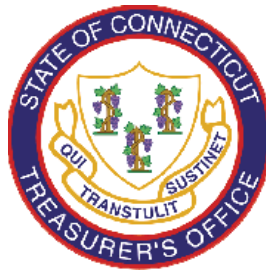


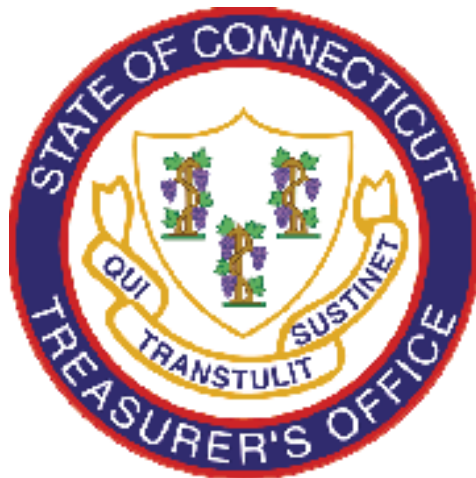
# STATE OF CONNECTICUT

# 2017



ANNUAL REPORT OF THE TREASURER  
*For the fiscal year ended June 30, 2017*

STATE OF CONNECTICUT  
Office of the State Treasurer



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

# STATE OF CONNECTICUT

# 2017



ANNUAL REPORT OF THE TREASURER  
*For the fiscal year ended June 30, 2017*



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# Introduction

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DENISE L. NAPIER  
TREASURER

State of Connecticut  
Office of the Treasurer

December 29, 2017

The Honorable Dannel P. Malloy  
Governor of Connecticut  
State Capitol  
210 Capitol Avenue  
Hartford, CT 06106

Dear Governor Malloy:

I am pleased to present for your review the Annual Report of the State Treasurer's Office for the fiscal year ended June 30, 2017, in accordance with Section 3-37(a) of the Connecticut General Statutes. This Annual Report includes quantitative data, explanatory comments, and financial information regarding the Connecticut Retirement Plans and Trust Funds ("CRPTF"); the Short-Term Investment Fund; and the Connecticut Higher Education Trust, Connecticut's 529 College Savings Program. In addition, the operations of the divisions of Cash Management, Debt Management, Pension Funds Management, Second Injury Fund and Unclaimed Property are presented and the annual report of the Achieving A Better Life Experience ("ABLE") Trust is included.

Connecticut's largest pension funds achieved very strong performance results for Fiscal Year 2017. The Teachers' Retirement Fund ("TRF") and the State Employees' Retirement Fund ("SERF") generated net investment results of 14.38 percent and 14.32 percent, respectively, significantly outperforming their individual benchmarks by 114 and 115 basis points. In addition, they substantially exceeded their actuarial assumed rates of return of 8.0 percent for TRF and 6.9 percent for SERF. Moreover, the TRF and SERF outperformed 89 and 87 percent of their peers – public funds with assets in excess of \$10 billion – during the year. In addition, the Connecticut Municipal Employees' Retirement Fund earned a strong net investment result of 13.05 percent, outperforming its benchmark by 98 basis points.

Overall, the CRPTF posted an all-time record of \$32.55 billion in net assets. Accounting for fees and expenses, including \$793 million of benefit payments in excess of total contribution receipts, the portfolio value grew by more than \$3 billion during the fiscal year.

Fiscal year 2017 began with lingering uncertainty caused by a rising tide of populism, notably the Brexit referendum vote that closed out fiscal year 2016. But overall capital market volatility reached all-time lows and remained subdued throughout the year. Strong double digit returns were generated in the diversified CRPTF portfolio, largely driven by robust global equity returns combined with positive returns across all other asset classes. Diversification and active management were key elements of the strong performance results during the year.

The primary purpose of the CRPTF is to help the State pay its benefit obligations. Accordingly, from July 1, 1999 through June 30, 2017, it has distributed \$24.3 billion in benefits and received \$12.4 billion in contributions, resulting in \$11.9 billion of payments in excess of contributions.

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*An Equal Opportunity Employer*

During Fiscal Year 2017, the Office of the Treasurer achieved a number of other accomplishments and key milestones that inured to the benefit of state residents and businesses, including the following:

**In-State Investment Initiative Funding Commitments Completed** – The Office has committed \$145 million to three firms in its in-state investment program, initiated to boost prudent, profitable investment decisions that have the added benefit of a positive economic impact on Connecticut. The program allocates capital for Connecticut-based companies in various stages of development, from venture capital investments to more mature projects requiring buyout capital or debt to allow for continued growth or acquisitions.

**Short-Term Investment Fund Outperforms Benchmark** – The Short-Term Investment Fund earned 0.61 percent in Fiscal Year 2017, while its benchmark returned 0.49 percent. Consequently, STIF investors received an additional \$6.4 million in interest income. The Fund's superior performance has provided investors -- the State Treasury, state agencies and authorities, participating local governments, and other political subdivisions of the State -- an additional \$208 million during my administration. In addition, Standard & Poor's reaffirmed STIF's AAAM rating.

**Debt refinancing transactions in Fiscal Year 2017 will save Connecticut taxpayers \$78.7 million over the next thirteen years** – From the start of my administration through June 2017, \$13.4 billion in bonds have been refinanced or defeased, resulting in savings to taxpayers of more than \$1.2 billion over the life of the bonds.

**Lowest Borrowing Rate in Last 50 Years Achieved** – In August 2016, the Treasury sold \$250 million of tax-exempt General Obligation bonds structured with a 20-year final maturity at an overall interest rate of 2.53 percent, which was the lowest such rate in at least a half-century.

**State Revolving Fund Green Bonds Receive Positive Outside Review** – The Treasury issued \$250.0 million of Clean Water Fund Green Bonds that included an independent opinion from a global environmental assessment firm, the first State Revolving Fund bonds in the nation to be issued with such an opinion. The firm found that, "The State of Connecticut's approach to selecting projects and managing green bond proceeds is robust, and its reporting on the use of proceeds is transparent." Twelve investors placed orders totaling \$49.8 million with affirmative consideration of the Green Bond designation.

**New Tax-Secured Bonding Program Introduced** – In response to the state's fiscal challenges, my Office proposed an alternative Connecticut bonding program backed by the strong, stable withholding portion of the State's personal income tax, with the potential to earn higher credit ratings and to lower borrowing costs. The debt service savings from the new bonding program would be dedicated to rebuilding the State's Budget Reserve Fund, which would help improve the credit ratings on the State's downgraded general obligation bonds and its overall fiscal health over time. [Note: The program was adopted in the budget bill passed by the General Assembly and signed by the Governor in October 2017.]

**\$71 Million Added to General Fund in Unclaimed Property** – A net \$71 million from the collection of unclaimed property was deposited into the General Fund during Fiscal Year 2017, after \$11.4 million was transferred to the Citizens' Election Fund. Also, the Office returned more than \$41 million to 16,670 rightful owners. Reforms to the program since I took office in 1999 has resulted in \$653 million being returned to 298,141 individuals, businesses, organizations and non-profits through June 30, 2017.

**Second Injury Fund Assessment Rates Remained Unchanged** – For 19 consecutive years, the Second Injury Fund – a state-operated workers' compensation insurance fund - has either reduced or maintained the assessment rate for Connecticut businesses – the longest period without an assessment rate increase in the history of the Fund. As a result of reforms undertaken since the beginning of my administration, the cumulative effect has resulted in a net savings of \$1.3 billion for Connecticut businesses, which includes \$103 million for Fiscal Year 2018. My office continues to work diligently to pass along savings to Connecticut businesses without compromising any benefits due to injured workers.

**Unfunded Liabilities for Injured Workers Have Declined** – Since 1999, the Second Injury Fund continues to demonstrate fiscal stability as a result of proactive claims management and settlement, resulting in the unfunded liability for injured workers declining 59 percent, from \$838 million to \$340 million as of June 30, 2017. The Fund's open claim inventory dropped from 4,523 to 2,744.

## 2017 TREASURER'S LETTER

**Recovery from Class Action Litigation Reaches a Milestone** - During Fiscal Year 2017, a portion of our Asset Recovery and Loss Prevention Program – recovery from class action litigation on behalf of the pension funds -- exceeded the \$50 million milestone. Since the inception of the overall program, this Office has recovered more than a billion dollars (including actual cash recovery, lower fees and cancellation of other obligations).

**Connecticut's College Savings Plan Grew by Nearly 18 Percent** – The Connecticut Higher Education Trust ("CHET") continued its steady growth, surpassing \$3.3 billion in assets under management and more than 140,000 accounts. As of June 30, 2017, almost \$1.6 billion in qualified withdrawals have been taken to cover college costs for approximately 42,000 students attending nearly every public and private college in Connecticut as well as out-of-state schools.

**College Scholarships Awarded** – In its fourth year, the CHET Advance Scholarship program awarded scholarships of up to \$2,500 to 100 high school freshmen and 100 high school seniors from across Connecticut. The program is entirely funded with private contributions from CHET's third-party administrators, TIAA-CREF Tuition Financing Inc. and The Hartford, pursuant to the contracts negotiated by the Treasury. Since 2013, the Treasury has awarded \$2 million in scholarships to 800 students through the CHET Advance Scholarship program.

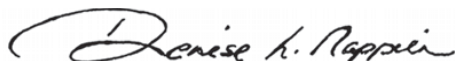
**The CHET Baby Scholars program, launched in 2014, enrolled more than 5,857 babies** and deposited \$1.4 million into their CHET accounts through June 30, 2017, bringing the total value of new accounts to approximately \$16 million.

**The Treasury achieved important milestones in filing shareholder resolutions designed to protect the long-term value of the companies in which Connecticut's pension funds invest**, particularly on issues related to board governance and disclosure of climate change risks and mitigation efforts. A shareholder proposal calling for annual election of directors filed at Vista Outdoor, Inc. was among the most successful votes of the 2017 proxy season with support of 94 percent of the votes cast at the company's annual meeting. Other noteworthy votes on proposals co-filed by Connecticut included a 67 percent vote at the Occidental Petroleum annual meeting on a proposal calling for the company to publish an annual report on how it is incorporating analyses and taking action on the risks and opportunities posed by climate change -- the first such successful vote at a U.S. oil company. A similar proposal co-filed at ExxonMobil received 62 percent of votes cast. Shareholders also gave majority support to proposals calling for greater access to the proxy ballot at Nabors Industries (66 percent) and Netflix, Inc. (54 percent).

**The Treasury was awarded two Certificates of Achievement for Excellence in Financial Reporting.** For every full fiscal year of my administration, we have received this Government Finance Officers Association's annual award for the Comprehensive Annual Financial Reports of the Short-Term Investment Fund and the Combined Investment Funds. This marks the 17th consecutive year of earning this distinction for both reports. The Certificate is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

The preparation of this Annual Report involves the dedicated effort of Treasury employees who work diligently throughout the year to manage the State's financial resources prudently and responsibly in the public's best interest. I acknowledge their work with sincere gratitude, and trust that this Report will prove both informative and useful. In accordance with our practice, this Report will be available in PDF via the Treasury's website, [www.ott.ct.gov](http://www.ott.ct.gov), along with past annual reports and additional information about the Office.

Sincerely,



Denise L. Nappier  
State Treasurer

## 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 Office of the Treasurer

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.

The Treasurer, as chief elected financial officer for the State, oversees the prudent preservation and management of State funds, including the investment of a \$32.5 billion portfolio of pension and trust fund net assets, \$6.5 billion in total state and local short-term investments, and \$3.3 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	Investment Advisory Council
Banking Commission	Finance Advisory Committee
Connecticut Lottery Corporation	Standardization Committee
Connecticut Higher Education Trust	Connecticut Innovations
Teachers’ Retirement Board	Connecticut Green Bank
Connecticut Higher Education Supplemental Loan Authority	Connecticut Health and Educational Facilities Authority
Connecticut Housing Finance Authority	Connecticut Student Loan Foundation
Connecticut Port Authority	Connecticut Airport Authority
State Employees’ Retirement Commission	Connecticut Retirement Security Board
Nitrogen Credit Advisory Board	

Additional information on responsibilities of each is provided on Supplemental pages S-58 to S-60.

## Office of the 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, human resources 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 investment portfolios of the State’s six pension funds and nine trust funds. The portfolios are invested in various asset classes ranging from domestic and international stocks to fixed income securities, real estate,

## OFFICE OF THE TREASURER OVERVIEW

alternative investments and private equity. Beneficiaries and participants include approximately 219,000 teachers, state and municipal employees, retirees and survivorships, and trust funds that support academic programs, grants, and initiatives throughout the state. 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 three 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 bank accounts. The division manages clients' cash within the Short-Term Investment Fund for the state, state agencies and authorities, 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 credit rating agencies, and administers the Clean Water and Drinking Water grant and loan programs.

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

**The Unclaimed Property Division**, under the direction of an Assistant Treasurer, collects and safeguards all financial assets left unclaimed by owners for specific periods 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; and proceeds from life insurance policies. The Division publicizes the names of rightful owners in an attempt to return unclaimed property to them.

## 2017 Annual Report Year at a Glance, as of June 30

### COMBINED INVESTMENT FUNDS

Investments in Securities at Fair Value	\$ 32,568,375,166
Net Position Held in Trust for Participants	\$ 32,547,870,014
Total Net Return	14.2%
Total Investment Returns for the Fiscal Year	\$ 4,100,387,079
Total Management Fees for the Fiscal Year	\$ 131,356,269
Total Number of Advisors	159

### CONNECTICUT HIGHER EDUCATION TRUST

Direct Plan Number of Participant Accounts	115,145
Direct Plan Net Position	\$ 2,843,321,892
Advisor Plan Number of Participant Accounts	25,607
Advisor Plan Net Position	\$ 481,517,854

### DEBT MANAGEMENT

Total Debt Outstanding	\$ 24,697,232,326
General Obligation Debt included above	\$ 16,768,152,326

## OFFICE OF THE TREASURER OVERVIEW

General Obligation Debt Issued included above	\$ 2,659,330,000
Total Debt Retired and Defeased During the Fiscal Year	\$ 2,739,934,988
General Obligation Debt Retired and Defeased included above	\$ 2,039,274,988
Total Debt Service Paid on Outstanding Debt During the Fiscal Year	\$ 2,853,059,653
General Obligation Debt Service Paid included above	\$ 2,039,815,576

### **CASH MANAGEMENT**

Total Cash Inflows During the Fiscal Year	\$ 110,887,068,517
Total Cash Outflows During the Fiscal Year	\$ 111,264,435,564

### **SHORT-TERM INVESTMENT FUND**

Total Net Position of the Fund	\$ 6,470,088,344
One-Year Total Return	0.61%
Five-Year Compounded Annual Total Return	0.27%
Ten-Year Compounded Annual Total Return	0.76%
Weighted Average Maturity	34 days
Number of Participant Accounts	929

### **SECOND INJURY FUND**

Number of Claims Settled During the Fiscal Year	184
Total Cost of Claims Settled and Paid	\$ 3,482,025
Second Injury Fund Estimated Unfunded Liability (expressed as reserves)	\$ 339,600,000
Number of Claims Outstanding	2,744

### **UNCLAIMED PROPERTY**

Dollar Value of Gross Unclaimed Property Receipts	\$ 129,187,512
Dollar Value of Claims Paid	\$ 41,105,448
Number of Property Claims Paid	16,670



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# Division Overview

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**State of Connecticut  
Investment Advisory Council  
Hartford**

December 29, 2017

The Honorable Dannel P. Malloy  
Governor of Connecticut  
State Capitol  
210 Capitol Avenue  
Hartford, Connecticut

Dear Governor Malloy:

As Chair of the Investment Advisory Council (IAC), I am pleased to present this report on the activities of the IAC for the fiscal year ending June 30, 2017.

