

**STATE OF CONNECTICUT
OFFICE OF THE TREASURER**

2005

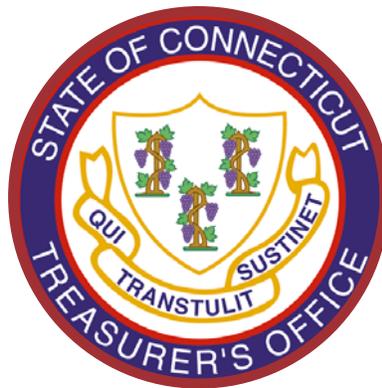


**SHORT-TERM INVESTMENT FUND
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the fiscal year ended June 30, 2005

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.

SHORT-TERM INVESTMENT FUND
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2005

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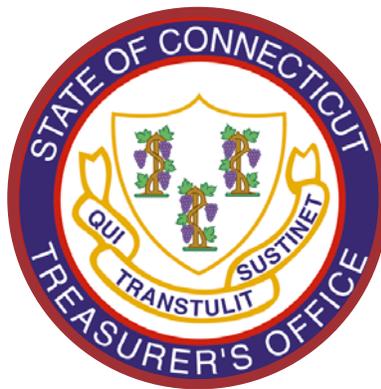
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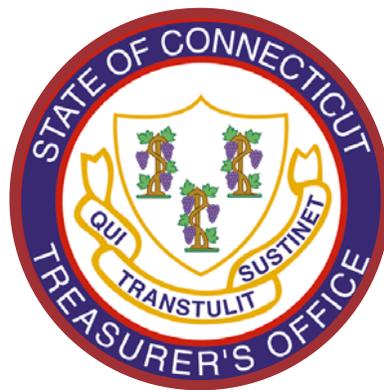
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Introductory
Section





State of Connecticut
Office of the Treasurer

DENISE L. NAPPIER
TREASURER

HOWARD G. RIFKIN
DEPUTY TREASURER

December 21, 2005

To the State of Connecticut Short-Term Investment Fund Participants:

I am pleased to submit this Comprehensive Annual Financial Report for the State of Connecticut Short-Term Investment Fund (STIF) for the fiscal year ended June 30, 2005, which reflects a year of solid performance, exceeding the Fund benchmark and providing substantial savings for taxpayers.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Office of the Treasurer. To the best of our knowledge, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of STIF.

The Short-Term Investment Fund, created by legislation in 1972, is a State and local government money market investment fund managed by the Treasurer of the State of Connecticut. Investors in the Fund include the State, State agencies and authorities, municipalities, and other political subdivisions of the State. The primary objective of the Fund is to provide the greatest possible return while protecting principal and providing liquidity for investors. The Fund's Investment Policy ensures strong asset diversification by security type and issuer, comprised of high-quality, very liquid securities with a relatively short average maturity. In addition, the Fund maintains a Designated Surplus Reserve, which approximates one percent of Fund assets, to protect against security defaults or the erosion of security values due to any significant unforeseen market changes. The Fund has never drawn against this reserve. (See Investment Policy, page 31.)

The 2005 Comprehensive Annual Financial Report is presented in four sections.

- ◆ Introductory Section contains this letter of transmittal, Management's Report, and identification of the Fund's administrative organization.
- ◆ Financial Section contains the opinion of the independent auditors, management's discussion & analysis (MD&A), and basic financial statements.
- ◆ The Investment Section contains investment information and a list of investments.
- ◆ The Statistical Section contains tables of significant data pertaining to the Fund.

Management's Discussion and Analysis

The MD&A beginning on page 12 provides an overview and analysis of the Fund's basic financial statements. This letter of transmittal is intended to complement the MD&A and should be read in conjunction with

it. We are confident that the data is presented in a manner that fairly reflects the financial position and results of operations as measured by the financial activity of the fund. To this end, audited financial statements and all disclosures necessary to enable the reader to gain an understanding of the Short-Term Investment Fund financial activities have been included herein for your review.

Economic Condition and Outlook

The economic condition of the Fund is based primarily upon investment earnings. With \$4.31 billion in assets as of June 30, 2005, STIF produced an annual total return of 2.32 percent, net of operating expenses and allocation to fund reserves. STIF exceeded its primary benchmark by 41 basis points, resulting in \$17 million in additional interest income for the State, State agencies and local governments.

The Federal Open Market Committee (FOMC) of the Federal Reserve in fiscal year 2005 began to raise interest rates in order to ward against inflation resulting from robust growth. The Fed Funds rate was increased 0.25 percent on June 30, 2004 with additional 0.25 percent increases throughout the fiscal year to 3.25 percent on June 30, 2005.

The outlook for fiscal year 2006 will likely see additional interest rate increases as rising energy and other costs have the potential to add to inflation pressures. The FOMC has already increased the Fed Funds rate with four 25 basis point increases to 4.25 percent as of December 13, 2005

The Fund's Rates of Return were examined by UHY, Certified Public Accountants, as presented on page 39 of this report.

Financial Information

Management is responsible for maintaining a system of adequate internal accounting controls designed to provide reasonable assurance that transactions are executed in accordance with management's general or specific authorization, and are recorded as necessary to maintain accountability for assets and to permit preparation of financial statements in accordance with generally accepted accounting principles. This system includes written policies and procedures. Discussion and analysis of net assets and related additions and deductions is presented in the MD&A beginning on page 12.

STIF has attained the highest money fund rating, AAAM, from Standard & Poor's (S&P), the leading rating agency of money market funds and local government investment pools. The rating is based on an analysis of the pool's management, investment guidelines, portfolio holdings and market price exposure. This AAAM rating, in S&P's view, "signifies that safety of invested principal is excellent and there is a superior capacity to maintain a \$1 per share net asset value at all times." In addition, S&P monitors STIF's portfolio on a weekly basis to ensure that we maintain the safety and liquidity its investors deserve.

The Investment Advisory Council and the Treasurer's Cash Management Advisory Board also review STIF's portfolio periodically throughout the year.

As of June 30, 2005, STIF administered 1,078 accounts for 60 State agencies and authorities, and 261 municipalities and local entities reflecting the continued confidence in the Fund as a solid investment vehicle for Connecticut communities.

Independent Audit

In this report, you will find a level of disclosure consistent with the highest standards of financial reporting in conformity with generally accepted accounting principles (GAAP). The State of Connecticut's independent Auditors of Public Accounts conducted an annual audit of this Comprehensive Annual Financial Report in

LETTER FROM THE TREASURER

accordance with generally accepted auditing standards. The auditors' report on the basic financial statements is included in the Financial Section of this report.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Fund a Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004. The Certificate is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

Additional Information

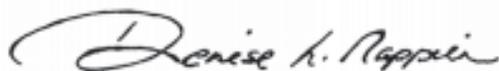
We will remain vigilant in safeguarding and prudently investing the operating cash of the State, its agencies and authorities, municipalities, and other political subdivisions of the State. Moreover, we will continue to seek the highest level of income possible within prudent parameters established to protect principal and provide liquidity to meet investors' daily cash flow requirements.

We are pleased to announce the addition of on-line investor services for the first time. The new system — called STIF Express - will allow investors to access the web to view account balances, transaction histories and income distributions, and it will give investors the ability to initiate deposits and withdrawals via the Internet.

In addition, we have developed a new section of the Treasury website dedicated to STIF investors. At the STIF home page you will find helpful information on STIF, including the current daily rate and historical data. You also will find links to annual and quarterly reports, our new on-line system, and forms for opening new STIF accounts and for enrolling in the special services, such as Grant Express, Debt Service Express, and Clean Water Fund Express, that we offer our investors. This new STIF site may be accessed through the Treasury website, www.state.ct.us/ott.

This Annual Report and our annual STIF Investor Meeting are offered to provide a more comprehensive understanding of the STIF investment record. We appreciate your participation in the Short-Term Investment Fund, and hope that the information provided here will prove to be both interesting and helpful.

Sincerely,



Denise L. Nappier
Treasurer
State of Connecticut

MANAGEMENT'S REPORT



State of Connecticut Office of the Treasurer

DENISE L. NAPIER
TREASURER

HOWARD G. RIFKIN
DEPUTY TREASURER

Connecticut State Treasury
Hartford, Connecticut
October 14, 2005

The Office of the Treasurer assumes the daily responsibility of managing the assets of the Short-Term Investment Fund (STIF) pool. State Street Bank and Trust Company serves as custodian for the pool. All investments must be made in instruments authorized by Connecticut General Statutes (CGS) 3-27c - 3-27f. The most recent guidelines under which the pool operates were adopted and approved by the State Treasurer on August 21, 1996. It is our belief that the contents of this Annual Report make evident the State of Connecticut Treasurer's Office support of the safe custody and conscientious stewardship of the Short-Term Investment Fund.

While STIF's financial statements and the related financial data contained in this Annual Report have been prepared in conformity with generally accepted accounting principles as a "2a7-like" pool, and such financial statements are audited annually by the State Auditors of Public Accounts, the ultimate accuracy and validity of this information is the responsibility of the management of the State Treasurer's Office. To carry out this responsibility, the Treasury maintains financial policies, procedures, accounting systems and internal controls which management believes provide reasonable, but not absolute, assurance that accurate financial records are maintained and investments and other assets are safeguarded.

In management's opinion, STIF's internal control structure is adequate to ensure that the financial information in this report presents fairly STIF's operation and financial condition.

Sincerely,

A handwritten signature in black ink, appearing to read "H. Rifkin", with a long horizontal flourish extending to the right.

Howard G. Rifkin
Deputy Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Connecticut State Treasurer's Short-Term Investment Fund

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Carla E. Fudge

President

Jeffrey R. Emer

Executive Director

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.

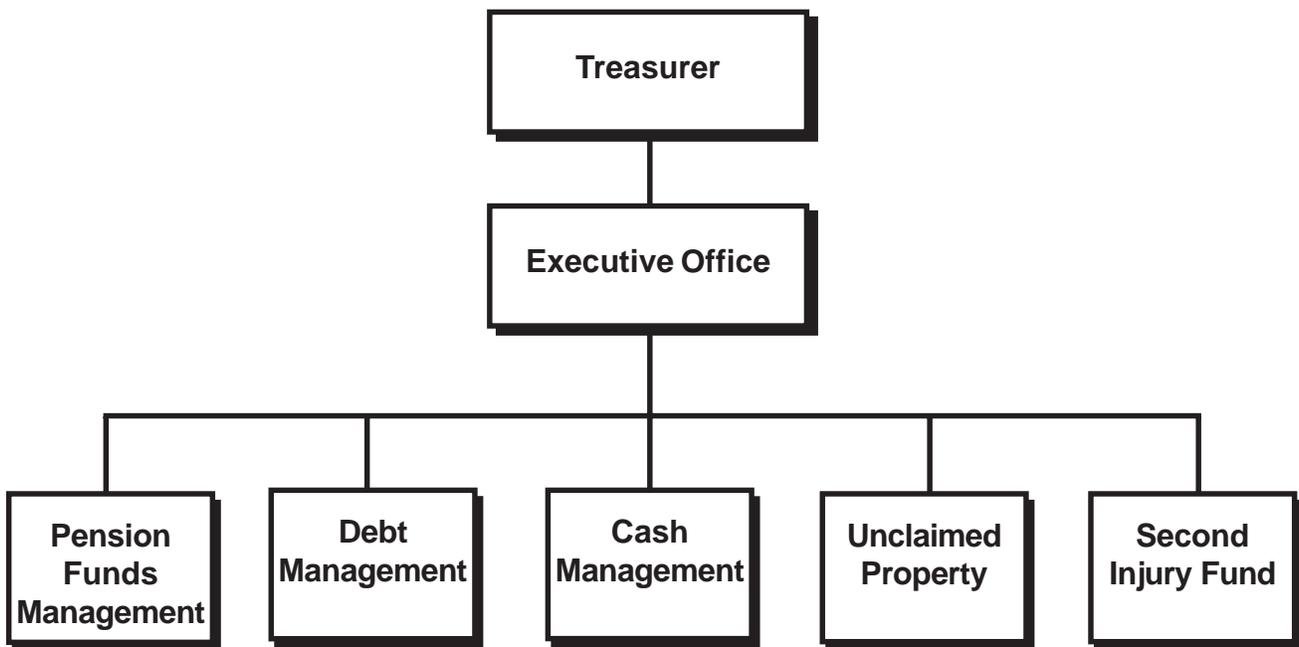
Statutory Responsibility

The Office of the Treasurer was established following the adoption of the fundamental orders of Connecticut in 1638. The Treasurer shall receive all funds belonging to the State and disburse the same only as may be directed by law, as described in Article Fourth, Section 22 of the Connecticut Constitution and in Title 3 of the Connecticut General Statutes.

