

**STATE OF RHODE ISLAND  
INVESTMENT COMMISSION MEETING**

**DATA AT  
SEPTEMBER 30, 2008**

**MEMBERS OF THE STATE INVESTMENT COMMISSION**

**Hon. Frank T. Caprio, Chair**

**Mr. J. Michael Costello  
Mr. Robert R. Gaudreau, Jr.  
Dr. Robert J. McKenna  
Mr. Andrew K. Reilly**

**Ms. Rosemary Booth Gallogly  
Mr. Robert Giudici  
Ms. Marcia Reback  
Mr. John R. Treat**

## TABLE OF CONTENTS

	<u>Page</u>
AGENDA .....	2
APPROVAL OF MINUTES .....	3
STAFF SUMMARY .....	8
PERFORMANCE.....	12
ASSET ALLOCATION .....	30
CASH FLOW .....	38
SHORT TERM INVESTMENTS .....	41
SPECIAL FUNDS - ABRAHAM TOURO FUND & 457 PLAN .....	45



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

Frank T. Caprio  
General Treasurer

**REVISED AGENDA POSTED 10/17/08**

**RHODE ISLAND STATE INVESTMENT COMMISSION  
MEETING NOTICE**

The next meeting of the Rhode Island State Investment Commission has been scheduled for Wednesday, October 22, 2008 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 9/24/08 \*
3. General Consultant Capital Markets Trends – Pension Consulting Alliance
4. Alternative Investments Consultant – Pacific Corporate Group
  - Private Equity
5. Alliance Bernstein – CollegeBound Fund
  - CollegeBound Fund Investment Review
  - Market Timing Settlement Distributions
6. RFQ for Portfolio Monitoring and Securities Litigation Services \*
7. Chief Investment Officer Report
8. Treasurer's Report
9. New Business

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

**POSTED ON FRIDAY OCTOBER 17, 2008**

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

**Regular Meeting September 24, 2008**

A State Investment Commission (SIC) meeting was held in Room 135, State House, Providence, Rhode Island on Wednesday, September 24, 2008. The Treasurer called the meeting to order at 9:16 a.m.

Membership Roll Call. Present were: Ms. Rosemary Booth Gallogly, Mr. Robert Giudici, Dr. Robert McKenna, Ms. Marcia Reback, Mr. Andrew Reilly, Mr. John Treat, and General Treasurer Frank T. Caprio. Also present were: Mr. Kenneth E. Goodreau, Chief Investment Officer; Ms. Sarah Dowling, of Adler Pollock & Sheehan and Mr. Joseph Pezza, of Rodio & Ursillo, Legal Counsel to the Commission; Mr. John Burns of Pension Consulting Alliance, General Policy Consultant to the Commission; Ms. Michelle Davidson of the Pacific Corporate Group, Alternative Investments Consultant to the Commission; Ms. Laura Callahan of State Street Corporation, and other members of the Treasurer's staff. Mr. Robert Costello arrived at 9:30 a.m. Mr. Robert Gaudreau was not present.

State Investment Commission Minutes. The Treasurer entertained a motion for approval of the minutes. Dr. McKenna moved, Ms. Reback seconded and the following motion was passed. The following members voted in favor: Ms. Gallogly, Mr. Giudici, Dr. McKenna, Ms. Reback, Mr. Treat, and Treasurer Caprio.

**VOTED: To approve the Minutes of the July 23, 2008 regular meeting.**

Capital Market Trends – Pension Consulting Alliance. The Treasurer noted that Mr. Emkin and Mr. Burns will be attending each meeting. However, Mr. Emkin was not able to attend today due to a previous commitment. Both Mr. Emkin and Mr. Burns have spent a considerable amount of time with Mr. Goodreau during the last several weeks to get an understanding of ERSRI's policies and procedures.

Mr. Burns explained that PCA will be working with the SIC to determine goals and objectives. A work plan draft will then be established based on the Commission's recommendations and suggestions.

Mr. Burns began his review by stating that various asset classes perform differently through different economic and market environments. The equity risk premium is volatile and, at times, may not reward an investor for the risk taken. Long-term oriented Institutional Investors are continually searching for alternative market segments that are less dependent on, and diversify away from, the equity risk. Mr. Burns explained that the current ERSRI asset allocation is as follows: U.S. Equity 42.5%, Non-U.S. Equity 20%, Real Estate 5%, Private Equity 7.25%, Fixed Income 25%. He noted that ERSRI's long term return target of 8.25% will be a challenge to achieve in this market environment.

Mr. Burns gave a brief historical perspective of capital market trends since 1970. He summarized by commenting that U.S. equity returns have been influenced more by inflation and economic growth than by interest rate performance. Slow economic growth is a primary concern today, while the issue in the 1970's was inflation. Over the last six decades, bonds

rarely exceeded an 8% return and lagged inflation in two out of six decades. Real estate has produced the most consistent results across four decades. Private equity is the only asset class which had a negative decade, due largely to the 2000's bear market. Mr. Burns commented that fixed income, real estate, and hedge fund of funds, are the least non-volatile no-cash classes. Private equity has been the top long-term performer by a substantial annual margin, but with materially higher risk. Fixed income and hedge funds have produced solid returns during recessions and equity bear markets. Real estate produced strong returns when inflation has significantly exceeded its long-term average.

Mr. Burns went on to explain the benefits of an equal-weighted allocation of asset classes within a portfolio. Such an allocation strategy would have produced materially higher average returns, with only minimal additional risk. This type of strategy does well during recessionary periods. The equal-weighted strategy would have created 50% more wealth than the 60/40 strategy over the past thirty years, after lagging somewhat during the 1970's. Mr. Burns cautioned that there is no strategy that will perform well during every market environment. Mr. Burns concluded by stating that all portfolios have unique characteristics, which will be a determining factor when choosing the most advantageous strategy.

The Treasurer thanked Mr. Burns for his presentation. He noted that asset allocation is the primary responsibility of the Commission, as allocation drives returns. He stressed the need for a sub-committee meeting to discuss a work plan strategy. He asked if there were any questions or comments.

Dr. McKenna expressed interest in the possibility of interaction between the SIC and Economic Development. He stated that the policies affecting the three largest employment segments in Rhode Island (healthcare, tourism, and higher education) are also affected by national and state government.

Alternative Investments Consultant PCG – Secondary Markets Review. Ms. Davidson commented that PCG is assisting ERSRI with the sale of certain private equity interests. Approval was granted at the June 25, 2008 SIC Meeting to sell eleven private equity funds based on two bids received, which represented 88.4% of market value. PCG was able to negotiate slightly higher pricing for ten of the eleven interests, resulting in a bid price of 90.2% of March 31, 2008 market values. The eleventh fund was sold above par value. As of September 24, 2008, four funds have been legally transferred, including two large interests. ERSRI has received total net proceeds of \$22 million from the transfer of these interests. An additional six funds will be transferred on September 30, 2008, and the final interest will be transferred on or about October 1, 2008. Additional proceeds will be just under \$10 million, for a total of \$32 million, net of fees and expenses. ERSRI's unfunded liability for these funds of \$3.9 million will also be eliminated, for a total net benefit of \$35.9 million.

Mr. Goodreau stated that due to the current market environment, the request for cap calls has increased. The sale of these funds will provide the portfolio with much needed liquidity.

The Treasurer thanked Ms. Davidson and Mr. Reilly for their assistance in the negotiation and sale of these funds. He went on to announce the next agenda item.

Short Term Investments Vendor Consideration – Independence Bank (CDARS Program). Treasurer Caprio explained the specifics of the CDARS (Certificate of Deposit Account Registry Service) Program. Banks that offer CDARS are members of a special network. When a public fund places a large deposit with a network member, that bank uses the CDARS service to place the funds into CDs issued by other members of the network. This occurs in increments of less than \$100,000 to ensure that both the principle and interest are eligible for full FDIC protection. One rate is negotiated for all CD investments and the funds can be reinvested through a simple process. The Treasurer asked Mr. Izzo, Cash Manager, to continue the discussion.

Mr. Izzo noted that the Treasurer's primary mandate to the Investment Staff is preservation of capital. This program is a safe investment, but will yield a greater return than the current Government Money Market investment by about 100-200 basis points. Treasurer Caprio interjected that the increase in yield was primarily the determining factor in this decision. Mr. Izzo explained that Independence Bank is one of two banks in R.I. that offers the CDARS Program. Although there are multiple banks involved, we will have the convenience of dealing only with Independence Bank.

Mr. Costello asked if all the banks who are part of the CDARS Program will meet ERSRI's investment criteria for short term investments. Treasurer Caprio explained that ERSRI will have the ability to exclude any institution that is part of the network that does not meet our guidelines. Mr. Izzo went on to explain that there will be an addendum to the contract with Independence Bank stating they cannot invest in a CD with any institution that does not meet our guidelines. Ms. Reback asked what the duration of the investment would be in the CDs. Mr. Izzo replied the terms are a minimum of 4 weeks up to 260 days, with a minimum deposit of \$10,000 up to \$50,000,000.

In conclusion, Mr. Izzo advised the Commission that quotations are received on a daily basis regarding the yield on short term investments. When CDARS is no longer an attractive investment, the funds will be transferred into another short term investment.

The Treasurer entertained a motion to approve Independence Bank CDARS Program as an approved short term investment vendor. Mr. Costello moved, Ms. Gallogly seconded and the following motion was passed. The following members voted in favor: Mr. Costello, Ms. Gallogly, Mr. Giudici, Dr. McKenna, Ms. Reback, Mr. Treat, and Treasurer Caprio.

**VOTED: To approve Independence Bank CDARS Program as an approved short term investment vendor, with specific instructions not to allow investment with any institution within the network who does not meet ERSRI's specific guidelines.**

Legal Counsel Report. There were no legal developments for Counsel to report for the month of July or August.

Chief Investment Officer Report. Mr. Goodreau noted that this was an opportune time to have the additional guidance of Russell Investment Group in the role of Implementation Manager. With the current volatility in market conditions it is very difficult to maintain asset allocations and rebalance the portfolio. Russell has developed a program to

keep allocations at policy levels and reduce volatility. Representatives from Russell Investment Group will soon be addressing the Commission to explain how the program works.

Mr. Goodreau noted that there was an error in the data for the month of August under Section B. The *Summary Performance Rate of Returns* chart indicates that Goldman Sachs was flat for the year. They were actually in-line with the benchmark, which is down to -16%. The portfolio achieved positive alpha for the month of August, picking up about 38-40 basis points. The portfolio is 40 basis points over the performance benchmark for the year, which was partially due to over allocation in cash.

Ms. Gallogly asked what the \$50 million in *Russell Overlay* represented. Mr. Goodreau explained that these funds will be used to keep allocations within the portfolio's asset allocation benchmarks. When the report was generated the funds were in a cash account, and had not yet been invested. Going forward, the \$50 million will be invested in the appropriate asset classes to keep the allocations within the benchmark targets. Next month there will be a supplemental report showing specifically where the funds have been invested.

Mr. Reilly asked how often the portfolio will be rebalanced. Mr. Goodreau responded that +/- 1% within an asset class will trigger a rebalance. There was a discussion regarding how often a rebalance may occur and how the fee associated with this service may impact the profitability of the portfolio. Mr. Goodreau responded that the efficiency of the program will be apparent after two to three months. He also noted that the portfolio only had one rebalance this month, in spite of the unusually extreme volatility.

Mr. Goodreau assured the Commission that Russell Investments will be attending an SIC Meeting in the near future. Representatives will give a very detailed explanation regarding how the program works and how the efficiencies can be measured during this meeting.

Treasurer's Report. Treasurer Caprio expressed the importance of taking innovative actions to protect the profitability of the portfolio during this volatile environment. These actions include proper asset allocation, strong managerial skills, and the addition of Pension Consulting Alliance and Russell Investment Group. He reiterated the need for participation from the Commission Members in interim meetings to discuss investment strategy.

Treasurer Caprio announced that after thirty years of service, Mr. Stephen Iafrate, Fiscal Manager, will be retiring on September 26, 2008. He thanked Mr. Iafrate for his dedication through the years and expressed how much the entire Treasury Staff will miss him.

New Business. Mr. Mark Dingley, Chief of Staff, addressed the Commission regarding the 457 Plan, which is a State Deferred Compensation Plan. It is administered by the Department of Administration, but the SIC has discretion over the investments. There are currently three Investment Managers: AIG, ING, and Fidelity. An RFP for an Investment Manager has not been issued since 1996. While in discussions with Jerome Williams and Susan Rodriguez from the DOA, it was decided that this is an appropriate time to start the

RFP process for an Investment Manager. Since the landscape of the Plan has changed dramatically in the last ten years, Mr. Dingley is proposing that the SIC retain a consultant who is familiar with 457 Plans, for guidance through this RFP process.

The Treasurer entertained a motion to issue an RFP for a consultant to assist the SIC through the RFP process for an Investment Manager for the 457 Plan. Mr. Giudici moved, Mr. Treat seconded and the following motion was passed. The following members voted in favor: Ms. Gallogly, Mr. Giudici, Ms. Reback, Mr. Reilly, Mr. Treat, and Treasurer Caprio. Dr McKenna left the meeting at 10:25 a.m. and Mr. Costello left the meeting at 10:50 a.m. Neither was present for this vote, or the vote to adjourn.

**VOTED: To issue an RFP for a consultant to assist the SIC through the process of hiring an Investment Manager for the 457 Plan.**

The Treasurer entertained a motion to adjourn. Mr. Reilly moved, Ms. Gallogly seconded and the following motion was passed. The following members voted in favor: Ms. Gallogly, Mr. Giudici, Ms. Reback, Mr. Reilly, Mr. Treat, and Treasurer Caprio.

**VOTED: To adjourn the meeting.**

There being no further business, the meeting was adjourned at 11:04 a.m.

Respectfully submitted,

  
GENERAL TREASURER



RHODE ISLAND STATE INVESTMENT COMMISSION  
STAFF SUMMARY ANALYSIS  
PORTFOLIO HIGHLIGHTS  
September 30, 2008

PORTFOLIO PERFORMANCE

September

The ERSRI portfolio posted a loss of 7.61% for the month of September, against the policy index of -7.88%. Domestic equities were down 10.25%, international equities lost 12.96%, and the fixed income asset class returned -3.17%. Additionally, the retirement fund earned \$672,899 from the securities lending program during this month. If we factor out PE & RE investments, due to the way they are monitored the plan performance was -8.70% against its -8.33% index.

Calendar Year to Date

For the nine months ended September 30, 2008, the portfolio is down 14.43% against the policy index of -15.01%. Domestic equities were down 18.90%, international equities were down 27.14%, while fixed income generated a return of -1.56%.

Fiscal Year to Date

For the Fiscal Year ended June 30, 2009, the fund has lost 8.25%, against the policy index of -8.84%.

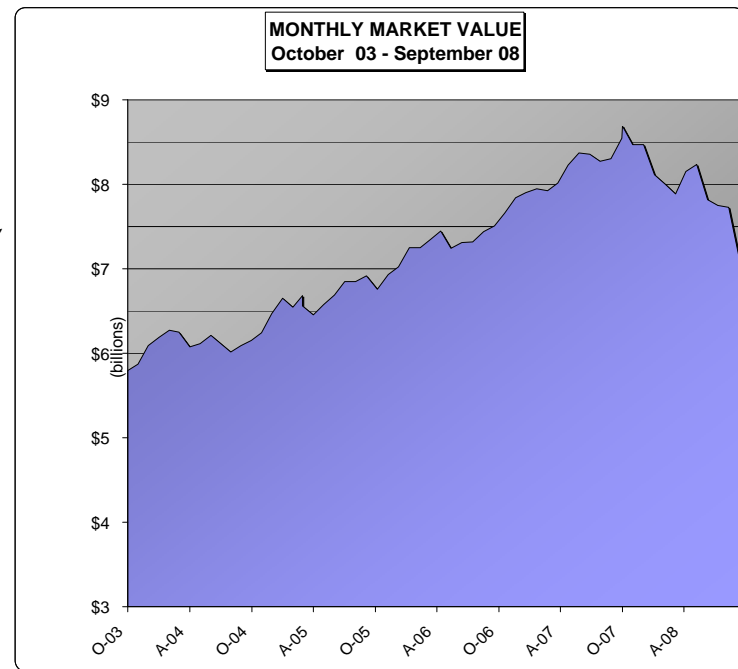
Index Performance Summary - September 30, 2008		
Market Indices	Sep-08	Calendar YTD
<b><u>Domestic Equity</u></b>		
S & P 500	-8.91%	-19.29%
DJ Wilshire 5000	-9.30%	-18.64%
Russell 2000	-7.97%	-10.38%
Russell 1000	-9.53%	-19.50%
Policy Index	-8.33%	-15.98%
<b><u>International Equity</u></b>		
MSCI ACWI	-14.99%	-29.54%
<b><u>Fixed Income</u></b>		
Lehman AGG	-1.34%	0.63%
<b><u>Real Estate</u></b>		
NCREIF	0.64%	6.19%

ERSRI Performance By Asset Class	Sep-08	Calendar YTD
Domestic Equity	-10.25%	-18.90%
Fixed Income	-3.17%	-1.56%
International Equity	-12.96%	-27.14%
<b>Total Fund Composite*</b>	<b>-8.70%</b>	<b>-15.85%</b>
Manager Summary	Sep-08	CYTD
<b><u>DOMESTIC EQUITY</u></b>		
Shott	-1.94%	-10.93%
PIMCO	-12.80%	-22.96%
SSgA S&P 500	-8.89%	-19.25%
SSgA Core	-9.85%	-20.19%
Wasatch	-34.22%	0.00%
Northpointe	-7.22%	-13.41%
Wellington	-12.07%	-16.02%
Wellington Technical Eq	-11.19%	-11.26%
<b>Total Domestic Equity</b>	<b>-10.25%</b>	<b>-18.90%</b>
<b><u>FIXED INCOME</u></b>		
Brown Bros TIPS	-3.56%	1.49%
Brown Bros Core	-2.28%	-1.51%
Fidelity	0.46%	2.10%
Taplin Canida & Habacht	-9.66%	-12.57%
Fixed Income Cash Acct	0.21%	2.28%
Mackay Shield	-5.35%	-6.07%
<b>Total Fixed Income</b>	<b>-3.17%</b>	<b>-1.56%</b>
<b><u>INTERNATIONAL EQUITY</u></b>		
Mondrian	-12.83%	-26.87%
Goldman Sachs	-14.47%	-28.65%
Boston Co	-11.59%	-25.91%
<b>Total International Equity</b>	<b>-12.96%</b>	<b>-27.14%</b>
*Total Fund Composite includes all classes ex PE & RE		

**Market Valuation Report  
September, 2008**

**Market Values**

The total portfolio value decreased in September by \$620 million to \$7.11 billion. This compares with an increase in value of \$245 million for the same period in 2007. The domestic equity market values decreased by \$335.2 million, including transfers in of \$0.2 million; fixed income decreased by \$102.9 million, including transfers out of \$40.9 million; while international values decreased by \$184.1 million, including transfers in of \$0.1 million. The cash accounts increased by \$14.4 million including transfers in netting \$16.7 million, and alternative investments decreased by \$11.7 million, including transfers out netting \$3.8 million.



### **Cash Flow**

September's pension payroll of \$63.7 million was more than the \$ 33.7 million in contributions and wire transfers received by \$6.7 million.

To meet pension and other obligations, \$31.0 million was transferred from long-term investments.

### **Alternative Investments**

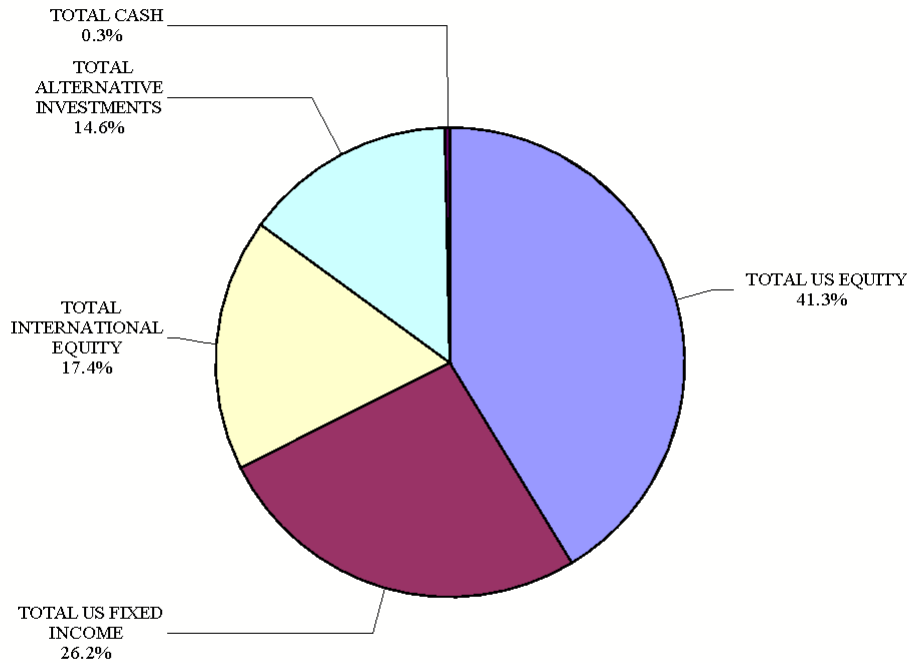
At this time the alternative investment asset class has unfunded commitments of approximately \$422 million on commitments of \$1,511 million.