It was a busy, positive year for the Pension Funds Management Division of the Treasury and the IAC. First, let me highlight the strong investment returns of the Connecticut Retirement Plans and Trust Funds ("CRPTF"). The two largest pension funds in the CRPTF, the Teachers' Retirement Fund and the State Employees' Retirement Fund, generated net investment results of 14.4 percent and 14.3 percent, respectively, significantly outperforming their individual benchmarks by 114 and 115 basis points. The overall CRPTF posted an all-time fiscal year-end net asset value record of \$32.5 billion.

Second, we regained momentum in our investment pacing plans, with the IAC reviewing new investments of \$925 million versus \$390 million vetted in Fiscal Year 2016. The IAC endorsed nine private investment partnerships totaling \$775 million and three commitments to real estate investment partnerships totaling \$150 million.

Additionally, the IAC screened and questioned candidate firms for general investment consulting services and the High Yield Debt Fund manager mandate and approved Treasurer Nappier's preferred choices. The IAC also considered and voted acceptance of a report by the Office concerning U.S. sanctions on Sudan, which discussed the impact on Connecticut's restricted investments.

Throughout the fiscal year, the IAC continued its practice of reviewing fund performance at each meeting and conducted extensive reviews of fund performance on a quarterly basis. Furthermore, the IAC maintained its review of corporate governance activities reported to us quarterly.


There were no changes to the membership comprising the IAC over the course of Fiscal Year 2017, and member vacancies are awaiting fulfillment by the statutory appointing authorities.

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

## INVESTMENT ADVISORY COUNCIL

Having served as a member of the IAC for nearly twenty years, I am privileged to work with my fellow council members on the oversight of Connecticut's pension and trust assets. Providing advice to the Treasurer is a contribution that we are very proud of in light of increased pressure on pension funding. We take seriously our commitment to ensure the soundness of our State's investment program for the benefit of not only our current and future pension beneficiaries, but also the taxpayers of Connecticut. It is with this sense of duty that I submit this summary on behalf of the IAC.

Sincerely,



Carol M. Thomas, Interim Chair  
Investment Advisory Council

## INVESTMENT ADVISORY COUNCIL

The Investment Advisory Council (IAC) consists of the State Treasurer and the 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; three representatives of the State teachers' unions and two representatives of the State employees' unions (CGS Sec. 3-13b).

Pursuant to C.G.S. Sec.3-13b, the IAC annually reviews the Investment Policy Statement (IPS), recommended by the Treasurer, which outlines the standards governing investment of the Connecticut Retirement Plans and Trust Funds (CRPTF) assets by the Treasurer. The IPS includes, with respect to each plan and trust fund, (A) investment objectives; (B) asset allocation policies and risk tolerances; (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, which 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 latest IPS was adopted by the Treasurer and approved by the IAC in August 2012, and amended four times, reflecting revisions including the projected capital market returns, the liquidity needs of each plan and trust fund and other financial scenarios for the CRPTF, emanating from the 2012 Asset Liability Study that the Treasurer led, with the assistance of IAC members.

All plan and trust fund investments by the State Treasurer shall be reviewed by the IAC 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 breakdown in the safekeeping of plan and trust fund assets 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)).

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Council members who contributed their time and knowledge to the IAC during fiscal year 2017 include:

**CAROL M. THOMAS**, Interim Chairperson, as appointed by the Governor; Representative of State employees' unions; Retiree, Department of Developmental Services

**BENJAMIN B. BARNES**, Secretary, State Office of Policy and Management (Ex officio member)

**JOSHUA HALL**, Representative of State teachers' unions; Hartford Federation of Teachers

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

**MICHAEL LeCLAIR**, Senior Vice President/Investments, Stifel

**STEVEN MUENCH**, Representative of State teachers' unions; Conn. Education Association

**WILLIAM MURRAY**, Representative of State teachers' unions; NEA, Danbury

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

# 2017 pension funds management division

## Division Overview

### Introduction

As principal fiduciary of six state pension funds and nine trust funds (known collectively as the Connecticut Retirement Plans and Trust Funds (CRPTF), the Treasurer is responsible for managing investment assets for retirement plans serving approximately 219,000 state and municipal employees, teachers, retirees and survivorships, as well as trust funds that support academic programs, grants, and initiatives throughout the state.

Prudent investment management requires the proper safeguard of the CRPTF assets to ensure the retirement security of the beneficiaries and to support the spending policies of the trust funds. Funding of the pension benefit liability is dependent upon state contributions, investment returns and the contribution requirements of eligible retirement plan participants. The spending requirements of the trust funds are met through the generation of investment income and capital gains with a focus on the preservation of capital.

The Combined Investment Funds (CIF) were established pursuant to Connecticut General Statutes Section 3-31b as a means to invest pension and other trust fund assets in a variety of investment classes. The CIF is comprised of the following separate pooled investment funds: Liquidity Fund; Mutual Equity Fund; Core Fixed Income Fund; Emerging Markets Debt Fund; High Yield Debt Fund; Inflation Linked Bond Fund; Developed Markets International Stock Fund; Emerging Markets International Stock Fund; Real Estate Fund; Private Investment Fund; and Alternative Investment Fund.

Over the last ten years, the net asset value of the CRPTF investments under Treasury management has grown from \$25.9 billion to approximately \$32.5 billion. The Teachers' Retirement Fund, with approximately \$17.1 billion of assets under management at June 30, 2017, is the largest participating plan. The State Employees' Retirement Fund and the Connecticut Municipal Employees' Retirement Fund have approximately \$12.0 billion and \$2.4 billion of assets, respectively. For the fiscal year ended June 30, 2017, total investment income (comprised of interest income, dividends, securities lending income, and net realized and unrealized capital gains, net of operating expenses) before allocation of administrative expenses, was approximately \$4.1 billion.

CRPTF's total investment in the CIF at fair value as of June 30, 2017 was:

INVESTMENT SUMMARY AT JUNE 30, 2017		
	Fair Value <sup>(1)(3)</sup>	% of Total Fund Fair Value
Liquidity Fund (LF) <sup>(2)</sup>	\$ 1,387,328,362	4.26%
Mutual Equity Fund (MEF)	7,026,486,865	21.57%
Developed Markets International Stock Fund (DMISF)	6,344,307,953	19.48%
Emerging Markets International Stock Fund (EMISF)	3,002,786,523	9.22%
Real Estate Fund (REF)	2,242,658,118	6.89%
Core Fixed Income Fund (CFIF)	2,601,453,937	7.99%
Inflation Linked Bond Fund (ILBF)	1,332,942,016	4.09%
Emerging Market Debt Fund (EMDF)	1,598,180,952	4.91%
High Yield Debt Fund (HYDF)	2,034,712,429	6.25%
Alternative Investment Fund (AIF)	2,026,788,085	6.22%
Private Investment Fund (PIF)	<u>2,970,729,926</u>	<u>9.12%</u>
Total Fund	\$32,568,375,166	100.00%

- (1) "Fair value" includes securities and cash invested in the 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 the LF.
- (2) The fair value of the LF represents the pension and trust assets allocated to the LF (excluding receivables and payables); the LF balances of the other combined investment funds are shown in the fair value of each fund.
- (3) Fair Value (\$32.6 billion) differs from net assets (\$32.5 billion) as net assets include additional balance sheet items.

## Fund Management

Under the supervision of a Chief Investment Officer, appointed by the Treasurer with the approval of the Investment Advisory Council (IAC), the Pension Funds Management Division (PFM) executes and manages the investment programs of the pension and trust funds with a 13 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 PFM professionals. During Fiscal Year 2017, The Bank of New York Mellon (BNY Mellon) served as the custodian of record for the CRPTF, maintaining physical custody of and safeguarding plan assets. BNY Mellon also provided recordkeeping services under the supervision of PFM, and Deutsche Bank was the provider of securities lending services.

The Treasurer employs external money and investment managers to manage the portfolios underlying each CIF. Money and investment managers are selected based upon asset class expertise, investment performance and style. Investment and money managers are expected to comply with the parameters, guidelines, and restrictions set forth in the CRPTF Investment Policy Statement (IPS). As of June 30, 2017, 159 external money and investment managers were employed by the Treasury to invest the pension and trust assets, an increase of 5 managers from June 30, 2016 (See Figure 1-5).

All operating overhead is allocated directly to the earnings of the pension and trust fund assets under management. The Treasury manages assets in a cost-effective manner, consistent with the maximization of 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 percent of investment returns. In September 2012, the IAC approved the Treasurer's adopted IPS, including the asset allocation plan, which governs the CRPTF investment portfolios and each of the CIFs. Subsequently, in December 2012, January 2013, April 2013, and July 2013, the IAC approved the Treasurer's adopted modifications.

The asset allocation plan is customized for each plan and trust with the main objective being the maximization of 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 Understanding Investment Performance under Supplemental Information.)

Diversification across asset classes is a critical component in structuring portfolios to maximize return at a given level of risk. In developing an asset allocation strategy, there is thorough analysis of the expected risk/return tradeoffs under different economic scenarios predicated on established correlations of investment returns and the diversification benefits of the available asset classes (i.e., those not restricted by statute).

As shown in Figure 1-4, the number and complexity of asset classes comprising the asset allocation policy have fluctuated during the last ten years. As of June 30, 2017, multiple asset classes were integrated in the IPS, including global public market equities and fixed income, as well as alternative investments such as real estate, private equity, hedge fund and real asset investment strategies.

At fiscal year-end, domestic, international developed and emerging markets equities (stocks) comprised the largest percentage of the total CRPTF, at approximately 52 percent. Publicly traded equities have an established record of maximizing investment returns over the long term. Fixed income, real estate and alternative investments were also included to enhance portfolio returns during highly inflationary or deflationary environments, to mitigate the effects of volatility in the stock market and to provide current income.

## Asset Classes

To realize the asset allocations set forth in the IPS for each plan and trust, the Treasurer administers the CIFs as a series of mutual funds in which the various retirement plans and trusts may invest through the purchase of ownership interests. The asset mix for each of the 15 plans and trusts is established by the Treasurer, with approval of the independent IAC, based upon (1) capital market theory, (2) financial and fiduciary requirements and (3) liquidity needs. However, there are instances in which the asset mix for a trust is set by the trust's governing document. 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 that make up the CRPTF portfolio include:

### ***Domestic Equity***

The Mutual Equity Fund (MEF) assets are allocated across the broad U.S. stock market to ensure diversification by market capitalization and investment style, such as value and growth. The MEF may opportunistically invest up to 30 percent of assets to take advantage of shifts in the investment landscape or opportunities that offer diversification and/or risk-return benefits, and may include investments in any market capitalization and/or investment style as well as an allocation to stocks outside the US. As of June 30, 2017, the MEF structure was approximately 75.72 percent invested in large-cap stocks, 10.45 percent in small/mid-cap stocks, 8.97 percent in all-cap, and 4.86 percent in cash equivalents and other net assets. The MEF's ten largest holdings, aggregating 14.76 percent of Fund investments, included a variety of blue chip companies and were broadly diversified, with the largest holding of 2.71 percent in Apple Inc. Performance of the MEF is measured against the Russell 3000 Index (R3000).

Management of the MEF includes the use of pure indexing, enhanced indexing, active management, and opportunistic strategies executed by external money managers. Index and enhanced index strategies are referred to as passive strategies since their investment portfolios are similar to the index. The goal of enhanced indexing is to generate a return slightly in excess of the selected index. Indexing is particularly appropriate for the "large-cap" segment of the equity markets, which is defined as the securities of the largest capitalized public companies. Given the overall efficiency of the domestic equity market, approximately 76 percent of the portfolio is invested in passive strategies. The balance of the portfolio is actively managed, primarily in the less efficient "small and mid-cap" sectors of the equity markets. These securities are issued by companies that are smaller and not as closely monitored, researched or analyzed as the larger capitalization companies. As a result of this relative inefficiency, active money managers have the potential to outperform these markets over the long term, while earning an acceptable level of return per unit of risk.

### ***International Equity***

Exposure to international equities is provided through two funds: the Developed Markets International Stock Fund (DMISF) and the Emerging Markets International Stock Fund (EMISF), each of which has distinct risk/return profiles. Stocks from developed market countries tend to offer lower risk and return potential compared to emerging market securities as a result of generally more stable economic and political environments and the depth and liquidity of their financial markets. The foreign currency exposure in the DMISF is partially hedged back to the U.S. dollar. DMISF and EMISF assets are allocated across foreign markets so that there is diversification by country, sector, capitalization and style, in a mix that is structured to replicate the characteristics of the comparable non-U.S. developed and emerging stock market indices to which each combined investment fund is benchmarked.

External money managers invest DMISF assets primarily in common stocks issued by companies in developed market countries domiciled outside of the U.S. The benchmark for DMISF is the Morgan Stanley Capital International Europe Australasia and Far East Investable Market Index (MSCI EAFE IMI) 50 percent hedged. The DMISF is comprised of passive indexing, core developed markets and opportunistic strategies. As of June 30, 2017, the DMISF structure was approximately 84.11 percent invested in large-cap stocks, 15.67 percent in small-cap stocks, and 0.22 percent in cash equivalents and other net assets. Mandates for active growth/value and small cap developed market strategies represent roughly 22.34 percent and 15.67 percent of the DMISF, respectively. The currency exposure of the DMISF investments is managed through a currency hedging overlay strategy.

