STATE OF CONNECTICUT

2006

ANNUAL REPORT OF THE TREASURER

For the fiscal year ended June 30, 2006

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.

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State of Connecticut

Office of the Treasurer

DENISE L. NAPPIER
TREASURER

HOWARD G. RIFKIN
DEPUTY TREASURER

May 17, 2007

The Honorable M. Jodi Rell, Governor of Connecticut

The Honorable Members of the Connecticut General Assembly:

The People of the State of Connecticut

I am pleased to provide the **2006 Annual Report of the Office of the Treasurer of the State of Connecticut**, which highlights a year of significant financial achievement.

This report includes quantitative data and explanatory comments on the operations of the Office of the Treasurer including the Connecticut Retirement Plans and Trust Funds (CRPTF), Short-Term Investment Fund (STIF), and the Connecticut Higher Education Trust (CHET). Additionally, financial information regarding the operations of the Debt Management, the Second Injury Fund, and Unclaimed Property divisions of the Treasurer's Office are also presented.

The management of the Office of the Treasurer is responsible for the financial information presented in this report, and sufficient accounting controls exist to provide reasonable assurance regarding the safekeeping of assets and fair presentation of the financial statements, supporting schedules, and tables.

A *Performance Overview & Executive Summary* of the financial information outlined in the Report, highlighting the substantial achievements and accomplishments of the past fiscal year, follows this letter of transmittal. A more detailed presentation of the areas of responsibility within the Treasury unfolds in succeeding sections.

Some of the more notable achievements in this past year include:

- The Connecticut Retirement Plans and Trust Funds (CRPTF) outperformed its benchmark by 54 basis points with an investment return of 10.55% net of all fees and expenses and increased in value to $22.8 billion. The Teachers' retirement fund portion of the CRPTF increased in value to $12.2 billion while the State Employees retirement fund portion of the CRPTF increased in value to $8.8 billion.
- The Short Term Investment Fund's return of 4.38% outperformed its benchmark by 37 basis points, resulting in $18.4 million in additional interest income for the state, state agencies and local governments. In addition, TRACS Financial Research, an independent firm that monitors the performance of such pools on a monthly basis, ranked STIF's return first in the nation among over 80 government investment pools for 8 of the 12 months during the fiscal year.
- The Treasury executed an innovative $161 million forward refunding transaction for Bradley International Airport which locks in $19 million of future refunding savings. In addition, issued $61

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AN EQUAL OPPORTUNITY EMPLOYER

million in refunding bond sales for the UCONN 2000 program which will save $4 million over the life of the bonds.

- The Office of the Treasurer recovered $2 million in the fiscal year from litigation efforts that included class action settlements of $1.8 million and individual litigation of $0.2 million under the Asset Recovery program.
- The Treasury returned $26 million to rightful owners of unclaimed property, representing the highest dollar total returned in the history of the program and received $86 million in unclaimed property receipts.
- During the fiscal year, the Treasury successfully launched the Community Bank and Credit Union Initiative that supports Connecticut-based banks and credit unions with assets not exceeding $500 million through the state's investment in certificates of deposit awarded through a competitive bidding process. $12.5 million was invested through June 30, 2006 at an average annual interest rate of 5.23 percent.

The preparation of this Annual Report involves the dedicated effort of Treasury employees who work diligently throughout the year to protect the future financial security of all Connecticut residents. I acknowledge their work with sincere gratitude, and trust that this Report will prove both informative and useful. In accordance with our practice of recent years, this Report will be available both in print and electronically via the Treasury website, www.state.ct.us/ott, along with past annual reports and additional information about the Office.

Sincerely,

Denise L. Nappier
Treasurer

Connecticut Retirement Plans and Trust Funds Investments

For the fiscal year ended June 30, 2006, the Connecticut Retirement Plans and Trust Funds investment portfolio returned a positive one-year annualized return of 10.86% before management fees, or 10.55% net of all fees and expenses, and increased in value to $22.816 billion.

Total annual investment returns, comprising interest income, dividends, securities lending income, and net realized and unrealized capital gains, net of Fund operating expenses were $2.229 billion as shown below:

	($ Billions)			
	Total CRPTF	Teachers' Retirement Fund	State Employees' Retirement Fund	All Other Pension and Trust Funds
Net Investment Income from Operations	$2.229	$1.207	$0.857	$0.165
Net Outflows to Funds	(0.711)	(0.410)	(0.259)	(0.042)
Net Increase in Net Assets	$1.518	$0.797	$0.598	$0.123
Net Assets, June 30, 2006	$22.816	$12.189	$8.774	$1.853

All of the Combined Investment Funds posted positive investment returns for the fiscal year led by the International Stock Fund 25.69%, Private Investment Fund 11.74%, Mutual Equity Fund 10.27%, Commercial Mortgage Fund 9.69%, Real Estate Fund 7.09%,and the Cash Reserve Account 4.54%.

The pension and trust assets increased $1.518 billion over the previous fiscal year after $0.711 billion in net pension benefit payments (minus contributions) were deducted from the annual investment returns as presented above.

The CRPTF placed in the 50th percentile of the Trust Universe Comparison Services (TUCS), a database of plan sponsor information of public funds with assets greater than $1 billion.

Short-Term Investment Fund Investments

At the end of the 2006 fiscal year, the Short Term Investment Fund had more than $5.4 billion in assets under management representing 1,006 accounts for 259 municipal and local government entities and 62 State agencies and authorities.

STIF achieved an annual return of 4.38%, net of operating expenses and allocations to the Fund designated surplus reserve. This solid performance exceeded its primary benchmark by 37 basis points, resulting in $18.4 million in additional interest income for the state, state agencies and municipalities and their taxpayers.

	($ Billions)			
	Total STIF	State	Political Subdivisions Of the State	Municipal Entities
Number of Accounts	1,006	58	406	542
Net Investment Income from Operations	$0.216			
Net Inflows to STIF	0.900			
Net Increase in Net Assets	$1.116			
Participant Net Assets, June 30, 2006	$5.383	$2.804	$1.735	$0.842
Designated Surplus Reserve	$0.047			
Total Net Assets, June 30, 2006	$5.430			

TRACS Financial Research, an independent firm that monitors the performance of such pools on a monthly basis, ranked STIF's return first in the nation among over 80 government investment pools for 8 of the 12 months during the fiscal year.

2006 PERFORMANCE OVERVIEW & EXECUTIVE SUMMARY

Standard & Poor's reaffirmed STIF's AAAm rating in May 2006, the highest rating available for money market funds and investment pools. STIF assets exceeded just over $6.3 billion in May 2006, its highest investment total since inception in 1972.

Connecticut Higher Education Trust Investments

The Connecticut Higher Education Trust reached 50,268 accounts with total net assets of $704 million at the end of the 2006 fiscal year. This compares to 46,516 accounts and $596 million in net assets in the prior fiscal year, an increase of $109 million or 18% as presented below:

	($ Billions)
Net Investment Income	$0.032
Net inflows to CHET	0.077
Net Increase in CHET Net Assets	$0.109
Total Net Assets, June 30, 2006	$0.704

Based on legislation proposed by the Treasurer's Office in 2006, the General Assembly passed into law an income tax deduction allowing Connecticut taxpayers to deduct up to $10,000 for joint filers and up to $5,000 for single filers for contributions made on or after January 1, 2006, to CHET accounts.

In June 2006, CHET's account balance limit for contributions was increased to $300,000 from the previous level of $235,000 in order to keep pace with increasing college tuition costs.

Debt Management

In fiscal year 2006, Debt Management managed the sale of $1.4 billion in new money bonds issued to fund state programs and capital projects, including the UCONN 2000 program. As interest rates continued at relatively low levels during the year, Debt Management executed an innovative $161 million forward refunding transaction for Bradley International Airport which locks in $19 million of future refunding savings. Also issued $61 million in refunding bonds for the UCONN 2000 program which will save $4 million over the life of the bonds.

Total state debt at the end of fiscal year 2006 was $14 billion, an increase of $190 million over the previous fiscal year.

Second Injury Fund

The Second Injury Fund held steady the assessment rates charged to Connecticut businesses that cover the costs of injured worker claims at 4% for businesses and 8.4% for self-insured employers. Those rates have now been held at the present level since July 1, 2005 and represent the lowest levels in more than a decade and will save businesses approximately $29 million annually.

In addition to holding the assessment rates at the present levels, the Fund reduced the assessment bases for businesses pursuant to Public Act No. 05-199, effective July 1, 2006, that will result in additional saving to businesses.

The Fund's unfunded liability for future claim payments to injured workers is estimated at $449 million, down from $838 million in 1999.

Unclaimed Property

In fiscal year 2006, Unclaimed Property returned $26 million to rightful owners on 22,732 claims, representing the highest dollar total returned in the history of the unclaimed property program. This was $5.5 million above what was returned in the prior year, which at the time established an all-time record, and 10,747 additional claims than what was processed in 2005.

UCP also collected $86 million of unclaimed property for Connecticut which including $13.6 million from the sale of mutual funds. In addition,.

Asset Recovery

The Office of the Treasurer recovered $2 million in the fiscal year that ended June 30, 2006 from litigation efforts that included class action litigation of $1.8 million and individual litigation of $0.2 million under the *Asset Recovery from Claims and Litigation* program. Initiated in fiscal year 2000 to prevent losses due to the malfeasance of others and, whenever possible, to recover lost assets, Treasury vendor contract language was further refined in fiscal year 2005 to address new policy and legal requirements. These include the assessment of security risks associated with global investments, integrity disclosure obligations, and changes in the private equity and opportunistic real estate fund investment contracts that give the state pension funds more favorable terms and conditions.

Community Bank and Credit Union Initiative

During fiscal year 2006, the Treasury successfully launched the Community Bank and Credit Union Initiative. The initiative supports Connecticut-based banks and credit unions with assets not exceeding $500 million through the state's investment in certificates of deposit at the institutions that are awarded the state's business through a competitive bidding process. In May and June 2006, $12.5 million was invested with financial institutions at an average annual interest rate of 5.23 percent following a competitive bidding process. Competitive bidding processes will be held monthly.

2006 TREASURY OVERVIEW

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 $22.8 billion in State pension and trust fund assets and over $5 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-43 and S-44.

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.

2006 TREASURY OVERVIEW

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 $23 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 $12.2 billion, followed by the State Employees' Retirement Fund containing $8.8 billion and the Municipal Employees' Retirement Fund with $1.5 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 reconciliation, bank administration, check processing and short-term investments. 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 364 bank accounts annually. The Division prudently and productively manages clients' cash, including that of 62 State agencies and authorities and 259 municipal and local government entities utilizing the Short-Term Investment Fund, which had an average market value of $5.0 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. As of June 30, $14.12 billion of state debt was outstanding.

The Second Injury Fund Division, under the direction of an Assistant Deputy 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 Deputy 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.

2006 Annual Report Year at a Glance

COMBINED INVESTMENT FUNDS, JUNE 30

Market Value of Assets Under Management	$ 23,482,898,042
Net Assets Under Management	$ 22,816,772,972
Total Investment Returns for the Fiscal Year	$ 2,229,418,130
Total Management Fees for the Fiscal Year	$ 90,630,236
Total Number of Advisors	88
Increase in Total Advisors from Prior Year	9
One-Year Total Return	10.55%
Five-Year Compounded Annual Total Return	6.19%
Ten-Year Compounded Annual Total Return	8.56%

2006 TREASURY OVERVIEW

DEBT MANAGEMENT, JUNE 30

Total Debt Outstanding	$	14,123,884,143
General Obligation Debt included above	$	9,114,259,172
Total New Debt Issued During the Fiscal Year	$	1,438,165,000
General Obligation Debt Issued included above	$	1,035,000,000
Total Debt Retired and Defeased During the Fiscal Year	$	1,248,197,418
General Obligation Debt Retired and Defeased included above	$	783,277,418
Total Debt Service Paid on Outstanding Debt During the Fiscal Year	$	1,904,418,099
General Obligation Debt Service Paid included above	$	1,269,482,388

CASH MANAGEMENT, JUNE 30

Total Cash Inflows During the Fiscal Year	$	74,423,246,403
Total Cash Outflows During the Fiscal Year	$	74,463,653,995
Number of State Bank Accounts at June 30, 2006		364
Number of State Bank Accounts at June 30, 2005		380

SHORT-TERM INVESTMENT FUND, JUNE 30

Total Net Assets of the Fund	$	5,430,166,552
One-Year Total Return		4.38%
Five-Year Compounded Annual Total Return		2.42%
Ten-Year Compounded Annual Total Return		4.09%
Weighted Average Maturity		39 days
Number of Participant Accounts		1,006

SECOND INJURY FUND, JUNE 30

Number of Claims Settled During the Fiscal Year		178
Total Cost of Claims Settled and Paid	$	10,303,617
Second Injury Fund Estimated Unfunded Liability (expressed as reserves)	$	449,200,000
Number of Claims Outstanding		2,254

UNCLAIMED PROPERTY, JUNE 30

Dollar Value of Gross Unclaimed Property Receipts	$	85,961,195
Dollar Value of Claims Paid	$	25,990,877
Number of Property Claims Paid		22,732

CONNECTICUT HIGHER EDUCATION TRUST, JUNE 30

Number of Participant Accounts		50,268
Net Assets	$	704,344,241

Division Overview

2006 investment advisory council

November 20, 2006

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") and the activities of the IAC for the fiscal year ended June 30, 2006.

The CRPTF outperformed the Connecticut Multiple Market Index ("CMMI") benchmark by 54 basis points in 2006. Fiscal 2006 performance produced a net total return (after all expenses) of 10.55%, significantly exceeding the assumed long-term investment return of 8.5% for the third consecutive year. For the two years ended June 30, investment performance generated a compounded annual return of 10.51%, adding nearly $4.3 billion of investment income and gains to the fund. This performance compares favorably with the CRPTF's 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. Evidence of this longer term view is CRPTF's ranking in the top 31 percent of public funds greater than $1 billion over the last 7 and 10 years.

It is important to note that the IAC reviews fund performance at each meeting, discussing individual manager changes when necessary and conducts a more extensive review of fund and manager performance on a quarterly basis. Periodically, specific investment topics may be discussed, such as in March 2006 when the Council reviewed the CRPTF's exposure and strategy for investing in emerging markets.

Throughout the fiscal year, the IAC focused on a number of important policy initiatives. The Council adopted the Treasurer's proposed CRPTF's Diversity Principles, an affirmation of the Treasurer's intent to build diversity and encourage the practice of good corporate citizenship among the ranks of the pension fund's investment managers. In addition, the IAC continued its work with the Treasurer on the asset liability study and reviewed recommendations for changes in asset allocation. A representative from the IAC also appeared with the Treasurer before the State legislature as that body considered legislation authorizing the Treasurer to exert her fiduciary duty in evaluating the divestment of securities of companies conducting business in Sudan. Finally, the IAC endorsed a number of commitments to real estate and private equity, as efforts continue to build those portfolios up to their asset allocation targets of 5% and 11%, respectively.

During fiscal 2006, the CRPTF received contributions of $396 million and withdrew monies for payment of pension benefits of $1.105 billion, resulting in a negative cash flow of $709 million from pension activities (i.e., excluding the investment returns discussed above). This represents a 25% decrease from fiscal 2005's pension outflow, due in large part to the significantly higher contribution to the Teachers' Fund that was appropriated by the legislature.

The IAC is again united in stressing that the legislature must continue to address the significant systemic underfunding of the pension plans. Actuarial studies have been completed for the Teachers' plan and the State Employees' plan, which together represent 92% of the CRPTF's assets under management. The most recent report for the Teachers' plan (reflecting data as of June 30, 2006) indicates that the plan was 59.55 percent funded. The most recent report for the State Employees' plan reflects data through June 30, 2006 and shows that plan was 53.2 percent funded as of that date. The amount of the shortfall for these two plans was approximately $14.8 billion. Internal analysis has shown that even strong performance of the investment assets is unlikely to close the gap. Eventually, state taxpayers will have to fund this deficit in order to pay the pension commitments that have been made. The increased appropriation to the Teachers' Fund in fiscal 2006 was an important step in meeting this obligation and it will be important to continue such appropriations in the future.

As Chairman of the Investment Advisory Council, I am gratified to be amongst fellow committee members whose dedication 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 2006 include:

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

MICHAEL FREEMAN, Representative of State Teachers' unions, Teacher, Stonington High School.

ROBERT L. GENUARIO, Secretary, State Office of Policy and Management (Ex-officio member)

DAVID HIMMELREICH, Principal, Hynes, Himmelreich, Glennon & Company.

JAMES T. LARKIN, President, Global Strategy Advisors

REGINALD U. MARTIN, Managing Partner, Insurance Planning Associates. (resigned effective January 11, 2006)

WILLIAM MURRAY, Representative of State Teachers' unions, NEA, Danbury

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

SHARON M. PALMER, Representative of State Teachers' unions, President, AFT Connecticut.

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

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

PETER THOR, Representative of State Employees' unions, Coordinator, Policy & Planning, AFSCME Council 4.

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 $22.8 billion of net assets of retirement plans for 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" or "the Division") is responsible for the day-to-day administration of the CRPTF.

Prudent investment management requires properly safeguarding pension assets in order to ensure the retirement security of the beneficiaries. Funding of the pension benefit liability is dependent on investment returns, State contributions and the contribution requirements of eligible retirement plan participants. When pension investment returns exceed the target return, excess returns are applied against the unfunded liability, while investment income returns below the actuarial target return increase the unfunded pension liability and may require an increase in future tax dollar contributions in order to ensure full payment of benefits.

As shown in Figure 1-1, over the last ten years pension and trust assets have grown from $13.7 billion to $22.8 billion, or 66.4%. The Teachers' Retirement Fund ("TERF"), with $12.2 billion of assets under management at June 30, 2006, is the largest participating fund, followed by the State Employees' Retirement Fund ("SERF") and the Municipal Employees' Retirement Fund ("MERF") with $8.8 billion and $1.5 billion of assets, respectively. During the fiscal year ended June 30, 2006, total investment return (comprised of interest income, dividends, securities lending income, and net realized and unrealized capital gains, net of Fund operating expenses) was approximately $2.2 billion. (See figure 1-2.)

CRPTF's total investments in securities at fair value as of June 30, 2006 is illustrated below:

COMBINED INVESTMENT FUNDS
Investment Summary at June 30, 2006

	Fair Value (1)	% of Total Fund Fair Value
Cash Reserve Account ("CRA")(2)	$280,548,978	1.19%
Mutual Equity Fund ("MEF")	8,983,043,768	38.14%
International Stock Fund ("ISF")	5,392,666,574	22.90%
Real Estate Fund ("REF")	398,391,108	1.76%
Mutual Fixed Income Fund ("MFIF")	7,052,537,386	29.94%
Commercial Mortgage Fund ("CMF")	18,192,114	0.08%
Private Investment Fund ("PIF")	1,357,518,114	5.99%
Total Fund	**$23,482,898,042**	**100.00%**

(1) "Fair Value" includes securities and cash invested in CRA, and excludes receivables (FX contracts, interest, dividends, due from brokers, foreign tax, securities lending receivables, reserve for doubtful accounts, invested securities lending collateral and prepaid expenses), payables (FX contracts, due to brokers, income distribution, securities lending collateral and accrued expenses), and cash not invested in CRA.(2) The market value of CRA 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.

(2) The market value of CRA 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.

Fund Management

Under the supervision of a Chief Investment Officer, the Division executes and manages the investment programs of the pension and trust funds with a thirteen-member professional staff. Internal resources are augmented by several outside consulting firms that provide research and analytical expertise to the Treasurer, the Chief Investment Officer and Division staff. State Street Bank and Trust, as the custodian of record for the CRPTF, retains physical custody, safeguards plan assets and provides record keeping services under the supervision of PFM staff.

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, 2006, 88 external advisors were employed by the Treasury to invest the pension and trust assets, an increase of 9 advisors from June 30, 2005. (See figure 1-5.)

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.

Investment Policy

One of the immutable principles of investment management is that asset allocation decisions are responsible for 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 CRPTF 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 selecting 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. As of June 30, 2006, multiple asset classes were included in the Investment Policy Statement, including Domestic Equity, International Equity, Fixed Income, Real Estate, and Private Investments.

At fiscal year-end, domestic and international equities comprised the largest asset allocation, at 63%. 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 of the Funds is designed to replicate one or more of the six asset classes outlined in the Policy.

Domestic Equity Investments

Management of the Mutual Equity Fund ("MEF") entails pure indexing, enhanced indexing, and active management strategies executed by external managers. 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.

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. For performance measurement purposes, the MEF is benchmarked against the Russell 3000 Index.

As currently structured, the MEF replicates the approximate capitalization of the U. S. equity market as a whole with 80% of the portfolio invested in large-cap stocks and 20% in small/mid-cap stocks. Approximately 88% of the entire domestic equity portfolio adheres to indexing, enhanced indexing, or risk controlled strategies.

International Equity Investments

The International Stock Fund ("ISF") consists 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 of the total portfolio. Approximately 49% of the ISF is comprised of passive indexing, risk controlled, and core developed markets strategies, all of which entail benchmark sensitive investment management approaches. Mandates for active and small cap developed market strategies represent roughly 22% and 10% of the ISF, respectively, and introduce greater flexibility with regard to benchmark weightings. The currency exposure of the aggregated 81% of the ISF investments in developed markets is managed through a currency hedging overlay strategy. Additionally, 19% of ISF is invested in emerging markets.

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.

Fixed Income Investments

The Mutual Fixed Income Fund ("MFIF") serves to reduce volatility of the CRPTF returns under various economic scenarios. Further, the fixed income portfolio provides cashflow to the CRPTF over all economic cycles, through interest payments and bond maturities. As of June 30, 2006 the MFIF's allocation includes passively indexed core fixed income (20%), active core fixed income (60%), inflation-linked bonds (3%), high yield bonds (13%), and emerging markets debt (4%).

The MFIF benchmark is a hybrid comprised of 73% Lehman Brothers Aggregate (LB Aggregate), 17% Citigroup High Yield Market Index, and 10% JP Morgan Emerging Markets Bond + Index (JPM EMBI+).

Real Estate and Private Equity Investments

The externally managed Real Estate Fund ("REF") invests in real estate properties and mortgages 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. The REF will invest in the following types: core investments; value added (investments involving efforts to increase property value through repositioning, development and redevelopment); opportunistic (investments that represent niche opportunities, market inefficiencies, or special purpose markets); and publicly traded (primarily Real Estate Investment Trusts and Real Estate Operating Companies). Leverage within the REF is limited to 50%. For market evaluation, the benchmark is National Council of Real Estate Investment Fiduciaries Index (NCREIF) 1 quarter lag. For the calculation of the custom total fund benchmark on a monthly basis, the Russell 3000 is used as the benchmark since the NCREIF is produced quarterly.

The Private Investment Fund ("PIF") is comprised of externally managed separate accounts or limited partnerships that focus on private equity investments. PIF 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 funds-of-funds focusing on, for example, venture capital partnerships too small to be otherwise appropriate for PIF. For market evaluation, the benchmark is the Venture Economics All Private Equity (Venture Economics) 1 quarter lag. For the calculation of the custom total fund benchmark on a monthly basis, the S&P 500 is the benchmark used since the Venture Economics is produced quarterly.

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 fiscal year ended June 30, 2006, securities with a market value of approximately $2.8 billion had been loaned against collateral of approximately $2.9 billion. Income generated by securities lending totaled $10.9 million for the fiscal year.

The Year in Review

Total Fund Performance

For the fiscal year ended June 30, 2006, the State of Connecticut Retirement Plans and Trust Funds achieved a total return of 10.55%, net of expenses, which was 54 basis points ahead of the benchmark return of 10.01%. During the fiscal year, the value of CRPTF's portfolio increased from $21.3 billion to $22.8 billion. The $1.5 billion increase was primarily due to net funds from operations of $2.2 billion, offset by net cash outflows of $0.7 billion. This latter amount was comprised of pension payments to beneficiaries of $1.105 billion that were offset by net contributions from unit holders of $396 million, for a net outflow of $709 million. Funds from operations were comprised of net investment income of $793 million, realized gains of $886 million and unrealized appreciation of approximately $520 million.

For the Fiscal Year ending June 30, 2006, equity markets were strong across the board with all indices posting positive returns. In the U.S. equity markets, high oil prices and rising interest rates contributed to market volatility while strong merger and acquisition activity, particularly in the latter half of the fiscal year, helped sustain the positive performance. The U.S. economy grew approximately 2.6% in the second calendar quarter of 2006 (annualized over the prior year), helped by a booming housing market and high personal consumption. The unemployment rate continued to decline and was 4.6% as of June 2006, in comparison to the 5.0% rate at the beginning of the fiscal year. The Federal Open Market Committee raised the overnight lending rate at every opportunity throughout the fiscal year (eight times for a total of 200 basis points), which resulted in a federal funds rate of 5.25% as of June 30, 2006.

The Mutual Equity Fund (MEF) generated a positive return of 10.27%, net of fees, which outperformed the Russell 3000 Index return of 9.56% by 71 basis points. U.S. equity market performance was powered by strong returns in the third quarter of 2005 and the first quarter of 2006 which resulted in positive results for fiscal year 2006. Much of the strength in U.S. equity markets came from returns in the energy sector as record high oil prices drove energy-related issues. The broad market Russell 3000 Index gained 9.56% in the fiscal year ending June 30, 2006. Within the asset class, small cap stocks (+14.6%) bested mid cap stocks (+13.5%), which in turn, fared better than large cap stocks (+9.1%). In terms of investment style, value stocks outperformed growth stocks among large cap names, while the two styles produced identical returns among small caps.

The International Stock Fund returned 25.69% (the third consecutive year of double digit returns) but underperformed its benchmark return of 28.56% by 287 basis points largely due to active management decisions of the currency overlay managers and weak relative performance of the Fund's core and small cap managers. The International Stock Fund benchmark is comprised of 83% Citigroup EPAC BMI Index (50% Hedged), and 17% MSCI Emerging Markets Free Index. International economies experienced slight improvement over much of fiscal year 2006, which drove healthy returns. International equity markets posted double-digit gains during the fiscal year as witnessed by the 28.27% increase in the S&P/Citigroup EPAC BMI Index, a broad measure of international equity markets. Currency markets over the trailing year can be characterized by volatility, lack of notable currency trends, and the ultimate weakening of the U.S. Dollar versus most major currencies. In terms of style, international value stocks beat their growth counterparts, and small caps outpaced large caps. The emerging markets were strong throughout the first three quarters of the fiscal year, yet cooled off and lost 4.3% during the fourth quarter. The negative return of the fourth quarter was not enough to offset earlier gains and the MSCI Emerging Markets Index returned 35.9% during the year.

The Mutual Fixed Income Fund returned 0.77% for the fiscal year, outperforming its composite benchmark return by 13 basis points due to manager selection in the core, high yield and emerging market debt sectors. The Mutual Fixed Income benchmark, consisting of 73% Lehman Brothers Aggregate Index (LBA), 17% Citigroup High Yield Market Index, and 10% JPM Emerging Markets Bond + Index, was up 0.64% for fiscal year 2006. The market environment for U.S. fixed income was volatile as the yield curve flattened and inverted during the latter part of the fiscal year. The broad fixed income markets returned slightly negative results, as measured by the Lehman Brother Aggregate which fell 0.8% for the fiscal year, while interest rates continued to rise across the board. Investors sought returns in the high yield and emerging market debt sectors, the fiscal year's strongest performers within the fixed income market.

Along with the overall economy, the private equity market has continued to perform well in fiscal 2006 fueled by improved business performance in most industries, robust debt markets and low interest rates. On the venture capital side, Sarbanes Oxley compliance has raised the bar for companies trying to complete initial public offerings and has resulted in a slowing of venture-backed companies going to the public equity market. The Private Investment Fund earned 11.74%, underperforming its benchmark by 1,426 basis points.

The Real Estate Fund underperformed its benchmark of 20.19% by 1,310 basis points with a return of 7.09%. Most of the underperformance (675 basis points) can be attributed to a significant write down of a 1998 investment due to operational issues. The Real Estate Fund is well diversified by long-term risk/return objectives while adhering to established investment guidelines.

The overall return of the CRPTF is measured against the 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 Fund benchmark; 5% CT Real Estate Fund; 11% CT Private Equity/Venture Economics All Private Equity Index; and 1% Donoghue Money Fund Average. 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 Fund benchmark consists of 73% Lehman Brothers Aggregate Index, 17% S&P/Citigroup High Yield Market Index, and 10% JPM Emerging Markets Bond + Index.

Investment return calculations are prepared using a time weighted rate of return based on industry standards.

2006 Management Initiatives

The Connecticut Horizon Fund was funded in August 2005, with mandates for four fund-of-fund managers to invest portions of the MEF, ISF and MFIF. The four fund-of-funds managers in turn hired sub-managers, minority- and/or women-owned, Connecticut-based and/or emerging firms who would normally not be of a sufficient scale to manage funds directly for the CRPTF. Future expansion of the Connecticut Horizon Fund is planned for the real estate and private equity asset classes.

Progress continued in the implementation of the Real Estate Fund's long term strategic plan to bring this asset class to its target allocation of 5% and build the core segment of the portfolio. Two commitments totaling $105 million were issued in the core space. In addition, CRPTF committed $70 million to two value added funds and $150 million to two opportunistic funds. CRPTF continues to actively liquidate assets when appropriate, generating $55.7 million of realized gains for the Fund during the fiscal year.

During fiscal 2006, a pacing study was completed for the PIF which projected future cash flows and commitments to private equity. This study will be updated annually and will serve as the base for building this fund to its target asset allocation of 11%. Also during fiscal 2006, $330 million of commitments were made to 4 funds, including 2 new managers.

Staff of the Treasury has undertaken several actions in furtherance of the implementation of Public Act 06-51, *An Act Concerning Divestment of State Funds Invested in Companies Doing Business in Sudan*. To date, the Treasurer has not divested the shares of any company which conducts business in Sudan. The Treasury has continuously engaged companies by way of writing letters, telephone follow-up and, in some cases, face-to-face meetings with representatives from companies in which CRPTF holds shares. Staff regularly monitors news accounts and Sudan divestment related web sites for information on the current situation in Sudan and the activities of companies that are doing business in Sudan. An informal working group of public pension funds communicates periodically to discuss developments on the international, national and state level, and to coordinate engagement activity with respect to companies doing business in Sudan. CRPTF staff has also engaged numerous companies, alone or in concert with other public funds, to gather information on the companies' activities in Sudan.

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 investment 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.

This year the CRPTF engaged with over 27 companies – ranging from writing letters, to filing shareholder resolutions, appearing at annual meetings, holding discussions with management, and meeting with member of the board of directors. The Treasury also worked together with numerous other investors representing public pension funds, labor funds, socially responsible investors and faith based investors. CRPTF filed and co-filed a total of 12 shareholder resolutions this proxy season on critical corporate governance issues.

One of the Corporate Governance / Proxy Voting program's more noteworthy successes during the year was a settlement with Pfizer Corporation on behalf of a shareholder resolution filed by the CRPTF requesting broadening disclosure of Executive Compensation related to the salary and retirement benefits for key executives. The company agreed to comply with the series of detailed disclosures sought by Connecticut.

The CRPTF also withheld votes for election of a number of directors based on the executive compensation practices of the company. Treasurer Nappier also wrote follow up letters to these directors asking them to respond to her on their oversight of Executive Compensation. The Securities and Exchange Commission (SEC) proposed and then adopted new disclosure rules for executive compensation effective for the 2007 proxy season. The Treasurer wrote to the SEC commenting on the proposal. The Treasurer also wrote an open letter to the chairs of all compensation committees urging them to prepare for the new disclosure rules.

Other successes include, a majority vote for the fourth year in a row at Stanley Works on a resolution requesting annual election of all directors. Three companies agree to address board diversity in response to resolutions co-filed by the CRPTF. In response to a shareholder resolution co-filed by the CRPTF, and subsequent dialogue in which the CRPTF participated, Chubb is building consideration of climate change into its business strategy. The CRPTF also participated in numerous initiatives with many companies and other investors on climate change – including the Treasurer co-chairing a workshop for the Connecticut insurance industry in Hartford in October 2005. Copies of the Connecticut pension fund's proxy voting policies and a report of proxy votes cast are available for review and downloading at the State Treasurer's web site: **http://www.state.ct.us/ott/proxyvoting.htm**

Asset Recovery and Loss Prevention

Asset recovery and loss prevention form the cornerstone of Treasurer Nappier's Legal Unit. Careful contract negotiation, coupled with implementation of best practice contract language, lends clarity to the obligations of the Office of the Treasurer and of the vendors of the Office. The Office maintains contact with other similar governmental offices, shares ideas for enhancement of contract language, frequently offering advice to counterparts in other states. The Office of the Treasurer aggressively pursues all opportunities to recover assets lost due to the misfeasance or malfeasance of others.

The Office of the Treasurer continues to consider making application to serve as lead plaintiff in class action litigation, encourages other institutional investor lead plaintiffs to aggressively negotiate reasonable legal fees.

Class Action Securities Litigation

The CRPTF recovered $1,829,940.98 million from class action settlements in this fiscal year and closely monitors opportunities to recover lost assets through participation in class action litigation.

The Office of the Treasurer, as the trustee for the CRPTF, serves as Lead Plaintiff in two national class action lawsuits, which allege corporate misconduct and malfeasance of certain corporate insiders by JDS Uniphase and Redback Networks. The JDS Uniphase case has been vigorously prosecuted. The matter is scheduled for trial in October 2007.

Other Litigation

The CRPTF recovered $185,334.06 from individual litigation in this fiscal year.

The litigation involving Keystone Venture V L.P. (the "Partnership") concluded favorably for the CRPTF. The limited partners have taken the steps necessary to wind down the partnership. As previously reported, the Office of the Treasurer and four (4) other limited partner plaintiffs filed a derivative action against the Philadelphia-based law firm Ballard Spahr Andrews & Ingersoll LLP, alleging legal malpractice in the advice given to the Partnership. The parties participated in settlement talks and submitted the negotiated settlement terms to the Court of Common Pleas for approval. Following appellate litigation, the Court of Common Pleas approved the settlement terms on the 12th of September 2005. Certain of the settlement proceeds were distributed in September 2005. Prior to the ruling of the Commonwealth Court, the plaintiffs learned that the defendant, Ballard Spahr, had withheld material information from the settlement negotiations. The Office of the Treasurer was instrumental in negotiating an additional $1 million payment from the law firm. The amount recovered as a result of the pursuit of the law firm is nearly 2.5 times the proceeds received from the liquidation of partnership assets. The limited partners have referred this matter to the Securities and Exchange Commission and the Department of Justice for further action. The limited partners have requested that any disgorged assets obtained by these federal agencies be turned over to the investors. Under Pennsylvania law, the partnership must remain open for a period of two years. Final distribution of assets is scheduled for December 2008.

Corporate Governance

NewsCorp: During the fall of 2004, News Corporation, an Australian company began a process to re-incorporate from Australia to the United States. In order to complete this desired transfer, the Australian company required approval from its shareholders. A large group of institutional shareholders, mostly foreign, raised concerns about the company's poison pill. In order to induce the approval of these shareholders and others concerned about the poison pill, including the CRPTF, the board of directors promised shareholders that the board would neither extend the existing poison pill language not adopt an new poison pill without seeking shareholder approval. After the board gave this promise, the shareholders approved the re-incorporation.

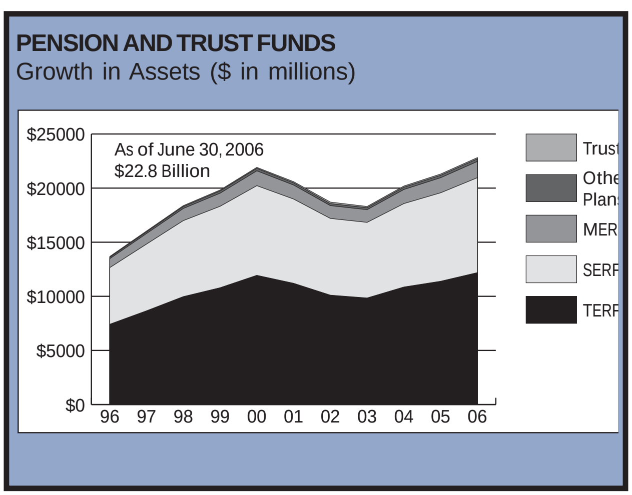
In August 2005, the NewsCorp board of directors extended the poison pill without obtaining shareholder approval. The CRPTF was the sole US-based plaintiff to sign on to the litigation against NewsCorp. In December 2005, NewsCorp settled the litigation. The most important element of the settlement included a binding obligation by NewsCorp to seek shareholder approval of all poison pill language into the future.

UnitedHealth Group: Beginning at least 1995, the UnitedHealth Group ("UHG") CEO, Dr. William C. McGuire, MD ("Dr. McGuire"), and other very senior UHG executives manipulated UHG's shareholder approved stock option plans such that they are dictating their own compensation without the required oversight or review from the UHG Board of Directors and its Compensation Committee. The terms of the shareholder approved stock option plan provides that the plan be “administered” by a committee of independent, non-employee directors – the Compensation Committee. The Board of Directors and the Compensation Committee have breached their fiduciary duty to the company and its shareholders by abdicating their oversight and administrative roles and permitting Dr. McGuire and others to retroactively set their own strike prices for stock options. A study of twelve stock option grants for Dr. McGuire through mid 2002, established that annual option grants repeatedly were dated on the very day that UHG stock hit its low price for the year or in advance of sharp stock price increases. Experts have stated that it is statistically impossible to have hit the most advantage strike date, for Dr. McGuire, in each and every year. This manipulation is enormous. Dr. McGuire alone has amassed more than $1.6 billion in stock options since 1995. He has exercised approximately $400 million of such options.

On the 11th of May, the Securities and Exchange Commission (“SEC”) announced that there was a “significant deficiency” in how UHG has administered its stock options plans, which could force UHG to restate its financial results by cutting net income by as much as $286 million over the last three years. Additionally, UHG may lose tax deductions taken on the improper option grants. Finally, the 2005 net earnings may be reduced by 4.5% or $0.11 per share.

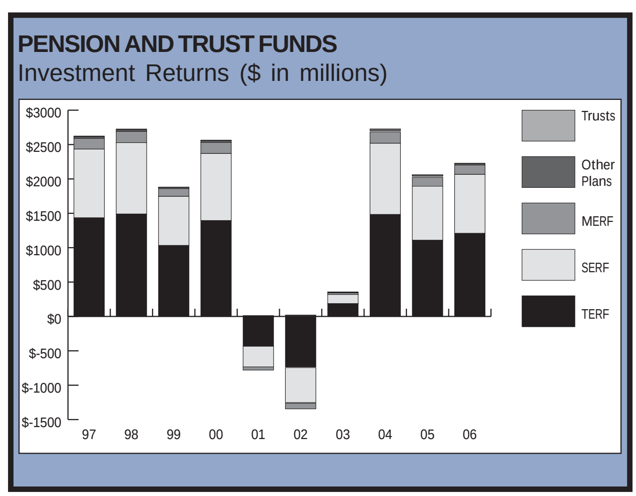
At the time that the Board and the Compensation Committees abdicated their roles, in breach of their fiduciary duties, the manipulation of the stock option plan was never disclosed to the shareholders. The CRPTF, with other institutional investors, filed derivative and class action law suits against UHG. The CRPTF was named co-lead plaintiff in this matter.

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

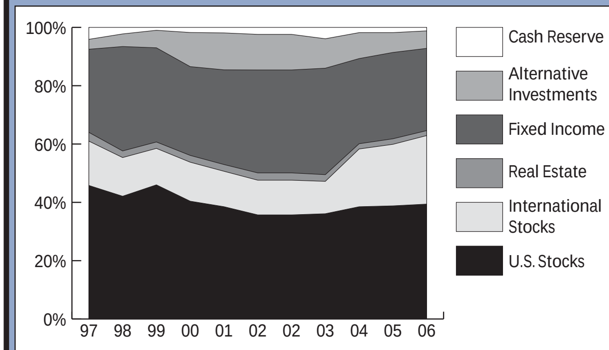


Figure 1-4

PENSION AND TRUST FUNDS ASSET ALLOCATION
Actual vs. Policy at June 30, 2006

	Actual	Target Policy	Lower Range	Upper Range
U.S. EQUITY	**39.4%**	**36.0%**	**29.0%**	**43.0%**
Mutual Equity Fund (MEF)	39.4%			
INTERNATIONAL EQUITY	**23.5%**	**18.0%**	**14.0%**	**22.0%**
International Stock Fund (ISF)	23.5%			
REAL ESTATE	**1.7%**	**5.0%**	**4.0%**	**6.0%**
Real Estate Fund (REF)	1.7%			
FIXED INCOME	**29.4%**	**30.0%**	**26.0%**	**34.0%**
Mutual Fixed Income Fund (MFIF)	28.1%			
Commercial Mortgage Fund (CMF)	0.1%			
Cash Reserve Account (CRA)	1.2%			
PRIVATE EQUITY	**6.0%**	**11.0%**	**6.0%**	**11.0%**
Private Investment Fund (PIF)	6.0%			
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, 2006**	**June 30, 2005**
MEF	8	6
ISF(1)	11	10
PIF	46	44
MFIF	13	11
CMF	1	1
REF	12	10
CRA	1	1
Total(2)	92	83

(1) Does not include the two Currency Overlay Managers.
(2) Actual total advisors was 86 and 79, respectively when factoring in advisors across multiple funds.

Figure 1-6

PENSION AND TRUST FUNDS
Periods ending June 30, 2006

	1 YR	3 YRS	5 YRS	10 YRS
Compounded, Annual Total Return (%)				
CRPTF	**10.55**	**12.06**	**6.19**	**8.56**
CRPTF CMMI (Without Objective) Benchmark	10.01	12.06	5.70	8.12
CRPTF CMMI (With Objective) Benchmark	11.47	13.53	7.09	9.31
Cumulative Total Return (%)				
CRPTF	**10.55**	**40.71**	**34.99**	**127.33**
CRPTF CMMI (Without Objective) Benchmark	10.01	40.73	31.95	118.34
CRPTF CMMI (With Objective) Benchmark	11.47	46.34	40.88	143.66

Figure 1-7

PENSION AND TRUST FUNDS
Annual Total Return

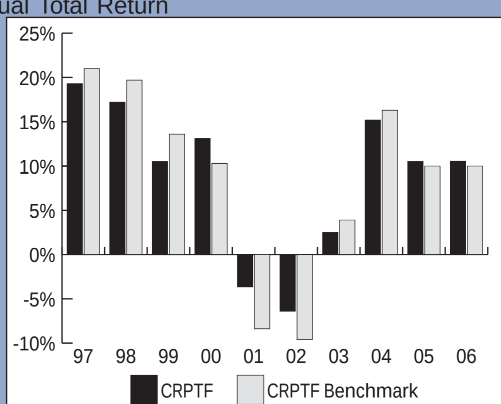


Figure 1-8

PENSION AND TRUST FUNDS
Annualized Standard Deviation

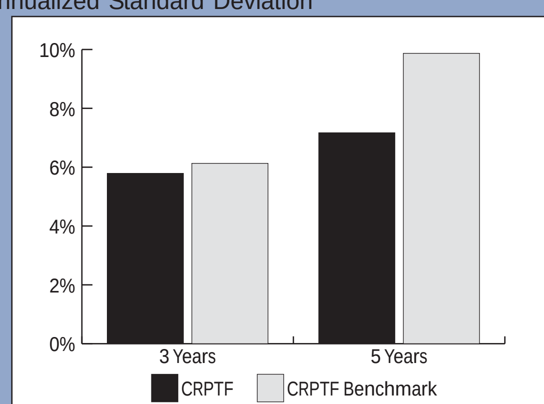


Figure 1-9

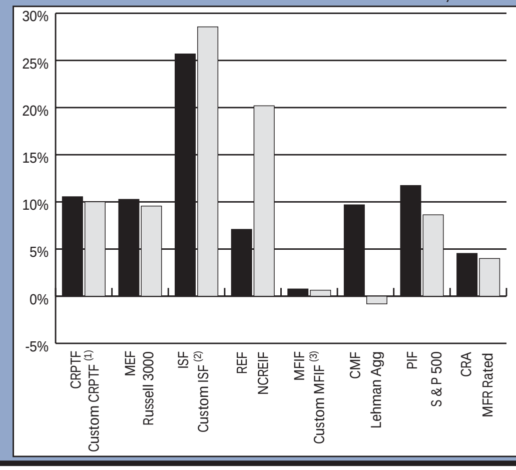
PENSION AND TRUST FUNDS
TUCS Ranking for Periods ending June 30, 2006

	1 YR	3 YRS	5 YRS	7 YRS	10 YRS
Public Funds >$1 Billion					
Percentile Return					
5th	15.35	15.69	8.77	8.31	10.29
25th	12.02	13.30	7.43	6.01	9.05
50th	10.72	12.24	6.57	5.44	8.42
75th	9.43	11.04	6.10	4.56	7.91
95th	2.88	5.54	4.58	4.12	7.20
CT Pension and Trust Funds					
Return[1]	10.86	12.33	6.38	5.88	8.80
Public Funds Ranking	42	44	59	31	31

Source: State Street Bank
(1) Gross Return

Figure 1-10

PENSION AND TRUST FUNDS
CRPTF Returns vs. Benchmarks at June 30, 2006



(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, 18% Int'l Stock Benchmark, 29% Mutual Fixed Income Benchmark, 5% Russell 3000 Real Estate Fund, 11% Russell 3000 Private Equity Fund, 1% MFR Rated Index.
(2) International Stock Fund Benchmark: 83% SSB EPAC BMI 50% Hedged and 17% MSCI Emerging Market Free.
(3) Mutual Fixed Income Benchmark: 73% Lehman Aggreagte, 17% Salomon 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) *(Investment performance is calculated using a time-weighted rate of return.)*	Fiscal Years Ending June 30, 2006	2005	2004	2003	2002	Annualized 3 Years	5 Years	10 Years
Combined Investment Funds	**10.55%**	**10.46%**	**15.23%**	**2.49%**	**(6.39)%**	**12.06%**	**6.19%**	**8.56%**
Connecticut Multiple Market Index (Without Objective)	10.01	10.02	16.27	3.88	(9.60)	12.06	5.70	8.12
Connecticut Multiple Market Index (With Objective)	11.47	11.46	17.79	5.26	(8.39)	13.53	7.09	9.31
U.S. Stocks (39.3%)								
Mutual Equity Fund (39.3%)	**10.27**	**8.06**	**20.84**	**0.48**	**(14.95)**	**12.93**	**4.24**	**9.40**
Russell 3000 Index	9.56	8.06	20.46	0.77	(17.24)	12.56	3.53	8.52
International Stocks (23.4%)								
International Stock Fund (23.4%)	**25.69**	**19.23**	**29.69**	**(6.39)**	**(9.00)**	**24.80**	**10.61**	**8.02**
International Stock Fund Hybrid Benchmark	28.56	18.88	29.79	(6.62)	(10.88)	25.65	10.54	7.50
Equity Commercial Real Estate (1.8%)								
Real Estate Fund (1.8%)	**7.09**	**27.74**	**0.67**	**3.30**	**0.81**	**11.26**	**7.46**	**10.59**
Russell NCREIF(1 Qtr. Lag)	20.19	15.55	9.71	7.13	6.40	15.07	11.67	12.23
U.S. Fixed Income (28.1%)								
Mutual Fixed Income Fund (28.0%)	**0.77**	**7.70**	**2.79**	**12.03**	**5.64**	**3.71**	**5.71**	**6.59**
Fixed Income Fund Hybrid Benchmark	0.64	8.82	2.44	15.53	5.04	3.91	6.36	6.84
Commercial Mortgage Fund (0.1%)	**9.69**	**6.95**	**7.87**	**20.62**	**1.19**	**8.16**	**9.08**	**9.78**
Lehman Aggregate Bond Index	(0.81)	6.80	0.32	10.41	8.63	2.05	4.97	6.22
Alternative Assets (6.2%)								
Private Investment Fund (6.2%)	**11.74**	**9.58**	**20.21**	**(11.94)**	**(10.81)**	**13.75**	**2.94**	**7.56**
S & P 500	8.63	6.32	19.11	0.26	(17.99)	11.22	2.49	8.32
Venture Economics All Private Equity (1 Qtr. Lag)	26.00	17.37	21.49	(14.67)	(14.45)	22.08	6.20	16.05
Cash (1.2%)								
Cash Reserve Account (1.2%)	**4.54**	**2.38**	**1.30**	**1.80**	**3.03**	**2.73**	**2.60**	**4.22**
MFR First Tier Rated Inst. (Formally IBC Rated)	4.00	1.91	0.73	1.21	2.22	2.20	2.01	3.70

2006 cash reserve account

Fund Facts at June 30, 2006

Investment Strategy/Goals: To serve as a cash management 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: $1,383,592,932

Number of Advisors: 1external

Management Fees: $271,123

Operating Expenses: $156,502

Expense Ratio: 0.03%

Performance Summary

For the fiscal year ended June 30, 2006, the Cash Reserve Account (CRA) generated a return of 4.54%, outperforming the benchmark MFR Index return of 4.00% by 54 basis points. The fund outperformed the Citigroup 90 day Treasury Bill Index of 3.95% by 59 basis points for the period.

The fund's compounded annual total return for the trailing three, five and ten year periods as of June 30, 2006, were 2.73%, 2.60% and 4.22% respectively, net of all expenses. These returns exceed those of the fund's benchmark for the time periods listed by 53, 59 and 52 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 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 its overnight liquidity.

Economic Review

The period began with the Fed Funds target at 3.25% after nine consecutive 25 basis point rate hikes dating back to June 2004. During the fiscal year, the target rate was raised an additional 2.0% over 8 consecutive meetings to finish the period at 5.25%, some 425 basis points higher over the 2 year period. Inflation was a major concern as elevated energy costs were prevalent throughout the fiscal year. Despite the rise in energy costs, core inflation data remained relatively contained yet high enough to keep the FOMC on its rate hike campaign. The year-over-year Core CPI averaged 2.2% over the period, with more elevated prints from May onward. Payroll growth was robust yet unspectacular during the period. New nonfarm jobs averaged 156,000 per month during the period with the strongest monthly gain 354,000 (November 2005) and the weakest just 37,000 (October 2005). The unemployment rate fluctuated in a tight range between 4.6% - 5.0% producing an average of 4.8%. Average Hourly Earnings growth averaged 3.3% annualized during the period.

Portfolio Characteristics & Strategy

The portfolio performed well during the fiscal year outperforming its benchmark by 54 basis points. Fed policy was obviously an important driver of portfolio strategy throughout the year. With the Fed raising rates at each meeting by 25 basis points, a strategy of investing a portion of the portfolio from meeting date to meeting date was deployed in order to take advantage more quickly of the new, higher target rates throughout the period. This type of strategy made sense in an environment where future Fed action was for the most part, telegraphed by the central bank. Due to the interest rate environment, weighted average days to maturity were kept in a range from 42 days to 64 days for the majority of the fiscal year. Despite the transparency of the Fed (or perhaps because of it) the money market curve was only priced for 1 or 2 more hikes throughout the period. During the period, the spread from 1 month to 12 month LIBOR averaged 48 basis points, or almost two full 25 basis point hikes. With so little spread at times priced into the curve, it was important to have an accurate Fed funds forecast when investing in fixed rate paper beyond 1-2 months in maturity. Credit spreads on Corporate bonds and Asset Backed Securities remained very narrow for the entire period. This was particularly true for highly rated, floating rate securities due to strong credit fundamentals, the interest rate environment and the shape of the yield curve. With 3 month LIBOR yielding more than longer dated Treasury benchmark securities for much of the period, many non traditional floater buyers were competing for this paper due to its yield advantage and relative safety. Floating rate bonds remained 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 on average about 55% of portfolio assets during the period. Floating rate securities in the fund were comprised of high quality corporate and CD floaters and also AAA rated floating rate Asset Backed Securities.

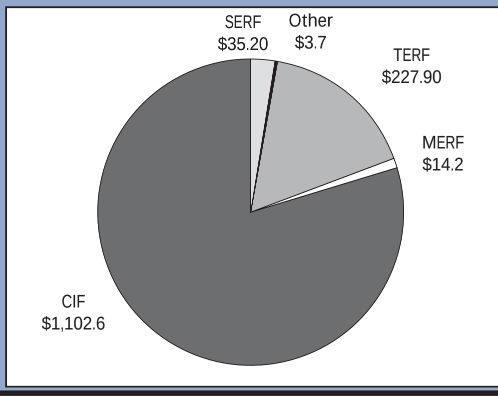
Risk Profile

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 0.10 suggests comparatively low overall volatility, while its beta of 0.76 indicates a high overall correlation to returns achieved by the Index. In the aggregate, CRA achieved a positive 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, 2006 ($ 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(1)
Risk Profile at June 30, 2006

Relative Volatility	1.00
Standard Deviation	0.10
R^2	0.73
Beta	0.76
Alpha	0.59

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

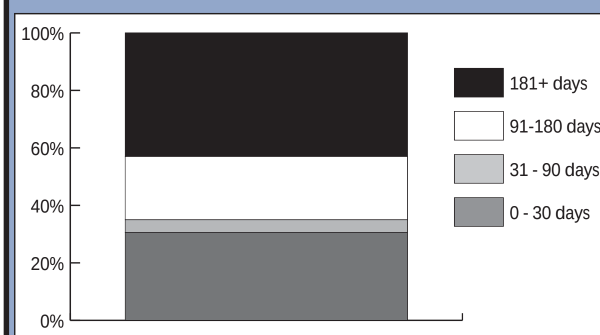
Figure 2-3

CASH RESERVE ACCOUNT
Quarterly Weighted Average Maturity

Quarter End	CRA	MFR Index
06/30/2006	**54 days**	39 days
03/31/2006	**64 days**	39 days
12/31/2005	**42 days**	38 days
09/30/2005	**45 days**	38 days
06/30/2005	**44 days**	37 days

Figure 2-4

CASH RESERVE ACCOUNT
Security Maturity(1) Analysis at June 30, 2006



(1) Or Interest Rate Reset Period.

Figure 2-5

CASH RESERVE ACCOUNT
Distribution by Yield (1) at June 30,2005

Yield	
4.26% - 4.50%	1.1%
4.51% - 4.75%	0.0%
4.76% - 5.00%	14.7%
5.01% - 5.25%	37.6%
5.26% - 5.50%	41.6%
5.51% - 5.75%	5.0%
TOTAL	100.0%

(1) Represents yield to reset if floating and yield to maturity if fixed.

Figure 2-6

CASH RESERVE ACCOUNT
Distribution by Security Type at June 30, 2006

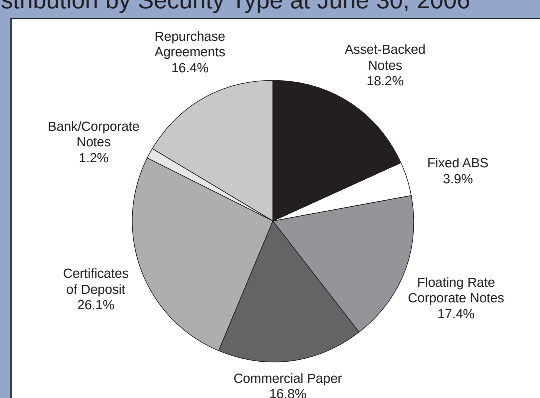


Figure 2-7

CASH RESERVE ACCOUNT
Comprehensive Profile

Date	Number of Issues	Yield(1)	Average Maturity	Average Quality
2006	69	4.54%	54 days	A-1+/AA+
2005	100	2.38%	44 days	A-1+/AA+
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+

(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
06/30/2006	5.16%	4.78%
03/31/2006	4.91%	4.41%
12/31/2005	4.53%	4.03%
09/30/2005	3.78%	3.29%
06/30/2005	3.12%	2.76%

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

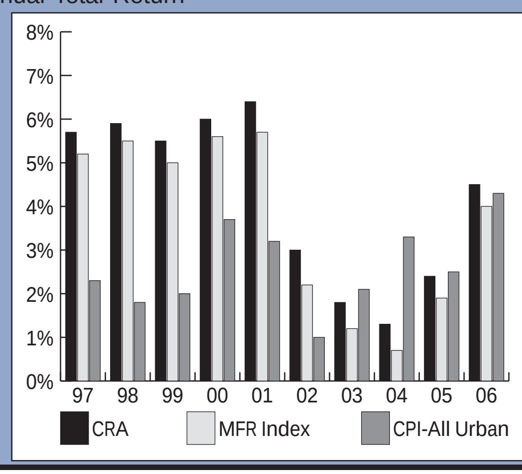
Figure 2-9

CASH RESERVE ACCOUNT
Periods ending June 30, 2006

	1 YR	3 YRS	5 YRS	10 YRS
Compounded, Annual Total Return (%)				
CRA	4.54	2.73	2.60	4.22
MFR Index	4.00	2.20	2.01	3.70
CPI-Urban	4.32	3.37	2.65	2.62
CitiGroup 90-Day CD	4.33	2.57	2.37	4.07
CitiGroup 90-Day T-Bill	3.95	2.31	2.16	3.68
Cumulative Total Return (%)				
CRA	4.54	8.42	13.71	51.22
MFR Index	4.00	6.75	10.47	43.77
CPI-Urban	4.32	10.45	13.99	29.49
CitiGroup 90-Day CD	4.33	7.90	12.44	49.09
CitiGroup 90-Day T-Bill	3.95	7.08	11.26	43.55

Figure 2-10

CASH RESERVE ACCOUNT
Annual Total Return



2006 mutual equity fund

Fund Facts at June 30, 2006

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 that 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: $8,982,365,852

Number of Advisors: 8 external

Management Fees: $25,959,765

Operating Expenses: $1,414,123

Expense Ratio: 0.32%

Turnover: 35.3%

Performance Summary

For the fiscal year ended June 30, 2006, the Mutual Equity Fund (MEF) generated a positive return of 10.27%, net of fees, which outperformed the Russell 3000 Index return of 9.56% by 71 basis points. Strong stock selection was the main contributor to performance over the fiscal year. During this same period, MEF's net assets grew from $8.275 billion to $8.982 billion, an increase of $707 million. Of this net total change, $850 million was due to realized and unrealized capital gains and net investment income. Partially offsetting this amount is $143 million in net cash outflows to participating pension plans and trusts as well as administrative expenses.

(1) A complete list of portfolio holdings is available from the Office of the Treasurer.

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 illustrates, MEF has generated annualized total returns, net of fees, of 12.93%, 4.24%, and 9.40% 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 37, 71, and 88 basis points, respectively.

The MEF's cumulative total returns for the three, five, and ten year periods ending June 30, 2006, were 44.01%, 23.07%, and 145.47%, 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's 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 of the largest 3,000 publicly traded U.S. companies.

At the close of the fiscal year, MEF consisted of eight externally managed equity portfolios structured to approximate the composition of the Russell 3000 Index. Two advisors actively managed approximately 9% of the portfolio in small to mid-capitalization stocks. One advisor invested approximately 10% of the portfolio in small to mid-capitalization stocks using a risk controlled strategy. Two advisors in large capitalization stocks (of which 44% was invested using enhanced indexing strategies and 34% was invested using a passive strategy) managed approximately 78% of the portfolio. Three Connecticut Horizon Fund advisors cumulatively managed approximately 3.5% of the portfolio (1.2% in small to mid-capitalization stocks and 2.3% in all capitalization stocks). At fiscal year end, approximately $7.9 billion, or 88%, of the Fund's net assets were invested in indexed or enhanced index and risk controlled portfolios.

Portfolio Characteristics

At fiscal year-end, MEF was 99.1% invested in domestic stocks, reflecting the Fund's policy that it be fully invested. The largest industry weightings at June 30, 2006 were financials (20.6%), followed by information technology (17.8%) and health care (12.8%). (See figure 3-3.)

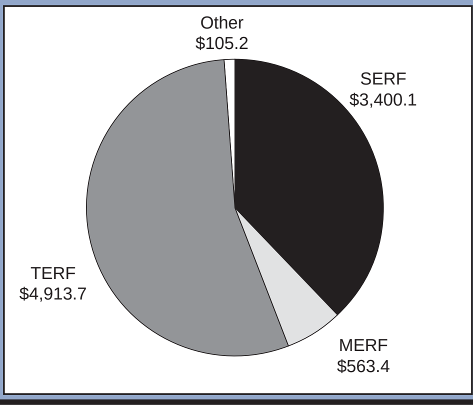
The MEF's ten largest holdings, aggregating to 17.1% of Fund investments, included a variety of blue chip companies. (See figure 3-9.)

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 1.00, 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 0.71%. (See figure 3-2.)

Figure 3-1

MUTUAL EQUITY FUND
Ownership Analysis at June 30, 2006 ($ 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, 2006

Relative Volatility	1.00
Standard Deviation	13.93
R^2	0.99
Beta	1.00
Alpha	0.71

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

Figure 3-3

MUTUAL EQUITY FUND
Fiscal 2006 Industrial Sector vs. Index (%)
Based on Investments in Securities,at Value (1)

At 6/30/2006:	MEF		Russel 3000	
	% of Net Assets	Annual Return	%of Net Assets	Annual Return
Energy	9.3	27.6	8.3	22.7
Materials	3.6	36.8	3.6	23.7
Industrials	12.0	18.4	12.1	18.0
Consumer Discretionary	12.1	1.4	12.3	1.7
Consumer Staples	6.6	12.3	6.9	9.2
Health Care	12.8	1.2	12.8	0.2
Financials	20.6	12.1	21.6	12.7
Information Technology	17.8	6.5	15.9	3.8
Telecommunication Services	2.5	9.8	3.1	13.8
Utilities	2.7	6.7	3.4	6.1
	100.0		100.0	

(1) Excludes the Cash Reserve Account.

Figure 3-4

MUTUAL EQUITY FUND
Periods ending June 30, 2006

	1 YR	3 YRS	5 YRS	10 YRS
Compounded, Annual Total Return (%)				
MEF	10.27	12.93	4.24	9.40
Russell 3000	9.56	12.56	3.53	8.52
Cumulative Total Return (%)				
MEF	10.27	44.01	23.07	145.47
Russell 3000	9.56	42.61	18.92	126.60

Figure 3-5

MUTUAL EQUITY FUND
Annual Total Return

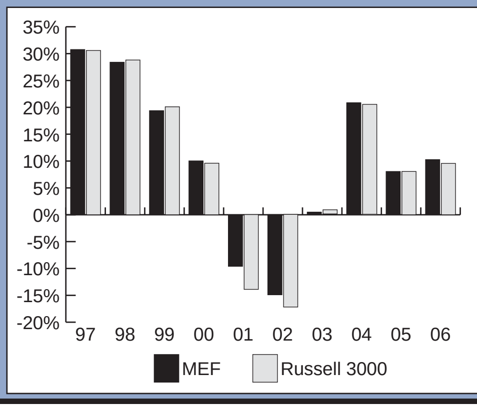


Figure 3-6

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

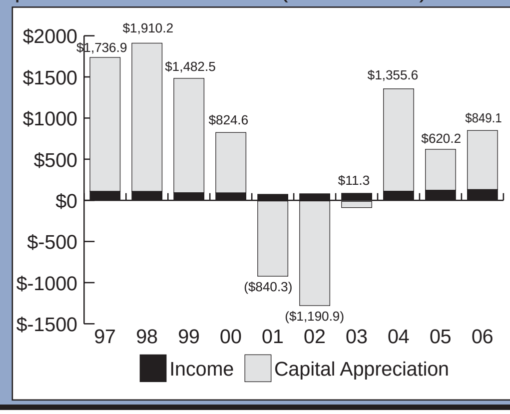


Figure 3-7

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

	2006		2005		2004		2003		2002	
	MEF	Russell	MEF	Russell	MEF	Russell	MEF	Russell	MEF	Russell
# of Issues	2,033	3,000	1,719	3,000	2,114	3,000	2,119	3,000	2,274	3,000
Cap ($ Bil)	$67.9	$69.3	$69.0	$70.7	$70.0	$74.6	$65.1	$71.7	$66.8	$70.2
P/E	17.0	18.2	19.1	20.5	22.0	22.5	23.2	23.9	29.3	30.4
Div Yield	1.70%	1.80%	1.60%	1.70%	1.50%	1.60%	1.50%	1.70%	1.50%	1.60%
ROE	19.3%	19.1%	17.4%	17.3%	16.7%	16.7%	16.0%	16.2%	15.5%	16.4%
P/B	3.5x	3.6x	3.6x	3.8x	3.9x	4.0x	3.9x	4.0x	4.2x	4.3x
Cash & Equiv.	1.0%	0.0%	3.1%	0.0%	0.8%	0.0%	1.1%	0.0%	1.2%	0.0%

Figure 3-8

MUTUAL EQUITY FUND
Investment Advisors at June 30, 2006

Investment Advisor	Net Asset Value	% of Fund
Large Cap *(Passive - Enhanced)*		
BGI Barclays Global Investors, N.A.	$3,946,901,194	43.94%
Large Cap *(Passive - Indexed)*		
State Street Global Advisors	3,032,481,420	33.76%
All Cap *(Active)*	**205,668,089**	**2.29%**
Capital Prospects	90,134,597	1.00%
FIS Group, Inc.	115,533,492	1.29%
Small/Mid Cap *(Passive - Enhanced)*	**900,814,732**	**10.03%**
AXA Rosenberg Investment Management	**900,814,732**	**10.03%**
Small/Mid Cap *(Active)*	**880,578,460**	**9.80%**
TCW Asset Management	560,601,652	6.24%
Brown Capital Management, Inc.	211,754,259	2.36%
Bivium	108,222,549	1.20%
Other [(1)]	**15,921,957**	**0.18%**
TOTAL MEF	**$8,982,365,852**	**100.00%**

(1) Other represents moneys earmarked for distribution to participants, reinvestment, and expenses as well as terminated advisor balances, Currency Overlay Managers (Bank of New York and Bridgewater), CT Financial Development Fund, Keystone Venture V Partnerships and GarMark Partners II LP.

Figure 3-9

MUTUAL EQUITY FUND
Ten Largest Holdings* at June 30, 2006

Security Name	Sector	Market Value	%
Exxon Mobil Corp	Energy	$198,331,912	2.21%
CitiGroup Inc	Financial	189,819,672	2.11%
General Electric	Technology	178,935,226	1.99%
Bank America Corp	Financial	169,256,829	1.89%
Microsoft	Technology	168,799,180	1.88%
Johnson & Johnson	Health Care	150,127,942	1.67%
JP Morgan Chase & Co	Financial	130,578,126	1.45%
Pfizer Inc	Health Care	122,449,491	1.36%
Cisco Systems Inc	Technology	114,722,872	1.28%
ConocoPhillips	Energy	110,188,302	1.23%
Top Ten		**$1,533,209,552**	**17.07%**

* *A complete list of portfolio holdings is available from the Office of the Treasurer.*

2006 mutual fixed income fund

Fund Facts at June 30, 2006

Investment Strategy/Goals: To invest in a range of fixed income 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 75 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

Number of Advisors: 13 external

Operating Expenses: $663,360

Turnover: 309.8%

Total Net Assets: $6,419,181,540

Management Fees: $7,355,194

Expense Ratio: 0.13%

Performance Summary

For the fiscal year ended June 30, 2006 the Mutual Fixed Income Fund (MFIF) generated a total return of 0.77% net of fees, outperforming the hybrid benchmark return of 0.64% by 13 basis points. Fiscal year outperformance was primarily attributable to active management, particularly from the MFIF's core, high yield, and emerging debt managers. Comparative returns from indexes comprising the benchmark include: The Lehman Brothers Aggregate Index - 0.81%, the Citigroup High Yield Market Index 4.15% and JP Morgan Emerging Markets Bond Index 5.26% (JP EMBI+).

During the fiscal year, the Fund increased $139 million, from $6.280 billion to $6.419 billion. Of this total, $85 million was due to net cash inflows from participating Pension and Trust Funds and $330 million of net investment income, offset by $276 million from net realized and unrealized losses.

For the trailing three, five and ten-year periods, MFIF's compounded annual total returns were 3.71%, 5.71% and 6.59% respectively, net of fees. These returns are behind the benchmark by 20, 65, and 25 basis points respectively.

The cumulative total returns for the three, five, and ten-year periods ending June 30, 2006, were 11.55%, 32.02% and 89.29%, 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 U.S. 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 2006, the Office of the Treasurer continued to update investment contracts to reflect the legal and business requirements of the Office of the Treasurer and the State of Connecticut. Additionally, the Office has begun the process of reviewing the Fund's investment objectives to consider changes for the Investment Policy Statement.

At June 30, 2006, 13 advisors managed investments in the Fund. The Fund's investments were allocated to six advisors investing approximately 80% of the portfolio in core strategies, three advisors actively investing 13% of the portfolio in high yield strategies, two advisors actively investing 3% of the portfolio in inflation linked bonds, and two advisors actively investing 4% of the portfolio in emerging markets debt. (See figure 4-11.)

Since inception, the MFIF's objective has been to achieve 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 parallel 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 50 basis points annually.

Portfolio Characteristics

MFIF continues to be well diversified across the spectrum of available fixed income securities. The Fund maintained a substantial concentration in corporate securities, comprising approximately 23.9% of the Fund's investment securities at fiscal year-end. The Fund also maintained a concentration in Treasury, Agency, Asset-backed and Mortgage backed securities of 23.4%, 21.3%, 13.4% and 2.8% respectively. 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 47.5% 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 4-4.)

