State of Rhode Island and Providence Plantations

Office of the General Treasurer

Nancy J. Mayer

General Treasurer

STATE OF RHODE ISLAND
INVESTMENT COMMISSION MEETING
OCTOBER 28, 1998

TREASURER'S STAFF

MEMBERS OF THE STATE INVESTMENT COMMISSION

Hon. Nancy J. Mayer, Chair

Rosemary Booth Gallogly	**Mr. Kenneth R. Dulgarian**
Rep. Mark B. Heffner	**B. Gen. (Ret.) Jack A. Apperson**
Mr. James M. Seed	**Sen. Paul J. Tavares**

State of Rhode Island and Providence Plantations

Office of the General Treasurer
102 State House
Providence, Rhode Island 02903

Telephone
(401) 277-2397

Fax
(401) 277-6140

Nancy J. Mayer
General Treasurer

treasury@treasury.state.ri.us

RHODE ISLAND STATE INVESTMENT COMMISSION
MEETING NOTICE

The next meeting of the Rhode Island State Investment Commission has been scheduled for Wednesday, October 28, 1998 at 9:30 a.m. in Room 135 of the State House.

AGENDA
STATE INVESTMENT COMMISSION

1. Approval of Minutes
   - State Investment Commission Meeting held on 9/23/98
   - Alternative Investments Committee Meeting held on 10/21/98

2. Alternative Investments Committee Recommendations from 10/21/98 Meeting
   - VS&A Communications Partners III, L.P.
   - Parthenon Investors, L.P.

3. Alternative Investments Manager

4. Update on International Equity Active/Passive

5. General Consultant's Report - Wilshire Associates Incorporated
   - Capital Market Update

6. Treasurer's Report

7. Deputy General Treasurer for Finance Report

8. Legal Counsel Report

9. New Business

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State of Rhode Island and Providence Plantations
STATE INVESTMENT COMMISSION

Minutes of the Regular Meeting
September 23, 1998

The following members were present at the meeting held in Room 135, State House, Providence. B. Gen. (Ret.) Jack A. Apperson, Ms. Rosemary Booth Gallogly, Designee of the Director of Administration, Representative Mark B. Heffner, General Treasurer Nancy J. Mayer, Senator Paul J. Tavares and Ms. Joann E. Flaminio, Ex-Officio. Also present were Ms. Barbara B. Schoenfeld, Legal Counsel to the Commission, Mr. William G. Bensur, Jr., of Wilshire Associates Incorporated, Consultant to the Commission, Mr. James E. Thorsen, Deputy Treasurer for Finance and other members of the Treasurer's Staff. Mr. James M. Seed was absent.

There being a quorum present, the Treasurer called the meeting to order at 9:25 a.m.

Minutes. General Apperson moved, Senator Tavares seconded and the following motion was passed unanimously. The following members voted in favor: Gen. Apperson, Ms. Gallogly, Representative Heffner, Treasurer Mayer and Senator Tavares.

VOTED: To approve the Minutes of the July 22, 1998 Regular Meeting.

Minutes. Senator Tavares moved, General Apperson seconded and the following motion was passed unanimously. The following members voted in favor: Gen. Apperson, Ms. Gallogly, Representative Heffner, Treasurer Mayer and Senator Tavares.

VOTED: To approve the Minutes of the July 21, 1998 and the September 17, 1998 Meetings of the Alternative Investments Committee.

Thank You to Treasury Staff. Representative Heffner suggested that the Commission should formally recognize the contributions by staff that has left for law school. Representative Heffner moved, and Ms. Gallogly seconded a motion to thank Carol Head and Joshua Ravitz for their fine work. Treasurer Mayer moved to amend the motion to add Jeffrey Grybowski and, after being seconded, the following motion was passed unanimously. The following members voted in favor: Gen. Apperson, Ms. Gallogly, Representative Heffner, Treasurer Mayer and Senator Tavares.

VOTED: To thank Carol E. Head, Joshua Ravitz and Jeffrey Grybowski for their fine work while employed by the General Treasurer's Office.

Brinson Partners, Inc. Mr. Bensur gave a brief overview of Brinson Partners, Inc. which was retained in 1994 to provide a strategic allocation to the large stock/value oriented segment of the domestic equity market. The Brinson allocation represents 4.8% of the total fund and 9.4% of the domestic equity composite. Market value at 6/30/98 was $291.7 million. The portfolio is constructed with 92 securities and cash represented 1%.

Mr. Bensur introduced Ms. Elizabeth Sanders, Director - Account Management and Mr. Robert C. Moore, Managing Director. Mr. Moore stated that as a down turn from earlier periods over the last year the portfolio underperformed. Some of the factors impacting recent performance are: 1) outperformance by mega-cap stocks; 2) re-emergence of Asian concerns and global slowing; 3) the relative performance of large cap growth stock; 4) lower batting average on fundamentals.

NOTE: The Treasurer called a short recess from 10:40 a.m. to 10:50 a.m.

MacKay Shields Financial Corp. Mr. Bensur introduced MacKay Shields which was retained in 1994 at the same time as Brinson, with the same assignment to provide a strategic allocation to the large stock/value oriented segment of the domestic equity market. The MacKay allocation represents 4.2% of the total fund and 8.2% of the domestic equity composite. Market value at 6/30/98 was $253.0 million. The portfolio is constructed with 72 securities and cash represents 2%.

Mr. Bensur introduced Ms. Mary Jane Cullinan, Director and Mr. Denis P. LaPlaige, President. Mr. LaPlaige stated that the portfolio is constructed on a bottom-up basis - purchasing stocks from the bottom 20% - using both quantitative and qualitative analysis. He stated that for the ten years ended 12/31/97, MacKay's value product has ranked in the top 10% of all equity managers despite ranking in the bottom quartile for the most recent year.

NOTE: To accommodate the schedules of Commission members, the Treasurer requested a break in the report of MacKay Shields in order to have votes taken on certain matters.

Alternative Investments Committee Recommendations. The Committee had met on September 17, 1998 to consider proposed alternative investments in Providence Equity Partners III, L.P. and Alta California Partners II, L.P. The Treasurer gave a brief synopsis of Providence Equity Partners III, L.P. which is being organized to acquire communications and media companies targeting individual investments of $25-$75 million in approximately 15-20 companies.

Alta California Partners II, L.P. is being organized to invest in private companies in the life sciences and information technology industries focusing on early-stage opportunities.

Senator Tavares moved, Ms. Gallogly seconded and the following motion was passed unanimously. The following members voted in favor: Gen. Apperson, Ms. Gallogly, Treasurer Mayer and Senator Tavares. (Representative Heffner was not present at the time of the vote.)

VOTED: To invest $15 million in Providence Equity Partners III, L.P. as recommended by Pacific Corporate Group contingent upon satisfactory review and negotiation of investment and other legal documents; and

to invest $10 million in Alta California Partners II, L.P. as recommended by Pacific Corporate Group contingent upon satisfactory review and negotiation of investment and other legal documents and upon satisfactory documentation relating to the provision that the fund intends to make 60% of its investments in California.

Proposed Modification of Investment Guidelines for International Managers. The Treasurer suggested that the Commission revise its actively managed international guidelines by removing the rigid regional allocations and allowing the managers to make active decisions for regional allocations, to further complement their active country selection and stock selection.

