STATE OF CONNECTICUT

2004

ANNUAL REPORT OF THE TREASURER

For the fiscal year ended June 30, 2004

STATE OF CONNECTICUT
Office of the State Treasurer

The State Motto "Qui Transtulit Sustinet," (He Who Transplanted Still Sustains), has been associated with the various versions of the state seal from the creation of the Saybrook Colony Seal.

STATE OF CONNECTICUT

2004

ANNUAL REPORT OF THE TREASURER

For the fiscal year ended June 30, 2004

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Introduction

STATE OF CONNECTICUT

QUI TRANSTULIT SUSTINET

TREASURER'S OFFICE

STATE OF CONNECTICUT
TREASURER'S OFFICE

State of Connecticut

Office of the Treasurer

DENISE L. NAPPIER
TREASURER

HOWARD G. RIFKIN
DEPUTY TREASURER

January 12, 2006

The Honorable M. Jodi Rell, Governor of Connecticut

The Honorable Members of the Connecticut General Assembly

On October 15, 2004, I submitted a **draft** of the **Annual Report of the Treasurer of the State of Connecticut** for the fiscal year ended June 30, 2004. At that time I wrote, "[t]he draft status of this report is necessitated by the absence of complete and timely cash and receipts data from the State's Core-CT accounting system, upon which this office depends to conclude our work and provide a comprehensive document for review by the Auditors of Public Accounts, as required by state statute".

These referred to cash receipts and data have now been finalized such that the Auditors of Public Accounts were able to complete their review and issue a certification dated December 30, 2005. With that I am now able to formally transmit the completed fiscal year 2004 Annual Report of the Treasurer of the State of Connecticut.

Sincerely,

Denise L. Nappier

Denise L. Nappier
Treasurer

Cc: Clarence L. Roberts, Chairman, Investment Advisory Council

55 ELM STREET, HARTFORD, CONNECTICUT 06106-1773, TELEPHONE: (860) 702-3000
AN EQUAL OPPORTUNITY EMPLOYER

State of Connecticut

Office of the Treasurer

DENISE L. NAPPIER
TREASURER

HOWARD G. RIFKIN
DEPUTY TREASURER

October 15, 2004

The Honorable M. Jodi Rell, Governor of Connecticut

The Honorable Members of the Connecticut General Assembly:

By this letter, I hereby submit a **draft** of the **Annual Report of the Treasurer of the State of Connecticut** for the fiscal year ended June 30, 2004. The draft status of this report is necessitated by the absence of complete and timely cash and receipts data from the State's Core-CT accounting system, upon which this office depends to conclude our work and provide a comprehensive document for review by the Auditors of Public Accounts, as required by state statute.

As you have previously been made aware by State Auditors Robert Jaekle and Kevin Johnston, in a letter dated September 29, 2004, to Comptroller Nancy S. Wyman, the implementation of the State's new financial management system has resulted in delays in the completion of essential accounting data. As soon as this statutorily required information is received in full and final form, and has been reviewed and certified by the Auditors, we will submit the final financial results of the Office of the Treasurer for the 2004 fiscal year.

However, in the interim, I am pleased to provide this draft of the 2004 Annual Report that highlights a year of significant financial achievement. This report includes quantitative data and explanatory comments on the operations of the Connecticut Retirement Plans and Trust Funds (CRPTF), Short-Term Investment Fund (STIF) and the Connecticut Higher Education Trust (CHET).

This draft report – aside from cash statements, as previously discussed, and the pending audit and management letters - has been prepared in accordance with the requirements of the Connecticut General Statutes and presents the financial position and operating results of the Office of the Treasurer under generally accepted accounting principles (GAAP) as established by the Governmental Accounting Standards Board (GASB).

As required by GASB Statement No. 34, the financial section includes Management's Discussion and Analysis (MD&A), which provides an introduction, overview, and analysis to the financial statements. We are confident that this interim data is accurate in all material respects and is presented in a manner that fairly reflects the financial position and results of operations as measured by the financial activity of the various funds. In addition, disclosures necessary to enable the reader to gain a reasonable understanding of the Office's financial affairs have been included.

The CRPTF employs a diversified investment strategy in order to maintain stability through market cycles and insulate the Funds from short-term market fluctuations by investing in stocks, bonds, fixed income, and alternative investments such as private equity partnerships and real estate partnerships. This diversified investment strategy minimizes the effects of short-term market volatility that occurs within each Fund.

For the Fiscal Year ended June 30, 2004, I am pleased to report that the CRPTF **returned a positive 15.23 percent (or $2.7 billion)**, net of all management fees and expenses. This compares to a modest return of 2.49 percent in the previous fiscal year. As is the case with any pension fund, a portion of the total net investment income of $2.7 billion ($0.82 billion) was used, coupled with contributions of participants and the plan sponsors,

55 ELM STREET, HARTFORD, CONNECTICUT 06106-1773, TELEPHONE: (860) 702-3000
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to make payments to beneficiaries of the Connecticut Retirement Plans and Trust Funds. Translated, this represents an increase in net assets of $1.89 billion, bringing the Fund value to $20.19 billion.

I would, however be remiss if I did not remind you that the actuarially estimated unfunded liability of the Teachers' and State Employees' Retirement Funds, using data available as of June 30, 2002, is approximately $8.3 billion. The state's historical practice of contributing less than the actuarially recommended contribution to the pension fund increasingly results in lost investment opportunity and heavy reliance on investment income to cover benefit payments. I again urge the Governor and the Legislature to act prudently and budget to fully fund the Teachers' Retirement Fund at the actuarially recommended level.

Other highlights of this past year in the management of the CRPTF include:

- Formation of the Connecticut Horizon Fund (CHF) intended to diversify the management of the pension funds and to provide opportunities for investment firms owned by Connecticut-based and emerging firms, as well as women and minority owned firms, to compete for a share of Treasury investment business.
- The recovery of $850,000 from the convicted chairman of the private equity firm, Triumph Capital, as part of a plea agreement with the U.S. Justice Department in response to charges stemming from the investment of $200 million in State pension funds made by the former treasurer. This is the first money that was recovered attributable to the federal convictions.
- In an important jury verdict, the private equity firm of Forstmann Little was found guilty of willfully breaching its contractual agreement with Connecticut. While the jury awarded no damages for these violations of law, subsequent settlement negotiations resulted in Forstmann Little's payment of $15 million to the Connecticut pension funds and returning an additional $1.2 million that had been withheld from the State earlier this year. Both the trial and subsequent settlement demonstrates that my administration will continue to work to ensure that vendors entrusted with the State's money honor their contractual and fiduciary obligations.
- In addition, the State pension fund has recovered a record $2.8 million in this fiscal year in claims filed in class action lawsuits. Since instituted four years ago, this landmark Treasury program has brought nearly $6 million into the State pension fund.

In addition to the management of the Connecticut Retirement Plans and Trust Funds, this report also highlights activities and transactions in the administration of Debt Management, Unclaimed Property, and the Second Injury Fund. A complete report of the activities of the Cash Management Division will be included when the final Annual Report is issued. Some highlights in Treasury Divisions include the following:

- The Treasurer's Office managed the sale of $1.7 billion of new bonds to fund capital projects and programs. In addition, we refunded $2.2 billion of outstanding debt in order to achieve a total savings to taxpayers of over $158 million.
- Through an aggressive schedule of paying off debt and the defeasance of $46 million of bonds issued to support the payment of outstanding Second Injury Fund liabilities, as of June 30, 2004, Second Injury Fund outstanding long-term debt was $54.3 million, compared to $248.5 million outstanding at its peak in 2001.
- The Treasury's Short-Term Investment Fund (STIF) provides State authorities and agencies, local municipalities, and other political subdivisions with a vehicle to prudently manage cash. STIF invested an average of $3.8 billion in short-term money market instruments during the fiscal year 2004 while maintaining the AAAm rating by Standard & Poor's, the highest rating by S&P for money market funds and investment pools. The total annual return of 1.16 percent in STIF exceeded its primary benchmark by 41 basis points, resulting in $15.5 million in additional interest income for the State, municipalities, other units of local government and their taxpayers.
- The Unclaimed Property Division returned $10.9 million in unclaimed property to 7,700 owners and heirs during the fiscal year, the largest sum returned in a single year in the nearly 70-year history of the Unclaimed Property program. In addition, the Treasury deposited an unprecedented $104.4 million to the State General Fund, the largest amount ever collected in one year in the State's history. This amount was

in large part a result of the Treasury's successful sponsorship of changes to Connecticut's Unclaimed Property law during the 2003 legislative session, which shortened the dormancy period for certain types of property, consistent with other states' legislation.

- The CHET program, Connecticut's 529 College Savings Program, continues to provide an affordable and flexible savings option for Connecticut families, offering among the lowest program fees in the nation and investment options that offer a range of investment strategies. Adding on-line enrollment and account access during this past year helped total account owner assets under management increase from $332 million to $472 million by the end of Fiscal Year 2004 and the number of CHET accounts increased from 35,273 to 41,569. That compares with just over 4,000 accounts and $18 million in assets when I took office in 1999.

Additional details related to these areas of responsibility within the Office of the Treasurer are set forth in the following pages. This Annual Report, when issued in final form, can also be accessed through the Treasury website, www.state.ct.us/ott, along with past annual reports and information about the Office.

Finally, this Annual Report is prepared by dedicated employees who work diligently throughout the year to protect the financial security of all Connecticut residents. I acknowledge their work with sincere gratitude, and trust that this report will prove both informative and useful.

Sincerely,

Denise L. Nappier
Treasurer

cc: Clarence L. Roberts, Chairman, Investment Advisory Council

Mission Statement

To serve as the premier State Treasurer's Office in the nation through effective management of public resources, high standards of professionalism and integrity, and expansion of opportunity for the citizens and businesses of Connecticut.

Duties of the Treasury

The duties and authority of the Office of the Treasurer are set out in Article Four, Section 22 of the Connecticut Constitution and in Title 3 of the Connecticut General Statutes. In general, the Treasurer is responsible for the safe custody of the property and money belonging to the State.

The Treasurer receives all money belonging to the State, makes disbursements as directed by Statute, and manages, borrows, and invests all funds for the State.

State revenue is received into the Treasury each year which covers the State's disbursements. The Treasurer is also responsible for prudently investing the more than $20 billion in State pension and trust fund assets and approximately $4 billion in State and local short-term investments. The Treasurer maintains an accurate account of all funds through sophisticated security measures and procedures.

Boards, Committees, and Commissions

By law, the Treasurer is a member of the following:

- State Bond Commission
- Banking Commission
- Connecticut Lottery Corporation Board of Directors
- Council of Fiscal Officers
- Information and Telecommunication Systems Executive Steering Committee
- Connecticut Development Authority
- Connecticut Health and Educational Facilities Authority Board of Directors
- Student Financial Aid Information Council
- Investment Advisory Council
- Finance Advisory Committee
- Connecticut Higher Education Trust Advisory Committee
- The Standardization Committee
- Waterbury Financial Planning and Assistance Board
- Connecticut Housing Finance Authority
- Connecticut Higher Education Supplemental Loan Authority Board of Directors

Additional information on responsibilities of each is provided on Supplemental pages S-41 and S-42.

Office of the State Treasurer Organization

The Office of the Treasurer consists of an executive office and five divisions, which are as follows:

The Executive Office has responsibility for policy-setting, investor and corporate relations, legal and legislative affairs, public education and information, business and information services, and special projects. The Executive Office ensures that the Treasury adheres to the highest order of public values, fiscal prudence and ethics in the conduct of the public's business.

The Pension Funds Management Division, under the direction of the Chief Investment Officer, manages the State's six pension funds and eight State trust funds with a combined market value portfolio in excess of $20 billion; ranging in investment diversity from domestic and international stocks to fixed income, real estate and private investment equity. Beneficiaries and participants include approximately 160,000 teachers, State and municipal employees, as well as trust funds that support academic programs, grants, and initiatives throughout the State. The Teachers' Retirement Fund is the Treasury's largest pension fund under management containing $10.9 billion, followed by the State Employees' Retirement Fund containing $7.7 billion and the Municipal Employees' Retirement Fund with $1.3 billion. The Pension Funds Management Division also serves as staff to the Investment Advisory Council.

The Cash Management Division, under the direction of an Assistant Treasurer, has responsibility for cash accounting and reporting, cash positioning and forecasting, bank and fund reconciliation, bank administration and check processing. Over 3 million banking transactions are accounted for and reconciled annually. The division maintains accountability over the State's internal and external cash flows through the Treasury's 18 bank accounts annually. The Division prudently and productively manages clients' cash, including that of State agencies and authorities and 258 municipal and local government entities utilizing the Short-Term Investment Fund, which had an average market value of $3.8 billion during the year.

The Debt Management Division, under the direction of an Assistant Treasurer, administers the State's bond and debt financing program, including the sale of State bonds. Monitoring the bond markets, financing structures and economic trends that affect interest rates are critical requirements for favorable bond issuances. The Division oversees the issuance of bonds to finance State capital projects, refinances outstanding debt when appropriate, manages debt service payments and cash flow borrowing, provides information and data to private credit rating agencies, and administers the Clean Water and Drinking Water loan programs. Over $13 billion of State debt was outstanding as of June 30.

The Second Injury Fund Division, under the direction of an Assistant Treasurer, is a workers' compensation insurance program for certain injured worker claims. The Second Injury Fund adjudicates those qualifying workers' compensation claims fairly and in accordance with applicable law, insurance industry standards and best practices. Where possible, the Second Injury Fund seeks to help injured workers return to gainful employment or will seek settlement of claims, which will ultimately reduce the burden of Second Injury Fund liabilities on Connecticut businesses.

The Unclaimed Property Division, under the direction of an Assistant Treasurer, collects and safeguards all financial assets left unclaimed by owners for a specific period of time, generally three years. Unclaimed assets include, but are not limited to: savings and checking accounts; uncashed checks; deposits; stocks, bonds or mutual fund shares; travelers checks or money orders; life insurance policies; and safe deposit box contents. The Division publicizes the names of rightful owners in an attempt to return unclaimed property to them.

2004 Annual Report Year at a Glance

COMBINED INVESTMENT FUNDS, JUNE 30

Market Value of Assets Under Management	$ 20,650,115,902
Net Assets Under Management	$ 20,189,389,780
Total Investment Returns for the Fiscal Year	$ 2,715,406,286
Total Management Fees for the Fiscal Year	$ 73,902,059
Total Number of Advisors	74
Increase in Total Advisors from Prior Year	9
One-Year Total Return	15.23%
Five-Year Compounded Annual Total Return	3.79%
Ten-Year Compounded Annual Total Return	9.20%

2004 TREASURY OVERVIEW

DEBT MANAGEMENT, JUNE 30

Total Debt Outstanding	$	13,784,929,670
General Obligation Debt included above	$	8,655,109,698
Total New Debt Issued During the Fiscal Year	$	3,923,645,000
General Obligation Debt Issued included above	$	2,509,650,000
Total Debt Retired and Defeased During the Fiscal Year	$	3,345,005,923
General Obligation Debt Retired and Defeased included above	$	2,119,305,923
Total Debt Service Paid on Outstanding Debt During the Fiscal Year	$	1,667,854,640
General Obligation Debt Service Paid included above	$	1,104,656,646

CASH MANAGEMENT, JUNE 30

Total Cash Inflows During the Fiscal Year	$	71,796,167,500
Total Cash Outflows During the Fiscal Year	$	71,562,125,983
Number of State Bank Accounts at June 30, 2004		395
Number of State Bank Accounts at June 30, 2003		411

SHORT-TERM INVESTMENT FUND, JUNE 30

Total Net Assets of the Fund	$	3,829,256,007
One-Year Total Return		1.16%
Five-Year Compounded Annual Total Return		3.48%
Ten-Year Compounded Annual Total Return		4.58%
Weighted Average Maturity		35 days
Number of Participant Accounts		1,154

SECOND INJURY FUND, JUNE 30

Number of Claims Settled During the Fiscal Year		170
Total Cost of Claims Settled and Paid	$	9,165,870
Second Injury Fund Estimated Unfunded Liability (expressed as reserves)	$	497,000,000
Number of Claims Outstanding		2,259

UNCLAIMED PROPERTY, JUNE 30

Dollar Value of Gross Unclaimed Property Receipts	$	112,592,942
Dollar Value of Claims Paid	$	10,862,104
Number of Property Claims Paid		7,700

CONNECTICUT HIGHER EDUCATION TRUST, JUNE 30

Number of Participant Accounts		41,569
Program Equity	$	472,562,759

Division Overview

STATE OF CONNECTICUT

QUI TRANSTULIT SUSTINET

TREASURER'S OFFICE

2004 investment advisory council

October 15, 2004

The Honorable M. Jodi Rell
Governor
State of Connecticut
Executive Chambers
Hartford, Connecticut

Dear Governor Rell:

As Chairman of the Investment Advisory Council ("IAC"), I am pleased to present this report on the performance of the State of Connecticut Retirement Plans and Trust Funds ("CRPTF" or "the Funds") for the fiscal year ended June 30, 2004.

After several years of challenging markets, the CRPTF's fiscal 2004 performance reflected improved financial market conditions and produced a net total return (after all expenses) of 15.23%, which was partly offset by the Funds' negative operating cash flow of $827 million. The net of these two factors produced a $1.9 billion increase in assets, to $20.2 billion as of June 30, 2004.

The CRPTF underperformed the Connecticut Multiple Market Index ("CMMI") benchmark by 104 basis points, due primarily to asset allocation, as early in the year the Fund was overexposed to core fixed income and underweighted in developed international equity. The CRPTF's performance for the one, three and five year periods ending June 30, 2004, was 15.23%, 3.40% and 3.79%, respectively. The CRPTF's long term performance compares favorably with its peers, in large part due to the time and attention spent by the Treasurer and the IAC on the Funds' asset allocation plan and asset manager selection. The CRPTF's investment strategy is constructed in such a way as to exceed its benchmark and receive superior returns with less risk over a market cycle.

For the fiscal year, strong relative performance was evidenced in the Domestic Equity Fund ("MEF"), Mutual Fixed Income Fund ("MFIF"), Private Investment Fund ("PIF"), Commercial Mortgage Fund ("CMF") and Cash Reserve Account ("CRA"). Partially offsetting these strong results were the International Stock Fund ("ISF") and Real Estate Fund ("REF"), which produced below benchmark returns.

In fiscal 2004, the domestic equity markets gained back some of the ground lost in 2000 and 2001. The Russell 3000, the benchmark for the Mutual Equity Fund, posted a return of 20.46%. The Mutual Equity Fund outperformed the index (by 38 basis points) due to a combination of factors, including positive industry selection, a modest tilt towards small cap and avoidance of high dividend paying stocks relative to the benchmark.

The ISF's performance of 29.69% hugged its benchmark (a blend of developed and emerging markets indices), which returned 29.79%. The fund was re-structured in the first quarter of the fiscal year, with the addition of 10 new managers and increased funding of $1.2 billion. In the third fiscal quarter, a currency overlay program was implemented for the portfolio.

The Mutual Fixed Income Fund outperformed its composite benchmark by 35 basis points for the fiscal year, returning 2.79% versus the benchmark's 2.44% return. Strong manager performance from the core and high yield segments more than compensated for an underweight to emerging markets debt for the fiscal year.

The portfolio's long-term commitment to the less liquid sectors of the market is evidenced by the 11% of the total Funds attributable to the Private Investment and Real Estate Funds. While performance in a single year is not indicative of ultimate expectations for these funds, it is still important to view these funds against appropriate benchmarks. The Private Investment Fund outperformed the Russell 3000 by 110 basis points, but trailed the Venture Economics All Private Equity benchmark by 128 basis points for the fiscal year. After a lull in distributions from this portfolio, more than $680 million of cash was distributed to CRPTF during fiscal 2004. The Real Estate Fund trailed the Russell NCREIF benchmark by 904 basis points. This portfolio had been in runoff for several years and fiscal 2004 saw the adoption of new asset guidelines and the CRPTF's re-entry into the real estate market.

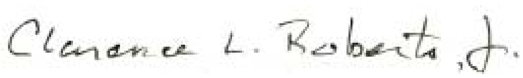
It is important to note that the IAC reviews fund performance at each meeting, discussing individual manager changes when necessary. In addition, a more extensive review of fund and manager performance is conducted by the IAC on a quarterly basis.

During fiscal 2004, the CRPTF received contributions of $196 million and paid pension benefits of $1,023 million, resulting in negative operating cash flow of $827 million. This represents nearly a 9% increase over fiscal 2003's negative operating cashflow, a trend that is likely to accelerate. The IAC is united in continuing to stress that the legislature must address the significant systemic under funding of the pension plans. New actuarial studies are underway for the largest two plans, the Teachers' Retirement Plan and the State Employees' Retirement Plan, which together represent 92% of the CRPTF's assets under management. The most recent reports (reflecting data as of June 30, 2002) indicate that the Teacher's plan was 75.9 percent funded and the State Employees' plan was 61.6 percent funded. The amount of this under funding is approximately $8.3 billion. Internal analysis has shown that performance of the investment assets alone is unlikely to make up the difference. Eventually, state taxpayers will have to fund this deficit in order to pay the pension promises that have been made.

During fiscal 2004, the IAC continued to work with the Treasurer's office on modifications to the Investment Policy Statement, and new Real Estate Asset Guidelines were approved by Council in September 2003.

As Chairman of the Investment Advisory Council, I am gratified to be amongst fellow committee members whose care and attentiveness to the IAC's mission demonstrates an unwavering commitment to those whom they represent. It is with this sense of duty and solemn pledge to maintain my commitment to all the current and future pension beneficiaries and the taxpayers of the State of Connecticut that I submit this brief summary on behalf of the Investment Advisory Council.

Sincerely,



Clarence L. Roberts, Jr.
Chairman, Investment Advisory Council

INVESTMENT ADVISORY COUNCIL

The Investment Advisory Council (IAC) consists of The State Treasurer and Secretary of the Office of Policy and Management (as ex-officio members of the council), five public members all of whom shall be experienced in matters relating to investments appointed by the Governor and legislative leadership, and three representatives of the teachers' unions and two representatives of the state employees' unions (CGS Sec. 3-13b).

As enacted in Public Act 00-43, the IAC annually reviews the Investment Policy (IPS) Statement recommended by the Treasurer which includes an outline of the standards governing investment of trust funds by the Treasurer. The IPS includes, with respect to each trust fund, (A) investment objectives; (B) asset allocation policy and risk tolerance; (C) asset class definitions, including specific types of permissible investments within each asset class and any specific limitations or other considerations governing the investment of any funds; (D) investment manager guidelines; (E) investment performance evaluation guidelines; (F) guidelines for the selection and termination of providers of investment related services who shall include, but not be limited to, investment advisors, external money managers, investment consultants, custodians, broker-dealers, legal counsel, and similar investment industry professionals; and (G) proxy voting guidelines. The Treasurer shall thereafter adopt the IPS, including any such changes recommended by the IAC the Treasurer deems appropriate, with the approval of a majority of the members appointed to the IAC. The current IPS was adopted by the Treasurer and approved by the IAC in March 2002 and subsequently in January 2003, the IAC approved the Treasurer's adopted guidelines for the Mutual Fixed Income Fund.

All trust fund investments by the State Treasurer shall be reviewed by the Investment Advisory Council along with all information regarding such investments provided to the council which the Treasurer deems relevant to the council's review and such other information as may be requested by the council. The IAC shall also review the report provided by the Treasurer at each regularly scheduled meeting of the IAC as to the status of the trust funds and any significant changes which may have occurred or which may be pending with regard to the funds. The council shall promptly notify the Auditors of Public Accounts and the Comptroller of any unauthorized, illegal, irregular or unsafe handling or expenditure of trust funds or breakdowns in the safekeeping of trust funds or contemplated action to do the same within their knowledge.

At the close of the fiscal year, the IAC shall make a complete examination of the security investments of the State and determine as of June thirtieth, the value of such investments in the custody of the Treasurer and report thereon to the Governor, the General Assembly and beneficiaries of trust fund assets administered, held or invested by the Treasurer (CGS Sec. 3-13b(c)(2)).

Council members who contributed their time and knowledge to the IAC during fiscal 2004 include:

CLARENCE L. ROBERTS, JR., Chairman, as appointed by the Governor, Former Assistant Treasurer, Unilever United States, Inc. (Retired)

CLARE H. BARNETT, Representative of State Teachers' unions, Teacher and Social Studies Chair, Danbury school system. (Resigned effective 1/31/2004)

JAMES T. LARKIN, President, Global Strategy Advisors

REGINALD U. MARTIN, Managing Partner, Insurance Planning Associates.

DENISE L. NAPPIER, Treasurer, State of Connecticut (Ex-officio member) and council secretary.

SHARON M. PALMER, Representative of State Teachers' unions, First Vice President, CT Federation of Educational and Professional Employees.

HENRY E. PARKER, Former Treasurer, State of Connecticut 1975-1986, Former Senior Vice President, Atalanta/Sosnoff Capital Corporation (Retired).

DAVID M. ROTH, Principal and Managing Director, WLD Enterprises, Inc.

MARC S. RYAN, Secretary, State Office of Policy and Management (Ex-officio member).

ROSALYN B. SCHOONMAKER, Representative of State Teachers' unions, retired teacher and retirement counselor. (Term expired 6/30/2004)

CAROL M. THOMAS, Representative of State Employees' unions, State Department of Mental Retardation.

Division Overview

Introduction

As principal fiduciary of six State pension funds and eight trust funds, (known collectively as the "Connecticut Retirement Plans and Trust Funds" or "CRPTF"), the Treasurer is responsible for prudently managing $20.2 billion of assets on behalf of approximately 160,000 teachers, State and municipal employees as well as trust funds that support academic programs, grants, and initiatives throughout the State. The Pension Funds Management Division ("PFM") is responsible for the day-to-day administration of the CRPTF.

Prudent investment management not only affects the retirement security of the beneficiaries, but the size of the State budget as well. Funding of the pension benefit liability is dependent on investment returns, State (taxpayer) contributions and the contribution requirements of retirement plan members. If investment returns fall below the actuarial target return, more tax dollars may need to be contributed to ensure full payment of benefits. When pension investment returns exceed the target return, excess returns are applied against the unfunded liability.

As shown in Figure 1-1, over the last ten years pension and trust assets have grown from $10.9 billion to $20.2 billion, or 84.7%. The Teachers' Retirement Fund (TERF), with $10.9 billion under management at June 30, 2004, is the largest participating fund, followed by the State Employees' Retirement Fund (SERF) and the Municipal Employees' Retirement Fund (MERF) with $7.7 billion and $1.3 billion, respectively. During the fiscal year ended June 30, 2004, total annual investment returns, comprising interest income, dividends, securities lending income, and net realized and unrealized capital gains, net of Fund operating expenses, were $2.7 billion. (See Figure 1-2.) This increase was offset by net pension payments of $827 million, for a net increase in the Funds of $1.9 billion.

Organization/Staff Review

Under the supervision of a Chief Investment Officer, the Division executes and manages the investment programs of the pension and trust funds. The fifteen-member professional staff is responsible for: recommending asset allocation policy; recommending, monitoring, and reporting on the investment advisors retained to invest the State's pension and trust assets. In addition, PFM reviews the custodian accounting of plan assets to ensure that earnings are properly determined and properly distributed to each plan and trust in accordance with their pre-determined share. Through reports, analysis, and presentations to the Treasurer and the Investment Advisory Council, PFM staff members detail investment performance of the pension funds and trust assets. The Division's operations are conducted through three units: Investment Oversight, Accounting and Control, and Performance and Analysis. State Street Bank and Trust, as the custodian of record for the CRPTF retains physical custody of, safeguards, and provides record keeping services for plan assets under the supervision of PFM staff.

Operating Expenses

The Division allocates all operating overhead directly to the earnings of the pension and trust fund assets under management. It is therefore incumbent upon the Division to manage assets in a cost-effective manner consistent with maximizing long-term returns.

Fund Management

The Treasurer employs external advisors to invest each Fund. Advisors are selected based on asset class expertise, investment performance and style and are expected to comply with the parameters, guidelines, and restrictions set forth in the Investment Policy Statement.

As of June 30, 2004, 74 external advisors were employed by the Treasury to invest the pension and trust assets, an increase of nine advisors from June 30, 2003. (See Figure 1-5.)

Investment Policy

It is an immutable principle of pension fund management that the decision on how fund assets are allocated represents as much as 90% of the resulting returns. In April 2002, the Investment Advisory Council approved the Investment Policy Statement ("IPS") including the asset allocation plan, which governs Fund investments today. The asset allocation plan's main objective is to maximize investment returns over the long term at an acceptable level of risk, primarily through asset diversification. Risk, in this context, is defined as volatility of investment returns. (See the Understanding Investment Performance discussion in the Supplemental Section.)

Diversification across asset classes is a critical component in structuring portfolios to maximize return at a given level of risk. Likewise, asset allocation is used to minimize risk while seeking a specific level of return. In determining an asset allocation strategy, there is a careful examination of the expected risk/return tradeoffs, correlation of investment returns, and diversification benefits of the available asset classes (i.e., those not restricted by statute) under different economic scenarios.

As shown in Figure 1-3, the number and complexity of asset classes comprising the asset allocation policy have fluctuated during the last ten years. New asset classes have been introduced to diversify the pension and trust assets while changing economic environments have required different allocation strategies. As of June 30, 2004, multiple asset classes were included in the Investment Policy, including U.S. Equity, International Equity, U.S. Fixed Income, Equity Real Estate, and Alternative Investments.

At fiscal year-end, domestic and international equities comprised the largest asset allocation, at 58.3%. Equities have an established record of maximizing investment returns over the long term. Fixed income and alternative investments were also included to allow the Fund both to leverage portfolio returns during highly inflationary or deflationary environments and to mitigate the effects of volatility in the stock market.

To realize the allocations set forth in the Asset Allocation Plan, the Division operates seven Combined Investment Funds ("CIF" or the "Funds") as a series of mutual funds in which the pension and trust funds may invest through the purchase of ownership interests. Each Fund is designed to replicate one or more of the six asset classes outlined in the Policy.

Domestic Equity

Management of the equity portfolio uses both pure and enhanced indexing strategies, as well as active management. Enhanced indexing involves identifying, through market analysis and research, those securities in the index which are most likely to under-perform, and discarding them from the portfolio. This is achieved while maintaining industry weightings consistent with the overall index. The goal of enhanced indexing is to generate a return slightly in excess of the selected index. Indexing is a particularly appropriate strategy for the "large-cap" segment of the equity markets, which is defined as the securities of the largest capitalized public companies, typically comprising the major market indices. Significant research demonstrates that the U.S. equity markets, particularly the large-cap segment, are widely considered the world's most "efficient" markets, and therefore are the most difficult to "beat" with active investment management.

Within the "small- and mid-cap" sections of the equity markets, active management continues to allow pension funds the opportunity to achieve enhanced returns. Small- and mid-cap securities are issued by companies that are much smaller and not as closely monitored, researched or analyzed as the larger capitalization companies. Consequently, the small-cap segment of the U.S. equity market is less efficient. Certain active investment advisors are therefore more likely to outperform the markets over the long term, while earning an acceptable level of return per unit of risk. The Fund measures its performance against the Russell 3000 Index. During fiscal 2004, the Treasurer terminated one small/mid cap manager due to organizational and performance issues.

As currently structured, the domestic equity portfolio replicates the approximate capitalization of the market as a whole with 78% of the Fund invested in large-cap stocks and 22% in small/mid-cap stocks. Approximately 89% of the entire domestic equity portfolio adheres to an indexing or enhanced indexing strategy.

International Equity

During fiscal year 2000, the structure of the International Stock Fund (ISF) was revised to reflect the long-term performance objectives of this asset class. It was determined that the Fund would consist of a series of externally managed equity portfolios which, in aggregate, are structured to achieve long-term performance consistent with non-U.S. equity markets and add diversification to the total portfolio. The ISF's hybrid benchmark is 83% of the Citigroup Europe Pacific Asia Composite Broad Market Index -50%-hedged and 17% of the Morgan Stanley Emerging Markets Free Index. During fiscal 2002, the Treasurer, with the endorsement of the Investment Advisory Council selected 12 advisors to manage six mandates established as a result of the ISF structure review. At fiscal year end, the implementation was completed.

The ISF performance objective is to outperform the hybrid benchmark net of management fees by 100 basis points per annum over rolling five-year time periods.

Fixed Income

The Mutual Fixed Income Fund (MFIF) serves as an investment tool for the Pension and Trust Funds with the goal of reducing volatility in Fund returns under various economic scenarios. During periods of low inflation, fixed income investments may enhance the overall performance of the Pension and Trust Funds, while in times of moderate inflation and high nominal interest rates, these investments may contribute investment returns. During fiscal year 2003, the Office of the Treasurer completed a structure review for the Fund as part of its continuing implementation of the Asset Allocation Policy and strategy for the Mutual Fixed Income Fund. The new benchmark is a hybrid comprising 73% Lehman Brothers U. S. Aggregate Index (LB Aggregate), 17% Citigroup High Yield Market Index, and 10% JP Morgan Emerging Markets Bond Index (JP EMBI+), and the Fund's goal is to exceed the return of the hybrid index by 65-135 basis points per annum over rolling five-year periods.

The target fixed income structure includes: passive core fixed income (20%), active core fixed income (50%), inflation linked bonds (3%), high yield (16%), and emerging market debt (10%). Implementation is in process.

Real Estate and Private Equity Investments

The strategic asset allocation established a 5% target for the real estate asset class and 11% for private equity. The Real Estate Fund (REF) is an externally managed fund that invests in real estate properties and mortgages. It serves as a long-term investment tool for the pension funds and is designed to dampen volatility of overall returns through diversification and to provide long-term rates of return similar to the Mutual Equity Fund. During fiscal 2004, following the Fund's development of Asset Class Guidelines for Real Estate, the Fund completed the real estate strategic review and investment pacing plan. This initiative also included the development of due diligence procedures for real estate investing. The Private Investment Fund (PIF) investments are in externally managed limited partnerships that focus on private equity investments. Private equity investments include the following: venture capital funds (focusing on start-ups, early and expansion stage); mezzanine funds (investing in equity and debt instruments of established companies); buy-out and acquisition funds (which make controlling and non-controlling investments in established companies); special situation funds; and specialized or special purpose fund of funds focusing on, for example, venture capital partnerships too small to be otherwise appropriate for PIF. It is anticipated that, as these markets evolve through future economic cycles, the policies and procedures within the IPS will adjust to these movements.

Securities Lending

The Treasury maintains a securities lending program for the Combined Investment Funds designed to enhance investment returns. This program involves the lending of securities to broker/dealers secured by collateral valued slightly in excess of the market value of the loaned securities. Typically, the loaned securities are used by broker/dealers as collateral for repurchase agreements and other structured investment products, as well as to cover short sales, customer defaults, dividend recapture, and arbitrage trades. To mitigate the risks of securities lending transactions, the master custodian carefully monitors the credit ratings of each counter-party and overall collateral level. Collateral held is marked-to-market on a daily basis to ensure adequate coverage.

State Street Bank and Trust Company, the current master custodian for the Funds, is responsible for marketing the program, lending the securities, and obtaining adequate collateral. For the year ended June 30, 2004, securities with a market value of approximately $2.1 billion had been loaned against collateral of approximately $2.2 billion. Income generated by securities lending totaled $6.6 million for the fiscal year.

The Year in Review

Total Fund Performance

During the fiscal year ended June 30, 2004, the State of Connecticut Retirement Plans and Trust Funds (CRPTF) achieved an annual total return of 15.23%, net of expenses, which was 104 basis points behind the benchmark return of 16.27%. For the three and five year periods the Fund achieved a 3.40% and 3.79% annualized return outperforming the benchmark returns of 2.92% and 1.87% by 48 and 192 basis points respectively. During the fiscal year, the value of CRPTF's portfolio increased from $18.3 billion to $20.2 billion. The $1.9 billion increase was primarily due to net realized gain (loss) on investments, which was partially offset by negative operating cash flow. Net unit holders' contributions created inflows of $196 million, which were offset by pension payments to beneficiaries of $1.023 billion, for a net outflow of $827 million. Funds from operations were comprised of net investment income of $897 million, realized gains of $914 million and unrealized appreciation of approximately $904 million.

For the fiscal year, the CRPTF's performance relative to the total fund benchmark was largely attributable to asset allocation differences relative to the Total Fund benchmark, which detracted from returns for the fiscal year. However, the portfolio benefited from positive manager performance in Private Investment Fund (PIF), Core Fixed Income and Developed International Equity.

For the Fiscal Year ending June 30, 2004, market volatility persisted as robust gains in the equity markets were tempered by continued geo-political uncertainty in Iraq and record high oil prices. The U.S. economy generally exceeded most forecasts, growing approximately 5%, its highest annual growth rate since 1984. Corporate profits have recovered during the last 12 months and are at record levels, resulting in a surge in employment growth during the second quarter of calendar year 2004. In a much anticipated move, the Federal Open Market Committee raised the overnight lending rate to 1.25% on June 30, 2004, which was the first rate increase in four years

Driven by the improving macroeconomic landscape, the U.S. equity market experienced four consecutive quarters of positive returns. The fourth quarter of calendar year 2003 was particularly strong as improved macroeconomic data and corporate earnings data showed performance well ahead of expectations. All broad U.S. equity indices returned double digit gains for fiscal year 2004 – a remarkable contrast to the negative returns of the prior two fiscal years. The broad market Russell 3000 Index gained 20.5% in the fiscal year ending June 30, 2004. Within the asset class, small cap stocks fared better than their large-cap and mid-cap counterparts, gaining 33.4% over the fiscal year versus 19.5% and 29.4%, respectively (as measured by the Russell indices). In terms of investment style, value stocks significantly outperformed growth stocks across the capitalization spectrum. The Mutual Equity Fund (MEF) outperformed its index (Russell 3000) by 38 basis points.

International economies experienced a recovery during fiscal year 2004. Global equity markets posted double digit gains during this time period. The Citigroup EPAC BMI Index, a broad measure of international equity markets, advanced 34.3% in U.S. dollar terms. Over the fiscal year, the dollar depreciated against a basket of foreign currencies, helping the performance of hedged mandates. In terms of style, international value stocks beat their growth counterparts, and small caps outpaced large caps. The emerging markets were very strong throughout the first three quarters of the fiscal year. However, they began to decline during the final quarter of the fiscal year. Despite this retraction, the MSCI EMF Index returned 33.5% during the year. Brazil, Turkey, and China contributed to the index gains as each benefited from a global recovery. CRPTF's International Stock Fund essentially matched its benchmark return of 29.7%. The International Stock Fund benchmark is comprised of 83% Citigroup EPAC BMI Index 50% Hedged Index, and 17% MSCI Emerging Markets Free Index.

The fixed income markets displayed the weakest performance, earning 0.3% for the fiscal year, as measured by the Lehman Brothers U. S. Aggregate Index. The U.S. fixed income markets experienced a volatile market environment as the economy outlooks shifted from deflationary to inflationary. During the fiscal year, the yield curve steepened, with the short to intermediate-term sectors experiencing the largest impact. To facilitate growth, the Federal Reserve held the Federal Funds rate at 1% for most of the fiscal year. Amidst rising inflation, rates were raised to 1.25% in June 2004. An increased investor appetite for yield caused the high yield and the emerging markets debt sectors to be the strongest performers within the fixed income markets during the fiscal year. In contrast, U.S Treasuries and Agency securities fell out of favor and were the worst performing sectors during the year. The U.S. high yield market increased 10.4%, as measured by the Citigroup High Yield Market Index. In addition, emerging market bonds posted a positive performance of 4.8% according to the J.P. Morgan EMBI+ Index. The Latin America portion of the index added to returns for the majority of the year as this region experienced improving political and economical fundamentals. For the fiscal year, the Mutual Fixed Income Fund outperformed its composite benchmark by 35 basis points, driven primarily by positive manager performance. Four out of the five core/core plus managers outperformed the LB Aggregate, and two of the three high yield managers outperformed their respective benchmarks, for the fiscal year. The depth of manager value added allowed the MFIF to outperform despite a negative impact due to asset allocation differences versus the benchmark. Specifically, the MFIF's underweight to emerging markets debt (which is included in the composite benchmark) was detrimental as emerging markets debt significantly outperformed core fixed income during the fiscal year. The Mutual Fixed Income benchmark, consisting of 73% Lehman Brothers Aggregate Index (LBA), 17% Salomon High Yield Market Index, and 10% JPM Emerging Markets Bond Index, posted a return of 2.4% for fiscal year 2004.

The Private Investment Fund underperformed Venture Economics All Private Equity (One Quarter Lag) Index by 128 basis points. The overall net return was 20.2%. The private equity markets displayed signs of improvement in comparison to the last two years. An expanding initial public offering market coupled with higher expected returns benefited performance for the fiscal year. The Real Estate Fund underperformed its benchmark by 904 basis points with a return of 0.7% versus the benchmark return of 9.7%. Because these investment classes are illiquid and highly structured, short-term performance is not always indicative of long-term expectations from the asset class, with the ultimate returns evident only upon realization of all investment gains.

While volatility in investment returns is expected in the short-term, the Treasurer's long-term performance with respect to managing the Pension and Trust assets is most important. The CRPTF generated compounded net annual total returns of 3.40%, 3.79%, and 9.20% over the last three-, five-, and ten-year periods, respectively. The Funds continued to be well diversified given the long-term risk/return objectives, while adhering to established investment guidelines.

The overall return of the CRPTF is measured against the Total Fund Benchmark, which is a hybrid benchmark customized to reflect the CRPTF's asset allocation and performance objectives. This benchmark is comprised of 36% Russell 3000 Index; 18% International Stock Fund benchmark; 29% Mutual Fixed Income benchmark; 5% Russell 3000 Index; 11% S&P 500 Index; and 1% MFR First Tier Rated Index. The International Stock Fund benchmark is comprised of 83% Citigroup Europe, Pacific, Asia Composite Broad Market Index (50% Hedged) and 17% MSCI Emerging Market Free Index. The Mutual Fixed Income benchmark consists of 73% Lehman Brothers U. S. Aggregate Index, 17% S&P/Citigroup High Yield Market Index, and 10% JPM Emerging Markets Bond Index.

2004 Division Performance and Management Initiatives

In accordance with Public Act 00-43, the Treasurer is required to adopt, and the IAC approve, an Investment Policy statement for the State of Connecticut Retirement Plans and Trust Funds. During fiscal year 2002 the Treasury completed the CRPTF's first comprehensive Investment Policy Statement (IPS) as a result of the Treasury Reform Law. The IPS sets forth the policies and procedures which govern the structuring and investing of the pension and Trust Funds. State statute prescribes the required elements of the IPS, but the IPS extends beyond what is required by State statutes in its level of detail. The IPS represents the asset allocation plan for CRPTF; describes the level of risk that the CRPTF is willing to take in its investment strategy; describes the asset classes that the CRPTF is authorized to invest in, as well as aspects of the individual asset classes and the ranges within each asset class; and describes each of the plans and trusts that the Treasurer's Office manages on behalf of the CRPTF's participants and beneficiaries. Since the adoption of the IPS on March 13, 2002 there have been several updates to the IPS. Article VI - Use of Derivatives Guidelines changes were approved by the IAC and adopted by the Treasurer on December 10, 2003. Article III - Asset Class Guidelines - International Stock Fund Guidelines changes were approved by the IAC and adopted by the Treasurer on October 23, 2003. Article IV - Asset Class Guidelines - Mutual Fixed Income Fund Guidelines changes were approved by the IAC and adopted by the Treasurer on January 10, 2003. Article VI - Asset Class Guidelines - Real Estate Fund Guidelines changes were approved by the IAC and adopted by the Treasurer on September 12, 2003.

Copies of the Connecticut pension fund's Investment Policy Statement are available for review and downloading at the State Treasurer's web site: http://www.state.ct.us/ott.

During the fiscal year the Office of the Treasurer completed contract negotiations with 11 new advisors for the International Stock Fund. This included transiting and implementing the new investment mandates as outlined in the International Stock Fund guidelines. In addition, the Office of the Treasurer completed contract negotiations and implementation with two advisors for the currency overlay mandate, after the IAC reviewed and endorsed those managers.

Also during the fiscal year, following the IAC's approval and the Treasurer's adoption of the guidelines for the Mutual Fixed Income Fund ("MFIF") and issuing RFP's for Emerging Market Debt and Inflation-Linked Bond mandates, the Office of the Treasurer selected and entered into contract negotiations with six new advisors.

The Treasurer also initiated a required review by all fund managers of investments held in companies doing business in countries that have been designated by the U.S. Department of State as sponsoring terrorist activities.

Finally, the Treasurer with the unanimous support of Connecticut's Investment Advisory Council announced the formation of the Connecticut Horizon Fund (CHF). This initiative is intended to diversify the management of the State's pension fund while providing opportunities for investment firms owned by Connecticut-based and emerging firms, as well as firms owned by women and minorities, to compete for a share of Treasury investment business. The goal of the CHF is to enhance portfolio returns through innovations, while nurturing the next generation of investment ideas. Implementation of this initiative is expected to be completed during the next fiscal year.

Proxy Voting

During 1999 and 2000, the Treasury developed comprehensive proxy voting policies for both domestic and global proxy voting. These policies were endorsed by the state's Investment Advisory Council (IAC), and now serve as the policy framework for shareholder decisions. As required by the Treasury Reform legislation enacted in 2000 the Proxy Voting Policies have been incorporated into the Investment Policy Statement. Connecticut law requires the Treasurer to consider the economic, social and environmental impact of investment decisions. In addition, state law prohibits investments in companies doing business in Northern Ireland that have not implemented the MacBride Principles of fair employment. Similar statutory prohibitions exist for investing in companies conducting business with Iran counter to U.S. foreign policy.

The corporate governance program launched in fiscal year 2000, marked Connecticut's re-emergence – for the first time in five years – as an active, responsible institutional investor, with the most comprehensive series of proxy voting policies in the state's history.

Connecticut's shareholders activities includes both exercising proxy voting responsibility and taking steps such as filing shareholder resolutions and supporting resolutions filed by other shareholders.

The shareholder program during 2004 included a number of critical areas:

Independence of the Board of Directors: The state pension fund's proxy voting policies call for a majority of the board to consist of independent directors and the key board committees – the audit, compensation and nominating committees – to consist completely of outside, independent directors. In 2002 this policy was adopted by the New York Stock Exchange (NYSE) and approached by the Securities and Exchange Commission as a requirement for all companies whose stock trades on the NYSE. The CRPTF definition of independence, however, is more strict than that of the NYSE.

Electing Board Members: The policies support annual election of all members of the board of directors. The policies also set criteria for withholding votes from members of the board under certain conditions, such as when there are conflicts of interest, poor performance of the individual or the company, continued non-compliance with independence standards, not responding to majority votes, etc.

Executive Compensation: The policies support compensating executives at a reasonable rate and that executive compensation should be tied to long term performance.

Global Working Conditions: The policies support vendor and supplier compliance with the international labor standards and core human rights.

Board Diversity: The proxy voting policies support board diversity as a key factor in deciding whether to support the election of board members. Board diversity ensures that members who serve on boards are drawn from the broadest pool of talent and expertise.

Environment: The policies support protecting the environment while helping improve the long term financial performance of a company, particularly limiting greenhouse gas omissions.

During FY 2003-2004 the CRPTF engaged with over 40 companies – ranging from writing letters, to filing shareholder resolutions, appearing at annual meetings, holding discussions with management, and meeting with members of the board of directors. This year the Treasurer also co-chaired an investor summit on climate change at the United Nations, testified before Congress several times, addressed the Securities and Exchange Commission, and met with the board and both the interim and current CEO of the New York Stock Exchange. The treasury also worked together with numerous other investors representing public pension funds, labor funds, socially responsible investors and faith based investors.

Among the program's noteworthy successes during the year included issues such as reporting on climate risk, board independence, annual election of all directors, expensing of stock options, board member diversity, and global labor standards, CRPTF filed and co-filed a total of 20 shareholder resolutions this proxy season on critical corporate governance issues, of those 6 were withdrawn due to settlements with the company, four were omitted by the SEC for technical reasons, and 12 were considered by shareholders of major corporations. Two resolutions received a majority of shareholder votes – one of which called for the company to elect all directors annually and the other on Executive compensation.

Among this year's highlights were:

- At American Electric Power, Treasurer Nappier reached an historic agreement in which the company agreed to have a committee of independent board members assess actions the company is taking to mitigate climate risk.
- Treasurer Nappier continued her engagement with Disney which began in 2002 on the issue of auditor independence. In December 2003 the Treasurer withdrew a shareholder resolution calling for more board independence after significant changes in the board membership and receiving personal assurances from George Mitchell (now chairman of the board), on other corporate governance issues. In May 2004 Treasurer Nappier joined other public pension leaders in a meeting with members of the Disney board of directors.
- At Jones Apparel a shareholder resolution on global labor standards was withdrawn when the company agreed to further discussions on reporting to shareholders on compliance with their code of conduct.
- At American Power Conversion, the CRPTF filed a board diversity resolution for the third consecutive year, and withdrew it this year when a woman was appointed to a previously all white male board, and several changes were made in the company's board recruitment procedures.
- On the issue of annual election of all members of the Board of Directors, Reebok agreed to implement this policy after the CRPTF 2003 resolution received a majority vote, SBC agreed to implement this policy after the CRPTF filed a resolution in 2004, and at Stanley Works, the CRPTF resolution received a majority vote for the second year in a row – receiving 72% of the vote.
- At Peoplesoft, CRPTF co-filed a resolution with AFSCME requesting the company to expense stock options and received a majority vote.

As principal fiduciary of the fund, Treasurer Nappier approaches shareholder ownership as a prudent long-term investor. Through shareholder advocacy, the pension fund seeks to ensure that companies in which the pension fund invests adopt corporate governance reforms and corporate citizenship practices consistent with the fund's proxy voting guidelines and in accordance with Connecticut law. Corporate governance activity under Treasurer Nappier also includes providing input to regulatory agencies on policy matters related to corporate governance and meeting with leading Connecticut companies that are important to the vitality of state's economy and in which the state pension fund is a shareholder.

Copies of the Connecticut pension fund's proxy voting policies and a report of proxy votes cast are available for review and download at the State Treasurer's web site: http://www.state.ct.us/OTT/proxyvoting.htm.

Asset Recovery and Loss Prevention

In accordance with the policies of Treasurer Nappier, the Office of the Treasurer continues its aggressive approach to recovery of assets and loss prevention as a result of malfeasance, unethical actions and other factors. The activities for the Fiscal Year ended June 30, 2004 included a redesign of contract terms and conditions, renegotiation of contract terms, development of best practice contract terms, implementation of the enhancements to the proof of claim filing process, application to serve as lead plaintiff in class action litigation, continued encouragement of other institutional investor lead plaintiffs to aggressively negotiate reasonable legal fees and consideration of filing lawsuits.

Class Action Securities Litigation

The Office of the Treasurer continues its close monitoring of opportunities to recover lost assets through active participation in class action litigation. The Office has implemented a new practice of review and monitoring of all class action cases filed. Notices are received via electronic mail of each case that is filed. The same vendor providing this service also furnishes information with respect to settlements, judgments, and other actions with respect to such litigation. The service assures the Office that we are participating in every case where assets have been lost.

The Office is actively participating as lead plaintiff in a national class action lawsuit alleging misconduct against JDS Uniphase and was named lead plaintiff in the Redback Network case. Settlement proceeds were distributed from the $457 million in the Waste Management case where Connecticut served as lead plaintiff. The pension funds received $290,435 from this settlement and more than $ 2.8 million from class action settlements in FY 2004, the largest amount ever received in a fiscal year.

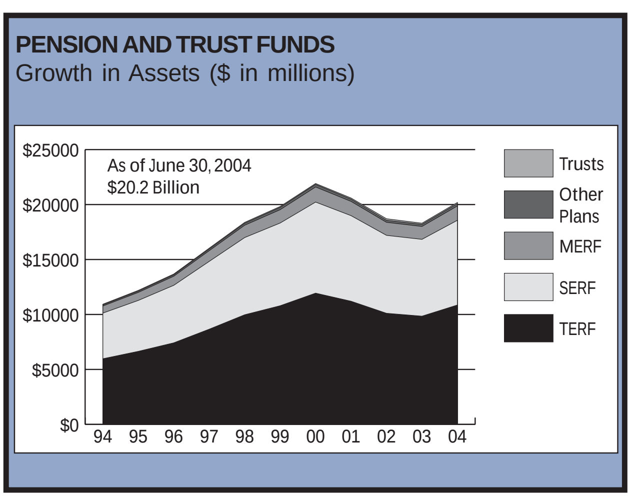
Believing that institutional investors are best equipped to manage and obtain the best results from class action securities litigation, Treasurer Nappier and her staff continue to participate in a number of forums to encourage the active participation of other institutional investors as lead plaintiffs in such litigation.

Other Litigation

In February 2002, the Office of the Treasurer filed a civil action in Connecticut State Court against the private equity firm Forstmann Little and its partners, alleging breach of contract and breach of fiduciary duty. The case was tried before a jury in Connecticut Superior Court – Complex Litigation docket throughout the month of June 2004. The jury rendered a verdict on the 1st of July 2004, determining that Forstmann Little had indeed breached its fiduciary duty to and the terms of its contract with the State of Connecticut. The jury further found that these breaches were in bad faith, grossly negligent or constituted willful misconduct. The jury did not, however, award damages, finding in favor of the Defendants' reliance on two special defenses. Confident that appealable error had occurred, Connecticut filed two motions with the trial court asking, in the alternative, that the judge award damages or grant a new trial. Although it did not occur during the Fiscal Year ended June 30, 2004, as of the date of this writing, the matter has been settled. On the 20th of September 2004, Forstmann Little paid $15 million to the Office of the Treasurer as settlement of all claims. This case was carefully watched nationally with regard to the responsibility of general partners to limited partners in the private equity sector.

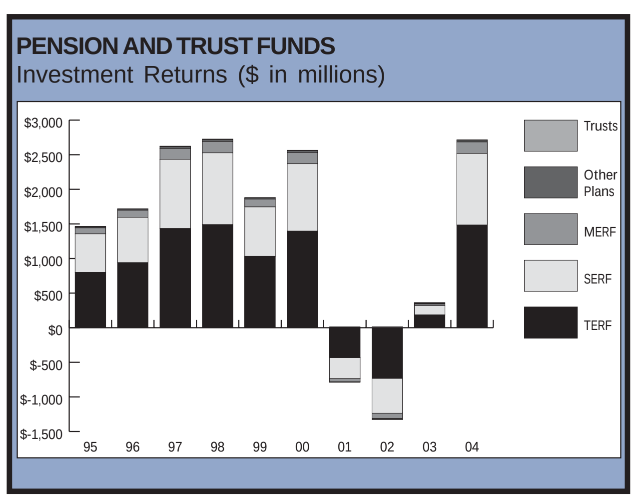
The Office of the Treasurer is one of five (5) limited partner plaintiffs in a derivative action filed against the Philadelphia-based law firm Ballard Spahr Andrews & Ingersoll LLP, alleging legal malpractice in the advice given to Keystone Venture V L.P., a private equity fund in which the CRPTF invested. The action, filed in the Philadelphia Court of Common Pleas, was necessary to obtain court approval of a negotiated settlement with the firm. The trial court did not approve the settlement and the defendants appealed the trial court's ruling to the Commonwealth Court.

Figure 1-1



TERF - Teachers' Retirement Fund
SERF - State Employees Retirement Fund
MERF - Connecticut Municipal Employees' Retirement Fund

Figure 1-2



TERF - Teachers' Retirement Fund
SERF - State Employees Retirement Fund
MERF - Connecticut Municipal Employees' Retirement Fund

Figure 1-3

PENSION AND TRUST FUNDS
Asset Class Diversification

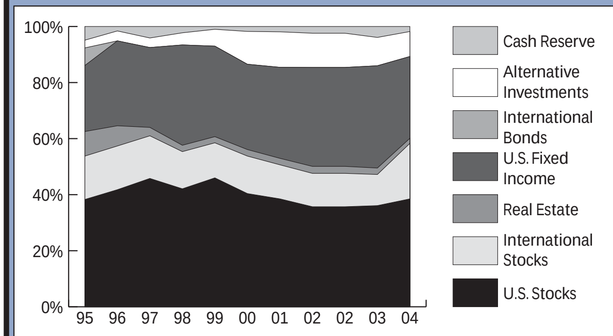


Figure 1-4

PENSION AND TRUST FUNDS ASSET ALLOCATION
Actual vs. Policy at June 30, 2004

	Actual	Target Policy	Lower Range	Upper Range
U.S. EQUITY	**38.5%**	**36.0%**	**29.0%**	**43.0%**
Mutual Equity Fund (MEF)	38.5%			
INTERNATIONAL EQUITY	**19.8%**	**18.0%**	**14.0%**	**22.0%**
International Stock Fund (ISF)	19.8%			
EQUITY COMMERCIAL REAL ESTATE	**1.8%**	**5.0%**	**4.0%**	**6.0%**
Real Estate Fund (REF)	1.8%			
U.S. FIXED INCOME	**31.0%**	**30.0%**	**26.0%**	**34.0%**
Mutual Fixed Income Fund (MFIF)(1)	29.0%			
Commercial Mortgage Fund (CMF)	0.2%			
Cash Reserve Account (CRA)	1.8%			
ALTERNATIVE INVESTMENTS	**8.9%**	**11.0%**	**6.0%**	**11.0%**
Private Investment Fund (PIF)	8.9%			
TOTAL	100.0%			

(1) MFIF's advisors are allowed to invest in non U.S. fixed income assets on an opportunistic basis.

Figure 1-5

PENSION AND TRUST FUNDS
Advisor Breakdown

Fund	**June 30, 2004**	**June 30, 2003**
MEF	6	7
ISF	13	6
PIF	37	34
MFIF	8	9
CMF	1	1
REF	8	7
CRA	1	1
Total(1)	74	65

(1) Actual total advisors was 70 and 61, respectively when factoring in advisors across multiple funds.

Figure 1-6

PENSION AND TRUST FUNDS
Periods ending June 30, 2004

	1 YR	3 YRS	5 YRS	10 YRS
Compounded, Annual Total Return (%)				
CRPTF	**15.23**	**3.40**	**3.79**	**9.20**
CRPTF CMMI (Without Objective) Benchmark	16.27	2.92	1.87	N/A
CRPTF CMMI (With Objective) Benchmark	17.79	4.28	3.26	N/A
Cumulative Total Return (%)				
CRPTF	**15.23**	**10.55**	**20.46**	**141.02**
CRPTF CMMI (Without Objective) Benchmark	16.27	9.02	9.73	N/A
CRPTF CMMI (With Objective) Benchmark	17.79	13.39	17.42	N/A

Figure 1-7

PENSION AND TRUST FUNDS
Annual Total Return

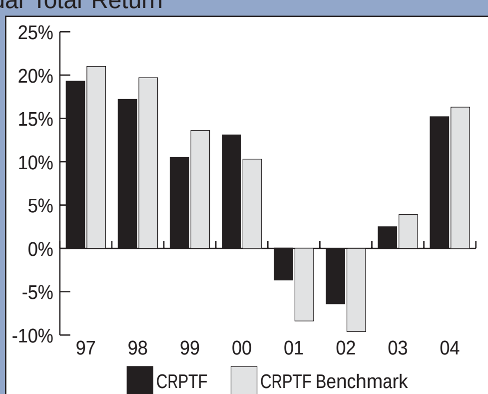
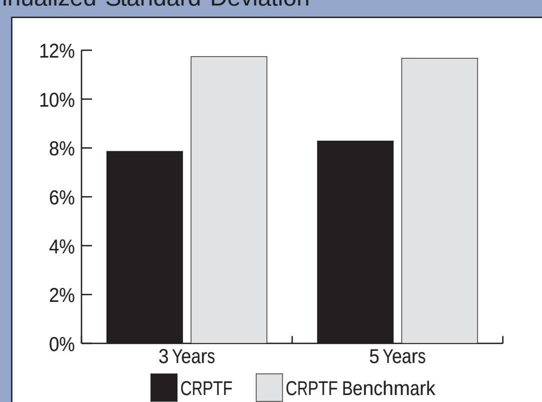


Figure 1-8

PENSION AND TRUST FUNDS
Annualized Standard Deviation



PENSION FUNDS MANAGEMENT DIVISION

Figure 1-9

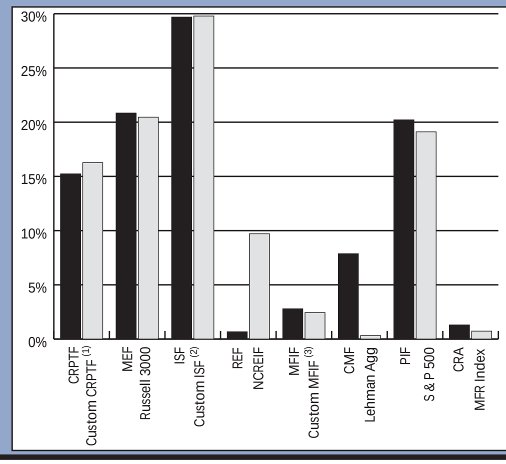
PENSION AND TRUST FUNDS
TUCS Ranking for Periods ending June 30, 2004

	1 YR	3 YRS	5 YRS	10 YRS
Public Funds >$1 Billion				
Percentile Return				
5th	19.42	7.05	7.22	11.89
25th	16.74	5.14	4.59	10.33
50th	15.88	4.22	3.66	9.80
75th	12.43	3.54	2.79	9.15
95th	1.39	2.80	2.07	8.21
CT Pension and Trust Funds				
Return[1]	15.42	3.52	3.97	9.43
Public Funds Ranking	51	75	38	66
Total Master Trusts Ranking	55	65	45	71

Source: State Street Bank
(1) Gross Return

Figure 1-10

PENSION AND TRUST FUNDS
CRPTF Returns vs. Benchmarks at June 30, 2004



(1) Total Fund Benchmark: Inception through 9/30/99: 40% Russell 3000, 15% MSCI EAFE Net, 28% LB Aggregate, 11% Russell 3000 Private Equity Fund, 4% NCREIF Property Index, 2% IBC Rated Index. 10/1/99 to date: 36% Russell 3000 Index, 18% Int'l Stock Benchmark, 29% Mutual Fixed Income Benchmark, 5% Russell 3000 Index, 11% S & P 500 Index, 1% MFR Rated Index.

(2) International Stock Fund Benchmark: 83% CitiGroup EPAC BMI 50% Hedged and 17% MSCI Emerging Market Free.

(3) Mutual Fixed Income Benchmark: 73% Lehman Aggreagte, 17% S & P/CitiGroup High Yield Market Index and 10% J.P. Morgan Emerging Markets Bond Index.

Combined Investment Funds Total Return Analysis (%)

Asset Class (% of Total Fund at 6/30/04) *(Investment performance is calculated using a time-weighted rate of return.)*	Fiscal Years Ending June 30, 2004	2003	2002	2001	2000	Annualized 3 Years	5 Years	10 Years
Total Fund (100.0%)								
Combined Investment Funds	**15.23%**	**2.49%**	**(6.39)%**	**(3.68)%**	**13.13%**	**3.40%**	**3.79%**	**9.20%**
Connecticut Multiple Market Index (Without Objective)	16.27	3.88	(9.60)	(8.37)	10.31	2.92	1.87	N/A
Connecticut Multiple Market Index (With Objective)	17.79	5.26	(8.39)	(7.14)	11.95	4.28	3.26	N/A
U.S. Stocks (38.5%)								
Mutual Equity Fund (38.5%)	**20.84**	**0.48**	**(14.95)**	**(9.55)**	**10.03**	**1.08**	**0.55**	**12.15**
Russell 3000 Index	20.46	0.77	(17.24)	(13.93)	9.60	0.15	(1.07)	11.66
International Stocks (19.8%)								
International Stock Fund (19.8%)	**29.69**	**(6.39)**	**(9.00)**	**(13.29)**	**20.13**	**3.38**	**2.85**	**5.21**
International Stock Fund Hybrid Benchmark	29.79	(6.62)	(10.88)	(19.80)	20.77	2.60	0.91	4.50
Equity Commercial Real Estate (1.8%)								
Real Estate Fund (1.8%)	**0.67**	**3.30**	**0.81**	**14.45**	**9.18**	**1.55**	**5.53**	**6.97**
Russell NCREIF(1 Qtr. Lag)	9.71	7.13	6.40	11.88	11.10	7.74	9.30	10.19
U.S. Fixed Income (29.2%)								
Mutual Fixed Income Fund (29.0%)	**2.79**	**12.03**	**5.64**	**8.03**	**5.77**	**6.75**	**6.81**	**7.64**
Fixed Income Fund Hybrid Benchmark	2.44	15.53	5.04	9.26	5.66	7.52	7.49	7.66
Commercial Mortgage Fund (0.2%)	7.87	20.62	1.19	10.88	8.26	9.60	9.59	10.30
Lehman Aggregate Bond Index	0.32	10.41	8.63	11.23	4.56	6.36	6.95	7.39
Alternative Assets (8.9%)								
Private Investment Fund (8.9%)	**20.21**	**(11.94)**	**(10.81)**	**(6.25)**	**53.86**	**(1.90)**	**6.37**	**11.57**
S & P 500	19.11	0.26	(17.99)	(14.83)	7.24	(0.69)	(2.21)	11.83
Venture Economics All Private Equity (1 Qtr. Lag)	21.49	(14.67)	(14.45)	(7.41)	90.37	(3.06)	8.66	17.50
Cash (1.8%)								
Cash Reserve Account (1.8%)	**1.30**	**1.80**	**3.03**	**6.35**	**5.96**	**2.04**	**3.67**	**4.71**
MFR First Tier Rated Inst. (Formally IBC Rated)	0.73	1.21	2.22	5.74	5.58	1.40	3.08	4.18

2004 cash reserve account

Fund Facts at June 30, 2004

Investment Strategy/Goals: To serve as a cash managment tool for the pension and trust funds by investing in high quality, liquid money market securities.

Performance Objective: An annual total return in excess of the index.

Benchmark: MFR Index

Date of Inception: September 1, 1987

Total Net Assets: $1,399,805,734

Number of Advisors: 1external

Management Fees: $313,350

Operating Expenses: $401,206

Expense Ratio: 0.04%

Performance Summary

For the fiscal year ended June 30, 2004, the Cash Reserve Account (CRA) generated a return of 1.30%, outperforming the benchmark MFR Rated Index of 0.73% by 57 basis points. The fund also outperformed the 90 day Treasury Bill Index return of 0.96% by 34 basis points.

The fund's compounded annual total return for the trailing three, five and ten year periods were 2.04%, 3.67% and 4.71% respectively, net of all expenses. These returns exceed those of the fund's benchmark for these time periods by 64, 59 and 53 basis points respectively.

Description of the Fund

The Cash Reserve Account (CRA) is a cash management pool investing primarily in high quality money market securities, Asset Backed Securities (ABS) and corporate bonds. It serves as a cash management tool for the pension, trust and Combined Investment Funds while also being considered a separate asset class of the fund providing a competitive return with the primary focus being preservation of capital with a high degree of liquidity.

CRA is managed as an enhanced cash strategy whereby the fund maintains a relatively short weighted average maturity through the purchase of fixed rate money market instruments such as Commercial Paper, Certificates of Deposit, Bank Notes and other cash equivalents. The fund also will invest in high quality, floating rate corporate bonds and Asset Backed Securities. The focus on floating rate product is primarily in maturities or average lives in excess of 13 months. By focusing on maturities in this range, CRA is able to take advantage of wider credit spreads than would otherwise be available to a typical money market fund. CRA also maintains an adequate amount of overnight liquidity in order to meet any unexpected withdrawals from the fund. The fund also maintains adequate back up liquidity in the form of highly liquid money market instruments in order to meet any cash needs over and above our overnight liquidity.

Economic Review

The period began with the Fed Funds target lowered to 1.0% in late June 2003 as the FOMC continued to respond to weak economic data as well as the lingering fear of deflation. The short end of the yield curve traded in a relatively tight range for the majority of the fiscal year as strong job creation failed to materialize despite very strong GDP growth during the second half of 2003. Most widely followed inflation indicators also continued to trend down despite the robust growth that the economy displayed during this period. This combination of anemic job growth and falling inflation led market participants to delay their expectations for any Fed tightening during the latter stages of 2003 and early 2004. Early in the new year it became evident that inflation had stopped falling and that job growth had become more substantial. The very strong March 2004 payroll report (+353K jobs) was well above estimates and served as a wake up call to fixed income investors that the Fed may need to raise administered interest rates sooner than they had previously believed. Payroll growth continued to show strength through the last quarter of the fiscal year with payroll gains averaging over 200,000 jobs per month during the first 6 months of 2004. During the period, the FOMC at first vowed to be "patient" in removing the very accommodative monetary policy that had been put in place. At the May meeting the FOMC changed their wording to signal the removal of the accommodation at "a measured pace" in response to a clearly improving economy. Despite the Fed's belief that inflationary pressures remained well contained, the committee raised the Fed Funds target level by 25 basis points to 1.25% at their June meeting. The move was widely anticipated by market participants and the quarter came to a close with investors wondering just how high the Fed funds target had to go and how quickly it needed to get there.

Portfolio Characteristics & Strategy

The period began with the newly installed Fed funds target rate of 1.00%, a historically low target rate. The Libor curve began the period with a spread of only 4 basis points between 1 and 12 month deposits as market participants were not convinced that the easing cycle had ended. In response to the flat curve, the fund focused on the purchase of high quality floating rate bonds. Floating rate bonds are an important part of the fund's strategy as they allow for significant yield pick up compared to money market instruments without taking on significant interest rate risk. CRA's floating rate exposure was increased from 45% of assets to 59% during the period. The fund held 16% in high quality corporate floaters and approximately 43% in AAA rated Asset backed securities. As it became clearer that the Fed's easing campaign had ended and the curve steepened somewhat, the fund extended its weighted average maturity to 60 days by the end of 2003. This was somewhat longer than its benchmarks' WAM of 51 days. During the last quarter of the fiscal year the Libor curve steepened dramatically as investors braced for the beginning of the Fed's campaign to raise rates to a more normalized level. In response, the fund's WAM was reduced to 48 days by the end of the fiscal year; in line with the benchmark's WAM of 46 days. The funds largest weightings at the end of the period were Asset Backed Securities (43%), Certificates of Deposit (32%) and floating rate corporate bonds (16%). Moving forward, we expect to maintain a large allocation to floating rate bonds while looking for opportunities to extend duration through the purchase of fixed rate paper when we feel we are being adequately compensated for the risk of doing so. As always, preservation of the fund's capital, a high degree of liquidity and a strong focus on credit fundamentals will remain the focus of our investment philosophy.

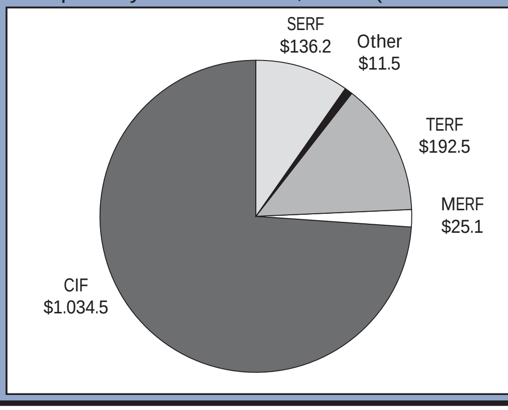
Risk Profile

Due to the short-term nature of CRA, it is generally considered to be low-risk. Consequently, returns that are realized by CRA may be significantly lower than those realized by funds with fixed income investments maturing over a longer time horizon. Similarly, the investments' short time horizon, along with the quality of the issuing entities, mitigates traditional concerns over interest rate, default and currency exchange risk.

Based on returns over the last five years, the Fund exhibited a similar degree of risk relative to the MFR Index, as evidenced by its relative volatility of 1.00. The standard deviation of the Fund of 0.14 suggests comparatively low overall volatility, while its beta of 0.81 indicates a high overall correlation to returns achieved by the Index. In the aggregate, CRA achieved a positive annual alpha, or return in excess of that predicted by returns of its benchmark of 0.59.

Figure 2-1

CASH RESERVE ACCOUNT
Ownership Analysis at June 30, 2004 ($ in millions)



TERF - Teachers' Retirement Fund
SERF - State Employees Retirement Fund
MERF - Connecticut Municipal Employees' Retirement Fund
CIF - Combined Investment Funds

Figure 2-2

CASH RESERVE ACCOUNT
Risk Profile at June 30, 2004

Relative Volatility	1.00
Standard Deviation	0.14
R^2	0.87
Beta	0.81
Alpha	0.59

(1) Based upon returns over the last five years.

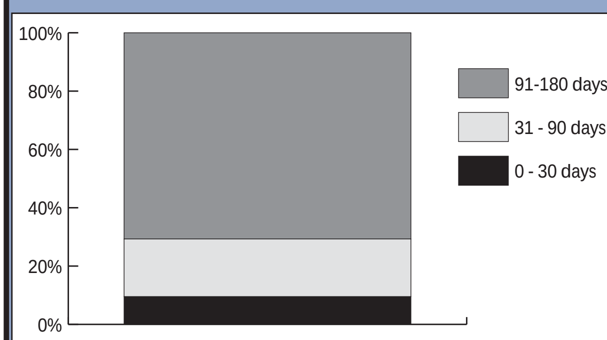
Figure 2-3

CASH RESERVE ACCOUNT
Quarterly Weighted Average Maturity

Quarter End	CRA	MFR Index
06/30/2004	**48 days**	46 days
03/31/2004	**70 days**	51 days
12/31/2003	**60 days**	51 days
09/30/2003	**74 days**	52 days
06/30/2003	**48 days**	50 days

Figure 2-4

CASH RESERVE ACCOUNT
Security Maturity(1) Analysis at June 30, 2004



(1) Or Interest Rate Reset Period.

Figure 2-5

CASH RESERVE ACCOUNT
Distribution by Yield (1) at June 30,2004

Yield	
.75% - 1.00%	0.0%
1.01% -1.25%	36.5%
1.26% - 1.50%	50.6%
1.51% -1.75%	12.9%
1.76% - 2.00%	0.0%
2.00+%	0.0%
TOTAL	100.0%

(1) Represents yield to maturity.

Figure 2-6

CASH RESERVE ACCOUNT
Distribution by Security Type at June 30, 2004

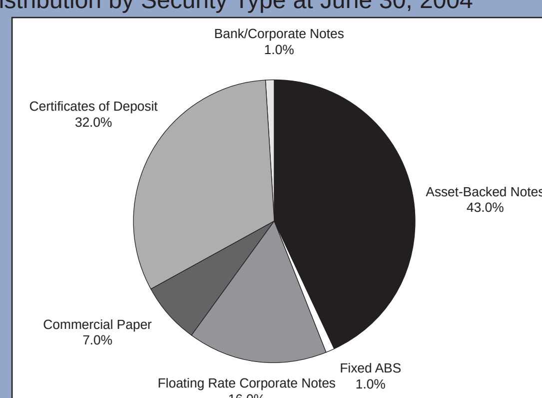


Figure 2-7

CASH RESERVE ACCOUNT
Comprehensive Profile

Date	Number of Issues	Yield[1]	Average Maturity	Average Quality
2004	92	1.30%	48 days	A-1+/AA+
2003	109	1.80%	48 days	A-1+/AA+
2002	104	3.03%	51 days	A-1+/AA+
2001	90	6.35%	65 days	A-1+/AA+
2000	109	5.96%	81 days	A-1+/AA+
1999	102	5.46%	67 days	A-1+/AA+
1998	81	5.86%	60 days	A-1+/AA+
1997	53	5.70%	71 days	A-1+/ AA+
1996	46	5.90%	50 days	A-1+/ AAA
1995	48	5.83%	32 days	TBW-1/ AAA

(1) Represents annual total return of the Fund for year ended June 30.

Figure 2-8

CASH RESERVE ACCOUNT
Quarterly Yield[1] Analysis

Quarter End	CRA	MFR Index
06/30/2004	1.38%	0.75%
03/31/2004	1.20%	0.74%
12/31/2003	1.20%	0.75%
09/30/2003	1.30%	0.75%
06/30/2003	1.32%	0.95%

(1) An annualized historical yield based on the preceding month's level of income earned by the Fund.

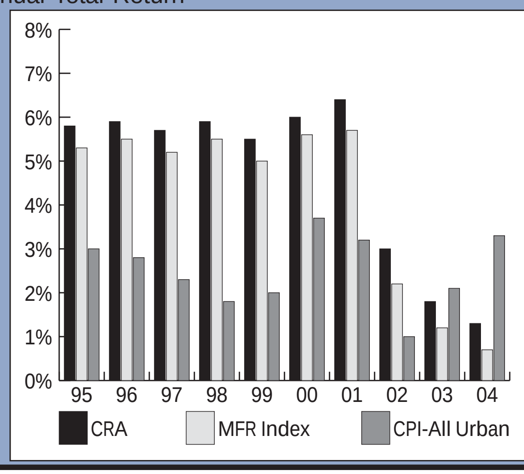
Figure 2-9

CASH RESERVE ACCOUNT
Periods ending June 30, 2004

	1 YR	3 YRS	5 YRS	10 YRS
Compounded, Annual Total Return (%)				
CRA	1.30	2.04	3.67	4.71
MFR Index	0.73	1.40	3.08	4.18
CPI-Urban	3.27	2.15	2.68	2.51
CitiGroup 90-Day CD	1.12	1.76	3.47	4.58
CitiGroup 90-Day T-Bill	0.96	1.61	3.14	4.16
Cumulative Total Return (%)				
CRA	1.30	6.24	19.73	58.38
MFR Index	0.73	4.24	16.36	50.67
CPI-Urban	3.27	6.58	14.16	28.19
CitiGroup 90-Day CD	1.12	5.37	18.62	56.45
CitiGroup 90-Day T-Bill	0.96	4.90	16.69	50.33

Figure 2-10

CASH RESERVE ACCOUNT
Annual Total Return



(1) Or Interest Rate Reset Period.

2004 mutual equity fund

Fund Facts at June 30, 2004

Investment Strategy/Goals: To participate in the growth of the U. S. economy through the ownership of domestic equity securities.

Performance Objective: An annual total return which is one percentage point greater than that of the Russell 3000 after expenses.

Benchmark: Russell 3000 Index

Date of Inception: July 1, 1972

Total Net Assets: $7,781,058,792

Number of Advisors: 6 external

Management Fees: $6,459,864

Operating Expenses: $1,238,039

Expense Ratio: 0.11%

Turnover: 52.7%

Performance Summary

For the fiscal year ended June 30, 2004, the Mutual Equity Fund (MEF) generated a positive return of 20.84%, net of fees, which outperformed the Russell 3000 index benchmark return of 20.46% by 38 basis points. Beneficial risk factors and positive industry selection were the main contributors to performance over the fiscal year. A modest small cap tilt and an underweight to high-dividend paying stocks enabled the Fund to outperform its benchmark over the fiscal year. In addition, an underweight to consumer cyclicals helped returns. During this same period, MEF's net assets grew from $6.598 billion to $7.781 billion, an increase of $1.183 billion. Of this net total change, $1.356 billion was due to unrealized capital gains and net investment income including realized gains, partly offset by $173 million in net cash outflows to participating pension plans and trusts.

While volatility in investment returns is expected in the short-term, the Fund's long-term performance remains the most important comparative measure. As Figure 3-4 below illustrates, MEF has generated annualized total returns, net of fees, of 1.08%, 0.55%, and 12.15% over the last three, five, and ten-year periods, respectively. The Fund returns outperformed the Russell 3000 for the three, five, and ten-years periods by 93, 162, and 49 basis points, respectively.

The MEF's cumulative total returns for the three, five, and ten year periods ending June 30, 2004, were 3.28%, 2.78%, and 214.65%, respectively.

Description of the Fund

The Mutual Equity Fund (MEF) is an externally managed fund investing in domestic equity securities. It serves as an investment vehicle for the Pension and Trust Funds with the goal of earning prudent returns while participating in the growth of the U.S. economy.

MEF's performance objective is an annual total return, net of management fees and Division operating expenses, which exceeds that of the Russell 3000 Index by 100 basis points per annum. The Russell 3000 Index is a broad stock market index of the securities from the largest 3,000 publicly traded U.S. companies.

At the close of the fiscal year, MEF consisted of six externally managed equity portfolios structured to approximate the composition of the Russell 3000 Index. Two advisors actively managed approximately 10% of the portfolio in small to mid-capitalization stocks. Two advisors invested a total of 12% of the portfolio in small to mid-capitalization stocks using an enhanced indexing strategy. Two advisors in large capitalization stocks (of which 43% was invested using enhanced indexing strategies and 35% was invested using a passive strategy) managed the balance of the portfolio, or approximately 78%. At fiscal year end, approximately $7.0 billion, or 90%, of the Fund's net assets were invested in indexed or enhanced index portfolios.

Portfolio Characteristics

At fiscal year-end, MEF was 99.0% invested in domestic stocks, reflecting the Fund's policy that it be fully invested. The largest industry weighting at June 30, 2004 was financials (18.8%), followed by technology (16.3%) and health care (15.5%). (See figure 3-3.)

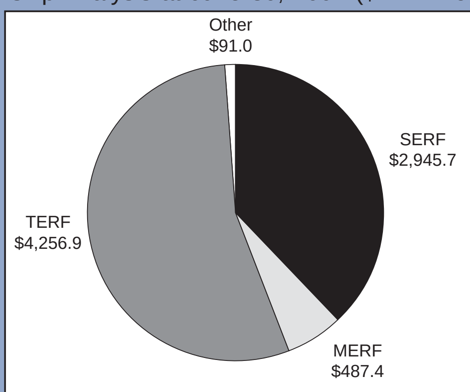
The MEF's ten largest holdings, aggregating to 17.5% of Fund investments, included a variety of blue chip companies. (See figure 3-9.)

Risk Profile

Based on returns over the last five years, the Fund has exhibited a similar degree of risk as that of its benchmark, the Russell 3000 Index. With a relative volatility of 0.99, the MEF's returns have almost equal volatility to those of the Index and reflect a strong degree of correlation, 0.99, to those of the Index. MEF's annual excess return during the five year period, or return relative to that achieved by the benchmark, was a positive 1.63%. (See figure 3-2)

Figure 3-1

MUTUAL EQUITY FUND
Ownership Analysis at June 30, 2004 ($ in millions)



TERF - Teachers' Retirement Fund
SERF - State Employees Retirement Fund
MERF - Connecticut Municipal Employees' Retirement Fund

Figure 3-2

MUTUAL EQUITY FUND (1)
Risk Profile at June 30, 2004

Relative Volatility	0.99
Standard Deviation	16.63
R^2	0.99
Beta	0.98
Alpha	1.63

(1) Based upon returns over the last five years.

