

STATE OF CONNECTICUT
OFFICE OF THE TREASURER

2002



COMBINED INVESTMENT FUNDS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2002

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.

Introductory Section



COMBINED INVESTMENT FUNDS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2002

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State of Connecticut
Office of the Treasurer

DENISE L. NAPPIER
Treasurer

HOWARD G. FISK
Deputy Treasurer

December 4, 2002

To the State of Connecticut
Combined Investment Funds
Fellow Beneficiaries

I am pleased to submit to you this Comprehensive Annual Financial Report (CAFR) of the State of Connecticut Office of the Treasurer Combined Investment Fund (CIF) for the fiscal year ended June 30, 2002.

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) and audited in accordance with generally accepted auditing standards by the State of Connecticut's independent Auditors of Public Accounts.

For the first time this year, this report incorporates the reporting requirements of the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34. Implementation of this new reporting standard is consistent with the Treasurer's commitment to both comprehensive and accurate disclosure of financial information. To this end, audited financial statements and all disclosures necessary to enable the reader to gain an understanding of the Combined Investment Funds financial activities have been included herein for your review.

State of Connecticut Combined Investment Funds

The Combined Investment Funds are separate legally defined funds which have been established by the Treasurer of the State of Connecticut under the authority of the Connecticut General Statutes Section 3-31b. The Funds are open-end portfolios consisting of the Cash Reserve Fund, Mutual Equity Fund, Mutual Fixed Income Fund, International Stock Fund, Real Estate Fund, Commercial Mortgage Fund, and the Private Investment Fund. The Funds were established to provide a means for investing pension and other trust fund assets entrusted to the Treasurer in a variety of investment classes. The units of the Funds are owned by these pension and trust funds which include the Teachers' Retirement Fund, State Employees' Retirement Fund, Connecticut Municipal Employees' Retirement Fund, State Judges' Retirement Fund, Probate Court Retirement Fund, State's Attorney Retirement Fund, Soldiers' Sailors' & Marines' Fund, Police and Fireman' Survivors' Benefit Fund, Connecticut Arts Endowment Fund, School Fund, Ida Eaton Cotton Fund, Hopemead Fund, Andrew C. Clark Fund, Agricultural College Fund and the Tobacco and Health Trust Fund.

The Treasurer, as principal fiduciary of the Combined Investment Funds, is authorized to invest in a broad range of equity and fixed income securities, as well as real estate properties, mortgages and private equity. In April 2002, the Investment Advisory Council approved the Investment Policy Statement (IPS) including the asset allocation plan, which governs Fund in-

vestments today. The Asset Allocation Plan's main objective is to maximize investment returns over the long term at an acceptable level of risk, primarily through asset diversification. Risk, in this context, is defined as volatility of investment returns. (See the Understanding Investment Performance discussion in the Supplemental Section.)

The Funds are not registered with the Securities and Exchange Commission as an investment company. Investments are stated at fair value for each of the funds and the investments of the Cash Reserve Fund are valued at amortized cost that approximates fair value.

Report Contents

This report was prepared by the management of the Treasurer's Office, who are responsible for the accuracy of the data and the completeness and fairness of the presentation including all disclosures. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the Combined Investment Funds in conformity with generally accepted accounting principles and has been audited by the State of Connecticut Auditors of Public Accounts. These audits have resulted in unqualified opinions for each of the periods presented.

This CAFR contains four sections as follows:

The Introductory Section contains this letter of transmittal and Management's Report, the GFOA certificate, an organizational structure of the Treasurer's Office, and a list of principal officials and investment advisors for the Combined Investment Funds.

The Financial Section contains the report of the State of Connecticut Auditors of Public Accounts and as required by the reporting requirements of the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, for the first time this year, the financial section now includes Management's Discussion and Analysis (MD&A), which provides an introduction, overview, and analysis of the financial statements and the financial section includes the financial statements of the Combined Investment Funds at June 30, 2002.

The Investment Section contains a comprehensive discussion of the Treasurer's Office pension funds management division's operations, investment policies, and approach to measuring and evaluating performance, including:

- Analysis of the fiscal year's economic conditions and their impact on the Funds' performance;
- Each Fund's performance objectives, benchmarks, and comparative risk profile; and
- Comprehensive presentation of each Fund's portfolio composition, and annual and historical investment performance.

The Statistical Section is the final section of the CAFR and includes various tables and schedules and miscellaneous relevant data concerning investments including the Pension and Trust Funds' ownership in the Combined Investment Funds, a list of the Funds' investment advisors and their assets under management, the Pension and Trust Funds' allocation across major asset categories and the market values and rates of return for each, a listing of all brokerage firms used by the Pension Funds Management Division and the aggregate commissions paid to each, a historical table of CIF assets under management and a comprehensive glossary of investment terms.

The performance presentation formats and disclosures contained in this report are a synthesis of techniques used by public and private sector reporting entities as well as recommendations from the Government Finance Officers Association. Similarly, the financial statements and disclosures reflect a comprehensive effort by Treasurer's Office staff to integrate all appropriate accounting and disclosure standards as well as the most current disclosures required by generally accepted accounting principles.

Major Highlights

In the midst of a difficult market climate, the Combined Investment Funds fiscal 2002 performance reflected general financial market conditions and produced a net total return (after all expenses) of negative 6.39%, which, when combined with the funds' net cash outflow to beneficiaries of \$555 million, resulted in a decline in assets to \$18.7 billion at June 30, 2002.

The Combined Investment Funds performance relative to other public funds in the Trust Universe Comparison Service (TUCS) (its peer group for public funds with assets greater than \$1 billion dollars) for the one-year period ended June 30, 2002, was in the 60th percentile. When measured over the course of a market cycle, the Combined Investment Funds is among the top performing funds among its peers, and was in the 19th and 18th TUCS percentile for the three and five year periods ending June 30, 2002.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Connecticut State Treasurer's Combined Investment Funds for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2001. In order to be awarded a Certificate of Achievement, the Treasurer's Office must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

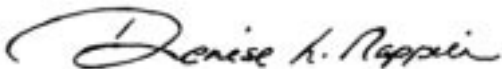
A Certificate of Achievement is valid for a period of one year only. We believe this current report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for such recognition.

The preparation of this report would not have been possible without the efficient and dedicated services of many individuals in the Treasurer's Office. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions and determining responsible stewardship of the Funds in the Treasury.

Requests for Information

This financial report is designed to provide a general overview of the State of Connecticut Office of the Treasurer Combined Investment Funds activities for all those with an interest in the Funds investment activities. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Treasurer, 55 Elm Street, Hartford, Connecticut 06106-1773, and telephone (860) 702-3000. Copies of the comprehensive annual financial report will also be available on the Internet at www.state.ct.us/ott.

Sincerely,



Denise L. Nappier
Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Connecticut State Treasurer's Combined Investment Funds

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2001

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.



William Patrick Pate
President

Jeffrey L. Essler
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.

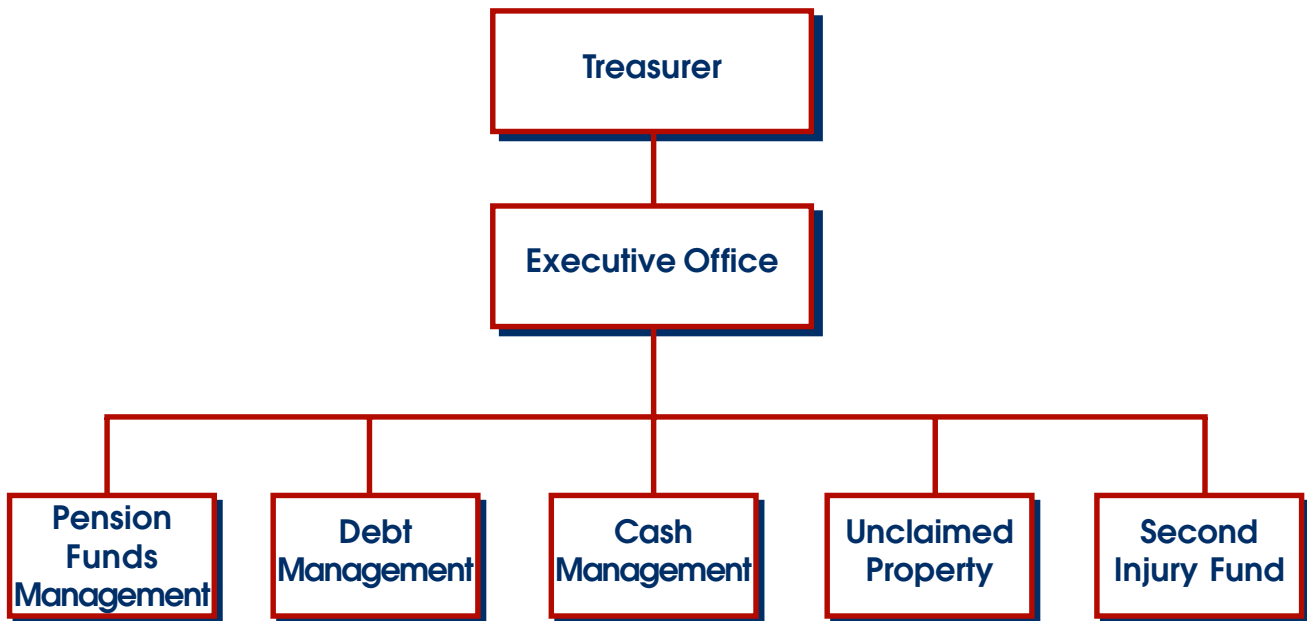
Statutory Responsibility

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

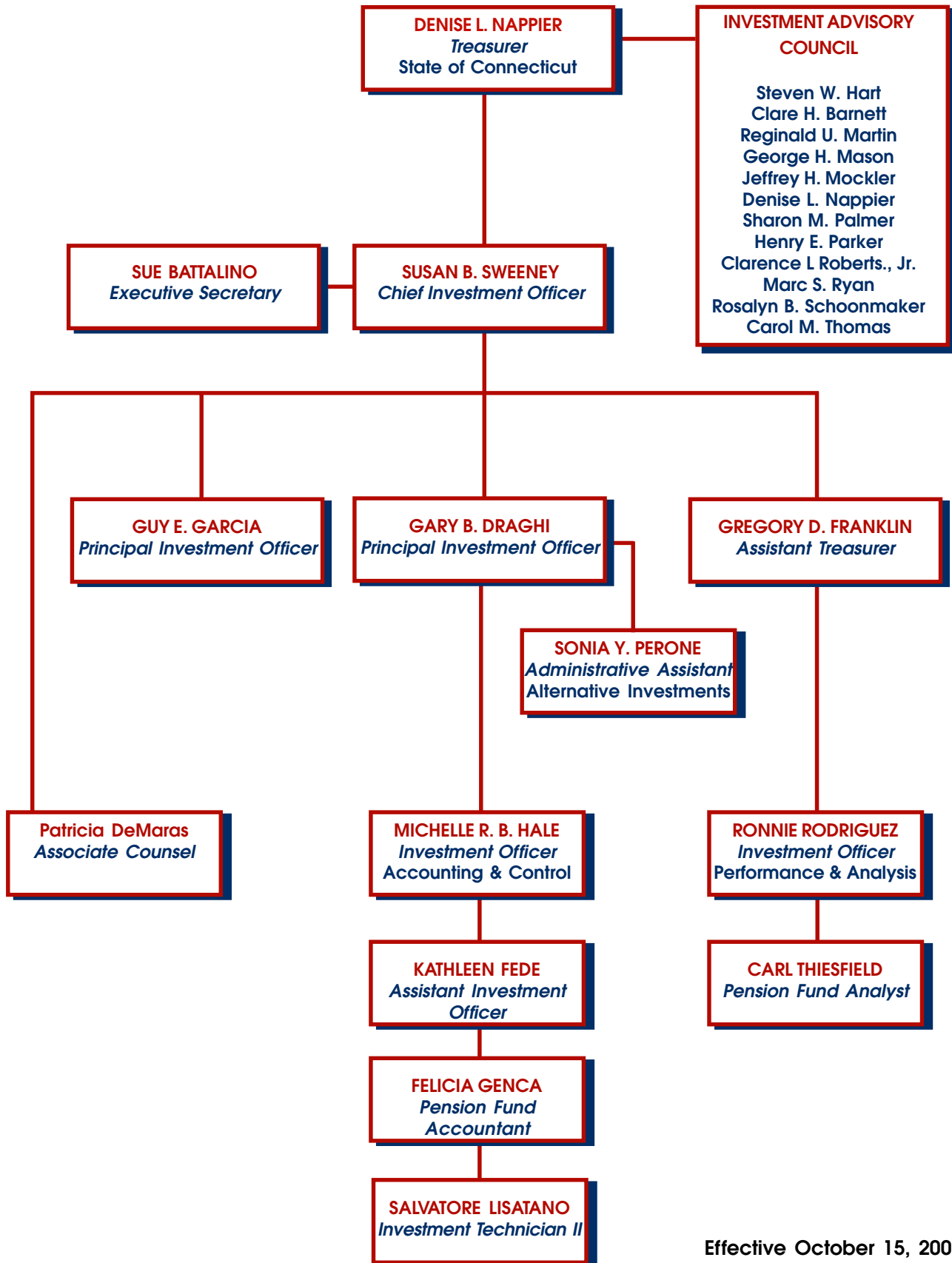
The Treasurer is the Chief Fiscal Officer for the State government, overseeing a wide variety of activities regarding the prudent conservation and management of State funds. This includes the administration of a portfolio of pension assets worth more than \$18 billion and a short-term investment fund with an average daily balance of over \$3 billion.

Public Service

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



COMBINED INVESTMENT FUNDS ADMINISTRATION



Effective October 15, 2002.

LIST OF PRINCIPAL OFFICIALS

COMBINED INVESTMENT FUNDS

55 Elm Street
6th Floor
Hartford, CT. 06106-2773
Telephone: (860) 702-3155
Facsimile: (860) 702-3042
World Wide Web:
www.state.ct.us/ott

Treasurer, State of Connecticut
DENISE L. NAPPIER (860) 702-3010

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

Chief Investment Officer
SUSAN B. SWEENEY (860) 702-3229

Assistant Treasurer
GREGORY D. FRANKLIN, CFA (860) 702-3162

Principal Investment Officer
GARY B. DRAGHI, CFA, CPA (860) 702-3162

Principal Investment Officer
GUY E. GARCIA (860) 702-3070

Investment Officer
RONNIE RODRIGUEZ (860) 702-3158

Investment Officer
MICHELLE R. B. HALE, CPA (860) 702-3275

INVESTMENT ADVISORY COUNCIL

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

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

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

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

Council members who contributed their time and knowledge to the IAC during fiscal 2002 include:

STEVEN W. HART, Chairman, as appointed by the Governor, President, Hart Capital LLC.

CLARE H. BARNETT, (Representative of State Teachers' unions) Teacher and Social Studies Chair, Danbury school system.

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

GEORGE H. MASON, Retired Business Educator.

JEFFREY H. MOCKLER, (Representative of State Employees' unions), Staff Representative, AFSCME Council 4, IAC member through February 2002 per Section 3-13b subsection (b) of the Connecticut General Statutes.

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

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

HENRY E. PARKER, Former Treasurer, State of Connecticut 1975-1986, Former Senior Vice President, Atalanta/Sosnoff Capital Corporation (Retired January 1998).

CLARENCE L. ROBERTS, JR., Former Assistant Treasurer, Unilever United States, Inc. (Retired 1994).

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

ROSALYN B. SCHOONMAKER, (Representative of State Teachers' unions) Retired teacher and retirement counselor.

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

LIST OF EXTERNAL ADVISORS

INVESTMENT CONSULTANTS

BARRA RogersCasey - Darien, Connecticut
Council of Institutional Investors - Washington, District of Columbia
Greystone Capital Management - Hartford, Connecticut
Guy E. Garcia - Simsbury, Connecticut (*Terminated during year*)
Heidrick & Struggles Inc. - Houston, Texas
Mercer Human Resource Consulting - Phoenix, Arizona
Pamela J. Bartol - Colchester, Connecticut (*Terminated during year*)
Sovereign Financial Services, Inc. - Denver, Colorado
Susan B. Sweeney - Farmington, Connecticut (*Terminated during year*)
Thomson Proxy Services, Inc. - Boston, Massachusetts

MASTER CUSTODIAN

State Street Bank and Trust Co. - Boston, Massachusetts

AUDITORS

Auditors of Public Accounts - Hartford, Connecticut

INVESTMENT ADVISORS

CASH RESERVE ACCOUNT

State Street Global Advisors - Boston, Massachusetts

MUTUAL EQUITY FUND (MEF)

Large Cap

BGI Barclays Global Investors, N.A. - San Francisco, California
J.P. Morgan Investment Management, Inc. - New York, New York
State Street Global Advisors - Boston, Massachusetts

Small/Mid Cap Passive Enhance

AXA Rosenberg Investment Management - Orinda, California
SSB CitiGroup (The Travelers) - Stamford, Connecticut

Small/Mid Cap Active

Brown Capital Management, Inc. - Baltimore, Maryland
Thomas Weisel Partners (Valuequest) - Boston, Massachusetts
Trust Company of the West (Cowen) - New York, New York

INTERNATIONAL STOCK FUND

EAFE - Europe

State Street Global Advisors - Boston, Massachusetts

Core

DSI International Management - Norwalk, Connecticut
Grantham, Mayo, Van Otterloo & Co. - Boston, Massachusetts
Morgan Stanley Asset Management - New York, New York
Smith Barney Capital Management - Stamford, Connecticut
Pictet International Management - London, England

LIST OF EXTERNAL ADVISORS

Emerging

Morgan Stanley Asset Management - New York, New York
Pictet International Management - London, England

REAL ESTATE FUND (REF)

AEW Capital Management - Boston, Massachusetts
Apollo Real Estate Investment Fund - New York, New York
TimesSquare Real Estate Investors - Hartford, Connecticut
Tishman Hotel Corporation - New York, New York
Wachovia Bank of Georgia, N.A. - Atlanta, Georgia
Walton Street Real Estate Fund II- Chicago, Illinois
Westport Senior Living Fund - Palm Beach Gardens, Florida

MUTUAL FIXED INCOME FUND (MFIF)

Core

BlackRock Financial Management, Inc. - New York, New York
J.P. Morgan Investment Management, Inc. - New York, New York
Phoenix Investment Counsel - Hartford, Connecticut
State Street Global Advisors - Boston, Massachusetts
Wellington - Boston, Massachusetts
Western Asset Management - Pasadena, California

Convertibles

Oaktree Capital Management, L.L.C. - Los Angeles, California

High Yield

Loomis Sayles & Co., Inc. - Boston, Massachusetts
Oaktree Capital Management, L.L.C. - Los Angeles, California
Triumph II, L.P. - Boston, Massachusetts
W.R. Huff Asset Management - Morristown, New Jersey

COMMERCIAL MORTGAGE FUND (CMF)

AEW Capital Management, LP - Boston, Massachusetts

PRIVATE INVESTMENT FUND (PIF)

Corporate Buyouts

Blackstone Capital Partners III - New York, New York
Conning Capital Partners V - Hartford, Connecticut
DLJ Merchant Banking Fund II- New York, New York
Forstmann Little Equity Fund VI- New York, New York
Green Equity Investors III - Los Angeles, California
Greenwich Street Capital Partners II - New York, New York
Hicks Muse Tate & Furst Equity Fund III - Dallas, Texas
Kelso Investment Associates VI - New York, New York
KKR 1996 Fund - New York, New York
SCP Private Equity Partners - Wayne, Pennsylvania
Thayer Equity Investors IV - Washington D.C.
Thomas H. Lee Equity Fund IV - Boston, Massachusetts
Veritas Capital Fund- New York, New York
Wellspring Capital Partners II - New York, New York
Welsh, Carson, Anderson & Stowe VIII - New York, New York

LIST OF EXTERNAL ADVISORS

Venture Capital

Connecticut Financial Development Fund - New York, New York
Connecticut Futures Fund - Westport, Connecticut
Connecticut Green Ventures - White Plains, New York
Crescendo III - Minneapolis, Minnesota
Crescendo World Fund - Minneapolis, Minnesota
Grotech Partners V - Timonium, Maryland
Keystone Ventures V - Philadelphia, PA
Pioneer Ventures Associates - Windsor, Connecticut
REE Investment Partners VI - New Canaan, Connecticut
Shawmut Equity Partners - Boston, Massachusetts
Triumph Investors II- Boston, Massachusetts

Mezzanine

Forstmann Little MBO VII - New York, New York
GarMark Partners - Stamford, Connecticut
SW Pelham Fund - Hartford, Connecticut
Triumph Capital Partners III- Boston, Massachusetts
Triumph CT Partners - Boston, Massachusetts
Welsh, Carson, Anderson & Stowe Capital Partners III - New York, New York

International

AIG Global Emerging Markets Fund - New York, New York
Carlyle Asia Partners- Washington D.C.
Carlyle Europe Partners- Washington D.C.
Compass European Partners - New York, New York
Gilbert Global Equity Partners - Tacoma, Washington

Fund of Funds

Crossroads Constitution Fund - Dallas, Texas
Goldman Sachs Private Equity Fund - New York, New York
Landmark Private Equity Fund VIII - Simsbury, Connecticut
Lexington Capital Partners II - New York, New York



Financial

Section



INDEPENDENT AUDITOR'S REPORT

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

STATE CAPITOL

210 CAPITAL AVENUE

HARTFORD, CONNECTICUT 06106-1559

KEVIN P. JOHNSTON

ROBERT G. JARVILL

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statement of net assets of the Combined Investment Funds as of June 30, 2002, the related statement of operations for the fiscal year then ended, and the statement of changes in net assets for the fiscal years ended June 30, 2002, and 2001. 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, 2002, by correspondence with the custodians. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Combined Investment Funds as of June 30, 2002, and the results of their operations and changes in net assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

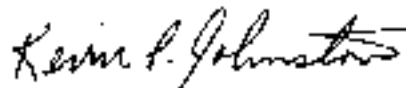
As explained in Note 1B, the State Treasurer's policy is to present investments at fair value. The fair value of most of the assets of the Real Estate Fund, the Commercial Mortgage Fund and the Private Investment Fund and the limited partnership investment of the Mutual Fixed Income Fund are estimated by investment advisors in the absence of readily ascertainable market values, and reviewed and adjusted, when appropriate, by the State Treasurer. The fair value of most of the assets of the Real Estate Fund and the Private Investment Fund and the limited partnership investment of the Mutual Fixed Income Fund are presented at the cash adjusted fair values, which utilize the investment advisors' March 31, 2002, quarter ending estimated values adjusted for cash flows of the Funds during the subsequent quarter that affect the value at the Funds' level. Adjustments are made for underlying investments that experienced significant changes in value during the quarter, if deemed appropriate. We have reviewed the investment advisors' values, the

INDEPENDENT AUDITOR'S REPORT

relevant cash flows and the procedures used by the State Treasurer in reviewing the estimated values and have read underlying documentation and, in the circumstances, we believe the procedures to be reasonable and the documentation appropriate. However, because of the inherent uncertainty of valuation, those estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

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

This opinion is being issued for inclusion in an annual report for the State Treasurer's Combined Investment Funds for the fiscal year ended June 30, 2002. Other information contained within the Statistical Section and the Investment and Introductory Sections of this document has not been audited.



Kevin P. Johnston
Auditor of Public Accounts



Robert G. Jaekle
Auditor of Public Accounts

October 15, 2002
State Capitol
Hartford, Connecticut

MANAGEMENT'S DISCUSSION AND ANALYSIS

This *Management's Discussion and Analysis (MD&A)* of the Comprehensive Annual Financial Report (CAFR) of the State of Connecticut Office of the Treasurer Combined Investment Funds (CIF) is a narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2002. The management of the State of Connecticut's Office of the Treasurer provides this MD&A, and we encourage readers to review it in conjunction with the transmittal letter at the front of this report and with the financial statements, which follow this section.

The Office of the Treasurer is implementing this new reporting standard and the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 for the first time with this report.

The Combined Investment Funds financial statements reported by the Treasurer's Office for which the Treasurer has fiduciary responsibility for the investment thereof begin on page 21 and provide detailed information about individual funds. (The funds are separate legally defined funds which have been established by the Treasurer and the units of the funds are owned by the pension and trusts funds which include the Teachers' Retirement Fund, State Employees' Retirement Fund, Connecticut Municipal Employees' Retirement Fund, Soldiers' Sailors' & Marines' Fund, Police and Firemen Survivors' Benefit Fund, Connecticut Arts Endowment Fund, School Fund, Ida Eaton Cotton Fund, Hopemead Fund, Andrew C. Clark Fund, and the Agricultural College Fund). This financial information is included in the activities of the State of Connecticut's Fund Financial Statements as presented in the Comprehensive Annual Financial Report of the State of Connecticut prepared by the State Comptroller.

FINANCIAL HIGHLIGHTS

Net Assets – The net assets of the Combined Investment Funds at the close of the fiscal year were \$18.7 billion, a decline of \$1.89 billion from the previous year. The change in net assets resulted from realized and unrealized losses on investments of \$2.01 billion partly offset by net investment income of \$0.68 billion, and cash outflows to beneficiaries of \$0.56 billion.

Operating Income – General financial market conditions produced a return of negative 6.39%, net of all expenses, resulting in a decrease in net assets from operations of \$1.33 billion in the 2002 fiscal year, compared to a negative return of 3.68%, net of all expenses for the previous fiscal year.

However, despite these market conditions, the Combined Investment Funds outperformed its benchmark return by 3.21%. Had the Fund not outperformed its benchmark, the Combined Investment Funds assets would have declined further by approximately \$661 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the Office of the Treasurer's Combined Investment Funds basic financial statements, which are comprised of: 1) Statement of Net Assets, 2) Statement of Operations, 3) Statement of Changes in Net Assets and 4) Notes to the basic Financial Statements.

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

The Statement of Net Assets (page 21) presents all of the Combined Investment Funds assets and liabilities, with the difference between the two reported as "net assets". Over time, increases and decreases in net assets measure whether the Combined Investment Funds financial position is improving or deteriorating.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Net Assets held in trust for Participants

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

Condensed Statement of Net Assets Fiscal Year Ended June 30,

	2002	2001	Increase / (Decrease)	
			Amount	%
Assets				
Investments at Fair Value	\$19,557,516,103	\$21,204,840,747	\$(1,647,324,644)	(7.8)%
Cash, Receivables and Other	3,854,987,783	4,163,892,207	(308,904,424)	(7.4)%
Total Assets	23,412,503,886	25,368,732,954	(1,956,229,068)	(7.8)%
Liabilities	(4,706,349,534)	(4,775,523,853)	69,174,319	(1.4)%
Net Assets	<u>\$18,706,154,352</u>	<u>\$20,593,209,101</u>	<u>\$(1,887,054,749)</u>	(9.2)%

The Statement of Operations (page 22) presents information on interest income, net increase in fair value of investments and administrative expenses. Unrealized gains or losses of securities are determined by taking the difference between amortized cost and the fair value of investments.

The Statement of Changes in Net Assets (pages 23 and 24) presents information showing how the Combined Investment Fund's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change 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. security lending rebates and dividend and interest income).

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

	2002	2001	Increase / (Decrease)	
			Amount	%
Additions (Deductions) in Net Assets From Operations	\$(1,331,972,420)	\$(787,043,018)	\$(544,929,402)	
Distributions of income to unit owners	(717,809,911)	(734,630,985)	16,821,074	
Purchase of units by participants	1,117,494,957	1,348,072,543	(230,577,586)	
Redemption of units by participants	(954,767,375)	(1,147,413,437)	192,646,062	
Total Increase (Decrease) in Net Assets	<u>\$(1,887,054,749)</u>	<u>\$(1,321,014,987)</u>	<u>\$(566,039,762)</u>	

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Combined Investment Fund's financial statements. The notes can be found on pages 25 through 36 of this report.

REQUIRED SUPPLEMENTARY INFORMATION

The Office of the Treasurer's Comprehensive Annual Financial Report for the Combined Investment Funds does not separately report required supplementary information that contains budgetary comparison schedules, or schedules presenting infrastructure assets, and required supplementary pension fund information. This information is recorded by the State of Connecticut and as such, compliance with GASB Statement 34 is not applicable.

FINANCIAL ANALYSIS OF THE FUNDS

At the end of the June 30, 2002 fiscal year, the Combined Investment Funds reported investment balances of \$18.7 billion.

Combined Investment Fund Highlights

The Combined Investment Funds represent the pension funds of the State employees and teachers, municipal employees, as well as academic programs, grants and initiatives throughout the State. The total fund balance declined during the fiscal year by \$1.89 billion, as a result of \$2.01 billion of realized and unrealized capital losses due to lower investment values in the principal investments and cash outflows to beneficiaries of \$0.56 billion, partly offset by net investment income of \$0.68 billion. The value of the fund portfolio declined from \$20.59 billion to \$18.70 billion. General financial market conditions produced a return of negative 6.39%, net of all expenses, compared to a negative return of 3.68%, net of all expenses, for the previous fiscal year.

ECONOMIC CONDITIONS AND OUTLOOK

Fiscal year 2002 began with economic indicators reflecting an overall leveling or temporary cooling in the national and state economies. America now finds itself in the midst of an economic weakness exacerbated by the tragedies of September 11, 2001 that contrasts sharply with the preceding decade of growth and prosperity. Connecticut – and its pension and trust funds - has not been immune to these events. The U.S. economic recession that began in March 2001 ended the longest recorded economic expansion of ten years. As a result, investment returns for fiscal year 2002 have been below prior years levels.

The Combined Investment Funds performance relative to other public funds in the Trust Universe Comparison Service (TUCS) (it's peer group for Public Funds with assets greater than \$1 billion dollars) for the one, three and five year periods ending June 30, 2002, was in the 60th, 19th and 18th percentiles, respectively. When measured over the course of a market cycle, the Combined Investment Funds is among the top performing funds among its peers. The Combined Investment Funds investment strategy is constructed in such a way as to exceed its benchmark and receive superior returns with less risk over a market cycle and to weather the current market conditions.



State of Connecticut

Office of the Treasurer

DAVID L. NAFFER
Treasurer

HOWARD G. RIFKIN
Deputy Treasurer

October 15, 2002

To the State of Connecticut
Combined Investment Funds
Fellow Beneficiaries

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

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

It is our belief that the contents of this Combined Investment Funds Comprehensive Annual Financial Report make evident the State of Connecticut Office of the Treasurer support of the safe custody and conscientious stewardship of the State's property and money held by the State.

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

Sincerely,

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

Howard G. Rifkin
Deputy Treasurer

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

**STATEMENT OF NET ASSETS
JUNE 30, 2002**

	CASH RESERVE FUND	MUTUAL EQUITY FUND	FIXED INCOME FUND	INTER- NATIONAL STOCK FUND	REAL ESTATE FUND	COMMERCIAL MORTGAGE FUND	PRIVATE INVESTMENT FUND	ELIMI- NATION ENTRY	TOTAL
ASSETS									
Investments in Securities, at Fair Value									
Cash Reserve Fund	\$ -	\$ 79,991,523	\$ 799,516,453	\$ 38,639,247	\$ 3,374,304	\$ 4,710,633	\$ 65,645,708	\$(91,877,869)	\$ -
Cash Equivalents	578,733,637	-	163,400,960	12,011,496	-	-	-	-	754,146,093
Asset Backed Securities	470,800,598	-	182,059,525	-	-	-	-	-	652,860,123
Government Securities	-	-	1,181,128,702	-	-	-	-	-	1,181,128,702
Government Agency Securities	103,383,750	-	1,907,317,817	-	-	-	-	-	2,010,701,567
Mortgage Backed Securities	90,677,164	-	628,661,922	-	-	1,352,299	-	-	720,691,385
Corporate Debt	229,947,203	-	2,062,139,826	1,528,927	-	-	23,260,800	-	2,316,876,756
Convertible Securities	-	-	212,526,229	2,452,838	-	-	-	-	214,979,067
Common Stock	-	6,553,584,720	8,815,029	2,173,578,562	67,268,895	65,405,375	-	-	8,868,652,581
Preferred Stock	-	-	57,753,391	43,839,393	-	-	-	-	101,592,784
Real Estate Investment Trust	-	55,152,462	783,340	-	-	-	-	-	55,935,802
Mutual Fund	-	-	33,072,740	760,000	-	-	-	-	33,832,740
Limited Liability Corporation	-	-	-	-	-	-	33,971,909	-	33,971,909
Trusts	-	-	-	-	51,047,102	-	-	-	51,047,102
Limited Partnerships	-	-	57,831,904	-	336,544,978	-	2,153,763,957	-	2,548,140,839
Partnerships	-	-	-	-	-	-	-	-	-
Annuities	-	-	-	-	12,958,653	-	-	-	12,958,653
Total Investments in Securities, at Fair Value	1,473,542,352	6,688,728,705	7,295,007,838	2,272,810,463	471,193,932	71,468,307	2,276,642,374	(91,877,869)	19,557,516,103
Cash	-	-	981,573	2,166,946	-	-	1,624,528	-	4,773,047
Receivables	-	-	-	-	-	-	-	-	-
Foreign Exchange Contracts	-	-	49,086,065	1,546,168,511	-	-	-	-	1,595,254,576
Interest Receivable	7,643,706	164,958	88,117,025	95,107	5,612	8,556	134,939	(37,298,082)	58,871,821
Dividends Receivable	-	6,702,103	353,460	2,856,183	-	1,751,511	-	-	11,663,257
Due from Brokers	-	6,546,605	578,272,446	15,705,101	-	-	124,729	-	600,648,881
Management Fee Receivable	-	-	-	-	-	-	-	-	-
Foreign Taxes	-	180	9,711	895,902	-	-	-	-	905,793
Securities Lending Receivable	-	71,145	201,533	399,597	-	-	-	-	672,275
Reserve for Doubtful Receivables	-	-	(6,552,144)	(270,136)	-	-	-	-	(6,822,280)
Total Receivables	7,643,706	13,484,991	709,488,096	1,565,850,265	5,612	1,760,067	259,668	(37,298,082)	2,261,194,323
Invested Securities Lending Collateral	-	228,630,026	868,238,183	489,379,516	-	-	-	-	1,586,247,725
Other Funds on Deposit	-	-	-	-	-	31,257	-	-	31,257
Prepaid Expenses	-	-	-	-	-	1,084	2,740,347	-	2,741,431
Total Assets	1,481,186,058	6,930,843,722	8,873,715,690	4,330,207,190	471,199,544	73,260,715	2,281,266,917	(1,029,175,951)	23,412,503,886
LIABILITIES									
Payables									
Foreign Exchange Contracts	-	-	50,012,083	1,593,652,381	-	-	-	-	1,643,664,464
Due to Brokers	35,000,000	10,002,190	1,424,042,679	9,478,174	-	-	-	(35,000,000)	1,443,523,043
Income Distribution	3,020,276	-	-	-	-	-	-	(2,169,594)	850,682
Other Payable	113,462	25,390	-	-	-	-	-	(113,462)	25,390
Total Payables	38,133,738	10,027,580	1,474,054,762	1,603,130,555	-	-	-	(37,283,056)	3,088,063,579
Securities Lending Collateral	-	228,630,026	868,238,183	489,379,516	-	-	-	-	1,586,247,725
Accrued Expenses	45,954	15,594,988	5,171,420	10,970,796	27,396	-	242,697	(15,021)	32,038,230
Total Liabilities	38,179,692	254,252,594	2,347,464,365	2,103,480,867	27,396	-	242,697	(37,298,077)	4,706,349,534
NET ASSETS	\$1,443,006,366	\$6,676,591,128	\$6,526,251,325	\$2,226,726,323	\$471,172,148	\$73,260,715	\$2,281,024,220	\$(91,877,873)	\$18,706,154,352
Units Outstanding	1,443,006,366	9,745,335	59,759,956	10,784,603	7,671,484	1,081,902	26,422,257	-	-
Net Asset Value and Redemption Price per Unit	\$ 1.00	\$ 685.11	\$ 109.21	\$ 206.47	\$ 61.42	\$ 67.71	\$ 86.33	-	-

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

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

STATEMENT OF OPERATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	CASH RESERVE FUND	MUTUAL EQUITY FUND	FIXED INCOME FUND	INTER- NATIONAL STOCK FUND	REAL ESTATE FUND	COMMERCIAL MORTGAGE FUND	PRIVATE INVESTMENT FUND	ELIMI- NATION ENTRY	TOTAL
Investment Income									
Dividends	\$ -	\$95,729,157	\$6,421,910	\$44,768,230	\$5,657,485	\$7,052,935	\$139,153,735	\$ -	\$298,783,448
Interest	44,790,699	2,255,045	411,163,155	2,226,862	107,618	159,801	2,344,009	(30,208,807)	432,838,382
Other Income	-	954,424	-	163,134	1,806,927	6,603	-	-	2,931,088
Securities Lending	-	6,467,822	21,005,366	12,495,648	-	-	-	-	39,968,836
Total Income	<u>44,790,699</u>	<u>105,406,448</u>	<u>438,590,431</u>	<u>59,653,874</u>	<u>7,572,030</u>	<u>7,219,339</u>	<u>141,497,744</u>	<u>(30,208,807)</u>	<u>774,521,754</u>
Expenses									
Investment Advisory Fees	221,652	18,468,060	10,433,845	15,054,168	1,321,960	442,777	6,958,306	(149,492)	52,751,276
Salary and Fringe Benefits	92,145	558,259	406,138	166,537	112,325	7,913	252,437	(62,147)	1,533,607
Custody and Transfer Agent Fees	64,950	162,094	152,649	429,396	30,493	2,900	238,152	(43,805)	1,036,829
Professional Fees	71,868	439,715	368,813	127,923	22,278	3,810	1,407,152	(48,471)	2,393,088
Security Lending Fees	-	355,889	1,024,784	1,218,108	-	-	-	-	2,598,781
Security Lending Rebates	-	5,128,872	17,181,472	7,799,656	-	-	-	-	30,110,000
Investment Expenses	54,275	536	31,815	2,261	-	526	2,803,416	(36,605)	2,856,224
Total Expenses	<u>504,890</u>	<u>25,113,425</u>	<u>29,599,516</u>	<u>24,798,049</u>	<u>1,487,056</u>	<u>457,926</u>	<u>11,659,463</u>	<u>(340,520)</u>	<u>93,279,805</u>
Net Investment Income	44,285,809	80,293,023	408,990,915	34,855,825	6,084,974	6,761,413	129,838,281	(29,868,287)	681,241,949
Net Realized Gain (Loss)	90,396	(258,315,502)	(74,846,010)	(136,431,396)	12,064,572	4,541,281	7,336,357	(60,967)	(445,621,269)
Net Change in Unrealized Gain (Loss) on Investments and Foreign Currency	-	(1,012,899,963)	24,768,675	(129,922,156)	(14,429,564)	(10,358,969)	(424,751,123)	-	(1,567,593,100)
Net Increase (Decrease) in Net Assets Resulting from Operations	<u>\$ 44,376,205</u>	<u>\$ (1,190,922,442)</u>	<u>\$ 358,913,580</u>	<u>\$ (231,497,727)</u>	<u>\$ 3,719,982</u>	<u>\$ 943,725</u>	<u>\$ (287,576,485)</u>	<u>\$(29,929,254)</u>	<u>\$(1,331,972,420)</u>

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

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	CASH RESERVE FUND	MUTUAL EQUITY FUND	FIXED INCOME FUND	INTER- NATIONAL STOCK FUND	REAL ESTATE FUND	COMMERCIAL MORTGAGE FUND	PRIVATE INVESTMENT FUND	ELIMI- NATION ENTRY	TOTAL
Net Increase (Decrease) in Net Assets Resulting from Operations	\$44,376,205	\$(1,190,922,442)	\$358,913,580	\$(231,497,727)	\$3,719,982	\$ 943,725	\$(287,576,485)	\$(29,929,254)	\$(1,331,972,420)
Distributions to Unit Owners:									
Income Distributed	(44,376,205)	(69,533,851)	(391,071,676)	(44,605,871)	(17,937,205)	(6,960,606)	(173,253,751)	29,929,254	(717,809,911)
Returns of Capital	-	-	-	-	-	-	-	-	-
Total Distributions	(44,376,205)	(69,533,851)	(391,071,676)	(44,605,871)	(17,937,205)	(6,960,606)	(173,253,751)	29,929,254	(717,809,911)
Unit Transactions									
Purchase of Units by Participants	3,629,718,263	9,045,806	28,621,965	-	13,500,000	-	166,500,000	(2,729,891,077)	1,117,494,957
Redemption of Units by Participants	(3,543,651,294)	(2,604,904)	(56,000,000)	-	(4,100,000)	(21,901,900)	(32,000,000)	2,705,490,723	(954,767,375)
Net Increase (Decrease) in Net Assets Resulting from Unit Transactions	86,066,969	6,440,902	(27,378,035)	-	9,400,000	(21,901,900)	134,500,000	(24,400,355)	162,727,582
Total Increase (Decrease) in Net Assets	86,066,969	(1,254,015,391)	(59,536,131)	(276,103,598)	(4,817,223)	(27,918,781)	(326,330,236)	(24,400,355)	(1,887,054,749)
Net Assets- Beginning of Period	1,356,939,397	7,930,606,519	6,585,787,456	2,502,829,921	475,989,371	101,179,496	2,607,354,456	(967,477,518)	20,593,209,101
Net Assets- End of Period	\$1,443,006,366	\$6,676,591,128	\$6,526,251,325	\$2,226,726,323	\$471,172,148	\$ 73,260,715	\$2,281,024,220	\$(991,877,873)	\$18,706,154,352
Other Information:									
Units									
Purchased	3,629,718,263	-	256,056	-	218,818	-	1,692,384		
Redeemed	(3,543,651,294)	(150)	(510,310)	-	(65,494)	(305,855)	(350,749)		
Net Increase (Decrease)	86,066,969	(150)	(254,254)	-	153,324	(305,855)	1,341,635		

The accompanying notes are an integral part of these financial statements

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	CASH RESERVE FUND	MUTUAL EQUITY FUND	FIXED INCOME FUND	INTER- NATIONAL STOCK FUND	REAL ESTATE FUND	COMMERCIAL MORTGAGE FUND	PRIVATE INVESTMENT FUND	ELIMI- NATION ENTRY	TOTAL
Net Increase in Net Assets Resulting from Operations	\$ 88,335,800	\$(840,348,020)	\$513,404,677	\$(384,324,261)	\$66,999,302	\$13,722,182	\$(179,987,913)	\$(64,844,785)	\$(787,043,018)
Distributions to Unit Owners:									
Income Distributed	(88,335,800)	(81,602,103)	(431,756,402)	(42,812,109)	(43,132,934)	(13,391,609)	(98,444,813)	64,844,785	(734,630,985)
Returns of Capital	-	-	-	-	-	-	-	-	-
Total Distributions	(88,335,800)	(81,602,103)	(431,756,402)	(42,812,109)	(43,132,934)	(13,391,609)	(98,444,813)	64,844,785	(734,630,985)
Unit Transactions									
Purchase of Units by Participants	3,090,780,803	-	8,000,000	-	14,000,000	-	328,000,000	(2,092,708,260)	1,348,072,543
Redemption of Units by Participants	(3,267,454,543)	-	-	-	(72,000,000)	(75,210,500)	(7,000,000)	2,274,251,606	(1,147,413,437)
Net Increase (Decrease) in Net Assets Resulting from Unit Transactions	(176,673,740)	-	8,000,000	-	(58,000,000)	(75,210,500)	321,000,000	181,543,346	200,659,106
Total Increase (Decrease) in Net Assets	(176,673,740)	(921,950,123)	89,648,275	(427,136,370)	(34,133,632)	(74,879,927)	42,567,274	181,543,346	(1,321,014,897)
Net Assets- Beginning of Period	1,533,613,137	8,852,556,642	6,496,139,181	2,929,966,291	510,123,003	176,059,423	2,564,787,182	(1,149,020,861)	21,914,223,998
Net Assets- End of Period	\$1,356,939,397	\$7,930,606,519	\$6,585,787,456	\$2,502,829,921	\$475,989,371	\$101,179,496	\$2,607,354,456	\$(967,477,518)	\$20,593,209,101
Other Information:									
Units									
Purchased	3,090,780,803	-	73,846	-	226,715	-	2,835,894		
Redeemed	(3,267,454,543)	-	-	-	(1,132,573)	(1,018,517)	(56,763)		
Net Increase (Decrease)	(176,673,740)	-	73,846	-	(905,858)	(1,018,517)	2,779,131		

The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The Funds of the Treasurer are proprietary in nature; the activities in these funds 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 such funds are generally those applicable to similar businesses in the private sector. In accordance with Government Accounting Standards Board ("GASB") Statement No. 20, the Treasurer has elected to apply all GASB pronouncements, as well as all Financial Accounting Standards Board Statements, Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with GASB pronouncements. The Funds are not subject to regulatory oversight and are not registered with the Securities and Exchange Commission as an investment company.

