STATE OF CONNECTICUT

2008

ANNUAL REPORT OF THE
TREASURER
For the fiscal year ended June 30, 2008

STATE OF CONNECTICUT
Office of the State Treasurer

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

STATE OF CONNECTICUT

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For the fiscal year ended June 30, 2008

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QUI TRANSTULIT SUSTINET
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State of Connecticut

Office of the Treasurer

DENISE L. NAPPIER
TREASURER

HOWARD G. RIFKIN
DEPUTY TREASURER

December 31, 2008

The Honorable M. Jodi Rell, Governor of Connecticut

The Honorable Members of the Connecticut General Assembly

The People of the State of Connecticut

The enclosed 2008 Annual Report of the Office of the Treasurer of the State of Connecticut covers the 12 months ended June 30, 2008 and includes quantitative data, explanatory comments and financial information regarding the Connecticut Retirement Plans and Trust Funds (CRPTF), Short-Term Investment Fund (STIF), and Connecticut Higher Education Trust (CHET), Connecticut's 529 College Savings Program. In addition, the operations of Debt Management, Second Injury Fund, and Unclaimed Property are also presented.

In accordance with our practice of recent years, this Annual Report is available both in print and electronically via the Treasury website, www.state.ct.us/ott.

Sincerely,

Denise L. Nappier

Denise L. Nappier
Treasurer

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

Mission Statement

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

Duties of the Treasury

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

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

State revenue is received into the Treasury each year which covers the State's disbursements. The Treasurer is also responsible for prudently investing the more than $25.9 billion in State pension and trust fund assets, $5.7 billion in total State, local short-term, and other investments, and over $1.1 billion of assets in the Connecticut Higher Education Trust. The Treasurer maintains an accurate account of all funds through sophisticated security measures and procedures.

Boards, Committees, and Commissions

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

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

Additional information on responsibilities of each is provided on Supplemental pages S-55 and S-56.

Office of the State Treasurer Organization

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

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

The Pension Funds Management Division, under the direction of the Chief Investment Officer, manages the State's six pension funds and eight state trust funds with a combined market value portfolio in excess of $26.1 billion; ranging in investment diversity from domestic and international stocks to fixed income, real estate and private investment equity. Beneficiaries and participants include approximately 160,000 teachers, state and municipal employees, as well as trust funds that support academic programs, grants, and initiatives throughout the state. The Teachers' Retirement Fund is the Treasury's largest pension fund under management containing $14.5 billion, followed by the State Employees' Retirement Fund containing $9.3 billion and the Municipal Employees' Retirement Fund with $1.6 billion. The Pension Funds Management Division also serves as staff to the Investment Advisory Council.

The Cash Management Division, under the direction of an Assistant Treasurer, has responsibility for cash accounting and reporting, cash positioning and forecasting, bank reconciliation, bank administration, check processing and short-term investments. Over 3 million banking transactions are accounted for and reconciled annually. The division maintains accountability over the state's internal and external cash flows through the Treasury's 20 bank accounts annually. The Division prudently and productively manages clients' cash, including 1,094 accounts within the Short-Term investment Fund for the State, State agencies and authorities, and municipal and local government entities.

The Debt Management Division, under the direction of an Assistant Treasurer, administers the state's bond and debt financing program, including the sale of state bonds. Monitoring the bond markets, financing structures and economic trends that affect interest rates are critical requirements for favorable bond issuances. The Division oversees the issuance of bonds to finance state capital projects, refinances outstanding debt when appropriate, manages debt service payments and cash flow borrowing, provides information and data to private credit rating agencies, and administers the Clean Water and Drinking Water loan programs. As of June 30, $16.4 billion of state debt was outstanding.

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

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

2008 Annual Report Year at a Glance

COMBINED INVESTMENT FUNDS, JUNE 30

Market Value of Assets Under Management	$ 26,129,160,510
Net Assets Under Management	$ 25,871,822,678
Total Investment Returns for the Fiscal Year	$ (1,257,957,946)
Total Management Fees for the Fiscal Year	$ 114,835,799
Total Number of Advisors	115
Increase in Total Advisors from Prior Year	15
One-Year Total Return	-4.71% (1)
Five-Year Compounded Annual Total Return	9.46%
Ten-Year Compounded Annual Total Return	6.15%

(1) Represents a composite return of the total pension and trust funds. Individual returns for the three primary pension funds (Teachers'; State Employees; and Municipal Employees') are separately presented as the asset allocations of each fund are different.

CONNECTICUT HIGHER EDUCATION TRUST, JUNE 30

Number of Participant Accounts	79,536
Net Assets	$ 1,076,674,472

DEBT MANAGEMENT, JUNE 30

Total Debt Outstanding	$ 16,437,563,328
General Obligation Debt included above	$ 11,917,999,973
Total New Debt Issued During the Fiscal Year	$ 3,919,708,271
General Obligation Debt Issued included above	$ 3,642,663,271
Total Debt Retired and Defeased During the Fiscal Year	$ 1,693,776,790
General Obligation Debt Retired and Defeased included above	$ 1,059,513,998
Total Debt Service Paid on Outstanding Debt During the Fiscal Year	$ 1,990,191,171
General Obligation Debt Service Paid included above	$ 1,340,132,092

CASH MANAGEMENT, JUNE 30

Total Cash Inflows During the Fiscal Year	$ 83,966,731,112
Total Cash Outflows During the Fiscal Year	$ 83,923,481,265
Number of State Bank Accounts at June 30, 2008	363

SHORT-TERM INVESTMENT FUND, JUNE 30

Total Net Assets of the Fund	$ 5,054,521,656
One-Year Total Return	4.13%
Five-Year Compounded Annual Total Return	3.49%
Ten-Year Compounded Annual Total Return	3.91%
Weighted Average Maturity	19 days
Number of Participant Accounts	1,094

SHORT-TERM PLUS INVESTMENT FUND, JUNE 30

Total Net Assets of the Fund	$ 310,314,034
Weighted Average Maturity	303 days
Number of Participant Accounts	1

SECOND INJURY FUND, JUNE 30

Number of Claims Settled During the Fiscal Year	181
Total Cost of Claims Settled and Paid	$ 10,113,860
Second Injury Fund Estimated Unfunded Liability (expressed as reserves)	$ 443,800,000
Number of Claims Outstanding	2,310

UNCLAIMED PROPERTY, JUNE 30

Dollar Value of Gross Unclaimed Property Receipts	$ 64,037,656
Dollar Value of Claims Paid	$ 30,626,832
Number of Property Claims Paid	16,787

Division Overview

STATE OF CONNECTICUT
QUI TRANSTULIT SUSTINET
TREASURER'S OFFICE

State of Connecticut
Investment Advisory Council
Hartford

JAMES T. LARKIN
CHAIRMAN

December 1, 2008

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

Dear Governor Rell:

As Chairman of the Investment Advisory Council ("IAC"), I am pleased to present this report on the performance of the State of Connecticut Retirement Plans and Trust Funds ("CRPTF" or "the Funds") and the activities of the IAC for the fiscal year ending June 30, 2008.

The fiscal year 2008 was a very productive one for the CRPTF, despite the market's backlash from the credit crisis that sent the S&P tumbling nearly 15%. The CRPTF's three largest plans, State Employees' Retirement Fund ("SERF"), the Teachers' Employees Retirement Fund ("TERF") and the Municipal Employees Retirement Fund ("MERF"), representing 99% of the CRPTF, posted strong performance results due to their long-term strategic asset allocation, lower risk and well diversified portfolio. Specifically, SERF, TERF and MERF posted net total returns (after all expenses) of -4.83%, -4.77% and -4.11%, respectively. This loss was much less significant than that suffered by the three funds' customized benchmarks, of -7.06%, -6.89% and -5.98%, respectively.

Throughout the fiscal year, the IAC focused on a number of important policy initiatives. New asset allocation targets were incorporated into the Investment Policy Statement ("IPS"), which was approved by the IAC and adopted by the Treasurer in October 2007. During the fiscal year, the individual plans were remodeled in line with the newly approved allocation plan to the various asset classes. This plan included increased exposure to foreign, emerging and developed markets, the creation of a Liquidity Fund and an Alternative Investment Fund. With these new policy targets the CRPTF is positioned to take advantage of new markets, evolving strategies, and increasing global diversification. All told, the new asset allocation plans should enhance returns and reduce risks. The Treasury conducted a study on benefit payment trends and cash utilization to determine the liquidity needs of the various plans. As a result, at the June 2008 IAC meeting, the IPS was modified to increase the amount of cash allocated to the Liquidity Fund for the three largest plans. In light of current market conditions, the newly created Liquidity Fund and the strategic management of cash has ensured uninterrupted access to liquidity while protecting core holdings from liquidation during these disruptive markets.

During the fiscal year, the IAC endorsed a competitive search process that led to the hiring of four consultants to assist with the management of the CRPTF. In concert with implementing the new allocation to alternative investments was the hiring of an alternative investment consultant, New England Pension Consultants, LLC. During December 2007, RogersCasey was hired as a special project consultant and charged with assisting with

c/o 55 Elm Street, Hartford, Connecticut 06106-1773, Telephone: (860) 702-3000

INVESTMENT ADVISORY COUNCIL

the development of the newly created Liquidity Fund. Mercer Consulting was hired in October 2007 to assist with the oversight of the public market funds and to perform as general investment consultant, and the Townsend Group was hired as the real estate investment consultant in June 2008.

The IAC endorsed seven commitments to real estate partnerships totaling $475 million and eight commitments to private equity partnerships totaling $450 million, which were successfully negotiated during Fiscal Year 2008, as efforts continued to build those portfolios to their asset allocation targets of 5% and 11%, respectively. With regard to public market searches, the IAC endorsed a competitive search process that led to the hiring of four Emerging Market Debt Fund money managers and two High Yield Debt Fund managers, and the investment of $750 million and $300 million, respectively.

The IAC continued its practice of reviewing fund performance at each meeting, discussing individual manager changes, when necessary, and conducted a more extensive review of fund and manager performance on a quarterly basis. Periodically, the IAC conducts educational sessions for its members. During this past fiscal year we heard presentations on third party fee disclosure process, the use of active extension strategies within our traditional asset classes, and an overview of our currency overlay strategy and performance results. During July 2007, Thomas Barnes of Bristol, Connecticut, assumed responsibility as a public member of the IAC. Mr. Barnes was appointed by the House Minority Leader for a four-year term. Also, during the fiscal year, George Mason, of Farmington, Connecticut, a pubic member of the IAC appointed by the Senate Minority Leader, resigned in November of 2007. Consistent with its statutory requirement to approve the hiring of a Chief Investment Officer (“CIO”) and establishing the salary range, the IAC participated with the Treasurer in the CIO search process during fiscal year 2008, which is still ongoing.

The IAC supported the Treasurer in her efforts to reduce the unfunded liability portion of the Teachers’ Retirement Fund, which is reflected in Public Act 07-186-186, An Act Concerning Adequate Funding of the Teachers’ Retirement System. The enabling legislation passed by the Legislature and signed by you included a bondholder covenant requiring the State fund 100% of the actuarially recommended contribution to the TERF each year the bonds remain outstanding, subject to certain financial exigencies. As a result, $2 billion in Pension Obligation Bonds were sold and the financial health of the TERF was strengthened by reducing a portion of the unfunded liability. The result of this bond transaction improves the funded status of the teachers’ pension plan, locks in favorable borrowing costs, and provides significant cash flow savings over the long term. With interest rates at historically low levels, the TERF was able to lock in a long-term borrowing cost of 5.88%, a rate much lower than the actuarial rate of 8.50% applied as interest cost on the unfunded liability.

The demographics of the plan participants are such that in fiscal year 2008, the CRPTF received contributions of $8.2 billion, which included the $2 billion pension obligation bond for the TERF, and withdrew monies for payment of pension benefits of $7 billion, resulting in a positive net cash flow of $1.2 billion from pension activities.

As Chairman of the Investment Advisory Council, I am pleased to be amongst fellow council members whose dedication to the IAC’s mission demonstrates an unwavering commitment to those whom we represent. It is with this sense of duty and solemn pledge to maintain our commitment to all the current and future pension beneficiaries and the taxpayers of the State of Connecticut that I submit this brief summary on behalf of the Investment Advisory Council.

Sincerely,

J. T. Larkin

James T. Larkin
Investment Advisory Council Chairman

c/o 55 Elm Street, Hartford, Connecticut 06106-1773, Telephone: (860) 702-3000

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 the plan and trust funds by the Treasurer. The IPS includes, with respect to each plan and 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 and money 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, external investment and money managers, investment consultants, custodians, broker-dealers, legal counsel, and similar investment industry professionals; and (G) proxy voting guidelines. The Treasurer shall thereafter adopt the IPS, including any such changes recommended by the IAC the Treasurer deems appropriate, with the approval of a majority of the members appointed to the IAC. The current IPS was adopted by the Treasurer and approved by the IAC in October 2007 and subsequently in May 2008, the IAC approved the Treasurer's adopted asset allocation modifications for various plans to increase the allocations to the Liquidity Fund.

All plan and 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 IAC 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 plan and 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 plan and trust funds or breakdowns in the safekeeping of plan and 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 plan and 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 2008 include:

JAMES T. LARKIN, Chairman, as appointed by the Governor. President, Global Strategy Advisors.

THOMAS BARNES, Branch Manager, Riverside Investment Services.

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

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

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

GEORGE H. MASON, Retired Business Educator. (Served until November 2007.)

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

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

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

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

CAROL M. THOMAS, Representative of State Employees' unions, Retiree, Department of Developmental Services.

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

Division Overview

Introduction

As principal fiduciary of six state pension funds and eight trust funds, (known collectively as the "Connecticut Retirement Plans and Trust Funds" or "CRPTF"), the Treasurer is responsible for managing $25.9 billion of net assets of retirement plans for approximately 160,000 teachers, state and municipal employees, as well as trust funds that support academic programs, grants, and initiatives throughout the state. The Pension Funds Management Division ("PFM" or "the Division") is responsible for the day-to-day administration of the CRPTF.

Prudent investment management requires properly safeguarding pension assets in order to ensure the retirement security of the beneficiaries. Funding of the pension benefit liability is dependent on investment returns, state contributions and the contribution requirements of eligible retirement plan participants.

As shown in Figure 1-1, over the last ten years pension and trust assets have grown from $18.4 billion to $25.9 billion, or 40.8%. The Teachers' Retirement Fund ("TERF"), with $14.5 billion of assets under management at June 30, 2008, is the largest participating fund. Of the $14.5 billion of the TERF assets, $2 billion were received during the past fiscal year from proceeds of a pension obligation bond, which was part of a long-term plan to improve the financial health of the TERF. The State Employees' Retirement Fund ("SERF") and the Municipal Employees' Retirement Fund ("MERF") have $9.3 billion and $1.6 billion of assets, respectively. During the fiscal year ended June 30, 2008, total investment return (comprised of interest income, dividends, securities lending income, and net realized gain and unrealized capital losses, net of Fund operating expenses) was negative $1.3 billion. (See figure 1-2.)

CRPTF's total investment in securities at fair value as of June 30, 2008 is illustrated below:

COMBINED INVESTMENT FUNDS
Investment Summary at June 30, 2008

	Fair Value (1)	% of Total Fund Fair Value
Liquidity Fund ("LF")(2)	$1,140,821,830	4.37%
Mutual Equity Fund ("MEF")	8,017,007,807	30.68%
Developed Market International Stock Fund ("DMISF")	5,077,825,949	19.43%
Emerging Market International Stock Fund ("EMISF")	1,295,936,888	4.96%
Real Estate Fund ("REF")	1,002,243,816	3.84%
Core Fixed Income Fund ("CFIF")	4,851,300,830	18.57%
Inflation Linked Bond Fund ("ILBF")	1,162,545,028	4.45%
Emerging Market Debt Fund ("EMDF")	1,040,295,964	3.98%
High Yield Debt Fund ("HYDF")	745,137,049	2.85%
Commercial Mortgage Fund ("CMF")	6,906,096	0.02%
Private Investment Fund ("PIF")	1,789,139,253	6.85%
Total Fund	**$26,129,160,510**	**100.00%**

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

(2) The market value of LF presented represents the market value of the pension and trust balances in LF only (excluding receivables and payables); the LF balances of the other combined investment funds are shown in the market value of each fund.

Fund Management

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

The Treasurer employs external money and investment managers to invest each Fund. The money and investment managers are selected based on asset class expertise, investment performance and style and are expected to comply with the parameters, guidelines, and restrictions set forth in the Investment Policy Statement. As of June 30, 2008, 125 external money and investment managers were employed by the Treasury to invest the pension and trust assets, an increase of 19 managers from June 30, 2007. (See figure 1-5.)

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

Investment Policy

One of the immutable principles of investment management is that asset allocation decisions are responsible for as much as 90% of the resulting returns. In October 2007, the independent Investment Advisory Council ("IAC") approved, and the Treasurer adopted, the Investment Policy Statement ("IPS") including the asset allocation plan, which governs CRPTF investments. The asset allocation plan is customized for each plan and trust and each plan's main objective is to maximize investment returns over the long term at an acceptable level of risk, primarily through asset diversification. Risk, in this context, is defined as volatility of investment returns. (See the Understanding Investment Performance discussion in the Supplemental Section.)

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

As shown in Figure 1-3, the number and complexity of asset classes comprising the asset allocation policy have fluctuated during the last ten years. As of June 30, 2008, multiple asset classes were included in the IPS , including Domestic Equity, International Equity, Fixed Income, Real Estate, Private Investments and Alternative Investments.

At fiscal year-end, domestic and international equities comprised the largest percent of the total CRPTF, at 55.7%. Equities have an established record of maximizing investment returns over the long term. Fixed income and alternative investments were also included to allow the ability to enhance portfolio returns during highly inflationary or deflationary environments and to mitigate the effects of volatility in the stock market.

Asset Classes

To realize the asset allocations set forth in the Connecticut Retirement Plans and Trust Funds' (CRPTF) Investment Policy Statement, the Treasurer administers the Combined Investment Funds as a series of mutual funds in which the CRPTF may invest through the purchase of ownership interests. The asset mix for each of the 14 plans and trusts is established by the Treasurer, with approval of the independent IAC, based on (1) capital market theory, (2) financial and fiduciary requirements, and (3) liquidity needs. A broad array of asset classes is considered for inclusion in a potential asset allocation structure. Each asset class has its own distinct characteristics, as well as expectations for long-term return and risk behavior.

The asset classes which make up the CRPTF's portfolio include:

Domestic Equity

The Mutual Equity Fund ("MEF") invests primarily in the common stocks of U.S. corporations. These investments are made using external money managers. MEF assets, which are allocated across the U.S. stock market, ensure diversification by both market capitalization and investment style, such as value and growth. The MEF may invest opportunistically to take advantage of shifts in the investment landscape that offer diversification and/or risk return benefits. This opportunistic allocation is made within the broad context of the MEF. The Fund measures its performance against the Russell 3000 Index. As currently structured, the MEF replicates the approximate capitalization of the U. S. equity market as a whole with 74% of the portfolio invested in large-cap stocks, 22% in small/mid-cap stocks, and 4% in all-cap.

Management of the MEF entails pure indexing, enhanced indexing, and active management strategies executed by external money managers. Enhanced indexing involves identifying, through market analysis and research, those securities in the index which are most likely to under-perform, and discarding them from the portfolio. This is achieved while maintaining industry weightings consistent with the overall index. The goal of enhanced indexing is to generate a return slightly in excess of the selected index. Indexing is a particularly appropriate strategy for the "large-cap" segment of the equity markets, which is defined as the securities of the largest capitalized public companies, typically comprising the major market indices. Approximately 87% of the entire domestic equity portfolio adheres to indexing, enhanced indexing, or risk controlled strategies.

Within the "small- and mid-cap" sections of the equity markets, active management continues to allow the CRPTF the opportunity to achieve enhanced returns. Small- and mid-cap securities are issued by companies that are much smaller and not as closely monitored, researched or analyzed as the larger capitalization companies. Consequently, the small-cap segment of the U.S. equity market is less efficient. Certain active money managers are therefore more likely to outperform the markets over the long term, while earning an acceptable level of return per unit of risk.

International Equity

The international equities are divided into two funds: the Developed Markets International Stock Fund ("DMISF") and the Emerging Markets International Stock Fund ("EMISF"). The DMISF and the EMISF are separate asset classes in order to provide flexibility for each plan and trust fund to develop its individual allocation to each stock fund. DMISF and EMISF assets are allocated across foreign markets so that there is diversification by market, capitalization and style, comprising a mix which is structured to replicate the characteristics of the comparable developed and emerging non-U.S. stock market indices.

The DMISF invests primarily in the common stocks of non-U.S. corporations, and the investments are made using external money managers. Non-U.S. stocks are defined as common stocks issued by companies domiciled outside the U.S. International developed markets are defined as the countries included in the S&P/Citigroup Broad Market Index (BMI) EPAC (Europe, Pacific Asia Composite). The Performance Benchmark for DMISF is the S&P/Citigroup Broad Market Index (BMI) EPAC (Europe, Pacific Asia Composite) 50% hedged with net dividends reinvested.

The EMISF invests primarily in the common stocks of non-U.S. corporations, defined as the countries included in the Morgan Stanley Capital International (MSCI) Emerging Markets Free Index ("EMF Index"). The Performance Benchmark for EMISF is the MSCI Emerging Markets Investable Index (IMI) with net dividends reinvested. These investments are made using external money managers.

The DMISF is comprised of passive indexing, risk controlled, and core developed markets strategies, all of which entail benchmark sensitive investment management approaches. Mandates for active growth/value and small cap developed market strategies represent roughly 33% and 6% of the DMISF, respectively, and introduce greater flexibility with regard to benchmark weightings. The currency exposure of the DMISF investments is managed through a currency hedging overlay strategy.

The EMISF is invested 100 percent in active, unhedged emerging markets strategies.

Fixed Income Investments

The fixed income assets are diversified across four types of funds: the Core Fixed Income Fund ("CFIF"), the Inflation Linked Bond Fund ("ILBF"), the Emerging Markets Debt Fund ("EMDF"), and the High Yield Debt Fund ("HYDF"). Investments in the various fixed income fund serves to reduce volatility of the CRPTF returns under various economic scenarios. Further, the fixed income portfolio provides cash flow to the CRPTF over all economic cycles, through interest payments and bond maturities.

The CFIF consists of managed fixed income portfolios that include debt instruments issued by the U.S. Government and its agencies, quasi-government agencies, U.S. corporations or any other public or private U.S. corporation whose debt security is regulated by the Securities and Exchange Commission. The Performance Benchmark for CFIF is the Lehman Brothers US Aggregate Index.

The ILBF consists of managed fixed income portfolios containing domestic and foreign government-issued bonds. These bonds offer protection against inflation and contribute to overall diversification. Treasury Inflation Protected Securities (TIPS) pay semi-annual interest according to the bonds' coupon; the principal of the bonds are adjusted for inflation as measured by the Consumer Price Index ("CPI"). The Performance Benchmark for ILBF is the Lehman Brothers US TIPS Index.

The EMDF consists of managed fixed income portfolios that contain debt instruments issued by governments and companies operating in emerging countries as defined by the benchmark and/or by The World Bank. The Performance Benchmark for EMDF is the J.P. Morgan Emerging Markets Bonds Global Index.

The HYDF consists of managed fixed income portfolios that, include debt instruments rated below investment grade by a nationally recognized rating agency service (example: Standard & Poors, Moody's or Fitch). The majority of the bonds are U.S. dollar denominated. The Performance Benchmark for HYDF is the Citigroup High Yield Market Index.

Liquidity Fund

The Liquidity Fund ("LF") is a new asset class that was established in accordance with the IPS adoption in October, 2007. The objective of the LF is to provide the ability to generate cash, as needed for benefit payments, through the sale of readily marketable securities. This structure enables the core holdings of the CRPTF to remain fully invested according to their investment mandate. A secondary objective of the LF is to earn a return above money market rates. While the majority of the LF is invested in money market instruments, there are allocations to intermediate maturities and developed and emerging global markets. The benchmark for the LF is the one-month LIBOR.

Real Estate and Private Equity

The Real Estate Fund ("REF") is the vehicle by which the CRPTF makes investments in the real estate asset class. The investments may consist of a number of different investment strategies and investment vehicles, including externally managed commingled funds, separate accounts and/or publicly traded real estate securities. The REF invests in real estate properties and mortgages and is designed to dampen volatility of overall returns through diversification and to provide long-term rates of return. The REF will invest in the following types: core investments; value added (investments involving efforts to increase property value through repositioning, development and redevelopment); opportunistic (investments that represent niche opportunities, market inefficiencies, or special purpose markets); and publicly traded (primarily Real Estate Investment Trusts and Real Estate Operating Companies). Leverage within the REF is limited to 60%. These investments also adhere to the Responsible Contractor Policy. The Performance Benchmark for REF is the NCREIF Property Index.

The Private Investment Fund (PIF) investments generally are made in externally managed limited partnerships or through separate accounts that focus on private stock investments, which include both venture capital and corporate finance investment strategies. Venture capital typically involves equity capital invested in young or development stage companies, whether start-up, early, mid or late-stage companies. Corporate finance typically involves equity and debt capital invested in growth, mature or distressed stage companies, often through the financing of acquisitions, spin-offs, mergers or changes in capitalization. The Performance Benchmark for PIF is the S&P 500 plus 500 basis points Index.

Alternative Investments

The Alternative Investment Fund ("AIF") was established as a new asset class in accordance with the IPS adoption in October 2007. The purpose of the AIF is to invest CRPTF assets in investment strategies which offer the potential to enhance return characteristics and/or reduce risk. The AIF provides a vehicle for investment in portfolio strategies which are not easily classified, categorized, or described in the other investment funds. Hybrid strategies which contain multiple asset classes are also considered part of the opportunity set. As currently detailed in the IPS, the development of the AIF continues to evolve over time. The Treasurer, in consultation with the IAC, will further develop the description of the security investment and strategy types that will make up the Fund, performance objectives, investment guidelines and the approach to hire investment management firm(s) to oversee the implementation of the strategies articulated for the Fund.

Securities Lending

The Treasury maintains a securities lending program for the CIF 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, as well as to cover short sales, customer defaults, dividend recapture, and arbitrage trades. To mitigate the risks of securities lending transactions, the master custodian carefully monitors the credit ratings of each counter-party and overall collateral level. Collateral held is marked-to-market on a daily basis to ensure adequate coverage. During fiscal year 2008, the guidelines of the securities lending program were revised to increase the creditworthiness of the cash collateral securities and shorten the duration of the collateral investment pool.

State Street Bank and Trust Company, the current master custodian for the Funds, is responsible for marketing the program, lending the securities, and obtaining adequate collateral. For the fiscal year ended June 30, 2008, securities with a market value of approximately $3.3 billion had been loaned against collateral of approximately $3.4 billion. Income generated by securities lending totaled $28.4 million for the fiscal year.

The Year in Review

Total Fund Performance

During the fiscal year, the value of CRPTF's portfolio remained steady at $25.9 billion. The portfolio remained flat as a net outflow of funds from operations of $1.3 billion (net investment income of $1.1 billion, realized gains of $.6 billion and unrealized depreciation of approximately $3.0 billion) was offset by net cash inflow of $1.2 billion. The net cash inflow of $1.2 billion was comprised of pension payments to beneficiaries of $7 billion that were offset by net contributions from unit holders of $8.2 billion. Net contributions included a $2 billion pension obligation bond proceed for the Teachers' Employees Retirement Fund ("TERF").

For the fiscal year ended June 30, 2008, the CRPTF posted a negative return of -4.71% [(3)], net of all expenses. The CRPTF is made up of 14 plans and trusts and the return for each plan or trust is measured against its customized benchmark. The three largest plans, which represent approximately 99% of the CRPTF assets, are the State Employees' Retirement Fund (SERF), TERF, and the Municipal Employees' Retirement Fund (MERF). The returns of TERF, SERF and MERF are measured against a hybrid benchmark customized to reflect each plan's asset allocation and performance objectives. Investment return calculations are prepared using a time weighted rate of return based on industry standards.

(3) Represents a composite return of the total pension and trust funds. Individual returns for the three primary pension funds (Teachers'; State Employees; and Municipal Employees') are separately presented as the asset allocations of each fund are different.

TERF's benchmark is comprised of 30% Russell 3000 Index; 20% S&P/Citigroup EPAC Broad Market 50% Hedged index; 9% MSCI Emerging Market Investable Market Index; 13% Lehman Brothers Aggregate Index; 4% JP Morgan Emerging Markets Global Index; 2% Citigroup High Yield Market Index; 6% Lehman US TIPS Index; 6% One Month Libor Index; and 10% S&P 500 Index.

SERF's benchmark is comprised of 31% Russell 3000 Index; 20% S&P/Citigroup EPAC Broad Market 50% Hedged index; 9% MSCI Emerging Market Investable Market Index; 13% Lehman Brothers Aggregate Index; 4% JP Morgan Emerging Markets Global Index; 2% Citigroup High Yield Market Index; 6% Lehman US TIPS Index; 4% One Month Libor Index; and 11% S&P 500 Index.

MERF's benchmark is comprised of 27% Russell 3000 Index; 16% S&P/Citigroup EPAC Broad Market 50% Hedged index; 8% MSCI Emerging Market Investable Market Index; 19% Lehman Brothers Aggregate Index; 5% JP Morgan Emerging Markets Global Index; 2% Citigroup High Yield Market Index; 10% Lehman US TIPS Index; 3% One Month Libor Index; and 10% S&P 500 Index.

Domestic Equity Performance

During the fiscal year, the MEF generated a negative return of -12.99%, net of fees and operating expenses, which underperformed the Russell 3000 Index return of -12.69% by 30 basis points. The U.S. economy grew approximately 2.1% during the fiscal year, despite an environment of spiraling energy costs, a weak housing market and a faltering labor market that hindered consumer spending. During the first quarter of fiscal year 2008, the Federal Reserve weighed the outlook for economic weakness against increasing price inflation. In an effort to stimulate economic activity, the Federal Reserve cut interest rates 100 basis points by December 2007. As a result of lower interest rates, equity markets increased in value and peaked in October 2007. However, slower economic growth, the write down of debt at financial institutions, and the outlook for reduced corporate earnings caused the domestic equity markets to decline throughout the balance of the fiscal year. Mixed equity market performance during the first quarter of calendar year 2008 gave way to significant market declines by June 2008, culminating in the worst second-half fiscal year performance in 25 years.

International Equity Performance

The DMISF posted a loss of -14.60%, net of fees and operating expenses, which outperformed its benchmark index return of -16.05% by 145 basis points. Global financials were the weakest performers as the mortgage and credit crisis spread, battering shares of banks and capital markets firms that were exposed to sub-prime mortgages. Consumer discretionary stocks also performed poorly, as fears of a slowing global economy, coupled with high energy prices and declining consumer spending, hurt shares of automakers, retailers, and media companies.

At the beginning of the fiscal year, emerging markets continued to generate substantial growth, particularly in countries fueled by exports tied to energy and raw materials, but the fabric of their economic infrastructure began to fade by the end of the fiscal year. The EMISF generated a return of 0.19%, net of fees and operating expenses, which underperformed its benchmark index return of 3.49% by 330 basis points.

Fixed Income Performance

The credit crisis, which unofficially began during the summer of 2007, began to widen its reach from sub prime-related securities to all credit-related sectors within the global fixed income markets. A flight to quality ensued and US Treasury notes and inflation-linked US TIPS increased in value. During fiscal year 2008, credit spreads widened and peaked in March 2008 leading up to the takeover of Bear Stearns by JP Morgan, a deal brokered by the Federal Reserve. To support liquidity and confidence in the marketplace, the Federal Reserve augmented traditional monetary policy with new liquidity facilities. As credit conditions deteriorated, housing prices continued their decent and the consumers tightened their purse strings, the Federal Open Market Committee (FOMC) cut the federal funds rate by an additional 200 bps during the first quarter of calendar year 2008. During fiscal year 2008, the FOMC cut the federal funds rate by a total of 325 bps. Fixed income securities in general benefited from falling interest rates, but that was partially offset by widening credit spreads.

For the fiscal year 2008 the CFIF generated a total return of 5.65%, net of fees and operating expenses, underperforming the benchmark return of 7.13% by 148 basis points. The underperformance was attributable to the fact that core holdings were underweight U.S. Treasury notes and overweight mortgage-related securities. The credit concerns hit the below investment grade market particularly hard and the HYDF posted a negative return of 1.88% net of fees and operating expenses, outperforming the benchmark return of negative 2.29% by 41 basis points. The ILBF, supported by both falling US Treasury rates and rising inflation, generated a total return of 16.81% net of fees and operating expenses, outperforming the benchmark return of 15.09% by 172 basis points. The strong growth dynamics of the emerging market during fiscal year 2008 caused the EMDF to generate a total return of 5.59%, net of fees and operating expenses, outperforming the benchmark return of 5.10% by 49 basis points. Finally, the LF generated a return of 4.59%, outperforming the one month LIBOR benchmark of 4.10%, by 49 basis points.

Real Estate and Private Equity Performance

For the fiscal period ending June 30, 2008, the REF generated a total return of 6.04%; net of fees, which under performed the National Council of Real Estate Investment Fiduciaries Index (NCREIF) of 13.58% by 754 basis points. The underperformance was caused by the poor performance of one real estate deal and the addition of several new funds that are still in the early stages and have not generated pro-forma returns. The REF grew its portfolio from $685 million to $1.002 billion in accordance with the asset allocation guidelines of approximately 5% of total CRPTF assets. The rapid growth of the REF has occurred despite the credit crisis which began in the summer of 2007. To protect the portfolio, 45% of the fund is invested in core portfolios that have a maximum leverage requirement of only 30%. Core real estate funds can withstand downward pressure on valuations without creating a serious refinancing issue. The remaining 55% of the portfolio is invested in leveraged real estate funds (60% - 75% loan to value) which are being managed with the intent of extending the refinance date wherever possible. The REF also has outstanding commitments of approximately $500 million which are being held in reserve by various investment managers to take advantage of distressed sales that are expected to occur over the next 24 months. At fiscal year-end the REF represented 3.9% of the CRPTF assets

For the fiscal year ended June 30, 2008, the Private Investment Fund (“PIF”) generated a one year 13.7% compounded annual rate of return. The severe correction in the global economy has led to a contraction in overall deal activity as private equity managers found it more difficult to access the debt financing necessary to execute leveraged buyout transaction. For both small and large deals, leverage multiples for 2008 transactions have been approximately one turn of EBITDA lower than 2007. However, despite the correction in the global financial markets, private equity fundraising for the last two quarters of the fiscal year 2008 was on par with 2007, but it is anticipated to slow as we approach fiscal year 2009.

2008 Management Initiatives

During the fiscal year the Office of the Treasurer adopted the revisions of the IPS which were presented to and, approved by, the IAC. The major changes to the IPS included incorporation of new asset allocation targets and the inclusion of two new asset classes: the Liquidity Fund and the Alternative Investment Fund. The new asset allocation targets will decrease the CRPTF’s exposure to domestic equity and fixed income markets, while simultaneously increasing exposure to international equity markets to diversify risks and enhance return. The Liquidity Fund will allow the CRPTF to become more strategic in its investment of cash. One of the main objectives for establishing an alternative investment fund is to give the CRPTF the flexibility to consider evolving and market-driven strategies. Alternative strategies have continued to become an increasingly important part of a successful and well diversified investment program. Overall the implementation of the asset allocation target ranges and new asset classes will allow the CRPTF to increase return, maintain a prudent risk exposure, and continue to work toward reducing the gap of the unfunded position of certain plans.

Given the changes to the various CRPTF asset allocation policy targets, asset class structure reviews and money manager searches were initiated and completed during the past fiscal year. New mandates were funded during the year for the public market funds of EMDF and the HYDF. Seven investment commitments totaling $475 million were awarded to REF investment managers in concert with the pacing plan designed to bring REF assets toward the CRPTF policy target of about 5%. REF now represents 3.7% of CRPTF assets. Eight investment commitments were also made to the PIF totaling $450 million.

Following a competitive search and due diligence process, the Treasurer hired four consultants to assist the Treasurer and the Chief Investment Officer in the implementation of the strategic goals and objectives of the CRPTF. These consultants will assist in overseeing the various asset classes of the combined investment funds. A traditional consultant, Mercer, will assist with public markets oversight and general consulting;

The Townsend Group will assist with real estate investments; New England Pension Consultants will assist with the implementation and development of the new alternative investment class; and a special project consultant, RogersCasey, was hired to assist with the implementation of the new Liquidity Fund asset class and other investment-related assignments.

The Connecticut Horizon Fund ("CHF"), funded in August 2005, is a $693.9 million fund-of-funds program created to give access to the Treasury's business to a wider number of firms, and to open up such business to more women-owned, minority-owned, Connecticut-based and emerging firms. During fiscal year 2008, the CRPTF entered phase II of the CHF program by making commitments to private equity fund-of-fund managers in the amount of $150 million. In fiscal year 2008, there were 42 CHF sub-managers; 37 were emerging firms, 18 were minority-owned (up from 14 in fiscal year 2007), 9 are women-owned (up from 8 in 2007), 8 are Connecticut-based firms, and 1 is an emerging strategy firm.

For the third straight year, the CRPTF continued to expand the diversity of firms with which PFM does business. Overall, minority-owned, women-owned, Connecticut-based and emerging firms, 33 in all, comprised 32% of the firms with which the division did business; these firms earned over $29.5 million, representing 32% of all fees paid by the division. In actual dollars, this was the highest level ever, although as a percentage of all fees paid by PFM, 2008 trailed the record setting pace of 2007, when fees paid by the division to such firms represented 39% of all fees paid. Since 1999, the number of minority-owned, women-owned, Connecticut-based and emerging firms has more than doubled, the fees paid to such firms have increased 2.5 times and the assets under management have tripled.

The Chief Investment Officer ("CIO") left the organization on May 31, 2007. An Acting Chief Investment Officer was named while a search continues for hiring a permanent CIO.

Proxy Voting and Corporate Governance

During 1999 and 2000, the Treasurer's Office developed comprehensive domestic and international proxy voting policies. These policies, which are part of the Investment Policy Statement as mandated by state law, guide proxy voting at Connecticut Retirement Plans and Trust Funds ("CRPTF") portfolio companies. Under these policies, the Treasurer not only votes proxies, but also engages with companies through letters, dialogues, and filing shareholder resolutions either alone or in concert with other institutional investors to protect and enhance the value of the CRPTF. The Office also advocates for the protection and enhancement of shareholder rights with the Securities and Exchange Commission (SEC), the U.S. Congress and the stock exchanges. In spring of 2007, the Investment Advisory Counsel approved changes to the domestic policies to reflect recent developments in the laws and regulations affecting proxy voting.

Connecticut law requires the Treasurer to consider the economic, social, and environmental impact of investment decisions. State law also prohibits investment in companies doing business in Northern Ireland that have not implemented the MacBride Principles of fair employment. Similar statutory prohibitions allow the Treasurer to engage with, and divest of holdings in, companies conducting business with Sudan and with Iran counter to U.S. foreign policy.

In fiscal year 2008, the CRPTF filed shareholder resolutions at 18 companies, including Ford Motor Company, Abercrombie & Fitch, and Caterpillar Inc. The CRPTF also engaged with companies through activities ranging from writing letters and attending annual shareholder meetings, to holding face-to-face dialogues with corporate management and board members. In support of its efforts, the Treasurer's Office worked with a wide cross-section of investors representing public pension funds, labor funds, and faith-based investors.

Executive compensation is one of the key issues for the CRPTF, and the fund was active in this area throughout the reporting period. In May 2008, the Treasurer led a coalition of 21 institutional investors representing $1.4 trillion in assets under management in petitioning the SEC to require companies to disclose in the proxy statement whether the compensation consultant engaged by the board is independent of management, and any ownership interest the consultant has in the parent consulting firm. The petition is currently on the SEC docket, and the issues raised by the coalition are expected to advance next year. In addition to these letters the CRPTF filed 4 shareholder resolutions relating to the independence of and fees paid to executive compensation consultants; ultimately each company agreed to exceed SEC reporting requirements relating to independence and fees paid to compensation consultants, as disclosed in annual proxy statements.

The CRPTF also engaged with companies on “Say on Pay,” which is the ability for shareholders to vote on the executive pay package detailed in the annual proxy statement on an advisory basis; the vote would allow shareholders to give feedback to the board of directors on pay issues. In fiscal year 2008, the Treasurer’s office continued to participate in a working group it helped to establish that allowed institutional investors and corporate secretaries to dialogue directly on Say on Pay. The office also presented at two roundtables on the issue, joined investors in writing board compensation committee chairs, and has engaged directly with board compensation committees of several companies. As a result of collective shareholder action, a small but increasing number of companies have agreed to implement Say on Pay. In furtherance of this effort, the CRPTF filed 5 resolutions this year on the issue which went to a shareholder vote with positive results.

In the area of climate change, the Office continued to take a leading role in the Investor Network on Climate Risk (INCR) by focusing on an implementation strategy for an action plan adopted at the Third Investor Summit on Climate Risk, held at the United Nations in February 2008. In March 2007, the Treasurer’s office also has joined a coalition of investors to call on the federal government to enact measures to stimulate investment in clean technology through the realignment of current energy and transportation policy. In May 2008 the office joined other coalition members in calling on Congress to pass legislation curbing carbon emissions.

As part of its corporate governance practices, the Treasurer’s office is charged with enforcing the state law relating to religious non-discrimination practices in the workplace in Northern Ireland. During the fiscal year, two companies agreed to implement the MacBride Principles, which are a corporate code of conduct for companies doing business in Northern Ireland and consist of nine fair employment and affirmative action principles. The list of adopting companies in fiscal year 2008 includes Hilton Hotels and Regis Corporation.

In addition to the MacBride Principles, the Treasurer’s Office proposed, and the General Assembly adopted a law, requiring the CRPTF to review pension fund investments in companies doing business in the Republic of Sudan. The 2006 law grants the Treasurer authority to engage and potentially divest holdings from companies shown to contribute to the Sudanese government-backed genocide. In May 2007, the Treasurer announced that she was divesting CRPTF’s holdings in China Petroleum and Chemical Corp., and prohibiting investment in 5 other companies operating in Sudan, Bharat Heavy Electricals Ltd., Nam Fatt Corp., Oil and Natural Gas Corp., PECD Group and Sudan Telecom. The Treasurer’s action followed unsuccessful attempts to engage the companies over their operations in Sudan. At the time of the Treasurer’s announcement, CRPTF’s investment in China Petroleum and Chemical Corp. was valued at approximately $11 million. Treasury staff continues to monitor and communicate with companies doing business in Sudan, but in fiscal year 2008, no additional companies were subject to divestment or prohibition on investment by the Treasurer.

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

Asset Recovery and Loss Prevention

While market risk will always be a component of any investment program, Treasurer Nappier’s Legal and Compliance Units work to manage such risk by limiting opportunities for loss due to the malfeasance of others. Extensive pre-contracting due diligence helps the Office of the Treasurer select the very best vendors and products to meet the needs of the Office. Careful contract negotiation, coupled with implementation of best practice contract language, lends clarity to the obligations of the Office of the Treasurer and of the vendors of the Office. The Office maintains contact with other similar governmental offices and shares ideas for enhancement of contract language, frequently offering advice to counterparts in other states.

The Office of the Treasurer deters malfeasance with its reputation for aggressive pursuit of all opportunities to recover assets lost due to the misfeasance or malfeasance of others.

The Office of the Treasurer takes a measured approach to litigation, but is prepared, when necessary, to pursue judicial solutions where negotiations are unsuccessful. The Office of the Treasurer continues to consider making application to serve as lead plaintiff in class action litigation and encourages other institutional investor lead plaintiffs to aggressively negotiate reasonable legal fees. From time to time, the Office of the Treasurer has used litigation to encourage corporate governance enhancements. Although rare, the Office of the Treasurer has filed individual and group actions to pursue specific rights where disputing parties are unwilling or unable to reach an extra-judicial conclusion.

Class Action Securities Litigation

The CRPTF recovered $ 4,053,322.59 million from class action settlements in this fiscal year and closely monitors opportunities to recover lost assets through participation in class action litigation.

The Office of the Treasurer, as the Trustee for the CRPTF, served as Lead Plaintiff in three national class action lawsuits, which allege corporate misconduct and malfeasance of certain corporate insiders by JDS Uniphase, Redback Networks and Amgen. The JDS Uniphase case has been vigorously prosecuted. The trial of the case against JDS Uniphase commenced on the 23rd of October 2007 in federal district court in Oakland, CA. On the 27th of November 2007, following nineteen days of testimony and fewer than two days of deliberation, a nine person jury issued a verdict in favor of the Defendants on all counts. The Amgen matter is in the discovery phase of litigation. The appeal in Redback Networks is being considered by the 9th Circuit Court of Appeals.

Corporate Governance Related Litigation

The Office of the Treasurer serves as co-lead plaintiff in derivative and class action matters adverse the UnitedHealth Group. The Plaintiffs in these matters allege that the corporation and certain officers unlawfully back-dated stock options, causing damage to the company and its shareholders. On the 6th of December 2007, the Special Litigation Committee entered into a settlement agreement returning $923 million to the company from the individuals who were engaged in the backdating scheme.

Other Litigation

The matter involving Keystone Venture V LP (the “Partnership”) is in its final stages. The limited partners have appointed a liquidating trustee. The trustee has taken all steps necessary to file a certificate of cancellation, which is required under Pennsylvania law. The Securities and Exchange Commission has initiated an action against the Managing Partners and Michael Liberty. Two of the Managing Partners have each deposited $50,000 with the court, pending the outcome of the SEC’s action. The limited partners have been informed by counsel that the SEC’s action should be concluded by the fall of 2008. The limited partners have requested that any disgorged assets obtained by these federal agencies be turned over to the investors. Final distribution of assets is scheduled for December 2008.

Sudan Restricted Company List (Pursuant to Conn. Gen. Stat. §3-21e)

During 2006, the Treasurer’s Office proposed, and the General Assembly, adopted a law requiring the CRPTF to review Pension Fund investments in companies doing business in the Republic of Sudan. Under the new law, the Treasurer has the authority to engage those companies and potentially divest holdings in those companies if their business is contributing to the government’s perpetuation of genocide in Sudan.

In May 2007, the Treasurer announced that she was divesting the CRPTF’s holdings in China Petroleum and Chemical Corp., and prohibiting investment in 5 other companies operating in Sudan, Bharat Heavy Electricals Ltd., Nam Fatt Corp., Oil and Natural Gas Corp., PECD Group and Sudan Telecom. The Treasurer’s action followed unsuccessful attempts to engage the companies over their operations in Sudan. At the time of the Treasurer’s announcement, CRPTF’s investment in China Petroleum and Chemical Corp. was valued at approximately $11 million.

PENSION FUNDS MANAGEMENT DIVISION

During fiscal year 2008, engagement was pursued with a number of companies doing business in Sudan, but no additional companies were added to CRPTF's prohibited list.

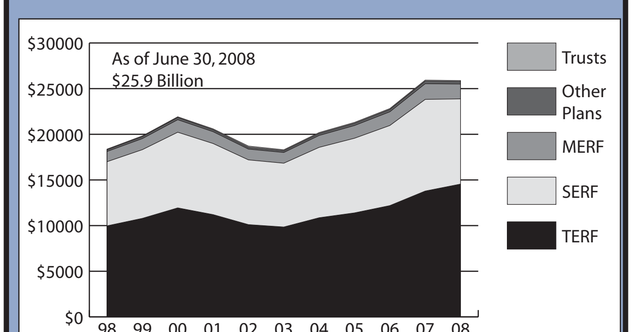
Pursuant to Conn. Gen. Stat. §3-21e, the Office of the Treasurer prohibits direct investment in the following companies:

- China Petroleum and Chemical Corp.[1]
- Bharat Heavy Electricals Ltd. (BHEL)
- Nam Fatt Corp.
- Oil and Natural Gas Corp. (ONGC)
- PECD Group
- PetroChina Co. Ltd.
- Sudan Telecom (Sudatel).

[1] Shares in China Petroleum and Chemical were divested by CRPTF. CRPTF had no holdings in the other companies.

Figure 1-1

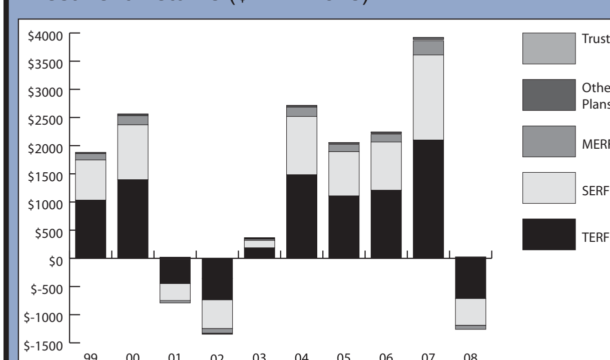
PENSION AND TRUST FUNDS
Growth in Assets ($ in millions)



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

Figure 1-2

PENSION AND TRUST FUNDS
Investment Returns ($ in millions)



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

Figure 1-3

PENSION AND TRUST FUNDS ASSET ALLOCATION
Actual vs. Policy at June 30, 2008

	TERF				SERF				MERF			
	Actual	Target Policy	Lower Range	Upper Range	Actual	Target Policy	Lower Range	Upper Range	Actual	Target Policy	Lower Range	Upper Range
U.S. EQUITY												
Mutual Equity Fund (MEF)	31.1%	25.0%	17.0%	35.0%	31.9%	26.0%	17.0%	35.0%	25.2%	20.0%	12.0%	27.0%
INTERNATIONAL EQUITY												
Developed Market Intl Fund (DMISF)	19.9%	20.0%	13.0%	27.0%	20.5%	20.0%	13.0%	27.0%	15.8%	16.0%	8.0%	21.0%
Emerging Market Intl Fund (EMISF)	4.8%	9.0%	6.0%	12.0%	5.4%	9.0%	6.0%	12.0%	5.3%	8.0%	6.0%	10.0%
REAL ESTATE												
Real Estate Fund (REF)	3.7%	5.0%	4.0%	7.0%	4.1%	5.0%	4.0%	7.0%	4.1%	7.0%	5.0%	9.0%
FIXED INCOME												
Core Fixed Income Fund (CFIF)	17.5%	13.0%	9.0%	20.0%	16.0%	13.0%	9.0%	20.0%	22.7%	19.0%	14.0%	26.0%
Inflation Linked Bond Fund (ILBF)	4.2%	6.0%	4.0%	8.0%	4.3%	6.0%	4.0%	8.0%	8.3%	10.0%	7.0%	13.0%
Emerging Market Debt Fund (EMDF)	3.9%	4.0%	3.0%	5.0%	4.0%	4.0%	3.0%	5.0%	5.0%	5.0%	3.0%	7.0%
High Yield Debt Fund (HYDF)	2.7%	2.0%	1.0%	3.0%	3.2%	2.0%	1.0%	3.0%	3.2%	2.0%	1.0%	3.0%
Liquidity Fund (LF)	5.4%	6.0%	4.0%	10.0%	3.5%	4.0%	2.0%	7.0%	3.3%	3.0%	1.0%	6.0%
Commercial Mortgage Fund (CMF)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
PRIVATE EQUITY												
Private Investment Fund (PIF)	6.8%	10.0%	8.0%	14.0%	7.1%	11.0%	8.0%	14.0%	7.1%	10.0%	7.0%	13.0%
TOTAL	**100.0%**	**100.0%**			**100.0%**	**100.0%**			**100.0%**	**100.0%**		

Figure 1-4

PENSION AND TRUST FUNDS
Asset Class Diversification

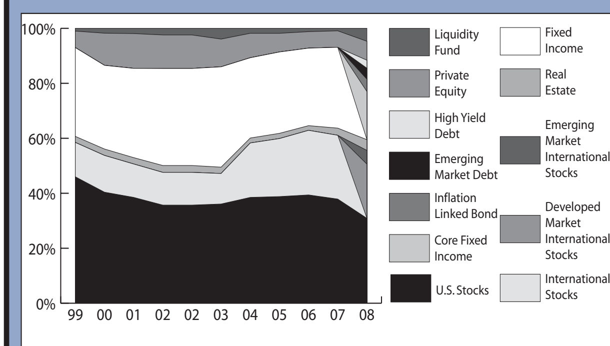


Figure 1-5

PENSION AND TRUST FUNDS
Advisor Breakdown

Fund	June 30, 2008	June 30, 2007
MEF	7	7
ISF[1]	-	14
DMISF[1]	12	-
EMISF	2	-
PIF	62	53
MFIF	-	12
CFIF	6	-
ILBF	2	-
EMDF	4	-
HYDF	4	-
CMF	1	1
REF	23	18
LF	1	1
Total[2]	124	106

(1) Does not include the two Currency Overlay Managers.
(2) Actual total advisors were 115 and 100, respectively when factoring in advisors across multiple funds.

Figure 1-6

PENSION AND TRUST FUNDS
Annual Return at June 30, 2008

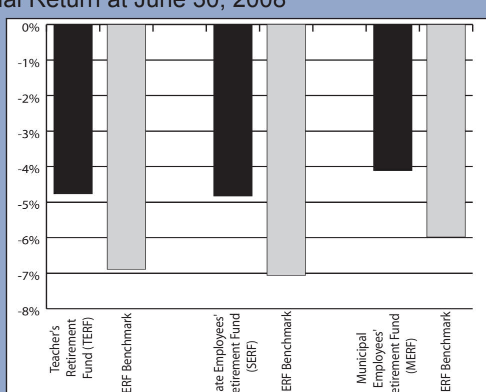
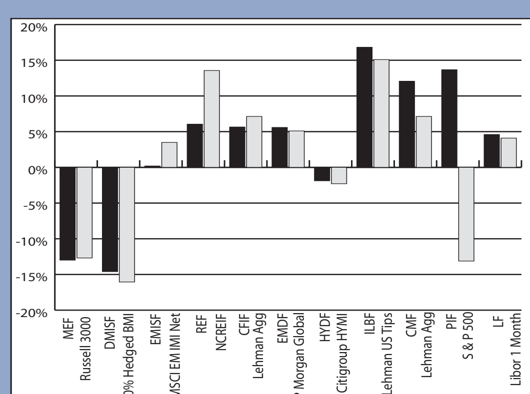


Figure 1-7

PENSION AND TRUST FUNDS
Annualized Standard Deviation



Combined Investment Funds Total Return Analysis (%)

(Investment performance is calculated using a time-weighted rate of return.)	Fiscal Years Ending June 30, 2008	2007	2006	2005	2004	Annualized 3 Years	5 Years	10 Years
PLANS								
Teacher's Retirement Fund (TERF)	(4.77)%	17.47%	10.74%	10.49%	15.34%	7.40%	9.56%	6.13 %
TERF Benchmark	(6.80)	18.00	10.01	10.02	16.27	6.52	9.11	5.19
State Employees' Retirement Fund (SERF)	(4.83)	17.37	10.57	10.44	15.06	7.29	9.43	6.06
SERF Benchmark	(6.97)	18.00	10.01	10.02	16.27	6.46	9.07	5.17
Municipal Employees' Retirement Fund (MERF)	(4.11)	16.96	9.87	10.10	14.28	7.21	9.17	5.97
MERF Benchmark	(5.59)	18.00	10.01	10.02	16.27	6.87	9.32	5.30
COMBINED INVESTMENT FUNDS								
U.S. Stocks								
Mutual Equity Fund	(12.99)	18.24	10.29	8.06	20.86	4.30	8.18	4.18
Russell 3000 Index	(12.69)	20.07	9.56	8.06	20.46	4.73	8.38	3.51
International Stocks								
Developed Market International Stock Fund	(14.60)	26.36	23.91	14.97	N/A	10.17	N/A	N/A
S&P/Citigroup EPAC BMI 50% Hedged	(16.05)	27.07	27.37	15.34	28.91	10.76	15.10	N/A
Emerging Market International Stock Fund	0.19	42.27	35.85	39.92	41.18	24.64	30.78	16.64
MSCI Emerging Market Investable Market Index	3.49	44.99	35.47	34.38	33.14	26.68	29.47	N/A
Equity Commercial Real Estate								
Real Estate Fund	6.04	14.21	6.87	27.56	0.53	8.98	10.66	8.93
NCREIF (1 Qtr. Lag)	13.58	16.59	20.19	15.55	9.71	16.75	15.07	12.63
U.S. Fixed Income								
Core Fixed Income Fund	5.65	5.84	(0.39)	7.32	1.26	3.66	3.89	5.72
Lehman Aggregate Bond Index	7.13	6.12	(0.81)	6.80	0.32	4.09	3.86	5.68
Emerging Market Debt Fund	5.59	14.84	11.07	N/A	N/A	10.44	N/A	N/A
JP Morgan EMBI Global	5.10	11.12	4.62	20.20	4.67	6.91	8.98	N/A
High Yield Debt Fund	(1.88)	12.01	4.49	11.17	11.09	4.72	7.24	5.48
Citigroup High Yield Market Index	(2.29)	11.63	4.14	10.38	10.35	4.34	6.71	4.99
Inflation Linked Bond Fund	16.81	3.45	(1.70)	N/A	N/A	5.91	N/A	N/A
Lehman US Tips	15.09	3.99	(1.64)	9.33	3.86	5.59	5.98	7.79
Commercial Mortgage Fund	12.05	8.17	9.51	6.76	7.83	9.90	8.85	9.02
Lehman Aggregate Bond Index	7.13	6.12	(0.81)	6.80	0.32	4.09	3.86	5.68
Alternative Assets								
Private Investment Fund (1)	13.66	19.56	11.46	8.94	18.70	14.84	14.39	8.13
S&P 500	(13.12)	20.59	8.63	6.32	19.11	4.41	7.58	2.88
Venture Economics All Private Equity (1 Qtr. Lag)	10.98	22.89	25.98	17.48	22.80	19.77	19.91	13.48
Liquidity Fund								
Liquidity Fund (2)	4.59	5.61	4.51	2.36	1.28	4.90	3.66	4.08
Libor 1 Month Index	4.10	5.37	4.51	2.48	1.14	4.66	3.51	3.87

(1) Real Estate and Private Investment returns published for prior years were net of management fees and for 2008 published numbers are net of all expenses.

(2) The Liquidity Fund includes all cash balances, including manager cash. However all fund returns still reflect cash balances.

2008 liquidity fund

Fund Facts at June 30, 2008

Investment Strategy/Goals: To provide a liquid source of funds to meet the cash flow needs of the pension and trust funds enabling the other Investment Funds to remain fully invested.

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

Benchmark: One Month Libor Index

Date of Inception: November 1, 2007

Total Net Assets: $2,161,652,395

Number of Advisors: 1 external

Management Fees: $373,544

Operating Expenses: $221,671

Expense Ratio: 0.03%

Description of the Fund

The Liquidity Fund (LF), formerly known as the Cash Reserve Account, was renamed to reflect the change in its structure. The LF investments are segmented into different maturities to better match expected cash outflows and are more broadly diversified to generate returns in excess of money market instruments. Moving into slightly longer duration assets and by diversifying into global investments, the overall expected returns of the LF are enhanced.

The LF contains high quality money market securities such as U.S. Treasuries and Government Agencies along with Commercial Paper, Certificates of Deposit, Corporate Bonds, Asset Backed Securities (ABS), Mortgage Backed Securities, Sovereign Foreign debt and global investments. The LF is segmented into three tiers, reflecting securities differences in maturity and quality. No maturity exceeds 5 years, and credit quality is maintained at high levels. This structure enables the CRPTF to strategically manage cash to meet the outflow requirements of the plans and trusts while maximizing potential returns and avoiding forced securities sales in other investment funds.

Portfolio Characteristics

The preservation of the fund's capital, a high degree of liquidity and a strong focus on credit fundamentals will remain at the core of the investment philosophy for the LF. During fiscal year 2008, the LF had one money manager and the portfolio was managed as an enhanced cash strategy whereby the fund maintains a relatively short weighted average maturity through the purchase of fixed-rate money market instruments and high quality floating-rate corporate bonds and ABS securities. The overall maturity of these instruments was extended in the latter part of 2007 and early stages of 2008. Although the spreads appeared to be very attractive when compared to historical spread levels, spreads only widened further in the latter part of the fiscal year. Due to decreased liquidity in the market and wide TED spreads [i.e, the difference between the interest rates on inter-bank loans and short-term U.S. government debt ("T-bills")], focus shifted to maintaining an adequate amount of liquidity. Thus, the weighted average maturity for the portfolio was reduced from 80 plus days early in the period to the mid 30s later in the fiscal year. When term exposure was added, it was typically done in 30-90 day paper that was yielding 40-80 basis points over the target Fed Funds level. During the fiscal year, LF guidelines were reviewed and modified as needed, given the new structure of the LF and the market conditions.

Market Review

Both the economy and financial markets underwent extreme change during this past fiscal year. At the end of June 2007, the Federal Open Market Committee (FOMC) elected to keep the target Fed Funds rate at 5.25%, expecting the economy to continue its modest expansion, despite the slowing housing sector. By mid August, however, it became very clear that fallout from the sub-prime lending problems would be more severe than initially believed. On August 17th, the Fed cut the discount rate to 5.75% from 6.25% due to the disruptions in the inter-bank lending market that surfaced in early August. By the end of the fiscal year, The Fed had used both the traditional tools of monetary policy and non-traditional tools, in the form of many different lending and liquidity facilities, to combat what had become a widespread credit market disruption. The FOMC cut the Fed Funds target rate seven different times totaling 325 basis points during the fiscal year. The rate cut in January 2008 was an inter-meeting move of 75 basis points, signaling just how fragile things had become by that point. Banks across the globe were dealing with massive asset write downs from sub-prime asset backed securities, collateralized loan obligations, leveraged loans and other assets both on and off their balance sheets. The lack of lending between banks became apparent in the behavior of LIBOR (London Inter Bank Offering Rate). Beginning in early August, the spread between three month Treasury Bills and three month LIBOR levels shot to over 240 basis points from about 40 basis points in late July. This Treasury vs. Eurodollar (TED) spread averaged approximately 122 basis points during the fiscal year compared to an average of 37 basis points during the prior fiscal year. All risk premiums followed this pattern as equity prices fell and credit spreads widened dramatically regardless of the tenor or credit rating.

Inflation was a concern of both the Fed and investors during the period as a commodity price spike fueled a rise in headline inflation numbers. Fed rhetoric was quite hawkish despite the monetary easing that had just recently been completed. Headline CPI ranged between 2.0% and 5.0%, on an annualized basis, during the fiscal period, whereas core CPI fluctuated in a much tighter range between 2.1% and 2.5%. Gross Domestic Product (GDP) growth was negatively impacted by the housing sector throughout the fiscal year. Quarterly growth figures for the period were as robust as 4.8% in the third quarter 2007 and as low as -.2% in the following quarter, fourth quarter 2007. The economy avoided recession early in 2008 as first calendar year quarter GDP printed at .9%. The second quarter rebounded to 2.8% but this was largely due to the fiscal stimulus of tax rebates that were spent during this quarter. The average monthly non-farm payroll loss during the fiscal year was 8,000. Payroll growth was positive in every month from July 2007 to December 2007. However, from January 2008 through June 2008, payrolls averaged a loss of 77,000 per month. The unemployment rate climbed steadily from 4.7% early in the fiscal year to a high of 5.5% by June 2008.

The markets became extremely disjointed beginning in the summer of 2007. The sub-prime induced credit crunch caused unprecedented turmoil in the money markets. Asset backed commercial paper (ABCP) backed by sub-prime asset backed securities virtually stopped trading, with only the strongest programs with liquidity lines from large banks surviving. Structured Investment Vehicles, which borrowed money in the commercial paper or medium term note markets to fund the purchase of longer term securities on a leveraged basis ran into major problems as the ABCP market seized. Many of these programs breached triggers and defaulted. Others would have defaulted if not supported by the sponsoring banks. What began as a sub-prime problem ultimately infected virtually all areas of the fixed income markets as bond insurers were downgraded and banks came under pressure to raise capital as their bad loans and asset write-downs mounted. In March, Bear Stearns was rescued by JPMorgan Chase in a deal put together by, and partially supported through the Federal Reserve. Bear Stearns was ultimately judged “too complex to fail” as regulators feared what would happen to Bear’s counterparties on derivative trades if it were allowed to fail. After the Bear Stearns bailout, the Fed put facilities in place for broker/dealers to access funding through collateralized swaps and loans with the Fed. During the latter part of the fiscal year, investor attention focused on the weakening state of the two giant government-sponsored mortgage companies, Fannie Mae and Freddie Mac. Increasing losses and decreasing capital levels caused investors to sell the stock and push spreads on the companies’ debt significantly wider. Pressure was also mounting on many U.S. banks and brokerages as losses continued to mount on both real estate-based assets and securities holdings.

Performance Summary

For the fiscal year ended June 30, 2008, the Liquidity Fund generated a return of 4.59%, outperforming the one month LIBOR benchmark of 4.10%, by 49 basis points.

As of June 30, 2008, the fund’s compounded annualized total returns for the trailing three, five and ten year periods were 4.90%, 3.67% and 4.08, respectively, net of all expenses. These returns exceeded those of the fund’s benchmark for the time periods listed by 24, 15 and 21 basis points, respectively.

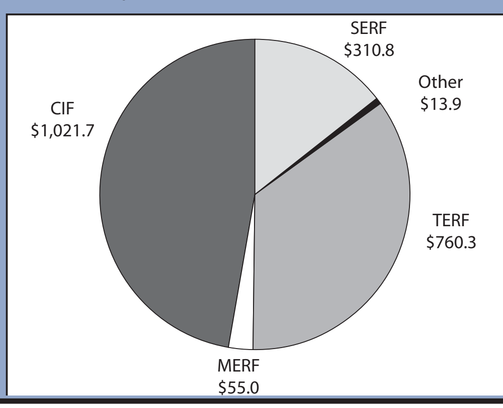
Risk Profile

Due to the short-term nature of LF, it is generally considered to be low-risk. Consequently, returns that are realized by LF 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 and default risks.

Based on returns over the last five years, the Fund exhibited a similar degree of risk relative to the one month LIBOR, as evidenced by its relative volatility of 1.08. The standard deviation of the Fund of 0.17 suggests comparatively low overall volatility, while its beta of 0.75 indicates a high overall correlation to returns achieved by the Index. In the aggregate, LF achieved a positive alpha, or return in excess of that predicted by returns of its benchmark of 0.15.

Figure 2-1

LIQUIDITY FUND
Ownership Analysis at June 30, 2008 ($ in millions)



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

Figure 2-2

LIQUIDITY FUND[(1)]
Risk Profile at June 30, 2008

Relative Volatility	1.08
Standard Deviation	0.17
R2	0.65
Beta	0.75
Alpha	0.15

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

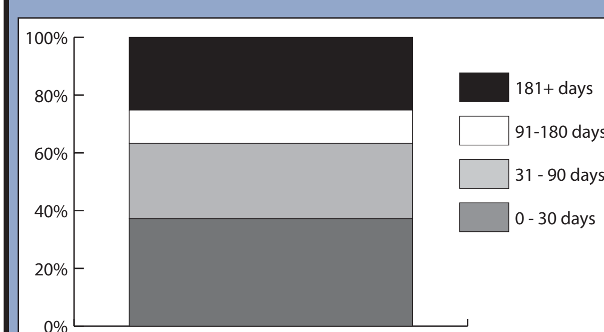
Figure 2-3

LIQUIDITY FUND
Quarterly Weighted Average Maturity

Quarter End	LF
6/30/2008	**39 days**
3/31/2008	**45 days**
12/31/2007	**49 days**
9/30/2007	**61 days**
6/30/2007	**86 days**

Figure 2-4

LIQUIDITY FUND
Security Maturity[(1)] Analysis at June 30, 2008



(1) Or Interest Rate Reset Period.

Figure 2-5

LIQUIDITY FUND
Distribution by Yield [1] at June 30,2008

Yield	
1.5%-2.0 %	7.46%
2.01%-3.0%	85.14%
3.01%-4.0%	5.11%
4.01%-5.0%	0.00%
5.01%-6%	2.29%
TOTAL	100.0%

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

Figure 2-6

LIQUIDITY FUND
Distribution by Security Type at June 30, 2008

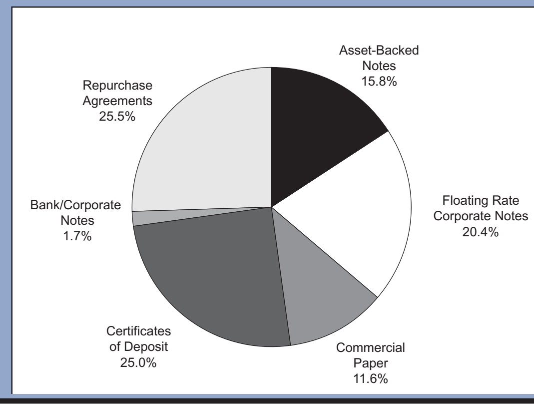


Figure 2-7

LIQUIDITY FUND
Comprehensive Profile

Date	Number of Issues	Yield[1]	Average Maturity	Average Quality
2008	71	4.59%	39 days	A-1+/AA+
2007	97	5.61%	87 days	A-1+/AA+
2006	69	4.54%	54 days	A-1+/AA+
2005	100	2.38%	44 days	A-1+/AA+
2004	92	1.30%	48 days	A-1+/AA+
2003	109	1.80%	48 days	A-1+/AA+
2002	104	3.03%	51 days	A-1+/AA+
2001	90	6.35%	65 days	A-1+/AA+
2000	109	5.96%	81 days	A-1+/AA+
1999	102	5.46%	67 days	A-1+/AA+

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

Figure 2-8

LIQUIDITY FUND
Quarterly Yield[1] Analysis

Quarter End	LF	1-Month Libor
6/30/2008	2.74%	2.46%
3/31/2008	3.27%	2.70%
12/31/2007	5.08%	4.60%
9/30/2007	5.43%	5.12%
6/30/2007	5.33%	5.32%

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

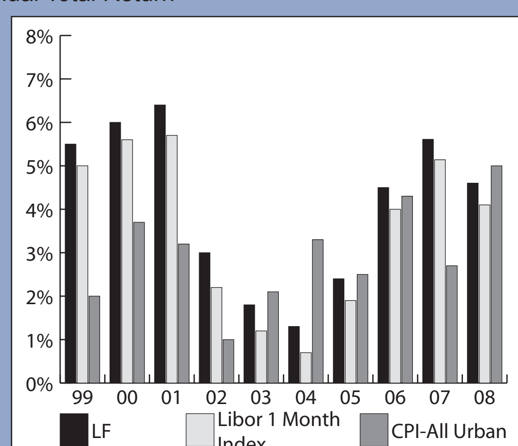
Figure 2-9

LIQUIDITY FUND
Periods ending June 30, 2008

	1 YR	3 YRS	5 YRS	10 YRS
Compounded, Annual Total Return (%)				
LF	4.59	4.90	3.66	4.08
Libor 1 Month Index	4.10	4.66	3.51	3.87
CPI-Urban	5.03	4.01	3.56	2.99
Cumulative Total Return (%)				
LF	4.59	15.44	19.68	49.17
Libor 1 Month Index	4.10	14.63	18.81	46.14
CPI-Urban	5.03	12.52	19.13	34.28

Figure 2-10

LIQUIDITY FUND
Annual Total Return



2008 mutual equity fund

Fund Facts at June 30, 2008

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

Performance Objective: An annual total return that is 65 to 135 basis points greater than that of the Russell 3000 after expenses.