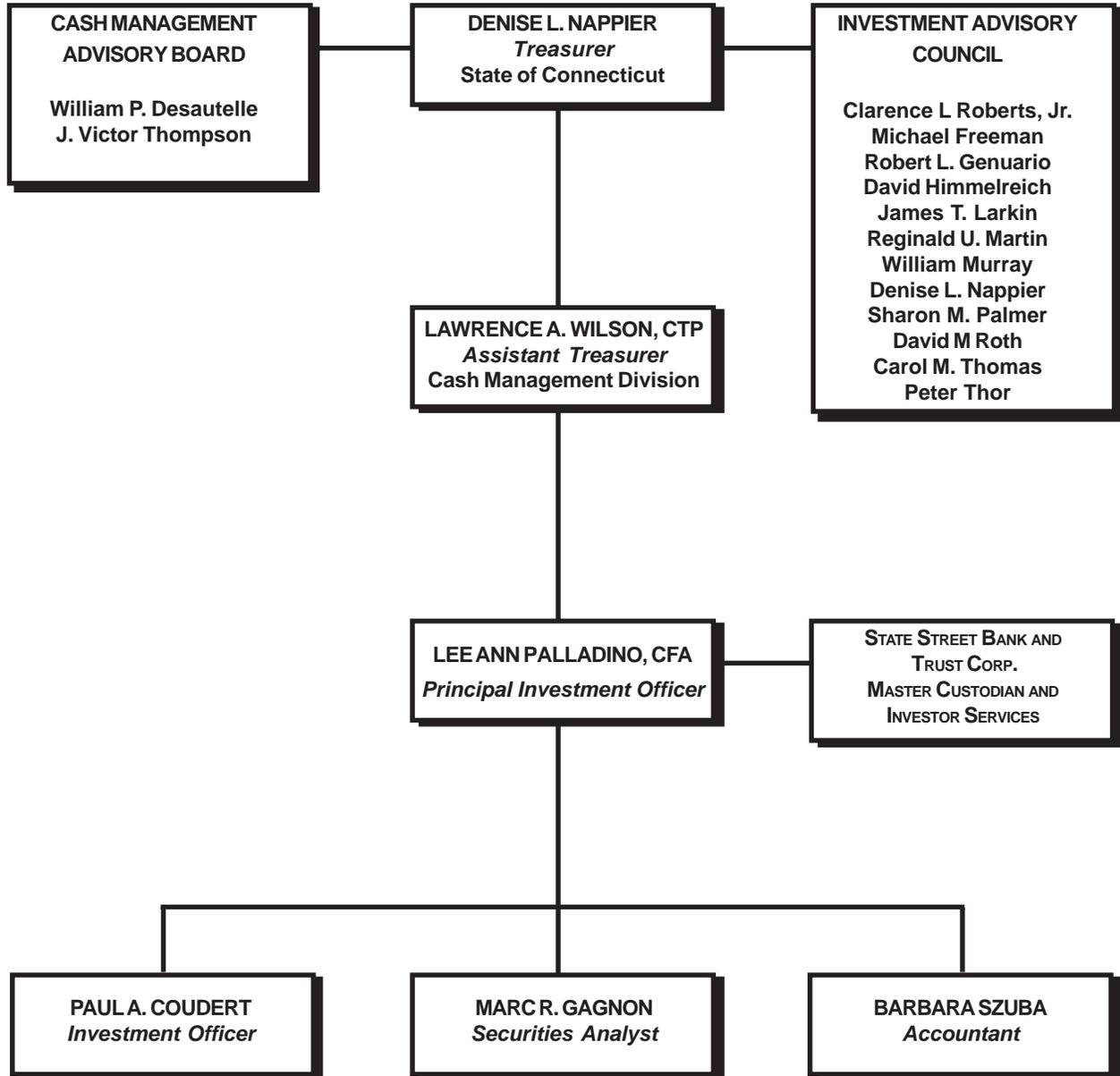
The Treasurer, as Chief Fiscal Officer for the State, oversees the prudent preservation and management of State funds, including the administration of a \$21 billion portfolio of pension assets and a \$4 billion short-term investment fund.

Public Service

The Office of the Treasurer includes an Executive Office as well as five divisions, each with specific responsibilities: Pension Funds Management, Cash Management, Debt Management, Unclaimed Property, and the Second Injury Fund.



SHORT-TERM INVESTMENT FUND ADMINISTRATION



As of October 15, 2005.

LIST OF PRINCIPAL OFFICIALS

SHORT-TERM INVESTMENT FUND

55 Elm Street
6th Floor
Hartford, CT. 06106-2773
Telephone: (860) 702-3118
Facsimile: (860) 702-3048
World Wide Web:
www.state.ct.us/ott

Treasurer, State of Connecticut
DENISE L. NAPPIER (860) 702-3001

Deputy Treasurer, State of Connecticut
HOWARD G. RIFKIN (860) 702-3292

Assistant Treasurer, Cash Management
LAWRENCE A. WILSON, CTP (860) 702-3126

STIF INVESTMENT MANAGEMENT

Principal Investment Officer
LEE ANN PALLADINO, CFA (860) 702-3255

Investment Officer
PAULA. COUDERT (860) 702-3254

Securities Analyst
MARC R. GAGNON (860) 702-3158

STIF INVESTOR SERVICES
Accountant
BARBARA SZUBA (860) 702-3118

CUSTODIAN AND INVESTOR SERVICES
STATE STREET BANK AND TRUST CORPORATION
1-800-754-8430

Financial
Section



STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

STATE CAPITOL
210 CAPITOL AVENUE

HARTFORD, CONNECTICUT 06106-1559

KEVIN P. JOHNSTON

ROBERT G. JAEKLE

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statement of net assets of the Short-Term Investment Fund, including the list of investments, as of June 30, 2005, and the statements of changes in net assets for the fiscal years ended June 30, 2005, and 2004. These financial statements are the responsibility of the management of the State Treasury. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Our procedures included confirmation of securities owned as of June 30, 2005, 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, 2005, and the results of its operations and changes in net assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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


Kevin P. Johnston
Auditor of Public Accounts


Robert G. Jaekle
Auditor of Public Accounts

November 30, 2005
State Capitol
Hartford, Connecticut

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents Management's Discussion and Analysis (MD&A) of the Comprehensive Annual Financial Report (CAFR) of the State of Connecticut's Office of the Treasurer Short-Term Investment Fund (STIF) financial position and performance for the fiscal year ended June 30, 2005. It is presented as a narrative overview and analysis. Management of the State of Connecticut's Office of the Treasurer encourage readers to review it in conjunction with the transmittal letter included in the Introductory Section at the front of this report and the financial statements in the Financial Section that follow.

The Short-Term Investment Fund serves as an investment vehicle for the operating cash of the State Treasury, State agencies and authorities, and municipalities, and other political subdivisions of the State. The STIF financial statements reported by the Treasurer's Office for which the Treasurer has fiduciary responsibility for the investment thereof begin on page 15 and provide detailed information about the Fund.

FINANCIAL HIGHLIGHTS & ANALYSIS OF THE FUND

The Short-Term Investment Fund represents an investment pool of short-term money market instruments and is managed for the sole benefit of the participants. All income is distributed monthly after deducting operating costs of 3 basis points and an allocation to the Fund's Designated Surplus Reserve of 10 basis points (until the reserve reaches one percent of fund assets). The Treasurer's Short-Term Investment Fund is a AAAM rated investment pool of high-quality, short-term money market instruments.

Net Assets - The net assets under management in the Short-Term Investment Fund at the close of the fiscal year were \$4.31 billion, an increase of \$0.48 billion from the previous year. The principal reason was an overall increase of \$0.61 billion in State investments and a decline of \$0.13 billion in investments in the Fund from State agencies and authorities and its municipal customers.

Operating Income – STIF produced an annual total return of 2.32%, net of operating expenses and allocations to Fund reserves, compared to an annual total return of 1.16%, 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 1.91%, by 41 basis points, resulting in \$17 million in additional interest income for Connecticut governments and their taxpayers.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the Office of the Treasurer's Short-Term Investment Fund basic financial statements, which are comprised of: 1) Statement of Net Assets, 2) Statement of Changes in Net Assets and 3) Notes to the Financial Statements.

The Statement of Net Assets and the Statement 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 15) 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 16) presents information showing how the Short-Term Investment Fund's net assets changed during the most recent 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 17-21 of this report.

Net Assets held in trust for Participants

A summary of the net assets held in trust for participants is presented below.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Condensed Statement of Net Assets Fiscal Year Ended June 30,

	2005	2004	Increase / (Decrease)	
			Amount	%
Assets				
Investments in Securities, at Amortized Cost	\$4,319,415,620	\$3,829,113,292	490,302,328	12.80%
Receivables and Other	<u>4,987,676</u>	<u>4,243,207</u>	<u>744,469</u>	0.02%
Total Assets	4,324,403,296	3,833,356,499	491,046,797	12.82%
Liabilities	<u>(10,539,459)</u>	<u>(4,100,492)</u>	<u>6,438,967</u>	0.17%
Net Assets	<u>\$4,313,863,837</u>	<u>\$3,829,256,007</u>	<u>484,607,830</u>	<u>12.65%</u>

The Summary of Operations below presents information on interest income and expense, net investment income and operating expenses.

Summary of Operations Fiscal Year Ended June 30,

	2005	2004	Increase / (Decrease)	
			Amount	%
Investment Income				
Net Interest Income	\$96,613,691	\$45,094,106	\$51,519,585	116.19%
Net Realized Gains	<u>-</u>	<u>176,116</u>	<u>(176,116)</u>	<u>(0.40)%</u>
Total Investment Income	96,613,691	45,270,222	51,343,469	115.79%
Expenses				
Operating Costs	<u>(1,083,961)</u>	<u>(930,074)</u>	<u>153,887</u>	<u>00.34%</u>
Net Increase in Net Assets Resulting from Operations	<u>\$95,529,730</u>	<u>\$44,340,148</u>	<u>\$51,189,582</u>	<u>115.45%</u>

The Statement of Changes in Net Assets (page 16) 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 occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. interest income).

Condensed Statement of Changes in Net Assets Fiscal Year Ended June 30,

	2005	2004	Increase / (Decrease)
			Amount
Net Increase in Net Assets Resulting From Operations	\$95,529,730	\$44,340,148	\$51,189,582
Distributions to participants	<u>93,828,235</u>	<u>43,374,797</u>	<u>50,453,438</u>
Net Increase after Distributions	1,701,495	965,351	736,144
Purchase of Units	12,857,155,268	12,774,720,082	82,435,186
Redemption of Units	<u>(12,374,248,933)</u>	<u>(12,222,508,246)</u>	<u>(151,740,687)</u>
Net Increase in Net Assets	<u>\$484,607,830</u>	<u>\$553,177,187</u>	<u>\$(68,569,357)</u>

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 17 through 21 of this report.

ECONOMIC CONDITIONS AND OUTLOOK

Fiscal year 2005 began with low short-term interest rates not seen since the 1950's. Throughout 2005, the economy continued to gather strength and Gross Domestic Product (GDP) grew at an annualized rate of 3.6 percent during the fiscal year. A strong housing market, and an employment picture that was beginning to firm along with steady consumer spending were the bright spots in the economy. Consumer spending was influenced by gains in net worth from housing price appreciation, improved employment and lower unemployment.

MANAGEMENT'S DISCUSSION AND ANALYSIS

In response to the increasing health of the U.S. economy, the Federal Reserve began to steadily increase interest rates to ward off inflation and nearly tripled the overnight Federal Funds rate from 1.25 percent at the beginning of the fiscal year to 3.50 percent at August 30, 2005.