The EMISF invests primarily in the common stocks of non-U.S. corporations domiciled in countries included in the EMISF benchmark, which is the Morgan Stanley Capital International Emerging Markets Investable Market Index (MSCI EM IMI). EMISF investments are made through portfolios managed by external money managers. The EMISF is invested 100 percent in active, unhedged emerging markets strategies.



### **Fixed Income**

Fixed income assets are diversified across four 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 CIFs serve to reduce the overall volatility of CRPTF returns under numerous economic scenarios. Further, the fixed income CIFs provide cash flow to the CRPTF in the form of interest and principal payments.

The CFIF consists of externally managed, primarily investment grade, fixed income portfolios that include debt instruments issued by the U.S. Government and its agencies, quasi-government agencies, U.S. corporations and any other public or private U.S. corporation whose debt security is regulated by the Securities and Exchange Commission (including Eurobonds and quasi or sovereign debt). Assets are diversified across sectors, industries, credit quality and duration, and up to 30 percent may be opportunistically invested based on changes in the investment landscape that may improve diversification, reduce risk or enhance return. As of June 30, 2017, the CFIF structure approximated 41.0 percent invested in Treasury/agency securities, 21.9 percent in corporate securities, 5.5 percent in mortgage-backed securities, 3.3 percent in asset-backed securities, and 28.3 percent in cash equivalents and other net assets. The benchmark for CFIF is the Barclays U.S. Aggregate Bond Index.

The ILBF consists of externally managed fixed income portfolios containing domestic and foreign developed market sovereign bonds. These government bonds are primarily inflation-linked securities. Inflation linked bonds offer protection against inflation and contribute to overall portfolio diversification. As of June 30, 2017, the ILBF structure was comprised of securities from the following countries or regions: 41.2 percent in the U.S., 18.7 percent in the U.K., 17.2 percent in the Eurozone, 10.4 percent in Australia and New Zealand, 3.9 percent in Mexico and 8.6 percent in other countries and cash equivalents. The benchmark for ILBF is the Barclays World Government Inflation-Linked Bond Index.

The EMDF consists of externally managed fixed income portfolios that contain debt instruments issued by governments and companies located in emerging countries as defined by the benchmark and The World Bank. The benchmark for EMDF is the J.P. Morgan Emerging Markets Bond Index Global Diversified/J.P. Morgan Government Bond Index - Emerging Markets Global Diversified (50 percent/50 percent). As of June 30, 2017, the EMDF structure approximated 35.9 percent invested in Latin America, 31.2 percent in Europe, 16.4 percent in Asia, 9.2 percent in Africa, 4.4 percent in the Middle East and 2.9 percent in cash equivalents and other net assets. The benchmark accounts for U.S. dollar-denominated debt and for debt issued in local currencies. The local currency debt is not hedged as the foreign currency is considered an additional source of alpha, or return in excess of that predicted by its benchmark.

The HYDF consists of externally managed fixed income portfolios that include debt instruments rated below investment grade by a nationally recognized rating agency service. The assets are diversified by sector, industry, credit quality and duration. The majority of the bonds are U.S. dollar-denominated. As of June 30, 2017, the HYDF structure approximated 81.8 percent invested in corporate securities, 2.7 percent in Treasury securities, and 15.5 percent in cash equivalents and other net assets. The benchmark for HYDF is the Citigroup U. S. High Yield Market Capped Index.

### **Liquidity Fund**

The Liquidity Fund (LF) consists of externally managed fixed income portfolios intended to provide a liquid source of funds for investment operations and earn a return greater than money market instruments, with minimal exposure to risk of principal. While the majority of the LF is invested in money market instruments, there are allocations to intermediate maturities, developed market sovereign bonds and emerging market currencies. As of June 30, 2017, the LF structure approximated 55.8 percent invested in money market securities, 30.1 percent in short duration bond securities, and 14.1 percent in international sovereign bonds and currencies. The benchmark for the LF is the one month London Interbank Offered Rate (LIBOR) Index.

### **Real Estate**

The Real Estate Fund (REF) is the vehicle by which the CRPTF invests in the real estate asset class and may consist of a number of different investment strategies and investment vehicles, including externally managed commingled funds, open-end funds, separate accounts, and publicly traded

real estate securities. The REF invests in real estate properties and mortgages and is designed to dampen the volatility of overall returns through diversification and to generate attractive risk-adjusted rates of return. The REF will invest in the following: core strategies; value added strategies (investments involving efforts to increase property value through repositioning, development and redevelopment); opportunistic strategies (strategies that target niche opportunities, market inefficiencies, or special purpose markets); and publicly traded securities (primarily Real Estate Investment Trusts and Real Estate Operating Companies). Leverage at the aggregate of the REF is limited to 60 percent of REF's total valuation. These investments also adhere to the Responsible Contractor Policy. As of June 30, 2017, the REF structure was approximately 60.4 percent invested in core, 22.1 percent in value-added, 13.7 percent in opportunistic and 3.8 percent in cash equivalents and other net assets. The benchmark for REF is the National Council of Real Estate Investment Fiduciaries National Property Index (NCREIF-NPI), lagged by one quarter.

### **Private Investments**

The Private Investment Fund (PIF) is the vehicle used to invest in private equity. PIF investments generally are made in externally managed limited partnerships or through separate accounts that focus on private investments. These vehicles include investments in both venture capital and corporate finance investment strategies. Venture capital typically involves equity capital invested in young or development stage companies, and may include 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. As of June 30, 2017, the PIF structure was approximately 69 percent invested in Corporate Finance, 21 percent in Venture, and 11 percent in cash equivalents and other net assets. The benchmark for PIF is the Standard & Poor's 500 Index (S&P 500).

### **Alternative Investments**

The Alternative Investment Fund (AIF) invests in strategies that offer the potential to enhance return and/or reduce risk. The AIF provides a vehicle for investment in portfolio strategies which are not easily classified, categorized, or described in other CIFs. Hybrid strategies which contain multiple asset classes are also considered part of the opportunity set. As of June 30, 2017, the AIF structure was approximately 84.7 percent invested in hedge fund of funds, 6.1 percent in real assets, 0.5 percent in opportunistic strategies, and 8.7 percent in cash equivalents and other net assets. AIF's benchmark is the 90-day Treasury Bill.

### **Securities Lending**

The CRPTF maintains a securities lending program designed to provide incremental risk adjusted returns. This program involves the lending of portfolio securities to broker/dealers in return for payment. Each loan is secured by collateral valued slightly in excess of the market value of the loaned securities. To further mitigate the risks of securities lending transactions, the CRPTF's securities lending bank carefully monitors the credit ratings of each counter-party and overall collateral levels.

Deutsche Bank was responsible for marketing the program, lending the securities, and obtaining adequate collateral during Fiscal Year 2017. As of June 30, 2017, securities with a market value of approximately \$2.0 billion had been loaned against collateral of approximately \$2.0 billion. Income generated by securities lending totaled \$14.2 million for the fiscal year.

## **The Year in Review**

### **Total Fund Performance**

For the fiscal year ending June 30, 2017, the CRPTF achieved an annual total return of 14.2 percent, net of all fees and expenses. The three largest pension plans, the Teachers' Retirement Fund, the State Employees' Retirement Fund, and the Connecticut Municipal Employees' Retirement Fund -- which represent 98 percent of total assets -- returned 14.4 percent, 14.3 percent and 13.1 percent and outperformed their benchmarks by 114, 115 and 98 basis points, respectively. In addition, the plans outperformed their actuarial assumed rates of return of 8.0 percent, 6.9 percent and 8.0 percent, respectively. The CIFs' investment performance for Fiscal Year 2017 added \$3.3 billion of market value to pension assets and every CIF posted

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positive returns. After paying fees and expenses, including \$793 million of benefit payments in excess of contribution receipts, the CIFs ended the fiscal year with assets of \$32.5 billion.

The DMISF returned 24.8 percent, outperforming its benchmark return of 22.4 percent. Developed international markets benefited from improving macroeconomic trends, continued European central bank accommodative monetary policies, and election results across many countries. For the trailing three-, five- and seven-year periods, the DMISF compounded returns, net of all fees and expenses, were 5.3 percent, 11.9 percent and 9.9 percent, respectively.

The EMISF returned 23.0 percent, outperforming its benchmark return of 22.8 percent. Strong performance in emerging market equities during the year was primarily due to a steady recovery in global growth contributing positively to corporate earnings. For the trailing three-, five- and seven-year periods, the EMISF compounded returns, net of all fees and expenses, were 2.1 percent, 4.1 percent and 4.4 percent, respectively.

The MEF returned 19.3 percent, outperforming its benchmark return of 18.5 percent. Much like developed and emerging market equities, U.S. equity performance during the year was driven by global growth that led to an increase in corporate earnings. In addition, the anticipation for fiscal policy, regulatory and tax changes were positive tailwinds for the asset class. For the trailing three-, five- and seven-year periods, the MEF compounded returns, net of all fees and expenses, were 9.2 percent, 14.6 percent and 15.2 percent, respectively.

The HYDF returned 12.6 percent, outperforming its benchmark return of 12.1 percent. Strong demand from investors combined with lack of quality supply, improved commodity prices, as well as positive global growth contributed to the positive returns for the year. For the trailing three-, five- and seven-year periods, the HYDF compounded returns, net of all fees and expenses, were 3.5 percent, 6.2 percent and 7.6 percent, respectively.

The PIF returned 11.0 percent, but underperformed its public market S&P 500 benchmark return of 17.9 percent. Utilizing the institutional standard for measuring private equity performance, Internal Rate of Return (IRR), PIF generated a net IRR of 14.4 percent. While the market for private equity and venture capital-backed exits was down from the prior fiscal year, the PIF portfolio continued to generate positive cash flow with investment distributions exceeding contributions by \$269 million for the year. For the trailing three-, five- and seven-year periods, the PIF compounded returns, net of all fees and expenses, were 11.3 percent, 11.9 percent and 12.1 percent, respectively.

The EMD returned 9.1 percent, outperforming its blended benchmark return of 6.3 percent. The stabilization of commodity prices combined with favorable economic conditions in emerging market countries has been supportive for the EMD asset class during the year. In addition, the rise of the U.S. dollar versus foreign currencies also has had a significant impact. For the trailing three-, five- and seven-year periods, the EMD compounded returns, net of all fees and expenses, were 2.3 percent, 3.1 percent and 5.1 percent, respectively.

The AIF, which invests in hedge funds, real assets and other opportunistic investments, returned 8.5 percent, outperforming its 90-day T-Bill benchmark return of 0.5 percent. Gains in equity sensitive hedge fund strategies such as equity long/short and event driven funds were the primary driver of returns as the public equities markets rallied. For the trailing three- and five-year periods, the AIF compounded returns, net of all fees and expenses, were 2.2 percent and 3.9 percent, respectively.

The REF returned 7.4 percent, slightly outperforming its benchmark return of 7.3 percent. Performance in open end core and core plus funds was very strong during the year and recent commitments to a number of new value add and opportunistic strategies has been accretive to the fund. For the trailing three-, five- and seven-year periods, the REF compounded returns, net of all fees and expenses, were 10.6 percent, 10.5 percent and 10.8 percent, respectively.

The CFIF returned 1.9 percent, outperforming its benchmark return of -0.3 percent. Corporate bonds performed well during the year, however, U.S. Treasury bonds lost value as interest rate yields across all time periods increased. The Federal Reserve implemented three rate hikes during the fiscal year. For the trailing three-, five- and seven-year periods, the CFIF compounded returns, net of all fees and expenses, were 2.4 percent, 2.3 percent and 3.3 percent, respectively.

The LF returned 1.0 percent, outperforming its benchmark return of 0.7 percent. Exposure to corporate

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securities benefited the LF during the year offset by increases in short term interest rates. For the trailing three-, five- and seven-year periods, the LF compounded returns, net of all fees and expenses, were 0.2 percent, 0.4 percent and 0.4 percent, respectively.

The ILBF returned 0.7 percent, underperforming its benchmark return of 0.8 percent. The expectation that global inflation was going to increase during the year did not occur and this was the primary reason for the low performance of the ILBF. For the trailing three-, five- and seven-year periods, the ILBF compounded returns, net of all fees and expenses, were 0.0 percent, -0.1 percent and 2.6 percent, respectively.

### 2017 Management Initiatives

The continued implementation in Fiscal Year 2017 of the CRPTF investment pacing plans established for real estate, alternative investment and private equity opportunities led to a total of \$925 million of new investment capital. Nine investment commitments totaling \$775 million were awarded to the Private Investment Fund and \$150 million was awarded to three Real Estate Fund managers. Also during the fiscal year, Treasurer Nappier continued funding her in-state opportunistic investment mandate, in the Private Investment Fund. In the CRPTF public market portfolios, the Treasurer hired five investment managers for the High Yield Debt Fund mandate; the assignment was effected through a competitive search. Additionally, Treasurer Nappier selected two consulting firms for general investment consulting services and Connecticut Higher Education Trust oversight duties, after a competitive search.

The Connecticut Horizon Fund (CHF), first funded in 2005, is an aggregate of public and private market funds. The CHF is a \$1 billion-plus fund-of-funds public market program and additionally includes a \$155 million private equity allocation and a \$170 million alternative investment allocation designed to provide the Office of the State Treasurer access to a wider number of women-owned, minority-owned, Connecticut-based and emerging firms. As of June 30, 2017, the public market program totaled 4 managers and 36 sub-managers. Emerging firms represent the largest allocation of total assets at 72 percent; minority-owned firms represent 42 percent; women-owned firms followed with 28 percent and Connecticut-based firms were 19 percent of total assets. Additionally, there were 3 private equity managers and 20 sub-managers; including 8 minority-owned, 3 emerging strategies, 1 women-owned and 8 Connecticut-based. In the separately managed Fund-of-Hedge Fund mandate sleeve within the AIF, there were 2 managers and 25 sub-managers; the breakdown includes 21 emerging strategies, 13 minority-owned firms, 7 Connecticut-based and 5 women-owned firms.

Expansion of the diversity of firms with which PFM does business continued during Fiscal Year 2017; overall, 35 minority-owned, women-owned, Connecticut-based and emerging firms, comprised 26.3 percent of the firms doing business with the division. These firms earned fees of \$37.7 million, representing over 39 percent of all fees paid by the division.