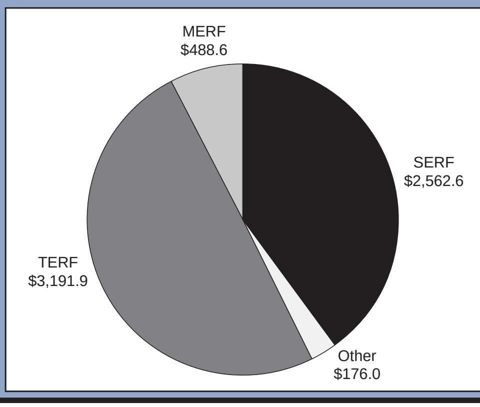
Risk Profile

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. In general, 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, 2006, the Fund held a duration-neutral stance relative to the LB Aggregate Index of 4.7 years. While often viewed as an indicator of risk, duration can, if managed effectively, contribute significantly to total Fund returns. (See figure 4-3)

Figure 4-1

MUTUAL FIXED INCOME FUND
Ownership Analysis at June 30, 2006 ($ in millions)



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

Figure 4-2

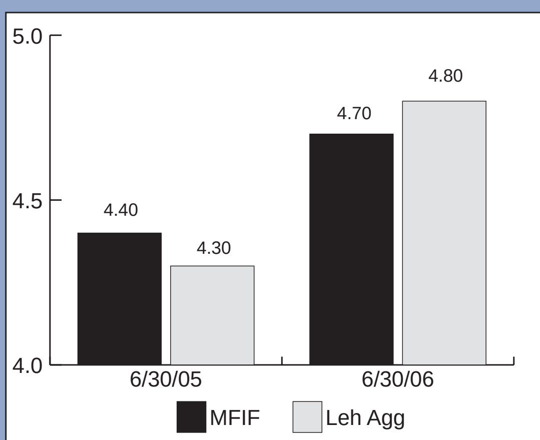
MUTUAL FIXED INCOME FUND (1)
Risk Profile at June 30, 2006

Relative Volatility	0.90
Standard Deviation	3.64
R^2	0.93
Beta	0.87
Alpha	-0.64

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

Figure 4-3

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



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

Figure 4-4

MUTUAL FIXED INCOME FUND
Distribution by Sector at June 30, 2006
Based on Investments in Securities, at Value

	MFIF	LB Aggregate	Variance
Treasury	23.4%	25.9%	-2.5%
Agency	21.2%	10.2%	11.0%
Corporate	23.9%	19.5%	4.4%
Mortgage-Backed	2.8%	35.2%	-32.4%
Asset-Backed	13.3%	1.2%	12.1%
Other[1]	15.4%	8.0%	7.4%
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 4-5

MUTUAL FIXED INCOME FUND
Distribution by Quality Rating at June 30, 2006
Based on Investments in Securities, at Value

Aaa	54.6%
AA-1	0.8%
AA-2 to A-1	4.0%
A-2 to BAA-1	5.9%
Less than BAA-1	17.1%
Not Rated(1)	6.4%
Cash(2)	11.2%
Total	100.0%

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

Figure 4-6

MUTUAL FIXED INCOME FUND
Distribution by Coupon at June 30, 2006
Based on Investments in Securities, at Value

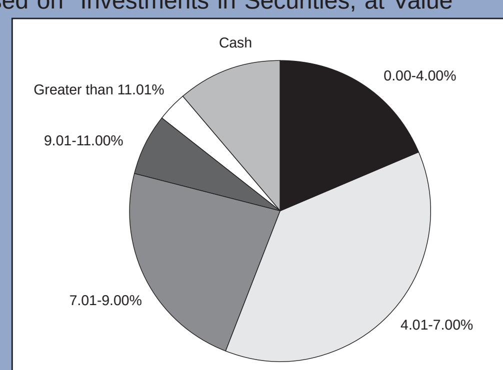


Figure 4-7

MUTUAL FIXED INCOME FUND
Macauley Duration Distribution at June 30, 2006
Based on Investments in Securities, at Value

0-3 Years	27.2%
3-5 Years	25.7%
5-7 Years	14.4%
7-10 Years	10.6%
10+ Years	7.8%
Unknown(1)	3.1%
Cash(2)	11.2%
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 4-8

MUTUAL FIXED INCOME FUND
Periods ending June 30, 2006

	1 YR	3 YRS	5 YRS	10 YRS
Compounded, Annual Total Return (%)				
MFIF	0.77	3.71	5.71	6.59
MFIF Hybrid Benchmark	0.64	3.91	6.36	6.84
Cumulative Total Return (%)				
MFIF	0.77	11.55	32.02	89.29
MFIF Hybrid Benchmark	0.64	12.19	36.14	93.80

Figure 4-9

MUTUAL FIXED INCOME FUND
Annual Total Return

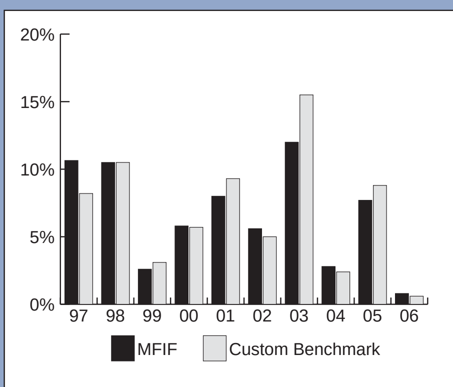


Figure 4-10

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

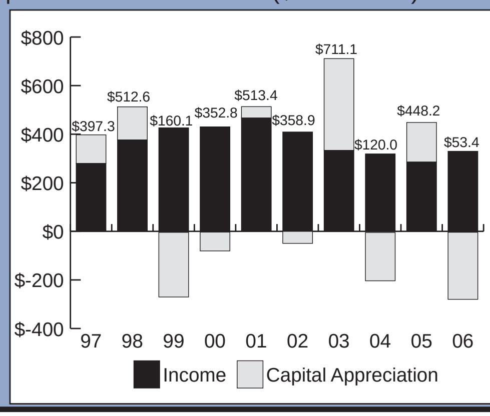


Figure 4-11

MUTUAL FIXED INCOME FUND
Investment Advisors at June 30, 2006

Investment Advisor	Net Asset Value	% of Fund
Core	**$4,563,432,579**	**71.09%**
State Street Global Advisors	1,254,902,828	19.55%
BlackRock Financial Mgmt, Inc.	1,087,866,323	16.95%
Wellington	974,196,426	15.17%
Western Asset Management Co.	867,046,802	13.51%
Phoenix	298,419,041	4.65%
Progress	81,001,159	1.26%
High Yield	**856,271,008**	**13.34%**
Loomis Sayles & Co., Inc.	375,460,412	5.85%
W.R. Huff Asset Management	260,212,909	4.05%
Oaktree Capital Mgmt, L.L.C.	220,597,687	3.44%
Emerging Market Debt	**282,065,282**	**4.39%**
Ashmore	177,546,517	2.76%
Bridgewater	104,518,765	1.63%
Inflation Linked Bonds	**203,924,586**	**3.18%**
Brown Brothers Harriman	136,172,049	2.12%
Hartford Investment Mgmt Co.	67,752,537	1.06%
Other (1)	**513,488,085**	**8.00%**
TOTAL MFIF	**$6,419,181,540**	**100.00%**

(1) Other represents moneys earmarked for distribution to participants, reinvestment, and expenses as well as terminated advisor balances, Currency Overlay Managers (Bank of New York and Bridgewater), CT Financial Development Fund, Keystone Venture V Partnerships and GarMark Partners II LP.

Figure 4-12

MUTUAL FIXED INCOME FUND
Ten Largest Holdings* at June 30, 2006

Security Name	Maturity	Market Value	%
FNMA TBA	12/01/2036	$168,154,984	2.39%
U.S. Treasury Bonds	08/15/2023	86,835,794	1.23%
U.S. Treasury Notes	11/15/2015	83,462,210	1.18%
GNMA I TBA	12/01/2036	64,446,486	0.92%
U.S. Treasury Notes	05/31/2008	63,277,053	0.90%
U.S. Treasury Notes	09/30/2006	56,431,686	0.80%
U.S. Treasury Notes	04/15/2011	54,379,011	0.77%
FNMA TBA	12/01/2036	47,280,450	0.67%
FNMA TBA	12/01/2036	46,805,625	0.66%
U.S. Treasury Bonds	02/15/2021	40,889,063	0.58%
Top Ten		**$711,962,362**	**10.10%**

* *A complete list of portfolio holdings is available from the Office of the Treasurer.*

Figure 4-13

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

	2006		2005		2004		2003		2002	
	MFIF	LB Agg	MFIF	LB Agg	MFIF	LB Agg	MFIF	LB Agg	MFIF	LB Agg
Number of Issues	4,332	6,561	4,511	5,859	4,566	6,976	4,319	7,472	4,071	6,892
Average Coupon	5.30%	5.30%	5.60%	5.30%	5.90%	5.40%	6.20%	6.10%	6.60%	6.50%
Yield Maturity	6.10%	5.80%	5.00%	4.40%	5.20%	4.60%	4.50%	3.40%	6.50%	5.30%
Average Maturity	7.60	7.00	7.10	6.30	7.70	6.70	7.50	6.20	8.40	7.30
Modified Duration (2)	4.70	4.80	4.40	4.30	4.80	4.70	4.60	4.20	4.70	4.40
Average Quality	AA-2	AA-1	AA-3	AA-1	AA-2	AA-1	AA-3	AA-1	AA-3	AA-1
Cash (1)	11.2%	0.0%	10.5%	0.0%	12.0%	0.0%	12.8%	0.0%	10.9%	0.0%

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

Figure 4-14

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

	6/30/06	3/31/06	12/31/05	9/30/05	6/30/05
MFIF	**4.97**	**4.80**	**4.76**	**4.73**	**4.68**
Leh Agg	5.37	5.25	5.13	5.08	4.98
Citigroup 3 Month T-Bill	5.04	4.62	4.07	3.56	3.13
Lehman Treasury	4.83	4.72	4.55	4.48	4.34
Lehman Agency	5.01	4.85	4.69	4.58	4.27
Lehman Mortgage	5.57	5.47	5.39	5.37	5.31
Lehman Corporate	5.99	5.86	5.71	5.69	5.51
Lehman Asset Backed	4.91	4.79	4.62	4.50	4.43

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

2006 international stock fund

Fund Facts at June 30, 2006

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 that 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: $5,357,275,185

Number of Advisors: 13 external

Management Fees: $25,266,303

Operating Expenses: $1,066,334

Expense Ratio: 0.53%

Turnover: 54.5%

Performance Summary

For the fiscal year ended June 30, 2006, the International Stock Fund (ISF) generated a return of 25.69%, net of fees, which underperformed its hybrid benchmark index return of 28.56% by 287 basis points. The underperformance was largely attributable to the currency overlay program as the U.S. dollar weakened during the period, as well as weak performance by the one core and two small cap managers.

During fiscal year 2006, ISF net assets increased from $4.489 billion to $5.357 billion, an increase of $868 million. This included realized and unrealized net capital gains of $1.006 billion and net investment income of $124 million partly offset by $262 million due to net cash outflows to participating pension plans and trusts.

The Fund returned 24.80%, 10.61% and 8.02% for the three, five and ten year periods underperforming the benchmark return of 25.65% by 85 basis points for the three year period, while outperforming the benchmark returns of 10.54% and 7.50% for the five and ten year period by 7 and 52 basis points respectively. The cumulative returns for the Fund for the three, five and ten years were 94.37%, 65.56% and 116.24% respectively as illustrated in Figure 5-4 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 global economy. 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 2006, the Fund had thirteen external advisors, selected on the basis of expected future performance and investment style. One advisor managed two portfolios: an emerging markets and an active large cap value portfolio. (See figure 5-8.) Based on the Fund's holdings, as of June 30, 2006, approximately 49% of the portfolio was actively managed in core, growth, value and small cap, while 19% was actively managed within the emerging markets, 17% was actively managed within risk controlled and 16% 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 99.2% invested in international securities. Investments in Japan were the largest percentage of Fund assets, 19.4%. The United Kingdom accounted for 18.2% of investments followed by France at 7.6%. These geographic concentrations differed from those comprising the Hybrid index, reflecting the Fund's allocation to active management strategies. (See figure 5-7.)

The ISF was well diversified at year-end, holding more than 1,766 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 1.5% of investment securities, was the U.K.'s GlaxoSmithKline. In the aggregate, these ten holdings accounted for 11.4% of the Fund's investments at June 30, 2006. (See figure 5-9.)

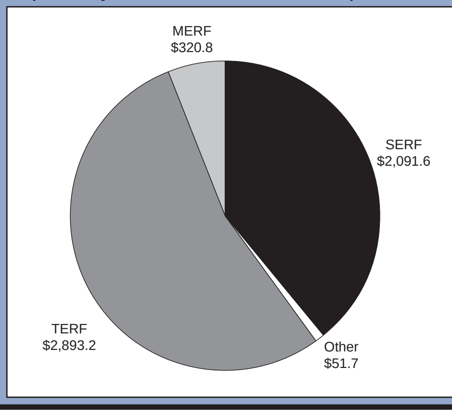
Risk Profile

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 an acceptable reduction in the portfolio's currency risk profile 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 is not a part of the investment mandates 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, 2006 has been 1.01%, while its high R^2 of 0.98 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 0.07%. (See Figure 5-2.)

Figure 5-1

INTERNATIONAL STOCK FUND
Ownership Analysis at June 30, 2006 ($ in millions)



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

Figure 5-2

INTERNATIONAL STOCK FUND(1)
Risk Profile at June 30, 2006

Relative Volatility	1.01
Standard Deviation	15.21
R^2	0.98
Beta	1.00
Alpha	0.07

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

Figure 5-3

INTERNATIONAL STOCK FUND
Comprehensive Profile at June 30, 2006

	ISF	ISF Hybrid Benchmark
Number of Issues	1,766	5,466
European Allocation (%)	50.6	53.0
Pacific Allocation (%)	26.2	26.9
Other (%)	23.2	20.1
Annual Total Return (%)	25.69	28.56

Figure 5-4

INTERNATIONAL STOCK FUND
Periods ending June 30, 2006

	1 YR	3 YRS	5 YRS	10 YRS
Compounded, Annual Total Return (%)				
ISF	25.69	24.80	10.61	8.02
ISF Hybrid Benchmark	28.56	25.65	10.54	7.50
Cumulative Total Return (%)				
ISF	25.69	94.37	65.56	116.24
ISF Hybrid Benchmark	28.56	98.36	65.06	106.01

Figure 5-5

INTERNATIONAL STOCK FUND
Annual Total Return

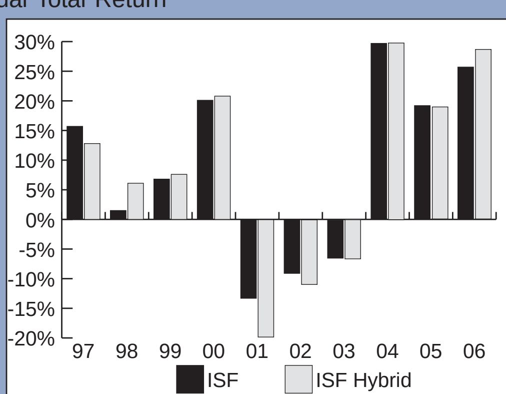


Figure 5-6

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

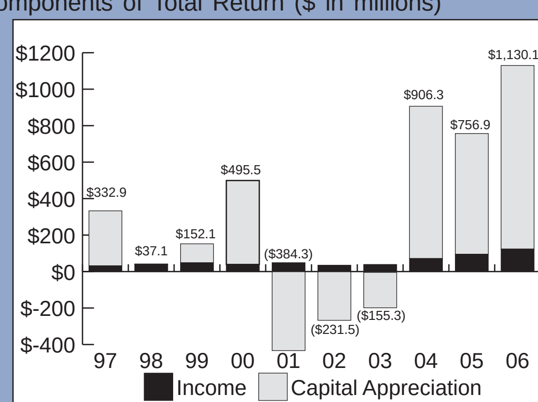


Figure 5-7

INTERNATIONAL STOCK FUND
Diversification by Benchmark Country with Return (%) at June 30, 2006 [1]

	ISF			ISF Hybrid Benchmark		
	% of Net Assets 6/30/05	% of Net Assets 6/30/06	Total Return	% of Net Assets 6/30/05	% of Net Assets 6/30/06	Total Return
Japan	19.4	20.2	35.1	17.8	20.3	33.5
United Kingdom	18.2	17.4	15.1	19.9	18.4	23.3
Germany	5.2	5.1	32.7	5.4	5.5	32.3
France	7.6	7.9	32.4	7.1	7.8	28.3
Italy	3.4	2.7	-0.5	3.5	3.3	23.1
Switzerland	5.2	5.6	26.6	5.2	5.2	29.9
Netherlands	4.9	3.7	21.8	3.9	2.7	25.9
Spain	2.8	1.9	-9.0	3.4	3.2	27.3
Hong Kong	2.8	2.1	-8.4	1.9	1.4	17.3
Sweden	1.6	1.3	19.2	1.9	2.0	32.2
Australia	3.2	2.7	7.9	4.5	4.3	22.6
Finland	1.6	1.7	33.9	1.2	1.1	27.3
Belgium	1.2	0.9	9.8	1.1	1.0	37.0
Singapore	1.0	0.9	27.7	0.8	0.8	20.1
Denmark	0.9	0.6	29.9	0.7	0.7	28.0
Ireland	0.8	0.4	-22.0	0.7	0.7	22.7
Norway	0.8	0.8	32.5	0.6	0.7	41.5
Malaysia	0.7	0.4	7.1	0.6	0.5	11.6
Austria	0.6	0.5	16.1	0.4	0.4	28.9
New Zealand	0.4	0.3	36.8	0.2	0.1	-0.5
Portugal	0.2	0.1	-34.6	0.3	0.3	34.4
Other	17.5	22.8		18.9	19.6	
Total	**100.0**	**100.0**		**100.0**	**100.0**	

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

Figure 5-8

INTERNATIONAL STOCK FUND
Investment Advisors at June 30, 2006

Investment Advisor	Net Asset Value	% of Fund
Index	**$831,193,971**	**15.52%**
State Street Global Advisors (Passive)	831,193,971	15.52%
Core	**912,956,491**	**17.04%**
Invesco Global Asset Mgmt. (Active)	844,542,851	15.76%
Progress (Active)	68,413,640	1.28%
Active-Growth	**622,297,860**	**11.62%**
Clay Finlay, Inc. (Active)	404,415,305	7.55%
MFS Institutional Advisors, Inc. (Active)	217,882,555	4.07%
Active-Value	**551,521,019**	**10.29%**
Grantham, Mayo, Van Otterloo (Active)	551,521,019	10.29%
Small Cap	**553,726,107**	**10.34%**
Morgan Stanley Asset Management (Active)	271,313,592	5.07%
Schroder Investment Mgmt. (Active)	282,412,515	5.27%
Emerging	**1,012,666,732**	**18.90%**
Grantham, Mayo, Van Otterloo (Active)	514,297,679	9.60%
Emerging Markets Management (Active)	498,369,053	9.30%
Risk Controlled	**908,546,332**	**16.96%**
Merrill Lynch Investment (Active)	553,681,020	10.34%
Fidelity Management Trust Co. (Active)	354,865,312	6.62%
Other [1]	**(35,633,327)**	**-0.67%**
SUBTOTAL ISF	**$5,357,275,185**	**100.00%**

(1) Other represents (i) cash earmarked for distribution to participants, (ii) reinvestment and expenses as well as terminated advisor balances, (iii) Currency Overlay Managers, and (iv) CT Financial Development Fund, Keystone Venture V Partnerships and a new unfunded committment to GarMark Partners II LP.

Figure 5-9

INTERNATIONAL STOCK FUND
Ten Largest Holdings* at June 30, 2006

Security Name	Country	Market Value	%
Glaxosmithkline ORD GBP .25	United Kingdom	$81,850,948	1.52%
Total SA Eur 10 Serie B	France	79,429,143	1.47%
BP PLC Ord USD .25	United Kingdom	71,870,810	1.33%
Samsung Electronic	Rep. of Korea	65,892,067	1.22%
Nestle SA	Switzerland	56,926,354	1.06%
Novartis AG CHF .50 Regd	Switzerland	56,160,946	1.04%
Royal BK Scot GRP Ord GBP .25	United Kingdom	54,658,064	1.01%
HSBC Holdings	United Kingdom	54,633,113	1.01%
ING Groep NV CVA Euro .24	Netherlands	48,784,265	0.91%
Roche Holdings AG NPV	Switzerland	46,904,523	0.87%
Top Ten		**617,110,233**	**11.44%**

* *A complete list of portfolio holdings is available from the Office of the Treasurer.*

2006 real estate fund

Fund Facts at June 30, 2006

Investment Strategy/Goals: (1) to provide diversification to the overall CRPTF investment program; (2) to preserve investment capital and generate attractive risk-adjusted rates of return; (3) to provide current income; and (4) to provide a hedge against inflation.

Performance Objective: An annual total return which is equal to or greater than CRPTF's actuarially determined assumed rate of return (currently 8.5%) and competitive with that of other asset classes in which CRPTF invests, on a risk adjusted basis.

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

Date of Inception: July 1, 1982

Total Net Assets: $398,743,411

Number of Advisors: 10 external

Management Fees (1): $837,532

Operating Expenses: $807,027

Expense Ratio: 0.41%

Capitalized and Netted Fees: $4,679,296

(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 ending June 30, 2006, the Real Estate Fund (REF) generated a total return of 7.09%, net of fees, which under performed the National Council of Real Estate Investment Fiduciaries Index (NCREIF) of 20.19% by 1,310 basis points. Most of the under-performance can be attributed to a Florida senior housing fund. This 1998 vintage year investment generated a total negative return of ($26,232,000) in 2006. This fund is in its liquidation phase which should be completed by fiscal 2008. Excluding this fund, the REF posted an 18.1% total return or 209 basis points less than the NCREIF index.

During the fiscal year, the value of REF's portfolio decreased from $400 million to $399 million, due to the $23.9 million generated by operations and net gains and $81.5 million of new unit purchases offset by $61.4 million of distributions to unit holders and $44.7 million of redemptions.

For the trailing three, five and ten year periods, REF's compounded annual return was 11.26%, 7.46%, and 10.59%, respectively, net of all expenses (see figure 6-8). The REF returns underperformed the benchmark in the three, five and ten year periods by 381 basis points, 421 basis points and 164 basis points, respectively. The under performance is due primarily to over allocations to non-core property types such as senior housing, land development, condominium development and corporate stock. CRPTF is in the middle of a major portfolio restructuring with most new investments allocated to the core asset categories of office, retail, industrial, apartment and hotel, which are the major components of the NCREIF index.

Description of the Fund

REF is an externally managed fund that invests in real estate, real estate related investments and mortgages. These 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.

REF is benchmarked against the NCREIF index. Its strategic objectives are: (1) to provide diversification to the overall CRPTF investment program; (2) to preserve investment capital and generate attractive risk-adjusted rates of return; (3) to provide current income; and (4) to provide a hedge against inflation. Its returns are expected to be equal to or greater than CRPTF's actuarially determined assumed rate of return (currently 8.5%) and competitive with that of other asset classes in which CRPTF invests, on a risk adjusted basis.

Portfolio Activity

During the fiscal year, the State of Connecticut Retirement Plans and Trust Funds (CRPTF) continued to implement the REF investment plan. New investment opportunities were considered. Of these, a select group was identified and awarded with investment commitments totaling $375 million. These new commitments are in addition to the $325 million in new commitments in 2005, indicating substantial progress towards the goal of building a $1.1 billion real estate portfolio (5% of CRPTF). The largest core commitment was $75 million to an open-end core account, which remains in legal due diligence. The other core investment was a $30 million commitment to Capri Select Income II, L.P. a mezzanine debt fund expected to generate returns of 11% - 13% net of fees. The typical transaction for Capri Select is a 90% loan to value second mortgage at an 8% pay rate and a participation in net profits. Preferred property types are office, retail, apartment and industrial.

CRPTF also committed $20 million to Rockwood Real Estate Partners Fund VI. CRPTF had previously committed $40 million to Rockwood Real Estate Partners V. Rockwood is a value-added investor that rehabilitates older office, retail, industrial and apartment buildings. Targeted returns are 15% net of all fees.

The second value-added investment was a $50 million commitment to New Boston Urban Strategy America Fund. This fund invests in development and repositioning strategies for urban properties in the Boston to Washington, D.C. corridor. Two-thirds of CRPTF's commitment will be targeted for investments in Connecticut. Returns are projected at 12.5% - 15% net.

CRPTF offset these lower risk funds with opportunistic funds that target higher returns. The largest commitment at $100 million was to MacFarlane Urban Real Estate Fund II, L.P. The projected return for this fund is 16% - 18% net of fees derived from the development of major mixed use projects in New York City, Washington, D.C., Los Angeles and San Francisco. The Fund also committed $50 million to Starwood Opportunity Fund VII, an international fund with expected returns of 20% net of fees.

The third opportunistic investment was to RLJ Lodging Fund II in the amount of $50 million. This fund invested in a pre-specified portfolio of hotel assets located across the United States. Expected returns are 14% - 15% net of fees. CRPTF is also a $25 million investor in the affiliated RLJ Urban Lodging Fund.

CRPTF continued to liquidate assets in the investment funds committed in the late 1990's. During the year CRPTF sold properties that generated realized gains of $37.5 million. The capital markets remain strong for real estate assets which should benefit the continuing liquidation in fiscal 2007.

REF has unfunded outstanding commitments of $648 million in 11 separate investments. During the year REF funded $81.5 million in seven separate funds.

The U.S. economy continues to grow at a moderate pace. So long as GDP growth remains in the 3% range absorption and net income for commercial properties should continue to rise. New construction for most property types remains modest, and is expected to remain modest in 2007. Steady economic growth and modest new construction continues to attract capital to the real estate sector which in turn stabilizes property valuations.

The biggest negative to real estate investing has been the recent rise in long-term rates which has now abated. If rates remain in the current range, or reduce there should be a positive impact on property values. A return to rising rates, on the other hand, will put significant pressure on current valuations.

Portfolio Characteristics

At June 30, 2006, the portfolio consisted of 14 externally managed portfolios/investments, with 11.9% invested in real estate separate accounts, 68.4% invested in commingled funds and 17.1% invested in cash. The Fund's ten largest holdings aggregated to 78.4% of the fund. (See figure 6-12.)

As currently structured 17.1% of the fund is cash, 16.1% hotel, 14.5% retail, 14.3% office and 8.8% apartment. (See figure 6-7.)

The portfolio is reasonably well diversified geographically with 19.0% in the West, 25.6% in the South, 25.8% in the East and 4.0% in the Midwest. 4.0% is invested internationally. (See figure 6-6.)

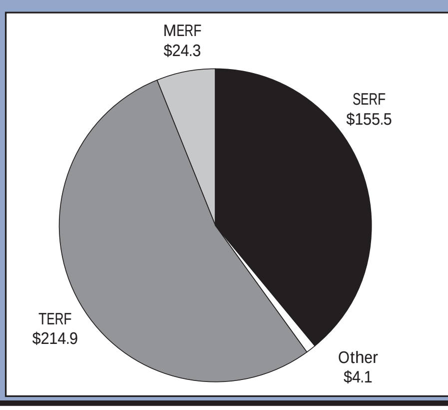
Risk Profile

Given REF's investment 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 0.25, signifying almost no correlation between Fund returns and those of the benchmark. Its beta of 0.19 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 4.21 over the five-year time period. As mentioned earlier, a major restructuring of the Fund is in process to more closely align the Fund with the benchmark. (See figure 6-2.)

Figure 6-1

REAL ESTATE FUND
Ownership Analysis at June 30, 2006 ($ in millions)



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

Figure 6-2

REAL ESTATE FUND
Risk Profile at June 30, 2006

Relative Volatility	2.62
Standard Deviation	7.08
R^2	0.25
Beta	0.19
Alpha	-4.21

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

Figure 6-3

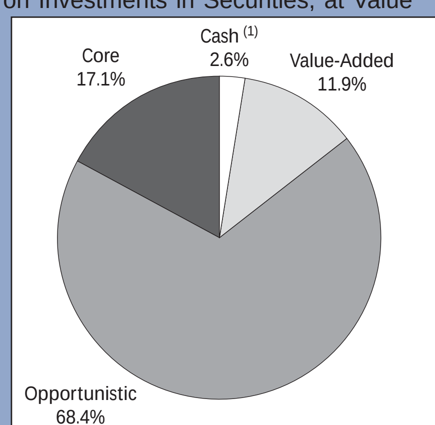
REAL ESTATE FUND
Investments Analysis (1)

At	No. of REF Investments	REF Book Value	REF Market Value
6/30/2006	12	259,551,191	330,169,779
6/30/2005	11	304,926,401	394,855,227
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

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

Figure 6-4

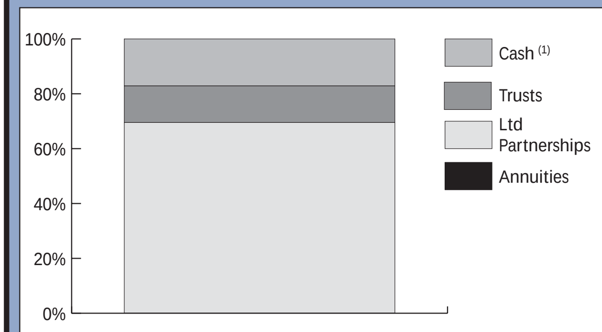
REAL ESTATE FUND
Distribution by Investment Type at June 30, 2006
Based on Investments in Securities, at Value



(1) Cash Reserve Account and other monetary assets.

Figure 6-5

REAL ESTATE FUND
Distribution by Investment Type at June 30, 2006
Based on Investments in Securities, at Value



(1) Cash Reserve Account.

Figure 6-6

REAL ESTATE FUND
Distribution by Geographic Location at June 30, 2006
Based on Investments in Securities, at Value

	REF	NCREIF	Variance
East	25.8%	32.0%	-6.2%
Midwest	4.0%	11.3%	-7.3%
South	25.6%	21.7%	3.9%
West	19.0%	35.0%	-16.0%
Cash and Other Assets(1)	25.6%	0.0%	25.6%
	100.0%	100.0%	

(1) Includes non-U.S. (4.3%) and cash and monetary assets (16.5%).

Figure 6-7

REAL ESTATE FUND
Diversification by Property Type at June 30, 2006
Based on Investments in Securities, at Value

	REF	NCREIF	Variance
Apartment	8.8%	20.4%	-11.6%
Industrial	1.6%	17.5%	-15.9%
Office	14.3%	37.3%	-23.0%
Retail	14.5%	22.5%	-8.0%
Hotel	16.1%	2.3%	13.8%
Cash and Other Assets(1)	44.7%	0.0%	44.7%
	100.0%	100.0%	

(1) Other includes senior living (18.0%), miscellaneous and mixed use (12.4%) and cash and other assets (16.5%).

Figure 6-8

REAL ESTATE FUND
Periods ending June 30, 2006

	1 YR	3 YRS	5 YRS	10 YRS
Compounded, Annual Total Return (%)				
REF	7.09	11.26	7.46	10.59
NCREIF Property	20.19	15.07	11.67	12.23
Cumulative Total Return (%)				
REF	7.09	37.72	43.28	173.74
NCREIF Property	20.19	52.36	73.66	216.98

Figure 6-9

REAL ESTATE FUND
Annual Total Return

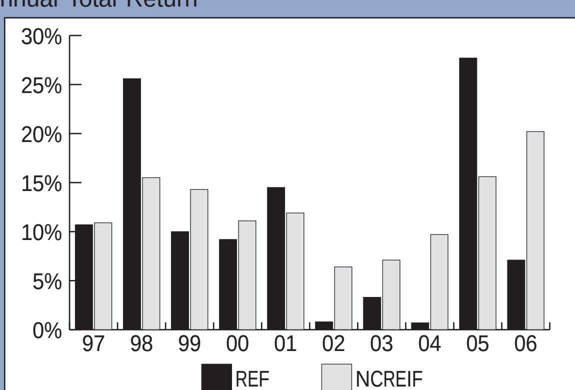


Figure 6-10

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

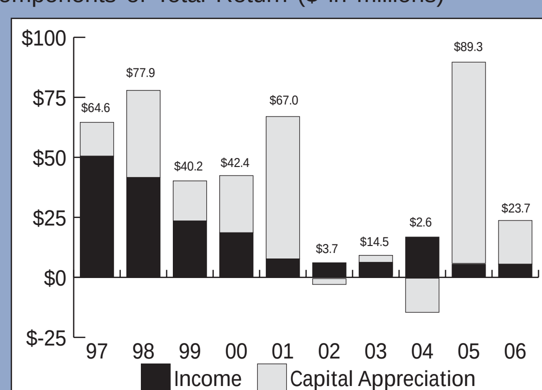


Figure 6-11

REAL ESTATE FUND
Investment Advisors at June 30, 2006

Investment Advisor	Net Asset Value	% of Fund
AEW Capital Management	$66,335,015	16.64%
Westport Senior Living	58,985,955	14.79%
Walton Street Real Estate	54,529,040	13.67%
Apollo Real Estate	50,877,314	12.76%
Rockwood Capital Fund V	36,344,749	9.11%
Rockwood Capital IV Limited Partnership	11,192,697	2.81%
Capri Select Income II LLC	7,612,991	1.91%
Starwood Opportunity Fund VII	9,536,386	2.39%
New Boston Fund	9,896,748	2.48%
RLJ Urban Lodging Fund	17,046,611	4.28%
Canyon Johnson Urban Fund II	7,574,216	1.90%
CIGNA Realty Investors	238,092	0.06%
Other (1)	**68,573,597**	**17.20%**
TOTAL REF	**$398,743,411**	**100.00%**

(1) Other represents moneys earmarked for distribution to participants, reinvestment, and expenses as well as terminated advisor balances, Currency Overlay Managers (Bank of New York and Bridgewater), CT Financial Development Fund, Keystone Venture V Partnerships and GarMark Partners II LP.

Figure 6-12

REAL ESTATE FUND
Ten Largest Holdings* at June 30, 2006

Property Name	Type	Market Value	%
Westport Senior Living Inv FD	Sr Living	$58,985,955	14.81%
Walton Street RE II LP Fnd 2	Various	54,529,040	13.69%
Apollo Real Est Invest Fd III	Various	50,877,314	12.77%
Union Station LTD LP	Mixed	43,302,384	10.87%
Rockwood Captial Fund V	Various	36,344,749	9.12%
AEW Partners III	Various	20,508,132	5.15%
RLJ Urban Lodging Fund LP	Hotel	17,046,611	4.28%
Rockwood Captial IV LP	Various	11,192,697	2.81%
New Boston Fund IV	Various	9,896,748	2.48%
Starwood Opportunity Fund VII	Various	9,536,386	2.39%
Top Ten		**$312,220,016**	**78.37%**

* *A complete list of portfolio holdings is available from the Office of the Treasurer.*

2006 commercial mortgage fund

Fund Facts at June 30, 2006

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: $18,203,751

Number of Advisors: 1 external

Management Fees: $183,500

Operating Expenses: $14,794

Expense Ratio: 1.09%

Performance Summary

For the fiscal year ended June 30, 2006, the Commercial Mortgage Fund (CMF or the Fund) generated a return of 9.69%, net of management fees and operating expenses, out performing the Lehman Aggregate Bond Index (LABI) of -.81% by 1,050 basis points. The Fund's favorable performance is attributable to its yield advantage versus the benchmark and the receipt of a significant prepayment penalty.

During the fiscal year, CMF assets declined from $20.3 million to $18.2 million, a decrease of $1.75 million. This decrease was due to cash outflows to the Fund's unit holders of $3.9 million offset by $1.75 million generated by operations. The $1.75 million generated from operations consisted of $1.79 million of net operating income offset by $.04 million of unrealized loss.

For the trailing three, five, and ten-year periods, CMF's total compounded annual portfolio return was 8.16%, 9.08% and 9.78%, respectively, net of all expenses. The Fund's results over the three, five and ten-year periods exceeded the benchmark by 611 basis points, 411 basis points and 356 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, 2006, the Fund consisted of 1 commercial mortgage loan with a value of $8.3 million and five residential mortgage pools with a combined value of $0.46 million. The balance of the Fund's assets consisted of short-term cash investments. During the fiscal year one portfolio loan was paid off. This payment resulted in the receipt of $9.1 million including a $0.5 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, 2006, the U.S. economic expansion continued at a steady pace. As noted in the prior year, optimism regarding economic growth continues to be tempered by uncertainty over interest rates and energy prices as well as the unsettled global economic and security situations. For the short-term, interest rates are stable and gasoline prices are decreasing, which is good news for the mortgage fund and the U.S. economy.

Portfolio Characteristics

As its existing loans mature, CMF's portfolio diversification has decreased. The remaining mortgages are all in the residential sector. The cash position of the fund is 52.1% due to the temporary retention of the proceeds from the pay-off of one of the assets. (See figure 7-4.) The residential mortgage pools are located in the Northeast (2.5%) and the only remaining whole loan is located in the Mountain region (45.4%). (See figure 7-5.)

The CMF's six holdings aggregated to 48% 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. None of the Fund's investments are scheduled to mature in the next 12 months.

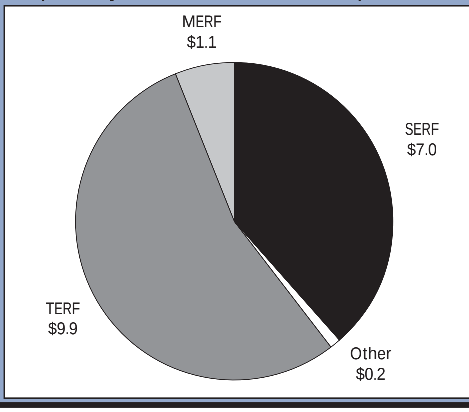
Risk Profile

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.

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 1.47, 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 0.14 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, 2006 was 4.11. (See figure 7-2.)

Figure 7-1

COMMERCIAL MORTGAGE FUND
Ownership Analysis at June 30, 2006 ($ in millions)



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

Figure 7-2

COMMERCIAL MORTGAGE FUND (1)
Risk Profile at June 30, 2006

Relative Volatility	1.47
Standard Deviation	5.96
R^2	0.01
Beta	0.14
Alpha	4.11

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

Figure 7-3

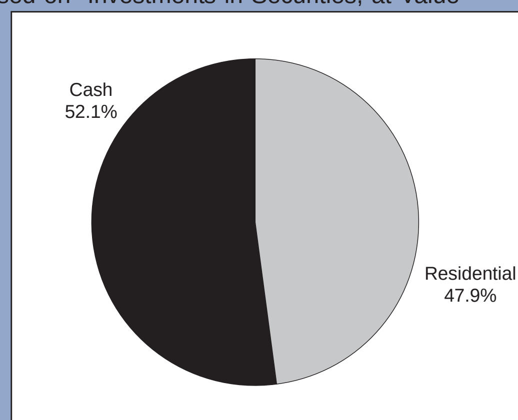
COMMERCIAL MORTGAGE FUND
Quarterly Current (1) Yield Analysis

	CMF	LB Aggregate
06/30/2006	9.55%	5.40%
03/31/2006	8.58%	5.30%
12/31/2005	8.57%	5.10%
09/30/2005	8.54%	5.10%
06/30/2005	8.65%	4.98%

(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, 2006
Based on Investments in Securities, at Value



(1) Includes senior ground leases.

Figure 7-5

COMMERCIAL MORTGAGE FUND
Distribution by Location at June 30, 2006
Based on Investments in Securities, at Value

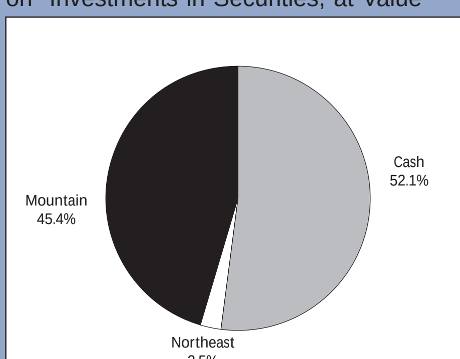


Figure 7-6

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

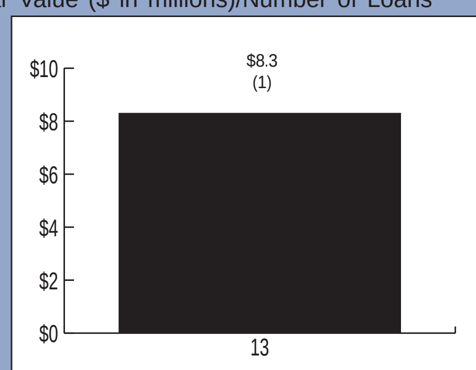


Figure 7-7

COMMERCIAL MORTGAGE FUND
Periods ending June 30, 2006

	1 YR	3 YRS	5 YRS	10 YRS
Compounded, Annual Total Return (%)				
CMF	9.69	8.16	9.08	9.78
Lehman Agg	-0.81	2.05	4.97	6.22
Cumulative Total Return (%)				
CMF	9.69	26.54	54.45	154.28
Lehman Agg	-0.81	6.28	27.46	82.80

Figure 7-8

COMMERCIAL MORTGAGE FUND
Annual Total Return

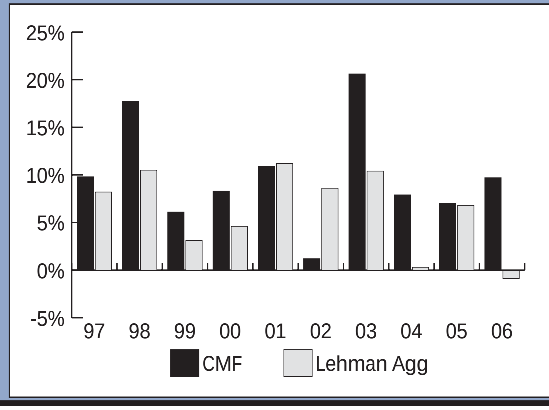


Figure 7-9

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

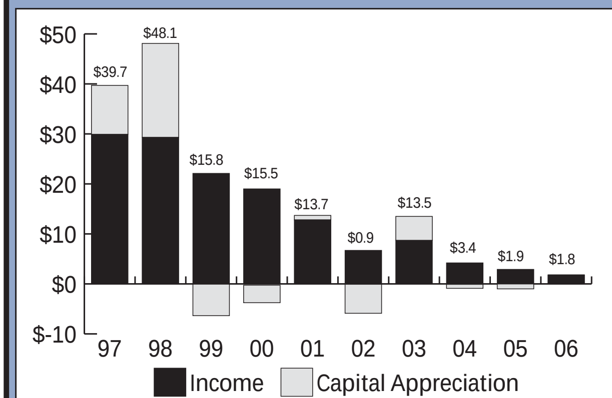


Figure 7-10

COMMERCIAL MORTGAGE FUND
Investment Advisors at June 30, 2006

Investment Advisor	Net Asset Value	% of Fund
AEW Capital Management	$ 8,261,838	45.39%
Other (1)	9,941,913	54.61%
SUBTOTAL CMF	**18,203,751**	**100.00%**

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

Figure 7-11

COMMERCIAL MORTGAGE FUND
Six Largest Holdings* at June 30, 2006

Property Name	Property Type	Market Value	%
SASCO	Other	$ 8,261,838	45.42%
Yankee Mac E 11.056%	Residential	188,051	1.03%
Yankee Mac G 11.125%	Residential	129,790	0.71%
Yankee Mac F 12.981%	Residential	98,905	0.55%
Yankee Mac C 14.1505%	Residential	27,505	0.15%
Yankee Mac A 13.075%	Residential	15,278	0.08%
Top Six		**8,721,367**	**47.94%**

* *A complete list of portfolio holdings is available from the Office of the Treasurer.*

2006 private investment fund

Fund Facts at June 30, 2006

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: $1,359,993,333

Number of Advisors: 48 external

Expensed Management Fees (1): $4,702,362

Operating Expenses: $1,346,508

Expense Ratio: 0.36%

Capitalized and Netted Fees: $21,585,798

(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, 2006, the Private Investment Fund ("PIF") generated a one year 11.74% compounded annual rate of return which is also known as a Time Weighted Return ("TWR"). While the PIF's TWR under performed the Venture Economics All Private Equity time-weighted benchmark of 26.00%, several factors must be considered. First, the PIF is undergoing the "J curve" effect of new fund investments made over the last severalfiscal years after a period on inactivity. Second, 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. Third, the TWR metric is not the best way to measure private equity performance since it eliminates the effects created by the amounts and timing of cash inflows and outflows.

The institutional standard for measuring private equity performance is the Internal Rate of Return ("IRR"), which is a dollar-weighted return that considers both cash flows and time. As of June 30, 2006, the PIF has generated a 8.2% Internal Rate of Return since its inception in 1987. Another performance measure which is used by major institutional investors is a customized dollar-weighted public U.S. equity market equivalent ("PME"). The PME serves as a proxy for the return the investor would have received had it invested in public equities versus private equity. From inception through June 30, 2006, the PIF has generated 550 basis points in excess of the PME and its Performance Objective.

Portfolio Activity

During fiscal 2006, the PIF added $430 million of new commitments to six private equity fund managers. Four of those managers are minority-owned; in aggregate these managers accounted for $280 million of fiscal 2006's total commitments. Moreover, $175 million of PIF's fiscal 2006 commitments were committed to a minority-owned fund-of-fund manager to identify opportunities in the small buyout segment of the private equity market.

During fiscal year 2006, PIF's assets decreased from $1.44 billion to $1.36 billion, a decrease of $80 million to participating pension plans and trusts. 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 substantive evidence to change valuations. These determinations are made on an on-going basis independently by the investment advisors.

Private Equity Market Update

Capital continued to flow rapidly into venture and buyout funds. The increased capital has led to a rise in valuations and acquisition prices for private equity investors.

In the buyout segment, fundraising remained at a historically high level comparable to the amount of capital raised in 2005 and substantially higher than historic levels On a global basis more than $110 billion of capital, dedicated to buyout strategies has been raised through the first half of 2006. As private equity investors have accumulated substantial capital, competition has increased and deal pricing has also expanded. According to Standard & Poors Leveraged Commentary & Data ("S&P LCD"), the average purchase price to Earnings Before Interest Tax Depreciation and Amortization ("EBITDA") ratio rose to 8.6x for the first half of 2006, a slight increase from 2005 (8.2x). This ratio dipped in 2001 to less than 6.0x and has been between 6.0x and 7.0x since 1999. Debt markets have provided buyout investors with the capital to continue their large acquisitions. According to S&P LCD, during the second quarter, the average debt to EBITDA ratio was 5.4x, slightly below the highest levels seen in 2000 (5.7x).

More than $14 billion was raised by U.S. venture capitalists in the second quarter, higher than any previous quarter since the first quarter of 2001 and almost double the $7.6 billion raised in the first quarter of 2006. According to Dow Jones VentureOne, the median pre-money valuation for U.S., venture backed deals climbed to $23 million for the second quarter 2006. This was the highest level since 2000. For the second quarter 2005, the median pre-money valuation was $16 million, indicating a 44% increase in median valuations. While valuations rose, exits and the value of exits have not increased dramatically. Between 1996 and 2000, approximately 200 companies per year were completing IPOs. Last year, 56 companies completed IPOs and through the first half of 2006, 29 companies have completed an IPO.

Description of the Fund

The 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 PIF 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, 2006, the PIF had aggregate capital commitments in the amount of $4.6 billion to 55 partnerships of which approximately 77 percent, or $3.6 billion has been "drawn down" for investment purposes while the balance of approximately $1.1 billion or 23 percent is committed but uninvested. (See Figure 8-6.)

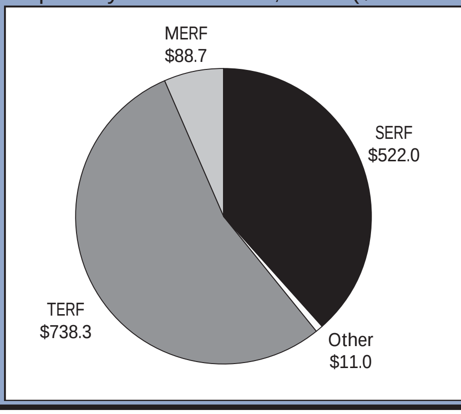
Risk Profile

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 1.05 with a correlation .84 for the most recent fiscal year. The Fund has returned an annual alpha, or return relative to that predicted by its benchmark, of negative 0.12 (See Figure 8-2.)

Figure 8-1

PRIVATE INVESTMENT FUND
Ownership Analysis at June 30, 2006 ($ in millions)



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

Figure 8-2

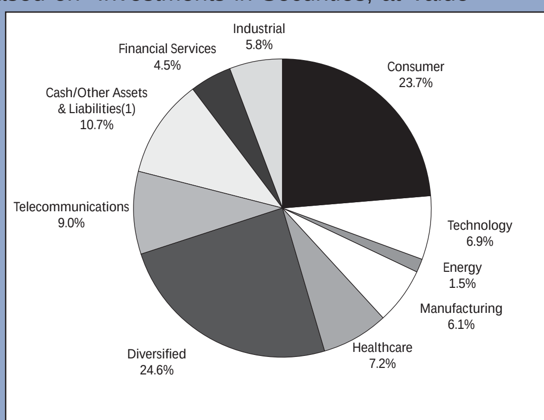
PRIVATE INVESTMENT FUND (1)
Risk Profile at June 30, 2006

Relative Volatility	0.85
Standard Deviation	10.12
R^2	0.61
Beta	0.91
Alpha	-3.26

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

Figure 8-3

PRIVATE INVESTMENT FUND
Distribution by Industry at June 30, 2006
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, 2006
Based on Investments in Securities, at Value

Region	%
Northeast (Excludes Connecticut)	16.83%
West Coast	16.64%
International	16.33%
Cash/Other Assets & Liabilities (1)	10.67%
Mid-Atlantic	10.53%
MidWest	9.01%
Southeast	8.02%
Southwest	7.44%
Connecticut	4.53%
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, 2006

	1 YR	3 YRS	5 YRS	10 YRS
Compounded, Annual Total Return (%)				
PIF	11.74	13.75	2.94	7.56
S & P 500	8.63	11.22	2.49	8.32
Venture Economics All Private Equity	26.00	22.08	6.20	16.05
Cumulative Total Return (%)				
PIF	11.74	47.18	15.59	107.26
S & P 500	8.63	37.57	13.11	122.36
Venture Economics All Private Equity	26.00	81.95	35.11	343.20

Figure 8-6

PRIVATE INVESTMENT FUND
Distributed by Committed and Invested Capital
As of June 30, 2006 ($ in millions)

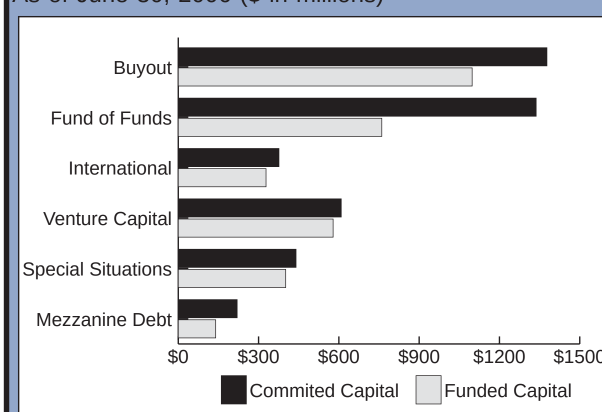


Figure 8-7

PRIVATE INVESTMENT FUND
Annual Total Return

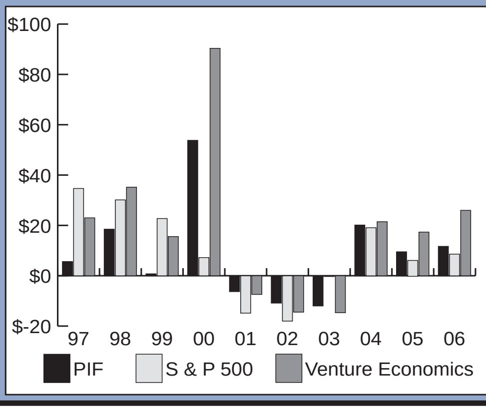


Figure 8-8

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

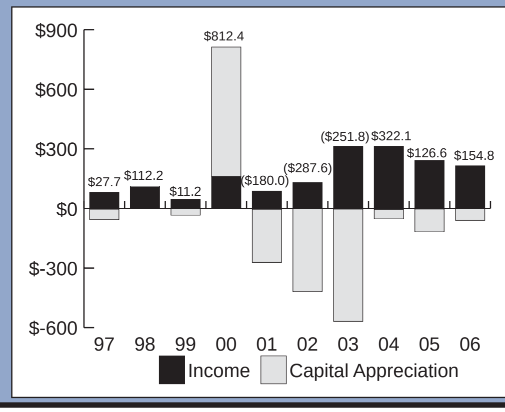


Figure 8-9

PRIVATE INVESTMENT FUND
Ten Largest Holdings* at June 30, 2006

Partnership Name	Partnership Type	Market Value	%
Constitution Liquidating Fund	Fund of Funds	$238,638,296	17.48%
KKR Millennium Fund	Buyout	104,237,649	7.64%
Compass Partners European Equity Fund	International	75,207,426	5.51%
Charterhouse Equity Partners IV	Buyout	62,354,247	4.57%
Wellspring Capital Partners III	Buyout	53,585,010	3.93%
Welsh Carson Anderson & Stowe Capital Partners III	Special Situations	52,958,869	3.88%
Landmark Private Equity Fund VIII	Fund of Funds	50,909,060	3.73%
Carlyle Europe Partners	International	39,874,599	2.92%
Welsh Carson Anderson & Stowe VIII	Buyout	33,779,464	2.47%
Gilbert Global Equity Partners	International	31,956,656	2.34%
Top Ten		**$ 743,501,276**	**54.47%**

* *A complete list of portfolio holdings is available from the Office of the Treasurer.*

Figure 8-10

PRIVATE INVESTMENT FUND
New Investments Made in Fiscal Year 2006(1) (in Excess of $3 Million)

Partnership Name	Commitment Amount	Partnership Type	Inv. Date
ICV Partners II LP	$40 million	Buyout	November 3, 2005
Parish Capital II LP	$175 million	Fund of Funds	June 30, 2006
Syndicated Communications Venture Partners V LP	$15 million	Venture	April 27, 2006
Welsh, Carson, Anderson & Stowe X, L.P.	$100 million	Buyout	November 23, 2005
Total	$330 million		

(1) These represent new private equity partnerships that were invested in by the Fund during fiscal year 2005.

Figure 8-11

PRIVATE INVESTMENT FUND
Investment Advisors at June 30, 2006

Investment Advisor	Net Asset Value	% of Fund
Buyout	**$519,997,395**	**38.21%**
KKR Millennium Fund	104,237,649	7.66%
Hicks, Muse Tate & Furst Equity Fund III	26,260,850	1.93%
Thomas H. Lee Equity Fund IV	18,613,033	1.37%
Welsh Carson Anderson & Stowe VIII	33,779,464	2.48%
Wellspring Capital Partners III	53,585,010	3.94%
SCP Private Equity Partners	24,139,410	1.77%
Charterhouse Equity Partners IV	62,354,247	4.58%
Forstmann Little Equity Fund VI	23,204,335	1.71%
DLJ Merchant Banking Fund II	25,389,572	1.87%
KKR 1996 Fund	15,916,993	1.17%
FS Equity Partners V	21,442,656	1.58%
Blackstone Capital Partners III	15,407,144	1.13%
Thayer Equity Investors IV	22,890,946	1.68%
Kelso Investment Associates VI	15,529,884	1.14%
Green Equity Investors III	14,131,974	1.04%
Wellspring Capital Partners II	6,427,100	0.47%
Veritas Capital Fund	269,167	0.02%
AIG Healthcare Partners LP	12,236,158	0.90%
Welsh Carson Anderson & Stowe X LP	20,195,069	1.48%
ICV Partners II LP	3,986,734	0.29%
Venture Capital	**72,443,427**	**5.33%**
RFE Investment Partners VI	19,306,237	1.42%
Conning Capital Partners V	10,867,682	0.80%
Crescendo World Fund	15,727,352	1.16%
Grotech Partners V	11,439,483	0.84%
Shawmut Equity Partners	10,659,788	0.78%
Crescendo III	4,342,673	0.32%
Connecticut Futures Fund	100,212	0.01%
Mezzanine	**40,215,549**	**2.97%**
SW Pelham Fund	9,860,822	0.73%
GarMark Partners	12,776,173	0.94%
GarMark Partners II LP	5,526,516	0.41%
SW Pelham Fund II	12,052,038	0.89%
International	**186,604,885**	**13.72%**
Compass Partners European Equity Fund	75,207,426	5.53%
Gilbert Global Equity Partners	31,956,656	2.35%
Carlyle Europe Partners	39,874,599	2.93%
AIG Global Emerging Markets Fund	23,755,679	1.75%
Carlyle Asia Partners	15,810,525	1.16%
Fund of Funds	**346,746,610**	**25.50%**
The Constitution Liquidating Fund	238,638,296	17.55%
Landmark Private Equity Fund VIII	50,909,060	3.74%
Goldman Sachs Private Equity Partners Connecticut	25,251,754	1.86%
Lexington Capital Partners II	11,135,079	0.82%
Parish Capital I LP	12,138,476	0.89%
Fairview Constitution II LP	8,673,945	0.64%
Special Situations	**111,052,518**	**8.17%**
Welsh Carson Anderson & Stowe Capital Partners III	52,958,869	3.90%
Greenwich Street Capital Partners II	23,144,936	1.70%
Forstmann Little MBO VII	15,595,337	1.15%
KPS Special Situations Fund II	19,353,376	1.42%
Other (1)	**82,932,949**	**6.10%**
TOTAL PIF	**$1,359,993,333**	**100.00%**

(1) Other represents moneys earmarked for distribution to participants, reinvestment, and expenses as well as terminated advisor balances, Currency Overlay Managers (Bank of New York and Bridgewater), CT Financial Development Fund, Keystone Venture V Partnerships and GarMark Partners II LP.

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, railways, 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 as interest rates continued at relatively low levels during the year. 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 Ratings, Moody's Investors Service and Standard and Poor's Ratings, the three major rating agencies.

During the last several Legislative sessions, 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; securitization to preserve Conservation and Clean Energy Programs; the establishment of a Housing Trust Fund; and the authorization of bonding backed by future federal transportation funds.

The Division 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, 2006
GENERAL OBLIGATION BONDS 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.	$8,968,169,172
GENERAL FUND APPROPRIATION DEBT 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 originally established under P.A. 95-230 and extended in 2002. Up to $2.3 billion of Debt Service Commitment bonds will be issued under a twenty-year $2.6 billion capital program to rebuild and refurbish the University of Connecticut. ($790,647,147) The 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. ($36,575,000) Other appropriation debt includes Connecticut Development Authority Tax Incremental Financing and Lease Revenue Financing ($32,045,000) and a Certificate of Participation issue for the Connecticut Juvenile Training School Energy Center. ($17,735,000)	$877,002,147
ECONOMIC RECOVERY NOTES 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.	$146,090,000

SPECIAL TAX OBLIGATION BONDS $3,081,097,825

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, and the 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 that totaled $419 million on June 30, 2006.

CLEAN WATER FUND REVENUE BONDS $535,315,000

The Clean Water Fund and the Drinking Water Fund are the State's revolving loan 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 and private borrowers, general revenues of the program, and debt service reserves of $169.9 million as of June 30, 2006. 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.

CAPITAL CITY ECONOMIC DEVELOPMENT AUTHORITY BONDS $86,800,000

The Capital City Economic Development Authority (CCEDA) bonds were issued to provide funding for the Adriaen's Landing Development project in Hartford. The State is required to make all debt service payments on the bonds up to a maximum annual amount of $6.75 million pursuant to a Contract Assistance Agreement between CCEDA, the Treasurer, and the Office of Policy and Management. CCEDA is required to reimburse the State for the debt service payments from net parking and central utility plant revenues.

BRADLEY INTERNATIONAL AIRPORT REVENUE BONDS $226,375,000

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 $49,875,000

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 $153,160,000

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, 2006 $14,123,884,144

In FY 2006, the Debt Management Division managed the sale of nearly $1.38 billion in new money bonds issued to fund state programs and capital projects, including local school constuction, state grants and economic development initiatives, transportation improvements, and the UCONN 2000 program and $61 million in refunding bonds for the UCONN Debt Service Commitment. 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				
2005 Series D	$300,000,000	4.27%	10.50	11/15/2005
2006 Series A	290,000,000	4.09%	10.27	03/09/2006
2006 Series A Taxable BANs	10,000,000	5.26%	1.00	03/09/2006
2006 Series B	200,000,000	4.39%	10.42	05/31/2006
2006 Series C	235,000,000	4.40%	10.43	06/27/2006
GENERAL FUND APPROPRIATION				
UCONN 2006 Series A	77,145,000	4.15%	10.41	03/15/2006
CAPITAL CITY ECONOMIC DEVELOPMENT AUTHORITY				
Parking and Energy Fee Rev Bonds				
2005 Series C	15,000,000	5.00%	14.02	08/04/2005
SPECIAL TAX OBLIGATION				
2005 Series A	250,000,000	4.30%	11.68	12/15/2005
2006 Subtotal New Money Issues	**$1,377,145,000**			

REFUNDING BONDS:				
UCONN Refunding Bonds 2006 A	61,020,000	4.12%	11.31	03/15/2006
Subtotal Refunding Issues	**$61,020,000**			
TOTAL	**$1,438,165,000**			

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

The Year in Review

Highlights of the Division's accomplishments and important initiatives in fiscal year 2006 include:

- Issued almost $1.4 billion of new money bonds to fund local school construction, state grants and economic development initiatives, transportation improvements and the UCONN 2000 program.
- As interest rates continued at relatively low levels, executed an innovative $161 million forward refunding transaction for Bradley International Airport which locks in $19 million of future refunding savings. Also issued $61 million in refunding bonds for the UCONN 2000 program which will save $4 million over the life of the bonds.
- Worked closely with Treasury administration, the Office of Policy and Management and Legislative leadership on the development and passage of the most significant transportation funding legislation in over 20 years. The Legislature authorized the issuance of an additional $1 billion of Special Tax Obligation bonds over the next ten years as well as provided enabling legislation for the potential issuance of up to $1.3 billion of bonds backed by future federal transportation revenues.
- Worked with Treasury administration and legislators during the 2006 legislative session on several fiscal matters including the defeasance of Economic Recovery Notes with surplus funds, and participation in an inter-division study regarding the feasibility of issuing pension obligation bonds to increase funding levels in the Teachers' Retirement Plan.
- Participated in a Municipal Finance Study Group that resulted in the passage of legislation which modifies provisions governing the issuance of pension obligation bonds by municipalities and enables the establishment of trusts for funding Other Post-Employment Benefits in anticipation of new accounting rules.
- Began a study of the long-term funding capacity of the Clean Water Fund and Drinking Water Fund programs and developed a model to analyze the increased capacity, created in part, by the major restructure of the financing program in 2003. The results of this study will be critical to the work of the new Clean Water Fund Task Force which is charged with making recommendations regarding future utilization of the programs to meet water quality goals.
- Implemented several new systems in the Clean Water Fund including a new credit tracking system for member towns.
- Worked closely with the Office of Policy and Management and the Capital City Economic Development Authority on the issuance of an additional $15 million of Capital City Economic Development Authority 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 "Contract Assistance" credit structure.
- Continued to work with disclosure counsel, the Comptroller's Office and the Auditors of Public Accounts to monitor and continuously disclose to the financial community the status of the delay in the completion of the Comptroller's Office Comprehensive Annual Financial Statements due to the implementation of a new state accounting system. Also worked to begin important disclosure regarding the State's liabilities for Other Post-Employment Benefits in anticipation of new accounting rules.

- Worked closely with the Cash Management Division to provide input into an agency-wide study regarding the investment of available cash and the role of bond proceeds in providing cash liquidity.
- Continued to use the latest technology to take electronic bids for two state bond issues on an internet based bidding system. The State generated very high levels of retail orders with negotiated bond sales including one bond sale which brought in the highest level of retail sales of any sale in the last five years.
- The Division was active in the contracting area with completion of the first program-wide bond underwriter Request for Proposal (RFP) in seven years, completion of a RFP for Auditors, and the issuance of a RFP for Financial Advisors.
- Completed the process of closing out old bond funds and other funds resulting in the transfer of $4 million to pay debt service on General Obligation and Special Tax Obligation bonds.
- An employment process was completed that resulted in the hiring of two new Debt Management Specialists, the first hires at this level in almost nine years.

2006 Division Performance

While the State's fiscal situation transitioned from one of budget deficits to budget surpluses, the Division's participation continued to be critical on budget matters.

The Division communicated throughout the year with the credit rating agencies and the investment community to provide updates regarding the state budget, the economy, and the delay in financial reporting associated with the implementation of the State's new accounting system.

The Division worked closely with the Legislature on several important initiatives including the funding of additional transportation investments, municipal finance issues, the funding of the Teachers' Retirement System, the defeasance of the Economic Recovery Notes, and active monitoring of other proposed legislation as it may impact the State's debt programs.

Figure 9-1

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

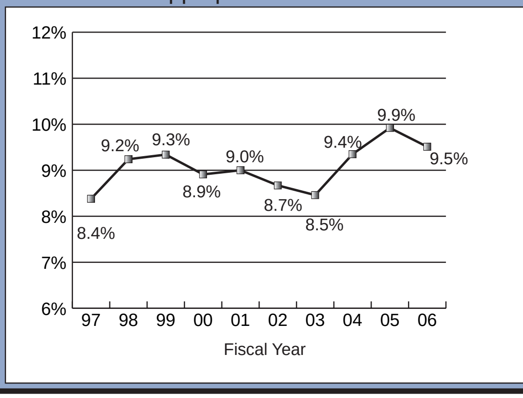


Figure 9-2

DEBT MANAGEMENT
Total Debt Outstanding ($ in millions) at June 30, 2006

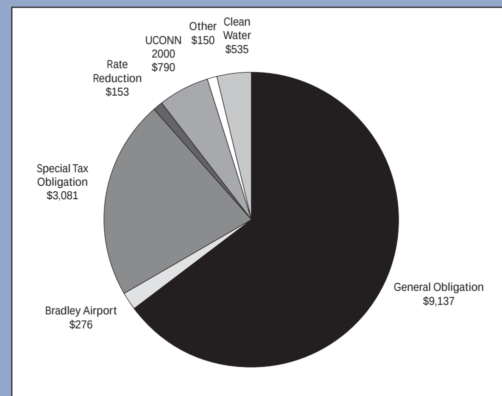
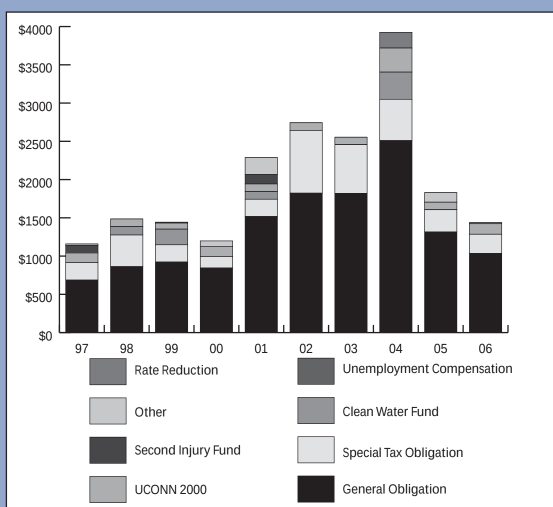


Figure 9-3

DEBT MANAGEMENT
Bond Issuance ($ in millions) fiscal years 1997 - 2006



Division Overview

The Cash Management Division is responsible for managing the state's cash movements, banking relationships and short-term investments. 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 the Short-Term Investment Fund (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 with technical assistance on cash management and 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 tracks the flow of funds through 20 Treasury bank accounts and authorizes 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 primary retirement funds, and monitors actual cash receipts and disbursements. During fiscal year 2006, the unit controlled movement of $21 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 2006, the unit invested an average of $5.0 billion in short-term money market instruments. As of June 30, 2006, the unit administered 1,006 active STIF accounts for 62 state agencies and authorities and 259 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, the Debt Express and Clean Water Fund Express programs that allow towns to make debt payments automatically from their STIF accounts, and, pursuant to CGS 3-24k, the Community Bank and Credit Union Initiative, in which we support Connecticut-based banks and credit unions with assets not exceeding $500 million through the investment in institutions' certificates of deposit.

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, reviews bank invoices and compensation, and manages the division's procurement efforts for new bank services. 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, 2006, approximately $351 million in securities was pledged to the program and $9.4 million was deposited in STIF.

The Year in Review

Highlights of the Division's accomplishments and important initiatives in fiscal year 2006 include:

- Implemented the Community Bank and Credit Union Initiative and held the first competitive bidding processes in May and June;
- Continued to improve protections against check fraud by upgrading two state university 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 upgrades to the 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 $4.2 billion during the year, up 75 percent from a year ago; assisted two state universities with initiation of such a system;
- Continued to consolidate separate state agency bank accounts to reduce bank fees and streamline the flow and increase the investment of funds;
- Implemented CGS 3-24k, 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 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 eleventh annual meeting of STIF investors in concert with our first Public Finance Outlook conference attended by 54 state and local government officials;
- To improve customer service, implemented STIF Express, an Internet-based account management system to allow investors on-line access to account balances, income distributions, and transaction histories. The system also allows investors to initiate purchases (deposits) and redemptions (withdrawals) via the Internet;
- 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;
- Created a STIF home page that provides investors with rate data, publications and enrollment forms, and access to STIF Express;
- Developed, implemented and tested Internet-based systems and processes as part of business continuity and disaster recovery procedures for conducting cash control and short-term investing activities off site;
- Developed initial guidelines to implement CGS 3-28a that allows the Treasurer to establish a medium-term investment fund. The fund will be called STIF Plus and will provide a longer-term cash investment vehicle for state and local entities;
- Expanded use of Internet-based systems for the viewing of bank balances and the electronic movement of funds, thereby allowing 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;

- Worked with state agencies to implement a new Internet-based system provided by the State's primary bank. At the same time, many agencies adopted new stop payment, electronic funds transfer, and check status look-up capabilities;
- Worked with nine state agencies to develop the ability to collect fees via electronic checks or credit card payments over Internet-based systems;
- Procured lockbox services for an agency to speed the processing of license renewal payments;
- Negotiated a new credit card processing fee structure that will save the state approximately $200,000 annually;
- Assisted two state universities with new banking services to minimize account balances and to improve fraud control.