Benchmark: Russell 3000 Index

Date of Inception: July 1, 1972

Total Net Assets: $7,999,461,775

Number of Advisors: 7 external

Management Fees: $21,876,645

Operating Expenses: $1,715,877

Expense Ratio: 0.26%

Turnover: 55.7%

Description of the Fund

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

At the close of the fiscal year, MEF consisted of seven externally managed equity portfolios structured to approximate the composition of the Russell 3000 Index. The seven portfolios were grouped into four Investment Advisor categories totaling 8.0 billion of investments. The investments in each category consisted of 74.3% in large capitalization, 4.1% in all capitalization, 21.5% in small to mid-capitalization and the balance of .1% in cash equivalents and other net assets.

Portfolio Characteristics

At fiscal year-end, MEF was 99.3% invested in domestic stocks, reflecting the Fund's policy that it be fully invested. The largest industry weightings at June 30, 2008 were information technology (16.4%), followed by financials (16.3%) and industrials (12.8%). (See figure 3-3.)

The MEF's ten largest holdings, aggregating to 15.2% of Fund investments, included a variety of blue chip companies. (See figure 3-9.)

Market Review

The fiscal year began with contagion from the sub-prime debacle spilling into equity markets. MEF suffered as equities observed a significant re-pricing of risk and a corresponding draw-back in liquidity. The broad market experienced a significant amount of delevering as investors moved quickly to take risk off the table in this environment. In early 2008, markets were focused on inflation risks from skyrocketing commodities prices as well as continued recessionary worries and declining home values. The Federal Reserve intervened on the back of deteriorating liquidity and solvency conditions. Mixed equity market performance during 1Q08 gave way to significant market declines by June 2008, culminating in the worst first-half performance in 25 years.

Performance Summary

For the fiscal year ended June 30, 2008, the Mutual Equity Fund (MEF) posted a negative return of -12.99%, net of fees and operating expenses, which underperformed the Russell 3000 Index return of -12.69% by 30 basis points. Asset allocation, with an overallocation to large can and an underallocation to small cap, was the main contributor to underperformance over the fiscal year. During this same period, MEF's net assets fell from $9.818 billion to $7.999 billion, a decrease of $1.819 billion. Of this net total change, a decrease of $1.372

billion was due to net realized and unrealized losses and -$598 million in net cash outflows to participating pension plans and trusts. Offsetting this amount is an inflow of $151 million in net investment income.

While volatility in investment returns is expected in the short-term, the Fund's long-term performance remains the most important comparative measure. As Figure 3-4 illustrates, MEF has generated annualized total returns, net of fees, of 4.30%, 8.18%, and 4.18% over the last three, five, and ten-year periods, respectively. The Fund returns underperformed the Russell 3000 for the three and five-year periods by 43 and 20 basis points, respectively, and outperformed for the ten-year period by 67 basis points.

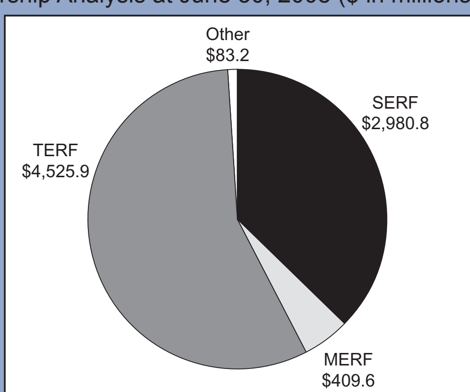
The MEF's cumulative total returns for the three, five, and ten year periods ending June 30, 2008, were 13.46%, 48.18%, and 50.56%, respectively.

Risk Profile

Based on returns over the last five years, the Fund has exhibited a similar degree of risk as that of its benchmark, the Russell 3000 Index. With a relative volatility of 1.01, the MEF's returns have almost equal volatility to those of the Index and reflect a strong degree of correlation, 0.99, to those of the Index. MEF's annual excess return during the five year period, or return relative to that achieved by the benchmark, was a negative 0.20%. (See figure 3-2.)

Figure 3-1

MUTUAL EQUITY FUND
Ownership Analysis at June 30, 2008 ($ in millions)



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

Figure 3-2

MUTUAL EQUITY FUND (1)
Risk Profile at June 30, 2008

Relative Volatility	1.01
Standard Deviation	10.01
R2	0.99
Beta	1.01
Alpha	-0.20

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

Figure 3-3

MUTUAL EQUITY FUND
Fiscal 2008 Industrial Sector vs. Index (%)
Based on Investments in Securities, at Value [1]

At 6/30/2008:	MEF % of Net Assets	MEF Annual Return	Russel 3000 %of Net Assets	Russel 3000 Annual Return
Energy	12.0	24.7	12.0	26.1
Materials	4.7	13.8	4.4	15.2
Industrials	12.8	-11.1	13.3	-12.1
Consumer Discretionary	9.9	-24.1	10.5	-25.6
Consumer Staples	8.7	-4.0	8.6	-2.5
Health Care	11.9	-11.5	11.4	-11.0
Financials	16.3	-40.9	17.2	-38.8
Information Technology	16.4	-11.4	15.2	-8.3
Telecommunication Services	3.4	-20.8	3.3	-20.8
Utilities	3.9	4.1	4.1	6.1
	100.0		100.0	

(1) Excludes the Liquidity Fund.

Figure 3-4

MUTUAL EQUITY FUND
Periods ending June 30, 2008

	1 YR	3 YRS	5 YRS	10 YRS
Compounded, Annual Total Return (%)				
MEF	-12.99	4.30	8.18	4.18
Russell 3000	-12.69	4.73	8.38	3.51
Cumulative Total Return (%)				
MEF	-12.99	13.46	48.18	50.56
Russell 3000	-12.69	14.86	49.50	41.24

Figure 3-5

MUTUAL EQUITY FUND
Annual Total Return

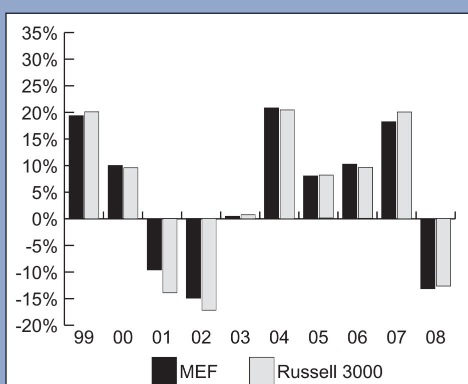


Figure 3-6

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

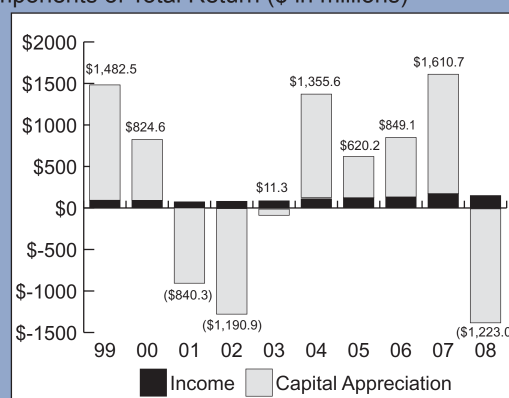


Figure 3-7

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

	2008 MEF	2008 Russell	2007 MEF	2007 Russell	2006 MEF	2006 Russell	2005 MEF	2005 Russell	2004 MEF	2004 Russell
# of Issues	2,206	3,000	2,175	3,000	2,033	3,000	1,719	3,000	2,114	3,000
Cap ($ Bil)	$69.6	$72.2	$81.1	$81.5	$67.9	$69.3	$69.0	$70.7	$70.0	$74.6
P/E	18.5	18.1	17.6	18.8	17.0	18.2	19.1	20.5	22.0	22.5
Div Yield	1.90%	2.10%	1.60%	1.70%	1.70%	1.80%	1.60%	1.70%	1.50%	1.60%
ROE	19.0%	20.2%	19.5%	20.0%	19.3%	19.1%	17.4%	17.3%	16.7%	16.7%
P/B	3.6x	3.8x	3.6x	4.0x	3.5x	3.6x	3.6x	3.8x	3.9x	4.0x
Cash & Equiv.	0.8%	0.0%	0.7%	0.0%	1.0%	0.0%	3.1%	0.0%	0.8%	0.0%

Figure 3-8

MUTUAL EQUITY FUND
Investment Advisors at June 30, 2008

Investment Advisor	Net Asset Value	% of Fund
Large Cap	**$5,942,231,994**	**74.28%**
BGI Barclays Global Investors, N.A.	3,098,026,385	38.73%
State Street Global Advisors	2,844,205,609	35.55%
All Cap	**325,506,700**	**4.07%**
Capital Prospects	161,577,785	2.02%
FIS Group, Inc.	163,928,915	2.05%
Small/Mid Cap	**1,720,622,163**	**21.51%**
AXA Rosenberg Investment Management	1,031,638,560	12.90%
TCW Cowen Asset Management	541,934,716	6.77%
Bivium	147,048,887	1.84%
Other (1)	**11,100,918**	**0.14%**
TOTAL MEF	**$7,999,461,775**	**100.00%**

(1) Other represents cash equivalents and other net assets.

Figure 3-9

MUTUAL EQUITY FUND
Ten Largest Holdings* at June 30, 2008

Security Name	Sector	Market Value	%
Exxon Mobil Corp	Energy	$280,031,753	3.49%
Microsoft	Technology	136,646,186	1.70%
AT&T Inc	Telecomm	120,833,093	1.51%
Proctor & Gamble Co	Consmr Staples	117,841,267	1.47%
General Electric	Industrials	117,633,986	1.47%
ConocoPhillips	Energy	101,298,121	1.26%
Wal Mart Stores Inc	Consmr Discrtnry	93,683,321	1.17%
Chevron Corp	Energy	88,195,069	1.10%
Intel Corp	Info Technology	83,281,998	1.04%
Apple Inc	Info Technology	81,091,694	1.01%
Top Ten		**1,220,536,488**	**15.22%**

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

2008 core fixed income fund

Fund Facts at June 30, 2008

Investment Strategy/Goals: To invest in a range of fixed income securities, thereby providing diversification to the retirement funds' overall performance in different economic environments.

Performance Objective: To achieve a net return that exceeds its benchmark by 37 to 125 basis points per annum, over rolling three to five year periods.

Benchmark: Lehman Brothers U. S. Aggregate

Date of Inception: November 1, 2007

Total Net Assets: $4,537,061,465

Number of Advisors: 6 external

Management Fees: $3,995,812

Operating Expenses: $533,965

Expense Ratio: 0.09%

Turnover: N/A

Description of the Fund

The Core Fixed Income Fund (CFIF) 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 as well as providing a source of interest income to help offset the outflow of retirement benefit payments. Fixed income securities represent fixed and variable rate coupon bonds issued by U.S. federal and state governments, domestic corporations and municipalities.

At June 30, 2008, six money managers managed investments in the Fund. The Fund's investments were allocated to five money managers investing approximately 87% of the portfolio in core strategies and one money manager actively investing 3% of the portfolio in the Connecticut Horizon Fund strategy. The remaining amount, approximately 10%, was invested in cash equivalents earmarked for rebalancing activity (approximately 9.5% was to be withdrawn from the Fund on July 1, 2008) and operating expenses. (See figure 4-10.)

The CFIF's long term objective has been to achieve an annual return, net of management fees and operating expenses, of between 37.5 and 125 basis points in excess of the Lehman Brothers Aggregate (LB Aggregate), which is widely considered to parallel the performance of the U.S. bond market.

Portfolio Characteristics

CFIF continues to be well diversified across the spectrum of available fixed income securities. The Fund maintained a concentration in government, agency, corporate, mortgage-backed and asset-backed securities of 15.0%, 40.3%, 19.0%, 15.0% and 3.4% respectively. The remaining 7.3% was invested in cash and other instruments. (See figure 4-4.) 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-1, as judged by Moody's Investor Services, versus the LB Aggregate rating of AAA. This resulted from an under weighting of the CFIF to Treasury and Agency securities and an over weighting to Mortgage-Backed and Asset-Backed securities versus the LB Aggregate. (See figure 4-5.)

Market Review

During fiscal year 2008 there was a flight to quality as investors lost their appetite for risk. This, along with a slowing economy, caused a downward move in Treasury yields. The yield curve steepened by 119 basis points as investors moved to the short end of the yield curve for safety and the Federal Reserve aggressively contracted. Mortgage-backed securities (MBS) underperformed U.S. Treasuries by 158 basis points due to increased interest rate volatility and a lack of market liquidity, which led to forced selling of even higher quality assets. In this environment, liquidity premiums added to elevated risk aversion and pushed valuations of MBS materially lower. Recession concerns and technical factors caused commercial and mortgage-backed securities (CMBS) to post negative returns of 9.07%. Asset-backed securities, collateralized debt obligations and structured investment vehicles similarly succumbed to the credit crisis. Corporate bonds endured ratings downgrades, disappointing earnings and write downs of subprime mortgage-related investments, resulting in a negative return of 8.65% for the fiscal year.

Performance Summary

On November 1, 2007 the Mutual Fixed Income Fund was reallocated into four sub portfolios of fixed income securities. The reallocation was a result of the modifications to the Investment Policy Statement (IPS) as approved by the Investment Advisory Council (IAC) and adopted by the Treasurer in October 2007. The reallocation of assets, outlined in the IPS, was based on an asset-liability study that identified the need to reallocate the mutual fixed income fund into four components: core fixed income, emerging market debt, high yield debt and inflation-linked bonds to allow for greater flexibility in managing risk and return in the various Connecticut Retirement Plans and Trust Funds.

The CFIF's transfer value on November 1, 2007 was $5.823 billion. The CFIF's value as of June 30, 2008 was $4.537 billion resulting in a decrease of $1.286 billion. Of this total, $1.412 billion was due to net cash outflows from participating Pension and Trust Funds and $69 million from net realized and unrealized losses, less $195 million of net investment income.

For the fiscal year ended June 30, 2008 the Core Fixed Income Fund generated a total return of 5.65%, net of fees and operating expenses, underperforming the benchmark return of 7.13% by 148 basis points. This return reflects the four months of the former Mutual Fixed Income Fund sub-component entitled "Core" and the remaining eight months of the fiscal year as the new Core Fixed Income Fund (CFIF). The under performance for the fiscal year was primarily attributable to poor sector selection, such as an overweighting to mortgage-backed securities and underweighting U. S. Treasury securities.

For the trailing three, five and ten-year periods, CFIF's compounded annual total returns were 3.66%, 3.89% and 5.72% respectively, net of fees. The three year return was behind the benchmark by 43 basis points, but the five and ten years' returns were above the benchmark by three and four basis points, respectively. The cumulative total returns for the three, five, and ten-year periods ending June 30, 2008, were 11.38%, 21.05% and 74.42%, respectively. (See figure 4-8.)

Risk Profile

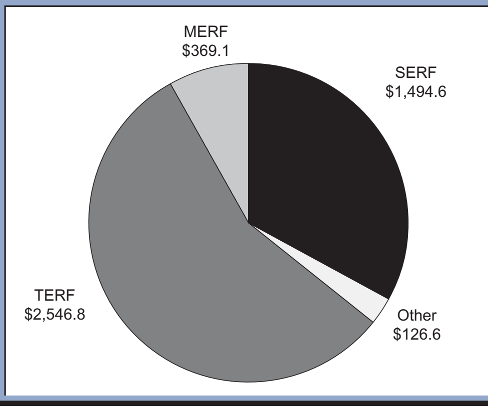
Given CFIF's investment policies and objectives, the Fund is exposed to several forms of risk. These include, but are not limited to, purchasing power risk, credit default risk, reinvestment risk and market risk.

Credit quality ratings are a measure of risk and the Core Fixed Income Fund has very high ratings.

In fixed income investing, returns are extremely sensitive to changes in market interest rates. In general, the longer the time to maturity of a fixed income investment (and the resultant increase in time during which interest rates may change), the greater the level of risk assumed. To measure the degree of CFIF's price sensitivity to changes in market interest rates, the Fund's duration, or the weighted average time period over which cash flows are received by the investor, is monitored. At June 30, 2008, the Fund's duration of 4.80 years was slightly above the LB Aggregate Index of 4.70 years. While often viewed as an indicator of risk, duration can, if managed effectively, contribute significantly to total Fund returns. (See figure 4-3.)

Figure 4-1

CORE FIXED INCOME FUND
Ownership Analysis at June 30, 2008 ($ in millions)



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

Figure 4-2

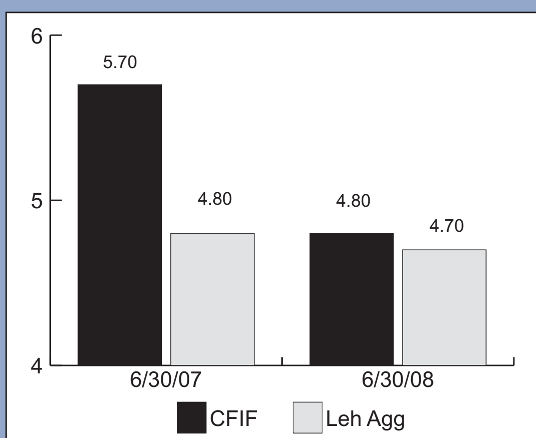
CORE FIXED INCOME FUND [(1)]
Risk Profile at June 30, 2008

Relative Volatility	0.99
Standard Deviation	3.46
R^2	0.98
Beta	0.98
Alpha	0.03

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

Figure 4-3

CORE FIXED INCOME FUND
Modified Duration vs. Index [(1)] (in Years)



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

Figure 4-4

CORE FIXED INCOME FUND
Distribution by Sector at June 30, 2008
Based on Investments in Securities, at Value

	CFIF	LB Aggregate	Variance
Treasury	15.0%	23.0%	-8.0%
Agency	40.3%	48.2%	-7.9%
Corporate	19.0%	19.2%	-0.2%
Mortgage-Backed	15.0%	5.3%	9.7%
Asset-Backed	3.4%	0.8%	2.6%
Other[1]	7.3%	3.5%	3.8%
TOTAL	**100.0%**	**100.0%**	

(1) Other category includes cash and other assets.

Figure 4-5

CORE FIXED INCOME FUND
Distribution by Quality Rating at June 30, 2008
Based on Investments in Securities, at Value

Aaa	72.8%
AA-1	1.2%
AA-2 to A-1	6.6%
A-2 to BAA-1	6.7%
Less than BAA-1	6.5%
Not Rated[1]	6.2%
Total	100.0%

(1) Represents securities for which ratings are unavailable.

Figure 4-6

CORE FIXED INCOME FUND
Distribution by Coupon at June 30, 2008
Based on Investments in Securities, at Value

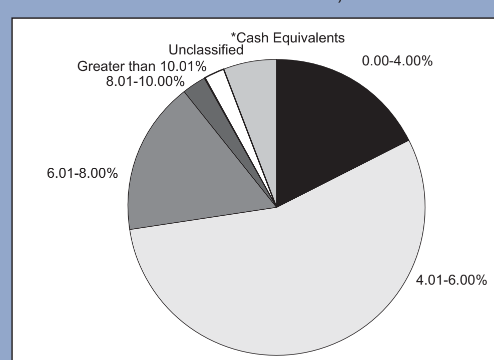


Figure 4-7

CORE FIXED INCOME FUND
Duration Distribution at June 30, 2008
Based on Investments in Securities, at Value

0-3 Years	27.0%
3-5 Years	32.2%
5-7 Years	19.0%
7-10 Years	7.3%
10+ Years	6.6%
Unknown(1)	2.1%
Cash(2)	5.8%
Total	100.0%

Figure 4-8

CORE FIXED INCOME FUND
Periods ending June 30, 2008

	1 YR	3 YRS	5 YRS	10 YRS
Compounded, Annual Total Return (%)				
CFIF	5.65	3.66	3.89	5.72
LB Aggregate	7.13	4.09	3.86	5.68
Cumulative Total Return (%)				
CFIF	5.65	11.38	21.05	74.42
LB Aggregate	7.13	12.77	20.82	73.82

Figure 4-9

CORE FIXED INCOME FUND
Annual Total Return

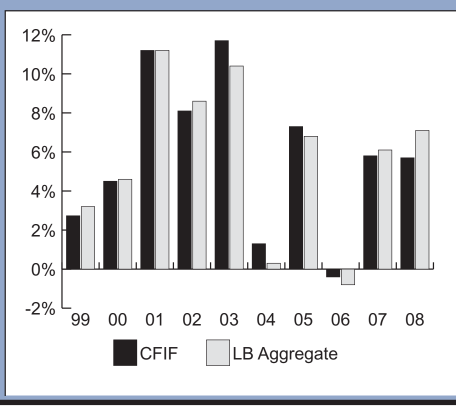


Figure 4-10

CORE FIXED INCOME FUND
Investment Advisors at June 30, 2008

Investment Advisor	Net Asset Value	% of Fund
State Street Global Advisors	$1,136,204,216	25.04%
BlackRock Financial Mgmnt, Inc.	901,731,858	19.87%
Wellington	680,596,862	15.00%
Western Asset Management Co.	812,000,056	17.90%
Phoenix	412,435,485	9.09%
Progress	139,566,604	3.08%
Other (1)	**454,526,384**	**10.02%**
TOTAL CFIF	**$4,537,061,465**	**100.00%**

(1) Other represents cash equivalents, other net assets and terminated advisor balances.

Figure 4-11

CORE FIXED INCOME FUND
Ten Largest Holdings* at June 30, 2008

Security Name	Maturity	Market Value	%
FNMA TBA	12/01/99	$123,527,318	2.54%
FNMA TBA	12/01/99	109,905,896	2.27%
FNMA Pool 735989	02/01/35	48,506,358	1.00%
FNMA Pool 888877	10/01/22	35,570,564	0.73%
US Treasury Notes	02/15/18	33,631,116	0.69%
US Treasury Notes	05/15/18	33,098,356	0.68%
GNMA I TBA	12/01/99	23,243,813	0.48%
Germany (FED REP)	01/04/17	26,653,253	0.55%
US Treasury Bonds	04/15/28	26,016,173	0.54%
FNMA Pool 888877	12/01/37	24,054,563	0.50%
Top Ten		**484,207,410**	**9.98%**

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

Figure 4-12

CORE FIXED INCOME FUND
Comprehensive Profile
for the Fiscal Year ending June 30,

	2008 CFIF	2008 LABI
Number of Issues	4,123	9,457
Average Coupon	5.10%	5.40%
Yield Maturity	6.10%	5.10%
Average Maturity	6.80	6.00
Modified Duration	4.80	4.70
Average Quality	AA-1	AAA
*Cash	5.8%	0.0%

* *Note: Beginning weights.*

Figure 4-13

CORE FIXED INCOME FUND
Quarterly Current Yield [1] vs. Indices (%)

	6/30/08	3/31/08	12/31/07	9/30/07	6/30/07
CORE FIXED INCOME	**5.15**	**5.09**	**5.16**	**4.69**	**4.60**
Leh Agg	5.32	5.24	5.33	5.40	5.45
Citigroup 3 Month T-Bill	1.86	1.37	3.39	3.89	4.80
Lehman Treasury	4.41	4.37	4.62	4.80	4.93
Lehman Agency	4.57	4.65	4.92	5.06	5.18
Lehman Mortgage	5.52	5.43	5.49	5.54	5.58
Lehman Corporate	6.23	6.10	5.99	6.01	6.01
Lehman Asset Backed	5.71	5.67	5.48	5.35	5.24

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

2008

inflation linked bond fund

Fund Facts at June 30, 2008

Investment Strategy/Goals: To invest primarily in inflation-linked securities in the domestic U.S. market with a goal to achieve a long-term real rate of return above the inflation rate.

Performance Objective: To achieve a net return that exceeds its benchmark by 20 to 40 basis points per annum, over rolling three to five year periods.

Benchmark: Lehman Brothers U.S. Treasury Inflation Protection Securities Index.

Date of Inception: November 1, 2007

Total Net Assets: $1,172,785,411

Number of Advisors: 2 external

Management Fees: $359,428

Operating Expenses: $28,318

Expense Ratio: 0.05%

Turnover: N/A

Description of the Fund

The Inflation Linked Bond Fund (ILBF) is an externally managed fund investing primarily in inflation-linked securities in the domestic U.S. market. The goal of the Fund is to achieve a long-term rate of return above the inflation rate and provide a source of interest income to help offset the outflow of retirement benefit payments. The inclusion of inflation-linked bonds should provide protection against rampant inflation and is a source of diversification to other classes within the CRPTF during different economic environments. Inflation-linked bonds pay semi-annual coupons that account for the real return while the inflation component of the return accrues to the bonds' principal every year.

At June 30, 2008, the Fund had two investment advisors. (See figure 5-10.)

The ILBF's long term objective has been to achieve an annual return, net of management fees and operating expenses, of between 20 and 40 basis points in excess of the Fund's benchmark.

Portfolio Characteristics

The ILBF is diversified across the spectrum of available inflation-linked securities. The Fund maintained a 91.2 % concentration in Treasury securities, with a small exposure of 3.3 % to foreign inflation-linked securities. Corporate bonds accounted for 0.3 % and the balance of 5.2 % was invested in other instruments and cash. (See figure 5-3.) The Fund's average quality rating was AAA, as judged by Moody's Investor Services, matching that of the benchmark. The Fund's average coupon at June 30, 2008 was 2.24 % versus 2.33 % for the benchmark. The Fund's average maturity and its benchmark were 9.29 years and 9.20 years, respectively. (See figure 5-9.)

Market Review

The Lehman Brothers U.S. Treasury Inflation Protected Securities (TIPS) Index posted a total return of 15.09% for the year ended June 30, 2008, the best return of any Lehman U.S. bond index. This performance was driven by falling interest rates and increased inflation pressures. Inflation was measured by the dramatic 5% rise in the Consumer Price Index, the result of a doubling of crude oil prices and retail gasoline prices jumping nearly 40% to $4.12 per gallon. The demand for TIPS resulted from the flight to safety into all Treasury-related debt as the financial crisis deepened over the year. The real yield on the 10 year maturity TIPS fell from 2.62% in June 2007 to 1.43% by June 2008, while the ten year breakeven rate increased to 2.54% from 2.28%. (The breakeven rate is the difference between the yield on a 10 year nominal Treasury and the yield on the 10 year TIPS and is a measure of the markets' expected 10 year inflation rate.)

Performance Summary

On November 1, 2007 the Mutual Fixed Income Fund was reallocated into four sub portfolios of fixed income securities. The reallocation was a result of modifications to the Investment Policy Statement (IPS) as approved by the Investment Advisory Council (IAC) and adopted by the Treasurer in October 2007. The reallocation of assets, outlined in the IPS, was based on an asset-liability study that identified the need to reallocate the mutual fixed income fund into four components: core fixed income, emerging market debt, high yield debt and inflation-linked bonds to allow for greater flexibility in managing risk and return in the various Connecticut Retirement Plans and Trust Funds.

The ILBF's transfer value on November 1, 2008 was $277 million. The ILBF's value as of June 30, 2008 was $1.173 billion resulting in an increase of $896 million. Of this total, $857 million was due to net cash inflows from participating Pension and Trust Funds and $32 million of net investment income, plus $7 million from net realized and unrealized gains.

For the fiscal year ended June 30, 2008 the ILBF generated a total return of 16.81% net of fees and operating expenses, outperforming the benchmark return of 15.09% by 172 basis points. This return reflects the four months of the former Mutual Fixed Income Fund sub-component entitled "Inflation Linked Bonds" and the remaining eight months of the fiscal year as the new ILBF. For the trailing three year period, ILBF's compounded annual total return was 5.91%, net of fees. The three year return outperformed the benchmark by 32 basis points. The cumulative total return for the three year period ending June 30, 2008, was 18.80%. (See figure 5-7.)

Risk Profile

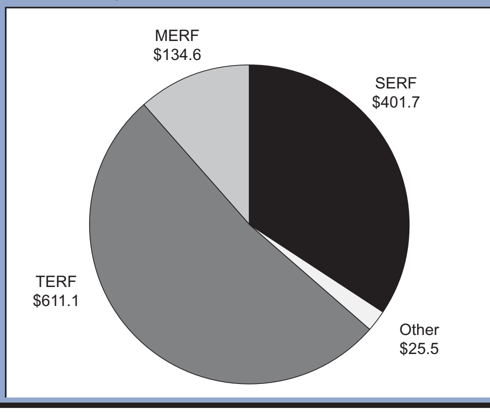
In fixed income investing, returns are extremely sensitive to changes in market interest rates. In general, the longer the time to maturity of a fixed income investment (and the resultant increase in time during which interest rates may change), the greater the level of risk assumed. To measure the degree of ILBF's price sensitivity to changes in market interest rates, the Fund's duration, or the weighted average time period over which cash flows are received by the investor, is monitored. At June 30, 2008, the Fund's duration of 5.43 years was below the benchmark of 7.57 years. While often viewed as an indicator of risk, duration can, if managed effectively, contribute significantly to total Fund returns. (See figure 5-2.)

The ILBF is also sensitive to changes in inflation as measured by the CPI. Period of increasing inflation will result in higher return.

Credit quality ratings are a measure of risk and the ILBF has average quality of AAA. (See figure 5-9.) Other types of risk include market risk and default risk.

Figure 5-1

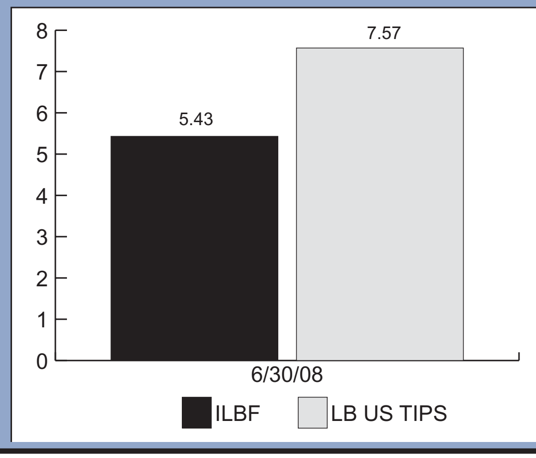
INFLATION LINKED BOND FUND
Ownership Analysis at June 30, 2008 ($ in millions)



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

Figure 5-2

INFLATION LINKED BOND FUND
Modified Duration vs. Index (1) (in Years)



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

Figure 5-3

INFLATION LINKED BOND FUND
Distribution by Sector at June 30, 2008
Based on Investments in Securities, at Value

	ILBF	LABI	Variance
Treasury	91.2%	100.0%	-8.8%
Agency	0.0%	0.0%	0.0%
Corporate	0.3%	0.0%	0.3%
Foreign	3.3%	0.0%	3.3%
Other[1]	5.2%	0.0%	5.2%
TOTAL	**100.0%**	**100.0%**	

(1) Other category includes cash and other assets.

Figure 5-4

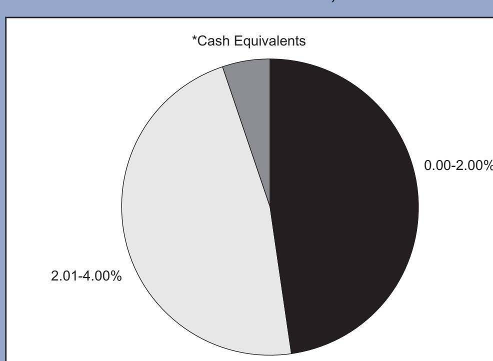
INFLATION LINKED BOND FUND
Distribution by Quality Rating at June 30, 2008
Based on Investments in Securities, at Value

Aaa	99.7%
AA-1	0.0%
AA-2 to A-1	0.3%
A-2 to BAA-1	0.0%
Less than BAA-1	0.0%
Not Rated[1]	0.0%
Total	100.0%

(1) Represents securities for which ratings are unavailable.

Figure 5-5

INFLATION LINKED BOND FUND
Distribution by Coupon at June 30, 2008
Based on Investments in Securities, at Value



**Note: Beginning weights*

Figure 5-6

INFLATION LINKED BOND FUND
Duration Distribution at June 30, 2008
Based on Investments in Securities, at Value

0-3 Years	11.1%
3-5 Years	46.2%
5-7 Years	5.1%
7-10 Years	12.5%
10+ Years	19.9%
Unknown(1)	0.0%
Cash(2)	5.2%
Total	100.0%

(1) Represents securities for which the duration could not be calculated by the custodian.
(2) Represents monies invested in cash equivalents at beginning of quarter.

Figure 5-7

INFLATION LINKED BOND FUND
Periods ending June 30, 2008

	1 YR	3 YRS
Compounded, Annual Total Return (%)		
ILBF	16.81	5.91
LB U.S. Tips	15.09	5.59
Cumulative Total Return (%)		
ILBF	16.81	18.80
LB U.S. Tips	15.09	17.72

Figure 5-8

INFLATION LINKED BOND FUND
Annual Total Return

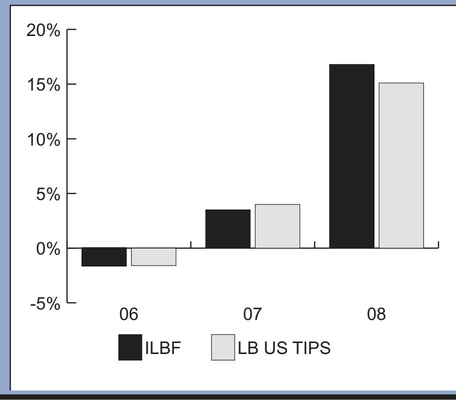


Figure 5-9

INFLATION LINKED BOND FUND
Comprehensive Profile for the Fiscal Year ending June 30,

	2008 ILBF	LB US TIPS
Number of Issues	25	25
Average Coupon	2.24%	2.33%
Average Maturity	9.29	9.20
Modified Duration	5.43	7.57
Average Quality	AAA	AAA
*Cash	5.2%	0.0%

**Note: Beginning Weights*

Figure 5-10

INFLATION LINKED BOND FUND
Investment Advisors at June 30, 2008

Investment Advisor	**Net Asset Value**	**% of Fund**
Brown Brothers Harriman	$597,394,601	50.94%
Hartford Investment Mgmt Co.	574,899,771	49.02%
Other (1)	**491,039**	**0.04%**
TOTAL ILBF	**$1,172,785,411**	**100.00%**

(1) Other represents cash equivalents, other net assets and terminated advisor balances.

Figure 5-11

INFLATION LINKED BOND FUND
Ten Largest Holdings* at June 30, 2008

Security Name	Maturity	Market Value	%
US Treasury Notes	07/15/13	167,195,259	14.39%
US Treasury Bonds	01/15/25	134,959,190	11.61%
US Treasury Bonds	01/15/27	100,083,262	8.61%
US Treasury Notes	01/15/16	84,656,795	7.28%
US Treasury Notes	04/15/11	80,209,715	6.90%
US Treasury Notes	07/15/15	71,034,347	6.11%
US Treasury Bonds	01/15/26	63,062,971	5.42%
US Treasury Notes	01/15/11	55,732,646	4.79%
US Treasury Notes	07/15/16	53,917,654	4.64%
US Treasury Notes	07/15/14	48,021,130	4.13%
Top Ten		858,872,969	73.88%

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

2008 emerging market debt fund

Fund Facts at June 30, 2008

Investment Strategy/Goals: To invest primarily in debt securities of select foreign emerging markets with a goal of portfolio diversification and enhanced risk-adjusted returns.

Performance Objective: To achieve a net return that exceeds its benchmark by 100 to 200 basis points per annum, over rolling three to five year periods.

Benchmark: J.P. Morgan Emerging Market Bond Index (EMBI) Global Diversified and the J.P. Morgan Government Bond Index (GBI) - Emerging Markets.

Date of Inception: November 1, 2007

Total Net Assets: $1,047,334,629

Number of Advisors: 4 external

Management Fees: $1,445,788

Operating Expenses: $205,741

Expense Ratio: 0.19%

Turnover: n/a

Description of the Fund

The Emerging Market Debt Fund (EMDF) is an externally managed fund investing primarily in debt securities of select foreign emerging markets with a goal of achieving a long-term real rate of return above the inflation rate. The economies and financial markets of emerging markets have historically had lower correlation to U.S. markets and provide desirable risk diversification for the portfolio. Emerging markets tend to have higher economic growth rates than developed countries. The money managers have different investment approaches and generate returns from both country and currency selection. Securities can be dollar denominated or in the local currency of the country, with the latter sometimes hedged back to the dollar. Sovereign loans, Brady bonds and Eurobonds, along with quasi-sovereigns, multinational companies and local corporate debt are examples of securities held in this fund.

At June 30, 2008, the Fund had four money managers.

Portfolio Characteristics

The Emerging Market Debt Fund is a diversified portfolio of over 300 securities with an overall yield to maturity of 8.15%. This compares favorably to the benchmark which has 196 issues and a yield to maturity of 7.62%. (See figure 6-11.) The sector distribution of the Fund is depicted in figure 6-1 below. The average quality of EMDF is Ba1, the same quality as the benchmark. Figure 6-4 portrays the distribution by quality ratings. More than half of the emerging market debt instruments are unrated as they originate outside of the United States. The duration of the fund is 5.11 years with investments staggered across the maturity spectrum. This is shorter than the index duration of 6.29 years. (See figure 6-2.) Compared to the benchmark, EMDF is more diversified, has a higher yield and a shorter duration.

At year end, EMDF was slightly overweight the index in Africa, Europe and the United States and was underweight in Asia, Latin America and the Middle East. (See figure 6-3.)

Market Review

Through the first half of the fiscal year, the economic conditions of emerging markets was positive, characterized by growth in the major economies of Latin America, Eastern Europe and Asia. Despite slightly increasing volatility in these markets and the liquidity crisis due to U.S. subprime mortgage markets, it appeared that improvements in economic fundamentals would help spare major emerging markets from a repeat of the dramatic spread widening that occurred in the 1990s. However, by the end of the third fiscal quarter, it was clear that emerging economic fundamentals had begun deteriorating. While local markets had returned roughly 18% over a trailing 12 month period, it was primarily due to currency appreciation versus the U.S. dollar. Despite growing inflation and a more difficult refinancing environment in emerging debt markets, local markets remained attractive in those countries with account balance surpluses.

Performance Summary

On November 1, 2007 the Mutual Fixed Income Fund was reallocated into four sub portfolios of fixed income securities. The reallocation was a result of modifications to the Investment Policy Statement (IPS) as approved by the Investment Advisory Council (IAC) and adopted by the Treasurer in October 2007. The reallocation of assets, outlined in the IPS, was based on an asset-liability study that identified the need to reallocate the mutual fixed income fund into four components: core fixed income, emerging market debt, high yield debt and inflation-linked bonds to allow for greater flexibility in managing risk and return in the various Connecticut Retirement Plans and Trust Funds.

The EMDF's transfer value on November 1, 2007 was $727 million. The EMDF's value as of June 30, 2008 was $1.047 billion, an increase of $320 million. Of this total, $361 million was due to net cash inflows from participating Pension and Trust Funds in connection with a rebalance to new asset allocation targets for the CRPTF and $27 million of net investment income, less $37 million from net realized and unrealized losses, $21 million in redemptions and $9 million in distributed income.

For the fiscal year ended June 30, 2008 the Emerging Market Debt Fund generated a total return of 5.59% net of fees and operating expenses, outperforming the benchmark return of 5.10% by 49 basis points. This return reflects the four months of the former Mutual Fixed Income Fund sub-component entitled "Emerging Market Debt" and the remaining eight months of the fiscal year as the new EMDF. The out performance for the fiscal year was primarily attributable to diversification and shorter duration.

For the trailing three year period, EMDF's compounded annual total return was 10.44%, net of fees. The three year return outperformed the benchmark by 353 basis points. The cumulative total return for the three year period ending June 30, 2008 was 34.70%.

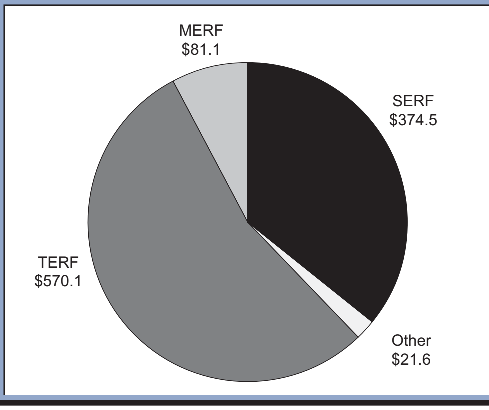
Risk Profile

Given EMDF's investment policies and objectives, the Fund is exposed to several forms of risk. These include, but are not limited to market risk, currency risk, purchasing power risk, default risk, and reinvestment risk. In addition, the Fund is potentially exposed to geopolitical risk.

Credit quality ratings, both published and generated by the managers, are one measure of risk for the Fund. Like the index, EMDF has an overall quality rating of Ba1. Another measure of risk that is monitored is the duration of the fund. This relates to the fact that in a normal yield curve environment, an investor will be paid more to hold longer dated securities to compensate for the additional risk of default and reinvestment risk. Duration measures the timeframe that is needed for a bond to generate internal cash flows that will cover the cost of the bond. The longer it takes, i.e. the higher the duration, the greater the price volatility and risk of the bond. At June 30, 2008, the Fund's duration of 5.11 years was below the J.P. Morgan EMBI Global Index of 6.29 years.

Figure 6-1

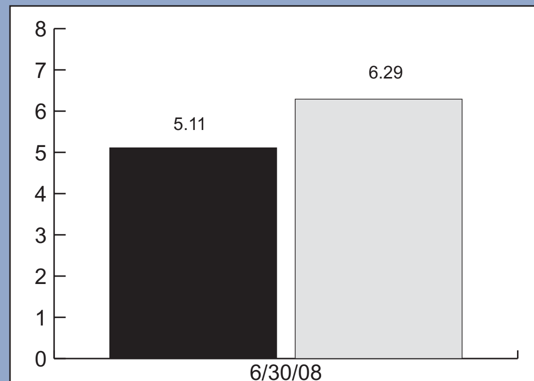
EMERGING MARKET DEBT FUND
Ownership Analysis at June 30, 2008 ($ in millions)



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

Figure 6-2

EMERGING MARKET DEBT FUND
Modified Duration vs. Index (1) (in Years)



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

Figure 6-3

EMERGING MARKET DEBT FUND
Distribution by Region at June 30, 2008

	EMDF	JP Morgan EMBI	Variance
Africa	5.4%	3.5%	1.9%
Asia	13.1%	20.4%	-7.3%
Europe	26.7%	23.6%	3.1%
Latin America	40.5%	47.5%	-7.0%
Middle East	2.6%	5.0%	-2.4%
United States	11.7%	0.0%	11.7%
TOTAL	**100.0%**	**100.0%**	

Figure 6-4

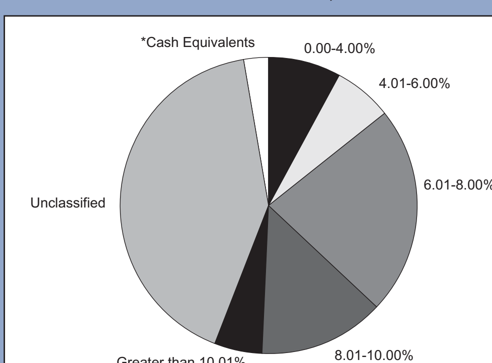
EMERGING MARKET DEBT FUND
Distribution by Quality Rating at June 30, 2008
Based on Investments in Securities, at Value

Aaa	2.0%
AA-1	0.0%
AA-2 to A-1	0.8%
A-2 to BAA-1	11.8%
Less than BAA-1	31.0%
Not Rated[1]	54.4%
Total	100.0%

(1) Represents securities for which ratings are unavailable.

Figure 6-5

EMERGING MARKET DEBT FUND
Distribution by Coupon at June 30, 2008
Based on Investments in Securities, at Value



** Note: Beginning weights.*

Figure 6-6

EMERGING MARKET DEBT FUND
Duration Distribution at June 30, 2008
Based on Investments in Securities, at Value

0-3 Years	12.9%
3-5 Years	10.8%
5-7 Years	13.7%
7-10 Years	11.0%
10+ Years	6.7%
Unknown(1)	42.2%
Cash(2)	2.7%
Total	100.0%

(1) Represents securities for which the duration could not be calculated by the custodian.
(2) Represents monies invested in cash equivalents at beginning of quarter.

Figure 6-7

EMERGING MARKET DEBT FUND
Periods ending June 30, 2008

	1 YR	3 YRS
Compounded, Annual Total Return (%)		
EMDF	5.59	10.44
J.P.Morgan EMBI Global Index	5.10	6.91
Cumulative Total Return (%)		
EMDF	5.59	34.70
J.P.Morgan EMBI Global Index	5.10	22.20

Figure 6-8

EMERGING MARKET DEBT FUND
Annual Total Return

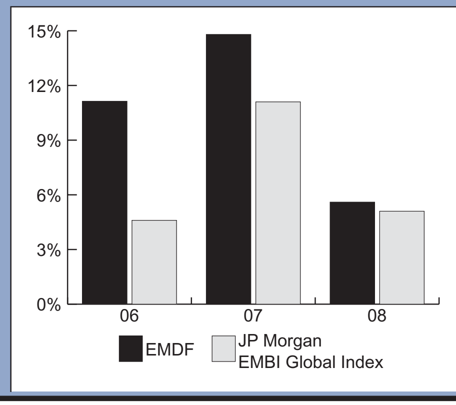


Figure 6-9

EMERGING MARKET DEBT FUND
Investment Advisors at June 30, 2008

Investment Advisor	Net Asset Value	% of Fund
Ashmore	$339,221,905	32.40%
Stone Harbor Investment Partners	251,588,628	24.02%
Pyramis	207,519,605	19.81%
UBS Global Asset Management	243,964,412	23.29%
Other (1)	5,040,079	0.48%
TOTAL EMDF	**$1,047,334,629**	**100.00%**

(1) Other represents cash equivalents, other net assets and terminated advisor balances.

Figure 6-10

EMERGING MARKET DEBT FUND
Ten Largest Holdings* at June 30, 2008

Security Name	Maturity	Market Value	%
Russian Federation	03/31/30	25,460,622	2.45%
Argentina (Rep)	03/28/11	17,856,750	1.72%
Argentina	08/03/12	14,598,630	1.40%
Malaysia	04/13/10	12,102,373	1.16%
Argentina (Rep)	09/12/13	11,738,089	1.13%
Russian Federation	06/24/28	10,259,789	0.99%
Turkey (Rep)	04/03/18	10,226,244	0.98%
Nota Do Tesouro NA	01/01/17	9,885,535	0.95%
Colombia (Rep)	09/18/37	9,688,551	0.93%
Malaysian Gvrmnt	06/15/12	9,574,244	0.92%
Top Ten		**131,390,827**	**12.63%**

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

Figure 6-11

EMERGING MARKET DEBT FUND
Comprehensive Profile for the Fiscal Year ending June 30,

	2008 EMDF	2008 EMBI
Number of Issues	302	196
Yield to Maturity	8.15%	7.62%
Modified Duration	5.11	6.29
Average Quality	Ba1	Ba1
*Cash	2.7%	0.0%

* *Note: Beginning weights.*

2008

high yield debt fund

Fund Facts at June 30, 2008

Investment Strategy/Goals: To invest primarily in domestic below investment grade debt securities with a goal to achieve a long-term real rate of return above the inflation rate, employing a range of manager style techniques to capture excess return.

Performance Objective: To achieve a net return that exceeds its benchmark by 150 to 300 basis points per annum, over rolling three to five year periods.

Benchmark: Citigroup High Yield Market Index

Date of Inception: November 1, 2007

Total Net Assets: $759,214,393

Number of Advisors: 4 external

Management Fees: $1,629,335

Operating Expenses: $67,774

Expense Ratio: 0.24%

Turnover: N/A

Description of the Fund

The High Yield Debt Fund (HYDF) is an externally managed fund investing primarily in below investment grade debt securities with a goal of achieving a long-term real rate of return above the inflation rate. The Fund managers have differing investment styles to capture excess return. In addition to higher yield from these securities, there is upside return potential. Credits receiving ratings upgrades can realize an increase in their market value or the underlying company might pre-pay the debt at a premium. The inclusion of a high yield class will provide a source of diversification to other asset classes within the CRPTF given different economic environments.

At June 30, 2008, the Fund had four money managers. The Fund's investments were allocated to Loomis Sayles & Co., Inc. 43%, Shenkman Capital Management 20%, Stone Harbor Investment Partners 19%, and Oaktree Capital Management, LLC 18%.

The HYDF's long term objective has been to achieve an annual return, net of management fees and operating expenses, of between 150 and 300 basis points in excess of the Citigroup High Yield Market Index.

Portfolio Characteristics

HYDF continues to be well diversified across the spectrum of available high yield securities with a concentration in corporate securities. The allocation to the corporate sector was approximately 89% with the balance in other high yield securities and cash equivalents. The Fund's average quality rating was B-1, as was the benchmark. (See figures 7-4 and 7-10.)

Market Review

Investment and commercial banks' lax credit standards and flawed risk controls, as well as ratings agencies' missteps in properly assessing risk, caused a five-year credit boom to come crashing down on Wall Street. After reaching record tight levels with respect to risk premiums in early June 2007, the high yield market underwent a significant correction in the June-July 2007 time period. This correction was a result of the macro concerns about the subprime mortgage market and the potential contagion effect of a U.S. housing recession on the overall economy. For the first time in over 20 years, the high yield market started calendar year 2008 with three consecutive monthly declines. For most of the reporting period, the high yield market performed poorly. However, in April 2008 a propensity for riskier assets returned, driving the high yield market to its largest one month gain in over five years. The high yield bank loan market, which recorded two of its worst months ever in January and February, rebounded in April with its largest gain on record. The credit crisis battered the bank loan market more severely than the high yield bond market. Higher rated, senior secured loans underperformed lower rated, unsecured and subordinated high yield debt. This inverted performance was due in part to the enormous overhang of unsold bridge financings of mega-leveraged buyouts, as well as the demise of collateralized loan obligations, which accounted for 60% of all loan purchases over the past two years. This technical weakness in the high yield loan market was also a key contributor to the spread widening and weak performance in the high yield bond market during the reporting period. Risk premiums (i.e., yield spreads) ended the period significantly wider (711 bps) than the historically tight levels of only one year ago (316 bps). This increase in spreads was not accompanied by an increase in defaults, as the default rate was well below historical averages at 1.98% as of June 30, 2008.

Performance Summary

On November 1, 2007 the Mutual Fixed Income Fund was reallocated into four sub portfolios of fixed income securities. The reallocation was a result of modifications to the Investment Policy Statement (IPS) as approved by the Investment Advisory Council (IAC) and adopted by the Treasurer in October 2007. The reallocation of assets, outlined in the IPS, was based on an asset liability study that identified the need to reallocate the mutual fixed income fund into four components: core fixed income, emerging market debt, high yield debt and inflation-linked bonds to allow for greater flexibility in managing risk and return in the various Connecticut Retirement Plans and Trust Funds.

The HYDF's transfer value on November 1, 2007 was $648 million. The HYDF's value as of June 30, 2008 was $759 million resulting in an increase of $111 million. Of this total, $126 million was due to net cash inflows from participating Pension and Trust Funds in connection with a rebalance to new asset allocation targets for the CRPTF and $36 million of net investment income, less $51 million from net realized and unrealized losses.

For the fiscal year ended June 30, 2008 the HYDF generated a total return of negative 1.88%, net of fees and operating expenses, outperforming the benchmark return of negative 2.29% by 41 basis points. This return reflects the four months of the former Mutual Fixed Income Fund sub-component entitled "High Yield" and the remaining eight months of the fiscal year as the new HYDF. The out performance for the fiscal year was primarily attributable to credit selection and timing.

For the trailing three, five and ten-year periods, HYDF's compounded annual total returns were 4.72%, 7.24% and 5.48% respectively, net of fees. These returns outperformed the benchmark by 38, 53, and 49 basis points respectively. The cumulative total returns for the three, five, and ten-year periods ending June 30, 2008, were 14.84%, 41.84% and 70.49%, respectively.

Risk Profile

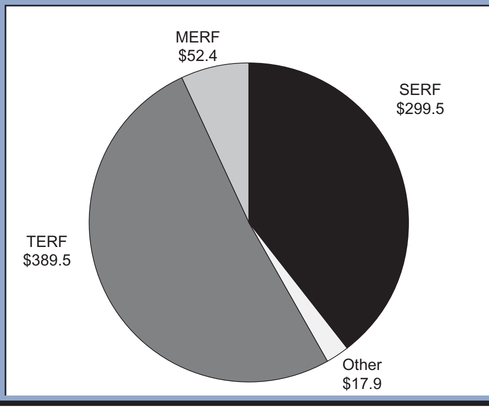
Given the HYDF's investment policies and objectives, the Fund is exposed to several forms of risk. These include, but are not limited to, credit default risk, purchasing power risk, reinvestment risk, interest rate risk and market risk. In addition, the Fund is occasionally exposed to political, economic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

Credit quality ratings are one measure of risk. The HYDF selectively assumes credit risk for higher potential return. Like other fixed income investments, the price of high yield securities is sensitive to changes in market interest rates.

To measure the degree of HYDF's price sensitivity to changes in market interest rates, the Fund's duration, or the weighted average time period over which cash flows are received by the investor, is monitored. At June 30, 2008, the Fund's duration of 5.20 years compared to the Citigroup High Yield Market Index of 4.40 years. While often viewed as an indicator of risk, duration can, if managed effectively, contribute significantly to total Fund returns. (See figure 7-3)

Figure 7-1

HIGH YIELD DEBT FUND
Ownership Analysis at June 30, 2008 ($ in millions)



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

Figure 7-2

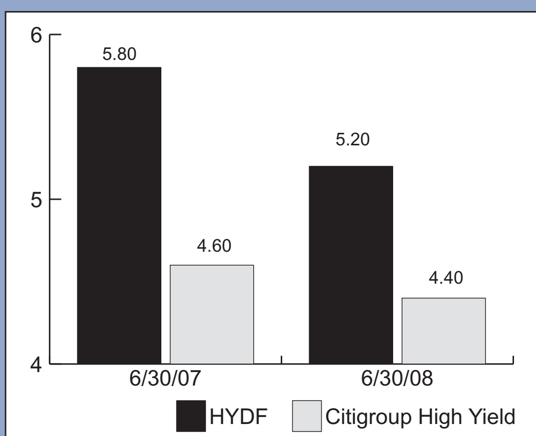
HIGH YIELD DEBT FUND (1)
Risk Profile at June 30, 2008

Relative Volatility	1.04
Standard Deviation	5.53
R2	0.90
Beta	0.99
Alpha	0.57

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

Figure 7-3

HIGH YIELD DEBT FUND
Modified Duration vs. Index (1) (in Years)



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

Figure 7-4

HIGH YIELD DEBT FUND
Distribution by Sector at June 30, 2008
Based on Investments in Securities, at Value

	HYDF	Citigroup	Variance
Treasury	0.0%	0.0%	0.0%
Agency	0.0%	0.0%	0.0%
Corporate	89.2%	99.9%	-10.7%
Mortgage-Backed	0.9%	0.0%	0.9%
Asset-Backed	0.0%	0.0%	0.0%
Other[1]	9.9%	0.1%	9.8%
TOTAL	100.0%	100.0%	

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

Figure 7-5

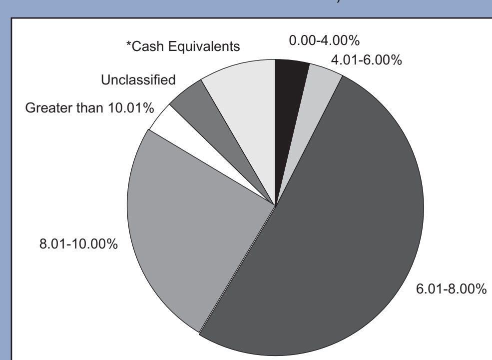
HIGH YIELD DEBT FUND
Distribution by Quality Rating at June 30, 2008
Based on Investments in Securities, at Value

Aaa	0.9%
AA-1	0.0%
AA-2 to A-1	1.5%
A-2 to BAA-1	2.9%
Less than BAA-1	72.4%
Not Rated[1]	22.3%
Total	100.0%

(1) Represents securities for which ratings are unavailable.

Figure 7-6

HIGH YIELD DEBT FUND
Distribution by Coupon at June 30, 2008
Based on Investments in Securities, at Value



** Note: Beginnings weights.*

Figure 7-7

HIGH YIELD DEBT FUND
Duration Distribution at June 30, 2008
Based on Investments in Securities, at Value

0-3 Years	16.3%
3-5 Years	33.2%
5-7 Years	24.0%
7-10 Years	12.0%
10+ Years	2.0%
Unknown(1)	4.1%
Cash(2)	8.4%
Total	100.0%

(1) Represents securities for which the duration could not be calculated by the custodian.
(2) Represents monies invested in cash equivalents at beginning of quarter.

Figure 7-8

HIGH YIELD DEBT FUND
Periods ending June 30, 2008

	1 YR	3 YRS	5 YRS	10 YRS
Compounded, Annual Total Return (%)				
HYDF	-1.88	4.72	7.24	5.48
Citigroup High Yield Index	-2.29	4.34	6.71	4.99
Cumulative Total Return (%)				
HYDF	-1.88	14.84	41.84	70.49
Citigroup High Yield Index	-2.29	13.59	38.36	62.73

Figure 7-9

HIGH YIELD DEBT FUND
Annual Total Return

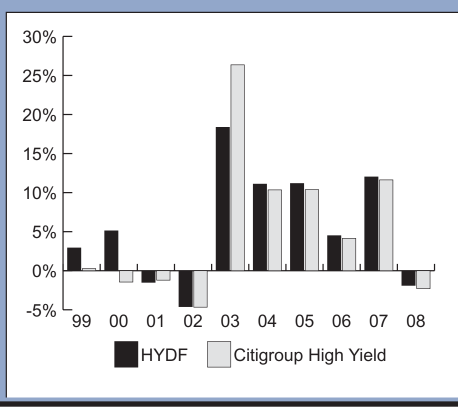


Figure 7-10

HIGH YIELD DEBT FUND
Comprehensive Profile for the Fiscal Year ending June 30,

	2008 HYDF	2008 Citigroup
Number of Issues	569	1,258
Average Coupon	7.60%	8.10%
Yield Maturity	9.90%	10.90%
Average Maturity	8.40	6.90
Modified Duration	5.20	4.40
Average Quality	B-1	B-1
Cash	8.4%	0.0%

**Note: Beginning Weights*

Figure 7-11

HIGH YIELD DEBT FUND
Investment Advisors at June 30, 2008

Investment Advisor	Net Asset Value	% of Fund
Loomis Sayles & Co., Inc.	$324,437,858	42.74%
Stone Harbor Investment Partners	145,334,608	19.14%
Shenkman Capital Management	151,471,173	19.95%
Oaktree Capital Management, LLC	136,392,195	17.96%
Other (1)	**1,578,559**	**0.21%**
TOTAL HYDF	**$759,214,393**	**100.00%**

(1) Other represents cash equivalents, other net assets and terminated advisor balances.

Figure 7-12

HIGH YIELD DEBT FUND
Ten Largest Holdings* at June 30, 2008

Security Name	Maturity	Market Value	%
Mexico			
(Untd Mexican States)	12/20/12	13,898,928	1.87%
ASIF Global Fin XXVII	02/26/09	8,822,369	1.18%
Dynegy Hldgs Inc	05/01/16	8,671,800	1.16%
Georgia Pacific Corp	11/15/29	6,459,200	0.87%
AES Corp	03/01/11	6,370,964	0.86%
Toys R Us	10/15/18	6,167,900	0.83%
Vertex Pharm. Inc	Com Stock	5,916,659	0.79%
US West Cap Fdg Inc	07/15/28	5,904,000	0.79%
IMC Global Inc	01/15/28	5,903,450	0.79%
Citibank NA	07/02/10	5,903,168	0.79%
Top Ten		74,018,438	9.93%

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

developed markets international stock fund

Fund Facts at June 30, 2008

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

Performance Objective: An annual total return 100 to 250 basis points greater than the Benchmark after expenses.

Benchmark: S&P/Citigroup BMI EPAC (Europe, Pacific, Asia Composite) Index 50% Hedged

Date of Inception: November 1, 2007

Total Net Assets: $5,108,281,295

Number of Advisors: 12 external

Management Fees: $13,227,084

Operating Expenses: $691,044

Expense Ratio: 0.27%

Turnover: N/A

Description of the Fund

The Developed Markets International Stock Fund is an externally managed fund, which invests in developed international equity securities. The investment in this asset class has the goal of participating in the growth of the international economy. It is used to reduce short-term volatility in the Pension and Trust Funds returns by providing an additional layer of asset diversification.

On November 1, 2007 the International Stock Fund (ISF) was reallocated into two sub portfolios of international equity securities. The reallocation was a result of modifications to the Investment Policy Statement (IPS) as approved by the Investment Advisory Council (IAC) and adopted by the Treasurer in October 2007. The reallocation of assets, outlined in the IPS, was based on an asset liability study that identified the need to reallocate the international stock fund into two components: developed markets international stocks and emerging markets stocks to allow for greater flexibility in managing risk and return in the various CRPTF.

At the end of fiscal year 2008, the Fund had thirteen external advisors, selected on the basis of expected future performance and investment style. (See figure 8-5.) Based on the Fund's holdings, as of June 30, 2008, approximately 29.2% of the portfolio was actively managed in core, 33.2% in active growth/value, 5.8% in small cap, 17.8% was actively managed within risk controlled and 13.2% was allocated to one advisor for passive management against the Citigroup Europe, Pacific, Asia Composite Primary Market Index (Citigroup EPAC PMI) and 0.8% in other. Additionally, approximately 2% was managed through a diversified core allocation to the international component of the Connecticut Horizon Fund (CHF) within the core category.

Portfolio Characteristics

At fiscal year-end, DMISF was 93.9% invested in developed market international securities. Investments in Japan were the largest exposure of Fund representing 20.6%. The United Kingdom accounted for 18.0% of investments followed by France at 9.5%. These geographic concentrations differed from those of the benchmark index, reflecting the Fund's allocation to active management strategies. (See figure 8-4.)

The DMISF was well diversified at year-end, holding more than 1,683 securities in the portfolio. The DMISF's ten largest holdings included a variety of companies located throughout Europe and the Far East. The Fund's largest investment, comprising 1.98% of investment securities, was France's Total. In the aggregate, these ten holdings accounted for 12.66% of the Fund's investments at June 30, 2008. (See figure 8-6.)

Market Review

International equity markets all posted negative returns for the one year period ended June 30, 2008. Financials were the weakest performers as the mortgage and credit crisis spread globally, battering shares of firms that were exposed to sub-prime mortgages. Consumer Discretionary stocks also performed poorly as fears of a slowing global economy coupled with high energy prices and declining consumer spending and advertising hurt shares of automakers, retailers, and media companies. Materials stocks were the strongest performers over the period, reflecting the sharp rise in metals and agricultural chemical prices. DMISF diversification from active management benefited this sector driven environment as value add was broadly achieved by DMISF's active investment managers.

Performance Summary

For the fiscal year ended June 30, 2008, the Developed Markets International Stock Fund (DMISF) generated a return of -14.60%, net of fees and operating expenses, which outperformed its benchmark index return of -16.05% by 145 basis points. The positive performance versus the index was attributable to broad individual manager outperformance across the fund.

The DMISF's transfer value on November 1, 2007 was $4.814 billion. The DMISF's value as of June 30, 2008 was $5.108 billion resulting in an increase of $0.294 billion. Of this total, $1.219 billion was due to net cash inflows from participating Pension and Trust Funds and -$1.025 billion from net realized and unrealized losses less $100 million of net investment income.

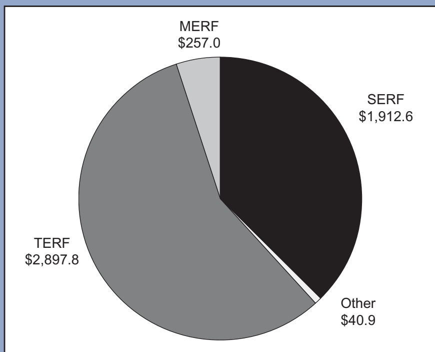
The Fund returned 10.17% for the three year period underperforming the benchmark returns of 10.76% by 59 basis points for the three year period. The cumulative return for the Fund for the three year period was 33.72% as illustrated in Figure 8-2 below.

Risk Profile

Given DMISF'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. A currency hedging strategy is employed. As stated in the Investment Policy Statement, a 50% hedge ratio would provide an acceptable reduction in the portfolio's currency risk profile over time.

Figure 8-1

DEVELOPED MARKETS INTERNATIONAL STOCK
Ownership Analysis at June 30, 2008 ($ in millions)



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

Figure 8-2

DEVELOPED MARKETS INTERNATIONAL STOCK
Periods ending June 30, 2008

	1 YR	3 YRS
Compounded, Annual Total Return (%)		
DMISF	-14.60	10.17
S&P/Citigroup BMI		
EPAC 50% Hedged	-16.05	10.76
Cumulative Total Return (%)		
DMISF	-14.60	33.72
S&P/Citigroup BMI		
EPAC 50% Hedged	-16.05	35.88

Figure 8-3

DEVELOPED MARKETS INTERNATIONAL STOCK
Annual Total Return

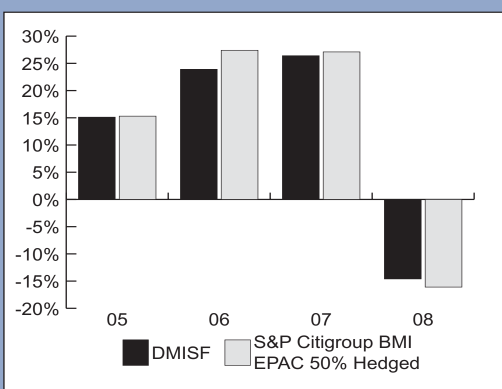


Figure 8-4

DEVELOPED MARKETS INTERNATIONAL STOCK
Diversification by Benchmark Country with Return (%) at June 30, 2008 [1]

	DMISF % of Net Assets 6/30/08	Benchmark % of Net Assets 6/30/08	Variance
Australia	4.8	6.6	-1.8
Austria	1.1	0.7	0.4
Belgium	0.7	1.1	-0.3
Denmark	1.2	1.2	0.1
Finland	1.7	1.4	0.2
France	9.5	9.3	0.2
Germany	8.4	8.1	0.3
Greece	0.6	0.7	-0.1
Hong Kong	1.5	2.2	-0.7
Ireland	0.7	0.6	0.1
Italy	3.7	3.9	-0.2
Japan	20.6	21.3	-0.7
Korea	2.9	3.5	-0.6
Luxembourg	0.8	0.7	0.1
Netherlands	3.3	2.5	0.8
New Zealand	0.1	0.1	0.0
Norway	0.8	1.2	-0.4
Portugal	0.2	0.4	-0.2
Singapore	1.5	1.3	0.1
Spain	3.2	4.3	-1.1
Sweden	1.5	2.3	-0.8
Switzerland	7.1	6.2	0.9
United Kingdom	18.0	20.4	-2.4
Other	6.1	0.0	6.1
Total	**100.0**	**100.0**	

Figure 8-5

DEVELOPED MARKETS INTERNATIONAL STOCK
Investment Advisors at June 30, 2008

Investment Advisor	Net Asset Value	% of Fund
Index	**$676,477,517**	**13.24%**
State Street Global Advisors	676,477,517	13.24%
Core	**1,489,162,231**	**29.16%**
Invesco Global Asset Mgmt.	242,875,937	4.75%
AQR Capital Management	315,027,056	6.17%
Acadian Asset Management	448,810,059	8.80%
Artio Global	400,678,731	7.84%
Progress	81,770,448	1.60%
Active-Growth	**979,615,304**	**19.17%**
Clay Finlay, Inc.	495,661,097	9.70%
MFS Institutional Advisors, Inc.	483,954,207	9.47%
Active-Value	**718,225,463**	**14.06%**
Grantham, Mayo, Van Otterloo	718,225,463	14.06%
Small Cap	**296,949,032**	**5.81%**
Schroder Investment Mgmt.	296,949,032	5.81%
Risk Controlled	**908,832,405**	**17.80%**
BlackRock	448,765,440	8.79%
Pyramis	460,066,965	9.01%
Other (1)	**39,019,343**	**0.76%**
SUBTOTAL DMISF	**$5,108,281,295**	**100.00%**

(1) Other represents cash equivalents, other net assets and terminated advisor balances, as well as, currency overlay balances for the DMISF.

