

STATE OF RHODE ISLAND

ANNUAL REPORT OF THE TREASURY DEPARTMENT

FISCAL YEAR 2013

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, 2013 pursuant to Section 42-10-17 of the Rhode Island General Laws. The Annual Report summarizes the state's revenues and expenditures, cash investments, and activity involving state-administered retirement plans, as well as debt issues and payments.

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

Additionally, we continue to make improvements to our cash management and monitoring practices. This is important to note because Treasury oversees cash flows of \$25 million to \$150 million daily, with overall daily balances of \$400 million to \$900 million. The team also completed its first comprehensive review of the state's day-to-day banking services in at least 15 years. This effort lowered overall bank fees by 38 percent and improved services provided to the state.

Accurately compiling this report 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.

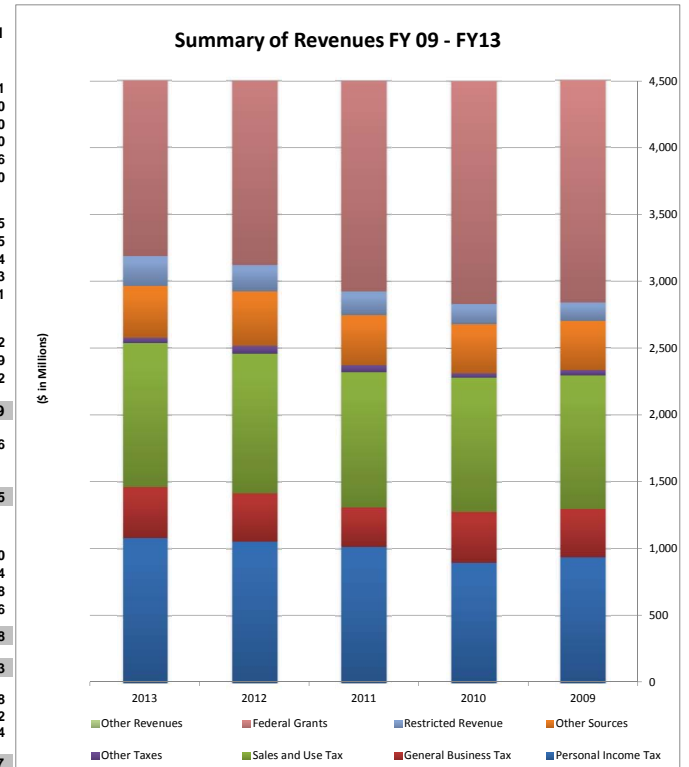
Sincerely,

Gina Raimondo
General Treasurer

REVENUES AND EXPENDITURES

State of Rhode Island
Summary of Revenues
June 30, 2013

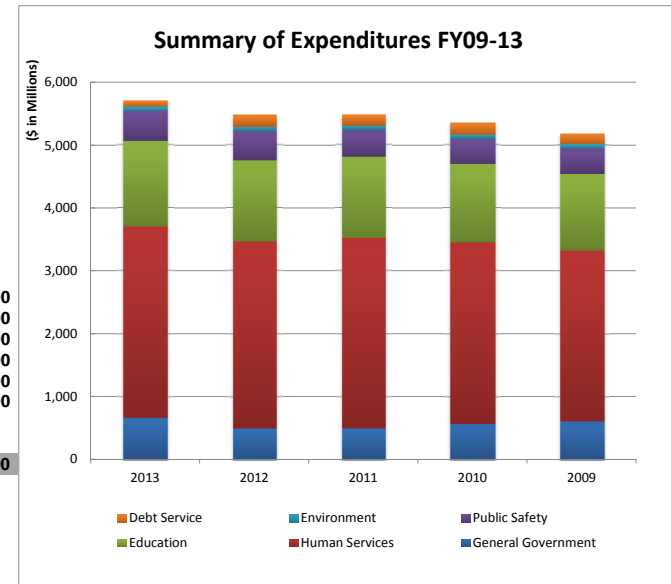
| | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|--------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| PERSONAL INCOME TAX | \$ 1,085,765,000 | \$ 1,060,482,000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



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

State of Rhode Island
Summary of Expenditures
June 30, 2013

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|---------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| General Government | \$ 667,461,000 | \$ 507,698,000 | \$ 510,102,000 | \$ 577,900,000 | \$ 618,914,000 |
| Human Services | \$ 3,042,755,000 | \$ 2,969,166,000 | \$ 3,009,098,000 | \$ 2,884,418,000 | \$ 2,711,166,000 |
| Education | \$ 1,360,183,000 | \$ 1,281,879,000 | \$ 1,287,549,000 | \$ 1,239,074,000 | \$ 1,217,271,000 |
| Public Safety | \$ 463,758,000 | \$ 459,114,000 | \$ 428,687,000 | \$ 394,860,000 | \$ 401,976,000 |
| Environment | \$ 70,145,000 | \$ 75,141,000 | \$ 71,812,000 | \$ 67,427,000 | \$ 68,933,000 |
| Debt Service | \$ 104,918,000 | \$ 184,960,000 | \$ 182,595,000 | \$ 189,355,000 | \$ 169,956,000 |
| Total Expenditures | \$ 5,709,220,000 | \$ 5,477,958,000 | \$ 5,489,843,000 | \$ 5,353,034,000 | \$ 5,188,216,000 |



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

SHORT TERM CASH AND INVESTMENTS

State of Rhode Island
Office of the General Treasurer
Schedule of Interest Earned
FY 2013

| Fund | Count | Amt. Matured | Interest Earned | (W)Avg Interest Rate | (W)Avg Duration (Days) |
|-------------------------------------|-------------|-------------------------|------------------------|----------------------|------------------------|
| GENERAL FUND | 250 | \$ 2,688,042,301.56 | \$ 642,301.56 | 0.33% | 1.00 |
| H.A.V.A | 12 | \$ 294.00 | \$ 0.21 | 0.07% | 1.00 |
| GENERAL FUND (HIST PRES) | 12 | \$ 536,502.00 | \$ 742.99 | 0.14% | 1.00 |
| HISTORIC TAX CREDIT | 12 | \$ 1,200,979.00 | \$ 1,324.38 | 0.15% | 1.00 |
| HIGHWAY FUND | 103 | \$ 343,426,895.99 | \$ 26,895.99 | 0.20% | 1.00 |
| T.D.I. RESERVE (DET) | 80 | \$ 533,268,664.77 | \$ 201,356.71 | 0.23% | 27.71 |
| RICAP GL FUND | 58 | \$ 25,218,906.13 | \$ 218,906.13 | 0.19% | 1.00 |
| BOND CAPITAL FUND | 39 | \$ 36,507,252.88 | \$ 7,252.88 | 0.22% | 1.00 |
| R.I. CLEAN WATER ACT | 24 | \$ 3,174,216.00 | \$ 3,824.76 | 0.12% | 1.00 |
| STATE LOTTERY FUND | 233 | \$ 385,014,980.01 | \$ 114,980.01 | 0.27% | 1.00 |
| ASSESSED FRINGE BEN ADM | 24 | \$ 1,007,633.00 | \$ 123.70 | 0.18% | 1.00 |
| AUTO EQUIPMENT SERVICE | 15 | \$ 1,600,257.44 | \$ 257.44 | 0.07% | 1.00 |
| HEALTH INSURANCE FUND | 50 | \$ 87,337,896.14 | \$ 37,896.14 | 0.14% | 1.00 |
| FLEET REVOLVING LOAN FUND | 26 | \$ 7,913,485.85 | \$ 13,485.85 | 0.23% | 1.00 |
| EMPLOYEES RETIREMENT | 194 | \$ 465,862,677.92 | \$ 62,677.92 | 0.39% | 1.00 |
| MUNICIPAL EMPLOYEES RET. | 150 | \$ 45,654,523.61 | \$ 4,523.61 | 0.24% | 1.00 |
| RETIREE HEALTH FUND | 21 | \$ 10,868,844.97 | \$ 3,844.97 | 0.15% | 1.00 |
| BOG RETIREE FUND | 13 | \$ 428,105.17 | \$ 105.17 | 0.17% | 1.00 |
| RIPTA HEALTH FUND | 13 | \$ 1,488,011.75 | \$ 11.75 | 0.09% | 1.00 |
| PERMANENT SCHOOL FUND | 25 | \$ 502,199.14 | \$ 2,199.14 | 0.13% | 1.00 |
| TEACHER RETIREE HEALTH FUND | 14 | \$ 2,251,948.95 | \$ 1,948.95 | 0.15% | 1.00 |
| RISTP RETIREE HEALTH | 13 | \$ 567,128.42 | \$ 128.42 | 0.18% | 1.00 |
| RILEG RETIREEHEALTH | 12 | \$ 46,002.49 | \$ 2.49 | 0.09% | 1.00 |
| RIJUD RETIREE HEALTH | 13 | \$ 217,024.62 | \$ 24.62 | 0.08% | 1.00 |
| UNIVERSITY COLLEGE | 24 | \$ 43,404,046.93 | \$ 4,046.93 | 0.14% | 1.00 |
| HIGHER EDUCATION | 17 | \$ 9,301,100.07 | \$ 1,100.07 | 0.13% | 1.00 |
| INDUS. BLDG. & MTG. INS. | 12 | \$ 3,648,557.00 | \$ 4,856.00 | 0.14% | 1.00 |
| Total Short Term Investments | 1467 | \$ 4,698,490,436 | \$ 1,354,818.79 | 0.26% | 4.04 |

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 FY13

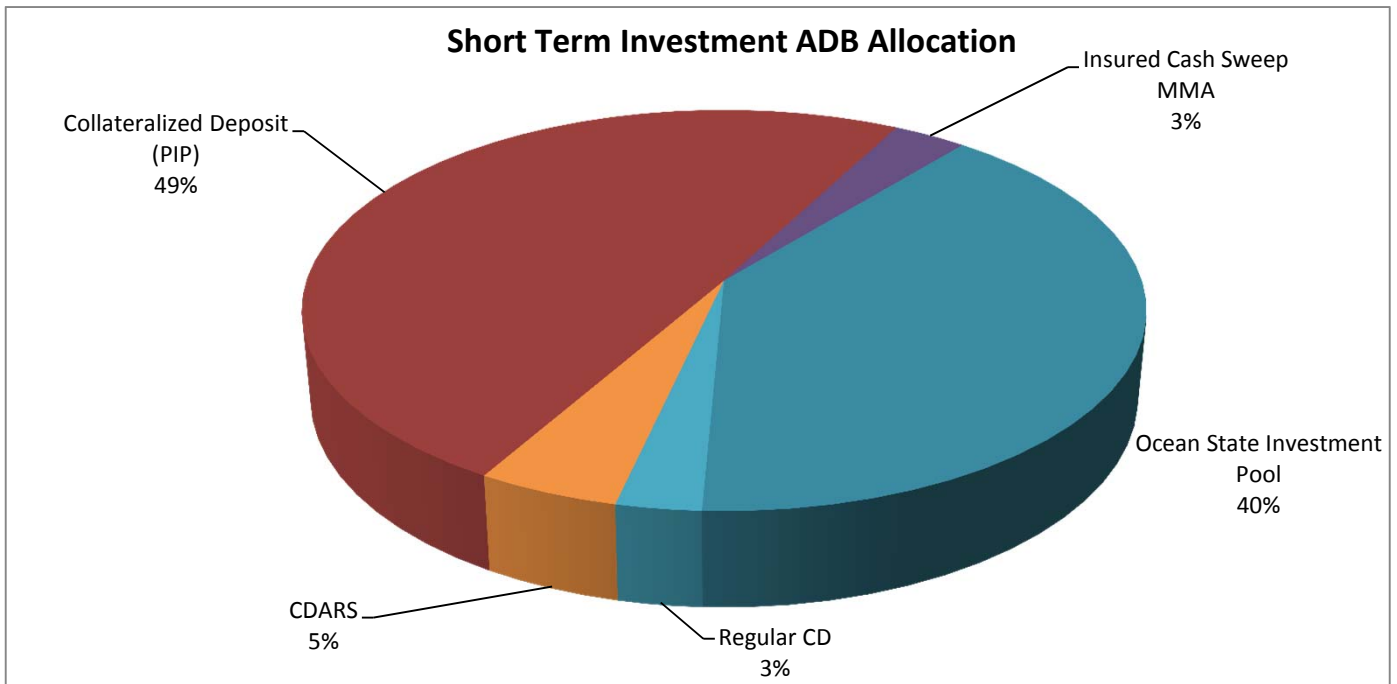
| Fund | Investment Type | Count | Settlement Amount | Earnings | Total | Average Daily Balance | Duration (days) | Yield |
|--|------------------------|------------|-------------------------|-------------------|-------------------------|-----------------------|-----------------|--------------|
| GENERAL FUND | Collateralized Deposit | 235 | \$ 2,653,269,168 | \$ 569,168 | \$ 2,653,838,337 | \$ 141,609,078 | 1.00 | 0.40% |
| | OSIP Fund | 15 | \$ 34,773,133 | \$ 73,133 | \$ 34,846,266 | \$ 52,689,216 | 1.00 | 0.14% |
| GENERAL FUND Total | | 250 | \$ 2,688,042,302 | \$ 642,302 | \$ 2,688,684,603 | \$ 194,298,294 | 1.00 | 0.33% |
| H.A.V.A | Collateralized Deposit | 13 | \$ 294 | \$ 0 | \$ 295 | \$ 294 | 1.00 | 0.07% |
| H.A.V.A Total | | 13 | \$ 294 | \$ 0 | \$ 295 | \$ 294 | 1.00 | 0.07% |
| GENERAL FUND (HIST PRES) | OSIP Fund | 13 | \$ 536,502 | \$ 743 | \$ 537,245 | \$ 536,502 | 1.00 | 0.14% |
| GENERAL FUND (HIST PRES) Total | | 13 | \$ 536,502 | \$ 743 | \$ 537,245 | \$ 536,502 | 1.00 | 0.14% |
| HIST TAX CREDIT | OSIP Fund | 13 | \$ 1,200,979 | \$ 1,324 | \$ 1,202,303 | \$ 888,102 | 1.00 | 0.15% |
| HIST TAX CREDIT Total | | 13 | \$ 1,200,979 | \$ 1,324 | \$ 1,202,303 | \$ 888,102 | 1.00 | 0.15% |
| HIGHWAY FUND | Collateralized Deposit | 66 | \$ 217,219,903 | \$ 19,903 | \$ 217,239,807 | \$ 8,676,129 | 1.00 | 0.23% |
| | OSIP Fund | 37 | \$ 126,206,993 | \$ 6,993 | \$ 126,213,985 | \$ 4,793,721 | 1.00 | 0.15% |
| HIGHWAY FUND Total | | 103 | \$ 343,426,896 | \$ 26,896 | \$ 343,453,792 | \$ 13,469,849 | 1.00 | 0.20% |
| T.D.I. RESERVE (DET) | CDARS | 13 | \$ 326,895,555 | \$ 57,798 | \$ 326,953,354 | \$ 25,116,168 | 28.08 | 0.23% |
| | Collateralized Deposit | 48 | \$ 97,055,751 | \$ 49,007 | \$ 97,104,758 | \$ 15,140,116 | 1.00 | 0.32% |
| | OSIP Fund | 13 | \$ 18,949,514 | \$ 49,514 | \$ 18,999,027 | \$ 33,823,522 | 1.00 | 0.15% |
| | CD | 6 | \$ 90,367,845 | \$ 45,038 | \$ 90,412,883 | \$ 15,035,129 | 60.67 | 0.30% |
| T.D.I. RESERVE (DET) Total | | 80 | \$ 533,268,665 | \$ 201,357 | \$ 533,470,021 | \$ 89,114,935 | 27.71 | 0.23% |
| RICAP GL FUND 21 | Collateralized Deposit | 36 | \$ 96,088 | \$ 96,088 | \$ 192,177 | \$ 40,383,703 | 1.00 | 0.24% |
| | Insured Cash Sweep | 10 | \$ 25,042,838 | \$ 42,838 | \$ 25,085,676 | \$ 17,123,288 | 1.00 | 0.25% |
| | OSIP Fund | 12 | \$ 79,980 | \$ 79,980 | \$ 159,959 | \$ 56,510,466 | 1.00 | 0.14% |
| RICAP GL FUND 21 Total | | 58 | \$ 25,218,906 | \$ 218,906 | \$ 25,437,812 | \$ 114,017,457 | 1.00 | 0.19% |
| BOND CAPITAL FUND | Collateralized Deposit | 39 | \$ 36,507,253 | \$ 7,253 | \$ 36,514,506 | \$ 3,257,071 | 1.00 | 0.22% |
| BOND CAPITAL FUND Total | | 39 | \$ 36,507,253 | \$ 7,253 | \$ 36,514,506 | \$ 3,257,071 | 1.00 | 0.22% |
| R.I. CLEAN WATER ACT | Collateralized Deposit | 13 | \$ 873,269 | \$ 638 | \$ 638 | \$ 873,269 | 1.00 | 0.07% |
| | OSIP Fund | 13 | \$ 2,300,947 | \$ 3,187 | \$ 3,187 | \$ 2,300,947 | 1.00 | 0.14% |
| R.I. CLEAN WATER ACT Total | | 26 | \$ 3,174,216 | \$ 3,825 | \$ 3,825 | \$ 3,174,216 | 1.00 | 0.12% |
| STATE LOTTERY FUND | Collateralized Deposit | 220 | \$ 384,190,617 | \$ 90,617 | \$ 384,281,235 | \$ 25,719,536 | 1.00 | 0.35% |
| | OSIP Fund | 13 | \$ 824,363 | \$ 24,363 | \$ 848,725 | \$ 17,479,735 | 1.00 | 0.14% |
| STATE LOTTERY FUND Total | | 233 | \$ 385,014,980 | \$ 114,980 | \$ 385,129,960 | \$ 43,199,271 | 1.00 | 0.27% |
| ASSESSED FRINGE BEN ADM | Collateralized Deposit | 13 | \$ 7,317 | \$ 5 | \$ 5 | \$ 7,317 | 1.00 | 0.07% |
| | OSIP Fund | 13 | \$ 1,000,316 | \$ 118 | \$ 118 | \$ 61,959 | 1.00 | 0.19% |
| ASSESSED FRINGE BEN ADM Total | | 26 | \$ 1,007,633 | \$ 124 | \$ 124 | \$ 69,277 | 1.00 | 0.18% |
| AUTO EQUIPMENT SERVICE | Collateralized Deposit | 15 | \$ 1,600,257 | \$ 257 | \$ 1,600,515 | \$ 366,702 | 1.00 | 0.07% |
| AUTO EQUIPMENT SERVICE Total | | 15 | \$ 1,600,257 | \$ 257 | \$ 1,600,515 | \$ 366,702 | 1.00 | 0.07% |
| HEALTH INSURANCE FUND | Collateralized Deposit | 12 | \$ 303 | \$ 303 | \$ 606 | \$ 414,834 | 1.00 | 0.07% |
| | OSIP Fund | 38 | \$ 87,337,593 | \$ 37,593 | \$ 87,375,186 | \$ 27,420,748 | 1.00 | 0.14% |
| HEALTH INSURANCE FUND Total | | 50 | \$ 87,337,896 | \$ 37,896 | \$ 87,375,792 | \$ 27,835,582 | 1.00 | 0.14% |
| FLEET REVOLVING LOAN FUND | Collateralized Deposit | 26 | \$ 7,913,486 | \$ 13,486 | \$ 7,926,972 | \$ 5,902,381 | 1.00 | 0.23% |
| FLEET REVOLVING LOAN FUND Total | | 26 | \$ 7,913,486 | \$ 13,486 | \$ 7,926,972 | \$ 5,902,381 | 1.00 | 0.23% |

| Fund | Investment Type | Count | Settlement Amount | Earnings | Total | Average Daily Balance | Duration (days) | Yield |
|---|------------------------|--------------|-------------------------|---------------------|-------------------------|-----------------------|-----------------|--------------|
| EMPLOYEES RETIREMENT | Collateralized Deposit | 194 | \$ 465,862,678 | \$ 62,678 | \$ 465,925,356 | \$ 16,120,144 | 1.00 | 0.39% |
| EMPLOYEES RETIREMENT Total | | 194 | \$ 465,862,678 | \$ 62,678 | \$ 465,925,356 | \$ 16,120,144 | 1.00 | 0.39% |
| MUNICIPAL EMPLOYEES RET. | Collateralized Deposit | 150 | \$ 45,654,524 | \$ 4,524 | \$ 45,659,047 | \$ 1,920,436 | 1.00 | 0.24% |
| MUNICIPAL EMPLOYEES RET. Total | | 150 | \$ 45,654,524 | \$ 4,524 | \$ 45,659,047 | \$ 1,920,436 | 1.00 | 0.24% |
| RETIREE HEALTH FUND | OSIP Fund | 21 | \$ 10,868,845 | \$ 3,845 | \$ 10,872,690 | \$ 2,634,725 | 1.00 | 0.15% |
| RETIREE HEALTH FUND Total | | 21 | \$ 10,868,845 | \$ 3,845 | \$ 10,872,690 | \$ 2,634,725 | 1.00 | 0.15% |
| BOG RETIREE FUND | OSIP Fund | 13 | \$ 428,105 | \$ 105 | \$ 428,210 | \$ 61,229 | 1.00 | 0.17% |
| BOG RETIREE FUND Total | | 13 | \$ 428,105 | \$ 105 | \$ 428,210 | \$ 61,229 | 1.00 | 0.17% |
| RIPTA HEALTH FUND | OSIP Fund | 13 | \$ 1,488,012 | \$ 12 | \$ 1,488,024 | \$ 12,694 | 1.00 | 0.09% |
| RIPTA HEALTH FUND Total | | 13 | \$ 1,488,012 | \$ 12 | \$ 1,488,024 | \$ 12,694 | 1.00 | 0.09% |
| PERMANENT SCHOOL FUND | Collateralized Deposit | 12 | \$ - | \$ 0 | \$ 0 | \$ 693 | 1.00 | 0.07% |
| | OSIP Fund | 13 | \$ 502,199 | \$ 2,199 | \$ 504,397 | \$ 1,630,451 | 1.00 | 0.13% |
| PERMANENT SCHOOL FUND Total | | 25 | \$ 502,199 | \$ 2,199 | \$ 504,398 | \$ 1,631,144 | 1.00 | 0.13% |
| TEACHER RETIREE HEALTH FUND | OSIP Fund | 14 | \$ 2,251,949 | \$ 1,949 | \$ 2,253,898 | \$ 1,312,844 | 1.00 | 0.15% |
| TEACHER RETIREE HEALTH FUND Total | | 14 | \$ 2,251,949 | \$ 1,949 | \$ 2,253,898 | \$ 1,312,844 | 1.00 | 0.15% |
| RISTP RETIREE HEALTH | OSIP Fund | 13 | \$ 567,128 | \$ 128 | \$ 567,257 | \$ 72,360 | 1.00 | 0.18% |
| RISTP RETIREE HEALTH Total | | 13 | \$ 567,128 | \$ 128 | \$ 567,257 | \$ 72,360 | 1.00 | 0.18% |
| RILEG RETIREEHEALTH | Collateralized Deposit | 12 | \$ 46,002 | \$ 2 | \$ 46,005 | \$ 2,913 | 1.00 | 0.09% |
| RILEG RETIREEHEALTH Total | | 12 | \$ 46,002 | \$ 2 | \$ 46,005 | \$ 2,913 | 1.00 | 0.09% |
| RIJUD RETIREE HEALTH | Collateralized Deposit | 13 | \$ 217,025 | \$ 25 | \$ 217,049 | \$ 30,814 | 1.00 | 0.08% |
| RIJUD RETIREE HEALTH Total | | 13 | \$ 217,025 | \$ 25 | \$ 217,049 | \$ 30,814 | 1.00 | 0.08% |
| UNIVERSITY COLLEGE | Collateralized Deposit | 4 | \$ - | \$ 0 | \$ 0 | \$ 61 | 1.00 | 0.07% |
| | OSIP Fund | 20 | \$ 43,404,047 | \$ 4,047 | \$ 43,408,094 | \$ 2,808,328 | 1.00 | 0.14% |
| UNIVERSITY COLLEGE Total | | 24 | \$ 43,404,047 | \$ 4,047 | \$ 43,408,094 | \$ 2,808,389 | 1.00 | 0.14% |
| HIGHER EDUCATION | OSIP Fund | 17 | \$ 9,301,100 | \$ 1,100 | \$ 9,302,200 | \$ 851,504 | 1.00 | 0.13% |
| HIGHER EDUCATION Total | | 17 | \$ 9,301,100 | \$ 1,100 | \$ 9,302,200 | \$ 851,504 | 1.00 | 0.13% |
| INDUS. BLDG. & MTG. INS. | OSIP Fund | 13 | \$ 3,648,557 | \$ 4,856 | \$ 4,856 | \$ 3,467,736 | 1.00 | 0.14% |
| INDUS. BLDG. & MTG. INS. Total | | 13 | \$ 3,648,557 | \$ 4,856 | \$ 4,856 | \$ 3,467,736 | 1.00 | 0.14% |
| | | 1,467 | \$ 4,698,490,436 | \$ 1,354,819 | \$ 4,699,845,255 | \$ 527,056,863 | 4.04 | 0.26% |

| Investment Type | Count | Settlement Amount | Earnings | Total | Average Daily Balance | Duration (days) | Yield |
|------------------------|--------------|-------------------------|---------------------|-------------------------|-----------------------|-----------------|--------------|
| Collateralized Deposit | 1,121 | \$ 3,909,633,350 | \$ 913,956 | \$ 3,910,547,307 | \$ 260,425,491 | 1.00 | 0.38% |
| Insured Cash Sweep | 10 | \$ 25,042,838 | \$ 42,838 | \$ 25,085,676 | \$ 17,123,288 | 1.00 | 0.25% |
| CD | 6 | \$ 90,367,845 | \$ 45,038 | \$ 90,412,883 | \$ 15,035,129 | 60.67 | 0.30% |
| CDARS | 13 | \$ 326,895,555 | \$ 57,798 | \$ 326,953,354 | \$ 25,116,168 | 28.08 | 0.23% |
| OSIP Fund | 317 | \$ 338,720,441 | \$ 295,188 | \$ 339,015,629 | \$ 209,356,788 | 1.00 | 0.15% |
| | 1,467 | \$ 4,698,490,436 | \$ 1,354,819 | \$ 4,699,845,255 | \$ 527,056,863 | 4.04 | 0.26% |

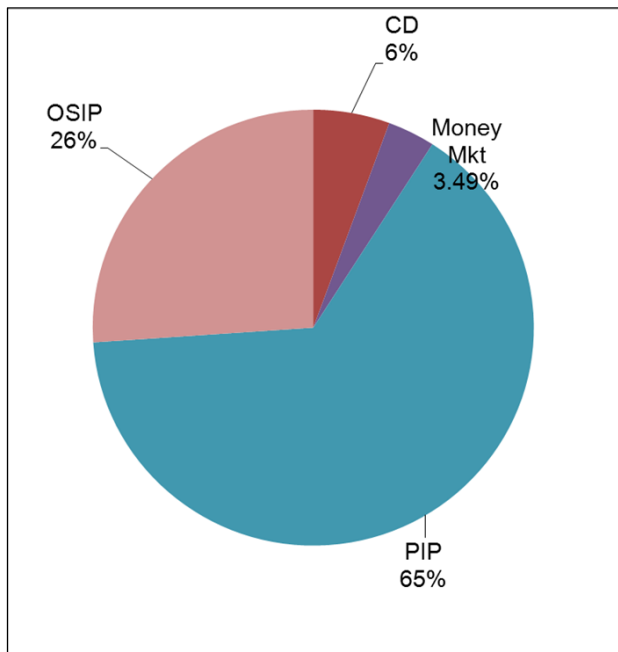
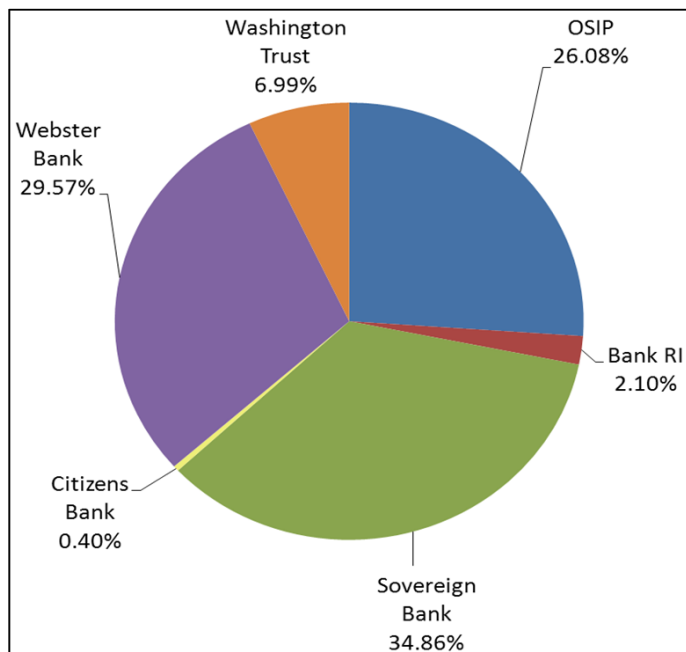
State of Rhode Island
Short Term Cash Monthly Performance
Performance By Vehicle for
July 01, 2012 to June 30, 2013

| Investment Type | Earnings | Yield(Annual) | ADB |
|------------------------------|------------------------|----------------------|--------------------------|
| Repurchase Agreement | | | \$ - |
| Collateralized Deposit (PIP) | \$ 913,956.25 | 0.35% | \$ 260,425,491.03 |
| Money Market Fund (MMKT) | | | |
| Insured Cash Sweep MMA | \$ 42,838.24 | 0.25% | \$ 17,123,288.09 |
| Ocean State Investment Pool | \$ 295,188.09 | 0.14% | \$ 209,356,788.11 |
| US Treasury Bills | | | \$ - |
| FNMA Discount Note | | | \$ - |
| FHLB Discount Note | | | \$ - |
| FFCB Discount Note | | | \$ - |
| Commercial Paper | | | \$ - |
| Regular CD | \$ 45,037.93 | 0.30% | \$ 15,035,128.27 |
| CDARS | \$ 57,798.28 | 0.23% | \$ 25,116,167.63 |
| Grand Totals | \$ 1,354,818.79 | 0.24% | \$ 527,056,863.13 |