2006 Division Performance

As a result of these initiatives, the Cash Management Division successfully realized many achievements throughout the 2006 fiscal year including:

- Total annual return of 4.38 percent in STIF. This exceeded its primary benchmark by 37 basis points, resulting in $18.4 million in additional interest income for Connecticut governments and their taxpayers. STIF has exceeded its benchmark by at least 33 basis points for seven consecutive years. (For a detailed discussion of STIF performance, please see the STIF Performance discussion which follows.);
- During the fiscal year, STIF's return was ranked first in the nation among over 80 government investment pools for eight of the 12 months by TRACS Financial Research, an independent firm that monitors the performance of such pools on a monthly basis;
- STIF reached an all-time high of $6.3 billion in assets under management in May 2006.
- STIF's Comprehensive Annual Financial Report (CAFR) was awarded the Certificate of Achievement for Excellence in Financial Reporting for 2005 by the Government Finance Officers Association (GFOA);
- STIF's credit rating of AAAm – the highest available — was reaffirmed by Standard & Poor's (S&P), the leading rating agency of money market funds and local government investment pools;
- The addition of 15 local government STIF accounts with $84 million of assets;
- Invested $12.5 million with financial institutions under the Connecticut Community Bank and Credit Union Initiative at an average annual interest rate of 5.23 percent;
- Aggressively managed bank account balances to maximize investment balances, thereby increasing investment income by approximately $730,000;
- Closed 16 state bank accounts bringing total reduction in accounts to 527 over the past fifteen years, thereby reducing servicing and transfer fees and unproductive balances;
- The identification and recapture of $329,000 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, $13.4 billion has been deposited into municipal STIF accounts, thereby accelerating the availability of municipal funds.

CASH MANAGEMENT DIVISION

Figure 10-1

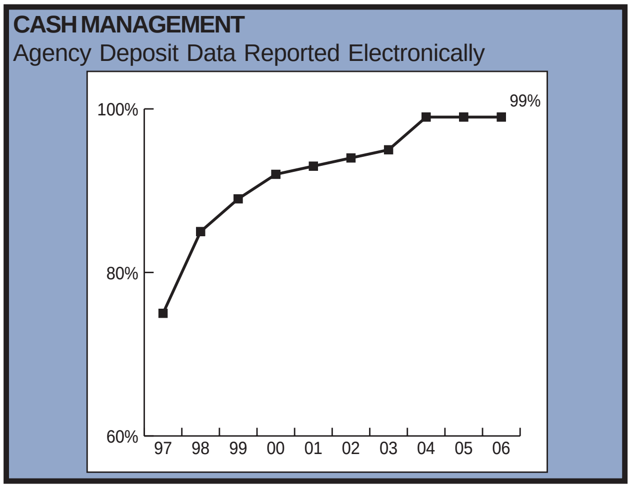
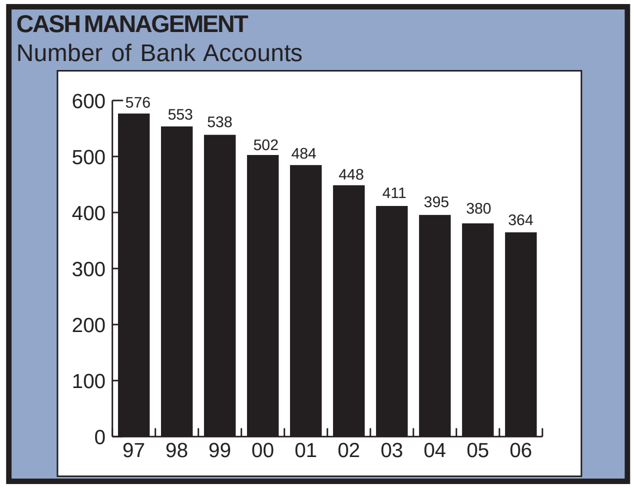


Figure 10-2



short-term investment fund

Fund Facts at June 30, 2006

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: iMoneyNet's First Tier Institutional-only Rated Money Fund Report Averages™ – Index (MFR Index), Federal Reserve Three-Month CD, Federal Reserve Three-Month T-Bill.

Date of Inception: 1972

Total Net Assets: $5.4 billion

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 2006 fiscal year, STIF's portfolio averaged $5.0 billion.

STIF employs a top-down approach to developing its investment strategy for the management of its assets. Starting with the objectives of the Fund, STIF considers constraints outlined in its investment policy, which include among other parameters: liquidity management, limitations on the portfolio's weighted average maturity (see figure 11-2), and permissible investment types. Next, an asset allocation is developed to identify securities that are expected to perform well in the current market environment. 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 almost $47.5 million, contributes significantly to STIF's low risk profile.

To help the Fund and its investors evaluate performance, STIF compares its returns to three benchmarks. The first is *i*MoneyNet's First Tier, Institutional-only Rated Money Fund Report Averages™ – Index ("MFR Index"). This index represents an average of institutional money market mutual funds rated AAAm 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 average Federal Reserve three-month T-Bill rate and the Federal Reserve three-month CD rate. The former benchmark 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 benchmarks, 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. Additionally, it is important to note that the 90-day benchmarks exceed STIF's shorter average maturity. In order to maintain its AAAm rating, the STIF cannot exceed a 60-day weighted average maturity

(WAM) limit. Furthermore, these benchmarks are “unmanaged” and are not affected by management fees or operating expenses. (See figure 11-3.)

Among the Fund’s several achievements during the 2006 fiscal year was the reaffirmation of its AAAm rating by Standard & Poor’s in May 2006. This rating is S&P’s highest for money market funds and investment pools and signifies its conclusion that the Fund has extremely strong capacity to maintain principal stability and to limit exposure to principal losses.

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. (See figure 11-4.) 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 almost 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 since STIF’s inception in 1972, 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 economic indicators, adjusting the Fund’s portfolio and characteristics as required. At the beginning of the fiscal year, STIF’s weighted average maturity equaled 32 days. During the year the Fund’s average maturity ranged from 32 to 59 days as market interest rates rose. At the end of the 2006 fiscal year, the average maturity was 39 days. As the Federal Reserve aggressively increased interest rates during the last fiscal year, the portfolio was managed to place maturities around each Federal Reserve meeting that reviewed interest rates to ensure that its performance kept pace with the movements in short-term rates.

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 a 94 percent concentration in investments rated A-1+ or AAA (the highest ratings of Standard & Poor’s) or overnight repurchase agreements. Sixty-six 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 74 percent at the previous year-end. The Fund’s three largest security weightings included secured liquidity notes (33.2 percent), deposit instruments (30.1 percent), and security-backed, asset-backed commercial paper (13.8 percent) respectively. (See figure 11-5.)

Performance Summary

For the one-year period ending June 30, 2006, STIF reported an annual total return of 4.38 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 4.01 percent, by 37 basis points. Additionally, the performance was competitive compared to three-month T-Bills, which yielded 4.15 percent and three-month CDs, which yielded 4.46 percent. It is important to note that while the STIF underperformed the 90-day CD benchmark, there are technical differences in the calculation of the benchmark that explain the underperformance. First, the performance of the STIF is measured by an annual total return measure as outlined above and is constrained by a 60-day WAM. The 90-day CD benchmark, however, is an average of the daily posted spot rates, which implies the ability to buy a three-month security daily and to sell the previous day’s purchase without gain or loss. During a rising interest rate environment, which was experienced during FY 2006, any benchmark that is an average of daily spot rates would overstate performance relative to a portfolio of investments made up of securities purchased during previous weeks and months when rates were lower.

Principal reasons for STIF's strong performance include low overall expenses, its effective security selection, and successful fluctuations to the portfolio's 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 2.61 percent, 2.42 percent, 3.44 percent, and 4.09 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 $14.9 million at June 30, 2006, versus $14.4 million for a hypothetical investment in the MFR Index. (See figure 11-6.)

Economic Report for Fiscal Year 2006

After three years of strong economic performance, U.S. economic growth peaked just as Fiscal Year 2006 (FY 2006) began. Throughout the year, however, economic growth began to moderate. One of the main factors that contributed to slower growth was energy prices. At the beginning of FY 2006 energy prices were beginning to trend upward due to strong global demand for oil. Shortly after the beginning of FY 2006 a powerful hurricane season wrecked havoc with the energy markets. Throughout the balance of the fiscal year, Middle East tensions sent oil prices to an all time record high of just over $78 a barrel and oil ended the fiscal year at $73 a barrel, 28 percent higher than a year earlier. Higher energy prices decreased consumer discretionary spending and contributed to the trend of slower economic growth.

Inflation concerns began to surface early in the fiscal year. As the fiscal year began with economic growth at full speed, demand expanded to a point where consumers were willing to tolerate higher prices. The result was upward pressure on inflation. The Consumer Price Index (CPI) rose by 3.5 percent on a year-over-year basis as of June 2006, and the Personal Consumption Index, the Fed's preferred measure of core consumption prices, rose by 2.4 percent. These levels are outside of the Fed's upper tolerance limits for inflation.

As inflation rose and the economy continued to show positive growth, albeit at a slower pace, both short and long-term interest rates rose. The Federal Reserve, with its new Chairman, Ben Bernanke, at the helm since February 2006, steadily increased interest rates to ward against over stimulation. The overnight Federal Funds rate rose from 3.25 percent as of June 30, 2005 to 5.25 percent as of June 29, 2006. For the first time in over two-years and after 17 consecutive rate hikes, the Fed did not increase the Federal Funds rate at the August 2006 Federal Open Market Committee (FOMC) meeting

Along the yield curve for FY 2006, rates for short-term securities, U.S. Treasury Bills one-year and under, increased just over 180 basis points, while rates for longer maturities over ten years, rose close to 100 basis points. The housing market, highly correlated to interest rates and economic performance, held up well during FY 2006 with housing values increasing 12.5 percent from March 2005 to March 2006. Recent economic indicators, particularly housing starts and building permits, which fell 2.5 percent and 6.5 percent in July 2006, respectively, show that the housing market is slowing.

The combination of higher energy prices and higher interest rates slowed the increase in consumer purchases to 3.0 percent for all of FY 2006, versus a pace of 3.8 percent for FY 2005. On the positive side consumer spending was supported by a strong employment picture. Employment grew by 1.9 million jobs as the unemployment rate fell from 5.1 percent to 4.6 percent. For FY 2006, consumer purchases were the major contributor to growth in the economy with Gross Domestic Product (GDP) growing by 3.5 percent on a year-over-year basis.

Outlook for Fiscal Year 2007

The U.S. economy appears to be in a period of transition characterized by the unenviable position of slowing growth and increasing inflation.

As FY 2007 got underway, the economy's condition was best summarized by an excerpt of the August 8, 2006 text of the Fed's Federal Open Market Committee meeting, which stated that "Economic growth has moderated from its quite strong pace earlier this year, partly reflecting a gradual cooling of the housing market and the lagged effects of increases in interest rates and energy prices." The FOMC statement went on to note that inflation pressures seemed likely to moderate over time, reflecting the affect of the cumulative increases in the Federal Funds rate over the past two years.

As we enter FY 2007 with near-record fuel prices, slowing economic growth and concerns about future inflation, it is likely that the Federal Reserve will hold interest rates roughly steady throughout the fiscal year. Federal funds futures show that the most likely case is for interest rates to remain at the current 5.25 percent level for the first half of this fiscal year. During the second half of FY 2007, fed funds futures predict a 25 basis point easing to 5.00 percent as the economy slows further.

The yield curve is currently inverted. This type of yield curve is predictive of falling longer-term rates.

The main downside pressures on growth will include a continued weakening housing sector and the detrimental effect of high energy prices on discretionary consumer spending.

Periods of economic transition are often volatile and economic trends are not reliable indicators of future expectations. At present, the official risk assessment stance of the FOMC is “data dependent,” meaning that during the economic transition period the performance of the economy can produce mixed results making it uncertain as to the future direction of short-term interest rates.

CASH MANAGEMENT DIVISION

Figure 11-1

SHORT-TERM INVESTMENT FUND
Ownership Analysis at June 30, 2006 ($ in millions)

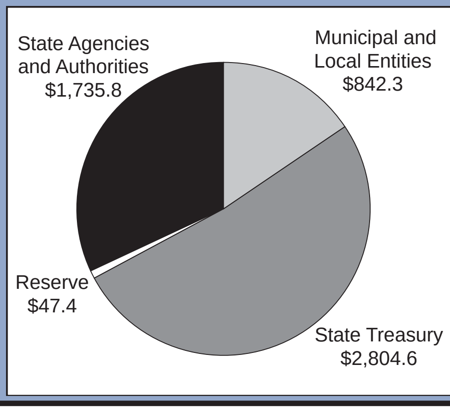


Figure 11-2

SHORT-TERM INVESTMENT FUND
Maturity Analysis

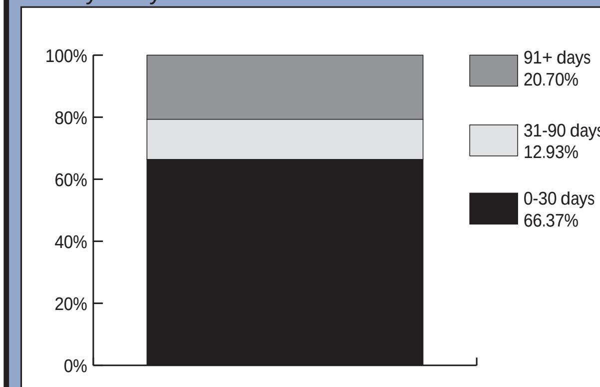


Figure 11-3

SHORT-TERM INVESTMENT FUND
Quarterly Yield vs. Benchmark

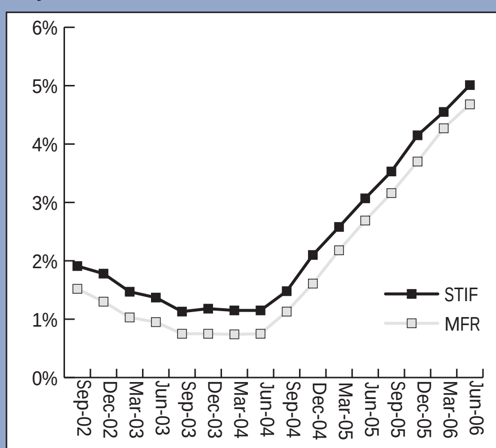


Figure 11-4

SHORT-TERM INVESTMENT FUND
Distribution by Quality Rating at June 30, 2006
Based on Investments in Securities, at Value

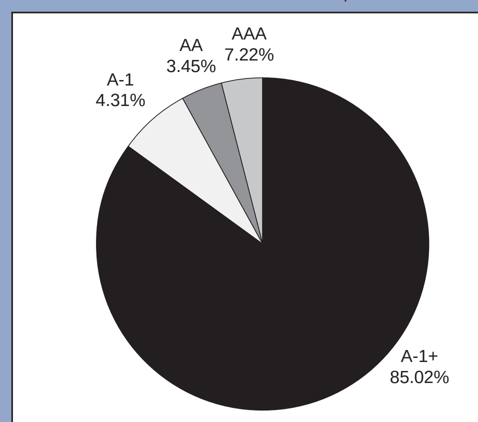


Figure 11-5

SHORT-TERM INVESTMENT FUND
Distribution by Security Type at June 30, 2006

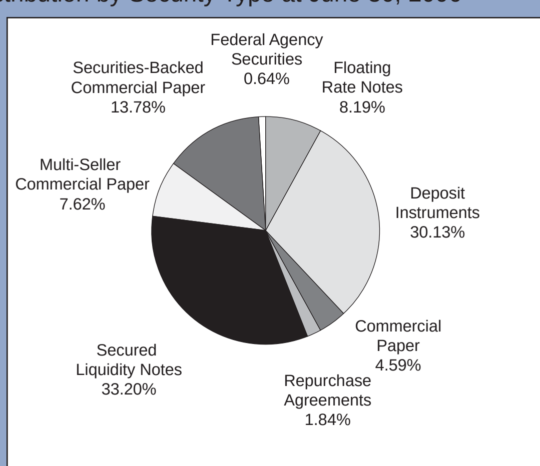


Figure 11-6

SHORT-TERM INVESTMENT FUND
Period ending June 30, 2006

	1 Yr	3 Yrs	5 Yrs	7 Yrs	10 Yrs
Compounded Annual Total Return (%)					
STIF	4.38	2.61	2.42	3.44	4.09
MFR Index*	4.01	2.21	2.01	3.04	3.70
Fed. Three-Month T-Bill	4.15	2.45	2.17	3.06	3.63
Fed. Three-Month CD	4.46	2.67	2.33	3.31	3.96
Cumulative Total Return (%)					
STIF	4.38	8.04	12.68	26.75	49.33
MFR Index*	4.01	6.79	10.47	23.34	43.86
Fed. Three-Month T-Bill	4.15	7.53	11.31	23.46	42.82
Fed. Three-Month CD	4.46	8.23	12.21	25.64	47.39

**Represents iMoneyNet's First Tier Institutional-only Rated Money Fund Report Averages™- (MFR) Index.*

2006 unclaimed property division

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 2006, the Unclaimed Property Division collected $86 million. 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 Deputy Treasurer, the 24 employees of the Division are organized into three units consisting of Holder Reporting, Claims Processing and Field Examination/Auditing.

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

Field Examination and Auditing 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 has been 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

Effective October 1, 2005, PA 05-189 was passed which exempts the escheatment of gift cards values from Connecticut's unclaimed property law. As a result, businesses are no longer required to turn over the unused value of gift cards to the State Treasury. Treasurer Nappier raised concerns regarding the deleterious impact of the law to consumer protection: the law eliminates an important consumer protection function served by the escheats law, permits the unused value of gift cards in the possession of Connecticut consumers to be escheated to other states instead of Connecticut, and eliminates a revenue stream to the State of Connecticut

2006 Division Performance

- During fiscal year 2006, the Division returned $26 million to rightful owners who filed 22,732 claims.
- The Division received $86 million in unclaimed property receipts voluntarily reported by holders which includes $13.6 million from sale of mutual funds;
- Per Public Act 05-5, October 5, 2005 Special Session, required the Unclaimed Property Division to deposit $17 million into the Citizens' Election Fund and the balance into the General Fund.

Figure 12-1

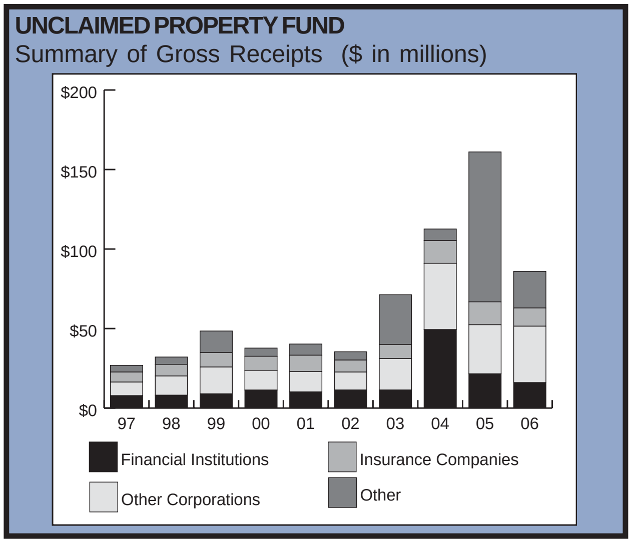


Figure 12-2

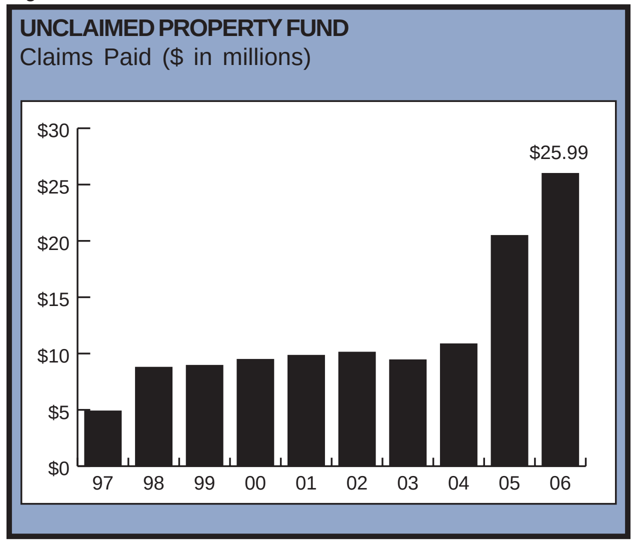


Figure 12-3

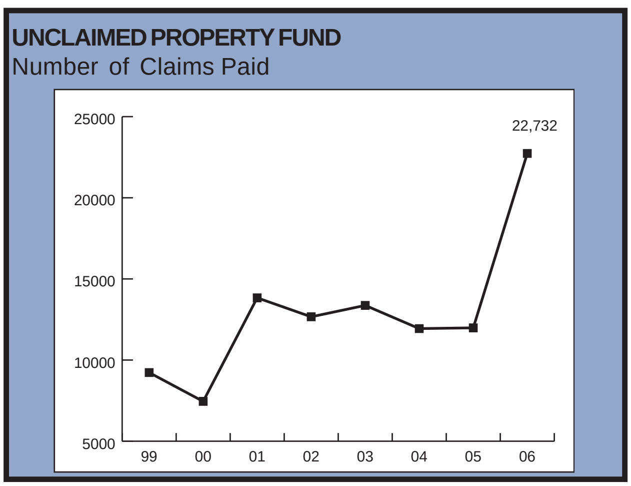
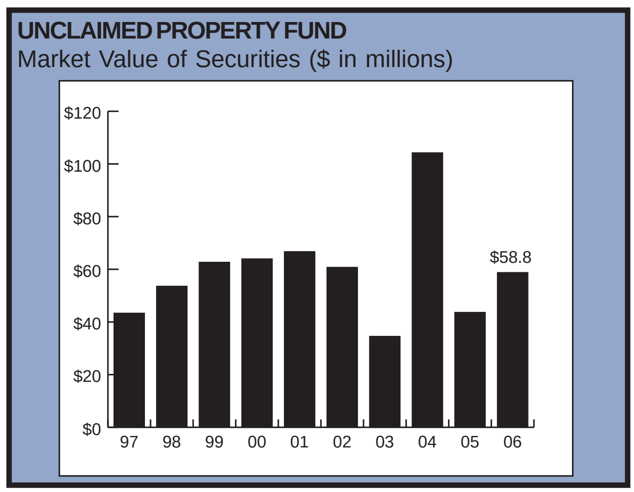


Figure 12-4



DIVISION OVERVIEW

The State Treasurer is the Custodian of the Second Injury Fund ("SIF" or "the Fund"), a state operated workers' compensation insurance fund established in 1945 to discourage discrimination against veterans and encourage the assimilation of workers with a pre-existing injury into the workforce. Prior to July 1, 1995, the Fund provided relief to employers where a worker, who already had a pre-existing injury or condition, was hurt on the job and that second injury was made "materially and substantially" worse by the first injury. 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").

The Fund continues to be liable for claims which involve an uninsured employer, for dependent and widow claims and, on a pro rata basis, reimbursement claims to employers of any worker who had more than one employer at the time of the injury. In addition the Fund is still responsible for "second injury claims" which were transferred to the Fund prior to July 1, 1999.

The mission of the Second Injury Fund is to provide quality service both to the injured workers and employers of Connecticut, whom we jointly serve. The Fund accomplishes this by adjudicating qualifying workers' compensation claims fairly and in accordance with applicable law, industry standards and best practices. Where possible, the Second Injury Fund seeks to return injured workers to gainful employment or seeks settlement of claims, which will ultimately reduce the burden of Second Injury Fund liabilities on Connecticut taxpayers and businesses.

Under the supervision of an Assistant Deputy Treasurer, the Fund employs 41 people within the Treasury. The Assistant Deputy Treasurer maintains general oversight over the division which includes a management team, a claims unit, an accounting and collections unit, an investigations unit, and other administrative support functions. The Fund also pays for attorneys and support staff in the Office of the Attorney General who represent the Fund before the State's Workers' Compensation Commission. In addition the Second Injury 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.

History

The Fund's responsibilities were expanded over the years through judicial and legislative reform. In addition to payments for "second injury" claims, the Fund assumed other statutory obligations such as: Group health insurance reimbursements; Benefit payments pending appeals; Cost of Living reimbursements for death benefits; Cost of Living reimbursements for total disabilities; Acknowledgment of Physical Defects claims; Concurrent employment claims; and Uninsured employer claims.

The Fund experienced minimal growth during its first 30 years. However in the two decades preceding the 1995 Reform Act, the Fund experienced annual claim growth in excess of 20% for the period 1970 to 1995. While there were many explanations for the rapid acceleration of the Fund's liabilities during this period, (i.e., higher benefit levels, medical inflation, etc.) the primary reasons for its exponential growth can be attributed to the impact of a 1974 Connecticut Supreme Court decision in the Jacques case. In summary, cases could be transferred to the Fund based on a pre-existing "condition" as well as a prior injury, regardless of whether the condition was manifest or not. Thus the Jacques case opened the door for a myriad of latent conditions such as arthritis, disc disease and compromised cardiac function.

After 50 years, the Fund had become the largest disburser of workers' compensation benefits in the State and over time, its annual benefit payout increased seven fold, peaking at $120 million in fiscal year 1994. An actuarial analysis projected the Fund's future liability at $6.2 billion as of June 30, 1994. Its operations, which are financed by assessments on Connecticut employers, reached a dollar value high of $146.5 million in 1995. In response the Connecticut General Assembly, closed the Fund to new "second injury" claims sustained on or after July 1, 1995.

Legislative Reforms

The Workers' Compensation Reform Act of 1993 was responsible for significantly reducing Connecticut employers' cost of business. However, legislation that had the greatest impact on the Fund was enacted in 1995, 1996 and 2005. Highlights are listed below:

Public Act 95-277

- Closed the Fund to new "second injury" claims for injuries sustained on or after 7/1/95
- Closed the Fund to new "acknowledgment of defect claims" after 7/1/95
- Eliminated Fund liability for payments to insurers during appeals (31-301f)
- Eliminated Fund liability for reimbursements to employers for the cost of group health insurance (31-284b)
- Expanded enforcement, fines and penalties against employers who fail to provide workers' compensation coverage

Public Act 96-242

- Imposed a July 1, 1999 deadline for transfer of all eligible "second injury" claims to the Fund
- Authorized the issuance of up to $750 million in bonds to finance settlement of claims against the Fund

Public Act 05-199 (Effective 07/01/06)

- Sets an annual interest rate of six (6) percent on underpaid assessments determined after an audit, and further distinguishes between interest and penalty by making clear that the penalty of a flat fifteen (15) percent is payable only when there has been a failure to pay the assessment.
- Limits the Fund's liability to two years for retroactive reimbursement claims; and exempts the Fund from liability for concurrent employment claims brought on behalf of insolvent insurers (CIGA) and from liability for apportionment claims under section 31-299b.
- Clarifies that insurance carriers act as collection agents for the Fund, as well as explains the legislative intent that the assessment liability is imposed upon the insured employer and that the insurer's role is that of collection agent for the Fund. These changes define the assessment as a surcharge on the premium.
- Changes the method of assessment for insured employers, and defines the "Second Injury Fund Surcharge" for those insurers who are subject to it. In addition it clarifies definitions for all employers, such as paid losses and makes it clear what employers must include and what may be excluded when they report their paid losses to the Fund. (Current regulations remain in effect until June 30, 2006.)
- Eases the process by which the Fund can reach settlements with injured workers of uninsured employers subject to approval by the Commission and eliminates the need for additional hearings for medical treatment.

Assessments

The Second Injury Fund operations are financed by assessments on all Connecticut employers. The Treasurer as Custodian of the Fund, establishes the assessment rate on or before May 1st of each year. Treasurer Nappier is the first Connecticut State Treasurer to formalize an assessment audit program to ensure uniform methods of reporting.

Insured employers pay a surcharge on their workers' compensation insurance policies based on "standard premiums" calculated and issued by insurance companies who also collect and remit this assessment to the Fund. Effective 7/1/06, insured employers will pay based on a Second Injury Fund Surcharge. The assessment for self-insured employers is based on "paid losses" for medical and indemnity benefits incurred in the prior calendar year.

There were 4 assessments made in FY06 on insured employers of $ 47.4 million. Self insured employers were assessed 4 times during FY06 at $11.6 million, bringing the total assessment on all Connecticut employers to $59 million for FY06.

Assessment rates, which are used to determine how much Connecticut businesses will pay to the Fund, have been consistently and cautiously reduced over the last seven years. Assessment rates were reduced four times for insured employers. The rate for self-insured employers has been reduced three times. The implementation of management reforms and stricter oversight allowed Treasurer Nappier to reduce rates charged to Connecticut businesses for assessments paid to the Treasury's Second Injury Fund. For FY06, rates remained the same for insured employers at 4% and for self-insured employers, the assessment rate is 8.4%.

The Year in Review

Fiscal Year 2006 Highlights

The Second Injury Funds' major achievements during the past year have continued the implementation of Treasurer Nappier's management reforms. Highlights for fiscal year 2006 include:

- Providing $38.8 million in indemnity, medical and settlement payments to injured workers. The number of injured workers receiving bi-weekly benefits is now 384 compared to 405 a year ago.
- Holding the line on rates to be charged to Connecticut businesses in fiscal year 2007 even with an anticipated decrease in the Fund's assessment base. For insurers, the assessment rate continues to be 4%, while the rate for self-insured employers is 8.4%. This is the eighth consecutive year the rates have either been reduced or kept at the previous year's level.
- Instituting a SIF 'Public Outreach' program to help the Fund's stakeholders and business partners understand the revisions to SIF statutes to take effect July 1, 2006. The bill clarifies the definitions on which assessments are based and eases the penalties and interest levied on businesses not in compliance with the statute.
- Achieving a total of 178 settlements at a cost of $10.3 million. Through June 30, 2006, the Fund has paid 25 injured workers receiving bi-weekly benefits settlements at a cost of $5.4 million with an estimated future net savings of $23.2 million
- Recovering $358,291 via assessment audits of insurance companies and self-insured employers, along with over one million dollars in outstanding receivables.
- Continuing to implement the General Assembly's 1996 mandate to reduce the financial impact of the Fund on Connecticut's businesses:
  - As of June 30, 2006 the Fund's open claim inventory is 2,254, including 692 "second injury' claims. The 692 open second injury claims represents a reduction of 79 open claims, (10.2%) from last year's total of 771. (See figure 13-1)
  - Reserves (estimated future payments) for all open claims are $449.2 million, a reduction of $12.7 million (2.9%) from a year ago. "Reserves for "second injury" open claims are $287.5 million, a reduction of $19.8 million, (7.4%) from last year. (See figure 13-2)
- Working with the Second Injury Fund Advisory Board and 'Roundtable' of insurers and self-insured businesses to help the Fund carry out its mission.

Figure 13-1

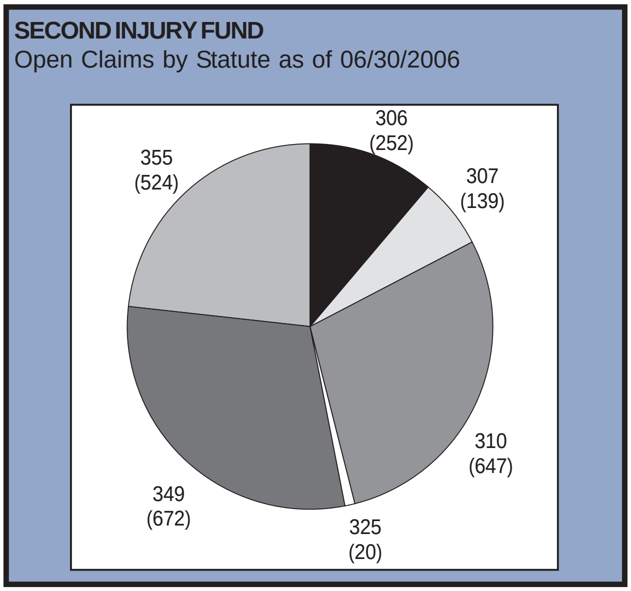


Figure 13-2

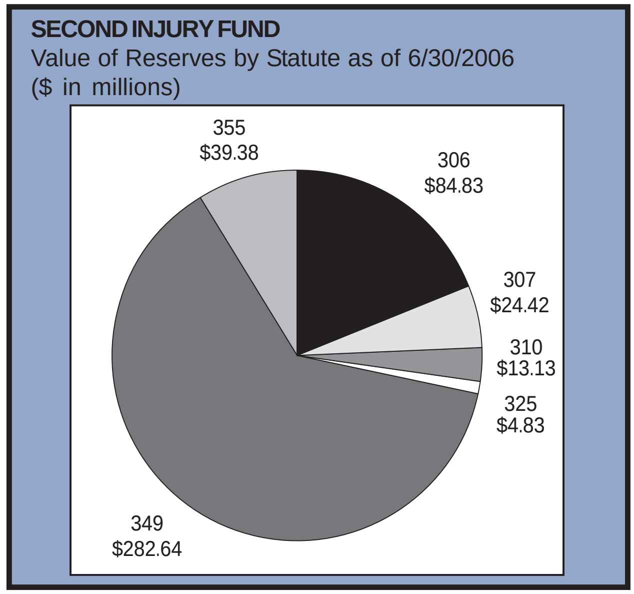
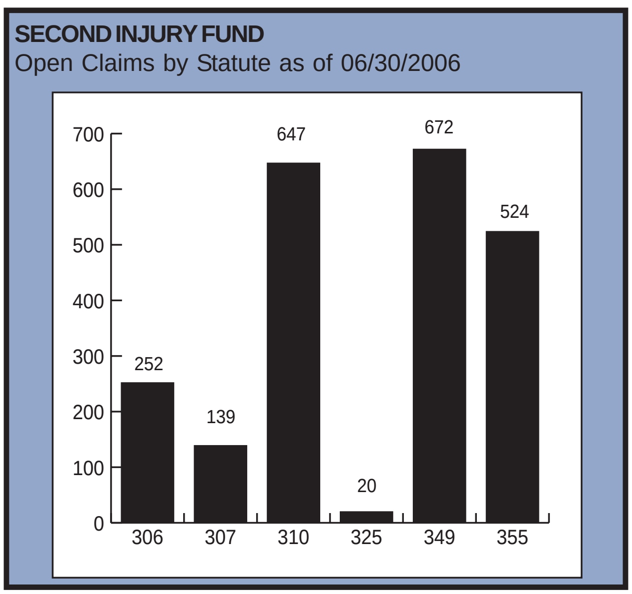


Figure 13-3



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 percent.

(1) This provision of the 2001 Federal Tax Reduction Act which was scheduled to expire on December 31, 2010 was made permanent through the 2006 Pension Protection Act (8/06).

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. In 2005, that Management Agreement was extended to March 2010. 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 five investment options: the Managed Allocation Option (original offering) , the High Equity Option or the Principal Plus Interest Option, first offered in March 2001, or the new 100% Equity Index and 100% Fixed Income options which were introduced in June 2006. These options provide Connecticut families saving for future college expenses with the flexibility to choose investment vehicles which meet their particular needs, as well as their individual tolerance for investment risk.

The program's core Managed Allocation Option offers an age based investment approach, utilizing a total of six individual age bands, structured as groups of beneficiaries born within the same three-year period. As the age band group approaches college age, each Fund's assets are moved from more aggressive to more conservative investments in accordance with the Trust's investment policy. The Managed Allocation Age Band Funds are comprised of unitized underlying investments in up to six TIAA-CREF institutional mutual funds, which as of June 30, 2006 consisted of an institutional domestic equity index fund, an international equity index fund, a bond fund, an inflation linked bond fund, a real estate securities fund and a money market fund.

The High Equity Option invests in varying percentages in TIAA-CREF institutional domestic and international equity mutual funds, and inflation linked bond and bond funds. The approved new asset allocation plan for the High Equity option, which became effective in June 2006 was modified to include revised proportions of the following five underlying equity and fixed income funds: Institutional S&P 500 Index, Small Cap Equity, Mid Cap Value, Mid Cap Growth, International Equity Index, Inflation Linked Bond and Bond Funds.

The Principal Plus Interest Option provides a more conservative and stable offering designed for investors who for a variety of reasons and investment timelines tolerate very limited risk. 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-CREF, which offers a guarantee to the Trust of principal and an annual minimum rate of return. The guaranteed rate of return was 3.3% from July 1, 2005 to June 30, 2006, and was reset to a rate of 3.55% for the period from July 1, 2006 through June 30, 2007.

The new 100% Equity Index and 100% Fixed Income Investment Options were introduced in June 2006, and provide alternative stand alone investment choices as well as useful complements to other investment options in the program, utilizing varied combinations of many of the same underlying TIAA-CREF institutional mutual funds.

Program features include a low minimum account opening balance of $25 ($15 if using payroll deduction), and automated payroll and bank EFT contributions. Account funds can be used at thousands of eligible (accredited) college and higher education institutions nationwide and abroad. The program allows for transferability of account funds to other eligible members of the original beneficiary's family without penalty. In addition, approximately 500 companies currently offer payroll deduction in the state.

The Year in Review

More Connecticut families have been saving for higher education with CHET than ever before as they are increasingly realizing the benefits of participating in their home state college savings program. Recent program changes and enhancements implemented by the Treasurer aimed at making the program more accessible and affordable, in addition to newly passed tax incentives for Connecticut residents and federal tax benefits, and expanded program marketing efforts have contributed to solid growth in the number of account owners. Nearly 86% of accounts currently belong to state residents, and as of fiscal year end 2006, the number of CHET accounts grew to 50,268 accounts, from the previous fiscal year end level of 46,516. During that time, program equity of account holders grew from $599 to $704 million, an increase of $105 million. That compares with just over 4,000 accounts and $18 million in assets when the Treasurer took office in 1999.

After several years of determined advocacy by the Treasurer, the Connecticut General Assembly successfully passed House Bill 5845, which provides a new state income tax deduction for contributions to the CHET program of up to $5,000 per taxpayer or $10,000 for taxpayers filing jointly. The tax deduction was proposed by the Treasurer and endorsed by a bipartisan coalition of legislators and education officials, was signed into law in May. In accordance with the existing management agreement with TIAA-CREF, the State Treasurer's Office successfully negotiated a further reduction in overall program management fees for existing and newly introduced investment options as a result of the passage of favorable Connecticut tax treatment for the CHET program.

CHET's increasingly competitive annual fees for account owners remained among the lowest offered in the country for 529 college savings plans. These annualized fees, which consist of underlying mutual fund expenses and program manager fees, plus a 0.01% state oversight fee, were reduced twice during the current fiscal year. As of June 30, 2006 total fees were 0.65% of average daily net assets for all investment options, except for the Principal Plus Interest option which has a total 0.01% fee. There are no additional charges or penalties imposed by or payable to the Trustee in connection with opening or maintaining of accounts under any of the investment options.

There were several asset allocation modifications to the Managed Allocation and the High Equity investment options during the year as well as new investment offerings introduced in FY 2006. These asset allocation and sub asset allocation changes include the addition and/or substitution of new underlying mutual funds, the broadened use of underlying funds from more diverse asset classes, and changes in the mix of equity, fixed income and other instruments. Adjustments were made in response to annual asset allocation proposals provided by TFI and specific recommendations stemming from an independent consulting firm's assessment of the 2005-06 CHET asset allocation plan and concurrent evaluation of underlying TIAA-CREF institutional mutual funds. The Managed Allocation Option remained the most actively utilized investment option in the CHET program capturing 67% of total program assets, while 19% of assets were invested in the High Equity and 14% in the Principal Plus Interest Options.

In June 2006, the Treasurer approved an increase in the CHET's account balance limit for contributions from its previous level of $235,000, which had remained level since program inception, to $300,000. This increased contribution limit was made to keep pace with increasing college tuition costs and has more closely aligned CHET with maximum levels in other state plans.

The State Treasurer's Office worked closely with TIAA-CREF to strengthen public awareness of the CHET program and to increase understanding of the importance of saving for college education. An integrated marketing campaign was launched by TIAA-CREF in several stages which spanned from September 2005, in recognition of national College Savings Month, through early January 2006.

As the 529 savings industry matures, competition between state sponsored programs has continued to intensify. On a national level, many advisor-sold 529 plans have been offering increased flexibility and choice of investment options similar to those traditionally offered in retirement plans, which may provide commissions to broker-dealers at the expense of 529 plan participants. While many of the indirect advisor plans have actively marketed services to predominantly upper-income individuals with limited outreach to other market segments, CHET has continued to grow as a low-cost, directly-sold product Connecticut-focused with outreach and access to all socio-economic groups, as well as an expanded array of competitive options to address consumer interests.

CHET Advisory Committee

There is a statutorily established CHET Advisory Committee, which meets annually. The Committee met on December 5, 2005.

The Connecticut Higher Education Trust Advisory Committee consists 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

ROBERT L. GENUARIO, 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 ANDREW M. FLEISCHMANN, 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. CAMERON STAPLES, House Chair, Finance, Revenue and Bonding Committee, Designee: Dorian Hayes

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

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

MARGARET WOLF, Director of Financial Aid, Capitol Community College

JAMES BLAKE, Executive Vice President of Finance & Administration, Southern Connecticut State University

WILLIAM LUCAS, Vice President Finance, Fairfield University, Designee: Ray Bordeau

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

Financial Statements

STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS

KEVIN P. JOHNSTON

STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

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, 2006, 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, 2006. We have also audited the statement of net assets of the Second Injury Fund as of June 30, 2006, together with the related statement of revenues and expenses and changes in fund net assets and the statement of cash flows for the Second Injury Fund, for the fiscal year ended June 30, 2006. We have also examined the schedules of Civil List Funds investments, as of June 30, 2006, the Civil List Funds cash receipts and disbursements for the fiscal year ended June 30, 2006, and debt outstanding, as of June 30, 2006, and changes in debt outstanding during the fiscal year ended June 30, 2006. 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. 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 described in the notes to the financial schedules, the State Treasury has prepared the schedules of Civil List Funds investments, as of June 30, 2006, the Civil List Funds cash receipts and disbursements for the fiscal year ended June 30, 2006 and debt outstanding, as of June 30, 2006, and changes in debt outstanding during the fiscal year ended June 30, 2006, using accounting practices prescribed by the State Comptroller which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial schedules of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the schedules referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the cash and investments of the Civil List Funds as of June 30, 2006, the Civil List Funds cash receipts and disbursements for the fiscal year ended June 30, 2006, the balance of bonds outstanding as of June 30, 2006, and bonds issued, retired and refunded, and bond interest payments made during the year ended on that date.

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, 2006, the Civil List Funds cash receipts and disbursements for the fiscal year ended June 30, 2006, the balance of bonds outstanding as of June 30, 2006, 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.

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 and the Second Injury Fund as of June 30, 2006, and the results of their operations, the changes in fund balance for the other Non-Civil List Trust Funds and the changes in net assets for the Second Injury Fund, and cash flows for the other Non-Civil List Trust Funds and the Second Injury Fund 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 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 29, 2006, and the Short-Term Investment Fund, dated December 29, 2006. 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
Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

Nancy Wyman
Nancy Wyman
State Comptroller

May 17, 2007
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, 2006, and the statement of changes in net assets for the fiscal years ended June 30, 2006, and 2005. 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, 2006, 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, 2006, 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 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 are presented at the cash adjusted fair values, which utilize the investment advisors' March 31, 2006, 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, 2006. Other information contained within the Statistical Section and the Investment and Introductory Sections of this document has not been audited.

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

December 29, 2006
State Capitol
Hartford, Connecticut

STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS

KEVIN P. JOHNSTON

STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

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, 2006, and the statements of changes in net assets for the fiscal years ended June 30, 2006, and 2005. 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, 2006, 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, 2006, 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
Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

December 29, 2006
State Capitol
Hartford, Connecticut

The following *Management's Discussion and Analysis (MD&A)* provides an overview of the Annual Report of the Office of the Treasurer's financial performance for the fiscal year ended June 30, 2006. The information contained in this MD&A should be considered in conjunction with the information contained in the financial statements, notes to financial statements and the other information included in the "Supplemental Information" section of this report.

The Treasurer is the chief fiscal officer of the State of Connecticut, overseeing a wide variety of activities regarding the prudent conservation and management of State funds. These include the administration of a $22.9 billion portfolio for six State pension and eight State trust funds, a short-term investment fund with an average daily balance approximating $5 billion, and the Connecticut Higher Education Trust, a qualified state tuition program designed to promote and enhance affordability and accessibility of higher education to State residents, containing $704 billion.

The organizational structure of the Treasury comprises an Executive Office which coordinates all financial reporting, administration and support functions within the Treasury, oversees administration of the Connecticut Higher Education Trust, and five divisions including: Pension Funds Management responsible for managing the assets of over 160,000 teachers, state, and municipal employees as well as trust funds financing academic programs, grants, and initiatives throughout the state; Debt Management, the public finance department for the State, responsible for issuing and managing the State's debt including issuing bonds to finance State capital projects and managing debt service payments and cash flow borrowing, administering the Clean Water Fund and Tax Exempt Proceeds Fund and maintaining the State's rating agency relationships; Cash management, responsible for all the State's cash inflows and outflows and managing the State's cash transactions, banking relationships and short-term investments; Unclaimed Property responsible for returning unclaimed property to rightful owners or heirs; and the Second Injury Fund, responsible for managing the largest workers' compensation claim operation in Connecticut, serving injured workers whose claims are paid by the Fund.

FINANCIAL HIGHLIGHTS

The Connecticut Retirement Plans and Trust Funds outperformed its benchmark by 88 basis points while taking on less risk than 58 percent of other funds as measured by the Trust Universe Comparison Services (TUCS). Pension and Trust assets have grown from $21.3 billion at June 30, 2005 to $22.9 billion at June 30, 2006.

The Short Term Investment Fund outperformed its benchmark by 37 basis points, resulting in $18.4 million in additional interest income for the state, state agencies and municipalities and their taxpayers. At the end of the 2006 fiscal year, the Short Term Investment Fund had more than $5.4 billion in assets under management.

The Treasury executed $61 million in refunding bond sales of UCONN 2000 bonds with savings of $4 million over the life of the bonds.

The Connecticut Higher Education Trust Investments held 50,226 accounts with total assets of $693.5 million at the end of the 2006 fiscal year compared to 46,516 accounts and $595.6 million in assets in the prior fiscal year, an increase of $97.9 million.

The Office of the Treasurer recovered $2.0 million in the fiscal year from litigation efforts that included class action litigation of $1.8 million and $0.2 million in individual litigation from claims and litigation program.

Condensed Financial Information

Combined Investment Funds

Net Assets and Changes in Net Assets

Net Assets - The net assets of the Combined Investment Funds at the close of the 2006 fiscal year were $22.9 billion, an increase of $1.6 billion from the previous year. The change in net assets resulted from net investment income from operations of $2.3 billion partly offset by cash outflows to the Connecticut Retirement Plans and Trust Funds of $0.8 billion. As is the case with any pension fund, a portion of the total net investment income of $2.3 billion ($0.8 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 10.89%, net of all management fees and expenses, resulting in an increase in net assets from operations of $1.6 billion in the 2006 fiscal year, compared to a return of 10.46%, net of all expenses for the previous fiscal year. Returns were positive in all the Funds investment classes in fiscal year 2006 despite higher market volatility compared to 2005 as a result of higher oil prices and rising interest rates.

Table 1 - Net Assets

Assets	2006	Increase (Decrease)	2005	Increase (Decrease)	2004
Investments at Fair Value	$23,482,898,042	$1,909,633,425	$21,573,264,617	$923,148,715	$20,650,115,902
Cash, Receivables and Other	16,145,903,300	3,933,160,855	12,212,742,445	1,756,302,745	10,456,439,700
Total Assets	39,628,801,342	5,842,794,280	33,786,007,062	2,679,451,460	31,106,555,602
Liabilities	(16,812,028,370)	(4,325,170,910)	(12,486,857,460)	(1,569,691,638)	(10,917,165,822)
Net Assets	$22,816,772,972	$1,517,623,370	$21,299,149,602	$1,109,759,822	$20,189,389,780

Table 2 - Changes in Net Assets

Additions	2006	Increase (Decrease)	2005	Increase (Decrease)	2004
Dividends	$525,565,751	$25,325,909	$500,239,842	$(107,289,421)	$607,529,263
Interest	350,786,481	48,733,880	302,052,601	(976,584)	303,029,185
Securities Lending & Other Income	124,613,062	48,593,890	76,019,172	23,253,315	52,765,857
Total Investment Income	1,000,965,294	122,653,689	878,311,615	(85,012,690)	963,324,305
Total Investment Expenses	178,008,768	65,886,061	112,122,707	(48,566,340)	63,556,367
Net Investment Income	822,956,526	56,767,628	766,188,908	(133,579,030)	899,767,938
Net Realized Gain/(Loss)	886,031,474	187,367,321	698,664,153	(182,314,879)	880,979,032
Net Change in Unrealized Gains on Investments	520,430,130	(70,724,973)	591,155,103	(345,760,521)	936,915,624
Net Increase in Net Assets Resulting From Operations	2,229,418,130	242,817,524	2,056,008,164	(661,654,430)	2,717,662,594
Purchase of Units by Participants	1,829,831,913	197,508,729	1,632,323,184	(1,257,190,659)	2,889,513,843
Total Additions	4,059,250,043	440,326,253	3,688,331,348	(1,918,845,089)	5,607,176,437
Deductions					
Administrative Expenses	2,958,886	(279,238)	2,679,648	(423,340)	2,256,308
Distribution of Income to Unit Owners	802,533,547	57,108,208	$859,641,755	(43,511,564)	$816,130,191
Redemption of Units by Participants	1,736,134,242	(19,884,123)	1,716,250,119	1,183,555,107	2,899,805,226
Total Deductions	2,541,626,675	36,944,847	2,578,571,522	(1,139,620,203)	3,718,191,725
Change in Net Assets	1,517,623,368	407,863,542	1,109,759,826	(779,224,886)	1,888,984,712
Total net assets – beginning	21,299,149,602	1,109,759,826	20,189,389,776	1,888,984,712	18,300,405,064
Total net assets - ending	$22,816,772,972	$1,517,623,370	$21,299,149,602	$1,109,759,826	$20,189,389,776

Short-Term Investment Fund

Net Assets and Changes in Net Assets

Net Assets - The net assets under management in the Short-Term Investment Fund at the close of the fiscal year were $5.4 billion, an increase of $1.1 billion from the previous year. The principal reasons for the increase was an overall increase of $932 million in State Agencies and Authorities STIF investments and an increase of $179 million in investments in the Fund from its municipal and local customers.

Operating Income - General financial market conditions produced an annual total return of 4.38%, net of operating expenses and allocations to Fund reserves, compared to an annual total return of 2.32%, 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 4.01%, by 37 basis points, resulting in $18.4 million in additional interest income for Connecticut governments and their taxpayers.

Table 3 - Net Assets

Assets	2006	Increase (Decrease)	2005	Increase (Decrease)	2004
Investments in Securities, at Amortized Cost	$5,442,474,476	$1,123,058,856	$4,319,415,620	$490,302,328	$3,829,113,292
Receivables and Other	9,989,261	5,001,585	4,987,676	744,469	4,243,207
Total Assets	5,452,463,737	1,128,060,441	4,324,403,296	491,046,797	3,833,356,499
Liabilities	(22,297,185)	(11,797,726)	(10,539,459)	6,438,967	(4,100,492)
Net Assets	$5,430,166,552	$1,116,302,715	$4,313,863,837	$484,607,830	$3,829,256,007

Table 4 - Changes in Net Assets

Additions	2006	Increase (Decrease)	2005	Increase (Decrease)	2004
Net Interest Income	$217,863,278	$121,249,587	$96,613,691	$51,519,585	$45,094,106
Net Realized Gains	53,034	53,034	-	(176,116)	176,116
Total Investment Income	217,916,312	121,302,621	96,613,691	51,343,469	45,270,222
Purchase of Units by Participants	13,308,206,427	451,051,159	12,857,155,268	82,435,186	12,774,720,082
Total Additions	13,526,122,739	572,353,780	12,953,768,959	133,778,655	12,819,990,304
Deductions					
Distribution of Income to Participants	212,646,678	(118,818,443)	93,828,235	50,453,438	43,374,797
Redemption of Units by Participants	12,195,842,433	178,406,500	12,374,248,933	151,740,687	12,222,508,246
Operating Expenses	1,330,913	(246,952)	1,083,961	153,887	930,074
Total Deductions	12,409,820,024	59,341,105	12,469,161,129	202,348,012	12,266,813,117
Change in Net Assets	1,116,302,715	631,694,885	484,607,830	(68,569,357)	553,177,187
Total net assets – beginning	4,313,863,837	484,607,830	3,829,256,007	553,177,187	3,276,078,820
Total net assets - ending	$5,430,166,552	$1,116,302,715	$4,313,863,837	$484,607,830	$3,829,256,007

Connecticut Higher Education Trust

Net Assets and Changes in Net Assets

Net Assets – Net Assets of the Connecticut Higher Education Trust at the close of the fiscal year were $704.3 million, an increase of $108.6 million from the previous year.

Changes in Net Assets – The change in net assets of the Connecticut Higher Education Trust due to operations in fiscal year 2006 resulted from $31.7 million in net realized and unrealized gain on investments and net investment income and $77 million from contributions to active accounts, net of redemptions.

Table 5 - Net Assets

Assets	2006	Increase (Decrease)	2005	Increase (Decrease)	2004
Investments in Securities, at Value	$703,584,334	$107,631,218	$595,953,116	$124,163,088	$471,790,028
Cash, Receivables and Other	1,297,383	391,528	905,855	(492,096)	1,397,951
Total Assets	704,881,717	108,022,746	596,858,971	123,670,992	473,187,979
Liabilities	537,476	(603,318)	1,140,794	515,574	625,220
Net Assets	$704,344,241	108,626,064	$595,718,177	$123,155,418	$472,562,759

Table 6 - Changes in Net Assets

Additions	2006	Increase (Decrease)	2005	Increase (Decrease)	2004
Net investment income	$19,097,439	$4,419,670	$14,677,769	$(1,723,081)	$16,400,850
Net realized gain (loss) on investments	26,281,381	12,516,277	13,765,104	14,607,110	(842,006)
Net change in unrealized appreciation (depreciation)	(13,709,775)	(18,981,704)	5,271,929	(14,547,031)	19,818,960
Net Increase in Net Assets Resulting From Operations	31,669,045	(2,045,757)	33,714,802	(1,663,002)	35,377,804
From account owner transactions	76,957,019	(12,483,597)	89,440,616	(15,730,786)	105,171,402
Change in Net Assets	108,626,064	(14,529,354	123,155,418	(17,393,788)	140,549,206
Total net assets – beginning	595,718,177	123,155,418	472,562,759	140,549,206	332,013,553
Total net assets - ending	$704,344,241	$108,626,064	$595,718,177	$123,155,418	$472,562,759

Second Injury Fund

Net Assets - The net assets of the Second Injury Fund (SIF) at the close of fiscal year 2006 were $42.2 million, an increase of $15.5 million from the previous year net asset balance of $26.7 million.

Operating Income – The $15.6 million positive change in net assets resulted from net operating income of $14.2 million and investment income of $1.3 million.

Special Obligation Rate Reduction Bonds

Net Deficit - The net deficit of the Special Obligation Rate Reduction Bonds presented at the close of the calendar year December 31, 2005 was $143 million, a decrease of $35 million from the prior year. The Special Obligation Rate Reduction Bonds were issued in 2004 pursuant to Connecticut General Statutes to sustain for two years the funding of energy conservation and load management and renewable energy investment programs by providing money to the State's General Fund. The repayment of the bonds including principal, interest and all fees and expenses are payable from a State RRB charge on the electric bills of the State's two electric utilities.

Changes in Net Assets – The total decrease in the net deficit of the Special Obligation Rate Reduction Bonds in calendar year 2005 was the result of net income generated from the utilities revenues.

Tax Exempt Proceeds Fund

Net Assets - The net assets of the Tax Exempt Proceeds Fund at the close of the fiscal year were $15 million, an increase of $4.4 million from the previous year.

Changes in Net Assets – The total increase in net assets of the Tax Exempt Proceeds Fund in fiscal year 2006 was the result of a net redemption of fund investments.

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, 7) Special Obligation Rate Reduction Bonds, and 8) 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- and provide detailed information. This financial information is included in the activities of the State of Connecticut's <u>*Fund Financial Statements*</u> 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, Special Obligation Rate Reduction Bonds, 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.

<u>Combined Investment Funds</u>: 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-36 of this report.

Civil And Non-Civil List Trust Funds: The Civil List Pension and Trust Funds schedule (page F-45) includes all cash and investment balances, and activity for the fiscal year. The Non-Civil List Trust Funds Financial Statements (page F-46) 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-49 of this report.

Connecticut Higher Education Trust: The Statement of Assets and Liabilities 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 the fiscal year end.

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-62 of this report.

Special Obligation Rate Reduction Bonds: The Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and Statement of Cash Flows (pages F-64 – F-66) are financial statements that report information about the Special Obligation Rate Reduction Bonds.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Special Obligation Rate Reduction Bonds financial statements. The notes can be found on pages F-67 – F-70 of this report.

Tax Exempt Proceeds Fund: The Statement of Net Assets, Statement of Operations and Statement of Changes in Net Assets (pages F-72 – F-80) 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-81 – F-82 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-50 and F-51) 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 pages F-53 – 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, 2006, the Combined Investment Funds reported investment balances of $22.9 billion. The Short-Term Investment Fund reported a fund balance of $5.4 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 $1.6 billion, as a result of earning net investment income from operations of $2.3 billion partly offset by net cash outflows to the Connecticut Retirement Plans and Trust Funds of $0.7 billion. The value of the fund portfolio rose from $21.30 billion to $22.9 billion. Favorable performance results produced a positive return of 10.89%, net of all expenses, compared to a return of 10.46%, 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 $1.1 billion principally from a $0.9 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 4.38%, net of operating expenses and allocations to Fund reserves, compared to an annual total return of 2.32%, net of operating expenses and allocations to Fund reserves in the previous fiscal year. The total annual return of percent in STIF exceeded its primary benchmark by 37 basis points, resulting in $18.4 million in additional interest income for the state, municipalities, other units of local government and their taxpayers. The higher return resulted from increases in market interest rates due to the Federal Reserve move to raise interest rates in order to ward against inflation in a growing U.S. economy.

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, 2006, the State had $14.1 billion in bonds and notes outstanding versus $13.9 billion at June 30, 2005, an increase of $0.2 billion. Outstanding debt at June 30, 2006 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,

Bond Type	2006	Increase (Decrease)	2005	Increase (Decrease)	2004
General obligation –					
Tax supported	$8,961,616,472	$317,477,583	$8,644,138,889	$274,392,206	$8,369,746,683
Revenue supported	4,616,124	(1,755,000)	6,371,124	(2,790,000)	9,161,124
Transportation	1,936,576	(530,000)	2,466,576	(530,000)	2,996,576
Economic Recovery Notes	146,090,000	(63,470,000)	209,560,000	(63,655,000)	273,215,000
Special Tax Obligation	3,081,097,825	(20,420,000)	3,101,517,825	(40,540,000)	3,142,057,825

Bradley International Airport	226,375,000	(10,140,000)	236,515,000	(15,505,000)	252,020,000
Clean Water Fund	535,315,000	(36,225,000)	571,540,000	(39,720,000)	611,260,000
UCONN 2000	790,647,147	(22,880,000)	767,767,147	49,860,000	717,907,147
CDA Increment Financing	26,870,000	(1,800,000)	28,670,000	(1,155,000)	29,825,000
CDA Government Lease revenue	5,175,000	(485,000)	5,660,000	(455,000)	6,115,000
Second Injury Fund Bonds	-	-	-	(54,255,000)	54,255,000
CHEFA Childcare Facilities program	36,575,000	(845,000)	37,420,000	(1,340,000)	38,760,000
Bradley Parking operations	49,875,000	(2,040,000)	51,915,000	(1,885,000)	53,800,000
CT Juvenile Training school	17,735,000	(375,000)	18,110,000	(365,000)	18,475,000
Special Obligation Rate Reduction Bonds	153,160,000	(26,605,000)	179,765,000	(25,580,000)	205,345,000
CCEDA Bonds	86,800,000	14,300,000	72,500,000	72,500,000	-
Total	$14,123,884,143	$189,967,582	$13,933,916,561	$148,977,206	$13,784,939,355

During fiscal year 2006, the State issued $1.38 billion in new bonds to fund state programs and issued refunding bonds totaling $61 million to refinance amounts outstanding on previously issued bonds to lower rates and having a total savings of $4 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

The State's economic performance improved in fiscal 2006 over the previous fiscal year, as the national and state economy continued to expand at a healthy pace. General Fund revenue for FY2006 resulted in a fund balance of $910 million, primarily from the personal income tax and corporate income tax areas. Personal income tax growth approximated 5.7% and sales tax grew by approximately 4.2% in FY2006. Public Act 06-186 included several actions impacting the surplus including appropriating $245.6 million for Teachers Retirement pensions and $85.5 million to Debt Service to pre-pay the remaining Economic Recovery Notes. These items along with appropriations to fund projected FY2006 deficiencies resulted in a projected surplus balance of $424.6 million being deposited into the Budget Reserve Fund (Rainy Day Fund). However, the Governor's Office report on Connecticut's economic outlook looks optimistic as its citizens growth in personal income was 4.1% in fiscal year 2003-04 and is projected to be 4.5% in the current fiscal year and remain at a rate of 4.5% in the coming fiscal year. Connecticut has also returned to job growth this year with a projected gain of over 7,000 jobs in fiscal year 2004-05 and projected job growth of approximately 17,000 jobs in fiscal year 2005-06 since the beginning of the economic slowdown, however manufacturing employment in Connecticut has declined 0.9% while increasing 2.1% nationwide. Job growth increases in education and health service offset the state's nonmanufacturing industries in telecommunications, broadcasting and data processing. After a notable improvement in the economy over the past year, the state's economy in fiscal year 2006 will also benefit from higher household new worth and strong corporate earnings due to improved consumer spending, business investment and increased job creation. Yet, higher energy costs, rising inflation, consumer debt, and weakness in job growth could potentially affect the state's and the national economic recovery.

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

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, 2006

	TOTAL
ASSETS	
Investments in Securities, at Fair Value	
Cash Reserve Fund	$ -
Cash Equivalents	820,779,917
Asset Backed Securities	434,063,514
Government Securities	1,664,157,058
Government Agency Securities	1,536,772,778
Mortgage Backed Securities	970,809,988
Corporate Debt	1,940,538,032
Convertible Securities	45,228,403
Common Stock	13,888,791,634
Preferred Stock	100,926,827
Real Estate Investment Trust	113,098,840
Mutual Fund	360,256,278
Limited Liability Corporation	10,769,746
Trusts	53,199,123
Limited Partnerships	1,543,267,802
Annuities	238,102
Total Investments in Securities, at Fair Value	23,482,898,042
Cash	53,677,919
Receivables	
Foreign Exchange Contracts	12,927,274,057
Interest Receivable	78,916,742
Dividends Receivable	18,206,889
Due from Brokers	256,645,981
Foreign Taxes	2,177,074
Securities Lending Receivable	984,399
Reserve for Doubtful Receivables	(9,156,576)
Total Receivables	13,275,048,566
Invested Securities Lending Collateral	2,815,146,706
Prepaid Expenses	2,030,109
Total Assets	39,628,801,342
LIABILITIES	
Payables	
Foreign Exchange Contracts	12,991,164,913
Due to Brokers	975,877,929
Income Distribution	788,592
Total Payables	13,967,831,434
Securities Lending Collateral	2,815,146,706
Accrued Expenses	29,050,230
Total Liabilities	16,812,028,370
NET ASSETS	$ 22,816,772,972

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, 2006

		TOTAL
ADDITIONS		
OPERATIONS		
Investment Income		
Dividends	$	525,565,751
Interest		350,786,481
Other Income		2,466,219
Securities Lending		122,146,843
Total Income		1,000,965,294
Investment Expenses		
Investment Advisory Fees		64,365,142
Custody and Transfer Agent Fees		96,982
Professional Fees		1,960,211
Security Lending Fees		2,406,733
Security Lending Rebates		108,848,718
Other Investment Expenses		330,982
Total Investment Expenses		178,008,768
Net Investment Income		822,956,526
Net Realized Gain (Loss)		886,031,474
Net Change in Unrealized Gain/(Loss) on Investments and Foreign Currency		520,430,130
Net Increase (Decrease) in Net **Assets Resulting from Operations**		2,229,418,130
Unit Transactions		
Purchase of Units by Participants		1,829,831,913
TOTAL ADDITIONS		4,059,250,043
DEDUCTIONS		
Administrative Expenses:		
Salary and Fringe Benefits		(2,958,886)
Distributions to Unit Owners:		
Income Distributed		(802,533,547)
Returns of Capital		-
Total Distributions		(802,533,547)
Unit Transactions		
Redemption of Units by Participants		(1,736,134,242)
TOTAL DEDUCTIONS		(2,541,626,675)
CHANGE IN NET ASSETS		1,517,623,368
Net Assets- Beginning of Period		21,299,149,602
Net Assets- End of Period	$	22,816,772,972

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, 2005

		TOTAL
ADDITIONS		
OPERATIONS		
Investment Income		
Dividends	$	500,239,842
Interest		302,052,601
Other Income		17,941,401
Securities Lending		58,077,771
Total Investment Income		878,311,615
Investment Expenses		
Investment Advisory Fees		56,704,256
Custody and Transfer Agent Fees		1,907,792
Professional Fees		3,217,508
Security Lending Fees		2,941,450
Security Lending Rebates		47,351,701
Other Investment Expenses		-
Total Investment Expenses		112,122,707
Net Investment Income		766,188,908
Net Realized Gain (Loss)		698,664,153
Net Change in Unrealized Gain/(Loss) on Investments and Foreign Currency		591,155,103
Net Increase (Decrease) in Net Assets Resulting from Operations		2,056,008,164
Unit Transactions		
Purchase of Units by Participants		1,632,323,184
TOTAL ADDITIONS		3,688,331,348
DEDUCTIONS		
Administrative Expenses		
Salary and Fringe Benefits		(2,679,648)
Distributions to Unit Owners:		
Income Distributed		(859,641,755)
Total Distributions		(859,641,755)
Unit Transactions		
Redemption of Units by Participants		(1,716,250,119)
TOTAL DEDUCTIONS		(2,578,571,522)
CHANGE IN NET ASSETS		1,109,759,826
Net Assets- Beginning of Period		20,189,389,776
Net Assets- End of Period	$	21,299,149,602

The accompanying notes are an integral part of these 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

The financial statements and corresponding footnotes include the application of GASB 44, "Economic Condition Reporting." This Statement amends the portions of NCGA Statement 1 which guides the preparation of the statistical section. This amendment now requires that the statistics section include ten-year trend information that assist users in utilizing the basic financial statement, notes to basic financial statements, and required supplementary information to assess the economic condition of a government. The provisions of this Statement are effective for statistical sections prepared for periods beginning after June 15, 2005.

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 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.

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, 2006, the Fund held MBSs of $941,603,360 and ABSs of $194,890,055.

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, 2006 the Fund's holdings had a fair value of $2.0 million and a cost of $39.2 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. At June 30, 2006 one partnership is being reported at cost. 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, 2006, 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 $7.2 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, 2006, 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 $53.1 million. 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 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 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.

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, 2006, 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 underlying holdings of the Private Investment Fund and the Real Estate Fund may hold derivatives. 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. 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 Changes in Net Assets. The appropriate treatment is determined depending on the terms of the investment agreement. Capitalized fees are not separately presented on the Statement of Changes in Net Assets. 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, 2006:

	Netted	Capitalized	Expensed	Total
Private Investment Fund	$ 12,502,870	$ 9,082,928	$4,702,362	$ 26,288,160

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, 2006:

Private Investment Fund	$ 157,787,997

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 Changes in Net Assets. Realized loss for such transactions for the fiscal year ended June 30, 2006 were $3,121,713.

The Mutual Fixed Income 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 Changes in Net Assets. The corresponding fees incurred for the fiscal year ended June 30, 2006 totaled $1,635,342.

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 Changes in Net Assets. The corresponding fees incurred for the fiscal year ended June 30, 2006 totaled $679,952.

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 Changes in Net Assets. The appropriate treatment is determined depending on the terms of the investment agreement. Capitalized fees are not separately presented on the Statement of Changes in Net Assets. 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, 2006:

	Netted	Capitalized	Expensed	Total
Real Estate Fund	$ 2,222,656	$ 2,456,640	$ 837,532	$ 5,516,828

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 Changes in Net Assets 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: DEPOSITS, INVESTMENTS AND SECURITIES LENDING

Deposits:

The Funds minimize custodial credit risk by maintaining certain restrictions set forth in the Investment Policy Statement. Custodial credit risk is risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure the Funds would not be able to recover its deposits or collateralized securities that are in the possession of the outside parties. The Funds utilize a Cash Reserve Account that is a cash management pool investing primarily in highly liquid money market securities such as commercial paper, certificates of deposit, bank notes and other cash equivalents, asset backed securities, and floating rate corporate bonds. Deposits shall consist of cash instruments generally maturing in less than one year and having a quality rating, by at least one widely recognized rating agency, of A-1 or P-1 and earn interest at a rate equal to or better than the International Business Communications ("IBC") First Tier Institutions-Only Rated Money Fund Report Index.