Figure 8-6

DEVELOPED MARKETS INTERNATIONAL STOCK
Ten Largest Holdings* at June 30, 2008

Security Name	Country	Market Value	%
Total SA Eur 2.5 Post Division	France	100,486,378	1.98%
Nestle SA CHFO.10 REGD	Switzerland	80,049,035	1.58%
Vodafone Group ORD USD 0.11428571	United Kingdom	66,851,881	1.32%
E on AG NPV	Germany	66,175,133	1.30%
ENI Eur 1	Italy	64,815,289	1.28%
Glaxosmithkline ORD GBP 0.25	United Kingdom	58,140,542	1.14%
Roche Holdings AG Genusscheine NPV	Switzerland	56,044,131	1.10%
Novartis AG CHF 0.50 REGD	Switzerland	51,555,450	1.02%
BG Group ORD GBP 0.10	United Kingdom	51,393,329	1.01%
Royal Dutch Shell A SHS Eur 0.7	United Kingdom	47,110,261	0.93%
Top Ten		**642,621,429**	**12.66%**

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

emerging markets international stock fund

Fund Facts at June 30, 2008

Investment Strategy/Goals: To participate in the growth of the emerging markets economy through the ownership of emerging markets equity securities in emerging international countries.

Performance Objective: An annual total return of 100 to 250 basis points greater than the MSCI Emerging Markets IMI (with net dividends) Index benchmark after expenses.

Benchmark: MSCI Emerging Markets IMI (Investable Market Index) Index

Date of Inception: November 1, 2007

Total Net Assets: $1,303,759,098

Number of Advisors: 2 external

Management Fees: $5,610,307

Operating Expenses: $857,449

Expense Ratio: 0.50%

Turnover: N/A

Description of the Fund

The Emerging Market International Stock Fund (EMISF) is an externally managed fund, which invests in emerging market equity securities, with the goal of participating in the growth of emerging market economies. It is used to reduce short-term volatility in the overall asset allocation plans of the various plans and trusts by providing an additional layer of asset diversification.

On November 1, 2007 the International Stock Fund (ISF) was reallocated into two sub portfolios of international equity securities. The reallocation was a result of modifications to the Investment Policy Statement (IPS) as approved by the Investment Advisory Council (IAC) and adopted by the Treasurer in October 2007. The reallocation of assets, outlined in the IPS, was based on an asset liability study that identified the need to reallocate the international stock fund into two components: developed markets international stocks and emerging markets stocks to allow for greater flexibility in managing risk and return in the various CRPTF.

At the end of fiscal year 2008, the Fund had two external money managers, selected on the basis of expected future performance and investment style. One employs a fundamental discipline while the other utilizes a structured quantitative approach.

Portfolio Characteristics

At fiscal year-end, EMISF was 96.9% invested in international securities with the balance in cash. Investments in Brazil were the largest percentage of Fund assets, 14.9% followed by Korea at 14.8%. These geographic concentrations differed from those comprising the index, reflecting the Fund's allocation to active management strategies. (See figure 9-6.)

The EMISF was well diversified at year-end, with holdings of 431 securities in the portfolio. The EMISF's ten largest holdings included a variety of companies located throughout Latin America, Eastern Europe, and the Far East. The Fund's largest investment, comprising 3.50% of investment securities, was Petroleo Brasileiro. In the aggregate, the top ten holdings accounted for 21.21% of the Fund's investments at June 30, 2008. (See figure 9-8.)

Market Review

During the fiscal year ended June 30, 2008, emerging markets saw a substantial rise leading up to October 2007, followed by a decline through fiscal year end. The euphoria in the run up to late October was characterized by an explosion in global liquidity, universal deployment of free market policies, an upward trend in global trade, sharp growth in China, and skyrocketing demand and prices for commodities and energy. From late October 2007, the Chinese market began to correct from its highs soon followed by the Indian market's collapse in the first quarter of calendar year 2008 as the "American Financial Crisis" effect became broadly evident. Thereafter, energy and commodity rich markets followed prices lower in the second quarter of the calendar year. Given EMISF's structurally underweight (due to policy parameters) of the Chinese market, EMISF trailed during the fiscal period, however regain during the first quarter of calendar year 2008 relative to benchmark during the correction.

Performance Summary

For the fiscal year ended June 30, 2008, the Emerging Markets International Stock Fund (EMISF) generated a return of 0.19%, net of fees and operating expenses, which underperformed its benchmark index return of 3.49% by 330 basis points.

The EMISF's transfer value on November 1, 2007 was $1.588 billion. The EMISF's value as of June 30, 2008 was $1.304 billion resulting in a decrease of $0.284 billion. Of this total, $8 million was due to net cash outflows from participating Pension and Trust Funds and -$337 million from net realized and unrealized losses less $60.5 million of net investment income.

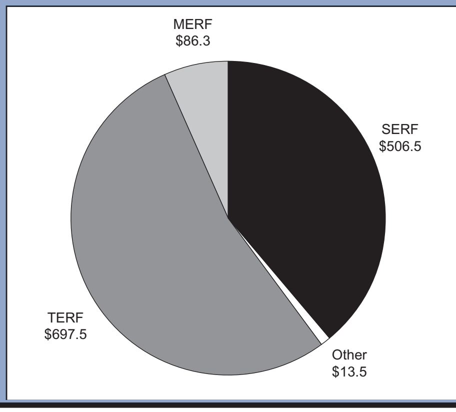
The Fund returned 24.64%, 30.78% and 16.64% for the three, five and ten year periods which underperformed the benchmark returns of 26.68% by 204 basis points for the three year period and outperformed the benchmark returns of 29.47% by 131 basis points for the five year period. The cumulative returns for the Fund for the three and five years were 93.63% and 282.57% respectively as illustrated in Figure 9-4 below.

Risk Profile

Given EMISF'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. Based on returns over the last five years, the Fund's risk profile is similar to that of the benchmark. The Fund's relative volatility to its benchmark over the five-year period ending June 30, 2008 has been 0.97%, while its high R2 of 0.98 demonstrates a relatively strong overall correlation. In the aggregate, ISF's annualized excess return over the five-year period, or return in excess of that predicted by the benchmark, was 2.60%. (See Figure 9-2.)

Figure 9-1

EMERGING MARKETS INTERNATIONAL STOCK
Ownership Analysis at June 30, 2008 ($ in millions)



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

Figure 9-2

EMERGING MARKETS INTERNATIONAL STOCK
Risk Profile at June 30, 2008

Relative Volatility	0.97
Standard Deviation	18.54
R2	0.98
Beta	0.96
Alpha	2.60

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

Figure 9-3

EMERGING MARKETS INTERNATIONAL STOCK
Fiscal 2008 Economic Sector vs. Index (%)

	EM ISF	MSCI Index	Vari-ance
Energy	12.4	15.1	-2.7
Materials	11.6	16.9	-5.3
Industrials	13.6	12.2	1.4
Consumer Discretionary	5.6	5.1	0.5
Consumer Staples	3.7	3.6	0.1
Health Care	1.3	1.8	-0.5
Financials	16.6	20.2	-3.6
Information Technology	10.6	10.5	0.1
Telecommunication Services	9.9	11.3	-1.4
Utilities	2.0	3.0	-1.0
Commingled Fund	12.6	0.0	12.6
Preferred Stock	0.0	0.3	-0.3
Private Placement	0.1	0.0	0.1
	100.0	100.0	

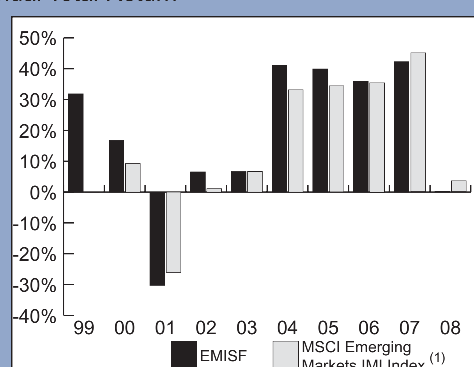
Figure 9-4

EMERGING MARKETS INTERNATIONAL STOCK
Periods ending June 30, 2008

	1 YR	3 YRS	5 YRS	10 YRS
Compounded, Annual Total Return (%)				
EMISF	0.19	24.64	30.78	16.64
MSCI Emerging Markets IMI Index	3.49	26.68	29.47	N/A
Cumulative Total Return (%)				
EMISF	0.19	93.63	282.57	366.10
MSCI Emerging Markets IMI Index	3.49	103.29	263.79	N/A

Figure 9-5

EMERGING MARKETS INTERNATIONAL STOCK
Annual Total Return



(1) Benchmark first full year of performance was 2000.

Figure 9-6

EMERGING MARKETS INTERNATIONAL STOCK
Diversification by Benchmark Country with Return (%) at June 30, 2008 (1)

	EMISF		EMISF Benchmark	
	% of Net Assets 6/30/08	Total Return	% of Net Assets 6/30/08	Total Return
Argentina	0.3	37.1	0.6	35.4
Brazil	14.9	19.9	14.4	18.4
Chile	0.2	-17.1	1.4	-11.9
China	6.8	-5.3	13.9	-3.5
Columbia	0.2	-3.0	0.4	3.9
Czech Republic	0.3	10.6	0.8	11.9
Egypt	0.2	-5.8	0.8	-10.3
Hungary	1.1	3.0	0.7	3.3
India	2.7	-11.3	7.0	-19.7
Indonesia	1.8	0.8	1.7	-4.8
Israel	1.3	14.7	2.3	11.7
Jordan	0.0	0.0	0.1	17.4
Kazakhstan	0.1	-6.5	0.0	0.0
Korea	14.8	-4.9	13.8	-7.6
Malaysia	4.0	-11.8	2.5	-9.1
Mexico	3.0	-6.1	5.2	-4.5
Morocco	0.0	0.0	0.4	-2.6
Pakistan	0.3	-28.4	0.2	-26.6
Peru	0.2	-4.0	0.7	2.4
Philippines	0.9	-32.5	0.5	-24.9
Poland	0.5	-3.5	1.8	-8.4
Russia	9.2	11.3	10.0	10.8
South Africa	4.8	2.7	6.3	4.5
Taiwan	13.7	-8.6	11.7	-10.6
Thailand	4.3	-12.9	1.6	-11.9
Turkey	2.3	-0.7	1.2	-1.5
Venezuela	0.0	0.0	0.0	0.0
Other Countries	12.1		0.0	
Total	**100.0**		**100.0**	

(1) Includes Liquidity Fund and cash equivalents at each country level.

Figure 9-7

EMERGING MARKETS INTERNATIONAL STOCK
Investment Advisors at June 30, 2008

Investment Advisor	Net Asset Value	% of Fund
Grantham, Mayo, Van Otterloo	$693,054,190	53.16%
Emerging Markets Management	609,293,017	46.73%
Other (1)	**1,411,891**	**0.11%**
SUBTOTAL EMISF	**$1,303,759,098**	**100.00%**

(1) Other represents cash equivalents, other net assets and terminated advisor balances, as well as, currency overlay balances for the DMISF.

Figure 9-8

EMERGING MARKETS INTERNATIONAL STOCK
Ten Largest Holdings* at June 30, 2008

Security Name	Country	Market Value	%
Petroleo Brasileiro Sa Petro Sponsored ADR	Brazil	45,201,637	3.50%
Gazprom O A O Sponsored ADR	Russian Federation	34,884,100	2.69%
Companhia Vale Do Rio Doce Spons ADR REPSTG 250 PFD SHS	Brazil	31,767,187	2.45%
Samsung Electronic KRW 5000	Republic of Korea	29,330,577	2.26%
EMSAF Mauritius Reref from 132197	United States	27,887,293	2.15%
Gazprom ADR Rep 4 Ord Rub5	Russian Federation	27,666,000	2.13%
China Mobile Ltd. HKD 0.10	Hong Kong	26,255,623	2.03%
Petroleo Brasileiro Sa Sponsored ADR	Brazil	18,197,644	1.40%
CNOOC Ltd. HKD 0.02	Hong Kong	17,016,273	1.31%
KT + G Corporation KRW5000	Republic of Korea	16,703,236	1.29%
Top Ten		**274,909,570**	**21.21%**

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

2008 real estate fund

Fund Facts at June 30, 2008

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

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

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

Date of Inception: July 1, 1982

Total Net Assets: $1,002,321,007

Number of Advisors: 23 external

Management Fees (1): $3,453,459

Operating Expenses: $580,590

Expense Ratio: 0.58%

Capitalized and Netted Fees: $9,559,914

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

Description of the Fund

The Real Estate Fund (REF) is an externally managed fund that invests in real estate, real estate related investments and mortgages. These investments are restricted by policy to the purchase of shares in group annuities, limited partnerships, group trusts, corporations, and other indirect ownership structures managed by professional commercial real estate investment firms.

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

Portfolio Characteristics

At June 30, 2008, the portfolio consisted of 23 externally managed portfolios/investments, with .6% invested in real estate trusts, 96.1% invested in limited partnerships and 3.3% invested in cash. The Fund's ten largest holdings aggregated to 56.58% of the fund. (See figure 10-12.)

As currently structured, 22.6% of the REF is invested in cash and other property types, 16.9% apartment, 13.4% hotel, 11.1% retail, 26.7% office and 9.3% industrial. (See figure 10-7.)

The portfolio is reasonably well diversified geographically with 31.2% in the West, 29.2% in the South, 25.4% in the East and 7.9% in the Midwest. 3.0% is invested internationally and the balance of 3.3% is invested in cash. (See figure 10-6.)

Performance Summary

For the fiscal year ending June 30, 2008, the REF generated a total return of 6.04%, net of fees, which under performed the National Council of Real Estate Investment Fiduciaries Index (NCREIF) of 13.58% by 754 basis points. Most of the under-performance is the result of a Senior Housing fund in Florida which also lowered the returns for fiscal 2007. This fund is scheduled for liquidation in 2009.

During the fiscal year, the value of REF increased from $685.7 million to $1,002.3 million, due primarily to the $56.3 million generated from operations and net gains, and $320 million of new purchases offset by $50.3 million of distributions, $9.0 million of redemptions and $0.4 million in salaries.

For the trailing three, five and ten year periods, REF's compounded annual returns were 8.98%, 10.66%, and 8.93%, respectively, net of all expenses (see figure 10-8). The REF returns underperformed the benchmark in the three, five and ten year periods by 777 basis points, 441 basis points and 370 basis points, respectively. The Florida senior housing fund is the primary drag on all of these reporting periods. As mentioned earlier, the necessary steps are being taken to ensure a timely liquidation of the remaining assets in this fund. CRPTF continues to restructure the REF with a heavy emphasis on the core property types including office, retail, apartment, industrial and hotel.

During fiscal year 2008, CRPTF committed $475 million to seven separate limited partnerships. A commitment of $100 million was made to Morgan Stanley Prime Property Fund and $75 million to Cornerstone Patriot Fund. Both of these funds were low risk core real estate accounts with expected net returns of 8% per annum.

A commitment of $50 million was made to Colony Realty Partners II, LP a moderate risk real estate fund with a focus on apartment, industrial and office properties. The fund is projecting a 10% - 13% net return.

Offsetting the low risk strategies were commitments of $100 million to Blackstone Real Estate Partners VI, LP which has a strategy of converting public real estate companies to private enterprises; a $50 million commitment to RLJ Real Estate Fund III, LP, a fund focused on the purchase of limited service hotels in the United States; a $50 million commitment to Canyon-Johnson Urban Fund III, LP, a fund focused on development and redevelopment of mixed use urban properties; and a $50 million commitment to IL&FS India Realty Fund II, LLC, a fund focused on the development of for sale housing, office and industrial properties in India. All of these funds have projected net returns in the 15% - 20% range.

Market Review

The United States economy is in the midst of a credit contraction which started in the summer of 2007. The pace of commercial property sales has contracted by more than 75% from the previous year. The lack of credit and any significant sales volume has put downward pressure on commercial property valuations. Expectations are that valuations will continue the downward trend until the credit crisis is fully resolved and confidence is once again restored to the marketplace. In the meantime, the fund managers are focused on leasing and rehabilitation strategies to weather the downturn. The economic crisis put a halt to numerous new construction projects so the supply demand ratio for most property types is still strong. While increased valuations are not likely in this environment, the huge losses that have been recognized in the sub-prime mortgage market are not forecast as well.

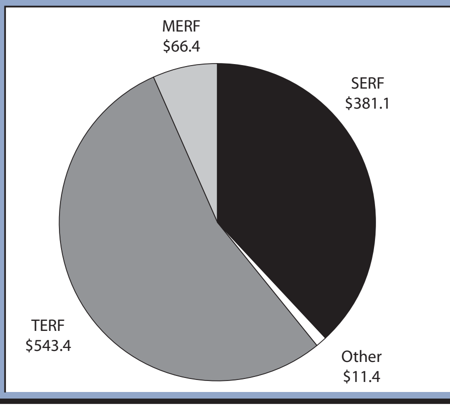
Risk Profile

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

As shown below, based on returns over the last five years, the Fund has exhibited substantially more volatility than its benchmark. The Fund's statistics are consistent with its extraordinarily low R2 of .18, signifying almost no correlation between Fund returns and those of the benchmark. Its beta of 0.13 indicates little sensitivity to overall fluctuations in the benchmark. In the aggregate, the Fund's monthly alpha, or return relative to that achieved by the benchmark, was negative 4.51 over the five-year time period. As mentioned earlier, a major restructuring of the Fund is in process to more closely align the Fund with the benchmark. (See figure 10-2.)

Figure 10-1

REAL ESTATE FUND
Ownership Analysis at June 30, 2008 ($ in millions)



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

Figure 10-2

REAL ESTATE FUND
Risk Profile at June 30, 2008

Relative Volatility	3.29
Standard Deviation	6.98
R2	0.18
Beta	0.13
Alpha	-4.51

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

Figure 10-3

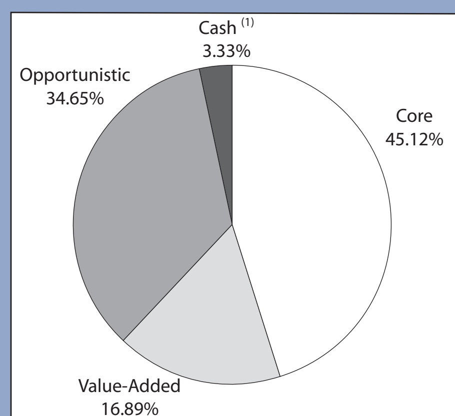
REAL ESTATE FUND
Investments Analysis (1)

At	No. of REF Investments	REF Book Value	REF Market Value
6/30/2008	31	920,921,272	968,885,960
6/30/2007	23	485,341,324	531,570,750
6/30/2006	12	259,551,191	330,169,779
6/30/2005	11	304,926,401	394,855,227
6/30/2004	10	324,142,113	344,673,596
6/30/2003	10	393,641,512	420,132,363
6/30/2002	10	413,693,249	467,819,628
6/30/2001	10	403,106,638	471,662,581
6/30/2000	11	434,881,420	478,966,334
6/30/1999	14	395,221,763	380,769,286

(1) Number of investments in annuities, partnerships, corporations, and trusts, excluding the Liquidity Fund.

Figure 10-4

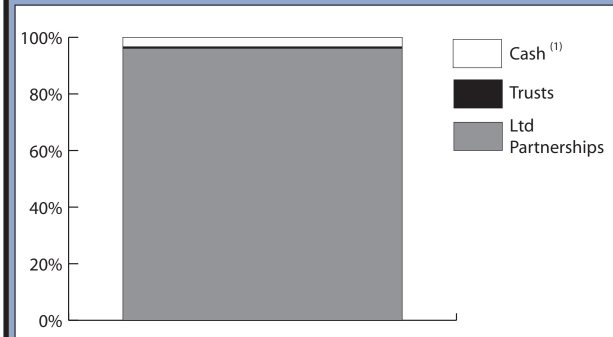
REAL ESTATE FUND
Distribution by Investment Type at June 30, 2008
Based on Investments in Securities, at Value



(1) Liquidity Fund and other monetary assets.

Figure 10-5

REAL ESTATE FUND
Distribution by Investment Type at June 30, 2008
Based on Investments in Securities, at Value



(1) Liquidity Fund.

Figure 10-6

REAL ESTATE FUND
Distribution by Geographic Location at June 30, 2008
Based on Investments in Securities, at Value

	REF	NCREIF	Variance
East	25.4%	34.3%	-8.9%
Midwest	7.9%	10.1%	-2.2%
South	29.2%	20.8%	8.4%
West	31.2%	34.8%	-3.6%
Global	3.0%	0.0%	3.0%
Cash	3.3%	0.0%	3.3%
	100.0%	100.0%	

Figure 10-7

REAL ESTATE FUND
Diversification by Property Type at June 30, 2008
Based on Investments in Securities, at Value

	REF	NCREIF	Variance
Apartment	16.9%	23.5%	-6.6%
Industrial	9.3%	15.2%	-5.9%
Office	26.7%	38.9%	-12.2%
Retail	11.1%	20.6%	-9.5%
Hotel	13.4%	1.8%	11.6%
Cash and Other Assets(1)	22.6%	0.0%	22.6%
	100.0%	100.0%	

(1) Includes senior living, real estate mixed use, land and cash.

Figure 10-8

REAL ESTATE FUND
Periods ending June 30, 2008

	1 YR	3 YRS	5 YRS	10 YRS
Compounded, Annual Total Return (%)				
REF	6.04	8.98	10.66	8.93
NCREIF Property	13.58	16.75	15.07	12.63
Cumulative Total Return (%)				
REF	6.04	29.43	65.97	135.21
NCREIF Property	13.58	59.16	101.76	228.43

Figure 10-9

REAL ESTATE FUND
Annual Total Return

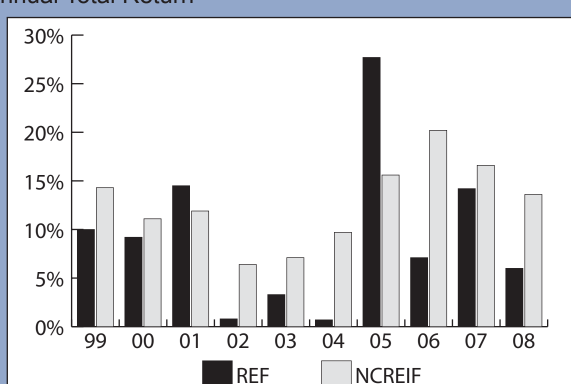


Figure 10-10

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

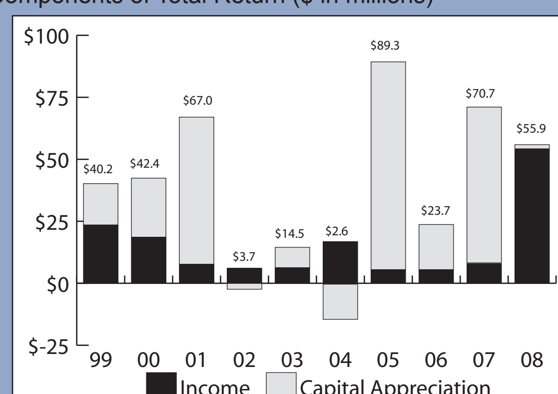


Figure 10-11

REAL ESTATE FUND
Investment Advisors at June 30, 2008

Investment Advisor	Net Asset Value	% of Fund
AEW Capital Management	$16,416,491	1.64%
AEW Core	180,271,447	17.99%
Apollo Real Estate	45,554,672	4.54%
Blackstone Real Estate VI LP	46,776,883	4.67%
Canyon Johnson Urban Fund II	26,856,469	2.68%
Capri Select Income II LLC	29,946,510	2.99%
Colony Realty Partners II LP	47,654,787	4.75%
Cornerstone Patriot	73,366,650	7.32%
Covenant Apartment Fund V LP	23,293,573	2.32%
Macfarlane Urban Real Estate Fund II LP	26,786,193	2.67%
Mullica Hill Plaza	10,076,518	1.01%
New Boston Fund	5,863,982	0.59%
North Scottsdale Corporate Center	52,535,316	5.24%
Prime Property Fund	102,463,500	10.22%
RLJ Urban Lodging Fund	171,379	0.02%
RLJ Urban Lodging Fund II	39,204,093	3.91%
Rockwood Capital Fund V	27,133,745	2.71%
Rockwood Capital VI Limited Partnership	17,376,816	1.73%
Rockwood Capital VII Limited Partnership	33,318,904	3.32%
Starwood Opportunity Fund VII	53,857,300	5.37%
Urban Strategy America Fund LP	15,385,904	1.54%
Walton Street Real Estate	41,901,440	4.18%
Westport Senior Living	52,673,389	5.26%
Other (1)	**33,435,046**	**3.33%**
SUBTOTAL REF	**$1,002,321,007**	**100.00%**

(1) Other represents moneys earmarked for distribution to participants, reinvestment, and expenses as well as terminated advisor balances.

Figure 10-12

REAL ESTATE FUND
Ten Largest Holdings* at June 30, 2008

Property Name	Type	Market Value	%
Prime Property Fund	Various	$102,463,500	10.22%
Cornerstone Patriot	Various	73,366,650	7.32%
Starwood Opportunity Fund VII	Various	53,857,300	5.37%
Westport Senior Living Inv FD	Sr Living	52,673,389	5.26%
North Scottsdale Corp Center	Office	52,535,316	5.24%
Colony Realty Partners II LP	Various	47,654,787	4.75%
Rio Hill Shopping Center	Retail	47,616,541	4.75%
Blackstone Real Estate VI LP	Various	46,776,883	4.67%
Apollo Real Est Invest Fd III	Various	45,554,672	4.55%
1155 Perimeter Center West	Office	44,620,096	4.45%
Top Ten		**$567,119,134**	**56.58%**

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

Figure 10-13

REAL ESTATE FUND
New Investments Made in Fiscal Year 2008(1) (in Excess of $3 Million)

Partnership Name	Commitment Amount	Investment Type	Inv. Date
Morgan Stanley Prime	$100 million	Core	July 25, 2007
Colony Realty II	$50 million	Value-Added	August 30, 2007
RLJ III	$50 million	Opportunistic	August 28, 2007
Blackstone VI	$100 million	Opportunistic	August 9, 2007
Cornerstone Patriot	$75 million	Core	December 31, 2007
Canyon Johnson III	$50 million	Opportunistic	February 19, 2008
IL&S	$50 million	Opportunistic	March 6, 2008
Total	$475 million		

(1) These represent new Real Estate Partnerships that were invested in by the Fund during fiscal year 2008.

2008 commercial mortgage fund

Fund Facts at June 30, 2008

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: $6,911,105

Number of Advisors: 1 external

Management Fees: $73,500

Operating Expenses: $11,572

Expense Ratio: 1.23%

Description of the Fund

The Commercial Mortgage Fund (CMF) is an externally managed fund that holds mortgages on income-producing commercial property. Established in 1982, 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 one externally managed commercial real estate mortgage loan and interests in Yankee Mac pooled residential mortgage-backed securities created pursuant to a previous Connecticut State Treasury program.

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

Portfolio Characteristics

The sole remaining commercial mortgage loan is secured by three mobile home parks in Phoenix, AZ. The loan has a 9.55% interest rate and a maturity of September 2012. The loan amortized by approximately $0.8 million during the fiscal year. Debt service coverage is abundant at 2.97 times.

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

Performance Summary

For the fiscal year ended June 30, 2008, the CMF generated a return of 12.05%, net of management fees and operating expenses, out performing the Lehman Aggregate Bond Index (LABI) of 7.13% by 492 basis points. The CMF's favorable performance is attributable to its yield advantage versus the benchmark.

During the fiscal year, CMF assets declined from $7.767 million to $6.911 million. This reduction was due to distributions of $0.643 million and redemptions of $1.027 million offset by net income from operations of $0.824 million and $0.01 million in salaries.

For the trailing three, five, and ten-year periods, CMF's total compounded annual portfolio return was 9.9%, 8.85% and 9.02%, respectively, net of all expenses. The Fund's results over the three, five and ten-year periods exceeded the benchmark by 581 basis points, 499 basis points and 334 basis points, respectively.

At June 30, 2008, the Fund consisted of one commercial mortgage loan in the amount of $6,467,187 and five residential mortgage pools with a combined value of $288,719. The CMF also had $150,190 of cash. The CMF continues to be inactive regarding new loans and is being managed to maximize the total return of its remaining holdings.

Market Review

In the fiscal year ending June 30, 2008, the U.S. economy continued to expand at a very slow pace. Optimism for further economic growth has recently been tempered by disruptions in the debt markets, particularly sub-prime residential mortgages.

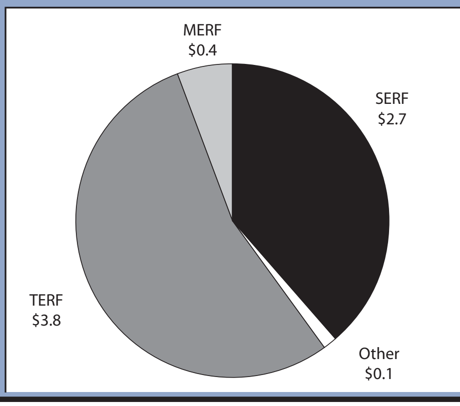
Risk Profile

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

Based on returns over the last five years, the Fund's risk profile is similar to that of the Lehman Aggregate Index. With a relative volatility of 1.36, its returns are slightly more volatile than the index; however, its returns show modest correlation to those achieved by the benchmark. The Fund's beta of -.02 signifies a limited amount of sensitivity to movements in the Index as a whole. CMF's five-year monthly alpha, or return in excess of that predicted by returns in the overall market, at June 30, 2007 was 4.99.

Figure 11-1

COMMERCIAL MORTGAGE FUND
Ownership Analysis at June 30, 2008 ($ in millions)



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

Figure 11-2

COMMERCIAL MORTGAGE FUND (1)
Risk Profile at June 30, 2008

Relative Volatility	1.36
Standard Deviation	4.85
R2	0.00
Beta	-0.02
Alpha	4.99

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

Figure 11-3

COMMERCIAL MORTGAGE FUND
Quarterly Current (1) Yield Analysis

	CMF	LB Aggregate
6/30/2008	8.60%	5.32%
3/31/2008	8.68%	5.24%
12/31/2007	8.32%	5.33%
9/30/2007	8.52%	5.40%
6/30/2007	8.98%	5.45%

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

Figure 11-4

COMMERCIAL MORTGAGE FUND
Distribution by Property Type at June 30, 2008
Based on Investments in Securities, at Value

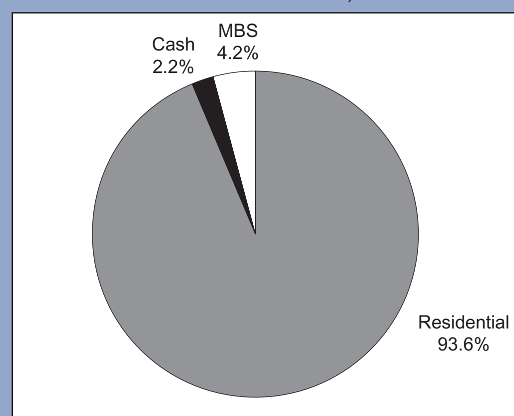


Figure 11-5

COMMERCIAL MORTGAGE FUND
Distribution by Location at June 30, 2008
Based on Investments in Securities, at Value

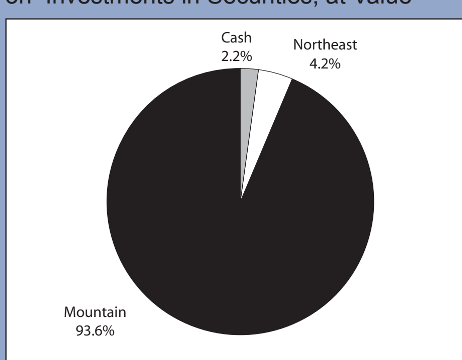


Figure 11-6

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

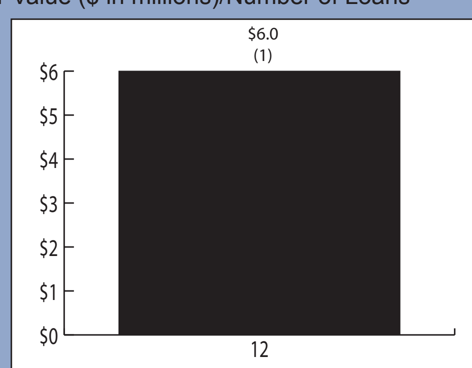


Figure 11-7

COMMERCIAL MORTGAGE FUND
Periods ending June 30, 2008

	1 YR	3 YRS	5 YRS	10 YRS
Compounded, Annual Total Return (%)				
CMF	12.05	9.90	8.85	9.02
Lehman Agg	7.13	4.09	3.86	5.68
Cumulative Total Return (%)				
CMF	12.05	32.74	52.82	137.11
Lehman Agg	7.13	12.77	20.82	73.82

Figure 11-8

COMMERCIAL MORTGAGE FUND
Annual Total Return

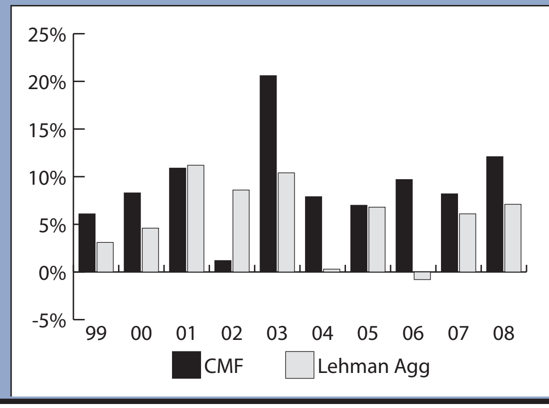


Figure 11-9

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

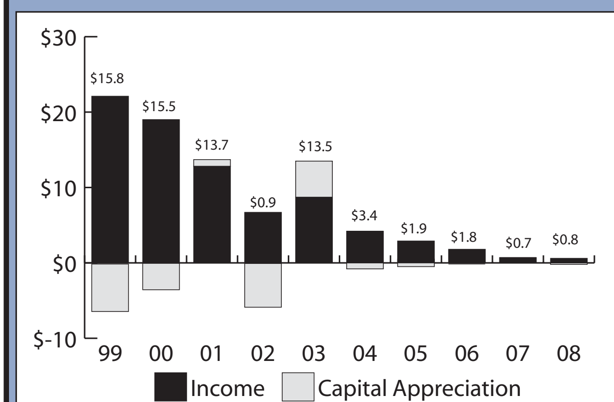


Figure 11-10

COMMERCIAL MORTGAGE FUND
Investment Advisors at June 30, 2008

Investment Advisor	Net Asset Value	% of Fund
AEW Capital Management	$6,467,187	93.58%
Other [1]	**443,918**	**6.42%**
SUBTOTAL CMF	**6,911,105**	**100.00%**

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

Figure 11-11

COMMERCIAL MORTGAGE FUND
Five Largest Holdings* at June 30, 2008

Property Name	Property Type	Market Value	%
SASCO	Other	$6,467,188	93.65%
Yankee Mac G 11.125%	Residential	114,079	1.65%
Yankee Mac E 11.056%	Residential	111,349	1.61%
Yankee Mac F 12.981%	Residential	53,819	0.78%
Yankee Mac A 13.075%	Residential	9,472	0.14%
Top Five		**$6,755,907**	**97.83%**

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

2008 private investment fund

Fund Facts at June 30, 2008

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

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

Benchmark: S&P 500

Date of Inception: July 1, 1987

Total Net Assets: $1,794,708,081

Number of Partnerships: 62 external

Expensed Management Fees (1): $9,359,774

Operating Expenses: $1,740,276

Expense Ratio: 0.36%

Capitalized and Netted Fees: $30,229,032

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

Description of the Fund

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

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

Portfolio Characteristics

The Private Investment Fund invests in private equity funds either directly as a Limited Partner to a specific fund or indirectly as a limited partner to a fund of funds vehicle. Fund of Funds investments are investment funds which may have multiple areas of strategic focus. These funds invest in a multiple of selected private equity partnerships that invest in underlying companies. Private equity investments include two general areas of strategic focus:

Corporate Finance

- *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.
- *Mezzanine Debt* focused investments can be defined as investments in securities located between equity and senior debt in the company's capital structure. Mezzanine debt investments offer higher current income than senior debt securities and often offer equity participation features that may take the form of warrants or contingent equity interests.
- *Special Situations* focused investments can be defined as investments in a variety of securities (Debt, Preferred Equity, Common Equity) in portfolio companies at a variety of stages of development (Seed, Early Stage, Later Stage).

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

Venture Capital

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

Through June 30, 2008, the PIF had aggregate capital commitments in the amount of $5.8 billion to 70 funds of which approximately 74 percent, or $4.3 billion has been "drawn down" for investment purposes while the balance of approximately $1.5 billion or 26 percent is committed but uninvested. (See Figure 12-6.)

Market Review

The current credit crisis has led to a contraction in overall deal activity as private equity managers found it more difficult to access the debt financing necessary to perfect leveraged buyout transaction. This market phenomenon has also affected merger and acquisition activity in the U.S., slowing it significantly thus far in 2008. The dollar value of U.S. mergers and acquisitions is on pace in 2008 to be more than 50% below 2007. Deal pacing will likely only start to recover during 2009 with an improvement in sentiment. Despite a correction in the global financial markets, private equity fundraising has continued to be strong in the first quarter of 2008. Approximately $78 billion has been raised for U.S. buyout funds in the first quarter, versus $246 billion in the full year 2007. Approximately $15 billion has been raised for European buyout funds in the first quarter, versus $65 billion in 2007. Fundraising activity in Asia was strong in the first quarter, and is on pace to exceed 2007 levels. U.S. and European venture fundraising is on pace with 2007.

Performance Summary

For the fiscal year ended June 30, 2008, the Private Investment Fund ("PIF") generated a one year 13.7% compounded annual rate of return which is also known as a Time Weighted Return ("TWR"). While short-term performance is assessed, the Fund has a long-term perspective in evaluating performance, in that it measures the returns over a 10-year time period against the ten year return of the S&P 500 plus 500 basis points – the benchmark used to measure the performance of the Private Investment Fund ("PIF") partnership holdings. This long-term perspective reflects the illiquid nature of the Fund's holdings and the time it takes them to progress through specific developmental periods. And second while the PIF has exceeded its benchmark over a ten year period by generating a return of over 525 basis points over its stated objective. From a TWR perspective, the PIF has also outperformed the Venture Economics All Private Equity time-weighted benchmark of 10.98%. The out performance is impressive given that the PIF is undergoing the "J-curve" effect of new fund investments made over the last three fiscal years after a period of inactivity.

The institutional standard for measuring private equity performance is the Internal Rate of Return ("IRR"), which is a dollar-weighted return that considers both cash flows and time. For the fiscal year ended June 30, 2008, the PIF generated an 8.13% Internal Rate of Return since its inception in 1987. Another performance measure which is used by major institutional investors is a customized dollar-weighted public U.S. equity market equivalent ("PME"). The PME serves as a proxy for the return the investor would have received had it invested in public equities versus private equity. From inception through June 30, 2008, the PIF has generated 590 basis points in excess of the PME.

During fiscal 2008, the Private Investment Fund added $450 million of new commitments to eight private equity fund managers (See Figure 12-10). Two of those managers are minority-owned; in aggregate these managers accounted for $105 million of fiscal 2008's total commitments.

During fiscal year 2008, PIF's assets increased from $1.563 billion to $1.795 billion, an increase of $232 million to participating pension plans and trusts. In reporting values for PIF, private market valuations are often imprecise. Accordingly, the PIF investment managers typically adopt a valuation policy, carrying the investments at cost unless and until there is substantive evidence to change valuations. This year the PIF investment manager's adopted mark to market accounting standards stipulated by FASB 157, which will impact underlying portfolio company valuations going forward. For the FY 2008 the majority of downward changes in value can be attributed to mark to markets based on the macro economic weakness of publicly traded comparables as opposed to portfolio company underperformance versus plan. These determinations are made on an on-going basis independently by the General Partner.

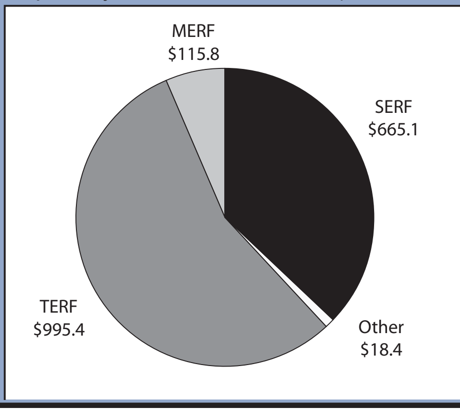
Risk Profile

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

PIF's risk profile is complex given the valuation judgments and liquidity constraints placed on it due to its alternative investment strategy. PIF's volatility relative to its benchmark is 1.02 with a correlation .49 for the most recent fiscal year. The Fund has returned an annual alpha, or return relative to that predicted by its benchmark, of negative -5.52. (See Figure 12-2.)

Figure 12-1

PRIVATE INVESTMENT FUND
Ownership Analysis at June 30, 2008 ($ in millions)



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

Figure 12-2

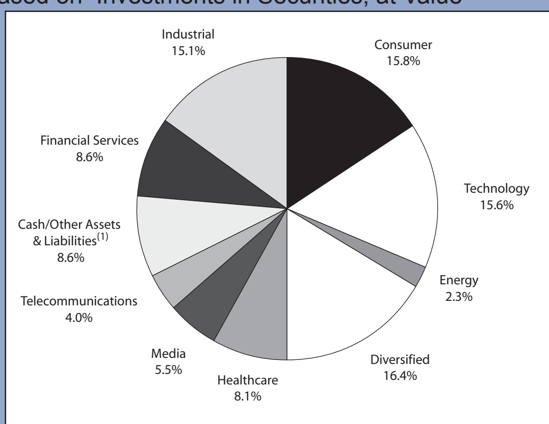
PRIVATE INVESTMENT FUND (1)
Risk Profile at June 30, 2008

Relative Volatility	1.02
Standard Deviation	6.86
R2	0.49
Beta	0.69
Alpha	-5.52

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

Figure 12-3

PRIVATE INVESTMENT FUND
Distribution by Industry at June 30, 2008
Based on Investments in Securities, at Value



(1) Includes Liquidity Fund and cash and other assets at the partnership level.

Figure 12-4

PRIVATE INVESTMENT FUND
Distribution by Geographic Location at June 30, 2008
Based on Investments in Securities, at Value

Region	%
Northeast (Excludes Connecticut)	13.40%
Connecticut	22.85%
International	10.36%
West Coast	9.93%
Cash/Other Assets & Liabilities (1)	14.30%
Southeast	3.94%
Mid-Atlantic	6.09%
MidWest	1.17%
Southwest	9.20%
Northwest	8.76%
TOTAL	100.00%

(1) Includes the Liquidity Fund and cash and other assets at the partnership level..

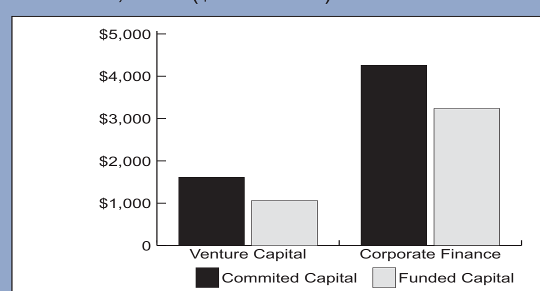
Figure 12-5

PRIVATE INVESTMENT FUND
Periods ending June 30, 2008

	1 YR	3 YRS	5 YRS	10 YRS
Compounded, Annual Total Return (%)				
PIF	13.66	14.84	14.39	8.13
S&P 500	-13.12	4.41	7.59	2.88
Venture Economics All Private Equity	10.98	19.77	19.91	13.48
Cumulative Total Return (%)				
PIF	13.66	51.47	95.87	118.47
S&P 500	-13.12	13.81	44.13	32.87
Venture Economics All Private Equity	10.98	71.82	147.87	254.07

Figure 12-6

PRIVATE INVESTMENT FUND
Distributed by Committed and Invested Capital
As of June 30, 2008 ($ in millions)



(1) Includes Committed Capital for Buyout of 2,909.3 mill.(68.3%), FOF of 565.0 mill.(13.3%), Mezzanine of 320.3 mill.(7.5%), Special Situations of 390.0 mill.(9.2%) and Venture Capital of 75.0 mill.(1.7%). In addition Funded Capital is included for Buyout of 2,351.7 mill.(72.7%), for FOF of 289.1 mill.(8.9%), for Mezzanine of 273.4 mill.(8.5%), for Special Situations of 261.6 mill.(8.1%) and for Venture Capital of 59.9 mill.(1.8%).

Figure 12-7

PRIVATE INVESTMENT FUND
Annual Total Return

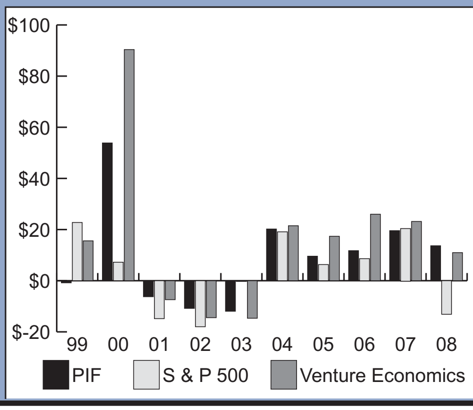


Figure 12-8

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

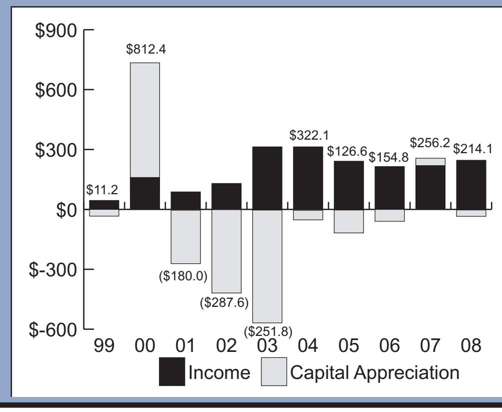


Figure 12-9

PRIVATE INVESTMENT FUND
Ten Largest Holdings* at June 30, 2008

Partnership Name	Partnership Type	Market Value	%
Constitution Liquidating Fund	Fund of Funds	$239,521,429	13.37%
KKR Millennium Fund	Buyout	97,425,807	5.45%
KKR 2006 Fund	Buyout	85,612,671	4.79%
Welsh Carson Anderson & Stowe X LP	Buyout	82,228,660	4.60%
Parish Capital Buyout Fund II	Fund of Funds	81,098,839	4.53%
Fairview Constitution II LP	Fund of Funds	79,940,110	4.47%
Carlyle Asia Partners LP	International	68,421,669	3.82%
Charterhouse Equity Partners IV	Buyout	65,577,209	3.67%
FS Equity Partners V	Buyout	55,276,872	3.09%
Gilbert Global Equity Partners	International	54,569,439	3.05%
Top Ten		**$909,672,705**	**50.84%**

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

Figure 12-10

PRIVATE INVESTMENT FUND
New Investments Made in Fiscal Year 2008(1) (in Excess of $3 Million)

Partnership Name	Commitment Amount	Partnership Type	Inv. Date
CS Cleantech	$25 million	Fund of Funds	July 24, 2007
Pegasus IV	$75 million	Mezzanine	August 20, 2007
AIG Altaris II	$40 million	Buyout	October 19, 2007
WL Ross IV	$100 million	Buyout	October 29, 2007
Muller Monroe CT Horizon	$55 million	Fund of Funds	November 28, 2007
RFE VII	$40 million(2)	Buyout	February 27, 2008
Vista III	$50 million	Buyout	April 25, 2008
Aldus CT Horizon	$65 million	Fund of Funds	June 30, 2008
Total:	$450 million		

(1) These represent new Private Equity Partnerships that were invested in by the Fund during fiscal year 2008.
(2) Includes a total of $10.3 million of increased capital commitments on August 11 and September 8, 2008.

Figure 12-11

PRIVATE INVESTMENT FUND
Investment Advisors at June 30, 2008

Investment Advisor	Net Asset Value	% of Fund	Investment Advisor	Net Asset Value	% of Fund
Buyout	**$774,928,521**	**43.16%**	**Mezzanine**	**56,445,553**	**3.15%**
KKR Millennium Fund	97,425,807	5.43%	SW Pelham Fund	4,325,539	0.24%
Hicks, Muse Tate & Furst Equity Fund III	29,105,687	1.62%	GarMark Partners	3,203,066	0.18%
Thomas H. Lee Equity Fund IV	1,587,206	0.09%	GarMark Partners II LP	39,448,830	2.20%
Thomas H. Lee Equity Fund VI	50,337,273	2.80%	SW Pelham Fund II	9,468,118	0.53%
Welsh Carson Anderson & Stowe VIII	21,141,054	1.18%	**International**	**200,111,979**	**11.15%**
Wellspring Capital Partners III	50,994,408	2.84%	Compass Partners European Equity Fund	27,770,476	1.55%
SCP Private Equity Partners	23,332,055	1.30%	Gilbert Global Equity Partners	54,569,439	3.04%
Charterhouse Equity Partners IV	65,577,209	3.65%	Carlyle Europe Partners	25,373,929	1.41%
Forstmann Little Equity Fund VI	4,187,397	0.23%	AIG Global Emerging Markets Fund	23,976,467	1.34%
DLJ Merchant Banking Fund II	17,202,542	0.96%	Carlyle Asia Partners	68,421,668	3.81%
KKR 1996 Fund	8,914,467	0.50%	**Fund of Funds**	**500,384,675**	**27.88%**
FS Equity Partners V	55,276,872	3.08%	The Constitution Liquidating Fund	239,521,431	13.35%
Blackstone Capital Partners III	8,431,850	0.47%	Landmark Private Equity Fund VIII	32,106,470	1.79%
Thayer Equity Investors IV	16,061,418	0.89%	CS/CT Cleantech Opp Fund	3,547,871	0.20%
Kelso Investment Associates VI	4,463,788	0.25%	CT Emerging Pvt Equity	1,922,546	0.11%
Green Equity Investors III	4,370,681	0.24%	Fairview Constitution III	8,672,250	0.48%
Wellspring Capital Partners II	2,214,255	0.12%	Goldman Sachs Private Equity Partners Connecticut	13,307,244	0.74%
Veritas Capital Fund	84,650	0.00%	Lexington Capital Partners II	6,466,889	0.36%
AIG Healthcare Partners LP	29,353,580	1.64%	Parish Capital I LP	33,801,027	1.88%
AIG Altaris Health Partners II	4,593,667	0.26%	Parish Capital Buyout Fund II	81,098,837	4.52%
Welsh Carson Anderson & Stowe X LP	82,228,660	4.58%	Fairview Constitution II LP	79,940,110	4.45%
Court Square Capital Partners II	24,176,785	1.35%	**Special Situations**	**103,546,939**	**5.76%**
Ethos Private Equity Fund V	27,922,900	1.56%	Welsh Carson Anderson & Stowe Capital Partners III	23,875,251	1.33%
Boston Ventures VII	20,153,787	1.12%	Greenwich Street Capital Partners II	5,943,256	0.33%
KKR 2006 Fund	85,612,671	4.77%	Pegasus Partners IV	29,290,130	1.63%
Nogales Investors Fund II	233,476	0.01%	Forstmann Little MBO VII	2,372,516	0.13%
ICV Partners II LP	6,887,275	0.38%	WLR Recovery Fund IV	28,264,848	1.57%
Vista Equity Partners Fund III	20,921,186	1.17%	KPS Special Situations Fund II	13,800,938	0.77%
RFE Investments Partners	5,286,475	0.29%	**Other (1)**	**117,609,317**	**6.58%**
RFE Investment Partners VII	6,849,440	0.38%	**TOTAL PIF**	**$1,794,708,081**	**100.00%**
Venture Capital	**41,681,097**	**2.32%**			
Conning Capital Partners V	4,022,660	0.22%			
Crescendo World Fund	15,329,212	0.85%			
Grotech Partners V	9,255,197	0.52%			
Shawmut Equity Partners	5,698,233	0.32%			
Crescendo III	2,028,146	0.11%			
Syndicated Communications	5,247,439	0.29%			
Connecticut Futures Fund	100,210	0.01%			

(1) Other represents moneys earmarked for distribution to participants, reinvestment, and expenses as well as terminated advisor balances.

Division Overview

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

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

During the last several legislative sessions, Division staff has been involved in the drafting of new laws with the Executive and Legislative Branches and has provided financial advice on new legislative initiatives. This has resulted in the design of new bonding programs that have been well received in the financial markets, while maintaining exemption from federal and State taxes where appropriate. Specific examples include electric deregulation; Second Injury; UCONN 2000; school construction; open space; economic development in Bridgeport, Hartford, and New Haven; municipal financial oversight; Bradley International Airport; Economic Recovery Notes; Transportation Strategy Board Project Funding; Unclaimed Property Securitization; securitization to preserve Conservation and Clean Energy Programs; the establishment of a Housing Trust Fund; the authorization of bonding backed by future federal transportation funds; and a program designed to improve the funding of the Teachers' Retirement Fund including the issuance of bonds.

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

The active public financing programs for the State include:

	Amount Outstanding June 30, 2008
GENERAL OBLIGATION BONDS General Obligation bonds are paid out of the revenues of the State General Fund and are supported by the full faith and credit of the State of Connecticut. General Obligation bonds are issued for construction of State buildings, grants and loans for housing, local school construction, economic development, community care facilities, State parks, and open space. Public Act 07-186 authorized the issuance of bonds sufficient to fund a $2 billion deposit into the Teachers' Retirement Fund. On April 30, 2008, the State issued $2,276,578,271 of Taxable General Obligation - Teacher Retirement Fund bonds ($2,276,578,271).	$11,917,999,973
GENERAL FUND APPROPRIATION DEBT The State has committed to pay interest and principal on these bonds by appropriation from the State's General Fund. This debt consists of the following programs: The University of Connecticut pays UCONN 2000 bonds from a debt service commitment appropriated from the State General Fund originally established under P.A. 95-230 and extended in 2002; up to $2.3 billion of Debt Service Commitment bonds will be issued under a 20-year $2.6 billion capital program to rebuild and refurbish the University of Connecticut ($763,413,355). Connecticut Health and Educational Facilities Authority special obligation bonds for a childcare facilities program were assumed by the State, and the State has committed to pay interest and principal on these bonds by appropriation from the State's General Fund ($53,705,000). Other appropriation debt includes CDA Tax Incremental Financing and CDA lease revenue financing for a State facility, ($36,620,000) and a Certificate of Participation issue for the Connecticut Juvenile Training School Energy Center Project ($16,940,000).	$870,678,355

SPECIAL TAX OBLIGATION BONDS Transportation-related bonds are paid out of revenues pledged in the State Transportation Fund. Special Tax Obligation bonds are issued for the State's portion of highway and bridge construction, maintenance and capital needs of mass transit systems, State piers, and general aviation airports. The bonds are secured by transportation-related taxes and revenues, and additional security for the bonds is provided by a debt service reserve fund that totaled $418.7 million on June 30, 2008.	$2,789,345,000
CLEAN WATER FUND REVENUE BONDS The Clean Water Fund and the Drinking Water Fund constitute the State's revolving fund programs. Revenue bonds provide below-market-rate loans to Connecticut municipalities for the planning, design, and construction of wastewater treatment projects and to Connecticut municipalities and private water companies for drinking water quality improvement projects. The bonds are secured by loan repayments from Connecticut municipalities and private borrowers, general revenues of the program, and debt service reserves of $137.5 million as of June 30, 2008. Reserves are funded with State G.O. bonds and Federal Capitalization Grants. An interest rate subsidy is provided to borrowers from earnings on the reserve fund and from State G.O. subsidy bonds. The State also provides grants and some loans for the program through its general obligation bond program.	$494,620,000
CAPITAL CITY ECONOMIC DEVELOPMENT BONDS The Capital City Economic Development Authority (CCEDA) bonds were issued to provide funding for the Adriaen's Landing Development project in Hartford. The State is required to make all debt service payments on the bonds up to a maximum annual amount of $6.75 million pursuant to a contract assistance agreement between CCEDA, the Treasurer, and OPM. CCEDA is required to reimburse the State for the debt service payments from net parking and central utility plant revenues.	$84,265,000
BRADLEY INTERNATIONAL AIRPORT REVENUE BONDS The airport revenue bonds are payable solely from gross operating revenues from the operation of Bradley International Airport, and proceeds are used for capital improvements at the airport.	$208,535,000
BRADLEY PARKING GARAGE REVENUE BONDS Parking garage bonds are payable from garage parking revenues and by a guarantee from the project developer/ lessee. The bonds financed the design and construction of a new parking garage at Bradley International Airport with approximately 3,450 parking spaces on five levels.	$46,205,000
CHFA SPECIAL NEEDS HOUSING BONDS The Connecticut Housing Finance Authority (CHFA) Bonds were issued to provide funding of the new supportive housing program. The State is required to make all debt service payments on the bonds pursuant to a contract assistance agreement between CHFA, the Treasurer, and OPM.	$25,915,000
Total Debt Outstanding at June 30, 2008	$16,437,563,328

In FY 2008, the Debt Management Division managed the sale of $3.688 billion in new money bonds issued to fund State programs and capital projects and $231 million in refunding bonds for the General Obligation program. The following table summarizes the bonds issued during the last fiscal year:

Bond Type	Par Amount	**True** Interest Cost [1]	**Average** Life (Years)	Issue Date
NEW MONEY ISSUES:				
GENERAL OBLIGATION				
2007 Series D	$300,000,000	4.07%	10.45	12/19/2007
2007 Series A Taxable	46,000,000	4.22%	2.78	12/19/2007
2008 Series A	400,000,000	4.08%	10.29	06/26/2008
2008 Series B	389,000,000	4.31%	10.31	06/26/2008
GENERAL OBLIGATION TEACHERS' RETIREMENT FUND BONDS				
2008 Series A & B Taxable	2,276,578,271	5.88%	19.91	04/30/2008
SPECIAL TAX OBLIGATION				
Transportation Infrastructure 2007 Series A	250,000,000	4.34%	11.76	10/25/2007
CHFA SPECIAL NEEDS HOUSING PROGRAM				
2007 Series SNH-7	25,550,000	4.72%	12.29	09/13/2007
2007 Series SNH-9	1,495,000	5.74%	1.26	09/13/2007
2008 Subtotal New Money Issues	**$3,688,623,271**			

REFUNDING BONDS:				
2007 GO Series E	$181,085,000	3.43%	4.35	12/19/2007
2008 GO Series C Taxable Refunding	50,000,000	4.26%	2.50	04/30/2008
Subtotal Refunding Issues	**$231,085,000**			
TOTAL	**$3,919,708,271**			

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

The Year in Review

Highlights of the Debt Management Division's accomplishments and important initiatives in fiscal year 2008 include:

- New Money Bonds - During fiscal year 2008, the Debt Management Division issued $3.7 billion of new money bonds to fund a $2.0 billion deposit to the Teachers' Retirement Fund (TRF), local school construction, State grants and economic development initiatives, Clean Water Fund grants, and transportation infrastructure projects.

- Refunding and Defeasing Bonds - As interest rates continued at relatively low levels during the year, the Division issued $231.1 million of General Obligation refunding bonds including $50 million to refund taxable auction rate securities. During the year, the Division also cash defeased $111 million of the Special Obligation Rate Reduction bonds, in accordance with statute, and all $110 million of Clean Water Fund bonds issued before the 2003 program restructuring to further enhance the program's effectiveness going forward. Since January 1999, debt refundings and defeasances have produced $557 million in debt service savings.

- Teachers' Retirement Fund Bonds – The Division worked with OPM on the development of the required joint determination that the issuance of bonds for the TRF is in the best interest of the State. The Division then worked closely with the Treasurer to aggressively market the $2.2 billion of taxable General Obligation TRF bonds worldwide and achieved an attractive 5.88% interest cost on this, the largest bond sale in State history. The TRF bond issue includes a State commitment to fully fund its actuarially recommended contributions to the plan, and is designed to improve the funded status of the TRF at a savings to taxpayers.

- Transportation Bonding - The Division completed the first issuance of Special Tax Obligation bonds for transportation improvements in two years and developed plans for refunding certain insured variable rate STO bonds. The Division also consulted with OPM and the Legislature on budget and bonding matters impacting the Special Transportation Fund as well as the Bradley bonding program, including planned expansions.

- Clean Water Fund and Municipal Issues - The Division met with the City of Waterbury and OPM staff to discuss the City's proposed issuance of $330 million of pension obligation bonds and prepared a detailed response to the City including recommendations as required by statute.

- Quasi-Public Agencies – The Division continued to coordinate with the State's quasi-public and other agencies including consulting with the Connecticut Housing Finance Authority on the first issuance of bonds for the supportive housing program and coordinating with the Connecticut Resources Recovery Authority on the full repayment of its State loan.

- Higher Education Bonding - The Division also worked with the Connecticut State University System on the implementation of the ten-year, $950 million CSUS 2020 improvement program. In addition, work continued with the University of Connecticut on a variety of finance issues including equipment and other leases and financing options for the UCONN Health Center.

- Industry Matters - The Division continually monitored developments in the municipal credit markets impacting bond insurers, investment banks, and other financial institutions. The Division conducted research and assisted in the preparation of comments on municipal finance industry matters including comments on the rating agencies' proposed changes in their rating methodology and scales.

- Work continued on strengthening Division administration including new systems, staffing, and contracting with professionals:
  - ♦ The Clean Water Fund Program entered the second phase of the installation of a new loan and grant project management accounting system, and made changes in processing loan documents to reduce the time between approval and actual closing of a loan.
  - ♦ Completed the hiring of two professionals to fill the Debt Management Specialist and Assistant Accountant openings.
  - ♦ Completed Requests for Proposal for bond counsel and arbitrage rebate vendors and prepared and executed associated contracts. Also negotiated and completed the extension of two bank liquidity facilities.

2008 Division Performance

While the State's fiscal situation continued on the fourth straight year of budget surpluses, the Division's participation continued to be critical on budget matters.

During the year, bond insurers and other financial participants key to the municipal credit markets experienced repeated credit downgrades related to financial losses in the subprime mortgage markets. The Division became focused on evaluating and positioning the State's debt portfolio to respond to the changes including evaluating options for restructuring certain forms of variable rate debt for savings as well as strategies for structuring new bond issues. The State's relatively conservative debt portfolio of mostly fixed rate bonds minimized the impact of these market dislocations on the State's cost of debt during this period.

The Division communicated throughout the year with the credit rating agencies and the investment community to provide updates regarding the State budget and the economy as well the composition of the State's debt portfolio vis-à-vis the credit market deterioration.

The Division also continued active monitoring of proposed legislation as it may impact the State's debt programs.

Figure 13-1

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

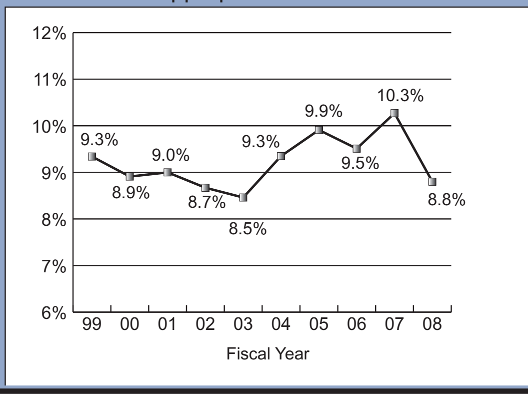


Figure 13-2

DEBT MANAGEMENT
Total Debt Outstanding ($ in millions) at June 30, 2008

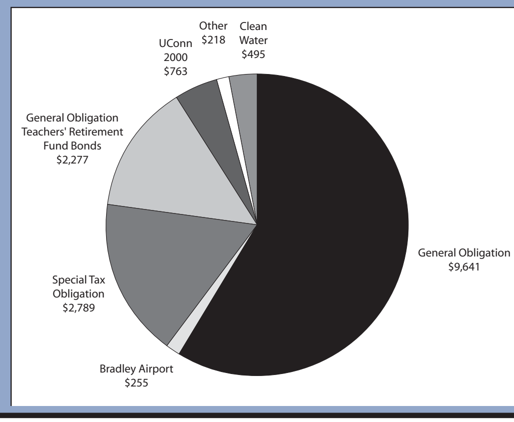
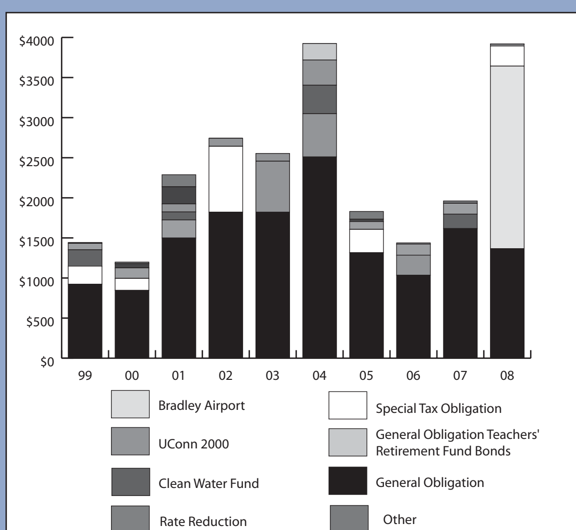


Figure 13-3

DEBT MANAGEMENT
Bond Issuance ($ in millions) fiscal years 1999 - 2008



Division Overview

The Cash Management Division is responsible for managing the state's cash movements, banking relationships and short-term investments. The Cash Management Division is responsible for:

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

Under the administration of an Assistant Treasurer, the 21 employees of the Division are organized into four Treasury units.

The Bank Control and Reconciliation unit maintains accountability of the state's annual internal and external cash flow. The unit tracks the flow of funds through 20 Treasury bank accounts and authorizes the release of state payroll, retirement and vendor checks. More than three million transactions are accounted for and reconciled annually. The unit also processes stop payments and check reissues.

The Cash Control unit, on a daily basis, forecasts available cash, funds disbursement accounts, concentrates cash from depository banks, sweeps available cash into short-term investment vehicles to maximize investment balances, and executes electronic transfers. The unit also prepares annual cash flow projections for various State and bond rating agencies and the primary retirement funds, and monitors actual cash receipts and disbursements. During fiscal year 2008, the unit controlled movement of $24 billion to and from state bank accounts and investment vehicles.

The Short-Term Investments unit invests STIF assets, monitors custodian activity, and prepares quarterly and annual performance reports on the Fund. During fiscal year 2008, the unit invested an average of $5.1 billion in short-term money market instruments. As of June 30, 2008, the unit administered 1,094 active STIF accounts for 59 state agencies and authorities and 262 municipalities and local entities. In addition, the unit manages the Grant Express program that enables municipalities to deposit certain grant payments directly into their STIF accounts, and the Debt Express and Clean Water Fund Express programs that allow towns to make debt payments automatically from their STIF accounts. The unit makes longer-term investments for balances that are expected to be available on a more stable basis in our STIF Plus and Extended Investment Portfolio programs, and, pursuant to CGS 3-24k, the Community Bank and Credit Union Initiative, in which we support Connecticut-based banks and credit unions with assets not exceeding $500 million through the investment in institutions' certificates of deposit.

The Client Services unit works with state agencies to speed the deposit of funds and identify mechanisms to reduce banking costs. The unit also reviews state agencies' requests to open new bank accounts, maintains records of the state's bank accounts held by individual banks, reviews bank invoices and compensation, and manages the division's procurement efforts for new bank services. The Client Services unit also manages the insurance collateral program in conjunction with the Department of Insurance, which requires companies writing insurance policies in the state to deposit securities and funds totaling a fixed percentage of the policies' value. At June 30, 2008, approximately $355 million in securities was pledged to the program and $7.3 million was deposited in STIF.

The Year in Review

Highlights of the Division's accomplishments and important initiatives in fiscal year 2008 include:

- Expanded new investment programs – STIF Plus and the Extended Investment Portfolio – for cash pool balances identified as being available for longer term investment;
- Hit an all-time high STIF portfolio balance of $6.32 billion on April 30, 2008.
- Expanded the Community Bank and Credit Union Initiative to include 11 banks and one credit one credit union. The program has resulted in $165 million of investments with the state's community banks and community credit unions;
- Worked with the Comptroller's Office and Core-CT to provide agencies with the ability to determine the status of checks paid to vendors on line;
- Worked with the Labor Department to develop a request for proposals for expanded banking services, including the issuance of debit cards for unemployment beneficiaries;
- Provided support to state agencies to access Internet-based systems provided by the banks for account balance inquiry, stop payments, electronic funds transfers, and check status queries; continued to work with state agencies, the Comptroller's Office and the Office of Information Technology in testing upgrades to the Core-CT statewide financial management system;
- Continued work with the Comptroller's Office to improve agency processes for recording payroll workers compensation recoveries;
- Expanded with the Comptroller's Office a system for making electronic payments to municipalities and vendors, which totaled $5.3 billion during the year, up 10 percent from a year ago;
- Worked with the Office of Policy and Management and state agencies to allow the netting of credit card fees;
- Held our thirteenth annual meeting of STIF investors in concert with our second Public Finance Outlook conference attended by 118 state and local government officials;
- Expanded STIF Express, our Internet-based account management system, to allow additional investors to initiate purchases (deposits) and redemptions (withdrawals) via the ACH system and to plan future-dated transactions. The overall system is now used by 180 customers;
- Continued to increase participation in and payments flowing through the Clean Water Fund Express, in which participating towns have Clean Water Program payments deducted from their STIF accounts by the program trustee, and Debt Service Express, in which participating towns have debt service payments deducted from their STIF accounts by their bond paying agent, programs;
- Developed and tested new encryption technology for our Internet-based business continuity and disaster recovery system for conducting cash control and short-term investing activities off site;
- Implemented a new Internet-based system with our custodian bank for electronic movement of funds, thereby allowing more efficient investment of funds;
- Continued to work with the Pension Funds Management Division to develop a liquidity fund to improve the return on pension fund cash;
- Assisted with improved lockbox technology to allow the provision of digitized images of deposited checks to speed processing of license applications and faster resolution of questioned items;
- Worked with state agencies to develop the ability to collect fees via electronic checks or credit card payments over Internet-based systems;
- Added lockbox services for a department to speed the processing of payments;
- Assisted one state university with new banking services to minimize account balances;

- Worked with Teachers Retirement Board to restructure its banking relationship regarding its health benefits Third Party Administrator, update banking services, and change account management procedures;
- Worked with the Department of Revenue Services and Comptroller's Office to develop a new secure way to send social security numbers with payments to the IRS.