Each of the regional managers, Scudder and Schroders have the capabilities to manage an all-country mandate. Revised investment guidelines have been proposed by Wilshire which would remove the regional limitations and allow the managers to invest in all investible regions and in emerging markets. The managers have reviewed the guidelines and find them acceptable. General Apperson inquired about the original rationale of the regional mandates. Mr. Bensur responded that at the time of the allocations, the regional mandates reflected the relative market sizes. There was discussion about the risks of managers' failure at regional allocation, along with country and stock selection.

The Treasurer also suggested that the Commission modify its approach to the passive portion of the international portfolio by moving to an active/passive approach. The investment manager would actively determine country allocations and passively implement the decisions by investing in country index funds or country replication methodology. Wilshire Associates has provided market research data that supports the advisability of this approach. The Commission's passive EAFE manager does not provide an established institutional product using this approach. Wilshire Associates has prepared a Request for Proposals to submit to the six firms with documented well-established track records in institutional management of an international active/passive product.

Senator Tavares moved, General Apperson seconded and the following motion was passed unanimously. The following members voted in favor: Gen. Apperson, Ms. Gallogly, Treasurer Mayer and Senator Tavares. (Representative Heffner was not present at the time of the vote.)

VOTED: To adopt revised Investment Guidelines for Schroder Capital Management International and Scudder Kemper Investments, Inc. in the form presented to Commission members prior to the meeting; and

to modify the passive EAFE allocation to an active/passive allocation and solicit a Request for Proposals.

Post Venture Distribution for Alternative Investments. The Treasurer reported that as the alternative investment portfolio matures and securities are distributed to the RIERS, the need has arisen for a coordinator of the receipt and liquidation of those securities. The State Investment Commission will be receiving distributed securities directly. Ms. Schoenfeld reported on the Treasury's analysis leading to the recommendation that the Commission choose an investment advisory firm. The office evaluated six firms which are leaders in the post-venture distribution market. The Commission was asked to engage the services of Shott Capital Management in accordance with the terms of the Investment Manager Agreement distributed to Commission members prior to the meeting.

General Apperson moved, Senator Tavares seconded and the following motion was passed unanimously. The following members voted in favor: Gen. Apperson, Ms. Gallogly, Treasurer Mayer and Senator Tavares. (Representative Heffner was not present at the time of the vote.)

VOTED: To approve the engagement of Shott Capital Management in accordance with the terms of the proposed Investment Manager Agreement to manage the distribution of securities distributed from the limited partnerships in the Alternative Investments Program.

NOTE: Senator Tavares left the meeting at 11:55 a.m.

MacKay Shields Financial Corp. Mr. LaPlaige completed the presentation of MacKay Shields' performance review.

Consultant Report - Wilshire Associates Incorporated. Providing his Capital Market Update, Mr. Bensur reported that the US stock market has experienced considerable volatility this past month. Unemployment claims, inflation, and interest rates remain low while the economy continues to grow at a moderate pace. The dollar's value has strengthened against most currencies of developed countries, causing a surge in the trade deficit. The US Treasury market has reaped the benefits of depressed stock markets. Investors seeking the safety of US Treasury issues have driven yields to unprecedented lows. As of 9/16/98 the 30-year Treasury Bond was yielding 5.22%.

Through 9/16/98 the broad US equity market has gained 3.6%, as measured by the Wilshire 5000 Index. Large cap stocks returned 9.0%, as measured by the S&P 500 Index. Small stocks continue trailing larger stocks. Large growth stocks have outpaced large value stocks while small value stocks have surpassed small growth stocks.

Also through 9/16/98 the MSCI EAFE Index returned 4.6%. Through September 16, 1998 the UK/Europe region, as measured by the MSCI Europe Index returned 16.5% but the Pacific Basin region, as measured by the MSCI Pacific Index, fell 15.4%. Emerging Markets returns - measured by the IFC Emerging Markets Index, dropped 31.7%. The bond market - measured by the Lehman Aggregate Bond Index returned 6.8%.

NOTE: Representative Heffner returned to the meeting at 12:35 p.m.

Deputy Treasurer for Finance Report. Mr. Thorsen stated that the portfolio had been quite volatile in the last few months with a peak in mid-July of $6.1 billion which fell to a balance of $5.6 billion presently.

There being no further business, the meeting was adjourned at 12:55 p.m.

Respectfully submitted,

Barbara B. Schoenfeld
Legal Counsel to the
State Investment Commission

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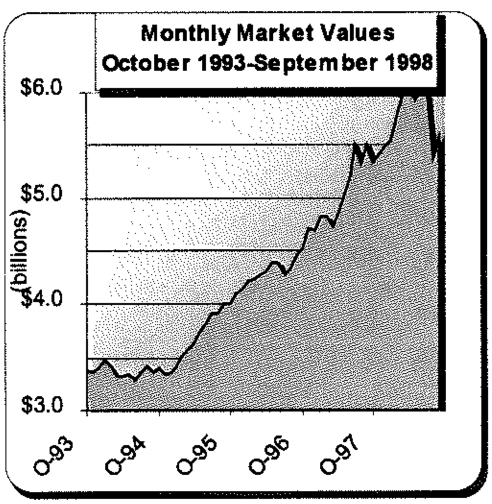
RHODE ISLAND STATE INVESTMENT COMMISSION
STAFF SUMMARY ANALYSIS
PORTFOLIO HIGHLIGHTS
SEPTEMBER 1998

MARKET VALUES

The total portfolio value increased in September by $190.6 Million to $5.555 Billion (+2.28%), in line with broad market indices. This compares with an increase in value of $204.3 Million (+3.91%) for the same period in 1997. For the first nine months of 1998, the fund increased in value by $62.11 Million, for a period return of +1.51%.

The equity market values increased by $165.7 Million (+6.54%). Fixed income increased by $36.7 Million, net of transfers (+2.28%), while international equities decreased by $10.3 Million (-1.51%). Alternative investments increased by $3.0 Million net of capital calls, cash distributions and transfers, while cash decreased by $4.4 Million.



Brown Brothers' fixed income portfolio increased in value by $13.7 Million, net of transfers. Fleet's fixed income portfolio increased in value by $17.8 Million, net of transfers, while Fidelity's value increased by $1.3 Million. The Loomis Sayles portfolio increased by $3.4 Million, and Taplin, Canida & Habacht's portfolio increased by $235,870.