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

September 2008	FYTD	UNFUNDED BALANCE
-\$8,630,689	\$6,127,878	\$422,295,345
September 2007	FYTD	UNFUNDED BALANCE
-\$7,363,896	-\$8,914,153	\$446,072,832



CURRENT ASSET CLASS ALLOCATION (IN MILLIONS)



MANAGER	CURRENT PERIOD
TOTAL US EQUITY	2,938.2
TOTAL US FIXED INCOME	1,865.0
TOTAL INTERNATIONAL EQUITY	1,237.6
TOTAL ALTERNATIVE INVESTMENTS	1,040.2
TOTAL CASH	24.8
<b>TOTAL</b>	<b>7,105.8</b>



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

Frank T. Caprio  
General Treasurer

October 17, 2008

State Investment Commission  
State of Rhode Island, State House  
Providence, Rhode Island

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 August 31, 2008.

Employees' Retirement System of Rhode Island  
Composite Reporting Investment Valuation

September 30, 2008

Asset Class		
Cash/Short Term Investments		422,166,315
Equities - Domestic		2,778,580,461
Equities - International		1,196,738,408
Fixed Income - Government	\$1,214,615,489	
Fixed Income - Corporate	\$450,917,375	
Fixed Income - In State	\$0	
Total Fixed Income		1,665,532,864
Alternative Investments		655,734,919
Real Estate		386,997,252
Total Fund Investments		7,105,750,220
Plan Allocation		
State Employees & Teachers	84.65%	6,015,068,225
Municipal Employees	14.25%	1,012,898,111
State Police	0.67%	47,700,475
Judicial	0.42%	30,083,409
Total Fund Investments	100.00%	7,105,750,220

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

Respectfully submitted,

Vincent Izzo, Cash Manager

# State of Rhode Island

## Summary of Performance

### Rates of Return

PERIODS ENDING September 30, 2008

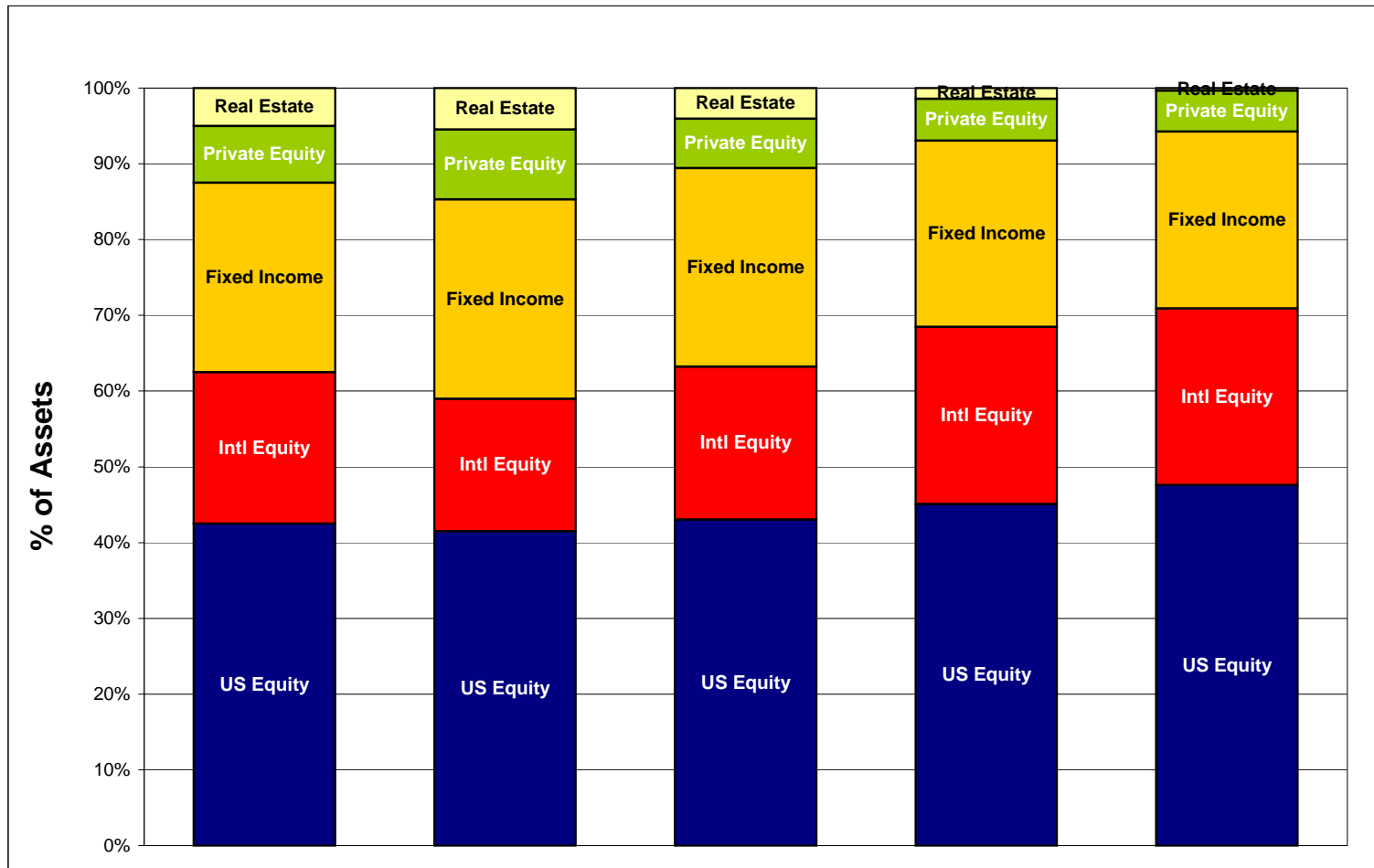
		MKT VAL	% of FUND	1 Month	3 Months	YTD	FYTD	1 Year	2 Years	3 Years	5 Years	1TD	Incept Date
<b>DOMESTIC EQUITY</b>													
<b>Active Core</b>													
	SSGA - CORE S&P 500	303,053,876	4.3	-9.9 -8.9	-11.4 -8.4	-20.2 -19.3	-11.4 -8.4	-22.5 -22.0	-4.1 -4.7	1.0 0.2	6.3 5.2	4.6	10/01/1998
<b>Small Cap Core</b>													
	WELLINGTON TECHNICAL EQUITY RUSSELL 3000	142,200,644	2.0	-11.2 -9.4	-14.1 -8.7	-11.3 -18.8	-14.1 -8.7	-6.7 -21.5	-4.4	0.3	5.7	-1.0	08/01/2007
<b>Index</b>													
	SSGA S&P 500 INDEX FUND S&P 500	1,381,019,778	19.4	-8.9 -8.9	-8.3 -8.4	-19.3 -19.3	-8.3 -8.4	-21.9 -22.0	-4.7	0.2	5.2	-6.4	11/01/2006
<b>Enhanced</b>													
	PIMCO RUSSELL IMPLEMENTATION SERVICES S&P 500	411,931,230 32,901,440	5.8 0.5	-12.8 -34.2 -8.9	-12.1 -8.4	-23.0 -19.3	-12.1 -8.4	-25.2 -22.0	-6.7 -4.7	-1.3 0.2	4.2 5.2	-0.4 -34.2	12/01/2000 09/01/2008
<b>Active Small Cap</b>													
	NORTHPOINTE CAPITAL WELLINGTON MANAGEMENT CO. LLC S&P 500	326,442,536 339,527,678	4.6 4.8	-7.2 -12.1 -8.9	-4.4 -6.8 -8.4	-13.4 -16.0 -19.3	-4.4 -6.8 -8.4	-20.5 -22.2 -22.0	-5.7 -5.4 -4.7	-0.7 -0.1 0.2	7.5 7.1 5.2	6.7 5.3	03/01/2002 03/01/2002
<b>Other</b>													
	SHOTT CAPITAL	1,078,431	0.0	-1.9	0.6	-10.9	0.6	-31.9	-14.3				04/01/1999
<b>TOTAL US EQUITY</b>		<b>2,938,155,612</b>	<b>41.4</b>	<b>-10.3</b>	<b>-9.3</b>	<b>-18.9</b>	<b>-9.3</b>	<b>-22.1</b>	<b>-4.9</b>	<b>-0.2</b>	<b>5.8</b>	<b>9.3</b>	<b>03/01/1989</b>
<b>DOW WILSHIRE 5000 FREE FLOAT</b>				<b>-9.3</b>	<b>-8.7</b>	<b>-18.6</b>	<b>-8.7</b>	<b>-21.3</b>	<b>-4.0</b>	<b>0.6</b>	<b>6.0</b>		
<b>INTERNATIONAL EQUITY</b>													
<b>Active</b>													
	GOLDMAN SACHS THE BOSTON COMPANY MONDRIAN TRANSITION ACCOUNT INT EQUITY PUTNAM INVESTMENTS BANK OF IRELAND MSCI AC WORLD ex US (GROSS)	400,874,889 416,382,169 420,337,545 16,812 5,411 3,527	5.6 5.9 5.9 0.0 0.0 0.0	-14.5 -11.6 -12.8	-21.3 -16.7 -17.0	-28.7 -25.9 -26.9	-21.3 -16.7 -17.0	-30.1 -26.9 -26.7	-5.8 -7.1 -4.0	2.3 0.6 3.7		9.9 3.9 10.0	08/01/2004 12/01/2004 05/01/2004 06/01/2003 05/01/2001 05/01/2001
				-15.0	-21.8	-29.5	-21.8	-30.0	-4.2	3.1	11.8		
<b>TOTAL INTERNATIONAL EQUITY</b>		<b>1,237,620,353</b>	<b>17.4</b>	<b>-13.0</b>	<b>-18.3</b>	<b>-27.1</b>	<b>-18.3</b>	<b>-27.9</b>	<b>-5.8</b>	<b>2.1</b>	<b>10.8</b>	<b>4.4</b>	<b>03/01/1989</b>
<b>MSCI AC WORLD ex US (GROSS)</b>				<b>-15.0</b>	<b>-21.8</b>	<b>-29.5</b>	<b>-21.8</b>	<b>-30.0</b>	<b>-4.2</b>	<b>3.1</b>	<b>11.8</b>		
<b>U.S. FIXED INCOME</b>													
<b>Mortgage</b>													
	FIDELITY MANAGEMENT TRUST LB MBS	512,778,515	7.2	0.5 0.8	1.3 1.9	2.1 3.8	1.3 1.9	3.8 7.0	4.1 6.2	4.2 5.5	4.2 4.8	7.4	10/01/1989
<b>Core</b>													
	BROWN BROTHERS HARRIMAN - CORE CITIGROUP BIG	302,165,911	4.3	-2.3 -1.0	-1.6 -0.1	-1.5 1.3	-1.6 -0.1	0.1 4.5	2.1 4.9	2.6 4.5	3.3 4.0	6.4	03/01/1990
<b>Corporates</b>													
	TAPLIN, CANIDA & HABACHT LB CREDIT	269,043,934	3.8	-9.7 -6.6	-10.8 -6.4	-12.6 -6.8	-10.8 -6.4	-12.0 -4.8	-3.8 -0.4	-1.0 0.9	1.2 1.9	5.4	04/01/1996
<b>High Yield</b>													
	MACKAY SHIELDS, LLC CSFB GLOBAL HIGH YIELD	127,344,065	1.8	-5.4 -7.0	-5.6 -8.0	-6.1 -9.1	-5.6 -8.0	-6.9 -10.0	0.3 -1.3	3.0 1.7	6.2 4.8	10.9	10/01/2002
<b>TIPS</b>													
	BROWN BROTHERS HARRIMAN - TIPS LB U.S. TIPS	585,091,603	8.2	-3.6 -3.8	-3.2 -3.5	1.5 1.2	-3.2 -3.5	6.8 6.2	5.5 5.6	4.3 4.3	5.2	5.3	06/01/2004
<b>Other</b>													
	FIXED INCOME CASH ACCOUNT TRANSITION ACCOUNT FIXED INCOME	67,981,974 575,238	1.0 0.0	0.2	0.6	2.3	0.6	3.6				4.2	04/01/2007 06/01/2003
<b>TOTAL US FIXED INCOME</b>		<b>1,864,981,239</b>	<b>26.3</b>	<b>-3.2</b>	<b>-2.9</b>	<b>-1.6</b>	<b>-2.9</b>	<b>0.5</b>	<b>2.8</b>	<b>3.2</b>	<b>4.0</b>	<b>6.2</b>	<b>12/01/1992</b>
<b>LB AGGREGATE</b>				<b>-1.3</b>	<b>-0.5</b>	<b>0.6</b>	<b>-0.5</b>	<b>3.7</b>	<b>4.4</b>	<b>4.2</b>	<b>3.8</b>		
<b>ALTERNATIVE INVESTMENTS</b>													
	REAL ESTATE NCREIF PROPERTY INDEX QTR LAG	386,997,971	5.5	0.2 0.6	0.6 0.6	2.4 5.5	0.6 0.6	5.4 9.2	14.0 13.2	10.4 15.0		9.1	01/01/2005
	PRIVATE EQUITY S&P 500 PLUS 300 BP	653,180,392	9.2	-1.2 -8.2	-1.6 -7.3	-8.8 -16.5	-1.6 -7.3	0.7 -18.6	5.5 -1.3	11.9 3.5	18.3 8.4	9.8	01/01/1989
<b>TOTAL ALTERNATIVE INVESTMENTS</b>		<b>1,040,178,363</b>	<b>14.6</b>	<b>-0.7</b>	<b>-0.8</b>	<b>-4.9</b>	<b>-0.8</b>	<b>2.3</b>	<b>8.4</b>	<b>11.5</b>	<b>17.7</b>	<b>10.8</b>	<b>04/01/1996</b>
<b>TOTAL ALTERNATIVES BENCHMARK</b>				<b>-4.7</b>	<b>-4.1</b>	<b>-8.1</b>	<b>-4.1</b>	<b>-8.1</b>	<b>4.5</b>	<b>8.1</b>	<b>11.1</b>		
<b>CASH</b>													
	CASH ACCOUNT (INSIDE) CASH ACCOUNT (OUTSIDE)	17,874,628 6,940,025	0.3 0.1										07/01/2000 07/01/2000
<b>TOTAL PLAN</b>		<b>7,105,750,219</b>	<b>100.0</b>	<b>-7.6</b>	<b>-8.3</b>	<b>-14.4</b>	<b>-8.3</b>	<b>-14.9</b>	<b>-1.2</b>	<b>2.9</b>	<b>7.8</b>	<b>9.6</b>	<b>01/01/1984</b>
<b>TOTAL PLAN BENCHMARK</b>				<b>-7.9</b>	<b>-8.8</b>	<b>-15.0</b>	<b>-8.8</b>	<b>-15.6</b>	<b>-0.7</b>	<b>3.1</b>	<b>7.5</b>		

\* As of 4/31/2006 Total Plan Benchmark consists of 42.5% Wilshire 5000, 20% MSCI AC World ex U.S., 25% LB Aggregate, 7.5% S&P 500 + 300 BP, 5% NCREIF Property Qtr Lag

# State of Rhode Island

Historical Asset Allocation

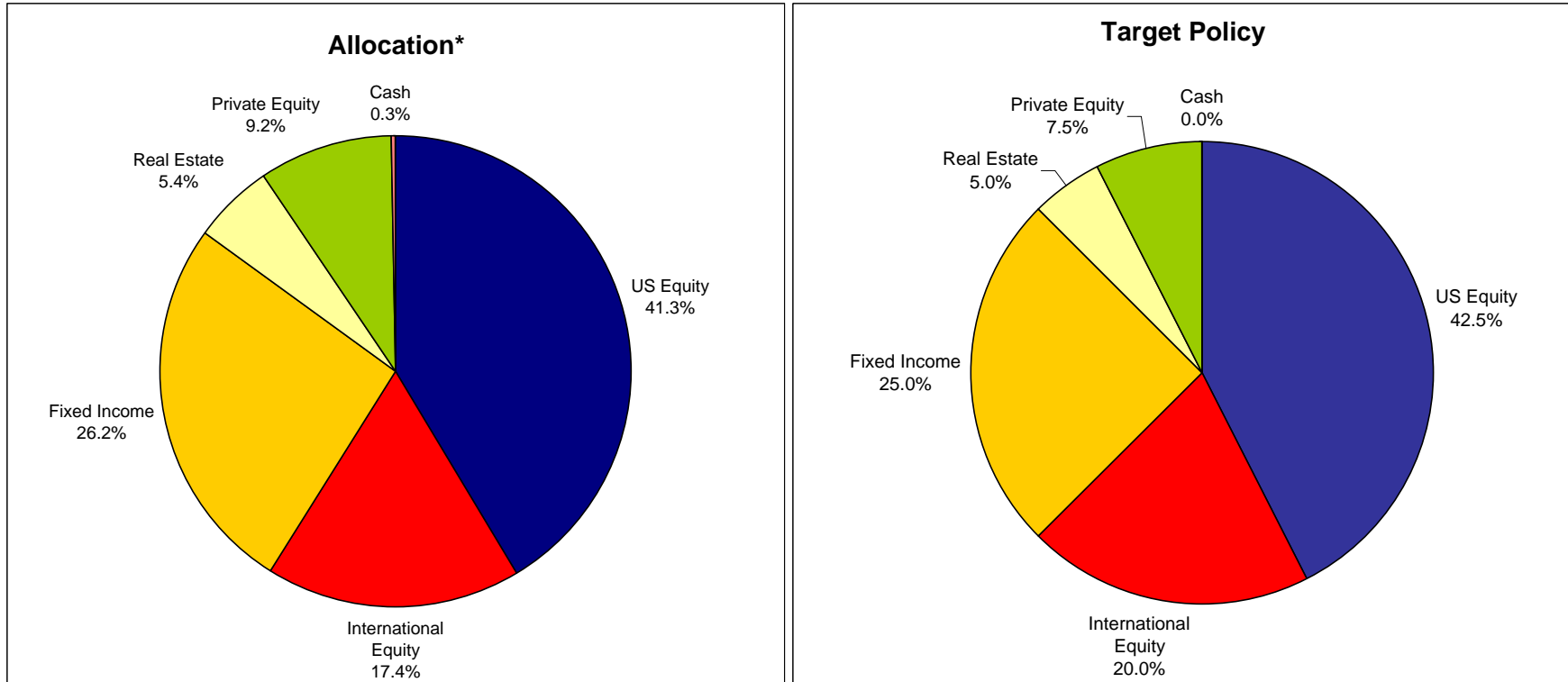
September 30, 2008



	Target	Current	1 Yr Ago	3 Yrs Ago	5 Yrs Ago
US Equity	42.5%	41.3%	42.8%	44.7%	47.5%
Intl Equity	20.0%	17.4%	20.1%	23.2%	23.2%
Fixed Income	25.0%	26.2%	26.0%	24.4%	23.3%
Real Estate	5.0%	5.4%	4.0%	1.4%	0.3%
Private Equity	7.5%	9.2%	6.5%	5.4%	5.4%
Cash	0.0%	0.3%	0.6%	0.9%	0.3%

# State of Rhode Island

Asset Allocation  
September 30, 2008



## Allocation vs. Target Policy

	Weights		
	Allocation*	Policy	Difference
US Equity	41.3	42.5	-1.2
International Equity	17.4	20.0	-2.6
Fixed Income	26.2	25.0	1.2
Real Estate	5.4	5.0	0.4
Private Equity	9.2	7.5	1.7
Cash	0.3	0.0	0.3
Total Fund	100.0	100.0	0.0

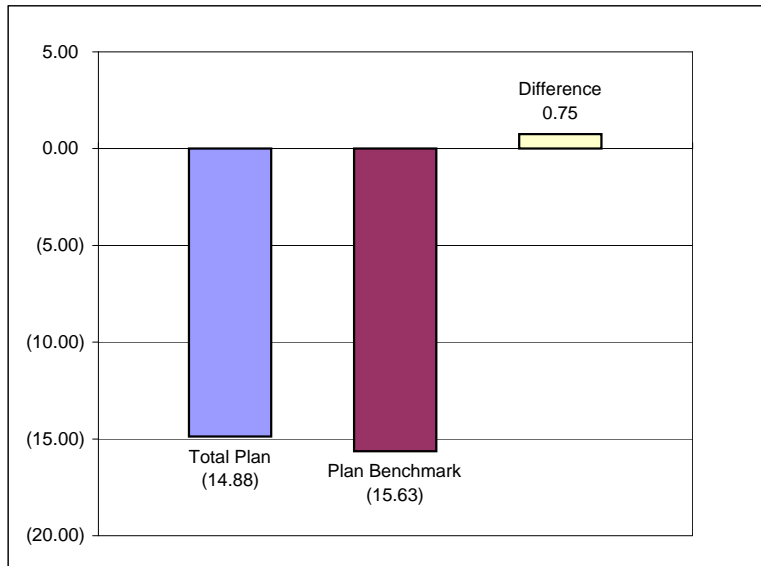


\* End of Period Weights

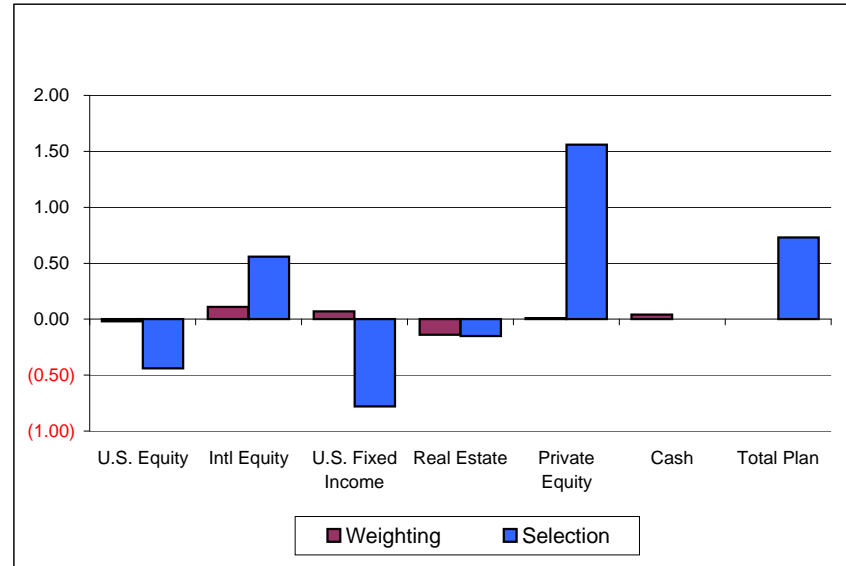


**STATE OF RHODE ISLAND**  
**TOTAL PLAN POOL ATTRIBUTION**  
 1 Year Ending September 30, 2008  
 Value Added

**1 YEAR RETURNS**



**VALUE ADDED ATTRIBUTION**



	Beginning Weights			Returns			Value Added		
	Portfolio	Benchmark	Difference	Portfolio	Benchmark	Difference	Weighting	Selection	Timing
U.S. Equity	42.80	42.50	0.30	(22.14)	(21.26)	(0.88)	(0.02)	(0.44)	
Intl Equity	20.10	20.00	0.10	(27.91)	(30.32)	2.41	0.11	0.56	
U.S. Fixed Income	26.00	25.00	1.00	0.54	3.65	(3.11)	0.07	(0.78)	
Real Estate	4.00	5.00	(1.00)	5.35	9.23	(3.88)	(0.14)	(0.15)	
Private Equity	6.50	7.50	(1.00)	0.68	(18.58)	19.26	0.01	1.56	
Cash	0.60	0.00	0.60	2.65	2.90	(0.25)	0.04	0.00	
<b>Total Plan</b>	<b>100.00</b>	<b>100.00</b>		<b>(14.88)</b>	<b>(15.63)</b>	<b>0.75</b>	<b>0.07</b>	<b>0.73</b>	<b>0.09</b>

