Mat A/365   | 15         | \$ 356,244,162          | \$ 63,577         | \$ 356,307,739          | \$ 29,984,935         | 30.70           | 0.21%        |
|                                  | Collateralized Deposit | 45         | \$ 95,531,229           | \$ 31,229         | \$ 95,562,458           | \$ 12,483,200         | 1.00            | 0.25%        |
|                                  | Money Market           | 24         | \$ 23,302,790           | \$ 2,790          | \$ 23,305,579           | \$ 25,905,355         | 1.00            | 0.01%        |
|                                  | OSIP Fund              | 6          | \$ 47,058,317           | \$ 24,659         | \$ 47,082,975           | \$ 13,002,563         | 1.00            | 0.19%        |
|                                  | CD-M A/365             | 4          | \$ 60,070,120           | \$ 21,551         | \$ 60,091,672           | \$ 9,261,561          | 61.25           | 0.23%        |
|                                  |                        | <b>94</b>  | <b>\$ 582,206,618</b>   | <b>\$ 143,806</b> | <b>\$ 582,350,424</b>   | <b>\$ 90,637,614</b>  | <b>25.39</b>    | <b>0.16%</b> |
| <b>RICAP GL FUND 21</b>          | Collateralized Deposit | 39         | \$ 83,247,520           | \$ 147,520        | \$ 83,395,040           | \$ 46,196,910         | 1.00            | 0.32%        |
|                                  | Money Market           | 9          | \$ 3,161                | \$ 3,161          | \$ 6,322                | \$ 31,433,760         | 1.00            | 0.01%        |
|                                  | OSIP Fund              | 6          | \$ 64,943,343           | \$ 28,029         | \$ 64,971,372           | \$ 14,959,267         | 1.00            | 0.19%        |
|                                  |                        | <b>54</b>  | <b>\$ 148,194,024</b>   | <b>\$ 178,710</b> | <b>\$ 148,372,734</b>   | <b>\$ 92,589,937</b>  | <b>1.00</b>     | <b>0.19%</b> |
| <b>BOND CAPITAL FUND</b>         | Collateralized Deposit | 37         | \$ 44,704,070           | \$ 4,070          | \$ 44,708,141           | \$ 1,855,613          | 1.00            | 0.22%        |
|                                  |                        | <b>37</b>  | <b>\$ 44,704,070</b>    | <b>\$ 4,070</b>   | <b>\$ 44,708,141</b>    | <b>\$ 1,855,613</b>   | <b>1.00</b>     | <b>0.22%</b> |
| <b>R.I. CLEAN WATER ACT</b>      | Collateralized Deposit | 15         | \$ 4,568,083            | \$ 1,801          | \$ 4,569,884            | \$ 1,999,432          | 1.00            | 0.09%        |
|                                  | OSIP Fund              | 4          | \$ 4,000,947            | \$ 947            | \$ 4,001,894            | \$ 484,973            | 1.00            | 0.20%        |
|                                  |                        | <b>19</b>  | <b>\$ 8,569,030</b>     | <b>\$ 2,748</b>   | <b>\$ 8,571,778</b>     | <b>\$ 2,484,405</b>   | <b>1.00</b>     | <b>0.11%</b> |
| <b>STATE LOTTERY FUND</b>        | Collateralized Deposit | 224        | \$ 633,078,517          | \$ 78,517         | \$ 633,157,033          | \$ 24,013,706         | 1.00            | 0.33%        |
|                                  | Money Market           | 11         | \$ 2,901,571            | \$ 1,571          | \$ 2,903,142            | \$ 13,330,435         | 1.00            | 0.01%        |
|                                  | OSIP Fund              | 5          | \$ 19,851,789           | \$ 11,974         | \$ 19,863,763           | \$ 6,342,236          | 1.00            | 0.19%        |
|                                  |                        | <b>240</b> | <b>\$ 655,831,877</b>   | <b>\$ 92,061</b>  | <b>\$ 655,923,938</b>   | <b>\$ 43,686,377</b>  | <b>1.00</b>     | <b>0.21%</b> |
| <b>ASSESSED FRINGE BEN ADM</b>   | Collateralized Deposit | 13         | \$ 500,839              | \$ 839            | \$ 501,678              | \$ 929,976            | 1.00            | 0.09%        |
|                                  | OSIP Fund              | 3          | \$ 1,000,316            | \$ 316            | \$ 1,000,631            | \$ 161,202            | 1.00            | 0.20%        |
|                                  |                        | <b>16</b>  | <b>\$ 1,501,154</b>     | <b>\$ 1,154</b>   | <b>\$ 1,502,309</b>     | <b>\$ 1,091,178</b>   | <b>1.00</b>     | <b>0.11%</b> |
| <b>AUTO EQUIPMENT SERVICE</b>    | Collateralized Deposit | 15         | \$ 1,500,049            | \$ 49             | \$ 1,500,098            | \$ 54,725             | 1.00            | 0.09%        |
|                                  |                        | <b>15</b>  | <b>\$ 1,500,049</b>     | <b>\$ 49</b>      | <b>\$ 1,500,098</b>     | <b>\$ 54,725</b>      | <b>1.00</b>     | <b>0.09%</b> |
| <b>HEALTH INSURANCE FUND</b>     | Collateralized Deposit | 21         | \$ 28,106,996           | \$ 6,996          | \$ 28,113,992           | \$ 7,754,559          | 1.00            | 0.09%        |
|                                  | Money Market           | 10         | \$ 1,080                | \$ 1,080          | \$ 2,160                | \$ 9,189,632          | 1.00            | 0.01%        |
|                                  | OSIP Fund              | 12         | \$ 32,020,474           | \$ 11,235         | \$ 32,031,709           | \$ 5,884,921          | 1.00            | 0.19%        |
|                                  |                        | <b>43</b>  | <b>\$ 60,128,550</b>    | <b>\$ 19,311</b>  | <b>\$ 60,147,861</b>    | <b>\$ 22,829,111</b>  | <b>1.00</b>     | <b>0.08%</b> |
| <b>FLEET REVOLVING LOAN FUND</b> | Collateralized Deposit | 24         | \$ 562                  | \$ 562            | \$ 1,123                | \$ 623,399            | 1.00            | 0.09%        |
|                                  |                        | <b>24</b>  | <b>\$ 562</b>           | <b>\$ 562</b>     | <b>\$ 1,123</b>         | <b>\$ 623,399</b>     | <b>1.00</b>     | <b>0.09%</b> |
| <b>EMPLOYEES RETIREMENT</b>      | Collateralized Deposit | 205        | \$ 488,668,055          | \$ 68,055         | \$ 488,736,110          | \$ 19,296,864         | 1.00            | 0.35%        |
|                                  |                        | <b>205</b> | <b>\$ 488,668,055</b>   | <b>\$ 68,055</b>  | <b>\$ 488,736,110</b>   | <b>\$ 19,296,864</b>  | <b>1.00</b>     | <b>0.35%</b> |
| <b>MUNICIPAL EMPLOYEES RET.</b>  | Collateralized Deposit | 150        | \$ 51,555,428           | \$ 5,428          | \$ 51,560,855           | \$ 2,346,835          | 1.00            | 0.23%        |
|                                  |                        | <b>150</b> | <b>\$ 51,555,428</b>    | <b>\$ 5,428</b>   | <b>\$ 51,560,855</b>    | <b>\$ 2,346,835</b>   | <b>1.00</b>     | <b>0.23%</b> |
| <b>RETIREE HEALTH FUND</b>       | Collateralized Deposit | 18         | \$ 10,577,133           | \$ 1,133          | \$ 10,578,266           | \$ 1,256,057          | 1.00            | 0.09%        |
|                                  | OSIP Fund              | 8          | \$ 6,085,972            | \$ 1,845          | \$ 6,087,817            | \$ 965,896            | 1.00            | 0.19%        |
|                                  |                        | <b>26</b>  | <b>\$ 16,663,105</b>    | <b>\$ 2,978</b>   | <b>\$ 16,666,083</b>    | <b>\$ 2,221,953</b>   | <b>1.00</b>     | <b>0.13%</b> |

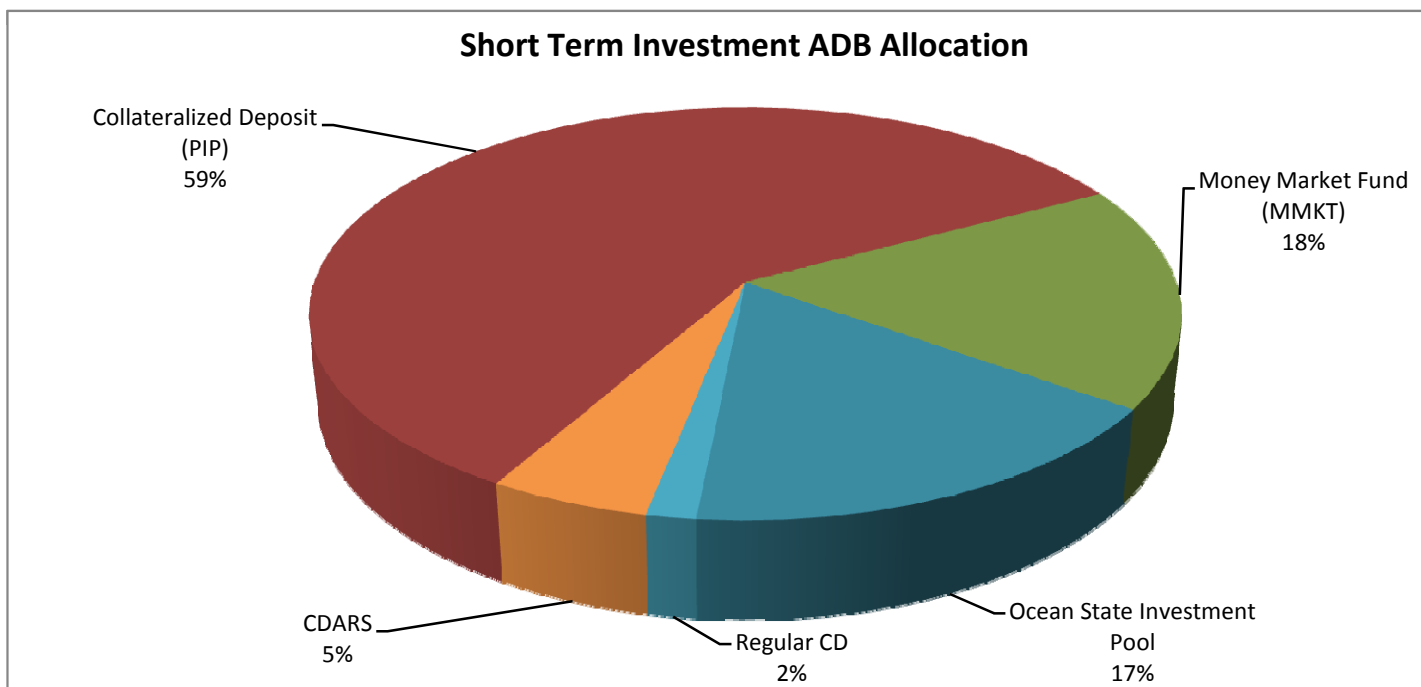


| Fund                                | Investment Type        | Count        | Settlement Amount       | Earnings            | Total                   | Average Daily Balance | Duration (days) | Yield        |
|-------------------------------------|------------------------|--------------|-------------------------|---------------------|-------------------------|-----------------------|-----------------|--------------|
| <b>BOG RETIREE FUND</b>             | Collateralized Deposit | 13           | \$ 365,173              | \$ 173              | \$ 365,346              | \$ 191,812            | 1.00            | 0.09%        |
|                                     | OSIP Fund              | 6            | \$ 259,081              | \$ 106              | \$ 259,186              | \$ 56,079             | 1.00            | 0.19%        |
|                                     |                        | <b>19</b>    | <b>\$ 624,254</b>       | <b>\$ 279</b>       | <b>\$ 624,533</b>       | <b>\$ 247,891</b>     | <b>1.00</b>     | <b>0.11%</b> |
| <b>RIPTA HEALTH FUND</b>            | Collateralized Deposit | 14           | \$ 2,795,783            | \$ 783              | \$ 2,796,567            | \$ 867,731            | 1.00            | 0.09%        |
|                                     | OSIP Fund              | 7            | \$ 1,565,464            | \$ 483              | \$ 1,565,947            | \$ 241,196            | 1.00            | 0.20%        |
|                                     |                        | <b>21</b>    | <b>\$ 4,361,247</b>     | <b>\$ 1,266</b>     | <b>\$ 4,362,513</b>     | <b>\$ 1,108,927</b>   | <b>1.00</b>     | <b>0.11%</b> |
| <b>PERMANENT SCHOOL FUND</b>        | Collateralized Deposit | 12           | \$ 1,081                | \$ 1,081            | \$ 2,163                | \$ 1,199,093          | 1.00            | 0.09%        |
|                                     | OSIP Fund              | 3            | \$ 1,430,451            | \$ 451              | \$ 1,430,903            | \$ 230,519            | 1.00            | 0.20%        |
|                                     |                        | <b>15</b>    | <b>\$ 1,431,533</b>     | <b>\$ 1,533</b>     | <b>\$ 1,433,065</b>     | <b>\$ 1,429,612</b>   | <b>1.00</b>     | <b>0.11%</b> |
| <b>TEACHER RETIREE HEALTH FUND</b>  | Collateralized Deposit | 12           | \$ 3,045,998            | \$ 998              | \$ 3,046,996            | \$ 1,106,029          | 1.00            | 0.09%        |
|                                     | OSIP Fund              | 6            | \$ 1,254,214            | \$ 293              | \$ 1,254,507            | \$ 156,718            | 1.00            | 0.19%        |
|                                     |                        | <b>18</b>    | <b>\$ 4,300,212</b>     | <b>\$ 1,291</b>     | <b>\$ 4,301,503</b>     | <b>\$ 1,262,747</b>   | <b>1.00</b>     | <b>0.10%</b> |
| <b>RISTP RETIREE HEALTH</b>         | Collateralized Deposit | 16           | \$ 1,303,273            | \$ 273              | \$ 1,303,545            | \$ 302,090            | 1.00            | 0.09%        |
|                                     | OSIP Fund              | 6            | \$ 545,590              | \$ 124              | \$ 545,713              | \$ 67,267             | 1.00            | 0.18%        |
|                                     |                        | <b>22</b>    | <b>\$ 1,848,862</b>     | <b>\$ 396</b>       | <b>\$ 1,849,258</b>     | <b>\$ 369,356</b>     | <b>1.00</b>     | <b>0.11%</b> |
| <b>RILEG RETIREEHEALTH</b>          | Collateralized Deposit | 19           | \$ 288,064              | \$ 64               | \$ 288,129              | \$ 71,426             | 1.00            | 0.09%        |
|                                     |                        | <b>19</b>    | <b>\$ 288,064</b>       | <b>\$ 64</b>        | <b>\$ 288,129</b>       | <b>\$ 71,426</b>      | <b>1.00</b>     | <b>0.09%</b> |
| <b>RIJUD RETIREE HEALTH</b>         | Collateralized Deposit | 19           | \$ 239,044              | \$ 44               | \$ 239,087              | \$ 48,375             | 1.00            | 0.09%        |
|                                     |                        | <b>19</b>    | <b>\$ 239,044</b>       | <b>\$ 44</b>        | <b>\$ 239,087</b>       | <b>\$ 48,375</b>      | <b>1.00</b>     | <b>0.09%</b> |
| <b>UNIVERSITY COLLEGE</b>           | Collateralized Deposit | 23           | \$ 28,001,611           | \$ 1,611            | \$ 28,003,221           | \$ 1,786,058          | 1.00            | 0.09%        |
|                                     | OSIP Fund              | 10           | \$ 13,454,355           | \$ 2,089            | \$ 13,456,444           | \$ 1,148,402          | 1.00            | 0.18%        |
|                                     |                        | <b>33</b>    | <b>\$ 41,455,966</b>    | <b>\$ 3,699</b>     | <b>\$ 41,459,665</b>    | <b>\$ 2,934,460</b>   | <b>1.00</b>     | <b>0.13%</b> |
| <b>HIGHER EDUCATION</b>             | Collateralized Deposit | 13           | \$ 4,500,310            | \$ 310              | \$ 4,500,620            | \$ 343,458            | 1.00            | 0.09%        |
|                                     | OSIP Fund              | 6            | \$ 1,004,929            | \$ 34               | \$ 1,004,963            | \$ 20,691             | 1.00            | 0.16%        |
|                                     |                        | <b>19</b>    | <b>\$ 5,505,239</b>     | <b>\$ 344</b>       | <b>\$ 5,505,583</b>     | <b>\$ 364,148</b>     | <b>1.00</b>     | <b>0.09%</b> |
| <b>INDUS. BLDG. &amp; MTG. INS.</b> | Collateralized Deposit | 9            | \$ 2,236                | \$ 2,236            | \$ 4,473                | \$ 2,478,527          | 1.00            | 0.09%        |
|                                     | OSIP Fund              | 5            | \$ 3,648,557            | \$ 2,201            | \$ 3,650,758            | \$ 1,165,639          | 1.00            | 0.19%        |
|                                     |                        | <b>14</b>    | <b>\$ 3,650,794</b>     | <b>\$ 4,437</b>     | <b>\$ 3,655,231</b>     | <b>\$ 3,644,165</b>   | <b>1.00</b>     | <b>0.12%</b> |
|                                     |                        | <b>1,641</b> | <b>\$ 5,608,806,021</b> | <b>\$ 1,361,910</b> | <b>\$ 5,610,167,931</b> | <b>\$ 576,589,188</b> | <b>3.53</b>     | <b>0.24%</b> |

| Investment Type        | Count        | Settlement Amount       | Earnings            | Total                   | Average Daily Balance | Duration (days) | Yield        |
|------------------------|--------------|-------------------------|---------------------|-------------------------|-----------------------|-----------------|--------------|
| Collateralized Deposit | 1,394        | \$ 4,617,135,932        | \$ 1,053,649.21     | \$ 4,618,189,581.19     | \$ 339,663,016.75     | 1.00            | 0.31%        |
| Money Market           | 102          | \$ 99,141,430           | \$ 41,430.11        | \$ 99,182,860.22        | \$ 101,075,940.05     | 1.00            | 0.06%        |
| CD-M A/365             | 4            | \$ 60,070,120           | \$ 21,551.46        | \$ 60,091,671.60        | \$ 9,261,560.71       | 61.25           | 0.23%        |
| CDARS - CD-Mat A/365   | 15           | \$ 356,244,162          | \$ 63,576.94        | \$ 356,307,739.37       | \$ 29,984,935.07      | 30.70           | 0.21%        |
| OSIP Fund              | 126          | \$ 476,214,376          | \$ 181,702.12       | \$ 476,396,078.40       | \$ 96,603,735.47      | 1.00            | 0.19%        |
|                        | <b>1,641</b> | <b>\$ 5,608,806,021</b> | <b>\$ 1,361,910</b> | <b>\$ 5,610,167,931</b> | <b>\$ 576,589,188</b> | <b>3.53</b>     | <b>0.24%</b> |

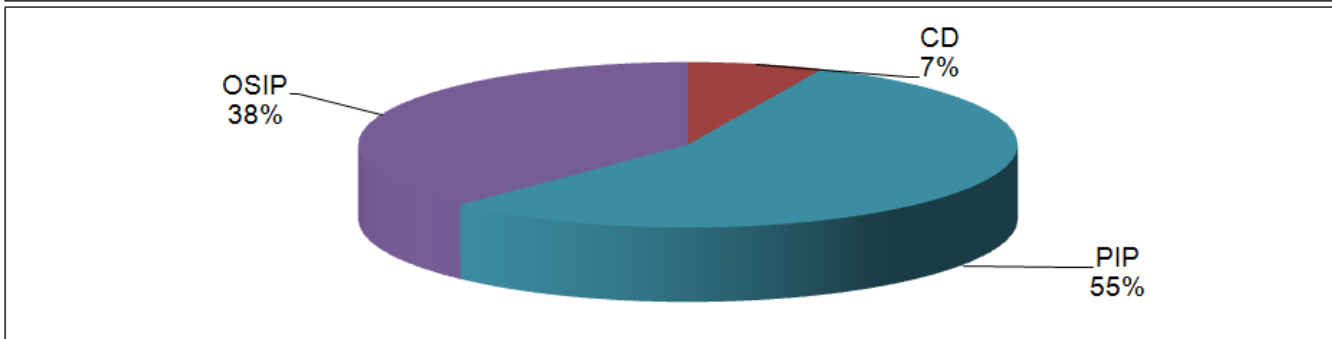
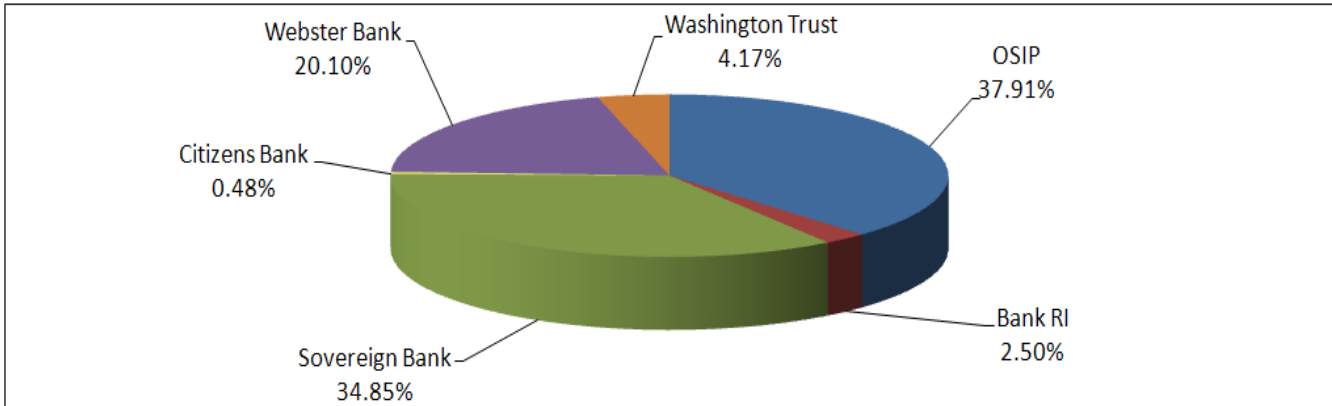
**State of Rhode Island**  
**Short Term Cash Monthly Performance**  
**Performance By Vehicle for**  
**July 01, 2011 to June 30, 2012**

| <b>Investment Type</b>       | <b>Earnings</b>        | <b>Yield(Annual)</b> | <b>ADB</b>               |
|------------------------------|------------------------|----------------------|--------------------------|
| Repurchase Agreement         |                        |                      | \$ -                     |
| Collateralized Deposit (PIP) | \$ 1,053,649.21        | 0.3094%              | \$ 339,663,016.75        |
| Money Market Fund (MMKT)     | \$ 41,430.12           | 0.0409%              | \$ 101,075,940.04        |
| Government Insured Deposit   |                        |                      | \$ -                     |
| Ocean State Investment Pool  | \$ 181,702.12          | 0.1876%              | \$ 96,603,735.47         |
| US Treasury Bills            |                        |                      | \$ -                     |
| FNMA Discount Note           |                        |                      | \$ -                     |
| FHLB Discount Note           |                        |                      | \$ -                     |
| FFCB Discount Note           |                        |                      | \$ -                     |
| Commercial Paper             |                        |                      | \$ -                     |
| Regular CD                   | \$ 21,551.46           | 0.2321%              | \$ 9,261,560.71          |
| CDARS                        | \$ 63,576.94           | 0.2115%              | \$ 29,984,935.07         |
| <b>Grand Totals</b>          | <b>\$ 1,361,909.85</b> | <b>0.236%</b>        | <b>\$ 576,589,188.04</b> |



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

June 30, 2012



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

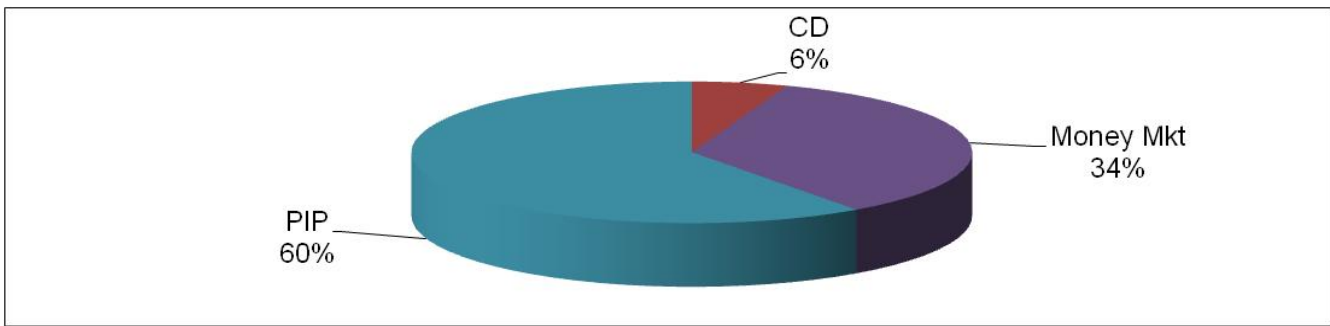
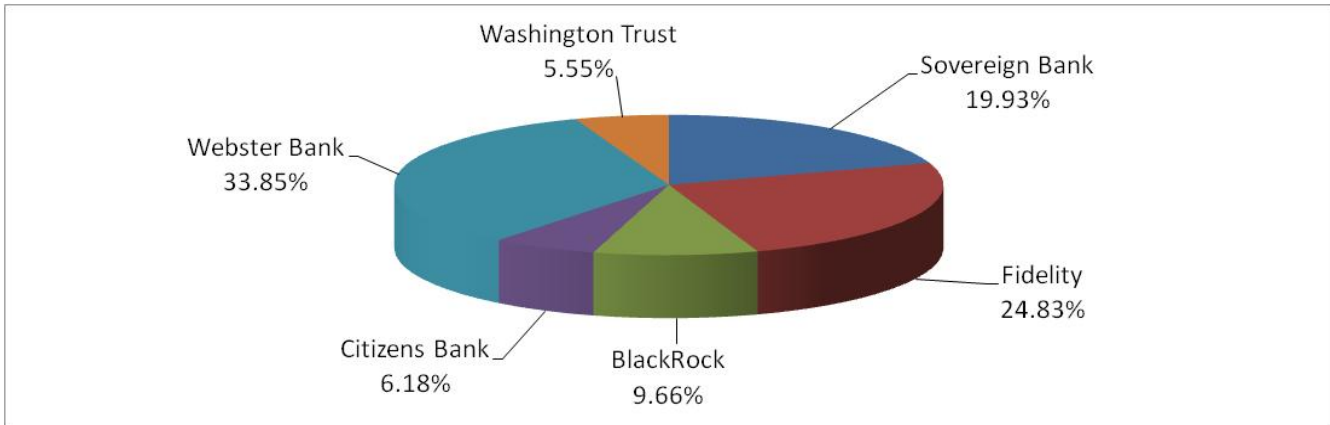
| Vendor                  | CP           | CD                | Agency       | Money Mkt    | PIP                | Repo         | GID          | OSIP               | Total (\$)            |
|-------------------------|--------------|-------------------|--------------|--------------|--------------------|--------------|--------------|--------------------|-----------------------|
| Guidelines-Total/Vendor | 25%/10%      | 50%/20%           | 75%/35%      | 75%/35%      | 75%/35%            | 100%/20%     | 75%/35%      | 50%/50%            |                       |
| OSIP                    | 0<br>0%      | 0<br>0%           | 0<br>0%      | 0<br>0%      | 0<br>0%            | 0<br>0%      | 0<br>0%      | 228,228,805<br>38% | 228,228,805<br>37.91% |
| Bank RI                 | 0<br>0%      | 15,035,129<br>2%  | 0<br>0%      | 0<br>0%      | 0<br>0%            | 0<br>0%      | 0<br>0%      | 0<br>0%            | 15,035,129<br>2.50%   |
| Sovereign Bank          | 0<br>0%      | 0<br>0%           | 0<br>0%      | 0<br>0%      | 209,808,287<br>35% | 0<br>0%      | 0<br>0%      | 0<br>0%            | 209,808,287<br>34.85% |
| JP Morgan Chase         | 0<br>0%      | 0<br>0%           | 0<br>0%      | 0<br>0%      | 0<br>0%            | 0<br>0%      | 0<br>0%      | 0<br>0%            | 0<br>0.00%            |
| Federated Investors     | 0<br>0%      | 0<br>0%           | 0<br>0%      | 0<br>0%      | 0<br>0%            | 0<br>0%      | 0<br>0%      | 0<br>0%            | 0<br>0.00%            |
| Fidelity                | 0<br>0%      | 0<br>0%           | 0<br>0%      | 0<br>0%      | 0<br>0%            | 0<br>0%      | 0<br>0%      | 0<br>0%            | 0<br>0.00%            |
| BlackRock               | 0<br>0%      | 0<br>0%           | 0<br>0%      | 0<br>0%      | 0<br>0%            | 0<br>0%      | 0<br>0%      | 0<br>0%            | 0<br>0.00%            |
| Wells Fargo             | 0<br>0%      | 0<br>0%           | 0<br>0%      | 0<br>0%      | 0<br>0%            | 0<br>0%      | 0<br>0%      | 0<br>0%            | 0<br>0.00%            |
| Citizens Bank           | 0<br>0%      | 0<br>0%           | 0<br>0%      | 0<br>0%      | 2,861,352<br>0%    | 0<br>0%      | 0<br>0%      | 0<br>0%            | 2,861,352<br>0.48%    |
| Webster Bank            | 0<br>0%      | 0<br>0%           | 0<br>0%      | 0<br>0%      | 121,022,832<br>20% | 0<br>0%      | 0<br>0%      | 0<br>0%            | 121,022,832<br>20.10% |
| Oppenheimer Inc         | 0<br>0%      | 0<br>0%           | 0<br>0%      | 0<br>0%      | 0<br>0%            | 0<br>0%      | 0<br>0%      | 0<br>0%            | 0<br>0.00%            |
| Washington Trust        | 0<br>0%      | 25,116,168<br>4%  | 0<br>0%      | 0<br>0%      | 0<br>0%            | 0<br>0%      | 0<br>0%      | 0<br>0%            | 25,116,168<br>4.17%   |
| <b>TOTALS</b>           | -            | <b>40,151,296</b> | -            | -            | <b>333,692,470</b> | -            | -            | <b>228,228,805</b> | <b>602,072,571</b>    |
| <b>(%) PORTFOLIO</b>    | <b>0.00%</b> | <b>6.67%</b>      | <b>0.00%</b> | <b>0.00%</b> | <b>55.42%</b>      | <b>0.00%</b> | <b>0.00%</b> | <b>37.91%</b>      | <b>100.00%</b>        |