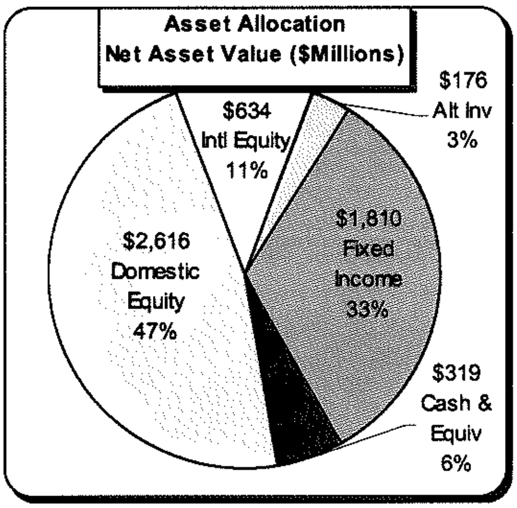
PERFORMANCE

Market Indices	Sep-98	YTD
Domestic Equity		
S & P 500	6.48%	6.13%
Wilshire 5000	6.53%	1.59%
Russell 2000	7.83%	-16.23%
Russell 2500	7.10%	-14.49%
International Equity		
MSCI EAFE	-3.07%	-0.56%
Fixed Income		
Lehman AGG	2.34%	8.31%
Fund By Asset Class		
Domestic Equity	6.54%	-0.52%
Fixed Income	2.28%	6.66%
International Equity	-1.51%	-5.18%
Total Fund Composite*	**3.65%**	**1.51%**
Manager Summary		
DOMESTIC EQUITY		
HLM Management	13.35%	-16.97%
Provident	8.89%	14.56%
ValueQuest	7.74%	-7.04%
Brinson	7.43%	2.59%
Bankers Trust	6.71%	1.12%
JP Morgan	6.42%	-10.33%
St St Glbl Adv.	6.14%	-11.35%
J & W Seligman	4.86%	-14.06%
Babson	3.69%	-18.35%
Mackay-Shields	3.24%	-12.14%
Total Domestic Equity	6.54%	-0.52%
FIXED INCOME		
Fleet	2.95%	10.77%
Brown Brothers	2.52%	9.72%
Taplin, Canida & Habacht	2.31%	7.11%
Loomis Sayles	1.42%	-10.73%
Fidelity	1.13%	6.71%
In-State F.I.	0.18%	9.08%
Total Fixed Income	2.28%	6.66%
INTERNATIONAL EQUITY		
Scudder	5.56%	-16.85%
Schroder Emerging Markets	3.93%	-33.77%
Alliance	-2.47%	1.06%
Schroder	-4.32%	4.50%
Total International Equity	-1.51%	-5.18%

*Total Fund Composite includes all classes

ASSET ALLOCATION

There is a 3.68% over-allocation in domestic equities; fixed income is over-allocated by 3.40%, the international equity asset class is under-allocated by 2.86%, while the alternative investments asset class is under-allocated by 4.33%. We expect that the over-allocation to equities and fixed income will persist due to the challenge of investing the alternative investment commitment in an orderly fashion.



We expect that the over-allocation to equities will persist due to the challenge of investing the alternative investment commitment in an orderly fashion. However, staff expects the mix to change significantly with implementation of the recent mandates within the domestic equity and fixed income portfolios. Cash and equivalents increased from $199.7 Million in August to $318.9 Million in September.

MANAGER FUNDING

The following twenty-seven cash movements took place during September, principally to provide sufficient cash for alternative investment funding as well as retirement payroll.

Manager	Cash Out	Cash In
Fleet Fixed Income	$2,000,000	
Brown Brothers	2,000,000	
Fidelity	2,000,000	
Taplin, Canida & Habacht	2,000,000	
Cash in Trust		$8,000,000
CVC	343,631	26,600
Doughty Hanson III	1,441,854	
Fenway	455,172	
First Reserve	444,459	
Harvest	372,440	
Heritage	328,263	
OCM Principal	250,000	
OCM Opp Fund II	1,200,000	
Providence Equity	907,626	609,700
SKM	431,407	5,200
Triumph	614,464	
Welsh Carson	750,000	
Aurora		202,234
Crossroads		1,204,567
Narragansett Capital		86,329
Aetna		94,205
L & B		502,024
Phoenix		80,010
Heitman		789,828
Total	$15,539,316	$11,600,697

At this time, the alternative investment asset class has an unfunded allocation of approximately $240.7 Million.

EXPENSES

Expenses for September 1998 were $4,440,804, including $816,007 in quarterly retirement transfer charges. This figure is in line with budget expectations and market conditions.

CASH FLOW

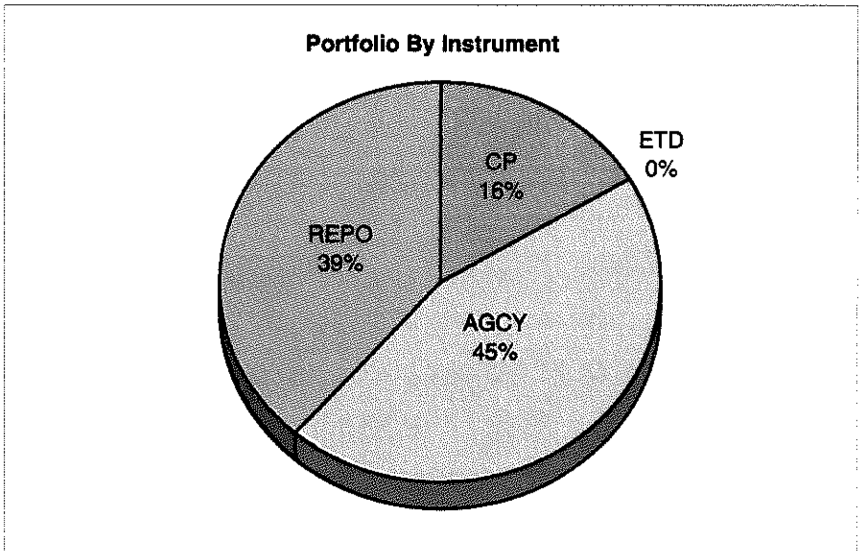
September's combined state and teacher contributions were insufficient to cover the month's pension payroll, requiring a transfer of $3,125,000 from the long term plan.; the municipal plan also required a transfer of $1,250,000.

SHORT TERM CASH

The short-term cash portfolio had a 16.71-day weighted average maturity vs. 17.89 days in August, and 22.37 days in September 1997.

RHODE ISLAND STATE INVESTMENT COMMISSION

SHORT TERM CASH INVESTMENTS AT SEPTEMBER 30, 1998



Vendor	CP	ETD	Treasury	Agency	Money Mkt	Repo	Total ($)
Guidelines-Total/Vendor	15%/15%	15%/15%	100%/100%	75%/35%	50%/35%	100%/20%	
Bank Boston	0	0	0	6,971,493	0	0	6,971,493
	0%	0%	0%	2%	0%	0%	2%
Bear Stearns	2,586,097	0	0	0	0	0	2,586,097
	1%	0%	0%	0%	0%	0%	1%
Citi-Corp	0	0	0	0	0	40,179,531	40,179,531
	0%	0%	0%	0%	0%	13%	13%
Dean Witter	11,936,420	0	0	38,828,030	0	0	50,764,450
	4%	0%	0%	13%	0%	0%	17%
BancAmerica	0	0	0	56,328,120	0	0	56,328,120
	0%	0%	0%	18%	0%	0%	18%
First Tennessee	0	0	0	12,241,163	0	0	12,241,163
	0%	0%	0%	4%	0%	0%	4%
Goldman Sachs	0	0	0	0	0	49,500,000	49,500,000
	0%	0%	0%	0%	0%	16%	16%
Wachovia	0	0	0	1,396,903	0	0	1,396,903
	0%	0%	0%	0%	0%	0%	0%
Prudential	0	0	0	22,724,499	0	0	22,724,499
	0%	0%	0%	7%	0%	0%	7%
The Travelers	35,252,923	0	0	0	0	0	35,252,923
	12%	0%	0%	0%	0%	0%	12%
State St Bank	0	0	0	0	0	28,200,000	28,200,000
	0%	0%	0%	0%	0%	9%	9%
TOTALS	**49,775,440**	**0**	**0**	**138,490,207**	**0**	**117,879,531**	**306,145,178**
(%) PORTFOLIO	**16%**	**0%**	**0%**	**45%**	**0%**	**39%**	**100%**

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October 28, 1998

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 September 30, 1998.