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

A. NEW PRONOUNCEMENTS

There were no relevant new pronouncements for the fiscal year ended June 30, 2002.

B. SECURITY VALUATION

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

Cash Reserve Fund

Investments are valued at amortized cost, which approximates fair value. Repurchase Agreements held are collateralized at 102 percent of the securities' value. Such transactions are only entered into with primary government securities dealers who report directly to the Federal Reserve Bank of New York. The

NOTES TO FINANCIAL STATEMENTS (Continued)

collateral is evaluated daily to ensure its fair value exceeds the current fair value of the repurchase agreements including accrued interest.

Mutual Equity Fund

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

Mutual Fixed Income Fund

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

An investment with a market value of \$57,831,904 and a cost value of \$44,897,812 is held through a limited partnership. The fair value of the underlying securities is based on quoted market prices when available. When quoted market prices are not available, the underlying securities are valued by the General Partner at the fair value as determined in good faith under consistently applied procedures.

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

The Mutual Fixed Income Fund invests in Mortgage Backed Securities (MBSs) and Asset Backed Securities (ABSs), which are included in the Statement of Net Assets. These are bonds issued by a special purpose trust that collects payments on an underlying collateral pool of mortgage or other loans and remits payments to bondholders. The bonds are structured in a series of classes or tranches, each with a different coupon rate and stated maturity date. Interest payments to the bondholders are made in accordance with the trust indentures and amounts received from borrowers in excess of interest payments and expenses are used to amortize the principal on the bonds. Such principal payments are made to retire the tranches of bonds in order of their stated maturity. Because mortgage prepayments are largely dependent on market interest rates, the ultimate maturity date of the bonds is unpredictable and is sensitive to changes in market interest rates, but is generally prior to the stated maturity date. At June 30, 2002, the Fund held MBSs of \$628,661,922 and ABSs of \$182,059,525.

Interest-only stripped mortgage backed securities (IOs), a specialized type of Collateralized Mortgage Obligation (CMO), are included as Mortgaged Backed Securities on the statement of Net Assets. The cash flow on these investments is derived from the interest payments on the underlying mortgage loans. Prepayments on the underlying loans curtail these interest payments, reducing the value of the IOs and, as such, these instruments are extremely sensitive to changes in interest rates, which encourage or discourage such prepayments. At June 30, 2002 the Fund's holdings had a fair value of \$7 million and a cost of \$11 million. The valuations were provided by the custodian.

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

International Stock Fund

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

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

Real Estate Fund

Investments in securities not listed on security exchanges and investments in trusts, limited partnerships, and annuities, which comprise substantially all of the Fund's investments, are carried at the cash adjusted fair value. The cash adjusted fair value utilizes the prior calendar quarter end fair value as estimated by the investment advisor, (i) plus cash flows relating to capitalized expenses and principal contributions disbursed from and (ii) minus amounts received by the Real Estate Fund, to estimate the current fair value. The

NOTES TO FINANCIAL STATEMENTS (Continued)

Treasurer's staff reviews the prior quarter estimated fair values provided by the investment advisors for reasonableness. In those instances where an advisor's value appears to be overstated, this estimated fair value is adjusted accordingly. Additionally, the staff monitors the estimated cash adjusted fair values against the estimated values subsequently reported by the investment advisors. In the event of significant total Fund-level differences between the cash adjusted estimates and the investment advisors' estimated values, adjustments to the reported cash adjusted fair values are made to prevent overstatement. At June 30, 2002, the estimated investment values provided by the investment advisors, net of the adjustments noted above, exceeded cash adjusted fair values reported on the Statement of Net Assets by approximately \$3.1 million. Consistent with the cash adjusted fair value presentation this increase will be considered for the next quarter's adjustment.

Commercial Mortgage Fund

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

The Mortgage Backed Securities on the Statement of Net Assets consist of certificates of beneficial interest in a collateralized mortgage obligation (CMO) created pursuant to a securitization of a residential mortgage pool.

Private Investment Fund

The Private Investment Fund is comprised of investments in various limited partnerships, limited liability companies and securities. The general partner or managing member is the investment advisor and is compensated on a fee basis for management services in addition to its participation in partnership profits and losses. These investments are carried at their cash adjusted fair values. The cash adjusted fair value utilizes the prior quarter fair value as estimated by the investment advisor, (i) plus cash flows relating to capitalized expenses and principal contributions disbursed from and (ii) minus amounts received by the Private Investment Fund, to estimate the current fair value. The Treasurer's staff reviews the prior quarter estimated fair values provided by the investment advisors for reasonableness. In those instances where an advisor's value appears to be overstated, the estimated fair value is adjusted accordingly. Additionally, the staff monitors the estimated cash adjusted fair values against the estimated values subsequently reported by the investment advisors. In the event of significant total Fund-level differences between the cash adjusted estimates and the investment advisors' estimated values, adjustments of reported cash adjusted values are made to prevent overstatement. At June 30, 2002, the estimated investment values provided by the investment advisors, net of the adjustments noted above, was less than the cash adjusted fair value reported on the Statement of Net Assets by approximately \$39.9 million. Consistent with the cash adjusted fair value presentation this decrease will be considered for the next quarter's adjustment. Securities traded on securities exchanges are valued at the last reported sales price on the last business day of the fiscal year. Corporate bonds and certain over-the-counter stocks are valued at the mean of bid and asked prices as furnished by broker-dealers.

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

C. INVESTMENT TRANSACTIONS AND RELATED INCOME

Investment transactions are accounted for on a trade date basis. Dividend income is recognized as earned on the ex-dividend date. Interest income is recorded on the accrual basis as earned. Realized

NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

D. FOREIGN CURRENCY TRANSLATION

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

E. SHARE TRANSACTIONS AND PRICING

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

F. EXPENSES

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

G. DISTRIBUTIONS

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

H. DERIVATIVE FINANCIAL INSTRUMENTS

GASB Technical Bulletin Number 94-1 states that derivatives are generally defined as contracts whose value depends on, or derives from, the value of an underlying asset, reference rate, or index. For the fiscal year ended June 30, 2002, the funds maintained positions in a variety of such securities. The Cash Reserve Fund held adjustable rate and asset-backed securities. The Mutual Fixed Income Fund held CMOs, including IOs, and other asset backed securities, indexed Treasury securities and option contracts. The International Stock and Mutual Fixed Income Funds were invested in foreign exchange contracts and the Commercial Mortgage Fund held CMOs and CMO residuals. The specific nature of these investments is discussed more fully in the accounting policy note for each respective fund, where appropriate. These financial instruments are utilized for trading and other purposes. Those that are used for other than trading purposes are foreign exchange contracts, which can be used to facilitate trade settlements, and may

NOTES TO FINANCIAL STATEMENTS (Continued)

serve as foreign currency hedges. The credit exposure resulting from such contracts is limited to the recorded fair value of the contracts on the Statement of Net Assets.

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

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

I. COMBINATION/ELIMINATION ENTRY

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

J. FEES AND REALIZED GAINS

Investment advisory fees incurred for the Private Investment Fund are generally charged to the entity in which the Fund has been invested. In such cases, these amounts are either capitalized in the cost basis of the investment and become a component of unrealized gain (loss) or are netted against the corresponding income generated. Certain other fees are incurred directly by the Funds. These amounts are expensed and are reflected as Investment Advisory Fees on the Statement of Operations. The appropriate treatment is determined depending on the terms of the investment agreement. Capitalized fees are not separately presented on the Statement of Operations. These fees are borne by the partners in their respective shares. The following is a listing of the Fund's total fees for the fiscal year ended June 30, 2002:

	Netted	Capitalized	Expensed	Total
Private Investment Fund	\$ 18,745,286	\$ 16,474,028	\$ 6,958,306	\$ 42,177,620

In addition, realized gains and losses are not reported at the level of the Fund's investment since these relate to realized gains and losses on the underlying securities held by the Funds' investment vehicles. The following is the Fund's share of such realized gains for the fiscal year ended June 30, 2002:

Private Investment Fund	\$ 120,566,943
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Past practice of partnerships was to distribute realized gains on a consistent basis. Not included in the above realized gain, for the fiscal year ended June 30, 2002, is approximately \$867,000, which has not been distributed by one of the general partners. Since inception \$336 million has not been distributed. Subsequent to June 30, 2002 the Private Investment Fund has received approximately \$267 million representing gain not previously distributable.

Periodically the Private Investment Fund may receive stock distributions in lieu of cash. These securities are included as common stock on the Statement of Net Assets. When one of these individual securities is sold the realized gain or loss is presented on the Statement of Operations. Realized gains for such transactions for the fiscal year ended June 30, 2002 were \$9,312,450.

The Mutual Fixed Income Fund includes an investment in a mutual fund and a limited partnership interest. Fees incurred are deducted from the operations of the fund and are not separately presented on the Statement of Operations. The corresponding fees incurred for the fiscal year ended June 30, 2002 totaled \$333,000.

NOTES TO FINANCIAL STATEMENTS (Continued)

The International Stock Fund includes an investment in a mutual fund. Fees incurred are deducted from the operations of the fund and are not separately presented on the Statement of Operations. The corresponding fees incurred for the fiscal year ended June 30, 2002 totaled \$4,000.

Investment advisory fees incurred for certain investments in the Real Estate Fund are generally charged to the entity in which the Fund has been invested. In such cases, these amounts are either capitalized in the cost basis of the investment and become a component of unrealized gain (loss) or are netted against the corresponding income generated. Certain other fees are incurred directly by the Funds. These amounts are expensed and are reflected as Investment Advisory Fees on the Statement of Operations. The appropriate treatment is determined depending on the terms of the investment agreement. Capitalized fees are not separately presented on the Statement of Operations. These fees are borne by the partners in their respective shares. The following is a listing of the Fund's total fees for the fiscal year ended June 30, 2002:

	Netted	Capitalized	Expensed	Total
Real Estate Fund	\$ 423,974	\$ 2,965,214	\$ 1,321,960	\$ 4,711,148

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

K. RECLASSIFICATIONS

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

L. RELATED PARTY AND OTHER TRANSACTIONS

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

M. ESTIMATES

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

NOTE 2: CASH, INVESTMENTS AND SECURITIES LENDING

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

The investments of the Cash Reserve, Mutual Equity, Mutual Fixed Income and the International Stock Funds were securities registered under the State Street Bank and Trust Co. nominee name Pondwave & Co. and held by a designated agency of the Pension Plans and Trust Funds of the State of Connecticut, or bearer and held by a designated agency of the Pension Plans and Trust Funds of the State of Connecticut. Investments, as defined by GASB Statement No. 3, are categorized to give an indication of the credit risk assumed by the Treasurer at year-end. Category 1 includes investments which are insured or registered or for which securities are held by the Treasurer or its agent in the Treasurer's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Treasurer's name. Category 3 includes uninsured or unregistered investments for which

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

NOTES TO FINANCIAL STATEMENTS (Continued)

the securities are held by the counterparty's trust department or agent, but not in the Treasurer's name. All registered securities, as noted above, are classified under GASB risk category 1, except as follows:

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

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

Private Investment Fund

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

Commercial Mortgage Fund

At June 30, 2002, investments with a cost of \$67,830,096 and a fair value of \$65,405,375 in the form of common stock certificates are classified as category 1. Other Funds on Deposit represent portfolio level net assets consisting of escrow accounts. These are maintained by the portfolio manager and are not classified, as they are not investments.

The composition of the Fund's investment portfolio by the underlying assets in which the investee corporations and trusts are invested in are as follows at June 30, 2002:

Investment	Fair Value	Cost
Cash Reserve	\$ 4,710,632	\$ 4,710,632
Commercial Mortgage loans	65,405,375	67,860,096
CMO's	1,352,299	1,352,299
Total	<u>\$ 71,468,306</u>	<u>\$ 73,893,027</u>

Real Estate Fund

Certain investments in the form of common stock certificates with a cost of \$32,562,540 and a fair value of \$67,268,895 are classified under risk category 1.

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

Summary of Credit Risk Categories

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

Investment Type	Carrying Amount (Fair Value)			Total
	Category 1	Category 2	Category 3	
Cash Equivalents	\$ 727,909,465			\$ 727,909,465
Asset Backed	652,860,123			652,860,123
Government	799,176,064		\$ 19,289,589	818,465,653
Agency	691,197,220		32,837,747	724,034,967
Mortgage Backed	711,836,030			711,836,030
Corporate Debt	2,312,290,224			2,312,290,224
Convertible	211,079,730			211,079,730
U.S. Corporate Stock	6,459,088,533		12,040,172	6,471,128,705
International Equity	1,699,773,348		3,328,637	1,703,101,985
Preferred Stock	101,279,024			101,279,024

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

NOTES TO FINANCIAL STATEMENTS (Continued)

Collateral Securities held by			
Investment Pool under Securities			
Lending Arrangements:			
Cash Equivalents		535,289,992	535,289,992
Corporate Debt		1,050,943,585	1,050,943,585
SUBTOTAL	\$14,366,489,761	\$ -	\$1,653,729,722
			\$16,020,219,483

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

Real Estate Investment Trusts	55,935,802
Mutual Funds	33,832,740
Limited Liability Corporation	33,971,909
Trusts	51,047,102
Limited Partnerships	2,548,140,839
Annuities	12,958,653
Investments held by broker-dealers under securities loans:	
U.S. Government and Agency	674,561,234
U.S. Corporate Stock	246,452,982
International Equity	454,495,296
Domestic Fixed	165,436,746
International Fixed	3,822,735
Total Investments	<u>\$20,300,875,521</u>

Cash balances included on the Statement of Net Assets of \$4,773,047 are fully insured by the FDIC and are, therefore, classified as Category 1.

Cash Equivalents listed on the breakdown by investment type under Category 1 consist of corporate debt. Cash Equivalents reported under Category 3 consist of certificates of deposit of \$310,422,375 and time deposits of \$224,867,617.

Securities Lending

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

During the period ended June 30, 2002, the master custodian lent, at the direction of the Funds, securities and received cash (in both U.S. and foreign currency), U.S. government securities, sovereign debt rated A or better, convertible bonds, and irrevocable bank letters of credit as collateral. The master custodian did not have the ability to pledge or sell collateral securities delivered therefore absent a borrower default. Borrowers were required to deliver collateral for each loan equal to: (i) in the case of loaned securities denominated in United States dollars or whose primary trading market was located in the United States or sovereign debt issued by foreign governments, 102% of the market value of the loaned securities; and (ii) in the case of loaned securities not denominated in United States dollars or whose primary trading market was not located in the United States, 105% of the market value of the loaned securities.

The Funds did not impose any restrictions during the fiscal year on the amount of the loans that the master custodian made on its behalf and the master custodian indemnified the Funds by agreeing to purchase replacement securities, or return the cash collateral thereof in the event any borrower failed to return the loaned securities or pay distributions thereon. There were no such failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers of the master custodian. During the fiscal year, the Funds and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in an individual account known as the State of Connecticut Collateral Investment Trust. On June 30, 2002, the Funds had no credit risk exposure to borrowers. The value of collateral held and the market value of securities on loan for the Funds as of June 30, 2002 were \$1,655,360,256 and \$1,612,265,137, respectively.

Under ordinary circumstances, the average effective duration of the security lending operations will be managed such that it will not exceed 120 days, or fall below 1 day. Under such ordinary circumstances,

NOTES TO FINANCIAL STATEMENTS (Continued)

the net duration, as defined by the duration of assets less the duration of liabilities, will not exceed 45 days. In the event that the average effective duration does exceed 120 days, or the net duration does exceed 45 days for any 3-day period, the Trustee shall, (i) notify the Funds within 5 business days and (ii) take appropriate action as is reasonable to return an average effective duration below 120 days or a net duration below 45 days. The average effective duration is calculated using the weighted average effective duration of holdings. The average effective duration of the security lending program at June 30, 2002 was 55 days.

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

The fair value of collateral held and the fair value of securities on loan are as follows for the Funds as of June 30, 2002:

Fund	Fair Value of Collateral	Fair Value of Securities Lent
Mutual Equity	\$ 241,450,234	\$ 232,973,339
International Stock	494,356,492	480,045,126
Mutual Fixed Income	923,919,269	899,246,672
Total	<u>\$ 1,659,725,995</u>	<u>\$ 1,612,265,137</u>

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

Fund	Cash Equivalents	Corporate Debt	Total Investments
Mutual Equity	\$ 77,152,745	\$ 153,637,232	\$ 230,789,977
International Stock	165,144,418	328,858,442	494,002,860
Mutual Fixed Income	292,992,829	568,447,910	861,440,739
Total	<u>\$ 535,289,992</u>	<u>\$ 1,050,943,584</u>	<u>\$ 1,586,233,576</u>

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

NOTE 3: PURCHASES AND SALES OF INVESTMENT SECURITIES

For the period ended June 30, 2002, the aggregate cost of purchases and proceeds from sales of investment securities (excluding all U.S. Government securities and short-term securities) were as follows:

Fund	Purchases	Sales
Mutual Equity	\$ 4,020,822,907	\$ 4,008,862,315
Mutual Fixed Income	21,985,360,444	21,627,593,283
International Stock	1,046,789,070	1,051,390,822
Real Estate	22,682,411	12,095,799
Commercial Mortgage	-	18,313,962
Private Investment	200,890,195	163,586,660

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

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

At June 30, 2002, the gross appreciation of investment securities and foreign currency in which there was an excess of fair value over cost, the gross depreciation of investment securities and foreign currency in which there was an excess of cost over fair value and the resulting net appreciation (depreciation) by fund were as follows:

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

NOTES TO FINANCIAL STATEMENTS (Continued)

Fund	Gross Appreciation	Gross Depreciation	Net Appreciation (Depreciation)
Mutual Equity	\$ 1,176,428,803	\$ 889,172,809	\$ 287,255,994
Mutual Fixed Income	178,807,051	295,904,911	(117,097,860)
International Stock	299,231,106	333,356,864	(34,125,758)
Real Estate	97,461,149	43,334,770	54,126,379
Commercial Mortgage	1,233,376	3,658,097	(2,424,721)
Private Investment	566,881,413	605,287,315	(38,405,902)

NOTE 5: FOREIGN EXCHANGE CONTRACTS

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

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

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

At June 30, 2002, the Funds had recorded unrealized gains (losses) from open forward currency contracts as follows:

International Stock Fund:		
Foreign Currency	Value	Unrealized Gain/(Loss)
Contracts to Buy:		
Australian Dollar	\$ 7,880,618	\$ (38,178)
Danish Krone	3,931,465	96,217
Euro Currency	45,411,411	3,102,375
Hong Kong Dollar	3,868,803	(375)
Indonesian Rupiah	39,602	(60)
Japanese Yen	79,414,141	691,622
Malaysian Ringgit	922,211	(560)
New Zealand Dollar	837,377	(983)
Norwegian Krone	4,508,030	85,273
Pound Sterling	34,544,028	442,067
Singapore Dollar	4,712,658	2,443
Swedish Krona	10,171,840	298,461
Swiss Franc	9,468,407	116,469
Turkish Lira	190,677	112,779
	<u>205,901,268</u>	<u>4,907,550</u>
Contracts to Sell:		
Australian Dollar	42,922,574	(839,800)
Danish Krone	14,712,973	(844,187)
Egyptian Pound	356	-
Euro Currency	463,847,688	(15,483,115)
Hong Kong Dollar	23,444,906	(1,433)
Indonesian Rupiah	25,598	(121)
Japanese Yen	406,426,494	(22,239,349)
Malaysian Ringgit	175,833	(976)
New Zealand Dollar	2,822,804	(259,081)
Norwegian Krone	16,270,135	(1,392,121)
Pound Sterling	245,127,722	(7,288,433)
Singapore Dollar	17,118,359	(132,326)
Swedish Krona	32,176,373	(1,602,747)

NOTES TO FINANCIAL STATEMENTS (Continued)

Swiss Franc	<u>70,287,878</u>	<u>(2,307,731)</u>
	<u>1,335,359,693</u>	<u>(52,391,420)</u>
Total	<u>\$1,541,260,961</u>	<u>\$(47,483,870)</u>

Financial Statement Amounts:

	<u>Receivable</u>	<u>Payable</u>	<u>Net</u>
Amount In US Dollars	\$ 1,541,260,961	\$ 1,541,260,961	\$ -
Unrealized Gain (Loss)	<u>4,907,550</u>	<u>(52,391,420)</u>	<u>(47,483,870)</u>
Net	<u>\$ 1,546,168,511</u>	<u>\$ 1,593,652,381</u>	<u>\$(47,483,870)</u>

Mutual Fixed Income Fund:

Foreign Currency	<u>Value</u>	<u>Unrealized Gain/(Loss)</u>
Contracts to Sell:		
Canadian Dollar	\$17,447,643	\$ (44,709)
Euro Currency	20,423,266	(410,977)
New Zealand Dollar	5,425,200	(420,873)
Swedish Krona	<u>5,789,956</u>	<u>(49,459)</u>
Total	<u>\$49,086,065</u>	<u>\$(926,018)</u>

Financial Statement Amounts:

	<u>Receivable</u>	<u>Payable</u>	<u>Net</u>
Amount In US Dollars	\$ 49,086,065	\$ 49,086,065	\$ -
Unrealized Gain (Loss)	-	<u>(926,018)</u>	<u>(926,018)</u>
Net	<u>\$ 49,086,065</u>	<u>\$ 50,012,083</u>	<u>\$ (926,018)</u>

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

NOTE 6: COMMITMENTS

In accordance with the terms of the individual investment agreements, the Private Investment Fund and the Real Estate Fund have outstanding commitments to make additional investments. These commitments will be fulfilled as suitable investment opportunities become available. Unfunded commitments at June 30, 2002, were as follows:

	<u>Total</u>	<u>Cumulative</u>	<u>Unfunded</u>
Fund	Commitment	Amounts	Commitment
		Funded	
Real Estate	\$ 365,000,000	\$ 344,578,520	\$ 20,421,480
Private Investment	3,316,485,904	2,731,685,760	584,800,144

NOTE 7: CONTINGENCY

During the fiscal year ending June 30, 2002 the Combined Investment Funds entered into litigation with a general partner in the Private Investment Fund for violation of the limited partners' agreement and breach of fiduciary duty. The potential dollar value and availability of any return is not known at this time.

NOTE 8: SUBSEQUENT EVENTS

Subsequent to June 30, 2002 the Private Investment Fund has received approximately \$298 million. Of this amount \$267 million represents gain not previously distributed. A limited partnership in the Private Investment Fund has experienced a market reduction of \$4 million, which is included in the amount described in Note 1, and has obtained two writs of summons including one against a former general partner and another against a business associate.

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9: COST BASIS OF INVESTMENTS.

The aggregate cost values of investments in the Funds are as follows at June 30, 2002:

	CASH RESERVE FUND	MUTUAL EQUITY FUND	MUTUAL FIXED INCOME FUND	INTERNATIONAL STOCK FUND	REAL ESTATE FUND	COMMERCIAL MORTGAGE FUND	PRIVATE INVESTMENT FUND
Investments, at Cost							
Cash Reserve Fund	\$ -	\$ 79,991,521	\$ 799,516,454	\$ 38,639,248	\$ 3,374,304	\$ 4,710,632	\$ 65,645,710
Cash Equivalents	578,733,634	-	163,400,960	11,988,691	-	-	-
Asset Backed Securities	470,800,598	-	178,780,648	-	-	-	-
Government Securities	-	-	1,162,217,407	-	-	-	-
Government Agency Securities	103,383,750	-	1,873,685,094	-	-	-	-
Mortgage Backed Securities	90,677,164	-	615,200,951	-	-	1,352,299	-
Corporate Debt	229,947,203	-	2,232,006,332	2,001,814	-	-	23,260,800
Convertible Securities	-	-	228,483,118	2,228,077	-	-	-
Common Stock	-	6,271,585,334	16,703,902	2,206,198,158	32,562,540	67,830,096	-
Preferred Stock	-	-	63,892,109	45,236,456	-	-	-
Real Estate Investment Trust	-	49,895,854	1,502,763	-	-	-	-
Mutual Fund	-	-	31,818,148	643,777	-	-	-
Limited Liability Corporation	-	-	-	-	-	-	60,504,202
Trusts	-	-	-	-	34,566,655	-	-
Limited Partnerships	-	-	44,897,812	-	305,223,751	-	2,165,637,565
Partnerships	-	-	-	-	-	-	-
Annuities	-	-	-	-	41,340,303	-	-
Total Investments, at Cost	\$1,473,542,349	\$6,401,472,709	\$7,412,105,698	\$2,306,936,221	\$417,067,553	\$73,893,027	\$2,315,048,277

Investment

Section



2002 pension fund management division

Division Overview

Introduction

As principal fiduciary for six State pension and nine trust funds, the Treasurer is responsible for prudently managing \$18.7 billion of investment assets on behalf of approximately 160,000 teachers, State and municipal employees as well as trust funds financing academic programs, grants, and initiatives throughout the State. The Pension Funds Management Division is responsible for the day to day operations associated with Connecticut's Retirement Plans and Trust Funds.

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

As shown in Figure 1-1, over the last ten years pension and trust assets have grown from \$9.5 billion to \$18.7 billion, or 97%. The Teachers' Retirement Fund (TERF), with \$10.1 billion under management at June 30, 2002, is the largest participating fund, followed by the State Employees' Retirement Fund (SERF) and the Municipal Employees' Retirement Fund (MERF) with \$7.1 billion and \$1.2 billion, respectively. During the fiscal year ended June 30, 2002, total annual investment returns, comprising interest income, dividends, securities lending income, and net realized and unrealized capital gains, net of Fund operating expenses, were negative \$1.3 billion. (See figure 1-2.)

Organization/Staff Review

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

Operating Expenses

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

Fund Management

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

As of June 30, 2002, 68 external advisors were employed by the Treasury to invest the pension and trust assets, a decrease of two advisors from June 30, 2001. (See figure 1-5.)

Investment Policy

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

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

As shown in Figure 1-3, the number and complexity of asset classes comprising the asset allocation Policy have fluctuated during the last ten years. New asset classes have been introduced to diversify the pension and trust assets while changing economic environments have required different allocation strategies. As of June 30, 2002, multiple asset classes were included in the Investment Policy, including U.S. Equity, International Equity, U.S. Fixed Income, Equity Real Estate, and Alternative Investments.

At fiscal year-end, domestic and international equities comprised the largest asset allocation, at 48%. Equities have an established record of maximizing investment returns over the long term. Fixed income and alternative investments were also included to allow the Fund both to leverage portfolio returns during highly inflationary or deflationary environments and to mitigate the effects of volatility in the stock market.

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

Domestic Equity

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

Within the "small- and mid-cap" sections of the equity markets, active management continues to allow pension funds the opportunity to receive enhanced returns. Small- and mid-cap securities are issued by companies that are much smaller and not as closely monitored, researched or analyzed as the larger capitalization companies. Consequently, the small-cap segment of the U.S. equity market is less "efficient." Certain active investment advisors are therefore more likely to outperform the markets over the long term, while earning an acceptable level of return per unit of risk. The Fund measures its performance against the Russell 3000 Index. During fiscal 2002, the Treasurer terminated two small/mid cap managers due to performance and organizational turnover.

As currently structured, the domestic equity portfolio replicates the approximate capitalization of the market as a whole with 75% of the Fund invested in large-cap stocks and 25% in small/mid-cap stocks. Approximately 85% of the entire domestic equity portfolio adheres to an indexing or enhanced indexing strategy.

International Equity

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

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

Fixed Income

The Mutual Fixed Income Fund serves as an investment tool for the Pension and Trust Funds with the goal of reducing volatility in Fund returns under various economic scenarios. During periods of low inflation, fixed income investments may enhance the overall performance of the Pension and Trust Funds, while in times of moderate inflation and high nominal interest rates, these investments may contribute investment returns. The Fund measures its performance against the Lehman Brothers Aggregate Index, widely considered to be a surrogate for the performance of the U.S. bond market.

The current fixed income structure includes convertible bonds and high yield bonds as security classes. Convertible bonds allow bondholders to exchange bonds for a specified number of shares of common stock in a firm. This gives holders of the bonds an option to share in the price appreciation of the company's stock and is an effective diversification tool for the fixed income portfolio. The high yield asset class allows the fund to take advantage of attractive yields of securities of companies with the potential for improving credit quality. During fiscal year 2002, the Office of the Treasurer began a structure review for the Fund as part of its continuing implementation of the Asset Allocation Policy and strategy for the Mutual Fixed Income Fund.

Real Estate and Private Equity Investments

The strategic asset allocation that was established for the real estate asset class was 5%, and 11% for private equity. The portion of the Policy governing the structure of the Real Estate Fund is under review. During fiscal year 2002, the Treasury selected a real estate consultant to assist with the Real Estate Fund policies. The Treasury engaged a private equity consultant to assist in establishing the Private Investment Fund policies, including; portfolio review, Fund structure, guidelines, and implementation strategy for the overall portfolio. During fiscal year 2002, the Treasury completed the Private Investment Fund policies, which has been incorporated in the IPS. The Private Investment Fund (PIF) investments will be in externally managed separate accounts or limited partnerships that focus on private equity investments. Private equity investments include the following: venture capital funds (focusing on start-ups, early and expansion stage); mezzanine funds (investing in equity and debt instruments of established companies); buy-out and acquisition funds (which make controlling and non-controlling investments in established companies); special situation funds; and specialized or special purpose fund of funds focusing on, for example, venture capital partnerships too small to be otherwise appropriate for PIF. It is anticipated that as these markets evolve through future economic cycles, the policies and procedures within the IPS will adjust to these movements.

Securities Lending

The Treasury maintains a securities lending program for the Combined Investment Funds designed to enhance investment returns. This program involves the lending of securities to broker/dealers secured by collateral valued slightly in excess of the market value of the loaned securities. Typically, the loaned securities are used by broker/dealers as collateral for repurchase agreements and other structured investment products, as well as to cover short sales, customer defaults, dividend recapture, and arbitrage trades. To mitigate the risks of securities lending transactions, the master custodian carefully monitors the credit ratings of each counterparty and overall collateral level. Collateral held is marked-to-market on a daily basis to ensure adequate coverage. During fiscal year 2002, the treasury reviewed the securities lending program seeking to enhance the income generated without adding additional risk to the portfolio. The result was a modification to the guidelines allowing the potential of the program to generate an additional \$2.7 million from lending activity.

State Street Bank and Trust Company, the current master custodian for the Funds, is responsible for marketing the program, lending the securities, and obtaining adequate collateral. For the year ended June 30, 2002, securities with a market value of approximately \$1.61 billion had been loaned against collateral of approximately \$1.66 billion. Income generated by securities lending totaled \$7.3 million for the fiscal year.

The Year in Review

Total Fund Performance

During the fiscal year ended June 30, 2002, the State of Connecticut Retirement Plans and Trust Funds (CRPTF) achieved an annual total return of negative 6.39%, net of all expenses, outperforming the total fund benchmark (defined below) return of negative 9.6% by 321 basis points. During the fiscal year, the value of CRPTF's portfolio declined from \$20.6 billion to \$18.7 billion. The \$1.9 billion decrease was primarily due to net change in unrealized gain (loss) on investments and negative operating cash flow. This latter amount was comprised of pension payments to beneficiaries of \$718 million that were offset by net contributions from unit holders of \$163 million, for a net outflow of \$555 million. In addition, funds generated by operations reduced net assets by \$1.3 billion. Funds from operations were comprised of net investment income of \$681 million, realized losses of \$446 million and unrealized depreciation of approximately \$1.6 billion.

For the fiscal year, the CRPTF's strong relative performance to the total fund benchmark was largely attributable to the Mutual Equity Fund (MEF), International Stock Fund (ISF), Mutual Fixed Income Fund (MFIF), Private Investment Fund (PIF), and Cash Reserve Account (CRA). Offsetting these results was the Real Estate Fund (REF), which produced below benchmark returns, as did the Commercial Mortgage Fund (CMF).

The fiscal year began in a difficult economic environment, with slowing expansion and rising unemployment. After the tragic September events, the U.S. economy slipped into recession. The Federal Reserve responded by cutting the Federal Funds rate 200 basis points down to 1.75%, the lowest level since 1961. Lower interest rates, combined with increased defense spending, brought a remarkable turnaround as the economy soared 5.8% during the third quarter of the fiscal year. Despite the strong economic growth, the job market remained sluggish. The unemployment rate stood at 5.9% in June 2002, significantly higher from the 4.5% rate at the beginning of the fiscal year.

Fiscal year 2002 proved to be another difficult year for the equity markets. In the midst of significant equity declines stemming from the deflation of the internet/technology bubble, this fiscal year saw the terrorist attacks, followed by corporate malfeasance which shook investor confidence severely. The meltdown of large companies such as Enron, WorldCom, and Tyco led to congressional inquiries and criminal investigations, prompting public outcries for

accounting reforms. The domestic equity markets finished the fiscal year in negative territory, declining 17.2% as measured by the broad market Russell 3000 Index. Within the asset class, small cap stocks fared better than their mid- and large-cap counterparts, declining 8.6% over the fiscal year versus negative 9.2% and negative 17.9%, respectively (as measured by the Russell indices). Value stocks significantly outperformed growth stocks across the capitalization spectrum, as investors fled toward less volatile, defensive names. On a sector basis, technology and telecommunications stocks (WorldCom, Qwest) were the worst performers, while "Old Economy" industrial and basic materials stocks (Newmont Mining, Black & Decker) posted the best results. The Mutual Equity Fund (MEF) outperformed its index (Russell 3000) by 229 basis points.

Similarly to the U.S., economies of developed international countries experienced a general slowdown, and international stocks finished the fiscal year in negative territory. The SSB EPAC BMI Index, a broad measure of international equity markets, declined 8.1% in U.S. dollar terms. When measured in local currencies, the SSB EPAC BMI Index mirrored the performance of the Russell 3000 Index with a decline of 17.3%. Over the fiscal year, the dollar depreciated against a basket of foreign currencies, dampening the performance of hedged mandates. Japan, whose economy remained in shambles, led the decline, falling 16.6%. The European markets also suffered from economic slowdown. The Pacific ex-Japan region was the best performer, rising due to the strength of the Australian market, which posted gains thanks to its solid economy and strong Australian dollar. Analogous to the U.S., international value stocks beat their growth counterparts, and small caps outpaced large caps. The emerging markets were one of the few bright spots during the fiscal year, rising 1.3% as measured by the MSCI EMF Index. Korea (+57.1%) and Malaysia (+29.9%) were the largest contributors to the index gains. Korea benefited from strong cyclical recovery, while Malaysia's relatively isolated economy was shielded from the global weakness. CRPTF's International Stock Fund, outperformed its benchmark by 188 basis points. The International Stock Fund benchmark is comprised of 83% SSB EPAC BMI Index 50% Hedged Index, and 17% MSCI Emerging Markets Free Index.

The U.S. fixed income markets posted strong performance over the fiscal year, buoyed by the declining interest rates. The broad market LB Aggregate Index gained 8.6% during the fiscal year. On an absolute basis, commercial mortgage backed securities were the best performers, rising 12.7%. The credit sector was the weakest, suffering from shaken investor confidence as a result of the high profile accounting scandals. As fundamentals of corporations deteriorated and ratings agencies scrambled to restore credibility, there was a sharp rise in "fallen angels," companies whose debt has been downgraded from investment-grade to junk status (WorldCom, Calpine). Loss of confidence as well as poor performance of telecommunications and energy-related issues dragged down the U.S. high yield market, which fell 4.7% for the fiscal year, as measured by the SSB High Yield Market Index. Emerging market bonds finished the year down 5.2%, per J.P. Morgan EMBI+. The Latin American economic crisis and the "domino effect" fears following Argentina's default significantly dampened fiscal year results. The Mutual Fixed Income Fund Benefited from its over-allocation to the core fixed income segment, and an under-representation to the emerging debt and high yield sectors. As a result, this fund, representing nearly 35% of total CRPTF assets, outperformed its benchmark by 60 basis points with a return of 5.64%. The Mutual Fixed Income benchmark, consisting of 73% Lehman Brothers Aggregate Index (LBA), 17% Salomon High Yield Market Index, and 10% JPM Emerging Markets Bond Index, posted a return of 5.04% for fiscal year 2002.

The Private Investment Fund outperformed its benchmark by 643 basis points, producing overall net returns of negative 10.81%. The private equity markets, in particular, suffered a downturn in fiscal 2001 and 2002, although not as steep as that of the public equity markets. The Real Estate Fund under performed its benchmark by 559 basis points with a return of 0.81% versus the benchmark return of 6.40%. Because these investment classes are illiquid and highly structured, short-term performance is not always indicative of long-term expectations from the asset class, with the ultimate returns evident only upon realization of all investment gains.

While volatility in investment returns is expected in the short-term, the Treasurer's long-term performance with respect to managing the Pension and Trust assets is most important. The CRPTF generated compounded gross and (net) annual total returns of 0.87%, (0.66%), 5.96% (5.72%), and 9.29% (9.00%) over the last three-, five-, and ten-year periods, respectively. The Funds continued to be well diversified given the long-term risk/return objectives, while adhering to established investment guidelines.

The overall return of the CRPTF is measured against the total fund benchmark, a hybrid benchmark customized to reflect the CRPTF's asset allocation and performance objectives. This benchmark is comprised of 36% Russell 3000 Index; 18% International Stock Fund benchmark; 29% Mutual Fixed Income benchmark; 5% NCREIF Property Index; 11% Connecticut Private Equity/Venture Capital Index; and 1% Donoghue Money Fund Average. The International Stock Fund benchmark is comprised of 83% Salomon Smith Barney Europe, Pacific, Asia Composite Broad Market Index, 50% Hedged and 17% MSCI Emerging Market Free. The Mutual Fixed Income benchmark consists of 73% Lehman Brothers Aggregate Index, 17% Salomon High Yield Market Index, and 10% JPM Emerging Markets Bond Index. The Connecticut Private Equity/Venture Capital Index is made up of 50% Cambridge Associates Private Equity Index and 50% Cambridge Associates Venture Capital Index.

In addition to the total fund benchmark, the CRPTF is historically measured against the actuarially determined assumed rate of return of 8.5%. The actuarially determined assumed rate of return includes normal pension costs and past service amortization payments as well as payments necessary to reduce the unfunded liabilities. While this measure is a key element in assessing the long-term performance of the funds, because it is static (i.e., it does not change from year to year with the financial markets in which the funds are invested), it becomes less appropriate when viewed in shorter time horizons (i.e., less than 5 years). Rather, it serves as a principal driver of the fund's overall asset allocation, setting the long term targeted return for the funds that will be needed to ultimately pay the pensions and other liabilities.

2002 Division Performance and Management Initiatives

In accordance with Public Act 00-43, the Treasurer is required to adopt, and the IAC approve, an Investment Policy statement for the State of Connecticut Retirement Plans and Trust Funds. During fiscal year 2002 the Treasury completed the CRPTF's first comprehensive Investment Policy Statement (IPS) as a result of the Treasury Reform Law. The IPS sets forth the policies and procedures which govern the structuring and investing of the pension and Trust Funds. State statute prescribes the required elements of the IPS, but the IPS extends beyond what is required by State statutes in its level of detail. The IPS represents the asset allocation plan for CRPTF; describes the level of risk that the CRPTF is willing to take in its investment strategy; describes the asset classes that the CRPTF is authorized to invest in, as well as aspects of the individual asset classes and the ranges within each asset class; and describes each of the plans and trusts that the Treasurer's Office manages on behalf of the CRPTF's participants and beneficiaries.