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

June 30, 2013



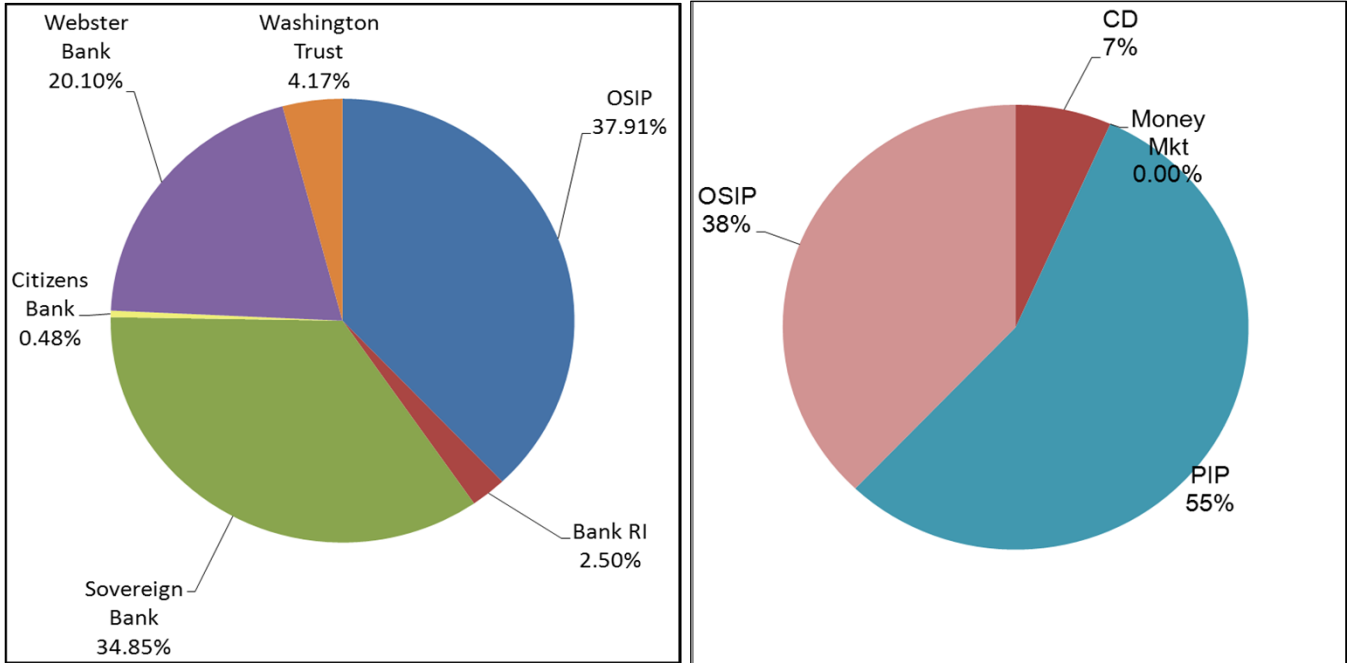
Repo = Repurchase Agreement
CP = Commercial Paper
GID = Government Insured Deposit
MMKT = Money Market
OSIP = Ocean State Investment Pool
CD = Certificate of Deposit
PIP = CoD Collateralized Deposit
Agency = US Government Agency

| 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 | 0 | 0 | 0 | 0 | 0 | 0 | 187,376,993 | 187,376,993 |
| | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 26% | 26.08% |
| Bank RI | 0 | 15,080,167 | 0 | 0 | 0 | 0 | 0 | 0 | 15,080,167 |
| | 0% | 2% | 0% | 0% | 0% | 0% | 0% | 0% | 2.10% |
| Sovereign Bank | 0 | 0 | 0 | 0 | 250,447,987 | 0 | 0 | 0 | 250,447,987 |
| | 0% | 0% | 0% | 0% | 35% | 0% | 0% | 0% | 34.86% |
| Citizens Bank | 0 | 0 | 0 | 0 | 2,851,949 | 0 | 0 | 0 | 2,851,949 |
| | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0.40% |
| Webster Bank | 0 | 0 | 0 | 0 | 212,451,234 | 0 | 0 | 0 | 212,451,234 |
| | 0% | 0% | 0% | 0% | 30% | 0% | 0% | 0% | 29.57% |
| Washington Trust | 0 | 25,173,966 | 0 | 25,042,838 | 0 | 0 | 0 | 0 | 50,216,804 |
| | 0% | 4% | 0% | 3% | 0% | 0% | 0% | 0% | 6.99% |
| TOTALS | - | 40,254,133 | - | 25,042,838 | 465,751,170 | - | - | 187,376,993 | 718,425,134 |
| (%) PORTFOLIO | 0.00% | 5.60% | 0.00% | 3.49% | 64.83% | 0.00% | 0.00% | 26.08% | 100.00% |

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

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

June 30, 2012



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

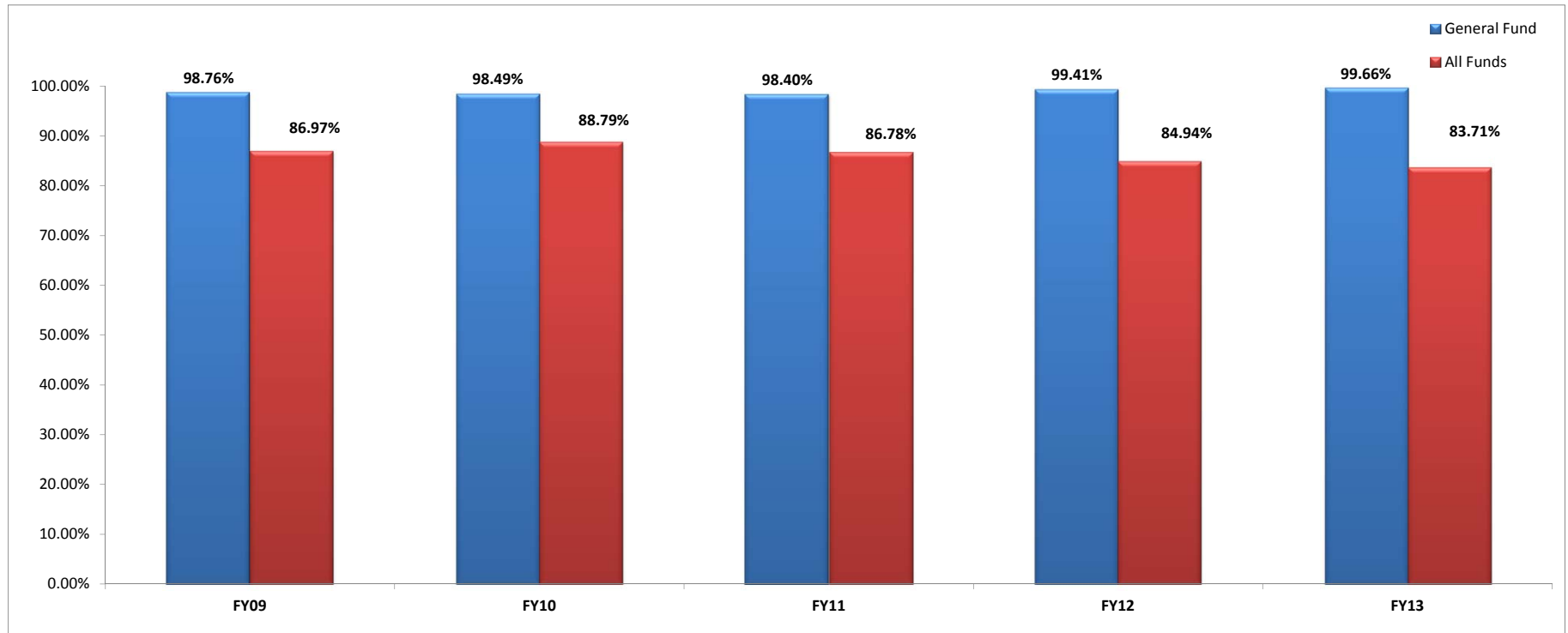
| Vendor | CP | CD | Agency | Money Mkt | PIP | Repo | GID | OSIP | Total (\$) |
|-------------------------|--------------|-------------------|--------------|--------------|--------------------|--------------|--------------|--------------------|--------------------|
| Guidelines-Total/Vendor | 25%/10%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

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

State of Rhode Island
Office of the General Treasurer
Short-Term Investment Portfolio by Fund
As of June 30, 2013

| Fund | Principal | Cash Balance | Total |
|------------------------------------|-----------------------|----------------------|-----------------------|
| GENERAL FUND | \$ 466,390,458 | \$ 4,499,813 | \$ 470,890,271 |
| H.A.V.A | \$ 295 | \$ - | \$ 295 |
| GENERAL FUND (HIST PRES) | \$ 537,251 | \$ - | \$ 537,251 |
| HISTORIC TAX CREDIT | \$ 102,318 | \$ - | \$ 102,318 |
| HIGHWAY FUND | \$ 17,559,211 | \$ 299,964 | \$ 17,859,175 |
| T.D.I. RESERVE (DET) | \$ 86,820,941 | \$ 24,348,681 | \$ 111,169,622 |
| EMPLOYER PENSION CONTRIBUTION | \$ - | \$ - | \$ - |
| RICAP GL FUND 21 | \$ 78,512,034 | \$ 328,829 | \$ 78,840,863 |
| BOND CAPITAL FUND | \$ 1,370,351 | \$ 245,253 | \$ 1,615,604 |
| R.I. CLEAN WATER ACT | \$ 3,178,041 | \$ 178,300 | \$ 3,356,341 |
| STATE LOTTERY FUND | \$ 18,639,730 | \$ 327,090 | \$ 18,966,820 |
| ASSESSED FRINGE BEN ADM | \$ 7,757 | \$ 439,971 | \$ 447,728 |
| AUTO EQUIPMENT SERVICE | \$ 301,206 | \$ 519,134 | \$ 820,340 |
| HEALTH INSURANCE FUND | \$ 25,273,204 | \$ 344,497 | \$ 25,617,701 |
| FLEET REVOLVING LOAN FUND | \$ 7,614,223 | \$ 330,528 | \$ 7,944,751 |
| EMPLOYEES RETIREMENT | \$ 470,493 | \$ 1,285,452 | \$ 1,755,945 |
| MUNICIPAL EMPLOYEES RET. | \$ 313,589 | \$ 217,136 | \$ 530,725 |
| RETIREE HEALTH FUND | \$ 1,954,844 | \$ 7,158 | \$ 1,962,002 |
| BOG RETIREE FUND | \$ 437,188 | \$ 5,432 | \$ 442,620 |
| RIPTA RETIREE HEALTH FUND | \$ 1,488,478 | \$ 556 | \$ 1,489,034 |
| PERMANENT SCHOOL FUND | \$ 1,933,343 | \$ 206,026 | \$ 2,139,370 |
| TEACHER RETIREE HEALTH FUND | \$ 306,172 | \$ 5,816 | \$ 311,989 |
| RI ST POLICE RETIREE HEALTH FUND | \$ 567,722 | \$ 5,902 | \$ 573,624 |
| RI LEGISLATIVE RETIREE HEALTH FUND | \$ 46,195 | \$ 5,409 | \$ 51,604 |
| RI JUDICIAL RETIREE HEALTH FUND | \$ 232,137 | \$ 5,655 | \$ 237,792 |
| UNIVERSITY COLLEGE | \$ 908,463 | \$ 67,789 | \$ 976,252 |
| HIGHER EDUCATION | \$ 306,029 | \$ 174,061 | \$ 480,090 |
| INDUS. BLDG. & MTG. INS. | \$ 3,153,458 | \$ 475,512 | \$ 3,628,970 |
| JUDICIAL RETIREMENT FUND | \$ - | \$ 87,523 | \$ 87,523 |
| STATE POLICE RETIREMENT FUND | \$ - | \$ 167,049 | \$ 167,049 |
| CORRECTIONAL INDUSTRIES | \$ - | \$ 2,312 | \$ 2,312 |
| DET BENEFIT | \$ - | \$ 758,578 | \$ 758,578 |
| CHILD SUPPORT | \$ - | \$ 5,497,020 | \$ 5,497,020 |
| TAX REFUND | \$ - | \$ 1,015,139 | \$ 1,015,139 |
| MERCHANT DEPOSIT | \$ - | \$ 160,539 | \$ 160,539 |
| TAX REFUND/DIRECT DEPOSIT | \$ - | \$ 1,015,139 | \$ 1,015,139 |
| RITE CARE/RITE SHARE | \$ - | \$ 14,258 | \$ 14,258 |
| DISBURSEMENT ACCOUNT | \$ - | \$ 17,914,322 | \$ 17,914,322 |
| INTERNAL SERVICES | \$ - | \$ 3,357,065 | \$ 3,357,065 |
| PAYROLL A | \$ - | \$ 687,101 | \$ 687,101 |
| PENSION C | \$ - | \$ 2,885,727 | \$ 2,885,727 |
| ET CLEARANCE | \$ - | \$ 160,659 | \$ 160,659 |
| EMPLOYER TAX | \$ - | \$ 172,922 | \$ 172,922 |
| RECREATIONAL AREA | \$ - | \$ 70,413 | \$ 70,413 |
| RECORD CENTER | \$ - | \$ 196,538 | \$ 196,538 |
| DREDGING ACCOUNT | \$ - | \$ 681,589 | \$ 681,589 |
| Subtotal | \$ 718,425,134 | \$ 69,167,858 | \$ 787,592,991 |
| G.O. NOTE 1991 SER. B | \$ - | \$ - | \$ 0 |
| CCDL1993A | \$ 7,386 | \$ - | \$ 7,385 |
| BOND CCDL 1994 SERIES A | \$ 15,001 | \$ - | \$ 15,005 |
| BOND CCBL96A | \$ - | \$ - | \$ 7 |
| CAP DEV OF 1997 SERIES A | \$ 41,016 | \$ - | \$ 40,472 |
| CCDL1998A | \$ 1,695,969 | \$ - | \$ 1,710,368 |
| CCDL 1998B | \$ - | \$ - | \$ 48 |
| MMG099 1999 | \$ - | \$ - | \$ 0 |
| BOND CAPITOL CCDL2000A | \$ 102,392 | \$ - | \$ 102,412 |
| MULTI-MODAL GEN OBL 2000 | \$ - | \$ - | \$ 0 |
| CCDL2001C | \$ 201,343 | \$ - | \$ 901,343 |
| CCDL2002B | \$ - | \$ - | \$ 1,294,998 |
| CCDL 2004 SERIES A | \$ 3,003,467 | \$ - | \$ 5,424,635 |
| BOND CCDL 2005 SERIES C | \$ 7,207,455 | \$ - | \$ 12,595,403 |
| BOND CCDL 2005 SERIES E | \$ 717,076 | \$ - | \$ 944,024 |
| BOND CCDL 2006 SERIES B | \$ - | \$ - | \$ 1 |
| BOND CCDL 2006 SERIES C | \$ 2,438,582 | \$ - | \$ 9,848,763 |
| GO BND-NTAX 2007 SERIES A | \$ 5,938,812 | \$ - | \$ 8,905,196 |
| GO BND-TAX 2007 SERIES B | \$ - | \$ - | \$ 110 |
| GO BND-NTAX 2008 SERIES B | \$ 349,813 | \$ - | \$ 14,135,876 |
| GO BND-TAX 2008 SERIES C | \$ - | \$ - | \$ 234 |
| CCDL10B BOND CAPITAL COMPONENT | \$ 1,833,370 | \$ - | \$ 36,355,895 |
| CCDL2010C | \$ 161,617 | \$ - | \$ 47,578,249 |
| CCDL2010D | \$ 103,924 | \$ - | \$ 21,621,737 |
| CCDL2011A | \$ 29,082,240 | \$ - | \$ - |
| CCDL2012B | \$ 58,345,985 | \$ - | \$ - |
| GO CCDL 2013A | \$ - | \$ - | \$ - |
| GO CCDL 2013B | \$ - | \$ - | \$ - |
| CLEAN WATER CCDL 1998B | \$ - | \$ - | \$ 12,367 |
| CLEAN WATER CCDL 1994 (A) | \$ - | \$ - | \$ - |
| CAP DEV. OF 1997 SERIES A | \$ - | \$ - | \$ - |
| CLEAN WATER CCDL 2002 B | \$ - | \$ - | \$ 22,729 |
| CLEAN WATER 2004 SERIES A | \$ 222,539 | \$ - | \$ - |
| CLN WATER CCDL 2005 SER E | \$ - | \$ - | \$ 622,340 |
| CAP DEV. OF 1997 SERIES A | \$ - | \$ - | \$ 26,676 |
| RI POLLUT. CONT 94 SER. A | \$ - | \$ - | \$ - |
| CCDL99A 1999A | \$ 205,306 | \$ - | \$ - |
| POL. CTRL CCDL 2006 SER C | \$ - | \$ - | \$ 243,991 |
| CLEAN WATER 2007 SERIES A | \$ 283,275 | \$ - | \$ 233,206 |
| RI POLLUTION CONTROL 2008 B | \$ - | \$ - | \$ 499,237 |
| CCDL2010B CLEAN WATER COMPONENT | \$ - | \$ - | \$ 698,463 |
| CCDL2011A CLEAN WATER COMPONENT | \$ 1,236,099 | \$ - | \$ 56,151 |
| CCDL2011A POLL CTRL CMPNT | \$ - | \$ - | \$ - |
| Bond Proceeds Total | \$ 113,192,665 | \$ - | \$ 113,192,665 |
| TANS PROCEEDS | \$ - | \$ - | \$ - |
| Grand Total | \$ 831,617,799 | \$ 69,167,858 | \$ 900,785,657 |

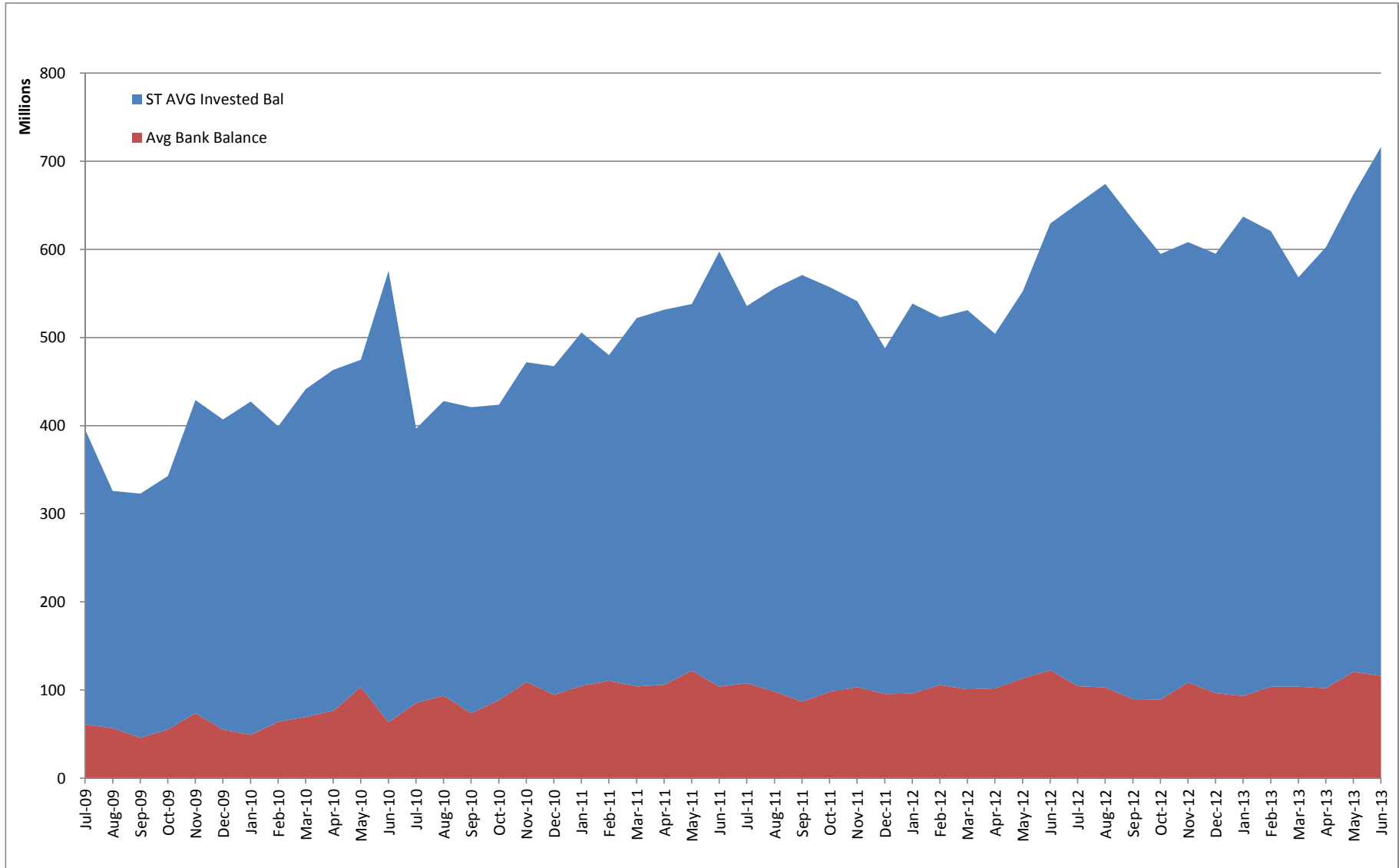
State of Rhode Island
 Office of the General Treasurer
 Short-Term Percentage Invested
 FY 2009 - FY 2013



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

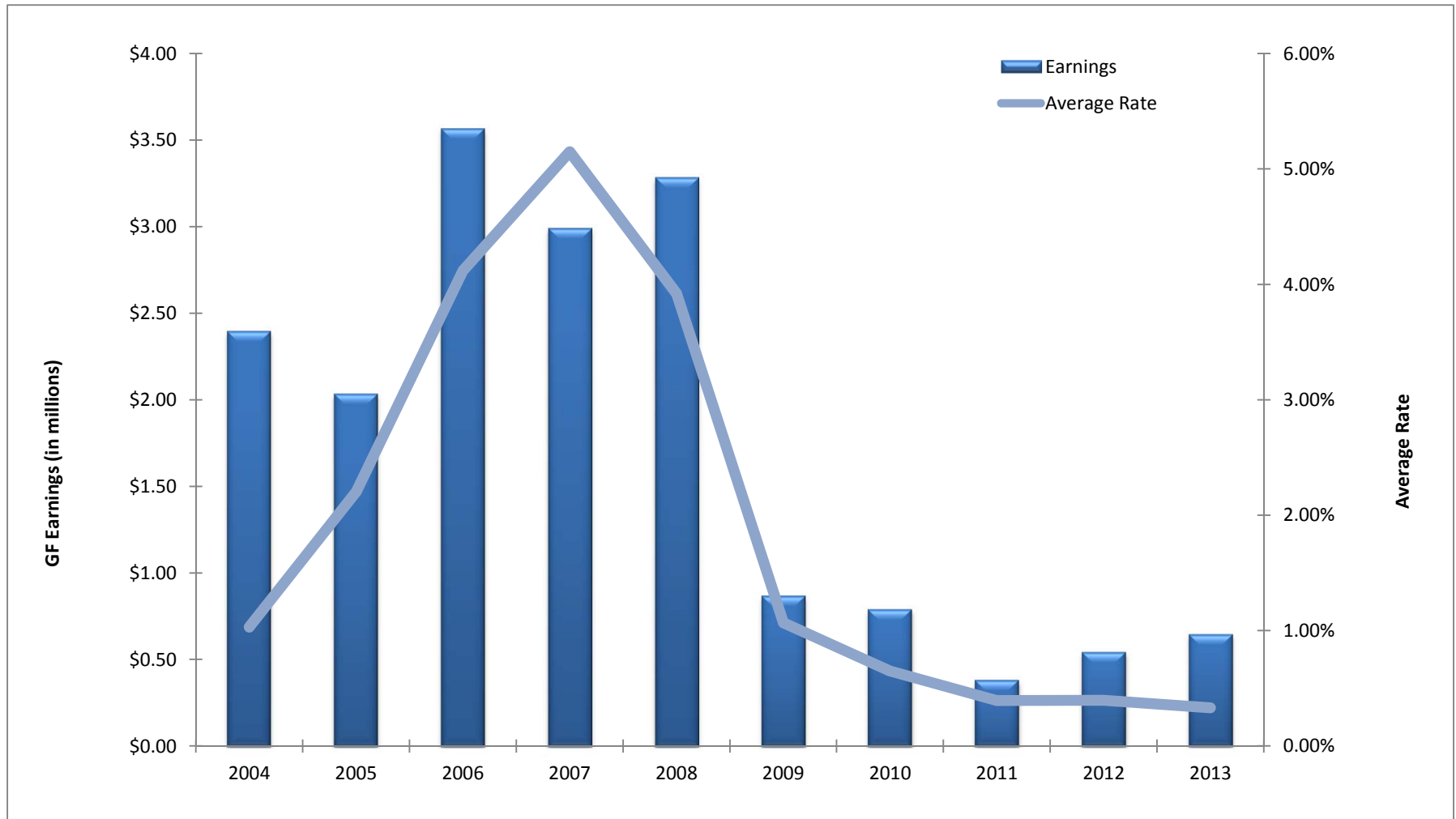
Commentary: The steady decrease in the ratio of cash invested in All Funds from FY2010 through FY2013 reflects a strategic change in cash management, due to the overall declines in short-term interest rates which remain at historic lows. Treasury negotiated favorable Earned Credit Rates as an offset to the lower interest rates in an effort to reduce overall bank fees. As a result, Treasury staff elected to increase bank balances, resulting in a 65% decrease of total fees paid from FY2010 to FY2013. The gap in performance between the General Fund ratio vs. the All Funds ratio is largely the result of statutory provisions on the investment of certain funds. For example, certain allocations of Federal funds are prohibited from being invested by Cash Management. Therefore, All Funds Cash Invested cannot be regarded as a performance metric, but it is presented for illustrative purposes.