# State of Rhode Island

## SUMMARY OF PERFORMANCE

### RATES OF RETURN

PERIODS ENDING September 30, 2008



STATE STREET

	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>												
SSGA S&P 500 INDEX FUND	1,381,020	19.44	-8.89	-8.34	-10.83	-19.25	-8.34	-21.94				
NORTHPOINTE CAPITAL	326,443	4.59	-7.22	-4.36	-0.75	-13.41	-4.36	-20.53	-5.70	-0.74	4.69	7.47
PIMCO	411,931	5.80	-12.80	-12.11	-14.67	-22.96	-12.11	-25.23	-6.68	-1.28	1.87	4.18
RUSSELL IMPLEMENTATION SERVICES	32,901	0.46	-34.22									
SSGA - CORE	303,054	4.26	-9.85	-11.39	-8.58	-20.19	-11.39	-22.54	-4.06	0.95	4.70	6.30
WELLINGTON MANAGEMENT CO. LLC	339,528	4.78	-12.07	-6.84	-6.66	-16.02	-6.84	-22.19	-5.42	-0.12	4.84	7.12
WELLINGTON TECHNICAL EQUITY	142,201	2.00	-11.19	-14.09	-4.50	-11.26	-14.09	-6.69				
SHOTT CAPITAL	1,078	0.02	-1.94	0.58	20.25	-10.93	0.58	-31.88	-14.28			
TOTAL US EQUITY	2,938,156	41.35	-10.25	-9.30	-9.74	-18.90	-9.30	-22.14	-4.92	-0.19	3.67	5.77
<i>RUSSELL 1000</i>			-9.53	-9.35	-11.06	-19.50	-9.35	-22.10	-4.57	0.13	3.49	5.49
<i>RUSSELL 2000</i>			-7.97	-1.11	-0.54	-10.38	-1.11	-14.48	-1.98	1.84	5.65	8.15
<i>RUSSELL 2000 GROWTH</i>			-11.30	-6.99	-2.83	-15.29	-6.99	-17.07	-0.68	1.46	5.35	6.64
<i>RUSSELL 2000 VALUE</i>			-4.69	4.96	1.24	-5.37	4.96	-12.25	-3.52	2.00	5.73	9.45
<i>RUSSELL 3000</i>			-9.40	-8.73	-10.27	-18.81	-8.73	-21.52	-4.38	0.26	3.66	5.70
<i>S&amp;P 500</i>			-8.91	-8.37	-10.87	-19.29	-8.37	-21.98	-4.68	0.22	3.10	5.17
<i>DOW WILSHIRE 5000 FREE FLOAT</i>			-9.30	-8.67	-10.08	-18.64	-8.67	-21.26	-4.02	0.56	3.91	6.00
<b>INTERNATIONAL EQUITY</b>												
GOLDMAN SACHS	400,875	5.64	-14.47	-21.26	-21.15	-28.65	-21.26	-30.13	-5.78	2.25	9.19	
THE BOSTON COMPANY	416,382	5.86	-11.59	-16.71	-18.05	-25.91	-16.71	-26.93	-7.14	0.62		
MONDRIAN	420,338	5.92	-12.83	-16.98	-20.10	-26.87	-16.98	-26.68	-4.04	3.70	9.38	
TRANSITION ACCOUNT INT EQUITY	17	0.00										
PUTNAM INVESTMENTS	5	0.00										
BANK OF IRELAND	4	0.00										
TOTAL INTERNATIONAL EQUITY	1,237,620	17.42	-12.96	-18.33	-19.77	-27.14	-18.33	-27.91	-5.82	2.08	8.15	10.76

# State of Rhode Island

## SUMMARY OF PERFORMANCE

### RATES OF RETURN

PERIODS ENDING September 30, 2008



STATE STREET

	MKT VAL	% of FUND	1 Month	3 Months	6 Months	YTD	FYTD	1 Year	2 Years	3 Years	4 Years	5 Years
<i>MSCI AC WORLD ex US (GROSS)</i>			-14.99	-21.84	-22.51	-29.54	-21.84	-29.97	-4.20	3.09	9.13	11.80
<i>MSCI EAFE (NET)</i>			-14.46	-20.56	-22.35	-29.26	-20.56	-30.50	-6.85	1.12	6.79	9.69
<b>U.S. FIXED INCOME</b>												
BROWN BROTHERS HARRIMAN - CORE	302,166	4.25	-2.28	-1.64	-2.30	-1.51	-1.64	0.09	2.12	2.56	2.82	3.32
FIDELITY MANAGEMENT TRUST	512,779	7.22	0.46	1.34	1.28	2.10	1.34	3.79	4.07	4.20	4.13	4.22
BROWN BROTHERS HARRIMAN - TIPS	585,092	8.23	-3.56	-3.20	-3.69	1.49	-3.20	6.77	5.53	4.26	4.65	
MACKAY SHIELDS, LLC	127,344	1.79	-5.35	-5.62	-3.53	-6.07	-5.62	-6.93	0.28	3.04	4.17	6.22
TAPLIN, CANIDA & HABACHT	269,044	3.79	-9.66	-10.78	-9.96	-12.57	-10.78	-11.98	-3.77	-0.98	0.05	1.22
FIXED INCOME CASH ACCOUNT	67,982	0.96	0.21	0.63	1.31	2.28	0.63	3.55				
TRANSITION ACCOUNT FIXED INCOME	575	0.01										
TOTAL US FIXED INCOME	1,864,981	26.25	-3.17	-2.91	-2.82	-1.56	-2.91	0.54	2.80	3.21	3.57	4.00
<i>CSFB GLOBAL HIGH YIELD</i>			-7.04	-8.04	-6.37	-9.09	-8.04	-10.03	-1.27	1.65	2.80	4.82
<i>LB AGGREGATE</i>			-1.34	-0.49	-1.50	0.63	-0.49	3.65	4.39	4.15	3.81	3.78
<i>LB CREDIT</i>			-6.57	-6.38	-7.23	-6.83	-6.38	-4.79	-0.38	0.86	1.33	1.94
<i>LB GOV/CREDIT</i>			-2.53	-1.64	-3.12	-0.67	-1.64	2.41	3.73	3.60	3.34	3.34
<i>CITIGROUP BIG</i>			-1.04	-0.11	-1.30	1.29	-0.11	4.48	4.86	4.48	4.09	4.03
<i>CITIGROUP LARGE PENSION FUND INDEX</i>			-1.92	-0.85	-2.43	-0.07	-0.85	3.69	4.18	3.86	4.06	4.26
<i>CITIGROUP L.P.F. COLLATERALIZED INDEX</i>			1.14	2.14	1.53	4.04	2.14	7.28	6.34	5.63	5.05	4.92

# State of Rhode Island

## SUMMARY OF PERFORMANCE

### RATES OF RETURN

PERIODS ENDING September 30, 2008



STATE STREET

	MKT VAL	% of FUND	1 Month	3 Months	6 Months	YTD	FYTD	1 Year	2 Years	3 Years	4 Years	5 Years
<b>ALTERNATIVE INVESTMENTS</b>												
REAL ESTATE	386,998	5.45	0.22	0.64	0.93	2.44	0.64	5.35	14.02	10.39		
PRIVATE EQUITY	653,180	9.19	-1.20	-1.55	-1.90	-8.77	-1.55	0.68	5.54	11.86	16.54	18.28
TOTAL ALTERNATIVE INVESTMENTS	1,040,178	14.64	-0.68	-0.75	-0.88	-4.87	-0.75	2.32	8.43	11.51	16.11	17.68
<sup>1</sup> TOTAL ALTERNATIVES BENCHMARK			-4.72	-4.10	-4.35	-8.05	-4.10	-8.11	4.47	8.14	10.19	11.06
NCREIF PROPERTY INDEX QTR LAG			0.56	0.56	2.17	5.45	0.56	9.20	13.15	14.96	15.72	14.72
S&P 500 PLUS 300 BP			-8.24	-7.25	-8.84	-16.51	-7.25	-18.58	-1.34	3.49	6.34	8.39
<b>CASH EQUIVALENTS</b>												
CASH ACCOUNT (INSIDE)	17,875	0.25	0.21	0.64	1.32	2.31	0.64	7.14	8.78	8.03	8.81	10.63
CASH ACCOUNT (OUTSIDE)	6,940	0.10	0.03	0.08	0.13	0.70	0.08	1.40	2.80	3.00	2.84	3.19
<b>TOTAL PLAN</b>												
TOTAL PLAN	7,105,750	100.00	-7.61	-8.25	-8.72	-14.43	-8.25	-14.88	-1.18	2.87	6.16	7.83
<sup>2</sup> TOTAL PLAN BENCHMARK			-7.88	-8.84	-9.77	-15.01	-8.84	-15.63	-0.70	3.11	5.93	7.46
TOTAL PLAN ex PE RE	6,065,572	85.36	-8.70	-9.41	-9.95	-15.85	-9.41	-17.12	-2.55	1.73	5.10	6.86
<sup>3</sup> TOTAL PLAN BENCHMARK ex PE RE			-8.33	-9.51	-10.53	-15.98	-9.51	-16.67	-1.43	2.40	5.29	6.87

## State of Rhode Island

### SUMMARY OF PERFORMANCE

#### RATES OF RETURN

PERIODS ENDING September 30, 2008



STATE STREET

---

### Endnotes

- 1 As of 7/1/2000: 60% S&P 500 plus 300bps / 40% NCREIF PROPERTY LAG
  
- 2 As of 04/31/2006: 42.5% W5000 / 25.0% LB AGG / 20.0% MSCI AC WORLD FREE ex USA / 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% MSCI AC WORLD FREE ex USA
  
- 3 As of 01/01/1988: 48.57% Wilshire 5000 / 28.57% LB Aggregate / 22.86% MSCI AC World Free ex US

## ERSRI Monthly Market Value Report With Time Weighted Returns

September 30, 2008

							Valuation Change				
	Calendar YTD			Benchmark Description	Current Month			Market Value 8/31/2008	Transfers In/(out)	Market Value 9/30/2008	Market Value Increase/decrease
	Performance	Benchmark	Alpha		Performance	Benchmark	Alpha				
<b>Domestic Equity</b>											
Shott Capital Management IRR	-10.93%	-19.29%	8.36%	S & P 500	-1.94%	-8.91%	6.97%	1,099,747	-	1,078,431	(21,316)
SSgA S&P 500	-19.25%	-19.29%	0.04%	S & P 500	-8.89%	-8.91%	0.02%	1,515,735,702	101,803	1,381,019,778	(134,817,727)
SSgA Core	-20.19%	-19.50%	-0.69%	Russell 1000	-9.85%	-9.53%	-0.32%	336,126,460	22,058	303,053,876	(33,094,642)
PIMCC	-22.96%	-19.29%	-3.67%	S & P 500	-12.80%	-8.91%	-3.89%	472,357,898	33,128	411,931,230	(60,459,797)
NorthPointe Capital	-13.41%	-10.38%	-3.03%	Russell 2000	-7.22%	-7.97%	0.75%	351,819,640	24,518	326,442,536	(25,401,622)
Wellington Mgmt	-16.02%	-10.38%	-5.64%	Russell 2000	-12.07%	-7.97%	-4.10%	386,127,340	26,978	339,527,678	(46,626,640)
Russell Overlay			0.00%		-34.22%		-34.22%	50,010,621	-	32,901,440	(17,109,181)
Wellington Tech Eq	-11.26%	-18.81%	7.55%	Russell 3000	-11.19%	-9.40%	-1.79%	160,116,457	-	142,200,644	(17,915,813)
Transition Account	N/A	N/A	N/A		N/A	N/A	N/A	-	-	-	-
<b>Total Domestic Equity</b>	<b>-18.90%</b>				<b>-10.25%</b>			<b>3,273,393,865</b>	<b>208,485</b>	<b>2,938,155,612</b>	<b>(335,446,738)</b>
<b>International Equity</b>											
Boston Company	-25.91%	-29.54%	3.63%	MSCI ACWI	-11.59%	-14.99%	3.40%	470,916,513	32,718	416,385,696	(54,563,535)
Goldman Sachs	-28.65%	-29.54%	0.89%	MSCI ACWI	-14.47%	-14.99%	0.52%	468,637,119	32,718	400,874,890	(67,794,947)
Transition Account	N/A	N/A	N/A	N/A	N/A	N/A	N/A	598,129	-	597,461	(668)
Mondrian	-26.87%	-29.54%	2.67%	MSCI ACWI	-12.83%	-14.99%	2.16%	482,170,996	32,718	420,337,545	(61,866,168)
<b>Total International Equity</b>	<b>-27.14%</b>				<b>-12.96%</b>			<b>1,422,322,757</b>	<b>98,154</b>	<b>1,238,195,592</b>	<b>(184,225,319)</b>
Fidelity Management & Research	2.10%	3.84%	-1.74%	Lehman Mortgage Backed	0.46%	0.75%	-0.29%	510,390,418	17,630	512,778,515	2,370,466
Brown Brothers, Harriman	-1.51%	1.29%	-2.80%	Salomon Brd Inv Grade	-2.28%	-1.04%	-1.24%	309,187,659	17,671	302,165,911	(7,039,419)
Taplin, Canida & Habacht	-12.57%	-6.83%	-5.74%	Lehman Credit Index	-9.66%	-6.57%	-3.09%	297,802,295	8,036	269,043,934	(28,766,397)
Mackay Shields	-6.07%	-9.09%	3.02%	CS First BosHiYield	-5.35%	-7.04%	1.69%	134,506,140	31,160	127,344,065	(7,193,236)
Brown Bros TIPS	1.49%	1.17%	0.32%	Lehman US TIPS Index	-3.56%	-3.83%	0.27%	606,656,981	28,864	585,091,603	(21,594,242)
Fixed Income Cash Acct	2.28%				0.21%			108,777,477	(41,000,000)	67,981,974	204,497
Transition Account	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-	-	-	-
<b>Total Fixed Income</b>	<b>-1.56%</b>				<b>-3.17%</b>			<b>1,967,320,970</b>	<b>(40,896,639)</b>	<b>1,864,406,001</b>	<b>(62,018,331)</b>
<b>Alternative Investments</b>											
Private Equity	-8.77%	N/A	N/A	N/A	-1.20%	N/A	N/A	670,485,207	(8,630,689)	653,180,392	(8,674,127)
Real Estate	2.44%	6.19%	-3.75%	NCREIF + 100	0.22%	0.64%	-0.42%	381,402,832	4,859,550	386,997,971	735,588
<b>Total Alternatives</b>	<b>-4.87%</b>				<b>-0.68%</b>			<b>1,051,888,039</b>	<b>(3,771,138)</b>	<b>1,040,178,363</b>	<b>(7,938,538)</b>
<b>Cash Accounts</b>											
Cash in Trust	2.31%	N/A	N/A		0.21%	N/A	N/A	6,802,858	13,494,817	17,874,628	(2,423,047)
Cash Outside Trust	0.70%	N/A	N/A		0.03%	N/A	N/A	3,658,527	3,212,651	6,940,025	68,847
<b>Total Cash</b>	<b>61.71%</b>	<b>*</b>			<b>3.50%</b>	<b>*</b>	<b>0</b>	<b>10,461,385</b>	<b>16,707,467</b>	<b>24,814,652</b>	<b>(2,354,199)</b>
<b>Total Plan Ex PE &amp; RE</b>	<b>-15.85%</b>	<b>-15.98%</b>	<b>0.13%</b>		<b>-8.70%</b>	<b>-8.33%</b>	<b>-0.37%</b>	<b>7,725,387,016</b>	<b>(27,653,671)</b>	<b>7,105,750,220</b>	<b>(591,983,125)</b>
<b>Total Plan</b>	<b>-14.43%</b>	<b>-15.01%</b>	<b>0.58%</b>		<b>-7.61%</b>	<b>-7.88%</b>	<b>0.27%</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, 2008



STATE STREET

## 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>									
SSGA S&P 500 INDEX FUND	S&P 500	-8.89	-8.91	0.02	-19.25	-19.29	0.04	1,381,020	102
SSGA - CORE	RUSSELL 1000	-9.85	-9.53	-0.32	-20.19	-19.50	-0.69	303,054	22
PIMCO	S&P 500	-12.80	-8.91	-3.89	-22.96	-19.29	-3.67	411,931	33
NORTHPOINTE CAPITAL	RUSSELL 2000	-7.22	-7.97	0.75	-13.41	-10.38	-3.03	326,443	25
WELLINGTON MANAGEMENT CO. LLC	RUSSELL 2000	-12.07	-7.97	-4.10	-16.02	-10.38	-5.64	339,528	27
RUSSELL IMPLEMENTATION SERVICES		-34.22						32,901	0
SHOTT CAPITAL	S&P 500	-1.94	-8.91	6.97	-10.93	-19.29	8.36	1,078	0
WELLINGTON TECHNICAL EQUITY	RUSSELL 3000	-11.19	-9.40	-1.79	-11.26	-18.81	7.55	142,201	0
TOTAL US EQUITY		-10.25			-18.90			2,938,156	208
<b>INTERNATIONAL EQUITY</b>									
THE BOSTON COMPANY	MSCI AC WORLD ex US (GROSS)	-11.59	-14.99	3.40	-25.91	-29.54	3.63	416,382	33
GOLDMAN SACHS	MSCI AC WORLD ex US (GROSS)	-14.47	-14.99	0.52	-28.65	-29.54	0.89	400,875	33
MONDRIAN	MSCI AC WORLD ex US (GROSS)	-12.83	-14.99	2.16	-26.87	-29.54	2.67	420,338	33
TRANSITION ACCOUNT INT EQUITY								17	0
TOTAL INTERNATIONAL EQUITY		-12.96			-27.14			1,237,620	98
<b>U.S. FIXED INCOME</b>									
FIDELITY MANAGEMENT TRUST	LB MBS	0.46	0.75	-0.29	2.10	3.84	-1.74	512,779	18
BROWN BROTHERS HARRIMAN - CORE	CITIGROUP BIG	-2.28	-1.04	-1.24	-1.51	1.29	-2.80	302,166	18
TAPLIN, CANIDA & HABACHT	LB CREDIT	-9.66	-6.57	-3.09	-12.57	-6.83	-5.74	269,044	8
MACKAY SHIELDS, LLC	CSFB GLOBAL HIGH YIELD	-5.35	-7.04	1.69	-6.07	-9.09	3.02	127,344	31
BROWN BROTHERS HARRIMAN - TIPS	LB U.S. TIPS	-3.56	-3.83	0.27	1.49	1.17	0.32	585,092	29
FIXED INCOME CASH ACCOUNT		0.21			2.28			67,982	-41,000
TRANSITION ACCOUNT FIXED INCOME								575	0
TOTAL US FIXED INCOME		-3.17			-1.56			1,864,981	-40,897

**State of Rhode Island**

RATES OF RETURN - Total

Periods Ending September 30, 2008



**STATE STREET**

**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>									
PRIVATE EQUITY		-1.20			-8.77			653,180	-9,349
REAL ESTATE	NCREIF PROPERTY LAG + 100 BPS	0.22	0.64	-0.42	2.44	6.19	-3.75	386,998	4,762
TOTAL ALTERNATIVE INVESTMENTS	TOTAL ALTERNATIVES BENCHMARK	-0.68	-4.72	4.04	-4.87	-8.05	3.18	1,040,178	-4,587
<b>CASH EQUIVALENTS</b>									
CASH ACCOUNT (INSIDE)		0.21			2.31			17,875	10,282
CASH ACCOUNT (OUTSIDE)		0.03			0.70			6,940	3,280
TOTAL CASH		3.50			61.71			24,815	13,562
<b>TOTAL PLAN</b>									
TOTAL PLAN	TOTAL PLAN BENCHMARK	-7.61	-7.88	0.27	-14.43	-15.01	0.58	7,105,750	-31,615
TOTAL PLAN ex PE RE	TOTAL PLAN BENCHMARK ex PE RE	-8.70	-8.33	-0.37	-15.85	-15.98	0.13	6,065,572	-27,028



