State of Rhode Island and Providence Plantations

Office of the General Treasurer

Nancy J. Mayer
General Treasurer

STATE OF RHODE ISLAND
INVESTMENT COMMISSION MEETING
FEBRUARY 24, 1998

State of Rhode Island and Providence Plantations

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RHODE ISLAND STATE INVESTMENT COMMISSION
MEETING NOTICE

The next meeting of the Rhode Island State Investment Commission has been scheduled for Tuesday, February 24, 1998 at 9:00 a.m. in Room 135 of the State House.

AGENDA
STATE INVESTMENT COMMISSION

1. Approval of Minutes
   - Regular Meeting held on January 27, 1998
   - Alternative Investments Committee Meeting held on January 22, 1998

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

3. Investment Manager Review - Pacific Rim Manager
   - Scudder, Stevens & Clark, Inc.

4. Alternative Investment Consultant - Pacific Corporate Group
   - Status Report

5. Alternative Investments Sub-Committee Recommendations from
   Meeting held February 17, 1998

6. Treasurer's Report

7. Deputy General Treasurer for Finance Report

8. Legal Counsel Report

9. New Business

State of Rhode Island and Providence Plantations
STATE INVESTMENT COMMISSION

Minutes of the Regular Meeting
January 27, 1998

The following members were present at the meeting held in Room 135, State House, Providence: Mr. Karl F. Ericson, Ms. Rosemary Booth Gallogly, Designee of the Director of Administration, General Treasurer Nancy J. Mayer and Senator Paul J. Tavares. Also present were Ms. Joann E. Flaminio, Ex-Officio, Ms. Barbara B. Schoenfeld, Legal Counsel to the Commission, Mr. William G. Bensur, 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. Kenneth R. Dulgarian, Representative Mark B. Heffner and Mr. James M. Seed were absent.

There being a quorum present, the Treasurer called the meeting to order at 9:15 a.m.

Minutes. Mr. Ericson moved, Ms. Gallogly seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Ericson, Ms. Gallogly, Treasurer Mayer and Senator Tavares.

VOTED: To approve the Minutes of the December 11, 1997 Regular Meeting.

Alternative Investments Committee. Treasurer Mayer reported that the Committee met on January 22nd with Pacific Corporate Group and representatives of Alta BioPharma Partners, L.P. and Nordic Capital Fund III, L.P. The Committee recommends that the full Commission approve investment in the two proposed limited partnerships as recommended by Pacific Corporate Group.

Mr. Ericson moved, Ms. Gallogly seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Ericson, Ms. Gallogly, Treasurer Mayer and Senator Tavares.

VOTED: To invest:

- **$10 million in Alta BioPharma Partners, L.P.,**
- **and a minimum of $7.5 million in Nordic Capital Fund III, L.P. (up to $10 million, subject to available capacity),**

both as recommended by Pacific Corporate Group, and both contingent upon satisfactory review and negotiation of investment and other legal documents.

Consultant Report - Wilshire Associates Incorporated. Providing his Capital Market Update, Mr. Bensur reported that market participants expect increased volatility as themes such as growth in corporate profits are generating mixed results. Investors are still concerned that the currency crisis in Southeast Asia may not be over and additional losses in the region may occur.

Mr. Bensur explained that domestic equity indices have generated negative returns year-to-date. Large stocks outperformed small stocks on a year to date basis. The Southeast Asia region has rallied recently and has returned 4.4% through 1/23/98.

The UK/Europe region has returned 2.15% through 1/23/98. The Emerging Markets are off -11.7% through the same period. The bond market has returned 0.7%. A sharp sell-off in the bond market last week created a ten year low and attractive values for bargain hunters.

The Treasurer raised the issue of the crisis in Asia and its impact on the US markets. She discussed the deflationary effect and its spillover to European economics through the Asian investments by European private sector banks. She informed the Commission of her concerns about the downward spiral and the indicators pointing toward an extended economic crisis.

Consequently, the fund has not been rebalanced back to the target allocations which would require investing additional dollars in either the Pacific Rim portfolio managed by Scudder, Stevens & Clark, or in the emerging markets fund managed by Schroder Capital Management, Ltd. Wilshire has recommended that the fund be re-allocated back to target weights. The Pacific Rim portfolio is underbalanced by approximately $134 million and the Schroder portfolio is underbalanced by approximately $27 million. The Commission members support a position to suspend additional investments into those two portfolios and to re-examine the issue in three months.

<u>Fixed Income Asset Allocation and Investment Strategy - Wilshire Associates Incorporated</u>. Mr. Bensur summarized Wilshire's recommendations as follows:

- Maintain the fixed income target allocation at 32.5% of total assets;
- Use the Lehman Aggregate Index as the benchmark for the fixed income composite;
- Pursue active rather than passive fixed income management strategies;
- Retain Fleet as a broad core fixed income manager. Reduce the total exposure to Fleet. Use the portfolio as a source of funds for other fixed income strategies;
- Expand the role of Brown Brothers as an "opportunistic" core fixed income manager. Increase the size of the Brown Brothers allocation;
- Continue to use "specialty" fixed income mandates (i.e. mortgage, corporate and high yield/convertible) within the fixed income structure; and
- Expand the role of Taplin, Canida & Habacht from an "emerging" to a "primary" manager for the investment grade corporate bond allocation.

After a lengthy discussion, Mr. Bensur summarized his proposal for funding (calculated as of September 30, 1997) as follows:

Manager	RIERS Amount Under Management as of 9/30/97		Wilshire's Proposal		Change
	%	$ (millions)	%	$ (millions)	$ (millions)
FLEET - ***broad core***	**62.6%**	**$1,100**	**30%**	**$550**	**- $550**
BROWN BROTHERS - ***opportunistic core***	**0.0%**	**$0**	**20%**	**$350**	**+$350**
short term	**11.7%**	**$211**	**0.0%**	**$0**	**-$211**
(Net Change to Brown Brothers: +$139)					
FIDELITY - ***mortgage oriented***	**9.5%**	**$171**	**25.0%**	**$450**	**+$279**
TAPLIN, CANIDA & HABACHT - ***investment grade corporate***	**1.3%**	**$23**	**10.0%**	**$175**	**+$152**
LOOMIS, SAYLES - ***high yield/ convertible***	**13.4%**	**$234**	**15.0%**	**$263**	**+$29**

Total does not equal 100%, due to rounding.

Senator Tavares moved, Mr. Ericson seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Ericson, Ms. Gallogly, Treasurer Mayer and Senator Tavares.

VOTED: **To adopt the structure recommendations made by Wilshire Associates Incorporated, but any implementation will be subject to due diligence by the Treasurer's office, which will confer with Wilshire Associates and make recommendations as to allocation amounts under the revised structure.**

Treasurer's Report. Treasurer Mayer reported that thirty-six responses were received in response to the Request for Proposals for an Active core-oriented domestic equity manager. (A thirty-seventh firm submitted printed materials which were not responsive to the questions in the RFP). The responses have been read by Wilshire Associates and by Treasury staff and narrowed to eleven semi-finalists - six in a quantitative category and five in a fundamental category. The Treasurer requested that the Commission authorize site visits and further due diligence for the eleven semi-finalists and that two or three finalists in each category would be brought back to the Commission for interviews.