At June 30, 2006, the reported amount of Funds deposits were $53,677,919 and the bank balance was $53,677,919. Of the bank amount, $53,677,919 was uncollateralized. Through the Securities Lending Program $2,869,003,975 was collateralized with securities held by the counterparty's trust department or agent but not in the State's name.

Investments:

Pursuant to the Connecticut General Statutes, the Treasurer is the principal fiduciary of the Funds, authorized to invest in a broad range of equity and fixed income securities, as well as real estate properties, mortgages and private equity. The Funds minimizes credit risk, the risk of loss due to the failure of the security issuer or backer, in accordance with a comprehensive Investment Policy Statement (IPS), as developed by The Office of the Treasurer and the State's Investment Advisory Council (IAC), that provides policy guidelines for the Funds and includes an asset allocation plan. The asset allocation plan's main objective is to maximize investment returns over the long term at an acceptable level of risk. There have been no violations of these investment restrictions during the 2006 fiscal year.

The Funds concentration of credit risk, the risk attributed to the magnitude of an investment in a single issuer. There are no restrictions in the amount that can be invested in Government Securities and Government Agency Securities. However, there can be no more than 5% of the total portfolio market value invested in other securities.

The following table provides average credit quality and exposure levels information on the credit ratings associated with Funds investments in debt securities.

	Fair Value	Cash Equivalents	Asset Backed Securities	Government Securities	Government Agency Securities	Mortgage Backed Securities	Corporate Debt	Convertible Debt	Mutual Fund
Aaa	$4,302,771,475	$4,196,757	$427,140,277	$1,441,028,970	$1,518,932,960	$744,051,749	$167,420,762	$ -	$ -
Aa	389,776,322	-	-	23,299,026	-	1,260,926	364,625,240	591,130	-
A	278,870,169	4,807,774	236,133	11,165,006	-	1,746,411	260,183,801	731,044	-
Baa	466,882,393	-	5,223,775	68,602,762	-	10,735,422	382,242,054	78,380	-
Ba	296,542,479	-	-	42,606,345	-	3,966,088	244,831,728	5,138,318	-
B	406,202,502	-	-	29,797,000	-	7,253,888	367,489,689	1,661,925	-
Caa	66,295,124	-	-	-	-	7,431,804	54,604,808	4,258,512	-
Ca	6,129,351	-	-	-	-	110,139	383,437	5,635,775	-
C	922,342	-	-	-	-	922,342	-	-	-
Prime - 1	125,947,516	125,947,516	-	-	-	-	-	-	-
Not Rated	1,294,832,738	685,827,870	1,463,329	47,657,949	17,839,818	193,331,219	98,756,513	27,133,319	222,822,721
	$7,635,172,411	$820,779,917	$434,063,514	$1,664,157,058	$1,536,772,778	$970,809,988	$1,940,538,032	$45,228,403	$222,822,721

NOTES TO FINANCIAL STATEMENTS (Continued)

The investments in the Private Equity Fund, Real Estate Fund and Commercial Mortgage Fund 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 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. 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 breakdown of Securities Lending is as follows:

Investment	Fair Value
Government Securities	$5,876,084
Government Agency Securities	5,426,294
U.S. Corporate Stock	11,613,376
International Equity	37,446,003
Collateral Securities held by Investment Pools under Securities Lending Arrangements:	
Other	383,466,311
Corporate Debt	2,425,175,907
Total	$2,869,003,975

The following table provides information about the interest rate risks associated with the Funds investments. Interest rate risk is the risk that the value of fixed income securities will decline because of rising interest rates. The prices of fixed income securities with a longer time to maturity tend to be more sensitive to changes in interest rates and therefore, more volatile than those with shorter maturities. Investment Managers that manage the CRPTF portfolio are given full discretion to manage their portion of CRPTF assets within their respective guidelines and constraints. The guidelines and constraints require each manager to maintain a diversified portfolio at all times. In addition, each core manager is required to maintain a target duration that is similar to its respective benchmark which is typically the Lehman Brothers Aggregate – an intermediate duration index.

The investments include certain short-term cash equivalents, various long term items, and restricted assets by maturity in years.

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
Cash Equivalents	$ 820,779,917	$ 784,779,917	$ 36,000,000	$ -	$ -
Asset Backed Securities	434,063,514	684,475	406,306,471	26,192,005	880,563
Government Securities	1,664,157,058	186,767,115	545,636,186	401,957,155	529,796,602
Government Agency Securities	1,536,772,778	17,868	33,493,446	70,772,541	1,432,488,923
Mortgage Backed Securities	970,809,988	-	21,996,885	60,746,180	888,066,923
Corporate Debt	1,940,538,032	166,368,536	633,638,078	698,039,294	442,492,124
Convertible Debt	45,228,403	5,095,966	27,003,796	10,128,902	2,999,739
Mutual Fund	222,822,721	-	-	-	222,822,721
	$7,635,172,411	$1,143,713,877	$1,704,074,862	$1,267,836,077	$3,519,547,595

Exposure to foreign currency risk results from investments in foreign currency-denominated equity or fixed income securities. As a means of limiting its exposure, the CRPTF utilizes a strategic hedge ratio of 50% for the developed market portion of the International Stock Fund. This strategic hedge ratio represents the neutral stance or desired long-term exposure to currency for the ISF. To implement this policy, currency specialists actively manage the currency portfolio as an overlay strategy to the equity investment managers. These specialists may manage the portfolio passively or actively depending on opportunities in the market place. While managers within the fixed income portion of the portfolio are allowed to invest in non-U.S. dollar denominated securities, managers are required to limit that investment to a portion of their respective portfolios. The following table provides information on deposits and investments held in various foreign currencies, which are stated in U.S. dollars.

			Fixed Income Securities			Equities		
Foreign Currency	Total	Cash	Government Securities	Corporate Debt	Convertible Securities	Common Stock	Preferred Stock	Real Estate Investment Trust
Argentine Peso	$2,764,773	$19,706	$2,440,306	$ -	$ -	$304,761	$ -	$ -
Australian Dollar	151,646,804	410,135	-	-	-	151,236,669	-	-
Brazilian Real	66,523,627	203,652	-	4,255,782	-	16,922,549	45,141,644	-
Canadian Dollar	22,984,721	22,519	-	1,048,579	-	21,913,623	-	-
Chilean Peso	4,071,148	28,278	-	-	-	3,214,165	828,705	-
Czech Koruna	1,865,661	1	-	-	-	1,865,660	-	-
Danish Krone	35,361,805	146,086	-	-	-	35,215,719	-	-
Egyptian Pound	405	405	-	-	-	-	-	-
Euro Currecny	1,396,310,025	9,274,283	14,536,703	-	935,965	1,352,516,273	19,046,801	-
Hong Hong Dollar	173,346,828	408,843	-	-	-	172,493,327	-	444,658
Hungarian Fornit	3,189,456	9	-	-	-	3,189,447	-	-
Indonesian Rupiah	10,710,064	3,199	-	693,340	-	10,013,525	-	-
Israleli Shekel	6,925,950	-	-	-	-	6,925,950	-	-
Japanese Yen	1,106,010,326	22,837,051	-	-	1,419,936	1,081,276,236	-	477,103
Malaysian Ringgit	21,576,487	31,620	-	-	-	21,544,867	-	-
Mexican Peso	34,655,435	951,087	13,122,005	-	-	20,582,343	-	-
New Taiwan Dollar	79,647,770	59,868	-	-	-	79,587,902	-	-
New Turkish Dollar	9,701,642	315	-	-	-	9,701,327	-	-
New Zealand Dollar	20,321,621	517,198	708,128	5,774,782	-	13,321,513	-	-
Norwegian Krone	42,497,438	2,670,152	-	-	-	39,827,286	-	-
Pakistan Rupee	408,097	-	-	-	-	408,097	-	-
Peruvian Nouveau Sol	120,309	(39)	-	-	-	120,348	-	-
Philippine Peso	4,086,991	981	-	-	-	4,086,010	-	-
Polish Zloty	6,489,060	58,467	-	-	-	6,430,593	-	-
Pound Sterling	940,213,373	2,027,898	-	10,617,800	-	927,567,675	-	-
Singapore Dollar	61,985,891	373,013	7,697,080	7,299,492	-	45,871,282	-	745,024
South African Rand	89,084,167	51	-	-	-	88,842,918	241,198	-
South Korean Won	338,345,900	701,830	-	1,882,382	-	304,942,276	30,819,412	-
Swedish Krona	71,510,540	478,540	-	-	-	71,032,000	-	-
Swiss Franc	305,788,566	477,610	-	-	-	303,699,119	1,611,837	-
Thailand Baht	29,024,874	(904)	-	11,369,863	-	17,655,915	-	-
	$5,037,169,754	$41,701,854	$38,504,222	$42,942,020	$2,355,901	$4,812,309,375	$97,689,597	$1,666,785

Securities Lending

Certain of the 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, 2006, 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, 2006, 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, 2006 were $ 2,879,684,387 and $ 2,825,332,314 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, 2006 was 47 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, 2006:

Fund	Fair Value of Collateral	Fair Value of Securities Lent
Mutual Equity	$ 961,147,382	$ 946,167,432
International Stock	880,773,361	852,057,569
Mutual Fixed Income	1,046,626,925	1,027,107,312
Total	$2,888,547,668	$2,825,332,313

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	$128,670,203	$ 813,755,650	$ 942,425,853
International Stock	114,246,885	722,537,509	836,784,394
Mutual Fixed Income	140,549,223	888,882,748	1,029,431,971
Total	$383,466,311	$2,425,175,907	$2,808,642,218

These amounts 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, 2006, 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	$ 4,679,572,375	$ 4,531,249,415
Mutual Fixed Income	19,447,495,227	18,483,302,221
International Stock	3,418,851,164	3,423,887,156
Real Estate	60,907,775	88,087,035
Commercial Mortgage	-	11,168,334
Private Investment	268,427,835	62,038,912

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, 2006, 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	$1,877,450,459	$395,570,168	$1,481,880,291
Mutual Fixed Income	97,620,861	224,900,614	(127,279,753)
International Stock	1,346,351,028	99,487,006	1,246,864,022
Real Estate	81,852,227	11,233,640	70,618,587
Commercial Mortgage	462,926	0	462,926
Private Investment	132,575,943	467,863,081	(335,287,138)

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, 2006, 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	$ 454,429,338	$ 346,078
Canadian Dollar	105,736,699	515,029
Czech Koruna	783,929	5,532
Danish Krone	10,125,994	129,724
Euro Currency	1,073,519,527	34,963,487
Hong Kong Dollar	38,186,623	(5,877)
Indonesian Rupiah	11,424	44
Japanese Yen	1,427,090,180	(860,991)
Malaysian Ringgit	135,936	21
New Zealand Dollar	29,487,865	(408,752)
Norwegian Krone	14,315,005	143,817
Pound Sterling	518,700,075	20,531,361
Singapore Dollar	91,693,078	906,669
South African Rand	2,269,934	38,464
South Korean Won	39,873,606	296,544
Swedish Krona	170,638,803	3,180,867
Swiss Franc	411,979,624	9,513,181
Thailand Baht	11,185	76
	4,388,988,825	69,295,274
Contracts to Sell:		
Australian Dollar	534,322,843	(7,558,490)
Brazilian Real	402,378	(1,303)
Canadian Dollar	17,014,972	50,032

Danish Krone	27,905,017	(676,169)
Euro Currency	2,871,107,654	(61,967,485)
Hong Kong Dollar	97,084,148	123,030
Japanese Yen	2,846,732,389	(12,307,649)
Malaysian Ringgit	215,262	(22)
Mexican Peso	45,298	(230)
New Turkish Lira	345,906	(121)
New Zealand Dollar	32,511,607	189,391
Norwegian Krone	41,126,326	(423,563)
Peruvian Nouveau	24,884	(57)
Pound Sterling	1,017,297,473	(27,650,752)
Singapore Dollar	82,888,782	(150,303)
South African Rand	2,756,957	(41,656)
South Korean Won	98,780,028	(762,692)
Swedish Krona	171,057,608	(7,289,485)
Swiss Franc	601,376,213	(14,528,111)
Thailand Baht	449,622	(1,394)
	8,443,445,367	(132,997,029)
Total	$12,832,434,192	$ (63,701,755)

Financial Statement Amounts:

	Receivable	Payable	Net
Amount In US Dollars	$12,832,434,192	$ 12,832,434,192	$ -
Unrealized Gain (Loss)	69,295,274	(132,997,029)	(63,701,755)
Net	$12,901,729,466	$ 12,965,431,221	$(63,701,755)

Mutual Fixed Income Fund:

Foreign Currency	Value	Unrealized Gain/(Loss)
Contracts to Buy:		
Czech Koruna	$ -	$ (12,478)
Euro Currency	105,480	52,676
Hungarian Forint	-	(75,216)
New Taiwan Dollar	1,429,955	(48,831)
Polish Zloty	-	(69,577)
South Korean Won	3,288,201	(54,013)
	4,823,636	(207,439)
Contracts to Sell:		
Czech Koruna	1,443,608	(19,504)
Euro Currency	9,421,207	(89,660)
Hungarian Forint	1,246,178	49,298
Mexican Peso	670,857	(10,672)
New Taiwan Dollar	766,530	(3,533)
New Zealand Dollar	5,424,555	109,594
Polish Zloty	494,956	(8,564)
South Korean Won	1,460,503	(8,621)
	20,928,394	18,338
Total	$25,752,030	$ (189,101)

Financial Statement Amounts:

	Receivable	Payable	Net
Amount In US Dollars	$ 25,752,030	$ 25,752,030	$ -
Unrealized Gain (Loss)	(207,439)	18,338	(189,101)
Net	$ 25,544,591	$ 25,733,692	$ (189,101)

The net unrealized gain has been included in the Statement of Changes in Net Assets 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, 2006, were as follows:

Fund	Total Commitment	Cumulative Amounts Funded	Unfunded Commitment
Real Estate	$ 926,684,364	$ 447,257,549	$ 479,426,815
Private Investment	4,241,780,537	3,310,365,869	931,414,668

NOTE 7: SUBSEQUENT EVENTS

Subsequent to June 30, 2006 one of the underlying holdings of a partnership in the Private Investment Fund was forced into bankruptcy due to allegations of financial misconduct. This resulted in a reduction of approximately $53.5 million of value. This amount represents 84.4% of the individual partnership and 3.8% of the Private Investment Fund. This adjustment has been made to the fair value as of June 30, 2006.

The investments in the Real Estate Fund are carried at their cash adjusted fair values. One of the Real Estate Fund partnerships submitted a capital account summary stating a negative ending capital account balance. This amount would have resulted in a reduction of approximately $719,000 of value as compared to CRPTF's cash adjusted fair value for the same investment. This amount represents 100% of the individual investment and 0.19% of the Real Estate Fund. No adjustment has been made to the fair value as of June 30, 2006. Consistent with standard valuation practices this amount will be recorded along with next quarter's market adjustments.

A limited partnership in the Private Investment Fund notified the Connecticut Retirement Plans and Trust Funds that it was named a defendant in a matter pending in California state courts involving the bankruptcy of a portfolio company. The partnership engaged counsel to defend violations of the California Worker Adjustment and Retraining Notification Act and failure to pay wages due. As of September 11, 2006 a tentative settlement was reached resulting in approximately $580,000 to be paid on behalf of the General Partner. This amount will be fully funded by the General Partner's insurance carrier.

NOTE 8: COST BASIS OF INVESTMENTS

The aggregate cost values of investments in the Funds are as follows at June 30, 2006:

	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	$ -	$90,843,478	$772,700,385	$80,889,412	$68,221,329	$9,470,748	$80,457,680
Cash Equivalents	806,140,136	-	14,632,241	-	-	-	-
Asset Backed Securities	239,173,459	-	198,278,458	-	-	-	-
Government Securities	13,004,057	-	1,667,269,288	-	-	-	-
Government Agency Securities	38,065,924	-	1,536,437,082	-	-	-	-
Mortgage Backed Securities	28,747,100	-	997,931,760	-	-	459,529	-
Corporate Debt	258,001,334	305	1,722,502,708	-	-	-	-
Convertible Securities	-	-	45,162,322	1,832,479	-	-	-
Common Stock	-	7,314,928,893	16,609,061	3,900,271,267	2	7,198,912	-
Preferred Stock	-	-	2,094,346	48,632,746	-	-	-
Real Estate Investment Trust	-	95,204,761	3,057,121	1,597,976	-	-	-
Mutual Fund	-	-	203,142,367	112,578,672	-	-	-
Limited Liability Corporation	-	-	-	-	-	-	16,960,031
Trusts	-	-	-	-	21,578,450	-	-
Limited Partnerships	-	186,040	-	-	237,927,868	-	1,595,387,541
Partnerships	-	-	-	-	-	-	-
Annuities	-	-	-	-	44,871	-	-
Total Investments, at Cost	$1,383,132,010	$7,501,163,477	$7,179,817,139	$4,145,802,552	$327,772,520	$17,729,189	$1,692,805,252

COMBINED INVESTMENT FUNDS

SUPPLEMENTAL SCHEDULE OF FINANCIAL HIGHLIGHTS

	MUTUAL EQUITY FISCAL YEAR ENDED JUNE 30,					PRIVATE INVESTMENT FISCAL YEAR ENDED JUNE 30,				
	2006	2005	2004	2003	2002	2006	2005	2004	2003	2002
PER SHARE DATA										
Net Asset Value- Beginning of Period	$858.25	$807.00	$677.92	$685.11	$814.49	$57.45	$65.23	$65.27	$86.33	$103.96
INCOME FROM INVESTMENT OPERATIONS										
Net Investment Income (Loss)	13.66	12.76	11.50	8.82	8.24	8.69	8.09	12.98	10.40	4.98
Net Gains or (Losses) on Securities (Both Realized and Unrealized)	74.43	51.57	128.78	(7.59)	(130.49)	(2.45)	(2.96)	(1.69)	(19.74)	(15.98)
Total from Investment Operations	88.09	64.33	140.28	1.23	(122.25)	6.24	5.13	11.29	(9.34)	(11.00)
LESS DISTRIBUTIONS										
Dividends from Net Investment Income	(12.64)	(13.08)	(11.20)	(8.42)	(7.13)	(8.34)	(12.91)	(11.33)	(11.72)	(6.63)
Net Asset Value - End of Period	$933.70	$858.25	$807.00	$677.92	$685.11	$55.35	$57.45	$65.23	$65.27	$86.33
TOTAL RETURN	**10.27%**	**8.06%**	**20.84%**	**0.48%**	**-14.95%**	**11.74%**	**9.58%**	**20.21%**	**-11.94%**	**-10.81%**
RATIOS										
Net Assets - End of Period ($000,000 Omitted)	$8,982	$8,275	$7,781	$6,599	$6,677	$1,360	$1,441	$1,785	$1,848	$2,281
Ratio of Expenses to Average Net Assets (excl. sec. lending fees & rebates)	0.32%	0.30%	0.11%	0.23%	0.27%	0.43%	0.36%	0.65%	0.40%	0.48%
Ratio of Expenses to Average Net Assets	0.66%	0.44%	0.16%	0.28%	0.34%	na	na	na	na	na
Ratio of Net Investment Income (Loss) to Average Net Assets	1.53%	1.53%	1.55%	1.29%	1.10%	15.32%	12.87%	20.36%	13.69%	5.31%

	INTERNATIONAL STOCK FISCAL YEAR ENDED JUNE 30,					MUTUAL FIXED INCOME FISCAL YEAR ENDED JUNE 30,				
	2006	2005	2004	2003	2002	2006	2005	2004	2003	2002
PER SHARE DATA										
Net Asset Value- Beginning of Period	$282.09	$241.09	$188.61	$206.47	$232.07	$116.37	$113.15	$115.58	$109.21	$109.74
INCOME FROM INVESTMENT OPERATIONS										
Net Investment Income (Loss)	7.91	5.73	4.50	3.60	3.24	5.92	5.50	6.95	5.70	6.87
Net Gains or (Losses) on Securities (Both Realized and Unrealized)	64.29	40.22	51.38	(18.00)	(24.70)	(4.98)	3.09	(3.89)	6.41	(0.86)
Total from Investment Operations	72.20	45.95	55.88	(14.40)	(21.46)	0.94	8.59	3.06	12.11	6.01
LESS DISTRIBUTIONS										
Dividends from Net Investment Income	(6.72)	(4.95)	(3.40)	(3.46)	(4.14)	(5.27)	(5.37)	(5.49)	(5.74)	(6.54)
Net Asset Value - End of Period	$347.57	$282.09	$241.09	$188.61	$206.47	$112.04	$116.37	$113.15	$115.58	$109.21
TOTAL RETURN	**25.69%**	**19.23%**	**29.69%**	**-6.39%**	**-9.00%**	**0.77%**	**7.70%**	**2.79%**	**12.03%**	**5.64%**
RATIOS										
Net Assets - End of Period ($000,000 Omitted)	$5,357	$4,489	$4,003	$2,034	$2,227	$6,419	$6,280	$5,849	$6,610	$6,526
Ratio of Expenses to Average Net Assets (excl. sec. lending fees & rebates)	0.53%	0.60%	0.62%	0.61%	0.67%	0.13%	0.11%	0.14%	0.15%	0.17%
Ratio of Expenses to Average Net Assets	1.19%	0.92%	0.76%	0.77%	1.05%	0.90%	0.53%	0.28%	0.34%	0.45%
Ratio of Net Investment Income (Loss) to Average Net Assets	2.51%	2.25%	2.37%	1.82%	1.47%	5.19%	4.70%	5.12%	5.07%	6.24%

	COMMERCIAL MORTGAGE FISCAL YEAR ENDED JUNE 30,					REAL ESTATE FISCAL YEAR ENDED JUNE 30,				
	2006	2005	2004	2003	2002	2006	2005	2004	2003	2002
PER SHARE DATA										
Net Asset Value- Beginning of Period	$58.76	$62.75	$73.39	$67.71	$72.91	$62.31	$52.76	$57.53	$61.42	$63.31
INCOME FROM INVESTMENT OPERATIONS										
Net Investment Income (Loss)	5.41	6.13	6.63	8.39	6.58	0.86	0.82	2.22	2.95	0.79
Net Gains or (Losses) on Securities (Both Realized and Unrealized)	(0.10)	(2.99)	(1.11)	4.68	(5.81)	2.84	12.83	(1.94)	(1.08)	(0.31)
Total from Investment Operations	5.31	3.14	5.52	13.07	0.77	3.70	13.65	0.28	1.87	0.48
LESS DISTRIBUTIONS										
Dividends from Net Investment Income	(4.76)	(7.13)	(16.16)	(7.39)	(5.97)	(9.48)	(4.10)	(5.05)	(5.76)	(2.37)
Net Asset Value - End of Period	$59.31	$58.76	$62.75	$73.39	$67.71	$56.53	$62.31	$52.76	$57.53	$61.42
TOTAL RETURN	**9.69%**	**6.95%**	**7.87%**	**20.62%**	**1.19%**	**7.09%**	**27.74%**	**0.67%**	**3.30%**	**0.81%**
RATIOS										
Net Assets - End of Period ($000,000 Omitted)	$18	$20	$36	$72	$73	$399	$400	$369	$426	$471
Ratio of Expenses to Average Net Assets (excl. sec. lending fees & rebates)	1.03%	0.94%	0.62%	0.60%	0.53%	0.41%	0.39%	0.40%	0.35%	0.31%
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	9.23%	10.19%	7.79%	11.92%	7.75%	1.39%	1.43%	4.22%	1.40%	1.28%

Source: Amounts were derived from custodial records.

SHORT-TERM INVESTMENT FUND

STATEMENT OF NET ASSETS
JUNE 30, 2006

	June 30, 2006
ASSETS	
Investment in Securities, at Amortized Cost (Note 8)	$ 5,442,474,476
Accrued Interest and Other Receivables	9,954,696
Prepaid Assets	34,565
TOTAL ASSETS	$ 5,452,463,737
LIABILITIES	
Distribution Payable	22,283,125
Payable to Transfer Agent (Note 6)	10,969
Interest Payable	3,091
TOTAL LIABILITIES	$ 22,297,185
NET ASSETS	$ 5,430,166,552

See accompanying Notes to the Financial Statements.

SHORT-TERM INVESTMENT FUND

STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2006 AND JUNE 30, 2005

	For the Year Ended June 30, 2006	2005
ADDITIONS		
Operations		
Interest Income	$ 217,863,278	$ 96,613,691
Interest Expense on Reverse Repurchase Agreements	-	-
Net Investment Income	217,863,278	96,613,691
Net Realized Gains	53,034	-
Net Increase in Net Assets Resulting from Operations	217,916,312	96,613,691
Share Transactions at Net Asset Value of $1.00 per Share		
Purchase of Units	13,308,206,427	12,857,155,268
TOTAL ADDITIONS	**13,526,122,739**	**12,953,768,959**
DEDUCTIONS		
Distribution to Participants (Notes 2 & 7)		
Distributions to Participants	(212,646,678)	(93,828,235)
Total Distributions Paid and Payable	(212,646,678)	(93,828,235)
Share Transactions at Net Asset Value of $1.00 per Share		
Redemption of Units	(12,195,842,433)	(12,374,248,933)
Operations		
Operating Expenses	(1,330,913)	(1,083,961)
TOTAL DEDUCTIONS	**(12,409,820,024)**	**(12,469,161,129)**
CHANGE IN NET ASSETS	**1,116,302,715**	**484,607,830**
Net Assets		
Beginning of Year	4,313,863,837	3,829,256,007
End of Year	$ 5,430,166,552	$ 4,313,863,837

See accompanying Notes to the Financial Statements.

NOTES TO 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 investors 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 investors 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 Investors.

Distributions to investors 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.

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. 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, 2006, the balance in the Designated Surplus Reserve was $47,424,832, an increase of $3,938,721 from the June 30, 2005 balance of $43,486,111.

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.

New Pronouncements

The financial statements and corresponding footnotes include the application of GASB 44, "Economic Condition Reporting." This Statement amends the portions of NCGA Statement 1 which guides the preparation of the statistical section. This amendment now requires that the statistics section include ten-year trend information that assist users in utilizing the basic financial statement, notes to basic financial statements, and required supplementary information to assess the economic condition of a government. The provisions of this Statement are effective for statistical sections prepared for periods beginning after June 15, 2005.

NOTE 3: DEPOSIT AND INVESTMENT DISCLOSURES

STIF's investment practice is to invest all cash balances; as such, there was no uninvested cash at June 30, 2006. All 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.

Custodial Credit Risk – Deposits

The custodial credit risk for deposits is the risk that in the event of a bank failure, the STIF's deposits may not be recovered. The STIF follows policy parameters that limit deposits in any one entity to a maximum of ten percent of total assets. Further, the certificates of deposits must be issued from commercial banks whose short-term debt is rated at least A-1 by Standard and Poor's and F-1 by Fitch and whose long-term debt is rated at least A and its issuer rating is at least "C".

Certificates of Deposit in banks are insured up to $100,000, any amount above this limit is considered uninsured. Additionally, state banking regulation requires all financial institutions that accept State of Connecticut public deposits to segregate collateral against these deposits in an amount equal to ten percent of the outstanding deposit. As of fiscal year-end, certificates of deposit in the Short-Term Investment Fund totaled $1.64 billion. Of that amount, $1,479,400,000 was exposed to custodial credit risk representing the portion that was uninsured and uncollateralized.

Interest Rate Risk – Investments

Interest rate risk is the risk that changes in the general level of interest rates will adversely affect the fair value of an investment. The STIF's policy for managing interest rate is to limit investments to a very short weighted average maturity, not to exceed 90-days, and to comply with Standard and Poor's requirement that the weighted average maturity not exceed 60 days. The weighted-average maturity is calculated daily, and reported to Standard and Poor's weekly to ensure compliance. As of June 30, 2006 the weighted average maturity of the STIF was 39 days. The breakdown of the STIF's maturity profile is outlined below.

		Investment Maturity in Years	
Investments	Amortized Cost	Less than One	One - Five
Certificates of Deposit:			
Fixed	$1,620,000,000	$1,620,000,000	
Callable-Fixed	20,000,000	20,000,000	
Commercial Paper	249,880,000	249,880,000	
Asset Backed CP:			
Multi-Seller	414,737,994	414,737,994	
Secured Liquidity Notes	1,807,041,320	1,807,041,320	
Securities backed	750,042,861	750,042,861	
Federal Agency Securities:			
Floating	25,000,000	25,000,000	
Callable-Fixed	10,000,000		10,000,000
Floating Rate Bonds	445,772,053	445,772,053	
Repurchase Agreements	100,000,000	100,000,000	
LMCS	248	248	
Total	**$5,442,474,476**	**$5,432,474,476**	**$10,000,000**

Additionally, STIF is allowed by policy to invest in floating-rate debt securities. Further investment in floating-rate securities with maturities greater than two years is limited to no more than 20 percent of the overall portfolio. For purposes of the weighted average maturity calculation and classification in the chart above, variable-rate securities are calculated using their interest rate reset date. Because these securities reprice frequently to prevailing market rates, interest rate risk is substantially reduced. As of fiscal year-end, the STIF portfolio held $470.8 million in variable rate securities.

Credit Risk of Debt Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The STIF manages its credit risk by investment only in debt securities that fall within the highest short-term or long-term rating categories by nationally recognized rating organizations.

Investments	Amortized Cost	A-1+	A-1	AAA	AA
Certificates of Deposit:					
Fixed	$1,620,000,000	$1,570,000,000	$50,000,000		
Callable-Fixed	20,000,000	20,000,000			
Commercial Paper	249,880,000	249,880,000			
Asset Backed CP:					
Multi-Seller	414,737,994	414,737,994			
Secured Liquidity Notes	1,807,041,320	1,807,041,320			
Securities backed	750,042,861	565,477,705	184,565,156		
Federal Agency Securities:					
Floating	25,000,000			$25,000,000	
Callable-Fixed	10,000,000			10,000,000	
Floating Rate Bonds	445,772,053			257,947,152	$187,824,901
Repurchase Agreements	100,000,000			100,000,000	
LMCS	248	248			
Total	**$5,442,474,476**	**$4,627,137,267**	**$234,565,156**	**$392,947,152**	**$187,824,901**

* Repurchase Agreements by rating of underlying collateral

Concentration of Credit Risk

The Short-Term Investment Fund limits the amount it may invest in any one issuer to an amount not to exceed 10 percent. As of June 30, 2006, the table below lists issuers with concentrations of greater than 5 percent but less than 10 percent of the total portfolio.

Issuer	Fair Value	Percent of Total Portfolio
Citizens Bank	525,000,000	9.6%
JP Morgan Chase Bank	500,000,000	9.2%
Ocala Funding	356,497,216	6.6%
Tasman Funding	344,241,805	6.3%
Wachovia Bank	525,000,000	9.6%

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 $110,000.

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 investor purchase and sale activity are made. Occasionally, the timing of cash movements by investors may not exactly match the net activity of purchases and sales, resulting in a difference between investments held in securities relative to investors' net account value. As of June 30, 2006, STIF recorded a liability of $10,969, payable to the transfer agent, for investments purchased which did not match actual movements of cash by investors into the Fund.

NOTE 7: DISTRIBUTIONS TO INVESTORS

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

Distributions:	2006	2005
July	$12,263,547	$4,488,148
August	14,624,900	5,455,631
September	15,299,129	6,113,181
October	15,278,679	6,591,446
November	14,525,210	6,268,350
December	14,839,019	6,750,839
January	17,249,274	8,060,413
February	17,972,835	8,336,789
March	21,840,530	9,919,350
April	22,581,575	10,410,745
May	23,888,854	11,009,094
June (Payable at June 30)	22,283,125	10,424,248
Total Distribution Paid & Payable	**$212,646,678**	**$93,828,235**

NOTE 8: INVESTMENTS IN SECURITIES

The following is a summary of investments in securities, at amortized cost and fair value as of June 30, 2006:

Investment	Amortized Cost	Fair Value
Commercial Paper	$ 249,880,000	$ 249,880,000
Deposit Instruments	1,640,000,000	1,639,887,900

Asset-Backed Commercial Paper	2,971,822,175	2,971,822,175
Floating Rate Notes	445,772,053	445,768,259
Money Market Funds	248	248
Repurchase Agreements	100,000,000	100,000,000
Federal Agency Securities	35,000,000	34,977,650
TOTAL	$5,442,474,476	$5,442,336,232

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, 2006, the Short-Term Investment Fund held adjustable-rate corporate notes, U.S. government agencies and bank notes whose interest rates vary directly with short-term money market indices and are reset either daily, monthly or quarterly. 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. 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, 2006, STIF was rated AAAm, its highest rating, by Standard and Poor's Corporation ("S&P"). In May 2006, 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, 2006

Par Value	Security (Coupon, Maturity or Reset Date)	Yield %	Amortized Cost	Fair Value	Asset ID	Quality Rating
MULTI-SELLER COMMERCIAL PAPER (7.62% of total investments)						
$ 23,850,000	GOVCO 4.965, 7/18/06	4.98	$ 23,794,082	$ 23,794,082	N/A	A-1+
10,000,000	LONG LANE MASTER TRUST IV 5.14, 7/24/06	5.14	10,000,000	10,000,000	N/A	A-1+
25,000,000	LONG LANE MASTER TRUST IV 5.477, 9/15/06	5.48	25,000,000	25,000,000	N/A	A-1+
11,780,000	SYDNEY CAPITAL 5.41, 8/14/06	5.45	11,702,108	11,702,108	N/A	A-1+
41,755,000	TASMAN FUNDING 5.09, 7/5/06	5.09	41,731,385	41,731,385	N/A	A-1+
40,000,000	TASMAN FUNDING 5.26, 7/19/06	5.27	39,894,800	39,894,800	N/A	A-1+
74,037,000	TASMAN FUNDING 5.27, 7/20/06	5.28	73,831,074	73,831,074	N/A	A-1+
45,762,000	TASMAN FUNDING 5.27, 7/21/06	5.29	45,628,019	45,628,019	N/A	A-1+
86,677,000	TASMAN FUNDING 5.30, 7/24/06	5.32	86,383,502	86,383,502	N/A	A-1+
56,992,000	TASMAN FUNDING 5.32, 7/27/06	5.34	56,773,024	56,773,024	N/A	A-1+
$ 415,853,000			$ 414,737,994	$ 414,737,994		
FEDERAL AGENCY SECURITIES (0.65%)						
$ 25,000,000	FEDERAL HOME LOAN BANK 5.176, 1/24/07	5.22	$ 25,000,000	$ 24,996,250	3133XCP31	AAA
10,000,000	FHLMC 5.50, 7/9/07	5.70	10,000,000	9,981,400	3128X5DQ8	AAA
$ 35,000,000			$ 35,000,000	$ 34,977,650		
DEPOSIT INSTRUMENTS (30.13%)						
$ 10,000,000	BARCLAYS BANK 5.20, 4/3/07	5.68	$ 10,000,000	$ 9,959,300	N/A	A-1+
10,000,000	BARCLAYS BANK 5.265, 4/11/07	5.68	10,000,000	9,963,500	N/A	A-1+
10,000,000	CITIBANK 5.40, 4/30/07	5.67	10,000,000	9,973,900	17304T4B6	A-1+
10,000,000	CITIBANK 5.625, 6/20/07	5.71	10,000,000	9,991,200	1730D0AS5	A-1+
50,000,000	CITIZENS BANK 5.45, 9/29/06	5.45	50,000,000	50,000,000	N/A	A-1+
50,000,000	CITIZENS BANK 5.45, 9/29/06	5.45	50,000,000	50,000,000	N/A	A-1+
50,000,000	CITIZENS BANK 5.45, 9/29/06	5.45	50,000,000	50,000,000	N/A	A-1+
50,000,000	CITIZENS BANK 5.45, 9/29/06	5.45	50,000,000	50,000,000	N/A	A-1+
50,000,000	CITIZENS BANK 5.45, 9/29/06	5.45	50,000,000	50,000,000	N/A	A-1+
50,000,000	CITIZENS BANK 5.45, 9/29/06	5.45	50,000,000	50,000,000	N/A	A-1+
50,000,000	CITIZENS BANK 5.45, 9/29/06	5.45	50,000,000	50,000,000	N/A	A-1+
50,000,000	CITIZENS BANK 5.45, 9/29/06	5.45	50,000,000	50,000,000	N/A	A-1+
50,000,000	CITIZENS BANK 5.45, 9/29/06	5.45	50,000,000	50,000,000	N/A	A-1+
50,000,000	CITIZENS BANK 5.45, 9/29/06	5.45	50,000,000	50,000,000	N/A	A-1+
25,000,000	CITIZENS BANK 5.45, 9/29/06	5.45	25,000,000	25,000,000	N/A	A-1+
50,000,000	JP MORGAN CHASE 5.47, 9/29/06	5.47	50,000,000	50,000,000	N/A	A-1+
50,000,000	JP MORGAN CHASE 5.47, 9/29/06	5.47	50,000,000	50,000,000	N/A	A-1+
50,000,000	JP MORGAN CHASE 5.47, 9/29/06	5.47	50,000,000	50,000,000	N/A	A-1+
50,000,000	JP MORGAN CHASE 5.47, 9/29/06	5.47	50,000,000	50,000,000	N/A	A-1+
50,000,000	JP MORGAN CHASE 5.47, 9/29/06	5.47	50,000,000	50,000,000	N/A	A-1+
50,000,000	JP MORGAN CHASE 5.47, 9/29/06	5.47	50,000,000	50,000,000	N/A	A-1+
50,000,000	JP MORGAN CHASE 5.47, 9/29/06	5.47	50,000,000	50,000,000	N/A	A-1+
50,000,000	JP MORGAN CHASE 5.47, 9/29/06	5.47	50,000,000	50,000,000	N/A	A-1+
25,000,000	JP MORGAN CHASE 5.47, 9/29/06	5.47	25,000,000	25,000,000	N/A	A-1+
25,000,000	JP MORGAN CHASE 5.47, 9/29/06	5.47	25,000,000	25,000,000	N/A	A-1+
25,000,000	JP MORGAN CHASE 5.47, 9/29/06	5.47	25,000,000	25,000,000	N/A	A-1+
25,000,000	JP MORGAN CHASE 5.47, 9/29/06	5.47	25,000,000	25,000,000	N/A	A-1+
50,000,000	TDBANKNORTH 5.50, 9/29/06	5.50	50,000,000	50,000,000	N/A	A-1
50,000,000	WACHOVIA 5.50, 9/29/06	5.50	50,000,000	50,000,000	N/A	A-1+
50,000,000	WACHOVIA 5.50, 9/29/06	5.50	50,000,000	50,000,000	N/A	A-1+
50,000,000	WACHOVIA 5.50, 9/29/06	5.50	50,000,000	50,000,000	N/A	A-1+
50,000,000	WACHOVIA 5.50, 9/29/06	5.50	50,000,000	50,000,000	N/A	A-1+
50,000,000	WACHOVIA 5.50, 9/29/06	5.50	50,000,000	50,000,000	N/A	A-1+
50,000,000	WACHOVIA 5.50, 9/29/06	5.50	50,000,000	50,000,000	N/A	A-1+
50,000,000	WACHOVIA 5.50, 9/29/06	5.50	50,000,000	50,000,000	N/A	A-1+
50,000,000	WACHOVIA 5.50, 9/29/06	5.50	50,000,000	50,000,000	N/A	A-1+
50,000,000	WACHOVIA 5.50, 9/29/06	5.50	50,000,000	50,000,000	N/A	A-1+
25,000,000	WACHOVIA 5.50, 9/29/06	5.50	25,000,000	25,000,000	N/A	A-1+
25,000,000	WACHOVIA 5.50, 9/29/06	5.50	25,000,000	25,000,000	N/A	A-1+
25,000,000	WACHOVIA 5.50, 9/29/06	5.50	25,000,000	25,000,000	N/A	A-1+
$1,640,000,000			$ 1,640,000,000	$ 1,639,887,900		
COMMERCIAL PAPER (4.59%)						
$ 249,880,000	GE CAPITAL 5.26, 7/3/06	5.26	$ 249,880,000	$ 249,880,000	N/A	A-1+
$ 249,880,000			$ 249,880,000	$ 249,880,000		

SHORT-TERM INVESTMENT FUND

LIST OF INVESTMENTS AT JUNE 30, 2006 (Continued)

Par Value	Security (Coupon, Maturity or Reset Date)	Yield %	Amortized Cost	Fair Value	Asset ID	Quality Rating
FLOATING RATE NOTES (8.19%)						
$ 14,535,000	ALLSTATE LIFE GLOBAL 5.06, 4/2/07	5.46	$ 14,538,894	$ 14,544,157	02003EAG7	AA
1,550,000	ALLSTATE LIFE GLOBAL 5.27, 5/25/07	5.46	1,550,615	1,550,387	02003MAB0	AA
20,000,000	ASIF GLOB XXXI 5.194, 2/23/07	5.45	19,997,372	19,994,400	00209YAA2	AA
50,000,000	BETA FINANCE 5.209, 8/15/07	5.31	49,991,676	50,013,000	08658AJH9	AAA
3,000,000	CITIGROUP 5.209, 11/1/07	5.47	3,001,736	3,001,740	172967CR0	AA
50,000,000	FIVE FINANCE 5.29, 6/12/08	5.48	49,981,445	49,971,500	33828WCC2	AAA
6,900,000	GE CAPITAL CORP 5.373, 3/9/07	5.44	6,903,966	6,903,312	36962GE91	AAA
1,100,000	MBIA GLOBAL FUNDING 5.24, 1/11/08	5.33	1,100,810	1,101,089	55266LCB0	AAA
50,000,000	MBIA GLOBAL FUNDING 5.174, 3/14/08	5.33	49,991,788	49,988,500	55266LDD5	AAA
25,000,000	NEW YORK LIFE GF 5.351, 3/28/08	5.34	25,000,000	25,000,000	649486AA5	AA
11,800,000	PRINCIPAL LIFE GROUP 5.178, 1/12/07	5.46	11,806,247	11,806,018	7425A0BG4	AA
26,900,000	PRINCIPAL LIFE GROUP 5.266, 12/7/07	5.48	26,904,304	26,897,848	74254PGC0	AA
1,018,000	PRINCIPAL LIFE INC 5.155, 2/14/07	5.46	1,017,800	1,017,593	74254PEH1	AA
4,700,000	ROYAL BANK OF SCOTLAND 5.038, 4/11/08	5.48	4,700,469	4,700,047	78010JCD2	AA
50,000,000	ROYAL BANK OF SCOTLAND 5.085, 4/21/06	5.48	50,000,000	49,998,500	78010JCH3	AA
10,000,000	ROYAL BANK OF SCOTLAND 5.269, 4/21/10	5.34	10,000,000	9,997,600	78010JAB8	AA
50,000,000	SIGMA FINANCE 5.37, 2/4/08	5.36	49,992,300	50,005,500	8265Q0NH1	AAA
50,000,000	SIGMA FINANCE 5.20, 2/27/08	5.48	49,985,168	49,969,000	8265Q0NX6	AAA
300,000	SOUTHTRUST 5.456, 3/19/07	5.46	300,090	300,108	8447HACJ1	AA
15,000,000	SOUTHTRUST 5.456, 3/19/07	5.46	15,006,089	15,005,400	8447HACJ1	AA
2,000,000	WELLS FARGO 5.509, 3/23/07	5.44	2,000,632	2,001,280	949746FR7	AA
2,000,000	WELLS FARGO 5.509, 3/23/07	5.44	2,000,654	2,001,280	949746FR7	AA
$ 445,803,000			$ 445,772,053	$ 445,768,259		
SECURED LIQUIDITY NOTES (33.20%)						
$ 53,000,000	ALBIS CAPITAL CORP 5.05, 12/29/06*	5.05	$ 52,985,131	$ 52,985,131	N/A	A-1+
20,000,000	ALBIS CAPITAL CORP 5.055, 1/2/07*	5.06	19,985,958	19,985,958	N/A	A-1+
28,000,000	ALBIS CAPITAL CORP 5.07, 1/8/07*	5.08	27,956,623	27,956,623	N/A	A-1+
15,000,000	ALBIS CAPITAL CORP 5.5.135, 1/29/07*	5.16	14,931,533	14,931,533	N/A	A-1+
30,000,000	ALBIS CAPITAL CORP 5.135, 1/30/07*	5.16	29,858,788	29,858,788	N/A	A-1+
15,000,000	ALBIS CAPITAL CORP 5.135, 2/2/07*	5.16	14,918,696	14,918,696	N/A	A-1+
50,000,000	ALBIS CAPITAL CORP 5.16, 2/6/06*	5.19	49,713,333	49,713,333	N/A	A-1+
38,955,000	ALBIS CAPITAL CORP 5.21, 2/14/06*	5.25	38,684,393	38,684,393	N/A	A-1+
50,712,000	FREEDOM PARK 5.28, 7/17/06	5.29	50,592,996	50,592,996	N/A	A-1+
70,750,000	FREEDOM PARK 5.32, 7/21/06	5.34	70,540,894	70,540,894	N/A	A-1+
64,274,000	FREEDOM PARK 5.36, 7/28/06	5.38	64,015,619	64,015,619	N/A	A-1+
100,000,000	GEORGETOWN FUNDING 5.33, 8/24/06*	5.35	99,615,056	99,615,056	N/A	A-1+
50,000,000	GEORGETOWN FUNDING 5.35, 8/24/06*	5.37	49,806,806	49,806,806	N/A	A-1+
50,000,000	HARWOOD STREET I 5.15, 7/13/06	5.16	49,914,167	49,914,167	N/A	A-1+
50,000,000	HARWOOD STREET I 5.33, 8/3/06	5.36	49,755,708	49,755,708	N/A	A-1+
100,000,000	HARWOOD STREET I 5.35, 8/4/06	5.38	99,494,722	99,494,722	N/A	A-1+
100,000,000	MAIN STREET WAREHOUSE 5.30, 7/5/06	5.30	99,941,111	99,941,111	N/A	A-1+
49,000,000	MAIN STREET WAREHOUSE 5.35, 7/28/06	5.37	48,803,388	48,803,388	N/A	A-1+
45,000,000	NORTH LAKE FUNDING 5.22, 9/5/06*	5.22	44,960,850	44,960,850	N/A	A-1+
50,000,000	NORTH LAKE FUNDING 5.20, 9/8/06*	5.21	49,935,000	49,935,000	N/A	A-1+
50,000,000	NORTH LAKE FUNDING 5.21, 9/11/06*	5.22	49,913,167	49,913,167	N/A	A-1+
25,000,000	NORTH LAKE FUNDING 5.33, 9/15/06*	5.34	24,940,778	24,940,778	N/A	A-1+
75,000,000	OCALA FUNDING 5.205, 11/8/06*	5.21	74,891,563	74,891,563	N/A	A-1+
100,000,000	OCALA FUNDING 5.04, 11/10/06*	5.05	99,818,000	99,818,000	N/A	A-1+
75,000,000	OCALA FUNDING 5.03, 11/10/06*	5.04	74,863,771	74,863,771	N/A	A-1+
53,957,000	OCALA FUNDING 5.29, 11/16/06*	5.30	53,814,284	53,814,284	N/A	A-1+
53,390,000	OCALA FUNDING 5.11, 12/5/06*	5.14	53,109,599	53,109,599	N/A	A-1+
100,000,000	PARK SIENNA 5.09, 8/8/06	5.12	99,462,722	99,462,722	N/A	A-1+
50,000,000	VON KARMAN FUNDING 5.32, 7/6/06	5.32	49,963,056	49,963,056	N/A	A-1+
200,000,000	VON KARMAN FUNDING 5.27, 7/6/06	5.27	199,853,611	199,853,611	N/A	A-1+
$ 1,812,038,000			$ 1,807,041,320	$ 1,807,041,320		
SECURITIES-BACKED COMMERCIAL PAPER (13.78%)						
$ 59,450,000	ALTIUS FUNDING 4.96, 7/7/06	4.96	$ 59,400,855	$ 59,400,855	N/A	A-1+
76,000,000	ALTIUS FUNDING 5.33, 7/13/06	5.34	75,864,973	75,864,973	N/A	A-1+
100,000,000	ALTIUS FUNDING 5.04	5.05	99,734,000	99,734,000	N/A	A-1+
35,300,000	BELLE HAVEN 5.09, 7/21/06	5.10	35,200,179	35,200,179	N/A	A-1+
50,000,000	BELLE HAVEN 5.36, 8/4/06	5.39	49,746,889	49,746,889	N/A	A-1+

SHORT-TERM INVESTMENT FUND

LIST OF INVESTMENTS AT JUNE 30, 2006 (Continued)

Par Value	Security (Coupon, Maturity or Reset Date)	Yield %	Amortized Cost	Fair Value	Asset ID	Quality Rating
50,000,000	BELLE HAVEN 5.16 8/23/06	5.20	49,620,167	49,620,167	N/A	A-1+
100,000,000	CHESHAM FINANCE 5.20, 7/5/06	5.32	99,940,889	99,940,889	N/A	A-1+
16,550,000	EBURY FINANCE 4.95, 7/5/06	4.95	16,540,898	16,540,898	N/A	A-1
68,677,000	EBURY FINANCE 5.35, 7/27/06	5.37	68,410,648	68,410,648	N/A	A-1
100,000,000	EBURY FINANCE 5.37, 7/27/06	5.39	99,613,611	99,613,611	N/A	A-1
50,000,000	LAGUNA 5.17, 7/13/06	5.18	49,913,833	49,913,833	N/A	A-1+
21,000,000	LAGUNA 5.31, 7/27/06	5.33	20,919,465	20,919,465	N/A	A-1+
25,200,000	PINNACLE POINT 5.34, 7/18/06	5.35	25,136,454	25,136,454	N/A	A-1+
$ 752,177,000			$ 750,042,861	$ 750,042,861		
REPURCHASE AGREEMENTS (1.84%)						
$ 100,000,000	BEAR STEARNS 5.30, 7/3/06	5.30	$ 100,000,000	$ 100,000,000	N/A	A-1
$ 100,000,000			$ 100,000,000	$ 100,000,000		
MONEY MARKET FUND (0.00%)						
$ 248	LIQUIDITY MNGT SYSTEM 4.50, 7/3/06	4.50	$ 248	$ 248	N/A	A-1+
$ 248			$ 248	$ 248		
$5,450,751,248	**TOTAL INVESTMENT IN SECURITIES**		**$ 5,442,474,476**	**$ 5,442,336,232**		

UHY LLP
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Treasurer of the State of Connecticut
Hartford, Connecticut

We have examined the Office of the Treasurer Short - Term Investment Fund's (the Fund) (1) compliance with all the composite construction requirements of the Global Investment Performance Standards (GIPS® standards) on a firm-wide basis for each of the one year periods ended July 1, 2001 through June 30, 2006 and (2) design of its processes and procedures to calculate and present performance results in compliance with the GIPS standards as of June 30, 2006. We have also examined the Performance Presentation of the Fund's Composite for the periods from July 1, 2001 through June 30, 2006 presented on pages F40 through F43. The Fund's management is responsible for compliance with the GIPS standards and the design of its processes and procedures and for the Performance Presentation for its Short - Term Investment Fund. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Company's compliance with the above-mentioned requirements; evaluating the design of the Company's processes and procedures referred to above; examining, on a test basis, evidence supporting the accompanying composite performance presentation; and performing the procedures for a verification and a performance examination set forth by the GIPS standards and such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the Office of the Treasurer Short-Term Investment fund has, in all material respects:

- Complied with all the composite construction requirements of the GIPS standards on a firm-wide basis for the one year periods ended June 30, 2002 through June 30, 2006; and

- Designed its processes and procedures to calculate and present performance results in compliance with the GIPS standards as of June 30, 2006.

Also, in our opinion, the accompanying Short - Term Investment Fund performance presentation for the periods from July 1, 2001, through June 30, 2006, is presented, in all materials respects, in conformity with the GIPS standards.

The periods from July 1, 1996 to June 30, 2001 were examined by other independent auditors whose report, dated September 24, 2001, expressed an unqualified opinion thereon.

UHY LLP

Hartford, Connecticut
October 6, 2006

SHORT-TERM INVESTMENT FUND

SCHEDULE OF ANNUAL RATES OF RETURN

	Year Ended June 30,									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
STIF Total Rate of Return (%)	4.38	2.32	1.16	1.64	2.61	6.11	6.01	5.37	5.82	5.66
First Tier Institutional-only Rated Money Fund Report Averages™ (MFR) Index (%) (1)	4.01	1.91	0.75	1.20	2.22	5.74	5.58	5.04	5.49	5.27
Total Assets in STIF, End of Period ($ - Millions)	5,430	4,314	3,829	3,280	3,546	4,565	3.701	3,646	3,190	2,527
Percent of State Assets in Fund	84	84	81	69	67	71	71	71	70	73
Number of Participant Accounts in Composite, End of Year (2)										
State Treasury	58	84	124	115	112	55	55	54	n/a	n/a
Municpal and Local Entities	542	548	556	551	544	496	433	415	n/a	n/a
State Agencies and Authorities	406	446	474	440	428	346	312	313	n/a	n/a
Total	1,006	1,078	1,154	1,106	1,084	897	800	782	654	644

(1) Represents iMoneyNet's First Tier Institutional-only Rated Money Fund Report Averages™- (MFR) Index. These Index rates have been taken from published sources and have not been examined by UHY LLP (formerly Scillia Dowling & Natarelli LLC) or Deloitte & Touche LLP.

(2) In 2006, inactive accounts were closed and only active accounts were included in the total number of participant accounts.

See Notes to Schedules of Rates of Return.

SHORT-TERM INVESTMENT FUND

SCHEDULE OF QUARTERLY RATES OF RETURN

FISCAL YEAR	Rate of Return(%)	Institutional-only Rated Money Fund Report Avereages ™ (MFR) Index(%)(1)
2006		
Sep-05	.89	.80
Dec-05	1.05	.93
Mar-06	1.12	1.05
Jun-06	1.25	1.17
YEAR	**4.38**	**4.01**
2005		
Sep-04	.38	.29
Dec-04	.53	.41
Mar-05	.64	.54
Jun-05	.77	.67
YEAR	**2.32**	**1.91**
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**

FISCAL YEAR	Rate of Return(%)	Institutional-only Rated Money Fund Report Avereages ™ (MFR) Index(%)(1)
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**
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**

(1) Represents iMoneyNet's First Tier Institutional-only Rated Money Fund Report Averages™- (MFR) Index. These Index rates have been taken from published sources and have not been examined by UHY LLP (formerly Scillia Dowling & Natarelli LLC) or Deloitte & Touche LLP.

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, 1996 THROUGH JUNE 30, 2006

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 2006 fiscal year, STIF's portfolio averaged $5.0 billion.

NOTE 2: PERFORMANCE RESULTS

STIF has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS) for the period July 1, 1996 through June 30, 2006. The performance presentation for the period July 1, 1996 through June 30, 2006 has been subject to a verification in accordance with GIPS standards by an independent public accounting firm whose report is included herein. For the purposes of compliance with GIPS 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: Monthly returns are 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.

The rates of return presented herein are those earned by the Fund during the periods presented as described above.

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. 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, 2006, the balance in the Designated Surplus Reserve was $47,424,832, an increase of $3,938,421 from the June 30, 2005 balance of $43,486,411.

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 34 year history of the Fund.

NOTES TO SCHEDULES OF RATES OF RETURN (Continued)
FOR THE 10 YEAR INVESTMENT PERIOD JULY 1, 1996 THROUGH JUNE 30, 2006

NOTE 5: ADDITIONAL DISCLOSURES

These results solely reflect the performance of STIF. The Fund's principal investment officer was hired in February 2005, and has been responsible for the managment of the Fund since that time. The previous principal investment officer had been the portfolio manager since 1983.

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.

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 basis 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, 2006

	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	523,004	203,893	46,874	2,911	4,434	112	346	3,743	612
Interest in Investment Funds	12,189,855,336	8,774,085,838	1,501,120,450	77,321,233	163,758,464	771,280	59,418,171	15,831,803	19,634,650
Total Cash and Investments	$12,190,378,340	$8,774,289,731	$1,501,167,324	$77,324,144	$163,762,898	$771,392	$59,418,517	$15,835,546	$19,635,262
Schedule of Activity:									
Cash and Investments at July 1, 2005	$11,392,543,788	$8,175,802,046	$1,394,953,842	$72,092,844	$152,736,743	$718,343	$60,943,629	$16,408,870	$19,047,832
Shares Purchased (Excluding Cash Reserve Fund)	117,438,141	288,349,825	74,339,414	4,634,911	11,731,002	75,952	-	-	1,298,225
Shares Redeemed (Excluding Cash Reserve Fund)	(185,419,764)	(83,500,338)	(20,118,879)	(632,382)	(1,189,697)	(463)	-	-	(45,274)
Net Purchase and Redemptions of Cash Reserve Fund	83,279,524	(152,946,026)	(31,430,531)	(3,877,316)	(7,403,917)	(20,767)	-	(39)	(948,326)
Net Investment Income	425,557,838	310,506,920	53,690,510	2,514,241	5,957,421	28,004	2,571,560	732,939	664,324
Realized Gain (Loss) from Sale of Investments	45,550,687	14,036,602	1,560,268	152,145	150,476	5	-	-	2,201
Change in Unrealized Gain/(Loss) on Investment Funds	736,860,094	532,826,108	81,932,755	4,962,239	7,755,304	(1,661)	(1,525,266)	(574,769)	282,781
Increase (Decrease) in Receivables - Net (1)	125,870	(278,486)	(69,545)	(8,297)	(17,013)	(17)	154	1,484	(2,177)
Distributions	(425,557,838)	(310,506,920)	(53,690,510)	(2,514,241)	(5,957,421)	(28,004)	(2,571,560)	(732,939)	(664,324)
Cash and Investments at June 30, 2006	$12,190,378,340	$8,774,289,731	$1,501,167,324	$77,324,144	$163,762,898	$771,392	$59,418,517	$15,835,546	$19,635,262

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, 2006

	SCHOOL FUND	AGRICUL-TURAL 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	$ -	$ -	$ -	$ -	$ -	$ 9,433,120
Interest & Dividends Receivable	1,283	150	494	237	503	-
Investments in Combined Investment Funds, at Fair Value	9,174,249	606,609	2,062,638	970,158	2,162,093	-
Total Assets	$9,175,532	$606,759	$2,063,132	$970,395	$2,162,596	$9,433,120
LIABILITIES & FUND BALANCE						
Due to Other Funds	$118,324	$22,202	$75,483	$ 35,499	$ -	$ -
Fund Balance	9,057,208	584,557	1,987,649	934,896	2,162,596	9,433,120
Total Liabilities & Fund Balance	$9,175,532	$606,759	$2,063,132	$970,395	$2,162,596	$9,433,120

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

STATEMENT OF REVENUE AND EXPENDITURES

	SCHOOL FUND	AGRICUL-TURAL COLLEGE FUND	IDA EATON COTTON FUND	ANDREW C. CLARK FUND	HOPEMEAD STATE PARK TRUST FUND
REVENUE					
Net Investment Income	$344,309	$22,202	$75,483	$35,497	$79,236
Realized Gain on Investments	-	-	-	-	-
Change in Unrealized Gain (Loss) on Investments	(27,635)	(1,581)	(5,432)	(2,518)	(7,103)
Increase (Decrease) in Cash Reserve Fund Income Receivables-(1)	515	59	195	93	208
Total Revenue	$317,189	$20,680	$70,246	$33,072	$72,341
EXPENDITURES	-	-	-	-	-
Excess of Revenue over Expenditures	$317,189	$20,680	$70,246	$33,072	$72,341

(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	AGRICUL-TURAL COLLEGE FUND	IDA EATON COTTON FUND	ANDREW C. CLARK FUND	HOPEMEAD STATE PARK TRUST FUND	MISC. AGENCY TRUST FUNDS
Fund Balance at July 1, 2005	$9,084,326	$586,079	$1,992,886	$937,323	$2,090,255	$34,266,641
Excess of Revenue over Expenditures	317,189	20,680	70,246	33,072	72,341	-
Net Cash Transactions	-	-	-	-	-	(25,659,903)
Transfer from Other Funds	-	-	-	-	-	826,382
Transfer to Other Funds	(340,062)	(22,036)	(74,976)	(35,252)	-	-
Increase in Due to Other Funds	(4,245)	(166)	(507)	(247)	-	-
Fund Balance at June 30, 2006	$9,057,208	$584,557	$1,987,649	$934,896	$2,162,596	$9,433,120

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, 2006

	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	$317,189	$20,680	$70,246	$33,072	$72,341
Realized Gain on Investments	-	-	-	-	-
Change in Unrealized (Gain) Loss on Investments	27,635	1,581	5,432	2,518	7,103
(Increase) Decrease in Cash Reserve Fund Income Receivables	(515)	(59)	(195)	(93)	(208)
Net Cash Provided by Operations	$344,309	$22,202	$75,483	$35,497	$79,236
Cash Flows from Non Capital Financing Activities:					
Operating Transfers - Out to Other Funds	(340,062)	(22,036)	(74,976)	(35,252)	-
Operating Transfers - In from Other Funds	-	-	-	-	-
Net Cash Used for Non-Capital Financing Activities	(340,062)	(22,036)	(74,976)	(35,252)	-
Cash Flows from Investing Activities:					
Net Purchase and Redemptions of Cash Reserve Fund	(4,245)	(166)	(507)	(247)	(4,236)
Purchase of Investments	-	-	-	-	(75,000)
Proceeds from Sale of Investment	-	-	-	-	-
Net Cash Provided by (Used for) Investing Activities	(4,245)	(166)	(507)	(247)	(79,236)
Net Increase (Decrease) In Cash	-	-	-	-	-
Cash June 30, 2005	-	-	-	-	-
Cash June 30, 2006	$ -	$ -	$ -	$ -	$ -

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

NON-CIVIL LIST TRUST FUNDS

STATEMENT OF CONDITION, AT COST
JUNE 30, 2006

	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	$ -	$ -	$ -	$ -	$ -	$9,433,120
Interest & Dividends Receivable	1,283	150	494	237	503	-
Investments in Combined Investment Funds	6,672,777	444,365	1,501,798	726,948	1,628,519	-
Total Assets	$6,674,060	$444,515	$1,502,292	$727,185	$1,629,022	$9,433,120
LIABILITIES						
Due to Other Funds	$ 118,324	$ 22,202	$ 75,483	$ 35,499	$ -	$ -
Fund Balance	6,555,736	422,313	1,426,809	691,686	1,629,022	9,433,120
Total Liabilities & Fund Balance	$6,674,060	$444,515	$1,502,292	$727,185	$1,629,022	$9,433,120

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:

<u>Basis of Presentation:</u> 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.

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

<u>Expenses:</u> 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.

<u>Distribution of Net Investment Income:</u> 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.

<u>Purchases and Redemptions of Units:</u> 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, 2006

ASSETS	
CURRENT ASSETS:	
Cash and Cash equivalents	$ 41,016,462
Receivables, net of allowance for uncollectible accounts - $14,334,073	13,277,245
Other assets	47,986
TOTAL CURRENT ASSETS	54,341,693
NONCURRENT ASSETS:	
Long-Term Receivable	2,013,098
Capital assets:	
Computers	27,088
Office equipment	16,122
Less accumulated depreciation	(33,983)
TOTAL NONCURRENT ASSETS	2,022,325
TOTAL ASSETS	56,364,018
LIABILITIES	
CURRENT LIABILITIES:	
Claims and benefits payable	7,055,125
Settlements payable	3,647,563
Accounts payable and other accrued liabilities	1,869,737
Compensated absences	339,375
TOTAL CURRENT LIABILITIES	12,911,800
NONCURRENT LIABILITIES:	
Accounts payable and accrued liabilities	1,015,000
Compensated absences	166,739
TOTAL NONCURRENT LIABILITIES	1,181,739
TOTAL LIABILITIES	14,093,539
NET ASSETS	
Unrestricted Net Assets	42,270,479
Total Net Assets	$ 42,270,479

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, 2006

OPERATING REVENUES	
Assessment Revenues	$59,072,979
Fund Recoveries	1,173,272
Other Income	458,338
TOTAL OPERATING REVENUES	60,704,589
OPERATING EXPENSES	
Injured Worker Benefits:	
Settlements	10,901,502
Indemnity Claims Benefits	21,617,496
Medical Claims Benefits	6,232,598
Total Injured Worker Benefits	38,751,596
Administrative Expenses	7,716,797
TOTAL OPERATING EXPENSES	46,468,393
OPERATING INCOME	14,236,196
NON-OPERATING REVENUE	
Interest Income	1,286,924
Change in Net Assets	15,523,120
NET ASSETS AT JUNE 30, 2005	26,747,359
NET ASSETS AT JUNE 30, 2006	42,270,479

See accompanying Notes to the Financial Statements.

SECOND INJURY FUND

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

CASH FLOWS FROM OPERATING ACTIVITIES	
SOURCE:	
Assessment revenues	$ 65,779,327
Fund recoveries	1,173,548
Other income	458,338
Other assets	16,094
Depreciation	8,371
	67,435,678
USE:	
Injured worker benefits	(37,062,560)
Administrative expenses	(7,721,506)
	(44,784,066)
NET CASH PROVIDED BY OPERATING ACTIVITIES	22,651,612
CASH FLOWS FROM INVESTING ACTIVITIES	
SOURCE:	
Interest income	1,343,772
USE:	
Acquisition of capital assets	(2,714)
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,341,058
NET INCREASE IN CASH AND CASH EQUIVALENTS	23,992,670
Cash and cash equivalents, July 1, 2005	17,023,792
CASH AND CASH EQUIVALENTS, JUNE 30, 2006	$ 41,016,462

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

OPERATING INCOME	$ 14,236,196
Adjustments to reconcile operating income to net cash:	
Provided by operating activities:-	
Depreciation expense	8,371
Decrease (increase) in assets:	
Decrease in receivables, net	7,808,406
Decrease in other assets	16,094
Increase (decrease) in liabilities	
Increase in claims benefits payable	1,091,149
Increase in settlements payable	(1,121,031)
Decrease in accounts payable and other accrued expenses	597,887
Increase in compensated absences	14,540
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 22,651,612

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 Note 2)

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.

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.

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). Custodial Credit Risk for Cash and Cash Equivalents is the risk that in the event of a bank failure, the SIF deposits may not be returned to them. STIF Investment Policy ensures strong asset diversification by security type and issuer, comprised of high quality, very liquid securities with a relatively short average maturity. Deposits are presented in the basic financial statements at cost plus accrued interest which is also the market or fair value.

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 Note 3)

NOTES TO FINANCIAL STATEMENTS (Continued)

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.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 2006, 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 4)

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.

Claims Benefits Payable

This category of liability includes indemnity and medical benefits to injured workers as claims and widow and dependent death benefits that will not be submitted to the Fund well as reimbursements to insurance companies and self-insured employers for widow claims and dependent death benefits in addition to concurrent employment cases incurred as at the balance sheet date. The long-term portion of claims benefits payable represents an estimate of the amount of liability of as June 30, 2006 of the concurrent employment until a year or more for reimbursement. (See Note 5)

Settlements Payable

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. (See Note 5)

Accounts Payable and Other Accrued Liabilities

Accounts payable and other accrued liabilities represent administrative expenses of the Fund outstanding as of June 30, 2006 as well as assessments owed to Connecticut Workers' Compensation and other Connecticut employers. (See Note 5)

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 5)

NOTE 3: 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, 2006 was 4.00%.

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, 2006 was 8.4%.

NOTE 4: RECEIVABLES

The following is an analysis of the changes in the Fund receivable balances as of June 30, 2006:

	Beginning Balance	Additions	Cash Receipts	Write-Offs	Ending Balance	Amount Due Within One Year	Allowance for Uncollectible
Assessments	$24,193,052	$79,031,904	$86,114,121	$15,683	$17,095,152	$13,277,245	$3,817,907
Non-Compliance 355	10,757,107	2,275,986	1,070,863	2,389,083	9,573,147	0	9,573,147
Other Receivables	1,304,418	385,894	431,004	316,289	943,019	0	943,019
Total Receivables	$36,254,577	$81,693,784	$87,615,988	$2,721,055	$27,611,318	$13,277,245	$14,334,073

The outstanding balance of the long-term receivable is $2 million.

NOTE 5: LIABILITES AND COMPENSATED ABSENCES

The following is an analysis of the changes in the Fund liabilities and compensated absence balances as of June 30, 2006:

	Beginning Balance	Additions	Cash Disbursements	Ending Balance	Amount Due Within One Year
Claims and Benefits Payable	$6,978,977	$27,905,093	$26,813,945	$8,070,125	$7,055,125
Settlements Payable	3,049,676	10,901,502	10,303,615	3,647,563	3,647,563
Accounts Payable & Accrued Expenses	2,990,768	7,776,932	8,897,963	1,869,737	1,869,737
Compensated Absences	491,573	14,541	0	506,114	339,375
Total Liabilities & Compensated Absences	$13,510,994	$46,598,068	$46,015,523	$14,093,539	$12,911,800

NOTE 6: SETTLEMENTS

At June 30, 2006, negotiations were at various stages of completion for settlements valued and accrued at $3.6 million.