Fiscal Year 2006 began with an optimistic view of the economy despite high energy prices, as spending, business growth and housing continued the forward momentum seen in the previous year. The Fed will likely continue to increase short-term interest rates in the near term to keep inflation contained. Although core inflation has been relatively low in recent months, the Fed's Open Market Committee believes that pressures on inflation have stayed elevated. 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 net 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

CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND

**STATEMENT OF NET ASSETS
JUNE 30, 2005**

	<u>June 30, 2005</u>
ASSETS	
Investment in Securities, at Amortized Cost (Note 8)	\$ 4,319,415,620
Accrued Interest and Other Receivables	4,934,027
Prepaid Assets	53,649
TOTAL ASSETS	<u>4,324,403,296</u>
LIABILITIES	
Distribution Payable	10,424,248
Payable to Transfer Agent (Note 6)	10,968
Interest Payable	91,221
Other Liabilities	13,022
TOTAL LIABILITIES	<u>10,539,459</u>
NET ASSETS	<u>\$ 4,313,863,837</u>
NET ASSETS CONSIST OF:	
Participant Units Outstanding(\$1.00 Par)	\$ 4,270,377,726
Designated Surplus Reserve (Note 2)	43,486,111
TOTAL NET ASSETS	<u>\$ 4,313,863,837</u>
Participant Net Asset Value, Offering Price and Redemption	
Price per share (\$4,270,377,726 in Net Assets divided by 4,270,377,726 shares)	\$ <u>1.00</u>

See accompanying Notes to the Financial Statements.

CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND

**STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2005 AND JUNE 30, 2004**

	For the Year Ended June 30,	
	2005	2004
ADDITIONS		
Operations		
Interest Income	\$ 96,613,691	\$ 45,108,665
Interest Expense on Reverse Repurchase Agreements	-	(14,559)
Operating Expenses	<u>(1,083,961)</u>	<u>(930,074)</u>
Net Investment Income	95,529,730	44,164,032
Net Realized Gains	-	176,116
Net Increase in Net Assets Resulting from Operations	95,529,730	44,340,148
Share Transactions at Net Asset Value of \$1.00 per Share		
Purchase of Units	<u>12,857,155,268</u>	<u>12,774,720,082</u>
TOTAL ADDITIONS	<u>12,952,684,998</u>	<u>12,819,060,230</u>
 DEDUCTIONS		
Distribution to Participants (Notes 2 & 7)		
Distributions to Participants	<u>(93,828,235)</u>	<u>(43,374,797)</u>
Total Distributions Paid and Payable	(93,828,235)	(43,374,797)
Share Transactions at Net Asset Value of \$1.00 per Share		
Redemption of Units	<u>(12,374,248,933)</u>	<u>(12,222,508,246)</u>
TOTAL DEDUCTIONS	<u>(12,468,077,168)</u>	<u>(12,265,883,043)</u>
 CHANGE IN NET ASSETS	 484,607,830	 553,177,187
 Net Assets		
Beginning of Year	3,829,256,007	3,276,078,820
End of Year	<u>\$ 4,313,863,837</u>	<u>\$ 3,829,256,007</u>

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.

NOTES TO FINANCIAL STATEMENTS (Continued)

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. Prior to December 1, 1996 distributions were based upon the actual number of days in the year at an interest rate established by the Treasurer on or before the first date of the month ("the guaranteed rate"). The interest distributions earned by investors were distributed within fifteen business days after the close of the periods ending on the last day of August and November.

Earnings Subject to Special Distribution.

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

Designated Surplus Reserve.

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

As of June 30, 2005, the balance in the Designated Surplus Reserve was \$43,486,111, an increase of \$1,701,495 from the June 30, 2004 balance of \$41,784,616.

Estimates.

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

NOTE 3: DEPOSIT AND INVESTMENT DISCLOSURES

STIF's investment practice is to invest all cash balances; as such, there was no uninvested cash at June 30, 2005. 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".

CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND

NOTES TO FINANCIAL STATEMENTS (Continued)

Certificates of Deposit 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 public deposits to segregate collateral against these deposits in an amount equal to ten percent of the outstanding deposit. As of fiscal year-end, deposits in the Short-Term Investment Fund totaled \$1.2 billion. Of that amount, \$1,079,700,000 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, 2005 the weighted average maturity of the STIF was 32 days. The breakdown of the STIF's maturity profile is outlined below.

Investments	Amortized Cost	Maturities Less than one year
Certificates of Deposit	\$1,200,000,000	\$1,200,000,000
Commercial Paper	450,000,000	450,000,000
Asset Backed CP:		
Multi-Seller	138,925,887	138,925,887
Secured Liquidity Notes	1,475,437,551	1,475,437,551
Securities backed	623,262,845	623,262,845
Floating Rate Bonds	147,874,335	147,874,335
Repurchase Agreements	283,915,000	283,915,000
Liquidity Management Control System	1	1
Total	\$4,319,415,619	\$4,319,415,619

Additionally, STIF is allowed by policy, to invest in floating-rate debt securities, and limit total exposure to 20 percent. For purposes of the weighted average maturity calculation, 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 \$147.9 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	1,200,000,000	1,200,000,000			
Commercial Paper	450,000,000	450,000,000			
Asset Backed CP:					
Multi-Seller	138,925,887	138,925,887			
Secured Liquidity Notes	1,475,437,551	1,475,437,551			
Securities backed	623,262,845	623,262,845			
Floating Rate Bonds	147,874,335			86,909,245	60,965,090
Repurchase Agreements*	283,915,000			283,915,000	
LMCS	1	1			
Total	4,319,415,619	3,887,626,284	-	370,824,245	60,965,090

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, 2005, 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
Albis Capital Corp	266,831,824	6.2%
ASAP Funding	259,905,278	6.0%
Freedom Park	267,335,614	6.2%
GE Capital Corp	411,910,265	9.5%
JP Morgan Chase Bank	400,000,000	9.3%
Wachovia Bank	400,000,000	9.3%
Citizens Bank	400,000,000	9.3%

CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND

NOTES TO FINANCIAL STATEMENTS (Continued)

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 \$100,000.

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, 2005, STIF recorded a liability of \$10,968, 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:

<u>Distributions:</u>	<u>2005</u>	<u>2004</u>
July	\$ 4,488,148	\$ 3,459,841
August	5,455,631	3,999,517
September	6,113,181	3,696,228
October	6,591,446	3,507,310
November	6,268,350	3,246,255
December	6,750,839	3,139,363
January	8,060,413	3,614,655
February	8,336,789	3,686,284
March	9,919,350	3,712,929
April	10,410,745	3,703,840
May	11,009,094	3,943,286
June (Payable at June 30)	<u>10,424,248</u>	<u>3,665,289</u>
Total Distribution Paid & Payable	<u>\$93,828,235</u>	<u>\$43,374,797</u>

NOTE 8: INVESTMENTS IN SECURITIES

The following is a summary of investments in securities, at amortized cost and fair value as of June 30, 2005:

<u>Investment</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
Commercial Paper	\$ 450,000,000	\$ 450,000,000
Deposit Instruments	1,200,000,000	1,200,000,000
Extendable Commercial Notes	1,475,437,552	1,475,438,662
Floating Rate Notes	147,874,335	147,861,428
Money Market Funds	1	1
Multi-Backed Commercial Paper	138,925,887	138,925,887
Repurchase Agreements	283,915,000	283,915,000
Securities-Backed Commercial Paper	<u>623,262,845</u>	<u>623,262,845</u>
TOTAL	<u>\$4,319,415,620</u>	<u>\$4,319,403,823</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

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, 2005, the Short-Term Investment Fund held adjustable-rate corporate notes 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

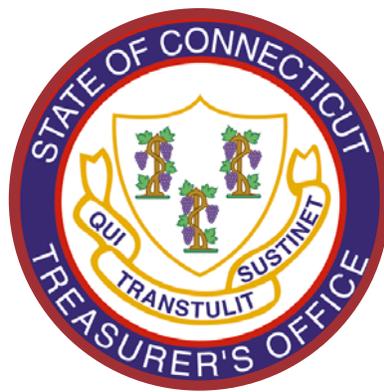
Throughout the year ended June 30, 2005, STIF was rated AAAM, its highest rating, by Standard and Poor's Corporation ("S&P"). In March 2005, following a review of the portfolio and STIF's investment policies, management and procedures, S&P reaffirmed STIF's AAAM rating. In order to maintain an AAAM rating, 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.



Investment
Section



2005 short-term investment fund

Fund Facts at June 30, 2005

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: Rated Money Fund Report Averages™ – Taxable Institutional (MFR Index), Federal Reserve Three-Month CD, Federal Reserve Three-Month T-Bill.

Date of Inception: 1972

Total Net Assets: \$4,313,863,837

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 2005 fiscal year, STIF's portfolio averaged \$4.1 billion.

STIF employs a top-down approach to developing its investment strategy for the management of its funds. Starting with the objectives of the fund, STIF considers constraints outlined in its investment policy, which includes among other parameters: liquidity management, limitations on the portfolio's maintenance of weighted average maturity targets (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 just over \$43 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 iMoneyNet's RATED MONEY FUND REPORT AVERAGES™ – TAXABLE INSTITUTIONAL ("MFR" index). This index represents an average of institutional money market mutual funds rated AAA 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 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 2005 fiscal year was the continuation of an AAAM rating by Standard & Poor's in March 2005. This rating is S&P's highest for money market funds and investment pools and

CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND

signifies its conclusion that the Fund's safety of investors' principal is excellent and that superior capacity exists to maintain a \$1 per share net asset value at all times. (See figure 11-4.)

Risk Profile

STIF is considered extremely low risk for several reasons. First, its portfolio is comprised of high-quality, highly liquid securities, which insulate the Fund from default and liquidity risk. Second, its relatively short average maturity reduces the Fund's price sensitivity to changes in market interest rates. Third, STIF has a strong degree of asset diversification by security type and issuer, as required by its investment policy, strengthening its overall risk profile. And finally, STIF's reserve, which totals approximately one percent of Fund assets, is available to protect against security defaults or the erosion of security values due to dramatic and unforeseen market changes. While this reserve has never been drawn upon 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 33 days. During the year the Fund's average maturity ranged from 19 to 56 days as market interest rates rose. At the end of the 2005 fiscal year, the average maturity was 32 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 98.6 percent concentration in investments rated A-1+ or AAA (the highest ratings of Standard & Poor's) or overnight repurchase agreements. Seventy-four percent of the Fund was invested in securities with maturities, or interest rate reset dates for adjustable rate securities, of less than 30 days, versus 64 percent at the previous year-end. The Fund's three largest security weightings included secured liquidity notes (34.1 percent), deposit instruments (27.8 percent), and security-backed, asset-backed commercial paper (14.4 percent). (See figure 11-5.)

Performance Summary

For the one-year period ending June 30, 2005, STIF reported an annual total return of 2.32 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 1.91 percent, by 41 basis points. Additionally, the performance was competitive compared to the three-month T-Bills, which yielded 2.25 percent and three-month CDs, which yielded 2.48 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. 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 2005, 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 fluctuating average life in response to the changing interest rate environment. Over the long-term, STIF has performed exceptionally well. For the trailing three-, five-, seven-, and ten-year periods, STIF's compounded annual total return was 1.70 percent, 2.75 percent, 3.58 percent, and 4.25 percent, net of operating expenses and contributions to reserves, exceeding returns of each of its benchmarks for all time periods. Viewed on a dollar-for-dollar basis, had one invested \$10 million in STIF ten years ago, that investment would have been worth \$15.2 million at June 30, 2005, versus \$14.6 million for a hypothetical investment in the MFR Index. (See figure 11-6.)

Economic Report for Fiscal Year 2005

Fiscal Year (FY) 2005 began with short-term interest rates near their lowest levels since the 1950s, a tentative economy, and an employment picture that was beginning to firm. The bright spots of the economy were a powerful housing market and brisk consumer spending spurred by gains in net worth from housing price appreciation.