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

State of Rhode Island  
Office of the General Treasurer  
FY2012

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

June 30, 2011



Repo = Repurchase Agreement  
MMKT = Money Market  
CP = Commercial Paper  
GID = Government Insured Deposit  
CD = Certificate of Deposit  
PIP = Collateralized Deposit  
Agency = US Government Agency

| Vendor                  | CP           | CD                | Agency       | Money Mkt          | PIP                | Repo         | GID          | Total (\$)         |
|-------------------------|--------------|-------------------|--------------|--------------------|--------------------|--------------|--------------|--------------------|
| Guidelines-Total/Vendor | 25%/10%      | 50%/20%           | 75%/35%      | 75%/35%            | 75%/35%            | 100%/20%     | 75%/35%      |                    |
| Bank RI                 | 0            | 0                 | 0            | 0                  | 0                  | 0            | 0            | 0                  |
|                         | 0%           | 0%                | 0%           | 0%                 | 0%                 | 0%           | 0%           | 0.00%              |
| Sovereign Bank          | 0            | 0                 | 0            | 0                  | 90,098,475         | 0            | 0            | 90,098,475         |
|                         | 0%           | 0%                | 0%           | 0%                 | 0%                 | 0%           | 0%           | 19.93%             |
| JP Morgan Chase         | 0            | 0                 | 0            | 0                  | 0                  | 0            | 0            | 0                  |
|                         | 0%           | 0%                | 0%           | 0%                 | 0%                 | 0%           | 0%           | 0.00%              |
| Federated Investors     | 0            | 0                 | 0            | 0                  | 0                  | 0            | 0            | 0                  |
|                         | 0%           | 0%                | 0%           | 0%                 | 0%                 | 0%           | 0%           | 0.00%              |
| Fidelity                | 0            | 0                 | 0            | 112,240,414        | 0                  | 0            | 0            | 112,240,414        |
|                         | 0%           | 0%                | 0%           | 25%                | 0%                 | 0%           | 0%           | 24.83%             |
| BlackRock               | 0            | 0                 | 0            | 43,663,849         | 0                  | 0            | 0            | 43,663,849         |
|                         | 0%           | 0%                | 0%           | 10%                | 0%                 | 0%           | 0%           | 9.66%              |
| Wells Fargo             | 0            | 0                 | 0            | 0                  | 0                  | 0            | 0            | 0                  |
|                         | 0%           | 0%                | 0%           | 0%                 | 0%                 | 0%           | 0%           | 0.00%              |
| Citizens Bank           | 0            | 0                 | 0            | 0                  | 27,943,040         | 0            | 0            | 27,943,040         |
|                         | 0%           | 0%                | 0%           | 0%                 | 6%                 | 0%           | 0%           | 6.18%              |
| Webster Bank            | 0            | 0                 | 0            | 0                  | 153,009,440        | 0            | 0            | 153,009,440        |
|                         | 0%           | 0%                | 0%           | 0%                 | 34%                | 0%           | 0%           | 33.85%             |
| Oppenheimer Inc         | 0            | 0                 | 0            | 0                  | 0                  | 0            | 0            | 0                  |
|                         | 0%           | 0%                | 0%           | 0%                 | 0%                 | 0%           | 0%           | 0.00%              |
| Washington Trust        | 0            | 25,066,168        | 0            | 0                  | 0                  | 0            | 0            | 25,066,168         |
|                         | 0%           | 6%                | 0%           | 0%                 | 0%                 | 0%           | 0%           | 5.55%              |
| <b>TOTALS</b>           | -            | <b>25,066,168</b> | -            | <b>155,904,263</b> | <b>271,050,954</b> | -            | -            | <b>452,021,385</b> |
| <b>(%) PORTFOLIO</b>    | <b>0.00%</b> | <b>5.55%</b>      | <b>0.00%</b> | <b>34.49%</b>      | <b>59.96%</b>      | <b>0.00%</b> | <b>0.00%</b> | <b>100.00%</b>     |

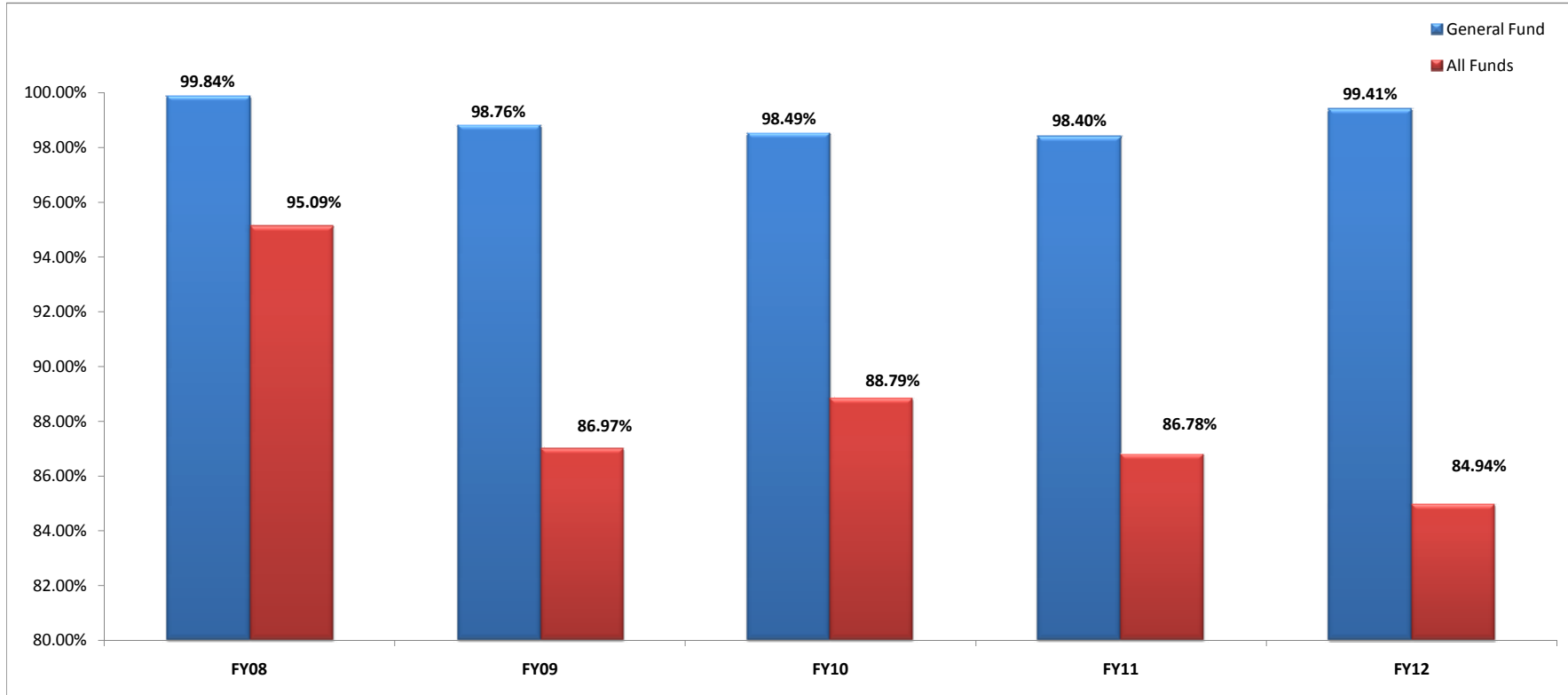
Note: Maximum participation by any one vendor limited to 35% of total portfolio.

State of Rhode Island  
Office of the General Treasurer  
Short-Term Investment Portfolio by Fund  
As of June 30, 2012

| Fund                               | Principal             | Cash Balance         | Total                 |
|------------------------------------|-----------------------|----------------------|-----------------------|
| GENERAL FUND                       | \$ 287,648,157        | \$ 16,789,476        | \$ 304,437,633        |
| H.A.V.A                            | \$ 294                | \$ -                 | \$ 294                |
| GENERAL FUND (HIST PRES)           | \$ 536,508            | \$ -                 | \$ 536,508            |
| HIGHWAY FUND                       | \$ 1,200,994          | \$ 327,166           | \$ 1,528,160          |
| T.D.I. RESERVE (DET)               | \$ 20,032,315         | \$ 24,051,573        | \$ 44,083,888         |
| EMPLOYER PENSION CONTRIBUTION      | \$ 88,612,840         | \$ -                 | \$ 88,612,840         |
| RICAP GL FUND 21                   | \$ -                  | \$ 331,504           | \$ 331,504            |
| DREDGING ACCOUNT                   | \$ 136,833,128        | \$ 380,894           | \$ 137,214,022        |
| BOND CAPITAL FUND                  | \$ 2,863,099          | \$ 124,084           | \$ 2,987,182          |
| R.I. CLEAN WATER ACT               | \$ 3,174,216          | \$ 200,448           | \$ 3,374,664          |
| STATE LOTTERY FUND                 | \$ 20,924,750         | \$ 159,119           | \$ 21,083,870         |
| ASSESSED FRINGE BEN ADM            | \$ 1,007,633          | \$ 718,817           | \$ 1,726,450          |
| AUTO EQUIPMENT SERVICE             | \$ 300,949            | \$ 522,288           | \$ 823,237            |
| HEALTH INSURANCE FUND              | \$ 20,935,308         | \$ 284,105           | \$ 21,219,413         |
| FLEET REVOLVING LOAN FUND          | \$ 500,737            | \$ 754,130           | \$ 1,254,867          |
| EMPLOYEES RETIREMENT               | \$ 1,057,815          | \$ 1,362,549         | \$ 2,420,364          |
| MUNICIPAL EMPLOYEES RET.           | \$ 559,066            | \$ 316,915           | \$ 875,981            |
| RETIREE HEALTH FUND                | \$ 3,485,999          | \$ 6,078             | \$ 3,492,077          |
| BOG RETIREE FUND                   | \$ 259,083            | \$ 5,550             | \$ 264,632            |
| RIPTA RETIREE HEALTH FUND          | \$ 466                | \$ 1,212,951         | \$ 1,213,417          |
| PERMANENT SCHOOL FUND              | \$ 1,431,144          | \$ 583,589           | \$ 2,014,733          |
| TEACHER RETIREE HEALTH FUND        | \$ 554,223            | \$ 7,583             | \$ 561,806            |
| RI ST POLICE RETIREE HEALTH FUND   | \$ 345,594            | \$ 6,145             | \$ 351,739            |
| RI LEGISLATIVE RETIREE HEALTH FUND | \$ 45,193             | \$ 6,504             | \$ 51,697             |
| RI JUDICIAL RETIREE HEALTH FUND    | \$ 55,112             | \$ 7,407             | \$ 62,519             |
| UNIVERSITY COLLEGE                 | \$ 6,054,416          | \$ 454,359           | \$ 6,508,775          |
| HIGHER EDUCATION                   | \$ 4,929              | \$ 278,737           | \$ 283,666            |
| INDUS. BLDG. & MTG. INS.           | \$ 3,648,602          | \$ 307,439           | \$ 3,956,042          |
| JUDICIAL RETIREMENT FUND           | \$ -                  | \$ 64,325            | \$ 64,325             |
| STATE POLICE RETIREMENT FUND       | \$ -                  | \$ 433,205           | \$ 433,205            |
| CORRECTIONAL INDUSTRIES            | \$ -                  | \$ 529,065           | \$ 529,065            |
| DET BENEFIT                        | \$ -                  | \$ 872,918           | \$ 872,918            |
| CHILD SUPPORT                      | \$ -                  | \$ 6,063,945         | \$ 6,063,945          |
| TAX REFUND                         | \$ -                  | \$ 1,171,099         | \$ 1,171,099          |
| MERCHANT DEPOSIT                   | \$ -                  | \$ 249,528           | \$ 249,528            |
| TAX REFUND/DIRECT DEPOSIT          | \$ -                  | \$ 40,678            | \$ 40,678             |
| RITE CARE/RITE SHARE               | \$ -                  | \$ 11,038            | \$ 11,038             |
| DISBURSEMENT ACCOUNT               | \$ -                  | \$ 19,522,058        | \$ 19,522,058         |
| INTERNAL SERVICES                  | \$ -                  | \$ 4,823,427         | \$ 4,823,427          |
| RI PUBLIC TELECOM                  | \$ -                  | \$ 2,186             | \$ 2,186              |
| PAYROLL A                          | \$ -                  | \$ 676,639           | \$ 676,639            |
| PENSION C                          | \$ -                  | \$ 2,950,720         | \$ 2,950,720          |
| ET CLEARANCE                       | \$ -                  | \$ 447,162           | \$ 447,162            |
| EMPLOYER TAX                       | \$ -                  | \$ 405,063           | \$ 405,063            |
| RECREATIONAL AREA                  | \$ -                  | \$ 82,081            | \$ 82,081             |
| RECORD CENTER                      | \$ -                  | \$ 193,869           | \$ 193,869            |
| <b>Subtotal</b>                    | <b>\$ 602,072,571</b> | <b>\$ 87,738,414</b> | <b>\$ 689,810,985</b> |
| G.O. NOTE 1991 SER. B              | \$ -                  | \$ -                 | \$ 0                  |
| CCDL1993A                          | \$ 7,386              | \$ -                 | \$ 7,385              |
| BOND CCDL 1994 SERIES A            | \$ 15,002             | \$ -                 | \$ 15,005             |
| BOND CCBL96A                       | \$ -                  | \$ -                 | \$ 7                  |
| CAP DEV OF 1997 SERIES A           | \$ 40,477             | \$ -                 | \$ 40,472             |
| CCDL1998A                          | \$ 1,696,084          | \$ -                 | \$ 1,710,368          |
| CCDL 1998B                         | \$ -                  | \$ -                 | \$ 48                 |
| MMG099 1999                        | \$ -                  | \$ -                 | \$ 0                  |
| BOND CAPITOL CCDL2000A             | \$ 102,399            | \$ -                 | \$ 102,412            |
| MULTI-MODAL GEN OBL 2000           | \$ -                  | \$ -                 | \$ 0                  |
| CCDL2001C                          | \$ 201,357            | \$ -                 | \$ 901,343            |
| CCDL2002B                          | \$ -                  | \$ -                 | \$ 1,294,998          |
| CCDL 2004 SERIES A                 | \$ 3,032,933          | \$ -                 | \$ 5,424,635          |
| BOND CCDL 2005 SERIES C            | \$ 7,571,036          | \$ -                 | \$ 12,595,403         |
| BOND CCDL 2005 SERIES E            | \$ 897,280            | \$ -                 | \$ 944,024            |
| BOND CCDL 2006 SERIES B            | \$ -                  | \$ -                 | \$ 1                  |
| BOND CCDL 2006 SERIES C            | \$ 3,348,082          | \$ -                 | \$ 9,848,763          |
| GO BND-NTAX 2007 SERIES A          | \$ 5,954,261          | \$ -                 | \$ 8,905,196          |
| GO BND-TAX 2007 SERIES B           | \$ -                  | \$ -                 | \$ 110                |
| GO BND-NTAX 2008 SERIES B          | \$ 474,680            | \$ -                 | \$ 14,135,876         |
| GO BND-TAX 2008 SERIES C           | \$ -                  | \$ -                 | \$ 234                |
| CCDL10B BOND CAPITAL COMPONENT     | \$ 3,296,205          | \$ -                 | \$ 36,355,895         |
| CCDL2010C                          | \$ 161,394            | \$ -                 | \$ 47,578,249         |
| CCDL2010D                          | \$ 103,931            | \$ -                 | \$ 21,621,737         |
| CCDL2011A                          | \$ 72,665,606         | \$ -                 | \$ -                  |
| CLEAN WATER CCDL 1998B             | \$ -                  | \$ -                 | \$ 12,367             |
| CLEAN WATER CCDL 2002 B            | \$ -                  | \$ -                 | \$ 22,729             |
| CLEAN WATER 2004 SERIES A          | \$ 222,554            | \$ -                 | \$ -                  |
| CLN WATER CCDL 2005 SER E          | \$ -                  | \$ -                 | \$ 622,340            |
| CAP DEV. OF 1997 SERIES A          | \$ -                  | \$ -                 | \$ 26,676             |
| RI POLLUT. CONT 94 SER. A          | \$ -                  | \$ -                 | \$ -                  |
| CCDL99A 1999A                      | \$ 205,320            | \$ -                 | \$ -                  |
| POL. CTRL CCDL 2006 SER C          | \$ -                  | \$ -                 | \$ 243,991            |
| CLEAN WATER 2007 SERIES A          | \$ 283,294            | \$ -                 | \$ 233,206            |
| RI POLLUTION CONTROL 2008 B        | \$ -                  | \$ -                 | \$ 499,237            |
| CCDL2010B CLEAN WATER COMPONENT    | \$ -                  | \$ -                 | \$ 698,463            |
| CCDL2011A CLEAN WATER COMPONENT    | \$ 1,260,186          | \$ -                 | \$ 56,151             |
| CCDL2011A POLL CTRL CMPNT          | \$ -                  | \$ -                 | \$ -                  |
| <b>Bond Proceeds Total</b>         | <b>\$ 101,539,468</b> | <b>\$ -</b>          | <b>\$ 101,539,468</b> |
| TANS PROCEEDS                      | \$ 2,364              | \$ -                 | \$ 2,364              |
| <b>Grand Total</b>                 | <b>\$ 703,614,402</b> | <b>\$ 87,738,414</b> | <b>\$ 791,352,816</b> |

\* 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.

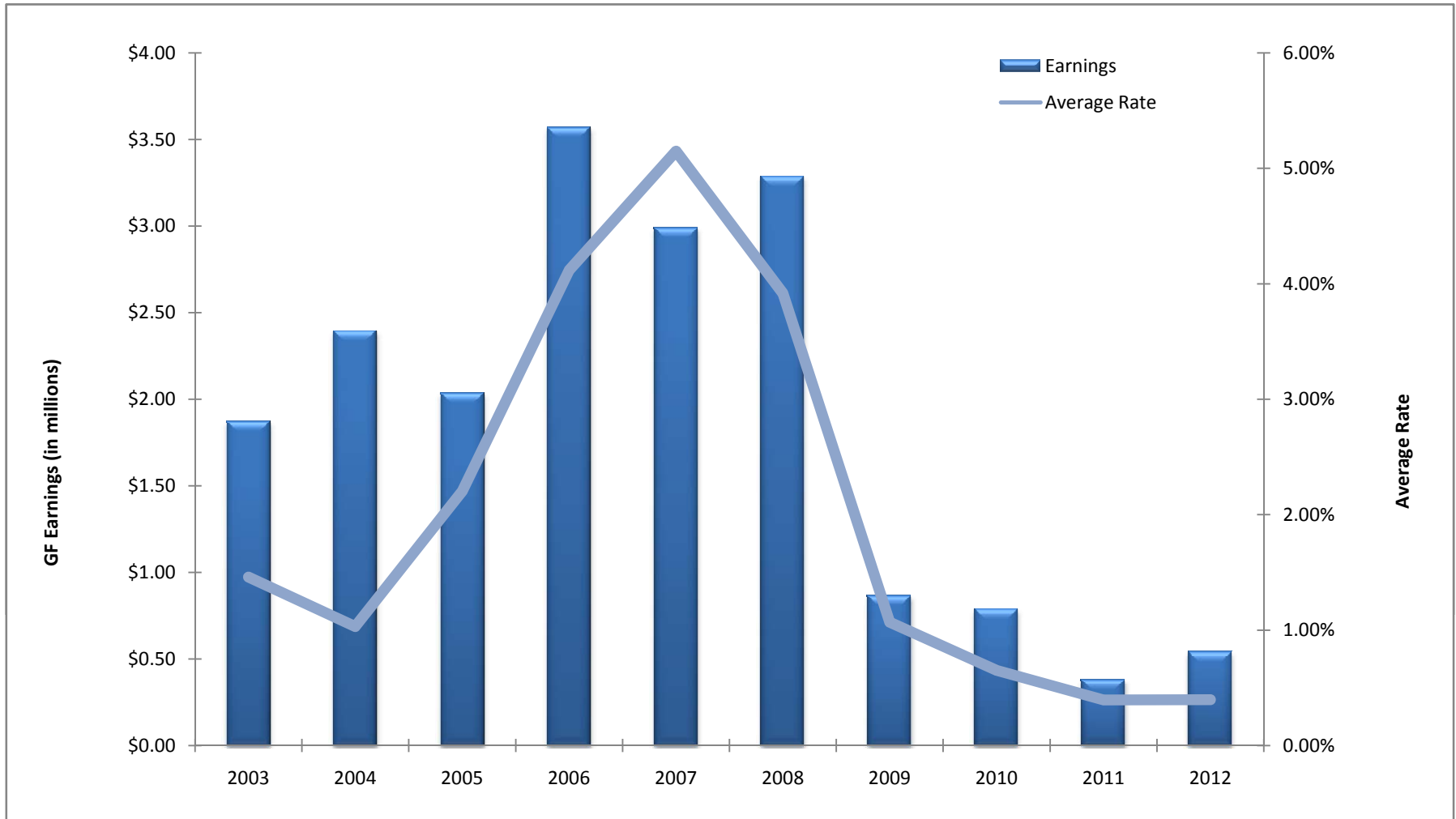
State of Rhode Island  
Office of the General Treasurer  
Short-Term Percentage Invested  
FY 2008 - FY 2012



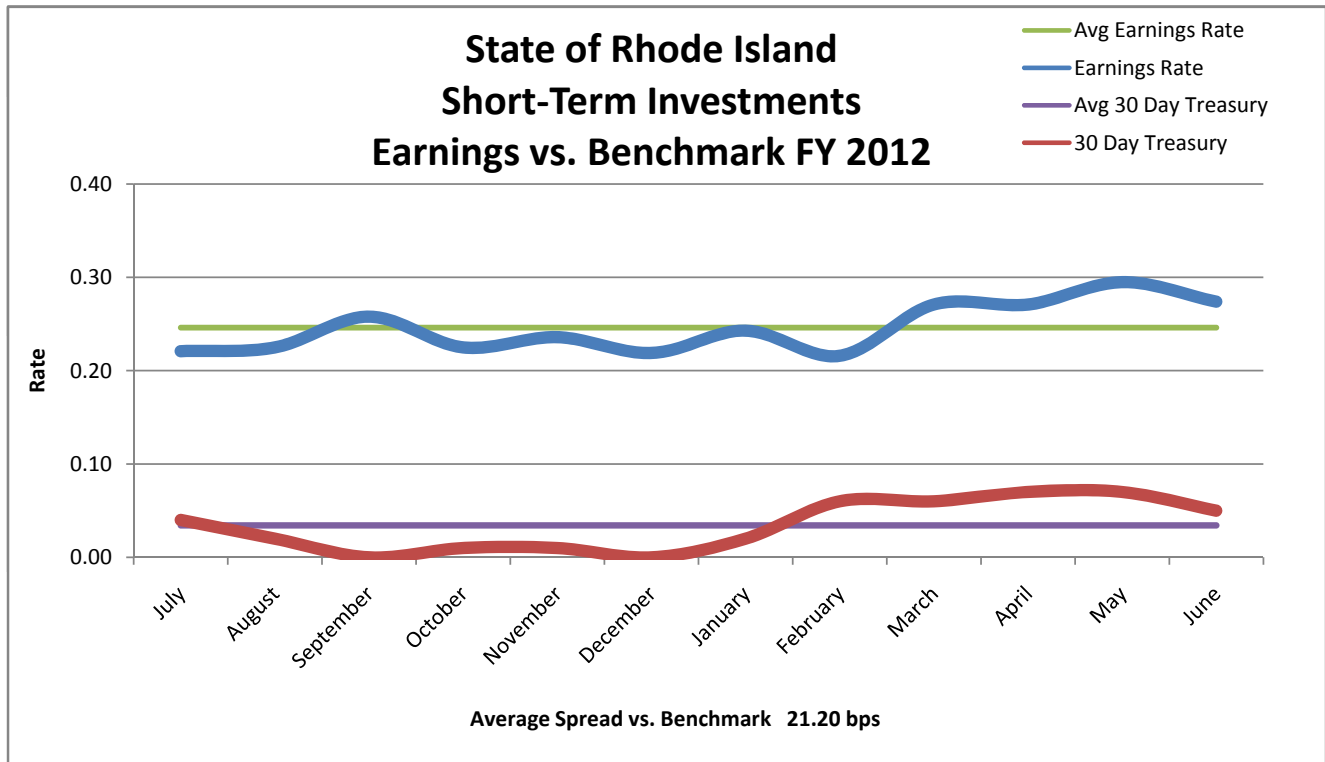
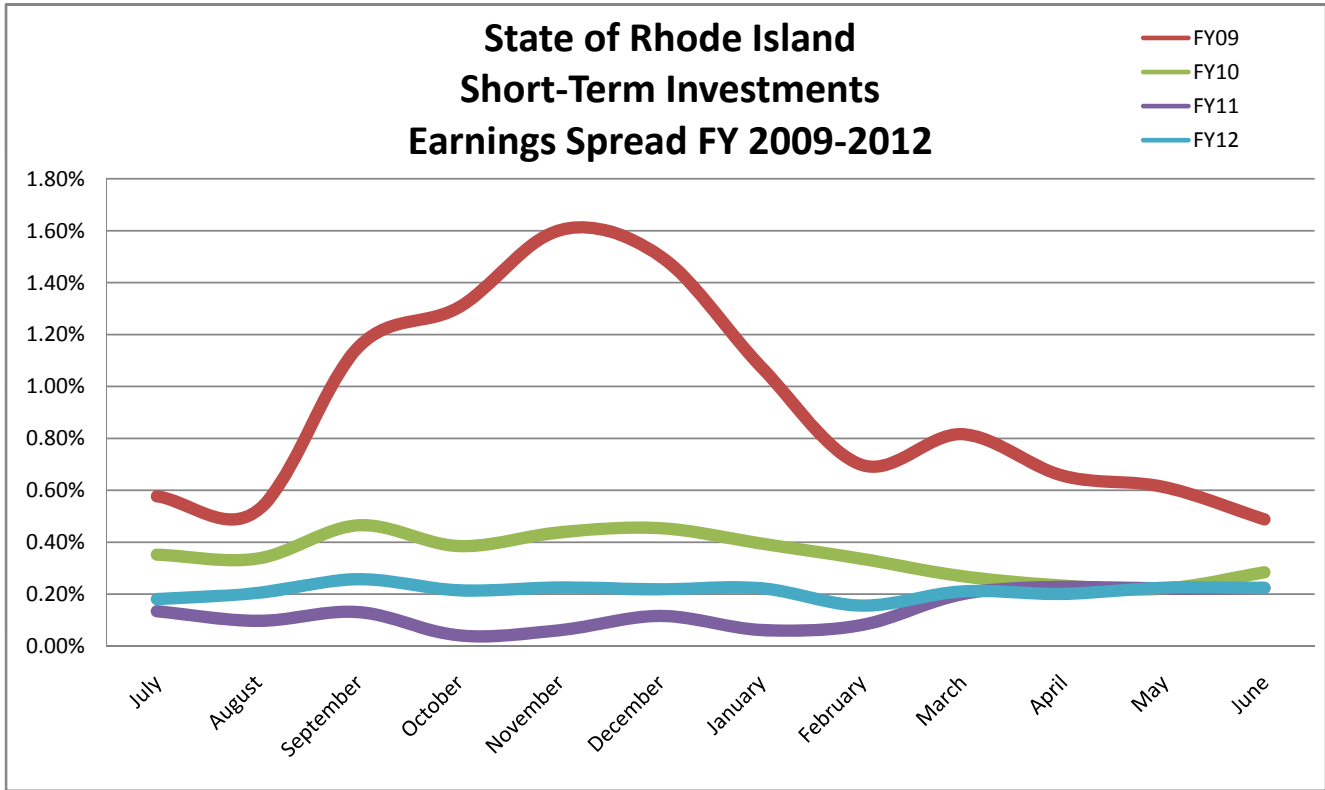
**Source Data:** This data is derived by calculating the ratio of Invested Balances to Invested Balances + Cash Balances (obtained from bank account analysis and the APS2 investment software; net of Bond proceeds, inclusive of TANS).