# State of Rhode Island

TOTAL PLAN

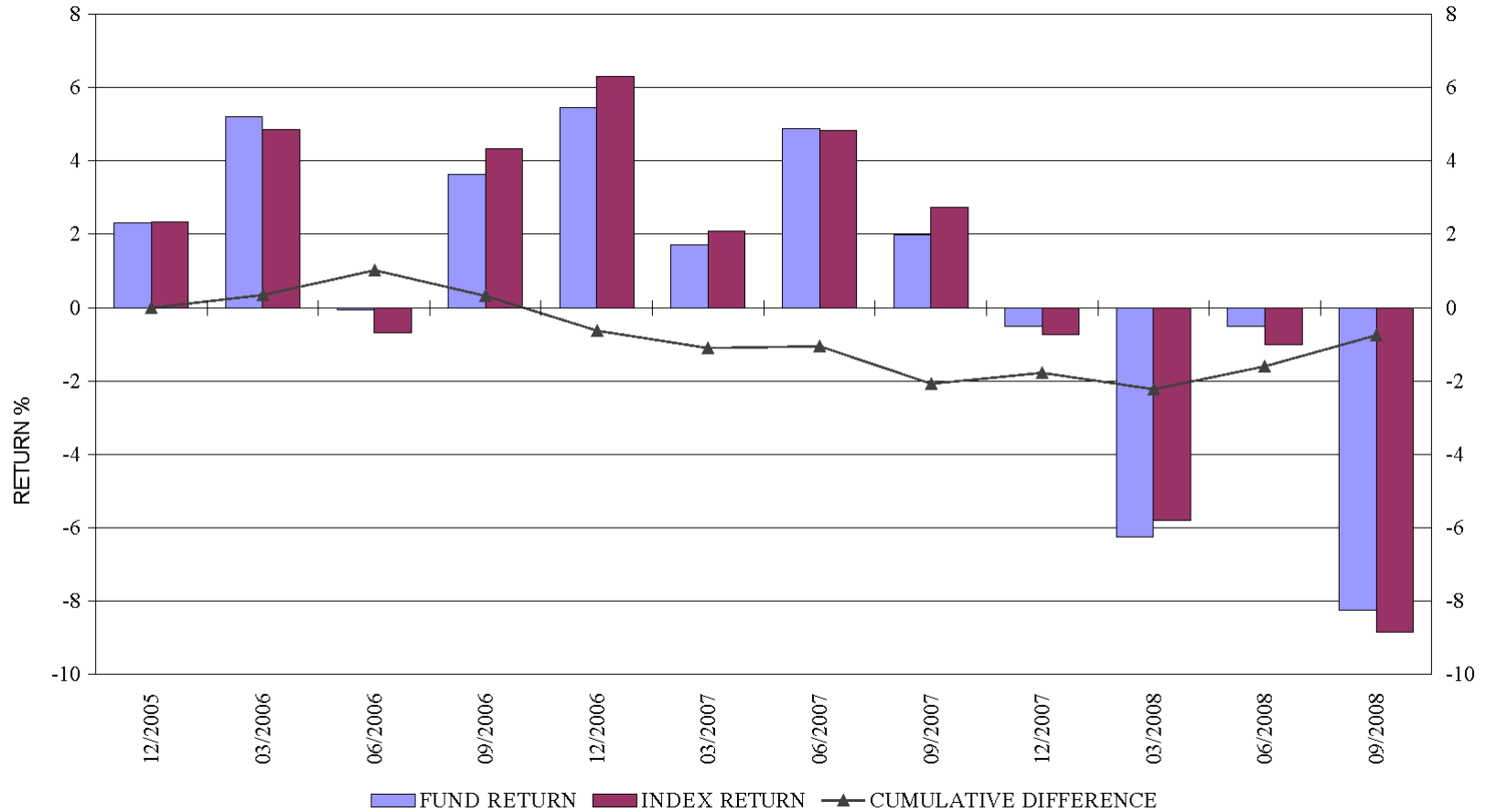
Index: TOTAL PLAN BENCHMARK

PERIODS: September 30, 2005 - September 30, 2008



STATE STREET

## CUMULATIVE PERFORMANCE REPORT



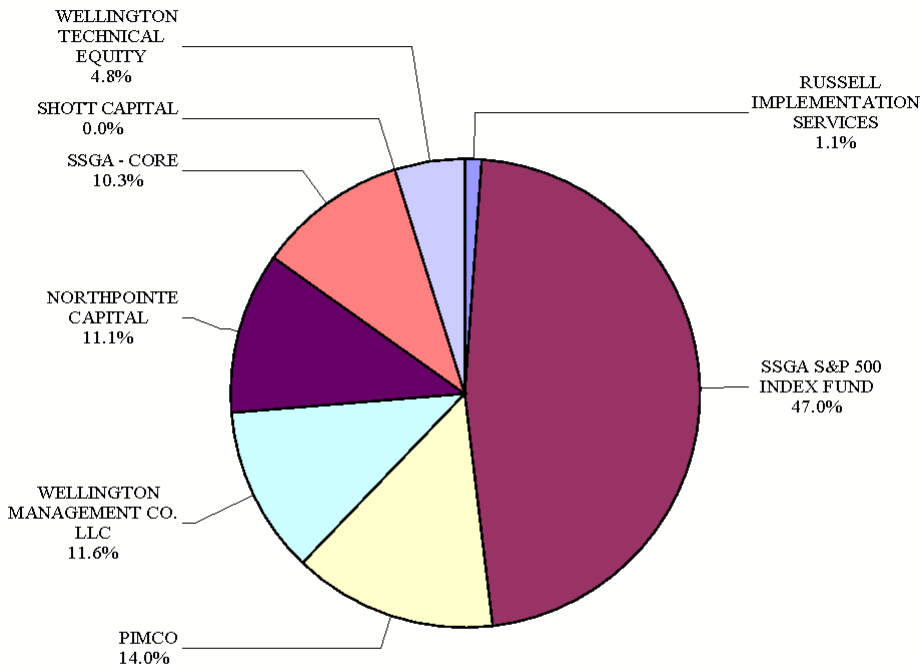
**State of Rhode Island**

MANAGER ALLOCATION ANALYSIS  
 PERIOD ENDING 09/30/2008



STATE STREET

**CURRENT MANAGER ALLOCATION**



<u>MANAGER</u>	<u>CURRENT PERIOD</u>	<u>ONE YEAR AGO</u>
RUSSELL IMPLEMENTATION SERVICES	32.9	
SSGA S&P 500 INDEX FUND	1,381.0	1,767.4
PIMCO	411.9	600.1
WELLINGTON MANAGEMENT CO. LLC	339.5	435.9
NORTHPOINTE CAPITAL	326.4	410.3
SSGA - CORE	303.1	390.7
SHOTT CAPITAL	1.1	0.1
WELLINGTON TECHNICAL EQUITY	142.2	53.2
<b>TOTAL</b>	<b>2,938.1</b>	<b>3,657.7</b>

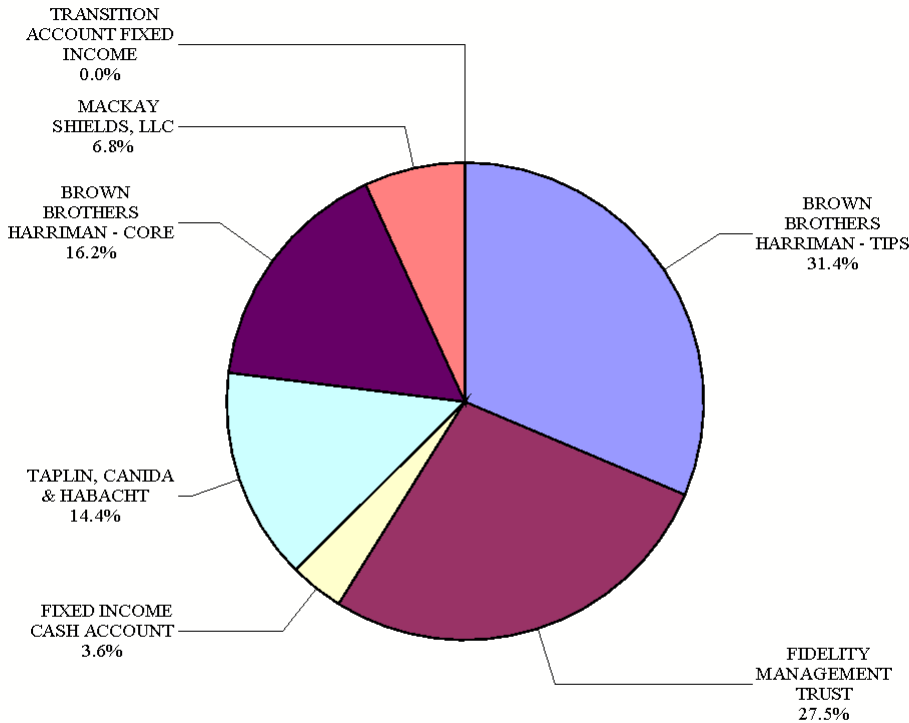
**State of Rhode Island**

MANAGER ALLOCATION ANALYSIS  
 PERIOD ENDING 09/30/2008



STATE STREET

**CURRENT MANAGER ALLOCATION**



MANAGER	CURRENT PERIOD	ONE YEAR AGO
BROWN BROTHERS HARRIMAN - TIPS	585.1	547.6
FIDELITY MANAGEMENT TRUST	512.8	493.8
FIXED INCOME CASH ACCOUNT	68.0	441.1
TAPLIN, CANIDA & HABACHT	269.0	304.7
BROWN BROTHERS HARRIMAN - CORE	302.2	301.6
MACKAY SHIELDS, LLC	127.3	136.3
TRANSITION ACCOUNT FIXED INCOME	0.6	0.6
<b>TOTAL</b>	<b>1,865.0</b>	<b>2,225.7</b>

**State of Rhode Island**

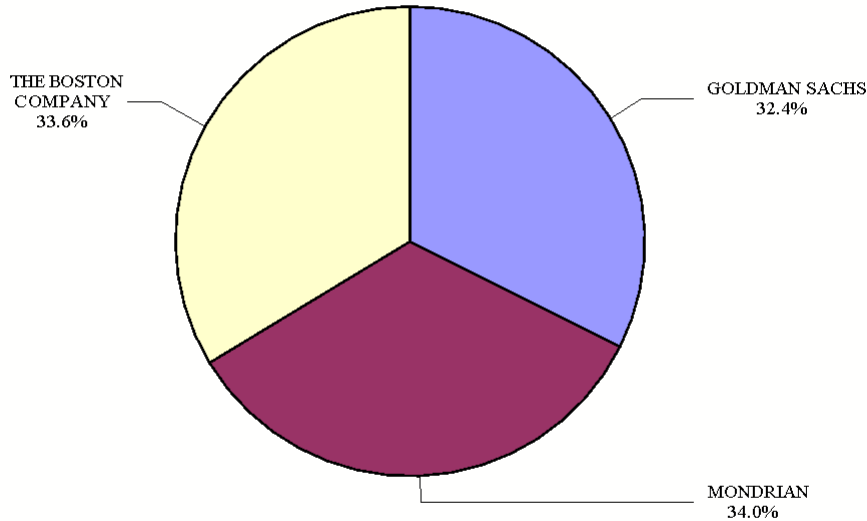
MANAGER ALLOCATION ANALYSIS  
 PERIOD ENDING 09/30/2008



**STATE STREET**

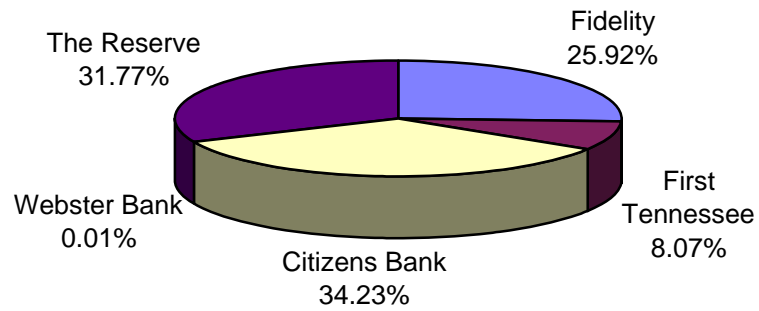
**CURRENT MANAGER ALLOCATION**

<u>MANAGER</u>	<u>CURRENT PERIOD</u>	<u>ONE YEAR AGO</u>
GOLDMAN SACHS	400.9	573.2
MONDRIAN	420.3	572.6
THE BOSTON COMPANY	416.4	569.3
TRANSITION ACCOUNT INT EQUITY	0.0	0.1
<b>TOTAL</b>	<b>1,237.6</b>	<b>1,715.2</b>

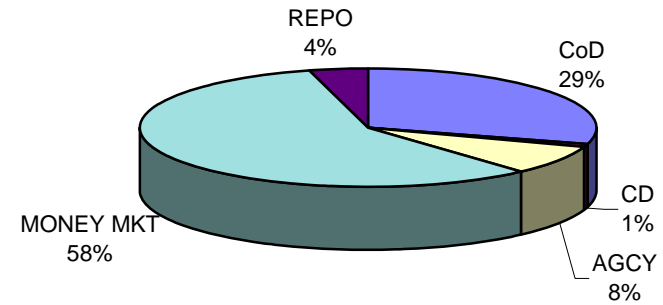


**RHODE ISLAND STATE INVESTMENT COMMISSION  
SHORT TERM CASH INVESTMENTS AT:  
Tuesday, September 30, 2008**

**Portfolio By Issuer**



**Portfolio By Instrument**



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  
October, 2008**

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
JP Morgan Chase	2,3,5		Aa2		P-1	A-1+	Aa2	AA-	Negative
Citigroup Inc.	2		Aa3		P-1	A-1+	Aa3	AA-	Negative
RBS Citizens	3,4		Aa2		P-1	A-1	Aa3	AA-	Stable
First Tennessee Capital Markets	5		A3		P-2	A-2	A3	BBB+	Stable
Fidelity	6					N/R		N/R	N/R
Merrill Lynch	2,5,6		A2		P-1	A-1	A1	A	Negative
The Reserve	6		Aaa				Aaa	AAA	Stable
GE Capital	2		Aaa		P-1	A-1+	Aaa	AAA	Stable
Morgan Stanley	1,2,5		A1		P-1	A-1	A1	A+	Negative
UBS Brinson Advisors	6		Aa2		P-1	A-1+	Aa2	AA-	Negative
State Street Bank & Tru	1,3		Aa1		P-1	A-1+	Aa1	AA	Stable
Webster Bank	3,4		A2		P-1	A-2	A3	BBB+	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** - Possess many favorable investment attributes
- Baa** - Medium-grade obligations
- Ba** - Possess 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 condition
- 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 conditions
- BBB** - Exhibits adequate protection parameters
- BB, B, CCC, CC, C** - Have significant speculative characteristics. BB least speculative
- D** - Payment default

**Modifiers:**

- +** or **-** - show relative standing within the category.

**ASSET ALLOCATION REPORT  
SEPTEMBER 30th, 2008**

	Style Mandate	Actual (Millions \$)		Target (Millions \$)		Difference (Millions \$)
<b>Domestic Equity</b>						
SSgA S&P 500 Index Fund	Passive	1,381.02	19.44%	1,453.13	20.45%	(72.11)
SSgA Core	Active core	303.05	4.26%	319.76	4.50%	(16.70)
PIMCO	Enhanced Equity	411.93	5.80%	458.32	6.45%	(46.39)
NorthPointe Capital	Small Cap Value	326.44	4.59%	355.29	5.00%	(28.84)
Wellington Mgmt	Small Cap Core	339.53	4.78%	390.82	5.50%	(51.29)
Wellington Technical Equity	Tactical Equity	142.20	2.00%	42.63	0.60%	99.57
Russell Implementation Services		32.90	0.46%	0.00	0.00%	32.90
Shott Capital	Alternative Distribution	1.08	0.02%	0.00	0.00%	1.08
<b>TOTAL DOMESTIC EQUITY</b>		<b>2,938.16</b>	<b>41.35%</b>	<b>3,019.94</b>	<b>42.50%</b>	<b>(81.79)</b>
<b>International Equity</b>						
Boston Company	MSCI ACWI	416.38	5.86%	473.95	6.67%	(57.57)
Goldman Sachs	MSCI ACWI	400.88	5.64%	473.95	6.67%	(73.08)
Mondrian	MSCI ACWI	420.34	5.92%	473.24	6.66%	(52.91)
Transition Account		0.02	0.00%	0.00	0.00%	0.02
<b>TOTAL INT'L EQUITY</b>		<b>1,237.62</b>	<b>17.42%</b>	<b>1,421.15</b>	<b>20.00%</b>	<b>(183.53)</b>
<b>Domestic Fixed Income</b>						
Fidelity Management & Research	Mortgages	512.78	7.22%	444.11	6.25%	68.67
Brown Brothers, Harriman	Opportunistic Core	302.17	4.25%	266.47	3.75%	35.70
Taplin, Canida & Habacht	Corporates	269.04	3.79%	266.47	3.75%	2.58
Mackay Shields	High yield	127.34	1.79%	133.23	1.88%	(5.89)
Shenkman Capital Mgmt	High yield	0.00	0.00%	133.23	1.88%	(133.23)
Brown Brothers, Harriman TIPS	TIPS	585.09	8.23%	532.93	7.50%	52.16
Fixed Income Cash Account		67.98	0.96%	0.00	0.00%	67.98
Transition Account		0.58	0.01%	0.00	0.00%	0.58
<b>TOTAL FIXED-INCOME</b>		<b>1,864.98</b>	<b>26.25%</b>	<b>1,776.44</b>	<b>25.00%</b>	<b>88.54</b>
<b>Alternative Investments</b>						
Real Estate	Real Estate	387.00	5.45%	355.3	5.00%	31.7
Pacific Corp Group	Private Equity	653.18	9.19%	532.93	7.50%	120.2
<b>TOTAL ALTERNATIVE INVESTMENTS</b>		<b>1,040.18</b>	<b>14.64%</b>	<b>888.22</b>	<b>12.50%</b>	<b>151.96</b>
<b>CASH EQUIVALENTS</b>	STIF, Yield+	24.82	0.35%	0.00	0.00%	24.82
<b>TOTAL ASSETS</b>		<b>7,105.75</b>	<b>100.00%</b>	<b>7,105.75</b>	<b>100.00%</b>	<b>0.00</b>

**ALLOCATION BY MANAGEMENT STYLE**

<b>Domestic Equity</b>						
Core		445.26	6.27%	362.39	4.50%	82.86
Index		1,381.02	19.44%	1,453.13	17.75%	(72.11)
Enhanced Equity		444.83	6.26%	458.32	6.75%	(13.49)
Active Small Cap		665.97	9.39%	746.10	13.50%	(80.13)
<b>TOTAL DOMESTIC EQUITY</b>		<b>2,938.16</b>	<b>41.35%</b>	<b>3,019.94</b>	<b>42.50%</b>	<b>(81.79)</b>
<b>International Equity</b>						
Active		1,237.62	17.42%	1,421.15	20.00%	(183.53)
<b>TOTAL INT'L EQUITY</b>		<b>1,237.62</b>	<b>17.42%</b>	<b>1,421.15</b>	<b>20.00%</b>	<b>(183.53)</b>
<b>Domestic Fixed Income</b>						
Mortgage		512.78	7.22%	444.11	6.25%	68.67
Core		302.17	4.25%	266.47	3.75%	35.70
Corporates		269.04	3.79%	266.47	3.75%	2.58
High Yield		127.92	1.79%	266.47	3.75%	(138.55)
TIPS		585.09	8.23%	532.93	7.50%	52.16
Other		67.98	0.96%	-	0.00%	67.98
<b>TOTAL FIXED-INCOME</b>		<b>1,864.98</b>	<b>26.24%</b>	<b>1,776.44</b>	<b>25.00%</b>	<b>88.54</b>
<b>Alternative Investments</b>						
Real Estate		387.00	5.45%	355.29	5.00%	31.71
Other Alternative Investments		653.18	9.19%	532.93	7.50%	120.25
<b>TOTAL ALTERNATIVE INVESTMENTS</b>		<b>1,040.18</b>	<b>14.64%</b>	<b>888.22</b>	<b>12.50%</b>	<b>151.96</b>
<b>CASH EQUIVALENTS</b>	STIF, Yield+	24.82	0.35%	0.00	0.00%	24.82
<b>TOTAL ASSETS</b>		<b>7,105.75</b>	<b>100.00%</b>	<b>7,105.75</b>	<b>100.00%</b>	<b>0.00</b>

## RHODE ISLAND STATE INVESTMENT COMMISSION

### Domestic Equity Holdings By Top 10 Market Values Separately Managed

30-Sep-08

*Equities*

<u>SECURITY NAME</u>	<u>PAR VALUES/SHARES</u>	<u>BASE MARKET AMOUNT</u>
EXXON MOBIL CORP	197,770	\$15,358,818
MICROSOFT CORP.	407,400	10,873,506
WAL MART STORES INC	155,200	9,294,928
INTERNATIONAL BUSINESS MACHS	78,500	9,181,360
CONOCOPHILLIPS	103,400	7,574,050
CHEVRON CORP	90,700	7,480,936
INTEL CORP	392,800	7,357,144
MCDONALDS CORP	118,900	7,336,130
JOHNSON AND JOHNSON	103,500	7,170,480
HERCULES INC	361,800	7,160,022