**State of Rhode Island
Office of the General Treasurer
Short-Term Average Bank Balance and Average Invested Balance
Actual FY2009-FY2013**



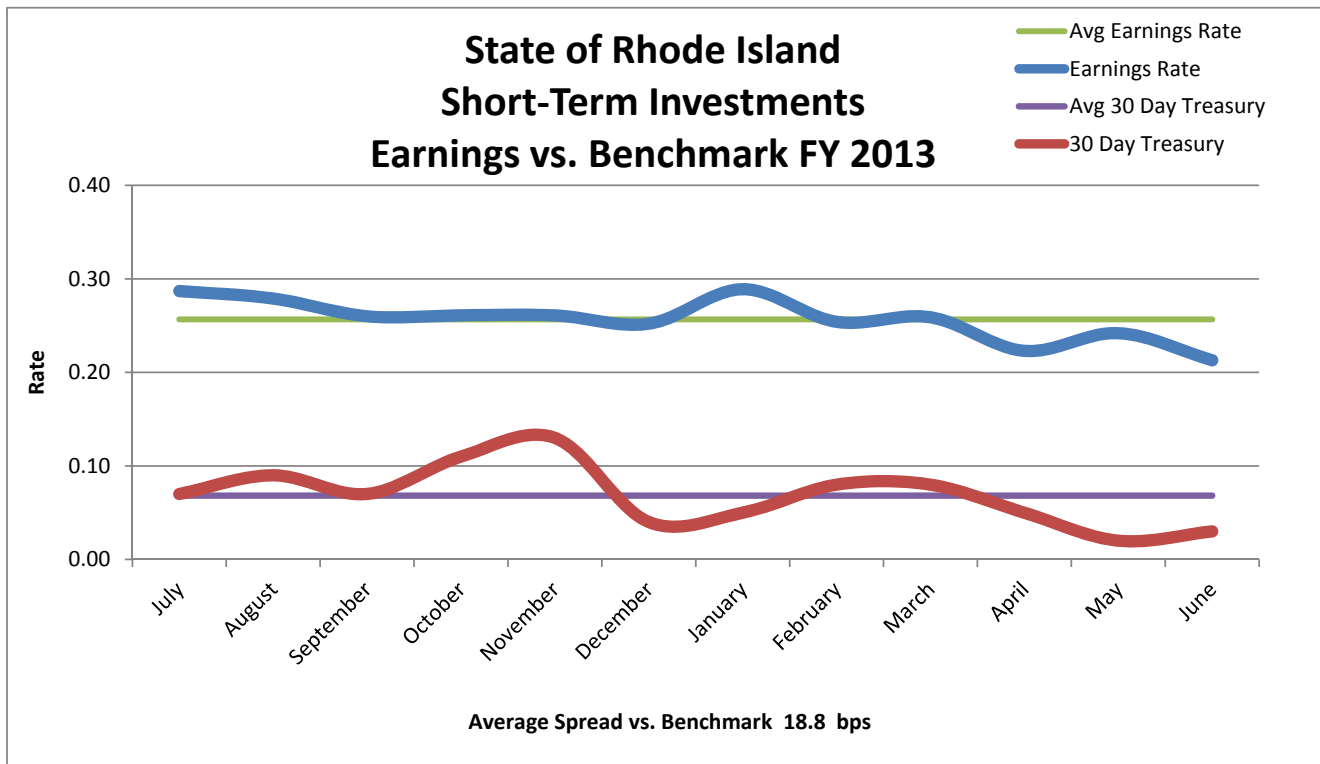
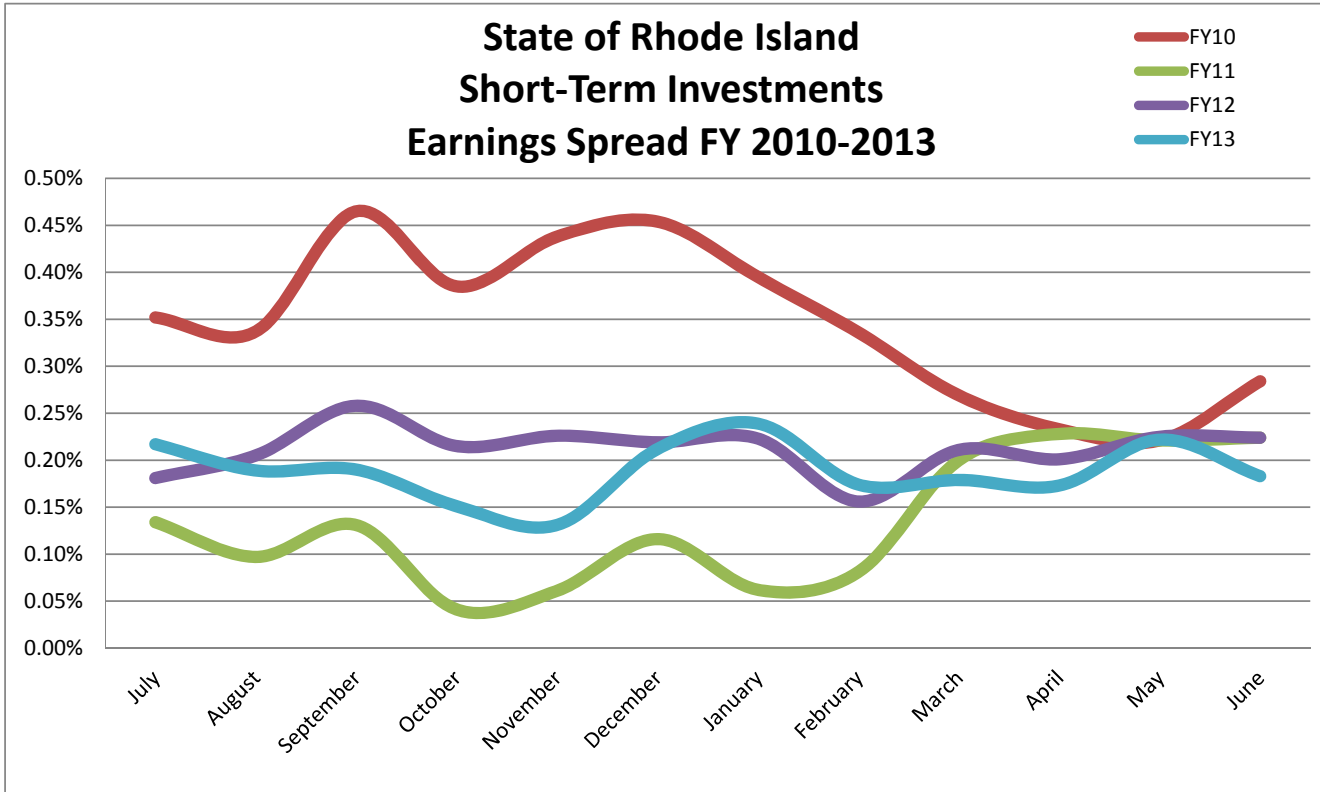
Commentary: This chart accurately reflects the cyclical pattern of the State's cash flow over the last 5 years, net of Bond proceeds and TANS. It also clearly demonstrates the increase in cash on deposit throughout that time as a result of the increased Earned Credit Rate and the decline in market interest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

**State of Rhode Island
Office of the General Treasurer
General Fund Interest Earnings / Average Rate
FY 2004 - FY 2013**



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

State of Rhode Island
Office of the General Treasurer
FY2013



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 FY2013, with an average spread over the benchmark of 18.8 basis points.

**State of Rhode Island
Office of the General Treasurer
Cash Management Summary
All Funds, FY 2010 - FY 2013**

| | <u>FY2013</u> | <u>FY2012</u> | <u>FY2011</u> | <u>FY2010</u> |
|--------------------------------------|----------------------|----------------------|----------------------|----------------------|
| Average Daily Cash Position | \$ 630,521,368 | \$ 680,104,531 | \$ 753,370,282 | \$ 570,948,786 |
| Average Daily Bank Balance | \$ 102,816,296 | \$ 102,665,672 | \$ 99,848,740 | \$ 64,629,536 |
| Percent of Cash Invested | 83.71% | 84.94% | 86.78% | 88.79% |
| Percent of GF Cash Invested | 99.66% | 99.41% | 98.40% | 98.49% |
| Average Maturity of Portfolio | 4.04 Days | 3.53 Days | 8.08 Days | 5.59 Days |
| Spread to Benchmark | 18.8 Basis Points | 21.2 Basis Points | 18.3 Basis Points | 45.5 Basis Points |
| Average Rate of Return | 0.26% | 0.24% | 0.28% | 0.54% |

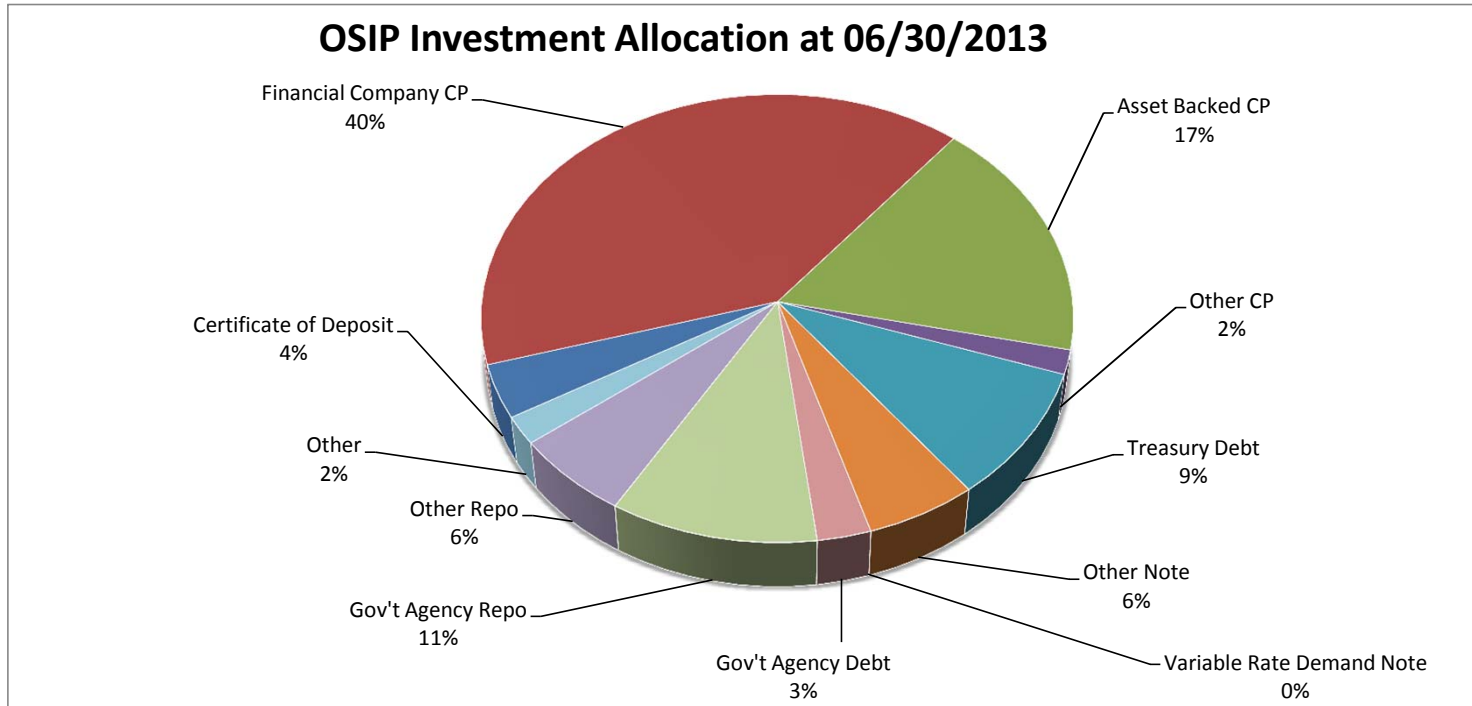
Note: "Cash Position" includes all operating fund investments, inclusive of TANS.

OSIP – OCEAN STATE INVESTMENT POOL

State of Rhode Island
OSIP Performance
July 1, 2012 through June 30, 2013

| Fund Name | Beginning Balance | Ending Balance | Average Daily Balance | Earnings | Yield |
|---------------------------------|-----------------------|-----------------------|-----------------------|-------------------|--------------|
| GENERAL FUND | \$ 55,023,736 | \$ 57,296,869 | \$ 52,689,216 | \$ 73,133 | 0.14% |
| GENERAL FUND (HIST PRES) | \$ 536,502 | \$ 537,245 | \$ 536,502 | \$ 743 | 0.14% |
| TANS PROCEEDS | \$ - | \$ - | \$ - | \$ - | 0.00% |
| HISTORIC TAX CREDITS | \$ 1,200,979 | \$ 102,303 | \$ 888,102 | \$ 1,324 | 0.15% |
| HIGHWAY FUND | \$ 8,789 | \$ 11,415,782 | \$ 4,793,721 | \$ 6,993 | 0.15% |
| T.D.I. RESERVE (DET) | \$ 47,058,317 | \$ 23,007,831 | \$ 33,823,522 | \$ 49,514 | 0.15% |
| RICAP GL FUND 21 | \$ 64,943,343 | \$ 49,023,323 | \$ 56,510,466 | \$ 79,980 | 0.14% |
| CCDL1993A | \$ 7,386 | \$ 7,386 | \$ 7,380 | \$ 10 | 0.14% |
| BOND CCDL 1994 SERIES A | \$ 15,002 | \$ 15,001 | \$ 14,990 | \$ 21 | 0.14% |
| CAP DEV OF 1997 SERIES A | \$ 40,477 | \$ 41,016 | \$ 40,856 | \$ 57 | 0.14% |
| CCDL1998A | \$ 1,696,084 | \$ 1,695,969 | \$ 1,694,698 | \$ 2,347 | 0.14% |
| BOND CAPITOL CCDL2000A | \$ 102,399 | \$ 102,392 | \$ 102,316 | \$ 142 | 0.14% |
| CCDL2001C | \$ 201,357 | \$ 201,343 | \$ 201,192 | \$ 279 | 0.14% |
| CCDL 2004 SERIES A | \$ 3,032,933 | \$ 3,003,467 | \$ 3,018,079 | \$ 4,182 | 0.14% |
| BOND CCDL 2005 SERIES C | \$ 7,571,036 | \$ 7,207,455 | \$ 7,331,624 | \$ 10,187 | 0.14% |
| BOND CCDL 2005 SERIES E | \$ 897,280 | \$ 717,076 | \$ 766,846 | \$ 1,079 | 0.14% |
| BOND CCDL 2006 SERIES C | \$ 3,348,082 | \$ 2,438,582 | \$ 2,770,859 | \$ 3,924 | 0.14% |
| GO BND-NTAX 2007 SERIES A | \$ 5,954,261 | \$ 5,938,812 | \$ 5,936,749 | \$ 8,224 | 0.14% |
| GO BND-NTAX 2008 SERIES B | \$ 474,680 | \$ 349,813 | \$ 436,079 | \$ 612 | 0.14% |
| CCDL10B BOND CAPITAL COMPONENT | \$ 3,296,205 | \$ 1,833,370 | \$ 2,304,913 | \$ 3,325 | 0.14% |
| CCDL10C | \$ 161,394 | \$ 161,617 | \$ 161,394 | \$ 224 | 0.14% |
| CCDL10D | \$ 103,931 | \$ 103,924 | \$ 103,846 | \$ 144 | 0.14% |
| CCDL2011A | \$ 72,665,606 | \$ 29,082,240 | \$ 47,375,162 | \$ 69,337 | 0.15% |
| CCDL2012B | \$ - | \$ 58,345,985 | \$ 43,275,170 | \$ 53,930 | 0.12% |
| R.I. CLEAN WATER ACT | \$ 2,300,947 | \$ 2,304,134 | \$ 2,300,947 | \$ 3,187 | 0.14% |
| CLEAN WATER 2004 SERIES A | \$ 222,554 | \$ 222,539 | \$ 222,372 | \$ 308 | 0.14% |
| CCDL99A 1999A | \$ 205,320 | \$ 205,306 | \$ 205,152 | \$ 284 | 0.14% |
| CLEAN WATER 2007 SERIES A | \$ 283,294 | \$ 283,275 | \$ 283,062 | \$ 392 | 0.14% |
| CCDL10B CLEAN WATER COMPONENT | \$ - | \$ - | \$ - | \$ - | 0.00% |
| CCDL2011A CLEAN WATER COMPONENT | \$ 1,260,186 | \$ 1,236,099 | \$ 1,248,243 | \$ 1,732 | 0.14% |
| CCDL2011A POLL CTRL CMPNT | \$ - | \$ - | \$ - | \$ - | 0.00% |
| STATE LOTTERY FUND | \$ 19,851,789 | \$ 7,776,152 | \$ 17,479,735 | \$ 24,363 | 0.14% |
| ASSESSED FRINGE BEN ADM | \$ 1,000,316 | \$ 434 | \$ 61,959 | \$ 118 | 0.19% |
| HEALTH INSURANCE FUND | \$ 20,520,474 | \$ 24,858,067 | \$ 27,420,748 | \$ 37,593 | 0.14% |
| RETIREE HEALTH FUND | \$ 3,485,972 | \$ 1,954,817 | \$ 2,634,725 | \$ 3,845 | 0.15% |
| BOG RETIREE FUND | \$ 259,081 | \$ 437,186 | \$ 61,229 | \$ 105 | 0.17% |
| RIPTA HEALTH FUND | \$ 464 | \$ 1,488,476 | \$ 12,694 | \$ 12 | 0.09% |
| PERMANENT SCHOOL FUND | \$ 1,430,451 | \$ 1,932,650 | \$ 1,630,451 | \$ 2,199 | 0.13% |
| TEACHER RETIREE HEALTH FUND | \$ 554,214 | \$ 306,163 | \$ 1,312,844 | \$ 1,949 | 0.15% |
| RI ST POL RETIREE HEALTH | \$ 345,590 | \$ 567,718 | \$ 72,360 | \$ 128 | 0.18% |
| UNIVERSITY COLLEGE | \$ 6,054,355 | \$ 908,402 | \$ 2,808,328 | \$ 4,047 | 0.14% |
| HIGHER EDUCATION | \$ 4,929 | \$ 306,029 | \$ 851,504 | \$ 1,100 | 0.13% |
| INDUS. BLDG. & MTG. INS. | \$ 3,648,557 | \$ 3,153,413 | \$ 3,467,736 | \$ 4,856 | 0.14% |
| STATE TOTALS | \$ 329,768,272 | \$ 300,569,658 | \$ 326,857,772 | \$ 455,928 | 0.13% |

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

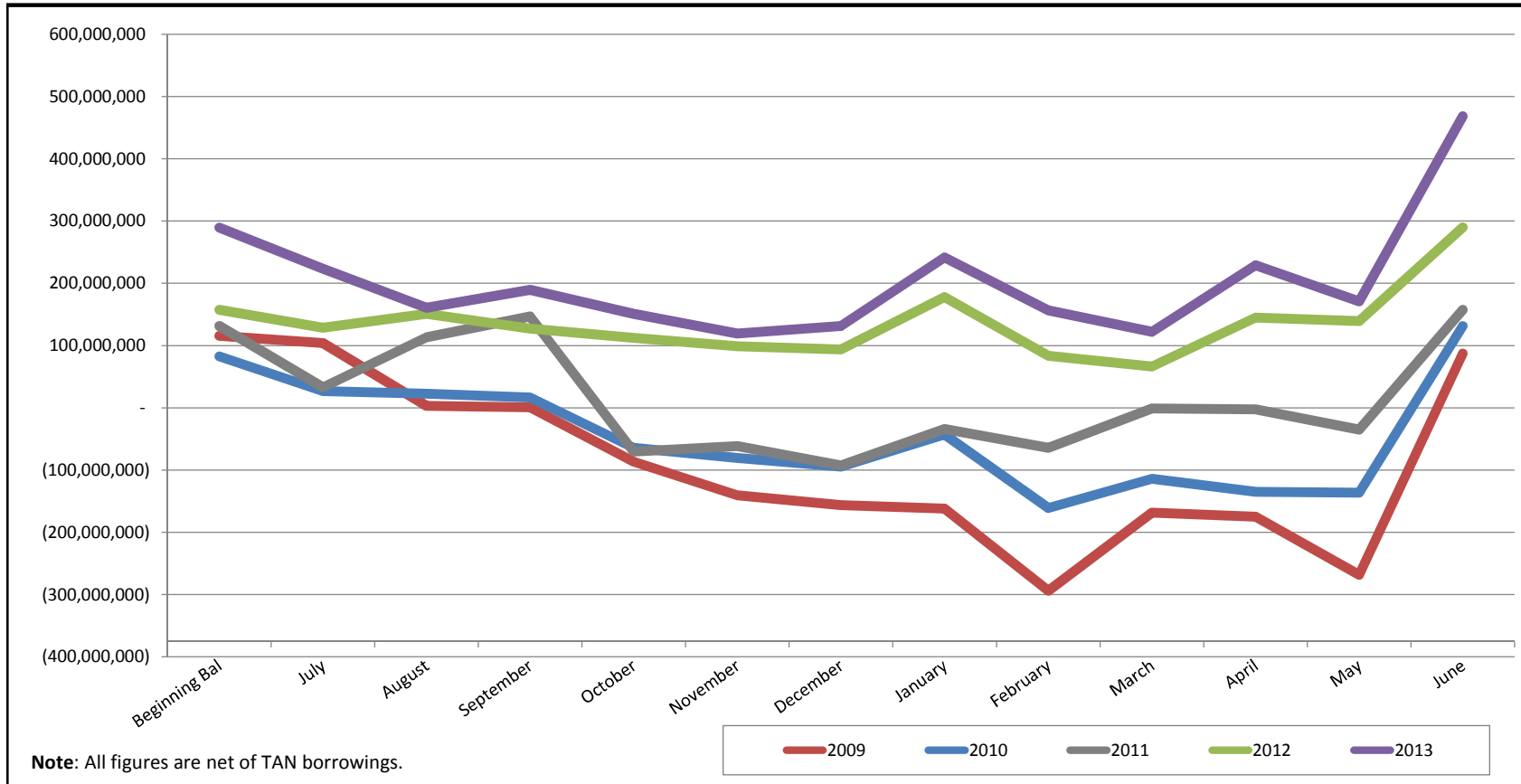


| INVESTMENT TYPE | MATURITIES | | | | | TOTAL VALUE AT 6/30/13 |
|---------------------------|------------|-------------|------------|------------|-----------|------------------------|
| | 0-30 | 31-90 | 90-180 | 181-397 | >397 | |
| Certificate of Deposit | 21,000,006 | - | - | - | - | \$ 21,000,006 |
| Financial Company CP | 43,984,447 | 108,966,887 | 65,950,624 | 998,283 | - | \$ 219,900,241 |
| Asset Backed CP | 49,995,634 | 45,664,270 | - | - | - | \$ 95,659,904 |
| Other CP | 5,499,827 | 999,653 | 3,000,000 | - | - | \$ 9,499,480 |
| Treasury Debt | - | 14,027,262 | 25,051,972 | 12,136,625 | - | \$ 51,215,859 |
| Other Note | 4,000,118 | 21,999,882 | 5,000,000 | - | - | \$ 31,000,000 |
| Variable Rate Demand Note | - | - | - | - | - | \$ - |
| Gov't Agency Debt | - | 1,000,108 | - | 5,998,741 | 7,998,300 | \$ 14,997,149 |
| Gov't Agency Repo | 57,670,000 | - | - | - | - | \$ 57,670,000 |
| Other Repo | 12,000,000 | 21,000,000 | - | - | - | \$ 33,000,000 |
| Other | 11,000,000 | - | - | - | - | \$ 11,000,000 |

Source Data: Fidelity OSIP Annual Report FY2013. Weighted average maturity for the fiscal year was 51 days.

CASH FLOW

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



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 FY2013 has continued the trend of increased consistency and a positive cash balance. Due to the fact that TANS was issued and never utilized in FY2012, there was no issuance of TANS in FY2013 and the State remained cash positive throughout the year.

SPECIAL FUNDS

State of Rhode Island
 Office of the General Treasurer
 Abraham Touro Fund
 Investment Summary
 FY2013

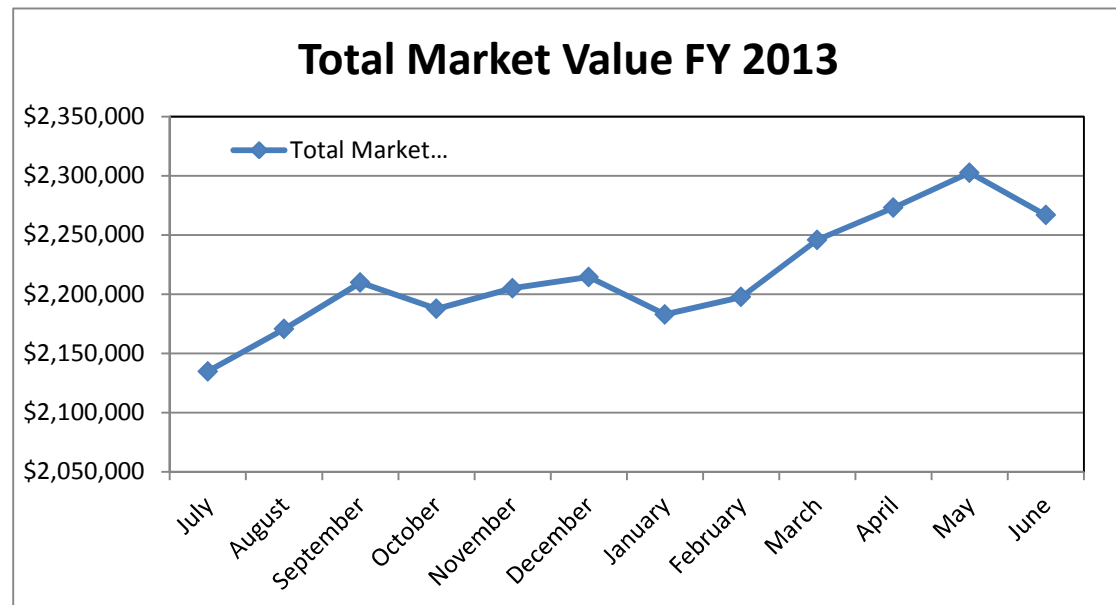
| <u>Fund Name</u> | <u>6/30/2013 Market Value</u> | <u>6/30/2012 Market Value</u> |
|--|-------------------------------|-------------------------------|
| Abraham Touro Fund (Fidelity Balanced Fund) | \$ 2,266,767 | \$ 2,102,486 |
| Total Special Funds | \$ 2,266,767 | \$ 2,102,486 |

Source: Bank Account Statement for Period Ending June 30, 2013 and June 30, 2012, respectively.

**ABRAHAM TOURO FUND
INVESTMENT SUMMARY
Fiscal Year 2013**

| Month End | Year | Total Market Value |
|------------------|-------------|---------------------------|
| July | 2012 | \$2,134,676 |
| August | 2012 | \$2,170,562 |
| September | 2012 | \$2,209,711 |
| October | 2012 | \$2,187,607 |
| November | 2012 | \$2,205,082 |
| December | 2012 | \$2,214,443 |
| January | 2013 | \$2,182,866 |
| February | 2013 | \$2,197,580 |
| March | 2013 | \$2,245,925 |
| April | 2013 | \$2,273,095 |
| May | 2013 | \$2,302,630 |
| June | 2013 | \$2,266,767 |

***2013 FY Net Change \$132,091**



*Includes the annual withdrawal on January 2013 of \$96,320.

ACCOUNTS RECEIVABLE

State of Rhode Island
Office of the General Treasurer
Municipal Pension Contribution Delinquency
as of July 15, 2013, 2012, 2011, 2010, 2009, 2008, 2007

| | July, 2013 Total Arrears | July, 2012 Total Arrears | July, 2011 Total Arrears | July, 2010 Total Arrears | July, 2009 Total Arrears | July, 2008 Total Arrears | July, 2007 Total Arrears |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Teachers | | | | | | | |
| Barrington | | | | | | | |
| Burrillville | | \$ 14,539.81 | | | | | |
| Chariho Regional | | | | | | | |
| Coventry | | | | | | | |
| East Providence | | | | | | | |
| East Greenwich | | \$ 112,452.23 | | | | | |
| Foster | | | | | | | |
| Gloucester | | | | \$ 69,892.37 | | | |
| Jamestown | | | | | | | |
| Johnston | | \$ 13,222.62 | | | | | |
| Lincoln | | | | \$ 741,037.75 | \$ 299,312.44 | | |
| Little Compton | | | | | | | |
| Newport | | \$ 13,110.92 | | | | | |
| N Providence | | | | | | | |
| N Smithfield | | | | | | | |
| N Kingston | | \$ 907,465.14 | | | | | |
| Providence (long term subs) | | \$ 4,717,669.24 | | | \$ 343,986.65 | | \$ 66,371.54 |
| Segue Institute | \$ 6,821.14 | | | | | | |
| Smithfield | | | | | | | |
| South Kingstown | | | | | | | |
| Southern RI Collaborative | | | | | | | |
| Tiverton | | | | | \$ 151,754.00 | | |
| Trinity Academy | | \$ 17,181.37 | | | | | |
| Urban Collaborative | | \$ 28,299.56 | | | | | |
| West Bay Collaborative | | | | | | | |
| Westerly | | | | | | | |
| Woonsocket | | | | \$ 1,446,130.59 | | | |
| Subtotal | \$ 6,821.14 | \$ 5,823,940.89 | \$ - | \$ 2,257,060.71 | \$ 795,053.09 | \$ - | \$ 66,371.54 |

Source Data: ERSRI Delinquency Statistics.