Asset Class		
Cash/Short Term Investments		$318,996,227.54
Equities - Domestic		$2,616,195,464.11
Equities - International		$634,413,556.14
Fixed Income - Government	$1,332,528,479.64	
Fixed Income - Corporate	$449,905,000.00	
Fixed Income - In State	$27,514,586.57	
Total Fixed Income		$1,809,948,066.21
Alternative Investments		$175,434,897.27
Other - Escrow		$500,000.00
Total Fund Investments		$5,555,488,211.27
Plan Allocation		
State Employees & Teachers	87.0966548%	$4,838,644,389.82
Municipal Employees	12.7162114%	706,447,625.25
State Police	0.1157014%	6,427,777.64
Judicial	0.0714324%	3,968,418.56
Total Fund Investments		$5,555,488,211.27

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,

Nancy J. Mayer

Nancy J. Mayer
General Treasurer

ERSRI Monthly Market Value Report With Time Weighted Returns
September 30, 1998

	Performance Update			Current Month			Valuation Change			
	Calendar YTD		Benchmark	Performance			Market Value	Transfers	Market Value	Increase/
	Performance	Benchmark	Description	Net of Xfers	Benchmark	Alpha	8/31/98	In/(out)	9/30/98	(Decrease)
Domestic Equity										
Bankers Trust	1.12%	1.59%	S&P 500	6.71%	6.53%	0.18%	798,594,627	39,150	852,239,672	53,605,895
Fleet Investment Advisors	-70.25%	6.13%	Wilshire 5000	-13.24%	6.48%	-19.72%	2,636,895	(315,693)	2,001,415	(319,788)
JP Morgan Investment Management	-10.33%	-9.21%	Russell 1000 growth	6.42%	6.74%	-0.32%	260,843,927	-	277,578,458	16,734,531
State Street Global Advisors	-11.35%	-9.21%	Russell 1000 growth	6.14%	6.74%	-0.60%	259,530,677	-	275,455,499	15,924,822
Provident Investment Council	14.56%	4.22%	Russell 1000 growth	8.89%	6.74%	2.15%	433,113,046	-	471,612,028	38,498,982
Brinson Partners	2.59%	1.59%	Wilshire 5000	7.43%	6.53%	0.90%	244,684,107	-	262,867,463	18,183,357
MacKay Shields	-12.14%	1.59%	Wilshire 5000	3.24%	6.53%	-3.29%	206,010,997	-	212,676,684	6,665,687
D.L. Babson	-18.35%	-14.49%	Russell 1000 Growth	3.69%	7.10%	-3.41%	146,848,695	-	152,269,049	5,420,355
JW Seligman	-14.06%	-16.23%	Russell 2000 Smcap	4.86%	7.83%	-2.97%	144,328,231	-	151,338,573	7,010,341
HLM Management	-16.97%	-16.23%	Russell 2500 Smcap	13.35%	7.10%	6.25%	17,684,005	-	20,044,718	2,360,713
ValueQuest	-7.04%	-1.97%	Wilshire Large Value	7.74%	5.91%	1.83%	24,651,469	-	26,559,200	1,907,731
Total Domestic Equity	-0.52%			6.54%			2,538,926,676	(276,543)	2,704,642,758	165,992,625
International Equity										
Alliance Capital Management	1.06%	-0.56%	MSCI EAFE	-2.47%	-3.07%	0.60%	210,170,380	8,700	204,989,305	(5,189,775)
Schroder Capital Management Int'l	4.50%	8.27%	MSCI Europe	-4.32%	-4.00%	-0.32%	310,535,714	-	297,124,720	(13,410,994)
Scudder, Stevens & Clark	-16.85%	-19.30%	Wilshire Custom Asia	5.56%	3.57%	1.99%	110,863,292	-	117,025,767	6,162,475
Schroder Capital Management Int'l	-33.77%	-35.45%	MSCI Emg Markets	3.93%	6.92%	-2.99%	52,957,850	-	55,038,287	2,080,437
Total International Equity	-5.18%			-1.51%			684,527,236	8,700	674,178,079	(10,357,857)
Fixed Income										
Fleet Investment Advisors	10.77%	8.31%	Lehman Aggregate	2.95%	2.34%	0.61%	672,822,009	(1,960,850)	690,701,995	19,840,836
Fidelity Management & Research	6.71%	6.07%	Salomon Mortgage	1.13%	1.20%	-0.07%	293,779,672	(2,000,000)	295,105,963	3,326,291
Brown Brothers, Harriman	9.72%	6.22%	Lehman 1-3 yr	2.52%	1.38%	1.14%	622,029,074	(1,920,000)	635,759,068	15,649,994
In-State Fixed Income	9.08%	N/A	none	0.18%	N/A	-	27,710,269	(149,730)	27,760,651	200,112
Taplin, Canida & Habacht	7.11%	8.10%	Lehman Intermediate	2.31%	2.51%	-0.20%	97,201,353	(2,000,000)	97,437,223	2,235,870
Loomis, Sayles & Co.	-10.73%	-0.94%	Merrill/CS First Bos	1.42%	0.79%	0.63%	244,365,054	-	247,837,302	3,472,247
Total Fixed Income	6.66%			2.28%			1,957,907,431	(8,030,580)	1,994,602,202	44,725,351
Alternative Investments										
Pacific Corporate Group	16.72%	N/A		-0.39%	N/A	-	103,749,733	5,622,191	108,207,340	(1,164,584)
Bank Acquisition Contingency	0.00%	N/A		0.00%	N/A	-	500,000	-	500,000	-
JMB/Heitman Advisory Group	-7.77%	N/A	Wilshire Real Estate	0.00%	N/A	-	18,038,856	(789,828)	17,249,028	0
L & B Real Estate Counsel	23.64%	N/A	Wilshire Real Estate	-1.14%	N/A	-	43,862,246	-	43,360,223	(502,024)
ÆTNA Realty Advisors, Inc	1129.29%	N/A	Wilshire Real Estate	121.59%	N/A	-	141,517	(94,205)	47,390	78
Phoenix Home Life	189.39%	N/A	Wilshire Real Estate	1.20%	N/A	-	6,650,934	(80,010)	6,570,917	(7)
Total Alternatives	17.23%			-0.43%			172,943,286	4,658,147	175,934,897	(1,666,536)
Cash Accounts										
Cash in Trust	N/A	-		N/A	-	-	10,676,390	(4,590,701)	6,127,490	41,800
Internal Cash	N/A	-		N/A	-	-	(87,080)	-	2,786	89,865
Total Cash				N/A			10,589,310	(4,590,701)	6,130,275	131,666
Fund Grand Total	1.51%			3.65%			5,364,893,939	(8,230,977)	5,555,488,211	198,825,249