NOTE 7: SUBSEQUENT EVENTS

Legislation enacted by the Connecticut General Assembly and effective July 1, 2006, PA 05-199. Some of the provisions of the act are as follows: exempts the Fund from 31-299b liability; limits the Fund's liability for retroactive claims for reimbursement to two years after the date on which the employer or insurer paid such benefits; modifies the method of assessing insured employers; clarifies definitions used for all employers in calculating the assessment and codifies the Treasurer's authority to audit employers and insurance companies to ensure accurate and timely payment of surcharges and assessments; authorizes the Fund to reach stipulated agreements with claimants and uninsured employers, subject to the approval of the Workers' Compensation Commission, that result in the settlement of a claim prior to the issuance of a finding and award by the Workers' Compensation Commission; sets an annual interest rate of six (6) percent on underpaid assessments and surcharges determined after an audit and prevents inappropriate transfers of claims from insolvent insurers to the Fund from the Connecticut Insurance Guarantee Association.

As of August 29, 2006, the Fund invested $25 million of the accumulated cash in a certificate of deposit with Wachovia Bank at a rate of 5.38% maturing June 1, 2007. The yield rate is 5.45%. Cash accumulated due to the defeasance of the bonds and the process the Fund took to review and settle active payroll cases, both of which have resulted in cost savings to the Fund. Since the Fund is forecasting a shortfall in future revenues due to the planned reductions in the assessment base, an increase in settlements for uninsured employers, recent decisions that may negatively impact the Fund and potential liability for future cases, it has retained the accumulated cash to meet these forecasts.

CONNECTICUT HIGHER EDUCATION TRUST

STATEMENTS OF ASSETS AND LIABILITIES

	June 30, 2006	June 30, 2005
ASSETS		
Investments, at value (cost: $696,010,849 and $574,669,853)	$703,584,334	$595,953,116
Cash	863,745	581,787
Receivable for securities transactions	146,059	43,571
Receivable for Program shares sold	219,790	217,664
Dividends and interest receivable	67,789	62,833
TOTAL ASSETS	$704,881,717	$596,858,971
LIABILITIES		
Accrued management fee	$ 221,111	$ 686,484
Payable for securities transactions	141,540	215,727
Payable for Program shares sold	174,825	238,583
TOTAL LIABILITIES	537,476	1,140,794
NET ASSETS	704,344,241	595,718,177

See notes to financial statements.

CONNECTICUT HIGHER EDUCATION TRUST

STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED JUNE 30,

INVESTMENT INCOME	2006	2005
Income:		
Interest	$3,054,879	$2,534,176
Dividends	18,972,247	14,628,484
TOTAL INCOME	22,027,126	17,162,660
Expenses—Note 3:		
Management fee	2,874,118	2,484,891
Trustee fee	55,569	-
TOTAL EXPENSES	2,929,687	2,484,891
NET INVESTMENT INCOME	19,097,439	14,677,769
REALIZED AND UNREALIZED GAIN ON INVESTMENTS—Note 4		
Net realized gain on investments	13,429,103	13,275,675
Realized gain distributions from underlying funds	12,852,278	489,429
Net change in unrealized appreciation (depreciation) on investments	(13,709,775)	5,271,929
NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS	12,571,606	19,037,033
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	$31,669,045	$33,714,802

See notes to financial statements.

CONNECTICUT HIGHER EDUCATION TRUST

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

	2006	2005
FROM OPERATIONS		
Investment income - net	$19,097,439	$14,677,769
Net realized gain (loss) on investments	26,281,381	13,765,104
Net change in unrealized appreciation (depreciation) on investments	(13,709,775)	5,271,929
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	31,669,045	33,714,802
FROM ACCOUNT OWNER TRANSACTIONS		
Subscriptions	114,884,448	116,624,060
Exchanges	-	(18,811,555)
Redemptions	(37,927,429)	(27,183,444)
Transfers in (out)	-	18,811,555
NET INCREASE IN NET ASSETS RESULTING FROM ACCOUNT OWNER TRANSACTIONS	76,957,019	89,440,616
NET INCREASE IN NET ASSETS	108,626,064	123,155,418
NET ASSETS:		
Beginning of year	595,718,177	472,562,759
End of year	$704,344,241	$595,718,177

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1—ORGANIZATION

The Connecticut Higher Education Trust College Savings 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 (the "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 Management Agreement which was for an initial five-year term ending on March 13, 2005, has been automatically extended for a second five-year term through March 13, 2010. 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, entity, or a custodian under the Uniform Gifts to Minors Act or the Uniform Transfers to Minors Act participating in the Program establishes an Account in the name of a beneficiary. Contributions may be allocated among five investment options: the Managed Allocation Option, the High Equity Option, the 100% Equity Index Option, the 100% Fixed-Income Option, and the Principal Plus Interest Option. Contributions in the Managed Allocation Option are allocated among six age bands, based on the age of the beneficiary. Each age band invests in varying percentages in the institutional class of the Inflation-Linked Bond, Equity Index, International Equity Index, Bond, Real Estate Securities and Money Market Funds of the TIAA-CREF Institutional Mutual Funds. Contributions in the High Equity Option are allocated in certain percentages in the institutional class of the Inflation-Linked Bond, International Equity Index, Bond, Growth Equity, Mid-Cap Growth, Mid-Cap Value, Large-Cap Value, S&P 500 Index, and Small-Cap Equity of the TIAA-CREF Institutional Mutual Funds. Contributions in the 100% Equity Index Option are allocated in certain percentages in the institutional class of the Equity Index and the International Equity Index Funds of the TIAACREF Institutional Mutual Funds. Contributions in the 100% Fixed Income Option are allocated in certain percentages in the institutional class of the Inflation-Linked Bond 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 provides the Trust with a guarantee of principal and an annual minimum rate of return of 3%, the possibility of such additional returns as may be declared in advance by TIAA-CREF Life.

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 Securities and Exchange 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 as Program Manager of the Program.

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 the mutual funds is based on the respective net asset values of the respective classes of the mutual funds on the close of business on the valuation date. The value of the TIAA-CREF Life Funding Agreement, an illiquid investment restricted as to resale, is stated at the principal contributed and earnings credited less any withdrawals to date which in the good faith judgment of the Program Manager approximates fair value.

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 and capital gain distributions from TIAA-CREF Institutional Mutual Funds are 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 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.

Units: The beneficial interest of each participant in the net assets of the portfolios are represented by units. Contributions to and redemptions from the portfolios are subject to terms and limitations defined in the Participation Agreement between the participant and the Program. Contributions and redemptions are recorded upon receipt of participant's instructions in good order, based on the next determined net asset value per unit (unit value). Unit values for each portfolio are determined daily. There are no distributions of net investment gains or net income to the portfolio's participants or beneficiaries.

NOTE 3—MANAGEMENT AGREEMENTS

For its services as Program Manager with respect to the Managed Allocation Option the 100% Equity Index Option, the 100% Fixed-Income Option and the High Equity Option, TFI, and related entities, are paid (i) an annual aggregate management fee of 0.29% to 0.55% of the average daily net assets of the Trust, so invested, excluding certain administrative funds, plus (ii) the specific investment management fees for the underlying investments in the TIAA-CREF Institutional Mutual Funds, plus (iii) state fee (described below) the total of which shall not exceed 0.65% of the average daily net assets of the Trust invested in such investment options excluding certain administrative funds. This fee structure was effective July 1, 2006. For the period February 1, 2006 to June 30, 2006, the fees for its services as program manager to TFI and related entities did not exceed 0.70%. For the period July 1, 2005 to January 31, 2006, the fees for its services as program manager to TFI and related entities did not exceed 0.79%. Except for the State Fee, 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. On July 1, 2005, the Trustee began collecting a State Fee of 0.01% of the average daily net assets of the Trust annually to pay for expenses related to the oversight of the Trust. The Trustee is authorized to withdraw a State Fee of up to 0.02% of the average daily net assets of the Trust. Total fees earned by TFI, and related entities, for the year ended June 30, 2006 were $3,900,681, which includes $2,929,687 due directly from the Program and $970,994 due on Program investments in the TIAA-CREF Institutional Mutual Funds. The fees charged to each portfolio are disclosed in the Statement of Operations. 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, 2006, net unrealized appreciation of portfolio investments was $7,573,485, consisting of gross unrealized appreciation of $19,236,997 and gross unrealized depreciation of $11,663,512.

Purchases and sales of portfolio securities for the year ended June 30, 2006 were $211,127,837 and $109,355,985, respectively.

At June 30, 2006, the Program's investments consisted of the following:

	2006		
	COST	VALUE	MARKET VALUE
TIAA-CREF Institutional Mutual Funds (Institutional Class):			
Inflation-Linked Bond Fund	$6,048,201	$63,608,828	$59,695,746
Equity Index Fund	18,223,546	163,567,288	175,857,221
International Equity Index Fund	1,968,392	33,832,201	36,631,772
Bond Fund	18,260,619	185,353,231	177,675,820
Real Estate Securities Fund	1,570,783	21,134,809	22,446,484
Money Market Fund	36,045,231	36,045,131	36,045,231
Growth Equity Fund	3,699,000	24,885,825	25,708,048
Mid-Cap Growth Fund	27,719	460,000	474,281
Mid-Cap Value Fund	26,323	460,000	473,295
Large Cap Value Fund	1,962,614	27,926,427	29,498,082
S&P 500 Index Fund	2,352,413	34,277,104	34,204,085
Small Cap Equity Fund	436,379	6,541,616	6,955,880
TIAA-CREF Life Insurance Company:			
Funding Agreement	97,728,800	97,728,800	97,728,800
TIAA-CREF Retail Mutual Funds:			
Money Market Fund*	189,589	189,589	189,589
		$696,010,849	$703,584,334

* Represents the assets of Administrative Account.

At June 30, 2006, the State of Connecticut held assets in an administrative account of the Trust. The assets were invested in the Money Market Fund of the TIAA-CREF Retail Mutual Funds. At June 30, 2006, the value of the administrative account was $189,589.

REPORT OF INDEPENDENT AUDITORS

To the Account Owners and Trustee of
Connecticut Higher Education Trust College Savings Program:

In our opinion, the accompanying statement of assets and liabilities and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of the eleven portfolios constituting Connecticut Higher Education Trust College Savings Program (hereafter referred to as the “Program”) at June 30, 2006, the results of each of their operations, the changes in each of their net assets and each of their financial highlights for each of the periods in the year then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as “financial statements”) are the responsibility of the Program Manager. Our responsibility is to express an opinion on these financial statements based on our audit.We conducted our audit of these financial statements 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, assessing the accounting principles used and significant estimates made by the Program Manager, and evaluating the overall financial statement presentation.We believe that our audit provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
New York, New York
September 11, 2006

STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2005

ASSETS	
Current assets:	
Cash and cash equivalents	$ 9,287,198
Receivables	2,934,321
Total Current Assets	12,221,519
Noncurrent assets:	
Trustee cash and cash equivalents	20,534,500
Total noncurrent assets	20,534,500
Total Assets	**32,756,019**
LIABILITIES	
Current liabilities:	
Special obligation bonds payable - current portion	27,155,000
Accounts payable and accrued liabilities	-
Interest payable	-
Total current liabilities	27,155,000
Noncurrent liabilities:	
Special obligation bonds payable	139,440,000
Premium on special obligation bonds, net of amortization	9,637,724
Total Noncurrent liabilities	149,077,724
Total Liabilities	**176,232,724**
NET ASSETS	
Restricted for Debt Service	29,821,698
Unrestricted Deficit	(173,298,404)
Total Net Deficit	$ (143,476,706)

See accompanying Notes to the Financial Statements.

STATE OF CONNECTICUT SPECIAL OBLIGATION RATE REDUCTION BONDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE PERIOD ENDED DECEMBER 31, 2005

Operating Revenues	
Utilities Revenues	$ 41,328,566
Total Operating Revenues	41,328,566
Operating Expenses	
Administrative Expenses	320,499
Total Operating Expenses	320,499
Operating Income	41,008,067
Non-Operating Revenues (Expenses)	
Interest Income	1,294,896
Amortization of Bond Premium	1,752,314
Interest Expense	(8,744,825)
Costs of Issuance	(283,723)
Total Non-Operating Revenues (Expenses)	(5,981,338)
Net Income before special and extraordinary items	35,026,729
Special and Extraordinary Items	
Bonds Issued	-
Deferred Revenue	-
Capital Contribution	-
	-
Change in Net Assets	35,026,729
Net Assets at December 31, 2004	(178,503,435)
Net Assets at December 31, 2005 (Deficit)	$ (143,476,706)

See accompanying Notes to the Financial Statements.

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED DECEMBER 31, 2005

Cash Flows from Operating Activities		
Source:		
Collection revenues	$	42,258,400
Trustee cash		-
		42,258,400
Use:		
Administrative expenses		(320,499)
Net cash provided by operating activities		41,937,901
Cash Flows from Extraordinary & Noncapital Financing Activities		
Special Obligation Bonds		26,145,000
Interest expense on Bonds		8,744,825
Cost of issuance		301,023
Net cash used from noncapital financing activities		35,190,848
Cash Flows from Investing Activities		
Interest income		(1,294,896)
Net Cash provided by investing activities		(1,294,896)
Net Increase (Decrease) in cash and cash equivalents		8,041,950
Cash and cash equivalents, December 31, 2004		1,245,248
Cash and cash equivalents, December 31, 2005	$	9,287,198

Reconciliation of Operating Income
to Net Cash
Provided by Operating Activities

Operating income	$	41,008,067
Adjustments to reconcile operating income to net cash:		
Decrease (increase) in assets:		
Decrease in trustee cash		-
Increase in receivables		929,834
Increase (decrease) in liabilities		-
Decrease in accounts payable & accrued expenses		-
Net Cash provided by Operating Activities	$	41,937,901

See accompanying Notes to the Financial Statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: INTRODUCTION AND BASIS OF PRESENTATION:

The Rate Reduction Fund ("The Fund") was established in 2004 to account for the trustee-held assets, receipts and expenses associated with State of Connecticut Special Obligation Rate Reduction Bonds. The Special Obligation Rate Reduction Bonds were issued in 2004 to sustain for two years the funding of energy conservation and load management and renewable energy investment programs by providing money to the State's General Fund.

The bonds were issued pursuant to Connecticut General Statues Section 16-245e through 16-245k, 16-245m and 16-245n, as amended. The statutes authorize the Connecticut Department of Public Utility Control to issue a financing order authorizing a non-by passable State RRB Charge on the electric bills of the State's two investor-owned electric utilities: The Connecticut Light and Power Company (CL&P) and The United Illuminating Company (UI). The charge is calculated, billed and collected by the two utilities pursuant to servicing agreements with the State. Collections from the State RRB Charge are remitted to the bond trustee in an aggregate amount sufficient to cover principal, interest and other fees associated with the bonds.

The State of Connecticut, acting through the Office of the Treasurer, was authorized to issue the bonds. Repayment of the bonds including principal and interest, servicing fees, trustee fees, rating agency fees, legal and accounting fees and other related fees and expenses are payable solely from the State RRB Charge. Neither the full faith and credit nor the taxing power of the State is pledged to the bonds.

For State of Connecticut financial reporting purposes, the RRB Fund is reported as an Enterprise Fund. (See Notes 2 and 4)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial reporting entity

The accompanying financial statements of the Fund 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, 2004. GASB No. 34, Paragraph 67, requires the Fund 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 against each customer and applied equally to each Company's retail customers of the same class. Companies are defined as CL&P and UI, who service the Transition Property and collect the State RRB Charge.

Receivables

The receivables balance is composed of collection receivables.

Trustee cash and cash equivalents

Trustee cash and cash equivalents consist of funds in various accounts held by Wachovia Bank, N.A. as required by the Indenture of Trust dated June 23, 2004 covering the 2004 Series A Special Obligation Rate Reduction Bonds.

These accounts include a Collection Account, Bond Account, Reserve Account, Rebate Account and Cost of Issuance Account.

Bond Premiums

The premium on the revenue bonds is being amortized over the term of the bonds on a straight-line basis, which yields results equivalent to the interest method. The initial amount of premium received on the Special Obligation Rate Reduction Bonds was $12,266,194.80. As of December 31, 2005 the amount of premium remaining is $9,637,724.49.

NOTE 3: SPECIAL ASSESSMENT REVENUE BONDS

The Special Obligation Rate Reduction Bonds were issued to sustain for two years the funding of energy conservation and load management and renewable energy investment programs by providing money to the State's General Fund. The bonds are payable entirely from the State RRB Charge and the State of Connecticut has no contingent obligation either directly or indirectly for the payment of such bonds.

A summary of the beginning and ending balances of the bonds is presented below:

Balance at 12/31/2004	Increases	Decreases	Balance at 12/31/2005	Amount due within one year
$192,740,000	$ 0.00	$26,145,000	$166,595,000	$27,155,000

Bonds were issued on June 23, 2004 for $205,345,000. The outstanding maturities of the remaining 2004 bond issue mature on June 30 and December 30 of each year through 2011 and bear fixed interest rates ranging from 2.5% to 5.00%. For Fiscal Year ended December 31, 2005, $26,145,000.00 of bonds was matured. At December 31, 2005, amounts needed to pay principal and the respective interest rates payable on the remaining 2004 bond issue amounts were as follows:

Maturity	Principal	Interest Rate
06/30/2006	$ 9,760,000	5.00%
06/30/2006	3,675,000	2.50%
12/30/2006	13,720,000	5.00%
06/30/2007	11,025,000	5.00%
06/30/2007	3,040,000	3.00%
12/30/2007	14,385,000	5.00%
06/30/2008	11,745,000	5.00%
06/30/2008	3,000,000	3.00%
12/30/2008	15,085,000	5.00%
06/30/2009	12,460,000	5.00%
06/30/2009	3,000,000	3.50%
12/30/2009	15,825,000	5.00%
06/30/2010	14,985,000	5.00%
06/30/2010	1,235,000	3.50%
12/30/2010	16,620,000	5.00%
06/30/2011	14,020,000	5.00%
06/30/2011	3,015,000	4.00%
	$ 166,595,000	

The Trustee for these bonds is Wachovia Bank, N.A., who holds the accounts as required by the Bond Indenture. Collections are wire transferred to the Trustee daily by CL&P and UI in accordance with the servicing agreements.

At December 31, 2005, the Trustee Accounts included the following:

Reserve Account	$20,534,500
Collection Account	9,287,198
Total Trustee Accounts	$29,821,698

NOTE 4: ADOPTION OF NEW GASB No. 34 PRONOUNCEMENTS – DEFICIT NET ASSETS

As a result of the Fund's implementation of GASB No. 34, the long-term debt liability is reflected on the books of the Fund, creating a deficit net asset balance. The deficit balance has been reduced by $35.0 million this period leaving a deficit net asset balance at December 31, 2005 of $143.5 million.

In 2005 the Fund implemented GASB Statement No. 40 "Deposit and Investment Risk Disclosures". According to the Statement, the Fund needs to make certain disclosures about deposit and investment risks that have the potential to result in losses.

NOTE 5: PREMIUM ON SPECIAL ASSESSMENT REVENUE BONDS

The premium received on the 2004 Series A Special Obligation Rate Reduction Bonds will be amortized over the term of the bonds as shown in the table below.

	Semi-Annual Premium	Bond Premium Balance
09/23/2004		$12,266,194.80
12/30/2004	$876,156.77	11,390,038.03
06/30/2005	876,156.77	10,513,881.26
12/30/2005	876,156.77	9,637,724.49
06/30/2006	876,156.77	8,761,567.71
12/30/2006	876,156.77	7,885,410.94
06/30/2007	876,156.77	7,009,254.17
12/30/2007	876,156.77	6,133,097.40
06/30/2008	876,156.77	5,256,940.63
12/30/2008	876,156.77	4,380,783.86
06/30/2009	876,156.77	3,504,627.09
12/30/2009	876,156.77	2,628,470.31
06/30/2010	876,156.77	1,752,313.54
12/30/2010	876,156.77	876,156.77
06/30/2011	876,156.77	0.00

NOTE 6: CASH DEPOSITS - CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that, in the event of a bank failure, the Fund deposits may not be returned to it. The Fund deposits cash in various accounts held by Wachovia Bank, N.A, as required by the Indenture of Trust dated June 23, 2004 covering the 2004 Series A Special Obligation Rate Reduction Bonds. Deposits in banks are insured up to $100,000, any amount above this limit is considered uninsured. Additionally, state banking law requires all financial institutions that accept State of Connecticut deposits to segregate collateral against these deposits in an amount equal to ten percent of the outstanding deposit. As of December 31, 2005, $220,799 of the Fund balance was exposed to custodial credit risk representing the portion that was uninsured and collateral held by the pledging bank not in the name of the State of Connecticut.

NOTE 7: INVESTMENTS

As of December 31, 2005, the Fund's investments consisted of the following:

NOTES TO FINANCIAL STATEMENTS (Continued)

Investment Maturities (In Years)	Fair Value	Less Than 1	1 to 5	6 to 10
Securities				
Short-Term Investment Fund	$ 16,500,898	$ 16,500,898	$ -	$ -
Guaranteed investment contract	13,000,000		-	13,000,000
	$ 29,500,898	$ 16,500,898	$ -	$ 13,000,000

Restricted investments held by the Trustee in the collection account and the debt service reserve accounts are invested pursuant to the Indenture.

Interest Rate Risk

The Fund investment policies are delineated in Section 509 of the Indenture of Trust dated June 23, 2004.

Credit Risk

The Fund's investment in securities were rated by Standard and Poor's as of December 31, 2005 as follows:

Securities	Fair Value	AAA
Short-Term Investment Fund	$ 16,500,898	$ 16,500,898
Guaranteed investment contract	13,000,000	13,000,000
	$ 29,500,898	$ 29,500,898

Concentrations of Credit Risk

The Fund places no limit on the amount of investment in any one issuer. More than 5 percent of the Fund's investments are in a guaranteed investment contract with FSA in the amount $13,000,000 as of December 31, 2005. This investment represents 44% of the Fund's total investments. The Fund's investment policies are delineated in Section 509 of the Indenture of Trust dated June 23, 2004. In addition, in accordance with Connecticut General Statutes, allowable investments include 1) obligations, securities and investments set forth in subsection (f) of Section 3-20 of the Connecticut General Statutes and 2) participation certificates in the State's Short-Term Investment Fund created under Section 3-27a of the Connecticut General Statutes.'

STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS

KEVIN P. JOHNSTON

STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

ROBERT G. JAEKLE

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying Statement of Net Assets as of December 31, 2005 and the related Statements of Revenues, Expenses, and Changes in Net Assets, and Cash Flows for the year ended December 31, 2005, for the State of Connecticut Special Obligation Rate Reduction Bonds. 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.

Except as discussed in the following paragraph, 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, the State Rate Reduction Bond charge is calculated, billed, and collected by two investor-owned electric utilities pursuant to servicing agreements with the State. We did not audit the electric utilities' compliance with the servicing agreements, which were examined by other auditors.

The financial statements present only the Statement of Net Assets as of December 31, 2005 and the Statements of Revenues, Expenses, and Changes in Net Assets, and Cash Flows for the year ended December 31, 2005, for the State of Connecticut Special Obligation Rate Reduction Bonds 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 State of Connecticut Special Obligation Rate Reduction Bonds as of December 31, 2005, and the results of its operations and its cash flows 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 State of Connecticut Special Obligation Rate Reduction Bonds 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.

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

August 28, 2006
State Capitol
Hartford, Connecticut

TAX EXEMPT PROCEEDS FUND, INC.

STATEMENT OF NET ASSETS AND LIABILITIES
JUNE 30, 2006

ASSETS

Investments in securities, at amortized cost (Note 1)	$	157,697,981
Cash		278,096
Receivable for fund shares sold		53,723
Accrued interest receivable		1,076,894
Total assets		159,106,694

LIABILITIES

Payable for securities purchased		3,020,850
Payable for fund shares redeemed		527,648
Dividends payable		298,813
Payable to affiliates*		1,695
Total liabilities		3,849,006
Net assets	**$**	**155,257,688**

SOURCE OF NET ASSETS:

Net capital paid in on shares of capital stock (Note 3)	$	155,260,874
Accumulated net realized losses		(3,186)
Net assets	**$**	**155,257,688**

Net asset value, per share (Note 3):		
($155,257,688 applicable to 155,263,055 shares outstanding)	$	1.00

* Fee payable to Reich & Tang Asset Management.

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

TAX EXEMPT PROCEEDS FUND, INC.

SCHEDULE OF INVESTMENTS
JUNE 30, 2006

Face Amount		Maturity Date	Current Coupon(b)	Value (Note 1)	Ratings (a) Moody's	Ratings (a) Standard & Poor's
Tax Exempt Commercial Paper (1.29%)						
$ 2,000,000	York County, PA IDA PCRB (Philadelphia Electric Co. Project) – Series 1993A LOC BNP Paribas	07/05/06	3.51%	$ 2,000,000	P-1	A1+
2,000,000	**Total Tax Exempt Commercial Paper**			**2,000,000**		
Tax Exempt General Obligation Notes & Bonds (10.94%)						
$ 3,500,000	Arizona School District TAN Financing Project, COPs – Series 2005	07/28/06	2.92%	$ 3,502,725	MIG-1	SP-1+
3,000,000	Colorado State General Fund TRAN – Series 2006A	06/27/07	3.76	3,020,850		SP-1+
1,955,000	Evendale, OH Tax Increment RB LOC Fifth Third Bank	05/15/07	3.85	1,955,000	P-1	A-1+
4,000,000	Lakewood, OH City School District BAN	09/14/06	3.03	4,003,748	MIG-1	
4,500,000	Texas State TRAN – Series 2005	08/31/06	3.00	4,510,658	MIG-1	SP-1+
16,955,000	**Total Tax Exempt General Obligation Notes & Bonds**			**16,992,981**		
Variable Rate Demand Instruments (c) (89.34%)						
$ 5,000,000	ABN AMRO Munitops Certificate Trust, – Series 2006-9 (Alaska International Airports System RB – Series 2006B-D) Insured by MBIA Insurance Corpopration	10/01/14	4.02%	$ 5,000,000		
3,000,000	Chicago, IL Second Lien Water Revenue Refunding Bonds – Series 2004 Insured by MBIA Insurance Corp.	11/01/31	3.97	3,000,000	VMIG-1	A1+
3,175,000	Connecticut State HEFA (Yale University) – Series X-3	07/01/37	3.92	3,175,000	VMIG-1	A1+
1,500,000	Connecticut State HEFA (Yale University) – Series V-2	07/01/36	3.85	1,500,000	VMIG-1	A1+
4,500,000	County of Franklin, OH HRB (US Health Corporation.) – Series A LOC Citibank N.A.	12/01/21	3.96	4,500,000	VMIG-1	
4,940,000	Cuyahoga County, OH (Cleveland Health Education Museum Project) LOC Key Bank N.A.	03/01/32	3.99	4,940,000	VMIG-1	
1,400,000	Emmaus, PA General Authority Local Government (Westchester Area School District Project) – Series 1989 B-24 LOC Depfa Bank PLC	03/01/24	4.00	1,400,000		A1+
3,440,000	Florida HFC (Cypress Lake Apartments) – Series M-1 LOC Federal Home Loan Mortgage Corp.	11/01/32	3.97	3,440,000		A1+
2,655,000	Florida Sunshine State Government Financing Commission Insured by AMBAC Assurance Corp.	07/01/16	3.98	2,655,000	VMIG-1	

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

SCHEDULE OF INVESTMENTS (Continued)
JUNE 30, 2006

Face Amount		Maturity Date	Current Coupon(b)	Value (Note 1)	Ratings (a) Moody's	Ratings (a) Standard & Poor's
Variable Rate Demand Instruments (c) (Continued)						
$ 4,000,000	Fulton County, GA Housing Authority MHRB (Greenhouse Holcomb Project) Collateralized by Federal National Mortgage Association	04/01/30	4.00%	$ 4,000,000		A1+
3,200,000	Harris County, TX IDC RB (Odfjell Terminal Project) – Series 1998 LOC Royal Bank of Canada	02/01/20	3.98	3,200,000		A1+
1,495,000	Houston County, GA Development Authority (Middle Georgia Community Action Agency) – Series 2001 LOC Columbus Bank & Trust Company	01/01/31	4.12	1,495,000	P-1	A1
1,300,000	Illinois Development Finance Authority RB (Jewish Federation of Metropolitan Chicago Project) – Series 2002 Insured by AMBAC Assurance Corp.	09/01/32	4.03	1,300,000	VMIG-1	
755,000	Illinois HEFA RB (Rush-Presbyterian St. Luke's Medical Center) – Series 1996B LOC Northern Trust Company	11/15/06	4.00	755,000	VMIG-1	A1+
2,000,000	Indiana HEFA (Rehabilitation Hospital of Indiana) LOC National City Bank	11/01/20	3.97	2,000,000	VMIG-1	
2,400,000	Jacksonville, (University of Florida Health Science Center) – Series 1989 LOC Bank of America, N.A.	07/01/19	4.05	2,400,000	VMIG-1	
3,900,000	Jefferson County, AL Public Park & Recreation Board (YMCA Project) – Series 2005 LOC Amsouth Bank	10/01/25	4.04	3,900,000	VMIG-1	
4,815,000	Kings County, WA Limited Tax Obligation Bonds – Series 2005 (Putters – Series 1184) Insured by FGIC	01/01/13	4.03	4,815,000		A1
2,500,000	Lakeview, MI School District 2002 School Building & Site – Series B	05/01/32	3.96	2,500,000		A1+
2,680,000	Lisle, IL MHRB (Four Lakes Phase V – Lisle Project) – Series 1996 Collateralized by Federal National Mortgage Association	09/15/26	4.00	2,680,000		A1+
2,080,000	Long Island Power Authority, NY – Series F Guaranteed by FSA	12/01/29	3.95	2,080,000	VMIG-1	A1+
3,140,000	Long Island Power Authority NY RB (Electric System) – Subseries 1B LOC State Street Bank & Trust Company	05/01/33	4.00	3,140,000	VMIG-1	A1+
2,000,000	Marshall County, WV PCRB (Mountaineer Carbon Company Project) – Series 1985	12/01/20	4.03	2,000,000		A1+

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

SCHEDULE OF INVESTMENTS (Continued)
JUNE 30, 2006

Face Amount		Maturity Date	Current Coupon(b)	Value (Note 1)	Ratings (a) Moody's	Ratings (a) Standard & Poor's
Variable Rate Demand Instruments (c) (Continued)						
$ 5,000,000	Massachusetts Bay Transportation Authority – Series 2000	03/01/30	3.96%	$ 5,000,000	VMIG-1	A1+
3,900,000	Michigan Higher Education Facility Authority RB (Hope College Project) – Series 2002B LOC Fifth Third Bank	04/01/32	3.98	3,900,000		A1+
1,740,000	Missouri State HEFA LOC US Bank N. A.	11/15/22	4.09	1,740,000	VMIG-1	A1+
3,500,000	New Jersey Health Care Facilities Finance Authority (Meridian Health System) – Series 2003B LOC Bank of America N.A.	07/01/33	3.86	3,500,000	VMIG-1	A1
1,400,000	New Ulm, MN Hospital Facility RB (Health Central Systems Project) – Series 1985 LOC Wells Fargo Bank, N.A.	08/01/14	4.05	1,400,000		A1+
4,380,000	New York State Domitory Authority RB (Mental Health Services Facilities Improvement RB) – Series F-2C Insured by FSA	02/15/21	3.95	4,380,000		A1+
4,115,000	New York State Housing Finance Agency RB (10 Barclays Street Housing RB) – Series A Guaranteed by Federal National Mortgage Association	11/15/37	3.95	4,115,000	VMIG-1	
2,450,000	North Carolina, Educational Facilities Finance RB (Duke University Project) – Series 1987A	12/01/17	3.90	2,450,000	VMIG-1	A1+
1,700,000	Oregon State GO – Series 73H	12/01/19	3.98	1,700,000	VMIG-1	A1+
4,000,000	Pennsylvania EDFA (Amtrak Project) – Series 2001B LOC JP Morgan Chase Bank N.A.	11/01/41	4.06	4,000,000	VMIG-1	A1+
4,800,000	Private Hospital Authority of Dekalb, GA (Egleston Childrens Hospital) – Series 1994B LOC SunTrust Bank	03/01/24	3.97	4,800,000	VMIG-1	A1+
445,000	Reading, PA (York County General Authority) – Series 1996A Insured by AMBAC Assurance Corp.	09/01/26	3.98	445,000		A1+
4,650,000	Richardson, TX Independent School District (Unlimited Tax School Building Bond) – Series 2000 Guaranteed by Texas Permanent School Fund	08/15/24	3.97	4,650,000	VMIG-1	A1+
4,490,000	The Eagle Tax Exempt Trust – Series 20000904 Class A Insured by FGIC	07/01/16	4.02	4,490,000		A1+

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

SCHEDULE OF INVESTMENTS (Continued)
JUNE 30, 2006

Face Amount		Maturity Date	Current Coupon(b)	Value (Note 1)	Ratings (a) Moody's	Ratings (a) Standard & Poor's
Variable Rate Demand Instruments (c) (Continued)						
$ 4,380,000	Town of Hurley, NM (Kennecott Santa Fe Corporation Project) – Series 1985	12/01/15	3.99%	$ 4,380,000	P-1	A1+
1,905,000	Tulsa County, OK IDA (First Mortgage – Montercau) – Series 2002A LOC BNP Paribas	07/01/32	3.99	1,905,000		A1+
1,900,000	University of Kansas Hospital Authority RB (KU Health System) – Series 2004 LOC Harris Trust N. A.	09/01/34	4.04	1,900,000		A1+
4,075,000	University of North Carolina Board of Governors Chapel Hill RB – Series 2001B	12/01/25	3.95	4,075,000	VMIG-1	A1+
1,700,000	University of North Florida, Capital Improvement RB – Series 1994 LOC Wachovia Bank N.A.	11/01/24	4.01	1,700,000	VMIG-1	
2,000,000	Valdez, AK Marine Terminal (British Petroleum Pipelines Inc. Project)	12/01/33	3.88	2,000,000	VMIG-1	A1+
500,000	Wisconsin HEFA (Alverno College Project) – Series 1997 LOC Allied Irish Bank	11/01/17	4.09	500,000	VMIG-1	
2,000,000	Wisconsin Public Power Inc System Power Supply System RB Putters – Series 1150 Insured by AMBAC Assurance Corp.	07/01/13	4.01	2,000,000	VMIG-1	
7,800,000	Wisconsin State HEFA LOC Marshall & Ilsley	04/01/28	4.04	7,800,000		A1
138,705,000	**Total Variable Rate Demand Instruments**			**138,705,000**		
	Total Investments (101.57%) (Cost $157,697,981†)			**157,697,981**		
	Liabilities in excess of cash and other assets (-1.57%)			**(2,440,293)**		
	Net Assets (100.00%)			**$155,257,688**		

† Aggregate cost for federal income tax purposes is identical.

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

SCHEDULE OF INVESTMENTS (Continued)
JUNE 30, 2006

FOOTNOTES:

(a) Unless the variable rate demand instruments are assigned their own ratings, the ratings are those 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) The interest rate shown reflects the securities current coupon, unless yield is available.

(c) Securities payable on demand at par including accrued interest (usually with one or 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.

KEY:

BAN = Bond Anticipation Note
COP = Certificates of Participation
EDFA = Economic Development Finance Authority
FGIC = Financial Guaranty Insurance Company
FSA = Financial Security Assurance
GO = General Obligation
HEFA = Health and Education Facilities Authority
HFC = Housing Finance Commission
HRB = Hospital Revenue Bond
IDA = Industrial Development Authority
IDC = Industrial Development Corporation
LOC = Letter of Credit
MHRB = Multi-Family Housing Revenue Bond
PCRB = Pollution Control Revenue Bond
RB = Revenue Bond
TAN = Tax Anticipation Note
TRAN = Tax and Revenue Anticipation Note

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

BREAKDOWN OF PORTFOLIO HOLDINGS
JUNE 30, 2006

States	Value	% of Portfolio
Alabama	$3,900,000	2.47%
Alaska	7,000,000	4.44
Arizona	3,502,725	2.22
Colorado	3,020,850	1.92
Connecticut	4,675,000	2.96
Florida	14,685,000	9.31
Georgia	10,295,000	6.53
Illinois	7,735,000	4.91
Indiana	2,000,000	1.27
Kansas	1,900,000	1.20
Massachusetts	5,000,000	3.17
Michigan	6,400,000	4.06
Minnesota	1,400,000	0.89
Missouri	1,740,000	1.10
New Jersey	3,500,000	2.22
New Mexico	4,380,000	2.78
New York	13,715,000	8.70
North Carolina	6,525,000	4.14
Ohio	15,398,748	9.76
Oklahoma	1,905,000	1.21
Oregon	1,700,000	1.08
Pennsylvania	7,845,000	4.97
Texas	12,360,658	7.84
Washington	4,815,000	3.05
West Virginia	2,000,000	1.27
Wisconsin	10,300,000	6.53
Total	$157,697,981	100.00%

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

TAX EXEMPT PROCEEDS FUND, INC.

STATEMENT OF OPERATIONS
JUNE 30, 2006

INVESTMENT INCOME	
Interest income	$ 4,684,696
Expenses (Note 2)	(635,250)
Net investment income	4,049,446
REALIZED GAIN ON INVESTMENTS	
Net realized gain on investments	-0-
Net increase in net assets from operations	$ 4,049,446

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

TAX EXEMPT PROCEEDS FUND, INC.

STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2006 and 2005

	2006	2005
INCREASE (DECREASE) IN NET ASSETS		
Operations:		
Net investment income	$ 4,049,446	$ 2,307,755
Net realized gain on investments	-0-	15,243
Net increase in net assets resulting from operations	4,049,446	2,322,998
Dividends to shareholders from net investment income	(4,049,446)	(2,307,755)
Capital share transactions (Note 3)	4,474,164	(19,593,543)
Total increase (decrease)	4,474,164	(19,578,300)
Net assets:		
Beginning of year	150,783,524	170,361,824
End of year	$ 155,257,688	$ 150,783,524
Undistributed net investment income	-0-	-0-

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Accounting Policies

Tax Exempt Proceeds Fund, Inc. (“Fund”) 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, 2006, 20,000,000,000 shares of $.001 par value stock were authorized and paid in capital amounted to $155,260,874. Transactions in capital stock, all at $1.00 per share, were as follows:

	Year Ended June 30, 2006	Year Ended June 30, 2005
Sold	906,402,669	761,007,007
Issued on reinvestment of dividends	1,398,146	797,205
Redeemed	(903,326,651)	(781,397,755)
Net increase (decrease)	4,474,164	(19,593,543)

4. Tax Information

Accumulated undistributed realized losses at June 30, 2006 amounted to $3,186. 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, 2006 and 2005 were tax-exempt.

At June 30, 2006, the Fund had no distributable earnings.

6. Financial Highlights

	Years Ended June 30,				
	2006	**2005**	**2004**	**2003**	**2002**
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	0.025	0.014	0.006	0.009	0.015
Less distributions from:					
Dividends from net investment income	(0.025)	(0.014)	(0.006)	(0.009)	(0.015)
Net asset value, end of year	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00
Total Return	2.57%	1.36%	0.60%	0.92%	1.48%
Ratios/Supplemental Data					
Net assets, end of year (000's)	$155,258	$150,784	$170,362	$190,422	$201,725
Ratios to average net assets:					
Expenses	0.40%	0.40%	0.40%	0.40%	0.40%
Net investment income	2.55%	1.34%	0.59%	0.92%	1.48%

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of
Tax Exempt Proceeds Fund, Inc.

We have audited the accompanying statement of assets and liabilities of Tax Exempt Proceeds Fund, Inc. (the "Fund") including the schedule of investments, as of June 30, 2006 and the related statement of operations for the year then ended, 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 five 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.

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, 2006 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, 2006, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five 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 19, 2006

Sanville & Company
Certified Public Accountants

Supplemental Information

COMBINED INVESTMENT FUNDS

SCHEDULE OF NET ASSETS

JUNE 30, 2006

	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	$ -	$90,843,478	$772,700,385	$80,889,412	$68,221,329	$9,470,748	$80,457,680	$(1,102,583,032)	$ -
Cash Equivalents	806,140,136	-	14,639,781	-	-	-	-	-	820,779,917
Asset Backed Securities	239,173,459	-	194,890,055	-	-	-	-	-	434,063,514
Government Securities	13,004,057	-	1,651,153,001	-	-	-	-	-	1,664,157,058
Government Agency Securities	38,065,924	-	1,498,706,854	-	-	-	-	-	1,536,772,778
Mortgage Backed Securities	28,747,100	-	941,603,360	-	-	459,528	-	-	970,809,988
Corporate Debt	258,001,334	-	1,682,536,698	-	-	-	-	-	1,940,538,032
Convertible Securities	-	-	42,872,502	2,355,901	-	-	-	-	45,228,403
Common Stock	-	8,783,594,845	25,399,321	5,071,535,630	-	8,261,838	-	-	13,888,791,634
Preferred Stock	-	-	2,141,537	98,785,290	-	-	-	-	100,926,827
Real Estate Investment Trust	-	108,360,885	3,071,171	1,666,784	-	-	-	-	113,098,840
Mutual Fund	-	-	222,822,721	137,433,557	-	-	-	-	360,256,278
Limited Liability Corporation	-	-	-	-	-	-	10,769,746	-	10,769,746
Trusts	-	-	-	-	53,199,123	-	-	-	53,199,123
Limited Partnerships	-	244,560	-	-	276,732,554	-	1,266,290,688	-	1,543,267,802
Annuities	-	-	-	-	238,102	-	-	-	238,102
Total Investments in Securities, at Fair Value	1,383,132,010	8,983,043,768	7,052,537,386	5,392,666,574	398,391,108	18,192,114	1,357,518,114	(1,102,583,032)	23,482,898,042
Cash	-	10,583,929	14,844,101	28,084,143	-	-	165,746	-	53,677,919
Receivables									
Foreign Exchange Contracts	-	-	25,544,591	12,901,729,466	-	-	-	-	12,927,274,057
Interest Receivable	5,828,867	392,978	76,208,115	376,237	256,838	3,975	382,491	(4,532,759)	78,916,742
Dividends Receivable	-	9,390,254	17,314	8,799,321	-	-	-	-	18,206,889
Due from Brokers	-	42,366,164	192,213,658	22,066,159	-	-	-	-	256,645,981
Foreign Taxes	-	68,557	3,943	2,104,574	-	-	-	-	2,177,074
Securities Lending Receivable	-	215,537	168,998	599,864	-	-	-	-	984,399
Reserve for Doubtful Receivables	-	(552)	(9,097,421)	(58,603)	-	-	-	-	(9,156,576)
Total Receivables	5,828,867	52,432,938	285,059,198	12,935,617,018	256,838	3,975	382,491	(4,532,759)	13,275,048,566
Invested Securities Lending Collateral	-	944,608,251	1,031,816,033	838,722,422	-	-	-	-	2,815,146,706
Prepaid Expenses	-	-	-	-	95,465	7,662	1,926,982	-	2,030,109
Total Assets	1,388,960,877	9,990,668,886	8,384,256,718	19,195,090,157	398,743,411	18,203,751	1,359,993,333	(1,107,115,791)	39,628,801,342
LIABILITIES									
Payables									
Foreign Exchange Contracts	-	-	25,733,692	12,965,431,221	-	-	-	-	12,991,164,913
Due to Brokers	-	43,940,491	904,973,182	26,964,256	-	-	-	-	975,877,929
Income Distribution	5,309,495	-	-	-	-	-	-	(4,520,903)	788,592
Total Payables	5,309,495	43,940,491	930,706,874	12,992,395,477	-	-	-	(4,520,903)	13,967,831,434
Securities Lending Collateral	-	944,608,251	1,031,816,033	838,722,422	-	-	-	-	2,815,146,706
Accrued Expenses	58,450	19,754,292	2,552,271	6,697,073	-	-	-	(11,856)	29,050,230
Total Liabilities	5,367,945	1,008,303,034	1,965,075,178	13,837,814,972	-	-	-	(4,532,759)	16,812,028,370
NET ASSETS	$1,383,592,932	$8,982,365,852	$6,419,181,540	$5,357,275,185	$ 398,743,411	$18,203,751	$1,359,993,333	$(1,102,583,032)	22,816,772,972
Units Outstanding	1,383,592,932	9,620,184	57,292,024	15,413,391	7,053,301	306,947	24,569,883		
Net Asset Value and Redemption Price per Unit	$1.00	$933.70	$112.04	$347.57	$56.53	$59.31	$55.35		

COMBINED INVESTMENT FUNDS

SCHEDULE OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	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
ADDITIONS									
OPERATIONS									
Investment Income									
Dividends	$ -	$149,610,734	$11,698,294	$139,763,454	$6,029,681	$1,959,193	$216,504,395	$ -	$525,565,751
Interest	60,527,772	5,245,411	322,999,896	3,852,063	1,085,773	16,741	4,083,110	(47,024,285)	350,786,481
Other Income	293,565	1,969,862	17,764	329,928	77,256	44	5,872	(228,072)	2,466,219
Securities Lending	-	32,100,786	51,878,302	38,167,755	-	-	-	-	122,146,843
Total Income	60,821,337	188,926,793	386,594,256	182,113,200	7,192,710	1,975,978	220,593,377	(47,252,357)	1,000,965,294
Investment Expenses									
Investment Advisory Fees	271,123	25,959,765	7,355,194	25,266,303	837,532	183,500	4,702,362	(210,637)	64,365,142
Custody and Transfer Agent Fees	179	60,204	14,186	21,233	1,319	-	-	(139)	96,982
Professional Fees	30,227	261,024	129,716	125,529	590,270	397	846,531	(23,483)	1,960,211
Security Lending Fees	-	505,515	706,078	1,195,140	-	-	-	-	2,406,733
Security Lending Rebates	-	29,451,218	48,358,606	31,038,894	-	-	-	-	108,848,718
Investment Expenses	-	-	-	330,982	-	-	-	-	330,982
Total Investment Expenses	301,529	56,237,726	56,563,780	57,978,081	1,429,121	183,897	5,548,893	(234,259)	178,008,768
Net Investment Income	60,519,808	132,689,067	330,030,476	124,135,119	5,763,589	1,792,081	215,044,484	(47,018,098)	822,956,526
Net Realized Gain (Loss)	(8,230)	528,852,700	(53,478,690)	706,355,072	37,491,709	(31,989)	(333,155,492)	6,394	886,031,474
Net Change in Unrealized Gain/(Loss) on Investments and Foreign Currency	-	188,685,125	(222,605,217)	300,209,168	(19,310,239)	(8,330)	273,459,623	-	520,430,130
Net Increase (Decrease) in Net Assets Resulting from Operations	60,511,578	850,226,892	53,946,569	1,130,699,359	23,945,059	1,751,762	155,348,615	(47,011,704)	2,229,418,130
Unit Transactions									
Purchase of Units by Participants	2,809,551,009	-	385,675,000	-	81,500,000	-	30,767,471	(1,477,661,567)	1,829,831,913
TOTAL ADDITIONS	**2,870,062,587**	**850,226,892**	**439,621,569**	**1,130,699,359**	**105,445,059**	**1,751,762**	**186,116,086**	**(1,524,673,271)**	**4,059,250,043**
DEDUCTIONS									
Administrative Expenses:									
Salary and Fringe Benefits	(126,096)	(1,092,895)	(519,458)	(588,590)	(215,438)	(14,397)	(499,977)	97,965	(2,958,886)
Distributions to Unit Owners:									
Income Distributed	(60,385,485)	(121,789,550)	(293,302,171)	(104,884,693)	(61,396,627)	(1,564,409)	(206,124,351)	46,913,739	(802,533,547)
Unit Transactions:									
Redemption of Units by Participants	(3,004,267,283)	(20,100,000)	(7,000,000)	(156,800,000)	(44,700,000)	(2,306,800)	(60,000,000)	1,559,039,841	(1,736,134,242)
TOTAL DEDUCTIONS	**(3,064,778,864)**	**(142,982,445)**	**(300,821,629)**	**(262,273,283)**	**(106,312,065)**	**(3,885,606)**	**(266,624,328)**	**1,606,051,545**	**(2,541,626,675)**
CHANGE IN NET ASSETS	**(194,716,277)**	**707,244,447**	**138,799,940**	**868,426,076**	**(867,006)**	**(2,133,844)**	**(80,508,242)**	**81,378,274**	**1,517,623,368**
Net Assets- Beginning of Period	1,578,309,209	8,275,121,405	6,280,381,600	4,488,849,109	399,610,417	20,337,595	1,440,501,575	(1,183,961,306)	21,299,149,602
Net Assets- End of Period	$1,383,592,932	$8,982,365,852	$6,419,181,540	$5,357,275,185	$398,743,411	$18,203,751	$1,359,993,333	$(1,102,583,032)	$22,816,772,972
Other Information:									
Units									
Purchased	2,809,551,009	-	3,383,108	-	1,370,411	-	538,345		
Redeemed	(3,004,267,283)	(21,657)	(62,189)	(499,476)	(730,227)	(39,184)	(1,042,694)		
Net Increase (Decrease)	(194,716,274)	(21,657)	3,320,919	(499,476)	640,184	(39,184)	(504,349)		

COMBINED INVESTMENT FUNDS

SCHEDULE OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	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
ADDITIONS									
OPERATIONS									
Investment Income									
Dividends	$ -	$141,133,094	$ 3,879,735	$115,606,645	$ 6,757,260	$3,143,831	$229,719,277	$ -	$500,239,842
Interest	36,687,375	2,297,117	286,037,238	680,412	225,403	13,924	2,307,175	(26,196,043)	302,052,601
Other Income	-	2,437,742	-	364,146	5,215	74	15,134,224	-	17,941,401
Securities Lending	-	12,536,196	27,643,006	17,898,569	-	-	-	-	58,077,771
Total Investment Income	36,687,375	158,404,149	317,559,979	134,549,772	6,987,878	3,157,829	247,160,676	(26,196,043)	878,311,615
Investment Expenses									
Investment Advisory Fees	298,665	22,668,229	6,121,336	23,670,373	946,826	249,911	2,962,173	(213,257)	56,704,256
Custody and Transfer Agent Fees	64,966	161,176	123,059	1,330,557	36,437	1,510	236,475	(46,388)	1,907,792
Professional Fees	59,309	312,472	185,991	170,293	308,471	906	2,222,415	(42,349)	3,217,508
Security Lending Fees	-	492,527	901,319	1,547,604	-	-	-	-	2,941,450
Security Lending Rebates	-	10,793,561	24,559,261	11,998,879	-	-	-	-	47,351,701
Investment Expenses	-	-	-	-	-	-	-	-	-
Total Investment Expenses	422,940	34,427,965	31,890,966	38,717,706	1,291,734	252,327	5,421,063	(301,994)	112,122,707
Net Investment Income	36,264,435	123,976,184	285,669,013	95,832,066	5,696,144	2,905,502	241,739,613	(25,894,049)	766,188,908
Net Realized Gain (Loss)	(258,639)	439,057,365	24,035,026	353,155,991	14,357,352	(437,252)	(131,430,367)	184,677	698,664,153
Net Change in Unrealized Gain/(Loss) on Investments and Foreign Currency	-	58,160,686	138,945,161	308,428,991	69,397,342	(546,694)	16,769,617	-	591,155,103
Net Increase (Decrease) in Net Assets Resulting from Operations	36,005,796	621,194,235	448,649,200	757,417,048	89,450,838	1,921,556	127,078,863	(25,709,372)	2,056,008,164
Unit Transactions									
Purchase of Units by Participants	3,532,661,527	-	261,462,800	81,000,000	18,000,000	-	74,000,000	(2,334,801,143)	1,632,323,184
TOTAL ADDITIONS	**3,568,667,323**	**621,194,235**	**710,112,000**	**838,417,048**	**107,450,838**	**1,912,556**	**201,078,863**	**(2,360,510,515)**	**3,688,331,348**
DEDUCTIONS									
Administrative Expenses									
Salary and Fringe Benefits	(140,692)	(991,718)	(479,672)	(491,217)	(198,689)	(15,525)	(462,594)	100,459	(2,679,648)
Distributions to Unit Owners									
Income Distributed	(35,865,104)	(126,079,905)	(278,621,458)	(82,360,081)	(27,479,388)	(3,364,012)	(331,480,730)	25,608,923	(859,641,755)
Unit Transactions									
Redemption of Units by Participants	(3,354,158,052)	(60,000)	(70,500)	(270,000,000)	(48,700,000)	(14,608,900)	(214,000,000)	2,185,347,333	(1,716,250,119)
TOTAL DEDUCTIONS	**(3,390,163,848)**	**(127,131,623)**	**(279,171,630)**	**(352,851,298)**	**(76,378,077)**	**(17,988,437)**	**(545,943,324)**	**2,211,056,715**	**(2,578,571,522)**
CHANGE IN NET ASSETS	**178,503,475**	**494,062,612**	**430,940,370**	**485,565,750**	**31,072,761**	**(16,066,881)**	**(344,864,461)**	**(149,453,800)**	**1,109,759,826**
Net Assets- Beginning of Period	1,399,805,734	7,781,058,793	5,849,441,230	4,003,283,359	368,537,656	36,404,476	1,785,366,036	(1,034,507,508)	20,189,389,776
Net Assets- End of Period	$1,578,309,209	$8,275,121,405	$6,280,381,600	$4,488,849,109	$399,610,417	$20,337,595	$1,440,501,575	$(1,183,961,308)	$21,299,149,602
Other Information:									
Units									
Purchased	3,532,661,527	-	2,275,425	306,694	337,459	-	1,237,320		
Redeemed	(3,354,158,052)	70	(609)	(998,631)	(909,481)	(234,027)	(3,539,298)		
Net Increase (Decrease)	178,503,475	70	2,274,816	(691,937)	(572,022)	(234,027)	(2,301,978)		

COMBINED INVESTMENT FUNDS
TOTAL NET ASSET VALUE BY PENSION PLANS AND TRUST FUNDS
JUNE 30, 2006

Retirement Funds	**Net Asset Value**
Teachers' Retirement Fund	$12,189,855,336
State Employees' Retirement Fund	8,774,085,838
Municipal Employees' Retirement Fund	1,501,120,450
State Judges' Retirement Fund	163,758,464
The Probate Court Retirement Fund	77,321,233
State's Attorneys Retirement Fund	771,280
Non-retirement Trust Funds	
Soldiers' Sailors' & Marines' Fund	59,418,171
Police & Firemans' Survivors' Benefit Fund	19,634,650
Connecticut Arts Endowment Fund	15,831,803
School Fund	9,174,249
Ida Eaton Cotton Fund	2,062,638
Hopemead Fund	2,162,093
Andrew Clark Fund	970,158
Agricultural College Fund	606,609
TOTAL	$22,816,772,972

PENSION FUNDS MANAGEMENT DIVISION

COMBINED INVESTMENT FUNDS
SCHEDULE OF INVESTMENT ACTIVITY BY PENSION PLAN
FOR THE FISCAL YEAR ENDING JUNE 30, 2006

	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, 2005	$ 144,657,243	$ 979,878,706	$2,896,689,828	$1,328,258,246	$233,982,553	$ 14,128,925	$1,194,972,388	$ 6,792,567,889
Market Value at June 30, 2005	$ 144,657,243	$4,527,233,120	$3,254,104,758	$2,450,550,476	$217,765,634	$ 11,093,174	$ 786,742,249	$11,392,146,654
Shares Purchased	924,923,805	-	60,000,000	-	44,145,702	-	13,292,439	1,042,361,946
Shares Redeemed	(841,644,281)	(11,441,194)	-	(112,276,126)	(26,497,793)	(1,258,247)	(33,946,404)	(1,027,064,045)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	9,153,663	-	56,734,332	(2,533,757)	(341,224)	(17,462,327)	45,550,687
Net Investment Income Earned	7,510,561	66,628,107	147,963,501	56,751,113	33,405,050	853,310	112,446,196	425,557,838
Net Investment Income Distributed	(7,510,561)	(66,628,107)	(147,963,501)	(56,751,113)	(33,405,050)	(853,310)	(112,446,196)	(425,557,838)
Changes in Market Value of Fund Shares	-	388,778,659	(122,180,837)	498,148,187	(17,955,177)	435,563	(10,366,301)	736,860,094
Market Value at June 30, 2006	$ 227,936,767	$4,913,724,248	$3,191,923,921	$2,893,156,869	$214,924,609	$ 9,929,266	$ 738,259,656	$12,189,855,336
Book Value at June 30, 2006	$ 227,936,767	$ 977,591,175	$2,956,689,828	$1,272,716,452	$249,096,705	$ 12,529,454	1,156,856,096	$ 6,853,416,477
Shares Outstanding	227,936,767	5,262,637	28,488,333	8,323,888	3,801,763	167,425	13,337,531	287,318,345
Market Value per Share	$ 1.00	$ 933.70	$ 112.04	$ 347.57	$ 56.53	$ 59.31	$ 55.35	
State Employees' Retirement Fund								
Book Value at June 30, 2005	$ 188,183,013	$ 695,797,381	$2,141,437,403	$ 936,901,403	$164,965,311	$ 9,897,469	$ 840,041,512	$ 4,977,223,492
Market Value at June 30, 2005	$ 188,183,013	$3,132,797,949	$2,409,205,362	$1,730,172,441	$153,803,455	$ 7,812,593	$ 553,344,854	$ 8,175,319,667
Shares Purchased	331,438,658	-	247,000,000	-	31,594,088	-	9,755,737	619,788,483
Shares Redeemed	(484,384,684)	(8,066,500)	-	(37,793,276)	(15,395,339)	(886,149)	(21,359,074)	(567,885,022)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	6,412,492	-	20,130,869	(1,234,854)	(234,300)	(11,037,605)	14,036,602
Net Investment Income Earned	4,772,968	46,105,456	115,359,077	40,857,311	23,675,143	600,960	79,136,005	310,506,920
Net Investment Income Distributed	(4,772,968)	(46,105,456)	(115,359,077)	(40,857,311)	(23,675,143)	(600,960)	(79,136,005)	(310,506,920)
Changes in Market Value of Fund Shares	-	268,956,510	(93,570,910)	379,111,635	(13,294,281)	300,741	(8,677,587)	532,826,108
Market Value at June 30, 2006	$ 35,236,987	$3,400,100,451	$2,562,634,452	$2,091,621,669	$155,473,069	$ 6,992,885	$ 522,026,325	$ 8,774,085,838
Book Value at June 30, 2006	$ 35,236,987	$ 694,143,373	$2,388,437,403	$ 919,238,996	$179,929,206	$ 8,777,020	$ 817,400,570	$ 5,043,163,555
Shares Outstanding	35,236,987	3,641,534	22,871,844	6,017,795	2,750,136	117,912	9,431,021	80,067,228
Market Value per Share	$ 1.00	$ 933.70	$ 112.04	$ 347.57	$ 56.53	$ 59.31	$ 55.35	
Municipal Employees' Retirement Fund								
Book Value at June 30, 2005	$ 45,608,968	$ 112,624,999	$ 409,271,698	$ 143,694,049	$ 25,728,625	$ 1,539,372	$ 133,437,026	$ 871,904,737
Market Value at June 30, 2005	$ 45,608,968	$ 518,364,221	$ 451,439,748	$ 265,348,152	$ 24,079,630	$ 1,223,755	$ 88,772,952	$ 1,394,837,426
Shares Purchased	61,259,514	-	61,900,000	-	4,946,403	-	7,493,011	135,598,928
Shares Redeemed	(92,690,045)	(507,394)	(7,000,000)	(5,796,171)	(2,410,311)	(138,803)	(4,266,200)	(112,808,924)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	401,019	375,666	3,087,261	(183,742)	(35,461)	(2,084,475)	1,560,268
Net Investment Income Earned	1,053,339	7,631,794	22,062,480	6,266,088	3,706,605	94,133	12,876,071	53,690,510
Net Investment Income Distributed	(1,053,339)	(7,631,794)	(22,062,480)	(6,266,088)	(3,706,605)	(94,133)	(12,876,071)	(53,690,510)
Changes in Market Value of Fund Shares	-	45,143,137	(18,076,993)	58,142,626	(2,090,956)	45,868	(1,230,930)	81,932,752
Market Value at June 30, 2006	$ 14,178,437	$ 563,400,983	$ 488,638,421	$ 320,781,868	$ 24,341,024	$ 1,095,359	$ 88,684,358	$ 1,501,120,450
Book Value at June 30, 2006	$ 14,178,437	$ 112,518,624	$ 464,547,364	$ 140,985,139	$ 28,080,975	$ 1,365,108	$ 134,579,362	$ 896,255,009
Shares Outstanding	14,178,437	603,407	4,361,161	922,920	430,564	18,470	1,602,187	22,117,146
Market Value per Share	$ 1.00	$ 933.70	$ 112.04	$ 347.57	$ 56.53	$ 59.31	$ 55.35	

PENSION FUNDS MANAGEMENT DIVISION

COMBINED INVESTMENT FUNDS
SCHEDULE OF INVESTMENT ACTIVITY BY PENSION PLAN (Continued)
FOR THE FISCAL YEAR ENDING JUNE 30, 2006

	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, 2005	$ 4,379,278	$ 5,608,744	$ 17,747,797	$ 8,959,848	$ 1,477,507	$ 91,287	$ 3,988,268	$ 42,252,729
Market Value at June 30, 2005	$ 4,379,278	$ 26,628,157	$ 20,378,759	$ 16,577,446	$ 1,377,854	$ 71,374	$ 2,668,768	$ 72,081,636
Shares Purchased	2,844,813	-	4,300,000	-	283,037	-	51,874	7,479,724
Shares Redeemed	(6,722,129)	(26,065)	-	(362,112)	(137,920)	(8,094)	(98,191)	(7,354,511)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	20,768	-	193,203	(11,029)	(2,236)	(48,561)	152,145
Net Investment Income Earned	96,937	392,041	1,034,270	391,468	212,093	5,491	381,941	2,514,241
Net Investment Income Distributed	(96,937)	(392,041)	(1,034,270)	(391,468)	(212,093)	(5,491)	(381,941)	(2,514,241)
Changes in Market Value of Fund Shares	-	2,318,821	(825,476)	3,632,095	(119,129)	2,845	(46,917)	4,962,239
Market Value at June 30, 2006	$ 501,962	$ 28,941,681	$ 23,853,283	$ 20,040,632	$ 1,392,813	$ 63,889	$ 2,526,973	$ 77,321,233
Book Value at June 30, 2006	$ 501,962	$ 5,603,447	$ 22,047,797	$ 8,790,939	$ 1,611,595	$ 80,957	$ 3,893,390	$ 42,530,087
Shares Outstanding	501,962	30,997	212,894	57,659	24,637	1,077	45,653	874,878
Market Value per Share	$ 1.00	$ 933.70	$ 112.04	$ 347.57	$ 56.53	$ 59.31	$ 55.35	
Judges' Retirement Fund								
Book Value at June 30, 2005	$ 8,717,703	$ 12,521,422	$ 50,094,126	$ 14,258,424	$ 2,417,551	$ 151,280	$ 13,530,710	$ 101,691,216
Market Value at June 30, 2005	$ 8,717,703	$ 52,189,633	$ 54,291,323	$ 26,200,594	$ 2,222,744	$ 120,547	$ 8,972,752	$ 152,715,296
Shares Purchased	6,402,549	-	11,100,000	-	456,593	-	174,409	18,133,551
Shares Redeemed	(13,806,466)	(51,085)	-	(572,316)	(222,491)	(13,673)	(330,132)	(14,996,163)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	39,258	-	303,518	(21,106)	(3,452)	(167,742)	150,476
Net Investment Income Earned	191,578	768,380	2,743,185	618,716	342,151	9,273	1,284,138	5,957,421
Net Investment Income Distributed	(191,578)	(768,380)	(2,743,185)	(618,716)	(342,151)	(9,273)	(1,284,138)	(5,957,421)
Changes in Market Value of Fund Shares	-	4,546,188	(2,195,573)	5,742,349	(188,868)	4,478	(153,270)	7,755,304
Market Value at June 30, 2006	$ 1,313,786	$ 56,723,994	$ 63,195,750	$ 31,674,145	$ 2,246,872	$ 107,900	$ 8,496,017	$ 163,758,464
Book Value at June 30, 2006	$ 1,313,786	$ 12,509,595	$ 61,194,126	$ 13,989,626	$ 2,630,547	$ 134,155	$ 13,207,245	$ 104,979,080
Shares Outstanding	1,313,786	60,752	564,030	91,130	39,745	1,819	153,491	2,224,752
Market Value per Share	$ 1.00	$ 933.70	$ 112.04	$ 347.57	$ 56.53	$ 59.31	$ 55.35	
State's Attorneys' Retirement Fund								
Book Value at June 30, 2005	$ 55,286	$ 38,583	$ 420,640	$ -	$ 4,541	$ -	$ -	$ 519,050
Market Value at June 30, 2005	$ 55,286	$ 195,090	$ 463,204	$ -	$ 4,634	$ -	$ -	$ 718,214
Shares Purchased	54,703	-	75,000	-	952	-	-	130,655
Shares Redeemed	(75,470)	-	-	-	(463)	-	-	(75,933)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	-	-	-	5	-	-	5
Net Investment Income Earned	1,492	2,875	22,923	-	714	-	-	28,004
Net Investment Income Distributed	(1,492)	(2,875)	(22,923)	-	(714)	-	-	(28,004)
Changes in Market Value of Fund Shares	-	17,151	(18,372)	-	(440)	-	-	(1,661)
Market Value at June 30, 2006	$ 34,519	$ 212,241	$ 519,832	$ -	$ 4,688	$ -	$ -	$ 771,280
Book Value at June 30, 2006	$ 34,519	$ 38,583	$ 495,640	$ -	$ 5,035	$ -	$ -	$ 573,777
Shares Outstanding	34,519	227	4,640	-	83	-	-	39,469
Market Value per Share	$ 1.00	$ 933.70	$ 112.04	$ -	$ 56.53	$ -	$ -	

PENSION FUNDS MANAGEMENT DIVISION

COMBINED INVESTMENT FUNDS
SCHEDULE OF INVESTMENT ACTIVITY BY TRUST
FOR THE FISCAL YEAR ENDING JUNE 30, 2006

	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, 2005	$ 60,041	$ 1,095,686	$ 49,098,734	$ -	$ -	$ -	$ -	$ 50,254,461
Market Value at June 30, 2005	$ 60,041	$ 5,887,498	$ 54,995,898	$ -	$ -	$ -	$ -	$ 60,943,437
Shares Purchased	2,571,561	-	-	-	-	-	-	2,571,561
Shares Redeemed	(2,571,561)	-	-	-	-	-	-	(2,571,561)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	-	-	-	-	-	-	-
Net Investment Income Earned	3,861	86,744	2,480,955	-	-	-	-	2,571,560
Net Investment Income Distributed	(3,861)	(86,744)	(2,480,955)	-	-	-	-	(2,571,560)
Changes in Market Value of Fund Shares	-	517,571	(2,042,837)	-	-	-	-	(1,525,266)
Market Value at June 30, 2006	$ 60,041	$ 6,405,069	$ 52,953,061	$ -	$ -	$ -	$ -	$ 59,418,171
Book Value at June 30, 2006	$ 60,041	$ 1,095,686	$ 49,098,734	$ -	$ -	$ -	$ -	$ 50,254,461
Shares Outstanding	60,041	6,860	472,613	-	-	-	-	539,514
Market Value per Share	$ 1.00	$ 933.70	$ 112.04	$ -	$ -	$ -	$ -	
Endowment for the Arts								
Book Value at June 30,2005	$ 933,073	$ -	$ 14,472,429	$ -	$ -	$ -	$ -	$ 15,405,502
Market Value at June 30,2005	$ 933,073	$ -	$ 15,473,538	-	$ -	$ -	$ -	$ 16,406,611
Shares Purchased	903,431	-	-	-	-	-	-	903,431
Shares Redeemed	(903,470)	-	-	-	-	-	-	(903,470)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	-	-	-	-	-	-	-
Net Investment Income Earned	34,901	-	698,038	-	-	-	-	732,939
Net Investment Income Distributed	(34,901)	-	(698,038)	-	-	-	-	(732,939)
Changes in Market Value of Fund Shares	-	-	(574,769)	-	-	-	-	(574,769)
Market Value at June 30, 2006	$ 933,034	$ -	$ 14,898,769	$ -	$ -	$ -	$ -	$ 15,831,803
Book Value at June 30, 2006	$ 933,034	$ -	$ 14,472,429	$ -	$ -	$ -	$ -	$ 15,405,463
Shares Outstanding	933,034	-	132,973	-	-	-	-	1,066,007
Market Value per Share	$ 1.00	$ -	$ 112.04	$ -	$ -	$ -	$ -	
Agricultural College Fund								
Book Value at June 30, 2005	$ 36,335	$ 28,626	$ 379,240	$ -	$ -	$ -	$ -	$ 444,201
Market Value at June 30, 2005	$ 36,335	$ 157,149	$ 414,542	$ -	$ -	$ -	$ -	$ 608,026
Shares Purchased	22,200	-	-	-	-	-	-	22,200
Shares Redeemed	(22,036)	-	-	-	-	-	-	(22,036)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	-	-	-	-	-	-	-
Net Investment Income Earned	1,182	2,317	18,703	-	-	-	-	22,202
Net Investment Income Distributed	(1,182)	(2,317)	(18,703)	-	-	-	-	(22,202)
Changes in Market Value of Fund Shares	-	13,816	(15,397)	-	-	-	-	(1,581)
Market Value at June 30, 2006	$ 36,499	$ 170,965	$ 399,145	$ -	$ -	$ -	$ -	$ 606,609
Book Value at June 30, 2006	$ 36,499	$ 28,626	$ 379,240	$ -	$ -	$ -	$ -	$ 444,365
Shares Outstanding	36,499	183	3,562	-	-	-	-	40,245
Market Value per Share	$ 1.00	$ 933.70	$ 112.04	$ -	$ -	$ -	$ -	

PENSION FUNDS MANAGEMENT DIVISION

COMBINED INVESTMENT FUNDS

SCHEDULE OF INVESTMENT ACTIVITY BY TRUST (Continued)

FOR THE FISCAL YEAR ENDING JUNE 30, 2006

	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, 2005	$ 121,653	$ 98,432	$ 1,281,206	$ -	$ -	$ -	$ -	$ 1,501,291
Market Value at June 30, 2005	$ 121,653	$ 534,555	$ 1,411,355	$ -	$ -	$ -	$ -	$ 2,067,563
Shares Purchased	75,483	-	-	-	-	-	-	75,483
Shares Redeemed	(74,976)	-	-	-	-	-	-	(74,976)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	-	-	-	-	-	-	-
Net Investment Income Earned	3,938	7,876	63,669	-	-	-	-	75,483
Net Investment Income Distributed	(3,938)	(7,876)	(63,669)	-	-	-	-	(75,483)
Changes in Market Value of Fund Shares	-	46,992	(52,424)	-	-	-	-	(5,432)
Market Value at June 30, 2006	$ 122,160	$ 581,547	$ 1,358,931	$ -	$ -	$ -	$ -	$ 2,062,638
Book Value at June 30, 2006	$ 122,160	$ 98,432	$ 1,281,206	$ -	$ -	$ -	$ -	$ 1,501,798
Shares Outstanding	122,160	623	12,129	-	-	-	-	134,911
Market Value per Share	$ 1.00	$ 933.70	$ 112.04	$ -	$ -	$ -	$ -	

	CASH RESERVE FUND	MUTUAL EQUITY FUND	MUTUAL FIXED INCOME FUND	INTER-NATIONAL STOCK FUND	REAL ESTATE FUND	COMMERCIAL MORTGAGE FUND	PRIVATE INVESTMENT FUND	TOTALS
Andrew Clark Fund								
Book Value at June 30, 2005	$ 58,284	$ 46,552	$ 621,867	$ -	$ -	$ -	$ -	$ 726,703
Market Value at June 30, 2005	$ 58,284	$ 251,385	$ 662,762	$ -	$ -	$ -	$ -	$ 972,431
Shares Purchased	35,497	-	-	-	-	-	-	35,497
Shares Redeemed	(35,252)	-	-	-	-	-	-	(35,252)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	-	-	-	-	-	-	-
Net Investment Income Earned	1,895	3,703	29,899	-	-	-	-	35,497
Net Investment Income Distributed	(1,895)	(3,703)	(29,899)	-	-	-	-	(35,497)
Changes in Market Value of Fund Shares	-	22,100	(24,618)	-	-	-	-	(2,518)
Market Value at June 30, 2006	$ 58,529	$ 273,485	$ 638,144	$ -	$ -	$ -	$ -	$ 970,158
Book Value at June 30, 2006	$ 58,529	$ 46,552	$ 621,867	$ -	$ -	$ -	$ -	$ 726,948
Shares Outstanding	58,529	293	5,696	-	-	-	-	64,517
Market Value per Share	$ 1.00	$ 858.25	$ 116.37	$ -	$ -	$ -	$ -	

	CASH RESERVE FUND	MUTUAL EQUITY FUND	MUTUAL FIXED INCOME FUND	INTER-NATIONAL STOCK FUND	REAL ESTATE FUND	COMMERCIAL MORTGAGE FUND	PRIVATE INVESTMENT FUND	TOTALS
School Fund								
Book Value at June 30, 2005	$ 320,604	$ 444,960	$ 5,902,966	$ -	$ -	$ -	$ -	$ 6,668,530
Market Value at June 30, 2005	$ 320,604	$ 2,415,781	$ 6,461,252	$ -	$ -	$ -	$ -	$ 9,197,637
Shares Purchased	581,958	-	-	-	-	-	-	581,958
Shares Redeemed	(577,711)	-	-	-	-	-	-	(577,711)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	-	-	-	-	-	-	-
Net Investment Income Earned	17,237	35,594	291,478	-	-	-	-	344,309
Net Investment Income Distributed	(17,237)	(35,594)	(291,478)	-	-	-	-	(344,309)
Changes in Market Value of Fund Shares	-	212,371	(240,006)	-	-	-	-	(27,635)
Market Value at June 30, 2006	$ 324,851	$ 2,628,152	$ 6,221,246	$ -	$ -	$ -	$ -	$ 9,174,249
Book Value at June 30, 2006	$ 324,851	$ 444,960	$ 5,902,966	$ -	$ -	$ -	$ -	$ 6,672,777
Shares Outstanding	324,851	2,815	55,525	-	-	-	-	383,191
Market Value per Share	$ 1.00	$ 933.70	$ 112.04	$ -	$ -	$ -	$ -	

COMBINED INVESTMENT FUNDS
SCHEDULE OF INVESTMENT ACTIVITY BY TRUST (Continued)
FOR THE FISCAL YEAR ENDING JUNE 30, 2006

	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, 2005	$ 119,983	$ 99,742	$ 1,329,559	$ -	$ -	$ -	$ -	$ 1,549,284
Market Value at June 30, 2005	$ 119,983	$ 537,670	$ 1,432,308	$ -	$ -	$ -	$ -	$ 2,089,961
Shares Purchased	78,731	-	75,000	-	-	-	-	153,731
Shares Redeemed	(74,496)	-	-	-	-	-	-	(74,496)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	-	-	-	-	-	-	-
Net Investment Income Earned	4,673	7,922	66,641	-	-	-	-	79,236
Net Investment Income Distributed	(4,673)	(7,922)	(66,641)	-	-	-	-	(79,236)
Changes in Market Value of Fund Shares	-	47,266	(54,369)	-	-	-	-	(7,103)
Market Value at June 30, 2006	$ 124,218	$ 584,936	$ 1,452,939	$ -	$ -	$ -	$ -	$ 2,162,093
Book Value at June 30, 2006	$ 124,218	$ 99,742	$ 1,404,559	$ -	$ -	$ -	$ -	$ 1,628,519
Shares Outstanding	124,218	626	12,968	-	-	-	-	137,812
Market Value per Share	$ 1.00	$ 933.70	$ 112.04	$ -	$ -	$ -	$ -	
Police & Fireman's Survivors' Benefit Fund								
Book Value at June 30, 2005	$ 1,096,437	$ 6,859,157	$ 9,363,231	$ -	$ 337,632	$ 21,172	$ -	$ 17,677,629
Market Value at June 30, 2005	$ 1,096,437	$ 7,929,197	$ 9,646,791	$ -	$ 356,466	$ 16,152	$ -	$ 19,045,043
Shares Purchased	696,539	-	1,225,000	-	73,225	-	-	1,994,764
Shares Redeemed	(1,644,865)	(7,761)	-	-	(35,681)	(1,832)	-	(1,690,139)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	1,280	-	-	1,489	(568)	-	2,201
Net Investment Income Earned	24,118	116,741	467,352	-	54,871	1,242	-	664,324
Net Investment Income Distributed	(24,118)	(116,741)	(467,352)	-	(54,871)	(1,242)	-	(664,324)
Changes in Market Value of Fund Shares	-	695,386	(378,146)	-	(35,162)	703	-	282,781
Market Value at June 30, 2006	$ 148,111	$ 8,618,102	$ 10,493,645	$ -	$ 360,337	$ 14,455	$ -	$ 19,634,650
Book Value at June 30, 2006	$ 148,111	$ 6,852,676	$ 10,588,231	$ -	$ 376,665	$ 18,772	$ -	$ 17,984,455
Shares Outstanding	148,111	9,230	93,657	-	6,374	244	-	257,616
Market Value per Share	$ 1.00	$ 933.70	$ 112.04	$ -	$ 56.53	$ 59.31	$ -	

COMBINED INVESTMENT FUNDS
SUMMARY OF OPERATIONS (Dollars in Thousands)
FISCAL YEARS ENDING JUNE 30

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Investment Income (1)	$889,710	$828,019	$946,643	$846,384	$741,812	$787,287	$1,002,774	$731,983	$734,928	$648,136
Expenses (1)(2)	69,712	64,509	49,131	48,428	60,570	67,282	50,552	54,417	40,817	38,316
Net Investment Income	819,998	763,510	897,512	797,956	681,242	720,005	952,222	677,566	694,111	609,820
Realized Gains/(Losses)	886,031	698,664	880,979	(566,640)	(449,961)	269,330	1,522,994	673,802	1,350,408	277,293
Change in Unrealized Gains/(Losses)	520,430	591,155	936,916	123,784	(1,563,253)	(1,776,378)	90,500	530,276	681,413	1,727,651
Total	**$2,226,459**	**$2,053,329**	**$2,715,407**	**$355,100**	**$(1,331,972)**	**$(787,043)**	**$2,565,716**	**$1,881,644**	**$2,725,932**	**$2,614,764**

(1) Securities lending income and expenses are shown net in the Investment Income line above for all periods presented.
(2) Expenses shown above include salary and fringe benefits.