2008 Division Performance

As a result of these initiatives, the Cash Management Division successfully realized many achievements throughout the 2008 fiscal year including:

- Total annual return of 4.13 percent in STIF. This exceeded its primary benchmark by 6 basis points, resulting in $3 million in additional interest income for Connecticut governments and their taxpayers, while adding $1.9 million to its reserves. Over the past ten years STIF has earned an additional $151 million, while adding $26.3 million to its reserves during this period. (For a detailed discussion of STIF performance, including the tranfer of $24 million from the reserve to cover the reduction in value of one security, please see the STIF Performance discussion which follows.);
- STIF's Comprehensive Annual Financial Report (CAFR) was awarded the Certificate of Achievement for Excellence in Financial Reporting for 2007 by the Government Finance Officers Association (GFOA);
- STIF's credit rating of AAAm – the highest available — was maintained by Standard & Poor's (S&P), the leading rating agency of money market funds and local government investment pools;
- The addition of 59 local government STIF accounts with $41 million of assets;
- Approximately $72 million was invested with financial institutions under the Connecticut Community Bank and Credit Union Initiative at an average awarded annualized interest rate of 3.67 percent;
- STIF Plus and the Extended Investment Portfolio, longer term investment portfolios managed by Treasury, earned 4.03 percent and 4.62 percent respectively, thereby adding $642,000 in incremental state income;
- Aggressively managed bank account balances to maximize investment balances, thereby increasing investment income by approximately $1,082,000;
- The identification and recapture of $28,000 in annualized bank overcharges; and
- Expansion of Grant Express program, in which certain state grants are deposited directly into municipal STIF accounts. Since the inception of this program, $15.9 billion has been deposited into municipal STIF accounts, thereby accelerating the availability of municipal funds.

2008 short-term investment fund

Fund Facts at June 30, 2008

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

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

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

Date of Inception: 1972 **Total Net Assets:** $5.0 billion

Internally Managed **External Management Fees:** None

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

Description of the Fund

The Treasurer's Short-Term Investment Fund ("STIF" or the "Fund") is an AAAm rated investment pool of high-quality, short-term money market instruments managed by the Treasurer's Cash Management Division. Created in 1972, it serves as an investment vehicle for the operating cash of the State Treasury, State agencies and authorities, municipalities, and other political subdivisions of the State. (See figure 15-1.) STIF's objective is to provide as high a level of current income as is consistent with, first, the safety of principal and, second, the provision of liquidity to meet participants' daily cash flow requirements. During the 2008 fiscal year, STIF's portfolio averaged $5.1 billion.

STIF employs a top-down approach to developing its investment strategy for the management of its assets. Starting with the objectives of the Fund, STIF considers constraints outlined in its investment policy, which include among other parameters: liquidity management, limitations on the portfolio's weighted average maturity (see figure 15-2), and permissible investment types. Next, an asset allocation is developed to identify securities that are expected to perform well in the current market environment. Over the long-term, STIF continually analyzes expectations of future interest rate movements and changes in the shape of the yield curve to ensure the most prudent and effective short-term money management for its clients. Ongoing credit analysis enables STIF to enhance its yield by identifying high-quality credits in undervalued sectors of the economy.

STIF pays interest monthly based on the daily earnings of the Fund less Fund expenses and an allocation to the Fund's Designated Surplus Reserve. The daily reserve allocations equal one-tenth of one percent of the Fund's daily balances divided by the number of days in the year, until the reserve totals one percent of the Fund's daily balance. The reserve on June 30, 2008, totaled $53.1 million prior to reflecting a December 5, 2008 transaction that recognized a $24 million reduction in the value of our Cheyne (Gryphon) securities. (See note 9 on page F-40.)

To help the Fund and its investors evaluate performance, STIF compares its returns to three benchmarks. The first is iMoneyNet's First Tier, Institutional-only Rated Money Fund Report AveragesTM – Index ("MFR Index"). This index represents an average of institutional money market mutual funds rated AAAm that invest primarily in first-tier (securities rated A-1, P-1) taxable securities. While STIF's investment policy allows for somewhat greater flexibility than these SEC-registered funds, the MFR Index is the most appropriate benchmark against which to judge STIF's performance. During the past year, STIF's actual investment strategy has been considerably more restrictive than most private money funds and its own policy would permit.

STIF's yields are also compared to the average Federal Reserve three-month T-Bill rate and the Federal Reserve three-month CD rate. The former benchmark is used to measure STIF's effectiveness in achieving yields in excess of a "risk-free" investment. The latter is shown for the benefit of STIF investors, many of whom invest in bank certificates of deposit. In viewing these benchmarks, it is important to keep in mind that yields of the CD index will exceed those of the T-Bill index due to a CD's slightly higher risk profile and comparatively lower liquidity. Additionally, it is important to note that the 90-day benchmarks exceed STIF's shorter average maturity. In order to maintain its AAAm rating, the STIF cannot exceed a 60-day weighted average maturity (WAM) limit. Furthermore, these benchmarks are "unmanaged" and are not affected by management fees or operating expenses. (See figure 15-3.)

Among the Fund's several achievements during the 2008 fiscal year was the reaffirmation and continuation of its AAAm rating by Standard & Poor's. In S&P's view, "a fund rated 'AAAm' has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market and/or liquidity risks."

Portfolio Characteristics

During the summer and fall of 2007, STIF took a series of cautious steps to alter its portfolio in response to the disruptive markets, including reducing exposure to asset-backed commercial paper, increasing exposure to U.S. government and agency securities, reducing maturities, and increasing liquidity. We continued our more cautious investment strategy through the winter and spring of 2008.

During the fiscal year, STIF's weighted average maturity fell from 50 days to 19 days, and by fiscal year end the portfolio held less than one percent of asset-backed commercial paper (and zero percent by July 8, 2008). U.S. government agency securities grew to 18 percent during the year and U.S. government money market funds grew to nine percent during the fiscal year. One day liquidity made up of overnight investments and investments available on a same-day basis, totaled 67 percent of assets on June 30, 2008.

The Fund ended the year with a 96 percent concentration in investments with short-term ratings of A-1+ or long-term ratings of AAA (the highest ratings of Standard & Poor's) or overnight repurchase agreements. Seventy -eight percent of the Fund was invested in securities with maturities, or interest rate reset dates for adjustable rate securities, of less than 30 days, versus the 41 percent at the previous year-end. The Fund's three largest security weightings included deposit instruments (41.7 percent), federal agency securities (18.3 percent), and overnight repurchase agreements (16.3 percent). (See figure 15-5.)

Market Review

The fiscal year was marked by tumultuous financial markets. At the end of June 2007, the Federal Reserve's Open Market Committee ("FOMC") elected to keep the target Fed Funds rate at 5.25 percent, expecting the economy to continue its modest expansion, despite the slowing housing sector. By mid August, however, fallout from the sub-prime lending problems began to have broad and deep impacts on the financial markets. By the end of the fiscal year, the Fed had used both the traditional tools of monetary policy and non traditional tools, in the form of many different lending and liquidity facilities, to combat what had become a widespread credit market disruption. During the fiscal year, the FOMC cut the Fed Funds target rate seven different times totaling 325 basis points, bringing the Fed Funds target rate to 2.00 percent by April 30, 2008.

The markets became extremely disjointed beginning in the summer of 2007. The sub-prime induced credit crunch caused unprecedented turmoil in the money markets. What began as a sub-prime problem ultimately infected virtually all areas of the fixed income markets as the commercial paper market contracted and rates correspondingly rose, bond insurers were downgraded, and banks came under pressure to raise capital as their bad loans and asset write-downs mounted. In March 2008, Bear Stearns was rescued by JPMorgan Chase in a deal put together and partially supported by the Federal Reserve.

The lack of lending between banks became apparent in the behavior of LIBOR (London Inter Bank Offering Rate) interest rates. Beginning in early August, the spread between three month Treasury Bills and three month LIBOR levels shot to over 240 basis points from about 40 basis points in late July. This Treasury vs. Eurodollar (TED) spread averaged approximately 122 basis points during the fiscal year compared to an average of 37 basis points during the prior fiscal year. All risk premiums followed this pattern as equity prices fell and credit spreads widened dramatically across the board.

During fiscal year 2009, economic problems have widened and deepened. Equity markets have fallen precipitously, with the S&P 500 down 36.5 percent from July 1, 2008 to December 1, 2008. Labor markets have experienced higher unemployment, up 1.2 percentage points, to 6.7 percent, since July 1, and non-farm payrolls have lost 1,450,000 jobs during that period. The economy as a whole has contracted, with growth for the first and second quarters expected to hit -0.5 percent and -3.0 percent respectively. Throughout this period, the Fed's FOMC has continued to lower interest rates, with the Fed Funds target rate cut to 1.0 percent, on October 29, 2008. On December 16, 2008, citing the fact that "the outlook for economic activity has weakened further, labor market conditions have deteriorated and the available data indicate that consumer spending, business investment, and industrial production have declined" the FOMC established a range for the Fed Funds target rate of 0.00 to 0.25 percent.

During the summer, the U.S. Treasury took control of two government-sponsored mortgage agencies, Fannie Mae and Freddie Mac, and difficulties and some outright failures of savings and loan institutions, commercial banks and investment banks have resulted in consolidations and restructurings. In September, the bankruptcy of Lehman Brothers led to a new level of market disruptions, with a commercial money market mutual fund "breaking the buck," and credit markets nearly freezing. The U. S. Congress, FDIC, Federal Reserve, SEC and U.S. Treasury took a wide range of actions to attempt to calm markets, increase lending, and stabilize financial organizations. Despite these most significant efforts, at this writing, the financial markets and the wider economy are still experiencing significant dislocations.

Performance Summary

For the one-year period ending June 30, 2008, STIF reported an annual total return of 4.13 percent, net of operating expenses and $1.9 million in allocations to Fund reserves. Annual total return measures the total investment income a participant would earn with monthly compounding at the Fund's monthly net earned rate during the year. This figure exceeded that achieved by its benchmark, the MFR Index, which equaled 4.07 percent, by six basis points. Additionally, the performance was competitive compared to three-month T-Bills, which yielded 2.91 percent and three-month CDs, which yielded 4.16 percent. While the STIF slightly underperformed the 90-day CD benchmark, it is important to note that STIF offers complete same-day liquidity to its investors, whereas investments in 90-day CDs restrict access to cash for a three month period. STIF's relative performance was also directly affected by the fund's more cautious investment strategy for most of the fiscal year that, while prudent under difficult market conditions, resulted in reductions in STIF's yield.

The principal reasons for STIF's strong performance despite its more cautious strategy for most of the year was its low overall expenses which give the Fund a risk-free advantage over other money funds.

Over the long-term, STIF has performed exceptionally well. For the trailing three-, five-, seven-, and ten-year periods, STIF's compounded annual total return was 4.68 percent, 3.49 percent, 3.10 percent, and 3.91 percent, net of operating expenses and contributions to reserves, exceeding returns of each of its benchmarks for all time periods. Viewed on a dollar-for-dollar basis, had one invested $10 million in STIF ten years ago, that investment would have been worth $14.7 million at June 30, 2008, versus $14.2 million for a hypothetical investment in the MFR Index. (See figure 15-6.) During the past 10 years, STIF has earned $151.4 million above its benchmark while adding $26.3 million to its reserves.

Our portfolio was faced with challenges during the very turbulent 2008 fiscal year, as was the overall credit market. One security, Cheyne Finance, was placed under the control of receivers in September 2007 and stopped payments to investors in October 2007. In April 2008, STIF received a cash distribution of $18.7 million, reducing our total exposure to from $100 million to $81.3 million, or 1.6 percent of STIF's approximately $5 billion in assets. (Cash distributions over the past nine months have totaled $28.5 million.)

In July 2008, the notes were restructured and we converted our Cheyne position into unrated Gryphon Funding notes that give STIF a pro rata share, along with other senior creditors, of ownership of the portfolio of securities that was underlying the Cheyne notes. This report values the Cheyne (now Gryphon) notes at a level that represents a recovery value of approximately 76 percent of the original $100 million investment.

We have transferred $24 million from STIF's reserves to cover the reduction in value without (a) affecting STIF's $1.00 per share net asset value or (b) any loss of principal to any of our investors. As of December 15, 2008, our remaining reserves total $31.4 million, or 0.8% of fund assets. The reserves are being rebuilt daily at the annual rate of 10 basis points until they reach one percent of total assets.

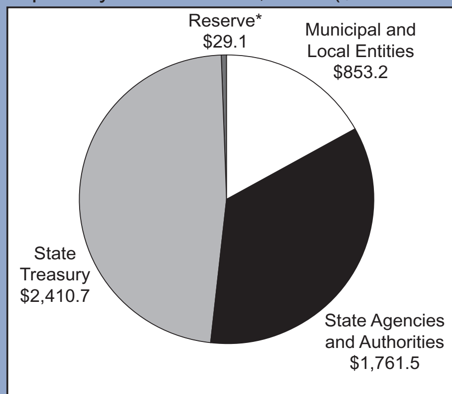
Risk Profile

STIF is considered extremely low risk for several reasons. First, its portfolio is comprised of high-quality, highly liquid securities, which insulate the Fund from default and liquidity risk. (See figure 15-4.) Second, its relatively short average maturity reduces the Fund's price sensitivity to changes in market interest rates. Third, STIF has a strong degree of asset diversification by security type and issuer, as required by its investment policy, strengthening its overall risk profile. And finally, STIF's reserve is available to protect against security defaults or the erosion of security values due to dramatic and unforeseen market changes, as discussed above regarding our Cheyne (Gryphon) notes. As the chosen short-term investment vehicle for the operating cash of the State, STIF has the ultimate confidence of the State government.

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

Figure 15-1

SHORT-TERM INVESTMENT FUND
Ownership Analysis at June 30, 2008 ($ in millions)



** The reserve on June 30, 2008, totaled $53.1 million prior to reflecting a December 5, 2008 transaction that transferred $24 million to cover a reduction in the value of our Cheyne (Gryphon) securities.*

Figure 15-2

SHORT-TERM INVESTMENT FUND
Maturity Analysis

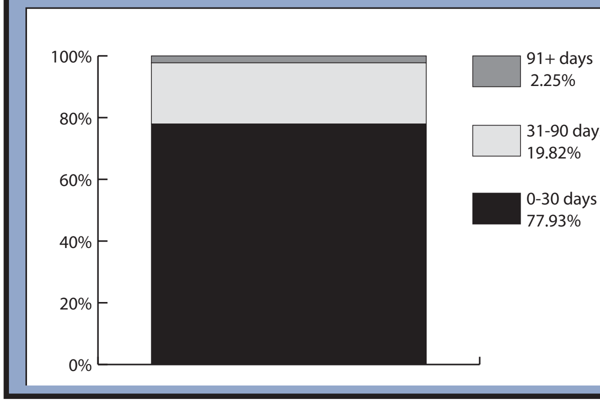


Figure 15-3

SHORT-TERM INVESTMENT FUND
Quarterly Yield vs. Benchmark

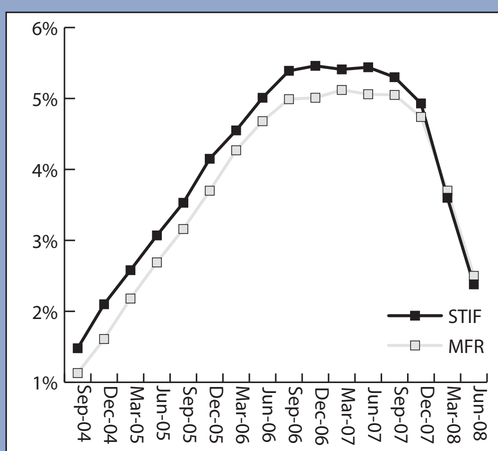


Figure 15-4

SHORT-TERM INVESTMENT FUND
Distribution by Quality Rating at June 30, 2008
Based on Investments in Securities, at Value

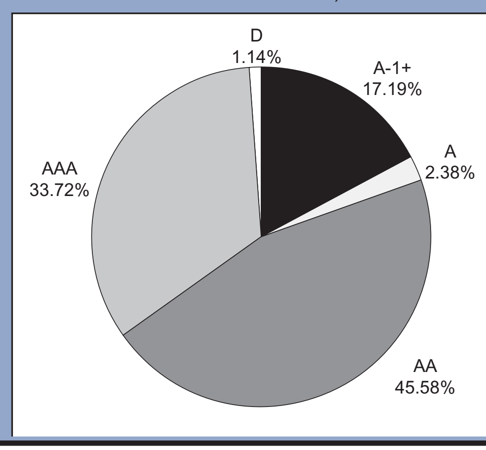


Figure 15-5

SHORT-TERM INVESTMENT FUND
Distribution by Security Type at June 30, 2008

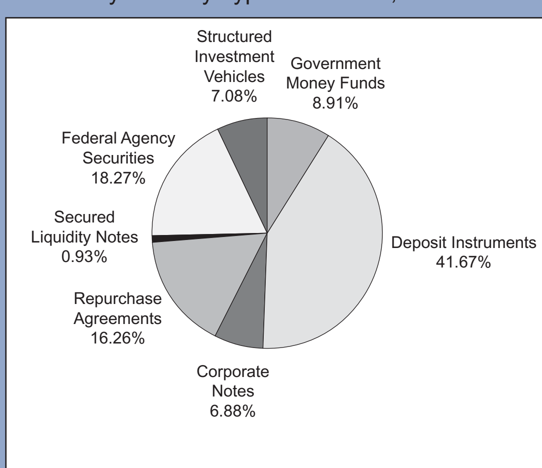


Figure 15-6

SHORT-TERM INVESTMENT FUND
Period ending June 30, 2008

	1 Yr	3 Yrs	5 Yrs	7 Yrs	10 Yrs
Compounded Annual Total Return (%)					
STIF	4.13	4.68	3.49	3.10	3.91
MFR Index*	4.07	4.40	3.16	2.75	3.55
Fed. Three-Month T-Bill	2.91	4.02	3.05	2.67	3.39
Fed. Three-Month CD	4.16	4.64	3.49	3.01	3.78
Cumulative Total Return (%)					
STIF	4.13	14.71	18.73	23.83	46.77
MFR Index*	4.07	13.80	16.85	20.88	41.75
Fed. Three-Month T-Bill	2.91	12.55	16.19	20.28	39.53
Fed. Three-Month CD	4.16	14.59	18.73	23.09	44.90

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

Division Overview

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

In fiscal year 2008 the Unclaimed Property Division collected $64 million mainly from banks, insurance companies and businesses that are required to relinquish this property to the State Treasurer following a loss of contact with the owner of record, generally three years.

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

Holder Reporting records all property received for the current year reporting cycle and maintains all holder data for property which has not been claimed in previous reporting years.

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

Field Examination and Auditing is responsible for general ledger examinations of the records of banks, insurance companies, hospitals, universities, and other business entities to determine whether all unclaimed property has been reported. Examiners works closely with two contract vendors who deliver abandoned property belonging to Connecticut residents held by companies in other states.

The Year in Review

During fiscal year 2008, the Unclaimed Property Division returned $30.6 million to rightful owners, an accomplishment representing the largest dollar amount returned by the Division, while the Division received $64 million in unclaimed property receipts voluntarily reported by holders. The Division has been able to significantly increase the number of claims processed due to the installation of a new data base midway through the 2007 fiscal year that also increased productivity when loading holder reports and accounting for and maintaining all unclaimed property inventory.

2008 Division Performance

- The Division returned $30.6 million to rightful owners who filed 16,787 claims.
- The Division returned 224,053 shares to rightful owners at an estimated value of $8.5 million.
- The Division received $64 million in unclaimed property receipts voluntarily reported by holders.
- Connecticut General Statute 3-69a (a) (2), requires the Unclaimed Property Division to deposit a portion of its receipts into the Citizens' Election Fund and the balance into the General Fund. For fiscal year 2008, the Division deposited $17.3 million into the Citizens' Election Fund.

Figure 16-1

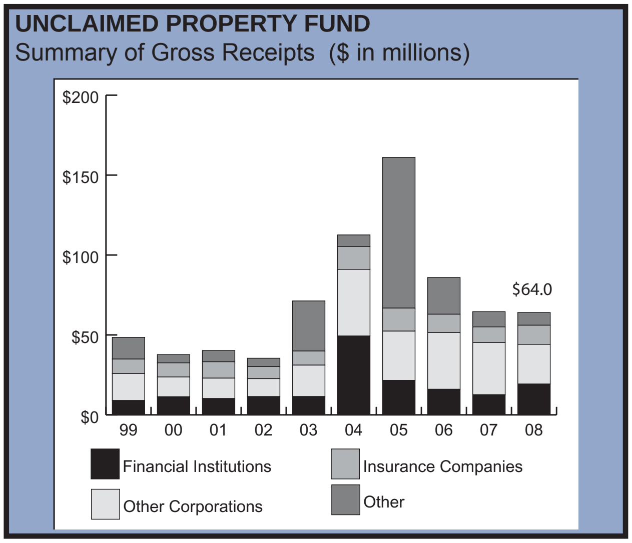


Figure 16-2

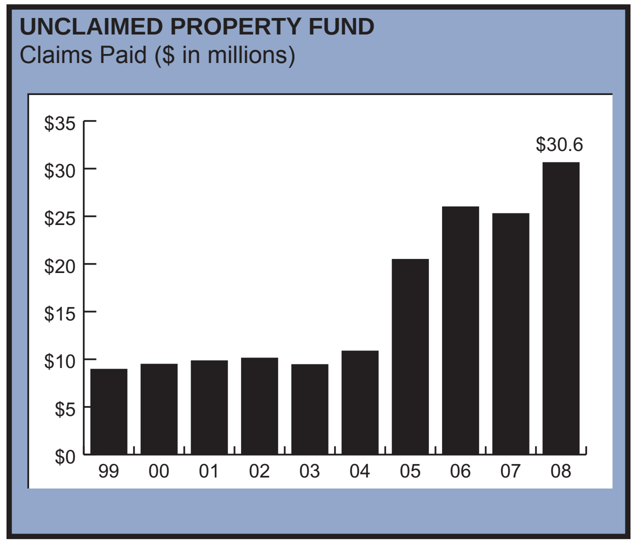


Figure 16-3

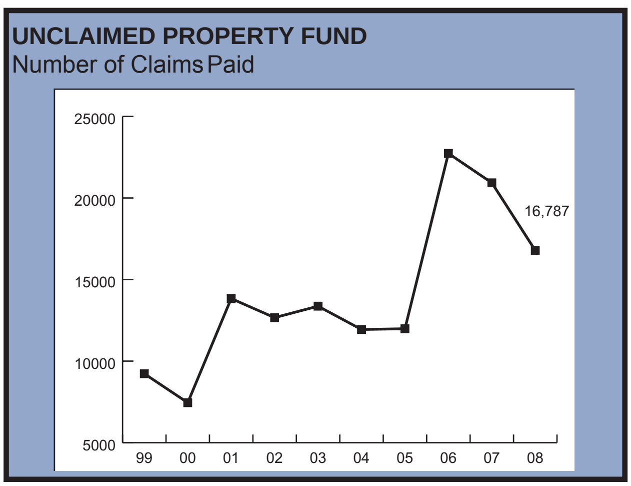
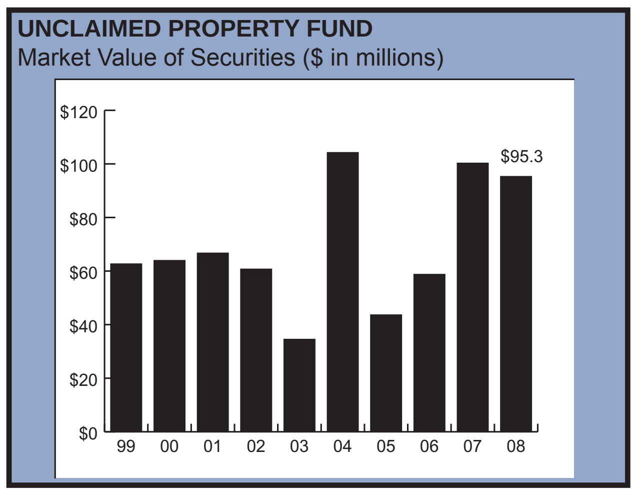


Figure 16-4



DIVISION OVERVIEW

The State Treasurer is the Custodian of the Second Injury Fund ("SIF" or "the Fund"), a state operated workers' compensation insurance fund established in 1945 to discourage discrimination against veterans and encourage the assimilation of workers with a pre-existing injury into the workforce. Prior to July 1, 1995, the Fund provided relief to employers where a worker, who already had a pre-existing injury or condition, was hurt on the job and that second injury was made "materially and substantially" worse by the first injury. Such employers transferred liability for these workers' compensation claims to the Fund after 104 weeks, if certain criteria were met under the Connecticut Workers' Compensation Act (thus the term "Second Injury Fund").

The Fund continues to be liable for claims involving uninsured employers, for reimbursement of cost of living adjustments for certain injuries involving payment of total disability or dependent widow's benefits and, on a pro rata basis, reimbursement claims to employers of any worker who had more than one employer at the time of the injury. In addition the Fund is still responsible for "second injury claims" which were transferred to the Fund prior to July 1, 1999.

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

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

History

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

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

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

Legislative Reforms

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

Public Act 95-277

- • Closed the Fund to new "second injury" claims for injuries sustained on or after 7/1/95
- • Closed the Fund to new "acknowledgment of physical condition" claims after 7/1/95 (31-325)
- • Eliminated Fund liability for payments to insurers during appeals (31-301f)
- • Eliminated Fund liability for reimbursements to employers for the cost of group health insurance (31-284b)
- • Expanded enforcement, fines and penalties against employers who fail to provide workers' compensation coverage

Public Act 96-242

- • Imposed a July 1, 1999 deadline for transfer of all eligible "second injury" claims to the Fund
- • Authorized the issuance of up to $750 million in bonds to finance settlement of claims against the Fund
- Public Act 05-199 (Effective 07/01/06)
- • Set an annual interest rate of six (6) percent on underpaid assessments determined after an audit, and further distinguishes between interest and penalty by making clear that the penalty of a flat fifteen (15) percent is payable only when there has been a failure to pay the assessment.
- • Limited the Fund's liability to two years for retroactive reimbursement claims; and exempts the Fund from liability for concurrent employment claims brought on behalf of insolvent insurers (CIGA) and from liability for apportionment claims under section 31-299b.
- • Clarified that insurance carriers act as collection agents for the Fund, as well as explains the legislative intent that the assessment liability is imposed upon the insured employer and that the insurer's role is that of collection agent for the Fund. These changes define the assessment as a surcharge on the premium.
- • Changed the method of assessment for insured employers, and defines the "Second Injury Fund Surcharge" for those insurers who are subject to it. In addition it clarifies definitions for all employers, such as paid losses and makes it clear what employers must include and what may be excluded when they report their paid losses to the Fund. (Current regulations remain in effect until June 30, 2006.)
- • Eased the process by which the Fund can reach settlements with injured workers of uninsured employers subject to approval by the Commission and eliminates the need for additional hearings for medical treatment.

The Year in Review

The Second Injury Funds' major achievements during the past year have continued the implementation of Treasurer Nappier's management reforms. Highlights for fiscal year 2008 include:

- Provided $37.5 million in indemnity, medical and settlement payments to injured workers. The number of injured workers receiving biweekly benefits is now 365 compared to 372 a year ago.
- Reduced rates to Connecticut businesses in fiscal year 2008. For insurers, the assessment rate is 3.5%, while the rate for self-insured employers is 6.7%. This is the tenth consecutive year the rates have either been reduced or kept at the previous year's level.

- Achieved a total of 181 settlements at a cost of $10.1 million. Through June 30, 2008, the Fund has paid 10 injured workers receiving biweekly benefits settlements at a cost of $2.8 million with an estimated future net savings of $8 million
- Continued to implement the General Assembly's 1996 mandate to reduce the financial impact of the Fund on Connecticut's businesses:
  - ♦ As of June 30, 2008 the Fund's open claim inventory was 2,310, including 639 "second injury' claims. The 639 open second injury claims represents a reduction of 22 open claims, (3.3%) from last year's total of 661. (See figure 17-1)
  - ♦ Reserves (estimated future payments) for all open claims were $443.8 million, a reduction of $3 million (0.7%) from a year ago. Reserves for open "second injury" claims are $270 million, a reduction of $9 million, (3.2%) from last year. (See figure 17-2)
- Worked with the Second Injury Fund Advisory Board and 'Roundtable' of insurers and self-insured businesses to help the Fund carry out its mission.

2008 Division Performance

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

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

There were 4 assessments made in FY08 on insured employers totalling $34.5 million. Self insured employers were assessed 4 times during FY08 at $9.8 million, bringing the total assessment on all Connecticut employers to $44.3 million for FY08.

Assessment rates, which are used to determine how much Connecticut businesses will pay to the Fund, have been consistently and cautiously reduced over the last seven years. Assessment rates were reduced five times for insured employers. The rate for self-insured employers has been reduced four times. The implementation of management reforms and stricter oversight allowed Treasurer Nappier to reduce rates charged to Connecticut businesses for assessments paid to the Treasury's Second Injury Fund. For FY08, rates for insured employers is 3.5% and for self-insured employers, the assessment rate is 6.7%.

Figure 17-1

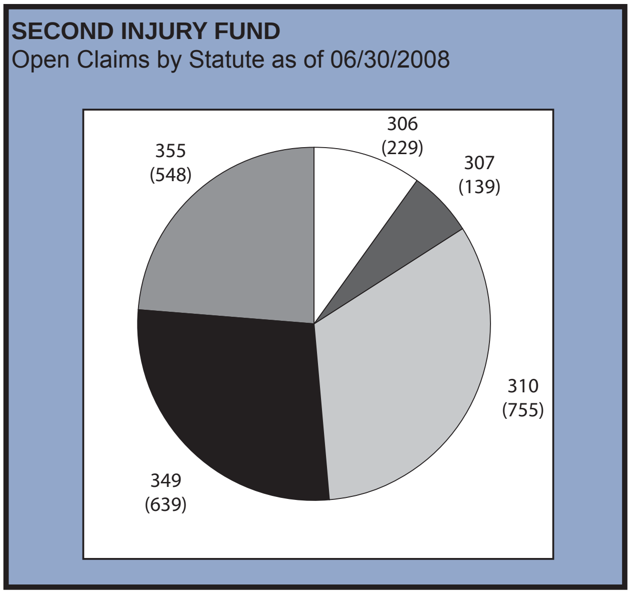


Figure 17-2

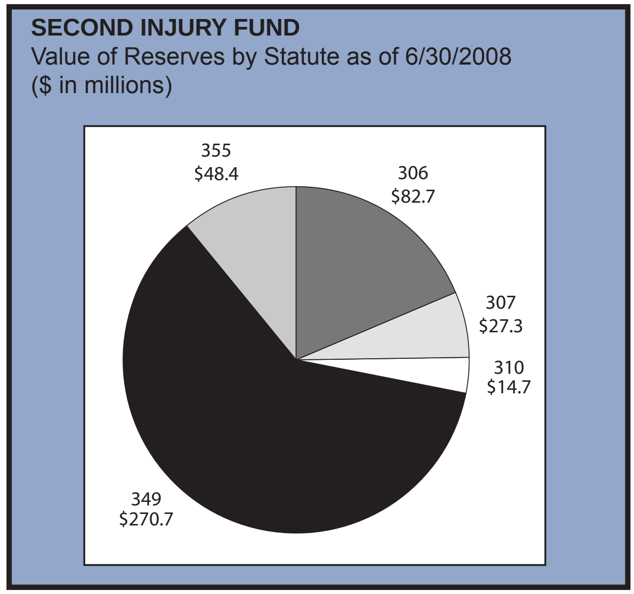
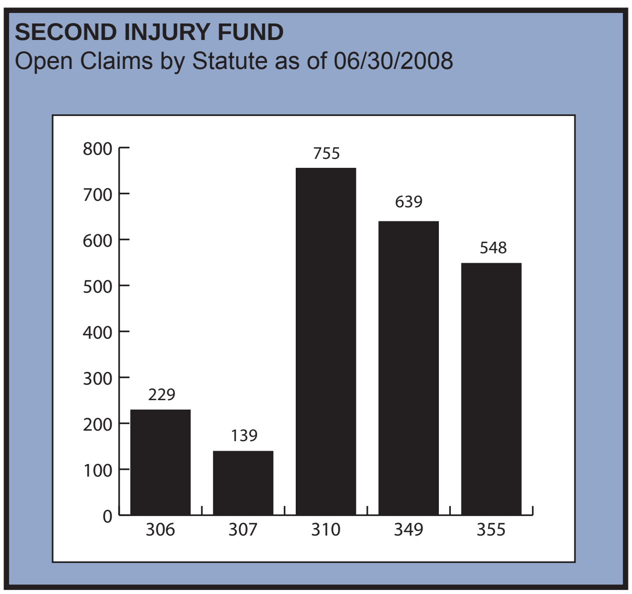


Figure 17-3



Description of the Trust

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

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

The state income tax deduction for CHET, which became effective on July 1, 2006, provides Connecticut taxpayers with the ability to deduct program contributions of up to $5,000 for single filers or $10,000 for joint filers per year from their Connecticut adjusted gross income. CHET contributions made after January 1, 2006 were eligible for this deduction. In addition, the passage of the federal 2006 Pension Protection Act made federal tax benefits permanent and settled the uncertainty regarding long term 529 plan federal tax benefits which had been set to expire on December 31, 2010.

TIAA-CREF Tuition Financing, Inc. ("TFI"), a wholly-owned subsidiary of Teachers Insurance and Annuity Association of America ("TIAA"), and the Treasurer of the State of Connecticut have entered into a Management Agreement under which TFI serves as Program Manager. In 2005, that Management Agreement was extended to March 2010. The Program is operated in a manner such that it is exempt from registration as an investment company under the Investment Company Act of 1940.

An individual participating in the Program establishes an Account in the name of a Beneficiary. Contributions may be allocated among eight investment options: the Managed Allocation Option, the Aggressive Managed Allocation Option, the High Equity Option, the 100% Equity Index Option, the Social Choice Option, the 100% Fixed Income Option, the Money Market Option and the Principal Plus Interest Option. These options provide Connecticut families the opportunity to save for future college expenses, with the flexibility to choose investment vehicles which meet their particular risk tolerance and financial need.

The program's core Managed Allocation Option offers an age based investment approach, utilizing a total of six individual age bands, structured as groups of beneficiaries born within the same three-year period. As the age band group approaches college age, each Fund's assets are moved from more aggressive to more conservative investments in accordance with the Trust's investment policy. The Managed Allocation Age Band Funds are comprised of underlying investments in up to six TIAA-CREF institutional mutual funds, which as of June 30, 2008 consisted of an institutional domestic equity index fund, an international equity index fund, a bond fund an inflation linked bond fund, a real estate securities fund and a money market fund.

The Aggressive managed Allocation Option introduced in November 2007 also invests in the same underlying Funds as the Managed Allocation Option, However, the initial contributions to this Investment Option are more heavily invested in equities and real estate than in the Managed Allocation Option.

The High Equity Option invests in varying percentages in TIAA-CREF institutional domestic and international equity mutual funds, and inflation linked bond and bond funds. As of June 30, 2008, the High Equity Option was comprised of the following underlying equity and fixed income funds: Institutional S&P 500 Index, Small Cap Equity, Mid Cap Value, Mid Cap Growth, International Equity Index, Inflation Linked Bond and Bond Funds.

The 100% Equity Index Option invests among a combination of equity index mutual funds to provide the opportunity for long-term capital growth while avoiding the uncertainty associated with actively managed portfolios. As of June 30, 2008, the 100% Equity Index Option was comprised of the following underlying mutual funds: Institutional Equity Index and Institutional International Equity Index.

The Social Choice Option introduced in November 2007 invests in the TIAA-CREF Institutional Social Choice Equity Fund, which invests primarily in equity securities of companies that meet certain social criteria, such as product safety, corporate citizenship, human rights and environmental performance.

The 100% Fixed Income option seeks to provide preservation of capital along with a moderate rate of return through a diversified mix of fixed –income investments. As of June 30, 2008, the 100% Fixed Income Option was comprised of the following underlying mutual funds: Institutional Bond fund and Institutional Inflation Linked Bond fund.

The Money Market Option introduced in February 2008 seeks to provide high current income consistent with preserving capital. This investment Option invests in the Institutional Money Market Fund.

The Principal Plus Interest Options, provides a more conservative and stable offering designed for investors who for a variety of reasons and investment timelines tolerate very limited risk. The assets in the Principal Plus Interest Options are allocated to a funding agreement issued by TIAA-CREF Life Insurance Company, a subsidiary of TIAA-CREF, which offers a guarantee to the Trust of principal and an annual rate of return. The rate of return was 3.80% from July 1, 2007 to June 30, 2008 and was reset to 3.55% for the period of July 1, 2008 through June 30, 2009.

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

The Year in Review

CHET's increasingly competitive annual fees for account owners remained among the lowest offered in the country for 529 college savings plans. These annualized fees consist of underlying mutual fund expenses and program manager fees, plus a 0.01% state oversight fee. As of June 30, 2008, total fees were 0.65% of average daily net assets for all investment options, except for the Principal Plus Interest option which has a total 0.01% fee. There are no additional charges or penalties imposed by or payable to the Program in connection with opening or maintaining of accounts under any of the Investment Options.

The Managed Allocation Option remained the most actively utilized investment option in the CHET program capturing 63% of total program assets, while 19% of assets were invested in the High Equity, 11% in the Principal Plus Interest Option and 3% in the 100% Equity Index Option.

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

The State Treasurer's Office worked closely with TIAA-CREF to strengthen public awareness of the CHET program and to increase understanding of the importance of saving for college education.

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

2008 Trust Performance

More Connecticut families have been saving for higher education with CHET than ever before by participating in their home state college savings program. Nearly 85% of accounts currently belong to state residents, and as of fiscal year end 2008, the number of CHET accounts grew to 79,536 accounts, from the previous fiscal year end level of 66,731. During that time, program equity of account holders grew from $954 million to $1.076 billion, an increase of $122 million. That compares with just over 4,000 accounts and $18 million in assets when the Treasurer took office in 1999.

CHET Advisory Committee

There is a statutorily established CHET Advisory Committee, which meets annually. The Committee met on December 6, 2007.

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

The statutory members of the CHET Advisory Committee are:

DENISE L. NAPPIER, State Treasurer

ROBERT L. GENUARIO, Secretary Office of Policy and Management, Designee: John Mengacci

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

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

REP ANDREW M. FLEISCHMANN, House Chair, Education Committee

SEN. THOMAS HERLIHY, Senate Ranking Member, Education Committee

REP. DEBRALEE HOVEY, House Ranking Member, Education Committee

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

REP. CAMERON STAPLES, House Chair, Finance, Revenue and Bonding Committee, Designee: Dorian Hayes

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

REP. CRAIG A. MINOR, House Ranking Member, Finance, Revenue and Bonding Committee

MARGARET WOLF, Director of Financial Aid, Capitol Community College

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

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

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

Financial Statements

STATE OF CONNECTICUT

QUI TRANSTULIT SUSTINET

TREASURER'S OFFICE

STATE OF CONNECTICUT

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

KEVIN P. JOHNSTON

ROBERT G. JAEKLE

CERTIFICATION BY AUDITORS OF PUBLIC ACCOUNTS AND STATE COMPTROLLER

We have audited the accompanying statement of net assets of the Combined Investment Funds, as of June 30, 2008, and the related statements of changes in net assets for the fiscal years ended June 30, 2008 and 2007. We have audited the accompanying statement of net assets of the Short-Term Investment Fund, including the list of investments as of June 30, 2008, and the related statements of changes in net assets for the fiscal years ended June 30, 2008 and 2007. We have audited the accompanying statement of net assets of the Short-Term Plus Investment Fund, including the list of investments as of June 30, 2008, and the related statement of changes in net assets for the fiscal year ended June 30, 2008. We have audited the statements of condition of the other Non-Civil List Trust Funds as of June 30, 2008, together with the related statements of revenue and expenditures, and statements of changes in fund balance and the statements of cash flows for the other Non-Civil List Trust Funds, for the fiscal year ended June 30, 2008. We have also audited the statement of net assets of the Second Injury Fund, together with the related statements of revenues, expenses and changes in fund net assets and the statements of cash flows for the Second Injury Fund, for the fiscal years ended June 30, 2008 and 2007. We have also examined the schedules of Civil List Funds investments, as of June 30, 2008, the Civil List Funds cash receipts and disbursements for the fiscal year ended June 30, 2008, and debt outstanding, as of June 30, 2008, and changes in debt outstanding during the fiscal year ended June 30, 2008. These financial statements and schedules are the responsibility of the management of the State Treasury. Our responsibility is to express an opinion on the financial statements and schedules based on our audit.

We did not audit the accompanying financial statements of the Tax Exempt Proceeds Fund, Inc. or the Connecticut Higher Education Trust. These financial statements were audited by other auditors whose reports thereon have been included with the accompanying financial statements. We did not audit the accompanying Schedules of Rates of Return for the Short-Term Investment Fund, which were examined by other auditors whose reports thereon have been included with the accompanying financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements 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, 2008, 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.

As described in the notes to the financial schedules, the State Treasury has prepared the schedules of Civil List Funds investments, as of June 30, 2008, the Civil List Funds cash receipts and disbursements for the fiscal year ended June 30, 2008 and debt outstanding, as of June 30, 2008, and changes in debt outstanding during the fiscal year ended June 30, 2008, using accounting practices prescribed by the State Comptroller which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial schedules of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the schedules referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the cash and investments of the Civil List Funds as of June 30, 2008, the Civil List Funds cash receipts and disbursements for the fiscal year ended June 30, 2008, the balance of bonds outstanding as of June 30, 2008, and bonds issued, retired and refunded, and bond interest payments made during the year ended on that date.

In our opinion, the schedules referred to above present fairly, in all material respects the cash and investments of the Civil List Funds as of June 30, 2008, the Civil List Funds cash receipts and disbursements for the fiscal year ended June 30, 2008, the balance of bonds outstanding as of June 30, 2008, and bonds issued, retired and refunded, and bond interest payments made during the year ended on that date, all in accordance with the modified cash basis of accounting, a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Combined Investment Funds, the Short-Term Investment Fund, the Short-Term Plus Investment Fund, the Second Injury Fund and other Non-Civil List Trust Funds as of June 30, 2008, and the results of their operations and changes in net assets for the year then ended, and the changes in fund balance for the other Non-Civil List Trust Funds and cash flows for the Second Injury Fund and the other Non-Civil List Trust Funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As explained in Note 1B to the financial statements of the Combined Investment Funds, the State Treasurer's policy is to present investments at fair value. The fair value of most of the assets of the Real Estate Fund, the Commercial Mortgage Fund and the Private Investment Fund are estimated by investment advisors in the absence of readily ascertainable market values, and reviewed and adjusted, when appropriate, by the State Treasurer. The fair value of most of the assets of the Real Estate Fund and the Private Investment Fund are presented at the cash adjusted fair values, which utilize the investment advisors' March 31, 2008, quarter ending estimated values adjusted for cash flows of the Funds during the subsequent quarter that affect the value at the Funds' level. Adjustments are made for underlying investments that experienced significant changes in value during the quarter, if deemed appropriate. We have reviewed the investment advisors' values, the relevant cash flows and the procedures used by the State Treasurer in reviewing the estimated values and have read underlying documentation and, in the circumstances, we believe the procedures to be reasonable and the documentation appropriate. However, because of the inherent uncertainty of valuation, those estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The Combined Investment Funds Schedule of Net Assets by Investment Fund, Schedules of Changes in Net Assets by Investment Fund, Total Net Asset Value by Pension Plans and Trust Funds and the Schedules of Investment Activity by Pension Plan and by Trust, contained within the supplemental information section, 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. The introduction section, supplemental information section and the statutory appendix have not been audited except as specifically noted in this auditors' opinion.

At the present time, a separate auditors' report is being prepared by the Auditors of Public Accounts covering the State-Wide operations of the State Treasury. This auditors' report, consisting of comments, recommendations, and certifications, will be maintained on file in the offices of the Auditors of Public Accounts.

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

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

Nancy Wyman
State Comptroller

December 31, 2008
State Capitol
Hartford, Connecticut

The following Management's Discussion and Analysis (MD&A) provides an overview of the Annual Report of the Office of the Treasurer's financial performance for the fiscal year ended June 30, 2008. The information contained in this MD&A should be considered in conjunction with the information contained in the financial statements, notes to financial statements and on Compliance Under C.G.S. Section 2-90 Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards included in the "Financial Statements" section, and the other information included in the "Supplemental Information" section of this report.

FINANCIAL STATEMENTS PRESENTED IN THIS REPORT

The Treasurer is the chief fiscal officer of the State of Connecticut, overseeing a wide variety of activities regarding the prudent conservation and management of State funds. These include the asset investment administration of a $25.9 billion portfolio for six State pension and eight State trust funds, a short-term investment fund approximating $5.0 billion, a short-term plus investment fund approximating $0.3 billion and the Connecticut Higher Education Trust, a qualified state tuition program designed to promote and enhance affordability and accessibility of higher education to State residents, containing $1.1 billion as of June 30, 2008.

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

The financial statements include: the Combined Investment Funds (which includes Civil and Non-Civil List Trust Funds), Short-Term Investment Fund, Short-Term Plus Investment Fund, Connecticut Higher Education Trust, Special Obligation Rate Reduction Bonds, Tax Exempt Proceeds Fund, escheat securities private purpose trust fund held for others (Unclaimed Property), and the Second Injury Fund.

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

The Statement of Net Assets presents all of the Funds assets and liabilities, with the difference between the two reported as "net assets".

The Statement of Changes in Net Assets presents information showing how the Funds net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Funds financial statements.

Civil And Non-Civil List Trust Funds: The Civil List Pension and Trust Funds schedule includes all cash and investment balances, and activity for the fiscal year 2008. The Non-Civil List Trust Funds Financial Statements include all assets and liabilities, revenues and expenditures, and changes in fund balances using the accrual basis of accounting.

The Notes to the Civil and Non-Civil List Trust Funds Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Connecticut Higher Education Trust: The Statement of Assets and Liabilities and Statement of Operations are two financial statements that report information about the Connecticut Higher Education Trust Program as of June 30, 2008 and June 30, 2007.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Connecticut Higher Education Trust Program financial statements.

Special Obligation Rate Reduction Bonds: The Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and Statement of Cash Flows are financial statements that report information about the Special Obligation Rate Reduction Bonds.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Special Obligation Rate Reduction Bonds financial statements.

Tax Exempt Proceeds Fund: The Statement of Assets and Liabilities, Statement of Operations and Statement of Changes in Net Assets are financial statements that report information about the Tax Exempt Proceeds Fund.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Tax Exempt Proceeds Fund financial statements.

The Second Injury Fund: The Statement of Net Assets and Statement of Revenues, Expenses and Changes in Fund Balance are financial statements that report information about the Second Injury Fund.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Second Injury Fund's financial statements.

FINANCIAL HIGHLIGHTS OF FISCAL YEAR 2008

At June 30, 2008, the Combined Investment Funds reported investment balances of $25.9 billion. The Short-Term Investment Fund reported a fund balance of $5.0 billion. These two funds account for 99% of the investments in the fiduciary funds managed by the Office of the Treasurer.

The Connecticut Retirement Plans and Trust Funds fiscal 2008 performance produced a negative net return (after all expenses) of -4.71%. Pension and Trust assets were $25.9 billion at June 30, 2007 and remained at $25.9 billion at June 30, 2008 as a result of net cash inflows of $1.2 billion, mainly a $2.0 billion deposit to the Teachers' Retirement Fund, offsetting the 2008 negative funds performance.

The Short Term Investment Fund achieved an annual return of 4.13%, exceeding its benchmark by 6 basis points, resulting in $3.0 million in additional interest income for the state, state agencies and municipalities and their taxpayers. At the end of the 2008 fiscal year, the Short Term Investment Fund had more than $5.0 billion in assets under management.

The Short Term Plus Investment Fund, at the end of the 2008 fiscal year, had $0.3 billion in assets under management and an annual return of 4.03%.

The Treasury issued $231 million of refunding bonds and cash defeased $221 million of various bonds providing future debt service savings of $30.2 million.

The Connecticut Higher Education Trust Investments held 79,536 accounts with total assets of $1.076 billion at the end of the 2008 fiscal year compared to 66,731 accounts and $954 million in assets in the prior fiscal year, an increase of $122 million.

The Office of the Treasurer recovered $4 million in the fiscal year from class action lawsuits.

CONDENSED FINANCIAL INFORMATION

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.

Net Assets and Changes in Net Assets

Net Assets - The net assets of the Combined Investment Funds at the close of the 2008 fiscal year were $25.9 billion, a slight decrease of $0.056 billion from the previous year. The minor change in net assets resulted from net investment losses from operations of $1.258 billion mostly offset by net cash inflows to the Connecticut Retirement Plans and Trust Funds of $1.205 billion consisting of a $2.0 billion contribution into the teacher's pension plan raised in the capital markets to reduce a portion of the unfunded liability. However, as is the case with any pension fund, a portion of the total investment income of $0.8 billion was used, coupled with contributions of participants and the plan sponsors, to make payments to beneficiaries of the Connecticut Retirement Plans and Trust Funds.

The net assets of the Combined Investment Funds at the close of the 2007 fiscal year were $25.9 billion, an increase of $3.1 billion from fiscal year 2006. The change in net assets resulted from net investment income from operations of $3.9 billion partly offset by cash outflows to the Connecticut Retirement Plans and Trust Funds of $0.8 billion.

Operating Income – Unfavorable performance results achieved a negative return of -4.71%, net of all management fees and expenses, resulting in a minor decrease in net assets from operations in the 2008 fiscal year, compared to a return of 17.34%, net of all expenses for the previous fiscal year. Returns were mixed in the Funds investment classes in fiscal year 2008 due to continuing market volatility related to credit market tightening around the world.

Favorable performance results for the 2007 fiscal year achieved a positive return of 17.34%, net of all management fees and expenses compared to a return of 10.55%, net of all expenses for the previous fiscal year. Positive returns in the Funds investment classes were realized in fiscal year 2007 despite higher market volatility as a result of higher oil prices and rising interest rates.

Table 1 - Net Assets

Assets	2008	Increase (Decrease)	2007	Increase (Decrease)	2006
Investments at Fair Value	$26,129,160,510	$(645,368,748)	$26,774,529,258	$3,291,631,216	$23,482,898,042
Cash, Receivables and Other	15,884,647,720	1,444,193,146	14,440,454,574	(1,705,448,726)	16,145,903,300
Total Assets	42,013,808,230	798,824,398	41,214,983,832	1,586,182,490	39,628,801,342
Liabilities	(16,141,985,552)	(855,292,653)	(15,286,692,899)	1,525,335,471	(16,812,028,370)
Net Assets	$25,871,822,678	$(56,468,255)	$25,928,290,933	$3,111,517,961	$22,816,772,972

Table 2 - Changes in Net Assets

Additions	2008	Increase (Decrease)	2007	Increase (Decrease)	2006
Dividends	$650,095,570	$91,149,144	$558,946,426	$33,380,675	$525,565,751
Interest	460,027,262	64,016,826	396,010,436	45,223,955	350,786,481
Securities Lending & Other Income	162,456,676	(14,202,368)	176,659,044	52,045,982	124,613,062
Total Investment Income	1,272,579,508	140,963,602	1,131,615,906	130,650,612	1,000,965,294
Total Investment Expenses	201,848,886	10,439,471	212,288,357	(34,279,589)	178,008,768
Net Investment Income	1,070,730,622	151,403,073	919,327,549	96,371,023	822,956,526
Net Realized Gain/(Loss)	675,633,299	(848,473,673)	1,524,106,972	638,075,498	886,031,474
Net Change in Unrealized Gains on Investments	(3,004,321,867)	(4,476,635,495)	1,472,313,628	951,883,498	520,430,130
Net Increase in Net Assets resulting from operations	(1,257,957,946)	(5,173,706,095)	3,915,748,149	1,686,330,019	2,229,418,130
Purchase of Units by Participants	8,184,525,954	4,540,776,161	3,643,749,793	1,813,917,880	1,829,831,913
Total Additions	6,926,568,008	(632,929,934)	7,559,497,942	3,500,247,899	4,059,250,043
Deductions					
Administrative Expense	3,238,591	(51,758)	3,186,833	(227,947)	2,958,886
Distribution of Income to Unit Owners	972,406,121	(60,496,238)	911,909,883	(109,376,336)	802,533,547
Redemption of Units by Participants	6,007,391,551	(2,474,508,282)	3,532,883,269	(1,796,749,027)	1,736,134,242
Total Deductions	6,983,036,263	(2,535,056,278)	4,447,979,985	(1,906,353,311)	2,541,626,675
Change in Net Assets	(56,468,255)	(3,167,986,212)	3,111,517,957	1,593,894,589	1,517,623,368
Beginning Net Assets	25,928,290,933	3,111,517,957	22,816,772,976	1,517,623,374	21,299,149,602
Ending Net Assets	$25,871,822,678	$(56,468,255)	$25,928,290,933	$3,111,517,961	$22,816,772,972

Short-Term Investment Fund represents an investment pool of short-term money market instruments serving the State and State agencies, authorities, municipalities and other public subdivisions of the State.

Net Assets and Changes in Net Assets

Net Assets - The net assets under management in the Short-Term Investment Fund at the close of the fiscal year were $5.0 billion, an increase of $0.050 billion from the previous year. The principal reasons for the increase was an overall increase of $0.227 billion in State Treasury and State Agencies and Authorities funds partly offset by decreases in Municipal and Local entities STIF investments of $0.155 billion and $0.024 billion from the designated surplus reserve.

The net assets under management in the Short-Term Investment Fund at the close of the 2007 fiscal year were $5.0 billion, a decrease of $0.4 billion from the prior year. The principal reasons for the decrease was an overall decrease of $1.1 billion in State Treasury funds partly offset by increases in State Agencies and Authorities and Municipal and Local entities STIF investments of $0.7 billion.

Operating Income - General financial market conditions produced an annual total return of 4.13%, net of operating expenses and allocations to Fund reserves, compared to an annual total return of 5.54%, net of operating expenses and allocations to Fund reserves in the previous fiscal year. The annual total return exceeded that achieved by its benchmark, which equaled 4.07%, by 6 basis points, resulting in $3.0 million in additional interest income for Connecticut governments and their taxpayers.

General financial market conditions produced an annual total return of 5.54%, net of operating expenses and allocations to Fund reserves in fiscal 2007, compared to an annual total return of 4.38%, net of operating expenses and allocations to Fund reserves in the previous fiscal year. The annual total return exceeded that achieved by its benchmark, which equaled 5.14%, by 40 basis points, resulting in $21 million in additional interest income for Connecticut governments and their taxpayers. The higher return resulted from increases in market interest rates due to the Federal Reserve move to raise interest rates in order to ward against inflation in a growing U.S. economy.

Table 3 - Net Assets

Assets	2008	Increase (Decrease)	2007	Increase (Decrease)	2006
Investments in Securities, at Amortized Cost	$5,048,295,420	$32,342,982	$5,015,952,438	$9426,522,038)	$5,442,474,476
Receivables and Other	15,198,432	4,683,436	10,514,996	525,735	9,989,261
Total Assets	5,063,493,852	37,026,418	5,026,467,434	(425,996,303)	5,452,463,737
Liabilities	(8,972,197)	13,399,480	(22,371,677)	(74,492)	(22,297,185)
Net Assets	$5,054,521,655	$50,425,898	$5,004,095,757	$(426,070,795)	$5,430,166,552

Table 4 - Changes in Net Assets

Assets	2008	Increase (Decrease)	2007	Increase (Decrease)	2006
Net Interest Income	$208,172,504	$(78,999,837)	$287,172,341	$69,309,063	$217,863,278
Net Realized Gains	43,496	(194,231)	237,727	184,693	53,034
Net Decrease in Fair Value of Investments	(24,000,000)	(24,000,000)	-	-	-
Total Investment Income	184,216,000	(103,194,068)	287,410,068	69,493,756	217,916,312
Purchase of Units by Participants	14,455,641,703	745,295,241	13,710,346,462	402,140,035	13,308,206,427
Total Additions	14,639,857,703	642,101,173	13,997,756,530	471,633,791	13,526,122,739
Deductions					
Distribution of Income to Participants	205,184,804	(77,159,946)	282,344,750	(69,698,072)	212,646,678
Redemption of Units by Participants	14,383,089,216	242,826,417	14,140,262,799	(1,944,420,366)	12,195,842,433
Operating Expenses	1,157,785	(61,991)	1,219,776	111,137	1,330,913
Total Deductions	14,589,431,805	165,604,480	14,423,827,325	(2,014,007,301)	12,409,820,024
Change in Net Assets	50,425,898	476,496,693	(426,070,795)	(1,542,373,510)	1,116,302,715
Total net assets – beginning	5,004,095,757	(426,070,795)	5,430,166,552	1,116,302,715	4,313,863,837
Total net assets - ending	$5,054,521,655	$50,425,898	$5,004,095,757	$(426,070,795)	$5,430,166,552

Short-Term Plus Investment Fund is a short-term investment pool serving the State and State agencies, authorities, municipalities and other public subdivisions of the State.

Net Assets

Net Assets - The net assets under management in the new Short-Term Plus Investment Fund at the close of the fiscal year were $0.3 billion, slightly higher than the prior year due to interest income.

Table 5 - Net Assets

Assets	2008	Increase (Decrease)	2007
Investments in Securities, at Amortized Cost	$309,553,634	$6,457,951	$303,095,683
Receivables and Other	1,545,290	(688,867)	2,234,157
Total Assets	311,098,924	5,769,084	305,329,840
Liabilities	(784,890)	568,008	(1,352,898)
Net Assets	$310,314,034	$6,337,092	$303,976,942

Table 6 - Changes in Net Assets

Additions	2008	Increase (Decrease)	2007
Net Interest Income	$14,013,176	$5,206,357	$8,806,819
Net Realized Gains	34,402	24,551	9,851
Total Investment Income	14,047,578	5,230,908	8,816,670
Purchase of Units by Participants	14,554,501	(293,576,730)	308,131,231
Total Additions	28,602,079	(288,345,822)	316,947,901
Deductions			
Distribution of Income to Participants	13,986,492	(5,197,545)	8,788,947
Redemption of Units by Participants	5,000,000	(1,000,000)	4,000,000
Operating Expenses	61,086	(33,363)	27,723
Net Change in Unrealized Loss	3,217,409	(3,063,120)	154,289
Total Deductions	22,264,987	(9,294,028)	12,970,959
Change in Net Assets	6,337,092	(297,639,850)	303,976,942
Total net assets – beginning	303,976,942	303,976,942	-
Total net assets - ending	$310,314,034	$6,337,092	$303,976,942

Connecticut Higher Education Trust

Net Assets and Changes in Net Assets

Net Assets – Net Assets of the Connecticut Higher Education Trust at the close of the current fiscal year were $1.076 billion, an increase of $122 million from the previous year.

Net assets of the Connecticut Higher Education Trust at the close of the 2007 fiscal year were $954 million, an increase of $250 million from the previous year.

Changes in Net Assets – The change in net assets of the Connecticut Higher Education Trust due to operations increased by $122 million in fiscal year 2008 from $158 million in contributions to active accounts, net of redemptions partly offset by $36 million of net realized and unrealized losses on investments including net investment income.

Net assets of the Connecticut Higher Education Trust in 2007 increased by $250 million resulting from $88 million in net realized and unrealized gain on investments and net investment income and $162 million from contributions to active accounts, net of redemptions, from the previous fiscal year.

Table 7 - Net Assets

Assets	2008	Increase (Decrease)	2007	Increase (Decrease)	2006
Investments, at Value	$1,076,414,124	$123,219,468	$953,194,656	$249,610,322	$703,584,334
Cash, Receivables and Other	2,268,827	(204,726)	2,473,553	1,176,170	1,297,383
Total Assets	1,078,682,951	123,014,742	955,668,209	250,786,492	704,881,717
Liabilities	(2,008,479)	(1,131,672)	(876,807)	(339,331)	(537,476)
Net Assets	$1,076,674,472	$121,883,070	$954,791,402	$250,447,161	$704,344,241

Table 8 - Changes in Net Assets

Additions	2008	Increase (Decrease)	2007	Increase (Decrease)	2006
Net investment income	$31,033,470	$6,594,680	$24,438,790	$5,341,351	$19,097,439
Net realized gain on investments	11,247,606	2,877,100	8,370,506	(17,910,875)	26,281,381
Net change in unrealized appreciation (depreciation)	(78,658,260)	(133,718,645)	55,060,385	68,770,160	(13,709,775)
Net Increase (Decrease) in Net Assets Resulting From Operations	(36,377,184)	(124,246,865)	87,869,681	56,200,636	31,669,045
From account owner transactions	158,260,254	(4,317,226)	162,577,480	85,620,461	76,957,019
Change in Net Assets	121,883,070	(128,564,091)	250,447,161	141,821,097	108,626,064
Total net assets – beginning	954,791,402	250,447,161	704,344,241	108,626,064	595,718,177
Total net assets - ending	$1,076,674,472	$121,883,070	$954,791,402	$250,447,161	$704,344,241

Second Injury Fund

Net Assets - The net assets of the Second Injury Fund (SIF) at the close of fiscal year 2008 were $60.2 million, an increase of $2.4 million from the previous year net asset balance of $57.8 million.

The net assets of the Fund at the close of previous fiscal year were $57.8 million, an increase of $15.5 million from the 2006 fiscal year net asset balance of $42.3 million.

Operating Income – The $2.4 million positive change in net assets resulted from non-operating interest income of $2.4 million. Net operating income was $12.9 million less than the previous year due to reductions in the assessment rates to insured employers by 0.5% to 3.5% and to self insured employers by 1.7% to 6.7%.

The $15.5 million positive change in net assets in 2007 resulted from net operating income of $12.9 million and non-operating interest income of $2.6 million. Assessment rates were unchanged from the prior year resulting in $12.9 million of operating income.

Special Obligation Rate Reduction Bonds

Net Deficit - The net deficit of the Special Obligation Rate Reduction Bonds presented at the close of the calendar year December 31, 2007 was $90 million, a decrease of $29 million. The Special Obligation Rate Reduction Bonds were issued in 2004 pursuant to Connecticut General Statutes to sustain for two years the funding of energy conservation and load management and renewable energy investment programs by providing money to the State's General Fund. The repayment of the bonds including principal, interest and all fees and expenses are payable from a State RRB charge on the electric bills of the State's two electric utilities.

The net deficit of the Special Obligation Rate Reduction Bonds presented at the close of the calendar year December 31, 2006 was $119 million, a decrease of $24 million from the prior year.

Changes in Net Assets – The total decrease in the net deficit of the Special Obligation Rate Reduction Bonds in calendar years 2007 and 2006 were the result of net income generated from the utilities revenues.

Tax Exempt Proceeds Fund

Net Assets - The net assets of the Tax Exempt Proceeds Fund at the close of the fiscal year were $174 million, a decrease of $15 million from the previous year.

The net assets of the Tax Exempt Proceeds Fund at the close of the 2007 fiscal year were $189 million, an increase of $34 million from the previous year.

Changes in Net Assets – The total increase in net assets of the Tax Exempt Proceeds Fund in fiscal years 2008 was the result of a net decrease of fund investments and the total increase in net assets in fiscal year 2007 was the result of a net increase of fund investments.

REQUIRED SUPPLEMENTARY INFORMATION

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

DEBT ADMINISTRATION

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

At June 30, 2008, the State had $16.4 billion in bonds and notes outstanding versus $14.2 billion at June 30, 2007, an increase of $2.2 billion. Outstanding debt at June 30, 2008 was issued to fund local school construction projects, state grants and economic development initiatives, Clean Water Fund loans, and the UCONN 2000 program.

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

Outstanding Debt as of June 30,

Bond Type	2008	Increase (Decrease)	2007	Increase (Decrease)	2006
General obligation –					
Tax supported	$9,638,577,525	$308,425,362	$9,330,152,163	$368,535,691	$8,961,616,472
Teachers Retirement Fund	2,276,578,271	2,276,578,271			
Revenue supported	2,120,891	(1,250,233)	3,371,124	(1,245,000)	4,616,124
Transportation	723,286	(604,127)	1,327,413	(609,163)	1,936,576
Special Tax Obligation	2,789,345,000	(25,789,000)	2,815,134,000	(265,963,825)	3,081,097,825
Bradley International Airport	208,535,000	(9,410,000)	217,945,000	(8,430,000)	226,375,000
Clean Water Fund	494,620,000	(155,720,000)	650,340,000	115,025,000	535,315,000
UCONN 2000	763,413,355	(59,718,792)	823,132,147	32,485,000	790,647,147
CDA Increment Financing	32,505,000	(2,320,000)	34,825,000	7,955,000	26,870,000
CDA Government					
Lease revenue	4,115,000	(545,000)	4,660,000	(515,000)	5,175,000
CHEFA Childcare					
Facilities program	53,705,000	(920,000)	54,625,000	18,050,000	36,575,000
Bradley Parking operations	46,205,000	(1,460,000)	47,665,000	(2,210,000)	49,875,000
CT Juvenile Training school	16,940,000	(405,000)	17,345,000	(390,000)	17,735,000
CHFA Special Needs Housing Bonds	25,915,000	25,915,000	0	0	0
Special Obligation Rate					
Reduction Bonds	0	(125,375,000)	125,375,000	(27,785,000)	153,160,000
CCEDA Bonds	84,265,000	(1,470,000)	85,735,000	(1,065,000)	86,800,000
Total	$16,437,563,328	$2,225,931,481	$14,211,631,847	$87,747,703	$14,123,884,144

During fiscal year 2008, the State issued $3.7 billion in new bonds to fund state programs including a $2.0 billion deposit to the Teachers’ Retirement Fund and issued refunding bonds totaling $0.2 billion to refinance amounts outstanding on previously issued bonds as interest rates continued at relatively low levels during the year. The remaining Special Obligation Rate Reduction Bonds were cash defeased in 2008. Since 1999, debt refunding and defeasances have produced $0.557 billion in debt savings to taxpayers.

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

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

ECONOMIC CONDITIONS AND OUTLOOK

The State’s economic performance in fiscal 2008 sustained the respectable level of the previous fiscal year, but the effects of the national economic slowdown are becoming evident and impacting the state economy. Housing and financial weaknesses, rising energy and food costs persisted throughout the nation. General Fund revenue for FY2008 resulted in a fund surplus of approximately $83 million, primarily on tax revenue exceeding government spending. Collection of income tax revenue grew by 11 percent for the year and tax revenue overall was up 4 percent. The state’s emergency Rainy Day Fund is approximately $1.4 billion.

The State Comptroller on October 1, 2008, noted the current rate of overall revenue growth is about half the 4.5 percent annual average growth the state experienced since the end of the 2001 recession and is expected to erode further. The state has lost thousands of jobs in the first months of the new fiscal year and unemployment is up sharply.

A decrease in sales tax revenue due to slowing consumer activity and a decrease in oil companies tax revenue due to sharply lower energy prices could create a budget imbalance that could exceed $350 million by the end of the 2009 fiscal year.