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

The Treasury has initiated structure reviews for the Mutual Equity Fund and Mutual Fixed Income Fund, as part of its continuing implementation of the Asset Allocation policy and strategy for both Funds. Upon completion a Request for Proposal (RFP) will be issued to fill any needs each fund has as a result of the review process.

During the fiscal year the Office of the Treasurer interviewed over fifty advisors for five of the seven mandates establish for the International Stock Fund. This process was completed and the Treasurer with the endorsement of the Investment Advisory Council selected twelve advisors to manage these funds going forward. Implementation will occur upon completion

of contract negotiations. In addition, the division is in the process of reviewing the responses for the currency overlay mandate.

The Division retained the services of a real estate consultant to assist in establishing policy and procedures regarding the Real Estate Fund assets. This will result in establishing new Fund guidelines, enhanced monitoring and review procedure for the portfolio, and the establishment of due-diligence procedures in the selection of real estate advisors.

Proxy Voting

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

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

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

Companies were identified based on below par total shareholder return (over a 3 year period) and identification of generally acknowledged weak policies or activities in specific areas of corporate governance.

The shareholder activism program during 2002 included a number of critical areas:

Independence of the Board of Directors: The state pension fund's proxy voting policies call for a majority of the board to consist of independent directors and key board committees such as the audit, compensation and nominating committees to consist completely of outside, independent directors.

Electing Board Members: The policies support annual election of all members of the board of directors.

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

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

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

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

Among the program's noteworthy successes during the year included issues such as executive compensation, the independence of board members, methods for election of board members, and corporate environmental policies. Two companies agreed that a portion of future stock option grants to senior executives be performance-based. One company, agreed to create a Corporate Governance Committee whose initial focus would be to develop a strategic plan with the goals of achieving 1) a majority of independent Directors on the Board and 2)

solely independent directors on key committees. Another company recognized that annual election of directors provides more accountability to shareholders, and one company agreed it would evaluate the greenhouse gas (GHG) reporting protocol developed by the World Resources Institute.

CRPTF filed a total of 16 shareholder resolutions this proxy season on critical corporate governance issues, of those 7 were withdrawn due to settlements with the company and 9 were considered by shareholders of major corporations. Two resolutions received a majority of shareholder votes. One of the resolutions called for the company to elect all directors annually and the other resolution asking the company to increase the number of independent directors on its board.

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

Copies of the Connecticut pension fund's proxy voting policies are available for review and downloading at the State Treasurer's web site: <http://www.state.ct.us/ott/proxyvoting.htm>

Asset Recovery and Loss Prevention

At the direction of Treasurer Nappier, the Office of the Treasurer has expanded its aggressive approach to recovery of assets and loss prevention as a result of malfeasance, unethical actions and other factors. The activities for the Fiscal Year ended June 30, 2002 included renegotiation of contract terms, negotiated settlement of fee disputes, elimination of contract ambiguities, development of best practice contract terms, enhancement of the proof of claim filing process, application to serve as lead plaintiff in class action litigation, encouragement of other institutional investor lead plaintiffs to aggressively negotiate reasonable legal fees and consideration of filing lawsuits. These efforts resulted in the recovery of \$57.6 million for the fiscal year, for a total of \$745.5 million from January 1999 through June 30, 2002.

Class Action Securities Litigation

The Office of the Treasurer continues its close monitoring of opportunities to recover lost assets through active participation in class action litigation. Through a Request for Qualifications process, the Office investigated and identified new resources to augment the successful recovery from such lawsuits.

The Office is actively participating as lead or co-lead plaintiff in two national class action lawsuits alleging misconduct against the Campbell Soup Company and JDS Uniphase. In November 2001, the Treasurer announced a \$457 million settlement agreement between the parties in the Waste Management matter, for which Connecticut had previously been designated lead plaintiff.

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

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Other Litigation

In February 2002, the Office of the Treasurer filed a civil action in Connecticut State Court against Forstmann Little and its partners, alleging breach of contract and breach of fiduciary duty. In September 2002, counsel filed a complaint expanding the list of defendants in the case against Forstmann Little. This case is being watched nationally as potentially groundbreaking with regard to the responsibility of general partners to limited partners in the private equity sector.

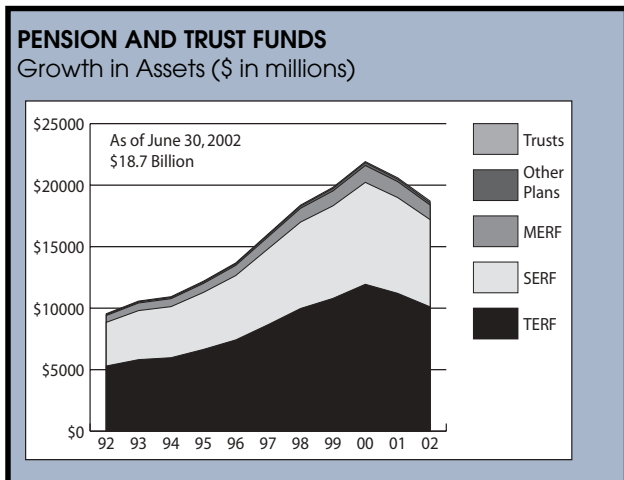
Combined Investment Funds Total Return Analysis (%)

Asset Class (% of Total Fund at 6/30/02)	Fiscal Years Ending June 30,					Annualized		
	2002	2001	2000	1999	1998	3 Years	5 Years	10 Years
Total Fund (100.0%)								
Combined Investment Funds	(6.39)%	(3.68)%	13.13%	10.49%	17.19%	0.66%	5.72%	9.00%
Connecticut Multiple Market Index (Without Objective)	(9.60)	(8.37)	10.31	13.60	19.68	(2.96)	4.44	N/A
Connecticut Multiple Market Index (With Objective)	(8.39)	(7.14)	11.95	14.22	20.21	(1.62)	5.51	N/A
U.S. Stocks (35.7%)								
Mutual Equity Fund (35.7%)	(14.95)	(9.55)	10.03	19.38	28.40	(5.40)	5.35	11.80
Russell 3000 Index	(17.24)	(13.93)	9.60	20.10	28.81	(7.92)	3.84	11.27
International Stocks (11.9%)								
International Stock Fund (11.9%)	(9.00)	(13.29)	20.13	6.77	1.52	(1.77)	0.54	6.49
International Stock Fund Hybrid Benchmark	(10.88)	(19.80)	20.77	7.62	6.10	(4.78)	(0.29)	6.07
Equity Commercial Real Estate (2.5%)								
Real Estate Fund	0.81	14.45	9.18	9.96	25.63	8.00	11.72	5.29
Russell NCREIF(1 Qtr. Lag)	6.40	11.88	11.10	14.32	15.48	9.90	11.99	8.25
U.S. Fixed Income (35.3%)								
Mutual Fixed Income Fund (34.9%)	5.64	8.03	5.77	2.64	10.52	6.47	6.49	7.51
Fixed Income Fund Hybrid Benchmark	5.04	9.26	5.66	3.13	10.54	6.64	6.69	6.90
Commercial Mortgage Fund (0.4%)	1.19	10.88	8.26	6.10	17.71	6.70	8.69	8.05
Lehman Aggregate Bond Index	8.63	11.23	4.56	3.13	10.54	8.11	7.57	7.34
Alternative Assets (12.2%)								
Private Investment Fund (12.2%)	(10.81)	(6.25)	53.86	(0.81)	18.55	8.76	8.63	11.85
Russell 3000 Index	(17.24)	(13.93)	9.60	20.10	28.81	(7.92)	3.84	11.27
Cash (2.4%)								
Cash Reserve Account (2.4%)	3.03	6.35	5.96	5.46	5.86	5.10	5.33	5.18
MFR Rated Index	2.22	5.74	5.58	5.03	5.49	4.50	4.80	4.61

The above Combined Investment Funds calculations were prepared using our custodian's performance calculations, which meet the requirements and recommendations of the AIMR Performance Presentation Standards.

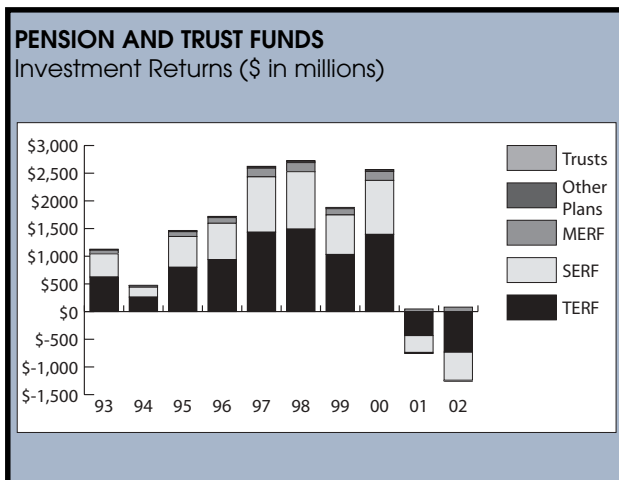
CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 1-1



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

Figure 1-2



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

Figure 1-3

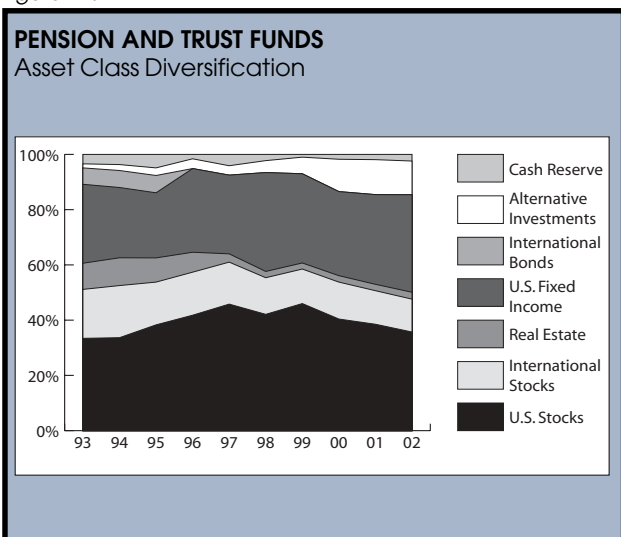


Figure 1-5

PENSION AND TRUST FUNDS
Advisor Breakdown

Fund	June 30, 2002	June 30, 2001
MEF	8	10
ISF	6	6
PIF	35	35
MFIF	10	10
CMF	1	1
REF	7	7
CRA	1	1
Total⁽¹⁾	68	70

(1) Actual total advisors was 64 and 66, respectively when factoring in advisors across multiple funds.

Figure 1-4

PENSION AND TRUST FUNDS ASSET ALLOCATION
Actual vs. Policy at June 30, 2002

	Actual	Target Policy	Lower Range	Upper Range
U.S. EQUITY	35.7%	36.0%	29.0%	43.0%
Mutual Equity Fund (MEF)	35.7%			
INTERNATIONAL EQUITY	11.9%	18.0%	14.0%	22.0%
International Stock Fund (ISF)	11.9%			
EQUITY COMMERCIAL REAL ESTATE	2.5%	5.0%	4.0%	6.0%
Real Estate Fund (REF)	2.5%			
U.S. FIXED INCOME	37.7%	30.0%	26.0%	34.0%
Mutual Fixed Income Fund (MFIF)	34.9%			
Commercial Mortgage Fund (CMF)	0.4%			
Cash Reserve Account (CRA)	2.4%			
ALTERNATIVE INVESTMENTS	12.2%	11.0%	6.0%	11.0%
Venture Capital Fund (VCF)	12.2%			
TOTAL	100.0%			

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

Figure 1-6

PENSION AND TRUST FUNDS
Periods ending June 30, 2002

	1 YR	3 YRS	5 YRS	10 YRS
Compounded, Annual Total Return (%)				
CRPTF	-6.39	0.66	5.72	9.00
CRPTF CMMI (Without Objective) Benchmark	-9.60	-2.96	4.44	N/A
CRPTF CMMI (With Objective) Benchmark	-8.39	-1.62	5.51	N/A
Cumulative Total Return (%)				
CRPTF	-6.39	2.00	32.08	136.73
CRPTF CMMI (Without Objective) Benchmark	-9.60	-8.62	24.20	N/A
CRPTF CMMI (With Objective) Benchmark	-8.39	-4.76	30.78	N/A

Figure 1-7

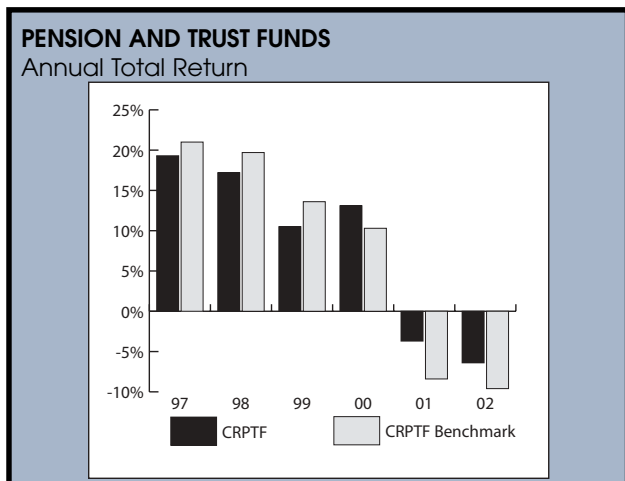


Figure 1-8

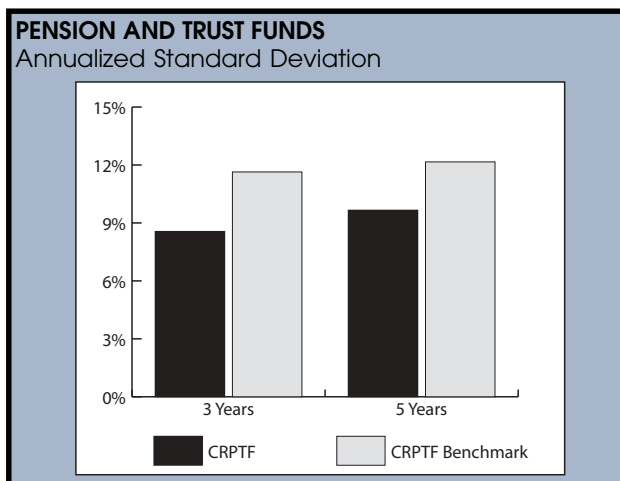


Figure 1-9

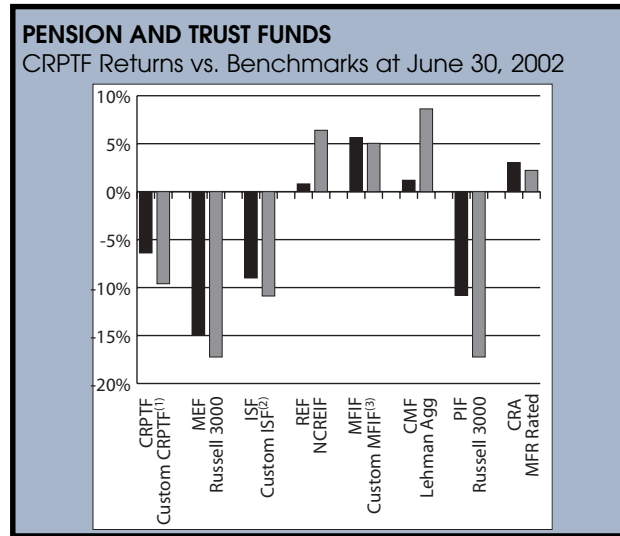
PENSION AND TRUST FUNDS
TUCS Ranking for Periods ending June 30, 2002

	1 YR	3 YRS	5 YRS	10 YRS
<i>Public Funds >\$1 Billion</i>				
<i>Percentile Return</i>				
5th	0.92	4.24	6.40	10.22
25th	-4.99	0.48	5.94	9.82
50th	-5.82	-0.40	5.13	9.34
75th	-7.28	-2.04	4.64	8.84
95th	-8.64	-2.86	3.84	7.88
<i>CT Pension and Trust Funds</i>				
Return ¹	-6.27	0.87	5.96	9.29
Public Funds Ranking	60	19	18	54
Total Master Trusts Ranking	53	32	42	72

Source: State Street Bank

(1) Gross Return

Figure 1-10



- (1) Total Fund Benchmark: Inception through 9/30/99: 40% Russell 3000, 15% MSCI EAFE Net, 28% LB Aggregate, 11% Russell 3000 Private Equity Fund, 4% NCREIF Property Index, 2% MFR Rated Index. 10/1/99 to date: 36% Russell 3000, 18% Int'l Stock Benchmark, 29% Mutual Fixed Income Benchmark, 5% Russell 3000 Real Estate Fund, 11% Russell 3000 Private Equity Fund, 1% MFR Rated Index.
- (2) International Stock Fund Benchmark: 83% SSB EPAC BMI 50% Hedged and 17% MSCI Emerging Market Free.
- (3) Mutual Fixed Income Benchmark: 73% Lehman Aggregate, 17% Salomon High Yield Market Index and 10% J.P. Morgan Emerging Markets Bond Index.

2002 cash reserve account

Fund Facts at June 30, 2002

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

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

Benchmark: MFR Index

Date of Inception: September 1, 1987

Total Net Assets: \$1,443,006,366

Number of Advisors: 1 external

Management Fees: \$221,652

Operating Expenses: \$283,238

Expense Ratio: 0.04%

Performance Summary

For the fiscal year ended June 30, 2002, the Cash Reserve Account (CRA) generated a return of 3.03% outperforming the benchmark MFR Rated Index of 2.22% by 0.81 basis points. The Fund's return also outperformed the 90 day Treasury Bill return of 2.46% by 57 basis points.

For the trailing three, five and ten-year periods, as shown in Figure 2-9, CRA's compounded annual total return was 5.10%, 5.33% and 5.18%, respectively, net of all expenses. The returns exceeded those of the MFR Index for all time periods.

Description of the Fund

The Cash Reserve Account (CRA) is a money-market pool investing in high-quality liquid money market securities. It serves as a cash management tool for the pension and trust funds and Combined Investment Funds, and is considered a separate asset class offering protection against inflation.

CRA uses the basic strategy of buying on market weakness. When interest rates rise, CRA takes advantage by investing at higher yields through an extension in average maturity for the fund. Conversely CRA increases exposure to floating rate securities, which perform well in a declining rate environment. To ensure sufficient liquidity to fund unexpected plan withdrawals, CRA maintains an adequate amount of investments in extremely short assets. CRA continually analyzes expectations for 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. Due to the short-term nature of CRA, it is considered to be low-risk. Consequently, returns realized by CRA may be lower than those realized by funds with fixed income investments maturing over a longer time horizon.

CRA's performance objective is to exceed the MFR First Tier Institutions Only Rated Money Fund Report Index, an average of rated institutional money market mutual funds that invest primarily in first-tier (securities rated A1, P1) taxable securities. (see Figure 2-7)

During the fiscal year, CRA assets under management rose \$86 million or 6% to \$1.443 billion on June 30, 2002 from 1.357 billion on June 30, 2001.

Portfolio Characteristics & Strategy

Tragedy, turbulent times, weakness abroad, and the continuing decline of the equity markets led the Fed to continue to lower the funds rate during the latter half of 2001. The LIBOR curve remained inverted and yields continued to decrease across the curve. There was a significant supply of new issue-asset backed securities during the last quarter. The CRA Fund took advantage of the positive carry floating rate securities versus fixed rate securities. The Fund continued to invest in the asset-backed securities, as this was an attractive sector. While the curve remained inverted, and later flattened, the CRA Fund held up to 41% in asset-backed floating rate securities, enabling the fund to maintain positive yield. As the market conditions

change we will look for opportunities to extend. The Fund's average maturity was 51 days at year-end June 30, 2002 matching the MFR Index at 51 days. The distribution of investments by maturity at June 30, 2002 was as follows: Overnight (5%); 2-90 days (77%); over 90 days (18%). The Fund's three largest security weightings at fiscal year-end included adjustable and fixed rate asset-backed securities (41%); CD's & ECD's (25%); and Floating Rate Corporate Notes (23%).

Economic Review

During the first quarter of the 2001-02 fiscal year, the Fed lowered the Federal Funds rate by 25 basis points on August 21st and the market continued to price an additional easing as early as the October 2nd meeting. The economic outlook had been trending downward during the quarter, some economists believing that we had entered into the beginning stages of a recession. Then the attacks on the World Trade Center in New York and the Pentagon in Washington occurred on September 11, 2001 creating greater uncertainty in the market. The attacks had a profound effect on the U.S. and the U.S. economy. The economy was deteriorating before the tragedy as seen in the jobless claims and consumer confidence numbers. Payrolls fell by 42,000 positions after dropping 93,000 a month earlier. Corporations announced large future layoffs adding further unease. As expected, consumer confidence took a sharp downturn in September. The Federal Reserve Board cut the Federal Funds rate again by 50 basis points on September 17, 2001, an inter-meeting move, attempting to calm the fragile markets. In its statement the Fed kept its bias tilted towards "weakness" and cited slower economic growth as a concern. They also vowed to keep the banking system fluid and provided a large amount of liquidity to the system to provide market stability. The Fed noted that employment, production, and business spending remained weak prior to the tragedy of September 11. The Fed cut rates on October 2, 2001 by 50 basis points and again on November 6, 2001 by another 50 basis points. The November rate cut was the 10th cut for the year and brought the Fed Funds rate to 2%, the lowest in 40 years. Policy makers decided that the rate cut was necessary to encourage businesses and consumers to keep spending. "Heightened uncertainty and concerns about a deterioration in business conditions both here and abroad are damping economic activity", the Fed said in a statement after the rate cut. With employment rising to a five-year high and consumer confidence falling to a 7 ½ year low, central bankers warned the economy faces a risk of continued weakness and suggested further reductions. The month of December began with the Federal Reserve policy makers reducing the Fed Funds rate on December 11, 2001, the 11th reduction for the year, signaling more cuts were possible as the economy tried to climb out of the recession. The Fed cut the funds rate by 25 basis points to 1.75% and the discount rate by 25 basis points to 1.25%. In the announcement the Fed indicated that the "risks remain weighted toward conditions that generate economic weakness." At the January 30, 2002, FOMC meeting, the Fed left the Fed Funds rate unchanged for the first time in a year and said the economy is beginning to recover from a recession that started last March. We saw conflicting data during the month of February. Payrolls fell 89,000, weaker than expected and consumer confidence was 94.1, lower than expected. Consumer confidence decline showed that consumers were reacting to reports of accounting problems and the Enron hearings. Economic releases in March were positive and it appeared that the economy was improving. At the March 19th FOMC meeting the Fed left rates unchanged and shifted to a neutral risk assessment. By April, the market came to the realization that the Fed might not raise rates at the next meeting. The combination of tensions in the Middle East hurting confidence, earnings worries, equity prices and mild data were all cited as reasons to doubt whether the Fed would need to raise rates at the next meeting. As expected, at the May 7th meeting, the FOMC kept rates and the neutral risk assessment unchanged until it is certain that the economy has begun a complete recovery. During the month of May, PPI unexpectedly fell to 0.2%; jobless claims remained at above 400,000 for the 5th week in a row and U.S. consumer confidence rose to a 1½ year high. At the June 26th FOMC meeting, the Fed left rates unchanged. The Fed made it clear that monetary policy was accommodative and expected demand to pick up but was uncertain of its strength. The market continued to be focused on equities, the Middle East, terrorism and the consumer. By the end of the 4th quarter, the bias was tilted towards economic weak-

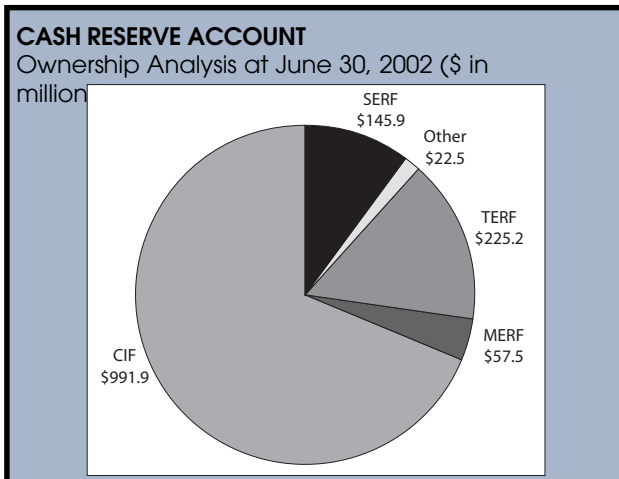
ness and the market was looking for the Fed to lower rates by the end of 2002. In an FOMC statement, the Fed recognized that the economy had lost momentum and referred to the impact of deteriorating financial markets on business.

Risk Profile

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

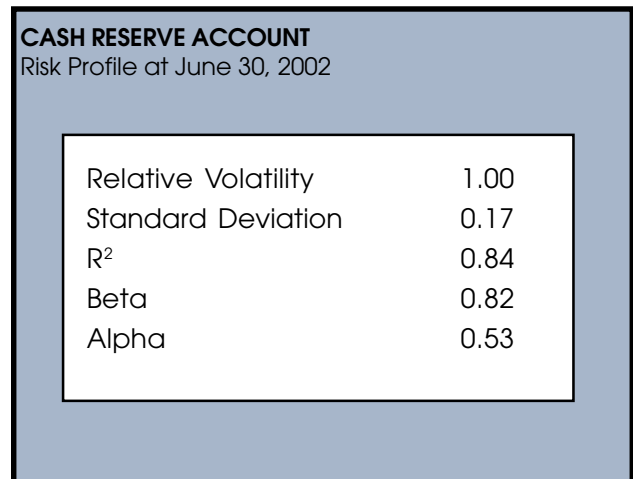
Based on returns over the last five years, the Fund exhibited a higher degree of risk relative to the MFR Index, as evidenced by its relative volatility of 1.00. Its standard deviation of .17 suggests comparatively low overall volatility, while its beta of .82 indicates a high overall correlation to returns achieved by the Index. In the aggregate, CRA achieved a positive annual alpha, or return in excess of that predicted by returns of its benchmark of 0.53.

Figure 2-1



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

Figure 2-2



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

Figure 2-3

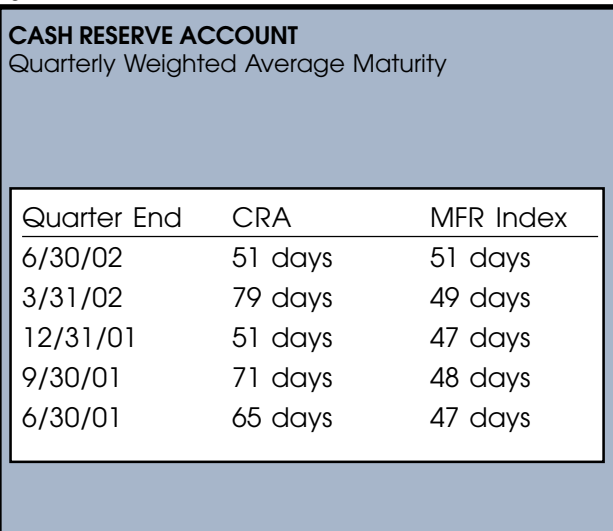
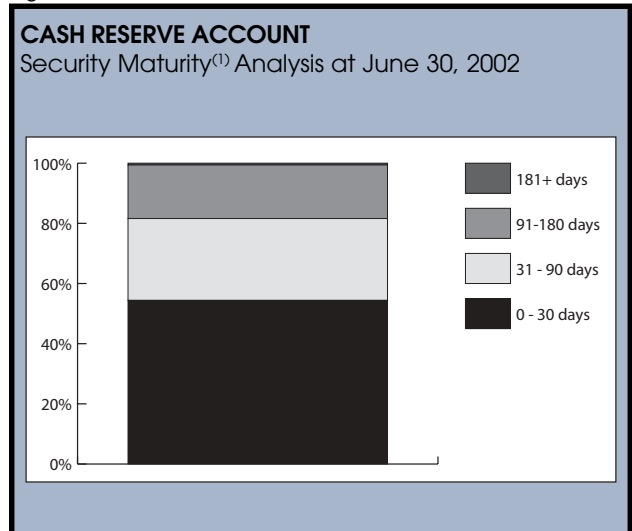


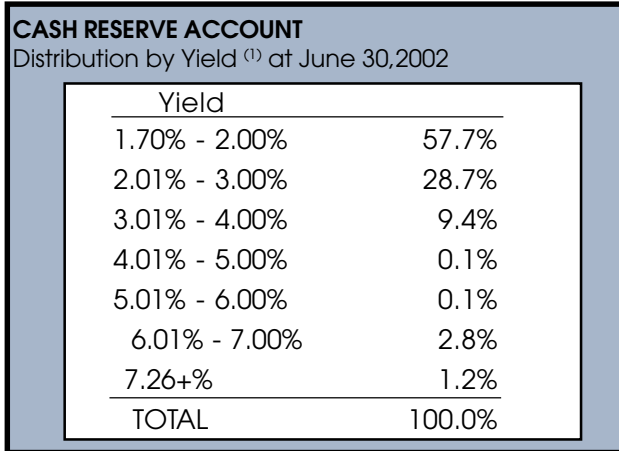
Figure 2-4



(1) Or Interest Rate Reset Period.

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 2-5



(1) Represents yield to maturity.

Figure 2-6

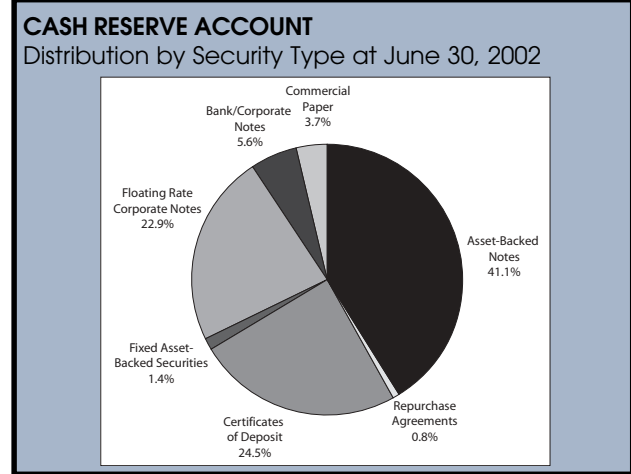
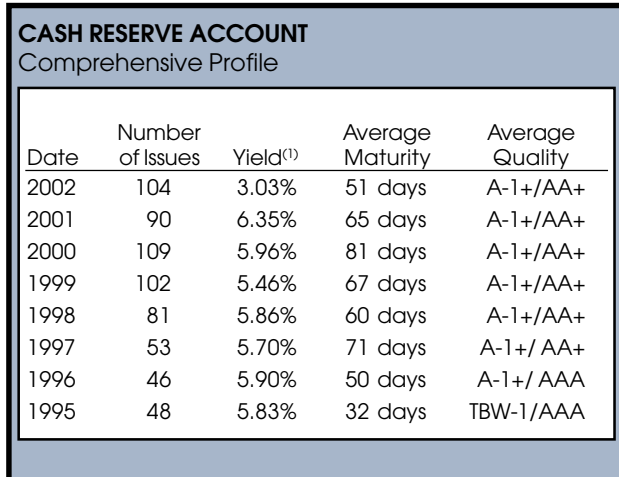
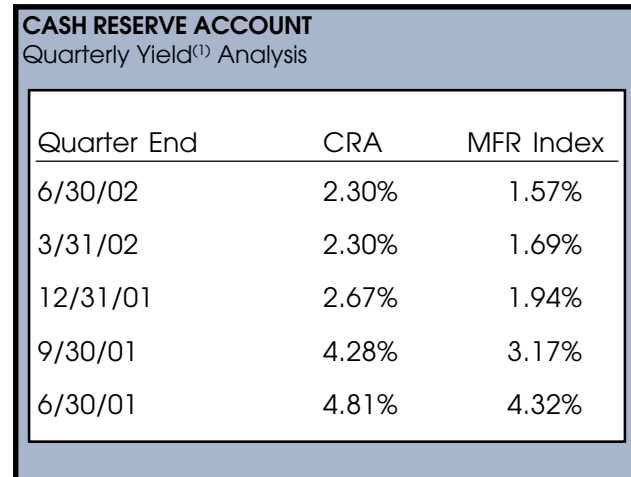


Figure 2-7



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

Figure 2-8



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

Figure 2-9

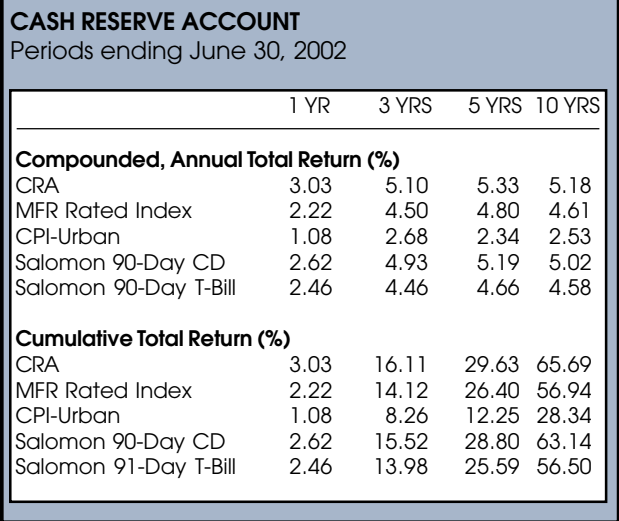
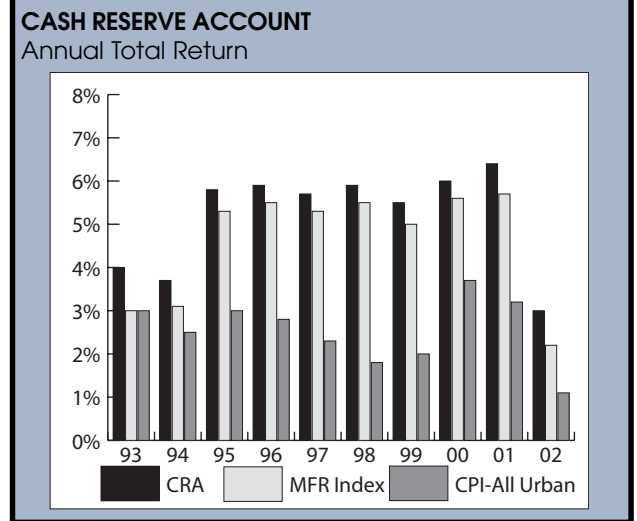


Figure 2-10



(1) Or Interest Rate Reset Period.

2002 mutual equity fund

Fund Facts at June 30, 2002

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

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

Benchmark: Russell 3000 Index

Date of Inception: July 1, 1972

Total Net Assets: \$6,676,591,128

Number of Advisors: 8 external

Management Fees: \$18,468,060

Operating Expenses: \$1,160,604

Expense Ratio: 0.27%

Turnover: 49.5%

Performance Summary

For the fiscal year ended June 30, 2002, the Mutual Equity Fund (MEF) generated a negative return of 14.95%, net of fees, which was better than the benchmark Russell 3000 index negative return of 17.24% by 229 basis points. The Fund's performance was driven primarily by active management in the small/mid cap segment and a slight over weighting in small cap stocks.

During this same period, MEF's net assets declined from \$7.931 billion to \$6.677 billion, a decrease of \$1.254 billion. Of this net total change, \$1.191 billion was due to unrealized capital losses partly offset by net investment income including realized gains, in addition to \$63 million in net cash outflows to participating pension plans and trusts.

While volatility in investment returns is expected in the short-term, the Fund's long-term performance is most important. As Figure 3-4 below illustrates, MEF has generated compounded annual total returns, net of all expenses, of -5.40%, 5.35%, and 11.80% over the last three, five, and ten-year periods, respectively. The Fund returns out-performed the Russell 3000 for the three, five, and ten-years periods by 252, 151, and 53 basis points, respectively.

The MEF's cumulative total returns for the three, five, and ten year periods ending June 30, 2002, were negative 15.35%, 29.75%, and 205.00%, respectively.

Description of the Fund

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

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

At the close of the fiscal year, MEF consisted of eight externally managed equity portfolios structured to approximate the composition of the Russell 3000 Index. Three advisors actively managed approximately 15% of the portfolio in small to mid-capitalization stocks. Two advisors invested a total of 10% of the portfolio in small to mid-capitalization stocks using an enhanced indexing strategy. Three advisors in large capitalization stocks (of which 48% was invested using enhanced indexing strategies and 27% was invested using a passive strategy) managed the balance of the portfolio, or approximately 75%. At fiscal year end, approximately \$5.7 billion, or 85%, of the Fund's net assets were invested in indexed or enhanced index portfolios.

Portfolio Characteristics

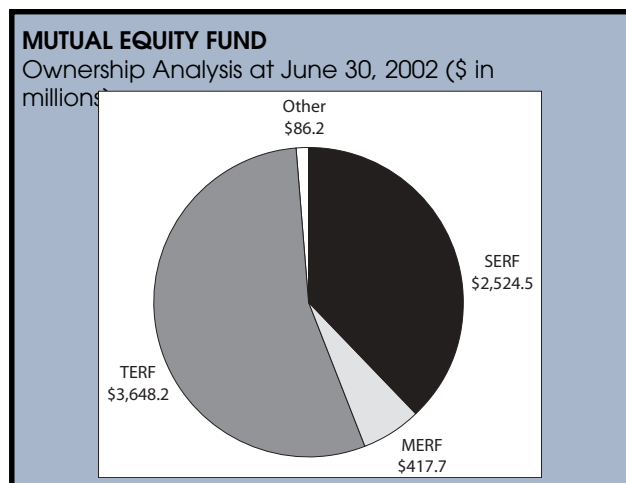
At fiscal year-end, MEF was 98.8% invested, primarily in domestic stocks, reflecting the Fund's policy that it be fully invested. The largest industry weighting at June 30, 2002 was financials (17.2%), followed by information technology (16.8%) and health care (15.8%). (See figure 3-3.)

The MEF's ten largest holdings, aggregating to 18.7% of Fund investments, included a variety of blue chip companies. (See figure 3-9.)

Risk Profile

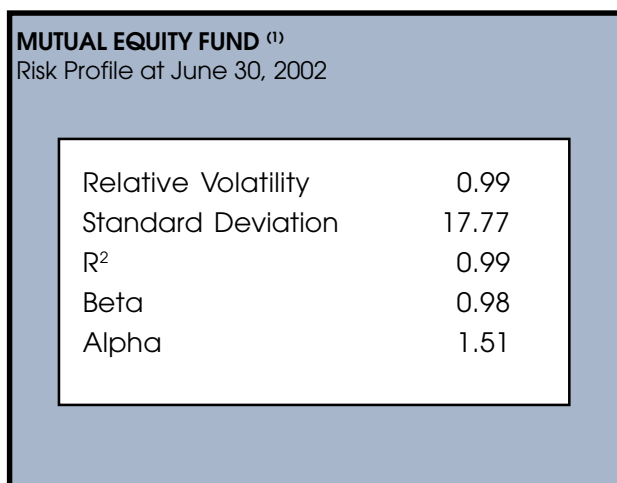
Based on returns over the last five years, the Fund has exhibited a similar degree of risk as that of its benchmark, the Russell 3000 Index. With a realized tracking error of 1.2%, the MEF's returns have almost equal volatility to those of the Index and reflect a strong degree of correlation, 0.99, to those of the Index. MEF's annual alpha during the period, or return relative to that achieved by the benchmark, was a positive 1.51. (See figure 3-2.)

Figure 3-1



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

Figure 3-2



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

Figure 3-3

At 6/30/2002:	MEF		Russel 3000	
	% of Net Assets	Annual Return	% of Net Assets	Annual Return
Energy	6.4	-3.7	5.6	-5.2
Materials	3.5	-3.2	2.9	-3.1
Industrials	11.7	-13.5	11.2	-10.8
Consumer Discretionary	14.6	-9.0	13.3	-11.7
Consumer Staples	7.1	-2.3	7.8	-4.1
Health Care	15.8	-14.2	14.9	-16.6
Financials	17.2	-5.8	19.8	-5.8
Information Technology	16.8	-25.1	16.6	-26.9
Telecommunications	3.4	-24.0	4.3	-23.7
Utilities	3.5	-15.7	3.6	-14.6
	100.0		100.0	

(1) Excludes the Cash Reserve Account.