Throughout FY 2005, the economy continued to gain steam and strength. Gross Domestic Product (GDP) grew 3.6 percent during FY 2005, paced by an annualized 3.8 percent average quarterly increase in personal consumption.

The higher personal spending resulted from an improved employment picture (employment grew by 2.1 million jobs as the unemployment rate fell from 5.5 percent to 5.0 percent), a 6.6 percent increase in personal income, and a 12.5 percent increase in housing values from March 2004 to March 2005.

On the business front, business leaders began the year with caution in their approach to investment in their companies. While corporate profits continued to increase throughout FY 2005, it did not prompt high levels of reinvestment. Business investment increased on average 4.2 percent during the fiscal year.

Faced with positive economic indicators, the Federal Reserve began to move back from the simulative low interest rates and steadily increased interest rates to ward against over stimulation and inflation. The overnight Federal Funds rate more than tripled from 1.25 percent as of June 2004 to 4.00 percent as of November 2005.

Meanwhile, inflation stayed at relatively benign levels. The Consumer Price Index (CPI) rose by 3.2 percent on a year-over-year basis as of July 2005, and the Personal Consumption Index, the Fed's preferred measure of core consumption prices, rose by 1.8 percent for the same period.

Outlook for Fiscal Year 2006

As Fiscal Year 2006 got underway, the economy's condition was best summarized by an excerpt of the August 9, 2005 text of the Fed's Federal Open Market Committee meeting, which stated that "aggregate spending, despite high energy prices, appears to have strengthened since late winter, and labor market conditions continue to improve gradually. Core inflation has been relatively low in recent months and longer-term inflation expectations remain well contained, but pressures on inflation have stayed elevated." As we entered the year, the economy had plenty of momentum with regard to spending, business growth and housing. Given that outlook, it was likely that short-term rates would continue to rise in the near term to keep inflation contained.

Several factors, however, could threaten the generally optimistic expectations. First, Hurricane Katrina — along with its absolutely horrific human impact — has exacerbated already high oil prices (sweet crude oil prices have soared from \$35 per barrel in June 2004 to over \$70 per barrel in August 2005) in the short-term.

Second, the housing market could be subject to a valuation adjustment during the next fiscal year. The high level of price appreciation, past access to low mortgage rates, more risky and creative credit products, and purchases of homes that are bordering on the unaffordable level, may ultimately contribute to a decline in housing values, particularly if interest rates increase.

Third, the yield curve is at historically flat levels with the difference between the two-year and ten-year Treasury notes a minimal 20 basis points. Flat yield curves such as this have a high correlation with economic recessions.

Finally, January 2006 will mark the end of an impressive career for Federal Reserve Chairman Alan Greenspan. The transition to a new Chair will be closely monitored by market participants.

In the event that these economic risks develop and the nation's economy experiences substantial price increases or declines in business activity, it may become necessary, at some point, for the Federal Reserve's FOMC to change its current course.

CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND

Figure 11-1

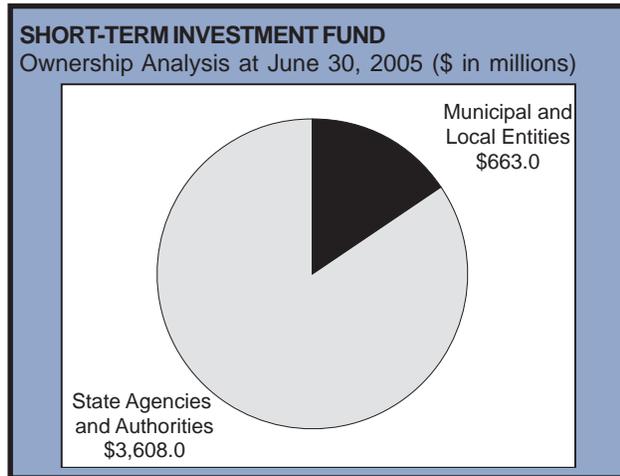


Figure 11-2

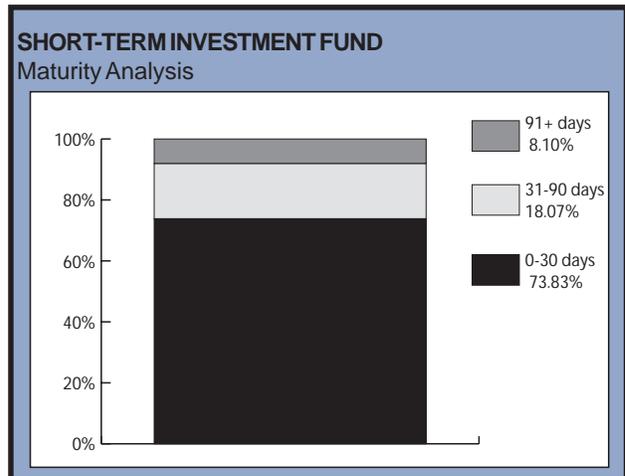


Figure 11-3

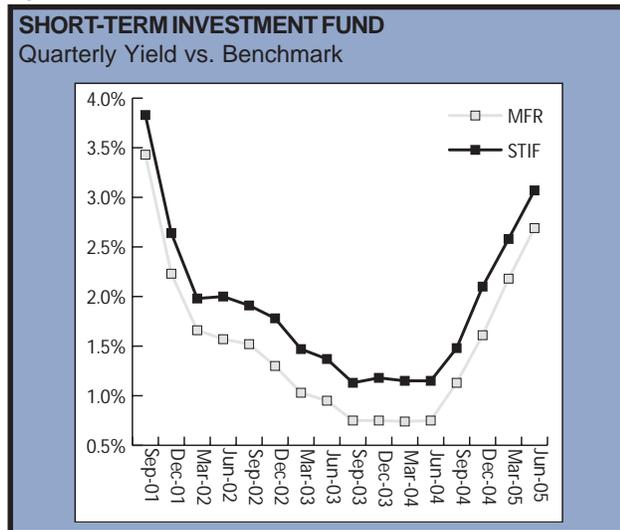


Figure 11-4

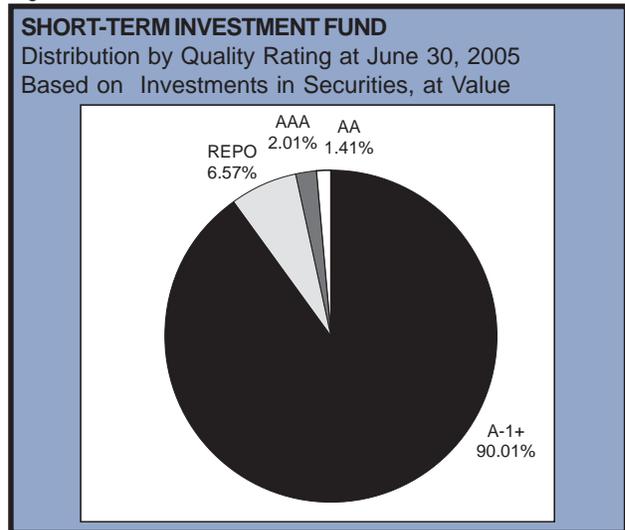


Figure 11-5

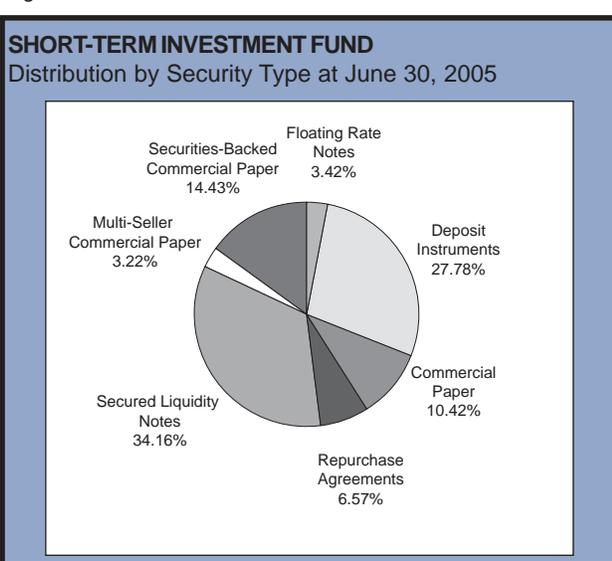


Figure 11-6

SHORT-TERM INVESTMENT FUND
Period ending June 30, 2005

	1 Yr	3 Yrs	5 Yrs	7 Yrs	10 Yrs
Compounded Annual Total Return (%)					
STIF	2.32	1.70	2.75	3.58	4.25
MFR Index*	1.91	1.29	2.35	3.19	3.85
Fed. Three-Month T-Bill	2.25	1.51	2.38	3.12	3.74
Fed. Three-Month CD	2.48	1.66	2.56	3.41	4.08
Cumulative Total Return (%)					
STIF	2.32	5.20	14.55	27.95	51.58
MFR Index*	1.91	3.91	12.31	24.55	45.85
Fed. Three-Month T-Bill	2.25	4.59	12.49	23.98	44.37
Fed. Three-Month CD	2.48	5.06	13.48	26.45	49.10

*Represents Rated Money Fund Report Averages™ - Taxable Institutional (MFR) Index for the period January 1, 1996 through June 30, 2005 and First Tier Institutions-Only Money Fund Report™ (MFR) Index prior to December 31, 1995.

CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND

LIST OF INVESTMENTS AT JUNE 30, 2005

Par Value	Security (Coupon, Maturity or Reset Date)	Yield %	Amortized Cost	Fair Value	Asset ID	Quality Rating
DEPOSIT INSTRUMENTS (27.78% of total investments)						
\$ 50,000,000	CITIZENS BANK 3.25, 7/1/05	3.25	\$ 50,000,000	\$ 50,000,000	17399R004	A-1+
50,000,000	CITIZENS BANK 3.25, 7/1/05	3.25	50,000,000	50,000,000	17399R004	A-1+
50,000,000	CITIZENS BANK 3.25, 7/1/05	3.25	50,000,000	50,000,000	17399R004	A-1+
50,000,000	CITIZENS BANK 3.25, 7/1/05	3.25	50,000,000	50,000,000	17399R004	A-1+
50,000,000	CITIZENS BANK 3.25, 7/1/05	3.25	50,000,000	50,000,000	17399R004	A-1+
50,000,000	CITIZENS BANK 3.25, 7/1/05	3.25	50,000,000	50,000,000	17399R004	A-1+
50,000,000	CITIZENS BANK 3.25, 7/1/05	3.25	50,000,000	50,000,000	17399R004	A-1+
50,000,000	CITIZENS BANK 3.25, 7/1/05	3.25	50,000,000	50,000,000	17399R004	A-1+
50,000,000	JP MORGAN CHASE 3.24, 1/3/06	3.24	50,000,000	50,000,000	43499K004	A-1+
50,000,000	JP MORGAN CHASE 3.24, 1/3/06	3.24	50,000,000	50,000,000	43499K004	A-1+
50,000,000	JP MORGAN CHASE 3.24, 1/3/06	3.24	50,000,000	50,000,000	43499K004	A-1+
50,000,000	JP MORGAN CHASE 3.24, 1/3/06	3.24	50,000,000	50,000,000	43499K004	A-1+
50,000,000	JP MORGAN CHASE 3.24, 1/3/06	3.24	50,000,000	50,000,000	43499K004	A-1+
50,000,000	JP MORGAN CHASE 3.24, 1/3/06	3.24	50,000,000	50,000,000	43499K004	A-1+
50,000,000	JP MORGAN CHASE 3.24, 1/3/06	3.24	50,000,000	50,000,000	43499K004	A-1+
50,000,000	JP MORGAN CHASE 3.24, 1/3/06	3.24	50,000,000	50,000,000	43499K004	A-1+
50,000,000	WACHOVIA 3.25, 1/3/06	3.25	50,000,000	50,000,000	32099S004	A-1+
50,000,000	WACHOVIA 3.25, 1/3/06	3.25	50,000,000	50,000,000	32099S004	A-1+
50,000,000	WACHOVIA 3.25, 1/3/06	3.25	50,000,000	50,000,000	32099S004	A-1+
50,000,000	WACHOVIA 3.25, 1/3/06	3.25	50,000,000	50,000,000	32099S004	A-1+
50,000,000	WACHOVIA 3.25, 1/3/06	3.25	50,000,000	50,000,000	32099S004	A-1+
50,000,000	WACHOVIA 3.25, 1/3/06	3.25	50,000,000	50,000,000	32099S004	A-1+
50,000,000	WACHOVIA 3.25, 1/3/06	3.25	50,000,000	50,000,000	32099S004	A-1+
50,000,000	WACHOVIA 3.25, 1/3/06	3.25	50,000,000	50,000,000	32099S004	A-1+
\$1,200,000,000			\$ 1,200,000,000	\$ 1,200,000,000		
COMMERCIAL PAPER (10.42% of total investments)						
\$ 200,000,000	GE CAPITAL 3.40, 7/1/05	3.40	\$ 200,000,000	\$ 200,000,000	36965WQH2	A-1+
200,000,000	GE CAPITAL 3.40, 7/1/05	3.40	200,000,000	200,000,000	36959HU13	A-1+
50,000,000	UBS 3.39, 7/1/05	3.39	50,000,000	50,000,000	90262CU13	A-1+
\$ 450,000,000			\$ 450,000,000	\$ 450,000,000		
FLOATING RATE NOTES (3.42% of total investments)						
\$ 19,850,000	CITIGROUP 3.48, 3/16/07	3.53	\$ 19,871,989	\$ 19,864,292	17307EBA0	AA-
12,065,000	CITIGROUP 3.50, 12/12/06	3.53	12,082,892	12,078,633	17307EAV5	AA-
3,690,000	CITIGROUP 3.50, 12/12/06	3.53	3,695,388	3,694,170	17307EAV5	AA-
50,000,000	FIVE FINANCE 3.32, 5/27/07	3.34	50,000,000	50,006,000	33828WAR1	AAA
5,000,000	GE CAPITAL CORP 3.39, 12/8/06	3.50	5,000,625	5,000,950	36962GK52	AAA
6,900,000	GE CAPITAL CORP 3.46, 3/9/07	3.50	6,909,733	6,909,315	36962GE91	AAA
10,000,000	ROYAL BANK OF SCOTLAND 3.24, 4/21/10	3.15	10,000,000	10,001,500	78010JAB8	AA
25,000,000	SIGMA FINANCE 3.17, 9/23/05	3.30	24,998,887	24,998,000	8265QOEN8	AAA
15,000,000	SOUTHTRUST 3.49, 3/19/07	3.53	15,014,605	15,008,400	8447HACJ1	AA-
300,000	SOUTHTRUST 3.49, 3/19/07	3.53	300,216	300,168	8447HACJ1	AA-
\$ 147,805,000			\$ 147,874,335	\$ 147,861,428		
SECURED LIQUIDITY NOTES (34.16% of total investments)						
\$ 69,636,000	FREEDOM PARK 3.14, 7/6/05	3.14	\$ 69,605,631	\$ 69,605,631	35644EGU5	A-1+
65,101,000	FREEDOM PARK 3.20, 7/12/05	3.20	65,037,346	65,037,346	35644EGW1	A-1+
50,241,000	FREEDOM PARK 3.21, 7/13/05	3.21	50,187,242	50,187,242	35644EGX9	A-1+
46,246,000	FREEDOM PARK 3.23, 7/15/05	3.23	46,187,910	46,187,910	35644EGY7	A-1+
36,385,000	FREEDOM PARK 3.34, 7/21/05	3.35	36,317,486	36,317,486	35644EGZ4	A-1+
25,000,000	AJAX BAMBINO 3.11, 12/28/05*	3.11	25,000,000	25,000,000	00959NHU7	A-1+
150,000,000	ASAP FUNDING 3.45, 9/29/05*	3.45	150,000,000	150,000,000	04341GTK0	A-1+
110,000,000	ASAP FUNDING 3.10, 10/11/05*	3.10	109,905,278	109,905,278	04341GNX8	A-1+
25,000,000	ALBIS CAPITAL CORP 3.21, 1/6/06*	3.21	24,977,708	24,977,708	01344EBD3	A-1+
23,685,000	ALBIS CAPITAL CORP 2.28, 1/27/06*	2.29	23,615,945	23,615,945	01344TV22	A-1+
25,315,000	ALBIS CAPITAL CORP 3.27, 1/27/06*	3.28	25,241,418	25,241,418	01344EAL6	A-1+
25,000,000	ALBIS CAPITAL CORP 3.30, 1/31/06*	3.31	24,922,083	24,922,083	01344EBB7	A-1+
33,800,000	ALBIS CAPITAL CORP 3.29, 1/31/06*	3.30	33,694,976	33,694,976	01344EAU6	A-1+
15,000,000	ALBIS CAPITAL CORP 3.28, 2/1/06*	3.29	14,952,167	14,952,167	01344TV55	A-1+
25,000,000	ALBIS CAPITAL CORP 3.31, 2/3/06*	3.32	24,912,653	24,912,653	01344EBC5	A-1+
25,000,000	ALBIS CAPITAL CORP 3.35, 2/10/06*	3.36	24,892,986	24,892,986	01344EBG6	A-1+

CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND

LIST OF INVESTMENTS AT JUNE 30, 2005 (Continued)

Par Value	Security (Coupon, Maturity or Reset Date)	Yield %	Amortized Cost	Fair Value	Asset ID	Quality Rating
25,000,000	ALBIS CAPITAL CORP 3.38, 2/10/06*	3.39	24,892,028	24,892,028	01344EBJO	A-1+
25,000,000	ALBIS CAPITAL CORP 3.50, 2/28/06*	3.51	24,849,306	24,849,922	01344EBX9	A-1+
20,000,000	ALBIS CAPITAL CORP 3.50, 2/28/06*	3.51	19,879,444	19,879,938	01344EBX9	A-1+
25,000,000	BROADHOLLOW FUNDING 3.25, 7/5/05	3.25	24,990,972	24,990,972	11133XA53	A-1+
80,000,000	BROADHOLLOW FUNDING 3.25, 7/6/05	3.25	79,963,889	79,963,889	11133XZT4	A-1+
29,000,000	BROADHOLLOW FUNDING 3.25, 7/7/05	3.25	28,984,292	28,984,292	11133XZX5	A-1+
50,000,000	BROADHOLLOW FUNDING 3.30, 7/19/05	3.31	49,917,500	49,917,500	11133XA95	A-1+
25,000,000	BROADHOLLOW FUNDING 3.38, 8/15/05	3.39	24,894,375	24,894,375	11133WAK2	A-1+
75,000,000	HARWOOD STREET I 3.09, 7/6/05	3.09	74,967,812	74,967,812	41801JSG	A-1+
33,023,000	MAIN STREET WAREHOUSE 3.16, 1/4/06*	3.16	33,002,709	33,002,709	56036EGW3	A-1+
50,000,000	MAIN STREET WAREHOUSE 3.30, 1/13/06*	3.31	49,922,083	49,922,083	56036TTS5	A-1+
40,000,000	MASTER FUNDING 3.14, 12/30/05*	3.14	39,982,556	39,982,556	57634GBK3	A-1+
50,000,000	OCALA FUNDING 3.17, 11/2/05*	3.17	49,982,389	49,982,389	67456EE29	A-1+
75,000,000	OCALA FUNDING 3.16, 11/4/05*	3.16	74,960,500	74,960,500	67456EAL1	A-1+
50,000,000	OCALA FUNDING 3.30, 11/15/05*	3.31	49,922,083	49,922,083	67456ED46	A-1+
50,000,000	PARK GRANADA 3.16, 7/20/05	3.17	49,916,611	49,916,611	7005A54E6	A-1+
25,000,000	PARK GRANADA 3.17, 7/20/05	3.18	24,958,174	24,958,174	7005A54L0	A-1+
\$1,477,432,000			\$ 1,475,437,552	\$ 1,475,438,662		
MULTI-SELLER COMMERCIAL PAPER (3.22% of total investments)						
\$ 110,000,000	TASMAN FUNDING 3.22, 7/7/05	3.22	\$ 109,940,967	\$ 109,940,967	87651TU78	A-1+
29,000,000	FORRESTAL CERTIFICATES 3.12, 7/7/05	3.12	28,984,920	28,984,920	34656JU77	A-1+
\$ 139,000,000			\$ 138,925,887	\$ 138,925,887		
SECURITIES-BACKED COMMERCIAL PAPER (14.43% of total investments)						
\$ 90,300,000	BELLE HAVEN 3.305, 7/21/05*	3.31	\$ 90,159,069	\$ 90,159,069	07843PCR9	A-1+
210,000,000	CHESHAM FINANCE 3.44, 7/1/05	3.44	210,000,000	210,000,000	16536HU17	A-1+
25,000,000	LAGUNA 3.32, 7/12/05*	3.32	24,986,167	24,986,167	50716PCV4	A-1+
50,000,000	LAGUNA 3.23, 7/28/05*	3.24	49,892,333	49,892,333	50716PCS1	A-1+
50,000,000	LAGUNA 3.17, 8/3/05*	3.18	49,876,722	49,876,722	50716PCK8	A-1+
28,070,000	LAGUNA 3.35, 8/8/05*	3.36	27,983,802	27,983,802	50716PCN2	A-1+
90,363,000	PERRY GLOBAL FUNDING 3.29, 8/1/05	3.29	90,107,775	90,107,775	71464LV18	A-1+
46,364,000	PINNACLE POINT 3.29, 7/21/05	3.30	46,279,257	46,279,257	72347JUM9	A-1+
34,000,000	STEAMBOAT FUNDING 3.37, 7/8/05	3.37	33,977,720	33,977,720	85788KU85	A-1+
\$ 624,097,000			\$ 623,262,845	\$ 623,262,845		
REPURCHASE AGREEMENTS (6.57% of total investments)						
\$ 215,000,000	BEAR STEARNS 3.48, 7/1/05	3.48	\$ 215,000,000	\$ 215,000,000	073993008	A-1
68,915,000	LEHMAN BROTHERS 3.37, 7/1/05	3.37	68,915,000	68,915,000	525180006	A-1
\$ 283,915,000			\$ 283,915,000	\$ 283,915,000		
MONEY MARKET FUNDS (0.00% of total investments)						
\$ 1	LIQUIDITY MNGT SYSTEM 2.25, 7/1/05	2.25	\$ 1	\$ 1	536991003	A-1+
\$ 1			\$ 1	\$ 1		
\$ 4,322,249,001	TOTAL INVESTMENT IN SECURITIES		\$ 4,319,415,620	\$ 4,319,403,823		

CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND

SCHEDULE OF MANAGEMENT FEES AT JUNE 30, 2005

<u>Category</u>	<u>Amount</u>
Internal Management Fees	\$1,016,881
External Management Fees	<u>67,080</u>
Total:	<u><u>\$1,083,961</u></u>

Internal management fees include payroll, lease service, subscriptions, supplies, telephone and other. External professional fees include Independent Accountant fees and custodian and investor services.

CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND**SCHEDULE OF PARTICIPANTS BY CONCENTRATION AT JUNE 30, 2005**

Type	Number of Accounts	Value
Municipal Entities	548	\$ 662,638,019
State	84	2,186,234,819
Political Subdivisions of the State	<u>446</u>	<u>1,421,504,888</u>
Total	<u>1,078</u>	<u>\$4,270,377,726</u>

Participant Net Asset Value, Offering Price and Redemption Price per
Share (\$4,270,377,726 in Net Assets divided by 4,270,377,726 shares) \$ 1.00

Investment Policy

As adopted August 21, 1996

A. Background

The Treasurer's Short-Term Investment Fund (STIF) is an investment pool of high-quality, short-term money market instruments for state and local governments. Operating since 1972 in a manner similar to a money market mutual fund, STIF's purpose is to provide a safe, liquid and effective investment vehicle for the operating cash of the State Treasury, state agencies and authorities, municipalities, and other political subdivisions of the state.

All State, local and political subdivisions of the State are authorized to invest in STIF by (CGS) 3-27a and 3-27b.

B. Purpose

The purpose of this document is to specify the policies and guidelines that provide for the systematic management of STIF and the prudent and productive investment of funds.