DEBT SERVICE

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

| Amount of Original Issue | Description of Issue | Year | Series | Maturity Date | Principal Paid in FY 13 | Interest Paid in FY 13 | Principal Outstanding 6/30/2013 | Interest Outstanding 6/30/2013 |
|--------------------------|---|------|--------------------|---------------|-------------------------|----------------------------------|---------------------------------|--------------------------------|
| 77,140,000.00 | G.O. CCDL of 2002, Series B | 2002 | B | 11/1/2012 | 2,070,000.00 | 51,750.00 | 0.00 | 0.00 |
| 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 | 5,670.00 | 0.00 | 0.00 |
| 6,000,000.00 | LPC, State Vehicles Project - 2006 Series A | 2006 | A | 4/15/2013 | 490,000.00 | 19,404.00 | 0.00 | 0.00 |
| 58,910,000.00 | LPC, Kent County Courthouse Project - 2004 Series A | 2004 | A | 5/2/2013 | 2,700,000.00 | 1,920,280.00 | 0.00 | 0.00 |
| 51,985,000.00 | LPC, Training School Project - 2005 Series A | 2005 | A | 5/2/2013 | 2,260,000.00 | 1,952,350.00 | 0.00 | 0.00 |
| 21,565,000.00 | LPC, Traffic Tribunal Project - 2005 Series B | 2005 | B | 5/2/2013 | 965,000.00 | 711,936.26 | 0.00 | 0.00 |
| 62,765,000.00 | G.O. CCDL of 2002, Refunding Series C | 2002 | Refunding Series C | 11/1/2013 | 6,765,000.00 | 551,118.75 | 7,115,000.00 | 186,768.75 |
| 9,100,000.00 | LPC, State Vehicles Project - 2007 Series C | 2007 | C | 5/1/2014 | 405,000.00 | 32,400.00 | 405,000.00 | 16,200.00 |
| 46,570,000.00 | G.O. CCDL of 2008, Refunding Series A | 2008 | Refunding Series A | 7/15/2014 | 5,000,000.00 | 666,500.00 | 10,830,000.00 | 548,500.00 |
| 8,360,000.00 | G.O. CCDL of 2005, Refunding Series B | 2005 | Refunding Series B | 8/1/2014 | 1,190,000.00 | 129,356.26 | 2,520,000.00 | 107,390.63 |
| 65,830,000.00 | G.O. CCDL of 2004, Refunding Series B | 2004 | Refunding Series B | 8/1/2015 | 20,985,000.00 | 1,586,625.00 | 21,240,000.00 | 1,326,000.00 |
| 23,780,000.00 | G.O. CCDL of 2011, Refunding Series B | 2011 | Refunding Series B | 8/1/2015 | 4,770,000.00 | 928,450.00 | 19,010,000.00 | 1,278,375.00 |
| 2,230,000.00 | LPC, Attorney General's Building - 2007 Refunding Series G | 2007 | Refunding Series G | 10/1/2015 | 315,000.00 | 35,080.00 | 830,000.00 | 39,502.50 |
| 79,770,000.00 | G.O. CCDL of 2004, Series A | 2004 | A | 2/1/2016 | 2,265,000.00 | 349,125.00 | 5,085,000.00 | 368,450.00 |
| 87,095,000.00 | G.O. CCDL of 2005, Series C | 2005 | C | 2/15/2016 | 2,520,000.00 | 631,000.00 | 10,100,000.00 | 1,109,750.00 |
| 12,380,000.00 | LPC, Information Technology Project - 2009 Series A | 2009 | A | 4/1/2016 | 1,740,000.00 | 261,775.00 | 5,580,000.00 | 433,325.00 |
| 13,375,000.00 | LPC, Howard Center Improvements - 2007 Refunding Series E | 2007 | Refunding Series E | 10/1/2016 | 1,660,000.00 | 352,625.00 | 6,455,000.00 | 545,687.50 |
| 21,420,000.00 | LPC, Shepard's Building - 2007 Refunding Series F | 2007 | Refunding Series F | 10/1/2016 | 2,295,000.00 | 595,625.00 | 10,765,000.00 | 1,117,625.00 |
| 23,490,000.00 | LPC, Information Technology Project - 2007 Series A | 2007 | A | 5/1/2017 | 2,745,000.00 | 522,087.50 | 6,730,000.00 | 844,975.00 |
| 8,500,000.00 | G.O. CDL of 2007, Series B (Federally Taxable) | 2007 | B | 8/1/2017 | 810,000.00 | 282,092.50 | 4,885,000.00 | 693,983.75 |
| 8,500,000.00 | G.O. CDL of 2008, Series C (Federally Taxable) | 2008 | C | 2/1/2018 | 1,000,000.00 | 375,490.00 | 5,225,000.00 | 1,020,863.00 |
| 12,445,000.00 | G.O. CCDL of 2008, Refunding Series D | 2008 | Refunding Series D | 2/1/2018 | 1,450,000.00 | 435,375.00 | 8,240,000.00 | 1,178,125.00 |
| 56,315,000.00 | G.O. CCDL of 2005, Refunding Series D | 2005 | Refunding Series D | 7/15/2018 | 6,700,000.00 | 1,821,662.50 | 34,360,000.00 | 4,500,512.50 |
| 52,335,000.00 | G.O. CCDL of 2005, Refunding Series A | 2005 | Refunding Series A | 8/1/2018 | 65,000.00 | 2,539,887.51 | 51,225,000.00 | 9,332,506.93 |
| 23,800,000.00 | G.O. CDL of 2010, Series D (Federally Taxable) | 2010 | D | 4/1/2020 | 2,285,000.00 | 707,517.60 | 16,920,000.00 | 2,799,468.24 |
| 22,160,000.00 | LPC, Central Power Plant - 2007 Refunding Series D | 2007 | Refunding Series D | 10/1/2020 | 1,550,000.00 | 703,587.50 | 15,185,000.00 | 2,838,818.75 |
| 78,960,000.00 | G.O. CCDL of 2010, Refunding Series A | 2010 | Refunding Series A | 10/1/2020 | 14,160,000.00 | 3,027,475.00 | 63,150,000.00 | 11,370,087.50 |
| 11,805,000.00 | LPC, Energy Conservation Project - 2009 Series B | 2009 | B | 4/1/2021 | 805,000.00 | 435,662.50 | 9,310,000.00 | 2,127,725.00 |
| 74,835,000.00 | G.O. CCDL of 2006, Refunding Series A | 2006 | Refunding Series A | 8/1/2022 | 160,000.00 | 3,244,312.50 | 68,280,000.00 | 16,924,206.27 |
| 17,520,000.00 | LPC, Energy Conservation Project - 2013 Series C | 2013 | C | 4/1/2023 | 0.00 | 0.00 | 17,520,000.00 | 4,771,828.61 |
| 9,170,000.00 | LPC, Information Technology Project - 2013 Series D | 2013 | D | 4/1/2023 | 0.00 | 0.00 | 9,170,000.00 | 1,987,635.56 |
| 12,735,000.00 | LPC, Energy Conservation Project - 2007 Series B | 2007 | B | 5/1/2023 | 800,000.00 | 436,881.26 | 9,205,000.00 | 2,174,875.08 |
| 36,310,000.00 | LPC, Kent County Courthouse Project - 2013 Refunding Series A | 2013 | Refunding Series A | 10/1/2023 | 0.00 | 0.00 | 36,310,000.00 | 10,976,702.08 |
| 36,575,000.00 | LPC, Training School Project - 2013 Refunding Series B | 2013 | Refunding Series B | 10/1/2024 | 0.00 | 0.00 | 36,575,000.00 | 11,723,328.19 |
| 15,290,000.00 | LPC, Traffic Tribunal Project - 2013 Refunding Series E | 2013 | Refunding Series E | 10/1/2024 | 0.00 | 0.00 | 15,290,000.00 | 4,083,277.50 |
| 93,385,000.00 | G.O. CCDL of 2005, Series E | 2005 | E | 11/1/2025 | 2,070,000.00 | 2,097,501.26 | 43,845,000.00 | 14,663,014.49 |
| 98,105,000.00 | G.O. CCDL of 2006, Series C | 2006 | C | 11/15/2025 | 4,095,000.00 | 3,705,566.25 | 76,265,000.00 | 25,902,038.75 |
| 31,980,000.00 | LPC, Energy Conservation Project - 2011 Series A | 2011 | A | 4/1/2026 | 2,745,000.00 | 1,015,350.00 | 27,325,000.00 | 5,221,450.00 |
| 20,680,000.00 | G.O. CDL of 2006, Series B | 2006 | B | 8/1/2026 | 835,000.00 | 724,728.76 | 16,145,000.00 | 5,654,701.94 |
| 123,255,000.00 | G.O. CCDL of 2007, Series A | 2007 | A | 8/1/2027 | 2,785,000.00 | 4,920,840.00 | 101,435,000.00 | 41,530,833.75 |
| 122,950,000.00 | G.O. CCDL of 2012, Refunding Series A | 2012 | Refunding Series A | 8/1/2027 | 0.00 | 4,444,356.60 | 122,950,000.00 | 42,869,903.27 |
| 86,875,000.00 | G.O. CCDL of 2008, Series B | 2008 | B | 2/1/2028 | 1,720,000.00 | 3,916,275.00 | 75,095,000.00 | 35,354,725.00 |
| 30,425,000.00 | LPC, School for the Deaf Project - 2009 Series C | 2009 | C | 4/1/2029 | 1,090,000.00 | 1,389,250.00 | 26,320,000.00 | 13,385,337.52 |
| 40,865,000.00 | G.O. CCDL of 2010, Series B (Tax Exempt) | 2010 | B | 4/1/2030 | 1,385,000.00 | 1,760,350.00 | 36,545,000.00 | 17,503,550.00 |
| 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 | 58,296,776.62 |
| 145,035,000.00 | G.O. CCDL of 2011, Series A | 2011 | A | 8/1/2031 | 2,955,000.00 | 7,237,262.50 | 142,080,000.00 | 82,855,706.25 |
| 81,400,000.00 | G.O. CCDL of 2012, Series B | 2012 | B | 10/15/2032 | 0.00 | 1,561,984.06 | 81,400,000.00 | 39,259,393.75 |
| | Subtotal from the DBC system. | | | | 110,875,000.00 | 62,566,523.07 | 1,336,920,000.00 | 478,923,924.68 |
| | | | | | <u>62,566,523.07</u> | | | <u>1,336,920,000.00</u> |
| | Total Principle and Interest Paid in FY 2013 | | | | <u>173,441,523.07</u> | Total outstanding debt @ 6/30/13 | | <u>1,815,843,924.68</u> |

| State of Rhode Island | | | | | | | | | |
|---|--------------------------|---|------------------|------|--------|------|----------|-------------------------|-----------------------------|
| Office of the General Treasurer | | | | | | | | | |
| Debt Service System Inventory of Matured or Retired Issues - Fiscal Year 2013 | | | | | | | | | |
| File # | Amount of Original Issue | Description of Issue | Paying Agent | Year | Series | Type | Bond Use | Specific Use | Maturity or Retirement Date |
| 99 | 77,140,000.00 | G.O. CCDL of 2002, Series B | U.S. Bank | 2002 | B | CCDL | Direct | General Obligation | 11/1/2012 |
| 100 | 3,890,000.00 | C.O.P. in L.P.A. (State Vehicles Projects), 2002 Series A | Bank of New York | 2002 | A | COP | State | Certificates of Part. | 12/15/2012 |
| 118 | 6,000,000.00 | LPC, State Vehicles Project - 2006 Series A | Bank of New York | 2006 | A | LPC | State | Lease Part. Certificate | 4/15/2013 |
| 107 | 58,910,000.00 | LPC, Kent County Courthouse Project - 2004 Series A | Bank of New York | 2004 | A | LPC | State | Lease Part. Certificate | 5/2/2013 |
| 114 | 51,985,000.00 | LPC, Training School Project - 2005 Series A | Bank of New York | 2005 | A | LPC | State | Lease Part. Certificate | 5/2/2013 |
| 115 | 21,565,000.00 | LPC, Traffic Tribunal Project - 2005 Series B | Bank of New York | 2005 | B | LPC | State | Lease Part. Certificate | 5/2/2013 |

State of Rhode Island
Office of the General Treasurer
FY 2013 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 (1) |
|-------------|----------------------|----------------------|--------------------------|------------------------------------|--|------------------------------|
| 2014 | 142,833,333 | 92,610,163 | 235,443,496 | (14,942,708) | 1,265,950 | 221,766,738 |
| 2015 | 162,402,500 | 95,357,297 | 257,759,797 | (5,834,636) | 1,197,048 | 253,122,209 |
| 2016 | 169,472,929 | 94,638,733 | 264,111,662 | (6,200,869) | 1,133,122 | 259,043,915 |
| 2017 | 189,732,820 | 96,027,160 | 285,759,980 | (6,101,369) | 1,433,029 | 281,091,639 |
| 2018 | 179,825,651 | 93,168,345 | 272,993,996 | (5,999,369) | 1,370,207 | 268,364,834 |
| 2019 | 169,209,296 | 93,063,080 | 262,272,375 | (7,567,314) | 1,301,612 | 256,006,673 |
| 2020 | 173,343,238 | 93,954,308 | 267,297,547 | (6,853,673) | 1,240,488 | 261,684,362 |
| 2021 | 183,751,679 | 88,400,958 | 272,152,638 | (5,432,906) | 1,175,307 | 267,895,038 |
| 2022 | 164,806,219 | 82,902,271 | 247,708,491 | (5,431,737) | 1,111,524 | 243,388,278 |
| 2023 | 203,409,266 | 77,814,565 | 281,223,831 | (35,490,300) | 1,046,483 | 246,780,014 |
| 2024 | 155,988,356 | 70,319,283 | 226,307,639 | (1,057,887) | 986,178 | 226,235,930 |
| 2025 | 148,178,895 | 65,847,559 | 214,026,453 | (669,373) | 1,399,698 | 214,756,778 |
| 2026 | 136,523,235 | 61,626,841 | 198,150,076 | (86,603) | 1,336,965 | 199,400,438 |
| 2027 | 122,825,445 | 58,044,978 | 180,870,423 | (3,104,038) | - | 177,766,386 |
| 2028 | 101,512,398 | 54,733,259 | 156,245,658 | - | - | 156,245,658 |
| 2029 | 91,135,460 | 52,724,730 | 143,860,190 | - | - | 143,860,190 |
| 2030 | 94,935,442 | 50,986,014 | 145,921,456 | - | - | 145,921,456 |
| 2031 | 88,274,786 | 49,079,951 | 137,354,737 | - | - | 137,354,737 |
| 2032 | 93,837,317 | 47,662,737 | 141,500,054 | - | - | 141,500,054 |
| 2033 | 88,154,073 | 46,318,914 | 134,472,987 | - | - | 134,472,987 |
| 2034 | 88,139,754 | 45,103,182 | 133,242,936 | - | - | 133,242,936 |
| 2035 | 85,432,571 | 43,803,881 | 129,236,451 | - | - | 129,236,451 |
| 2036 | 75,517,690 | 42,506,892 | 118,024,582 | - | - | 118,024,582 |
| 2037 | 72,270,963 | 41,731,007 | 114,001,970 | - | - | 114,001,970 |
| 2038 | 77,699,066 | 41,117,459 | 118,816,525 | - | - | 118,816,525 |
| 2039 | 74,355,235 | 40,232,506 | 114,587,741 | - | - | 114,587,741 |
| | 3,333,567,617 | 1,719,776,073 | 5,053,343,691 | (104,772,782) | 15,997,611 | 4,964,568,519 |

(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. Excludes performance based obligations that are shown on subsequent schedules.

2) Budget reflects dedication of two cent of gas tax to trustee for motor fuel bonds. Amount shown is the amount payable on the bonds but bond documents covenant that a full two cents of gas tax proceeds flow to the Trustee for coverage purposes. Transfer amounts based on Office of Revenue Analysis estimates.

Source Data: Page C-36 of Appendix C of the 2015 Capital Budget

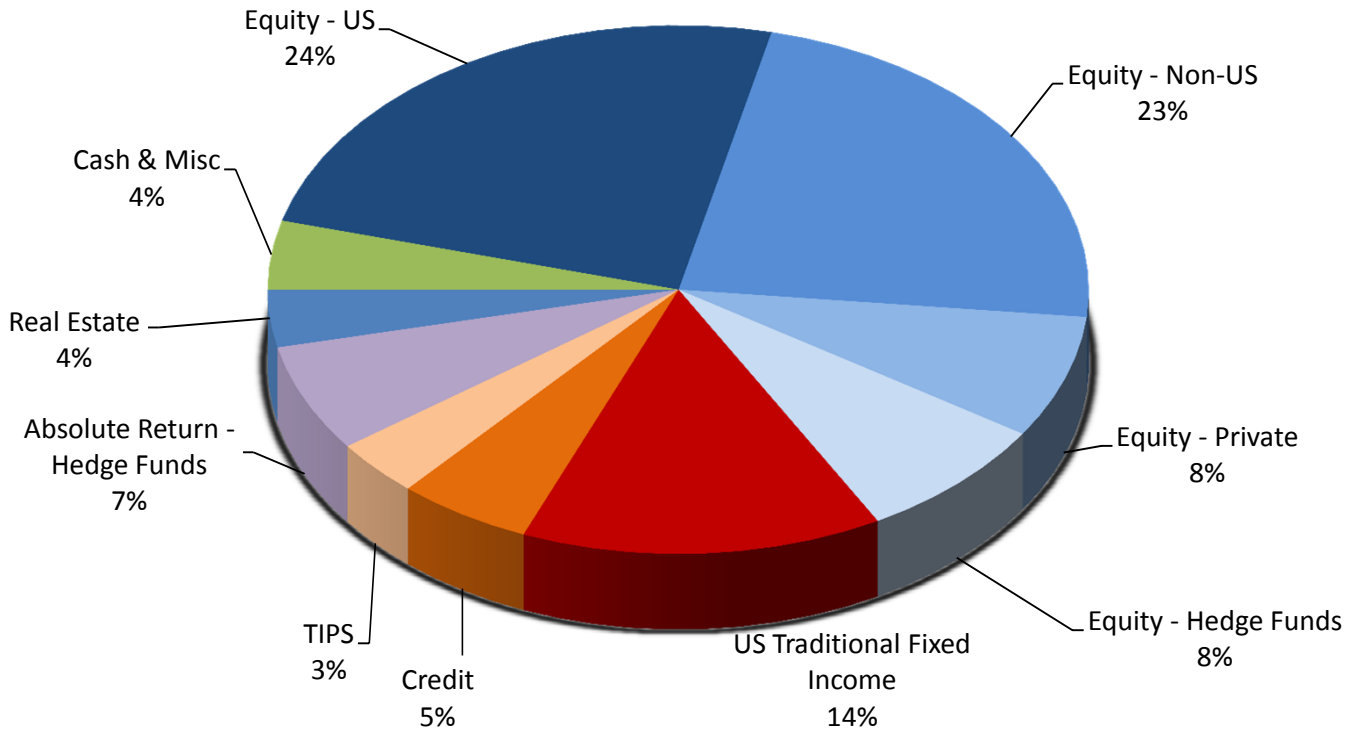
RI EMPLOYEES RETIREMENT SYSTEM

**STATE OF RHODE ISLAND
ASSET ALLOCATION REPORT
June 30, 2013**

| | Style Mandate | Actual (Millions \$) | |
|--------------------------------------|-----------------------|-------------------------|---------------|
| Cash & Misc | | | |
| CASH EQUIVALENTS | STIF, Yield+ | 277.97 | 3.68% |
| RUSSELL IMPLEMENTATION SERVICES | Other | 39.28 | 0.52% |
| TOTAL | | 317.25 | 4.20% |
| Equity - US | | | |
| SSGA R3000 Index | Passive | 1,843.37 | 24.43% |
| TOTAL | | 1,843.37 | 24.43% |
| Equity - Non-US | | | |
| SSGA MSCI EAFE | Passive | 1,212.76 | 16.07% |
| SSGA MSCI CANADA | Passive | 124.81 | 1.65% |
| SSGA MSCI EM | Passive | 399.24 | 5.29% |
| TOTAL | | 1,736.81 | 23.02% |
| Equity - Private | | | |
| PRIVATE EQUITY | Private Equity | 568.39 | 7.53% |
| TOTAL | | 568.39 | 7.53% |
| Equity - Hedge Funds | | | |
| ALTERNATIVE EQUITY | Hedge Fund | 586.20 | 7.77% |
| TOTAL | | 586.20 | 7.77% |
| US Traditional Fixed Income | | | |
| PYRAMIS GLOBAL ADVISORS | Fixed Income | 536.78 | 7.11% |
| MACKAY SHIELDS, LLC | Fixed Income | 534.86 | 7.09% |
| TOTAL | | 1,071.64 | 14.20% |
| Credit | | | |
| PIMCO | High Yield / Lev Loan | 198.79 | 2.63% |
| WAMCO | High Yield / Lev Loan | 199.34 | 2.64% |
| TOTAL | | 398.13 | 5.28% |
| TIPS | | | |
| BROWN BROTHERS HARRIMAN - TIPS | GILBS | 262.11 | 3.47% |
| TOTAL | | 262.11 | 3.47% |
| Absolute Return - Hedge Funds | | | |
| ALTERNATIVE ABSOLUTE RETURN | Hedge Fund | 496.66 | 6.58% |
| TOTAL | | 496.66 | 6.58% |
| Real Estate | | | |
| REAL ESTATE | Real Estate | 265.02 | 3.51% |
| TOTAL | | 265.02 | 3.51% |
| TOTAL ASSETS | | 7,545.58 | 100% |

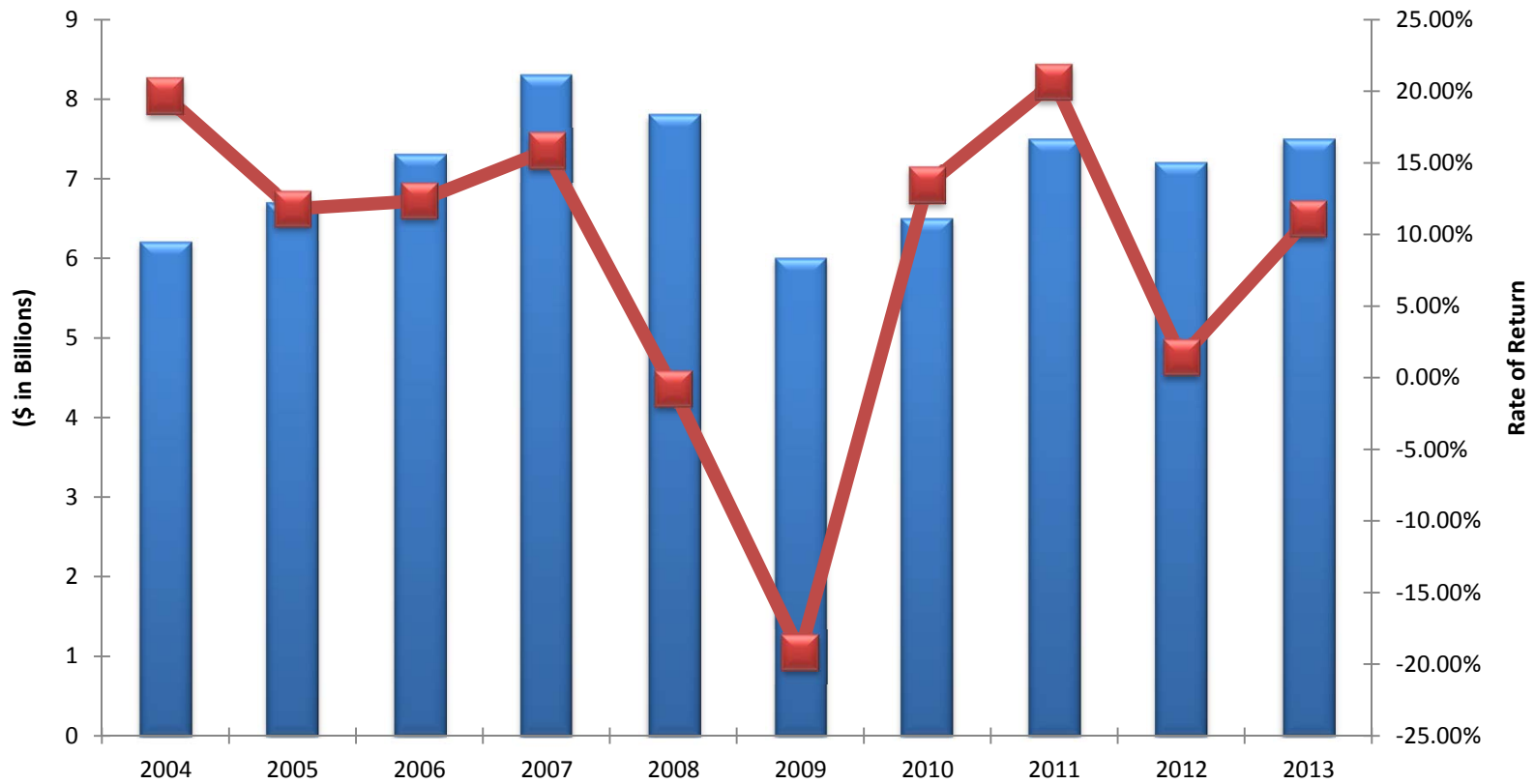
**STATE OF RHODE ISLAND
OFFICE OF THE GENERAL TREASURER**

ERSRI Asset Allocation at 06/30/2013



| ASSET CLASS | ASSET VALUE AT 6/30/13 | |
|-------------------------------|------------------------|----------------------|
| Cash & Misc | \$ | 317,252,783 |
| Equity - US | \$ | 1,843,372,597 |
| Equity - Non-US | \$ | 1,736,809,941 |
| Equity - Private | \$ | 568,390,285 |
| Equity - Hedge Funds | \$ | 586,197,659 |
| US Traditional Fixed Income | \$ | 1,071,644,958 |
| Credit | \$ | 398,126,269 |
| TIPS | \$ | 262,107,312 |
| Absolute Return - Hedge Funds | \$ | 496,662,303 |
| Real Estate | \$ | 265,020,335 |
| TOTAL | \$ | 7,545,584,442 |

**State of Rhode Island
Employees Retirement System
Market Valuation and Rates of Return
FY04-FY13**



State of Rhode Island
Office of the General Treasurer
Private Equity
FY 2013

| Limited Partnership | First Funding Date | Investment Type | Commitment | Unfunded Commitment | Total Contribution | Total Distributions | Market Value at 6/30/2013 | IRR |
|---|--------------------|-----------------|------------|---------------------|--------------------|---------------------|---------------------------|---------|
| Advent International GPE VII-C, L.P. | 06/29/12 | Buyout | 20,000,000 | 15,700,000 | 4,300,000 | - | 4,533,431 | 8.38 |
| Alta BioPharma Partners III | 11/19/03 | Venture Capital | 15,000,000 | 750,000 | 14,250,000 | 9,773,232 | 7,350,954 | 3.19 |
| Alta Partners VIII | 04/27/06 | Venture Capital | 15,000,000 | 2,250,000 | 12,750,000 | 7,127,179 | 6,829,265 | 2.94 |
| Aurora Equity Partners II | 03/23/98 | Buyout | 15,000,000 | - | 16,847,386 | 17,586,030 | 6,013,539 | 4.66 |
| Aurora Equity Partners III | 10/13/04 | Buyout | 15,000,000 | 835,850 | 16,233,631 | 15,535,043 | 10,081,961 | 14.15 |
| Avenue Special Situations Fund IV | 11/09/05 | Distressed Debt | 20,000,000 | - | 25,179,595 | 32,271,385 | 677,710 | 8.39 |
| Avenue Special Situations Fund V | 08/08/07 | Distressed Debt | 20,000,000 | - | 20,329,267 | 26,025,396 | 464,424 | 10.67 |
| Bain Capital Fund X, L.P. | 10/19/07 | Buyout | 25,000,000 | 2,187,500 | 22,812,500 | 3,771,340 | 22,162,721 | 4.93 |
| Birch Hill Equity Partners III | 08/26/05 | Buyout | 15,088,014 | 742,138 | 18,506,558 | 13,606,117 | 12,301,279 | 9.37 |
| Braemar Energy Ventures III | 10/21/11 | Venture Capital | 10,000,000 | 7,139,025 | 3,139,363 | 274,674 | 2,832,362 | (1.07) |
| Castile Ventures III | 11/30/06 | Venture Capital | 5,000,000 | 475,000 | 4,534,730 | 994,171 | 2,390,970 | (8.27) |
| Centerbridge Capital Partners, L.P. | 06/30/06 | Distressed Debt | 15,000,000 | 1,090,623 | 23,338,923 | 25,370,559 | 14,220,217 | 21.01 |
| Centerbridge Special Credit Partners II, L.P. | 03/01/12 | Distressed Debt | 25,000,000 | 12,500,000 | 12,500,000 | - | 11,260,030 | 8.19 |
| Charterhouse Capital Partners VIII LP | 03/10/06 | Buyout | 17,889,088 | 2,542,361 | 18,005,296 | 5,588,996 | 13,463,728 | (1.24) |
| Coller International Partners IV, L.P. | 09/28/02 | Secondary | 15,000,000 | 1,350,000 | 13,294,667 | 15,566,771 | 3,375,513 | 13.39 |
| Coller International Partners V, L.P. | 12/01/06 | Secondary | 15,000,000 | 3,270,000 | 12,520,679 | 6,120,426 | 9,423,955 | 7.01 |
| Constellation Ventures III | 09/26/08 | Venture Capital | 15,000,000 | 426,273 | 14,933,426 | 359,698 | 13,176,373 | (3.36) |
| CVC European Equity Partners III | 06/07/01 | Buyout | 20,000,000 | 899,966 | 23,158,043 | 56,981,208 | 5,299,189 | 41.08 |
| CVC European Equity Partners IV | 07/29/05 | Buyout | 20,026,702 | 2,574,369 | 21,232,444 | 28,647,726 | 9,254,257 | 17.23 |
| CVC European Equity Partners V | 07/31/08 | Buyout | 31,166,000 | 6,531,091 | 22,723,930 | 9,173,854 | 18,403,232 | 9.18 |
| EnCap Energy Capital Fund IX, L.P. | 12/19/12 | Energy | 18,000,000 | 16,683,419 | 1,316,581 | - | 1,164,264 | (56.27) |
| Fenway Partners Capital Fund II | 07/09/98 | Buyout | 15,000,000 | 232,336 | 18,513,234 | 19,771,006 | 3,098,049 | 5.82 |
| Fenway Partners Capital Fund III | 10/31/07 | Buyout | 15,000,000 | 1,367,435 | 16,799,766 | 8,111,069 | 6,796,960 | (3.40) |
| First Reserve Fund X, L.P. | 12/23/03 | Buyout | 20,000,000 | 1 | 19,999,999 | 32,522,623 | 3,715,640 | 31.24 |
| First Reserve Fund XI, L.P. | 07/28/06 | Buyout | 20,000,000 | 89,456 | 22,036,123 | 10,126,412 | 16,844,812 | 5.84 |
| Focus Ventures III | 03/30/06 | Venture Capital | 15,000,000 | - | 15,000,000 | 2,923,233 | 13,233,694 | 1.99 |
| Granite Global Ventures II | 11/11/04 | Venture Capital | 15,000,000 | 675,000 | 14,333,425 | 6,479,489 | 11,990,899 | 4.55 |
| Granite Global Ventures III | 10/05/06 | Venture Capital | 15,000,000 | 375,000 | 14,625,068 | 5,635,140 | 17,336,525 | 12.22 |
| Green Equity Investors V | 01/30/07 | Buyout | 20,000,000 | 1,731,093 | 20,285,800 | 14,123,809 | 16,561,989 | 17.17 |
| Kayne Anderson Energy Fund III, L.P. | 11/23/04 | Buyout | 15,000,000 | 366,426 | 15,965,344 | 13,227,181 | 5,514,255 | 7.87 |
| Kayne Anderson Energy Fund IV, L.P. | 11/17/06 | Buyout | 15,000,000 | 1,182,507 | 15,272,079 | 8,739,759 | 11,081,939 | 8.50 |
| Leapfrog Ventures II | 09/16/04 | Venture Capital | 10,000,000 | 510,000 | 9,490,000 | 5,893,639 | 5,598,494 | 4.40 |
| Leeds Weld Equity Partners IV | 07/30/04 | Buyout | 10,000,000 | 1,099,639 | 10,179,856 | 6,867,688 | 6,473,990 | 4.06 |
| Lighthouse Capital Partners V | 04/28/03 | Venture Capital | 11,250,000 | 787,500 | 10,462,500 | 11,904,648 | 430,503 | 3.92 |
| Lighthouse Capital Partners VI | 02/22/07 | Venture Capital | 15,000,000 | 750,000 | 14,250,000 | 5,675,083 | 13,202,573 | 6.74 |
| LNK Partners | 03/28/06 | Buyout | 12,500,000 | 699,953 | 11,802,299 | 11,950,430 | 6,483,927 | 12.03 |