### International Equity Holdings By Top 10 Market Values

30-Sep-08

*International Equities*

<u>SECURITY NAME</u>	<u>PAR VALUES/SHARES</u>	<u>BASE MARKET AMOUNT</u>
DPT EMERGING MARKET	4,734,186	\$ 57,378,339.83
CNY MSCI EMG MKTD CTF	457,470	\$ 14,989,911.43
GTAA DUB	2,104,858	\$ 14,808,098.88
NOVARTIS AG	270,425	\$ 14,121,189.52
GLAXOSMITHKLINE	645,010	\$ 13,922,832.63
TAKEDA PHARMACEUTICAL CO LTD	276,900	\$ 13,693,072.10
TELEFONICA SA	550,491	\$ 12,982,822.38
RWE AG (NEU)	132,270	\$ 12,541,033.34
KAO CORP	459,000	\$ 12,213,771.02
UNILEVER PLC	446,501	\$ 12,113,066.45

Top 10 Market Values SIC



FISCAL YEAR 2009

INVESTMENT MANAGER FEES, PROFESSIONAL FEES & OPERATING EXPENSES

ERSRI & MERSRI

ACCRUAL BASIS

	Actual Jul 08	Projected Aug	Projected Sept	Projected Oct	Projected Nov	Projected Dec	Projected Jan 09	Projected Feb	Projected Mar	Projected Apr	Projected May	Projected Jun	Projected TOTAL
<b>EQUITIES</b>													
SSgA Core			260,984			259,816			239,756			222,371	982,927
SSgA Russell 1000/S&P 500			35,288			3,933			66,927			32,408	138,557
Shott Capital			1,446			948			460			2,718	5,573
PIMCO			0			200,000			1,000			225,000	426,000
Wellington Mgmt			690,947			654,863			600,645			679,274	2,625,730
Wellington Tech Eq			33,802			217,630			333,783			126,713	711,928
NorthPointe			<u>590,310</u>			<u>558,190</u>			<u>503,070</u>			<u>589,850</u>	<u>2,241,420</u>
			1,612,778			1,895,380			1,745,641			1,878,334	7,132,134
<b>FIXED INCOME</b>													
Brown Bros.			143,304			145,453			147,283			129,732	565,773
Fidelity			160,096			162,325			164,535			148,636	635,592
Taplin			191,761			193,592			191,949			169,909	747,211
Mackay Shields			148,591			148,274			145,994			147,848	590,707
Brown Bros.TIPS			<u>141,960</u>			<u>145,234</u>			<u>148,967</u>			<u>136,883</u>	<u>573,044</u>
			785,712			794,878			798,728			733,008	3,112,327
<b>INT'L EQUITIES</b>													
The Boston Co			565,228			561,584			526,042			551,739	2,204,594
Mondrian			338,577			321,646			304,892			316,283	1,281,398
Goldman Sachs Asset Mgmt			475,637			489,525			432,913			499,383	1,897,458
SSgA MSCI ACWI			0			0			0			0	0
	0		1,379,442	0		1,372,755			1,263,847			1,367,405	5,383,450
<b>REAL ESTATE</b>													
L & B Real Estate	0	154,023	98,031	329,250	201,893	348,834	0	193,318	116,143	180,637	213,729	114,312	1,950,170
<b>ALTERNATIVE INVESTMENTS</b>													
Other Alt Inv Mgmt Fees	1,632,815	444,364	633,700	578,597	166,134	998,614	1,488,953	4,710	782,270	422,507	425,855	768,471	8,346,990
<b>SUB TOTAL-INV MGMT FEES</b>	1,632,815	598,387	4,509,662	907,847	368,027	5,410,462	1,488,953	198,028	4,706,630	603,144	639,583	4,861,530	25,925,070
<b>PROFESSIONAL FEES</b>													
Legal	0	0	12,581	0	6,701	15,535	13,726	6,000	6,150	3,075	9,677	17,791	91,235
St St Bank Custodial	18,888	15,412	35,791	18,017	15,080	12,586	12,981	11,543	12,333	12,887	1,563	12,861	179,941
Pacific Corp Group		93,750	0	93,750	93,750	0	0	93,750	0	0	93,750	0	468,750
Wilshsire Assoc	20,161	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	249,326
Townsend	0	0	<u>35,625</u>	0	0	<u>35,625</u>	0	0	<u>35,625</u>	0	<u>15,000</u>	<u>35,625</u>	<u>157,500</u>
	39,049	129,995	104,830	132,600	136,363	84,579	47,539	132,126	74,941	36,795	140,823	87,110	1,146,752
<b>OPERATING EXPENSE</b>													
Retirement Transfers	312,688	431,063	457,333	512,275	603,183	808,484	402,617	503,343	434,231	446,640	607,644	950,000	6,469,500
Other Expense	0	3,097	33,007	6,250	6,250	6,250	21,497	22,425	6,250	0	8,333	8,333	121,692
	312,688	434,159	490,340	518,525	609,433	814,734	424,114	525,768	440,481	446,640	615,978	958,333	6,591,193
<b>TOTAL:</b>	1,984,553	1,162,541	5,104,832	1,558,972	1,113,823	6,309,776	1,960,607	855,922	5,222,053	1,086,579	1,396,384	5,906,973	33,663,014

Note: Numbers in bold are actual.

FISCAL YEAR 2008

INVESTMENT MANAGER FEES, PROFESSIONAL FEES & OPERATING EXPENSES

ERSRI & MERSRI

ACCRUAL BASIS

	Actual Jul 07	Actual Aug	Actual Sept	Actual Oct	Actual Nov	Actual Dec	Actual Jan 08	Actual Feb	Actual Mar	Actual Apr	Actual May	Projected Jun	Projected TOTAL
<b>EQUITIES</b>													
SSgA Core			260,984			259,816			239,756			227,170	987,726
SSgA Russell 1000/S&P 500			35,288			3,933			66,927			32,408	138,557
Shott Capital			1,446			948			460			421	3,276
PIMCO			0			200,000			1,000			225,000	426,000
Wellington Mgmt			690,947			654,863			600,645			679,274	2,625,730
Wellington Tech Eq			33,802			217,630			333,783			126,713	711,928
NorthPointe			<b>590,310</b>			<b>558,190</b>			<b>503,070</b>			<b>479,104</b>	<b>2,130,674</b>
			1,612,778			1,895,380			1,745,641			1,770,090	7,023,890
<b>FIXED INCOME</b>													
Brown Bros.			143,304			145,453			147,283			146,676	582,716
Fidelity			160,096			162,325			164,535			163,909	650,865
Taplin			191,761			193,592			191,949			190,301	767,603
Mackay Shields			148,591			148,274			145,994			145,800	588,659
Brown Bros.TIPS			<b>141,960</b>			<b>145,234</b>			<b>148,967</b>			<b>150,728</b>	<b>586,889</b>
			785,712			794,878			798,728			797,414	3,176,733
<b>INT'L EQUITIES</b>													
The Boston Co			565,228			561,584			526,042			502,857	2,155,712
Mondrian			338,577			321,646			304,892			280,813	1,245,928
Goldman Sachs Asset Mgmt			475,637			489,525			432,913			450,802	1,848,877
SSgA MSCI ACWI			0			0			0			0	0
	0		1,379,442	0		1,372,755			1,263,847			1,234,472	5,250,517
<b>REAL ESTATE</b>													
L & B Real Estate	71,577	17,187	17,188	329,250	201,893	348,834	0	193,318	116,143	180,637	213,729	114,312	1,804,068
<b>ALTERNATIVE INVESTMENTS</b>													
Other Alt Inv Mgmt Fees	1,059,228	598,052	57,249	578,597	166,134	998,614	1,488,953	4,710	782,270	422,507	425,855	768,471	7,350,641
<b>SUB TOTAL-INV MGMT FEES</b>	1,130,805	615,239	3,852,368	907,847	368,027	5,410,462	1,488,953	198,028	4,706,630	603,144	639,583	4,684,760	24,605,848
<b>PROFESSIONAL FEES</b>													
Legal	0	0	12,581	0	6,701	15,535	0	0	6,150	3,075	0	9,160	53,202
St St Bank Custodial	10,784	8,495	35,791	18,017	15,080	12,586	12,981	11,543	12,333	12,887	16,547	16,159	183,202
Pacific Corp Group		0	0	93,750	93,750	0	0	93,750	0	0	93,750	0	375,000
Wilshsire Assoc	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	249,997
Townsend	0	0	<b>35,625</b>	0	0	<b>35,625</b>	0	0	<b>35,625</b>	0	0	<b>35,625</b>	<b>142,500</b>
	31,617	29,328	104,830	132,600	136,363	84,579	33,814	126,126	74,941	36,795	131,130	81,777	1,003,901
<b>OPERATING EXPENSE</b>													
Retirement Transfers	369,522	368,651	525,602	512,275	603,183	808,484	402,617	503,343	434,231	446,640	607,644	983,224	6,565,415
Other Expense	0	<b>3,097</b>	<b>33,007</b>	<b>6,250</b>	<b>6,250</b>	<b>6,250</b>	<b>21,497</b>	<b>22,425</b>	<b>6,250</b>	0	<b>8,333</b>	<b>6,250</b>	<b>119,609</b>
	369,522	371,747	558,608	518,525	609,433	814,734	424,114	525,768	440,481	446,640	615,978	989,474	6,685,023
<b>TOTAL:</b>	1,531,944	1,016,314	4,515,807	1,558,972	1,113,823	6,309,776	1,946,881	849,922	5,222,053	1,086,579	1,386,691	5,756,012	32,294,773

Note: Numbers in bold are actual.

State of Rhode Island Alternative Investment  
October 2007

<u>Partnership Investment</u>	<u>Total Commitment</u>	<u>ERSRI Remaining Commitment</u>
ABS Capital Partners II	\$ 5,000,000.00	\$ 88,522.00
Alta BioPharma Partners	\$ 10,000,000.00	\$ -
Alta BioPharma Partners III	\$ 15,000,000.00	\$ 3,000,000.00
Alta California Partners II	\$ 10,000,000.00	\$ -
Alta California Partners III	\$ 15,000,000.00	\$ -
Alta Partners VIII	\$ 15,000,000.00	\$ 9,750,000.00
Apollo Investment Fund IV	\$ 15,000,000.00	\$ 289,627.00
Apollo Investment Fund VI	\$ 20,000,000.00	\$ 5,289,151.00
Apollo VII	\$ 25,000,000.00	\$ 23,420,835.00
Aurora Equity Partners II**	\$ 15,000,000.00	\$ 38,917.00
Aurora Equity Partners III**	\$ 15,000,000.00	\$ 5,341,646.00
Avenue Special Situations Fund III	\$ 15,000,000.00	\$ -
Avenue Special Situations Fund IV	\$ 20,000,000.00	\$ 4,072,723.00
Avenue V	\$ 20,000,000.00	\$ 7,460,335.00
Bain X	\$ 25,000,000.00	\$ 19,937,500.00
Birch Hill Equity Partners III*	\$ 16,931,700.00	\$ 7,597,974.83
Blackstone Capital Partners III **	\$ 20,000,000.00	\$ 924,045.00
Blackstone Capital Partners IV **	\$ 25,000,000.00	\$ 5,272,249.00
Blackstone Capital Partners V**	\$ 20,000,000.00	\$ 6,340,103.00
Boston Ventures Ltd V	\$ 5,000,000.00	\$ -
Castile III	\$ 5,000,000.00	\$ 3,150,000.00
Catterton Partners V	\$ 15,000,000.00	\$ 929,303.00
Catterton Partners VI	\$ 15,000,000.00	\$ 6,236,034.00
Centerbridge	\$ 15,000,000.00	\$ 5,859,805.00
Charterhouse Capital Partners VII*	\$ 22,003,500.00	\$ 3,162,806.56
Charterhouse Capital Partners VIII*	\$ 22,003,500.00	\$ 5,628,552.51
Coller International Capital IV**	\$ 15,000,000.00	\$ 2,324,590.16
Coller International Capital V	\$ 15,000,000.00	\$ 8,737,500.00
Constellation III	\$ 15,000,000.00	\$ (33,495,000.00)
Crossroads Providence (Prov. Liquidating Trust)	\$ 45,000,000.00	\$ -
CVC European Equity Partners II*	\$ 15,000,000.00	\$ 1,285,894.18
CVC European Equity Partners III*	\$ 20,000,000.00	\$ 1,712,262.00
CVC European Equity Partners IV*	\$ 24,203,850.00	\$ 3,687,430.14
CVC V	\$ 29,338,000.00	\$ 29,338,000.00
Doughty Hanson Fund II **	\$ 5,300,000.00	\$ (1.00)
Doughty Hanson Fund III **	\$ 15,000,000.00	\$ 775,695.00
Fenway Partners Capital Fund II	\$ 15,000,000.00	\$ 913,192.00
Fenway Partners Capital Fund III	\$ 15,000,000.00	\$ 5,081,632.00
First Reserve Fund VIII	\$ 15,000,000.00	\$ -
First Reserve Fund IX	\$	\$ -
First Reserve Fund X	\$ 20,000,000.00	\$ 169,432.63
First Reserve Fund XI	\$ 20,000,000.00	\$ 7,232,487.00
Focus Ventures III	\$ 15,000,000.00	\$ 7,800,000.00
Granite Global Ventures II	\$ 15,000,000.00	\$ 675,000.00
Granite Global Ventures III	\$ 15,000,000.00	\$ 9,750,000.00
Green Equity Investors IV	\$ 15,000,000.00	\$ 388,387.63

State of Rhode Island Alternative Investment  
October 2007

<u>Partnership Investment</u>	<u>Total Commitment</u>	<u>ERSRI Remaining Commitment</u>
Green Equity Investors V	\$ 20,000,000.00	\$ 16,160,987.04
Harvest Partners III	\$ 15,000,000.00	\$ 368,726.61
Harvest Partners IV	\$ 15,000,000.00	\$ 1,419,800.00
Heritage Fund II	\$ 5,000,000.00	\$ 28,500.00
Kayne Anderson Energy Fund III	\$ 15,000,000.00	\$ 6,896,800.10
Kayne Anderson Energy Fund IV	\$ 15,000,000.00	\$ 12,450,000.53
Leapfrog Ventures II	\$ 10,000,000.00	\$ 4,725,000.00
Leeds Weld Equity Partners IV	\$ 10,000,000.00	\$ 107,371.39
Lehman Bros IV	\$ 15,000,000.00	\$ 12,267,371.30
Lighthouse Capital Partners V	\$ 11,250,000.00	\$ 787,500.00
Lighthouse Capital Partners VI	\$ 15,000,000.00	\$ 6,749,999.99
LNK Partners	\$ 12,500,000.00	\$ 6,924,026.10
Matlin Patterson Glob. Opp. Fund (CSFB)	\$ 15,000,000.00	\$ -
MHR Institutional Partners III	\$ 20,000,000.00	\$ 9,389,323.00
Nautic Partners V	\$ 20,000,000.00	\$ 1,480,805.61
Nautic Partners VI	\$ 20,000,000.00	\$ 13,934,185.99
Nordic Capital Fund III*	\$ 12,422,400.00	\$ 163,724.28
Nordic Capital Fund V*	\$ 21,439,550.30	\$ 973,139.49
Nordic Capital Fund VI*	\$ 22,003,500.00	\$ 1,095,753.21
Nordic VII	\$ 22,003,500.00	\$ 18,615,552.73
OCM Opportunities Fund	\$ 8,000,000.00	\$ -
OCM Opportunities Fund II	\$ 12,000,000.00	\$ -
OCM Principal Opportunities Fund	\$ 5,000,000.00	\$ -
Paladin	\$ 10,000,000.00	\$ 7,847,048.00
Parthenon Investors	\$ 15,000,000.00	\$ 58,080.00
Parthenon Investors II	\$ 20,000,000.00	\$ 1,439,991.00
Perseus VII	\$ 15,000,000.00	\$ 11,463,469.00
Point 406	\$ 10,000,000.00	\$ 7,120,000.00
Point Judith II	\$ 5,000,000.00	\$ 3,269,448.00
Providence Equity Partners* *	\$ 10,000,000.00	\$ -
Providence Equity Partners III	\$ 15,000,000.00	\$ 1,915,217.51
Providence Equity Partners IV	\$ 25,000,000.00	\$ 567,778.00
Providence Equity Partners V	\$ 25,000,000.00	\$ 2,175,305.00
Providence Equity Partners VI	\$ 25,000,000.00	\$ 14,361,789.00
SKM Equity Fund II**	\$ 10,000,000.00	\$ 1,729,834.00
Thomas H. Lee Equity Fund IV (THL)**	\$ 9,000,000.00	\$ 391,304.00
Thomas McNerney & Partners	\$ 15,000,000.00	\$ 3,525,000.00
Thomas McNerney & Partners 2	\$ 15,000,000.00	\$ 10,687,500.00
TPG Partners II	\$ 10,000,000.00	\$ 308,515.00
TPG Partners IV	\$ 15,000,000.00	\$ 1,323,883.00
TPG Partners V	\$ 20,000,000.00	\$ 3,936,474.00
TPG VI	\$ 20,000,000.00	\$ 19,070,339.00
VS&A Communication Partners III	\$ 15,000,000.00	\$ 159,299.00
W Capital Partners	\$ 15,000,000.00	\$ 1,818,000.00
W Capital Partners II	\$ 15,000,000.00	\$ 10,447,500.00
WLR	\$ 8,000,000.00	\$ 5,659,541.00

State of Rhode Island Alternative Investment  
October 2007

<u>Partnership Investment</u>	<u>Total Commitment</u>	<u>ERSRI Remaining Commitment</u>
Washington & Congress Capital Partners**	\$ 15,000,000.00	\$ 305,637.24
Wellspring Capital Partners II	\$ 15,000,000.00	-
Wellspring Capital Partners III	\$ 20,000,000.00	\$ 713,008.00
Wellspring Capital Partners IV	\$ 20,000,000.00	\$ 9,383,781.00
Welsh, Carson, Anderson & Stowe VII	\$ 15,000,000.00	-
Willis Stein & Partners	\$ 5,000,000.00	-
<b>Total Alternative Investments</b>	<b>\$ 1,533,399,500.30</b>	<b>\$ 404,382,938.76</b>

\* transactions occur in foreign currency

Employees Retirement System of Rhode Island  
 Unfunded Commitment  
 Sept 2008

<u>Real Estate Partnership Investment</u>	<u>Total Commitment</u>	<u>Remaining Commitment</u>
Fillmore East Fund I	\$ 10,000,000.00	\$ 0.08
Fremont Strategic Property Partners II	\$ 15,000,000.00	\$ 1,471,014.00
GMAC Commerical Realty Partners II	\$ 15,000,000.00	\$ 3,344,821.00
Heitman Advisory Corporation		\$ -
JPMorgan Fleming Asset Mgmt. Strat. Prop. Fund	\$ 50,000,000.00	\$ -
JPMorgan Alternative Property Fund	\$ 20,000,000.00	\$ -
LaSalle Income & Growth Fund IV	\$ 15,000,000.00	\$ 397,937.57
L&B Real Estate Counsel		\$ -
Magna Hotel	\$ 4,000,000.00	\$ 4,000,000.00
Morgan Stanley Prime Property Fund	\$ 35,000,000.00	\$ -
Prudential Real Estate Investors (PRISA)	\$ 50,000,000.00	\$ -
Prudential Real Estate Investors (PRISA) II	\$ 15,000,000.00	\$ 4,770,185.00
RREEF America REIT II Fund	\$ 35,000,000.00	\$ -
Starwood Hospitality Fund I	\$ 10,000,000.00	\$ 3,000,000.00
TA Realty Fund VIII	\$ 15,000,000.00	\$ 750,000.00
Tri Continental Fund VII	\$ 15,000,000.00	\$ 417,292.00
Walton Street Real Estate Fund V	\$ 20,000,000.00	\$ 519,948.44
Westbrook Real Estate Fund VI	\$ 15,000,000.00	\$ -
Westbrook Real Estate Fund VII	\$ 15,000,000.00	\$ 11,363,636.00
<b>Total Real Estate Investments</b>	<b>\$ 354,000,000.00</b>	<b>\$ 30,034,834.09</b>

CASH FLOW ANALYSIS - INCOME & EXPENSES

Employees Retirement System

FISCAL YEAR 2009

	FY 2008-09 Actual July 2008	Actual August	Actual September	Projected October	Projected November	Projected December	Projected January 2009	Projected February	Projected March	Projected April	Projected May	Projected June	Projected TOTAL
MEMBER BENEFITS	57,282,256	58,826,989	58,826,615	58,000,000	58,000,000	58,000,000	58,000,000	58,000,000	58,000,000	58,000,000	58,000,000	58,000,000	696,935,861
ADMINISTRATIVE EXPENSES	339,779	339,513	503,815	123,439	119,107	777,259	55,682	556,812	434,195	407,974	641,541	462,197	4,761,315
INVESTMENT EXPENSES	1,383,055	506,539	619,415	770,935	368,027	1,143,783	1,263,900	167,996	761,883	511,398	542,176	748,052	8,787,160
TOTAL OUTFLOW	59,005,091	59,673,041	59,949,846	58,894,374	58,487,134	59,921,042	59,319,583	58,724,808	59,196,079	58,919,373	59,183,717	59,210,249	710,484,336
CONTRIBUTIONS	51,338,466	30,225,420	30,166,263	39,521,411	50,419,000	41,453,000	43,124,000	43,490,135	37,241,439	50,541,113	49,746,039	46,722,223	513,988,509
OTHER INCOME*	3,158,335	2,555,511	8,931,581	3,050,830	3,844,958	3,705,916	2,194,110	3,078,130	2,015,428	5,353,647	2,436,587	4,336,772	44,661,806
TOTAL INCOME	54,496,801	32,780,931	39,097,844	42,572,241	54,263,958	45,158,916	45,318,110	46,568,265	39,256,867	55,894,760	52,182,626	51,058,995	558,650,315
DIFFERENCE	(4,508,290)	(26,892,110)	(20,852,001)	(16,322,133)	(4,223,176)	(14,762,126)	(14,001,472)	(12,156,543)	(19,939,212)	(3,024,613)	(7,001,091)	(8,151,254)	(151,834,021)