### Corporate Governance

In carrying out her fiduciary responsibilities, and in conformance with state law, the Treasurer considers the financial implications for long-term shareholder value of a portfolio company's environmental, social and governance corporate structure and practices. The primary method the Treasurer's Office utilizes to address corporate governance at publicly-traded companies in which the CRPTF invests is through proxy voting. These companies hold annual general meetings at which shareholders vote to approve or reject proposals presented by the company's management or by shareholders on significant transactions or activities at a company. The Treasurer's Office uses comprehensive guidelines approved by the independent Investment Advisory Council when casting proxy votes at these meetings. The guidelines, incorporate best practices on corporate structure, administration and control to reduce risk, encourage sustainability and increase opportunities for growth.

In Fiscal Year 2017, the Treasury filed or co-filed shareholder resolutions on behalf of the CRPTF at 14 companies on issues related to climate change, board diversity, access to the proxy, board declassification and independent chairs. In addition, Treasury staff held discussions with corporate leaders of more than two dozen companies about shareholder concerns. To support its efforts, the Treasury worked with a broad cross section of investors representing public pension funds, investment firms, labor funds and faith-based investors.

There were a number of noteworthy votes during the fiscal year. The CRPTF was lead-filer on a resolution filed at Vista Outdoor, Inc. which called for the annual election of directors (also known as board

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declassification). The resolution received support from 94 percent of shareholders – making it one of the most successful votes of the 2017 proxy season.

There were also groundbreaking resolutions filed with oil and gas companies on climate change: the CRPTF garnered majority support from shareholders on resolutions filed at Occidental Petroleum (67%) -- the first such successful vote at a U.S. oil company -- and Exxon Mobil (62%). These companies were asked to prepare a report for shareholders assessing the impact on the company of technological advances and government policies to limit global warming to below 2 degrees Celsius.

Progress was also made as a result of engagements without formal shareholder votes. In the case of Wells Fargo, the Treasury filed a resolution calling for a change in the company's corporate bylaws to ensure an independent non-executive board chair, following news that the bank paid \$185 million in penalties and restitution associated with opening two million unauthorized deposit and credit card accounts. Wells Fargo agreed, and the Treasury withdrew its resolution.

The Treasury also actively promoted board diversity with FleetCor Technologies and Chimera Investment, and ultimately withdrew shareholder resolutions after successful engagements. In the case of FleetCor, the company added a woman to its board; and with Chimera, it agreed to amend its corporate governance guidelines and nominating charter to incorporate diversity considerations when selecting board nominees.

Resolutions filed on behalf of the CRPTF are consistent with Connecticut's proxy voting guidelines. Copies of the CRPTF's proxy voting guidelines and a report of proxy votes cast are available on the Treasury's website, [www.ott.ct.gov/pension\\_guidelines.html](http://www.ott.ct.gov/pension_guidelines.html).

### **Investment Restrictions**

The Treasurer's Office is charged with administering three laws that authorize investment restrictions on companies doing business in Northern Ireland, Sudan and Iran. Connecticut's MacBride law, set forth in Section 3-13h of the Connecticut General Statutes, is based on the MacBride Principles, which are a corporate code of conduct for companies doing business in Northern Ireland designed to address religious discrimination in the workplace. During Fiscal Year 2017, the CRPTF restricted its managers from investing in two companies for failure to adopt these principles: Domino's Pizza Inc. and Yum Brands, Inc

The Treasurer's Office monitored companies doing business in Sudan pursuant to Section 3-21e of the Connecticut General Statutes. The Sudan law, adopted in 2006, authorizes the Treasurer to engage companies doing business in Sudan and potentially divest holdings in those companies if their business is contributing to the government's perpetuation of genocide in Sudan. As of the end of Fiscal Year 2017, the Treasurer's Office prohibited direct investment in eighteen companies: Bharat Heavy Electricals Ltd.; China North Industries Group; China North Industries Corporation a.k.a. NORINCO; NORINCO International Cooperation Ltd.; North Huajin Chemical Industries Co. Ltd.; North Navigation Control Technology Co. Ltd.; China Petroleum and Chemical Corp.; CNPC (Hong Kong); Dongfeng Motor Corporation; Jiangxi Hongdu Aviation Industry Ltd.; Oil and Natural Gas Corp.; Mangalore Refinery and Petrochemicals Ltd.; ONGC Nile Ganga BV, Amsterdam; ONGC Videsh Limited; ONGC Videsh Vankorneft; PetroChina Co. Ltd.; Petronas Capital Ltd.; and Sinopec Shanghai Petrochemical Corp.

Connecticut's Iran law, Connecticut General Statutes Section 3-13g, authorizes the Treasurer to engage with companies doing business in Iran, and potentially divest holdings in such companies if she determines such companies, by their business activities, may be contributing to the Iranian government's development of its nuclear program and its support of global terrorism. As of the end of Fiscal Year 2017, the Treasurer's Office prohibited direct investment in fourteen companies: Bongaigaon Refinery & Petrochemicals; Ca La Electricidad de Caracas; Chennai Petroleum Corp.; China Bluechemical; China National Offshore Oil Corporation; China Oilfield Services Ltd.; CNOOC; Daelim Industrial Co. Ltd.; IBP Co. Ltd.; Indian Oil Corporation Ltd.; Lanka loc Plc; Offshore Oil Engineering Co.; Oil India Ltd.; and Petroleos de Venezuela S.A..

## Asset Recovery and Loss Prevention

The Treasurer's Legal Unit works to manage 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 best available vendors and suitable products to meet the needs of the Office. Careful contract negotiation, coupled with periodic review, development and implementation of best practice contract language, helps to ensure clarity with respect to the obligations of the Office of the Treasurer and its vendors and investment partners. The Office maintains regular contact with other similar governmental offices and institutional investors, sharing ideas for enhancement of contract language, frequently sharing advice with counterparts in other states.

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

The Office of the Treasurer believes that most disputes can be resolved through dialogue designed to enforce contract terms or clarify misunderstanding. The Office is, however, prepared, when necessary, to pursue judicial solutions where negotiation is unsuccessful. Although very limited as a percentage of all investments, the Office, like all other investors, experiences losses due to corporate malfeasance. In these instances, the Office believes that litigation managed by investors is more effectively negotiated, efficiently litigated and achieves larger settlements for the benefit of all investors. As such, the Office is committed to taking on its fair share of the management responsibility of such litigation and will consider making application to serve as lead plaintiff in class action litigation where appropriate. From time to time, the Office has used litigation to encourage corporate governance enhancements. Although rare, the Office has filed individual and group actions to pursue specific rights where disputing parties are unwilling or unable to reach an extra-judicial conclusion. Since the U.S. Supreme Court's 2010 decision in *Morrison v. National Australia Bank*, the Office has experienced an increase in its participation in group actions as a means of seeking recovery of lost assets. The Office works with other institutional investors to collaborate and monitor Morrison-related matters.

### ***Class Action Securities Litigation***

The Combined Investment Funds recovered \$1,658,628 million from class action settlements in the fiscal year ended June 30, 2017. The Office continues to closely monitor opportunities to recover lost assets through participation in class action litigation. As of the close of the fiscal year, the class action filing portion of the asset recovery program has exceeded \$50 million since inception.

The Office of the Treasurer, as the Trustee for the CRPTF, served as lead plaintiff in the matter known as *In Re Amgen, Inc. Securities Litigation*, filed in the federal district court for the Southern District of California. The case, settled for \$95 million prior to the commencement of the trial. The court has approved the terms of the settlement and the claims filing process is underway.

### ***Corporate Governance Related Litigation***

Litigation has not been recommended for corporate governance matters in the 2017 fiscal year. The Office of the Treasurer has focused on engagement of companies to promote good corporate citizenship. The Office is judicious in its consideration of the merits of litigation.

### ***Other Litigation***

The Office of the Treasurer continues its participation in group action in Belgium adverse Fortis, N.A., France adverse Vivendi, S.A., Japan adverse Olympus, Denmark adverse O.W. Bunker, Germany adverse Volkswagen and Porsche and in Texas' state court adverse BP. The Fortis and Olympus matters have announced settlements, which are awaiting court approval and distribution of settlement proceeds. The Office evaluated the merits of joining other foreign group action during the fiscal year. Participation in foreign group action became necessary as the Supreme Court's decision in *Morrison* foreclosed all other avenues of recovery in matters of securities fraud.

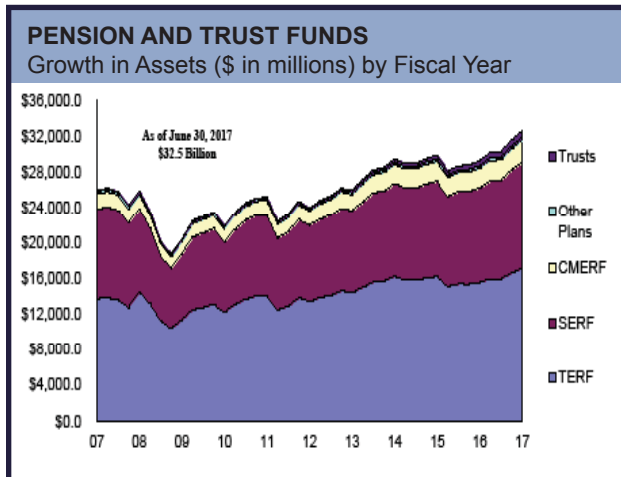
## PENSION FUNDS MANAGEMENT DIVISION

Figure 1-1

	TERF				SERF				CMERF			
	Actual	Target	Lower	Upper	Actual	Target	Lower	Upper	Actual	Target	Lower	Upper
		Policy	Range	Range		Policy	Range	Range		Policy	Range	Range
<b>U.S. EQUITY</b>												
Mutual Equity Fund (MEF)	22.3%	21.0%	17.0%	25.0%	22.2%	21.0%	17.0%	25.0%	16.1%	16.0%	13.0%	19.0%
<b>INTERNATIONAL EQUITY</b>												
Developed Market Intl Stock Fund (DMISF)	20.3%	18.0%	14.0%	22.0%	20.4%	18.0%	14.0%	22.0%	14.2%	14.0%	11.0%	17.0%
Emerging Market Intl Stock Fund (EMISF)	9.7%	9.0%	7.0%	11.0%	9.5%	9.0%	7.0%	11.0%	7.2%	7.0%	6.0%	8.0%
<b>REAL ESTATE</b>												
Real Estate Fund (REF)	7.0%	7.0%	5.0%	9.0%	6.9%	7.0%	5.0%	9.0%	7.0%	7.0%	5.0%	9.0%
<b>FIXED INCOME</b>												
Core Fixed Income Fund (CFIF)	6.7%	7.0%	6.0%	8.0%	7.4%	8.0%	6.0%	10.0%	7.9%	8.0%	6.0%	10.0%
Inflation Linked Bond Fund (ILBF)	3.5%	3.0%	2.0%	4.0%	5.1%	5.0%	4.0%	6.0%	4.9%	5.0%	4.0%	6.0%
Emerging Market Debt Fund (EMDF)	5.4%	5.0%	4.0%	6.0%	4.1%	4.0%	3.0%	5.0%	8.0%	8.0%	6.0%	10.0%
High Yield Debt Fund (HYDF)	5.7%	5.0%	4.0%	6.0%	5.4%	5.0%	4.0%	6.0%	13.9%	14.0%	11.0%	17.0%
Liquidity Fund (LF)*	5.2%	6.0%	5.0%	7.0%	3.4%	4.0%	3.0%	5.0%	2.8%	3.0%	2.0%	4.0%
<b>PRIVATE EQUITY</b>												
Private Investment Fund (PIF)	8.1%	11.0%	8.0%	14.0%	9.6%	11.0%	8.0%	14.0%	10.1%	10.0%	7.0%	13.0%
<b>ALTERNATIVE INVESTMENT</b>												
Alternative Investment Fund (AIF)	6.1%	8.0%	6.0%	10.0%	6.0%	8.0%	6.0%	10.0%	7.9%	8.0%	6.0%	10.0%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>			<b>100.0%</b>	<b>100.0%</b>			<b>100.0%</b>	<b>100.0%</b>		

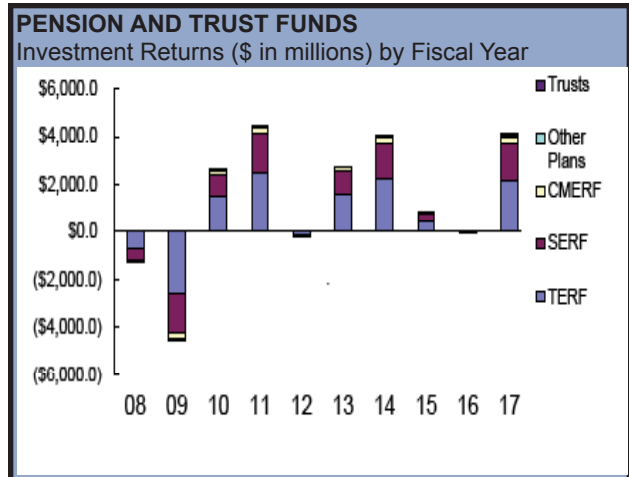
\*Additional LF balances are included in actual allocations of other investment funds.