Figure 3-3

MUTUAL EQUITY FUND
Fiscal 2004 Industrial Sector vs. Index (%)
Based on Investments in Securities,at Value (1)

At 6/30/2004:	MEF		Russel 3000	
	% of Net Assets	Annual Return	%of Net Assets	Annual Return
Energy	6.0	38.4	5.6	32.9
Materials	3.2	47.9	2.9	34.5
Industrials	11.3	27.5	11.1	27.6
Consumer Discretionary	14.8	16.6	13.8	16.3
Consumer Staples	8.2	24.8	8.0	21.6
Health Care	15.5	12.9	15.4	9.6
Financials	18.8	19.6	21.4	21.1
Information Technology	16.3	23.4	15.0	26.5
Telecomm Services	3.3	7.4	3.5	6.6
Utilities	2.6	12.7	3.3	13.2
	100.0		100.0	

(1) Excludes the Cash Reserve Account.

Figure 3-4

MUTUAL EQUITY FUND
Periods ending June 30, 2004

	1 YR	3 YRS	5 YRS	10 YRS
Compounded, Annual Total Return (%)				
MEF	20.84	1.08	0.55	12.15
Russell 3000	20.46	0.15	-1.07	11.66
Cumulative Total Return (%)				
MEF	20.84	3.28	2.78	214.65
Russell 3000	20.46	0.45	-5.24	201.32

Figure 3-5

MUTUAL EQUITY FUND
Annual Total Return

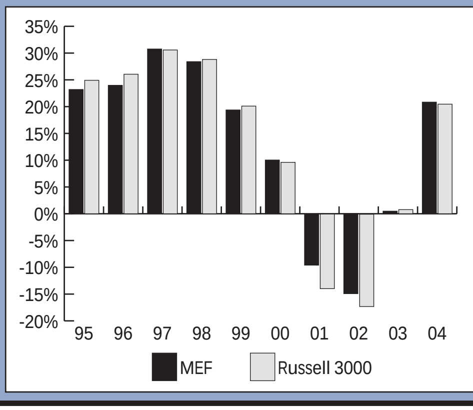


Figure 3-6

MUTUAL EQUITY FUND
Components of Total Return ($ in millions)

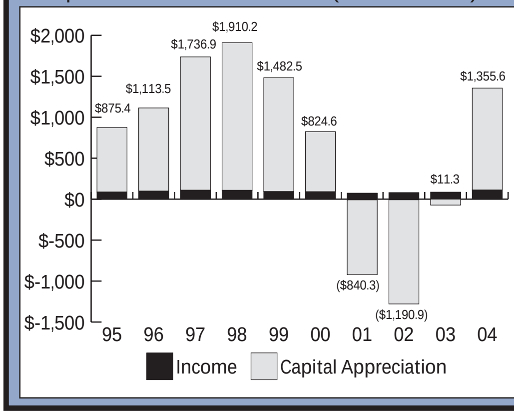


Figure 3-7

MUTUAL EQUITY FUND
Comprehensive Profile for the Fiscal Years ending June 30,

	2004		2003		2002		2001		2000	
	MEF	Russell	MEF	Russell	MEF	Russell	MEF	Russell	MEF	Russell
# of Issues	2,114	3,000	2,119	3,000	2,274	3,000	2,333	3,000	2,325	3,000
Cap ($ Bil)	$70.0	$74.6	$65.1	$71.7	$66.8	$70.2	$87.7	$94.9	$118.2	$121.3
P/E	22.0	22.5	23.2	23.9	29.3	30.4	24.1	26.3	26.8x	30.2x
Div Yield	1.50%	1.60%	1.50%	1.70%	1.50%	1.60%	1.20%	1.30%	1.10%	1.10%
ROE	16.7%	16.7%	16.0%	16.2%	15.5%	16.4%	20.0%	20.9%	19.4%	20.5%
P/B	3.9x	4.0x	3.9x	4.0x	4.2x	4.3x	5.3x	5.5x	9.8x	10.7x
Cash & Equiv.	0.8%	0.0%	1.1%	0.0%	1.2%	0.0%	1.3%	0.0%	0.9%	0.0%

Figure 3-8

MUTUAL EQUITY FUND
Investment Advisors at June 30, 2004

Investment Advisor	Net Asset Value	% of Fund
Large Cap	***$6,047,868,657***	***77.73%***
(Passive Enhanced)		
BGI Barclays Global Investors, N.A.	3,313,814,636	42.59%
(Passive Indexed)		
State Street Global Advisors	2,734,054,021	35.14%
Small/Mid Cap *(Passive Enhanced)*	**907,520,835**	**11.66%**
AXA Rosenberg Investment Management	494,716,854	6.36%
SSB Citigroup (The Travelers)	412,803,981	5.30%
Small/Mid Cap *(Active)*	**807,715,933**	**10.38%**
TCW Cowen Asset Management	459,946,759	5.91%
Brown Capital Management, Inc.	347,769,174	4.47%
Other (1)	**17,953,367**	**0.23%**
TOTAL MEF	**$7,781,058,792**	**100.00%**

(1) Other represents funds earmarked for distribution to participants, reinvestment, and expenses.

Figure 3-9

MUTUAL EQUITY FUND
Ten Largest Holdings at June 30, 2004

Security Name	Sector	Market Value	%
CitiGroup Inc	Financial	169,363,323	2.18%
General Electric	Technology	160,959,442	2.07%
Pfizer Inc	Health Care	160,708,239	2.07%
Microsoft	Technology	140,900,646	1.81%
Intel Corp	Technology	133,227,822	1.71%
Exxon Mobil Corp	Energy	132,523,970	1.70%
Bank America Corp	Financial	132,356,934	1.70%
Johnson & Johnson	Health Care	127,384,340	1.64%
Int. Business Machines	Technology	101,121,361	1.30%
Wal Mart Stores Inc	Non-Durables	98,627,486	1.27%
Top Ten		**1,357,173,563**	**17.45%**

2004 international stock fund

Fund Facts at June 30, 2004

Investment Strategy/Goals: To participate in the growth of the global economy through the ownership of foreign equity securities.

Performance Objective: An annual total return which is one percentage point greater than the ISF Hybrid Benchmark after expenses.

Benchmark: ISF Hybrid Benchmark (83% Citigroup Europe, Pacific, Asia Composite Broad Market Index, 50% Hedged and 17% MSCI Emerging Market Free)

Date of Inception: January 1, 1988

Total Net Assets: $4,003,283,359

Number of Advisors: 13 external

Management Fees: $17,336,519

Operating Expenses: $1,367,287

Expense Ratio: 0.62%

Turnover: 118.4%

Performance Summary

For the fiscal year ended June 30, 2004, the International Stock Fund (ISF) generated a return of 29.69%, net of fees, which underperformed its hybrid benchmark index return of 29.79% by 10 basis points. The program experienced manager changes during the fiscal year therefore it is difficult to attribute performance to any single factor. As part of the new ISF implementation, the currency overlay strategies were started at the end of March 2004. For the majority of the fiscal year, the ISF portfolio was managed on an unhedged basis, which was beneficial in a weakening dollar environment.

During fiscal year 2004, ISF net assets increased from $2.034 billion to $4.003 billion, an increase of $1.969 billion. This included net investment income of $71 million and realized and unrealized net capital gains of $835 million and $1.063 billion due to net cash inflows to participating pension plans and trusts.

The Fund returned 3.38%, 2.85% and 5.21% for the three, five and ten year periods outperforming the benchmark returns of 2.60%, 0.91% and 4.50% by 78, 194 and 71 basis points respectively. The cumulative returns for the Fund for the three, five and ten years were 10.47%, 15.07% and 66.15% respectively as illustrated in Figure 4-4 below.

Description of the Fund

The International Stock Fund is an externally managed fund, which invests in foreign equity securities. It serves as an investment tool for the Pension and Trust Funds, with the goal of participating in the growth of international economies. It is used to reduce short-term volatility in the Pension and Trust Funds returns by providing an additional layer of asset and currency diversification. In environments where the value of the U.S. dollar is declining relative to other currencies, international stocks are expected to enhance total Pension and Trust Fund returns.

Established in 1988, the ISF's performance objective was an annual total return, net of management fees and Division operating expenses, which exceeds that of the Hybrid Benchmark, a measure of the returns of developed, non-U.S. stock markets, by 100 basis points. During a structure review in fiscal year 2000, the objective was changed to reflect the Fund's strategic exposure to emerging markets, as well as an exposure to stocks of smaller companies in the developed international markets. The new objective is for the return of the Fund (net of fees) to exceed the return of a hybrid index comprising 83% of the Citigroup Europe Pacific Asia Composite Broad Market Index (50% Hedged) and 17% of the Morgan Stanley Capital International Emerging Market Free Index (MSCI EMF) by 100 basis points.

At the end of fiscal year 2004 there were seven mandates in the Fund; Passive Large-Cap EAFE, Active Small-Cap EAFE, Active Risk Controlled EAFE, Active Core EAFE, Active Specialist EAFE, Active Emerging Markets, and Currency Overlay. Over fifty advisors were interviewed for five of the seven Fund mandates established during the structure review process completed at the end of fiscal 2000. In May 2002, Treasurer Nappier, with the endorsement of the Investment Advisory Council, selected twelve managers.

At the end of fiscal year 2004, the Fund had thirteen external advisors, selected on the basis of expected future performance and investment style. Two of the advisors each managed two portfolios: the first advisor manages both an emerging market and an active large cap value portfolio, while the second advisor handles both a large cap core and a small cap portfolio. (See figure 4-8.) Based on the Fund's holdings, as of June 30, 2004, approximately 57% of the portfolio was actively managed in core, growth, value and small cap, while 17% was actively managed within the emerging markets, 13% was actively managed within risk controlled and 12% was allocated to one advisor for passive management against the Citigroup Europe, Pacific, Asia Composite Primary Market Index (Citigroup EPAC PMI).

Portfolio Composition

At fiscal year-end, ISF was 98.0% invested in international securities. Investments in the United Kingdom were the largest percentage of Fund assets, at 14.7%. Japan accounted for 13.3% of investments followed by Germany at 10.7%. These geographic concentrations differed from those comprising the Hybrid index, reflecting the Fund's allocation to active management strategies. (See figure 4-7.)

The ISF was well diversified at year-end, holding more than 3,252 securities in the portfolio. The ISF's ten largest holdings, not including cash, included a variety of companies located throughout Europe and the Far East. The Fund's largest investment, comprising 1.4% of investment securities, was Total FINA Elf of France. (See figure 4-9.)

In the aggregate, these ten holdings accounted for 11.7% of the Fund's investments at June 30, 2004.

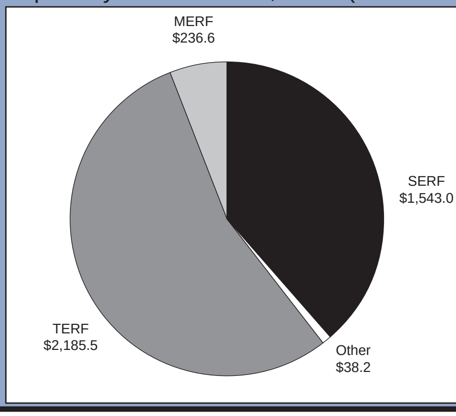
Risk Profile

Given ISF's investment policies and objectives, the Fund is exposed to several forms of risk. These include, but are not limited to, political and economic risk, currency exchange risk, market risk, and individual company credit risk. The Treasurer determined that a 50% hedge ratio would provide the greatest reduction in portfolio risk over time. The currency hedging strategy was implemented during the fiscal year ending June 30, 2004 with the hiring of two dedicated currency overlay managers. As a result, currency hedging will not be part of any of the other international equity managers within the Fund.

Based on returns over the last five years, the Fund's risk profile is similar to that of the Hybrid benchmark. The Fund's relative volatility to its benchmark over the five-year period ending June 30, 2004 has been 1.03%, while its high R^2 of 0.95 demonstrates a relatively strong overall correlation. In the aggregate, ISF's annualized excess return over the five-year period, or return in excess of that predicted by the benchmark, was 1.94%. (See Figure 4-2.)

Figure 4-1

INTERNATIONAL STOCK FUND
Ownership Analysis at June 30, 2004 ($ in millions)



TERF - Teachers' Retirement Fund
SERF - State Employees Retirement Fund
MERF - Connecticut Municipal Employees' Retirement Fund

Figure 4-2

INTERNATIONAL STOCK FUND
Risk Profile at June 30, 2004

Relative Volatility	1.03
Standard Deviation	16.42
R^2	0.95
Beta	1.00
Alpha	1.94

(1) Based upon returns over the last five years.

Figure 4-3

INTERNATIONAL STOCK FUND
Comprehensive Profile at June 30, 2004

	ISF	ISF Hybrid Benchmark
Number of Issues	3,252	4,831
European Allocation (%)	61.8	54.3
Pacific Allocation (%)	18.2	26.5
Other (%)	20.0	19.2
Annual Total Return (%)	29.69	29.79

Figure 4-4

INTERNATIONAL STOCK FUND
Periods ending June 30, 2004

	1 YR	3 YRS	5 YRS	10 YRS
Compounded, Annual Total Return (%)				
ISF	29.69	3.38	2.85	5.21
ISF Hybrid Benchmark	29.79	2.60	0.91	4.50
Cumulative Total Return (%)				
ISF	29.69	10.47	15.07	66.15
ISF Hybrid Benchmark	29.79	8.00	4.63	55.23

Figure 4-5

INTERNATIONAL STOCK FUND
Annual Total Return

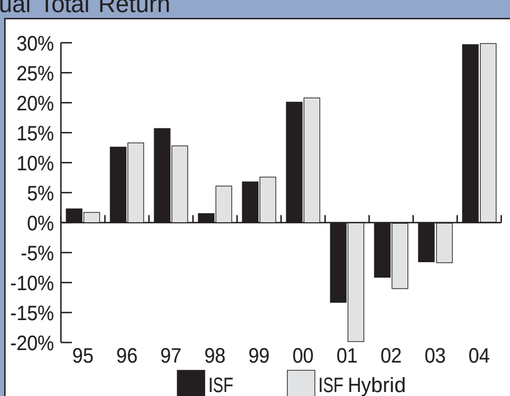


Figure 4-6

INTERNATIONAL STOCK FUND
Components of Total Return ($ in millions)

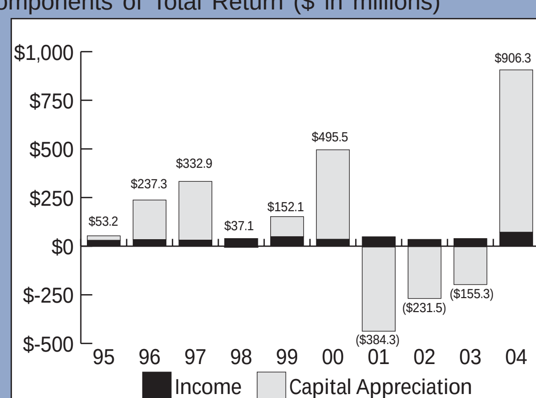


Figure 4-7

INTERNATIONAL STOCK FUND
Diversification by Benchmark Country with Return (%) at June 30, 2004 [1]

	ISF			ISF Hybrid Benchmark		
	% of Net Assets 6/30/03	% of Net Assets 6/30/04	Total Return	% of Net Assets 6/30/03	% of Net Assets 6/30/04	Total Return
Japan	13.5	13.3	44.5	17.5	20.0	48.5
United Kingdom	15.1	14.7	26.6	21.4	20.1	28.1
Germany	10.5	10.7	31.5	5.3	5.4	34.2
France	8.4	8.7	29.9	7.5	7.0	31.5
Italy	5.9	6.1	28.5	3.4	3.4	26.7
Switzerland	4.8	4.8	29.8	6.0	5.4	30.6
Netherlands	3.5	3.6	28.9	3.9	3.7	28.0
Spain	3.9	4.0	25.6	3.1	2.9	29.2
Hong Kong	1.9	1.8	39.6	1.6	1.7	36.8
Sweden	1.4	1.5	48.6	1.8	1.9	51.7
Australia	1.4	1.4	27.0	4.0	4.0	26.9
Finland	1.4	1.5	6.6	1.5	1.1	9.5
Belgium	1.4	1.4	39.1	1.0	1.0	40.0
Singapore	1.3	1.2	29.3	0.8	0.7	32.9
Denmark	0.8	0.8	42.9	0.7	0.7	40.3
Ireland	0.8	0.9	32.0	0.6	0.6	41.6
Norway	1.8	1.8	59.1	0.3	0.4	57.7
Malaysia	0.5	0.5	38.0	0.9	0.8	20.1
Austria	0.9	0.9	63.7	0.2	0.3	55.5
New Zealand	0.6	0.5	25.0	0.1	0.1	28.1
Portugal	0.4	0.4	46.9	0.3	0.4	40.4
Other	19.8	19.5		18.1	18.4	
Total	**100.0**	**100.0**		**100.0**	**100.0**	

(1) Includes Cash Reserve Account and cash equivalents at each country level.

Figure 4-8

INTERNATIONAL STOCK FUND
Investment Advisors at June 30, 2004

Investment Advisor	Net Asset Value	% of Fund
Index	**$499,572,037**	**12.48%**
State Street Global Advisors	499,572,037	12.48%
Active-Core	**994,575,684**	**24.84%**
Invesco Global Asset Mgmt.	337,435,398	8.43%
Morgan Stanley Asset Management	335,451,915	8.38%
Putnam Advisory Co.	321,688,371	8.03%
Active-Growth	**511,755,100**	**12.78%**
Clay Finlay, Inc.	350,832,247	8.76%
MFS Institutional Advisors, Inc.	160,922,853	4.02%
Active-Value	**390,121,576**	**9.75%**
Grantham, Mayo, Van Otterloo	390,121,576	9.75%
Small Cap	**389,187,986**	**9.72%**
Morgan Stanley Asset Management	198,978,210	4.97%
Schroder Investment Mgmt.	190,209,776	4.75%
Emerging	**696,405,801**	**17.40%**
Grantham, Mayo, Van Otterloo	354,163,417	8.85%
Emerging Markets Management	342,242,384	8.55%
Risk Controlled	**504,143,403**	**12.59%**
Fidelity Management Trust Co.	253,413,490	6.33%
Merrill Lynch Investment	250,729,913	6.26%
Other [1]	**17,521,772**	**0.44%**
TOTAL ISF	**4,003,283,359**	**100.00%**

(1) Other represents funds earmarked for distribution to participants, reinvestment, and expenses.

Figure 4-9

INTERNATIONAL STOCK FUND
Ten Largest Holdings at June 30, 2004

Security Name	Country	Market Value	%
Total SA Eur 10 Serie B	France	$ 57,549,900	1.44%
Vodafone Group ORD USD .10	United Kingdom	55,126,735	1.38%
Samsung Electronic KRW5000	Korea	51,255,518	1.28%
Baring Emerging Markets Fund	Taiwan	46,388,874	1.16%
BP PLC Ord USD .25	United Kingdom	45,685,770	1.14%
Nestle SA CHF1 (REGD)	Switzerland	44,341,940	1.11%
Toyota Motor Corp. JPY50	Japan	41,970,050	1.05%
Royal BK Scot GRP Ord GBP .25	United Kingdom	41,889,569	1.05%
Glaxosmithkline ORD GBP .25	United Kingdom	41,746,783	1.04%
ENI EUR 1	Italy	40,958,340	1.03%
Top Ten		**$466,913,479**	**11.68%**

2004 real estate fund

Fund Facts at June 30, 2004

Investment Strategy/Goals: To hedge against inflation, reduce volatility of returns, and provide a long-term rate of return similar to equity investments by investing in equity commercial real estate.

Performance Objective: An annual total return which is one percentage point greater than the index.

Benchmark: National Council of Real Estate Investment Fiduciaries Index (NCREIF) 1quarter lag.

Date of Inception: July 1, 1982

Total Net Assets: $368,537,656

Number of Advisors: 8 external

Management Fees [(1)]: $1,120,127

Operating Expenses: $451,482

Expense Ratio: 0.40%

Capitalized and Netted Fees: $3,571,892

(1) See note 1 to the Financial Statements for a discussion of similar fees incurred at the investment level.

Performance Summary

For the fiscal year ended June 30, 2004, the Real Estate Fund (REF) generated a total return of 0.67%, net of fees, which under performed the National Council of Real Estate Investment Fiduciaries Index (NCREIF) of 9.71% by 904 basis points. This performance is primarily attributable to REF's under exposure to core real estate strategies and traditional property types and over exposure to opportunistic strategies and hotels as well as nontraditional property types such as senior living facilities.

During the fiscal year, the value of REF's portfolio declined from $426 million to $369 million. The $57 million decrease was primarily due to net distributions to unit holders. This amount was comprised of income distributions to beneficiaries of $37 million and net redemptions paid out to unit holders of $23 million. $3 million generated by operations offset these amounts. Funds from operations were comprised of net investment income of $17 million, realized loss of $8 million and unrealized depreciation of $6 million.

For the trailing three, five and ten-year periods, REF's compounded annual total return was 1.55%, 5.53%, and 6.97%, respectively, net of all expenses. (See figure 5-8.) The REF returns under performed the benchmark in the three, five and ten year periods by 619 basis points, 377 basis points and 322 basis points, respectively. The under performance for the three and five year periods are indicative of the "J curve" effect of the four opportunity fund investments, which comprise a significant portion of the Fund. Markets that favor highly occupied, cash generating properties in traditional property types, have hurt the REF's recent performance. REF's concentration in opportunistic investments has resulted in a focus on value creation and capital gains and features significant exposure to non-traditional property types. Reasons for underperformance in the ten-year category include adverse asset selection and asset sales in a weak domestic real estate market (the early and mid nineteen nineties). Management fees, operating expenses and significant write-downs taken in the mid nineteen nineties have also contributed to the Fund's below-benchmark performance over this time period.

Description of the Fund

The Real Estate Fund is an externally managed fund that invests in real estate properties and mortgages. It serves as a long-term investment tool for the pension funds and is designed to dampen volatility of overall returns through diversification and to provide long-term rates of return similar to the Mutual Equity Fund. Over the short-term, REF is expected to provide a real rate of return above the rate of inflation during most economic conditions. In periods of rising inflation, REF is expected to add substantially to the performance of the pension funds.

REF's performance objective is an annual total return, net of management fees and operating expenses, which exceeds that of the NCREIF index by 100 basis points, or one percentage point, per annum.

Portfolio Activity

During the fiscal year, the Connecticut Retirement Plans and Trust Funds (CRPTF) worked closely with Pension Consulting Alliance (PCA), its real estate investment consultant on a number of initiatives. PCA assisted the Treasurer and her staff in the development of a Strategic Review and Investment Plan for the REF and due diligence procedures for real estate investing. These steps, along with the IAC's approval of the Asset Class Guidelines for the REF, positioned REF to make new investment commitments. One such commitment, in the amount of $40 million, was made to Connecticut-based Rockwood Capital Real Estate Partners Fund V, L.P., a value-added closed end commingled real estate fund during the fiscal year.

During the latter half of the fiscal year, the REF began implementing its Strategic Review and Investment Plan. To that end, new investment opportunities were considered and liquidation strategies for existing assets that are longer consistent with REF's portfolio objectives were activated. With regard to REF's $402 million in outstanding commitments, $43 million remained unfunded at fiscal year end. REF has been notified that roughly $3 million of this total will not be called. During the fiscal year, REF provided funding of $20 million to two funds. Distributions received totaled $105 million.

The Fund also continued its program of opportunistically attempting to sell separate account investments that were acquired in the late nineteen eighties and early nineties. One such asset was sold during the fiscal year. REF continues to position the remaining single-asset investments for sale. The focus during this process is on maximizing returns.

During the fiscal year, the U.S. economy continued to experience economic growth. However the continued slow pace job creation resulted in only modest improvement in occupancy in the office and industrial sectors. The retail sector continued its strong performance while apartments struggled. Despite the absence of strong underlying fundamentals for most property types, historically high capital flows into real estate from institutional and individual investors and continued low interest rates helped to maintain asset values. This was especially true for well located assets in major cities with minimal vacancy and strong tenant rosters and avoided other properties.

Portfolio Characteristics

Real Estate investment is a complex and intensive asset management process. REF's investments are restricted by policy to the purchase of shares in group annuities, limited partnerships, group trusts, corporations, and other indirect ownership structures managed by professional commercial real estate investment firms. At June 30, 2004, the portfolio consisted of 11 externally managed portfolios, with 21% of the Fund's net assets invested in real estate separate accounts, 72% invested in commingled funds and 7% invested in cash and other net assets.

The Fund's ten largest holdings aggregated to 93.1% of REF investments. (See figure 5-12.)

As currently structured, office properties constitute the single largest component of REF's portfolio at 23%, with industrial (2%), retail (14%), apartments (7%), and hotel (11%) comprising 57% of the Fund. The "other" category, which accounts for 43% of net assets, includes significant exposures in senior living (20%), mixed-use (3%) and timberland (5%). The balance of the portfolio is comprised of distribution facilities, land, storage facilities, and cash and other monetary assets. (See figure 5-7.)

The portfolio is reasonably well diversified geographically with 30% of its assets invested in the East, 18% in the West, 29% in the South, and 6% in the Midwest. The remaining 17% is comprised of "other" and includes investments distributed nationally across the U.S. (6%), and internationally (5%), while cash and other net assets account for the remainder (6%). (See figure 5-6.)

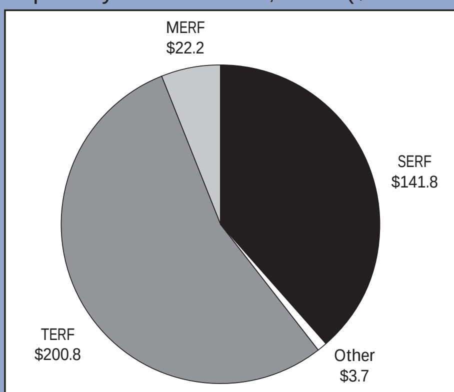
Risk Profile

Given REF's investments policy and objectives, the Fund is exposed to several forms of risk. These include risks attendant to alternative investments, such as management, operations, market, and liquidity risk, but also include geographic, financing, and construction risks specific to real estate investments.

As shown below, based on returns over the last five years, the Fund has exhibited substantially more volatility than its benchmark. The Fund's statistics are consistent with its extraordinarily low R2 of 0.02, signifying almost no correlation between Fund returns and those of the benchmark. Its beta of negative 0.16 indicates little sensitivity to overall fluctuations in the benchmark. In the aggregate, the Fund's monthly alpha, or return relative to that achieved by the benchmark, was negative 3.77 over the five-year time period. (See figure 5-2.)

Figure 5-1

REAL ESTATE FUND
Ownership Analysis at June 30, 2004 ($ in millions)



TERF - Teachers' Retirement Fund
SERF - State Employees Retirement Fund
MERF - Connecticut Municipal Employees' Retirement Fund

Figure 5-2

REAL ESTATE FUND
Risk Profile at June 30, 2004

Relative Volatility	1.04
Standard Deviation	3.88
R^2	0.02
Beta	-0.16
Alpha	-3.77

(1) Based upon returns over the last five years.

Figure 5-3

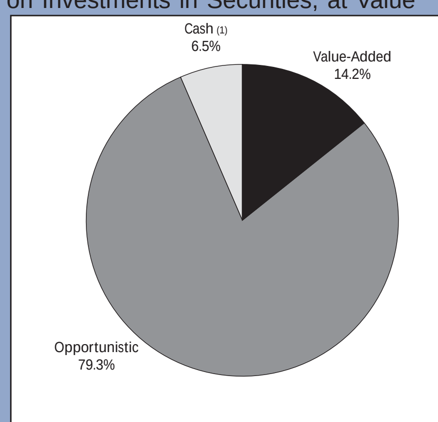
REAL ESTATE FUND
Investments Analysis (1)

At	No. of REF Investments	REF Book Value	REF Market Value
6/30/2004	10	324,142,113	344,673,596
6/30/2003	10	393,641,512	420,132,363
6/30/2002	10	413,693,249	467,819,628
6/30/2001	10	403,106,638	471,662,581
6/30/2000	11	434,881,420	478,966,334
6/30/1999	14	395,221,763	380,769,286
6/30/1998	20	407,989,996	379,124,673
6/30/1997	24	540,133,490	475,213,540
6/30/1996	41	1,111,459,897	924,414,185
6/30/1995	51	1,185,277,530	1,055,418,296

(1) Number of investments in annuities, partnerships, corporations, and trusts, excluding the Cash Reserve Account.

Figure 5-4

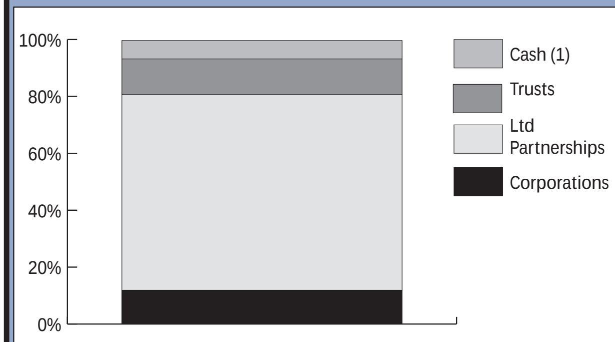
REAL ESTATE FUND
Distribution by Investment Type at June 30, 2004
Based on Investments in Securities, at Value



(1) Cash Reserve Account and other monetary assets.

Figure 5-5

REAL ESTATE FUND
Distribution by Investment Type at June 30, 2004
Based on Investments in Securities, at Value



(1) Cash Reserve Account.

Figure 5-6

REAL ESTATE FUND
Distribution by Geographic Location at June 30, 2004
Based on Investments in Securities, at Value

	REF	NCREIF	Variance
East	30.2%	31.2%	-1.0%
Midwest	6.4%	14.1%	-7.7%
South	28.6%	20.6%	8.0%
West	17.7%	34.1%	-16.4%
Cash and Other Assets(1)	17.1%	0.0%	17.1%
	100.0%	100.0%	

(1) Includes national (5.9%) and non-U.S. (4.7%) and cash and monetary assets (6.5%).

Figure 5-7

REAL ESTATE FUND
Diversification by Property Type at June 30, 2004
Based on Investments in Securities, at Value

	REF	NCREIF	Variance
Apartment	7.3%	19.3%	-12.0%
Industrial	1.9%	18.9%	-17.0%
Office	23.4%	38.7%	-15.3%
Retail	14.1%	21.4%	-7.3%
Hotel	11.1%	1.7%	9.4%
Cash and Other Assets(1)	42.2%	0.0%	42.2%
	100.0%	100.0%	

(1) Other includes senior living (19.7%), real estate securities (5.4%), mixed use (2.7%), land (0.4%), timberland (4.8%), storage facilities (1.6%), distribution facilities (1.1%) and cash and other assets (6.5%).

Figure 5-8

REAL ESTATE FUND
Periods ending June 30, 2004

	1 YR	3 YRS	5 YRS	10 YRS
Compounded, Annual Total Return (%)				
REF	0.67	1.55	5.53	6.97
NCREIF Property	9.71	7.74	9.30	10.19
Cumulative Total Return (%)				
REF	0.67	4.73	30.87	96.17
NCREIF Property	9.71	25.05	55.99	163.93

Figure 5-9

REAL ESTATE FUND
Annual Total Return

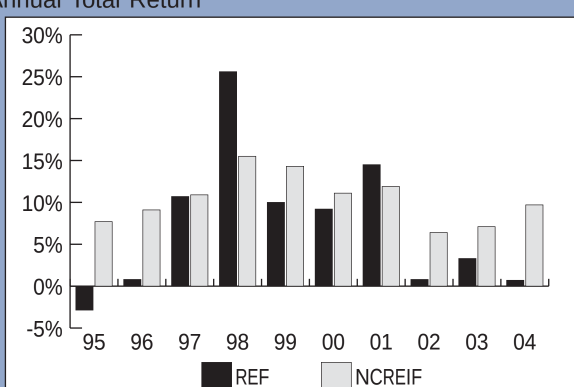


Figure 5-10

REAL ESTATE FUND
Components of Total Return ($ in millions)

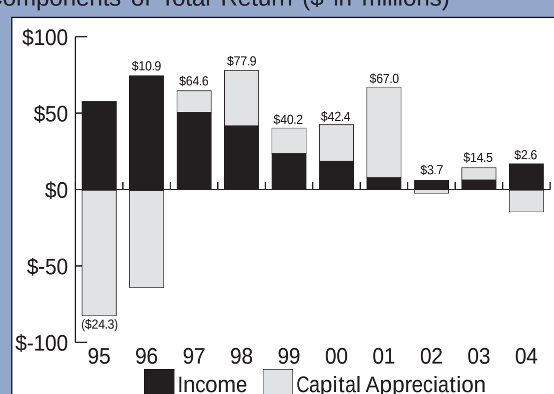


Figure 5-11

REAL ESTATE FUND
Investment Advisors at June 30, 2004

Investment Advisor	Net Asset Value	% of Fund
AEW Capital Management	$119,384,806	32.39%
Westport Senior Living	67,336,094	18.27%
Walton Street Real Estate	61,606,084	16.72%
Apollo Real Estate	56,057,060	15.21%
Evergreen Investments	17,551,042	4.76%
New Boston Fund	12,500,312	3.39%
Rockwood Capital	8,764,335	2.38%
CIGNA Realty Investors	1,313,821	0.36%
Other (1)	**24,024,102**	**6.52%**
SUBTOTAL REF	**$368,537,656**	**100.00%**

(1) Other represents funds earmarked for distribution to participants, reinvestment, and expenses.

Figure 5-12

REAL ESTATE FUND
Ten Largest Holdings at June 30, 2004

Property Name	Type	Market Value	%
Westport Sr. Living Inv FD	Sr Living	$67,336,094	18.27%
Walton Street RE II LP Fnd 2	Various	61,606,084	16.72%
AEW Partners III	Various	59,388,204	16.11%
Apollo Real Est Invest Fd III	Various	56,057,060	15.21%
Union Station LTD LP	Mixed	33,743,600	9.16%
Goodwin Square	Mixed	26,253,002	7.12%
Timberland Fund A - Duplin	Timber	15,392,417	4.18%
New Boston Fund IV	Various	12,500,312	3.39%
Rockwood Captial Fund V	Various	8,764,335	2.38%
Timberland Fund A - Ball's Qtr.	Timber	2,158,625	0.59%
Top Ten		**$343,199,733**	**93.13%**

2004 mutual fixed income fund

Fund Facts at June 30, 2004

Investment Strategy/Goals: To invest in interest bearing securities, thereby providing diversification to the retirement funds' overall performance in different economic environments.

Performance Objective: To achieve a net return that exceeds its composite benchmark by 65 - 135 basis points per annum, over rolling three to five year periods.

Benchmark: 73% LB Aggregate, 17% Citigroup High Yield Market Index and 10% JPM Emerging Markets Bond Index.

Date of Inception: July 1, 1972

Total Net Assets: $5,849,441,230

Number of Advisors: 8 external

Management Fees: $8,070,224

Operating Expenses: $783,936

Expense Ratio: 0.14%

Turnover: 359.1%

Performance Summary

For the fiscal year ended June 30, 2004, the Mutual Fixed Income Fund (MFIF) generated a total return of 2.79% net of fees, outperforming the hybrid benchmark return of 2.44% by 35 basis points. Positive manager performance was the key driver to the MFIF surpassing its benchmark. Comparative returns from other indexes include: The Citigroup High Yield Market Index 10.36%, and JP Morgan Emerging Markets Bond Index 4.76% (JP EMBI+).

During the fiscal year, the Fund decreased $760 million, from $6.609 billion to $5.849 billion. Of this total, the primary factor was $880 million of net cash outflows to participating Pension and Trust Funds, in addition to $268 million from unrealized losses partly offset by $319 million resulting from net investment income and $69 million in realized gains.

For the trailing three, five and ten-year periods, MFIF's compounded annual total return was 6.75%, 6.81% and 7.64% respectively, net of fees. These returns were essentially close to those of the Fund's benchmark for the ten year period, but were behind the benchmark for the three and five-year periods by 0.77 and 0.68 basis points respectively.

The cumulative total returns for the three, five, and ten-year periods ending June 30, 2004, were 21.65%, 38.99% and 108.85%, respectively.

Description of the Fund

The Mutual Fixed Income Fund is an externally managed fund investing primarily in domestic fixed income securities. The Fund serves as an investment tool for the Pension and Trust Funds with the goal of reducing volatility in returns under various economic scenarios. Fixed income securities represent fixed, variable, and zero coupon bonds issued by the federal and state governments, foreign governments, domestic and international corporations, and municipalities. During periods of low inflation, fixed income investments may enhance the overall performance of the Pension and Trust Funds, while in times of moderate inflation and high nominal interest rates, these investments may contribute satisfactory investment returns.

During fiscal year 2002, the Office of the Treasurer conducted a structure review for the Fund as part of its continuing implementation of the Asset Allocation Policy and strategy for the Mutual Fixed Income Fund.

At June 30, 2004, eight advisors managed investments in the Fund. The Fund's investments were allocated to five advisors investing approximately 79% of the portfolio in core/core-plus strategies, and three advisors actively investing 14% of the portfolio in domestic high yield strategies. A few managers were allowed to expand their investment opportunity set to include below investment grade bonds and/or international bonds; these mandates have been classified as core-plus strategies. (See figure 6-11.)

Since inception, the MFIF's objective has been an annual return, net of management fees and operating expenses, of 50 basis points in excess of the LB Aggregate, which is widely considered to be parallel to the performance of the U.S. bond market. During fiscal year 2000, another performance measurement benchmark for the MFIF was added to reflect the Fund's strategic allocation to other fixed income markets, such as high yield securities and emerging market debt. The new benchmark is a hybrid comprising 73% LB Aggregate, 17% Citigroup High Yield Market Index, and 10% JP EMBI+, and the Fund's goal is to exceed the return of the hybrid index by 65-135 basis points per annum over rolling five-year periods. It is expected that during the next fiscal year the guidelines and contracts of new managers to complete the full structure will be completed, and this hybrid benchmark will become the primary benchmark for MFIF.

Portfolio Characteristics

MFIF continues to be well diversified across the spectrum of available fixed income securities. The Fund maintained a strong concentration in corporate securities, comprising approximately 29.0% of the Fund's investment securities at fiscal year-end. The Fund also maintained a strong concentration in government securities at 48.1%, compared to 34.5% for the benchmark. Sector concentrations differed from those comprising the LB Aggregate, reflecting the collective allocations of the Fund's active investment advisors. The Fund's average quality rating was AA-2, as judged by Moody's Investor Services, supported by its 55.3% concentration in mortgage-backed, U.S. Treasury, and Agency securities. Relative to the Index, MFIF held a lesser degree of below investment grade securities including emerging market debt. (See figure 6-4.)

At fiscal year end, 88.0% of Fund investments were in fixed income securities with the balance held in cash and cash equivalents.

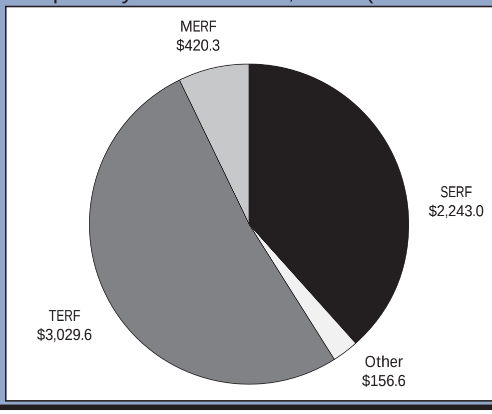
Risk Profile

Given MFIF's investment policies and objectives, the Fund is exposed to several forms of risk. These include, but are not limited to, purchasing power risk, default risk, reinvestment risk, and market risk. In addition, the Fund is occasionally exposed to political and economic risk and currency risk resulting from investments in international fixed income securities.

In fixed income investing, returns are extremely sensitive to changes in market interest rates. As such, the longer the time to maturity of a fixed income investment (and the resultant increase in time during which interest rates may change), the greater the level of risk assumed. To measure the degree of MFIF's price sensitivity to changes in market interest rates, the Fund's duration, or the weighted average time period over which cash flows are received by the investor, is monitored. At June 30, 2004, the Fund held a duration-neutral stance relative to the LB Aggregate Index of 4.8 years. While often viewed as an indicator of risk, duration can, if managed effectively, contribute significantly to total Fund returns. (See figure 6-3)

Figure 6-1

MUTUAL FIXED INCOME FUND
Ownership Analysis at June 30, 2004 ($ in millions)



TERF - Teachers' Retirement Fund
SERF - State Employees Retirement Fund
MERF - Connecticut Municipal Employees' Retirement Fund

Figure 6-2

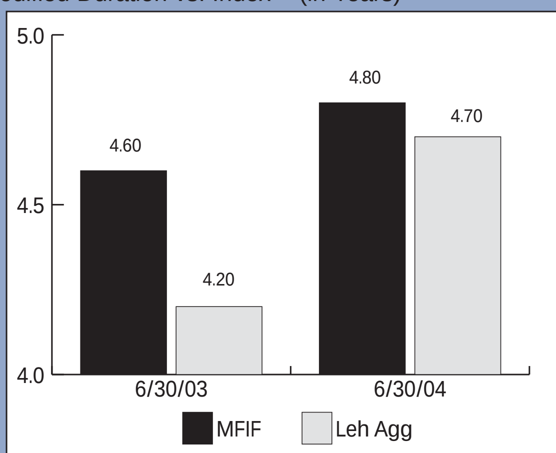
MUTUAL FIXED INCOME FUND (1)
Risk Profile at June 30, 2004

Relative Volatility	0.93
Standard Deviation	3.85
R^2	0.92
Beta	0.89
Alpha	-0.68

(1) Based upon returns over the last five years.

Figure 6-3

MUTUAL FIXED INCOME FUND
Modified Duration vs. Index (1) (in Years)



(1) Computed without the effect of Cash and other Net Assets.

Figure 6-4

MUTUAL FIXED INCOME FUND
Distribution by Sector at June 30, 2004
Based on Investments in Securities, at Value

	MFIF	LB Aggregate	Variance
Treasury	22.8%	22.7%	0.1%
Agency	25.3%	11.8%	13.5%
Corporate	29.0%	22.4%	6.6%
Mortgage-Backed	7.2%	35.0%	-27.8%
Asset-Backed	1.1%	1.6%	-0.5%
Other[1]	14.6%	6.5%	8.1%
TOTAL	**100.0%**	**100.0%**	

(1) Other category includes non fixed-income securities such as common and preferred stock and convertible securities, cash and other assets.

Figure 6-5

MUTUAL FIXED INCOME FUND
Distribution by Quality Rating at June 30, 2004
Based on Investments in Securities, at Value

Aaa	50.3%
Aa	2.5%
A	6.6%
Baa	7.8%
Less than Baa	10.9%
Not Rated(1)	9.9%
Cash(2)	12.0%
Total	100.0%

(1) Represents securities for which ratings are unavailable.
(2) Represents monies invested in the Cash Reserve Account and cash equivalents.

Figure 6-6

MUTUAL FIXED INCOME FUND
Distribution by Coupon at June 30, 2004
Based on Investments in Securities, at Value

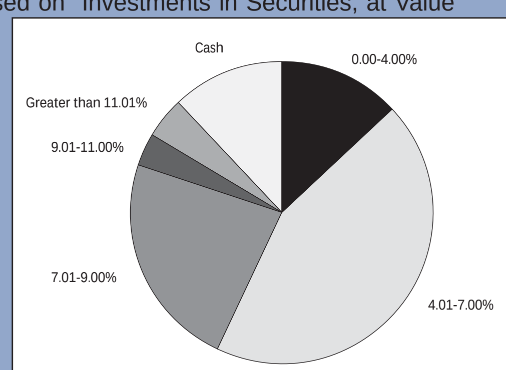


Figure 6-7

MUTUAL FIXED INCOME FUND
Macauley Duration Distribution at June 30, 2004
Based on Investments in Securities, at Value

0-3 Years	24.8%
3-5 Years	25.9%
5-7 Years	18.3%
7-10 Years	7.9%
10+ Years	7.5%
Unknown(1)	3.6%
Cash(2)	12.0%
Total	**100.0%**

(1) Represents securities for which the Macaulay Duration could not be calculated by the custodian.
(2) Represents monies invested in the Cash Reserve Account and cash equivalents.

Figure 6-8

MUTUAL FIXED INCOME FUND
Periods ending June 30, 2004

	1 YR	3 YRS	5 YRS	10 YRS
Compounded, Annual Total Return (%)				
MFIF	2.79	6.75	6.81	7.64
MFIF Hybrid Benchmark	2.44	7.52	7.49	7.66
Cumulative Total Return (%)				
MFIF	2.79	21.65	38.99	108.85
MFIF Hybrid Benchmark	2.44	24.31	43.52	109.15

Figure 6-9

MUTUAL FIXED INCOME FUND
Annual Total Return

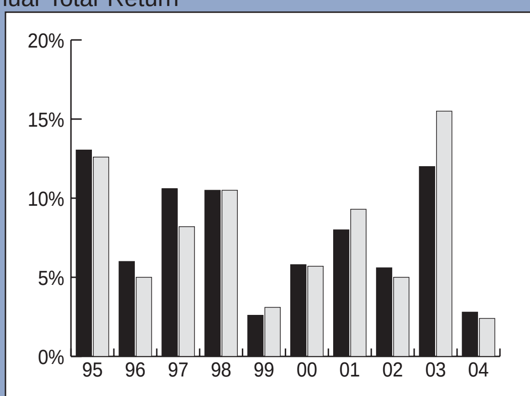


Figure 6-10

MUTUAL FIXED INCOME FUND
Components of Total Return ($ in millions)

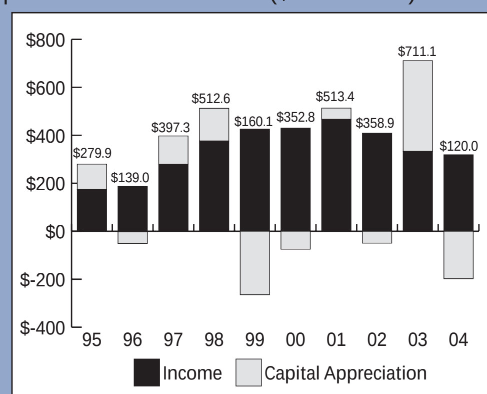


Figure 6-11

MUTUAL FIXED INCOME FUND
Investment Advisors at June 30, 2004

Investment Advisor	Net Asset Value	% of Fund
Core	**$4,619,675,122**	**78.98%**
State Street Global Advisors	1,305,951,067	22.33%
BlackRock Financial Mgmt, Inc.	1,116,913,320	19.10%
Wellington	1,019,607,641	17.43%
Western Asset Management Co.	865,870,535	14.80%
Phoenix	311,332,559	5.32%
High Yield	**841,286,836**	**14.38%**
Loomis Sayles & Co., Inc.	343,271,448	5.87%
W.R. Huff Asset Management	269,642,196	4.61%
Oaktree Capital Management, LLC	228,373,192	3.90%
Other (1)	**388,479,272**	**6.64%**
SUBTOTAL MFIF	**$5,849,441,230**	**100.00%**

(1) Other represents funds earmarked for distribution to participants, reinvestment, and expenses.

Figure 6-12

MUTUAL FIXED INCOME FUND
Ten Largest Holdings at June 30, 2004

Security Name	Maturity	Market Value	%
GNMA TBA	12/01/2034	$99,812,500	1.58%
U.S. Treasury Notes	05/31/2006	91,656,843	1.45%
U.S. Treasury Notes	05/15/2014	88,813,725	1.41%
Federal Natl Mtg Assn Dis Nts	07/09/2004	79,348,078	1.25%
FNMA TBA	12/01/2034	64,167,425	1.01%
GNMA TBA	12/01/2034	63,858,755	1.01%
Federal Home Ln Mtg Dis Nts	07/27/2004	44,861,862	0.71%
FNMA TBA	12/01/2034	41,799,916	0.66%
GNMA TBA	12/01/2034	38,546,063	0.61%
FNMA TBA	12/01/2034	37,829,529	0.60%
Top Ten		**$650,694,696**	**10.29%**

Figure 6-13

MUTUAL FIXED INCOME FUND
Comprehensive Profile for the Fiscal Years ending June 30,

	2004		2003		2002		2001		2000	
	MFIF	LB Agg	MFIF	LB Agg	MFIF	LB Agg	MFIF	LB Agg	MFIF	LB Agg
Number of Issues	4,566	6,976	4,319	7,472	4,071	6,892	3,633	6,414	3,226	5,974
Average Coupon	5.90%	5.40%	6.20%	6.10%	6.60%	6.50%	6.90%	6.90%	7.00%	7.00%
Yield Maturity	5.20%	4.60%	4.50%	3.40%	6.50%	5.30%	7.60%	6.20%	8.20%	7.20%
Average Maturity	7.70	6.70	7.50	6.20	8.40	7.30	9.70	8.30	9.70	8.50
Modified Duration (2)	4.80	4.70	4.60	4.20	4.70	4.40	5.30	4.80	5.40	4.90
Average Quality	AA-2	AA-1	AA-3	AA-1	AA-3	AA-1	AA-3	AA-1	AA-3	AAA
Cash (1)	12.0%	0.0%	12.8%	0.0%	10.9%	0.0%	10.3%	0.0%	13.0%	0.0%

(1) Includes funds invested in the Cash Reserve Fund.
(2) Compounded without the effect of Cash and Other Net Assets.

Figure 6-14

MUTUAL FIXED INCOME FUND
Quarterly Current Yield (1) vs. Indicies (%)

	6/30/04	3/31/04	12/31/03	9/30/03	6/30/03
MFIF	**5.06**	**4.72**	**5.15**	**5.32**	**5.12**
Leh Agg	5.17	5.06	5.22	5.27	5.33
Citigroup 3 Month T-Bill	1.32	0.94	0.93	0.94	0.85
Lehman Treasury	4.49	4.34	4.50	4.56	4.57
Lehman Agency	4.21	4.15	4.36	4.37	4.34
Lehman Mortgage	5.45	4.39	5.48	5.60	5.78
Lehman Corporate	5.87	5.67	5.95	5.84	5.92
Lehman Asset Backed	4.48	4.39	4.70	4.74	4.64

(1) Current Yield represents annual coupon interest divided by the market value of securities.

2004 commercial mortgage fund

Fund Facts at June 30, 2004

Investment Strategy/Goals: To achieve yields in excess of those available on domestic fixed income securities by investing in mortgages on income producing property or in commercial mortgage backed securities (CMBS).

Performance Objective: An annual total return which is one percentage point greater than that of the Lehman Aggregate Index after expenses.

Benchmark: Lehman Aggregate Index

Date of Inception: November 2, 1987

Total Net Assets: $36,404,476

Number of Advisors: 1 external

Management Fees: $327,489

Operating Expenses: $11,508

Expense Ratio: 0.62%

Performance Summary

For the fiscal year ended June 30, 2004, the Commercial Mortgage Fund (CMF or the Fund) generated a return of 7.87%, net of management fees and operating expenses, significantly out performing the Lehman Aggregate Bond Index (LABI) of 0.32% by 755 basis points. The Fund's favorable performance is attributable to its yield advantage versus the benchmark, a significant prepayment penalty received and a shorter portfolio duration relative to the LABI during a period of rising interest rates.

During the fiscal year, CMF assets declined from $72 million to $36 million, a decrease of $36 million. This decrease was due to cash outflows to the Fund's unit holders of $39 million offset by $3 million generated by operations. The outflows were paid from loan maturity and amortization proceeds. The $3 million generated from operations consisted of $4 million of net operating income and $1 million of unrealized loss.

For the trailing three, five, and ten-year periods, CMF's total compounded annual portfolio return was 9.60%, 9.59% and 10.30%, respectively, net of all expenses. The Fund's results over the three, five and ten-year periods exceeded the benchmark by 324 basis points, 264 basis points and 291 basis points, respectively. (See figure 7-7.)

Description of the Fund

CMF is an externally managed fund that holds mortgages on income-producing commercial property. Established in 1987, it serves as a fixed income investment tool for the pension plans with the goal of realizing yields in excess of those available from traditional domestic fixed income securities, while accepting slightly greater credit risk.

CMF's investment assets consist of an externally managed portfolio of commercial real estate mortgage loans and interests in Yankee Mac pooled residential mortgage-backed securities, created pursuant to a previous Connecticut State Treasury program.

The Fund's performance objective is an annual total return, net of management fees and operating expenses, which exceeds that of Lehman Aggregate Index by 100 basis points.

Portfolio Activity

At June 30, 2004, the Fund consisted of four commercial mortgage loans with a combined value of $35.0 million and seven residential mortgage pools with a combined value of 0.7 million. The balance of the Fund's assets consisted of short-term cash investments. During the fiscal year two portfolio loans were paid off. These payments resulted in the receipt of $11.1million including a $0.8 million prepayment penalty. The Fund continued to be inactive regarding new loans and is being managed to maximize the total return on its remaining holdings.

In the fiscal year ended June 30, 2004, the U.S. economic growth became more robust than in the previous year. This expansion appears to be self sustaining and the overall economic outlook for the U.S. appears to be improving. However, this optimism is tempered by the prospects of higher interest rates and energy prices and the unsettled global economic and security situation. The Federal Reserve Board has begun increasing the short term Federal Funds Rate and is expected to continue doing so in a consistent and measured way. Still interest rates, in general, have stayed relatively low. Over the past year such rates have helped to support strong valuations in both real property and seasoned, high yielding mortgage loans such as those held by the CMF despite the weak property market fundamentals.

Portfolio Characteristics

As its existing loans mature, portfolio diversification has been decreasing. The largest portion of the Fund's net assets, 64%, was invested in residential sector at fiscal year-end, followed by 18% in a ground lease and 17% in the hotel sector. (See figure 7-4.) The Fund has some diversification across geographic regions with 20% of investments located in the Northeast, 34% in the East North Central, and 45% in the Mountain region. (See figure 7-5.)

The CMF's ten largest holdings aggregated to 99% of Fund investments. (See figure 7-11.)

The portfolio is healthy from a credit risk standpoint. CMF had no delinquent or non-performing loans at fiscal year end. One of the Fund's investments in the amount of $6.2 million is scheduled to mature in the next 12 months.

Risk Profile

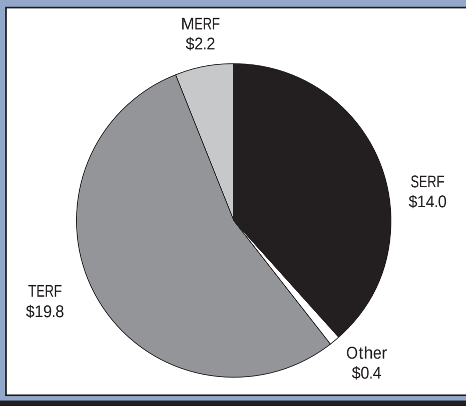
Given CMF's investment policies and objectives, the Fund is exposed to several forms of risk. These include risks specific to fixed income investing, such as purchasing power risk, market risk, and default risk. Moreover, falling interest rates subject commercial mortgages to the risk of prepayment, thereby shortening investors' assumed time horizon and exposing them to reinvestment risk. However, yield maintenance-based prepayment penalties, which are included in the majority of the Fund's commercial mortgage investments, help minimize this risk.

To measure the Fund's price sensitivity to changes in market interest rates, the Fund's duration, or weighted average time period over which cash flows are received by the investor, is monitored. At June 30, 2004, the Fund's duration was 3.0 years versus 4.7 years for the Lehman Aggregate Index. Therefore, the Fund is less sensitive to interest rate changes than the Lehman Aggregate Index.

Based on returns over the last five years, the Fund's risk profile is similar to that of the Lehman Aggregate Index. With a relative volatility of 1.62, its returns are slightly more volatile than the index; however, its returns show modest correlation to those achieved by the benchmark. The Fund's beta of 0.16 signifies a limited amount of sensitivity to movements in the Index as a whole. CMF's five-year monthly alpha, or return in excess of that predicted by returns in the overall market, at June 30, 2004 was 2.63. (See figure 7-2.)

Figure 7-1

COMMERCIAL MORTGAGE FUND
Ownership Analysis at June 30, 2004 ($ in millions)



TERF - Teachers' Retirement Fund
SERF - State Employees Retirement Fund
MERF - Connecticut Municipal Employees' Retirement Fund

Figure 7-2

COMMERCIAL MORTGAGE FUND
Risk Profile at June 30, 2004

Relative Volatility	1.62
Standard Deviation	6.41
R^2	0.01
Beta	0.16
Alpha	2.63

(1) Based upon returns over the last five years.

Figure 7-3

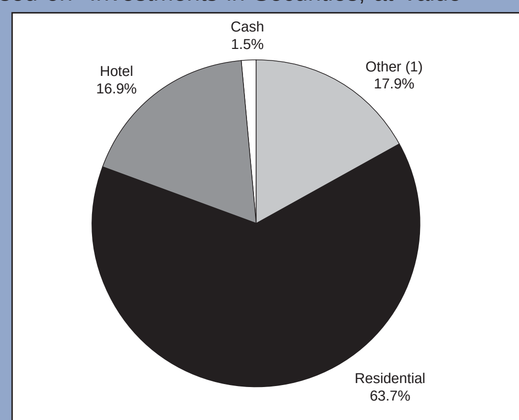
COMMERCIAL MORTGAGE FUND
Quarterly Current (1) Yield Analysis

	CMF	LB Aggregate
06/30/2004	8.99%	5.17%
03/31/2004	8.98%	5.06%
12/31/2003	8.98%	5.22%
09/30/2003	8.93%	5.27%
06/30/2003	8.93%	5.33%

(1) Current Yield represents annual coupon interest divided by the market value of securities.

Figure 7-4

COMMERCIAL MORTGAGE FUND
Distribution by Property Type at June 30, 2004
Based on Investments in Securities, at Value



(1) Includes senior ground leases.

Figure 7-5

COMMERCIAL MORTGAGE FUND
Distribution by Location at June 30, 2004
Based on Investments in Securities, at Value

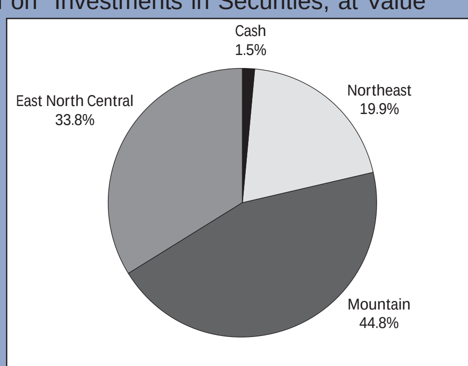


Figure 7-6

COMMERCIAL MORTGAGE FUND
Maturity Analysis
Dollar Value ($ in millions)/Number of Loans

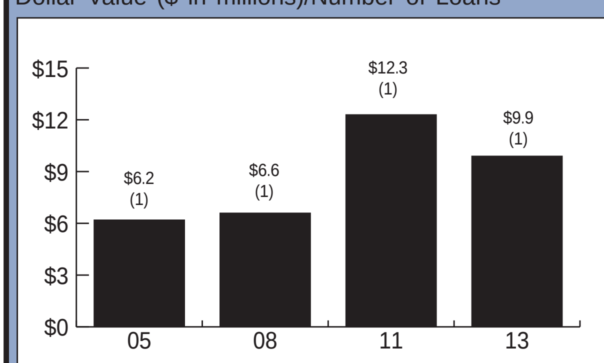


Figure 7-7

COMMERCIAL MORTGAGE FUND
Periods ending June 30, 2004

	1 YR	3 YRS	5 YRS	10 YRS
Compounded, Annual Total Return (%)				
CMF	7.87	9.60	9.59	10.30
Lehman Agg	0.32	6.36	6.95	7.39
Cumulative Total Return (%)				
CMF	7.87	31.66	58.04	166.42
Lehman Agg	0.32	20.33	39.94	103.94

Figure 7-8

COMMERCIAL MORTGAGE FUND
Annual Total Return

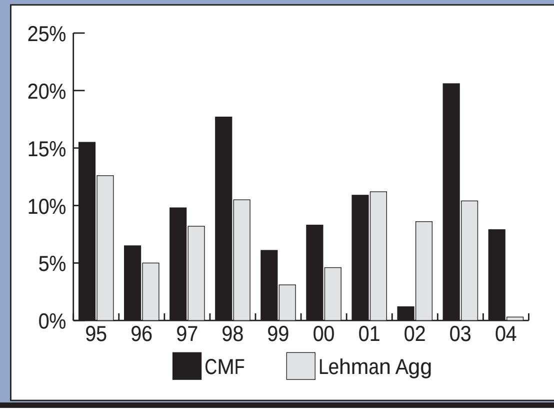


Figure 7-9

COMMERCIAL MORTGAGE FUND
Components of Total Return ($ in millions)

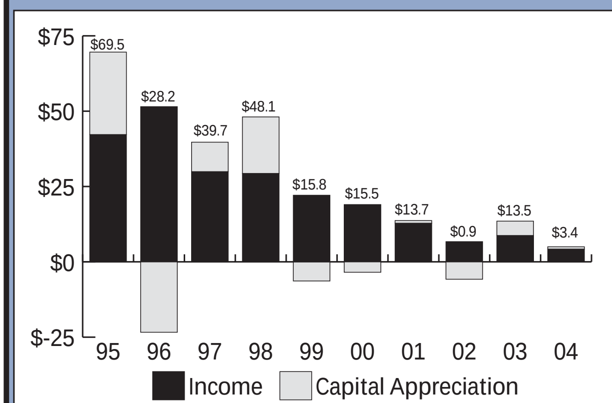


Figure 7-10

COMMERCIAL MORTGAGE FUND
Investment Advisors at June 30, 2004

Investment Advisor	Net Asset Value	% of Fund
AEW Capital Management	$35,217,330	96.74%
Other[1]	**1,187,146**	**3.26%**
SUBTOTAL CMF	**36,404,476**	**100.00%**

(1) Other also includes residential mortgage-backed securities for the Commercial Mortgage Fund.

Figure 7-11

COMMERCIAL MORTGAGE FUND
Ten Largest Holdings at June 30, 2004

Property Name	Property Type	Market Value	%
SASCO	Other	$16,576,596	45.76%
Greenhill Apts	Residential	12,308,749	33.97%
Sheraton Denver West	Hotel	6,157,218	17.00%
Yankee Mac E 11.056%	Residential	301,018	0.83%
Yankee Mac G 11.125%	Residential	142,422	0.39%
Yankee Mac F 12.981%	Residential	117,808	0.33%
Yankee Mac B 14.121%	Residential	39,341	0.11%
Yankee Mac C 14.1505%	Residential	32,097	0.09%
Yankee Mac A 13.075%	Residential	19,656	0.05%
Yankee Mac D 12.1405%	Residential	3,832	0.01%
TOTAL		**$ 35,698,737**	**98.54%**

2004 private investment fund

Fund Facts at June 30, 2004

Investment Strategy/Goals: A long-term asset allocation with the goal of earning returns in excess of the public equity markets through investments in private equity companies.

Performance Objective: To outperform the Standard & Poor 500 Index by 500 basis points at the end of ten years.

Benchmark: Venture Economics All Private Equity Index.

Date of Inception: July 1, 1987

Total Net Assets: $1,785,366,036

Number of Partnerships: 46 external

Expensed Management Fees (1)**:** $5,591,485

Operating Expenses: $6,191,281

Expense Ratio: 0.65%

Capitalized and Netted Fees: $31,344,775

(1) See Note 1 to the Financial Statements for a discussion of similar fees incurred at the investment level.

Performance Summary

For the fiscal year ended June 30, 2004, the Private Investment Fund (PIF) generated a 20.21% return. The expansion of the U.S. economy has provided a boost to the private equity market in fiscal 2004. The economy is providing enough positive sentiment for both buyers and sellers of private equity assets to close reasonably priced transactions. The U.S. economy has been expanding at a healthy pace for more than two years, though it slowed modestly in the second quarter of 2004. GDP grew 3% during the second quarter of 2004, versus 4.5% in the first quarter. Most economists expect the economy to regain momentum for the remainder of the year, assuming a drop in energy prices.

Private equity transaction volume has risen sharply over the last few quarters. There were $29.6 billion in leveraged buyout transactions completed through June 15, 2004, a 26% increase over the same period in 2003, according to Buyouts. This growth in deal volume is largely attributed to the improving economy and favorable financing markets.

The strengthening economy and low interest rates have led to an increase in leverage ratios. According to Standards & Poors Leverage Commentary Data, for the trailing 12 months through March 31, 2004, the total debt to EBITDA multiple for middle market companies was at 4.4 times, versus 4.0 times in 2003 but still below a peek of 5.3 times in 1998. Similarly, equity contributions to leveraged buyout transactions have declined. For the quarter ending March 31, 2004, the average equity contribution was 36.6% versus 39.4% in 2003, but above the 1998 average level of 31.6%.

Transaction prices have also been on the rise in fiscal 2004. Valuation multiples pulled back modestly through March 31, 2004, versus the prior quarter, according to S&P LCD. For leveraged transaction values less than $250 million, purchase multiples were 6.26x EBITDA versus 6.4x and 5.8x for 2003 and 2002, respectively. Anecdotal evidence, however, suggests that multiples are gradually rising, as corporate buyers have begun to more actively pursue M&A transactions.

Venture capital investment activity continued to increase through the second quarter of the year, with investments totaling $5.6 billion into 761 companies in the quarter, versus $5 billion invested in the first quarter of 2004 and $5.4 billion in the fourth quarter of 2003, according to MoneyTree. Importantly, investments are balanced by stage of company development and industry sector, with no single market segment appearing to be over-funded. Further, companies are operating with lower capital requirements than a few years prior.

The pickup in venture capital investments is linked to resurgence in IPO activity. 29 venture-backed companies raised $2.1 billion through the IPOs in the second quarter of 2004, according to Thomson Venture Economics. This activity was more than double the first quarter's total of 13 IPOs and represented the most IPOs since the third quarter of 2000, when 87 venture-backed companies went public. In addition to the IPOs during the quarter, there are currently 79 venture-backed companies in registration with the SEC. Comparatively, there were 35 venture-backed companies in registration at the end of the third quarter 2003.

During fiscal year 2004, PIF's assets decreased from $1.848 billion to $1.785 billion, a decrease of $63 million. This included net investment income of $370 million, realized gains of $7 million, unrealized losses of $55 million and $385 million due to net cash outflows from participating pension plans and trusts.

The Fund slightly underperformed the assigned benchmark, which has returned 21.49% for the fiscal year to date. While short-term performance is assessed, the Fund has a long-term perspective in evaluating performance, in that it measures the returns over a 10-year time period. This long-term perspective reflects the illiquid nature of the Fund's underlying partnership holdings that require a meaningful length of time to progress through specific developmental periods. As an additional analysis of long-term performance, Figure 8-5 shows PIF's cumulative total return over the three, five and ten-year periods.

In reporting values for PIF, private market valuations are often imprecise. Accordingly, the PIF investment advisors typically adopt a valuation policy, carrying the investments at cost unless and until there is concrete evidence to write the values up, or reasonable doubt, which indicates that they should be written down. One cause for a write-up would be a successful initial public offering of stock in a private company where the value is determined in an arms-length, public transaction. Likewise, consistently missing important milestones in a company's business plan signifying a reversal in the company's fortunes is considered a reason to write-down the value of an investment. These determinations are made on an on-going basis.

Description of the Fund

The Private Investment Fund (PIF) is an externally managed fund whose strategic focus is divided among six specific areas: venture capital, corporate buyout, mezzanine, fund of funds, special situations, and international funds. The Private Investment Fund serves as a long-term investment tool for the Pension and Trust Funds, with the goal of earning returns in excess of the public equity markets through investments in private equity companies.

This Fund structure allows for experienced industry professionals to manage PIF's assets while allowing the Fund to realize the benefits of a diversified private market portfolio in the areas of investment type, strategic focus, industry type and geographic region. The performance objective of the Fund is to outperform, net of management fees and Division operating expenses over a rolling ten-year period, the Standard & Poor 500 Index by 500 basis points.

Portfolio Characteristics

The Private Investment Fund consists of private equity investments, which include six primary areas of strategic focus:

Buyout focused investments can be defined as controlling or majority investments in private equity or equity-like securities of more established companies on the basis of the company's asset values and/or cash flow.

Fund of Funds investments are investment funds which may have multiple areas of strategic focus. These funds invest in a multiple of selected private equity partnerships that invest in underlying companies.

Venture Capital focused investments can be narrowly defined as investments in the private equity or equity-like securities of developing companies in need of growth or expansion capital. These investments can range from early-stage financing, where a company has little more than a marketable idea, to expansion financing, where a company has a marketable product but requires additional capital to bring the product to market.

Mezzanine Debt focused investments can be defined as investments in securities located between equity and senior debt in the company's capital structure. Mezzanine debt investments offer higher current income than senior debt securities and often offer equity participation features that may take the form of warrants or contingent equity interests.

Special Situations focused investments can be defined as investments in a variety of securities (Debt, Preferred Equity, Common Equity) in portfolio companies at a variety of stages of development (Seed, Early Stage, Later Stage).

International Private Equity focused investments can be defined as investments in private equity or equity-like securities in companies located outside the continental United States. International Private Equity investments often offer more attractive return/risk characteristics as a result of the above average rates of growth available in select international economies.

Through June 30, 2004, the PIF had aggregate capital commitments in the amount of $3.8 billion to 46 partnerships of which approximately 84 percent, or $3.2 billion has been "drawn down" for investment purposes while the balance of approximately $600 million or 16 percent is committed but uninvested. (See Figure 8-6.)

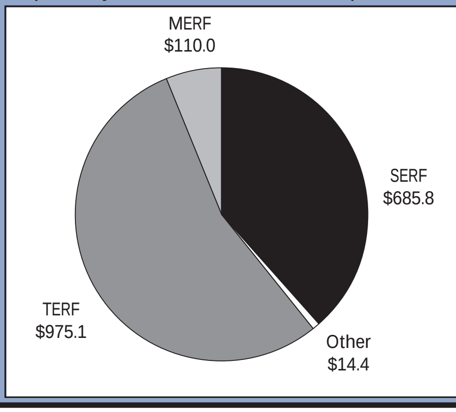
Risk Profile

Given PIF's investment policy and objectives, the Fund is exposed to several forms of risk. These include, but are not limited to, risks attendant with alternative investments, such as management, operations, and product risk, as well as overall liquidity risk. Assuming these risks as part of a prudent, total portfolio strategy enables the Private Investment Fund to participate in the possibility of substantial long-term investment returns.

PIF's risk profile is complex given the valuation judgments and liquidity constraints placed on it due to its alternative investment strategy. PIF's volatility relative to its benchmark is .78 with a correlation .58 for the most recent fiscal year. The Fund has returned an annual alpha, or return relative to that predicted by its benchmark, of negative 2.29 (See Figure 8-2.)

Figure 8-1

PRIVATE INVESTMENT FUND
Ownership Analysis at June 30, 2004 ($ in millions)



TERF - Teachers' Retirement Fund
SERF - State Employees Retirement Fund
MERF - Connecticut Municipal Employees' Retirement Fund

Figure 8-2

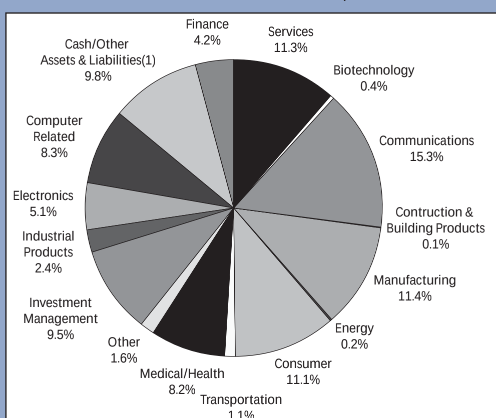
PRIVATE INVESTMENT FUND [(1)]
Risk Profile at June 30, 2004

Relative Volatility	0.78
Standard Deviation	19.73
R^2	0.58
Beta	0.98
Alpha	-2.29

(1) Based upon returns over the last five years.

Figure 8-3

PRIVATE INVESTMENT FUND
Distribution by Industry at June 30, 2004
Based on Investments in Securities, at Value



(1) Includes Cash Reserve Account and cash and other assets at the partnership level.

Figure 8-4

PRIVATE INVESTMENT FUND
Distribution by Geographic Location at June 30, 2004
Based on Investments in Securities, at Value

Region	%
International	19.58%
Mid-Atlantic	19.15%
Southwest	12.57%
West Coast	12.41%
Southeast	10.81%
Cash/Other Assets & Liabilities (1)	9.82%
MidWest	8.11%
Northeast (Excludes Connecticut)	4.98%
Connecticut	2.47%
Unclassified (2)	0.10%
TOTAL	100.00%

(1) Includes the Cash Reserve Account and cash and other assets at the partnership level.
(2) Unclassified represents fund of funds investments where region information could not be obtained.

Figure 8-5

PRIVATE INVESTMENT FUND
Periods ending June 30, 2004

	1 YR	3 YRS	5 YRS	10 YRS
Compounded, Annual Total Return (%)				
PIF	20.21	-1.90	6.37	11.57
S & P 500	19.11	-0.69	-2.21	11.83
Venture Economics				
All Private Equity	21.49	-3.06	8.66	17.50
Cumulative Total Return (%)				
PIF	20.21	-5.59	36.18	198.77
S & P 500	19.11	-2.07	-10.55	205.81
Venture Economics				
All Private Equity	21.49	-8.90	51.48	401.43

Figure 8-6

PRIVATE INVESTMENT FUND
Distributed by Committed and Invested Capital
As of June 30, 2004 ($ in millions)

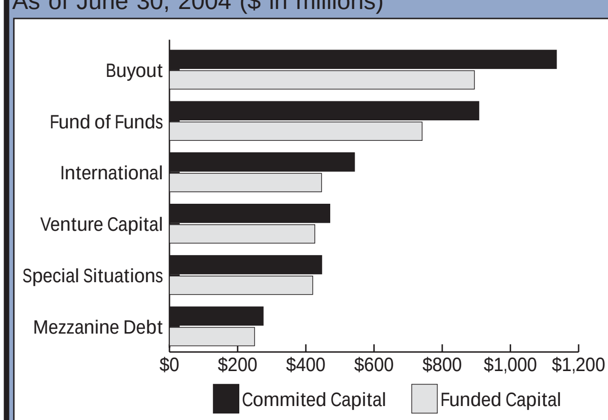


Figure 8-7

PRIVATE INVESTMENT FUND
Annual Total Return

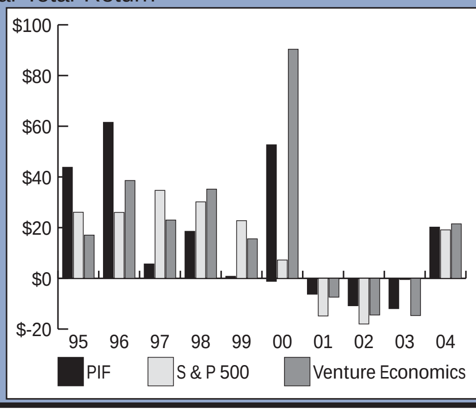


Figure 8-8

PRIVATE INVESTMENT FUND
Components of Total Return ($ in millions)

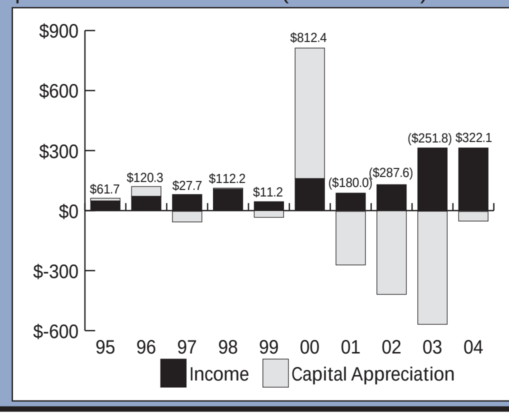


Figure 8-9

PRIVATE INVESTMENT FUND
Ten Largest Holdings at June 30, 2004

Partnership Name	Partnership Type	Market Value	%
Constitution Liquidating Fund	Fund of Funds	$188,733,374	10.59%
Compass Partners European Equity Fund	International	128,517,912	7.21%
Hicks, Muse Tate & Furst Equity Fund III	Buyout	99,325,655	5.58%
Carlyle Europe Partners	International	93,108,125	5.23%
Landmark Private Equity Fund VIII	Fund of Funds	74,809,087	4.20%
Gilbert Global Equity Partners	International	73,709,355	4.14%
Washington & Congress Capital Partners	Special Situations	62,577,487	3.51%
Welsh Carson Anderson & Stowe Capital Partners III	Special Situations	61,793,460	3.47%
SW Pelham Fund	Mezzanine	59,843,450	3.36%
AIG Global Emerging Markets Fund	International	44,983,108	2.53%
Top Ten		**$887,401,013**	**49.82%**

Figure 8-10

PRIVATE INVESTMENT FUND
New Investments Made in Fiscal Year 2004(1) (in Excess of $3 Million)

Partnership Name	Market Value	Partnership Type	Inv. Date
KPS Special Situations Fund II	$4,920,813	Special Situations	February-04
FS Equity Partners V	$4,749,891	Buyout	March-04
Total	**$9,670,704**		

(1) These represent new private equity partnerships that were invested in by the Fund during fiscal year 2004.

Figure 8-11

PRIVATE INVESTMENT FUND
Investment Advisors at June 30, 2004

Investment Advisor	Net Asset Value	% of Fund
Buyout	**$495,296,733**	**27.74%**
Hicks, Muse Tate & Furst Equity Fund III	99,325,655	5.56%
Thomas H. Lee Equity Fund IV	40,530,051	2.27%
Welsh Carson Anderson & Stowe VIII	38,138,425	2.14%
Forstmann Little Equity Fund VI	35,351,099	1.98%
DLJ Merchant Banking Fund II	34,349,185	1.92%
Kelso Investment Associates VI	31,968,776	1.79%
SCP Private Equity Partners	31,336,425	1.75%
KKR 1996 Fund	27,680,766	1.55%
Blackstone Capital Partners III	27,517,777	1.54%
KKR Millennium Fund	23,014,967	1.29%
Veritas Capital Fund	21,951,468	1.23%
Green Equity Investors III	21,387,859	1.20%
Thayer Equity Investors IV	19,927,426	1.12%
Wellspring Capital Partners III	19,920,770	1.12%
Wellspring Capital Partners II	18,146,193	1.01%
FS Equity Partners V	4,749,891	0.27%
Venture Capital	**119,894,603**	**6.72%**
Crescendo World Fund	25,844,664	1.45%
Pioneer Ventures Associates	19,831,942	1.11%
Grotech Partners V	19,399,391	1.09%
RFE Investment Partners VI	16,226,419	0.91%
Shawmut Equity Partners	15,356,279	0.86%
Conning Capital Partners V	15,037,189	0.84%
Crescendo III	4,801,954	0.27%
Connecticut Greene Ventures	2,435,152	0.14%
Connecticut Futures Fund	961,613	0.05%
Mezzanine	**111,859,625**	**6.26%**
SW Pelham Fund	59,843,450	3.35%
GarMark Partners	36,589,938	2.05%
Triumph Connecticut	8,744,565	0.49%
SW Pelham Fund II	6,681,672	0.37%
International	**350,283,444**	**19.62%**
Compass Partners European Equity Fund	128,517,911	7.20%
Carlyle Europe Partners	93,108,125	5.21%
Gilbert Global Equity Partners	73,709,355	4.13%
AIG Global Emerging Markets Fund	44,983,108	2.52%
Carlyle Asia Partners	9,964,945	0.56%
Fund of Funds	**320,254,539**	**17.94%**
The Constitution Liquidating Fund	188,733,374	10.57%
Landmark Private Equity Fund VIII	74,809,087	4.19%
Goldman Sachs Private Equity Partners Connecticut	37,766,444	2.12%
Lexington Capital Partners II	18,945,634	1.06%
Special Situations	**208,493,302**	**11.68%**
Washington & Congress Partners	62,577,487	3.51%
Welsh Carson Anderson & Stowe Capital Partners III	61,793,460	3.46%
Greenwich Street Capital Partners II	44,142,163	2.47%
Forstmann Little MBO VII	32,910,533	1.84%
KPS Special Situations Fund II	4,920,813	0.28%
TCI Liquidating Trust	2,148,846	0.12%
Other (1)	**179,283,790**	**10.04%**

1) Other represents monies earmarked for distribution to participants, reinvestment, and expenses as well as terminated advisor balances, and CT Financial Development Fund and Keystone Venture V Partnerships.

2004 debt management division

Division Overview

The Debt Management Division is responsible for the cost-effective issuance and management of the State of Connecticut's bonded debt. The State's strategic investment in roads, bridges, airports, higher education, clean water and economic development are the foundation of Connecticut's physical and social infrastructure. The Division uses the latest financial instruments available in the public financing market when issuing new debt. The Debt Management Division consists of twelve professionals under the direction of the Assistant Treasurer.

The Division maintains relationships with institutional and retail investors who have shown confidence in the State's economy by purchasing bonds and notes at the lowest interest rates in recent history. The optimization of the State's credit rating is critical to obtaining low rates in the future. Debt Management staff are in continual contact and actively participate in rating presentations with Fitch Investors Service, Moody's Investor Services and Standard and Poor's Ratings Group, the three major rating agencies.

Over the last several Legislative sessions, the Division staff has been involved in the drafting of new laws with the Executive and Legislative Branches and has provided financial advice on new legislative initiatives. This has resulted in the design of new bonding programs that have been well received in the financial markets, while maintaining exemption from Federal and State taxes where appropriate. Specific examples include electric deregulation, Second Injury, UConn 2000, school construction, open space, economic development in Bridgeport, Hartford and New Haven, municipal financial oversight, Bradley International Airport, Economic Recovery Notes ,the restructuring of the Connecticut Resources Recovery Authority, Transportation Strategy Board Project Funding, Unclaimed Property Securitization, and securitization to preserve Conservation and Clean Energy Programs.

The Division also manages all public financing programs for the State and coordinates the issuance of bonds with State quasi-public authorities, including the Connecticut Development Authority, the Connecticut Health and Education Facilities Authority, the Connecticut Housing Finance Authority, the Connecticut Resources Recovery Authority, the Connecticut Higher Education Supplemental Loan Authority, and the Capital City Economic Development Authority.