Senator Tavares moved, Mr. Ericson seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Ericson, Ms. Gallogly, Treasurer Mayer and Senator Tavares.

VOTED: To authorize the Treasurer, her staff and Wilshire Associates Incorporated to conduct site visits and due diligence on the semi-finalists selected for the active core-oriented domestic equity manager search.

It was agreed by Commission members that because of scheduling conflicts, Mr. Ericson would replace Mr. Seed at the next meeting of the Alternative Investments Committee.

Mr. Bensur stated that Rosalind Hewsenian will represent Wilshire Associates at the February 24, 1998 State Investment Commission meeting.

Deputy Treasurer for Finance Report. Mr. Thorsen reported that the Treasury had received an unsolicited offer to purchase the real estate portion of the portfolio but that he, the Treasurer and Ms. Schoenfeld have determined not to pursue it because the real estate portfolios are being liquidated and distributed rapidly. The remaining investments in the four commingled real estate funds are valued at approximately $67 million down from $92 million in July, 1997.

He also stated that a meeting was held with representatives from Gateway Associates regarding Congress Group Ventures Fund IV, also known as the "American Express" building behind the State House. The pension fund is the holder of a $23 million mortgage, with a balloon payment scheduled for February 1, 2000. The general partner is in negotiations with the current occupant, Dreyfus, a unit of Mellon Bank, for a lease renewal of the building, scheduled for March - April, 1998. After a lease is settled, Congress Ventures believes that it can refinance or sell the building to raise funds for payment of the mortgage at maturity. The SIC will be informed as the situation develops.

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

Respectfully submitted,

Barbara B. Schoenfeld
Legal Counsel to the
State Investment Commission

RHODE ISLAND STATE INVESTMENT COMMISSION

STAFF SUMMARY ANALYSIS

JANUARY 1998 PORTFOLIO HIGHLIGHTS

MARKET VALUES

The total portfolio value increased in January by $48.9 Million to $5,542.3 Billion (+0.94%). This compares with an increase in value of $133.2 Million (+2.25%) for the same period in 1997.

- The equity market values increased by $5.5 Million (+0.20%). Fixed income increased by $24.7 Million net of transfers (+1.34%), while international equities increased by $22.6 Million (+3.19%). Alternative investments decreased by $3.7 Million, (+1.1%), net of capital calls, cash distributions and transfers, while cash decreased by $188,797.
- The top three equity manager performers for January were as follows:

Manager	*Market Value Gains(Losses)*	*Percentage Gains*
Fleet	$9.6 Million	+1.72%
Provident	$6.7 Million	+1.59%
ValueQuest	$0.2 Million	+1.03%

- Brown Brothers' fixed income portfolio increased in value by $2.3 Million net of transfers. Fleet's fixed income portfolio increased in value by $18.9 Million, while Fidelity's value increased by $1.7 Million. The Loomis Sayles portfolio increased by $1.3 Million, and Taplin, Canida & Habacht's portfolio increased by $210,729.

ASSET ALLOCATION

- There is a 5.14% over-allocation in domestic equities; fixed income is slightly over-allocated by 1.14% and the international equity asset class is under-allocated by 1.76%; the alternative investment asset class is under by 5.01%. We expect the over-allocation to equities and fixed income to persist due to the challenge of investing the alternative investment commitment in an orderly fashion.

- Cash and equivalents increased from $225.07 Million in December to $229.11 Million in January.

INVESTMENT MANAGER FUNDING

- Cash distributions received during the month were as follows: Providence Equity Partners $172,066 and Heitman Realty Trust $1,737,426, for a total of $1,909,492.
- Supplemental funding of $1,110,667 was provided to Blackstone Equity Partners, $278,705 to Harvest, $150,104 to Willis Stein, and $359,369 to SKM Equity, for a total of $1,864,298.

At this time, the alternative investment asset class has an unfunded allocation of approximately $277.5 Million.

EXPENSES

Expenses for fiscal 1998 to date are $8,280,005. This figure is in line with budget expectations and market conditions. No significant adjustments to expense forecasts are required at this time.

CASH FLOW

January's combined state and teacher contributions were sufficient to cover the month's pension payroll; the municipal plan however, required the transfer of an additional $1 Million from the long term plan.

SHORT TERM CASH

The short term cash portfolio had a 22.28 day weighted average maturity vs. 18.14 days in December.

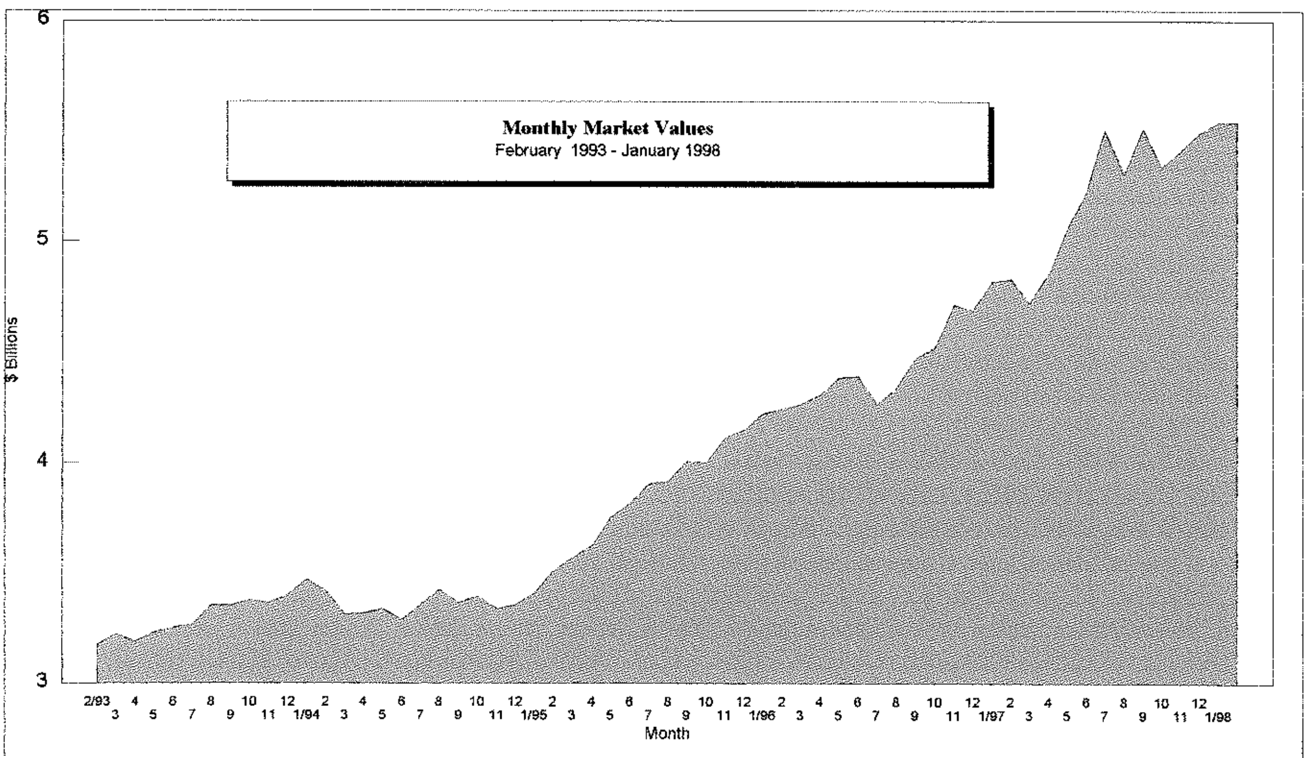
RHODE ISLAND STATE INVESTMENT COMMISSION