Figure 1-2



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

Figure 1-3



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

## PENSION FUNDS MANAGEMENT DIVISION

Figure 1-4

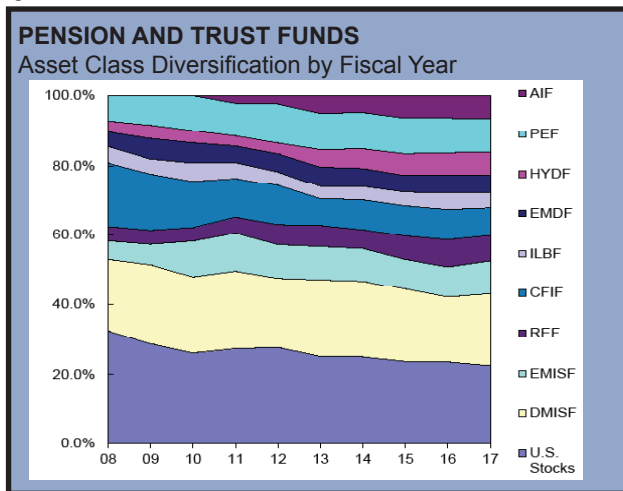
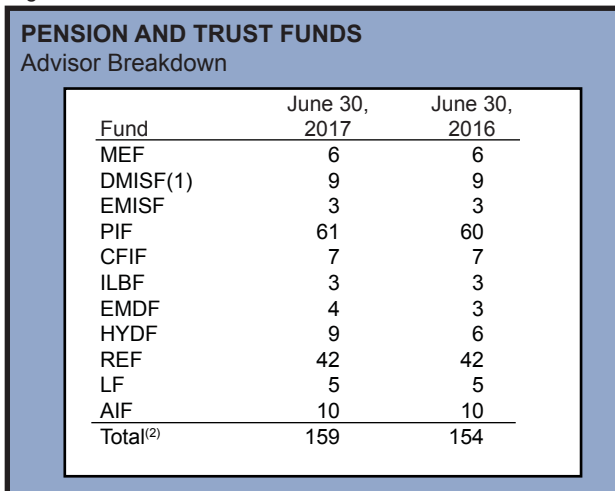
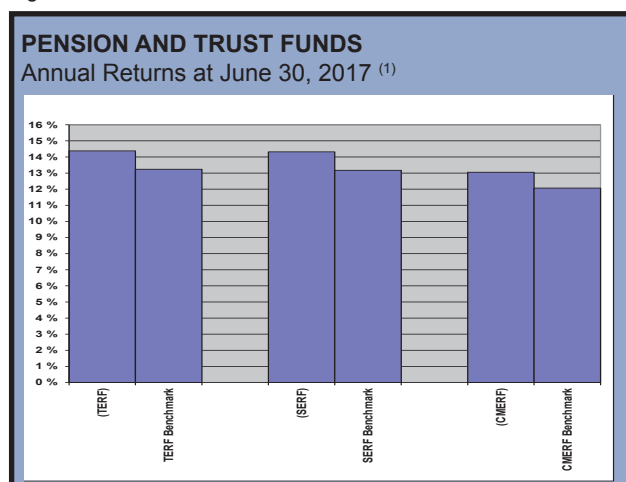


Figure 1-5



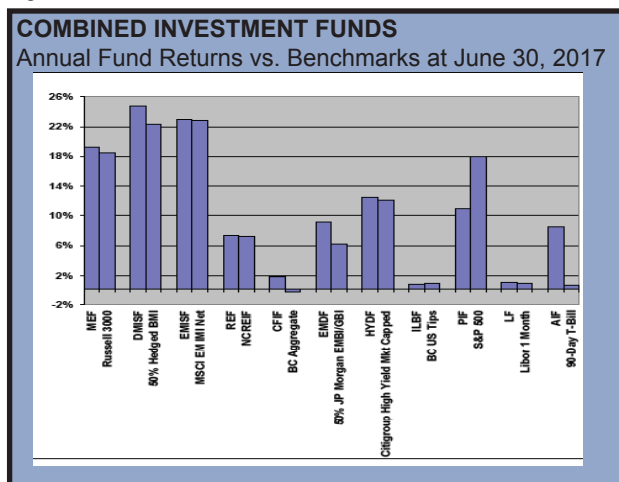
- (1) Does not include the Currency Overlay Manager.
- (2) Actual total advisors was 150 and 145, respectively when factoring in advisors across multiple funds. Private Investment partnerships with nonmaterial balances are not included.

Figure 1-6



- (1) Each Plan benchmark composite represents the Plan's policy allocation weights times each investment Fund's benchmark return.

Figure 1-7





**PENSION FUNDS MANAGEMENT DIVISION**

**Combined Investment Funds Total Return Analysis (%)**

	Fiscal Years Ended June 30,					Annualized		
	2017	2016	2015	2014	2013	3 Years	5 Years	10 Years
<i>(Investment performance is calculated using a time-weighted rate of return based on the market rate of return.)</i>								
<b>PLANS</b>								
Teachers' Retirement Fund (TERF)	14.38	0.25	2.79	15.67	11.83	5.63	8.80	4.97
TERF Custom Benchmark	13.24	(0.06)	3.21	15.09	11.95	5.32	8.52	4.87
State Employees' Retirement Fund (SERF)	14.32	0.26	2.84	15.62	11.90	5.63	8.80	4.87
SERF Custom Benchmark	13.17	(0.01)	3.24	15.15	11.88	5.32	8.52	4.87
Connecticut Municipal Employees' Retirement Fund (CMERF)	13.05	1.15	2.57	13.58	9.60	5.46	7.86	4.73
CMERF Custom Benchmark	12.07	0.77	2.32	13.85	10.32	4.94	7.74	4.90
<b><u>U.S. Stocks</u></b>								
Mutual Equity Fund	19.26	1.75	7.32	25.28	21.15	9.20	14.60	6.71
Russell 3000 Index	18.51	2.14	7.29	25.22	21.46	9.10	14.59	7.26
<b><u>International Stocks</u></b>								
Developed Markets International Stock Fund	24.81	(7.09)	0.67	22.31	22.56	5.30	11.86	2.80
MSCI EAFE IMI 50% Hedged	22.41	(9.26)	3.79	21.24	21.31	4.85	11.14	2.25
Emerging Markets International Stock Fund	23.00	(7.15)	(6.93)	11.50	3.29	2.06	4.14	1.57
MSCI Emerging Market Investable Market Index	22.82	(12.16)	(4.41)	14.31	3.66	1.03	4.09	2.09
<b><u>Equity Commercial Real Estate</u></b>								
Real Estate Fund	7.38	11.51	12.93	10.66	10.26	10.58	10.53	2.18
NCREIF (1 Qtr. Lag)	7.27	11.84	12.72	11.18	10.52	10.58	10.69	6.72
<b><u>U.S. Fixed Income</u></b>								
Core Fixed Income Fund	1.89	3.46	1.85	4.28	(0.24)	2.40	2.25	4.31
Barclays Aggregate Bond Index	(0.31)	6.00	1.86	4.37	(0.69)	2.48	2.21	4.48
Emerging Market Debt	9.11	6.01	(7.57)	6.99	1.69	2.25	3.07	5.87
50% JP Morgan EMBI/50% JPM GBI EMBI	6.26	5.96	(7.72)	7.61	2.82	1.28	2.83	6.08
High Yield Debt	12.59	(0.31)	(1.31)	12.24	8.46	3.47	6.19	6.77
Citigroup High Yield Market Capped Index	12.09	0.82	(0.80)	11.25	9.05	3.88	6.33	7.17
Inflation Linked Bonds	0.66	2.29	(2.85)	4.17	(4.28)	0.01	(0.05)	4.30
Barclays World Gov't Inflation Linked Bond Index	0.81	2.76	(3.21)	4.44	(4.78)	0.09	(0.06)	4.10
(2) Commercial Mortgage Fun	N/A	N/A	0.25	10.17	0.88	N/A	N/A	N/A
Barclays Aggregate Bond Index	N/A	N/A	1.86	4.37	(0.69)	N/A	N/A	N/A
<b><u>Alternative Assets</u></b>								
Private Investment Fund	10.97	8.87	14.04	16.06	9.50	11.27	11.85	9.51
S & P 500	17.90	3.99	7.42	24.61	20.60	9.61	14.63	7.18
<b><u>Liquidity Fund</u></b>								
(1) Liquidity Fund	0.96	0.68	(1.07)	0.54	0.66	0.18	0.35	0.98
LIBOR 1 Month Index	0.72	0.32	0.17	0.17	0.21	0.40	0.32	0.80
<b><u>Alternative Investment Fund</u></b>								
90-Day T-Bill	8.51	(5.32)	3.98	6.63	6.39	2.22	3.92	N/A
90-Day T-Bill	0.49	0.19	0.02	0.05	0.11	0.23	0.17	N/A

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

# 2017 liquidity fund

## Fund Facts at June 30, 2017

**Investment Strategy/Goals:** The purpose of the Liquidity Fund (LF) is to: (1) provide a liquid source of funds for investment operations and (2) earn a return greater than that of money market investments.

**Date of Inception:** November 1, 2007

**Total Net Position:** \$2,919,442,572

**Performance Objective:** A net return that matches the benchmark, over rolling three to five year periods.

**Management Fees:** \$2,240,224

**Benchmark:** One Month London Interbank Offered Rate (LIBOR)

**Operating Expenses:** \$651,869

**Number of Advisors:** 5 external

**Expense Ratio:** 0.12%

## Description of the Fund

The Liquidity Fund is structured into three distinct tiers to balance the need for liquidity with the need for positive investment returns.

1. The first tier is the most active portion of the LF and requires the highest liquidity. Tier I funds are invested in high quality money market instruments, which are considered the most liquid short-term assets.
2. The second tier slightly extends duration and credit quality for a higher expected return than Tier I. Investments include money market instruments, Government and agency paper, and high quality corporate and other short duration fixed income securities.
3. Global exposure in the third tier of the LF provides diversification. Short-to-medium term high quality foreign government bonds are held in this tier, in addition to foreign currencies.

## Portfolio Characteristics

The Liquidity Fund investments include U.S. Treasury and government agency securities, commercial paper, certificates of deposit, repurchase agreements, asset-backed securities, mortgage-backed securities, domestic and foreign corporate bonds, foreign sovereign debt and currencies. (See Figure 2-4.) As of June 30, 2017, the average maturity of the LF was 475 days and the average quality rating was AA-2. (See Figure 2-5.)

## Market Review

Three month Treasury yields rose from a first quarter low of 18 basis points to end the fiscal year at 1.03 percent and Libor also moved higher. For fiscal year 2017, the 2-year Treasury yield rose 78 basis points to 1.36 percent while the 10-year Treasury yield rose 81 basis points to 2.28 percent. The two-year Treasury yield more than doubled since the shock of the U.K. Brexit vote in June 2016. After bottoming in July, Treasury yields rose steadily as investors anticipated the Federal Reserve rate hike and then rates spiked with the presidential election in November. The Fed increased overnight lending rates by 25 basis points on three occasions during the fiscal period, with the Fed Funds target range ending the fiscal year at 1.0 percent to 1.25 percent. Inflation in the U.S. remained benign and unemployment dropped to 4.3 percent, the lowest rate since 2001, both indications of a further strengthening economy. Increases in European consumer confidence and business expectations helped the Euro reach a 52-week high and European sovereign debt yields moved higher. During this period of rising rates, non-Treasury sectors outperformed due to their income advantage as well as a tightening of spreads. Performance for the year ending June 30, 2017 for the Bank of American Merrill Lynch 1-3 Year Treasury Index was negative 11 basis points. Sector performance within the 1-3 year maturities showed corporates, asset-backed, agency, and municipal securities outperforming with excess returns over Treasuries of 156, 121, 31 and 41 basis points, respectively. A majority of emerging market currencies appreciated between 5 percent and 10 percent against the U.S. dollar.

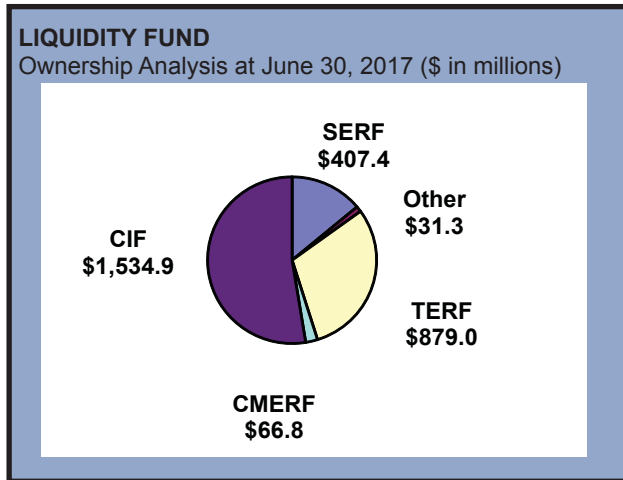
### Performance Summary

For the fiscal year ended June 30, 2017, the LF generated a return of .96 percent, outperforming one month LIBOR's return by 24 basis points. For the three- and five- year periods ending June 30th, the Fund returned 18 basis points and 35 basis points, versus 40 and 32 basis points, respectively, for each time period for one month LIBOR. The cumulative total returns of the LF for the three-, five- and ten-year periods were .55 percent, 1.75 percent, and 10.27 percent, respectively. (See Figure 2-6.)

### Risk Profile

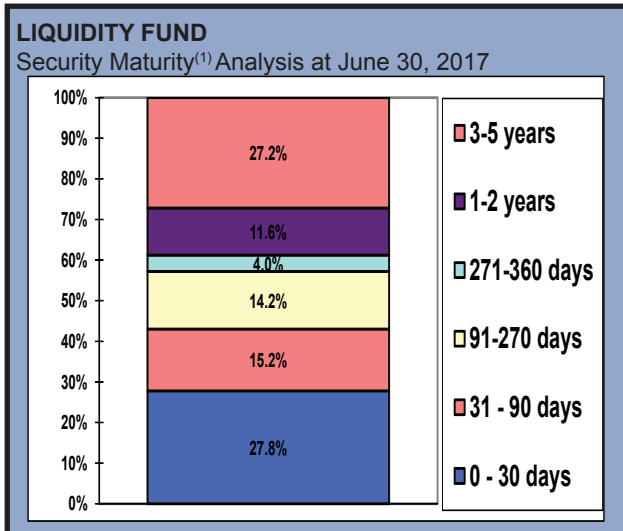
Given the LF's investment policies and objectives, the Fund is exposed to some risks. Interest rate risk is somewhat mitigated by the Fund's 475 days average maturity and credit risk is moderated by investments being concentrated in high quality securities. Other potential risks include currency risk, reinvestment risk and inflation risk. Counter party risk is managed by dealing only with reputable, high quality firms.