The active public financing programs for the State include:

	Amount Outstanding June 30, 2004
GENERAL OBLIGATION BONDS	$8,381,894,698
General Obligation bonds are paid out of the revenues of the State General Fund and are supported by the full faith and credit of the State of Connecticut. General Obligation bonds are issued for construction of State buildings, grants and loans for housing, local school construction, economic development, community care facilities, State parks and open space.	
GENERAL FUND APPROPRIATION DEBT	$811,082,147
The State has committed to pay interest and principal on these bonds by appropriation from the State's General Fund. This debt consists of the following programs:	
The University of Connecticut pays UCONN 2000 bonds from a debt service commitment appropriated from the State General Fund. Established under P.A. 95-230, up to $962 million of Debt Service Commitment bonds will be issued under an initial ten-year $1.25 billion capital program to rebuild and refurbish the University of Connecticut. In 2002, the General Assembly authorized an additional ten-year, $1.3 billion program - 21st Century UCONN. ($717,907,147)	
Connecticut Health and Educational Facilities Authority special obligation bonds for a childcare facilities program were assumed by the State and the State has committed to pay interest and principal on these bonds by appropriation from the State's General Fund. ($38,760,000)	
Other appropriation debt includes CDA Tax Incremental Financing and CDA lease revenue financing for a State facility, ($35,940,000) and a Certificate of Participation issue for the CT Juvenile Training School Energy Center Project. ($18,475,000)	
ECONOMIC RECOVERY BONDS	$273,215,000
Economic recovery notes are paid out of the revenues of the State General Fund and are supported by the full faith and credit of the State of Connecticut. Economic recovery notes were issued to finance the State's FY 2002 and FY 2003 budget deficits.	

SPECIAL TAX OBLIGATION BONDS	$3,142,057,825
Transportation related bonds are paid out of revenues pledged in the State Transportation Fund. Special Tax Obligation bonds are issued for the State's portion of highway and bridge construction, maintenance and capital needs of mass transit systems, state pier and general aviation airports. The bonds are secured by transportation related taxes and revenues and additional security for the bonds is provided by a debt service reserve fund, which totaled $400 million on June 30, 2004.	
CLEAN WATER FUND REVENUE BONDS	$611,260,000
The Clean Water Fund and the Drinking Water Fund constitute the State's revolving fund programs. Revenue bonds provide below-market-rate loans to Connecticut municipalities for planning, design and construction of wastewater treatment projects and to Connecticut municipalities and private water companies for drinking water quality improvement projects. The bonds are secured by loan repayments from Connecticut municipalities, general revenues of the program and debt service reserves of $208 million as of June 30, 2004. Reserves are funded with State General Obligation Bonds and Federal Capitalization Grants. An interest rate subsidy is provided to borrowers from earnings on the reserve fund and from State general obligation subsidy bonds. The State also provides grants and some loans for the program through its general obligation bond program.	
SECOND INJURY FUND REVENUE BONDS	$54,255,000
Second Injury revenue bonds were issued to reduce long-term liabilities of the fund by settling claims on a one-time lump sum basis and will be repaid by special assessments on workers compensation insurers and self-insured employers.	
BRADLEY INTERNATIONAL AIRPORT REVENUE BONDS	$252,020,000
The airport revenue bonds are payable solely from gross operating revenues from the operation of Bradley International Airport and proceeds are used for capital improvements at the airport.	
BRADLEY PARKING GARAGE REVENUE BONDS	$53,800,000
Parking garage bonds are payable from garage parking revenues and by a guarantee from the project developer/lessee. The bonds financed the design and construction of a new parking garage at Bradley International Airport with approximately 3,450 parking spaces on five levels.	
SPECIAL OBLIGATION RATE REDUCTION BONDS	$205,345,000
The Rate Reduction Bonds are payable from charges on the electric bills of the State's two investor-owned electric companies. The bonds were issued to provide revenue for the General Fund budgets for fiscal years 2004 and 2005.	
Total debt outstanding at June 30, 2004	$13,784,929,670

The Debt Management Division managed the sale of approximately $1.7 billion in new money bonds issued to fund State programs and capital projects, including the UCONN 2000 program and the State's 2004 ERNS and $2.2 billion in General Obligation, Clean Water Fund, UCONN 2000 and Special Tax Obligation Refunding bonds. The following table summarizes the bonds issued during the last fiscal year:

Bond Type	Par Amount	True Interest Cost (1)	Average Life (Years)	Issue Date
NEW MONEY ISSUES:				
GENERAL OBLIGATION				
2003 Series E	$200,000,000	3.93%	10.4	October 1, 2003
2003 Series F	200,000,000	4.11%	10.7	November 13, 2003
2004 Series A	300,000,000	3.78%	10.5	March 1, 2004
2004 Series C	300,000,000	4.08%	9.1	May 4, 2004
ECONOMIC RECOVERY NOTES				
2004 Series A	48,850,000	(2)	2.9	June 24, 2004
2004 Series B	48,850,000	(2)	2.9	June 24, 2004
GENERAL FUND APPROPRIATION				
UCONN 2004 Series A	97,845,000	3.76%	10.4	January 15, 2004
SPECIAL TAX OBLIGATION				
2003 Series B	200,000,000	4.22%	11.9	November 15, 2003
CLEAN WATER FUND				
2003 Series A	118,085,000	3.74%	13.1	July 1, 2003
SPECIAL OBLIGATION RATE REDUCTION BONDS				
2004 Series A	205,345,000	3.33%	4.0	June 23, 2004
2004 Subtotal New Money Issues	$1,718,975,000			
REFUNDING BONDS:				
General Obligation 2003 Series D	$215,580,000	2.66%	3.9	August 20, 2003
Special Tax Obligation 2003 A	338,610,000	2.13%	2.9	July 1, 2003
General Obligation 2003 Series G	165,995,000	2.74%	4.2	December 18, 2003

UCONN 2000 Series A	216,950,000	3.54%	9.7	January 15, 2004
General Obligation 2004 Series B	1,030,375,000	3.65%	10.7	April 8, 2004
Clean Water Fund Series B & C	237,160,000	3.28%	12.3	July 10, 2003
Subtotal Refunding Issues	$2,204,670,000			
TOTAL	**$3,923,645,000**			

(1) An industry defined term representing a composite overall present-value based interest rate for an entire bond issue.
(2) Variable rate.

The Year in Review

Highlights of the Division's accomplishments and important initiatives in fiscal year 2004 include:

- Took advantage of historically low interest rates by issuing $2.2 billion in refunding bonds in six refundings of General Obligation, UCONN 2000, Special Tax Obligation, and Clean Water Fund bonds, which will save the State $158.8 million over the life of the bonds. This refunding activity included a $1.03 billion General Obligation bond sale, the largest single transaction ever executed by the State.
- Issued $355 million of new money and refunding bonds under a more flexible credit structure for the Clean Water Fund and Drinking Water Fund bonds while maintaining the AAA credit ratings for the program.
- Managed the second issue of Economic Recovery Notes since 1991 to finance the State's 2003 deficit using a variable rate structure to minimize the cost of the five-year note issue.
- Developed a new innovative AAA-rated financing structure to provide $194 million in funding to the State General Fund while preserving the environmental and load management programs of the State's investor owned utilities.
- Assisted the University of Connecticut with the development of a new bond indenture to include the UCONN 21st Century Program and the UCONN Health Center. Assisted with the completion of the largest UCONN bond transaction to date and the lease purchase financing of a new cogeneration plant.
- Worked closely with OPM and the Capital City Economic Development Authority on the development of the CCEDA Parking and Energy Fee Revenue bonds to provide additional funding for the Adriaen's Landing project. These bonds are backed by the State through a new "contract assistance" credit structure.
- Consulted with OPM and the Legislature on mid-term budget adjustments that eliminated the need for a tobacco securitization and included enabling legislation to allow the securitization of unclaimed property receipts, if needed.
- Utilized positive cash flow from the Second Injury Fund to defease $43.2 million of the Fund's long-term debt that will help to stabilize the assessment on the State's employers for the near future.

2004 Division Performance

The continued economic recession and associated pressure on the State's budget provided continuing challenges for the Debt Management Division in fiscal year 2004.

To assist the State with managing the economic effects of the recession, the division focused its efforts on funding prior and current budget gaps with the issuance of Economic Recovery Notes to fund the fiscal year 2003 deficit of $97 million and developing a new Rate Reduction Bond Program to provide $194 million in revenue for the 2004 and 2005 budgets. The Division conducted an exhaustive review of options for funding $300 million for the 2005 budget - including tobacco securitization- and, ultimately, developed legislation to permit securitization of unclaimed property receipts to meet the anticipated needs.

DEBT MANAGEMENT DIVISION

The Division communicated throughout the year with the credit rating agencies and the investment community to address concerns regarding the state budget, the economy, as well as the impeachment inquiry and resignation of the Governor. These communications assisted in ensuring continued access to capital by maintaining financial community confidence in the State's credit.

Fiscal year 2004 was a record year for the Division in terms of debt refunding and debt issuance. The Division took advantage of the low interest rate environment by managing the sale of $2.2 billion of refunding bonds that will save taxpayers $158.8 million in future debt service. Overall, the Division completed 13 sales of General Obligation, Special Tax Obligation, UCONN 2000, Clean Water Fund and Special Obligation Rate Reduction Bonds and Economic Recovery Notes, totaling $3.9 billion, at historically low interest rates. This provides significant relief to the State budget during fiscal years 2004 and beyond.

The Division worked closely with the legislature on several important initiatives including funding additional transportation investment with incremental revenues, Article 9 legislation, securitizing energy charges, and developing other funding solutions for the State budget.

Figure 9-1

DEBT MANAGEMENT
General Fund Debt Service Appropriation as a Percent of the General Fund Appropriation

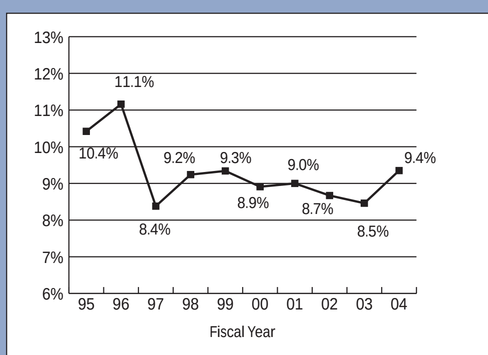


Figure 9-2

DEBT MANAGEMENT
Total Debt Outstanding ($ in millions) at June 30, 2004

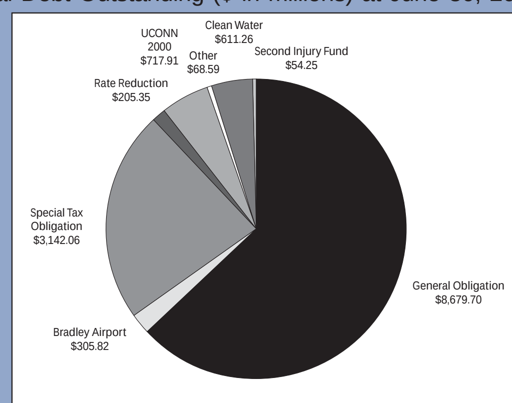
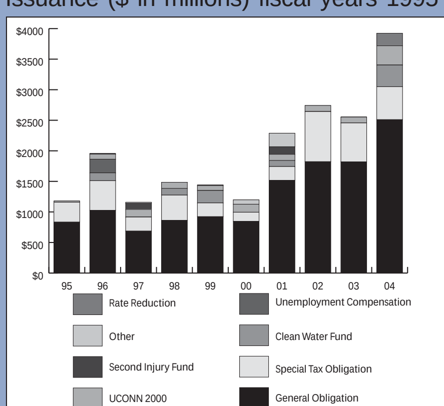


Figure 9-3

DEBT MANAGEMENT
Bond Issuance ($ in millions) fiscal years 1995 - 2004



cash management division

Division Overview

The Cash Management Division is responsible for managing the State's cash movements, banking relationships and Short-Term Investment Fund (STIF). Under the administration of an Assistant Treasurer, the 21 employees of the Division are organized into four Treasury units.

The Cash Management Division is responsible for:

- Maintaining maximum investment balances by ensuring more timely deposits, controlling disbursements, minimizing banking costs and balances, and providing accurate cash forecasts;
- Earning the highest current income level in STIF consistent with the safety of principal and the provision of liquidity;
- Providing responsive services to STIF investors;
- Prudently investing more stable fund balances for longer periods and higher yields, including banks that meet standards for financial strength and community support;
- Protecting State deposits through well-controlled internal operations and use of high quality banks;
- Improving operating efficiency by more use of electronic data communication and processing; and
- Providing State agencies technical assistance with banking issues.

Bank Control and Reconciliation

The Bank Control and Reconciliation unit maintains accountability of the State's annual internal and external cash flow. The unit records and tracks the flow of funds through 18 Treasury bank accounts and by authorizing the release of State payroll, retirement and vendor checks. More than three million transactions are accounted for and reconciled annually. The unit also processes stop payments and check reissues.

Cash Control

The Cash Control unit, on a daily basis, forecasts available cash, funds disbursement accounts, concentrates cash from depository banks, sweeps available cash into short-term investment vehicles to maximize investment balances, and executes electronic transfers. The unit also prepares annual cash flow projections for various State and bond rating agencies and the principle retirement funds, and monitors actual cash receipts and disbursements. During fiscal year 2004, the unit controlled movement of over $19 billion to and from State bank accounts and investment vehicles.

Short-Term Investments

The Short-Term Investments unit invests STIF assets, monitors custodian activity, and prepares quarterly and annual performance reports on the Fund. During fiscal year 2004, the unit invested an average of $3.8 billion in short-term money market instruments. As of June 30, 2004, the unit administered 1,154 active STIF accounts for 60 State agencies and authorities and 258 municipalities and local entities. In addition, the unit manages the Grant Express program that enables municipalities to deposit certain grant payments directly into their STIF accounts.

Client Services

The Client Services unit works with State agencies to speed the deposit of funds and identify mechanisms to reduce banking costs. The unit also reviews State agencies' requests to open new bank accounts, maintains records of the State's bank accounts held by individual banks, and reviews bank invoices and compensation. The Client Services unit also manages the insurance collateral program in conjunction with the Department of Insurance, which requires companies writing insurance policies in the State to deposit securities and funds totaling a fixed percentage of the policies' value. At June 30, 2004, approximately $496 million in securities was pledged to the program and $41 million was deposited in STIF.

The Year in Review

Highlights of the Division's accomplishments and important initiatives in fiscal year 2004 include:

- Worked with the Comptroller's Office and the Department of Information Technology to implement a system to electronically pass bank deposit data to agencies for their review and posting, which reduces duplicate data entry, speeds the flow of information to our office, reduces data entry errors, facilitates corrections, and eases reconciliation activities. The new system covers 99 percent of deposit data, up from 28 percent the previous year.
- Received and evaluated, together with several agencies, proposals for credit card and other electronic payment processing services; initiated two electronic check pilot projects that will speed the receipt of funds via the Internet at substantially lower costs than those charged for credit cards;
- Improved protections against check fraud by upgrading agency bank accounts to include bank "positive pay" fraud protection services that match checks presented for clearance against a state-supplied issue file;
- Worked with state agencies, the Comptroller's Office and the Office of Information Technology in implementing the new Core-CT statewide financial management system;
- Expanded with the State Comptroller's Office a system for making electronic payments to municipalities and vendors, which totaled $ 1.9 billion during the year, up 51 percent from a year ago;
- Continued to consolidate separate State agency bank accounts to streamline the flow and increase the investment of funds;
- Began implementation tasks related to Public Act 03-226, which allows the Treasurer to invest up to $100 million with the State's community banks and community credit unions. The banks and credit unions would compete for the investments under a competitive bidding process. The purpose of the program is to provide financial support and resources for smaller banks in the state to enhance their ability to support economic development and access to banking services for underserved markets within their local communities;
- Held our ninth annual meeting of STIF investors;
- Continued to increase participation in and payments flowing through the Clean Water Fund Express, in which participating towns have Clean Water Program payments deducted from their STIF accounts by the program trustee, and Debt Service Express, in which participating towns have debt service payments deducted from their STIF accounts by their bond paying agent, programs;
- Initiated the procurement process for STIF services that would allow investors to view account information and intitate deposits and withdrawals over the Internet;
- Expanded, with the State Comptroller and Department of Administrative Services, procurement cards for small purchases to include over 75,000 transactions totaling $13 million;
- Assisted several state agencies develop systems to accelerate receipts via electronic transfers and the Internet;
- Streamlined the flow of funds between concentration accounts and individual disbursement accounts to reduce manual processes and increase invested funds;
- Implemented an Internet-based system to speed the placement of stop payments on vendor and payroll checks to increase security of state funds;
- Assisted agencies in the implementation of Internet-based systems for the viewing of bank balances, deposits and returned items and the electronic movement of funds, thereby allowing quicker follow-up on returned items and the more efficient investment of funds;
- Assisted agencies with the implementation of systems providing them with digitized images of cleared checks and deposited items to allow more efficient research on questioned items; and

- Assisted the Department of Children and Families in the consolidation of over 500 client accounts and to allow the investment of client funds until children obtain control of the monies.

2004 Division Performance

As a result of these initiatives, the Cash Management Division successfully realized many achievements throughout the 2004 fiscal year including:

- Total annual return of 1.16 percent in STIF. This exceeded its primary benchmark by 41 basis points (an extraordinary 55 percent), resulting in $16 million in additional interest income for Connecticut governments and their taxpayers. (For a detailed discussion of STIF performance, please see the STIF Performance discussion which follows.);
- STIF's Comprehensive Annual Financial Report (CAFR) was awarded the Certificate of Achievement for Excellence in Financial Reporting for 2003 by the Government Finance Officers Association (GFOA);
- STIF's credit rating of AAAm was reaffirmed by Standard & Poor's (S&P), the leading rating agency of money market funds and local government investment pools. This rating by S&P signifies that safety of invested principal is excellent and a superior capacity to maintain a $1 per share net asset value exists at all times;
- The addition of 17 local government STIF accounts with $47 million of assets;
- Closed sixteen State bank accounts bringing total reduction in accounts to 496 over the past thirteen years, thereby reducing servicing and transfer fees and unproductive balances;
- The identification and recapture of $65,000 in annualized bank overcharges; and
- Expansion of Grant Express program, in which certain State grants are deposited directly into municipal STIF accounts. Since the inception of this program, $10.5 billion has been deposited into municipal STIF accounts, thereby accelerating the availability of municipal funds.

Figure 10-1

CASH MANAGEMENT
Agency Deposit Data Reported Electronically

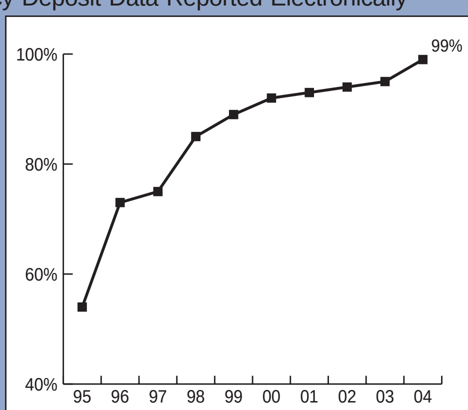
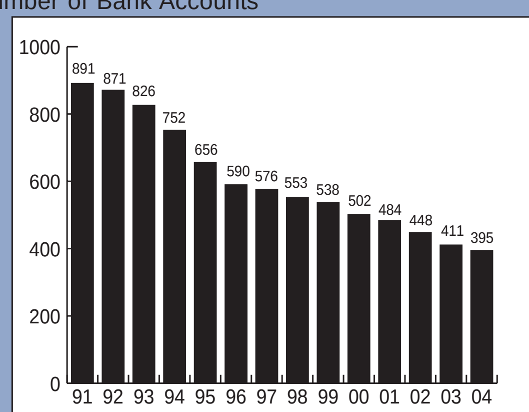


Figure 10-2

CASH MANAGEMENT
Number of Bank Accounts



2004 short-term investment fund

Fund Facts at June 30, 2004

Investment Strategy/Goals: To provide a safe, liquid and effective investment vehicle for the operating cash of the State, municipalities and other Connecticut political subdivisions.

Performance Objective: As high a level of current income as is consistent with, first, the safety of principal and, second, the provision of liquidity.

Benchmarks: First Tier Institutions-Only Rated Money Fund Report™ (MFR) Index, Federal Reserve Three-Month CD, Federal Reserve Three-Month T-Bill.

Date of Inception: 1972

Total Net Assets: $3,829,256,007

Internally Managed

External Management Fees: None

Expense Ratio: Less than 3 basis points (includes internal management and personnel salaries)

Description of the Fund

The Treasurer's Short-Term Investment Fund ("STIF" or the "Fund") is an AAAm rated investment pool of high-quality, short-term money market instruments managed by the Treasurer's Cash Management Division. Created in 1972, it serves as an investment vehicle for the operating cash of the State Treasury, State agencies and authorities, municipalities, and other political subdivisions of the State. (See figure 11-1.) STIF's objective is to provide as high a level of current income as is consistent with, first, the safety of principal and, second, the provision of liquidity to meet participants' daily cash flow requirements. During the 2004 fiscal year, STIF's portfolio averaged $3.8 billion.

STIF employs the basic strategy of buying on market weakness. For example, when interest rates rise, STIF is in the market taking advantage of higher yields. To ensure sufficient liquidity to fund unexpected participant withdrawals, STIF closely monitors its "average maturity," based upon time to maturity or interest rate reset date of all securities in the portfolio. (See figure 11-2.) Over the long-term, STIF continually analyzes expectations of future interest rate movements and changes in the shape of the yield curve to ensure the most prudent and effective short-term money management for its clients. Ongoing credit analysis enables STIF to enhance its yield by identifying high-quality credits in undervalued sectors of the economy.

STIF pays interest monthly based on the daily earnings of the Fund less Fund expenses and an allocation to the Fund's Designated Surplus Reserve. The daily reserve allocations equal one-tenth of one percent of the Fund's daily balances divided by the number of days in the year, until the reserve totals one percent of the Fund's daily balance. This reserve, currently just over $41 million, contributes significantly to STIF's low risk profile.

To help the Fund and its customers evaluate performance, STIF compares its returns to a set of three indices. The first index is the First Tier Institutions-Only Rated Money Fund Report™ Index ("MFR Index"). This index represents an average of institutional money market mutual funds rated AAA or AA that invest primarily in first-tier (securities rated A-1, P-1) taxable securities. While STIF's investment policy allows for somewhat greater flexibility than these SEC-registered funds, the MFR Index is the most appropriate benchmark against which to judge STIF's performance.

STIF's yields are also compared to the Federal Reserve three-month T-Bill rate and the Federal Reserve three-month CD rate. The former index is used to measure STIF's effectiveness in achieving yields in excess of a "risk-free" investment. The latter is shown for the benefit of STIF investors, many of whom invest in bank certificates of deposit. In viewing these indices, it is important to keep in mind that yields of the CD index will exceed those of the T-Bill index due to a CD's slightly higher risk profile and comparatively lower liquidity. Furthermore, indices are "unmanaged" and are not affected by management fees or operating expenses. (See figure 11-3.)

Among the Fund's several achievements during the 2004 fiscal year was the continuation of an AAAm rating by Standard & Poor's in January 2004. This rating is S&P's highest for money market funds and investment pools and signifies its conclusion that the Fund's safety of investors' principal is excellent and that superior capacity exists to maintain a $1 per share net asset value at all times. (See figure 11-4.)

Risk Profile

STIF is considered extremely low risk for several reasons. First, its portfolio is comprised of high-quality, highly liquid securities, which insulate the Fund from default and liquidity risk. Second, its relatively short average maturity reduces the Fund's price sensitivity to changes in market interest rates. Third, STIF has a strong degree of asset diversification by security type and issuer, as required by its investment policy, strengthening its overall risk profile. And finally, STIF's reserve, which totals approximately one percent of Fund assets, is available to protect against security defaults or the erosion of security values due to dramatic and unforeseen market changes. While this reserve has never been drawn upon during STIF's 32-year history, this added layer of security preserves the Fund's low risk profile. As the chosen short-term investment vehicle for the operating cash of the State, STIF has the ultimate confidence of the State government.

While STIF is managed diligently to protect against losses from credit and market changes, the Fund is not insured or guaranteed by any government. Therefore, the maintenance of capital cannot be fully assured.

Portfolio Composition

Throughout the year, STIF closely monitored the activities of the Federal Reserve (Fed) and other economic indicators, adjusting the Fund's portfolio and characteristics as required. At the beginning of the fiscal year, STIF's weighted average maturity equaled 21 days. During the year the Fund's average maturity ranged from 18 to 51 days as market rates fluctuated. At the end of the 2004 fiscal year, the average maturity was 35 days. STIF began to extend as the yield curve steepened since the market began to price in further Fed interest rate increases.

STIF's assets continued to be well diversified across the spectrum of available short-term securities throughout the year. The Fund ended the year with an 85 percent concentration in investments rated A-1+ or AAA (the highest ratings of Standard & Poor's) or overnight repurchase agreements. Sixty-four percent of the Fund was invested in securities with maturities, or interest rate reset dates for adjustable rate securities, of less than 30 days, versus the 73 percent at the previous year-end. The Fund's three largest security weightings included deposit instruments (21.4 percent), fully supported asset-backed commercial paper (19.4 percent) and extendable commercial notes (12.8 percent), respectively. (See figure 11-5.)

Performance Summary

For the one-year period ending June 30, 2004, STIF reported an annual total return of 1.16 percent, net of operating expenses and allocations to Fund reserves. Annual total return measures the total investment income a participant would earn with monthly compounding at the Fund's monthly net earned rate during the year. This figure exceeded that achieved by its benchmark, the MFR Index, which equaled 0.75 percent, by 41 basis points, as well as three-month T-Bills, which yielded 0.97 percent and three-month CDs, which yielded 1.11 percent. Principal reasons for STIF's strong performance include low overall expenses, its effective security selection and fluctuating average life in response to the changing interest rate environment.

Over the long-term, STIF has performed exceptionally well. For the trailing three-, five-, seven-, and ten-year periods, STIF's compounded annual total return was 1.80 percent, 3.48 percent, 4.08 percent, and 4.58 percent, net of operating expenses and contributions to reserves, exceeding returns of each of its benchmarks for all time periods. Viewed on a dollar-for-dollar basis, had one invested $10 million in STIF ten years ago, that investment would have been worth $15.6 million at June 30, 2004, versus $15.1 million for a hypothetical investment in the MFR Index. (See figure 11-6.)

Figure 11-1

SHORT-TERM INVESTMENT FUND
Ownership Analysis at June 30, 2004 ($ in millions)

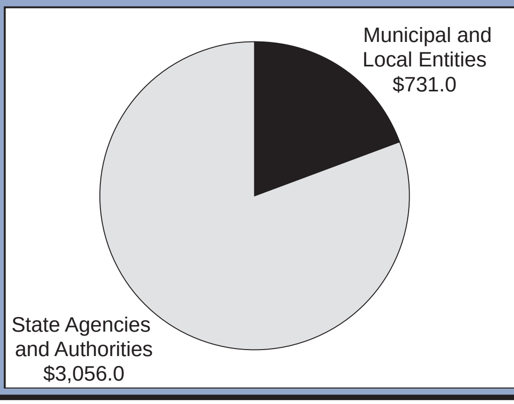


Figure 11-2

SHORT-TERM INVESTMENT FUND
Maturity Analysis

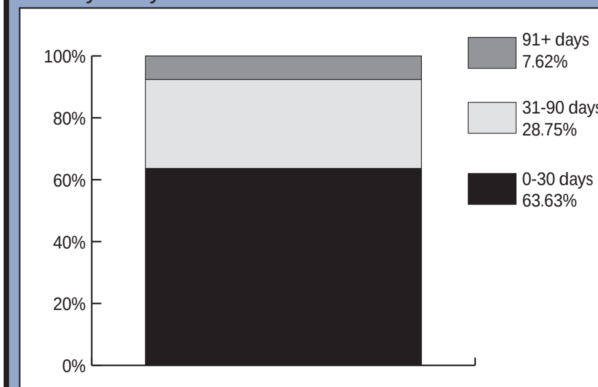


Figure 11-3

SHORT-TERM INVESTMENT FUND
Quarterly Yield vs. Benchmark

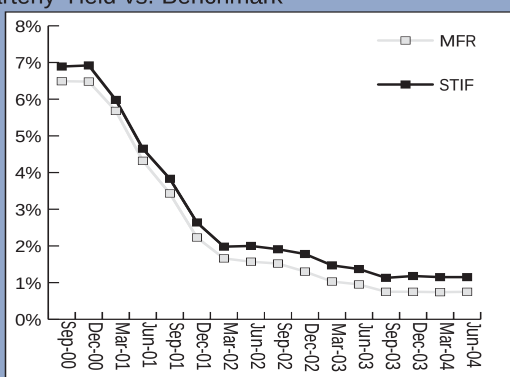


Figure 11-4

SHORT-TERM INVESTMENT FUND
Distribution by Quality Rating at June 30, 2004
Based on Investments in Securities, at Value

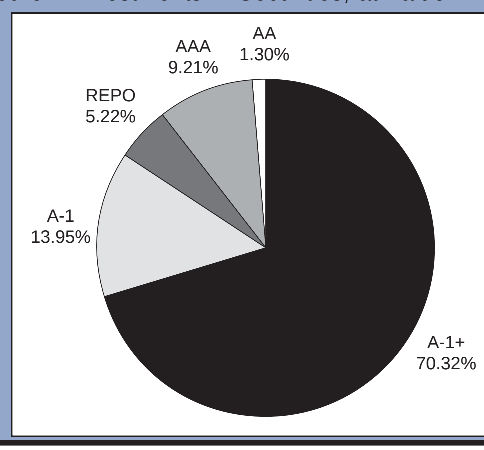


Figure 11-5

SHORT-TERM INVESTMENT FUND
Distribution by Security Type at June 30, 2004

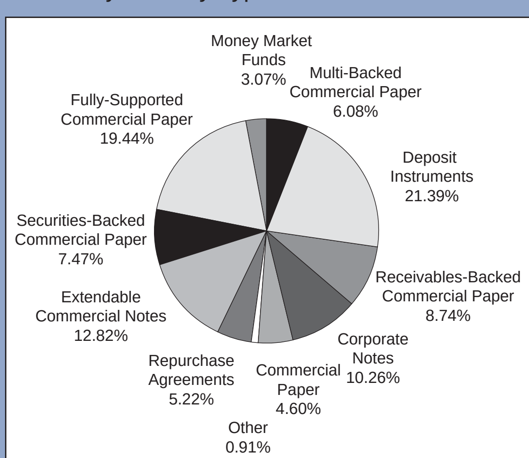


Figure 11-6

SHORT-TERM INVESTMENT FUND
Period ending June 30, 2004

	1 Yr	3 Yrs	5 Yrs	7 Yrs	10 Yrs
Compounded Annual Total Return (%)					
STIF	1.16	1.80	3.48	4.08	4.58
MFR Index*	0.75	1.39	3.08	3.70	4.19
Fed. Three-Month T-Bill	0.97	1.48	3.00	3.53	4.06
Fed. Three-Month CD	1.11	1.58	3.25	3.86	4.37
Cumulative Total Return (%)					
STIF	1.16	5.50	18.67	32.32	56.46
MFR Index*	0.75	4.22	16.36	28.93	50.72
Fed. Three-Month T-Bill	0.97	4.52	15.93	27.51	48.83
Fed. Three-Month CD	1.11	4.82	17.37	30.35	53.38

**Represents First Tier Institutions-only Money Fund Report™ (MFR) Index prior to December 31, 1995 and First Tier Institutions-only Rated Money Fund Report™ (MFR) Index through June 30, 2004.*

Division Overview

Public Service

The primary mission of the Division is to locate rightful owners or heirs of unclaimed property in accordance with state law and return those assets. Another core responsibility is to ensure that holders of unclaimed property comply with their statutory obligation to report abandoned property to the State. All Division goals support the principal mission of unclaimed property as a consumer protection service, safeguarding the financial assets of Connecticut citizens until such time as they may claim their property.

In fiscal year 2004, the Unclaimed Property Division collected a record $104.4 million compared to $70.4 million received in fiscal year 2003. This increase results from unclaimed property (UCP) law changes reducing dormancy periods, as well as the demutualization of insurance companies and the sale of mutual fund shares. Unclaimed financial assets are received from banks, insurance companies and businesses that are required to relinquish this property to the State Treasurer following a loss of contact with the owner of record, generally three years.

Organization

Under the administration of an Assistant Treasurer, the 24 employees of the Division are organized into three units consisting of Holder Reporting and Database Management, Claims/Securities Processing and Field Examination/Auditing.

Holder Reporting and Database Management maintains the unclaimed property owner and holder database. This unit records all property received for the current year reporting cycle and maintains all holder data for property which has not been claimed in previous reporting years.

Claims/Securities Processing reunites owners with their unclaimed property held in the State Treasurer's custody. Claims staff respond to inquiries, research claims, download claim forms for owner filing, and complete the claims processing and approval process. All property types are returned through Claims/Securities Processing, including stocks and mutual funds.

Field Examination and Auditing, consisting of six staff auditors, is responsible for general ledger examinations of the records of banks, insurance companies, hospitals, universities, and other business entities to determine whether all unclaimed property is being reported.

Auditing works closely with two contract vendors who deliver abandoned property held by companies in other states belonging to Connecticut residents.

The Year in Review

During fiscal year 2004, the Division paid 11,938 claims for an unprecedented return of $10,862,104 to rightful owners.

In 2003, the Division, in collaboration with Treasury legislative staff, proposed revisions to Connecticut unclaimed property law. The new unclaimed property law, known as Public Act 03-1, (sections 66 through 84 inclusive) shortened dormancy periods for unclaimed property and eliminated dormancy fees and expiration dates for gift certificates and gift cards. Passage of PA 03-1 strengthened Connecticut consumer protection and increased the State's General Fund.

In May 2004, Public Act 04-2 was passed which allows dormancy charges or fees to be applied to specific unclaimed property types, such as savings deposits, matured time deposits, and proceeds from the sale of safe deposit box contents. Another law passed during the 2004 legislative session related to unclaimed property, known as Public Act 04-216, permits the Treasurer to liquidate securities upon receipt.

In 2004, several life insurance mutual companies reorganized into public companies. As a result of this demutualization, Unclaimed Property received $8.8 million in cash receipts and securities valued at $41.8 million for the benefit of rightful property owners.

2004 Division Performance

- Paid $10.9 million in claims and issued 7,700 checks to claimants;
- Received $104.4 million in unclaimed property receipts voluntarily reported by holders;
- Collected $1.3 million as a result of UCPD compliance examinations of holders; and
- Increased the owner database by 111,227 records.

Figure 12-1

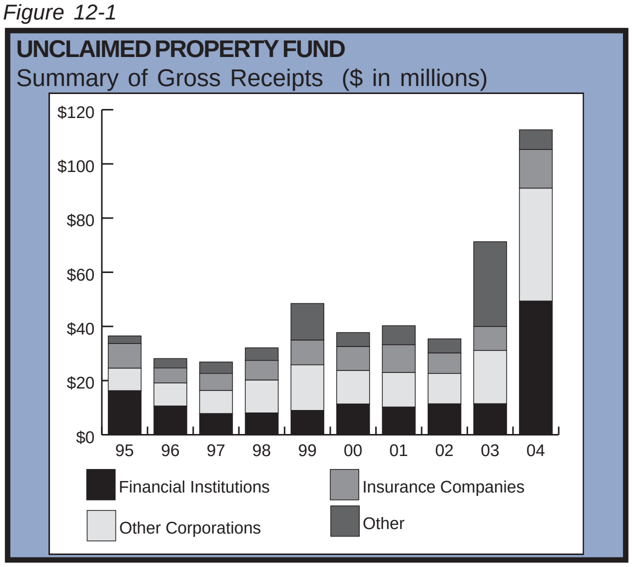


Figure 12-2

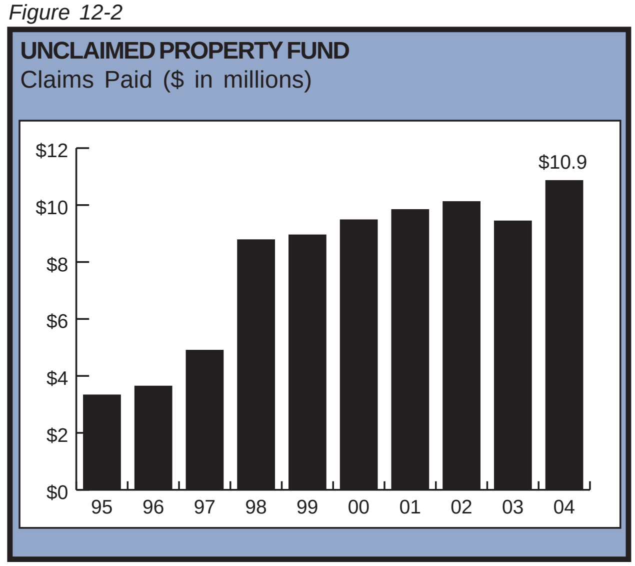


Figure 12-3

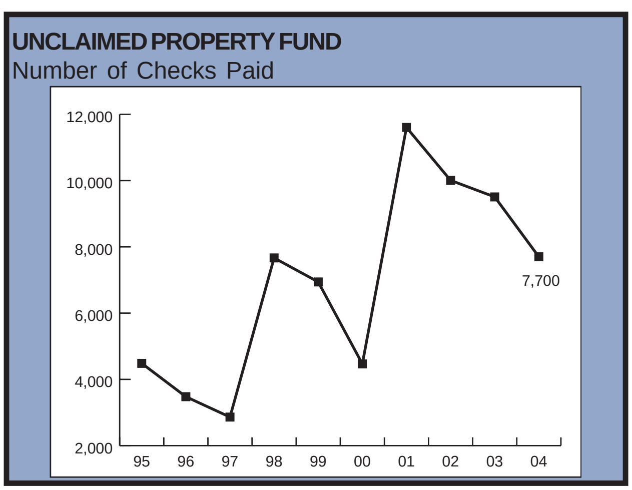
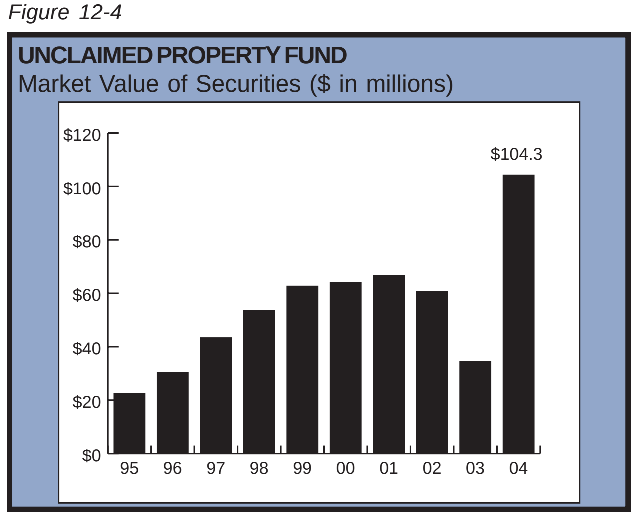


Figure 12-4



DIVISION OVERVIEW

The Second Injury Fund ("the Fund") pays lost wages and medical benefits to qualified injured workers as a state-run workers compensation insurance program.

The Second Injury Fund has a staff of 41 employees who work under the supervision of an Assistant Treasurer. It is organized into four areas:

Organization

Administration. The Assistant Treasurer maintains general oversight over the division units as well as an administrative support unit and a management team.

Attorneys and support staff in the Office of the Attorney General, who represent the Fund before the State Workers' Compensation Commission, also fall within the scope of administration. In addition, the Fund works closely with the Workers' Compensation Commission, the Chief State's Attorney's office and other State agencies in the fulfillment of its mission.

Claims. The claims unit is responsible for adjudicating open claims. These include "second injury" claims, widow and dependent benefit claims, and uninsured employer claims. The unit also processes reimbursement to employers for concurrent employment claims and cost-of-living adjustments for widows, dependents and permanent total disability claims. The Fund actively negotiates stipulated settlements of its claims.

Accounting. The accounting unit provides all aspects of service inherent in an accounting operation, processes the benefit payroll, oversees the collection of assessments and performs desk and site audits of insurance companies and self-insured employers.

Investigations. The investigations unit conducts investigations for fraudulent receipt of benefits, gathers data for collection of receivables, performs asset searches, and assists in the litigation process and monitors employer compliance with workers' compensation insurance coverage.

Description of the Second Injury Fund

The Fund was established in 1945 by the State of Connecticut to discourage discrimination against veterans and encourage the assimilation of workers with a preexisting injury into the workforce. The Fund's responsibilities were expanded over the years through judicial and legislative reform resulting in annual claim growth in excess of 20% for the period 1970 to 1995. After 50 years, it had become the largest disburser of workers' compensation benefits in the State. The cost of Fund operations, which are financed by assessments on Connecticut employers, reached a dollar value high of $146.5 million in 1996.

Prior to July 1, 1995, the Fund provided relief to employers where a worker, who already had a preexisting injury or medical condition, was hurt on the job and that second injury was made "materially and substantially" worse by a preexisting injury or medical condition. Such employers transferred liability for these workers' compensation claims to the Fund after 104 weeks, if certain criteria were met under the Connecticut Workers' Compensation Act (thus the term "Second Injury Fund").

In 1995 the Connecticut General Assembly closed the Fund to new "second injury" claims sustained on or after July 1, 1995. However, the Fund will continue to be liable for payment of claims which involve an uninsured or bankrupt employer and, on a pro rata basis, be liable for reimbursement to employers of a worker who had more than one employer at the time of the injury.

In addition, the Fund will continue to be liable for and make payments with respect to:

- Dependent death benefits for an employee who was injured on or after January 1, 1974 and who died not later than November 1, 1991;
- Dependent death benefits for an employee who was injured before January 1952 and who died after October 1991;
- Reimbursement to insurers and self-insured employers for cost of living adjustments paid to totally disabled employees with injuries occurring prior to October 1969;

- Reimbursement to insurers and self-insured employers for cost of living adjustments they paid to totally disabled employees suffering a relapse from an injury occurring prior to October 1969 after returning to work;
- Reimbursement to insurers and self-insured employers for cost of living adjustments paid to totally incapacitated employees who received a total incapacity award prior to October 1953; and
- Second injury claims with an injury date prior to July 1, 1995.

Assessments

The Treasurer establishes the assessment rate on or before May 1st of each year. Insured employers pay a surcharge on their workers' compensation insurance policies based on annual standard premium. The assessment for self-insured employers is a flat rate based on workers' compensation loss costs for benefits paid in the prior calendar year.

Despite its statutory closure to "second injury" claims, the Fund will continue to assess Connecticut employers for its on going responsibilities (as previously noted). In addition, levying assessments will continue to be necessary to pay off principal and interest payments on bonds issued for full and final settlements. No future bond issues are anticipated at this time.

Effect Of GASB No. 34 On Financial Reporting

The Connecticut Legislature in 1995 authorized the issuance of up to $750 million dollars in bonds and commercial paper to finance settlement of Fund claims. The outstanding debt in prior years was not included in the Fund's total liabilities but was under the separate heading "Long-Term Debt Account Group" included with the State of Connecticut's long-term debt.

In May of 2001, the State Comptroller's Office notified the Fund that Governmental Accounting Standards Board Statement No. 34 (GASB 34) was to be implemented, which now classifies the Fund as an enterprise fund. An enterprise fund is a governmental unit in which the activity is financed with debt that is secured solely by a pledge of the revenues from fees and charges of an activity. In addition, GASB 34 requires that if the long-term debt is to be serviced by the Fund, then it is accounted for by the Fund.

As a result of the Fund's implementation of GASB No. 34 in fiscal year 2002, the long-term debt liability, formerly included in the total debt of the State of Connecticut, is now reflected on the books of the Fund, creating a deficit net asset balance. The deficit balance reported at June 30, 2003 of $59.5 million has been reduced by $47.6 million this year, leaving a deficit net asset balance at June 30, 2004 of $11.9 million.

The Year in Review

- Used excess cash and reserve funds of $37.3 million to pay off all of the remaining 1996 Series A bonds, and $9.0 million to pay down the Series 2000A bonds. The balance of long term debt now stands at $54.3 million with final payoff scheduled for fiscal year 2011.
- Effective July 1, 2004, assessment rates were held at 6.5 percent for insured employers and11.6 percent for self-insured employers.
- Collected $10 million in underpaid assessments and interest through its assessment audit program.

2004 Division Performance

- Paid out $34.9 million in total benefits to injured workers.
- Open claims were reduced from 2,285 to 2,259 and unfunded reserves were reduced from $509.5 million to $497 million.

SECOND INJURY FUND

- Recovered $1.1 million in outstanding receivables, of which $862,250 was collected from uninsured employers.
- Settled 170 claims at a cost of $9.1 million.
- Referred 4 cases to the Chief State's Attorney's office for potential Workers' Compensation fraud, leading to one arrest for fraudulent receipt of benefits totaling more than $71,000.
- Insurance coverage was located on 115 potential uninsured employer claims. Fund investigators testified at more than 500 hearings before the Workers' Compensation Commission.
- Conducted compliance audits in various cities and towns to support ongoing monitoring of employer compliance with Workers' Compensation insurance requirements.
- Cost containment activity by Fund staff resulted in a savings to the Fund of $5.5 million, based on an average cost of an uninsured employer claim.
- A planned in-house developed management information computer system was launched in the 2004 fiscal year.

Description of the Trust

The Connecticut Higher Education Trust ("CHET" or "Trust") is a Qualified State Tuition Program pursuant to Section 529 of the Internal Revenue Code, which was unanimously approved by the Connecticut General Assembly in Public Act No. 97-224 (the "Act") and signed into law by the Governor in July 1997. The program began operating on January 1, 1998. While the Trust is considered an instrumentality of the State, the assets of the Trust do not constitute property of the State, and the Trust shall not be construed to be a department, institution or agency of the State.

CHET is a trust, available for families to save and invest for higher education expenses, that is privately managed under the supervision of the State Treasurer. Current Internal Revenue Service regulations provide that total contributions to an individual account may not exceed the amount determined by actuarial estimates as is necessary to pay tuition, required fees, and room and board expenses of the designated beneficiary for five years of undergraduate enrollment at the highest cost institution allowed by the program. While money is invested in CHET, there are no federal or state taxes on earnings. Amounts may be withdrawn to pay for tuition, room and board, fees, books, supplies, and equipment required by the beneficiary for enrollment or attendance at any eligible public or private educational institution. Earnings withdrawn for qualified education expenses are exempt from Federal and Connecticut state income taxes.[1] Earnings withdrawn for non-qualified expenses are taxable income to the account owner, and incur an additional federal tax penalty of 10%.

TIAA-CREF Tuition Financing, Inc. ("TFI"), a wholly-owned subsidiary of Teachers Insurance and Annuity Association of America ("TIAA"), and the Treasurer of the State of Connecticut have entered into a Management Agreement under which TFI serves as Program Manager. The Program is operated in a manner such that it is exempt from registration as an investment company under the Investment Company Act of 1940.

An individual participating in the Program establishes an Account in the name of a Beneficiary. Contributions may be allocated among three investment options: the Managed Allocation Option, the High Equity Option, and the Principal Plus Interest Option. Contributions in the Managed Allocation Option are allocated among ten age bands, according to the beneficiary's date of birth. Effective January 23, 2004, the number of age bands in the Managed Allocation Option has been changed from eleven age bands to ten age bands, combining the three age bands for the oldest Beneficiaries into one age band. Each age band invests in varying percentages in the institutional class of the International Equity, Equity Index, Bond and Money Market Funds of the TIAA-CREF Institutional Mutual Funds. The High Equity Option invests in varying percentages in the institutional class of the Growth & Income, International Equity and Bond Funds of the TIAA-CREF Institutional Mutual Funds. All allocation percentages are determined by the Treasurer and are subject to change. The assets in the Principal Plus Interest Option are allocated to a funding agreement issued by TIAA-CREF Life Insurance Company, a subsidiary of TIAA, which offers a guarantee to the Trust of principal and an annual minimum rate of return.

1) This provision of the 2001 Federal Tax Reduction Act is scheduled to expire on December 31, 2010. Congress may or may not extend these benefits beyond this date. If the benefit is not extended, beginning in 2011 the earnings portion of qualified withdrawals from the Trust for higher education expenses will again be federally taxed at the beneficiary's federal tax rate.

The Year in Review

Changes to the CHET program in recent years, including revisions by Treasurer Nappier to make the program more accessible and affordable to Connecticut residents and subsequent federal tax revisions, have contributed to solid growth in the number of account owners. In fiscal year 2004, the number of CHET accounts grew from 35,273 to 41,569 at fiscal year's end. During that time, program equity of account holders grew from $331.8 to $472.6 million, an increase of $140.8 million or 42 percent. The fee charged CHET account owners remains the lowest in the programs history and among the lowest in the country. The fee charge ranges from .69 to .71 percent, noteworthy at a time of increasing federal regulatory scrutiny of the fees charged throughout the Section 529 college savings industry. Internet-based on-line enrollment and account access is available for CHET account holders and those seeking information about the program. Accounts opened on-line account now account for nearly half of new accounts being opened. In addition, monthly payroll deduction by account owners increased 55 percent during the year, and the number of employers offering payroll deduction and employees participating in payroll deduction also increased.

CHET Advisory Committee

There is a statutorily established CHET Advisory Committee, which meets annually. The Committee met on December 22, 2003.

There is established a Connecticut Higher Education Trust Advisory Committee which shall consist of the State Treasurer, the Commissioner of Higher Education, the Secretary of the Office of Policy and Management and the co-chairpersons and ranking members of the joint standing committees of the General Assembly having cognizance of matters relating to education and finance, revenue and bonding, or their designees, and one student financial aid officer and one finance officer at a public institution of higher education in the state, each appointed by the Board of Governors of Higher Education, and one student financial aid officer and one finance officer at an independent institution of higher education in the state, each appointed by the Connecticut Conference of Independent Colleges.

The statutory members of the CHET Advisory Committee are:

DENISE L. NAPPIER, State Treasurer

MARC S. RYAN, Secretary Office of Policy and Management, Designee: John Mengacci

VALERIE F. LEWIS, Commissioner, Department of Higher Education, Designee: Mary Johnson

SEN. THOMAS GAFFEY, Senate Chair, Education Committee, Designee: Robert Lockert

REP DEMETRIOS S. GIANNAROS, House Chair, Education Committee

SEN. THOMAS HERLIHY, Senate Ranking Member, Education Committee

REP. ROBERT W. HEAGNEY, House Ranking Member, Education Committee

SEN. EILEEN M. DAILY, Senate Chair, Finance, Revenue and Bonding Committee, Designee: Chatam Carillo

REP. ANDREA L. STILLMAN, House Chair, Finance, Revenue and Bonding Committee, Designee: Dorian Hayes

SEN. WILLIAM H. NICKERSON, Senate Ranking Member, Finance, Revenue and Bonding Committee

REP. RICHARD BELDEN, House Ranking Member, Finance, Revenue and Bonding Committee

MARGARET WOLF, Director of Financial Aid, Capitol Community College

FRANK RESNICK, Chief Financial Officer, Central Connecticut State University

WILLIAM LUCAS, Vice President Finance, Fairfield University

JULIE SAVINO, Dean of Student Financial Assistance, Sacred Heart University, Designee: Silvie Hangan

Financial Statements

STATE OF CONNECTICUT

QUI TRANSTULIT SUSTINET

TREASURER'S OFFICE

STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS

STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

KEVIN P. JOHNSTON

ROBERT G. JAEKLE

CERTIFICATION BY AUDITORS OF PUBLIC ACCOUNTS AND STATE COMPTROLLER

We have audited the statements of condition of the other Non-Civil List Trust Funds as of June 30, 2004, together with the related statements of revenue and expenditures and statements of changes in fund balance and the statement of cash flows for the other Non-Civil List Trust Funds, for the fiscal year ended June 30, 2004. We have also examined the schedules of Civil List Funds investments, as of June 30, 2004, the Civil List Funds cash receipts and disbursements for the fiscal year ended June 30, 2004 and debt outstanding, as of June 30, 2004, and changes in debt outstanding during the fiscal year ended June 30, 2004. These financial statements and schedules are the responsibility of the management of the State Treasury. Our responsibility is to express an opinion on the financial statements and schedules based on our audit.

We did not audit the accompanying financial statements of the Tax Exempt Proceeds Fund or the Connecticut Higher Education Trust. These financial statements were audited by other auditors whose reports thereon have been included with the accompanying financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and schedules.

Our procedures included confirmation of securities owned as of June 30, 2004, by correspondence with the custodians. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the other Non-Civil List Trust Funds as of June 30, 2004, and the results of their operations, the changes in fund balance for the other Non-Civil List Trust Funds and cash flows for the other Non-Civil List Trust Funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the schedules referred to above present fairly, in all material respects the cash and investments of the Civil List Funds as of June 30, 2004, the Civil List Funds cash receipts and disbursements for the fiscal year ended June 30, 2004, the balance of bonds outstanding as of June 30, 2004, and bonds issued, retired and refunded, and bond interest payments made during the year ended on that date, all in accordance with the modified cash basis of accounting, a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

CERTIFICATION BY AUDITORS OF PUBLIC ACCOUNTS AND STATE COMPTROLLER

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The introduction section, supplemental information section and the statutory appendix have not been audited except as specifically noted in this auditors' opinion. The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the Management's Discussion and Analysis and express no opinion on it.

In accordance with Section 3-37 of the Connecticut General Statutes, we have issued separate auditors' reports for the Combined Investment Funds, dated December 15, 2004, the Short-Term Investment Fund, dated December 15, 2004 and the Second Injury Fund, dated February 18, 2005. These reports are an integral part of the State Treasurer's Annual Report and should be read in conjunction with this report in considering the results of our audit.

At the present time, separate auditors' reports are being prepared by the Auditors of Public Accounts covering the State-Wide operations of the State Treasury and the Investment Advisory Council. These auditors' reports, consisting of comments, recommendations, and certifications, will be maintained on file in the offices of the Auditors of Public Accounts.

This particular certification is issued by the Auditors of Public Accounts and the State Comptroller in accordance with Section 2-90 of the General Statutes.

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

Nancy Wyman
State Comptroller

December 30, 2005
State Capitol
Hartford, Connecticut

STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS
STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

KEVIN P. JOHNSTON

ROBERT G. JAEKLE

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statement of net assets of the Combined Investment Funds as of June 30, 2004, and the statement of changes in net assets for the fiscal years ended June 30, 2004, and 2003. These financial statements are the responsibility of the management of the State Treasury. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.

Our procedures included confirmation of securities owned as of June 30, 2004, by correspondence with the custodians. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Combined Investment Funds as of June 30, 2004, and the results of their operations and changes in net assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As explained in Note 1B, the State Treasurer's policy is to present investments at fair value. The fair value of most of the assets of the Real Estate Fund, the Commercial Mortgage Fund and the Private Investment Fund and the limited partnership investment of the Mutual Fixed Income Fund are estimated by investment advisors in the absence of readily ascertainable market values, and reviewed and adjusted, when appropriate, by the State Treasurer. The fair value of most of the assets of the Real Estate Fund and the Private Investment Fund and the limited partnership investment of the Mutual Fixed Income Fund are presented at the cash adjusted fair values, which utilize the investment advisors' March 31, 2004, quarter ending estimated values adjusted for cash flows of the Funds during the subsequent quarter that affect the value at the Funds' level. Adjustments are made for underlying investments that experienced significant changes in value during the quarter, if deemed appropriate. We have reviewed the investment advisors' values, the relevant cash flows and the procedures used by the State Treasurer in reviewing the estimated values and have read underlying documentation and, in the circumstances, we believe the procedures to be reasonable and the documentation appropriate. However, because of the inherent uncertainty of valuation, those estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

Our audit was made for the purpose of forming an opinion on the financial statements of the Combined Investment Funds taken as a whole. The Combined Investment Funds Statement of Net Assets, Statements of Changes in Net Assets, Total Net Asset Value by Pension Plans and Trusts and the Statements of Investment Activity by Pension Plan and by Trust, contained within the Statistical Section of this document, are presented for purposes of additional analysis and are not a required part of the financial statements of the Combined Investment Funds. Such information has been subjected to the auditing procedures applied in the audit of the financial statements of the Combined Investment Funds and, in our opinion, is fairly presented in all material respects in relation to the financial statements of the Combined Investment Funds taken as a whole. The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the Management's Discussion and Analysis and express no opinion on it.

This opinion is being issued for inclusion in an annual report for the State Treasurer's Combined Investment Funds for the fiscal year ended June 30, 2004. Other information contained within the Statistical Section and the Investment and Introductory Sections of this document has not been audited.

Kevin P. Johnston
Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

December 15, 2004
State Capitol
Hartford, Connecticut

STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS
STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

KEVIN P. JOHNSTON

ROBERT G. JAEKLE

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statement of net assets of the Short-Term Investment Fund, including the list of investments, as of June 30, 2004, and the statements of changes in net assets for the fiscal years ended June 30, 2004, and 2003. These financial statements are the responsibility of the management of the State Treasury. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.

Our procedures included confirmation of securities owned as of June 30, 2004, by correspondence with the custodian. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Short-Term Investment Fund as of June 30, 2004, and the results of its operations and changes in net assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the financial statements of the Short-Term Investment Fund taken as a whole. The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the Management's Discussion and Analysis and express no opinion on it. The Statistical Section contained herein is presented for purposes of additional analysis and is not a required part of the financial statements of the Short-Term Investment Fund. Except as noted below, such information has been subjected to the auditing procedures applied in the audit of the financial statements of the Short-Term Investment Fund and, in our opinion, is fairly presented in all material respects in relation to the financial statements of the Short-Term Investment Fund taken as a whole. We did not audit the information contained in the Introductory and Investment Sections of this Short-Term Investment Fund annual report, or the Schedules of Rates of Return contained in the Statistical Section.

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

December 15, 2004
State Capitol
Hartford, Connecticut

STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS
STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

KEVIN P. JOHNSTON

ROBERT G. JAEKLE

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the Second Injury Fund of the State of Connecticut, as of and for the year ended June 30, 2004. These financial statements are the responsibility of the management of the State Treasury. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, these financial statements present only the Second Injury Fund and are not intended to present fairly the financial position and the results of operations of the Enterprise Funds of the State of Connecticut, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Second Injury Fund of the State of Connecticut, as of June 30, 2004, and the results of the operations and changes in fund balance of the Second Injury Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

February 18, 2005
State Capitol
Hartford, Connecticut

This *Management's Discussion and Analysis (MD&A)* of the Annual Report of the Treasurer is a narrative overview and analysis of the financial activities of the Office of the Treasurer for the fiscal year ended June 30, 2004. It is provided by the management of the State of Connecticut's Office of the Treasurer, and we encourage readers to review it in conjunction with the transmittal letter at the front of this report and the Treasurer's financial statements that follow.

This MD&A has been prepared per the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34. In addition to the inclusion of this MD&A, the other notable change in the Financial Section of the annual report is the change in fund designation of the Second Injury Fund (SIF) from an Expendable Trust Fund to an Enterprise Fund within the State of Connecticut's Proprietary Funds as more fully explained in the MD&A Overview of the Financial Statements section.

In years prior to Fiscal Year end June 30, 2002, as an Expendable Trust Fund, SIF only included current assets and liabilities (which included the current year's debt expenditures) on the balance sheet. The long-term debt of the fund was always consolidated as long-term debt in the Long Term Debt Account Group by the State of Connecticut. As an Expendable Trust Fund, fund balance represented a measure of "available spendable resources."

However, GASB 34 required the State of Connecticut to re-classify SIF as an Enterprise Fund within the Proprietary Funds of the State of Connecticut. An Enterprise Fund is a government unit in which the activity is financed with debt that is secured by a pledge of the revenues from fees and charges of an activity, and since the debt is to be serviced by the fund revenues, the debt is accounted for by the fund. As such, the long-term portion of debt outstanding formally reported by the State of Connecticut in the Long Term Debt Account Group is now reported on SIF's balance sheet. This accounting change, required by GASB 34 beginning in fiscal year 2002, resulted in the restatement of SIF's beginning fund balance on July 1, 2001, from a positive $86.5 million to a negative ($146.1) million as a result of the inclusion of long-term debt. The net assets of SIF at June 30, 2004 were a negative ($11.9) million. (See Second Injury Fund under Financial Highlights below.)

FINANCIAL HIGHLIGHTS

Combined Investment Funds

Net Assets - The net assets of the Combined Investment Funds at the close of the fiscal year were $20.19 billion, an increase of $1.89 billion from the previous year. The change in net assets resulted from net investment income from operations of $2.71 billion partly offset by cash outflows to the Connecticut Retirement Plans and Trust Funds of $0.82 billion. As is the case with any pension fund, a portion of the total net investment income of $2.7 billion ($0.82 billion) was used, coupled with contributions of participants and the plan sponsors, to make payments to beneficiaries of the Connecticut Retirement Plans and Trust Funds.

Operating Income – Favorable performance results achieved a positive return of 15.23%, net of all management fees and expenses, resulting in an increase in net assets from operations of $2.71 billion in the 2004 fiscal year, compared to a return of 2.49%, net of all expenses for the previous fiscal year.

Short-Term Investment Fund

Net Assets - The net assets under management in the Short-Term Investment Fund at the close of the fiscal year were $3.83 billion, an increase of $0.55 billion from the previous year. The principal reasons for the increase was an overall increase of $814 million in State Agencies and Authorities STIF investments and a decline of $262 million in investments in the Fund from its municipal and local customers.

Operating Income - General financial market conditions produced an annual total return of 1.16%, net of operating expenses and allocations to Fund reserves, compared to an annual total return of 1.64%, net of operating expenses and allocations to Fund reserves in the previous fiscal year. The annual total return exceeded that achieved by its benchmark, which equaled 0.75%, by 41 basis points, resulting in $15.5 million in additional interest income for Connecticut governments and their taxpayers.

Second Injury Fund

Net Assets - The net assets of the Second Injury Fund (SIF) at the close of fiscal year 2004 was a negative ($11.9) million, a decrease of $47.6 million from the previous year deficit net asset balance of ($59.5) million, as restated due to the adoption of GASB 34 accounting requirements. As first explained in the 2002 Fiscal year SIF Financial Statements, the June 30, 2001 net asset balance of the $86.5 million was restated to include the portion of long term debt in the State of Connecticut's long term debt account group ($248.5 million) that is secured by a pledge of revenues from fees and charges of the SIF.

Operating Income – The $47.6 million positive change in net assets resulted from net operating income of $54.3 million partly offset by non-operating expenses of $4.7 million, mainly interest expense.

Connecticut Higher Education Trust

Program Equity - The program equity of the Connecticut Higher Education Trust at the close of the fiscal year was $472.4 million, an increase of $139.9 million from the previous year.

Changes in Program Equity – The change in program equity of the Connecticut Higher Education Trust due to operations increased by $140.5 million in fiscal year 2004 resulting from $35.3 million in net realized and unrealized gain on investments and net investment income and $105.2 million from contributions to active accounts, net of redemptions.

Tax Exempt Proceeds Fund

Net Assets - The net assets of the Tax Exempt Proceeds Fund at the close of the fiscal year were $170.4 million, a decrease of $20.0 million from the previous year.

Changes in Net Assets – The total decrease in net assets of the Tax Exempt Proceeds Fund in fiscal year 2004 was the result of a net redemption of fund investments.

More detailed information regarding these activities and funds begins on page F-14.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the Office of the Treasurer's basic financial statements, which are comprised of: 1) Combined Investment Funds, 2) Short-Term Investment Fund, 3) Civil List Pension And Trust Funds, 4) Non-Civil List Trust Funds, 5) Second Injury Fund, 6) Connecticut Higher Education Trust, and 7) Tax Exempt Proceeds Fund. This report also contains schedules of Civil List Funds investments and Debt Outstanding in addition to the basic financial statements.

The financial statements reported by the Treasurer's Office for which the Treasurer has fiduciary responsibility begin on page F-12 and provide detailed information. This financial information is included in the activities of the State of Connecticut's *Fund Financial Statements* as presented in the Comprehensive Annual Financial Report of the State of Connecticut prepared by the State Comptroller.

The Office of the State Treasurer is responsible for the **Combined Investment Funds** (which includes Civil and Non-Civil List Trust Funds)**, Short-Term Investment Fund, Connecticut Higher Education Trust, Tax Exempt Proceeds Fund, escheat securities private purpose trust fund held for others (Unclaimed Property), and the Second Injury Fund.** These assets are managed by the Office of the Treasurer and are further explained below.

Combined Investment Funds: The Statement of Net Assets and the Statement of Changes in Net Assets are two financial statements that report information about the Combined Investment Funds as a whole, and about its activities that should help explain how the Combined Investment Funds are performing as a result of this year's activities. These statements include all assets and liabilities using the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets (page F-14) presents all of the Combined Investment Funds' assets and liabilities, with the difference between the two reported as "net assets". Over time, increases and decreases in net assets measure whether the Combined Investment Funds financial position is improving or deteriorating.

The Statement of Changes in Net Assets (page F-15) presents information showing how the Combined Investment Fund's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., security lending rebates and dividend and interest income).

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Combined Investment Funds' financial statements. The notes can be found on pages F-17 – F-28 of this report.

Short-Term Investment Fund: The Statement of Net Assets and the Statements of Changes in Net Assets are two financial statements that report information about the Short-Term Investment Fund. These statements include all assets and liabilities using the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets (page F-30) presents all of the Short-Term Investment Fund's assets and liabilities, with the difference between the two reported as "net assets".

The Statement of Changes in Net Assets (page F-31) presents information showing how the Short-Term Investment Fund's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Short-Term Investment Fund's financial statements. The notes can be found on pages F-32 – F-35 of this report.

Civil And Non-Civil List Trust Funds: The Civil List Pension and Trust Funds schedule (page F-44) includes all cash and investment balances, and activity for the fiscal year 2003. The Non-Civil List Trust Funds Financial Statements (page F-45) include all assets and liabilities, revenues and expenditures, and changes in fund balances using the accrual basis of accounting.

The Notes to the Civil and Non-Civil List Trust Funds Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes can be found on page F-48 of this report.

Connecticut Higher Education Trust: The Statement of Financial Condition and Statement of Operations (pages F-57 – F-58) are two financial statements that report information about the Connecticut Higher Education Trust Program as of June 30, 2004 and June 30, 2003.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Connecticut Higher Education Trust Program financial statements. The notes can be found on pages F-60 – F-61 of this report.

Tax Exempt Proceeds Fund: The Statement of Net Assets, Statement of Operations and Statement of Changes in Net Assets (pages F-63 – F-69) are financial statements that report information about the Tax Exempt Proceeds Fund.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Tax Exempt Proceeds Fund financial statements. The notes can be found on pages F-68 – F-69 of this report.

The Second Injury Fund: The Statement of Net Assets and Statement of Revenues, Expenses and Changes in Fund Net Assets (pages F-49 and F-50) are financial statements that report information about the Second Injury Fund.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Second Injury Fund's financial statements. The notes can be found on on pages F-52 – F-56 of this report.

REQUIRED SUPPLEMENTARY INFORMATION

Following the Financial Statements section of this annual report is a Supplemental Information section that further explains and supports the financial information and includes additional schedules for the Combined Investment Funds, debt schedules, cash management activities including Civil List Funds, and information on Unclaimed Property and fiscal year division expenses for the Office of the Treasurer.

FINANCIAL ANALYSIS OF THE FUNDS

At June 30, 2004, the Combined Investment Funds reported investment balances of $20.19 billion. The Short-Term Investment Fund reported a fund balance of $3.83 billion. These two funds account for 99% of the investments in the fiduciary funds managed by the Office of the Treasurer.

Combined Investment Fund Highlights

The Combined Investment Funds represent the pension funds of the State employees and teachers, municipal employees, as well as academic programs, grants and initiatives throughout the State. The total fund balance rose during the fiscal year by $1.89 billion, as a result of earning net investment income from operations of $2.71 billion partly offset by cash outflows to the Connecticut Retirement Plans and Trust Funds of $0.82 billion. The value of the fund portfolio rose from $18.30 billion to $20.19 billion. Favorable performance results produced a positive return of 15.23%, net of all expenses, compared to a modest return of 2.49%, net of all expenses, for the previous fiscal year.

Short-Term Investment Fund Highlights

The Short-Term Investment Fund represents an investment pool of short-term money market instruments serving the State and State agencies, authorities, municipalities and other public subdivisions of the State. The total fund balance rose during the fiscal year by $0.55 billion principally from a $0.81 billion increase in STIF investments from State Agencies and Authorities resulting from the State's improving economic condition. STIF produced an annual total return of 1.16%, net of operating expenses and allocations to Fund reserves, compared to an annual total return of 1.64%, net of operating expenses and allocations to Fund reserves in the previous fiscal year. . The total annual return of 1.16 percent in STIF exceeded its primary benchmark by 41 basis points, resulting in $15.5 million in additional interest income for the state, municipalities, other units of local government and their taxpayers. The lower return resulted from reductions in market interest rates due to the national economic downturn.

DEBT ADMINISTRATION

Long-term debt obligations of the State consist of general obligation bonds and revenue dedicated bonded debt. General obligation bonds, issued by the State, are backed by the full faith and credit of the State. Dedicated revenue debt payments are made from legally restricted revenues.

At June 30, 2004, the State had $13.8 billion in bonds and notes outstanding versus $13.2 billion at June 30, 2003, an increase of $0.58 billion. Outstanding debt at June 30, 2004 was issued to finance capital outlay for educational projects of local school districts, state parks and buildings including community colleges and state universities, environmental protection, economic development and highway construction and other transportation investments.

The following table presents total outstanding debt for the State distinguished by bond financing type.

Outstanding Debt as of June 30, 2004

Bond Type	2004	2003	Change
General obligation – Tax supported	$8,369,736,998	$8,020,767,921	$348,969,077
General obligation - Revenue supported	9,161,124	13,036,124	(3,875,000)
General obligation – Transportation	2,996,576	11,726,576	(8,730,000)
Economic Recovery Notes	273,215,000	219,235,000	53,980,000
Special Tax Obligation	3,142,057,825	3,186,117,825	(44,060,000)
Bradley International Airport	252,020,000	258,160,000	(6,140,000)
Clean Water Fund	611,260,000	566,875,000	44,385,000
UCONN 2000	717,907,147	669,197,147	48,710,000
CDA Increment Financing	29,825,000	31,300,000	(1,475,000)
CDA Governmental Lease revenue	6,115,000	6,545,000	(430,000)
Second Injury Fund Bonds	54,255,000	111,130,000	(56,875,000)
CHEFA Childcare Facilities program	38,760,000	39,575,000	(815,000)
Bradley Parking operations	53,800,000	53,800,000	-
CT Juvenile Training school	18,475,000	18,825,000	(350,000)
Special Obligation Rate Reduction Bonds	205,345,000	-	205,345,000
Total	$13,784,929,670	$13,206,290,593	$578,639,077

During fiscal year 2004, the State issued refunding bonds totaling $2.2 billion to refinance amounts outstanding on previously issued bonds to lower rates and issued $1.7 billion in new bonds to fund state programs having a total savings to taxpayers of over $158 million.

Moody's Investors Service, Standard & Poor's Corporation, and Fitch Investors Service rate the State's general obligations Aa3, AA and AA respectively.

More detailed information about outstanding bonds and other long-term debt can be found in the Supplemental and Statistical Sections of this report.

ECONOMIC CONDITIONS AND OUTLOOK

During fiscal year 2004, the State's economic performance improved over the previous fiscal year, which had left Connecticut government with declining revenues. Several budgetary initiatives by the Governor and General Assembly geared to address the economic climate within the State resulted in an estimated $300 million State surplus at the end of 2004 fiscal year. However, Connecticut's economic outlook mirrors the national uncertainty as fiscal year 2005 is shaping up to be a pivotal time for the investment markets. The potential impact of oil prices, lack of job creation, China's economy, the continuing rise of interest rates by the Federal Reserve and the outcome of the U.S. presidential election have investors concerned about how these events could affect investments. After a notable improvement in the economy over the past year, the numbers have been relatively flat as a result of the recent slowdown caused by moderation of labor market activity. Yet, the second half of the fiscal year could see stronger growth due to pent-up hiring demand, falling energy prices and increased capital spending.

CONTACTING THE OFFICE OF THE TREASURER

This financial report is designed to provide a general overview of the Office of the Treasurer's finances and to show the Office's accountability for the money it receives. Questions about this report or requests for additional information should be addressed to:

Connecticut State Treasury
55 Elm Street
Hartford, CT 06106-1773
Telephone (860) 702-3000
www.state.ct.us/ott

State of Connecticut

Office of the Treasurer

DENISE L. NAPPIER
TREASURER

HOWARD G. RIFKIN
DEPUTY TREASURER

December 30, 2005

To the Honorable
M. Jodi Rell, Governor of Connecticut
Denise L. Nappier, Treasurer of Connecticut
Members of the Connecticut General Assembly
And Citizens of the State of Connecticut

This report was prepared by the Office of the Treasurer, which is responsible for the accuracy of the data, the completeness and fairness of the presentation and all disclosures. We present the financial statements and data as being accurate in all material respects and prepared in conformity with generally accepted accounting principles and such financial statements are audited annually by the State of Connecticut Auditors of Public Accounts.

To carry out this responsibility, the Office of the Treasurer maintains financial policies, procedures, accounting systems and internal controls that management believes provide reasonable, but not absolute, assurance that accurate financial records are maintained and investments and other assets are safeguarded.

It is our belief that the contents of this Annual Report make evident the State of Connecticut Office of the Treasurer support of the safe custody and conscientious stewardship of the State's property and money including Trusts and Custodial accounts held by the State Treasurer. In addition, the Office of the Treasurer has sought to maximize earnings on the assets held by the State Treasurer within the boundaries of prudent investment guidelines authorized by Article Four, Section 22 of the Connecticut Constitution and in Title 3 of the Connecticut General Statutes, thereby stabilizing taxpayer costs and securing the safety of benefit commitments established by various General Statutes covering the State retirement systems and other retirement systems administered by the State.

The State of Connecticut also issues a Comprehensive Annual Financial Report (the "CAFR") available from the State Comptroller's Office. The material presented herein is intended to expand on, but not to conflict with, the State's CAFR.

In management's opinion, the internal control structure of the Office of the Treasurer is adequate to ensure that the financial information in this report presents fairly the financial condition and results of operations of the funds that follow.

Sincerely,

Howard G. Rifkin
Deputy Treasurer

55 ELM STREET, HARTFORD, CONNECTICUT 06106-1773, TELEPHONE: (860) 702-3000
AN EQUAL OPPORTUNITY EMPLOYER

COMBINED INVESTMENT FUNDS

STATEMENT OF NET ASSETS
JUNE 30, 2004

		TOTAL
ASSETS		
Investments in Securities, at Fair Value		
Cash Equivalents	$	702,088,890
Asset Backed Securities		573,351,655
Government Securities		1,441,108,121
Government Agency Securities		1,631,204,221
Mortgage Backed Securities		536,021,909
Corporate Debt		2,042,425,922
Convertible Securities		34,988,672
Common Stock		11,450,413,020
Preferred Stock		74,664,086
Real Estate Investment Trust		77,504,685
Mutual Fund		179,393,038
Limited Liability Corporation		22,948,138
Trusts		46,404,007
Limited Partnerships		1,836,285,732
Annuities		1,313,806
Total Investments in Securities, at Fair Value		20,650,115,902
Cash		18,717,565
Receivables		
Foreign Exchange Contracts		7,914,780,924
Interest Receivable		80,279,849
Dividends Receivable		13,860,889
Due from Brokers		313,673,376
Foreign Taxes		1,779,065
Securities Lending Receivable		785,664
Reserve for Doubtful Receivables		(12,926,659)
Total Receivables		8,312,233,108
Invested Securities Lending Collateral		2,122,478,975
Prepaid Expenses		3,010,052
Total Assets		31,106,555,602
LIABILITIES		
Payables		
Foreign Exchange Contracts		7,929,562,380
Due to Brokers		850,975,796
Income Distribution		383,710
Total Payables		8,780,921,886
Securities Lending Collateral		2,122,478,975
Accrued Expenses		13,764,961
Total Liabilities		10,917,165,822
NET ASSETS	$	20,189,389,780

The accompanying notes are an integral part of these financial statements.

COMBINED INVESTMENT FUNDS

STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

OPERATIONS		TOTAL
Investment Income		
Dividends	$	607,529,263
Interest		303,029,185
Other Income		29,512,876
Securities Lending		23,252,981
Total Investment Income		963,324,305
Investment Expenses		
Investment Advisory Fees		38,985,392
Salary and Fringe Benefits		2,256,308
Custody and Transfer Agent Fees		1,414,764
Professional Fees		6,310,197
Security Lending Fees		2,498,875
Security Lending Rebates		14,182,849
Investment Expenses		164,290
Total Investment Expenses		65,812,675
Net Investment Income		897,511,630
Net Realized Gains		880,979,032
Net Change in Unrealized Gains on Investments and Foreign Currency		936,915,624
Net Increase (Decrease) in Net Assets Resulting from Operations		2,715,406,286
Distributions to Unit Owners:		
Income Distributed to unit owners		(816,130,191)
Total Distributions Paid and Payable		(816,130,191)
Unit Transactions		
Purchase of Units by Participants		2,889,513,843
Redemption of Units by Participants		(2,899,805,226)
Net Increase (Decrease) in Net Assets Resulting from Unit Transactions		(10,291,383)
Total Increase in Net Assets		1,888,984,712
Net Assets		
Beginning of Period		18,300,405,068
End of Period	$	20,189,389,780

The accompanying notes are an integral part of these financial statements

COMBINED INVESTMENT FUNDS

STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

OPERATIONS	TOTAL
Investment Income	
Dividends	$ 484,357,601
Interest	352,342,680
Other Income	4,007,521
Securities Lending	24,922,756
Total Investment Income	865,630,558
Investment Expenses	
Investment Advisory Fees	42,267,267
Salary and Fringe Benefits	2,064,332
Custody and Transfer Agent Fees	1,192,298
Professional Fees	2,756,051
Security Lending Fees	2,056,064
Security Lending Rebates	17,191,148
Investment Expenses	147,253
Total Investment Expenses	67,674,413
Net Investment Income	797,956,145
Net Realized Loss	(566,640,104)
Net Change in Unrealized Gains on Investments and Foreign Currency	123,784,295
Net Increase in Net Assets Resulting from Operations	355,100,336
Distributions to Unit Owners:	
Income Distributed to unit owners	(836,951,362)
Total Distributions Paid and Payable	(836,951,362)
Unit Transactions	
Purchase of Units by Participants	1,299,496,983
Redemption of Units by Participants	(1,223,395,231)
Net Increase (Decrease) in Net Assets Resulting from Unit Transactions	76,101,752
Total Decrease in Net Assets	(405,749,274)
Net Assets	
Beginning of Period	18,706,154,346
End of Period	$ 18,300,405,068

The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Combined Investment Funds (the "Funds") are separate legally defined funds, which have been created by the Treasurer of the State of Connecticut (the "Treasurer") under the authority of the Connecticut General Statutes (CGS) Section 3-31b. The Funds are open-end, unitized portfolios consisting of the Cash Reserve Fund, Mutual Equity Fund, Mutual Fixed Income Fund, International Stock Fund, Real Estate Fund, Commercial Mortgage Fund and the Private Investment Fund. The Funds were established to provide a means for investing pension and other trust fund assets entrusted to the Treasurer in a variety of investment classes. The units of the Funds are owned by these pension and trust funds. For financial reporting purposes of the State of Connecticut, the Funds are considered to be internal investment pools and are not reported in the State's combined financial statements. Instead, each fund type's investment in the fund is reported as "equity in combined investment funds" in the State's combined balance sheet.

The Treasurer, as sole fiduciary of the Funds, is authorized to invest in a broad range of fixed income and equity securities, as well as real estate properties, mortgages and private equity. This authority is restricted only by statute. Such limitations include prohibitions against investment in companies doing business in Iran and those doing business in Northern Ireland, but who have failed to implement the MacBride Principles (CGS Section 3–13h). Other legislation restricts the maximum aggregate investment in equity securities to 60% of the fair value of the Trust Funds.

The Funds are not subject to regulatory oversight and are not registered with the Securities and Exchange Commission as an investment company.

The following is a summary of significant accounting policies consistently followed by the Funds in the preparation of their financial statements.

A. NEW PRONOUNCEMENTS

There were no relevant new pronouncements for the fiscal year end June 30,2004

B. SECURITY VALUATION

Investments are stated at fair value for each of the Funds as described below. For the Commercial Mortgage Fund, the investments listed on the Statement of Net Assets, other than the amounts invested in the Cash Reserve Fund, are shown at fair values provided to the Fund by the investment advisor, and adjusted, when appropriate, by the Treasurer's staff. For the Real Estate and Private Investment Funds and one limited partnership in the Mutual Fixed Income Fund, substantially all of the investments, other than those in the Cash Reserve Fund, are shown at values that are estimated by the Treasurer's staff. Such estimations utilize the investment advisors' prior quarter end estimated fair value, plus or minus the appropriate related cash flows as described later in this section. The Treasurer's staff reviews the valuations for all investments in these alternative asset classes (Commercial Mortgage, Real Estate, and Private Investment Funds) to see that they are reasonable and consistent. Due to the inherent uncertainty of valuation, those estimated values may differ significantly from the values that would have been used had a ready market for the securities existed and the differences could be material.

Cash Reserve Fund

Investments are valued at amortized cost, which approximates fair value. Repurchase Agreements held are collateralized at 102 percent of the securities' value. Such transactions are only entered into with primary government securities dealers who report directly to the Federal Reserve Bank of New York. The collateral is evaluated daily to ensure its fair value exceeds the current fair value of the repurchase agreements including accrued interest.

Mutual Equity Fund

Securities traded on securities exchanges are valued at the last reported sales price on the last business day of the fiscal year. Corporate bonds and certain over-the-counter stocks are valued at the mean of bid and asked prices as furnished by broker-dealers.

Mutual Fixed Income Fund

Investments are valued based on quoted market prices when available. For securities that have no quoted market value, fair value is estimated based on yields currently available on comparable securities of issuers with similar credit ratings.