State of Rhode Island
Office of the General Treasurer
Private Equity
FY 2013

| 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 6/30/2013 (cont'd) | IRR (cont'd) |
|--|-----------------------------|--------------------------|----------------------|------------------------------|-----------------------------|------------------------------|------------------------------------|--------------|
| MatlinPatterson Global Opportunities Fund | 12/17/01 | Distressed Debt | 15,000,000 | (0) | 15,504,941 | 26,338,476 | 7,236 | 15.82 |
| MHR Institutional Partners III | 09/07/06 | Distressed Debt | 20,000,000 | 8,374,396 | 19,400,000 | 10,807,550 | 15,853,461 | 9.09 |
| Nautic Partners V, L.P. | 03/30/01 | Buyout | 20,000,000 | 650,048 | 20,317,430 | 37,558,800 | 3,485,680 | 17.28 |
| Nautic Partners VI, L.P. | 11/16/06 | Buyout | 20,000,000 | 1,026,601 | 21,775,905 | 7,761,579 | 18,763,261 | 7.79 |
| Nautic Partners VII, L.P. | 08/02/12 | Buyout | 20,000,000 | 20,000,000 | | - | | |
| Nordic Capital Fund V | 12/23/02 | Buyout | 15,016,490 | 0 | 21,403,642 | 51,600,344 | 7,622,383 | 21.27 |
| Nordic Capital Fund VI | 12/14/05 | Buyout | 19,636,078 | 0 | 22,352,356 | 14,876,877 | 16,749,522 | 7.44 |
| Nordic Capital Fund VII | 06/04/08 | Buyout | 23,293,500 | 3,904,936 | 17,531,325 | 717,288 | 19,156,340 | 4.42 |
| Nordic Capital Fund VIII | 02/20/13 | Buyout | 20,034,720 | 17,647,482 | 2,193,217 | 15,362 | 1,981,207 | (6.18) |
| Oaktree European Principal Fund III (U.S.), L.P. | 10/27/11 | Distressed Debt | 20,000,000 | 12,000,000 | 8,000,000 | 10,523 | 8,512,956 | 5.48 |
| OCM Opportunities Fund II, L.P. | 10/28/97 | Distressed Debt | 12,000,000 | - | 12,000,000 | 18,130,039 | 2,682 | 8.44 |
| Paladin III | 05/31/07 | Venture Capital | 10,000,000 | 3,606,438 | 8,327,806 | 2,701,140 | 6,758,511 | 4.90 |
| Parthenon Investors II, L.P. | 01/31/01 | Buyout | 23,960,000 | 1,873,822 | 23,356,581 | 32,267,162 | 7,982,282 | 13.76 |
| Perseus Partners VII | 10/12/07 | Buyout | 15,000,000 | 734,188 | 16,672,135 | 2,281,928 | 5,380,936 | (22.73) |
| Point 406 Ventures I | 02/28/08 | Venture Capital | 10,000,000 | 1,520,000 | 8,926,682 | 2,703,935 | 8,587,606 | 6.88 |
| Point Judith Venture Fund II | 10/12/07 | Venture Capital | 5,000,000 | 463,939 | 5,251,639 | 965,577 | 5,372,618 | 6.20 |
| Providence Equity Partners III, L.P. | 11/24/98 | Buyout | 15,000,000 | 1,938,956 | 16,497,650 | 24,982,741 | 243,559 | 15.86 |
| Providence Equity Partners IV, L.P. | 10/11/00 | Buyout | 25,000,000 | 1,998,142 | 35,944,666 | 66,474,690 | 1,793,161 | 23.93 |
| Providence Equity Partners V, L.P. | 09/09/04 | Buyout | 25,000,000 | 2,155,122 | 30,926,623 | 25,385,023 | 10,558,057 | 3.36 |
| Providence Equity Partners VI, L.P. | 01/31/07 | Buyout | 25,000,000 | 2,578,053 | 26,875,477 | 8,851,270 | 21,255,851 | 3.72 |
| Providence Equity Partners VII, L.P. | 08/02/12 | Buyout | 25,000,000 | 23,605,828 | 1,417,905 | 3,348 | 1,351,808 | (4.27) |
| Riverside Capital Appreciation Fund VI, L.P. | 05/10/13 | Buyout | 20,000,000 | 20,000,000 | | - | - | |
| SKM Equity Fund II, L.P. | 02/13/97 | Buyout | 10,000,000 | 1,735,947 | 9,218,206 | 4,661,037 | 5,829,655 | 1.08 |
| Summit Partners Credit Fund, LP | 10/14/11 | Opportunistic Credit | 20,000,000 | 7,100,000 | 12,935,452 | 983,854 | 11,058,298 | 9.86 |
| Thomas, McNerney & Partners II, L.P. | 07/19/06 | Venture Capital | 15,000,000 | 2,137,500 | 12,862,500 | 1,872,248 | 11,381,433 | 0.89 |
| Thomas, McNerney & Partners, L.P. | 09/30/02 | Venture Capital | 15,000,000 | 525,000 | 14,475,000 | 5,252,354 | 6,058,642 | (5.57) |
| TPG Partners IV, L.P. | 01/21/04 | Buyout | 15,000,000 | 60,439 | 16,672,684 | 21,202,764 | 8,637,997 | 15.48 |
| TPG Partners V, L.P. | 05/18/06 | Buyout | 20,000,000 | 2,365,717 | 20,910,979 | 6,808,043 | 13,883,455 | 0.12 |
| TPG Partners VI, LP | 05/09/08 | Buyout | 10,000,000 | 2,654,901 | 11,445,612 | 4,847,512 | 7,674,895 | 4.98 |
| Trilantic Capital Partners IV L.P. | 05/08/07 | Buyout | 11,098,351 | 1,491,469 | 10,793,730 | 8,442,466 | 8,381,979 | 18.04 |
| VS&A Communication Partners III | 11/10/98 | Buyout | 15,000,000 | - | 15,071,595 | 19,285,066 | 1,328,760 | 6.26 |
| W Capital Partners | 12/23/03 | Secondary | 15,000,000 | 880,500 | 14,119,500 | 10,062,238 | 2,256,410 | (4.39) |
| W Capital Partners II | 08/29/07 | Secondary | 15,000,000 | 1,639,525 | 14,853,884 | 12,302,644 | 8,719,989 | 14.61 |
| Wellspring Capital Partners III | 11/01/02 | Buyout | 20,000,000 | 299,485 | 21,898,787 | 45,259,641 | 105,984 | 26.08 |
| Wellspring Capital Partners IV | 10/19/05 | Buyout | 20,000,000 | 2,232,921 | 20,427,499 | 16,437,946 | 12,325,949 | 8.62 |
| WLR Recovery Fund IV | 12/17/07 | Distressed Debt | 8,000,000 | 1,099,498 | 6,943,076 | 3,393,416 | 5,450,407 | 7.94 |
| | | | 1,203,958,943 | 236,114,814 | 1,088,226,998 | 933,969,896 | 577,556,593 | |

Employees' Retirement System of the State of Rhode Island

Hedge Fund Portfolio
 Portfolio Performance Summary
 Estimated as of June 30, 2013

| Fund | Market Value | Actual % | Returns | | | | | | | | Std Dev | Sharpe Ratio | Incep Date |
|--|----------------------|---------------|---------------|--------------|--------------|---------------|---------------|----------|----------|--------------|--------------|--------------|---------------|
| | | | Jun | QTD | YTD | FYTD | 1 Year | 3 Year | 5 Year | Incep | | | |
| Global Equities | | | | | | | | | | | | | |
| Ascend Partners Fund II LP | 63,211,091 | 5.8% | 0.02% | 0.25% | 3.80% | 3.46% | 3.46% | - | - | 3.18% | 2.01% | 1.38 | Nov-11 |
| Davidson Kempner Institutional Partners, L.P. | 68,545,362 | 6.3% | -0.51% | 2.27% | 5.53% | 10.34% | 10.34% | - | - | 8.32% | 1.85% | 4.12 | Nov-11 |
| Elliott Associates, L.P. | 70,638,751 | 6.5% | 0.30% | 1.91% | 5.41% | 14.43% | 14.43% | - | - | 10.29% | 3.71% | 2.56 | Nov-11 |
| Indus Asia Pacific Fund, LP | 43,516,808 | 4.0% | -2.30% | -1.26% | 1.83% | 8.43% | 8.43% | - | - | 5.78% | 6.26% | 0.87 | Jan-12 |
| Mason Capital Ltd. | 64,781,658 | 6.0% | -0.97% | 4.26% | 13.96% | 9.18% | 9.18% | - | - | 5.24% | 7.12% | 0.70 | Jan-12 |
| PFM Diversified Fund, L.P. | 32,370,943 | 3.0% | -1.74% | -1.10% | 6.12% | 15.15% | 15.15% | - | - | 5.87% | 7.24% | 0.77 | Mar-12 |
| PFM Diversified Offshore Fund A.I., Ltd. | 32,183,176 | 3.0% | -1.83% | -1.23% | 5.88% | 14.69% | 14.69% | - | - | 5.41% | 7.26% | 0.71 | Mar-12 |
| Samlyn Onshore Fund, L.P. | 71,413,159 | 6.6% | 0.08% | 0.96% | 8.60% | 16.22% | 16.22% | - | - | 12.31% | 5.01% | 2.28 | Jan-12 |
| Third Point Partners Qualified L.P. | 66,882,764 | 6.2% | -1.80% | 3.15% | 12.20% | 29.46% | 29.46% | - | - | 21.40% | 6.26% | 3.09 | Jan-12 |
| Viking Global Equities, LP | 72,621,659 | 6.7% | 0.30% | 1.98% | 7.28% | 13.25% | 13.25% | - | - | 12.82% | 3.54% | 3.33 | Dec-11 |
| Total Global Equities | 586,165,372 | 54.1% | -0.66% | 1.47% | 7.28% | 13.20% | 13.20% | - | - | 8.54% | 3.62% | 2.18 | Nov-11 |
| MSCI AC World Index Free - Net | | | -2.92% | -0.42% | 6.05% | 16.57% | 16.57% | - | - | 11.13% | 11.84% | 0.92 | Nov-11 |
| Russell 3000 Index (DRI) | | | -1.29% | 2.69% | 14.06% | 21.48% | 21.48% | - | - | 18.94% | 9.39% | 1.86 | Nov-11 |
| HFRI Equity Hedge (Total) Index | | | -1.37% | 0.40% | 5.34% | 10.98% | 10.98% | - | - | 5.80% | 6.75% | 0.81 | Nov-11 |
| Real Return | | | | | | | | | | | | | |
| BlueCrest Capital LP | 20,650,914 | 1.9% | -2.34% | -2.62% | -2.41% | 0.88% | 0.88% | - | - | 2.16% | 2.89% | 0.62 | Jan-12 |
| Brevan Howard LP | 81,457,480 | 7.5% | -2.89% | 0.21% | 3.60% | 11.46% | 11.46% | - | - | 5.08% | 5.41% | 0.87 | Nov-11 |
| Brigade Leveraged Capital Structures Fund LP | 53,251,666 | 4.9% | -1.72% | -0.40% | 1.78% | 4.96% | 4.96% | - | - | 4.84% | 2.69% | 1.64 | Mar-12 |
| Capula Global Relative Value Fund Ltd. | 51,703,236 | 4.8% | -0.66% | 0.55% | 3.19% | 4.47% | 4.47% | - | - | 2.14% | 2.12% | 0.83 | Dec-11 |
| Claren Road Credit Fund, Ltd. | 51,005,585 | 4.7% | -1.90% | 2.01% | - | - | - | - | - | 2.01% | 8.00% | - | Apr-13 |
| DE Shaw Composite Fund LLC | 64,580,828 | 6.0% | 0.80% | 3.96% | 9.58% | 22.19% | 22.19% | - | - | 16.60% | 4.18% | 3.62 | Nov-11 |
| Graham Global Investment Fund I SPC Ltd. - Discretionary Segregated Port | 53,031,222 | 4.9% | -0.55% | 0.41% | 2.15% | 5.57% | 5.57% | - | - | 4.00% | 2.49% | 1.44 | Jan-12 |
| OZ Domestic Partners II, L.P. | 90,342,946 | 8.3% | -0.68% | 2.65% | 7.36% | 15.04% | 15.04% | - | - | 11.81% | 3.08% | 3.53 | Nov-11 |
| Winton Futures Fund Limited | 30,630,671 | 2.8% | -1.77% | -0.86% | 4.49% | 5.10% | 5.10% | - | - | 1.32% | 7.39% | 0.16 | Dec-11 |
| Total Real Return | 496,654,549 | 45.9% | -1.22% | 0.97% | 4.20% | 9.05% | 9.05% | - | - | 5.97% | 2.47% | 2.21 | Nov-11 |
| ML 3-month T-Bills | | | 0.01% | 0.02% | 0.04% | 0.11% | 0.11% | - | - | 0.09% | 0.02% | - | Nov-11 |
| HFRI Fund of Funds Composite Index | | | -1.44% | -0.03% | 3.28% | 7.18% | 7.18% | - | - | 3.89% | 3.54% | 0.99 | Nov-11 |
| Total Hedge Fund Portfolio | 1,082,819,921 | 100.0% | -0.92% | 1.26% | 5.82% | 11.22% | 11.22% | - | - | 7.36% | 2.83% | 2.40 | Nov-11 |
| HFRI Fund of Funds Composite Index | | | -1.44% | -0.03% | 3.28% | 7.18% | 7.18% | - | - | 3.89% | 3.54% | 0.99 | Nov-11 |
| Market Indices | | | | | | | | | | | | | |
| Libor3Month | | | 0.02% | 0.07% | 0.14% | 0.32% | 0.32% | - | - | 0.39% | 0.03% | - | Nov-11 |
| Barclays Aggregate Bond Index | | | -1.55% | -2.33% | -2.45% | -0.67% | -0.67% | - | - | 1.62% | 2.90% | 0.43 | Nov-11 |
| Barclays High Yield Credit Bond Index | | | -2.62% | -1.43% | 1.42% | 9.50% | 9.50% | - | - | 10.43% | 5.28% | 1.84 | Nov-11 |
| S&P 500 TR | | | -1.34% | 2.91% | 13.82% | 20.60% | 20.60% | - | - | 18.70% | 9.16% | 1.89 | Nov-11 |
| MSCI EAFE - Net | | | -3.55% | -0.98% | 4.10% | 18.62% | 18.62% | - | - | 8.80% | 15.22% | 0.60 | Nov-11 |
| MSCI EMF (Emerging Markets Free) - Net | | | -6.37% | -8.08% | -9.57% | 2.86% | 2.86% | - | - | -0.85% | 17.48% | 0.01 | Nov-11 |

**State of Rhode Island
Office of the General Treasurer
Real Estate Holdings
June 30, 2013**

| Limited Partnership | Inception Date | Partnership Commitment | Net Funding Thru June 30, 2012 | Unfunded Balance | Market Values at June 30, 2012 |
|-------------------------------------|-----------------|------------------------|--------------------------------|---------------------|--------------------------------|
| AEW | December,2007 | \$ 60,000,000 | \$ 60,000,000 | \$ - | \$ 68,198,250 |
| Fillmore East Fund | December, 2005 | \$ 10,000,000 | \$ 10,000,000 | \$ - | \$ 1,068,949 |
| JP Morgan Strategic Property Fund | March, 2006 | \$ 50,000,000 | \$ 50,000,000 | \$ - | \$ 57,895,071 |
| JP Morgan Alternative Property Fund | March, 2006 | \$ 20,000,000 | \$ 20,000,000 | \$ - | \$ 3,498,233 |
| LaSalle Income & Growth Fund IV | June, 2005 | \$ 15,000,000 | \$ 14,602,062 | \$ 397,938 | \$ 4,747,742 |
| Magna | September,2008 | \$ 4,000,000 | \$ 3,198,599 | \$ 801,401 | \$ 3,803,682 |
| Prime Property Fund | September, 2005 | \$ 35,000,000 | \$ 35,000,000 | \$ - | \$ 44,965,363 |
| PRISA | September, 2005 | \$ 50,000,000 | \$ 50,000,000 | \$ - | \$ 56,061,270 |
| Tri Continental Capital VII | June, 2005 | \$ 15,000,000 | \$ 14,571,533 | \$ 428,467 | \$ 2,866,576 |
| Walton Real Estate Fund V | September, 2006 | \$ 20,000,000 | \$ 20,000,000 | \$ - | \$ 10,900,925 |
| | | \$ 279,000,000 | \$ 277,372,194 | \$ 1,627,806 | \$ 254,006,062 |

**MINUTES FROM FY2013
STATE INVESTMENT COMMISSION MEETINGS**



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

The Monthly Meeting of the State Investment Commission (SIC) was called to order at 9:03 a.m., Wednesday, July 25, 2012 in Room 135, State House.

I. Roll Call of Members

The following members were present: Ms. Rosemary Booth Gallogly, Mr. Thomas Fay, Mr. Robert Giudici, Ms. Paula McNamara, Ms. Marcia Reback, General Treasurer Gina Raimondo and Executive Director of the Employees Retirement System of Rhode Island Mr. Frank Karpinski. Mr. Fay departed at 11:40 a.m.

Also in attendance: Mr. Thomas Lynch of Cliffwater, Alternative Investment Consultant to the Commission; Mr. John Burns of Pension Consulting Alliance (PCA), General Policy Consultant to the Commission; Ms. Lisa Tyrell, Mr. Mark Schafer, Mr. Steve Nazzaro, and Ms. Diane Johnson of State Street Corporation; Mr. Samir Pandiri, Mr. Bob Carroll, and Mr. Mark Sullivan of Bank of New York (BNY) Mellon; Mr. Christopher Nikolich, Ms. Patricia Roberts, and Mr. Greg Wilensky of Alliance Bernstein; Mr. Glenn Creamer and Mr. Matt Nelson of Providence Equity; Ms. Sally Dowling of Adler, Pollock & Sheehan, Legal Counsel to the Commission; Mr. Charlie Kelley, executive director of the Rhode Island Student Loan Authority; Mr. 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 9:03 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 June 27, 2012 meeting of the State Investment Commission.

III. Custodial Review / Presentations

Mr. Carroll of BNY Mellon introduced Mr. Pandiri, Mr. Sullivan, and himself. Mr. Pandiri said the firm has executed around 50-60 transitions in the last 3-4 years.

Ms. Booth Gallogly asked whether the firm owns the data during the transition and how well the firm knows the State's expectations and needs. Mr. Sullivan explained the firm has done transitions from State Street before and is familiar with the process.

BNY Mellon representatives left the room and the State Street team entered.

Ms. Johnson of State Street introduced Mr. Nazzaro, Mr. Schafer, Ms. Tyrell and herself.

Mr. Nazzaro described the core competencies of the firm.

Ms. Tyrell highlighted her experience with the Board and daily interaction with the Treasurer's staff. Ms. Tyrell acknowledged there have been some bumps along the way which have been dealt with.

Ms. Booth Gallogly asked how capital ratio matters in a custodial relationship. Mr. Nazzaro answered State Street will be able to continue investing in its business even when the economy is bad. The representatives of State Street thanked the Board for its time and exited the room.

General Treasurer Raimondo and Mr. Goodreau walked through the process which staff has been going through regarding custodian selection and explained a scorecard ranking BNY Mellon and State Street.

Ms. Booth Gallogly asked whether either firm's credit ratings would affect business. Mr. Goodreau responded there won't be an impact and stressed that those managing the State's cash would see the first warning signs.

Ms. Booth Gallogly asked about the services associated with pricing and Mr. Vincent Izzo explained these prices represented service at least at the level the State currently experienced.

Ms. Booth Gallogly asked about class action suit costs, and Mr. Izzo said things of that nature had been included.

Ms. Reback reminded the Board General Treasurer Raimondo had previously mentioned there were some unexpected findings in the process. General Treasurer Raimondo said staff thought both are high-quality providers, but through the process BNY Mellon had more competitive services with better pricing and staff pushed for BNY Mellon.

General Treasurer Raimondo added State Street's day-to-day accounting systems exhibited mistakes and there were delays in clarifying these and other issues. Ms. Booth Gallogly commented that these issues had not yet been raised to the board level. Mr. Giudici offered his input on what he thought was lackluster performance on behalf of State Street with respect to other clients.

Mr. Goodreau added cost savings would be well over \$250,000 each year and BNY Mellon is locking-in their price for up to 5 years.

Ms. McNamara wondered about impact of transition on staff, but Mr. Goodreau and Mr. Izzo reassured that the staff could handle it and even improve their processes.

Ms. Booth Gallogly was concerned about financial reporting and the general audit, and Mr. Izzo explained that BNY Mellon is very professional and aware of the State's situation.

Mr. Kem Edwards, Treasury staffer, added it is a good challenge to have a lot of great choices and in the end staff felt BNY Mellon was the best choice.

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

VOTED: to hire Bank of New York Mellon as master custodian subject to successful negotiation and finalization of all documentation. Mr. Fay recused himself from the vote.

IV. Providence Equity Partners VII L.P. Presentation

Mr. Thomas Lynch said Cliffwater recommends a \$25 million investment in Providence Equity Partners VII, as part of the State's private equity investment program. He added Providence is Rhode Island's largest private equity relationship.

Mr. Creamer of Providence Equity introduced Mr. Nelson and himself. He mentioned Cliffwater's high level of due diligence on PEP VII. He highlighted Providence Equity has distributed \$8.3 billion this year, \$5.4 billion of that was gain. He also stated that in 78% of transactions, Providence is the only GP.

Mr. Creamer talked about PEP VII, which will be about \$5 billion, and will have 15-20 investments, with an average expected holding period of 4 years. The fund will keep some capital for follow-on investing. Information services will be a secondary focus. Europe is underweight, with an expected allocation of 10%. Transaction fees will be completely offset against management fees.

Mr. Creamer concluded by giving an overview of the market environment and the key to success was to be ready when markets were healthy.

General Treasurer Raimondo asked about the return on PEP V, and Mr. Creamer estimated the best case net IRR is 7%.

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

VOTED: to commit \$25 million to Providence Equity Partners, for investment in PEP VII predicated on satisfactory completion of all due diligence. Ms. McNamara recused herself from the vote.

V. Fixed Income Presentation - PCA

Mr. Burns of Pension Consulting Alliance reiterated policy changes from the Board's meeting in June. He mentioned Core Fixed Income was 13.5% of the portfolio and PCA recommends splitting that between Pyramis and MacKay and terminating Brown Brothers core mandate and Taplin Canada. He stated fewer managers means higher allocation which means lower fees. All told, about \$475 million would be given to each of the recommended managers.

Mr. Goodreau stated the State will save roughly \$1 million in fees each year, with new fees estimated at a 13bp level, down from 22-24bp.

Mr. Fay asked if the fees mirror a high-quality index, and Mr. Goodreau responded affirmatively. Mr. Fay then asked whether the Barclays Aggregate Index was an appropriate benchmark and Mr. Goodreau and Mr. Burns responded affirmatively.

Ms. Booth Gallogly stressed the managers should know exactly what will be expected of them and General Treasurer Raimondo suggested mandates be drafted and presented to them for next meeting and the board agreed to vote next meeting.

VI. Global TIPS Presentation - PCA

Mr. John Burns of Pension Consulting Alliance reiterated policy changes from the Board's meeting in June. He mentioned as far as inflation-linked bonds, the State is only invested in those from the U.S. where yields are not attractive in this space, and expanding to a global portfolio would be beneficial. Mr. Burns recommended the State keep BBH as the inflation-linked bond manager and expand the firm's mandate to include foreign inflation-linked bonds. He mentioned the issue with hedging currency risk and said BBH was capable of doing this systematically.

Ms. Reback asked if BBH was the best, and Mr. Burns and Mr. Goodreau stated that the firm is more than capable and the best performance might carry the highest risk.

Mr. Burns also mentioned, while the mandate will be expanded, BBH will not increase fees. Similar questions were raised about the process of investing in something new without issuing an RFP, as in the Cored Fixed Income discussion. Mr. Goodreau said he was not comfortable holding a vote, given the conversation.

General Treasurer Raimondo suggested that the Board revisit this issue next month in full.

VII. 529 CollegeBoundfund Review

Ms. Roberts of AllianceBernstein introduced Mr. Nikolich, Mr. Wilensky and herself. Ms. Roberts said the CollegeBoundfund has about \$7.3 billion in it and Rhode Island has 25,000 accounts. Investors are attracted to age-based and stable value options, she added. Mr. Nikolich walked through the plan's performance and talked about specific funds. General Treasurer Raimondo asked about changes to the plan that had been made last year. Ms. Roberts and Mr. Nikolich explained the additions of the Vanguard index funds, an international index fund and age-based fund options. Also, 3% of the State plan's assets were in the Vanguard funds, he said.

Mr. Wilensky talked about stable value options and the uncertain landscape of the market, considering wrapper providers had left the market. He explained AllianceBernstein was working with ING to figure out a plan with stable value wrappers moving forward. He stressed that with their economies of scale, an attractive 300bp beat over a money fund index was enjoyed by plan participants. He added from a cost perspective, plan participants will not be affected with the adoption of new wrapper contracts. He mentioned 13% of the State plan's assets are in the stable value option.

General Treasurer Raimondo remarked that Ms. Roberts and AllianceBernstein are always very responsive to the State's needs.

VIII. CIO Report

There was no CIO report.

IX. Legal Counsel Report

There was no legal update.

X. 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 11:57 a.m.

Respectfully submitted,



Gina M. Raimondo
General Treasurer



**State Investment Commission
Monthly Meeting Minutes
Wednesday, August 22, 2012
9:00 a.m.
Room 135, State House**

The Monthly Meeting of the State Investment Commission (SIC) was called to order at 9:02 a.m., Wednesday, August 22, 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, Ms. Marcia Reback, Mr. Andrew Reilly and Deputy General Treasurer Mark Dingley, designate for General Treasurer Gina Raimondo and Mr. Frank Karpinski.

Also in attendance: Mr. Allan Emkin, Mr. John Burns, Mr. David Glickman, and Ms. Lindsey Sugar of Pension Consulting Alliance (PCA), General Policy Consultant to the Commission; Ms. Lisa Tyrell and Mr. Bob Wheeler, of State Street Corporation; Ms. Sally Dowling of Adler, Pollock & Sheehan, Legal Counsel to the Commission; Kenneth Goodreau, chief investment officer, members of the Governor's staff, the Treasurer's staff and the Office of the Auditor General.

Deputy Treasurer Dingley called the meeting to order at 9:02 a.m.

II. Approval of Minutes

The July 25, 2012 meeting minutes were amended regarding a conversation regarding State Street issues and board members comments about State Street.

On a motion by Ms. Booth Gallogly and seconded by Ms. McNamara, it was unanimously **VOTED: To approve the draft of the minutes of the July 25, 2012 meeting of the State Investment Commission, assuming the minutes are changed accordingly.**

III. Fixed Income Presentation - PCA

Mr. Emkin provided a brief market overview, discussing interest rate risk and the European markets.