RHODE ISLAND STATE INVESTMENT COMMISSION

Domestic Equity Holdings By Top 10 Market Values

SEPTEMBER 30, 1998

Equities

RANK	SECURITY NAME	PAR VALUE/SHARES	BASE MARKET AMOUNT	MONEY MANAGERS
1	MICROSOFT CORP	530,300	$63,065,813	Provident, Bankers,SSGA,J.P. Morgan
2	SCHERING PLOUGH CORP	417,700	43,310,269	Provident, Bankers,Brinson,SSGA
3	PFIZER INC	366,000	38,704,500	Provident, Bankers,SSGA,J.P. Morgan
4	WARNER LAMBERT CO	495,200	37,387,600	Provident, Bankers,J.P. Morgan
5	MCI WORLDCOM INC	737,301	36,035,571	Provident, Bankers,J.P. Morgan
6	PHILIP MORRIS COS INC	735,500	34,016,875	Brinson,Bankers,MacKay,J.P. Morgan
7	GENERAL ELEC. CO	425,300	33,837,931	Bankers,SSGA,J.P. Morgan
8	FEDERAL NATIONAL MTG.	379,900	24,408,575	Provident, Bankers,SSGA,J.P. Morgan
9	EXXON CORP	330,900	23,369,813	Bankers,SSGA,J.P. Morgan
10	DELL COMPUTER CORP	354,400	23,301,800	Provident, Bankers,SSGA
		13.22%	**$357,438,747** **of total equity market value**	

** Total Composite Equities ** $2,704,749,719.

International Equity Holdings By Top 10 Market Values

SEPTEMBER 30, 1998

International Equities

RANK	SECURITY NAME	COUNTRY	PAR VALUE/SHARES	BASE MARKET AMOUNT	MONEY MANAGERS
1	NOVARTIS AG	Switzerland	10,339	$16,573,028	Alliance,Schroders
2	BRITISH PETROLEUM	England	829,954	12,693,814	Alliance,Schroders
3	BRITISH TELECOM	England	768,945	10,362,489	Alliance,Schroders
4	ROYAL DUTCH PETROL	Netherlands	205,091	10,172,533	Alliance,Schroders
5	ELF AQUITAINE	France	77,035	9,497,425	Alliance,Schroders
6	GLAXO WELLCOME	England	313,447	9,252,509	Alliance,Schroders
7	SUEZ LYONN EAUX	France	51,596	8,782,216	Alliance,Schroders
8	ENDESA S.A.	Spanish	344,994	7,770,954	Alliance,Schroders
9	DANONE	France	28,956	7,609,937	Alliance,Schroders
10	ZENECA GROUP	France	205,037	7,247,549	Alliance,Schroders
			13.96%	**$99,962,454** **of total international equity market value**	

** Total Composite International Equities ** $715,848,793.

Asset Allocation Report Market Values September 30, 1998 Allocation by Manager	Style Mandate	Actual		Target		Difference	Cash	% of Total
Domestic Equity								
Bankers Trust	passive core	852.24	15.3%	749.99	13.5%	102.25	4.05	0.5%
Fleet Investment Advisors	active core	2.00	0.0%	0.00	0.0%	2.00	0.00	0.0%
JP Morgan Invesmtment Management	active core	277.58	5.0%	250.00	4.5%	27.58	0.30	0.1%
State Street global Advisors	active core	275.46	5.0%	250.00	4.5%	25.46	2.13	0.8%
Provident Investment Council	large cap grwth	471.61	8.5%	416.66	7.5%	54.95	52.33	11.1%
Brinson Partners	lrge cap val	262.87	4.7%	222.22	4.0%	40.65	2.36	0.9%
MacKay Shields	lrge cap val	212.68	3.8%	222.22	4.0%	-9.54	14.54	6.8%
D.L. Babson	sm cap value	152.27	2.7%	166.66	3.0%	-14.40	2.13	1.4%
JW Seligman	sm cap grwth	151.34	2.7%	166.66	3.0%	-15.33	7.48	4.9%
HLM Management	sm cap grwth	20.04	0.4%	27.78	0.5%	-7.73	1.18	5.9%
ValueQuest	contrarain value	26.56	0.5%	27.78	0.5%	-1.22	1.95	7.3%
TOTAL DOMESTIC EQUITY		**2,704.64**	**48.7%**	**2,499.97**	**45.0%**	**204.67**	**88.45**	**3.3%**
International Equity								
Alliance Capital Management	passive EAFE	204.99	3.7%	166.66	3.0%	38.32	4.51	2.2%
Schroder Capital Management Intl	Europe	297.12	5.3%	277.77	5.0%	19.35	8.93	3.0%
Scudder, Stevens & Clark, Inc.	Pac Basin	117.03	2.1%	277.77	5.0%	-160.75	26.32	22.5%
Schroder Capital Management Intl	emerging mkts	55.04	1.0%	111.11	2.0%	-56.07	0.00	0.0%
TOTAL INT'L EQUITY		**674.18**	**12.1%**	**833.32**	**15.0%**	**-159.15**	**39.76**	**5.9%**
Domestic Fixed Income								
Fleet Investment Advisors	active core	690.70	12.4%	586.83	10.6%	103.88	29.90	4.3%
Fidelity Management & Research	mortgages	295.11	5.3%	267.50	4.8%	27.61	4.65	1.6%
Brown Brothers, Harriman	opportunistic core	635.76	11.4%	586.83	10.6%	48.93	140.56	22.1%
In-State Fixed Income	short/int govt	27.76	0.5%	3.28	0.1%	24.48	0.25	0.9%
Taplin, Canida & Habacht	corporates	97.44	1.8%	90.28	1.6%	7.16	6.08	6.2%
Loomis, Sayles & Co.	convt/hi yield	247.84	4.5%	270.83	4.9%	-22.99	3.21	1.3%
TOTAL FIXED-INCOME		**1,994.60**	**35.9%**	**1,805.53**	**32.5%**	**189.07**	**184.65**	**9.3%**
Alternative Investments								
JMB/ Heitman Advisory Corp	real estate	17.25	0.3%					
L&B Real Estate Counsel	office/shopping	43.36	0.8%					
Ætna Realty Advisors, Inc.	cong. care	0.05	0.0%					
Phoenix Home Life	developmental	6.57	0.1%					
Pacific Corp Group	various pvt eq	108.21	1.9%					
Bank Disposition	contingency	0.50	0.0%					
TOTAL ALTERNATIVE INVESTMENTS		**175.93**	**3.2%**	**416.66**	**7.5%**	**-240.73**	**0.00**	**0.0%**
CASH EQUIVALENTS	STIF, Yield+	6.13	0.1%	0.00	0.0%	6.13	6.13	**100.0%**
TOTAL ASSETS		**5,555.49**	**100.0%**	**5,555.49**	**100.0%**	**0.00**	**318.99**	**5.7%**