An investment with a market value of $0 and a cost value of $44,897,812 is held through a limited partnership. Subsequent to June 30, 2004 this investment was liquidated for the sales price of $1. The fair value of the underlying securities is based on quoted market prices when available. When quoted market prices are not available, the underlying securities are valued by the General Partner at the fair value as determined in good faith under consistently applied procedures.

When-issued securities held are fully collateralized by U.S Government securities and such collateral is in the possession of the Fund's custodian. The collateral is evaluated daily to ensure its market value exceeds the current market value of the instruments including accrued interest.

The Mutual Fixed Income Fund invests in Mortgage Backed Securities (MBSs) and Asset Backed Securities (ABSs), which are included in the Statement of Net Assets. These are bonds issued by a special purpose trust that collects payments on an underlying collateral pool of mortgage or other loans and remits payments to bondholders. The bonds are structured in a series of classes or tranches, each with a different coupon rate and stated maturity date. Interest payments to the bondholders are made in accordance with the trust indentures and amounts received from borrowers in excess of interest payments and expenses are used to amortize the principal on the bonds. Such principal payments are made to retire the tranches of bonds in order of their stated maturity. Because mortgage prepayments are largely dependent on market interest rates, the ultimate maturity date of the bonds is unpredictable and is sensitive to changes in market interest rates, but is generally prior to the stated maturity date. At June 30, 2004, the Fund held MBSs of $454,710,826 and ABSs of $68,860,394.

Interest-only stripped mortgage backed securities (IOs), a specialized type of Collateralized Mortgage Obligation (CMO), are included as Mortgage Backed Securities on the statement of Net Assets. The cash flow on these investments is derived from the interest payments on the underlying mortgage loans. Prepayments on the underlying loans curtail these interest payments, reducing the value of the IOs and, as such, these instruments are extremely sensitive to changes in interest rates, which encourage or discourage such prepayments. At June 30, 2004 the Fund's holdings had a fair value of $4.4 million and a cost of $41.5 million. The valuations were provided by the custodian.

Investments in non-U.S. fixed income securities are utilized on an opportunistic basis. Certain advisors within the Mutual Fixed Income Fund are authorized to invest in global fixed income securities.

International Stock Fund

Investments in securities listed on security exchanges are valued at the last reported sales price on the last business day of the fiscal year; securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the mean of the last reported bid and asked prices.

Certain cash held in non-U.S. dollar denominated trading accounts is non-interest bearing.

Real Estate Fund

Investments in securities not listed on security exchanges and investments in trusts, limited partnerships, and annuities, which comprise substantially all of the Fund's investments, are carried at the cash adjusted fair value. The cash adjusted fair value utilizes the prior calendar quarter end fair value as estimated by the investment advisor, (i) plus cash flows relating to capitalized expenses and principal contributions disbursed from and (ii) minus amounts received by the Real Estate Fund, to estimate the current fair value. The Treasurer's staff reviews the prior quarter estimated fair values provided by the investment advisors for reasonableness. In those instances where an advisor's value appears to be overstated, this estimated fair value is adjusted accordingly. Additionally, the staff monitors the estimated cash adjusted fair values against the estimated values subsequently reported by the investment advisors. In the event of significant total Fund-level differences between the cash adjusted estimates and the investment advisors' estimated values, adjustments to the reported cash adjusted fair values are made to prevent overstatement. At June 30, 2004, the estimated investment values provided by the investment advisors, net of the adjustments noted above, exceeded cash adjusted fair values reported on the Statement of Net Assets by approximately $3.4 million. Consistent with the cash adjusted fair value presentation this increase will be considered for the next quarter's adjustment.

Commercial Mortgage Fund

This Fund invests in commercial mortgage loans and mortgage backed securities generally through indirect ownership vehicles such as trusts and corporations. The value of the Fund's interest in these entities is based on the fair value of the underlying commercial loan portfolio or securities held. Fair value for the mortgage portfolio is computed by discounting the expected cash flows of the loans at a rate commensurate with the risk inherent in the loans. The discount rate is determined using the yield on U.S. Treasury securities of comparable remaining maturities plus an appropriate market spread for credit and liquidity risk. The Fund does not record fair values in excess of amounts at which the borrower could settle the obligation, giving effect to any prepayment premiums. In the event that the fair value of the loan collateral, based on an appraisal, is less than the outstanding principal balance, the collateral value is used as fair value. These calculations are performed by the investment advisor and reviewed by Treasury personnel.

Private Investment Fund

The Private Investment Fund is comprised of investments in various limited partnerships, limited liability companies and securities. The general partner or managing member is the investment advisor and is compensated on a fee basis for management services in addition to its participation in partnership profits and losses. These investments are carried at their cash adjusted fair values. The cash adjusted fair value utilizes the prior quarter fair value as estimated by the investment advisor, (i) plus cash flows relating to capitalized expenses and principal contributions disbursed from and (ii) minus amounts received by the Private Investment Fund, to estimate the current fair value. The Treasurer's staff reviews the prior quarter estimated fair values provided by the investment advisors for reasonableness. In those instances where an advisor's value appears to be overstated, the estimated fair value is adjusted accordingly. Additionally, the staff monitors the estimated cash adjusted fair values against the estimated values subsequently reported by the investment advisors. In the event of significant total Fund-level differences between the cash adjusted estimates and the investment advisors' estimated values, adjustments of reported cash adjusted values are made to prevent overstatement. At June 30, 2004, the estimated investment values provided by the investment advisors, net of the adjustments noted above, exceeded cash adjusted fair values reported on the Statement of Net Assets by approximately $25.2million. Consistent with the cash adjusted fair value presentation this increase will be considered for the next quarter's adjustment. Securities traded on securities exchanges are valued at the last reported sales price on the last business day of the fiscal year. Corporate bonds and certain over-the-counter stocks are valued at the mean of bid and asked prices as furnished by broker-dealers.

Fair values of the underlying investments are generally represented by cost unless there has been an additional arms-length indication of value, such as a public offering or a new investment by a third party.

C. INVESTMENT TRANSACTIONS AND RELATED INCOME

Investment transactions are accounted for on a trade date basis. Dividend income is recognized as earned on the ex-dividend date. Interest income is recorded on the accrual basis as earned. Realized gains and losses are computed on the basis of the average cost of investments sold. Such amounts are calculated independent of and are presented separately from the Net Change in Unrealized Gains and Losses on the Statement of Operations and the Statement of Changes in Net Assets. Realized gains and losses on investments held more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year(s) and the current year. Unrealized gains and losses represent the difference between the fair value and the cost of investments. The increase (decrease) in such difference is accounted for as a change in unrealized gain (loss). In the Funds' cost basis records, premiums are amortized using the straight-line method that approximates the interest method.

Dividends earned by the Private Investment, Real Estate, Commercial Mortgage Funds and one limited partnership in the Mutual Fixed Income Fund relate to investments that are not listed on security exchanges. Such dividends are recognized as income when received, generally net of advisory fees.

D. FOREIGN CURRENCY TRANSLATION

The value of investments, assets and liabilities denominated in currencies other than U.S. dollars are translated into U.S. dollars based upon appropriate fiscal year end foreign exchange rates. Purchases and sales of foreign investments and income and expenses are converted into U.S. dollars based on currency exchange rates prevailing on the respective dates of such transactions. The Funds do not isolate that portion of the results of operations arising from changes in the exchange rates from that portion arising from changes in the market prices of securities.

NOTES TO FINANCIAL STATEMENTS (Continued)

E. SHARE TRANSACTIONS AND PRICING

All unit prices are determined at the end of each month based on the net asset value of each fund divided by the number of units outstanding. Purchases and redemptions of units are based on the prior month end price and are generally processed on the first business day of the month.

F. EXPENSES

Expenses of the funds are recognized on the accrual basis and are deducted in calculating net investment income and net asset value on a monthly basis. Fees and expenses of the Real Estate Fund are generally recognized when paid, by netting them against dividends received. Each of the funds bears its direct expenses, such as investment advisory fees, and, in addition, each of the funds is allocated a portion of the overhead expenses of the Pension Funds Management Division of the Office of the State Treasurer, which services the funds. These expenses include salary and fringe benefit costs and other administrative expenses. Certain of these costs are allocated among the Funds based on relative net asset values. Other costs are charged directly based on the specific duties of personnel.

G. DISTRIBUTIONS

Net investment income earned by the Combined Investment Funds is distributed monthly to the unit owners of the funds, generally in the following month.

H. DERIVATIVE FINANCIAL INSTRUMENTS

GASB Technical Bulletin No. 2003-1 defines a derivative instrument as a financial instrument or other contract with all three of the following characteristics: a) It has (1) one or more underlying (a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates or other variable) and (2) one or more notional amounts (a number of currency units, shares, bushels, pounds, or other units specified in the contract). b) It requires no initial investment or smaller than would be required for other types of contracts. c) Its terms require or permit net settlement, it can readily be settled net by a means outside the contract, or it provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement.

For the fiscal year ended June 30, 2004, the funds maintained positions in a variety of such securities that are all reported at fair value on the statement of net assets. The Cash Reserve Fund held adjustable rate and asset-backed securities. The Mutual Fixed Income Fund held CMOs, including IOs, and other asset backed securities, indexed Treasury securities and option contracts. The International Stock and Mutual Fixed Income Funds were invested in foreign exchange contracts and the Commercial Mortgage Fund held CMOs and CMO residuals. The specific nature of these investments is discussed more fully in the accounting policy note for each respective fund, where appropriate. These financial instruments are utilized for trading and other purposes. Those that are used for other than trading purposes are foreign exchange contracts, which can be used to facilitate trade settlements, and may serve as foreign currency hedges. The credit exposure resulting from such contracts is limited to the recorded fair value of the contracts on the Statement of Net Assets.

The remaining such securities are utilized for trading purposes and are intended to enhance investment returns. All positions are reported at fair value and changes in fair value are reflected in income as they occur. The funds' credit exposure resulting from such investments is limited to the recorded fair value of the derivative financial instruments.

The Mutual Fixed Income and International Stock Funds also utilize derivatives indirectly through participation in mutual funds and a limited partnership. These mutual funds may hold derivatives from time to time. Such derivatives may be used for hedging, investment and risk management purposes. These transactions subject the investor to credit and market risk.

I. COMBINATION/ELIMINATION ENTRY

The financial statements depict a full presentation of each of the Combined Investment Funds. However, one of these funds, the Cash Reserve Fund, is owned both directly by the pension plans and trust funds which have accounts in the Fund, and also indirectly because each of the other Combined Investment Funds has an account with the Cash Reserve Fund. As a result, elimination entries are presented for the purpose of netting out balances and transactions relating to the ownership of the Cash Reserve Fund by the other Combined Investment Funds. The combined presentation totals to the overall net assets owned by the pension plans and trust funds.

J. FEES AND REALIZED GAINS

Investment advisory fees incurred for the Private Investment Fund are generally charged to the entity in which the Fund has been invested. In such cases, these amounts are either capitalized in the cost basis of the investment and become a component of unrealized gain (loss) or are netted against the corresponding income generated. Certain other fees are incurred directly by the Funds. These amounts are expensed and are reflected as Investment Advisory Fees on the Statement of Operations. The appropriate treatment is determined depending on the terms of the investment agreement. Capitalized fees are not separately presented on the Statement of Operations. These fees are borne by the partners in their respective shares. The following is a listing of the Fund's total fees for the fiscal year ended June 30, 2004:

	Netted	Capitalized	Expensed	Total
Private Investment Fund	$18,432,199	$ 12,912,576	$5,591,485	$36,936,260

In addition, realized gains and losses are not reported at the level of the Fund's investment since these relate to realized gains and losses on the underlying securities held by the Funds' investment vehicles. The following is the Fund's share of such net realized gains and losses for the fiscal year ended June 30, 2004:

Private Investment Fund	$ 356,449,196

Past practice of partnerships was to distribute realized gains on a consistent basis. Since inception $31 million has not been distributed.

Periodically the Private Investment Fund may receive stock distributions in lieu of cash. These securities are included as common stock on the Statement of Net Assets. When one of these individual securities is sold the realized gain or loss is presented on the Statement of Operations. Realized gains for such transactions for the fiscal year ended June 30, 2004 were $6,829,021.

The Mutual Fixed Income Fund includes an investment in a mutual fund and a limited partnership interest. Fees incurred are deducted from the operations of the fund and are not separately presented on the Statement of Operations. The corresponding fees incurred for the fiscal year ended June 30, 2004 totaled $314,000.

The International Stock Fund includes an investment in a mutual fund. Fees incurred are deducted from the operations of the fund and are not separately presented on the Statement of Operations. The corresponding fees incurred for the fiscal year ended June 30, 2004 totaled $466,000

Investment advisory fees incurred for certain investments in the Real Estate Fund are generally charged to the entity in which the Fund has been invested. In such cases, these amounts are either capitalized in the cost basis of the investment and become a component of unrealized gain (loss) or are netted against the corresponding income generated. Certain other fees are incurred directly by the Funds. These amounts are expensed and are reflected as Investment Advisory Fees on the Statement of Operations. The appropriate treatment is determined depending on the terms of the investment agreement. Capitalized fees are not separately presented on the Statement of Operations. These fees are borne by the partners in their respective shares. The following is a listing of the Fund's total fees for the fiscal year ended June 30, 2004:

	Netted	Capitalized	Expensed	Total
Real Estate Fund	$ 1,084,005	$ 2,487,887	$ 1,120,127	$ 4,692,019

Investment advisory fees for the Cash Reserve, Mutual Equity, Mutual Fixed Income (except as noted above) and International Stock Funds are estimated monthly based on periodic reviews of asset values and performance results. Accordingly, the amounts listed as Investment Advisory Fees on the Statement of Operations represent estimates of annual management fee expenses.

K. RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to the current year presentation.

L. RELATED PARTY AND OTHER TRANSACTIONS

There were no related party transactions during the fiscal year. Additionally, there were no "soft dollar" transactions. Soft dollar transactions result from arrangements whereby firms doing business with organizations such as the Treasury arrange for third parties to provide other services in lieu of cash payment. These arrangements tend to obscure the true cost of operations and can result in potential overpayment for services. Such transactions have been prohibited by the Treasurer.

M. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: CASH, INVESTMENTS AND SECURITIES LENDING

Investments in the alternative asset classes generally utilize investment vehicles such as annuity contracts, common stocks, limited partnerships and trusts to comply with investment guidelines against direct ownership of such investment assets.

The investments of the Cash Reserve, Mutual Equity, Mutual Fixed Income and the International Stock Funds were securities registered under the State Street Bank and Trust Co. nominee name Pondwave & Co. and held by a designated agency of the Pension Plans and Trust Funds of the State of Connecticut, or bearer and held by a designated agency of the Pension Plans and Trust Funds of the State of Connecticut. Investments, as defined by GASB Statement No. 3, are categorized to give an indication of the credit risk assumed by the Treasurer at year-end. Category 1 includes investments which are insured or registered or for which securities are held by the Treasurer or its agent in the Treasurer's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Treasurer's name. Category 3 includes uninsured or unregistered investments for which the securities are held by the counterparty's trust department or agent, but not in the Treasurer's name. All registered securities, as noted above, are classified under GASB risk category 1, except as follows:

Amounts listed as Due to Brokers are for securities purchased which are held by broker-dealers and not classified as to credit risk. Amounts listed as Due from Brokers are for securities sold and would have been classified under category 1 of credit risk if they were included in Investments in Securities, at Fair Value on the Statement of Net Assets.

Investments of cash collateral received under securities lending arrangements are registered in the master custodian's name and are invested in a fund maintained by the master custodian exclusively for the Funds. Accordingly, these investments are classified under GASB risk category 3. In circumstances where securities or letters of credit are received as collateral under securities lending arrangements, the collateral is held by the master custodian in a commingled pool in the master custodian's name, as trustee. When "tri-party" collateral is received, the collateral consists of cash, letters of credit or securities but is held in a commingled pool by a third party master custodian in the Funds' master custodian's name. The collateral received is unable to be pledged or sold without borrower default. The underlying securities are classified under GASB risk category 3.

Private Investment Fund

Investments in the form of limited partnership and limited liability corporation interests are not evidenced by securities existing in physical or book entry form and therefore are not classified as to credit risk.

Commercial Mortgage Fund

At June 30, 2004, investments with a cost of $34,024,612 and a fair value of $35,042,563 in the form of common stock certificates are classified as category 1. Other Funds on Deposit represent portfolio level net assets consisting of escrow accounts. These are maintained by the portfolio manager and are not classified, as they are not investments.

The composition of the Fund's investment portfolio by the underlying assets in which the investee corporations and trusts are invested in are as follows at June 30, 2004:

NOTES TO FINANCIAL STATEMENTS (Continued)

Investment	Fair Value	Cost
Cash Reserve	$ 529,635	$ 529,635
Commercial Mortgage loans	35,042,563	34,024,612
CMO's	656,173	656,174
Total	$36,228,371	$35,210,421

Real Estate Fund

Certain investments in the form of common stock certificates with a cost of $32,064,985 and a fair value of $43,804,011 are classified under risk category 1.

The remaining investments, which comprise the substantial majority of the Fund's investments, are in the form of annuities and limited partnerships and are not evidenced by securities existing in physical or book entry form and are therefore not classified as to credit risk.

Summary of Credit Risk Categories

Breakdown investment type of the GASB 3 credit risk categories is as follows:

	Carrying Amount (Fair Value)			
Investment Type	Category 1	Category 2	Category 3	Total
Cash Equivalents	$702,088,890			$702,088,890
Asset Backed	573,351,655			573,351,655
Government	777,910,457		$25,576,986	803,487,443
Agency	582,347,649		28,950,837	611,298,486
Mortgage Backed	538,702,241			538,702,241
Corporate Debt	2,043,275,319			2,043,275,319
Convertible	34,988,672			34,988,672
U.S. Corporate Stock	7,335,999,835		12,501,481	7,348,501,316
International Equity	3,150,791,393		1,475,785	3,152,267,178
Preferred Stock	75,269,039			75,269,039
Collateral Securities held by Investment Pool under Securities Lending Arrangements:				
Other			449,489,808	449,489,808
Corporate Debt			1,669,429,665	1,669,429,665
SUBTOTAL	$15,814,725,150	$ -	$2,187,424,562	18,002,149,712

Investments not categorized because they are not evidenced by securities that exist in physical or book entry form:

Real Estate Investment Trusts	76,726,760
Mutual Funds	179,393,038
Limited Liability Corporation	22,948,138
Trusts	46,404,007
Limited Partnerships	1,836,285,732
Annuities	1,313,806
Investments held by broker-dealers under securities loans:	
U.S. Government and Agency	916,310,956
U.S. Corporate Stock	436,760,835
International Equity	533,527,385
Domestic Fixed	178,874,396
International Fixed	1,038,189
Total Investments	$22,231,732,954

Cash balances included on the Statement of Net Assets of $18,717,565 are fully insured by the FDIC and are, therefore, classified as Category 1.

Cash Equivalents listed on the breakdown by investment type under Category 1 consist of corporate debt. Other as reported under Category 3 consist of deposits.

Securities Lending

Certain of the Combined Investment Funds engage in securities lending transactions to provide incremental returns to the Funds. The Funds are permitted to enter into securities lending transactions pursuant to Section 3-13d of the Connecticut General Statutes. The Funds' master custodian is authorized to lend available securities to authorized broker-dealers and banks subject to a form loan agreement.

During the period ended June 30, 2004, the master custodian lent, at the direction of the Funds, securities and received cash (in both U.S. and foreign currency), U.S. government securities, sovereign debt rated A or better, convertible bonds, and irrevocable bank letters of credit as collateral. The master custodian did not have the ability to pledge or sell collateral securities delivered therefore absent a borrower default. Borrowers were required to deliver collateral for each loan equal to: (i) in the case of loaned securities denominated in United States dollars or whose primary trading market was located in the United States or sovereign debt issued by foreign governments, 102% of the market value of the loaned securities; and (ii) in the case of loaned securities not denominated in United States dollars or whose primary trading market was not located in the United States, 105% of the market value of the loaned securities.

The Funds did not impose any restrictions during the fiscal year on the amount of the loans that the master custodian made on its behalf and the master custodian indemnified the Funds by agreeing to purchase replacement securities, or return the cash collateral thereof in the event any borrower failed to return the loaned securities or pay distributions thereon. There were no such failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers of the master custodian. During the fiscal year, the Funds and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in an individual account known as the State of Connecticut Collateral Investment Trust. On June 30, 2004, the Funds had no credit risk exposure to borrowers. The value of collateral held and the market value of securities on loan for the Funds as of June 30, 2004 were $2,192,270,608 and $2,135,016,851 respectively.

Under ordinary circumstances, the average effective duration of the security lending operations will be managed such that it will not exceed 120 days, or fall below 1 day. Under such ordinary circumstances, the net duration, as defined by the duration of assets less the duration of liabilities, will not exceed 45 days. In the event that the average effective duration does exceed 120 days, or the net duration does exceed 45 days for any 3-day period, the Trustee shall, (i) notify the Funds within 5 business days and (ii) take appropriate action as is reasonable to return an average effective duration below 120 days or a net duration below 45 days. The average effective duration is calculated using the weighted average effective duration of holdings. The average effective duration of the security lending program at June 30, 2004 was 63 days.

The average effective duration is managed to be within 45 days due to the inability to monitor the weighted average duration of liabilities. The weighted average duration of liabilities is assumed to remain at 1 day.

The fair value of collateral held and the fair value of securities on loan are as follows for the Funds as of June 30, 2004:

Fund	Fair Value of Collateral	Fair Value of Securities Lent
Mutual Equity	$ 417,552,250	$ 406,454,226
International Stock	605,410,588	576,792,508
Mutual Fixed Income	1,170,391,474	1,151,770,117
Total	$2,193,354,312	$2,135,016,851

Investments made using the cash collateral received from security loans were included in the Statement of Net Assets. The fair value of these amounts is as follows:

Fund	Cash Equivalents	Corporate Debt	Total Investments
Mutual Equity	$ 85,735,404	$ 318,425,968	$ 404,161,372
International Stock	127,743,184	474,445,152	602,188,336
Mutual Fixed Income	236,011,220	876,558,544	1,112,569,764
Total	$449,489,808	$1,669,429,664	$2,118,919,472

These amounts are categorized in the Summary of Credit Risk Categories as Category 3 in that they are invested in a pool which is maintained solely on behalf of the Funds, but whose investments are held in the master custodian's name. The above total amounts were included on the Statement of Net Assets in "Invested Securities Lending Collateral".

NOTE 3: PURCHASES AND SALES OF INVESTMENT SECURITIES

For the period ended June 30, 2004, the aggregate cost of purchases and proceeds from sales of investment securities (excluding all U.S. Government securities and short-term securities) were as follows:

Fund	Purchases	Sales
Mutual Equity	$ 4,169,484,496	$ 4,233,180,084
Mutual Fixed Income	21,123,415,711	21,275,712,955
International Stock	4,761,752,631	3,671,345,046
Real Estate	24,743,718	60,940,604
Commercial Mortgage	-	13,615,203
Private Investment	468,977,701	286,676,474

The above amounts include the effect of cost adjustments processed during the year.

NOTE 4: UNREALIZED APPRECIATION AND DEPRECIATION ON INVESTMENTS AND FOREIGN EXCHANGE CONTRACTS

At June 30, 2004, the gross appreciation of investment securities and foreign currency in which there was an excess of fair value over cost, the gross depreciation of investment securities and foreign currency in which there was an excess of cost over fair value and the resulting net appreciation (depreciation) by fund were as follows:

Fund	Gross Appreciation	Gross Depreciation	Net Appreciation (Depreciation)
Mutual Equity	$1,559,167,052	$324,132,574	$1,235,034,478
Mutual Fixed Income	155,247,258	198,066,735	(42,819,477)
International Stock	682,675,799	94,288,934	588,386,865
Real Estate	52,186,167	31,654,684	20,531,483
Commercial Mortgage	1,017,950	-	1,017,950
Private Investment	110,257,743	735,774,121	(625,516,378)

NOTE 5: FOREIGN EXCHANGE CONTRACTS

From time to time the International Stock, Mutual Fixed Income, and Private Investment Funds utilize foreign currency contracts to facilitate transactions in foreign securities and to manage the Funds' currency exposure. Contracts to buy are used to acquire exposure to foreign currencies, while contracts to sell are used to hedge the Funds' investments against currency fluctuations. Also, a contract to buy or sell can offset a previous contract. Losses may arise from changes in the value of the foreign currency or failure of the counterparties to perform under the contracts' terms.

The U. S. dollar value of forward foreign currency contracts is determined using forward currency exchange rates supplied by a quotation service.

Investing in forward currency contracts may increase the volatility of the Funds' performance. Price movements of currency contracts are influenced by, among other things, international trade, fiscal, monetary, and exchange control programs and policies; national and international political and economic events; and changes in worldwide interest rates. Governments from time to time intervene in the currency markets with the specific intent of influencing currency prices. Such intervention may cause certain currency prices to move rapidly. Additionally, the currency markets may be particularly sensitive to interest rate fluctuations.

At June 30, 2004, the Funds had recorded unrealized gains (losses) from open forward currency contracts as follows:

International Stock Fund:

Foreign Currency	Value	Unrealized Gain/(Loss)
Contracts to Buy:		
Australian Dollar	$ 395,486,636	$ (6,665,953)
Canadian Dollar	57,458,754	883,813
Czech Koruna	451,485	(9,017)
Danish Krone	8,002,988	2,800
Euro Currency	695,584,528	9,037,602
Hong Kong Dollar	25,698,830	(14,682)
Hungarian Forint	537,225	(451)
Japanese Yen	604,865,571	(7,460,989)
Malaysian Ringgit	14,961	(10)

New Zealand Dollar	12,448,640	246,212
Norwegian Krone	8,595,738	(70,306)
Pound Sterling	273,879,114	943,960
Singapore Dollar	147,230,383	(1,995,271)
South African Rand	2,219,238	(18,910)
South Korean Won	16,041,450	8,536
Swedish Krona	114,393,718	168,014
Swiss Franc	158,671,324	1,342,163
Turkish Lira	62,191	30,473
	2,521,642,774	(3,572,016)
Contracts to Sell:		
Australian Dollar	391,071,524	6,243,893
Brazlian Real	611,910	(2,386)
Canadian Dollar	25,389,806	(127,211)
Danish Krone	19,940,888	132,595
Euro Currency	1,942,512,396	(10,504,370)
Hong Kong Dollar	61,258,929	82,598
Japanese Yen	1,256,945,772	2,223,630
New Zealand Dollar	4,776,826	45,081
Norwegian Krone	25,098,417	363,260
Philippine Peso	26,381	2
Pound Sterling	848,878,449	(6,644,594)
Singapore Dollar	212,389,895	2,104,205
South Korean Won	35,750,721	(271,207)
Swedish Krona	134,268,500	(1,339,686)
Swiss Franc	276,607,665	(2,471,685)
Thiland Baht	44,355	(71)
	5,235,572,434	(10,165,946)
Total	$7,757,215,208	$ (13,737,962)

Financial Statement Amounts:

	Receivable	Payable	Net
Amount In US Dollars	$7,757,215,208	$7,757,215,208	$ -
Unrealized Gain (Loss)	(3,572,016)	(10,165,946)	(13,737,962)
Net	$ 7,753,643,192	$7,767,381,154	$(13,737,962)

Mutual Fixed Income Fund:

Foreign Currency	Value	Unrealized Gain/(Loss)
Contracts to Buy:		
Canadian Dollar	$ 4,865,697	$ 84,056
Euro Currency	39,604,389	779,444
British Pound	15,805,995	(94,026)
Swedish Krona	11,606	336
	60,287,687	769,810
Contracts to Sell:		
Canadian Dollar	4,925,802	(23,952)
Euro Currency	64,935,593	(1,373,880)
British Pound	15,461,405	(250,563)
Swedish Krona	14,757,435	(164,909)
	100,080,235	(1,813,304)
Total	$ 160,367,922	$ (1,043,494)

Financial Statement Amounts:

	Receivable	Payable	Net
Amount In US Dollars	$160,367,922	$ 160,367,922	$ -
Unrealized Gain (Loss)	769,810	(1,813,304)	(1,043,494)
Net	$161,137,732	$ 162,181,226	$(1,043,494)

The net unrealized gain has been included in the Statement of Operations as a component of Net Change in Unrealized Gain (Loss) on Investments.

NOTE 6: COMMITMENTS

In accordance with the terms of the individual investment agreements, the Private Investment Fund and the Real Estate Fund have outstanding commitments to make additional investments. These commitments will be fulfilled as suitable investment opportunities become available. Unfunded commitments at June 30, 2004, were as follows:

Fund	Total Commitment	Cumulative Amounts Funded	Unfunded Commitment
Real Estate	$ 401,684,364	$ 358,952,334	$ 42,732,030
Private Investment	3,854,600,462	3,254,810,611	599,789,851

NOTE 7: CONTINGENCY

There was no pending or threatened litigation against the Connecticut Retirement Plans and Trust Funds during the fiscal year ending June 30, 2004. During the fiscal year ending June 30, 2002, the Treasurer on behalf of the Connecticut Retirement Plans and Trust Funds, filed an action against a general partner of a Private Investment Fund investment alleging breach of contract, breach of fiduciary duty and certain securities law violations. The case was tried in Connecticut Superior Court through the month of June 2004 and a jury verdict was issued on the 1st of July 2004. All matters in dispute were settled as of September 20, 2004 for $15,000,000. Additionally, the general partner has agreed to distribute an additional $1,200,000, which is the Private Investment Funds' share of a distribution from one of the portfolio companies not within the scope of the litigation. In addition a limited partnership in the Private Investment Fund has obtained two writs of summons including one against a former general partner and another against a business associate. This matter is pending in the courts of the Commonwealth of Pennsylvania. Related to the action in the Commonwealth of Pennsylvania, members of the advisory board of the limited partnership in this matter entered into settlement discussions with the partnership's former law firm, having alleged participation by the law firm in the actions leading to apparent losses. In the fall of 2003, following extensive mediation, the parties agreed to settle all claims against the law firm for $5.8 million, subject to court approval. The settlement was rejected by the trial court and the law firm has appealed to the Pennsylvania Court of Common Pleas. This matter is currently pending in the Pennsylvania courts.

NOTE 8: SUBSEQUENT EVENTS

The Treasurer severed all ties with Triumph Capital Group on July 21, 2004. Triumph Capital Group, its managing partner and general counsel were convicted on federal charges of bribery, racketeering, conspiracy and obstruction of justice. The Fund, which held a total of four limited partnership investments managed by Triumph Capital Group (three in the Private Investment Fund, and one in the Mutual Fixed Income Fund), received cash proceeds totaling $48,957,048 from a sale of these limited partnership interests, resulting in a total liquidation of those investments.

NOTE 9: COST BASIS OF INVESTMENTS

The aggregate cost values of investments in the Funds are as follows at June 30, 2004:

	CASH RESERVE FUND	MUTUAL EQUITY FUND	MUTUAL FIXED INCOME FUND	INTERNATIONAL STOCK FUND	REAL ESTATE FUND	COMMERCIAL MORTGAGE FUND	PRIVATE INVESTMENT FUND
Investments, at Cost							
Cash Reserve Fund	$ -	$ 65,030,485	$ 685,735,194	$ 84,108,282	$ 23,873,332	$ 529,635	$ 175,230,571
Cash Equivalents	571,074,338	-	131,012,782	-	-	-	-
Asset Backed Securities	504,491,261	-	69,066,205	-	-	-	-
Government Securities	-	-	1,433,587,232	-	-	-	-
Government Agency Securities	30,753,896	-	1,593,778,285	-	-	-	-
Mortgage Backed Securities	80,654,910	-	487,571,123	-	-	656,174	-
Corporate Debt	210,703,950	145	1,802,959,894	-	-	-	-
Convertible Securities	-	-	40,041,601	17,743	-	-	-
Common Stock	-	6,414,255,725	9,326,955	3,156,822,058	32,064,985	34,024,612	-
Preferred Stock	-	-		58,917,276	-	-	-
Real Estate Investment Trust	-	64,783,844	1,502,763	63,946	-	-	-
Mutual Fund	-	-	69,223,779	107,552,095	-	-	-
Limited Liability Corporation	-	-	-	-	-	-	58,134,310
Trusts	-	-	-	-	32,821,149	-	-
Limited Partnerships	-	-	44,897,812	-	258,461,107	-	2,173,464,166
Partnerships	-	-	-	-	-	-	-
Annuities	-	-	-	-	794,872	-	-
Total Investments, at Cost	$1,397,678,355	$6,544,070,199	$6,368,703,625	$ 3,407,481,400	$348,015,445	$35,210,421	$2,406,829,047

SUPPLEMENTAL SCHEDULE OF FINANCIAL HIGHLIGHTS

	MUTUAL EQUITY FISCAL YEAR ENDED JUNE 30,					PRIVATE INVESTMENT FISCAL YEAR ENDED JUNE 30,				
	2004	2003	2002	2001	2000	2004	2003	2002	2001	2000
PER SHARE DATA										
Net Asset Value- Beginning of Period	$677.92	$685.11	$814.49	$909.17	$835.47	$65.27	$86.33	$103.96	$115.01	$81.40
INCOME FROM INVESTMENT OPERATIONS										
Net Investment Income (Loss)	11.50	8.22	8.24	7.54	8.87	12.98	10.40	4.98	3.66	18.12
Net Gains or (Losses) on Securities (Both Realized and Unrealized)	128.78	(7.59)	(130.49)	(93.84)	74.23	(1.69)	(19.74)	(15.98)	(10.59)	24.17
Total from Investment Operations	140.28	(1.23)	(122.25)	(86.30)	83.10	11.29	(9.34)	(11.00)	(6.93)	42.29
LESS DISTRIBUTIONS										
Dividends from Net Investment Income	(11.20)	(8.42)	(7.13)	(8.38)	(9.40)	(11.33)	(11.72)	(6.63)	(4.12)	(8.68)
Net Asset Value - End of Period	$807.00	$677.92	$685.11	$814.49	$909.17	$65.23	$65.27	$86.33	$103.96	$115.01
TOTAL RETURN	**20.84%**	**0.48%**	**-14.95%**	**-9.55%**	**10.03%**	**20.21%**	**-11.94%**	**-10.81%**	**-6.25%**	**53.86%**
RATIOS										
Net Assets - End of Period ($000,000 Omitted)	$7,781	$6,599	$6,677	$7,931	$8,853	$1,785	$1,848	$2,281	$2,607	$2,565
Ratio of Expenses to Average Net Assets (excl. sec. lending fees & rebates)	0.11%	0.23%	0.27%	0.38%	0.22%	0.65%	0.40%	0.48%	0.38%	0.48%
Ratio of Expenses to Average Net Assets	0.16%	0.28%	0.34%	0.59%	0.43%	na	na	na	na	na
Ratio of Net Investment Income (Loss) to Average Net Assets	1.55%	1.29%	1.10%	0.88%	1.01%	20.36%	13.69%	5.31%	3.38%	17.91%

	INTERNATIONAL STOCK FISCAL YEAR ENDED JUNE 30,					MUTUAL FIXED INCOME FISCAL YEAR ENDED JUNE 30,				
	2004	2003	2002	2001	2000	2004	2003	2002	2001	2000
PER SHARE DATA										
Net Asset Value- Beginning of Period	$188.61	$206.47	$232.07	$271.68	$228.93	$115.58	$109.21	$109.74	$108.38	$109.13
INCOME FROM INVESTMENT OPERATIONS										
Net Investment Income (Loss)	4.50	3.60	3.24	4.50	3.26	6.95	5.70	6.87	7.81	8.01
Net Gains or (Losses) on Securities (Both Realized and Unrealized)	51.38	(18.00)	(24.70)	(40.14)	42.68	(3.89)	6.41	(0.86)	0.75	(1.44)
Total from Investment Operations	55.88	(14.40)	(21.46)	(35.64)	45.94	3.06	12.11	6.01	8.56	6.57
LESS DISTRIBUTIONS										
Dividends from Net Investment Income	(3.40)	(3.46)	(4.14)	(3.97)	(3.19)	(5.49)	(5.74)	(6.54)	(7.20)	(7.32)
Net Asset Value - End of Period	$241.09	$188.81	$206.47	$232.07	$271.68	$113.15	$115.58	$109.21	$109.74	$108.38
TOTAL RETURN	**29.69%**	**-6.39%**	**-9.00%**	**-13.29%**	**20.13%**	**2.79%**	**12.03%**	**5.64%**	**8.03%**	**5.77%**
RATIOS										
Net Assets - End of Period ($000,000 Omitted)	$4,003	$2,034	$2,227	$2,503	$2,930	$5,849	$6,610	$6,526	$6,586	$6,496
Ratio of Expenses to Average Net Assets (excl. sec. lending fees & rebates)	0.62%	0.61%	0.67%	0.40%	0.36%	0.14%	0.15%	0.17%	0.20%	0.16%
Ratio of Expenses to Average Net Assets	0.76%	0.77%	1.05%	1.44%	1.46%	0.28%	0.34%	0.45%	0.87%	0.71%
Ratio of Net Investment Income (Loss) to Average Net Assets	2.37%	1.82%	1.47%	1.79%	1.30%	5.12%	5.07%	6.24%	7.13%	6.79%

	COMMERCIAL MORTGAGE FISCAL YEAR ENDED JUNE 30,					REAL ESTATE FISCAL YEAR ENDED JUNE 30,				
	2004	2003	2002	2001	2000	2004	2003	2002	2001	2000
PER SHARE DATA										
Net Asset Value- Beginning of Period	$73.39	$67.71	$72.91	$73.17	$74.97	$57.53	$61.42	$63.31	$60.56	$59.48
INCOME FROM INVESTMENT OPERATIONS										
Net Investment Income (Loss)	6.63	8.39	6.58	6.89	6.98	2.22	2.95	0.79	0.99	2.34
Net Gains or (Losses) on Securities (Both Realized and Unrealized)	(1.11)	4.68	(5.81)	0.52	(1.29)	(1.94)	(1.08)	(0.31)	7.54	3.00
Total from Investment Operations	5.52	13.07	0.77	7.41	5.69	0.28	1.87	0.48	8.53	5.34
LESS DISTRIBUTIONS										
Dividends from Net Investment Income	(16.16)	(7.39)	(5.97)	(7.67)	(7.49)	(5.05)	(5.76)	(2.37)	(5.78)	(4.26)
Net Asset Value - End of Period	$62.75	$73.39	$67.71	$72.91	$73.17	$52.76	$57.53	$61.42	$63.31	$60.56
TOTAL RETURN	**7.87%**	**20.62%**	**1.19%**	**10.88%**	**8.26%**	**0.67%**	**3.30%**	**0.81%**	**14.45%**	**9.18%**
RATIOS										
Net Assets - End of Period ($000,000 Omitted)	$36	$72	$73	$101	$176	$369	$426	$471	$476	$510
Ratio of Expenses to Average Net Assets (excl. sec. lending fees & rebates)	0.62%	0.60%	0.53%	0.42%	0.39%	0.40%	0.35%	0.31%	0.22%	0.17%
Ratio of Expenses to Average Net Assets	na	na	na	na	na	na	na	na	na	na
Ratio of Net Investment Income (Loss) to Average Net Assets	7.79%	11.92%	7.75%	9.21%	9.22%	4.22%	1.40%	1.28%	1.57%	3.95%

Source: Amounts were derived from custodial records.

STATEMENT OF NET ASSETS
JUNE 30, 2004

		June 30, 2004
ASSETS		
Investment in Securities, at Amortized Cost (Note 8)	$	3,829,113,292
Accrued Interest and Other Receivables		4,213,597
Prepaid Assets		29,610
TOTAL ASSETS		**3,833,356,499**
LIABILITIES		
Distribution Payable		3,665,289
Payable to Transfer Agent (Note 6)		337,384
Interest Payable		84,797
Other Liabilities		13,022
TOTAL LIABILITIES		**4,100,492**
NET ASSETS	**$**	**3,829,256,007**
NET ASSETS CONSIST OF:		
Participant Units Outstanding($1.00 Par)	$	3,787,471,391
Designated Surplus Reserve (Note 2)		41,784,616
TOTAL NET ASSETS	**$**	**3,829,256,007**
Participant Net Asset Value, Offering Price and Redemption Price per share ($3,787,471,391in Net Assets divided by 3,787,471,391shares)	$	1.00

See accompanying Notes to the Financial Statements.

SHORT-TERM INVESTMENT FUND

STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2004 AND JUNE 30, 2003

	For the Year Ended June 30, 2004	2003
Operations		
Interest Income	$ 45,108,665	$ 60,910,906
Interest Expense on Reverse Repurchase Agreements	(14,559)	-
Operating Expenses	(930,074)	(901,802)
Net Investment Income	44,164,032	60,009,104
Net Realized Gains	176,116	393,110
Net Increase in Net Assets Resulting from Operations	44,340,148	60,402,214
Distribution to Participants (Notes 2 & 7)		
Distributions to Participants	(43,374,797)	(59,630,088)
Total Distributions Paid and Payable	(43,374,797)	(59,630,088)
Share Transactions at Net Asset Value of $1.00 per Share		
Purchase of Units	12,774,720,082	12,353,876,916
Redemption of Units	(12,222,508,246)	(12,619,047,924)
Net Increase/(Decrease) in Net Assets and Shares Resulting from Share Transactions	552,211,836	(265,171,008)
Total Increase/(Decrease) in Net Assets	553,177,187	(264,398,882)
Net Assets		
Beginning of Year	3,276,078,820	3,540,477,702
End of Year	$ 3,829,256,007	$ 3,276,078,820

See accompanying Notes to the Financial Statements.

NOTE 1: INTRODUCTION AND BASIS OF PRESENTATION

The Short-Term Investment Fund ("STIF" or the "Fund") is a money market investment pool managed by the Treasurer of the State of Connecticut. Section 3-27 of the Connecticut General Statutes (CGS) created STIF. Pursuant to CGS 3-27a - 3-27f, the State, municipal entities, and political subdivisions of the State are eligible to invest in the Fund. The State Treasurer is authorized to invest monies of STIF in United States government and agency obligations, certificates of deposit, commercial paper, corporate bonds, saving accounts, bankers' acceptances, repurchase agreements, asset-backed securities, and student loans. STIF is authorized to issue an unlimited number of units.

For State of Connecticut financial reporting purposes, STIF is considered to be a mixed investment pool – a pool having external and internal portions. The internal portion (i.e., the portion that belongs to participants that are part of the State's financial reporting entity) is not displayed in the State's basic financial statements. Instead, each fund type's investment in STIF is reported as "cash equivalents" in the statement of net assets. The external portion (i.e., the portion that belongs to participants which are not part of the State's financial reporting entity) is recorded in an investment trust fund in the basic financial statements.

The Fund is considered a "2a7-like" pool and, as such, reports its investments at amortized cost (which approximates fair value). A 2a7-like pool is not necessarily registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940 that allows money market mutual funds to use amortized cost to report net assets.

Related Party Transactions.

STIF had no related party transactions during the fiscal year with the State of Connecticut and its component units including leasing arrangements, the performance of administrative services and the execution of securities transactions.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity.

The Fund is a Fiduciary Investment Trust Fund. A fiduciary fund is used to account for governmental activities that are similar to those found in the private sector where the determination of net income is necessary or useful to sound financial administration. The generally accepted accounting principles ("GAAP") used for fiduciary funds are generally those applicable to similar businesses in the private sector. The Fund uses the accrual basis of accounting.

Security Valuation of Financial Instruments.

The assets of the Fund are carried at amortized cost (which approximates fair value). All premiums and discounts on securities are amortized or accreted on a straight line basis.

Security Transactions.

Purchases and sales of investments are recorded on a trade date basis. Gains and losses on investments are realized at the time of the sales and are calculated on the basis of an identified block or blocks of securities having an identified amortized cost. Bond cost is determined by identified lot.

Interest Income.

Interest income, which includes amortization of premiums and accretion of discounts, is accrued as earned.

Expenses.

Operating and interest expenses of STIF are accrued as incurred.

Fiscal Year.

The fiscal year of STIF ends on June 30. Prior to fiscal year 1997, STIF's fiscal year ended on May 31.

Distributions to Participants.

Distributions to participants are earned on units outstanding from date of purchase to date of redemption. Income is calculated daily based upon the actual earnings of the Fund net of administrative expenses and, if applicable, an allocation to the Designated Surplus Reserve. Distributions are paid monthly within two business days of the end of the month, and are based upon actual number of days in a year. Shares are sold and redeemed at a constant $1.00 net asset value per share, which is consistent with the per share net asset value of the Fund, excluding the Designated Surplus Reserve. Prior to December 1, 1996 distributions were based upon the actual number of days in the year at an interest rate established by the Treasurer on or before the first date of the month ("the guaranteed rate"). The interest distributions earned by participants were distributed within fifteen business days after the close of the periods ending on the last day of August and November.

Earnings Subject to Special Distribution.

In December 1996, a special distribution was paid to participants based upon net earnings of STIF less previously distributed quarterly payments and an allocation to the Designated Surplus Reserve. This special distribution was paid out in proportion to the total interest paid on the guaranteed rates since June 1, 1996. Following this special distribution, the method for computing distributions to participants after November 30, 1996 was changed, thereby eliminating future special distributions.

Designated Surplus Reserve.

While STIF is managed prudently to protect against losses from credit and market changes, the Fund is not insured or guaranteed by any government. Therefore, the maintenance of capital cannot be fully assured. In order to provide some protection to the shareholders of STIF from potential credit and market risks, the Treasurer has designated that a portion of each day's net earnings be transferred to the Designated Surplus Reserve (Reserve). Such amounts are restricted in nature and are not available for distribution to shareholders. In December 1996, a transfer was made to the Designated Surplus Reserve at the annualized rate of 0.1 percent of the average month-end investment balances for June through November 1996. Beginning December 1, 1996, the amount transferred daily to the Designated Surplus Reserve is equal to 0.1 percent of end of day investment balance divided by the actual number of days in the year. No transfer is to be made if the reserve account is equal to or greater than 1.0 percent of the daily investment balance. If net losses significant to the aggregate portfolio are realized, the Treasurer is authorized to transfer funds from the Reserve to Participant Units Outstanding.

As of June 30, 2004, the balance in the Designated Surplus Reserve was $41,784,616, an increase of $965,351 from the June 30, 2003 balance of $40,819,265.

Estimates.

The preparation of the financial statements in conformity with (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities in the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3: INVESTMENT RISK CLASSIFICATION

STIF's investment practice is to invest all cash balances; as such, there was no uninvested cash at June 30, 2004. All certificates of deposit within the portfolio are considered negotiable instruments. The certificates of deposit and all other securities of STIF are registered under the State Street Bank nominee name, Pond, Tide & Co., for the State of Connecticut nominee name, Conn. STIF & Co., and held by a designated agent of the State.

All investments of STIF are classified in category 1 of the custodial credit risk defined by GASB Statement No. 3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements". Classification in category 1 means that the exposure of deposits or investments to potential custodial credit risk is low.

Category 1 includes investments which are insured or registered or for which the Treasurer or his agent in the Treasurer's name holds securities.

NOTE 4: CUSTODIAN

State Street Bank was appointed as custodian for STIF effective February 1, 1996. STIF pays fees to the custodian for transactions and accounting services at a fixed annual rate of $43,000.

NOTE 5: ADMINISTRATION

STIF is managed and administered by employees of the State of Connecticut Treasury. Salaries and fringe benefit costs as well as operating expenses are charged directly to the Fund.

NOTE 6: RECEIVABLE FROM OR PAYABLE TO TRANSFER AGENT

In an effort to invest all cash balances each day, estimates of participant purchase and sale activity are made. Occasionally, the timing of cash movements by participants may not exactly match the net activity of purchases and sales, resulting in a difference between investments held in securities relative to participants' net account value. As of June 30, 2004, STIF recorded a liability of $337,384, payable to the transfer agent, for investments purchased which did not match actual movements of cash by participants into the Fund.

NOTE 7: DISTRIBUTIONS TO PARTICIPANTS

The components of the distributions to participants are as follows for the income earned during the twelve months ended:

Distributions:	2004	2003
July	$ 3,459,841	$ 5,630,151
August	3,999,517	6,319,460
September	3,696,228	6,481,756
October	3,507,310	6,212,452
November	3,246,255	4,919,008
December	3,139,363	4,678,374
January	3,614,655	4,669,456
February	3,686,284	4,285,455
March	3,712,929	4,290,218
April	3,703,840	4,125,914
May	3,943,286	4,345,137
June (Payable at June 30)	3,665,289	3,672,707
Total Distribution Paid & Payable	**$43,374,797**	**$59,630,088**

NOTE 8: INVESTMENTS IN SECURITIES

The following is a summary of investments in securities, at amortized cost and fair value as of June 30, 2004:

Investment	Amortized Cost	Fair Value
Banker's Acceptances	$ 24,899,250	$ 24,862,793
Commercial Paper	176,088,829	176,048,266
Corporate Notes	393,001,778	393,363,177
Deposit Intruments	819,000,476	819,000,476
Extendable Commercial Notes	490,791,981	490,811,343
Federal Agency Securities	10,000,000	9,994,000
Fully Supported Commercial Paper	744,484,038	744,475,323
Money Market Funds	117,506,198	117,506,198
Multi-Backed Commercial Paper	232,697,140	232,680,937
Receivable-Backed Commercial Paper	334,579,941	334,583,865
Repurchase Agreements	200,000,000	200,000,000
Securities-Backed Commercial Paper	286,063,661	286,062,539
TOTAL	**$3,829,113,292**	**$3,829,388,917**

Repurchase agreements are agreements to purchase securities from an entity for a specified amount of cash and to resell the securities to the entity at an agreed upon price and time. They are used to enhance returns with minimal risk on overnight cash deposits of the Fund. Such transactions are only entered into with primary government securities dealers who report directly to the Federal Reserve Bank of New York and commercial banks that meet certain quality standards. All repurchase agreements are collateralized at between 100 percent and 102 percent of the securities' value.

In an effort to improve disclosures associated with derivative contracts, the Government Accounting Standards Board (GASB) issued GASB Technical Bulletin No. 2003-1 (TB2003-1), *Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Assets*, effective for the periods ending after June 15, 2003, superseding Technical Bulletin 94-1. TB 2003-1 clarifies guidance on derivative disclosures that are not reported at fair value on the statement of net assets and defines a derivative instrument as a financial instrument or other contract with all three of the following characteristics: a) it has (1) one or more underlyings (a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates or other variable) and (2) one or more notional amounts (a number of currency units, shares, bushels, pounds, or other units specified in the contract) b) it requires no initial investment or smaller than would be required for other types of contracts c) its terms require or permit net settlement, it can readily be settled net by a means outside the contract, or it provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement.

For the fiscal year ended June 30, 2004, the Short-Term Investment Fund held adjustable-rate corporate notes whose interest rates vary directly with short-term money market indices and are reset either daily or monthly. Such securities allow the Fund to earn higher interest rates as market rates increase, thereby increasing fund yields and protecting against the erosion of market values from rising interest rates. All positions are reported at fair value and changes in fair value are reflected in income as they occur. These adjustable rate securities have similar exposures to credit and legal risks as fixed-rate securities from the same issuers.

NOTE 9: CREDIT RATING OF THE FUND

Throughout the year ended June 30, 2004, STIF was rated AAAm, its highest rating, by Standard and Poor's Corporation ("S&P"). In January 2004, following a review of the portfolio and STIF's investment policies, management and procedures, S&P reaffirmed STIF's AAAm rating. In order to maintain an AAAm rating, STIF adheres to the following guidelines:

- Weekly portfolio and market value calculations;
- Maintenance of credit quality standards for portfolio securities with at least 75% of such securities rated A-1+ or invested in overnight repurchase agreements with dealers or banks rated A-1;
- Ensuring adequate portfolio diversification standards with no more than 5% of the portfolio invested in an individual security and no more than 10% invested in an individual issuer, excluding one and two day repurchase agreements and U.S. government agency securities; and
- A limit on the overall portfolio weighted average maturity, (currently no more than 60 days).

It is the Treasurer's intention to take any and all such actions as are needed from time to time to maintain the AAAm rating.

SHORT-TERM INVESTMENT FUND

LIST OF INVESTMENTS AT JUNE 30, 2004

Par Value	Security (Coupon, Maturity or Reset Date)	Yield %		Amortized Cost		Fair Value	Asset ID	Quality Rating
FULLY-SUPPORTED COMMERCIAL PAPER (19.44% of total investments)								
$ 12,816,000	AQUINAS FUNDING 1.08, 7/8/04	1.08	$	12,813,309	$	12,813,309	03839TG84	A-1+
48,000,000	EXELSIOR FINANCE 1.16, 7/12/04	1.16		47,982,987		47,982,987	30161TGC6	A-1+
10,000,000	FORRESTAL CERTIFICATES 1.15, 7/19/04	1.15		9,994,250		9,994,250	34656JGK4	A-1+
4,000,000	FORRESTAL CERTIFICATES 1.30, 8/11/04	1.30		3,994,078		3,994,078	34656JHB3	A-1+
50,000,000	FORRESTAL CERTIFICATES 1.36, 8/13/04	1.36		49,918,778		49,918,778	34656JHD9	A-1+
12,500,000	FORRESTAL CERTIFICATES 1.37, 8/13/04	1.37		12,479,545		12,479,545	34656JHD9	A-1+
5,000,000	FORRESTAL CERTIFICATES 1.42, 8/17/04	1.42		4,990,731		4,990,731	34656JHH0	A-1+
14,984,000	FOUNTAIN SQUARE 1.07, 7/1/04	1.07		14,984,000		14,984,000	35075RG18	A-1+
40,000,000	FOUNTAIN SQUARE 1.08, 7/8/04	1.08		39,991,833		39,991,833	35075RG83	A-1+
50,000,000	FOUNTAIN SQUARE 1.10, 7/29/04	1.10		49,957,222		49,957,222	35075RGV2	A-1+
50,000,000	FOUNTAIN SQUARE 1.19, 8/11/04	1.19		49,932,236		49,932,236	35075RHB5	A-1+
60,000,000	FOUNTAIN SQUARE 1.24, 8/20/04	1.24		59,896,667		59,896,667	35075RHL3	A-1+
14,747,000	FOUNTAIN SQUARE 1.28, 9/1/04	1.45		14,714,491		14,710,202	35075RJ15	A-1+
50,000,000	FOUNTAIN SQUARE 1.49, 9/20/04	1.53		49,832,375		49,828,310	35075RJL1	A-1+
50,000,000	GOVCO INC 1.05, 7/12/04	1.05		49,983,958		49,983,958	38362VGC1	A-1+
50,000,000	GOVCO INC 1.09, 7/12/04	1.09		49,983,347		49,983,347	38362VGC1	A-1+
50,000,000	GOVCO INC 1.09, 7/12/04	1.09		49,983,347		49,983,347	38362VGC1	A-1+
13,000,000	GOVCO INC 1.09, 7/12/04	1.09		12,995,670		12,995,670	38362VGC1	A-1+
57,210,000	GOVCO INC 1.09, 7/21/04	1.09		57,175,356		57,175,356	38362VGM9	A-1+
25,000,000	GOVCO INC 1.08, 7/21/04	1.08		24,985,000		24,985,000	38362VGM9	A-1+
12,000,000	GOVCO INC 1.23, 8/20/04	1.23		11,979,500		11,979,500	38362VHL0	A-1+
31,443,000	KITTY HAWK 1.19, 8/16/04	1.19		31,395,189		31,395,189	49833LHG1	A-1+
8,400,000	KITTY HAWK 1.23, 8/16/04	1.23		8,386,798		8,386,798	49833LHG1	A-1+
25,080,000	OLD SLIP FUNDING 1.22, 8/20/04	1.22		25,037,503		25,037,503	68028THL8	A-1+
1,099,000	TULIP FUNDING 1.35, 9/15/04	1.51		1,095,868		1,095,507	89929TJF5	A-1+
$ 745,279,000			**$**	**744,484,038**	**$**	**744,475,323**		
MULTI-BACKED COMMERCIAL PAPER (6.08% of total investments)								
$ 19,800,000	BAVARIA UNIVERSAL 1.25, 8/10/04	1.25	$	19,772,500	$	19,772,500	0717P2HA8	A-1
15,594,000	BAVARIA UNIVERSAL 1.25, 8/11/04	1.25		15,571,800		15,571,800	0717P2HB6	A-1
50,000,000	BAVARIA UNIVERSAL 1.30, 8/17/04	1.30		49,915,139		49,915,139	0717P2HH3	A-1
16,020,000	BAVARIA UNIVERSAL 1.30, 8/17/04	1.30		15,992,810		15,992,810	0717P2HH3	A-1
8,000,000	BAVARIA UNIVERSAL 1.30, 8/20/04	1.30		7,985,556		7,985,556	0717P2HL4	A-1
18,306,000	TASMAN FUNDING 1.11, 7/21/04	1.11		18,294,711		18,294,711	87651TGM1	A-1+
38,650,000	TASMAN FUNDING 1.35, 8/12/04	1.35		38,589,126		38,589,126	87651THC2	A-1+
37,650,000	TASMAN FUNDING 1.35, 8/12/04	1.35		37,590,701		37,590,701	87651THC2	A-1+
29,112,000	TASMAN FUNDING 1.43, 10/19/04	1.62		28,984,797		28,968,594	87651TKK0	A-1+
$ 233,132,000			**$**	**232,697,140**	**$**	**232,680,937**		
RECEIVABLES-BACKED COMMERCIAL PAPER (8.74% of total investments)								
$ 50,000,000	ABSC CAPITAL CORP 1.30, 7/1/04	1.30	$	50,000,000	$	50,000,000	0007T2G11	A-1
11,258,000	ALBIS CAPITAL CORP 1.42, 7/12/04	1.42		11,253,115		11,253,115	01344TGC7	A-1+
50,000,000	ALBIS CAPITAL CORP 1.30, 7/16/04	1.30		49,972,917		49,972,917	01344TGG8	A-1+
31,000,000	ALBIS CAPITAL CORP 1.12, 7/19/04	1.12		30,982,640		30,982,640	01344TGK9	A-1+
25,000,000	ALBIS CAPITAL CORP 1.12, 7/21/04	1.12		24,984,444		24,984,444	01344TGM5	A-1+
21,000,000	ALBIS CAPITAL CORP 1.30, 7/26/04	1.30		20,981,042		20,981,042	01344TGS2	A-1+
23,000,000	ALBIS CAPITAL CORP 1.35, 8/4/04	1.35		22,970,675		22,970,675	01344TH44	A-1+
5,000,000	ALBIS CAPITAL CORP 1.40, 8/9/04	1.40		4,992,417		4,992,417	01344TH93	A-1+
5,000,000	ALBIS CAPITAL CORP 1.51, 9/15/04	1.51		4,984,061		4,984,111	03144TJF7	A-1+
10,400,000	ALBIS CAPITAL CORP 1.51, 9/17/04	1.52		10,365,975		10,365,892	03144TJH3	A-1+
50,000,000	ALBIS CAPITAL CORP 1.60, 9/27/04	1.56		49,804,444		49,809,875	01344TJT7	A-1+
10,500,000	ALBIS CAPITAL CORP 1.60, 9/27/04	1.56		10,458,933		10,460,074	01344TJT7	A-1+
15,058,000	EDISON ASSET SECURITIZATION 1.47, 9/20/04	1.53		15,008,196		15,006,294	28100LJL8	A-1+
11,308,000	MOAT FUNDING 1.48, 9/16/04	1.51		11,272,204		11,271,491	60687LJG3	A-1+
2,678,000	SYDNEY CAPITAL 1.10, 7/14/04	1.10		2,676,936		2,676,936	87123LGE6	A-1+
13,880,000	SYDNEY CAPITAL 1.10, 7/20/04	1.10		13,871,942		13,871,942	87123LGL0	A-1+
$ 335,082,000			**$**	**334,579,941**	**$**	**334,583,865**		
SECURITIES-BACKED COMMERCIAL PAPER (7.47% of total investments)								
$ 52,833,000	AMSTEL FUNDING 1.19, 8/16/04	1.19	$	52,752,664	$	52,752,664	03218RHG0	A-1+
3,440,000	AMSTEL FUNDING 1.30, 9/7/04	1.48		3,431,553		3,430,431	03218RJ78	A-1+
50,000,000	PERRY GLOBAL FUNDING 1.34, 8/9/04	1.34		49,927,417		49,927,417	71467LH94	A-1+
30,076,000	PERRY GLOBAL FUNDING 1.34, 8/9/04	1.34		30,032,340		30,032,340	71467LH94	A-1+

LIST OF INVESTMENTS AT JUNE 30, 2004 (Continued)

Par Value	Security (Coupon, Maturity or Reset Date)	Yield %	Amortized Cost	Fair Value	Asset ID	Quality Rating
75,000,000	TRAINER WORTHAM 1.07, 7/7/04	1.07	74,986,625	$ 74,986,625	89288LG78	A-1+
50,000,000	TRAINER WORTHAM 1.19, 7/28/04	1.19	49,955,375	49,955,375	89288LGU7	A-1+
25,000,000	TRAINER WORTHAM 1.19, 7/28/04	1.19	24,977,687	24,977,687	89288LGU7	A-1+
$ 286,349,000			**$ 286,063,661**	**$ 286,062,539**		
FEDERAL AGENCY SECURITIES (0.26% of total investments)						
$ 10,000,000	FEDERAL HOME LOAN BANK 2.03, 6/1/05	2.10	$ 10,000,000	$ 9,994,000	3133X7AA2	AAA
$ 10,000,000			**$ 10,000,000**	**$ 9,994,000**		
BANKERS' ACCEPTANCES (0.65% of total investments)						
$ 25,000,000	WACHOVIA 1.24, 10/26/04	1.69	$ 24,899,250	$ 24,862,793	9297MOKS6	A-1
$ 25,000,000			**$ 24,899,250**	**$ 24,862,793**		
DEPOSIT INSTRUMENTS (21.39% of total investments)						
$ 50,000,000	WACHOVIA 1.27, 7/1/04	1.27	$ 50,000,000	$ 50,000,000	32099S004	A-1
50,000,000	WACHOVIA 1.27, 7/1/04	1.27	50,000,000	50,000,000	32099S004	A-1
50,000,000	WACHOVIA 1.27, 7/1/04	1.27	50,000,000	50,000,000	32099S004	A-1
50,000,000	WACHOVIA 1.27, 7/1/04	1.27	50,000,000	50,000,000	32099S004	A-1
50,000,000	WACHOVIA 1.27, 7/1/04	1.27	50,000,000	50,000,000	32099S004	A-1
50,000,000	WACHOVIA 1.27, 7/1/04	1.27	50,000,000	50,000,000	32099S004	A-1
46,000,000	WACHOVIA 1.27, 7/1/04	1.27	46,000,000	46,000,000	32099S004	A-1
4,000,000	WACHOVIA 1.27, 7/1/04	1.27	4,000,000	4,000,000	32099S004	A-1
25,000,000	CITIZENS BANK 1.35, 7/2/04	1.35	25,000,000	25,000,000	17399R004	A-1+
25,000,000	CITIZENS BANK 1.35, 7/2/04	1.35	25,000,000	25,000,000	17399R004	A-1+
25,000,000	CITIZENS BANK 1.35, 7/2/04	1.35	25,000,000	25,000,000	17399R004	A-1+
25,000,000	CITIZENS BANK 1.35, 7/2/04	1.35	25,000,000	25,000,000	17399R004	A-1+
25,000,000	CITIZENS BANK 1.35, 7/2/04	1.35	25,000,000	25,000,000	17399R004	A-1+
25,000,000	CITIZENS BANK 1.35, 7/2/04	1.35	25,000,000	25,000,000	17399R004	A-1+
25,000,000	CITIZENS BANK 1.35, 7/2/04	1.35	25,000,000	25,000,000	17399R004	A-1+
25,000,000	CITIZENS BANK 1.35, 7/2/04	1.35	25,000,000	25,000,000	17399R004	A-1+
25,000,000	CITIZENS BANK 1.35, 7/2/04	1.35	25,000,000	25,000,000	17399R004	A-1+
25,000,000	CITIZENS BANK 1.35, 7/2/04	1.35	25,000,000	25,000,000	17399R004	A-1+
44,000,000	WEST DEUTSCHE LANDESBANK 1.11, 7/14/04	1.11	44,000,323	44,000,323	95753HX89	A-1+
50,000,000	CITIBANK 1.065, 7/22/04	1.07	50,000,000	50,000,000	17304TEE9	A-1+
25,000,000	CITIBANK 1.085, 7/23/04	1.09	25,000,000	25,000,000	17304TEH2	A-1+
50,000,000	FLEET BANK 1.30, 7/2/04	1.30	50,000,000	50,000,000	339998007	A-1+
50,000,153	FLEET BANK 1.30, 7/2/04	1.30	50,000,153	50,000,153	339998007	A-1+
$ 819,000,153			**$ 819,000,476**	**$ 819,000,476**		
CORPORATE NOTES (10.26% of total investments)						
$ 15,000,000	GE CAPITAL CORP 1.76, 9/24/04	1.32	$ 15,000,000	$ 15,006,750	36962GZJ6	AAA
9,000,000	GE CAPITAL CORP 1.76, 9/24/04	1.32	8,999,580	9,004,050	36962GZJ6	AAA
50,000,000	GE CAPITAL CORP 1.76, 10/4/04	1.32	50,000,000	50,026,000	36962GZN7	AAA
45,000,000	GE CAPITAL CORP 1.76, 10/4/04	1.32	45,000,000	45,023,400	36962GZN7	AAA
10,000,000	GE CAPITAL CORP 1.80, 11/15/04	1.32	9,998,878	10,008,700	36962GZT4	AAA
50,000,000	GE CAPITAL CORP 1.74, 2/4/05	1.33	49,996,983	50,048,000	36962GA95	AAA
40,000,000	GE CAPITAL CORP 1.74, 2/4/05	1.33	40,000,000	40,046,000	36962GA95	AAA
13,100,000	GE CAPITAL CORP 1.74, 2/4/05	1.33	13,099,210	13,112,576	36962GA95	AAA
50,000,000	GE CAPITAL CORP 1.43, 3/21/05	1.33	50,012,536	50,080,500	369622FW0	AAA
11,040,000	GE CAPITAL CORP 0.89, 6/28/05	1.64	10,905,476	10,896,701	36962F2H8	AAA
50,000,000	PRINCIPAL LIFE GROUP 1.34, 5/13/05	1.34	49,989,115	50,053,000	7425A0AZ3	AA
50,000,000	SIGMA FINANCE 1.515, 2/11/04	1.33	50,000,000	50,057,500	EC5204069	AAA
$ 393,140,000			**$ 393,001,778**	**$ 393,363,177**		
COMMERCIAL PAPER (4.06% of total investments)						
$ 20,000,000	WEST DEUTSCHE LANDESBANK 1.20, 8/12/04	1.20	$ 19,972,000	19,972,000	96055LHC2	A-1+
25,000,000	WEST DEUTSCHE LANDESBANK 1.25, 9/7/04	1.48	24,940,972	24,930,455	96055LJ71	A-1+
25,000,000	WEST DEUTSCHE LANDESBANK 1.25, 9/7/04	1.48	24,940,972	24,930,455	96055LJ71	A-1+
6,578,000	WEST DEUTSCHE LANDESBANK 1.30, 9/10/04	1.49	6,561,135	6,558,736	9605SLJA4	A-1+
50,000,000	WEST DEUTSCHE LANDESBANK 1.45, 9/20/04	1.53	49,836,875	49,828,310	96055LJL0	A-1+
50,000,000	WEST DEUTSCHE LANDESBANK 1.45, 9/20/04	1.53	49,836,875	49,828,310	96055LJL0	A-1+
$ 176,578,000			**$ 176,088,829**	**176,048,266**		

SHORT-TERM INVESTMENT FUND

LIST OF INVESTMENTS AT JUNE 30, 2004 (Continued)

Par Value	Security (Coupon, Maturity or Reset Date)	Yield %	Amortized Cost	Fair Value	Asset ID	Quality Rating
MONEY MARKET FUNDS (3.07% of total investments)						
$ 117,506,198	INTERNATIONAL LIQUIDITY FUND 1.20, 7/1/04	1.20	$ 117,506,198	$ 117,506,198	76199Z004	A-1+
$ 117,506,198			**$ 117,506,198**	**$ 117,506,198**		
EXTENDABLE COMMERCIAL NOTES (12.82% of total investments)						
$ 28,000,000	ASAP FUNDING 1.13, 10/11/04	1.13	$ 27,990,332	$ 27,990,332	04341FN51	A-1+
50,000,000	BROADHOLLOW FUNDING 1.60, 9/16/04	1.51	49,828,889	49,838,570	11133XBF0	A-1+
50,000,000	BROADHOLLOW FUNDING 1.60, 9/16/04	1.51	49,828,889	49,838,570	11133XBF0	A-1+
14,273,000	CPI FUNDING CORP 1.75, 7/1/04	1.75	14,273,000	14,273,000	1261M6000	A-1+
12,000,000	FREEDOM PARK 1.15, 7/1/04	1.15	12,000,000	12,000,000	35644EAF4	A-1+
37,000,000	FREEDOM PARK 1.155, 7/6/04	1.16	36,994,065	36,994,065	35644EAJ6	A-1+
50,000,000	FREEDOM PARK 1.15, 7/8/04	1.15	49,988,819	49,988,819	35644EAD9	A-1+
50,000,000	GEORGETOWN FUNDING 1.15, 8/3/04	1.15	49,969,653	49,969,653	02086LGL4	A-1+
50,000,000	MAIN STREET WAREHOUSE 1.70, 12/28/04	1.70	50,000,000	50,000,000	56036VDX6	A-1+
50,000,000	MAIN STREET WAREHOUSE 1.65, 12/28/04	1.65	50,000,000	50,000,000	56036VDX6	A-1+
50,000,000	MAIN STREET WAREHOUSE 1.40, 1/18/04	1.40	49,959,167	49,959,167	PP7Q2E9N3	A-1+
50,000,000	MAIN STREET WAREHOUSE 1.40, 1/18/04	1.40	49,959,167	49,959,167	PP7Q2E9N3	A-1+
$ 491,273,000			**$ 490,791,981**	**$ 490,811,343**		
REPURCHASE AGREEMENTS (5.22% of total investments)						
$ 200,000,000	BEAR STEARNS 1.55, 7/1/04	1.55	$ 200,000,000	$ 200,000,000	073993008	A-1
$ 200,000,000			**$ 200,000,000**	**$ 200,000,000**		
$ 3,832,339,351	**TOTAL INVESTMENT IN SECURITIES**		**$ 3,829,113,292**	**$ 3,829,388,917**		

REPORT OF INDEPENDENT ACCOUNTANTS

SCILLIA DOWLING & NATARELLI LLC

Treasurer of the State of Connecticut
Hartford, Connecticut

We have examined the accompanying Schedules of Rates of Return for the Connecticut State Treasurer's Short-Term Investment Fund (the "Schedules") appearing on pages F40 to F43 of the State of Connecticut Fiscal Year 2004 Annual Report of the Treasurer managed by the Treasurer of the State of Connecticut for each of the quarterly and annual investment periods from July 1, 2001 through June 30, 2004. The Schedules are the responsibility of the Connecticut State Treasurer's Short-Term Investment Fund's management. Our responsibility is to express an opinion on the Schedules based on our examinations.

Our examinations were conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, include examining on a test basis, evidence supporting the Schedules and performing such procedures as we considered necessary in the circumstances (for a Level II verification as defined under the AIMR-PPS). We believe that our examinations provide a reasonable basis for our opinion.

In our opinion, such Schedules present fairly the rates of return for the composite of the Connecticut State Treasurer's Short-Term Investment Fund managed by the Treasurer of the State of Connecticut for each of the quarterly and the annual investment period from July 1, 2001 to June 30, 2004, in all material respects, in accordance with the measurement and disclosure criteria set forth in Notes 2 and 3 to the Schedules.

The periods from July 1, 1994 to June 30, 2001 were examined by other independent accountants whose report, dated September 24, 2001, expressed an unqualified opinion thereon.

Scillia Dowling & Natarelli LLC

Hartford, Connecticut
September 27, 2004

Certified Public Accountants and Consultants
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Goodwin Square ■ 225 Asylum Street ■ Hartford, CT 06103 ■ 860.241.8962 ■ fax 860.241.9157
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SHORT-TERM INVESTMENT FUND

SCHEDULE OF ANNUAL RATES OF RETURN

	Year Ended June 30,									
	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
STIF Total Rate of Return (%)	1.16	1.64	2.61	6.11	6.01	5.37	5.82	5.66	5.95	5.62
First Tier Institutions-Only Money Fund Report™ (MFR) Index (%) (1)	0.75	1.20	2.22	5.74	5.58	5.04	5.49	5.27	5.44	5.31
Total Assets in STIF, End of Period ($ - Millions)	3,829	3,280	3,546	4,565	3.701	3,646	3,190	2,527	2,014	1,495
Percent of Firm Assets	81	69	67	71	71	71	70	73	68	58
Number of Participant Accounts in Composite, End of Year										
State	124	115	112	55	55	54	n/a	n/a	n/a	n/a
Municpal Entities	556	551	544	496	433	415	n/a	n/a	n/a	n/a
Policital Subdivision of the State	474	440	428	346	312	313	n/a	n/a	n/a	n/a
Total	1,154	1,106	1,084	897	800	782	654	644	590	563

(1)Represents First Tier Institutions-Only Money Fund Report™ (MFR) Index prior to December 31, 1995 and First Tier Institutions-Only Rated Money Fund Report™ (MFR) Index for the period January 1, 1996 through June 30, 2004. These Index rates have been taken from published sources and have not been examined by Scillia Dowling & Natarelli LLC or Deloitte & Touche LLP.

See Notes to Schedules of Rates of Return.

SHORT-TERM INVESTMENT FUND

SCHEDULE OF QUARTERLY RATES OF RETURN

FISCAL YEAR	Rate of Return(%)	First Tier Institutions-Only Rated Money Fund Report Index(%)(1)
2004		
Sep-03	.28	.19
Dec-03	.30	.19
Mar-04	.29	.19
Jun-04	.29	.18
YEAR	**1.16**	**0.75**
2003		
Sep-02	.48	.38
Dec-02	.45	.32
Mar-03	.36	.26
Jun-03	.35	.24
YEAR	**1.64**	**1.20**
2002		
Sep-01	.95	.85
Dec-01	.66	.55
Mar-02	.48	.41
Jun-02	.49	.39
YEAR	**2.61**	**2.22**
2001		
Sep-00	1.69	1.58
Dec-00	1.70	1.58
Mar-01	1.45	1.39
Jun-01	1.14	1.06
YEAR	**6.11**	**5.74**
2000		
Sep-99	1.33	1.23
Dec-99	1.46	1.33
Mar-00	1.48	1.40
Jun-00	1.60	1.51
YEAR	**6.01**	**5.58**

FISCAL YEAR	Rate of Return(%)	First Tier Institutions-Only Rated Money Fund Report Index(%)(1)
1999		
Sep-98	1.42	1.34
Dec-98	1.37	1.26
Mar-99	1.24	1.19
Jun-99	1.23	1.16
YEAR	**5.37**	**5.04**
1998		
Sep-97	1.43	1.34
Dec-97	1.45	1.36
Mar-98	1.41	1.35
Jun-98	1.40	1.34
YEAR	**5.82**	**5.49**
1997		
Sep-96	1.40	1.28
Dec-96	1.36	1.28
Mar-97	1.37	1.28
Jun-97	1.40	1.33
YEAR	**5.66**	**5.27**
1996		
Sep-95	1.54	1.40
Dec-95	1.54	1.38
Mar-96	1.42	1.29
Jun-96(2)	1.33	1.26
YEAR	**5.95**	**5.44**
1995		
Sep-94	1.16	1.07
Dec-94	1.31	1.25
Mar-95	1.58	1.43
Jun-95(2)	1.46	1.46
YEAR	**5.62**	**5.31**

(1) Represents First Tier Institutions-Only Money Fund Report™ (MFR) Index prior to December 31, 1995 and First Tier Institutions-Only Rated Money Fund Report™ (MFR) Index for the period January 1, 1996 through June 30, 2004. These Index rates have been taken from published sources and have not been examined by Scillia Dowling & Natarelli LLC or Deloitte & Touche LLP.

(2) Includes the annual allocation to the Designated Surplus Reserve (See Note 4).

See the accompanying Notes to the Schedules of Rates of Return.

NOTES TO SCHEDULES OF RATES OF RETURN
FOR THE 10 YEAR INVESTMENT PERIOD JULY 1, 1994 THROUGH JUNE 30, 2004

NOTE 1: ORGANIZATION

The Connecticut State Treasury Short-Term Investment Fund ("STIF" or the "Fund") was created by Sec. 3-27 of the Connecticut General Statutes as an investment vehicle restricted for use by the State, State agencies and authorities, State municipalities and other political subdivisions of the State. STIF is a fully discretionary money market investment pool managed by the Connecticut State Treasury ("Treasury") as a single composite. STIF's objective is to provide as high a level of current income as is consistent with safety of principal and liquidity to meet participants' daily cash flow requirements. During the 2004 fiscal year, STIF's portfolio averaged $3.8 billion.

NOTE 2: PERFORMANCE RESULTS

STIF has prepared and presented this report in compliance with the Performance Presentation Standards of the Association for Investment Management and Research (AIMR-PPS) for the period July 1, 1994 through June 30, 2004. AIMR has not been involved with the preparation or review of this report. The performance presentation for the period July 1, 1994 through June 30, 2004 has been subject to a Level II verification in accordance with AIMR standards by an independent public accounting firm whose report is included herein. For the purposes of compliance with AIMR performance presentation standards for the Short-Term Investment Fund, the Treasury has defined the "Firm" as the funds under the control of the State Treasurer, State agencies and State authorities for which the Treasurer has direct investment management responsibility within the Short-Term Investment Fund.

Results are net of all operating expenses, and as STIF is managed by employees of the Treasury, no advisory fees are paid.

NOTE 3: CALCULATION OF RATES OF RETURN

STIF uses a time-weighted linked rate of return formula to calculate rates of return. This method is in accordance with the acceptable methods set forth by the Association for Investment Management and Research. Other methods may produce different results and the results for individual participants and different periods may vary. The current rates of return may not be indicative of future rates of return.

The time-weighted linked rate of return formula used by STIF is as follows: After December 1, 1996 monthly returns were calculated by taking the sum of daily income earned on an accrual basis, after deduction for all operating expenses and a transfer to the Designated Surplus Reserve, divided by the average daily participant balance for the month. From July through November 1996, monthly income earned on an accrual basis, after deduction for all operating expenses, was divided by the average daily participant balance for the month multiplied by the actual number of days in the year divided by the actual number of days in the month. In addition, income reported in November was reduced by a transfer to the Designated Surplus Reserve which impacted November's monthly return. The monthly returns for the entire quarter and fiscal year were linked to calculate the respective rates of return.

Prior to July 1, 1996, the same methodology as described for July through November 1996 was used with the exception of the transfer to the Designated Surplus Reserve, which affected May returns. Prior to fiscal year ended June 30, 1995, 360 days rather than actual days in the year was used. Each of the monthly composite rates of returns were then linked to compute the quarterly rate of return and the quarterly rates of return were linked to calculate the annual rate of return.

The changes, as described above, had no significant impact on the quarterly and annual rates of return reported herein.

The rates of return presented herein are those earned by the Fund during the periods presented as described above. Actual distributions to participants through November 30, 1996 were made on a quarterly basis based upon specific guaranteed rates as periodically determined by the Treasury. Any excess earnings over the previously distributed amounts and the required allocation to the Designated Surplus Reserve were distributed as a special distribution (See Earnings Subject to Special Distribution in STIF Notes to Financial Statements).

NOTES TO SCHEDULES OF RATES OF RETURN (Continued)
FOR THE 10 YEAR INVESTMENT PERIOD JULY 1, 1994 THROUGH JUNE 30, 2004

NOTE 4: DESIGNATED SURPLUS RESERVE

In order to provide some protection to the shareholders of STIF from potential credit and market risks, the Treasurer has designated that a portion of each day's net earnings be transferred to the Designated Surplus Reserve (Reserve). Such amounts are restricted in nature and are not available for current distribution to shareholders. In December 1996, a transfer was made to the Designated Surplus Reserve at the annualized rate of 0.1 percent of the average month-end investment balances for June through November 1996. Beginning December 1, 1996, the amount transferred daily to the Designated Surplus Reserve is equal to 0.1 percent of end of day investment balance divided by the actual number of days in the year. As of June 30, 2004, the balance in the Designated Surplus Reserve was $41,784,616, an increase of $965,351 from the June 30, 2003 balance of $40,819,265.

No transfer is to be made if the reserve account is equal to or greater than 1.0 percent of the daily investment balance. If net losses significant to the aggregate portfolio are realized, the Treasurer is authorized to transfer funds from the Reserve to Participant Units Outstanding. There have been no charges against this reserve during the 32 year history of the Fund.

NOTE 5: ADDITIONAL DISCLOSURES

These results solely reflect the performance of STIF. The Fund's principal investment officer has been the portfolio manager since 1983 encompassing the entire investment period presented.

Benchmark information presented in the Schedules of Rates of Return was obtained from published sources which are believed to be reliable. Such information is supplemental and is not covered by the independent accountants' report.

STIF does not make significant use of leverage. The only leverage employed by the Fund is the occasional use of reverse repurchase agreements. These agreements, which are limited by policy to no more than 5 percent of total Fund assets, are used only to meet temporary liquidity requirements of the Fund.

STIF had accounted for security purchases and sales on a settlement date basis for periods prior to February 1, 1996. Since that date, the Fund has accounted for all security purchases and sales on a trade date basis. Because the Fund purchases short term investments whose market values do not fluctuate significantly and since all investments are accounted for on an amortized cost basis, the difference between the trade and settlement date bases has no significant impact on the performance reported herein.