Municipal Employees Retirement System

	Actual July 2008	Actual August	Actual September	Actual October	Projected November	Projected December	Projected January 2009	Projected February	Projected March	Projected April	Projected May	Projected June	Projected TOTAL
MEMBER BENEFITS	4,770,894	4,875,073	4,891,449	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000	58,637,416
ADMINISTRATIVE EXPENSES	57,009	57,172	84,839	20,453	19,780	129,077	9,247	92,692	72,424	68,100	107,195	77,374	795,362
INVESTMENT EXPENSES	232,052	85,298	104,305	127,741	51,879	189,944	209,891	27,966	127,083	85,364	90,592	125,228	1,457,343
TOTAL OUTFLOW	5,059,955	5,017,543	5,080,594	5,048,194	4,971,659	5,219,020	5,119,138	5,020,658	5,099,508	5,053,464	5,097,787	5,102,602	60,890,122
CONTRIBUTIONS	4,031,169	3,812,600	3,564,788	5,055,145	3,776,000	4,383,000	6,233,000	3,904,841	4,070,728	6,870,013	4,927,100	5,422,967	56,051,351
OTHER INCOME*	529,911	430,331	1,504,020	505,511	638,518	615,428	364,368	512,415	336,177	893,644	407,129	725,998	7,463,450
TOTAL INCOME	4,561,080	4,242,931	5,068,808	5,560,656	4,414,518	4,998,428	6,597,368	4,417,256	4,406,905	7,763,657	5,334,229	6,148,965	63,514,801
DIFFERENCE	(498,874)	(774,611)	(11,786)	512,462	(557,141)	(220,593)	1,478,230	(603,402)	(692,603)	2,710,193	236,442	1,046,363	2,624,679

Judges/State Police Retirement System

	Actual July 2008	Actual August	Actual September	Actual October	Projected November	Projected December	Projected January 2009	Projected February	Projected March	Projected April	Projected May	Projected June	Projected TOTAL
MEMBER BENEFITS	73,502	73,502	73,502	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	895,507
ADMINISTRATIVE EXPENSES	4,350	4,390	6,515	1,468	1,429	9,324	668	6,846	5,383	5,092	8,064	5,872	59,402
INVESTMENT EXPENSES	17,708	6,550	8,010	9,171	3,748	13,721	15,162	2,066	9,446	6,383	6,815	9,503	108,283
TOTAL OUTFLOW	95,561	84,443	88,027	85,639	80,176	98,045	90,830	83,912	89,830	86,474	89,879	90,375	1,063,191
CONTRIBUTIONS	455,000	410,000	468,000	525,000	810,000	480,000	490,000	490,000	505,000	535,000	730,000	470,000	6,368,000
OTHER INCOME*	40,438	33,047	115,499	36,293	46,124	44,456	26,321	37,848	24,988	66,817	30,628	55,094	557,552
TOTAL INCOME	495,438	443,047	583,499	561,293	856,124	524,456	516,321	527,848	529,988	601,817	760,628	525,094	6,925,552
DIFFERENCE	399,877	358,604	495,471	475,654	775,948	426,411	425,491	443,936	440,159	515,343	670,749	434,719	5,862,360

\*Includes Income from Real Estate Investments, Private Equity, Securities Lending, and Cash Accounts.

CSFL05



**Rhode Island Employees Retirement System  
Securities Lending Income**

**September 2008**

Investment Manager	Fund	Income	Average Collateral Balance
--------------------	------	--------	----------------------------

**Domestic Equity**

Wellington Terminal Equity	ZU04	\$ 3,730.01	\$ 11,557,926.23
Wellington Mgmt. Co., LLP	ZU38	\$ 105,745.96	\$ 146,839,363.74
Northpointe Capital	ZU47	\$ 97,566.12	\$ 171,405,108.67
Mackay Shields	ZU59	\$ 7,426.94	\$ 20,907,990.83
SSgA Core	ZU99	\$ 24,042.65	\$ 49,144,168.34
<b>Total Domestic Equity</b>		<b>\$238,511.68</b>	<b>\$399,854,557.81</b>

**International Equity**

Goldman Sachs	ZU25	\$ 19,073.91	\$ 19,538,265.56
Delaware Investment Advisors	ZU67	\$ 45,345.50	\$ 13,297,427.46
The Boston Company	ZU77	\$ 29,361.94	\$ 38,096,594.72
<b>Total International Equity</b>		<b>\$93,781.35</b>	<b>\$70,932,287.74</b>

**Fixed Income**

Brown Brothers, Harriman	ZU44	\$ 8,830.59	\$ 21,767,132.42
Fidelity Management Trust Company	ZU46	\$ 445.98	\$ 2,052,678.50
Brown Brothers, Harriman	ZU69	\$ 265,406.80	\$ 524,513,276.94
Taplin, Canida & Habacht	ZU84	\$ 8,605.22	\$ 30,495,651.06
<b>Total Fixed Income</b>		<b>\$283,288.59</b>	<b>\$578,828,738.92</b>

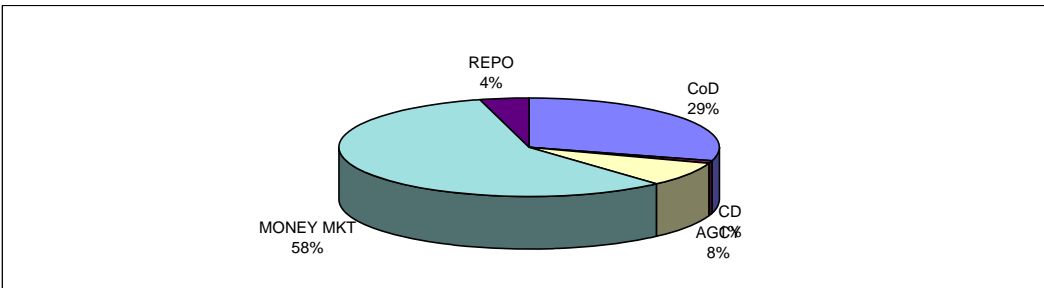
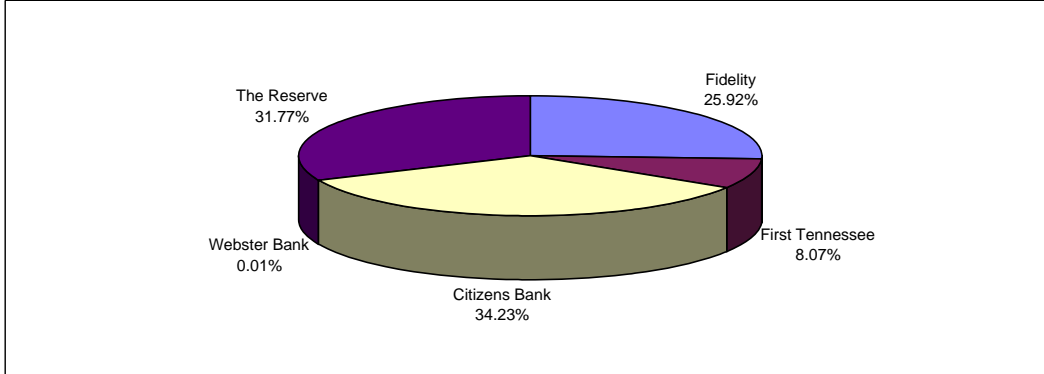
<b>Total Securities Lending Income</b>	<b>\$615,581.62</b>	<b>\$1,049,615,584.47</b>
--	---------------------	---------------------------

**Cumulative Securities Lending Income**

Calendar Year 2006	<b>\$3,278,468.18</b>
Calendar Year 2007	<b>\$3,977,087.74</b>
Calendar Year 2008	<b>\$6,879,531.27</b>

**RI SIC GUIDELINE COMPLIANCE REPORT**

**INVESTMENTS AS OF:**



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

Vendor	CP 25%/10%	CD 25%/10%	Agency 75%/35%	Money Mkt 75%/35%	PIP 25%/25%	Repo 100%/20%	Total (\$) Principal
Guidelines-Total/Vendor							
Merrill Lynch	0	0	0	0	0	0	0
	0%	0%	0%	0%	0%	0%	0.00%
Sovereign Bank	0	0	0	0	0	0	0
	0%	0%	0%	0%	0%	0%	0.00%
JP Morgan Chase	0	0	0	0	0	0	0
	0%	0%	0%	0%	0%	0%	0.00%
Paine Webber	0	0	0	0	0	0	0
	0%	0%	0%	0%	0%	0%	0.00%
Fidelity	0	0	0	51,011,557	0	0	51,011,557
	0%	0%	0%	26%	0%	0%	25.92%
First Tennessee	0	0	15,884,955	0	0	0	15,884,955
	0%	0%	8%	0%	0%	0%	8.07%
Brinson Advisors	0	0	0	0	0	0	0
	0%	0%	0%	0%	0%	0%	0.00%
Citizens Bank	0	1,328,452	0	0	58,039,256	8,000,000	67,367,708
	0%	1%	0%	0%	29%	4%	34.23%
GE Capital	0	0	0	0	0	0	0
	0%	0%	0%	0%	0%	0%	0.00%
Webster Bank	0	0	0	0	15,422	0	15,422
	0%	0%	0%	0%	0%	0%	0.01%
Citi-Group	0	0	0	0	0	0	0
	0%	0%	0%	0%	0%	0%	0.00%
State St Bank	0	0	0	0	0	0	0
	0%	0%	0%	0%	0%	0%	0.00%
The Reserve	0	0	0	62,517,372	0	0	62,517,372
	0%	0%	0%	32%	0%	0%	31.77%
<b>TOTALS</b>	<b>0</b>	<b>1,328,452</b>	<b>15,884,955</b>	<b>113,528,929</b>	<b>58,054,678</b>	<b>8,000,000</b>	<b>196,797,015</b>
<b>(%) PORTFOLIO</b>	<b>0.00%</b>	<b>0.68%</b>	<b>8.07%</b>	<b>57.69%</b>	<b>29.50%</b>	<b>4.07%</b>	<b>100.00%</b>

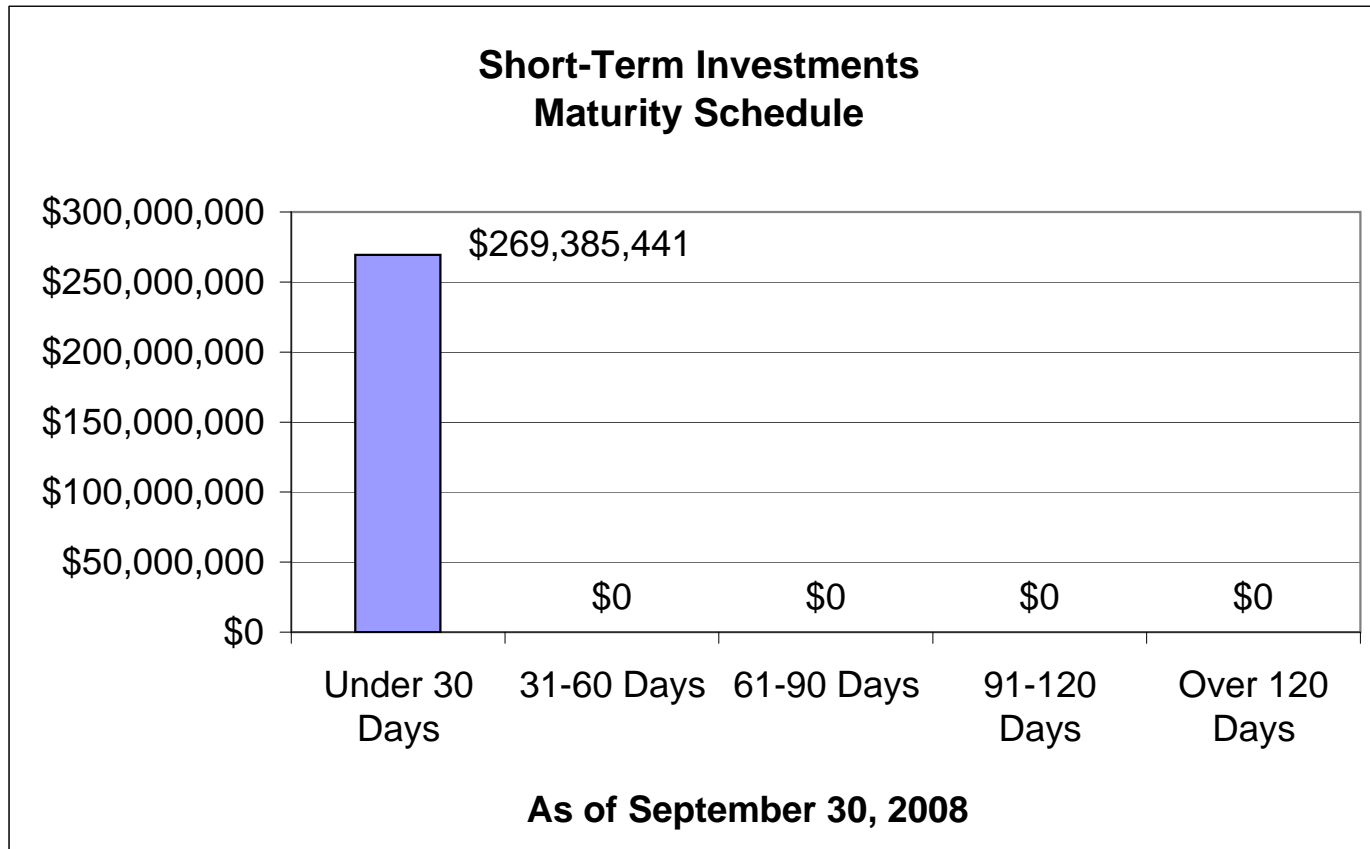
**Note: Maximum participation by any one vendor limited to 35% of total portfolio.**

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

**Short Term Investment Portfolio by Fund  
As of September 30, 2008**

	Principal	Interest	TV @ Maturity
4901 GENERAL FUND	\$ 23,968,289.60	\$ -	\$ 23,968,289.60
4904 PENSION C	\$ 2,500,000.00	\$ 135.42	\$ 2,500,135.42
4916 H.A.V.A	\$ 132,554.76	\$ -	\$ 132,554.76
4918 RICAP GL FUND 21	\$ 3,125,990.62	\$ -	\$ 3,125,990.62
4920 GENERAL FUND (HIST PRES)	\$ 528,452.13	\$ 1,830.50	\$ 530,282.63
4955 HEALTH INSURANCE FUND	\$ 10,704,744.94	\$ -	\$ 10,704,744.94
5400 HIGHWAY FUND	\$ 25,133,271.84	\$ -	\$ 25,133,271.84
5500 UNIVERSITY COLLEGE	\$ 9,231,662.54	\$ -	\$ 9,231,662.54
6200 ASSESSED FRINGE BEN ADM	\$ 3,858,123.55	\$ -	\$ 3,858,123.55
6920 AUTO EQUIPMENT SERVICE	\$ 25,274.69	\$ -	\$ 25,274.69
8000 T.D.I. RESERVE (DET)	\$ 65,917,528.52	\$ 7,858.33	\$ 65,925,386.85
8300 PERMANENT SCHOOL FUND	\$ 1,206,200.40	\$ -	\$ 1,206,200.40
8400 EMPLOYEES RETIREMENT	\$ 756,508.64	\$ -	\$ 756,508.64
8500 MUNICIPAL EMPLOYEES RET.	\$ 574,935.55	\$ -	\$ 574,935.55
8700 R.I. CLEAN WATER ACT	\$ 926,681.42	\$ -	\$ 926,681.42
9000 BOND CAPITAL FUND	\$ 10,517,503.30	\$ 83.61	\$ 10,517,586.91
9700 STATE LOTTERY FUND	\$ 35,791,120.13	\$ 8,879.17	\$ 35,799,999.30
9800 INDUS. BLDG. & MTG. INS.	\$ 1,898,171.91	\$ -	\$ 1,898,171.91
<b>Subtotal</b>	<b>\$ 196,797,014.54</b>	<b>\$ 18,787.03</b>	<b>\$ 196,815,801.57</b>
8703 CLEAN WATER CCDL 1998B	\$ 45,776.26	\$ -	\$ 45,776.26
8706 CLEAN WATER CCDL 1994 (A)	\$ 6,056.72	\$ -	\$ 6,056.72
8707 CAP DEV. OF 1997 SERIES A	\$ 19,349.08	\$ -	\$ 19,349.08
8710 CLEAN WATER CCDL 2002 B	\$ 87,438.87	\$ -	\$ 87,438.87
8711 CLEAN WATER 2004 SERIES A	\$ 655,496.36	\$ -	\$ 655,496.36
8712 CLN WATER CCDL 2005 SER E	\$ 355,251.27	\$ -	\$ 355,251.27
8733 CAP DEV. OF 1997 SERIES A	\$ 7,048.36	\$ -	\$ 7,048.36
8737 RI POLLUT. CONT 94 SER. A	\$ 6,332.70	\$ -	\$ 6,332.70
8739 CCDL99A 1999A	\$ 309,739.43	\$ -	\$ 309,739.43
8746 POL. CTRL CCDL 2006 SER C	\$ 232,892.23	\$ -	\$ 232,892.23
8747 CLEAN WATER 2007 SERIES A	\$ 500,711.23	\$ -	\$ 500,711.23
9114 G.O. NOTE 1991 SER. B	\$ 3,797.62	\$ -	\$ 3,797.62
9117 BOND CCDL 1994 SERIES A	\$ 174,450.07	\$ -	\$ 174,450.07
9120 BOND CCBL96A	\$ 618,764.36	\$ -	\$ 618,764.36
9121 CAP DEV OF 1997 SERIES A	\$ 345.63	\$ -	\$ 345.63
9123 CCDL 1998B	\$ 1,752,407.45	\$ -	\$ 1,752,407.45
9125 MMG099 1999	\$ 2,850.46	\$ -	\$ 2,850.46
9126 BOND CAPITOL CCDL2000A	\$ 952,817.21	\$ -	\$ 952,817.21
9127 MULTI-MODAL GEN OBL 2000	\$ 2,822.11	\$ -	\$ 2,822.11
9131 CCDL 2004 SERIES A	\$ 8,061,910.48	\$ -	\$ 8,061,910.48
9132 BOND CCDL 2005 SERIES C	\$ 16,066,581.12	\$ -	\$ 16,066,581.12
9133 BOND CCDL 2005 SERIES E	\$ 2,429,429.68	\$ -	\$ 2,429,429.68
9134 BOND CCDL 2006 SERIES B	\$ 22,681.19	\$ -	\$ 22,681.19
9135 BOND CCDL 2006 SERIES C	\$ 8,176,251.94	\$ -	\$ 8,176,251.94
9136 GO BND-NTAX 2007 SERIES A	\$ 29,229,867.84	\$ -	\$ 29,229,867.84
9137 GO BND-TAX 2007 SERIES B	\$ 4,031,319.41	\$ -	\$ 4,031,319.41
<b>Subtotal</b>	<b>\$ 72,569,639.46</b>	<b>\$ -</b>	<b>\$ 72,569,639.46</b>
<b>Grand Total</b>	<b>\$ 269,366,654.00</b>	<b>\$ 18,787.03</b>	<b>\$ 269,385,441.03</b>

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



Maturities in \$Millions

Note: Includes \$245.3 Million of Money Market and PIP investments with no specific maturity