Figure 3-4

	1 YR	3 YRS	5 YRS	10 YRS
Compounded, Annual Total Return (%)				
MEF	-14.95	-5.40	5.35	11.80
Russell 3000	-17.24	-7.92	3.84	11.27
Cumulative Total Return (%)				
MEF	-14.95	-15.35	29.75	205.00
Russell 3000	-17.24	-21.94	20.76	190.91

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 3-5

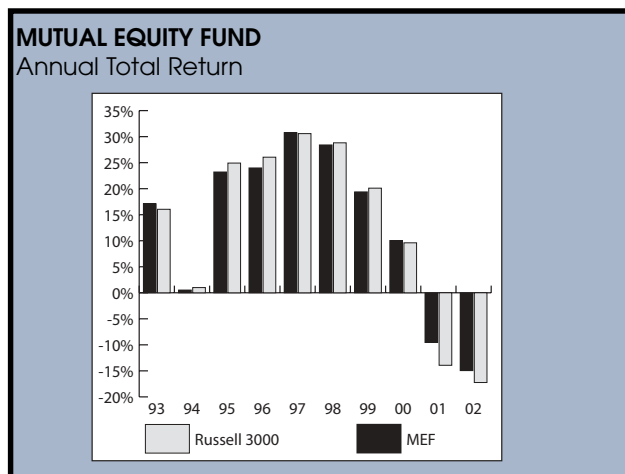


Figure 3-6

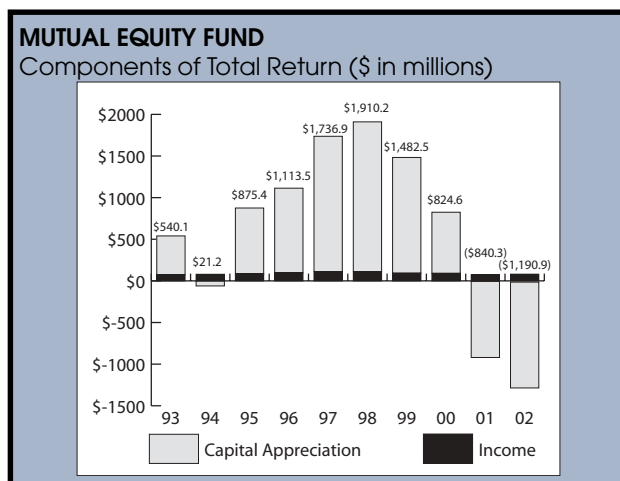


Figure 3-7

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

	2002		2001		2000		1999		1998	
	MEF	Russell	MEF	Russell	MEF	Russell	MEF	Russell	MEF	Russell
# of Issues	2,274	3,000	2,333	3,000	2,325	3,000	2,370	3,000	1,568	3,000
Cap (\$ Bil)	\$66.8	\$70.2	\$87.7	\$94.9	\$118.2	\$121.3	\$85.4	\$86.6	\$54.0	\$56.0
P/E	29.3	30.4	24.1	26.3	26.8x	30.2x	31.4x	32.9x	28.3x	26.9x
Div Yield	1.50%	1.60%	1.20%	1.30%	1.10%	1.10%	1.20%	1.20%	1.30%	1.30%
ROE	15.5%	16.4%	20.0%	20.9%	19.4%	20.5%	20.2%	20.4%	20.2%	20.6%
P/B	4.2x	4.3x	5.3x	5.5x	9.8x	10.7x	7.5x	7.8x	7.6x	7.9x
Cash & Equiv.	1.2%	0.0%	1.3%	0.0%	0.9%	0.0%	1.1%	0.0%	1.4%	0.0%

Figure 3-8

MUTUAL EQUITY FUND
Investment Advisors at June 30, 2002

Investment Advisor	Net Asset Value	% of Fund
Large Cap (Enhanced/Risk Controlled)	\$4,983,829,705	74.7%
J.P. Morgan Investment Mgmt., Inc.	1,649,462,642	24.7
BGI Barclays Global Investors, N.A.	1,551,751,769	23.3
(Index Passive)		
State Street Global Advisors	1,782,615,294	26.7
Small/Mid Cap (Active Management)	\$969,782,460	14.5%
Trust Company of the West (Cowen)	363,262,313	5.4
Brown Capital Management, Inc.	319,310,979	4.8
Thomas Weisel Partners (Value Quest)	287,209,168	4.3
Small/Mid Cap (Enhanced/Risk Controlled)	\$703,064,778	10.5%
AXA Rosenberg Investment Mgmt.	388,723,501	5.8
SSB Citigroup (The Travelers)	314,341,277	4.7
Other ⁽¹⁾	\$ 19,914,185	0.3%

Figure 3-9

MUTUAL EQUITY FUND
Ten Largest Holdings at June 30, 2002

Security Name	Sector	Market Value	%
General Electric	Technology	\$172,505,291	2.58%
Microsoft	Technology	163,389,721	2.44%
Exxon Mobil Corp.	Energy	146,689,116	2.19%
CitiGroup Inc.	Finance	139,648,878	2.09%
Pfizer Inc.	Health Care	130,896,500	1.96%
Wal Mart Stores Inc.	Non-Durables	116,126,660	1.74%
Johnson & Johnson	Health Care	111,351,479	1.67%
Procter & Gamble	Cons. Staples	95,265,597	1.42%
Amer. Int'l Group Inc.	Finance	94,999,972	1.42%
Verizon Comm.	Telecomms	80,972,231	1.21%
TOTAL		\$1,251,845,445	18.72%

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

2002 international stock fund

Fund Facts at June 30, 2002

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

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

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

Date of Inception: January 1, 1988

Total Net Assets: \$2,226,726,323

Number of Advisors: 6 external

Management Fees: \$15,054,168

Operating Expenses: \$726,117

Expense Ratio: 0.67%

Turnover: 45.0%

Performance Summary

For the fiscal year ended June 30, 2002, the International Stock Fund (ISF) generated a negative return of 9.00%, net of fees, but performed better than the hybrid benchmark index return of negative 10.88% by 188 basis points. Active management in both the developed and emerging markets had a positive impact on relative performance.

During fiscal year 2002, ISF net assets decreased from \$2.503 billion to \$2.227 billion, a decrease of \$276 million. This included realized and unrealized net capital losses of \$266 million and \$45 million due to net cash outflows to participating pension plans and trusts partly offset by net investment income of \$35 million.

The Fund has out-performed relative to its benchmark over the last three, five and ten year periods, as illustrated in Figure 4-4 below. The three and five-year results were above those of the index by 301 and 83 basis points, respectively. For the trailing ten-year period, ISF's compounded annual total return was above the hybrid index by 42 basis points.

Description of the Fund

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

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

At the end of fiscal year 2002, the Fund had six external advisors, selected on the basis of expected future performance and investment style, although one advisor managed both an emerging market and a core portfolio. (See figure 4-8.) Based on the Fund's holdings, as of June 30, 2002, approximately 63% of the portfolio was managed by four advisors in countries comprising the MSCI EAFE, 15% was actively managed by two advisors within the emerging markets, and 22% was allocated to one advisor for passive management against the European portion of the MSCI EAFE Index.

The Office of the Treasurer issued a Request For Proposal (RFP) for Fund managers, as part of its continuing implementation of the Asset Allocation policy and strategy for the International Stock Fund. This resulted in a new strategic allocation to international equities that created a more diversified portfolio and will allow for more opportunities to enhance stock portfolio returns while reducing risk. Going forward the international portfolio will consist of seven investment mandates where previously there were three. The seven mandates are; Passive large-Cap EAFE, Active Small-Cap EAFE, Active Risk Controlled EAFE, Active Core EAFE, Active Specialist EAFE, Active Emerging Markets, and Currency Overlay. Over fifty advisors were interviewed for five of the seven Fund mandates established during the structure review process completed at the end of fiscal 2000. In May 2002, Treasurer Nappier, with the endorsement of the Investment Advisory Council, selected twelve managers. The increase in the number of managers is being driven by the increased allocation of \$1 billion to the ISF portfolio, which is consistent with the CRPTF's asset allocation policy. Contract and fee negotiations, including manager implementation, will occur during fiscal 2003. The Office of the Treasurer is currently in the process of interviewing advisors for the Currency Overlay mandate. This process is expected to be completed shortly.

Portfolio Composition

At fiscal year-end, ISF was 98.3% invested in international securities. Investments in Japan equity securities were the largest percentage of Fund assets, at 15.3%. United Kingdom accounted for 14.4% and German securities, 10.9% of investments. The Fund's allocation to non-EAFE countries, including the emerging markets, stood at 16.8% of investment in securities at the end of fiscal year 2002. These geographic concentrations differed from those comprising the Hybrid index, reflecting the Fund's allocation to active management strategies. (See figure 4-7.)

The ISF was well diversified at year-end, holding more than 2,100 securities in the portfolio. The ISF's ten largest holdings, not including cash, included a variety of companies located throughout Europe and the Far East. The Fund's largest investment, comprising 1.8% of investment securities, was Total FINA Elf Eur 10 of France. (See figure 4-9.)

In the aggregate, these ten holdings accounted for 11.1% of the Fund's investments at June 30, 2002.

Risk Profile

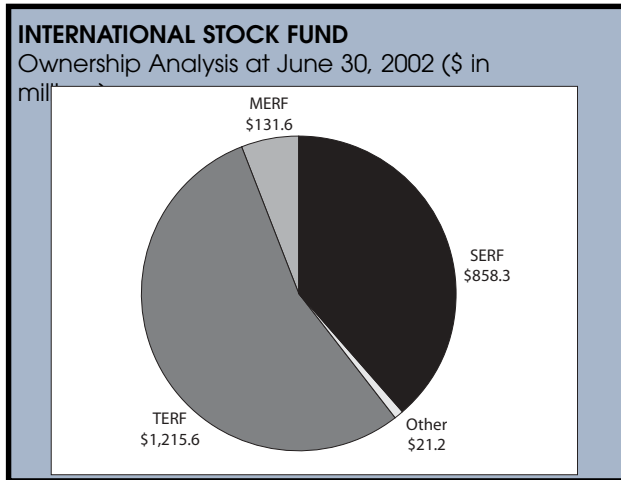
Given ISF's investment policies and objectives, the Fund is exposed to several forms of risk. These include, but are not limited to, political and economic risk, currency exchange risk, market risk, and individual company credit risk. Effective February 1, 1998, the three developed market managers were given 100% hedged benchmarks, and the benchmark for the three core managers was changed to a 100% hedged benchmark from an unhedged benchmark. This was the result of an analysis, which determined that although the historical long-term effects of currency returns sum to zero, the short-term effects could be dramatic given the market volatility. As part of the implementation of the current Asset Allocation Plan, it was decided that the most efficient and cost effective method of mitigating this short-term volatility was to change the benchmark to a completely hedged one.

The Treasurer determined that 100% hedging may reduce some of the potential short-term benefits of currency movements as well as increase the risk of the international investments, and that a 50% hedge ratio would provide the greatest reduction in portfolio risk over time. It has also been decided to implement the currency hedging strategy by hiring a dedicated currency overlay manager, who would ensure that the Fund's foreign currency exposure is always 50% hedged. The outstanding RFP includes this currency mandate, and once all of the new managers are in place, hedging will not be part of any of the equity managers' mandates.

Based on returns over the last five years, the Fund's risk profile is similar to that of the Hybrid benchmark. The Fund's active risk relative to its benchmark over the five-year period ending June 30, 2002 has been 1.05%, while its high R^2 of 0.90 demonstrates a relatively strong overall correlation. In the aggregate, ISF's annual alpha over the five-year period, or return in excess of that predicted by the benchmark, was 0.84. (See Figure 4-2.)

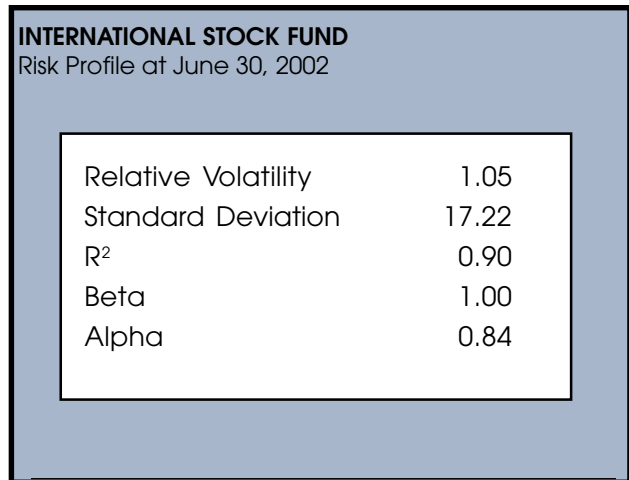
CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 4-1



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

Figure 4-2



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

Figure 4-3

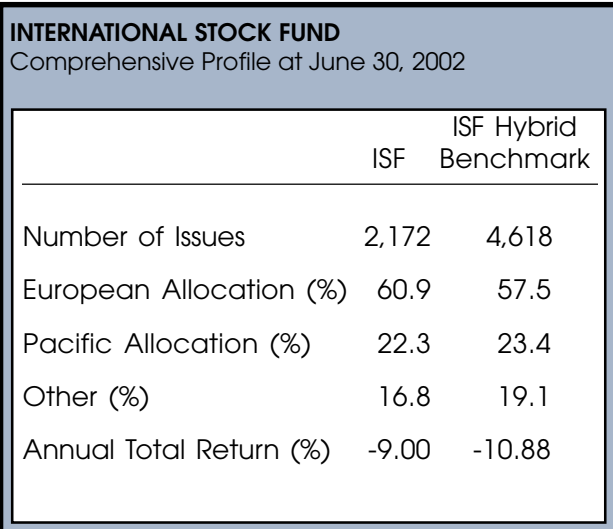


Figure 4-4

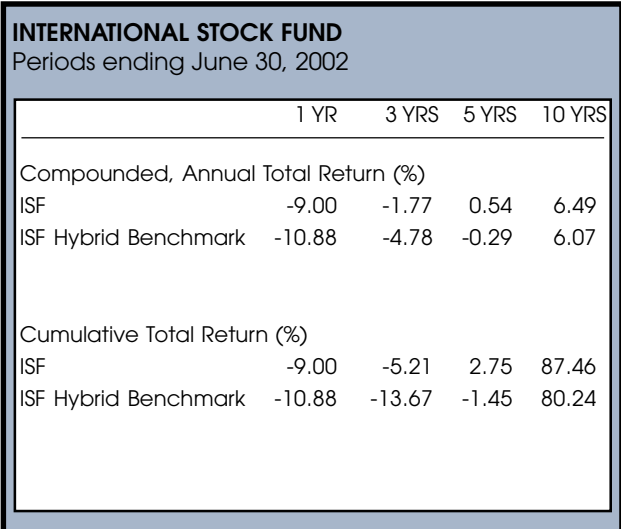


Figure 4-5

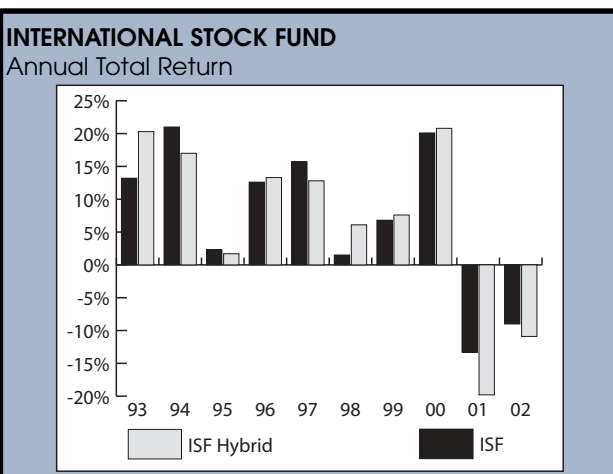
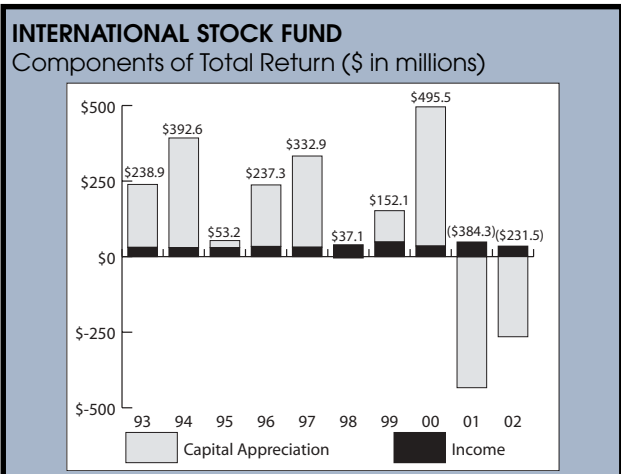


Figure 4-6



CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 4-7

INTERNATIONAL STOCK FUND						
Diversification by Benchmark Country with Return (%) at June 30, 2002 ⁽¹⁾						
	ISF			ISF Hybrid Benchmark		
	% of Net Assets 6/30/01	% of Net Assets 6/30/02	Total Return	% of Net Assets 6/30/01	% of Net Assets 6/30/02	Total Return
Japan	14.5	15.3	-4.7	21.1	17.6	-17.2
United Kingdom	15.5	14.4	-10.5	18.1	21.4	-11.9
Germany	11.5	10.9	-2.7	7.0	5.7	-18.4
France	8.0	8.7	1.8	9.0	7.7	-16.1
Italy	5.9	6.3	1.9	3.8	3.2	-13.1
Switzerland	3.5	3.9	-7.2	5.4	6.2	-7.6
Netherlands	3.9	4.2	-3.9	4.4	4.7	-13.4
Spain	3.4	3.5	-6.0	2.3	2.5	-14.1
Hong Kong	3.7	3.6	-3.2	1.7	1.7	-13.3
Sweden	1.7	1.8	-8.3	2.0	1.6	-20.9
Australia	1.8	1.6	-4.3	2.7	3.3	0.3
Finland	1.2	1.1	-16.6	1.5	1.3	-26.5
Belgium	1.1	1.5	7.0	0.8	1.1	-8.0
Singapore	0.9	1.1	-11.0	0.7	0.7	-12.0
Denmark	0.8	0.8	-8.1	0.8	0.6	-15.6
Ireland	0.6	0.8	7.1	0.7	0.7	-21.9
Norway	2.0	1.8	-7.9	0.4	0.4	-13.0
Malaysia	0.3	0.6	-3.9	1.0	0.9	29.9
Austria	0.6	0.7	9.4	0.2	0.1	10.8
New Zealand	0.4	0.7	12.0	0.1	0.1	12.3
Portugal	0.5	0.5	0.2	0.4	0.3	-6.9
Other	<u>18.2</u>	<u>16.2</u>		<u>15.9</u>	<u>18.2</u>	
Total	100.0	100.0		100.0	100.0	

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

Figure 4-8

INTERNATIONAL STOCK FUND		
Investment Advisors at June 30, 2002		
Investment Advisor	Net Asset Value	% of Fund
EAFE - Europe	\$477,694,320	21.4%
<i>Enhanced Passive</i>		
State Street Global Advisors	477,694,320	21.4%
Core Management	\$1,407,742,186	63.2%
<i>Active</i>		
Morgan Stanley Asset Management	563,150,953	25.3%
Grantham, Mayo, Van Otterloo & Co.	563,110,751	25.3%
Smith Barney Capital Management	147,049,854	6.6%
DSI International Management	134,430,628	6.0%
Emerging	\$335,375,715	15.1%
<i>Active</i>		
Morgan Stanley Asset Management	194,361,607	8.8%
Pictet International Management	141,014,108	6.3%
Other ⁽¹⁾	\$ 5,914,102	0.3%

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

Figure 4-9

INTERNATIONAL STOCK FUND			
Ten Largest Holdings at June 30, 2002			
Security Name	Country	Market Value	%
Total FINA Elf Eur 10	France	\$39,820,965	1.75%
ENI Eur1	Italy	32,174,241	1.42%
Glaxosmithkline	United Kingdom	30,459,942	1.34%
ORD GBP .25	Kingdom	30,459,942	1.34%
Aventis SA Eur 3.82	France	24,053,714	1.06%
Deutsche Bank	Germany	23,639,307	1.04%
AG ORD NPV	Germany	23,639,307	1.04%
BP Amoco ORD	United Kingdom	21,132,130	0.93%
USD 0.25	Kingdom	21,132,130	0.93%
Nestle SA CHF1	Switzerland	20,342,347	0.89%
Vodafone Group	United Kingdom	20,310,220	0.89%
ORD USD .10	Kingdom	20,310,220	0.89%
DaimlerChrysler	Germany	20,124,721	0.89%
AG ORD NPV	Germany	20,124,721	0.89%
Shell Traspt & Trdg	United Kingdom	19,293,538	0.85%
ORD GBP 0.25	Kingdom	19,293,538	0.85%
TOTAL		\$251,351,125	11.06%

2002 real estate fund

Fund Facts at June 30, 2002

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

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

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

Date of Inception: July 1, 1982

Total Net Assets: \$471,172,148

Number of Advisors: 7 external

Management Fees ⁽¹⁾: \$1,321,960

Operating Expenses: \$165,096

Expense Ratio: 0.31%

Capitalized and Netted Fees: \$3,389,188

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

Performance Summary

For the fiscal year ended June 30, 2002, the Real Estate Fund (REF) generated a total return of 0.81%, net of fees, which under performed the National Council of Real Estate Investment Fiduciaries Index (NCREIF) of 6.40% by 559 basis points. This performance is primarily attributable to REF's under exposure to core real estate property types and over exposure to senior living facilities and hotels.

During the fiscal year, the value of REF's portfolio declined from \$476 million to \$471 million. The \$5 million decrease was primarily due to net distributions to unit holders. This amount was comprised of pension payments to beneficiaries of \$18 million that were offset by net contributions from unit holders of \$9 million. In addition, funds generated by operations contributed \$4 million. Funds from operations were comprised of net investment income of \$6 million, realized gains of \$12 million and unrealized depreciation of \$14 million.

For the trailing three, five and ten-year periods, REF's compounded annual total return was 8.0%, 11.7%, and 5.3%, respectively, net of all expenses. (See figure 5-8.) The REF returns under performed the benchmark in the three, five and ten year periods by 190 basis points, 27 basis points and 296 basis points, respectively. The under performance for the three and five year periods are indicative of the "J curve" effect of the four opportunity fund investments. In addition, the REF's recent performance has been hurt by markets that favor highly occupied cash generating properties while REF's concentration in opportunistic investments focus on the repositioning and sale of properties rather than on those that generate current income. Reasons for underperformance in the ten-year category include adverse asset selection and asset sales in a weak domestic real estate market in the early and mid 1990's. Management fees, operating expenses and significant write-downs taken in the mid 1990's have also contributed to the Fund's below-benchmark performance over this time period.

Description of the Fund

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

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

Portfolio Activity

The Connecticut Retirement Plans and Trust Funds (CRPTF) completed the search for a real estate investment consultant that was begun in 2001. The selection resulting from this process was Pension Consulting Alliance (PCA). PCA will assist the Treasurer and staff in the development and implementation of a renewed real estate investment program. It is anticipated that the requisite investment policy, investment planning and structural review will be completed prior to next fiscal year end.

During the fiscal year, the REF continued its existing investment strategies. With regard to REF's \$350 million in commitments to opportunistic commingled funds, three of the four funds, accounting for \$250 million of commitments, were fully committed at fiscal year end, with less than \$3 million of unfunded commitment. REF funded \$21 million to one remaining fund that has significant unfunded commitments of \$17.6 million. Distributions received from these funds totaled \$23 million. REF also has a fully funded commitment of almost \$15 million to a non-opportunistic commingled fund. This fund generated distributions of \$2 million. These funds generated a combined \$25 million versus \$34 million in the prior year.

The Fund also continued its program of attempting to opportunistically sell separate account investments that were acquired in the late eighties and early nineties. No such assets were sold during the fiscal year, as market conditions did not warrant such sales. REF continues to position the remaining single-asset investments for sale. The focus during this process is on maximizing returns.

No new funding commitments were made to real estate investment ventures.

The terror attacks on the World Trade Center complex in New York and on the Pentagon in Washington appeared to be the catalyst that pushed the U.S. into recession. In addition, they resulted in significant dislocations in both the property insurance and travel industries which impacted real estate. Despite this, commercial real estate was a positive performer in what was otherwise a difficult investment environment during fiscal 2002. Historically low interest rates helped to buttress real estate returns. However, the level of these returns and the underlying market fundamentals drastically deteriorated during the year. The U.S. recession hurt demand for space and drove up vacancies in all major property types and virtually every geographic region. Among the most dramatic examples was the technology crash that hit a number of markets such as San Francisco, Boston, Seattle and Austin, and the travails of the financial services industry, which disproportionately impacted New York City. The resulting weakness in demand for rental space caused its most significant impact in the office market. However this weakness in office properties eventually spread to both industrial and apartment properties.

Portfolio Characteristics

Real Estate investment is a complex and intensive asset management process. REF's investments are restricted by policy to the purchase of shares in group annuities, limited partnerships, group trusts, corporations, and other indirect ownership structures managed by professional commercial real estate investment firms. At June 30, 2002, the portfolio consisted of 10 externally managed portfolios, with 24% of the Fund's net assets invested in real estate separate accounts, 4% invested in commingled funds, 71% invested in opportunity funds and 1% invested in cash and other net assets.

The Fund's ten largest holdings aggregated to 99.3% of REF investments. (See figure 5-12.)

As currently structured, office properties constitute the single largest component of REF's portfolio at 29%, with industrial 2%, retail 11%, apartments 7%, and hotel 9% comprising 58% of the Fund. The "other" category, which accounts for 42% of net assets, includes significant exposures in senior living (20%), mixed-use (11%) and storage facilities (6%). The balance of the portfolio is comprised of land, timberland, and cash and other monetary assets. (See figure 5-7.)

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

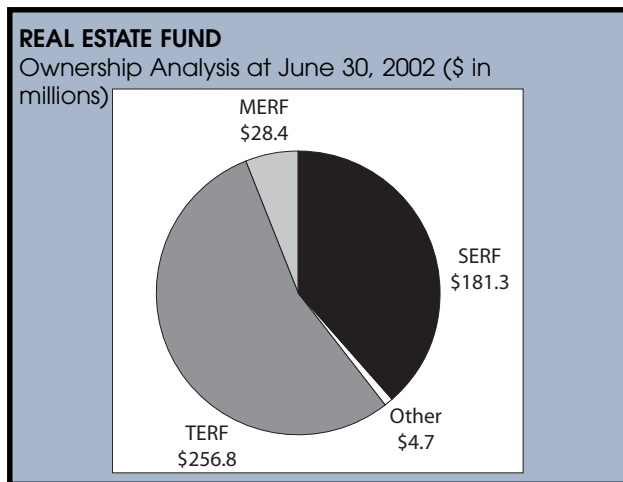
The portfolio is reasonably well diversified geographically with 29% of its assets invested in the East, 20% in the West, 26% in the South, and 11% in the Midwest. The remaining 14% is comprised of "other" and includes investments distributed nationally across the U.S. (5%), and internationally (8%), while cash and other net assets account for the remainder (1%). (See figure 5-6.)

Risk Profile

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

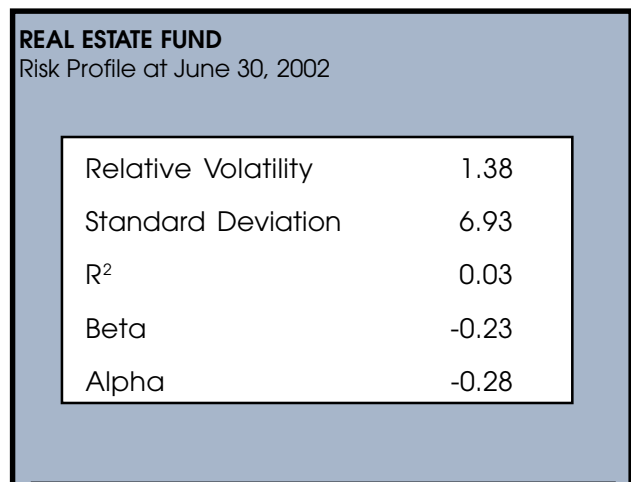
As shown below, based on returns over the last five years, the Fund has exhibited substantially more volatility than its benchmark. The Fund's statistics are consistent with its extraordinarily low R² of 0.03, which signifies almost no correlation between Fund returns and those of the benchmark, and its beta of negative 0.23, which indicates little sensitivity to overall fluctuations in the benchmark. In the aggregate, the Fund's monthly alpha, or return relative to that achieved by the benchmark, was negative 0.28 over the five-year time period. (See figure 5-2.)

Figure 5-1



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

Figure 5-2



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

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

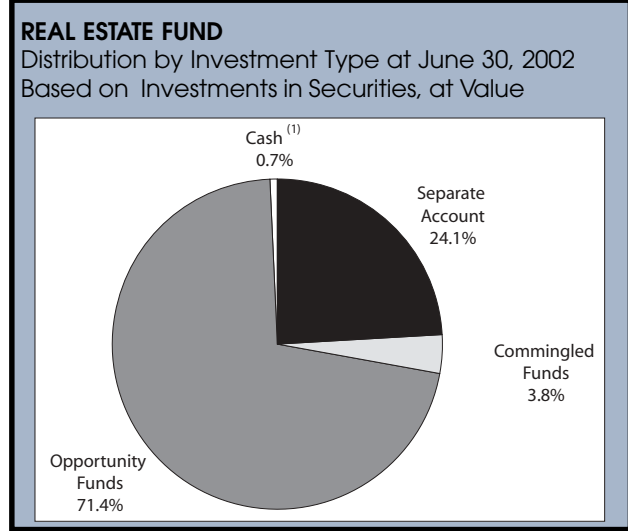
Figure 5-3

REAL ESTATE FUND
Investments Analysis ⁽¹⁾

At	No. of REF Investments	REF Book Value	REF Market Value
6/30/02	10	413,693,249	467,819,628
6/30/01	10	403,106,638	471,662,581
6/30/00	11	434,881,420	478,966,334
6/30/99	14	395,221,763	380,769,286
6/30/98	20	407,989,996	379,124,673
6/30/97	24	540,133,490	475,213,540
6/30/96	41	1,111,459,897	924,414,185
6/30/95	51	1,185,277,530	1,055,418,296
6/30/94	46	1,362,061,563	1,031,355,740
6/30/93	46	1,325,161,790	993,261,272

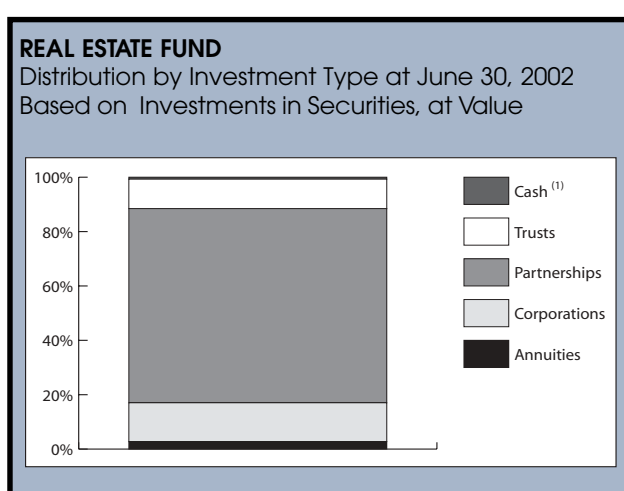
(1) Number of investments in annuities, partnerships, corporations, and trusts, excluding the Cash Reserve Account.

Figure 5-4



(1) Cash Reserve Account and other monetary assets.

Figure 5-5



(1) Cash Reserve Account.

Figure 5-6

REAL ESTATE FUND
Distribution by Geographic Location at June 30, 2002
Based on Investments in Securities, at Value

	REF	NCREIF	Variance
East	29.0%	28.0%	1.0%
Midwest	11.0%	15.0%	-4.0%
South	26.0%	21.0%	5.0%
West	20.0%	36.0%	-16.0%
Cash and Other Assets ⁽¹⁾	<u>14.0%</u>	<u>0.0%</u>	14.0%
	100.0%	100.0%	

(1) Includes national (8%) and non-U.S. (10%) and cash and monetary assets (1%).

Figure 5-7

REAL ESTATE FUND
Diversification by Property Type at June 30, 2002
Based on Investments in Securities, at Value

	REF	NCREIF	Variance
Apartment	7.0%	18.0%	-11.0%
Industrial	2.0%	19.0%	-17.0%
Office	29.0%	41.0%	-12.0%
Retail	11.0%	20.0%	-9.0%
Hotel	9.0%	2.0%	7.0%
Cash and Other Assets ⁽¹⁾	<u>42.0%</u>	<u>0.0%</u>	42.0%
	100.0%	100.0%	

(1) Other includes senior living, mixed use, land, timberland, storage facilities, and cash and other assets.

Figure 5-8

REAL ESTATE FUND
Periods ending June 30, 2002

	1 YR	3 YRS	5 YRS	10 YRS
Compounded, Annual Total Return (%)				
REF	0.81	8.00	11.72	5.29
NCREIF Property	6.40	9.90	11.99	8.25
Cumulative Total Return (%)				
REF	0.81	25.96	74.01	67.43
NCREIF Property	6.40	32.73	76.19	120.87

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 5-9

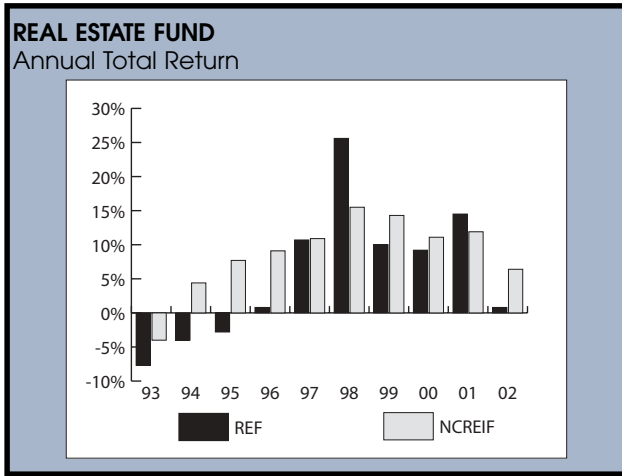


Figure 5-10

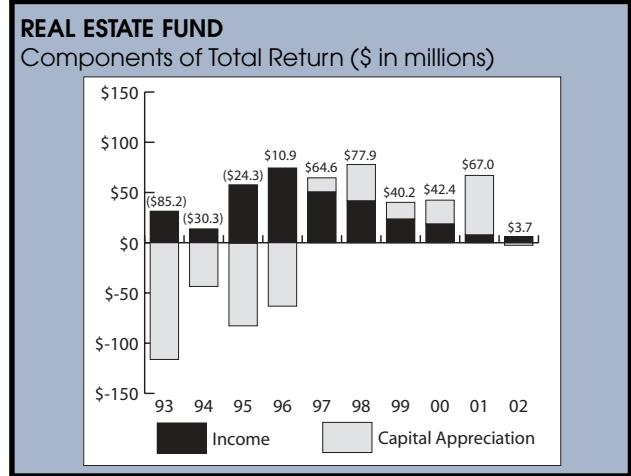


Figure 5-11

REAL ESTATE FUND
Investment Advisors at June 30, 2002

Investment Advisor	Net Asset Value	% of Fund
AEW Capital Management	\$138,243,205	29.4%
Walton Street Real Estate Fund II LP	91,128,647	19.3%
Apollo Real Estate Investment Fd III, LP	84,347,518	17.9%
Westport Senior Living - Fund, LP	73,832,010	15.7%
Tishman Hotel Corp.	51,557,186	10.9%
Wachovia Bank of Georgia, N.A.	15,711,713	3.3%
TimesSquare Real Estate Investors	12,958,663	2.8%
Other ⁽¹⁾	3,393,206	0.7%

Figure 5-12

REAL ESTATE FUND
Ten Largest Holdings at June 30, 2002

Property Name	Type	Market Value	%
Walton Street Fd III, LP	Various	\$91,128,647	19.34%
AEW Partners III, LP	Various	87,236,823	18.52%
Apollo Real Est Invest Fd III	Various	84,347,518	17.90%
Westport Senior Living Fd, LP	Sr Living	73,832,010	15.67%
New Goodwin Square, LLC	Mixed	51,557,186	10.94%
Union Station LTD LP	Mixed	33,233,330	7.06%
AEW 221 Trust	Various	17,773,052	3.77%
Wachovia TimberInd Dublin	Timber	14,140,542	3.00%
Worcester Center	Mixed	12,958,663	2.75%
Wachovia TimberInd Balls	Timber	1,571,171	0.33%
TOTAL		\$467,778,942	99.28%

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

2002 mutual fixed income fund

Fund Facts at June 30, 2002

Investment Strategy/Goals: To provide diversification in different economic environments.

Performance Objective: An annual total return which is 0.5 percentage points greater than that of the index.

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

Date of Inception: July 1, 1972

Total Net Assets: \$6,526,251,325

Number of Advisors: 10 external

Management Fees: \$10,433,845

Operating Expenses: \$959,415

Expense Ratio: 0.17%

Turnover: 347.6%

Performance Summary

For the fiscal year ended June 30, 2002, the Mutual Fixed Income Fund (MFIF) generated a total return of 5.64% net of fees, out-performing the hybrid benchmark return of 5.04 by 60 basis points.

Principal reasons for the Fund's performance was due to an underexposure to high yield and emerging market debt segments and an overexposure to the core fixed income segment relative to the benchmark.

Comparative returns from other indexes include: The Salomon High Yield Market Index negative 4.7%, and JP Morgan Emerging Markets Bond Index negative 5.2% (JP EMBI+).

During the fiscal year, the Fund decreased \$60 million, from \$6.586 billion to \$6.526 billion. Of this total, \$409 million resulted from net investment income and \$50 million from realized and unrealized losses, which were partly offset by \$419 million of net cash outflows to participating Pension and Trust Funds.

For the trailing three, five and ten-year periods, MFIF's compounded annual total return was 6.47%, 6.49% and 7.51%, respectively, net of all expenses. These returns exceeded those of the Fund's benchmark for the ten year period, but were behind the index for the three and five-year periods. Principal reasons for this long-term success included effective management of the Fund's duration in response to changing market interest rates and strong security analysis, which enabled advisors to identify undervalued credits offering comparatively higher yields. (See figure 6-8.)

The cumulative total returns for the three, five, and ten-year periods ending June 30, 2002, were 20.70%, 36.92% and 106.30%, respectively.

Description of the Fund

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

As a consequence of the restructuring of the liquid portfolios in fiscal year 1996, including the termination of the International Bond Fund, MFIF's mandate was expanded to include in-

vestments in international fixed income securities. Investments in these types of securities are permitted when, in the opinion of the Fund's advisors, there is opportunity to increase return with no, or nominal, increase in relative risk. MFIF's mandate was also expanded to include both convertible and high-yield bonds. Convertible bonds allow bondholders to exchange a company's bond for a specified number of shares of common stock in the company, giving holders of the bonds an option to share in the price appreciation of the company's stock.

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

At June 30, 2002, ten advisors managed investments in the Fund. The Fund's investments were allocated to six advisors investing 84% of the portfolio in core/core-plus strategies, one advisor with 4% in a convertible bond mandate, and four advisors actively investing 12% of the portfolio in domestic high yield products. A few managers were allowed to expand their investment opportunity set to include below investment grade bonds and/or international bonds; these mandates have been classified as core-plus strategies. (Note that one advisor manages both a convertible and high yield portfolio.) (See figure 6-11.)

Since inception, the MFIF's objective has been an annual return, net of management fees and operating expenses, of 50 basis points in excess of the LB Aggregate, which is widely considered to be parallel to the performance of the U.S. bond market.

During fiscal year 2000, another performance measurement benchmark for the MFIF was added to reflect the Fund's strategic allocation to other fixed income markets, such as high yield securities and emerging market debt. The new benchmark is a hybrid comprising 73% LB Aggregate, 17% Salomon High Yield Market Index, and 10% JP EMBI+, and the Fund's goal is to exceed the return of the hybrid index by 50 basis points annually. It is expected that during the next fiscal year when the structure review and guidelines of this asset class are completed, this hybrid benchmark will become the primary benchmark for MFIF.

Portfolio Characteristics

MFIF continues to be well diversified across the spectrum of available fixed income securities. The Fund maintained a strong concentration in corporate securities, comprising approximately 28.3% of the Fund's investment securities at fiscal year-end. Government securities were above the benchmark at 42.3% of the Fund, compared to 33.8% for the benchmark. Sector concentrations differed from those comprising the LB Aggregate, reflecting the collective allocations of the Fund's active investment advisors. The Fund's average quality rating was AA-3, as judged by Moody's Investor Services, supported by its 50.9% concentration in mortgage-backed, U.S. Treasury, and Agency securities. Relative to the Index, MFIF held a greater degree of below investment grade securities including emerging market debt. (See figure 6-4.)

At fiscal year end, 89.0% of Fund investments were in fixed income securities with the balance held in cash.

Risk Profile

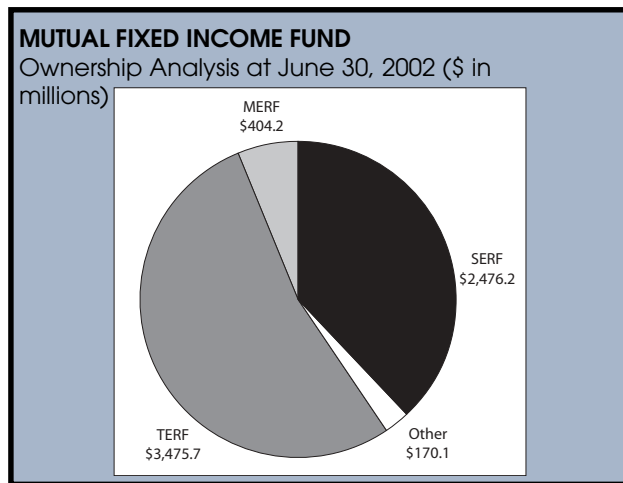
Given MFIF's investment policies and objectives, the Fund is exposed to several forms of risk. These include, but are not limited to, purchasing power risk, default risk, reinvestment risk, and market risk. In addition, the Fund is occasionally exposed to political and economic risk and currency risk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

In fixed income investing, returns are extremely sensitive to changes in market interest rates. As such, the longer the time to maturity of a fixed income investment (and the resultant increase in time during which interest rates may change), the greater the level of risk assumed. To measure the degree of MFIF's price sensitivity to changes in market interest rates, the Fund's duration, or the weighted average time period over which cash flows are received by the

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

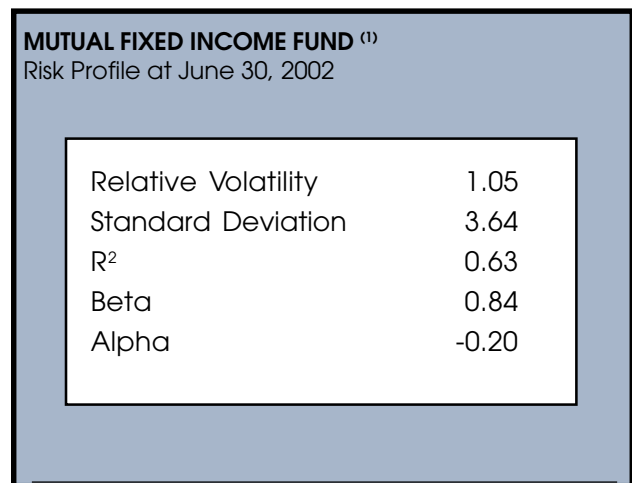
investor, is monitored. At June 30, 2002, the Fund's duration was at 4.7 years versus 4.4 years for the LB Aggregate index. While often viewed as an indicator of risk, duration can, if managed effectively, contribute significantly to total Fund returns. (See figure 6-3.)