Market Value Report

EMPLOYEES' RETIREMENT SYSTEMS
Market Values at January 31, 1998

ASSET CLASS	NET ASSET VALUE $ (millions)
Domestic Equity	2,718.15
Alternative Investments	138.18
Fixed Income	1,741.88
International Equity	714.89
Cash & Equivalents	229.23
Total	**5,542.33**

ERSRI - 87.0670384%
MERSRI - 12.7704387%
ST POL - 00.1027147%
JUDICIAL - 00.0598082%



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RHODE ISLAND STATE INVESTMENT COMMISSION

TIME WEIGHTED PERFORMANCE REPORT

Rhode Island Employees' Retirement Systems
Performance as of January 31, 1998

DOMESTIC EQUITY	JANUARY 1998	YTD
Fleet	1.72%	1.72%
Bankers Trust	0.46%	0.46%
Provident	1.59%	1.56%
Brinson	0.82%	0.82%
Mackay-Shields	-1.95%	-1.95%
Babson	-4.24%	-4.24%
J & W Seligman	-2.05%	-2.05%
HLM Management	-1.29%	1.29%
ValueQuest	1.03%	1.03%
Total Domestic Equity	**0.20%**	**0.20%**
INTERNATIONAL EQUITY		
Alliance	4.76%	4.76%
Schroders	5.49%	5.49%
Scudder	1.19%	1.19%
Schroder Emerging Markets	-5.13%	-5.13%
Total International Equity	**3.19%**	**3.19%**
FIXED INCOME		
Fleet	1.61%	1.61%
Fidelity	1.07%	1.07%
Brown Brothers	1.13%	1.13%
In-State F.I.	0.08%	0.08%
Taplin, Canida & Habacht	0.90%	0.90%
Loomis Sayles	0.57%	0.57%
Total Fixed Income	**1.34%**	**1.34%**

RHODE ISLAND STATE INVESTMENT COMMISSION

SUMMARY PORTFOLIO

PERFORMANCE REPORT

ASSET CLASS	JANUARY 1998	YTD
Domestic Equity	0.20%	0.20%
International Equity	3.19%	3.19%
Fixed Income	1.34%	1.34%
TOTAL FUND COMPOSITE*	**0.99%**	**0.99%**

INDICES	JANUARY 1998	YTD
Domestic Equity		
S & P 500	1.13%	1.13%
Wilshire 3000	0.50%	0.50%
Russell 2000	-1.58%	-1.58%
Russell 2500	-1.53%	-1.53%
International Equity		
MSCI EAFE	4.57%	4.57%
Fixed Income		
Lehman AGG	1.28%	1.28%

* Total Fund Composite includes all asset classes.

RHODE ISLAND STATE INVESTMENT COMMISSION

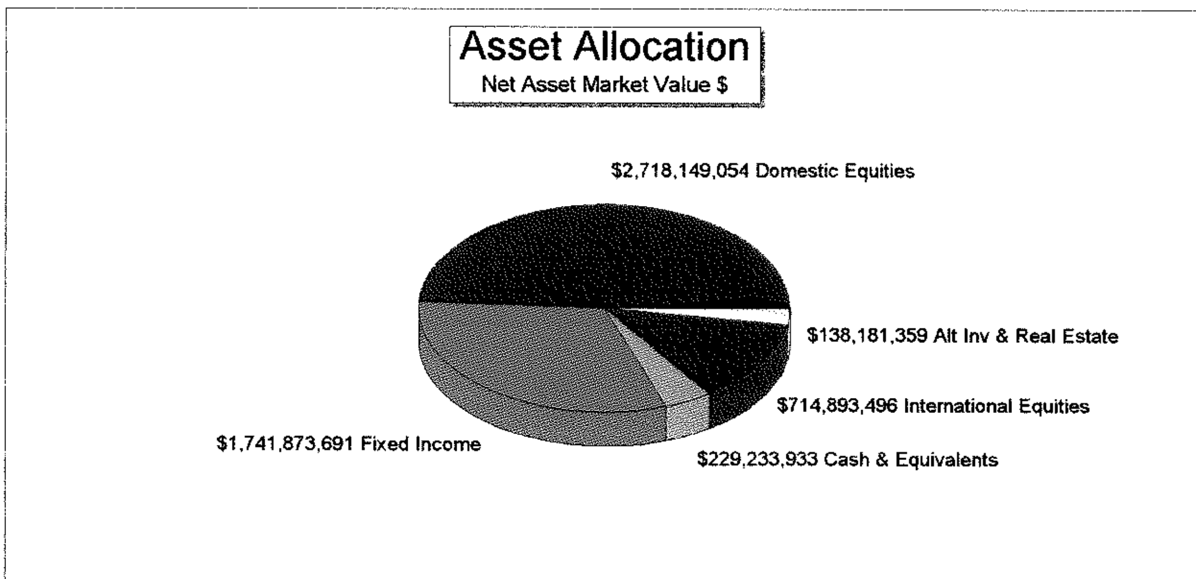
EMPLOYEES' RETIREMENT SYSTEMS

ASSET ALLOCATION

January 1998

PERCENTAGE OF TOTAL DOLLARS

ASSET CLASS	ACTUAL	TARGET	ACTUAL/TARGET DIFFERENCE
Domestic Equity	50.14%	45.00%	5.14%
Fixed Income	33.64%	32.50%	1.14%
Alt Inv & Real Estate	2.49%	7.50%	-5.01%
International Equity	13.24%	15.00%	-1.76%
Cash	0.49%	0.00%	0.49%
	100.00%	100.00%	-0.00%



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February 24, 1998

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

This is to certify that the amounts so listed on the following page 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 January 31, 1997.

The amounts listed for our alternative investments designations are illiquid and do not have a readily determinable market value. They are based on appraisals only.

