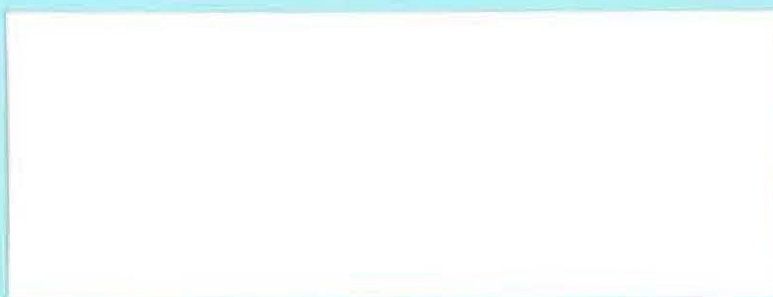


# State of Rhode Island and Providence Plantations



Office of the General Treasurer

Paul J. Tanarea  
General Treasurer

**STATE OF RHODE ISLAND  
INVESTMENT COMMISSION MEETING**

**DATA AT  
SEPTEMBER 30, 2006**

**JAN ROBERTS**

**MEMBERS OF THE STATE INVESTMENT COMMISSION**

**Hon. Paul J. Tavares, Chair**

**Mr. Jeffrey Britt  
Ms. Rosemary Booth Gallogly  
Ms. Marcia Reback**

**Mr. J. Michael Costello  
Dr. Robert J. McKenna  
Mr. John R. Treat**



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

Paul J. Tavares  
General Treasurer

**RHODE ISLAND STATE INVESTMENT COMMISSION  
MEETING NOTICE**

The next meeting of the Rhode Island State Investment Commission has been scheduled for Wednesday, October 25, 2006 at 9:00 a.m. in Room 135 of the State House.

**AGENDA**

1. Membership Roll Call
2. Approval of Minutes
  - State Investment Commission Meeting held on 9/27/06 \*
3. Alternative Investments Consultant - Pacific Corporate Group
  - Kayne Anderson Energy Fund IV, L.P. \*
  - Nautic Partners VI, L.P. \*
  - Castile Ventures III, L.P. \*
4. Deferred Compensation (457) Plan
  - ING Investment Option Proposals \*
5. Brown Rudnick Contract \*
6. Cash Management
  - Ocean Bank, FSB \*
7. Wilshire Associates Incorporated
  - Capital Market Review
8. Legal Counsel Report
9. Deputy Treasurer for Finance Report
10. Treasurer's Report
11. New Business

\* Commission members may be asked to vote on this item.

**POSTED ON THURSDAY, OCTOBER 19, 2006**



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

**Regular Meeting September 27, 2006**

A State Investment Commission ("SIC") meeting was held in Room 135, State House, Providence, Rhode Island on Wednesday, September 27, 2006. The Treasurer called the meeting to order at 9:05 a.m.

Membership Roll Call. Present were: Mr. Jeffrey Britt, Mr. Michael Costello, Ms. Rosemary Booth Gallogly, Mr. John Treat, and General Treasurer Paul J. Tavares. Also present were: Ms. Joan M. Caine, Deputy Treasurer for Finance, Jayne Donegan, Esq., of Brown Rudnick Berlack Israels, Legal Counsel to the Commission, Mr. William Bensur of Wilshire Associates Incorporated, General Consultant to the Commission, Mr. Christopher Bower, Ms. Kara King, Mr. Tom Keck, and Mr. Mark Oemcke of Pacific Corporate Group, Alternative Investments Consultant to the Commission, and other members of the Treasurer's Staff. Ms. Reback arrived at 9:06 a.m. and Dr. Robert McKenna was absent.

State Investment Commission Minutes. Ms. Gallogly moved, Mr. Britt seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Ms. Gallogly, Mr. Treat, and Treasurer Tavares. Ms. Reback was not present for this vote.

**VOTED: To approve the Minutes of the August 30, 2006 regular meeting.**

Pacific Corporate Group ("PCG") Organizational Update. Ms. Caine introduced Mr. Christopher Bower, Founder and Chief Executive Officer of PCG, Ms. Kara King, Head of Monitoring & Reporting, Mr. Tom Keck, Head of Research and Mr. Mark Oemcke, Chief Operating Officer. Ms. Caine noted that the relationship with PCG has been a long-standing and profitable one. Although the private equity sector of the portfolio is only 7.5%, it has delivered strong returns of over 16% annualized since inception consistently beating the benchmark. Ms. Caine noted that recent senior staff departures have caused concern as it is not the first time PCG has experienced sudden departures. The four individuals who recently resigned are: president, Monte Brem and managing directors Tara Blackburn, Stephen Moseley and Michael Russell.

Mr. Bower explained that PCG has been investing on behalf of the Employees' Retirement System of RI ("ERSRI") since 1995. The firm was started in 1979 and has grown approximately 50% over the last year to nearly 60 people with 11 managing directors. Recent hires include Michelle Davidson and David Scopelliti who have backgrounds in private equity. He explained that private equity is a long-term asset class. He stressed that PCG still has a large team, a deep bench and institutionalized investment processes. Although the departures are unfortunate, Mr. Bower noted that PCG is well situated to continue to implement its proven and successful investment strategy which has delivered outstanding returns for its clients.

Mr. Bower explained that PCG Asset Management oversees more than \$15 billion of private equity commitments through a combination of discretionary management and advisory arrangements and PCG Capital Partners makes direct investments in operating companies through the PCG Corporate Partners Fund and co-investment funds. The four departing individuals had approached Mr. Bower to renegotiate their contracts and also wanted some changes in governance and operations. Those changes were taken under consideration and agreed to and

PCG researched comparable compensation packages. After further negotiations, the compensation issues were unable to be resolved.

Mr. Bower reported that CalPERS has been a client for 18 years and PCG has returned an IRR of 18% to them; the State of Oregon has been a client for 15 years and PCG returned 17.5%, New York City has been a client for 10 years and PCG has returned 13%. PCG is one of the largest, oldest and most successful firms in the business. PCG has changed over the years, institutionalized, rallied and met obligations with no change in performance despite some departures.

Mr. Keck gave an overview of the background and highlighted the new structure of PCG. The parent company is PCG Holdings with two subsidiaries: PCG Asset Management and PCG Capital Partners. The role of president of PCG Asset Management has been replaced by a Management Committee. Client service responsibilities of Tara Blackburn have been allocated to Michelle Davidson and those of Michael Russell have initially been assumed by Michelle Davidson and Kara King. Under the old structure, PCG Holdings owned 70% of the assets with senior employees having a contingent 30% interest. Under the new structure, PCG Holdings owns 50% with the PCG asset management team having 50% ownership rights. Full ownership rights now vest over five years. However, the holding company, PCG Holdings, has only one member, Chris Bower.

Mr. Bower noted that PCG asset management clients are assessing the impact of the recent departures, and several clients are looking to the PCG's larger clients to assist in that evaluation. CalPERS is currently conducting due diligence and will announce their determination within the next few weeks. So far no client has taken any negative action.

Treasurer Tavares thanked Mr. Bower and asked that he continue to keep the Treasurer's office apprised of the situation going forward.

Treasurer Tavares explained that ERSRI has no financial exposure to be concerned with, and the technical reporting has remained entirely intact with no changes. He also noted that the research and due diligence teams are still completely intact. He feels there is no immediate risk to the pension fund. Ms. Caine explained that she contacted other state plans in Oregon, Illinois and Colorado and while they agree with Ms. Caine that there is no reason to take any immediate action, some states will be pursuing a request for proposal process. She stated that there is a very limited group of consultants that offer what ERSRI has now which is a non-discretionary relationship. Treasurer Tavares indicated that staff would continue to monitor the situation.

Coller International Partners V, L.P. ("Coller V"). Ms. King gave a brief overview of Coller V noting that it is a "re-up" as ERSRI had invested \$15 million in Coller IV in 2002. This fund is the only secondary relationship held in the portfolio and it had an IRR of 26.4% as of 6/30/06. Mr. Keck noted that Coller is one of the few secondary funds that PCG is recommending.

Mr. Frank Morgan, Partner represented Coller V. He noted that Coller has been in business for 16 years with four funds and has produced consistent top-quartile returns for all funds. Coller has the largest team of investment professionals dedicated to secondaries which is its exclusive focus and is an acknowledged leader in direct secondaries as well. He explained that Fund V will acquire a diversified portfolio of interests in established private equity funds from institutional holders seeking liquidity through secondary market transactions. The fund will also

pursue direct private equity investments into portfolios of corporate assets not held in traditional fund structures.

He noted that Collier V will be diversified by manager, investment strategy, vintage year and industry sector. Target fund size is \$3 billion with a hard cap of \$3.75 billion and will focus on investments in Europe and the US. The net IRR's of Collier's previous four funds are as follows: Collier I - 23%; Collier II - 25%, Collier III - 17%, and Collier IV - 30%. Collier's strategy includes creating investment opportunities, staying flexible and disciplined and anticipating the market.

Note: Ms. Reback left the meeting at 10:18 a.m.

Mr. Britt moved, Ms. Gallogly seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Ms. Gallogly, Mr. Treat, and Treasurer Tavares. Ms. Reback was not present for this vote.

**VOTED: To invest up to \$15 million in Collier International Partners V, L.P. contingent upon satisfactory review and negotiation of investment and other legal documents.**

Granite Global Ventures III, L.P. ("Granite III"). Ms. King gave a brief overview of Granite III noting it is a "re-up" as ERSRI invested \$15 million in Granite Global II in 2004. Granite III has a late-stage growth focus and along with ERSRI's investment in Focus Ventures III are the only two relationships that give exposure to this category. Mr. Keck noted that Granite has a great reputation in the market and is able to get into the most attractive deals. Granite III is being formed to make investments primarily in expansion stage information technology companies with select healthcare investments split equally between the US and China. Granite III will continue to focus on mid and late stage companies with proven technology and products, revenue visibility, established management teams and a clear path to liquidity.