Mr. Dingley referenced a question regarding the RFP process from last month and he cited the third page of the SIC's guidelines for changing mandates with existing relationships. Ms. Booth Gallogly said this eases her concerns, but she wants to make sure the managers selected are the best managers for the mandate. Mr. Emkin explained the managers were not reviewed in isolation, but across the fixed income universe and they were interviewed by staff and PCA and competed for the business. He reiterated his confidence in the

managers selected and at a lower cost. He pointed out there will be a series of RFPs or RFIs for the other mandates.

Mr. Emkin reminded the board of the previous decisions to re-bucket the fixed income portfolio, establish a well-defined core portfolio which will increase the portfolio's cash flow and reduce interest rate risk sensitivity. He explained changing managers would reduce risk and decrease fees.

Mr. Goodreau added that some of the changes to the portfolio amount to re-bucketing assets and do not represent fundamental change.

Mr. Fay added he is still happy with the Barclays Aggregate Index as a benchmark.

Mr. Costello asked how long the transition will take and Mr. Goodreau said that, once initiated, with his and his staff's work, a majority of the transition will not take long.

Mr. Emkin said a big reduction will be made in corporate credit and overall portfolio quality will improve. Mr. Goodreau added the current market presents a good opportunity to sell corporate credit, as there is liquidity.

Ms. Booth Gallogly asked how much will be allocated to each manager and Mr. Goodreau responded both firms will manage the same amount and that costs will be reduced to nearly 13bp from near 23bp, a near 50% reduction.

IV. Global Inflation-Linked Bond Presentation - PCA

Mr. Burns reminded the board about the discussion to expand Brown Brothers Harriman's mandate to include global inflation-linked bonds.

He explained after conducting further due diligence, PCA recommends the board extend the mandate with the firm. He added fees will stay the same even though this is typically a more expensive mandate.

Ms. Booth Gallogly asked about risk and if Greek and other risky bonds could be purchased.

Mr. Burns said the portfolio is investment grade only, and that even Italy may not be acceptable at this point in time.

Mr. Fay asked what the real return pick-up would be with this move, and Mr. Burns responded it would not be much, but that the managers could cast a wider net and be more opportunistic with purchases around the world.

Ms. Booth Gallogly asked if the prospect of additional return is minimal then would we take more risk. Mr. Burns explained the current market is unique and the changes would provide managers with the ability to cast a wider net when it proved opportunistic to do so.

Ms. Booth Gallogly restated it did not appear that there was much return for the risk that would be assumed and Mr. Emkin responded managers should be opportunistic and that global yields move in lock-step, anyway. He added if managers do not deliver value on a global basis, the mandate could easily be switched back to US only securities.

Ms. McNamara asked how much money the portfolio would be, and Mr. Goodreau responded that the portfolio is about \$385 million, or roughly 5% of the total portfolio. He pointed out the bigger question should be whether the fund should be in TIPS as a whole, saying that now the strategy is a capital allocation exercise. The only other place to go, he added, is up the risk spectrum.

V. Real Estate Presentation - PCA

Mr. Glickman introduced himself and Ms. Sugar. He presented a draft investment policy to the committee. He went through examples of core and non-core real estate investments. He then explained the goals of real estate within the portfolio as a diversifier, an inflation hedge. PCA recommends between 70-85% of the real estate investment be attributed to core and between 15-30% be made in non-core, non-income producing investments. He explained leverage and how much the committee might be comfortable with.

Mr. Glickman explained, the core managers keep leverage levels around 25-30%, which means the occupancy of the building could decline to about 70% and still minimize default risk. He pointed out about 4% of the portfolio is invested in real estate with a target of 8%. He referenced the pacing plan to get to 8% over the next couple years. He explained how these investments meld with the rest of the portfolio and said the majority of these new investments should be made within the United States, because unlike global TIPS, real estate is not a liquid global market. PCA recommends dispersed investments across property types and geography within the United States. They also recommend allowing up to 20% of the real estate portfolio be invested in REITs and/or real estate debt as options. He explained why these should be included as options, explained the structure to committee members and explained both would be considered non-core.

Mr. Goodreau pointed out it is more important to have liquidity as we become more fully invested in real estate and products such as this give us flexibility in the event we want to strategically be below the 8% allocation.

Mr. Reilly asked how far off we are from the 80/20% and Ms. Sugar answered the portfolio is currently roughly 67% core. Mr. Reilly then asked how we would diversify by number of managers and Ms. Sugar recommended about 4 core managers and 4 non-core.

PCA took questions and concluded the presentation.

On a motion by Mr. Costello and seconded by Ms. Booth Gallogly, it was unanimously **VOTED: To approve the real estate investment policy.**

VI. State Street Contract

On a motion by Ms. Booth Gallogly and seconded by Mr. Reilly, it was unanimously **VOTED: To extend the State Street contract one month or until the custodian transition occurs.**

VII. Defined Contribution Plan Policy Statement

Mr. Dingley explained the policy was developed with TIAA-CREF and reviewed by PCA. Mr. Dingley and Mr. Raucci gave a brief update on the plan.

On a motion by Mr. Costello and seconded by Ms. Booth Gallogly, it was unanimously **VOTED: To approve the defined contribution policy statement.**

VIII. Legal Counsel Report

There was no legal update.

IX. CIO Report

There was no CIO update.

X. General Treasurer Report

Ms. Tyrell, of State Street expressed her appreciation for the opportunity to work for the State. She reiterated her commitment to make sure the transition happens as smoothly as possible. Mr. Dingley pointed out we have received nothing but great service from Ms. Tyrell and thanked her and State Street.

XI. Adjournment

There being no other business to come before the Board, on a motion by Ms. Reback and seconded by Ms. McNamara the meeting adjourned at 10:33 a.m.

Respectfully submitted,



Gina M. Raimondo
General Treasurer



State Investment Commission

Monthly Meeting Minutes

Wednesday, September 26, 2012

9:00 a.m.

Room 135, State House

The Monthly Meeting of the State Investment Commission (SIC) was called to order at 9:03 a.m., Wednesday, September 26, 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. Robert Giudici, Ms. Paula McNamara, Mr. Andrew Reilly, General Treasurer Gina Raimondo and Mr. Frank Karpinski. The committee respects and recognizes Ms. Reback was absent due to Yom Kippur.

Also in attendance: Mr. Thomas Lynch of Cliffwater, Alternative Investment Consultant to the Commission; Mr. Allan Emkin and Mr. John Burns, of Pension Consulting Alliance (PCA), General Policy Consultant to the Commission; Ms. Sally Dowling, of Adler Pollock Legal Counsel to the Commission; Kenneth Goodreau, chief investment officer and members of the Governor's, Treasurer's and Auditor General's staff.

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

II. Approval of Minutes

On a motion by Ms. Booth Gallogly and seconded by Mr. Reilly, it was unanimously **VOTED: To approve the draft of the minutes of the August 22, 2012 meeting of the State Investment Commission.**

III. General Consultant Fixed Income Update

Mr. Burns updated the board on the core manager hirings and explained the guidelines and contracts are being negotiated. Treasury is currently working with a transition manager to execute and Mr. Goodreau and Mr. Kem Edwards, from Treasury, then gave an update on the specifics on timeline and logistics of the transition.

Treasurer Raimondo explained PCA and Treasury staff will create a timeline for the remainder of the fixed income transition.

IV. Legal Counsel Report

There was no legal update.

V. CIO Report

Mr. Goodreau gave an update on performance and explained some upcoming changes in reporting performance. He explained our performance relative to the benchmark is good, but volatility is down and this is especially important when the fund has negative cash flows to pay benefits. All our volatility numbers in the past five years have been dramatically reduced. He said the plan's costs are around the median when compared to other state's plans. He elaborated, when compared to similar risk-averse states with higher alternatives exposure their average fees are much higher than ERSRI's. In conclusion, the portfolio is hitting its benchmark while reducing risk and volatility in a relatively cost-efficient manner.

Ms. Booth Gallogly asked about the best page to analyze the hedge funds and Mr. Goodreau pointed her to the Cliffwater performance reports and then analyzed them.

Mr. Lynch gave a brief update on the overall hedge fund portfolio and explained it is beating the hedge fund benchmark with a third less risk. The portfolio is producing half the return of the equity market with about 20% of the volatility.

Mr. Costello reiterated, while competitive returns are important, lowering risk and the standard deviation is also very important because of the plan's liquidity issues.

Mr. Emkin stated the equity and bond markets have done extremely well recently.

The committee discussed best practices on how to analyze the hedge fund portfolio and Treasurer Raimondo recommended Cliffwater present next meeting on how the hedge fund portfolio is being monitored.

VI. Treasurer's Report

Treasurer Raimondo explained the custody transition is going very well and gave a brief update.

Separately, she also mentioned TIAA-CREF opened their Providence Office last week with about 10 full-time employees.

VII. Adjournment

There being no other business to come before the Board, on a motion by Mr. Costello and seconded by Ms. McNamara the meeting adjourned at 9:27 a.m.

Respectfully submitted,



Gina M. Raimondo
General Treasurer



State Investment Commission

Monthly Meeting Minutes

Wednesday, October 10, 2012

9:00 a.m.

Room 135, State House

The Interim Meeting of the State Investment Commission (SIC) was called to order at 9:06 a.m., Wednesday, October 10, 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: Mr. Allan Emkin and Mr. John Burns, of Pension Consulting Alliance (PCA), General Policy Consultant to the Commission; Ms. Sally Dowling, of Adler Pollock Legal Counsel to the Commission; Kenneth Goodreau, chief investment officer and members of the Governor's, Treasurer's and Auditor General's staff.

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

II. General Consultant Risk Management Presentation

Treasurer Raimondo thanked everyone for making the effort to come to an interim meeting. The Treasurer explained how PCA came to her and suggested the committee take some time to think about the possibility of a negative market correction, with the focus on the US equity market. The Treasurer explained she did not want to make any decisions without full input from the board.

Treasurer Raimondo then introduced Mr. Emkin to discuss the concepts of risk management and possible methods on which to mitigate risk.

Mr. Emkin explained aspects of the current climate are unprecedented and explained as consultants, PCA does not take this unique situation lightly. He said the board has already systematically addressed a variety of risks, but there is still a significant exposure to growth and equity risk.

Mr. Emkin explained the risks of the general market environment and pointed out the more unfunded a plan is the more disastrous a big negative return could be, because you won't have the ability to recuperate losses. It would be prudent to avoid this situation if possible.

Ms. McNamara asked what has changed in the last few months to warrant this. Mr. Emkin cited a confluence of the recent run-up of the equity markets, general market risk and further that the pricing of these risk-mitigating methods is currently low, because perceived volatility is also low.

Mr. Costello mentioned we have already taken certain measures to mitigate risk and the board would have to strategically time the policy change which is extremely difficult.

Mr. Emkin reiterated the difference between a relative return and absolute return investor. He explained, in his estimation, this board has made a conscious decision to be more concerned about preservation of principal.

Mr. Goodreau explained managing a lot of risk in the markets is out of the board's control, but it is important the board defines what level of risk is prudent.

Treasurer Raimondo elaborated; we are managing someone's pension dollars, not an endowment. The portfolio has still not made up from the loss in 2008 and as the chair of the committee, she is more concerned about not losing people's retirement money than capitalizing on the upside.

Mr. Costello said we should price it out and then make a decision. His main concern is hitting our 7.5% number over a five to ten year timeframe. The Treasurer agreed.

Mr. Reilly asked how broad this protection will go and how does the board make sure it's in the right area. Mr. Emkin said there are a variety of risks, but there is no question the largest single risk in the portfolio is growth risk which is directly related to equity, U.S. equity in particular. He explained the best situation of all is if you don't have to use the insurance policy. Mr. Goodreau mentioned all of our equity is in a passive mandate at very little cost. Only a few years ago, these were active mandates where we paid for active protection against the downside. He explained, though it has a cost, a hedge would be a more effective way to protect against downside than active managers.

Mr. Costello applauded PCA and the Treasurer for having this conversation, but he was concerned about implicitly timing the market. He said the portfolio might have a hard time hitting the assumed rate of return year-over-year if we don't have years where we are up 10-15%, because there will be years where the portfolio is down or only up 2-3%. He believes at some point you need to take risk to hit the return. The Treasurer agreed but pointed out the portfolio might have a difficult time hitting its target rate of return if we have a year like we had in 2008.

Mr. Emkin and Mr. Burns explained risk mitigating options to the board in detail, including simple puts and calls, collars, put-spreads and a put-spread collars.

Mr. Fay sought to define what levels of risk and option pricing the board is willing to tolerate.

Mr. Giudici asked if this was typical for a defined benefit plan to use these types of vehicles and Mr. Emkin answered that it is mainstream.

Ms. Booth Gallogly asked if there are any other ways to mitigate risk and Mr. Emkin said, not without structurally changing policy.

Mr. Goodreau referenced a policy in place which says the board is allowed to take advantage of opportunistic events as long as the action is risk mitigating and not return chasing.

Treasurer Raimondo recommended PCA bring a proposal on what the board should consider with guidelines it should be inexpensive, palatable and not give up too much upside.

III. Adjournment

There being no other business to come before the Board, on a motion by Mr. Costello and seconded by Ms. Reback the meeting adjourned at 10:15 a.m.

Respectfully submitted,



Gina M. Raimondo
General Treasurer



State Investment Commission
Monthly Meeting Minutes
Wednesday, October 24, 2012
9:00 a.m.
Room 135, State House

The Monthly Meeting of the State Investment Commission (SIC) was called to order at 9:03 a.m., Wednesday, October 24, 2012 in Room 135, State House.

I. Roll Call of Members

The following members were present: Mr. Thomas Fay, Mr. Robert Giudici, Ms. Paula McNamara, Mr. Andrew Reilly, General Treasurer Gina Raimondo and Mr. Frank Karpinski. Ms. Rosemary Booth Gallogly arrived at 9:11 a.m.

Also in attendance: Mr. Thomas Lynch and Mr. Steve Nesbitt of Cliffwater, Alternative Investment Consultant to the Commission; Mr. Allan Emkin and Mr. John Burns, of Pension Consulting Alliance (PCA), General Policy Consultant to the Commission; Ms. Sally Dowling, of Adler Pollock Legal Counsel to the Commission; Mr. Charles Bauer and Mr. E. Murphy Markham IV of EnCap Investments; Kenneth Goodreau, chief investment officer and members of the Governor's, Treasurer's and Auditor General's staff.

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

II. Approval of Minutes

On a motion by Mr. Fay and seconded by Mr. Reilly, it was unanimously
VOTED: To approve the draft of the minutes of the September 26, 2012 meeting of the State Investment Commission.

On a motion by Mr. Giudici and seconded by Mr. Fay, it was unanimously
VOTED: To approve the draft of the minutes of the October 10, 2012 meeting of the State Investment Commission.

III. Alternative Consultant Recommendation

Mr. Lynch introduced Mr. Bauer and Mr. Murphy from EnCap to present EnCap Energy Capital Fund IX.

Mr. Bauer emphasized consistency of personnel, returns and strategy. He explained they have been in private equity for 25 years and gave an account of their history. He pointed out no fund has lost money and only one fund has not achieved its targeted rate of return.

EnCap has invested in about 200 companies and has turned \$4.4B into \$11.8B for a cumulative 62% gross IRR and 2.7X multiple. Out of the 200 companies only 5 of them have returned less than cost and the aggregate total of those 5 is less than \$50M. Mr. Bauer

explained they have a credit mentality and they do not use a lot of leverage for big acquisitions.

Mr. Markham took the board through the presentation starting with their track record and the track record of their portfolio companies. He made clear there have been no environmental issues with any of their companies. Mr. Markham explained Fund IX will consist of 20-25 portfolio companies and he detailed the process of investing in these companies. He pointed out EnCap does not fund exploration and only develops in areas with proven production. Their typical hold period is about 2.5-3 years and he explained how the energy opportunity has evolved over the firm's history.

Treasurer Raimondo asked about the key members of the staff and Mr. Bauer explained their financial commitment as well as their intentions to stay with EnCap for years to come.

Mr. Lynch recommended the committee invest \$20 million in Fund IX. He explained he thinks it fits our portfolio well and EnCap are a top-tier manager in the space.

Mr. Reilly and Mr. Goodreau explained our energy exposure within the private equity portfolio.

Ms. McNamara asked about the fee structure and Mr. Lynch explained it is in line with market rates.

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

VOTED: to commit \$20 million to EnCap Investments, for investment in EnCap Energy Capital Fund IX predicated on satisfactory completion of all due diligence.

IV. Hedge Fund Monitoring Process Presentation

Mr. Nesbitt walked the group through the presentation on monitoring hedge funds and started off by reviewing the roles of the SIC, the consultant and Treasury staff. He then reviewed the overall portfolio planning process including asset allocation as well as benchmark and risk/return objectives. Mr. Nesbitt then described the tasks of manager/fund selection including investment strategies review, screening, investment due diligence, operations due diligence and legal review. He described portfolio construction tasks including return and risk objectives, manager diversification, liquidity and rebalancing.

Mr. Nesbitt then explained Cliffwater's individual manager monitoring process including manager contact, data collection, investment and performance review, operations review and exception review. Cliffwater has an analyst assigned to each manager in the portfolio and they touch base with managers at least once a month to collect portfolio information and any changes of strategy. He explained they compile an extensive list of data points relating to the underlying portfolio and summarize it in a quarterly report.

Ms. Booth Gallogly asked Mr. Nesbitt to elaborate on the legal process, more specifically regarding the regulatory environment. Mr. Lynch pointed out all managers in the portfolio are SEC registered. Mr. Nesbitt explained the process by which Cliffwater is notified of SEC inquiries.

Mr. Kem Edwards, Treasury staffer, gave a brief presentation on internal risk management processes. Mr. Goodreau pointed out that being indexed in equity allows staff to focus on monitoring other asset classes and BNY Mellon's platform should assist in analytics as well.

Ms. Anne-Marie Fink, Treasury staffer, pointed out staff will look at risk from both a qualitative and quantitative perspective. Mr. Nesbitt discussed reporting and portfolio administration. He then explained the watch list and formal process for making a manager switch and pointed out on average there is a 10% annual turnover in managers, including 2008 where there was more than usual.

V. Risk Management Discussion

Treasurer Raimondo thanked the board for the feedback during the interim meeting and introduced Mr. Emkin.

Mr. Emkin reviewed the RFI review process and Ms. Fink began her presentation. She reviewed the impact of risk mitigation in five different market scenarios including status quo, low-rate policy, growth slows, growth spike and “nirvana”-a strong economy with credible deficit reduction plan. She explained non-US equity and the Russell 3000 would be very expensive to hedge so were not included in the initial analysis. The S&P 500 is more liquid, thus less expensive to hedge and is highly correlated to the Russell 3000 so the chart focused on the S&P 500. Ms. Fink then cross-referenced the scenarios with the potential hedges including a 90% S&P 500 put, a 90%/110% S&P 500 collar, a 90%/104% S&P 500 collar or a shift of 10% from equity to cash. She provided the calculated return expectations under each cross-referenced scenario.

Mr. Giudici asked about timing of the market and Ms. Fink said included in these scenarios are market-timing assumptions.

Ms. Fink pointed out given the concern about market timing, the cost of the hedges and of potential lost upside, and the math presented, it is not compelling to hedge at this time. She explained the US equity portfolio would not get enough downside protection for the expense incurred.

Treasurer Raimondo also pointed out pricing has gotten more expensive since this analysis was completed a couple days ago. Mr. Emkin agreed and said the VIX increased 20% in ten days.

The board theoretically discussed the pros and cons of moving to cash and it was determined no action would be taken on the RFI at this time.

VI. Legal Counsel Report

There was no legal update.

VII. CIO Report

Mr. Goodreau updated the board on the equity transition approved by the board to make the equity bucket more global. Treasury staff and Russell spearheaded the transition. He also updated the board on the fixed income transition.

VIII. Treasurer's Report

Treasurer Raimondo updated the board on the first fixed income implementation and explained the first RFP will go out next week. She pointed out the custodian transition is also on track to be complete on time and on budget the night of October 31st. She said the board should get an update on real estate in the next couple months. Mr. Emkin added there will also be an infrastructure education presentation next meeting.

IX. Adjournment

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

Respectfully submitted,



Gina M. Raimondo
General Treasurer



State Investment Commission

Monthly Meeting Minutes

Wednesday, November 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, November 28, 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. Robert Giudici, Ms. Paula McNamara, Ms. Marcia Reback, General Treasurer Gina Raimondo and Mr. Frank Karpinski.

Also in attendance: Mr. Thomas Lynch of Cliffwater, Alternative Investment Consultant to the Commission; Mr. Allan Emkin and Ms. Judy Chambers, of Pension Consulting Alliance (PCA), General Policy Consultant to the Commission; Ms. Sally Dowling, of Adler Pollock, Legal Counsel to the Commission; Mr. Mark Sullivan, of Bank New York (BNY) Mellon, Custodian Bank to the Commission; Mr. Laurence Brown, Mr. Mark Fraser and Mr. Darren Lopes, of TIAA-CREF, D/C Plan Manager; Anne-Marie Fink, chief investment officer and members of the Governor's, Treasurer's and Auditor General's staff.

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

II. Approval of Minutes

On a motion by Mr. Giudici and seconded by Ms. Paula McNamara, it was unanimously **VOTED: To approve the draft of the minutes of the October 24, 2012 meeting of the State Investment Commission.**

III. Infrastructure Education

Ms. Fink explained, when the board decided to take funds out of fixed income, 3% was designated for infrastructure which offers fixed income cash flow with higher yields, but with less liquidity.

Ms. Chambers described infrastructure as investing in essential assets in the community such as energy or utilities, telecommunications, transportation and social infrastructure such as hospitals or schools.

She explained infrastructure assets tend to have a lower correlation to public equities and bonds. These products also offer inflation protection and some underlying projects offer job creation opportunities.

Ms. Chambers explained different vehicles to look at including comingled funds, direct deals or co-investments. When starting a new program she recommends starting with comingled funds. She then described CALPERS, CALSTERS and OMERS robust infrastructure programs.

Ms. Chambers explained public-private partnerships (PPPs.)

Mr. Costello asked which part of the return is from asset appreciation and which is from cash flow and Ms. Chambers confirmed almost all is from cash flow. He then asked about the legal structure and MLPs.

Mr. Giudici asked about liquidity issues and Mr. Emkin explained that due to some illiquidity the fund will get a "liquidity premium." He explained these types of investments are uniquely suited for pension plans.

Ms. Fink pointed out it is only 3% of the portfolio and the low-volatility cash flows help absorb some of the liquidity risk.

Mr. Giudici asked about the probability of returns and Ms. Chambers explained the portfolio would invest in less economically sensitive assets.

Ms. Reback asked if this includes privatizing public entities. Ms. Chambers said yes, in PPPs there can be, but it is not privatizing because the government still owns the entity and oversees the assets.

Ms. Reback asked about union representation and Mr. Emkin explained all of their clients using this asset have a policy preventing outsourcing of jobs and the vendors are sensitive to labor issues. Mr. Emkin encouraged the board to make this part of their policies.

Ms. Chambers discussed the risk-adjusted returns of different infrastructure asset classes.

Ms. Fink discussed potential energy efficiency projects.

Mr. Costello mentioned our rate of return and Ms. Fink agreed that it doesn't make sense unless we hit our 7.5% plus a margin of safety.

Mr. Emkin pointed out it is a very specialized, but global field.

Treasurer Raimondo concluded next meeting the board will vote on draft policy statements and then the RFP should go out at the end of the year.

Mr. Emkin briefly reviewed the monthly risk metrics presentation.

IV. Custodian Transition Update

Treasurer Raimondo said the transition is complete, it happened on time and the savings are over \$200,000 per year.

Mr. Sullivan introduced himself. He pointed out they are the biggest global custodian with 181 public clients investing over \$1.8 trillion in assets. They are considered one of the highest rated financial institutions in the country with a very liquid balance sheet.

He reviewed the client team, the structure and their individual background.

He explained the process and weekly meetings with Treasury staff. He explained the first close after transition takes a bit longer because of reconciliation and laid out the ongoing timeline for reporting.

He explained BNY has visited on-site and had several WebExs to train staff and they will continue these efforts.

Ms. Fink lauded their reporting technology and said there will be improvements in the next couple months.

V. D/C Plan Update

Mr. Lopes reviewed the plan by assets and stated as of Monday, November 26 the total plan assets were \$38 million. He explained about 93% of participants are in the lifecycle funds. Ms. Gallogly asks how fast the portfolio grows monthly with the teachers in the plan and Mr. Lopes states \$9.4-\$9.5 million. He said infusion of capital tapers off in June or July and yearly it is about \$100 million per year.

Mr. Lopes described the approximately 30,000 participants by age with the average age of 47. He explained people are starting to pay more attention to the plan as balances grow and as they become aware the \$8 quarterly fee. To-date there have been 169 one-on-one conversations and they would like to see that rise because they now have 4 full-time investment professionals in the new Providence office. Mr. Lopes also reviewed phone calls and website visit metrics as well as general service and advice data.

Ms. Booth Gallogly asked if there has been any feedback on the lineup in general and Mr. Lopes said they are satisfied with the very low costs compared to the universe.

Mr. Brown reviewed the breadth of the investment lineup. He pointed out that as fiduciaries the board must look at fees, performance and risk. He reviewed each investment product through these lenses compared to benchmark and peers. He pointed out the board has offered participants an extraordinarily low cost menu. He reviewed each individual funds performance. He said risk metrics are in line, and maybe a little above other peers.

Ms. Fink pointed out our Sharpe ratios are better than our peers in the target date funds.

Mr. Brown reviewed the recent Vanguard announcement and explained they are changing the underlying indices against which their index funds are measured. Vanguard is eliminating all MSCI indices and moving to FTSC for international and the CRSP for domestic. Mr. Brown explained Vanguard is switching to make it more cost effective, because they pay for the license to use their indexes.

He concluded saying this is one of the most cost-effective straightforward plans he has seen.

VI. Legal Counsel Report

There was no legal update.

VII. CIO Report

Ms. Fink explained in October the plan was down 13 bps, beating the policy index and this positively illustrated the board's initiatives the past year to diversify risk. She pointed out the move to diversify equity more globally also helped this month. She pointed out the managers who were able to create significant alpha in October and reviewed the performance of each asset class. She then reviewed performance through the lens of fiscal year-to-date.

Ms. Fink said the board was correct to worry about the market from October 10-15 because it sold off 5%. She believes it was also correct to not put on a portfolio hedge because it would only be cost-effective if the market fell 12%.

Ms. Fink explained her review of LIBOR exposure and had almost none except for a de minimus amount in fixed income. On the cash side there was also no exposure.

Ms. Fink touched on hedge fund oversight and reporting and Treasurer Raimondo thanked Cliffwater for their efforts.

Ms. Fink expressed concerns about Wexford and described why the plan elected not to use the side-pocket. She explained most-likely the reason they are requesting a side-pocket is because they are receiving a lot of redemptions and this concerns her.

Ms. Fink then discussed asset allocation with regard to the fixed income transition as well as the recent RFP. She touched on infrastructure and also said PCA will present on real estate in December.

VIII. Treasurer's Report

Treasurer Raimondo asked the board to move the December 26th meeting to December 19th and the board agreed.

Treasurer Raimondo thanked Mr. Goodreau for his two years of service under her administration and listed his high-level accomplishments. The board applauded his efforts. Mr. Goodreau thanked the board, Treasury staff and said the portfolio is in good hands with Ms. Fink.

IX. Adjournment

There being no other business to come before the Board, on a motion by Ms. Booth Gallogly and seconded by Mr. Costello the meeting adjourned at 10:33 a.m.

Respectfully submitted,



Gina M. Raimondo
General Treasurer



State Investment Commission

Monthly Meeting Minutes

Wednesday, December 19, 2012

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, December 19, 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, General Treasurer Gina Raimondo. Mr. Fay left at 10:52.

Also in attendance: Mr. Thomas Lynch of Cliffwater, Alternative Investment Consultant to the Commission; Mr. John Burns, Ms. Judy Chambers, and Mr. David Glickman of Pension Consulting Alliance (PCA), General Policy Consultant and Real estate Consultant to the Commission; Ms. Sally Dowling, of Adler Pollock, Legal Counsel to the Commission; Mr. Robert Furuhjelm and Ms. Janine Peake of Nordic Capital; Anne-Marie Fink, chief investment officer and members of the Governor's and Treasurer's staff.

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

II. Approval of Minutes

On a motion by Mr. Reilly and seconded by Ms. Paula McNamara, it was unanimously **VOTED: To approve the draft of the minutes of the November 28, 2012 meeting of the State Investment Commission.**

Before moving to the agenda, Treasurer Raimondo took a moment to acknowledge the tragedy in Newtown, Connecticut. The Treasurer asked Ms. Fink and Cliffwater to go through our portfolio to see if our private equity managers own companies which distribute semi-automatic weapons. She explained Wellspring has a stake in United Sporting Company and as of January 1st they will no longer distribute the weapons. Anne-Marie is putting together a corporate governance program and someone will be at the board meeting in January to continue that conversation.