C. Investment Objectives

STIF seeks as high a level of current income as is consistent with, first, the safety of principal invested by the State, municipalities and others, and, second, the provision of liquidity to meet participants' daily cash flow requirements.

D. Safety of Principal

Safety of principal, STIF's primary objective, shall be pursued in a number of ways.

1. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio by protecting against credit risks (from security defaults) and the erosion of market prices (from rising interest rates).
2. The Fund's investments shall be made in conformance with prudent guidelines for allowable instruments, credit quality and maturities. See Section H.
3. STIF shall maintain adequate diversification of instruments, issuers, industries and maturities to protect against significant losses from credit risks and market changes. See Section H.
4. All securities shall be held by a third-party custodian.
5. All transactions shall be handled on the basis of delivery vs. payment to a custodian bank.
6. All repurchase agreements shall be fully collateralized, with a custodian bank receiving delivery of the collateral.
7. Reverse repurchase agreements may be used only to meet temporary liquidity requirements of the Fund and may not exceed five percent of total Fund assets. See Section H.
8. STIF shall maintain a designated surplus reserve to provide an added layer of security. For the period June through November 1996 a pro-rated allocation to the reserve will be paid from investment returns that will equal, on an annualized basis, one-tenth of one percent of the fund's total investments until the reserve equals one percent of investments. Effective December 1, 1996, daily allocations to the designated surplus reserve will be paid from investment returns and will equal, on an annualized basis, one-tenth of one percent of the fund's investments until the reserve equals one percent of investments. If net losses significant to the aggregate portfolio are realized, they shall be charged against the designated surplus reserve, as discussed in Section Q. This reserve has never been drawn upon in STIF's 24-year history.

While STIF — which consists predominantly of funds for which the Treasurer is sole trustee — is managed diligently to protect against losses from credit and market changes, and though deposits are backed by high-quality and highly-liquid short-term securities, the Fund is not insured or guaranteed by any government and the maintenance of capital cannot be fully assured.

E. Liquidity

The portfolio shall be structured through sufficient investments in overnight and highly-marketable securities to allow complete liquidity for participants. In addition, reverse repurchase agreements totaling up to five percent of Fund assets may be used to meet temporary liquidity requirements.

Participants have full and quick access to all of their funds. Participants may make same-day (up to 10:30 a.m.) deposits and withdrawals of any size. Withdrawals generally are sent via Fed wire, thus funds are available for use on the day of withdrawal.

In addition, deposits and withdrawals may be made through the ACH system on a next-day basis, deposits may be made by check through the mail, and withdrawals may be made by check. No transaction fees are charged on deposits or withdrawals by wire or ACH. Withdrawals by check are charged a fee, as specified in the participant manual.

F. Yield

STIF's investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account investment risk constraints and the liquidity requirements of the Fund.

The portfolio shall be managed with the objective of exceeding the average of three-month U.S. Treasury Bill rates for the equivalent period. This index is considered a benchmark for near-riskless investment transactions and, therefore, comprises a minimum standard for the portfolio's rate of return. The investment program shall seek to augment returns above this threshold, consistent with stated risk limitations and prudent investment principles.

While STIF shall not make investments for the purpose of trading or speculating as the dominant criterion, STIF shall seek to enhance total portfolio return through active portfolio management. The prohibition on speculative investments precludes pursuit of gain or profit through unusual risk. Trading in response to changes in market value or market direction, however, is warranted under active portfolio management.

G. Prudence

Investments shall be made with the care, skill, prudence, and diligence — under circumstances then prevailing — that prudent persons acting in like capacities and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The standard of prudence to be used by STIF's investment officials shall be the "prudent expert" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion in writing and appropriate action is taken to control adverse developments.

H. Investment Guidelines

All investments must be made in instruments authorized by CGS 3-27c - 3-27e. In addition, the Treasurer has adopted the investment guidelines that follow. Unless otherwise indicated, references to credit ratings are to those of Standard & Poor's.

1. STIF may invest in the following securities:
 - a. U.S. government and federal agency securities.

CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND

- b. Certificates of deposit of commercial banks in the United States whose short-term debt is rated at least A-1 and TBW-1 (by Thomson Bank Watch) and whose long-term debt is rated at least A- and C (by Thomson Bank Watch).
 - c. Certificates of deposit of U.S. branches of foreign banks with short-term debt ratings of at least A-1 and TBW-1 and long-term debt ratings of at least A and B/C (by Thomson Bank Watch).
 - d. Bankers' acceptances of those banks meeting the criteria in b. and c. above.
 - e. Fully-collateralized repurchase agreements with primary dealers of the Federal Reserve with short-term debt ratings of at least A-1, or qualified domestic commercial banks meeting the criteria in b. above, with possession of collateral by a custodian bank.
 - f. Commercial paper of companies that have short-term debt rated at least A-1 and P-1 (by Moody's) and long-term debt rated at least AA- and Aa3 (by Moody's).
 - g. Corporate or asset-backed securities rated at least A-1/P-1 and AA-/Aa3.
 - h. Asset-backed securities with maturities of under one year rated at least A-1/P-1.
 - i. Money market mutual funds or similar investment pools, comprised of securities permitted under this investment policy and managed to maintain a constant share value, rated AAAm.
 - j. A line of credit of up to \$100 million with the Connecticut Student Loan Foundation. Any resulting loans shall be fully collateralized (at 102 percent) by student loans with interest and principal 98 percent federally guaranteed.
 - k. The portfolio currently includes securities issued by the State of Israel, which mature in less than six years, and which, in the aggregate, total less than .5 percent of the portfolio value. These notes' interest rates are reset semi-annually at the prime rate minus 50 basis points. These securities, as currently structured, will not be purchased in the future.
2. Reverse repurchase agreements, in the aggregate, may not exceed five percent of net assets at the time of execution. While any reverse repurchase agreement is outstanding, new investments must match the maturity of the shortest-term outstanding reverse repurchase agreement. Reverse repurchase agreements are to be used only to meet temporary liquidity requirements of the Fund.
 3. No investments may be made in "derivative" securities such as futures, swaps, options, interest-only and principal-only mortgage-backed securities, inverse floaters, CMT floaters, leveraged floaters, dual index floaters, COFI floaters, and range floaters. These types of securities can experience high price volatility with changing market conditions, and their market values may not return to par even at the time of an interest rate adjustment.

Investments may be made in adjustable rate securities whose interest rates move in the same direction and in the same amount as standard short-term money market interest rate benchmarks, such as Fed Funds, LIBOR, Treasury bills, one-month CDs, one-month commercial paper and the prime rate, and conform with STIF's other credit and maturity standards. Interest rate reset periods may not exceed six months. The values of these securities tend to return to par upon the scheduled adjustment of interest rates. Some parties in the financial services industry consider these types of adjustable rate securities to be derivatives, others do not.

U.S. Treasury Separate Trading of Registered Interest and Principal Securities ("STRIPS") are not considered derivatives and may be purchased. These instruments are subject to the same interest rate risks as U.S. Treasury securities of the same duration. STRIPS are fundamentally different from mortgage-backed and other interest-only or principal-only securities that are subject to unscheduled prepayments of principal.

CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND

4. All investments must be made in U.S. dollar-denominated securities.
5. The dollar-weighted average portfolio maturity (including interest rate reset periods) may not exceed 90 days. Individual maturities may not exceed five years.
6. STIF shall diversify its investments to avoid incurring unreasonable risks inherent in overinvesting in specific instruments, industry segments, individual issuers or maturities. Diversification strategies shall include:
 - a. At the time of purchase, no more than five percent of the overall portfolio may be invested in an individual security, other than overnight or two-business-day repurchase agreements and U.S. government and agency securities.
 - b. At the time of purchase, no more than 10 percent of the overall portfolio may be invested in securities of a single bank or corporation, other than overnight or two-business-day repurchase agreements and U.S. government and agency securities.
 - c. There is no limitation on the percentage of assets that may be invested in securities of the United States government, its agencies or instrumentalities, or in overnight or two-business-day repurchase agreements.
 - d. At the time of purchase, no more than 25 percent of the overall portfolio may be invested in any industry other than the financial services industry.
 - e. At the time of purchase, no more than 50 percent of the overall portfolio may be invested in the combined total of commercial paper and non-asset-backed corporate notes.
 - f. At the time of purchase, no more than 20 percent of the overall portfolio may be invested in floating rate securities with final maturities in excess of two years.
 - g. At the time of purchase, no more than five percent of the overall portfolio may be invested in an individual money market mutual fund or similar investment pool.
 - h. At the time of purchase, no more than 10 percent of the overall portfolio may be invested in money market mutual funds and similar investment pools.
 - i. At the time of purchase, investments in securities that are not readily marketable, other than securities that mature within seven days, may not exceed 10 percent of the fund's overall portfolio.
 - j. At least 75 percent of the overall portfolio shall be invested in securities rated A-1+ or in overnight repurchase agreements with dealers or banks rated A-1.
7. The Treasurer intends to operate STIF in such a manner as to maintain its AAAM credit rating from Standard & Poor's, or a similar rating from another nationally-recognized credit rating service recognized by the State Banking Commissioner.
8. Investment decisions shall be based on the relative and varying yields and risks of individual securities and the Fund's liquidity requirements.

I. Interest Payments

Until December 1, 1996:

STIF pays interest quarterly based on monthly guaranteed rates that are set on or before the first day of each month by the Treasury based on STIF's portfolio and market conditions. In addition, participants will be paid a bonus distribution — based on actual earnings less guaranteed interest payments, expenses and the payment to the reserve for losses — for the period of June through November. All rates are calculated and quoted on the basis of the actual number of days in a year (an "actual-over-actual" basis).

Effective December 1, 1996:

STIF declares and accrues investor interest daily based on actual STIF earnings (including gains and losses), less expenses and transfers to the designated surplus reserve. Interest is paid monthly through direct distribution or reinvestment. Earned rates are available on a next-day basis. All rates are calculated and quoted on the basis of the actual number of days in a year (an "actual-over-actual" basis) and reported in accordance with guidelines of the Association for Investment Management and Research (AIMR).

J. Administrative Costs

STIF is provided to participants without sales or management fees. Administrative costs are paid from investment earnings, and all STIF participants (including the state and local entities) share in covering the Fund's expenses in proportion to the size of their investments. Costs have run at between two and three basis points (or \$2-3 per \$10,000 invested).

K. Delegation of Authority

The Short-Term Investment Unit within the Treasury's Cash Management Division manages STIF's investments. Deposits, withdrawals, participant record-keeping and the distribution of interest are handled by State Street Bank and Trust under the supervision of the STIF Administration Unit within the Treasury's Cash Management Division.

L. Daily Confirmations

Confirmations of daily deposits and withdrawals are sent the day after the transaction.

M. Monthly Statements

Monthly statements of balances, account activity, and paid interest are mailed to participants by the 10th day of each month.

N. Reports

Quarterly and annual reports describing STIF's yields, performance relative to its primary benchmark (IBC First Tier Institutions-Only Rated Money Fund Index), and investments shall be provided to all participants. A detailed portfolio listing, data on 90-day Treasury bills and 90-day certificates of deposit, and commentary on economic conditions shall be provided with each report. The reports are available on the World Wide Web at: <http://www.state.ct.us/ott>

O. Participant Manual

A manual describing STIF's operating procedures, instructions for opening and closing accounts and making deposits and withdrawals, and methods of distributing interest, is provided to all participants. There currently are no restrictions on the size or number of accounts or transactions.

P. Audit

The Auditors of Public Accounts audit STIF's financial statements and operating procedures annually. Copies of audit opinions and reports will be provided to all participants.