Allocation By Management Style

Domestic Equity								
Core		1,407.28	25.3%	1,249.98	22.5%	157.29	6.48	0.5%
Large Cap Growth		471.61	8.5%	416.66	7.5%	54.95	52.33	11.1%
Large Cap Value		475.54	8.6%	444.44	8.0%	31.11	16.90	3.6%
Small Cap		303.61	5.5%	333.33	6.0%	(29.72)	10.79	3.6%
Emerging Managers		46.60	0.8%	55.55	1.0%	(8.95)	1.95	4.2%
TOTAL DOMESTIC EQUITY		**2,704.64**	**48.7%**	**2,499.97**	**45.0%**	**204.67**	**88.45**	**3.3%**
International Equity								
Passive		204.99	3.7%	166.66	3.0%	38.32	4.51	2.2%
Active		414.15	7.5%	555.55	10.0%	(141.40)	35.25	8.5%
Emerging Markets		55.04	1.0%	111.11	2.0%	(56.07)	-	0.0%
TOTAL INT'L EQUITY		**674.18**	**12.1%**	**833.32**	**15.0%**	**(159.15)**	**39.76**	**5.9%**
Domestic Fixed Income								
Mortgage		985.81	17.7%	854.32	15.4%	131.48	34.55	3.5%
Core		663.52	11.9%	590.10	10.6%	73.42	140.81	21.2%
Corporates		97.44	1.8%	90.28	1.6%	7.16	6.08	6.2%
Convertible/High Yield		247.84	4.5%	270.83	4.9%	(22.99)	3.21	1.3%
TOTAL FIXED-INCOME		**1,994.60**	**35.9%**	**1,805.53**	**32.5%**	**189.07**	**184.65**	**9.3%**
Alternative Investments								
Real Estate		67.23	1.2%					
Other Alternative Investments		108.71	2.0%					
TOTAL ALTERNATIVE INVESTMENTS		**175.93**	**3.2%**	**416.66**	**7.5%**	**(240.73)**		
CASH EQUIVALENTS	STIF, Yield+	6.13	0.1%	0.00	0.0%	6.13	6.13	**100.0%**
TOTAL ASSETS		**5,555.49**	**100.0%**	**5,555.49**	**1.00**	**0.00**	**318.99**	**5.7%**

Alternative Investments Funding

1998

Manager	Partnership Commitment	Prior Funding Thru 8/31/98	Current Month Funding	Cumulative Total at 9/30/98	Unfunded Balance	Market Values at 9/30/98
ABS Capital Partners	5,000,000	3,439,962	0	3,439,962	1,560,038	4,017,635
Apollo RE Investment Fund IV L.P.	15,000,000	1,050,000	0	1,050,000	13,950,000	1,048,453
Alta BioPharma Partners, L.P.	10,000,000	1,500,000	0	1,500,000	8,500,000	1,500,000
Aurora Equity Partners II	15,000,000	1,122,427	(200,138)	922,289	14,077,711	920,193
Blackstone Capital Ptnrs	20,000,000	2,683,917	0	2,683,917	17,316,083	2,079,288
Boston Ventures Ltd	5,000,000	1,400,000	0	1,400,000	3,600,000	1,457,824
Crossroads/Providence LP	42,509,665	41,453,629	(368,426)	41,085,203	1,424,462	20,704,749
CVC Capital Partners	15,000,000	2,299,893	325,477	2,625,370	12,374,630	2,619,737
Doughty Hanson II	5,000,000	3,109,254	0	3,109,254	1,890,746	2,719,798
Doughty Hanson III	15,000,000	15,000	1,441,854	1,456,854	13,543,146	1,456,854
Fenway	15,000,000		455,172	455,172	14,544,828	455,172
First Reserve Fund VIII L.P.	15,000,000	446,466	444,459	890,925	14,109,075	890,925
Harvest Partners III	15,000,000	3,328,723	372,440	3,701,163	11,298,837	3,756,921
Heritage Fund	5,000,000	1,496,826	328,263	1,825,089	3,174,911	1,825,697
Narragansett First Fund	218,566	198,498	0	198,498	20,068	5,888
Narragansett Capital Partners	1,671,121	1,425,005	(72,092)	1,352,913	318,208	1,481,416
Nordic Capital III	7,500,000	452,277	0	452,277	7,047,723	552,223
OCM Opportunities Fund	8,000,000	8,000,000	0	8,000,000	0	10,624,144
OCM Principal Opportunities	5,000,000	3,000,000	250,000	3,250,000	1,750,000	3,261,077
OCM Opportunities II	12,000,000	5,400,000	1,200,000	6,600,000	5,400,000	6,141,122
Providence Equity Partners	10,000,000	5,560,989	532,537	6,093,526	3,906,474	9,882,490
SKM Equity Fund II	10,000,000	3,707,547	426,207	4,133,754	5,866,246	4,140,748
THL Equity Fund IV	15,000,000	554,884	0	554,884	14,445,116	554,680
TPG Partners	10,000,000	3,707,388	0	3,707,388	6,292,612	3,715,110
Triumph Partners III	15,000,000	2,429,416	614,464	3,043,880	11,956,120	3,118,193
Wellspring Capital Partners	15,000,000	0	0	0	15,000,000	0
Welsh, Carson, Anderson & Stowe	15,000,000	11,250,000	750,000	12,000,000	3,000,000	14,454,144
Willis Stein	5,000,000	3,894,224	0	3,894,224	1,105,776	4,822,859
Real Estate Investments	80,544,204	80,544,204		80,544,204	(0)	67,227,557
Contingency Fund	500,000	500,000		500,000	0	500,000
TOTALS:	**$407,943,557**	**$193,970,529**	**$6,500,217**	**$200,470,746**	**$207,472,811**	**$175,934,897**

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ERSRI & MERSRI

1998-1999 EXPENSES

	Actual Jul 98	Actual Aug	Actual Sept	Projected Oct	Projected Nov	Projected Dec	Projected Jan 99	Projected Feb	Projected Mar	Projected Apr	Projected May	Projected Jun	PROJECTED TOTAL
EQUITIES													
Fleet/Norstar		262,500			262,500			262,500			262,500		1,050,000
Banker Trust			48,420				85,000			85,000		85,000	303,420
Provident Invstmnt			1,533,289		500,000			500,000			500,000		3,033,289
Brinson			222,093			200,000			200,000			200,000	822,093
Mackay-Shield		155,358	155,527			150,000			150,000			150,000	760,885
David L. Babson	48,728		144,121			130,000			130,000			130,000	582,849
J & W Seligman		151,771			120,000			120,000			120,000		511,771
HLM Mgmt		64,377			60,000			60,000			60,000		244,377
ValueQuest		49,362			80,000			80,000			80,000		289,362
JP Morgan													
State Street Global Advisors													
FIXED INCOME													
Brown Bros.			52,566			70,000			70,000			70,000	262,566
Fidelity			301,800			160,000			160,000			160,000	781,800
Taplin		40,933			17,500			17,500			17,500		93,433
Loomis Sayles		306,016			300,000			300,000			300,000		1,206,016
INT'L EQUITIES													
Alliance Capital		65,231	70,244			50,000			50,000			50,000	285,475
Schroder			480,851			300,000			300,000			300,000	1,380,851
Scudder		155,458	149,564			135,000			135,000			135,000	710,022
Schroder Emgng Mkts													0
REAL ESTATE													
Heitman Advisory													0
L & B Real Estate													0
Aetna													0
Phoenix													0
ALTERNATIVE INVESTMENTS													
Bigler/Crossroads													0
Narragansett Cap.				4,400		4,400			4,400			4,400	17,600
Other Alt Inv Mgmt Fees		89,777	159,238	160,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000	1,689,015
PROFESSIONAL FEES													
Consulting													0
Legal													0
State Street Bank		82,725	273,751	82,000	82,000	82,000	82,000	82,000	82,000	82,000	82,000	82,000	1,094,476
Pacific Corp Group			0			68,750			68,750			68,750	206,250
Wilshire Assoc		16,667	33,333	16,667	16,667	16,667	16,667	16,667	16,667	16,667	16,667	16,667	200,003
OPERATING EXPENSE													
Retirement Transfers			816,007			750,000			750,000			750,000	3,066,007
Other Expense			0	500	500	500	500	500	500	500	500	500	4,500
TOTAL:	**48,728**	**1,440,176**	**4,440,804**	**263,567**	**1,599,167**	**2,277,317**	**344,167**	**1,599,167**	**2,277,317**	**344,167**	**1,599,167**	**2,362,317**	**18,596,061**