CIVIL LIST PENSION AND TRUST FUNDS

SCHEDULE OF CASH AND INVESTMENTS, BALANCES AND ACTIVITY (at Fair Value) FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Teachers' Retirement	State Employees' Retirement	Municipal Employees' Retirement	Probate Court Retirement	Judges' Retirement	State's Attorneys' Retirement	Soldiers Sailors & Marines Fund	Arts Endowment Fund	Police & Firemen's Survivor's Fund
Cash	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Income Receivable	209,149	138,422	24,732	3,854	3,638	84	76	942	2,153
Interest in Investment Funds	10,860,275,666	7,709,615,695	1,303,832,973	67,072,384	140,387,092	716,010	59,072,186	16,002,328	18,083,143
Total Cash and Investments	$10,860,484,815	$7,709,754,117	$1,303,857,705	$67,076,238	$140,390,730	$716,094	$59,072,262	$16,003,270	$18,085,296
Schedule of Activity:									
Cash and Investments at July 1, 2003	$ 9,846,385,367	$6,987,505,054	$1,174,533,551	$60,487,554	$125,228,836	$618,770	$59,336,225	$16,318,578	$17,032,318
Shares Purchased (Excluding Cash Reserve Fund)	784,031,945	641,435,082	155,842,964	4,684,259	20,195,946	250,022	-	-	3,001,784
Shares Redeemed (Excluding Cash Reserve Fund)	(690,637,161)	(490,332,251)	(79,549,784)	(4,071,962)	(8,252,472)	(250,290)	-	-	(44,480)
Net Purchase and Redemptions of Cash Reserve Fund	(121,866,108)	(152,216,467)	(61,300,292)	(513,779)	(7,956,441)	36,767	(1)	8,140	(2,856,046)
Net Investment Income	440,180,533	312,386,363	51,692,889	2,298,854	5,477,031	17,582	2,720,446	756,274	503,058
Realized Gain (Loss) from Sale of Investments	66,792,223	49,503,590	7,904,489	381,286	452,232	196,205	-	-	(4,128)
Change in Unrealized Gain/(Loss) on Investment Funds	975,940,607	674,046,391	106,495,472	6,109,742	10,732,050	(135,413)	(263,955)	(323,408)	959,105
Increase (Decrease) in Receivables - Net [1]	(162,058)	(187,282)	(68,695)	(862)	(9,421)	33	(7)	(40)	(3,257)
Distributions	(440,180,533)	(312,386,363)	(51,692,889)	(2,298,854)	(5,477,031)	(17,582)	(2,720,446)	(756,274)	(503,058)
Cash and Investments at June 30, 2004	$10,860,484,815	$7,709,754,117	$1,303,857,705	$67,076,238	$140,390,730	$716,094	$59,072,262	$16,003,270	$18,085,296

See Notes to Civil and Non-Civil List Trust Fund Financial Statements.

(1) Reflects timing differences in the recognition of income by the Plans.

NON-CIVIL LIST TRUST FUNDS

FINANCIAL STATEMENTS
JUNE 30, 2004

	SCHOOL FUND	AGRICULTURAL COLLEGE FUND	IDA EATON COTTON FUND	ANDREW C. CLARK FUND	HOPEMEAD STATE PARK TRUST FUND	MISC. AGENCY TRUST FUNDS
STATEMENT OF CONDITION, at Market						
ASSETS						
Cash & Cash Equivalents	$ -	$ -	$ -	$ -	$ -	$45,159,326
Interest & Dividends Receivable	303	36	119	57	143	-
Investments in Combined Investment Funds, at Fair Value	8,866,264	586,686	1,994,950	938,276	1,946,127	-
Total Assets	$8,866,567	$586,722	$1,995,069	$938,333	$1,946,270	$45,159,326
LIABILITIES & FUND BALANCE						
Due to Other Funds	$ 105,498	$ 21,530	$ 73,281	$ 34,423	$ -	$ -
Fund Balance	8,761,069	565,192	1,921,788	903,910	1,946,270	41,159,326
Total Liabilities & Fund Balance	$8,866,567	$586,722	$1,995,069	$938,333	$1,946,270	$41,159,326

See Notes to Civil and Non-Civil List Trust Fund Financial Statements.

STATEMENT OF REVENUE AND EXPENDITURES

	SCHOOL FUND	AGRICULTURAL COLLEGE FUND	IDA EATON COTTON FUND	ANDREW C. CLARK FUND	HOPEMEAD STATE PARK TRUST FUND
REVENUE					
Net Investment Income	$330,149	$21,531	$73,281	$34,423	$69,502
Realized Gain on Investments	362,269	26,657	90,239	42,644	-
Change in Unrealized Gain (Loss) on Investments	(57,663)	(6,461)	(21,610)	(10,298)	63,822
Increase (Decrease) in Cash Reserve Fund Income Receivables(1)	(145)	-	(5)	(3)	18
Total Revenue	$634,610	$41,727	$141,905	$66,766	$133,342
EXPENDITURES	-	-	-	-	-
Excess of Revenue over Expenditures	$634,610	$41,727	$141,905	$66,766	$133,342

(1) Reflects timing differences in the recognition of income by the Plans and Trusts.

See Notes to Civil and Non-Civil List Trust Fund Financial Statements.

STATEMENT OF CHANGES IN FUND BALANCE

	SCHOOL FUND	AGRICULTURAL COLLEGE FUND	IDA EATON COTTON FUND	ANDREW C. CLARK FUND	HOPEMEAD STATE PARK TRUST FUND	MISC. AGENCY TRUST FUNDS
Fund Balance at July 1, 2003	$8,456,608	$544,996	$1,853,164	$871,567	$1,812,928	$45,329,264
Excess of Revenue over Expenditures	634,610	41,727	141,905	66,766	133,342	-
Net Cash Transactions	-	-	-	-	-	(4,669,449)
Transfer from Other Funds	33,621	-	-	-	-	499,511
Transfer to Other Funds	(367,290)	(20,978)	(71,371)	(33,621)	-	-
Increase in Due to Other Funds	3,520	(553)	(1,910)	(802)	-	-
Fund Balance at June 30, 2004	$8,761,069	$565,192	$1,921,788	$903,910	$1,946,270	$41,159,326

See Notes to Civil and Non-Civil List Trust Fund Financial Statements.

NON-CIVIL LIST TRUST FUNDS

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	SCHOOL FUND	AGRICUL-TURAL COLLEGE FUND	IDA EATON COTTON FUND	ANDREW C. CLARK FUND	HOPEMEAD STATE PARK TRUST FUND
Cash Flows from Operating Activities:					
Excess of Revenues over Expenditures	$634,610	$41,727	$141,905	$66,766	$133,342
Realized Gain on Investments	(362,269)	(26,657)	(90,239)	(42,644)	-
Change in Unrealized (Gain) Loss on Investments	57,663	6,461	21,610	10,298	(63,822)
(Increase) Decrease in Cash Reserve Fund Income Receivables	145	-	5	3	(18)
Net Cash Provided by Operations	$330,149	$21,531	$73,281	$34,423	$69,502
Cash Flows from Non Capital Financing Activities:					
Operating Transfers - Out to Other Funds	(367,290)	(20,978)	(71,371)	(33,621)	-
Operating Transfers - In from Other Funds	33,621	-	-	-	-
Net Cash Used for Non-Capital Financing Activities	(333,669)	(20,978)	(71,371)	(33,621)	-
Cash Flows from Investing Activities:					
Net Purchase and Redemptions of Cash Reserve Fund	117,770	(553)	(1,910)	(802)	(24,812)
Purchase of Investments	(567,250)	(33,000)	(112,000)	(53,000)	(44,690)
Proceeds from Sale of Investment	453,000	33,000	112,000	53,000	-
Net Cash Provided by (Used for) Investing Activities	3,520	(553)	(1,910)	(802)	(69,502)
Net Increase (Decrease) In Cash	-	-	-	-	-
Cash June 30, 2003	-	-	-	-	-
Cash June 30, 2004	$ -	$ -	$ -	$ -	$ -

See Notes to Civil and Non-Civil List Trust Fund Financial Statements.

NON-CIVIL LIST TRUST FUNDS

STATEMENT OF CONDITION, AT COST
JUNE 30, 2004

	SCHOOL FUND	AGRICUL-TURAL COLLEGE FUND	IDA EATON COTTON FUND	ANDREW C. CLARK FUND	HOPEMEAD STATE PARK TRUST FUND	MISC. AGENCY TRUST FUNDS
ASSETS						
Cash & Cash Equivalents	$ -	$ -	$ -	$ -	$ -	$45,159,326
Interest & Dividends Receivable	303	36	119	57	143	-
Investments in Combined Investment Funds	6,659,951	443,698	1,499,596	725,872	1,427,678	-
Total Assets	$6,660,254	$443,734	$1,499,715	$725,929	$1,427,821	$45,159,326
LIABILITIES						
Due to Other Funds	$ 105,498	$ 21,530	$ 73,281	$ 34,423	$ -	$ -
Fund Balance	6,554,756	422,204	1,426,434	691,506	1,427,821	45,159,326
Total Liabilities & Fund Balance	$6,660,254	$443,734	$ 1,499,715	$725,929	$1,427,821	$45,159,326

See Notes to Civil and Non-Civil List Trust Fund Financial Statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Civil List and Non-Civil list trust funds (the “trust funds”) are entrusted to the Treasurer for investment purposes. Civil List trust funds are mandated by the State Legislature and are administered by the Office of the State Comptroller. Accordingly, the presentation of the Civil List funds in the Treasurer’s Annual Report (see Civil List trust funds cash and investments schedules in the Supplemental Information section of these document) is intended to present only the cash and investments under the Treasurer’s care and does not depict a full financial statement presentation. The Non-Civil List Trust funds are not administered by the Office of the Comptroller. Accordingly, the financial statements presented for the Non-Civil List funds are designed to provide a full set of financial statements for the trusts’ investment assets and provide the necessary detail for the respective Boards that administer these trust funds

Significant account policies of the trust funds are as follows:

Basis of Presentation: The foregoing Non-Civil List trust fund financial statements represent the financial position, results of operations and cash flows of the investment trust assets of the funds in accordance with generally accepted accounting principles. These financial statements present all of the financial statements of the Non-Civil List funds except for the Second Injury Fund which, due to the unique nature of its operation, is presented separately in this Annual Report. The financial statements do not include a Statement of Revenue and Expenditures for the Miscellaneous Agency and Trust Funds because agency funds do not report operations. These statements were prepared on the fair value basis. A Statement of Condition on a cost basis is also presented for informational purposes.

Valuation of Combined Investment Fund Shares: All unit prices are determined at the end of each month based on the fair value of the applicable investment fund.

Expenses: The Non-Civil List trust funds are not charged with any expenses for administration of the trust funds. Investment expenses of the Combined Investment Funds are deducted in calculating net investment income.

Distribution of Net Investment Income: Net investment income earned by the Combined Investment Funds is generally distributed in the following month. Net investment income is comprised of dividends and interest less investment expense.

Purchases and Redemptions of Units: Purchases and redemptions of units are generally processed on the first day of the month based on the prior month end price. Purchases represent cash that has been allocated to a particular investment fund in accordance with directions from the Treasurer’s office. Redemptions represent the return of principal back to the plan. In the case of certain funds, a portion of the redemption can also include a distribution of income.

NOTE 2. STATEMENT OF CASH FLOWS

A statement of cash flows is presented for the non-expendable Non-Civil List trust funds. This presentation is in accordance with Governmental Accounting Standards Board (GASB) Statement No. 9. No such statement of cash flows is presented for the Miscellaneous Agency and Trust Funds as none is required.

NOTE 3. MISCELLANEOUS AGENCY AND TRUST FUND TRANSFERS

These transactions comprise principal and income transfers to trustees as well as transfers and expenditure payments made on their behalf. Certain of these transfers are made to the General Fund and other Civil List funds as well as various state agencies.

SECOND INJURY FUND

STATEMENT OF NET ASSETS
JUNE 30, 2004

ASSETS	
CURRENT ASSETS:	
Cash and Cash Equivalents	$ 14,720,386
Receivables, Net of Allowance for Uncollectible Accounts, $22,209,203	20,503,245
Other Assets	86,944
TOTAL CURRENT ASSETS	35,310,575
NONCURRENT ASSETS:	
Trustee Cash and Cash Equivalents	21,475,876
Long-Term Receivable (See Notes 5 and 10)	4,026,196
Capital Assets:	
Computers	24,374
Office Equipment	16,122
Less Accumulated Depreciation	(17,513)
TOTAL NONCURRENT ASSETS	25,525,055
TOTAL ASSETS	60,835,630
LIABILITIES	
CURRENT LIABILITIES:	
Special Assessment Revenue Bonds Payable - Current Portion	7,840,000
Accounts Payable and Accrued Liabilities	15,869,836
Interest Payable	1,315,125
Compensated Absences	247,076
TOTAL CURRENT LIABILITIES	25,272,037
NONCURRENT LIABILITIES:	
Special Assessment Revenue Bonds Payable	46,415,000
Accounts Payable and Accrued Liabilities	780,000
Compensated Absences	264,000
TOTAL NONCURRENT LIABILITIES	47,459,000
TOTAL LIABILITIES	72,731,037
NET ASSETS	
Restricted for Debt Service	16,938,402
Unrestricted Deficit	(28,833,809)
TOTAL NET ASSETS (DEFICIT) (See Note 9)	$ (11,895,407)

See accompanying Notes to the Financial Statements.

SECOND INJURY FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

OPERATING REVENUES	
Assessment Revenues	$93,965,092
Fund Recoveries	1,064,239
Other Income	4,072,950
TOTAL OPERATING REVENUES	99,102,281
OPERATING EXPENSES	
Injured Worker Benefits:	
Settlements	10,875,739
Indemnity Claims Benefits	20,138,780
Medical Claims Benefits	5,481,782
Total Injured Worker Benefits	36,496,301
Administrative Expenses	8,297,476
TOTAL OPERATING EXPENSES	44,793,777
OPERATING INCOME	54,308,504
NON-OPERATING REVENUES (EXPENSES)	
Interest Income	585,742
Interest Expense	(5,273,540)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(4,687,798)
INCOME BEFORE EXTRAORDINARY ITEM	49,620,706
EXTRAORDINARY ITEM	
Loss on Early Extinguishment of Long-term Debt	(1,982,680)
Change in Net Assets	47,638,026
TOTAL NET ASSETS (DEFICIT) AT JUNE 30, 2003	(59,533,433)
TOTAL NET ASSETS (DEFICIT) AT JUNE 30, 2004	($11,895,407)

See accompanying Notes to the Financial Statements.

SECOND INJURY FUND

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES	
SOURCE:	
Assessment Revenues	$ 91,087,214
Trustee Cash and Cash Equivalents	15,782,986
Fund Recoveries	1,063,766
Other Income	4,072,950
Other Assets	(24,732)
Depreciation	8,099
	111,990,283
USE:	
Injured Worker Benefits	35,699,078
Administrative Expenses	8,219,566
	43,918,644
NET CASH PROVIDED BY OPERATING ACTIVITIES	68,071,639
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
1996 Series A Bonds	41,075,000
2000 Series A Bonds	15,800,000
Interest Expense	6,757,111
Loss in Early Extinguishment of Debt	1,982,680
NET CASH USED FROM NONCAPITAL FINANCING ACTIVITIES	65,614,791
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	(604,628)
Capital Financing Activity	0
NET CASH USED BY INVESTING ACTIVITIES	(604,628)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,061,476
Cash and Cash Equivalents, July 1, 2003	11,658,910
CASH AND CASH EQUIVALENTS, JUNE 30, 2004	$ 14,720,386

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating Income	$ 54,308,504
Adjustments to Reconcile Operating Income to Net Cash:	
Provided by Operating Activities:-	
Depreciation Expense	8,099
Decrease (Increase) in Assets:	
Decrease in Trustee Cash and Cash Equivalents	15,782,986
Increase in Receivables, Net	(6,159,837)
Increase in Other Assets	(24,732)
Increase (Decrease) in Liabilities	
Increase in Accounts Payable & Accrued Expenses	4,821,186
Decrease in Compensated Absences	(664,567)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 68,071,639

See accompanying Notes to the Financial Statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: INTRODUCTION AND BASIS OF PRESENTATION

The Second Injury Fund ("SIF" or the "Fund") is an extension of the Workers' Compensation Act managed by the Treasurer of the State of Connecticut and operates under Chapter 568, of the Connecticut General Statutes (C.G.S.). Prior to July 1, 1995, the Fund provided relief to employers where a worker, who already had a preexisting injury or medical condition, was hurt on the job and that second injury was made "materially and substantially" worse by the preexisting injury or medical condition.

In 1995 the Connecticut General Assembly closed the Fund to new "second injury" claims sustained on or after July 1, 1995. However, the Fund will continue to be liable for payment of claims which involve an uninsured or bankrupt employer and, on a pro rata basis, be liable for reimbursement claims to employers of any worker who had more than one employer at the time of the injury.

In addition, the Fund will continue to be liable for and make payments with respect to:

- Widow and dependent death benefits
- Reimbursement for cost of living adjustments on certain claims
- Second injury claims transferred to the Fund prior to July 1999 with a date of injury prior to July 1, 1995.

For State of Connecticut financial reporting purposes, SIF is reported as an Enterprise Fund. (See Notes 2 and 9)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The accompanying financial statements of SIF have been prepared in conformity with generally accepted accounting principles as prescribed in pronouncements of the Governmental Accounting Standards Board (GASB).

In June 1999, Government Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and local Governments. The Fund implemented GASB No. 34 effective July 1, 2001. GASB No. 34, Paragraph 67, requires SIF to utilize the enterprise fund form of reporting. The reporting focuses on the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. The full accrual form of accounting is employed, and revenues are recognized when earned, and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash. GASB No. 34 has defined an enterprise fund as a governmental unit in which the activity is financed with debt that is secured solely by a pledge of the revenues from fees and charges of an activity. In addition, if the long-term debt is to be serviced by the fund, then it is accounted for by the fund.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of the Fund are the monies assessed to Connecticut employers for their share of the Fund's expenses for managing workers' compensation claims assigned to the Fund by statute.

Prior to GASB No. 34, the Fund was an expendable trust fund, which utilized the more traditional modified accrual form of accounting and reporting, recording and reporting revenues only when "measurable and available". In addition, SIF's long-term debt in prior years was segregated into a separate long-term debt account group and was not included in SIF's financial statements but included in the State of Connecticut's long term debt. Expenditures were recorded when the related fund liability was incurred. Principal and interest on general long-term debt are recorded as expenditures when due.

Cash and Cash Equivalents

Cash consists of funds in bank checking accounts and deposits held by the State General Fund in the Treasury Business Office account. Cash equivalents include investments in the State of Connecticut Short-Term Investment Fund (STIF). All investments of STIF are classified in category 1 of the custodial credit risk defined by GASB Statement No. 3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements". Classification in category 1 means that the exposure of deposits or investments to potential custodial credit risk is low. Category 1 includes investments which are insured or registered or for which the State of Connecticut Treasurer or his agent in the Treasurer's name holds securities.

Receivables, Net of Allowance for Uncollectible Accounts

The receivables balance is composed of assessment receivables and other receivables.

Assessment receivables are recorded inclusive of interest due and result from amounts billed in accordance with C.G.S. 31-354 Assessments: SIF's primary source of revenue is from the levying of assessments against self-insured and insured Connecticut employers. Insurance carriers who insure Connecticut employers are responsible to collect the assessments from employers and submit the revenue to SIF. (See Notes 4 and 5)

Other receivables are recorded inclusive of interest due and result from amounts billed in accordance with either statute C.G.S. 31-301 or C.G.S. 31-355.

C.G.S. 31-301, Appeal Cases, provides for the payment of indemnity (lost wages) and medical benefits to an injured worker while their claims are under appeal. Upon a decision in the appeal, the injured worker (in cases of denial of compensation), or insurer (in cases of award of compensation), must reimburse the SIF for monies expended during the appeal process. This statute was repealed with passage of P.A. 95-277 for appeals filed on injuries occurring after July 1, 1995. During fiscal year 2004, there were no benefits paid for appeals cases.

C.G.S. 31-355, Non Compliance, mandates that SIF pay indemnity and medical benefits for injured workers whose employers fail to or are unable to pay the compensation. The most common examples of these cases involve employers who did not carry worker's compensation insurance or are bankrupt.

Appeal Cases and Non Compliance transactions are recorded as injured worker benefits when paid by the Fund. Concurrently, the Fund seeks recovery of the amounts paid from the party statutorily responsible and a receivable is established. The receivable is offset by a credit to Allowance for Uncollectible Accounts. Recoveries are recorded as revenue when cash is received.

The Fund records other receivables for penalties and citations and certain other payments made under other statutes where the Fund has a right to seek reimbursement. The receivable is offset by a credit to Allowance for Uncollectible Accounts. Recoveries are recorded as revenue when cash is received. Revenue is recorded for these receivables when cash is received.

The allowance for uncollectible account represents those amounts estimated to be uncollectible as of the balance sheet date. The Fund fully reserves for the other receivable balances. (See Note 5)

Trustee Cash and Cash Equivalents

Trustee cash and cash equivalents consist of funds in various accounts held by The Bank of New York as required by the Indenture of Trust dated October 1, 1996 covering 1996 and 2000 Series A Special Assessment Second Injury Fund Revenue Bonds (See Note 3). These accounts include an Operating Reserve Account, Redemption Sub-Subaccount, Debt Service Reserve Sub-Subaccount, Principal Sub-Sub-Sub account and Interest Sub-Sub-Sub account. All investments of Bank of New York are classified in category 1 of the custodial credit risk defined by GASB Statement No. 3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements". Classification in category 1 means that the exposure of deposits or investments to potential custodial credit risk is low.

Capital Assets

The category of capital assets consists of computers and office equipment. The Fund is recording these capital assets at cost with a useful life of 5 years on a straight-line method. In the year of acquisition of the capital asset, the Fund has elected to take a half a year depreciation expense.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent all outstanding injured worker indemnity and medical expenses incurred as at the balance sheet date as well as any administrative expenses. Settlements are negotiated agreements for resolving the Fund's future exposure on injured worker claims. An accrual is made for all settlements committed as of the balance sheet date. The Fund reimburses insurance companies and self-insured employers for concurrent employment claims as well as widow and dependent death benefits. The Fund has estimated the amount of liability as of June 30, 2004. The long-term portion of accounts payable and accrued liabilities represents an estimate of amount of liability as of June 30, 2004 of the concurrent employment claims and widow and dependent death benefits that will not be submitted to the Fund until a year or more for reimbursement. (See Note 6)

Accrued Interest Payable

Accrued interest payable is comprised of the interest amount due on the 2000 Series A Special Assessment Revenue Bonds.

Compensated Absences

Vacation and sick policy is as follows: Employees hired on or before June 30, 1977 can accumulate up to a maximum of 120 vacation days. Employees hired after that date can accumulate up to a maximum of 60 days. Upon termination or death, the employee is entitled to be paid for the full amount of vacation days owed. No limit is placed on the number of sick days that an employee can accumulate. However, the employee is entitled to payment for accumulated sick time only upon retirement, or after ten years of service upon death, for an amount equal to one-fourth of his/her accrued sick leave up to a maximum payment equivalent of sixty days. (See Note 6)

NOTE 3: SPECIAL ASSESSMENT REVENUE BONDS

The Second Injury Fund Special Assessment Revenue Bonds were issued in an effort to reduce long-term liabilities by settling injured worker claims via a one-time lump sum payout (referred to as "Settlement".) The bonds are payable entirely from SIF future assessment revenue and the State of Connecticut has no contingent obligation either directly or indirectly for the payment of such bonds.

Bonds were issued on November 7, 1996 for $100 million and on October 1, 2000, for $124.1 million. The 1996 bonds were totally defeased in June 2004. The outstanding maturities of the remaining 2000 bond issue mature on January 1st of each year through 2011 and bear fixed interest rates ranging from 4.5% to 5.25%. On January 1, 2004, $13,705,000 of bonds was retired. (See Note 8 regarding the 2004 Cash Defeasance.) At June 30, 2004, amounts needed to pay principal and the respective interest rates payable on the remaining 2000 bond issue amounts after the defeasance were as follows:

January 1,	Principal	Interest Rate
2005	$ 7,840,000	4.500%
2006	8,185,000	5.000%
2007	8,555,000	4.625%
2008	8,945,000	5.000%
2009	9,365,000	4.750%
2010-2011	11,365,000	4.875% - 5.250%
	$54,255,000	

The following summarizes activity in long-term special assessment revenue bonds for the year ended June 30, 2004:

	Beginning Balance	Additions	Reductions	Defeasance (See Note 8)	Ending Balance	Amount Due Within One Year
1996 Series A Bonds	$41,075,000	$0	$ 6,195,000	$34,880,000	$0	$0
2000 Series A Bonds	70,055,000	0	7,510,000	8,290,000	54,255,000	7,840,000
Total Long-Term Bonds	$111,130,000	$0	$13,705,000	$43,170,000	$54,255,000	$7,840,000

The Trustee for these bonds is The Bank of New York who holds the accounts as required by the Bond Indenture. Assessment income is wired to the Trustee each month as received. Quarterly, the Trustee wires operating funds to the Second Injury Fund based on the operating fund budget.

At June 30, 2004, the Trustee Accounts included the following:

Debt Service Reserve Sub-Sub account	$10,504,962
Principal Sub-Sub-Sub account	5,880,000
Interest Sub-Sub-Sub account	2,081,494
Redemption Sub-Sub account	231,642
Operating Reserve Account	2,777,778
Total Trustee Accounts	$21,475,876

NOTE 4: ASSESSMENTS

The assessment method for carriers paying on behalf of insured employers is on an actual premium basis. The premium surcharge, which is paid by insured employers through their worker's compensation insurance carrier within 45 days of the close of a quarter, is the premium surcharge rate multiplied by the employer's standard premium on all policies with an effective date for that quarter. The premium surcharge is set yearly based on the Fund's budgetary needs prior to the start of the fiscal year. The annual insured employers' assessment rate for the fiscal year ending June 30, 2004 was 6.50%.

The method of assessment for self-insured employers is a quarterly billing based on the previous calendar year's paid losses. The annual assessment rate for self-insured employers for the fiscal year ending June 30, 2004 was 11.6%.

The Fund began a formal assessment auditing program in 1999, to examine the assessment information reported by insurance companies and self-insured employers. During fiscal year 2004, additional assessment revenue and interest in the amount of $9,998,038 was collected.

NOTE 5: RECEIVABLES

The following is an analysis of the changes in the Fund receivable balances as of June 30, 2004:

	Beginning Balance	Additions	Cash Receipts	Write-Offs	Ending Balance	Amount Due Within One Year	Allowance for Uncollectible
Assessments	$23,016,161	$124,939,636	$112,800,068	$ 437,437	$34,718,292	$30,692,096	$10,189,706
Non-Compliance 355	13,887,070	1,727,235	863,405	4,181,423	10,569,478	0	10,568,623
Other Receivables	1,984,783	(118,315)	268,776	146,817	1,450,874	0	1,450,874
Total Receivables	$38,888,014	$126,548,556	$113,932,249	$4,765,677	$46,738,644	$30,692,096	$22,209,203

NOTE 6: LIABILITES AND COMPENSATED ABSENCES

The following is an analysis of the changes in the Fund liabilities and compensated absences as of June 30, 2004:

	Beginning Balance	Additions	Cash Disbursements	Ending Balance	Amount Due Within One Year
Accounts Payable & Accrued Expenses	$12,612,189	$46,782,214	$42,744,567	$16,649,836	$15,869,836
Compensated Absences	392,104	118,972	0	511,076	247,076
Total Liabilities & Compensated Absences	$13,004,293	$46,901,186	$42,744,567	$17,160,912	$16,116,912

NOTE 7: SETTLEMENTS

At June 30, 2004, negotiations were at various stages of completion for settlements valued and accrued at $3.5 million.

NOTE 8: EARLY EXTINGUISHMENT OF LONG-TERM DEBT

The Fund used $46.5 million in excess cash to defease some of the Special Assessment Revenue Bonds. A summary below reflects the allocation of the available cash to the oldest bond issue first and then the next bond issue with any remaining cash.

Series/Maturity	Par Amount Defeased	Interest Rate	Par Amount Remaining
Series 1996 A			
2009	$ 6,590,000	5.250%	0
2008	7,645,000	5.200%	0
2007	7,275,000	5.100%	0
2006	6,865,000	6.000%	0
2005	6,505,000	5.500%	0
Total	$ 34,880,000		$ 0
Series 2000 A			
2011	$ 8,290,000	5.250%	$1,560,000
Total	$ 8,290,000		$1,560,000
Grand Total	$ 43,170,000		$1,560,000

NOTE 9: ADOPTION OF GASB NO. 34 PRONOUNCEMENT

As a result of the Fund's implementation of GASB No. 34, the long-term debt liability, formerly included in the total debt of the State of Connecticut, is now reflected on the books of the Fund, creating a deficit net asset balance. The deficit balance has been reduced by $47.6 million this year leaving a deficit net asset balance at June 30, 2004 of $11.9 million.

NOTE 10: SUBSEQUENT EVENTS

Legislation enacted by the Senate and House of Representatives in General Assembly and effective October 1, 2004, provides an employer mutual association organized prior to June 6, 1996, with a membership composed exclusively of health care providers and whose premium base is derived entirely from health care organizations to make payments without penalty or interest over a five-year period for any outstanding assessment due from the association for the period commencing January 1, 1996 and ending December 31, 2004. The association converted from an assessment basis of paid losses to standard premium. The additional payment of $5,032,745 represents the conversion amount from one assessment basis to another. The first payment of $1,006,549 is due May 15, 2005 and the same amount is due for four subsequent years. The current financial statements reflect the short-term and long-term portions of this receivable. (See Notes 2, 4 and 5)

The Fund has requested an Attorney General's opinion involving the calculation of the interest penalty in the audit program. An adverse opinion could result in an estimated $12 million liability to the Fund. The Fund believes that there are sufficient resources to absorb the estimated amount without having to increase assessment rates.

CONNECTICUT HIGHER EDUCATION TRUST

STATEMENTS OF FINANCIAL CONDITION

	June 30, 2004	June 30, 2003
ASSETS		
Investments, at value (cost: $455,778,694 and $335,099,645)	$471,790,028	$331,292,019
Cash	788,599	198,030
Due from transfer agent	506,393	448,467
Receivable for securities transactions	70,087	94,319
Dividends and interest receivable	32,872	468,455
TOTAL ASSETS	$473,187,979	$332,501,290
LIABILITIES		
Due to custodian	$ 78,397	$ 42,590
Accrued management fee	175,060	120,992
Payable for securities transactions	248,824	234,482
Due to transfer agent	122,939	89,673
TOTAL LIABILITIES	625,220	487,737
PROGRAM EQUITY	472,562,759	332,013,553
TOTAL LIABILITIES AND PROGRAM EQUITY	$473,187,979	$332,501,290

See notes to financial statements.

CONNECTICUT HIGHER EDUCATION TRUST

STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED JUNE 30,

INVESTMENT INCOME	2004	2003
Income:		
Interest	$2,087,958	$1,874,577
Dividends	16,203,960	6,037,981
TOTAL INCOME	18,291,918	7,912,558
Expenses—Note 3:		
Management fee	1,891,068	1,220,453
Other expenses of the Trust	-	15,249
TOTAL EXPENSES	1,891,068	1,235,702
NET INVESTMENT INCOME	16,400,850	6,676,856
REALIZED AND UNREALIZED GAIN ON INVESTMENTS—Note 4		
Net realized loss on investments	(842,006)	(3,388,037)
Net change in unrealized appreciation on investments	19,818,960	11,838,999
NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS	18,976,954	8,450,962
NET INCREASE IN PROGRAM EQUITY RESULTING FROM OPERATIONS	$35,377,804	$15,127,818

See notes to financial statements.

CONNECTICUT HIGHER EDUCATION TRUST

STATEMENTS OF CHANGES IN PROGRAM EQUITY
FOR THE YEARS ENDED JUNE 30,

	2004	2003
FROM OPERATIONS		
Investment income - net	$16,400,850	$6,676,856
Net realized loss on investments	(842,006)	(3,388,037)
Net change in unrealized appreciation on investments	19,818,960	11,838,999
NET INCREASE IN PROGRAM EQUITY RESULTING FROM OPERATIONS	35,377,804	15,127,818
FROM ACCOUNT OWNER TRANSACTIONS		
Subscriptions	123,041,659	117,622,540
Redemptions	(17,870,257)	(8,705,989)
NET INCREASE IN PROGRAM EQUITY RESULTING FROM ACCOUNT OWNER TRANSACTIONS	105,171,402	108,916,551
NET INCREASE IN PROGRAM EQUITY	140,549,206	124,044,369
PROGRAM EQUITY:		
Beginning of year	332,013,553	207,969,184
End of year	$472,562,759	$332,013,553

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1—ORGANIZATION

The Connecticut Higher Education Trust Program (the "Program") was formed on July 1, 1997 by Connecticut law, to help people save for the costs of education after high school. The Program is administered by the Treasurer of the State of Connecticut, as trustee of the Connecticut Higher Education Trust (the "Trust"). The Trustee has the authority to enter into contracts for program management services, adopt regulations for the administration of the Program and establish investment policies for the Program. TIAA-CREF Tuition Financing, Inc. ("TFI"), a wholly-owned subsidiary of Teachers Insurance and Annuity Association of America ("TIAA"), and the Trustee have entered into a Management Agreement under which TFI serves as Program Manager. The Program is operated in a manner such that it is exempt from registration as an investment company under the Investment Company Act of 1940.

An individual participating in the Program establishes an Account in the name of a Beneficiary. Contributions may be allocated among three investment options: the Managed Allocation Option, the High Equity Option, and the Principal Plus Interest Option. Contributions in the Managed Allocation Option are allocated among ten age bands, according to the beneficiary's date of birth. Effective January 23, 2004, the number of age bands in the Managed Allocation Option has been changed to ten age bands, combining the three age bands for the oldest Beneficiaries into one age band. Each age band invests in varying percentages in the institutional class of the International Equity, Equity Index, Bond and Money Market Funds of the TIAA-CREF Institutional Mutual Funds. Contributions in the High Equity Option may be allocated in varying percentages in the institutional class of the Growth & Income, International Equity and Bond Funds of the TIAA-CREF Institutional Mutual Funds. All allocation percentages are determined by the Treasurer and are subject to change. The assets in the Principal Plus Interest Option are allocated to a funding agreement issued by TIAA-CREF Life Insurance Company, a subsidiary of TIAA, which offers a guarantee to the Trust of principal and an annual minimum rate of return.

Teachers Advisors, Inc. ("Advisors"), an affiliate of TFI, is registered with the Securities and Exchange Commission ("Commission") as an investment adviser and provides investment advisory services to the TIAA-CREF Institutional Mutual Funds. Teachers Personal Investors Services, Inc. ("TPIS"), an affiliate of TFI, and TIAA-CREF Individual & Institutional Services, LLC ("Services"), also an affiliate of TFI, both of which are registered with the Commission as broker-dealers and are members of the National Association of Securities Dealers, Inc., provide the telephone counseling, marketing and information services required of TFI.

NOTE 2—SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial statements may require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income, expenses and related disclosures. Actual results may differ from those estimates. The following is a summary of the significant accounting policies consistently followed by the Program, which are in conformity with accounting principles generally accepted in the United States.

Valuation of Investments: The market value of the investments in mutual funds is based on the net asset values of the respective mutual funds on the close of business on the valuation date. The value of the TIAA-CREF Life Funding Agreement is based on the principal contributed and interest credited less any amounts withdrawn.

Accounting for Investments: Securities transactions are accounted for as of the date the securities are purchased or sold (trade date). Interest income is recorded as earned. Dividend income is recorded on the ex-dividend date. Realized gains and losses are based upon the specific identification method.

Federal and State Income Tax: No provision for federal income tax has been made. The Program is established to be a qualified state tuition program under Section 529 of the Internal Revenue Code, which exempts earnings on qualified withdrawals from federal income tax, and does not expect to have any unrelated business income subject to tax. Earnings on qualified withdrawals are exempt from Connecticut income tax.

NOTE 3—MANAGEMENT AGREEMENTS

For its services as Program Manager with respect to the Managed Allocation Option and the High Equity Option, TFI, and related entities, are paid an annual aggregate management fee of 0.57% of the average daily net assets of the Trust, so invested, excluding certain administrative funds, plus the specific investment management fees for the underlying investments in the TIAA-CREF Institutional Mutual Funds, the total of which shall not exceed 0.79% of the average daily net assets of the Trust invested in such investment options excluding certain administrative funds. No fee is charged on assets in the Principal Plus Interest Option, however, an expense fee is paid to TFI by TIAA-CREF Life Insurance Company for distribution, administrative and other reasonable expenses. Total fees earned by TFI, and related entities, for the year ended June 30, 2004 were $2,298,324, which includes $1,891,068 due directly from the Program and $407,256 due on Program investments in the TIAA-CREF Institutional Mutual Funds. Telephone counseling, marketing and information services required of TFI are provided by TPIS and Services in accordance with a Distribution Agreement among TFI, TPIS and Services.

NOTE 4—INVESTMENTS

At June 30, 2004, net unrealized appreciation of portfolio investments was $16,011,334, consisting of gross unrealized appreciation of $20,107,886 and gross unrealized depreciation of $4,096,552. At June 30, 2003, net unrealized depreciation of portfolio investments was $3,807,626, consisting of gross unrealized appreciation of $6,191,332 and gross unrealized depreciation of $9,998,958.

Purchases and sales of portfolio securities for the year ended June 30, 2004 were $196,035,609 and $74,514,554, respectively. Purchases and sales of portfolio securities for the year ended June 30, 2003 were $134,195,123 and $19,299,801, respectively.

At June 30, 2004 and June 30, 2003, the Program's investments consist of the following:

	2004		2003	
TIAA-CREF Institutional Mutual Funds (Institutional Class):	COST	VALUE	COST	VALUE
International Equity Fund	$ 27,644,557	$ 33,423,580	$ 25,999,375	$ 23,697,206
Growth & Income Fund	52,655,540	56,900,554	35,171,054	33,072,008
Equity Index Fund	103,386,334	113,470,170	93,683,809	88,086,066
Bond Fund	155,782,448	151,685,909	99,111,074	105,302,406
Money Market Fund	37,445,024	37,445,024	17,165,092	17,165,092
TIAA-CREF Life Insurance Company:				
Funding Agreement	78,714,054	78,714,054	63,819,208	63,819,208
TIAA-CREF Mutual Funds:				
Money Market Fund*	150,737	150,737	150,033	150,033
	$455,778,694	$471,790,028	$335,099,645	$331,292,019

*Represents the assets of the administrative account.

REPORT OF INDEPENDENT AUDITORS

To the Account Owners and Trustee of Connecticut Higher Education Trust Program:

We have audited the accompanying statements of financial condition of the Connecticut Higher Education Trust Program (the "Program") as of June 30, 2004 and 2003, and the related statements of operations and changes in program equity for the years then ended. These financial statements are the responsibility of the Program's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of June 30, 2004, by correspondence with the custodian and others. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Connecticut Higher Education Trust Program at June 30, 2004 and 2003, and the results of its operations and its changes in program equity for the years then ended, in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Supplemental Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ernst & Young LLP

New York, New York
September 13, 2004

STATEMENT OF NET ASSETS
JUNE 30, 2004

Face Amount		Maturity Date	Yield	Value (Note 1)	Ratings (a) Moody's &	Standard Poor's
Put Bonds (b) (9.33%)						
$3,000,000	Houston, TX Independent School District Limited Tax Schoolhouse and Refunding Bonds - Series 2003	06/15/05	1.73%	$3,000,000	VMIG-1	A1+
2,000,000	Intermountain Power Agency (Utah Power Supply) - Series F Insured by AMBAC Indemnity Corp.	09/15/04	0.92	2,000,000	VMIG-1	A1+
3,000,000	Metropolitan Government of Nashville & Davidson Counties, TN (Vanderbilt University) - Series 1985A	01/15/05	1.05	3,000,000	VMIG-1	A1+
1,250,000	Metropolitan Government of Nashville & Davidson Counties, TN (Vanderbilt University) - Series 1985A	01/15/05	1.05	1,250,000	VMIG-1	A1+
2,000,000	Plaquemines, LA Port & Harbor (International Marine Terminal Project) - Series 1984B(d) LOC KBC Bank	03/15/05	1.08	2,000,000		
4,650,000	Richardson, TX Independent School District (Unlimited Tax School Building Bond) - Series 2000	04/01/05	1.10	4,650,000	VMIG-1	A1+
15,900,000	**Total Put Bonds**			**15,900,000**		
Tax Exempt Commercial Paper (1.18%)						
$2,000,000	York County, PA IDA PCRB (Philadelphia Electric Co.) LOC Bank One	08/23/04	1.15%	$2,000,000	P1	A1+
2,000,000	**Total Tax Exempt Commercial Paper**			**2,000,000**		
Tax Exempt General Obligation Notes & Bonds (13.90%)						
$4,000,000	Charleston County, SC School District BAN - Series 2004	11/04/04	0.96%	$4,014,247	MIG-1	SP-1+
3,510,000	City of Pawtucket, RI GO BAN	07/16/04	0.95	3,512,208		SP-1+
4,000,000	Lakewood, OH City School District BAN	09/14/04	1.07	4,005,504	MIG-1	
3,500,000	Oregon State TAN	11/15/04	1.07	3,515,295	MIG-1	SP-1+
3,000,000	Texas State TRAN	08/31/04	1.12	3,004,354	MIG-1	SP-1+
3,000,000	Texas State TRAN	08/31/04	1.14	3,004,253	MIG-1	SP-1+
2,600,000	The Commonwealth System of Pennsylvania Higher Education Funding Obligation (Temple University)	05/02/05	1.27	2,621,023	MIG-1	
23,610,000	**Total Tax Exempt General Obligation Notes & Bonds**			**23,676,884**		
Variable Rate Demand Instruments (c) (73.57%)						
$3,650,000	City & County of Denver, CO Refunding MHRB (Cottonwood Creek Project) Guaranteed by Federal Home Loan Mortgage Corporation	04/15/14	1.08%	$3,650,000		A1+
2,000,000	City of Pulaski and Giles, TN IDRB (Martin Methodist College Project) - Series 2004 LOC Amsouth Bank, N.A.	01/01/24	1.23	2,000,000	VMIG-1	
1,650,000	Commonwealth of Massachusetts (Central Artery Tunnel) - Series 2000	12/01/30	1.10	1,650,000	VMIG-1	A1+

See accompanying Notes to the Financial Statements.

STATEMENT OF NET ASSETS (Continued)
JUNE 30, 2004

Face Amount		Maturity Date	Yield	Value (Note 1)	Ratings (a) Moody's	Standard & Poor's
Variable Rate Demand Instruments (c) (Continued)						
$6,000,000	Connecticut State HEFA (Yale University)	07/01/29	1.08%	$6,000,000	VMIG-1	A1+
4,970,000	Cuyahoga County, OH (Cleveland Health Education Museum Project) LOC Key Bank, N.A.	03/01/32	1.10	4,970,000	VMIG-1	
4,800,000	Dekalb County, GA Private Hospital Authority (Egleston Children's Hospital) LOC Suntrust Bank	03/01/24	1.08	4,800,000	VMIG-1	A1+
6,450,000	Dekalb County, GA Housing Authority MHRB (Wood Hills Apartments) LOC Fleet Bank	12/01/07	1.09	6,450,000		A1+
3,800,000	Detroit, MI Senior Lien RB (Sewer Disposal) - Series B Insured by FSA	07/01/33	1.06	3,800,000	VMIG-1	A1+
1,400,000	Emmaus, PA General Authority Local Government (Pool Project) - Series 1989 F-15 GIC Goldman Sachs Group L.P.	03/01/24	1.08	1,400,000		A1
2,480,000	Farmington, NM PCRB (Arizona Public School System) LOC Barclays Bank PLC	09/01/24	1.06	2,480,000	P1	A1+
5,200,000	Florida HFA MHRB (Town Colony II Project) - Series EE LOC Credit Suisse First Boston	09/01/08	1.09	5,200,000		A1+
4,000,000	Fulton County, GA Housing Authority MHRB (Greenhouse Holcomb Project) Collateralized by Federal National Mortgage Association	04/01/30	1.03	4,000,000		A1+
305,000	Greystone RB Certificate Trust (Senior Certificates of Beneficial Ownership) LOC Credit Suisse First Boston	05/01/28	1.22	305,000	VMIG-1	A1+
3,200,000	Harris County, TX IDC RB (Odfjell Terminal Project) LOC Danske Bank	02/01/20	1.04	3,200,000		A1+
1,540,000	Houston County, GA Development Authority (Middle Georgia Community Action) LOC Columbus Bank & Trust Company	01/01/31	1.23	1,540,000	P1	A1
3,300,000	Illinois Educational Facilities Authority (Chicago Children's Museum) - Series 1994 LOC National Bank of Detroit	02/01/28	1.08	3,300,000	VMIG-1	A1+
2,275,000	Illinois HEFA RB (Rush-Presbyterian St. Luke's Medical Center) LOC Northern Trust Bank	11/15/06	1.05	2,275,000	VMIG-1	A1+
2,100,000	Indiana HEFA (Rehabilitation Hospital of Indiana) LOC National City Bank	11/01/20	1.08	2,100,000	VMIG-1	
4,000,000	Indiana Municipal Power Agency RB (Power Supply System) - Series A LOC Toronto Dominion Bank	01/01/18	1.08	4,000,000	VMIG-1	A1
1,900,000	Iowa Higher Educational Loan Authority RB (Loras College Project) LOC LaSalle National Bank	11/01/32	1.08	1,900,000		A1

See accompanying Notes to the Financial Statements.

STATEMENT OF NET ASSETS (Continued)
JUNE 30, 2004

Face Amount		Maturity Date	Yield	Value (Note 1)	Ratings (a) Moody's	Standard & Poor's
Variable Rate Demand Instruments (c) (Continued)						
$2,900,000	Kentucky EDC HRB (Baptist Healthcare System) - Series 1999C Insured by MBIA Insurance Corp.	08/15/31	1.10%	$2,900,000	VMIG-1	A1+
2,500,000	Lakeview, MI School District (2002 School Building & Site) - Series B	05/01/32	1.06	2,500,000		A1+
1,800,000	Lancaster County, NE Hospital Authority RB (Bryan Leigh Medical Center) Insured by AMBAC Indemnity Corp	06/01/18	1.08	1,800,000	VMIG-1	
685,000	Lancaster, PA Higher Education Authority RB (Franklin & Marshall College) LOC Chase Manhattan Bank, N.A.	04/15/27	1.18	685,000	VMIG-1	A1
2,680,000	Lisle, IL MHRB Collateralized by Federal National Mortgage Association	09/15/26	1.03	2,680,000		A1+
3,000,000	Michigan Higher Education Facility Authority RB (Hope College Project) - Series 2002A LOC Fifth Third Bank	04/01/32	1.12	3,000,000		A1+
2,060,000	Missouri State HEFA (Washington University Project) - Series A	09/01/10	1.04	2,060,000	VMIG-1	A1+
4,420,000	Montgomery County, MD Housing Opportunities Commission MHRB (Oakwood-Gaithersburg) Guaranteed by Federal Home Loan Mortgage Corporation	11/01/07	1.06	4,420,000		A1+
1,400,000	New Ulm, MN Hospital Facility RB (Health Center System Project) - Series 1985 LOC Wells Fargo Bank, N.A.	08/01/14	1.00	1,400,000		A1+
6,000,000	New York State Dormitory Authority RB (Mental Health System) - Series 2003 LOC Dexia CLF	02/15/21	1.06	6,000,000		A1+
7,000,000	North Carolina Educational Facilities Finance Agency (Duke University) - Series 1992A	06/01/27	1.02	7,000,000	VMIG-1	A1+
3,000,000	Piedmont, SC Municipal Power Agency RB - Series B Insured by MBIA Indemnity Corp.	01/01/19	0.99	3,000,000	VMIG-1	A1+
4,025,000	Pinellas County, FL Health (St. Mark's Village Project) LOC Bank of America	03/01/17	1.08	4,025,000		A1+
2,000,000	Puerto Rico PFC P - Floats PA 843 Insured by FSA	07/01/16	1.07	2,000,000		A1+
5,000,000	Quakertown, PA Hospital Authority RB (HPS Group Pooled Financing) LOC PNC Bank	07/01/05	1.02	5,000,000	VMIG-1	
550,000	Reading, PA (York County General Authority) Insured by AMBAC Indemnity Corp.	09/01/26	1.09	550,000		A1+
2,500,000	State of Connecticut Health & Education (Quinnipiac University) - Series 2003 LOC J.P. Morgan Chase & Company	07/01/23	1.03	2,500,000	VMIG-1	A1+

See accompanying Notes to the Financial Statements.

STATEMENT OF NET ASSETS (Continued)
JUNE 30, 2004

Face Amount		Maturity Date	Yield	Value (Note 1)	Ratings (a) Moody's	Ratings (a) Standard & Poor's
Variable Rate Demand Instruments (c) (Continued)						
$2,000,000	Utah Transit Authority Sales Tax RB Series - 2 LOC Bayerische Landesbank, A.G.	09/01/32	1.08%	$ 2,000,000	VMIG-1	A1+
6,300,000	Valdez, AK Marine Terminal (British Petroleum Pipelines Inc. Project)	07/01/37	1.10	6,300,000	VMIG-1	A1+
500,000	Wisconsin HEFA (Alverno College Project) LOC Allied Irish Bank	11/01/17	1.13	500,000	VMIG-1	
125,340,000	Total Variable Rate Demand Instruments			125,340,000		
	Total Investments (97.98%) (Cost $166,916,884†)			166,916,884		
	Cash and other assets, net of liabilities (2.02%) (Note 4)			3,444,940		
	Net Assets (100.00%), 170,382,434 shares outstanding (Note 3)			$170,361,824		
	Net Asset Value, offering and redemption price per share			$ 1.00		

† Aggregate cost for federal income tax purposes is identical.

See accompanying Notes to the Financial Statements.

STATEMENT OF NET ASSETS (Continued)
JUNE 30, 2004

FOOTNOTES:

(a) Unless the variable rate demand instruments are assigned their own ratings, the ratings are those of the holding company of the bank whose letter of credit guarantees the issue or the insurance company who insures the issue. All letters of credit and insurance are irrevocable and direct pay covering both principal and interest. Certain issuers have either a line of credit, a liquidity facility, a standby purchase agreement or some other financing mechanism to ensure the remarketing of the securities. This is not a guarantee and does not serve to insure or collateralize the issue. Ratings have not been audited by Sanville & Company.

(b) Maturity date indicated is the next put date.

(c) Securities payable on demand at par including accrued interest (usually with seven days notice) and where indicated are unconditionally secured as to principal and interest by a bank letter of credit. The interest rates are adjustable and are based on bank prime rates or other interest rate adjustment indices. The rate shown is the rate in effect at the date of this statement.

(d) Securities that are not rated have been determined by the Fund's Board of Directors to be of comparable quality to those rated securities in which the Fund invests.

KEY:

BAN = Bond Anticipation Note
EDC = Economic Development Corporation
FSA = Financial Security Assurance
GIC = Guaranteed Investment Contract
GO = General Obligation
HFA = Housing Finance Authority
HEFA = Health and Education Facilities Authority
HRB = Hospital Revenue Bond
IDA = Industrial Development Authority
IDC = Industrial Development Corporation
IDRB = Industrial Development Revenue Bond
LOC = Letter of Credit
MHRB = Multi-Family Housing Revenue Bond
PCRB = Pollution Control Revenue Bond
PFC = Public Finance Corporation
RB = Revenue Bond
TAN = Tax Anticipation Note
TRAN = Tax and Revenue Anticipation Note

See accompanying Notes to the Financial Statements.

TAX EXEMPT PROCEEDS FUND, INC.

STATEMENT OF OPERATIONS
JUNE 30, 2004

INVESTMENT INCOME

Interest income	$ 1,736,906
Expenses (Note 2)	(700,717)
Net investment income	1,036,189

REALIZED GAIN (LOSS) ON INVESTMENTS

Net realized gain (loss) on investments	-0-
Net increase in net assets from operations	$ 1,036,189

See accompanying Notes to the Financial Statements.

TAX EXEMPT PROCEEDS FUND, INC.

STATEMENT OF CHANGES IN NET ASSETS
JUNE 30, 2004 and 2003

	Year Ended June 30, 2004	Year Ended June 30, 2003
INCREASE (DECREASE) IN NET ASSETS		
Operations:		
Net investment income	$ 1,036,189	$ 1,873,880
Net realized gain (loss) on investments	-0-	-0-
Net increase in net assets from operations	1,036,189	1,873,880
Dividends to shareholders from net investment income	(1,036,189)	(1,873,880)
Net increase (decrease) from capital share transactions (Note 3)	(20,060,132)	(11,302,662)
Total increase (decrease) in net assets	(20,060,132)	(11,302,662)
Net assets:		
Beginning of year	190,421,956	201,724,618
End of year	$ 170,361,824	$ 190,421,956
Undistributed net investment income	-0-	-0-

See accompanying Notes to the Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Accounting Policies

Tax Exempt Proceeds Fund, Inc. is a no-load, diversified, open-end management investment company registered under the Investment Company Act of 1940. This Fund is a short term, tax exempt money market fund. The Fund's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America for investment companies as follows:

a) Valuation of Securities -

Investments are valued at amortized cost. Under this valuation method, a portfolio instrument is valued at cost and any discount or premium is amortized on a constant basis to the maturity of the instrument. The maturity of variable rate demand instruments is deemed to be the longer of the period required before the Fund is entitled to receive payment of the principal amount through demand or the period remaining until the next interest rate adjustment.

b) Federal Income Taxes -

It is the Fund's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its tax exempt and taxable income, if any, to its shareholders. Therefore, no provision for federal income tax is required.

c) Dividends and Distributions -

Dividends from investment income (excluding capital gains and losses, if any, and amortization of market discount) are declared daily and paid monthly. Distributions of net capital gains, if any, realized on sales of investments are made after the close of the Fund's fiscal year, as declared by the Fund's Board of Directors.

d) Use of Estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

e) General -

Securities transactions are recorded on a trade date basis. Interest income including accretion of discount and amortization of premium, is accrued as earned. Realized gains and losses from securities transactions are recorded on the identified cost basis.

2. Investment Management Fees and Other Transactions with Affiliates

Under the Investment Management Contract, the Fund pays an investment management fee to Reich & Tang Asset Management, LLC (the "Manager") at the annual rate of .40 of 1% per annum of the Fund's average daily net assets up to $250 million; .35 of 1% per annum of the average daily net assets between $250 million and $500 million; and .30 of 1% per annum of the average daily net assets over $500 million. The Management Contract also provides that the Manager will bear the cost of all other expenses of the Fund. Therefore, the fee payable under the Management Contract will be the only expense of the Fund.

Pursuant to a Distribution Plan adopted under Securities and Exchange Commission Rule 12b-1, the Fund and the Manager have entered into a Distribution Agreement. The Fund's Board of Directors has adopted the plan in case certain expenses of the Fund are deemed to constitute indirect payments by the Fund for distribution expenses.

3. Capital Stock

At June 30, 2004, 20,000,000,000 shares of $.001 par value stock were authorized and paid in capital amounted to $170,380,253. Transactions in capital stock, all at $1.00 per share, were as follows:

	Year Ended June 30, 2004	Year Ended June 30, 2003
Sold	749,730,925	776,093,996
Issued on reinvestment of dividends	350,465	556,525
Redeemed	(770,141,522)	(787,953,183)
Net (decrease)	(20,060,132)	(11,302,662)

4. Liabilities

At June 30, 2004, the Fund had the following liabilities:

Fees payable to affiliate*	$ 1,859
Dividends payable	54,469
Total liabilities	$ 56,328

* Includes fees payable to Reich & Tang Asset Management, LLC.

5. Tax Information

Accumulated undistributed realized losses at June 30, 2004 amounted to $18,429. This amount represents tax basis capital losses which may be carried forward to offset future gains. Such losses expire through June 30, 2008.

The tax character of all distributions paid during the years ended June 30, 2004 and 2003 were tax-exempt.

At June 30, 2004, the Fund had no distributable earnings.

6. Financial Highlights

	Year Ended June 30,				
	2004	**2003**	**2002**	**2001**	**2000**
Per Share Operating Performance:					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00
Income from investment operations:					
Net investment income	0.006	0.009	0.015	0.034	0.033
Less distributions:					
Dividends from net investment income	(0.006)	(0.009)	(0.015)	(0.034)	(0.033)
Net asset value, end of year	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00
Total Return	0.60%	0.92%	1.48%	3.50%	3.30%
Ratios/Supplemental Data					
Net assets, end of year (000)	$170,362	$190,422	$201,725	$207,541	$208,171
Ratios to average net assets:					
Expenses	0.40%	0.40%	0.40%	0.40%	0.40%
Net investment income	0.59%	0.92%	1.48%	3.45%	3.29%

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of
Tax Exempt Proceeds Fund, Inc.

We have audited the accompanying statement of net assets of Tax Exempt Proceeds Fund, Inc. (the "Fund") as of June 30, 2004 and the related statement of operations for the year then ended and the statements of changes in net assets for each of the two years in the period then ended and the financial highlights for each of the three years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The financial highlights for each of the two years in the period ended June 30, 2001, were audited by other auditors whose report, dated July 27, 2001 expressed an unqualified opinion on this information.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of June 30, 2004 by correspondence with the Fund's custodian. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Tax Exempt Proceeds Fund, Inc. as of June 30, 2004, the results of its operations for the year then ended and the changes in its net assets for each of the two years in the period then ended, and its financial highlights for each of the three years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

Sanville & Company

New York, New York
July 16, 2004

Sanville & Company
Certified Public Accountants

Supplemental Information

STATE OF CONNECTICUT

QUI TRANSTULIT SUSTINET

TREASURER'S OFFICE

COMBINED INVESTMENT FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2004

	CASH RESERVE FUND	MUTUAL EQUITY FUND	FIXED INCOME FUND	INTER-NATIONAL STOCK FUND	REAL ESTATE FUND	COMMERCIAL MORTGAGE FUND	PRIVATE INVESTMENT FUND	ELIMI-NATION ENTRY	TOTAL
ASSETS									
Investments in Securities, at Fair Value									
Cash Reserve Fund	$ -	$ 65,030,485	$ 685,735,194	$ 84,108,282	$ 23,873,332	$ 529,635	$ 175,230,571	$(1,034,507,499)	$ -
Cash Equivalents	571,074,338	-	131,014,552	-	-	-	-	-	702,088,890
Asset Backed Securities	504,491,261	-	68,860,394	-	-	-	-	-	573,351,655
Government Securities	-	-	1,441,108,121	-	-	-	-	-	1,441,108,121
Government Agency Securities	30,753,896	-	1,600,450,325	-	-	-	-	-	1,631,204,221
Mortgage Backed Securities	80,654,910	-	454,710,826	-	-	656,173	-	-	536,021,909
Corporate Debt	210,703,950	-	1,831,721,972	-	-	-	-	-	2,042,425,922
Convertible Securities	-	-	34,925,948	62,724	-	-	-	-	34,988,672
Common Stock	-	7,637,241,901	6,897,847	3,727,426,698	43,804,011	35,042,563	-	-	11,450,413,020
Preferred Stock	-	-	-	74,664,086	-	-	-	-	74,664,086
Real Estate Investment Trust	-	76,832,291	594,895	77,499	-	-	-	-	77,504,685
Mutual Fund	-	-	69,864,062	109,528,976	-	-	-	-	179,393,038
Limited Liability Corporation	-	-	-	-	-	-	22,948,138	-	22,948,138
Trusts	-	-	-	-	46,404,007	-	-	-	46,404,007
Limited Partnerships	-	-	-	-	253,151,772	-	1,583,133,960	-	1,836,285,732
Partnerships	-	-	-	-	-	-	-	-	-
Annuities	-	-	-	-	1,313,806	-	-	-	1,313,806
Total Investments in Securities, at Fair Value	1,397,678,355	7,779,104,677	6,325,884,136	3,995,868,265	368,546,928	36,228,371	1,781,312,669	(1,034,507,499)	20,650,115,902
Cash	-	69,107	971,228	17,024,361	-	-	652,869	-	18,717,565
Receivables									
Foreign Exchange Contracts	-	-	161,137,732	7,753,643,192	-	-	-	-	7,914,780,924
Interest Receivable	3,802,303	65,550	77,374,888	88,749	16,518	562	171,757	(1,240,478)	80,279,849
Dividends Receivable	-	7,048,152	97,781	6,540,467	-	174,489	-	-	13,860,889
Due from Brokers	-	42,230,253	218,796,314	50,142,278	-	-	2,504,531	-	313,673,376
Management Fee Receivable	-	-	-	-	-	-	-	-	-
Foreign Taxes	-	542	1,515	1,777,008	-	-	-	-	1,779,065
Securities Lending Receivable	-	110,919	209,537	465,208	-	-	-	-	785,664
Reserve for Doubtful Receivables	-	-	(12,831,609)	(95,050)	-	-	-	-	(12,926,659)
Total Receivables	3,802,303	49,455,416	444,786,158	7,812,561,852	16,518	175,051	2,676,288	(1,240,478)	8,312,233,108
Invested Securities Lending Collateral	-	404,840,310	1,114,438,733	603,199,932	-	-	-	-	2,122,478,975
Other Funds on Deposit	-	-	-	-	-	-	-	-	-
Prepaid Expenses	-	-	-	-	-	1,054	3,008,998	-	3,010,052
Total Assets	1,401,480,658	8,233,469,510	7,886,080,255	12,428,654,410	368,563,446	36,404,476	1,787,650,824	(1,035,747,977)	31,106,555,602
LIABILITIES									
Payables									
Foreign Exchange Contracts	-	-	162,181,226	7,767,381,154	-	-	-	-	7,929,562,380
Due to Brokers	-	45,059,045	756,536,630	49,380,121	-	-	-	-	850,975,796
Income Distribution	1,606,371	-	-	-	-	-	-	(1,222,661)	383,710
Other Payable	-	-	-	-	-	-	-	-	-
Total Payables	1,606,371	45,059,045	918,717,856	7,816,761,275	-	-	-	(1,222,661)	8,780,921,886
Securities Lending Collateral	-	404,840,310	1,114,438,733	603,199,932	-	-	-	-	2,122,478,975
Accrued Expenses	68,553	2,511,363	3,482,436	5,409,844	25,790	-	2,284,788	(17,813)	13,764,961
Total Liabilities	1,674,924	452,410,718	2,036,639,025	8,425,371,051	25,790	-	2,284,788	(1,240,474)	10,917,165,822
NET ASSETS	$1,399,805,734	$7,781,058,792	$5,849,441,230	$4,003,283,359	$368,537,656	$36,404,476	$1,785,366,036	$(1,034,507,503)	$20,189,389,780
Units Outstanding	1,399,805,734	9,641,912	51,696,296	16,604,790	6,985,137	580,161	27,371,972		
Net Asset Value and Redemption Price per Unit	$ 1.00	$ 807.00	$ 113.15	$ 241.09	$ 52.76	$ 62.75	$ 65.23		

The accompanying notes are an integral part of these financial statements.

COMBINED INVESTMENT FUNDS

STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	CASH RESERVE FUND	MUTUAL EQUITY FUND	FIXED INCOME FUND	INTER-NATIONAL STOCK FUND	REAL ESTATE FUND	COMMERCIAL MORTGAGE FUND	PRIVATE INVESTMENT FUND	ELIMI-NATION ENTRY	TOTAL
Investment Income									
Dividends	$-	$114,031,024	$6,410,034	$85,964,184	$18,235,050	$4,553,897	$378,335,074	$-	$607,529,263
Interest	21,155,254	746,596	294,849,438	510,421	109,081	19,048	1,414,839	(15,775,492)	303,029,185
Other Income	-	2,830,195	24,490,944	296,041	-	-	1,895,696	-	29,512,876
Securities Lending	-	4,845,114	10,650,359	7,757,508	-	-	-	-	23,252,981
Total Income	21,155,254	122,452,929	336,400,775	94,528,154	18,344,131	4,572,945	381,645,609	(15,775,492)	963,324,305
Expenses									
Investment Advisory Fees	313,350	6,459,864	8,070,224	17,336,519	1,120,127	327,489	5,591,485	(233,666)	38,985,392
Salary and Fringe Benefits	181,142	803,795	497,222	387,188	152,407	8,432	361,200	(135,078)	2,256,308
Custody and Transfer Agent Fees	64,856	161,062	124,947	837,845	30,493	1,885	242,039	(48,363)	1,414,764
Professional Fees	44,689	215,527	130,906	108,717	266,083	1,026	5,576,574	(33,325)	6,310,197
Security Lending Fees	-	462,618	803,808	1,232,449	-	-	-	-	2,498,875
Security Lending Rebates	-	3,197,537	7,885,199	3,100,113	-	-	-	-	14,182,849
Investment Expenses	110,519	57,655	30,861	33,537	2,499	165	11,468	(82,414)	164,290
Total Expenses	714,556	11,358,058	17,543,167	23,036,368	1,571,609	338,997	11,782,766	(532,846)	65,812,675
Net Investment Income	20,440,698	111,094,871	318,857,608	71,491,786	16,772,522	4,233,948	369,862,843	(15,242,646)	897,511,630
Net Realized Gain (Loss)	232,621	565,299,222	69,116,799	247,550,316	(8,191,028)	315,547	6,829,021	(173,466)	880,979,032
Net Change in Unrealized Gain/(Loss) on Investments and Foreign Currency	-	679,252,870	(267,934,874)	587,209,136	(5,959,369)	(1,101,440)	(54,550,699)	-	936,915,624
Net Increase (Decrease) in Net Assets Resulting from Operations	$20,673,319	$1,355,646,963	$120,039,533	$906,251,238	$2,622,125	$3,448,055	$322,141,165	$(15,416,112)	$2,715,406,286
Net Transfers	-	-	-	-	-	-	-	-	-
Distributions to Unit Owners:									
Income Distributed	(20,673,319)	(108,195,347)	(280,450,557)	(54,060,398)	(36,874,628)	(11,397,679)	(319,894,385)	15,416,122	(816,130,191)
Returns of Capital	-	-	-	-	-	-	-	-	-
Total Distributions	(20,673,319)	(108,195,347)	(280,450,557)	(54,060,398)	(36,874,628)	(11,397,679)	(319,894,385)	15,416,122	(816,130,191)
Unit Transactions									
Purchase of Units by Participants	4,881,927,560	-	379,251,940	1,200,000,000	2,000,000	-	29,000,000	(3,602,665,657)	2,889,513,843
Redemption of Units by Participants	(5,334,947,610)	(64,861,000)	(979,000,000)	(83,000,000)	(25,000,000)	(27,928,399)	(94,000,000)	3,708,931,783	(2,899,805,226)
Net Increase (Decrease) in Net Assets Resulting from Unit Transactions	(453,020,050)	(64,861,000)	(599,748,060)	1,117,000,000	(23,000,000)	(27,928,399)	(65,000,000)	106,266,126	(10,291,383)
Total Increase (Decrease) in Net Assets	(453,020,050)	1,182,590,616	(760,159,084)	1,969,190,840	(57,252,503)	(35,878,023)	(62,753,220)	106,266,136	1,888,984,712
Net Assets- Beginning of Period	1,852,825,784	6,598,468,176	6,609,600,314	2,034,092,519	425,790,159	72,282,499	1,848,119,256	(1,140,773,639)	18,300,405,068
Net Assets- End of Period	$1,399,805,734	$7,781,058,792	$5,849,441,230	$4,003,283,359	$368,537,656	$36,404,476	$1,785,366,036	$(1,034,507,503)	$20,189,389,780
Other Information:									
Units									
Purchased	4,881,927,560	-	3,254,328	6,168,629	34,769	-	447,705		
Redeemed	(5,334,947,610)	(91,497)	(8,743,313)	(348,440)	(450,800)	404,771	(1,392,409)		
Net Increase (Decrease)	(453,020,050)	(91,497)	(5,488,985)	5,820,188	(416,030)	404,771	(944,704)		

The accompanying notes are an integral part of these financial statements

COMBINED INVESTMENT FUNDS

STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	CASH RESERVE FUND	MUTUAL EQUITY FUND	FIXED INCOME FUND	INTER-NATIONAL STOCK FUND	REAL ESTATE FUND	COMMERCIAL MORTGAGE FUND	PRIVATE INVESTMENT FUND	ELIMI-NATION ENTRY	TOTAL
Investment Income									
Dividends	$ -	$97,908,864	$ 4,237,918	$ 48,496,325	$ 7,822,522	$ 9,047,138	$ 316,844,834	$ -	$484,357,601
Interest	34,567,405	1,086,329	336,353,398	864,340	122,382	64,841	1,900,432	(22,616,447)	352,342,680
Other Income	103,203	938,639	-	301,898	35,444	-	2,695,860	(67,523)	4,007,521
Securities Lending	-	4,698,471	14,686,868	5,537,417	-	-	-	-	24,922,756
Total Income	34,670,608	104,632,303	355,278,184	55,199,980	7,980,348	9,111,979	321,441,126	(22,683,970)	865,630,558
Expenses									
Investment Advisory Fees	402,399	13,885,595	8,787,612	12,077,535	1,217,754	417,400	5,742,250	(263,278)	42,267,267
Salary and Fringe Benefits	144,318	706,340	636,446	221,713	136,687	11,014	302,237	(94,423)	2,064,332
Custody and Transfer Agent Fees	64,609	144,142	179,513	575,022	33,524	3,244	234,516	(42,272)	1,192,298
Professional Fees	35,800	265,413	276,542	79,863	186,278	2,995	1,932,583	(23,423)	2,756,051
Security Lending Fees	-	351,772	964,177	740,115	-	-	-	-	2,056,064
Security Lending Rebates	-	3,390,218	11,123,203	2,677,727	-	-	-	-	17,191,148
Investment Expenses	25,952	50,855	42,808	15,478	3,406	572	25,162	(16,980)	147,253
Total Expenses	673,078	18,794,335	22,010,301	16,387,453	1,577,649	435,225	8,236,748	(440,376)	67,674,413
Net Investment Income	33,997,530	85,837,968	333,267,883	38,812,527	6,402,699	8,676,754	313,204,378	(22,243,594)	797,956,145
Net Realized Gain (Loss)	5,304	(343,085,583)	35,747,647	(263,021,093)	35,741,745	292,925	(32,317,579)	(3,470)	(566,640,104)
Net Change in Unrealized Gain/(Loss) on Investments and Foreign Currency	-	268,525,616	342,085,904	68,906,015	(27,635,527)	4,544,111	(532,641,824)	-	123,784,295
Net Increase (Decrease) in Net Assets Resulting from Operations	$34,002,834	$11,278,001	$711,101,434	$(155,302,551)	$14,508,917	$13,513,790	$(251,755,025)	$(22,247,064)	$355,100,336
Net Transfers	-	-	-	-	-	-	-	-	-
Distributions to Unit Owners:									
Income Distributed	(34,002,834)	(81,939,912)	(337,711,176)	(37,331,253)	(43,390,906)	(7,672,406)	(317,149,939)	22,247,064	(836,951,362)
Returns of Capital	-	-	-	-	-	-	-	-	-
Total Distributions	(34,002,834)	(81,939,912)	(337,711,176)	(37,331,253)	(43,390,906)	(7,672,406)	(317,149,939)	22,247,064	(836,951,362)
Unit Transactions									
Purchase of Units by Participants	4,230,807,741	-	2,373,700	-	6,500,000	-	136,000,000	(3,076,184,458)	1,299,496,983
Redemption of Units by Participants	(3,820,988,323)	(7,461,041)	(292,414,969)	-	(23,000,000)	(6,819,600)	-	2,927,288,702	(1,223,395,231)
Net Increase (Decrease) in Net Assets Resulting from Unit Transactions	409,819,418	(7,461,041)	(290,041,269)	-	(16,500,000)	(6,819,600)	136,000,000	(148,895,756)	76,101,752
Total Increase (Decrease) in Net Assets	409,819,418	(78,122,952)	83,348,989	(192,633,804)	(45,381,989)	(978,216)	(432,904,964)	(148,895,756)	(405,749,274)
Net Assets- Beginning of Period	1,443,006,366	6,676,591,128	6,526,251,325	2,226,726,323	471,172,148	73,260,715	2,281,024,220	(991,877,876)	18,706,154,346
Net Assets- End of Period	$1,852,825,784	$6,598,468,176	$6,609,600,314	$2,034,092,519	$425,790,159	$72,282,499	$1,848,119,256	$(1,140,773,632)	$18,300,405,072
Other Information:									
Units									
Purchased	4,230,807,741	-	21,285	-	108,173	-	1,894,328		
Redeemed	(3,820,988,323)	(11,927)	(2,595,969)	-	(378,490)	(96,971)	-		
Net Increase (Decrease)	409,819,418	(11,927)	(2,574,684)	-	(270,317)	(96,971)	1,894,328		

The accompanying notes are an integral part of these financial statements

PENSION FUNDS MANAGEMENT DIVISION

COMBINED INVESTMENT FUNDS
TOTAL NET ASSET VALUE BY PENSION PLANS AND TRUST FUNDS
JUNE 30, 2004

Retirement Funds	Net Asset Value
Teachers' Retirement Fund	$10,860,275,666
State Employees' Retirement Fund	7,709,615,695
Municipal Employees' Retirement Fund	1,303,832,973
State Judges' Retirement Fund	140,387,092
The Probate Court Retirement Fund	67,072,384
State's Attorneys Retirement Fund	716,010
Non-retirement Trust Funds	
Soldiers' Sailors' & Marines' Fund	59,072,186
Police & Firemans' Survivors' Benefit Fund	18,083,143
Connecticut Arts Endowment Fund	16,002,328
School Fund	8,866,264
Ida Eaton Cotton Fund	1,994,950
Hopemead Fund	1,946,127
Andrew Clark Fund	938,276
Agricultural College Fund	586,686
TOTAL	$20,189,389,780

PENSION FUNDS MANAGEMENT DIVISION

COMBINED INVESTMENT FUNDS
STATEMENT OF INVESTMENT ACTIVITY BY PENSION PLAN
FOR THE FISCAL YEAR ENDING JUNE 30, 2004

	CASH RESERVE FUND	MUTUAL EQUITY FUND	MUTUAL FIXED INCOME FUND	INTER-NATIONAL STOCK FUND	REAL ESTATE FUND	COMMERCIAL MORTGAGE FUND	PRIVATE INVESTMENT FUND	TOTALS
Teachers' Retirement Fund								
Book Value at June 30, 2003	$ 314,412,366	$ 989,170,649	$3,133,291,711	$ 740,984,430	$273,040,309	$ 40,204,455	$1,376,400,279	$ 6,867,504,200
Market Value at June 30, 2003	$ 314,412,366	$3,609,903,114	$3,530,422,912	$1,110,450,868	$232,032,151	$ 39,426,609	$1,009,366,137	$ 9,846,014,159
Shares Purchased	771,395,287	-	112,000,000	655,103,457	1,089,890	-	15,838,598	1,555,427,232
Shares Redeemed	(893,261,395)	(35,405,702)	(529,724,019)	(45,311,322)	(13,623,621)	(15,233,592)	(51,338,904)	(1,583,898,555)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	26,113,759	44,426,412	16,617,475	(2,996,480)	(1,288,936)	(16,080,007)	66,792,223
Net Investment Income Earned	2,337,552	59,187,054	148,118,381	29,512,627	20,094,637	6,216,886	174,713,396	440,180,533
Net Investment Income Distributed	(2,337,552)	(59,187,054)	(148,118,381)	(29,512,627)	(20,094,637)	(6,216,886)	(174,713,396)	(440,180,533)
Changes in Market Value of Fund Shares	-	656,294,290	(127,554,519)	448,610,165	(15,669,245)	(3,047,182)	17,307,098	975,940,607
Market Value at June 30, 2004	$ 192,546,258	$4,256,905,461	$3,029,570,786	$2,185,470,643	$200,832,694	$ 19,856,899	$ 975,092,922	$10,860,275,666
Book Value at June 30, 2004	192,546,258	979,878,706	2,759,994,104	1,367,394,040	257,510,098	23,681,927	1,324,819,966	6,905,825,099
Shares Outstanding	192,546,258	5,274,951	26,774,795	9,064,880	3,806,514	316,450	14,949,437	252,733,285
Market Value per Share (1)	$ 1.00	$ 807.00	$ 113.15	$ 241.09	$ 52.76	$ 62.75	$ 65.23	
State Employees' Retirement Fund								
Book Value at June 30, 2003	$ 288,463,958	$ 702,395,453	$2,216,540,823	$ 522,189,936	$192,487,005	$ 28,163,673	$ 967,559,365	$ 4,917,800,213
Market Value at June 30, 2003	$ 288,463,958	$2,498,015,185	$2,515,112,880	$ 784,016,290	$163,879,606	$ 27,766,991	$ 709,924,440	$ 6,987,179,350
Shares Purchased	422,597,602	-	167,000,000	462,525,445	769,767	-	11,139,870	1,064,032,684
Shares Redeemed	(574,814,069)	(24,500,376)	(377,381,333)	(31,991,343)	(9,622,087)	(10,728,567)	(36,108,545)	(1,065,146,320)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	17,902,304	34,074,020	11,752,451	(2,094,772)	(845,650)	(11,284,763)	49,503,590
Net Investment Income Earned	2,298,456	40,956,816	106,840,991	20,836,925	14,192,436	4,378,363	122,882,376	312,386,363
Net Investment Income Distributed	(2,298,456)	(40,956,816)	(106,840,991)	(20,836,925)	(14,192,436)	(4,378,363)	(122,882,376)	(312,386,363)
Changes in Market Value of Fund Shares	-	454,316,925	(95,835,925)	316,714,172	(11,088,452)	(2,208,150)	12,147,822	674,046,391
Market Value at June 30, 2004	$ 136,247,491	$2,945,734,038	$2,242,969,642	$1,543,017,014	$141,844,062	$ 13,984,624	$ 685,818,824	$ 7,709,615,695
Book Value at June 30, 2004	136,247,491	695,797,381	2,040,233,510	964,476,488	181,539,913	16,589,456	931,305,927	4,966,190,166
Shares Outstanding	136,247,491	3,650,211	19,822,957	6,400,115	2,688,464	222,866	10,514,490	179,546,595
Market Value per Share (1)	$ 1.00	$ 807.00	$ 113.15	$ 241.09	$ 52.76	$ 62.75	$ 65.23	
Municipal Employees' Retirement Fund								
Book Value at June 30, 2003	$ 86,362,487	$ 113,692,994	$ 363,628,298	$ 80,092,276	$ 30,015,837	$ 4,380,345	$ 153,623,146	$ 831,795,383
Market Value at June 30, 2003	$ 86,362,487	$ 413,330,740	$ 410,606,606	$ 120,240,773	$ 25,657,162	$ 4,349,387	$ 113,892,968	$ 1,174,440,124
Shares Purchased	68,236,747	-	83,000,000	70,935,283	120,516	-	1,787,166	224,079,711
Shares Redeemed	(129,537,039)	(4,053,922)	(61,609,668)	(4,906,357)	(1,506,444)	(1,680,510)	(5,792,883)	(209,086,823)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	2,985,927	5,289,363	1,802,282	(320,673)	(119,648)	(1,732,763)	7,904,489
Net Investment Income Earned	812,610	6,776,864	18,285,969	3,195,659	2,221,983	685,822	19,713,982	51,692,889
Net Investment Income Distributed	(812,610)	(6,776,864)	(18,285,969)	(3,195,659)	(2,221,983)	(685,822)	(19,713,982)	(51,692,889)
Changes in Market Value of Fund Shares	-	75,149,196	(16,995,998)	48,573,051	(1,743,306)	(358,694)	1,871,224	106,495,472
Market Value at June 30, 2004	$ 25,062,195	$ 487,411,942	$ 420,290,303	$ 236,645,032	$ 22,207,254	$ 2,190,535	$ 110,025,712	$ 1,303,832,973
Book Value at June 30, 2004	25,062,195	112,624,999	390,307,993	147,923,484	28,309,236	2,580,187	147,884,666	854,692,759
Shares Outstanding	25,062,195	603,977	3,714,449	981,555	420,909	34,910	1,686,837	32,504,831
Market Value per Share (1)	$ 1.00	$ 807.00	$ 113.15	$ 241.09	$ 52.76	$ 62.75	$ 65.23	

PENSION FUNDS MANAGEMENT DIVISION

COMBINED INVESTMENT FUNDS
STATEMENT OF INVESTMENT ACTIVITY BY PENSION PLAN (Continued)
FOR THE FISCAL YEAR ENDING JUNE 30, 2004

	CASH RESERVE FUND	MUTUAL EQUITY FUND	MUTUAL FIXED INCOME FUND	INTER-NATIONAL STOCK FUND	REAL ESTATE FUND	COMMERCIAL MORTGAGE FUND	PRIVATE INVESTMENT FUND	TOTALS
Probate Court Retirement Fund								
Book Value at June 30, 2003	$ 4,084,994	$ 5,608,744	$ 19,760,303	$ 4,984,897	$ 1,723,985	$ 259,756	$ 4,590,382	$ 41,013,061
Market Value at June 30, 2003	$ 4,084,994	$ 21,033,177	$ 22,706,970	$ 7,511,961	$ 1,468,121	$ 253,669	$ 3,423,948	$ 60,482,838
Shares Purchased	4,753,408	-	192,000	4,431,634	6,896	-	53,727	9,437,665
Shares Redeemed	(5,267,187)	-	(3,407,078)	(306,521)	(86,200)	(98,012)	(174,151)	(9,339,150)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	-	346,518	112,983	(18,740)	(8,738)	(50,737)	381,286
Net Investment Income Earned	47,350	347,529	944,668	199,647	127,145	39,998	592,517	2,298,854
Net Investment Income Distributed	(47,350)	(347,529)	(944,668)	(199,647)	(127,145)	(39,998)	(592,517)	(2,298,854)
Changes in Market Value of Fund Shares	-	4,004,974	(865,790)	3,034,181	(99,362)	(19,160)	54,898	6,109,742
Market Value at June 30, 2004	$ 3,571,215	$ 25,038,151	$ 18,972,620	$ 14,784,238	$ 1,270,715	$ 127,758	$ 3,307,686	$ 67,072,384
Book Value at June 30, 2004	3,571,215	5,608,744	16,891,743	9,222,992	1,625,941	153,005	4,419,222	41,492,863
Shares Outstanding	3,571,215	31,026	167,677	61,322	24,085	2,036	50,711	3,908,071
Market Value per Share (1)	$ 1.00	$ 807.00	$ 113.15	$ 241.09	$ 52.76	$ 62.75	$ 65.23	
Judges' Retirement Fund								
Book Value at June 30, 2003	$ 11,972,003	$ 12,521,422	$ 41,193,767	$ 7,984,311	$ 2,822,638	$ 430,482	$ 15,579,909	$ 92,504,533
Market Value at June 30, 2003	$ 11,972,003	$ 41,223,801	$ 45,838,781	$ 11,872,627	$ 2,368,363	$ 428,440	$ 11,511,764	$ 125,215,777
Shares Purchased	7,953,617	-	13,000,000	7,004,181	11,125	-	180,638	28,149,561
Shares Redeemed	(15,910,058)	-	(6,877,902)	(484,456)	(139,057)	(165,540)	(585,517)	(24,162,530)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	-	497,636	176,397	(32,750)	(11,371)	(177,679)	452,232
Net Investment Income Earned	117,671	681,138	2,097,903	315,540	205,107	67,558	1,992,114	5,477,031
Net Investment Income Distributed	(117,671)	(681,138)	(2,097,903)	(315,540)	(205,107)	(67,558)	(1,992,114)	(5,477,031)
Changes in Market Value of Fund Shares	-	7,849,513	(1,913,306)	4,797,686	(157,772)	(35,748)	191,676	10,732,050
Market Value at June 30, 2004	$ 4,015,562	$ 49,073,314	$ 50,545,209	$ 23,366,435	$ 2,049,908	$ 215,781	$ 11,120,881	$ 140,387,092
Book Value at June 30, 2004	4,015,562	12,521,422	47,813,501	14,680,434	2,661,955	253,571	14,997,351	96,943,796
Shares Outstanding	4,015,562	60,809	446,709	96,919	38,853	3,439	170,497	4,832,789
Market Value per Share (1)	$ 1.00	$ 807.00	$ 113.15	$ 241.09	$ 52.76	$ 62.75	$ 65.23	
State's Attorneys' Retirement Fund								
Book Value at June 30, 2003	$ 47,909	$ 92,347	$ 157,239	$ -	$ 5,276	$ -	$ -	$ 302,772
Market Value at June 30, 2003	$ 47,909	$ 368,829	$ 197,045	$ -	$ 4,938	$ -	$ -	$ 618,719
Shares Purchased	41,467	-	250,000	-	23	-	-	291,490
Shares Redeemed	(4,700)	(250,000)	-	-	(290)	-	-	(254,990)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	196,236	-	-	(31)	-	-	196,205
Net Investment Income Earned	727	5,940	10,488	-	427	-	-	17,582
Net Investment Income Distributed	(727)	(5,940)	(10,488)	-	(427)	-	-	(17,582)
Changes in Market Value of Fund Shares	-	(131,624)	(3,423)	-	(366)	-	-	(135,413)
Market Value at June 30, 2004	$ 84,676	$ 183,441	$ 443,622	$ -	$ 4,274	$ -	$ -	$ 716,010
Book Value at June 30, 2004	84,676	38,583	407,239	-	4,978	-	-	535,476
Shares Outstanding	84,676	227	3,921	-	81	-	-	88,905
Market Value per Share (1)	$ 1.00	$ 807.00	$ 113.15	$ -	$ 52.76	$ -	$ -	

(1) Mathmatical calculations may differ due to multiple decimal places used in such calculations.