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, 2006

Fund Name	Teachers' Retirement Fund		State Employees' Retirement Fund		Municipal Employees' Retirement Fund		Probate Court Retirement Fund		Judges Retirement Fund		State's Attorneys' Retirement Fund		Trust Funds	
CRA	$227,937	1.87%	$35,237	0.40%	$14,178	0.94%	$502	0.65%	$1,314	0.80%	$35	4.53%	$1,807	1.64%
MEF	4,913,724	40.31%	3,400,100	38.75%	563,401	37.54%	28,942	37.43%	56,724	34.64%	213	27.59%	19,262	17.53%
FIF	3,191,924	26.19%	2,562,634	29.21%	488,638	32.55%	23,853	30.85%	63,196	38.59%	520	67.36%	88,416	80.48%
ISF	2,893,156	23.73%	2,091,622	23.84%	320,782	21.37%	20,041	25.92%	31,674	19.34%	-	0.00%	-	0.00%
REF	214,925	1.76%	155,473	1.77%	24,341	1.62%	1,393	1.80%	2,247	1.37%	4	0.52%	360	0.34%
CMF	9,930	0.08%	6,993	0.08%	1,095	0.07%	64	0.08%	108	0.07%	-	0.00%	14	0.01%
PIF	738,260	6.06%	522,026	5.95%	88,684	5.91%	2,527	3.27%	8,496	5.19%	-	0.00%	-	0.00%
Total	$12,189,856	100.00%	$8,774,085	100.00%	$1,501,119	100.00%	$77,322	100.00%	$163,759	100.00%	$772	100.00%	$109,859	100.00%

(1) Based on Net Asset Value

Source: Amounts were dervied from custodial records.

COMBINED INVESTMENT FUNDS
INVESTMENT SUMMARY AT JUNE 30, 2006 (1)

Cash Reserve Account (2)

	Book Value	Market Value	% of Total Fund MV	Rate of Return
2006	$280,548,978	$280,548,978	1.20%	4.54%
2005	395,948,288	395,948,288	1.84%	2.38%
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%

Mutual Equity Fund

	Book Value	Market Value	% of Total Fund MV	Rate of Return
2006	$7,501,163,477	$8,983,043,768	38.25%	10.27%
2005	6,991,797,244	8,284,992,409	38.40%	8.06%
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%

International Stock Fund

	Book Value	Market Value	% of Total Fund MV	Rate of Return
2006	$4,145,802,552	$5,392,666,574	22.96%	25.69%
2005	3,587,545,036	4,372,185,115	20.27%	19.23%
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%

Real Estate Fund

	Book Value	Market Value	% of Total Fund MV	Rate of Return
2006	$327,772,520	$398,391,108	1.70%	7.09%
2005	309,798,748	399,727,575	1.85%	27.74%
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%

Mutual Fixed Income Fund

	Book Value	Market Value	% of Total Fund MV	Rate of Return
2006	$7,179,817,139	$7,052,537,386	30.03%	0.77%
2005	6,567,168,651	6,662,163,634	30.88%	7.70%
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%

Commercial Mortgage Fund

	Book Value	Market Value	% of Total Fund MV	Rate of Return
2006	$17,729,189	$18,192,114	0.08%	9.69%
2005	19,796,542	20,267,798	0.09%	6.95%
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%

PENSION FUNDS MANAGEMENT DIVISION

COMBINED INVESTMENT FUNDS
INVESTMENT SUMMARY AT JUNE 30, 2006 (Continued)

	Private Investment Fund [3]				Total Fund			
	Book Value	Market Value	% of Total Fund MV	Rate of Return	Book Value	Market Value	% of Total Fund MV	Rate of Return
2006	$1,692,805,252	$1,357,518,114	5.78%	11.74%	$21,145,639,107	$23,482,898,042	100.00%	10.55%
2005	2,046,726,560	1,437,979,798	6.67%	9.58%	19,918,781,069	21,573,264,617	100.00%	10.46%
2004	2,406,829,047	1,781,312,669	8.63%	20.21%	19,473,480,993	20,650,115,902	100.00%	15.23%
2003	2,413,582,348	1,842,900,019	9.70%	-11.94%	18,771,449,134	18,989,393,113	100.00%	2.49%
2002	2,315,048,277	2,276,642,374	11.64%	-10.81%	19,403,848,200	19,557,516,103	100.00%	-6.39%
2001	2,217,285,786	2,601,575,275	12.28%	-6.25%	19,571,276,798	21,204,840,744	100.00%	-3.68%
2000	1,879,100,932	2,561,042,272	11.28%	53.86%	19,248,259,423	22,711,717,228	100.00%	13.13%
1999	1,138,252,584	1,182,905,063	5.80%	-0.81%	17,242,196,196	20,410,424,008	100.00%	10.49%
1998	715,880,779	794,324,372	4.21%	18.55%	16,218,449,530	18,848,711,553	100.00%	17.19%
1997	496,527,964	542,174,959	3.02%	5.68%	14,443,085,321	17,958,291,977	100.00%	19.35%

(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 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.

PENSION FUNDS MANAGEMENT DIVISION

COMBINED INVESTMENT FUNDS

TOP TEN HOLDINGS BY FUND AT JUNE 30, 2006

MUTUAL EQUITY FUND

Security Name	Industry Sector	Market Value	%
Exxon Mobil Corp	Energy	$ 198,331,912	2.21%
CitiGroup Inc	Financial	189,819,672	2.11%
General Electric	Technology	178,935,226	1.99%
Bank America Corp	Financial	169,256,829	1.89%
Microsoft	Technology	168,799,180	1.88%
Johnson & Johnson	Health Care	150,127,942	1.67%
J P Morgan Chase & Co	Financial	130,578,126	1.45%
Pfizer Inc	Health Care	122,449,491	1.36%
Cisco Systems Inc	Technology	114,722,872	1.28%
ConocoPhillips	Energy	110,188,302	1.23%
Top Ten		**$1,533,209,552**	**17.07%**
Total Market Value		**$8,983,043,768**	

INTERNATIONAL STOCK FUND

Security Name	Country	Market Value	%
Glaxosmithkline ORD GBP .25	United Kingdom	$ 81,850,948	1.52%
Total SA Eur 10 Serie B	France	79,429,143	1.47%
BP PLC Ord USD .25	United Kingdom	71,870,810	1.33%
Samsung Electronic	Republic of Korea	65,892,067	1.22%
Nestle SA	Switzerland	56,926,354	1.06%
Novartis AG CHF .50 Regd	Switzerland	56,160,946	1.04%
Royal BK Scot GRP Ord GBP .25	United Kingdom	54,658,064	1.01%
HSBC Holdings	United Kingdom	54,633,113	1.01%
ING Groep NV CVA Euro .24	Netherlands	48,784,265	0.91%
Roche Holdings AG NPV	Switzerland	46,904,523	0.87%
Top Ten		**617,110,233**	**11.44%**
Total Market Value		**$5,392,666,574**	

REAL ESTATE FUND

Property Name	Location	Property Type	Market Value	%
Westport Senior Living Inv FD	Various	Senior Living	$ 58,985,955	14.81%
Walton Street RE II LP Fnd 2	Various	Various	54,529,040	13.69%
Apollo Real Est Invest Fd III	Various	Various	50,877,314	12.77%
Union Station LTD LP	Washington, DC	Mixed Use	43,302,384	10.87%
Rockwood Captial Fund V	Various	Various	36,344,749	9.12%
AEW Partners III	Various	Various	20,508,132	5.15%
RLJ Urban Lodging Fund LP	Various	Hotel	17,046,611	4.28%
Rockwood Captial IV LP	Various	Various	11,192,697	2.81%
New Boston Fund IV	Various	Various	9,896,748	2.48%
Starwood Opportunity Fund VII	Various	Various	9,536,386	2.39%
Top Ten			**312,220,016**	**78.37%**
Total Market Value			**$ 398,391,108**	

COMBINED INVESTMENT FUNDS

TOP TEN HOLDINGS BY FUND AT JUNE 30, 2006 (Continued)

MUTUAL FIXED INCOME FUND

Security Name	Coupon	Maturity	Security Type	Market Value	%
FNMA TBA	5.00%	12/01/2036	U.S. Govt Agency	168,154,984	2.39%
U.S. Treasury Bonds	6.25%	08/15/2023	U.S. Govt Agency	86,835,794	1.23%
U.S. Treasury Notes	4.50%	11/15/2015	U.S. Govt Agency	83,462,210	1.18%
GNMA I TBA	6.00%	12/01/2036	U.S. Govt Agency	64,446,486	0.92%
U.S. Treasury Notes	4.875%	05/31/2008	U.S. Govt Agency	63,277,053	0.90%
U.S. Treasury Notes	2.50%	09/30/2006	U.S. Govt Agency	56,431,686	0.80%
U.S. Treasury Notes	2.375%	04/15/2011	U.S. Govt Agency	54,379,011	0.77%
FNMA TBA	6.00%	12/01/2036	U.S. Govt Agency	47,280,450	0.67%
FNMA TBA	5.50%	12/01/2036	U.S. Govt Agency	46,805,625	0.66%
U.S. Treasury Bonds	7.875%	02/15/2021	U.S. Govt Agency	40,889,063	0.58%
Top Ten				**711,962,362**	**10.10%**
Total Market Value				**$7,052,537,386**	

COMMERCIAL MORTGAGE FUND

Property Name	Location	Property Type	Market Value	%
SASCO	Various	Other	$ 8,261,838	45.42%
Yankee Mac Series E 11.056%	Various	Residential	188,051	1.03%
Yankee Mac Series G 11.125%	Various	Residential	129,790	0.71%
Yankee Mac Series F 12.981%	Various	Residential	98,905	0.55%
Yankee Mac Series C 14.1505%	Various	Residential	27,505	0.15%
Yankee Mac Series A 13.075%	Various	Residential	15,278	0.08%
Top Six			**8,721,367**	**47.94%**
Total Market Value			**$ 18,192,114**	

PRIVATE INVESTMENT FUND

Partnership Name	Partnership Type	Market Value	%
Constitution Liquidating Fund	Fund of Funds	$ 238,638,296	17.48%
KKR Millennium Fund	Buyout	104,237,649	7.64%
Compass Partners European Equity Fund	International	75,207,426	5.51%
Charterhouse Equity Partners IV	Buyout	62,354,247	4.57%
Wellspring Capital Partners III	Buyout	53,585,010	3.93%
Welsh Carson Anderson & Stowe Capital Partners III	Special Situations	52,958,869	3.88%
Landmark Private Equity Fund VIII	Fund of Funds	50,909,060	3.73%
Carlyle Europe Partners	International	39,874,599	2.92%
Welsh Carson Anderson & Stowe VIII	Buyout	33,779,464	2.47%
Gilbert Global Equity Partners	International	31,956,656	2.34%
Top Ten		**743,501,276**	**54.47%**
Total Market Value		**$1,364,943,114**	

PENSION FUNDS MANAGEMENT DIVISION

SCHEDULE OF EXPENSES IN EXCESS OF $5,000 (1)

FISCAL YEAR ENDED JUNE 30, 2006

Name of Firm	Description of Services	Contract Date	Aggregate Comp. Paid in FY 2006	Status at June 30, 2006
INVESTMENT ADVISORY SERVICES				
Domestic Equity Investment Advisory Services				
AXA Rosenberg Institutional Equity Management	Equity Advisor	Mar-96	$3,496,797	Active
Barclay's Global Investors	Equity Advisor	Mar-96	17,556,658	Active
Bivium Capital Partners, LLC	Equity Advisor	Jul-05	761,024	Active
Brown Capital Management	Equity Advisor	Mar-96	211,591	Active
Capital Prospects LLC	Equity Advisor	Jul-05	361,850	Active
FIS Group Inc.	Equity Advisor	Jul-05	407,648	Active
State Street Global Advisors	Equity Advisor	Mar-96	216,988	Active
TCW Asset Management	Equity Advisor	Mar-96	1,011,678	Active
Travelers Investment Management	Equity Advisor	Mar-96	306,075	Inactive
Total Domestic Equity Advisor Compensation			**$24,330,309**	
Fixed Income Investment Advisory Services				
Blackrock Financial Management	Fixed Income Advisor	Mar-96	$1,519,240	Active
Brown Brothers Harriman & Co.	Fixed Income Advisor	May-05	154,386	Active
Hartford Investment Management Co.	Fixed Income Advisor	May-05	85,799	Active
Loomis Sayles & Co., Inc.	Fixed Income Advisor	Mar-96	523,406	Active
Oaktree Capital Management	Fixed Income Advisor	Mar-96	445,258	Active
Phoenix Investment Counsel	Fixed Income Advisor	Nov-97	544,902	Active
Progress Investment Management	Fixed Income Advisor	Jul-05	340,907	Active
State Street Global Advisors	Fixed Income Advisor	Mar-96	309,376	Active
W. R. Huff Asset Management	Fixed Income Advisor	Mar-96	319,873	Active
Wellington Asset Management	Fixed Income Advisor	Nov-97	1,007,301	Active
Western Asset Management	Fixed Income Advisor	Nov-97	1,235,635	Active
Total Fixed Income Advisor Compensation			**$6,486,083**	
Cash Reserve Account Advisory Services				
State Street Global Advisors	Cash Reserve Account Advisor	Mar-96	$277,189	Active
Total Cash Reserve Account Advisor Compensation			**$277,189**	
International Equity Investment Advisory Services				
Bank of New York	International Equity Advisor	Feb-04	$2,367,488	Active
Bridgewater Associates	International Equity Advisor	Feb-04	2,840,985	Active
Clay Finlay,Inc.	International Equity Advisor	Aug-03	1,109,359	Active
Emerging Markets Management LLC	International Equity Advisor	Aug-03	2,876,360	Active
Fidelity Management Trust Company	International Equity Advisor	Aug-03	1,106,184	Active
Grantham,Mayo,Van Otterloo & Co	International Equity Advisor	Mar-96	5,471,090	Active
Invesco Global Asset Management	International Equity Advisor	Aug-03	1,788,745	Active
Merrill Lynch Investment Managers	International Equity Advisor	Aug-03	1,380,677	Active
MFS Institutional Advisors	International Equity Advisor	Aug-03	844,424	Active
Morgan Stanley Asset Management	International Equity Advisor	Mar-96	2,700,870	Active
Progress Investment Management	International Equity Advisor	Jul-05	245,073	Active
Schroder Investment Management	International Equity Advisor	Sep-06	1,415,160	Active
State Street Global Advisors	International Equity Advisor	Mar-96	420,498	Active
Total International Equity Advisor Compensation			**$24,566,913**	
Real Estate Investment Advisory Services (2)				
AEW Capital Management, LP(Union Stn.)	Real Estate Advisor	Aug-87	$319,561	Active
AEW Partners III, LP	Real Estate Advisor	Mar-98	255,775	Active
Apollo Real Estate Investment Fund III, LP	Real Estate Advisor	May-98	437,899	Active
Canyon Johnson Urban Fund II, LP	Real Estate Advisor	May-05	921,875	Active
Capri Select Income II LLC	Real Estate Advisor	Sep-05	177,143	Active
RLJ Urban Lodging Fund, LP	Real Estate Advisor	Oct-04	312,500	Active
RMK Timberland Group	Real Estate Advisor	Mar-94	112,065	Active
Westport Senior Living Investment Fund, LP	Real Estate Advisor	Sep-98	789,347	Active
Total Real Estate Advisor Compensation			**$3,326,165**	

PENSION FUNDS MANAGEMENT DIVISION

SCHEDULE OF EXPENSES IN EXCESS OF $5,000 (1) (Continued)

FISCAL YEAR ENDED JUNE 30, 2006

Name of Firm	Description of Services	Contract Date	Aggregate Comp. Paid in FY 2006	Status at June 30, 2006
Commercial Mortgage Investment Advisory Services				
AEW Capital Management, LP	Commercial Mortgage Advisor	Aug-87	$183,500	Active
Total Commercial Mortgage Advisor Compensation			**$183,500**	
Private Investment Advisory Services (2)				
AIG Global Emerging Markets Fund, LP	Private Investment Advisor	Dec-97	$815,309	Active
AIG Altaris Health Partners, LP	Private Investment Advisor	Sep-04	764,402	Active
Blackstone Capital Partners, LP	Private Investment Advisor	Jul-97	27,471	Active
Carlyle Asia Partners, LP	Private Investment Advisor	Dec-98	252,787	Active
Carlyle Europe Partners, LP	Private Investment Advisor	Dec-97	300,610	Active
Charterhouse Equity Partners IV, LP	Private Investment Advisor	Feb-05	1,055,527	Active
Constitution Liquidating Fund, LP	Private Investment Advisor	Jul-87	746,703	Active
DLJ Merchant Banking Fund II, LP	Private Investment Advisor	Nov-96	83,355	Active
Fairview Constitution II, LP	Private Investment Advisor	May-05	800,000	Active
Forstmann Little & Company	Private Investment Advisor	Apr-97	186,838	Active
FS Equity Partners V, LP	Private Investment Advisor	Mar-04	562,500	Active
Garmark Partners, LP	Private Investment Advisor	Apr-98	1,008,239	Active
Garmark Partners, II LP	Private Investment Advisor	Apr-98	88,608	Active
Goldman Sachs Private Equity Fund, LP	Private Investment Advisor	May-97	315,324	Active
Greenwich Street Capital Partners II LP	Private Investment Advisor	Oct-98	220,310	Active
ICV Associates II LP	Private Investment Advisor	Oct-05	1,140,602	Active
KKR Millenium Fund, LP	Private Investment Advisor	Dec-01	126,005	Active
KPS Special Situation Fund II, LP	Private Investment Advisor	Feb-04	388,971	Active
Parish Capital I, LP	Private Investment Advisor	Mar-05	470,791	Active
Pioneer Venture Associates LP	Private Investment Advisor	Jan-98	220,000	Active
SW Pelham Fund II, LP	Private Investment Advisor	Dec-02	195,511	Active
Thayer Equity Investors IV, LP	Private Investment Advisor	Nov-98	457,716	Active
Thomas H.Lee Equity Fund IV, LP	Private Investment Advisor	Dec-97	57,163	Active
WCAS X LP	Private Investment Advisor	Nov-05	521,918	Active
Wellspring Capital Partners III, LP	Private Investment Advisor	Apr-03	1,496,936	Active
Total Private Equity Advisor Compensation			**$12,303,596**	
TOTAL COMPENSATION TO INVESTMENT ADVISORS			**$71,473,755**	
CUSTODY SERVICES				
State Street Bank & Trust	Custody of Fund Assets	Jan-96	$1,046,595	Active
TOTAL CUSTODY SERVICES COMPENSATION			**$1,046,595**	
CONSULTING SERVICES				
Alignment Capital Management	Private Investment Advisor	Jul-04	$325,000	Active
CRA Rogers Casey	Consultant - Pension Funds	Jan-01	519,885	Active
Franklin Park Associates LLC	Private Investment Advisor	Jul-04	863,056	Active
FTI Consulting Inc.	Consultant - Pension Funds	Apr-04	19,372	Terminated
Pension Consulting Alliance	Consultant - Pension Funds	Jul-02	196,851	Active
TOTAL CONSULTING SERVICES COMPENSATION			**$1,924,164**	
MISCELLANEOUS SERVICES				
Buchanan Ingersoll, PC	Legal Services	Mar-03	$342,186	Active
Day Berry & Howard	Legal Services	Jun-03	99,973	Active
Lewis & Munday PC	Legal Services	Jul-03	64,808	Active
Nixon Peabody, LLP	Legal Services	May-01	74,140	Active
Pepe & Hazard	Legal Services	Jul-03	71,988	Active
Robinson & Cole	Legal Services	Jul-03	56,495	Active
Squire Sanders & Dempsey LLP	Legal Services	Jul-03	20,850	Active
Bloomberg LP	Subscription	N/A	21,000	Active
Council of Institutional Investors	Dues	N/A	29,086	Active
Dell Marketing LP	Computer Equipment	N/A	6,829	Terminated
Jobpro Temporary Services, Inc.	Temporary Services	N/A	6,807	Active
Institutional Shareholder Services	Proxy Voting	Nov-99	70,024	Active
Investor Responsibility Support Services	Asset Recovery	Dec-02	25,000	Active

PENSION FUNDS MANAGEMENT DIVISION

SCHEDULE OF EXPENSES IN EXCESS OF $5,000 [1] (Continued)

FISCAL YEAR ENDED JUNE 30, 2006

Name of Firm	Description of Services	Contract Date	Aggregate Comp. Paid in FY 2006	Status at June 30, 2006
Quality Office Systems	Photocopier Lease	N/A	6,211	Active
The Hartford Courant	Advertising	N/A	7,554	Active
TOTAL MISCELLANEOUS SERVICES COMPENSATION			**$902,951**	
GRAND TOTAL			**$75,347,465**	

(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.

PENSION FUNDS MANAGEMENT DIVISION

COMBINED INVESTMENT FUNDS
LIST OF INVESTMENT ADVISORS AND NET ASSETS UNDER MANAGMENT
JUNE 30, 2006

Name of Fund	Investment Strategy		Net Assets Under Management	Percent of Fund Total
CASH RESERVE ACCOUNT (CRA)				
State Street Global Advisors	Active	$	1,383,592,932	100.00%
SUBTOTAL CRA		**$**	**1,383,592,932**	**100.00%**
MUTUAL EQUITY FUND (MEF)				
Large Cap		**$**	**6,979,382,614**	**77.70%**
BGI Barclays Global Investors, N.A.	Passive - Enhanced		3,946,901,194	43.94%
State Street Global Advisors	Passive - Indexed		3,032,481,420	33.76%
All Cap			**205,668,089**	**2.29%**
Capital Prospects	Active		90,134,597	1.00%
FIS Group, Inc.	Active		115,533,492	1.29%
Small/Mid Cap			**900,814,732**	**10.03%**
AXA Rosenberg Investment Management	Passive-Enhanced		900,814,732	10.03%
Small/Mid Cap			**880,578,460**	**9.80%**
TCW Asset Management	Active		560,601,652	6.24%
Brown Capital Management, Inc.	Active		211,754,259	2.36%
Bivium	Active		108,222,549	1.20%
Other (1)			**15,921,957**	**0.18%**
SUBTOTAL MEF		**$**	**8,982,365,852**	**100.00%**
INTERNATIONAL STOCK FUND (ISF)				
Index		**$**	**831,193,971**	**15.52%**
State Street Global Advisors	Index-Passive		831,193,971	15.52%
Core			**912,956,491**	**17.04%**
Invesco Global Asset Mgmt.	Active		844,542,851	15.76%
Progress	Active		68,413,640	1.28%
Active-Growth			**622,297,860**	**11.62%**
Clay Finlay, Inc.	Active		404,415,305	7.55%
MFS Institutional Advisors, Inc.	Active		217,882,555	4.07%
Active-Value			**551,521,019**	**10.29%**
Grantham, Mayo, Van Otterloo	Active		551,521,019	10.29%
Small Cap			**553,726,107**	**10.34%**
Morgan Stanley Asset Management	Active		271,313,592	5.07%
Schroder Investment Mgmt.	Active		282,412,515	5.27%
Emerging			**1,012,666,732**	**18.90%**
Grantham, Mayo, Van Otterloo	Active		514,297,679	9.60%
Emerging Markets Management	Active		498,369,053	9.30%
Risk Controlled			**908,546,332**	**16.96%**
Merrill Lynch Investment	Active		553,681,020	10.34%
Fidelity Management Trust Co.	Active		354,865,312	6.62%
Other (1)			**(35,633,327)**	**-0.67%**
SUBTOTAL ISF		**$**	**5,357,275,185**	**100.00%**
REAL ESTATE FUND (REF)				
AEW Capital Management	Active	$	66,335,015	16.64%
Westport Senior Living	Active		58,985,955	14.79%
Walton Street Real Estate	Active		54,529,040	13.67%
Apollo Real Estate	Active		50,877,314	12.76%
Rockwood Capital Fund V	Active		36,344,749	9.11%
Rockwood Capital IV Limited Partnership	Active		11,192,697	2.81%
Capri Select Income II LLC	Active		7,612,991	1.91%
Starwood Opportunity Fund VII	Active		9,536,386	2.39%
New Boston Fund	Active		9,896,748	2.48%
RLJ Urban Lodging Fund	Active		17,046,611	4.28%
Canyon Johnson Urban Fund II	Active		7,574,216	1.90%
CIGNA Realty Investors	Active		238,092	0.06%
Other (1)	**Active**		**68,573,597**	**17.20%**
SUBTOTAL REF		**$**	**398,743,411**	**100.00%**

COMBINED INVESTMENT FUNDS
LIST OF INVESTMENT ADVISORS AND NET ASSETS UNDER MANAGMENT (Continued)
JUNE 30, 2006

Name of Fund	Investment Strategy		Net Assets Under Management	Percent of Fund Total
MUTUAL FIXED INCOME FUND (MFIF)				
Core		**$**	**4,563,432,579**	**71.09%**
State Street Global Advisors	Passive		1,254,902,828	19.55%
BlackRock Financial Management, Inc.	Active		1,087,866,323	16.95%
Wellington	Active		974,196,426	15.17%
Western Asset Management Co.	Active		867,046,802	13.51%
Phoenix	Active		298,419,041	4.65%
Progress	Active		81,001,159	1.26%
High Yield			**856,271,008**	**13.34%**
Loomis Sayles & Co., Inc.	Active		375,460,412	5.85%
W.R. Huff Asset Management	Active		260,212,909	4.05%
Oaktree Capital Management, L.L.C.	Active		220,597,687	3.44%
Emerging Market Debt			**282,065,282**	**4.39%**
Ashmore	Active		177,546,517	2.76%
Bridgewater	Active		104,518,765	1.63%
Inflation Linked Bonds			**203,924,586**	**3.18%**
Brown Brothers Harriman	Active		136,172,049	2.12%
Hartford Investment Mgmt Co.	Active		67,752,537	1.06%
Other (1)			**513,488,085**	**8.00%**
SUBTOTAL MFIF		**$**	**6,419,181,540**	**100.00%**
COMMERCIAL MORTGAGE FUND (CMF)				
AEW Capital Management	Active	$	8,261,838	45.39%
Other (2)			9,941,913	**54.61%**
SUBTOTAL CMF		**$**	**18,203,751**	**100.00%**
PRIVATE INVESTMENT FUND (PIF)				
Buyout		**$**	**519,997,395**	**38.21%**
KKR Millennium Fund	Active		104,237,649	7.66%
Hicks, Muse Tate & Furst Equity Fund III	Active		26,260,850	1.93%
Thomas H. Lee Equity Fund IV	Active		18,613,033	1.37%
Welsh Carson Anderson & Stowe VIII	Active		33,779,464	2.48%
Wellspring Capital Partners III	Active		53,585,010	3.94%
SCP Private Equity Partners	Active		24,139,410	1.77%
Charterhouse Equity Partners IV	Active		62,354,247	4.58%
Forstmann Little Equity Fund VI	Active		23,204,335	1.71%
DLJ Merchant Banking Fund II	Active		25,389,572	1.87%
KKR 1996 Fund	Active		15,916,993	1.17%
FS Equity Partners V	Active		21,442,656	1.58%
Blackstone Capital Partners III	Active		15,407,144	1.13%
Thayer Equity Investors IV	Active		22,890,946	1.68%
Kelso Investment Associates VI	Active		15,529,884	1.14%
Green Equity Investors III	Active		14,131,974	1.04%
Wellspring Capital Partners II	Active		6,427,100	0.47%
Veritas Capital Fund	Active		269,167	0.02%
AIG Healthcare Partners LP	Active		12,236,158	0.90%
Welsh Carson Anderson & Stowe X LP	Active		20,195,069	1.48%
ICV Partners II LP	Active		3,986,734	0.29%
Venture Capital			**72,443,427**	**5.33%**
RFE Investment Partners VI	Active		19,306,237	1.42%
Conning Capital Partners V	Active		10,867,682	0.80%
Crescendo World Fund	Active		15,727,352	1.16%
Grotech Partners V	Active		11,439,483	0.84%
Shawmut Equity Partners	Active		10,659,788	0.78%
Crescendo III	Active		4,342,673	0.32%
Connecticut Futures Fund	Active		100,212	0.01%

PENSION FUNDS MANAGEMENT DIVISION

COMBINED INVESTMENT FUNDS

LIST OF INVESTMENT ADVISORS AND NET ASSETS UNDER MANAGMENT (Continued)

JUNE 30, 2006

Name of Fund	Investment Strategy	Net Assets Under Management	Percent of Fund Total
Mezzanine		**40,215,549**	**2.97%**
SW Pelham Fund	Active	9,860,822	0.73%
GarMark Partners	Active	12,776,173	0.94%
GarMark Partners II LP	Active	5,526,516	0.41%
SW Pelham Fund II	Active	12,052,038	0.89%
International		**186,604,885**	**13.72%**
Compass Partners European Equity Fund	Active	75,207,426	5.53%
Gilbert Global Equity Partners	Active	31,956,656	2.35%
Carlyle Europe Partners	Active	39,874,599	2.93%
AIG Global Emerging Markets Fund	Active	23,755,679	1.75%
Carlyle Asia Partners	Active	15,810,525	1.16%
Fund of Funds		**346,746,610**	**25.50%**
The Constitution Liquidating Fund	Active	238,638,296	17.55%
Landmark Private Equity Fund VIII	Active	50,909,060	3.74%
Goldman Sachs Private Equity Partners Connecticut	Active	25,251,754	1.86%
Lexington Capital Partners II	Active	11,135,079	0.82%
Parish Capital I LP	Active	12,138,476	0.89%
Fairview Constitution II LP	Active	8,673,945	0.64%
Special Situations		**111,052,518**	**8.17%**
Welsh Carson Anderson & Stowe Capital Partners III	Active	52,958,869	3.90%
Greenwich Street Capital Partners II	Active	23,144,936	1.70%
Forstmann Little MBO VII	Active	15,595,337	1.15%
KPS Special Situations Fund II	Active	19,353,376	1.42%
Other (1)		**82,932,949**	**6.10%**
SUBTOTAL PIF		**$ 1,359,993,333**	**100.00%**
TOTAL		**$ 23,919,356,004**	
Adjustments (3)		**(1,102,583,032)**	
GRAND TOTAL		**$ 22,816,772,972**	

(1) Other represents moneys earmarked for distribution to participants, reinvestment, and expenses as well as terminated advisor balances, Currency Overlay Managers (Bank of New York and Bridgewater), CT Financial Development Fund, Keystone Venture V Partnerships and GarMark Partners II LP.

(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, 2006

Broker Name	$ Commission	Shares/ Par Value	Avg Comm
ABEL NOSER CORPORATION	$ 7,440.00	186,000.00	0.04
ABG SECURITIES	8,520.74	306,431.00	0.03
ABG SECURITIES INC	2,127.80	181,060.00	0.01
ABM AMRO HOARE GOVETT ASIA LTD, SEOUL	3,162.19	185,326.00	0.02
ABN AMRO ASIA LIMITED	124.96	3,920.00	0.03
ABN AMRO BANK N. V. HONG KONG	14,416.84	4,987,710.00	0.00
ABN AMRO BANK N.V. (CHICAGO)	1,555.10	343,000.00	0.00
ABN AMRO BANK NV	51,931.82	13,575,584.00	0.00
ABN AMRO BANK NV HONG KONG BRANCH	6,908.40	6,046,613.00	0.00
ABN AMRO EQUITIES (UK) LTD LONDON	30.20	100.00	0.30
ABN AMRO EQUITIES AUSTRALIA LTD.	5,809.57	187,146.00	0.03
ABN AMRO SECURITIES (USA) INC	26,409.96	681,135.00	0.04
ABN AMRO SECURITIES LLC	6,966.60	172,362.00	0.04
ACTINVER SECURITIES	3,042.63	641,844.00	0.00
ADAMS HARKNESS + HILL,INC	7,019.74	195,471.00	0.04
ADP CLEARING + OUTSOURCING SERVICES, INC	4,159.95	4,183,979.00	0.00
AK YATIRIM MENKUL DEGERLER A.S	2,151.37	124,792.00	0.02
ALFA CAPITAL MARKETS (USA), INC.	425.84	13,346.00	0.03
ALPHA BROKERAGE AE	6,169.35	134,162.00	0.05
ALPHA FINANCE	4,904.15	402,800.00	0.01
ALTIUM CAPITAL LTD	810.27	24,295.00	0.03
AMERICAN ENTERPRISE INV. SERVICES, INC.	41.45	829.00	0.05
AMERICAN TECHNOLOGY RESEARCH INC	85.00	1,700.00	0.05
ANDISA SECURITIES (PTY)LIMITED	9.57	400.00	0.02
ANZ INVESTMENT SVCS NZ LTD	475.85	8,532.00	0.06
ATA SECURITIES INC. (ISTANBUL)	14,786.22	1,269,176.00	0.01
ATON CAPITAL GROUP	49.75	6,807.00	0.01
ATON SECURITIES	1,461.59	197,034.00	0.01
AUERBACH GRAYSON & CO. INC.	336.00	8,400.00	0.04
AVONDALE PARTNERS LLC	85,076.15	1,890,955.00	0.04
BAIRD, ROBERT W., & COMPANY INCORPORATED	10,922.16	1,748,232.33	0.01
BANC OF AMERICA SECURITIES	255.33	1,315,761,431.31	0.00
BANC/AMERICA SECUR.LLC MONTGOMEY DIV	103,495.75	1,595,166,231.65	0.00
BANCO BILBAO VIZCAYA ARGENTARI	154.87	2,400.00	0.06
BANCO ESPIRITO SANTO SA	447.25	6,900.00	0.06
BANCO ITAU SA	28,250.87	33,856,714.00	0.00
BANCO PACTUAL	8.80	300.00	0.03
BANCO PACTUAL S.A.	43,853.76	912,733,452.00	0.00
BANCO SANTANDER CENTRAL HISPANO	54,995.77	124,418,464.00	0.00
BANCO SANTANDER DE NEGOCIOS	30,633.11	4,194,611.00	0.01
BANK AM BELLEVUE	222.16	1,082.00	0.21
BANK AUSTRIA CREDITANSTALT AG	483.15	5,454.00	0.09
BANK J.VONTOBEL UND CO. AG	880.41	8,403.00	0.10
BANK SARASIN AND CIE, BASLE	609.70	20.00	30.49
BANKAMERICA INTL	820.00	82,000.00	0.01
BANQUE NATIONAL DE PARIS	258.00	8,600.00	0.03
BANQUE NATIONAL DE PARIS HONG KONG	9,119.88	4,531,656.00	0.00
BANQUE NATIONALE DE PARIS, LON	7,666.84	1,108,000.00	0.01
BARNARD JACOBS MELLETS NY	5,809.62	642,667.00	0.01
BARNARD JACOBS MELLETT AND CO (PTY)	14,013.32	468,148.00	0.03
BAYERISCHE HYPO- UND VEREINSBANK MUNICH	344.54	6,500.00	0.05
BAYERISCHE HYPO-UND VEREINSBAN	78.82	1,000.00	0.08
BAYPOINT TRADING LLC	986.40	32,880.00	0.03
BEAR STEARNS + CO INC	103,041.44	178,845,384.00	0.00
BEAR STEARNS INTERNATIONAL TRADING	611.51	13,856.00	0.04
BEAR STEARNS SECURITIES CORP	115,362.39	915,480,330.73	0.00
BEAR STEARNS SECURITIES CORP.	1,896.88	44,360.00	0.04
BENITO Y MONJARDIN, S.A. S.V.B.	580.28	25,100.00	0.02
BLEY INVESTMENT GROUP	1,474.00	29,480.00	0.05
BNP PARIBAS	571.70	1,048,517.00	0.00
BNP PARIBAS PEREGRINE SECS LT ASIA	3,094.22	2,750,565.00	0.00
BNP PARIBAS PEREGRINE SECS PT	279.56	538,000.00	0.00
BNP PARIBAS PEREGRINE SECURITIES	93,865.29	33,073,706.00	0.00
BNP PARIBAS SA	1,012.01	19,975.00	0.05
BNP PARIBAS SEC JAPAN LTD	8,303.17	301,760.00	0.03
BNP PRIMEPEREGRINE	393.62	22,000.00	0.02
BNY BROKERAGE INC	120,734.75	3,112,225.00	0.04
BNY BROKERAGE.	2,107.88	47,850.00	0.04
BREAN MURRAY	108.65	2,173.00	0.05
BRIDGE TRADING COMPANY	710.50	20,300.00	0.04
BRIDGEWELL SECURITIES LIMITED	633.63	58,300.00	0.01
BROADCORTCAPITAL (THRU ML)	7,831.40	176,920.00	0.04
BROCKHOUSE + COOPER INC MONTREAL	20.72	1,694.00	0.01
B-TRADE SERVICES LLC	39,143.29	1,112,410.00	0.04
BUCKINGHAM RESEARCH GROUP	14,690.00	345,220.00	0.04
C.E. UNTERBERG, TOWBIN	721.14	15,797.00	0.05
CABRERA CAPITAL MARKETS	6,086.50	621,730.00	0.01
CABRERA CAPITAL MARKETS INC.	465.00	9,300.00	0.05
CAISSE DES DEPOTS ET CONSIGNAT	1,179.85	7,300.00	0.16
CANACCORDADAMS INC.	4,290.03	120,101.00	0.04
CANNON BRIDGE	931.02	6,472.00	0.14
CANTOR FITZ EUR 2	14,872.69	1,369,995.00	0.01
CANTOR FITZGERALD + CO	146.96	1,904,299.51	0.00
CANTOR FITZGERALD + CO.	155,548.59	487,700,347.00	0.00
CAPITAL INSTITUTIONAL SVCS INC EQUITIES	11,799.40	258,270.00	0.05
CARNEGIE A S	2,459.26	54,100.00	0.05
CARNEGIE BK	6,364.64	354,796.00	0.02
CARNEGIE FONDKOMISSION	856.50	67,100.00	0.01
CARNEGIE INT'L LND	9,495.79	339,517.00	0.03
CARNEGIE SECURITIES FINLAND	2,298.72	37,300.00	0.06
CAZENOVE + CO	28,015.75	2,679,628.00	0.01
CAZENOVE + CO.	31,939.17	1,132,250.00	0.03
CAZENOVE AND CO (SINGAPORE)	1,054.44	1,100,000.00	0.00
CAZENOVE ASIA LTD	4,187.44	4,007,700.00	0.00
CHAPDELAINE + CO	1,490.00	29,800.00	0.05
CHAPDELAINE CORPORATE SECURITIES & CO	150.00	3,000.00	0.05
CHEUVREUXDE NORDIC A B	125.93	1,200.00	0.10
CHEUVREUXDE VIRIEU	12,003.99	93,904.00	0.13
CHEUVREUXDE VIRIEU MADRID	1,256.74	12,700.00	0.10
CIBC WORLD MARKETS CORP	27,260.42	6,085,013.00	0.00
CIC SECURITIES	264.35	2,456.00	0.11
CITIBANK	214.66	36,300.00	0.01
CITIBANK,N.A.	324.30	5,405.00	0.06
CITIGROUPGLOBAL MARKETS	22.13	260.00	0.09
CITIGROUPGLOBAL MARKETS ASIA LIMITED	4,633.02	3,724,000.00	0.00
CITIGROUPGLOBAL MARKETS AUSTRALIA PTR	929.86	47,870.00	0.02
CITIGROUPGLOBAL MARKETS INC	306,342.98	32,154,480.46	0.01
CITIGROUPGLOBAL MARKETS INC.	236,680.59	35,892,107.00	0.01
CITIGROUPGLOBAL MARKETS LIMITED	144,360.08	13,124,981.00	0.01
CITIGROUPGLOBAL MARKETS NZ	263.02	32,867.00	0.01
CITIGROUPGLOBAL MARKETS UK EQUITY LTD	38,788.03	3,746,861.00	0.01
CJS SECURITIES	320.00	6,400.00	0.05
CJSC DEPOSITORY CLEARING CO	90.20	2,180.00	0.04
CLSA CAPITAL LIMITED HONG KONG	308.36	60,000.00	0.01
CLSA SECURITIES KOREA LTD	103.11	5,500.00	0.02
CLSA SECURITIES KOREA LTD.	1,012.14	16,090.00	0.06
CLSA SECURITIES MALAYSIA SDN BHD	4,341.36	2,317,773.00	0.00
CLSA SINGAPORE PTE LTD	263.17	25,500.00	0.01
COBURN & MEREDITH, INC(CLR.THRU 443)	3,323.00	75,600.00	0.04
COLLINS STEWART	4,019.40	303,122.00	0.01
COLLINS STEWART + CO	10,221.40	107,900.00	0.09
COMMONWEALTH SECURITIES LTD	7,476.19	1,712,754.00	0.00
CRAIG - HALLUM	994.00	22,000.00	0.05
CREDIT AGCHEUV INTL LTD	1,576.31	57,000.00	0.03
CREDIT AGRICLE INDOSUEZ	3,580.74	28,594.00	0.13
CREDIT AGRICOLE	10.64	100.00	0.11
CREDIT AGRICOLE INDOSUEZ CHEUV	225.62	2,100.00	0.11
CREDIT AGRICOLE INDOSUEZ CHEUVREUX	35,417.47	1,010,592.00	0.04
CREDIT LYONNAIS SECS	1,774.16	157,400.00	0.01
CREDIT LYONNAIS SECURITIES	47,942.31	3,441,882.00	0.01
CREDIT LYONNAIS SECURITIES (USA) INC	110,106.60	16,411,928.00	0.01
CREDIT LYONNAIS SECURITIES ASIA/GUERNSEY	7,563.27	18,524,228.00	0.00
CREDIT LYONNAIS SECURITIES(ASIA)	2,632.39	4,623,700.00	0.00
CREDIT RESEARCH + TRADING LLC	29.42	1,471.00	0.02
CREDIT SUISSE FIRST BOSTON	8,383.04	2,302,714.00	0.00
CREDIT SUISSE FIRST BOSTON (EUROPE)	1,074.27	12,330.00	0.09
CREDIT SUISSE FIRST BOSTON (EUROPE) LTD	68,575.51	9,076,297.00	0.01
CREDIT SUISSE FIRST BOSTON CORPORATION	273,056.74	1,640,382,683.94	0.00
CREDIT SUISSE SECURITIES (USA) LLC	181,634.82	869,316,080.48	0.00
CREDIT USA	3,276.52	98,913.00	0.03
CS FIRST BOSTON (HONG KONG) LIMITED	3,536.57	220,645.00	0.02
CS FIRST BOSTON (JAPAN) LIMITED	4,736.62	427,023.00	0.01
CSFB	732.00	24,150.00	0.03
CSFB AUSTRALIA EQUITIES LTD	5,542.13	572,500.00	0.01
D CARNEGIE AG	689.24	35,700.00	0.02
DAEWOO SECS CO LTD, SEOUL KOREA	7,363.26	391,050.00	0.02
DAIWA SBCM EUROPE	7,138.43	757,000.00	0.01
DAIWA SECURITES SB CAPITAL MA	1,399.08	115,000.00	0.01
DAIWA SECURITIES (HK) LTD.	1,809.91	194,740.00	0.01
DAIWA SECURITIES AMERICA INC	33,946.00	18,746,743.00	0.00
DAVENPORT& CO. OF VIRGINIA, INC.	2,412.00	60,300.00	0.04
DAVIDSON D.A. + COMPANY INC.	6,380.70	141,008.00	0.05
DAVIS, MENDEL AND REGENSTEIN	940.00	18,800.00	0.05
DAVY (J+E)	9,369.85	510,235.00	0.02
DBS VICKERS SECS PTE LTD	1,128.68	40,500.00	0.03
DBS VICKERS SECURITIES(THAILAND)	1,601.77	408,300.00	0.00
DEAGROATT+ CAMPBELL SDN BHD	7,427.95	2,604,939.00	0.00
DEN DANSKE BANK	117.23	3,600.00	0.03
DEUTSCHE BANK AG LONDON	81,163.66	8,401,734.00	0.01
DEUTSCHE BANK ALEX BROWN	220.00	4,400.00	0.05
DEUTSCHE BANK SECURITIES INC	348,629.07	1,684,204,577.93	0.00
DEUTSCHE MORGAN GRENFELL SECS	1,983.54	43,800.00	0.05
DEUTSCHE SECURITIES ASIA LIMITED	3,394.36	952,790.00	0.00
DEUTSCHE SECURITIES ASIA LTD	43,319.40	2,689,792.00	0.02
DIRECT TRADING INSTITUTIONAL INC	25,566.26	1,660,272.00	0.02
DIVIDEND REINVEST	3,067.05	641,874.68	0.00
DIVINE CAPITAL MARKETS LLC	8,344.45	215,080.00	0.04
DONALDSON& CO., INC	195.00	3,900.00	0.05
DONALDSONLUFKIN + JENRETTE SEC CORP	244.00	6,100.00	0.04
DONGWON SECURITIES	13,843.80	709,568.00	0.02
DOUGHERTYCOMPANY	17.40	580.00	0.03
DRESDNER BANK AG NEW YORK	201.29	7,600.00	0.03

PENSION FUNDS MANAGEMENT DIVISION

COMBINED INVESTMENT FUNDS SCHEDULE OF BROKERAGE COMMISSIONS (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Broker Name	$ Commission	Shares/ Par Value	Avg Comm
DRESDNER KLEINWORT BENSON NORTH AMERICA	7,987.13	120,800.00	0.07
DRESDNER KLEINWORTH WASSERSTEIN SEC LLC	51,378.53	4,744,734.00	0.01
DUNDAS UNLU SECURITIES INC.	5,263.30	350,828.00	0.02
E TRADE SECURITIES LIMITED	161.35	8,200.00	0.02
E TRADE SECURITIES, INC	3,472.25	113,810.00	0.03
E. OHMAN JOB FONDKOMMISSION AB	16.92	400.00	0.04
EDWARDS AG SONS INC	8,155.88	181,993.00	0.04
EGE YATIRIM MENKUL DEGERLER A. ISTANBUL	145.35	7,300.00	0.02
ENSKILDA SECURITIES AB	20,860.65	549,789.00	0.04
EUROMOBILIARE SIM S.P.A.	504.17	19,800.00	0.03
EXANE INC	2,024.91	31,800.00	0.06
EXANE S.A.	27,525.60	1,134,603.00	0.02
EXECUTIONLIMITED	766.88	92,406.00	0.01
EXECUTIONLTD	3,911.39	158,200.00	0.02
FACTSET DATA SYSTEMS	18,380.00	427,312.00	0.04
FATOR - DORIA ATHERINO S/A CV	2,770.84	48,900.00	0.06
FERRIS BAKER WATTS INC	159.80	3,196.00	0.05
FIDELITY CAPITAL MARKETS	4,983.26	124,350.00	0.04
FIRST ALBANY CAPITAL INC.	12,342.79	12,945,793.44	0.00
FIRST ANALYSIS SECURITIES CORP	849.38	18,750.00	0.05
FIRST CLEARING, LLC	125.00	2,552,500.00	0.00
FISERV SECURITIES, INC	2,593.00	128,650.00	0.02
FONDSFINANS A/S	319.73	4,200.00	0.08
FORTIS BANK (NEDERLAND) N.V.	7,173.33	185,640.00	0.04
FOX PITT KELTON INC	7,699.74	144,834.00	0.05
FOX-PITT KELTON LTD	7,738.63	345,013.00	0.02
FRIEDMAN BILLINGS + RAMSEY	28,657.43	705,435.00	0.04
FUTURETRADE SECURITIES, LLC	202.44	10,122.00	0.02
G G E T LLC	661.50	14,700.00	0.05
G TRADE	139.54	5,000.00	0.03
G TRADE SERVICES LTD	142.82	21,000.00	0.01
G.K.GOH STOCKBROKERS PTE LTT.	1,524.35	2,880,000.00	0.00
GARBAN EQUITIES LIMITED LONDON	50.56	16,371.00	0.00
GARDNER RICH + CO	149.40	4,980.00	0.03
GARP STEARNS & SECURITIES CO	1,544.00	38,600.00	0.04
GEDIK INVESTMENT SEC INC	3,120.03	155,000.00	0.02
GERSON LEHRMAN GROUP BROKERAGE SERV LLC	1,024.00	25,600.00	0.04
GILBERT DUPONT SOCIETE DE BOURSE PARIS	38.05	1,385.00	0.03
GLOBAL EXECUTION TECHNOLOGIES	938.13	14,800.00	0.06
GLOBAL SECURITIES INC. (ISTANBUL)	132.33	3,500.00	0.04
GOLDMAN SACHS (ASIA) LLC	78.85	1,000.00	0.08
GOLDMAN SACHS (JAPAN) LTD.	4,971.01	81,300.00	0.06
GOLDMAN SACHS + CO	504,393.76	6,873,488,396.24	0.00
GOLDMAN SACHS AND COMPANY	790.48	38,000.00	0.02
GOLDMAN SACHS EXECUTION + CLEARING	36,418.66	3,684,840.00	0.01
GOLDMAN SACHS INTERNATIONAL	3,510.03	494,120.00	0.01
GOLDMAN SACHS INTERNATIONAL LONDON	61,597.62	4,996,621.00	0.01
GOODBODY STOCKBROKERS	4,507.14	278,224.00	0.02
GOODMORNING SHINHAN SECURITIES CO.	291.39	5,459.00	0.05
GREAT PACIFIC SECURITIES INC.	2,257.51	74,417.00	0.03
GREENTREEBROKERAGE SERVICES INC	2,166.00	51,610.00	0.04
GRW CAPITAL CORPORATION	1,110.00	27,750.00	0.04
GUNNALLENFINANCIAL	60.90	2,030.00	0.03
GUZMAN + CO	28,312.69	923,635.00	0.03
HANOVER NOMS	68.66	9,399.00	0.01
HARRIS NESBITT CORP.	1,022.55	23,803.00	0.04
HC ISTANBUL	3,430.05	307,600.00	0.01
HEFLIN + CO LLC	133,156.73	4,247,138.00	0.03
HELVEA INC	1,142.73	1,757.00	0.65
HELVEA SA	334.57	3,443.00	0.10
HG ASIA	6,694.29	713,120.00	0.01
HIBERNIA SOUTHCOAST CAPITAL INC	5,779.00	115,580.00	0.05
HOEFER AND ARNETT INC.	105.00	2,100.00	0.05
HONGKONG AND SHANGHAI BANKING CORP	2,474.18	1,181,200.00	0.00
HOWARD WEIL DIVISION LEGG MASON	1,225.10	24,502.00	0.05
HSBC BANKPLC	10,655.01	4,808,671.00	0.00
HSBC SECURITIES INC (JAMES CAPEL)	16,373.44	21,681,414.00	0.00
HUNTLEIGHSECURITIES CORPORATION	3,828.00	95,700.00	0.04
HYUNDAI SECURITIES CO. LTD.	4,638.16	191,662.00	0.02
IMPERIAL CAPITAL LLC	5,386.64	178,728.00	0.03
ING BANK N V	8,096.67	399,660.00	0.02
ING BARING SECURITIES LTD SEOUL	5,483.47	96,341.00	0.06
ING BARINGS CORP	40,031.37	3,930,030.00	0.01
INSTINET	81,101.66	5,021,962.00	0.02
INSTINET CANADA	1,419.10	56,100.00	0.03
INSTINET CLEARING SERVICES INC	22,701.14	868,866.00	0.03
INSTINET EUROPE LIMITED	45.60	760.00	0.06
INSTINET FRANCE S.A.	5,480.78	167,471.00	0.03
INSTINET LONDON	1,546.42	4,000.00	0.39
INSTINET PACIFIC LIMITED	23,049.66	2,563,551.00	0.01
INSTINET U.K. LTD	38,919.65	4,768,592.00	0.01
INSTINETCLEARING SERVICES, INC.	5,439.92	168,642.00	0.03
INSTITUTIONAL DIRECT INC	780.00	15,600.00	0.05
INTERMOBILIARE SECURITIES SIM SPA	11,520.65	206,600.00	0.06
INTERMONTE SEC SIM SPA	240.13	3,500.00	0.07
INVERLAT INTERNATIONAL	3,250.59	465,900.00	0.01
INVESTEC HENDERSON CROSTHWAITE	2,126.58	215,000.00	0.01
INVESTEC SECURITIES	365.95	8,100.00	0.05
INVESTMENT TECHNOLOGY GROUP INC.	126,651.03	8,358,093.00	0.02
INVESTMENT TECHNOLOGY GROUP LTD	13,313.65	1,667,783.00	0.01
ISI GROUPINC	7,422.31	160,372.00	0.05
ITG AUSTRALIA LTD.	31.76	5,288.00	0.01
ITG INC	52.68	11,100.00	0.00
ITG SECURITIES (HK) LTD	1,224.45	1,859,000.00	0.00
IVY SECURITIES, INC.	335.70	11,190.00	0.03
IXIS SECURITIES	1,598.16	15,575.00	0.10
J AND E DAVY	2,208.53	61,536.00	0.04
J B WERE + SON LIMITED	3,709.33	613,750.00	0.01
J P MORGAN SECURITIES INC	199,134.08	63,931,937.41	0.00
J.P. MORGAN SECURITIES LIMITED	27,907.35	3,162,634.00	0.01
JACKSON SECURITIES	930.45	27,460.00	0.03
JANNEY MONTGOMERY, SCOTT INC	180.70	3,614.00	0.05
JB WERE AND SON (NZ) LTD	220.79	21,506.00	0.01
JEFFERIES+ COMPANY INC	103,827.25	5,342,094.00	0.02
JEFFERIESINTERNATIONAL LTD	3,865.40	7,632,373.00	0.00
JERMYN CAPITAL PARTNERS PLC	11,126.80	278,170.00	0.04
JMP SECURITIES	2,659.35	77,246.00	0.03
JOH BERENBERG GOSSLER AND CO	18,292.50	221,708.00	0.08
JOHNSON RICE + CO	590.00	11,800.00	0.05
JONES & ASSOCIATES INC	178,788.29	5,842,583.00	0.03
JP MORGAN	415.16	2,887,400.00	0.00
JP MORGANBROKING HK LIMITED	276.43	75,000.00	0.00
JP MORGANCHASE BANK/HSBCSI	193.00	239,125,941.55	0.00
JP MORGANSECURITIES ASIA PTE LIMITED	643.83	21,000.00	0.03
JP MORGANSECURITIES AUSTRALIA LTD	5,674.22	312,725.00	0.02
JP MORGANSECURITIES INC	36,776.65	9,458,045.00	0.00
JP MORGANSECURITIES LIMITED	295,803.19	24,235,395.00	0.01
JP MORGANSECURITIES LTD	239.80	9,070.00	0.03
JP MORGNASECURITIES SINGAPORE	4,242.10	1,452,000.00	0.00
JPMORG SEC(FAR EAST)LTD SEOUL	1,111.14	23,590.00	0.05
JPMORGAN CHASE BANK	4,618.64	3,351,900.00	0.00
JPMORGAN CHASE BANK, N.A., LONDON	460.72	102,100.00	0.00
JPMORGAN CHASE BANK/CORRESPONDENT CLR SV	10,695.03	307,776.00	0.03
JPMORGAN SECURITIES(ASIA PACIFIC)LTD	24,660.08	13,111,932.00	0.00
JULIUS BAER BROKERAGE SA	407.66	3,000.00	0.14
KAF DISCOUNTS BHD	107.70	12,100.00	0.01
KAS-ASSOCIATIE N.V.	14,822.96	415,774.00	0.04
KAUFMAN BROTHERS	954.30	25,130.00	0.04
KB SECURITIES N V	145.80	800.00	0.18
KBC BANK NV	2,719.74	20,532.00	0.13
KBC FINANCIAL PRODUCTS UK LTD	50,279.75	1,184,720.00	0.04
KBC PEEL HUNT LTD	277.33	825,000.00	0.00
KEEFE BRUYETTE + WOODS INC	27,413.75	626,424.00	0.04
KEEFE BRUYETTE AND WOOD LIMITED	1,153.81	5,500.00	0.21
KELLOGG PARTNERS	21.12	1,056.00	0.02
KEPLER EQUITIES FRANKFURT BRANCH	71.17	670.00	0.11
KEPLER EQUITIES PARIS	2,350.50	14,168.00	0.17
KEPLER EQUITIES ZURICH	329.21	5,950.00	0.06
KIM ENG SECS PTE LTD, SINGAPORE	429.33	906,000.00	0.00
KIM ENG SECURITIES	19,034.63	4,963,858.00	0.00
KING, CL,& ASSOCIATES, INC	40,715.00	942,020.00	0.04
KLEINWORTBENSON INTERNATIONAL	952.58	15,500.00	0.06
KLEINWORTBENSON SECURITIES LIMITED	50,336.47	18,645,886.00	0.00
KNIGHT SECURITIES	21,965.87	756,464.00	0.03
LA BRANCHE FINANCIAL #2	117,752.33	3,942,106.00	0.03
LARRAIN VIAL	13,605.86	4,033,251.00	0.00
LAZARD CAPITAL MARKETS	244.09	74,550.00	0.00
LAZARD CAPITAL MARKETS LLC	5,568.75	173,575.00	0.03
LEERINK SWANN AND COMPANY	2,267.00	45,340.00	0.05
LEGG MASON WOOD WALKER INC	3,149.37	4,860,457.45	0.00
LEHMAN BROTHERS INC	1,406.84	42,592.00	0.03
LEHMAN BROTHERS	18,322.23	1,256,352.00	0.01
LEHMAN BROTHERS EMM	384.46	41,000.00	0.01
LEHMAN BROTHERS INC	364,248.53	1,919,247,392.26	0.00
LEHMAN BROTHERS INTERNATIONAL (EUROPE)	225,388.48	25,752,138.00	0.01
LEHMAN BROTHERS INTL (EUROPE) SEOUL BR	1,209.52	12,520.00	0.10
LEHMAN BROTHERS JAPAN INC, TOKYO	306.30	19,700.00	0.02
LEHMAN BROTHERS SECS (ASIA)	12,188.03	1,651,924.00	0.01
LG INVESTMENT AND SECURITIES CO	356.91	17,500.00	0.02
LIQUIDNETEUROPE LIMITED	3,077.03	566,160.00	0.01
LIQUIDNETINC	182,724.34	8,488,069.00	0.02
LOMBARD, ODIER AND CIE	9,960.78	39,674.00	0.25
LONGBOW SECURITIES LLC	425.00	8,500.00	0.05
LOOP CAPITAL MKTS LLC	2,225.49	57,650.00	0.04
LYNCH JONES AND RYAN INC	579.40	23,650.00	0.02
M RAMSEY KING SECURITIES INC	8,835.00	209,750.00	0.04
MACQUARIEEQUITIES LIMITED (SYDNEY)	19,624.18	1,286,536.00	0.02
MACQUARIEEQUITIES LTD	15,508.60	2,550,270.00	0.01
MACQUARIEEQUITIES NEW YORK	54,293.77	2,133,961.00	0.03
MACQUARIESECURITIES (SINGAPORE)	375.93	34,705.00	0.01
MACQUARIESECURITIES LIMITED	30,151.41	14,672,027.00	0.00
MACQUARIESECURITIES LTD SEOUL	60.80	2,020.00	0.03