General Information

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

Short Term Investments Portfolio by Fund

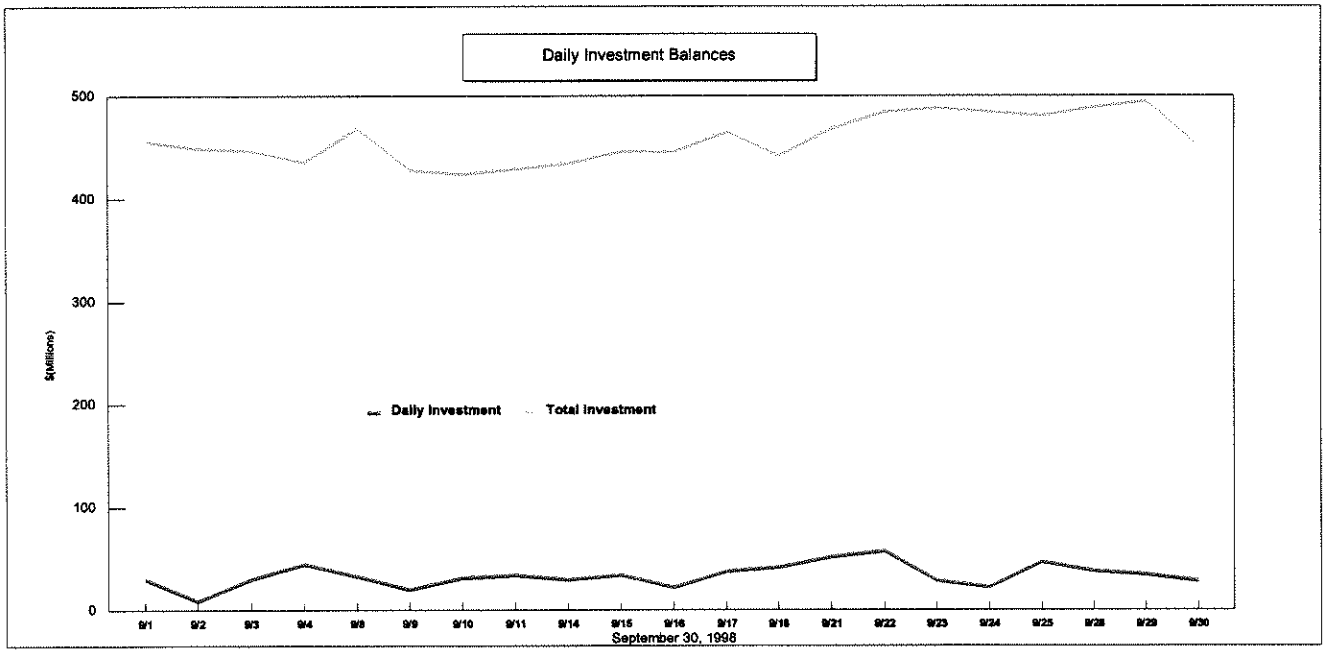
As of September 30, 1998

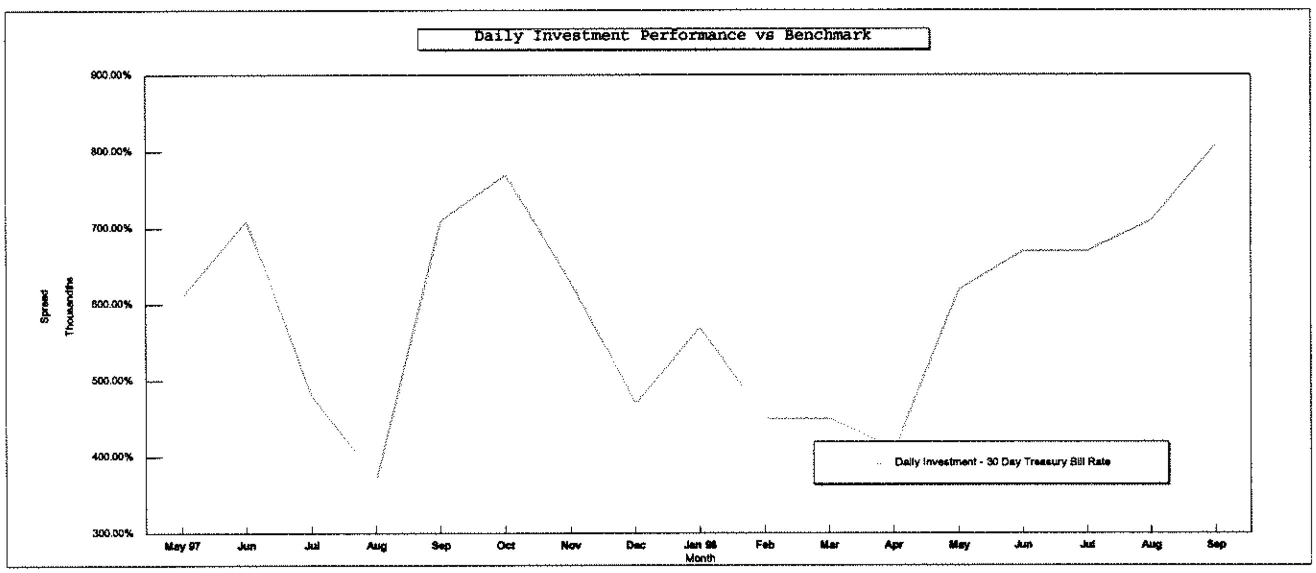
	Principal	Interest	Total Value @ Maturity
4901 GENERAL FUND	192,005,864	726,838	192,732,702
4902 GENERAL FUND	4,975,296	24,704	5,000,000
4904 PENSION C	0	0	0
4908 PAYROLL A	400,000	59	400,059
4920 GENERAL FUND (HIST PRES)	369,854	4,854	374,709
5200 RI UNDERGROUND STORAG TNK	2,501,443	2,554	2,503,997
5400 HIGHWAY FUND	13,500,000	16,280	13,516,280
5500 UNIVERSITY COLLEGE	3,000,000	2,626	3,002,626
5800 PROV. RIVER RELOCATION	850,000	868	850,868
6920 AUTO EQUIPMENT SERVICE	0	0	0
8000 T.D.I. RESERVE (DET)	53,472,586	762,547	54,235,133
8225 JOB DEVELOPMENT (DET)	7,007,377	10,024	7,017,402
8230 E.T. TARDY (DET)	637,115	2,885	640,000
8240 E.T. INTEREST (DET)	358,377	1,623	360,000
8300 PERMANENT SCHOOL FUND	359,940	901	360,841
8400 EMP RETIREMENT FUND	0	0	0
8500 MUN EMP RETIREMENT FUND	0	0	0
8700 R.I. CLEAN WATER ACT	2,577,626	5,554	2,583,179
9000 BOND CAPITAL FUND	10,194,210	13,001	10,207,210
9700 STATE LOTTERY FUND	12,090,579	33,983	12,124,562
9800 INDUS. BLDG. & MTG. INS.	1,844,911	7,596	1,852,507
4911 TANS PROCEEDS	0	0	0
Subtotal	306,145,178	1,616,898	307,762,076
8701 CLEAN WATER 1991 SER. B	98,731		
8702 CLEAN WATER 1993 SER. A	104,907		
8703 CLEAN WATER 1991 SERIES A	702,105		
8704 CLEAN WATER 96 SERIES A	782,748		
8705 CLEAN WATER 1992 SER. A	151,647		
8706 CLEAN WATER CCDL 1994 (A)	622,042		
8707 CAP DEV. OF 1997 SERIES A	155,632		
8708 CLEAN WATER BOND 1990 A&B	0		
8709 CLEAN WATER 1990 SER. C	0		
8733 CAP DEV. OF 1997 SERIES A	100,956		
8734 POLUTION CONTROL 96A	129,031		
8735 RI POLLUTION CONTROL	6,142		
8736 RI POLLUT. CONT 93 SER. A	9,432		
8737 RI POLLUT. CONT 94 SER. A	92,959		
8738 POLUTION CONTROL 1998B	2,119,870		
9101 BOND SALE A 11-4-87	65,764		
9102 BOND CAPITAL CCDL 1988	21,393		
9104 BOND CAPITAL 1989 SER. A	2,037		
9105 BOND CAPITAL 1989 SER. B	7,255		
9108 BOND SALE 1990 SER. A&B	210,640		
9114 G.O. NOTE 1991 SER. B	166,034		
9115 BOND CCDL 1992 SERIES A	1,555,077		
9116 BOND CCDL 1993 SERIES A	11,232,929		
9117 BOND CCDL 1994 SERIES A	5,383,068		
9118 BOND CCDL 1995 SER. A	155,433		
9119 CCDL 95 B	3,401		
9120 BOND CCBL96A	9,706,305		
9121 CAP DEV OF 1997 SERIES A	33,128,415		
9122 1998 MULTIMODAL GEN OBLIG	16,410,282		
9123 CCDL 1998B	60,856,536		
Subtotal Bond Proceed Accounts	143,980,769		
Total Short Term Portfolio	450,125,947		