Figure 6-1



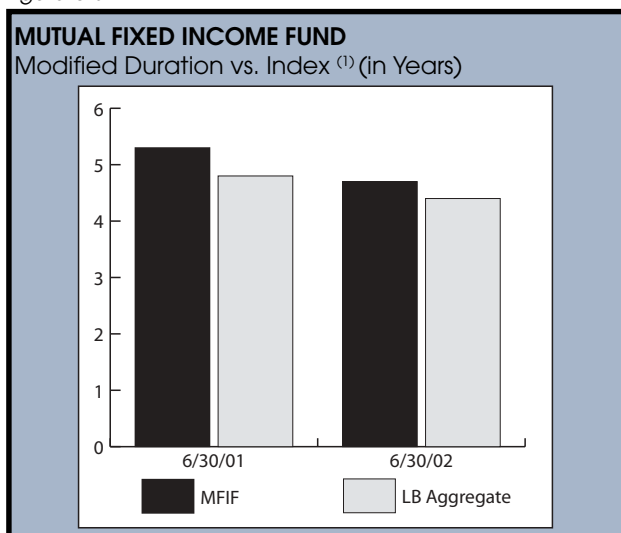
TERF - Teachers' Retirement Fund
 SERF - State Employees Retirement Fund
 MERF - Connecticut Municipal Employees' Retirement Fund

Figure 6-2



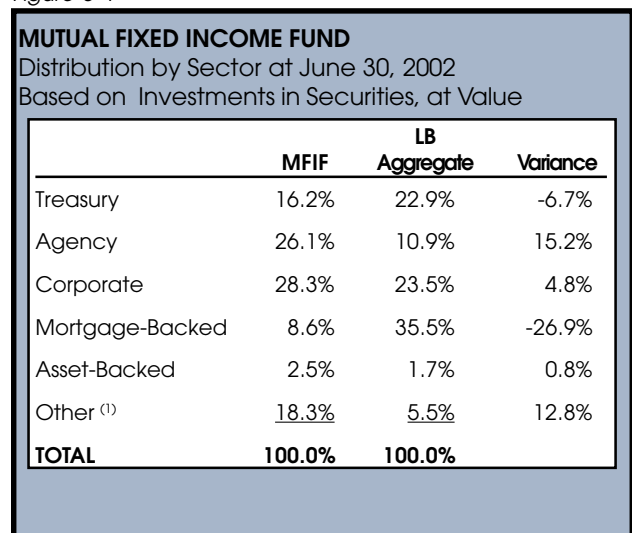
(1) Based upon returns over the last five years.

Figure 6-3



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

Figure 6-4



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

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 6-5

MUTUAL FIXED INCOME FUND
Distribution by Quality Rating at June 30, 2002
Based on Investments in Securities, at Value

Aaa	43.9%
Aa	2.6%
A	6.9%
Baa	9.3%
Less than Baa	10.1%
Not Rated ¹	16.3%
Cash ⁽²⁾	10.9%
Total	100.0%

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

Figure 6-6

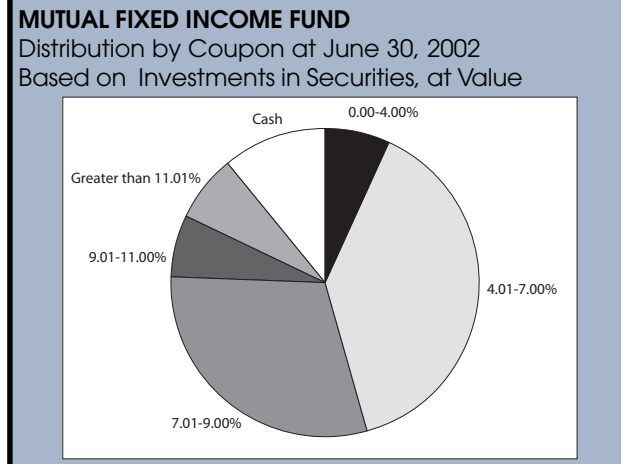


Figure 6-7

MUTUAL FIXED INCOME FUND
Macauley Duration Distribution at June 30, 2002
Based on Investments in Securities, at Value

0-3 Years	21.3%
3-5 Years	34.5%
5-7 Years	13.3%
7-10 Years	5.8%
10+ Years	8.7%
Unknown ⁽¹⁾	5.5%
Cash ⁽²⁾	10.9%
Total	100.0%

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

Figure 6-8

MUTUAL FIXED INCOME FUND
Periods ending June 30, 2002

	1 YR	3 YRS	5 YRS	10 YRS
Compounded, Annual Total Return (%)				
MFIF	5.64	6.47	6.49	7.51
MFIF Hybrid Benchmark	5.04	6.64	6.69	6.90
Cumulative Total Return (%)				
MFIF	5.64	20.70	36.92	106.30
MFIF Hybrid Benchmark	5.04	21.27	38.25	94.96

Figure 6-9

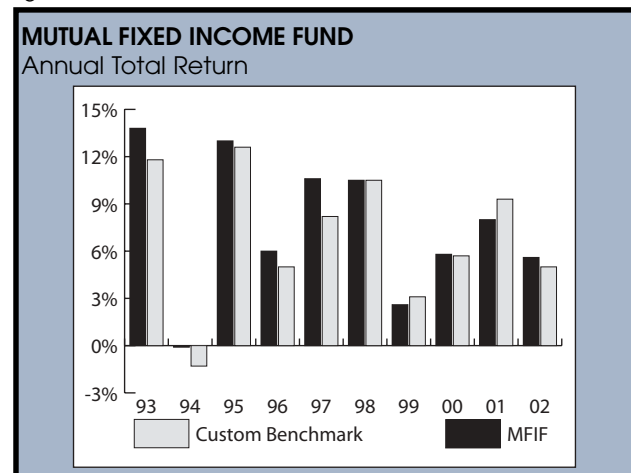
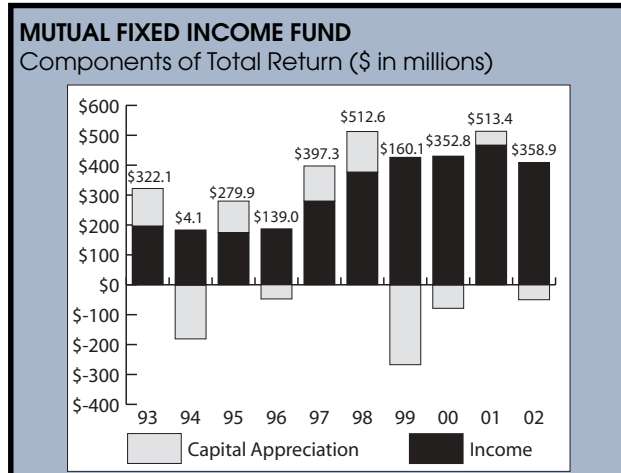


Figure 6-10



CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 6-11

MUTUAL FIXED INCOME FUND		
Investment Advisors at June 30, 2002		
Investment Advisor	Net Asset Value	% of Fund
Core	\$5,466,922,917	83.8%
State Street Global Advisors	1,500,272,794	23.0%
BlackRock Financial Mgmt Inc.	1,172,781,766	18.0%
Wellington	1,026,526,130	15.7%
Western Asset Mgmt. Co.	799,889,798	12.3%
J.P. Morgan Investment Mgmt	656,236,139	10.0%
Phoenix	311,216,290	4.8%
Convertibles	\$275,742,074	4.2%
Oaktree Capital Mgmt., L.L.C.	275,742,074	4.2%
High Yield	\$760,729,116	11.7%
Loomis Sayles & Co., Inc.	274,473,207	4.2%
W.R. Huff Asset Management	218,656,263	3.4%
Oaktree Capital Mgmt., L.L.C.	209,719,414	3.2%
Triumph II LP	57,880,232	0.9%
Other ⁽¹⁾	\$22,857,218	0.3%

Figure 6-12

MUTUAL FIXED INCOME FUND			
Ten Largest Holdings at June 30, 2002			
Security Name	Maturity	Market Value	%
GNMA-TBA	12/15/2032	\$170,748,000	2.34%
FNMA-TBA	12/31/2032	84,049,350	1.15%
FHLMC-TBA	12/31/2032	81,721,729	1.12%
FNMA-TBA	12/31/2032	78,414,161	1.07%
FHLMC-TBA	12/31/2032	76,429,494	1.05%
U.S. Treasury Notes	05/15/2007	71,068,944	0.97%
FNMA-TBA	12/01/2032	69,812,239	0.96%
U.S. Treasury Notes	05/31/2004	62,781,524	0.86%
GNMA-TBA	12/31/2032	62,611,077	0.86%
U.S. Treasury Bonds	11/15/2021	58,082,115	0.80%
TOTAL		\$815,718,633	11.18%

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

Figure 6-13

MUTUAL FIXED INCOME FUND											
Comprehensive Profile for the Fiscal Years ending June 30,											
	2002		2001		2000		1999		1998		
	MFIF	LB Agg	MFIF	LB Agg	MFIF	LB Agg	MFIF	LB Agg	MFIF	LB Agg	
Number of Issues	4,071	6,892	3,633	6,414	3,226	5,974	2,689	5,381	2,086	6,860	
Average Coupon	6.60%	6.50%	6.90%	6.90%	7.00%	7.00%	6.60%	6.90%	7.00%	7.20%	
Yield Maturity	6.50%	5.30%	7.60%	6.20%	8.20%	7.20%	7.60%	6.50%	6.80%	6.10%	
Average Maturity	8.40	7.30	9.70	8.30	9.70	8.50	10.30	8.90	9.70	7.90	
Modified Duration ⁽²⁾	4.70	4.40	5.30	4.80	5.40	4.90	6.20	5.10	5.70	4.60	
Average Quality	AA-3	AA-1	AA-3	AA-1	AA-3	AAA	A1	AAA	A1	AAA	
Cash ⁽¹⁾	10.9%	0.0%	10.3%	0.0%	13.0%	0.0%	13.1%	0.0%	10.1%	0.0%	

(1) Includes funds invested in the Cash Reserve Fund.

(2) Compounded without the effect of Cash and Other Net Assets.

Figure 6-14

MUTUAL FIXED INCOME FUND					
Quarterly Current Yield ⁽¹⁾ vs. Indices (%)					
	6/30/02	3/31/02	12/31/01	9/30/01	6/30/01
MFIF	5.83	6.20	6.11	6.09	6.27
Leh Agg	6.13	6.37	6.35	6.37	6.63
Salomon 91 Day T-Bill	1.74	1.76	1.78	3.36	3.65
Lehman Treasury	5.55	5.83	5.80	5.85	6.16
Lehman Agency	5.15	5.41	5.46	5.58	5.93
Lehman Mortgage	6.40	6.57	6.63	6.60	6.82
Lehman Corporate	6.85	7.04	6.92	6.93	7.12
Lehman Asset Backed	5.63	5.86	5.85	5.90	6.17

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

2002 commercial mortgage fund

Fund Facts at June 30, 2002

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

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

Benchmark: Lehman Aggregate Index

Date of Inception: November 2, 1987

Total Net Assets: \$73,260,715

Number of Advisors: 1 external

Management Fees: \$442,777

Operating Expenses: \$15,149

Expense Ratio: 0.53%

Performance Summary

For the fiscal year ended June 30, 2002, the Commercial Mortgage Fund (CMF) generated a return of 1.19%, net of management fees and operating expenses, under performing the Lehman Aggregate Index of 8.63% by 744 basis points. The Fund's unfavorable performance is attributable to exposure to under performing hotel loans, negative market pricing for lower quality loans and its shorter duration than the benchmark in a period of declining interest rates.

During the fiscal year, CMF assets declined from \$101 million to \$73 million, a decrease of \$28 million. This decrease was due to cash outflows to the Fund's unit holders. Such outflows were paid from loan maturity and amortization proceeds. The \$7 million of interest generated was paid out to unit holders in the form of income distributions.

For the trailing three, five, and ten-year periods, CMF's total compounded annual portfolio return was 6.70%, 8.69% and 8.05%, respectively, net of all expenses. For the three-year period ended June 30, 2002, CMF under performed the index by 141 basis points. The Fund's results over the five and ten-year periods exceeded the index by 112 basis points and 71 basis points, respectively. (See figure 7-7.)

Description of the Fund

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

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

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

Mortgage Market

During the fiscal year, the U.S. economy fell into recession before emerging in a tentative recovery. This recovery has not generated the hoped for rebound in commercial activity. Such a rebound is necessary to enhance loan values for lower quality debt which have been constrained despite historically low interest rates. Hotel loans, which account for two of the portfolio holdings and 26% of the fair value of the Fund, were especially hard hit in the aftermath of September 11, 2001. Subsequent to that date, travel and travel-related industries experienced significant difficulties. The portfolio's hotel loans were written down by \$6 million or 23% of their pre September 11 values in response. One of these went into default. By fiscal year

end, the default was cured. The hotel properties that secure these loans were both experiencing improved operations at June 30, 2002. This improvement did not, however, translate into improved loan valuations. The weak U. S. economy impacted the non-hotel portfolio loans as well. During the fiscal year, the pricing of these loans was capped at 105% of par to recognize the lack of market demand for loans of similar quality. This change resulted in additional valuation reductions of almost \$3 million or 6% of the non-hotel loan's combined prior value.

Portfolio Characteristics

During fiscal year 2002, the Fund did not close any new commercial mortgage loan investments. One portfolio loan was paid off. This loan was paid off at maturity and, accordingly, did not generate a prepayment penalty. As the Fund has stopped making new loans and its existing loans mature, diversification has been decreasing.

The largest portion of the Fund's net assets, 40%, was invested in residential sector at fiscal year-end, followed by 26% in the hotel sector and a 9% investment in retail properties. (See figure 7-4.) The Fund has retained some diversification across geographic regions with 50% of investments located in the Northeast, 21% in the East North Central, 16% in the Mountain and 6% in the Pacific. The concentration in the Northeast increased during the year as combined effect of the one loan maturity and scheduled amortization disproportionately reduced the Fund's exposure to other regions. (See figure 7-5.)

The CMF's ten largest holdings aggregated to 93.1% of Fund investments. (See figure 7-11.)

The portfolio is relatively healthy from a credit risk standpoint. Despite a period of default for one of the Fund's loans, CMF had no delinquent or non-performing loans at fiscal year end. None of the Fund's investments are scheduled to mature over the next 12 months.

Risk Profile

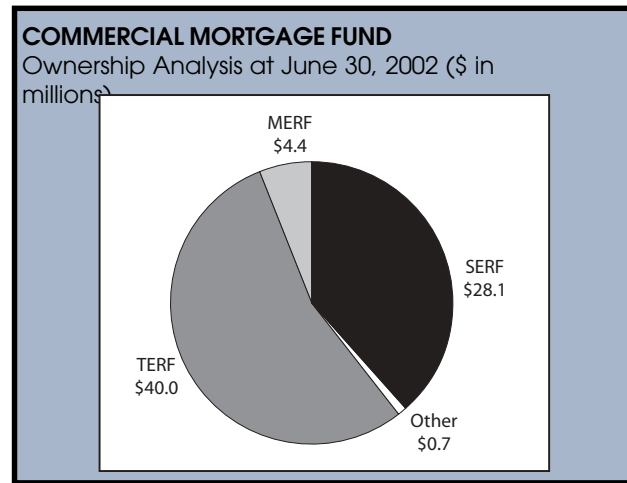
Given CMF's investment policies and objectives, the Fund is exposed to several forms of risk. These include risks specific to fixed income investing, such as purchasing power risk, market risk, and default risk. Moreover, falling interest rates subject commercial mortgages to the risk of prepayment,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

To measure the Fund's price sensitivity to changes in market interest rates, the Fund's duration, or weighted average time period over which cash flows are received by the investor, is monitored. At June 30, 2002, the Fund's duration was 2.8 years versus 4.4 years for the LB Aggregate Index. Therefore, the Fund is less sensitive to interest rate changes than the LB Aggregate Index.

Based on returns over the last five years, the Fund's risk profile is similar to that of the LB Aggregate Index. With a relative volatility of 1.90, its returns are slightly more volatile than the index; however, its returns show very little correlation to those achieved by the benchmark. While the Fund's beta of 0.37 signifies low sensitivity to movements in the index as a whole, CMF's five-year monthly alpha at June 30, 2002, or return in excess of that predicted by returns in the overall market, was 1.12. (See figure 7-2.)

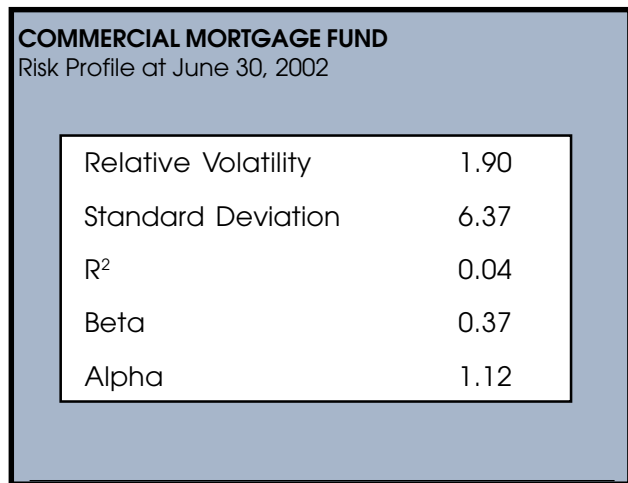
CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 7-1



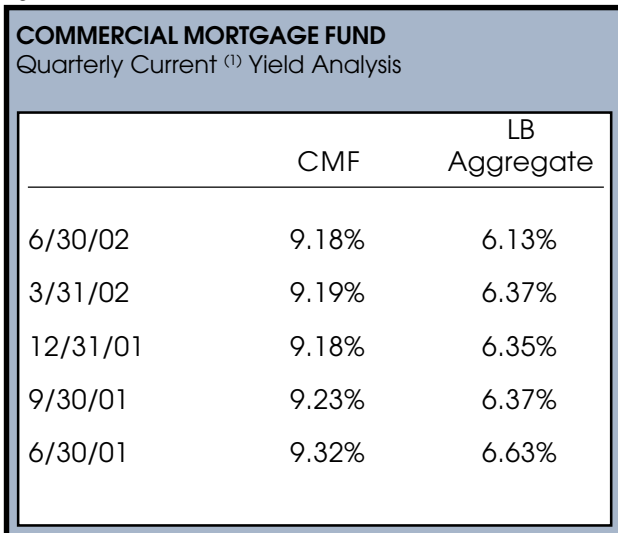
TERF - Teachers' Retirement Fund
SERF - State Employees Retirement Fund
MERF - Connecticut Municipal Employees' Retirement Fund

Figure 7-2



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

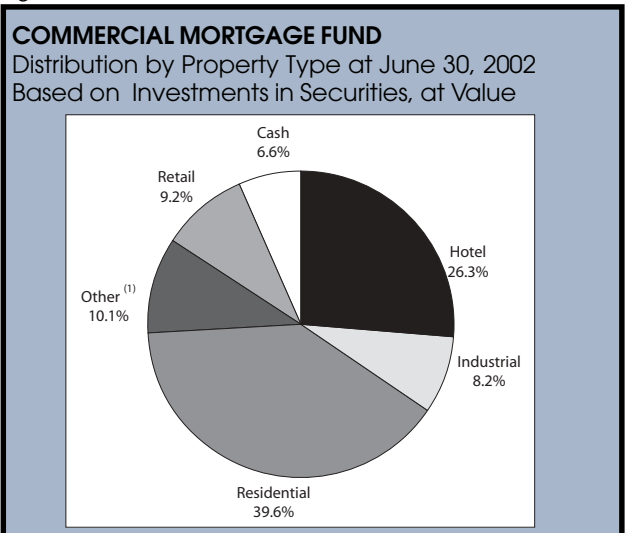
Figure 7-3



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

Figure 7-4

Figure 7-4



(1) Includes senior ground leases.

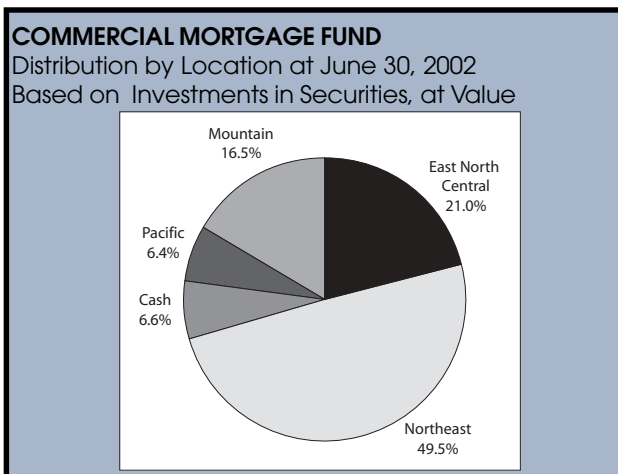
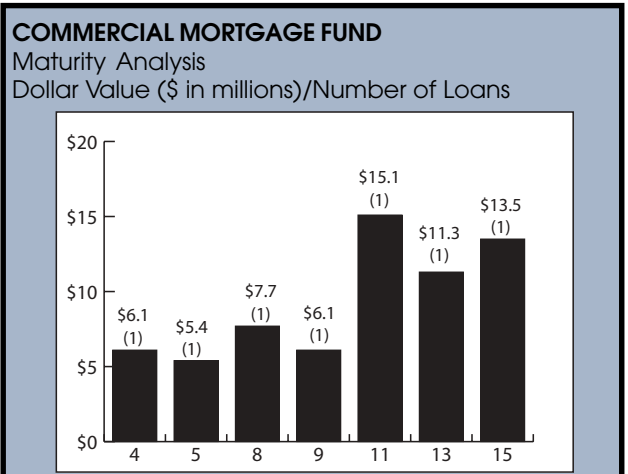


Figure 7-6



CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 7-7

COMMERCIAL MORTGAGE FUND
Periods ending June 30, 2002

	1 YR	3 YRS	5 YRS	10 YRS
Compounded, Annual Total Return (%)				
CMF	1.19	6.70	8.69	8.05
Lehman Agg	8.63	8.11	7.57	7.34
Cumulative Total Return (%)				
CMF	1.19	21.46	51.70	116.84
Lehman Agg	8.63	26.34	44.04	103.12

(1) Cash Reserve Account.

Figure 7-8

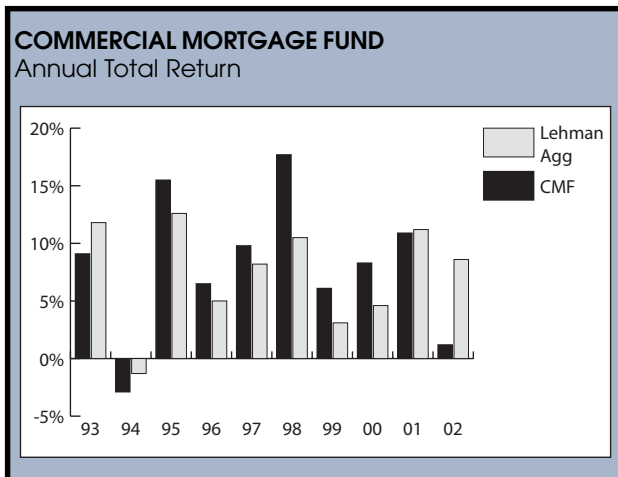


Figure 7-9

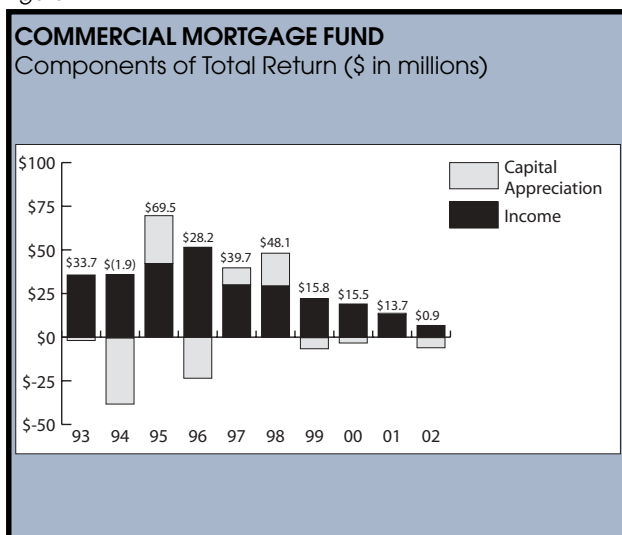


Figure 7-11

COMMERCIAL MORTGAGE FUND
Ten Largest Holdings at June 30, 2002

Property Name	Property Type	Market Value	%
SASCO	Other	\$19,106,983	26.74%
Greenhill Apts.	Residential	15,066,142	21.08%
57 Park Plaza	Hotel	13,460,370	18.83%
North Haven Crossing	Retail	6,150,418	8.61%
Bidderman	Warehouse	6,107,259	8.55%
Sheraton Denver West	Hotel	5,514,204	7.72%
Yankee Mac E 11.056%	Residential	608,966	0.85%
Yankee Mac F 12.981%	Residential	229,852	0.32%
Yankee Mac G 9.50%	Residential	152,536	0.21%
Yankee Mac C 14.00%	Residential	144,128	0.20%
TOTAL		\$66,540,858	93.11%

Figure 7-10

COMMERCIAL MORTGAGE FUND
Investment Advisors at June 30, 2002

Investment Advisor	Net Asset Value	% of Fund
AEW Capital Management, LP	67,188,365	91.7%
Other (1)	6,072,350	8.3%

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

2002 private investment fund

Fund Facts at June 30, 2002

Investment Strategy/Goals: To participate in the fastest growing segments of the domestic and international economies, including emerging industries and technologies, by investing in private equity partnerships.

Performance Objective: To outperform the Russell 3000 Index by 500 basis points at the end of ten years.

Benchmark: 50% Cambridge Associates Private Equity Index and 50% Cambridge Associates Venture Capital Index.

Date of Inception: July 1, 1987

Total Net Assets: \$2,281,024,220

Number of Advisors: 35 external

Expensed Management Fees ⁽¹⁾: \$6,958,306

Operating Expenses: \$4,701,157

Expense Ratio: 0.48%

Capitalized and Netted Fees: \$35,219,314

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

Performance Summary

For the fiscal year ended June 30, 2002, the Private Investment Fund (PIF) generated a negative return of 10.81%. The fiscal year 2002 continues to present a difficult environment for private equity investments. The industry continues to consolidate and many partnerships have reduced their fund size and returned unused capital to Limited Partner investors. According to Business Week, in the last six months of 2002, venture capital (VC) investors have given back \$3 billion to investors. According to the Financial Times, after investing over \$100 billion in 2000, the VC industry appears to be returning to the pre-boom days of 1995-1996, when only \$5 billion was invested annually.

Despite the overall slowdown in investment activity as seen in the 49% year-over-year decline in VC investments, there are several sectors that have received attention in 2002. According to GenomeWeb, the total VC investment in the biotech sector actually increased 44% in 2002. During the June 2002 quarter alone, 62 biotech start-ups received a total of \$984 million in VC financing, compared to \$680 million in the year-earlier period. In addition, according to the Wall Street Journal, VC firms have been targeting new portfolio investments in companies boasting innovative security-related technology that can be utilized in the war against terrorism. The interest in this sector is a function primarily of the \$38 billion in new U.S. government spending slated for homeland security.

The liquidity market for venture-backed companies has experienced an improvement recently. According to the National Venture Capital Association twelve domestic venture-backed companies raised \$1.3 billion in initial public offerings during the June quarter, up from four new issues that raised \$376 million during the March quarter. It was the second-best showing in the past six quarters, just behind the 14 new issues that raised \$1.4 billion in the December quarter. The most active sectors included health care companies issues (five in all), followed by enterprise software companies, and IT services for corporations and the government. The consumer and business services sector was also strong, accounting for three of the newly public companies: Netflix, Printcafe Software, and JetBlue Airways.

The buyout segment also experienced an increase in activity over the most recent quarter. According to Buyouts, buyout firms completed about \$5.5 billion worth of deals in the June quarter, compared with \$3.9 billion in the March quarter 2002 and \$3.8 billion in the December quarter. The number of deals also picked up in the June quarter, totaling 51, compared with 34 deals in the March quarter. The communications and semiconductor segments were well represented in the quarter's largest M&As, accounting for seven of the top ten. In the largest

transaction, Hammerhead Networks, a connectivity tools developer, was acquired by Cisco Systems for \$173 million in stock.

During fiscal year 2002, PIF's assets decreased from \$2.607 billion to \$2.281 billion, a decrease of \$326 million. The decrease was due to \$38 million of net cash outflows from participating pension plans and trusts partly offset by \$288 million of realized and unrealized capital losses net of investment income.

The Fund outperformed the assigned benchmark, which had a negative return of 17.24% for the fiscal year. While staff monitors and evaluates short-term performance, the Fund has a long-term perspective in evaluating performance, in that it measures the performance over a 10-year time period. This long-term perspective reflects the illiquid nature of the Fund's underlying partnership holdings that require a meaningful length of time to progress through specific developmental periods. As an additional check on long-term performance, Figure 8-5 shows PIF's cumulative total return over the three, five and ten-year periods. These returns are consistent with those achieved on an annualized basis over the same time periods.

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

PIF's earliest committed capital is now more than ten years old and should continue to provide the Fund with positive cash flow from these investments.

Description of the Fund

The Private Investment Fund (PIF) is an externally managed fund which invests in venture capital, corporate buyout, mezzanine, fund of funds, and international financing opportunities. It serves as a long-term investment tool for the Pension and Trust Funds, with the goal of participating in the fastest growing segments of domestic and international economies, including emerging industries and technologies. PIF also invests in selected opportunities in mature industries.

At fiscal year-end, thirty-five advisors were responsible for investing the PIF's \$3.3 billion in committed capital in the outlined strategic investment areas.

The strategic focus of the PIF is divided among four specific areas: fifteen partnerships focus on corporate buyout strategies, eleven on venture capital strategies, six on mezzanine debt strategies, and five on international strategies. Five advisors each managed multiple partnerships for the Fund.

Four of the limited partnerships are in "fund of funds" arrangements whereby advisors are responsible for investor's committed capital across a number of selected private equity limited partnerships, which subsequently invest in underlying companies.

This Fund structure allows for experienced industry professionals to manage PIF's assets while allowing the Fund to realize the benefits of a diversified private market portfolio. The performance objective of the Fund is to outperform, net of management fees and Division operating expenses over a rolling ten-year period, the Russell 3000 Index by 500 basis points, or five percentage points.

Portfolio Characteristics

The Private Investment Fund consists of private equity investments, which include five primary areas of strategic focus: venture capital, corporate buyout, mezzanine debt, fund of funds, and international private equity strategies.

Corporate Buyout focused investments can be defined as controlling or majority investments in private equity or equity-like securities of more established companies on the basis of the company's asset values and/or cash flow. Corporate buyout investors usually target two types of companies: special situations and turnaround opportunities.

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

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

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

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

In order to protect the Fund from various risks associated with this asset class, the PIF is diversified by investment type, strategic focus, industry type and geographic region. This strategy allows for experienced industry professionals to manage a portion of PIF's assets while realizing additional benefits from broad market diversification.

Through June 30, 2002, the PIF had aggregate capital commitments in the amount of \$3.3 billion to 42 partnerships of which approximately 82 percent, or \$2.7 billion has been "drawn down" for investment purposes while the balance of approximately \$0.6 billion or 18 percent is committed but uninvested. (See Figure 8-6.)

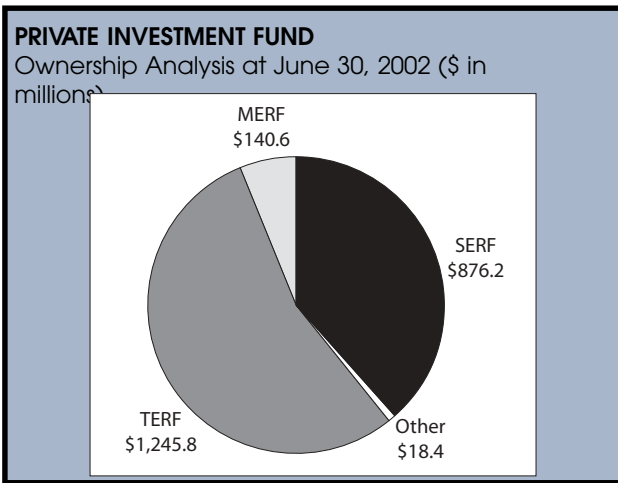
Risk Profile

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

Due to the Fund's focus on alternative investments, PIF's risk profile relative to its benchmark is very difficult to evaluate. Its relative volatility of 0.81 indicates comparable volatility to the Russell 3000 Index: However, the Fund's risk profile is more complex given the valuation judgments and liquidity constraints placed on it due to its alternative investment strategy. In the aggregate, the Fund shows almost zero correlation with returns achieved by the benchmark, and has returned an annual alpha, or return relative to that predicted by its benchmark, of positive 4.79. (See Figure 8-2.)

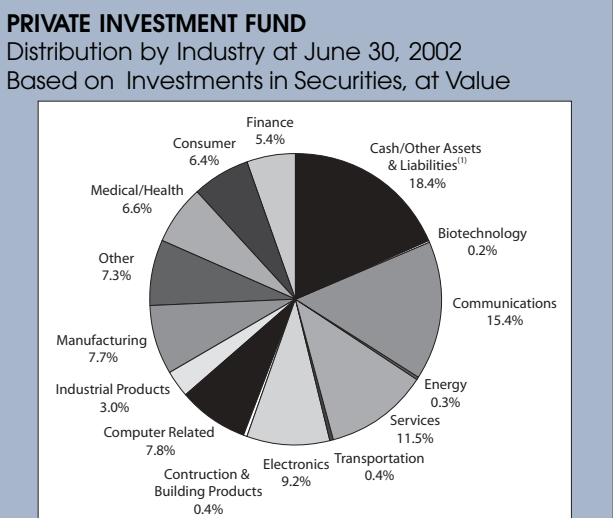
CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 8-1



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

Figure 8-3



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

Figure 8-5

PRIVATE INVESTMENT FUND
Periods ending June 30, 2002

	1 YR	3 YRS	5 YRS	10 YRS
Compounded, Annual Total Return (%)				
PIF	-10.81	8.76	8.63	11.85
Russell 3000	-17.24	-7.92	3.84	11.27
Cumulative Total Return (%)				
PIF	-10.81	28.65	51.28	206.45
Russell 3000	-17.24	-21.94	20.76	190.91

Figure 8-2

PRIVATE INVESTMENT FUND ⁽¹⁾
Risk Profile at June 30, 2002

Relative Volatility	0.81
Standard Deviation	14.45
R ²	0.02
Beta	-0.12
Alpha	4.79

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

Figure 8-4

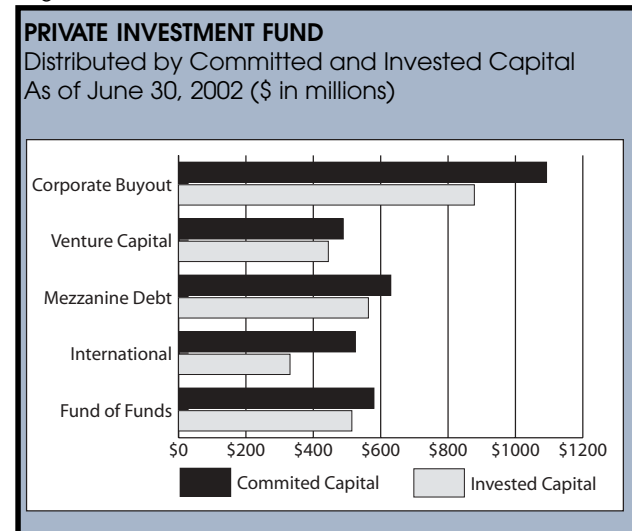
PRIVATE INVESTMENT FUND
Distribution by Geographic Location at June 30, 2002
Based on Investments in Securities, at Value

Region	%
Cash/Other Assets & Liabilities ⁽¹⁾	18.4
Southeast	16.6
Mid-Atlantic	15.5
International	14.5
West Coast	9.9
Southwest	8.7
MidWest	8.5
Northeast	7.7
Unclassified ⁽²⁾	0.2
TOTAL	100.0

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

(2) Unclassified represents fund of funds investments where region information could not be obtained.

Figure 8-6



CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 8-7

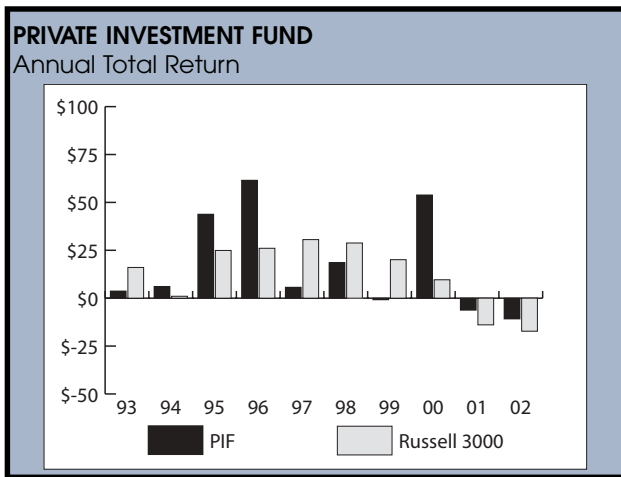


Figure 8-8

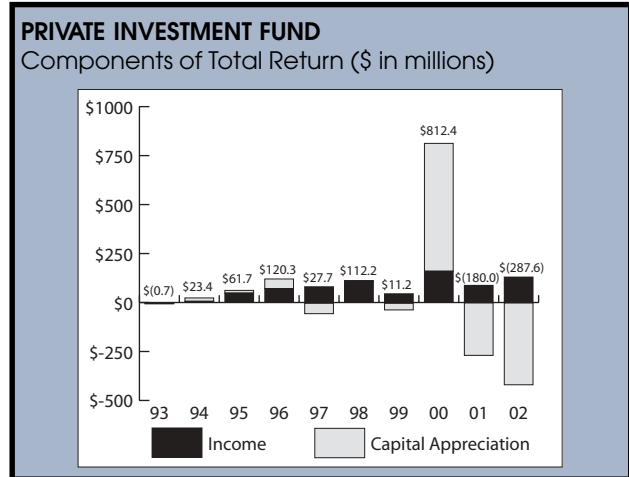


Figure 8-9

PRIVATE INVESTMENT FUND
Ten Largest Holdings at June 30, 2002

Company	Industry	Market Value	%
Integrated Defense Technologies	Electronics	\$156,742,612	6.88%
Raytheon Aerospace Company	Services	52,440,155	2.30%
AMFM, Inc.	Communications	51,165,696	2.25%
BC Components Holdings B.V.	Electronics	31,983,412	1.40%
TRAK Communications, Inc.	Communications	30,788,815	1.35%
Citadel Communications Corp.	Communications	27,269,639	1.20%
Global Beverage Systems, Inc.	Consumer	27,257,356	1.20%
Rossi American Hardwoods	Industrial Products	22,574,795	0.99%
Optical Capital Group, Inc.	Industrial Products	22,461,952	0.99%
Metris Companies, Inc.	Services	21,304,072	0.94%
TOTAL		\$443,988,504	19.50%

Figure 8-10

PRIVATE INVESTMENT FUND
New Investments Made in Fiscal Year 2002⁽¹⁾ (in Excess of \$3 Million)

Description	Industry	Cost	Investment Type	Inv. Date
Olympus Re Holdings, Ltd.	Finance	\$ 9,307,954	International	December-01
Montpelier Re Holdings, Ltd.	Finance	6,177,920	International	December-01
American Coin Merchandising, Inc.	Consumer	5,030,265	Buyout	February-02
Joan Fabrics Corporation	Manufacturing	4,572,637	Mezzanine	October-01
DelStar Holding Corporation	Manufacturing	3,057,368	Venture	September-01
ArmKel, LLC	Consumer	3,021,887	Buyout	September-01
Total:		\$31,168,031		

(1) These holdings represent underlying portfolio companies that were invested in by the Fund during fiscal year 2002 through one or more of its partnerships. The investments listed in this chart each had a cost basis in excess of \$3.0 million at June 30, 2002. Additional investments of less than \$3.0 million were made in 108 companies totaling \$19.2 million.