Mr. Hany Nada, Founding Managing Director, Mr. Stephen Hyndman, CFO and Mr. Jack Troy of Troy Investments (Placement Agent) represented Granite III. Mr. Nada noted that Granite Fund I has returned a net IRR of 21%. Fund II has had one exit and expects several more in the near future. Granite III will leverage its networks and presence in the US and China to assist its portfolio companies in extending their reach into the global markets. It will introduce strategic partners and help businesses to expand operations, develop new customer relationships and take advantage of lower cost structures through outsourced business processes.

Granite III will build a portfolio of approximately 30 to 35 companies, investing in six to ten new companies per year. They expect to invest \$3 to \$12 million per investment and seek a board seat on the majority of its investments. Target fund size is \$350 million with a hard-cap of \$400 million.

Mr. Costello moved, Mr. Treat seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Ms. Gallogly, Mr. Treat, and Treasurer Tavares. Ms. Reback was not present for this vote.

**VOTED: To invest up to \$15 million in Granite Global Ventures III, L.P. contingent upon satisfactory review and negotiation of investment and other legal documents.**

Manager Review - Shenkman Capital Management, Inc. ("Shenkman"). Ms. Kim Hekking, Senior Vice President and Mr. Mark Shenkman, President represented Shenkman. Mr. Shenkman noted that the firm was hired four years ago when default rates in high yield bonds had hit 11% per year. Shenkman has had no departures, no changes in ownership or management and has \$10.3 billion of assets under management. Shenkman employs a bottom-up, fundamental credit analysis with intensive credit research utilizing internally developed proprietary tools.

Mr. Shenkman noted that bonds under \$80 and rated CCC have led performance recently and the same situation happened in 2003 and 2004. Shenkman outperformed in 2005 when CCC bonds did not do well. Shenkman will consistently underperform when CCC bonds outperform because Shenkman is a traditional high yield manager with a focus on higher quality NIG bonds.

Mr. Shenkman explained that Shenkman believes the credit cycle is at its peak and turning. He expects a declining GDP in 2007, a tightening of credit standards and concerns about credit problems and higher standards going forward. He noted the positive high yield market drivers: a strong US economy, default rates have been low, demand has been very strong and now interest rates are in their favor with 10 year treasuries down. Mr. Shenkman noted that Shenkman has a better chance now to outperform because their average price has come in line with the index. On a risk adjusted basis Shenkman has done well.

Mr. Shenkman stated that in 2002 the portfolio value was \$95 million and now the portfolio value is \$126.8 million. During that four year period, Shenkman has generated interest income, dividends and accrued income of \$36.2 million. The high yield markets have had 147 defaults and Shenkman has had none.

Mr. Bensur noted that Shenkman had been hired four years ago along with MacKay Shields as they had complimentary styles. He stated that the portfolio trails the benchmark by 2.54% on a three-year basis and by 5.14% since inception. Mr. Shenkman asked the Commission to consider the fact that they've only had one part of the credit cycle, only expansion. Shenkman believes 2007 will bring a different credit cycle which favors their style.

Wilshire Associates Incorporated - Manager Continuation Policy Analysis. Mr. Bensur briefly reviewed the investment managers noting that it is Wilshire's recommendation to continue to retain all of the following four US Equity managers for their current assignments: NorthPointe Capital, PIMCO StocksPlus, State Street Global Advisors and Wellington Management Co. Wilshire recommends terminating Wasatch Advisors, Inc. because of poor performance. He noted that Wasatch has been an asset gatherer in the small cap growth space which has increased their capitalization and hurt their performance.

Wilshire also recommends continuing to retain The Boston Company Asset Management, Goldman Sachs Asset Management and Mondrian Investment Partners, Ltd. For their Non-US Equity assignments. Of the five fixed income managers, Wilshire recommends continuing to retain the following for their current assignments: Brown Brothers Harriman & Co., Fidelity Management Trust Co., and Taplin, Canida & Habacht, Inc. With regard to MacKay Shields, LLC, it is Wilshire's recommendation to continue to monitor them regarding their personnel developments. With regard to Shenkman Capital Management, it is Wilshire's recommendation to continue to monitor their performance as they are officially on the "Watch List" and Wilshire believes that it is the wrong time to make a change at this point.

Mr. Bensur also recommended maintaining the current public market target exposures to US Equity (42.5%), non-US equity (20.0%) and fixed income (25.0%). He noted that given the



recent outperformance of small stocks, Wilshire is recommending that the investment structure adjust the large stock to small stock ratio from 70%-30% to 75%-25% to reflect market profile and opportunity. Wilshire also recommends utilizing the passive/index exposure on a temporary basis (45% to 50%) to manage this transition and to eventually expand the enhanced index/portable alpha exposure from 15% to 20%.

Mr. Treat moved, Mr. Costello seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Ms. Gallogly, Mr. Treat, and Treasurer Tavares. Ms. Reback was not present for this vote.

**VOTED: To accept Wilshire Associates' recommendations in the Manager Continuation Policy Analysis Report presented at the September 27, 2006 SIC meeting to terminate Wasatch Advisors Inc. effective immediately based on poor performance and to invest the assets in a State Street Global Advisors large cap US equity index to be determined by staff and consultant.**

State Street Global Markets ("SSgM")- Portfolio Solutions. Ms. Caine stated that SSgM is here today to follow up on a former presentation she gave the Commission regarding services SSgM provides that we are not utilizing at this time but that may be beneficial to the plan. SSgM provides an overlay service which would help staff to rebalance the portfolio on a monthly basis back to target more efficiently. SSgM could also potentially equitize some of the residual cash which would add some incremental value - estimated between 10 to 20 basis points.

Ms. Lisa Tyrrell, Vice President of State Street Bank & Trust Co. introduced Mr. Ross McLellan, Managing Director of SSgM. Mr. McLellan noted the first service SSgM provides is a strategic rebalancing program. He stated that asset allocation variances occur with large plans and the cost of physical trading can be expensive. Derivatives can be used to rebalance assets and plans are becoming more comfortable using them. Physical trading costs for US large cap equity are 20 basis points per transaction and using futures trading costs would be 2 basis points. In the US small cap equity space the savings would be over 68 basis points per transaction.

Strategic rebalancing would include setting up a dedicated account with the custodian for this purpose. This would eliminate staff from having to go to over-allocated managers and take money away for the purpose of giving it to an under-allocated manager. For larger clients like ERSRI, the potential benefit is the savings on transaction costs over a long period of time and a more streamlined process.

Mr. McLellan stated the second service SSgM offers is a cash equitization product that essentially sweeps the active investment managers' cash and equitizes it. He stated that most managers keep about a 3% cash balance so for an S&P manager over the last five years approximately 27 basis points (after fees) could be picked up by being in a cash equitization program. He noted that the less cash on hand, there is less potential for upside and downside returns.

The third service SSgM offers is a liquidity management program. Mr. McLellan noted that pension plans have cash flow needs for normal operations such as paying benefits, fees, private equity capital calls, etc. and that money must come from the investment managers. There are transaction costs incurred when raising cash which can be a drag on performance. SSgM can utilize unrivaled liquidity pools to cross assets and equitize until cash is needed and thereby eliminate many transaction and commission costs. The client determines which managers to take assets from.

Treasurer Tavares and Ms. Caine noted that ERSRI does experience cash flow problems on a monthly basis anywhere from \$18 to \$28 million. The Treasurer explained he wanted the SIC to be aware that there are vehicles and tools in the marketplace designed to streamline some of these processes. He asked Ms. Caine to evaluate the need for these services and report back to the Commission.

General Treasurer's Report. The Treasurer announced that as of 9/22/06 the CollegeBoundfund has over \$7 billion of assets. There are 475,000 accounts nationally and RI has 16,421 accounts. The value of the RI portfolio is \$178 million. Rhode Island has also been ranked as the top performer in the nation for the third year in a row by savingforcollege.com.

Ms. Gallogly moved, Mr. Britt moved and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Ms. Gallogly, Mr. Treat, and Treasurer Tavares. Ms. Reback was not present for this vote.

**VOTED: To adjourn the meeting.**

There being no further business, the meeting was adjourned at 11:50 a.m.

Respectfully submitted,

Paul J. Tavares  
General Treasurer



RHODE ISLAND STATE INVESTMENT COMMISSION  
STAFF SUMMARY ANALYSIS  
PORTFOLIO HIGHLIGHTS  
September 30, 2006

**PORTFOLIO PERFORMANCE**

**August**

The ERSRI portfolio posted a gain of 0.24% for the month of July, against the policy index of 0.56%. Domestic equities were down 0.79%, international equities gained 1.18%, and the fixed income asset class returned 1.39%. Additionally, the retirement fund earned \$247,376 from the securities lending program during this month.

**Calendar Year to Date**

For the eight months ended August 31, 2006, the portfolio is up 7.42% against the policy index of 6.96%. Domestic equities were up 5.47%, international equities were up 14.45%, while fixed income generated a return of 2.58%.

**Fiscal Year to Date**

For the Fiscal Year ended June 30, 2007, the fund has gained 2.17%, against the policy index of 2.70%.