**Commentary:** The 10% decrease in the ratio of cash invested in All Funds from FY2008 to FY2012 is a result of a change in cash management strategy due in large part to overall declines in short-term interest rates, which remain at historic lows. Treasury negotiated favorable Earned Credit Rates as an offset to the lower interest rates in an effort to reduce overall bank fees. As a result, Treasury staff elected to increase bank balances, resulting in a 65% decrease of total fees paid from FY2009 to FY2012. An additional factor in the 10% decrease is the termination of the overnight investment sweep associated with the State's main disbursement account, resulting in higher average balances. The gap in performance between the General Fund ratio vs. the All Funds ratio is largely the result of statutory provisions on the investment of certain funds. For example, certain allocations of Federal funds are prohibited from being invested by Cash Management. Therefore, All Funds Cash Invested cannot be regarded as a performance metric, but it is presented for illustrative purposes.

**State of Rhode Island  
Office of the General Treasurer  
General Fund Interest Earnings / Average Rate  
FY 2003 - FY 2012**



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



**Source Data:** This Avg Earnings and Earnings Rate are derived from the State Investment System: APS2. The Benchmark is the 30 Day Treasury Bill. The Benchmark data is derived from the Federal Reserve Board Statistical release, H.15.

**Commentary:** The State's Short-Term Investments outperformed their benchmark, the 30-Day T-Bill, in 12 out of 12 months for FY2012, with an average spread over the benchmark of 21.2 basis points.



**State of Rhode Island  
Office of the General Treasurer  
Cash Management Summary  
All Funds, FY 2009 - FY 2012**

|                                      | <u>FY2012</u>     | <u>FY2011</u>     | <u>FY2010</u>     | <u>FY 2009</u>    |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Average Daily Cash Position</b>   | \$ 680,104,531    | \$ 753,370,282    | \$ 570,948,786    | \$ 454,485,583    |
| <b>Average Daily Bank Balance</b>    | \$ 102,665,672    | \$ 99,848,740     | \$ 64,629,536     | \$ 59,655,627     |
| <b>Percent of Cash Invested</b>      | 84.94%            | 86.78%            | 88.79%            | 86.97%            |
| <b>Percent of GF Cash Invested</b>   | 99.41%            | 98.40%            | 98.49%            | 98.76%            |
| <b>Average Maturity of Portfolio</b> | 3.53 Days         | 8.08 Days         | 5.59 Days         | 3.28 Days         |
| <b>Spread to Benchmark</b>           | 21.2 Basis Points | 18.3 Basis Points | 45.5 Basis Points | 85.0 Basis Points |
| <b>Average Rate of Return</b>        | 0.24%             | 0.28%             | 0.54%             | 1.28%             |

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

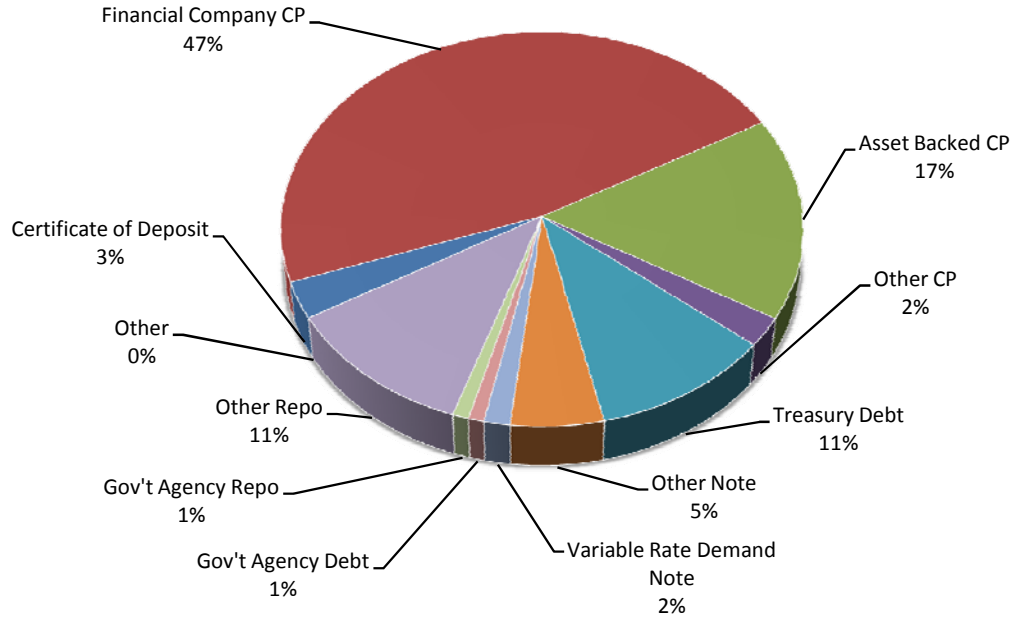
## **OSIP – OCEAN STATE INVESTMENT POOL**

**State of Rhode Island**  
**OSIP Performance**  
**April 01, 2012 to June 30, 2012**

| <b>Fund Name</b>                | <b>Beginning Balance</b> | <b>Ending Balance</b> | <b>Average Daily Balance</b> | <b>Earnings</b>   | <b>Yield</b> |
|---------------------------------|--------------------------|-----------------------|------------------------------|-------------------|--------------|
| HIGHER EDUCATION                | \$ 4,896                 | \$ 4,929              | \$ 81,819                    | \$ 33             | 0.16%        |
| BOG RETIREE FUND                | \$ 173,995               | \$ 259,081            | \$ 175,863                   | \$ 86             | 0.20%        |
| RI ST POL RETIREE HEALTH        | \$ 325,503               | \$ 345,590            | \$ 177,591                   | \$ 87             | 0.20%        |
| TEACHER RETIREE HEALTH FUND     | \$ 784,009               | \$ 554,214            | \$ 406,426                   | \$ 205            | 0.20%        |
| GENERAL FUND (HIST PRES)        | \$ 536,238               | \$ 536,502            | \$ 536,238                   | \$ 263            | 0.20%        |
| ASSESSED FRINGE BEN ADM         | \$ -                     | \$ 1,000,316          | \$ 648,352                   | \$ 316            | 0.20%        |
| PERMANENT SCHOOL FUND           | \$ -                     | \$ 1,430,451          | \$ 927,143                   | \$ 451            | 0.20%        |
| RIPTA HEALTH FUND               | \$ 64,988                | \$ 464                | \$ 951,527                   | \$ 476            | 0.20%        |
| HISTORIC TAX CREDITS            | \$ 1,200,389             | \$ 1,200,979          | \$ 1,200,389                 | \$ 590            | 0.20%        |
| R.I. CLEAN WATER ACT            | \$ -                     | \$ 2,300,947          | \$ 1,950,549                 | \$ 947            | 0.19%        |
| RETIREE HEALTH FUND             | \$ 4,209,395             | \$ 3,485,972          | \$ 3,209,944                 | \$ 1,577          | 0.20%        |
| UNIVERSITY COLLEGE              | \$ 3,652,793             | \$ 6,054,355          | \$ 3,264,881                 | \$ 1,562          | 0.19%        |
| INDUS. BLDG. & MTG. INS.        | \$ 3,646,766             | \$ 3,648,557          | \$ 3,646,766                 | \$ 1,792          | 0.20%        |
| HIGHWAY FUND                    | \$ 8,405,896             | \$ 8,789              | \$ 5,859,742                 | \$ 2,893          | 0.20%        |
| HEALTH INSURANCE FUND           | \$ 16,510,784            | \$ 20,520,474         | \$ 19,744,850                | \$ 9,690          | 0.20%        |
| STATE LOTTERY FUND              | \$ 19,842,040            | \$ 19,851,789         | \$ 19,842,040                | \$ 9,750          | 0.20%        |
| GENERAL FUND                    | \$ 10,011,437            | \$ 55,023,736         | \$ 26,165,284                | \$ 12,299         | 0.19%        |
| T.D.I. RESERVE (DET)            | \$ 35,037,586            | \$ 47,058,317         | \$ 42,290,334                | \$ 20,731         | 0.20%        |
| RICAP GL FUND 21                | \$ 44,920,349            | \$ 64,943,343         | \$ 47,337,932                | \$ 22,993         | 0.19%        |
| CCDL1993A                       | \$ 7,386                 | \$ 7,386              | \$ 7,384                     | \$ 4              | 0.20%        |
| CCDL10B CLEAN WATER COMPONENT   | \$ 55,664                | \$ -                  | \$ -                         | \$ 5              | 0.20%        |
| BOND CCDL 1994 SERIES A         | \$ 15,002                | \$ 15,002             | \$ 14,998                    | \$ 7              | 0.20%        |
| CAP DEV OF 1997 SERIES A        | \$ 40,476                | \$ 40,477             | \$ 40,466                    | \$ 20             | 0.20%        |
| BOND CAPITOL CCDL2000A          | \$ 102,396               | \$ 102,399            | \$ 102,372                   | \$ 50             | 0.20%        |
| CCDL10D                         | \$ 103,928               | \$ 103,931            | \$ 103,903                   | \$ 51             | 0.20%        |
| CCDL10C                         | \$ 161,315               | \$ 161,394            | \$ 161,315                   | \$ 79             | 0.20%        |
| CCDL2001C                       | \$ 201,349               | \$ 201,357            | \$ 201,302                   | \$ 99             | 0.20%        |
| CCDL99A 1999A                   | \$ 222,446               | \$ 205,320            | \$ -                         | \$ 102            | 0.20%        |
| CLEAN WATER 2004 SERIES A       | \$ 222,546               | \$ 222,554            | \$ 222,494                   | \$ 109            | 0.20%        |
| CCDL2011A POLL CTRL CMPNT       | \$ 1,263,942             | \$ -                  | \$ -                         | \$ 121            | 0.20%        |
| CLEAN WATER 2007 SERIES A       | \$ 283,284               | \$ 283,294            | \$ -                         | \$ 139            | 0.20%        |
| GO BND-NTAX 2008 SERIES B       | \$ 474,663               | \$ 474,680            | \$ 474,551                   | \$ 233            | 0.20%        |
| BOND CCDL 2005 SERIES E         | \$ 897,248               | \$ 897,280            | \$ 897,038                   | \$ 441            | 0.20%        |
| CCDL2011A CLEAN WATER COMPONENT | \$ 1,260,141             | \$ 1,260,186          | \$ -                         | \$ 619            | 0.20%        |
| CCDL1998A                       | \$ 1,696,024             | \$ 1,696,084          | \$ 1,695,626                 | \$ 833            | 0.20%        |
| CCDL 2004 SERIES A              | \$ 3,046,103             | \$ 3,032,933          | \$ 3,038,860                 | \$ 1,493          | 0.20%        |
| BOND CCDL 2006 SERIES C         | \$ 3,509,577             | \$ 3,348,082          | \$ 3,419,731                 | \$ 1,681          | 0.20%        |
| CCDL10B BOND CAPITAL COMPONENT  | \$ 6,182,540             | \$ 3,296,205          | \$ 4,650,561                 | \$ 2,310          | 0.20%        |
| GO BND-NTAX 2007 SERIES A       | \$ 5,997,047             | \$ 5,954,261          | \$ 5,984,569                 | \$ 2,941          | 0.20%        |
| BOND CCDL 2005 SERIES C         | \$ 7,949,688             | \$ 7,571,036          | \$ 7,777,602                 | \$ 3,826          | 0.20%        |
| CCDL2011A                       | \$ 95,440,352            | \$ 72,665,606         | \$ -                         | \$ 41,971         | 0.20%        |
| TANS PROCEEDS                   | \$ 125,014,015           | \$ -                  | \$ 133,324,411               | \$ 64,790         | 0.19%        |
| TOWN OF BRISTOL @ 6/30          | \$ -                     | \$ 2,000,023          | \$ -                         | \$ -              | 0.00%        |
| TOWN OF LINCOLN @ 6/30          | \$ -                     | \$ 280,005            | \$ -                         | \$ -              | 0.00%        |
| <b>STATE TOTALS</b>             | <b>\$ 403,474,196</b>    | <b>\$ 329,768,272</b> | <b>\$ 340,534,854</b>        | <b>\$ 208,665</b> | <b>0.20%</b> |

**STATE OF RHODE ISLAND  
OFFICE OF THE GENERAL TREASURER**

**OSIP Investment Allocation at 06/30/2012**



| INVESTMENT TYPE           | MATURITIES |            |            |            | TOTAL VALUE AT 6/30/12 |
|---------------------------|------------|------------|------------|------------|------------------------|
|                           | 0-30       | 31-90      | 90-180     | 181-397    |                        |
| Certificate of Deposit    | -          | 9,999,907  | -          | -          | \$ 9,999,907           |
| Financial Company CP      | 90,496,223 | 30,997,544 | 34,966,963 | -          | \$ 156,460,730         |
| Asset Backed CP           | 8,035,550  | 45,071,811 | 1,997,589  | -          | \$ 55,104,950          |
| Other CP                  | 2,999,582  | 4,999,381  | -          | -          | \$ 7,998,963           |
| Treasury Debt             | -          | -          | 26,161,105 | 9,089,426  | \$ 35,250,531          |
| Other Note                | -          | -          | -          | 18,000,000 | \$ 18,000,000          |
| Variable Rate Demand Note | -          | 5,060,000  | -          | -          | \$ 5,060,000           |
| Gov't Agency Debt         | -          | -          | -          | 2,999,464  | \$ 2,999,464           |
| Gov't Agency Repo         | -          | 3,132,000  | -          | -          | \$ 3,132,000           |
| Other Repo                | -          | 38,000,000 | -          | -          | \$ 38,000,000          |
| Other                     | 41,758     | -          | -          | -          | \$ 41,758              |

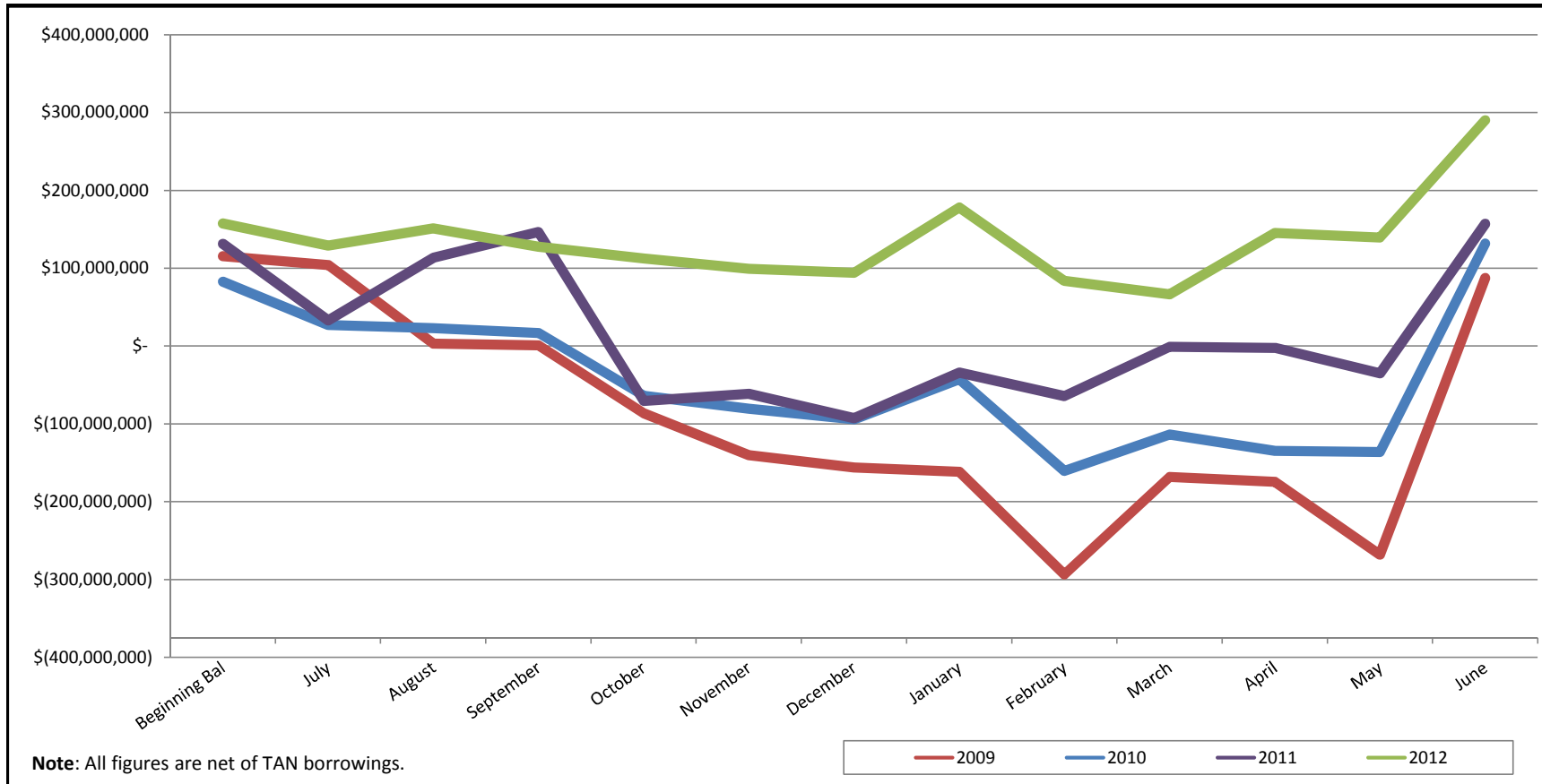
**Source Data:** Fidelity OSIP Annual Report FY2012. Average maturity ranged from 32 to 56 days.

## CASH FLOW

**State of Rhode Island  
Office of the General Treasurer  
Cash Flow Analysis Summary  
Fiscal 2012**

|                                         | July<br>2011       | August<br>2011     | September<br>2011  | October<br>2011    | November<br>2011   | December<br>2011   | January<br>2012    | February<br>2012   | March<br>2012      | April<br>2012      | May<br>2012        | June<br>2012         | TOTAL<br>2012        |
|-----------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|----------------------|----------------------|
| <b>Estimated Beginning Balance</b>      | <b>156,102,743</b> | <b>128,812,801</b> | <b>151,165,829</b> | <b>127,490,214</b> | <b>112,293,805</b> | <b>99,127,138</b>  | <b>93,817,297</b>  | <b>177,817,571</b> | <b>83,592,267</b>  | <b>66,300,117</b>  | <b>145,122,611</b> | <b>139,397,869</b>   | <b>156,102,743</b>   |
| <b>Prior Day Deposits/Adjustments</b>   |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                      |                      |
| Taxation Check Receipts                 | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                    | 0                    |
| Motor Vehicles                          | 9,752,787          | 10,405,800         | 9,949,062          | 9,551,443          | 8,615,600          | 7,709,909          | 8,032,754          | 8,384,960          | 11,273,969         | 11,201,176         | 12,335,013         | 12,190,445           | 119,402,918          |
| Eleanor Slater / MHRH                   | 1,517,861          | 2,189,384          | 1,115,491          | 725,357            | 2,774,186          | 701,484            | 280,416            | 881,930            | 1,615,084          | 5,934,841          | 1,503,906          | 242,425              | 19,482,365           |
| Dept Bus Reg                            | 702,594            | 887,542            | 883,597            | 2,209,289          | 818,962            | 1,078,045          | 861,442            | 887,844            | 1,759,500          | 1,258,927          | 1,210,197          | 3,614,358            | 16,172,297           |
| Secretary of State                      | 229,390            | 253,773            | 344,527            | 438,478            | 311,262            | 308,298            | 373,753            | 485,167            | 447,297            | 268,653            | 304,482            | 326,973              | 4,092,052            |
| DEM                                     | 886,364            | 765,651            | 553,363            | 1,007,227          | 605,414            | 1,058,273          | 1,451,648          | 1,153,124          | 529,440            | 889,868            | 1,079,280          | 605,267              | 10,584,919           |
| Health                                  | 130,580            | 100,074            | 206,791            | 208,610            | 49,713             | 51,894             | 61,894             | 218,422            | 118,466            | 164,552            | 130,120            | 95,643               | 1,536,759            |
| Miscellaneous Receipts                  | 36,446,625         | 21,644,147         | 21,341,132         | 33,181,126         | 16,512,476         | 17,384,659         | 27,580,238         | 33,023,960         | 18,427,838         | 14,494,395         | 12,660,839         | 22,577,351           | 275,274,787          |
| Federal Grants                          | 239,993,702        | 109,678,082        | 167,620,694        | 140,921,125        | 117,415,788        | 221,215,481        | 136,341,428        | 164,755,987        | 194,050,403        | 172,502,414        | 140,605,485        | 191,754,189          | 1,996,854,777        |
| Interest                                | 53,021             | 33,655             | 39,039             | 53,841             | 53,609             | 42,164             | 38,472             | 54,748             | 40,364             | 37,098             | 37,530             | 49,580               | 533,121              |
| <b>Plus: Receipts/Wires Current Day</b> |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                      |                      |
| Advance Repayment                       | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                    | 0                    |
| Lottery                                 | 0                  | 32,313,837         | 29,805,939         | 32,931,252         | 29,300,000         | 465,476            | 30,300,851         | 28,420,405         | 33,197,207         | 37,234,772         | 31,400,000         | 61,885,052           | 347,254,791          |
| Payroll                                 | 19,226,905         | 20,530,413         | 23,839,928         | 20,093,960         | 19,296,929         | 19,159,878         | 19,912,211         | 19,595,107         | 23,580,748         | 19,311,364         | 21,217,252         | 19,988,227           | 245,752,924          |
| Trsfr - DOT                             | 1,362              | 2,376              | 1,238              | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                    | 4,976                |
| Trsfr - University / College            | 27,475,496         | 27,215,339         | 42,864,011         | 28,726,485         | 26,621,761         | 29,186,005         | 31,928,670         | 28,596,805         | 42,779,424         | 28,576,513         | 28,659,475         | 28,039,481           | 370,669,463          |
| Trsfr - Bond Capital                    | 2,948,586          | 448                | 10,000,392         | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                    | 12,949,425           |
| TANS Proceeds                           | 35,812             | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 202,320,571          | 202,356,384          |
| Historic Tax Credit                     | 81,322             | 42,437             | 47,938             | 687,028            | 641,586            | 395,000            | 0                  | 906,722            | 4,084,493          | 154,949            | 2,037,018          | 152,240              | 9,230,733            |
| Taxation EFT                            | 316,822,441        | 192,368,445        | 231,776,699        | 198,988,084        | 186,583,175        | 224,709,940        | 253,526,046        | 177,930,084        | 329,329,068        | 334,412,094        | 185,011,598        | 362,053,212          | 2,993,510,885        |
| Miscellaneous                           | 26,331,946         | 20,003,393         | 30,222,803         | 19,741,053         | 30,236,551         | 34,795,233         | 7,709,305          | 8,114,985          | 5,011,417          | 18,894,454         | 19,649,556         | 19,249,293           | 239,959,989          |
| <b>Total Available Cash</b>             | <b>838,739,537</b> | <b>567,247,595</b> | <b>721,778,472</b> | <b>616,954,572</b> | <b>552,130,818</b> | <b>657,388,878</b> | <b>612,216,426</b> | <b>651,227,821</b> | <b>749,836,984</b> | <b>711,636,186</b> | <b>602,964,363</b> | <b>1,064,542,176</b> | <b>7,021,726,306</b> |
| <b>Less: Disbursements</b>              |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                      |                      |
| TANF                                    | 2,917,768          | 3,226,375          | 3,035,950          | 3,162,310          | 3,101,700          | 3,149,197          | 3,096,702          | 3,044,718          | 3,004,883          | 3,037,686          | 3,032,489          | 2,957,718            | 36,767,498           |
| Pension                                 | 10,437,783         | 18,247,832         | 11,737,181         | 9,790,267          | 23,285,994         | 10,018,442         | 20,171,460         | 18,647,791         | 19,659,196         | 18,955,266         | 19,243,858         | 10,266,082           | 190,461,153          |
| SSI                                     | 3,309,778          | 1,572,887          | 1,351,576          | 1,360,277          | 1,400,371          | 1,483,089          | 1,437,189          | 1,475,603          | 1,469,360          | 1,482,374          | 1,508,841          | 1,393,383            | 19,244,728           |
| Medicaid                                | 268,742,988        | 98,832,845         | 215,048,664        | 155,218,257        | 106,096,845        | 213,902,272        | 104,535,814        | 164,644,737        | 234,857,553        | 160,180,705        | 117,516,148        | 174,167,963          | 2,013,744,791        |
| Trsfr to Other Fd                       | 27,260,006         | 10,725,627         | 19,773,905         | 6,488,165          | 919,162            | 15,268,302         | 1,875,231          | 2,159,743          | 3,419,780          | 1,321,353          | 1,533,432          | 74,797,074           | 165,541,780          |
| Trsfr to Univ College                   | 18,053,016         | 18,053,016         | 19,666,417         | 7,020,618          | 7,020,618          | 9,320,616          | 8,023,564          | 8,385,561          | 13,121,337         | 8,747,558          | 8,747,558          | 8,747,563            | 134,907,442          |
| Personal / Corp. Income tax             | 5,205,620          | 3,657,831          | 2,242,965          | 3,422,492          | 9,927,682          | 5,654,058          | 5,478,605          | 74,519,446         | 56,936,925         | 53,180,612         | 26,635,532         | 9,793,606            | 256,655,375          |
| Debt Service                            | 11,473,660         | 47,063,027         | 22,710,192         | 2,681,203          | 33,063,750         | 0                  | 1,382,075          | 29,976,191         | 8,864,795          | 36,745,905         | 22,274,758         | 5,670                | 216,241,226          |
| TANS & TDI Repayment                    | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 206,000,000          | 206,000,000          |
| DHS - Block Mothers                     | 4,176,199          | 4,401,663          | 4,249,137          | 3,689,452          | 5,965,753          | 4,020,510          | 3,734,162          | 4,078,632          | 4,044,087          | 3,960,027          | 3,740,214          | 4,101,783            | 50,161,619           |
| Payroll/ FICA/ Misc                     | 80,542,827         | 69,484,506         | 95,805,168         | 78,158,746         | 69,666,599         | 70,683,389         | 68,157,468         | 69,580,109         | 92,349,579         | 76,603,397         | 67,769,105         | 69,971,175           | 908,772,068          |
| Payroll/ Workers Comp                   | 2,482,472          | 2,402,395          | 3,615,609          | 2,412,774          | 2,401,874          | 1,200,083          | 2,394,615          | 2,401,724          | 3,606,778          | 2,416,949          | 2,424,102          | 2,424,089            | 30,183,463           |
| Payroll/ Health Insurance               | 21,639,591         | 19,419,670         | 29,490,444         | 19,442,877         | 12,504,982         | 19,538,814         | 19,864,237         | 19,531,444         | 29,433,276         | 19,351,513         | 19,492,748         | 19,428,243           | 249,137,838          |
| Payroll/Retirement Contribution         | 15,641,722         | 16,196,696         | 24,529,427         | 17,581,275         | 16,324,017         | 16,361,562         | 16,308,161         | 16,343,556         | 24,457,167         | 16,267,508         | 16,308,096         | 16,229,766           | 212,548,953          |
| Trsfr ISTE/A/Split Deposit              | 7,083,435          | 20,688,534         | 13,228,082         | 16,493,157         | 14,544,639         | 14,853,773         | 14,941,714         | 13,593,189         | 9,691,887          | 14,324,526         | 12,949,352         | 13,513,642           | 165,905,928          |
| Other                                   | 3,329,688          | 2,343,667          | 4,367,411          | 5,472,678          | 3,794,461          | 4,205,758          | 2,832,471          | 2,788,366          | 22,208,769         | 3,461,385          | 4,209,002          | 5,809,384            | 64,823,039           |
| Disbursements/ACH's                     | 227,630,185        | 79,765,196         | 123,436,130        | 172,266,216        | 142,985,234        | 173,911,716        | 160,165,386        | 136,464,745        | 156,411,496        | 146,476,810        | 136,181,258        | 158,672,339          | 1,814,366,709        |
| State Mun/School Aid                    | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                    | 0                    |
| <b>Total Disbursements</b>              | <b>709,926,736</b> | <b>416,081,766</b> | <b>594,288,257</b> | <b>504,660,766</b> | <b>453,003,681</b> | <b>563,571,581</b> | <b>434,398,854</b> | <b>567,635,554</b> | <b>683,536,867</b> | <b>566,513,575</b> | <b>463,566,493</b> | <b>778,279,480</b>   | <b>6,735,463,610</b> |
| <b>Overall Cash Position</b>            | <b>128,812,801</b> | <b>151,165,829</b> | <b>127,490,214</b> | <b>112,293,805</b> | <b>99,127,138</b>  | <b>93,817,297</b>  | <b>177,817,571</b> | <b>83,592,267</b>  | <b>66,300,117</b>  | <b>145,122,611</b> | <b>139,397,869</b> | <b>286,262,696</b>   | <b>286,262,696</b>   |

**State of Rhode Island  
Office of the General Treasurer  
General Fund Cash Flow  
FY2009-FY2012**



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

**Commentary:** Though there is some variance, this chart demonstrates the very cyclical nature of the State's cash flow. Any proceeds from TANS have been removed from the data to produce a more accurate history of cash flow as a function of revenue and expenditures. The chart clearly demonstrates that FY 2012 has been the most consistent period over the last four years and that the cash balance stayed positive net of TANS proceeds. In fact TANS was issued but never required for cash needs in FY 2012.