CONTACTING THE OFFICE OF THE TREASURER

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

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

State of Connecticut

Office of the Treasurer

DENISE L. NAPPIER
TREASURER

HOWARD G. RIFKIN
DEPUTY TREASURER

December 31, 2008

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

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

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

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

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

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

Sincerely,

Howard G. Rifkin
Deputy Treasurer

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

COMBINED INVESTMENT FUNDS

STATEMENT OF NET ASSETS
JUNE 30, 2008

	TOTAL
ASSETS	
Investments in Securities, at Fair Value	
Liquidity Fund	$ -
Cash Equivalents	1,287,506,422
Asset Backed Securities	267,217,555
Government Securities	2,596,353,075
Government Agency Securities	1,646,888,387
Mortgage Backed Securities	956,382,565
Corporate Debt	2,108,880,302
Convertible Securities	28,276,823
Common Stock	13,809,214,069
Preferred Stock	105,944,737
Real Estate Investment Trust	102,405,949
Mutual Fund	573,353,349
Limited Liability Corporation	4,242,400
Trusts	5,863,982
Limited Partnerships	2,636,630,895
Annuities	-
Total Investments in Securities, at Fair Value	26,129,160,510
Cash	29,839,798
Receivables	
Foreign Exchange Contracts	11,930,637,702
Interest Receivable	84,202,672
Dividends Receivable	20,108,037
Due from Brokers	776,558,171
Foreign Taxes	7,766,190
Securities Lending Receivable	2,881,610
Reserve for Doubtful Receivables	(5,744,015)
Total Receivables	12,816,410,367
Invested Securities Lending Collateral	3,032,387,380
Prepaid Expenses	6,010,175
Total Assets	42,013,808,230
LIABILITIES	
Payables	
Foreign Exchange Contracts	11,930,616,048
Due to Brokers	1,102,498,868
Income Distribution	2,370,766
Other Payable	50,641,881
Total Payables	13,086,127,563
Securities Lending Collateral	3,032,387,380
Accrued Expenses	23,470,609
Total Liabilities	16,141,985,552
NET ASSETS HELD IN TRUST FOR PARTICIPANTS	$ 25,871,822,678

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

COMBINED INVESTMENT FUNDS

STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	TOTAL
ADDITIONS	
OPERATIONS	
Investment Income	
Dividends	$ 650,095,570
Interest	460,027,262
Other Income	11,401,789
Securities Lending	151,054,887
Total Income	1,272,579,508
Expenses	
Investment Advisory Fees	75,046,853
Custody and Transfer Agent Fees	163,496
Professional Fees	2,625,411
Security Lending Fees	5,436,096
Security Lending Rebates	117,248,674
Investment Expenses	1,328,356
Total Expenses	201,848,886
Net Investment Income	1,070,730,622
Net Realized Gain (Loss)	675,633,299
Net Change in Unrealized Gain/(Loss) on Investments and Foreign Currency	(3,004,321,867)
Net Increase (Decrease) in Net Assets Resulting from Operations	(1,257,957,946)
Unit Transactions	
Purchase of Units by Participants	8,184,525,954
TOTAL ADDITIONS	6,926,568,008
DEDUCTIONS	
Interfund Transfer	-
Administrative Expenses:	
Salary and Fringe Benefits	(3,238,591)
Distributions to Unit Owners:	
Income Distributed	(972,406,121)
Unit Transactions	
Redemption of Units by Participants	(6,007,391,551)
TOTAL DEDUCTIONS	(6,983,036,263)
Change in Net Assets	(56,468,255)
NET ASSETS HELD IN TRUST FOR PARTICIPANTS	
Net Assets- Beginning of Period	25,928,290,933
Net Assets- End of Period	$25,871,822,678

The accompanying notes are an integral part of these financial statements

COMBINED INVESTMENT FUNDS

STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	TOTAL
ADDITIONS	
OPERATIONS	
Investment Income	
Dividends	$ 558,946,426
Interest	396,010,436
Other Income	6,960,432
Securities Lending	169,698,612
Total Income	1,131,615,906
Investment Expenses	
Investment Advisory Fees	50,980,419
Custody and Transfer Agent Fees	117,898
Professional Fees	2,172,365
Security Lending Fees	2,477,375
Security Lending Rebates	156,259,586
Investment Expenses	280,714
Total Investment Expenses	212,288,357
Net Investment Income	919,327,549
Net Realized Gain (Loss)	1,524,106,972
Net Change in Unrealized Gain/(Loss) on Investments and Foreign Currency	1,472,313,628
Net Increase (Decrease) in Net Assets Resulting from Operations	3,915,748,149
Unit Transactions	
Purchase of Units by Participants	3,643,749,793
TOTAL ADDITIONS	7,559,497,942
DEDUCTIONS	
Administrative Expenses:	
Salary and Fringe Benefits	(3,186,833)
Distributions to Unit Owners:	
Income Distributed	(911,909,883)
Unit Transactions	
Redemption of Units by Participants	(3,532,883,269)
TOTAL DEDUCTIONS	(4,447,979,985)
CHANGE IN NET ASSETS	3,111,517,957
NET ASSETS HELD IN TRUST FOR PARTICIPANTS	
Net Assets- Beginning of Period	22,816,772,976
Net Assets- End of Period	$ 25,928,290,933

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 Liquidity Fund (formerly Cash Reserve Account), Mutual Equity Fund, Real Estate Fund, Commercial Mortgage Fund and the Private Investment Fund. On November 1, 2007 the Mutual Fixed Income Fund was split into four new funds titled Core Fixed Income Fund, Inflation Linked Bond Fund, Emerging Market Debt Fund and the High Yield Debt Fund. Also on November 1, 2007 the International Stock Fund was split into two new funds titled Developed Market International Stock Fund and Emerging Market International Stock Fund. The Funds were established to provide a means for investing pension and other trust fund assets entrusted to the Treasurer in a variety of investment classes. The units of the Funds are owned by these pension and trust funds. For financial reporting purposes of the State of Connecticut, the Funds are considered to be internal investment pools and are not reported in the State's combined financial statements. Instead, each fund type's investment in the fund is reported as "equity in combined investment funds" in the State's combined balance sheet.

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

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

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

A. NEW PRONOUNCEMENTS

While the Combined Investment Funds follow pronouncements under the Governmental Accounting Standards Board, the Real Estate and Private Investment Funds contain investments were the General Partners must follow pronouncements under the Financial Accounting Standards Board. The Financial Accounting Standards Board issued Statement No. 157, Fair Value Measurements, requires investment managers to value non-publicly traded assets at current fair value, taking into consideration the financial performance of the issuer, cash flow analysis, recent sales prices, market comparable transactions, a new round of financing, a change in economic conditions, and other pertinent information. Fair value is determined using the best information available for a hypothetical transaction at the measurement date, not using forced sale of fire sale pricing. Adoption of this statement is required for fiscal years beginning after November 15, 2007.

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 Liquidity Fund, are shown at fair values provided to the Fund by the investment advisor, and adjusted, when appropriate, by the Treasurer's staff. For the Real Estate and Private Investment Funds substantially all of the investments, other than those in the Liquidity 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.

<u>Liquidity Fund</u>

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

Mutual Equity Fund

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

Core Fixed Income Fund

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

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

The Core 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, 2008, the Fund held MBSs of $883,692,473 and ABSs of $39,948,474.

Interest-only stripped mortgage backed securities (IOs), a specialized type of Collateralized Mortgage Obligation (CMO), are included as Mortgage Backed Securities on the statement of Net Assets. The cash flow on these investments is derived from the interest payments on the underlying mortgage loans. Prepayments on the underlying loans curtail these interest payments, reducing the value of the IOs and, as such, these instruments are extremely sensitive to changes in interest rates, which encourage or discourage such prepayments. At June 30, 2008 the Fund's holdings had a fair value of $641,086 and a cost of $25.7 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 Core Fixed Income Fund are authorized to invest in global fixed income securities.

Inflation Linked Bond Fund

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

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

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

Emerging Market Debt Fund

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

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

The Emerging Market Debt Fund invests in Mortgage Backed Securities (MBSs), 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, 2008, the Fund held MBSs of $44,479,164.

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

High Yield Debt Fund

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

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

The High Yield Debt 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, 2008, the Fund held MBSs of $10,744,713 and ABSs of $21,827,991.

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

Developed Market 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.

Emerging Market International Stock Fund

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

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

Real Estate Fund

Investments in securities not listed on security exchanges and investments in trusts, limited partnerships, and annuities, which comprise substantially all of the Fund's investments, are carried at the cash adjusted fair value. The cash adjusted fair value utilizes the prior calendar quarter end fair value as estimated by the investment advisor, (i) plus cash flows relating to capitalized expenses and principal contributions disbursed from and (ii) minus amounts received by the Real Estate Fund, to estimate the current fair value. The Treasurer's staff reviews the prior quarter estimated fair values provided by the investment advisors for reasonableness. In those instances where an advisor's value appears to be overstated, this estimated fair value is adjusted accordingly. Additionally, the staff monitors the estimated cash adjusted fair values against the estimated values subsequently reported by the investment advisors. In the event of significant total Fund-level differences between the cash adjusted estimates and the investment advisors' estimated values, adjustments to the reported cash adjusted fair values are made to prevent overstatement. At June 30, 2008, 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 $4.7 million. Consistent with the cash adjusted fair value presentation this increase will be considered for the next quarter's adjustment.

Commercial Mortgage Fund

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

Private Investment Fund

The Private Investment Fund is comprised of investments in various limited partnerships, limited liability companies and securities. The general partner or managing member is the investment advisor and is compensated on a fee basis for management services in addition to its participation in partnership profits and losses. These investments are carried at their cash adjusted fair values. The cash adjusted fair value utilizes the prior quarter fair value as estimated by the investment advisor, (i) plus cash flows relating to capitalized expenses and principal contributions disbursed from and (ii) minus amounts received by the Private Investment Fund, to estimate the current fair value. The Treasurer's staff reviews the prior quarter estimated fair values provided by the investment advisors for reasonableness. In those instances where an advisor's value appears to be overstated, the estimated fair value is adjusted accordingly. Additionally, the staff monitors the estimated cash adjusted fair values against the estimated values subsequently reported by the investment advisors. In the event of significant total Fund-level differences between the cash adjusted estimates and the investment advisors' estimated values, adjustments of reported cash adjusted values are made to prevent overstatement. At June 30, 2008, 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 $16 million. Consistent with the cash adjusted fair value presentation this increase will be considered for the next quarter's adjustment. Securities traded on securities exchanges are valued at the last reported sales price on the last business day of the fiscal year. Corporate bonds and certain over-the-counter stocks are valued at the mean of bid and asked prices as furnished by broker-dealers.

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

C. INVESTMENT TRANSACTIONS AND RELATED INCOME

Investment transactions are accounted for on a trade date basis. Dividend income is recognized as earned on the ex-dividend date. Interest income is recorded on the accrual basis as earned. Realized gains and losses are computed on the basis of the average cost of investments sold. Such amounts are calculated independent of and are presented separately from the Net Change in Unrealized Gains and Losses on the Statement of 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 relate to investments that are not listed on security exchanges. Such dividends are recognized as income when received, generally net of advisory fees.

D. FOREIGN CURRENCY TRANSLATION

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

E. SHARE TRANSACTIONS AND PRICING

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

F. EXPENSES

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

G. DISTRIBUTIONS

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

H. DERIVATIVE FINANCIAL INSTRUMENTS

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

For the fiscal year ended June 30, 2008, the funds maintained positions in a variety of such securities that are all reported at fair value on the statement of net assets. The Liquidity Fund held adjustable rate and asset-backed securities. The Core Fixed Income Fund, Emerging Market Debt Fund and the High Yield Debt Fund held CMOs, including IOs, and other asset backed securities, indexed Treasury securities and option contracts. The Developed Market International Stock, Emerging Market International Stock Fund, Core Fixed Income Fund and Emerging Market Debt Fund were invested in foreign exchange contracts and the Commercial Mortgage Fund held CMOs and CMO residuals. The specific nature of these investments is discussed more fully in the accounting policy note for each respective fund, where appropriate. These financial instruments are utilized for trading and other purposes. Those that are used for other than trading purposes are foreign exchange contracts, which can be used to facilitate trade settlements, and may serve as foreign currency hedges. The credit exposure resulting from such contracts is limited to the recorded fair value of the contracts on the Statement of Net Assets.

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

The Core Fixed Income Fixed Income Fund, Emerging Market Debt Fund, Developed International Stock Fund and the Emerging Market International Stock Fund also utilize derivatives indirectly through participation in mutual funds.

These mutual funds may hold derivatives from time to time. Such derivatives may be used for hedging, investment and risk management purposes. These transactions subject the investor to credit and market risk.

I. COMBINATION/ELIMINATION ENTRY

The financial statements depict a full presentation of each of the Combined Investment Funds. However, one of these funds, the Liquidity 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 Liquidity Fund. As a result, elimination entries are presented for the purpose of netting out balances and transactions relating to the ownership of the Liquidity 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, 2008:

	Netted	Capitalized	Expensed	Total
Private Investment Fund	$17,780,702	$12,448,330	$9,359,774	$ 39,588,806

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 Fund's share of such net realized gains and losses for the fiscal year ended June 30, 2008 totaled $240,907,012 and was recorded as dividends on the Statement of Changes in Net Assets.

The Private Investment Fund recorded write downs in various underlying holdings. The amounts of such write downs properly reflect that impaired investments are realized in the year losses become apparent. Approximately $ 116,310,471 was recorded as realized loss on the Statement of Changes in Net Assets.

Private Investment Fund	$ 240,907,012

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 loss for such transactions for the fiscal year ended June 30, 2008 were $3,921,494.

The Mutual Equity Fund includes an investment in a mutual fund. There were no fees for the 2008 fiscal year.

The Mutual Fixed Income Fund included 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, 2008 totaled $906,211.

The Core Fixed Income Fund includes an investment in a mutual fund. Fees incurred are deducted from the operations of the fund and are not separately presented on the Statement of Operations. The corresponding fees incurred for the fiscal year ended June 30, 2008 totaled $142,461.

The Emerging Market Debt 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, 2008 totaled $1,669,962.

The International Stock Fund included 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, 2008 totaled $513,207.

The Emerging Market 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, 2008 totaled $896,967.

The Developed Market International Stock Fund includes an investment in a mutual fund. There were no fees for the fiscal year ended June 30, 2008.

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, 2008:

	Netted	Capitalized	Expensed	Total
Real Estate Fund	$ 6,623,846	$ 2,936,068	$ 3,453,459	$ 13,013,373

Investment advisory fees for the Liquidity, Mutual Equity, Core Fixed Income Fund, Inflation Linked Bond Fund, Emerging Market Debt Fund, and the High Yield Investment Fund (except as noted above) and Developed Market International Stock Fund and the Emerging Market International Stock Fund 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: DEPOSITS, INVESTMENTS AND SECURITIES LENDING

Deposits:

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

At June 30, 2008, the reported amount of Funds deposits were $29,839,798 and the bank balance was $29,839,798. Of the bank amount, $29,839,798 was uncollateralized and uninsured. Through the Securities Lending Program

$3,330,803,040 was collateralized with securities held by the counterparty's trust department or agent but not in the State's name.

Investments:

Pursuant to the Connecticut General Statutes, the Treasurer is the principal fiduciary of the Funds, authorized to invest in a broad range of equity and fixed income securities, as well as real estate properties, mortgages and private equity. The Funds minimizes credit risk, the risk of loss due to the failure of the security issuer or backer, in accordance with a comprehensive Investment Policy Statement (IPS), as developed by The Office of the Treasurer and the State's Investment Advisory Council (IAC), that provides policy guidelines for the Funds and includes an asset allocation plan. The asset allocation plan's main objective is to maximize investment returns over the long term at an acceptable level of risk. There have been no violations of these investment restrictions during the 2008 fiscal year.

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

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

	Fair Value	Cash Equivalents	Asset Backed Securities	Government Securities	Government Agency Securities	Mortgage Backed Securities	Corporate Debt	Convertible Debt	Mutual Fund
Aaa	$ 4,329,454,330	$ -	$232,479,066	$1,997,087,497	$1,286,117,519	$622,580,157	$191,190,091	$ -	$ -
Aa	527,787,882	-	513,462	30,757,006	-	11,888,346	484,431,813	197,255	-
A	374,099,071	-	2,625,023	73,526,547	-	2,733,509	294,528,089	685,903	-
Baa	535,481,219	-	4,137,350	82,828,152	-	55,721,166	391,730,971	1,063,580	-
Ba	266,007,204	-	-	97,275,860	-	10,828,937	157,902,407	-	-
B	457,426,828	-	-	82,813,013	-	5,291,213	368,702,914	619,688	-
Caa	107,771,569	-	-	-	-	4,246,007	98,975,256	4,550,306	-
Ca	5,236,896	-	-	3,243,996	-	-	1,992,900	-	-
C	1,081,759	-	-	-	-	1,081,759	-	-	-
Prime 1	642,881,311	642,881,311	-	-	-	-	-	-	-
Not Rated	2,031,326,171	644,625,111	27,462,654	228,821,004	360,770,868	242,011,471	119,425,861	21,160,091	387,049,111
Total	$ 9,278,554,240	$1,287,506,422	$267,217,555	$ 2,596,353,075	$1,646,888,387	$956,382,565	$2,108,880,302	$28,276,823	$387,049,111

The investments in the Private Equity Fund, Real Estate Fund and Commercial Mortgage Fund generally utilize investment vehicles such as annuity contracts, common stocks, limited partnerships and trusts to comply with investment guidelines against direct ownership of such investment assets.

The investments of the Liquidity, Mutual Equity, Core Fixed Income, Inflation Linked Bond, Emerging Market Debt, High Yield Debt, Developed Market International Stock and the Emerging Market International Stock Funds were securities registered under the State Street Bank and Trust Co. nominee name Pondwave & Co. and held by a designated agency of the Pension Plans and Trust Funds of the State of Connecticut, or bearer and held by a designated agency of the Pension Plans and Trust Funds of the State of Connecticut.

Investments of cash collateral received under securities lending arrangements are registered in the master custodian's name and are invested in a fund maintained by the master custodian exclusively for the Funds. In circumstances where securities or letters of credit are received as collateral under securities lending arrangements, the collateral is held by the master custodian in a commingled pool in the master custodian's name, as trustee. When "tri-party" collateral is received, the collateral consists of cash, letters of credit or securities but is held in a commingled pool by a third party master custodian in the Funds' master custodian's name. The breakdown of Securities Lending is as follows:

Investment	Fair Value
Government Securities	$18,309,272
Government Agency Securities	11,613,724
U.S. Corporate Stock	60,148,769
International Equity	238,987,951
International Fixed	3,563,200
Collateral Securities held by Investment Pools under Securities Lending Arrangements:	
Other	612,944,260
Corporate Debt	2,385,235,864
Total	$3,330,803,040

COMBINED INVESTMENT FUNDS

NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less Than 1**	**1 - 5**	**6 - 10**	**More Than 10**
Cash Equivalents	$1,287,506,422	$1,248,429,177	$ 25,118,661	$ -	$ 13,958,584
Asset Backed Securities	267,217,555	884,531	213,714,500	52,618,524	-
Government Securities	2,596,353,075	332,630,431	569,493,490	453,363,024	1,240,866,130
Government Agency Securities	1,646,888,387	529,245	19,300,356	47,829,730	1,579,229,056
Mortgage Backed Securities	956,382,565	5,640,215	23,498,639	47,136,109	880,107,602
Corporate Debt	2,108,880,302	179,949,596	721,379,847	766,587,953	440,962,906
Convertible Debt	28,276,823	2,224,167	18,599,263	2,675,400	4,777,993
Mutual Fund	387,049,111	-	-	-	387,049,111
	$ 9,278,554,240	$ 1,770,287,362	$1,591,104,756	$1,370,210,740	$4,546,951,382

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

			Fixed Income Securities				Equities		
Foreign Currency	**Total**	**Cash**	**Government Securities**	**Mutual Funds**	**Corporate Debt**	**Convertible Securities**	**Common Stock**	**Preferred Stock**	**Real Estate Investment Trust**
Argentine Peso	$734,900	$130,417	$437,963	$ -	$ -	$ -	$166,520	$ -	$ -
Australian Dollar	245,789,791	1,402,910	-	-	910,285	-	243,466,274	-	10,322
Brazilian Real	136,047,903	305,072	34,297,600	-	5,903,168	-	38,429,003	57,113,060	-
Canadian Dollar	52,801,145	1,763,291	-	-	130,452	-	50,907,402	-	-
Chilean Peso	1,356,692	19,088	-	-	-	-	1,337,604	-	-
Colombian Peso	7,367,943	-	5,871,672	-	1,496,271	-	-	-	-
Czech Koruna	21,996,991	1,744	6,083,697	-	-	-	15,911,550	-	-
Danish Krone	61,586,957	268,442	-	-	203,278	-	61,115,237	-	-
Egyptian Pound	23,361,870	5,789,566	12,051,383	-	-	-	5,520,921	-	-
Euro Currency	1,788,381,159	456,533	46,801,275	19,941,298	3,101,152	-	1,688,489,785	29,591,116	-
Hong Kong Dollar	202,701,391	611,764	-	58,357	-	-	199,754,748	-	2,276,522
Hungarian Fornit	35,204,649	6,919	9,943,629	-	-	-	25,254,101	-	-
Iceland Krona	83,923	204	-	-	-	-	83,719	-	-
Indian Rupee	4,315,525	-	-	-	4,315,525	-		-	-
Indonesian Rupiah	26,689,350	94,370	6,139,178	-	3,512,668	-	16,943,134	-	-
Israeli Shekel	10,827,238	7,789	-	-	-	-	10,819,449	-	-
Japanese Yen	1,049,339,483	5,964,759	9,146,347	5,719,425	-	1,286,762	1,025,344,222	-	1,877,968
Kazakhstan Tenge	772,242	-	-	-	772,242	-	-	-	-
Malaysian Ringgit	63,189,741	408,963	23,891,228	-	9,566,947	-	29,207,081	115,522	-
Mexican Peso	47,473,107	875,505	29,258,399	-	-	-	17,339,203	-	-
Moroccan Dirham	1,210,546	(23,604)	-	-	-	-	1,234,150	-	-
New Russian Rubel	4,522,303	19,461	-	-	4,502,842	-	-	-	-
New Taiwan Dollar	66,465,386	5,788	-	-	-	-	66,459,598	-	-
New Turkish Lira	52,953,852	82,925	13,263,320	-	1,843,451	-	37,764,156	-	-
New Zealand Dollar	7,658,249	632,567	-	-	2,142,629	-	4,883,053	-	-
Norwegian Krone	43,797,875	289,690	-	-	-	-	43,508,185	-	-
Pakistan Rupee	9,634,255	18,276	-	-	-	-	9,615,979	-	-
Peruvian Nouveau Sol	1,017,023	94	238,415	-	705,980	-	72,534	-	-
Philippine Peso	6,571,277	10,365	-	-	-	-	6,560,912	-	-
Polish Zloty	43,538,418	81,374	20,244,668	-	-	-	23,212,376	-	-
Pound Sterling	908,081,638	4,531,113	14,785,810	-	11,692,915	-	874,355,424	-	2,716,376

NOTES TO FINANCIAL STATEMENTS (Continued)

Singapore Dollar	89,017,486	126,323	5,897,619	-	8,822,369	-	69,319,528	-	4,851,647
South African Rand	71,545,007	825,023	6,090,973	-	2,384,952	-	62,244,059	-	-
South Korean Won	317,075,141	163,741	-	-	-	-	306,830,384	10,081,016	-
Swedish Krona	74,969,246	179,961	-	-	-	-	74,789,285	-	-
Swiss Franc	367,204,461	3,033,282	-	-	-	-	364,171,179	-	-
Thailand Baht	52,221,720	221,498	2,795,630	-	1,022,172	-	48,182,420	-	-
Uruguayan Peso	709,135	-	709,135	-	-	-	-	-	-
Yuan Renminbi	303,354	(34,333)	-	-	-	-	337,687	-	-
	$5,898,518,372	$28,270,880	$247,947,941	$25,719,080	$63,029,298	$1,286,762	$5,423,630,862	$96,900,714	$11,732,835

Securities Lending

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

During the period ended June 30, 2008, 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, 2008, 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, 2008 were $3,380,751,668 and $ 3,276,218,029 respectively.

Under ordinary circumstances, the average effective duration of the security lending operations will be managed such that it will not exceed 120 days, or fall below 1 day. Under such ordinary circumstances, the net duration, as defined by the duration of assets less the duration of liabilities, will not exceed 45 days. In the event that the average effective duration does exceed 120 days, or the net duration does exceed 45 days for any 3-day period, the Trustee shall, (i) notify the Funds within 5 business days and (ii) take appropriate action as is reasonable to return an average effective duration below 120 days or a net duration below 45 days. The average effective duration is calculated using the weighted average effective duration of holdings. The average effective duration of the security lending program at June 30, 2008 was 42.91 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, 2008:

Fund	Fair Value of Collateral	Fair Value of Securities Lent
Mutual Equity	$1,074,602,747	$1,043,926,417
Core Fixed Income	766,974,580	758,701,169
Inflation Linked Bond	599,784,593	594,348,264
Emerging Market Debt	25,557,613	24,673,809
High Yield Debt	94,697,615	93,340,325
Developed Market International Stock	657,311,516	628,854,473
Emerging Market International Stock	136,395,632	132,373,572
Total	$ 3,355,324,296	$ 3,276,218,029

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	$206,562,686	$803,826,315	$1,010,389,001
Core Fixed Income	150,692,571	586,411,110	737,103,681
Inflation Linked Bond	121,721,758	473,672,928	595,394,686
Emerging Market Debt	4,309,409	16,769,805	21,079,214
High Yield Debt	19,306,126	75,128,635	94,434,761
Developed Market International Stock	86,498,155	336,602,390	423,100,545
Emerging Market International Stock	23,853,555	92,824,681	116,678,236
Total	$612,944,260	$2,385,235,864	$2,998,180,124

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

NOTE 3: PURCHASES AND SALES OF INVESTMENT SECURITIES

For the period ended June 30, 2008, 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	$5,192,302,421	$5,614,366,437
Mutual Fixed Income	9,749,072,957	9,107,668,895
Core Fixed Income	16,066,806,376	17,423,905,361
Inflation Linked Bond	1,575,469,886	766,464,045
Emerging Market Debt	732,710,745	370,676,866
High Yield Debt	403,059,294	228,719,786
International Stock	1,248,955,266	1,387,459,677
Developed Market International Stock	3,571,460,573	2,411,762,562
Emerging Market International Stock	691,183,956	639,713,605
Real Estate	464,745,777	29,165,828
Commercial Mortgage	-	1,038,186
Private Investment Fund	499,236,299	8,024,943

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

NOTE 4: UNREALIZED APPRECIATION AND DEPRECIATION ON INVESTMENTS

At June 30, 2008, the gross appreciation of investment securities in which there was an excess of fair value over cost, the gross depreciation of investment securities in which there was an excess of cost over fair value and the resulting net appreciation (depreciation) by fund were as follows:

Fund	Gross Appreciation	Gross Depreciation	Net Appreciation (Depreciation)
Mutual Equity	$1,543,653,894	$1,090,019,837	$453,634,057
Core Fixed Income	46,584,929	174,969,013	(128,384,084)
Inflation Linked Bond	9,748,611	176,630	9,571,981
Emerging Market Debt	63,567,383	29,613,854	33,953,529
High Yield Debt	27,307,005	66,329,447	(39,022,442)
Developed Market International Stock	607,222,800	408,722,764	198,500,036
Emerging Market International Stock	289,074,761	104,455,057	184,619,704
Real Estate	116,732,145	68,767,457	47,964,688
Commercial Mortgage	650,445	-	650,445
Private Investment Fund	176,194,444	196,831,186	(20,636,742)

NOTE 5: FOREIGN EXCHANGE CONTRACTS

From time to time the International Stock Funds, Fixed Income Funds, and the Private Investment Fund 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, 2008, the Funds had recorded unrealized gains (losses) from open forward currency contracts as follows:

CORE Fixed Income Fund:

Foreign Currency	Value	Unrealized Gain/(Loss)
Contracts to Buy:		
Euro Currency	$ 35,826,213	$ -
New Zealand Dollar	72,847	-
Pound Sterling	2,133,478	-
	38,032,538	**-**
Contracts to Sell:		
Euro Currency	79,525,860	-
New Zealand Dollar	3,860,569	-
Pound Sterling	17,188,128	-
	100,574,557	**-**
Total	**$ 138,607,095**	**$ -**

Financial Statement Amounts:

	Receivable	Payable	Net
FX Value	$ 138,607,095	$ 138,607,095	$ -
Unrealized Gain/Loss	-	-	-
Net	$ 138,607,095	$ 138,607,095	$ -

Emerging Market Debt Fund:

Foreign Currency	Value	Unrealized Gain/(Loss)
Contracts to Buy:		
Argentine Peso	$ 6,063,288	$ 161,842
Brazilian Real	3,524,229	193,930
Colombian Peso	2,560,417	(271,168)
Czech Koruna	3,427,432	190,543
Euro Currency	3,259,888	63,075
Indian Rupee	5,847,953	(96,914)
Malaysian Ringgit	2,696,078	(2,240)
Mexican Peso	6,312,340	81,957
New Russian Ruble	2,412,076	15,634
Peruvian Nouveau Sol	744,084	(41,183)
Slovakian Loruna	7,873,661	278,636
South African Rand	583,000	5,240
Thailand Baht	4,139,137	(165,108)
Yuan Renminbi	5,700,000	63,983
	55,143,583	**478,227**
Contracts to Sell:		
Argentine Peso	1,068,964	(770)
Brazilian Real	9,203,092	(383,371)
Euro Currency	5,498,799	(405,890)
Indian Rupee	4,606,965	6,134
Indonesian Rupiah	1,335,411	(27,365)
Kazakhstan Tenge	813,953	(47,378)
Malaysian Ringgit	35,837	(5)
New Turkish Lira	10,140,346	(388,151)
South African Rand	3,390,103	(101,501)

Thailand Baht	2,872,812	14,186
	38,966,282	**(1,334,111)**
Total	**$ 94,109,865**	**$ (855,884)**

Financial Statement Amounts:

	Receivable	Payable	Net
FX Value	$ 94,109,865	$ 94,109,865	$ -
Unrealized Gain/Loss	478,227	(1,334,111)	(855,884)
Net	$ 94,588,092	$ 95,443,976	$ (855,884)

Developed Market International Stock Fund:

Foreign Currency	Value	Unrealized Gain/(Loss)
Contracts to Buy:		
Australian Dollar	$ 124,787,580	$ 3,908,915
Canadian Dollar	9,308,606	23,437
Danish Krone	32,179,015	(33,478)
Euro Currency	2,038,994,511	7,742,720
Hong Kong Dollar	90,026,504	(4,874)
Japanese Yen	1,579,339,503	(14,291,165)
Mexican Peso	28,105	(38)
Norwegian Krone	63,101,183	615,830
Pound Sterling	944,394,439	4,572,694
Singapore Dollar	91,919,101	382,635
South African Rand	61,525	838
South Korean Won	43,970,238	(325,454)
Swedish Krona	102,488,238	(375,155)
Swiss Franc	461,540,639	3,510,145
	5,582,139,187	**5,727,050**
Contracts to Sell:		
Australian Dollar	126,420,165	(3,104,781)
Danish Krone	57,972,925	(371,859)
Euro Currency	2,203,111,517	(20,355,927)
Hong Kong Dollar	163,498,505	246,706
Indonesian Rupiah	89,861	(61)
Japanese Yen	1,732,340,658	37,228,961
Malaysian Ringgit	23,989	(4)
Mexican Peso	182,844	22
New Zealand Dollar	336,787	-
Norwegian Krone	45,683,570	(218,169)
Pound Sterling	832,338,481	(13,319,621)
Singapore Dollar	114,723,079	(859,006)
South African Rand	65,809	(407)
South Korean Won	89,529,753	1,701,177
Swedish Krona	100,038,546	(488,205)
Swiss Franc	638,845,657	(5,310,467)
	6,105,202,146	**(4,851,641)**
Total	**$ 11,687,341,333**	**$ 875,409**

Financial Statement Amounts:

	Receivable	Payable	Net
FX Value	$11,687,341,333	$ 11,687,341,333	$ -
Unrealized Gain/Loss	5,727,050	(4,851,641)	875,409
Net	$11,693,068,383	$ 11,692,192,974	$ 875,409

Emerging Market International Stock Fund:

Foreign Currency	Value	Unrealized Gain/(Loss)
Contracts to Buy:		
Brazilian Real	$ 645,543	$ 2,273
Hong Kong Dollar	36,901	(3)
Hungarian Forint	2,095	22
Indonesian Rupiah	96,705	(105)
Malaysian Ringgit	102,093	(16)
South African Rand	436,976	6,522
Thailand Baht	85,671	234
	1,405,984	**8,927**
Contracts to Sell:		
Brazilian Real	175,319	(1,532)
Pound Sterling	24,894	(13)

Hong Kong Dollar	234,823	(47)
Hungarian Forint	952,271	(3,869)
Indonesian Rupiah	859,752	(346)
Israeli Shekel	53,371	(130)
Malaysian Ringgit	444,627	(60)
Thailand Baht	214,164	(801)
	2,959,221	(6,798)
Total	$ 4,365,205	$ 2,129

Financial Statement Amounts:

	Receivable	Payable	Net
FX Value	$ 4,365,205	$ 4,365,205	$ -
Unrealized Gain/Loss	8,927	(6,798)	2,129
Net	$ 4,374,132	$ 4,372,003	$ 2,129

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, 2008, were as follows:

Fund	Total Commitment	Cumulative Amounts Funded	Unfunded Commitment
Real Estate	$1,574,303,364	$1,196,533,046	$377,770,318
Private Investment	5,415,258,384	3,974,196,484	1,441,061,900

NOTE 7: CONTINGENCY

There was no pending or threatened litigation against the Connecticut Retirement Plans and Trust Funds (“CRPTF”) during the fiscal year ended June 30, 2008.

NOTE 9: COST BASIS OF INVESTMENTS

The aggregate cost values of investments in the Funds are as follows at June 30, 2008:

	LIQUIDITY FUND	MUTUAL EQUITY FUND	CORE FIXED INCOME FUND	INFLATION LINKED BOND FUND	EMERGING MARKET DEBT FUND
Investments in Securities, at Cost					
Liquidity Fund	$ -	$ 66,568,000	$ 558,806,863	$ 56,307,042	$ 47,970,651
Cash Equivalents	1,273,429,177	-	-	-	850,980
Asset Backed Securities	205,441,090	-	40,344,792	-	-
Government Securities	283,999,399	-	680,969,790	1,095,715,283	503,185,194
Government Agency Securities	39,363,506	-	1,607,770,861	-	-
Mortgage Backed Securities	17,177,495	-	987,869,997	-	44,912,762
Corporate Debt	343,079,139	-	1,048,956,632	950,722	126,320,395
Convertible Securities	-	-	-	-	-
Common Stock	-	7,383,716,790	-	-	-
Preferred Stock	-	6,940	6,048,470	-	-
Real Estate Investment Trust	-	110,330,410	-	-	-
Mutual Fund	-	2,751,610	48,917,509	-	283,102,454
Limited Liability Corporation	-	-	-	-	-
Trusts	-	-	-	-	-
Limited Partnerships	-	-	-	-	-
Partnerships	-	-	-	-	-
Annuities	-	-	-	-	-
Total Investments in Securities, at cost	$2,162,489,806	$7,563,373,750	$4,979,684,914	$1,152,973,047	$1,006,342,436

The CRPTF is, however, working with investment partners to recover assets lost due to the malfeasance of others. Related to an action against the former general partner of a limited partnership in the Private Investment Fund, members of the advisory committee of the limited partnership entered into a settlement agreement with the partnership's former law firm, having allegedly participated in the actions that lead to losses. The CRPTF led an effort to seek additional compensation for failure to furnish adequate information during the settlement negotiations. The majority of the proceeds from the aggregate $6.8 million settlement were distributed. A liquidating trustee was appointed in 2007 to dissolve the partnership and wind up its business activities. The remaining reserve is scheduled to be distributed, on a pro rata basis, in December 2008.

Additionally, another limited partnership in the Private Investment Fund invested $15 million in a portfolio company that reported double digit revenue growth. In 2005, the General Partner initiated a sales process expecting to realize significant gain. Lack of cooperation from management challenged the sale process, resulting in legal action from the partnership and other investors in the portfolio company to force a sale. This process uncovered serious financial irregularities in the portfolio company, resulting in the removal and criminal investigation of the CEO and other senior managers. There is outstanding legal action against the bank that issued the credit facility. The portfolio company is currently in bankruptcy. In July 2008, the Bankruptcy Court approved the portfolio company's plan of liquidation. A liquidating trustee has been appointed to oversee further liquidation efforts, including investigation and pursuit of potential litigation claims. The CRPTF continues to work with the General Partner to recover as much of the lost assets as possible.

NOTE 8: SUBSEQUENT EVENTS

Investments in the Commercial Mortgage Fund are based on the fair value of the underlying commercial loan portfolio held. On August 25, 2008 the audited financial statement for one of the commercial mortgage loans resulted in a reduction of approximately $328,000 of value as compared to CRPTF's reported fair value for the same investment. This amount represents approximately 5% of the individual investment and 4.74% of the Commercial Mortgage Fund. No adjustment has been made to these financial statements.

HIGH YIELD DEBT FUND	DEVELOPED MARKET INTERNATIONAL STOCK FUND	EMERGING MARKET INTERNATIONAL STOCK FUND	REAL ESTATE FUND	COMMERCIAL MORTGAGE FUND	PRIVATE INVESTMENT FUND
$ 17,772,269	$ 94,716,111	$ 34,731,058	$ 33,357,856	$ 150,190	$ 111,287,936
-	13,090,461	-	-	-	-
22,046,624	-	-	-	-	-
17,158,109	-	-	-	-	-
-	-	-	-	-	-
8,891,752	-	-	-	288,719	-
673,734,720	1,032,317	-	-	-	-
33,806,165	647,514	-	-	-	-
8,766,563	4,686,771,144	880,266,465	-	5,816,742	578,818
1,684,089	29,230,693	35,250,766	-	-	-
299,200	13,035,565	-	-	-	-
-	40,802,108	161,068,895	-	-	-
-	-	-	-	-	4,557,619
-	-	-	8,225,225	-	-
-	-	-	912,696,047	-	1,693,351,622
-	-	-	-	-	-
-	-	-	-	-	-
$784,159,491	$4,879,325,913	$1,111,317,184	$954,279,128	$6,255,651	$1,809,775,995

COMBINED INVESTMENT FUNDS

SUPPLEMENTAL SCHEDULE OF FINANCIAL HIGHLIGHTS

	MUTUAL EQUITY					MUTUAL FIXED INCOME				
FISCAL YEAR ENDED JUNE 30,	**2008**	**2007**	**2006**	**2005**	**2004**	**2008**	**2007**	**2006**	**2005**	**2004**
PER SHARE DATA										
Net Asset Value- Beginning of Period	$1,085.16	$933.70	$858.25	$807.00	$677.92	$114.53	$112.04	$116.37	$113.15	$115.58
INTRAFUND TRANSFER IN (OUT)	-	-	-	-	-	(116.90)	-	-	-	-
INCOME FROM INVESTMENT OPERATIONS										
Net Investment Income (Loss)	16.87	18.04	13.66	12.76	11.50	2.00	6.23	5.92	5.50	6.95
Net Gains or (Losses) on Securities										
(Both Realized and Unrealized)	(156.38)	151.06	74.43	51.57	128.78	2.08	1.53	(4.98)	3.09	(3.89)
Total from Investment Operations	(139.51)	169.10	88.09	64.33	140.28	4.08	7.76	0.94	8.59	3.06
LESS DISTRIBUTIONS										
Dividends from Net Investment Income	(17.97)	(17.64)	(12.64)	(13.08)	(11.20)	(1.71)	(5.27)	(5.27)	(5.37)	(5.49)
Net Asset Value - End of Period	$927.68	$1,085.16	$933.70	$858.25	$807.00	$(0.00)	$114.53	$112.04	$116.37	$113.15
TOTAL RETURN	**-12.99%**	**18.24%**	**10.27%**	**8.06%**	**20.84%**	**0.00%**	**6.92%**	**0.77%**	**7.70%**	**2.79%**
RATIOS										
Net Assets - End of Period ($000,000 Omitted)	$7,999	$9,818	$8,982	$8,275	$7,781	$-	$7,594	$6,419	$6,280	$5,849
Ratio of Expenses to Average Net Assets										
(excl. sec. lending fees & rebates)	0.26%	0.12%	0.32%	0.30%	0.11%	-	0.13%	0.13%	0.11%	0.14%
Ratio of Expenses to Average Net Assets	0.80%	0.75%	0.66%	0.44%	0.16%	-	1.01%	0.90%	0.53%	0.28%
Ratio of Net Investment Income (Loss)										
to Average Net Assets	1.68%	1.83%	1.53%	1.53%	1.55%	-	5.19%	5.19%	4.70%	5.12%

	CORE FIXED INCOME					INFLATION LINKED BOND				
FISCAL YEAR ENDED JUNE 30,	**2008**	**2007**	**2006**	**2005**	**2004**	**2008**	**2007**	**2006**	**2005**	**2004**
PER SHARE DATA										
Net Asset Value- Beginning of Period	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-
INTRAFUND TRANSFER IN (OUT)	115.45	-	-	-	-	$120.07	-	-	-	-
INCOME FROM INVESTMENT OPERATIONS						10.41	-	-	-	-
Net Investment Income (Loss)	4.09	-	-	-	-					
Net Gains or (Losses) on Securities										
(Both Realized and Unrealized)	(1.44)	-	-	-	-	2.15	-	-	-	-
Total from Investment Operations	2.65	-	-	-	-	12.56	-	-	-	-
LESS DISTRIBUTIONS										
Dividends from Net Investment Income	(4.24)	-	-	-	-	(1.44)	-	-	-	-
Net Asset Value - End of Period	$113.86	$-	$-	$-	$-	$131.19	$-	$-	$-	$-
TOTAL RETURN	**5.65%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**16.81%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
RATIOS										
Net Assets - End of Period ($000,000 Omitted)	$4,537	$-	$-	$-	$-	$1,173	$-	$-	$-	$-
Ratio of Expenses to Average Net Assets										
(excl. sec. lending fees & rebates)	0.20%	-	-	-	-	0.07%	-	-	-	-
Ratio of Expenses to Average Net Assets	1.30%	-	-	-	-	0.55%	-	-	-	-
Ratio of Net Investment Income (Loss)										
to Average Net Assets	8.62%	-	-	-	-	5.45%	-	-	-	-

	EMERGING MARKET DEBT					HIGH YIELD DEBT				
FISCAL YEAR ENDED JUNE 30,	**2008**	**2007**	**2006**	**2005**	**2004**	**2008**	**2007**	**2006**	**2005**	**2004**
PER SHARE DATA										
Net Asset Value- Beginning of Period	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-
INTRAFUND TRANSFER IN (OUT)	$121.80	-	-	-	-	$119.44	-	-	-	-
INCOME FROM INVESTMENT OPERATIONS										
Net Investment Income (Loss)	4.34	-	-	-	-	5.41	-	-	-	-
Net Gains or (Losses) on Securities										
(Both Realized and Unrealized)	(5.90)	-	-	-	-	(7.68)	-	-	-	-
Total from Investment Operations	(1.56)	-	-	-	-	(2.27)	-	-	-	-
LESS DISTRIBUTIONS										
Dividends from Net Investment Income	(1.46)	-	-	-	-	(4.54)	-	-	-	-
Net Asset Value - End of Period	$118.78	$-	$-	$-	$-	$112.63	$-	$-	$-	$-
TOTAL RETURN	**5.59%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**-1.88%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
RATIOS										
Net Assets - End of Period ($000,000 Omitted)	$1,047	$-	$-	$-	$-	$759	$-	$-	$-	$-
Ratio of Expenses to Average Net Assets										
(excl. sec. lending fees & rebates)	0.32%	-	-	-	-	0.45%	-	-	-	-
Ratio of Expenses to Average Net Assets	0.40%	-	-	-	-	1.03%	-	-	-	-
Ratio of Net Investment Income (Loss)										
to Average Net Assets	5.16%	-	-	-	-	9.37%	-	-	-	-

Source: Amounts were derived from custodial records.

COMBINED INVESTMENT FUNDS

SUPPLEMENTAL SCHEDULE OF FINANCIAL HIGHLIGHTS

	INTERNATIONAL STOCK					DEVELOPED MARKET INTERNATIONAL				
FISCAL YEAR ENDED JUNE 30,	**2008**	**2007**	**2006**	**2005**	**2004**	**2008**	**2007**	**2006**	**2005**	**2004**
PER SHARE DATA										
Net Asset Value- Beginning of Period	$442.47	$347.57	$282.09	$241.09	$188.61	$-	$-	$-	$-	$-
INTRAFUND TRANSFER IN (OUT)	(473.81)	-	-	-	-	478.96	-	-	-	-
INCOME FROM INVESTMENT OPERATIONS										
Net Investment Income (Loss)	2.41	9.09	7.91	5.73	4.50	9.49	-	-	-	-
Net Gains or (Losses) on Securities (Both Realized and Unrealized)	31.53	92.81	64.29	40.22	51.38	(97.18)	-	-	-	-
Total from Investment Operations	33.94	101.90	72.20	45.95	55.88	(87.69)	-	-	-	-
LESS DISTRIBUTIONS										
Dividends from Net Investment Income	(2.60)	(7.00)	(6.72)	(4.95)	(3.40)	(6.69)	-	-	-	-
Net Asset Value - End of Period	$0.00	$442.47	$347.57	$282.09	$241.09	$384.58	$-	$-	$-	$-
TOTAL RETURN	**0.00%**	**29.65%**	**25.69%**	**19.23%**	**29.69%**	**-14.60%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
RATIOS										
Net Assets - End of Period ($000,000 Omitted)	$-	$6,021	$5,357	$4,489	$4,003	$5,108	$-	$-	$-	$-
Ratio of Expenses to Average Net Assets (excl. sec. lending fees & rebates)	-	0.52%	0.53%	0.60%	0.62%	0.54%	-	-	-	-
Ratio of Expenses to Average Net Assets	-	1.19%	1.19%	0.92%	0.76%	0.96%	-	-	-	-
Ratio of Net Investment Income (Loss) to Average Net Assets	-	2.42%	2.51%	2.25%	2.37%	3.92%	-	-	-	-

	EMERGING MARKET INTERNATIONAL STOCK					REAL ESTATE				
FISCAL YEAR ENDED JUNE 30,	**2008**	**2007**	**2006**	**2005**	**2004**	**2008**	**2007**	**2006**	**2005**	**2004**
PER SHARE DATA										
Net Asset Value- Beginning of Period	$-	$-	$-	$-	$-	$55.10	$56.53	$62.31	$52.76	$57.53
INTRAFUND TRANSFER IN (OUT)	474.35	-	-	-	-	-	-	-	-	-
INCOME FROM INVESTMENT OPERATIONS										
Net Investment Income (Loss)	18.06	-	-	-	-	3.41	0.81	0.86	0.82	2.22
Net Gains or (Losses) on Securities (Both Realized and Unrealized)	(100.62)	-	-	-	-	0.13	6.98	2.84	12.83	(1.94)
Total from Investment Operations	(82.56)	-	-	-	-	3.54	7.79	3.70	13.65	0.28
LESS DISTRIBUTIONS										
Dividends from Net Investment Income	(2.40)	-	-	-	-	(3.16)	(9.22)	(9.48)	(4.10)	(5.05)
Net Asset Value - End of Period	$389.39	$-	$-	$-	$-	$55.48	$55.10	$56.53	$62.31	$52.76
TOTAL RETURN	**0.19%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**6.04%**	**14.21%**	**7.09%**	**27.74%**	**0.67%**
RATIOS										
Net Assets - End of Period ($000,000 Omitted)	$1,304	$-	$-	$-	$-	$1,002	$686	$399	$400	$369
Ratio of Expenses to Average Net Assets (excl. sec. lending fees & rebates)	0.99%	-	-	-	-	0.48%	0.25%	0.41%	0.39%	0.40%
Ratio of Expenses to Average Net Assets	1.38%	-	-	-	-	0.48%	na	na	na	na
Ratio of Net Investment Income (Loss) to Average Net Assets	9.28%	-	-	-	-	6.42%	1.45%	1.39%	1.43%	4.22%

	COMMERCIAL MORTGAGE					PRIVATE INVESTMENT				
FISCAL YEAR ENDED JUNE 30,	**2008**	**2007**	**2006**	**2005**	**2004**	**2008**	**2007**	**2006**	**2005**	**2004**
PER SHARE DATA										
Net Asset Value- Beginning of Period	$54.86	$59.31	$58.76	$62.75	$73.39	$56.43	$55.35	$57.45	$65.23	$65.27
INTRAFUND TRANSFER IN (OUT)	-	-	-	-	-	-	-	-	-	-
INCOME FROM INVESTMENT OPERATIONS										
Net Investment Income (Loss)	4.25	4.18	5.41	6.13	6.63	8.15	8.47	8.69	8.09	12.98
Net Gains or (Losses) on Securities (Both Realized and Unrealized)	1.26	(0.88)	(0.10)	(2.99)	(1.11)	(0.92)	1.29	(2.45)	(2.96)	(1.69)
Total from Investment Operations	5.51	3.30	5.31	3.14	5.52	7.23	9.76	6.24	5.13	11.29
LESS DISTRIBUTIONS										
Dividends from Net Investment Income	(4.79)	(7.75)	(4.76)	(7.13)	(16.16)	(8.81)	(8.68)	(8.34)	(12.91)	(11.33)
Net Asset Value - End of Period	$55.58	$54.86	$59.31	$58.76	$62.75	$54.85	$56.43	$55.35	$57.45	$65.23
TOTAL RETURN	**12.05%**	**8.17%**	**9.69%**	**6.95%**	**7.87%**	**13.66%**	**19.56%**	**11.74%**	**9.58%**	**20.21%**
IRATIOS										
Net Assets - End of Period ($000,000 Omitted)	$7	$8	$18	$20	$36	$1,795	$1,564	$1,360	$1,441	$1,785
Ratio of Expenses to Average Net Assets (excl. sec. lending fees & rebates)	1.16%	0.82%	1.03%	0.94%	0.62%	0.66%	0.36%	0.43%	0.36%	0.65%
Ratio of Expenses to Average Net Assets	1.16%	na	na	na	na	0.66%	na	na	na	na
Ratio of Net Investment Income (Loss) to Average Net Assets	7.77%	5.65%	9.23%	10.19%	7.79%	14.65%	14.97%	15.32%	12.87%	20.36%

Source: Amounts were derived from custodial records.

SHORT-TERM INVESTMENT FUND

STATEMENT OF NET ASSETS
JUNE 30, 2008

	June 30, 2008
ASSETS	
Investment in Securities, at Amortized Cost (Note 7)	$ 5,048,295,420
Accrued Interest and Other Receivables	15,074,018
Prepaid Assets	124,414
Total Assets	5,063,493,852
LIABILITIES	
Distribution Payable	8,962,975
Interest Payable	9,222
Total Liabilities	8,972,197
NET ASSETS HELD IN TRUST FOR PARTICIPANTS	$ 5,054,521,655

See accompanying Notes to the Financial Statements.

STATEMENTS OF CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007

	2008	2007
ADDITIONS		
Operations		
Interest Income	$ 208,172,504	$ 287,172,341
Net Investment Income	208,172,504	287,172,341
Net Realized Gains	43,496	237,727
Net Decrease in Fair Value of Investments	(24,000,000)	-
Net Increase Resulting from Operations	184,216,000	287,410,068
Share Transactions at Net Asset Value of $1.00 per Share		
Purchase of Units	14,455,641,703	13,710,346,462
TOTAL ADDITIONS	14,639,857,703	13,997,756,530
DEDUCTIONS		
Distribution to Participants		
Distributions to Participants (Notes 2 & 6)	(205,184,804)	(282,344,750)
Total Distributions Paid and Payable	(205,184,804)	(282,344,750)
Share Transactions at Net Asset Value of $1.00 per Share		
Redemption of Units	(14,383,089,216)	(14,140,262,799)
Operations		
Operating Expenses	(1,157,785)	(1,219,776)
TOTAL DEDUCTIONS	(14,589,431,805)	(14,423,827,325)
CHANGE IN NET ASSETS	50,425,898	(426,070,795)
Net Assets Held in Trust for Participants		
Beginning of Year	5,004,095,757	5,430,166,552
End of Year	$ 5,054,521,655	$ 5,004,095,757

See accompanying Notes to the Financial Statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: INTRODUCTION AND BASIS OF PRESENTATION

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

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

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

Related Party Transactions.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity.

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

Security Valuation of Financial Instruments.

The assets of the Fund are carried at amortized cost (which approximates fair value) except for Cheyne (Gryphon) which is reflected at fair value (in the List of Investments). All premiums and discounts on securities are amortized or accreted on a straight line basis.

Security Transactions.

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

Interest Income.

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

Expenses.

Operating and interest expenses of STIF are accrued as incurred.

Fiscal Year.

The fiscal year of STIF ends on June 30.

Distributions to Investors.

Distributions to investors are earned on units outstanding from date of purchase to date of redemption. Income is calculated daily based upon the actual earnings of the Fund net of administrative expenses and, if applicable, an allocation to the Designated Surplus Reserve. Distributions are paid monthly within two business days of the end of the month, and are based upon actual number of days in a year. Shares are sold and redeemed at a constant $1.00 net asset value per share, which is consistent with the per share net asset value of the Fund, excluding the Designated Surplus Reserve.

Designated Surplus Reserve.

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

As of June 30, 2008, the balance in the Designated Surplus Reserve was $29,143,785 which reflects $1.9 million in contributions during the year and a December 5, 2008 transaction recognizing a $24 million transfer due to a reduction in the value of our Cheyne (Gryphon) securities. (See note 9.) The reserve totaled $53.1 million prior to reflecting that transaction.

Estimates.

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

NOTE 3: DEPOSIT AND INVESTMENT DISCLOSURES

STIF's investment practice is to invest all cash balances; as such, there was no uninvested cash at June 30, 2008. All securities of STIF are registered under the State Street Bank nominee name, Pond, Tide & Co., for the State of Connecticut nominee name, Conn. STIF & Co., and held by a designated agent of the State.

Custodial Credit Risk – Deposits

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

Certificates of Deposit in banks are insured up to $100,000, any amount above this limit is considered uninsured. Additionally, state banking regulation requires all financial institutions that accept State of Connecticut public deposits to segregate collateral against these deposits in an amount equal to ten percent of the outstanding deposit. As of fiscal year-end, certificates of deposit in the Short-Term Investment Fund totaled $2.100 billion. Of that amount, $1.925 billion was exposed to custodial credit risk representing the portion that was uninsured and uncollateralized.

Interest Rate Risk – Investments

Interest rate risk is the risk that changes in the general level of interest rates will adversely affect the fair value of an investment. The STIF's policy for managing interest rate is to limit investments to a very short weighted average maturity, not to exceed 90-days, and to comply with Standard and Poor's requirement that the weighted average maturity not exceed 60 days. The weighted-average maturity is calculated daily, and reported to Standard and Poor's weekly to ensure compliance. As of June 30, 2008 the weighted average maturity of the STIF was 19 days. The breakdown of the STIF's maturity profile is outlined below.

Investments	Amortized Cost	Investment Maturity in Years: Less than One	One - Five
Deposit Instruments:			
Fixed	$2,100,000,000	$2,100,000,000	
Floaters	3,503,081	3,503,081	
Floating Rate Notes			
Corporate Notes	347,403,636	325,794,927	21,608,709
Structured Investment Vehicles	357,296,656	307,308,744	49,987,912
Secured Liquidity Notes	47,018,645	47,018,645	
Federal Agency Securities			
Fixed	822,354,375		822,354,375
Floaters	99,806,170		99,806,170
Repurchase Agreements	820,912,000	820,912,000	
Government Money Market Funds	450,000,000	450,000,000	
Money Market Funds (LMCS)	857	857	
Total	**$5,048,295,420**	**$4,976,698,799**	**$71,596,621**

Additionally, STIF is allowed by policy to invest in floating-rate debt securities. Further investment in floating-rate securities with maturities up to two years is limited to no more than 20 percent of the overall portfolio. For purposes of the weighted average maturity calculation and classification in the chart above, variable-rate securities are calculated using their interest rate reset date. Because these securities re-price frequently to prevailing market rates, interest rate risk is substantially reduced. As of fiscal year-end, the STIF portfolio held $855 million in variable rate securities.

Credit Risk of Debt Securities

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

Investments	Amortized Cost	A-1+	AAA	AA+	AA	AA-	A	D
Deposit Instruments:								
Fixed	$2,100,000,000	$-	$-	$-	900,000,000	1,200,000,000	$-	$-
Floaters	3,503,081	-	-	-	-	3,503,081	-	-
Floating Rate Notes								
Corporate Notes	347,403,636	-	30,199,499	4,998,872	88,184,025	104,102,970	119,918,270	-
Structured Inv. Vehicles	357,296,656	-	299,964,772	-	-	-	-	57,331,884
Secured Liquidity Notes	47,018,645	47,018,645	-	-	-	-	-	-
Federal Agency Securities								
Fixed	822,354,375	-	822,354,375	-	-	-	-	-
Floaters	99,806,170	-	99,806,170	-	-	-	-	-
Repurchase Agreements	820,912,000	820,912,000	-	-	-	-	-	-
Govt. Money Market Funds	450,000,000	-	450,000,000	-	-	-	-	-
Money Market Funds	857	857	-	-	-	-	-	-
Total	**5,048,295,420**	**867,931,502**	**1,702,324,816**	**4,998,872**	**988,184,025**	**1,307,606,051**	**119,918,270**	**57,331,884**

* Repurchase Agreements by rating of underlying collateral

Concentration of Credit Risk

The Short-Term Investment Fund limits the amount it may invest in any one issuer to an amount not to exceed 10 percent other than overnight or two-business-day repurchase agreements and U.S. government and agency securities. As of June 30, 2008, the table below lists issuers with concentrations of greater than 5 percent but less than 10 percent of the total portfolio.

Issuer	Fair Value	Percent of Total Portfolio
Fannie Mae	299,270,722	5.9%
Freddie Mac	398,674,750	7.9%
RBS Citizens NA	450,000,000	8.9%
Societe Generale	350,000,000	6.9%
Toronto-Dominion	400,000,000	7.9%
JP Morgan Chase Bank	450,000,000	8.9%
Wachovia Bank	450,000,000	8.9%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4: CUSTODIAN

State Street Bank was appointed as custodian for STIF effective February 1, 1996. STIF pays a percentage of the fixed annual rate of $110,000 for the Short-Term Investment Unit. This percentage is calculated annually by determining the STIF fund size relative to that of the total Short-Term Investment Unit.

NOTE 5: ADMINISTRATION

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

NOTE 6: DISTRIBUTIONS TO INVESTORS

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

Distributions:	2008	2007
July	$23,237,650	$24,345,190
August	26,051,672	27,564,817
September	24,381,386	25,645,680
October	23,109,275	23,994,071
November	19,591,395	21,300,897
December	15,941,753	20,518,091
January	16,365,735	22,743,650
February	14,164,444	22,710,701
March	12,867,724	23,294,961
April	10,148,379	23,423,230
May	10,362,416	24,433,435
June (Payable at June 30)	8,962,975	22,370,027
Total Distribution Paid & Payable	**$205,184,804**	**$282,344,750**

NOTE 7: INVESTMENTS IN SECURITIES

The following is a summary of investments in securities, at amortized cost and fair value as of June 30, 2008:

Investment	Amortized Cost	Fair Value
Deposit Instruments	$2,103,503,081	$2,103,495,275
Floating Rate Notes	704,700,292	692,839,714
Secured Liquidity Notes	47,018,645	47,018,645
Federal Agency Securities	922,160,545	922,159,092
Money Market Funds	857	857
Government Money Market Funds	450,000,000	450,000,000
Repurchase Agreements	820,912,000	820,912,000
TOTAL	**$5,048,295,420**	**$5,036,425,583**

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

In an effort to improve disclosures associated with derivative contracts, the Government Accounting Standards Board (GASB) issued GASB Technical Bulletin No. 2003-1 (TB2003-1), Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Assets, effective for the periods ending after June 15, 2003.

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

For the fiscal year ended June 30, 2008, the Short-Term Investment Fund held adjustable-rate corporate notes, U.S. government agencies and bank notes whose interest rates vary directly with short-term money market indices and are reset either daily, monthly or quarterly. Such securities allow the Fund to earn higher interest rates as market rates increase, thereby increasing fund yields and protecting against the erosion of market values from rising interest rates. These adjustable rate securities have similar exposures to credit and legal risks as fixed-rate securities from the same issuers.

NOTE 8: CREDIT RATING OF THE FUND

Throughout the year ended June 30, 2008, STIF was rated AAAm, its highest rating, by Standard and Poor's Corporation ("S&P"). In July 2007, following a review of the portfolio and STIF's investment policies, management and procedures, S&P reaffirmed STIF's AAAm rating and has continued to maintain this high rating through out the current fiscal year. In order to maintain an AAAm rating, STIF adheres to the following guidelines:

Weekly portfolio and market value calculations;

Maintenance of credit quality standards for portfolio securities with at least 75% of such securities rated A-1+ or invested in overnight repurchase agreements with dealers or banks rated A-1;

Ensuring adequate portfolio diversification standards with no more than 5% of the portfolio invested in an individual security and no more than 10% invested in an individual issuer, excluding one and two day repurchase agreements and U.S. government agency securities; and

A limit on the overall portfolio weighted average maturity, (currently no more than 60 days).

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

NOTE 9: SUBSEQUENT EVENTS

As of June 30, 2008, STIF had investments in Cheyne Finance medium-term floating rate notes, which have been affected by credit market dislocations and have not matured. The notes were placed under the control of receivers and payments to investors were suspended in October 2007. The notes were subsequently downgraded by Standard & Poor's to D.

In April 2008, STIF received a cash distribution of $18.7 million, reducing our total exposure from $100 million to $81.3 million, or 1.6 percent of STIF's approximately $5.0 billion in assets. Cash distributions over the past nine months have totaled $28.5 million.

Subsequent to the end of the fiscal year, the Cheyne notes were restructured effective July 23, 2008. STIF chose to convert the Cheyne position into pass-through notes that, in effect, give us ownership with other senior creditors of the portfolio of securities underlying the Cheyne notes. Our analysis indicated that the pass-through notes, which were organized by Goldman Sachs in the name of Gryphon Funding, offered the greatest value for our investors by affording the best opportunity for the upside recovery of asset values as markets stabilize.

NOTES TO FINANCIAL STATEMENTS (Continued)

In order to hold the pass-through notes, we amended our STIF Investment Policy effective July 16, 2008, because the notes are unrated and their final maturity based on the longest security in the portfolio is in excess of STIF's maturity guidelines. The notes have a monthly put feature that enables STIF to receive an in-kind portion of the portfolio, which can then be sold.

This report values the Cheyne (now Gryphon) notes at a level that represents a recovery value of approximately 76 percent of the original $100 million investment. STIF's $53.1 million in reserves on June 30, 2008 allowed us to cover the value adjustment without affecting STIF's $1 per share net asset value, or the loss of principal to any STIF investor. As of December 15, 2008, STIF's available reserves totaled $31.4 million.

The realization of the value reduction in the Cheyne/Gryphon securities and the transfer of $24 million of reserves to cover the value reduction occurred on December 5, 2008. As these adjustments occurred prior to the December 31, 2008 audit report date, the June 30, 2008 financial statements were retroactively adjusted to reflect the transaction as required by accounting standards. Thus, these statements now reflect the post-adjustment reserve level at $29.1 million as of June 30, 2008. Prior to December 5, 2008, we had referred to the reserves at their pre-adjustment levels.

As of June 30, 2008, STIF owned $698 million in securities of Fannie Mae and Freddie Mac, two federal government sponsored enterprises, or agencies. On September 7, 2008, the federal government announced that it was placing the agencies into a conservatorship. The U.S. Treasury's takeover essentially upgraded an implied federal guarantee that the debt will be paid with an effective guarantee.

As of June 30, 2008, STIF owned $250 million in The Reserve's U.S. Government money market mutual fund. Effective September 17, 2008, with the permission of the U.S. Securities and Exchange Commission, the fund suspended redemptions due to a large volume of redemption requests resulting from a reduction in value of another Reserve money fund. The U.S. Government Fund's $1 per share NAV has not been affected by these events. Furthermore, The U. S. Government Fund has been accepted into the Treasury's Temporary Guarantee Program for Money Market Funds which provides a guarantee of $1.00 a share to participating money market fund shareholders. Approximately 40 percent of our then $250 million position was paid on November 14, 2008, and the remainder is scheduled to be paid in January 2009.

As of June 30, 2008, STIF owned $300 million of Citi-sponsored structured investment vehicles (SIVs) named Beta, Dorada and Five Finance. The notes held Standard & Poor's ratings of AAA, and $150 million of the notes matured during September and October 2008. On November 19, 2008, Citibank N.A. purchased the assets of the SIVs and agreed to ensure the repayment of the senior debt. On November 21, 2008 Standard & Poor's lowered the credit ratings on the $150 million of securities remaining in the portfolio to AA from AAA, which reflected the credit rating of Citibank N.A.

On July 22, 2008, Standard & Poor's cut its long-term credit rating on our $450 million Wachovia investment to AA- from AA. Wachovia is currently on watch for an upgrade as a result of pending acquisition by Wells Fargo.

On October 6, 2008, Standard & Poor's cut its long-term credit rating on our $450 million RBS Citizens investment to A+ from AA-. As a result of this downgrade, STIF received an irrevocable stand-by letter of credit provided by the Federal Home Loan Bank of Boston guaranteeing both principal and interest.

On December 19, 2008, Standard & Poor's cut its long-term credit rating on following securities: JP Morgan to AA-, Bank of America to A+, Goldman Sachs to A, Royal Bank of Scotland to A and Wells Fargo to AA. In addition, the short-term credit rating for our Bank of America Repurchase Agreement has been lowered to A-1 from A-1+.

SHORT-TERM INVESTMENT FUND

LIST OF INVESTMENTS AT JUNE 30, 2008

Par Value	Security (Coupon, Maturity or Reset Date)	Yield %	Amortized Cost	Fair Value	Asset ID	Quality Rating
SECURED LIQUIDITY NOTES (0.93% of total investments)						
$ 47,018,645	LAKESIDE FUNDING 2.75, 7/8/08	2.75	$ 47,018,645	$ 47,018,645	51215MBZ7	A-1+
$ 47,018,645			$ 47,018,645	$ 47,018,645		
FEDERAL AGENCY SECURITIES (18.27% OF TOTAL INVESTMENTS)						
$ 100,000,000	FANNIE MAE 2.08, 7/16/08	2.08	$ 99,913,333	$ 99,913,333	313588ZL2	AAA
100,000,000	FANNIE MAE 2.08, 8/1/08	2.08	99,820,889	99,820,889	313588A47	AAA
50,000,000	FANNIE MAE 2.41, 9/3/08	2.41	49,785,778	49,790,000	313588E50	AAA
50,000,000	FANNIE MAE 2.46, 9/17/08	2.46	49,733,500	49,746,500	313588G33	AAA
24,800,000	FFC-FLT 2.74, 10/30/08	2.64	24,800,000	24,800,595	31331XXF4	AAA
25,000,000	FFC FLT 2.33, 3/24/09	2.41	25,006,222	24,983,175	31331X3C4	AAA
50,000,000	FHLB 2.405, 9/5/08	2.34	49,779,542	49,785,500	313384E75	AAA
25,000,000	FHLB 2.34, 9/5/08	2.34	24,892,750	24,892,750	313384E75	AAA
50,000,000	FHLB 2.35, 9/16/08	2.34	49,748,681	49,749,750	313384G29	AAA
25,000,000	FHLB-FLT 2.66, 9/17/08	2.70	25,000,000	25,000,925	3133XK7D1	AAA
25,000,000	FHLB-FLT 2.66, 9/17/08	2.70	24,999,948	25,000,925	3133XK7D1	AAA
100,000,000	FREDDIE MAC 2.07, 7/21/08	2.07	99,885,000	99,885,000	313396ZR7	AAA
100,000,000	FREDDIE MAC 2.13, 8/18/08	2.14	99,716,000	99,716,000	313396C50	AAA
100,000,000	FREDDIE MAC 2.22, 9/2/08	2.22	99,611,500	99,590,500	313396E41	AAA
50,000,000	FREDDIE MAC 2.37, 9/15/08	2.38	49,749,833	49,753,000	313396F99	AAA
50,000,000	FREDDIE MAC 2.45, 9/22/08	2.45	49,717,569	49,730,250	313396G80	AAA
$ 924,800,000			$ 922,160,545	$ 922,159,092		
DEPOSIT INSTRUMENTS (41.67% OF TOTAL INVESTMENTS)						
$ 3,500,000	SUNTRUST BANK 2.80, 6/2/09	2.94	$ 3,503,081	$ 3,495,275	86787ALA1	AA-
450,000,000	JP MORGAN 2.23, 8/6/08	2.23	450,000,000	450,000,000	N/A	AA
50,000,000	RBS CITIZENS NA 2.78, 2/20/09	2.78	50,000,000	50,000,000	N/A	AA- *
100,000,000	RBS CITIZENS NA 2.34, 3/26/09	2.34	100,000,000	100,000,000	N/A	AA- *
100,000,000	RBS CITIZENS NA 2.34, 3/26/09	2.34	100,000,000	100,000,000	N/A	AA- *
100,000,000	RBS CITIZENS NA 2.97, 6/1/09	2.97	100,000,000	100,000,000	N/A	AA- *
100,000,000	RBS CITIZENS NA 2.84, 6/1/09	2.84	100,000,000	100,000,000	N/A	AA- *
50,000,000	SOCIETE GENERALE 2.70, 9/3/08	2.70	50,000,000	50,000,000	8336P2J25	AA-
50,000,000	SOCIETE GENERALE 2.80, 9/18/08	2.80	50,000,000	50,000,000	8336P2KN7	AA-
250,000,000	SOCIETE GENERALE 2.97, 4/30/09	2.97	250,000,000	250,000,000	8336P2G51	AA-
100,000,000	TORONTO-DOMINION 2.69, 3/30/09	2.69	100,000,000	100,000,000	N/A	AA-
100,000,000	TORONTO-DOMINION 2.69, 3/30/09	2.69	100,000,000	100,000,000	N/A	AA-
100,000,000	TORONTO-DOMINION 2.69, 3/30/09	2.69	100,000,000	100,000,000	N/A	AA-
100,000,000	TORONTO-DOMINION 3.00, 6/12/09	3.00	100,000,000	100,000,000	N/A	AA-
450,000,000	WACHOVIA 2.20, 8/5/08	2.20	450,000,000	450,000,000	N/A	AA
$2,103,500,000			$ 2,103,503,081	$ 2,103,495,275		
STRUCTURED INVESTMENT VEHICLES (7.08% OF TOTAL INVESTMENTS)						
$ 50,000,000	BETA FINANCE 2.67, 9/9/08	4.54	$ 49,998,161	$ 49,830,550	08658AMK8	AAA **
50,000,000	BETA FINANCE 2.71, 7/6/09	4.85	49,987,912	48,982,350	08658AQB4	AAA **
40,693,525	CHEYNE FINANCE 0.00, 10/15/08	0.00	28,682,989	28,892,403	16705ECU5	D ***
40,649,396	CHEYNE FINANCE 0.00, 2/25/09	0.00	28,648,895	28,861,071	16705EDZ3	D ***
50,000,000	DORADA FINANCE 2.70, 10/10/08	4.64	49,997,309	49,752,850	25810EMN3	AAA **
50,000,000	DORADA FINANCE 2.10, 2/11/09	3.96	49,994,914	49,446,500	25810EMZ6	AAA **
50,000,000	FIVE FINANCE 2.79, 9/29/08	4.54	49,997,655	49,791,850	33828WCQ1	AAA **
50,000,000	FIVE FINANCE 2.66, 6/9/09	4.54	49,988,821	49,186,650	33828WEB2	AAA **
$ 381,342,921			$ 357,296,656	$ 354,744,224		
CORPORATE NOTES (6.88% OF TOTAL INVESTMENTS)						
$ 20,600,000	BANK AMERICA 2.92, 3/24/09	3.30	$ 20,596,984	$ 20,543,226	060505CC6	AA
5,000,000	BANK AMERICA 2.90, 11/6/09	3.62	4,988,346	4,953,580	060505CT9	AA
2,595,000	BANK AMERICA 2.97, 2/11/09	3.46	2,598,695	2,588,188	06050MCC9	AA
5,195,000	GE CAPITAL 2.88, 6/15/09	2.87	5,199,499	5,195,795	36962GR22	AAA
2,450,000	GOLDMAN SACHS 2.81, 11/10/08	3.50	2,450,593	2,444,414	38141EKJ7	AA-
30,000,000	GOLDMAN SACHS 2.84, 12/23/08	3.58	30,000,000	29,895,690	38141EKX6	AA-
6,500,000	GOLDMAN SACHS 2.85, 3/30/09	3.68	6,501,331	6,460,227	38141ELD9	AA-
11,590,000	GOLDMAN SACHS 3.25, 7/23/09	3.76	11,621,491	11,514,340	38141EJQ3	AA-
53,500,000	HSBC FINANCE 2.90, 6/19/09	5.01	53,529,555	52,438,132	40429JAR8	AA-
50,000,000	MBIA GLOBAL FUNDING 2.48, 2/26/09	22.12	50,000,000	44,125,700	55266LFM3	AA
20,000,000	MERRILL LYNCH 2.96, 10/23/08	4.81	20,001,175	19,881,860	59018YYN5	A

SHORT-TERM INVESTMENT FUND

LIST OF INVESTMENTS AT JUNE 30, 2008 (Continued)

Par Value	Security (Coupon, Maturity or Reset Date)	Yield %	Amortized Cost	Fair Value	Asset ID	Quality Rating
9,900,000	MERRILL LYNCH 3.00, 10/27/08	4.85	9,902,137	9,839,778	59018YWF4	A
5,000,000	MERRILL LYNCH 3.00, 10/27/08	4.85	5,001,079	4,969,585	59018YWF4	A
1,500,000	MERRILL LYNCH 3.00, 10/27/08	4.85	1,500,299	1,490,876	59018YWF4	A
15,500,000	MERRILL LYNCH 2.99, 1/30/09	5.64	15,505,999	15,260,386	59018YWT4	A
8,000,000	MERRILL LYNCH 2.99, 1/30/09	5.64	8,002,871	7,876,328	59018YWT4	A
50,000,000	MERRILL LYNCH 2.16, 5/8/09	4.75	50,000,000	48,930,450	59018YD32	A
10,000,000	MERRILL LYNCH 2.57, 6/26/09	5.57	10,004,710	9,713,480	59018YXS5	A
25,000,000	NEW YORK LIFE 2.50, 3/30/09	2.50	25,000,000	24,996,725	649486AE7	AAA
10,000,000	ROYAL BANK OF SCOTLAND 2.51, 9/19/08	2.82	10,000,000	9,993,320	78010JAB8	AA
5,000,000	WELLS FARGO 2.88, 9/15/09	3.17	4,998,872	4,983,410	949746JD4	AA+
$ 347,330,000			$ 347,403,636	$ 338,095,490		
MONEY MARKET FUNDS (8.91% OF TOTAL INVESTMENTS)						
$ 100,000,000	GS GOVT FUND 2.41, 7/1/08	2.41	$ 100,000,000	$ 100,000,000	N/A	AAAM
100,000,000	GS GOVT FUND 2.41, 7/1/08	2.41	100,000,000	100,000,000	N/A	AAAM
856	LIQUIDITY MGMT SYSTEM 1.50, 7/1/08		856	856	N/A	A-1+
25,000,000	ML GOVT FUND 2.23, 7/1/08	2.23	25,000,000	25,000,000	N/A	AAAM
100,000,000	RESERVE - US GOVT 2.25, 7/1/08	2.25	100,000,000	100,000,000	N/A	AAAM
100,000,000	RESERVE - US GOVT 2.25, 7/1/08	2.25	100,000,000	100,000,000	N/A	AAAM
25,000,000	RESERVE - US GOVT 2.25, 7/1/08	2.25	25,000,000	25,000,000	N/A	AAAM
$ 450,000,856			$ 450,000,856	$ 450,000,856		
REPURCHASE AGREEMENTS (16.26% OF TOTAL INVESTMENTS)						
$ 820,912,000	BANK OF AMERICA 2.35, 7/1/08		$ 820,912,000	$ 820,912,000	N/A	A-1+
$ 820,912,000			$ 820,912,000	$ 820,912,000		
$5,074,904,423	**TOTAL INVESTMENT IN SECURITIES**		**$ 5,048,295,420**	**$ 5,036,425,583**		

* As of October 6, 2008, Standard & Poor's Ratings Services cut its long term credit ratings on our $450 million RBS Citizens investment to A+ from AA-. As a result of this downgrade, STIF received an irrevocable stand-by letter of credit provided by the Federal Home Loan Bank of Boston guaranteeing both principal and interest.