Respectfully submitted,

Nancy J. Mayer

Nancy J. Mayer
General Treasurer

c:sic/mthlyltr

COMPOSITE REPORTING

BALANCE SHEET

JANUARY 31, 1998

ASSET CLASS

Cash/Short Term Investments		
Short Term Investment Fund		
Money Market Instruments		$229,233,933.43
Equities - Domestic		$2,718,149,054.25
Equities - International		$714,893,496.41
Fixed Income - Government	$1,455,564,301.86	
Fixed Income - Corporate	$258,912,512.00	
Fixed Income - In State	$27,396,876.90	
Total Fixed Income		$1,741,873,690.76
Alternative Investments		$137,681,358.59
Other - Escrow		$500,000.00
TOTAL FUND INVESTMENTS		$5,542,331,533.44

ERSRI	-	87.0670384%
MERSRI	-	12.7704387%
STPOL	-	0.1027147%
JUDC'L	-	0.0598082%

balsheet.xls

TIME WEIGHTED ERSRI MARKET VALUE CHANGE REPORT
1/01/98 - 1/31/98

PORTFOLIO	BENCHMARK DESCRIPTION	MARKET VALUE 12/31/97	TRANSFERS IN/OUT	MARKET VALUE 1/31/98	NET INCREASE/ (DECREASE)	MONTHLY CHANGE: MARKET VALUE %OF CHANGE NET OF TRFRS	MONTHLY CHANGE: BENCHMARK %OF CHANGE	MONTHLY CHANGE: MKT VARIANCE TO BENCHMARK	CALENDAR YTD PERFORMANCE	CALENDAR YTD BENCHMARK
DOMESTIC EQUITY										
FLEET	S&P 500	560,519,118	0	570,158,097	9,638,979	1.72%	1.13%	0.59%	1.72%	1.13%
BANKERS	W. 5000	847,037,467	37,800	850,930,715	3,855,449	0.46%	0.54%	-0.08%	0.46%	0.54%
PROVIDENT	RUSSL 1000 GRWTH	422,872,509	0	429,601,009	6,728,500	1.59%	0.74%	0.85%	1.59%	0.74%
BRINSON	W. 5000	260,119,983	0	262,242,635	2,122,652	0.82%	0.54%	0.28%	0.82%	0.54%
MCKY-SHLDS	W. 5000	252,035,513	0	247,123,130	(4,912,382)	-1.95%	0.54%	-2.49%	-1.95%	0.54%
BABSON	RUSSL 2500 SMLCAP	192,149,192	0	183,996,336	(8,152,855)	-4.24%	-1.53%	-2.71%	-4.24%	-1.53%
JW SELIGMAN	RUSSL 2000 SMLCAP	186,086,067	0	182,273,387	(3,812,680)	-2.05%	-1.58%	-0.47%	-2.05%	-1.58%
HLM Management	RUSSL 2000	24,142,092	0	23,830,774	(311,319)	-1.29%	-1.58%	0.29%	-1.29%	-1.58%
VALUEQUEST LTD	W. LRGE VALUE	28,571,290	0	28,865,110	293,820	1.03%	-1.64%	2.67%	1.03%	-1.64%
TOTAL EQUITY		2,773,533,230	37,800	2,779,021,194	5,450,163	0.20%			0.20%	
FIXED INCOME										
FLEET	LEHMAN AGG	1,171,359,486	37,800	1,190,285,799	18,888,513	1.61%	1.28%	0.33%	1.61%	1.28%
FIDELITY	SALOMON MORT.	174,311,881	75,000	176,183,964	1,797,083	1.07%	0.93%	0.14%	1.07%	0.93%
BROWN BROS.	LEHMAN 1-3YR	204,725,358	0	207,118,466	2,393,108	1.13%	0.97%	0.16%	1.13%	0.97%
IN STATE F.I.		27,642,941	0	27,665,584	22,643	0.08%	N/A	N/A	0.08%	N/A
TAPLIN CANIDA & HABECHT	LB INT GOVT/CORP	23,313,236	0	23,523,965	210,729	0.90%	1.31%	-0.41%	0.90%	1.31%
LOOMIS SAYLES COMPANY	MERRLYNCH/1ST BOSTO COMPOSITE	238,236,752	0	239,595,855	1,359,103	0.57%	1.04%	-0.47%	0.57%	1.04%
TOTAL FIXED INCOME		1,839,589,653	112,800	1,864,373,633	24,671,179	1.34%			1.34%	

PORTFOLIO

	BENCHMARK DESCRIPTION	MARKET VALUE 12/31/97	TRANSFERS IN/OUT	MARKET VALUE 1/31/98	NET INCREASE/ (DECREASE)	MARKET VALUE %OF CHANGE NET OF TRFRS	BENCHMARK %OF CHANGE	MKT VARIANCE TO BENCHMARK	CALENDAR YTD PERFORMANCE	CALENDAR YTD BENCHMARK
INTERNATIONAL EQUITY										
ALLIANCE	MSCI EAFE	202,770,579	8,400	212,421,875	9,642,896	4.76%	4.57%	0.19%	4.76%	4.57%
SCHRODER	MSCI EUROPE	284,311,139	0	299,924,876	15,613,737	5.49%	4.16%	1.33%	5.49%	4.16%
SCUDDER	WIL CSTM ASIA	140,747,553	0	142,422,995	1,675,442	1.19%	2.31%	-1.12%	1.19%	2.31%
SCHRODER EMERGING MKTS	MSCI EMERG MKTS EX MALAYSIA	83,107,744	0	78,843,666	(4,264,078)	-5.13%	-7.63%	2.50%	-5.13%	-7.63%
TOTAL INT'L EQUITY		710,937,015	8,400	733,613,412	22,667,996	3.19%			3.19%	
ALTERNATIVE INVESTMENTS										
ALTERNATIVE INVESTMENT		69,272,990	0	71,372,315	2,099,325	0.02%	N/A	N/A	0.02%	N/A
BANK ACQUISITION		500,000	0	500,000	0	0.00%	N/A	N/A	0.00%	N/A
HEITMAN	WILSHIRE R.E	27,906,628	0	26,169,202	(1,737,426)	2.57%	N/A	N/A	2.57%	N/A
L & B	WILSHIRE R.E	36,739,252	0	36,739,252	0	0.00%	N/A	N/A	0.00%	N/A
ÆTNA	WILSHIRE R.E	369,326	0	455,417	86,091	23.31%	N/A	N/A	23.31%	N/A
PHOENIX	WILSHIRE R.E	7,181,567	0	2,945,172	(4,236,395)	22.42%	N/A	N/A	22.42%	N/A
TOTAL ALTERNATIVE INVESTMENTS		141,969,763	0	138,181,359	(3,788,405)	1.11%			1.11%	
CASH ACCOUNTS										
CASH ACCOUNT		22,330,637	0	23,739,909	1,409,271	N/A	N/A	N/A	N/A	N/A
INTERNAL CASH		5,011,097	0	3,402,029	(1,609,068)	N/A	N/A	N/A	N/A	N/A
TOTAL CASH		27,341,734	0	27,141,937	(199,797)	N/A				
GRAND TOTAL		5,493,371,396	159,000	5,542,331,533	48,801,137	0.99%			0.99%	

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Alternative Investments Funding