<b>Index Performance Summary - Sept 30, 2006</b>		
<b>Market Indices</b>	<b>Sep-06</b>	<b>Calendar YTD</b>
<b><u>Domestic Equity</u></b>		
S & P 500	2.38%	5.80%
DJ Wilshire 5000	2.34%	5.66%
Russell 2000	2.96%	7.79%
Russell 1000	2.40%	5.45%
Policy Index	2.14%	6.96%
<b><u>International Equity</u></b>		
MSCI ACWI	2.83%	14.26%
<b><u>Fixed Income</u></b>		
Lehman AGG	1.53%	2.16%
<b><u>Real Estate</u></b>		
NCREIF	3.62%	9.25%

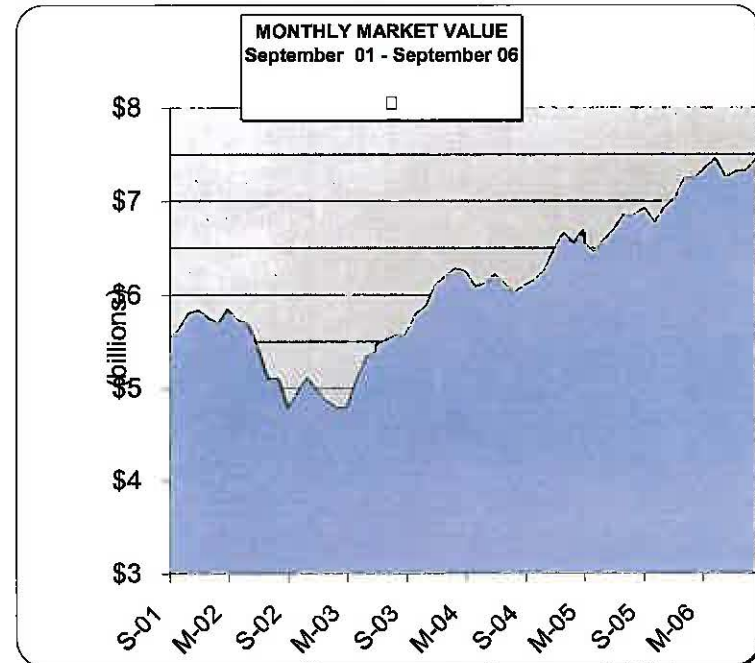
<b>ERSRI Performance By Asset Class</b>	<b>Sep-06</b>	<b>Calendar YTD</b>
Domestic Equity	2.24%	5.47%
Fixed Income	1.45%	2.58%
International Equity	2.87%	14.45%
<b>Total Fund Composite*</b>	<b>1.93%</b>	<b>7.42%</b>
<b>Manager Summary</b>	<b>Sep-06</b>	<b>CYTD</b>
<b><u>DOMESTIC EQUITY</u></b>		
Shott	-5.39%	-24.75%
PIMCO	2.39%	5.78%
SSgA Russell 1000	2.39%	5.47%
SSgA Core	2.32%	7.36%
Wasatch	2.18%	-1.22%
Northpointe	1.64%	6.85%
Wellington	2.10%	6.14%
<b>Total Domestic Equity</b>	<b>2.24%</b>	<b>5.47%</b>
<b><u>FIXED INCOME</u></b>		
Brown Bros TIPS	1.73%	1.38%
Brown Bros Core	1.41%	2.26%
Fidelity	1.31%	3.03%
Taplin Canida & Habacht	1.43%	2.57%
InState Fixed Income	0.00%	0.00%
Shenkman	1.16%	3.88%
Mackay Shield	1.17%	5.31%
<b>Total Fixed Income</b>	<b>1.45%</b>	<b>2.58%</b>
<b><u>INTERNATIONAL EQUITY</u></b>		
Mondrian	3.42%	17.03%
Goldman Sachs	2.61%	13.89%
Boston Co	2.57%	12.47%
<b>Total International Equity</b>	<b>2.87%</b>	<b>14.45%</b>
*Total Fund Composite includes all classes		

Market Valuation Report  
September, 2006

Market Values

The total portfolio value increased in August by \$117.8 million to \$7.44 billion. This compares with an increase in value of \$2.7 million for the same period in 2005. The domestic equity market values increased by \$68.7 million, fixed income increased by \$24.7 million; while international values increased by \$48.6 million.

The cash accounts decreased by \$ 36.7 including transfers out of \$31.7 million, and alternative investments increased by \$12.5 million including transfers in netting \$5.6 million.



### Cash Flow

September's pension payroll of \$54.6 million was more than the \$ 29.0 million in contributions and wire transfers received by 9/30/2006

To meet pension and other obligations, \$28.1 million was transferred from long-term investments.

### Alternative Investments

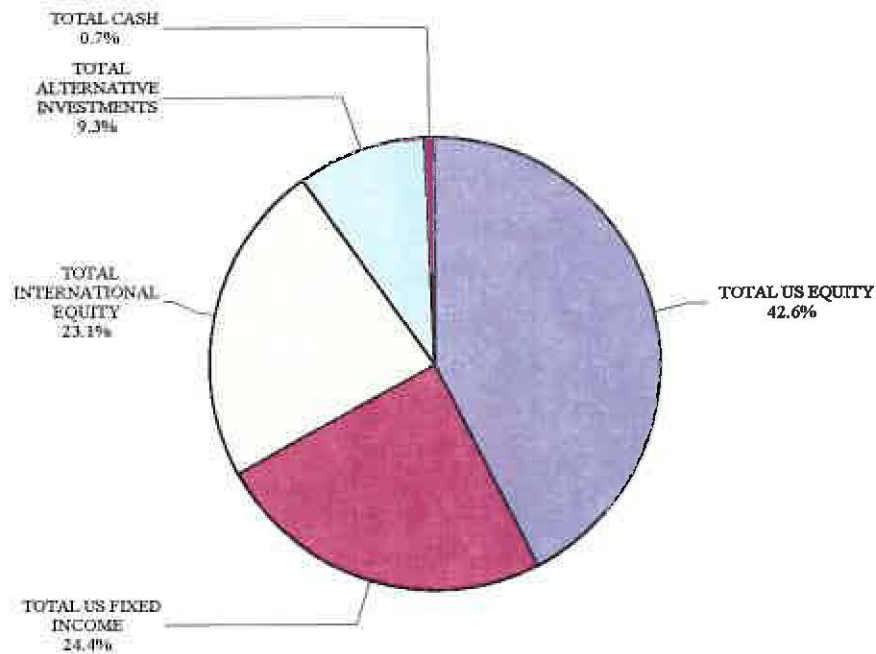
At this time the alternative investment asset class has unfunded commitments of approximately \$407 million on commitments of \$863 million.

#### **CAPITAL CALLS Net of Distributions**

<b>September 2006</b>	<b>FYTD</b>	<b>UNFUNDED BALANCE</b>
\$5,600,711	-\$9,323,061	\$407,491,730
<b>September 2005</b>	<b>FYTD</b>	<b>UNFUNDED BALANCE</b>
\$10,310,162	\$12,955,958	\$408,416,378



CURRENT ASSET CLASS ALLOCATION (IN MILLIONS)

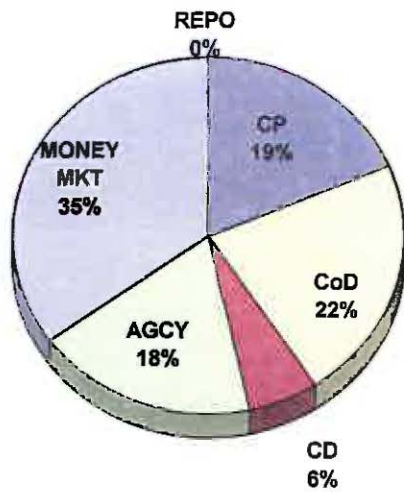


MANAGER	CURRENT PERIOD
TOTAL US EQUITY	3,197.2
TOTAL US FIXED INCOME	1,836.3
TOTAL INTERNATIONAL EQUITY	1,733.2
TOTAL ALTERNATIVE INVESTMENTS	695.7
TOTAL CASH	51.4
<b>TOTAL</b>	<b>7,513.8</b>

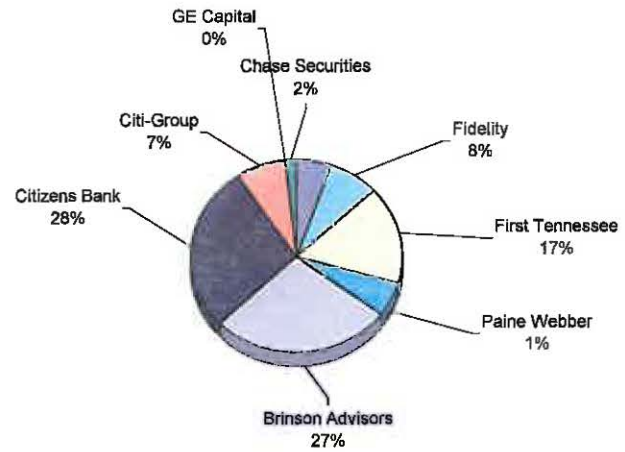
RHODE ISLAND STATE INVESTMENT COMMISSION

SHORT TERM CASH INVESTMENTS AT September 30, 2006

Portfolio By Instrument



Portfolio by Issuer



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



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

**Issuer Credit Ratings  
September, 2006**

Issuer	Type of Instrument	Month End % Portfolio	Issuer Ratings		S-T Debt Rating		L-T Debt Rating		Credit Outlook
			Moody's		Moody's	S&P	Moody's	S&P	S&P
Chase Securities	2,3,5	2%	Aa3		P-1	A-1	Aa3	A+	Positive
Citigroup Inc.	2	7%	Aa1		P-1	A-1+	Aa1	AA-	Positive
Citizens Bank RI	3,4	28%	Aa2		P-1	A-1+	Aa2	AA-	Stable
Dreyfus	6	0%	Aa3		P-1	A-1+	Aa3	AA-	Stable
First Tennessee Capital Markets	5	17%	A1		P-1	A-1	A1	A	Stable
Fidelity	6	8%				N/R		N/R	N/R
Merrill Lynch	2,5,6	5%	Aa3		P-1	A-1	Aa3	A+	Positive
GE Capital	2	0%	Aaa		P-1	A-1+	Aaa	AAA	Stable
Morgan Stanley	1,2,5	0%	Aa3		P-1	A-1	Aa3	A+	Stable
Palne Webber	5	6%	Aa2		P-1	A-1+	Aa2	AA+	Stable
UBS Brinson Advisors	6	27%	Aa2		P-1	A-1+	Aa2	AA+	Stable
State Street Bank & Trust	1,3	0%	Aa2		P-1	A-1+	Aa2	AA	Stable

**Instrument Codes**

- 1 Repurchase Agreement
- 2 Commercial Paper
- 3 Certificate of Deposit
- 4 Collateralized Deposit
- 5 US Agency Discount Note
- 6 Government Money Market

**Ratings Definitions**

**Moody's Short-Term Debt Ratings:**

- P-1 - Prime-1 have a superior ability for repayment of sr. S-T debt obligations
- P-2 - Prime-1 have a strong ability for repayment of sr. S-T debt obligations
- P-3 - Prime-1 have an acceptable ability for repayment of sr. S-T debt obligations
- NP - Not Prime

**Moody's Issuer Rating Symbols:**

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

**Modifiers:**

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

**Moody's Long-Term Debt Ratings:**

- Aaa - Best Quality
- Aa - High Quality
- A - Posses many favorable investment attributes
- Baa - Medium-grade obligations
- Ba - Posses speculative elements
- B - Generally lack characteristics of desirable investments
- Caa - Poor standing
- Ca - Speculative in a high degree
- C - Lowest rated class of bonds

**Modifiers:**

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

**S&P Short-Term Credit Ratings:**

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

**S&P Outlook Definitions:**

- Positive - A rating may be raised
- Negative - A rating may be lowered
- Stable - A rating is not likely to change
- Developing - May be raised or lowered
- NM - Not meaningful

**S&P Long-Term Debt Ratings:**

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





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

Paul J. Tavares  
General Treasurer

October 23, 2006

State Investment Commission  
Rhode Island State House  
Providence, RI 02903

This is to certify that the amounts so listed below belong to the credit of the Employees' Retirement, State Police and Judiciary Retirement Systems, and the Municipal Employees' Retirement System of the State of Rhode Island at the close of business on September 30, 2006.