** As of November 21, 2008, Standard & Poors lowered the credit ratings on our Citi sponsored structured investment vehicles (SIV's named Beta, Dorada and Five Finance) securities to AA from AAA.

*** The Cheyne Finance notes were restructured effective July 23, 2008. We converted our Cheyne position to unrated Gryphon Funding pass-through notes which gives STIF a pro rata share, with other senior creditors, of ownership of the portfolio of securities underlying the Cheyne notes. Cash distributions through December 2008 have totaled $28.5 million. We have transferred $24 million of the reserves to cover the value adjustment.

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REPORT OF INDEPENDENT ACCOUNTANTS

Treasurer of the State of Connecticut
Hartford, Connecticut

We have examined the Office of the Treasurer Short-Term Investment Fund's (the Fund) (1) compliance with all the composite construction requirements of the Global Investment Performance Standards (GIPS® standards) on a firm-wide basis for each of the years ended July 1, 2001 through June 30, 2008 and (2) design of its processes and procedures to calculate and present performance results in compliance with the GIPS standards as of June 30, 2008. We have also examined the Fund's Composite Performance Presentation (the Annual 2007® Schedule of Rates® schedule of Rates of Return) for each of the years from July 1, 2001 through June 30, 2008. The Fund's management is responsible for compliance with the GIPS standards and the design of its processes and procedures and for the Performance Presentation for its Short - Term Investment Fund. Our responsibility is to express an opinion based on our examination. Each of the years from July 1, 1998 to June 30, 2001 were examined by other independent auditors whose report, dated September 24, 2001, expressed an unqualified opinion thereon.

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

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

- Complied with all the composite construction requirements of the GIPS standards on a firm-wide basis for the one year periods ended June 30, 2002 through June 30, 2008; and

- Designed its processes and procedures to calculate and present performance results in compliance with the GIPS standards as of June 30, 2008.

Also, in our opinion, the accompanying Short - Term Investment Fund Composite Performance Presentation for each of the years from July 1, 2001, through June 30, 2008, is presented, in all materials respects, in conformity with the GIPS standards.

UHY LLP

Hartford, Connecticut
November 24, 2008

SHORT-TERM INVESTMENT FUND

SCHEDULE OF ANNUAL RATES OF RETURN

	Year Ended June 30,									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
STIF Total Rate of Return (%)	4.13	5.54	4.38	2.32	1.16	1.64	2.61	6.11	6.01	5.37
First Tier Institutional-only Rated Money Fund Report Averages™ (MFR) Index (%)[1]	4.07	5.14	4.01	1.91	0.75	1.20	2.22	5.74	5.58	5.04
Total Assets in STIF, End of Period ($ - Millions)	5,054	5,004	5,430	4,314	3,829	3,280	3,546	4,565	3,701	3,646
Percent of State Assets in Fund	**83**	80	84	84	81	69	67	71	71	71
Number of Participant Accounts in Composite, End of Year[2]										
State Treasury	39	47	58	84	124	115	112	55	55	54
Municipal and Local Entities	637	578	542	548	556	551	544	496	433	415
State Agencies and Authorities	418	406	406	446	474	440	428	346	312	313
Total	1,094	1,031	1,066	1,078	1,154	1,106	1,084	897	800	782

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

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

See Notes to Schedules of Rates of Return.

SHORT-TERM INVESTMENT FUND

SCHEDULE OF QUARTERLY RATES OF RETURN

FISCAL YEAR	Rate of Return(%)	Institutional-only Rated Money Fund Report Avereages ™ (MFR) Index(%)[1]
2008		
Sep-07	1.34	1.27
Dec-07	1.24	1.19
Mar-08	0.90	0.92
Jun-08	0.59	0.62
YEAR	**4.13**	**4.07**
2007		
Sep-06	1.36	1.26
Dec-06	1.38	1.26
Mar-07	1.33	1.26
Jun-07	1.36	1.26
YEAR	**5.54**	**5.14**
2006		
Sep-05	0.89	0.80
Dec-05	1.05	0.93
Mar-06	1.12	1.05
Jun-06	1.25	1.17
YEAR	**4.38**	**4.01**
2005		
Sep-04	0.38	0.29
Dec-04	0.53	0.41
Mar-05	0.64	0.54
Jun-05	0.77	0.67
YEAR	**2.32**	**1.91**
2004		
Sep-03	0.28	0.19
Dec-03	0.30	0.19
Mar-04	0.29	0.19
Jun-04	0.29	0.18
YEAR	**1.16**	**0.75**

FISCAL YEAR	Rate of Return(%)	Institutional-only Rated Money Fund Report Avereages ™ (MFR) Index(%)[1]
2003		
Sep-02	0.48	0.38
Dec-02	0.45	0.32
Mar-03	0.36	0.26
Jun-03	0.35	0.24
YEAR	**1.64**	**1.20**
2002		
Sep-01	0.95	0.85
Dec-01	0.66	0.55
Mar-02	0.48	0.41
Jun-02	0.49	0.39
YEAR	**2.61**	**2.22**
2001		
Sep-00	1.69	1.58
Dec-00	1.70	1.58
Mar-01	1.45	1.39
Jun-01	1.14	1.06
YEAR	**6.11**	**5.74**
2000		
Sep-99	1.33	1.23
Dec-99	1.46	1.33
Mar-00	1.48	1.40
Jun-00	1.60	1.51
YEAR	**6.01**	**5.58**
1999		
Sep-98	1.42	1.34
Dec-98	1.37	1.26
Mar-99	1.24	1.19
Jun-99	1.23	1.16
YEAR	**5.37**	**5.04**

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

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

NOTES TO SCHEDULES OF RATES OF RETURN
FOR THE 10 YEAR INVESTMENT PERIOD JULY 1, 1998 THROUGH JUNE 30, 2008

NOTE 1: ORGANIZATION

The Connecticut State Treasury Short-Term Investment Fund ("STIF" or the "Fund") was created by Sec. 3-27 of the Connecticut General Statutes as an investment vehicle restricted for use by the State, State agencies and authorities, State municipalities and other political subdivisions of the State. STIF is a fully discretionary money market investment pool managed by the Connecticut State Treasury ("Treasury") as a single composite. STIF's objective is to provide as high a level of current income as is consistent with safety of principal and liquidity to meet participants' daily cash flow requirements. During the 2008 fiscal year, STIF's portfolio averaged $5.1 billion.

NOTE 2: PERFORMANCE RESULTS

STIF has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS) for the period July 1, 1998 through June 30, 2008. The performance presentation for the period July 1, 1998 through June 30, 2008 has been subject to a verification in accordance with GIPS standards by an independent public accounting firm whose report is included herein. For the purposes of compliance with GIPS standards for the Short-Term Investment Fund, the Treasury has defined the "Firm" as the funds under the control of the State Treasurer, State agencies and State authorities for which the Treasurer has direct investment management responsibility within the Short-Term Investment Fund.

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

NOTE 3: CALCULATION OF RATES OF RETURN

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

The time-weighted linked rate of return formula used by STIF is as follows: Monthly returns are calculated by taking the sum of daily income earned on an accrual basis, after deduction for all operating expenses and a transfer to the Designated Surplus Reserve, divided by the average daily participant balance for the month.

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

NOTE 4: DESIGNATED SURPLUS RESERVE

In order to provide some protection to the shareholders of STIF from potential credit and market risks, the Treasurer has designated that a portion of each day's net earnings be transferred to the Designated Surplus Reserve (Reserve). Such amounts are restricted in nature and are not available for current distribution to shareholders. Beginning December 1, 1996, the amount transferred daily to the Designated Surplus Reserve is equal to 0.1 percent of end of day investment balance divided by the actual number of days in the year. As of June 30, 2008, the balance in the Designated Surplus Reserve was $29,143,785 which reflects $1.9 million in contributions during the year and a December 5, 2008 transaction recognizing a $24 million transfer due to a reduction in the value of our Cheyne (Gryphon) securities. The reserve totaled $53.1 million prior to reflecting that transaction.

No transfer is to be made if the reserve account is equal to or greater than 1.0 percent of the daily investment balance. If net losses significant to the aggregate portfolio are realized, the Treasurer is authorized to transfer funds from the Reserve to Participant Units Outstanding.

NOTES TO SCHEDULES OF RATES OF RETURN (Continued)
FOR THE 10 YEAR INVESTMENT PERIOD JULY 1, 1998 THROUGH JUNE 30, 2008

NOTE 5: ADDITIONAL DISCLOSURES

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

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

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

The Fund has accounted for all security purchases and sales on a trade date basis. Because the Fund purchases short term investments whose market values do not fluctuate significantly and since all investments are accounted for on an amortized cost basis, the difference between the trade and settlement date basis has no significant impact on the performance reported herein.

SHORT-TERM PLUS INVESTMENT FUND

STATEMENT OF NET ASSETS
JUNE 30, 2008

	June 30, 2008
ASSETS	
Investment in Securities, at Fair Value (Note 7)	$ 309,553,634
Accrued Interest and Other Receivables	1,545,290
Prepaid Assets	-
Total Assets	311,098,924
LIABILITIES	
Distribution Payable	784,890
Interest Payable	-
Total Liabilities	784,890
NET ASSETS HELD IN TRUST FOR PARTICIPANTS	$ 310,314,034

See accompanying Notes to the Financial Statements.

SHORT-TERM PLUS INVESTMENT FUND

STATEMENTS OF CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007

	2008	2007
ADDITIONS		
Operations		
Interest Income	$ 14,013,176	$ 8,806,819
Net Investment Income	14,013,176	8,806,819
Net Realized Gains	34,402	9,851
Net Increase Resulting from Operations	14,047,578	8,816,670
Share Transactions at Net Asset Value		
Purchase of Units	14,554,501	308,131,231
TOTAL ADDITIONS	28,602,079	316,947,901
DEDUCTIONS		
Distribution to Participants (Notes 2 & 6)		
Distributions to Participants	(13,986,492)	(8,788,947)
Total Distributions Paid and Payable	(13,986,492)	(8,788,947)
Share Transactions at Net Asset Value		
Redemption of Units	(5,000,000)	(4,000,000)
Operations		
Operating Expenses	(61,086)	(27,723)
Net Change in Unrealized Gain/(Loss) on Investments	(3,217,409)	(154,289)
TOTAL DEDUCTIONS	(22,264,987)	(12,970,959)
CHANGE IN NET ASSETS	6,337,092	303,976,942
Net Assets held in Trust for Participants		
Beginning of Year	303,976,942	-
End of Year	$ 310,314,034	$ 303,976,942

See accompanying Notes to the Financial Statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: INTRODUCTION AND BASIS OF PRESENTATION

The Medium-Term Investment Fund ("STIF Plus" or the "Fund") is a money market and short-term bond investment pool managed by the Treasurer of the State of Connecticut. Section 3-28a of the Connecticut General Statutes (CGS) created STIF Plus. Pursuant to CGS 3-28a, the State, municipal entities, and political subdivisions of the State are eligible to invest in the Fund. The State Treasurer is authorized to invest monies of STIF Plus in United States government and agency obligations, certificates of deposit, commercial paper, corporate bonds, saving accounts, bankers' acceptances, repurchase agreements, asset-backed securities. STIF Plus is authorized to issue an unlimited number of units.

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

Related Party Transactions.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity.

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

Security Valuation of Financial Instruments.

The assets of the STIF Plus are carried at fair value which is the current market value. All premiums and discounts on securities are amortized or accreted on a straight line basis.

Security Transactions.

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

Interest Income.

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

Expenses.

Operating and interest expenses of STIF Plus are accrued as incurred.

Fiscal Year.

The fiscal year of STIF Plus ends on June 30.

Distributions to Investors.

Distributions to investors are earned on units outstanding from date of purchase to date of redemption. Income is calculated daily based upon the actual earnings of STIF Plus net of administrative expenses. Distributions are paid monthly within two business days of the end of the month, and are based upon actual number of days in a year. Shares are sold and redeemed at the current market value per share, which is consistent with the per share net asset value of the Fund.

Estimates.

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

NOTE 3: DEPOSIT AND INVESTMENT DISCLOSURES

STIF Plus's investment practice is to invest all cash balances; as such, there was no uninvested cash at June 30, 2008. All securities of STIF Plus are registered under the State Street Bank nominee name, Pond, Tide & Co., for the State of Connecticut nominee name, Conn. STIF & Co., and held by a designated agent of the State.

Custodial Credit Risk – Deposits

The custodial credit risk for deposits is the risk that in the event of a bank failure, the STIF Plus's deposits may not be recovered. The STIF Plus follows policy parameters that limit deposits in any one entity to a maximum of five percent of total assets. Further, the certificates of deposits must be issued from commercial banks whose short-term debt is rated at least A-1 by Standard and Poor's and F-1 by Fitch and whose long-term debt is rated at least AA- or which carry an unconditional letter of guarantee from such a bank that meets the short-term debt rating requirements.

Certificates of Deposit in banks are insured up to $100,000, any amount above this limit is considered uninsured. Additionally, state banking regulation requires all financial institutions that accept State of Connecticut public deposits to segregate collateral against these deposits in an amount equal to ten percent of the outstanding deposit. As of fiscal year-end, certificates of deposit in the STIF Plus Investment Fund totaled $45 million. Of that amount, $42,100,000 was exposed to custodial credit risk representing the portion that was uninsured and uncollateralized.

Interest Rate Risk – Investments

Interest rate risk that changes in the general level of interest rates will adversely affect the market value of an investment. STIF Plus's policy for managing interest rate is to perform, on a quarterly basis, an interest rate sensitivity analyses on the duration and the market value of the portfolio to determine the potential effect of a 200 basis point movement in interest rates. As of June 30, 2008 the weighted average maturity of the STIF Plus was 303 days. The breakdown of the STIF Plus's maturity profile is outlined below.

		Investment Maturity in Years	
Investments	**Fair Value**	**Less than One**	**One - Five**
Deposit Instruments	$110,000,000	$110,000,000	
Federal Agency Securities	88,065,015	5,035,860	83,029,155
Corporate Notes	77,673,872	4,135,369	73,538,503
Asset-Backed Securities			
Fixed	7,833,548	4,643,528	3,190,020
Floaters	13,911,808	4,515,616	9,396,192
Repurchase Agreements	12,069,000	12,069,000	
Money Market Funds	391	391	
Total	**$309,553,634**	**$140,399,764**	**$169,153,870**

Additionally, STIF Plus is allowed by policy to invest in floating-rate debt securities. For purposes of the weighted average maturity calculation and classification in the chart above, variable-rate securities are calculated using their interest rate reset date. Because these securities re-price frequently to prevailing market rates, interest rate risk is substantially reduced. As of fiscal year-end, the STIF Plus portfolio held $94.9 million in variable rate securities.

NOTES TO FINANCIAL STATEMENTS (Continued)

Credit Risk of Debt Securities

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

Investment Type	Fair Value	A-1+	AAA	AA+	AA	AA-	A+	A
Deposit Instruments	$110,000,000	$-	$-	$-	$65,000,000	$45,000,000	$-	
Federal Agency Securities	88,065,015	-	88,065,015	-	-	-	-	
Corporate Notes	77,673,872	-	14,913,295	14,858,386	9,911,551	29,118,840	-	8,871,800
Asset Backed Securities								
Fixed	7,833,548	-	6,805,940	-	728,090	-	299,518	
Floaters	13,911,808	-	13,911,809	-	-	-	-	
Repurchase Agreements*	12,069,000	12,069,000	-	-	-	-	-	
LMCS	391	391	-	-	-	-	-	
Total	$309,553,634	$12,069,391	$123,696,059	$14,858,386	$75,639,641	$74,118,840	$299,518	8,871,800

* Repurchase Agreements by rating of underlying collateral

Concentration of Credit Risk

The Short-Term Plus Investment Fund limits the amount it may invest in any single federal agency to an amount not to exceed 15 percent. As of June 30, 2008, the table below lists issuers with concentrations of greater than 5 percent but less than 15 percent of the total portfolio.

Issuer	Fair Value	Percent of Total Portfolio
Bank of America	21,980,552	7.1%
FHLB	37,678,372	12.2%
FHLMC	30,269,663	9.8%
RBS Citizens NA	30,000,000	9.7%
TD Banknorth	30,000,000	9.7%
Wachovia	20,000,000	6.5%

NOTE 4: CUSTODIAN

State Street Bank was appointed as custodian for STIF Plus effective October 2, 2006. STIF Plus pays a percentage of the fixed annual rate of $110,000 for the Short-Term Investment Unit. This percentage is calculated annually by determining the STIF Plus fund size relative to that of the total Short-Term Investment Unit.

NOTE 5: ADMINISTRATION

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

NOTE 6: DISTRIBUTIONS TO INVESTORS

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

Distributions:	2008	2007
July	$1,397,470	$0
August	1,382,084	0
September	1,349,097	0
October	1,380,943	312,010
November	1,335,168	649,474
December	1,326,311	846,759
January	1,260,615	856,310
February	1,033,549	964,364
March	991,961	1,209,858
April	887,972	1,242,568
May	856,432	1,354,705
June (Payable at June 30)	784,890	1,352,898
Total Distribution Paid & Payable	**$13,986,492**	**$8,788,947**

NOTE 7: INVESTMENTS IN SECURITIES

The following is a summary of investments in securities, at amortized cost and market value as of June 30, 2008:

Investment	Amortized Cost	Fair Value
Asset-Backed Securities	$22,916,857	$21,745,356
Deposit Instruments	110,000,000	110,000,000
Corporate Notes	79,951,404	77,673,872
Money Market Funds	391	391
Repurchase Agreements	12,069,000	12,069,000
Federal Agency Securities	87,987,680	88,065,015
TOTAL	$312,925,332	$309,553,634

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

For the fiscal year ended June 30, 2008, the Short-Term Plus Investment Fund held adjustable-rate corporate notes and Asset-Backed Securities whose interest rates vary directly with short-term money market indices and are reset daily, monthly, quarterly or semi-annually. Such securities allow the Fund to earn higher interest rates as market rates increase, thereby increasing fund yields and protecting against the erosion of market values from rising interest rates. These adjustable rate securities have similar exposures to credit and legal risks as fixed-rate securities from the same issuers

NOTE 8: SUBSEQUENT EVENTS

On July 22, 2008, Standard & Poor's cut its long-term credit rating on our $20 million Wachovia investment to AA- from AA. Wachovia is currently on watch for an upgrade as a result of pending acquisition by Wells Fargo.

On December 19, 2008, Standard & Poor's cut its long-term credit rating on following securities: JP Morgan to AA-, Bank of America to A+, Citigroup to A, Goldman Sachs to A, and Wells Fargo to AA. In addition, the short-term credit rating for our Bank of America Repurchase Agreement has been lowered to A-1 from A-1+.

On October 6, 2008, Standard & Poor's cut its long-term credit rating on our $30 million RBS Citizens investment to A+ from AA-. As a result of this downgrade, STIF received an irrevocable stand-by letter of credit provided by the Federal Home Loan Bank of Boston guaranteeing both principal and interest.

SHORT-TERM PLUS INVESTMENT FUND

LIST OF INVESTMENTS AT JUNE 30, 2008

Par Value	Security (Coupon, Maturity or Reset Date)	Yield %	Amortized Cost	Fair Value	Asset ID	Quality Rating
ASSET-BACKED SECURITIES (7.02% of total investments)						
$ 741,316	RAMP 2003 - RS5 AI4 3.70, 9/25/31	10.47	$ 740,535	$ 728,090	760985WX5	AA
953,177	CWL 2005-7 AF2 4.37, 10/25/35	4.38	953,176	950,782	126673Y55	AAA
538,582	RAMP 2005-RZ2 AI3 2.75, 5/25/35	2.80	538,582	536,830	76112BWD8	AAA
2,717,992	INDB 2006-1 A1 2.55, 7/25/36	15.38	2,718,049	2,370,993	45661JAA1	AAA
1,201,311	ARSI 2004-W10 A2 2.87, 10/25/34	4.97	1,201,310	863,437	040104LM1	AAA
2,284,517	BAYV 2006-C 1A1 6.04, 11/28/36	7.95	2,284,513	2,236,685	07325DAB0	AAA
1,625,797	NAA 2006-AF2 1A1 2.58, 8/25/36	4.10	1,625,803	1,607,793	65536VAA5	AAA
300,156	COAFT O5-C A3 4.61, 7/15/10	4.61	300,040	299,518	14041GCK0	A+
3,000,000	GRANM 2007 - 12A1 2.87, 12/20/54	5.34	3,000,000	2,909,713	38741YDF3	AAA
3,217,025	RAMC 2005-2 AF3 4.50, 8/25/35	5.20	3,217,024	3,190,020	75970NAK3	AAA
2,166,605	GSAA 05-15 2A1 2.57, 1/25/36	3.65	2,166,605	2,142,378	362341D63	AAA
3,743,063	CITI MORT LOAN TR - 2007 AMC2 2.56, 1/25/37	9.25	3,743,062	3,480,665	17311XAA3	AAA
428,158	FORDO 2005-C A3 4.30, 8/15/09	4.30	428,157	428,453	34527RLG6	AAA
$ 22,917,697			$ 22,916,857	$ 21,745,356		
FEDERAL AGENCY SECURITIES (28.45% of total investments)						
$ 5,000,000	FFC 5.20, 10/3/11	2.99	$ 5,000,000	$ 5,026,950	31331X4V1	AAA
5,000,000	FHLB 4.00, 8/15/12	4.03	4,999,728	4,995,135	3133XPFT6	AAA
5,000,000	FHLB 3.25, 8/19/10	3.39	4,998,425	4,986,585	3133XPQY3	AAA
12,530,000	FHLB 5.22, 9/17/12	2.80	12,529,466	12,591,347	3133XMD24	AAA
5,000,000	FHLB 4.85, 11/28/11	3.03	5,002,044	5,035,545	3133XN5H8	AAA
5,000,000	FHLMC 4.42, 12/12/11	3.18	4,996,415	5,025,980	3128X6TM8	AAA
5,000,000	FHLB 4.25, 12/18/09	2.60	5,023,147	5,037,095	3133XNSD2	AAA
5,000,000	FNMA 4.40, 12/22/10	3.19	5,026,100	5,027,085	31398AKV3	AAA
5,000,000	FNMA 4.40, 12/22/10	3.19	5,034,486	5,027,085	31398AKV3	AAA
5,000,000	FHLMC 4.35, 12/24/10	3.04	5,032,744	5,029,940	3128X6VK9	AAA
5,000,000	FNMA 4.30, 12/24/08	2.74	5,042,183	5,035,860	31398AKU5	AAA
5,000,000	FHLMC 5.40, 6/15/10	2.92	5,125,175	5,115,245	3128X6CX2	AAA
5,000,000	FHLMC 5.40, 6/15/10	2.92	5,128,362	5,115,245	3128X6CX2	AAA
5,050,000	FHLMC 3.00, 7/15/09	2.49	5,049,812	5,050,788	3128X1QR1	AAA
5,000,000	FHLMC 3.00, 4/23/10	3.82	4,999,593	4,932,465	3128X7FG4	AAA
5,000,000	FHLB 4.75, 11/19/10	2.92	5,000,000	5,032,665	3133XMRR4	AAA
$ 87,580,000			$ 87,987,680	$ 88,065,015		
DEPOSIT INSTRUMENTS (35.54% of total investments)						
$ 15,000,000	JP MORGAN CHASE 2.23, 8/5/08	2.23	$ 15,000,000	$ 15,000,000	N/A	AA
15,000,000	RBS CITIZENS 2.78, 2/20/09	2.78	15,000,000	15,000,000	N/A	AA
15,000,000	RBS CITIZENS 3.03, 5/29/09	3.03	15,000,000	15,000,000	N/A	AA
15,000,000	SOCIETE GENERALE 2.85, 5/8/09	2.85	15,000,000	15,000,000	8336P2GL6	AA-
30,000,000	TD BANKNORTH2.69, 3/30/09	2.69	30,000,000	30,000,000	N/A	AA-
20,000,000	WACHOVIA 2.20, 8/5/08	2.20	20,000,000	20,000,000	N/A	AA
$ 110,000,000			$ 110,000,000	$ 110,000,000		
CORPORATE NOTES (25.09% of total investments)						
$ 5,000,000	BANK OF AMERICA 2.90, 11/6/09	3.62	$ 4,997,835	$ 4,953,580	060505CT9	AA
1,175,000	BANK OF AMERICA 2.92, 3/24/09	3.31	1,174,057	1,171,762	060505CC6	AA
3,800,000	BANK OF AMERICA 3.01, 9/18/09	3.32	3,800,000	3,786,210	06050MDY0	AA
7,000,000	CITIGROUP 2.81, 5/18/11	4.21	7,005,441	6,733,482	172967DL2	AA-
5,000,000	CITIGROUP 2.99, 11/2/09	4.19	5,005,200	4,922,885	17307EBJ1	AA-
3,001,000	CITIGROUP 3.02,6/9/09	4.31	3,002,561	2,963,608	172967CZ2	AA-
5,000,000	GENERAL ELECTRIC 2.79, 10/18/10	3.00	5,001,547	4,976,800	36962GY32	AAA
5,000,000	GENERAL ELECTRIC 2.82, 3/12/10	3.13	4,990,911	4,974,505	36962G2H6	AAA
5,000,000	GENERAL ELECTRIC 2.85, 10/6/10	3.20	5,000,498	4,961,990	36962GY24	AAA
5,000,000	GOLDMAN SACHS 2.96, 2/6/12	4.44	5,003,204	4,752,270	38141GEW0	AA-
5,000,000	GOLDMAN SACHS 3.13, 10/7/11	4.11	5,035,701	4,848,295	38141EJV2	AA-
5,000,000	HSBC 2.97, 5/10/10	4.10	4,982,466	4,898,300	40429JAG2	AA-
10,000,000	MERRILL LYNCH 2.90, 6/5/12	6.11	10,001,712	8,871,800	59018YE72	A
5,000,000	WELLS FARGO 2.81, 1/12/11	3.35	4,984,042	4,932,460	949746NC1	AA+
3,000,000	WELLS FARGO 2.81, 1/12/11	3.35	2,972,490	2,959,476	949746NC1	AA+
2,000,000	WELLS FARGO 2.86, 3/23/10	3.37	1,994,867	1,983,040	949746NF4	AA+
5,000,000	WELLS FARGO 2.88, 9/15/09	3.16	4,998,872	4,983,410	949746JD4	AA+
$ 79,976,000			$ 79,951,404	$ 77,673,872		

SHORT-TERM PLUS INVESTMENT FUND

LIST OF INVESTMENTS AT JUNE 30, 2008 (Continued)

Par Value	Security (Coupon, Maturity or Reset Date)	Yield %	Amortized Cost	Fair Value	Asset ID	Quality Rating
MONEY MARKET FUNDS (0.00% of total investments)						
$ 391	LMCS 1.25, 7/1/08	1.25	$ 391	$ 391	N/A	A-1+
$ 391			$ 391	$ 391		
REPURCHASE AGREEMENTS (3.90% of total investments)						
$ 12,069,000	BANK OF AMERICA 2.35, 7/1/08	2.35	$ 12,069,000	$ 12,069,000	N/A	A-1+
$ 12,069,000			$ 12,069,000	$ 12,069,000		
$ **312,543,088**	**TOTAL INVESTMENT IN SECURITIES**		**$ 312,925,332**	**$ 309,553,634**		

CIVIL LIST PENSION AND TRUST FUNDS

SCHEDULE OF CASH AND INVESTMENTS, BALANCES AND ACTIVITY (at Fair Value) FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Teachers' Retirement	State Employees' Retirement	Municipal Employees' Retirement	Probate Court Retirement	Judges' Retirement	State's Attorneys' Retirement	Soldiers Sailors & Marines Fund	Arts Endowment Fund	Police & Firemen's Survivor's Fund
Cash	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Income Receivable	1,610,344	626,406	106,814	7,156	13,014	105	1,254	2,130	1,768
Interest in Investment Funds	14,541,624,961	9,329,738,617	1,627,636,799	81,448,818	177,237,133	897,999	60,839,178	16,285,406	20,601,465
Total Cash and Investments	$14,543,235,305	$9,330,365,023	$1,627,743,613	$81,455,974	$177,250,147	$898,104	$60,840,432	$16,287,536	$20,603,233
Schedule of Activity:									
Cash and Investments at July 1, 2007	$13,782,909,072	$10,038,032,644	$1,717,388,876	$87,651,821	$187,359,996	$875,381	$61,629,069	$16,167,318	$21,583,610
Shares Purchased (Excluding Cash Reserve Fund)	6,793,382,419	4,552,401,407	820,760,553	40,355,207	91,752,098	586,822	51,270,372	14,804,616	11,260,343
Shares Redeemed (Excluding Cash Reserve Fund)	(5,407,154,301)	(4,670,325,898)	(811,190,270)	(42,309,968)	(90,928,170)	(519,966)	(51,809,606)	(14,903,441)	(11,293,379)
Net Purchase and Redemptions of Cash Reserve Fund	599,303,164	258,429,097	35,679,541	2,568,810	3,785,769	(10,850)	539,030	168,468	390,124
Net Investment Income	519,183,824	371,620,098	65,050,737	3,250,580	7,083,976	36,606	2,850,629	803,762	775,791
Realized Gain (Loss) from Sale of Investments	188,080,715	323,533,563	135,464,610	7,521,983	13,385,707	7,382	757,811	34,438	97,529
Change in Unrealized Gain/(Loss) on Investment Funds	(1,414,057,911)	(1,171,995,109)	(270,391,766)	(14,334,624)	(28,105,824)	(40,420)	(1,547,164)	17,923	(1,434,631)
Increase (Decrease) in Receivables - Net (1)	772,147	289,319	32,069	2,745	571	(245)	920	(1,786)	(363)
Distributions	(519,183,824)	(371,620,098)	(65,050,737)	(3,250,580)	(7,083,976)	(36,606)	(2,850,629)	(803,762)	(775,791)
Cash and Investments at June 30, 2008	$14,543,235,305	$9,330,365,023	$1,627,743,613	$81,455,974	$177,250,147	$898,104	$60,840,432	$16,287,536	$20,603,233

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

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

NON-CIVIL LIST TRUST FUNDS

FINANCIAL STATEMENTS
JUNE 30, 2008

	SCHOOL FUND	AGRICUL-TURAL COLLEGE FUND	IDA EATON COTTON FUND	ANDREW C. CLARK FUND	HOPEMEAD STATE PARK TRUST FUND	MISC. AGENCY TRUST FUNDS
STATEMENT OF CONDITION, at Market						
ASSETS						
Cash & Cash Equivalents	$ -	$ -	$ -	$ -	$ -	$7,401,316
Interest & Dividends Receivable	916	94	317	153	294	-
Investments in Combined Investment Funds, at Fair Value	9,396,812	621,985	2,114,641	995,086	2,383,778	-
Total Assets	$9,397,728	$622,079	$2,114,958	$995,239	$2,384,072	$7,401,316
LIABILITIES & FUND BALANCE						
Due to Other Funds	$ 149,028	$ 25,765	$ 87,445	$ 41,419	$ -	$ -
Fund Balance	9,248,700	596,314	2,027,513	953,820	2,384,072	7,401,316
Total Liabilities & Fund Balance	$9,397,728	$622,079	$2,114,958	$995,239	$2,384,072	$7,401,316

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

STATEMENT OF REVENUE AND EXPENDITURES

REVENUE					
Net Investment Income	$401,809	$25,765	$87,445	$41,419	$99,131
Realized Gain on Investments	85,195	5,631	19,398	8,580	19,974
Change in Unrealized Gain (Loss) on Investments	(447,413)	(29,880)	(102,018)	(47,209)	(109,125)
Increase (Decrease) in Cash Reserve Fund Income Receivables - (1)	(438)	(68)	(219)	(106)	(2)
Total Revenue	$39,153	$1,448	$4,606	$2,684	$9,978
EXPENDITURES	-	-	-	-	-
Excess of Revenue over Expenditures	$39,153	$1,448	$4,606	$2,684	$9,978

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

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

STATEMENT OF CHANGES IN FUND BALANCE

Fund Balance at July 1, 2007	$9,611,383	$620,626	$2,110,396	$992,556	$2,374,094	$8,910,976
Excess of Revenue over Expenditures	39,153	1,448	4,606	2,684	9,978	-
Net Cash Transactions	-	-	-	-	-	(1,865,688)
Transfer from Other Funds	-	-	-	-	-	356,028
Transfer to Other Funds	(372,791)	(23,392)	(79,561)	(37,415)	-	-
Increase in Due to Other Funds	(29,045)	(2,368)	(7,928)	(4,005)	-	-
Fund Balance at June 30, 2008	$9,248,700	$596,314	$2,027,513	$953,820	$2,384,072	$7,401,316

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

NON-CIVIL LIST TRUST FUNDS

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	SCHOOL FUND	AGRICUL-TURAL COLLEGE FUND	IDA EATON COTTON FUND	ANDREW C. CLARK FUND	HOPEMEAD STATE PARK TRUST FUND
Cash Flows from Operating Activities:					
Excess of Revenues over Expenditures	$39,153	$1,448	$4,606	$2,684	$9,978
Realized Gain on Investments	(85,195)	(5,631)	(19,398)	(8,580)	(19,974)
Change in Unrealized (Gain) Loss on Investments	447,413	29,880	102,018	47,209	109,125
(Increase) Decrease in Cash Reserve Fund Income Receivables	438	68	219	106	2
Net Cash Provided by Operations	$401,809	$25,765	$87,445	$41,419	$99,131
Cash Flows from Non Capital Financing Activities:					
Operating Transfers - Out to Other Funds	(372,791)	(23,392)	(79,561)	(37,415)	-
Operating Transfers - In from Other Funds	-	-	-	-	-
Net Cash Used for Non-Capital					
Net Cash Flows Used for Non Capital Financing Activities	(372,791)	(23,392)	(79,561)	(37,415)	-
Cash Flows from Investing Activities:					
Net Purchase and Redemptions of Cash Reserve Fund	(150,577)	(10,351)	(34,982)	(16,846)	(79,044)
Purchase of Investments	(6,375,519)	(405,233)	(1,368,308)	(664,783)	(1,646,891)
Proceeds from Sale of Investment	6,497,079	413,210	1,395,406	677,625	1,626,804
Net Cash Provided by (Used for) Investing Activities	(29,017)	(2,374)	(7,884)	(4,004)	(99,131)
Net Increase (Decrease) In Cash	-	-	-	-	-
Cash June 30, 2007	-	-	-	-	-
Cash June 30, 2008	$ -	$ -	$ -	$ -	$ -

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

NON-CIVIL LIST TRUST FUNDS

STATEMENT OF CONDITION, AT COST
JUNE 30, 2008

	SCHOOL FUND	AGRICUL-TURAL COLLEGE FUND	IDA EATON COTTON FUND	ANDREW C. CLARK FUND	HOPEMEAD STATE PARK TRUST FUND	MISC. AGENCY TRUST FUNDS
ASSETS						
Cash & Cash Equivalents	$ -	$ -	$ -	$ -	$ -	$7,401,316
Interest & Dividends Receivable	916	94	317	153	294	-
Investments in Combined Investment Funds	7,069,585	468,019	1,581,318	765,359	1,849,135	-
Total Assets	$7,070,501	$468,113	$1,581,635	$765,512	$1,849,429	$7,401,316
LIABILITIES						
Due to Other Funds	$149,028	$25,765	$87,445	$41,419	$-	$-
Fund Balance	6,921,473	442,348	1,494,190	724,093	1,849,429	7,401,316
Total Liabilities & Fund Balance	$7,070,501	$468,113	$1,581,635	$765,512	$1,849,429	$7,401,316

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Significant accounting policies of the trust funds are as follows:

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

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

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

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

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

NOTE 2. STATEMENT OF CASH FLOWS

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

NOTE 3. MISCELLANEOUS AGENCY AND TRUST FUND TRANSFERS

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

SECOND INJURY FUND

STATEMENT OF NET ASSETS
JUNE 30, 2008 and 2007

	June 30, 2008	June 30, 2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 61,566,044	$ 56,764,258
Receivables, net of allowance for uncollectible accounts - $10,536,266 and $13,460,793 respectively	10,339,793	12,564,517
Other Assets	46,136	64,244
TOTAL CURRENT ASSETS	71,951,973	69,393,019
NONCURRENT ASSETS:		
Long-Term Receivable	0	1,006,549
Capital assets:		
Computers	33,093	33,093
Office equipment	18,982	18,982
Less accumulated depreciation	(44,513)	(40,829)
TOTAL NONCURRENT ASSETS	7,562	1,017,795
TOTAL ASSETS	71,959,535	70,410,814
LIABILITIES		
CURRENT LIABILITIES:		
Claims and benefits payable	7,018,965	7,337,619
Settlements payable	2,372,237	2,510,865
Accounts payable and other accrued liabilities	945,480	1,406,519
Compensated absences	332,740	289,807
TOTAL CURRENT LIABILITIES	10,669,422	11,544,810
NONCURRENT LIABILITIES:		
Accounts payable and accrued liabilities	966,500	955,700
Compensated absences	114,971	107,274
TOTAL NONCURRENT LIABILITIES	1,081,471	1,062,974
TOTAL LIABILITIES	11,750,893	12,607,784
NET ASSETS		
Unrestricted Net Assets	60,208,642	57,803,030
TOTAL NET ASSETS	$ 60,208,642	$ 57,803,030

See accompanying Notes to the Financial Statements.

SECOND INJURY FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007

OPERATING REVENUES	2008	2007
Assessment Revenues	$44,247,168	$55,716,778
Fund Recoveries	491,598	649,963
Other Income	311,163	287,357
TOTAL OPERATING REVENUES	45,049,929	56,654,098
OPERATING EXPENSES		
Injured Worker Benefits:		
Settlements	9,975,232	8,416,740
Indemnity Claims Benefits	21,289,614	20,480,143
Medical Claims Benefits	6,274,824	7,686,974
Total Injured Worker Benefits	37,539,670	36,583,857
Administrative Expenses	7,481,287	7,178,286
TOTAL OPERATING EXPENSES	45,020,957	43,762,143
OPERATING INCOME	28,972	12,891,955
NON-OPERATING INCOME		
Interest Income	2,376,640	2,640,596
Change in Net Assets	2,405,612	15,532,551
NET ASSETS - Beginning of Year	57,803,030	42,270,479
NET ASSETS - End of Year	60,208,642	57,803,030

See accompanying Notes to the Financial Statements.

SECOND INJURY FUND

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES	**2008**	**2007**
SOURCE:		
Assessment revenues	$ 46,994,449	$ 57,033,084
Fund recoveries	474,875	649,963
Other income	311,163	287,357
Other assets	(531)	(17,651)
Depreciation	3,683	6,847
	47,783,639	57,959,600
USE:		
Injured worker benefits	(37,986,152)	(37,497,361)
Administrative expenses	(7,390,981)	(7,347,566)
	(45,377,133)	(44,844,927)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,406,506	13,114,673
CASH FLOWS FROM INVESTING ACTIVITIES		
SOURCE:		
Interest Income	2,395,280	2,641,988
USE:		
Acquisition of capital assets	0	(8,865)
NET CASH PROVIDED BY INVESTING ACTIVITIES	2,395,280	2,633,123
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,801,786	15,747,796
Cash and cash equivalents, Beginning of Year	56,764,258	41,016,462
CASH AND CASH EQUIVALENTS, End of Year	$ 61,566,044	$ 56,764,258

Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
OPERATING INCOME	$ 28,972	$ 12,891,955
Adjustments to reconcile operating income to net cash:		
Provided by operating activities:-		
Depreciation expense	3,683	6,847
Decrease (increase) in assets:		
Decrease in receivables, net	3,231,273	1,719,277
Increase in other assets	(531)	(17,651)
Increase (decrease) in liabilities		
Increase (decrease) in accounts payable & accrued expenses	(907,520)	(1,376,722)
Increase (decrease) in compensated absences	50,629	(109,033)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 2,406,506	$ 13,114,673

See accompanying Notes to the Financial Statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: INTRODUCTION AND BASIS OF PRESENTATION

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

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

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

The Fund utilizes the enterprise fund form of reporting. The reporting focuses on the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. The full accrual form of accounting is employed, and revenues are recognized when earned, and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash. GASB No. 34 has defined an enterprise fund as a governmental unit in which the activity is financed with debt that is secured solely by a pledge of the revenues from fees and charges of an activity.

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

Cash and Cash Equivalents

Cash consists of funds in bank checking accounts and deposits held by the State General Fund in the Treasury Business Office account. Cash equivalents include investments in the State of Connecticut Short-Term Investment Fund (STIF). Custodial Credit Risk for Cash and Cash Equivalents is the risk that in the event of a bank failure, the SIF deposits may not be returned to them. STIF Investment Policy ensures strong asset diversification by security type and issuer, comprised of high quality, very liquid securities with a relatively short average maturity. SIF has 99.7% of its cash invested in STIF which is rated AAAm by Standard & Poor's Corporation ("S&P"). Deposits are presented in the basic financial statements at cost plus accrued interest which is also the market or fair value.

Receivables, Net of Allowance for Uncollectible Accounts

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

Assessment receivables are recorded inclusive of interest due and result from amounts billed in accordance with C.G.S. 31-354 Assessments: SIF's primary source of revenue is from the levying of assessments against self-insured and insured Connecticut employers. Insurance carriers who insure Connecticut employers are responsible to collect the assessments from employers and submit the revenue to SIF. (see Note 3)

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

C.G.S. 31-301, Appeal Cases, provides for the payment of indemnity (lost wages) and medical benefits to an injured worker while their claims are under appeal. Upon a decision in the appeal, the injured worker (in cases of denial of compensation), or insurer (in cases of award of compensation), must reimburse the SIF for monies expended during the appeal process. This statute was repealed with passage of P.A. 95-277 for appeals filed on injuries occurring after July 1, 1995. During fiscal years 2008 and 2007, there were no benefits paid for appeals cases.

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

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

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

The allowance for uncollectible account represents those amounts estimated to be uncollectible as of the balance sheet date. The Fund fully reserves for the other receivable balances. (see Note 4)

Capital Assets

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

Claims Benefits Payable

This category of liability represents all outstanding injured worker indemnity and medical expenses incurred as of the balance sheet date. The Fund reimburses insurance companies and self-insured employers for concurrent employment claims as well as cost of living adjustment (COLA) payments. The long-term portion of claims benefits payable represents an estimate of the amount of liability as of June 30, 2008 and June 30, 2007 of the concurrent employment claims and COLAs that will not be submitted to the Fund for a year or more for reimbursement. (see Note 6.)

Settlements Payable

Settlements are negotiated agreements for resolving the Fund's future exposure on injured worker claims. An accrual is made for all settlements committed as of the balance sheet date. (see Note 5)

Accounts Payable and Other Accrued Liabilities

Accounts payable and other accrued liabilities represent administrative expenses of the Fund outstanding as of June 30, 2008 and June 30, 2007 as well as assessments owed to Connecticut Workers' Compensation and other Connecticut employers. (see Note 5)

Compensated Absences

Vacation and sick policy is as follows: Employees hired on or before June 30, 1977 can accumulate up to a maximum of 120 vacation days. Employees hired after that date can accumulate up to a maximum of 60 days. Upon termination or death, the employee is entitled to be paid for the full amount of vacation days owed. No limit is placed on the number of sick days that an employee can accumulate. However, the employee is entitled to payment for accumulated sick time only upon retirement, or after ten years of service upon death, for an amount equal to one-fourth of his/her accrued sick leave up to a maximum payment equivalent of sixty days. (see Note 5)

NOTE 3: ASSESSMENTS

The assessment method for carriers paying on behalf of insured employers is on an actual premium basis. The premium surcharge, which is paid by insured employers through their worker's compensation insurance carrier within 45 days of the close of a quarter, is the premium surcharge rate multiplied by the employer's "SIF's surcharge base" premium on all policies with an effective date for that quarter. "SIF's surcharge base" means direct written premium on policies prior to application of any deductible policy premium credits. The premium surcharge is set yearly based on the Fund's budgetary needs prior to the start of the fiscal year. The annual insured employers' assessment rate for the fiscal year ending June 30, 2008 was 3.5% and for the fiscal year ending June 30, 2007 was 4.00%.

The method of assessment for self-insured employers is a quarterly billing based on the previous calendar year's paid losses. The annual assessment rate for self-insured employers for the fiscal year ending June 30, 2008 was 6.7% and for the fiscal year ending June 30, 2007 was 8.4%.

NOTE 4: RECEIVABLES

The following is an analysis of the changes in the Fund receivable balances:

As of June 30, 2008:

	Beginning Balance	Additions	Cash Receipts	Write-Offs	Ending Balance	Amount Due Within One Year	Allowance for Uncollectible
Assessments	$16,797,894	$63,872,059	$68,794,751	$0	$11,875,202	$10,323,070	$1,552,132
Non-Compliance 355	8,277,130	3,294,699	350,561	2,938,843	8,282,425	0	8,282,425
Other Receivables	950,286	235,106	340,788	126,172	718,432	16,723	701,709
Total Receivables	$26,025,310	$67,401,864	$69,486,100	$3,065,015	$20,876,059	$10,339,793	$10,536,266

As of June 30, 2007:

	Beginning Balance	Additions	Cash Receipts	Write-Offs	Ending Balance	Amount Due Within One Year	Allowance for Uncollectible
Assessments	$17,095,152	$79,399,861	$79,697,119	$0	$16,797,894	$12,564,517	$4,233,377
Non-Compliance 355	9,573,147	4,067,094	520,437	4,842,674	8,277,130	0	8,277,130
Other Receivables	943,019	328,508	196,854	124,387	950,286	0	950,286
Total Receivables	$27,611,318	$83,795,463	$80,414,410	$4,967,061	$26,025,310	$12,564,517	$13,460,793

The outstanding balance of the long-term receivable as of June 30, 2008 is $0 and June 30, 2007 is $1 million.

NOTE 5: LIABILITES AND COMPENSATED ABSENCES

The following is an analysis of the changes in the Fund liabilities and compensated absence balances:

As of June 30, 2008:

	Beginning Balance	**Additions**	**Cash Disbursements**	**Ending Balance**	**Amount Due Within One Year**
Claims and Benefits Payable	$8,293,319	$27,575,239	$27,883,093	$7,985,465	$7,018,965
Settlements Payable	2,510,865	9,975,232	10,113,860	2,372,237	2,372,237
Accounts Payable & Accrued Expenses	1,406,519	7,433,576	7,894,615	945,480	945,480
Compensated Absences	397,081	50,630	0	447,711	332,740
Total Liabilities & Compensated Absences	$12,607,784	$45,034,677	$45,891,568	$11,750,893	$10,669,422

As of June 30, 2007:

	Beginning Balance	**Additions**	**Cash Disbursements**	**Ending Balance**	**Amount Due Within One Year**
Claims and Benefits Payable	$8,070,125	$28,107,817	$27,884,623	$8,293,319	$7,337,619
Settlements Payable	3,647,563	8,416,740	9,553,438	2,510,865	2,510,865
Accounts Payable & Accrued Expenses	1,869,737	7,216,589	7,679,807	1,406,519	1,406,519
Compensated Absences	506,114	0	109,033	397,081	289,807
Total Liabilities & Compensated Absences	$14,093,539	$43,741,146	$45,226,901	$12,607,784	$11,544,810

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6: SETTLEMENTS

Negotiations were at various stages of completion for settlements valued and accrued at June 30, 2008 were $2.4 million and at June 30, 2007 were $2.5 million.

NOTE 7: SUBSEQUENT EVENTS

Effective July 1, 2008, the assessment rates for insured employers decreased from 3.5% to 3% on voluntary policies and on assigned risk policies, the assessment rates have decreased from 2.8% to 2.4%. The assessment rate for self-insured employers decreased from 6.7% to 4.7%.

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

CONNECTICUT HIGHER EDUCATION TRUST

STATEMENTS OF ASSETS AND LIABILITIES

	June 30, 2008	June 30, 2007
ASSETS		
Investments, at value (cost: $1,092,438,514 and $890,560,783)	$1,076,414,124	$953,194,656
Cash	1,085,149	1,085,774
Receivable from securities transactions	166,150	38,550
Receivable from Program units sold	1,017,528	1,135,036
Dividends and interest receivable	-	214,193
TOTAL ASSETS	1,078,682,951	955,668,209
LIABILITIES		
Accrued program management fee	679,083	576,966
Accrued state trustee fee	16,146	13,816
Payable for securities transactions	1,034,758	213,834
Payable for Program units repurchased	278,492	72,191
TOTAL LIABILITIES	2,008,479	876,807
NET ASSETS	$1,076,674,472	$954,791,402

See notes to financial statements.

CONNECTICUT HIGHER EDUCATION TRUST

STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED JUNE 30,

	2008	2007
INVESTMENT INCOME		
Interest	$4,116,420	$3,592,953
Dividends	30,795,523	23,878,892
TOTAL INCOME	34,911,943	27,471,845
EXPENSES		
Program management fees	3,787,136	2,961,119
State trustee fees	91,337	71,936
TOTAL EXPENSES	3,878,473	3,033,055
NET INVESTMENT INCOME	31,033,470	24,438,790
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Net realized gain on investments	1,161,237	4,097,002
Realized gain distributions	10,086,369	4,273,504
Net change in unrealized appreciation (depreciation) on investments	(78,658,260)	55,060,385
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	(67,410,654)	63,430,891
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	$(36,377,184)	$87,869,681

See notes to financial statements.

CONNECTICUT HIGHER EDUCATION TRUST

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

	2008	2007
OPERATIONS		
Net Investment income	$31,033,470	$24,438,790
Net realized gain on investments	11,247,606	8,370,506
Net change in unrealized appreciation (depreciation) on investments	(78,658,260)	55,060,385
NET INCREASE (DECREASE) FROM OPERATIONS	(36,377,184)	87,869,681
ACCOUNT OWNER TRANSACTIONS		
Subscriptions	230,364,461	217,717,389
Exchanges, net	(222,527)	-
Redemptions	(71,881,680)	(55,139,909)
NET INCREASE FROM ACCOUNT OWNER TRANSACTIONS	158,260,254	162,577,480
NET INCREASE IN NET ASSETS	121,883,070	250,447,161
NET ASSETS:		
Beginning of year	954,791,402	704,344,241
End of year	$1,076,674,472	$954,791,402

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1—ORGANIZATION

The Connecticut Higher Education Trust Program (the "Program") was formed on July 1, 1997 by Connecticut law, to help people save for the costs of education after high school. The Program is administered by the Treasurer of the State of Connecticut, as trustee (the "Trustee") of the Connecticut Higher Education Trust (the "Trust"). The Trustee has the authority to enter into contracts for program management services, adopt regulations for the administration of the Program and establish investment policies for the Program. TIAA-CREF Tuition Financing, Inc. ("TFI"), a wholly-owned subsidiary of Teachers Insurance and Annuity Association of America ("TIAA"), and the Trustee have entered into a Management Agreement under which TFI serves as Program Manager. The Program is a qualified tuition program under Section 529 of the Internal Revenue Code which was established pursuant to Section 529 and the Connecticut Statutes. Investment options and allocations, as approved by the Trustee, are described in the current Disclosure Booklet for the Program.

The assets in the Principal Plus Interest Option are allocated to a funding agreement issued by TIAA-CREF Life Insurance Company ("TIAA-CREF Life"), a subsidiary of TIAA, which provides the Trust with a guarantee of principal and minimum annual rate of return of not less than 1% nor more than 3%, with the possibility of such additional returns as may be declared in advance by TIAA-CREF Life.

Teachers Advisors, Inc. ("Advisors"), an affiliate of TFI, is registered with the Securities and Exchange Commission ("Commission") as an investment adviser and provides investment advisory services to the TIAA-CREF Institutional Mutual Funds. Teachers Personal Investors Services, Inc. ("TPIS"), an affiliate of TFI, and TIAA-CREF Individual & Institutional Services, LLC ("Services"), also an affiliate of TFI, both of which are registered with the Commission as broker-dealers and are members of the Financial Industry Regulatory Authority, provide the telephone counseling, marketing and information services required of TFI as Program Manager.

NOTE 2—SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies consistently followed by the Program, which are in conformity with accounting principles generally accepted in the United States ("U.S. GAAP").

Use of Estimates: The preparation of financial statements may require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income, expenses and related disclosures. Actual results may differ from those estimates.

Valuation of Investments: The market value of the investments in the underlying mutual funds is based on the respective net asset values of the respective classes of the mutual funds as of the close of business on the valuation date. The value of the TIAA-CREF Life Funding Agreement is stated at the principal contributed and earnings credited less any withdrawals to date which in the good faith judgment of the Program Manager approximates fair value. The TIAA-CREF Life Funding Agreement has a floating rate of interest that resets based on a projected rate of return of assets held by the agreement.

Accounting for Investments: Securities transactions are accounted for as of the date the securities are purchased or sold (trade date). Interest income is recorded as earned. Dividend income and capital gain distributions from TIAA-CREF Institutional Mutual Funds are recorded on the exdividend date. Realized gains and losses are based upon the specific identification method.

Federal and State Income Tax: The Program constitutes a qualified tuition program under Section 529 of the Internal Revenue Code which exempts earnings on qualified withdrawals from federal income tax and does not have any unrelated business income subject to tax. Earnings are exempt from Connecticut income tax.

Program Units: The beneficial interest of each participant in the investment options is represented by Program units. Subscriptions and redemptions are recorded upon receipt of a participant's instructions that are in good order, based on the next determined net asset value per Program unit ("Program Unit Value"). Program unit values for each Investment Option are determined at the close of business of the New York Stock Exchange (generally 4:00 pm Eastern Time). There are no distributions of net investment gains or net investment income to the Investment Options participants or beneficiaries.

NOTE 3—MANAGEMENT AGREEMENTS

For its services as Program Manager, with respect to the Managed Allocation Option, the Aggressive Managed Allocation Option, the 100% Equity Index Option, the 100% Fixed Income Option, the Social Choice Option, the Money Market Option and the High Equity Option, TFI is paid an annual asset based program management fee of 0.305% to 0.55% depending on the Investment Option. The program management fee plus the specific investment management fees for the underlying investments in the TIAA-CREF Institutional Mutual Funds plus the state fee (described below) shall not exceed 0.65% of the average daily net assets of the Trust invested in such investment options. The state trustee fee is not charged on assets invested in the Principal Plus Interest Option and the Administrative Account; however, an expense fee is paid to TFI by TIAA-CREF Life Insurance Company for distribution, administrative and other reasonable expenses.

The Trustee collects a State Fee of 0.01% of the average daily net assets of the Trust annually to pay for expenses related to the oversight of the Trust. The Trustee is authorized to withdraw a State Fee of up to 0.02% of the average daily net assets of the Trust.

Total fees earned by TFI, and related entities, for the year ended June 30, 2008 were $5,852,673, which includes $3,787,136 due directly from the Program and $2,065,537 due on Program investments in the TIAA-CREF Institutional Mutual Funds. The fees charged to each portfolio are disclosed in the Statement of Operations.

NOTE 4—INVESTMENTS

At June 30, 2008, net unrealized depreciation of portfolio investments was $16,024,390, consisting of gross unrealized appreciation of $3,900,034 and gross unrealized depreciation of $19,924,424.

Purchases and sales of non-government portfolio securities for the year ended June 30, 2008 were $291,495,614 and $98,504,221, respectively.

At June 30, 2008, the Program's investments consisted of the following:

	SHARES	COST	MARKET VALUE
TIAA-CREF Institutional Mutual Funds (Institutional Class):			
Inflation Linked Bond Fund	9,391,714	$97,512,212	$100,585,261
Equity Index Fund	25,538,015	244,829,563	243,377,278
International Equity Index Fund	5,110,985	102,860,912	101,350,833
Bond Fund	28,795,298	289,640,455	285,073,451
Real Estate Securities Fund	2,929,694	37,491,574	30,087,953
Money Market Fund	71,252,994	71,252,230	71,252,993
Mid-Cap Growth Fund	624,029	10,187,885	11,014,108
Mid-Cap Value Fund	620,198	11,017,179	10,245,669
S&P 500 Index Fund	6,524,285	96,909,859	94,928,344
Small-Cap Equity Fund	929,787	13,898,588	11,696,726
Social Choice Equity Fund	59,773	662,975	626,426
TIAA-CREF Institutional Mutual Fund (Retail Class):			
Money Market Fund*	365,147	365,147	365,147
TIAA-CREF Life Insurance Company:			
Funding Agreement	8,857,036	115,809,935	115,809,935
		$1,092,438,514	$1,076,414,124

* Represents the assets of the administrative accounts

An Account Owner has an investment in an Investment Option and not a direct investment in any underlying mutual fund or other investment vehicle.

NOTE 5 – RECENTLY ADOPTED ACCOUNTING STANDARDS

In July 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in the financial statements and is effective for fiscal years beginning after December 15, 2006. Management has evaluated the application of FIN 48 to the Program's financial statements for the year ended June 30, 2008 and has determined under guidelines established by FIN 48 that no adjustments should be made to these financial statements.

NOTE 6 — NEW ACCOUNTING PRONOUNCEMENTS

In September 2006, FASB issued Statement of Accounting Standards No. 157, “Fair Value Measurement” (“SFAS 157”). SFAS 157 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles (“GAAP”), and expands disclosures about fair value measurements. SFAS 157 does not require a new fair value measurement but the application could change current practice in determining fair value and may require modifications to financial statement amounts and disclosures. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. Management is still assessing the impact of SFAS 157 on these financial statements.

CONNECTICUT HIGHER EDUCATION TRUST

REPORT OF INDEPENDENT AUDITORS

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

In our opinion, the accompanying statement of assets and liabilities and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of nineteen portfolios constituting the Connecticut Higher Education Trust Program (hereafter referred to as the “Program”) at June 30, 2008, the results of each of their operations, the changes in each of their net assets and each of their financial highlights for the year then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as “financial statements”) are the responsibility of TIAA-CREF Tuition Financing, Inc (hereafter referred to as the “Program Manager”). Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these financial statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the Program Manager, and evaluating the overall financial statement presentation.We believe that our audit provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
New York, New York
September 12, 2008

STATE OF CONNECTICUT SPECIAL OBLIGATION RATE REDUCTION BONDS

STATEMENT OF NET ASSETS
FOR THE YEARS ENDED DECEMBER 31,

	2007	2006
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,673,176	$ 5,414,268
Receivables	2,483,116	2,424,101
Total Current Assets	6,156,292	7,838,369
Noncurrent assets:		
Trustee cash and cash equivalents	20,534,500	20,534,500
Total noncurrent assets	20,534,500	20,534,500
Total Assets	**$ 26,690,792**	**$ 28,372,869**
LIABILITIES		
Current liabilities:		
Special obligation bonds payable - current portion	$ 29,830,000	$ 28,450,000
Accounts payable and accrued liabilities	150,000	150,000
Interest payable	-	-
Total current liabilities	29,980,000	28,600,000
Noncurrent liabilities:		
Special obligation bonds payable	81,160,000	110,990,000
Premium on special obligation bonds, net of amortization	6,133,097	7,885,411
Total Noncurrent liabilities	87,293,097	118,875,411
Total Liabilities	**$ 117,273,097**	**$ 147,475,411**
NET ASSETS		
Restricted for Debt Service	24,207,676	25,948,768
Unrestricted Deficit	(114,789,980)	(145,051,310)
Total Net Deficit	**$ (90,582,304)**	**$ (119,102,541)**

See accompanying Notes to the Financial Statements.

STATE OF CONNECTICUT SPECIAL OBLIGATION RATE REDUCTION BONDS

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

	2007	2006
Operating Revenues		
Utilities Revenues	$ 31,832,395	$ 28,707,406
Operating Expenses		
Administrative Expenses	304,869	309,849
Operating Income	31,527,526	28,397,557
Non-Operating Revenues (Expenses)		
Interest Income	1,676,697	1,957,756
Amortization of Bond Premium	1,752,314	1,752,314
Interest Expense	(6,436,300)	(7,733,463)
Costs of Issuance	-	-
Total Non-Operating Revenues (Expenses)	(3,007,289)	(4,023,392)
Net Income before special and extraordinary items	28,520,237	24,374,165
Special and Extraordinary Items		
Bonds Issued	-	-
Deferred Revenue	-	-
Capital Contribution	-	-
Change in Net Assets	28,520,237	24,374,165
Net Assets, beginning	(119,102,541)	(143,476,706)
Net Assets, ending	$ (90,582,304)	$ (119,102,541)

See accompanying Notes to the Financial Statements.

STATE OF CONNECTICUT SPECIAL OBLIGATION RATE REDUCTION BONDS

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	2007	2006
Cash Flows from Operating Activities		
Source:		
Collection revenues	$ 31,773,380	$ 29,217,626
Trustee cash	-	-
	31,773,380	29,217,626
Use:		
Administrative expenses	(304,869)	(159,849)
Net cash provided by operating activities	31,468,511	29,057,777
Cash Flows from Noncapital Financing Activities		
Special Obligation Bonds	28,450,000	27,155,000
Interest expense on Bonds	6,436,300	7,733,463
Cost of issuance	-	-
Net cash used from noncapital financing activities	34,886,300	34,888,463
Cash Flows from Investing Activities		
Interest income	(1,676,697)	(1,957,756)
Net Cash provided by investing activities	(1,676,697)	(1,957,756)
Net Increase (Decrease) in cash and cash equivalents	(1,741,092)	(3,872,929)
Cash and cash equivalents, December 31, 2006	5,414,268	9,287,198
Cash and cash equivalents, December 31, 2007	$ 3,673,176	$ 5,414,268

Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	$ 31,527,526	$ 28,397,557
Adjustments to reconcile operating income to net cash:		
Decrease (increase) in assets:		
Decrease in trustee cash	-	-
Increase in receivables	(59,015)	510,220
Increase (decrease) in liabilities	-	-
Increase in accounts payable & accrued expenses	-	150,000
Net Cash provided by Operating Activities	$ 31,468,511	$ 29,057,777

See accompanying Notes to the Financial Statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: INTRODUCTION AND BASIS OF PRESENTATION

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

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

The State of Connecticut, acting through the Office of the Treasurer, was authorized to issue the bonds. Repayment of the bonds including principal and interest, servicing fees, trustee fees, rating agency fees, legal and accounting fees and other related fees and expenses are payable solely from the State RRB charge. The State RRB charge is to be used exclusively for this purpose until the bonds have matured on June 30, 2011. As of December 31, 2007 there is $110,990,000 of outstanding principal and interest remaining. State RRB revenue recognized during calendar year 2007 is $31,832,395 while the principal and interest paid during the year amounted to $28,450,000. Neither the full faith and credit nor the taxing power of the State is pledged to the bonds.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

In June 1999, Government Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. The Fund implemented GASB No. 34 effective July 1, 2004. GASB No. 34, Paragraph 67, requires the Fund to utilize the enterprise fund form of reporting. The reporting focuses on the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. The full accrual form of accounting is employed, and revenues are recognized when earned, and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash. GASB No. 34 has defined an enterprise fund as a governmental unit in which the activity is financed with debt that is secured solely by a pledge of the revenues from fees and charges of an activity. In addition, if the long-term debt is to be serviced by the Fund, then it is accounted for by the Fund.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of the Fund are the monies assessed against each customer and applied equally to each company's retail customers of the same class. Companies are defined as CL&P and UI, who service the Transition Property and collect the State RRB charge.

NOTES TO FINANCIAL STATEMENTS (Continued)

Receivables

The receivables balance is composed of collection receivables.

Trustee Cash and Cash Equivalents

Trustee cash and cash equivalents consist of funds in various accounts held by U.S. Bank National Association as required by the Indenture of Trust dated June 23, 2004, covering the 2004 Series A Special Obligation Rate Reduction Bonds. These accounts include a Collection Account, Bond Account, Reserve Account, Rebate Account, and Cost of Issuance Account.

Bond Premiums

The premium on the revenue bonds is being amortized over the term of the bonds on a straight-line basis, which yields results equivalent to the interest method. The initial amount of premium received on the Special Obligation Rate Reduction Bonds was $12,266,194.80. As of December 31, 2007 and 2006, the amount of premium remaining is $6,133,097.40 and $7,885,410.95 respectively.