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 8-11

PRIVATE INVESTMENT FUND

Investment Advisors at June 30, 2002

Investment Advisor	Net Asset Value	% of Fund
Corporate Buyout	\$820,563,562	36.0%
Veritas Capital Fund	264,903,172	11.6%
Hicks, Muse Tate & Furst Equity Fund III	100,386,904	4.4%
Thomas H. Lee Equity Fund IV	76,119,592	3.4%
DLJ Merchant Banking Fund II	54,390,562	2.4%
Greenwich Street Capital Partners II	43,784,386	1.9%
KKR 1996 Fund	41,336,947	1.8%
SCP Private Equity Partners	38,431,309	1.7%
Welsh Carson Anderson & Stowe VIII	36,177,939	1.6%
Forstmann Little Equity Fund VI	29,187,602	1.3%
Thayer Equity Investors IV	25,393,540	1.1%
Kelso Investment Associates VI	23,748,364	1.1%
Conning Capital Partners V	23,145,480	1.0%
Green Equity Investors III	21,517,879	0.9%
Wellspring Capital Partners II	21,139,283	0.9%
Blackstone Capital Partners III	20,900,603	0.9%
Venture Capital	\$201,393,922	8.8%
Crescendo World Fund	49,475,906	2.2%
Pioneer Ventures Associates	28,126,831	1.2%
Grotech Partners V	22,909,379	1.0%
Shawmut Equity Partners	20,590,255	0.9%
RFE Investment Partners VI	18,339,829	0.8%
CT Financial Development Fund	15,327,124	0.7%
Crescendo III	12,832,649	0.6%
Connecticut Futures Fund	12,771,311	0.5%
Keystone Ventures V	11,473,831	0.5%
Triumph Investors II	6,472,226	0.3%
Connecticut Greene Ventures	3,074,581	0.1%
Mezzanine	\$311,289,802	13.6%
Welsh Carson Anderson & Stowe Capital Part III	87,984,216	3.9%
Triumph Capital Partners III	80,580,592	3.5%
GarMark Partners	54,005,528	2.4%
SW Pelham Fund	41,854,630	1.8%
Triumph CT Partners	25,832,855	1.1%
Forstmann Little MBO VII	21,031,981	0.9%
International	\$222,294,976	9.8%
Compass European Partners	85,034,485	3.7%
Carlyle Europe Partners	46,977,463	2.1%
AIG Global Emerging Markets Fund	33,946,523	1.5%
Gilbert Global Equity Fund	33,388,463	1.5%
Carlyle Asia Partners	22,948,042	1.0%
Fund of Funds	\$632,193,591	27.7%
Crossroads Constitution Fund	471,973,748	20.7%
Landmark Private Equity Fund VIII	80,642,563	3.5%
Goldman Sachs Private Equity Fund	56,435,980	2.5%
Lexington Capital Partners II	23,141,300	1.0%
Other ⁽¹⁾	93,288,367	4.1%

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

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS
SCHEDULE OF INVESTMENT ADVISORS AND FEES IN EXCESS OF \$5,000⁽¹⁾
FOR PERIODS ENDED JUNE 30

Name of Firm	Description of Services	Aggregate Compensation Paid in Fiscal Year:				
		2002	2001	2000	1999	1998
INVESTMENT ADVISORY SERVICES						
Equity Advisory Services						
Alliance Capital	Equity Advisor	271,833	-	921,466	770,149	250,219
AXA Rosenberg Institutional Equity Mgmt	Equity Advisor	3,791,100	2,820,096	256,310	2,466,444	2,271,069
BGI Barclay's Global Investors	Equity Advisor	11,228,122	11,373,864	2,194,491	1,934,551	1,821,742
Brown Capital Management	Equity Advisor	3,136,368	2,690,100	2,564,010	2,028,123	1,980,999
Columbus Circle Investors	Equity Advisor	-	-	-	-	39,378
Dresdner RCM Capital Management, LP	Equity Advisor	479,497	2,554,926	1,794,348	406,646	368,486
First Pacific Advisor, Inc.	Equity Advisor	-	-	-	-	1,733,016
J. P. Morgan Investment Management	Equity Advisor	6,227,366	695,103	10,316,165	870,746	575,267
State Street Global Advisors	Equity Advisor	170,554	213,097	221,156	189,267	416,133
Thomas Weisel Partners (ValueQuest)	Equity Advisor	1,602,094	489,868	464,716	457,704	1,386,471
Travelers Investment Management	Equity Advisor	304,869	334,000	1,240,306	1,239,686	184,919
Trust Company of the West (Cowen)	Equity Advisor	2,193,266	510,193	421,791	1,747,375	385,992
Total Equity Advisor Compensation		\$29,405,069	\$21,681,247	\$20,394,759	\$12,110,691	\$11,413,691
Fixed Income Investment Advisory Services						
Blackrock Financial Management	Fixed Income Advisor	1,536,082	1,455,319	1,628,201	889,137	1,124,873
J. P. Morgan Investment Management	Fixed Income Advisor	638,895	1,006,786	688,394	1,031,440	787,476
Lazard Freres & Co.	Fixed Income Advisor	-	-	669,697	51,555	8,194
Loomis Sayles & Co., Inc.	Fixed Income Advisor	402,555	485,885	475,810	478,736	532,380
Mitchell Hutchins Institutional Inv.	Fixed Income Advisor	-	433,022	591,975	680,825	141,950
Oaktree Capital Management	Fixed Income Advisor	4,459,895	2,731,678	2,633,017	2,065,669	3,110,562
Pacific Investment Management Co.	Fixed Income Advisor	-	-	-	70,801	961,627
Phoenix Investment Counsel	Fixed Income Advisor	547,956	531,553	531,955	548,309	144,264
Spectrum Asset Management	Fixed Income Advisor	-	-	5,415	118,295	-
State Street Global Advisors	Fixed Income Advisor	577,503	544,200	492,115	425,369	806,382
W. R. Huff Asset Management	Fixed Income Advisor	259,026	394,261	968,932	716,820	2,709,014
Wellington Asset Management	Fixed Income Advisor	1,016,323	877,447	1,077,393	668,428	227,709
Western Asset Management	Fixed Income Advisor	1,122,126	1,098,081	1,089,776	1,132,390	303,581
Total Fixed Income Advisor Compensation		\$10,560,361	\$9,558,232	\$10,852,680	\$8,877,774	\$10,858,012
Cash Reserve Account Advisory Services						
State Street Global Advisors	Cash Rsrv Acct Advisor	279,877	287,159	260,341	286,102	210,095
Total Cash Reserve Account Advisor Compensation		\$279,877	\$287,159	\$260,341	\$286,102	\$210,095
International Equity Investment Advisory Services						
DSI International Management	Intrntl Equity Advisor	288,440	190,729	515,452	152,603	523,272
Grantham, Mayo, Van Otterloo & Co.	Intrntl Equity Advisor	5,278,524	1,789,666	1,532,995	1,304,471	3,594,360
J. P. Morgan Investment Management	Intrntl Equity Advisor	-	-	-	-	85,542
Morgan Stanley Asset Management	Intrntl Equity Advisor	3,549,750	1,541,202	-	7,443,284	7,384,058
Pictet International Management	Intrntl Equity Advisor	370,878	507,752	2,567,976	1,242,165	1,404,868
Salomon Smith Barney Capital Mgmt	Intrntl Equity Advisor	179,468	1,026,401	130,198	771,598	148,568
Schroder Capital Management	Intrntl Equity Advisor	-	-	-	-	-
State Street Global Advisors	Intrntl Equity Advisor	457,766	596,450	557,803	519,305	379,527
Total International Equity Advisor Compensation		\$10,124,826	\$5,652,200	\$5,304,424	\$11,433,426	\$13,520,195
Real Estate Investment Advisory Services ⁽²⁾						
AEW Capital Management, L.P.	Real Estate Advisor	96,396	142,277	408,780	559,893	2,247,674
AEW Partners III, LP	Real Estate Advisor	1,165,214	2,651,532	-	-	-
Apollo Real Estate Investment Fund III	Real Estate Advisor	605,997	933,662	933,661	-	339,683
CIGNA/TimeSquare Real Estate Investors	Real Estate Advisor	8,083	-	101,942	110,071	120,080
PSI Institutional Realty Associates, Inc.	Real Estate Advisor	-	-	-	313,043	-
The RREEF Funds	Real Estate Advisor	-	-	23,435	46,869	46,869
Sentinel Real Estate Corporation	Real Estate Advisor	-	-	30,922	284,719	156,798

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

**SCHEDULE OF INVESTMENT ADVISORS AND FEES IN EXCESS OF \$5,000⁽¹⁾
FOR PERIODS ENDED JUNE 30 (Continued)**

Name of Firm	Description of Services	Aggregate Compensation Paid in Fiscal Year:				
		2002	2001	2000	1999	1998
Wachovia Bank of Georgia, N.A.	Real Estate Advisor	182,301	148,362	130,556	92,422	150,282
Westport Senior Living Fund	Real Estate Advisor	1,800,000	1,800,000	1,350,000	-	-
Total Real Estate Advisor Compensation		\$3,857,991	\$5,675,833	\$2,979,296	\$1,407,017	\$3,061,386
Commercial Mortgage Investment Advisory Services ⁽²⁾						
AEW Capital Management, L.P.	Comm Mortgage Advisor	442,777	566,633	763,333	808,313	797,628
Total Commercial Mortgage Advisor Compensation		\$442,777	\$566,633	\$763,333	\$808,313	\$797,628
Private Investment Advisory Services ⁽²⁾						
AIG Global Emerging Mkts Fund LP	Private Inv Advisor	2,500,000	2,496,557	2,503,443	-	842,466
Blackstone Capital Partners III LP	Private Inv Advisor	299,279	287,977	88,541	246,196	298,977
Carlyle Asia Partners LP	Private Inv Advisor	500,000	898,690	1,500,000	-	-
Carlyle European Partners LP	Private Inv Advisor	1,330,240	1,435,628	1,674,004	2,971,945	-
Compass European Partners LP	Private Inv Advisor	2,132,547	1,816,411	727,363	-	2,330,324
Conning Insurance Capital Fund V LP	Private Inv Advisor	-	-	250,000	-	652,174
Cresendo World Fund LLC	Private Inv Advisor	-	400,000	400,000	-	1,401,650
Crossroads Constitution Fund LP	Private Inv Advisor	-	-	1,361,250	2,722,500	2,722,500
CT Greene Ventures LP	Private Inv Advisor	375,000	375,000	375,000	-	387,500
DLJ Merchant Banking Fund II LP	Private Inv Advisor	502,725	850,758	1,089,908	1,125,000	1,125,000
Forstmann Little & Company	Private Inv Advisor	753,337	2,650,000	2,416,667	1,950,000	325,000
Garmark Partners LP	Private Inv Advisor	957,708	726,059	1,020,360	-	1,125,000
Gilbert Global Equity Partners LP	Private Inv Advisor	2,250,000	2,250,000	2,250,000	-	1,125,000
Goldman Sachs Private Equity Fund LP	Private Inv Advisor	995,037	1,000,000	696,531	-	841,096
Green Equity III LP	Private Inv Advisor	122,619	84,989	329,907	-	-
Greenwich Street Capital Partners II LP	Private Inv Advisor	381,069	784,121	371,517	875,000	-
Hicks Muse Tate & Furst Equity Fund III LP	Private Inv Advisor	-	-	469,788	-	1,054,154
Kelso Investment Associates VI LP	Private Inv Advisor	626,046	576,523	594,158	-	-
Keystone Ventures V LP	Private Inv Advisor	-	-	402,725	-	-
KKR 1996 Fund LP	Private Inv Advisor	411,808	427,373	401,764	491,108	976,498
Lexington Capital Partners II LP	Private Inv Advisor	-	-	57,060	-	104,547
Pioneer Venture Associates LP	Private Inv Advisor	162,954	148,115	603,281	-	362,981
SCP Private Equity Fund LP	Private Inv Advisor	671,456	1,063,009	718,750	-	359,375
Shawmut Capital Partners LP	Private Inv Advisor	984,375	1,312,500	1,312,500	-	1,312,500
SW Pelham Fund LP	Private Inv Advisor	750,000	750,000	562,500	-	-
Thayer Equity Investors IV LP	Private Inv Advisor	833,101	805,946	835,341	-	-
THL Equity Fund IV LP	Private Inv Advisor	-	-	384,897	554,041	920,375
Triumph Connecticut LP	Private Inv Advisor	380,931	253,238	101,476	-	545,525
Triumph Partners III LP	Private Inv Advisor	1,712,341	2,829,409	2,681,301	-	2,626,727
Veritas Capital Fund LP	Private Inv Advisor	612,500	1,362,162	2,190,279	-	1,500,000
Wellspring Capital Partners II LP	Private Inv Advisor	1,000,000	1,000,000	1,000,000	-	421,918
Woodside Capital Management LLC	Private Inv Advisor	6,219	291,767	-	-	-
Total Private Investment Advisor Compensation		\$21,251,292	\$26,876,232	\$29,370,311	\$10,935,790	\$23,361,287
TOTAL COMPENSATION TO INVESTMENT ADVISORS		\$75,922,193	\$70,297,536	\$69,925,144	\$45,859,113	\$63,222,294
CUSTODY SERVICES						
State Street Bank & Trust	Custody of Assets	1,726,588	950,955	1,365,200	1,322,500	1,514,727
TOTAL CUSTODY SERVICES COMPENSATION		\$1,726,588	\$950,955	\$1,365,200	\$1,322,500	\$1,514,727

(1) Expenses are presented on a cash basis.

(2) Alternative Investment Management fees for the Private Investment Fund and the Real Estate Fund include capitalized fees and expensed fees. Capitalized fees are part of the cost of the investment and become a component of unrealized gain(loss). Capitalized fees are disclosed in Note 1 of the Combined Investment Funds Financial Statements. Expensed fees which are not part of the cost of the investment are recorded in the Statement of Operations.

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

**SCHEDULE OF BROKERAGE COMMISSIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

Broker Name	\$ Commission	Shares/ Par Value	Avg Comm	Broker Name	\$ Commission	Shares/ Par Value	Avg Comm
ABEL NOSER CORPORATION	2,960.00	59,200.00	0.050	CHASE MANHATTAN BANK	3,132.16	40,800.00	0.077
ABG	2,941.66	89,500.00	0.033	CHINA SECURITIES CO LTD	3,321.54	2,973,374.00	0.001
ABG SECURITIES	14,478.14	844,523.00	0.017	CIBC WOODGUNDY	3,150.00	52,500.00	0.060
ABG SECURITIES AS (STOCKHOLM)	2,340.92	85,500.00	0.027	CIBC WORLD MARKETS CORP	37,987.31	1,194,316.00	0.032
ABN AMRO	9,919.87	4,586,124.00	0.002	COBURN & MEREDITH, INC.(CLR.THRU 443)	7,151.25	143,025.00	0.050
ABN AMRO EQUITIES (UK) LTD	24,915.67	3,071,964.00	0.008	COLLINS STEWART	10,397.12	775,954.00	0.013
ABN AMRO EQUITIES (UK) LTD LONDON	767.04	380,885.00	0.002	COLLINS STEWART + CO	3,415.47	196,227.00	0.017
ABN AMRO INCORPORATED	985.00	20,100.00	0.049	COMMERCE CAPITAL (CLS THRU 443)	60.00	2,000.00	0.030
ABN AMRO SECURITIES (USA) INC	4,932.94	1,379,000.00	0.004	COMMERZ BANK (COBA)	10,575.01	90,000.00	0.118
ABN AMRO SECURITIES LLC	79,976.60	2,070,400.00	0.039	COMMERZBANK	3,386.06	188,300.00	0.018
ACCIONES Y VALORES DE MEXICO	1,752.97	249,300.00	0.007	COMMERZBANK AG	25,248.25	1,880,335.00	0.013
ACF INTERNATIONAL	2,486.32	38,500.00	0.065	COMMERZBANK AG LONDON	357.70	67,000.00	0.005
ADAMS HARKNESS + HILL,INC	3,135.20	117,705.00	0.027	COMMERZBANK CAPITAL MARKETS	604.69	121,530.00	0.005
ADVEST INC	932.50	18,650.00	0.050	COMMERZBANK CAPITAL MARKETS CORPORATION	2,231.92	21,600.00	0.103
AHORRO CORPORATION FINANCIERA S.A. A.V.B	4,923.85	89,070.00	0.055	CORRESPONDENT SERVICES, INC	5,643.00	188,100.00	0.030
AKROS SECURITIES INC	7,908.83	589,732.00	0.013	CREDIT AGRICOLE INDOSUEZ	5,882.48	36,270.00	0.162
ALLEN & COMPANY INCORPORATED	927.00	30,900.00	0.030	CREDIT AGRICOLE INDOSUEZ CHEUVREUX	14,980.28	298,212.00	0.050
ALPHA BROKERAGE AE	3,706.99	52,198.00	0.071	CREDIT AGRICOLE INDOSUEZ SECURITIES INC	1,175.00	23,500.00	0.050
ARCHIPELAGO BCC CAPITAL CLEAR	20,957.18	1,129,209.00	0.019	CREDIT ANSTALT	779.79	9,222.00	0.085
ARNHOLD S BLEICHOEDER INC	1,262.06	19,200.00	0.066	CREDIT LYONNAIS SECS	757.43	384,700.00	0.002
AUERBACH GRAYSON	4,908.11	23,703.00	0.207	CREDIT LYONNAIS	35,010.00	9,862,426.00	0.004
AUTRANET,INC.	47,476.55	979,971.00	0.048	CREDIT LYONNAIS - ACTIF	7,148.22	614,378.00	0.012
BAIRD, ROBERT W., & COMPANY INCORPORATED	7,567.00	788,311.00	0.010	CREDIT LYONNAIS SECS	13,308.67	1,179,677.00	0.011
BANC AMERICA SECURITY LLC MONTGOMERY DIV	154,895.20	5,238,384.00	0.030	CREDIT LYONNAIS SECS USA INC	931.43	7,513.00	0.124
BANCA AKROS SPA	104.96	5,366,000.00	0.000	CREDIT LYONNAIS SECURITIES	1,342.11	755,000.00	0.002
BANCA ANTONIANA-POPOLARE VENET	274.83	19,428,000.00	0.000	CREDIT LYONNAIS SECURITIES (USA) INC	3,572.27	11,630.00	0.307
BANCO BILBAO VIZCAYA	4,949.92	245,753.00	0.020	CREDIT SUISSE FIRST BOSTON	21,587.57	190,355,815.00	0.000
BANCO ICATU	1,076.81	34,629,000.00	0.000	CREDIT SUISSE FIRST BOSTON CORPORATION	475,797.94	47,124,994.00	0.010
BANCO ICATU S.A.	5,886.87	167,386,341.00	0.000	CREDIT SUISSE FIRST BOSTON EQUITIES (EUR	1,958.56	1,088,932.00	0.002
BANCO NACIONAL DE MEXICO S.A.	40.77	7,560.00	0.005	CREDIT SUISSE FIRST BOSTON LONDON	71,932.86	4,076,459.00	0.018
BANCO PACTUAL S.A.	1,888.50	67,781,000.00	0.000	CREDIT SUISSE LONDON	42.52	150,000.00	0.000
BANCO SANTANDER CENTRAL HISPANO	1,142.20	103,393.00	0.011	CREDIT USA	4,195.00	83,900.00	0.050
BANK AM BELLEVUE	298.70	1,400.00	0.213	CROSBY SECURITIES INC	691.98	248,480.00	0.003
BANK JULIUS BAER AND CO.LTD.	320.53	9,600.00	0.033	CROSBY SECURITIES LIMITED (HONG KONG)	110.15	1,600.00	0.069
BANK NT DE PARIS	247.91	41,100.00	0.006	CS FIRST BOSTON	2,342.23	115,000.00	0.020
BANK OF AMERICA, N.A. LONDON	37,194.84	1,740,166.00	0.021	CS FIRST BOSTON (HONG KONG) LIMITED	36,583.66	10,058,915.00	0.004
BANK OF NEW YORK	1,187.50	23,750.00	0.050	CSFB	1,107.64	17,000.00	0.065
BANK OF TOKYO MITSUBISHI (REPO)	2,317.01	227,000.00	0.010	DAIN RAUSCHER INC	15,985.00	761,400.00	0.021
BANK OF TOKYO MITSUBISHI LTD, TOKYO	305.28	75,000.00	0.004	DAIWA	3,035.19	576,100.00	0.005
BANKERS TRUST COMPANY	3,088.00	63,440.00	0.049	DAIWA SECS SB CAPITAL MARKETS (ASIA) LTD	175.16	40,000.00	0.004
BANQUE NATIONAL DE PARIS	831.51	276,000.00	0.003	DAIWA SECURITIES	9,258.50	659,739.00	0.014
BARNARD JACOBS MELLET (USA) LLC	250.58	14,400.00	0.017	DAIWA SECURITIES AMERICA INC	2,219.75	101,500.00	0.022
BARNARD JACOBS MELLET EDIN	5,166.03	358,100.00	0.014	DAIWA SECURITIES CO LTD	1,852.55	92,290.00	0.020
BARNARD JACOBS MELLET AND CO (PTY)	1,194.27	152,300.00	0.008	DAVIDSON D.A. + COMPANY INC.	1,325.00	65,000.00	0.020
BAYERISCHE HYPO- UND VEREINSBANK MUNICH	4,941.28	57,625.00	0.086	DAVY STOCKBROKERS	727.50	205,800.00	0.004
BBV SECS INCORP NY	1,436.32	23,200.00	0.062	DB CLEARING SERVICES	1,865.00	37,300.00	0.050
BEAL M R + COMPANY	9,108.00	303,600.00	0.030	DB MORGANGRENFELL S.V. MADRID	223.66	16,000.00	0.014
BEAR STEARNS + CO INC	96,410.42	2,678,397.00	0.036	DBS SECURITIES (PHILS) INC	259.81	19,000.00	0.014
BEAR STEARNS ASIA LTD	2,941.90	1,546,000.00	0.002	DBS SECURITIES (S) PTE LTD.	1,783.78	666,000.00	0.003
BEAR STEARNS CO	603.56	44,000.00	0.014	DEUTSCHE ALEX BROWN LONDON	5,260.84	229,900.00	0.023
BEAR STEARNS SECURITIES CORP	55,176.25	194,696,333.00	0.000	DEUTSCHE ASIA AND PARTNERS SECURITIES	23,551.96	10,306,280.00	0.002
BENDER MENKUL DEGERLER A.S.	3,211.64	228,888,000.00	0.000	DEUTSCHE BANC ALEX BROWN	2,288.89	117,000.00	0.020
BEREAN CAPITAL, INC. 2	12,579.30	251,586.00	0.050	DEUTSCHE BANC ALEX. BROWN INC.	84,190.02	4,136,431.00	0.020
BLACK & COMPANY	5,755.15	115,103.00	0.050	DEUTSCHE BANC ALEX. BROWN INSTIT FIX INC	3,904.24	2,367,035.00	0.002
BLAYLOCK PARTNERS	6,381.00	212,700.00	0.030	DEUTSCHE BANK	4,920.79	237,961.00	0.021
BMO NESBITT BURNS CORP	2,959.35	59,187.00	0.050	DEUTSCHE BANK A.G.	560.56	118,000.00	0.005
BNP PARIBAS	2,727.37	697,800.00	0.004	DEUTSCHE BANK AG	421.11	42,050.00	0.010
BNP PARIBAS SA	1,272.26	73,000.00	0.017	DEUTSCHE BANK AG LONDON	32,963.67	2,733,632.00	0.012
BNP PRIMEPEREGRINE	7,016.37	11,075,000.00	0.001	DEUTSCHE BANK ASIA SECS LTD	25.07	34,000.00	0.001
BNY CLEARING SERVICES LLC	1,155.00	23,100.00	0.050	DEUTSCHE BANK SECURITIES	32,186.93	3,722,591.00	0.009
BNY CLEARING SERVICES LLC (BNY)	706.59	14,070.00	0.050	DEUTSCHE BANK SECURITIES CORP	10.75	15,600.00	0.001
BNY/ABN AMRO (UK) LTD	940.00	55,400.00	0.017	DEUTSCHE BANK SECURITIES INC	72,673.94	4,750,591.00	0.015
BNYESI TRANSITION MANAGEMENT	21,771.50	444,350.00	0.049	DEUTSCHE BANK SECURITIES LTD JAPAN	51.21	67,600.00	0.001
BOSTON INSTITUTIONAL SERVICES	217.50	4,350.00	0.050	DEUTSCHE BANK TRUST COMPANY AMERICAS	2,388.58	57,720.00	0.041
BRIDGE TRADING	58,836.60	1,366,278.00	0.043	DEUTSCHE MORGAN GRENFFELL	295.70	39,239.00	0.008
BROADCORTCAPITAL (THRU ML)	1,790.00	35,800.00	0.050	DEUTSCHE MORGAN GRENFFELL GLOBAL CUSTODY	1,265.00	37,100.00	0.034
BROWN BROTHERS HARRIMAN & CO	2,788.00	55,800.00	0.050	DEUTSCHE MORGAN GRENFFELL SECS	96.71	143,000.00	0.001
B-TRADE SERVICES LLC	70,103.27	3,794,435.00	0.018	DEUTSCHE SECURITIES ASIA LIMITED	2,927.85	342,650.00	0.009
BUCKINGHAM RESEARCH GROUP	6,601.00	169,300.00	0.039	DEUTSCHE SECURITIES ASIA LTD	1,997.12	363,200.00	0.005
C. L. GLAZER & COMPANY, INC.	10,781.90	215,638.00	0.050	DIVIDEND REINVEST	1,817.22	181,182.00	0.010
CA-IB SECURITIES INC.	1,207.94	26,248.00	0.046	DONALDSON, LUFKIN + JENRETTE SECS	7,460.00	280,991.00	0.027
CAIS INC CHEUVREUX DIV NY	2,362.04	57,600.00	0.041	DOWLING & PARTNERS SECURITIES, LLC.	27,706.95	595,019.00	0.047
CANTOR FITZGERALD + CO.	133,984.81	4,336,750.00	0.031	DRESDNER BANK - KLEINWORT BENSON	3,428.35	47,476.00	0.072
CAPITAL INSTITUTIONAL SERVICES	45,846.65	916,933.00	0.050	DRESDNER KLEINWORT BENSON	10,832.60	225,489.00	0.048
CAPITAL SECURITIES CORP OF TEXAS	19.52	976.00	0.020	DRESDNER KLEINWORT BENSON ASIA LTD	1,102.75	1,982,260.00	0.001
CARNAGIE FOND KOMMISSION	5,521.47	254,900.00	0.022	DRESDNER KLEINWORT BENSON N A LLC	1,592.89	99,900.00	0.016
CARNAGIE FOND KOMMISSION	174.65	8,500.00	0.021	DRESDNER KLEINWORT BENSON NORTH AMERICA	5,916.98	77,400.00	0.076
CAZENOVE	4,943.46	717,224.00	0.007	DRESDNER KLEINWORT BENSON SECS	1,533.46	46,800.00	0.033
CAZENOVE + CO	36,253.48	3,445,175.00	0.011	DRESDNER KLEINWORT BENSONS	34,314.41	722,078.00	0.048
CAZENOVE + CO LTD	750.53	103,500.00	0.007	DRESDNER KLEINWORT WASSERSTEIN	3,087.04	21,500.00	0.144
CAZENOVE + CO.	2,439.34	488,361.00	0.005	DRESDNER KLEINWORTH WASSERSTEIN SEC LLC	38,888.50	969,500.00	0.040
CAZENOVE AND COMPANY (OVERSEAS) LTD	1,745.43	128,000.00	0.014	EDWARDS AG SONS INC	11,249.20	314,050.00	0.036
CAZENOVE ASIA LIMITED	396.90	396,000.00	0.001	EGYPTIAN FINANCIAL GROUP	4,279.16	57,628.00	0.074
CAZENOVE INCORPORATED	4,119.92	440,776.00	0.009	ENGLIMANSECURITIES	3,280.00	65,600.00	0.050
CDC LABOUCHERE SECURITIES SERVICES	10,922.85	257,100.00	0.042	ENSKILDA SECS	3,805.82	101,500.00	0.037
CHARLES SCHWAB CO INC	19,256.51	783,841.00	0.025	ENSKILDA SECURITIES	9,878.59	245,300.00	0.040

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

**SCHEDULE OF BROKERAGE COMMISSIONS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

Broker Name	\$ Commission	Shares/ Par Value	Avg Comm	Broker Name	\$ Commission	Shares/ Par Value	Avg Comm
ENSKILDA SECURITIES AB	17,666.24	509,880.00	0.035	INVESTEC SECS	138.03	9,119.00	0.015
EUROMOBILIARE SIM S.P.A.	784.91	73,800.00	0.011	INVESTEC SECURITIES LTD	1,805.32	97,800.00	0.018
EXANE GENEVE	365.09	3,900.00	0.094	INVESTMENT TECHNOLOGY GROUP INC.	884,969.20	47,836,908.00	0.018
EXANE INC	4,973.97	50,656.00	0.098	INVESTMENT TECHNOLOGY GROUP LTD	55.35	17,100.00	0.003
EXANE S.A.	20,180.76	241,680.00	0.084	ISI GROUPINC	35,748.00	1,047,700.00	0.034
EXECUTIONSERVICES INC	192.65	36,900.00	0.005	ISLAND EXECUTION SERVICES LLC	304.01	30,401.00	0.010
FACTSET DATA SYSTEMS (THRU BEAR STEARNS)	21,471.15	429,423.00	0.050	ITG INC	41.08	9,185.00	0.004
FACTSET DATA SYSTIMES INC	61,599.75	1,231,995.00	0.050	J B WERE AND SON	9,248.30	1,315,452.00	0.007
FAHNESTOCK & COMPANY, INC.	965.00	19,300.00	0.050	J B WERE AND SON INC.	3,252.75	584,700.00	0.006
FERRIS BAKER WAITS INC	4,935.33	113,711.00	0.043	J P MORGAN SECURITIES INC	137,759.00	13,295,128.00	0.010
FIDELITY CAPITAL MARKETS	52,722.19	1,248,055.00	0.042	JACKSON PARTNERS + ASSOCIATES INC	7,120.00	248,500.00	0.029
FIRST ALBANY CORP.	9,148.64	320,119.00	0.029	JACKSON SECURITIES	13,058.35	261,167.00	0.050
FIRST ANALYSIS SECURITIES CORP	6,269.00	153,100.00	0.041	JANNEY MONTGOMERY, SCOTT INC	3,947.50	78,950.00	0.050
FIRST OPTIONS OF CHICAGO	4,143.00	138,100.00	0.030	JARDINE FLEMING HONG KONG	1,005.43	2,131,000.00	0.000
FIRST TENNESSEE SECURITIES CORP	20,040.00	466,000.00	0.043	JARDINE FLEMING INTL SEC LTD	3,814.87	1,285,000.00	0.003
FIRST UNION CAPITAL MARKETS	32,746.55	1,101,843.00	0.030	JARDINE FLEMING SECURITIES LIMITED	13,656.94	6,084,692.00	0.002
FISERV SECURITIES INC	355.00	7,100.00	0.050	JARDINE FLEMING SECURITIES LTD	3,237.62	4,043,600.00	0.001
FLEETBOSTON ROBERTSON STEPHENS	34,677.20	988,010.00	0.035	JB WERE AND SON (NZ) LTD	7,400.42	1,308,000.00	0.006
FOX PITT KELTON INC	17,659.65	396,600.00	0.045	JB WERE LIMITED	4,195.92	140,200.00	0.030
FOX-PITT KELTON LTD	49,579.82	1,573,200.00	0.032	JEFFERIESCOMPANY INC	123,171.99	4,013,783.00	0.031
FRANK RUSSELL	10,120.00	202,400.00	0.050	JOHNSON RICE + CO	10,822.00	284,000.00	0.038
FROST SECURITIES	2,500.00	50,000.00	0.050	JONES + ASSOCIATES	59,580.80	1,562,053.00	0.038
FULCRUM GLOBAL PARTNERS LLC	9,119.60	174,310.00	0.052	JP MORGAN	8,203.31	1,030,220.00	0.008
GARANTIA	2,611.29	82,900,000.00	0.000	JP MORGAN(REPO)	1,163.02	129,000.00	0.009
GARANTIA DTMV S/A	807.48	22,900,000.00	0.000	JP MORGANSECURITIES INC	1,284.03	187,000.00	0.007
GARDNER RICH + CO	16,634.00	436,000.00	0.038	JP MORGANSECURITIES INC.	1,446.30	13,800.00	0.105
GARNATIA	182.89	6,057,000.00	0.000	JP MORGANSECURITIES LIMITED	60,076.73	2,546,480.00	0.024
GERARD KLAUER MATTISON + CO	10,160.20	506,500.00	0.020	JPMORGAN CHASE BANK CHEMICAL CP IPA	4,621.90	116,970,900.00	0.000
GLAZER C.L. + COMPANY	27,148.00	542,960.00	0.050	JPMORGAN SECURITIES(ASIA PACIFIC)LTD	9,534.58	1,781,300.00	0.005
GLOBAL SECURITIES INC. (ISTANBUL)	11,463.57	941,721,416.00	0.000	JPP EURO SEC	1,736.35	27,885.00	0.062
GOLDMAN SACHS	5,767.22	522,280.00	0.011	JPP EURO SECURITIES	3,591.38	35,872.00	0.100
GOLDMAN SACHS (ASIA) L.L.C.	569.50	467,000.00	0.001	JULIUS BAER FRANCE	5,218.17	17,700.00	0.295
GOLDMAN SACHS (SINGAPORE) PTE	1,444.65	2,013,000.00	0.001	JULIUS BAER ITALIA	3,385.51	146,100.00	0.023
GOLDMAN SACHS + CO	322,406.80	441,446,323.00	0.001	JULIUS BAER SECURITIES	22,703.28	390,801.00	0.058
GOLDMAN SACHS AND COMPANY	4,817.10	1,338,730.00	0.004	JULIUS BAER/BANK JULIUS BAER	2,878.06	61,470.00	0.047
GOLDMAN SACHS INTERNATIONAL	389.79	67,000.00	0.006	KBC SECURITY	902.57	7,000.00	0.129
GOLDMAN SACHS INTERNATIONAL LONDON	69,461.25	2,431,486.00	0.029	KEEFE BRUYETTE + WOODS INC	9,659.00	538,668.00	0.018
GOLDMAN SACHS INTL LTD	6,899.73	157,700.00	0.044	KING, CL. & ASSOCIATES, INC	75,965.20	1,821,824.00	0.042
GOLDMAN SACHS(ASIA)L.L.C.	955.68	252,000.00	0.004	KLEINWORTBENSON SECS	470.90	17,000.00	0.028
GOODBODY STOCKBROKERS	2,543.29	85,621.00	0.030	KLEINWORTBENSON SECURITIES LIMITED	43,860.97	7,072,489.00	0.006
GORDON HASKETT	159.00	5,300.00	0.030	KNIGHT SECURITIES	19,231.03	1,445,414.00	0.013
GREEN STREET ADVISORS INCORPORATED	162.00	5,400.00	0.030	KV EXECUTION SERVICES LLC	1,458.00	48,600.00	0.030
GRISWOLD SECURITIES	96.82	17,000.00	0.006	LA BRANCHE FINANCIAL SERVICES INC	8,985.00	299,500.00	0.030
GRUNTAL & CO., L.L.C.	48.00	1,600.00	0.030	LATINVEST	218.99	2,700.00	0.081
GUZMAN + CO	7,066.00	221,400.00	0.032	LATINVESTSECURITIES	248.37	4,537,000.00	0.000
HANDELSBANKEN MARKETS	7,916.93	121,800.00	0.065	LATINVESTSECURITIES INC	28.48	530,000.00	0.000
HC ISTANBUL MENKUL DEGERL	4,489.86	354,173,615.00	0.000	LAZARD FRERES & CO.	27,918.81	828,257.00	0.034
HEFLIN + CO., LLC	119,610.20	2,456,204.00	0.049	LEERINK SWANN & CO	150.00	5,000.00	0.030
HENDERSONCROSTHWAIT	785.97	61,400.00	0.013	LEGG MASON WOOD WALKER INC	40,505.50	1,023,050.00	0.040
HENDERSONCROSTHWAIT LIMITED	519.56	38,300.00	0.014	LEHMAN BROTHERS INC	46,301.97	291,539,963.00	0.000
HERZOG HEINZ GEDULD (EQUITY)	479.96	624,163.00	0.001	LEHMAN BROTHERS	371.13	228,300.00	0.002
HIBERNIA SOUTHCOAST CAPITAL INC	250.00	5,000.00	0.050	LEHMAN BROTHERS ASIA LTD	1,082.36	424,000.00	0.003
HOARE GOVETT SECURITIES LIMITED	1,475.67	178,604.00	0.008	LEHMAN BROTHERS BANKHAUS AG	954.27	3,300.00	0.289
HOARE GOVETT SECURITIES LTD	20,950.71	9,162,478.00	0.002	LEHMAN BROTHERS INC	323,768.94	13,614,130.00	0.024
HOENIG (FAR EAST) LIMITED	11,373.50	2,790,500.00	0.004	LEHMAN BROTHERS INTERNATIONAL (EUROPE)	92,402.34	4,135,695.00	0.022
HOENIG + COMPANY INC	2,665.00	65,500.00	0.041	LG SECURITIES CO	2,682.89	11,082.00	0.242
HOWARD WEIL DIVISION LEGG MASON	12,405.00	248,100.00	0.050	LG SECURITIES CO LTD	115.46	1,148.00	0.101
HSBC	4,142.24	435,543.00	0.010	LG SECURITIES HONG KONG	388.83	7,480.00	0.052
HSBC INVESTMENT BANK PLC	49,599.32	77,176,054.00	0.001	LIQUIDNETINC	25,169.16	847,172.00	0.030
HSBC JAMES CAPEL LIMITED	649.63	3,680.00	0.177	LOOP CAPITAL MARKETS INC	8,652.80	173,056.00	0.050
HSBC SECURITIES	116.42	60,000.00	0.002	LYNCH JONES AND RYAN INC	21,125.00	422,500.00	0.050
HSBC SECURITIES (SINGAPORE) PTE LTD	22,347.77	3,634,302.00	0.006	MACQUARI EQUITIES (USA) INC	7,564.18	937,885.00	0.008
HSBC SECURITIES INC	21,169.60	774,922.00	0.027	MACQUARIEEQUITIES ASIA LTD	96.64	15,000.00	0.006
HSBC SECURITIES INC	260.04	9,800.00	0.027	MACQUARIEEQUITIES LIMITED (SYDNEY)	1,086.05	130,002.00	0.008
HSBC SECURITIES(ASIA)LIMITED	2,745.93	130,150.00	0.021	MCDONALDAND COMPANY SECURITIES, INC.	1,440.00	51,000.00	0.028
HUNTLEIGHSECURITIES CORPORATION	81.00	2,700.00	0.030	MCMAHAN SECURITIES CO, LP	108.00	3,600.00	0.030
INDOSUEZ WI CARR SEC	382.08	339,400.00	0.001	MEESPIERSON NV AMSTERDAM NETHERLANDS	1,615.30	18,700.00	0.086
INDOSUEZ WI CARR SECS	3,175.05	1,700,000.00	0.002	MERITZ SECURITIES CO LTD	679.61	12,930.00	0.053
INDOSUEZ WI CARR SECURITIES LIMITED	6,158.44	7,033,600.00	0.001	MERRILL LYNCH	17,392.98	1,041,002.00	0.017
INDUSTRIAL BANK OF JAPAN	507.85	10,000.00	0.051	MERRILL LYNCH + CO INC	859.22	280,600.00	0.003
ING BARING FURMAN SELZ LLC	1,438.67	114,000.00	0.013	MERRILL LYNCH FAR EAST LTD	41,685.72	8,577,007.00	0.005
ING BARING SECS HONG KONG LTD	439.89	24,000.00	0.018	MERRILL LYNCH INTERNATIONAL	63,085.68	404,325,246.00	0.000
ING BARING SECURITIES	38,456.52	155,682,052.00	0.000	MERRILL LYNCH INTERNATIONAL BK LTD	1,859.85	121,400.00	0.015
ING BARING SECURITIES (SINGAPORE)	15,969.31	9,171,980.00	0.002	MERRILL LYNCH PIERCE FENNER + SMITH	321,626.85	16,391,515.00	0.020
ING BARING SECURITIES LTD	3,718.05	71,000.00	0.052	MERRILL LYNCH PROFESSIONAL CLEARING CORP	2,421.00	72,900.00	0.033
ING BARINGS SEC LTD	13,484.61	580,477.00	0.023	MERRION	415.73	118,000.00	0.004
INGSINGER DE BEAUFORT	610.11	13,900.00	0.044	MERRION CAPITAL GROUP	48.73	11,918.00	0.004
INSTINET	217,587.91	12,628,028.00	0.017	METZLER SECURITIES	3,820.62	38,300.00	0.100
INSTINET INVESTMENT SERVICES LIMITED	45,292.88	2,524,928.00	0.018	MIZUHO SEC	1,404.45	35,400.00	0.040
INSTINET PACIFIC LIMITED	13,198.04	5,736,700.00	0.002	MIZUHO SEC ASIA LTD	311.80	7,600.00	0.041
INSTINET U.K. LTD	1,240.24	344,743.00	0.004	MORGAN (J.P.) SECURITIES INC., SL	3,647.42	162,890.00	0.022
INSTITUTIONAL SERVICES UNLIMITED	1,727.80	34,556.00	0.050	MORGAN GRENFELL + CO LTD LONDON	423.07	2,600.00	0.163
INTERMONTE SEC SIM SPA	9,322.49	664,985.00	0.014	MORGAN GRENFELL AND CO LIMITED	1,610.08	9,700.00	0.166
INVESTEC BANK LTD	55.10	2,600.00	0.021	MORGAN GRENFELL AND CO LIMITED	66,905.58	455,079,716.00	0.000
INVESTEC EQUITIES JOHANNESBURG	1,755.02	195,370.00	0.009	MORGAN GRENFELL AND CO LIMITED (SWEDEN)	121.49	2,200.00	0.055
INVESTEC ERNST & COMPANY	515.00	142,200.00	0.004	MORGAN GRENFELL AND CO. LIMITED	2,450.13	101,500.00	0.024

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

SCHEDULE OF BROKERAGE COMMISSIONS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