## **SPECIAL FUNDS**



State of Rhode Island  
Office of the General Treasurer  
Abraham Touro Fund  
Investment Summary  
FY2012

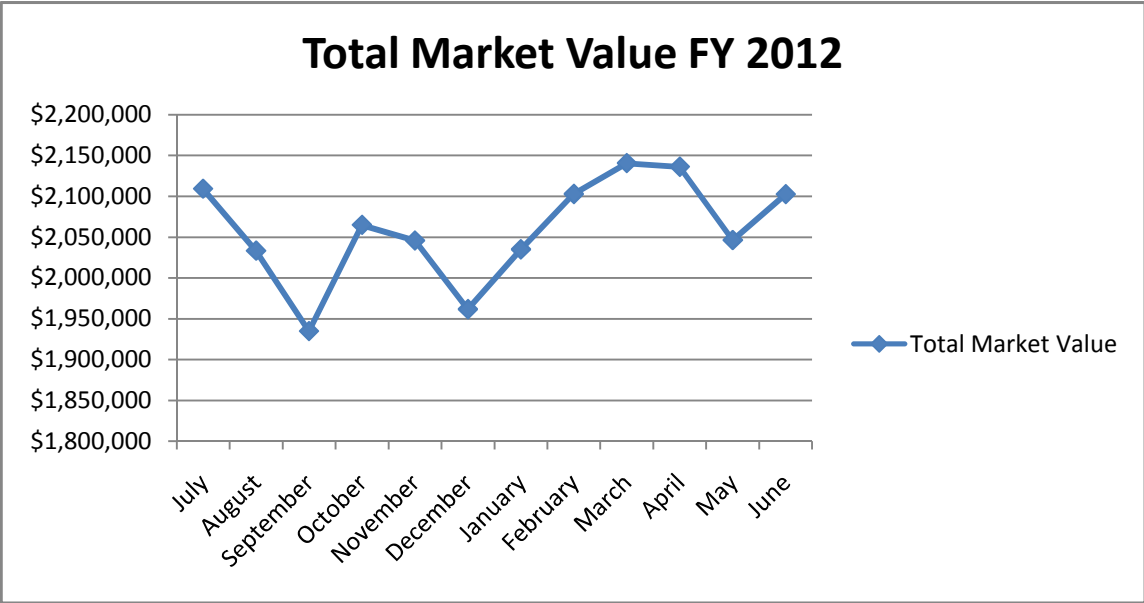
| <u>Fund Name</u>                               | <u>6/30/2012 Market Value</u> | <u>6/30/2011 Market Value</u> |
|------------------------------------------------|-------------------------------|-------------------------------|
| Abraham Touro Fund<br>(Fidelity Balanced Fund) | \$ 2,102,486                  | \$ 2,113,653                  |
| Total Special Funds                            | \$ 2,102,486                  | \$ 2,113,653                  |

**Source:** Bank Account Statement for Period Ending June 30, 2012 and June 30, 2011, respectively.

**ABRAHAM TOURO FUND  
INVESTMENT SUMMARY  
Fiscal Year 2012**

| Month End | Year | Total Market Value |
|-----------|------|--------------------|
| July      | 2011 | \$2,109,125        |
| August    | 2011 | \$2,033,158        |
| September | 2011 | \$1,934,689        |
| October   | 2011 | \$2,064,776        |
| November  | 2011 | \$2,045,658        |
| December  | 2011 | \$1,961,447        |
| January   | 2012 | \$2,034,772        |
| February  | 2012 | \$2,102,706        |
| March     | 2012 | \$2,140,447        |
| April     | 2012 | \$2,136,048        |
| May       | 2012 | \$2,046,188        |
| June      | 2012 | \$2,102,486        |

**\*2012 FY Net Change      -\$6,639**



\*Includes withdrawals and contributions- annual withdrawal in December 2011 was \$94,815.

## **ACCOUNTS RECEIVABLE**

State of Rhode Island  
Office of the General Treasurer  
Municipal Pension Contribution Delinquency  
as of July 15, 2012, 2011, 2010, 2009, 2008, 2007, 2006

|                             | July, 2012<br>Total Arrears | July, 2011<br>Total Arrears | July, 2010<br>Total Arrears | July, 2009<br>Total Arrears | July, 2008<br>Total Arrears | July, 2007<br>Total Arrears | July, 2006<br>Total Arrears |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>Teachers</b>             |                             |                             |                             |                             |                             |                             |                             |
| Barrington                  |                             |                             |                             |                             |                             |                             |                             |
| Burrillville                |                             |                             |                             |                             |                             |                             |                             |
| Central Falls               | \$ 14,539.81                |                             |                             |                             |                             |                             |                             |
| Chariho Regional            |                             |                             |                             |                             |                             |                             |                             |
| Coventry                    |                             |                             |                             |                             |                             |                             |                             |
| East Greenwich              | \$ 112,452.23               |                             |                             |                             |                             |                             |                             |
| East Providence             |                             |                             |                             |                             |                             |                             |                             |
| Foster                      |                             |                             |                             |                             |                             |                             |                             |
| Gloucester                  |                             |                             | \$ 69,892.37                |                             |                             |                             |                             |
| Jamestown                   |                             |                             |                             |                             |                             |                             |                             |
| Johnston                    | \$ 13,222.62                |                             |                             |                             |                             |                             |                             |
| Lincoln                     |                             |                             | \$ 741,037.75               | \$ 299,312.44               |                             |                             |                             |
| Little Compton              |                             |                             |                             |                             |                             |                             |                             |
| Newport                     | \$ 13,110.92                |                             |                             |                             |                             |                             |                             |
| N Providence                |                             |                             |                             |                             |                             |                             |                             |
| N Smithfield                |                             |                             |                             |                             |                             |                             |                             |
| N Kingston                  | \$ 907,465.14               |                             |                             |                             |                             |                             |                             |
| Providence (long term subs) | \$ 4,717,669.24             |                             |                             | \$ 343,986.65               |                             | \$ 66,371.54                | \$ 259,018.46               |
| Smithfield                  |                             |                             |                             |                             |                             |                             |                             |
| South Kingstown             |                             |                             |                             |                             |                             |                             |                             |
| Southern RI Collaborative   |                             |                             |                             |                             |                             |                             |                             |
| Tiverton                    |                             |                             |                             | \$ 151,754.00               |                             |                             |                             |
| Trinity Academy             | \$ 17,181.37                |                             |                             |                             |                             |                             |                             |
| Urban Collaborative         | \$ 28,299.56                |                             |                             |                             |                             |                             |                             |
| West Bay Collaborative      |                             |                             |                             |                             |                             |                             |                             |
| Westerly                    |                             |                             |                             |                             |                             |                             |                             |
| Woonsocket                  |                             |                             | \$ 1,446,130.59             |                             |                             |                             |                             |
| <b>Subtotal</b>             | <b>\$ 5,823,940.89</b>      | <b>\$ -</b>                 | <b>\$ 2,257,060.71</b>      | <b>\$ 795,053.09</b>        | <b>\$ -</b>                 | <b>\$ 66,371.54</b>         | <b>\$ 259,018.46</b>        |

Source Data: ERSRI Delinquency Statistics.

## DEBT SERVICE

State of Rhode Island - Office of the General Treasurer  
Debt Service Inventory by Maturity Date as of 6/30/12

| Amount of Original Issue | Description of Issue                                       | Year | Series             | Maturity Date | Principal Paid in FY 12          | Interest Paid in FY 12 | Principal Outstanding 6/30/2012 | Interest Outstanding 6/30/2012 |                         |
|--------------------------|------------------------------------------------------------|------|--------------------|---------------|----------------------------------|------------------------|---------------------------------|--------------------------------|-------------------------|
| 55,990,000.00            | G.O. CCDL of 2001, Refunding Series A                      | 2001 | Refunding Series A | 8/25/2011     | 15,510,000.00                    | 1,081,775.00           | 0.00                            | 0.00                           |                         |
| 6,950,000.00             | LPC, State Vehicles Project - 2005 Series C                | 2005 | C                  | 4/1/2012      | 795,000.00                       | 27,825.00              | 0.00                            | 0.00                           |                         |
| 200,000,000.00           | G.O. Tax Anticipation Notes - Fiscal Year 2012             | 2012 | TAN's              | 6/29/2012     | 200,000,000.00                   | 2,688,888.89           | 0.00                            | 0.00                           |                         |
| 77,140,000.00            | G.O. CCDL of 2002, Series B                                | 2002 | B                  | 11/1/2012     | 3,360,000.00                     | 259,000.00             | 2,070,000.00                    | 51,750.00                      |                         |
| 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                       | 22,477.50              | 270,000.00                      | 5,670.00                       |                         |
| 6,000,000.00             | LPC, State Vehicles Project - 2006 Series A                | 2006 | A                  | 4/15/2013     | 465,000.00                       | 57,222.00              | 490,000.00                      | 19,404.00                      |                         |
| 62,765,000.00            | G.O. CCDL of 2002, Refunding Series C                      | 2002 | Refunding Series C | 11/1/2013     | 6,445,000.00                     | 897,881.25             | 13,880,000.00                   | 737,887.50                     |                         |
| 9,100,000.00             | LPC, State Vehicles Project - 2007 Series C                | 2007 | C                  | 5/1/2014      | 405,000.00                       | 81,000.00              | 810,000.00                      | 48,600.00                      |                         |
| 46,570,000.00            | G.O. CCDL of 2008, Refunding Series A                      | 2008 | Refunding Series A | 7/15/2014     | 4,745,000.00                     | 910,125.00             | 15,830,000.00                   | 1,215,000.00                   |                         |
| 8,360,000.00             | G.O. CCDL of 2005, Refunding Series B                      | 2005 | Refunding Series B | 8/1/2014      | 1,145,000.00                     | 176,056.26             | 3,710,000.00                    | 236,746.89                     |                         |
| 65,830,000.00            | G.O. CCDL of 2004, Refunding Series B                      | 2004 | Refunding Series B | 8/1/2015      | 7,535,000.00                     | 2,298,987.50           | 42,225,000.00                   | 2,912,625.00                   |                         |
| 23,780,000.00            | G.O. CCDL of 2011, Refunding Series B                      | 2011 | Refunding Series B | 8/1/2015      | 0.00                             | 409,440.69             | 23,780,000.00                   | 2,206,825.00                   |                         |
| 2,230,000.00             | LPC, Attorney General's Building - 2007 Refunding Series G | 2007 | Refunding Series G | 10/1/2015     | 305,000.00                       | 85,902.50              | 1,145,000.00                    | 74,582.50                      |                         |
| 79,770,000.00            | G.O. CCDL of 2004, Series A                                | 2004 | A                  | 2/1/2016      | 3,650,000.00                     | 2,614,825.00           | 7,350,000.00                    | 717,575.00                     |                         |
| 87,095,000.00            | G.O. CCDL of 2005, Series C                                | 2005 | C                  | 2/15/2016     | 3,820,000.00                     | 3,297,675.00           | 12,620,000.00                   | 1,740,750.00                   |                         |
| 12,380,000.00            | LPC, Information Technology Project - 2009 Series A        | 2009 | A                  | 4/1/2016      | 1,700,000.00                     | 566,050.00             | 7,320,000.00                    | 695,100.00                     |                         |
| 13,375,000.00            | LPC, Howard Center Improvements - 2007 Refunding Series E  | 2007 | Refunding Series E | 10/1/2016     | 1,580,000.00                     | 827,750.00             | 8,115,000.00                    | 898,312.50                     |                         |
| 21,420,000.00            | LPC, Shepard's Building - 2007 Refunding Series F          | 2007 | Refunding Series F | 10/1/2016     | 2,160,000.00                     | 1,360,000.00           | 13,060,000.00                   | 1,713,250.00                   |                         |
| 23,490,000.00            | LPC, Information Technology Project - 2007 Series A        | 2007 | A                  | 5/1/2017      | 2,895,000.00                     | 1,188,925.00           | 9,475,000.00                    | 1,367,062.50                   |                         |
| 8,500,000.00             | G.O. CDL of 2007, Series B (Federally Taxable)             | 2007 | B                  | 8/1/2017      | 765,000.00                       | 321,467.50             | 5,695,000.00                    | 976,076.25                     |                         |
| 8,500,000.00             | G.O. CDL of 2008, Series C (Federally Taxable)             | 2008 | C                  | 2/1/2018      | 805,000.00                       | 420,771.25             | 6,225,000.00                    | 1,396,353.00                   |                         |
| 12,445,000.00            | G.O. CCDL of 2008, Refunding Series D                      | 2008 | Refunding Series D | 2/1/2018      | 1,405,000.00                     | 477,525.00             | 9,690,000.00                    | 1,613,500.00                   |                         |
| 56,315,000.00            | G.O. CCDL of 2005, Refunding Series D                      | 2005 | Refunding Series D | 7/15/2018     | 2,975,000.00                     | 2,026,962.50           | 41,060,000.00                   | 6,322,175.00                   |                         |
| 52,335,000.00            | G.O. CCDL of 2005, Refunding Series A                      | 2005 | Refunding Series A | 8/1/2018      | 60,000.00                        | 2,542,123.76           | 51,290,000.00                   | 11,872,394.44                  |                         |
| 23,800,000.00            | G.O. CDL of 2010, Series D (Federally Taxable)             | 2010 | D                  | 4/1/2020      | 2,250,000.00                     | 741,290.10             | 19,205,000.00                   | 3,506,985.84                   |                         |
| 78,960,000.00            | G.O. CCDL of 2010, Refunding Series A                      | 2010 | Refunding Series A | 10/1/2020     | 1,650,000.00                     | 3,402,100.00           | 77,310,000.00                   | 14,397,562.50                  |                         |
| 22,160,000.00            | LPC, Central Power Plant - 2007 Refunding Series D         | 2007 | Refunding Series D | 10/1/2020     | 1,485,000.00                     | 1,495,087.50           | 16,735,000.00                   | 3,542,406.25                   |                         |
| 11,805,000.00            | LPC, Energy Conservation Project - 2009 Series B           | 2009 | B                  | 4/1/2021      | 750,000.00                       | 890,075.00             | 10,115,000.00                   | 2,563,387.50                   |                         |
| 74,835,000.00            | G.O. CCDL of 2006, Refunding Series A                      | 2006 | Refunding Series A | 8/1/2022      | 155,000.00                       | 3,250,612.50           | 68,440,000.00                   | 20,168,518.77                  |                         |
| 12,735,000.00            | LPC, Energy Conservation Project - 2007 Series B           | 2007 | B                  | 5/1/2023      | 750,000.00                       | 903,762.52             | 10,005,000.00                   | 2,611,756.34                   |                         |
| 58,910,000.00            | LPC, Kent County Courthouse Project - 2004 Series A        | 2004 | A                  | 10/1/2023     | 2,605,000.00                     | 3,982,541.25           | 42,110,000.00                   | 13,314,390.00                  |                         |
| 51,985,000.00            | LPC, Training School Project - 2005 Series A               | 2005 | A                  | 10/1/2024     | 2,160,000.00                     | 4,060,400.00           | 40,290,000.00                   | 14,487,600.00                  |                         |
| 21,565,000.00            | LPC, Traffic Tribunal Project - 2005 Series B              | 2005 | B                  | 10/1/2024     | 930,000.00                       | 1,473,341.27           | 16,380,000.00                   | 5,413,649.46                   |                         |
| 93,385,000.00            | G.O. CCDL of 2005, Series E                                | 2005 | E                  | 11/1/2025     | 3,570,000.00                     | 3,529,271.26           | 45,915,000.00                   | 16,760,515.75                  |                         |
| 98,105,000.00            | G.O. CCDL of 2006, Series C                                | 2006 | C                  | 11/15/2025    | 3,905,000.00                     | 3,875,566.25           | 80,360,000.00                   | 29,607,605.00                  |                         |
| 31,980,000.00            | LPC, Energy Conservation Project - 2011 Series A           | 2011 | A                  | 4/1/2026      | 1,910,000.00                     | 1,396,507.50           | 30,070,000.00                   | 6,236,800.00                   |                         |
| 20,680,000.00            | G.O. CDL of 2006, Series B                                 | 2006 | B                  | 8/1/2026      | 800,000.00                       | 757,428.76             | 16,980,000.00                   | 6,379,430.70                   |                         |
| 123,255,000.00           | G.O. CCDL of 2007, Series A                                | 2007 | A                  | 8/1/2027      | 4,210,000.00                     | 5,227,177.50           | 104,220,000.00                  | 46,451,673.75                  |                         |
| 122,950,000.00           | G.O. CCDL of 2012, Refunding Series A                      | 2012 | Refunding Series A | 8/1/2027      | 0.00                             | 0.00                   | 122,950,000.00                  | 47,314,259.87                  |                         |
| 86,875,000.00            | G.O. CCDL of 2008, Series B                                | 2008 | B                  | 2/1/2028      | 3,125,000.00                     | 4,085,025.00           | 76,815,000.00                   | 39,271,000.00                  |                         |
| 30,425,000.00            | LPC, School for the Deaf Project - 2009 Series C           | 2009 | C                  | 4/1/2029      | 1,060,000.00                     | 2,810,300.00           | 27,410,000.00                   | 14,774,587.52                  |                         |
| 40,865,000.00            | G.O. CCDL of 2010, Series B (Tax Exempt)                   | 2010 | B                  | 4/1/2030      | 1,345,000.00                     | 1,800,700.00           | 37,930,000.00                   | 19,263,900.00                  |                         |
| 80,000,000.00            | G.O. CDL of 2010, Series C                                 | 2010 | C                  | 4/1/2030      | 0.00                             | 4,479,957.00           | 80,000,000.00                   | 62,776,733.62                  |                         |
| 145,035,000.00           | G.O. CCDL of 2011, Series A                                | 2011 | A                  | 8/1/2031      | 0.00                             | 3,048,024.13           | 145,035,000.00                  | 90,092,968.75                  |                         |
|                          |                                                            |      |                    |               | Subtotal from the DBC system.    | 295,455,000.00         | 75,849,824.14                   | 1,344,385,000.00               | 495,757,371.20          |
|                          |                                                            |      |                    |               | Total outstanding debt @ 6/30/12 |                        |                                 |                                | <u>1,344,385,000.00</u> |
|                          |                                                            |      |                    |               |                                  |                        |                                 |                                | <u>1,840,142,371.20</u> |

State of Rhode Island  
Office of the General Treasurer  
Debt Service System Inventory of Matured or Retired Issues - Fiscal Year 2012

| File # | Amount of Original Issue | Description of Issue                                                              | Paying Agent     | Year | Series             | Type    | Bond Use | Specific Use            | Maturity or Retirement Date |
|--------|--------------------------|-----------------------------------------------------------------------------------|------------------|------|--------------------|---------|----------|-------------------------|-----------------------------|
| 89     | 55,990,000.00            | G. O. CCDL of 2001, Refunding Series A                                            | U.S. Bank        | 2001 | Refunding Series A | CCDL    | Direct   | General Obligation      | 8/25/2011                   |
| 116    | 6,950,000.00             | LPC, State Vehicles Project - 2005 Series C                                       | Bank of New York | 2005 | C                  | LPC     | State    | Lease Part. Certificate | 4/1/2012                    |
| 97     | 12,550,000.00            | Loan from Fleet National Bank to R.I.H.M.F.C. to Fund Housing Resource Program    | Bank of New York | 2002 | Loan               | Housing |          |                         | 5/15/2012                   |
| 129    | 7,500,000.00             | Loan from Bank of America to R.I.H.M.F.C. to Fund Neighborhood Opportunities Prog | Bank of New York | 2007 | Loan               | Housing |          |                         | 5/15/2012                   |
| 152    | 200,000,000.00           | G. O. Tax Anticipation Notes - Fiscal Year 2012                                   | U.S. Bank        | 2012 | TAN's              | TAN's   | Direct   | Tax Anticipation Notes  | 6/29/2012                   |
|        |                          |                                                                                   |                  |      |                    |         |          |                         |                             |
|        |                          |                                                                                   |                  |      |                    |         |          |                         |                             |
|        |                          |                                                                                   |                  |      |                    |         |          |                         |                             |

State of Rhode Island  
Office of the General Treasurer  
FY 2012 Annual Report

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

| Fiscal Year | Principal            | Interest             | Total Gross Debt Service | Less: Offsetting & Self-supporting | Excess Two Cents of Gas Tax Held by Trustee(2) | Net Debt Service Payable |
|-------------|----------------------|----------------------|--------------------------|------------------------------------|------------------------------------------------|--------------------------|
| 2011        | 126,649,477          | 92,713,289           | 219,362,766              | (4,462,035)                        | 1,454,131                                      | 216,354,863              |
| 2012        | 132,232,765          | 96,741,244           | 228,974,009              | (6,793,044)                        | 1,454,831                                      | 223,635,796              |
| 2013        | 165,993,347          | 102,828,769          | 268,822,116              | (5,946,556)                        | 1,464,541                                      | 264,340,100              |
| 2014        | 153,689,956          | 103,872,391          | 257,562,347              | (5,143,055)                        | 1,470,103                                      | 253,889,395              |
| 2015        | 173,231,652          | 102,218,899          | 275,450,551              | (4,725,712)                        | 1,431,778                                      | 272,156,617              |
| 2016        | 172,032,231          | 97,540,656           | 269,572,887              | (4,729,114)                        | 1,414,681                                      | 266,258,453              |
| 2017        | 183,556,318          | 97,590,730           | 281,147,048              | (4,727,734)                        | 1,768,309                                      | 278,187,623              |
| 2018        | 172,270,023          | 91,539,217           | 263,809,240              | (4,721,570)                        | 1,775,588                                      | 260,863,257              |
| 2019        | 154,380,306          | 85,649,862           | 240,030,168              | (4,725,625)                        | 1,779,194                                      | 237,083,736              |
| 2020        | 155,244,038          | 81,054,991           | 236,299,030              | (4,723,824)                        | 1,786,600                                      | 233,361,805              |
| 2021        | 163,612,177          | 76,207,797           | 239,819,973              | (3,431,230)                        | 1,792,075                                      | 238,180,818              |
| 2022        | 146,203,206          | 71,280,108           | 217,483,314              | (3,432,092)                        | 1,805,899                                      | 215,857,120              |
| 2023        | 148,846,262          | 66,872,833           | 215,719,095              | (3,429,339)                        | 1,803,943                                      | 214,093,698              |
| 2024        | 134,525,414          | 62,498,582           | 197,023,997              | (3,431,162)                        | 1,806,218                                      | 195,399,052              |
| 2025        | 130,072,928          | 58,719,496           | 188,792,424              | (3,433,387)                        | 2,281,818                                      | 187,640,854              |
| 2026        | 132,332,489          | 55,189,718           | 87,522,206               | (6,322,824)                        | 5,174,431                                      | 186,373,813              |
| 2027        | 119,489,894          | 51,645,572           | 171,135,466              | (4,050,406)                        | 30,910,832                                     | 197,995,892              |
| 2028        | 104,646,093          | 48,422,116           | 153,068,209              | -                                  | -                                              | 153,068,209              |
|             | <b>2,669,008,576</b> | <b>1,442,586,270</b> | <b>4,011,594,846</b>     | <b>(78,228,709)</b>                | <b>61,374,972</b>                              | <b>4,094,741,101</b>     |

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

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

**Source Data:** Page C-36 of Appendix C of the 2014 Capital Budget



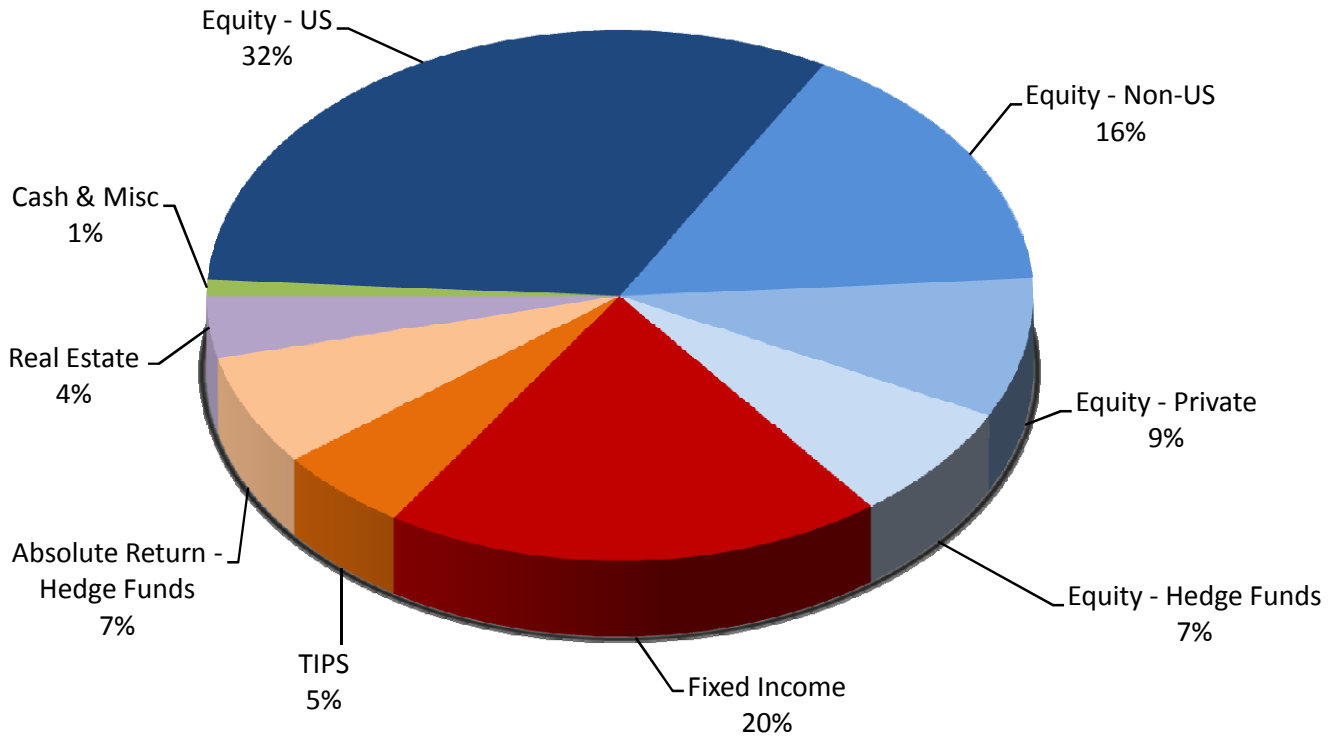
## **RI EMPLOYEES RETIREMENT SYSTEM**

**STATE OF RHODE ISLAND  
ASSET ALLOCATION REPORT  
June 30, 2012**

|                                      | Style<br>Mandate   | Actual<br>(Millions \$) |               |
|--------------------------------------|--------------------|-------------------------|---------------|
| <b>Cash &amp; Misc</b>               |                    |                         |               |
| CASH EQUIVALENTS                     | STIF, Yield+       | 26.02                   | 0.36%         |
| RUSSELL IMPLEMENTATION SERVICES      | Other              | 45.09                   | 0.62%         |
| <b>TOTAL</b>                         |                    | <b>71.11</b>            | <b>0.98%</b>  |
| <b>Equity - US</b>                   |                    |                         |               |
| SSGA S&P 500 INDEX FUND              | Passive            | 1,632.18                | 22.56%        |
| WELLINGTON TECHNICAL EQUITY          | Tactical Equity    | 146.06                  | 2.02%         |
| RUSSELL 2000 INDEX FUND              | Passive            | 554.36                  | 7.66%         |
| <b>TOTAL</b>                         |                    | <b>2,332.60</b>         | <b>32.23%</b> |
| <b>Equity - Non-US</b>               |                    |                         |               |
| MSCI ACWI EX US INDEX FUND           | Passive            | 1,137.59                | 15.72%        |
| <b>TOTAL</b>                         |                    | <b>1,137.59</b>         | <b>15.72%</b> |
| <b>Equity - Private</b>              |                    |                         |               |
| PRIVATE EQUITY                       | Private Equity     | 615.62                  | 8.51%         |
| <b>TOTAL</b>                         |                    | <b>615.62</b>           | <b>8.51%</b>  |
| <b>Equity - Hedge Funds</b>          |                    |                         |               |
| ALTERNATIVE EQUITY                   | Hedge Fund         | 517.53                  | 7.15%         |
| <b>TOTAL</b>                         |                    | <b>517.53</b>           | <b>7.15%</b>  |
| <b>Fixed Income</b>                  |                    |                         |               |
| BROWN BROTHERS HARRIMAN - CORE       | Opportunistic Core | 403.05                  | 5.57%         |
| PYRAMIS GLOBAL ADVISORS              | Mortgages          | 412.79                  | 5.70%         |
| MACKAY SHIELDS, LLC                  | High Yield         | 194.26                  | 2.68%         |
| TAPLIN, CANIDA & HABACHT             | Corporates         | 407.81                  | 5.64%         |
| <b>TOTAL</b>                         |                    | <b>1,417.91</b>         | <b>19.59%</b> |
| <b>TIPS</b>                          |                    |                         |               |
| BROWN BROTHERS HARRIMAN - TIPS       | TIPS               | 377.75                  | 5.22%         |
| <b>TOTAL</b>                         |                    | <b>377.75</b>           | <b>5.22%</b>  |
| <b>Absolute Return - Hedge Funds</b> |                    |                         |               |
| ALTERNATIVE FIXED INCOME             | Hedge Fund         | 138.88                  | 1.92%         |
| ALTERNATIVE ABSOLUTE RETURN          | Hedge Fund         | 354.30                  | 4.90%         |
| <b>TOTAL</b>                         |                    | <b>493.18</b>           | <b>6.82%</b>  |
| <b>Real Estate</b>                   |                    |                         |               |
| REAL ESTATE                          | Real Estate        | 273.00                  | 3.77%         |
| <b>TOTAL</b>                         |                    | <b>273.00</b>           | <b>3.77%</b>  |
| <b>TOTAL ASSETS</b>                  |                    | <b>7,236.29</b>         | <b>100%</b>   |