Q. Portfolio Valuation

STIF's values and yields are accounted for on an amortized-cost basis. Market values of all securities, except for those securities listed in Sections H.1.j and H.1.k, above, are calculated on a weekly basis. Significant deviations of market values to amortized costs shall be reported as follows:

1. First Level Notification. If the market value of the overall investment portfolio, based on reports from the custodian, drops below 99.75 percent of the amortized cost value of the overall investment portfolio, or if the ratio of the market value of the overall portfolio to the outstanding participant units drops below 100.50 percent, the Principal Investment Officer would notify the Assistant Treasurer for Cash Management, the Assistant Treasurer for Pension Funds Management, and the Treasurer's Investment Committee at the first weekly meeting following such determination.
2. Second Level Notification. If the market value of the overall investment portfolio, based on reports from the custodian, drops below 99.50 percent of the amortized cost value of the overall investment

portfolio, or if the ratio of the market value of the overall portfolio to the outstanding participant units drops below 100.25 percent, the Principal Investment Officer would notify, as soon as practical, the Treasurer, Deputy Treasurer, Assistant Treasurer - Chief of Staff, Assistant Treasurer for Cash Management, Assistant Treasurer for Pension Funds Management, and the Treasurer's Investment Committee. The Treasurer's Investment Committee would then meet in special session to review the circumstances surrounding the fall in one or both ratios, and it would review every security held by the fund. If this second level notification resulted from a significant increase in fund size that resulted in a proportionate decrease in the relative size of the designated surplus reserve, then portfolio or other changes may not be required. If this second level notification resulted from the decline in market values of securities, then the Investment Committee would consider selling securities that had fallen in value and making use of the designated surplus reserve.

3. Investor Notification. If the ratio of the market value of the overall portfolio to the outstanding participant units drops below 99.75 percent, the Treasurer would notify all STIF investors of the situation and the actions being undertaken to protect against further reductions.

R. Internal Controls

The Treasury shall establish and maintain a system of internal controls, which shall be documented in writing. The internal controls shall be reviewed by the Auditors of Public Accounts. The controls shall be designed to prevent and control losses of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees and officers.

S. Cash Management Advisory Board

STIF's investment practices and performance, including the documentation discussed in Section N, shall be reviewed on a quarterly basis by the Treasurer's Cash Management Advisory Board.

T. Financial Dealers and Institutions

The STIF Investment Officer shall develop criteria for selecting brokers and dealers. All repurchase agreement transactions will be conducted through primary dealers of the Federal Reserve Bank of New York rated at least A-1 and qualified banks (as defined in Sections H.1.b and H.1.c) which have executed master repurchase agreements with the Treasury.

U. Ethics

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose in writing to the Treasurer, or the Treasurer's compliance officer, any material financial interests in financial institutions that conduct business with STIF, and they shall further disclose any large personal financial/investment positions that could be related to the performance of STIF's portfolio, particularly with regard to the time of purchases and sales.

V. Bond Proceeds

Bond proceeds may be deposited in STIF. Accounting and arbitrage rebate calculations are the responsibility of participants. STIF's investment program is not designed to restrict yield in order to avoid arbitrage rebates.

W. Conformance with Guidelines

A nationally-recognized credit rating service recognized by the State Banking Commissioner shall monitor the STIF portfolio on a weekly basis to determine compliance with this policy. The Auditors of Public Accounts review compliance annually.

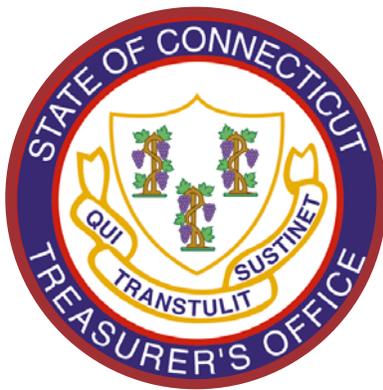
X. Conformance with National Standards

These guidelines, together with the participant manual, were designed to meet the July 1995 guidelines of the National Association of State Treasurers for local government investment pools.

Y. Investment Guideline Revisions

These guidelines may be revised by the Treasurer due to market changes or regulatory, legislative or internal administrative initiatives. Attempts will be made to provide all STIF investors with at least 30 days of notice before any changes to the investment policy become effective.

The Treasurer reserves the right to make changes immediately to respond to market conditions. In such circumstances, revisions will be sent to all STIF investors within two business days of the revision.



**Statistical
Section**





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REPORT OF INDEPENDENT ACCOUNTANTS

Treasurer of the State of Connecticut
Hartford, Connecticut

We have examined the accompanying Schedules of Rates of Return for the Connecticut State Treasurer's Short-Term Investment Fund (the "Schedules") appearing on pages 40 to 43 of the State of Connecticut Fiscal Year 2005 Short-Term Investment Fund Comprehensive Annual Financial Report managed by the Treasurer of the State of Connecticut for each of the quarterly and annual investment periods from July 1, 2001 through June 30, 2005. The Schedules are the responsibility of the Connecticut State Treasurer's Short-Term Investment Fund's management. Our responsibility is to express an opinion on the Schedules based on our examinations.

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

In our opinion, such Schedules present fairly the rates of return for the composite of the Connecticut State Treasurer's Short-Term Investment Fund managed by the Treasurer of the State of Connecticut for each of the quarterly and the annual investment periods from July 1, 2001 to June 30, 2005, in all material respects, in accordance with the measurement and disclosure criteria set forth in Notes 2 and 3 to the Schedules.

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

A stylized signature logo for UHY LLP, where the letters are written in a cursive, handwritten style.

Hartford, Connecticut
October 10, 2005

CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND

SCHEDULE OF ANNUAL RATES OF RETURN

	Year Ended June 30,									
	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
STIF Total Rate of Return (%)	2.32	1.16	1.64	2.61	6.11	6.01	5.37	5.82	5.66	5.95
Rated Money Fund Report Averages™										
- Taxable Institutional (MFR) Index (%) ⁽¹⁾	1.91	0.75	1.20	2.22	5.74	5.58	5.04	5.49	5.27	5.44
Total Assets in STIF, End of Period (\$ - Millions)	4,314	3,829	3,280	3,546	4,565	3,701	3,646	3,190	2,527	2,014
Percent of State Assets in Fund	84	81	69	67	71	71	71	70	73	68
Number of Participant Accounts in Composite, End of Year ⁽²⁾										
State	84	124	115	112	55	55	54	n/a	n/a	n/a
Municipal Entities	548	556	551	544	496	433	415	n/a	n/a	n/a
Policial Subdivision of the State	446	474	440	428	346	312	313	n/a	n/a	n/a
Total	1,078	1,154	1,106	1,084	897	800	782	654	644	590

(1) Represents Rated Money Fund Report Averages™ - Taxable Institutional (MFR) Index for the period January 1, 1996 through June 30, 2005 and First Tier Institutions-Only Money Fund Report™ (MFR) Index prior to December 31, 1995. These Index rates have been taken from published sources and have not been examined by UHY LLP (formerly Scillia Dowling & Ntarelli LLC) or Deloitte & Touche LLP.

(2) In 2005, 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.

CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND

SCHEDULE OF QUARTERLY RATES OF RETURN

FISCAL YEAR	Rate of Return(%)	Rated Money Fund Report Averages™- Taxable Institutional (MFR) Index(%)⁽¹⁾
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

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

FISCAL YEAR	Rate of Return(%)	Rated Money Fund Report Averages™- Taxable Institutional (MFR) Index(%)⁽¹⁾
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

1996		
Sep-95	1.54	1.40
Dec-95	1.54	1.38
Mar-96	1.42	1.29
Jun-96 ⁽²⁾	1.33	1.26
YEAR	5.95	5.44

(1) Represents Rated Money Fund Report Averages™ - Taxable Institutional (MFR) Index for the period January 1, 1996 through June 30, 2005 and First Tier Institutions-Only Money Fund Report™ (MFR) Index prior to December 31, 1995. 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) Includes the annual allocation to the Designated Surplus Reserve (See Note 4).

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

CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND

NOTES TO SCHEDULES OF RATES OF RETURN FOR THE 10 YEAR INVESTMENT PERIOD JULY 1, 1995 THROUGH JUNE 30, 2005

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 2005 fiscal year, STIF's portfolio averaged \$4.1 billion.

NOTE 2: PERFORMANCE RESULTS

STIF has prepared and presented this report in compliance with the Performance Presentation Standards of the Association for Investment Management and Research (AIMR-PPS) for the period July 1, 1995 through June 30, 2005. AIMR has not been involved with the preparation or review of this report. The performance presentation for the period July 1, 1995 through June 30, 2005 has been subject to a Level II verification in accordance with AIMR standards by an independent public accounting firm whose report is included herein. For the purposes of compliance with AIMR performance presentation standards for the Short-Term Investment Fund, the Treasury has defined the "Firm" as the funds under the control of the State Treasurer, State agencies and State authorities for which the Treasurer has direct investment management responsibility within the Short-Term Investment Fund.

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

NOTE 3: CALCULATION OF RATES OF RETURN

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

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

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

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

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

CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND

**NOTES TO SCHEDULES OF RATES OF RETURN (Continued)
FOR THE 10 YEAR INVESTMENT PERIOD JULY 1, 1995 THROUGH JUNE 30, 2005**

NOTE 4: DESIGNATED SURPLUS RESERVE

In order to provide some protection to the shareholders of STIF from potential credit and market risks, the Treasurer has designated that a portion of each day's net earnings be transferred to the Designated Surplus Reserve (Reserve). Such amounts are restricted in nature and are not available for current distribution to shareholders. In December 1996, a transfer was made to the Designated Surplus Reserve at the annualized rate of 0.1 percent of the average month-end investment balances for June through November 1996. Beginning December 1, 1996, the amount transferred daily to the Designated Surplus Reserve is equal to 0.1 percent of end of day investment balance divided by the actual number of days in the year. As of June 30, 2005, the balance in the Designated Surplus Reserve was \$43,486,111, an increase of \$1,701,495 from the June 30, 2004 balance of \$41,784,616.

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 33 year history of the Fund.

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 management of the Fund since that time. The previous principal investment officer had been the portfolio manager since 1983. The performance for FY 2005 is a result of the combined management of both principal investment officers over the July 1, 2004 to June 30, 2005 time frames.

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

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

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

CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND

GROWTH OF PARTICIPANT UNITS UNDER MANAGEMENT

<u>Date</u>	<u>Municipal</u>	<u>State</u>	<u>Total</u>	<u>Annual Growth</u>
6/2005	\$662,638,019	\$3,607,739,707	\$4,270,377,726	12.75%
6/2004	730,794,748	3,056,676,643	3,787,471,391	17.07
6/2003	992,782,295	2,242,477,260	3,235,259,555	-7.58
6/2002	1,152,346,474	2,348,084,089	3,500,430,563	-22.43
6/2001	1,294,266,155	3,218,210,906	4,512,477,061	23.63
6/2000	1,041,887,596	2,608,041,137	3,649,928,733	1.35
6/1999	856,142,725	2,745,166,342	3,601,309,067	14.43
6/1998	934,295,960	2,213,009,736	3,147,305,696	26.34
6/1997	683,631,474	1,807,440,011	2,491,071,485	25.56
6/1996	647,150,970	1,336,757,530	1,983,908,500	35.19
6/1995	533,141,029	934,316,358	1,467,457,387	-12.10

CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND

MONTHLY COMPARATIVE YIELDS

	STIF	Benchmarks^(b)		
	Earned Rate^(a)	Rated Money Fund Report AveragesTM Taxable Institutional MFR Index	Fed. Reserve Three Mo. T-Bill	Fed. Reserve Three Mo. CD
06/2005	3.21%	2.82%	3.02%	3.35%
05/2005	3.08	2.69	2.88	3.22
04/2005	2.87	2.51	2.82	3.09
03/2005	2.71	2.34	2.79	2.97
02/2005	2.57	2.14	2.58	2.76
01/2005	2.32	1.84	2.22	2.44
12/2004	2.32	1.84	2.22	2.44
11/2004	2.09	1.59	2.10	2.23
10/2004	1.87	1.43	1.78	2.02
09/2004	1.62	1.31	1.67	1.85
08/2004	1.45	1.13	1.49	1.68
07/2004	1.37	0.98	1.34	1.57
06/2004	1.20	0.78	1.26	1.44

ANNUAL COMPARATIVE YIELDS

	STIF	Benchmarks^(b)		
	Earned Rate^(a)	Rated Money Fund Report AveragesTM Taxable Institutional MFR Index	Fed. Reserve Three Mo. T-Bill	Fed. Reserve Three Mo. CD
2005	2.32%	1.91%	0.97%	1.11%
2004	1.16	0.75	0.97	1.11
2003	1.64	1.20	1.31	1.40
2002	2.61	2.22	2.17	2.24
2001	6.11	5.74	5.26	5.64
2000	6.01	5.58	5.37	5.99
1999	5.37	5.04	4.59	5.16
1998	5.82	5.49	5.17	5.62
1997	5.66	5.27	5.17	5.51
1996	5.95	5.44	5.29	5.55

(a) Actual earnings less expenses.