PENSION FUNDS MANAGEMENT DIVISION

COMBINED INVESTMENT FUNDS
STATEMENT OF INVESTMENT ACTIVITY BY TRUST
FOR THE FISCAL YEAR ENDING JUNE 30, 2004

	CASH RESERVE FUND	MUTUAL EQUITY FUND	MUTUAL FIXED INCOME FUND	INTER-NATIONAL STOCK FUND	REAL ESTATE FUND	COMMERCIAL MORTGAGE FUND	PRIVATE INVESTMENT FUND	TOTALS
Soldiers' Sailors' & Marines' Fund								
Book Value at June 30, 2003	$ 60,043	$ 1,095,686	$ 49,098,734	$ -	$ -	$ -	$ -	$ 50,254,463
Market Value at June 30, 2003	$ 60,043	$ 4,650,446	$ 54,625,655	$ -	$ -	$ -	$ -	$ 59,336,142
Shares Purchased	2,527,639	-	-	-	-	-	-	2,527,639
Shares Redeemed	(2,527,640)	-	-	-	-	-	-	(2,527,640)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	-	-	-	-	-	-	-
Net Investment Income Earned	1,007	76,837	2,642,602	-	-	-	-	2,720,446
Net Investment Income Distributed	(1,007)	(76,837)	(2,642,602)	-	-	-	-	(2,720,446)
Changes in Market Value of Fund Shares	-	885,502	(1,149,456)	-	-	-	-	(263,955)
Market Value at June 30, 2004	$ 60,042	$ 5,535,948	$ 53,476,199	$ -	$ -	$ -	$ -	$ 59,072,186
Book Value at June 30, 2004	60,042	1,095,686	49,098,734	-	-	-	-	50,254,463
Shares Outstanding	60,042	6,860	472,613	-	-	-	-	539,515
Market Value per Share (1)	$ 1.00	$ 807.00	$ 113.15	$ -	$ -	$ -	$ -	
Endowment for the Arts								
Book Value at June 30, 2003	$ 948,230	$ -	$ 14,472,429	$ -	$ -	$ -	$ -	$ 15,420,659
Market Value at June 30, 2003	$ 948,230	$ -	$ 15,369,367	$ -	$ -	$ -	$ -	$ 16,317,596
Shares Purchased	682,815	-	-	-	-	-	-	682,815
Shares Redeemed	(674,675)	-	-	-	-	-	-	(674,675)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	-	-	-	-	-	-	-
Net Investment Income Earned	12,755	-	743,519	-	-	-	-	756,274
Net Investment Income Distributed	(12,755)	-	(743,519)	-	-	-	-	(756,274)
Changes in Market Value of Fund Shares	-	-	(323,408)	-	-	-	-	(323,408)
Market Value at June 30, 2004	$ 956,370	$ -	$ 15,045,959	$ -	$ -	$ -	$ -	$ 16,002,328
Book Value at June 30, 2004	956,370	-	14,472,429	-	-	-	-	15,428,799
Shares Outstanding	956,370	-	132,973	-	-	-	-	1,089,344
Market Value per Share (1)	$ 1.00	$ -	$ 113.15	$ -	$ -	$ -	$ -	
Agricultural College Fund								
Book Value at June 30, 2003	$ 35,280	$ 34,969	$ 346,240	$ -	$ -	$ -	$ -	$ 416,490
Market Value at June 30, 2003	$ 35,280	$ 151,632	$ 379,025	$ -	$ -	$ -	$ -	$ 565,939
Shares Purchased	21,531	-	33,000	-	-	-	-	54,531
Shares Redeemed	(20,980)	(33,000)	-	-	-	-	-	(53,980)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	26,657	-	-	-	-	-	26,657
Net Investment Income Earned	331	2,364	18,836	-	-	-	-	21,531
Net Investment Income Distributed	(331)	(2,364)	(18,836)	-	-	-	-	(21,531)
Changes in Market Value of Fund Shares	-	2,476	(8,938)	-	-	-	-	(6,461)
Market Value at June 30, 2004	$ 35,830	$ 147,766	$ 403,087	$ -	$ -	$ -	$ -	$ 586,686
Book Value at June 30, 2004	35,830	28,626	379,240	-	-	-	-	443,698
Shares Outstanding	35,830	183	3,562	-	-	-	-	39,575
Market Value per Share (1)	$ 1.00	$ 807.00	$ 113.15	$ -	$ -	$ -	$ -	

PENSION FUNDS MANAGEMENT DIVISION

COMBINED INVESTMENT FUNDS

STATEMENT OF INVESTMENT ACTIVITY BY TRUST (Continued)

FOR THE FISCAL YEAR ENDING JUNE 30, 2004

	CASH RESERVE FUND	MUTUAL EQUITY FUND	MUTUAL FIXED INCOME FUND	INTER-NATIONAL STOCK FUND	REAL ESTATE FUND	COMMERCIAL MORTGAGE FUND	PRIVATE INVESTMENT FUND	TOTALS
Ida Eaton Cotton Fund								
Book Value at June 30, 2003	$ 118,049	$ 120,193	$ 1,169,206	$ -	$ -	$ -	$ -	$ 1,407,448
Market Value at June 30, 2003	$ 118,049	$ 515,583	$ 1,290,779	$ -	$ -	$ -	$ -	$ 1,924,412
Shares Purchased	73,281	-	112,000	-	-	-	-	185,281
Shares Redeemed	(71,373)	(112,000)	-	-	-	-	-	(183,373)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	90,239	-	-	-	-	-	90,239
Net Investment Income Earned	1,101	8,042	64,138	-	-	-	-	73,281
Net Investment Income Distributed	(1,101)	(8,042)	(64,138)	-	-	-	-	(73,281)
Changes in Market Value of Fund Shares	-	8,813	(30,424)	-	-	-	-	(21,610)
Market Value at June 30, 2004	$ 119,958	$ 502,636	$ 1,372,355	$ -	$ -	$ -	$ -	$ 1,994,950
Book Value at June 30, 2004	119,958	98,432	1,281,206	-	-	-	-	1,499,596
Shares Outstanding	119,958	623	12,129	-	-	-	-	132,709
Market Value per Share (1)	$ 1.00	$ 807.00	$ 113.15	$ -	$ -	$ -	$ -	
Andrew Clark Fund								
Book Value at June 30, 2003	$ 56,651	$ 56,908	$ 568,867	$ -	$ -	$ -	$ -	$ 682,426
Market Value at June 30, 2003	$ 56,651	$ 242,738	$ 605,739	$ -	$ -	$ -	$ -	$ 905,128
Shares Purchased	34,423	-	53,000	-	-	-	-	87,423
Shares Redeemed	(33,621)	(53,000)	-	-	-	-	-	(86,621)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	42,644	-	-	-	-	-	42,644
Net Investment Income Earned	531	3,786	30,106	-	-	-	-	34,423
Net Investment Income Distributed	(531)	(3,786)	(30,106)	-	-	-	-	(34,423)
Changes in Market Value of Fund Shares	-	3,992	(14,290)	-	-	-	-	(10,298)
Market Value at June 30, 2004	$ 57,453	$ 236,374	$ 644,449	$ -	$ -	$ -	$ -	$ 938,276
Book Value at June 30, 2004	57,453	46,552	621,867	-	-	-	-	725,872
Shares Outstanding	57,453	293	5,696	-	-	-	-	63,441
Market Value per Share (1)	$ 1.00	$ 807.00	$ 113.15	$ -	$ -	$ -	$ -	
School Fund								
Book Value at June 30, 2003	$ 429,795	$ 535,691	$ 5,335,716	$ -	$ -	$ -	$ -	$ 6,301,202
Market Value at June 30, 2003	$ 429,795	$ 2,297,284	$ 5,838,100	$ -	$ -	$ -	$ -	$ 8,565,179
Shares Purchased	363,193	-	567,250	-	-	-	-	930,443
Shares Redeemed	(480,963)	(453,000)	-	-	-	-	-	(933,963)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	362,269	-	-	-	-	-	362,269
Net Investment Income Earned	5,581	37,683	286,885	-	-	-	-	330,149
Net Investment Income Distributed	(5,581)	(37,683)	(286,885)	-	-	-	-	(330,149)
Changes in Market Value of Fund Shares	-	64,978	(122,642)	-	-	-	-	(57,663)
Market Value at June 30, 2004	$ 312,024	$ 2,271,532	$ 6,282,708	$ -	$ -	$ -	$ -	$ 8,866,264
Book Value at June 30, 2004	312,024	444,960	5,902,966	-	-	-	-	6,659,951
Shares Outstanding	312,024	2,815	55,525	-	-	-	-	370,365
Market Value per Share (1)	$ 1.00	$ 807.00	$ 113.15	$ -	$ -	$ -	$ -	

COMBINED INVESTMENT FUNDS
STATEMENT OF INVESTMENT ACTIVITY BY TRUST (Continued)
FOR THE FISCAL YEAR ENDING JUNE 30, 2004

	CASH RESERVE FUND	MUTUAL EQUITY FUND	MUTUAL FIXED INCOME FUND	INTER-NATIONAL STOCK FUND	REAL ESTATE FUND	COMMERCIAL MORTGAGE FUND	PRIVATE INVESTMENT FUND	TOTALS
Hopemead Fund								
Book Value at June 30, 2003	$ 118,340	$ 110,967	$ 1,128,869	$ -	$ -	$ -	$ -	$ 1,358,175
Market Value at June 30, 2003	$ 118,340	$ 472,494	$ 1,221,968	$ -	$ -	$ -	$ -	$ 1,812,802
Shares Purchased	69,360	-	44,690	-	-	-	-	114,050
Shares Redeemed	(44,548)	-	-	-	-	-	-	(44,548)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	-	-	-	-	-	-	-
Net Investment Income Earned	1,513	7,808	60,181	-	-	-	-	69,502
Net Investment Income Distributed	(1,513)	(7,808)	(60,181)	-	-	-	-	(69,502)
Changes in Market Value of Fund Shares	-	89,968	(26,146)	-	-	-	-	63,822
Market Value at June 30, 2004	$ 143,152	$ 562,462	$ 1,240,512	$ -	$ -	$ -	$ -	$ 1,946,127
Book Value at June 30, 2004	143,152	110,967	1,173,559	-	-	-	-	1,427,678
Shares Outstanding	143,152	697	10,963	-	-	-	-	154,813
Market Value per Share (1)	$ 1.00	$ 807.00	$ 113.15	$ -	$ -	$ -	$ -	
Police & Fireman's Survivors' Benefit Fund								
Book Value at June 30, 2003	$ 4,942,048	$ 6,859,157	$ 5,134,231	$ -	$ 391,612	$ 60,244	$ -	$ 17,387,292
Market Value at June 30, 2003	$ 4,942,048	$ 6,263,152	$ 5,384,488	$ -	$ 379,819	$ 57,402	$ -	$ 17,026,908
Shares Purchased	511,533	-	3,000,000	-	1,784	-	-	3,513,317
Shares Redeemed	(3,367,580)	-	-	-	(22,301)	(22,179)	-	(3,412,060)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	-	-	-	(1,549)	(2,579)	-	(4,128)
Net Investment Income Earned	51,737	103,486	305,890	-	32,893	9,052	-	503,058
Net Investment Income Distributed	(51,737)	(103,486)	(305,890)	-	(32,893)	(9,052)	-	(503,058)
Changes in Market Value of Fund Shares	-	1,192,581	(200,697)	-	(29,005)	(3,774)	-	959,105
Market Value at June 30, 2004	$ 2,086,002	$ 7,455,733	$ 8,183,791	$ -	$ 328,748	$ 28,870	$ -	$ 18,083,143
Book Value at June 30, 2004	2,086,002	6,859,157	8,134,231	-	369,546	35,486	-	17,484,422
Shares Outstanding	2,086,002	9,239	72,327	-	6,231	461	-	2,174,259
Market Value per Share (1)	$ 1.00	$ 807.00	$ 113.15	$ -	$ 52.76	$ 62.66	$ -	

(1) Mathmatical calculations may differ due to multiple decimal places used in such calculations.

COMBINED INVESTMENT FUNDS
SUMMARY OF OPERATIONS (Dollars in Thousands)
FISCAL YEARS ENDING JUNE 30

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Investment Income(1)	$946,643	$846,384	$741,812	$787,287	$1,002,774	$731,983	$734,928	$648,136	$621,540	$510,890
Expenses(1)	49,131	48,428	60,570	67,282	50,552	54,417	40,817	38,316	36,558	36,623
Net Investment Income	897,512	797,956	681,242	720,005	952,222	677,566	694,111	609,820	584,982	474,267
Realized Gains/(Losses)	880,979	(566,640)	(449,961)	269,330	1,522,994	673,802	1,350,408	277,293	1,240,686	(7,954)
Change in Unrealized Gains/(Losses)	936,916	123,784	(1,563,253)	(1,776,378)	90,500	530,276	681,413	1,727,651	(103,966)	998,758
Total	**$2,715,407**	**$355,100**	**$(1,331,972)**	**$(787,043)**	**$2,565,716**	**$1,881,644**	**$2,725,932**	**$2,614,764**	**$1,721,702**	**$1,465,070**

(1) Securities lending income and expenses are shown net in the Investment Income line above for all periods presented.

Source: Amounts were dervied from custodial records.

COMBINED INVESTMENT FUNDS
PENSION AND TRUST FUNDS
BALANCES (1) IN COMBINED INVESTMENT FUNDS (Dollars in Thousands)
AT JUNE 30, 2004

Fund Name	Teachers' Retirement Fund		State Employees' Retirement Fund		Municipal Employees' Retirement Fund		Judges Retirement Fund		Probate Court Retirement Fund		State's Attorneys' Retirement Fund		Trust Funds	
CRA	$ 192,546	1.77%	$ 136,247	1.77%	$ 25,062	1.92%	$ 3,571	5.32%	$ 4,016	2.86%	$ 85	11.87%	$ 3,771	3.51%
MEF	4,256,905	39.20%	2,945,734	38.21%	487,412	37.38%	25,038	37.33%	49,073	34.96%	183	25.56%	16,712	15.55%
FIF	3,029,571	27.90%	2,242,970	29.09%	420,290	32.24%	18,973	28.29%	50,545	36.00%	444	62.01%	86,649	80.60%
ISF	2,185,471	20.12%	1,543,017	20.01%	236,645	18.15%	14,784	22.04%	23,366	16.65%	-	0.00%	-	0.00%
REF	200,833	1.85%	141,844	1.84%	22,207	1.70%	1,271	1.90%	2,050	1.46%	4	0.56%	329	0.31%
CMF	19,857	0.18%	13,985	0.18%	2,191	0.17%	128	0.19%	216	0.15%	-	0.00%	29	0.03%
PIF	975,093	8.98%	685,819	8.90%	110,026	8.44%	3,308	4.93%	11,121	7.92%	-	0.00%	-	0.00%
Total	$10,860,276	100.00%	$7,709,616	100.00%	$1,303,833	100.00%	$67,073	100.00%	$140,387	100.00%	$716	100.00%	$107,490	100.00%

(1) Based on Net Asset Value

Source: Amounts were dervied from custodial records.

COMBINED INVESTMENT FUNDS

INVESTMENT SUMMARY AT JUNE 30, 2004 (1)

Cash Reserve Account (2)

	Book Value	Market Value	% of Total Fund MV	Rate of Return
2004	$363,170,856	$363,170,856	1.76%	1.30%
2003	710,832,993	710,832,993	3.75%	1.80%
2002	481,664,484	481,664,484	2.46%	3.03%
2001	391,346,777	391,346,777	1.85%	6.35%
2000	378,683,486	378,683,486	1.67%	5.96%
1999	227,101,012	227,101,012	1.11%	5.46%
1998	409,767,394	409,767,394	2.17%	5.86%
1997	640,227,925	640,227,925	3.57%	5.70%
1996	217,728,153	217,728,153	1.57%	5.90%
1995	594,092,737	594,092,737	4.80%	5.83%

Mutual Equity Fund

	Book Value	Market Value	% of Total Fund MV	Rate of Return
2004	$6,544,070,199	$7,779,104,677	37.67%	20.84%
2003	6,047,280,312	6,603,061,918	34.77%	0.48%
2002	6,401,472,709	6,688,728,705	34.20%	(14.95%)
2001	6,649,619,519	7,949,775,481	37.49%	(9.55%)
2000	6,578,261,062	8,876,068,150	39.08%	10.03%
1999	6,321,181,834	9,137,539,233	44.77%	19.38%
1998	5,597,631,659	7,735,628,862	41.04%	28.40%
1997	5,740,662,847	8,072,686,952	44.95%	30.74%
1996	5,473,247,153	5,722,251,986	41.19%	23.98%
1995	3,626,292,305	4,666,476,576	37.71%	23.20%

International Stock Fund

	Book Value	Market Value	% of Total Fund MV	Rate of Return
2004	$3,407,481,400	$3,995,868,265	19.35%	29.69%
2003	2,047,590,656	2,026,297,000	10.67%	(6.39%)
2002	2,306,936,221	2,272,810,463	11.62%	(9.00%)
2001	2,449,711,883	2,466,657,788	11.63%	(13.29%)
2000	2,315,776,890	2,928,693,346	12.89%	20.13%
1999	1,937,731,869	2,436,960,573	11.94%	6.77%
1998	1,988,516,841	2,394,774,756	12.71%	1.52%
1997	2,056,745,949	2,988,188,715	16.64%	15.67%
1996	2,013,932,947	2,080,961,453	14.98%	12.58%
1995	1,629,499,154	1,881,836,637	15.21%	2.27%

Real Estate Fund

	Book Value	Market Value	% of Total Fund MV	Rate of Return
2004	$348,015,445	$368,546,928	1.78%	0.67%
2003	399,402,161	425,893,012	2.24%	3.30%
2002	417,067,553	471,193,932	2.41%	0.81%
2001	407,455,431	476,011,373	2.24%	14.45%
2000	464,709,616	510,010,943	2.25%	9.18%
1999	442,674,319	428,221,842	2.10%	9.96%
1998	445,482,545	416,617,227	2.21%	25.63%
1997	553,333,465	488,413,514	2.72%	10.69%
1996	1,172,793,083	985,747,371	7.09%	0.83%
1995	1,198,474,807	1,068,615,573	8.63%	(2.78%)

Mutual Fixed Income Fund

	Book Value	Market Value	% of Total Fund MV	Rate of Return
2004	$6,368,703,625	$6,325,884,136	30.63%	2.79%
2003	7,082,889,175	7,308,417,293	38.49%	12.03%
2002	7,412,105,698	7,295,007,838	37.30%	5.64%
2001	7,363,064,249	7,218,746,648	34.04%	8.03%
2000	7,463,463,748	7,282,002,823	32.06%	5.77%
1999	6,943,741,512	6,762,463,935	33.13%	2.64%
1998	6,798,694,018	6,826,179,407	36.22%	10.52%
1997	4,612,052,907	4,902,597,809	27.30%	10.62%
1996	3,946,699,249	3,961,751,213	28.51%	5.97%
1995	2,493,278,232	2,576,238,602	20.82%	13.00%

International Bond Fund (3)

	Book Value	Market Value	% of Total Fund MV	Rate of Return
2004	—	—	—%	—%
2003	—	—	—%	—%
2002	—	—	—%	—%
2001	—	—	—%	—%
2000	—	—	—%	—%
1999	—	—	—%	—%
1998	—	—	—%	—%
1997	—	—	—%	—%
1996	—	—	—%	—%
1995	$695,139,207	$749,095,597	6.05%	19.10%

Commercial Mortgage Fund

	Book Value	Market Value	% of Total Fund MV	Rate of Return
2004	$35,210,421	$36,228,371	0.18%	7.87%
2003	69,871,489	71,990,878	0.38%	20.62%
2002	69,553,258	71,468,307	0.37%	1.19%
2001	92,793,153	100,727,402	0.47%	10.88%
2000	168,263,689	175,216,208	0.77%	8.26%
1999	231,513,066	235,232,350	1.15%	6.10%
1998	262,476,294	271,419,535	1.44%	17.71%
1997	343,534,264	324,002,103	1.80%	9.82%
1996	467,004,415	442,659,307	3.19%	6.46%
1995	464,667,416	455,820,517	3.68%	15.46%

Residential Mortgage Fund (4)

	Book Value	Market Value	% of Total Fund MV	Rate of Return
2004	—	—	—%	—%
2003	—	—	—%	—%
2002	—	—	—%	—%
2001	—	—	—%	—%
2000	—	—	—%	—%
1999	—	—	—%	—%
1998	—	—	—%	—%
1997	—	—	—%	—%
1996	—	—	—%	—%
1995	$50,630,376	$48,602,786	0.39%	11.54%

COMBINED INVESTMENT FUNDS
INVESTMENT SUMMARY AT JUNE 30, 2004 (Continued)

Private Investment Fund (5)

	Book Value	Market Value	% of Total Fund MV	Rate of Return
2004	$2,406,829,047	$1,781,312,669	8.63%	20.21%
2003	2,413,582,348	1,842,900,019	9.70%	(11.94%)
2002	2,315,048,277	2,276,642,374	11.64%	(10.81%)
2001	2,217,285,786	2,601,575,275	12.28%	(6.25%)
2000	1,879,100,932	2,561,042,272	11.28%	53.86%
1999	1,138,252,584	1,182,905,063	5.80%	(0.81%)
1998	715,880,779	794,324,372	4.21%	18.55%
1997	496,527,964	542,174,959	3.02%	5.68%
1996	198,233,821	302,481,786	2.18%	43.78%
1995	167,316,010	222,837,361	1.80%	25.39%

Connecticut Programs Fund (5)

	Book Value	Market Value	% of Total Fund MV	Rate of Return
2004	—	—	—%	—%
2003	—	—	—%	—%
2002	—	—	—%	—%
2001	—	—	—%	—%
2000	—	—	—%	—%
1999	—	—	—%	—%
1998	—	—	—%	—%
1997	—	—	—%	—%
1996	$172,656,335	$179,638,107	1.29%	14.24%
1995	122,511,963	112,633,665	0.91%	(5.86%)

Total Fund

	Book Value	Market Value	% of Total Fund MV	Rate of Return
2004	$19,473,480,993	$20,650,115,902	100.00%	15.23%
2003	18,771,449,134	18,989,393,113	100.00%	2.49%
2002	19,403,848,200	19,557,516,103	100.00%	(6.39%)
2001	19,571,276,798	21,204,840,744	100.00%	(3.68%)
2000	19,248,259,423	22,711,717,228	100.00%	13.13%
1999	17,242,196,196	20,410,424,008	100.00%	10.49%
1998	16,218,449,530	18,848,711,553	100.00%	17.19%
1997	14,443,085,321	17,958,291,977	100.00%	19.35%
1996	13,662,295,156	13,893,219,375	100.00%	14.14%
1995	11,041,902,207	12,376,250,052	100.00%	13.48%

(1) All rates of return are net of management fees and division operating expenses.
(2) The market value of CRA for the periods presented represents the market value of the pension and trust balances in CRA only (excluding receivables and payables); the CRA balances of the other combined investment funds are shown in the market value of each fund.
(3) The International Bond Fund merged with The Mutual Fixed Income Fund in March 1996.
(4) Residential Mortgage Fund was merged with the Commercial Mortgage Fund in November 1995.
(5) The Connecticut Programs Fund merged with Venture Capital Fund In December 1996. In fiscal year 1999, the Venture Capital Fund was renamed as the Private Investment Fund.

COMBINED INVESTMENT FUNDS

TOP TEN HOLDINGS BY FUND AT JUNE 30, 2004

MUTUAL EQUITY FUND

Security Name	Industry Sector	Market Value	%
CitiGroup Inc	Financial	$ 169,363,323	2.18%
General Electric	Technology	160,959,442	2.07%
Pfizer Inc	Health Care	160,708,239	2.07%
Microsoft	Technology	140,900,646	1.81%
Intel Corp	Technology	133,227,822	1.71%
Exxon Mobil Corp	Energy	132,523,970	1.70%
Bank America Corp	Financial	132,356,934	1.70%
Johnson & Johnson	Health Care	127,384,340	1.64%
International Business Machines	Technology	101,121,361	1.30%
Wal Mart Stores Inc	Consumer Non-Durables	98,627,486	1.27%
Top Ten		**$1,357,173,563**	**17.45%**
Total Market Value		**$ 7,779,104,677**	

INTERNATIONAL STOCK FUND

Security Name	Country	Market Value	%
Total SA Eur 10 Serie B	France	$ 57,549,900	1.44%
Vodafone Group ORD USD .10	United Kingdom	55,126,735	1.38%
Samsung Electronic KRW5000	Korea	51,255,518	1.28%
Baring Emerging Markets Fund	Taiwan	46,388,874	1.16%
BP PLC Ord USD .25	United Kingdom	45,685,770	1.14%
Nestle SA CHF1 (REGD)	Switzerland	44,341,940	1.11%
Toyota Motor Corp. JPY50	Japan	41,970,050	1.05%
Royal BK Scot GRP Ord GBP .25	United Kingdom	41,889,569	1.05%
Glaxosmithkline ORD GBP .25	United Kingdom	41,746,783	1.04%
ENI EUR 1	Italy	40,958,340	1.03%
Top Ten		**$ 466,913,479**	**11.68%**
Total Market Value		**$ 3,995,868,265**	

REAL ESTATE FUND

Property Name	Location	Property Type	Market Value	%
Westport Senior Living Inv FD	Various	Senior Living	$ 67,336,094	18.27%
Walton Street RE II LP Fnd 2	Various	Various	61,606,084	16.72%
AEW Partners III	Various	Various	59,388,204	16.11%
Apollo Real Est Invest Fd III	Various	Various	56,057,060	15.21%
Union Station LTD LP	Washington, DC	Mixed Use	33,743,600	9.16%
Goodwin Square	Hartford, CT	Mixed Use	26,253,002	7.12%
Timberland Fund A - Duplin	Various	Timber	15,392,417	4.18%
New Boston Fund IV	Various	Various	12,500,312	3.39%
Rockwood Captial Fund V	Various	Various	8,764,335	2.38%
Timberland Fund A - Ball's Qtr.	Various	Timber	2,158,625	0.59%
Top Ten			**$ 343,199,733**	**93.13%**
Total Market Value			**$ 368,546,928**	

COMBINED INVESTMENT FUNDS

TOP TEN HOLDINGS BY FUND AT JUNE 30, 2004 (Continued)

MUTUAL FIXED INCOME FUND

Security Name	Coupon	Maturity	Security Type	Market Value	%
GNMA TBA	5.50%	12/01/2034	U.S. Govt Agency	$ 99,812,500	1.58%
U.S. Treasury Notes	2.50%	05/31/2006	U.S. Govt Agency	91,656,843	1.45%
U.S. Treasury Notes	4.75%	05/15/2014	U.S. Govt Agency	88,813,725	1.41%
Federal Natl Mtg Assn Dis Nts	0.01%	07/09/2004	U.S. Govt Agency	79,348,078	1.25%
FNMA TBA	5.50%	12/01/2034	U.S. Govt Agency	64,167,425	1.01%
GNMA TBA	6.50%	12/01/2034	U.S. Govt Agency	63,858,755	1.01%
Federal Home Ln Mtg Dis Nts	0.01%	07/27/2004	U.S. Govt Agency	44,861,862	0.71%
FNMA TBA	6.00%	12/01/2034	U.S. Govt Agency	41,799,916	0.66%
GNMA TBA	7.00%	12/01/2034	U.S. Govt Agency	38,546,063	0.61%
FNMA TBA	5.00%	12/01/2034	U.S. Govt Agency	37,829,529	0.60%
Top Ten				**$ 650,694,696**	**10.29%**
Total Market Value				**$ 6,325,884,136**	

COMMERCIAL MORTGAGE FUND

Property Name	Location	Property Type	Market Value	%
SASCO	Various	Other	$ 16,576,596	45.76%
Greenhill Apts	Detroit, MI	Residential	12,308,749	33.97%
Sheraton Denver West	Lakewood, CO	Hotel	6,157,218	17.00%
Yankee Mac Series E 11.056%	Various	Residential	301,018	0.83%
Yankee Mac Series G 11.125%	Various	Residential	142,422	0.39%
Yankee Mac Series F 12.981%	Various	Residential	117,808	0.33%
Yankee Mac Series B 14.121%	Various	Residential	39,341	0.11%
Yankee Mac Series C 14.1505%	Various	Residential	32,097	0.09%
Yankee Mac Series A 13.075%	Various	Residential	19,656	0.05%
Yankee Mac Series D 12.1405%	Various	Residential	3,832	0.01%
Top Ten			**$ 35,698,737**	**98.54%**
Total Market Value			**$ 36,228,371**	

PRIVATE INVESTMENT FUND

Partnership Name	Partnership Type	Market Value	%
Constitution Liquidating Fund	Fund of Funds	$ 188,733,374	10.59%
Compass Partners European Equity Fund	International	128,517,912	7.21%
Hicks, Muse Tate & Furst Equity Fund III	Buyout	99,325,655	5.58%
Carlyle Europe Partners	International	93,108,125	5.23%
Landmark Private Equity Fund VIII	Fund of Funds	74,809,087	4.20%
Gilbert Global Equity Partners	International	73,709,355	4.14%
Washington & Congress Capital Partners	Special Situations	62,577,487	3.51%
Welsh Carson Anderson & Stowe Capital Partners III	Special Situations	61,793,460	3.47%
SW Pelham Fund	Mezzanine	59,843,450	3.36%
AIG Global Emerging Markets Fund	International	44,983,108	2.53%
Top Ten		**$ 887,401,013**	**49.82%**
Total Market Value		**$1,781,312,669**	

PENSION FUNDS MANAGEMENT DIVISION

SCHEDULE OF EXPENSES IN EXCESS OF $5,000 (1)

FISCAL YEAR ENDED JUNE 30, 2004

Name of Firm	Description of Services	Contract Date	Aggregate Comp. Paid in FY 2004	Status at June 30, 2004
INVESTMENT ADVISORY SERVICES				
Domestic Equity Investment Advisory Services				
AXA Rosenberg Institutional Equity Management	Equity Advisor	Mar-96	$398,339	Active
Barclay's Global Investors	Equity Advisor	Mar-96	12,202,021	Active
Brown Capital Management	Equity Advisor	Mar-96	310,488	Active
State Street Global Advisors	Equity Advisor	Mar-96	224,895	Active
TCW Asset Management	Equity Advisor	Mar-96	713,510	Active
Thomas Weisel Partners Asset Management	Equity Advisor	Mar-96	192,152	Terminated
Travelers Investment Management	Equity Advisor	Mar-96	451,208	Active
Total Domestic Equity Advisor Compensation			**$14,492,613**	
Fixed Income Investment Advisory Services				
Blackrock Financial Management	Fixed Income Advisor	Mar-96	$1,551,082	Active
Loomis Sayles & Co., Inc.	Fixed Income Advisor	Mar-96	442,948	Active
Oaktree Capital Management	Fixed Income Advisor	Mar-96	436,777	Active
Phoenix Investment Counsel	Fixed Income Advisor	Nov-97	555,554	Active
State Street Global Advisors	Fixed Income Advisor	Mar-96	558,591	Active
W. R. Huff Asset Management	Fixed Income Advisor	Mar-96	1,930,812	Active
Wellington Asset Management	Fixed Income Advisor	Nov-97	1,044,851	Active
Western Asset Management	Fixed Income Advisor	Nov-97	1,439,163	Active
Total Fixed Income Advisor Compensation			**$7,959,778**	
Cash Reserve Account Advisory Services				
State Street Global Advisors	Cash Reserve Account Advisor	Mar-96	$343,500	Active
Total Cash Reserve Account Advisor Compensation			**$343,500**	
International Equity Investment Advisory Services				
Clay Finlay Inc.	International Equity Advisor	Aug-03	$672,644	Active
DSI International Management	International Equity Advisor	Mar-96	171,369	Terminated
Fidelity Management Trust Company	International Equity Advisor	Aug-03	596,400	Active
Grantham, Mayo, Van Otterloo & Co.	International Equity Advisor	Mar-96	4,660,885	Active
Invesco Global Asset Management	International Equity Advisor	Aug-03	792,995	Active
Merrill Lynch Investment Managers	International Equity Advisor	Aug-03	224,242	Active
MFS Institutional Advisors	International Equity Advisor	Aug-03	429,571	Active
Morgan Stanley Asset Management	International Equity Advisor	Mar-96	6,208,561	Active
Pictet International Management	International Equity Advisor	Mar-96	1,033,413	Terminated
Salomon Smith Barney Capital Management	International Equity Advisor	Mar-96	27,331	Terminated
Schroder Investment Management	International Equity Advisor	Sep-03	498,259	Active
State Street Global Advisors	International Equity Advisor	Mar-96	377,112	Active
Total International Equity Advisor Compensation			**$15,692,782**	
Real Estate Investment Advisory Services (2)				
AEW Capital Management, LP	Real Estate Advisor	Aug-87	$128,528	Active
AEW Partners III, LP	Real Estate Advisor	Mar-98	687,887	Active
Apollo Real Estate Investment Fund III	Real Estate Advisor	May-98	813,195	Active
CIGNA/TimesSquare Real Estate Investors	Real Estate Advisor	Apr-83	6,841	Active
Wachovia Corporation	Real Estate Advisor	Mar-94	126,874	Active
Westport Senior Living Fund	Real Estate Advisor	Sep-98	1,800,000	Active
Total Real Estate Advisor Compensation			**$3,563,325**	
Commercial Mortgage Investment Advisory Services				
AEW Capital Management, LP	Commercial Mortgage Advisor	Aug-87	$327,489	Active
Total Commercial Mortgage Advisor Compensation			**$327,489**	
Private Investment Advisory Services (2)				
AIG Global Emerging Mkts Fund LP	Private Investment Advisor	Dec-97	$1,502,251	Active
Carlyle Asia Partners	Private Investment Advisor	Dec-98	500,000	Active
Carlyle Europe Partners	Private Investment Advisor	Dec-97	1,400,977	Active
Compass European Partners LP	Private Investment Advisor	Dec-97	1,125,000	Active
DLJ Merchant Banking Fund II	Private Investment Advisor	Nov-96	395,351	Active
Forstmann Little & Company	Private Investment Advisor	Apr-97	481,605	Active

PENSION FUNDS MANAGEMENT DIVISION

SCHEDULE OF EXPENSES IN EXCESS OF $5,000 (1) (Continued)
FISCAL YEAR ENDED JUNE 30, 2004

Name of Firm	Description of Services	Contract Date	Aggregate Comp. Paid in FY 2004	Status at June 30, 2004
FS Equity Partners V LP	Private Investment Advisor	Mar-04	1,291,089	Active
Garmark Partners LP	Private Investment Advisor	Apr-98	402,430	Active
Gilbert Global Equity Partners LP	Private Investment Advisor	Oct-97	2,250,000	Active
Goldman Sachs Private Equity Fund LP	Private Investment Advisor	May-97	496,208	Active
Green Equity III LP	Private Investment Advisor	Sep-98	180,504	Active
Greenwich Street Capital Partners	Private Investment Advisor	Oct-98	549,246	Active
Kelso Investment Associates VI LP	Private Investment Advisor	Feb-98	465,856	Active
KKR Millennium Fund LP	Private Investment Advisor	Dec-01	1,128,044	Active
KPS Special Situations Fund II LP	Private Investment Advisor	Feb-04	694,499	Active
Pioneer Venture Associates LP	Private Investment Advisor	Jan-98	334,987	Active
SCP Private Equity Fund LP	Private Investment Advisor	Sep-97	460,495	Active
Shawmut Capital Partners LP	Private Investment Advisor	Jun-97	622,882	Active
SW Pelham Fund II LP	Private Investment Advisor	Dec-02	206,529	Active
Thayer Equity Investors IV LP	Private Investment Advisor	Nov-98	682,284	Active
THE Equity Advisors IV LLC	Private Investment Advisor	Dec-97	127,927	Active
Triumph Partners III LP	Private Investment Advisor	Jul-97	1,005,993	Active
Washington and Congress (Triumph Partners III)	Private Investment Advisor	Jan-04	342,501	Active
Wellspring Capital Partners III LP	Private Investment Advisor	Apr-03	1,191,570	Active
Total Private Equity Advisor Compensation			**$17,838,228**	
TOTAL COMPENSATION TO INVESTMENT ADVISORS			**$60,217,715**	
CUSTODY SERVICES				
State Street Bank & Trust	Custody of Fund Assets	Jan-96	$1,644,976	Active
TOTAL CUSTODY SERVICES COMPENSATION			**$1,644,976**	
CONSULTING SERVICES				
CRA Rogers Casey	Consultant - Pension Funds	Jan-01	$480,663	Active
Greystone Capital Management	Consultant - Pension Funds	Sep-01	16,280	Active
Invesco Private Capital	Consultant - Pension Funds	Apr-00	1,153,486	Active
Pension Consulting Alliance	Consultant - Pension Funds	Jul-02	260,136	Active
TOTAL CONSULTING SERVICES COMPENSATION			**$1,910,565**	
MISCELLANEOUS SERVICES				
Bloomberg LP	Subscription	N/A	$16,230	Active
Buchanan Ingersoll, PC	Legal Services	Mar-03	129,422	Active
Council of Institutional Investors	Dues	N/A	25,891	Active
Day Berry & Howard	Legal Services	Jun-03	167,188	Active
Duane Morris, LLP	Legal Services	Jun-03	105,050	Active
Graystone Group Advertising	Advertising	N/A	15,230	Terminated
Hallmark TotalTech	Temporary Services	N/A	46,713	Terminated
Institutional Limited Partners Association	Dues	N/A	7,500	Active
Institutional Sharelholder Services	Proxy Voting	Nov-99	34,400	Active
Investor Responsibility Research Corporation	Subscription	N/A	41,833	Active
Investor Responsibility Support Services	Asset Recovery	Dec-02	12,500	Active
New England Solution System	Computer Hardware	N/A	12,195	Active
Nixon Peabody, LLP	Legal Services	May-01	70,474	Active
Paul, Hastings, Janofsky & Walker, LLP	Legal Services	Jan-02	2,324,943	Active
Pepe & Hazard, LLP	Legal Services	Jul-03	22,227	Active
Squire, Sanders & Dempsey LLP	Legal Services	Jul-03	24,087	Active
The Wall Street Journal	Advertising/Subscription	N/A	6,180	Active
Waste News (Crain Communications)	Advertising/Subscription	N/A	8,639	Active
Xerox Corporation	Copier Maintenance	N/A	7,249	Active
TOTAL MISCELLANEOUS SERVICES COMPENSATION			**$3,077,951**	
GRAND TOTAL			**$66,851,207**	

(1) Expenses are presented on a cash basis.
(2) Alternative Investment Management fees for the Private Investment Fund and the Real Estate Fund include capitalized fees and expensed fees. Capitalized fees are part of the cost of the investment and become a component of unrealized gain (loss). Capitalized fees are disclosed in Note 1 of the Combined Investment Funds Financial Statements. Expensed fees which are not part of the cost of the investment are recorded in the Statement of Operations. Not Included in the above amounts are those amounts that are netted. Netted amounts include credits and fees paid out of cash on hand at the partnership level. Netted amounts are disclosed in Note 1 of the Combined Investment Funds Financial Statements.

PENSION FUNDS MANAGEMENT DIVISION

COMBINED INVESTMENT FUNDS

LIST OF INVESTMENT ADVISORS AND NET ASSETS UNDER MANAGMENT

JUNE 30, 2004

Name of Fund	Investment Strategy		Net Assets Under Management	Percent of Fund Total
CASH RESERVE ACCOUNT (CRA)				
State Street Global Advisors	Active	$	1,399,805,734	100.00%
SUBTOTAL CRA		**$**	**1,399,805,734**	**100.00%**
MUTUAL EQUITY FUND (MEF)				
Large Cap		**$**	**6,047,868,657**	**77.73%**
BGI Barclays Global Investors, N.A.	Passive - Enhanced		3,313,814,636	42.59%
State Street Global Advisors	Passive - Indexed		2,734,054,021	35.14%
Small/Mid Cap			**907,520,835**	**11.66%**
AXA Rosenberg Investment Management	Passive-Enhanced		494,716,854	6.36%
SSB Citigroup (The Travelers)	Passive-Enhanced		412,803,981	5.30%
Small/Mid Cap			**807,715,933**	**10.38%**
TCW Cowen Asset Management	Active		459,946,759	5.91%
Brown Capital Management, Inc.	Active		347,769,174	4.47%
Other (1)			**17,953,367**	**0.23%**
SUBTOTAL MEF		**$**	**7,781,058,792**	**100.00%**
INTERNATIONAL STOCK FUND (ISF)				
Index		**$**	**499,572,037**	**12.48%**
State Street Global Advisors	Index-Passive		499,572,037	12.48%
Core			**994,575,684**	**24.84%**
Invesco Global Asset Mgmt.	Active		337,435,398	8.43%
Morgan Stanley Asset Management	Active		335,451,915	8.38%
Putnam Advisory Co.	Active		321,688,371	8.03%
Active-Growth			**511,755,100**	**12.78%**
Clay Finlay, Inc.	Active		350,832,247	8.76%
MFS Institutional Advisors, Inc.	Active		160,922,853	4.02%
Active-Value			**390,121,576**	**9.75%**
Grantham, Mayo, Van Otterloo	Active		390,121,576	9.75%
Small Cap			**389,187,986**	**9.72%**
Morgan Stanley Asset Management	Active		198,978,210	4.97%
Schroder Investment Mgmt.	Active		190,209,776	4.75%
Emerging			**696,405,801**	**17.40%**
Grantham, Mayo, Van Otterloo	Active		354,163,417	8.85%
Emerging Markets Management	Active		342,242,384	8.55%
Risk Controlled			**504,143,403**	**12.59%**
Fidelity Management Trust Co.	Active		253,413,490	6.33%
Merrill Lynch Investment	Active		250,729,913	6.26%
Other (1)			**17,521,772**	**0.44%**
SUBTOTAL ISF		**$**	**4,003,283,359**	**100.00%**
REAL ESTATE FUND (REF)				
AEW Capital Management	Active	$	119,384,806	32.39%
Westport Senior Living	Active		67,336,094	18.27%
Walton Street Real Estate	Active		61,606,084	16.72%
Apollo Real Estate	Active		56,057,060	15.21%
Evergreen Investments	Active		17,551,042	4.76%
New Boston Fund	Active		12,500,312	3.39%
Rockwood Capital	Active		8,764,335	2.38%
CIGNA Realty Investors	Active		1,313,821	0.36%
Other (1)	**Active**		**24,024,102**	**6.52%**
SUBTOTAL REF		**$**	**368,537,656**	**100.00%**
MUTUAL FIXED INCOME FUND (MFIF)				
Core		**$**	**4,619,675,122**	**78.98%**
State Street Global Advisors	Passive		1,305,951,067	22.33%
BlackRock Financial Management, Inc.	Active		1,116,913,320	19.10%
Wellington	Active		1,019,607,641	17.43%

COMBINED INVESTMENT FUNDS

LIST OF INVESTMENT ADVISORS AND NET ASSETS UNDER MANAGMENT (Continued)

JUNE 30, 2004

Name of Fund	Investment Strategy		Net Assets Under Management	Percent of Fund Total
Western Asset Management Co.	Active		865,870,535	14.80%
Phoenix	Active		311,332,559	5.32%
High Yield			**841,286,836**	**14.38%**
Loomis Sayles & Co., Inc.	Active		343,271,448	5.87%
W.R. Huff Asset Management	Active		269,642,196	4.61%
Oaktree Capital Management, L.L.C.	Active		228,373,192	3.90%
Other (1)			**388,479,272**	**6.64%**
SUBTOTAL MFIF		**$**	**5,849,441,230**	**100.00%**
COMMERCIAL MORTGAGE FUND (CMF)				
AEW Capital Management	Active	$	35,217,330	96.74%
Other (2)			**1,187,146**	**3.26%**
SUBTOTAL CMF		**$**	**36,404,476**	**100.00%**
PRIVATE INVESTMENT FUND (PIF)				
Buyout		**$**	**495,296,733**	**27.74%**
Hicks, Muse Tate & Furst Equity Fund III	Active		99,325,655	5.56%
Thomas H. Lee Equity Fund IV	Active		40,530,051	2.27%
Welsh Carson Anderson & Stowe VIII	Active		38,138,425	2.14%
Forstmann Little Equity Fund VI	Active		35,351,099	1.98%
DLJ Merchant Banking Fund II	Active		34,349,185	1.92%
Kelso Investment Associates VI	Active		31,968,776	1.79%
SCP Private Equity Partners	Active		31,336,425	1.75%
KKR 1996 Fund	Active		27,680,766	1.55%
Blackstone Capital Partners III	Active		27,517,777	1.54%
KKR Millennium Fund	Active		23,014,967	1.29%
Veritas Capital Fund	Active		21,951,468	1.23%
Green Equity Investors III	Active		21,387,859	1.20%
Thayer Equity Investors IV	Active		19,927,426	1.12%
Wellspring Capital Partners III	Active		19,920,770	1.12%
Wellspring Capital Partners II	Active		18,146,193	1.01%
FS Equity Partners V	Active		4,749,891	0.27%
Venture Capital			**119,894,603**	**6.72%**
Crescendo World Fund	Active		25,844,664	1.45%
Pioneer Ventures Associates	Active		19,831,942	1.11%
Grotech Partners V	Active		19,399,391	1.09%
RFE Investment Partners VI	Active		16,226,419	0.91%
Shawmut Equity Partners	Active		15,356,279	0.86%
Conning Capital Partners V	Active		15,037,189	0.84%
Crescendo III	Active		4,801,954	0.27%
Connecticut Greene Ventures	Active		2,435,152	0.14%
Connecticut Futures Fund	Active		961,613	0.05%
Mezzanine			**111,859,625**	**6.26%**
SW Pelham Fund	Active		59,843,450	3.35%
GarMark Partners	Active		36,589,938	2.05%
Triumph Connecticut	Active		8,744,565	0.49%
SW Pelham Fund II	Active		6,681,672	0.37%
International			**350,283,444**	**19.62%**
Compass Partners European Equity Fund	Active		128,517,911	7.20%
Carlyle Europe Partners	Active		93,108,125	5.21%
Gilbert Global Equity Partners	Active		73,709,355	4.13%
AIG Global Emerging Markets Fund	Active		44,983,108	2.52%
Carlyle Asia Partners	Active		9,964,945	0.56%
Fund of Funds			**320,254,539**	**17.94%**
The Constitution Liquidating Fund	Active		188,733,374	10.57%
Landmark Private Equity Fund VIII	Active		74,809,087	4.19%
Goldman Sachs Private Equity Partners Connecticut	Active		37,766,444	2.12%
Lexington Capital Partners II	Active		18,945,634	1.06%

PENSION FUNDS MANAGEMENT DIVISION

COMBINED INVESTMENT FUNDS

LIST OF INVESTMENT ADVISORS AND NET ASSETS UNDER MANAGMENT (Continued)

JUNE 30, 2004

Name of Fund	Investment Strategy	Net Assets Under Management	Percent of Fund Total
Special Situations		**208,493,302**	**11.68%**
Washington & Congress Partners	Active	62,577,487	3.51%
Welsh Carson Anderson & Stowe Capital Partners III	Active	61,793,460	3.46%
Greenwich Street Capital Partners II	Active	44,142,163	2.47%
Forstmann Little MBO VII	Active	32,910,533	1.84%
KPS Special Situations Fund II	Active	4,920,813	0.28%
TCI Liquidating Trust	Active	2,148,846	0.12%
Other (1)		**179,283,790**	**10.04%**
SUBTOTAL PIF		**$ 1,785,366,036**	**100.00%**
TOTAL		**$ 21,223,897,283**	
Adjustments (3)		(1,034,507,503)	
GRAND TOTAL		**$ 20,189,389,780**	

(1) Other represents moneys earmarked for distribution to participants, reinvestment, and expenses as well as terminated advisor balances, Currency Overlay Managers and CT Financial Development Fund and Keystone Venture V Partnerships.

(2) Other also includes residential mortgage-backed securities for the Commercial Mortgage Fund.

(3) Represents Elimination Entry to the Financial Statements to account for investment of Combined Investment Funds in CRA.

PENSION FUNDS MANAGEMENT DIVISION

COMBINED INVESTMENT FUNDS SCHEDULE OF BROKERAGE COMMISSIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Broker Name	$ Commission	Shares/ Par Value	Avg Comm
ABEL NOSER CORPORATION	$18,904.11	606,121.00	0.031
ABG SECURITIES	19,009.74	707,916.00	0.027
ABG SECURITIES AS (STOCKHOLM)	1,777.53	38,900.00	0.046
ABG SECURITIES INC	308.49	55,900.00	0.006
ABM AMRO HOARE GOVETT ASIA LTD, SEOUL	374.84	47,000.00	0.008
ABN AMRO	343.78	2,741,810.71	0.000
ABN AMRO ASIA LIMITED	53,498.75	26,482,736.00	0.002
ABN AMRO ASIA SECURITIES (SINGAPORE) PTE	18,762.63	12,857,642.00	0.001
ABN AMRO ASIA SERVICES	163.08	80,000.00	0.002
ABN AMRO EQUITIES (UK) LTD LONDON	51,325.29	3,828,799.00	0.013
ABN AMRO EQUITIES AUSTRALIA LTD.	6,002.19	449,400.00	0.013
ABN AMRO SECURITIES (USA) INC	63,867.13	8,761,074.00	0.007
ABN AMRO SECURITIES LLC	2,725.00	408,250.00	0.007
ADAMS HARKNESS + HILL,INC	15,771.00	358,400.00	0.044
ALBERT E SHARP	2,425.75	371,717.00	0.007
ALPHA BANK LONDON LIMITED	15,647.52	875,649,000.00	0.000
ALPHA BROKERAGE AE	12,448.97	509,093.00	0.024
ALPHA FINANCE	787.91	29,019,000.00	0.000
ARNHOLD S BLEICHROEDER INC	35,503.47	160,462,856.00	0.000
ARNOLD & BLEICHRODER, INC.	3,564.02	126,257,538.00	0.000
ATA SECURITIES INC. (ISTANBUL)	10,168.43	566,712,000.00	0.000
AUERBACH GRAYSON AND COMPANY	28,336.06	449,993.00	0.063
B RILEY AND CO INC.	1,985.00	39,700.00	0.050
BAIRD, ROBERT W., & COMPANY INCORPORATED	12,449.50	248,998.00	0.050
BANC/AMERICA SECUR.LLC MONTGOMEY DIV	146,304.96	3,795,644.00	0.039
BANCO BILBAO VIZCAYA	5,174.06	155,214.00	0.033
BANCO ITAU SA	12,575.63	190,231,000.00	0.000
BANCO PACTUAL S.A.	5,155.81	29,604,000.00	0.000
BANCO SANTANDER CENTRAL HISPANO	65,348.52	98,707,513.00	0.001
BANCO SANTANDER CENTRAL HISPANO SA	866.54	15,924,300.00	0.000
BANCO SANTANDER DE NEGOCIOS	2,505.69	226,800.00	0.011
BANCO SANTANDER S.A., HONG KONG	24.57	3,200.00	0.008
BANCOVAL S.A	1,265.40	49,500.00	0.026
BANK AM BELLEVUE	1,381.60	9,276.00	0.149
BANK INSINGER DE BEAUFORT N V	511.43	10,000.00	0.051
BANK JULIUS BAER AND CO.LTD.	504.09	773.00	0.652
BANK OF AMERICA EMM	517.50	13,000.00	0.040
BANK OF AMERICA INTERNATIONAL, NEW YORK	874.09	72,100.00	0.012
BANK SARASIN AND CIE, ZURICH	620.28	5,405.00	0.115
BANKERS TRUST COMPANY	4,406.16	302,715.00	0.015
BANQUE NATIONAL DE PARIS	430.50	140,000.00	0.003
BANQUE NATIONALE DE PARIS, LON	36,369.16	2,568,052.00	0.014
BARING SECURITIES (HONG KONG)	21,867.16	7,798,620.10	0.003
BARNARD JACOBS AND CO (PTY) LTD	2,468.96	842,900.00	0.003
BARNARD JACOBS MELLETS NY	1,726.19	154,024.00	0.011
BARNARD JACOBS MELLETT AND CO (PTY)	1,529.05	10,100.00	0.151
BAYERISCHE HYPO- UND VEREINSBANK MUNICH	2,605.78	46,800.00	0.056
BAYERISCHE HYPO-UND VEREINSBAN	1,718.81	32,950.00	0.052
BEAR STEARNS + CO INC	44,189.96	1,009,345.00	0.044
BEAR STEARNS ASIA LTD	3,234.70	763,000.00	0.004
BEAR STEARNS INTERNATIONAL TRADING	1,015.01	14,415.00	0.070
BEAR STEARNS SECURITIES CORP	85,205.86	11,011,857.00	0.008
BHF SECURITIES CORPORATION	86,393.77	29,344,467.00	0.003
BLAYLOCK + PARTNERS L P	4,240.00	84,800.00	0.050
BNP PARIBAS	185.04	76,000.00	0.002
BNP PARIBAS PEREGRINE SECS LT ASIA	13,665.84	23,077,060.00	0.001
BNP PARIBAS SECURITIES SERVICES	516.27	216,950.00	0.002
BNY BROKERAGE INC	20,286.88	497,200.00	0.041
BNY CLEARING SERVICES INTL	5,068.29	753,869.00	0.007
BNY CLEARING SERVICES LLC	636.57	495,139,490.00	0.000
BNY CLEARING SERVICES LLC (BNY)	1,421.20	58,962.00	0.024
BOCI SECURITIES LTD.	718.18	100,000.00	0.007
BOLSA DE VALORES DE BILBAO	74.50	3,700.00	0.020
BOSTON INSTITUTIONAL SERVICES	1,652.00	41,300.00	0.040
BROCKHOUSE + COOPER INC MONTREAL	14,784.85	1,747,036.00	0.008
B-TRADE SERVICES LLC	22,502.07	1,537,359.00	0.015
BUCKINGHAM RESEARCH GROUP	9,695.00	193,900.00	0.050
C. L. GLAZER & COMPANY, INC.	24,267.55	485,351.00	0.050
C.E. UNTERBERG, TOWBIN	4,016.00	100,400.00	0.040
CAI CHEUVREUX LONDON	215.65	4,050.00	0.053
CAISSE DES DEPOTS ET CONSIGNATIONS	1,602.91	8,379.00	0.191
CANADIAN IMPERIAL BANK OF COMMERCE	1,040.20	26,300.00	0.040
CANTOR FITZ EUR 2	7,217.68	523,841.00	0.014
CANTOR FITZGERALD + CO	305.74	295.00	1.036
CANTOR FITZGERALD + CO.	196,343.07	5,336,620.00	0.037
CANTOR FITZGERALDINTERNATIONAL	3,783.75	1,197,241.00	0.003
CANTOR FRITZGERALD EUROPE	378.82	13,900.00	0.027
CAPEL CURE SHARP LTD.	383.96	67,175.00	0.006
CAPITAL INSTITUTIONAL SERVICES	31,313.65	626,273.00	0.050
CARNEGIE BK	3,050.42	1,580,793.00	0.002
CARNEGIE FONDKOMISSION	2,980.65	103,600.00	0.029
CARNEGIE INT'L LND	4,163.46	118,914.00	0.035
CARNEGIE SECURITIES FINLAND	797.71	30,700.00	0.026
CASA DE BOLSA BANORTE SA DE CV	4,244.65	852,200.00	0.005
CAZENOVE + CO	45,664.52	3,605,142.00	0.013
CAZENOVE + CO.	11,789.61	583,806.00	0.020
CAZENOVE ASIA LTD	3,786.96	101,754.00	0.037
CAZENOVE INCORPORATED	2,476.44	126,000.00	0.020
CDC IXIS SECURITIES	858.77	12,894.00	0.067
CHARLES SCHWAB CO INC	55,447.28	1,462,207.00	0.038
CHASE MANHATTAN	1,528.56	84,600.00	0.018
CHEUVREUXDE VIRIEU	8,753.39	134,736.00	0.065
CHEVREUX INTERNATIONAL	3,092.77	101,301.00	0.031
CHINA INTRTNL CAP CORP HK SECS LTD	2,194.71	1,972,000.00	0.001
CI NORDICSECURITIES AB	7,170.39	357,975.00	0.020
CIBC WORLD MARKETS CORP	51,319.03	1,056,560.00	0.049
CIC SECURITIES	146.86	642.00	0.229
CITIBANK N.A.	1,488.55	118,297.00	0.013
CITIGROUPGLOBAL MARKETS	216.12	9,200.00	0.023
CITIGROUPGLOBAL MARKETS ASIA LIMITED	9,959.88	2,727,752.00	0.004
CITIGROUPGLOBAL MARKETS AUSTRALIA PTR	18,890.40	1,182,770.00	0.016
CITIGROUPGLOBAL MARKETS INC	1,132,426.74	89,942,812.00	0.013
CITIGROUPGLOBAL MARKETS INC/SALOMON BRO	52,762.33	279,289,244.00	0.000
CITIGROUPGLOBAL MARKETS LIMITED	309,855.14	25,694,391.00	0.012
CITIGROUPGLOBAL MARKETS UK EQUITY LTD	50,798.20	7,354,768.00	0.007
CLSA SINGAPORE PTE LTD	1,416.84	92,200.00	0.015
COBURN & MEREDITH, INC(CLR.THRU 443)	4,957.45	99,149.00	0.050
COLLINS STEWART	3,159.84	88,050.00	0.036
COLLINS STEWART + CO	3.05	100.00	0.031
COMMERZBANK AG	8,321.11	124,731.00	0.067
COMMERZBANK AG LONDON	2,380.70	129,600.00	0.018
CORRESPONDENT SERVICES, INC	7,064.20	179,124.00	0.039
CREDIT AGRICLE INDOSUEZ	1,988.89	117,362.00	0.017
CREDIT AGRICOLE INDOSUEZ	8,502.99	76,744.00	0.111
CREDIT AGRICOLE INDOSUEZ CHEUVREUX	19,803.44	293,002.00	0.068
CREDIT LYONNAIS	2,511.94	906,875.00	0.003
CREDIT LYONNAIS SECS	6,340.43	643,115.00	0.010
CREDIT LYONNAIS SECURITIES	37,880.91	7,362,184.00	0.005
CREDIT LYONNAIS SECURITIES (USA) INC	173,288.62	1,888,747,261.00	0.000
CREDIT LYONNAIS SECURITIES ASIA/GUERNSEY	13,319.44	16,544,348.00	0.001
CREDIT LYONNAIS SECURITIES(ASIA)	8,544.98	10,008,359.00	0.001
CREDIT SUISSE FIRST BOSTON	106,821.77	66,412,743.00	0.002
CREDIT SUISSE FIRST BOSTON (EUROPE)	1,444.18	1,010.00	1.430
CREDIT SUISSE FIRST BOSTON (EUROPE) LTD	35,642.31	2,494,031.00	0.014
CREDIT SUISSE FIRST BOSTON CORPORATION	645,216.55	33,137,267.00	0.019
CREDIT SUISSE FIRST BOSTON EQUITIES (EUR	116,947.94	12,148,676.00	0.010
CREDIT SUISSE FIRST BOSTON LONDON	6,997.10	451,752.00	0.015
CREDIT USA	1,806.00	51,000.00	0.035
CS FIRST BOSTON	2,788.18	1,729,900.00	0.002
CS FIRST BOSTON (HONG KONG) LIMITED	35,431.68	7,605,522.00	0.005
CSFB AUSTRALIA EQUITIES LTD	3,801.15	255,532.00	0.015
CSFB EQUITIES 1 CABOT SQUARE	1,156.24	67,700.00	0.017
D CARNEGIE AG	3,302.01	67,820.00	0.049
DAEWOO SECURITIES CO LTD	3,261.24	99,530.00	0.033
DAIWA SBCM EUROPE	22,596.53	1,561,400.00	0.014
DAIWA SECURITES SB CAPITAL MA	3,649.74	317,500.00	0.011
DAIWA SECURITIES AMERICA INC	14,816.98	442,263.00	0.034
DAVIDSON D.A. + COMPANY INC.	10,272.00	250,600.00	0.041
DAVY (J+E)	21,096.94	914,809.00	0.023
DB CLEARING SERVICES	1,584.00	39,600.00	0.040
DBS SECURITIES (S) PTE LTD.	10,658.51	1,663,200.00	0.006
DBS VICKERS (HONG KONG) LIMITED	4,109.29	2,689,585.00	0.002
DBS VICKERS SECS PTE LTD	14,084.20	6,266,600.00	0.002
DBS VICKERS SECURITIES(THAILAND)	5,487.36	1,054,200.00	0.005
DEN DANSKE BANK	10,104.76	167,189.00	0.060
DEUTCHE BANK	536.00	13,400.00	0.040
DEUTSCHE BANK AG LONDON	616,249.53	2,072,709,022.00	0.000
DEUTSCHE BANK SECURITIES	12,821.91	741,554.00	0.017
DEUTSCHE BANK SECURITIES INC	696,888.41	67,929,329.00	0.010
DEUTSCHE BANK SECURITIES, INC	63,467.35	12,581,108.00	0.005
DEUTSCHE MORGAN GRENFELL INC.	17,015.89	1,256,224.00	0.014
DEUTSCHE MORGAN GRENFELL SECS	23,562.38	13,280,400.00	0.002
DEUTSCHE SECURITIES ASIA LIMITED	36,352.49	22,529,950.00	0.002
DEUTSCHE SECURITIES ASIA LTD	3,054.77	19,050.00	0.160
DEUTSCHE SECURITIES LTD	2,087.42	121,000.00	0.017
DIVIDEND REINVEST	823.44	160,752.80	0.005
DONGWON SECURITIES	2,596.05	491,357.00	0.005
DOWLING &PARTNERS SECURITIES, LLC.	5,454.25	109,085.00	0.050
DRESDNER BANK AG LONDON	4,197.90	44,700.00	0.094
DRESDNER BANK AG NEW YORK	7,919.06	298,600.00	0.027
DRESDNER KLEINVORT BENSON NORTH AMERICA	6,572.36	67,350.00	0.098
DRESDNER KLEINWORTH WASSERSTEIN SEC LLC	16,408.73	1,058,700.00	0.015
DUPONT DENANT S.A.	182.75	2,000.00	0.091
E TRADE SECURITIES, INC	1,872.00	46,800.00	0.040
EDWARDS AG SONS INC	3,816.00	95,400.00	0.040
ENGELMANSECURITIES	1,818.00	40,400.00	0.045
ENSKILDA SECURITIES AB	26,098.49	1,152,690.00	0.023
EUROMOBILIARE SIM S.P.A.	410.00	13,000.00	0.032
EUROPEENNE D INTERMEDIATION FIN	2,077.20	20,955.00	0.099
EXANE INC	9,737.97	31,600.00	0.308
EXANE S.A.	19,524.86	381,731.00	0.051
EXANE SA	1,382.07	19,275.00	0.072

COMBINED INVESTMENT FUNDS SCHEDULE OF BROKERAGE COMMISSIONS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Broker Name	$ Commission	Shares/ Par Value	Avg Comm
EXECUTIONLIMITED	3,283.88	311,225.00	0.011
EXECUTIONLTD	222.03	7,100.00	0.031
F P MAGLIO + CO INC	384.00	12,800.00	0.030
FACTSET DATA SYSTEMS (THRU BEAR STEARNS)	1,345.00	26,900.00	0.050
FAHNESTOCK & COMPANY, INC.	8,766.00	194,800.00	0.045
FERRIS BAKER WATTS INC	625.00	12,500.00	0.050
FIDELITY CAPITAL MARKETS	62,614.69	1,447,874.00	0.043
FIDENTIIS	1,766.86	46,852.00	0.038
FIDENTIISEQTYS SVSA ES	125.88	1,508.00	0.083
FIMAGEST S.A.	1,193.37	54,816,700.00	0.000
FINANCIALBROKERAGE GROUP (FBG)	19,450.05	256,457.00	0.076
FINANCIALSECURITY CORP	2,000.00	100,000.00	0.020
FINANCIALSERVICE COMPANY	11,625.20	581,260.00	0.020
FINANCIALSERVICE CORPORATION OF AMERICA	5,453.26	297,263.00	0.018
FIRST ALBANY CAPITAL INC.	6,952.50	139,050.00	0.050
FIRST ALBANY CORP.	5,635.00	112,700.00	0.050
FIRST CLEARING, LLC	25,039.50	733,713.00	0.034
FIRST SOUTHWEST COMPANY	20,411.87	496,584.00	0.041
FIRST UNION CAPITAL MARKETS	25,005.41	539,807.00	0.046
FORTIS BANK (NEDERLAND) N.V.	137.85	7,501.00	0.018
FOX PITT KELTON (ASIA)LTD	818.40	43,000.00	0.019
FOX PITT KELTON INC	3,671.21	64,200.00	0.057
FOX PITT,KELTON INC.	340.82	23,300.00	0.015
FOX-PITT KELTON LTD	14,049.34	311,809.00	0.045
FRIEDMAN BILLINGS + RAMSEY	15,960.00	319,200.00	0.050
FULCRUM GLOBAL PARTNERS LLC	40,065.13	1,053,503.00	0.038
G TRADE SERVICES LTD	577.30	139,800.00	0.004
GARANTIA DTVM S/A	2,254.62	43,400.00	0.052
GARBAN EQUITIES LIMITED LONDON	718.65	328,136.00	0.002
GEDIK MENKUL DEGERLER	14,115.72	569,120,348.00	0.000
GK GOH SECURITIES (HK) LTD.	248.10	19,000.00	0.013
GLOBAL SECURITIES INC. (ISTANBUL)	2,961.55	303,710,088.00	0.000
GOLDMAN SACHS (ASIA) LLC	1,127.11	3,020.00	0.373
GOLDMAN SACHS + CO	794,388.20	52,932,679.00	0.015
GOLDMAN SACHS AND COMPANY	8,712.83	473,817.00	0.018
GOLDMAN SACHS EQUITY SECURITES (UK) LTD	7,962.94	179,200.00	0.044
GOLDMAN SACHS INTERNATIONAL LONDON	81,776.20	5,887,494.00	0.014
GOOD MORNING SECS, SEOUL	1,074.60	1,100.00	0.977
GOOD MORNING SHINHAN SECS USA	1,335.83	219,300.00	0.006
GOODBODY STOCKBROKERS	6,327.04	542,513.00	0.012
GRANVILLEDAVIES LIMITED	2,871.05	351,234.00	0.008
GRUNTAL &CO., L.L.C.	7,099.60	141,992.00	0.050
GUZMAN + CO	11,025.96	275,649.00	0.040
HARBORSIDE SECURITIES	1,306.00	65,300.00	0.020
HARRIS NESBITT CORP.	5,260.00	105,200.00	0.050
HC ISTANBUL	1,482.68	91,959,151.00	0.000
HEFLIN + CO., LLC	89,621.18	2,277,063.00	0.039
HENDERSONCROSTHWAITE LIMITED	947.76	387,668.00	0.002
HG ASIA	10,554.38	1,582,610.00	0.007
HG ASIA CLEARING SVCS LTD KL	1,436.85	1,252,000.00	0.001
HG ASIA LTD	2,123.33	309,000.00	0.007
HG ASIA PTE LTD	110.27	170,000.00	0.001
HG ASIA SECURITIES	623.41	392,000.00	0.002
HG ASIA SECURITIES (PHIL) INC.	230.78	348,000.00	0.001
HIBERNIA SOUTHCOAST CAPITAL INC	1,855.00	37,100.00	0.050
HOARE GOVETT SECURITIES LTD	1,142.45	1,482,780.00	0.001
HOENIG (FAR EAST) LIMITED	946.53	64,000.00	0.015
HONGKONG AND SHANGHAI BKG CORP	18.73	1,000.00	0.019
HOWARD WEIL DIVISION LEGG MASON	5,325.00	106,500.00	0.050
HSBC	2,773.65	27,180.00	0.102
HSBC BANKPLC	68,140.67	10,118,803.00	0.007
HSBC SECURITIES (SINGAPORE) PTE LTD	1,533.20	403,000.00	0.004
HSBC SECURITIES INC (JAMES CAPEL)	25,338.24	1,325,996.00	0.019
HSBC SECURITIES(ASIA)LIMITED	850.15	121,500.00	0.007
HVB CAPITAL MARKETS, INC	9,610.55	203,902.00	0.047
HYUNDAI SECURITIES CO. LTD.	244.66	4,200.00	0.058
IBJ INTERNATIONAL PLC	11,849.68	710,605.00	0.017
IMPERIAL CAPITAL LLC	2,594.60	60,640.00	0.043
ING BANK N V	566.07	39,352.00	0.014
ING BARING SECURITIES	1,098.51	26,329.00	0.042
ING BARING SECURITIES (SINGAPORE)	5,525.73	1,275,020.00	0.004
ING BARING SECURITIES LTD SEOUL	15,867.66	272,010.00	0.058
ING BARINGS CORP	37,933.14	223,939,381.00	0.000
ING SECURITIES LIMITED	247.20	26,900.00	0.009
INSTINET	163,482.62	12,377,750.00	0.013
INSTINET CLEARING SERVICES INC	18,613.47	919,638.00	0.020
INSTINET FRANCE S.A.	523.69	27,100.00	0.019
INSTINET INVESTMENT SERVICES LIMITED	5,061.00	301,025.00	0.017
INSTINET PACIFIC LIMITED	7,643.20	167,527.00	0.046
INSTINET U.K. LTD	39,878.37	1,249,101.00	0.032
INTERMOBILIARE SECURITIES SIM SPA	503.83	25,000.00	0.020
INTERMONTE SEC SIM SPA	260.98	194,123.00	0.001
INVERLAT INTERNATIONAL	6,066.12	641,134.00	0.009
INVESTEC HENDERSON CROSTHWAITE	5,890.46	928,500.00	0.006
INVESTMENT TECHNOLOGY GROUP INC.	238,801.11	10,151,119.00	0.024
INVESTMENT TECHNOLOGY GROUP LTD	7,425.42	1,190,939.00	0.006
ISI GROUPINC	25,311.00	506,300.00	0.050
ITAU CORRETORA VALOR	139.07	2,048,000.00	0.000
ITG AUSTRALIA LTD.	466.42	58,000.00	0.008
ITG INC	200.10	26,200.00	0.008
ITG SECURITIES (HK) LTD	40.82	124,000.00	0.000
J AND E DAVY	2,066.08	187,925.00	0.011
J B WERE + SON LIMITED	3,268.93	298,764.00	0.011
J B WERE AND SON	11,444.16	739,431.00	0.015
J B WERE AND SON INC.	5,695.66	894,446.00	0.006
J P MORGAN SECURITIES INC	228,749.97	5,780,563.00	0.040
JACKSON SECURITIES	19,160.22	430,356.00	0.045
JAMES CAPEL SA	258.43	22,900.00	0.011
JANNEY MONTGOMERY, SCOTT INC	4,156.00	85,300.00	0.049
JB WERE AND SON (NZ) LTD	1,372.84	142,500.00	0.010
JEFFERIESCOMPANY INC	237,940.82	5,916,469.00	0.040
JERMY CAPITAL PARTNERS	452.00	11,300.00	0.040
JERMYN CAPITAL PARTNERS PLC	704.00	17,600.00	0.040
JMP SECURITIES	5,915.00	118,300.00	0.050
JOH BERENBERG GOSSLER AND CO	10,632.78	179,378.00	0.059
JOHNSON RICE + CO	8,628.00	172,560.00	0.050
JONES & ASSOCIATES INC	164,828.16	4,515,314.00	0.037
JP MORGAN	6,898.04	927,273.00	0.007
JP MORGANBROKING HK LIMITED	129.70	14,000.00	0.009
JP MORGANINTERNATIONAL BANK LTD	6,522.24	252,160.00	0.026
JP MORGANSECS LTD	301.07	29,700.00	0.010
JP MORGANSECURITIES AUSTRALIA LTD	5,459.84	686,064.00	0.008
JP MORGANSECURITIES INC	114,565.12	57,044,877.00	0.002
JP MORGANSECURITIES LIMITED	131,986.52	10,088,086.00	0.013
JPMORG SEC(FAR EAST)LTD SEOUL	3,337.10	16,090.00	0.207
JPMORGAN CHASE BANK	3,682.59	158,200.00	0.023
JPMORGAN CHASE BANK/CORRESPONDENT CLR SV	100.00	309,900.00	0.000
JPMORGAN CHASE/RBS	292.00	7,300.00	0.040
JPMORGAN SECURITIES(ASIA PACIFIC)LTD	50,455.97	63,075,185.00	0.001
JULIUS BAER BROKERAGE SA	2,357.35	30,857.00	0.076
KBC BANK NV	4,368.96	54,426.00	0.080
KBC FINANCIAL PRODUCTS UK LTD	52,856.27	2,554,113.00	0.021
KEEFE BRUYETTE + WOODS INC	35,412.71	747,953.00	0.047
KEMPEN + CO N.V.	3,974.00	89,512.00	0.044
KIM ENG SECURITIES	61,836.46	43,588,258.00	0.001
KING, CL, & ASSOCIATES, INC	190,781.90	4,031,466.00	0.047
KLEINWORTBENSON SECURITIES LIMITED	69,396.86	7,948,852.00	0.009
KNIGHT SECURITIES	86,396.99	2,467,670.00	0.035
KNIGHT SECURITIES INTERNATIONAL	258.44	100,000.00	0.003
KNIGHT SECURITIES INTL	282.41	69,400.00	0.004
KOC BANK A.S.	4,081.79	475,123,000.00	0.000
LA BRANCHE FINANCIAL #2	50,755.26	1,691,842.00	0.030
LARRAIN VIAL	1,480.53	174,176.00	0.009
LATINVESTSECURITIES	1,060.00	26,500.00	0.040
LAZARD CAPITAL MARKETS	4,256.06	164,320.00	0.026
LAZARD FRERES & CO.	10,525.00	210,500.00	0.050
LEERINK SWANN AND COMPANY	3,403.50	68,070.00	0.050
LEGG MASON WOOD WALKER INC	7,300.00	146,000.00	0.050
LEHMAN BROTHERS	1,062.21	152,541.00	0.007
LEHMAN BROTHERS BANKHAUS AG	1,342.51	125,800.00	0.011
LEHMAN BROTHERS INC	308,545.92	684,516,805.00	0.000
LEHMAN BROTHERS INTERNATIONAL	1,729.99	39,900.00	0.043
LEHMAN BROTHERS INTERNATIONAL (EUROPE)	394,946.45	806,054,112.00	0.000
LEHMAN BROTHERS JAPAN INC, TOKYO	956.55	21,000.00	0.046
LEHMAN BROTHERS SECS (ASIA)	20,214.48	2,457,429.00	0.008
LG INVESTMENT AND SECURITIES CO	6,007.41	314,000.00	0.019
LG SECURITIES CO LTD	5,219.20	133,659.00	0.039
LIQUIDNETEUROPE LIMITED	88.97	11,125.00	0.008
LIQUIDNETINC	135,247.16	5,622,351.00	0.024
LOMBARD, ODIER AND CIE	2,865.54	14,226.00	0.201
LOOP CAPITAL MKTS LLC	2,799.28	69,982.00	0.040
LYNCH JONES AND RYAN INC	2,730.00	68,100.00	0.040
MACQUARIEEQUITIES LIMITED (SYDNEY)	9,477.58	661,582.00	0.014
MACQUARIEEQUITIES LTD	10,545.14	1,833,945.00	0.006
MAGNA SECURITIES CORP	63.00	1,400.00	0.045
MAINFIRSTBANK DE	741.46	7,206.00	0.103
MCDONALDAND COMPANY SECURITIES, INC.	697.50	15,500.00	0.045
MERRILL LYNCH	4,195.40	177,800.00	0.024
MERRILL LYNCH + CO INC	23,573.10	1,493,837.00	0.016
MERRILL LYNCH AND CO	640.52	106,000.00	0.006
MERRILL LYNCH FAR EAST LTD	5,573.01	2,974,920.00	0.002
MERRILL LYNCH INTERNATIONAL	144,999.27	30,218,786.00	0.005
MERRILL LYNCH PEIRCE FENNER AND S	95,712.71	58,711,406.00	0.002
MERRILL LYNCH PEIRCE, FENNER AND S	4,519.53	653,100.00	0.007
MERRILL LYNCH PIERCE FENNER + SMITH	780,658.09	218,801,080.00	0.004
MERRILL LYNCH PROFESSIONAL CLEARING CORP	13,128.23	326,975.00	0.040
MIDWEST RESEARCH SECURITIES	16,487.42	415,204.00	0.040
MIZUHO INTERNATIONAL PLC	23,319.02	1,010,860.00	0.023
MIZUHO SECURITIES CO., LTD	265.96	18,000.00	0.015
MIZUHO SECURITIES USA INC	14,541.30	483,380.00	0.030
MKM PARTNERS	8,168.00	204,200.00	0.040
MONTROSE SECURITIES EQUITIES	1,084.95	21,799.00	0.050

PENSION FUNDS MANAGEMENT DIVISION

COMBINED INVESTMENT FUNDS SCHEDULE OF BROKERAGE COMMISSIONS (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Broker Name	$ Commission	Shares/ Par Value	Avg Comm
MOORS + CABOT INC	45,400.65	908,013.00	0.050
MORGAN KEEGAN & CO INC	575.00	11,500.00	0.050
MORGAN STANLEY	1,093.28	13,900.00	0.079
MORGAN STANLEY AND CO INTERNATIONAL	123.09	90.00	1.368
MORGAN STANLEY AND CO. INTERNATIONAL	88,281.21	4,612,154.00	0.019
MORGAN STANLEY CO INCORPORATED	1,076,574.39	167,570,204.00	0.006
MORGAN STANLEY DEAN WITTER	6,903.85	1,833,000.00	0.004
MORGAN STANLEY SECURITIES LIMITED	23,135.04	3,321,671.00	0.007
NATIONAL AUSTRALIA BANK LIMITED	409.40	48,000.00	0.009
NATIONAL AUSTRALIA BANK LIMITED (SYDNEY)	211.72	11,301.00	0.019
NATIONAL FINANCIAL SERVICES CORP	14,090.90	772,345.00	0.018
NATIONAL FINANCIAL SERVICES CORP.	105,386.75	2,194,571.00	0.048
NATIONAL FINANCIAL SVCS CORP	1,029.92	51,496.00	0.020
NCB STOCKBROKERS	1,775.38	164,900.00	0.011
NCB STOCKBROKERS LTD	6,690.89	325,990.00	0.021
NEEDHAM +COMPANY	4,600.00	92,000.00	0.050
NEONET SECURITIES AB	347.80	8,295.00	0.042
NEUBERGERAND BERMAN	48,648.42	1,621,614.00	0.030
NEUE ZURCHER BANK	338.30	320.00	1.057
NOMURA INTERNATIONAL (HONG KONG) LTD	4,005.78	717,000.00	0.006
NOMURA INTERNATIONAL PLC	50,282.56	4,352,708.00	0.012
NOMURA SECURITIES CO., LTD.	283.00	50,000.00	0.006
NOMURA SECURITIES INTERNATIONAL INC	66,107.30	30,827,819.00	0.002
NORDIC PARTNERS	5,649.80	154,300.00	0.037
NUMIS SECURITIES LIMITED	442.10	56,900.00	0.008
NUTMEG SECURITIES	113,911.55	2,424,421.00	0.047
NZB BANK	229.67	220.00	1.044
ODDO FINANCE	3,992.05	37,815.00	0.106
OHMAN SECURITIES	52.11	2,200.00	0.024
OIEN SECURITIES, INC	3.44	86.00	0.040
OPPENHEIM, SAL.,JR UND CIE KOELN	1,753.24	26,150.00	0.067
OPPENHEIMER & CO. INC.	21,930.18	482,215.00	0.045
ORD MINNETT, INC.	84.28	113,152.00	0.001
ORIEL SECURITIES LTD	963.31	97,927.00	0.010
ORMES CAPITAL MARKETS INC	8,338.00	191,500.00	0.044
PACIFIC AMERICAN SECURITIES, LLC	6,190.50	151,900.00	0.041
PACIFIC GROWTH EQUITIES	2,584.00	64,600.00	0.040
PANMURE GORDON & CO LTD	12,737.52	1,465,268.00	0.009
PARIBAS CORPORATION	8,169.46	251,355.00	0.033
PARIBAS SECURITIES INC	8,210.07	3,633,500.00	0.002
PARKMIX LTD	7,865.94	2,197,800.00	0.004
PEEL HUNT+ COMPANY LIMITED	2,301.83	240,400.00	0.010
PENSION FINANCIAL SERVICES INC	2,793.43	322,100.00	0.009
PERCIVAL FINANCIAL PARTNERS, LTD	722.85	14,457.00	0.050
PERSHING	4,226.80	216,090,220.00	0.000
PERSHING DIVISION OF DONALDSON LUFKIN	8,060.50	192,600.00	0.042
PERSHING DLJ S L	42,658.30	1,646,590.00	0.026
PERSHING LLC	126,896.16	2,706,303.00	0.047
PERSHING SECURITIES LIMITED	13,024.65	775,092.00	0.017
PERSHING SECURITIES LTD	1,206.56	51,218.00	0.024
PETERCAM S.A.	4,620.12	75,817.00	0.061
PICTET (CANADA) L.P.	2,710.53	29,870.00	0.091
PICTET AND CIE	2,578.35	3,537.00	0.729
PIPER JAFFRAY & CO.	20,532.80	410,656.00	0.050
PRITCHARDCAPITAL PARTNERS LLC	12,292.50	245,850.00	0.050
PRUDENTIAL EQUITY GROUP	54,834.78	1,316,283.00	0.042
PULSE TRADING LLC	39,812.05	1,847,796.00	0.022
PUNK ZIEGEL AND KNOLL	1,690.00	33,800.00	0.050
RABO SECURITIES NV	5,559.01	200,397.00	0.028
RABOBANK INTL	1,369.07	22,314.00	0.061
RAYMOND JAMES AND ASSOCIATES INC	21,593.55	439,475.00	0.049
RAYMOND JAMES TRUST COMPANY	24,398.82	1,681,564,408.00	0.000
RBC CAPITAL MARKETS	13,630.66	297,700.00	0.046
RBC CAPITAL MARKETS/NEW YORK	462.96	21,500.00	0.022
RBC DAIN RAUSCHER INC	26,107.50	564,900.00	0.046
RBC DOMINION SECURITIES	1,078.59	73,800.00	0.015
RBC DOMINION SECURITIES CORPORATION	616.48	50,200.00	0.012
RBC DOMINION SECURITIES INC.	26,068.90	746,200.00	0.035
REDBURN PARTNERS LLP	2,790.26	202,129.00	0.014
ROBERT VAN SECURITIES	9,637.88	240,947.00	0.040
ROBERT VAN SECURTIES	611.28	15,282.00	0.040
ROCHDALE SEC CORP.(CLS THRU 443)	33,229.46	798,499.00	0.042
ROYAL BANK OF CANADA	4,420.52	287,600.00	0.015
S.G. COWEN & CO., LLC	1,533.91	36,297.00	0.042
SAL OPPENHEIM JR	223.67	1,750.00	0.128
SALOMON SMITH BARNEY KOREA LTD	6,407.10	74,560.00	0.086
SAMSUNG SECURITIES CO LTD	72,658.33	951,643.00	0.076
SAMUEL A RAMIREZ & COMPANY INC	7,583.44	189,586.00	0.040
SANDERS MORRIS MUNDY	41,585.00	831,700.00	0.050
SANDLER ONEILL + PART LP	1,250.00	25,000.00	0.050
SANFORD C. BERNSTEIN LTD	63,237.98	5,486,142.00	0.012
SANFORD CBERNSTEIN CO LLC	30,985.10	582,055.00	0.053
SANTANDERCENTRAL HISPANO BOLSA	2,615.29	64,900.00	0.040
SANTANDERINVESTMENT SECURITIES INC	57,982.00	1,526,600.00	0.038
SARASIN INTERNATIONAL LTD	254.84	1,960.00	0.130
SCOTIA CAPITAL (USA) INC	640.11	17,100.00	0.037
SCOTT & STRINGFELLOW, INC	35,633.50	890,700.00	0.040
SG AMERICAS SECURITIES, LLC	28,896.00	709,600.00	0.041
SG COWEN SECURITIES CORP	32,737.32	720,856.00	0.045
SG COWEN SECURITIES CORP 2	2,348.74	27,643.00	0.085
SG SECURITIES (LONDON) LTD	457.35	100,500.00	0.005
SG SECURITIES (LONDON)LTD	5,123.13	146,140.00	0.035
SG SECURITIES HK	741.47	465,000.00	0.002
SHINYOUNGSECURITIES CO LTD	64,585.79	1,343,403.00	0.048
SIGMA SECURITIES S.A.	194.31	15,968.00	0.012
SIMMONS +COMPANY INTERNATIONAL	2,250.00	45,000.00	0.050
SIS SEGAINTERSETTLE AG	7,884.72	15,397.00	0.512
SOCIETE GENERALE	7,460.82	72,012.00	0.104
SOCIETE GENERALE LONDON BRANCH	5,250.96	150,813.00	0.035
SPEAR, LEEDS & KELLOGG	69,877.28	2,273,431.00	0.031
SSANGYONGINVESTMENT AND SECURITIES	23,028.68	343,690.00	0.067
SSGA	7,178.48	358,924.00	0.020
STANDARD + POORS SECURITIES INC	17,733.25	358,535.00	0.049
STANLEY (CHARLES) + CO LIMITED	2,025.93	200,344.00	0.010
STATE STREET BANK + TRUST	3,730.50	7,282,391,557.91	0.000
STATE STREET BANK AND TRUST CO	750.21	41,483.00	0.018
STATE STREET BANK GMBH	800.00	40,000.00	0.020
STATE STREET BROKERAGE SERVICES	408,060.15	22,039,864.00	0.019
STATUS SECURITIES	470.00	9,400.00	0.050
STEPHENS,INC.	5,020.00	100,400.00	0.050
STIFEL NICOLAUS & CO INC	2,425.00	48,500.00	0.050
SUN	455.52	14,016.00	0.033
SUNTRUST CAPITAL MARKETS, INC.	7,713.00	160,320.00	0.048
SVENSKA HANDELSBANKEN	1,143.39	51,751.00	0.022
SVENSKA HANDELSBANKEN LONDON BRANCH	5,544.61	240,057.00	0.023
SWISS AMERICAN SECURITIES INC	1,372.00	196,000.00	0.007
TEATHER AND GREENWOOD	101.71	15,111.00	0.007
THEMIS TRADING LLC	450.00	18,000.00	0.025
THINKEQUITY PARTNERS LLC	22,237.00	500,000.00	0.044
THOMAS WEISEL PARTNERS	83,815.28	2,058,757.00	0.041
TOKAI BANK EUROPE PLC LONDON	617.55	16,334.00	0.038
TOKYO MITSUBISHI INTERNATIONAL PLC	6,615.54	365,000.00	0.018
TOKYO-MITSUBISHI SECURITIES (USA)	276.41	32,371.00	0.009
TSUBASA SECURITIES CO., LTD.	2,200.50	82,000.00	0.027
U S BANCORP PIPER JAFFRAY INC	6,967.75	139,355.00	0.050
U.S. CLEARING CORPORATION	1,315.00	26,300.00	0.050
UBS	5,578.29	215,900.00	0.026
UBS (NETHERLANDS) BV	286.73	3,800.00	0.075
UBS AG	276,965.50	74,845,425.00	0.004
UBS AG LONDON	406,003.95	457,740,191.00	0.001
UBS AG STAMFORD	267.00	8,900.00	0.030
UBS AUSTRALIA GROUP LIMITED (FORMER ROYA	830.56	49,200.00	0.017
UBS FINANCIAL SERVICES INC	1,018.80	20,376.00	0.050
UBS SECURITIES	319.85	6,700.00	0.048
UBS SECURITIES ASIA LTD	152.08	7,000.00	0.022
UBS SECURITIES LLC	223,685.25	4,829,382.00	0.046
UBS SECURITIES SINGAPORE PTE	1,656.77	1,272,000.00	0.001
UBS WARBURG (HONG KONG) LIMITED	348.70	36,500.00	0.010
UBS WARBURG LLC	363,500.56	1,299,439,997.00	0.000
UBS WARBURG SECURITIES LIMITED	681.78	5,000.00	0.136
UNIBANCO-UNIAO DE BANCOS BRASIL	3,274.80	2,645,000.00	0.001
UOB KAY HIAN PRIVATE LIMITED	13,941.56	3,068,900.00	0.005
USCC/SANTANDER	520.00	13,000.00	0.040
VICKERS BALLAS LTD	3,890.77	103,000.00	0.038
VONTOBEL SECURITIES	307.85	1,600.00	0.192
WACHOVIA SECURITIES, LLC.	7,895.46	208,132.00	0.038
WACHOVIACAPITAL MARKETS, LLC	51,930.96	1,171,525.00	0.044
WARBURG DILLION READ (ASIA) LTD	100,177.87	22,772,022.00	0.004
WARBURG DILLON READ SECURITIES LTD	2,642.61	4,230.00	0.625
WAVE SECURITIES LLC	13,075.60	1,159,410.00	0.011
WEDBUSH MORGAN SECURITIES INC	9,910.00	198,200.00	0.050
WEEDEN + CO.	287,963.48	6,652,643.00	0.043
WELLS FARGO SECURITIES LLC	15,298.94	462,799.00	0.033
WESTMINSTER RESEARCH ASSOCIATE	14,972.65	299,453.00	0.050
WILLIAM BLAIR & COMPANY, L.L.C	39,621.88	926,214.00	0.043
WILLIAMS CAPITAL GROUP LP (THE)	29,516.70	716,474.00	0.041
WILLIAMS CAPITAL GROUP(THE)	9,831.50	216,500.00	0.045
WILLIAMS CAPITAL INTERNATIONAL LTD	25,066.37	2,186,700.00	0.011
WILLIAMS DE BROE	608.58	51,976.00	0.012
WR HAMBRECHT + CO	1,015.00	20,300.00	0.050
YORK SECURITIES INC	173.35	4,800.00	0.036
YORKTON SECURITIES INC	352.66	9,500.00	0.037
ZANNEX SECURITIES	2,178.11	204,989.00	0.011
Total	**$17,081,376.43**		

GLOSSARY OF INVESTMENT TERMS

Agency Securities - Securities issued by U.S. Government agencies, such as the Federal Home Loan Bank. These securities have high credit ratings but are not backed by the full faith and credit of the U.S. Government.