1998

Manager	Partnership Commitment	Prior Funding Thru 12/31/97	Current Month Funding	Cumulative Total at 1/31/98	Unfunded Balance	Market Values at 1/31/98
ABS Capital Partners	5,000,000	1,846,816	0	1,846,816	3,153,184.00	1,828,195
Alta BioPharma Partners, L.P.	10,000,000	0	0	0	10,000,000.00	0
Blackstone Capital Ptnrs	20,000,000	670,032	1,110,667	1,780,699	18,219,301.00	1,780,668
Boston Ventures Ltd	5,000,000	1,200,000	0	1,200,000	3,800,000.00	975,671
Crossroads/Providence LP	42,509,665	42,509,665	0	42,509,665	0.00	27,924,748
Doughty Hanson II	5,000,000	3,574,797	0	3,574,797	1,425,203.00	2,876,012
Doughty Hanson III	15,000,000	15,000	0	15,000	14,985,000.00	15,000
Harvest Partners III	15,000,000	1,214,468	278,705	1,493,173	13,506,827.00	1,493,173
Heritage Fund	5,000,000	695,467	0	695,467	4,304,533.00	695,467
Narragansett First Fund	218,566	198,498	0	198,498	20,068.46	5,122
Narragansett Capital Partners	1,671,121	1,671,121	0	1,671,121	0.00	1,652,657
Nordic Capital III	7,500,000	0	0	0	7,500,000.00	0
OCM Opportunities Fund	8,000,000	8,000,000	0	8,000,000	0.00	9,727,056
OCM Principal Opportunities	5,000,000	1,750,000	0	1,750,000	3,250,000.00	1,759,632
OCM Opportunities II	12,000,000	1,800,000	0	1,800,000	10,200,000.00	1,799,875
Providence Equity Partners	10,000,000	2,990,897	0	2,990,897	7,009,103.00	2,680,754
SKM Equity Fund II	10,000,000	1,922,676	359,369	2,282,045	7,717,955.00	2,281,088
THL Equity Fund IV	15,000,000	0	0	0	15,000,000.00	0
TPG Partners	10,000,000	2,064,000	0	2,064,000	7,936,000.00	2,118,653
Triumph Partners III	15,000,000	0	0	0	15,000,000.00	0
Wellspring Capital Partners	15,000,000	0	0	0	15,000,000.00	0
Welsh, Carson, Anderson & Stowe	15,000,000	9,000,000	0	9,000,000	6,000,000.00	8,383,671
Willis Stein	5,000,000	3,312,879	150,104	3,462,983	1,537,017.00	3,374,873
TOTALS:	$251,899,353	$84,436,316	$1,898,845	$86,335,161	$165,564,191	$71,372,314

Asset Allocation Monitoring Report
Market Values at January 31, 1998

ERSRI
&
MERSRI

Asset Class	Style	January 31, 1998 Actual $	%	Target $	%	Difference	Cash	% of Total
Domestic Equity								
Fleet	active	570.16	10.29%	498.81	9.00%	71.35	3.92	0.69%
Bankers	passive	850.93	15.35%	748.21	13.50%	102.72	9.45	1.11%
Total Core		**1,421.09**	**25.64%**	**1,247.02**	**22.50%**			
Provident	growth	429.60	7.75%	415.67	7.50%	13.93	18.61	4.33%
Total Growth		**429.60**	**7.75%**	**415.67**	**7.50%**			
Brinson Partners	large cap	262.24	4.73%	221.69	4.00%	40.55	4.27	1.63%
Mackay-Shields	large cap	247.12	4.46%	221.69	4.00%	25.43	4.62	1.87%
Total Large Cap Value		**509.37**	**9.19%**	**443.39**	**8.00%**			
David L. Babson	value	184.00	3.32%	166.27	3.00%	17.73	4.89	2.66%
J.W. Seligman	s/c growth	182.27	3.29%	166.27	3.00%	16.00	13.70	7.52%
Total Small Cap		**366.27**	**6.61%**	**332.54**	**6.00%**			
HLM Management	sml grwth	23.83	0.43%	27.71	0.50%	-3.88	1.28	5.38%
ValueQuest Ltd	lrg value	28.87	0.52%	27.71	0.50%	1.15	0.13	0.47%
Total Emerging Managers		**52.70**	**0.95%**	**55.42**	**1.00%**			
TOTAL DOMESTIC EQUITY		2,779.02	50.14%	2,494.05	45.00%	284.97	60.87	2.19%
International Equity								
Alliance	core	212.42	3.83%	166.27	3.00%	46.15	1.16	0.55%
Schroder	Euro/region	299.92	5.41%	277.12	5.00%	22.81	10.27	3.43%
Scudder	Pac Basin	142.42	2.57%	277.12	5.00%	-134.69	7.28	5.11%
Schroder Emerging Markets	Int'l	78.84	1.42%	110.85	2.00%	-32.00	0.00	0.00%
TOTAL INT'L EQUITY		733.61	13.24%	831.35	15.00%	-97.74	18.72	2.55%
Domestic Fixed Income								
Fidelity	Mort.-bk sec	176.18	3.18%	138.56	2.50%	37.63	25.27	14.34%
In-State	n/a	27.67	0.50%	27.71	0.50%	-0.05	0.25	0.89%
Total Mortgage		**203.85**	**3.68%**	**166.27**	**3.00%**			
Fleet	Fixed/Inc.	1,190.29	21.48%	1,247.02	22.50%	-56.74	76.26	6.41%
Brown Bros (Short)	Short Term F/	207.12	3.74%	138.56	2.50%	68.56	15.92	7.69%
Total Other Fixed Income		**1,397.40**	**25.21%**	**1,385.58**	**25.00%**			
Taplin, Canida & Habacht	core/fixed inc	23.52	0.42%	27.71	0.50%	-4.19	1.03	4.37%
Total Emerging Managers		**23.52**	**0.42%**	**27.71**	**0.50%**			
Loomis Sayles & Co		239.60	4.32%	221.69	4.00%	17.90	3.77	
Total Convertibles		**239.60**	**4.32%**	**221.69**	**4.00%**			
TOTAL FIXED-INCOME		1,864.37	33.64%	1,801.26	32.50%	63.12	122.50	6.57%
Real Estate								
Heitman	core	26.17	0.47%					
L&B	core	36.74	0.66%					
Ætna	cong. care r/e	0.46	0.01%					
Phoenix	deve. r/e	2.95	0.05%					
Total Real Estate		**66.31**	**1.20%**					
Alternative Investments								
Crossroads & Narragansett	venture cap.	29.58	0.53%					
Pacific Corp Group	venture cap.	41.79	0.75%					
Bank Acquisition	n/a	0.50	0.01%					
Total Alternative Investments		**71.87**	**1.30%**					
TOTAL ALTERNATIVE INVESTMENTS AND REAL ESTATE		138.18	2.49%	415.67	7.50%	-277.49	0.00	0.00%
Cash Equivalents		27.14	0.49%	0.00	0.00%	27.33	27.02	99.53%
TOTAL ASSETS		5,542.33	100.00%	5,542.33	100.00%	0.19	229.11	4.13%

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Alternative Investments Funding