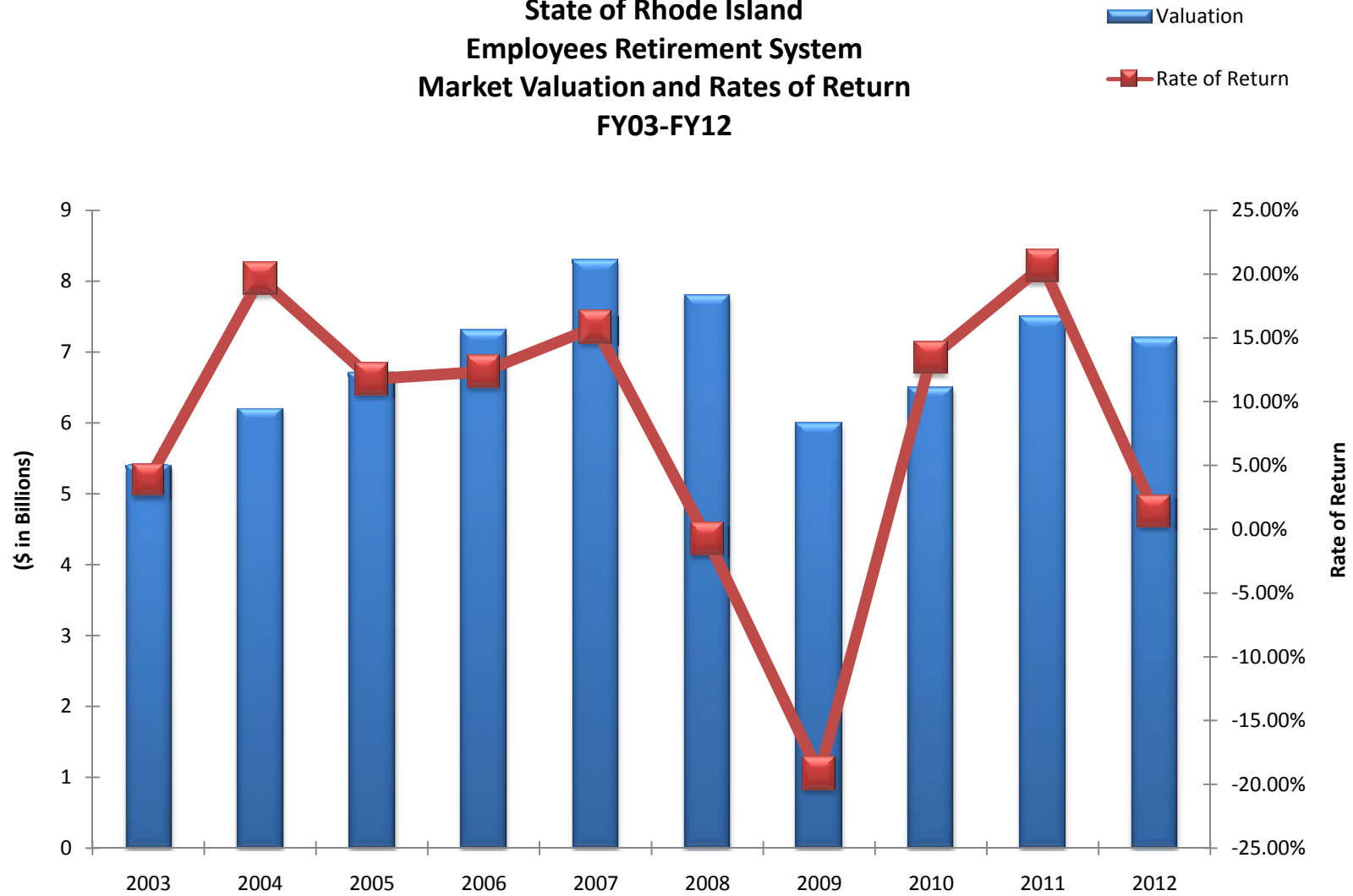
**STATE OF RHODE ISLAND  
OFFICE OF THE GENERAL TREASURER**

**ERSRI Asset Allocation at 06/30/2012**



| ASSET CLASS                   | ASSET VALUE AT 6/30/12 |                      |
|-------------------------------|------------------------|----------------------|
| Cash & Misc                   | \$                     | 71,109,334           |
| Equity - US                   | \$                     | 2,332,603,542        |
| Equity - Non-US               | \$                     | 1,137,590,054        |
| Equity - Private              | \$                     | 615,642,823          |
| Equity - Hedge Funds          | \$                     | 517,525,450          |
| Fixed Income                  | \$                     | 1,417,925,399        |
| TIPS                          | \$                     | 377,750,965          |
| Absolute Return - Hedge Funds | \$                     | 493,186,920          |
| Real Estate                   | \$                     | 273,004,246          |
| <b>TOTAL</b>                  | <b>\$</b>              | <b>7,236,338,733</b> |

**State of Rhode Island  
Employees Retirement System  
Market Valuation and Rates of Return  
FY03-FY12**



Employees' Retirement System of Rhode Island Investment Expense Analysis

**FY 2012**

in \$000's

| Asset Class / Type              | Management Fees | Indirect Management | Subtotal Management | Indirect Performance | Total Investment Expense | Expense Ratio |
|---------------------------------|-----------------|---------------------|---------------------|----------------------|--------------------------|---------------|
| Global Equity Indexes           | \$2,053         |                     | <b>\$2,053</b>      |                      | <b>\$2,053</b>           | 0.03%         |
| Equity Hedge Funds              |                 | 4,542               | <b>4,542</b>        | 3,342                | <b>7,885</b>             | 0.11%         |
| Private Equity                  | 3,791           | 3,941               | <b>7,732</b>        | 9,782                | <b>17,514</b>            | 0.24%         |
| Subtotal Equity/Growth          | 5,844           | 8,483               | <b>14,327</b>       | 13,124               | <b>27,451</b>            | 0.37%         |
| Subtotal Fixed Income           | 2,966           |                     | <b>2,966</b>        |                      | <b>2,966</b>             | 0.04%         |
| Real Estate                     | 1,349           | 1,903               | <b>3,252</b>        | 178                  | <b>3,429</b>             | 0.05%         |
| Subtotal Real Assets            | 1,349           | 1,903               | <b>3,252</b>        | 178                  | <b>3,429</b>             | 0.05%         |
| Inflation Linked Bonds          | 447             |                     | <b>447</b>          |                      | <b>447</b>               | 0.01%         |
| Absolute Return Hedge Funds     |                 | 5,558               | <b>5,558</b>        | 2,542                | <b>8,100</b>             | 0.11%         |
| Subtotal Real Return            | 447             | 5,558               | <b>6,005</b>        | 2,542                | <b>8,546</b>             | 0.12%         |
| Beta Overlay                    | 232             |                     | <b>232</b>          |                      | <b>232</b>               | 0.00%         |
| Cash                            |                 | 703                 | <b>703</b>          |                      | <b>703</b>               | 0.01%         |
| Subtotal Other Managers         | 232             | 703                 | <b>935</b>          |                      | <b>935</b>               | 0.01%         |
| <b>Subtotal Manager Expense</b> | <b>\$10,837</b> | <b>\$16,646</b>     | <b>\$27,484</b>     | <b>\$15,844</b>      | <b>\$43,327</b>          | <b>0.59%</b>  |
| Expense Ratio                   | 0.15%           | 0.23%               | 0.37%               | 0.21%                | 0.59%                    |               |
| Consulting                      | \$730           |                     | <b>\$730</b>        |                      | <b>\$730</b>             | 0.01%         |
| Custody                         | 747             |                     | <b>747</b>          |                      | <b>747</b>               | 0.01%         |
| Legal                           | 116             |                     | <b>116</b>          |                      | <b>116</b>               | 0.00%         |
| Research                        | 76              |                     | <b>76</b>           |                      | <b>76</b>                | 0.00%         |
| Personnel / Operating           | 974             |                     | <b>974</b>          |                      | <b>974</b>               | 0.01%         |
| <b>Subtotal Other Expenses</b>  | <b>\$2,643</b>  |                     | <b>\$2,643</b>      |                      | <b>\$2,643</b>           | <b>0.04%</b>  |
| <b>Total Investment Expense</b> | <b>\$13,480</b> | <b>\$16,646</b>     | <b>\$30,127</b>     | <b>\$15,844</b>      | <b>\$45,970</b>          | <b>0.62%</b>  |
| Expense Ratio                   | 0.18%           | 0.23%               | 0.41%               | 0.21%                | 0.62%                    |               |

**Note:** Direct billed management expenses and those investment costs readily separable from investment income are disclosed as part of the System's audited financial statements and included in the System's annual report each year. Investment expense reporting for the System conforms with relevant GASB accounting standards (Specifically Statement No. 25, note 12).

**Disclaimer:** The additional disclosure of indirect management and indirect performance fees included in this document exceeds GASB reporting requirements and is not common practice for public pension plans. As such, care should be taken when comparing these expenses relative to expense data included in the financial statements of other plans. Because indirect expenses are not readily segregable from net investment income, the expenses disclosed here are based on unaudited numbers and provided on a best-efforts basis, intended to be used for illustrative purposes only.

Employees' Retirement System of Rhode Island Investment Expense Analysis

**FY 2012 Hedge Fund Managers**

| Partnership                                  | Date of Initial Investment | Initial Commitment | Fee Terms  |             | Fees Paid*          |                      | Total Investment Expense |
|----------------------------------------------|----------------------------|--------------------|------------|-------------|---------------------|----------------------|--------------------------|
|                                              |                            |                    | Management | Performance | Indirect Management | Indirect Performance |                          |
| <b>Global Equity Funds</b>                   |                            |                    |            |             |                     |                      |                          |
| Ascend Partners Fund II                      | Nov-11                     | \$60,000           | 1.5%       | 20.0%       | \$602               | \$274                | \$876                    |
| Davidson Kempner Institutional Partners LP   | Nov-11                     | 60,000             | 1.5%       | 20.0%       | 578                 | 531                  | 1,108                    |
| Elliott Associates LP                        | Nov-11                     | 60,000             | 1.5%       | 20.0%       | 619                 | 695                  | 1,314                    |
| Indus Asia Pacific Fund LP                   | Jan-12                     | 40,000             | 1.5%       | 20.0%       | 311                 | 34                   | 344                      |
| Mason Capital Ltd                            | Jan-12                     | 60,000             | 1.5%       | 20.0%       | 456                 |                      | 456                      |
| PFM Diversified Offshore Fund LP             | Mar-12                     | 30,000             | 1.5%       | 17.5%       | 149                 |                      | 149                      |
| PFM Diversified Offshore Fund AI Ltd         | Mar-12                     | 30,000             | 1.5%       | 17.5%       | 149                 |                      | 149                      |
| Samlyn LP                                    | Jan-12                     | 60,000             | 2.0%       | 20.0%       | 620                 | 362                  | 982                      |
| Third Point Qualified LP                     | Jan-12                     | 50,000             | 2.0%       | 20.0%       | 514                 | 416                  | 930                      |
| Viking Global Equities LP                    | Dec-11                     | 60,000             | 1.5%       | 20.0%       | 545                 | 1,031                | 1,576                    |
| <b>Subtotal</b>                              |                            | <b>\$510,000</b>   |            |             | <b>\$4,542</b>      | <b>\$3,342</b>       | <b>\$7,885</b>           |
| <b>Absolute Return Funds</b>                 |                            |                    |            |             |                     |                      |                          |
| BlueCrest Capital LP                         | Jan-12                     | \$20,000           | 2.0%       | 20.0%       | \$205               | \$118                | \$323                    |
| Brevan Howard LP                             | Nov-11                     | 75,000             | 2.0%       | 25.0%       | 1,078               |                      | 1,078                    |
| Brigade Leveraged Capital Structures Fund LP | Mar-12                     | 50,000             | 1.5%       | 20.0%       | 247                 | 184                  | 431                      |
| Capula Global Relative Value Fund Ltd        | Dec-11                     | 50,000             | 2.0%       | 20.0%       | 579                 |                      | 579                      |
| DE Shaw Composite International Fund         | Nov-11                     | 50,000             | 2.5%       | 25.0%       | 860                 | 951                  | 1,810                    |
| Gracie Credit Opportunities Fund LP          | Dec-11                     | 40,000             | 2.0%       | 20.0%       | 461                 |                      | 461                      |
| Graham Discretionary 6V Fund                 | Jan-12                     | 50,000             | 2.0%       | 20.0%       | 506                 | 275                  | 781                      |
| OZ Domestic Fund II LP                       | Nov-11                     | 75,000             | 2.0%       | 20.0%       | 1,017               | 883                  | 1,900                    |
| Wexford Spectrum Fund LP                     | Jan-12                     | 50,000             | 1.5%       | 20.0%       | 429                 | 33                   | 462                      |
| Winton Futures Fund Ltd                      | Dec-11                     | 30,000             | 1.0%       | 20.0%       | 176                 | 98                   | 274                      |
| <b>Subtotal</b>                              |                            | <b>\$490,000</b>   |            |             | <b>\$5,558</b>      | <b>\$2,542</b>       | <b>\$8,100</b>           |
| <b>Total</b>                                 |                            | <b>\$1,000,000</b> |            |             | <b>\$10,100</b>     | <b>\$5,884</b>       | <b>\$15,984</b>          |

\* **Note:** "Fees Paid" column details actual fees incurred, inception through 6/30/2012. Since funds were added to the portfolio at different times throughout the fiscal year, line items represent different time frames and are not strictly comparable.

**Disclaimer:** The additional disclosure of indirect management and indirect performance fees included in this document exceeds GASB reporting requirements and is not common practice for public pension plans. As such, care should be taken when comparing these expenses relative to expense data included in the financial statements of other plans. Because indirect expenses are not readily segregable from net investment income, the expenses disclosed here are based on unaudited numbers and provided on a best-efforts basis, intended to be used for illustrative purposes only.

State of Rhode Island  
Office of the General Treasurer  
Private Equity  
FY 2012

| Limited Partnership                           | First Funding Date | Investment Type | Commitment | Unfunded Commitment | Total Contribution | Total Distributions | Market Value at 6/30/2012 | IRR     |
|-----------------------------------------------|--------------------|-----------------|------------|---------------------|--------------------|---------------------|---------------------------|---------|
| Advent International GPE VII, L.P. (USD)      | 06/29/12           | Buyout          | 20,000,000 | -                   | -                  | -                   | -                         | -       |
| Alta BioPharma Partners III                   | 11/19/03           | Venture Capital | 15,000,000 | 750,000             | 14,250,000         | 5,595,039           | 8,043,293                 | (0.86)  |
| Alta Partners VIII                            | 04/27/06           | Venture Capital | 15,000,000 | 3,750,000           | 11,250,000         | 6,382,383           | 5,098,016                 | 0.70    |
| Aurora Equity Partners II                     | 03/23/98           | Buyout          | 15,000,000 | -                   | 16,847,386         | 17,586,030          | 5,930,415                 | 4.76    |
| Aurora Equity Partners III                    | 10/13/04           | Buyout          | 15,000,000 | 835,850             | 16,222,419         | 9,106,822           | 15,138,701                | 14.77   |
| Avenue Special Situations Fund IV             | 11/09/05           | Distressed Debt | 20,000,000 | -                   | 25,179,595         | 31,433,071          | 889,995                   | 7.93    |
| Avenue Special Situations Fund V              | 08/08/07           | Distressed Debt | 20,000,000 | -                   | 20,329,267         | 24,932,931          | 1,303,449                 | 10.45   |
| Bain Capital Fund X, L.P.                     | 10/19/07           | Buyout          | 25,000,000 | 4,937,500           | 20,062,500         | 2,228,989           | 16,607,382                | (1.38)  |
| Birch Hill Equity Partners III                | 08/26/05           | Buyout          | 15,088,014 | 1,025,963           | 18,272,962         | 12,603,957          | 12,701,646                | 10.20   |
| Braemar Energy Ventures III                   | 10/21/11           | Venture Capital | 10,000,000 | 7,685,632           | 2,321,497          | 3,415               | 1,734,249                 | (16.88) |
| Castile Ventures III                          | 11/30/06           | Venture Capital | 5,000,000  | 475,000             | 4,534,730          | 994,171             | 2,457,213                 | (7.98)  |
| Centerbridge Capital Partners, L.P.           | 06/30/06           | Distressed Debt | 15,000,000 | 1,354,015           | 22,900,508         | 19,399,009          | 15,197,347                | 20.60   |
| Centerbridge Special Credit Partners II, L.P. | 03/01/12           | Distressed Debt | 25,000,000 | 21,250,000          | 3,750,000          | -                   | 2,361,045                 | (5.56)  |
| Charterhouse Capital Partners VIII LP         | 03/10/06           | Buyout          | 17,889,088 | 2,554,865           | 17,851,699         | 1,711,611           | 15,467,661                | (2.44)  |
| Coller International Partners IV, L.P.        | 09/28/02           | Secondary       | 15,000,000 | 2,100,000           | 13,294,667         | 14,519,254          | 5,032,744                 | 14.91   |
| Coller International Partners V, L.P.         | 12/01/06           | Secondary       | 15,000,000 | 3,382,500           | 12,332,798         | 5,302,114           | 9,507,272                 | 7.25    |
| Constellation Ventures III                    | 09/26/08           | Venture Capital | 15,000,000 | 966,139             | 14,283,707         | 255,253             | 12,555,188                | (4.92)  |
| CVC European Equity Partners III              | 06/07/01           | Buyout          | 20,000,000 | 899,966             | 23,158,043         | 53,010,985          | 5,792,426                 | 41.22   |
| CVC European Equity Partners IV               | 07/29/05           | Buyout          | 20,026,702 | 2,456,171           | 21,214,754         | 22,090,515          | 12,903,315                | 16.33   |
| CVC European Equity Partners V                | 07/31/08           | Buyout          | 31,166,000 | 9,231,254           | 19,433,811         | 5,551,022           | 16,744,111                | 8.13    |
| Fenway Partners Capital Fund II               | 07/09/98           | Buyout          | 15,000,000 | 232,336             | 18,513,234         | 19,771,006          | 3,532,048                 | 6.35    |
| Fenway Partners Capital Fund III              | 10/31/07           | Buyout          | 15,000,000 | 122,722             | 16,336,910         | 7,765,753           | 6,798,731                 | (3.45)  |
| First Reserve Fund X, L.P.                    | 12/23/03           | Buyout          | 20,000,000 | 1                   | 19,999,999         | 27,427,941          | 8,240,772                 | 31.85   |
| First Reserve Fund XI, L.P.                   | 07/28/06           | Buyout          | 20,000,000 | 566,377             | 21,404,845         | 7,796,921           | 15,270,227                | 4.19    |
| Focus Ventures III                            | 03/30/06           | Venture Capital | 15,000,000 | -                   | 15,000,000         | 2,923,233           | 13,808,162                | 3.72    |
| Granite Global Ventures II                    | 11/11/04           | Venture Capital | 15,000,000 | 675,000             | 14,333,425         | 6,479,489           | 13,792,984                | 6.95    |
| Granite Global Ventures III                   | 10/05/06           | Venture Capital | 15,000,000 | 1,125,000           | 13,875,043         | 3,495,280           | 16,569,707                | 10.49   |
| Green Equity Investors V                      | 01/30/07           | Buyout          | 20,000,000 | 3,550,005           | 17,868,597         | 5,630,796           | 17,214,664                | 15.92   |
| Kayne Anderson Energy Fund III, L.P.          | 11/23/04           | Buyout          | 15,000,000 | 1,124,606           | 15,207,164         | 11,067,269          | 10,973,587                | 18.09   |
| Kayne Anderson Energy Fund IV, L.P.           | 11/17/06           | Buyout          | 15,000,000 | 2,494,385           | 13,796,521         | 6,501,561           | 13,139,735                | 16.43   |
| Leapfrog Ventures II                          | 09/16/04           | Venture Capital | 10,000,000 | 510,000             | 9,490,000          | 2,343,587           | 7,053,376                 | (0.27)  |
| Leeds Weld Equity Partners IV                 | 07/30/04           | Buyout          | 10,000,000 | 14,335              | 10,063,597         | 3,836,756           | 9,841,290                 | 6.42    |
| Lighthouse Capital Partners V                 | 04/28/03           | Venture Capital | 11,250,000 | 787,500             | 10,462,500         | 11,904,648          | 675,604                   | 4.38    |
| Lighthouse Capital Partners VI                | 02/22/07           | Venture Capital | 15,000,000 | 750,000             | 14,250,000         | 1,960,055           | 15,417,754                | 5.90    |

State of Rhode Island  
Office of the General Treasurer  
Private Equity  
FY 2012

| Limited Partnership (cont'd)                     | First Funding Date (cont'd) | Investment Type (cont'd) | Commitment (cont'd)  | Unfunded Commitment (cont'd) | Total Contribution (cont'd) | Total Distributions (cont'd) | Market Value at 6/30/2011 (cont'd) | IRR (cont'd) |
|--------------------------------------------------|-----------------------------|--------------------------|----------------------|------------------------------|-----------------------------|------------------------------|------------------------------------|--------------|
| LNK Partners                                     | 03/28/06                    | Buyout                   | 12,500,000           | 805,016                      | 11,697,236                  | 4,696,259                    | 16,205,963                         | 10.25        |
| MatlinPatterson Global Opportunities Fund        | 12/17/01                    | Distressed Debt          | 15,000,000           | (0)                          | 15,504,941                  | 26,338,476                   | 6,120                              | 15.82        |
| MHR Institutional Partners III                   | 09/07/06                    | Distressed Debt          | 20,000,000           | 6,896,878                    | 18,400,000                  | 6,652,056                    | 16,814,329                         | 6.30         |
| Nautic Partners V, L.P.                          | 03/30/01                    | Buyout                   | 20,000,000           | 651,895                      | 20,315,583                  | 31,100,375                   | 8,618,398                          | 17.13        |
| Nautic Partners VI, L.P.                         | 11/16/06                    | Buyout                   | 20,000,000           | 2,285,972                    | 20,516,534                  | 2,988,393                    | 18,912,425                         | 3.04         |
| Nordic Capital Fund III                          | 02/26/98                    | Buyout                   | 9,936,037            | (0)                          | 10,117,792                  | 36,316,553                   | 92,844                             | 31.44        |
| Nordic Capital Fund V                            | 12/23/02                    | Buyout                   | 15,016,490           | 0                            | 21,289,470                  | 41,207,151                   | 15,452,701                         | 21.61        |
| Nordic Capital Fund VI                           | 12/14/05                    | Buyout                   | 19,636,078           | 0                            | 22,282,615                  | 12,552,645                   | 17,115,919                         | 6.89         |
| Nordic Capital Fund VII                          | 06/04/08                    | Buyout                   | 23,293,500           | 4,547,006                    | 15,942,447                  | -                            | 14,056,026                         | (3.00)       |
| Oaktree European Principal Fund III (U.S.), L.P. | 10/27/11                    | Distressed Debt          | 20,000,000           | 14,000,000                   | 6,000,000                   | 10,523                       | 5,857,627                          | (3.80)       |
| OCM Opportunities Fund II, L.P.                  | 10/28/97                    | Distressed Debt          | 12,000,000           | -                            | 12,000,000                  | 18,130,039                   | 1,534                              | 8.44         |
| Paladin III                                      | 05/31/07                    | Venture Capital          | 10,000,000           | 4,761,825                    | 6,886,792                   | 2,529,783                    | 4,956,502                          | 3.50         |
| Parthenon Investors II, L.P.                     | 01/31/01                    | Buyout                   | 23,960,000           | 1,953,022                    | 23,277,381                  | 28,316,414                   | 10,419,607                         | 12.97        |
| Perseus Partners VII                             | 10/12/07                    | Buyout                   | 15,000,000           | 1,216,758                    | 16,164,670                  | 2,201,800                    | 9,508,721                          | (11.51)      |
| Point 406 Ventures I                             | 02/28/08                    | Venture Capital          | 10,000,000           | 1,700,000                    | 8,621,759                   | 625,584                      | 9,910,757                          | 7.65         |
| Point Judith Venture Fund II                     | 10/12/07                    | Venture Capital          | 5,000,000            | 573,369                      | 4,809,162                   | 382,531                      | 5,918,533                          | 10.94        |
| Providence Equity Partners III, L.P.             | 11/24/98                    | Buyout                   | 15,000,000           | 1,938,956                    | 16,497,650                  | 24,692,255                   | 536,558                            | 15.89        |
| Providence Equity Partners IV, L.P.              | 10/11/00                    | Buyout                   | 25,000,000           | 1,982,025                    | 35,944,666                  | 65,623,797                   | 2,595,548                          | 24.02        |
| Providence Equity Partners V, L.P.               | 09/09/04                    | Buyout                   | 25,000,000           | 2,160,471                    | 30,801,438                  | 23,488,818                   | 11,188,082                         | 2.85         |
| Providence Equity Partners VI, L.P.              | 01/31/07                    | Buyout                   | 25,000,000           | 3,397,147                    | 25,567,572                  | 6,945,231                    | 22,854,251                         | 5.65         |
| Providence Equity Partners VII, L.P.             | 08/02/12                    | Buyout                   | 25,000,000           | 23,500,002                   | 1,523,731                   | -                            |                                    |              |
| SKM Equity Fund II, L.P.                         | 02/13/97                    | Buyout                   | 10,000,000           | 1,735,947                    | 9,218,206                   | 4,661,037                    | 1,553,566                          | (3.71)       |
| Summit Partners Credit Fund, LP                  | 10/14/11                    | Opportunistic Credit     | 20,000,000           | 15,700,000                   | 4,335,452                   | 77,661                       | 5,415,606                          | 8.07         |
| Thomas, McNerney & Partners II, L.P.             | 07/19/06                    | Venture Capital          | 15,000,000           | 2,887,500                    | 12,112,500                  | 1,539,679                    | 10,151,581                         | (1.34)       |
| Thomas, McNerney & Partners, L.P.                | 09/30/02                    | Venture Capital          | 15,000,000           | 675,000                      | 14,325,000                  | 5,252,354                    | 6,949,859                          | (3.67)       |
| TPG Partners IV, L.P.                            | 01/21/04                    | Buyout                   | 15,000,000           | 1,092,575                    | 16,672,684                  | 18,684,375                   | 9,471,497                          | 15.14        |
| TPG Partners V, L.P.                             | 05/18/06                    | Buyout                   | 20,000,000           | 2,794,387                    | 20,482,309                  | 5,300,615                    | 12,188,846                         | (4.38)       |
| TPG Partners VI, LP                              | 05/09/08                    | Buyout                   | 10,000,000           | 4,091,029                    | 9,793,329                   | 3,749,996                    | 5,743,039                          | (1.14)       |
| Trilantic Capital Partners IV L.P.               | 05/08/07                    | Buyout                   | 11,098,351           | 922,808                      | 10,548,112                  | 4,020,914                    | 10,470,359                         | 16.41        |
| VS&A Communication Partners III                  | 11/10/98                    | Buyout                   | 15,000,000           | -                            | 15,071,595                  | 19,285,066                   | 1,372,375                          | 6.29         |
| W Capital Partners                               | 12/23/03                    | Secondary                | 15,000,000           | 880,500                      | 14,119,500                  | 9,663,174                    | 3,165,901                          | (3.25)       |
| W Capital Partners II                            | 08/29/07                    | Secondary                | 15,000,000           | 2,464,525                    | 14,028,884                  | 8,797,419                    | 11,159,601                         | 17.34        |
| Wellspring Capital Partners III                  | 11/01/02                    | Buyout                   | 20,000,000           | 21,112                       | 21,867,538                  | 44,122,506                   | 7,118,002                          | 26.30        |
| Wellspring Capital Partners IV                   | 10/19/05                    | Buyout                   | 20,000,000           | 2,282,921                    | 20,542,239                  | 4,012,060                    | 22,683,617                         | 7.68         |
| WLR Recovery Fund IV                             | 12/17/07                    | Distressed Debt          | 8,000,000            | 1,475,862                    | 6,566,712                   | 1,905,566                    | 6,150,608                          | 6.12         |
|                                                  |                             |                          | <b>1,135,860,260</b> | <b>185,001,632</b>           | <b>1,041,937,680</b>        | <b>817,481,972</b>           | <b>622,411,010</b>                 |              |