September, 2008	2.09%
August, 2008	2.19%
July, 2008	2.18%

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

**Short Term Investment Portfolio by Fund  
As of September 30, 2008**

	Principal	Interest	TV @ Maturity
4901 GENERAL FUND	\$ 23,968,289.60	\$ -	\$ 23,968,289.60
4904 PENSION C	\$ 2,500,000.00	\$ 135.42	\$ 2,500,135.42
4916 H.A.V.A	\$ 132,554.76	\$ -	\$ 132,554.76
4918 RICAP GL FUND 21	\$ 3,125,990.62	\$ -	\$ 3,125,990.62
4920 GENERAL FUND (HIST PRES)	\$ 528,452.13	\$ 1,830.50	\$ 530,282.63
4955 HEALTH INSURANCE FUND	\$ 10,704,744.94	\$ -	\$ 10,704,744.94
5400 HIGHWAY FUND	\$ 25,133,271.84	\$ -	\$ 25,133,271.84
5500 UNIVERSITY COLLEGE	\$ 9,231,662.54	\$ -	\$ 9,231,662.54
6200 ASSESSED FRINGE BEN ADM	\$ 3,858,123.55	\$ -	\$ 3,858,123.55
6920 AUTO EQUIPMENT SERVICE	\$ 25,274.69	\$ -	\$ 25,274.69
8000 T.D.I. RESERVE (DET)	\$ 65,917,528.52	\$ 7,858.33	\$ 65,925,386.85
8300 PERMANENT SCHOOL FUND	\$ 1,206,200.40	\$ -	\$ 1,206,200.40
8400 EMPLOYEES RETIREMENT	\$ 756,508.64	\$ -	\$ 756,508.64
8500 MUNICIPAL EMPLOYEES RET.	\$ 574,935.55	\$ -	\$ 574,935.55
8700 R.I. CLEAN WATER ACT	\$ 926,681.42	\$ -	\$ 926,681.42
9000 BOND CAPITAL FUND	\$ 10,517,503.30	\$ 83.61	\$ 10,517,586.91
9700 STATE LOTTERY FUND	\$ 35,791,120.13	\$ 8,879.17	\$ 35,799,999.30
9800 INDUS. BLDG. & MTG. INS.	\$ 1,898,171.91	\$ -	\$ 1,898,171.91
<b>Subtotal</b>	<b>\$ 196,797,014.54</b>	<b>\$ 18,787.03</b>	<b>\$ 196,815,801.57</b>
8703 CLEAN WATER CCDL 1998B	\$ 45,776.26	\$ -	\$ 45,776.26
8706 CLEAN WATER CCDL 1994 (A)	\$ 6,056.72	\$ -	\$ 6,056.72
8707 CAP DEV. OF 1997 SERIES A	\$ 19,349.08	\$ -	\$ 19,349.08
8710 CLEAN WATER CCDL 2002 B	\$ 87,438.87	\$ -	\$ 87,438.87
8711 CLEAN WATER 2004 SERIES A	\$ 655,496.36	\$ -	\$ 655,496.36
8712 CLN WATER CCDL 2005 SER E	\$ 355,251.27	\$ -	\$ 355,251.27
8733 CAP DEV. OF 1997 SERIES A	\$ 7,048.36	\$ -	\$ 7,048.36
8737 RI POLLUT. CONT 94 SER. A	\$ 6,332.70	\$ -	\$ 6,332.70
8739 CCDL99A 1999A	\$ 309,739.43	\$ -	\$ 309,739.43
8746 POL. CTRL CCDL 2006 SER C	\$ 232,892.23	\$ -	\$ 232,892.23
8747 CLEAN WATER 2007 SERIES A	\$ 500,711.23	\$ -	\$ 500,711.23
9114 G.O. NOTE 1991 SER. B	\$ 3,797.62	\$ -	\$ 3,797.62
9117 BOND CCDL 1994 SERIES A	\$ 174,450.07	\$ -	\$ 174,450.07
9120 BOND CCBL96A	\$ 618,764.36	\$ -	\$ 618,764.36
9121 CAP DEV OF 1997 SERIES A	\$ 345.63	\$ -	\$ 345.63
9123 CCDL 1998B	\$ 1,752,407.45	\$ -	\$ 1,752,407.45
9125 MMG099 1999	\$ 2,850.46	\$ -	\$ 2,850.46
9126 BOND CAPITOL CCDL2000A	\$ 952,817.21	\$ -	\$ 952,817.21
9127 MULTI-MODAL GEN OBL 2000	\$ 2,822.11	\$ -	\$ 2,822.11
9131 CCDL 2004 SERIES A	\$ 8,061,910.48	\$ -	\$ 8,061,910.48
9132 BOND CCDL 2005 SERIES C	\$ 16,066,581.12	\$ -	\$ 16,066,581.12
9133 BOND CCDL 2005 SERIES E	\$ 2,429,429.68	\$ -	\$ 2,429,429.68
9134 BOND CCDL 2006 SERIES B	\$ 22,681.19	\$ -	\$ 22,681.19
9135 BOND CCDL 2006 SERIES C	\$ 8,176,251.94	\$ -	\$ 8,176,251.94
9136 GO BND-NTAX 2007 SERIES A	\$ 29,229,867.84	\$ -	\$ 29,229,867.84
9137 GO BND-TAX 2007 SERIES B	\$ 4,031,319.41	\$ -	\$ 4,031,319.41
<b>Subtotal</b>	<b>\$ 72,569,639.46</b>	<b>\$ -</b>	<b>\$ 72,569,639.46</b>
<b>Grand Total</b>	<b>\$ 269,366,654.00</b>	<b>\$ 18,787.03</b>	<b>\$ 269,385,441.03</b>

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

**ABRAHAM TOURO FUND  
INVESTMENT SUMMARY  
September 30, 2008**

<b><u>FUND NAME</u></b>	<b>September Gain/Loss</b>	<b>TOTAL MARKET VALUE</b>
Abraham Touro Fund ( Fidelity Balanced Fund)	<b>\$ (224,298)</b>	<b>\$ 1,899,940</b>
<b><u>TOTALS</u></b>	<b>\$ (224,298)</b>	<b>\$ 1,899,940</b>

State of Rhode Island Total Assets 457 Plans  
2008

Plan Provider	3/31/2008	6/30/2008	9/30/2008
AIG	\$ 48,214,332.27	\$ 47,778,669.82	\$46,490,960.56
Fidelity	\$ 63,695,620.34	\$ 64,674,156.21	\$57,345,671.58
ING	\$ 94,157,985.05	\$ 92,717,737.30	\$86,371,402.64
<b>Total</b>	\$190,208,034.78	\$ 205,170,563.33	\$190,208,034.78

# PERFORMANCE UPDATE

## ING Life Insurance and Annuity Company

### STATE OF RHODE ISLAND

**Average Annual Total Returns as of: 09/30/2008** (shown in percentages)

Mutual funds offered through a retirement plan are investments designed for retirement purposes. Early withdrawals will reduce your account value and if taken prior to age 59 1/2, a 10% IRS penalty may apply.

**The performance data quoted represents past performance. Past performance does not guarantee future results. For month-end performance which may be lower or higher than the performance data shown please call 800-232-5422. Investment return and principal value of an investment will fluctuate so that, when sold, an investment may be worth more or less than the original cost.**

The below investment options are in Separate Account D. Please note that the figures do not include an adjustment for the ING Administrative Fund Fee (where applicable) and the deduction of the Daily Asset Charge from the Separate Account (if applicable), or other applicable contract charges. If these fees and charges were included, performance would be less favorable.

The returns assume reinvestment of all dividends (ordinary income and capital gains) and are net of management fees and other fund operating expenses.

**You should consider the investment objectives, risks and charges, and expenses of the funds carefully before investing. The prospectus contains this and other information. Anyone who wishes to obtain a free copy of the fund prospectuses may call their ING representative or the number above. Please read the prospectus carefully before investing.**

Returns less than one year are not annualized. Fund Inception Date is the date of inception for the underlying fund, and is the date used in calculating the periodic returns. This date may also precede the portfolio's inclusion in the product.

Investment Options	Fund Benchmark ID (BM)	1-Mo Fund BM	3-Mo Fund BM	YTD Fund BM	1-Yr Fund BM	3-Yr Fund BM	5-Yr Fund BM	10-Yr Fund BM	Incept Date	Gross Fund Exp %*	Net Fund Exp %*							
<b>Stability of Principal</b>																		
ING Fixed Account - 457/401 (10)(11)	MFR	0.32	0.15	0.99	0.47	2.98	1.73	4.00	2.84	4.00	3.93	4.12	2.86	5.09	3.14			
<b>Money Market</b>																		
ING VP Money Market Portfolio - Class I (2)	IBCM	0.16	0.19	0.56	0.60	2.19	2.15	3.46	3.39	4.39	4.52	3.30	3.64	3.54	3.55	01/01/1980	0.33	0.33
<i>The 7-day annualized Subaccount yield as of 09/30/2008 is 2.26%, which more closely reflects current earnings. (1)</i>																		
<b>Bonds</b>																		
<b>Intermediate-Term Bond</b>																		
ING VP Intermediate Bond Portfolio - Class I (3)	LEHM	-2.86	-1.34	-4.31	-0.48	-5.45	0.64	-3.33	3.66	1.64	4.15	2.66	3.79	4.53	5.20	05/23/1973	0.49	0.49
<b>Balanced</b>																		
<b>Moderate Allocation</b>																		





See Performance Introduction Page for Important Information

Investment Options	Fund Benchmark ID (BM)	1-Mo		3-Mo		YTD		1-Yr		3-Yr		5-Yr		10-Yr		Inception Date	Gross Fund Exp %*	Net Fund Exp %*	
		Fund	BM	Fund	BM	Fund	BM	Fund	BM	Fund	BM	Fund	BM	Fund	BM				Incept
<b>Investment Options</b>																			
Calvert Variable Series, Inc. Social Balanced Portfolio	SPXRE	-7.51	-8.91	-8.59	-8.37	-14.55	-19.28	-15.68	-21.97	-0.97	0.22	3.19	5.17	2.65	3.07		0.90	0.90	
ING Van Kampen Equity and Income Portfolio - Initial Class (5)	SPXRE	-5.27	-8.91	-4.37	-8.37	-12.32	-19.28	-14.14	-21.97	1.16	0.22	6.51	5.17		2.86	12/10/2001	0.57	0.57	
ING VP Balanced Portfolio, Inc. - Class I	SPXRE	-6.52	-8.91	-6.84	-8.37	-14.63	-19.28	-15.04	-21.97	-0.14	0.22	3.96	5.17	3.96	3.07	04/03/1989	0.60	0.60	
<b>Large Cap Value</b>																			
<i>Large Blend</i>																			
AIM V.I. Core Equity Fund - Series I Shares (6)	RS1000	-8.00	-9.53	-5.23	-9.35	-11.54	-19.50	-13.25	-22.10	4.51	0.13	7.24	5.49	4.18	3.49	05/02/1994	0.90	0.89	
ING Thornburg Value Portfolio - Initial Class	SPXRE	-9.84	-8.91	-12.09	-8.37	-23.90	-19.28	-28.25	-21.97	-0.96	0.22	3.84	5.17	2.55	3.07	11/28/1997	0.90	0.90	
ING UBS U.S. Large Cap Equity Portfolio - Initial Class	SPXRE	-9.63	-8.91	-8.05	-8.37	-18.62	-19.28	-22.08	-21.97	-0.64	0.22	5.55	5.17	2.48	3.07	11/28/1997	0.85	0.85	
ING VP Growth and Income Portfolio - Class I (7)	SPXRE	-10.33	-8.91	-10.85	-8.37	-20.40	-19.28	-21.64	-21.97	0.18	0.22	5.27	5.17	1.04	3.07	12/31/1979	0.59	0.59	
ING VP Index Plus LargeCap Portfolio - Class I	SPXRE	-8.30	-8.91	-8.17	-8.37	-20.91	-19.28	-22.70	-21.97	-1.10	0.22	4.43	5.17	2.75	3.07	09/16/1996	0.44	0.44	
<i>Large Value</i>																			
Fidelity® VIP Equity-Income Portfolio - Initial Class	RS3000V	-10.52	-7.13	-11.27	-5.26	-24.19	-17.84	-28.82	-22.70	-1.58	0.23	4.56	7.29	4.11	5.86	10/09/1986	0.55	0.55	
ING Opportunistic Large Cap Value Portfolio - Class I	SPXRE	-8.06	-8.91	-9.10	-8.37	-21.92	-19.28	-25.14	-21.97	-1.22	0.22	4.33	5.17	4.68	3.07	12/13/1996	0.69	0.69	
<b>Large Cap Growth</b>																			
<i>Large Growth</i>																			
AIM V.I. Capital Appreciation Fund - Series I Shares	RS1000G	-12.27	-11.58	-17.15	-12.32	-26.46	-20.26	-27.95	-20.87	-3.36	0.05	2.58	3.75	2.01	0.60	05/05/1993	0.88	0.88	
Fidelity® VIP Contrafund® Portfolio - Initial Class	SPXRE	-11.82	-8.91	-14.92	-8.37	-25.27	-19.28	-24.64	-21.97	0.66	0.22	8.12	5.17	6.86	3.07	01/03/1995	0.65	0.65	
Fidelity® VIP Growth Portfolio - Initial Class	RS3000G	-13.05	-11.56	-19.42	-11.94	-27.64	-19.91	-26.37	-20.61	0.45	0.15	3.60	3.96	2.24	0.89	10/09/1986	0.65	0.65	
<b>Small/Mid/Specialty</b>																			
<i>Mid-Cap Growth</i>																			
ING T. Rowe Price Diversified Mid Cap Gr Port-Initial CI	RSMIDGRW	-14.82	-15.28	-16.62	-17.75	-21.44	-23.35	-22.74	-24.65	0.47	-0.75	5.53	6.53			2.72	12/10/2001	0.66	0.66
<i>Small Blend</i>																			
ING VP Small Company Portfolio - Class I	RS2000	-8.92	-7.97	-3.71	-1.12	-9.72	-10.39	-13.57	-14.49	4.46	1.83	9.35	8.15	9.71	7.80	12/27/1996	0.85	0.85	
<b>Global / International</b>																			
<i>Foreign Large Value</i>																			
ING Templeton Foreign Equity Portfolio - Initial Class (8)(9)	SPXRE	-9.71	-8.91	-14.47	-8.37	-25.68	-19.28	-25.47	-21.97							1.39	01/03/2006	0.99	0.98
<i>World Stock</i>																			
ING Oppenheimer Global Portfolio - Initial Class	MSCIAC	-11.30	-12.46	-12.16	-16.51	-24.14	-25.20	-27.49	-26.48	-0.15	1.79	7.22	8.53			5.42	05/01/2002	0.66	0.66

The risks of investing in small company stocks may include relatively low trading volumes, a greater degree of change in earnings and greater short-term volatility.

Foreign investing involves special risks such as currency fluctuation and public disclosure, as well as economic and political risks.

Some of the Funds invest in securities guaranteed by the U.S. Government as to the timely payment of principal and interest; however, shares of the Funds are not insured nor guaranteed.

High yielding fixed-income securities generally are subject to greater market fluctuations and risks of loss of income and principal than are investments in lower yielding fixed-income securities.

Sector funds may involve greater-than average risk and are often more volatile than funds holding a diversified portfolio of stocks in many industries. Examples include: banking, biotechnology, chemicals, energy, environmental services, natural resources, precious metals, technology, telecommunications, and utilities.

\*The Gross Expense Ratios shown do not reflect any temporary fee or expense waivers that may be in effect for a fund. The performance of a fund with a temporary fee or expense waiver would have been lower if the gross fund fees / expenses listed had been reflected.

See Performance Introduction Page for Important Information

Investment Options	1-Mo	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Incept	Fund Inception Date
<b>Moderate Allocation</b>									
Calvert Variable Series, Inc. Social Balanced Portfolio	-7.55	-8.70	-14.87	-16.10	-1.46	2.68	2.13		09/02/1986
ING Van Kampen Equity and Inc-I/Janus Asp Balanced-I (4)	-5.31	-4.49	-12.65	-14.57	0.65	4.66	5.68		09/13/1993
ING Van Kampen Equity and Income Portfolio - Initial Class (5)	-5.31	-4.49	-12.65	-14.57	0.65	5.98		2.34	12/10/2001
ING VP Balanced Portfolio, Inc. - Class I	-6.56	-6.96	-14.95	-15.47	-0.64	3.44	3.44		04/03/1989
<b>Large Cap Value</b>									
<b>Large Blend</b>									
AIM V.I. Core Equity Fund - Series I Shares (6)	-8.04	-5.35	-11.87	-13.69	3.99	6.70	3.66		05/02/1994
ING Thornburg Value Portfolio - Initial Class	-9.88	-12.20	-24.19	-28.61	-1.45	3.32	2.04		11/28/1997
ING UBS U.S. Large Cap Equity Portfolio - Initial Class	-9.67	-8.17	-18.93	-22.47	-1.14	5.03	1.97		11/28/1997
ING VP Growth and Income Portfolio - Class I (7)	-10.37	-10.97	-20.69	-22.04	-0.32	4.75	0.53		12/31/1979
ING VP Index Plus LargeCap Portfolio - Class I	-8.34	-8.29	-21.21	-23.09	-1.59	3.91	2.24		09/16/1996
<b>Large Value</b>									
Fidelity® VIP Equity-Income Portfolio - Initial Class	-10.56	-11.38	-24.47	-29.18	-2.08	4.04	3.59		10/09/1986
ING Opportunistic Large Cap Value Portfolio - Class I	-8.10	-9.21	-22.21	-25.51	-1.71	3.81	4.16		12/13/1996
<b>Large Cap Growth</b>									
<b>Large Growth</b>									
AIM V.I. Capital Appreciation Fund - Series I Shares	-12.31	-17.25	-26.73	-28.31	-3.84	2.07	1.51		05/05/1993
Fidelity® VIP Contrafund® Portfolio - Initial Class	-11.85	-15.03	-25.55	-25.02	0.15	7.58	6.33		01/03/1995
Fidelity® VIP Growth Portfolio - Initial Class	-13.09	-19.52	-27.91	-26.74	-0.05	3.09	1.73		10/09/1986
<b>Small/Mid/Specialty</b>									
<b>Mid-Cap Growth</b>									
ING T. Rowe Price Div MidCap-I/Janus Aspen MidCap - I (4)	-14.86	-16.73	-21.73	-23.13	-0.03	6.62	3.97		09/13/1993
ING T. Rowe Price Diversified Mid Cap Gr Port-Initial CI	-14.86	-16.73	-21.73	-23.13	-0.03	5.00		2.21	12/10/2001
<b>Small Blend</b>									
ING VP Small Company Portfolio - Class I	-8.96	-3.83	-10.06	-14.00	3.94	8.80	9.17		12/27/1996
<b>Global / International</b>									
<b>Foreign Large Value</b>									
ING Templeton Foreign Equity Portfolio - Initial Class (8)(9)	-9.75	-14.58	-25.96	-25.85				0.89	01/03/2006
<b>World Stock</b>									
ING Oppenheimer Global-Int/Janus Aspen Worldwide Gr-Inst (4)	-11.34	-12.27	-24.42	-27.85	-0.65	4.46	2.58		09/13/1993
ING Oppenheimer Global Portfolio - Initial Class	-11.34	-12.27	-24.42	-27.85	-0.65	6.68		4.89	05/01/2002

The risks of investing in small company stocks may include relatively low trading volumes, a greater degree of change in earnings and greater short-term volatility.

Foreign investing involves special risks such as currency fluctuation and public disclosure, as well as economic and political risks.

Some of the Funds invest in securities guaranteed by the U.S. Government as to the timely payment of principal and interest; however, shares of the Funds are not insured nor guaranteed.

High yielding fixed-income securities generally are subject to greater market fluctuations and risks of loss of income and principal than are investments in lower yielding fixed-income securities.

Sector funds may involve greater-than average risk and are often more volatile than funds holding a diversified portfolio of stocks in many industries. Examples include: banking, biotechnology, chemicals, energy, environmental services, natural resources, precious metals, technology, telecommunications, and utilities.

## Additional Notes

**(1) The current yield reflects the deduction of all charges under the contract that are deducted from the total return quotations shown.**

Insurance products and/or third party administration services are offered by ING Life Insurance and Annuity Company. Securities offered through ING Financial Advisers, LLC (member SIPC) or other broker-dealers with which it has a selling agreement.

For a performance report reflecting the charges or more information regarding product expenses, please contact your ING Representative.

(2) An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although effective October 7, 2008, the fund seeks to preserve the value of your investment at \$1.00 per share, there is no assurance it will be able to do so. While the fund's objective includes the preservation of capital, it is possible to lose money by investing in the fund.

(3) Effective April 25, 2008, the ING Lord Abbett U.S. Government Portfolio - Initial Class merged into the ING VP Intermediate Bond Portfolio - Class I.

(4) The latter fund listed was replaced with the applicable ING Partners, Inc. Portfolio (the first fund listed). For most Plans this occurred after the close of business on December 3, 2004. The performance shown is based on the performance of the replaced fund until December 3, 2004, and the performance of the applicable ING Partners, Inc. Portfolio after that date. The replaced fund may not have been available under all contracts.

(5) Effective April 25, 2008, the ING UBS U.S. Allocation Portfolio - Class S merged into the ING Van Kampen Equity & Income Portfolio - Class I.

(6) AIM V.I. Core Equity Fund - Series I Shares: Effective July 1, 2007, Invesco Aim contractually agreed to waive 100% of the advisory fee Invesco Aim receives from affiliated money market funds on investments by the Fund in such affiliated money market funds. Fee Waiver reflects this agreement. This waiver agreement is in effect through at least April 30, 2009.

(7) Effective September 5, 2008, the ING Capital Guardian U.S. Equities Portfolio merged into the ING VP Growth and Income Portfolio.

(8) Effective April 25, 2008, the ING JPMorgan International Portfolio - Initial Class merged into the ING Templeton Foreign Equity Portfolio - Inst Class.

(9) ING Templeton Foreign Equity Portfolio - Inst Class: Under the administrative services agreement between ING Partners Inc., on behalf of the Portfolio and ING Funds Services, LLC, the Portfolio's administrator, ING Funds Services, LLC, provides administrative services necessary for the Portfolio's operation and is responsible for the supervision of the Portfolio's other service providers. ING Funds Services, LLC assumes all recurring costs of the Portfolio, such as custodian, director's, transfer agency and accounting fees.

(10) The CURRENT rate for the ING Fixed Account - 457/401 Base+85 is 4.00%, expressed as an annual effective yield, and is guaranteed not to drop below 3.60% through 12/31/2008. The annual rate of interest applied to your account may be higher or lower than the current rate. Restrictions may apply to transfers of funds from the Fixed Account to other contract investment options. Please refer to your product prospectus / disclosure booklet and call your 800 number for more information.

(11) The Investment Option is neither a mutual fund nor part of a Separate Account. The returns listed do not include the impact of contract charges. Please refer to the contract or disclosure book to determine which Fixed Interest Options are available for your specific plan. The Investment Option is offered through ING Life and Insurance Annuity Company.

Not all investments options are available under all contracts; please check your disclosure booklet for options available under your plan.

The returns do not reflect the impact of a Deferred Surrender Charge. If included, performance would be less favorable.

### Benchmark ID    Benchmark Description

IBCM	The Money Fund Report Averages <sup>®</sup> All Taxable is an average of the returns of over 250 money market mutual funds surveyed each month by IBC/Donoghue, Inc.
LEHM	Composed of securities from the Lehman Brothers Government/Corporate Bond Index, Mortgage-Backed Securities Index, and Asset-Backed Securities Index. Total return comprises price appreciation/depreciation and income as a percentage of the original investment.
MFR	Returns are based upon historical average 30-day compound yields on a universe of taxable money market funds. The data for the universe, which includes approximately 980 funds, is compiled by iMoney.net, Inc. Goal of ING Fixed Account - 457/401 is to outperform the MFR by 150 - 200 basis points over 3 - 5 year time periods.
MSCIAC	MSCI All Country World Index is a broad-based unmanaged index of developed country and emerging market equities.