Figure 2-1



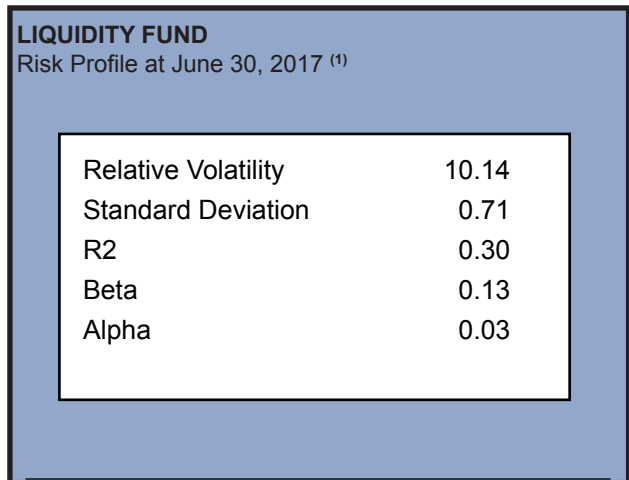
TERF - Teachers' Retirement Fund  
 SERF - State Employees' Retirement Fund  
 CMERF - Connecticut Municipal Employees' Retirement Fund  
 CIF - Combined Investment Funds

Figure 2-3



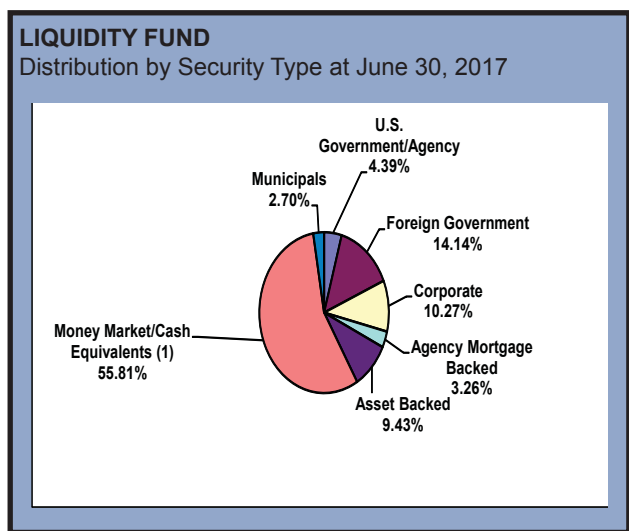
(1) Or Interest Rate Reset Period.

Figure 2-2



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

Figure 2-4



(1) Includes Commercial Paper, Certificates of Deposit and Repurchase Agreements.

## PENSION FUNDS MANAGEMENT DIVISION

Figure 2-5

LIQUIDITY FUND Comprehensive Profile				
Date	Number of Issues	Yield <sup>(1)</sup>	Average Maturity	Average Quality
2017	788	0.96%	475 days	AA-2
2016	776	0.68%	387 days	AA-2
2015	742	-1.07%	347 days	AA-2
2014	767	0.54%	343 days	AA-2
2013	495	0.66%	631 days	AA+
2012	329	-0.14%	482 days	AA-2
2011	337	1.20%	321 days	AA-1
2010	244	0.98%	202 days	AA-1
2009	162	1.54%	36 days	AA-2
2008	71	4.59%	39 days	A-1+/AA+

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

Figure 2-6

	1 YR	3 YRS	5 YRS	10 YRS
<b>LIQUIDITY FUND</b> Periods ending June 30, 2017				
<b>Compounded, Annual Total Return (%)</b>				
LF	0.96	0.18	0.35	0.98
LIBOR 1 MONTH INDEX	0.72	0.40	0.32	0.80
<b>Cumulative Total Return (%)</b>				
LF	0.96	0.55	1.75	10.27
LIBOR 1 MONTH INDEX	0.72	1.20	1.59	8.25

Figure 2-7

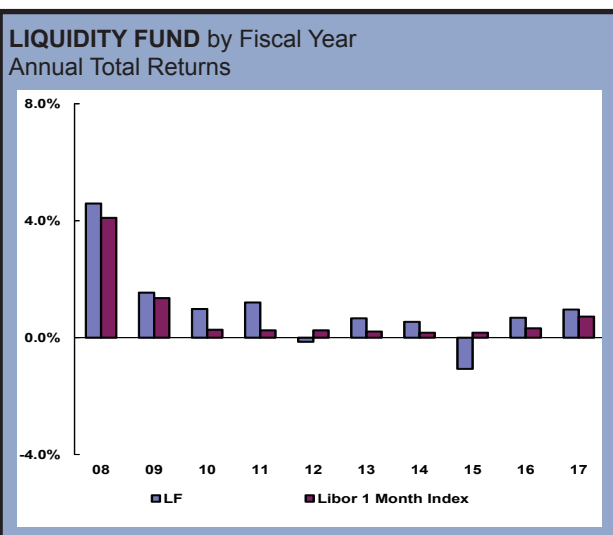


Figure 2-8

LIQUIDITY FUND Investment Tiers at June 30, 2017		
Investments	Net Asset Value	% of Fund
Tier I	\$1,542,288,102	52.83%
Tier II	979,744,528	33.56%
Tier III	397,409,942	13.61%
<b>Total LF</b>	<b>\$2,919,442,572</b>	<b>100.00%</b>

Figure 2-9

LIQUIDITY FUND Investment Advisors at June 30, 2017		
Investment Advisors	Net Asset Value	% of Fund
State Street Global Advisors	\$1,542,288,102	52.83%
Payden & Rygel	548,314,753	18.78%
PIMCO	431,429,437	14.78%
Lazard	99,657,597	3.41%
Colchester Global Investors Ltd.	297,752,345	10.20%
Other (1)	338	0.00%
<b>Total LF</b>	<b>\$2,919,442,572</b>	<b>100.00%</b>

(1) Other Represents cash equivalents, terminated advisors and other assets.

Figure 2-10

LIQUIDITY FUND Ten Largest Holdings* at June 30, 2017				
Security Name	Maturity Date	Market Value	%	
CITIGROUP GLOBAL TRI REPO	7/3/2017	\$ 79,000,000	2.70%	
FEDERAL NATL MTG ASSN DISC	7/3/2017	55,995,567	1.92%	
WAL MART STORES DISC	7/10/2017	39,988,111	1.37%	
U S TREASURY NOTE	12/31/2018	36,072,120	1.23%	
MERRILL LYNCH TRI REPO	7/3/2017	33,000,000	1.13%	
KELLS FDG LLC 144A DISC	9/12/2017	29,901,667	1.02%	
REPUBLIC OF POLAND GVMT	7/25/2019	25,889,189	0.89%	
U S TREASURY NOTE	2/15/2018	25,665,985	0.88%	
NEW ZEALAND GVMT BO REGS	3/15/2019	25,546,107	0.87%	
NATIONAL SEC CORP DISC	7/13/2017	24,988,229	0.86%	
<b>Top Ten</b>		<b>\$376,046,975</b>	<b>12.87%</b>	

\* A complete list of portfolio holdings is available upon request from the Office of the Treasurer, in accordance with the Connecticut Freedom of Information Act.

# 2017 alternative investment fund

## Fund Facts at June 30, 2017

**Investment Strategy/Goals:** The purpose of the Alternative Investment Fund (AIF) is to invest CRPTF assets in investment strategies that offer the potential to enhance overall portfolio expected returns, reduce risk, or a combination of both in a variety of market conditions. Additionally, the AIF is expected to provide diversification benefits and a degree of inflation protection. The AIF serves as a vehicle for strategies that are not easily classified, categorized, or described in the other Combined Investment Funds. Hybrid strategies that cut across multiple asset classes are also considered part of the opportunity set.

**Date of Inception:** February 1, 2011

**Total Net Position:** \$2,027,956,500

**Performance Objective:** To outperform the 90 day T-Bill Rate ("T-Bills") by 300 basis points net of all expenses.

**Expensed Management Fees:** \$0

**Benchmark:** 90 Day T-Bills

**Capitalized and Netted Fees:** \$11,042,680

**Operating Expenses:** \$995,988

**Number of Partnerships:** 10 external

**Expense Ratio:** 0.05%

\* Expense ratio is calculated using the management fee and operating expense totals.

## Description of the Fund

The AIF represents a unique investment exposure that differs from traditional, long-only funds. The strategies employed within the AIF represent a broad set of investment styles, mandates and products that focus primarily on the liquid equity, fixed income and derivatives markets, and may also include allocations to non-traditional investments, including illiquid securities and investments. AIF strategies may target absolute returns without reference to a traditional benchmark using a wide range of investment tools such as short-selling, leverage, derivatives and complex securities.

The AIF may invest in strategies that do not fit the constraints of existing Combined Investment Funds. Such strategies could include, but are not limited to, absolute return strategies, managed futures strategies, commodities, real assets and other alternative asset strategies.

The AIF mandate is executed through external investment advisors and money managers who actively manage fund of funds portfolios or through direct investments in single manager funds.

## Portfolio Characteristics

As of June 30, 2017, the AIF was invested in six absolute return oriented fund of hedge funds, including two fund of funds participating in the Connecticut Horizon Fund program, with a combined market value of \$1.85 billion. The portfolio also includes three real asset oriented private equity style funds that invest in energy infrastructure with a combined market value of \$122.7 million and a European distressed credit partnership with a market value of \$10.7 million.

## Market Review

The hedge fund industry experienced improved performance for the trailing 12 months ending June 30, 2017 driven by gains in equity sensitive strategies such as equity long/short and event driven funds as equity markets rallied. From a sector perspective, financials, and healthcare continued to drive positive performance and from a geographic perspective international exposure (i.e., Asia and Emerging Markets) out-performed U.S. exposure. With improved performance has come improved investor sentiment and positive flows into the market segment with investors refocusing on more traditional hedge fund products and concentrating their strategy decisions.

## PENSION FUNDS MANAGEMENT DIVISION

- Equity long/short managers benefited from positive equity beta, as stocks have rallied strongly since the elections in Nov 2016, and more alpha generation opportunities as dispersion in returns across stocks widened during 2017.
- Event driven managers, which lagged in 2016, performed well in 2017 due to an increase in M&A activity and stronger credit performance.
- Credit/distressed managers benefited from tighter yield spreads in 2017, particularly within the energy and metals/mining sectors with the retail sector continuing to lag.
- Market neutral strategies posted modest performance; low and stable volatility made it a challenge to managers that are long volatility. Fixed income relative value and statistical arbitrage managers also performed better.
- Convertible arbitrage managers posted solid returns during the fiscal year due to strong equity and credit markets.

Real asset investment activity rebounded during the first half of calendar year 2017 given the stable commodity price environment combined with profitable drilling and production of crude oil in the Permian Basin and mid-to-large size energy companies rationalizing non-core assets. During this same period energy IPO activity among upstream, midstream, and downstream companies rebounded from the multi-year low that occurred in 2016. In total, \$4.2 billion of IPO issuance occurred during the first half of 2017 compared to a total of \$1.2 billion in all of 2016.

### Performance Summary

For the fiscal year ended June 30, 2017, the AIF generated a return of 8.51 percent, net of all expenses, which outperformed the 90-day Treasury bill return of 0.49 percent by 802 basis points. As of June 30, 2017, the trailing three- and five-year net annualized returns of the AIF were 2.22 percent and 3.92 percent, respectively. These returns outperformed the compounded 90-day Treasury bill return of 0.23 percent and 0.17 percent by 199 and 375 basis points, respectively.

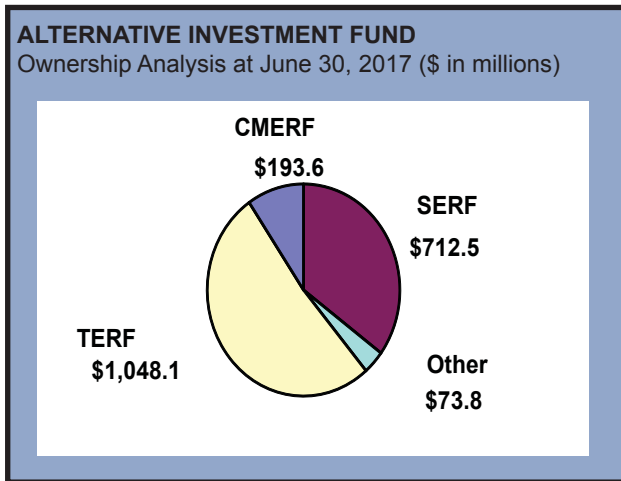
Within the AIF, the fund of hedge funds portfolio returned 8.45 percent as of June 30, 2017. The consolidated hedge fund portfolios outperformed their fund of funds peer group (Hedge Fund Research, Inc. Fund of Funds Composite Index), which increased by 6.29 percent over the same period. It outperformed the broader Hedge Fund Research, Inc. Fund Weighted Composite Index, which increased by 7.98 percent. Within the AIF, the real assets portfolio returned 22.15 percent as of June 30, 2017.

### Risk Profile

Given the AIF'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, overall liquidity risk, leverage, short selling, derivative use, and transparency. Assuming these risks as part of a prudent, total portfolio strategy assists the AIF in achieving its investment objectives.

## PENSION FUNDS MANAGEMENT DIVISION

Figure 3-1



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

Figure 3-2

**ALTERNATIVE INVESTMENT FUND**  
Periods ending June 30, 2017

	1 YR	3 YRS	5 YRS
<b>Compounded, Annual Total Return (%)</b>			
AIF	8.51	2.22	3.92
90 Day T-Bill	0.49	0.23	0.17
<b>Cumulative Total Return (%)</b>			
AIF	8.51	6.82	21.17
90 Day T-Bill	0.49	0.70	0.87

Figure 3-3

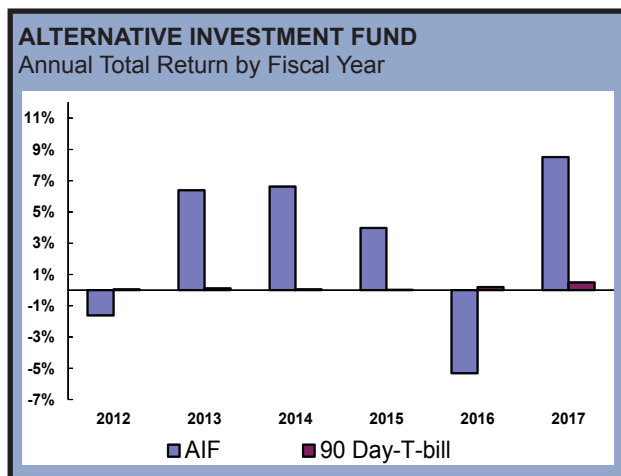


Figure 3-5

**ALTERNATIVE INVESTMENT FUND**  
Investment Advisors at June 30, 2017

Investment Advisor	Net Asset Value	% of Fund
Arclight Energy Partners Fund V	\$36,994,556	1.82%
Arclight VI	49,413,209	2.44%
EIG Energy Fund XV LP	36,262,167	1.79%
Marathon European Credit Opportunity	10,702,910	0.53%
Prudence Crandall I Permal LP	608,296,503	30.00%
Prudence Crandall II Prisma LP	319,006,097	15.73%
Prudence Crandall III Rock Creek LP	309,983,386	15.28%
Prudence Crandall IV K2 LP	305,672,773	15.07%
THOMAS WELLES FUND I	87,595,523	4.32%
THOMAS WELLES FUND II	87,245,454	4.30%
<b>Other <sup>(1)</sup></b>	<b>176,783,922</b>	<b>8.72%</b>
<b>Total</b>	<b>\$2,027,956,500</b>	<b>100.00%</b>