| Fund                                         | Mkt Value <sup>1</sup> | Actual %      | Returns <sup>1</sup> |               |          |          |          |          |               | Ann Std Dev  | Sharpe Ratio | Incep. Date   |
|----------------------------------------------|------------------------|---------------|----------------------|---------------|----------|----------|----------|----------|---------------|--------------|--------------|---------------|
|                                              |                        |               | Jun                  | YTD           | FYTD     | 1 Year   | 3 Year   | 5 Year   | Incep         |              |              |               |
| <b>Fixed Income</b>                          |                        |               |                      |               |          |          |          |          |               |              |              |               |
| Brigade Leveraged Capital Structures Fund LP | 50,737,353             | 36.5%         | 0.12%                | -             | -        | -        | -        | -        | 1.48%         | 1.88%        | -            | Mar-12        |
| Capula Global Relative Value Fund Ltd        | 49,469,679             | 35.6%         | -0.62%               | -0.82%        | -        | -        | -        | -        | -1.06%        | 1.92%        | -            | Dec-11        |
| Gracie Credit Opportunities Fund LP          | 38,707,220             | 27.9%         | -2.80%               | -2.17%        | -        | -        | -        | -        | -3.24%        | 4.64%        | -            | Dec-11        |
| <b>Total Fixed Income</b>                    | <b>138,914,252</b>     | <b>100.0%</b> | <b>-0.97%</b>        | <b>-0.58%</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>-1.20%</b> | <b>1.88%</b> | <b>-</b>     | <b>Dec-11</b> |
| Barclays Aggregate Bond Index                |                        |               | 0.04%                | 2.37%         | -        | -        | -        | -        | 3.50%         | 2.29%        | -            | Dec-11        |
| <b>Global Equities</b>                       |                        |               |                      |               |          |          |          |          |               |              |              |               |
| Ascend Partners Fund II                      | 61,108,236             | 11.8%         | 0.42%                | 2.46%         | -        | -        | -        | -        | 1.85%         | 1.48%        | -            | Nov-11        |
| Davidson Kempner Institutional Partners LP   | 62,131,423             | 12.0%         | 0.36%                | 3.22%         | -        | -        | -        | -        | 3.55%         | 1.65%        | -            | Nov-11        |
| Elliott Associates, LP                       | 61,700,420             | 11.9%         | 0.60%                | 4.93%         | -        | -        | -        | -        | 2.83%         | 4.79%        | -            | Nov-11        |
| Indus Asia Pacific Fund LP                   | 39,891,339             | 7.7%          | -2.90%               | -0.27%        | -        | -        | -        | -        | -0.27%        | 9.37%        | -            | Jan-12        |
| Mason Capital Ltd                            | 59,332,774             | 11.5%         | -0.80%               | -1.11%        | -        | -        | -        | -        | -1.11%        | 4.03%        | -            | Jan-12        |
| PFM Diversified Offshore Fund LP             | 28,110,895             | 5.4%          | 0.06%                | -             | -        | -        | -        | -        | -6.29%        | 6.08%        | -            | Mar-12        |
| PFM Diversified Offshore Fund AI Ltd         | 28,034,236             | 5.4%          | -0.05%               | -             | -        | -        | -        | -        | -6.55%        | 5.99%        | -            | Mar-12        |
| Samlyn LP                                    | 61,449,027             | 11.9%         | -0.32%               | 2.41%         | -        | -        | -        | -        | 2.41%         | 6.76%        | -            | Jan-12        |
| Third Point Qualified LP                     | 51,660,348             | 10.0%         | 0.20%                | 3.32%         | -        | -        | -        | -        | 3.32%         | 6.22%        | -            | Jan-12        |
| Viking Global Equities LP                    | 64,113,406             | 12.4%         | 1.40%                | 7.01%         | -        | -        | -        | -        | 6.86%         | 3.54%        | -            | Dec-11        |
| <b>Total Global Equities</b>                 | <b>517,532,105</b>     | <b>100.0%</b> | <b>-0.01%</b>        | <b>2.13%</b>  | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>1.22%</b>  | <b>3.66%</b> | <b>-</b>     | <b>Nov-11</b> |
| MSCI AC World Index Free - Net               |                        |               | 4.94%                | 5.64%         | -        | -        | -        | -        | 2.28%         | 17.24%       | -            | Nov-11        |
| Russell 3000 Index (DRI)                     |                        |               | 3.92%                | 9.32%         | -        | -        | -        | -        | 9.92%         | 12.77%       | -            | Nov-11        |
| HFRI Equity Hedge (Total) Index              |                        |               | 0.86%                | 2.09%         | -        | -        | -        | -        | -0.89%        | 9.30%        | -            | Nov-11        |
| <b>Absolute Return</b>                       |                        |               |                      |               |          |          |          |          |               |              |              |               |
| BlueCrest Capital LP                         | 20,471,892             | 5.8%          | -0.39%               | 2.36%         | -        | -        | -        | -        | 2.36%         | 1.59%        | -            | Jan-12        |
| Brevan Howard LP                             | 73,086,869             | 20.6%         | -2.22%               | -3.63%        | -        | -        | -        | -        | -2.55%        | 4.30%        | -            | Nov-11        |
| DE Shaw Composite International Fund         | 52,816,565             | 14.9%         | 0.20%                | 5.31%         | -        | -        | -        | -        | 5.63%         | 3.15%        | -            | Nov-11        |
| Graham Discretionary 6V Fund                 | 50,227,993             | 14.2%         | -0.77%               | 0.45%         | -        | -        | -        | -        | 0.45%         | 2.65%        | -            | Jan-12        |
| OZ Domestic Fund II LP                       | 78,501,872             | 22.2%         | 0.18%                | 5.24%         | -        | -        | -        | -        | 4.67%         | 3.24%        | -            | Nov-11        |
| Wexford Spectrum Fund LP                     | 50,054,869             | 14.1%         | -0.64%               | 0.11%         | -        | -        | -        | -        | 0.11%         | 5.71%        | -            | Jan-12        |
| Winton Futures Fund Ltd                      | 29,144,351             | 8.2%          | -3.17%               | -4.12%        | -        | -        | -        | -        | -2.85%        | 4.95%        | -            | Dec-11        |
| <b>Total Absolute Return</b>                 | <b>354,304,412</b>     | <b>100.0%</b> | <b>-0.88%</b>        | <b>0.95%</b>  | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>1.41%</b>  | <b>2.51%</b> | <b>-</b>     | <b>Nov-11</b> |
| ML 3-month T-Bills                           |                        |               | 0.01%                | 0.04%         | -        | -        | -        | -        | 0.04%         | 0.02%        | -            | Nov-11        |
| HFRI Fund of Funds Composite Index           |                        |               | -0.50%               | 0.99%         | -        | -        | -        | -        | -0.55%        | 4.02%        | -            | Nov-11        |
| <b>Total Hedge Fund Portfolio</b>            | <b>1,010,750,769</b>   | <b>100.0%</b> | <b>-0.45%</b>        | <b>1.43%</b>  | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>1.17%</b>  | <b>2.57%</b> | <b>-</b>     | <b>Nov-11</b> |
| HFRI Fund of Funds Composite Index           |                        |               | -0.50%               | 0.99%         | -        | -        | -        | -        | -0.55%        | 4.02%        | -            | Nov-11        |
| <b>Market Indices</b>                        |                        |               |                      |               |          |          |          |          |               |              |              |               |
| 3 Month Libor Rate                           |                        |               | 0.04%                | 0.24%         | -        | -        | -        | -        | 0.33%         | 0.01%        | -            | Nov-11        |
| Barclays Aggregate Bond Index                |                        |               | 0.04%                | 2.37%         | -        | -        | -        | -        | 3.41%         | 2.24%        | -            | Nov-11        |
| Barclays High Yield Credit Bond Index        |                        |               | 2.11%                | 7.26%         | -        | -        | -        | -        | 7.74%         | 6.76%        | -            | Nov-11        |
| S&P 500 TR                                   |                        |               | 4.12%                | 9.49%         | -        | -        | -        | -        | 10.36%        | 12.47%       | -            | Nov-11        |
| MSCI EAFE - Net                              |                        |               | 7.01%                | 2.96%         | -        | -        | -        | -        | -2.97%        | 21.53%       | -            | Nov-11        |
| MSCI EMF (Emerging Markets Free) - Net       |                        |               | 3.86%                | 3.94%         | -        | -        | -        | -        | -4.16%        | 24.94%       | -            | Nov-11        |

**State of Rhode Island  
Office of the General Treasurer  
Real Estate Holdings  
June 30, 2012**

| Limited Partnership                    | Inception Date | Partnership Commitment | Net Funding Thru June 30, 2012 | Unfunded Balance    | Market Values at June 30, 2012 |
|----------------------------------------|----------------|------------------------|--------------------------------|---------------------|--------------------------------|
| AEW                                    | December 2007  | \$ 35,000,000          | \$ 35,000,000                  | \$ -                | \$ 40,744,861                  |
| Fillmore East Fund                     | December 2005  | \$ 10,000,000          | \$ 10,000,000                  | \$ -                | \$ 2,510,554                   |
| Fremont Strategic Property Partners II | December 2004  | \$ 15,000,000          | \$ 13,126,892                  | \$ 1,873,108        | \$ 9,561,007                   |
| Hunt Realty (formerly TRECAP)          | March 2006     | \$ 15,000,000          | \$ 12,844,883                  | \$ 2,155,117        | \$ 4,998,267                   |
| JP Morgan Strategic Property Fund      | March 2006     | \$ 50,000,000          | \$ 50,000,000                  | \$ -                | \$ 53,235,156                  |
| JP Morgan Alternative Property Fund    | March 2006     | \$ 20,000,000          | \$ 20,000,000                  | \$ -                | \$ 10,086,107                  |
| LaSalle Income & Growth Fund IV        | June 2005      | \$ 15,000,000          | \$ 14,602,062                  | \$ 397,938          | \$ 8,317,786                   |
| Magna                                  | September 2008 | \$ 4,000,000           | \$ 2,995,984                   | \$ 1,004,016        | \$ 1,964,164                   |
| Prime Property Fund                    | September 2005 | \$ 35,000,000          | \$ 35,000,000                  | \$ -                | \$ 40,773,600                  |
| PRISA                                  | September 2005 | \$ 50,000,000          | \$ 50,000,000                  | \$ -                | \$ 52,719,611                  |
| Starwood Capital Hospitality Fund I    | September 2005 | \$ 10,000,000          | \$ 10,000,000                  | \$ -                | \$ 9,384,116                   |
| TA Fund VIII                           | September 2006 | \$ 15,000,000          | \$ 15,000,000                  | \$ -                | \$ 10,124,135                  |
| Tri Continental Capital VII            | June 2005      | \$ 15,000,000          | \$ 14,571,533                  | \$ 428,467          | \$ 2,727,158                   |
| Walton Real Estate Fund V              | September 2006 | \$ 20,000,000          | \$ 20,000,000                  | \$ -                | \$ 10,830,087                  |
| Westbrook Real Estate Fund VI          | June 2006      | \$ 15,000,000          | \$ 14,920,601                  | \$ 79,399           | \$ 4,201,594                   |
| Westbrook Real Estate Fund VII         | June 2007      | \$ 15,000,000          | \$ 13,500,000                  | \$ 1,500,000        | \$ 12,489,062                  |
|                                        |                | <b>\$ 339,000,000</b>  | <b>\$ 331,561,955</b>          | <b>\$ 7,438,045</b> | <b>\$ 274,667,264</b>          |

**MINUTES FROM FY2012  
STATE INVESTMENT COMMISSION MEETINGS**



## **State Investment Commission**

### **Monthly Meeting Minutes**

**Wednesday, July 27, 2011**

**9:00 a.m.**

**Room 135, State House**

The Monthly Meeting of the State Investment Commission (SIC) was called to order at 9:00 a.m., Wednesday, July 27, 2011 in Room 135, State House.

### **I. Roll Call of Members**

The following members were present: Ms. Rosemary Booth Gallogly, Mr. J. Michael Costello, Mr. Robert Giudici, Mr. Andrew Reilly and General Treasurer Gina Raimondo.

Also in attendance: Mr. Joseph Fergus and Mr. Justin Bickle, of Oaktree Capital Management; Ms. Sally Dowling, of Adler Pollock, & Sheehan, and Mr. Joe Rodio Jr., of Rodio & Ursillo, Legal Counsel to the Commission; Mr. John Burns, of Pension Consulting Alliance (PCA), General Policy Consultant to the Commission; Thomas Lynch, Steve Nesbitt and Jacob Walthour, of Cliffwater; Ms. Lisa Tyrell, of State Street Corporation; Mr. Louis M. Prata, Member of the Employee's Retirement Board of Rhode Island; Mr. Frank Karpinski, Executive Director of Employees' Retirement System of Rhode Island and members of the Treasurer's staff.

Treasurer Raimondo called the meeting to order.

### **II. Oaktree Presentation**

Mr. Fergus gave a brief history of Oaktree Capital Management and discussed their management philosophy and strategies.

Mr. Giudici asked for clarification on how Oaktree "acquires debt" and if the company simply purchases debt or if they assume it in equity interest.

Mr. Bickle replied it depends on the company, but most of the time they go in through the debt but are happy to be equity holders and be involved during the long run. Mr. Bickle goes over the debt situation in Europe as opposed to Asia and North America. Mr. Bickle said the European market is more lead by banks than US market. The banks in Europe do not provide the liquidity some businesses require which is where Oaktree steps in. Mr. Bickle pointed out Oaktree has a large local sourcing network and has offices all over Europe which provides the local credibility with banks.

Treasurer Raimondo asked Mr. Bickle if Oaktree typically replaces management when they come in and provide liquidity to a struggling company.

Mr. Bickle replied that Oaktree does not usually replace management in those instances and they like to study the dynamic of the present management system. He said a major difference is most companies in Europe buy debt and then analyze it, but Oaktree chooses to do analysis prior to any purchases of debt.

Mr. Lynch said Cliffwater has completed their due diligence on the Oaktree European Principle Fund III and that Cliffwater recommends investing 20 million US dollars . Mr. Costello asked the Oaktree representatives if they were worried about the sovereign issues in Europe affecting their opportunities. Mr. Bickle said they are not because even in some scary situations there are still good businesses and good companies within those countries. Oaktree would stay away from severe situations like the current one in Greece.

On a motion by Mr. Costello and seconded by Mr. Reilly, it was unanimously **VOTED: To invest \$20 million in Oaktree European Principal Fund III subject to negotiation and finalization of documentation after legal counsel review.**

### **III. Approval of Minutes**

On a motion by Mr. Costello and seconded by Ms. Gallogly, it was unanimously **VOTED: To approve the draft of the minutes of the June 22, 2011 meeting of the State Investment Commission.**

### **IV. PCA Presentation**

Treasurer Raimondo asked Mr. Burns to go over the Risk Management part of his presentation at the next monthly meeting when more members are present. Mr. Burns agreed then proceeded to review the memorandum regarding the management of the Global Equity Portfolio 51% Allocation. PCA recommended of that 51%, 84% of it be in Global Equity and that the additional 16% be allocated into Hedge Funds. Mr. Burns said that PCA also recommends hiring a Currency Overlay Manager. Treasurer Raimondo said the commission would need to come up with a process to decide how to select a Currency Overlay Manager. Mr. Kenneth Goodreau asked the commission to vote having that as an option at the moment but not vote on it happening definitely. Mr. Burns said the reason the Currency Overlay Manager is in the recommendation by PCA is because the portfolio has over 20% invested in other currencies besides the US dollar. Mr. Giudici asked what PCA's strategy was to analyze risk of getting involved with other countries and their currencies which can be volatile. Mr. Burns said it would definitely be a passive system, but there will be active managers for emerging markets.

On a motion by Mr. Costello and seconded by Ms. Gallogly, it was unanimously **VOTED: To approve PCA's recommended Growth Portfolio Policy as set forth in their "Growth Portfolio Structure" Memorandum dated July 20, 2011.**

Mr. Burns moved on to the second PCA memorandum regarding Rebalancing Ranges. PCA recommended the commission employ risk based tactical asset allocation. Mr. Burns said the commission needs to think about risk instead of letting returns drive the asset allocations, risk should be the driving force in the future if the bands are changed.

Treasurer Raimondo said these ranges are very conservative and the board should look at risk more in the future to monitor its investments.

Mr. Goodreau pointed out although the bands are tight and conservative, the investments usually remain pretty close to the target anyway; this is just to ensure there's no huge fluctuations based on return driven decisions.

Mr. Costello raised questions regarding the strategy of making investment decisions internally or externally. Mr. Costello also shared that the 2% range is pretty standard on most asset classes, but 2% is very different when it's on 51% then on 3%.

Treasurer Raimondo said the board will vote on implementation strategies at a later date.

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

**VOTED: To approve PCA's recommended Rebalancing Policy as set forth in PCA's "Rebalancing Range Considerations and Recommendations" Memorandum dated July 20, 2011.**

## **V. Meeting Schedule**

On a motion from Mr. Reilly and seconded by Ms. Gallogly, it was unanimously

**VOTED: To cancel the meeting scheduled for August 24, 2011.**

## **VI. Cliffwater Presentation**

Mr. Nesbitt introduced the topic of his presentation today to be implementation plans for Hedge Funds. Mr. Nesbitt said Cliffwater recommends a 15% allocation of Total Fund Allocation to Hedge Funds. Cliffwater recommended 8% within Global Equity. Cliffwater also recommended of the Real Return Allocation, that 5% of the 11% be in Hedge Funds. Another recommendation of the 20% allocated to fixed income, 2% of that 20% should be comprised of Fixed Income Hedge Funds. Cliffwater recommended the commission invest in approximately 20 Hedge Fund and that the implementation of this plan be over a six month period, preferably by January 1, 2012. Cliffwater's proposed guidelines are to not be above 15% of the manager's total managed assets, to not allow any individual hedge fund to represent more than 2% of Rhode Island's total assets, side pockets are permitted but should total less than 5% of the hedge fund assets, low overall fees are desirable, the target overall asset allocation is 15%, and returns are expected to equal the long only asset benchmark return over a market cycle at a significantly lower level of risk. Cliffwater provided a list of 7 Hedge Funds for the Real Asset Portfolio, 10 for the Global Equity Portfolio, and 3 for the Fixed Income Portfolio, however as Treasurer Raimondo pointed out that these selections were simply a target list where due diligence had been provided by Cliffwater.

Mr. Costello asked how likely it would be for the provided list to still be intact in 6 months.

Mr. Nesbitt replied that of the 20 provided, maybe 16 or 17 would be on the final list. Mr.

Nesbitt said that transparency among the Hedge Funds is a must. Mr. Nesbitt expressed that Cliffwater would like to start executing the plan presented.

Treasurer Raimondo voiced concern over some firms which are getting too large.

## **VII. Legal Counsel Report**

Legal Counsel had no other report.

## **VIII. Chief Investment Officer Report**

Mr. Goodreau voiced his desire to turn some of the board's discussions about risk management into actions and to carefully proceed with the future plans keeping those discussions in mind.

## **IX. Treasurer's Report**

Mr. Reilly said that he believes the board needs to spend more time focusing their attention on what's actually in the portfolio.

Treasurer Raimondo said she has asked Mr. Nesbitt to do a diagnostic of real estate.

Mr. Goodreau said that the board should keep an eye on unintended exposure from the managers.

## **X. New Business**

*None this month*

## **XI. Adjournment**

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

Respectfully submitted,



**Gina M. Raimondo**  
General Treasurer

## **RHODE ISLAND INVESTMENT COMMISSION**

The meeting of the Rhode Island Investment Commission scheduled for Wednesday, August 24, 2011 was cancelled.





## State Investment Commission

### Monthly Meeting Minutes

Wednesday, September 28, 2011

9:00 a.m.

Room 135, State House

The Monthly Meeting of the State Investment Commission (SIC) was called to order at 9:00 a.m., Wednesday, September 28, 2011 in Room 135, State House.

### I. Roll Call of Members

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

Also in attendance: Mr. Dennis Costello, Mr. Scott DePasquale and Mr. Neil Suslak from Braemar Energy Ventures; Mr. James Freeland, Mr. Todd Hearle and Mr. Tom Roberts from Summit Partners; Ms. Sally Dowling, of Adler Pollock, & Sheehan, and Mr. Joe Rodio Jr., of Rodio & Ursillo, Legal Counsel to the Commission; Mr. John Burns, of Pension Consulting Alliance (PCA), General Policy Consultant to the Commission; Thomas Lynch, Steve Nesbitt and Daniel Stern, of Cliffwater; Ms. Lisa Tyrell, of State Street Corporation and members of the Treasurer's staff.

Treasurer Raimondo called the meeting to order at 9:02

### III. Approval of Minutes

On a motion by Mr. Costello and seconded by Mr. Giudici, it was unanimously approved **VOTED: To approve the draft of the minutes of the July 22, 2011 meeting of the State Investment Commission.**

### IV. Braemar Energy Ventures

Treasurer Raimondo welcomed new board member Ms. McNamara to the group, who spoke briefly on her background. Mr. Lynch provided background on venture capital firm, Braemar Energy Ventures. He explained Rhode Island's venture exposure is 7% and they need another venture capital mandate to maintain that exposure.

Mr. Costello asked why this was such a direct area of focus?

Mr. Lynch explained they are focused on energy efficiency and generation. Cliffwater expects a lot of growth in this area and companies can go from technology to commercialization rather quickly.

Mr. Suslak introduced Braemar as an energy technology fund with a great track record since the mid-1980's. They've invested in 55 companies, 24 exits, 12 IPOS and 12 trade sales. Braemar is raising capital for their third fund and listed investors to-date. Mr. Suslak provided background on their staff which has experience in the energy business and a strategic board of advisors to support them further.

Mr. Dennis Costello continued through the presentation and stated there are secular long-term drivers to energy that will continue to produce opportunities for venture capital, early and mid stage private companies. He discussed energy storage, the electric grid and other opportunities. He explained the growth in solar and wind power relative to overall energy use and the majority of their focus will be on energy efficiency instead of generation. Braemar has a diverse portfolio even though they are focused on a single sector. Mr. Dennis Costello explained their venture fund and corporation co-investors.

Mr. Suslak concluded the presentation by going through their investments in companies and their historical performance.

Mr. Fay asked about the average time to exit and Mr. Suslak responded usually 4 years, but about 5-7 years in this market.

After a few questions from Mr. Reilly, Braemar discussed the makeup of their team, explained they do not cross pollinate funds and spoke about the underwriting process.

Braemar representatives left the room and Mr. Lynch elaborated on Cliffwater's recommendation to invest in Braemar Energy Ventures III. This would add a direct exposure to the portfolio in an area they think is attractive.

Mr. Costello noted Mr. Dennis Costello is not related and Mr. Reilly fully disclosed he is on the University of Rhode Island School of Oceanography board together, but there is no conflict.

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

**VOTED: To invest \$10 million in Braemar Energy Ventures III subject to negotiation and finalization of documentation after legal counsel review.**

## **V. Summit Partners Presentation**

Mr. Lynch and Treasurer Raimondo introduced Summit Partners, a firm with a private debt strategy.

Mr. Roberts introduced himself and gave details on Summit's history and business model. He then explained their process for cold-calling and targeted leads. He introduced Mr. Freeland and Mr. Hearle who joined Summit to provide credit to the companies they had called to provide equity.

Mr. Hearle explained their role at Summit and why they joined Summit. They target companies with cash flow generation of \$15 to \$20 million that do not have access to public market solutions, but need long-term solutions.

Responding to Mr. Giudici's request about how they evaluate their companies, Mr. Roberts described the calls build a relationship and therefore Summit has a detailed database. They then do 6-8 weeks of extensive due diligence with the guidance of outside counsel and audits to confirm numbers.

Treasurer Raimondo and Mr. Reilly asked about the make-up of the team and how smooth the teaming-up of the two companies is going. Mr. Freeland explained they teamed up for sourcing and that has exceeded expectations. He explained the last two years has proved to be a great cultural match and their philosophies have overlapped well.

Treasurer Raimondo asked if they have economics in the whole firm and Mr. Freeland confirmed they do.

The Treasurer then asked what IRR they expect and Mr. Roberts said their target is 15 net, 14 with an equity kicker. The Summit team fielded a few more questions and then left the room. Mr. Lynch elaborated on Cliffwater's recommendation on Summit as an organization and the credit space in general. He explained it is a shorter duration strategy and only a 7 year term, so there will be more liquidity. They recommend \$20 million, because it is a lower risk strategy and it is a diversification issue.

Treasurer Raimondo explained it also makes sense because of the cash flow characteristics.

On a motion by Ms. Reback and seconded by Mr. Reilly, it was unanimously **VOTED: To invest \$20 million in Summit Partners Credit Fund subject to negotiation and finalization of documentation after legal counsel review.**

## VI. Cliffwater Presentation

Mr. Nesbitt first explained Cliffwater's phase one hedge fund implementation plan and provided allocations within the allocations; 2% in fixed income, 5% in real return and 8% in global equity. He then gave a short- presentation on hedge fund monitoring. He gave an overview of their staff and their specialties in different areas. Cliffwater routinely monitors the funds, the portfolio and the performance.

Treasurer Raimondo asked if this will be specific to our portfolio and Mr. Nesbitt confirmed it. Ms. Reback raised ethical concerns about hedge funds in general.

After addressing Ms. Reback's question, Mr. Nesbitt began speaking about the 6 hedge fund managers. The funds are divided into two groups, global equity and absolute return.

The global equity managers are Ascend partners, Davidson Kempner and Elliott. When ERSRI was down 6% in August, they were down only 2% and this can reduce risk from the portfolio. The absolute return managers/real return managers are Brevan Howard, DE Shaw and Och Ziff were up 1.1% in August when the market was down.

Mr. Fay asked if we are investing in A or B class of Brevan Howard and Mr. Stern answered the B, as it is the only fund that is open now.

Ms. Booth Gallogly asked about event driven funds and Mr. Nesbitt explained it is a short-term strategy with a specific date.

Ms. McNamara referenced that these funds do well during distressed markets, but what about when the market is on an up-swing.

Mr. Nesbitt expects comparable return similar to equities, possibly better, but with a significantly lower level of risk.

Mr. Stern went through each individual fund in detail and fielded questions.

On a motion by Mr. Reilly and seconded by Mr. Costello, it was unanimously  
**VOTED: to approve all funds on page two of the presentation, subject to negotiation  
and finalization of documentation after legal counsel review. Ms. Reback abstained.**

## **VII. Legal Counsel Report**

Legal Counsel had no other report.