**Employees' Retirement System of Rhode Island  
Composite Reporting Investment Valuation  
September 30, 2006**

<b>Asset Class</b>		
Cash/Short Term Investments		\$ 362,853,198
Equities – Domestic		\$ 3,158,019,859
Equities – International		\$ 1,705,578,925
Fixed Income – Government	\$ 949,197,713	
Fixed Income – Corporate	\$ 662,071,199	
<b>Total Fixed Income</b>		\$ 1,611,268,912
Alternative Investments		\$ 447,540,142
Real Estate		\$ 227,681,181
<b>Total Fund Investments</b>		\$ 7,512,942,217
<b>Plan Allocation</b>		
State Employees & Teachers	85.22%	\$ 6,402,529,357
Municipal Employees	13.88%	\$ 1,042,796,380
State Police	0.54%	\$ 40,569,888
Judicial	0.36%	\$ 27,046,592
<b>Total Fund Investments</b>	100.00%	\$ 7,512,942,217

The amount listed for the alternative investments designation is illiquid and does not have a readily determinable market value. It is based on appraisals only.

Respectfully submitted,

Joan M. Caine, CFA  
Deputy Treasurer for Finance

Monthly SIC Letter for Book.doc

# State of Rhode Island

## SUMMARY OF PERFORMANCE

### RATES OF RETURN

PERIODS ENDING September 30, 2006



**STATE STREET.**  
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	MKT VAL	% of FUND	1 Month	3 Months	6 Months	YTD	FYTD	1 Year	2 Years	3 Years	4 Years	5 Years
<b>U.S. EQUITY</b>												
NORTHPOINTE CAPITAL	366,237	4.87	2.00	-0.87	-4.52	8.99	-0.87	9.96	16.21	17.26	21.34	
PIMCO	514,666	6.85	2.62	6.06	4.44	8.55	6.06	10.46	11.20	12.12	15.16	6.95
SSGA - CORE	347,712	4.63	2.62	5.78	5.21	10.17	5.78	11.76	14.25	13.82	14.85	9.11
SSGA RUSSELL 1000	1,362,783	18.14	2.37	5.05	3.31	7.97	5.05	10.26	12.25	12.80		
WASATCH ADVISORS	199,629	2.66	2.33	0.28	-6.86	1.08	0.28	2.21	9.71	11.73	16.76	
WELLINGTON MANAGEMENT CO. LLC	402,912	5.36	1.00	0.59	-4.92	7.20	0.59	11.40	16.22	16.38	23.52	
TOTAL US EQUITY	3,197,205	42.55	2.21	3.67	0.95	7.80	3.67	9.98	13.03	13.56	17.23	9.25
<i>RUSSELL 1000</i>			2.37	5.06	3.31	7.95	5.06	10.25	12.23	12.79	15.76	7.64
<i>RUSSELL 2000</i>			0.83	0.44	-4.61	8.69	0.44	9.92	13.87	15.48	20.41	13.78
<i>RUSSELL 2000 GROWTH</i>			0.68	-1.76	-8.88	4.21	-1.76	5.88	11.76	11.81	18.64	10.15
<i>RUSSELL 2000 VALUE</i>			0.98	2.55	-0.22	13.25	2.55	14.01	15.86	19.04	22.08	16.96
<i>S&amp;P 500</i>			2.58	5.67	4.14	8.53	5.67	10.79	11.52	12.30	15.21	6.97
<i>DOW WILSHIRE 5000 FREE FLOAT</i>			2.20	4.47	2.42	7.98	4.47	10.38	12.51	13.26	16.38	8.64
<b>INTERNATIONAL EQUITY</b>												
GOLDMAN SACHS	577,648	7.69	0.34	4.41	4.05	14.28	4.41	20.41	26.53			
THE BOSTON COMPANY	571,414	7.60	0.99	3.66	4.52	13.58	3.66	18.15				
MONDRIAN	584,013	7.77	0.85	6.46	8.69	18.02	6.46	21.12	24.67			
TRANSITION ACCOUNT INT EQUITY	65	0.00										
PUTNAM INVESTMENTS	6	0.00										
BANK OF IRELAND	4	0.00										
TOTAL INTERNATIONAL EQUITY	1,733,150	23.07	0.73	4.84	5.73	15.28	4.84	19.92	24.20	23.40	23.17	14.49
<i>MSCI AC WORLD ex US (GROSS)</i>			0.06	3.95	4.17	14.34	3.95	19.36	24.32	23.92	25.18	16.38

# State of Rhode Island

## SUMMARY OF PERFORMANCE

### RATES OF RETURN

PERIODS ENDING September 30, 2006



**STATE STREET.**  
For Everything You Invest In™

	MKT VAL	% of FUND	1 Month	3 Months	6 Months	YTD	FYTD	1 Year	2 Years	3 Years	4 Years	5 Years
<i>MSCI EAFE (NET)</i>			0.15	3.93	4.65	14.49	3.93	19.16	22.43	22.32	23.23	14.26
<b>U.S. FIXED INCOME</b>												
BROWN BROTHERS HARRIMAN - CORE	288,981	3.85	0.74	3.18	3.57	3.01	3.18	3.43	3.52	4.12	4.50	5.46
FIDELITY MANAGEMENT TRUST	480,733	6.40	0.70	3.45	3.61	3.75	3.45	4.46	4.19	4.32	4.62	5.25
BROWN BROTHERS HARRIMAN - TIPS	524,402	6.98	0.02	3.66	3.70	1.40	3.66	1.76	3.78			
MACKAY SHIELDS, LLC	125,270	1.67	1.52	3.32	4.71	6.91	3.32	8.79	8.21	10.37	16.64	
SHENKMAN CAPITAL MANAGEMENT	126,956	1.69	1.26	3.38	2.92	5.19	3.38	6.49	6.01	7.37	9.18	
TAPLIN, CANIDA & HABACHT	289,363	3.85	0.85	3.76	3.68	3.44	3.76	4.85	4.03	4.68	7.97	6.95
TRANSITION ACCOUNT FIXED INCOME	575	0.01										
TOTAL US FIXED INCOME	1,836,281	24.44	0.63	3.50	3.67	3.22	3.50	4.03	4.36	4.81	6.13	5.98
<i>CSFB GLOBAL HIGH YIELD</i>			1.25	3.54	3.93	7.15	3.54	7.76	7.03	9.09	13.55	11.32
<i>LB AGGREGATE</i>			0.88	3.81	3.73	3.06	3.81	3.67	3.23	3.38	3.88	4.81
<i>LB CREDIT</i>			1.12	4.51	4.10	2.88	4.51	3.39	3.07	3.52	5.22	5.80
<i>LB GOV/CREDIT</i>			0.98	3.91	3.77	2.71	3.91	3.33	2.95	3.08	3.93	4.97
<i>CITIGROUP BIG</i>			0.85	3.85	3.73	3.04	3.85	3.71	3.31	3.48	3.98	4.85
<i>CITIGROUP LARGE PENSION FUND INDEX</i>			1.17	5.27	4.40	2.45	5.27	3.21	3.94	4.32	4.92	5.96
<i>CITIGROUP L.P.F. COLLATERALIZED INDEX</i>			0.66	3.65	3.67	3.52	3.65	4.25	3.79	3.99	3.87	4.58
<b>ALTERNATIVE INVESTMENTS</b>												
REAL ESTATE	227,682	3.03	0.41	0.98	2.42	2.57	0.98	3.46				
PRIVATE EQUITY	447,635	5.96	2.67	1.57	15.66	19.58	1.57	25.67	28.68	27.63	20.05	14.59
STATE ACCOUNT (IN DEFAULT)	20,367	0.27	1.37	-4.31	-1.65	-1.65	-4.31	-1.52	-0.20	2.09	3.24	3.96
TOTAL ALTERNATIVE INVESTMENTS	695,685	9.26	1.89	1.19	10.66	13.38	1.19	17.92	24.32	24.29	17.75	12.91

**State of Rhode Island**

SUMMARY OF PERFORMANCE

RATES OF RETURN

PERIODS ENDING September 30, 2006



**STATE STREET.**  
For Everything You Invest In™

	MKT VAL	% of FUND	1 Month	3 Months	6 Months	YTD	FYTD	1 Year	2 Years	3 Years	4 Years	5 Years
<i>NCREIF PROPERTY INDEX QTR LAG</i>			4.01	4.01	7.78	13.63	4.01	18.67	18.35	15.79	13.69	12.00
<i>S&amp;P 500 PLUS 300 BP</i>			2.76	6.30	5.61	10.75	6.30	13.86	14.61	15.40	18.38	10.30
<b>CASH EQUIVALENTS</b>												
CASH ACCOUNT (INSIDE)	45,402	0.60	-0.31	0.01	4.98	5.76	0.01	6.53	8.84	11.87	22.69	37.27
CASH ACCOUNT (OUTSIDE)	5,979	0.08	0.31	0.79	1.63	2.54	0.79	3.41	2.88	3.45	2.88	2.71
<b>TOTAL PLAN</b>												
TOTAL PLAN	7,513,702	100.00	1.43	3.63	3.56	8.95	3.63	11.48	14.04	14.30	15.86	10.14
<sup>1</sup> TOTAL PLAN BENCHMARK			1.58	4.32	3.61	8.65	4.32	11.17	13.00	13.27	15.32	9.84