Broker Name	\$ Commission	Shares/ Par Value	Avg Comm	Broker Name	\$ Commission	Shares/ Par Value	Avg Comm
MORGAN GRENFELL INV FUND MANAGERS	414.56	363,500.00	0.001	SG SECURITIES (LONDON) LTD.	84.34	22,000.00	0.004
MORGAN GRENFELL NEW YORK	445.03	1,222,927.00	0.000	SG SECURITIES (LONDON)LTD	4,709.15	706,740.00	0.007
MORGAN GUARANTY TRUST COMPANY NEW YORK	4,210.86	213,893,700.00	0.000	SG SECURITIES (SINGAPORE) PTE LTD	1,369.60	962,200.00	0.001
MORGAN KEEGAN & CO INC	5,165.00	179,300.00	0.029	SG SECURITIES SINGAPORE PTE LTD	1,516.51	499,920.00	0.003
MORGAN STANLEY	11,592.69	1,160,800.00	0.010	SILVIS BARNARD JACOS	5,037.41	614,460.00	0.008
MORGAN STANLEY CO INCORPORATED	16,160.15	594,815.00	0.027	SIMMONS +COMPANY INTERNATIONAL	14,271.00	322,200.00	0.044
MORGAN STANLEY AND CO. INTERNATIONAL	1,188.85	25,910.00	0.046	SK INTERNATIONAL SECURITIES	6,190.00	123,800.00	0.050
MORGAN STANLEY CO INCORPORATED	417,791.97	18,889,780.00	0.022	SKANDINAVISKA ENSKILDA BANKEN LONDON	2,012.02	59,200.00	0.034
MORGAN STANLEY DEAN WITTER	7,821.32	248,900.00	0.031	SOCGEN CROSBY SECS	132.77	3,150.00	0.042
MORGAN STANLEY SECURITIES LIMITED	1,306.62	64,546.00	0.020	SOCIETE GENERALE	2,554.95	103,600.00	0.025
NATIONAL FINANCIAL SERVICES CORP.	45.00	2,700.00	0.017	SOCIETE GENERALE (REPO)	117.22	4,470.00	0.026
NATIONAL SECURITIES CORP	960.38	493,000.00	0.002	SOCIETE GENERALE S.A. MILAN	954.57	76,600.00	0.012
NCB STOCKBROKERS	1,542.14	416,354.00	0.004	SOCIETE GENERALE SEOUL	2,807.61	121,000.00	0.023
NCB STOCKBROKERS LTD	377.59	105,000.00	0.004	SOUTHCOAST CAPITAL L.L.C.	716.00	17,900.00	0.040
NEEDHAM +COMPANY	21,896.27	636,699.00	0.034	SOUTHWESTSECURITIES	336.00	35,700.00	0.009
NESBIT BURNS EMM	2,801.46	73,400.00	0.038	SPEAR, LEEDS & KELLOGG	45,269.35	1,349,445.00	0.034
NESBITT BURNS	24,771.78	933,800.00	0.027	SPEAR, LEEDS & KELLOGG CAPITAL MARKETS	44,303.26	2,434,966.00	0.018
NESBITT BURNS SECURITIES INC	1,069.30	33,900.00	0.032	SPROTT SECURITIES LIMITED	1,200.00	20,000.00	0.060
NEUBERGERAND BERMAN	30,360.36	813,209.00	0.037	SSANGYONGINVESTMENT AND SECURITIES	3,043.36	66,750.00	0.046
NEUE ZURCHER BANK	623.22	600.00	1.039	STANDARD + POORS SECURITIES INC	45,284.95	932,959.00	0.049
NOMURA BANK	371.07	158,000.00	0.002	STANDARD NEW YORK	580.08	300,000.00	0.002
NOMURA INTERNATIONAL (HONG KONG) LTD	21,765.20	5,188,200.00	0.004	STATE STREET BROKERAGE SERVICES	278,029.68	16,210,117.00	0.017
NOMURA INTERNATIONAL PLC	251.87	32,000.00	0.008	SUN	2,527.29	79,971.00	0.032
NOMURA SECURITIES INTERNATIONAL INC	15,568.09	490,996.00	0.032	SUNTRUST BANK/STES IPA	50.71	2,300.00	0.022
NORDEA	35,399.00	1,259,500.00	0.028	SUNTRUST CAPITAL MARKETS INC	7,727.00	317,700.00	0.024
NORDEA BANK DENMARK A/S	4,317.78	60,700.00	0.071	SUTRO ANDCOMPANY INC.	4,729.00	151,300.00	0.031
NORDEA BANK SA LUXEMBOURG	810.60	44,320.00	0.018	SWISS BANK CORPORATION	506.99	129,700.00	0.004
NORDEA SECURITIES COPENHAGEN	8,639.62	253,700.00	0.034	THOMAS WEISEL PARTNERS	60,680.45	2,552,861.00	0.024
NORDEA SECURITIES LTD LDN	4,049.83	138,615.00	0.029	THOMASON INSTITUTIONAL SERVICES, INC	650.00	13,000.00	0.050
NORDIC PARTNERS	4,816.30	182,350.00	0.026	TIR SECURITIES LTD HONG KONG	6,432.20	3,003,330.00	0.002
NORDIC PARTNERS INC NY, NY	6,822.93	198,800.00	0.034	TOKYO - MITSUBISHI	1,115.79	17,000.00	0.066
NOREDEA SEC	3,290.51	109,800.00	0.030	TOKYO MITSUBISHI INTERNATIONAL PLC	479.37	55,000.00	0.009
NUTMEG SECURITIES	316,782.63	11,120,633.00	0.028	TOKYO MITSUBISHI SECS TOKYO	1,621.66	70,000.00	0.023
O NEIL, WILLIAM AND CO. INC/BCC CLRG	6,785.00	162,600.00	0.042	TOKYO-MITSUBISHI SECURITIES (USA)	879.79	31,400.00	0.028
ODD LOT SALE	20.68	1,910.00	0.011	U S BANCORP PIPER JAFFRAY INC	23,934.60	1,409,050.00	0.017
ORMES CAPITAL MARKETS INC	25,244.90	639,524.00	0.039	U S CLEARING INSTITUTIONAL TRADING	385.00	7,700.00	0.050
OSCAR GRUSS & SON INC	1,050.00	35,000.00	0.030	U.S. CLEARING CORPORATION	5,040.00	168,000.00	0.030
OTA LTD PARTNERSHIP	4,359.00	145,300.00	0.030	UBS (AUSTRALIA) LIMITED (SYDNEY)	299.73	76,600.00	0.004
PACIFIC CREST SECURITIES	300.00	74,300.00	0.004	UBS AG	28,347.76	10,250,610.00	0.003
PACIFIC GROWTH EQUITIES	3,722.00	240,900.00	0.015	UBS AG (FORMERLY SWISS BANK CO) ZURICH	3,850.67	12,910,000.00	0.000
PARETO FONDS	11,435.29	405,100.00	0.028	UBS AG LONDON	96,281.98	169,374,092.00	0.001
PATRIA FINANCE	1,047.57	163,600.00	0.006	UBS PAINWEBBER INC	1,704.00	56,800.00	0.030
PERSHING DIVISION OF DONALDSON LUFKIN	99.00	2,200.00	0.045	UBS WARBURG	13,191.46	1,994,348.00	0.007
PERSHING SECURITIES LIMITED	3,276.26	345,150.00	0.009	UBS WARBURG (HONG KONG) LIMITED	19,645.21	9,697,093.00	0.002
POLYCONOMICS/CIS (THRU BEAR STEARNS)	532.50	10,650.00	0.050	UBS WARBURG LLC	422,129.19	17,612,333.00	0.024
PRUDENTIAL SECURITIES INCORPORATED	62,716.14	2,455,288.00	0.026	USCC/SANTANDER	3,512.00	109,300.00	0.032
PULSE TRADING LLC	1,918.00	95,900.00	0.020	UTENDAHL CAPITAL PARTNERS	7,463.50	259,600.00	0.029
PUTNAM LOVELL SECURITIES INC	1,560.00	52,000.00	0.030	VAN DER MOOLEN SPECIALISTS USA LLC	314.40	10,480.00	0.030
RABO SECURITIES NV	5,733.08	70,813.00	0.081	VONTOBEL SECURITIES	5,045.82	40,000.00	0.126
RAMIREZ +CO INC	2,937.00	98,100.00	0.030	W I CARR	749.60	262,900.00	0.003
RAYMOND JAMES AND ASSOCIATES INC	16,882.40	673,000.00	0.025	W I CARR (FAR EAST) LONDON	287.96	143,280.00	0.002
RBC DAIN RAUSCHER INC	43,467.04	1,224,208.00	0.036	W I CARR (FAR EAST) LTD, HONG KONG	161.64	39,000.00	0.004
RBC DOMINION SECURITIES	762.20	24,000.00	0.032	W R HAMBRECHT + CO LLC	7,013.00	151,900.00	0.046
RBC DOMINION SECURITIES CORPORATION	1,136.88	35,000.00	0.032	W.I. CARR	3,481.83	933,700.00	0.004
ROBERTSONSTEPHENS, INC	7,269.60	445,500.00	0.016	WACHOVIA SECURITIES INS	15,075.00	335,900.00	0.045
ROBERTSONSTEPHENS, INC.	4,245.00	84,900.00	0.050	WARBURG DILLION READ (ASIA) LTD	16,322.05	5,387,826.00	0.003
ROBINSON HUMPHREY	3,060.00	82,200.00	0.037	WARBURG DILLON READ	2,183.94	81,600.00	0.027
ROCHDALE SEC CORP.(CLS THRU 443)	65,027.00	1,459,000.00	0.045	WARBURG FORMERLY S G WARBURG SECS	3,450.14	44,860,100.00	0.000
ROYAL BANK OF CANADA	498.57	15,300.00	0.033	WEDBUSH MORGAN SECURITIES INC	8,050.00	247,600.00	0.033
RUSSELL FRANK SECURITIES INC	1,320.00	26,400.00	0.050	WEEDEN + CO.	84,176.00	2,695,400.00	0.031
RYAN BECK+ CO	2,272.50	50,500.00	0.045	WEEDEN+COLP FBO INSEARCH ASSO	5,235.00	104,700.00	0.050
SALOMAN BROS	1,851.70	132,800.00	0.014	WEISS PECK AND GREER LLC	1,525.00	30,500.00	0.050
SALOMAN BROTHERS INC.	274.18	28,109.00	0.010	WELLS FARGO VAN KASPER LLC	12,420.00	248,400.00	0.050
SALOMON BROS HONG KONG	29,077.00	9,198,182.00	0.003	WEST LB PAMURE LTD	394.30	53,000.00	0.007
SALOMON BROS INC	6,461.40	2,158,756.00	0.003	WEST LB PAMURE SECS INC	1,286.49	272,000.00	0.005
SALOMON BROTHERS	433.12	128,900.00	0.003	WEST LB PANMURE SECS INC	787.86	20,100.00	0.039
SALOMON BROTHERS INC, NY	3,970.32	78,237,030.00	0.000	WI CARR	6,765.68	1,848,230.00	0.004
SALOMON BROTHERS INTERNATIONAL	159,058.71	250,032,817.00	0.001	WILLIAM BLAIR & COMPANY, L.L.C	19,419.00	1,117,150.00	0.017
SALOMON BROTHERS NY	2,193.28	122,900.00	0.018	WILLIAMS CAPITAL GROUP(THE)	63,211.19	1,426,462.00	0.044
SALOMON BROTHERS UK EQUITY LIMITED	120.03	3,000.00	0.040	WIT SOUNDVIEW CORP	32,378.00	790,400.00	0.041
SALOMON SMITH BARNEY	91,714.78	9,797,526.00	0.009	WM SMITH SECURITIES INC	360.00	7,200.00	0.050
SALOMON SMITH BARNEY INC	278,061.23	9,500,619.00	0.029				
SALOMON SMITH BARNEY INC/SALOMON BROS.	132,518.60	10,724,840.00	0.012				
SAMSUNG SECURITIES CO LTD	13,964.66	157,057.00	0.089				
SANDERS MORRIS MUNDY	12,680.00	298,800.00	0.042				
SANDLER ONEILL + PART LP	1,620.00	54,000.00	0.030				
SANFORD CBERNSTEIN CO LLC	56,530.78	1,275,769.00	0.044				
SANTANDERINVESTMENT SECURITIES	108.02	10,900.00	0.010				
SANTANDERINVESTMENT SECURITIES INC	2,229.34	78,300.00	0.028				
SBC WARBURG LONDON	279.92	31,000.00	0.009				
SBS FINANCIAL	2,587.00	113,400.00	0.023				
SCHWAB CHARLES + CO INC	813.00	27,100.00	0.030				
SCOTT & STRINGFELLOW, INC	1,537.10	36,400.00	0.042				
SEOUL SECURITIES CO LTD	678.42	8,900.00	0.076				
SG COWEN SECURITIES CORP	67,561.62	2,868,632.00	0.024				
SG COWEN SECURITIES CORP 2	2,593.57	148,330.00	0.017				
				Total	10,295,125.91		



Statistical
Section



CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

**TOTAL NET ASSET VALUE BY PENSION PLANS AND TRUST FUNDS
JUNE 30, 2002**

<u>Retirement Funds</u>	<u>Net Asset Value</u>
Teachers' Retirement Fund	\$10,107,301,878
State Employees' Retirement Fund	7,090,508,997
Connecticut Municipal Employees' Retirement Fund	1,184,508,259
State Judges' Retirement Fund	125,264,906
The Probate Court Retirement Fund	60,923,940
State's Attorneys Retirement Fund	614,857
<u>Non-retirement Trust Funds</u>	
Soldiers' Sailors' & Marines' Fund	56,372,781
Police & Firemans' Survivors' Benefit Fund	16,801,503
Connecticut Arts Endowment Fund	14,551,408
School Fund	8,260,570
Ida Eaton Cotton Fund	1,853,716
Hopemead Fund	1,686,809
Andrew Clark Fund	872,318
Agricultural College Fund	545,046
Tobacco and Health Trust Fund	36,087,365
TOTAL	<u><u>\$18,706,154,352</u></u>

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

**STATEMENT OF INVESTMENT ACTIVITY BY PENSION PLAN
FOR THE FISCAL YEAR ENDING JUNE 30, 2002**

	CASH RESERVE FUND	MUTUAL EQUITY FUND	MUTUAL FIXED INCOME FUND	INTER- NATIONAL STOCK FUND	REAL ESTATE FUND	COMMERCIAL MORTGAGE FUND	PRIVATE INVESTMENT FUND	TOTALS
Teachers' Retirement Fund								
Book Value at June 30, 2001	\$243,065,502	\$ 989,170,649	\$3,295,279,194	\$ 740,984,430	278,542,113	\$56,647,622	\$ 1,222,412,880	\$ 6,826,102,390
Market Value at June 30, 2001	\$243,065,502	\$4,337,111,719	\$3,525,174,803	\$1,366,343,779	259,387,953	\$55,188,533	\$ 1,417,694,290	\$11,203,966,581
Shares Purchased	551,709,228	-	-	-	7,356,755	-	96,997,565	656,063,548
Shares Redeemed	(569,528,506)	-	(32,580,800)	-	(2,234,274)	(11,946,429)	(17,477,074)	(633,767,082)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	-	2,124,770	-	(191,251)	(538,431)	189,344	1,584,432
Net Investment Income Earned	9,827,924	37,984,509	208,492,144	24,351,216	9,774,792	3,796,672	94,557,749	388,785,006
Net Investment Income Distributed	(9,827,924)	(37,984,509)	(208,492,144)	(24,351,216)	(9,774,792)	(3,796,672)	(94,557,749)	(388,785,006)
Changes in Market Value of Fund Shares	-	(688,939,258)	(18,972,906)	(150,730,351)	(7,556,352)	(2,743,492)	(251,603,241)	(1,120,545,600)
Market Value at June 30, 2002	\$ 225,246,224	\$3,648,172,461	\$3,475,745,867	\$1,215,613,428	\$256,762,832	\$39,960,180	\$1,245,800,884	\$10,107,301,878
Book Value at June 30, 2002	225,246,224	989,170,649	3,264,823,164	740,984,430	283,473,343	44,162,761	1,302,122,716	6,849,983,287
Shares Outstanding	225,246,224	5,324,972	31,826,911	5,887,525	4,180,536	590,125	14,430,742	287,487,036
Market Value per Share	\$ 1.00	\$ 685.11	\$ 109.21	\$ 206.47	\$ 61.42	\$ 67.71	\$ 86.33	
State Employees' Retirement Fund								
Book Value at June 30, 2001	\$ 88,677,818	\$ 702,395,453	\$2,331,134,361	\$ 522,189,936	\$196,351,231	\$39,682,292	\$ 859,217,727	\$ 4,739,648,818
Market Value at June 30, 2001	\$ 88,677,818	\$3,001,235,931	\$2,511,375,139	\$ 964,685,436	\$183,200,454	\$38,867,643	\$ 997,083,576	\$ 7,785,125,999
Shares Purchased	252,975,026	-	-	-	5,195,927	-	68,251,721	326,422,674
Shares Redeemed	(195,772,885)	-	(23,212,000)	-	(1,578,022)	(8,413,515)	(12,292,271)	(241,268,693)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	-	1,665,920	-	(131,806)	(332,268)	140,038	1,341,884
Net Investment Income Earned	3,161,232	26,284,882	148,532,139	17,192,792	6,903,734	2,673,886	66,505,317	271,253,981
Net Investment Income Distributed	(3,161,232)	(26,284,882)	(148,532,139)	(17,192,792)	(6,903,734)	(2,673,886)	(66,505,317)	(271,253,981)
Changes in Market Value of Fund Shares	-	(476,738,758)	(13,668,721)	(106,420,783)	(5,340,168)	(1,979,092)	(176,965,345)	(781,112,866)
Market Value at June 30, 2002	\$145,879,959	\$2,524,497,173	\$2,476,160,338	\$ 858,264,653	\$181,346,385	\$28,142,769	\$ 876,217,719	\$ 7,090,508,997
Book Value at June 30, 2002	145,879,959	702,395,453	2,309,588,281	522,189,936	199,837,330	30,936,509	915,317,215	4,826,144,683
Shares Outstanding	145,879,959	3,684,825	22,673,849	4,156,794	2,952,628	415,608	10,149,673	189,913,335
Market Value per Share	\$ 1.00	\$ 685.11	\$ 109.21	\$ 206.47	\$ 61.42	\$ 67.71	\$ 86.33	
Municipal Employees' Retirement Fund								
Book Value at June 30, 2001	\$ 41,804,984	\$ 113,692,994	\$378,892,934	\$ 80,092,276	\$ 30,613,537	\$ 6,171,851	\$ 146,214,913	\$ 797,483,488
Market Value at June 30, 2001	\$ 41,804,984	\$ 496,595,488	\$ 406,206,907	\$ 147,949,124	\$ 28,682,053	\$ 6,088,177	\$ 170,400,790	\$ 1,297,727,524
Shares Purchased	42,978,667	-	-	-	813,480	-	955,209	44,747,356
Shares Redeemed	(27,234,581)	-	-	-	(247,057)	(1,317,882)	(1,972,045)	(30,771,565)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	-	-	-	(19,532)	(42,362)	43,876	(18,017)
Net Investment Income Earned	1,484,019	4,349,192	24,248,725	2,636,776	1,080,855	418,834	10,777,390	44,995,791
Net Investment Income Distributed	(1,484,019)	(4,349,192)	(24,248,725)	(2,636,776)	(1,080,855)	(418,834)	(10,777,390)	(44,995,791)
Changes in Market Value of Fund Shares	-	(78,882,941)	(1,959,527)	(16,321,239)	(837,167)	(319,686)	(28,856,480)	(127,177,039)
Market Value at June 30, 2002	\$ 57,549,070	\$ 417,712,547	\$ 404,247,379	\$ 131,627,885	\$ 28,391,778	\$ 4,408,247	\$ 140,571,351	\$ 1,184,508,259
Book Value at June 30, 2002	57,549,070	113,692,994	378,892,934	80,092,276	31,160,428	4,811,607	145,241,953	811,441,262
Shares Outstanding	57,549,070	609,705	3,701,636	637,507	462,266	65,100	1,628,309	64,653,594
Market Value per Share	\$ 1.00	\$ 685.11	\$ 109.21	\$ 206.47	\$ 61.42	\$ 67.71	\$ 86.33	

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

**STATEMENT OF INVESTMENT ACTIVITY BY PENSION PLAN (Continued)
FOR THE FISCAL YEAR ENDING JUNE 30, 2002**

	CASH RESERVE FUND	MUTUAL EQUITY FUND	MUTUAL FIXED INCOME FUND	INTER- NATIONAL STOCK FUND	REAL ESTATE FUND	COMMERCIAL MORTGAGE FUND	PRIVATE INVESTMENT FUND	TOTALS
Probate Court Retirement Fund								
Book Value at June 30, 2001	\$ 2,545,948	\$ 5,608,744	\$ 20,779,729	\$ 4,984,897	\$ 1,758,578	\$ 365,992	\$ 4,197,055	\$ 40,240,943
Market Value at June 30, 2001	\$ 2,545,948	\$ 25,270,274	\$ 22,670,860	\$ 9,243,021	\$ 1,641,208	\$ 355,078	\$ 4,952,489	\$ 66,678,879
Shares Purchased	3,178,294	-	-	-	46,548	-	198,957	3,423,799
Shares Redeemed	(2,742,793)	-	(207,200)	-	(14,137)	(76,863)	(59,285)	(3,100,278)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	-	17,285	-	(1,177)	(3,798)	1,693	14,002
Net Investment Income Earned	95,001	221,318	1,340,979	164,732	61,847	24,427	323,966	2,232,270
Net Investment Income Distributed	(95,001)	(221,318)	(1,340,979)	(164,732)	(61,847)	(24,427)	(323,966)	(2,232,270)
Changes in Market Value of Fund Shares	-	(4,014,119)	(125,648)	(1,019,658)	(47,845)	(17,315)	(867,877)	(6,092,462)
Market Value at June 30, 2002	\$ 2,981,449	\$ 21,256,155	\$ 22,355,297	\$ 8,223,363	\$ 1,624,597	\$ 257,102	\$ 4,225,977	\$ 60,923,940
Book Value at June 30, 2002	2,981,449	5,608,744	20,589,814	4,984,897	1,789,812	285,331	4,338,420	40,578,466
Shares Outstanding	2,981,449	31,026	204,704	39,828	26,451	3,797	48,952	3,336,207
Market Value per Share	\$ 1.00	\$ 685.11	\$ 109.21	\$ 206.47	\$ 61.42	\$ 67.71	\$ 86.33	
Judges' Retirement Fund								
Book Value at June 30, 2001	\$ 5,785,101	\$ 12,521,422	\$ 42,923,026	\$ 7,984,311	\$ 2,880,962	\$ 606,540	\$ 14,831,820	\$ 87,533,183
Market Value at June 30, 2001	\$ 5,785,101	\$ 49,528,263	\$ 45,347,611	\$ 14,608,562	\$ 2,647,583	\$ 599,717	\$ 17,223,310	\$ 135,740,148
Shares Purchased	4,737,752	-	-	-	75,091	-	96,548	4,909,391
Shares Redeemed	(2,307,940)	-	-	-	(22,805)	(129,818)	(199,325)	(2,659,889)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	-	-	-	(2,280)	(3,857)	3,734	(2,403)
Net Investment Income Earned	204,693	433,769	2,707,048	260,355	99,771	41,259	1,089,328	4,836,223
Net Investment Income Distributed	(204,693)	(433,769)	(2,707,048)	(260,355)	(99,771)	(41,259)	(1,089,328)	(4,836,223)
Changes in Market Value of Fund Shares	-	(7,867,440)	(218,754)	(1,611,566)	(76,798)	(31,804)	(2,915,978)	(12,722,340)
Market Value at June 30, 2002	\$ 8,214,913	\$ 41,660,823	\$ 45,128,857	\$ 12,996,995	\$ 2,620,790	\$ 434,238	\$ 14,208,289	\$ 125,264,906
Book Value at June 30, 2002	8,214,913	12,521,422	42,923,026	7,984,311	2,930,967	472,865	14,732,778	89,780,282
Shares Outstanding	8,214,913	60,809	413,239	62,948	42,671	6,413	164,582	8,965,574
Market Value per Share	\$ 1.00	\$ 685.11	\$ 109.21	\$ 206.47	\$ 61.42	\$ 67.71	\$ 86.33	
State's Attorneys' Retirement Fund								
Book Value at June 30, 2001	\$ 97,140	\$ 92,347	\$ 157,239	-	\$ 5,361	-	-	\$ 352,088
Market Value at June 30, 2001	\$ 97,140	\$ 443,131	\$ 187,080	-	\$ 5,520	-	-	\$ 732,871
Shares Purchased	37,795	-	-	-	157	-	-	37,952
Shares Redeemed	(84,457)	-	-	-	(48)	-	-	(84,505)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	-	-	-	1	-	-	1
Net Investment Income Earned	2,321	3,880	11,167	-	207	-	-	17,575
Net Investment Income Distributed	(2,321)	(3,880)	(11,167)	-	(207)	-	-	(17,575)
Changes in Market Value of Fund Shares	-	(70,391)	(902)	-	(166)	-	-	(71,459)
Market Value at June 30, 2002	\$ 50,478	\$ 372,739	\$ 186,178	-	\$ 5,465	-	-	\$ 614,857
Book Value at June 30, 2002	50,478	92,347	157,239	-	5,471	-	-	305,535
Shares Outstanding	50,478	544	1,705	-	89	-	-	52,815
Market Value per Share	\$ 1.00	\$ 685.11	\$ 109.21		\$ 61.42			

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

STATEMENT OF INVESTMENT ACTIVITY BY TRUST
FOR THE FISCAL YEAR ENDING JUNE 30, 2002

	CASH RESERVE FUND	MUTUAL EQUITY FUND	MUTUAL FIXED INCOME FUND	INTER- NATIONAL STOCK FUND	REAL ESTATE FUND	COMMERCIAL MORTGAGE FUND	PRIVATE INVESTMENT FUND	TOTALS
Soldiers' Sailors' & Marines' Fund								
Book Value at June 30, 2001	\$ 60,024	\$ 1,095,686	\$ 49,098,734	-	-	-	-	\$ 50,254,445
Market Value at June 30, 2001	\$ 60,024	\$ 5,587,270	\$ 51,863,186	-	-	-	-	\$ 57,510,479
Shares Purchased	2,913,728	-	-	-	-	-	-	2,913,728
Shares Redeemed	(2,913,715)	-	-	-	-	-	-	(2,913,715)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	-	-	-	-	-	-	-
Net Investment Income Earned	2,259	48,933	3,095,999	-	-	-	-	3,147,190
Net Investment Income Distributed	(2,259)	(48,933)	(3,095,999)	-	-	-	-	(3,147,190)
Changes in Market Value of Fund Shares	-	(887,524)	(250,186)	-	-	-	-	(1,137,710)
Market Value at June 30, 2002	\$ 60,037	\$ 4,699,746	\$ 51,613,000	-	-	-	-	\$ 56,372,781
Book Value at June 30, 2002	60,037	1,095,686	49,098,734	-	-	-	-	50,254,458
Shares Outstanding	60,037	6,860	472,613	-	-	-	-	539,510
Market Value per Share	\$ 1.00	\$ 685.11	\$ 109.21	-	-	-	-	
Endowment for the Arts								
Book Value at June 30, 2001	\$ 1,090,549	-	\$ 12,472,429	-	-	-	-	\$ 13,562,978
Market Value at June 30, 2001	\$ 1,090,549	-	\$ 12,622,574	-	-	-	-	\$ 13,713,123
Shares Purchased	2,670,396	-	-	-	-	-	-	2,670,396
Shares Redeemed	(1,771,219)	-	-	-	-	-	-	(1,771,219)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	-	-	-	-	-	-	-
Net Investment Income Earned	36,121	-	753,510	-	-	-	-	789,631
Net Investment Income Distributed	(36,121)	-	(753,510)	-	-	-	-	(789,631)
Changes in Market Value of Fund Shares	-	-	(60,891)	-	-	-	-	(60,891)
Market Value at June 30, 2002	\$ 1,989,726	-	\$ 12,561,684	-	-	-	-	\$ 14,551,408
Book Value at June 30, 2002	1,989,726	-	12,472,429	-	-	-	-	14,462,155
Shares Outstanding	1,989,726	-	115,026	-	-	-	-	2,104,751
Market Value per Share	\$ 1.00	-	\$ 109.21	-	-	-	-	
Agricultural College Fund								
Book Value at June 30, 2001	\$ 44,938	\$ 58,359	\$ 226,912	-	-	-	-	\$ 330,209
Market Value at June 30, 2001	\$ 44,938	\$ 304,035	\$ 241,889	-	-	-	-	\$ 590,862
Shares Purchased	19,283	-	109,328	-	-	-	-	128,612
Shares Redeemed	(21,197)	(109,889)	-	-	-	-	-	(131,086)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	86,499	-	-	-	-	-	86,499
Net Investment Income Earned	1,077	2,594	15,052	-	-	-	-	18,723
Net Investment Income Distributed	(1,077)	(2,594)	(15,052)	-	-	-	-	(18,723)
Changes in Market Value of Fund Shares	-	(127,405)	(2,436)	-	-	-	-	(129,841)
Market Value at June 30, 2002	\$ 43,023	\$ 153,240	\$ 348,781	-	-	-	-	\$ 545,046
Book Value at June 30, 2002	43,023	34,969	336,240	-	-	-	-	414,232
Shares Outstanding	43,023	224	3,194	-	-	-	-	46,441
Market Value per Share	\$ 1.00	\$ 685.11	\$ 109.21	-	-	-	-	

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

STATEMENT OF INVESTMENT ACTIVITY BY TRUST (Continued)

	CASH RESERVE FUND	MUTUAL EQUITY FUND	MUTUAL FIXED INCOME FUND	INTER- NATIONAL STOCK FUND	REAL ESTATE FUND	COMMERCIAL MORTGAGE FUND	PRIVATE INVESTMENT FUND	TOTALS
Ida Eaton Cotton Fund								
Book Value at June 30, 2001	\$ 126,914	\$ 201,429	\$ 783,347	-	-	-	-	\$ 1,111,691
Market Value at June 30, 2001	\$ 126,914	\$ 1,038,117	\$ 844,191	-	-	-	-	\$ 2,009,223
Shares Purchased	90,781	-	350,858	-	-	-	-	441,640
Shares Redeemed	(71,933)	(377,554)	-	-	-	-	-	(449,487)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	296,318	-	-	-	-	-	296,318
Net Investment Income Earned	2,876	8,849	52,361	-	-	-	-	64,086
Net Investment Income Distributed	(2,876)	(8,849)	(52,361)	-	-	-	-	(64,086)
Changes in Market Value of Fund Shares	-	(435,832)	(8,146)	-	-	-	-	(443,978)
Market Value at June 30, 2002	\$ 145,762	\$ 521,049	\$ 1,186,904	-	-	-	-	\$ 1,853,716
Book Value at June 30, 2002	145,762	120,193	1,134,206	-	-	-	-	1,400,161
Shares Outstanding	145,762	761	10,868	-	-	-	-	157,391
Market Value per Share	\$ 1.00	\$ 685.11	\$ 109.21	-	-	-	-	
Andrew Clark Fund								
Book Value at June 30, 2001	\$ 50,139	\$ 94,573	\$ 402,231	-	-	-	-	\$ 546,943
Market Value at June 30, 2001	\$ 50,139	\$ 484,660	\$ 410,427	-	-	-	-	\$ 945,226
Shares Purchased	53,085	-	151,636	-	-	-	-	204,721
Shares Redeemed	(34,540)	(174,067)	-	-	-	-	-	(208,607)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	136,402	-	-	-	-	-	136,402
Net Investment Income Earned	1,169	4,135	25,350	-	-	-	-	30,654
Net Investment Income Distributed	(1,169)	(4,135)	(25,350)	-	-	-	-	(30,654)
Changes in Market Value of Fund Shares	-	(201,684)	(3,740)	-	-	-	-	(205,424)
Market Value at June 30, 2002	\$ 68,684	\$ 245,311	\$ 558,323	-	-	-	-	\$ 872,318
Book Value at June 30, 2002	68,684	56,908	553,867	-	-	-	-	679,459
Shares Outstanding	68,684	358	5,112	-	-	-	-	74,154
Market Value per Share	\$ 1.00	\$ 685.11	\$ 109.21	-	-	-	-	
School Fund								
Book Value at June 30, 2001	\$ 648,322	\$ 930,831	\$ 3,281,754	-	-	-	-	\$ 4,860,907
Market Value at June 30, 2001	\$ 648,322	\$ 4,795,970	\$ 3,503,357	-	-	-	-	\$ 8,947,649
Shares Purchased	333,391	-	1,818,962	-	-	-	-	2,152,353
Shares Redeemed	(327,083)	(1,835,962)	-	-	-	-	-	(2,163,044)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	1,440,821	-	-	-	-	-	1,440,821
Net Investment Income Earned	21,694	40,832	219,325	-	-	-	-	281,852
Net Investment Income Distributed	(21,694)	(40,832)	(219,325)	-	-	-	-	(281,852)
Changes in Market Value of Fund Shares	-	(2,079,191)	(38,017)	-	-	-	-	(2,117,208)
Market Value at June 30, 2002	\$ 654,630	\$ 2,321,638	\$ 5,284,302	-	-	-	-	\$ 8,260,570
Book Value at June 30, 2002	654,630	535,691	5,100,716	-	-	-	-	6,291,037
Shares Outstanding	654,630	3,389	48,388	-	-	-	-	706,407
Market Value per Share	\$ 1.00	\$ 685.11	\$ 109.21	-	-	-	-	

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

STATEMENT OF INVESTMENT ACTIVITY BY TRUST (Continued)

	CASH RESERVE FUND	MUTUAL EQUITY FUND	MUTUAL FIXED INCOME FUND	INTER- NATIONAL STOCK FUND	REAL ESTATE FUND	COMMERCIAL MORTGAGE FUND	PRIVATE INVESTMENT FUND	TOTALS
Hopmead Fund								
Book Value at June 30, 2001	\$ 835,373	\$ 134,254	\$ 187,244	-	-	-	-	\$ 1,156,872
Market Value at June 30, 2001	\$ 835,373	\$ 686,809	\$ 227,242	-	-	-	-	\$ 1,749,425
Shares Purchased	48,690	-	862,924	-	-	-	-	911,615
Shares Redeemed	(753,811)	(107,432)	-	-	-	-	-	(861,243)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	84,145	-	-	-	-	-	84,145
Net Investment Income Earned	26,025	5,947	18,399	-	-	-	-	50,371
Net Investment Income Distributed	(26,025)	(5,947)	(18,399)	-	-	-	-	(50,371)
Changes in Market Value of Fund Shares	-	(186,019)	(11,114)	-	-	-	-	(197,132)
Market Value at June 30, 2002	\$ 130,253	\$ 477,503	\$ 1,079,053	-	-	-	-	\$ 1,686,809
Book Value at June 30, 2002	130,253	110,967	1,050,169	-	-	-	-	1,291,388
Shares Outstanding	130,253	697	9,881	-	-	-	-	140,830
Market Value per Share	\$ 1.00	\$ 685.11	\$ 109.21	-	-	-	-	
Police & Fireman's Survivors' Benefit Fund								
Book Value at June 30, 2001	\$ 4,629,127	\$ 6,859,157	\$ 5,134,231	-	\$ 397,261	\$ 84,881	-	\$ 17,104,656
Market Value at June 30, 2001	\$ 4,629,127	\$ 7,524,854	\$ 5,112,189	-	\$ 424,598	\$ 80,348	-	\$ 17,771,114
Shares Purchased	506,092	-	-	-	12,042	-	-	518,134
Shares Redeemed	(229,272)	-	-	-	(3,657)	(17,393)	-	(250,322)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	-	-	-	196	(1,313)	-	(1,117)
Net Investment Income Earned	144,425	65,903	305,175	-	15,999	5,529	-	537,032
Net Investment Income Distributed	(144,425)	(65,903)	(305,175)	-	(15,999)	(5,529)	-	(537,032)
Changes in Market Value of Fund Shares	-	(1,195,304)	(24,661)	-	(12,878)	(3,464)	-	(1,236,307)
Market Value at June 30, 2002	\$ 4,905,947	\$ 6,329,550	\$ 5,087,528	-	\$ 420,301	\$ 58,179	-	\$ 16,801,503
Book Value at June 30, 2002	4,905,947	6,859,157	5,134,231	-	405,842	66,175	-	17,371,351
Shares Outstanding	4,905,947	9,239	46,586	-	6,843	859	-	4,969,474
Market Value per Share	\$ 1.00	\$ 685.11	\$ 109.21	-	\$ 61.42	\$ 67.71	-	
Tobacco and Health Trust Fund								
Book Value at June 30, 2001	\$ -	\$ -	\$ -	-	-	-	-	\$ -
Market Value at June 30, 2001	\$ -	\$ -	\$ -	-	-	-	-	\$ -
Shares Purchased	37,574,977	9,045,806	25,328,256	-	-	-	-	71,949,039
Shares Redeemed	(34,366,639)	-	-	-	-	-	-	(34,366,639)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	-	-	-	-	-	-	-
Net Investment Income Earned	65,764	79,108	1,254,304	-	-	-	-	1,399,176
Net Investment Income Distributed	(65,764)	(79,108)	(1,254,304)	-	-	-	-	(1,399,176)
Changes in Market Value of Fund Shares	-	(874,612)	(620,422)	-	-	-	-	(1,495,034)
Market Value at June 30, 2002	\$ 3,208,337	\$ 8,171,194	\$ 24,707,834	-	-	-	-	\$ 36,087,365
Book Value at June 30, 2002	3,208,337	9,045,806	25,328,256	-	-	-	-	37,582,400
Shares Outstanding	3,208,337	11,927	226,246	-	-	-	-	3,446,510
Market Value per Share	\$ 1.00	\$ 685.11	\$ 109.21	-	-	-	-	

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

**SUMMARY OF OPERATIONS (Dollars in Thousands)
FISCAL YEARS ENDING JUNE 30**

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Investment Income ⁽¹⁾	\$741,812	\$787,287	\$1,002,774	\$731,983	\$734,928	\$648,136	\$621,540	\$510,890	\$453,150	\$462,742
Expenses ⁽¹⁾	60,570	67,282	50,552	54,417	40,817	38,316	36,558	36,623	45,682	44,137
Net Investment Income	681,242	720,005	952,222	677,566	694,111	609,820	584,982	474,267	407,468	418,605
Realized Gains/(Losses)	(449,961)	269,330	1,522,994	673,802	1,350,408	277,293	1,240,686	(7,954)	539,865	387,899
Change in Unrealized Gains/(Losses)	(1,563,253)	(1,776,378)	90,500	530,276	681,413	1,727,651	(103,966)	998,758	(473,565)	357,989
Total	\$(1,331,972)	\$(787,043)	\$2,565,716	\$1,881,644	\$2,725,932	\$2,614,764	\$1,721,702	\$1,465,070	\$473,768	\$1,164,493

(1) Securities lending income and expenses are shown net in the Investment Income line above for all periods presented.

Source: Amounts were derived from Custodial Records.

**PENSION AND TRUST FUNDS
BALANCES ⁽¹⁾ IN COMBINED INVESTMENT FUNDS (Dollars in Thousands)
AT JUNE 30, 2002**

Fund Name	Teachers' Retirement Fund		State Employees' Retirement Fund		Municipal Employees' Retirement Fund		Judges Retirement Fund		Probate Court Retirement Fund		State's Attorneys' Retirement Fund		Trust Funds	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
CRA	225,246	2.23%	145,880	2.06%	57,549	4.86%	8,215	6.56%	2,981	4.89%	50	8.21%	11,206	8.18%
MEF	3,648,172	36.08%	2,524,497	35.60%	417,713	35.26%	41,661	33.26%	21,256	34.89%	373	60.62%	22,919	16.73%
ISF	1,215,613	12.03%	858,265	12.10%	131,628	11.11%	12,997	10.38%	8,223	13.50%	-	0.00%	-	0.00%
REF	256,763	2.54%	181,346	2.56%	28,392	2.40%	2,621	2.09%	1,625	2.67%	5	0.89%	420	0.31%
MFIF	3,475,746	34.39%	2,476,160	34.92%	404,247	34.13%	45,129	36.02%	22,355	36.69%	186	30.28%	102,427	74.74%
CMF	39,960	0.40%	28,143	0.40%	4,408	0.37%	434	0.35%	257	0.42%	-	0.00%	58	0.04%
PIF	1,245,801	12.33%	876,218	12.36%	140,571	11.87%	14,208	11.34%	4,226	6.94%	-	0.00%	-	0.00%
Total	\$10,107,302	100.00%	\$7,090,509	100.00%	\$1,184,508	100.00%	\$125,265	100.00%	\$60,924	100.00%	\$615	100.00%	\$137,032	100.00%

(1) Based on Net Asset Value

Source: Amounts were derived from custodial records.