1998

Manager	Partnership Commitment	Prior Funding Thru 12/31/97	Current Month Funding	Cumulative Total at 1/31/98	Unfunded Balance	Market Values at 1/31/98
ABS Capital Partners	$5,000,000	$1,846,816	$0	$1,846,816	$3,153,184	$1,828,195
Alta BioPharma Partners, L.P.	$10,000,000	$0	$0	$0	$10,000,000	$0
Blackstone Capital Ptnrs	$20,000,000	$670,032	1,110,667	$1,780,699	$18,219,301	$1,780,668
Boston Ventures Ltd	$5,000,000	$1,200,000	0	$1,200,000	$3,800,000	$975,671
Crossroads/Providence LP	$41,200,000	$42,509,665	0	$42,509,665	($1,309,665)	$27,924,748
Doughty Hanson II	$5,000,000	$3,574,797	$0	$3,574,797	$1,425,203	$2,876,012
Doughty Hanson III	$15,000,000	$15,000	$0	$15,000	$14,985,000	$15,000
Harvest Partners III	$15,000,000	$1,214,468	278,705	$1,493,173	$13,506,827	$1,493,173
Heritage Fund	$5,000,000	$695,467	$0	$695,467	$4,304,533	$695,467
Narragansett First Fund	$218,566	$198,498	$0	$198,498	$20,068	$5,122
Narragansett Capital Partners	$1,514,605	$1,671,121	$0	$1,671,121	($156,516)	$1,652,657
Nordic Capital III	$7,500,000	$0	$0	$0	$7,500,000	$0
OCM Opportunities Fund	$8,000,000	$8,000,000	$0	$8,000,000	$0	$9,727,056
OCM Principal Opportunities	$5,000,000	$1,750,000	$0	$1,750,000	$3,250,000	$1,759,632
OCM Opportunities II	$12,000,000	$1,800,000	$0	$1,800,000	$10,200,000	$1,799,875
Providence Equity Partners	$10,000,000	$3,025,444	($34,547)	$2,990,897	$7,009,103	$2,680,754
SKM Equity Fund II	$10,000,000	$1,922,676	$359,369	$2,282,045	$7,717,955	$2,281,088
THL Equity Fund IV	$15,000,000	$0	$0	$0	$15,000,000	$0
TPG Partners	$10,000,000	$2,064,000	$0	$2,064,000	$7,936,000	$2,118,653
Triumph Partners III	$15,000,000	$0	$0	$0	$15,000,000	$0
Wellspring Capital Partners	$15,000,000	$0	$0	$0	$15,000,000	$0
Welsh, Carson, Anderson & Stowe	$15,000,000	$9,000,000	$0	$9,000,000	$6,000,000	$8,383,671
Willis Stein	$5,000,000	$3,312,879	$150,104	$3,462,983	$1,537,017	$3,374,873
TOTALS:	**$250,433,171**	**$84,470,863**	**$1,864,298**	**$86,335,161**	**$164,098,010**	**$71,372,314**

Retirement Systems
Investment Earnings
Fiscal Year 1998 to Date Summary

ERSRI
&
MERSRI **at January 31, 1998**

	LONG TERM	*SHORT TERM*	*TOTAL*
INTEREST SOLD	8,734,662		8,734,662
DIVIDENDS	26,177,371		26,177,371
INTEREST	65,334,822	317,832	65,652,654
MISCELLANEOUS	17,109,005		17,109,005
CAPITAL GAINS	160,643,067		160,643,067
GRAND TOTAL:	**277,998,927**	**317,832**	**278,316,759**

1997-1998 EXPENSES

	Actual Jul 97	Actual Aug	Actual Sept	Actual Oct	Actual Nov	Actual Dec	Actual Jan 98	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			113,653			124,539			95,000			95,000	428,192
Provident Investmnt						688,411	613,152		600,000			600,000	2,501,563
Brinson			189,077			201,348			180,000			180,000	750,426
Mackay-Shield				140,949		147,709			140,000			140,000	568,658
David L. Babson			118,785			133,204		110,000			110,000		471,989
J & W Seligman		124,644				145,595		125,000			125,000		520,240
HLM Mgmt		52,875			59,864			60,000		60,000			232,739
ValueQuest		59,422			64,619				60,000			60,000	244,042
FIXED INCOME													
Brown Bros.			102,615			66,431		100,000		100,000			369,046
Fidelity			186,340			159,733			210,000			210,000	766,073
Taplin	15,753				16,310			15,000					47,063
Loomis Sayles		272,972			291,681			260,000	260,000			260,000	1,344,653
INT'L EQUITIES													
Alliance Capital			62,352			66,134			35,000			35,000	198,486
Schroder		126,848	128,317	155,659		235,660	139,772				130,000		916,256
Scudder			180,233			179,752		165,000			165,000		689,985
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.	4,367			4,396		3,232			4,700			4,700	21,395
Other Alt Inv Mgmt Fees	336,776				100,201			200,000			200,000		836,977
PROFESSIONAL FEES													
Consulting													0
Legal													0
State Street Bank		85,634	85,586	114,005				300,000	300,000			300,000	1,185,225
Pacific Corp Group				68,750		68,750		62,500			62,500		262,500
Wilshire Assoc	16,667		16,667	16,667	16,667	33,333		33,334	16,667	16,667	16,667	16,667	200,003
OPERATING EXPENSE													
Retirement Transfers				1,418,048				900,000			900,000		3,218,048
Other Expense					850			3,000		3,750			3,700
TOTAL:	373,563	984,896	1,183,624	1,918,474	812,692	2,253,832	752,924	2,596,334	1,901,367	180,417	1,971,667	1,901,367	16,827,258

CASH FLOW ANALYSIS

Employees Retirement System

FY 1997-98

	Actual July 1997	Actual August	Actual September	Actual October	Actual November	Actual December	Actual January 1998	Projected February	Projected March	Projected April	Projected May	Projected June	Projected TOTAL
MEMBER BENEFITS	20,711,680	23,243,705	24,140,005	23,716,403	21,771,161	23,265,552	23,882,660	22,500,000	22,500,000	22,500,000	22,000,000	22,500,000	272,731,166
ADMINISTRATIVE EXPENSES	0	0	89,103	1,546,385	0	0	0	300,000	300,000	300,000	250,000	250,000	3,035,488
INVESTMENT EXPENSES	31,994	856,564	942,307	127,203	620,509	1,963,024	655,548	800,000	800,000	850,000	1,025,000	1,125,000	9,797,148
TOTAL OUTFLOW	20,743,674	24,100,269	25,171,415	25,389,991	22,391,670	25,228,576	24,538,208	23,600,000	23,600,000	23,650,000	23,275,000	23,875,000	285,563,803
CONTRIBUTIONS	16,858,425	13,809,794	18,891,089	9,859,191	17,380,616	21,040,847	29,548,542	23,500,000	20,500,000	14,500,000	23,500,000	25,500,000	234,888,504
OTHER INCOME*	1,066,912	137,071	898,091	5,819,558	5,451,593	3,218,144	467,244	600,000	3,500,000	3,200,000	75,000	2,900,000	27,336,613
TOTAL INCOME	17,925,337	13,946,865	19,789,180	15,678,749	22,835,209	24,258,991	30,015,786	24,100,000	24,000,000	17,700,000	23,575,000	28,400,000	262,225,117
DIFFERENCE	(2,818,337)	(10,153,404)	(5,382,235)	(9,711,242)	443,539	(969,585)	5,477,578	500,000	400,000	(5,950,000)	300,000	4,525,000	(23,338,686)