**State of Rhode Island**  
SUMMARY OF PERFORMANCE  
RATES OF RETURN  
PERIODS ENDING September 30, 2006



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**Endnotes**

1 As of 04/31/2006 42.5% W5000/25.0% LB AGG/20.0% MSCIAWORLDFREEexUSA/5.0% NCREIF PROPERTY LAG/7.5% S&P 500 plus 300bps

Prior to 04/31/2006 52.5% W5000/25.0% LB AGG/22.5% MSCIAWORLDFREEexUSA

**ERSRI Monthly Market Value Report With Time Weighted Returns**

**September 30, 2006**

	Calendar YTD			Benchmark Description	Current Month			Valuation Change			
	Performance	Benchmark	Alpha		Performance	Benchmark	Alpha	Market Value	Transfers	Market Value	Market Value
								8/31/2006	In/(out)	9/31/2006	Increase/decrease
<b>Domestic Equity</b>											
Shott Capital Management IRR	-24.75%	8.53%	-33.28%	S & P 500	-5.38%	2.58%	-7.97%	3,282,562		3,247,397	(35,165)
SSgA Russell 1000	7.97%	7.95%	0.02%	Russell 1000	2.37%	2.37%	0.00%	1,331,116,196	109,500	1,362,783,249	31,557,553
SSgA Core	10.17%	7.95%	2.22%	Russell 1000	2.62%	2.37%	0.25%	338,820,556	24,500	347,712,398	8,867,342
PIMCO	8.55%	8.53%	0.02%	S & P 500	2.62%	2.58%	0.04%	501,498,841	36,500	514,665,896	13,130,555
NorthPointe Capital	8.99%	13.25%	-4.26%	Russell 2000 Value	2.00%	0.98%	1.02%	359,020,293	27,000	366,236,790	7,189,497
Wellington Mgmt	7.20%	8.69%	-1.49%	Russell 2000	1.00%	0.44%	0.56%	398,880,414	30,000	402,911,658	4,001,244
Wasatch Advisors	1.08%	8.69%	-7.61%	Russell 2000	2.33%	0.44%	1.89%	195,067,030	16,000	199,628,627	4,545,597
Transition Account	N/A	N/A	N/A		N/A	N/A	N/A	47,317		111,822	64,305
<b>Total Domestic Equity</b>	<b>7.80%</b>				<b>2.21%</b>			<b>3,127,733,209</b>	<b>243,500</b>	<b>3,197,297,637</b>	<b>69,320,928</b>
<b>International Equity</b>											
Boston Company	13.58%	14.34%	-0.76%	MSCI ACWI	0.99%	0.06%	0.93%	571,788,268	40,500	571,418,472	(410,296)
Goldman Sachs	14.28%	14.34%	-0.06%	MSCI ACWI	0.34%	0.06%	0.28%	581,652,726	40,500	577,847,631	(4,045,595)
Transition Account	N/A	N/A	N/A	N/A	N/A	N/A	N/A	647,015	-	-	(647,015)
Mondrian	18.02%	14.34%	3.68%	MSCI ACWI	0.85%	0.06%	0.79%	585,038,135	40,500	584,013,003	(1,065,832)
<b>Total International Equity</b>	<b>15.28%</b>				<b>2.87%</b>			<b>1,739,126,144</b>	<b>121,500</b>	<b>1,733,079,106</b>	<b>(6,168,538)</b>
<b>Fixed Income</b>											
Fidelity Management & Research	3.75%	2.85%	0.90%	Lehman Mortgage Backed	0.70%	1.45%	-0.75%	477,365,675	33,500	480,993,963	3,594,788
Brown Brothers, Harriman	3.01%	2.18%	0.83%	Salomon Brd Inv Grade	0.74%	1.55%	-0.81%	286,845,503	20,500	288,980,533	2,114,531
In-State Fixed Income				N/A	0.00%	N/A	N/A	20,093,090	-	20,367,414	274,324
Taplin, Canida & Habacht	3.44%	2.88%	0.56%	Lehman Credit Index	0.85%	0.98%	-0.13%	286,809,255	20,500	289,362,879	2,433,124
Mackay Shields	6.91%	7.15%	-0.24%	CS First BosHiYield	1.67%	3.93%	-2.26%	123,404,539	10,000	125,270,266	1,855,728
Shonkman Capital Mgmt	5.19%	7.15%	-1.96%	CS First BosHiYield	1.69%	3.93%	-2.24%	125,362,638	10,000	126,956,277	1,583,639
Brown Bros TIPS	1.40%	1.56%	-0.16%	Lehman US TIPS Index	0.02%	1.73%	-1.71%	524,246,732	40,500	524,386,962	99,730
Transition Account	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-	-	-	-
<b>Total Fixed Income</b>	<b>3.67%</b>				<b>0.63%</b>			<b>1,844,227,431</b>	<b>135,000</b>	<b>1,856,318,294</b>	<b>11,955,863</b>
<b>Alternative Investments</b>											
Private Equity	19.58%	N/A	N/A	N/A	2.67%	N/A	N/A	446,196,363	(3,455,899)	447,635,435	4,894,971
Real Estate	2.57%	13.63%	N/A	NCREIF + 100	0.41%	4.01%	-3.60%	227,032,930	6,250,050	227,681,950	(5,601,030)
<b>Total Alternatives</b>	<b>13.38%</b>				<b>1.89%</b>			<b>673,229,293</b>	<b>2,794,151</b>	<b>675,317,385</b>	<b>(706,059)</b>
<b>Cash Accounts</b>											
Cash in Trust	5.76%	N/A	N/A		-0.31%	N/A	N/A	34,618,977	(15,156,141)	45,402,159	25,939,322
Cash Outside Trust	2.54%	N/A	N/A		0.31%	N/A	N/A	18,804,847	(28,100,000)	2,103,050	11,398,203
<b>Total Cash</b>	<b>4.17%</b>				<b>0.21%</b>			<b>53,423,825</b>	<b>(43,256,141)</b>	<b>47,505,209</b>	<b>37,337,525</b>
<b>Grand Total</b>	<b>8.95%</b>	<b>8.65%</b>	<b>0.30%</b>		<b>1.43%</b>	<b>1.58%</b>	<b>-0.15%</b>	<b>7,437,739,902</b>	<b>(39,961,990)</b>	<b>7,509,517,631</b>	<b>111,739,718</b>

\*Policy Index: (Effective 04/31/06)

- 42.5% Wilshire 5000
- 25.0% Lehman Aggregate
- 20.0% MSCI ACWI X-US
- 5.0% NCREIF 1 Qtr Lag



**State of Rhode Island**

RATES OF RETURN - Total

Periods Ending September 30, 2006



**STATE STREET.**  
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**PERFORMANCE SUMMARY REPORT**

	Benchmark	1 Month Return			Calendar YTD Return			Value (000)	Net Flow (000)
		Fund	Index	Excess	Fund	Index	Excess		
<b>U.S. EQUITY</b>									
SHOTT CAPITAL	S&P 500	-1.07	2.58	-3.65	-18.17	8.53	-26.70	3,247	0
SSGA RUSSELL 1000	RUSSELL 1000	2.37	2.37	0.00	7.97	7.95	0.02	1,362,783	117
SSGA - CORE	RUSSELL 1000	2.62	2.37	0.25	10.17	7.95	2.22	347,712	26
PIMCO	S&P 500	2.62	2.58	0.04	8.55	8.53	0.02	514,666	39
NORTHPOINTE CAPITAL	RUSSELL 2000 VALUE	2.00	0.98	1.02	8.99	13.25	-4.26	366,237	29
WELLINGTON MANAGEMENT CO. LLC	RUSSELL 2000	1.00	0.83	0.17	7.20	8.69	-1.49	402,912	43
WASATCH ADVISORS	RUSSELL 2000	2.33	0.83	1.50	1.08	8.69	-7.61	199,629	17
TOTAL US EQUITY		2.21			7.80			3,197,205	283
<b>INTERNATIONAL EQUITY</b>									
THE BOSTON COMPANY	MSCI AC WORLD ex US (GROSS)	0.99	0.06	0.93	13.58	14.34	-0.76	571,414	-5,961
GOLDMAN SACHS	MSCI AC WORLD ex US (GROSS)	0.34	0.06	0.28	14.28	14.34	-0.06	577,648	-5,980
MONDRIAN	MSCI AC WORLD ex US (GROSS)	0.85	0.06	0.79	18.02	14.34	3.68	584,013	-5,957
TRANSITION ACCOUNT INT EQUITY								65	0
TOTAL INTERNATIONAL EQUITY		0.73			15.28			1,733,150	-17,898
<b>U.S. FIXED INCOME</b>									
FIDELITY MANAGEMENT TRUST	LB MBS	0.70	0.70	0.00	3.75	3.57	0.18	480,733	37
BROWN BROTHERS HARRIMAN - CORE	CITIGROUP BIG	0.74	0.85	-0.11	3.01	3.04	-0.03	288,981	22
TAPLIN, CANIDA & HABACHT	LB CREDIT	0.85	1.12	-0.27	3.44	2.88	0.56	289,363	22
MACKAY SHIELDS, LLC	CSFB GLOBAL HIGH YIELD	1.52	1.25	0.27	6.91	7.15	-0.24	125,270	-14
SHENKMAN CAPITAL MANAGEMENT	CSFB GLOBAL HIGH YIELD	1.26	1.25	0.01	5.19	7.15	-1.96	126,956	11
BROWN BROTHERS HARRIMAN - TIPS	LB U.S. TIPS	0.02	0.16	-0.14	1.40	1.73	-0.33	524,402	43
TRANSITION ACCOUNT FIXED INCOME								575	0
TOTAL US FIXED INCOME		0.63			3.22			1,836,281	121