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

**LIST OF INVESTMENT ADVISORS AND NET ASSETS UNDER MANAGEMENT
JUNE 30, 2002**

Name of Fund	Investment Strategy	Net Assets Under Management	Percent of Fund Total
CASH RESERVE ACCOUNT (CRA)			
State Street Global Advisors	Active	\$ 1,443,006,366	100.0%
SUBTOTAL CRA		\$ 1,443,006,366	100.0%
MUTUAL EQUITY FUND (MEF)			
Large Cap		\$ 4,983,829,705	74.7%
State Street Global Advisors	Passive - Indexed	1,782,615,294	26.7%
J.P. Morgan Investment Management, Inc.	Passive - Enhanced	1,649,462,642	24.7%
BGI Barclays Global Investors, N.A.	Passive - Enhanced	1,551,751,769	23.3%
Small/Mid Cap		\$ 703,064,778	10.5%
AXA Rosenberg Investment Management	Passive-Enhanced	388,723,501	5.8%
SSB Citigroup (The Travelers)	Passive-Enhanced	314,341,277	4.7%
Small/Mid Cap		\$ 969,782,460	14.5%
Trust Company of the West (Cowen)	Active	363,262,313	5.4%
Brown Capital Management, Inc.	Active	319,310,979	4.8%
Thomas Weisel Partners (ValueQuest)	Active	287,209,168	4.3%
Other ⁽¹⁾		\$ 19,914,185	0.3%
SUBTOTAL MEF		\$ 6,676,591,128	100.0%
INTERNATIONAL STOCK FUND (ISF)			
EAFE - Europe		\$ 477,694,320	21.4%
State Street Global Advisors	Passive - Enhanced	477,694,320	21.4%
Core		\$ 1,407,742,186	63.2%
Morgan Stanley Asset Management	Active	563,150,953	25.3%
Grantham, Mayo, Van Otterloo & Co.	Active	563,110,751	25.3%
Smith Barney Capital Management	Active	147,049,854	6.6%
DSI International Management	Active	134,430,628	6.0%
Emerging		\$ 335,375,715	15.1%
Morgan Stanley Asset Management	Active	194,361,607	8.8%
Pictet International Management	Active	141,014,108	6.3%
Other ⁽¹⁾		\$ 5,914,102	0.3%
SUBTOTAL ISF		\$ 2,226,726,323	100.0%
REAL ESTATE FUND (REF)			
AEW Capital Management	Active	\$ 138,243,205	29.4%
Walton Street Real Estate Fund II LP	Active	91,128,647	19.3%
Apollo Real Estate Investment Fd III, LP	Active	84,347,518	17.9%
Westport Senior Living - Fund, LP	Active	73,832,010	15.7%
Tishman Hotel Corp.	Active	51,557,186	10.9%
Wachovia Bank of Georgia, N.A.	Active	15,711,713	3.3%
TimesSquare Real Estate Investors	Active	12,958,663	2.8%
Other ⁽¹⁾	Active	3,393,206	0.7%
SUBTOTAL REF		\$ 471,172,148	100.0%
MUTUAL FIXED INCOME FUND (MFIF)			
Core		\$ 5,466,922,917	83.8%
State Street Global Advisors	Passive-Enhanced	1,500,272,794	23.0%
BlackRock Financial Management, Inc.	Active	1,172,781,766	18.0%
Wellington	Active	1,026,526,130	15.7%
Western Asset Management Co.	Active	799,889,798	12.3%
J.P. Morgan Investment Management Inc.	Active	656,236,139	10.0%
Phoenix	Active	311,216,290	4.8%
Convertibles		\$ 275,742,074	4.2%
Oaktree Capital Management, L.L.C.	Active	275,742,074	4.2%

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

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

Name of Fund	Investment Strategy	Net Assets Under Management	Percent of Fund Total
High Yield		\$ 760,729,116	11.7%
Loomis Sayles & Co., Inc.	Active	274,473,207	4.2%
W.R. Huff Asset Management	Active	218,656,263	3.4%
Oaktree Capital Management, L.L.C.	Active	209,719,414	3.2%
Triumph II LP	Active	57,880,232	0.9%
Other ⁽¹⁾		\$ 22,857,218	0.3%
SUBTOTAL MFIF		\$ 6,526,251,325	100.0%
COMMERCIAL MORTGAGE FUND (CMF)			
AEW Capital Management, LP	Active	\$ 67,188,365	91.7%
Other ⁽²⁾		6,072,350	8.3%
SUBTOTAL CMF		\$ 73,260,715	100.0%
PRIVATE INVESTMENT FUND (PIF)			
Corporate Buyout		\$820,563,562	36.0%
Veritas Capital Fund	Active	264,903,172	11.6%
Hicks, Muse Tate & Furst Equity Fund III	Active	100,386,904	4.4%
Thomas H. Lee Equity Fund IV	Active	76,119,592	3.4%
DLJ Merchant Banking Fund II	Active	54,390,562	2.4%
Greenwich Street Capital Partners II	Active	43,784,386	1.9%
KKR 1996 Fund	Active	41,336,947	1.8%
SCP Private Equity Partners	Active	38,431,309	1.7%
Welsh Carson Anderson & Stowe VIII	Active	36,177,939	1.6%
Forstmann Little Equity Fund VI	Active	29,187,602	1.3%
Thayer Equity Investors IV	Active	25,393,540	1.1%
Kelso Investment Associates VI	Active	23,748,364	1.1%
Conning Capital Partners V	Active	23,145,480	1.0%
Green Equity Investors III	Active	21,517,879	0.9%
Wellspring Capital Partners II	Active	21,139,283	0.9%
Blackstone Capital Partners III	Active	20,900,603	0.9%
Venture Capital		\$201,393,922	8.8%
Crescendo World Fund	Active	49,475,906	2.2%
Pioneer Ventures Associates	Active	28,126,831	1.2%
Grotech Partners V	Active	22,909,379	1.0%
Shawmut Equity Partners	Active	20,590,255	0.9%
RFE Investment Partners VI	Active	18,339,829	0.8%
CT Financial Development Fund	Active	15,327,124	0.7%
Crescendo III	Active	12,832,649	0.6%
Connecticut Futures Fund	Active	12,771,311	0.5%
Keystone Ventures V	Active	11,473,831	0.5%
Triumph Investors II	Active	6,472,226	0.3%
Connecticut Greene Ventures	Active	3,074,581	0.1%
Mezzanine		\$311,289,802	13.6%
Welsh Carson Anderson & Stowe Capital Part III	Active	87,984,216	3.9%
Triumph Capital Partners III	Active	80,580,592	3.5%
GarMark Partners	Active	54,005,528	2.4%
SW Pelham Fund	Active	41,854,630	1.8%
Triumph CT Partners	Active	25,832,855	1.1%
Forstmann Little MBO VII	Active	21,031,981	0.9%
International		\$222,294,976	9.8%
Compass European Partners	Active	85,034,485	3.7%
Carlyle Europe Partners	Active	46,977,463	2.1%
AIG Global Emerging Markets Fund	Active	33,946,523	1.5%
Gilbert Global Equity Fund	Active	33,388,463	1.5%
Carlyle Asia Partners	Active	22,948,042	1.0%

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

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

Name of Fund	Investment Strategy	Net Assets Under Management	Percent of Fund Total
Fund of Funds		\$632,193,591	27.7%
Crossroads Constitution Fund	Active	471,973,748	20.7%
Landmark Private Equity Fund VIII	Active	80,642,563	3.5%
Goldman Sachs Private Equity Fund	Active	56,435,980	2.5%
Lexington Capital Partners II	Active	23,141,300	1.0%
Other ⁽¹⁾		93,288,367	4.1%
SUBTOTAL PIF		\$ 2,281,024,220	100.0%
TOTAL		\$ 19,698,032,225	
Adjustments ⁽³⁾		(991,877,874)	
GRAND TOTAL		\$ 18,706,154,352	

- (1) Other represents moneys earmarked for distribution to participants, reinvestment, and expenses as well as terminated advisor balances and \$24,605,266 in marketable securities.
- (2) Other also includes residential mortgage-backed securities for the Commercial Mortgage Fund.
- (3) Represents Elimination Entry to the Financial Statements to account for investment of Combined Investment Funds in CRA.

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

SCHEDULE OF CONSULTING SERVICES IN EXCESS OF \$5,000⁽¹⁾ FOR PERIODS ENDED JUNE 30

Name of Firm	Description of Services	Aggregate Compensation Paid in Fiscal Year:				
		2002	2001	2000	1999	1998
CONSULTING SERVICES						
BARRA RogersCasey Consulting Inc.	Pension Funds Consultant	555,000	157,500	257,000	210,000	210,000
Deloitte & Touche LLP	Pension Funds Consultant	-	-	-	-	5,127
Evans Associates	Pension Funds Consultant	-	-	-	-	6,000
Ferrell Capital Management	International Equity	-	-	7,500	37,500	155,000
Greystone Capital Management	Pension Funds Consultant	9,900	-	-	-	-
Guy E. Garcia	Pension Funds Consultant	207,570	-	-	-	-
Heidrick & Struggles	Pension Funds Consultant	98,487	-	-	-	-
Horton International Maryland	Pension Funds Consultant	-	22,101	42,536	-	-
Irwin Tepper Assoc. Inc.	Pension Funds Consultant	-	-	15,000	25,000	15,000
Pamela J. Bartol	Pension Funds Consultant	22,906	40,865	14,377	-	-
Robert Morgan	Pension Funds Consultant	-	16,401	-	-	-
Sidney Lipshires	Pension Funds Consultant	-	-	-	6,530	-
Sovereign Financial Services, Inc.	Pension Funds Consultant	955,813	997,751	-	-	-
Susan B. Sweeney	Pension Funds Consultant	178,504	91,172	-	-	-
Thompson Proxy Services Inc.	Pension Funds Consultant	24,100	75,250	-	-	-
William M. Mercer, Inc.	Inv. Adv. Council Consult.	50,000	-	-	-	-
TOTAL CONSULTING SERVICES COMPENSATION		\$2,102,280	\$1,401,040	\$336,413	\$279,030	\$391,127

(1) Expenses are presented on a cash basis.

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

INVESTMENT SUMMARY AT JUNE 30, 2002 ⁽¹⁾

Cash Reserve Account ⁽²⁾

	Book Value	Market Value	% of Total Fund MV	Rate of Return
2002	\$481,664,484	\$481,664,484	2.46%	3.03%
2001	391,346,777	391,346,777	1.85%	6.35%
2000	378,683,486	378,683,486	1.67%	5.96%
1999	227,101,012	227,101,012	1.11%	5.46%
1998	409,767,394	409,767,394	2.17%	5.86%
1997	640,227,925	640,227,925	3.57%	5.70%
1996	217,728,153	217,728,153	1.57%	5.90%
1995	594,092,737	594,092,737	4.80%	5.83%
1994	400,801,402	400,801,402	3.66%	3.70%
1993	360,298,297	360,298,297	3.39%	4.02%

International Stock Fund

	Book Value	Market Value	% of Total Fund MV	Rate of Return
2002	\$2,306,936,221	\$2,272,810,463	11.62%	(9.00%)
2001	2,449,711,883	2,466,657,788	11.63%	(13.29%)
2000	2,315,776,890	2,928,693,346	12.89%	20.13%
1999	1,937,731,869	2,436,960,573	11.94%	6.77%
1998	1,988,516,841	2,394,774,756	12.71%	1.52%
1997	2,056,745,949	2,988,188,715	16.64%	15.67%
1996	2,013,932,947	2,080,961,453	14.98%	12.58%
1995	1,629,499,154	1,881,836,637	15.21%	2.27%
1994	1,681,401,549	2,047,505,365	18.70%	20.97%
1993	1,790,846,646	1,948,549,126	18.36%	13.20%

Mutual Fixed Income Fund

	Book Value	Market Value	% of Total Fund MV	Rate of Return
2002	\$7,412,105,698	\$7,295,007,838	37.30%	5.64%
2001	7,363,064,249	7,218,746,648	34.04%	8.03%
2000	7,463,463,748	7,282,002,823	32.06%	5.77%
1999	6,943,741,512	6,762,463,935	33.13%	2.64%
1998	6,798,694,018	6,826,179,407	36.22%	10.52%
1997	4,612,052,907	4,902,597,809	27.30%	10.62%
1996	3,946,699,249	3,961,751,213	28.51%	5.97%
1995	2,493,278,232	2,576,238,602	20.82%	13.00%
1994	2,395,459,874	2,333,628,878	21.31%	(0.07%)
1993	2,396,492,799	2,492,239,958	23.48%	13.84%

Commercial Mortgage Fund

	Book Value	Market Value	% of Total Fund MV	Rate of Return
2002	\$69,553,258	\$71,468,307	0.37%	1.19%
2001	92,793,153	100,727,402	0.47%	10.88%
2000	168,263,689	175,216,208	0.77%	8.26%
1999	231,513,066	235,232,350	1.15%	6.10%
1998	262,476,294	271,419,535	1.44%	17.71%
1997	343,534,264	324,002,103	1.80%	9.82%
1996	467,004,415	442,659,307	3.19%	6.46%
1995	464,667,416	455,820,517	3.68%	15.46%
1994	481,528,231	439,917,392	4.02%	(2.90%)
1993	484,589,826	483,295,439	4.55%	9.05%

Mutual Equity Fund

	Book Value	Market Value	% of Total Fund MV	Rate of Return
\$6,401,472,709	\$6,688,728,705	34.20%	(14.95%)	
6,649,619,519	7,949,775,481	37.49%	(9.55%)	
6,578,261,062	8,876,068,150	39.08%	10.03%	
6,321,181,834	9,137,539,233	44.77%	19.38%	
5,597,631,659	7,735,628,862	41.04%	28.40%	
5,740,662,847	8,072,686,952	44.95%	30.74%	
5,473,247,153	5,722,251,986	41.19%	23.98%	
3,626,292,305	4,666,476,576	37.71%	23.20%	
3,281,944,393	3,666,548,982	33.48%	0.52%	
2,684,910,855	3,568,316,032	33.62%	17.10%	

Real Estate Fund

	Book Value	Market Value	% of Total Fund MV	Rate of Return
\$417,067,553	\$471,193,932	2.41%	0.81%	
407,455,431	476,011,373	2.24%	14.45%	
464,709,616	510,010,943	2.25%	9.18%	
442,674,319	428,221,842	2.10%	9.96%	
445,482,545	416,617,227	2.21%	25.63%	
553,333,465	488,413,514	2.72%	10.69%	
1,172,793,083	985,747,371	7.09%	0.83%	
1,198,474,807	1,068,615,573	8.63%	(2.78%)	
1,455,508,818	1,100,002,995	10.05%	(3.95%)	
1,348,453,216	978,014,999	9.21%	(7.68%)	

International Bond Fund ⁽³⁾

	Book Value	Market Value	% of Total Fund MV	Rate of Return
—	—	—%	—%	
—	—	—%	—%	
—	—	—%	—%	
—	—	—%	—%	
—	—	—%	—%	
—	—	—%	—%	
—	—	—%	—%	
—	—	—%	—%	
—	—	—%	—%	
—	—	—%	—%	
\$695,139,207	\$749,095,597	6.05%	19.10%	
624,328,836	657,973,564	6.01%	7.27%	
574,207,418	600,603,560	5.66%	11.11%	

Residential Mortgage Fund ⁽⁴⁾

	Book Value	Market Value	% of Total Fund MV	Rate of Return
—	—	—%	—%	
—	—	—%	—%	
—	—	—%	—%	
—	—	—%	—%	
—	—	—%	—%	
—	—	—%	—%	
—	—	—%	—%	
—	—	—%	—%	
—	—	—%	—%	
—	—	—%	—%	
—	—	—%	—%	
\$50,630,376	\$48,602,786	0.39%	11.54%	
73,484,931	67,780,499	0.62%	(2.38%)	
25,055,151	25,530,507	0.24%	1.55%	

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

INVESTMENT SUMMARY AT JUNE 30, 2002 (Continued)

Private Investment Fund ⁽⁵⁾					Connecticut Programs Fund ⁽⁵⁾			
	Book Value	Market Value	% of Total Fund MV	Rate of Return	Book Value	Market Value	% of Total Fund MV	Rate of Return
2002	\$2,315,048,277	\$2,276,642,374	11.64%	(10.81%)	—	—	—%	—%
2001	2,217,285,786	2,601,575,275	12.28%	(6.25%)	—	—	—%	—%
2000	1,879,100,932	2,561,042,272	11.28%	53.86%	—	—	—%	—%
1999	1,138,252,584	1,182,905,063	5.80%	(0.81%)	—	—	—%	—%
1998	715,880,779	794,324,372	4.21%	18.55%	—	—	—%	—%
1997	496,527,964	542,174,959	3.02%	5.68%	—	—	—%	—%
1996	198,233,821	302,481,786	2.18%	43.78%	\$172,656,335	\$179,638,107	1.29%	14.24%
1995	167,316,010	222,837,361	1.80%	25.39%	122,511,963	112,633,665	0.91%	(5.86%)
1994	164,964,030	169,773,008	1.55%	5.20%	87,711,051	66,076,102	0.60%	3.38%
1993	135,432,242	134,922,131	1.27%	3.15%	40,927,545	19,576,472	0.18%	(1.75%)

Mutual Mortgage Fund ⁽⁶⁾				
	Book Value	Market Value	% of Total Fund MV	Rate of Return
2002	—	—	—%	—%
2001	—	—	—%	—%
2000	—	—	—%	—%
1999	—	—	—%	—%
1998	—	—	—%	—%
1997	—	—	—%	—%
1996	—	—	—%	—%
1995	—	—	—%	—%
1994	—	—	—%	—%
1993	\$3,899,616	\$3,903,265	0.04%	26.92%

Total Fund				
	Book Value	Market Value	% of Total Fund MV	Rate of Return
2002	\$19,403,848,200	\$19,557,516,103	100.00%	(6.39%)
2001	19,571,276,798	21,204,840,744	100.00%	(3.68%)
2000	19,248,259,423	22,711,717,228	100.00%	13.13%
1999	17,242,196,196	20,410,424,008	100.00%	10.49%
1998	16,218,449,530	18,848,711,553	100.00%	17.19%
1997	14,443,085,321	17,958,291,977	100.00%	19.35%
1996	13,662,295,156	13,893,219,375	100.00%	14.14%
1995	11,041,902,207	12,376,250,052	100.00%	13.48%
1994	10,647,133,115	10,950,008,187	100.00%	3.74%
1993	9,845,113,611	10,615,249,786	100.00%	11.81%

- (1) All rates of return are net of management fees and division operating expenses.
- (2) The market value of CRA for the periods presented represents the market value of the pension and trust balances in CRA only (excluding receivables and payables); the CRA balances of the other combined investment funds are shown in the market value of each fund.
- (3) The International Bond Fund merged with The Mutual Fixed Income Fund in March 1996.
- (4) Residential Mortgage Fund was merged with the Commercial Mortgage Fund in November 1995.
- (5) The Connecticut Programs Fund merged with Venture Capital Fund In December 1996. In fiscal year 1999, the Venture Capital Fund was renamed as the Private Investment Fund.
- (6) In May 1994, the operations of the Mutual Mortgage Fund were discontinued; the assets were sold and shares were redeemed by the Retirement Funds.

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

TOP TEN HOLDINGS BY FUND AT JUNE 30, 2002 (Continued)

MUTUAL EQUITY FUND

Security Name	Industry Sector	Market Value	% of MEF Net Assets
General Electric	Technology	\$ 172,505,291	2.58%
Microsoft	Technology	163,389,7212.44%	
Exxon Mobil Corp.	Energy	146,689,1162.19%	
CitiGroup Inc.	Finance	139,648,8782.09%	
Pfizer Inc.	Health Care	130,896,5001.96%	
Wal Mart Stores Inc.	Consumer Non-Durables	116,126,6601.74%	
Johnson & Johnson	Health Care	111,351,4791.67%	
Procter & Gamble Co.	Consumer Staples	95,265,597	1.42%
American Int'l Group Inc.	Finance	94,999,972	1.42%
Verizon Communications	Telecommunications	80,972,231	1.21%
TOTAL		\$1,251,845,445	18.72%

INTERNATIONAL STOCK FUND

Security Name	Country	Market Value	% of ISF Net Assets
Total FINA Elf Eur 10	France	\$ 39,820,965	1.75%
ENI Eur1	Italy	32,174,241	1.42%
Glaxosmithkline ORD GBP .25	United Kingdom	30,459,942	1.34%
Aventis SA Eur 3.82	France	24,053,714	1.06%
Deutsche Bank AG ORD NPV	Germany	23,639,307	1.04%
BP Amoco ORD USD 0.25	United Kingdom	21,132,130	0.93%
Nestle SA CHF1	Switzerland	20,342,347	0.89%
Vodafone Group ORD USD .10	United Kingdom	20,310,220	0.89%
DaimlerChrysler AG ORD NPV	Germany	20,124,721	0.89%
Shell Traspt & Trdg ORD GBP 0.25	United Kingdom	19,293,538	0.85%
TOTAL		\$251,351,125	11.06%

REAL ESTATE FUND

Property Name	Location	Property Type	Market Value	% of REF Net Assets
Walton Street Fd III, LP	Various	Various	\$ 91,128,647	19.34%
AEW Partners III, LP	Various	Various	87,236,823	18.52%
Apollo Real Est Invest Fd III	Various	Various	84,347,518	17.90%
Westport Senior Living Fd, LP	Various	Senior Living	73,832,010	15.67%
New Goodwin Square, LLC	Hartford, CT	Mixed Use	51,557,186	10.94%
Union Station LTD LP	Washington, DC	Mixed Use	33,233,330	7.06%
AEW 221 Trust	Various	Various	17,773,052	3.77%
Wachovia Timberland Dublin	Various	Timber	14,140,542	3.00%
Worcester Center	Worcester, MA	Mixed Use	12,958,663	2.75%
Wachovia Timberland Balls	Various	Timber	1,571,171	0.33%
TOTAL			\$467,778,94299.28%	

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

TOP TEN HOLDINGS BY FUND AT JUNE 30, 2002

MUTUAL FIXED INCOME FUND

Security Name	Coupon	Maturity	Security Type	Market Value	% of MFIF Net Assets
GNMA-TBA	6.50%	12/15/2032	U.S. Govt. Agency	\$ 170,748,000	2.34%
FNMA-TBA	6.00%	12/31/2032	U.S. Govt. Agency	84,049,350	1.15%
FHLMC-TBA	6.50%	12/31/2032	U.S. Govt. Agency	81,721,729	1.12%
FNMA-TBA	6.00%	12/31/2032	U.S. Govt. Agency	78,414,161	1.07%
FHLMC-TBA	7.00%	12/31/2032	U.S. Govt. Agency	76,429,494	1.05%
U.S. Treasury Notes	4.375%	05/15/2007	U.S. Govt. Agency	71,068,944	0.97%
FNMA-TBA	6.50%	12/01/2032	U.S. Govt. Agency	69,812,239	0.96%
U.S. Treasury Notes	3.25%	05/31/2004	U.S. Govt. Agency	62,781,524	0.86%
GNMA-TBA	7.00%	12/31/2032	U.S. Govt. Agency	62,611,077	0.86%
U.S. Treasury Bonds	8.00%	11/15/2021	U.S. Govt. Agency	58,082,115	0.80%
TOTAL				\$ 815,718,633	11.18%

COMMERCIAL MORTGAGE FUND

Property Name	Location	Property Type	Market Value	% of CMF Net Assets
SASCO	Various	Other	\$ 19,106,983	26.74%
Greenhill Apts.	Detroit, MI	Residential	15,066,142	21.08%
57 Park Plaza	Boston, MA	Hotel	13,460,370	18.83%
North Haven Crossing	No. Haven, CT	Retail	6,150,418	8.61%
Bidderman	Secaucus, NJ	Warehouse	6,107,259	8.55%
Sheraton Denver West	Lakewood, CO	Hotel	5,514,204	7.72%
Yankee Mac E 11.056%	Various	Residential	608,966	0.85%
Yankee Mac F 12.981%	Various	Residential	229,852	0.32%
Yankee Mac G 9.50%	Various	Residential	152,536	0.21%
Yankee Mac C 14.00%	Various	Residential	144,128	0.20%
TOTAL			\$ 66,540,858	93.11%

PRIVATE INVESTMENT FUND

Date of Purchase	Company	Industry	Market Value	Percent of PIF Net Assets
11/01/98	Integrated Defense Technologies	Electronics	\$ 156,742,612	6.88%
06/28/01	Raytheon Aerospace Company	Services	52,440,155	2.30%
10/16/96	AMFM, Inc.	Communications	51,165,696	2.25%
01/07/99	BC Components Holdings B.V.	Electronics	31,983,412	1.40%
09/30/00	TRAK Communications, Inc.	Communications	30,788,815	1.35%
06/26/01	Citadel Communications Corp.	Communications	27,269,639	1.20%
09/21/00	Global Beverage Systems, Inc.	Consumer	27,257,356	1.20%
12/27/96	Rossi American Hardwoods	Industrial Products	22,574,795	0.99%
06/12/00	Optical Capital Group, Inc.	Industrial Products	22,461,952	0.99%
12/09/98	Metris Companies, Inc.	Services	21,304,072	0.94%
TOTAL			\$ 443,988,504	19.50%

GLOSSARY OF INVESTMENT TERMS

- Agency Securities** - Securities issued by U.S. Government agencies, such as the Federal Home Loan Bank. These securities have high credit ratings but are not backed by the full faith and credit of the U.S. Government.
- Alpha** - A measurement of the difference between the actual performance of a fund and its expected performance given the overall return of the market and the fund's beta. Positive alpha indicates successful management of risk while a negative alpha suggests unsuccessful management.
- Asset** - Anything owned that has value; any interest in property, tangible or intangible, that can be used for payment of debts.
- Asset Backed Security** - Financial instruments collateralized by one or more types of assets including real property, mortgages, and receivables.
- Banker's Acceptance (BA)** - A high-quality, short-term negotiable discount note, drawn on and accepted by banks which are obligated to pay the face amount at maturity.
- Basis Point (bp)** - The smallest measure used in quoting yields or returns. One basis point is 0.01% of yield, 100 basis points equals 1%. A yield that changed from 8.75% to 9.50% increased by 75 basis points.
- Benchmark** - A standard unit used as the basis of comparison; a universal unit that is identified with sufficient detail so that other similar classifications can be compared as being above, below, or comparable to the benchmark.
- Beta** - A measure of the volatility associated with the price movement of a stock in relation to the price movement of the overall stock market or benchmark.
- Book Value (BV)** - The value of individual assets, calculated as actual cost less allowances for any depreciation. Book value may be more or less than current market value.
- Capital Gain(Loss)** - Also known as capital appreciation(depreciation), capital gain(loss) measures the increase(decrease) in value of an asset over time.
- Certificates of Deposit (CDs)** - A debt instrument issued by banks, usually paying interest, with maturities ranging from seven days to several years.
- Coefficient of Determination (R^2)** - A statistic which indicates the amount of variability in a dependent variable, such as Fund returns, which may be explained by an independent variable, such as market returns, in a regression model. The coefficient of determination is denoted R^2 and ranges from 0 to 1.0. If the statistic measures 0, the independent variable offers no explanation of the dependent variable. If the statistic measures 1.0, the independent variable fully explains the dependent variable.
- Collateral** - Property offered as security, usually as an inducement to another party, to lend money or extend credit.
- Collateralized Mortgage Obligation (CMO)** - A generic term for a security backed by real estate mortgages. CMO payment obligations are covered by interest and/or principal payments from a pool of mortgages.
- Commercial Paper** - Short-term obligations with maturities ranging from 1 to 270 days. They are issued by banks, corporations, and other borrowers to investors with temporarily idle cash.
- Compounded Annual Total Return** - Compounded annual total return measures the implicit annual percentage change in value of an investment, assuming reinvestment of dividends, interest, and realized capital gains, including those attributable to currency fluctuations. In effect, compounded annual total return "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%.
- Current Yield** - The relationship between the stated annual interest or dividend rate and the market price of a security. In calculating current yield, only income payments are considered; no consideration is given to capital gain/loss or interest on interest.
- Derivative** - Derivatives are generally defined as contracts whose value depends on, or derives from, the value of an underlying asset, reference rate, or index. For example, an option is a derivative instrument because its value derives from an underlying stock, stock index, or future.
- Discount Rate** - The interest rate that the Federal Reserve charges banks for loans, using government securities or eligible paper as collateral.
- Diversification** - The spreading of risk by putting assets in several different securities or categories of investments.
- Duration** - A measure of the average time to receipt of all bond cash flows. Duration is used to determine the percentage change in price of a fixed income security for a given change in the security's yield to maturity. Duration is stated in terms of time periods, generally years. (See Modified and Macaulay duration).
- Equity** - The ownership interest possessed by shareholders in a corporation.

GLOSSARY OF INVESTMENT TERMS (Continued)

- ERISA (Employee Retirement Income Security Act)** - The 1974 law governing the operation of most private pension and benefit plans. The law eased pension eligibility rules, set up the Pension Benefit Guarantee Corporation, and established guidelines for the management of pension funds.
- Expense Ratio** - The amount, expressed as a percentage of total investment, that shareholders pay for mutual fund operating expenses and management fees.
- Fair Value** - The amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.
- Federal Funds Rate** - The interest rate charged by banks with excess reserves at a Federal Reserve district bank to banks needing overnight loans to meet reserve requirements. The federal funds rate is one of the most sensitive indicators of the direction of interest rates since it is set daily by the market.
- Federal Reserve Board** - The governing body of the Federal Reserve System (12 regional Federal banks monitoring the commercial and savings banks in their regions). The board establishes FRS policies on such key matters as reserve requirements and other regulations, sets the discount rate, and tightens or loosens the availability of credit in the economy.
- Fiduciary** - A person, company, or association holding assets in trust for a beneficiary. The fiduciary is charged with the responsibility to invest the money prudently for the beneficiary's benefit.
- Floating Rate Note** - A fixed principal instrument which has a long or even indefinite life and whose yield is periodically reset relative to a reference index rate to reflect changes in short- or intermediate-term interest rates.
- Gross Domestic Product** - Total final value of goods and services produced in the United States over a particular period or time, usually one year. The GDP growth rate is the primary indicator of the health of the economy.
- Hedge** - An investment in assets which serves to reduce the overall risk of a portfolio, usually at the expense of potential reward.
- Index** - A benchmark used in executing investment strategy which is viewed as an independent representation of market performance. An index implicitly assumes cost-free transactions; some assume reinvestment of income. Example: S&P 500 index.
- Index Fund** - A fund whose portfolio attempts to replicate that of a broadbased index such as the S&P 500 so as to match its performance.
- Inflation** - A measure of the rise in price of goods and services, as happens when spending increases relative to the supply of goods on the market, i.e. too much money chasing too few goods.
- Investment Income** - The equity dividends, bond interest, and/or cash interest paid on an investment.
- J-Curve** - An economic theory stating that a policy designed to have one effect will initially have the opposite effect. With regard to closed end commingled fund investments, this generally refers to the impact on returns of contributions made in the early portion of a fund's existence. Invested capital is used to pay fees and organizational costs as well as to make investments in non-income producing enterprises. Such uses negatively impact returns in early periods but are expected to generate increasing income and valuations in the late periods as the previously non-income producing entities start producing income and the relative size of fees and other costs diminish relative to the value of invested capital.
- JP Morgan Emerging Markets Bond Index Plus (EMBI+)** - An index which tracks total returns for traded external debt instruments in the emerging markets. The instruments include external-currency-denominated Brady bonds, loans and Eurobonds, as well as U.S. dollar local markets instruments. The EMBI+ expands upon Morgan's original Emerging Markets Bond Index, which was introduced in 1992 and covers only Brady bonds.
- LB Aggregate Index** - An index made up of Government, Corporate, Mortgage Backed, and Asset Backed securities, all rated investment grade. Returns are market value weighted inclusive of interest. Issues must have at least one year to maturity and an outstanding par value of at least \$100 million.
- Letter of Credit** - An instrument or document issued by a bank, guaranteeing the payment of a customer's drafts up to a stated amount for a specified period. It substitutes the bank's credit for the buyer's and eliminates the seller's risk.
- Liability** - The claim on the assets of a company or individual - excluding ownership equity. The obligation to make a payment to another.
- Leverage** - The use of borrowed funds to increase purchasing power and, ideally, to increase profitability of an investment transaction or business.
- Macaulay Duration** - The present value weighted time to maturity of the cash flows of a fixed payment instrument or of the implicit cash flows of a derivative based on such an instrument.
- Market Value** - The price at which buyers and sellers trade similar items in an open marketplace. Stocks are considered liquid and are therefore valued at a market price. Real estate is illiquid and valued on an appraised basis.
- Master Custodian** - An entity, usually a bank, used for safekeeping of securities and other assets. Responsible for other functions including accounting, performance measurement and securities lending.
- Maturity Date** - The date on which the principal amount of a bond or other debt instrument becomes payable or due.
- Mezzanine Debt** - Subordinated debt.

GLOSSARY OF INVESTMENT TERMS (Continued)

- MFR Index (Formerly IBC)** - An index which represents an average of the returns of institutional money market mutual funds that invest primarily in first-tier (securities rated A-1, P-1) taxable securities.
- Modified Duration** - A measurement of the change in the value of an instrument in response to a change in interest rates. It is the primary basis for comparing the effect of interest rate changes on prices of fixed income securities.
- Money Market Fund** - An open-ended mutual fund that invests in commercial paper, bankers' acceptances, repurchase agreements, government securities, certificates of deposit, and other highly liquid and safe securities and pays money market rates of interest. The fund's net asset value remains a constant \$1 per share - only the interest rate goes up or down.
- Moody's (Moody's Investors Service)** - A financial services company which is one of the best known bond rating agencies in the country. 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.
- MSCI-EAFE** - Morgan Stanley Europe Australasia Far East foreign equity index. An arithmetic value weighted average of the performance of over 900 securities on the stock exchanges of 19 countries on three continents. The index is calculated on a total return basis, which includes reinvestment of dividends net of withholding taxes.
- Net Asset Value (NAV)** - The total assets minus liabilities, including any valuation gains or losses on investments or currencies, and any accrued income or expense. NAV is similar to Shareholders' Equity.
- NCREIF (National Council of Real Estate Investment Fiduciaries)** - An index consisting of investment-grade, non-agricultural, income-producing properties: apartments, hotels, offices, and warehouses. Its return includes appreciation, realized capital gains, and income. It is computed by adding the income return and capital appreciation return generated by the properties in the index, on a quarterly basis.
- Par Value** - The stated or face value of a stock or bond. It has little significance for common stocks, however, for bonds it specifies the payment amount at maturity.
- Pension Fund** - A fund set up by a corporation, labor union, governmental entity, or other organization to pay the pension benefits of retired workers.
- Percentile** - A description of the percentage of the total universe in which portfolio performance is ranked.
- Price/Book (P/B)** - A ratio showing the price of a stock divided by its book value. The P/B measures the multiple at which the market is capitalizing the net asset value per share of a company at any given time.
- Price/Earnings (P/E)** - A ratio showing the price of a stock divided by its earnings per share. The P/E measures the multiple at which the market is capitalizing the earnings per share of a company at any given time.
- Present Value** - The current value of a future cash flow or series of cash flows discounted at an appropriate interest rate or rates. For example, at a 12% interest rate, the receipt of one dollar a year from now has a present value of \$0.89286.
- Principal** - Face value of an obligation, such as a bond or a loan, that must be repaid at maturity.
- Prudent Person Rule** - The standard adopted by some states to guide those fiduciaries with responsibility for investing money of others. Such fiduciaries must act as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investment.
- Realized Gain (Loss)** - A gain (loss) that has occurred financially. The difference between the principal amount received and the cost basis of an asset realized at sale.
- Relative Volatility** - A ratio of the standard deviation of the Fund to the standard deviation of its selected benchmark. A relative volatility greater than 1.0 suggests comparatively more volatility in Fund returns than those of the benchmark.
- Repurchase Agreements ("Repos")** - An agreement to purchase securities from an entity for a specified amount of cash and to resell the securities to the entity at an agreed upon price and time. Repos are widely used as a money market instrument.
- Reverse Repurchase Agreements ("Reverse Repos")** - An agreement to sell securities to an entity for a specified amount of cash and to repurchase the securities from the entity at an agreed upon price and time.
- Return on Equity (ROE)** - The net income for the accounting period after payment of preferred stock dividends and before payment of common stock dividends of a company divided by the common stock equity at the beginning of the accounting period.
- Risk Adjusted Return** - A modified (usually reduced) return which accounts for the cost of a specific investment exposure as well as the aggregate risk of such exposure.
- Russell 3000** - An equity index comprised of the securities of the 3,000 largest public U.S. companies as determined by total market capitalization. This index represents approximately 98% of the U.S. equity market. The largest security has a market capitalization of approximately \$85 billion; the smallest is approximately \$90 million.
- Salomon Brothers Broad Investment-Grade Bond Index (SBIG)** - A market value-weighted index composed of over 4,000 individually priced securities with a quality rating of at least BBB. Each issue has a minimum maturity of one year with an outstanding par amount of at least \$25 million.

GLOSSARY OF INVESTMENT TERMS (Continued)

- Salomon Brothers World Government Bond Index Non-U.S. (SWGBI)** - An unhedged index measuring government issues of 12 major industrialized countries.
- Securities Lending** - A carefully collateralized process of loaning portfolio positions to custodians, dealers, and short sellers who must make physical delivery of positions. Securities lending can reduce custody costs or enhance annual returns by a full percentage point or more in certain market environments.
- Soft Dollars** - The value of research or other services that brokerage houses and other service entities provide to a client "free of charge" in exchange for the client's business.
- S&P 500 (Standard & Poor's)** - The composite price average of 425 industrial stocks, 50 utility stocks, and 25 railroad stocks.
- S&P Ratings** -
- 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.
 - 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.
- 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.
- Thomson Bank Watch** - Rating agency for banks. Thomson's ratings on short-term securities span from TBW-1 through TBW-4. Long-term investments are rated A through E.
- Treasury Bill (T-Bill)** - Short-term, highly liquid government securities issued at a discount from the face value and returning the face amount at maturity.
- Treasury Bond or Note** - Debt obligations of the Federal government that make semiannual coupon payments and are sold at or near par value in denominations of \$1,000 or more.
- Trust** - A fiduciary relationship in which a person, called a trustee, holds title to property for the benefit of another person, called a beneficiary.
- TUCS** - Trust Universe Comparison Service. TUCS is based upon a pooling of quarterly trust accounting data from participating banks and other organizations that provide custody for trust assets.
- Turnover** - Security purchases or sales divided by the fiscal year's beginning and ending market values for a given portfolio.
- Unrealized Gain (Loss)** - A profit (loss) that has not been realized through the sale of a security. The gain (loss) is realized when a security or futures contract is actually sold or settled.
- Variable Rate Note** - Floating rate notes with a coupon rate adjusted at set intervals, such as daily, weekly, or monthly, based on different interest rate indices, such as LIBOR, Fed Funds, and Treasury Bills.
- Volatility** - A statistical measure of the tendency of a market price or yield to vary over time. Volatility is said to be high if the price, yield, or return typically changes dramatically in a short period of time.
- Yield** - The return on an investor's capital investment.
- Yield Curve** - A graph showing the term structure of interest rates by plotting the yields of all bonds of the same quality with maturities ranging from the shortest to the longest possible. The Y-axis represents the interest rate and the X-axis represents time, generally with a normal curve that is convex in shape.
- Zero Coupon Bond** - A bond paying no interest that sells at a discount and returns principal only at maturity.

UNDERSTANDING INVESTMENT PERFORMANCE

Introduction

This section discusses the Treasury's approach to measuring performance, including risk and return of the Retirement Plans and Trust Funds (CRPTF).

Understanding Performance

To measure success in achieving the primary objective of the Asset Allocation Plan, the Fund's performance is evaluated in two principal areas: risk and return. The results of these reviews, coupled with information on portfolio characteristics, are used to monitor and improve the performance of the Fund's external investment advisors.

To bring accountability and perspective to Fund performance and measurements of risk and return, The Connecticut Retirement Plans and Trust Funds are compared to those of similarly structured peer groups and indices. These comparisons enable plan participants, the Treasurer and the Investment Advisory Council, to determine whether and by how much Fund returns exceeded or fell short of the benchmarks. Each Fund's benchmark is selected on the basis of portfolio composition, investment style, and objectives.

Comparative performance is reviewed over both the near-term and the long-term for two reasons. First, pension management is, by its very nature, a long-term process. While both young and old employees comprise the pool of plan beneficiaries, the average age of plan participants is relatively low and requires that plan assets be managed for the long term. Second, as experience has shown, results attained in the short term are not necessarily an indicator of results to be achieved over the long term. Performance must be viewed in a broader context.

Overall performance is measured by calculating monthly returns and linking them to provide one-, three-, five- and ten-year histories of overall investment performance. Short-term performance is measured by total return over one-month, quarter-end, and trailing one-year time periods. Risk is also measured over both short- and the long-term periods.

Risk

The measurement of risk is a critical component in investment management. It is the basis for both strategic decision-making and investment evaluation. As an investment tool, investors assume risk to enhance portfolio returns. These enhancements, viewed as returns in excess of those available on "risk-free" investments, such as Treasury Bills, vary in magnitude according to the degree of risk assumed. Many investors focus on the negative aspects of risk and in doing so forego substantial upside potential, which can significantly enhance long-term returns. Thus, while risk can never be completely eliminated from a portfolio, the prudent management of risk can maximize investment returns at acceptable levels of risk.

Risk can take several forms and include: market risk, the risk of fluctuations in the overall market for securities; company risk, the risk of investing in any single company's stock or bonds; currency-exchange risk, the risk that a foreign country's currency may appreciate or depreciate relative to the U.S. dollar, thus impacting the value of foreign investments; and political risk, risk incurred through investing in foreign countries with volatile economies and political systems.

With respect to fixed income investments, investors also assume: reinvestment risk, the risk that cash flows received from a security will be reinvested at lower rates due to declining interest rates; credit or default risk, the risk that the issuer of a fixed income security may fail to make principal and interest payments on the security; interest rate risk, the risk that prices of fixed coupon bonds will decline in the event of rising market interest rates; and inflation or purchasing power risk, the risk that the real value of a security and its cash flows may be reduced by inflation. The level of risk incurred in fixed income investing increases as the investment time horizon is lengthened. This is demonstrated by the comparatively higher yields available on "long bonds," or bonds maturing in 20 to 30 years, versus those available on short-term fixed income securities.

In the alternative investment category, risks are significantly greater than those of publicly traded investments. Assessment of progress is more tenuous and valuation judgments are more complex. The

UNDERSTANDING INVESTMENT PERFORMANCE

investor assumes not only management, product, market, and operations risk, similar to equity investing, but also assumes liquidity risk, the risk that one's investment cannot be immediately liquidated at other than substantially discounted value.

VOLATILITY

To measure the effects of risk on the portfolio, the volatility of returns is calculated over time. Volatility, viewed as deviation of returns from an average of these returns over time, is measured statistically by standard deviation. Standard deviation is one of the most widely accepted and descriptive risk measures used by investment professionals today. Funds with high standard deviations are considered riskier than those with low standard deviations.

To evaluate the significance of the Funds' standard deviation, each Fund's relative volatility, or the ratio of the Fund's standard deviation to that of the benchmark is calculated. A relative volatility greater than 1.0 indicates that the Fund is more volatile than the benchmark while a measure less than 1.0 indicates less volatility. A relative volatility of 1.0 signifies an equal degree of volatility between the Fund and the benchmark.

As an extension of standard deviation, each Fund's beta, or a measure of the relative price fluctuation of the Fund to its benchmark, is also calculated. The measurement of beta allows one to evaluate the sensitivity of Fund returns to given movements in the market and/or its benchmark. A beta greater than 1.0 compared to the selected market benchmark signifies greater price sensitivity while a beta less than 1.0 indicates less sensitivity.

To measure the degree of correlation between Fund returns and the benchmark, the Division calculates the coefficient of determination, or R². This calculation, which is used in conjunction with beta, allows one to evaluate how much of the volatility in Fund returns is explained by returns in the selected market benchmark. An R² of 1.0 indicates that Fund returns are perfectly explained by returns of the benchmark, while a value less than 1.0 indicates that the returns of the benchmark explain only a portion of the fund return.

Finally, to evaluate how well each of the above measures actually predicted returns of the Fund, a calculation is performed on the Fund's alpha. This calculation measures the absolute difference between the Fund's monthly return and that predicted by its beta. Used together, these measures provide a comprehensive view of a Fund's relative risk profile.

RETURN

The Pension and Trust Funds are managed for maximum return with minimal risk. Return, viewed in this context, includes realized and unrealized gains in the market value of a security, including those attributable to currency fluctuations, as well as income distributed from a security such as dividends and interest. Return is measured through two calculations: compounded annual total return and cumulative total return.

Compounded Annual Total Return - This return measure evaluates performance over the short and long-term. Compounded annual total return measures the implicit annual percentage change in value of an investment, assuming reinvestment of dividends, interest, and realized and unrealized capital gains, including those attributable to currency fluctuations. In effect, compounded annual total return "smooths" fluctuations in long-term investment returns to derive an implied year-to-year annual return.

Cumulative Total Return - This calculation measures the absolute percentage change in value of an investment over a specified period, assuming reinvestment of dividends, interest income, and realized capital gains. While this calculation does not "smooth" year-to-year fluctuations in long-term returns to derive implied annual performance, cumulative total return allows one to see on an absolute basis the percentage increase in the total Fund's value over a specified time. Viewed graphically, cumulative total return shows one what a \$10 million investment in the CRPTF a set number of years ago would be worth today.

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