COMBINED INVESTMENT FUNDS SCHEDULE OF BROKERAGE COMMISSIONS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Broker Name	$ Commission	Shares/ Par Value	Avg Comm
MAGNA SECURITIES CORP	35,667.02	937,940.00	0.04
MAY FINANCIAL CORPORATION	91.90	1,838.00	0.05
MCDONALD AND COMPANY SECURITIES, INC.	13,444.40	6,887,738.00	0.00
MEDIOBANCA SPA	3,600.30	56,490.00	0.06
MELVIN SECURITIES LLC	2,240.12	56,003.00	0.04
MERRILL LYNCH	131.11	289,700.00	0.00
MERRILL LYNCH FAR EAST LTD	849.58	35,200.00	0.02
MERRILL LYNCH INTERNATIONAL	97,787.35	21,497,282.00	0.00
MERRILL LYNCH JAPAN INCORPORATED	214.40	7,000.00	0.03
MERRILL LYNCH PEIRCE FENNER AND S	119,319.99	8,405,921.00	0.01
MERRILL LYNCH PROFESSIONAL CLEARING CORP	2,353.66	59,822.00	0.04
MERRILL LYNCH,PIERCE,FENNER + SMITH, INC	513,833.87	1,091,728,662.23	0.00
MERRIMAN CURHAN FORD + CO	1,391.55	84,496.00	0.02
MERRION CAPITAL GROUP	50.68	5,100.00	0.01
MESIROW FINANCIAL INC.	1,082.00	54,100.00	0.02
MIDWEST RESEARCH SECURITIES	8,813.95	228,973.00	0.04
MILETUS TRADING LLC	4,642.70	307,759.00	0.02
MILLER TABAK + COMPANY, LLC	155.01	115,501.00	0.00
MISCHLER FINANCIAL GROUP, INC-EQUITIES	39.90	1,330.00	0.03
MIZUHO INTERNATIONAL PLC	7,501.48	480,530.00	0.02
MIZUHO SEC ASIA LTD	4,492.59	258,250.00	0.02
MIZUHO SECURITIES CO., LTD	1,083.34	130,000.00	0.01
MIZUHO SECURITIES USA INC	12,236.12	197,691.00	0.06
MJSK INC	3,788.00	94,700.00	0.04
MKM PARTNERS	7,964.20	197,870.00	0.04
MONTROSE SECURITIES EQUITIES	12,780.30	412,499.00	0.03
MONUMENT DERIVATIVES LTD LDN	263.06	66,100.00	0.00
MOORS + CABOT INC	49,019.00	1,230,750.00	0.04
MORGAN KEEGAN & CO INC	2,073.41	498,336.00	0.00
MORGAN STANLEY	45.70	1,000.00	0.05
MORGAN STANLEY AND CO INTERNATIONAL	10,470.10	541,100.00	0.02
MORGAN STANLEY AND CO. INTERNATIONAL	46,991.64	6,682,649.70	0.01
MORGAN STANLEY CO INCORPORATED	385,572.07	2,654,410,789.36	0.00
MORGAN STANLEY DW INC	1,556.00	38,900.00	0.04
MORGAN STANLEY SECURITIES LIMITED	6,044.27	489,150.00	0.01
MR BEAL &COMPANY	2,987.75	67,212.00	0.04
NATIONAL FINANCIAL SERVICES CORP.	42,466.93	3,253,484.00	0.01
NCB STOCKBROKERS LTD	6,544.62	258,121.00	0.03
NEEDHAM +COMPANY	4,291.21	102,872.00	0.04
NEONET SECURITIES AB	206.66	2,695.00	0.08
NEUBERGERAND BERMAN	20,310.51	771,082.00	0.03
NEUE ZURCHER BANK	220.05	504.00	0.44
NEXT GENERATION EQUITY RESEARCH LLC	363.70	7,274.00	0.05
NOMURA INTERNATIONAL (HONG KONG) LTD	2,029.53	252,600.00	0.01
NOMURA INTERNATIONAL PLC	28,859.10	1,317,390.00	0.02
NOMURA SECURITIES CO LTD	2,304.63	41,800.00	0.06
NOMURA SECURITIES CO., LTD.	634.14	34,000.00	0.02
NOMURA SECURITIES INTERNATIONAL INC	66,358.78	17,114,281.24	0.00
NOMURA SECURITIES SINGAPORE PTE LTD	286.56	300,000.00	0.00
NUMIS SECURITIES LIMITED	6,118.61	430,338.00	0.01
NUTMEG SECURITIES	5,010.92	157,359.00	0.03
NYFIX CLGCORP	891.53	58,200.00	0.02
NYFIX TRANSACTION SERVICES #2	4,528.78	226,439.00	0.02
NZB NEUE ZUERCHER BANK	443.48	2,695.00	0.16
O NEIL, WILLIAM AND CO. INC/BCC CLRG	8,174.60	193,640.00	0.04
ODD LOT SALE	22.45	802.00	0.03
ODDO FINANCE	5,193.48	59,950.00	0.09
OIEN SECURITIES, INC	62,758.64	1,946,591.00	0.03
OPPENHEIM, SAL.,JR UND CIE KOELN	11,737.12	195,250.00	0.06
OPPENHEIMER & CO. INC.	29,956.09	833,785.00	0.04
ORIEL SECURITIES LTD	3,232.59	3,680,000.00	0.00
PACIFIC AMERICAN SECURITIES, LLC	25,506.51	738,773.00	0.03
PACIFIC GROWTH EQUITIES	7,779.47	219,459.00	0.04
PANMURE GORDON AND CO LTD	3,046.50	50,000.00	0.06
PARIBAS SECURITIES INC	6,374.85	464,000.00	0.01
PCS DUNBAR SECURITIES	690.00	13,800.00	0.05
PEEL HUNT+ COMPANY LIMITED	3,211.15	236,666.00	0.01
PENSION FINANCIAL SERVICES INC	156.12	148,903.00	0.00
PENSON FINANCIAL SERVICES INC	1,500.00	31,560.00	0.05
PEREIRE TOD LIMITED	397.99	4,900.00	0.08
PERSHING DIVISION OF DONALDSON LUFKIN	1,168.26	2,781,023.86	0.00
PERSHING DLJ S L	96,856.37	4,863,164.00	0.02
PERSHING LLC	141,940.70	12,948,954.03	0.01
PERSHING SECURITIES LIMITED	136,543.85	16,923,795.00	0.01
PERSHING SECURITIES LTD	16.21	362.00	0.04
PETERCAM S.A.	5,315.62	69,498.00	0.08
PICKERINGENERGY PARTNERS INC	165.80	3,316.00	0.05
PIPELINE TRADING SYSTEMS LLC	448.52	22,426.00	0.02
PIPER JAFFRAY	28,008.36	670,022.00	0.04
PREFERREDTRADE, INC.	189.00	12,600.00	0.02
PRITCHARDCAPITAL PARTNERS LLC	4,536.00	90,720.00	0.05
PRUDENTIAL EQUITY GROUP	22,727.99	576,471.00	0.04
PULSE TRADING LLC	144,406.12	7,219,256.00	0.02
RABOBANK INTL	2,536.24	54,835.00	0.05
RABOBANK NEDERLAND	3,366.72	19,734.00	0.17

Broker Name	$ Commission	Shares/ Par Value	Avg Comm
RAYMOND JAMES AND ASSOCIATES INC	19,485.05	1,783,336.00	0.01
RAYMOND JAMES TRUST COMPANY	3,476.79	137,888.00	0.03
RBC CAPITAL MARKETS	24,634.50	2,541,366.86	0.01
RBC DAIN RAUSCHER INC	41.40	27,395,653.15	0.00
REDBURN PARTNERS LLP	16,593.06	414,539.00	0.04
RENAISSANCE CAPITAL GROUP	12,158.00	300,700.00	0.04
RENAISSANCE CAPITAL LTD	2,110.60	86,240.00	0.02
RICE VOELKER LLC	305.00	6,100.00	0.05
ROBBINS AND HENDERSON	926.22	46,311.00	0.02
ROBERT VAN SECURITIES	1,802.20	37,884.00	0.05
ROCHDALE SEC CORP.(CLS THRU 443)	138,338.56	4,508,552.00	0.03
ROTH CAPITAL PARTNERS LLC	2,237.15	46,030.00	0.05
ROWAN DARTINGTON AND CO. LTD.	2,807.62	246,296.00	0.01
RYAN BECK+ CO	641.90	12,838.00	0.05
S.G. COWEN & CO., LLC	60,844.96	1,983,179.00	0.03
SALOMON SMITH BARNEY KOREA LTD	12,055.84	201,720.00	0.06
SALOMON SMITH BARNEY SINGAPORE SECU	2,737.68	963,000.00	0.00
SAMSUNG SECURITIES CO LTD	143,875.95	2,095,127.00	0.07
SAMUEL A RAMIREZ & COMPANY INC	472.59	15,753.00	0.03
SANDERS MORRIS MUNDY	5,833.69	133,683.00	0.04
SANDLER ONEILL + PART LP	9,000.50	276,810.00	0.03
SANFORD C. BERNSTEIN LTD	23,675.69	869,965.00	0.03
SANFORD CBERNSTEIN CO LLC	39,444.38	1,925,902.00	0.02
SANTANDERCENTRAL HISPANO BOLSA	3,742.82	15,800,868.00	0.00
SANTANDERCENTRAL HISPANO INVEST	35.72	91,517,200.00	0.00
SANTANDERINVESTMENT SECURITIES	238.14	89,300.00	0.00
SANTANDERINVESTMENT SECURITIES INC	131.71	3,000.00	0.04
SBC WARBURG LONDON	2,404.69	3,187,716.00	0.00
SBK BROOKS INVESTMENY CORP	310.80	10,360.00	0.03
SCHONFIELD SECURITIES	472.00	47,200.00	0.01
SCHONFIELD SECURITIES LLC PRIME BROKER	624.00	62,400.00	0.01
SCOTIA CAPITAL (USA) INC	1,256.80	839,400.00	0.00
SCOTT & STRINGFELLOW, INC	27,314.52	5,046,523.00	0.01
SCREAMINGEAGLE TRADING INC	49,295.55	1,643,185.00	0.03
SEAGROATT& CAMPBELL	128.76	14,600.00	0.01
SG AMERICAS SECURITIES, LLC	2,347.51	2,933,425.00	0.00
SHINKO SECURITIES USA INC	7.25	20.00	0.36
SHINYOUNGSECURITIES CO LTD	20,365.99	442,332.00	0.05
SIDOTI + COMPANY LLC	3,769.89	82,977.00	0.05
SIMMONS +COMPANY INTERNATIONAL	598.70	12,494.00	0.05
SIS SEGAINTERSETTLE AG	5,942.63	12,236.00	0.49
SNS BANK NETHERLAND	585.43	7,500.00	0.08
SNS SECURITIES N V	73.22	1,100.00	0.07
SOCIETE GENERALE	1,565.31	14,727.00	0.11
SOCIETE GENERALE LONDON BRANCH	21,856.03	519,414.00	0.04
SOCIETE GENERALE SECURITIES	490.44	3,100.00	0.16
SOLEIL SECURITIES	552.85	11,212.00	0.05
SOUTHWESTSECURITIES	2,531.50	58,730.00	0.04
SOUTHWESTSECURITIES, INC.	168.10	863,362.00	0.00
SSANGYONGINVESTMENT AND SECURITIES	3,175.78	28,950.00	0.11
STANDARD BANK OF SOUTH AFRICA LTD	308.77	2,000.00	0.15
STANLEY (CHARLES) + CO LIMITED	1,237.67	42,700.00	0.03
STATE STREET BANK + TRUST CO LONDON	548.54	10,100.00	0.05
STATE STREET BANK AND TRUST CO	1,769.82	105,300.00	0.02
STATE STREET BROKERAGE EUROPE LIMIT	61.27	4,985.00	0.01
STATE STREET BROKERAGE SERVICES	344,757.81	25,671,298.00	0.01
STEPHENS,INC.	1,328.08	36,031,353.74	0.00
STERNE, AGEE & LEACH, INC.	2,175.80	43,516.00	0.05
STIFEL NICOLAUS + CO INC	1,843.96	264,214.00	0.01
STOCKCROSS INCORPORATED	140.00	3,500.00	0.04
STUDNESS RESEARCH	980.00	32,000.00	0.03
SUNTRUST CAPITAL MARKETS, INC.	9,686.61	235,059.00	0.04
SVENSKA HANDELSBANKEN	10,812.74	514,683.00	0.02
SVENSKA HANDELSBANKEN LONDON BRANCH	3,759.28	108,972.00	0.03
SWISS AMERICAN SECURITIES INC	230.00	5,750.00	0.04
THE BENCHMARK COMPANY, LLC	10,638.80	303,580.00	0.04
THEMIS TRADING LLC	10,531.01	421,240.00	0.03
THINKEQUITY PARTNERS LLC	1,323.37	33,837.00	0.04
THOMAS WEISEL PARTNERS	21,928.12	694,102.00	0.03
THOMAS WEISEL PARTNERS LLC	2,364.25	74,330.00	0.03
TOKYO MITSUBISHI INTERNATIONAL PLC	15,002.49	434,620.00	0.03
TOKYO SECURITIES CO. LTD	756.28	54,000.00	0.01
TOKYO-MITSUBISHI SECURITIES (USA)	2,794.67	58,200.00	0.05
U S CLEARING INSTITUTIONAL TRADING	8,780.00	175,600.00	0.05
U.S. BANCORP PIPER JAFFRAY INC	5,581.25	112,695.00	0.05
UBS	1,795.92	8,755,600.00	0.00
UBS AG	237,183.09	43,535,386.00	0.01
UBS AG LONDON	175,103.88	10,969,431.75	0.02
UBS AG/CUST LDN BRAN	117.00	3,200.00	0.04
UBS FINANCIAL SERVICES INC	214.50	3,091,444.89	0.00
UBS PAINEWEBBER SECURITIES LENDING	397.37	32,800.00	0.01
UBS SECURITIES CANADA INC	180.34	4,300.00	0.04
UBS SECURITIES LLC	703,088.27	2,130,159,685.14	0.00
UBS SECURITIES SINGAPORE PTE	10,969.62	1,519,639.00	0.01
UBS SECURITIIES MALAYSIA SDN BHD	41.98	68,800.00	0.00

PENSION FUNDS MANAGEMENT DIVISION

COMBINED INVESTMENT FUNDS SCHEDULE OF BROKERAGE COMMISSIONS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Broker Name	$ Commission	Shares/ Par Value	Avg Comm
UBS WARBURG	296.16	5,600.00	0.05
UBS WARBURG (HONG KONG) LIMITED	1,499.48	322,500.00	0.00
UBS WARBURG (JAPAN) LTD	2,231.97	327,915.00	0.01
UBS WARBURG AUSTRALIA EQUITIES	44.69	3,930.00	0.01
UBS WARBURG LLC	13,124.31	374,907.00	0.04
UFJ INTERNATIONAL PLC	13,705.55	647,200.00	0.02
UNIBANCO-UNIAO DE BANCOS BRASIL	609.21	95,169.00	0.01
UNITED FINANCIAL GROUP	3,914.99	135,300.00	0.03
UOB KAY HIAN (HONG KONG) LTD	6,052.82	5,558,643.00	0.00
UOB KAY HIAN PRIVATE LIMITED	15,662.28	5,361,711.00	0.00
UOB KAY HIAN SECURITIES (PHILS.	857.05	1,923,800.00	0.00
USCC/SANTANDER	5,213.20	130,330.00	0.04
UTENDAHL CAPITAL PARTNERS LP	90.50	1,810.00	0.05
VANDHAM SECURITIES CORP	9,737.35	210,577.00	0.05
WACHOVIA SECURITIES, LLC	13,017.82	36,241,429.12	0.00
WACHOVIACAPITAL MARKETS, LLC	10,585.33	10,030,485.00	0.00
WARBURG DILLION READ (ASIA) LTD	208,324.47	38,689,926.00	0.01
WARBURG DILLON READ SECURITIES LTD	4,093.79	59,790.00	0.07
WAVE SECURITIES	3,242.01	359,939.00	0.01
WAVE SECURITIES LLC	7,984.76	837,395.00	0.01
WEDBUSH MORGAN SECURITIES INC	7,477.32	166,997.00	0.04
WEEDEN + CO.	261,765.53	8,150,655.00	0.03
WESTDEUTSCHE LANDESBANK GIROZENTRALE	1,033.30	19,540.00	0.05
WILLIAM BLAIR & COMPANY, L.L.C	8,384.23	193,585.00	0.04
WILLIAM SMITH SECURITIES	195.00	3,900.00	0.05
WILLIAMS CAPITAL GROUP LP (THE)	154,564.01	5,625,928.00	0.03
WILLIAMS DE BROE	18.10	2,000.00	0.01
WINDHAM FINANCIAL SERVICES, INC.	425.00	8,500.00	0.05
WOORI INVESTMENT SECURITIES	7,921.88	159,800.00	0.05
WOORI SECURITIES	2.45	600.00	0.00
WR HAMBRECHT + CO	9,230.94	230,559.00	0.04
ZANNEX SECURITIES	10,358.88	622,764.00	0.02
ZIONS DIRECT, INC.	55.20	920.00	0.06
Total	**$12,667,475.04**		

GLOSSARY OF INVESTMENT TERMS

Agency Securities – Securities, usually bonds, issued by U.S. Government agencies. These securities have high credit ratings but are not backed by the full faith and credit of the U.S. Government.

Alpha - A coefficient which measures risk-adjusted performance, factoring in the risk due to the specific security, rather than the overall market. A high value for alpha implies that the stock or mutual fund has performed better than would have been expected given its beta (volatility).

Asset - Anything owned that has economic value; any interest in property, tangible or intangible, that can be used for payment of debts.

Asset Backed Security- Bonds or notes 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%. For example, a yield that changed from 8.75% to 9.50% has 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 quantitative measure of the volatility of a given stock, mutual fund or portfolio relative to the overall market.

Book Value (BV) - The value of individual assets, calculated as actual cost minus accumulated 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 3 months to six years.

Citigroup Broad Investment-Grade Bond Index (CBIG) - 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.

Citigroup World Government Bond Index Non-U.S. (CWGBI) - An unhedged index measuring government issues of 12 major industrialized countries.

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 – Assets pledged by a borrower to secure a loan or other credit, and subject to seizure in the event of default.

Collateralized Mortgage Obligation (CMO) – A mortgage-backed, investment-grade bond that separates mortgage pools into different maturity classes. CMO payment obligations are backed by mortgage-backed securities with a fixed maturity.

Commercial Paper - Short-term obligations with maturities ranging from 2 to 270 days. An unsecured obligation issued by a corporation or bank to finance its short-term credit needs.

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 the cost of a fixed basket of products and services as determined by a monthly survey of the U.S. Bureau of Labor Statistics. Components of the CPI include housing costs, food, transportation, and electricity.

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.

Derivative - Derivatives are generally defined as contracts whose value depend on, or derived 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.

GLOSSARY OF INVESTMENT TERMS (Continued)

Diversification – A portfolio strategy designed to reduce exposure to 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).

Equity - The ownership interest possessed by shareholders in a corporation in the form of common stock or preferred stock.

ERISA (Employee Retirement Income Security Act) - The 1974 federal law which established legal guidelines for private pension plan administration and investment practices.

Expense Ratio – Operating costs (including management fees) expressed as a percentage of the fund's average net assets for a given time period.

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 that banks charge each other for the use of Federal Funds. This rate changes daily and is a sensitive indicator of general interest rate trends.

Federal Reserve Board – The 7- member Board of Governors that oversees Federal Reserve Banks, establishes monetary policy and monitors the economic health of 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 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 risk of adverse price movements in a security, by taking an offsetting position in a related security, such as an option or short sale.

Index - A benchmark used in executing investment strategy which is viewed as an independent representation of market performance. Example: S&P 500 index.

Index Fund – A passively managed fund that tries to mirror the performance of a specific index, such as the S&P 500.

Inflation – The overall general upward price movement of goods and services in an economy, usually as measured by the Consumer Price Index and the Producer Price Index.

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 $200 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. An obligation that legally binds an individual or company to settle a debt.

Leverage - The use of borrowed funds to increase purchasing power and, ideally, to increase profitability of an investment transaction or business.

Macaulay Duration - The weighted-average term to maturity of a bond's cash flows. The weighting is based on the present value of each cash flow divided by price.

GLOSSARY OF INVESTMENT TERMS (Continued)

Market Value – A security's last reported sale price or its current bid and ask prices. The price as determined dynamically by buyers and sellers in an open market.

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 – Debt that incorporates equity –based options, such as warrants, with a lower – priority debt.

MFR Index (iMoneyNet's First Tier Institutional-only Rated Money Fund Report Averages™ Index) - 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 measure of the price sensitivity of a bond to interest rate movements. 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 rating agency.

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 21 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 (including any valuation gains or losses on investments or currencies) minus total liabilities divided by shares outstanding.

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 - The standard deviation of the Fund divided by 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") – A contract in which the seller of securities, such as Treasury Bills, agrees to buy them back at a specified time and price. Repos are widely used as a money market instrument.

Reverse Repurchase Agreements ("Reverse Repos") - A purchase of securities with an agreement to resell them at a higher price at a specific future date.

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.

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's capitalization.

GLOSSARY OF INVESTMENT TERMS (Continued)

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 brokerage.

S&P 500 (Standard & Poor’s) – A basket of 500 stocks considered to be widely held. The performance of this index is thought to be representative of the stock market as a whole. The index selects its constituents based upon their market size, liquidity and sector. S&P 500 stocks are considered to be the leading large (to mid) cap corporations in a given sector.

S&P Credit Ratings Service - A financial services rating agency.

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 - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Bond Finance Type	Outstanding June 30, 2005	FY 2006 Issued	FY 2006 Retired	Refunded or Defeased	Outstanding June 30, 2006	FY 2006 Interest Paid
General Obligation - Tax Supported (1)	$ 8,644,138,889	$1,035,000,000	$ 717,522,418		$ 8,961,616,472	$ 480,070,313
General Obligation - Revenue Supported	6,371,124		1,745,000	$ 10,000	4,616,124	338,085
General Obligation - Transportation	2,466,576		530,000		1,936,576	98,439
Economic Recovery Notes (2)	209,560,000		63,470,000		146,090,000	5,708,134
Special Tax Obligation	3,101,517,825	250,000,000	270,420,000		3,081,097,825	144,520,594
Bradley International Airport	236,515,000		10,140,000		226,375,000	11,359,044
Clean Water Fund	571,540,000		36,225,000		535,315,000	23,979,317
UCONN 2000 (3)	767,767,147	138,165,000	53,610,000	61,675,000	790,647,147	32,252,047
CDA Increment Financing (4)	28,670,000		1,800,000		26,870,000	1,238,249
CDA Governmental Lease Revenue (5)	5,660,000		485,000		5,175,000	370,240
CHEFA Childcare Facilities Program (6)	37,420,000		845,000		36,575,000	2,006,120
Bradley International Parking Operations (7)	51,915,000		2,040,000		49,875,000	3,350,080
Juvenile Training School (8)	18,110,000		375,000		17,735,000	863,484
Special Obligation Rate Reduction Bonds (9)	179,765,000		26,605,000		153,160,000	8,286,800
CCEDA Bonds (10)	72,500,000	15,000,000	700,000		86,800,000	3,464,736
TOTAL	**$13,933,916,561**	**$1,438,165,000**	**$1,186,512,418**	**$ 61,685,000**	**$ 14,123,884,143**	**$ 717,905,682**

(1) Debt outstanding at June 30, 2006 includes $20,700,000 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 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. All maturities of the ERN's will be retired during FY07 from surplus funds.

(3) UCONN 2000 Bonds were authorized in two stages in a total amount of $2.3 Billion over a 20 year period to be paid by the University of Connecticut from a State Debt Service commitment. 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) On July 1, 1999, the Treasurer's Office assumed the responsibility for the CHEFA Childcare debt service appropriation per Public Act 97-259.

(7) Includes Bradley International Airport Special Obligation Parking Revenue Bonds, 2000 Series A $47,665,000 and 2000 Series B $4,250,000.

(8) A lease purchase financing of the heating and cooling plant at the Juvenile Training School in Middletown.

(9) 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.

(10) The Capital City Economic Development Authority (CCEDA) Bonds were issued to provide funding for the Adriaen's Landing development project in Hartford. The bonds, issued in a combination of fixed and variable rate securities, have a final maturity of 2034. The State is required to make all debt service payments on the bonds up to a maximum annual amount of $6.75 million pursuant to a contract assistance agreement between CCEDA, the Treasurer, and OPM. CCEDA is required to reimburse the State for the debt service payments from net parking and central utility plant revenues. A portion of the Interest payments for fiscal year 2006 were paid from Capitalized Interest funds held with Trustee.

(11) Includes interest rate swap payments and variable rate bond fees.

Note 1: In accordance with Section 3-115 of the General Statutes, the State Comptroller shall provide accounting statements relating to the financial condition of the State as a whole in the same form and in the same categories as appear in the budget enacted by the General Assembly. The Budget Act enacted for the 2006 fiscal year is presented on a comprehensive basis of accounting other than gererally accepted accounting principles. In order to be consistent with the Comptroller's statements and the budgetary act, the State Treasurer has employed the same comprehensive basis of accounting for the presentation of this schedule.

Note 2: GAAP accounting requires that Long-Term debt obligations be segregated into the portion payable within the next fiscal year (the current portion) and the remaining portion that is not due until after the next fiscal year. This manner of presentation is not used for the budgetary basis presentation.

For a detailed listing of debt oustanding for the fiscal year ended June 30, 2006, please see Statutory Appendix.

DEBT MANAGEMENT DIVISION

RETIREMENT SCHEDULE OF IN-SUBSTANCE DEFEASED DEBT OUTSTANDING [(1)] - BUDGETARY BASIS

JUNE 30, 2006

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				
11/05/1999	$ 3,536,985	06/01/2013	$ 6,202,500	U.S. Treasury Notes
12/29/1999	-	03/15/2006	-	
06/28/2001	65,150,000	11/01/2006	65,740,599	State and Local Government Series Bonds
11/20/2001	202,710,000	06/15/2010	213,399,813	State and Local Government Series Bonds
06/25/2002	77,105,000	06/15/2010	80,161,387	U.S. Treasury Notes
09/05/2002	229,185,000	12/15/2010	231,769,143	State and Local Government Series Bonds/ FNMA
04/08/2004	989,860,000	11/15/2012	984,937,952	U.S. Treasury Notes/FHLMC/FNMA/Fed Home Loan Bks/Resolution Funding Strips
10/05/2004	8,565,000	05/01/2007	8,863,569	Fixed Income Government Issues
04/27/2005	339,590,000	11/15/2012	356,431,507	State and Local Government Series Bonds
06/28/2006	10,000	08/15/2006	10,728	STIF/Cash
SUBTOTAL	**$ 1,915,711,985**		**$ 1,947,517,198**	
BOND TYPE: SPECIAL TRANSPORTATION FUND				
12/22/1999	$ 40,990,000	06/01/2008	$ 42,688,846	U.S. Treasury Bonds/Strips
09/15/2001	78,385,000	11/01/2007	80,498,427	State and Local Government Series Bonds
01/23/2003	366,055,000	10/01/2011	387,275,296	State and Local Government Series Bonds
12/02/2004	90,730,000	12/01/2012	93,354,306	US Treasury Notes and Strips; RefCorps
SUBTOTAL	**$ 576,160,000**		**$ 603,816,875**	
BOND TYPE: CLEAN WATER FUND				
07/01/2003	$ 202,695,000	10/01/2011	$ 205,530,938	U.S. Treasury Notes/Bonds
SUBTOTAL	**$ 202,695,000**		**$ 205,530,938**	
BOND TYPE: UCONN 2000				
01/29/2004	$ 191,650,000	04/01/2012	$ 202,529,420	State and Local Government Series Bonds
03/15/2006	61,675,000	04/01/2012	63,979,651	U.S. Treasury Notes
SUBTOTAL	**$ 253,325,000**		**$ 266,509,071**	
BOND TYPE: SECOND INJURY FUND				
06/20/2002	$ 28,465,000	01/01/2011	$ 29,020,809	State and Local Government Series Bonds
06/25/2003	18,385,000	01/01/2011	20,364,222	State and Local Government Series Bonds
06/25/2004	8,290,000	01/01/2011	8,671,084	State and Local Government Series Bonds
06/24/2005	38,230,000	01/01/2011	39,355,987	State and Local Government Series Bonds
SUBTOTAL	**$ 93,370,000**		**$ 97,412,102**	
TOTAL	**$ 3,041,261,985**		**$ 3,120,786,184**	

(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.

Note 1: In accordance with Section 3-115 of the General Statutes, the State Comptroller shall provide accounting statements relating to the financial condition of the State as a whole in the same form and in the same categories as appear in the budget enacted by the General Assembly. The Budget Act enacted for the 2006 fiscal year is presented on a comprehensive basis of accounting other than gererally accepted accounting principles. In order to be consistent with the Comptroller's statements and the budgetary act, the State Treasurer has employed the same comprehensive basis of accounting for the presentation of this schedule.

Note 2: GAAP accounting requires that Long-Term debt obligations be segregated into the portion payable within the next fiscal year (the current portion) and the remaining portion that is not due until after the next fiscal year. This manner of presentation is not used for the budgetary basis presentation.

DEBT MANAGEMENT DIVISION

SCHEDULE OF EXPENSES IN EXCESS OF $5,000 (1)

FISCAL YEAR ENDED JUNE 30, 2006

Name of Firm	Description of Services	Aggregate Compensation Paid in FY 2006	Status as of 06/30/06
A. C. Advisory, Inc.	Financial Advisor	$ 43,900	Active
Accuity (Bond Buyer/ Thomson/SourceMedia)	Advertising/Subscriptions	26,670	Active
Bank of America	Liquidity Fees	158,101	Active
Bank of New York	Administrative/Trustee/Auction Agent Fees	6,958	Active
Bayerische Landesbanke	Liquidity Fees	140,561	Active
Bear Stearns & Co, Inc.	Broker/Dealer/Management Fees	421,169	Active
Bloomberg	Subscription	21,115	Active
Carlin, Charron & Rosen, LLP	Auditor	59,650	Active
Day, Berry & Howard	Bond/Disclosure Counsel	967,621	Active
Dexia Public Finance Bank	Liquidity Fees	886,735	Active
Financial Guaranty Insurance Co.	Bond Insurance	203,868	N/A
Financial Security Assurance, Inc.	Bond Insurance	815,560	N/A
Finn Dixon & Herling LLP	Disclosure Counsel	26,229	Active
Fitch Ratings	Rating Agency	182,500	N/A
Goldman Sachs	Broker/Dealer/Remarketing Fees	45,557	Active
Hunton & Williams	Bond/Tax Counsel	486,813	Active
ImageMaster	Financial Printer	68,857	Active
IRS	Arbitrage Rebate Payments	2,857,273	N/A
JP Morgan Chase Securities	Administrative/Trustee/Remarketing/Management Fees	155,450	Active
Lamont Financial Services	Financial Advisor	160,240	Active
Landesbank Hessen-Thuringen	Liquidity Fees	120,119	Active
Law Offices of Joseph C Reid PA	Bond Counsel	21,744	Active
Lehman Brothers Inc.	Remarketing Fees	307,756	Active
Levy & Droney, P.C	Bond Counsel	144,868	Active
Lewis & Munday	Bond Counsel	163,360	Active
M.R. Beal & Co.	Management Fees	55,000	Active
MBIA Insurance Corp	Bond Insurance	678,700	N/A
Merrill Lynch & Co.	Remarketing Fees	179,507	Active
Moody's Investors Service	Rating Agency	230,471	N/A
Morgan Stanley & Co, Inc.	Broker/Dealer Fees	206,597	Active
Nixon Peabody LLP (AMTEC)	Arbitrage Calc/Bond Counsel/Verification Agent Fees	85,104	Active
Orrick, Herrington & Sutcliffe, LLP (BondLogistix)	Arbitrage Calculation Fees	65,500	Active
P.G. Corbin & Co.	Financial Advisor	201,792	Active
Public Resources Advisory Group	Financial Advisor	41,280	Active
Pullman & Comley, LLC	Bond/Tax Counsel	487,046	Active
Robinson & Cole	Bond/Tax Counsel	78,082	Active
Seward and Monde	Auditor	33,269	Active
Shipman & Goodwin, LLP	Bond Counsel	37,808	Active
Siebert Brandford Shank & Co.	Management Fees	75,000	Active
Soeder & Associates	Disclosure Counsel	22,185	Active
Squire, Sanders & Dempsey	Bond Counsel	212,263	Active
Standard & Poor's Rating Service	Rating Agency	208,950	N/A
U. S. Bank	Administrative/Trustee Fees	300,308	Active
Updike, Kelly & Spellacy	Bond Counsel	154,686	Active
Wachovia Bank	Administrative/Trustee/Management Fees	7,999	Active
WestLB Public Finance	Liquidity Fees	338,310	Active
Wilmington Trust Company	Auction Agent Fees	318,587	Active
Total		**$ 12,511,120**	

(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, 2006

Description	Total
INFLOWS	
Receipts:	
Deposits	21,311,521,917.38 (1)
Bad Checks	(9,313,371.58) (2)
Treasury Initiated Transfers	1,784,617,381.58 (3)
Total Receipts	23,086,825,927.38
Transfers:	
Income/Cash Transfers	1,699,820,481.57 (4)
Investments - Sells	9,121,929,203.37 (5)
Total Transfers	10,821,749,684.94
Other Inflows:	
Internal Bank Transfers	26,710,371,174.60 (6)
Interbank Transfers	13,804,299,616.29 (7)
Total Other Inflows	40,514,670,790.89
TOTAL INFLOWS	74,423,246,403.21
OUTFLOWS	
Disbursements:	
Vendor	19,340,589,156.56 (8)
Payroll	3,347,616,825.40 (9)
Total Disbursements	22,688,205,981.96
Transfers:	
CD Purchases	12,500,000.00 (10)
Income/Cash Transfers	1,327,553,818.39 (4)
Investments - Buys	9,920,723,404.20 (5)
Total Transfers	11,260,777,222.59
Other Outflows:	
Internal Bank Transfers	26,710,371,174.60 (6)
Interbank Transfers	13,804,299,616.29 (7)
Total Other Outflows	40,514,670,790.89
TOTAL OUTFLOWS	74,463,653,995.44

(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, and transfers of cash from one fund to the other.
(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.
(10) CD Purchases - Certificates of Deposit purchased with Connecticut banks under the Treasurer’s Community Bank and Credit Union Initiative.

CASH MANAGEMENT DIVISION

CIVIL LIST FUNDS

SUMMARY SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS [1]
FISCAL YEAR ENDED JUNE 30, 2006
PRESENTED UNDER BUDGETARY BASIS OF ACCOUNTING [3] [4]

Fund Name	Adjusted Cash Balance July 1, 2005 [2]	FY 2006 Receipts [2]	FY 2006 Disbursements	Transfers	Other Net Adjustments [3]	Adjusted Cash Balance June 30, 2006
TOTAL FUNDS	$(242,123,239.82)	$23,086,825,927.38	$22,688,205,981.96	$(439,027,537.65)	$129,855,095.56	$(152,675,736.49)

(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 held in agency checking accounts.
- Petty cash balance.

(3) In accordance with Section 3-115 of the General Statutes, the State Comptroller shall provide accounting statements relating to the financial condition of the State as a whole in the same form and in the same categories as appears in the Budget Act enacted by the General Assembly. The Budget Act enacted for the 2006 fiscal year is presented on a comprehensive basis of accounting other than general accepted accounting principals. In order to be consistent with the Comptroller's statements and the Budgetary Act, the State Treasurer has employed the same comprehensive basis of accounting for the presentation of the Civil List Funds Schedule of Investments.

(4) GAAP accounting requires that investment balances be presented to include the accrued interest earned. This manner of presentation is not used for the budgetary basis presentation.

CASH MANAGEMENT DIVISION

CIVIL LIST FUNDS
SUMMARY SCHEDULE OF CASH AND INVESTMENTS (1) (2)
FISCAL YEAR ENDED JUNE 30, 2006
PRESENTED UNDER BUDGETARY BASIS OF ACCOUNTING (3) (4)

Description	Total All Funds
General Investments	
Cash	$ (152,675,736.49)
STIF	3,034,624,773.61
TEPF	57,611,290.70
Investments with Treasurer as Trustee	
Short-Term	376,333,451.98
Long-Term	22,529,397,323.14
Investments with Others as Trustee	
Short-Term	898,993,137.35
Long-Term	710,455,531.83
Total	**$ 27,454,739,772.12**
Reconcilation Between Treasurer & Comptroller (5)	
Office of the Comptroller	
Cash and STIF June 30, 2006 (Annual Statutory Report)	$ 2,964,525,267.59
STIF classified as Long Term Investments Fund #14005	172,277,181.55
Cash and invest with Trustee Fund #21009	95,601,518.16
Cash and invest with Trustee Fund #21015	59,564,493.92
Cash and invest with Trustee Fund #21018	15,997,683.57
Cash and invest with Trustee Fund #21020	7,927,635.01
Total	**$ 3,315,893,779.80**
Office of the Treasurer	
Cash	$ (152,675,736.49)
STIF	3,034,624,773.61
TEPF	57,611,290.70
STIF/Investment with Treasurer as Trustee	376,333,451.98
Total	**$ 3,315,893,779.80**

(1) For a detailed listing of the Civil List Investments for the Fiscal Year Ending June 30, 2006, please see Statutory Appendix.

(2) GAAP accounting requires that investment balances be presented to include the accrued interest earnings. This manner of presentation is not used for the budgetary basis presentation.

(3) In accordance with Section 3-115 of the General Statutes, the State Comptroller shall provide accounting statements relating to the financial condition of the State as a whole in the same form and in the same categories as appears in the budget act enacted by the General Assembly. The Budget Act enacted for the 2006 fiscal year is presented on a comprehensive basis of accounting other than general accepted accounting principals. In order to be consistent with the Comptroller's statements and the budgetary act, the State Treasurer has employed the same comprehensive basis of accounting for the presentation of the Summary Schedule of Cash and Investments.

(4) GAAP accounting requires that investment balances be presented to include the accrued investment earnings. This manner of presentation is not used for the budgetary basis presentation.

(5) 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, 2006

Fund	Participant	Department	SID	Interest Earned During the Year
12004	**Insurance Fund**			
	INSURANCE FUND	DOI37500		$265,643.84
Total				265,643.84
12007	**Workers Compensation**			
	ADMINISTRATION FUND	WCC42000		792,252.15
Total				792,252.15
12014	**Criminal Injuries Compensation Fund**			
	VICTIM SERVICES	JUD95000		198,652.67
Total				198,652.67
12015	**Vending Facilities Operators Fringe Benefits**			
	VENDING FACILITY PROGRAM - FEDERAL INCOME	ESB65000		4,419.88
Total				4,419.88
12017	**University of Connecticut Operating Fund**			
	OPERATING FUND	UOC67000		6,966,118.53
Total				6,966,118.53
12018	**University Health Center Operating Fund**			
	OPERATING FUND	UHC72000		209,022.23
	STUDENT SCHOLARSHIPS AND LOANS	UHC72000	40014	21,054.98
Total				230,077.21
12019	**State University Operating Fund**			
	STATE UNIVERSITIES	CSU83000		5,977,202.03
	CENTRAL CONNECTICUT STATE UNIVERSITY	CSU83500		159,958.70
Total				6,137,160.73
12020	**Regional Community/Technical Colleges Operating Fund (Tuition Account)**			
	BOARD FOR REGIONAL COMM-TECH COLLEGE	CCC78000		3,115,446.37
Total				3,115,446.37
12022	**University of Connecticut Research Foundation**			
	RESEARCH	UOC67000		662,402.56
Total				662,402.56
12026	**Environmental Quality Fund**			
	MUNICIPAL SOLID WASTE RECYCLING	DEP43000	40200	-43.82
Total				-43.82
12027	**Conservation Fund**			
	MIGRATORY BIRD CONSERVATION	DEP43000	40206	13,260.09
Total				13,260.09
12031	**Employment Security - Administration**			
	PENALTY & INTEREST	DOL40000	40213	362,116.49
	TITLE XII EXCESS FUNDS	DOL40000	40214	68,867.60
Total				430,984.08
12037	**Tobacco Settlement Fund**			
	TOBACCO SETTLEMENT FUND	OPM20000	0	344,632.73
Total				344,632.73
12060	**GENERAL FUND**			
	RESEARCH IN PLANT SCIENCE	AES48000	30099	13,786.27
	ADMINISTRATION OF GRANTS	AES48000	30116	7,489.27
	BOARD FOR STATE ACADEMIC AWARD	BAA77000	35186	81,540.21
	CT DISTANCE LEARNING CONSORTIUM	BAA77000	35289	36,177.47

CIVIL LIST FUNDS
INTEREST CREDIT PROGRAM [1] (Continued)
FISCAL YEAR ENDED JUNE 30, 2006

Fund	Participant	Agency	SID	Interest Earned During the Year
	BOARD OF PAROLE'S ASSET FORFEITURE ACCOUNT	BOP90100	20127	181.56
	OFFICE OF TOURISM	CAT45200	30207	2,083.94
	CONN STATE LIBRARY ACCOUNT	CSL66000	30082	4,217.07
	CT LIBRARY & MUSEUM FUND	CSL66000	30093	88,735.84
	HISTORIC DOCUMENTS PRESERVATION ACCOUNT	CSL66000	35150	126,860.07
	CHILDREN'S TRUST FUND	CTF94000	30219	20,113.32
	RICHARD A. FORESTER MEMORIAL FUND	DCF91000	30084	486.81
	WEISSMAN TEACHER SCHOLARSHIP FUND	DHE66500	30405	1,628.10
	PRIVATE OCCUPATIONAL STUDENT PROTECTION FUND	DHE66500	35135	113,227.75
	CONNECTICUT FUTURES ACCOUNT	DHE66500	35151	107,222.84
	CORRECTIONAL MEMORIAL FUND	DOC88000	30015	1,132.56
	CORRECTION GENERAL WELFARE FUND	DOC88000	35137	152,497.90
	COOPERATIVE/COMMUNITY POLICING PROGRAM	DPS32000	20270	1,340.43
	FEDERAL ASSET FORFEITURE	DPS32000	20493	28,118.20
	ENHANCED 911 TELECOMMUNICATIONS FUND	DPS32000	35190	461,865.14
	BRAIN INJURY PREVENTION AND SERVICE ACCOUNT	DSS60000	35308	9,083.52
	JOB INCENTIVE ACCOUNT	ECD46000	35146	18.09
	MRD ESCROW ACCT.	ECD46000	35170	1,729.74
	MRS ESCROW ACCT.	ECD46000	35173	339.38
	CITIZEN ELECTION FUND	ELE13500	35333	262,077.28
	LIONS CLUBS WORKSHOP FUND	ESB65000	30013	0.00
	FAUCHTSWANGER FUND	ESB65000	30030	317.88
	FRAUENHOFER FUND	ESB65000	30042	766.52
	MISCELLANEOUS GRANTS	ESB65000	30070	2,350.11
	SARA BROWN FUND	ESB65000	30092	10,855.91
	CHARLES PRECOURT MEMORIAL FUND	ESB65000	30104	152.44
	ANN COROTEAU MEMORIAL FUND	ESB65000	30113	311.99
	VENDING FACILITIES PROGRAM-STATE AND LOCAL INCOME	ESB65000	35149	110,188.40
	LAW LIBRARY-DONATED COPIER RECEIPTS	JUD95000	30238	9,353.04
	DERBY COURTHOUSE MAINTENANCE RESERVE	JUD95000	35188	62,063.52
	MERIDEN COURTHOUSE MAINTENANCE RESERVE	JUD95000	35195	65,241.24
	CRIMINAL VIOLENCE VICTIMS ESCROW ACCT.	JUD95000	35203	49.56
	CLIENT SECURITY FUND	JUD95000	35205	328,586.50
	DMHAS-COMMUNITY MENTAL HEALTH STRATEGIC INVESTMENT	MHA53000	35160	41,163.07
	DMHAS-COMMISSIONER'S OFFICE PRE-TRIAL ACCOUNT	MHA53000	35166	208,420.76
	DRUG ASSET FORFEITURE PROGRAM	MIL36000	35112	3,773.24
	SETTLEMENT AGREEMENT	OAG29000	35250	0.00
	FY 2002 JUV ACCOUNTABILITY INCENTIVE BLOCK GRANT	OPM20000	20140	289.33
	LOCAL LAW ENFORCEMENT BLOCK GRANT PROGRAM	OPM20000	20206	8.52
	LOCAL LAW ENFORCEMENT BLOCK GRANTS PROGRAM	OPM20000	20213	-9.24
	JUVENILE ACCOUNTABILITY INCENTIVE BLOCK GRANT PROG	OPM20000	20387	8.46
	WARNER OIL SETTLEMENT	OPM20000	20468	3.69
	EXXON OVERCHARGE	OPM20000	20488	5,874.76
	DIAMOND SHAMROCK OVERCHARGE	OPM20000	20490	1,782.07
	STRIPPER WELL OVERCHARGE	OPM20000	20492	85,044.19
	2002 LOCAL LAW ENFORCEMENT BLOCK GRANT	OPM20000	21468	56.58
	JUVENILE ACCOUNTABLIITY INCENTIVE BLOCK	OPM20000	21672	100,217.12
	LOCAL LAW ENFORCEMENT BLOCK GRANT	OPM20000	21689	9,133.65
	JUSTICE ASSISTANCE GRANT	OPM20000	21921	100,886.73
	LOCAL EMERGENCY RELIEF ACCT.	OPM20000	35122	396.54
	INVESTMENT FUND	OTT14000	35101	347,105.16
	SECOND INJURY	OTT14000	35105	54,687.24
	SECOND INJURY STIPULATION & REIMBURSEMENT	OTT14000	35111	82,656.96
	WALLACE FOUNDATION GRANT	SDE64000	30256	7,722.43
	HELP AMERICA VOTE	SOS12500	21465	1,334,114.57
Total				4,495,525.68
21009	**Bradley International Airport Operations**			
	BRADLEY ENTERPRISE FUND	DOT57000		710,190.69
Total				710,190.69

CASH MANAGEMENT DIVISION

CIVIL LIST FUNDS
INTEREST CREDIT PROGRAM (1) (Continued)
FISCAL YEAR ENDED JUNE 30, 2006

Fund	Participant	Agency	SID	Interest Earned During the Year
22001	**Correction Industries**			
	CORRECTIONAL COMMISSARY FUND	DOC88000	42304	193,697.45
Total				193,697.45
31006	**Teacher's Retirement System**			
	TEACHER'S RETIREMENT BOARD OPERATING FUND	TRB77500		434,442.73
	TEACHER'S RETIREMENT BOARD	TRB77500	42358	483,632.28
Total				918,075.01
35001	**Connecticut Health Club Guaranty Fund**			
	HEALTH CLUB GUARANTEE FUND	DCP39500		15,524.22
Total				15,524.22
35002	**Real Estate Guaranty**			
	REAL ESTATE GUARANTEE FUND	DCP39500		22,155.61
Total				22,155.61
35003	**Home Improvement Guaranty Fund**			
	HOME IMPROVEMENT GUARANTEE FUND	DCP39500		25,391.19
Total				25,391.19
35006	**New Home Construction Guaranty Fund**			
	NEW HOME CONSTRUCTION GUARANTY	DCP39500		35,224.92
Total				35,224.92
35007	**Tobacco and Health Trust Fund**			
	TOBACCO HEALTH TRUST FUND	OPM20000		106,606.81
Total				106,606.81
35012	**Various Treasurer's Trust Funds**			
	IRWIN LEPOW TRUST FUND	CME49500	42354	1,383.78
	R. GRAEME SMITH	DPS32000	42353	257.67
	FITCH HOME FOR SOLDIERS	DVA21000	42352	513.61
	POSTHUMOUS FITCH	DVA21000	42356	1,018.99
	JOHN H. KING	JUD95000	42355	7,820.26
	WHITE FUND	JUD95000	42357	143.91
Total				11,138.23
Grand Total				**$25,694,536.83**

(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, 2006

Name of Firm	Description of Services	Contract Date	Aggregate Compensation Paid in FY 2006	Status As of 6/30/06
Fleet Bank	Banking Services	Various	$ 1,974,307 (2)	Active
Webster Bank	Banking Services	Jun-98	254,425 (2)	Active
People's Bank	Banking Services	Mar-97	188,714 (2)	Active
Wachovia Bank National Assn	Banking Services	Feb-97	58,149 (2)	Active
US Bank National Assn	Bond Trustee & Paying Agent	Jun-90	71,435 (2)	Active
State Street Bank & Trust	STIF Custodian Fees	Aug-99	81,500	Active
Standard & Poors	Subscription & Rating	N/A	33,000	Active
Bloomberg L P	Subscription	N/A	33,403	Active
Moodys Investors Services	Subscription & Research	N/A	26,081	Active
Fitch Information Inc.	Credit Research	N/A	10,000	Active
iMoney Net Inc.	Subscription	N/A	9,416	Active
UHY	AIMR Attestation Services	Sep-02	8,500	Active
TOTAL			**$ 2,748,929**	

(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, 2006

Name of Firm	Description of Services	Contract Date	Aggregate Compensation Paid in FY 2006	Status As of 6/30/06
ACS Unclaimed Property Clearing House	Securities Services & Claims Processing	Aug-06	$ 947,917	Active
ACS Unclaimed Property Clearing House	Identification & Collection of Property	Aug-94	3,442,796	Active
DataPrep Incorporated	Data Entry Services	N/A	22,272	Active
Horizon Staffing Services	Temporary Services	N/A	52,143	Active
JobPro Temporary Services, Inc.	Temporary Services	N/A	123,259	Terminated
Quality Office Systems	Photocopier Lease	N/A	7,863	Active
Suburban Stationers	Office Supplies	N/A	8,415	Terminated
Tracey J. Stangle	Equity Consulting Services	Oct-05	19,993	Terminated
W. Jeffrey Lee	Equity Consulting Services	Nov-05	19,776	Terminated
TOTAL			**$ 4,644,434**	

(1) Expenses are presented on a cash basis.

UNCLAIMED PROPERTY DIVISION

FIVE YEAR SELECTED FINANCIAL INFORMATION

	Fiscal Year Ended June 30,				
	2006	2005	2004	2003	2002
Receipts (Net of fees) [1] [4]	$ 84,735,321	$158,660,774	$104,424,187	$ 70,409,889	$ 34,362,362
Fees netted from proceeds	1,225,874	2,404,738	8,168,755	865,958	1,049,491
Gross Receipts	**85,961,195**	**161,065,512**	**112,592,942**	**71,275,847**	**35,411,853**
Claims paid	25,990,877	20,476,540	10,862,104	9,441,860	10,117,462
Administrative Expenses:					
Salaries & Fringe benefits	3,154,315	2,735,640	2,295,637	2,144,697	2,112,937
Data processing & hardware	3,237,913	909,520	1,020,881	767,708	640,557
All Other	266,173	436,189	236,078	125,207	286,749
Fees netted from proceeds[1]	1,225,874	2,404,738	8,168,755	865,958	1,049,491
Total Disbursements	**$ 33,875,152**	**$ 26,962,627**	**$ 22,583,455**	**$ 13,345,430**	**$ 14,207,196**
Excess of Receipts over Disbursements[2]	**52,086,043**	**134,102,885**	**90,009,487**	**57,930,417**	**21,204,657**
Approximate Market Value of Securities at Fiscal Year End:					
Stocks, bonds, other [3]	$ 56,899,213	$ 30,734,531	$ 93,320,395	$ 27,228,349	$ 49,405,062
Mutual funds [3]	1,901,472	12,949,888	10,951,926	7,340,330	11,363,341
Total Securities Inventory	**$ 58,800,685**	**$ 43,684,419**	**$104,272,321**	**$ 34,568,679**	**$ 60,768,403**
Securities liquidated	$ 0	$ 88,591,287	$ 0	$ 21,092,998	$ 172,928
Mutual Funds Liquidated	$ 13,617,580	$ 292,939	$ 1,413,120	$ 4,451,091	$ 0
Number of claims paid	22,732	11,985	11,938	13,368	12,665

(1) Fees include amounts for liquidation of securities, property recovered in out-of-state audits and appraisal and auction of safe deposit box contents. FY04 includes fees ($6,907,921) associated with the receipt of demutualization cash & securities.

(2) Excess of receipts over disbursements is remitted to the General Fund, however, amounts collected remain liabilities of the State until returned to rightful owners.

(3) The amounts disclosed above as “receipts” and “claims paid” represent actual cash flows and do not include the value of the marketable securities received by the Unclaimed Property Division , nor the value of the securities returned to owners. However, 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. Receipts net of fees, include the proceeds from securities and mutual funds liquidated in a given year.

(4) Per P.A. 05-5, October 25, 2005 special session, required Unclaimed Property Division to deposit $17 million into the Citizens’ Election Fund and the balance is deposited into the General Fund.

Summary of Gross Receipts
Fiscal Year Ended June 30, 2006

Financial institutions	$15,993,361
Other corporations	35,493,021
Insurance companies	11,474,413
Govern agency/ public authorities	7,336,064
Dividends on securities held	837,416
Estates	9,309
Securities tendered	350,722
Mutual funds liquidated	13,617,580
Interest penalty assessments	108,807
Sale of property lists, copying and other charges	1,000
Reciprocal exchange program with other states	734,910
Refunds	4,592
Total Gross Receipts	$85,961,195

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,

	2006	%	2005	%	2004	%	2003	%	2002	%
GENERAL FUND										
Personal Services	$3,485,301	4.10%	$ 3,089,871	4.30%	$2,923,590	4.42%	$2,779,972	3.90%	$2,869,876	3.72%
Other Expenses	285,532	0.34%	314,630	0.44%	340,235	0.51%	286,417	0.40%	330,875	0.43%
Capital Equipment	100	0.00%	100	0.00%	100	0.00%	1,000	0.00%	1,000	0.00%
TOTAL	**$3,770,933**	**4.44%**	**$3,404,601**	**4.74%**	**$3,263,925**	**4.94%**	**$3,067,389**	**4.30%**	**$3,201,751**	**4.15%**
PENSION FUNDS										
Personal Services	$3,088,226	3.63%	$2,695,010	3.75%	$2,288,348	3.46%	$2,172,561	3.05%	$1,563,812	2.03%
Other Expenses	62,116,512	73.11%	52,559,960	73.18%	48,530,271	73.42%	53,752,772	75.40%	58,941,558	76.49%
Capital Equipment	5,756	0.01%	7,369	0.01%	2,237	0.00%	2,736	0.00%	6,132	0.01%
TOTAL	**$65,210,494**	**76.75%**	**$55,262,339**	**76.94%**	**$50,820,856**	**76.89%**	**$55,928,069**	**78.45%**	**$60,511,502**	**78.53%**
SECOND INJURY FUND										
Personal Services	$6,690,597	7.87%	$6,736,792	9.38%	$6,472,773	9.79%	$6,435,233	9.03%	$6,474,238	8.40%
Other Expenses	760,058	0.89%	730,468	1.02%	659,369	1.00%	816,008	1.14%	1,473,097	1.92%
Capital Equipment	4,881	0.01%	1,013	0.00%	3,006	0.00%	22,312	0.03%	34,059	0.04%
TOTAL	**$7,455,536**	**8.78%**	**$7,468,273**	**10.40%**	**$7,135,148**	**10.79%**	**$7,273,553**	**10.20%**	**$7,981,394**	**10.36%**
UNCLAIMED PROPERTY FUND										
Personal Services	$3,154,315	3.71%	$2,734,640	3.81%	$2,295,637	3.47%	$2,144,697	3.01%	$2,112,937	2.74%
Other Expenses	3,502,759	4.12%	1,339,188	1.86%	1,255,292	1.90%	885,567	1.24%	922,617	1.20%
Capital Equipment	1,328	0.00%	7,521	0.01%	1,667	0.00%	7,348	0.01%	4,689	0.01%
TOTAL	**$6,658,402**	**7.84%**	**$4,081,349**	**5.68%**	**$3,552,596**	**5.37%**	**$3,037,612**	**4.26%**	**$3,040,243**	**3.95%**
SHORT-TERM INVESTMENT FUND										
Personal Services	$1,094,906	1.29%	$873,497	1.22%	$810,196	1.23%	$739,208	1.04%	$688,926	0.89%
Other Expenses	236,446	0.28%	207,730	0.29%	201,011	0.30%	168,490	0.24%	194,809	0.25%
Capital Equipment	349	0.00%	1,643	0.00%	337	0.00%	912	0.00%	2,066	0.00%
TOTAL	**$1,331,701**	**1.57%**	**$1,082,870**	**1.51%**	**$1,011,544**	**1.53%**	**$908,610**	**1.27%**	**$885,801**	**1.14%**
Other Financing Sources (1)	**$533,321**	**0.63%**	**$526,732**	**0.73%**	**$313,399**	**0.47%**	**$1,078,353**	**1.51%**	**$1,437,947**	**1.87%**
TOTAL AGENCY	**$84,960,387**	**100.00%**	**$71,826,164**	**100.00%**	**$66,097,468**	**100.00%**	**$71,293,586**	**100.00%**	**$77,058,638**	**100.00%**

(1) Other Financing Sources include: 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, 2006

Name of Firm	Description of Services	Contract Date	Aggregate Compensation Paid in FY 2006	Status As of 6/30/06
Advanced Corporate Networking	Computer Hardware	N/A	$ 7,443	Active
BankOne NA	Purchasing Card Expenditures	N/A	5,818	Active
Bloomberg	Subscription	N/A	20,295	Active
CRA RogersCasey Inc.	CHET Consulting Services	Jan-01	22,500	Active
Investor Responsibility Researcy Center	Subscription	N/A	5,486	Actve
Investor Responsibility Support Services	Asset Recovery Services	Dec-02	25,000	Actve
Institutional Shareholders Services	Proxy Voting Services	Nov-99	27,176	Actve
Interfaith Center on Corporate Responsibility	Subscription	N/A	7,000	Actve
Jobpro Temporary Services, Inc.	Temporary Services	N/A	6,807	Active
National Association of State Treasurers	Membership Dues	N/A	9,000	Actve
Quality Office Systems	Photocopier Lease	N/A	12,920	Active
Suburban Stationers Inc.	Office Supplies	Jul-04	10,035	Active
West Group	Subscription	N/A	18,405	Active
TOTAL			$177,885	

(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, 2006

Name of Firm	Description of Services	Contract Date	Aggregate Compensation Paid in FY 2006	Status As of 6/30/06
Accuity	Advertising	N/A	$ 14,991	Active
Automatic Data Processing	Check Processing	01-May-01	10,221	Terminated
Concentra Managed Care	Provider Bill Audit Services	01-Aug-01	197,644	Active
Concentra Managed Care	IME/Case Mgmt./Job Placement	01-Jan-01	17,139	Terminated
Corvel Corporation	IME/Case Mgmt./Job Placement	01-Jan-01	16,496	Active
IntraCorp	IME/Case Mgmt./Job Placement	01-Jan-01	9,435	Terminated
Iron Mountain Data Protection	Records Management Services	N/A	10,131	Active
Joseph Merritt & Company	Imaging Services	N/A	152,986	Terminated
MCMC, LLC	IME/Case Mgmt./Job Placement	01-Jan-06	7,245	Active
Nixon Peabody LLP	Bond Counsel	01-Nov-02	27,810	Active
PayChex, Inc.	Check Processing	01-Nov-05	8,156	Terminated
Public Resources Advisory Group, Inc.	Financial Advisory Services	01-Aug-02	12,645	Active
Quality Office Systems	Photocopier Lease	N/A	12,829	Active
Security Services of Connecticut	Surveillance Services	01-Jan-01	28,307	Active
Suburban Stationers	Office Supplies	N/A	10,598	Active
TOTAL			**$ 536,633**	

(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

DEBT MANAGEMENT DIVISION

SCHEDULE OF DEBT OUTSTANDING [1] - BUDGETARY BASIS

JUNE 30, 2006

Issue Date	Outstanding June 30, 2005	FY 2006 Issued	FY 2006 Retired	Refunded or Defeased	Outstanding June 30, 2006	Low Rate (%)	High Rate (%)	Next Maturity Date	Last Maturity Date	Interest Accreted Through FY 2006 [2]	Interest Paid During FY 2006 [13]
BOND TYPE: GENERAL OBLIGATION - TAX SUPPORTED											
12/22/88	$ 25,216,373	$ -	$ 5,179,390	$ -	$ 20,036,982	7.513	7.525	12/01/06	12/01/08	$52,974,707	$12,799,610
05/11/89	36,164,490	-	7,892,108	-	28,272,382	7.398	7.409	07/01/06	07/01/08	69,959,014	17,666,892
11/14/89	33,047,515	-	3,868,232	-	29,179,284	6.999	7.017	11/01/06	11/01/09	62,508,559	7,716,768
05/15/90	26,300,696	-	3,064,916	-	23,235,780	7.275	7.318	05/15/07	05/15/10	50,633,393	6,499,084
11/20/90	22,116,625	-	5,152,836	-	16,963,789	7.336	7.378	11/15/06	11/15/10	35,434,900	9,946,164
01/01/91	8,323,731	-	1,510,622	-	6,813,109	6.753	6.753	07/01/06	01/01/11	-	536,981
05/16/91	19,316,699	-	4,278,578	-	15,038,121	6.983	7.026	05/15/07	05/15/11	27,543,395	7,643,422
12/12/91	16,839,794	-	2,117,925	-	14,721,869	6.560	6.727	12/15/06	12/15/11	23,414,866	3,086,075
01/21/92	11,038,128	-	1,484,034	-	9,554,094	6.034	6.034	08/01/06	02/01/12	-	643,735
05/14/92	15,185,051	-	2,161,531	-	13,023,520	6.670	6.795	05/15/07	05/15/12	20,221,262	3,225,469
11/17/92	16,003,370	-	2,368,697	-	13,634,673	6.238	6.402	11/15/06	11/15/12	18,208,618	2,828,303
02/01/93	5,515,000	-	-	-	5,515,000	5.300	5.400	11/15/06	11/15/07	-	294,765
03/15/93	60,370,000	-	8,595,000	-	51,775,000	5.300	5.500	03/15/07	03/15/12	-	3,264,503
03/15/93	46,990,000	-	7,060,000	-	39,930,000	5.250	5.500	09/15/06	09/15/10	-	2,326,223
05/19/93	24,653,853	-	5,307,339	-	19,346,514	5.785	5.953	06/15/07	06/15/12	22,108,135	5,742,661
10/01/93	22,890,000	-	450,000	-	22,440,000	6.000	6.000	03/15/12	03/15/12	-	1,367,550
11/16/93	20,500,927	-	2,353,242	-	18,147,684	5.023	5.383	12/01/06	12/01/12	16,792,804	1,880,758
03/15/94	29,249,097	-	-	-	29,249,097	5.250	5.650	03/15/07	03/15/12	-	1,613,881
05/01/94	2,910,000	-	-	-	2,910,000	5.450	5.500	05/01/07	05/01/08	-	159,215
05/26/94	26,195,325	-	6,206,417	-	19,988,908	6.197	6.414	06/01/07	06/01/13	22,425,307	6,582,583
08/15/94	10,209,779	-	-	-	10,209,779	5.600	5.800	08/15/06	08/15/08	-	578,797
11/01/94	15,000	-	-	-	15,000	5.900	5.900	12/01/06	12/01/06	-	885
11/22/94	25,521,662	-	2,716,187	-	22,805,475	5.943	6.398	12/15/06	12/15/13	23,510,824	2,427,813
10/01/95	21,500,000	-	21,500,000	-				10/01/05		-	645,000
03/28/96	4,714,371	-	413,750	-	4,300,621	5.030	5.030	11/01/06	05/01/18	-	232,009
04/15/96	15,895,000	-	15,895,000	-					05/15/06	-	993,438
08/15/96	8,800,000	-	4,400,000	-	4,400,000	5.000	5.000	08/15/06	08/15/06	-	352,000
12/01/96	15,500,000	-	7,750,000	-	7,750,000	5.000	5.000	12/01/06	12/01/06	-	581,250
03/01/97	24,195,000	-	8,065,000	-	16,130,000	5.000	6.000	03/01/07	03/01/08	-	1,371,050
05/14/97	90,000,000	-	10,000,000	-	80,000,000	3.750	3.750	05/15/07	05/15/14	-	2,727,518
08/01/97	49,877,415	-	12,470,000	-	37,407,415	4.800	5.500	08/01/06	08/01/08	-	2,313,061
09/01/97	14,319,951	-	828,228	-	13,491,723	5.081	5.081	03/01/07	03/01/20	-	727,597
09/15/97	122,070,000	-	660,000	-	121,410,000	4.500	5.500	12/01/06	12/01/12	-	6,344,925
09/30/97	3,070,000	-	300,000	-	2,770,000	5.081	5.081	03/01/07	03/01/20	-	155,987
02/01/98	144,405,000	-	395,000	-	144,010,000	4.400	5.250	03/15/07	03/15/15	-	7,521,771
03/15/98	44,250,000	-	6,000,000	-	38,250,000	4.400	5.500	03/15/07	03/15/09	-	2,246,875
03/15/98	14,000,000	-	14,000,000	-					03/15/06	-	863,800
07/15/98	6,445,000	-	2,690,000	-	3,755,000	6.060	6.140	08/01/06	08/01/08	-	310,803
07/30/98	20,000,000	-	10,000,000	-	10,000,000	6.120	6.120	11/01/06	11/01/06	-	915,000
08/01/98	22,795,000	-	2,095,000	-	20,700,000	4.375	4.750	12/15/06	12/15/13	-	1,010,005
10/15/98	92,825,000	-	10,000,000	-	82,825,000	4.000	4.875	10/15/06	10/15/18	-	3,863,975

DEBT MANAGEMENT DIVISION

SCHEDULE OF DEBT OUTSTANDING (1) - BUDGETARY BASIS (Continued)

JUNE 30, 2006

		FY 2006									
Issue Date	Outstanding June 30, 2005	Issued	Retired	Refunded or Defeased	Outstanding June 30, 2006	Low Rate (%)	High Rate (%)	Next Maturity Date	Last Maturity Date	Interest Accreted Through FY 2006 (2)	Interest Paid During FY 2006 (13)
12/15/98	73,275,000	-	8,340,000	-	64,935,000	3.875	4.750	12/15/06	12/15/18	-	2,885,613
05/01/99	15,282,000	-	713,520	-	14,568,480	4.633	4.633	09/01/06	09/01/22	-	691,486
05/06/99	4,130,000	-	215,000	-	3,915,000	4.633	4.633	09/01/06	09/01/22	-	186,363
06/15/99	64,675,000	-	15,000,000	-	49,675,000	5.000	5.250	06/15/07	06/15/14	-	3,245,438
11/01/99	61,250,000	-	12,250,000	-	49,000,000	4.750	5.250	11/01/06	11/01/09	-	2,788,225
04/15/00	37,500,000	-	7,500,000	-	30,000,000	5.000	5.100	04/15/07	04/15/10	-	1,890,000
06/15/00	112,500,000	-	22,500,000	-	90,000,000	4.800	5.500	06/15/07	06/15/10	-	5,679,410
12/15/00	198,000,000	-	33,000,000	-	165,000,000	4.375	5.500	12/15/06	12/15/10	-	8,856,161
02/22/01	100,000,000	-	-	-	100,000,000	3.750	3.750	02/15/18	02/15/21	-	3,032,635
06/12/01	3,185,000	-	150,000	-	3,035,000	4.650	4.650	10/01/06	10/01/22	-	146,475
06/12/01	9,547,039	-	439,866	-	9,107,173	4.652	4.652	10/01/06	10/01/22	-	433,878
06/15/01	495,270,000	-	23,675,000	-	471,595,000	4.400	5.500	12/15/06	12/15/16	-	25,897,703
06/15/01	160,080,000	-	20,000,000	-	140,080,000	3.875	5.250	06/15/07	06/15/21	-	7,499,115
06/15/01	20,000,000	-	-	-	20,000,000	4.330	4.330	06/15/12	06/15/12	-	866,000
11/15/01	165,740,000	-	9,000,000	-	156,740,000	3.000	5.125	11/15/06	11/15/21	-	7,326,380
11/15/01	304,645,000	-	20,690,000	-	283,955,000	3.000	5.125	11/15/06	11/15/19	-	14,783,944
11/15/01	52,505,000	-	14,665,000	-	37,840,000	5.000	5.000	11/15/06	11/15/08	-	2,258,625
12/15/01	153,000,000	-	22,000,000	-	131,000,000	3.450	5.000	12/15/06	12/15/11	-	6,541,065
04/15/02	156,270,000	-	14,250,000	-	142,020,000	3.500	5.375	04/15/07	04/15/22	-	6,962,529
05/01/02	41,125,000	-	5,875,000	-	35,250,000	4.250	4.250	04/19/07	04/12/12	-	1,681,472
05/01/02	46,375,000	-	6,625,000	-	39,750,000	4.250	4.250	04/26/07	04/19/12	-	1,927,322
06/15/02	119,980,000	-	11,200,000	-	108,780,000	3.150	5.500	06/15/07	06/15/22	-	4,810,468
06/15/02	129,680,000	-	15,610,000	-	114,070,000	5.000	5.500	12/15/07	12/15/18	-	6,112,300
08/15/02	261,915,000	-	20,835,000	-	241,080,000	2.500	5.375	11/15/06	11/15/22	-	11,392,198
08/15/02	229,190,000	-	2,800,000	-	226,390,000	3.500	5.500	11/15/06	11/15/15	-	12,142,300
11/01/02	192,140,000	-	11,840,000	-	180,300,000	3.000	5.000	10/15/06	10/15/22	-	8,224,140
04/15/03	21,795,000	-	3,810,000	-	17,985,000	5.000	5.000	04/15/07	04/15/07	-	1,051,650
04/15/03	270,000,000	-	15,000,000	-	255,000,000	2.500	5.000	04/15/07	04/15/23	-	12,210,318
04/15/03	62,700,000	-	9,000,000	-	53,700,000	4.250	4.250	04/30/07	04/30/13	-	2,627,922
05/01/03	238,500,000	-	13,250,000	-	225,250,000	2.100	5.250	05/01/07	05/01/23	-	10,909,098
08/20/03	188,285,000	-	31,505,000	-	156,780,000	5.000	5.000	08/01/06	08/01/10	-	8,626,625
10/01/03	190,000,000	-	10,000,000	-	180,000,000	2.000	5.250	08/15/06	08/15/23	-	7,337,676
11/13/03	189,470,000	-	10,525,000	-	178,945,000	2.000	5.250	10/15/06	10/15/23	-	8,392,913
12/18/03	151,690,000	-	38,395,000	-	113,295,000	2.000	5.000	03/15/07	03/15/11	-	7,009,650
03/01/04	285,000,000	-	15,000,000	-	270,000,000	2.000	5.000	03/01/07	03/01/24	-	12,299,745
04/08/04	1,023,725,000	-	885,000	-	1,022,840,000	2.000	5.000	12/01/06	06/01/20	-	49,467,019
05/04/04	285,000,000	-	15,000,000	-	270,000,000	2.500	5.000	04/01/07	04/01/24	-	13,119,856
12/22/04	300,000,000	-	20,000,000	-	280,000,000	2.150	5.000	12/01/06	12/01/24	-	12,809,628
03/16/05	300,000,000	-	10,000,000	-	290,000,000	3.950	3.950	03/01/07	03/01/23	-	10,409,272
04/27/05	275,860,000	-	-	-	275,860,000	4.375	5.250	06/01/17	06/01/21	-	14,409,938
04/27/05	15,620,000	-	-	-	15,620,000	3.990	3.990	06/01/16	06/01/16	-	623,238
04/27/05	20,000,000	-	-	-	20,000,000	5.070	5.070	06/01/17	06/01/17	-	1,014,000
04/27/05	20,000,000	-	-	-	20,000,000	5.200	5.200	06/01/20	06/01/20	-	1,040,000