**State of Rhode Island**

RATES OF RETURN - Total

Periods Ending September 30, 2006



**STATE STREET.**  
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**PERFORMANCE SUMMARY REPORT**

	Benchmark	1 Month Return			Calendar YTD Return			Value (000)	Net Flow (000)
		Fund	Index	Excess	Fund	Index	Excess		
<b>ALTERNATIVE INVESTMENTS</b>									
STATE ACCOUNT (IN DEFAULT)		1.37			-1.65			20,367	0
PRIVATE EQUITY		2.67			19.58			447,635	-10,419
REAL ESTATE	NCREIF PROPERTY LAG + 100 BPS	0.41	4.06	-3.65	2.57	14.37	-11.80	227,682	-271
TOTAL ALTERNATIVE INVESTMENTS		1.89			13.38			695,685	-10,690
<b>CASH EQUIVALENTS</b>									
CASH ACCOUNT (INSIDE)		-0.31			5.76			45,402	10,901
CASH ACCOUNT (OUTSIDE)		0.31			2.54			5,979	-12,946
TOTAL CASH		0.00			4.39			51,381	-2,046
<b>TOTAL PLAN</b>									
TOTAL PLAN	TOTAL PLAN BENCHMARK	1.43	1.58	-0.15	8.95	8.65	0.30	7,513,702	-30,229

# State of Rhode Island

TOTAL PLAN

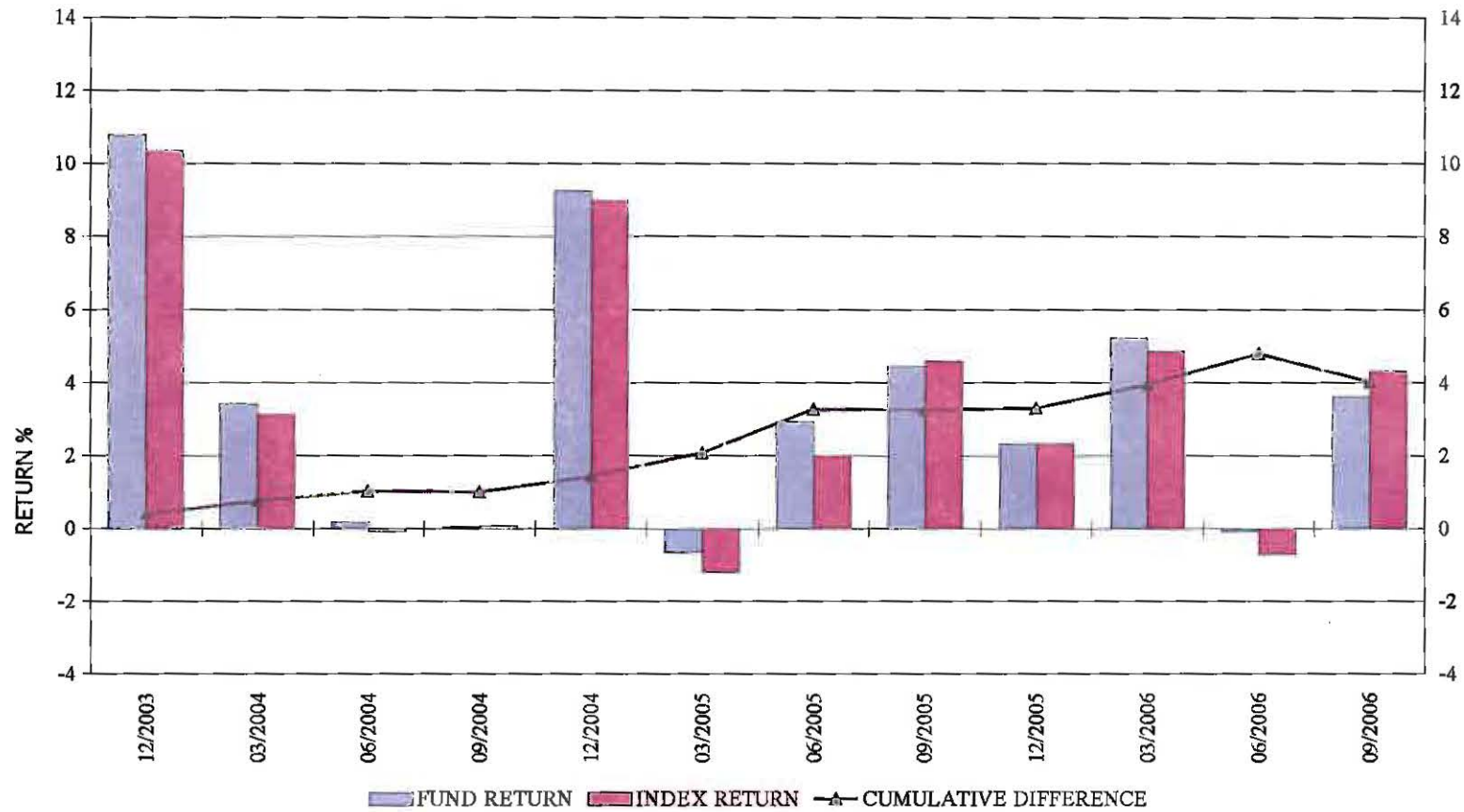
Index: TOTAL PLAN BENCHMARK

PERIODS: September 30, 2003 - September 30, 2006



**STATE STREET.**  
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## CUMULATIVE PERFORMANCE REPORT



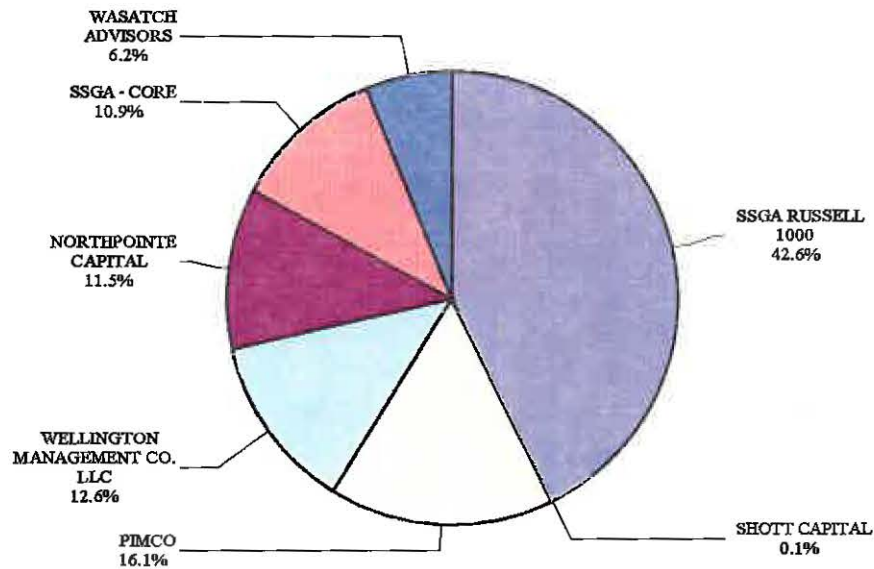
**State of Rhode Island**  
**MANAGER ALLOCATION ANALYSIS**  
**PERIOD ENDING 09/30/2006**



**STATE STREET.**  
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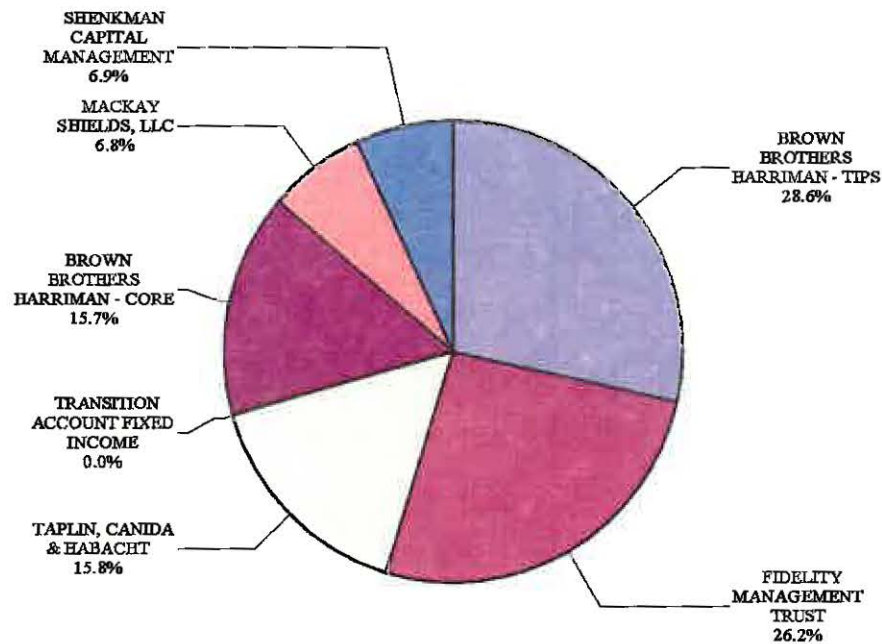
**CURRENT MANAGER ALLOCATION**

<b>MANAGER</b>	<b>CURRENT PERIOD</b>	<b>ONE YEAR AGO</b>
SSGA RUSSELL 1000	1,362.8	1,392.1
SHOTT CAPITAL	3.2	0.0
PIMCO	514.7	465.6
WELLINGTON MANAGEMENT CO. LLC	402.9	380.9
NORTHPOINTE CAPITAL	366.2	346.0
SSGA - CORE	347.7	310.8
WASATCH ADVISORS	199.6	195.1
<b>TOTAL</b>	<b>3,197.1</b>	<b>3,090.5</b>