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

Figure 3-4

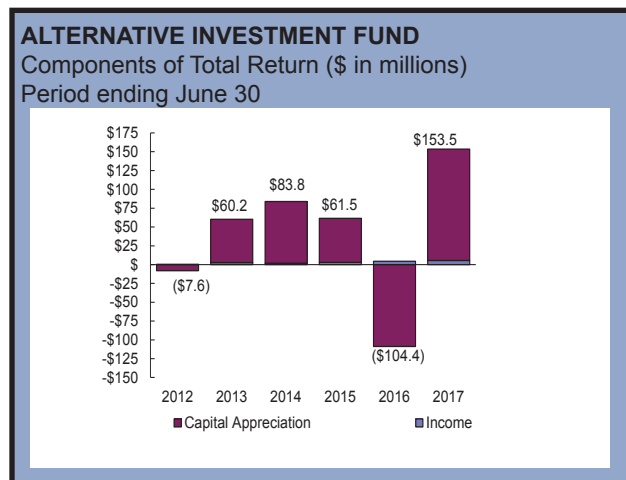


Figure 3-6

**ALTERNATIVE INVESTMENT FUND**  
Ten Largest Holdings\* at June 30, 2017

Partnership Name	Type	Market Value	%
PC I Permal LP	Hedge F-o-F	\$608,296,503	30.01%
PC II Prisma LP	Hedge F-o-F	319,006,097	15.74%
PC III Rock Creek LP	Hedge F-o-F	309,983,386	15.29%
PC IV K2 LP	Hedge F-o-F	305,672,773	15.08%
Thomas Welles Fund I	Hedge F-o-F	87,595,523	4.32%
Thomas Welles Fund II	Hedge F-o-F	87,245,454	4.31%
Arclight Energy Prtnrs VI	Real Assets	49,413,209	2.44%
Arclight Energy Prtnrs V	Real Assets	36,994,556	1.83%
EIG Energy Fund XV LP	Real Assets	36,262,167	1.79%
Marathon Euro Credit Opp	Opportunistic	10,702,910	0.53%
<b>Top Ten</b>		<b>\$1,851,172,578</b>	<b>91.34%</b>

\* A complete list of portfolio holdings is available upon request from the Office of the Treasurer, in accordance with the Connecticut Freedom of Information Act.

# 2017 mutual equity fund

## Fund Facts at June 30, 2017

**Investment Strategy/Goals:** The purpose of the Mutual Equity Fund (MEF) is to (1) achieve a long term, real rate of return significantly above the inflation rate; and (2) provide a source of diversification from other asset classes within the CRPTF during different economic environments.

**Date of Inception:** July 1, 1972

**Total Net Position:** \$7,022,130,703

**Performance Objective:** A net return that, at a minimum, matches the benchmark over rolling three- to five-year periods.

**Management Fees:** \$13,261,733

**Benchmark:** Russell 3000 Index

**Operating Expenses:** \$7,952,650

**Number of Advisors:** 6

**Expense Ratio:** 0.31%

## Description of the Fund

The MEF assets are allocated across the U.S. stock market to ensure diversification by market capitalization and investment style, such as value and growth. The MEF may opportunistically invest up to 30 percent of assets to take advantage of shifts in the investment landscape or opportunities that offer diversification and/or risk-return benefits, and may include investments in any market capitalization and/or investment style as well as an allocation to stocks outside the U.S.

## Portfolio Characteristics

The MEF invests primarily in the common stock of U.S. corporations. The largest industry weightings at June 30, 2017 were financials (20.1 percent), followed by information technology (19.5 percent) and health care (14.1 percent) (See Figure 4-3).

The MEF's ten largest holdings, aggregating 14.8 percent of Fund investments, included a variety of blue chip companies and were broadly diversified, with the largest holding of 2.7 percent in Apple Inc. (See Figure 4-9).

## Market Review

In the months leading up to the November elections, U.S. equities remained relatively flat due to political uncertainty and concerns about the timing of upcoming Federal Reserve interest rate increases. Following the election, U.S. equities soared higher amid hopes for rollback of regulatory reform, tax code changes, and increased infrastructure spending that could lead to stronger economic growth and corporate profits.

The U.S. stock market, as measured by the Russell 3000 index, increased 18.5 percent. Within the Russell 3000, small capitalization companies outperformed mid- and large capitalization companies. In the small cap space, growth and value stocks performed about the same, where in the large- and mid-caps growth stocks outperformed value stocks. The technology sector was the best performing sector in the index with a 34.8 percent return, followed by financial services with a return of 27.6 percent. The worst performing sectors were energy and utilities with a return of -4.7 and -2.0 percent, respectively.

## Performance Summary

For Fiscal Year 2017, the MEF generated a return of 19.26 percent, net of all expenses, which outperformed the Russell 3000 Index return by 75 basis points (See figure 4-4). As of June 30, 2017, the MEF compounded net annualized total returns, for the trailing three-, five- and ten-year periods were 9.20



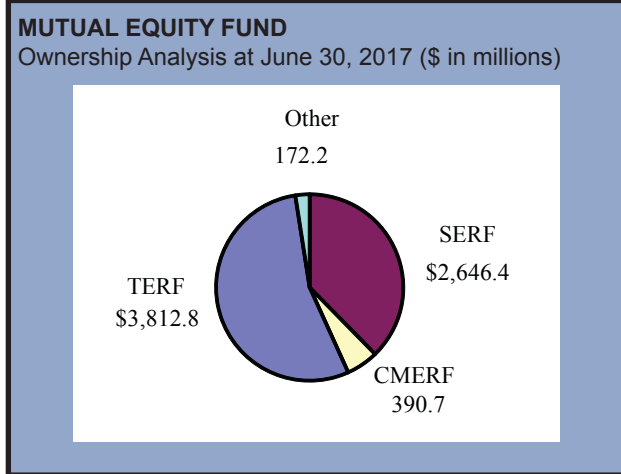
percent, 14.60 percent and 6.71 percent, respectively.

### **Risk Profile**

Based on returns over the last five years, MEF has exhibited a similar degree of risk as that of its benchmark, the Russell 3000 Index. With a relative volatility of 0.99, the MEF's volatility is approximately the same as the market. The Fund's active return, or its excess returns over the last five years, adjusted for risk, has been a 0.01 (See figure 4-2).

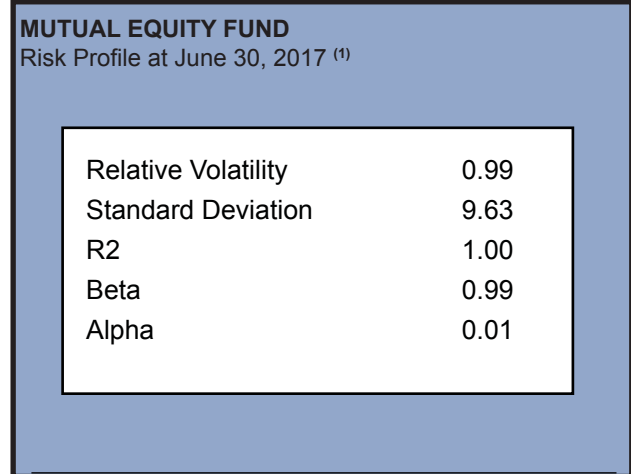
## PENSION FUNDS MANAGEMENT DIVISION

Figure 4-1



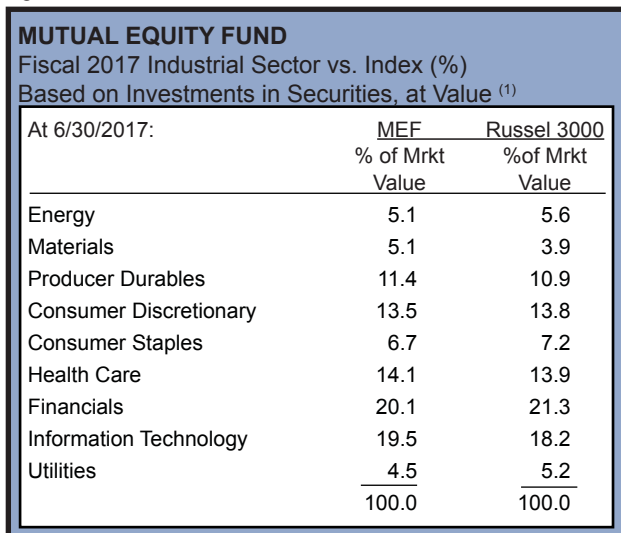
TERF - Teachers' Retirement Fund  
SERF - State Employees' Retirement Fund  
CMERF - Connecticut Municipal Employees' Retirement Fund

Figure 4-2



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

Figure 4-3



(1) Excludes the Liquidity Fund.

Figure 4-4

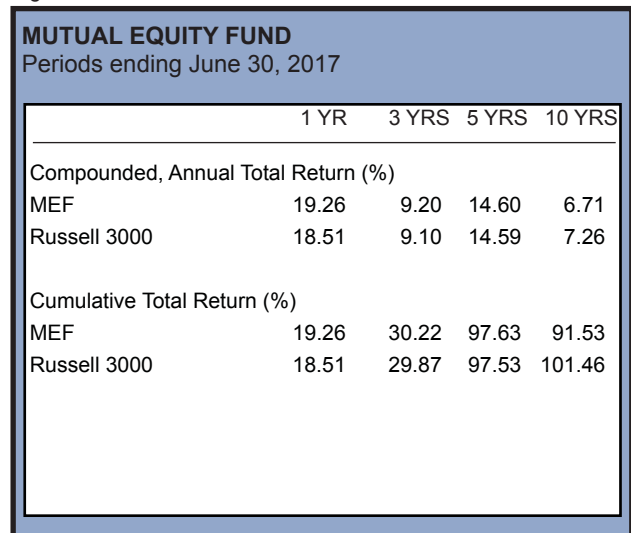


Figure 4-5

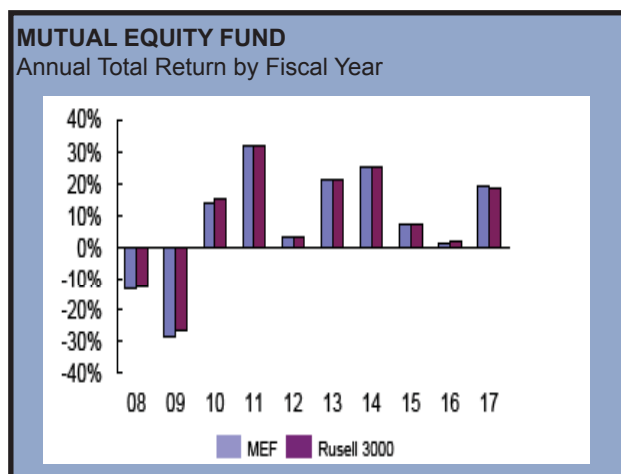
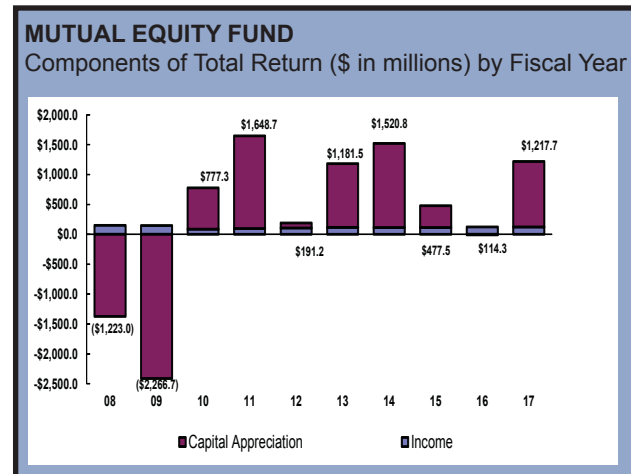


Figure 4-6



**PENSION FUNDS MANAGEMENT DIVISION**

Figure 4-7

<b>MUTUAL EQUITY FUND</b>										
Comprehensive Profile for the Fiscal Years ending June 30,										
	2017		2016		2015		2014		2013	
	MEF	Russell	MEF	Russell	MEF	Russell	MEF	Russell	MEF	Russell
<b># of Issues</b>	1,756	3,000	1,706	3,000	1,807	3,000	1,806	3,000	1,721	3,000
<b>Cap (\$ Bil)</b>	\$137.0	\$140.2	\$114.1	\$114.6	\$108.1	\$108.9	\$102.1	\$101.7	\$85.5	\$85.8
<b>P/E</b>	25.0	24.3	22.8	22.1	22.0	21.7	21.2	20.8	19.3	19.2
<b>Div Yield</b>	1.73%	1.89%	1.92%	2.06%	1.81%	1.93%	1.74%	1.84%	1.90%	2.10%
<b>ROE</b>	16.2%	16.2%	16.6%	16.4%	17.7%	17.5%	16.9%	17.0%	17.3%	17.8%
<b>P/B</b>	3.0	3.0	2.6	2.4	2.8	2.8	2.8	2.7	3.8	3.7
<b>Cash &amp; Equiv.</b>	5.7%	0.0%	1.2%	0.0%	1.1%	0.0%	0.9%	0.0%	0.8%	0.0%

Source: Custodian Bank

Figure 4-8

<b>MUTUAL EQUITY FUND</b>		
Investment Advisors at June 30, 2017		
Investment Advisor	Net Asset Value	% of Fund
Large Cap	\$5,317,010,424	75.72%
T. Rowe Price Associates	2,265,341,959	32.26%
State Street Global Advisors	3,051,668,465	43.46%
All Cap	629,717,239	8.97%
Capital Prospects	324,236,955	4.62%
FIS Group, Inc.	305,480,284	4.35%
Small/Mid Cap	733,833,239	10.45%
Frontier Capital Mgmt Co	408,898,925	5.82%
Bivium	324,934,314	4.63%
Other (1)	341,569,801	4.86%
<b>TOTAL MEF</b>	<b>\$7,022,130,703</b>	<b>100.00%</b>

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

Figure 4-9

<b>MUTUAL EQUITY FUND</b>			
Ten Largest Holdings* at June 30, 2017			
Security Name	Sector	Market Value	%
Apple Inc	Information Tech	\$190,196,701	2.71%
Microsoft Corp	Information Tech	149,416,390	2.12%
Amazon.Com Inc	Consumer Discr	107,485,752	1.53%
Facebook Inc	Information Tech	104,412,031	1.49%
Exxon Mobil Corp	Energy	90,102,430	1.28%
Johnson & Johnson	Health Care	87,638,818	1.25%
JPMorgan Chase & Co	Financials	87,365,421	1.24%
Alphabet Inc-CL C	Information Tech	74,943,872	1.07%
Alphabet Inc-CL A	Information Tech	74,259,120	1.06%
Wells Fargo & Co	Financials	70,976,110	1.01%
<b>Top Ten</b>		<b>\$1,036,796,645</b>	<b>14.76%</b>

\* A complete list of portfolio holdings is available upon request from the Office of the Treasurer, in accordance with the Connecticut Freedom of Information Act.