Alpha - A measurement of the difference between the actual performance of a fund and its expected performance given the overall return of the market and the fund's beta. Positive alpha indicates successful management of risk while a negative alpha suggests unsuccessful management.

Asset - Anything owned that has value; any interest in property, tangible or intangible, that can be used for payment of debts.

Asset Backed Security- Financial instruments collateralized by one or more types of assets including real property, mortgages, and receivables.

Banker's Acceptance (BA) - A high-quality, short-term negotiable discount note, drawn on and accepted by banks which are obligated to pay the face amount at maturity.

Basis Point (bp) - The smallest measure used in quoting yields or returns. One basis point is 0.01% of yield, 100 basis points equals 1%. A yield that changed from 8.75% to 9.50% increased by 75 basis points.

Benchmark - A standard unit used as the basis of comparison; a universal unit that is identified with sufficient detail so that other similar classifications can be compared as being above, below, or comparable to the benchmark.

Beta - A measure of the volatility associated with the price movement of a stock in relation to the price movement of the overall stock market or benchmark.

Book Value (BV) - The value of individual assets, calculated as actual cost less allowances for any depreciation. Book value may be more or less than current market value.

Capital Gain(Loss) - Also known as capital appreciation(depreciation), capital gain(loss) measures the increase(decrease) in value of an asset over time.

Certificates of Deposit (CDs) - A debt instrument issued by banks, usually paying interest, with maturities ranging from seven days to several years.

Coefficient of Determination (R^2) - A statistic which indicates the amount of variability in a dependent variable, such as Fund returns, which may be explained by an independent variable, such as market returns, in a regression model. The coefficient of determination is denoted R^2 and ranges from 0 to 1.0. If the statistic measures 0, the independent variable offers no explanation of the dependent variable. If the statistic measures 1.0, the independent variable fully explains the dependent variable.

Collateral - Property offered as security, usually as an inducement to another party, to lend money or extend credit.

Collateralized Mortgage Obligation (CMO) - A generic term for a security backed by real estate mortgages. CMO payment obligations are covered by interest and/or principal payments from a pool of mortgages.

Commercial Paper - Short-term obligations with maturities ranging from 1 to 270 days. They are issued by banks, corporations, and other borrowers to investors with temporarily idle cash.

Compounded Annual Total Return - Compounded annual total return measures the implicit annual percentage change in value of an investment, assuming reinvestment of dividends, interest, and realized capital gains, including those attributable to currency fluctuations. In effect, compounded annual total return "smoothes" fluctuations in long-term investment returns to derive an implied year-to-year annual return.

Consumer Price Index (CPI) - A measure of change in consumer prices, as determined by a monthly survey of the U.S. Bureau of Labor Statistics. Components of the CPI include housing costs, food, transportation, electricity, etc.

Cumulative Rate of Return - A measure of the total return earned for a particular time period. This calculation measures the absolute percentage change in value of an investment over a specified period, assuming reinvestment of dividends, interest income, and realized capital gains. For example, if a $100 investment grew to $120 in a two-year period, the cumulative rate of return would be 20%.

Current Yield - The relationship between the stated annual interest or dividend rate and the market price of a security. In calculating current yield, only income payments are considered; no consideration is given to capital gain/loss or interest on interest.

Derivative - Derivatives are generally defined as contracts whose value depends on, or derives from, the value of an underlying asset, reference rate, or index. For example, an option is a derivative instrument because its value derives from an underlying stock, stock index, or future.

Discount Rate - The interest rate that the Federal Reserve charges banks for loans, using government securities or eligible paper as collateral.

Diversification - The spreading of risk by putting assets in several different securities or categories of investments.

Duration - A measure of the average time to receipt of all bond cash flows. Duration is used to determine the percentage change in price of a fixed income security for a given change in the security's yield to maturity. Duration is stated in terms of time periods, generally years. (See Modified and Macaulay duration).

GLOSSARY OF INVESTMENT TERMS (Continued)

Equity - The ownership interest possessed by shareholders in a corporation.

ERISA (Employee Retirement Income Security Act) - The 1974 law governing the operation of most private pension and benefit plans. The law eased pension eligibility rules, set up the Pension Benefit Guarantee Corporation, and established guidelines for the management of pension funds.

Expense Ratio - The amount, expressed as a percentage of total investment, that shareholders pay for mutual fund operating expenses and management fees.

Fair Value - The amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Federal Funds Rate - The interest rate charged by banks with excess reserves at a Federal Reserve district bank to banks needing overnight loans to meet reserve requirements. The federal funds rate is one of the most sensitive indicators of the direction of interest rates since it is set daily by the market.

Federal Reserve Board - The governing body of the Federal Reserve System (12 regional Federal banks monitoring the commercial and savings banks in their regions). The board establishes FRS policies on such key matters as reserve requirements and other regulations, sets the discount rate, and tightens or loosens the availability of credit in the economy.

Fiduciary - A person, company, or association holding assets in trust for a beneficiary. The fiduciary is charged with the responsibility to invest the money prudently for the beneficiary's benefit.

Fitch Investor Services - A financial services bond rating agency.

Floating Rate Note - A fixed principal instrument which has a long or even indefinite life and whose yield is periodically reset relative to a reference index rate to reflect changes in short- or intermediate-term interest rates.

Gross Domestic Product - Total final value of goods and services produced in the United States over a particular period or time, usually one year. The GDP growth rate is the primary indicator of the health of the economy.

Hedge - An investment in assets which serves to reduce the overall risk of a portfolio, usually at the expense of potential reward.

Index - A benchmark used in executing investment strategy which is viewed as an independent representation of market performance. An index implicitly assumes cost-free transactions; some assume reinvestment of income. Example: S&P 500 index.

Index Fund - A fund whose portfolio attempts to replicate that of a broadbased index such as the S&P 500 so as to match its performance.

Inflation - A measure of the rise in price of goods and services, as happens when spending increases relative to the supply of goods on the market, i.e. too much money chasing too few goods.

Investment Income - The equity dividends, bond interest, and/or cash interest paid on an investment.

J-Curve - An economic theory stating that a policy designed to have one effect will initially have the opposite effect. With regard to closed end commingled fund investments, this generally refers to the impact on returns of contributions made in the early portion of a fund's existence. Invested capital is used to pay fees and organizational costs as well as to make investments in non-income producing enterprises. Such uses negatively impact returns in early periods but are expected to generate increasing income and valuations in the late periods as the previously non-income producing entities start producing income and the relative size of fees and other costs diminish relative to the value of invested capital.

JP Morgan Emerging Markets Bond Index Plus (EMBI+) - An index which tracks total returns for traded external debt instruments in the emerging markets. The instruments include external-currency-denominated Brady bonds, loans and Eurobonds, as well as U.S. dollar local markets instruments. The EMBI+ expands upon Morgan's original Emerging Markets Bond Index, which was introduced in 1992 and covers only Brady bonds.

LB Aggregate Index - An index made up of Government, Corporate, Mortgage Backed, and Asset Backed securities, all rated investment grade. Returns are market value weighted inclusive of interest. Issues must have at least one year to maturity and an outstanding par value of at least $100 million.

Letter of Credit - An instrument or document issued by a bank, guaranteeing the payment of a customer's drafts up to a stated amount for a specified period. It substitutes the bank's credit for the buyer's and eliminates the seller's risk.

Liability - The claim on the assets of a company or individual - excluding ownership equity. The obligation to make a payment to another.

Leverage - The use of borrowed funds to increase purchasing power and, ideally, to increase profitability of an investment transaction or business.

Macaulay Duration - The present value weighted time to maturity of the cash flows of a fixed payment instrument or of the implicit cash flows of a derivative based on such an instrument.

Market Value - The price at which buyers and sellers trade similar items in an open marketplace. Stocks are considered liquid and are therefore valued at a market price. Real estate is illiquid and valued on an appraised basis.

GLOSSARY OF INVESTMENT TERMS (Continued)

Master Custodian - An entity, usually a bank, used for safekeeping of securities and other assets. Responsible for other functions including accounting, performance measurement and securities lending.

Maturity Date - The date on which the principal amount of a bond or other debt instrument becomes payable or due.

Mezzanine Debt - Subordinated debt.

MFR Index (Formerly IBC) - An index which represents an average of the returns of institutional money market mutual funds that invest primarily in first-tier (securities rated A-1, P-1) taxable securities.

Modified Duration - A measurement of the change in the value of an instrument in response to a change in interest rates. It is the primary basis for comparing the effect of interest rate changes on prices of fixed income securities.

Money Market Fund - An open-ended mutual fund that invests in commercial paper, bankers' acceptances, repurchase agreements, government securities, certificates of deposit, and other highly liquid and safe securities and pays money market rates of interest. The fund's net asset value remains a constant $1 per share - only the interest rate goes up or down.

Moody's (Moody's Investors Service) - A financial services company which is one of the best known bond rating agencies in the country.

MSCI-EAFE - Morgan Stanley Europe Australasia Far East foreign equity index. An arithmetic value weighted average of the performance of over 900 securities on the stock exchanges of 19 countries on three continents. The index is calculated on a total return basis, which includes reinvestment of dividends net of withholding taxes.

Net Asset Value (NAV) - The total assets minus liabilities, including any valuation gains or losses on investments or currencies, and any accrued income or expense. NAV is similar to Shareholders' Equity.

NCREIF (National Council of Real Estate Investment Fiduciaries) - An index consisting of investment-grade, non-agricultural, income-producing properties: apartments, hotels, offices, and warehouses. Its return includes appreciation, realized capital gains, and income. It is computed by adding the income return and capital appreciation return generated by the properties in the index, on a quarterly basis.

Par Value - The stated or face value of a stock or bond. It has little significance for common stocks, however, for bonds it specifies the payment amount at maturity.

Pension Fund - A fund set up by a corporation, labor union, governmental entity, or other organization to pay the pension benefits of retired workers.

Percentile - A description of the percentage of the total universe in which portfolio performance is ranked.

Price/Book (P/B) - A ratio showing the price of a stock divided by its book value. The P/B measures the multiple at which the market is capitalizing the net asset value per share of a company at any given time.

Price/Earnings (P/E) - A ratio showing the price of a stock divided by its earnings per share. The P/E measures the multiple at which the market is capitalizing the earnings per share of a company at any given time.

Present Value - The current value of a future cash flow or series of cash flows discounted at an appropriate interest rate or rates. For example, at a 12% interest rate, the receipt of one dollar a year from now has a present value of $0.89286.

Principal - Face value of an obligation, such as a bond or a loan, that must be repaid at maturity.

Prudent Person Rule - The standard adopted by some states to guide those fiduciaries with responsibility for investing money of others. Such fiduciaries must act as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investment.

Realized Gain (Loss) - A gain (loss) that has occurred financially. The difference between the principal amount received and the cost basis of an asset realized at sale.

Relative Volatility - A ratio of the standard deviation of the Fund to the standard deviation of its selected benchmark. A relative volatility greater than 1.0 suggests comparatively more volatility in Fund returns than those of the benchmark.

Repurchase Agreements ("Repos") - An agreement to purchase securities from an entity for a specified amount of cash and to resell the securities to the entity at an agreed upon price and time. Repos are widely used as a money market instrument.

Reverse Repurchase Agreements ("Reverse Repos") - An agreement to sell securities to an entity for a specified amount of cash and to repurchase the securities from the entity at an agreed upon price and time.

Return on Equity (ROE) - The net income for the accounting period after payment of preferred stock dividends and before payment of common stock dividends of a company divided by the common stock equity at the beginning of the accounting period.

Risk Adjusted Return - A modified (usually reduced) return which accounts for the cost of a specific investment exposure as well as the aggregate risk of such exposure.

GLOSSARY OF INVESTMENT TERMS (Continued)

Russell 3000 - An equity index comprised of the securities of the 3,000 largest public U.S. companies as determined by total market capitalization. This index represents approximately 98% of the U.S. equity market. The largest security has a market capitalization of approximately $85 billion; the smallest is approximately $90 million.

Salomon Brothers Broad Investment-Grade Bond Index (SBIG) - A market value-weighted index composed of over 4,000 individually priced securities with a quality rating of at least BBB. Each issue has a minimum maturity of one year with an outstanding par amount of at least $25 million.

Salomon Brothers World Government Bond Index Non-U.S. (SWGBI) - An unhedged index measuring government issues of 12 major industrialized countries.

Securities Lending - A carefully collateralized process of loaning portfolio positions to custodians, dealers, and short sellers who must make physical delivery of positions. Securities lending can reduce custody costs or enhance annual returns by a full percentage point or more in certain market environments.

Soft Dollars - The value of research or other services that brokerage houses and other service entities provide to a client "free of charge" in exchange for the client's business.

S&P 500 (Standard & Poor's) - The composite price average of 425 industrial stocks, 50 utility stocks, and 25 railroad stocks.

S&P Ratings - A financial services company which is one of the best known bond rating agencies in the country.

Standard Deviation - A statistical measure showing the deviation of an individual value in a probability distributed from the mean (average) of the distribution. The greater the degree of dispersion from the mean rate of return, the higher the standard deviation; therefore, the higher the risk.

Total Fund Benchmark - A hybrid benchmark customized to reflect the CRPTF's asset allocation and performance objectives. This benchmark is comprised of 36% Russell 3000 Index; 18% International Stock Fund benchmark; 29% Mutual Fixed Income benchmark; 5% Russell 3000 Index; 11% S&P 500 Index; and 1% MFR First Tier Rated Index. The International Stock Fund benchmark is comprised of 83% Citigroup Europe, Pacific, Asia Composite Broad Market Index (50% Hedged) and 17% MSCI Emerging Market Free Index. The Mutual Fixed Income benchmark consists of 73% Lehman Brothers U. S. Aggregate Index, 17% S&P/Citigroup High Yield Market Index, and 10% JPM Emerging Markets Bond Index.

Treasury Bill (T-Bill) - Short-term, highly liquid government securities issued at a discount from the face value and returning the face amount at maturity.

Treasury Bond or Note - Debt obligations of the Federal government that make semiannual coupon payments and are sold at or near par value in denominations of $1,000 or more.

Trust - A fiduciary relationship in which a person, called a trustee, holds title to property for the benefit of another person, called a beneficiary.

TUCS - Trust Universe Comparison Service. TUCS is based upon a pooling of quarterly trust accounting data from participating banks and other organizations that provide custody for trust assets.

Turnover - Security purchases or sales divided by the fiscal year's beginning and ending market values for a given portfolio.

Unrealized Gain (Loss) - A profit (loss) that has not been realized through the sale of a security. The gain (loss) is realized when a security or futures contract is actually sold or settled.

Variable Rate Note - Floating rate notes with a coupon rate adjusted at set intervals, such as daily, weekly, or monthly, based on different interest rate indices, such as LIBOR, Fed Funds, and Treasury Bills.

Volatility - A statistical measure of the tendency of a market price or yield to vary over time. Volatility is said to be high if the price, yield, or return typically changes dramatically in a short period of time.

Yield - The return on an investor's capital investment.

Yield Curve - A graph showing the term structure of interest rates by plotting the yields of all bonds of the same quality with maturities ranging from the shortest to the longest possible. The Y-axis represents the interest rate and the X-axis represents time, generally with a normal curve that is convex in shape.

Zero Coupon Bond - A bond paying no interest that sells at a discount and returns principal only at maturity.

UNDERSTANDING INVESTMENT PERFORMANCE

Introduction

This section discusses the Treasury's approach to measuring performance, including risk and return of the Connecticut Retirement Plans and Trust Funds (CRPTF).

Understanding Performance

To measure success in achieving the primary objective of the Asset Allocation Plan, the Fund's performance is evaluated in two principal areas: risk and return. The results of these reviews, coupled with information on portfolio characteristics, are used to monitor and improve the performance of the Fund's external investment advisors.

To bring accountability and perspective to Fund performance and measurements of risk and return, The Connecticut Retirement Plans and Trust Funds are compared to those of similarly structured peer groups and indices. These comparisons enable plan participants, the Treasurer and the Investment Advisory Council, to determine whether and by how much Fund returns exceeded or fell short of the benchmarks. Each Fund's benchmark is selected on the basis of portfolio composition, investment style, and objectives.

Comparative performance is reviewed over both the near-term and the long-term for two reasons. First, pension management is, by its very nature, a long-term process. While both young and old employees comprise the pool of plan beneficiaries, the average age of plan participants is relatively low and requires that plan assets be managed for the long term. Second, as experience has shown, results attained in the short term are not necessarily an indicator of results to be achieved over the long term. Performance must be viewed in a broader context.

Overall performance is measured by calculating monthly returns and linking them to provide one-, three-, five- and ten-year histories of overall investment performance. Short-term performance is measured by total return over one-month, quarter-end, and trailing one-year time periods. Risk is also measured over both short- and the long-term periods.

Risk

The measurement of risk is a critical component in investment management. It is the basis for both strategic decision-making and investment evaluation. As an investment tool, investors assume risk to enhance portfolio returns. These enhancements, viewed as returns in excess of those available on "risk-free" investments, such as Treasury Bills, vary in magnitude according to the degree of risk assumed. Many investors focus on the negative aspects of risk and in doing so forego substantial upside potential, which can significantly enhance long-term returns. Thus, while risk can never be completely eliminated from a portfolio, the prudent management of risk can maximize investment returns at acceptable levels of risk.

Risk can take several forms and include: <u>market risk</u>, the risk of fluctuations in the overall market for securities; <u>company risk</u>, the risk of investing in any single company's stock or bonds; <u>currency-exchange risk</u>, the risk that a foreign country's currency may appreciate or depreciate relative to the U.S. dollar, thus impacting the value of foreign investments; and <u>political risk</u>, risk incurred through investing in foreign countries with volatile economies and political systems.

With respect to fixed income investments, investors also assume: <u>reinvestment risk</u>, the risk that cash flows received from a security will be reinvested at lower rates due to declining interest rates; <u>credit or default risk</u>, the risk that the issuer of a fixed income security may fail to make principal and interest payments on the security; <u>interest rate risk</u>, the risk that prices of fixed coupon bonds will decline in the event of rising market interest rates; and <u>inflation or purchasing power risk</u>, the risk that the real value of a security and its cash flows may be reduced by inflation. The level of risk incurred in fixed income investing increases as the investment time horizon is lengthened. This is demonstrated by the comparatively higher yields available on "long bonds," or bonds maturing in 20 to 30 years, versus those available on short-term fixed income securities.

In the alternative investment category, risks are significantly greater than those of publicly traded investments. Assessment of progress is more tenuous and valuation judgments are more complex. The investor

UNDERSTANDING INVESTMENT PERFORMANCE (Continued)

assumes not only management, product, market, and operations risk, similar to equity investing, but also assumes liquidity risk, the risk that one's investment cannot be immediately liquidated at other than substantially discounted value.

Volatility

To measure the effects of risk on the portfolio, the volatility of returns is calculated over time. Volatility, viewed as deviation of returns from an average of these returns over time, is measured statistically by standard deviation. Standard deviation is one of the most widely accepted and descriptive risk measures used by investment professionals today. Funds with high standard deviations are considered riskier than those with low standard deviations.

To evaluate the significance of the Funds' standard deviation, each Fund's relative volatility, or the ratio of the Fund's standard deviation to that of the benchmark is calculated. A relative volatility greater than 1.0 indicates that the Fund is more volatile than the benchmark while a measure less than 1.0 indicates less volatility. A relative volatility of 1.0 signifies an equal degree of volatility between the Fund and the benchmark.

As an extension of standard deviation, each Fund's beta, or a measure of the relative price fluctuation of the Fund to its benchmark, is also calculated. The measurement of beta allows one to evaluate the sensitivity of Fund returns to given movements in the market and/or its benchmark. A beta greater than 1.0 compared to the selected market benchmark signifies greater price sensitivity while a beta less than 1.0 indicates less sensitivity.

To measure the degree of correlation between Fund returns and the benchmark, the Division calculates the coefficient of determination, or R^2. This calculation, which is used in conjunction with beta, allows one to evaluate how much of the volatility in Fund returns is explained by returns in the selected market benchmark. An R^2 of 1.0 indicates that Fund returns are perfectly explained by returns of the benchmark, while a value less than 1.0 indicates that the returns of the benchmark explain only a portion of the fund return.

Finally, to evaluate how well each of the above measures actually predicted returns of the Fund, a calculation is performed on the Fund's alpha. This calculation measures the absolute difference between the Fund's monthly return and that predicted by its beta. Used together, these measures provide a comprehensive view of a Fund's relative risk profile.

Return

The Pension and Trust Funds are managed for maximum return with minimal risk. Return, viewed in this context, includes realized and unrealized gains in the market value of a security, including those attributable to currency fluctuations, as well as income distributed from a security such as dividends and interest. Return is measured through two calculations: compounded annual total return and cumulative total return.

Compounded Annual Total Return - This return measure evaluates performance over the short and long-term. Compounded annual total return measures the implicit annual percentage change in value of an investment, assuming reinvestment of dividends, interest, and realized and unrealized capital gains, including those attributable to currency fluctuations. In effect, compounded annual total return "smoothes" fluctuations in long-term investment returns to derive an implied year-to-year annual return.

Cumulative Total Return - This calculation measures the absolute percentage change in value of an investment over a specified period, assuming reinvestment of dividends, interest income, and realized capital gains. While this calculation does not "smooth" year-to-year fluctuations in long-term returns to derive implied annual performance, cumulative total return allows one to see on an absolute basis the percentage increase in the total Fund's value over a specified time. Viewed graphically, cumulative total return shows one what a $10 million investment in the CRPTF a set number of years ago would be worth today.

DEBT MANAGEMENT DIVISION

CHANGES IN DEBT OUTSTANDING*

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Bond Finance Type	Outstanding June 30, 2003	FY 2004 Issued	FY 2004 Retired	FY 2004 Refunded or Defeased	Outstanding June 30, 2004	FY 2004 Interest Paid
General Obligation - Tax Supported (1)*	$ 8,020,767,921	$ 2,411,950,000	$ 645,055,923	$1,417,925,000	$ 8,369,736,998	$ 406,846,565
General Obligation - Revenue Supported	13,036,124	-	2,730,000	1,145,000	9,161,124	659,561
General Obligation - Transportation	11,726,576	-	530,000	8,200,000	2,996,576	422,610
Economic Recovery Notes (2)	219,235,000	97,700,000	43,720,000	-	273,215,000	4,691,987
Special Tax Obligation	3,186,117,825	538,610,000	236,300,000	346,370,000	3,142,057,825	139,881,804
Bradley International Airport	258,160,000	-	6,140,000	-	252,020,000	13,782,627
Clean Water Fund	566,875,000	355,245,000	38,055,000	272,805,000	611,260,000	24,574,391
UCONN 2000 (3)	669,197,147	314,795,000	42,925,000	223,160,000	717,907,147	30,423,161
CDA Increment Financing (4)	31,300,000	-	1,475,000	-	29,825,000	1,739,095
CDA Governmental Lease Revenue (5)	6,545,000	-	430,000	-	6,115,000	424,010
Second Injury Fund Bonds (6)	111,130,000	-	13,705,000	43,170,000	54,255,000	5,597,390
CHEFA Childcare Facilities Program (7)	39,575,000	-	815,000	-	38,760,000	2,108,256
Bradley International Parking Operations (8)	53,800,000	-	-	-	53,800,000	3,582,480
Juvenile Training School Energy Center (9)	18,825,000	-	350,000	-	18,475,000	889,780
Special Obligation Rate Reduction Bonds (10)	-	205,345,000	-	-	205,345,000	-
TOTAL	**$13,206,290,593**	**$3,923,645,000**	**$1,032,230,923**	**$2,312,775,000**	**$13,784,929,670**	**$ 635,623,717**

(1) Debt outstanding at June 30, 2004 includes $24,810,000 in Certificates of Participation for the Middletown courthouse which is not debt of the State. However, the State is obligated to pay a base rent under a lease for the courthouse, subject to the annual appropriation of funds or the availablility of other funds therefore. The base rent is appropriated as debt service. The Certificates of Participation are included on the Treasurer's Debt Management System for control purposes.

(2) Economic Recovery Notes were issued in December 2002 to fund the State's Fiscal 2002 defecit. The notes, issued in a combination of fixed and variable rate securities, have a final maturity of December 2007 and are General Obligations of the State. Economic Recovery Notes were also issued in June 2004 to fund the State's Fiscal 2003 deficit. The notes, auction rate securities, have a final maturity of June 2009 and are General Obligations of the State.

(3) UCONN 2000 Bonds in a total amount of $962 Million are authorized over a ten year period to be paid by the University of Connecticut from a State Debt Service commitment. A new program, 21st Century UConn, adds an additional $1.3 billion over another 10 years to this program. As each series is issued, the debt service is validly appropriated from the State General Fund.

(4) The Connecticut Development Authority has issued tax increment bonds for certain economic development projects. The debt service on the bonds is deemed appropriated from the State's General Fund.

(5) The Connecticut Development Authority has issued its lease revenue bonds for the New Britain Government Center. The State is obligated to pay base rent subject to the annual appropriation of funds. These payments are budgeted in the Treasurer's debt service budget as lease payments.

(6) Money from positive cash flow was used to defease $43,170,000 in bonds.

(7) On July 1, 1999, the Treasurer's Office assumed the responsibility for the CHEFA Childcare debt service appropriation per Public Act 97-259.

(8) Includes Bradley International Airport Special Obligation Parking Revenue Bonds, 2000 Series A $47,665,000 and 2000 Series B $6,135,000.

(9) A lease purchase financing of the heating and cooling plant at the Juvenile Training School in Middletown.

(10) Pursuant to legislation passed in 2003, the Special Obligation Rate Reduction bonds were issued in June 2004 to provide revenue for the General Fund budgets for fiscal years 2004 and 2005. The bonds will be repaid from charges on the electric bills of the State's two investor-owned electric companies.

* Includes a prior year adjustment of $18,493 for interest in escrow calculated at the wrong rate. Principal adjusted to insure adequacy of escrow.

For a detailed listing of debt oustanding for the fiscal year ended June 30, 2004, please see Statutory Appendix.

RETIREMENT SCHEDULE OF IN-SUBSTANCE DEFEASED DEBT OUTSTANDING [1]

JUNE 30, 2004

Date Escrow Established		Amount of Principal Outstanding	Last Payment Date on Refunded Debt		Market Value of Escrow	Investment Profile of Escrow Account
BOND TYPE: GENERAL OBLIGATION						
09/30/1997	$	35,700,000	08/15/2004	$	36,233,834	State and Local Government Series Bonds
02/19/1998		10,700,000	08/15/2004		11,121,313	State and Local Government Series Bonds
11/05/1999		7,915,595	06/01/2013		10,501,223	U.S. Treasury Notes
12/29/1999		52,625,000	03/15/2006		52,778,561	State and Local Government Series Bonds
06/28/2001		322,600,000	11/01/2006		329,615,537	State and Local Government Series Bonds
11/20/2001		245,775,000	06/15/2010		262,400,563	State and Local Government Series Bonds
06/15/2002		125,045,000	06/15/2010		135,167,998	U.S. Treasury Notes
09/05/2002		229,185,000	12/15/2010		243,179,885	State and Local Government Series Bonds
04/08/2004		1,027,755,000	06/30/2012		1,066,364,091	U.S. Treasury Notes/Bonds/ FNMA/Fed Home Loan Bks/Resolution Funding Strips
SUBTOTAL	**$**	**2,057,300,595**		**$**	**2,147,363,005**	
BOND TYPE: SPECIAL TRANSPORTATION FUND						
04/15/1998	$	133,065,000	10/01/2004	$	135,122,579	State and Local Government Series Bonds
12/01/1999		74,198,374	06/01/2008		86,541,801	U.S. Treasury Bonds/Strips
10/11/2001		370,690,000	11/01/2007		380,813,367	State and Local Government Series Bonds
01/23/2003		366,055,000	10/01/2011		397,763,000	State and Local Government Series Bonds
SUBTOTAL	**$**	**944,008,374**		**$**	**1,000,240,747**	
BOND TYPE: CLEAN WATER FUND						
07/01/2003	$	246,965,000	10/01/2011	$	261,767,199	U.S. Treasury Notes /Bonds
SUBTOTAL	**$**	**246,965,000**		**$**	**261,767,199**	
BOND TYPE: CHEFA NURSING HOMES						
01/05/1999	$	54,545,000	11/01/2004	$	57,469,074	U.S. Treasury Notes
SUBTOTAL	**$**	**54,545,000**		**$**	**57,469,074**	
BOND TYPE: UCONN 2000						
01/15/2004	$	223,160,000	04/01/2012	$	243,187,603	State and Local Government Series Bonds
SUBTOTAL	**$**	**223,160,000**		**$**	**243,187,603**	
BOND TYPE: BRADLEY INTERNATIONAL AIRPORT						
03/27/2001	$	16,600,000	10/01/2004	$	16,853,249	State and Local Government Series Bonds
SUBTOTAL	**$**	**16,600,000**		**$**	**16,853,249**	
BOND TYPE: SECOND INJURY FUND						
06/20/2002	$	45,235,000	01/01/2011	$	46,389,257	State and Local Government Series Bonds
06/25/2003		29,820,000	01/01/2011		33,460,880	State and Local Government Series Bonds
06/25/2004		43,170,000	01/01/2011		46,312,401	State and Local Government Series Bonds
SUBTOTAL	**$**	**118,225,000**		**$**	**126,162,538**	
TOTAL	**$**	**3,660,803,969**		**$**	**3,853,043,415**	

(1) Represents bonds which have been refunded with proceeds of other bond issues and bonds which have been defeased using budget surplus. Although the State is still legally responsible for principal and interest payments on the refunded bonds, the refunded bonds are not carried as a liability of the State since they have been "in-substance" defeased. Investments adequate to meet all payments have been irrevocably deposited in escrow accounts with an independent agent for the sole purpose of satisfying principal and interest. The adequacy of each escrow account to meet debt service payments has been verified by an independent accounting firm.

DEBT MANAGEMENT DIVISION

SCHEDULE OF EXPENSES IN EXCESS OF $5,000 (1)

FISCAL YEAR ENDED JUNE 30, 2004

Name of Firm	Description of Services	Aggregate Compensation Paid in FY 2004	Status as of 06/30/04
A. C. Advisory, Inc.	Financial Advisor	$ 99,439	Active
Advest	Management Fee	80,000	Active
Bank of New York	Administrative/Trustee/Auction Agent Fee	10,250	Active
Bayerische Landesbanke	Liquidity Fee	102,340	Active
Bear Stearns & Co, Inc.	Broker/Dealer/Management Fee	300,022	Active
Bloomberg	Subscription	15,643	Active
Citigroup	Management Fee	40,000	Active
Council of Infrastructure Financing	Membership Fees	6,000	N/A
Day, Berry & Howard	Bond/Disclosure Counsel	739,109	Expired
Dexia Public Finance Bank	Liquidity Fees	541,164	Active
DiSanto Bertoline & Company	Auditor	81,715	Active
Financial Guaranty Insurance Co.	Bond Insurance	1,432,175	N/A
Financial Security Assurance, Inc.	Bond Insurance	960,935	N/A
Fitch	Rating Agency	209,720	N/A
Fleet Bank	Liquidity Fee	160,862	Active
Goldman Sachs	Broker/Dealer/Remarketing/Management Fee	501,351	Active
Hardwick Law Firm, LLC	Bond Counsel	60,694	Expired
Hawkins, Delafield & Wood	Arbitrage Calculation Fee	16,216	Expired
Hunton & Williams	Bond/Tax Counsel	462,367	Expired
ImageMaster	Financial Printer	214,918	Active
IRS	Arbitrage Rebate Payments	2,610,796	N/A
JP Morgan Chase Securities	Administrative/Trustee/Remarketing Fee	57,564	Active
Lamont Financial Services	Financial Advisor	276,097	Active
Landesbank Hessen-Thuringen	Liquidity Fee	113,120	Active
Law Offices of Joseph C Reid PA	Bond Counsel	89,226	Expired
Lehman Brothers Inc.	Remarketing/Management Fee	810,884	Active
Levy & Droney, P.C	Bond Counsel	267,386	Expired
Lewis & Munday	Bond Counsel	27,381	Expired
M.R. Beal & Co.	Management Fee	125,000	Active
MBIA Insurance Corp	Bond Insurance	1,724,534	N/A
McGladrey & Pullen	Verification Agent	26,000	Expired
Moody's	Rating Agency	528,817	N/A
Morgan Stanley & Co, Inc.	Broker/Dealer/Management Fee	214,444	Active
Nixon Peabody LLP (AMTEC)	Arbitrage Calc/Bond Counsel/Verification Agent	714,691	Active
Orrick, Herrington & Sutcliffe LLP (BondLogistix)	Arbitrage Calculation Fee	72,400	Active
P.G. Corbin & Co.	Financial Advisor	376,175	Active
Public Resources Advisory Group	Financial Advisor	159,299	Active
Pullman & Comley, LLC	Bond Counsel	363,219	Expired
Robinson & Cole	Bond/Tax Counsel	259,835	Expired
Seward and Monde	Auditor	34,750	Active
Shipman & Goodwin LLP	Bond Counsel	129,722	Expired
Siebert, Brandford & Shank	Management Fee	95,000	Active
Squire, Sanders & Dempsey	Bond Counsel	167,452	Active
Standard & Poor's	Rating Agency	382,000	N/A
TempSource	Termporary Services	19,212	Terminated
UBS PaineWebber	Management Fee	25,000	Active
U. S. Bank	Administrative/Trustee Fees	316,012	Active
Updike, Kelly & Spellacy	Bond Counsel	185,921	Expired
Wachovia Bank	Administrative/Trustee/Management Fee	187,050	Active
WestLB Public Finance	Liquidity Fees	417,606	Active
Wilmington Trust Company	Auction Agent Fee	11,396	Active
Total		**$16,822,909**	

(1) Expenses are presented on a cash basis. Debt Management expenses are comprised of payments to vendors made through the Treasury Business Office, fees netted at bond closings, and fees and expenses paid from Cost of Issuance accounts. Unless listed in the description, the amounts shown do not include bond issuance expenses paid on behalf of the State or sales charges which are distributed by agreement of the underwriters.

CASH MANAGEMENT DIVISION

ACTIVITY STATEMENT
FISCAL YEAR ENDED JUNE 30, 2004

Description	Total	
INFLOWS		
Receipts:		
Deposits	$19,225,989,842.24	(1)
Bad Checks	(10,797,645.87)	(2)
Treasury Initiated Transfers	1,600,484,503.78	(3)
Total Receipts	20,815,676,700.15	
Transfers:		
Income/Cash Transfers	367,151,613.84	(4)
Investments - Sells	10,451,644,291.48	(5)
Total Transfers	10,818,795,905.32	
Other Inflows:		
Internal Bank Transfers	27,098,311,723.66	(6)
Interbank Transfers	13,063,383,171.17	(7)
Total Other Inflows	40,161,694,894.83	
Total Inflows	71,796,167,500.30	
OUTFLOWS		
Disbursements:		
Vendor	16,562,004,818.86	(8)
Payroll	3,202,203,761.54	(9)
Total Disbursements	19,764,208,580.40	
Transfers:		
Income/Cash Transfers	375,449,199.36	(4)
Investments - Buys	11,260,773,308.67	(5)
Total Transfers	11,636,222,508.03	
Other Outflows:		
Internal Bank Transfers	27,098,311,723.66	(6)
Interbank Transfers	13,063,383,171.17	(7)
Total Other Outflows	40,161,694,894.83	
Total Outflows	$71,562,125,983.26	

(1) Deposits - revenue received from taxes, licenses, lottery fees, federal grants and other sources.
(2) Bad Checks - checks issued with insufficient funds in the originator's bank account.
(3) Treasury Initiated Transfers - To record debt service payments to the proper bank account and transfer of investment income to the proper fund.
(4) Income/Cash Transfers - income earned from short and long-term investments, or transfers of cash from one fund to the other, or between state agencies to pay for services rendered.
(5) Investment Sells/Buys - investment activity.
(6) Internal Bank Transfers - transfers of money from concentration accounts to zero balance accounts with the same depository institution to provide funds to cover authorized disbursements and invest excess cash.
(7) Interbank Transfers - transfers of state moneys between banks to invest excess cash or to cover authorized disbursements.
(8) Vendor - expenditures for goods and services provided to the State by vendors.
(9) Payroll - expenditures for the State's personnel and retirement payrolls, excluding fringe benefits and other deductions.

CASH MANAGEMENT DIVISION

CIVIL LIST FUNDS

SUMMARY SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS [1]

FISCAL YEAR ENDED JUNE 30, 2004

Fund Name	Adjusted Cash Balance July 1, 2003	FY 2004 Treasury Receipts	FY 2004 Treasury Disbursements	Transfers	Other Net Adjustments [2]	Adjusted Cash Balance June 30, 2004
TOTAL FUNDS	**$(254,726,146.87)**	**$20,815,676,700.15**	**$19,764,208,580.40**	**$(817,426,602.71)**	**$(102,885,609.57)**	**$(123,570,238.90)**

(1) Detailed information on activity within each individual fund (formerly provided in the Statutory Appendix) can be obtained from the Comptroller's Annual Report.

(2) Other Net Adjustments have been included to bring the Treasurer's cash balance presentation into conformance with the Comptroller's cash balance presentation.

These adjustments include the following:
- Cash received by agencies on June 30, 2004, but not deposited in a bank.
- Cash held in agency checking accounts or recorded as zero-balance account disbursement prior to the issuance of checks.
- Petty cash balance.

CASH MANAGEMENT DIVISION

CIVIL LIST FUNDS
SUMMARY SCHEDULE OF CASH AND INVESTMENTS [1]
FISCAL YEAR ENDED JUNE 30, 2004

Description	Total All Funds
General Investments	
Cash	$ (123,570,238.90)
STIF	1,774,630,461.69
TEPF	46,294,482.27
Investments with Treasurer as Trustee	
Short-Term	364,629,811.69
Long-Term	19,810,822,411.08
Investments with Others as Trustee	
Short-Term	1,122,121,484.63
Long-Term	404,951,926.59
Total	**$ 23,399,880,339.05**
Reconcilation Between Treasurer & Comptroller [2]	
Office of the Comptroller	
Cash and STIF June 30, 2004 (Annual Statutory Report)	$ 1,809,146,381.82
STIF classified as Long Term Investments Fund #14005	124,956,001.27
Cash and invest with Trustee Fund #21009	32,304,608.64
Cash and invest with Trustee Fund #21012	95,601,936.43
Total	**$ 2,062,008,928.16**
Office of the Treasurer	
Cash	$ (123,570,238.90)
STIF	1,774,630,461.69
TEPF	46,294,482.27
STIF/Investments with Treasurer as Trustee	364,629,811.69
Difference in STIF Balance Fund #21014	24,411.41
Total	**$ 2,062,008,928.16**

(1) For a detailed listing of the Civil List Investments for the Fiscal Year Ending June 30, 2004, please see Statutory Appendix.
(2) Reconciliation of Cash Equivalents Per Comptroller's Books to Cash and General Investments and Short-Term Investments Per Treasury Books.

CASH MANAGEMENT DIVISION

CIVIL LIST FUNDS
INTEREST CREDIT PROGRAM (1)
FISCAL YEAR ENDED JUNE 30, 2004

Fund	Participant	Department	SID	Interest Earned During the Year
12004	**Insurance Fund**			
	INSURANCE FUND	DOI37500		$137,035.20
Total				137,035.20
12007	**Workers Compensation**			
	ADMINISTRATION FUND	WCC42000		237,461.34
Total				237,461.34
12014	**Criminal Injuries Compensation Fund**			
	VICTIM SERVICES	JUD95000		37,809.03
Total				37,809.03
12015	**Vending Facilities Operators Fringe Benefits**			
	VENDING FACILITY PROGRAM - FEDERAL INCOME	ESB65000		370.83
Total				370.83
12017	**University of Connecticut Operating Fund**			
	OPERATING FUND	UOC67000		1,491,821.62
Total				1,491,821.62
12018	**University Health Center Operating Fund**			
	OPERATING FUND	UHC72000		56,973.18
	STUDENT SCHOLARSHIPS AND LOANS	UHC72000	40014	45,760.40
Total				102,733.58
12019	**State University Operating Fund**			
	STATE UNIVERSITIES	CSU83000		961,382.10
	CENTRAL CONNECTICUT STATE UNIVERSITY	CSU84000		34,731.79
Total				996,113.89
12020	**Regional Community/Technical Colleges Operating Fund (Tuition Account)**			
	BOARD FOR REGIONAL COMM-TECH COLLEGE	CCC78000		640,237.51
Total				640,237.51
12022	**University of Connecticut Research Foundation**			
	RESEARCH	UOC67000		131,266.46
Total				131,266.46
12026	**Environmental Quality Fund**			
	MUNICIPAL SOLID WASTE RECYCLING	DEP43000	40200	12,863.34
Total				12,863.34
12027	**Conservation Fund**			
	MIGRATORY BIRD CONSERVATION	DEP43000	40206	3,210.60
Total				3,210.60
12031	**Employment Security - Administration**			
	PENALTY & INTEREST	DOL40000	40213	36,350.02
	TITLE XII EXCESS FUNDS	DOL40000	40214	22,723.71
Total				59,073.73
12060	**GENERAL FUND**			
	RESEARCH IN PLANT SCIENCE	AES48000	30099	3,865.20
	ADMINISTRATION OF GRANTS	AES48000	30116	964.96
	BOARD FOR STATE ACADEMIC AWARD	BAA77000	35186	16,461.92
	BOARD OF PAROLE'S ASSET FORFEITURE ACCOUNT	BOP90100	20127	48.47
	CONN STATE LIBRARY ACCOUNT	CSL66000	30082	1,130.69
	CT LIBRARY & MUSEUM FUND	CSL66000	30093	23,803.12
	HISTORIC DOCUMENTS PRESERVATION ACCOUNT	CSL66000	35150	37,133.63
	CHILDREN'S TRUST FUND	CTF94000	30219	4,574.95

CASH MANAGEMENT DIVISION

CIVIL LIST FUNDS

INTEREST CREDIT PROGRAM (1) (Continued)

FISCAL YEAR ENDED JUNE 30, 2004

Fund	Participant	Agency	SID	Interest Earned During the Year
	RICHARD A. FORESTER MEMORIAL FUND	DCF91000	30084	85.97
	CHILDREN'S WELFARE FUND	DCF91000	30131	97.52
	PRIVATE OCCUPATIONAL STUDENT PROTECTION FUND	DHE66500	35135	28,270.11
	CONNECTICUT FUTURES ACCOUNT	DHE66500	35151	27,337.03
	CORRECTIONAL MEMORIAL FUND	DOC88000	30015	372.65
	CORRECTION GENERAL WELFARE FUND	DOC88000	35137	42,831.00
	COOPERATIVE/COMMUNITY POLICING PROGRAM	DPS32000	20270	9.64
	FEDERAL ASSET FORFEITURE	DPS32000	20493	2,141.93
	ENHANCED 911 TELECOMMUNICATIONS FUND	DPS32000	35190	159,593.98
	OFFICE OF TOURISM	ECD46000	30207	495.35
	JOB INCENTIVE ACCOUNT	ECD46000	35146	313.83
	MRD ESCROW ACCT.	ECD46000	35170	4,640.59
	MRS ESCROW ACCT.	ECD46000	35173	88.72
	LIONS CLUBS WORKSHOP FUND	ESB65000	30013	11.56
	FAUCHTSWANGER FUND	ESB65000	30030	81.04
	FRAUENHOFER FUND	ESB65000	30042	195.43
	MISCELLANEOUS GRANTS	ESB65000	30070	-879.12
	SARA BROWN FUND	ESB65000	30092	2,940.72
	CHARLES PRECOURT MEMORIAL FUND	ESB65000	30104	38.93
	ANN COROTEAU MEMORIAL FUND	ESB65000	30113	92.23
	VENDING FACILITIES PROGRAM-STATE AND LOCAL INCOME	ESB65000	35149	40,877.65
	LAW LIBRARY-DONATED COPIER RECEIPTS	JUD95000	30238	2,416.24
	DERBY COURTHOUSE MAINTENANCE RESERVE	JUD95000	35188	15,389.76
	MERIDEN COURTHOUSE MAINTENANCE RESERVE	JUD95000	35195	15,076.27
	CRIMINAL VIOLENCE VICTIMS ESCROW ACCT.	JUD95000	35203	24.18
	CLIENT SECURITY FUND	JUD95000	35205	64,736.93
	DMHAS-COMMUNITY MENTAL HEALTH STRATEGIC INVESTMENT	MHA53000	35160	77,652.74
	DMHAS-COMMISSIONER'S OFFICE PRE-TRIAL ACCOUNT	MHA53000	35166	30,105.40
	DRUG ASSET FORFEITURE PROGRAM	MIL36000	35112	306.73
	SETTLEMENT AGREEMENT	OAG29000	35250	26,440.70
	FY 2002 JUV ACCOUNTABILITY INCENTIVE BLOCK GRANT	OPM20000	20140	29,860.59
	LOCAL LAW ENFORCEMENT BLOCK GRANT PROGRAM	OPM20000	20206	526.42
	LOCAL LAW ENFORCEMENT BLOCK GRANTS PROGRAM	OPM20000	20213	85.35
	JUVENILE ACCOUNTABILITY INCENTIVE BLOCK GRANT PROG	OPM20000	20387	18,451.99
	WARNER OIL SETTLEMENT	OPM20000	20468	221.34
	EXXON OVERCHARGE	OPM20000	20488	13,809.26
	DIAMOND SHAMROCK OVERCHARGE	OPM20000	20490	505.85
	STRIPPER WELL OVERCHARGE	OPM20000	20492	22,448.76
	LOCAL LAW ENFORCEMENT BLOCK GRANTS PROGRAM	OPM20001	21689	1,116.80
	LOCAL EMERGENCY RELIEF ACCT.	OPM20000	35122	18.04
	INVESTMENT FUND	OTT14000	35101	126,501.84
	SECOND INJURY	OTT14000	35105	13,550.95
	SECOND INJURY STIPULATION & REIMBURSEMENT	OTT14000	35111	11,523.02
	HELP AMERICA VOTE FUND	SOS12500	21689	62,766.06
Total				931,154.90
21009	**Bradley International Airport Operations**			
	BRADLEY ENTERPRISE FUND	DOT57000		187,565.50
Total				187,565.50
22001	**Correction Industries**			
	CORRECTIONAL COMMISSARY FUND	DOC88000	42304	64,443.99
Total				64,443.99
31006	**Teacher's Retirement Fund**			
	TEACHER'S RETIREMENT BOARD	TRB77500		7,993.34
Total				7,993.34
35006	**New Home Construction Guaranty Fund**			
	NEW HOME CONSTRUCTION GUARANTY	DCP39500		22,592.31
Total				22,592.31

CASH MANAGEMENT DIVISION

CIVIL LIST FUNDS
INTEREST CREDIT PROGRAM (1) (Continued)
FISCAL YEAR ENDED JUNE 30, 2004

Fund	Participant	Agency	SID	Interest Earned During the Year
35007	**Tobacco and Health Trust Fund**			
	TOBACCO HEALTH TRUST FUND	OPM20000		10,027.54
Total				10,027.54
35012	**Various Treasurer's Trust Funds**			
	IRWIN LEPOW TRUST FUND	CME49500	42354	388.65
	R. GRAEME SMITH	DPS32000	42353	65.72
	FITCH HOME FOR SOLDIERS	DVA21000	42352	134.49
	POSTHUMOUS FITCH	DVA21000	42356	266.83
	JOHN H. KING	JUD95000	42355	2,079.27
	WHITE FUND	JUD95000	42357	36.70
Total				2,971.66
Grand Total				**$5,076,746.37**

(1) Interest is earned at the monthly simple interest rate of the Treasurer's Short-Term Investment Fund. Interest is calculated on the average monthly balance of each fund or account, and credited to the fund or account on a quarterly basis.

CASH MANAGEMENT DIVISION

SCHEDULE OF EXPENSES IN EXCESS OF $5,000 (1)

FISCAL YEAR ENDED JUNE 30, 2004

Name of Firm	Description of Services	Contract Date	Aggregate Compensation Paid in FY 2004	Status As of 6/30/04
Fleet Bank	Banking Services	Various	$ 3,982,446 (2)	Active
Webster Bank	Banking Services	Jun-98	295,266 (2)	Active
People's Bank	Banking Services	Mar-97	185,217 (2)	Active
US Bank National Assn	Bond Trustee & Paying Agent	Jun-90	151,281 (2)	Active
Wachovia Bank National Assn	Banking Services	Feb-97	49,453 (2)	Active
First Union National Bank	Banking Services	Feb-97	12,760 (2)	Active
Moodys Investors Services	Subscription & Research	N/A	36,300	Active
Standard & Poors	Subscription & Rating	N/A	33,000	Active
State Street Bank & Trust	STIF Custodian Fees	Aug-99	43,000	Active
Bloomberg L P	Subscription	N/A	31,916	Active
DHR International	Consulting Services	Mar-04	28,792	Active
Fitch Information Inc.	Credit Research	N/A	8,050	Active
Scillia Dowling & Natarellia LLP	AIMR Attestation Services	Sep-02	7,500	Active
TOTAL			**$ 4,864,981**	

(1) Expenses are presented on a cash basis.
(2) Includes compensation realized through bank balances and fees.

UNCLAIMED PROPERTY DIVISION

SCHEDULE OF EXPENSES IN EXCESS OF $5,000 (1)

FISCAL YEAR ENDED JUNE 30, 2004

Name of Firm	Description of Services	Contract Date		Aggregate Compensation Paid in FY 2004	Status
ACS Unclaimed Property Clearing House	Securities Services & Claims Processing	Mar-01	$	899,960	Active
ACS Unclaimed Property Clearing House	Identification & Collection of Property	Aug-94		8,142,495	Active
National Abandoned Property Processing Corporation	Identification & Collection of Property	Dec-91		26,260	Terminated
DataPrep Incorporated	Data Entry Services	N/A		8,676	Active
John Michael Associates Inc.	Promotional Items	N/A		5,695	Terminated
Joseph Merritt Company	Imaging Services	N/A		90,195	Active
McLaughlin, Delvecchio & Casey	Advertising	N/A		151,699	Active
Sterling Color	Publication of Unclaimed Property Holder Manual	N/A		5,977	Terminated
Xerox Corporation	Photocopier Lease	N/A		11,203	Active
TOTAL			**$**	**9,342,160**	

(1) Expenses are presented on a cash basis.

UNCLAIMED PROPERTY DIVISION

FIVE YEAR SELECTED FINANCIAL INFORMATION

	Fiscal Year Ended June 30,				
	2004	2003	2002	2001	2000
Receipts (Net of fees) (1)	$104,424,187	$ 70,409,889	$34,362,362	$ 39,522,597	$ 37,102,017
Fees netted from proceeds (2)	8,168,755	865,958	1,049,491	742,514	619,508
Gross Receipts	**112,592,942**	**71,275,847**	**35,411,853**	**40,265,111**	**37,721,525**
Claims paid (1)	10,862,104	9,441,860	10,117,462	9,838,935	9,475,207
Administrative Expenses:					
Salaries&Fringe benefits	2,295,637	2,144,697	2,112,937	1,900,906	1,691,026
Data processing & hardware	1,020,881	779,771	640,557	883,587	600,610
All other	236,078	113,144	286,749	313,763	148,606
Fees netted from proceeds (2)	8,168,755	865,958	1,049,491	742,514	619,508
Total Disbursements	**22,583,455**	**13,345,430**	**14,207,196**	**13,679,705**	**12,534,957**
Excess of Receipts over Disbursements (3)	**$ 90,009,487**	**$ 57,930,417**	**$ 21,204,657**	**$ 26,585,406**	**$ 25,186,568**
Approximate Market Value of Securities at Fiscal Year End:					
Stocks and bonds	$ 93,320,395	$ 27,228,349	$ 49,405,062	$ 53,362,736	$ 49,569,572
Mutual funds	10,951,926	7,340,330	11,363,341	13,373,611	14,420,453
Total Securities Inventory (4)	**$104,272,321**	**$ 34,568,679**	**$ 60,768,403**	**$ 66,736,347**	**$ 63,990,025**
Securities liquidated	**$ 0**	**$ 21,092,998**	**$ 172,928**	**$ 0**	**$ 67,860**
Mutual Funds liquidated	**$ 1,413,120**	**$ 4,451,091**	**$ 0**	**$ 0**	**$ 0**
Number of checks paid	**7,700**	**9,507**	**10,007**	**11,605**	**4,466**

(1) In 2004, receipts increased as a result of demutualization of several life insurance companies and changes to UCP law that reduced dormancy periods. The amounts disclosed above as "receipts" and "claims paid" represent actual cash flows and do not include the value of marketable securities. Receipts, net of fees, include the proceeds from mutual funds liquidated in a given year.

(2) Fees include amounts for liquidation of securities, property recovered in out-of-state audits, and appraisal and auction of safe deposit box contents. Fiscal Year 2004 fees include $6,907,921 associated with the receipt of cash & securities from demutualization of insurance companies.

(3) Excess of receipts over disbursements is remitted to the General Fund, however, amounts collected remain liabilities of the State until returned to rightful owners.

(4) Market value of securities increased as a result of the receipt of demutualization shares. The amounts disclosed above as fiscal year end market values of securities and mutual funds help provide a general indication of the relative net activity in such assets over time.

Summary of Gross Receipts
Fiscal Year Ended June 30, 2004

Financial institutions	$49,332,658
Other corporations	41,678,929
Insurance companies	14,313,666
Governmental agencies and public authorities	3,469,330
Dividends on securities held	709,614
Estates	44,412
Proceeds from court settlement	420,000
Securities tendered	45,577
Mutual funds liquidated	1,413,120
Interest penalty assessments	236,608
Sale of property lists, copying and other charges	1,000
Reciprocal exchange program with other states	927,228
Refunds	800
Total Gross Receipts	**$112,592,942**

EX-OFFICIO DUTIES OF THE STATE TREASURER
BOARDS, COMMITTEES AND COMMISSIONS

STATE BOND COMMISSION (§ 3-20(c) CGS)
As authorized by the General Assembly, all projects and grants funded from State bonds, as well as the issuance of the bonds, must be authorized by the State Bond Commission. The members of the Commission include the Governor, Treasurer, Comptroller, Attorney General, Secretary of the Office of Policy and Management (OPM), Commissioner of Public Works, and the Cochairpersons and the ranking minority members of the joint standing committee of the General Assembly having cogniznace of matters relating to finance, revenue and bonding.

INVESTMENT ADVISORY COUNCIL (§ 3-13b(a) CGS)
The Investment Advisory Council advises on investment policy and guidelines, and also reviews the assets and performance of the pension funds. Additionally, the Council advises the Treasurer with respect to the hiring of outside investment advisors and on the appointment of the Chief Investment Officer. The Investment Advisory Council consists of the Treasurer, the Secretary of OPM and ten appointees of the Governor and State Legislature.

BANKING COMMISSION (§ 36a-70(h)(1) CGS)
The Banking Commission approves all applications for the creation of state banks or trust companies. As part of this process, the Commission holds public hearings on applications prior to granting approval. The Commission members are the Treasurer, Comptroller and Banking Commissioner.

FINANCE ADVISORY COMMITTEE (§ 4-93 CGS)
The Finance Advisory Committee approves budget transfers recommended by the Governor and has other such powers over the State budget when the General Assembly is not in session. The Committee members are the Governor, Lieutenant Governor, Treasurer, Comptroller, two Senate members who are members of the Legislature's Appropriations Committee and three House members who are members of the Legislature's Appropriations Committee.

CONNECTICUT LOTTERY CORPORATION BOARD OF DIRECTORS (§ 12-802(b) CGS)
The Connecticut Lottery Corporation manages the State lottery and is responsible to introduce new lottery games and maximize the efficiency of operations in order to provide a greater return to the general fund. The thirteen member Board of Directors includes the Treasurer, the Secretary of OPM, as well as appointees by the Governor and State Legislature.

CONNECTICUT HIGHER EDUCATION TRUST(CHET) ADVISORY COMMITTEE (§ 3-22e(a) CGS)
This committee advises the Treasurer on policies concerning CHET. The Connecticut Higher Education Trust allows families to make tax deferred investments for higher education costs. The Commissioner of Higher Education, the Secretary of OPM, the Cochairpersons and ranking members of the Legislature's education committee, and finance, revenue and bonding committees, and four representatives of private higher education and the public serve with the Treasurer on this board.

COUNCIL OF FISCAL OFFICERS (By Charter)
The purpose of the Council of Fiscal Officers is to provide a forum for discussion and participation in the development of State financial policies, practices and systems. Membership is open to all State officials or employees, elected or appointed, classified or unclassified, serving in a fiscal management position. The Treasurer is one of four permanent members of the Executive Board.

THE STANDARDIZATION COMMITTEE (§ 4a-58(a) CGS)
The standardization committee approves or grants waivers to existing purchasing regulations when it is in the best interests of the State to do so. The members of this committee include the Treasurer, Comptroller, Commissioner of Administrative Services, and such administrative heads of State departments as are designated for that duty by the Governor.

EX-OFFICIO DUTIES OF THE STATE TREASURER (Continued)

BOARDS, COMMITTEES AND COMMISSIONS

INFORMATION AND TELECOMMUNICATION SYSTEMS (IT) EXECUTIVE STEERING COMMITTEE (§ 4d-12(b) CGS)

The IT Executive Steering Committee directs the planning, development, implementation and maintenance of State information and telecommunication systems. The Committee consists of the Treasurer, Comptroller, Secretary of OPM, Commissioner of Administrative Services, and the Chief Information Officer.

CONNECTICUT DEVELOPMENT AUTHORITY (CDA) (§ 32-11a(c) CGS)

The Connecticut Development Authority administers programs that support the State's economic development efforts. CDA has two basic types of loan programs: direct loans and loan guarantees (of bank loans). The Board membership includes the Treasurer, Commissioner of Economic and Community Development, Secretary of OPM, four members appointed by the Governor, and four members appointed by legislative leaders.

CONNECTICUT HOUSING FINANCE AUTHORITY (CHFA) (§ 8-244(a) CGS)

CHFA was created to increase the supply of, and encourage and assist in the purchase, development and construction of, housing for low and moderate-income families and persons throughout the State. It provides mortgages for single family homeowners at below market rates, mortgages for multi-family developers, and construction financing. The members of the board include the Treasurer, Commissioner of Economic and Community Development, Secretary of OPM, Banking Commissioner, seven members appointed by the Governor, and four members appointed by legislative leaders.

CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY (CHEFA) BOARD OF DIRECTORS (§ 10a-179(a) CGS)

CHEFA is a conduit bond issuer for hospitals, nursing homes, private universities, private secondary schools and day care facilities. The board members include the Treasurer, Secretary of OPM, and eight members appointed by the Governor.

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY (CHESLA) BOARD OF DIRECTORS (§ 10a-224(a) CGS)

CHESLA finances supplemental student loans and issues bonds every two years. The Board consists of eight members including the Treasurer, Commissioner of Higher Education, Secretary of OPM, and five additional members appointed by the Governor.

WATERBURY FINANCIAL PLANNING AND ASSISTANCE BOARD (SA 01-1)

Special Act 01-1 created the Waterbury Financial Planning and Assistance Board. The board members include the Treasurer, the Secretary of OPM, the Mayor of Waterbury, and four members appointed by the Governor. The Board is responsible for reviewing the financial affairs of the city of Waterbury, all in order to achieve or maintain access to public credit markets, to fund the city's accumulated deficits and to restore financial stability to the city of Waterbury.

STUDENT FINANCIAL AID INFORMATION COUNCIL (§ 10a-161b CGS)

The council develops procedures to improve student financial aid policy and increase resources, develops methods to improve financial aid awareness, especially amoung middle and high school students and their families, and coordinates financial aid delivery. The council is assisted in their responsibilities by the Department of Higher Education and the Connecticut Association of Professional Financial Aid Administrators. The Council consists of the Commissioners of Higher Education, the Treasurer, four members appointed by the Governor, and four members appointed by the legislative leadership.

EXECUTIVE OFFICE

TOTAL ADMINISTRATION EXPENDITURES
FISCAL YEARS ENDED JUNE 30,

Fiscal Years Ended June 30,

	2004	%	2003	%	2002	%	2001	%	2000	%
GENERAL FUND										
Personal Services	$2,923,590	4.42%	$2,779,972	3.90%	$2,869,876	3.72%	$2,970,332	4.60%	$2,916,411	4.69%
Other Expenses	340,235	0.51%	286,417	0.40%	330,875	0.43%	400,249	0.62%	407,325	0.65%
Capital Equipment	100	0.00%	1,000	0.00%	1,000	0.00%	5,000	0.01%	-	0.00%
TOTAL	**3,263,925**	**4.94%**	**3,067,389**	**4.30%**	**3,201,751**	**4.15%**	**3,375,581**	**5.23%**	**3,323,736**	**5.34%**
PENSION FUNDS										
Personal Services	$2,288,348	3.46%	$2,172,561	3.05%	$1,563,812	2.03%	$1,435,232	2.23%	$1,344,697	2.16%
Other Expenses	48,530,271	73.42%	53,752,772	75.40%	58,941,558	76.49%	47,641,305	73.88%	46,437,634	74.66%
Capital Equipment	2,237	0.00%	2,736	0.00%	6,132	0.01%	28,971	0.04%	18,856	0.03%
TOTAL	**50,820,856**	**76.89%**	**55,928,069**	**78.45%**	**60,511,502**	**78.53%**	**49,105,508**	**76.15%**	**47,801,187**	**76.85%**
SECOND INJURY FUND										
Personal Services	$6,472,773	9.79%	$6,435,233	9.03%	$6,474,238	8.40%	$5,813,536	9.02%	$5,983,086	9.62%
Other Expenses	659,369	1.00%	816,008	1.14%	1,473,097	1.92%	1,444,644	2.24%	1,106,723	1.78%
Capital Equipment	3,006	0.00%	22,312	0.03%	34,059	0.04%	9,321	0.01%	41,380	0.07%
TOTAL	**7,135,148**	**10.79%**	**7,273,553**	**10.20%**	**7,981,394**	**10.36%**	**7,267,501**	**11.27%**	**7,131,189**	**11.47%**
UNCLAIMED PROPERTY FUND										
Personal Services	$2,295,637	3.47%	$2,144,697	3.01%	$2,112,937	2.74%	$1,900,906	2.94%	$1,691,026	2.72%
Other Expenses	1,255,292	1.90%	885,567	1.24%	922,617	1.20%	1,193,757	1.85%	739,246	1.19%
Capital Equipment	1,667	0.00%	7,348	0.01%	4,689	0.01%	3,593	0.01%	9,970	0.02%
TOTAL	**3,552,596**	**5.37%**	**3,037,612**	**4.26%**	**3,040,243**	**3.95%**	**3,098,256**	**4.80%**	**2,440,242**	**3.93%**
SHORT-TERM INVESTMENT FUND										
Personal Services	$810,196	1.23%	$739,208	1.04%	$688,926	0.89%	$667,846	1.04%	$698,605	1.12%
Other Expenses	201,011	0.30%	168,490	0.24%	194,809	0.25%	188,240	0.29%	214,230	0.34%
Capital Equipment	337	0.00%	912	0.00%	2,066	0.00%	6,550	0.01%	2,584	0.00%
TOTAL	**1,011,544**	**1.53%**	**908,610**	**1.28%**	**885,801**	**1.14%**	**862,636**	**1.34%**	**915,419**	**1.47%**
Other Financing Sources (1)	**$313,399**	**0.47%**	**$1,078,353**	**1.51%**	**$1,437,947**	**1.87%**	**$779,096**	**1.21%**	**$587,334**	**0.94%**
TOTAL AGENCY	**$66,097,468**	**100.00%**	**$71,293,586**	**100.00%**	**$77,058,638**	**100.00%**	**$64,488,578**	**100.00%**	**$62,199,107**	**100.00%**

(1) Other Financing Sources include: Unemployment Compensation Special Assesment Fund; Clean Water Fund; Special Transportation Fund; Bonds Cost of Issuance Fund; and the Capital Equipment Fund.

EXECUTIVE DIVISION

SCHEDULE OF EXPENSES IN EXCESS OF $5,000 (1)
FISCAL YEAR ENDED JUNE 30, 2004

Name of Firm	Description of Services	Contract Date	Aggregate Compensation Paid in FY 2004	Status
ASAP Software Express	Computer Software	N/A	7,131	Terminated
BankOne NA	Purchasing Card Expenditures	N/A	24,121	Active
Bloomberg	Subscription	N/A	16,062	Active
Corporate Express	Office Supplies	Oct-95	7,951	Active
Grant & Eisenhofer PC	Legal Services	Jan-03	14,697	Active
Interfaith Center on Corporate Responsibility	Subscription	N/A	6,000	Actve
West Group	Subscription	N/A	15,353	Active
Xerox Corporation	Copier Lease and Maintenance	N/A	19,771	Active
TOTAL			$ 111,086	

(1) Expenses are presented on a cash basis.

SECOND INJURY FUND

SCHEDULE OF EXPENSES IN EXCESS OF $5,000 (1)

FISCAL YEAR ENDED JUNE 30, 2004

Name of Firm	Description of Services	Contract Date	Aggregate Compensation Paid in FY 2004	Status As of 6/30/04
ASAP Software Express Inc.	Computer Software	N/A	$ 8,691	Terminated
Automatic Data Processing	Check Processing	May-01	21,079	Active
BankOne	Travel Services	N/A	6,993	Active
Beneficial Investigation	Surveillance Services	Jan-01	52,476	Active
Concentra Managed Care	Provider Bill Audit Services	Aug-01	94,241	Active
Concentra Managed Care	IME/Case Mgmt./Job Placement	Jan-01	23,073	Active
Corporate Express	Office Supplies	Oct-00	6,830	Active
Corvel Corporation	IME/Case Mgmt./Job Placement	Jan-01	23,023	Active
Hawkins Delafield & Wood	Legal Services	N/A	9,118	Active
McGladrey & Pullen	Bond Financial Services	Jan-02	5,000	Active
Nextel Communications	Telephone/Radio Service	Jul-99	6,911	Active
Nixon Peabody LLP	Legal Services	N/A	14,657	Active
Public Resources Advisory Group	Bond Financial Services	Aug-02	9,832	Active
Security Services of Connecticut	Surveillance Services	Jan-01	57,643	Active
Suburban Stationers	Office Supplies	Sep-01	5,469	Active
Xerox Corporation	Photocopier Lease	N/A	24,384	Active
TOTAL			**$ 369,420**	

(1) Expenses are presented on a cash basis. This schedule only includes services that were retained directly by the Fund and does not include medical services ordered by Workers Compensation Commissioners, claimants or their treating physicians.