NOTE 3: SPECIAL ASSESSMENT REVENUE BONDS

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

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

Balance at 12/31/2006	Increases	Decreases	Balance at 12/31/2007	Amount due within one year
$139,440,000	$0.00	$28,450,000	$110,990,000	$29,830,000

Balance at 12/31/2005	Increases	Decreases	Balance at 12/31/2006	Amount due within one year
$166,595,000	$0.00	$27,155,000	$139,440,000	$28,450,000

Bonds were issued on June 23, 2004, for $205,345,000. The outstanding maturities of the remaining 2004 bond issue mature on June 30 and December 30 of each year through 2011 and bear fixed interest rates ranging from 2.50% to 5.00%. For Fiscal Year ended December 31, 2007 and 2006 $28,450,000.00 and $27,155,000.00 respectively of bonds matured. At December 31, 2007 and 2006 amounts needed to pay principal and the respective interest rates payable on the remaining 2004 bond issue amounts were as follows:

2007			2006		
Maturity	Principal	Interest Rate	Maturity	Principal	Interest Rate
			6/30/07	11,025,000	5.00%
			6/30/07	3,040,000	3.00%
			12/30/07	14,385,000	5.00%
6/30/08	11,745,000	5.00%	6/30/08	11,745,000	5.00%
6/30/08	3,000,000	3.00%	6/30/08	3,000,000	3.00%
12/30/08	15,085,000	5.00%	12/30/08	15,085,000	5.00%
6/30/09	12,460,000	5.00%	6/30/09	12,460,000	5.00%
6/30/09	3,000,000	3.50%	6/30/09	3,000,000	3.50%
12/30/09	15,825,000	5.00%	12/30/09	15,825,000	5.00%
6/30/10	14,985,000	5.00%	6/30/10	14,985,000	5.00%
6/30/10	1,235,000	3.50%	6/30/10	1,235,000	3.50%
12/30/10	16,620,000	5.00%	12/30/10	16,620,000	5.00%
6/30/11	14,020,000	5.00%	6/30/11	14,020,000	5.00%
6/30/11	3,015,000	4.00%	6/30/11	3,015,000	4.00%
	110,990,000			139,440,000	

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

At December 31, 2007 and 2006 the Trustee Accounts included the following:

	2007	2006
Reserve Account	$20,599,773	$20,534,500
Collection Account	3,607,904	5,414,268
Total Trustee Accounts	$24,207,677	$25,948,768

NOTE 4: PREMIUM ON SPECIAL ASSESSMENT REVENUE BONDS

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

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

NOTE 5: CASH DEPOSITS - CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that, in the event of a bank failure, the Fund deposits may not be returned to it. The Fund deposits cash in various accounts held by U.S. Bank N.A, as successor to Wachovia Bank National Association, as required by the Indenture of Trust dated June 23, 2004, covering the 2004 Series A Special Obligation Rate Reduction Bonds. Deposits in banks are insured up to $100,000; any amount above this limit is considered uninsured. Additionally, state banking law requires all financial institutions that accept State of Connecticut deposits to segregate collateral against these deposits in an amount equal to ten percent of the outstanding deposit. As of December 31 2007 and 2006, $0 and $24,332 respectively of the Fund balance was exposed to custodial credit risk representing the portion that was uninsured and collateral held by the pledging bank not in the name of the State of Connecticut.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6: INVESTMENTS

As of December 31, 2007, the Fund's investments consisted of the following:

	Investment Maturities (In Years)			
	Fair Value	Less Than 1	1 to 5	6 to 10
Securities				
Short-Term Investment Fund	$10,720,080	$10,720,080	$0	$0
Guaranteed investment contract	13,000,000	0	0	13,000,000
	$23,720,080	$10,720,080	$0	$13,000,000

As of December 31, 2006, the Fund's investments consisted of the following:

	Investment Maturities (In Years)			
	Fair Value	Less Than 1	1 to 5	6 to 10
Securities				
Short-Term Investment Fund	$12,824,436	$12,824,436	$0	$0
Guaranteed investment contract	13,000,000		0	13,000,000
	$25,824,436	$12,824,436	$0	$13,000,000

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

Interest Rate Risk

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

Credit Risk

The Fund's investments in securities were rated by Standard and Poor's as of December 31, 2007 as follows:

Securities	Fair Value	AAA
Short-Term Investment Fund	$10,720,080	$10,720,080
Guaranteed Investment Contract	13,000,000	13,000,000
	$23,720,080	$23,720,080

Concentrations of Credit Risk

The Fund places no limit on the amount of investment in any one issuer. More than 5% of the Fund's investments are in a guaranteed investment contract with FSA in the amount $13,000,000 as of December 31, 2007. This investment represents 50% of the Fund's total investments. The Fund's investment policies are delineated in Section 509 of the Indenture of Trust dated June 23, 2004. In addition, in accordance with Connecticut General Statutes, allowable investments include: 1) obligations, securities, and investments set forth in subsection (f) of Section 3-20 of the Connecticut General Statutes and 2) participation certificates in the State's Short-Term Investment Fund created under Section 3-27a of the Connecticut General Statutes.

NOTE 7: SUBSEQUENT EVENTS

Public Act No. 07-1 of the June 2007 Special Session, Sections 21 and 134 authorizes the use of 2007 fiscal year General Fund surplus in the amount of $85,000,000 to be used for the purpose of defeasing or purchasing some or all of the 2004 Series A Special Obligation Rate Reduction Bonds maturing after December 30, 2007. It is anticipated that this transaction will occur prior to the end of the State's 2008 fiscal year.

STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS

KEVIN P. JOHNSTON

STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

ROBERT G. JAEKLE

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying Statement of Net Assets of the State of Connecticut Special Obligation Rate Reduction Bonds as of December 31, 2007 and 2006, and the related Statements of Revenues, Expenses, and Changes in Net Assets, and Cash Flows for the years then ended. These financial statements are the responsibility of the management of the State Treasury. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the State Rate Reduction Bond charge is calculated, billed, and collected by two investor-owned electric utilities pursuant to servicing agreements with the State. We did not audit the electric utilities' compliance with the servicing agreements, which were examined by other auditors.

The financial statements present only the Statement of Net Assets of the State of Connecticut Special Obligation Rate Reduction Bonds as of December 31, 2007 and 2006 and the Statements of Revenues, Expenses, and Changes in Net Assets, and Cash Flows for the years then ended, and are not intended to present fairly the financial position and the results of operations of the Enterprise Funds of the State of Connecticut, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State of Connecticut Special Obligation Rate Reduction Bonds as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the financial statements of the State of Connecticut Special Obligation Rate Reduction Bonds taken as a whole. The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the Management's Discussion and Analysis and express no opinion on it.

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

Robert G. Jaekle
Auditor of Public Accounts

May 16, 2008
State Capitol
Hartford, Connecticut

TAX EXEMPT PROCEEDS FUND, INC.

STATEMENT OF ASSETS AND LIABILITIES
JUNE 30, 2008

ASSETS		
Investments in securities, at amortized cost (Note 1)	$	180,929,277
Cash		745,131
Accrued interest receivable		398,050
Other receivable		14
Total assets		182,072,472
LIABILITIES		
Payable for securities purchased		7,592,790
Payable to affiliates * (Note 2)		47,405
Dividends payable		1,539
Total liabilities		7,641,734
Net assets	$	174,430,738
SOURCE OF NET ASSETS:		
Net capital paid in on shares of capital stock (Note 3)	$	174,430,738
Accumulated net realized gain/loss		-0-
Net assets	$	174,430,738
Net asset value, per share (applicable to 174,435,813 shares outstanding)	$	1.00

* Fees payable to Reich & Tang Asset Management, LLC.

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

TAX EXEMPT PROCEEDS FUND, INC.

SCHEDULE OF INVESTMENTS
JUNE 30, 2008

Face Amount		Maturity Date	Current Coupon(b)	Value (Note 1)	Ratings (a) Moody's	Ratings (a) Standard & Poor's
Put Bonds (c) (1.72%)						
$ 3,000,000	Plaquemines, LA Port, Harbor & Terminal District Port Facility RB (Chevron Pipeline Company Project) – Series 1984	09/01/08	3.85%	$ 3,000,000	P-1	A-1+
3,000,000	**Total Put Bond**			**3,000,000**		
Tax Exempt Commercial Paper (1.29%)						
$ 2,250,000	Harris County, TX – Series C	08/07/08	1.75%	$ 2,250,000	P-1	A-1+
2,250,000	**Total Tax Exempt Commercial Paper**			**2,250,000**		
Tax Exempt General Obligation Notes & Bonds (7.79%)						
$ 3,000,000	Davis County, UT Board of Education of Davis School District, TAN – Series 2008	06/30/09	1.78%	$ 3,035,760	MIG-1	
4,000,000	Racine, WI Unified School District TRAN	07/25/08	3.70	4,001,389	MIG-1	
1,500,000	State of Idaho TAN – Series 2008	06/30/09	1.72	1,518,810	MIG-1	SP-1+
3,000,000	State of Oregon Full Faith and Credit TAN – 2008 Series A	06/30/09	1.70	3,038,220	MIG-1	SP-1+
2,000,000	Dane and Columbia Counties, WI Sun Prairie Area School District BAN	02/20/09	1.67	2,000,098	MIG-1	
13,500,000	**Total Tax Exempt General Obligation Notes & Bonds**			**13,594,277**		
Variable Rate Demand Instruments (d) (92.92%)						
$ 1,145,000	Alachua County, FL IDRB (Oak Hall Private School, Inc. Project) – Series 2007 LOC SunTrust Bank	07/01/31	1.58%	$ 1,145,000	VMIG-1	
4,500,000	BB&T Municipal Trust Floater Certificates – Series 1007 LOC Branch Banking & Trust Company	12/18/27	1.67	4,500,000	VMIG-1	
4,000,000	City of Aurora, CO Cornerstar Metropolitan District – Series 2007 LOC Compass Bank	12/01/37	1.63	4,000,000		A-1
1,700,000	City of Birmingham, AL Special Care Facilities Financing Authority RB (United Cerebral Palsy of Greater Birmingham Inc. Project) – Series 2006 LOC AmSouth Bank	12/01/19	1.61	1,700,000	VMIG-1	
3,000,000	City of Cohasset, MN RB (Minnesota Power & Light Company Project) – Series 1997A LOC LaSalle National Bank, N.A.	06/01/20	1.55	3,000,000		A-1+
2,000,000	City of Montgomery, AL IDB Pollution Control & Solid Waste Disposal Revenue Refunding Bonds (General Electric Company Project) – Series 2005	05/01/21	2.30	2,000,000	VMIG-1	A-1+

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

SCHEDULE OF INVESTMENTS (Continued)
JUNE 30, 2008

Face Amount		Maturity Date	Current Coupon(b)	Value (Note 1)	Ratings (a) Moody's	Ratings (a) Standard & Poor's
Variable Rate Demand Instruments (d) (Continued)						
$ 1,000,000	City of Valdez, AK Marine Terminal Revenue Refunding Bonds (BP Pipelines (Alaska) Inc. Project) – Series 2003B	07/01/37	2.05%	$ 1,000,000	VMIG-1	A-1+
3,000,000	Colorado Health Facilities Authority HRB (Boulder Community Hospital Project) – Series 2000 LOC Bank One, N.A.	10/01/30	1.75	3,000,000	VMIG-1	A-1+
5,000,000	Columbus, OH Regional Airport Authority Capital Funding RB (Oasbo Expanded Asset Pooled Financing Program) - Series 2006 LOC U.S. Bank N.A.	12/01/36	1.57	5,000,000	VMIG-1	
4,705,000	Cuyahoga County, OH (Cleveland Health Education Museum Project) LOC Key Bank N.A.	03/01/32	1.59	4,705,000	VMIG-1	
2,500,000	Dade County, FL IDA Pollution Control Revenue Refunding Bonds (Florida Power & Light Company Project) –Series 1995	04/01/20	2.40	2,500,000	VMIG-1	A-1+
5,900,000	Delaware State EDA RB (Delaware Hospice Inc. Project) – Series 2007 LOC Wilmington Trust	02/01/32	1.55	5,900,000	VMIG-1	
4,000,000	Development Authority of Fulton County, GA RB (Piedmont Healthcare, Inc. Project) – Series 2007 LOC SunTrust Bank	06/01/37	1.53	4,000,000	VMIG-1	
1,000,000	Emmaus, PA General Authority Local Government (Westchester Area School District Project) – Series 1989 B-24 LOC Depfa Bank PLC	03/01/24	1.50	1,000,000		A-1+
2,000,000	Florida Housing Finance Corporation Multifamily Housing Revenue Refunding Bonds (Charleston Landing Apartments) – Series 2001 I-A Guaranteed by Federal Home Loan Mortgage Corporation	07/01/31	1.56	2,000,000		A-1+
2,250,000	Florida Housing Finance Corporation Multifamily Housing Revenue Refunding Bonds (Island Club Apartments) – Series 2001J-A Guaranteed by Federal Home Loan Mortgage Corporation	07/01/31	1.56	2,250,000		A-1+
1,430,000	Houston County, GA Development Authority (Middle Georgia Community Action Agency) – Series 2001 LOC Columbus Bank & Trust Company	01/01/31	1.70	1,430,000	P-1	A-1
3,400,000	Illinois Development Finance Authority RB (Glenwood School For Boys) – Series 1998 LOC Harris Trust & Savings Bank	02/01/33	1.55	3,400,000		A-1+

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

SCHEDULE OF INVESTMENTS (Continued)
JUNE 30, 2008

Face Amount		Maturity Date	Current Coupon(b)	Value (Note 1)	Ratings (a) Moody's	Ratings (a) Standard & Poor's
Variable Rate Demand Instruments (d) (Continued)						
$ 3,000,000	Illinois Financial Authority RB (Riverside Health System) – Series 2004 LOC JP Morgan Chase Bank, N.A	11/15/29	1.50%	$ 3,000,000	VMIG-1	A-1+
1,000,000	Iowa Higher Education Loan Authority Private College Facility RB (Mount Mercy College Project) – Series 2002 LOC Bank of America, N.A.	07/01/25	2.40	1,000,000		A-1+
2,800,000	Iowa Higher Education Loan Authority Private College Facility RB (University of Dubuque Project) – Series 2007 LOC Northern Trust Company	04/01/35	2.40	2,800,000		A-1+
1,310,000	Jefferson County, KY Industrial Building RB (Seven Counties Services, Inc. Project) – Series 1999A LOC Fifth Third Bank	01/01/19	1.70	1,310,000	P-1	A-1+
5,700,000	Long Island Power Authority, NY Electric System Subordinated RB – Series 3B LOC Westdeutsche Landesbank Girozentrale	05/01/33	2.29	5,700,000	VMIG-1	A-1+
5,000,000	Louisiana Housing Finance Agency (Canterbury House Apartments – Sherwood) – Series 2007 LOC Charter One Bank, N.A.	09/15/40	1.60	5,000,000	VMIG-1	
2,000,000	Marion County, FL IDA Multifamily Housing Revenue Refunding Bonds (Chambrel at Pinecastle Project) – Series 2002 Guaranteed by Federal National Mortgage Association	11/15/32	1.56	2,000,000		A-1+
1,500,000	Mark Milford Hicksville Joint Township Hospital District, OH Hospital Facilities RB – Series 2005 (Commuinity Memorial Hospital of Hicksville) LOC Fifth Third Bank	12/01/37	1.61	1,500,000	P-1	A-1+
6,700,000	Marshall County, WV PCRB (Mountaineer Carbon Company Project) – Series 1985	12/01/20	1.70	6,700,000	P-1	A-1+
4,000,000	Maryland Health and Higher Educational Facilities Authority RB (University of Maryland Medical System Issue) – Series 2007A LOC Wachovia Bank, N.A.	07/01/34	1.47	4,000,000	VMIG-1	A-1+
6,000,000	Metropolitan Transportation Authority, NY RB – Series 2005E-2 LOC Fortis Bank	11/01/35	1.50	6,000,000	VMIG-1	A-1+
7,000,000	Missouri State Health & Educational Facilities Authority RB (Christian Brothers College High School) – Series 2002A LOC Commerce Bank, N.A.	10/01/32	2.43	7,000,000		A-1

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

SCHEDULE OF INVESTMENTS (Continued)
JUNE 30, 2008

Face Amount		Maturity Date	Current Coupon(b)	Value (Note 1)	Ratings (a) Moody's	Standard & Poor's
Variable Rate Demand Instruments (d) (Continued)						
$ 1,000,000	Missouri State Health & Educational Facilities Authority RB (Ranken Technical College) – Series 2007 LOC Northern Trust Company	11/15/31	2.40%	$ 1,000,000		A-1+
2,300,000	Missouri State Health & Educational Facilities Authority RB (The Washington University) – Series 2000A	03/01/40	1.60	2,300,000	VMIG-1	A-1+
1,800,000	Nassau County, NY Industrial Development Agency Civic Facility Refunding and Improvement RB (1999 Cold Spring Harbor Laboratory Project)	01/01/34	1.60	1,800,000		A-1+
1,000,000	New Jersey EDA IDRB (CST Products, LLC Project) – Series 2006 LOC National Bank of Canada	04/01/26	1.66	1,000,000		A-1
1,300,000	New Ulm, MN Hospital Facility RB (Health Central Systems Project) – Series 1985 LOC Wells Fargo Bank, N.A.	08/01/14	1.60	1,300,000		A-1+
1,000,000	New York City, NY GO Bonds – Fiscal 1994 Series A-8 LOC JP Morgan Chase Bank, N.A	08/01/17	2.29	1,000,000	VMIG-1	A-1+
1,300,000	New York City, NY GO Bonds – Fiscal 1994 Series E-5 LOC JP Morgan Chase Bank, N.A	08/01/10	1.45	1,300,000	VMIG-1	A-1+
1,400,000	New York State Dormitory Authority RB (Cornell University) – Series 1990B	07/01/25	1.65	1,400,000	VMIG-1	A-1+
5,000,000	New York State Dormitory Authority RB (Cornell University) – Series 2008B	07/01/37	2.00	5,000,000	VMIG-1	A-1+
2,300,000	New York City, NY GO – Fiscal 1994 – Sub-Series A-4 LOC Bayerische Landesbank	08/01/22	1.60	2,300,000	VMIG-1	A-1+
1,800,000	Newport City, KY League of Cities Funding Trust Lease Program RB - Series 2002 LOC US Bank, N. A.	04/01/32	1.63	1,800,000	VMIG-1	
2,275,000	North Carolina Capital Facilities Finance Agency Capital Facilities RB (The Mental Health Association in North Carolina, Inc. Project) – Series 2007 LOC Branch Banking & Trust Company	02/01/27	1.61	2,275,000	P-1	A-1+
1,500,000	North Carolina Medical Care Commission HRB (Duke University Hospital Project) – Series 1993A	06/01/23	1.48	1,500,000	VMIG-1	A-1+
1,200,000	North Carolina Medical Care Commission HRB (Pooled Financing Project) – Series 1991B LOC First Union National Bank	10/01/13	2.35	1,200,000	VMIG-1	

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

SCHEDULE OF INVESTMENTS (Continued)
JUNE 30, 2008

Face Amount		Maturity Date	Current Coupon(b)	Value (Note 1)	Ratings (a) Moody's	Ratings (a) Standard & Poor's
Variable Rate Demand Instruments (d) (Continued)						
$ 1,000,000	Orange County, FL Health Facilities Authority HRB (Orlando Regional Healthcare System) – Series 2004 LOC SunTrust Bank	10/01/15	1.50%	$ 1,000,000	VMIG-1	
4,000,000	Palm Beach County, FL Educational Facilities Authority RB (Lynn University Project) – Series 2001 LOC Bank of America, N.A.	11/01/21	1.55	4,000,000	P-1	A-1+
3,000,000	Panama City, FL Bay Medical Center HRB – Series 2007B LOC Regions Bank	10/01/27	1.60	3,000,000	VMIG-1	
7,000,000	Parish of East Baton Rouge, LA Pollution Control Revenue Refunding Bonds (Exxon Project) – Series 1989	11/01/19	2.22	7,000,000	P-1	A-1+
1,000,000	St. Lucie County, FL Pollution Control Revenue Refunding Bonds (Florida Power & Light Company Project) –Series 2000	09/01/28	2.52	1,000,000	VMIG-1	A-1+
1,960,000	State of Connecticut GO Bonds – Series 1997B	05/15/14	1.25	1,960,000	VMIG-1	A-1+
2,000,000	State of Connecticut HEFA (Gaylord Hospital Issue) – Series B LOC Bank of America, N.A.	07/01/37	1.48	2,000,000		A-1+
5,000,000	Timnath Development Authority RB (Town of Timnath, CO) – Series 2007 LOC Compass Bank	12/01/29	1.63	5,000,000		A-1
1,410,000	University of Delaware RB– Series 2005	11/01/35	2.05	1,410,000		A-1+
2,700,000	Washington State Housing Finance Commission Nonprofit Housing RB (Rockwood Retirement Communities Program) – Series 2002 LOC Wells Forgo Bank, N.A.	01/01/34	2.36	2,700,000	VMIG-1	
1,100,000	Wisconsin HEFA RB (Alverno College Project) – Series 1997 LOC Allied Irish Banks, PLC	11/01/17	2.43	1,100,000	VMIG-1	
2,200,000	Wisconsin HEFA RB (Aurora Health Care, Inc.) – Series 2006C LOC Marshall & Ilsley Bank	04/01/28	2.40	2,200,000		A-1
6,000,000	Wisconsin HEFA RB (Meriter Hospital, Inc.) – Series 2008C LOC US Bank, N.A.	12/01/35	2.40	6,000,000		A-1+
162,085,000	**Total Variable Rate Demand Instruments**			**162,085,000**		
	Total Investments (103.72%) (Amortized cost $180,929,277†)			**180,929,277**		
	Liabilities in excess of cash and other assets (-3.72%)			**(6,498,539)**		
	Net Assets (100.00%)			**$174,430,738**		

† Aggregate cost for federal income tax purposes is identical.

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

SCHEDULE OF INVESTMENTS (Continued)
JUNE 30, 2008

FOOTNOTES:

(a) Unless the securities are assigned their own ratings, the ratings are those of the bank whose letter of credit guarantees the issue or the insurance company who insures the issue. All letters of credit and insurance are irrevocable and direct pay covering both principal and interest. In addition, certain issuers may have a line of credit, a liquidity facility, a standby purchase agreement or some other financing mechanism to ensure the remarketing of the securities. This is not a guarantee and does not serve to insure or collateralize the issue. Ratings have not been audited by Sanville & Company.

(b) The interest rate shown reflects the securities current coupon, unless yield is available.

(c) The maturity date indicated for the put bond is the next put date.

(d) Securities payable on demand at par including accrued interest (usually with one or seven days notice) and where indicated are unconditionally secured as to principal and interest by a bank letter of credit. The interest rates are adjustable and are based on bank prime rates or other interest rate adjustment indices. The rate shown is the rate in effect at the date of this statement.

KEY:

BAN = Bond Anticipation Note
EDA = Economic Development Authority
GO = General Obligation
HEFA = Health and Educational Facilities Authority
HRB = Hospital Revenue Bond
IDA = Industrial Development Authority
IDB = Industrial Development Board
IDRB = Industrial Development Revenue Bond
LOC = Letter of Credit
PCRB = Pollution Control Revenue Bonds
RB = Revenue Bond
TAN = Tax Anticipation Note
TRAN = Tax and Revenue Anticipation Note

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

TAX EXEMPT PROCEEDS FUND, INC.

BREAKDOWN OF PORTFOLIO HOLDINGS BY STATE
JUNE 30, 2008

States	Value	% of Portfolio
Alabama	$3,700,000	2.05%
Alaska	1,000,000	0.55%
Colorado	12,000,000	6.63%
Connecticut	3,960,000	2.19%
Delaware	7,310,000	4.04%
Florida	18,895,000	10.44%
Georgia	5,430,000	3.00%
Idaho	1,518,810	0.84%
Illinois	6,400,000	3.54%
Iowa	3,800,000	2.10%
Kentucky	3,110,000	1.72%
Louisiana	15,000,000	8.29%
Maryland	4,000,000	2.21%
Minnesota	4,300,000	2.38%
Missouri	10,300,000	5.69%
New Jersey	1,000,000	0.55%
New York	24,500,000	13.54%
North Carolina	4,975,000	2.75%
Ohio	11,205,000	6.19%
Oregon	3,038,220	1.68%
Pennsylvania	1,000,000	0.55%
Texas	2,250,000	1.25%
Utah	3,035,760	1.68%
Washington	2,700,000	1.49%
West Virginia	6,700,000	3.70%
Wisconsin	15,301,487	8.46%
Multiple-State Securities	4,500,000	2.49%
Total	$180,929,277	100.00%

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

TAX EXEMPT PROCEEDS FUND, INC.

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED
JUNE 30, 2008

INVESTMENT INCOME	
Interest income	$ 4,594,389
Expenses (Note 2)	(598,469)
Net investment income	3,995,920
REALIZED GAIN ON INVESTMENTS	
Net realized gain on investments	292
Net increase in net assets resulting from operations	$ 3,996,212

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

TAX EXEMPT PROCEEDS FUND, INC.

STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2008 and 2007

	2008	2007
INCREASE (DECREASE) IN NET ASSETS		
Operations:		
Net investment income	$ 3,995,920	$ 5,645,129
Net realized gain on investments	292	-0-
Increase in net assets resulting from operations	3,996,212	5,645,129
Dividends to shareholders from net investment income	(3,995,920)	(5,645,129)
Capital share transactions (Note 3)	(14,649,716)	33,822,474
Total increase (decrease)	(14,649,424)	33,822,474
Net assets:		
Beginning of year	189,080,162	155,257,688
End of year	$ 174,430,738	$ 189,080,162
Undistributed net investment income	-0-	-0-

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

1. Summary of Accounting Policies

Tax Exempt Proceeds Fund, Inc. (“Fund”) is a no-load, diversified, open-end management investment company registered under the Investment Company Act of 1940. This Fund is a short term, tax exempt money market fund. The Fund’s financial statements are prepared in conformity with accounting principles generally accepted in the United States of America for investment companies as follows:

a) Valuation of Securities -

Investments are valued at amortized cost. Under this valuation method, a portfolio instrument is valued at cost and any discount or premium is amortized on a constant basis to the maturity of the instrument. The maturity of variable rate demand instruments is deemed to be the longer of the period required before the Fund is entitled to receive payment of the principal amount through demand or the period remaining until the next interest rate adjustment.

b) Federal Income Taxes -

It is the Fund’s policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its tax exempt and taxable income, if any, to its shareholders. Therefore, no provision for federal income tax is required.

c) Dividends and Distributions -

Dividends from investment income (excluding capital gains and losses, if any, and amortization of market discount) are declared daily and paid monthly. Distributions of net capital gains, if any, realized on sales of investments are made after the close of the Fund’s fiscal year, as declared by the Fund’s Board of Directors.

d) Use of Estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

e) Representations and Indemnifications -

In the normal course of business the Fund enters into contracts that contain a variety of representations and warranties which provide general indemnifications. The Fund’s maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Fund that have not yet occurred. However, based on experience, the Fund expects the risk of loss to be remote.

f) General -

Securities transactions are recorded on a trade date basis. Interest income including accretion of discount and amortization of premium, is accrued as earned. Realized gains and losses from securities transactions are recorded on the identified cost basis.

2. Investment Management Fees and Other Transactions with Affiliates

Under the Investment Management Contract, the Fund pays an investment management fee to Reich & Tang Asset Management, LLC (the “Manager”) at the annual rate of .40 of 1% per annum of the Fund’s average daily net assets up to $250 million; .35 of 1% per annum of the average daily net assets between $250 million and $500 million; and .30 of 1% per annum of the average daily net assets over $500 million. The Management Contract also provides that the Manager will bear the cost of all other expenses of the Fund. Therefore, the fee payable under the Management Contract will be the only expense of the Fund. At June 30, 2008, the Fund owed $47,405 to the Manager, which is included in payable to affiliates on the Statement of Assets and Liabilities.

Pursuant to a Distribution Plan adopted under Securities and Exchange Commission Rule 12b-1, the Fund and the Manager have entered into a Distribution Agreement. The Fund’s Board of Directors has adopted the plan in case certain expenses of the Fund are deemed to constitute indirect payments by the Fund for distribution expenses.

Directors of the Fund not affiliated with the Manager receive from the Fund (fee is paid by the Manager from its management fee) an annual retainer of $1,250 and a fee of $450 for each Board of Directors meeting attended and are reimbursed for all out-of-pocket expenses relating to attendance at such meeting.

3. Capital Stock

At June 30, 2008, 20,000,000,000 shares of $.001 par value stock were authorized and paid in capital amounted to $174,430,738. Transactions in capital stock, all at $1.00 per share, were as follows:

	YearEnded June 30, 2008	Year Ended June 30, 2007
Sold	894,366,235	1,024,046,205
Issued on reinvestment of dividends	3,981,305	5,553,743
Redeemed	(912,997,256)	(995,777,474)
Net increase (decrease)	(14,649,716)	33,822,474

4. Tax Information

During the year ended June 30, 2008, the Fund utilized $292 of its carry forwards loss and $2,894 expired on June 30, 2008. At June 30, 2008, the Fund had no ordinary distributable earnings.

The Fund has adopted Financial Accounting Standards Board ("FASB") Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109 ("FIN 48")*. FIN 48 requires management to determine whether a tax position of the Fund is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement which could result in the Fund recording a tax liability that would reduce net assets. FIN 48 must be applied to all existing tax positions and open tax years upon initial adoption and the cumulative effect, if any, is to be reported as an adjustment to net assets.

Based on its analysis, management has determined that the adoption of FIN 48 did not have an impact to the Fund's financial statements upon adoption. However, management's conclusions regarding FIN 48 may be subject to review and adjustment at a later date based on factors including, but not limited to, further implementation guidance expected from the FASB, and on-going analyses of tax laws, regulations and interpretations thereof.

5. New Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("FAS 157"). FAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. FAS 157 establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and is to be applied prospectively as of the beginning of the fiscal year in which FAS 157 is initially applied. Management is currently evaluating the application of FAS 157 to the Fund and will provide additional information in relation to FAS 157 in the Fund's semi-annual financial statements for the period ending December 31, 2008.

6. Financial Highlights

	Years Ended June 30,				
	2008	2007	2006	2005	2004
Per Share Operating Performance: (for a share outstanding throughout the year)					
Net asset value, beginning of year	$1.00	$1.00	$1.00	$1.00	$1.00
Income from investment operations:					
Net investment income	0.026	0.032	0.025	0.014	0.006
Less distributions from:					
Dividends from net investment income	(0.026)	(0.032)	(0.025)	(0.014)	(0.006)
Net asset value, end of year	$1.00	$1.00	$1.00	$1.00	$1.00
Total Return	2.68%	3.27%	2.57%	1.36%	0.60%
Ratios/Supplemental Data					
Net assets, end of year (000's)	$174,431	$189,080	$155,258	$150,784	$170,362
Ratios to average net assets:					
Expenses	0.40%	0.40%	0.40%	0.40%	0.40%
Net investment income	2.67%	3.23%	2.55%	1.34%	0.59%

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying statement of assets and liabilities of Tax Exempt Proceeds Fund, Inc. (the "Fund") including the schedule of investments, as of June 30, 2008, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of June 30, 2008, by correspondence with the Fund's custodian. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Tax Exempt Proceeds Fund, Inc. as of June 30, 2008, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

Sanville & Company

Sanville & Company

New York, New York
July 31, 2008

Supplemental Information

STATE OF CONNECTICUT

QUI TRANSTULIT SUSTINET

TREASURER'S OFFICE

COMBINED INVESTMENT FUNDS
TOTAL NET ASSET VALUE BY PENSION PLANS AND TRUST FUNDS
JUNE 30, 2008

Retirement Funds	**Net Asset Value**
Teachers' Retirement Fund	$14,541,624,961
State Employees' Retirement Fund	9,329,738,617
Municipal Employees' Retirement Fund	1,627,636,799
State Judges' Retirement Fund	177,237,133
The Probate Court Retirement Fund	81,448,818
State's Attorneys Retirement Fund	897,999
Non-retirement Trust Funds	
Soldiers' Sailors' & Marines' Fund	60,839,178
Police & Firemans' Survivors' Benefit Fund	20,601,465
Connecticut Arts Endowment Fund	16,285,406
School Fund	9,396,812
Ida Eaton Cotton Fund	2,114,641
Hopemead Fund	2,383,778
Andrew Clark Fund	995,086
Agricultural College Fund	621,985
TOTAL	$25,871,822,678

COMBINED INVESTMENT FUNDS

SCHEDULE OF NET ASSETS BY INVESTMENT FUND
JUNE 30, 2008

	LIQUIDITY FUND	MUTUAL EQUITY FUND	FIXED INCOME FUND	CORE FIXED INCOME FUND	INFLATION LINKED BOND FUND	EMERGING MARKET DEBT FUND	HIGH YIELD DEBT FUND
ASSETS							
Investments in Securities , at Fair Value							
Liquidity Fund	$ -	$66,568,000	$-	$558,806,863	$56,307,042	$47,970,651	$17,772,269
Cash Equivalents	1,273,429,177	-	-	-	-	850,980	-
Asset Backed Securities	205,441,090	-	-	39,948,474	-	-	21,827,991
Government Securities	283,999,399	-	-	702,672,332	1,105,271,320	484,613,477	19,796,547
Government Agency Securities	39,363,506	-	-	1,607,524,881	-	-	-
Mortgage Backed Securities	17,177,495	-	-	883,692,474	-	44,479,164	10,744,713
Corporate Debt	343,079,139	-	-	1,005,101,751	966,666	123,159,786	634,203,914
Convertible Securities	-	-	-	-	-	-	26,990,061
Common Stock	-	7,857,345,360	-	-	-	-	11,869,104
Preferred Stock	-	5,688	-	5,726,850	-	-	1,702,650
Real Estate Investment Trust	-	90,443,313	-	-	-	-	229,800
Mutual Fund	-	2,645,446	-	47,827,205	-	339,221,906	-
Limited Liability Corporation	-	-	-	-	-	-	-
Trusts	-	-	-	-	-	-	-
Limited Partnerships	-	-	-	-	-	-	-
Annuities	-	-	-	-	-	-	-
Total Investments in Securities, at Fair Value	2,162,489,806	8,017,007,807	-	4,851,300,830	1,162,545,028	1,040,295,964	745,137,049
Cash	-	47,328	-	-	803	5,261,264	1,502,410
Receivables							
Foreign Exchange Contracts	-	-	-	138,607,095	-	94,588,092	-
Interest Receivable	3,587,693	171,723	-	36,956,148	10,197,605	13,833,347	20,335,639
Dividends Receivable	-	8,407,368	-	-	-	-	17,268
Due from Brokers	-	20,465,520	-	667,057,285	-	2,953,673	3,591,652
Foreign Taxes	-	-	-	4,094	-	246,638	-
Securities Lending Receivable	-	944,096	-	408,959	244,073	16,594	66,405
Reserve for Doubtful Receivables	-	-	-	(40,000)	-	(255,989)	(5,184,226)
Total Receivables	3,587,693	29,988,707	-	842,993,581	10,441,678	111,382,355	18,826,738
Invested Securities Lending Collateral	-	1,021,916,871	-	745,513,547	602,187,747	21,319,714	95,512,200
Prepaid Expenses	-	-	-	-	-	723,010	-
Total Assets	2,166,077,499	9,068,960,713	-	6,439,807,958	1,775,175,256	1,178,982,307	860,978,397
LIABILITIES							
Payables							
Foreign Exchange Contracts	-	-	-	138,607,095	-	95,443,976	-
Due to Brokers	-	33,823,171	-	966,160,267	-	14,023,383	5,629,331
Income Distribution	4,286,159	-	-	-	-	-	-
Other Payable	-	-	-	50,641,881	-	-	-
Total Payables	4,286,159	33,823,171	-	1,155,409,243	-	109,467,359	5,629,331
Securities Lending Collateral	-	1,021,916,871	-	745,513,547	602,187,747	21,319,714	95,512,200
Accrued Expenses	138,945	13,758,896	-	1,823,703	202,098	860,605	622,473
Total Liabilities	4,425,104	1,069,498,938	-	1,902,746,493	602,389,845	131,647,678	101,764,004
NET ASSETS	$2,161,652,395	$7,999,461,775	$-	$4,537,061,465	$1,172,785,411	$1,047,334,629	$759,214,393
Units Outstanding	2,161,652,395	8,623,122	-	39,848,281	8,939,739	8,817,731	6,740,562
Net Asset Value and Redemption Price per Unit	$1.00	$927.68	$-	$113.86	$131.19	$118.78	$112.63

SCHEDULE OF NET ASSETS BY INVESTMENT FUND (Continued)
JUNE 30, 2008

INTER-NATIONAL STOCK FUND	DEVELOPED MARKET INTERNATIONAL STOCK FUND	EMERGING MARKET INTERNATIONAL STOCK FUND	REAL ESTATE FUND	COMMERCIAL MORTGAGE FUND	PRIVATE INVESTMENT FUND	ELIMINATION ENTRY	TOTAL
$-	$94,716,111	$34,731,058	$33,357,856	$150,190	$111,287,936	$(1,021,667,976)	$-
-	13,226,265	-	-	-	-	-	1,287,506,422
-	-	-	-	-	-	-	267,217,555
-	-	-	-	-	-	-	2,596,353,075
-	-	-	-	-	-	-	1,646,888,387
-	-	-	-	288,719	-	-	956,382,565
-	2,369,046	-	-	-	-	-	2,108,880,302
-	1,286,762	-	-	-	-	-	28,276,823
-	4,876,872,925	1,056,659,493	-	6,467,187	752,553	-	13,809,966,622
-	39,253,266	59,256,283	-	-	-	-	105,944,737
-	11,732,836	-	-	-	-	-	102,405,949
-	38,368,738	145,290,054	-	-	-	-	573,353,349
-	-	-	-	-	4,242,400	-	4,242,400
-	-	-	5,863,982	-	-	-	5,863,982
-	-	-	963,021,978	-	1,672,856,364	-	2,635,878,342
-	-	-	-	-	-	-	-
-	5,077,825,949	1,295,936,888	1,002,243,816	6,906,096	1,789,139,253	(1,021,667,976)	26,129,160,510
-	16,760,704	5,925,287	180,874	-	161,128	-	29,839,798
							-
-	11,693,068,383	4,374,132	-	-	-	-	11,930,637,702
-	699,782	72,695	67,074	279	269,380	(1,988,693)	84,202,672
-	9,202,330	2,481,071	-	-	-	-	20,108,037
-	77,598,196	4,891,845	-	-	-	-	776,558,171
-	7,491,176	24,282	-	-	-	-	7,766,190
-	1,087,997	113,486	-	-	-	-	2,881,610
-	(236,240)	(27,560)	-	-	-	-	(5,744,015)
-	11,788,911,624	11,929,951	67,074	279	269,380	(1,988,693)	12,816,410,367
-	427,927,843	118,009,458	-	-	-	-	3,032,387,380
-	-	-	-	4,730	5,282,435	-	6,010,175
-	17,311,426,120	1,431,801,584	1,002,491,764	6,911,105	1,794,852,196	(1,023,656,669)	42,013,808,230
-	11,692,192,974	4,372,003	-	-	-	-	11,930,616,048
-	79,299,821	3,562,895	-	-	-	-	1,102,498,868
-	-	-	-	-	-	(1,915,393)	2,370,766
-	-	-	-	-	-	-	50,641,881
-	11,771,492,795	7,934,898	-	-	-	(1,915,393)	13,086,127,563
-	427,927,843	118,009,458	-	-	-	-	3,032,387,380
-	3,724,187	2,098,130	170,757	-	144,115	(73,300)	23,470,609
-	12,203,144,825	128,042,486	170,757	-	144,115	(1,988,693)	16,141,985,552
$-	$5,108,281,295	$1,303,759,098	$1,002,321,007	$6,911,105	$1,794,708,081	$(1,021,667,976)	25,871,822,678
-	13,282,844	3,348,243	18,066,200	124,354	32,719,574		
$-	$384.58	$389.39	$55.48	$55.58	$54.85		

COMBINED INVESTMENT FUNDS

SCHEDULE OF CHANGES IN NET ASSETS BY INVESTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	LIQUIDITY FUND	MUTUAL EQUITY FUND	FIXED INCOME FUND	CORE FIXED INCOME FUND	INFLATION LINKED BOND FUND	EMERGING MARKET DEBT FUND	HIGH YIELD DEBT FUND
ADDITIONS							
OPERATIONS							
Investment Income							
Dividends	$-	$155,932,438	$155,880	$751,338	$-	$-	$155,598
Interest	83,449,126	4,060,413	125,662,527	192,693,726	31,383,160	28,479,486	36,487,618
Other Income	13,650	3,675,008	7,250,366	-	263	47,674	1,873
Securities Lending	-	57,646,580	23,351,879	31,734,275	3,787,566	560,806	2,821,668
Total Income	83,462,776	221,314,439	156,420,652	225,179,339	35,170,989	29,087,966	39,466,757
Expenses							
Investment Advisory Fees	373,544	21,876,645	3,381,768	3,995,812	359,428	1,445,788	1,629,335
Custody and Transfer Agent Fees	5	94,937	4,783	10,143	3,000	6,000	6,000
Professional Fees	89,863	450,484	62,666	193,792	9,867	25,717	24,125
Security Lending Fees	-	1,868,097	374,839	1,265,093	175,735	25,049	116,219
Security Lending Rebates	-	46,125,989	21,280,305	23,799,579	2,673,938	400,569	2,086,750
Investment Expenses	-	-	-	27,084	-	134,855	-
Total Expenses	463,412	70,416,152	25,104,361	29,291,503	3,221,968	2,037,978	3,862,429
Net Investment Income	82,999,364	150,898,287	131,316,291	195,887,836	31,949,021	27,049,988	35,604,328
Net Realized Gain (Loss)	352	356,153,342	14,198,205	34,380,273	937,503	(2,011,805)	(3,975,289)
Net Change in Unrealized Gain/(Loss) on Investments and Foreign Currency	-	(1,728,835,648)	122,490,444	(103,251,332)	5,655,627	(34,744,800)	(46,510,795)
Net Increase (Decrease) in Net Assets Resulting from Operations	82,999,716	(1,221,784,019)	268,004,940	127,016,777	38,542,151	(9,706,617)	(14,881,756)
Unit Transactions							
Purchase of Units by Participants	6,660,986,591	196,540,000	480,000	105,000	870,000,000	361,000,000	156,000,000
TOTAL ADDITIONS	6,743,986,307	(1,025,244,019)	268,484,940	127,121,777	908,542,151	351,293,383	141,118,244
DEDUCTIONS							
Interfund Transfer	-	-	(7,474,436,841)	5,822,621,368	276,866,775	726,669,727	648,278,611
Administrative Expenses:							
Salary and Fringe Benefits	(131,803)	(1,170,456)	(157,379)	(302,946)	(15,451)	(39,169)	(37,649)
Distributions to Unit Owners:							
Income Distributed	(82,867,914)	(159,548,835)	(111,927,597)	(202,851,734)	(4,417,064)	(9,089,312)	(29,842,433)
Unit Transactions							
Redemption of Units by Participants	(6,848,519,507)	(632,661,100)	(275,500,000)	(1,209,527,000)	(8,191,000)	(21,500,000)	(302,380)
TOTAL DEDUCTIONS	(6,931,519,224)	(793,380,391)	(7,862,021,817)	4,409,939,688	264,243,260	696,041,246	618,096,149
Change in Net Assets	(187,532,917)	(1,818,624,410)	(7,593,536,877)	4,537,061,465	1,172,785,411	1,047,334,629	759,214,393
Net Assets- Beginning of Period	2,349,185,312	9,818,086,185	7,593,536,877	-	-	-	-
Net Assets- End of Period	$2,161,652,395	$7,999,461,775	$ -	$4,537,061,465	$1,172,785,411	$1,047,334,629	$759,214,393
Other Information:							
Units							
Purchased	6,660,986,591	200,791	4,191	50,256,210	9,007,065	9,003,725	6,743,260
Redeemed	(6,848,519,507)	(625,301)	(66,306,488)	(10,407,929)	(67,326)	(185,993)	(2,698)
Net Increase (Decrease)	(187,532,916)	(424,510)	(66,302,297)	39,848,281	8,939,739	8,817,732	6,740,562

COMBINED INVESTMENT FUNDS

SCHEDULE OF CHANGES IN NET ASSETS BY INVESTMENT FUND (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

INTER-NATIONAL STOCK FUND	DEVELOPED MARKET INTERNATIONAL STOCK FUND	EMERGING MARKET INTERNATIONAL STOCK FUND	REAL ESTATE FUND	COMMERCIAL MORTGAGE FUND	PRIVATE INVESTMENT FUND	ELIMINATION ENTRY	TOTAL
$40,331,903	$105,747,171	$64,769,889	$33,078,817	$648,950	$248,523,586	$-	$650,095,570
1,871,445	2,145,825	915,659	3,668,334	6,530	8,539,541	(59,336,128)	460,027,262
-	310,024	84,999	13,052	-	14,586	(9,706)	11,401,789
11,085,029	16,383,092	3,683,992	-	-	-	-	151,054,887
53,288,377	124,586,112	69,454,539	36,760,203	655,480	257,077,713	(59,345,834)	1,272,579,508
10,526,016	13,227,084	5,610,307	3,453,459	73,500	9,359,774	(265,607)	75,046,853
10,700	24,816	3,000	38	-	78	(4)	163,496
62,427	148,825	49,328	239,809	315	1,332,090	(63,897)	2,625,411
319,385	1,073,935	217,744	-	-	-	-	5,436,096
9,155,929	9,437,082	2,288,533	-	-	-	-	117,248,674
314,666	163,512	688,106	-	133	-	-	1,328,356
20,389,123	24,075,254	8,857,018	3,693,306	73,948	10,691,942	(329,508)	201,848,886
32,899,254	100,510,858	60,597,521	33,066,897	581,532	246,385,771	(59,016,326)	1,070,730,622
261,714,771	(32,544,601)	137,708,213	21,461,512	-	(112,388,927)	(250)	675,633,299
165,825,853	(992,760,192)	(474,625,202)	1,735,262	242,606	80,456,310	-	(3,004,321,867)
460,439,878	(924,793,935)	(276,319,468)	56,263,671	824,138	214,453,154	(59,016,576)	(1,257,957,946)
-	1,306,797,000	-	320,000,000	-	308,000,000	(1,995,382,637)	8,184,525,954
460,439,878	382,003,065	(276,319,468)	376,263,671	824,138	522,453,154	(2,054,399,213)	6,926,568,008
(6,402,271,524)	4,814,000,675	1,588,271,209	-	-	-	-	-
(246,575)	(353,891)	(117,015)	(340,743)	(11,124)	(408,108)	93,718	(3,238,591)
(35,272,357)	(70,571,554)	(8,048,328)	(50,291,033)	(642,620)	(265,958,200)	58,922,860	(972,406,121)
(43,400,000)	(16,797,000)	(27,300)	(9,000,000)	(1,026,770)	(25,000,000)	3,084,060,506	(6,007,391,551)
(6,481,190,456)	4,726,278,230	1,580,078,566	(59,631,776)	(1,680,514)	(291,366,308)	3,143,077,084	(6,983,036,263)
(6,020,750,578)	5,108,281,295	1,303,759,098	316,631,895	(856,376)	231,086,846	1,088,677,871	(56,468,255)
6,020,750,578	-	-	685,689,112	7,767,481	1,563,621,235	(2,110,345,847)	25,928,290,933
$-	$5,108,281,295	$1,303,759,098	$1,002,321,007	$6,911,105	$1,794,708,081	$(1,021,667,976)	$25,871,822,678
-	13,323,341	3,348,305	5,782,700	-	5,455,160		
(13,607,181)	(40,497)	(62)	(159,828)	(17,244)	(445,524)		
(13,607,181)	13,282,844	3,348,243	5,622,872	(17,244)	5,009,636		

COMBINED INVESTMENT FUNDS

SCHEDULE OF CHANGES IN NET ASSETS BY INVESTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	CASH RESERVE FUND	MUTUAL EQUITY FUND	FIXED INCOME FUND	INTER-NATIONAL STOCK FUND	REAL ESTATE FUND	COMMERCIAL MORTGAGE FUND	PRIVATE INVESTMENT FUND	ELIMI-NATION ENTRY	TOTAL
ADDITIONS									
OPERATIONS									
Investment Income									
Dividends	$ -	$167,617,448	$9,711,547	$157,348,975	$5,081,555	$828,462	$218,358,439	$ -	$558,946,426
Interest	93,993,237	5,372,398	359,820,330	5,140,142	4,136,467	11,930	5,708,668	(78,172,736)	396,010,436
Other Income	38,256	6,088,093	818,212	43,993	2,510	-	1,185	(31,817)	6,960,432
Securities Lending	-	63,443,598	63,535,223	42,719,791	-	-	-	-	169,698,612
Total Income	94,031,493	242,521,537	433,885,312	205,252,901	9,220,532	840,392	224,068,292	(78,204,553)	1,131,615,906
Investment Expenses									
Investment Advisory Fees	324,772	9,473,490	8,473,079	28,520,098	721,844	100,083	3,637,161	(270,108)	50,980,419
Custody and Transfer Agent Fees	13	75,832	13,628	28,361	23	-	52	(11)	117,898
Professional Fees	26,687	267,963	138,146	145,366	346,978	150	1,269,270	(22,195)	2,172,365
Security Lending Fees	-	893,290	584,933	999,152	-	-	-	-	2,477,375
Security Lending Rebates	-	58,637,132	60,797,202	36,825,252	-	-	-	-	156,259,586
Investment Expenses	-	-	-	280,552	-	162	-	-	280,714
Total Investment Expenses	351,472	69,347,707	70,006,988	66,798,781	1,068,845	100,395	4,906,483	(292,314)	212,288,357
Net Investment Income	93,680,021	173,173,830	363,878,324	138,454,120	8,151,687	739,997	219,161,809	(77,912,239)	919,327,549
Net Realized Gain (Loss)	54,999	738,234,434	12,390,929	883,042,101	87,236,479	(1,028)	(196,805,200)	(45,742)	1,524,106,972
Net Change in Unrealized Gain/(Loss) on Investments and Foreign Currency	-	700,589,415	59,192,266	502,782,111	(24,389,164)	(55,086)	234,194,086	-	1,472,313,628
Net Increase (Decrease) in Net Assets Resulting from Operations	93,735,020	1,611,997,679	435,461,519	1,524,278,332	70,999,002	683,883	256,550,695	(77,957,981)	3,915,748,149
Unit Transactions									
Purchase of Units by Participants	4,070,399,456	6,000,000	1,357,306,700	12,500,000	448,200,000	-	211,760,000	(2,462,416,363)	3,643,749,793
TOTAL ADDITIONS	**4,164,134,476**	**1,617,997,679**	**1,792,768,219**	**1,536,778,332**	**519,199,002**	**683,883**	**468,310,695**	**(2,540,374,344)**	**7,559,497,942**
DEDUCTIONS									
Administrative Expenses:									
Salary and Fringe Benefits	(128,636)	(1,242,362)	(496,507)	(742,688)	(299,427)	(6,400)	(377,798)	106,985	(3,186,833)
Distributions to Unit Owners:									
Income Distributed	(93,606,384)	(168,092,984)	(306,916,375)	(106,026,251)	(89,653,877)	(1,360,013)	(224,104,995)	77,850,996	(911,909,883)
Unit Transactions:									
Redemption of Units by Participants	(3,104,807,076)	(612,942,000)	(311,000,000)	(766,534,000)	(142,300,000)	(9,753,740)	(40,200,000)	1,454,653,547	(3,532,883,269)
TOTAL DEDUCTIONS	**(3,198,542,096)**	**(782,277,346)**	**(618,412,882)**	**(873,302,939)**	**(232,253,304)**	**(11,120,153)**	**(264,682,793)**	**1,532,611,528**	**(4,447,979,985)**
CHANGE IN NET ASSETS	**965,592,380**	**835,720,333**	**1,174,355,337**	**663,475,393**	**286,945,698**	**(10,436,270)**	**203,627,902**	**(1,007,762,816)**	**3,111,517,957**
Net Assets- Beginning of Period	1,383,592,932	8,982,365,852	6,419,181,540	5,357,275,185	398,743,414	18,203,751	1,359,993,333	(1,102,583,031)	22,816,772,976
Net Assets- End of Period	$2,349,185,312	$9,818,086,185	$7,593,536,877	$6,020,750,578	$685,689,112	$7,767,481	$1,563,621,235	$(2,110,345,847)	$25,928,290,933
Other Information:									
Units									
Purchased	4,070,399,456	5,606	11,721,432	33,620	7,838,493	-	3,869,129		
Redeemed	(3,104,807,076)	(578,157)	(2,711,158)	(1,839,829)	(2,448,467)	(165,349)	(729,073)		
Net Increase (Decrease)	965,592,380	(572,551)	9,010,274	(1,806,209)	5,390,026	(165,349)	3,140,056		

PENSION FUNDS MANAGEMENT DIVISION

COMBINED INVESTMENT FUNDS
SCHEDULE OF INVESTMENT ACTIVITY BY PENSION PLAN
FOR THE FISCAL YEAR ENDING JUNE 30, 2008

	LIQUIDITY FUND	MUTUAL EQUITY FUND	FIXED INCOME FUND	CORE FIXED INCOME FUND	INFLATION LINKED BOND FUND	EMERGING MARKET DEBT FUND
Teachers' Retirement Fund						
Book Value at June 30, 2007	$161,020,573	$895,841,672	$3,676,457,985	$-	$-	$-
Market Value at June 30, 2007	$161,020,573	$5,233,223,619	$3,958,295,437	$-	$-	$-
Shares Purchased	3,695,213,482	196,540,000	-	2,742,302,936	580,484,909	547,015,392
Shares Redeemed	(3,095,910,318)	(152,446,415)	(3,693,079,187)	(396,795,262)	(4,203,778)	(11,034,210)
Returns of Capital	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	125,594,009	16,621,202	33,912,812	528,191	880,220
Net Investment Income Earned	15,224,885	85,670,095	58,012,700	106,795,648	2,270,661	4,715,049
Net Investment Income Distributed	(15,224,885)	(85,670,095)	(58,012,700)	(106,795,648)	(2,270,661)	(4,715,049)
Changes in Market Value of Fund Shares	-	(876,971,237)	(281,837,452)	167,405,935	34,273,342	33,210,899
Market Value at June 30, 2008	$760,323,737	$4,525,939,976	$-	$2,546,826,421	$611,082,664	$570,072,301
Book Value at June 30, 2008	760,323,737	1,065,529,266	-	2,379,420,486	576,809,322	536,861,402
Shares Outstanding	760,323,737	4,878,795	-	22,368,367	4,658,073	4,799,559
Market Value per Share	$1.00	$927.68	$-	$113.86	$131.19	$118.78
State Employees' Retirement Fund						
Book Value at June 30, 2007	$52,384,146	$669,305,883	$2,740,877,133	$-	$-	$-
Market Value at June 30, 2007	$52,384,146	$3,810,234,732	$2,958,537,927	$-	$-	$-
Shares Purchased	805,126,397	-	-	2,104,065,282	378,788,775	354,980,704
Shares Redeemed	(546,697,300)	(299,702,652)	(2,746,271,182)	(778,695,229)	(3,225,399)	(8,466,132)
Returns of Capital	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	242,891,635	5,394,049	67,387,242	412,454	695,228
Net Investment Income Earned	6,029,154	61,626,852	43,713,673	76,370,048	1,712,683	3,523,724
Net Investment Income Distributed	(6,029,154)	(61,626,852)	(43,713,673)	(76,370,048)	(1,712,683)	(3,523,724)
Changes in Market Value of Fund Shares	-	(772,616,484)	(217,660,794)	101,799,995	25,713,275	27,333,758
Market Value at June 30, 2008	$310,813,243	$2,980,807,231	$-	$1,494,557,290	$401,689,105	$374,543,558
Book Value at June 30, 2008	310,813,243	612,494,866	-	1,392,757,295	375,975,830	347,209,800
Shares Outstanding	310,813,243	3,213,199	-	13,126,456	3,061,938	3,153,361
Market Value per Share	$1.00	$927.68	$-	$113.86	$131.19	$118.78
Municipal Employees' Retirement Fund						
Book Value at June 30, 2007	$19,294,029	$111,379,624	$471,577,893	$-	$-	$-
Market Value at June 30, 2007	$19,294,029	$648,161,836	$504,377,242	$-	$-	$-
Shares Purchased	133,503,566	-	-	370,751,172	129,878,659	78,400,780
Shares Redeemed	(97,824,025)	(153,831,718)	(471,577,893)	(25,763,619)	(568,338)	(1,491,792)
Returns of Capital	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	124,784,431	-	2,109,772	68,108	109,880
Net Investment Income Earned	1,283,821	10,250,999	7,601,095	14,681,938	330,705	641,281
Net Investment Income Distributed	(1,283,821)	(10,250,999)	(7,601,095)	(14,681,938)	(330,705)	(641,281)
Changes in Market Value of Fund Shares	-	(209,521,575)	(32,799,349)	21,967,676	5,177,348	4,092,660
Market Value at June 30, 2008	$54,973,570	$409,592,974	$-	$369,065,001	$134,555,777	$81,111,528
Book Value at June 30, 2008	54,973,570	82,332,337	-	347,097,325	129,378,429	77,018,868
Shares Outstanding	54,973,570	441,526	-	3,241,438	1,025,672	682,895
Market Value per Share	$1.00	$927.68	$-	$113.86	$131.19	$118.78

PENSION FUNDS MANAGEMENT DIVISION

COMBINED INVESTMENT FUNDS
SCHEDULE OF INVESTMENT ACTIVITY BY PENSION PLAN (Continued)
FOR THE FISCAL YEAR ENDING JUNE 30, 2008

HIGH YIELD DEBT FUND	INTER-NATIONAL STOCK FUND	DEVELOPED MARKET INTERNATIONAL STOCK FUND	EMERGING MARKET INTERNATIONAL STOCK FUND	REAL ESTATE FUND	COMMERCIAL MORTGAGE FUND	PRIVATE INVESTMENT FUND	TOTAL
$-	$1,113,947,116	$-	$-	$402,981,478	$5,780,018	$1,221,931,534	$7,477,960,376
$-	$3,223,603,305	$-	$-	$366,543,229	$4,236,786	$835,147,926	$13,782,070,875
372,578,128	-	1,700,365,775	273,876,929	177,812,150	-	202,406,200	10,488,595,901
(155,129)	(1,130,865,704)	-	(14,561)	(4,000,000)	(560,055)	(14,000,000)	(8,503,064,619)
-	-	-	-	-	-	-	-
6,053	16,918,588	-	9,510	(192,642)	(143,866)	(6,053,362)	188,080,715
15,310,999	18,874,939	39,044,782	4,304,574	26,830,091	350,520	141,778,881	519,183,824
(15,310,999)	(18,874,939)	(39,044,782)	(4,304,574)	(26,830,091)	(350,520)	(141,778,881)	(519,183,824)
17,067,254	(2,109,656,189)	1,197,440,933	423,592,998	3,233,970	236,812	(22,055,176)	(1,414,057,911)
$389,496,306	$-	$2,897,806,708	$697,464,876	$543,396,707	$3,769,677	$995,445,588	$14,541,624,961
372,429,052	-	1,700,365,775	273,871,878	576,600,986	5,076,097	1,404,284,372	9,651,572,373
3,458,080	-	7,535,042	1,791,190	9,794,382	67,830	18,148,108	837,823,163
$112.63	$-	$384.58	$389.39	$55.48	$55.58	$54.85	
$-	$807,724,080	$-	$-	$292,171,622	$4,048,961	$883,701,047	$5,450,212,872
$-	$2,339,668,987	$-	$-	$265,967,011	$2,983,838	$607,918,916	$10,037,695,557
285,865,101	-	1,025,736,219	198,702,926	116,790,100	-	87,472,300	5,357,527,804
(119,266)	(819,139,145)	-	(10,564)	(3,826,900)	(394,429)	(10,475,000)	(5,217,023,198)
-	-	-	-	-	-	-	-
4,886	11,415,065	-	6,904	(179,775)	(98,677)	(4,395,448)	323,533,563
11,766,985	13,704,775	26,820,221	3,125,801	19,487,059	246,859	103,492,264	371,620,098
(11,766,985)	(13,704,775)	(26,820,221)	(3,125,801)	(19,487,059)	(246,859)	(103,492,264)	(371,620,098)
13,702,414	(1,531,944,907)	886,819,308	307,807,829	2,334,442	164,131	(15,448,076)	(1,171,995,109)
$299,453,135	$-	$1,912,555,527	$506,507,095	$381,084,878	$2,654,863	$665,072,692	$9,329,738,617
285,750,721	-	1,025,736,219	198,699,266	404,955,047	3,555,855	956,302,899	5,914,251,041
2,658,646	-	4,973,136	1,300,783	6,868,813	47,770	12,125,033	361,342,378
$112.63	$-	$384.58	$389.39	$55.48	$55.58	$54.85	
$-	$142,072,393	$-	$-	$49,386,897	$629,745	$146,721,190	$941,061,771
$-	$395,757,866	$-	$-	$45,355,169	$467,388	$103,900,601	$1,717,314,131
50,371,450	-	118,857,675	35,214,717	21,596,100	-	15,690,000	954,264,119
(20,863)	(142,072,393)	(14,500,000)	(1,872)	(900,000)	(61,782)	(400,000)	(909,014,295)
-	-	-	-	-	-	-	-
708	-	8,592,015	1,198	(35,123)	(14,911)	(151,468)	135,464,610
2,061,162	2,329,366	4,058,888	534,372	3,389,948	38,668	17,848,494	65,050,737
(2,061,162)	(2,329,366)	(4,058,888)	(534,372)	(3,389,948)	(38,668)	(17,848,494)	(65,050,737)
2,031,114	(253,685,473)	144,084,943	51,110,370	407,178	25,163	(3,281,821)	(270,391,766)
$52,382,409	$-	$257,034,633	$86,324,413	$66,423,324	$415,858	$115,757,312	$1,627,636,799
50,351,295	-	112,949,690	35,214,043	70,047,874	553,052	161,859,722	1,121,776,205
465,069	-	668,356	221,695	1,197,238	7,482	2,110,388	65,035,329
$112.63	$-	$384.58	$389.39	$55.48	$55.58	$54.85	

COMBINED INVESTMENT FUNDS
SCHEDULE OF INVESTMENT ACTIVITY BY PENSION PLAN (Continued)
FOR THE FISCAL YEAR ENDING JUNE 30, 2008

	LIQUIDITY FUND	MUTUAL EQUITY FUND	FIXED INCOME FUND	CORE FIXED INCOME FUND	INFLATION LINKED BOND FUND	EMERGING MARKET DEBT FUND
Probate Court Retirement Fund						
Book Value at June 30, 2007	$990,587	$5,546,725	$23,597,797	$-	$-	$-
Market Value at June 30, 2007	$990,587	$33,295,812	$25,918,509	$-	$-	$-
Shares Purchased	7,860,989	-	-	18,197,481	6,588,451	3,879,312
Shares Redeemed	(5,292,179)	(8,307,378)	(23,646,333)	(2,587,207)	(27,896)	(73,221)
Returns of Capital	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	6,786,004	48,536	268,138	3,987	7,171
Net Investment Income Earned	51,181	525,674	386,492	718,784	16,606	32,141
Net Investment Income Distributed	(51,181)	(525,674)	(386,492)	(718,784)	(16,606)	(32,141)
Changes in Market Value of Fund Shares	-	(11,117,736)	(2,320,712)	1,459,424	283,614	263,621
Market Value at June 30, 2008	$3,559,397	$20,656,702	$-	$17,337,846	$6,848,156	$4,076,883
Book Value at June 30, 2008	3,559,397	4,025,351	-	15,878,412	6,564,542	3,813,262
Shares Outstanding	3,559,397	22,267	-	152,275	52,201	34,323
Market Value per Share	$1.00	$927.68	$-	$113.86	$131.19	$118.78
Judges' Retirement Fund						
Book Value at June 30, 2007	$2,955,085	$18,382,964	$51,915,889	$-	$-	$-
Market Value at June 30, 2007	$2,955,085	$71,341,461	$54,751,867	$-	$-	$-
Shares Purchased	16,002,494	-	-	40,815,901	14,458,167	8,588,070
Shares Redeemed	(12,216,725)	(17,272,759)	(51,915,889)	(3,517,072)	(62,568)	(164,231)
Returns of Capital	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	12,381,180	-	130,409	6,719	9,944
Net Investment Income Earned	146,854	1,127,528	825,125	1,592,518	36,171	69,814
Net Investment Income Distributed	(146,854)	(1,127,528)	(825,125)	(1,592,518)	(36,171)	(69,814)
Changes in Market Value of Fund Shares	-	(21,690,163)	(2,835,978)	1,813,491	541,091	377,815
Market Value at June 30, 2008	$6,740,854	$44,759,719	$-	$39,242,729	$14,943,409	$8,811,598
Book Value at June 30, 2008	6,740,854	13,491,385	-	37,429,238	14,402,318	8,433,783
Shares Outstanding	6,740,854	48,249	-	344,663	113,908	74,187
Market Value per Share	$1.00	$927.68	$-	$113.86	$131.19	$118.78
State's Attorneys' Retirement Fund						
Book Value at June 30, 2007	$85,728	$38,192	$498,040	$-	$-	$-
Market Value at June 30, 2007	$85,728	$244,169	$533,752	$-	$-	$-
Shares Purchased	160,352	-	-	446,556	17,826	46,892
Shares Redeemed	(171,202)	(7,093)	(498,040)	(12,635)	(600)	(1,576)
Returns of Capital	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	5,950	-	1,239	73	119
Net Investment Income Earned	3,828	3,977	8,044	15,936	291	623
Net Investment Income Distributed	(3,828)	(3,977)	(8,044)	(15,936)	(291)	(623)
Changes in Market Value of Fund Shares	-	(40,535)	(35,712)	24,408	3,937	5,063
Market Value at June 30, 2008	$74,878	$202,491	$-	$459,568	$21,236	$50,498
Book Value at June 30, 2008	74,878	37,049	-	435,160	17,299	45,435
Shares Outstanding	74,878	218	-	4,036	162	425
Market Value per Share	$1.00	$927.68	$-	$113.86	$131.19	$118.78

PENSION FUNDS MANAGEMENT DIVISION

COMBINED INVESTMENT FUNDS
SCHEDULE OF INVESTMENT ACTIVITY BY PENSION PLAN (Continued)
FOR THE FISCAL YEAR ENDING JUNE 30, 2008

HIGH YIELD DEBT FUND	INTER-NATIONAL STOCK FUND	DEVELOPED MARKET INTERNATIONAL STOCK FUND	EMERGING MARKET INTERNATIONAL STOCK FUND	REAL ESTATE FUND	COMMERCIAL MORTGAGE FUND	PRIVATE INVESTMENT FUND	TOTAL
$-	$6,817,195	$-	$-	$2,589,309	$37,348	$6,541,021	$46,119,982
$-	$19,784,203	$-	$-	$2,324,867	$27,263	$5,306,169	$87,647,410
2,472,368	-	5,777,454	1,689,741	988,400	-	762,000	48,216,196
(1,046)	(6,817,195)	(721,000)	(90)	-	(3,602)	(125,000)	(47,602,147)
-	-	-	-	-	-	-	-
57	-	436,389	59	-	(946)	(27,412)	7,521,983
102,925	116,447	200,997	26,628	170,052	2,254	900,399	3,250,580
(102,925)	(116,447)	(200,997)	(26,628)	(170,052)	(2,254)	(900,399)	(3,250,580)
154,633	(12,967,008)	7,409,193	2,625,708	18,334	1,547	(145,242)	(14,334,624)
$2,626,012	$-	$12,902,036	$4,315,418	$3,331,601	$24,262	$5,770,515	$81,448,818
2,471,379	-	5,492,843	1,689,710	3,577,709	32,800	7,150,609	54,256,014
23,315	-	33,549	11,083	60,050	436	105,203	4,054,099
$112.63	$-	$384.58	$389.39	$55.48	$55.58	$54.85	
$-	$16,146,082	$-	$-	$5,455,448	$61,882	$15,781,854	$110,699,204
$-	$41,936,217	$-	$-	$4,969,261	$46,039	$11,347,623	$187,347,553
5,545,380	-	14,214,038	4,002,042	2,459,000	-	1,669,500	107,754,592
(2,271)	(16,146,082)	(1,576,000)	(213)	(265,000)	(6,085)	-	(103,144,895)
-	-	-	-	-	-	-	-
52	-	870,561	130	(11,836)	(1,452)	-	13,385,707
224,870	246,830	446,666	56,953	368,676	3,809	1,938,162	7,083,976
(224,870)	(246,830)	(446,666)	(56,953)	(368,676)	(3,809)	(1,938,162)	(7,083,976)
159,722	(25,790,135)	14,473,792	5,145,337	51,892	2,461	(355,149)	(28,105,824)
$5,702,883	$-	$27,982,391	$9,147,296	$7,203,317	$40,963	$12,661,974	$177,237,133
5,543,161	-	13,508,599	4,001,959	7,637,612	54,345	17,451,354	128,694,608
50,632	-	72,761	23,492	129,835	737	230,842	7,830,160
$112.63	$-	$384.58	$389.39	$55.48	$55.58	$54.85	
$-	$-	$-	$-	$11,949	$-	$-	$633,909
$-	$-	$-	$-	$11,382	$-	$-	$875,031
53,198	-	-	-	22,350	-	-	747,174
(22)	-	-	-	-	-	-	(691,168)
-	-	-	-	-	-	-	-
1	-	-	-	-	-	-	7,382
2,179	-	-	-	1,728	-	-	36,606
(2,179)	-	-	-	(1,728)	-	-	(36,606)
2,233	-	-	-	186	-	-	(40,420)
$55,410	$-	$-	$-	$33,918	$-	$-	$897,999
53,177	-	-	-	34,299	-	-	697,297
492	-	-	-	611	-	-	80,822
$112.63	$-	$-	$-	$55.48	$-	$-	