DEBT MANAGEMENT DIVISION

SCHEDULE OF DEBT OUTSTANDING (1) - BUDGETARY BASIS (Continued)

JUNE 30, 2006

Issue Date	Outstanding June 30, 2005	FY 2006 Issued	FY 2006 Retired	Refunded or Defeased	Outstanding June 30, 2006	Low Rate (%)	High Rate (%)	Next Maturity Date	Last Maturity Date	Interest Accreted Through FY 2006 (2)	Interest Paid During FY 2006 (13)
06/01/05	315,000,000	-	15,750,000	-	299,250,000	4.000	5.000	06/01/07	06/01/25	-	13,268,412
06/01/05	65,000,000	-	11,000,000	-	54,000,000	4.000	4.450	06/01/07	06/01/15	-	2,721,500
11/15/05	-	300,000,000	-	-	300,000,000	4.000	5.000	11/15/06	11/15/25	-	7,173,750
03/09/06	-	290,000,000	-	-	290,000,000	3.300	5.000	12/15/06	12/15/25	-	3,278,663
03/09/06	-	10,000,000	-	-	10,000,000	5.000	5.000	03/09/07	03/09/07	-	-
05/01/06	-	200,000,000	-	-	200,000,000	3.600	5.000	05/01/07	05/01/26	-	-
06/01/06	-	235,000,000	-	-	235,000,000	3.500	5.000	06/01/07	06/01/26	-	-
SUBTOTAL	**$ 8,644,138,889**	**$ 1,035,000,000**	**$ 717,522,418**	**$ -**	**$ 8,961,616,472**					**$445,735,784**	**$480,070,313**

BOND TYPE: GENERAL OBLIGATION - REVENUE SUPPORTED

Issue Date	Outstanding June 30, 2005	FY 2006 Issued	FY 2006 Retired	Refunded or Defeased	Outstanding June 30, 2006	Low Rate (%)	High Rate (%)	Next Maturity Date	Last Maturity Date	Interest Accreted Through FY 2006 (2)	Interest Paid During FY 2006 (13)
03/15/93	$ 3,700,000	$ -	$ 525,000	$ -	$ 3,175,000	5.300	5.500	03/15/07	03/15/12	$ -	$ 200,078
03/15/94	10,903	-	-	10,000	903	5.400	5.500	03/15/08	03/15/10	-	594
08/15/94	221	-	-	-	221	5.700	5.800	08/15/07	08/15/08	-	13
10/01/95	500,000	-	500,000	-	-				10/01/05		15,000
03/01/97	2,160,000	-	720,000	-	1,440,000	5.000	6.000	03/01/07	03/01/08	-	122,400
SUBTOTAL	**$ 6,371,124**	**$ -**	**$ 1,745,000**	**$ 10,000**	**$ 4,616,124**					**$ -**	**$ 338,085**

BOND TYPE: GENERAL OBLIGATION - TRANSPORTATION

Issue Date	Outstanding June 30, 2005	FY 2006 Issued	FY 2006 Retired	Refunded or Defeased	Outstanding June 30, 2006	Low Rate (%)	High Rate (%)	Next Maturity Date	Last Maturity Date	Interest Accreted Through FY 2006 (2)	Interest Paid During FY 2006 (13)
12/22/88	$ 343,991	$ -	$ -	$ -	$ 343,991	7.513	7.525	12/01/06	12/01/08	$ 909,370	$ -
08/01/97	2,122,585	-	530,000	-	1,592,585	4.800	5.500	08/01/06	08/01/08	-	98,439
SUBTOTAL	**$ 2,466,576**	**$ -**	**$ 530,000**	**$ -**	**$ 1,936,576**					**$ 909,370**	**$ 98,439**

BOND TYPE: ECONOMIC RECOVERY NOTES (4)

Issue Date	Outstanding June 30, 2005	FY 2006 Issued	FY 2006 Retired	Refunded or Defeased	Outstanding June 30, 2006	Low Rate (%)	High Rate (%)	Next Maturity Date	Last Maturity Date	Interest Accreted Through FY 2006 (2)	Interest Paid During FY 2006 (13)
12/01/02	$ 61,220,000	$ -	$43,920,000	$ -	$ 17,300,000	3.000	3.000	12/01/06	12/01/06	$ -	$ 1,333,700
12/19/02	70,140,000	-	-	-	70,140,000	3.750	3.750	11/16/06	11/15/07	-	2,101,355
06/24/04	39,100,000	-	9,775,000	-	29,325,000	3.750	3.750	05/17/07	05/14/09	-	1,129,507
06/24/04	39,100,000	-	9,775,000	-	29,325,000	3.750	3.750	05/24/07	05/21/09	-	1,143,572
SUBTOTAL	**$ 209,560,000**	**$ -**	**$63,470,000**	**$ -**	**$ 146,090,000**					**$ -**	**$ 5,708,134**

BOND TYPE: SPECIAL TAX OBLIGATION

Issue Date	Outstanding June 30, 2005	FY 2006 Issued	FY 2006 Retired	Refunded or Defeased	Outstanding June 30, 2006	Low Rate (%)	High Rate (%)	Next Maturity Date	Last Maturity Date	Interest Accreted Through FY 2006 (2)	Interest Paid During FY 2006 (13)
06/15/88	$ 3,417,825	$ -	$ -	$ -	$ 3,417,825	7.750	7.750	06/01/07	06/01/08	$10,057,261	$ -
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	113,900,000	-	16,000,000	-	97,900,000	6.171	6.171	12/01/06	12/01/10	-	6,462,547
09/15/91	77,655,000	-	-	-	77,655,000	6.500	6.500	10/01/10	10/01/12	-	5,047,575
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	128,950,000	-	-	-	128,950,000	5.250	5.375	09/01/07	09/01/08	-	6,847,675
09/01/95	11,855,000	-	11,855,000	-	-				10/01/05	-	284,520
06/01/96	7,065,000	-	7,065,000	-	-				06/01/06	-	423,900
10/01/96	79,350,000	-	15,025,000	-	64,325,000	6.000	6.000	10/01/06	10/01/09	-	4,310,250

DEBT MANAGEMENT DIVISION

SCHEDULE OF DEBT OUTSTANDING [1] - BUDGETARY BASIS (Continued)

JUNE 30, 2006

Issue Date	Outstanding June 30, 2005	FY 2006 Issued	FY 2006 Retired	FY 2006 Refunded or Defeased	Outstanding June 30, 2006	Low Rate (%)	High Rate (%)	Next Maturity Date	Last Maturity Date	Interest Accreted Through FY 2006 [2]	Interest Paid During FY 2006 [13]
10/01/96	13,925,000	-	6,755,000	-	7,170,000	6.000	6.000	10/01/06	10/01/06	-	632,850
10/15/97	43,125,000	-	18,805,000	-	24,320,000	4.600	5.500	11/01/06	11/01/07	-	1,821,033
10/15/97	20,295,000	-	6,420,000	-	13,875,000	4.625	5.500	11/01/06	11/01/07	-	894,450
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	92,005,000	-	4,500,000	-	87,505,000	4.100	5.500	11/01/06	11/01/13	-	4,665,733
11/15/99	40,635,000	-	-	-	40,635,000	4.625	5.250	12/01/06	12/01/11	-	1,984,043
07/15/00	77,885,000	-	8,040,000	-	69,845,000	4.625	5.500	09/01/06	09/01/12	-	3,822,350
09/15/00	100,000,000	-	-	-	100,000,000	4.500	5.000	09/01/13	09/01/20	-	3,046,460
09/15/01	61,520,000	-	7,315,000	-	54,205,000	3.500	5.375	10/01/07	10/01/14	-	2,415,525
09/15/01	472,515,000	-	41,005,000	-	431,510,000	3.250	5.375	10/01/06	10/01/15	-	22,933,048
05/01/02	78,160,000	-	3,700,000	-	74,460,000	4.000	5.375	07/01/06	07/01/22	-	3,474,114
11/01/02	167,055,000	-	7,705,000	-	159,350,000	2.500	5.250	12/01/06	12/01/22	-	7,425,844
01/23/03	118,645,000	-	915,000	-	117,730,000	3.293	3.293	02/01/07	02/01/22	-	4,274,141
01/23/03	98,600,000	-	735,000	-	97,865,000	3.288	3.288	02/01/07	02/01/22	-	3,547,434
01/23/03	198,790,000	-	1,485,000	-	197,305,000	3.284	3.284	02/01/07	02/01/22	-	7,240,617
07/01/03	255,835,000	-	100,760,000	-	155,075,000	2.000	5.000	09/01/06	09/01/10	-	8,314,075
11/15/03	193,640,000	-	7,020,000	-	186,620,000	2.000	5.000	01/01/07	01/01/24	-	8,622,891
11/15/04	200,000,000	-	5,315,000	-	194,685,000	2.125	5.000	07/01/06	07/01/24	-	10,260,613
11/15/04	89,725,000	-	-	-	89,725,000	3.000	5.250	07/01/09	07/01/19	-	4,862,484
12/15/05	-	250,000,000	-	-	250,000,000	4.000	5.000	07/01/06	07/01/25	-	-
SUBTOTAL	**$ 3,101,517,825**	**$ 250,000,000**	**$270,420,000**	**$ -**	**$ 3,081,097,825**					**$ 10,057,261**	**$144,520,594**
BOND TYPE: BRADLEY INTERNATIONAL AIRPORT											
03/01/01	$ 187,430,000	$ -	$ 3,880,000	$ -	$ 183,550,000	3.800	5.250	10/01/06	10/01/31	$ -	$ 9,376,890
03/01/01	18,445,000	-	260,000	-	18,185,000	3.750	4.300	10/01/06	10/01/12	-	778,029
07/08/04	30,640,000	-	6,000,000	-	24,640,000	2.500	5.000	10/01/06	10/01/10	-	1,204,125
SUBTOTAL	**$ 236,515,000**	**$ -**	**$10,140,000**	**$ -**	**$ 226,375,000**					**$ -**	**$11,359,044**
BOND TYPE: CLEAN WATER FUND											
01/01/93	$ 25,195,000	$ -	$ 3,045,000	$ -	$ 22,150,000	5.700	6.000	10/01/06	10/01/12	$ -	$ 1,439,428
06/01/94	5,455,000	-	3,615,000	-	1,840,000	6.375	6.375	12/01/06	12/01/06	-	290,222
03/01/96	9,480,000	-	3,660,000	-	5,820,000	4.600	5.400	11/01/06	05/01/18	-	418,054
03/15/96	36,945,000	-	5,765,000	-	31,180,000	5.000	5.600	07/01/06	01/01/11	-	1,870,980
09/01/97	20,765,000	-	4,795,000	-	15,970,000	4.850	6.000	03/01/07	03/01/20	-	1,154,198
04/15/99	25,790,000	-	4,955,000	-	20,835,000	4.000	4.200	09/01/06	09/01/09	-	948,490
05/01/99	67,495,000	-	790,000	-	66,705,000	4.000	5.250	07/15/06	07/15/16	-	3,220,330
06/01/01	31,590,000	-	4,230,000	-	27,360,000	4.000	4.300	10/01/06	10/01/11	-	1,202,825
07/01/03	118,085,000	-	1,095,000	-	116,990,000	2.000	5.000	10/01/06	10/01/25	-	4,779,459
07/01/03	109,365,000	-	4,275,000	-	105,090,000	2.000	5.000	10/01/06	10/01/15	-	4,670,756
07/10/03	55,000,000	-	-	-	55,000,000	3.179	3.179	10/01/16	10/01/22	-	1,954,442

DEBT MANAGEMENT DIVISION

SCHEDULE OF DEBT OUTSTANDING (1) - BUDGETARY BASIS (Continued)

JUNE 30, 2006

Issue Date	Outstanding June 30, 2005	FY 2006 Issued	FY 2006 Retired	FY 2006 Refunded or Defeased	Outstanding June 30, 2006	Low Rate (%)	High Rate (%)	Next Maturity Date	Last Maturity Date	Interest Accreted Through FY 2006 (2)	Interest Paid During FY 2006 (13)
07/10/03	66,375,000	-	-	-	66,375,000	3.179	3.179	10/01/16	10/01/22	-	2,030,135
SUBTOTAL	**$ 571,540,000**	**$ -**	**$36,225,000**	**$ -**	**$ 535,315,000**					**$ -**	**$23,979,317**
BOND TYPE: GENERAL FUND APPROPRIATION - UCONN (5)											
01/01/96	$ 9,010,000	$ -	$ 4,505,000	$ -	$ 4,505,000	4.700	4.700	02/01/07	02/01/07	$ -	$ 459,510
02/21/96	4,369,715	-	-	-	4,369,715	5.050	5.100	02/01/10	02/01/11	2,973,420	-
04/01/97	13,000,000	-	6,500,000	-	6,500,000	5.000	5.000	04/01/07	04/01/07	-	650,000
04/24/97	7,392,432	-	-	-	7,392,432	5.200	5.300	04/01/08	04/01/09	4,503,610	-
06/01/98	29,850,000	-	4,975,000	14,925,000	9,950,000	4.250	4.350	06/01/07	06/01/08	-	1,009,925
03/01/99	54,000,000	-	5,000,000	19,000,000	30,000,000	4.000	4.500	04/01/07	04/01/12	-	1,921,000
03/01/00	47,480,000	-	6,550,000	12,005,000	28,925,000	4.850	5.250	03/01/07	03/01/10	-	2,397,044
03/15/01	51,910,000	-	5,000,000	11,285,000	35,625,000	3.625	4.750	04/01/07	04/01/21	-	1,979,338
04/01/02	56,315,000	-	5,000,000	4,460,000	46,855,000	3.700	5.000	04/01/07	04/01/22	-	2,368,986
03/01/03	86,490,000	-	5,000,000	-	81,490,000	2.000	5.250	02/15/07	02/15/23	-	3,579,914
01/15/04	92,950,000	-	4,895,000	-	88,055,000	2.000	5.000	01/15/07	01/15/24	-	3,418,998
01/15/04	216,890,000	-	60,000	-	216,830,000	2.000	5.000	01/15/07	01/15/20	-	10,791,055
03/16/05	98,110,000	-	4,900,000	-	93,210,000	3.000	5.000	02/15/07	02/15/25	-	3,664,028
03/15/06	-	77,145,000	-	-	77,145,000	3.200	5.000	02/15/07	02/15/26	-	-
03/15/06	-	61,020,000	1,225,000	-	59,795,000	3.200	5.000	02/15/07	02/15/20	-	12,250
SUBTOTAL	**$ 767,767,147**	**$ 138,165,000**	**$53,610,000**	**$61,675,000**	**$ 790,647,147**					**$ 7,477,030**	**$32,252,047**
BOND TYPE: CDA INCREMENT FINANCING (6)											
10/15/94	$ 330,000	$ -	$ 160,000	$ -	$ 170,000	6.000	6.000	10/15/06	10/15/06	$ -	$ 14,880
12/01/95	1,975,000	-	455,000	-	1,520,000	5.400	5.400	12/15/06	12/15/08	-	93,341
01/01/97	4,455,000	-	805,000	-	3,650,000	5.375	5.500	05/01/07	05/01/10	-	237,795
10/05/04	8,515,000	-	315,000	-	8,200,000	2.000	5.000	10/15/06	10/15/24	-	314,664
10/05/04	5,025,000	-	65,000	-	4,960,000	2.000	3.500	12/15/06	12/15/15	-	154,156
10/05/04	8,370,000	-	-	-	8,370,000	5.000	5.125	05/01/11	05/01/17	-	423,413
SUBTOTAL	**$ 28,670,000**	**$ -**	**$ 1,800,000**	**$ -**	**$ 26,870,000**					**$ -**	**$ 1,238,249**
BOND TYPE: CDA GOVERNMENTAL LEASE REVENUE (7)											
12/15/94	$ 5,660,000	$ -	$ 485,000	$ -	$ 5,175,000	6.400	6.600	06/15/07	06/15/14	$ -	$ 370,240
SUBTOTAL	**$ 5,660,000**	**$ -**	**$ 485,000**	**$ -**	**$ 5,175,000**					**$ -**	**$ 370,240**
BOND TYPE: CHEFA CHILDCARE FACILITIES PROGRAM (8)											
04/15/98	$ 5,285,000	$ -	$ 95,000	$ -	$ 5,190,000	6.750	6.750	07/01/06	07/01/28	$ -	$ 353,531
11/01/98	7,680,000	-	180,000	-	7,500,000	4.100	5.000	07/01/06	07/01/28	-	366,110

DEBT MANAGEMENT DIVISION

SCHEDULE OF DEBT OUTSTANDING (1) - BUDGETARY BASIS (Continued)

JUNE 30, 2006

Issue Date	Outstanding June 30, 2005	FY 2006 Issued	FY 2006 Retired	Refunded or Defeased	Outstanding June 30, 2006	Low Rate (%)	High Rate (%)	Next Maturity Date	Last Maturity Date	Interest Accreted Through FY 2006 (2)	Interest Paid During FY 2006 (13)
09/01/99	16,995,000	-	425,000	-	16,570,000	4.700	5.625	07/01/06	07/01/29	-	910,051
08/01/00	3,735,000	-	70,000	-	3,665,000	4.625	5.500	07/01/06	07/01/30	-	198,239
04/01/01	3,725,000	-	75,000	-	3,650,000	4.000	5.000	07/01/06	07/01/31	-	178,189
SUBTOTAL	**$ 37,420,000**	**$ -**	**$ 845,000**	**$ -**	**$ 36,575,000**					**$ -**	**$ 2,006,120**
BOND TYPE: BRADLEY INTERNATIONAL PARKING OPERATIONS (9)											
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	4,250,000	-	2,040,000	-	2,210,000	8.000	8.000	07/01/06	07/01/06	-	258,400
SUBTOTAL	**$ 51,915,000**	**$ -**	**$ 2,040,000**	**$ -**	**$ 49,875,000**					**$ -**	**$ 3,350,080**
BOND TYPE: JUVENILE TRAINING SCHOOL ENERGY CENTER (10)											
02/15/01	$ 18,110,000	$ -	$ 375,000	$ -	$ 17,735,000	3.850	5.250	12/15/06	12/15/30	$ -	$ 863,484
SUBTOTAL	**$ 18,110,000**	**$ -**	**$ 375,000**	**$ -**	**$ 17,735,000**					**$ -**	**$ 863,484**
BOND TYPE: SPECIAL OLBIGATION RATE REDUCTION BONDS (11)											
06/23/04	$ 179,765,000	$ -	$26,605,000	$ -	$ 153,160,000	3.000	5.000	12/30/06	06/30/11	$ -	$ 8,286,800
SUBTOTAL	**$ 179,765,000**	**$ -**	**$26,605,000**	**$ -**	**$ 153,160,000**					**$ -**	**$ 8,286,800**
BOND TYPE: CCEDA BONDS (12)											
07/21/04	$ 15,030,000	$ -	$ 700,000	$ -	$ 14,330,000	2.500	5.000	06/15/07	06/15/16	$ -	$ 548,025
07/21/04	57,470,000	-	-	-	57,470,000	3.960	3.960	06/15/17	06/15/34	-	2,268,795
08/04/05	-	15,000,000	-	-	15,000,000	5.000	5.000	06/15/08	06/15/29	-	647,917
SUBTOTAL	**$ 72,500,000**	**$ 15,000,000**	**$ 700,000**	**$ -**	**$ 86,800,000**					**$ -**	**$ 3,464,736**
TOTAL:	**$13,933,916,561**	**$ 1,438,165,000**	**$1,186,512,418**	**$ 61,685,000**	**$14,123,884,143**					**$464,179,445**	**$717,905,682**

(1) Includes all outstanding debt issued by the State of Connecticut as of June 30, 2006. 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, 2006.

(3) Debt outstanding at June 30, 2006 includes $20,700,000 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 2005 to fund the State's Fiscal 2004 deficit. The notes, auction rate securities, have a final maturity of June 2009 and are General Obligations of the State. It is intended that all maturities will be retired during FY07 from surplus funds.

SCHEDULE OF DEBT OUTSTANDING [1] - BUDGETARY BASIS (Continued)

JUNE 30, 2006

(5) UCONN 2000 Bonds were authorized in two stages in a total amount of $2.3 Billion over a 20 year period to be paid by the University of Connecticut from a State Debt Service commitment. 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) On July 1, 1999, the Treasurer's Office assumed the responsibility for the CHEFA Childcare debt service appropriation per Public Act 97-259.

(9) Includes Bradley International Airport Special Obligation Parking Revenue Bonds, 2000 Series A $47,665,000 and 2000 Series B $4,250,000.

(10) A lease purchase finanacing of the heating and cooling plant at the Juvenile Training School in Middletown.

(11) 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.

(12) The Capital City Economic Development Authority (CCEDA) Bonds were issued to provide funding for the Adriaen's Landing development project in Hartford. The bonds, issued in a combination of fixed and variable rate securities, have a final maturity of 2034. The State is required to make all debt service payments on the bonds up to a maximum annual amount of $6.75 million pursuant to a contract assistance agreement between CCEDA, the Treasurer, and OPM. CCEDA is required to reimburse the State for the debt service payments from net parking and central utility plant revenues. A portion of the interest payments for fiscal year 2006 were paid from Capitalized Interest funds held with the Trustee.

(13) Includes interest rate swap payments and variable rate bond fees.

Note 1: In accordance with Section 3-115 of the General Statutes, the State Comptroller shall provide accounting statements relating to the financial condition of the State as a whole in the same form and in the same categories as appear in the budget enacted by the General Assembly. The Budget Act enacted for the 2006 fiscal year is presented on a comprehensive basis of accounting other than gererally accepted accounting principles. In order to be consistent with the Comptroller's statements and the budgetary act, the State Treasurer has employed the same comprehensive basis of accounting for the presentation of this schedule.

Note 2: GAAP accounting requires that Long-Term debt obligations be segregated into the portion payable within the next fiscal year (the current portion) and the remaining portion that is not due until after the next fiscal year. This manner of presentation is not used for the budgetary basis presentation.

DEBT MANAGEMENT DIVISION

SCHEDULE OF AUTHORIZED AND ISSUED DEBT OUTSTANDING (1)

JUNE 30, 2006

CORE Fund No.	Legacy Fund No.	Name	Inception to Date Amount Authorized	Inception to Date Amount Issued (2)	Outstanding June 30, 2006	Interest Accreted Through Fiscal Year 2006(3)	Outstanding Incl. Accreted Interest June 30, 2006
BOND TYPE: GENERAL OBLIGATION-TAX SUPPORTED							
12028	1011	DAS - WORKERS COMPENSATION	$53,000,000	$53,000,000	$39,750,000	$ -	$39,750,000
12034	1502	ECONOMIC DEVELOPMENT ASSISTANCE	621,800,000	532,492,441	125,571,352	-	125,571,352
12040	1116	MODERATE RENTAL HOUSING REHAB.	42,000,000	42,000,000	19,213,068	47,530,738	66,743,806
12040	1865	HOUSING SITE DEVELOPMENT	3,000,000	3,000,000	642,638	1,171,897	1,814,535
12040	1871	HOUSING IMPROVEMENTS	209,500,000	209,500,000	4,959,314	12,292,389	17,251,703
12040	1878	COMMUNITY HSG LAND BANK & TRUST	1,000,000	1,000,000	1,000,000	1,826,904	2,826,904
12040	3775	CONGREGATE HOUSING FOR ELDERLY	21,000,000	21,000,000	9,455,258	17,349,076	26,804,334
12040	3804	ELDERLY HOUSING PROJECT	3,000,000	3,000,000	150,000	274,576	424,576
12047	1843	CHILD CARE FACILITIES	6,024,798	6,024,798	1,065,389	-	1,065,389
12050	1870	LOCAL CAPITAL IMPROVEMENT FUND	495,000,000	463,900,000	143,829,564	6,886,895	150,716,459
12051	1872	CAPITAL EQUIPMENT PURCHASE FUND	293,940,000	261,158,428	38,805,000	-	38,805,000
12052	1873	GRANTS TO LOCAL GOVTS. & OTHERS	1,427,595,322	1,005,267,272	368,186,642	23,510,824	391,697,466
12053	1874	ECONOMIC DEVELOPMENT & OTHER GRANTS	104,193,324	101,193,948	18,967,608	23,140,066	42,107,675
12054	1877	SHELLFISH FUND	1,300,000	1,300,000	1,200,000	3,169,309	4,369,309
12055	1879	HOUSING HOMELESS PERSONS	8,100,000	7,095,696	1,986,475	-	1,986,475
12058	1961	SPECIAL CONTAMINATED PROP REM & INS FUND	3,000,000	2,000,000	270,000	-	270,000
12059	1971	HARTFORD REDEVELOPMENT	500,000,000	461,270,000	368,855,000	-	368,855,000
12063	1800	HOUSING BONDS	527,477,506	461,745,235	36,344,558	15,468,227	51,812,785
12066	2066	DECD - HOUSING TRUST FUND	20,000,000	10,000,000	10,000,000	-	10,000,000
13007	3080	ELIMINATION OF WATER POLLUTION	398,000,000	397,965,862	3,995,173	8,724,442	12,719,615
13009	3089	SCHOOL CONSTRUCTION	1,743,439,500	1,741,549,500	104,659,073	35,081,144	139,740,217
13010	3090	MAGNET SCHOOLS	3,345,830,770	3,191,259,694	2,197,660,000	-	2,197,660,000
13015	3783	AGRICULTURAL LAND PRESERVATION	97,750,000	83,498,716	9,520,000	-	9,520,000
13019	3795	GRANTS FOR URBAN ACTION	1,067,487,544	768,253,354	385,449,937	29,663,807	415,113,743
17001	3001	GENERAL STATE PURPOSES	302,666,060	228,634,149	199,239,690	-	199,239,690
17011	3011	GENERAL STATE PURPOSES	586,330,595	400,647,345	345,826,412	-	345,826,412
17021	3021	GENERAL STATE PURPOSES	486,937,490	314,221,663	298,221,663	-	298,221,663
17041	3041	GENERAL STATE PURPOSES	259,777,339	51,897,976	51,897,976	-	51,897,976
17051	7051	GENERAL STATE PURPOSES	228,614,110	30,300,000	30,300,000	-	30,300,000
17771	3771	CAPITAL IMPROVEMENTS	80,529,711	80,124,323	1,658,011	4,391,540	6,049,551
17791	3791	CAPITAL IMPROVEMENTS	39,677,932	39,677,932	6,353,934	16,818,362	23,172,297
17861	3861	CAPITAL IMPROVEMENTS	119,859,926	111,263,359	1,591,505	2,206,765	3,798,271
17871	3871	CAPITAL IMPROVEMENTS	521,848,335	507,803,706	45,441,394	88,841,642	134,283,036
17891	3891	GENERAL STATE PURPOSES	416,558,089	410,738,686	5,192,949	-	5,192,949
17901	3901	GENERAL STATE PURPOSES	533,894,091	528,220,942	56,501,176	62,111,546	118,612,722
17911	3911	GENERAL STATE PURPOSES	148,919,844	142,064,892	20,462,640	12,658,794	33,121,433
17921	3921	GENERAL STATE PURPOSES	322,135,563	320,382,563	86,122,664	-	86,122,664
17931	3931	GENERAL STATE PURPOSES	628,254,036	615,735,971	31,431,336	22,425,307	53,856,644
17951	3951	GSP/UCONN BABBIDGE LIBRARY & PLAZA DECK	207,907,527	190,950,003	11,442,806	-	11,442,806
17961	3961	GENERAL STATE PURPOSES	265,384,447	255,671,813	101,699,584	-	101,699,584
17971	3971	GENERAL STATE PURPOSES	195,285,581	186,057,040	84,405,575	-	84,405,575

DEBT MANAGEMENT DIVISION

SCHEDULE OF AUTHORIZED AND ISSUED DEBT OUTSTANDING [1] (Continued)

JUNE 30, 2006

CORE Fund No.	Legacy Fund No.	Name	Inception to Date Amount Authorized	Inception to Date Amount Issued [2]	Outstanding June 30, 2006	Interest Accreted Through Fiscal Year 2006[3]	Outstanding Incl. Accreted Interest June 30, 2006
17981	3981	GENERAL STATE PURPOSES	208,096,143	206,844,656	130,620,553	-	130,620,553
17991	3991	GENERAL STATE PURPOSES	305,471,379	251,123,848	150,384,235	-	150,384,235
21004	6024	CONNECTICUT INNOVATIONS, INC.	114,800,500	114,290,319	21,590,000	-	21,590,000
21014	6864	CLEAN WATER FUND	678,637,874	568,253,884	228,006,319	55,647	228,061,967
21016	6866	CLEAN WATER FUND - LONG ISLAND SOUND	71,993,466	64,102,782	13,600,000	-	13,600,000
	3081	CAPITAL IMPROVEMENTS	248,048,985	248,048,985	4,100,000	10,135,887	14,235,887
	9952	GO 2005 SERIES B REFUNDING BONDS [4]		335,550,000	331,480,000	-	331,480,000
	9956	GO 2004 SERIES B REFUNDING BONDS [4]		1,030,375,000	1,022,840,000	-	1,022,840,000
	9959	GO 2003 SERIES G REFUNDING BONDS [4]		165,995,000	113,295,000	-	113,295,000
	9960	GO 2003 SERIES D REFUNDING BONDS [4]		215,580,000	156,780,000	-	156,780,000
	9962	GO 2003 SERIES B REFUNDING BONDS [4]		70,385,000	17,985,000	-	17,985,000
	9964	GO 2002 SERIES E REFUNDING BONDS [4]		256,375,000	226,390,000	-	226,390,000
	9965	GO 2002 SERIES C REFUNDING BONDS [4]		155,500,000	114,070,000	-	114,070,000
	9966	GO 2002 SERIES E & F REFUNDING BONDS [4]		432,835,000	321,795,000	-	321,795,000
	9970	GO 2001 SERIES C REFUNDING BONDS [4]		504,575,000	471,595,000	-	471,595,000
	9972	MIDDLETOWN COURTHOUSE REFUNDING BONDS [4][5]		34,375,000	20,700,000	-	20,700,000
	9973	GO 1996 SERIES A TAXABLE REFUNDING BONDS [4]		80,000,000	10,000,000	-	10,000,000
	9974	GO 1998 SERIES A TAXABLE REFUNDING BONDS [4]		105,445,000	3,755,000	-	3,755,000
	9976	GO FEBRUARY 1998 REFUNDING BONDS [4]		146,780,000	144,010,000	-	144,010,000
	9978	GO 1997 SERIES D REFUNDING BONDS [4]		126,765,000	121,410,000	-	121,410,000
	9986	GO OCTOBER 1993 REFUNDING BONDS [4]		259,125,000	22,440,000	-	22,440,000
	9989	GO MARCH 1993 SERIES B REFUNDING BONDS [4]		157,745,000	39,930,000	-	39,930,000
	9991	GO FEBRUARY 1993 REFUNDING BONDS [4]		389,090,000	5,515,000	-	5,515,000
TOTAL			**$17,965,067,788**	**$20,162,026,779**	**$8,961,616,472**	**$445,735,785**	**$9,407,352,256**

BOND TYPE: GENERAL OBLIGATION - REVENUE SUPPORTED

CORE Fund No.	Legacy Fund No.	Name	Amount Authorized	Amount Issued	Outstanding June 30, 2006	Interest Accreted Through Fiscal Year 2006	Outstanding Incl. Accreted Interest June 30, 2006
13042	3876	UNIV.& STATE UNIVERSITY FACILITIES	$104,363,266	$104,192,153	$4,616,124	$ -	$4,616,124
TOTAL			**$104,363,266**	**$104,192,153**	**$4,616,124**	**$ -**	**$4,616,124**

BOND TYPE: GENERAL OBLIGATION - TRANSPORTATION

CORE Fund No.	Legacy Fund No.	Name	Amount Authorized	Amount Issued	Outstanding June 30, 2006	Interest Accreted Through Fiscal Year 2006	Outstanding Incl. Accreted Interest June 30, 2006
13011	3092	SPECIFIC HIGHWAY PURPOSES	$142,050,000	$140,597,585	$1,592,585	$ -	$1,592,585
13022	3803	RAMPS - RT 72 CENTER ST. EXPRESSWAY	500,000	498,991	343,991	909,370	1,253,361
TOTAL			**$142,550,000**	**$141,096,576**	**$1,936,576**	**$909,370**	**$2,845,946**

BOND TYPE: ECONOMIC RECOVERY NOTES [6]

CORE Fund No.	Legacy Fund No.	Name	Amount Authorized	Amount Issued	Outstanding June 30, 2006	Interest Accreted Through Fiscal Year 2006	Outstanding Incl. Accreted Interest June 30, 2006
	2030	ECONOMIC RECOVERY NOTES	$1,309,945,000	$1,282,645,000	$146,090,000	$ -	$146,090,000
TOTAL			**$1,309,945,000**	**$1,282,645,000**	**$146,090,000**	**$ -**	**$146,090,000**

DEBT MANAGEMENT DIVISION

SCHEDULE OF AUTHORIZED AND ISSUED DEBT OUTSTANDING [1] (Continued)

JUNE 30, 2006

CORE Fund No.	Legacy Fund No.	Name	Inception to Date Amount Authorized	Inception to Date Amount Issued [2]	Outstanding June 30, 2006	Interest Accreted Through Fiscal Year 2006[3]	Outstanding Incl. Accreted Interest June 30, 2006
BOND TYPE: SPECIAL TAX OBLIGATION							
13033	3842	INFRASTRUCTURE IMPROVEMENT	$6,080,364,104	$5,646,650,752	$1,577,597,825	$10,057,261	$1,587,655,086
14005	9953	STO 2004 SERIES B REFUNDING ISSUE [4]		89,725,000	89,725,000	-	89,725,000
14005	9961	STO 2003 SERIES A REFUNDING BONDS [4]		338,610,000	155,075,000	-	155,075,000
14005	9963	STO 2003 SERIES 1 & 2 REFUNDING BONDS [4]		421,980,000	412,900,000	-	412,900,000
14005	9967	STO 2001 SERIES B REFUNDING BONDS [4]		533,335,000	431,510,000	-	431,510,000
14005	9975	STO 1998 SERIES A REFUNDING BONDS [4]		197,500,000	196,695,000	-	196,695,000
14005	9977	STO 1997 SERIES B REFUNDING BONDS [4]		65,415,000	24,320,000	-	24,320,000
14005	9980	STO 1996 SERIES C REFUNDING BONDS [4]		79,795,000	64,325,000	-	64,325,000
14005	9990	STO 1993 SERIES A REFUNDING BONDS [4]		560,750,000	128,950,000		128,950,000
TOTAL			**$6,080,364,104**	**$7,933,760,752**	**$3,081,097,825**	**$10,057,261**	**$3,091,155,086**
BOND TYPE: BRADLEY INTERNATIONAL AIRPORT							
21012	6310	BRADLEY AIRPORT EXPANSION REVENUE BONDS	$194,000,000	$194,000,000	$183,550,000	$ -	$183,550,000
	9954	BRADLEY AIRPORT REFUNDING BONDS 2004 SERIES A [4]	-	30,640,000	24,640,000	-	24,640,000
	9969	BRADLEY AIRPORT REFUNDING BONDS 2001 SERIES B [4]	-	19,180,000	18,185,000	-	18,185,000
TOTAL			**$194,000,000**	**$243,820,000**	**$226,375,000**	**$ -**	**$226,375,000**
BOND TYPE: CLEAN WATER FUND							
21015	6865	CLEAN WATER FUND - FEDERAL ACCOUNT	$1,180,121,540	$833,470,253	$202,862,405	$ -	$202,862,405
21018	6868	DRINKING WATER FUND FEDERAL REVOLVING	58,278,460	29,614,747	8,102,595	-	8,102,595
	9971	CLEAN WATER FUND 1999 REFUNDING BONDS [4]		78,995,000	66,705,000	-	66,705,000
	9983	CLEAN WATER FUND REFUNDING BONDS [4]		285,605,000	257,645,000	-	257,645,000
TOTAL			**$1,238,400,000**	**$1,227,685,000**	**$535,315,000**	**$ -**	**$535,315,000**
BOND TYPE: GENERAL FUND APPROPRIATION - UCONN 2000 [7]							
13045	3952	UCONN 2000	$1,087,737,147	$1,087,737,147	$514,022,147	$7,477,030	$521,499,176
	9958	UCONN 2000 REFUNDING BONDS [4]	-	277,970,000	276,625,000	-	276,625,000
TOTAL			**$1,087,737,147**	**$1,365,707,147**	**$790,647,147**	**$7,477,030**	**$798,124,176**
BOND TYPE: CDA INCREMENT FINANCING [8]							
	8001	NORWICH YANKEE - TIF	$1,545,000	$1,545,000	$170,000	$ -	$170,000
	8002	OAKDALE THEATER - TIF	9,900,000	9,900,000	1,520,000	-	1,520,000
	8003	LAKE COMPOUNCE - TIF	18,000,000	18,000,000	3,650,000	-	3,650,000
99999	9955	CDA REFUNDING BONDS SERIES A, B and C [4]		22,435,000	21,530,000	-	21,530,000
TOTAL			**$29,445,000**	**$51,880,000**	**$26,870,000**	**$ -**	**$26,870,000**

DEBT MANAGEMENT DIVISION

SCHEDULE OF AUTHORIZED AND ISSUED DEBT OUTSTANDING (1) (Continued)

JUNE 30, 2006

CORE Fund No.	Legacy Fund No.	Name	Inception to Date Amount Authorized	Inception to Date Amount Issued (2)	Outstanding June 30, 2006	Interest Accreted Through Fiscal Year 2006(3)	Outstanding Incl. Accreted Interest June 30, 2006
BOND TYPE: CDA GOVERNMENTAL LEASE REVENUE (9)							
	8500	NEW BRITAIN GOVERNMENT CENTER	$9,275,000	$9,275,000	$ 5,175,000	$ -	$5,175,000
TOTAL			**$9,275,000**	**$9,275,000**	**$ 5,175,000**	**$ -**	**$5,175,000**
BOND TYPE: CHEFA CHILDCARE FACILITIES PROGRAM (10)							
	7800	CHEFA CHILDCARE NOW	$ -	$5,375,000	$5,190,000	$ -	$5,190,000
	7802	CHEFA CHILDCARE POOL 1 SERIES A	-	10,175,000	7,500,000	-	7,500,000
	7804	CHEFA CHILDCARE SERIES C	-	18,690,000	16,570,000	-	16,570,000
	7805	CHEFA CHILDCARE SERIES D	-	3,940,000	3,665,000	-	3,665,000
	7806	CHEFA CHILDCARE SERIES E	-	3,865,000	3,650,000	-	3,650,000
TOTAL			**$ -**	**$42,045,000**	**$36,575,000**	**$ -**	**$36,575,000**
BOND TYPE: BRADLEY INTERNATIONAL PARKING OPERATIONS (11)							
21008	6299	BRADLEY INTERNATIONAL PARKING OPERATIONS	$55,000,000	$53,800,000	$49,875,000	$ -	$49,875,000
TOTAL			**$55,000,000**	**$53,800,000**	**$49,875,000**	**$ -**	**$49,875,000**
BOND TYPE: CT JUVENILE TRAINING SCHOOL ENERGY CENTER (12)							
	8800	CT JUVENILE TRAINING SCHOOL ENERGY CENTER	$ -	$19,165,000	$17,735,000	$ -	$17,735,000
TOTAL			**$ -**	**$19,165,000**	**$17,735,000**	**$ -**	**$17,735,000**
BOND TYPE: SPECIAL OBLIGATION RATE REDUCTION BONDS (13)							
21020	2040	Special Obligation Rate Reduction Bonds	$205,345,000	$205,345,000	$153,160,000	$ -	$153,160,000
TOTAL			**$205,345,000**	**$205,345,000**	**$153,160,000**	**$ -**	**$153,160,000**
BOND TYPE: CCEDA BONDS (14)							
12060	7300	CCEDA	$ -	$87,500,000	$86,800,000	$ -	$86,800,000
TOTAL			**$ -**	**$87,500,000**	**$86,800,000**	**$ -**	**$86,800,000**
GRAND TOTAL			**$28,421,492,304**	**$32,929,943,406**	**$14,123,884,143**	**$464,179,446**	**$14,588,063,589**

DEBT MANAGEMENT DIVISION

SCHEDULE OF AUTHORIZED AND ISSUED DEBT OUTSTANDING [1] (Continued)

JUNE 30, 2006

(1) Includes all outstanding debt issued by the State of Connecticut as of June 30, 2006. 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, 2006.

(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, 2006 includes $20,700,000 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. It is intended that all maturities will be retired during FY07 from surplus funds.

(7) UCONN 2000 Bonds were authorized in two stages in a total amount of $2.3 Billion over a 20 year period to be paid by the University of Connecticut from a State Debt Service commitment. 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 $4,250,000.

(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.

(14) The Capital City Economic Development Authority (CCEDA) Bonds were issued to provide funding for the Adriaen's Landing development project in Hartford. The bonds, issued in a combination of fixed and variable rate securities, have a final maturity of 2034. The State is required to make all debt service payments on the bonds up to a maximum annual amount of $6.75 million pursuant to a contract assistance agreement between CCEDA, the Treasurer, and OPM. CCEDA is required to reimburse the State for the debt service payments from net parking and central utility plant revenues. A portion of the Interest payments for fiscal year 2006 were paid from Capitalized Interest funds held with the Trustee.

CASH MANAGEMENT DIVISION

CIVIL LIST FUNDS
SCHEDULE OF INVESTMENTS (1) (2)
FISCAL YEAR ENDED JUNE 30, 2006
PRESENTED UNDER BUDGETARY BASIS OF ACCOUNTING (4) (5)

Legal No.	Type	GAAP No.	Type	Fund Name	STIF Investments 6/30/06	Tax Exempt Proceeds Fund Investments 6/30/06	Investments with Treasurer as Trustee Short-Term 6/30/06	Investments with Treasurer as Trustee Long-Term 6/30/06	Investments with Others as Trustee Short-Term 6/30/06	Investments with Others as Trustee Long-Term 6/30/06	Total
GENERAL FUND[3]											
111000	Gen. Fund	1100	Gen.Fund	General Fund	$1,967,953,773.19		$12,500,000.00[16]				$1,980,453,773.19
SUBTOTAL GENERAL FUND					$1,967,953,773.19	$ -	$12,500,000.00	$ -	$ -	$ -	$1,980,453,773.19
SPECIAL REVENUE FUNDS											
12001	Spec.Rev.	1201	Spec.Rev.	Transportation	$100,937,052.30						$100,937,052.30
12005	Spec.Rev.	1215	Spec.Rev.	Probate Court Administration	14,146,715.76						14,146,715.76
12010	Spec.Rev.	1209	Spec.Rev.	Soldiers, Sailors and Marines	108,566.35						108,566.35
12012	Spec.Rev.	1215	Spec.Rev.	Mun. Emp. Retirement Administration	851,550.35						851,550.35
12013	Spec.Rev.	1208	Spec.Rev.	Regional Market Operation	818,012.05						818,012.05
12016	Spec.Rev.	1213	Spec.Rev.	Recreation & Natural Heritage Trust Fund		$1,747,534.97					1,747,534.97
12018	Spec.Rev.	2107	Enterprise	University Health Center Operating Fund	87,948.39						87,948.39
12021	Spec.Rev.	1215	Spec.Rev.	Grants - Tax Exempt Proceeds		8,702,165.20					8,702,165.20
12023	Spec.Rev.	2107	Enterprise	Univ. Health Center Research Foundation	30,085,823.85						30,085,823.85
12032	Spec.Rev.	1210	Spec.Rev.	Employment Security - Special Administration	2,740,931.53						2,740,931.53
12034	Spec.Rev.	1212	Spec.Rev.	Economic Assistance Bond Fund	2,000,000.00						2,000,000.00
12035	Spec.Rev.	1212	Spec.Rev.	Economic Assistance Revolving Fund		4,046,645.20					4,046,645.20
12038	Spec. Rev.	1212	Spec. Rev.	Individual Development Acct Reserve Fund				$409,255.10			409,255.10
12040	Spec.Rev.	1214	Spec.Rev.	Housing Loan Fund - Tax Exempt		2,670,427.64					2,670,427.64
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	224,132.18						224,132.18
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	139,122.04						139,122.04
12051	Spec.Rev.	1215	Spec.Rev.	Capital Equipment Purchase Fund	16,443,806.84						16,443,806.84
12052	Spec.Rev.	1212	Spec.Rev.	Grants to Local Governments and Others	27,490,450.89						27,490,450.89
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
12059	Spec.Rev.	1212	Spec.Rev.	Hartford Downtown Redevelopment	13,460,000.00						13,460,000.00
12060	Spec Rev.	1211	Spec.Rev.	Federal And Other Restricted Accounts		711,688.83					711,688.83
12062	Spec Rev.	1211	Spec.Rev.	Transportation Grants & Restricted Accounts	60,631.43						60,631.43
12065	Spec.Rev.	1214	Spec.Rev.	Housing Assistance Bond Fund - Tax Exempt		4,695,764.55					4,695,764.55
12066	Spec.Rev.	1214	Spec.Rev.	Housing Trust Fund	10,154,723.10						10,154,723.10
SUBTOTAL SPECIAL REVENUE FUNDS					$220,473,483.95	$23,334,051.00	$ -	$409,255.10	$ -	$ -	$244,216,790.05
CAPITAL PROJECTS FUNDS											
13001	Cap. Proj.	1214	Spec.Rev.	Rental Housing Fund		$ 295,091.41					$ 295,091.41
13002	Cap. Proj.	1301	Cap.Proj.	Regional Market Fund							-
13004	Cap. Proj.	1303	Cap.Proj.	Nat. 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
13009	Cap. Proj.	1212	Spec.Rev.	School Construction	8,441,414.40						8,441,414.40
13010	Cap. Proj.	1212	Spec.Rev.	School Construction - Magnet Schools	7,426,904.79						7,426,904.79
13015	Cap. Proj.	1212	Spec.Rev.	Agricultural Land Preservation	1,931,515.19						1,931,515.19
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	55,978,199.21						55,978,199.21
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

CASH MANAGEMENT DIVISION

CIVIL LIST FUNDS
SCHEDULE OF INVESTMENTS [1] [2]
FISCAL YEAR ENDED JUNE 30, 2006
PRESENTED UNDER BUDGETARY BASIS OF ACCOUNTING [4] [5]

Legal No.	Type	GAAP No.	Type	Fund Name	STIF Investments 6/30/06	Tax Exempt Proceeds Fund Investments 6/30/06	Investments with Treasurer as Trustee Short-Term 6/30/06	Investments with Treasurer as Trustee Long-Term 6/30/06	Investments with Others as Trustee Short-Term 6/30/06	Investments with Others as Trustee Long-Term 6/30/06	Total
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
13029	Cap. Proj.	1301	Cap.Proj.	University and State University Facilities	119,715.53						119,715.53
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	235,826,551.13						235,826,551.13
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	468.00						468.00
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
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	1,590,020.25						1,590,020.25
17001	Cap. Proj.	1301	Cap.Proj.	Capital Improvements and Other Purposes	8,114,808.02						8,114,808.02
17011	Cap. Proj.	1301	Cap.Proj.	Capital Improvements and Other Purposes	19,041,142.26						19,041,142.26
17021	Cap. Proj.	1301	Cap.Proj.	Capital Improvements and Other Purposes	50,182,083.19						50,182,083.19
17041	Cap. Proj.	1301	Cap.Proj.	Capital Improvements and Other Purposes	12,325,465.02						12,325,465.02
17051	Cap. Proj.	1301	Cap.Proj.	Capital Improvements and Other Purposes	9,680,364.98						9,680,364.98
17086	Cap. Proj.	1301	Cap.Proj.	Capital Improvements and Other Purposes	46,393.41						46,393.41
17741	Cap. Proj.	1301	Cap.Proj.	Capital Improvements and Other Purposes							-
17771	Cap. Proj.	1301	Cap.Proj.	Capital Improvements and Other Purposes	1,896,204.95						1,896,204.95
17781	Cap. Proj.	1301	Cap.Proj.	Capital Improvements and Other Purposes							-
17791	Cap. Proj.	1301	Cap.Proj.	Capital Improvements and Other Purposes							-
17801	Cap. Proj.	1301	Cap.Proj.	Capital Improvements and Other Purposes	2,627,878.29						2,627,878.29
17811	Cap. Proj.	1301	Cap.Proj.	Capital Improvements and Other Purposes							-
17831	Cap. Proj.	1301	Cap.Proj.	Capital Improvements and Other Purposes	3,038,248.86						3,038,248.86
17841	Cap. Proj.	1301	Cap.Proj.	Capital Improvements and Other Purposes	2,275,617.33						2,275,617.33
17851	Cap. Proj.	1301	Cap.Proj.	Capital Improvements and Other Purposes	2,643,266.02						2,643,266.02
17871	Cap. Proj.	1301	Cap.Proj.	Capital Improvements and Other Purposes							-
17901	Cap. Proj.	1301	Cap.Proj.	Capital Improvements and Other Purposes		1,639,109.07					1,639,109.07
17911	Cap. Proj.	1301	Cap.Proj.	Capital Improvements and Other Purposes	103,437.25						103,437.25
17921	Cap. Proj.	1301	Cap.Proj.	Capital Improvements and Other Purposes		3,152,411.69					3,152,411.69
17951	Cap. Proj.	1301	Cap.Proj.	Capital Improvements and Other Purposes		3,549,660.78					3,549,660.78
17961	Cap. Proj.	1301	Cap.Proj.	Capital Improvements and Other Purposes	15,908,206.87						15,908,206.87
17971	Cap. Proj.	1301	Cap.Proj.	Capital Improvements and Other Purposes		3,249,669.29					3,249,669.29
17981	Cap. Proj.	1301	Cap.Proj.	Capital Improvements and Other Purposes	2,665,803.53						2,665,803.53
17991	Cap. Proj.	1301	Cap.Proj.	Capital Improvements and Other Purposes		8,776,516.91					8,776,516.91
					$447,501,162.66	$21,723,622.85	$ -	$ -	$ -	$ -	$ 469,224,785.51
DEBT SERVICE FUNDS											
14001	Debt Service	2106	Enterprise	University Bond Liquidation	$ 4,763,480.61						$ 4,763,480.61
14002	Debt Service	2109	Enterprise	State University Dormitory	47,852,803.10						47,852,803.10
14005	Debt Service	1401	Debt Service	Transportation Fund Reserve	172,277,181.55 (6)				$ 137,574,616.39 (6)	$378,553,412.72 (6)	688,405,210.66
SUBTOTAL DEBT SERVICE FUNDS					$224,893,465.26	$ -	$ -	$ -	$ 137,574,616.39	$378,553,412.72	$741,021,494.37
ENTERPRISE FUNDS											
21002	Enterprise	2107	Enterprise	John Dempsey Hospital					$ 137,168.01 (7)	234,205.67 (7)	$ 371,373.68
21005	Enterprise	1215	Spec.Rev.	Auto Emissions Inspection	$ 6,960,173.47						6,960,173.47
21008	Enterprise	2110	Enterprise	Bradley International Parking Operations					7,010,640.80 (8)	5,121,130.00 (8)	12,131,770.80
21009	Enterprise	2101	Enterprise	Bradley International Airport Operations	95,601,518.16 (9)					45,172,960.01 (9)	140,774,478.17
21010	Enterprise	1212	Spec.Rev.	Local Bridge Rev. Fund - Bond Financed		$12,553,616.85					12,553,616.85

CASH MANAGEMENT DIVISION

CIVIL LIST FUNDS
SCHEDULE OF INVESTMENTS (1) (2)
FISCAL YEAR ENDED JUNE 30, 2006
PRESENTED UNDER BUDGETARY BASIS OF ACCOUNTING (4) (5)

Legal No.	Type	GAAP No.	Type	Fund Name	STIF Investments 6/30/06	Tax Exempt Proceeds Fund Investments 6/30/06	Investments with Treasurer as Trustee Short-Term 6/30/06	Investments with Treasurer as Trustee Long-Term 6/30/06	Investments with Others as Trustee Short-Term 6/30/06	Investments with Others as Trustee Long-Term 6/30/06	Total
21011	Enterprise	1212	Spec.Rev.	Local Bridge Rev. Fund - Revenue Financed	25,949,204.25						25,949,204.25
21014	Enterprise	1213	Spec.Rev.	Clean Water Fund - State	14,562,608.74				1,585,000.00 (10)	12,440,000.00 (10)	28,587,608.74
21015	Enterprise	2105	Non.-Exp.	Clean Water Fund - Federal	228.80		$59,564,493.92 (11)		109,975,655.60 (11)	228,826,153.47 (11)	398,366,531.79
21016	Enterprise	1213	Spec.Rev.	Clean Water Fund - Long Island Sound	777,218.50						777,218.50
21018	Enterprise	2111	Spec.Rev.	Drinking Water Fund - Federal Rev. Loan	11,493,334.45		15,997,683.57 (11)		10,392,026.54 (11)	27,107,669.96 (11)	64,990,714.52
21020	Enterprise	1216	Spec.Rev.	Rate Reduction Bond Operations			7,927,635.01 (12)	$7,534,500.00 (12)		13,000,000.00 (12)	28,462,135.01
SUBTOTAL ENTERPRISE FUNDS					$155,344,286.37	$12,553,616.85	$83,489,812.50	$7,534,500.00	$129,100,490.95	$331,902,119.11	$719,924,825.78
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							-
SUBTOTAL INTERNAL SERVICES FUNDS					$ -	$ -	$ -	$ -	$ -	$ -	$ -
FIDUCIARY FUNDS											
31001	Pension	3103	Pension	State Employees' Retirement Fund			$35,236,985.99	$8,738,848,854.33 (14)			$8,774,085,840.32
31002	Pension	3105	Pension	State Attorneys' Retirement Fund			34,518.35	736,757.13 (14)			771,275.48
31003	Pension	3105	Pension	General Assembly Retirement Fund	$23,171.73						23,171.73
31004	Pension	3106	Pension	Judges & Comp. Comm. Retirement Fund			1,313,787.24	162,444,677.65 (14)			163,758,464.89
31005	Pension	3105	Pension	Public Defenders Retirement Fund	68,312.33						68,312.33
31006	Pension	3104	Pension	Teachers' Retirement Fund			227,936,756.96	11,961,918,566.58 (14)			12,189,855,323.54
31008	Pension	3107	Pension	Municipal Employees' Retirement - Fund B			14,178,439.32	1,486,942,012.26 (14)			1,501,120,451.58
31009	Other Em Ben	3102	Agency	Policemen & Firemen Survivors' Ben. Fund			148,112.59	19,486,539.10 (14)			19,634,651.69
31010	Pension	3108	Pension	Probate Judges & Employees Retirement Fund			501,964.09	76,819,262.59 (14)			77,321,226.68
35009	Fiduciary	1503	Permanent	Endowed Chair Investment Fund	5,742,081.19						5,742,081.19
35010	Fiduciary	1502	Permanent	Connecticut Arts Endowment Fund			933,033.63	14,898,769.24 (14)			15,831,802.87
35011	Fiduciary	1501	Non.-Exp.	Soldiers, Sailors and Marines Trust Fund			60,041.31	59,358,129.16 (14)			59,418,170.47
35014	Fiduciary	2103	Exp.Trust	Unemployment Compensation Fund					$632,318,030.01 (15)		632,318,030.01
35015	Fiduciary	2107	Enterprise	John Dempsey Hospital Malpractice Trust Fund	12,625,036.93						12,625,036.93
SUBTOTAL FIDUCIARY FUNDS					$18,458,602.18	$ -	$280,343,639.48	$22,521,453,568.04	$632,318,030.01	$ -	$23,452,573,839.71
TOTAL CIVIL LIST FUNDS					**$3,034,624,773.61**	**$57,611,290.70**	**$376,333,451.98**	**$22,529,397,323.14**	**$898,993,137.35**	**$710,455,531.83**	**$27,607,415,508.61**

CASH MANAGEMENT DIVISION

CIVIL LIST FUNDS

SCHEDULE OF INVESTMENTS [1] [2] (Continued)

FISCAL YEAR ENDED JUNE 30, 2006

(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) In accordance with Section 3-115 of the General Statutes, the State Comptroller shall provide accounting statements relating to the financial condition of the State as a whole in the same form and in the same categories as appears in the budget act enacted by the General Assembly. The Budget Act enacted for the 2005 fiscal year is presented on a comprehensive basis of accounting other than general accepted accounting principals. In order to be consistent with the Comptroller's statements and the budgetary act, the State Treasurer has employed the same comprehensive basis of accounting for the presentation of the Civil List Funds Schedule of Investments

(5) GAAP accounting requires that investment balances be presented to include the accrued interest earned. This manner of presentation is not used for the budgetary basis presentation.

(6) Short-term investments consist of STIF Accounts, GIC's and taxable municipal bonds held by US Bank as Trustee. Long-term investments consist of US Treasury securities and taxable municipal bonds. Investments are held by US Bank as Trustee. For description of the program, see Debt Management Division.

(7) Represents funds reserved by the 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 8/15/06 through 2/15/09. These securities are purchased at a deep discount to par value at maturity. The recorded value on this schedule is the accreted cost value at June 30, 2006. At June 30, 2006, the aggregate historical cost of this portfolio was $88,904, the par value was $399,000. Although the portfolio is considered long-term in nature, securities totaling $141,000 in par value, $137,168 in accreted value, mature by June 30, 2007. These funds are held by US Bank as Trustee.

(8) Short-term investments consist of money market funds. Long-term investments consist of GIC's. Investments are held by Wachovia Bank, NA as Trustee. For description of the program, see Debt Management Division.

(9) Short-term investments consist of STIF accounts held by US Bank as Trustee. Long-term investments consist of GIC's and US Treasury securities. Investments are held by US Bank as Trustee. For description of the program, see Debt Management Division.

(10) Short-term and Long-term investments consist of State of Connecticut General Obligation Bonds which are shown at par. Investments held by US Bank as Trustee. For description of program, see Debt Management Division.

(11) Both Short-term and Long-term investments consist of STIF, Money Market Funds, State of Connecticut General Obligation Bonds and GIC's. Both Short-term and Long-term investments held by US Bank as Trustee. For description of program, see Debt Management Division

(12) Both Short-term and Long-term Investments with Treasurer as Trustee consist of STIF and cash. Long-term investments consist GIC's. All investments are held by Wachovia Bank, NA as Trustee. For description of program, see Debt Management Division.

(13) Short-term investments consist of STIF accounts and money market funds. Long-term investments consist of GIC's. Investments are held by Wachovia Bank, NA as Trustee. For description of the program, see Debt Management Division.

(14) Represents market value of shares held by various retirement plans in the Treasurer's Combined Investment Funds.

(15) Cash on deposit with Federal Government.

(16) Investments in certificate of deposits with maturities ranging from three to twelve months in local banks and credit unions.

CASH MANAGEMENT DIVISION

SECURITIES HELD IN TRUST FOR POLICYHOLDERS

JUNE 30, 2006

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:

Name of Insurance Company	Par Amount of Collateral	Market Value
ACE Life Insurance Company	$ 5,234,000.00	$ 5,045,048.20
Aetna Health and Life Insurance Company	2,025,000.00	2,040,201.00
Aetna Insurance Company Of Connecticut	2,000,000.00	1,909,760.00
Aetna Life Insurance Company	1,500,000.00	1,654,641.80
AIG Annuity Insurance Company	100,000.00	95,969.00
Allianz Global Risks US Insurance Company	681,000.00	677,806.11
American Centennial Insurance Company	50,000.00	59,167.51
American Employers Insurance Company	70,000.00	86,390.93
American Maturity Life Insurance Company	5,635,000.00	5,440,686.50
American Mayflower Life Insurance Of New York	250,000.00	284,092.50
American Phoenix Life & Reassurance Company	5,050,000.00	4,858,019.00
American Security Insurance Company	35,000.00	34,777.05
American Skandia Life Assurance Corporation	1,500,000.00	1,456,350.00
Annuity & Life Reassurance America, Inc.	5,000,000.00	4,973,792.70
Arbella Protection Insurance Company	50,000.00	50,541.00
Argonaut Insurance Company	4,360,000.00	4,253,231.00
Associated Indemnity Corporation	1,444,000.00	1,336,077.12
Automobile Insurance Company of Hartford,CT (The)	4,050,000.00	4,109,439.50
AXIS Specialty Insurance Company	2,800,000.00	2,793,112.00
Beazley Insurance Company, Inc.	2,500,000.00	2,399,225.00
Carolina Casualty Insurance Company	200,000.00	204,540.00
Charter Oak Fire Insurance Company (The)	4,525,000.00	4,799,784.75
Chicago Title Insurance Company	100,000.00	94,047.00
CM Assurance Company	2,000,000.00	1,984,680.00
C.M. Life Insurance Company	1,600,000.00	1,617,312.00
Cologne Reinsurance Company Of America	3,505,000.00	3,768,698.95
Connecticut Attorneys Title Insurance Company	110,000.00	109,883.40
Connecticut General Life Insurance Company	1,650,000.00	1,667,853.00
Converium Reinsurance (North America) Inc.	3,000,000.00	3,268,680.00
Covenant Insurance Company	600,000.00	602,429.00
Electric Insurance Company	11,810,000.00	11,615,144.15
Employers' Fire Insurance Company	655,000.00	829,815.30
Executive Risk Specialty Insurance Company	2,610,000.00	2,520,119.20
Fairfield Insurance Company	2,510,000.00	2,542,941.30
Farmington Casualty Company	3,000,000.00	3,177,733.50
Fireman's Fund Insurance Company	6,764,000.00	7,568,452.23
First State Insurance Company	2,200,000.00	2,042,810.00
Fremont Indemnity Company	899,300.00	899,699.50
GE Mortgage Insurance Corp of North Carolina	60,000.00	56,505.60
General Re Life Corporation	1,500,000.00	1,490,445.00
General Star Indemnity Company	2,975,000.00	3,110,346.75
Genesis Insurance Company	3,000,000.00	3,129,120.00
Genworth Life & Health Assurance Company	5,000,000.00	5,137,100.00
Genworth Mortgage Ins Corp of North Carolina	60,000.00	56,505.60
Gulf Underwriters' Insurance Company	2,500,000.00	2,513,075.00
Harleysville Worcester Insurance Company	9,065,000.00	8,798,029.65
Hartford Accident & Indemnity Company	3,325,000.00	3,514,221.45
Hartford Fire Insurance Company	3,830,000.00	3,942,205.90
Hartford Insurance Co of the Southeast	150,000.00	163,107.00
Hartford International Life Reassurance Corp.	2,145,000.00	2,049,150.75
Hartford Life & Accident Insurance Company	2,050,000.00	1,978,560.15
Hartford Life & Annuity Insurance Company	2,560,000.00	2,506,262.75
Hartford Life Insurance Company	2,200,000.00	2,179,788.00
Hartford Steam Boiler Inspection & Insurance Co.	4,000,000.00	4,109,680.00
Hartford Steam Boiler Inspection & Ins Co of CT	3,100,000.00	3,185,002.00
Hartford Underwriters' Insurance Company	3,250,000.00	3,411,817.50

CASH MANAGEMENT DIVISION

SECURITIES HELD IN TRUST FOR POLICYHOLDERS (Continued)

JUNE 30, 2006

Name of Insurance Company	Par Amount of Collateral	Market Value
Homesite Insurance Company	2,500,000.00	2,453,625.00
Houston General Insurance Company	65,000.00	65,339.95
IdeaLife Insurance Company	1,500,000.00	1,508,265.00
Industrial Alliance Life Insurance Company	30,000.00	29,562.00
ING Life Insurance & Annuity Company	3,600,000.00	2,477,052.00
Integon National Insurance Company	75,000.00	73,380.00
Integon Preferred Insurance Company	75,000.00	74,179.50
Knights of Columbus	2,000,000.00	1,520,000.00
Liberty Mutual Insurance Company	50,000.00	51,228.50
Lumber Mutual Insurance Company	1,880,000.00	1,871,050.80
Massachusetts Mutual Life Insurance Company	1,600,000.00	2,013,248.00
MEMBERS Life Insurance Company	350,000.00	347,770.50
MetLife Insurance Company of Connecticut	2,625,000.00	2,799,692.50
MetLife Life and Annuity Company of Connecticut	2,600,000.00	2,498,390.00
Middlesex Mutual Assurance Company	1,525,000.00	1,434,044.50
MML Bay State Life Insurance Company	1,500,000.00	1,516,230.00
Munich American Reassurance Company	40,000.00	40,315.60
National Liability & Fire Insurance Company	2,600,000.00	2,567,812.00
New England Insurance Company	2,745,000.00	2,619,038.75
New England Reinsurance Corporation	3,225,000.00	3,755,125.50
New London County Mutual Insurance Company	600,000.00	604,734.00
Northern Assurance Company of America	2,165,000.00	2,747,713.51
Nutmeg Insurance Company	3,000,000.00	3,234,650.00
Odyssey America Reinsurance Corporation	2,500,000.00	3,133,600.00
OneBeacon American Insurance Company	6,185,000.00	7,851,283.26
Pacific Insurance Company, Limited	2,820,000.00	2,948,981.00
Patrons Fire Insurance Company of Rhode Island	120,000.00	127,336.80
Patrons Mutual Insurance Company of Connecticut	120,000.00	121,994.40
PHL Variable Insurance Company	5,070,000.00	5,165,038.20
Phoenix Insurance Company (The)	4,635,000.00	4,815,545.70
Phoenix Life & Annuity Company	5,150,000.00	4,909,728.00
Prudential Retirement Insurance & Annuity Company	5,015,000.00	4,733,122.50
PXRE Reinsurance Company	7,430,000.00	7,213,787.00
Quadrant Indemnity Company	3,325,000.00	3,382,970.25
Response Worldwide Direct Auto Insurance Company	1,500,000.00	1,472,175.00
Response Worldwide Insurance Company	2,250,000.00	2,208,262.50
RVI America Insurance Company	2,540,000.00	2,207,534.00
Safeco Surplus Lines Company	100,000.00	94,875.00
Seaco Liquidating Trust	5,219,000.00	5,347,434.17
Seneca Insurance Company	260,000.00	308,302.80
Sentinel Insurance Company, Limited	3,200,000.00	3,313,761.50
Servus Life Insurance Company	5,250,000.00	5,405,134.00
Standard Fire Insurance Company (The)	4,000,000.00	3,987,960.00
Summit Insurance Company	200,000.00	201,578.00
Swiss Re Life & Health America, Inc.	5,290,000.00	5,124,690.40
T.H.E. Insurance Company	300,000.00	300,384.00
TIG Insurance Company	13,936,000.00	13,876,632.64
TravCo Insurance Company	4,875,000.00	4,843,556.25
Travelers Casualty & Surety Company	3,000,000.00	3,111,170.00
Travelers Casualty & Surety Co of America	3,180,000.00	3,288,798.60
Travelers Casualty Company of Connecticut	2,500,000.00	2,526,738.25
Travelers Casualty Insurance Company of America	3,400,000.00	4,304,468.00
Travelers Commercial Insurance Company	2,125,000.00	2,199,877.75
Travelers Commercial Casualty Company	3,200,000.00	3,302,364.00
Travelers Excess & Surplus Lines Company	2,500,000.00	2,614,425.00
Travelers Home & Marine Insurance Company (The)	5,125,000.00	5,091,943.75
Travelers Indemnity Company (The)	6,630,000.00	7,002,712.70
Travelers Indemnity Company of America (The)	3,565,000.00	3,554,269.35
Travelers Indemnity Company of Connecticut (The)	3,000,000.00	3,096,390.00
Travelers Personal Insurance Company	5,500,000.00	6,753,165.00
Travelers Personal Security Insurance Company	4,100,000.00	4,123,749.00
Travelers Property Casualty Company of America	3,000,000.00	3,192,713.00

SECURITIES HELD IN TRUST FOR POLICYHOLDERS (Continued)
JUNE 30, 2006

Name of Insurance Company		Par Amount of Collateral		Market Value
Travelers Property Casualty Insurance Company		2,050,000.00		2,131,998.00
Trenwick America Reinsurance Corporation		6,275,000.00		6,308,387.25
Truck Insurance Exchange		370,000.00		393,798.40
Trumbull Insurance Company		2,910,000.00		2,999,281.40
United Guaranty Residential Ins Company of NC		50,000.00		51,515.00
United Healthcare Insurance Company		1,510,000.00		1,440,222.90
United Illuminating Company		210,000.00		207,637.50
VantisLife Insurance Company		5,500,000.00		5,216,445.00
Vision Service Plan Insurance Company		2,300,000.00		2,320,746.00
Warner Insurance Company		2,000,000.00		1,962,900.00
Zenith Insurance Company		1,111,000.00		1,096,182.08
TOTAL	$	345,593,300.00	$	351,893,887.21

Assets Held In STIF:

Connecticut Surety Company (The)	$	2,719,835.74
Covenant Mutual Liquidating Trust		6,680,245.92
TOTAL	$	9,400,081.66

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, 2005		**$ 572,819,292.89**
Deposits	$ 618,523,000.00	
Combined Wage Transfers to Connecticut	5,563,670.13	
Earnings	26,963,924.37	
Federal Employee & Ex-Servicemen Contributions	6,291,000.00	
Temporary Emergency Unemployment Compensation	(102,000.00)	$ 657,239,594.50
TOTAL CASH AVAILABLE		**$ 1,230,058,887.39**
Withdrawals	$ 582,892,875.00	
Reed Act Withdrawals	8,556,982.38	
Federal Employee & Ex-Servicemen Withdrawals	6,291,000.00	597,740,857.38
BALANCE at JUNE 30, 2006		**$ 632,318,030.01**

Office of the State Treasurer

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