Statutory Appendix

STATE OF CONNECTICUT

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TREASURER'S OFFICE

DEBT MANAGEMENT DIVISION

SCHEDULE OF DEBT OUTSTANDING (1)

JUNE 30, 2004

Issue Date	Outstanding June 30, 2003	FY 2004 Issued	FY 2004 Retired	FY 2004 Refunded or Defeased	Outstanding June 30, 2004	Low Rate (%)	High Rate (%)	Next Maturity Date	Last Maturity Date	Interest Accreted Through FY 2004 (2)	Interest Paid During FY 2004
BOND TYPE: GENERAL OBLIGATION - TAX SUPPORTED											
12/22/88	$ 39,753,100	$ -	$ 8,810,977	$ -	$ 30,942,123	7.441	7.525	12/01/04	12/01/08	$66,046,300	$17,284,023
05/11/89	51,401,497	-	6,164,642	-	45,236,855	7.391	7.416	07/01/04	07/01/08	90,677,836	11,059,358
11/14/89	42,007,116	-	3,253,970	-	38,753,146	6.991	7.017	11/01/04	11/01/09	67,317,514	5,206,030
05/15/90	36,945,256	-	3,517,055	-	33,428,201	7.240	7.318	05/15/05	05/15/10	58,428,017	5,963,945
11/20/90	28,454,520	-	3,332,412	-	25,122,108	7.265	7.378	11/15/04	11/15/10	41,846,592	5,046,588
01/01/91	11,424,974	-	1,560,622	-	9,864,352	6.753	6.753	07/01/04	01/01/11	-	745,548
05/16/91	25,116,350	-	2,914,658	-	22,201,692	6.912	7.026	05/15/05	05/15/11	32,429,052	4,057,342
12/12/91	22,702,762	-	3,454,250	-	19,248,512	6.485	6.727	12/15/04	12/15/11	24,315,782	3,896,750
01/21/92	13,920,295	-	1,426,766	-	12,493,529	6.034	6.034	08/01/04	02/01/12	-	818,500
05/14/92	21,047,225	-	4,046,946	-	17,000,279	6.589	6.795	05/15/05	05/15/12	20,865,454	4,714,054
11/17/92	22,226,572	-	2,246,898	-	19,979,674	6.050	6.402	11/15/04	11/15/12	20,864,952	2,035,102
02/01/93	250,855,000	-	21,225,000	224,115,000	5,515,000	5.300	5.400	11/15/06	11/15/07	-	825,390
03/15/93	76,835,000	-	8,345,000	-	68,490,000	5.200	5.500	03/15/05	03/15/12	-	4,112,338
03/15/93	57,225,000	-	590,000	-	56,635,000	5.100	5.500	09/15/04	09/15/10	-	3,016,428
05/01/93	4,330,000	-	4,330,000	-	-				05/01/04	-	212,170
05/19/93	30,430,399	-	3,037,602	-	27,392,797	5.555	5.953	06/15/05	06/15/12	24,448,957	2,478,398
06/15/93	6,000,000	-	6,000,000	-	-				07/01/03	-	187,500
07/01/93	9,260,000	-	9,260,000	-	-				08/01/03	-	217,610
10/01/93	233,215,000	-	21,245,000	158,750,000	53,220,000	4.600	6.000	03/15/05	03/15/12	-	7,508,185
10/15/93	7,600,000	-	3,800,000	-	3,800,000	4.500	4.500	12/01/04	12/01/04	-	254,600
11/16/93	27,749,001	-	4,951,061	-	22,797,940	4.843	5.383	12/01/04	12/01/12	16,466,466	2,990,938
01/01/94	7,100,000	-	7,100,000	-	-				01/15/04	-	426,000
03/15/94	53,619,097	-	12,185,000	12,185,000	29,249,097	5.250	5.650	03/15/07	03/15/12	-	2,567,357
05/01/94	10,550,000	-	3,820,000	3,820,000	2,910,000	5.450	5.500	05/01/07	05/01/08	-	460,995
05/26/94	35,340,012	-	5,790,577	-	29,549,435	6.012	6.414	06/01/05	06/01/13	25,395,482	4,603,423
08/15/94	30,939,779	-	10,365,000	-	20,574,779	5.375	5.800	08/15/04	08/15/08	-	1,414,475
11/01/94	15,000	-	-	-	15,000	5.900	5.900	12/01/06	12/01/06	-	885
11/22/94	34,704,377	-	3,689,217	-	31,015,160	5.758	6.398	12/15/04	12/15/13	24,182,699	2,437,783
12/01/94	16,520,000	-	8,260,000	-	8,260,000	8.400	8.400	12/01/04	12/01/04	-	1,040,760
03/15/95	8,065,000	-	8,065,000	-	-				03/15/04	-	427,445
10/01/95	84,760,000	-	20,945,000	21,500,000	42,315,000	6.000	6.000	10/01/04	10/01/05	-	4,137,525
03/28/96	5,548,435	-	419,688	-	5,128,747	5.030	5.030	11/01/04	05/01/18	-	273,821
04/15/96	63,700,000	-	16,000,000	15,895,000	31,805,000	6.250	6.250	05/15/05	05/15/06	-	3,201,083
08/15/96	22,190,000	-	4,400,000	4,590,000	13,200,000	5.000	6.500	08/15/04	08/15/06	-	1,137,238
11/01/96	36,975,000	-	10,040,000	-	26,935,000	4.600	6.000	11/01/04	11/01/04	-	1,802,570
11/01/96	7,750,000	-	-	7,750,000	-					-	193,750
12/01/96	31,000,000	-	7,750,000	-	23,250,000	5.000	5.000	12/01/04	12/01/06	-	1,356,250
03/01/97	48,410,000	-	8,065,000	-	40,345,000	5.000	6.000	03/01/05	03/01/17	-	2,579,834
05/14/97	99,235,000	-	-	-	99,235,000	3.750	3.750	05/15/05	05/15/14	-	934,650
08/01/97	137,172,415	-	12,470,000	62,355,000	62,347,415	4.800	5.500	08/01/04	08/01/08	-	6,806,338
09/01/97	15,928,043	-	796,273	-	15,131,770	5.081	5.081	03/01/05	03/01/20	-	809,304

DEBT MANAGEMENT DIVISION

SCHEDULE OF DEBT OUTSTANDING [1] (Continued)

JUNE 30, 2004

Issue Date	Outstanding June 30, 2003	FY 2004 Issued	FY 2004 Retired	FY 2004 Refunded or Defeased	Outstanding June 30, 2004	Low Rate (%)	High Rate (%)	Next Maturity Date	Last Maturity Date	Interest Accreted Through FY 2004 [2]	Interest Paid During FY 2004
09/15/97	123,305,000	-	605,000	-	122,700,000	4.400	5.500	12/01/04	12/01/12	-	6,400,503
09/30/97	3,725,000	-	325,000	-	3,400,000	5.081	5.081	03/01/05	03/01/20	-	189,267
02/01/98	145,150,000	-	365,000	-	144,785,000	4.150	5.250	03/15/05	03/15/15	-	7,552,506
03/15/98	106,250,000	-	6,000,000	38,250,000	62,000,000	4.250	5.500	03/15/05	03/15/18	-	5,250,875
03/15/98	40,000,000	-	13,000,000	-	27,000,000	6.130	6.170	03/15/05	03/15/06	-	2,455,000
07/15/98	39,445,000	-	16,500,000	-	22,945,000	5.970	6.140	08/01/04	08/01/08	-	1,863,841
07/30/98	40,000,000	-	10,000,000	-	30,000,000	5.990	6.120	11/01/04	11/01/06	-	2,112,000
08/01/98	26,740,000	-	1,930,000	-	24,810,000 [3]	4.100	4.750	12/15/04	12/15/13	-	1,185,801
10/15/98	139,645,000	-	10,000,000	26,820,000	102,825,000	3.800	4.875	10/15/04	10/15/18	-	5,300,716
12/15/98	120,480,000	-	8,340,000	30,525,000	81,615,000	3.700	4.750	12/15/04	12/15/18	-	4,284,571
05/01/99	16,668,000	-	686,160	-	15,981,840	4.633	4.633	09/01/04	09/01/22	-	756,333
05/06/99	4,485,000	-	165,000	-	4,320,000	4.633	4.633	09/01/04	09/01/22	-	203,968
06/15/99	214,675,000	-	15,000,000	75,000,000	124,675,000	5.000	5.250	06/15/05	06/15/19	-	8,907,938
11/01/99	145,130,000	-	12,250,000	59,380,000	73,500,000	4.500	5.250	11/01/04	11/01/09	-	5,601,401
04/15/00	99,475,000	-	7,500,000	46,975,000	45,000,000	4.900	5.100	04/15/05	04/15/10	-	3,895,239
06/15/00	265,145,000	-	22,500,000	107,645,000	135,000,000	4.700	5.500	06/15/05	06/15/10	-	10,733,195
12/01/00	40,000,000	-	20,000,000	-	20,000,000	6.450	6.450	12/01/04	12/01/04	-	1,940,000
12/15/00	356,520,000	-	13,000,000	132,520,000	211,000,000	4.300	5.500	12/15/04	12/15/10	-	13,818,754
02/22/01	100,000,000	-	-	-	100,000,000	3.750	3.750	02/15/17	02/15/20	-	1,022,170
06/12/01	3,440,000	-	120,000	-	3,320,000	4.650	4.650	10/01/04	10/01/22	-	158,681
06/12/01	10,398,696	-	421,149	-	9,977,547	4.652	4.652	10/01/04	10/01/22	-	473,931
06/15/01	504,575,000	-	-	-	504,575,000	4.400	5.500	12/15/04	12/15/16	-	26,954,827
06/15/01	340,000,000	-	20,000,000	119,110,000	200,890,000	3.500	5.250	06/15/05	06/15/21	-	13,531,445
06/15/01	20,000,000	-	-	-	20,000,000	4.330	4.330	06/15/12	06/15/12	-	866,000
11/15/01	391,625,000	-	8,375,000	180,100,000	203,150,000	3.000	5.125	11/15/04	11/15/21	-	13,849,598
11/15/01	333,415,000	-	860,000	-	332,555,000	3.000	5.125	11/15/04	11/15/19	-	16,709,594
11/15/01	86,735,000	-	17,705,000	-	69,030,000	5.000	5.000	11/15/04	11/15/08	-	3,894,125
12/15/01	175,000,000	-	-	-	175,000,000	3.000	5.000	12/15/04	12/15/11	-	7,991,105
04/15/02	308,250,000	-	26,750,000	30,140,000	251,360,000	3.000	5.375	04/15/05	04/15/22	-	13,604,391
05/01/02	47,000,000	-	-	-	47,000,000	4.250	4.250	05/01/05	05/01/12	-	519,546
05/01/02	53,000,000	-	-	-	53,000,000	4.250	4.250	05/01/05	05/01/12	-	585,871
06/15/02	212,800,000	-	11,200,000	25,455,000	176,145,000	2.550	5.500	06/15/05	06/15/22	-	8,605,155
06/15/02	141,250,000	-	8,520,000	-	132,730,000	3.000	5.500	12/15/04	12/15/18	-	6,643,800
08/15/02	400,000,000	-	20,000,000	35,045,000	344,955,000	2.000	5.375	11/15/04	11/15/22	-	17,230,757
08/15/02	254,335,000	-	25,145,000	-	229,190,000	3.500	5.500	11/15/05	11/15/15	-	12,575,475
11/01/02	231,000,000	-	8,700,000	-	222,300,000	3.000	5.000	10/15/04	10/15/22	-	9,867,965
04/15/03	70,385,000	-	29,960,000	-	40,425,000	4.000	5.000	04/15/05	04/15/07	-	3,780,750
04/15/03	300,000,000	-	15,000,000	-	285,000,000	2.000	5.000	04/15/05	04/15/23	-	12,950,567
04/15/03	77,700,000	-	7,500,000	-	70,200,000	4.250	4.250	04/30/05	04/30/13	-	1,138,874
05/01/03	265,000,000	-	13,250,000	-	251,750,000	2.000	5.250	05/01/05	05/01/23	-	11,610,898
08/20/03	-	215,580,000	4,780,000	-	210,800,000	5.000	6.000	08/01/04	08/01/10	-	4,878,546
10/01/03	-	200,000,000	-	-	200,000,000	2.000	5.250	08/15/04	08/15/23	-	2,842,913
11/13/03	-	200,000,000	-	-	200,000,000	2.000	5.250	10/15/04	10/15/23	-	3,718,865

DEBT MANAGEMENT DIVISION

SCHEDULE OF DEBT OUTSTANDING [1] (Continued)

JUNE 30, 2004

Issue Date	Outstanding June 30, 2003	FY 2004 Issued	FY 2004 Retired	FY 2004 Refunded or Defeased	Outstanding June 30, 2004	Low Rate (%)	High Rate (%)	Next Maturity Date	Last Maturity Date	Interest Accreted Through FY 2004 [2]	Interest Paid During FY 2004
12/18/03	-	165,995,000	2,280,000	-	163,715,000	2.000	5.000	03/15/05	03/15/11	-	1,842,346
03/01/04	-	300,000,000	-	-	300,000,000	2.000	5.000	03/15/05	03/01/24	-	-
04/08/04	-	1,030,375,000	2,650,000	-	1,027,725,000	2.000	5.000	06/01/05	06/01/20	-	7,304,179
05/04/04	-	300,000,000	-	-	300,000,000	2.250	5.000	04/01/05	04/01/24	-	-
SUBTOTAL	**$ 8,020,767,921**	**$ 2,411,950,000**	**$645,055,923**	**$1,417,925,000**	**$ 8,369,736,998**					**$513,285,103**	**$406,846,565**
BOND TYPE: GENERAL OBLIGATION - REVENUE SUPPORTED											
03/15/93	$ 4,750,000	$ -	$ 525,000	$ -	$ 4,225,000	5.200	5.500	03/15/05	03/15/12	$ -	$ 254,153
03/15/94	1,300,903	-	645,000	645,000	10,903	5.400	5.500	03/15/08	03/15/10	-	51,066
08/15/94	670,221	-	335,000	-	335,221	5.375	5.800	08/15/04	08/15/08	-	27,022
10/01/95	2,005,000	-	505,000	500,000	1,000,000	6.000	6.000	10/01/04	10/01/05	-	97,625
03/01/97	4,310,000	-	720,000	-	3,590,000	5.000	6.000	03/01/05	03/01/17	-	229,695
SUBTOTAL	**$ 13,036,124**	**$ -**	**$ 2,730,000**	**$ 1,145,000**	**$ 9,161,124**					**$ -**	**$ 659,561**
BOND TYPE: GENERAL OBLIGATION - TRANSPORTATION											
12/22/88	$ 343,991	$ -	$ -	$ -	$ 343,991	7.513	7.525	12/01/06	12/01/08	$ 737,400	$ -
08/01/97	5,827,585	-	530,000	2,645,000	2,652,585	4.800	5.500	08/01/04	08/01/08	-	286,857
10/15/98	5,555,000	-	-	5,555,000	-					-	135,753
SUBTOTAL	**$ 11,726,576**	**-**	**$ 530,000**	**$ 8,200,000**	**$ 2,996,576**					**$ 737,400**	**$ 422,610**
BOND TYPE: ECONOMIC RECOVERY NOTES [4]											
12/01/02	$ 149,095,000	$ -	$43,720,000	$ -	$ 105,375,000	2.500	4.000	12/01/04	12/01/06	$ -	$ 4,024,800
12/19/02	70,140,000	-	-	-	70,140,000	3.500	3.500	12/01/06	12/01/07	-	667,187
06/24/04	-	48,850,000	-	-	48,850,000	3.500	3.500	06/01/05	06/01/09	-	-
06/24/04	-	48,850,000	-	-	48,850,000	3.500	3.500	06/01/05	06/01/09	-	-
SUBTOTAL	**$ 219,235,000**	**$ 97,700,000**	**$43,720,000**	**$ -**	**$ 273,215,000**					**$ -**	**$ 4,691,987**
BOND TYPE: SPECIAL TAX OBLIGATION											
06/15/88	$ 3,417,825	$ -	$ -	$ -	$ 3,417,825	7.750	7.750	06/01/07	06/01/08	$ 8,156,255	$ -
05/15/90	43,985,000	-	-	-	43,985,000	7.125	7.125	06/01/09	06/01/10	-	3,133,931
12/19/90	142,900,000	-	14,000,000	-	128,900,000	6.171	6.171	12/01/04	12/01/10	-	8,061,054
09/15/91	77,655,000	-	-	-	77,655,000	6.500	6.500	10/01/10	10/01/12	-	5,047,575
01/01/92	12,710,000	-	12,710,000	-	-				02/15/04	-	762,600
09/01/92	116,290,000	-	-	-	116,290,000	6.000	6.150	09/01/06	09/01/12	-	7,103,418
03/01/93	461,490,000	-	49,225,000	283,315,000	128,950,000	5.250	5.375	09/01/07	09/01/08	-	8,078,300
09/01/93	102,365,000	-	39,310,000	63,055,000	-					-	845,165
09/15/93	8,475,000	-	8,475,000	-	-				10/01/03	-	186,450
03/01/94	7,175,000	-	7,175,000	-	-				04/01/04	-	365,925
09/15/94	8,925,000	-	8,925,000	-	-				10/01/03	-	245,438
05/15/95	11,450,000	-	5,575,000	-	5,875,000	5.100	5.100	06/01/05	06/01/05	-	583,950
09/01/95	37,205,000	-	14,195,000	-	23,010,000	4.800	6.250	10/01/04	10/01/05	-	1,709,821

DEBT MANAGEMENT DIVISION

SCHEDULE OF DEBT OUTSTANDING* (Continued)

JUNE 30, 2004

Issue Date	Outstanding June 30, 2003	FY 2004 Issued	FY 2004 Retired	FY 2004 Refunded or Defeased	Outstanding June 30, 2004	Low Rate (%)	High Rate (%)	Next Maturity Date	Last Maturity Date	Interest Accreted Through FY 2004 (2)	Interest Paid During FY 2004
09/01/95	15,545,000	-	7,600,000	-	7,945,000	4.700	4.700	10/01/04	10/01/04	-	548,215
06/01/96	13,410,000	-	6,345,000	-	7,065,000	6.000	6.000	06/01/06	06/01/06	-	741,150
10/01/96	79,490,000	-	70,000	-	79,420,000	4.800	6.000	10/01/04	10/01/09	-	4,766,005
10/01/96	26,310,000	-	6,025,000	-	20,285,000	6.000	6.000	10/01/04	10/01/06	-	1,358,688
10/15/97	55,525,000	-	145,000	-	55,380,000	4.600	5.500	11/01/04	11/01/07	-	2,954,038
10/15/97	58,625,000	-	5,835,000	-	52,790,000	4.400	5.500	11/01/04	11/01/12	-	2,797,525
04/15/98	196,695,000	-	-	-	196,695,000	5.250	5.500	10/01/08	10/01/14	-	10,669,075
09/15/98	110,825,000	-	9,225,000	-	101,600,000	4.000	5.500	11/01/04	11/01/13	-	5,324,033
11/15/99	44,995,000	-	-	-	44,995,000	4.625	5.500	12/01/06	12/01/11	-	2,223,843
07/15/00	92,810,000	-	7,275,000	-	85,535,000	4.500	5.500	09/01/04	09/01/12	-	4,549,438
09/15/00	100,000,000	-	-	-	100,000,000	4.500	5.000	09/01/13	09/01/20	-	983,903
09/15/01	75,530,000	-	6,915,000	-	68,615,000	2.700	5.375	10/01/04	10/01/14	-	2,813,163
09/15/01	533,335,000	-	13,630,000	-	519,705,000	3.250	5.375	10/01/04	10/01/15	-	26,695,923
05/01/02	112,000,000	-	3,470,000	-	108,530,000	3.000	5.375	07/01/04	07/01/22	-	5,146,951
11/01/02	215,000,000	-	7,255,000	-	207,745,000	2.500	5.250	12/01/04	12/01/22	-	9,561,219
01/23/03	120,385,000	-	855,000	-	119,530,000	3.293	3.293	02/01/05	02/01/22	-	4,081,564
01/23/03	100,000,000	-	685,000	-	99,315,000	3.288	3.288	02/01/05	02/01/22	-	3,385,750
01/23/03	201,595,000	-	1,380,000	-	200,215,000	3.284	3.284	02/01/05	02/01/22	-	6,817,411
07/01/03	-	338,610,000	-	-	338,610,000	2.000	5.000	09/01/04	09/01/10	-	8,340,283
11/15/03	-	200,000,000	-	-	200,000,000	2.000	5.000	01/01/05	01/01/24	-	-
SUBTOTAL	**$ 3,186,117,825**	**$ 538,610,000**	**$236,300,000**	**$346,370,000**	**$ 3,142,057,825**					**$ 8,156,255**	**$139,881,804**
BOND TYPE: BRADLEY INTERNATIONAL AIRPORT											
09/30/92	$ 46,605,000	$ -	$ 4,455,000	$ -	$ 42,150,000	7.400	7.650	10/01/04	10/01/11	$ -	$ 3,377,348
03/01/01	192,610,000	-	1,440,000	-	191,170,000	3.600	5.250	10/01/04	10/01/31	-	9,609,480
03/01/01	18,945,000	-	245,000	-	18,700,000	3.500	4.300	10/01/04	10/01/12	-	795,799
SUBTOTAL	**$ 258,160,000**	**$ -**	**$ 6,140,000**	**$ -**	**$ 252,020,000**					**$ -**	**$13,782,627**
BOND TYPE: CLEAN WATER FUND											
01/01/91	$ 4,540,000	$ -	$ 475,000	$ 4,065,000	$ -					$ -	$ 155,834
01/01/92	13,760,000	-	5,730,000	8,030,000	-					-	248,265
01/01/93	31,020,000	-	2,870,000	-	28,150,000	5.500	6.000	10/01/04	10/01/12	-	1,763,673
06/01/94	26,220,000	-	3,475,000	13,745,000	9,000,000	6.375	6.375	12/01/04	12/01/06	-	740,906
03/01/96	60,855,000	-	3,515,000	44,270,000	13,070,000	4.500	5.875	11/01/04	05/01/18	-	825,016
03/15/96	45,590,000	-	3,030,000	-	42,560,000	4.900	5.600	07/01/04	01/01/11	-	2,362,160
09/01/97	92,215,000	-	4,610,000	62,140,000	25,465,000	4.550	6.000	03/01/05	03/01/20	-	1,573,193
04/15/99	115,750,000	-	4,765,000	80,335,000	30,650,000	4.000	4.200	09/01/04	09/01/09	-	1,337,290
05/01/99	76,925,000	-	3,500,000	-	73,425,000	3.900	5.250	07/15/04	07/15/16	-	3,532,828
06/01/01	100,000,000	-	4,050,000	60,220,000	35,730,000	4.000	4.300	10/01/04	10/01/11	-	1,534,025
07/01/03	-	118,085,000	-	-	118,085,000	2.000	5.000	10/01/05	10/01/25	-	3,592,807
07/01/03	-	115,785,000	2,035,000	-	113,750,000	2.000	5.000	10/01/04	10/01/15	-	3,630,067
07/10/03	-	55,000,000	-	-	55,000,000	3.179	3.179	10/01/16	10/01/22	-	2,731,084
07/10/03	-	66,375,000	-	-	66,375,000	3.179	3.179	10/01/16	10/01/22	-	547,243

DEBT MANAGEMENT DIVISION

SCHEDULE OF DEBT OUTSTANDING* (Continued)

JUNE 30, 2004

Issue Date	Outstanding June 30, 2003	FY 2004 Issued	FY 2004 Retired	FY 2004 Refunded or Defeased	Outstanding June 30, 2004	Low Rate (%)	High Rate (%)	Next Maturity Date	Last Maturity Date	Interest Accreted Through FY 2004 (2)	Interest Paid During FY 2004
SUBTOTAL	**$ 566,875,000**	**$ 355,245,000**	**$38,055,000**	**$272,805,000**	**$ 611,260,000**					**$ -**	**$24,574,391**
BOND TYPE: GENERAL FUND APPROPRIATION - UCONN 2000 (5)											
01/01/96	$ 49,530,000	$ -	$ 4,505,000	$31,510,000	$ 13,515,000	4.400	5.500	02/01/05	02/01/07	$ -	$ 2,415,683
02/21/96	4,369,715	-	-	-	4,369,715	5.050	5.100	02/01/10	02/01/11	2,273,148	-
04/01/97	78,000,000	-	6,500,000	52,000,000	19,500,000	4.875	5.000	04/01/05	04/01/07	-	4,025,125
04/24/97	7,392,432	-	-	-	7,392,432	5.200	5.300	04/01/08	04/01/09	3,332,731	-
06/01/98	74,625,000	-	4,975,000	34,825,000	34,825,000	4.150	5.000	06/01/05	06/01/18	-	3,548,358
03/01/99	64,000,000	-	5,000,000	-	59,000,000	3.850	4.850	04/01/05	04/01/19	-	2,746,500
03/01/00	110,275,000	-	6,550,000	48,395,000	55,330,000	4.750	5.375	03/01/05	03/01/19	-	5,749,060
03/15/01	89,795,000	-	5,395,000	27,745,000	56,655,000	3.400	5.250	04/01/05	04/01/21	-	3,958,486
04/01/02	95,000,000	-	5,000,000	28,685,000	61,315,000	3.250	5.375	04/01/05	04/01/22	-	4,345,385
03/01/03	96,210,000	-	5,000,000	-	91,210,000	2.000	5.250	02/15/05	02/15/23	-	3,634,564
01/15/04	-	97,845,000	-	-	97,845,000	2.000	5.000	01/15/05	01/15/24	-	-
01/15/04	-	216,950,000	-	-	216,950,000	2.000	5.000	01/15/05	01/15/20	-	-
SUBTOTAL	**$ 669,197,147**	**$ 314,795,000**	**$42,925,000**	**$223,160,000**	**$ 717,907,147**					**$ 5,605,879**	**$30,423,161**
BOND TYPE: CDA INCREMENT FINANCING (6)											
10/01/94	$ 8,685,000	$ -	$ 190,000	$ -	$ 8,495,000	5.750	6.375	10/15/04	10/15/24	$ -	$ 545,674
10/15/94	625,000	-	145,000	-	480,000	5.700	6.000	10/15/04	10/15/06	-	32,134
12/01/95	7,475,000	-	410,000	-	7,065,000	4.850	5.550	12/15/04	12/15/15	-	392,093
01/01/97	14,515,000	-	730,000	-	13,785,000	4.800	5.500	05/01/05	05/01/17	-	769,194
SUBTOTAL	**$ 31,300,000**	**$ -**	**$ 1,475,000**	**$ -**	**$ 29,825,000**					**$ -**	**$ 1,739,095**
BOND TYPE: CDA GOVERNMENTAL LEASE REVENUE (7)											
12/15/94	$ 6,545,000	$ -	$ 430,000	$ -	$ 6,115,000	6.100	6.600	06/15/05	06/15/14	$ -	$ 424,010
SUBTOTAL	**$ 6,545,000**	**$ -**	**$ 430,000**	**$ -**	**$ 6,115,000**					**$ -**	**$ 424,010**
BOND TYPE: SECOND INJURY FUND BONDS (8)											
10/01/96	$ 41,075,000	$ -	$ 6,195,000	$34,880,000	$ -	5.100	6.000	01/01/05	01/01/09	$ -	$ 2,193,965
10/01/00	70,055,000	-	7,510,000	8,290,000	54,255,000	4.500	5.250	01/01/05	01/01/11	-	3,403,425
SUBTOTAL	**$ 111,130,000**	**$ -**	**$13,705,000**	**$43,170,000**	**$ 54,255,000**					**$ -**	**$ 5,597,390**
BOND TYPE: CHEFA CHILDCARE FACILITIES PROGRAM (9)											
04/15/98	$ 5,375,000	$ -	$ -	$ -	$ 5,375,000	6.750	6.750	07/01/04	07/01/28	$ -	$ 362,813
04/15/98	100,000	-	100,000	-	-				07/01/03	-	4,750
11/01/98	8,575,000	-	185,000	-	8,390,000	3.950	5.000	07/01/04	07/01/28	-	405,851
09/01/99	17,785,000	-	390,000	-	17,395,000	4.500	5.625	07/01/04	07/01/29	-	946,309
08/01/00	3,875,000	-	70,000	-	3,805,000	4.600	5.500	07/01/04	07/01/30	-	204,644
04/01/01	3,865,000	-	70,000	-	3,795,000	4.000	5.000	07/01/04	07/01/31	-	183,889
SUBTOTAL	**$ 39,575,000**	**$ -**	**$ 815,000**	**$ -**	**$ 38,760,000**					**$ -**	**$ 2,108,256**

DEBT MANAGEMENT DIVISION

SCHEDULE OF DEBT OUTSTANDING* (Continued)

JUNE 30, 2004

Issue Date	Outstanding June 30, 2003	FY 2004 Issued	FY 2004 Retired	FY 2004 Refunded or Defeased	Outstanding June 30, 2004	Low Rate (%)	High Rate (%)	Next Maturity Date	Last Maturity Date	Interest Accreted Through FY 2004 (2)	Interest Paid During FY 2004
BOND TYPE: BRADLEY INTERNATION PARKING OPERATIONS (10)											
03/15/00	$ 47,665,000	$ -	$ -	$ -	$ 47,665,000	6.125	6.600	07/01/07	07/01/24	$ -	$ 3,091,680
04/01/00	6,135,000	-	-	-	6,135,000	8.000	8.000	07/01/04	07/01/06	-	490,800
SUBTOTAL	**$ 53,800,000**	**$ -**	**$ -**	**$ -**	**$ 53,800,000**					**$ -**	**$ 3,582,480**
BOND TYPE: CT JUVENILE TRAINING SCHOOL ENERGY CENTER (11)											
02/15/01	$ 18,825,000	$ -	$ 350,000	$ -	$ 18,475,000	3.600	5.250	12/15/04	12/15/30	$ -	$ 889,780
SUBTOTAL	**$ 18,825,000**	**$ -**	**$ 350,000**	**$ -**	**$ 18,475,000**					**$ -**	**$ 889,780**
BOND TYPE: SPECIAL OBLIGATION RATE REDUCTION BONDS (12)											
06/24/04	$ -	$ 205,345,000	$ -	$ -	$ 205,345,000	2.500	5.000	12/30/04	06/30/11	$ -	$ -
SUBTOTAL	**$ -**	**$ 205,345,000**	**$ -**	**$ -**	**$ 205,345,000**					**$ -**	**$ -**
TOTAL	**$ 13,206,290,593**	**$ 3,923,645,000**	**$1,032,230,923**	**$2,312,775,000**	**$ 13,784,929,670**					**$ 527,784,637**	**$ 635,623,717**

(1) Includes all outstanding debt issued by the State of Connecticut as of June 30, 2004. All debt is authorized by the General Assembly and the State Bond Commission prior to issuance.

(2) Includes interest accreted on Capital Appreciation Bonds (CABs) only. Interest on CABs accretes over the life of the bond and is paid at maturity. This amount is not included in the column shown as outstanding June 30, 2004.

(3) Debt outstanding at June 30, 2004 includes $24,810,000 in Certificates of Participation for the Middletown Courthouse, which is not debt of the State. However, the State is obligated to pay a base rent under a lease for the courthouse, subject to the annual appropriation of funds or the availability of other funds. The base rent is appropriated as debt service. The Certificates of Participation are included on the Treasurer's Debt Management system for control purposes.

(4) Economic Recovery Notes were issued in December 2002 to fund the State's Fiscal 2002 deficit. The notes, issued in a combination of fixed and variable rate securities, have a final maturity of December 2007 and are General Obligations of the State. Economic Recovery Notes were also issued in June 2004 to fund the State's Fiscal 2003 deficit. The notes, auction rate securities, have a final maturity of June 2009 and are General Obligations of the State.

(5) UCONN 2000 Bonds in a total amount of $962 Million are authorized over a ten year period to be paid by the University of Connecticut from a State Debt Service commitment. A new program, 21st Century UConn, adds an additional $1.3 billion over another 10 years to this program. As each series is issued, the debt service is validly appropriated from the State General Fund.

(6) The Connecticut Development Authority has issued tax increment bonds for certain economic development projects. The debt service on the bonds is deemed appropriated from the State's General Fund.

(7) The Connecticut Development Authority has issued its lease revenue bonds for the New Britain Government Center. The State is obligated to pay base rent subject to the annual appropriation of funds. These payments are budgeted in the Treasurer's debt service budget as lease payments.

(8) Money from positive cash flow was used to defease $43,170,000 in bonds.

(9) On July 1, 1999, the Treasurer's Office assumed the responsibility for the CHEFA Childcare debt service appropriation per Public Act 97-259.

(10) Includes Bradley International Airport Special Obligation Parking Revenue Bonds, 2000 Series A $47,665,000 and 2000 Series B $6,135,000.

(11) A lease purchase finanacing of the heating and cooling plant at the Juvenile Training School in Middletown.

(12) Pursuant to legislation passed in 2003, the Special Obligation Rate Reduction bonds were issued in June 2004 to provide revenue for the General Fund budgets for fiscal years 2004 and 2005. The bonds will be repaid from charges on the electric bills of the State's two investor-owned electric companies.

DEBT MANAGEMENT DIVISION

SCHEDULE OF AUTHORIZED AND ISSUED DEBT OUTSTANDING (1)

JUNE 30, 2004

CORE Fund No.	Legacy Fund No.	Name	Inception to Date Amount Authorized	Inception to Date Amount Issued (2)	Outstanding June 30, 2004	Interest Accreted Through Fiscal Year 2004(3)	Outstanding Incl. Accreted Interest June 30, 2004
BOND TYPE: GENERAL OBLIGATION-TAX SUPPORTED							
12028	1011	DAS - WORKERS COMPENSATION	$53,000,000	$53,000,000	$53,000,000	-	$53,000,000
12034	1502	ECONOMIC DEVELOPMENT ASSISTANCE	626,800,000	527,939,293	192,230,128	-	192,230,128
12036	1504	ECONOMIC STABILIZATION FUND	95,000,000	86,462,706	8,260,000	-	8,260,000
12040	1116	MODERATE RENTAL HOUSING REHAB.	42,000,000	42,000,000	19,213,068	$38,502,254	57,715,322
12040	1861	HOUSING IMPROVEMENTS	35,661,594	35,661,594	3,379,833	6,758,331	10,138,164
12040	1865	HOUSING SITE DEVELOPMENT	3,000,000	3,000,000	2,841,053	5,335,099	8,176,152
12040	1871	HOUSING IMPROVEMENTS	209,500,000	209,500,000	14,493,531	29,107,109	43,600,640
12040	1878	COMMUNITY HSG LAND BANK & TRUST	1,000,000	1,000,000	1,000,000	1,463,896	2,463,896
12040	3775	CONGREGATE HOUSING FOR ELDERLY	21,000,000	21,000,000	9,455,258	13,898,408	23,353,666
12040	3804	ELDERLY HOUSING PROJECT	3,000,000	3,000,000	150,000	219,993	369,993
12047	1843	CHILD CARE FACILITIES	7,775,000	5,184,409	225,000	-	225,000
12050	1870	LOCAL CAPITAL IMPROVEMENT FUND	470,000,000	397,500,000	96,871,596	15,040,905	111,912,501
12051	1872	CAPITAL EQUIPMENT PURCHASE FUND	248,440,000	222,353,428	6,763,076	-	6,763,076
12052	1873	GRANTS TO LOCAL GOVTS. & OTHERS	1,210,890,327	957,287,272	416,517,426	29,066,753	445,584,179
12053	1874	ECONOMIC DEVELOPMENT & OTHER GRANTS	104,193,324	101,193,948	27,968,930	31,313,053	59,281,983
12054	1877	SHELLFISH FUND	1,300,000	1,300,000	1,200,000	2,570,104	3,770,104
12055	1879	HOUSING HOMELESS PERSONS	8,100,000	6,060,696	951,475	-	951,475
12057	1951	BOND EXEMPTION ACQUISITION FUND	35,500,000	33,260,000	10,260,000	-	10,260,000
12058	1961	SPECIAL CONTAMINATED PROP REM & INS FUND	5,000,000	2,000,000	1,750,000	-	1,750,000
12059	1971	HARTFORD REDEVELOPMENT	500,000,000	365,130,000	304,215,000	-	304,215,000
12063	1800	HOUSING BONDS	485,977,506	442,180,235	46,976,803	22,706,858	69,683,661
13007	3080	ELIMINATION OF WATER POLLUTION	398,000,000	397,965,862	3,995,173	7,022,605	11,017,778
13009	3089	SCHOOL CONSTRUCTION	1,685,439,500	1,674,939,500	144,792,071	47,894,883	192,686,954
13010	3090	MAGNET SCHOOLS	2,140,330,770	2,005,629,694	1,414,619,725	-	1,414,619,725
13014	3753	EMER. MUNICIPAL P-WORKS EMPLOYMENT	4,253,348	4,253,349	16,707	-	16,707
13015	3783	AGRICULTURAL LAND PRESERVATION	87,750,000	80,498,716	6,520,000	-	6,520,000
13019	3795	GRANTS FOR URBAN ACTION	906,987,544	687,371,891	411,753,473	23,878,198	435,631,671
13046	3983	CT JUVENILE TRAINING SCHOOL	27,500,000	27,500,000	7,500,000	-	7,500,000
17001	3001	GENERAL STATE PURPOSES	316,166,060	217,495,014	197,589,622	-	197,589,622
17011	3011	GENERAL STATE PURPOSES	641,231,329	334,752,345	321,532,345	-	321,532,345
17021	3021	GENERAL STATE PURPOSES	435,048,490	162,914,143	149,664,143	-	149,664,143
17094	3094	CAPITAL IMPROVEMENTS	53,621,491	52,929,178	40,868	-	40,868
17771	3771	CAPITAL IMPROVEMENTS	80,529,711	80,124,323	6,601,700	14,078,555	20,680,255
17781	3781	CAPITAL IMPROVEMENTS	90,246,303	85,746,729	400,000	-	400,000
17791	3791	CAPITAL IMPROVEMENTS	40,802,535	39,677,932	6,353,934	13,636,875	19,990,809
17841	3841	CAPITAL IMPROVEMENTS	117,260,158	114,613,828	588,900	703,746	1,292,646
17861	3861	CAPITAL IMPROVEMENTS	119,859,926	111,184,971	6,529,204	10,483,131	17,012,335
17871	3871	CAPITAL IMPROVEMENTS	521,848,335	507,123,706	50,715,995	72,066,437	122,782,432
17891	3891	GENERAL STATE PURPOSES	416,558,089	410,573,686	16,536,495	5,250,057	21,786,552
17901	3901	GENERAL STATE PURPOSES	534,336,591	528,220,942	86,681,066	61,170,797	147,851,863
17911	3911	GENERAL STATE PURPOSES	148,919,844	141,839,892	20,237,640	10,049,603	30,287,243

DEBT MANAGEMENT DIVISION

SCHEDULE OF AUTHORIZED AND ISSUED DEBT OUTSTANDING (1) (Continued)

JUNE 30, 2004

CORE Fund No.	Legacy Fund No.	Name	Inception to Date Amount Authorized	Inception to Date Amount Issued (2)	Outstanding June 30, 2004	Interest Accreted Through Fiscal Year 2004(3)	Outstanding Incl. Accreted Interest June 30, 2004
17921	3921	GENERAL STATE PURPOSES	322,135,563	320,382,563	115,882,560	1,831,907	117,714,467
17931	3931	GENERAL STATE PURPOSES	630,190,874	615,190,971	144,649,413	23,563,575	168,212,988
17951	3951	GSP/UCONN BABBIDGE LIBRARY & PLAZA DECK	209,833,281	190,950,003	19,047,553	-	19,047,553
17961	3961	GENERAL STATE PURPOSES	250,543,847	209,344,832	77,502,603	-	77,502,603
17971	3971	GENERAL STATE PURPOSES	198,772,694	186,057,040	85,301,964	-	85,301,964
17981	3981	GENERAL STATE PURPOSES	217,617,383	206,844,656	169,759,559	-	169,759,559
17991	3991	GENERAL STATE PURPOSES	318,520,348	251,123,848	191,373,839	-	191,373,839
21004	6024	CONNECTICUT INNOVATIONS, INC.	114,800,500	114,290,319	25,550,300	-	25,550,300
21014	6864	CLEAN WATER FUND	718,637,874	533,253,884	247,211,968	8,571,554	255,783,522
21016	6866	CLEAN WATER FUND - LONG ISLAND SOUND	71,993,466	64,102,782	16,460,000	-	16,460,000
	3081	CAPITAL IMPROVEMENTS	248,048,985	248,048,985	4,100,000	8,210,895	12,310,895
	3732	CAPITAL IMPROVEMENTS	4,216,000	4,216,000	4,216,000	8,889,520	13,105,520
	9956	GO 2004 SERIES B REFUNDING BONDS (4)	-	1,030,375,000	1,027,725,000	-	1,027,725,000
	9959	GO 2003 SERIES G REFUNDING BONDS (4)	-	165,995,000	163,715,000	-	163,715,000
	9960	GO 2003 SERIES D REFUNDING BONDS (4)	-	215,580,000	210,800,000	-	210,800,000
	9962	GO 2003 SERIES B REFUNDING BONDS (4)	-	70,385,000	40,425,000	-	40,425,000
	9964	GO 2002 SERIES E REFUNDING BONDS (4)	-	256,375,000	229,190,000	-	229,190,000
	9965	GO 2002 SERIES C REFUNDING BONDS (4)	-	155,500,000	132,730,000	-	132,730,000
	9966	GO 2002 SERIES E & F REFUNDING BONDS (4)	-	432,835,000	401,585,000	-	401,585,000
	9970	GO 2001 SERIES C REFUNDING BONDS (4)	-	504,575,000	504,575,000	-	504,575,000
	9972	MIDDLETOWN COURTHOUSE REFUNDING BONDS (4)(5)	-	34,375,000	24,810,000	-	24,810,000
	9973	GO 1996 SERIES A TAXABLE REFUNDING BONDS (4)	-	80,000,000	30,000,000	-	30,000,000
	9974	GO 1998 SERIES A TAXABLE REFUNDING BONDS (4)	-	105,445,000	22,945,000	-	22,945,000
	9976	GO FEBRUARY 1998 REFUNDING BONDS (4)	-	146,780,000	144,785,000	-	144,785,000
	9978	GO 1997 SERIES D REFUNDING BONDS (4)	-	126,765,000	122,700,000	-	122,700,000
	9979	GO 1996 SERIES C REFUNDING BONDS (4)	-	81,555,000	26,935,000	-	26,935,000
	9986	GO OCTOBER 1993 REFUNDING BONDS (4)	-	259,125,000	53,220,000	-	53,220,000
	9989	GO MARCH 1993 SERIES B REFUNDING BONDS (4)	-	157,745,000	56,635,000	-	56,635,000
	9991	GO FEBRUARY 1993 REFUNDING BONDS (4)	-	389,090,000	5,515,000	-	5,515,000
TOTAL			**$16,239,138,590**	**$18,337,675,164**	**$8,369,736,997**	**$513,285,101**	**$8,883,022,098**

BOND TYPE: GENERAL OBLIGATION - REVENUE SUPPORTED

13002	3016	REGIONAL MARKETS	$3,793,963	$3,793,963	$10,000	-	$10,000
13042	3876	UNIV.& STATE UNIVERSITY FACILITIES	104,363,266	104,192,153	9,151,124	-	9,151,124
TOTAL			**$108,157,229**	**$107,986,116**	**$9,161,124**	**-**	**$9,161,124**

BOND TYPE: GENERAL OBLIGATION - TRANSPORTATION

13011	3092	SPECIFIC HIGHWAY PURPOSES	142,050,000	140,597,585	2,652,585	-	2,652,585
13022	3803	RAMPS - RT 72 CENTER ST. EXPRESSWAY	500,000	498,991	343,991	$737,400	1,081,391
TOTAL			**$142,550,000**	**$141,096,576**	**$2,996,576**	**$737,400**	**$3,733,976**

DEBT MANAGEMENT DIVISION

SCHEDULE OF AUTHORIZED AND ISSUED DEBT OUTSTANDING [1] (Continued)

JUNE 30, 2004

CORE Fund No.	Legacy Fund No.	Name	Inception to Date Amount Authorized	Inception to Date Amount Issued [2]	Outstanding June 30, 2004	Interest Accreted Through Fiscal Year 2004[3]	Outstanding Incl. Accreted Interest June 30, 2004
BOND TYPE: ECONOMIC RECOVERY NOTES [6]							
	2030	ECONOMIC RECOVERY NOTES	$1,309,450,000	$1,282,645,000	$273,215,000	-	$273,215,000
TOTAL			**$1,309,450,000**	**$1,282,645,000**	**$273,215,000**	**-**	**$273,215,000**
BOND TYPE: SPECIAL TAX OBLIGATION							
13033	3842	INFRASTRUCTURE IMPROVEMENT	$5,643,014,104	$5,196,650,752	$1,381,227,825	$8,156,255	$1,389,384,080
14005	9961	STO 2003 SERIES A REFUNDING BONDS [4]	-	338,610,000	338,610,000	-	$338,610,000
	9963	STO 2003 SERIES 1 & 2 REFUNDING BONDS [4]	-	421,980,000	419,060,000	-	$419,060,000
	9967	STO 2001 SERIES B REFUNDING BONDS [4]	-	533,335,000	519,705,000	-	$519,705,000
	9975	STO 1998 SERIES A REFUNDING BONDS [4]	-	197,500,000	196,695,000	-	$196,695,000
	9977	STO 1997 SERIES B REFUNDING BONDS [4]	-	65,415,000	55,380,000	-	$55,380,000
	9980	STO 1996 SERIES C REFUNDING BONDS [4]	-	79,795,000	79,420,000	-	$79,420,000
	9988	STO 1992 A & 1995 C REFUNDING BONDS [4]	-	286,345,000	23,010,000	-	$23,010,000
	9990	STO 1993 SERIES A REFUNDING BONDS [4]	-	560,750,000	128,950,000	-	$128,950,000
TOTAL			**$5,643,014,104**	**$7,680,380,752**	**$3,142,057,825**	**$8,156,255**	**$3,150,214,080**
BOND TYPE: BRADLEY INTERNATIONAL AIRPORT							
21012	6310	BRADLEY AIRPORT EXPANSION REVENUE BONDS	$194,000,000	$194,000,000	$191,170,000	-	$191,170,000
	9969	BRADLEY AIRPORT REFUNDING BONDS 2001 SERIES B [4]	-	19,180,000	18,700,000	-	$18,700,000
	9992	BRADLEY AIRPORT REFUNDING BONDS 1992 SERIES [4]	-	94,065,000	42,150,000	-	$42,150,000
TOTAL			**$194,000,000**	**$307,245,000**	**$252,020,000**	**-**	**$252,020,000**
BOND TYPE: CLEAN WATER FUND							
21015	6865	CLEAN WATER FUND - FEDERAL ACCOUNT	$1,180,121,540	$833,470,253	$249,568,651	-	$249,568,651
21018	6868	DRINKING WATER FUND FEDERAL REVOLVING	58,278,460	29,614,747	10,581,349	-	10,581,349
	9971	CLEAN WATER FUND 1999 REFUNDING BONDS [4]	-	78,995,000	73,425,000	-	73,425,000
	9983	CLEAN WATER FUND REFUNDING BONDS [4]	-	285,605,000	277,685,000	-	277,685,000
TOTAL			**$1,238,400,000**	**$1,227,685,000**	**$611,260,000**	**-**	**$611,260,000**
BOND TYPE: GENERAL FUND APPROPRIATION - UCONN 2000 [7]							
13045	3952	UCONN 2000	$918,427,147	$912,482,147	$500,957,146	$5,605,879	$506,563,025
	9958	UCONN 2000 REFUNDING BONDS [4]	-	216,950,000	216,950,000	-	$216,950,000
TOTAL			**$918,427,147**	**$1,129,432,147**	**$717,907,146**	**$5,605,879**	**$723,513,025**
BOND TYPE: CDA INCREMENT FINANCING [8]							
	8000	AMPHITHEATER - TIF	$9,885,000	$9,885,000	$8,495,000	-	$8,495,000
	8001	NORWICH YANKEE - TIF	1,545,000	1,545,000	480,000	-	$480,000
	8002	OAKDALE THEATER - TIF	9,900,000	9,900,000	7,065,000	-	$7,065,000
	8003	LAKE COMPOUNCE - TIF	18,000,000	18,000,000	13,785,000	-	$13,785,000
TOTAL			**$39,330,000**	**$39,330,000**	**$29,825,000**	**-**	**$29,825,000**

DEBT MANAGEMENT DIVISION

SCHEDULE OF AUTHORIZED AND ISSUED DEBT OUTSTANDING [1] (Continued)

JUNE 30, 2004

CORE Fund No.	Legacy Fund No.	Name	Inception to Date Amount Authorized	Inception to Date Amount Issued [2]	Outstanding June 30, 2004	Interest Accreted Through Fiscal Year 2004[3]	Outstanding Incl. Accreted Interest June 30, 2004
BOND TYPE: CDA GOVERNMENTAL LEASE REVENUE [9]							
	8500	New Britain Gov't Center	$9,275,000	$9,275,000	$6,115,000	-	$6,115,000
TOTAL			**$9,275,000**	**$9,275,000**	**$6,115,000**	**-**	**$6,115,000**
BOND TYPE: SECOND INJURY FUND BONDS							
	8900	SECOND INJURY FUND REVENUE BONDS	$750,000,000	$224,100,000	$54,255,000	-	$54,255,000
TOTAL			**$750,000,000**	**$224,100,000**	**$54,255,000**	**-**	**$54,255,000**
BOND TYPE: CHEFA CHILDCARE FACILITIES PROGRAM [10]							
	7800	CHEFA CHILDCARE NOW	-	$5,375,000	$5,375,000	-	$5,375,000
	7802	CHEFA CHILDCARE POOL 1 SERIES A	-	10,175,000	8,390,000	-	$8,390,000
	7804	CHEFA CHILDCARE SERIES C	-	18,690,000	17,395,000	-	$17,395,000
	7805	CHEFA CHILDCARE SERIES D	-	3,940,000	3,805,000	-	$3,805,000
	7806	CHEFA CHILDCARE SERIES E	-	3,865,000	3,795,000	-	$3,795,000
TOTAL			**-**	**$42,045,000**	**$38,760,000**	**-**	**$38,760,000**
BOND TYPE: BRADLEY INTERNATIONAL PARKING OPERATIONS [11]							
21008	6299	BRADLEY INTERNATIONAL PARKING OPERATIONS	$55,000,000	$53,800,000	$53,800,000	-	$53,800,000
TOTAL			**$55,000,000**	**$53,800,000**	**$53,800,000**	**-**	**$53,800,000**
BOND TYPE: CT JUVENILE TRAINING SCHOOL ENERGY CENTER [12]							
	8800	CT JUVENILE TRAINING SCHOOL ENERGY CENTER	-	$19,165,000	$18,475,000	-	$18,475,000
TOTAL			**-**	**$19,165,000**	**$18,475,000**	**-**	**$18,475,000**
BOND TYPE: SPECIAL OBLIGATION RATE REDUCTION BONDS [13]							
21020	2040	SPECIAL OBLIGATION RATE REDUCTION BONDS	$205,345,000	$205,345,000	$205,345,000	-	$205,345,000
TOTAL			**$205,345,000**	**$205,345,000**	**$205,345,000**	**-**	**$205,345,000**
GRAND TOTAL			**$26,852,087,070**	**$30,807,205,755**	**$13,784,929,668**	**$527,784,635**	**$14,312,714,303**

DEBT MANAGEMENT DIVISION

SCHEDULE OF AUTHORIZED AND ISSUED DEBT OUTSTANDING (1) (Continued)

JUNE 30, 2004

(1) Includes all outstanding debt issued by the State of Connecticut as of June 30, 2004. All debt is authorized by the General Assembly and the State Bond Commission prior to issuance.

(2) The total amount issued includes refunding issues for which no additional authorization is required.

(3) Includes interest accreted on Capital Appreciation Bonds (CABs) only. Interest on CABs accretes over the life of the bond and is paid at maturity. This amount is not included in the column shown as outstanding June 30, 2004.

(4) References those bond issues which require no prior authorization due to the fact that proceeds raised therefrom are used to refund other bond issues and thereby reduce overall debt service expense.

(5) Debt outstanding at June 30, 2004 includes $24,810,000 in Certificates of Participation for the Middletown Courthouse which is not debt of the State. However, the State is obligated to pay a base rent under a lease for the Courthouse, subject to the annual appropriation of funds or the availability of other funds; therefore the base rent is appropriated as debt service. The Certificates of Participation are included on the Treasurer's Debt Management System for control purposes.

(6) Economic Recovery Notes were issued in December 2002 to fund the State's Fiscal 2002 deficit. The notes, issued in a combination of fixed and variable rate securities, have a final maturity of December 2007 and are General Obligations of the State. Economic Recovery Notes were also issued in June 2004 to fund the State's Fiscal 2003 deficit. The auction rate securities notes have a final maturity of June 2009 and are General Obligations of the State.

(7) UCONN 2000 Bonds in a total amount of $962 Million are authorized over a ten year period to be paid by the University of Connecticut from a State Debt Service commitment. A new program, 21st Century UConn, adds an additional $1.3 billion over another 10 years to this program. As each series is issued, the debt service is validly appropriated from the State General Fund.

(8) The Connecticut Development Authority has issued tax increment bonds for certain economic development projects. The debt service on the bonds is deemed appropriated from the State's General Fund.

(9) The Connecticut Development Authority has issued its lease revenue bonds for the New Britain Government Center. The State is obligated to pay base rent subject to the annual appropriation of funds. These payments are budgeted in the Treasurer's debt service budget as lease payments .

(10) On July 1, 1999, the Treasurer's Office assumed the responsibility for the CHEFA Childcare debt service appropriation per Public Act 97-259.

(11) Includes Bradley International Airport Special Obligation Parking Revenue Bonds, 2000 Series A $47,665,000 and 2000 Series B $6,135,000.

(12) A lease purchase financing of the heating and cooling plant at the Juvenile Training School in Middletown.

(13) Pursuant to legislation passed in 2003, the Special Obligation Rate Reduction bonds were issued in June 2004 to provide revenue for the General Fund budgets for fiscal years 2004 and 2005. The bonds will be repaid from charges on the electric bills of the State's two investor-owned electric companies.

CASH MANAGEMENT DIVISION

CIVIL LIST FUNDS

SCHEDULE OF INVESTMENTS [1] [2]

FISCAL YEAR ENDED JUNE 30, 2004

Legal No.	Type	GAAP No.	Type	Fund Name	STIF Investments 6/30/04	Tax Exempt Proceeds Fund Investments 6/30/04	Investments with Treasurer as Trustee Short-Term 6/30/04	Investments with Treasurer as Trustee Long-Term 6/30/04	Investments with Others as Trustee Short-Term 6/30/04	Investments with Others as Trustee Long-Term 6/30/04	Total
GENERAL FUND[3]											
11000	Gen. Fund	1100	Gen.Fund	General Fund	$632,216,835.21						$632,216,835.21
SUBTOTAL GENERAL FUND					$632,216,835.21	$ -	$ -	$ -	$ -	$ -	$632,216,835.21
SPECIAL REVENUE FUNDS											
12001	Spec.Rev.	1201	Spec.Rev.	Transportation	$129,445,529.46						$ 129,445,529.46
12005	Spec.Rev.	1215	Spec.Rev.	Probate Court Administration	17,020,206.30						17,020,206.30
12010	Spec.Rev.	1209	Spec.Rev.	Soldiers, Sailors and Marines	22,124.15 [13]						22,124.15
12012	Spec.Rev.	1215	Spec.Rev.	Municipal Employees Retirement Admin	797,314.39						797,314.39
12013	Spec.Rev.	1208	Spec.Rev.	Regional Market Operation	705,043.74						705,043.74
12016	Spec.Rev.	1213	Spec.Rev.	Recreation & Natural Heritage Trust Fund		$1,680,544.37					1,680,544.37
12018	Spec.Rev.	2107	Enterprise	University Health Center Operating Fund	80,836.17						80,836.17
12021	Spec.Rev.	1215	Spec.Rev.	Grants - Tax Exempt Proceeds		20,530,823.28					20,530,823.28
12023	Spec.Rev.	2107	Enterprise	Univ Health Center Research Foundation	20,494,076.39						20,494,076.39
12030	Spec.Rev.	2103	Enterprise	Special Assmnt Unemployment Comp Adv Fd	1,460,938.39						1,460,938.39
12032	Spec.Rev.	1210	Spec.Rev.	Employment Security - Special Administration	134,310.12						134,310.12
12034	Spec.Rev.	1212	Spec.Rev.	Economic Assistance Bond Fund	8,450,000.00						8,450,000.00
12035	Spec.Rev.	1212	Spec.Rev.	Economic Assistance Revolving Fund		3,830,348.74					3,830,348.74
12038	Spec. Rev.	1212	Spec. Rev.	Individual Development Acct Reserve Fund				$394,733.24			394,733.24
12040	Spec.Rev.	1214	Spec.Rev.	Housing Loan Fund - Tax Exempt		2,557,668.79					2,557,668.79
12043	Spec.Rev.	1212	Spec.Rev.	Vocational Educational Equipment	51,112.17						51,112.17
12044	Spec.Rev.	1213	Spec.Rev.	Flood Relief Purposes	28,422.49						28,422.49
12045	Spec.Rev.	1212	Spec.Rev.	High Technology Development	46,980.19						46,980.19
12046	Spec.Rev.	1212	Spec.Rev.	Vocational Educational Equipment	5,377.87						5,377.87
12047	Spec.Rev.	1212	Spec.Rev.	Child Care Facilities	160,000.00						160,000.00
12048	Spec.Rev.	1212	Spec.Rev.	Grants to Local Governments and Others	444,723.77						444,723.77
12049	Spec.Rev.	1213	Spec.Rev.	Estuarine Embayments Grants	48,750.00						48,750.00
12050	Spec.Rev.	1212	Spec.Rev.	Local Capital Improvements Fund	106,282.44						106,282.44
12051	Spec.Rev.	1215	Spec.Rev.	Capital Equipment Purchase Fund	6,805,829.04						6,805,829.04
12052	Spec.Rev.	1212	Spec.Rev.	Grants to Local Governments and Others	91,130,337.42						91,130,337.42
12053	Spec.Rev.	1213	Spec.Rev.	Economic Development and Other Grants	759,824.61						759,824.61
12054	Spec.Rev.	1215	Spec.Rev.	Shellfish Fund	98,650.40						98,650.40
12060	Spec Rev.	1211	Spec.Rev.	Federal And Other Restricted Accounts		777,185.30					777,185.30
12062	Spec Rev.	1211	Spec.Rev.	Transportation Grants & Restricted Accounts	457,630.24						457,630.24
12065	Spec.Rev.	1214	Spec.Rev.	Housing Assist Bond Fund - Tax Exempt	8,735,854.43						8,735,854.43
SUBTOTAL SPECIAL REVENUE FUNDS					$287,490,154.18	$29,376,570.48	$ -	$394,733.24	$ -	$ -	$ 317,261,457.90
CAPITAL PROJECTS FUNDS											
13001	Cap. Proj.	1214	Spec.Rev.	Rental Housing Fund		$279,411.34					$ 279,411.34
13002	Cap. Proj.	1301	Cap.Proj.	Regional Market Fund	$25,696.96						25,696.96
13004	Cap. Proj.	1303	Cap.Proj.	Natl System of Interstate &Defense Highways	4,494,061.50						4,494,061.50
13006	Cap. Proj.	1303	Cap.Proj.	Specific Interior Highway Projects	1,049,551.69						1,049,551.69
13010	Cap. Proj.	1212	Spec.Rev.	School Construction - Magnet Schools	45,655,877.22						45,655,877.22
13015	Cap. Proj.	1212	Spec.Rev.	Agricultural Land Preservation	72,535.88						72,535.88
13016	Cap. Proj.	1212	Spec.Rev.	Water Treatment Facilities	81,434.96						81,434.96
13017	Cap. Proj.	1303	Cap.Proj.	Transportation Improvement	92,298.08						92,298.08
13018	Cap. Proj.	1303	Cap.Proj.	Replace Bridges Over Railroads	17,752.40						17,752.40
13019	Cap. Proj.	1212	Spec.Rev.	Community Conservation & Development	91,613,726.39						91,613,726.39
13020	Cap. Proj.	1301	Cap.Proj.	University and State University Facilities	2,699.71						2,699.71
13021	Cap. Proj.	1301	Cap.Proj.	State University Facilities	13,498.82						13,498.82
13022	Cap. Proj.	1303	Cap.Proj.	Ramp Construction	11,612.01						11,612.01
13024	Cap. Proj.	1301	Cap.Proj.	University and State University Facilities	45,587.97						45,587.97
13026	Cap. Proj.	1303	Cap.Proj.	Highway Resurfacing	56,981.40						56,981.40
13027	Cap. Proj.	1301	Cap.Proj.	University and State University Facilities	97,737.11						97,737.11
13028	Cap. Proj.	1303	Cap.Proj.	Transportation Improvements & Other Purposes	129,120.03						129,120.03

CASH MANAGEMENT DIVISION

CIVIL LIST FUNDS

SCHEDULE OF INVESTMENTS [1] [2] (Continued)

FISCAL YEAR ENDED JUNE 30, 2004

Legal No.	Type	GAAP No.	Type	Fund Name	STIF Investments 6/30/04	Tax Exempt Proceeds Fund Investments 6/30/04	Investments with Treasurer as Trustee Short-Term 6/30/04	Investments with Treasurer as Trustee Long-Term 6/30/04	Investments with Others as Trustee Short-Term 6/30/04	Investments with Others as Trustee Long-Term 6/30/04	Total
13029	Cap. Proj.	1301	Cap.Proj.	University and State University Facilities	121,223.00						121,223.00
13030	Cap. Proj.	1303	Cap.Proj.	Transportation Improvements	132.02						132.02
13031	Cap. Proj.	1303	Cap.Proj.	Transportation Purposes	103,368.26						103,368.26
13032	Cap. Proj.	1303	Cap.Proj.	Highway Resurfacing	52,136.35						52,136.35
13033	Cap. Proj.	1302	Cap.Proj.	Infrastructure Improvement Fund	164,319,210.48						164,319,210.48
13034	Cap. Proj.	1301	Cap.Proj.	Legislative Office Building	78.00						78.00
13035	Cap. Proj.	1301	Cap.Proj.	University and State University Facilities	198,215.48						198,215.48
13036	Cap. Proj.	1301	Cap.Proj.	University and State University Facilities	27,947.75						27,947.75
13037	Cap. Proj.	1301	Cap.Proj.	University and State University Facilities	139,913.90						139,913.90
13038	Cap. Proj.	1303	Cap.Proj.	Middletown Cluster Rail Service (DEP)	971.71						971.71
13039	Cap. Proj.	1301	Cap.Proj.	Fire Training School Facility	858.99						858.99
13040	Cap. Proj.	1301	Cap.Proj.	University Athletic Facilities							-
13041	Cap. Proj.	1301	Cap.Proj.	Correctional Institution Inmate Housing	110,739.51						110,739.51
13042	Cap. Proj.	1301	Cap.Proj.	University and State University Facilities	1,590,122.25						1,590,122.25
13046	Cap. Proj.	1301	Cap.Proj.	Connecticut Juvenile Training School	1,040,911.85						1,040,911.85
13047	Cap. Proj.	1212	Cap.Proj.	Acquition of Hartford Seminary	0.85						0.85
17001	Cap. Proj.	1301	Cap.Proj.	Capital Improvements & Other Purposes	25,340,709.95						25,340,709.95
17011	Cap. Proj.	1301	Cap.Proj.	Capital Improvements & Other Purposes	13,458,320.86						13,458,320.86
17021	Cap. Proj.	1301	Cap.Proj.	Capital Improvements & Other Purposes	42,673,877.06						42,673,877.06
17086	Cap. Proj.	1301	Cap.Proj.	Capital Improvements & Other Purposes	46,393.41						46,393.41
17741	Cap. Proj.	1301	Cap.Proj.	Capital Improvements & Other Purposes	356,792.56						356,792.56
17771	Cap. Proj.	1301	Cap.Proj.	Capital Improvements & Other Purposes	1,896,204.95						1,896,204.95
17781	Cap. Proj.	1301	Cap.Proj.	Capital Improvements & Other Purposes	118,105.43						118,105.43
17791	Cap. Proj.	1301	Cap.Proj.	Capital Improvements & Other Purposes	1,154,112.84						1,154,112.84
17801	Cap. Proj.	1301	Cap.Proj.	Capital Improvements & Other Purposes	2,627,878.29						2,627,878.29
17811	Cap. Proj.	1301	Cap.Proj.	Capital Improvements & Other Purposes	1,542,850.79						1,542,850.79
17831	Cap. Proj.	1301	Cap.Proj.	Capital Improvements & Other Purposes	3,048,590.20						3,048,590.20
17841	Cap. Proj.	1301	Cap.Proj.	Capital Improvements & Other Purposes	2,275,617.33						2,275,617.33
17851	Cap. Proj.	1301	Cap.Proj.	Capital Improvements & Other Purposes	2,646,971.02						2,646,971.02
17891	Cap. Proj.	1301	Cap.Proj.	Capital Improvements & Other Purposes	177,984.91						177,984.91
17901	Cap. Proj.	1301	Cap.Proj.	Capital Improvements & Other Purposes	3,124,535.49						3,124,535.49
17911	Cap. Proj.	1301	Cap.Proj.	Capital Improvements & Other Purposes	2,157.30						2,157.30
17921	Cap. Proj.	1301	Cap.Proj.	Capital Improvements & Other Purposes	7,355,284.24						7,355,284.24
17951	Cap. Proj.	1301	Cap.Proj.	Capital Improvements & Other Purposes	6,100,844.72						6,100,844.72
17961	Cap. Proj.	1301	Cap.Proj.	Capital Improvements & Other Purposes	7,885,510.62						7,885,510.62
17971	Cap. Proj.	1301	Cap.Proj.	Capital Improvements & Other Purposes	9,310,580.97						9,310,580.97
17981	Cap. Proj.	1301	Cap.Proj.	Capital Improvements & Other Purposes	6,839,967.82						6,839,967.82
17991	Cap. Proj.	1301	Cap.Proj.	Capital Improvements & Other Purposes	24,312,841.14						24,312,841.14
SUBTOTAL CAPITAL PROJECTS FUNDS					$473,462,134.43	$279,411.34	$ -	$ -	$ -	$ -	$473,741,545.77
DEBT SERVICE FUNDS											
14001	Debt Service	2106	Enterprise	University Bond Liquidation	$2,735,652.99						$ 2,735,652.99
14002	Debt Service	2109	Enterprise	State University Dormitory	42,492,228.07						42,492,228.07
14005	Debt Service	1401	Debt Service	Transportation Fund Reserve	124,956,001.27 [6]				$128,060,637.19 [4]	$ 384,220,959.36 [4]	637,237,597.82
SUBTOTAL DEBT SERVICE FUNDS					$170,183,882.33	$ -	$ -	$ -	$128,060,637.19	$ 384,220,959.36	$682,465,478.88
ENTERPRISE FUNDS											
21002	Enterprise	2107	Enterprise	John Dempsey Hospital					$153,563.12 [5]	$473,970.77 [5]	$ 627,533.89
21003	Enterprise	1215	Spec.Rev.	Vocational Education Extension					47.50		47.50
21005	Enterprise	1215	Spec.Rev.	Auto Emissions Inspection	$11,991,761.78						11,991,761.78
21008	Enterprise	2110	Enterprise	Bradley International Parking Operations					6,700,018.53 [12]	5,121,130.00 [12]	11,821,148.53
21009	Enterprise	2101	Enterprise	Bradley International Airport Operations	32,304,608.64 [6]						32,304,608.64
21010	Enterprise	1212	Spec.Rev.	Local Bridge Rev Fund - Bond Financed		$ 16,634,765.39					16,634,765.39
21011	Enterprise	1212	Spec.Rev.	Local Bridge Rev Fund - Revenue Financed	24,296,476.41						24,296,476.41
21012	Enterprise	2101	Spec.Rev.	Bradley International Gen Revenue Bonds	95,601,936.43 [6]					15,135,866.46 [14]	110,737,802.89
21014	Enterprise	1213	Spec.Rev.	Clean Water Fund - State	11,775,030.64	3,735.06			17,300,000.00 [7]		29,078,765.70

CASH MANAGEMENT DIVISION

CIVIL LIST FUNDS

SCHEDULE OF INVESTMENTS [1] [2] (Continued)

FISCAL YEAR ENDED JUNE 30, 2004

Legal No.	Type	GAAP No.	Type	Fund Name	STIF Investments 6/30/04	Tax Exempt Proceeds Fund Investments 6/30/04	Investments with Treasurer as Trustee: Short-Term 6/30/04	Investments with Treasurer as Trustee: Long-Term 6/30/04	Investments with Others as Trustee: Short-Term 6/30/04	Investments with Others as Trustee: Long-Term 6/30/04	Total
21015	Enterprise	2105	Non.-Exp.	Clean Water Fund - Federal	17,572,555.20		[8]		427,635,205.92 [9]		445,207,761.12
21016	Enterprise	1213	Spec.Rev.	Clean Water Fund - Long Island Sound	4,474,728.96						4,474,728.96
21018	Enterprise	2111	Spec.Rev.	Drinking Water Fund - Federal Rev Loan					44,295,891.13 [7]		44,295,891.13
21020	Enterprise	1216	Spec.Rev.	Rate Reduction Bond Operations					21,777,793.84 [7]		21,777,793.84
SUBTOTAL ENTERPRISE FUNDS					$198,017,098.06	$ 16,638,500.45	$ -	$ -	$517,862,520.04	$20,730,967.23	$753,249,085.78
INTERNAL SERVICE FUNDS											
22001	Int. Services	2201	Int. Services	Correction Industries							-
22002	Int. Services	2202	Int. Services	Technical Services Revolving Fund							-
22003	Int. Services	2203	Int. Services	General Services Revolving Fund							-
22004	Int. Services	2202	Int. Services	Capital Equipment Data Processing							-
SUBTOTAL INTERNAL SERVICES FUNDS					$ -	$ -	$ -	$ -	$ -	$ -	$ -
FIDUCIARY FUNDS											
31001	Pension	3103	Pension	State Employees' Retirement Fund			$ 136,247,491.23	$7,573,368,193.09 [10]			$7,709,615,684.32
31002	Pension	3105	Pension	State Attorneys' Retirement Fund			84,674.45	631,336.72 [10]			716011.17
31003	Pension	3105	Pension	General Assembly Retirement Fund	$26,988.53						26,988.53
31004	Pension	3106	Pension	Judges & Comp Commissioners' Ret Fund			4,015,563.40	136,371,528.57 [10]			140,387,091.97
31005	Pension	3105	Pension	Public Defenders Retirement Fund	51,647.62						51,647.62
31006	Pension	3104	Pension	Teachers' Retirement Fund			192,546,257.79	10,667,729,389.39 [10]			10,860,275,647.18
31008	Pension	3107	Pension	Municipal Employees' Retirement - Fund B			25,062,196.10	1,278,770,774.44 [10]			1,303,832,970.54
31009	Other Em Ben	3102	Agency	Policemen & Firemen Survivors' Benefit Fund			2,086,002.16	15,997,182.87 [10]			18,083,185.03
31010	Pension	3108	Pension	Probate Judges & Employees Ret Fund			3,571,215.40	63,501,168.22 [10]			67,072,383.62
35001	Fiduciary	1215	Spec. Rev.	Connecticut Health Club Guaranty Fund	532,368.87						532,368.87
35002	Fiduciary	1215	Spec. Rev.	Real Estate Guaranty Fund	706,968.26						706,968.26
35003	Fiduciary	1215	Spec. Rev.	Home Improvement Guaranty Fund	729,677.47						729,677.47
35009	Fiduciary	1503	Permanent	Endowed Chair Investment Fund	5,171,936.59						5,171,936.59
35010	Fiduciary	1502	Permanent	Connecticut Arts Endowment Fund			956,370.13	15,045,958.34 [10]			16,002,328.47
35011	Fiduciary	1501	Non.-Exp.	Soldiers, Sailors and Marines Trust Fund			60,041.03	59,012,146.20 [10]			59,072,187.23
35014	Fiduciary	2103	Exp.Trust	Unemployment Compensation Fund					$ 476,198,327.40 [11]		476,198,327.40
35015	Fiduciary	2107	Enterprise	J Dempsey Hospital Malpractice Trust Fund	6,040,770.14						6,040,770.14
SUBTOTAL FIDUCIARY FUNDS					$13,260,357.48	$ -	$ 364,629,811.69	$ 19,810,427,677.84	$ 476,198,327.40	$ -	$ 20,664,516,174.41
TOTAL CIVIL LIST FUNDS					**$ 1,774,630,461.69**	**$ 46,294,482.27**	**$ 364,629,811.69**	**$ 19,810,822,411.08**	**$ 1,122,121,484.63**	**$ 404,951,926.59**	**$ 23,523,450,577.95**

CASH MANAGEMENT DIVISION

CIVIL LIST FUNDS
SCHEDULE OF INVESTMENTS (1) (2) (Continued)
FISCAL YEAR ENDED JUNE 30, 2004

(1) Detailed information on the adjusted cash balances and total STIF balances within each individual fund can be obtained from the Comptroller's Annual Report.

(2) Short-term investments shown at cost which, due to their short-term nature, approximates market.

(3) Represents assets of the Common Cash Pool which is not a component of the General Fund. The Common Cash Pool is comprised of the inevitable balances of a number of individual funds and, for purposes of administration only, is shown as an investment of the General Fund. The General Fund is commonly in a net borrowing position from the resources of the other funds within the pool.

(4) Short-term investments consist of STIF Accounrs held by US Bank as Trustee. Long-term investments consist of US Treasury securities and taxable municial bonds. Investments are held by US Bank as Trustee. For description of the program, see Debt Management Division.

(5) Represents funds reserved by the University of Connecticut Health Center at the time of issuance of state bonds to purchase equipment for the University Health Center Hospital. The funds are invested in U.S. Treasury securities maturing from 8/15/04 through 2/15/09. These securities are purchased at a deep discount to par value, pay no interest while outstanding and pay par value at maturity. The recorded value on this schedule is the accreted cost value at June 30, 2004. At June 30, 2004, the aggregate historical cost of this portfolio was $174,167, the par value was $707,000. Although the portfolio is considered long-term in nature, securities totaling $158,000 in par value, $153,563 in accreted value, mature by June 30, 2005. These funds are held by US Bank as Trustee.

(6) STIF account held by State Street Bank & Trust as Trustee. For description of the program, see Debt Management Division.

(7) Short-term investments consist of a money market fund. Long-term investments consist of State of Connecticut General Obligation Bonds which are shown at par. Short and long-term investments held by US Bank as Trustee. For description of program, see Debt Management Division.

(8) Short-term investments with State Treasurer as Trustee consist of GIC's.

(9) Short-term investments consist of a money market fund. Long-term investments consist of State of Connecticut General Obligation Bonds, shown at par value, and GIC's. Both short and long-term investments held by US Bank as Trustee. For description of program, see Debt Management Division.

(10) Represents market value of shares held by various retirement plans in the Treasurer's Combined Investment Funds.

(11) Cash on deposit with Federal Government.

(12) Short-term investments consist of money market funds and Guaranteed Investment Contracts. Long-term investments consist of money market and GIC's. Investments are held by Wachovia Bank, NA as Trustee. For description of the program, see Debt Management Division.

(13) Included $22,124.15 investment recognized by the Comptroller.

(14) Long-term investments consist of portrolio of Federal agency securities and Guaranteed Investment Contracts held by US Bank as Trustee. For discription of the program, see Debt Management Division.

CASH MANAGEMENT DIVISION

SECURITIES HELD IN TRUST FOR POLICYHOLDERS

JUNE 30, 2004

Name of Insurance Company	Par Amount of Collateral	Market Value
The following securities are held on deposit with the State Treasurer on behalf of the Insurance Department under Sec 38a-83:		
Ace Fire Underwriters	$ 1,910,000.00	$ 2,004,616.10
Aetna Health and Life Insurance Company	2,025,000.00	2,177,808.00
Aetna Insurance Company Of Connecticut	2,000,000.00	2,070,620.00
Aetna Life Insurance Company	1,500,000.00	1,786,712.20
AIG Annuity Insurance Company	100,000.00	120,344.00
Allianz Global Risks US Insurance Company	681,000.00	688,066.37
American Centennial Insurance Company	50,000.00	58,720.35
American Employers Insurance Company	1,820,000.00	2,326,460.42
American Maturity Life Insurance Company	4,651,000.00	4,781,102.11
American Mayflower Life Insurance Of New York	250,000.00	330,000.00
American Phoenix Life & Reassurance Company	5,050,000.00	5,277,431.50
American Security Insurance Company	35,000.00	35,448.35
American Skandia Life Assurance Corporation	1,500,000.00	1,523,910.00
Annuity & Life Reassurance America, Inc.	5,000,000.00	5,121,529.80
Argonaut Insurance Company	3,850,000.00	3,882,370.00
Associated Indemnity Corporation	1,426,000.00	1,375,704.10
Automobile Insurance Company of Hartford, CT	4,050,000.00	4,224,947.63
AXIS Specialty Insurance Company	2,800,000.00	2,931,264.00
Carolina Casualty Insurance Company	200,000.00	216,148.00
Century Indemnity Company	1,560,000.00	1,708,200.00
Charter Oak Fire Insurance Company	4,525,000.00	4,741,246.50
Chicago Title Insurance Company	100,000.00	104,719.00
CM Assurance Company	2,000,000.00	2,070,620.00
CM Life Insurance Company	1,600,000.00	1,752,000.00
Cologne Reinsurance Company Of America	3,455,000.00	3,697,173.75
Connecticut Attorneys Title Insurance Company	100,000.00	103,500.00
Connecticut General Life Insurance Company	1,650,000.00	1,806,750.00
Connecticut Indemnity Company	2,000,000.00	2,067,500.00
Connecticut Surety Company (The)	750,000.00	785,547.50
Converium Reinsurance (North America) Inc.	3,000,000.00	3,343,750.00
Covenant Insurance Company	850,000.00	916,486.00
Electric Insurance Company	10,260,000.00	10,479,168.60
Employers' Fire Insurance Company	655,000.00	837,317.94
Executive Risk Specialty Insurance Company	2,500,000.00	2,614,850.00
Fairfield Insurance Company	2,500,000.00	2,628,492.25
Farmington Casualty Company	3,000,000.00	3,071,493.00
Fire & Casualty Insurance Company of Connecticut	2,165,000.00	2,183,932.25
Fireman's Fund Insurance Company	6,764,000.00	7,925,978.57
First State Insurance Company	2,100,000.00	2,174,151.00
Fremont Indemnity Company	890,000.00	929,639.34
GE Group Life Assurance Company	5,000,000.00	5,065,650.00
GE Mortgage Insurance Corp of North Carolina	60,000.00	60,956.40
General Re Life Corporation	1,500,000.00	1,515,281.00
General Star Indemnity Company	2,975,000.00	3,075,915.00
Genesis Insurance Company	3,000,000.00	3,022,500.00
Guaranty National Insurance Company of CT	2,800,000.00	2,794,764.00
Gulf Insurance Company	2,500,000.00	2,671,663.60
Gulf Underwriters' Insurance Company	2,500,000.00	2,677,350.00
Harleysville Worcester Insurance Company	4,860,000.00	4,884,101.70
Hart Life Insurance Company	5,234,000.00	5,414,639.54
Hartford Accident & Indemnity Company	3,325,000.00	3,513,842.85
Hartford Fire Insurance Company	3,830,000.00	3,944,545.14
Hartford International Life Reassurance Corp.	2,109,000.00	2,182,064.79
Hartford Life & Accident Insurance Company	2,041,000.00	2,112,233.11
Hartford Life & Annuity Insurance Company	2,556,000.00	2,643,093.36
Hartford Life Insurance Company	2,180,000.00	2,254,635.80

SECURITIES HELD IN TRUST FOR POLICYHOLDERS (Continued)

JUNE 30, 2004

Name of Insurance Company	Par Amount of Collateral	Market Value
Hartford Steam Boiler Inspection & Insurance Co.	4,000,000.00	4,052,520.00
Hartford Steam Boiler Inspection & Ins Co of CT	3,100,000.00	3,140,703.00
Hartford Underwriters' Insurance Company	3,470,000.00	3,684,864.63
Highlands Insurance Company	100,000.00	104,563.00
Homesite Insurance Company	2,500,000.00	2,504,700.00
Houston General Insurance Company	65,000.00	69,611.10
IdeaLife Insurance Company	1,500,000.00	1,620,945.00
Industrial Alliance Company	30,000.00	30,832.50
ING Life Insurance & Annuity	2,600,000.00	2,359,792.00
ING Life Insurance Company of America	10,200,000.00	10,085,658.00
Integon National Insurance Company	75,000.00	75,562.50
Integon Preferred Insurance Company	75,000.00	77,414.25
Knights of Columbus	2,000,000.00	2,149,560.00
Liberty Mutual Fire Insurance Company	19,560,000.00	20,538,501.60
Liberty Mutual Insurance Company	114,450,000.00	115,703,005.50
Lumber Mutual Insurance Company	1,880,000.00	1,956,739.05
Massachusetts Mutual Life Insurance Company	1,600,000.00	2,065,504.00
Members Life Insurance Company	350,000.00	354,483.50
Middlesex Mutual Assurance Company	1,525,000.00	1,591,185.00
MML Bay State Life Insurance Company	1,500,000.00	1,642,500.00
Munich American Reassurance Company	40,000.00	43,062.40
National Fire Insurance of Hartford	2,500,000.00	2,828,865.00
National Liability & Fire Insurance	2,600,000.00	2,595,138.00
New England Insurance Company	2,700,000.00	2,793,621.00
New England Reinsurance Corporation	3,225,000.00	3,741,999.75
New London County Mutual Insurance Company	600,000.00	645,936.00
North American Lumber Insurance Company	495,000.00	521,153.83
Northern Assurance Company of America	2,165,000.00	2,754,695.01
Nutmeg Insurance Company	4,000,000.00	4,064,899.00
Odyssey America Reinsurance Corporation	2,500,000.00	2,503,125.00
OneBeacon American Insurance	6,185,000.00	7,865,470.69
Pacific Insurance Company, Limited	2,820,000.00	3,023,210.98
Patrons Fire Insurance Company of Rhode Island	120,000.00	130,455.60
PHL Variable Insurance Company	5,070,000.00	5,541,308.10
Phoenix Insurance Company	4,635,000.00	5,057,196.30
Phoenix Life & Annuity Company	5,150,000.00	5,094,929.50
Prudential Retirement Insurance & Annuity Company	5,015,000.00	5,041,009.65
PXRE Reinsurance Company	7,430,000.00	7,360,380.90
Quadrant Indemnity Company	3,300,000.00	3,619,746.00
Royal Surplus Lines Insurance Company	2,625,000.00	2,958,060.00
RVI America Insurance Company	2,540,000.00	2,184,265.00
Safeco Surplus Lines Company	100,000.00	103,500.00
Safeguard Insurance Company	3,350,000.00	3,465,777.38
Seaco Insurance Company	5,219,000.00	5,410,510.18
Security Insurance Company of Hartford	3,193,000.00	3,294,130.34
Seneca Insurance Company	260,000.00	309,238.80
Sentinel Insurance Company, Limited	3,200,000.00	3,358,186.21
Servus Life Insurance Company	5,250,000.00	5,430,541.50
Standard Fire Insurance Company	4,000,000.00	4,176,240.00
Swiss Re Life & Health	5,290,000.00	5,690,398.70
Thames Insurance Company	200,000.00	215,312.00
T.H.E. Insurance Company	300,000.00	313,334.00
TIG Insurance Company	13,936,000.00	15,125,492.00
Travco Insurance Company	4,875,000.00	4,987,758.75
Travelers Casualty & Surety Company	3,000,000.00	3,262,258.00
Travelers Casualty & Surety of America	3,180,000.00	3,281,350.00
Travelers Casualty Company of Connecticut	2,500,000.00	2,565,364.00
Travelers Casualty Insurance Company of America	3,400,000.00	4,452,946.00
Travelers Commercial Insurance Company	2,125,000.00	2,303,815.50
Travelers Commercial Casualty Insurance Company	3,200,000.00	3,370,296.00
Travelers Excess & Surplus Lines Company	2,500,000.00	2,596,100.00
Travelers Home & Marine Insurance Company	5,125,000.00	5,243,541.25

SECURITIES HELD IN TRUST FOR POLICYHOLDERS (Continued)
JUNE 30, 2004

Name of Insurance Company		Par Amount of Collateral		Market Value
Travelers Indemnity Company		4,130,000.00		4,219,274.40
Travelers Indemnity Company of America		3,565,000.00		3,722,073.90
Travelers Indemnity Company of Connecticut		3,000,000.00		3,397,965.00
Travelers Insurance Company		2,625,000.00		2,742,082.50
Travelers Life & Annuity Company		2,600,000.00		2,833,418.00
Travelers Personal Insurance Company		5,500,000.00		7,238,580.00
Travelers Personal Security Insurance Company		4,100,000.00		4,403,466.00
Travelers Property Casualty Company of America		3,000,000.00		3,183,575.00
Travelers Property Casualty Insurance Company		2,050,000.00		2,237,268.90
Trenwick America Reinsurance Corporation		6,275,000.00		6,653,511.00
Truck Insurance Exchange		370,000.00		404,491.40
Trumbull Insurance Company		2,910,000.00		3,059,033.57
United Guaranty Residential Ins Company of NC		50,000.00		53,526.00
United Healthcare Insurance Company		1,510,000.00		1,500,094.40
United Illuminating Company		210,000.00		209,607.30
VantisLife Insurance Company		5,500,000.00		5,338,280.00
Vision Service Plan Insurance Company		2,300,000.00		2,495,500.00
Westchester Surplus Lines Insurance Co.		100,000.00		108,344.00
Zenith Insurance Company		1,010,000.00		1,035,008.40
TOTAL	$	499,095,000.00	$	522,677,317.64

Assets Held In STIF:

American Mutual Insurance Of Boston	$	2,116,242.04
American Mutual Liability		22,585,133.95
Connecticut Surety Company (The)		2,166,254.04
Covenant Mutual Liquidating Trust		6,700,027.80
First CT Life Insurance Company		6,043,977.08
Suburban Health Plan		248,169.09
Westbrook Insurance Company		1,209,926.24
TOTAL	$	41,069,730.24

UNEMPLOYMENT COMPENSATION FUND

On Account with the Secretary of the Treasurer of the United States as Trustee of the Unemployment Compensation Fund

The Act which established Unemployment Compensation provides that contributions from employers be collected by the Labor Commissioner as Administrator of the Act and be deposited with the State Treasurer. (Chapter 2, Public Act, Special Session 1936). These funds are then sent to the Secretary of the Treasury of the United States. The Administrator requests withdrawals as needed to pay benefits to employees.

BALANCE at JUNE 30, 2003		**$ 500,782,973.62**
Deposits	$ 622,892,000.00	
Combined Wage Transfers to Connecticut	6,697,163.07	
Earnings	25,433,972.81	
Federal Employee & Ex-Servicemen Contributions	6,243,000.00	
Temporary Emergency Unemployment Compensation	137,830,000.00	$ 799,096,135.88
TOTAL CASH AVAILABLE		**$ 1,299,879,109.50**
Withdrawals	$ 813,244,780.49	
Reed Act Withdrawals	4,130,851.61	
Federal Employee & Ex-Servicemen Withdrawals	6,243,000.00	
EUC Repayments	59,500.00	
EB Repayments	2,650.00	823,680,782.10
BALANCE at JUNE 30, 2004		**$ 476,198,327.40**

Office of the State Treasurer

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