## **VIII. Chief Investment Officer Report**

Mr. Goodreau had no report. Treasurer Raimondo mentioned we have a strong cash position.

## **IX. Treasurer's Report**

Treasurer Raimondo asked about the real estate diagnostic and Mr. Nesbitt said they would give a diagnostic in October or November. The Treasurer asked Ken to introduce new investments staff member Kerri Baker.

## **X. New Business**

*None this month*

## **XI. Adjournment**

There being no other business to come before the Board, on a motion by Ms. Reback and seconded by Ms. Booth Gallogly the meeting adjourned at 11:07 a.m.

Respectfully submitted,



**Gina M. Raimondo**  
General Treasurer



## State Investment Commission

### Monthly Meeting Minutes

Wednesday, October 26, 2011

9:00 a.m.

Room 135, State House

The Monthly Meeting of the State Investment Commission (SIC) was called to order at 9:00 a.m., Wednesday, October 26, 2011 in Room 135, State House.

## I. Roll Call of Members

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

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

Treasurer Raimondo called the meeting to order at 9:10a.m.

## II. Approval of Minutes

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

**VOTED: To approve the draft of the minutes of the September 28, 2011 meeting of the State Investment Commission.**

## III. PCA Presentation

Treasurer Raimondo asked PCA to do a portfolio review and risk update report. Mr. Emkin went over the 5 year and 10 year returns. Mr. Emkin stated interest rate risk is extremely risky. He explained a change in interest rate of 1% means ERSRI's bond portfolio will go down about 9% in market value on average. The risk of the equity markets is measured using the VIX index, which has doubled from recent lows. Mr. Emkin went on to explain the impact of the European debt crisis. He stated the real yield of holding bonds for 10 years is effectively zero, because of no inflation adjusted rate of return. Mr. Emkin reiterated this is an extremely challenging investment environment. He stated the Treasury currently returns 2.17% and most predict inflation to be 2.5% or 3% which limits purchasing power. The pension benefits, now linked to inflation will go up while the value of the bonds will shrink, which will make the plan worse without another source of capital.

Treasurer Raimondo agreed that while this is a difficult investment environment, all the decisions made this year were made to manage volatility and downside risk while sustaining return. The Treasurer asked Mr. Emkin if we should alter the plan and he said no, be patient; do not react to volatile daily events and stick to your plan.

Treasurer Raimondo informed the committee PCA, Cliffwater and the Treasurer's staff met a week ago to plan the next 5 or 6 months of meetings and ensure everyone is focused during this time of extreme volatility.

#### **IV. Cliffwater Presentation**

Mr. Nesbitt reviewed the recommendations of hedge fund allocations and sub-allocations. The objective of the hedge fund allocations is to earn returns consistent with or better than indices within those asset classes, but at a lower level of risk. Mr. Nesbitt recommended three funds in global equity: Samlyn Capital, Viking Global Equities and Mason Capital. Capula Global and Winton Futures were recommended in the absolute return bucket and Gracie Credit in the fixed income. Mr. Nesbitt gave an overview of each fund, explaining their history, giving an analysis of their operations and examining performance.

Ms. Booth Gallogly asked if there were regulatory actions against any of these funds and Mr. Nesbitt reaffirmed there were not. He explained they should expect returns at or above the global equity benchmark at half the risk.

Treasurer Raimondo urged the board to start thinking about risk like we think about returns.

Ms. Booth Gallogly inquired about exit penalties and Mr. Nesbitt explained the structure.

Mr. Costello asked about the different classes and Mr. Nesbitt recommended the share class most appropriate for each situation, sometimes the more liquid one or the less liquid, but with better terms.

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

**VOTED: to approve all funds on page two of the presentation, subject to negotiation and finalization of documentation after legal counsel review and after further diligence on asset classes.**

#### **V. Real Estate Portfolio Analysis**

Mr. Lynch established the goal of real estate is to provide stable income in the portfolio. He explained implementation is key to accomplishing this goal. Mr. Lynch went on to say investments in core real estate will provide stable income, while private equity like real estate is more correlated with equity. He explained execution of time diversification is important in the process. ESRI has about \$100 million to achieve a 5% real estate allocation and can use this to accomplish its strategic goal.

Mr. Lynch said there is a large exposure to core strategies which assists with stability, but about half was to value added or opportunistic. The timing of these investments in 2006-2008 was unfortunate. After reviewing ERSRI's portfolio, Mr. Lynch says the majority are good managers and the challenge in manager quality is in the non-core space. Mr. Lynch thinks

there is good balance in the portfolio when looking at the property level and geographic location.

Mr. Costello stated they couldn't predict the real estate challenges, but asked if there was anything alarming the board should have known at the time. Mr. Lynch said they were good quality managers when hired. Mr. Costello mentioned the board stopped the real estate funding because the environment was so difficult.

Ms. Booth Gallogly asked about the lack of international exposure and Mr. Lynch explained the developed markets have been as challenging, but emerging markets have held steady.

The Treasurer established a real estate subcommittee comprised of Mr. Costello, Mr. Fay and Ms. McNamara.

## VI. Corporate Governance

Treasurer Raimondo explained ERSRI doesn't have a corporate governance program regarding voting proxies. She explained ERSRI is behind our peers in this regard and since we are more indexed it is even more important to exercise shareholder rights and establish a plan.

Mr. Emkin explained the proxies votes are delegated to the index manager who votes on ERSRI's behalf, but with limited direction.

Treasurer Raimondo stated votes on executive compensation and executive performance might accomplish both. She proposed the question; do we really want to be involved with companies with human rights abuses, discrimination or risky environmental practices? She went on to explain that these practices add a level of risk.

Mr. Fay has a lot of experience in this area and offered some tentative plans to the board. A few board members reiterated corporate governance is an excellent idea and also their fiduciary responsibility.

## VII. Meeting Schedule

On a motion from Ms. Reback and seconded by Ms. Giudici, it was unanimously **VOTED: To cancel the meeting scheduled for December 28, 2011.**

## VIII. Legal Counsel Report

Ms. Dowling reported the paperwork from last meeting is on track for the finding in November. Many of the funds require certification that the board has authorized the General Treasurer to sign the paperwork and the prior resolution only dealt with private equity or real estate.

On a motion from Ms. Reback and seconded by Ms. Booth Gallogly, it was unanimously **VOTED: That the General Treasurer and the Chief Investment Officer, signing singly, hereby are, authorized, empowered and directed to execute subscription documents and limited liability company and limited partnership documents in connection with the Retirement fund's investment in hedge funds.**

## **IX. Chief Investment Officer Report**

Mr. Goodreau mentioned there will soon be an enhanced report which incorporates with risk metrics. He pointed out; compared to our benchmark, we are 80 bps ahead of the year and 100 bps on the calendar year. On a relative basis the portfolio is doing better. Mr. Lynch pointed out risk is lower and returns are higher.

Mr. Izzo updated the board on the progress of the Ocean State Investment Pool. There were 8 respondents and they are conducting due diligence to narrow the field. They will make a recommendation and make presentations to the board next month.

Ms. Booth Gallogly offered the services of the division of municipal finances for communication efforts.

## **X. Treasurer's Report**

Treasurer Raimondo recommended PCA do an RFI for rebalancing services.

## **XI. New Business**

*None this month*

## **XII. Adjournment**

There being no other business to come before the Board, on a motion by Ms. Gallogly and seconded by Mr. Reilly the meeting adjourned at 10:40 a.m.

Respectfully submitted,



**Gina M. Raimondo**  
General Treasurer





## **State Investment Commission**

### **Monthly Meeting Minutes**

**Wednesday, November 23, 2011**

**9:00 a.m.**

**Room 135, State House**

The Monthly Meeting of the State Investment Commission (SIC) was called to order at 9:00 a.m., Wednesday, November 23, 2011 in Room 135, State House.

### **I. Roll Call of Members**

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

Also in attendance: Ms. Sally Dowling, of Adler Pollock, & Sheehan, and Mr. Joe Rodio Jr., of Rodio & Ursillo, Legal Counsel to the Commission; Mr. John Burns and Mr. Alan Emkin, of Pension Consulting Alliance (PCA), General Policy Consultant to the Commission; Mr. Thomas Lynch and Daniel Stern, of Cliffwater, Alternative Investment Consultant to the Commission; Ms. Lisa Tyrell, of State Street Corporation; and members of the Treasurer's staff.

Treasurer Raimondo called the meeting to order at 9:00 a.m.

### **II. Approval of Minutes**

On a motion by Mr. Reback and seconded by Mr. Fay, it was unanimously **VOTED: To approve the draft of the minutes of the October 26, 2011 meeting of the State Investment Commission.**

### **III. Cliffwater Presentation**

Mr. Lynch recommended five managers and presented operations, investment and performance due diligence of each for the managers. He explained two of the managers fall in the global equity category: Indus Asia Pacific and Third Point Partners. Graham Global, Blue Crest Capital and Wexford Spectrum are considered real return investments. Mr. Stern provided greater detail on each of the funds and answered any questions or concerns from board members.

Mr. Lynch reviewed the Cliffwater recommendation for dollar allocation and share classes of each.

Mr. Fay asked about the benchmarks and Mr. Lynch explained he is still finalizing performance measures with staff. For fixed income he recommends using the existing benchmark the Barclays Aggregate. He recommends the HFRI series for global equities and real return.

On a motion by Mr. Fay and seconded by Mr. Costello, it was unanimously **VOTED: to approve all funds on page two of the presentation, subject to negotiation and finalization of documentation after legal counsel review and after further diligence on asset classes.**

## **-Ocean State Investment Pool-**

### **IV. PFM Presentation**

David Sallack, Marty Margolis and William Fazioli from PFM Asset Management, LLC entered the room to present.

Mr. Sallack introduced PFM and explained their core business including the Local Government Investment Pool (LGIP). He explained PFM manages 17 funds around the country and have been in the space for 30 years. These plans have \$15.3 Billion and 4,500 local government units in them. He went on to explain what PFM thinks will make the Ocean State Investment Pool (OSIP) successful.

Mr. Margolis explained PFM's philosophy on LGIP type investments and stated above all else they are focused on risk management. They have 14 portfolio managers and traders with vast experience and institutional knowledge. He reviewed their credit process and asset allocation.

Mr. Fazioli discussed the marketing of the fund and their relationship management strategy.

Ms. Booth Gallogly took the opportunity to ask PFM about LGIP best practices.

Mr. Fay asked if they ever owned any of the investment vehicles which were problematic during the money market crisis of 2008 and Mr. Sallack explained they did, but sold most before it became an issue in 2008.

### **V. Fidelity Presentation**

PFM left the room and Joyce Marsilia , Michael Morin and Margie Vose from Fidelity Investments entered.

Mr. Morin discussed Fidelity's approach to managing money and stressed the importance of capital preservation, daily liquidity and competitive returns. He explained their conservative investment strategy is based on credit research and quantitative analytics and how they use stress tests to anticipate the worst case scenario. Fidelity has over 150 investment professionals in their fixed income team.

Ms. Marsilla began reviewing Fidelity's strategic business plan for how to start OSIP and noted Fidelity has 17 people already in Rhode Island focused on getting OSIP launched.

The Fidelity team answered questions and then exited the room.

Mr. Vincent Izzo and Mr. Andrew Raucci, both Treasury staff, reviewed the general RFP process and the scoring criterion. After extensive due diligence on both finalists the RFP committee recommended Fidelity to the board.

On a motion by Ms. Booth Gallogly and seconded by Mr. Giudici, it was unanimously

**VOTED: to award the mandate to Fidelity subject to finalization of documentation after legal counsel review. Ms. McNamara abstained.**

### **VI. Custodian Contract Extension**

Mr. Mark Dingley, general counsel to the Treasurer, explained State Street's contract expires December 31, 2011. Treasury anticipates issuing an RFP for custodial services in the next six months, but is requesting a six month extension in the meantime. Mr. Dingley explained there will be no changes to the fees.

On a motion by Ms. Reback and seconded by Mr. Reilly, it was unanimously **VOTED: to extend State Street's contract by six months.**

## **VI. Defined Contribution Plan**

Treasurer Raimondo explained the Rhode Island Retirement Security Act gives the SIC board the mandate to establish a defined contribution program for the state. The staff will begin putting together an RFP with the guidance of the board. The goals for the vendor include best investment products, transparency, capital preservation, low fees and communication and education with employees. The Treasurer requested volunteers for a subcommittee.

## **VIII. Legal Counsel Report**

Ms. Dowling informed the board the hedge fund paperwork is complete.

## **IX. Chief Investment Officer Report**

Mr. Goodreau gave a brief update on the portfolio which is up about 6% in October making up for some damage in the third quarter.

## **X. Treasurer's Report**

Treasurer Raimondo thanked the board for meeting, especially because of the holiday.

## **XI. New Business**

*None this month*

## **XII. Adjournment**

There being no other business to come before the Board, on a motion by Ms. Reback and seconded by Mr. Reilly the meeting adjourned at 10:56 a.m.

Respectfully submitted,



**Gina M. Raimondo**  
General Treasurer

## **RHODE ISLAND INVESTMENT COMMISSION**

The meeting of the Rhode Island Investment Commission scheduled for Wednesday, December 7, 2011 was cancelled.



## State Investment Commission

### Monthly Meeting Minutes

Wednesday, January 25, 2012

9:00 a.m.

Room 135, State House

The Monthly Meeting of the State Investment Commission (SIC) was called to order at 9:06 a.m., Wednesday, January 25, 2012 in Room 135, State House.

### I. Roll Call of Members

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

Also in attendance: Ms. Sally Dowling and Alison Albanese, of Adler Pollock, & Sheehan, Legal Counsel to the Commission; Mr. John Burns, of Pension Consulting Alliance (PCA), General Policy Consultant to the Commission; Mr. Thomas Lynch of Cliffwater, Alternative Investment Consultant to the Commission; Ms. Lisa Tyrell and Mr. Nick Katsikis, of State Street Corporation; Kenneth Goodreau, chief investment officer and members of the Treasurer's staff.

Treasurer Raimondo called the meeting to order at 9:06 a.m.

### II. Approval of Minutes

On a motion by Mr. Fay and seconded by Ms. Reback, it was unanimously **VOTED: To approve the draft of the minutes of the November 23, 2011 meeting of the State Investment Commission.**

### III. Ocean State Investment Pool (OSIP) Investment Policy

Vincent Izzo, cash manager briefly updated the SIC on the status of OSIP's legal paperwork. He referenced Fidelity's presentation and explained the second document, the investment policy. Nothing in the investment policy violates any existing Rhode Island laws and its primary objective is safety, followed by liquidity and yield.

Treasurer Raimondo asked Mr. Izzo to explain the exemption to go over 25% in financials. He explained this is standard practice in pools like this. As an example Massachusetts has the same section in their guidelines. Fidelity's investments are completely transparent and Treasury has the ability to order them to retrench back to 25% if appropriate.

Treasurer Raimondo mentioned Fidelity must give us notification when they go above 25%. Ms. Booth Gallogly and Mr. Izzo discussed the effects on the general fund cash.

On a motion by Mr. Reilly and seconded by Mr. Giudici, it was unanimously **VOTED: To approve the OSIP Investment Policy, given Fidelity agrees to notify the SIC when they invest more than 25% in financials.**

## IV. Defined Contribution Plan Update

Mark Dingley, legal counsel to the Treasurer stated the RFP selection committee received all the RFP responses and the group has followed the time schedule. Ms. Booth Gallogly and Mr. Dingley selected the Segal Company to assist with the selection and they have been helpful. Mr. Dingley stated the group also needs to make some final decisions on the design of the plan, such as elective contributions and hardship withdrawals and loans. The group also needs to decide the default investment vehicle if participants do not make a selection.

## V. Real Estate Consultant

Treasurer Raimondo thanked the alternatives subcommittee for meeting twice in between SIC meetings. Mr. Goodreau reviewed what the committee discussed and what they expect from the consultant going forward. He explained PCA is best equipped to deal with our portfolio and they have a dedicated staff for real estate. Mr. Goodreau recommended terminating the relationship with Townsend group and replacing them with PCA.

Mr. Costello added it helps to have PCA as real estate and general consultant and he was impressed with their presentation during the subcommittee.

Mr. Reilly explained he has heard good things from people in the industry about members of the PCA real estate team.

Treasurer Raimondo explained we will be paying PCA less than what we were paying Townsend while getting better services form PCA.

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

**VOTED: To terminate Townsend and retain PCA as the real estate consultant for the SIC after finalization of documentation after legal counsel review.**

## VI. Cliffwater Presentation

Mr. Lynch proposed fourth allocation of hedge fund to reduce total volatility to improve the Sharpe ratio for the portfolio. Mr. Lynch recommended Brigade for the final allocation to fixed income and Partner Fund Management (PFM) for the second to last allocation to global equity. Mr. Lynch recommended \$60 million to PFM and \$50 million to Brigade. For PFM, Mr. Lynch recommended half the allocation to share class B, the more liquid vehicle and half to share class A1. PFM only allows 50% to be in the more liquid vehicle.

Mr. Lynch explained each fund has gone through their investment, operations and legal due diligence and provided a detailed overview of each. He stated, relative to Cliffwater's universe Brigade and PFM were in the top quartile of fund managers for performance.

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

**VOTED: to approve the recommendation made by Cliffwater on page two of five of the presentation, subject to negotiation and finalization of documentation after legal counsel review.**

## VII. General Consultant Presentation

Mr. Burns reviewed the PCA risk metric report. He took the committee through the major changes in the past year including the asset liability study and the addition of hedge funds to the portfolio. He explained a lot of the bonds have a negative real return and proposed a group analysis of interest rate risk. Mr. Burns stated if interest rates rise quickly, fixed income will post negative returns.

Treasurer Raimondo reiterated 20% of the portfolio is a large allocation.

Mr. Goodreau explained we might also look into how rising interest rates would affect the entire portfolio, especially with real estate. He also stated he sold some TIPS at an all time high last year, reducing the allocation from 8% to 4%. The hedge fund allocation has allowed this part of the portfolio to become more diversified from TIPS. Mr. Goodreau said some things have been done that will help, but there is more to do.

## **VIII. Meeting Schedule**

To assure all members would be present for the defined contribution manager selection, Ms. Booth Gallogly motioned, Ms. Reback seconded, and it was unanimously

**VOTED: to move the February meeting from the 22<sup>nd</sup> to the 27<sup>th</sup> at 9:00am.**

## **IX. Legal Counsel Report**

Ms. Dowling updated the board on the paperwork for the seven hedge fund closings and the OSIP.

## **X. Chief Investment Officer Report**

Mr. Goodreau explained the standard deviation of what has recently been put in the portfolio is a lot lower than the level the last twelve months.

Mr. Fay asked about Wellington and Mr. Goodreau mentioned Mr. Burns and himself will be meeting with them for a yearly review soon.

Mr. Goodreau introduced Kerri Baker, Renee Asptan and Kem Edwards new members of Treasury's investment team and explained the new structure of the office.

## **XI. Treasurer's Report**

Treasurer Raimondo explained the Treasury investment staff has made a trip to Cliffwater to learn the performance and risk monitoring system. She stated we need to be focused on the downside and reiterated we cannot have a negative -20% year like there was in 2008 /2009.

## **XII. Adjournment**

There being no other business to come before the Board, on a motion by Ms. Reback and seconded by Mr. Reilly the meeting adjourned at 10:07 a.m.

Respectfully submitted,



**Gina M. Raimondo**  
General Treasurer



**State Investment Commission**  
**Monthly Meeting Minutes**  
**Wednesday, February 27, 2012**  
**9:00 a.m.**  
**Room 135, State House**

The Monthly Meeting of the State Investment Commission (SIC) was called to order at 9:04 a.m., Wednesday, February 27, 2012 in Room 135, State House.

## **I. Roll Call of Members**

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

Also in attendance: Ms. Sally Dowling and Alison Albanese, of Adler Pollock, & Sheehan, Mr. Joe Rodio Jr. and Mr. Joseph Pezze, of Rodio & Ursillo Legal Counsel to the Commission; Mr. Alan Emkin and Mr. John Burns, of Pension Consulting Alliance (PCA), General Policy Consultant to the Commission; Mr. Thomas Lynch of Cliffwater, Alternative Investment Consultant to the Commission; Ms. Lisa Tyrell and Mr. Nick Katsikis, of State Street Corporation; Mr. Frank Picarelli of Segal Advisors; Mr. Kenneth Goodreau, chief investment officer, members of the Governor's staff, members of the media and members of the Treasurer's staff.

Treasurer Raimondo called the meeting to order at 9:04 a.m.

## **II. Approval of Minutes**

On a motion by Mr. Costello and seconded by Ms. Booth Gallogly, it was unanimously **VOTED: To approve the draft of the minutes of the January 25, 2012 meeting of the State Investment Commission.**

## **III. Cliffwater Presentation**

Mr. Lynch introduced Centerbridge and pointed out they are currently a general partner with Rhode Island through their capital fund. He introduced their second strategy, Centerbridge Special Credit partners II which takes non-controlled positions, undervalued credits and companies in financial distress and adds value by improving the company's balance sheet.

Mr. Jeffrey Aronson co-founder of Centerbridge introduced himself via telephone. He provided some background about Centerbridge as a firm on page two of the handout. The first fund is private equity focused and the second fund is distressed credit, two counter-cyclical funds. He differentiated it from a private equity strategy. The returns for their first credit fund through December 31, 2011 was a net IRR of 17.4%.

Mr. Aronson described the distressed environment at a macro level. He explained there are a number of good distressed opportunities in certain areas in Europe in particular and the United States as well. Like the last distressed fund, the portfolio will have more U.S. exposure.



He explained the fund has a \$2B hard-cap and the closing is March 1<sup>st</sup> 2012.

Mr. Lynch reviewed Cliffwater's investment and operations due diligence as well as the legal review of Centerbridge. Cliffwater recommends a \$25M investment because it is a highly sought after vehicle. He explained this is a top manager and a shorter-duration strategy with a higher level of cash flow than a typical private equity investment.

Treasurer Raimondo mentioned she knew a number of investors trying to get into the fund who can't and Mr. Reilly added the fee structure is favorable.

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

**VOTED: To invest \$25 million in Centerbridge Special Credit Partners II subject to negotiation and finalization of documentation after legal counsel review. Ms. Booth Gallogly recused.**

#### **IV. TIAA CREFF Presentation**

Ed Moslander, Darren Lopes, Tim Walsh and Roger Ferguson from TIAA-CREF entered the room. Mr. Moslander outlined the Treasurer's goals for the plan which are affordability, sustainability and secure retirement for the employees. He explained how TIAA plans to meet these objectives. He explained they are committed to Rhode Island and have over 300 employers which use TIAA as their retirement plan provider. Should they win the mandate TIAA will open an office in Rhode Island. TIAA is a U.S. based non-profit and all the money made beyond expenses benefits the participants in the plan. Mr. Moslander described their history of administering plans since 1919. They currently have the highest financial ratings an insurance company can have from all four major ratings agencies, one of only three in the country and the sole leader in the government space. He explained they provide fiduciary level advice for every employee at no additional charge. Mr. Moslander reviewed the fees and services. There will be over 50 financial consultants on the ground in Rhode Island during the transition to ensure the participants understand changes to the program.

Mr. Lopes discussed TIAA's communication, education and advice programs. He reiterated they will provide fiduciary advice to ensure the employees make sound investment decisions. He reviewed the discovery and planning, announcement, education and evaluation stages. He added TIAA will provide over 250 employees for about 200 seminars, 90 webinars and over 100 counseling desk sessions.

Mr. Walsh reviewed the investment portion of the presentation and explained TIAA offers access to over 15,000 investment options, with innovative asset allocation solutions and unique asset class strategies. He reviewed the default vehicle lineup TIAA recommends initially. He explained the board is able to add and eliminate fund options at any time.

Ms. Booth Gallogly and Mr. Costello asked about portability of the plan. Mr. Reilly asked about technology platforms and Treasurer Raimondo asked about the performance metrics and reiterated retirement readiness should be included.

Mr. Ferguson concluded the presentation, TIAA answered more questions and the TIAA team exited the boardroom.

#### **V. Great-West Presentation**

Greg Seller, Brent Neese and Amy Heyel from Great-West entered the room. Mr. Seller gave an overview of the company and explained their large number of state plans assets' under management across the country and in New England. Their main call center is in Andover, MA with local dedicated staff. Mr. Seller reviewed white label custom funds and future opportunities in that space. He explained their national disaster recovery system and their performance guarantee program. He unveiled the stable value investment services and their cost proposal. Ms. Heyel reviewed the active and passive target date plan investment strategies with an average cost of 45 and 22 basis points respectively. She also reviewed recommendations for default options and explained the participant advisory services.

Ms. Booth Gallogly asked if the retirement ready report card included the defined benefit and Ms. Heyel said yes, it could.

Mr. Neese reviewed Great West's SecureFoundation® program protecting plan members from longevity, market, sequencing and inflationary risk. He then reviewed the communication, branding and educational plans.

Ms. McNamara and Mr. Giudici asked what fiduciary responsibilities Great-West assumes and Mr. Seller answered they do provide advice for a fee.

The Great-West team answered a few more questions and then exited the room.

## **VI. Defined Contribution Provider Selection**

Mr. Mark Dingley, legal counsel to the Treasurer's office, provided a detailed rubric-based analysis of the site visit to Great-West and TIAA-CREF. He noted while Great-West has more state-level experience, they mostly manage 457 deferred compensation programs, not 401-A plans. Mr. Picarelli reiterated there is a big difference between the two because one is supplemental and one if for retirement.

Mr. Dingley continued to explain TIAA's fee structure is less per member and they have no additional charge for advice.

Mr. Costello reiterated TIAA takes full fiduciary responsibility, while Great-West does not except for their managed accounts. This to him was a big differentiator and other members of the board agreed.

Treasurer Raimondo reiterated TIAA is a AAA rated company has a long history paying benefits where Great-West is AA. Treasurer Raimondo believes this is a big differentiator.

Mr. Reilly provided commentary on if companies are incentivized to offer their own products and Mr. Dingley explained with the open platform the board has full authority to choose any fund.

Mr. Andrew Raucci, Treasury staff spoke about payroll and online capabilities and informed the committee TIAA recently made an acquisition to further improve these processes.

Ms. Reback explained the leadership of the public sector labor community who represents the participants in the plan supports choosing TIAA.

Mr. Costello applauded the process and due diligence efforts and explained we had two reputable choices.

Mr. Picarelli offered his opinion. After further discussion the presenters recommended the board choose TIAA-CREF as the defined contribution plan service provider.

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

**VOTED: To engage TIAA-CREF as the defined contribution vendor provider subject to successful negotiations, legal agreements and completion of reference checks.**

## **VII. General Consultant Presentation**

Mr. Emkin gave a brief presentation on fixed income and interest rate risk.

Treasurer Raimondo asked PCA to come to the next meeting with an in-depth presentation on the magnitude of our risk and lead a discussion about potential solutions. She explained this is particularly important because fixed income is such a large part of our portfolio and by definition should be a reliable income stream. She stressed this portion of the portfolio has to perform well to get a targeted 7.5% average rate of return.

Mr. Goodreau explained PCA and Treasury staff is currently conducting performance review meetings with all fixed income managers.

## **VIII. Legal Counsel Report**

There was no legal report.

## **X. Chief Investment Officer Report**

Ms. Reback expressed concern regarding the \$8/person state administrative expense, and Mr. Dingley explained the Treasurer's administration is pushing for the fee to come out of the general fund especially while assets in the defined contribution plan are low initially, but that it is a legislative process and has not been finalized.

Mr. Vincent Izzo, Rhode Island's cash manager made a point of clarification about the Ocean State Investment Pool (OSIP) regarding fund manager notification when the fund exceeds 25% financials.

Mr. Goodreau stated Treasury released a RFI for rebalancing managers which yielded 23 responses.

## **XI. Treasurer's Report**

Treasurer Raimondo had no report.

## **XII. Adjournment**

There being no other business to come before the Board, on a motion by Mr. Costello and seconded by Ms. Booth Gallogly the meeting adjourned at 12:30 p.m.

Respectfully submitted,



**Gina M. Raimondo**  
General Treasurer



**State Investment Commission**  
**Monthly Meeting Minutes**  
**Monday, March 19, 2012**  
**9:00 a.m.**  
**Room 313, State House**

The Monthly Meeting of the State Investment Commission (SIC) was called to order at 9:09 a.m., Monday, March 19, 2012 in Room 313, State House.