III. Nordic Capital Fund VIII Recommendation

Mr. Lynch introduced Mr. Furuhjelm and Ms. Peake.

Mr. Furuhjelm explained ERSRI has been an investor in Nordic since Fund III in 1998. Nordic has realized a net \$72 million with a net return of 3.4X on realized investments. They are the lead investor in 77 acquisitions and have invested 7 Billion Euros in the Nordic region.

Mr. Furuhjelm pointed out they recently opened an office in Germany to evaluate opportunities in that market. He explained all of their transactions are large to mid-cap buyouts and about 40% of their total investments are in the healthcare space.

Mr. Furuhjelm continued to review the book, explaining their offices, investors and investments geographic location. He stated they are very good at creating efficiencies while maintaining employee and customer loyalty in the businesses. He referenced accolades along these lines.

Ms. Booth Gallogly asked about the Nordic and European healthcare system and how this effects their investments and Mr. Furuhjelm and Ms. Peake explained that dynamic.

Mr. Reilly asked for an update on Fund VII and they provided an update on their final six investments and their plan to continue to improve that process in Fund VIII.

Nordic left the room and Mr. Lynch provided investment and operations due diligence. He explained how this fit into the private equity portfolio as a whole.

On a motion by Ms. Booth Gallogly and seconded by Mr. Costello, it was unanimously **VOTED: to commit \$20 million to Nordic Capital, for investment in Nordic Capital Fund VIII predicated on satisfactory completion of all due diligence.**

IV. Hedge Fund Redemption

Mr. Lynch recommended a \$50M redemption of the Wexford Spectrum fund. He read the memo on why they came to this conclusion including their recent request for a side pocket and investments in private companies.

Ms. Fink agreed with Mr. Lynch and explained they are not fulfilling their mandate and role in the portfolio.

The board explained the timeline for getting the cash redemption. Ms. Fink said we have some time before the cash is received and she explained staff will be looking at a variety of options on where to reallocate the money.

Mr. Reilly asked if there is a penalty and Mr. Lynch said no. He explained there is a risk Wexford could put up a gate.

On a motion by Mr. Costello and seconded by Mr. Giudici, it was unanimously **VOTED: to accept the recommendation to redeem all investments in the Wexford Spectrum Fund.**

Mr. Lynch then explained the watch list process and said the internal investment committee put Gracie on a watch list because of instability in their partnership structure and because they have recently had some redemptions. Ms. Fink said this does not necessarily mean redemption, but the firm is being looked at very carefully.

V. Infrastructure Policy Statement

Ms. Chambers reviewed the policy statement, including how the committee plans to run the portfolio, what investment preferences are, what the risks are, strategic objectives, long term performance objectives with a benchmark. She listed prohibited investments including

nuclear facilities, correctional facilities and underlying assets with significant commodity exposure.

Ms. Chambers explained the section regarding “Rhode Island Investments”, saying they would encourage managers to look for investment opportunities in Rhode Island, but they should have the same risk-return expectations. She also explained the section on responsible contracting policies (RCP) in detail.

Mr. Costello asked how this policy compares to others and Ms. Chambers explained it was a relatively standard, straight-forward policy.

Treasurer Raimondo asked how many funds would be in the infrastructure portfolio and Ms. Chambers said the allocated capital to this space is 3% or about \$220M. She said there will be about 3-5 managers and Ms. Fink said it would most likely be at the lower end of that range.

Ms. Reback suggested the staff “shall” notify the SIC if a manager does not comply with ERSRI RCP instead of “may.” The board agreed. Ms. Reback also voiced concerns about letter “h” of infrastructure investment risks and a line on union recognition in the RCP.

Ms. Chambers explained this is standard pro-labor language and many other pension funds have adopted policies very similar to this.

The board discussed the issues raised and it was concluded they would seek the guidance of Mr. Emkin, a national leader in this area as well as legal staff.

The decision was made to revisit the policy next meeting in light of Ms. Reback’s concerns.

VI. Policy Guidelines for Swap Related QIRs

Ms. Fink explained this is something Russell our overlay manager asked us to put in place because they need it to do SWAPs for us as part of Dodd-Frank.

The committee discussed Russell’s role in the portfolio and explained they use SWAPs to get the portfolio back into policy. Ms. Fink explained this is a cheaper way to get back into policy day-to-day. It is a boiler plate policy and all of their other clients are being asked to approve a similar policy.

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

VOTED: to adopt the policy regarding qualified independent representatives as related to Swaps transactions.

VII. Real Estate Restructuring Plan

Mr. Glickman said the goal today is to provide an update of the decisions made previously about the real estate portion of the portfolio. He presented the portfolio by property sector diversification, geographic diversification, risk classification and vintage exposure by commitment year. The portfolio is currently 68% core and 32% non-core.

He explained REITS should be a part of the portfolio and can be used opportunistically and should make up between 0% and 25% of the portfolio.

Mr. Glickman and the board discussed secondary sales opportunities in the non-core part of the portfolio in detail. The committee stressed they do not want to sell just to sell and the pricing has to be competitive. He recommended putting additional funds into the good

performing managers in the portfolio. He then provided a pacing plan update and said this should take until 2015 to avoid vintage year concentration risk.

VIII. Legal Counsel Report

There was no legal update.

IX. CIO Report

Ms. Fink reviewed November estimated performance in each asset class. She reviewed detractors and best performers. She explained with the markets now performing well it is a good thing we did not put the hedge on. She pointed out the FDIC blanket insurance is going away at the end of the year and she is working with Mr. Vin Izzo, cash manager to review that effect on the portfolio. All the portfolio's deposits are fully collateralized, so the effect is minimal. She provided a brief update on the variable rate and banking RFPs. She then gave a brief update on the December markets to date.

X. Treasurer's Report

Treasurer Raimondo thanked the committee for all their work this year to improve the portfolio.

XI. Adjournment

There being no other business to come before the Board, on a motion by Ms. Booth Gallogly and seconded by Mr. Giudici the meeting adjourned at 11:13 a.m.

Respectfully submitted,



Gina M. Raimondo
General Treasurer



State Investment Commission

Monthly Meeting Minutes

Wednesday, January 23, 2013

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, January 23, 2013 in Room 135, State House.

I. Roll Call of Members

The following members were present: Ms. Rosemary Booth Gallogly, Mr. Thomas Fay, Mr. Robert Giudici, Ms. Paula McNamara, Ms. Marcia Reback, Mr. Andrew Reilly and General Treasurer Gina Raimondo. Mr. Fay left at 11:30.

Also in attendance: Mr. Thomas Lynch of Cliffwater, Alternative Investment Consultant to the Commission; Mr. Alan Emkin (by phone), Mr. John Burns, Ms. Judy Chambers, of Pension Consulting Alliance (PCA), General Policy Consultant; Ms. Sally Dowling, of Adler Pollock, Legal Counsel to the Commission; Mr. Mark Sullivan of BNY Mellon; Ms. Ann Yerger of the Council of Institutional Investors (CII); Beth MacLean and Jeff Muehlethaler of Pacific Investment Management Company (PIMCO); TJ Settel and Gary Slavin of Western Asset Management Company (WAMCO); Anne-Marie Fink, chief investment officer and members of the Governor's and Treasurer's staff. Treasurer Raimondo called the meeting to order at 9:04 a.m.

II. Approval of Minutes

On a motion by Ms. Reback and seconded by Ms. Booth Gallogly, it was unanimously **VOTED: To approve the draft of the minutes of the December 19, 2012 meeting of the State Investment Commission.**

III. Bank Loan/High-Yield Recommendation

Ms. Fink explained the SIC accepted PCA's recommendation in May to reduce fixed income exposure by 3% and increase our real return allocation by 5% by adding rate-insulated securities. She said the portfolio will be primarily floating-rate bank loans and shorter-duration high-yield. She explained Treasury staff and PCA put out an RFP and received 52 responses. She pointed out one of the responses was J.P. Morgan, who was her previous employer, so she recused herself from the process once she became aware of their involvement in the RFP. She introduced Mr. Kem Edwards, Treasury staffer, and Mr. Burns who both led the RFP process.

Mr. Edwards said our findings during the RFP process met the objectives of the mandate set forth by the SIC. He explained there is no free lunch for the market environment we face and it is not a risk free product, but it is meant to align with the risks the SIC has discussed.

Mr. Edwards said of the 52 responses, PCA gathered 28 which met the minimum qualifications. These 28 firms were put through a rigorous, multi-step analysis. Each was discussed individually and then ranked qualitatively. He explained this process created a natural break of 9 firms which stood out from the rest, but those firms were pretty tightly clustered. The review team then conducted phone interviews with each of the 9 managers asking uniform and specific questions around each. Mr. Edwards and Mr. Burns then visited 7 managers on-site and after this process the team focused efforts on 5 of those. After another layer of in-depth review the pool was reduced to three and ultimately to the 2 firms who will present today. Mr. Edwards explained during this review process each team member would take notes independently and then compare notes and throughout the process the take-aways were strongly aligned. He then reviewed general findings from the RFP process and trends in general.

Mr. Edwards described the two finalists as peer leaders with strong or best-in-class aspects across the board. He explained PIMCO is a bit more conservative which focuses on more liquid names. WAMCO tends to go a bit further out on the credit curve, but both firms have highly developed risk management processes. He pointed out, when placed together these two firms create a good pairing for the portfolio. Individuals from PIMCO entered the room and were introduced.

Ms. MacLean stated PIMCO is excited about this mandate because it fits in with their macro views. Ms. MacLean discussed the fundamentals in the market and valuations. She explained companies have managed their balance sheets well and discussed the corporate credit fundamentals. She expects a low default environment in the coming years and pointed out there is adequate supply of bank loans and high-yield bonds to meet the demand coming from institutional investors.

Ms. MacLean described PIMCO's team and the portfolio management structure. She explained the bottom-up model their research analysts use and their process for new investments as well as a monitoring system for active investments. She pointed out their risk management team is on the trading floor with them and also explained their investment committee meets daily.

Mr. Fay asked about default rates and how it relates to performance and Ms. MacLean pointed out PIMCO's default rate has been below market because of their rigorous credit selection process and higher quality bias. She explained the fund did not perform as well in the recent beta rally, because they did not own as many distressed credits. Conversely, PIMCO anticipates outperforming the market during a selloff.

Mr. Reilly asked about their view of interest rate risk and Ms. MacLean believes interest rates may stay low for the next 12-24 months. She thinks once rates spike there will be inflation and PIMCO is very concerned about this. She pointed out bank loans are the only assets in fixed income which don't perform poorly in a rising interest rate environment. There being no further questions for the presenters, Ms. MacLean and Mr. Muehlethaler left the room.

Individuals from WAMCO entered the room.

Mr. Edwards introduced Mr. Settel and Mr. Slavin. Mr. Slavin began the presentation and explained some of their investment fundamentals, their office locations, the structure of their investment and client service teams and their list of clients. He then touched on their historical results and explained how they exceeded the benchmark of their peer groups. He also explained, despite this, they have historically had less defaults than their peer group. He attributes this to their credit selection process and their ongoing monitoring systems.

Mr. Settel introduced himself as the bank loan portfolio manager and explained his background and the global credit team. He explained their different committees and their communication structure across portfolios. Mr. Settel explained their risk management process worked in 2008 and the company invested a lot of money to enhance their systems post-2008. He explained their analysts' bottom-up review process.

Mr. Fay asked about sell discipline in the bank loan space and he explained they focus on larger, more liquid names.

Treasurer Raimondo asked how much they manage in bank loans and Mr. Settel said they are about \$7B right now and the market is about \$600B. Treasurer Raimondo asked about the demand for the product going forward and Mr. Settel discussed return expectations.

Mr. Reilly asked about portfolio options and Mr. Settel referenced the presentation which laid out a variety of options and bandwidths. He concluded the presentation and they left the room.

The committee discussed the recommendation from PCA to hire PIMCO in the range \$200-\$250M and WAMCO at \$150-\$200M.

Ms. Fink suggested the committee approve these ranges and have a discussion about how much risk the committee is comfortable taking in this asset class. She discussed how each manager would complement each other and discussed diversification within the asset class.

Ms. McNamara asked about the funding timeline and Ms. Fink said she is more inclined to let them phase into the market.

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

VOTED: To approve PCA's recommendation selecting the two managers in the ranges as presented.

IV. Infrastructure Policy Statement

Ms. Chambers discussed the changes made in the document since the draft was presented last meeting.

Treasurer Raimondo stated the intent was to balance the concerns about labor while making sure we don't narrow the field of firms we will be able to work with.

Ms. Booth Gallogly asked how these policies are implemented and enforced and Ms. Chambers said the implementation falls on the investment manager and it is PCA's and staff's responsibility to monitor their activities.

The committee discussed the process in the event a manager does violate the investment policy.

Mr. Emkin pointed out there are many other large investors who share the committee's concern and the managers are sensitive to labor issues, given their long histories with limited partners in Europe and Australia. He also stated fiduciary responsibility is first priority.

Ms. Fink stated this will also be part of the evaluation process and we can proactively discuss the importance of this to the managers before we fund the mandate.

Ms. Chambers reiterated this policy is consistent with others in the marketplace.

Treasurer Raimondo recommended going to market to see if there are any viable managers which meet our guidelines and want to be good partners and the board could make an educated decision then.

On a motion by Ms. Reback and seconded by Ms. Booth Gallogly, it was unanimously **VOTED: To approve the updated investment policy statement as is.**

V. Corporate Governance Briefing

Ms. Fink said the goal of this program is to find a cost-effective way to leverage our assets through a comprehensive corporate governance program. She introduced Ms. Yerger of CII. Ms. Yerger described her background and pointed out Rhode Island has been a member on and off since 2002. She explained CII's mission is to be a voice for strong investor protections and shareholder rights and for effective corporate governance standards for U.S. companies. She explained their founding and why corporate transparency is important. She explained they have over 125 voting members comprising public, labor and corporate pension funds. Ms. Yerger then explained there are a variety of options for investors to get involved with corporate governance and each plan should take into consideration its resources, objectives, philosophies and strategies. She continued to take the board through its options to get involved. She explained the board must evaluate how its proxies are being voted and most funds of Rhode Island's size delegate the voting to their asset managers. She pointed out if the plan does delegate there is an obligation to monitor. She reviewed some helpful questions to ask managers and also provided more enhanced options which might require more staff time. Ms. Yerger reviewed some current corporate governance issues such as majority voting for directors, executive pay, board diversity, political contributions, predatory lending and firearm divestments.

VI. Legal Counsel Report

Mr. Mark Dingley, Treasury legal staffer, reviewed the 2010 Supreme Court Morrison decision which stated you can't bring a securities class action for a stock if it wasn't sold on a U.S. exchange. He explained the plan buys a lot of securities on foreign exchanges and our securities class action attorneys don't service those needs. Mr. Dingley proposed sending out an RFQ to determine which firms can provide effective advice on foreign actions. The board asked Mr. Dingley to proceed.

VII. CIO Report

Ms. Fink walked the board through the new board book post-custody transition and explained it is a work in progress. She asked for feedback if the board would like any changes. She reviewed the performance and risk metrics in the process. She then gave a brief update on Wellspring.

Ms. Fink then reviewed the monthly performance of each hedge fund. She updated the board on a key person departure at Gracie. It was determined the board could not vote on Cliffwater's recommendation to redeem from Gracie because this item was not on the agenda. In an effort to adhere to the Open Meetings Act the board scheduled an interim meeting that coming Friday. She gave a brief update on the 457 plans and gave an update on an issue with Valic.

VIII. Treasurer's Report

Mr. Vincent Izzo, Treasury cash manager, gave an update on the banking RFP. He explained regardless of what decisions are made the state will be paying less in fees.

IX. Adjournment

There being no other business to come before the Board, on a motion by Mr. Giudici and seconded by Mr. Reilly the meeting adjourned at 12:15 a.m.

Respectfully submitted,



Gina M. Raimondo
General Treasurer



State Investment Commission

Monthly Meeting Minutes

Friday, January 25, 2013

3:30 p.m.

Room 135, State House

The Monthly Meeting of the State Investment Commission (SIC) was called to order at 3:42 p.m., Friday, January 25, 2013 in Room 135, State House.

I. Roll Call of Members

The following members were present: Ms. Rosemary Booth Gallogly, Ms. Paula McNamara, Ms. Marcia Reback, Mr. Andrew Reilly, Mr. Frank Karpinski and Mr. Joseph Pratt designee for General Treasurer Gina Raimondo.

Also in attendance: Anne-Marie Fink, chief investment officer and Treasurer's staff.
Mr. Pratt called the meeting to order at 3:42 a.m.

II. Hedge Fund Redemption

Ms. Fink explained Gracie had a key person depart the firm and have received a lot of redemptions. Mr. Mark Dingley recognized there is a quorum present.

On a motion by Ms. Reback and seconded by Mr. Reilly, it was unanimously
VOTED: To accept the recommendation to redeem all investments in the Gracie Credit Opportunities Fund.

III. Adjournment

There being no other business to come before the Board, on a motion by Ms. Booth Gallogly and seconded by Ms. McNamara the meeting adjourned at 3:44 p.m.

Respectfully submitted,

Gina M. Raimondo
General Treasurer



State Investment Commission

Monthly Meeting Minutes

Wednesday, February 27, 2013

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, 2013 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. Marcia Reback and General Treasurer Gina Raimondo.

Also in attendance: Mr. Steve Nesbitt and Mr. Thomas Lynch of Cliffwater, alternative investment consultant to the Commission; Mr. Alan Emkin, Mr. John Burns, Mr. David Glickman and Ms. Lindsey Sugar of Pension Consulting Alliance (PCA), general policy and real estate consultant; Ms. Sally Dowling, of Adler Pollock, legal counsel; Mr. Jeff Muehlethaler and Mr. Rudy Pimentel of Pacific Investment Management Company (PIMCO); Mr. Larry Brown and Mr. Darren Lopes of TIAA-CREF; Mr. Blaise Keane, Mr. Dave Perisho and Ms. Kathy Sandstrom of Heitman; Ms. Anne-Marie Fink, chief investment officer and members of the Treasurer's staff. Treasurer Raimondo called the meeting to order at 9:04 a.m.

II. Approval of Minutes

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

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, 2013 meeting of the State Investment Commission.**

III. Real Estate Update & Heitman Recommendation

Mr. Glickman recommended the committee commit \$50M into Heitman's open-end core fund. He explained it is consistent with the board's direction to add additional investments in income-producing, stabilized real estate as a way of diversifying and producing current return and this commitment will bring real estate to about 4.2% of the portfolio.

Mr. Glickman also updated the board on the fund's non-core investments. At the direction of the committee, PCA has put them up for bid, without any obligation, to sell out of smaller non-strategic positions. He explained they have asked for bids on individual partnerships and the portfolio as a whole. Ms. Sugar than updated the board on the timeline of the process.

The Heitman team introduced themselves and Ms. Sandstrom gave a brief overview on the history of the firm. She pointed out they have about 250 professionals across the world who

advise on about \$26B of real estate, mostly in North America. She explained their ownership structure and the experience and commitment of their partners.

She reviewed past performance against the NCREIF where they have outperformed since inception.

Mr. Keane explained the core fund was launched in 2007 with the goal of assembling a portfolio of low-risk, high-income, well-leased properties. He said they aim to achieve the NFI_ODCE plus 100 basis points over a rolling 5-year period. He reviewed the Heitman team and committee structure.

Mr. Perisho explained their sector allocation across property types. They use a bottom-up approach and their research drives allocation of funds to where they believe growth will be. He explained they are underweight on the West Coast compared to some of their peers, but are in major markets in Chicago and Texas as well as the coasts. He said this is a very low-risk portfolio because it is 95% leased and they don't leverage a lot.

Mr. Keane gave some examples of investments and reviewed performance where 80% of projected return comes from income and only 20% from appreciation.

The committee asked questions and Heitman wrapped up their presentation.

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

VOTED: to commit \$50 million to Heitman predicated on satisfactory completion of all due diligence.

IV. PIMCO & WAMCO

Ms. Fink reviewed the allocations the committee made to PIMCO and Western last meeting.

Ms. Fink brought up two discussion items: the first being whether we should consider allowing PIMCO to use modest leverage in their portfolio. The second is where the \$400M funding should come from.

Ms. Fink then reviewed the pros and cons on using leverage. She explained it would enhance returns and allow us to capitalize on low borrowing rates. Floating-rate loans would hedge floating-rate borrowing costs. It diversifies risk portfolio-wide and would create an asymmetric return profile. Further, she said PIMCO buys more highly rated securities so it is a more appropriate place to use leverage. She explained the risks including timing, default and credit risk, forced sale risk and it is a customized product.

Ms. Fink discussed a simplified illustration of the mechanic leverage. Furthermore, she explained the possible implications of leverage in various market scenarios including a recession or market crisis.

Mr. Costello asked about the structure and Ms. Fink explained triggers they could put into effect to help manage the risk.

Mr. Pimentel introduced himself and Mr. Muehlethaler and discussed when and when not to apply leverage. He explained the leverage would be at the portfolio level and PIMCO negotiates with the counterparties, but each counterparty needs to be added to the agreement and approved individually. He said, even in 2008 no one reduced PIMCO's credit lines because they invest conservatively. He also said counterparties need a year's notice before cancelling.

Ms. Booth Gallogly asked about the legal logistics of leverage and Mr. Pimentel said the fund is the named borrower. The committee discussed the legal structure at length.

Mr. Pimental then reviewed potential worst case scenarios using leverage and not using leverage.

The board decided to postpone the vote on leverage, continue funding PIMCO without leverage and conduct analysis on applying leverage.

Ms. Fink discussed how the \$200M to PIMCO and \$200 to WAMCO would be funded.

V. Alternatives Update

Mr. Nesbitt gave a brief history of the hedge fund program, which was launched about 15 months ago. He referenced page 3 of the presentation which illustrated ERSRI's global equity and real return portfolios are getting moderate returns with a relatively low level of risk. He stated the hedge fund portfolio is fulfilling its objective of getting better risk-adjusted returns. He differentiated the returns in terms of risk free rate, beta and alpha. He pointed out the focus when evaluating hedge funds is on alpha. He said the combined return of hedge funds was about 6.7%, 4.6% alpha and 2.1% from beta. Cliffwater's expectation is between 3.5%-4% of alpha and ERSRI's hedge fund portfolio is performing much better than fund of funds and even other direct hedge funds. He reviewed each manager and the composites and pointed out an information ratio above 1 is good. The composites are above 2.0 and twice of what Cliffwater expects. He pointed out hedge funds haven't been taking a lot of risk in the last year and a half.

Mr. Nesbitt provided Cliffwater's expected performance forecasts which are on par with ERSRI's CPI +400 basis points. He then explained the composite's beta exposure.

Treasurer Raimondo asked if they are concerned about any managers and if any are on their watch list. Mr. Nesbitt responded they are not worried about any of the managers except those that were redeemed. He reiterated Cliffwater and Treasury staff has a robust monitoring process.

Mr. Lynch gave a brief review of the private equity portfolio and said performance continues to be strong on an absolute and relative basis with a net IRR of 13.81%. He stated the 2006 and 2008 vintage years continue to struggle. He said there were no new commitments made in 2009 and 2010 but commitments were made in the second half of 2011 and 2012. Since then there have been 9 commitments and 8 of those 9 are already deploying capital and getting positive signs early on. He said the resuscitation of the program is off to a good start. He pointed out long-term and short-term positive managers. Mr. Lynch took questions and concluded the presentation.

VI. D/C Plan Update

Mr. Lopes explained there are \$52M in assets as of December 31, 2012 and it grows about \$10M per month. He took the board through his presentation and explained what percentage of participants are in which lifestage segment. He pointed out the lifestage does not take into consideration what they will receive from a pension. He explained TIAA-CREF's ongoing education efforts with seminars, counseling sessions and participation in different events around the state.

Mr. Lopes said about 22%-25% of the population is engaging with TIAA-CREF through phone calls and their website, which is lower than he would like, but it is getting better. Mr. Lopes expects this trend to continue.

Mr. Brown explained 8 out of 11 funds are index funds so the performance should tie closely to the benchmark and he reaffirmed this is the case. He explained some index funds are benchmarked against active managers which take on more risk.

Mr. Brown explained Vanguard will add international bonds to their bond index fund. Vanguard will also reduce the duration of their TIPS portfolio by about a year and there will be no cash allocation. He anticipated this will happen near the end of the second quarter. He also pointed out Vanguard is switching indices away from MSCI and Russell and into the FTSE and CRSP.

VII. OPEB Asset Allocation

Ms. Fink explained that on the defined benefit plan, the board has moved away from fixed income given the low returns and high risks. She explained the OPEB portfolio is 65% fixed income and 35% equity. She said the OPEB portfolio should be cash flow positive for the next decade. Given this and what the defined benefit plan is doing, Ms. Fink believes there should be more equity in the OPEB portfolio.

Mr. Emkin agrees with Ms. Fink. He recommended 65% to equity and 35% to fixed income.

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

VOTED: to make a recommendation to the OPEB Board to allocate 65% to equity and 35% to fixed income.

VIII. Banking Services Update

Mr. Vincent Izzo said Treasury staff is entering the implementation phase and has completed all due diligence on the banking RFPs. He explained they received 8 RFPs, all from qualified providers. He said staff is in the process of moving the disbursement bank account from Citizens Bank to Sovereign Bank, which will save on fees. He said the earnings credits to offset fees were near the best and on any excess balances Sovereign will pay the investment rate. All the proposals from the other banks also lowered rates and the RFP process should save the state around \$300,000 a year in banking fees. Mr. Izzo said staff evaluates banks on a monthly basis, but there hasn't been a formal RFP done in a while and it turned out to be a valuable exercise.

IX. 457 Plan Update

Mr. Mark Rhoads, Treasury staffer, gave a review of the 457 Plan's progress the past 6 months, a few highlights on each fund individually, and goals going forward.

He briefly reviewed the changes the SIC made in June of 2012 including lowering administrative fees, and the addition of index and lifecycle/target date funds.

He explained Treasury has worked with the Department of Administration in outreach efforts to get the providers on site for recruitment and education efforts. He pointed out the 457

plans assets are growing, partly because of the recent market run up, and also because there are about 100 new participants in the plan in 2012. He explained Valic is only slightly losing some participants, Fidelity is remaining steady and ING's participant base is growing. Mr. Rhoads pointed out the average balance of a participant in ING was about \$30,000, \$50,000 in Fidelity and \$40,000 in Valic. He said there are about 6,000 participants which is a good participation rate, but he would like to see those numbers increase. He reviewed each lineups performance and noted there is significant movement into the target date funds and the new index funds. He gave a brief update on the Valic stable value fund explaining that all participants are at the 3% floor until the issue is resolved. He gave a brief updates on goals moving forward.

XI. Legal Counsel Report

There was no legal report.

XII. CIO Report

Ms. Fink reviewed performance for the month and said it is in line with our benchmark, but the private equity performance lags, which affects the total performance. She explained the decision to reduce fixed income paid off this month.

She gave a brief update on the infrastructure RFI and explained she has recused herself from the process out of caution because her former employer was a respondent. Treasurer Raimondo said she would oversee the RFI review team during the process.

Ms. Fink gave an update on corporate governance and is expected to be back next month with a more extensive plan.

Mr. Lynch gave a brief update on the firearms situation in one of the portfolio's private equity funds and answered Treasurer Raimondo's questions on the issue.

Ms. Fink pointed out the end of February has been volatile so far and explained she reduced the equity overweights from appreciation.

XIII. Treasurer's Report

There was no Treasurer's report.

XIV. Adjournment

There being no other business to come before the Board, on a motion by Ms. Booth Gallogly and seconded by Mr. Fay, the meeting adjourned at 11:31 a.m.

Respectfully submitted,



Gina M. Raimondo
General Treasurer



State Investment Commission
Monthly Meeting Minutes
Wednesday, March 27, 2013
9:00 a.m.
Room 135, State House

The Monthly Meeting of the State Investment Commission (SIC) was called to order at 9:03 a.m., Wednesday, March 27, 2013 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, General Treasurer Gina Raimondo and Mr. Frank Karpinski.

Also in attendance: Mr. Thomas Lynch of Cliffwater, alternative investment consultant to the Commission; Mr. Alan Emkin, Mr. John Burns and Ms. Lindsey Sugar of Pension Consulting Alliance (PCA), general policy and real estate consultant; Ms. Sally Dowling, of Adler Pollock, legal counsel; Mr. George Gilmer and Mr. Mark Sullivan of BNY Mellon; Mr. Stewart Kohl and Ms. Peggy Roberts of Riverside Capital; Ms. Anne-Marie Fink, chief investment officer and members of the Treasurer's staff. Treasurer Raimondo called the meeting to order at 9:03 a.m. Mr. Giudici left at 10:20.

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 February 27, 2013 meeting of the State Investment Commission.**

III. Riverside Capital Recommendation

Mr. Lynch described Riverside as a private equity firm targeting lower mid-level companies in the U.S. He introduced Mr. Kohl and Ms. Roberts.

Mr. Kohl explained they target growth business which can be acquired for less than \$200M and with which Riverside can work to make them two to three times bigger through organic growth and add on acquisitions. He briefly described Riverside's history.