Municipal Employees Retirement System

	Actual July 1997	Actual August	Actual September	Actual October	Actual November	Actual December	Actual January 1998	Projected February	Projected March	Projected April	Projected May	Projected June	Projected TOTAL
MEMBER BENEFITS	1,977,601	2,105,248	2,279,363	2,298,848	2,090,014	2,354,561	2,317,073	2,600,000	2,300,000	2,300,000	2,100,000	2,200,000	26,922,708
ADMINISTRATIVE EXPENSES	0	0	12,996	225,865	0	0	0	0	500	675	100	14,000	254,136
INVESTMENT EXPENSES	4,752	127,248	137,442	17,945	90,821	287,311	96,149	0	375,000	125,000	150,000	175,000	1,586,669
TOTAL OUTFLOW	1,982,353	2,232,496	2,429,801	2,542,658	2,180,835	2,641,872	2,413,222	2,600,000	2,675,500	2,425,675	2,250,100	2,389,000	28,763,512
CONTRIBUTIONS	1,170,401	1,388,638	1,601,231	699,271	1,855,769	1,256,460	1,615,239	1,450,000	1,200,000	1,200,000	1,500,000	1,650,000	16,587,009
OTHER INCOME*	158,497	20,362	130,993	852,098	797,927	471,013	68,530	100,000	525,000	475,000	50,000	425,000	4,074,420
TOTAL INCOME	1,328,898	1,409,000	1,732,224	1,551,369	2,653,696	1,727,473	1,683,769	1,550,000	1,725,000	1,675,000	1,550,000	2,075,000	20,661,429
DIFFERENCE	(653,455)	(823,496)	(697,577)	(991,289)	472,861	(914,399)	(729,453)	(1,050,000)	(950,500)	(750,675)	(700,100)	(314,000)	(8,102,083)

Judges/State Police Retirement System	Actual July 1997	Actual August	Actual September	Actual October	Actual November	Actual December	Actual January 1998	Projected February	Projected March	Projected April	Projected May	Projected June	Projected TOTAL
MEMBER BENEFITS	1,685	0	7,308	566	0	0	0	0	0	0	0	0	9,559
ADMINISTRATIVE EXPENSES	0	0	154	878	0	0	0	0	50	0	0	0	1,082
INVESTMENT EXPENSES	41	1,084	1,623	197	1,161	3,497	1,227	0	3,200	1,100	1,600	1,400	16,131
TOTAL OUTFLOW	1,726	1,084	9,085	1,641	1,161	3,497	1,227	0	3,250	1,100	1,600	1,400	26,772
CONTRIBUTIONS	119,190	143,437	147,493	143,786	143,725	238,472	161,993	125,000	125,000	60,000	130,000	220,000	1,758,096
*OTHER INCOME**	1,350	175	1,547	10,193	10,648	5,732	275	800	4,500	4,000	200	3,600	43,020
TOTAL INCOME	120,540	143,612	149,040	153,979	154,373	244,204	162,268	125,800	129,500	64,000	130,200	223,600	1,801,116
DIFFERENCE	118,814	142,528	139,955	152,338	153,212	240,707	161,041	125,800	126,250	62,900	128,600	222,200	1,774,344

*Includes Income from Real Estate Investments, Venture Capital, Securities Lending, and Cash Accounts.