## **I. Roll Call of Members**

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

Also in attendance: Mr. Joe Rodio Jr. and Mr. Joseph Pezze, of Rodio & Ursillo Legal Counsel to the Commission; Mr. John Burns, of Pension Consulting Alliance (PCA), General Policy Consultant to the Commission; Mr. Nick Katsikis, of State Street Corporation; Mr. Darren Lopes and Mr. Tim Walsh of TIAA-CREF, defined contribution plan vendor; Mr. Frank Picarelli and Mr. Craig Chaikin of Segal Advisors; Mr. Kenneth Goodreau, chief investment officer and members of the Treasurer's staff.

Treasurer Raimondo called the meeting to order at 9:09 a.m.

## **II. Approval of Minutes**

On a motion by Ms. Reback and seconded by Mr. Giudici it was unanimously

**VOTED: To approve the draft of the minutes of the February 14, 2012 meeting of the State Investment Commission.**

## **III. Investment Fund Review**

Mr. Mark Dingley, Treasury legal counsel introduced TIAA-CREF to review the staff recommendation for the investment fund lineup.

Mr. Walsh described the specific criterion each fund should have including low-cost, brand name recognition for participants and be strategic and long-term orientated. He explained even though this is not an ERISA plan, this plan is designed to follow ERISA standards including prudent process, appropriate consideration and documentation. He said the plan must meet the goal of *all* participants. Best practice is 15-20 options investment products for participants to choose from. Mr. Walsh reviewed the *do it yourself* investment menu and the default lineup in extensive detail. Mr. Walsh explained participants have full liquidity subject to a 90-day equity-wash rule to protect all participants. They are never restricted from changing their investment account. Mr. Dingley pointed out none of these products are providing TIAA with any revenue sharing and Rhode Island is getting TIAA's most favored nation (MFN) pricing.

Mr. Walsh explained as assets in funds increase, fees and rates become more favorable. TIAA will monitor share class steps closely. He then reviewed the stable value pitch book.

Mr. Giudici asked about educating the participant and Mr. Walsh reiterated all participants can receive advice from an investment professional in person or over the phone.

Mr. Dingley said actuaries estimate \$125-\$150 million of assets into the DC plan annually. He explained this is our initial fund lineup and it will be reviewed by the vendor and the SIC board on an ongoing basis.

Mr. Chaikin and Mr. Picarelli explained Segal's assessment on the investment lineup including the TIAA Real Estate product. Segal Advisors approved of the real estate fund because of its low correlation with equities, but stressed it was difficult to benchmark because of its 20% allocation to cash. He pointed out the product is unique because it provides participants with direct investments in real estate and not REITs.

Treasurer Raimondo pointed out it is a low-fee for this type of product and Mr. Reilly said participants would not have access to a quality product like this outside the D/C plan.

Mr. Picarelli explained their scoring process and said it is difficult for a company to get an A or B rating from Segal. Having said that, he said all of the funds in the lineup were rated A or B except for the PIMCO real-return and TIAA Real Estate funds. He reiterated the fees for the plan were very low relative to other index funds in their universe. The PIMCO fund was rated lower because it was more diversified than the benchmark and has more alpha potential. It has done very well in terms of performance compared to its peers. TIAA Real Estate received a lower score because the benchmark being used is a REIT index. It would be scored higher if adjusted. Given it doesn't fit into their rating system, Mr. Picarelli said a more applicable rating would be "N/A."

Mr. Dingley reiterated this is an open platform and can change any time.

On a motion by Ms. Reback and seconded by Ms. Booth Gallogly, it was unanimously **VOTED: To approve the investment menu as presented by staff on page two of the handout.**

#### **IV. Plan Design and Document Review**

Mr. Dingley reviewed the plan feature recommendations. They are: No employee elective pre-tax or after-tax contributions; no loans or hardship distributions; rollovers permitted into and out, but transfers are not permitted; normal form of benefit is a life annuity; all IRS permissible options including annuities, lump sums and installments; joint and survivor annuity with spouse is not mandated; no contribution if no compensation for military service, but can qualify as separation from service; and participant fees of \$32 for TIAA and \$8 state administration fee subject to state legislative budget determinations.

Mr. Dingley explained the only elective contribution is a onetime irrevocable election and pointed out it is a retirement plan not a savings plan.

Mr. Dingley said staff is recommending the SIC approve the \$8 additional participant fee subject to the state legislative budget determination. He pointed out even at \$40; the fee is much lower than initially proposed from TIAA and other vendors in the RFP process.

Mr. Costello pointed out none of the decisions being made are irrevocable.

On a motion by Mr. Costello and seconded by Ms. Reback, it was unanimously **VOTED: To approve the initial plan feature recommendations.**

## **V. Contract Status**

Mr. Dingley explained the initial service provider contract is signed. The stable value, real estate and custodial contracts are being reviewed by staff and legal counsel.

## **VI. Communication/Education Update**

Mr. Dingley said TIAA was on hand four days last week and four this week meeting with unions, the Department of Education, The League of Cities and Towns among other interested groups to figure out how to best communicate the program. TIAA has 198 meetings across the state and 52 counselors to meet with the individual participants.

Mr. Lopes updated the committee and said education and communication is going smoothly. Treasurer Raimondo explained her office has received calls praising TIAA's initial efforts.

## **VII. Adjournment**

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

Respectfully submitted,



**Gina M. Raimondo**  
General Treasurer



**State Investment Commission**  
**Monthly Meeting Minutes**  
**Wednesday, March 28, 2012**  
**9:00 a.m.**  
**Room 135, State House**

The Monthly Meeting of the State Investment Commission (SIC) was called to order at 9:05 a.m., Wednesday, March 28, 2012 in Room 135, State House.

## **I. Roll Call of Members**

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

Also in attendance: Ms. Sally Dowling, of Adler Pollock, & Sheehan, Mr. Joe Rodio Jr. of Rodio & Ursillo Legal Counsel to the Commission; Mr. Alan Emkin, Mr. John Burns and Lindsey Sugar, of Pension Consulting Alliance (PCA), General Policy and Real Estate Consultant to the Commission; Mr. Thomas Lynch of Cliffwater, Alternative Investment Consultant to the Commission; Mr. Kenneth Goodreau, chief investment officer, members of Rhode Island's House and Senate staff and members of the Treasurer's staff.

Treasurer Raimondo called the meeting to order at 9:05 a.m.

## **II. Cliffwater Presentation**

Mr. Lynch explained the hedge fund implementation has been completed. He continued to review the monitoring and risk analysis process, the February 2012 performance, hedge fund impact on overall asset allocation and the quarterly review procedure.

Mr. Lynch mentioned Cliffwater has a hedge fund research staff meeting weekly and also a weekly call with Treasury staff every Monday to discuss major themes from their weekly review. He described their monthly conference call process with each manager which is exhibited in the SIC book monthly and in the quarterly report. Cliffwater also has a portfolio review and investment committee meeting biweekly. They monitor pertinent news on the managers daily. Treasury staff asked them to provide transparency on the impact of the managers in terms of asset allocation and Cliffwater has worked to create a methodology to show the exposure. Mr. Lynch explained the nominal and net exposure. The main take away, Mr. Lynch said is hedge funds reduce asset class exposure and minimize volatility because of their blend of long and short positions.

Mr. Kem Edwards, Treasury analyst described Cliffwater's comparison on expected performance and risk measurements post-hedge fund implementation.

Mr. Lynch reviewed the performance and volatility of the hedge fund managers as of February 29, 2012 and noted the average manager has only been in place for two months during a major beta rally. He then reviewed the quarterly report for those funded in 2011.

### **III. General Consultant Presentation**

Mr. Emkin recapped part one of the fixed income presentation from February's SIC meeting. He discussed the historic role of fixed income as principal and deflation protection, a liquid income stream with cash flow, as another way to diversify. He said fixed income historically returns 2% real return.

Using a graph on page 7 of the presentation Mr. Emkin explained the fixed income yield compared to the S&P dividend yield over the last eleven years. Historically fixed income yielded 6% more than dividends and now both are about 2%.

Mr. Goodreau pointed out this slide is not intended to show dividends are now good compared to fixed income yields. He said we have seen times when dividends were 5 or 6% and this slide highlights both returns are below average.

Mr. Emkin explained the portfolio must pick up more than 5% on capital appreciation to hit the 7.5% target if fixed income only yields 2%. He explained hitting 5% will be a challenge in a low growth environment especially in the developed markets.

Mr. Emkin took the committee through the roles and characteristics of fixed income in today's environment and explained if they still hold true.

Mr. Emkin cautioned there is no silver bullet to solve an issue of this magnitude, but there are solutions in the fixed income space that mitigate some of the risks. The first is to create a laddered portfolio of high-grade securities with a relatively short-duration. Another potential solution is to dedicate part of the portfolio to floating-rate instruments and absolute return products.

Treasurer Raimondo asked how this would be different from the protections in the hedge fund allocations and Mr. Emkin explained they would most likely provide different variations.

Mr. Emkin explained the next steps and opened it up for discussion.

Mr. Costello and the committee discussed shortening duration of treasuries and weighed accepting lower interest rates in the next 6-18 months to reduce risk. Mr. Goodreau explained accepting lower interest rates in the short-term should save us in the long run if and when these fixed income themes play out.

### **IV. Real Estate Consultant Report**

Mr. Emkin explained historically, real estate was strategically put in the portfolio to eliminate risk. He gave a preliminary overview of the real estate portfolio and said there are more capital appreciation instruments than traditional low-risk core investments.

Mr. Emkin pointed out the entire portfolio is underweight real estate even though there are too many managers in the asset class.

Mr. Goodreau said his staff and Ms. Sugar are meeting with all current real estate managers over the next few weeks.

### **V. Legal Counsel Report**

There was no legal report.



## **VI. Chief Investment Officer Report**

Mr. Goodreau gave an overview of the RFI under review. He pointed out some of the benchmark data is incorrect because of the new hedge fund mix and staff is working to rectify the issue. Mr. Goodreau spoke about the asset liability study and the mandate to be more global and staff is working to be tighter with policy around the indexes in this regard. Mr. Costello asked about private equity managers with vintage years 2007 and 2008 and Mr. Goodreau said some will extend in 2013 and some are liquidating.

## **VII. Treasurer's Report**

Treasurer Raimondo said her office is working hard to educate state and municipal employees on how the Retirement Security Act of 2011 affects them. She said there are 55 group presentations in the next two months. Treasurer Raimondo then praised TIAA-CREF for their efforts and explained they have been well received by the employees.

## **VIII. Adjournment**

There being no other business to come before the Board, on a motion by Ms. Reback and seconded by Mr. Costello the meeting adjourned at 10:29 a.m.

Respectfully submitted,



**Gina M. Raimondo**  
General Treasurer



**State Investment Commission  
Monthly Meeting Minutes  
Wednesday, April 25, 2012  
9:00 a.m.  
Room 135, State House**

The Monthly Meeting of the State Investment Commission (SIC) was called to order at 9:05 a.m., Wednesday, April 25, 2012 in Room 135, State House.

## **I. Roll Call of Members**

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

Also in attendance: Ms. Sally Dowling, of Adler Pollock, & Sheehan, Mr. Joe Rodio Jr. of Rodio & Ursillo, Legal Counsel to the Commission; Mr. John Burns of Pension Consulting Alliance (PCA), General Policy and Real Estate Consultant to the Commission; Mr. Steve Nesbitt of Cliffwater, Alternative Investment Consultant to the Commission; Ms. Lisa Tyrell of State Street Corporation; Mr. Kenneth Goodreau, chief investment officer; members of Rhode Island's House and Senate staff; the Auditor General's staff and the Treasurer's staff.

Treasurer Raimondo called the meeting to order at 9:05 a.m.

## **II. Approval of Minutes**

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

**VOTED: To approve the draft of the minutes of the February 27, 2012 meeting of the State Investment Commission.**

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

**VOTED: To approve the draft of the minutes of the March 19, 2012 meeting of the State Investment Commission.**

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

**VOTED: To approve the draft of the minutes of the March 28, 2012 meeting of the State Investment Commission.**

## **III. Alternatives Presentation**

Mr. Nesbitt previewed his presentation on the risk/return profile of hedge funds in the portfolio and about their performance to date. He explained hedge funds were implemented to lower volatility without forfeiture in long-term return. He reviewed PCA's capital market expectations in the different asset classes.

Mr. Goodreau pointed out these are benchmark numbers and our portfolio construction has even lower risk numbers.

Mr. Nesbit then reviewed the total fund asset allocation policy with and without hedge funds. He then used the SIC book to review performance for fixed income, global equity and absolute return hedge funds against their benchmarks. He pointed out all performance is net of fees.

Mr. Goodreau explained performance is skewed downward because capital for certain hedge funds was deployed at different times yet they are weighted equally.

The group further discussed processes of reviewing the hedge fund portfolio and individual managers. Mr. Nesbitt explained there are about 100 hedge funds their 30 clients invest in and on average they redeem about 2 per year.

Mr. Reilly asked about a key person departure at First Reserve and Mr. Kem Edwards, Treasury staff reviewed Cliffwater's recent memo on the situation.

#### **IV. General Consultant Presentation**

Treasurer Raimondo gave a brief overview of last month's fixed income presentation and introduced Mr. Burns.

Mr. Burns recommended ERSRI reduce the fixed income allocation from 20% of the portfolio to 15%. He concurrently recommended increasing the real return allocation from 11% of the portfolio to 16%.

PCA then recommended reconfiguring the fixed income to more U.S. Core and government guaranteed mortgage backed allocation. They then recommended adding more floating rate notes, senior loans, inflation-lined infrastructure investments and possibly short-term high-yield securities. Mr. Burns also recommended adding absolute return hedge funds which have already been added to the portfolio in the last few months and would be classified as absolute return not fixed income. Mr. Burns reviewed the current fixed income portfolio and recommended rebalancing by adding US Treasuries and decreasing corporate credit.

Mr. Fay expressed concern about buying overvalued US Treasuries and Mr. Burns explained they still serve a role in the portfolio and even after rebalancing it would still be less than the benchmark. Mr. Costello pointed out the more substantial move is from 20% to 15%.

Mr. Burns analyzed the portfolio duration at 4.6 years. He explained after reconfiguration it should go down to about 3.8 years and should interest rates go up we will be better positioned. The group discussed what the portfolios average duration should be and to what extent to purchase Treasuries.

Mr. Goodreau pointed out simply classifying the hedge funds from fixed income to absolute return will automatically lower fixed income from 20% to 18%.

It was determined this being an important, difficult issue, PCA would return next month with more concrete recommendations to be voted on.

Mr. Nesbit stated it is refreshing to see a board looking ahead and not behind.

#### **V. Legal Counsel Report**

There was no legal report.

## **VI. Chief Investment Officer Report**

Mr. Goodreau updated the board on the custody RFP process and provided a timeline. Treasurer Raimondo explained the last custodian RFP was done in 2000 and whenever a contract expires an RFP should be conducted to ensure competitive pricing and top-notch services.

## **VII. Treasurer's Report**

Treasurer Raimondo applauded TIAA-CREF for their efforts getting the plan started and said they are opening an office in downtown Providence in May. She explained OSIP was launched last week with about \$400M of its cash and said the board should look forward to updates about OSIP and the CollegeBoundfund® in coming meetings. Mr. Dingley and Treasurer Raimondo gave a brief update on AllianceBernstein, their Morningstar ratings and their new index fund with lower fees for participants.

## **VIII. Adjournment**

There being no other business to come before the Board, on a motion by Mr. Costello and seconded by Mr. Giudici the meeting adjourned at 10:47 a.m.

Respectfully submitted,



**Gina M. Raimondo**  
General Treasurer



## State Investment Commission

### Monthly Meeting Minutes

Wednesday, May 23, 2012

9:00 a.m.

Room 135, State House

The Monthly Meeting of the State Investment Commission (SIC) was called to order at 9:05 a.m., Wednesday, May 23, 2012 in Room 135, State House.

### I. Roll Call of Members

The following members were present: Ms. Rosemary Booth Gallogly, Mr. J. Michael Costello, Mr. Thomas Fay, Ms. Paula McNamara, Mr. Andrew Reilly and General Treasurer Gina Raimondo. Mr. Giudici arrived at 10:16 a.m.

Also in attendance: Ms. Maggie Littlefield Sahlman and Mr. David McKenna, of Advent International; Mr. Bernie Buonanno, Mr. Habib Gorgi and Mr. Scott Hillinski, of Nautic Partners; Mr. Allan Emkin and Mr. John Burns, of Pension Consulting Alliance (PCA), General Policy Consultant to the Commission; Mr. Steve Nesbitt and Mr. Thomas Lynch of Cliffwater, Alternative Investment Consultant to the Commission; Ms. Lisa Tyrell of State Street Corporation; Kenneth Goodreau, chief investment officer and members of the Treasurer's staff and the Office of the Auditor General.

Treasurer Raimondo called the meeting to order at 9:05 a.m.

### II. Approval of Minutes

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

**VOTED: To approve the draft of the minutes of the April 25, 2012 meeting of the State Investment Commission.** Mr. Giudici was not present for the vote.

### III. Advent International Presentation

Mr. McKenna introduced Advent, and explained their focus is on control-oriented business transformation opportunities in select sectors that produce absolute returns. He mentioned EBITDA growth and its composition for European investments.

Ms. Littlefield Sahlman walked through the firm's competitive landscape and described the firm's breakdown of personnel and sector focus.

Mr. McKenna discussed the firm's operating expertise and described the operating partner program. He walked through the firm's deal types and their sector-based breakdown.

Treasurer Raimondo asked about specifics on Fund VI. Ms. Sahlman and Mr. McKenna walked through metrics.

Treasurer Raimondo asked about the realization on investments and their expected time horizon. Ms. Sahlman referenced the presentation for benchmarking, current investment performance and overall positive outlook on performance of open funds.

Mr. Goodreau asked about investment overlap between funds VI and VII. Ms. Sahlman stated the COO decides fund allocation and that it is a technical process.

Treasurer Raimondo asked about distributions paid in and cash multiples. Ms. Sahlman and Mr. McKenna explained the funds' leverage and entry price points.

Ms. Littlefield Sahlman and Mr. McKenna left the room.

Treasurer Raimondo asked Mr. Lynch how he decided the amount for investment to be granted to Advent International. Mr. Lynch responded by noting the \$150 million that will be committed to private equity, with the intention of six to seven investments, thus the roughly \$20 million for each LP.

On a motion by Mr. Costello and seconded by Ms. Booth Gallogly, it was unanimously **VOTED: to commit \$20 million to Advent International, for investment in GPE VII predicated on satisfactory completion of all due diligence.** Mr. Giudici was not present for the vote.

#### **IV. Pension Consulting Alliance—Fixed Income Presentation**

Mr. Emkin updated the board about the current and forecasted economic landscape. Mr. Emkin and other investment collogues do not believe inflation will fall below 2.3% anytime in the foreseeable future, a challenge for the 7.5% annual return projection.

He made four proposals: 1) fixed income in portfolio should match up with the role of the asset, 2) inflation sensitive securities should be added to the real return portfolio, 3) inflation linked equity assets to the real return portfolio, 4) and there should be a modest reduction in growth equity.

Mr. Kenneth Goodreau explained some of these changes are simply a reassignment of bucketing in terms of asset allocation.

Mr. Emkin said these changes would significantly reduce interest rate risk, helping the pension fund to achieve a goal of CPI + 4%, whereas the current portfolio is lucky to achieve CPI + 50bp.

He highlighted the inclusion of MLPs in the portfolio for active management and inflation hedging. He stressed returns will be smoothed and yield will most likely increase looking ahead.

Ms. Booth Gallogly asked how these changes might affect fees. Both Mr. Goodreau and Mr. Emkin explained there will be no significant change in fees.

On a motion by Mr. Reilly and seconded by Ms. Booth Gallogly, it was unanimously **VOTED: To accept the changes in portfolio composition and asset allocation on page 4 of PCA's presentation.**

#### **V. Nautic Partners Presentation**

Mr. Gorgi stated that the goal for investments is a 2.5x growth in invested capital. Mr. Buonanno described the existing relationship between ERSRI and Nautic Partners given its investments in funds V and VI. He then gave an update on the investment themes in funds V and VI.

Treasurer Raimondo asked about closing dates and distributions. Mr. Buonanino explained Nautic is putting the LPs first and distributing all of their capital before any MP distribution. Ms. Booth Gallogly asked about duration, and Mr. Hillinksi explained, if IRR is increasing with time, it is apparent that there was some value to be unlocked.

On a motion by Mr. Fay and seconded by Mr. Reilly, it was unanimously **VOTED: to commit \$20 million to Nautic Partners VII, predicated on satisfactory completion of all due diligence.**

## **VI. CIO Report**

Mr. Goodreau reported he and his team are reviewing RFP responses and they have met with all four respondents. Mr. Goodreau added the contract with State Street needs to be extended for price protection, even while considering other options.

Ms. Paula McNamara asked about the other vendors under consideration. Mr. Goodreau responded that the other vendors are JPMorgan, Northern Trust Company and Bank New York Mellon.

Mr. Goodreau stressed each proposal must be properly considered relative to the others, to compare apples to apples. Treasurer Raimondo concluded her staff needs more time to make sure comparison is done properly.

On a motion by Mr. Costello and seconded by Mr. Fay, it was unanimously **VOTED: to extend the existing contract with State Street.**

## **IX. Legal Counsel Report**

There was no legal update.

## **XII. Adjournment**

There being no other business to come before the Board, on a motion by Mr. Costello and seconded by Ms. Booth Gallogly the meeting adjourned at 11:00 a.m.

Respectfully submitted,



**Gina M. Raimondo**  
General Treasurer



## State Investment Commission

### Monthly Meeting Minutes

Wednesday, June 27, 2012

9:00 a.m.

Room 135, State House

The Monthly Meeting of the State Investment Commission (SIC) was called to order at 9:09 a.m., Wednesday, June 27, 2012 in Room 135, State House.

### I. Roll Call of Members

The following members were present: Ms. Rosemary Booth Gallogly, Mr. J. Michael Costello, Mr. Thomas Fay, Mr. Robert Giudici, Ms. Paula McNamara, Ms. Marcia Reback and General Treasurer Gina Raimondo. Mr. Giudici departed at 10:21 a.m.

Also in attendance: Mr. Thomas Lynch of Cliffwater, Alternative Investment Consultant to the Commission; Ms. Lisa Tyrell of State Street Corporation; Mr. German Hovakimian and Mr. George Mellman of Fidelity Investments; Mr. Gregory Miller and Ms. Kay Carey-Reid, of ING; Mr. Ron Sanchies, Mr. Gregg Libutti, and Mr. Mark Draud, of VALIC; Mr. Allan Emkin, Mr. John Burns, Mr. David Glickman, and Ms. Lindsey Sugar, of Pension Consulting Alliance (PCA), General Policy and Real Estate Consultant to the Commission; Mr. Larry Brown and Mr. Tim Walsh of TIAA-CREF; Ms. Deborah Blair and Ms. Susan Rodriguez, of the Department of Administration; Ms. Sally Dowling, of Adler Pollock Legal Counsel to the Commission; Kenneth Goodreau, chief investment officer and members of the Treasurer's staff and the Office of the Auditor General.

Treasurer Raimondo called the meeting to order at 9:09 a.m.

### II. Approval of Minutes

On a motion by Ms. Booth Gallogly and seconded by Mr. Fay, it was unanimously **VOTED: To approve the draft of the minutes of the May 23, 2012 meeting of the State Investment Commission.**

### III. 457 Plan

Mr. Goodreau explained there is significant overlap with current 457 plan offerings, so while participants might think they are diversified, they might have funds which are highly correlated. He explained the newly proposed plans present a better balance of higher performing funds with lower fees as well as low fee index options in each category.

Mr. Hovakimian introduced Mr. Mellman and himself, of Fidelity Investments. He explained they removed the annual per participant fee. Mr. Mellman walked through the changes in the fund menu, mentioning that redundancies had been removed.

Mr. Giudici asked about customer service over the phone. Mr. Mellman explained strong suggestions are made regarding the choice of funds. Ms. Gallogly asked how many people are going to be impacted, and Mr. Mellman answered that more than half will be impacted from



the changes. Mr. Fay asked if there is a default switch. Mr. Mellman responded target date funds are the default option, but self-directed brokerage is also an option.

Treasurer Raimondo asked how long it would take to get everything switched over if voted on today. Mr. Hovakimian responded that it would take about 120 days.

Ms. McNamara asked how often the plan will be revisited. Mr. Goodreau responded staff will meet semi-annually and they will update the SIC annually.

Treasurer Raimondo asked when the last time changes were made, and Mr. Goodreau responded these plans have not been reviewed in a very long time.

Mr. Miller introduced Ms. Carey-Reid and himself, of ING. He explained the customer service model and pointed out there were about 300 new enrollments this year. He mentioned the proposed plan reduces fund overlap. Ms. Carey-Reid walked through the fund changes, adding there is no self-directed brokerage option.

Mr. Costello asked if one could participate in all three plans, and General Treasurer Raimondo answered affirmatively, adding to consolidate plans into one administrator would require legislative change.

Ms. Carey-Reid mentioned the ING plan has \$106 million in assets and 3100 participants.

Ms. Reback asked if participants can stay where they are, and Ms. Carey-Reid responded negatively. Mr. Goodreau stressed that change is a good thing in this situation, citing lower costs and better funds.

Mr. Sanchies introduced Mr. Libutti, Mr. Draud, and himself, of VALIC. Mr. Draud mentioned the proposed plan was streamlined. He also mentioned the average expense ratio with the proposed plan is .4%, compared to the current 1%.

Mr. Costello asked about the size of the plan, and Mr. Sanchies responded there were \$32 million in assets and 900 participants. Mr. Draud added only 10.8% of the assets will be moved. Ms. Reback asked if a participant can stay in a deleted fund, and Mr. Sanchies responded it is not an option. Mr. Fay asked when the last change had happened, and Mr. Sanchies responded the current plan is almost the original lineup from 1999.

General Treasurer Raimondo thanked VALIC for much reduced fees.

Mr. Fay asked about doing an overall communication, and Ms. Rodriguez, of the Department of Administration, introduced herself. Ms. Rodriguez mentioned while this was a lot of change, it is ultimately beneficial.

On a motion by Mr. Thomas Fay and seconded by Ms. Marcia Reback, it was unanimously **VOTED: to approve changes to the 457 plan as suggested, subject to the board finalizing all documentation, also subject to the vendors precisely clarifying each party's fiduciary duty.**

#### **IV. Pension Consulting Alliance—Real Estate Presentation**

Mr. Emkin introduced Mr. Glickman, Ms. Sugar, and himself, as representatives of Pension Consulting Alliance.

Mr. Glickman explained the board should revise its real estate investment policy and add more description to risk by adopting a leverage standard and expanding possible investment options to include vehicles like REITs.

Mr. Glickman mentioned it would be advisable to make larger investments with fewer managers relying on current income and reliability of income. Current returns in the portfolio do not warrant current levels of risk, he added.

Mr. Goodreau recommended letting the market dictate the speed at which these transactions are made, and Mr. Glickman, on behalf of PCA, concurred.

Ms. Gallogly asked about secondary sales, and Ms. Sugar said they recommend 7, and she would be happy to go into the details at another time.

Mr. Glickman further cited the diversification advantage with adding REITs to the portfolio. General Treasurer Raimondo asked PCA to redraft the policy statement and get back to the board, but there was no current need for a vote.

## V. Wellington Technical Equity

Mr. Goodreau mentioned he had spoken with PCA about the Wellington Technical Equity holding. He explained the initial reasoning behind deploying capital in the fund was a need for more hedge-like, flexible, less-market-correlated assets. He said priorities must be kept clear, and alpha generation lies with hedge funds now. With public equity, the goal is low costs and exposure management.

General Treasurer Raimondo added Wellington's fees are high, and without this holding, about \$1 million will be saved each year.

On a motion by Mr. Michael Costello and seconded by Mr. Thomas Fay, it was unanimously **VOTED: to terminate Wellington Technical Equity and unwind the current holding.** Mr. Giudici was not present.

## VI. CIO Report

Mr. Goodreau thanked his staff for their work on the 457 plan changes, and mentioned there were 4 custodians under review for pension custody services, but that State Street and Bank of New York Mellon were the finalists.

Mr. Goodreau mentioned it is not just an absolute cost analysis, but that limited staffing resources should be considered, encouraging the board to talk to staff about changes and their opinions.

General Treasurer Raimondo added the defined contribution plan would be going live in the upcoming week, and mentioned folks from TIAA-CREF would be hosting a fiduciary training session following adjournment.

Mr. Goodreau concluded by mentioning the plan was outperforming all its benchmarks and that volatility was down.

## VII. Legal Counsel Report

There was no legal update.

## **VIII. Adjournment**

There being no other business to come before the Board, on a motion by Ms. Gallogly and seconded by Ms. Reback the meeting adjourned at 10:58 a.m.

Respectfully submitted,

A handwritten signature in black ink that reads "Gina Raimondo". The signature is written in a cursive style with a loop at the end of the last name.

**Gina M. Raimondo**  
General Treasurer