Short Term Interest Rate Performance
1998

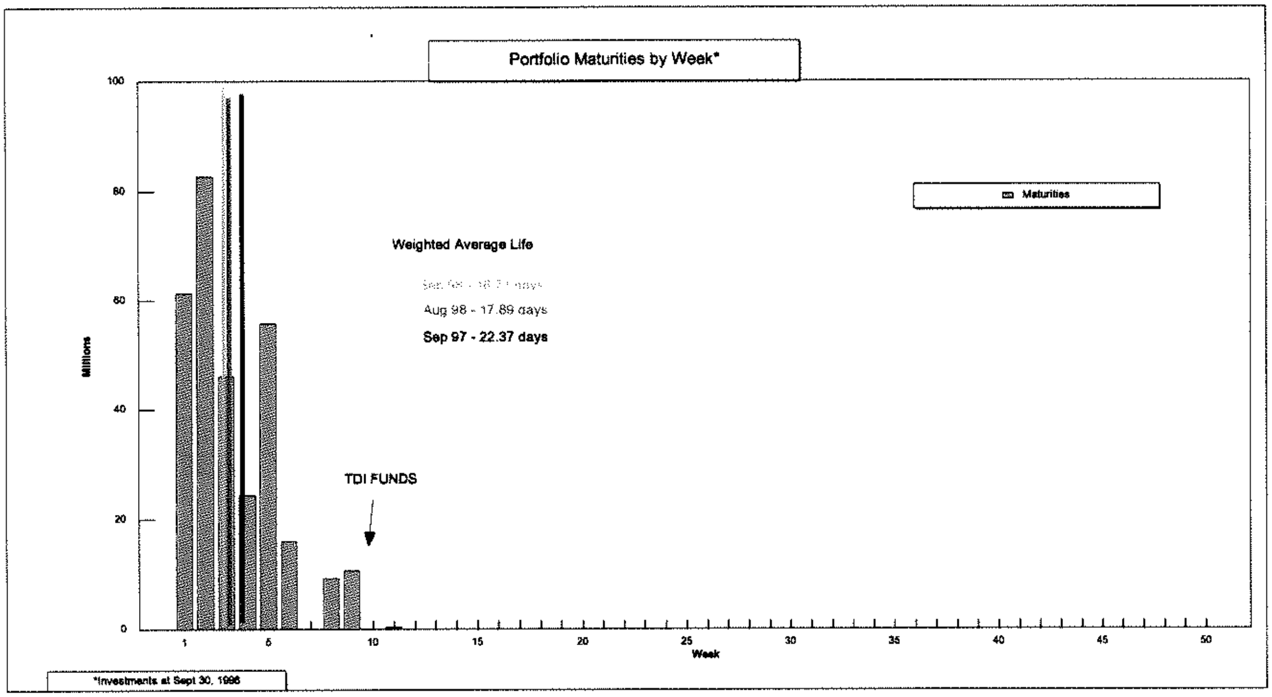
Date	Amount Invested (millions)	Weighted Interest Rate	30 Day Treasury Rate	Basis Point Difference
9/01	$30.42	5.47	4.68	79.00
9/02	$9.60	5.51	4.78	73.00
9/03	$30.32	5.45	4.75	70.00
9/04	$44.98	5.47	4.76	71.00
9/08	$33.07	5.45	4.77	68.00
9/09	$20.85	5.56	4.75	81.00
9/10	$31.86	5.45	4.72	73.00
9/11	$34.16	5.45	4.74	71.00
9/14	$30.15	5.42	4.73	69.00
9/15	$34.46	5.49	4.77	72.00
9/16	$22.68	5.38	4.76	62.00
9/17	$38.32	5.45	4.70	75.00
9/18	$42.07	5.48	4.63	85.00
9/21	$51.79	5.44	4.47	97.00
9/22	$57.50	5.47	4.45	102.00
9/23	$28.75	5.44	4.43	101.00
9/24	$22.80	5.32	4.40	92.00
9/25	$46.96	5.17	4.35	82.00
9/28	$38.15	5.19	4.35	84.00
9/29	$35.25	5.27	4.38	89.00
9/30	$28.70	5.17	4.35	82.00
	$712.84 total amount invested	5.40 weighted average rate	4.59 average 30 day rate	81 basis point difference

RHODE ISLAND STATE INVESTMENT COMMISSION
SHORT TERM INVESTMENTS





RHODE ISLAND STATE INVESTMENT COMMISSION
SHORT TERM INVESTMENTS



SUMMARY PORTFOLIO YIELDS

	WEIGHTED AVERAGE YIELD(%)
Sep 30, 1998	**5.394%**
Aug 31, 1998	**5.501%**
Sep 30, 1997	**5.490%**

SPECIAL FUNDS
INVESTMENT SUMMARY
SEPTEMBER 30,1998

FUND NAME	EQUITIES	CASH & EQUIVALENTS	FIXED INCOME	Gain/Loss	TOTAL MARKET VALUE
Abraham Touro Fund	1,402,505	101,436	828,223	122,338	2,332,164
State of Rhode Island Land Grant Fund	64,654	739	0	8,848	65,393
TOTALS	1,467,159	102,175	828,223	131,186	2,397,557