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General Information

Table of Contents

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

Short Term Investments Portfolio by Fund

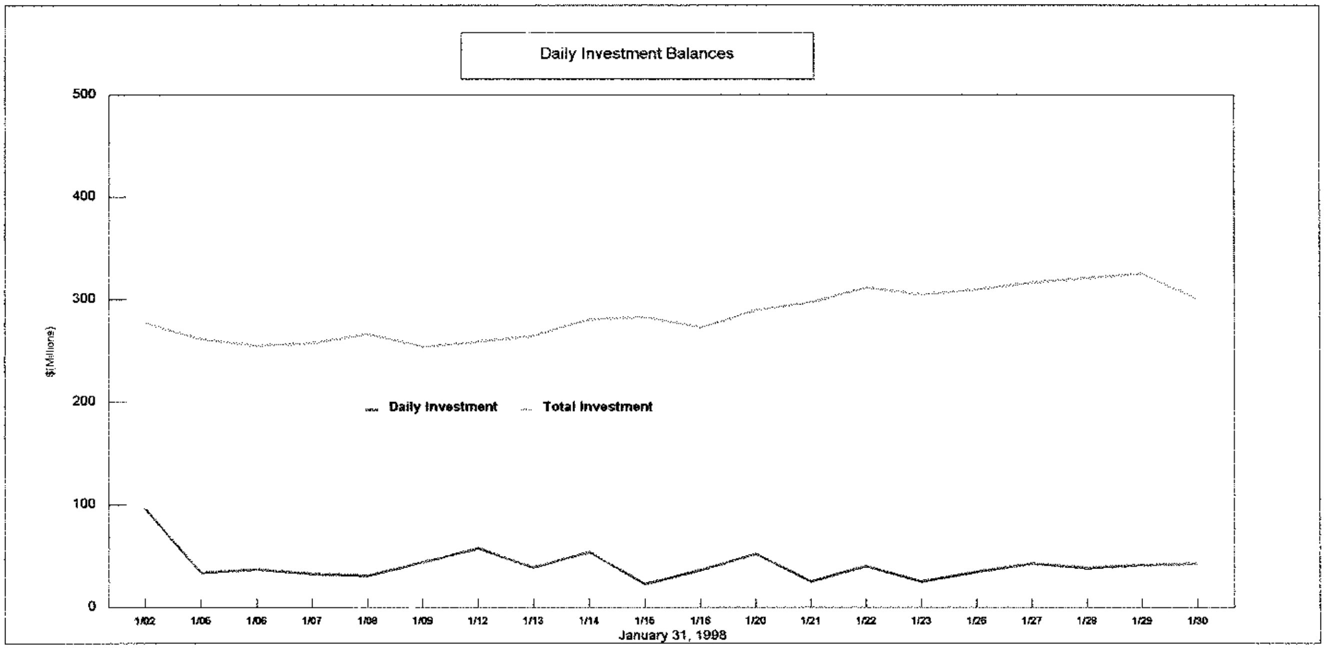
As of January 31, 1998

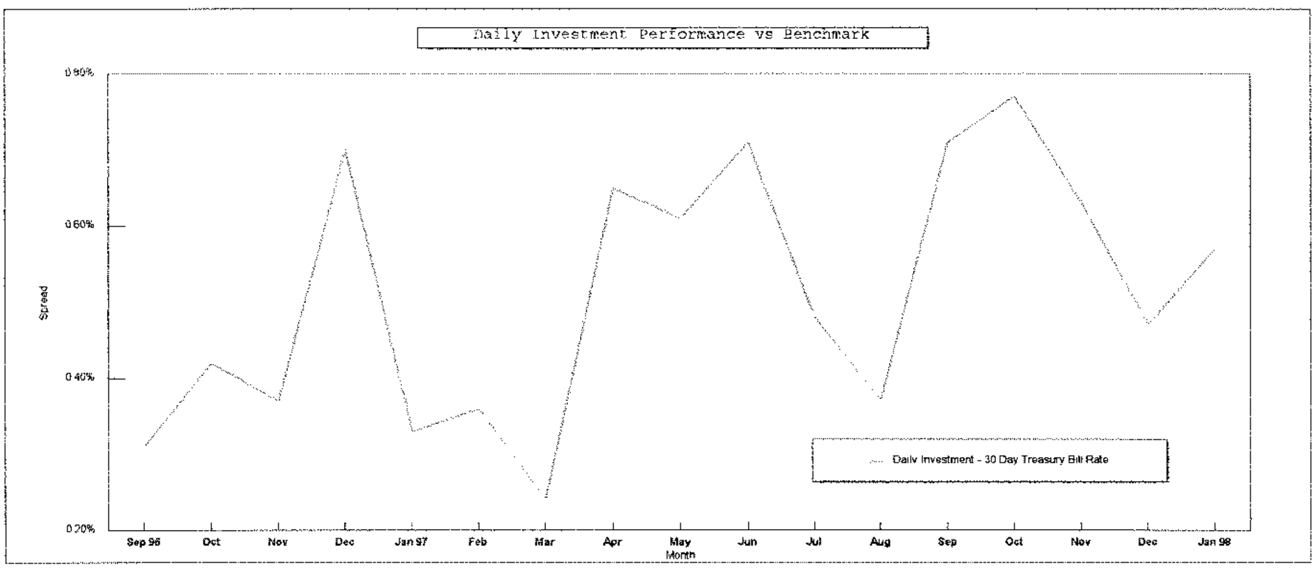
	Principal	Interest	Total Value @ Maturity
4901 GENERAL FUND	113,647,173	274,925	113,922,098
4902 GENERAL FUND	2,300,000	1,064	2,301,064
4904 PENSION C	7,000,000	3,208	7,003,208
4908 PAYROLL A	500,000	229	500,229
4920 GENERAL FUND (HIST PRES)	354,877	3,361	358,239
5200 RI UNDERGROUND STORAG TNK	5,121,060	11,095	5,132,155
5400 HIGHWAY FUND	19,497,700	17,799	19,515,499
5500 UNIVERSITY COLLEGE	0	0	0
5800 PROV. RIVER RELOCATION	1,008,746	1,083	1,009,829
6920 AUTO EQUIPMENT SERVICE	0	0	0
8000 T.D.I. RESERVE (DET)	46,574,373	854,858	47,429,231
8225 JOB DEVELOPMENT (DET)	6,322,827	27,264	6,350,092
8230 E.T. TARDY (DET)	1,060,000	4,427	1,064,427
8240 E.T. INTEREST (DET)	350,000	1,462	351,462
8300 PERMANENT SCHOOL FUND	330,106	1,293	331,399
8400 EMP RETIREMENT FUND	2,130,378	8,732	2,139,110
8500 MUN EMP RETIREMENT FUND	300,000	139	300,139
8700 R.I. CLEAN WATER ACT	600,540	642	601,182
9000 BOND CAPITAL FUND	0	0	0
9700 STATE LOTTERY FUND	8,000,000	19,783	8,019,783
9800 INDUS. BLDG. & MTG. INS.	1,512,051	5,128	1,517,179
4911 TANS PROCEEDS	0	0	0
Subtotal	216,609,833	1,236,493	217,846,325
8701 CLEAN WATER 1991 SER. B	644,727		
8702 CLEAN WATER 1993 SER. A	190,592		
8703 CLEAN WATER 1991 SERIES A	310		
8704 CLEAN WATER 96 SERIES A	1,055,634		
8705 CLEAN WATER 1992 SER. A	269,335		
8706 CLEAN WATER CCDL 1994 (A)	1,280,023		
8707 CAP DEV. OF 1997 SERIES A	159,654		
8708 CLEAN WATER BOND 1990 A&B	22,703		
8709 CLEAN WATER 1990 SER. C	875		
8733 CAP DEV. OF 1997 SERIES A	103,037		
8734 POLUTION CONTROL 96A	2,054,202		
8735 RI POLLUTION CONTROL	60,120		
8736 RI POLLUT. CONT 93 SER. A	161,038		
8737 RI POLLUT. CONT 94 SER. A	649,844		
9101 BOND SALE A 11-4-87	65,767		
9102 BOND CAPITAL CCDL 1988	21,394		
9104 BOND CAPITAL 1989 SER. A	2,038		
9105 BOND CAPITAL 1989 SER. B	88,576		
9108 BOND SALE 1990 SER. A&B	263,461		
9114 G.O. NOTE 1991 SER. B	172,172		
9115 BOND CCDL 1992 SERIES A	2,212,516		
9116 BOND CCDL 1993 SERIES A	11,788,592		
9117 BOND CCDL 1994 SERIES A	11,839,012		
9118 BOND CCDL 1995 SER. A	301,053		
9119 CCDL 95 B	3,401		
9120 BOND CCBL96A	12,173,246		
9121 CAP DEV OF 1997 SERIES A	38,031,778		
9291 B.V.DIST.COMM.BOND 1987	27,304		
9292 B.V.DIST.COMM.BOND 1988	6,471		
9295 B.V.D.C. 1992 SERIES A	39		
Subtotal Bond Proceed Accounts	83,648,912		
Total Short Term Portfolio	300,258,745		

Short Term Interest Rate Performance
1998

Date	Amount Invested (millions)	Weighted Interest Rate	30 Day Treasury Rate	Basis Point Difference
1/02	$95.98	5.63	4.99	64.00
1/05	$33.81	5.52	4.97	55.00
1/06	$36.79	5.43	4.95	48.00
1/07	$32.79	5.39	4.81	58.00
1/08	$30.60	5.33	4.79	54.00
1/09	$43.52	5.35	4.79	56.00
1/12	$57.51	5.42	4.81	61.00
1/13	$38.49	5.40	4.80	60.00
1/14	$53.53	5.39	4.78	61.00
1/15	$22.70	5.45	4.82	63.00
1/16	$36.16	5.38	4.80	58.00
1/20	$51.56	5.45	4.90	55.00
1/21	$25.05	5.42	4.96	46.00
1/22	$40.21	5.33	4.86	47.00
1/23	$24.68	5.36	4.87	49.00
1/26	$34.10	5.40	4.87	53.00
1/27	$42.67	5.46	4.86	60.00
1/28	$38.06	5.45	4.86	59.00
1/29	$41.15	5.48	4.88	60.00
1/30	$42.39	5.52	4.89	63.00
	$821.75	5.44	4.87	57
	total amount invested	weighted average rate	average 30 day rate	basis point difference

RHODE ISLAND STATE INVESTMENT COMMISSION
SHORT TERM INVESTMENTS





SPECIAL FUNDS
INVESTMENT SUMMARY
JANUARY 31, 1998

FUND NAME		EQUITIES	CASH & EQUIVALENTS	FIXED INCOME	Gain/Loss	TOTAL MARKET VALUE
<u>Abraham Touro Fund</u>	*	1,535,140	96,281	748,627	15,205	2,380,048
<u>State of Rhode Island Land Grant Fund</u>		58,086	0	0	(5,644)	58,086
<u>TOTALS</u>		1,593,226	96,281	748,627	9,561	2,438,134

*** Balance as of 12/31/97**