**CURRENT MANAGER ALLOCATION**

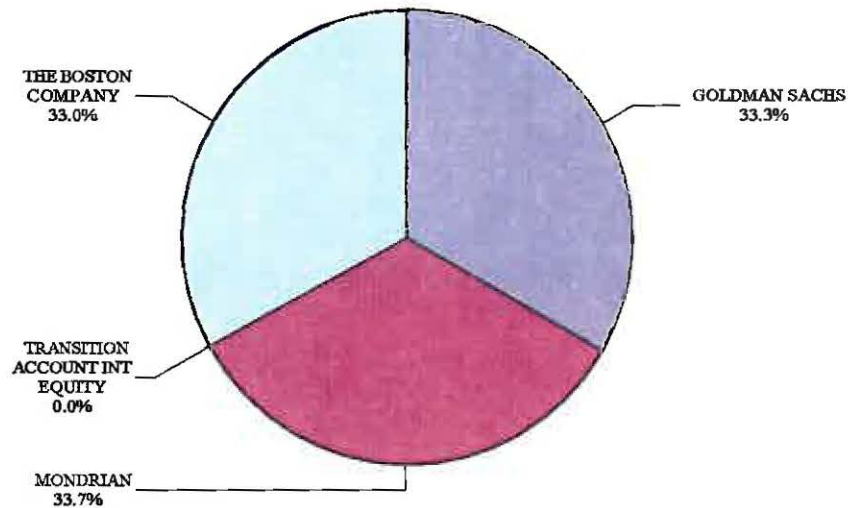
MANAGER	CURRENT PERIOD	ONE YEAR AGO
BROWN BROTHERS HARRIMAN - TIPS	524.4	498.4
FIDELITY MANAGEMENT TRUST	480.7	412.2
TAPLIN, CANIDA & HABACHT	289.4	253.9
TRANSITION ACCOUNT FIXED INCOME	0.6	0.6
BROWN BROTHERS HARRIMAN - CORE	289.0	249.0
MACKAY SHIELDS, LLC	125.3	124.7
SHENKMAN CAPITAL MANAGEMENT	127.0	124.9
<b>TOTAL</b>	<b>1,836.4</b>	<b>1,663.7</b>





CURRENT MANAGER ALLOCATION

MANAGER	CURRENT PERIOD	ONE YEAR AGO
GOLDMAN SACHS	577.6	550.1
MONDRIAN	584.0	523.4
TRANSITION ACCOUNT INT EQUITY	0.1	0.1
THE BOSTON COMPANY	571.4	530.8
SSGA MSCI ALL COUNTRY WORLD EX-US		0.6
<b>TOTAL</b>	<b>1,733.1</b>	<b>1,605.0</b>





**ASSET ALLOCATION REPORT  
SEPTEMBER 30th, 2006**

	Style Mandate	Actual (Millions \$)		Target (Millions \$)		Difference (Millions \$)
<b>Domestic Equity</b>						
SSgA Russell 1000	Passive	1,362.78	18.1%	1,333.68	17.75%	29.10
SSgA Core	Active core	347.71	4.6%	338.12	4.50%	9.60
PIMCO	Enhanced Equity	514.67	6.8%	507.17	6.75%	7.49
NorthPointe Capital	Small Cap Value	368.24	4.9%	375.69	5.00%	(8.45)
Wellington Mgmt	Small Cap Core	402.91	5.4%	413.25	5.50%	(10.34)
Wasatch Advisors	Small Cap Growth	199.63	2.7%	225.41	3.00%	(25.78)
Shott Capital	Alternative Distribution	3.27	0.0%	0.00	0.00%	3.27
<b>TOTAL DOMESTIC EQUITY</b>		<b>3,197.21</b>	<b>42.6%</b>	<b>3,193.32</b>	<b>42.50%</b>	<b>3.88</b>
<b>International Equity</b>						
Boston Company	MSCI ACWI	571.41	7.6%	501.16	6.67%	70.25
Goldman Sachs	MSCI ACWI	577.65	7.7%	501.16	6.67%	76.48
Mondrian	MSCI ACWI	584.01	7.8%	500.41	6.66%	83.60
Transition Account		0.07	0.0%	0.00	0.00%	0.07
<b>TOTAL INT'L EQUITY</b>		<b>1,733.15</b>	<b>23.1%</b>	<b>1,502.74</b>	<b>20.00%</b>	<b>230.41</b>
<b>Domestic Fixed Income</b>						
Fidelity Management & Research	Mortgages	480.73	6.4%	469.61	6.25%	11.13
Brown Brothers, Harriman	Opportunistic Core	288.98	3.8%	281.76	3.75%	7.22
Taplin, Canida & Habacht	Corporates	289.36	3.9%	281.76	3.75%	7.60
Mackay Shields	High yield	125.27	1.7%	140.88	1.88%	(15.61)
Shenkman Capital Mgmt	High yield	126.96	1.7%	140.88	1.88%	(13.93)
Brown Brothers, Harriman TIPS	TIPS	524.40	7.0%	563.53	7.50%	(39.13)
Transition Account		0.58	0.0%	0.00	0.00%	0.58
<b>TOTAL FIXED-INCOME</b>		<b>1,836.28</b>	<b>24.4%</b>	<b>1,878.43</b>	<b>25.00%</b>	<b>(42.15)</b>
<b>Alternative Investments</b>						
Real Estate	Real Estate	227.68	3.0%	375.7	5.00%	(148.0)
Pacific Corp Group	Private Equity	447.64	6.0%	563.53	7.50%	(115.9)
In-State Fixed Income	Short/Int Govt	20.37	0.3%	0.00	0.00%	20.4
<b>TOTAL ALTERNATIVE INVESTMENTS</b>		<b>695.68</b>	<b>9.3%</b>	<b>\$939.21</b>	<b>12.50%</b>	<b>(243.53)</b>
<b>CASH EQUIVALENTS</b>	STIF, Yield+	51.38	0.7%	0.00	0.00%	51.38
<b>TOTAL ASSETS</b>		<b>7,513.70</b>	<b>100.0%</b>	<b>7,513.70</b>	<b>100.00%</b>	<b>0.00</b>

**ALLOCATION BY MANAGEMENT STYLE**

<b>Domestic Equity</b>						
Core		347.71	4.6%	338.12	4.50%	9.60
Index		1,362.78	18.1%	1,333.68	17.75%	29.10
Enhanced Equity		514.67	6.8%	507.17	6.75%	7.49
Active Small Cap		968.78	12.9%	1,014.35	13.50%	(45.57)
<b>TOTAL DOMESTIC EQUITY</b>		<b>3,197.21</b>	<b>42.6%</b>	<b>3,193.32</b>	<b>42.50%</b>	<b>3.88</b>
<b>International Equity</b>						
Active		1,733.15	23.1%	1,502.74	20.00%	230.41
<b>TOTAL INT'L EQUITY</b>		<b>1,733.15</b>	<b>23.1%</b>	<b>1,502.74</b>	<b>20.00%</b>	<b>230.41</b>
<b>Domestic Fixed Income</b>						
Mortgage		480.73	6.4%	469.61	6.25%	11.13
Core		288.98	3.8%	281.76	3.75%	7.22
Corporates		289.36	3.9%	281.76	3.75%	7.60
High Yield		252.80	3.4%	281.76	3.75%	(28.96)
TIPS		524.40	7.0%	563.53	7.50%	(39.13)
<b>TOTAL FIXED-INCOME</b>		<b>1,836.28</b>	<b>24.4%</b>	<b>1,878.43</b>	<b>25.00%</b>	<b>(42.15)</b>
<b>Alternative Investments</b>						
Real Estate		227.68	3.0%	375.69	5.00%	(148.00)
Other Alternative Investments		468.00	6.2%	\$563.53	7.50%	(95.53)
<b>TOTAL ALTERNATIVE INVESTMENTS</b>		<b>695.68</b>	<b>9.3%</b>	<b>939.21</b>	<b>12.50%</b>	<b>(243.53)</b>
<b>CASH EQUIVALENTS</b>	STIF, Yield+	51.38	0.7%	0.00	0.00%	51.38
<b>TOTAL ASSETS</b>		<b>7,513.70</b>	<b>100.0%</b>	<b>7,513.70</b>	<b>100.00%</b>	<b>0.00</b>



**RHODE ISLAND STATE INVESTMENT COMMISSION**  
**Domestic Equity Holdings By Top 10 Market Values**  
**Separately Managed**

SEPTEMBER 30, 2006

<i>Equities</i>				
<u>RANK</u>	<u>SECURITY NAME</u>	<u>PAR VALUES/SHARES</u>	<u>BASE MARKET AMOUNT</u>	<u>MONEY MANAGERS</u>
1	EXXON MOBIL CORP	216,970	\$14,558,687	SSgA
2	CITIGROUP INC	225,333	11,192,290	SSgA
3	PFIZER INC	381,200	10,810,832	SSgA
4	BANK AMERICA CORP	196,700	10,537,219	SSgA
5	POOL CORP	271,373	10,447,861	State Street
6	ADVANTA CORP	277,023	10,222,149	Wellington, NorthPointe
7	COPART INC	331,170	9,335,682	State Street
8	AMERICREDIT CORP	361,540	9,034,885	SSgA
9	HERCULES INC	556,300	8,772,851	SSgA, Wellington
10	REDWOOD TR INC.	173,100	8,719,047	Wellington
		<b>3.24%</b>	<b>\$103,631,503</b>	
<b>Total Composite Equities</b>		<b>\$3,193,938,618</b>		

**International Equity Holdings By Top 10 Market Values**

SEPTEMBER 30, 2006

<i>International Equities</i>				
<u>RANK</u>	<u>SECURITY NAME</u>	<u>PAR VALUES/SHARES</u>	<u>BASE MARKET AMOUNT</u>	<u>MONEY MANAGERS</u>
1	ROYAL BANK SCOT GRP	794,059	\$27,277,210	Mondrian, Goldman, Boston Co.
2	ROYAL DUTCH SHELL	680,749	22,394,931	Mondrian, Goldman, Boston Co.
3	CANON INC	394,750	20,595,943	Mondrian, Goldman, Boston Co.
4	HBOS	949,003	18,737,343	Mondrian, Goldman, Boston Co.
5	TELEFONICA SA	1,050,722	18,194,793	Mondrian
6	BANCA INTESA SPA	2,612,535	17,175,930	Mondrian
7	ENDESA S.A.	393,323	16,716,011	Goldman Sachs
8	ING GROEP NV	371,854	16,340,582	Mondrian
9	UNILEVER PLC	641,806	15,789,013	Mondrian, Goldman, Boston Co.
10	TOTAL SA	240,268	15,750,599	Mondrian, Goldman, Boston Co.
		<b>10.90%</b>	<b>\$188,972,355</b>	
<b>Total Composite International Equities</b>		<b>\$1,733,079,106</b>		