(b) Represents Rated Money Fund Report AveragesTM - Taxable Institutional (MFR) Index for the period January 1, 1996 through June 30, 2005 and First Tier Institutions-Only Money Fund ReportTM (MFR) Index prior to December 31, 1995. 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.

CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND

ANNUAL INVESTMENT INCOME ⁽¹⁾

2005	\$ 95,529,730
2004	44,340,148
2003	60,402,214
2002	111,147,084
2001	254,364,534
2000	213,303,177
1999	197,527,014
1998	174,202,633
1997	145,052,967
1996	115,912,522

(1) Investment income, including net realized gains, less Fund operating expenses.

SUMMARY OF OPERATIONS

(\$ in 000s)	6/30/05	6/30/04	6/30/03	6/30/02	6/30/01	6/30/00	6/30/99	6/30/98	6/30/97	6/30/96
Interest Income	\$96,613.7	\$45,108.7	\$60,910.9	\$111,294.6	\$255,114.3	\$213,761.0	\$198,420.9	\$175,111.4	\$145,044.9	\$116,374.7
Expenses:										
Operating Expenses	1,084.0	930.1	901.8	783.3	934.0	951.6	812.6	986.6	520.0	553.1
Interest on Reverse Repurchase Agreements	0.0	14.6	0.0	82.3	65.6	0.0	141.0	0.0	0.0	0.0
Total Expenses	1,084.0	944.7	901.8	865.6	999.6	951.6	953.6	986.6	520.0	553.1
Net Investment Income	95,529.7	44,164.0	60,009.1	110,429.0	254,114.7	212,809.4	197,467.3	174,124.8	144,524.9	115,821.6
Net Realized Gains	0.0	176.1	393.1	718.1	249.8	493.8	59.7	77.8	528.1	90.9
Net Increase in Net Assets from Operations	\$95,529.7	\$44,340.1	\$60,402.2	\$111,147.1	\$254,364.5	\$213,303.2	\$197,527.0	\$174,202.6	\$145,053.0	\$115,912.5

CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND

DISTRIBUTIONS TO PARTICIPANTS

Distributions:	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
July	\$4,488,148	\$3,459,841	\$5,630,151	\$14,892,482	\$21,068,172	\$15,369,550	\$14,869,926	\$11,627,464		
August	5,455,631	3,999,517	6,319,460	15,859,392	25,325,394	18,626,337	17,980,323	14,766,430	\$28,640,118	\$23,352,411
Elimination for Month of June								(8,128,594)	(7,076,062)	
September	6,113,181	3,696,228	6,481,756	14,497,488	24,965,829	18,327,219	17,448,280	15,326,081		8,128,594
October	6,591,446	3,507,310	6,212,452	11,674,472	24,109,511	17,962,446	17,360,524	14,524,350		
November	6,268,350	3,246,255	4,919,008	8,037,557	20,453,180	16,080,280	16,212,546	13,355,190	33,745,391	28,253,412
Special Distribution (November 30 and May 31)								3,557,194	4,781,490	
December	6,750,839	3,139,363	4,678,374	6,640,090	19,429,983	16,350,536	15,438,709	12,869,933	11,076,907	
January	8,060,413	3,614,655	4,669,456	6,785,539	22,627,719	17,113,994	16,389,685	14,211,351	12,001,405	
February	8,336,789	3,686,284	4,285,455	5,878,246	20,656,552	18,204,877	16,298,605	14,531,780	12,199,283	27,823,064
March	9,919,350	3,712,929	4,290,218	6,247,456	20,629,174	18,276,157	16,745,275	15,109,256	12,896,596	
April	10,410,745	3,703,840	4,125,914	5,953,400	18,723,246	17,371,981	15,542,275	15,048,742	12,687,061	
May	11,009,094	3,943,286	4,345,137	6,492,416	17,658,291	18,674,115	15,817,450	15,931,207	12,900,761	28,430,144
June	10,424,248	3,665,289	3,672,707	5,777,864	14,741,778	17,784,976	13,688,661	14,138,433	11,467,608	
Total Distribution to Participants	\$93,828,235	\$43,374,797	\$59,630,088	\$108,736,391	\$250,388,829	\$210,142,470	\$193,792,259	\$171,440,217	\$143,043,730	\$113,693,053

GLOSSARY OF TERMS

- Agency Securities** - Securities issued by U.S. Government agencies, such as the Federal Home Loan Bank. These securities have high credit ratings but are not backed by the full faith and credit of the U.S. Government.
- Asset Backed Notes** - Financial instruments collateralized by one or more types of assets including real property, mortgages, and receivables.
- Banker's Acceptance (BA)** - A high-quality, short-term negotiable discount note, drawn on and accepted by banks which are obligated to pay the face amount at maturity.
- Basis Point (bp)** - The smallest measure used in quoting yields or returns. One basis point is 0.01% of yield, 100 basis points equals 1%. A yield that changed from 8.75% to 9.50% increased by 75 basis points.
- Benchmark** - A standard unit used as the basis of comparison; a universal unit that is identified with sufficient detail so that other similar classifications can be compared as being above, below, or comparable to the benchmark.
- Capital Gain(Loss)** - Also known as capital appreciation(depreciation), capital gain(loss) measures the increase(decrease) in value of an asset over time.
- Certificates of Deposit (CDs)** - A debt instrument issued by banks, usually paying interest, with maturities ranging from seven days to several years.
- Commercial Paper** - Short-term obligations with maturities ranging from 1 to 270 days. They are issued by banks, corporations, and other borrowers to investors with temporarily idle cash.
- Compounded Annual Total Return** - Compounded annual total return measures the implicit annual percentage change in value of an investment, assuming reinvestment of dividends, interest, and realized capital gains, including those attributable to currency fluctuations. In effect, compounded annual total return "smooths" fluctuations in long-term investment returns to derive an implied year-to-year annual return.
- Consumer Price Index (CPI)** - A measure of change in consumer prices, as determined by a monthly survey of the U.S. Bureau of Labor Statistics. Components of the CPI include housing costs, food, transportation, electricity, etc.
- Cumulative Rate of Return** - A measure of the total return earned for a particular time period. This calculation measures the absolute percentage change in value of an investment over a specified period, assuming reinvestment of dividends, interest income, and realized capital gains. For example, if a \$100 investment grew to \$120 in a two-year period, the cumulative rate of return would be 20%.
- Derivative** - Derivatives are generally defined as contracts whose value depends on, or derives from, the value of an underlying asset, reference rate, or index. For example, an option is a derivative instrument because its value derives from an underlying stock, stock index, or future.
- Discount Rate** - The interest rate that the Federal Reserve charges banks for loans, using government securities or eligible paper as collateral.
- Expense Ratio** - The amount, expressed as a percentage of total investment, that shareholders pay for mutual fund operating expenses and management fees.
- Federal Funds Rate** - The interest rate charged by banks with excess reserves at a Federal Reserve district bank to banks needing overnight loans to meet reserve requirements. The federal funds rate is one of the most sensitive indicators of the direction of interest rates since it is set daily by the market.
- Federal Reserve Board** - The governing body of the Federal Reserve System (12 regional Federal banks monitoring the commercial and savings banks in their regions). The board establishes FRS policies on such key matters as reserve requirements and other regulations, sets the discount rate, and tightens or loosens the availability of credit in the economy.
- 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.
- Index** - A benchmark used in executing investment strategy which is viewed as an independent representation of market performance. An index implicitly assumes cost-free transactions; some assume reinvestment of income. Example: S&P 500 index.

GLOSSARY OF TERMS

Inflation - A measure of the rise in price of goods and services, as happens when spending increases relative to the supply of goods on the market, i.e. too much money chasing too few goods.

Investment Income - The equity dividends, bond interest, and/or cash interest paid on an investment.

Liability - The claim on the assets of a company or individual - excluding ownership equity. The obligation to make a payment to another.

Market Value - The price at which buyers and sellers trade similar items in an open marketplace. Stocks are considered liquid and are therefore valued at a market price. Real estate is illiquid and valued on an appraised basis.

Master Custodian - An entity, usually a bank, used as a place for safekeeping of securities and other assets. The bank is also responsible for many other functions which include 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.

MFR Index (Formerly IBC) - An index which represents an average of the returns of institutional money market mutual funds that invest primarily in first-tier (securities rated A-1, P-1) taxable securities.

Money Market Fund - An open-ended mutual fund that invests in commercial paper, bankers' acceptances, repurchase agreements, government securities, certificates of deposit, and other highly liquid and safe securities and pays money market rates of interest. The fund's net asset value remains a constant \$1 per share - only the interest rate goes up or down.

Moody's (Moody's Investors Service) - A financial services company which is one of the best known bond rating agencies in the country. Moody's investment grade ratings are assigned to certain municipal short-term debt securities, classified as MIG-1, 2, 3, and 4 to signify best, high, favorable, and adequate quality, respectively. All four are investment grade or bank quality.

Net Asset Value (NAV) - The total assets minus liabilities, including any valuation gains or losses on investments or currencies, and any accrued income or expense. NAV is similar to Shareholders' Equity.

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.

Principal - Face value of an obligation, such as a bond or a loan, that must be repaid at maturity.

Prudent Expert Rule - The standard adopted by some entities to guide those fiduciaries with responsibility for investing money of others. Such fiduciaries must act as a prudent expert would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investment. This is a higher standard than the "prudent person" rule.

Realized Gain (Loss) - A gain (loss) that has occurred financially. The difference between the principal amount received and the cost basis of an asset realized at sale.

Relative Volatility - A ratio of the standard deviation of the Fund to the standard deviation of its selected benchmark. A relative volatility greater than 1.0 suggests comparatively more volatility in Fund returns than those of the benchmark.

Repurchase Agreements ("Repos") - An agreement to purchase securities from an entity for a specified amount of cash and to resell the securities to the entity at an agreed upon price and time. Repos are widely used as a money market instrument.

Reverse Repurchase Agreements ("Reverse Repos") - An agreement to sell securities to an entity for a specified amount of cash and to repurchase the securities from the entity at an agreed upon price and time.

S&P Ratings -

AAA - Debt having the highest rating assigned by Standard & Poor's. It has the highest capacity to pay interest and its ability to repay principal is extremely strong.

AA - Debt having a very strong capacity to pay interest and repay principal. AA rated debt differs from the higher rated issues by only a small degree.

GLOSSARY OF TERMS

A - Debt which has a strong capacity to pay interest and repay principal although it is somewhat more susceptible to the adverse effects of change in circumstances and economic conditions than debt in higher rated categories.

BBB - Debt regarded as having an adequate capacity to pay interest and repay principal. BBB is the lowest rating assignable to investment grade securities. Although debt rated BBB normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to weakened capacity to pay interest and repay principal for debt in this category than in higher rated categories.

BB, B, CCC, and CC - These ratings are regarded, on balance, as predominantly speculative with respect to capacity to pay interest and repay principal in accordance to the terms of the obligation.

C - These ratings are reserved for income bonds on which no interest is being paid.

D - These ratings are for debt which is in default. No interest or repayment of principal is being paid.

Soft Dollars - The value of research or other services that brokerage houses and other service entities provide to a client "free of charge" in exchange for the client's business.

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.

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.

Turnover - The minimum of 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.

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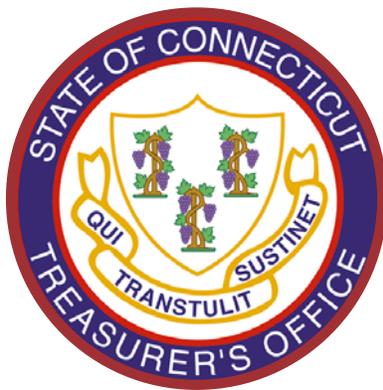
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