See Performance Introduction Page for Important Information

<b>Benchmark ID</b>	<b>Benchmark Description</b>
RS1000	The Russell 1000 Index measures the performance of the 1,000 largest companies in the Russell 3000 Index, and represents approximately 92% of the total market capitalization of the Russell 3000 Index.
RS1000G	The Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000 Growth returns assume reinvestment of all dividends.
RS2000	The Russell 2000 Index (a small cap index) consists of the smallest 2,000 companies in the Russell 3000 Index and represents approximately 10% of the Russell 3000 total market capitalization. The Russell 2000 returns assume reinvestment of all dividends.
RS3000G	The Russell 3000 Growth Index measures the performance of those Russell 3000 companies with higher price-to-book ratios and higher forecasted growth values. The stocks in this index are also members of either the Russell 1000 Growth or the Russell 2000 Growth indexes.
RS3000V	The Russell 3000 Value Index is a market capitalization-weighted index of value-oriented stocks of U.S. domiciled corporations.
RSMIDGRW	The Russell MidCap Growth Index is an unmanaged index of U.S. mid-cap growth stocks.
SPXRE	The Standard & Poor's (S&P) 500 Index is considered to be representative of the stock market in general. The S&P 500 returns assume reinvestment of all dividends.

# PERFORMANCE UPDATE

## ING Life Insurance and Annuity Company

### STATE OF RHODE ISLAND

#### Separate Account D

**Average Annual Total Returns as of: 09/30/2008** (shown in percentages)

Variable annuities and funding agreements are long-term investment vehicles designed for retirement purposes which allow you to allocate contributions among variable investment options that have the potential to grow tax-deferred with an option to receive a stream of income at a later date. Early withdrawals from variable annuities may be subject to surrender charges, and if taken prior to age 59 1/2, a 10% IRS penalty may apply. Withdrawals will also reduce the applicable death benefit and cash surrender value.

**The performance data quoted represents past performance. Past performance does not guarantee future results. For month-end performance which may be lower or higher than the performance data shown please call 800-232-5422. Investment return and principal value of an investment will fluctuate so that, when sold, an investment may be worth more or less than the original cost.**

These numbers reflect total Separate Account charges of 0.50% on an annual basis. They also assume reinvestment of all dividends (ordinary income and capital gains) and are net of management fees and other fund operating expenses.

**Depending upon the type of contract in which you participate, you have either received disclosure booklets for the separate account and/or fund prospectuses. You should consider the investment objectives, risks and charges, and expenses of the variable product and its underlying fund options carefully before investing. The disclosure booklet contains this and other information. Anyone who wishes to obtain a free copy of the separate account disclosure booklet and/or fund prospectuses may call their ING representative or the number above. Please read the separate account disclosure booklet and/or the fund prospectuses carefully before investing.**

Returns less than one year are not annualized. Fund Inception Date is the date of inception for the underlying fund, and is the date used in calculating the periodic returns. This date may also precede the portfolio's inclusion in the product.

Investment Options	1-Mo	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Incept	Fund Inception Date
<b>Stability of Principal</b>									
ING Fixed Account - 457/401 (10)(11) <i>This fund is not part of a separate account.</i>	0.32	0.99	2.98	4.00	4.00	4.12	5.09		
<b>Money Market</b>									
ING VP Money Market Portfolio - Class I (2) <i>The 7-day annualized Subaccount yield as of 09/30/2008 is 1.76%, which more closely reflects current earnings. (1)</i>	0.12	0.43	1.81	2.94	3.87	2.78	3.02		01/01/1980
<b>Bonds</b>									
<b>Intermediate-Term Bond</b>									
ING VP Intermediate Bond Portfolio - Class I (3)	-2.90	-4.43	-5.81	-3.82	1.13	2.15	4.01		05/23/1973
<b>Balanced</b>									

# Monthly Plan Performance Update

STATE OF RHODE ISLAND - STATE OF RI (35835)

*Understanding investment performance: As you review this update, please remember that the performance data stated represents past performance, which does not guarantee future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your shares. Current performance may be higher or lower than the performance stated. To learn more or to obtain the most recent month-end performance, call Fidelity or visit NetBenefits.com.*

Name	Cumulative Total Returns				Average Annual Total Returns				
	As of	1 mo	3 mo	YTD	As of	1 yr	3 yr	5 yr	10 yr
DOW JONES 30 INDUSTRIAL AVERAGE	09/30/2008	-5.83	-3.71	-16.59	09/30/2008	-19.85	3.34	5.60	5.45
NASDAQ COMPOSITE INDEX	09/30/2008	-11.60	-8.59	-20.64	09/30/2008	-21.93	-0.14	3.95	2.66
LEHMAN BROTHERS AGGREGATE BOND INDEX	09/30/2008	-1.34	-0.49	0.63	09/30/2008	3.65	4.15	3.78	5.20
RUSSELL 2000 INDEX	09/30/2008	-7.97	-1.11	-10.38	09/30/2008	-14.48	1.83	8.15	7.81
STANDARD & POOR'S 500™ INDEX	09/30/2008	-8.91	-8.37	-19.29	09/30/2008	-21.98	0.22	5.17	3.06

Investment Name	Cumulative Total Returns				Average Annual Total Returns					Fees		
	As of	1 mo	3 mo	YTD	As of	1 yr	3 yr	5 yr	10 yr	Life	Short-Term Trading Fee	Expense Ratio †

## Stock Investments

### Large Cap

FID BLUE CHIP GROWTH	09/30/2008	-9.27	-9.22	-18.41	09/30/2008	-18.93	-0.34	3.13	1.28	10.43	—	0.58% on 09/29/2008	12/31/1987
FID CONTRAFUND	09/30/2008	-9.62	-14.02	-21.03	09/30/2008	-19.04	3.07	9.46	7.47	12.57	—	0.89% on 02/29/2008	05/17/1967
FID DIVIDEND GROWTH	09/30/2008	-12.42	-10.68	-22.14	09/30/2008	-26.66	-2.28	1.73	3.15	10.24	—	0.64% on 09/29/2008	04/27/1993
FID EQUITY INCOME	09/30/2008	-10.18	-10.92	-23.81	09/30/2008	-28.47	-1.57	4.49	4.17	11.90	—	0.66% on 03/31/2008	05/16/1966
FID GROWTH & INCOME	09/30/2008	-15.55	-14.30	-30.95	09/30/2008	-34.59	-7.79	-1.02	0.02	10.26	—	0.68% on 09/29/2008	12/30/1985
FID OTC PORTFOLIO	09/30/2008	-16.66	-18.49	-28.77	09/30/2008	-27.31	1.08	5.00	4.07	12.40	—	1.06% on 09/29/2008	12/31/1984
FIDELITY MAGELLAN	09/30/2008	-17.97	-21.26	-30.60	09/30/2008	-29.44	-2.75	2.31	2.00	17.14	—	0.73% on 05/29/2008	05/02/1963
SPARTAN US EQ INDEX	09/30/2008	-8.93	-8.39	-19.32	09/30/2008	-22.04	0.16	5.08	2.94	9.78	—	0.10% on 04/29/2008	02/17/1988

### Mid-Cap

FID MID CAP STOCK	09/30/2008	-17.36	-24.04	-26.41	09/30/2008	-30.48	-1.40	5.37	8.33	10.94	.75 % / 30days	0.95% on 06/28/2008	03/29/1994
FID VALUE	09/30/2008	-13.21	-11.78	-21.72	09/30/2008	-27.02	-1.36	7.82	8.93	12.70	—	0.70% on 12/29/2007	12/01/1978
FIDELITY LOW PR STK	09/30/2008	-11.85	-12.17	-19.48	09/30/2008	-21.84	-0.13	8.15	11.76	14.58	1.5 % / 90days	0.99% on 09/29/2008	12/27/1989

Investment Name	Cumulative Total Returns				Average Annual Total Returns					Fees			Inception Date
	As of	1 mo	3 mo	YTD	As of	1 yr	3 yr	5 yr	10 yr	Life	Short-Term Trading Fee	Expense Ratio †	
FIDELITY NEW MILLEN	09/30/2008	-9.84	-9.70	-22.30	09/30/2008	-21.58	1.96	5.98	10.69	13.98	—	0.94% on 01/29/2008	12/28/1992
FKLN SMMIDCAP GRTH A	09/30/2008	-11.79	-12.74	-22.03	09/30/2008	-26.87	-1.17	5.88	7.05	10.10	—	1.00% on 04/30/2008	02/14/1992

### International

FID DIVERSIFIED INTL	09/30/2008	-13.73	-20.84	-28.50	09/30/2008	-28.79	2.25	10.43	9.73	9.86	1 % / 30days	0.93% on 12/29/2007	12/27/1991
TEMPLETON FOREIGN A	09/30/2008	-12.99	-16.34	-28.83	09/30/2008	-27.14	0.66	7.90	7.99	11.87	—	1.16% on 02/29/2008	10/05/1982

### Blended Fund Investments

#### Others

FID FREEDOM 2000	09/30/2008	-3.90	-4.38	-6.35	09/30/2008	-6.43	2.23	3.37	4.53	5.72	—	0.51% on 05/29/2008	10/17/1996
FID FREEDOM 2010	09/30/2008	-6.92	-8.62	-13.09	09/30/2008	-13.60	1.46	4.23	5.12	6.52	—	0.65% on 05/29/2008	10/17/1996
FID FREEDOM 2020	09/30/2008	-8.65	-10.77	-17.07	09/30/2008	-18.08	1.15	5.27	5.17	6.62	—	0.72% on 05/29/2008	10/17/1996
FID FREEDOM 2030	09/30/2008	-9.87	-12.36	-20.12	09/30/2008	-21.47	0.65	5.53	4.84	6.29	—	0.76% on 05/29/2008	10/17/1996
FID FREEDOM INCOME	09/30/2008	-3.49	-3.92	-5.29	09/30/2008	-5.21	2.29	3.13	4.06	4.94	—	0.49% on 05/29/2008	10/17/1996
FID PURITAN	09/30/2008	-7.85	-9.09	-16.17	09/30/2008	-17.13	1.44	5.18	4.98	11.18	—	0.60% on 11/20/2007	04/16/1947

### Bond Investments

#### Stable Value

FID MGD INC PORT II	09/30/2008	0.28	0.88	2.91	09/30/2008	4.08	4.12	4.00	4.74	5.19	—	—	04/20/1993
---------------------	------------	------	------	------	------------	------	------	------	------	------	---	---	------------

#### Income

PIMCO TOT RETURN ADM	09/30/2008	-3.20	-2.13	-0.33	09/30/2008	3.51	4.15	4.05	5.49	6.81	—	0.68% on 03/30/2008	09/08/1994
----------------------	------------	-------	-------	-------	------------	------	------	------	------	------	---	---------------------	------------

### Short Term Investments

#### Others

FIDELITY RETIRE MMKT	09/30/2008	0.21	0.63	2.24	09/30/2008	3.50	4.37	3.27	3.52	4.54	—	0.42% on 10/30/2007	12/02/1988
----------------------	------------	------	------	------	------------	------	------	------	------	------	---	---------------------	------------

### Other Investments

#### Others

BROKERAGELINK	—	—	—	—	—	—	—	—	—	—	—	—	—
---------------	---	---	---	---	---	---	---	---	---	---	---	---	---

† For Fidelity fund of funds the performance table displays both the Expense Ratio and the Combined Total Expense Ratio. Expense Ratio is the total annual fund operating expense ratio from the fund's most recent prospectus. Combined Total Expense Ratio reflects expense reimbursements and reductions and is based on the total operating expense ratio of the fund plus a weighted average of the total operating expense ratios of the underlying Fidelity funds in which it was invested. This ratio may be higher or lower depending on the allocation of the fund's assets among the underlying Fidelity funds and the actual expenses of the underlying Fidelity funds.

† Expense Ratio is the total annual fund operating expense ratio from the fund's most recent prospectus. Please note that for the non-Fidelity fund-of-funds listed, the ratio shown may solely reflect the total operating expense ratio of the fund, or may be a combined ratio reflecting both the total operating expense ratio of the fund and the total operating expense ratios of the underlying funds in which it was invested. Please consult the fund's prospectus for more detail on a particular fund's expense ratio.

Total returns are historical and include change in share value and reinvestment of dividends and capital gains, if any. Cumulative total returns are reported as of the period indicated. Life of Fund figures are reported as of the inception date to the period indicated. These figures do not include the effect of sales charges, if any, as these charges are waived for contributions made through your company's employee benefit plans. If sales charges were included, returns would have been lower.

The management company may be temporarily reimbursing a portion of the fund's expenses. Absent such reimbursement, returns and yields would have been lower. A fund's expense limitation may be terminated at any time. Please see the prospectus for further information.

**AN INVESTMENT IN A MONEY MARKET FUND IS NOT INSURED OR GUARANTEED BY THE FDIC OR ANY OTHER GOVERNMENT AGENCY. ALTHOUGH MONEY MARKET FUNDS SEEK TO PRESERVE THE VALUE OF YOUR INVESTMENT AT \$1 PER SHARE, IT IS POSSIBLE TO LOSE MONEY BY INVESTING IN THESE FUNDS.**

A money market fund's current yield reflects the current earnings of the fund while the total return refers to a specific past holding period.

Performance of an index is not illustrative of any particular investment and an investment cannot be made directly in an index.

The NASDAQ Composite<sup>®</sup> Index is an unmanaged market capitalization-weighted index of the National Market System which includes over 5,000 stocks traded only over-the-counter and not on an exchange.

The Dow Jones Industrial Average (DJIA) is an unmanaged price-weighted index and is the most widely used indicator of how the country's industrial leaders are performing. Also known as "the Dow," this is a formula based on the stock prices of 30 major companies chosen from sectors of the economy most representative of our country's economic condition.

The Russell 2000<sup>®</sup> Index is an unmanaged market capitalization-weighted index of 2,000 small company stocks of U.S. domiciled companies.

The S&P 500<sup>®</sup> Index is a registered service mark of The McGraw-Hill Companies, Inc., and has been licensed for use by Fidelity Distributors Corporation and its affiliates. It is an unmanaged index of the common stock prices of 500 widely held U.S. stocks that includes the reinvestment of dividends.

The Lehman Brothers Aggregate Bond Index is an unmanaged market value-weighted index for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year.

Because of their narrow focus, sector funds may be more volatile than funds that diversify across many sectors.

Investments in mortgage securities are subject to prepayment risk, which can limit the potential for gain during a declining interest rate environment and increase the potential for loss in a rising interest rate environment.

Lower-quality debt securities involve greater risk of default and/or price changes due to changes in the credit quality of the issuer.

Investments in smaller companies may involve greater risks than those of larger, more well-known companies.

Foreign investments, especially those in emerging markets involve greater risk and may offer greater potential returns than U.S. investments. This risk includes political and economic uncertainties of foreign countries, as well as the risk of currency fluctuations.

Strategic Advisers, Inc., a subsidiary of FMR Corp., manages the Fidelity Freedom Funds.

**BEFORE INVESTING IN ANY INVESTMENT OPTION, PLEASE CAREFULLY CONSIDER THE INVESTMENT OBJECTIVES, RISKS, CHARGES AND EXPENSES. FOR THIS AND OTHER INFORMATION, PLEASE CALL FIDELITY AT 1-800-343-0860 OR VISIT WWW.FIDELITY.COM FOR A FREE MUTUAL FUND PROSPECTUS OR VARIABLE ANNUITY PROSPECTUS. FOR INFORMATION ON FIXED ANNUITIES, CONTACT FIDELITY TO REQUEST A FACT SHEET. READ THEM CAREFULLY BEFORE YOU INVEST.**

Brokerage Products and Services are offered through Fidelity Brokerage Services, Member NYSE, SIPC. Investment and workplace savings plan products and services offered directly to investors and plan sponsors are provided by Fidelity Brokerage Services, Member NYSE, SIPC, 100 Summer Street, Boston, MA 02110. Investment and workplace savings plan products and services distributed through investment professionals are provided by Fidelity Investments Institutional Services Company, Inc., 82 Devonshire Street, Boston, MA 02109.

© 2006 FMR Corp. All rights reserved. The trademarks and service marks appearing herein are the property of their respective owners.





The information is current as of 09/30/2008.

Effective December 31, 2001, all future contributions for all existing and new participants will be directed to AIG Retirement Services for investment into the mutual fund and fixed-interest option investments. All AIG Retirement annuity investment options will be closed to current or future Plan participants after this date.

Category/Funds	YTD Return	1 Year Return	3 Year Return	5 Year Return	10 Year Return	Since Inception	Expense Ratio	ITD Date
<b>Domestic Equity</b>								
<b>Domestic Large Cap Equity</b>								
<i>Large Cap Value</i>								
Core Value Fund (American Century)	-19.04	-24.10	-2.44	4.01	-0.25	-0.25	1.63	12/8/2000
Vanguard Windsor II Fund	-19.87	-24.94	-1.81	5.95	3.93	3.93	1.36	6/24/1985
<i>Large Cap Blend</i>								
Core Equity Fund (Black Rock)	-21.07	-23.25	-3.13	1.93	0.18	0.18	1.65	4/29/1994
Stock Index Fund (AIG Inv)	-19.95	-22.84	-0.91	3.98	1.88	1.88	1.15	4/20/1987
<i>Large Cap Growth</i>								
Growth Fund (American Century)	-21.26	-18.21	-	-	-1.26	-4.17	1.74	12/5/2005
Large Capital Growth Fund (AIG SunAmerica/AIM)	-21.72	-20.92	-0.76	-	-1.11	-0.03	1.56	12/20/2004
<b>Domestic Mid Cap Equity</b>								
<i>Mid Cap</i>								
Mid Cap Strategic Growth Fund (MorganStanley/Brazos)	-29.01	-26.97	-0.58	-	-2.33	2.29	1.63	12/20/2004
<b>Global Equity</b>								
Global Social Awareness Fund (AIG Inv)	-22.05	-25.14	-1.70	2.97	1.21	1.21	1.42	10/2/1989
Global Equity Fund (Putnam)	-29.22	-33.39	-	-	-5.46	-2.40	1.75	12/5/2005
<b>International Equity</b>								
Foreign Value Fund (Templeton Global)	-27.68	-27.38	-	-	-3.71	-0.85	1.66	12/5/2005
<b>Speciality</b>								
Science & Technology Fund (T. Rowe/RCM/Wellington)	-26.30	-27.97	-2.89	1.13	-0.76	-0.76	1.83	4/29/1994
<b>Hybrid</b>								
<i>Balanced</i>								
Vanguard Wellington Fund	-13.71	-14.67	2.07	5.98	5.33	5.33	1.32	7/1/1929
<b>Fixed Income</b>								
<i>Investment Grade</i>								
Vanguard Long-Term Investment-Grade Fund	-8.45	-6.07	-1.09	1.59	3.69	3.69	1.05	7/9/1973
Vanguard Long-Term Treasury Fund	3.58	9.10	4.57	4.68	5.14	5.14	1.06	5/19/1986
<i>International</i>								
International Government Bond Fund (AIGGIC)	-3.00	-0.66	3.16	4.57	4.06	4.06	1.50	10/1/1991
<i>Stable Value</i>								
Money Market I Fund (AIG SunAmerica)	1.23	2.08	3.18	2.13	2.39	2.39	1.32	1/16/1986
7-Day Yield at 31-Dec-2006: 4.03%								
Fixed Account Plus	0.00	0.00	2.27	2.97	4.55	4.55		1/1/1982
Short Term Fixed Account	3.00	3.00	3.00	3.00	3.49	3.49		1/1/1991

An investment in money market funds is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the funds seek to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the funds.

Returns for periods prior to the date the funds became available in the Separate Account are hypothetical and are derived from the performance of the underlying fund, adjusted to reflect fees, expenses, and surrender charges if applicable, of Portfolio Director as if the fund had been in the Separate Account during the stated period.

If applicable, returns on pages 1 & 2 reflect deduction of account maintenance fees and surrender charges, but not premium taxes or IncomeLOCK fees, if applicable. Partial or full surrenders may be subject to a surrender charge of the lesser of either 5% of the sum of the contributions received during the prior 60 months, or 5% of the amount withdrawn. There may be a quarterly account maintenance fee of \$3.75 for investments in the variable options, depending on the contract. There are no account maintenance fees for investments in the fixed options.

The current 7-day yield more closely reflects the current earnings of the money market fund than does the total average annual return. Yields are historical and do not guarantee future performance. Yields do not reflect deduction of surrender charges or premium taxes, if applicable.

- 1) The inclusion data found in this chart are based upon the date the funds were included in the Separate Account.
- 2) The inception data are based upon the inception date of underlying fund.

For funds with less than a full year of performance the returns are cumulative.

Generally, higher potential returns involve greater risk and short-term volatility. For example: Small-cap, mid-cap, sector and emerging funds can experience significant price fluctuation due to business risks and adverse political developments. International (global) and foreign funds can experience price fluctuation due hanging market conditions, currency values, and economic and political climates. High-yield bond funds, which invest in bonds that have lower ratings, typically experience price fluctuation and a greater risk of loss of principal and income than when investing directly in U.S. government securities such as U.S. Treasury bonds and bills, which are guaranteed by the government for repayment of principal and interest if held to maturity. Mortgage-related funds' underlying mortgages are more likely to be prepaid during periods of declining interest rates, which could hurt the fund's share price or yield, and may be prepaid more slowly during periods of rapidly rising interest rates, which may lengthen the fund's expected maturity. Investors should carefully assess the risks associated with an investment in the fund. Fund shares are not insured and are not backed by the U.S. government, and their value and yield will vary with