Top 10 Market Values SIC  
**TOYOTA MOTOR CORP**



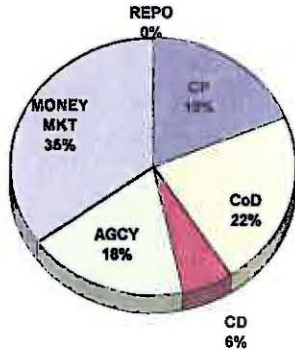
**Rhode Island Employees Retirement System  
Securities Lending Report  
September, 2006**

<u>INVESTMENT MANAGER</u>	<u>Income</u>	<u>Average Collateral Balance</u>
<b><u>DOMESTIC EQUITY</u></b>		
Wellington Mgmt. Co., LLP	49,630	174,658,619
Wasatch Advisors	13,557	97,705,724
NorthPointe Capital	44,330	191,737,510
SSgA Core	<u>4,179</u>	<u>28,661,880</u>
<b>Total Domestic Equity</b>	<b>\$ <u>111,696</u></b>	<b>\$ <u>492,763,734</u></b>
<b><u>INTERNATIONAL EQUITY</u></b>		
Goldman Sachs	19,386	82,929,652
Boston Company	16,400	82,637,277
Mondrian	<u>21,062</u>	<u>98,727,567</u>
<b>Total International Equity</b>	<b>\$ <u>56,849</u></b>	<b>\$ <u>264,294,495</u></b>
<b><u>FIXED INCOME</u></b>		
Brown Brothers, Harriman	12,486	112,251,950
Taplin, Canida & Habacht	3,548	37,745,045
MacKay Shields	4,610	17,989,894
Shenkman Capital Management	3,598	27,868,735
Brown Brothers, Harriman (TIPS)	<u>23,315</u>	<u>423,222,795</u>
<b>Total Fixed Income</b>	<b>\$ <u>47,557</u></b>	<b>\$ <u>619,078,419</u></b>
<b>TOTAL SECURITIES LENDING INCOME</b>	<b>\$ <u>216,101</u></b>	<b>\$ <u>1,376,136,648</u></b>
<b>Calendar Year 2006 YTD</b>	<b>\$ <u>2,542,258</u></b>	

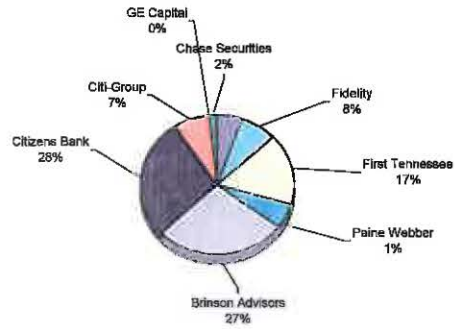


**RHODE ISLAND STATE INVESTMENT COMMISSION**  
**SHORT TERM CASH INVESTMENTS AT September 30, 2006**

**Portfolio By Instrument**



**Portfolio by Issuer**



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

Vendor	CP	CD	Agency	Money Mkt	CoD	Repo	Total (\$)
<b>Guidelines-Total/Vendor</b>	<b>25%/10%</b>	<b>25%/10%</b>	<b>75%/35%</b>	<b>30%/35%</b>	<b>25%/25%</b>	<b>100%/20%</b>	
Merrill Lynch	13,249,287	0	0	0	0	0	13,249,287
	5%	0%	0%	0%	0%	0%	5%
Dreyfus	0	0	0	0	0	0	0
	0%	0%	0%	0%	0%	0%	0%
Dean Witter	0	0	0	0	0	0	0
	0%	0%	0%	0%	0%	0%	0%
Chase Securities	0	0	4,464,731	0	0	0	4,464,731
	0%	0%	2%	0%	0%	0%	2%
Paine Webber	14,365,456	0	0	0	0	0	14,365,456
	6%	0%	0%	0%	0%	0%	6%
Fidelity	0	0	0	19,056,235	0	0	19,056,235
	0%	0%	0%	8%	0%	0%	8%
First Tennessee	0	0	40,972,234	0	0	0	40,972,234
	0%	0%	17%	0%	0%	0%	17%
Brinson Advisors	0	0	0	67,659,275	0	0	67,659,275
	0%	0%	0%	27%	0%	0%	27%
Citizens Bank	0	14,250,350	0	0	55,279,818	0	69,530,168
	0%	6%	0%	0%	22%	0%	28%
GE Capital	0	0	0	0	0	0	0
	0%	0%	0%	0%	0%	0%	0%
Citi-Group	18,434,647	0	0	0	0	0	18,434,647
	7%	0%	0%	0%	0%	0%	7%
State St Bank	0	0	0	0	0	0	0
	0%	0%	0%	0%	0%	0%	0%
<b>TOTALS</b>	<b>48,049,390</b>	<b>14,250,350</b>	<b>46,436,985</b>	<b>86,715,510</b>	<b>55,279,816</b>	<b>0</b>	<b>247,732,031</b>
<b>(%) PORTFOLIO</b>	<b>19%</b>	<b>6%</b>	<b>18%</b>	<b>35%</b>	<b>22%</b>	<b>0%</b>	<b>100%</b>

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

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

Short Term Investments Portfolio by Fund

As of September 30, 2006

	Principal	Interest*	Total Value @ Maturity
4901 GENERAL FUND	32,613,201	0	32,613,201
4904 PENSION C	3,388,478	1,522	3,390,000
4908 PAYROLL A	799,700	300	800,000
4916 GENERAL FUND H.A.V.A.	1,893,778	0	1,893,778
4920 GENERAL FUND (HIST PRES)	485,968	3,978	489,946
4955 HEALTH INSURANCE FUND	55,365,633	60,147	
5400 HIGHWAY FUND	13,876,056	375	13,876,431
5500 UNIVERSITY COLLEGE	9,991,597	8,403	10,000,000
6920 AUTO EQUIPMENT SERVICE	1,041,873	0	1,041,873
8000 T.D.I. RESERVE (DET)	101,386,883	152,119	101,538,002
8300 PERMANENT SCHOOL FUND	747,543	1,506	749,049
8400 EMP RETIREMENT FUND	1,657,015	0	1,657,015
8500 MUN EMP RETIREMENT FUND	2,028,020	6,840	2,034,860
8700 R.I. CLEAN WATER ACT	2,010,533	1,010	2,011,573
9000 BOND CAPITAL FUND	1,522,765	0	1,522,765
9700 STATE LOTTERY FUND	37,662,537	100,359	37,762,896
9800 INDUS. BLDG. & MTG. INS.	1,261,423	0	1,261,423
9900 SINKING FUND	0	0	0
4911 TANS	0	0	0
Subtotal	247,732,033	336,559	212,642,812
8702 CLEAN WATER 1993 SER. A	9		
8703 CLEAN WATER 1991 SERIES A	147,628		
8704 CLEAN WATER 96 SERIES A	12,542		
8706 CLEAN WATER CCDL 1994 (A)	6,176		
8707 CAP DEV. OF 1997 SERIES A	19,472		
8710 CLEAN WATER CCDL 2002 A	342,447		
8711 CLEAN WATER 2004 SERIES A	721,901		
8712 CLN WATER CCDL 2005 SER E	882,294		
8733 CAP DEV. OF 1997 SERIES A	8,510		
8737 RI POLLUT. CONT 94 SER. A	6,383		
8739 CCDL99A 1999A	342,115		
8742 POLLUTION CNTRL 2002 A	45,544		
8743 POLL.CONTRL 2004 SERIES A	947,332		
8744 POLLUTION CON 2005 SER C	88,424		
8745 POLLUTION CTRL CCDL 2005 E	667,295		
9114 G.O. NOTE 1991 SER. B	3,800		
9116 BOND CCDL 1993 SERIES A	7,697		
9117 BOND CCDL 1994 SERIES A	676,595		
9120 BOND CCBL96A	1,263,904		
9121 CAP DEV OF 1997 SERIES A	932,292		
9123 CCDL 1998B	2,240,380		
9124 CCDL99A 1999A	716,066		
9125 MMG099 1999	2,652		
9126 BOND CAPITAL CCDL2000A	1,657,447		
9127 MULTI-MODAL GEN OBL 2000	2,824		
9128 BOND 2001	2,410		
9131 CCDL 2004 SERIES A	13,054,652		
9132 BOND CCDL 2005 SERIES C	29,488,080		
9133 BOND CCDL 2005 SERIES E	32,207,299		
Subtotal Bond Proceed Accounts	69,494,350		
Total Short Term Portfolio	337,226,383		

\* General Fund (4901,4911,4916), TDI (8000), & ISTE (5400), Clean Water (8700), Lottery (9700), RI Ind Bldg (9800) and Auto Equip (6900) investments do not reflect interest earnings on Brinson, Fidelity and Dreyfus MM, and Citizens Premium Investments due to nature of Money Market investments. Interest is posted on the 1st business day of the next month.

**ABRAHAM TOURO FUND  
INVESTMENT SUMMARY  
SEPTEMBER 30, 2006**

<b><u>FUND NAME</u></b>	<b>September Gain/Loss</b>	<b>TOTAL MARKET VALUE</b>
<b>Abraham Touro Fund ( Fidelity Balanced Fund)</b>	<b>\$ 20,598</b>	<b>\$ 2,217,126</b>
<b><u>TOTALS</u></b>	<b>\$ 20,598</b>	<b>\$ 2,217,126</b>