COMBINED INVESTMENT FUNDS
SCHEDULE OF INVESTMENT ACTIVITY BY TRUST
FOR THE FISCAL YEAR ENDING JUNE 30, 2008

	LIQUIDITY FUND	MUTUAL EQUITY FUND	FIXED INCOME FUND	CORE FIXED INCOME FUND	INFLATION LINKED BOND FUND	EMERGING MARKET DEBT FUND
Soldiers' Sailors' & Marines' Fund						
Book Value at June 30, 2007	$60,550	$1,084,594	$49,170,734	$-	$-	$-
Market Value at June 30, 2007	$60,550	$7,368,677	$54,199,508	$-	$-	$-
Shares Purchased	2,758,204	-	480,000	39,035,053	1,777,093	4,674,798
Shares Redeemed	(2,219,174)	(680,115)	(49,650,734)	(1,259,606)	(59,838)	(157,065)
Returns of Capital	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	579,163	-	154,073	8,688	15,761
Net Investment Income Earned	14,082	112,192	824,034	1,586,098	29,653	63,403
Net Investment Income Distributed	(14,082)	(112,192)	(824,034)	(1,586,098)	(29,653)	(63,403)
Changes in Market Value of Fund Shares	-	(1,554,732)	(5,028,774)	3,597,026	451,283	644,303
Market Value at June 30, 2008	$599,580	$5,712,993	$-	$41,526,546	$2,177,226	$5,177,797
Book Value at June 30, 2008	599,580	983,642	-	37,929,520	1,725,943	4,533,494
Shares Outstanding	599,580	6,158	-	364,721	16,596	43,593
Market Value per Share	$1.00	$927.68	$-	$113.86	$131.19	$118.78
Endowment for the Arts						
Book Value at June 30, 2007	$934,085	$-	$14,472,429	$-	$-	$-
Market Value at June 30, 2007	$934,085	$-	$15,229,317	$-	$-	$-
Shares Purchased	1,459,391	-	-	11,378,120	517,996	1,362,632
Shares Redeemed	(1,290,923)	-	(14,472,429)	(367,156)	(17,442)	(45,782)
Returns of Capital	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	-	-	29,909	1,838	2,677
Net Investment Income Earned	36,873	-	229,510	448,601	8,356	17,824
Net Investment Income Distributed	(36,873)	-	(229,510)	(448,601)	(8,356)	(17,824)
Changes in Market Value of Fund Shares	-	-	(756,888)	509,392	103,172	120,499
Market Value at June 30, 2008	$1,102,553	$-	$-	$11,550,265	$605,564	$1,440,026
Book Value at June 30, 2008	1,102,553	-	-	11,040,873	502,392	1,319,527
Shares Outstanding	1,102,553	-	-	101,444	4,616	12,125
Market Value per Share	$1.00	$-	$-	$113.86	$131.19	$118.78
Agricultural College Fund						
Book Value at June 30, 2007	$37,728	$26,146	$396,140	$-	$-	$-
Market Value at June 30, 2007	$37,728	$181,478	$424,654	$-	$-	$-
Shares Purchased	55,853	-	-	311,442	14,179	37,298
Shares Redeemed	(45,502)	(5,272)	(396,140)	(10,050)	(477)	(1,253)
Returns of Capital	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	4,490	-	988	58	95
Net Investment Income Earned	1,519	2,954	6,401	12,430	231	495
Net Investment Income Distributed	(1,519)	(2,954)	(6,401)	(12,430)	(231)	(495)
Changes in Market Value of Fund Shares	-	(30,193)	(28,514)	19,867	3,135	4,038
Market Value at June 30, 2008	$48,079	$150,503	$-	$322,247	$16,895	$40,178
Book Value at June 30, 2008	48,079	25,364	-	302,380	13,760	36,140
Shares Outstanding	48,079	162	-	2,830	129	338
Market Value per Share	$1.00	$927.68	$-	$113.86	$131.19	$118.78

PENSION FUNDS MANAGEMENT DIVISION

COMBINED INVESTMENT FUNDS
SCHEDULE OF INVESTMENT ACTIVITY BY TRUST (Continued)
FOR THE FISCAL YEAR ENDING JUNE 30, 2008

HIGH YIELD DEBT FUND	INTER-NATIONAL STOCK FUND	DEVELOPED MARKET INTERNATIONAL STOCK FUND	EMERGING MARKET INTERNATIONAL STOCK FUND	REAL ESTATE FUND	COMMERCIAL MORTGAGE FUND	PRIVATE INVESTMENT FUND	TOTAL
$-	$-	$-	$-	$-	$-	$-	$50,315,878
$-	$-	$-	$-	$-	$-	$-	$61,628,735
5,303,428	-	-	-	-	-	-	54,028,576
(2,248)	-	-	-	-	-	-	(54,028,780)
-	-	-	-	-	-	-	-
126	-	-	-	-	-	-	757,811
221,167	-	-	-	-	-	-	2,850,629
(221,167)	-	-	-	-	-	-	(2,850,629)
343,730	-	-	-	-	-	-	(1,547,164)
$5,645,036	$-	$-	$-	$-	$-	$-	$60,839,178
5,301,306	-	-	-	-	-	-	51,073,485
50,119	-	-	-	-	-	-	1,080,767
$112.63	$-	$-	$-	$-	$-	$-	
$-	$-	$-	$-	$-	$-	$-	$15,406,514
$-	$-	$-	$-	$-	$-	$-	$16,163,402
1,545,868	-	-	-	-	-	-	16,264,007
(632)	-	-	-	-	-	-	(16,194,364)
-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	34,438
62,598	-	-	-	-	-	-	803,762
(62,598)	-	-	-	-	-	-	(803,762)
41,748	-	-	-	-	-	-	17,923
$1,586,998	$-	$-	$-	$-	$-	$-	$16,285,406
1,545,250	-	-	-	-	-	-	15,510,595
14,089	-	-	-	-	-	-	1,234,827
$112.63	$-	$-	$-	$-	$-	$-	
$-	$-	$-	$-	$-	$-	$-	$460,014
$-	$-	$-	$-	$-	$-	$-	$643,860
42,314	-	-	-	-	-	-	461,086
(18)	-	-	-	-	-	-	(458,712)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	5,631
1,735	-	-	-	-	-	-	25,765
(1,735)	-	-	-	-	-	-	(25,765)
1,787	-	-	-	-	-	-	(29,880)
$44,083	$-	$-	$-	$-	$-	$-	$621,985
42,296	-	-	-	-	-	-	468,019
391	-	-	-	-	-	-	51,929
$112.63	$-	$-	$-	$-	$-	$-	

PENSION FUNDS MANAGEMENT DIVISION

COMBINED INVESTMENT FUNDS
SCHEDULE OF INVESTMENT ACTIVITY BY TRUST (Continued)
FOR THE FISCAL YEAR ENDING JUNE 30, 2008

	LIQUIDITY FUND	MUTUAL EQUITY FUND	FIXED INCOME FUND	CORE FIXED INCOME FUND	INFLATION LINKED BOND FUND	EMERGING MARKET DEBT FUND
Ida Eaton Cotton Fund						
Book Value at June 30, 2007	$126,377	$90,053	$1,337,606	$-	$-	$-
Market Value at June 30, 2007	$126,377	$618,342	$1,444,658	$-	$-	$-
Shares Purchased	187,720	-	-	1,051,616	47,875	125,941
Shares Redeemed	(152,738)	(17,963)	(1,337,606)	(33,934)	(1,612)	(4,231)
Returns of Capital	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	15,273	-	3,565	207	350
Net Investment Income Earned	5,073	10,069	21,771	42,180	786	1,683
Net Investment Income Distributed	(5,073)	(10,069)	(21,771)	(42,180)	(786)	(1,683)
Changes in Market Value of Fund Shares	-	(102,834)	(107,052)	75,275	11,020	14,657
Market Value at June 30, 2008	$161,359	$512,818	$-	$1,096,522	$57,490	$136,717
Book Value at June 30, 2008	161,359	87,363	-	1,021,247	46,470	122,060
Shares Outstanding	161,359	553	-	9,631	438	1,151
Market Value per Share	$1.00	$927.68	$-	$113.86	$131.19	$118.78
Andrew Clark Fund						
Book Value at June 30, 2007	$60,540	$42,368	$649,867	$-	$-	$-
Market Value at June 30, 2007	$60,540	$289,280	$679,891	$-	$-	$-
Shares Purchased	87,372	-	-	510,920	23,260	61,187
Shares Redeemed	(70,526)	(8,404)	(649,867)	(16,487)	(783)	(2,056)
Returns of Capital	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	7,137	-	1,255	78	109
Net Investment Income Earned	2,421	4,713	10,246	20,067	374	796
Net Investment Income Distributed	(2,421)	(4,713)	(10,246)	(20,067)	(374)	(796)
Changes in Market Value of Fund Shares	-	(48,107)	(30,024)	19,865	4,475	5,034
Market Value at June 30, 2008	$77,386	$239,906	$-	$515,553	$27,030	$64,274
Book Value at June 30, 2008	77,386	41,101	-	495,688	22,555	59,240
Shares Outstanding	77,386	259	-	4,528	206	541
Market Value per Share	$1.00	$927.68	$-	$113.86	$131.19	$118.78
School Fund						
Book Value at June 30, 2007	$326,764	$396,144	$6,232,465	$-	$-	$-
Market Value at June 30, 2007	$326,764	$2,719,363	$6,683,886	$-	$-	$-
Shares Purchased	1,531,559	-	-	4,899,920	223,072	586,809
Shares Redeemed	(1,380,982)	(78,997)	(6,232,465)	(158,114)	(7,511)	(19,716)
Returns of Capital	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	67,160	-	15,607	918	1,501
Net Investment Income Earned	22,450	44,287	100,728	195,616	3,650	7,790
Net Investment Income Distributed	(22,450)	(44,287)	(100,728)	(195,616)	(3,650)	(7,790)
Changes in Market Value of Fund Shares	-	(452,266)	(451,421)	314,708	49,448	63,796
Market Value at June 30, 2008	$477,341	$2,255,260	$-	$5,072,121	$265,927	$632,390
Book Value at June 30, 2008	477,341	384,307	-	4,757,413	216,479	568,594
Shares Outstanding	477,341	2,431	-	44,548	2,027	5,324
Market Value per Share	$1.00	$927.68	$-	$113.86	$131.19	$118.78

PENSION FUNDS MANAGEMENT DIVISION

COMBINED INVESTMENT FUNDS

SCHEDULE OF INVESTMENT ACTIVITY BY TRUST (Continued)

FOR THE FISCAL YEAR ENDING JUNE 30, 2008

HIGH YIELD DEBT FUND	INTER-NATIONAL STOCK FUND	DEVELOPED MARKET INTERNATIONAL STOCK FUND	EMERGING MARKET INTERNATIONAL STOCK FUND	REAL ESTATE FUND	COMMERCIAL MORTGAGE FUND	PRIVATE INVESTMENT FUND	TOTAL
$-	$-	$-	$-	$-	$-	$-	$1,554,036
$-	$-	$-	$-	$-	$-	$-	$2,189,377
142,876	-	-	-	-	-	-	1,556,028
(60)	-	-	-	-	-	-	(1,548,144)
-	-	-	-	-	-	-	-
3	-	-	-	-	-	-	19,398
5,883	-	-	-	-	-	-	87,445
(5,883)	-	-	-	-	-	-	(87,445)
6,916	-	-	-	-	-	-	(102,018)
$149,735	$-	$-	$-	$-	$-	$-	$2,114,641
142,819	-	-	-	-	-	-	1,581,318
1,329	-	-	-	-	-	-	174,461
$112.63	$-	$-	$-	$-	$-	$-	
$-	$-	$-	$-	$-	$-	$-	$752,775
$-	$-	$-	$-	$-	$-	$-	$1,029,711
69,416	-	-	-	-	-	-	752,155
(28)	-	-	-	-	-	-	(748,151)
-	-	-	-	-	-	-	-
1	-	-	-	-	-	-	8,580
2,802	-	-	-	-	-	-	41,419
(2,802)	-	-	-	-	-	-	(41,419)
1,548	-	-	-	-	-	-	(47,209)
$70,937	$-	$-	$-	$-	$-	$-	$995,086
69,389	-	-	-	-	-	-	765,359
630	-	-	-	-	-	-	83,550
$112.63	$-	$-	$-	$-	$-	$-	
$-	$-	$-	$-	$-	$-	$-	$6,955,373
$-	$-	$-	$-	$-	$-	$-	$9,730,013
665,718	-	-	-	-	-	-	7,907,078
(276)	-	-	-	-	-	-	(7,878,061)
-	-	-	-	-	-	-	-
9	-	-	-	-	-	-	85,195
27,288	-	-	-	-	-	-	401,809
(27,288)	-	-	-	-	-	-	(401,809)
28,322	-	-	-	-	-	-	(447,413)
$693,773	$-	$-	$-	$-	$-	$-	$9,396,812
665,451	-	-	-	-	-	-	7,069,585
6,160	-	-	-	-	-	-	537,831
$112.63	$-	$-	$-	$-	$-	$-	

PENSION FUNDS MANAGEMENT DIVISION

COMBINED INVESTMENT FUNDS
SCHEDULE OF INVESTMENT ACTIVITY BY TRUST (Continued)
FOR THE FISCAL YEAR ENDING JUNE 30, 2008

	LIQUIDITY FUND	MUTUAL EQUITY FUND	FIXED INCOME FUND	CORE FIXED INCOME FUND	INFLATION LINKED BOND FUND	EMERGING MARKET DEBT FUND
Hopemead Fund						
Book Value at June 30, 2007	$71,728	$97,244	$1,561,059	$-	$-	$-
Market Value at June 30, 2007	$71,728	$662,796	$1,639,275	$-	$-	$-
Shares Purchased	229,878	-	-	1,277,293	55,873	146,980
Shares Redeemed	(150,834)	(19,255)	(1,561,059)	(39,603)	(1,881)	(4,938)
Returns of Capital	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	16,349	-	3,150	195	279
Net Investment Income Earned	5,199	10,793	24,704	48,872	900	1,921
Net Investment Income Distributed	(5,199)	(10,793)	(24,704)	(48,872)	(900)	(1,921)
Changes in Market Value of Fund Shares	-	(110,211)	(78,216)	51,417	10,991	12,673
Market Value at June 30, 2008	$150,772	$549,679	$-	$1,292,257	$65,178	$154,994
Book Value at June 30, 2008	150,772	94,338	-	1,240,840	54,187	142,321
Shares Outstanding	150,772	593	-	11,350	497	1,305
Market Value per Share	$1.00	$927.68	$-	$113.86	$131.19	$118.78
Police & Fireman's Survivors' Benefit Fund						
Book Value at June 30, 2007	$491,546	$6,666,976	$10,683,231	$-	$-	$-
Market Value at June 30, 2007	$491,546	$9,744,619	$10,820,954	$-	$-	$-
Shares Purchased	1,426,697	-	-	8,399,080	382,373	1,005,865
Shares Redeemed	(1,036,573)	(283,081)	(10,683,231)	(271,027)	(12,875)	(33,795)
Returns of Capital	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	83,849	-	12,393	909	738
Net Investment Income Earned	23,165	158,702	163,074	322,998	5,997	12,768
Net Investment Income Distributed	(23,165)	(158,702)	(163,074)	(322,998)	(5,997)	(12,768)
Changes in Market Value of Fund Shares	-	(1,463,864)	(137,723)	56,663	59,347	49,079
Market Value at June 30, 2008	$881,670	$8,081,523	$-	$8,197,109	$429,754	$1,021,887
Book Value at June 30, 2008	881,670	6,467,744	-	8,140,446	370,407	972,808
Shares Outstanding	881,670	8,712	-	71,994	3,276	8,604
Market Value per Share	$1.00	$927.68	$-	$113.86	$131.19	$118.78

PENSION FUNDS MANAGEMENT DIVISION

COMBINED INVESTMENT FUNDS

SCHEDULE OF INVESTMENT ACTIVITY BY TRUST (Continued)

FOR THE FISCAL YEAR ENDING JUNE 30, 2008

HIGH YIELD DEBT FUND	INTER-NATIONAL STOCK FUND	DEVELOPED MARKET INTERNATIONAL STOCK FUND	EMERGING MARKET INTERNATIONAL STOCK FUND	REAL ESTATE FUND	COMMERCIAL MORTGAGE FUND	PRIVATE INVESTMENT FUND	TOTAL
$-	$-	$-	$-	$-	$-	$-	$1,730,031
$-	$-	$-	$-	$-	$-	$-	$2,373,799
166,744	-	-	-	-	-	-	1,876,768
(68)	-	-	-	-	-	-	(1,777,638)
-	-	-	-	-	-	-	-
1	-	-	-	-	-	-	19,974
6,742	-	-	-	-	-	-	99,131
(6,742)	-	-	-	-	-	-	(99,131)
4,221	-	-	-	-	-	-	(109,125)
$170,898	$-	$-	$-	$-	$-	$-	$2,383,778
166,677	-	-	-	-	-	-	1,849,135
1,517	-	-	-	-	-	-	166,034
$112.63	$-	$-	$-	$-	$-	$-	
$-	$-	$-	$-	$548,582	$8,656	$-	$18,398,991
$-	$-	$-	$-	$518,195	$6,165	$-	$21,581,479
1,141,125	-	-	-	331,900	-	-	12,687,040
(453)	-	-	-	(8,100)	(817)	-	(12,329,952)
-	-	-	-	-	-	-	-
(4)	-	-	-	(116)	(240)	-	97,529
45,098	-	-	-	43,479	510	-	775,791
(45,098)	-	-	-	(43,479)	(510)	-	(775,791)
(3,890)	-	-	-	5,383	374	-	(1,434,631)
$1,136,778	$-	$-	$-	$847,262	$5,482	$-	$20,601,465
1,140,668	-	-	-	872,266	7,599	-	18,853,608
10,093	-	-	-	15,271	99	-	999,719
$112.63	$-	$-	$-	$55.48	$55.58	$-	

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

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Investment Income (1)	$1,171,356	$972,879	$889,710	$828,019	$946,643	$846,384	$741,812	$787,287	$1,002,774	$731,983
Expenses (2)	82,403	56,738	69,712	64,509	49,131	48,428	60,570	67,282	50,552	54,417
Net Investment Income	1,088,953	916,141	819,998	763,510	897,512	797,956	681,242	720,005	952,222	677,566
Realized Gains/(Losses)	654,172	1,524,107	886,031	698,664	880,979	(566,640)	(449,961)	269,330	1,522,994	673,802
Change in Unrealized Gains/(Losses)	(3,004,322)	1,472,314	520,430	591,155	936,916	123,784	(1,563,253)	(1,776,378)	90,500	530,276
Total	$(1,261,197)	$3,912,562	$2,226,459	$2,053,329	$2,715,407	$355,100	$(1,331,972)	$(787,043)	$2,565,716	$1,881,644

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

Source: Amounts were dervied from custodial records.

COMBINED INVESTMENT FUNDS
PENSION AND TRUST FUNDS
BALANCES (1) IN COMBINED INVESTMENT FUNDS (Dollars in Thousands)
AT JUNE 30, 2008

Fund Name	Teachers' Retirement Fund		State Employees' Retirement Fund		Municipal Employees' Retirement Fund		Probate Court Retirement Fund		Judges Retirement Fund		State's Attorneys' Retirement Fund		Trust Funds	
LF (2)	$760,324	5.23%	$310,813	3.33%	$54,974	3.38%	$3,559	4.37%	$6,741	3.80%	$75	8.35%	$3,498	3.09%
MEF	4,525,940	31.12%	2,980,807	31.95%	409,593	25.16%	20,657	25.36%	44,760	25.26%	203	22.61%	17,502	15.46%
CFIF	2,546,826	17.51%	1,494,557	16.02%	369,065	22.68%	17,338	21.29%	39,243	22.14%	460	51.22%	69,572	61.44%
ILBF	611,083	4.20%	401,689	4.31%	134,556	8.27%	6,848	8.41%	14,943	8.43%	21	2.34%	3,645	3.22%
EMDF	570,072	3.92%	374,544	4.01%	81,112	4.98%	4,077	5.01%	8,812	4.97%	50	5.57%	8,668	7.65%
HYBD	389,496	2.68%	299,453	3.21%	52,382	3.22%	2,626	3.22%	5,703	3.22%	55	6.12%	9,499	8.39%
DMISF	2,897,807	19.93%	1,912,555	20.50%	257,035	15.79%	12,902	15.84%	27,982	15.79%	-	0.00%	-	0.00%
EMISF	697,465	4.80%	506,508	5.43%	86,324	5.30%	4,315	5.30%	9,147	5.16%	-	0.00%	-	0.00%
REF	543,397	3.74%	381,085	4.08%	66,423	4.08%	3,332	4.09%	7,203	4.06%	34	3.79%	847	0.75%
CMF	3,770	0.03%	2,655	0.03%	416	0.03%	24	0.03%	41	0.02%	-	0.00%	5	0.00%
PIF	995,445	6.84%	665,073	7.13%	115,757	7.11%	5,771	7.08%	12,662	7.15%	-	0.00%	-	0.00%
Total	$14,541,625	100.00%	$9,329,739	100.00%	$1,627,637	100.00%	$81,449	100.00%	$177,237	100.00%	$898	100.00%	$113,236	100.00%

(1) Based on Net Asset Value
(2) Formerly CRA

Source: Amounts were dervied from custodial records.

COMBINED INVESTMENT FUNDS
INVESTMENT SUMMARY AT JUNE 30, 2008 [1]

Liquidity Fund [2]

	Book Value	Market Value	% of Total Fund MV	Rate of Return
2008	$1,140,821,830	$1,140,821,830	4.36%	4.59%
2007	236,297,695	236,297,695	0.88%	5.61%
2006	280,548,978	280,548,978	1.20%	4.51%
2005	395,948,288	395,948,288	1.84%	2.36%
2004	363,170,856	363,170,856	1.76%	1.28%
2003	710,832,993	710,832,993	3.75%	1.80%
2002	481,664,484	481,664,484	2.46%	3.03%
2001	391,346,777	391,346,777	1.85%	6.35%
2000	378,683,486	378,683,486	1.67%	5.96%
1999	227,101,012	227,101,012	1.11%	5.46%

Mutual Equity Fund

	Book Value	Market Value	% of Total Fund MV	Rate of Return
2008	$7,563,373,750	$8,017,007,807	30.68%	-12.99%
2007	7,628,304,018	9,810,773,724	36.64%	18.24%
2006	7,501,163,477	8,983,043,768	38.25%	10.29%
2005	6,991,797,244	8,284,992,409	38.40%	8.06%
2004	6,544,070,199	7,779,104,677	37.67%	20.86%
2003	6,047,280,312	6,603,061,918	34.77%	0.48%
2002	6,401,472,709	6,688,728,705	34.20%	-14.95%
2001	6,649,619,519	7,949,775,481	37.49%	-9.55%
2000	6,578,261,062	8,876,068,150	39.08%	10.03%
1999	6,321,181,834	9,137,539,233	44.77%	19.38%

Mutual Fixed Income Fund [7]

	Book Value	Market Value	% of Total Fund MV	Rate of Return
2008	$ -	$ -	-	-
2007	8,604,509,537	8,537,943,917	31.89%	6.92%
2006	7,179,817,139	7,052,537,386	30.03%	0.77%
2005	6,567,168,651	6,662,163,634	30.88%	7.70%
2004	6,368,703,625	6,325,884,136	30.63%	2.79%
2003	7,082,889,175	7,308,417,293	38.49%	12.03%
2002	7,412,105,698	7,295,007,838	37.30%	5.64%
2001	7,363,064,249	7,218,746,648	34.04%	8.03%
2000	7,463,463,748	7,282,002,823	32.06%	5.77%
1999	6,943,741,512	6,762,463,935	33.13%	2.64%

Core Fixed Income Fund [7]

	Book Value	Market Value	% of Total Fund MV	Rate of Return
2008	$4,979,684,914	$4,851,300,830	18.57%	5.65%
2007	-	-	-	-
2006	-	-	-	-
2005	-	-	-	-
2004	-	-	-	-
2003	-	-	-	-
2002	-	-	-	-
2001	-	-	-	-
2000	-	-	-	-
1999	-	-	-	-

Inflation Linked Bond Fund [7]

	Book Value	Market Value	% of Total Fund MV	Rate of Return
2008	$1,152,973,047	$1,162,545,028	4.45%	16.81%
2007	-	-	-	-
2006	-	-	-	-
2005	-	-	-	-
2004	-	-	-	-
2003	-	-	-	-
2002	-	-	-	-
2001	-	-	-	-
2000	-	-	-	-
1999	-	-	-	-

Emerging Market Debt Fund [7]

	Book Value	Market Value	% of Total Fund MV	Rate of Return
2008	$1,006,342,436	$1,040,295,964	3.98%	5.59%
2007	-	-	-	-
2006	-	-	-	-
2005	-	-	-	-
2004	-	-	-	-
2003	-	-	-	-
2002	-	-	-	-
2001	-	-	-	-
2000	-	-	-	-
1999	-	-	-	-

COMBINED INVESTMENT FUNDS
INVESTMENT SUMMARY AT JUNE 30, 2008 [1] (Continued)

High Yield Debt Fund [7]

	Book Value	Market Value	% of Total Fund MV	Rate of Return
2008	$784,159,491	$745,137,049	2.85%	-1.88%
2007	-	-	-	-
2006	-	-	-	-
2005	-	-	-	-
2004	-	-	-	-
2003	-	-	-	-
2002	-	-	-	-
2001	-	-	-	-
2000	-	-	-	-
1999	-	-	-	-

International Stock Fund [6]

	Book Value	Market Value	% of Total Fund MV	Rate of Return
2008	$ -	$ -	-	-
2007	4,293,498,472	5,940,213,814	22.19%	29.65%
2006	4,145,802,552	5,392,666,574	22.96%	25.69%
2005	3,587,545,036	4,372,185,115	20.27%	19.23%
2004	3,407,481,400	3,995,868,265	19.35%	29.69%
2003	2,047,590,656	2,026,297,000	10.67%	-6.39%
2002	2,306,936,221	2,272,810,463	11.62%	-9.00%
2001	2,449,711,883	2,466,657,788	11.63%	-13.29%
2000	2,315,776,890	2,928,693,346	12.89%	20.13%
1999	1,937,731,869	2,436,960,573	11.94%	6.77%

Developed Market International Stock Fund [6]

	Book Value	Market Value	% of Total Fund MV	Rate of Return
2008	$4,879,325,913	$5,077,825,949	19.43%	-14.60%
2007	-	-	-	-
2006	-	-	-	-
2005	-	-	-	-
2004	-	-	-	-
2003	-	-	-	-
2002	-	-	-	-
2001	-	-	-	-
2000	-	-	-	-
1999	-	-	-	-

Emerging Market International Stock Fund [6]

	Book Value	Market Value	% of Total Fund MV	Rate of Return
2008	$1,111,317,184	$1,295,936,888	4.96%	0.19%
2007	-	-	-	-
2006	-	-	-	-
2005	-	-	-	-
2004	-	-	-	-
2003	-	-	-	-
2002	-	-	-	-
2001	-	-	-	-
2000	-	-	-	-
1999	-	-	-	-

Real Estate Fund [4]

	Book Value	Market Value	% of Total Fund MV	Rate of Return
2008	$954,279,128	$1,002,243,816	3.84%	6.04%
2007	638,511,736	684,741,163	2.56%	14.21%
2006	327,772,520	398,391,108	1.70%	6.87%
2005	309,798,748	399,727,575	1.85%	27.56%
2004	348,015,445	368,546,928	1.78%	0.53%
2003	399,402,161	425,893,012	2.24%	3.30%
2002	417,067,553	471,193,932	2.41%	0.81%
2001	407,455,431	476,011,373	2.24%	14.45%
2000	464,709,616	510,010,943	2.25%	9.18%
1999	442,674,319	428,221,842	2.10%	9.96%

Commercial Mortgage Fund [4]

	Book Value	Market Value	% of Total Fund MV	Rate of Return
2008	$6,255,651	$6,906,096	0.03%	12.05%
2007	7,355,621	7,763,461	0.03%	8.17%
2006	17,729,189	18,192,114	0.08%	9.51%
2005	19,796,542	20,267,798	0.09%	6.76%
2004	35,210,421	36,228,371	0.18%	7.83%
2003	69,871,489	71,990,878	0.38%	20.62%
2002	69,553,258	71,468,307	0.37%	1.19%
2001	92,793,153	100,727,402	0.47%	10.88%
2000	168,263,689	175,216,208	0.77%	8.26%
1999	231,513,066	235,232,350	1.15%	6.10%

COMBINED INVESTMENT FUNDS
INVESTMENT SUMMARY AT JUNE 30, 2008 [1] (Continued)

	Private Investment Fund [3] [4]				Total Fund			
	Book Value	Market Value	% of Total Fund MV	Rate of Return	Book Value	Market Value	% of Total Fund MV	Rate of Return
2008	$1,809,775,995	$1,789,139,253	6.85%	13.66%	$25,388,309,339	$26,129,160,510	10-	-4.71% [5]
2007	1,657,888,536	1,556,795,484	5.81%	19.56%	23,066,365,615	26,774,529,258	10-	17.34%
2006	1,692,805,252	1,357,518,114	5.78%	11.46%	21,145,639,107	23,482,898,042	10-	10.55%
2005	2,046,726,560	1,437,979,798	6.67%	8.94%	19,918,781,069	21,573,264,617	10-	10.46%
2004	2,406,829,047	1,781,312,669	8.63%	18.70%	19,473,480,993	20,650,115,902	10-	15.23%
2003	2,413,582,348	1,842,900,019	9.70%	-11.94%	18,771,449,134	18,989,393,113	10-	2.49%
2002	2,315,048,277	2,276,642,374	11.64%	-10.81%	19,403,848,200	19,557,516,103	10-	-6.39%
2001	2,217,285,786	2,601,575,275	12.28%	-6.25%	19,571,276,798	21,204,840,744	10-	-3.68%
2000	1,879,100,932	2,561,042,272	11.28%	53.86%	19,248,259,423	22,711,717,228	10-	13.13%
1999	1,138,252,584	1,182,905,063	5.80%	-0.81%	17,242,196,196	20,410,424,008	10-	10.49%

(1) All rates of return are net of management fees and division operating expenses.

(2) The market value of the Liquidity Fund for the periods presented represents the market value of the pension and trust balances in the Liquidity Fund only (excluding receivables and payables); the Liquidity Fund balances of the other combined investment funds are shown in the market value of each fund.

(3) In fiscal year 1999, the Venture Capital Fund was renamed as the Private Investment Fund.

(4) Investment returns published for prior years were net of management fees, but were restated in 2008 net of all expenses.

(5) Represents a composite return of the total pension and trust funds. Individual returns for the three primary pension funds (Teachers, State Employees and Municipal Employees) are separately presented elsewhere due to different asset allocations of each fund.

(6) On November 1, 2007 the International Stock Fund (ISF) was reallocated into two sub portfolios of international equity securities. The reallocation was a result of the modifications to the Investment Policy Statement (IPS) as approved by the Investment Advisory Council (IAC) and adopted by the Treasurer in October 2007. The reallocation of assets, outlined in the IPS, was based on an asset liability study that identified the need to reallocate the international stock fund into two components: developed markets international stocks and emerging markets international stocks to allow for greater flexibility in managing risk and return in the various Connecticut Retirement Plans and Trust Funds.

(7) On November 1, 2007 the Mutual Fixed Income Fund was reallocated into four sub portfolios of fixed income securities. The reallocation was a result of the modifications to the Investment Policy Statement (IPS) as approved by the Investment Advisory Council (IAC) and adopted by the by the Treasurer in October 2007. The reallocation of assets, outlined in the IPS, was based on an asset liability study that identified the need to reallocation the mutual fi xed income fund into four components: core fixed income, emerging market debt, high yield debt and inflation-linked bonds to allow for greater flexibility in managing risk and return in the various Connecticut Retirement Plans and Trust Funds.

COMBINED INVESTMENT FUNDS
TOP TEN HOLDINGS BY FUND AT JUNE 30, 2008

MUTUAL EQUITY FUND

Security Name	Industry Sector	Market Value	%
Exxon Mobil Corp	Energy	$ 280,031,753	3.49%
Microsoft	Technology	136,646,186	1.70%
AT&T Inc	Telecommunication Svcs	120,833,093	1.51%
Proctor & Gamble Co	Consumer Staples	117,841,267	1.47%
General Electric	Industrials	117,633,986	1.47%
ConocoPhillips	Energy	101,298,121	1.26%
Wal Mart Stores Inc	Consumer Discretionary	93,683,321	1.17%
Chevron Corp	Energy	88,195,069	1.10%
Intel Corp	Information Technology	83,281,998	1.04%
Apple Inc	Information Technology	81,091,694	1.01%
Top Ten		**1,220,536,488**	**15.22%**
Total Market Value		**$8,017,007,807**	

CORE FIXED INCOME FUND

Security Name	Coupon	Maturity	Security Type	Market Value	%
FNMA TBA Aug 30 Single Fam	5.0%	12/01/2099	U.S. Govt Agency	$ 123,527,318	2.54%
FNMA TBA Jul 30 Single Fam	5.0%	12/01/2099	U.S. Govt Agency	109,905,896	2.27%
FNMA Pool 735989	5.5%	02/01/2035	U.S. Govt Agency	48,506,358	1.00%
FNMA Pool 888877	0.99%	10/01/2022	U.S. Govt Agency	35,570,564	0.73%
U.S. Treasury Notes	3.5%	02/15/2018	U.S. Govt Agency	33,631,116	0.69%
U.S. Treasury Notes	3.875%	05/15/2018	U.S. Govt Agency	33,098,356	0.68%
GNMA I TBA Jul 30 Single Fam	5.5%	12/01/2099	U.S. Govt Agency	29,243,813	0.60%
Germany (FED REP)	3.75%	01/04/2017	Sovereign Debt	26,653,253	0.55%
U.S. Treasury Bonds	3.625%	04/15/2028	U.S. Govt Agency	26,016,173	0.54%
FNMA Pool 888877	0.99%	12/012037	U.S. Govt Agency	24,054,563	0.50%
Top Ten				**$ 490,207,410**	**10.10%**
Total Market Value				**$4,851,300,830**	

INFLATION LINKED BONDS

Security Name	Coupon	Maturity	Security Type	Market Value	%
U.S. Treasury Notes	1.875%	07/15/2013	U.S. Govt Agency	$ 167,195,259	14.39%
U.S. Treasury Bonds	2.375%	01/15/2025	U.S. Govt Agency	134,959,190	11.61%
U.S. Treasury Bonds	2.375%	01/15/2027	U.S. Govt Agency	100,083,262	8.61%
U.S. Treasury Notes	2.00%	01/15/2016	U.S. Govt Agency	84,656,795	7.28%
U.S. Treasury Notes	2.375%	04/15/2011	U.S. Govt Agency	80,209,715	6.90%
U.S. Treasury Notes	1.875%	07/15/2015	U.S. Govt Agency	71,034,347	6.11%
U.S. Treasury Bonds	2.00%	01/15/2026	U.S. Govt Agency	63,062,971	5.42%
U.S. Treasury Notes	3.50%	01/15/2011	U.S. Govt Agency	55,732,646	4.79%
U.S. Treasury Notes	2.50%	07/15/2016	U.S. Govt Agency	53,917,654	4.64%
U.S. Treasury Notes	2.00%	07/15/2014	U.S. Govt Agency	48,021,130	4.13%
Top Ten				**$ 858,872,969**	**73.88%**
Total Market Value				**$1,162,545,028**	

EMERGING MARKET DEBT

Security Name	Coupon	Maturity	Security Type	Market Value	%
Russian Federation	7.50%	3/31/2030	Russian Federation	$ 25,460,622	2.45%
Argentina (Rep)	7.00%	3/28/2011	Argentina	17,856,750	1.72%
Argentina	3.092%	8/3/2012	Argentina	14,598,630	1.40%
Malaysia	3.869%	4/13/2010	Malaysia	12,102,373	1.16%
Argentina (Rep)	7.00%	9/12/2013	Argentina	11,738,089	1.13%
Russian Federation	12.75%	6/24/2028	Russian Federation	10,259,789	0.99%

COMBINED INVESTMENT FUNDS

TOP TEN HOLDINGS BY FUND AT JUNE 30, 2008 (Continued)

Turkey (Rep)	6.75%	4/3/2018	Turkey	10,226,244	0.98%
Nota Do Tesouro NA	10.00%	1/1/2017	Brazil	9,885,535	0.95%
Colombia (Rep)	7.375%	9/18/2037	Colombia	9,688,551	0.93%
Malaysian Government	3.718%	6/15/2012	Malaysia	9,574,244	0.92%
Top Ten				**131,390,827**	**12.63%**
Total Market Value				**$1,040,295,964**	

HIGH YIELD DEBT FUND

Security Name	Coupon	Maturity	Security Type	Market Value	%
Mexico (United Mexican States)	9.00%	12/20/2012	Mexico	$ 13,898,928	1.87%
ASIF Global Financing XXVII	2.38%	02/26/2009	United States	8,822,369	1.18%
Dynegy Hldgs Inc	8.375%	05/1/2016	United States	8,671,800	1.16%
Georgia Pacific Corp	7.75%	11/15/2029	United States	6,459,200	0.87%
AES Corp	8.375%	03/1/2011	United States	6,370,964	0.86%
Toys R Us	7.375%	10/15/2018	United States	6,167,900	0.83%
Vertex Pharmaceuticals Inc	N/A	Common Stock	United States	5,916,659	0.79%
U S West Cap Fdg Inc	6.875%	07/15/2028	United States	5,904,000	0.79%
IMC Global Inc	7.30%	01/15/2028	United States	5,903,450	0.79%
Citibank NA	15.00%	07/2/2010	United States	5,903,168	0.79%
Top Ten				**74,018,438**	**9.93%**
Total Market Value				**$ 745,137,049**	

DEVELOPED MARKET INTERNATIONAL STOCK FUND

Security Name	Country	Market Value	%
Total SA Eur 2.5 Post Division	France	$ 100,486,378	1.98%
Nestle SA CHFO.10 REGD	Switzerland	80,049,035	1.58%
Vodafone Group ORD USD 0.11428571	United Kingdom	66,851,881	1.32%
E on AG NPV	Germany	66,175,133	1.30%
ENI Eur 1	Italy	64,815,289	1.28%
Glaxosmithkline ORD GBP 0.25	United Kingdom	58,140,542	1.14%
Roche Holdings AG Genusscheine NPV	Switzerland	56,044,131	1.10%
Novartis AG CHF 0.50 REGD	Switzerland	51,555,450	1.02%
BG Group ORD GBP 0.10	United Kingdom	51,393,329	1.01%
Royal Dutch Shell A SHS Eur 0.7	United Kingdom	47,110,261	0.93%
Top Ten		**642,621,429**	**12.66%**
Total Market Value		**$5,077,825,949**	

EMERGING MARKET FUND

Security Name	Country	Market Value	%
Petroleo Brasileiro Sa Petro Sponsored ADR	Brazil	$ 45,201,637	3.50%
Gazprom O A O Sponored ADR	Russian Federation	34,884,100	2.69%
Companhia Vale Do Rio Doce Spons ADR REPSTG 250 PFD SHS	Brazil	31,767,187	2.45%
Samsung Electronic KRW 5000	Republic of Korea	29,330,577	2.26%
EMSAF Mauritius Reref from 132197	United States	27,887,293	2.15%
Gazprom ADR Rep 4 Ord Rub5	Russian Federation	27,666,000	2.13%
China Mobile Ltd. HKD 0.10	Hong Kong	26,255,623	2.03%
Petroleo Brasileiro Sa Sponsored ADR	Brazil	18,197,644	1.40%
CNOOC Ltd. HKD 0.02	Hong Kong	17,016,273	1.31%
KT + G Corporation KRW5000	Republic of Korea	16,703,236	1.29%
Top Ten		**274,909,570**	**21.21%**
Total Market Value		**$ 1,295,936,888**	

COMBINED INVESTMENT FUNDS

TOP TEN HOLDINGS BY FUND AT JUNE 30, 2008 (Continued)

REAL ESTATE FUND

Property Name	Location	Property Type	Market Value	%
Prime Property Fund	Various	Various	$ 102,463,500	10.22%
Cornerstone Patriot	Various	Various	73,366,650	7.32%
Starwood Opportunity Fund VII	Various	Various	53,857,300	5.37%
Westport Senior Living Inv FD	Various	Senior Living	52,673,389	5.26%
North Scottsdale Corporate Center	Scottsdale, AZ	Office	52,535,316	5.24%
Colony Realty Partners II LP	Various	Various	47,654,787	4.75%
Rio Hill Shopping Center	Virginia	Retail	47,616,541	4.75%
Blackstone Real Estate VI LP	Various	Various	46,776,883	4.67%
Apollo Real Est Invest Fd III	Various	Various	45,554,672	4.55%
1155 Perimeter Center West	Atlanta	Office	44,620,096	4.45%
Top Ten			**567,119,134**	**56.58%**
Total Market Value			**$ 1,002,243,816**	

COMMERCIAL MORTGAGE FUND

Property Name	Location	Property Type	Market Value	%
SASCO	Various	Other	$ 6,467,188	93.65%
Yankee Mac Series G 11.125%	Various	Residential	114,079	1.65%
Yankee Mac Series E 11.056%	Various	Residential	111,349	1.61%
Yankee Mac Series F 12.981%	Various	Residential	53,819	0.78%
Yankee Mac Series A 13.075%	Various	Residential	9,472	0.14%
Top Five			**6,755,907**	**97.83%**
Total Market Value			**$ 6,906,096**	

PRIVATE INVESTMENT FUND

Partnership Name	Partnership Type	Market Value	%
Constitution Liquidating Fund	Fund of Funds	$ 239,521,429	13.37%
KKR Millennium Fund	Buyout	97,425,807	5.45%
KKR 2006 Fund	Buyout	85,612,671	4.79%
Welsh Carson Anderson & Stowe X L.P.	Buyout	82,228,660	4.60%
Parish Capital Buyout Fund II	Fund of Funds	81,098,839	4.53%
Fairview Constitution II LP	Fund of Funds	79,940,110	4.47%
Carlyle Asia Partners LP	International	68,421,669	3.82%
Charterhouse Equity Partners IV	Buyout	65,577,209	3.67%
FS Equity Partners V	Buyout	55,276,872	3.09%
Gilbert Global Equity Partners	International	54,569,439	3.05%
Top Ten		**909,672,705**	**50.84%**
Total Market Value		**$ 1,789,139,253**	

SCHEDULE OF EXPENSES IN EXCESS OF $5,000 (1)
FISCAL YEAR ENDED JUNE 30, 2008

Name of Firm	Description of Services	Contract Date	Aggregate Comp. Paid in FY 2008	Status at June 30, 2008
INVESTMENT ADVISORY SERVICES				
Domestic Equity Investment Advisory Services				
AXA Rosenberg Institutional Equity Management	Equity Advisor	Mar-96	$795,699	Active
Barclay's Global Investors	Equity Advisor	Mar-96	3,091,096	Active
Bivium Capital Partners, LLC	Equity Advisor	Jul-05	1,629,037	Active
Capital Prospects LLC	Equity Advisor	Jul-05	1,064,352	Active
FIS Group Inc.	Equity Advisor	Jul-05	941,430	Active
State Street Global Advisors	Equity Advisor	Mar-96	247,748	Active
TCW Asset Management	Equity Advisor	Mar-96	1,343,817	Active
Total Domestic Equity Advisor Compensation			**$9,113,179**	
Fixed Income Investment Advisory Services				
Blackrock Financial Management	Fixed Income Advisor	Mar-96	$392,489	Active
Bridgewater Associates	Fixed Income Advisor	Jan-06	165,115	Active
Brown Brothers Harriman & Co.	Fixed Income Advisor	May-05	47,021	Active
Goodwin Capital Advisors(Phoenix)	Fixed Income Advisor	Nov-97	169,499	Active
Hartford Investment Management Co.	Fixed Income Advisor	May-05	33,974	Active
Loomis Sayles & Co., Inc.	Fixed Income Advisor	Mar-96	204,110	Active
Oaktree Capital Management	Fixed Income Advisor	Mar-96	282,324	Active
Progress Investment Management	Fixed Income Advisor	Jul-05	134,134	Active
State Street Global Advisors	Fixed Income Advisor	Mar-96	89,263	Active
Wellington Asset Management	Fixed Income Advisor	Nov-97	246,808	Active
Western Asset Management	Fixed Income Advisor	Nov-97	349,720	Active
Total Fixed Income Advisor Compensation			**$2,114,457**	
Core Fixed Income Investment Advisory Services				
Blackrock Financial Management	Core Income Advisor	Mar-96	$1,217,479	Active
Goodwin Capital Advisors(Phoenix)	Core Income Advisor	Nov-97	567,745	Active
Progress Investment Management	Core Income Advisor	Jul-05	561,890	Active
State Street Global Advisors	Core Income Advisor	Mar-96	267,092	Active
Wellington Asset Management	Core Income Advisor	Nov-97	734,363	Active
Western Asset Management	Core Income Advisor	Nov-97	1,146,230	Active
Total Core Fixed Income Advisor Compensation			**$4,494,799**	
Inflation Linked Bond Investment Advisory Services				
Brown Brothers Harriman & Co.	Inflation Income Advisor	May-05	$143,593	Active
Hartford Investment Management Co.	Inflation Income Advisor	May-05	124,559	Active
Total Inflation Linked Bond Advisor Compensation			**$268,152**	
Emerging Market Debt Investment Advisory Services				
Bridgewater Associates	Emerging Market Income Advisor	Jan-06	$161,018	Active
Pyramis Global Advisors	Emerging Market Income Advisor	Oct-07	356,836	Active
Stone Harbor Investment Partners	Emerging Market Income Advisor	Oct-07	399,164	Active
UBS Global Asset Management Co	Emerging Market Income Advisor	Oct-07	432,348	Active
Total Emerging Market Debt Advisor Compensation			**$1,349,366**	
High Yield Debt Advisory Services				
Loomis Sayles & Co., Inc.	High Yield Income Advisor	Mar-96	$565,179	Active
Oaktree Capital Management	High Yield Income Advisor	Mar-96	695,140	Active
Shenkman Capital Management	High Yield Income Advisor	Dec-07	148,105	Active
Stone Harbor Investment Partners	High Yield Income Advisor	Oct-07	216,775	Active
Total High Yield Debt Advisor Compensation			**$1,625,199**	
Liquidity Fund Advisory Services				
State Street Global Advisors	Liquidity Fund Advisor	Mar-96	$376,487	Active
Total Liquidity Fund Advisor Compensation		**$376,487**		
International Equity Investment Advisory Services				
Acadian Asset Management	International Equity Advisor	Sep-06	$385,075	Active
AQR Capital Management, LLC	International Equity Advisor	Sep-06	439,067	Active
Bank of New York	International Equity Advisor	Feb-04	642,250	Active
Bridgewater Associates	International Equity Advisor	Feb-04	770,700	Active
Clay Finlay, Inc.	International Equity Advisor	Aug-03	295,382	Active

PENSION FUNDS MANAGEMENT DIVISION

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

FISCAL YEAR ENDED JUNE 30, 2008

Name of Firm	Description of Services	Contract Date	Aggregate Comp. Paid in FY 2008	Status at June 30, 2008
Emerging Markets Management LLC	International Equity Advisor	Aug-03	882,918	Active
Grantham, Mayo, Van Otterloo & Co	International Equity Advisor	Mar-96	862,112	Active
Grantham, Mayo, Van Otterloo & Co	International Equity Advisor	Mar-96	1,038,263	Active
Invesco Global Asset Management	International Equity Advisor	Aug-03	277,644	Active
Julius Baer Asset Management	International Equity Advisor	Sep-06	287,012	Active
MFS Institutional Advisors	International Equity Advisor	Aug-03	345,384	Active
Progress Investment Management	International Equity Advisor	Jul-05	133,380	Active
Pyramis Investment (Fidelity)	International Equity Advisor	Aug-03	308,411	Active
Schroder Investment Management	International Equity Advisor	Sep-06	484,771	Active
State Street Global Advisors	International Equity Advisor	Mar-96	107,789	Active
Total International Equity Advisor Compensation			**$7,260,158**	
Developed Market International Equity Investment Advisory Services				
Acadian Asset Management	International Equity Advisor	Sep-06	$1,259,086	Active
AQR Capital Management, LLC	International Equity Advisor	Sep-06	1,397,341	Active
Bank of New York	International Equity Advisor	Feb-04	1,848,626	Active
Blackrock(Merrill Lynch)	International Equity Advisor	Aug-03	899,869	Active
Bridgewater Associates	International Equity Advisor	Feb-04	521,600	Active
Clay Finlay,Inc.	International Equity Advisor	Aug-03	883,935	Active
Grantham, Mayo, Van Otterloo & Co	International Equity Advisor	Mar-96	2,706,318	Active
Invesco Global Asset Management	International Equity Advisor	Aug-03	748,211	Active
Julius Baer Asset Management	International Equity Advisor	Sep-06	1,007,647	Active
MFS Institutional Advisors	International Equity Advisor	Aug-03	1,078,968	Active
Progress Investment Management	International Equity Advisor	Jul-05	448,836	Active
Pyramis Investment (Fidelity)	International Equity Advisor	Aug-03	933,148	Active
Schroder Investment Management	International Equity Advisor	Sep-06	1,501,099	Active
State Street Global Advisors	International Equity Advisor	Mar-96	302,429	Active
Total Developed Market International Equity Advisor Compensation			**$15,537,113**	
Emerging Market International Equity Investment Advisory Services				
Emerging Markets Management LLC	International Equity Advisor	Aug-03	$2,952,146	Active
Grantham, Mayo, Van Otterloo & Co	International Equity Advisor	Mar-96	3,901,398	Active
Total Emerging Market International Equity Advisor Compensation			**$6,853,544**	
Real Estate Investment Advisory Services (2)				
AEW Capital Management, LP(Core)	Real Estate Advisor	Aug-98	$1,145,997	Active
AEW Partners III, LP	Real Estate Advisor	Mar-98	82,925	Active
Apollo Real Estate Investment Fund III, LP	Real Estate Advisor	May-98	224,129	Active
Blackstone Real Estate Associates	Real Estate Advisor	Feb-07	1,708,333	Active
Canyon Johnson Urban Fund II, LP	Real Estate Advisor	May-05	937,500	Active
Colony Realty Partners II, LP	Real Estate Advisor	May-08	714,285	Active
MacFarlane Urban Real Estate	Real Estate Advisor	Oct-08	592,856	Active
RLJ Urban Lodging Fund, LP	Real Estate Advisor	Oct-04	139,753	Active
RLJ Urban Lodging Fund II, LP	Real Estate Advisor	Jun-06	468,750	Active
Total Real Estate Advisor Compensation			**$6,014,528**	
Commercial Mortgage Investment Advisory Services				
AEW Capital Management, LP	Commercial Mortgage Advisor	Aug-87	$73,500	Active
Total Commercial Mortgage Advisor Compensation			**$73,500**	
Private Investment Advisory Services (2)				
AIG Altaris Healthcare Partners II, LP	Private Investment Advisor	Oct-07	$600,548	Active
AIG Global Emerging Markets Fund, LP	Private Investment Advisor	Dec-97	242,944	Active
AIG Altaris Health Partners, LP	Private Investment Advisor	Sep-04	753,103	Active
Blackstone Capital Partners III, LP	Private Investment Advisor	Jul-97	29,555	Active
Boston Venture Capital Partners VII, LP	Private Investment Advisor	May-07	551,900	Active
Carlyle Asia Partners, LP	Private Investment Advisor	Dec-98	341,317	Active
Carlyle Europe Partners, LP	Private Investment Advisor	Dec-97	295,071	Active
Charterhouse Equity Partners IV, LP	Private Investment Advisor	Feb-05	1,266,277	Active
Conning & Co	Private Investment Advisor	Dec-08	39,671	Active
Constitution Liquidating Fund, LP	Private Investment Advisor	Jul-87	671,841	Active
CS\CT Cleantech Opportunities Fund	Private Investment Advisor	Jul-07	176,070	Active

PENSION FUNDS MANAGEMENT DIVISION

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

FISCAL YEAR ENDED JUNE 30, 2008

Name of Firm	Description of Services	Contract Date	Aggregate Comp. Paid in FY 2008	Status at June 30, 2008
DLJ Merchant Banking Fund II, LP	Private Investment Advisor	Nov-96	84,787	Active
Ethos Capital Fund V, LP	Private Investment Advisor	Aug-06	646,943	Active
Fairview Constitution II, LP	Private Investment Advisor	May-05	1,600,000	Active
Fairview Constitution III, LP	Private Investment Advisor	Jun-07	2,426,519	Active
Forstmann Little & Company VI & VII	Private Investment Advisor	Apr-97	142,141	Active
FS Equity Partners V, LP	Private Investment Advisor	Mar-04	1,101,934	Active
Garmark Partners, LP	Private Investment Advisor	Apr-98	83,239	Active
Garmark Partners, II LP	Private Investment Advisor	Apr-98	426,718	Active
Gilbert Global Equity Partners, LP	Private Investment Advisor	Oct-97	117,030	Active
Goldman Sachs Private Equity Fund, LP	Private Investment Advisor	May-97	151,189	Active
Green Equity Partners, LP	Private Investment Advisor	Sep-98	44,098	Active
Greenwich Street Capital Partners II LP	Private Investment Advisor	Oct-98	239,525	Active
ICV Associates II LP	Private Investment Advisor	Oct-05	706,702	Active
KKR Associates 1996 Fund, LP	Private Investment Advisor	Dec-01	12,349	Active
KKR Associates 2006 Fund, LP	Private Investment Advisor	May-07	1,549,415	Active
KPS Investors II, LP	Private Investment Advisor	Dec-08	164,600	Active
Muller & Monroe Asset Management	Private Investment Advisor	Nov-07	327,740	Active
Nogales Investors II, LP	Private Investment Advisor	Oct-06	802,527	Active
Parish Capital I, LP	Private Investment Advisor	Mar-05	123,181	Active
Parish Capital II, LP	Private Investment Advisor	Jun-06	13,889	Active
Pegasus Investors IV, LP	Private Investment Advisor	Aug-07	2,744,224	Active
SW Pelham Fund II, LP	Private Investment Advisor	Dec-02	263,401	Active
REF Associates VII, LP	Private Investment Advisor	Feb-08	93,213	Active
Syncom Partners V, LP	Private Investment Advisor	Apr-06	390,546	Active
Thayer Equity Investors IV, LP	Private Investment Advisor	Nov-98	243,425	Active
Thomas H.Lee Advisors IV, LP	Private Investment Advisor	Dec-97	96,816	Active
Thomas H.Lee Equity Fund VI, LP	Private Investment Advisor	Jul-07	1,374,287	Active
Vista Equity Partners III, LP	Private Investment Advisor	Apr-08	877,027	Active
Total Private Equity Advisor Compensation			**$21,815,762**	
TOTAL COMPENSATION TO INVESTMENT ADVISORS			**$76,896,244**	
CUSTODY SERVICES				
State Street Bank & Trust	Custody of Fund Assets	Jul-05	$113,000	Active
TOTAL CUSTODY SERVICES COMPENSATION			**$113,000**	
CONSULTING SERVICES				
CRA Rogers Casey	Consultant -Pension Funds	Jan-01	$555,055	Active
Franklin Park Associates LLC	Consultant -Private Investment	Jul-04	791,426	Active
Independent Fiduciary Services	Consultant -Organizational Review	Jul-07	142,500	Active
Korn & Ferry International	Consultant -Executive Search	Jul-07	182,392	Active
Mercer Investment Consulting	Consultant -Pension Funds	Oct-07	250,000	Active
Pension Consulting Alliance	Consultant -Pension Funds	Jul-02	103,350	Active
TOTAL CONSULTING SERVICES COMPENSATION			**$2,024,723**	
MISCELLANEOUS SERVICES				
Buchanan Ingersoll, PC	Legal Services	Mar-03	$95,667	Active
Day Pitney	Legal Services	Jun-03	72,934	Active
Levy & Droney, PC	Legal Services	Jul-07	27,500	Active
Lewis & Munday PC	Legal Services	Jul-03	112,855	Active
Nixon Peabody, LLP	Legal Services	May-01	141,116	Active
Pepe & Hazard	Legal Services	Jul-03	48,347	Active
Robinson & Cole	Legal Services	Jul-03	32,154	Active
A & A Office Systems.	Photocopier Lease	N/A	5,075	Active
Advanced Corporate Services	Computer Hardware	N/A	7,878	Active
Corporate Governance Research Consulting	Corporate Governance Services	N/A	9,240	Active
Corporate Computer Services	Computer Hardware	N/A	5,908	Active
Council of Institutional Investors	Dues	N/A	30,000	Active
Institutional Shareholder Services	Proxy Voting	Nov-99	37,277	Active
Interfaith Center on Corporate Responsibility	Subscription	N/A	7,000	Active
Investor Responsibility Support Services	Asset Recovery	Dec-02	25,000	Active
JP Morgan Chase Bank	Purchasing Card	N/A	5,577	Active

PENSION FUNDS MANAGEMENT DIVISION

SCHEDULE OF EXPENSES IN EXCESS OF $5,000 [1] (Continued)
FISCAL YEAR ENDED JUNE 30, 2008

Name of Firm	Description of Services	Contract Date	Aggregate Comp. Paid in FY 2008	Status at June 30, 2008
Resource Group Staffing	Temporary Services	N/A	39,188	Active
Staffing Now, Inc.	Temporary Services	N/A	7,126	Active
Suburban Stationers, Inc.	Office Supplies	N/A	8,538	Active
The Corporate Library	Subscription	N/A	25,000	Active
The Foundation for the Global Compact	Fee	N/A	10,000	Active
West Group	Subscription	N/A	9,144	Active
TOTAL MISCELLANEOUS SERVICES COMPENSATION			**$762,524**	
GRAND TOTAL			**$79,796,491**	

(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.

COMBINED INVESTMENT FUNDS
LIST OF INVESTMENT ADVISORS AND NET ASSETS UNDER MANAGMENT
JUNE 30, 2008

Name of Fund	Investment Strategy		Net Assets Under Management	Percent of Fund Total
LIQUIDITY (LF)				
State Street Global Advisors	Active	$	2,161,652,395	100.00%
SUBTOTAL LF		**$**	**2,161,652,395**	**100.00%**
MUTUAL EQUITY FUND (MEF)				
Large Cap		**$**	**5,942,231,994**	**74.28%**
BGI Barclays Global Investors, N.A.	Enhanced - Index		3,098,026,385	38.73%
State Street Global Advisors	Passive - Indexed		2,844,205,609	35.55%
All Cap			**325,506,700**	**4.07%**
Capital Prospects	Active		161,577,785	2.02%
FIS Group, Inc.	Active		163,928,915	2.05%
Small/Mid Cap			**1,720,622,163**	**21.51%**
AXA Rosenberg Investment Management	Enhanced - Index		1,031,638,560	12.90%
TCW Cowen Asset Management	Active		541,934,716	6.77%
Bivium	Active		147,048,887	1.84%
Other (1)			**11,100,918**	**0.14%**
SUBTOTAL MEF		**$**	**7,999,461,775**	**100.00%**
CORE FIXED INCOME FUND (CFIF)				
State Street Global Advisors	Passive	$	1,136,204,216	25.04%
BlackRock Financial Management, Inc.	Active		901,731,858	19.87%
Wellington	Active		680,596,862	15.00%
Western Asset Management Co.	Active		812,000,056	17.90%
Phoenix	Active		412,435,485	9.09%
Progress	Active		139,566,604	3.08%
Other (1)			**454,526,384**	**10.02%**
SUBTOTAL CFIF		**$**	**4,537,061,465**	**100.00%**
INFLATION LINKED BOND FUND (ILBF)				
Brown Brothers Harriman	Active	$	597,394,601	50.94%
Hartford Investment Mgmt Co.	Active		574,899,771	49.02%
Other (1)			**491,039**	**0.04%**
SUBTOTAL ILBF		**$**	**1,172,785,411**	**100.00%**
EMERGING MARKET DEBT FUND (EMDF)				
Ashmore	Active	$	339,221,905	32.40%
Stone Harbor Investment Partners	Active		251,588,628	24.02%
Pyramis	Active		207,519,605	19.81%
UBS Global Asset Management	Active		243,964,412	23.29%
Other (1)			**5,040,079**	**0.48%**
SUBTOTAL EMDF		**$**	**1,047,334,629**	**100.00%**
HIGH YIELD INCOME FUND (HYIF)				
Loomis Sayles & Co., Inc.	Active	$	324,437,858	42.74%
Stone Harbor Investment Partners	Active		145,334,608	19.14%
Shenkman Capital Management	Active		151,471,173	19.95%
Oaktree Capital Management, L.L.C.	Active		136,392,195	17.96%
Other (1)			**1,578,559**	**0.21%**
SUBTOTAL HYIF		**$**	**759,214,393**	**100.00%**
DEVELOPED MARKET INTERNATIONAL STOCK FUND (DMISF)				
Index		**$**	**676,477,517**	**13.24%**
State Street Global Advisors	Index-Passive		676,477,517	13.24%
Core			**1,489,162,231**	**29.16%**
Invesco Global Asset Mgmt.	Active		242,875,937	4.75%
AQR Capital Management	Active		315,027,056	6.17%
Acadian Asset Management	Active		448,810,059	8.80%
Artio Global	Active		400,678,731	7.84%
Progress	Active		81,770,448	1.60%
Active-Growth			**979,615,304**	**19.17%**
Clay Finlay, Inc.	Active		495,661,097	9.70%

PENSION FUNDS MANAGEMENT DIVISION

COMBINED INVESTMENT FUNDS

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

JUNE 30, 2008

Name of Fund	Investment Strategy		Net Assets Under Management	Percent of Fund Total
MFS Institutional Advisors, Inc.	Active		483,954,207	9.47%
Active-Value			**718,225,463**	**14.06%**
Grantham, Mayo, Van Otterloo	Active		718,225,463	14.06%
Small Cap			**296,949,032**	**5.81%**
Schroder Investment Mgmt.	Active		296,949,032	5.81%
Risk Controlled			**908,832,405**	**17.80%**
BlackRock	Active		448,765,440	8.79%
Pyramis	Active		460,066,965	9.01%
Other (1)			**39,019,343**	**0.76%**
SUBTOTAL DMISF		**$**	**5,108,281,295**	**100.00%**
EMERGING MARKET INTERNATIONAL STOCK FUND (EMISF)				
Grantham, Mayo, Van Otterloo	Active	$	693,054,190	53.16%
Emerging Markets Management	Active		609,293,017	46.73%
Other (1)			**1,411,891**	**0.11%**
SUBTOTAL EMISF		**$**	**1,303,759,098**	**100.00%**
REAL ESTATE FUND (REF)				
AEW Capital Management	Active	$	16,416,491	1.64%
AEW Core	Active		180,271,447	17.99%
Apollo Real Estate	Active		45,554,672	4.54%
Blackstone Real Estate VI LP	Active		46,776,883	4.67%
Canyon Johnson Urban Fund II	Active		26,856,469	2.68%
Capri Select Income II LLC	Active		29,946,510	2.99%
Colony Realty Partners II LP	Active		47,654,787	4.75%
Cornerstone Patriot	Active		73,366,650	7.32%
Covenant Apartment Fund V LP	Active		23,293,573	2.32%
Macfarlane Urban Real Estate Fund II LP	Active		26,786,193	2.67%
Mullica Hill Plaza	Active		10,076,518	1.01%
New Boston Fund	Active		5,863,982	0.59%
North Scottsdale Corporate Center	Active		52,535,316	5.24%
Prime Property Fund	Active		102,463,500	10.22%
RLJ Urban Lodging Fund	Active		171,379	0.02%
RLJ Urban Lodging Fund II	Active		39,204,093	3.91%
Rockwood Capital Fund V	Active		27,133,745	2.71%
Rockwood Capital VI Limited Partnership	Active		17,376,816	1.73%
Rockwood Capital VII Limited Partnership	Active		33,318,904	3.32%
Starwood Opportunity Fund VII	Active		53,857,300	5.37%
Urban Strategy America Fund LP	Active		15,385,904	1.54%
Walton Street Real Estate	Active		41,901,440	4.18%
Westport Senior Living	Active		52,673,389	5.26%
Other (3)	**Active**		**33,435,046**	**3.33%**
SUBTOTAL REF		**$**	**1,002,321,007**	**100.00%**
COMMERCIAL MORTGAGE FUND (CMF)				
AEW Capital Management	Active	$	6,467,187	93.58%
Other (2)			**443,918**	**6.42%**
SUBTOTAL CMF		**$**	**6,911,105**	**100.00%**
PRIVATE INVESTMENT FUND (PIF)				
Buyout		**$**	**774,928,521**	**43.16%**
KKR Millennium Fund	Active		97,425,807	5.43%
Hicks, Muse Tate & Furst Equity Fund III	Active		29,105,687	1.62%
Thomas H. Lee Equity Fund IV	Active		1,587,206	0.09%
Thomas H. Lee Equity Fund VI	Active		50,337,273	2.80%
Welsh Carson Anderson & Stowe VIII	Active		21,141,054	1.18%
Wellspring Capital Partners III	Active		50,994,408	2.84%
SCP Private Equity Partners	Active		23,332,055	1.30%
Charterhouse Equity Partners IV	Active		65,577,209	3.65%

COMBINED INVESTMENT FUNDS
LIST OF INVESTMENT ADVISORS AND NET ASSETS UNDER MANAGMENT (Continued)
JUNE 30, 2008

Name of Fund	Investment Strategy	Net Assets Under Management	Percent of Fund Total
Forstmann Little Equity Fund VI	Active	4,187,397	0.23%
DLJ Merchant Banking Fund II	Active	17,202,542	0.96%
KKR 1996 Fund	Active	8,914,467	0.50%
FS Equity Partners V	Active	55,276,872	3.08%
Blackstone Capital Partners III	Active	8,431,850	0.47%
Thayer Equity Investors IV	Active	16,061,418	0.89%
Kelso Investment Associates VI	Active	4,463,788	0.25%
Green Equity Investors III	Active	4,370,681	0.24%
Wellspring Capital Partners II	Active	2,214,255	0.12%
Veritas Capital Fund	Active	84,650	0.00%
AIG Healthcare Partners LP	Active	29,353,580	1.64%
AIG Altaris Health Partners II	Active	4,593,667	0.26%
Welsh Carson Anderson & Stowe X LP	Active	82,228,660	4.58%
Court Square Capital Partners II	Active	24,176,785	1.35%
Ethos Private Equity Fund V	Active	27,922,900	1.56%
Boston Ventures VII	Active	20,153,787	1.12%
KKR 2006 Fund	Active	85,612,671	4.77%
Nogales Investors Fund II	Active	233,476	0.01%
ICV Partners II LP	Active	6,887,275	0.38%
Vista Equity Partners Fund III	Active	20,921,186	1.17%
RFE Investments Partners	Active	5,286,475	0.29%
RFE Investment Partners VII	Active	6,849,440	0.38%
Venture Capital		**41,681,097**	**2.32%**
Conning Capital Partners V	Active	4,022,660	0.22%
Crescendo World Fund	Active	15,329,212	0.85%
Grotech Partners V	Active	9,255,197	0.52%
Shawmut Equity Partners	Active	5,698,233	0.32%
Crescendo III	Active	2,028,146	0.11%
Syndicated Communications	Active	5,247,439	0.29%
Connecticut Futures Fund	Active	100,210	0.01%
Mezzanine		**56,445,553**	**3.15%**
SW Pelham Fund	Active	4,325,539	0.24%
GarMark Partners	Active	3,203,066	0.18%
GarMark Partners II LP	Active	39,448,830	2.20%
SW Pelham Fund II	Active	9,468,118	0.53%
International		**200,111,979**	**11.15%**
Compass Partners European Equity Fund	Active	27,770,476	1.55%
Gilbert Global Equity Partners	Active	54,569,439	3.04%
Carlyle Europe Partners	Active	25,373,929	1.41%
AIG Global Emerging Markets Fund	Active	23,976,467	1.34%
Carlyle Asia Partners	Active	68,421,668	3.81%
Fund of Funds		**500,384,675**	**27.88%**
The Constitution Liquidating Fund	Active	239,521,431	13.35%
Landmark Private Equity Fund VIII	Active	32,106,470	1.79%
CS/CT Cleantech Opp Fund	Active	3,547,871	0.20%
CT Emerging Pvt Equity	Active	1,922,546	0.11%
Fairview Constitution III	Active	8,672,250	0.48%
Goldman Sachs Private Equity Partners Connecticut	Active	13,307,244	0.74%
Lexington Capital Partners II	Active	6,466,889	0.36%
Parish Capital I LP	Active	33,801,027	1.88%
Parish Capital Buyout Fund II	Active	81,098,837	4.52%
Fairview Constitution II LP	Active	79,940,110	4.45%
Special Situations		**103,546,939**	**5.76%**
Welsh Carson Anderson & Stowe Capital Partners III	Active	23,875,251	1.33%
Greenwich Street Capital Partners II	Active	5,943,256	0.33%
Pegasus Partners IV	Active	29,290,130	1.63%
Forstmann Little MBO VII	Active	2,372,516	0.13%
WLR Recovery Fund IV	Active	28,264,848	1.57%
KPS Special Situations Fund II	Active	13,800,938	0.77%
Other (3)		**117,609,317**	**6.58%**
SUBTOTAL PIF		**$ 1,794,708,081**	**100.00%**

COMBINED INVESTMENT FUNDS
LIST OF INVESTMENT ADVISORS AND NET ASSETS UNDER MANAGMENT (Continued)
JUNE 30, 2008

Name of Fund	Investment Strategy	Net Assets Under Management	Percent of Fund Total
TOTAL		**$ 26,893,490,654**	
Adjustments [4]		**(1,021,667,976)**	
GRAND TOTAL		**$ 25,871,822,678**	

(1) Other represents cash equivalents, other net assets and terminated advisor balances, as well as, currency overlay balances for the DMISF.

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

(3) Other represents moneys earmarked for distribution to participants, reinvestment, and expenses as well as terminated advisor balances.

(4) Represents Elimination Entry to the Financial Statements to account for investment of Combined Investment Funds in the Liquidity Fund.

Statutory Appendix

STATE OF CONNECTICUT

QUI TRANSTULIT SUSTINET

TREASURER'S OFFICE

Office of the State Treasurer

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