He pointed out Riverside is big investors in their own fund which creates aligned interests. For background, Mr. Kohl explained separate fund strategies at Riverside including a European, microcap and developed Asia funds.

Mr. Kohl explained their office locations and the structure and experience of their staff. He then described, in detail, their realization and performance history.

Ms. Roberts highlighted one of their acquired companies and provided a detailed case study of their full process from acquisition to sale.

The committee asked some questions and Riverside left the room.

Mr. Lynch explained that to maintain the plan's allocation in private equity the committee needs to make about \$150M in commitments this year. He said the private equity portfolio

needs more buyout strategies with smaller companies and Riverside fits that criterion. He then recommended the board commit \$20M to the Riverside.

On a motion by Mr. Costello and seconded by Ms. Reback, it was unanimously
VOTED: to commit \$20 million to Riverside Capital, for investment in Riverside Capital Appreciation Fund VI predicated on satisfactory completion of all due diligence.

IV. Claren Road Recommendation

Mr. Lynch reminded the board of the whole hedge fund portfolio and of the SIC's decision to redeem two managers. He explained they need one more manager to bring the real return portfolio back to full allocation.

Mr. Lynch then recommended Claren Road as a replacement for Gracie. He described their team, the firm's history and their investment strategy. He explained since inception they have an annualized rate of return of 9.9% with a 4% level of volatility and a Sharpe ratio of 1.90. He then took the board through their operational due diligence and recommended investment in Claren Road to replace Gracie. He initially considered recommending a \$40M commitment, but then explained the institutional share class has lower fees, but a longer initial lockup. He pointed out, with the low volatility and size of the firm the lockup for the lower fees is a good tradeoff. The minimum of the institutional share class is \$50 million. Mr. Lynch said Cliffwater asked Claren Road to waive the additional \$10M commitment to enter the institutional share class, but Claren was not able to. Given that, Cliffwater recommends committing \$50M to the Claren Road institutional share class to attain the lower management fee.

Ms. Booth Gallogly asked if Claren Road was considered during the initial funding process and Mr. Lynch said yes. Ms. Fink pointed out they are currently closed, so they only replace capital when someone redeems the equivalent amount. Mr. Lynch pointed out 55% of Claren Road is owned by Carlyle, which provides them large institutional support, but Carlyle is hands-off in terms of investment and business strategy.

Ms. Booth Gallogly asked about regulatory protections and Mr. Lynch explained they are SEC registered as an investment advisor and their disclosure is excellent, but this has no effect on the terms of the initial lockup commitment.

Ms. Fink said Claren Road is a lower volatility, low risk manager with many focused technical disciplines to control risk. She said it is a big stable organization and Claren Road's credit approach is a nice balance to other areas of the portfolio. For these reasons she is inclined to invest in the institutional share class for the lower management fee.

Mr. Lynch reiterated that from Cliffwater's perspective Claren Road is one of the best fund managers in the credit space.

On a motion by Ms. Reback and seconded by Mr. Fay, it was unanimously
VOTED: to commit \$50 million to the Claren Road Institutional Share Class predicated on satisfactory completion of all due diligence.

V. Real Estate Recommendations

Ms. Sugar gave a brief update on the secondary sale process. PCA has received offers with varying values from six bidders and they have narrowed it down to select bidders for final round bids due mid-April. Because this is an ongoing process Ms. Sugar is not inclined to

discuss values to ensure it remains a competitive process for best pricing. They are pricing the next round of bidding at 4th quarter numbers instead of 3rd which are more favorable. Ms. Fink said the process is going well, but we would like to go back to the original bidders to ensure the best pricing. She explained the assets might be sold at a discount, but the price levels should make it worthwhile for us to sell at a discount and redeploy the money in a better investment vehicle, rather than wait for these investments to run their cycle. Ms. Sugar pointed out the bids are in line with expectations when this process was started and values also came up. The board then discussed if they should wait to sell and it was determined they should not because they are both buyers and sellers and for a variety of other reasons.

Ms. Sugar continued to discuss PCA's recommendation to allocate up to an additional \$25M in AEW's Core Property Trust Fund. She explained the plan's history and current investment with AEW. She then reviewed AEW's investment fundamentals and plans for calling capital. She said they are calling capital soon and this would be a way to put additional real estate investments into the market very soon.

Ms. Fink and Ms. Sugar took the board through the rebalancing timeline to get the real estate portfolio to full policy allocation.

Ms. Sugar explained since ERSRI was one of the first investors in AEW's Core Property Trust Fund they have reduced ERSRI's legacy management fee by 50 basis points.

Ms. Sugar then recommended allocating up to an additional \$10M to Heitman.

The committee then reviewed the secondary sale process.

On a motion by Mr. Costello and seconded by Mr. Giudici, it was unanimously **VOTED: to commit an additional \$25 million to AEW predicated on satisfactory completion of all due diligence.**

On a motion by Mr. Fay and seconded by Mr. Giudici, it was unanimously **VOTED: to commit an additional \$10 million to Heitman predicated on satisfactory completion of all due diligence.**

VI. OPEB Asset Allocation

Treasurer Raimondo reminded the committee they voted last month to recommend to the OPEB Board to switch the OPEB asset allocation from 65% in fixed income to 35% in equity to 65% equity and 35% fixed income. She explained this decision was made because of the concern around fixed income rate risk and the OPEB plan has better cash flows than the pension plan. She explained Ms. Fink and Mr. Mark Dingley, Treasury staffer, went to the board and made this recommendation and the OPEB board explained they wanted to mirror the pension fund's asset allocation. Ms. Fink explained staff started looking into the logistics of potentially making this switch. She explained the four separately managed accounts, State employees, Municipal employees, state police and judges all have the same tax ID and because OPEB plan has a separate tax ID, some investment managers need to form a separately managed account to manage the additional OPEB assets. She explained it then becomes a challenge to meet minimum AUM thresholds for managers. The committee then discussed the complications of this issue and discussed legacy complications as well. The committee discussed the possibility of having the OPEB board apply for the same tax ID.

Given these issues, the vote on OPEB asset allocation did not occur, but the committee agreed to go back to the OPEB board, explain the complications and strongly recommend they act on the SIC's recommendation from the last OPEB meeting to allocate 65% to equity and 35% to fixed income while staff looks into the logistics of possibly commingling the assets.

VII. AllianceBernstein Amendment

Ms. Fink referenced an amendment to part of the AllianceBernstein contract. She explained this amendment relates to the principal protected income option within the CollegeBound fund. She said this is a low risk stable value fund in the lineup and about 10% of assets are in it nationally and 12% in the Rhode Island plan. She explained AllianceBernstein assures the assets in this option never go down by using the assets to provide safe securities at relatively low duration. Ms. Fink said they also buy derivatives to buy protection as well as an insurance wrap to ensure the value of the asset never goes down. She said ING is their insurance provider. She said this amendment addresses derivatives and she said the fund has always been able to use derivatives, but the language wasn't completely clear. Ms. Fink said when AllianceBernstein goes to market to buy derivatives there are certain counterparties which would like to see the language in the contract. She pointed out, adding this language will allow AllianceBernstein to access more of the market. She then discussed the changes in section 5 that were made during the staff's legal review process.

On a motion by Mr. Costello and seconded by Mr. Fay, it was unanimously
VOTED: to approve the AllianceBernstein amendment.

VIII. Corporate Governance

Ms. Fink said staff has been spending a lot of time exploring different corporate governance options. She reminded the board of Ann Yerger's presentation from the Council of Institutional Investors.

Ms. Fink explained there has been a lot done by funds like CALPERS, where they have more assets, a bigger staff and own assets directly. She explained ERSRI is different because it currently only invests in commingled funds. She pointed out ERSRI never technically has the right to vote, but it still has the obligation to oversee those who vote on the plan's behalf.

Ms. Fink said this structure allows the board to focus on the ultimate goal of generating value on the asset being voted on. Looking for feedback from the board, Ms. Fink outlined the corporate governance policy and her four principles for long-term value creation. The four principles are board accountability for shareholders, board effectiveness and decision making, creating long-term value and transparency.

Mr. Costello asked about State Street Global and pointed out they can't dictate who is in the index. Ms. Fink said State Street has to vote proxies and Treasury staff began a dialogue with them already.

Ms. Reback asked for the policy to be clear enough where it is easy to determine which issue fits in which principle bucket and the board discussed the mechanics of this concern.

IX. Legal Counsel Report

Ms. Dowling gave an update on the legal agreements she and Treasury staff are working on.

X. CIO Report

Ms. Fink reviewed performance for last month and reviewed each asset class and some individual managers. She pointed out the private equity and real estate number is on a quarterly reporting lag, so it is not a particularly useful number.

Ms. Fink said WAMCO received \$200M and has invested about three quarters of that to-date and will probably be fully invested next week. She said using leverage with PIMCO was explored in depth and staff decided to proceed without leverage at this time. She said PIMCO should be funded sometime next week. She explained how each manager would be funded.

Ms. Fink explained the infrastructure RFI is an ongoing process and explained out of caution she has recused herself because her former employer submitted a response. She said PCA and staff have narrowed thirty-two submissions to a short-list of eight. She explained the process is ongoing.

Treasurer Raimondo explained she has inserted herself in the process because Anne-Marie is not able to participate and she believes if the search does not surface the right managers, the board should not put all the money to work. The board agreed.

Ms. Fink updated the board on the CollegeBound Fund and explained part of the contract provides the SIC with funds to hire a consultant. Ms. Fink plans to hire a consultant to focus on the investment lineup. She believes our existing general consultant is qualified to do the assessment and Mr. Emkin pointed out they consult for eight states on their 529 plans. The board agreed.

Ms. Fink updated the board on the banking rfp and the move of the disbursement account to Sovereign.

Ms. Fink updated the board on the Valic stable value floor issue. She explained the participants received a better deal because they grandfathered in participants who joined the plan before April 1, 2013 at a 3% floor.

XI. Treasurer's Report

Treasurer Raimondo said staff is continuing to monitor the one gun holding in the portfolio. The board discussed selling its L.P. interest in the fund.

XII. Adjournment

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

Respectfully submitted,



Gina M. Raimondo
General Treasurer



State Investment Commission

Monthly Meeting Minutes
Wednesday, April 24, 2013

9:00 a.m.

Room 135, State House

The Monthly Meeting of the State Investment Commission (SIC) was called to order at 9:02 a.m., Wednesday, April 24, 2013 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, Mr. Frank Karpinski, General Treasurer Gina Raimondo. Ms. Booth Gallogly arrived at 9:04. Also in attendance: Mr. Thomas Lynch, Mr. Steve Nesbitt and Mr. Mark Johnson of Cliffwater, alternative investment consultant to the Commission; Mr. Alan Emkin, Mr. John Burns, Ms. Judy Chambers, and Mr. David Glickman of Pension Consulting Alliance (PCA), general policy and real estate consultant; Ms. Sally Dowling, of Adler Pollock, legal counsel; Ms. Margie Vose and Mr. Jake Weinstein of Fidelity; Ms. Anne-Marie Fink, chief investment officer and members of the Treasurer's staff; Mr. James Alvarez from the office of Governor Lincoln Chafee and various local reporters. Treasurer Raimondo called the meeting to order at 9:02 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 March 27, 2013 meeting of the State Investment Commission.** Ms. Booth Gallogly was not present for the approval of the minutes.

III. Real Estate Secondary Sale Recommendation

Mr. Glickman provided an update on the sale of some non-core real estate limited partnerships. He said there are a number of prospective bidders who are willing and able to purchase the assets. He explained some bidders expressed interest in buying large portions of the portfolio and others had interest in buying only single partnerships. He said there are thirteen separate transactions that will hopefully be completed by the end of June. He talked about the advantages of the secondary sale. He asked for authorization from the board to move forward with the sale if they receive an appropriate discount price.

Ms. Fink noted this part of the portfolio hasn't worked out as planned when the SIC invested in them in 2005 through 2008. She said the fund has lost money on these positions and PCA believes there are better long-term real estate opportunities.

Ms. Fink outlined the advantages of redeploying the money to lower risk real estate funds and stated there would be an 8% expected return. She also asked the board for flexibility around the discounts so staff may negotiate as strongly as possible with the bidders.

Ms. Booth Gallogly asked about the process and if we are able to hold the cash. Ms. Fink explained the money committed to Heitman should be called about the same time as the proceeds come in. One bidder might give better pricing if they give us all the cash at the end

of September. Additionally, the cash won't likely be able to be redeployed until that time period.

Mr. Glickman added that the process of identifying new non-core investments is already under way. He also explained that if a commitment were to be made in the third or fourth quarter, the funds would likely be drawn in calendar years 2014 and 2015. The goal is to diversify by vintage year.

Ms. Fink talked about how the managers in some of these funds are not particularly motivated to work hard on the remaining assets because they know they won't earn an incentive fee, because the funds are so far from being profitable.

Ms. Booth Gallogly asked if the compensation structure needs to keep people interested up to the last dollar and if that wasn't previously the case.

Ms. Fink explained that because these funds were invested at the top of the market and are now under water, they most likely won't deliver positive returns.

Mr. Reilly reiterated these funds have already suffered losses. The board isn't making a decision to take further losses.

Mr. Glickman noted that this would not be a forced sale but rather a market opportunity.

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

VOTED: to give staff, with consultation from PCA, the authority to act upon the legacy portfolio secondary sale within 90 days and within a reasonable range of discount or to not continue if the discount level is not satisfactory.

IV. Corporate Governance Policy

Ms. Fink gave an update on the Corporate Governance Policy. She talked about the responsibility of the SIC in exercising corporate governance. She said since the equities held are in commingled funds, there is a third party that votes. The responsibility of the SIC is to oversee that everything is being done to maximize value in the portfolio. She talked about key principles which have been identified. She said she will be in further discussion with other states and look at the cost-benefit analysis of hiring a firm to exercise corporate governance.

Ms. Reback suggested that social responsibility be added as a key principle to the policy. The board determined that further work would need to be done as far as the social responsibility principle of the policy.

Ms. Fink added state plans with more corporate governance experience will talk to ERSRI for free and share best practices and procedures that might benefit the plan's corporate governance policy. No vote was taken.

V. Infrastructure Update

Ms. Chambers provided a brief update of the infrastructure RFI. She said the potential managers have initially been narrowed down to eight, with on-site due diligence scheduled for four of these managers.

Mr. Reilly asked if the eight managers represented a diversified pool.

Ms. Chambers explained that the responses were diversified across the board with many of them in the energy sector. She pointed out that the managers have core or core plus strategies. She explained risk and return as well as how they meet overall standards, will determine how many managers will be selected.

VI. OSIP Review

Ms. Vose briefly reviewed Fidelity's distribution efforts in Rhode Island. She said OSIP has seven more participants other than the state and has about \$530 million currently invested.

Mr. Weinstein reviewed current market conditions and their effect on OSIP's yield. He outlined the objectives of the pool and explained the parameters for management of the pool.

Mr. Izzo added that municipalities and quasi-state agencies have benefited from both direct participation and outreach from Fidelity which has generated competition from current vendors.

VII. Legal Counsel Report

There was no legal update.

VIII. CIO Report

Ms. Fink introduced Mr. Nesbitt to review the plan's current asset allocation and risk.

Mr. Nesbitt reviewed the alternative investment allocation for the State of Rhode Island in comparison with other states for fiscal year 2012. He said the ERSRI's current allocation is 26% which is around average when compared to other state plans. He went on to compare ERSRI's expense ratio to other state plans that publish their fees. He stated ERSRI's expense ratio is 0.36% and that it is slightly below the average of 0.40% among 38 pension plans. He also reviewed expense ratios including performance fees and compared them to the other five other plans which publish these fees. He stated that ERSRI's is on the lower end at 0.58%.

Ms. Reback asked how fees this year compare versus fees four years ago and how much alternative investments have impacted the overall fee structure.

Mr. Nesbitt noted that those numbers are not readily available.

Mr. Emkin added the information can be obtained and followed up on.

Mr. Costello noted the returns have become far less volatile. Since the plan must continually pay benefits, the net return of the hedge funds is worth the increase in fees.

Mr. Emkin said the plan's strategic objective was to get a higher rate of return with lower risk and to accomplish that, higher fees must be paid.

Ms. Reback expressed concern over three hedge funds whose managers are involved on a personal basis in organizations that she saw as having anti-teacher-union agendas. She asked if the plan could divest from these funds.

The board discussed issues around incorporating individuals' personal activities into the evaluation of fund investments as well as the obstacles related to divesting from these funds.

Mr. Costello suggested looking further into the three funds to determine if investments are being made directly into securities that are anti-teacher union. He then explained the challenges of monitoring individual's political leanings and said that is not how investment decisions should be made.

Ms. Fink briefly reviewed hedge fund performance to date.

Ms. Fink gave an update on the change of allocation for the OPEB fund and said that it is complete.

Ms. Fink said the banking transition for the disbursement account went smoothly and is now complete.

Ms. Fink updated the board on the Colleaguebound Fund review. She said she negotiated pricing with PCA to assist reviewing the investment lineup.

Ms. Fink stated Wellspring has not made any further progress in selling their holdings of United Sporting Companies, which is a distributor of firearms. The SIC is allowing until the end of June. If no progress is made, the board will consider a secondary sale of the partnership.

Ms. Fink reviewed the portfolio's performance for last month and reviewed each asset class.

IX. Treasurer Report

Treasurer Raimondo thanked the board for their continued work.

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 11:31 a.m.

Respectfully submitted,



Gina M. Raimondo
General Treasurer



State Investment Commission

Monthly Meeting Minutes

Wednesday, May 22, 2013

9:00 a.m.

Room 135, State House

The Monthly Meeting of the State Investment Commission (SIC) was called to order at 9:03 a.m., Wednesday, May 22, 2013 in Room 135, State House.

I. Roll Call of Members

The following members were present: Mr. J. Michael Costello, Mr. Thomas Fay, Mr. Robert Giudici, Ms. Paula McNamara, Ms. Marcia Reback, Mr. Andrew Reilly, Mr. Frank Karpinski, and General Treasurer Gina Raimondo. Also in attendance: Mr. Darren Lopes and Mr. Larry Brown of TIAA-CREF; Mr. Thomas Lynch and Mr. Steve Nesbitt of Cliffwater, alternative investment consultant to the Commission; Mr. John Burns of Pension Consulting Alliance (PCA), general consultant; Ms. Sally Dowling, of Adler Pollock, legal counsel; Ms. Anne-Marie Fink, chief investment officer and members of the Treasurer's staff; Mr. James Alvarez from the office of Governor Lincoln Chafee and various local reporters. Ms. Rosemary Booth-Gallogly was absent.

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

II. Approval of Minutes

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

VOTED: To approve the draft of the minutes of the April 24, 2013 meeting of the State Investment Commission.

II. Defined Contribution Plan Quarterly Update

Mr. Lopes reviewed the total portfolio. He said there are currently \$85 million in assets through March. He briefly reviewed the number of meetings TIAA-CREF has had with participants through the end of March. He said TIAA-CREF is trying to increase the number of contacts made with participants. He added that the unions have said they will support the outreach efforts once mediation is over.

Ms. Fink added that they are working on rolling out online informational outreach when teachers are back from summer break.

Mr. Fay asked what percentage of the total participants have made contact with TIAA-CREF.

Mr. Lopes said about 26% of the participants have contacted TIAA -CREF by website, telephone or face-to-face meetings.

Mr. Brown reviewed the performance of the plan to date.

III. Real Estate Secondary Sale Update

Ms. Fink said she is working with buyers and trying to determine the best combination of assets to provide the maximum return. A couple of assets are getting more deeply discounted, so they have been dropped from the process. She estimates in 30 to 45 days the process will be complete.

IV. Risk Review

Mr. Burns reviewed the evolution of the ERSRI asset allocation. He reiterated the goal was to reduce volatility without reducing expected return. He said this goal was accomplished by reducing risk through diversifying assets. He reviewed the allocation and level of volatility for 2008, 2010 and 2012. He noted the allocation to equity has been lowered to 38% from 62.5% and that alone has lowered risk.

Ms. Fink went on to talk about how the portfolio measures its risk with standard deviation. She explained how volatility affects the compound return. She said even if the expected return was the same, when the long-term effect of volatility is factored in, there is higher return over time from lower volatility. She said the focus is on building a robust portfolio that will perform well in any kind of environment.

Mr. Nesbitt reviewed the current allocation to hedge funds. He noted hedge funds were selected to achieve better risk-adjusted performance. He said the ERSRI portfolio returned over 12% compounded on an annual basis with about 6% volatility since adding hedge funds. He gave a brief update on hedge fund performance through the end of April. He said the hedge funds are the portfolio's asset class with the best risk-adjusted return.

Ms. Fink added that the hedge fund allocation was purposely designed to be the low risk element of the portfolio. Hedge funds were selected for that characteristic.

Mr. Nesbitt went on to explain the selection of the number of hedge funds Cliffwater recommended. He said Cliffwater recommends typically recommends fewer hedge funds than the rest of the industry. He said at 13 to 15 hedge funds, the majority of diversification benefits have been captured. He went on to explain the performance valuation process for the hedge funds. He briefly reviewed Cliffwater's operations due diligence when selecting hedge funds and how it thoroughly vets managers' processes as well as their valuation procedures.

Mr. Lynch added the vast majority of assets that hedge fund managers invest in are listed securities with readily available prices. He also said each hedge fund manager has a third-party entity that does the valuation; therefore, independence and listed securities give a high level of confidence.

Ms. Reback expressed concern over the independence of the third parties doing the valuation.

Ms. Fink said they have a high level of confidence in these third parties because they don't depend on only one client and they are large brand name corporations who are concerned about their reputations.

Mr. Nesbitt further explained the process behind Cliffwater's operations due diligence and the process of selecting independent auditors.

Mr. Costello asked how many hedge funds had not made the cut from all hedge funds available.

Mr. Nesbitt explained there are about 7,000 hedge funds. He explained Cliffwater tracks about 2,000 of those and then considers about 500-600 of those to meet the institutional fiduciary standards the SIC would require.

Ms. Reback asked if Cliffwater received any compensation directly or indirectly from any hedge fund.

Mr. Nesbitt said that they did not.

Ms. Reback asked why they reported to the SEC that they did.

Mr. Nesbitt explained that they report to SEC that they may receive compensation from insurance companies that have an ownership interest in money manager firms. He said they have never received any compensation from any hedge fund.

Mr. Nesbitt went on to review benchmarks for hedge funds. He explained three of the most commonly used indices: the HFRI Fund Weighted Index, the HFRI Fund of Funds Index and the

Dow Jones Credit Suisse Index. He said Cliffwater uses the Fund of Funds index. He said the Fund of Funds Index is the most commonly used among institutional clients because these funds are professionally managed funds.

VI. Legal Counsel Report

There was no legal update.

VII. CIO Report

Ms. Fink reviewed the portfolio's performance for the last month and reviewed each asset class.

She said PCA is now engaged to review the investment lineup for the CollegeBound Fund.

Ms. Fink said the banking transition has gone smoothly and is now complete.

She said the change in the OPEB account allocation is complete and over time staff will look into more closely mirroring the pension plan asset allocation. She added there are some challenges given the size of the assets and legacy issues.

Mr. Fay asked if the OPEB process was done all at once and what date.

Ms. Fink said it was done over time and it was done in mid-April.

She gave a brief update on the infrastructure RFP. Staff met with four of the managers last month and are starting to do reference checks and continuing the process.

Ms. Fink added that the process is ongoing with corporate governance.

She gave a brief look at current month performance. She added the asset allocation and the diversification are continuing to pay off.

Ms. Reback voiced her concern over why a comparison of performance fees between last fiscal year and four years ago cannot be done.

Ms. Fink said that because private equity incentive fees are not billed but rather collected from gain on sales. GASB does not require tracking them. She said those particular fees were not tracked under the prior administration but are being tracked now. She also said the fees for fiscal year 2012 have been released and will continue to be monitored and reported.

VIII. Treasurer Report

Treasurer Raimondo gave an update on the investor relations portal. She said that as of this morning more information have been added to the portal. She said asset allocation and fees paid by each fund for fiscal year 2012 have been added.

Ms. Reback suggested that the value of the assets should also be added to the portal.

Treasurer Raimondo reassured the board that currently ERSRI is among the most transparent public pension fund in the country and will continue to work towards it.

Ms. Fink added that only five other state pension funds release any information about performance fees.

Mr. Reilly expressed concern over how the transparency of the portal may impair negotiations in the future and the board should be mindful of that.

Treasurer Raimondo added that it will be something that has to continually be balanced.

She thanked the board for their collective work.

There being no other business to come before the Board, on a motion by Ms. Reback and seconded by Ms. McNamara, the meeting adjourned at 10:57 a.m.

Respectfully submitted,

A handwritten signature in black ink, reading "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



State Investment Commission

Monthly Meeting Minutes

Wednesday, June 26, 2013

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, June 26, 2013 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. Marcia Reback, Mr. Frank Karpinski, and General Treasurer Gina Raimondo. Also in attendance: Mr. Thomas Lynch and Mr. Mark Johnson of Cliffwater, alternative investment consultant to the Commission; Mr. John Burns, Ms. Judy Chambers and Ms. Lindsey Sugar of Pension Consulting Alliance (PCA), general consultant; Ms. Sally Dowling, of Adler Pollock, legal counsel; Mr. Brian Clarke and Mr. Alec Montgomery of Industry Funds Management (IFM); Mr. Tom Mullaney, State Budget Officer; Ms. Anne-Marie Fink, chief investment officer and members of the Treasurer's staff and Mr. James Alvarez from the office of Governor Lincoln Chafee. Mr. Robert Giudici, Ms. Paula McNamara and Mr. Andrew Reilly were absent.

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

II. Approval of Minutes

On a motion by Mr. Fay and seconded by Ms. Booth Gallogly, it was unanimously **VOTED: To approve the draft of the minutes of the May 22, 2013 meeting of the State Investment Commission.**

II. Report of Consultant on Alternative Investments

Mr. Johnson reviewed the environment of the private equity market in 2012.

Mr. Lynch said near-term strategy is to reduce the quantity of managers while upgrading the quality of managers.

Mr. Johnson gave a brief update of the current portfolio. He said performance over the long-term is good relative to benchmark. He also reviewed the activity of the portfolio and said there was a total of \$559 million in distributions in 2012.

Mr. Lynch added that the portfolio is significantly cash flow positive, but the challenge will be to maintain the policy allocation to private equity. He said in order to maintain the allocation a yearly commitment of \$120 million to \$150 million is needed.

III. Infrastructure Recommendation

Mr. Clarke gave a brief introduction of IFM.

Mr. Montgomery spoke about the IFM Global Infrastructure Fund. He reviewed the fund's strategy and the diversity of their portfolio.

Mr. Costello asked Mr. Montgomery to talk further about valuation.

Mr. Montgomery said IFM has a quarterly valuation process by a third party. He said the valuations are rotated every three years.

Mr. Clarke added the valuations are audited twice per year.

Ms. Booth Gallogly asked that they describe the performance fees and incentive component.

Mr. Clarke said that the fees are based on a three year rolling average. He said IFM only takes 50% of the fee each year and the other 50% remains in the fund for a fourth year. He said when performance fees are captured, 60% is paid to the investment team but is reinvested into the fund and must remain there for a period of eight years.

Mr. Montgomery added that the incentive fee is only 20% of the outperformance over 8%.

Mr. Montgomery talked about the fund's current portfolio and how IFM has added value to the assets.

The board asked questions. IFM wrapped up their presentation and left the room.

The committee further discussed the fund.

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

VOTED: to commit \$50 million to IFM Global Infrastructure Fund.

IV. Wellspring Capital Partners IV Discussion

Ms. Fink said Wellspring has identified United Sporting Company, a gun distributor, as a company they are ready to sell off. She said that given the environment there aren't any buyers and Wellspring is no further along in selling it. She asked if the board would want staff to look into selling the interest. She added that it would likely be sold at a discount.

Ms. Reback asked what Wellspring's performance has been.

Mr. Lynch said that the fund performs very well and they are in the top quartile of performance for private equity funds.

Treasurer Raimondo instructed staff to get pricing for the secondary interest.

V. Legal Counsel Report

Ms. Dowling reminded the board that the limited partnership agreements evidencing alternative investments require ERSRI to keep fund documents confidential. She said if confidentiality obligations are breached fund managers can choose to withhold information necessary to monitor performance. She added the law permits confidential information to be discussed in closed session.

VI. CIO Report

Ms. Fink reviewed the portfolio's performance for the last month and reviewed each asset class.

She said staff is working to update the current investment policies to make them more standardized. The staff is also reviewing the Global Inflation-Linked Bonds portfolio and looking into reducing duration exposure.

VI. Treasurer Report

Treasurer Raimondo announced that Ms. Booth Gallogly will no longer be serving on the board and will be replaced by Mr. Tom Mullaney, State Budget Officer.

She thanked Ms. Booth Gallogly for her service and the entire board for their continued work.

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 10:52 a.m.

Respectfully submitted,

A handwritten signature in black ink that reads "Gina Raimondo". The signature is written in a cursive style with a large initial 'G' and a decorative flourish at the end.

Gina M. Raimondo
General Treasurer