# 2017

## core fixed income fund

### Fund Facts at June 30, 2017

**Investment Strategy/Goals:** The purpose of the Core Fixed Income Fund (CFIF) is to: (1) achieve a long-term real rate of return above the inflation rate; (2) generate a stream of income and (3) provide a source of diversification from other asset classes within the CRPTF during different economic environments.

**Date of Inception:** November 1, 2007

**Total Net Position:** \$2,452,383,489

**Performance Objective:** A net return that matches its benchmark, over rolling three-to-five year periods.

**Expensed Management Fees:** \$2,602,485

**Capitalized and Netted Fees:** \$919,783

**Benchmark:** Barclays U.S. Aggregate Bond Index

**Net Operating Expenses:** \$1,648,294

**Number of Advisors:** 7 External

**Expense Ratio:** 0.17%

### Description of the Fund

The CFIF assets are invested across debt instruments issued by the U.S. Government and its agencies, U.S. or international corporations, high quality quasi or sovereign debt and any other public or private U.S. regulated debt securities. The CFIF may invest up to 30 percent of its assets opportunistically to take advantage of shifts in the investment landscape or opportunities which offer diversification and/or risk-return benefits.

### Portfolio Characteristics

At the end of fiscal 2017, the composition of the CFIF was: corporate bonds 21.9 percent, mortgage-backed securities 5.5 percent, U.S. Treasuries 20.3 percent, asset-backed securities 3.3 percent, and government agency securities 20.7 percent. The remaining assets were invested in the Liquidity Fund and other assets, including two opportunistic funds valued at \$566,040,052. As of June 30, 2017, the CFIF was overweight government agency securities, asset backed securities, and opportunistic investments compared to the Barclays U.S. Aggregate Bond Index, and underweight mortgage-backed securities, U.S. Treasury, and corporate bonds. (See Figure 5-4.) Fifty eight percent of the CFIF was invested in AAA-rated securities. (See Figure 5-5.) The duration of the Fund was 6.15 years, compared to 6.09 years for the benchmark. The yield to maturity was 2.91 percent for the CFIF versus 2.46 percent for the Barclays U.S. Aggregate Bond Index. (See Figure 5-11.)

### Market Review

The Barclays U.S. Aggregate Index had a 31 basis point loss for the fiscal year ending June 30, 2017, as rising bond yields more than offset the impact of coupon income and spread tightening. The negative return of 2.5 percent during the first half of the fiscal year was driven by the sell-off in rates after the U.S. presidential election. Reflationary trends emerged with stronger nominal growth, higher inflation expectations and the potential for fiscal policy to replace monetary policy as a driver of growth. Yields across the curve rose 60 to 90 basis points in the aftermath of the election as investors priced in the potential impact from a large infrastructure plan, tax code changes and relaxed regulatory reform. In December, the Federal Reserve began a normalization of monetary policy starting with the first of three rate hikes made during the fiscal year.

U.S Treasury securities lost 4.1 percent while investment grade credit sustained only 1.5 percent loss between July and December. In the second half of the fiscal year the core fixed income market generated a gain of 2.3 percent. The yield curve flattened during this period reflecting the lack of progress on stated legislative priorities. Inflation expectations declined as the U.S. economy expanded at its weakest pace in over three years causing yields for bonds with five or more years to maturity to decline materially, thereby erasing some of the losses of the first half of the fiscal period. Treasuries gained 1.9 percent during the period while investment grade credit was up 3.8 percent. Corporate bonds were the top performers, followed by taxable municipal bonds.

In the persistent low interest rate environment investors continued to seek higher yields and spread products and lower rated bonds outperformed.

### **Performance Summary**

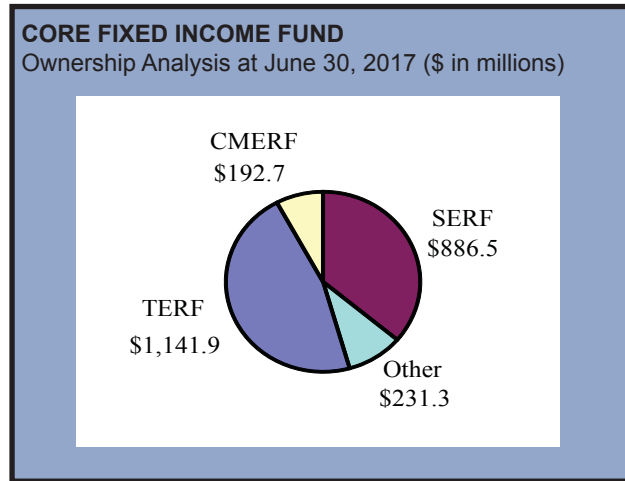
For the fiscal year ended June 30, 2017 the CFIF outperformed the Barclays U.S. Aggregate Bond Index by 220 basis points, generating a 1.89 percent net return compared to a -0.31 percent return for the benchmark. As of June 30, 2017, the CFIF's net annualized total returns for the trailing three and five-year periods were 2.40 percent and 2.25 percent, respectively, slightly underperforming the benchmark by 8 and 4 basis points, respectively. The cumulative total returns of the Fund were 7.36 percent over the past three years and 11.74 percent for the five-year period ending June 30th. (See Figure 5-8.)

### **Risk Profile**

Given the CFIF's investment policies and objectives, the Fund is exposed to several forms of risk, such as credit default risk, interest rate risk, liquidity risk, inflation risk, reinvestment risk, counter party risk and geopolitical risk. These risks are monitored on an ongoing basis, and actions are taken to mitigate identified risks. External rating agencies assign credit ratings to individual securities reflecting their views of the underlying firm's credit worthiness or the underlying assets in the case of securitized debt. As of fiscal year end, over half of the CFIF was rated AAA.

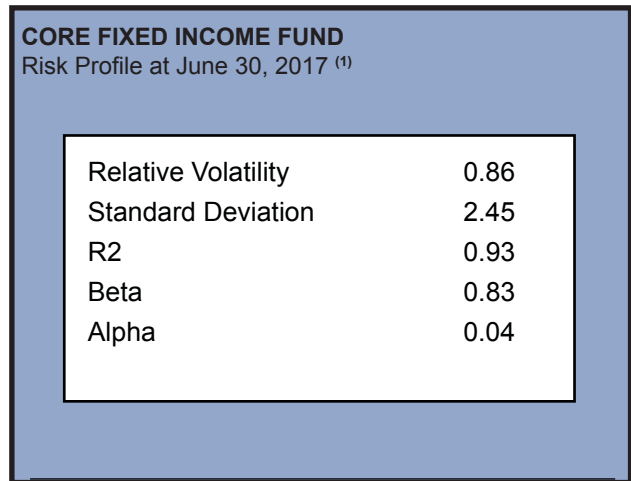
## PENSION FUNDS MANAGEMENT DIVISION

Figure 5-1



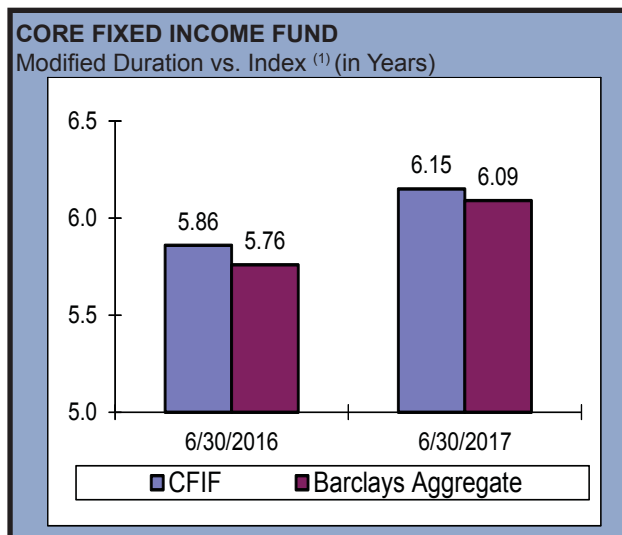
TERF - Teachers' Retirement Fund  
SERF - State Employees' Retirement Fund  
CMERF - Connecticut Municipal Employees' Retirement Fund

Figure 5-2



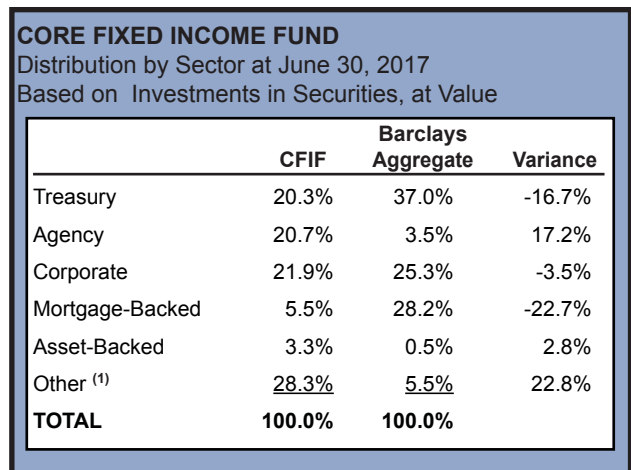
(1) Based upon returns over the last five years.

Figure 5-3



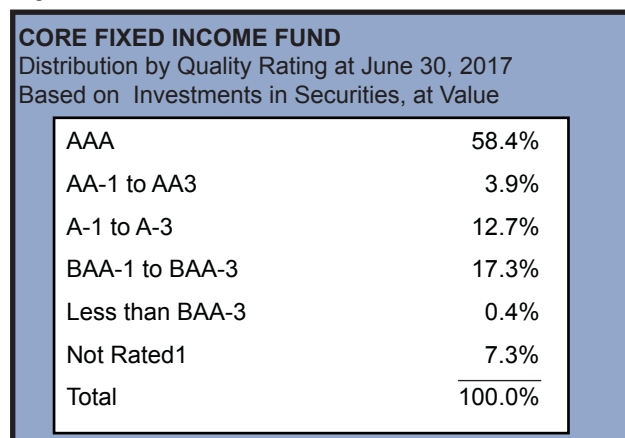
(1) Computed without the effect of Cash and other assets.

Figure 5-4



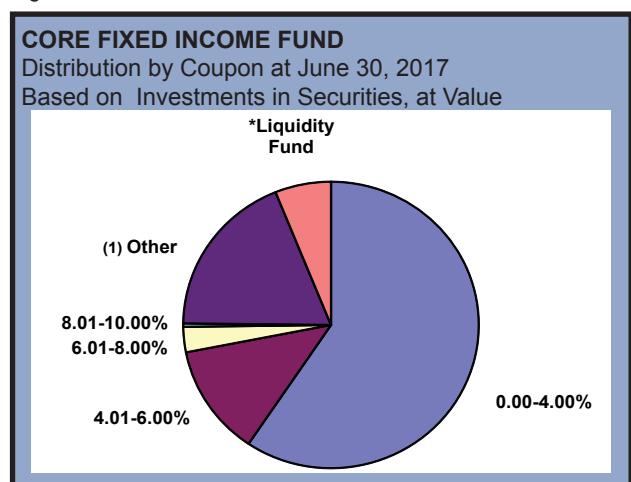
(1) Other category includes opportunistic assets, Liquidity Fund and other assets.

Figure 5-5



(1) Represents securities for which ratings are unavailable.

Figure 5-6



(1) Other category includes opportunistic assets.

**PENSION FUNDS MANAGEMENT DIVISION**

Figure 5-7

**CORE FIXED INCOME FUND**  
Duration Distribution at June 30, 2017  
Based on Investments in Securities, at Value

0-3 Years	22.0%
3-5 Years	31.0%
5-7 Years	16.3%
7-10 Years	10.1%
10+ Years	11.8%
Undetermined <sup>(1)</sup>	8.8%
<b>Total</b>	<b>100.0%</b>

<sup>(1)</sup> Represents securities for which the duration could not be calculated by the custodian.

Figure 5-8

**CORE FIXED INCOME FUND**  
Periods ending June 30, 2017

	1 YR	3 YRS	5 YRS	10 YRS
<b>Compounded, Annual Total Return (%)</b>				
Compounded, Annual Total Return (%)				
CFIF	1.89	2.40	2.25	4.31*
Barclays Aggregate	-0.31	2.48	2.21	4.48
<b>Cumulative Total Return (%)</b>				
CFIF	1.89	7.36	11.74	52.46*
Barclays Aggregate	-0.31	7.63	11.57	54.97

\*Represents historical returns at the portfolio composite level.

Figure 5-9

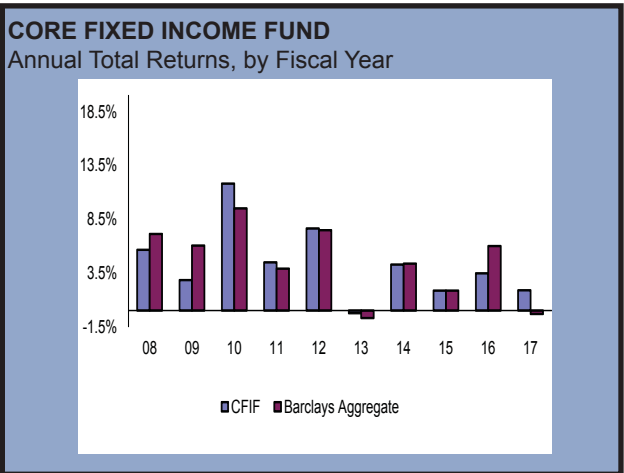


Figure 5-10

**CORE FIXED INCOME FUND**  
Investment Advisors at June 30, 2017

Investment Advisors	Net Asset Value	% of Fund
State Street Global Advisors	\$251,945,275	10.27%
BlackRock Financial Management, Inc.	528,277,226	21.54%
Wellington	538,592,555	21.96%
Conning-Goodwin Capital	378,359,692	15.43%
Progress	118,900,899	4.85%
Prudence Crandall Fund III Opportunistic	279,748,952	11.41%
Prudence Crandall Fund IV Opportunistic	286,291,100	11.67%
Other <sup>(1)</sup>	70,267,790	2.87%
<b>TOTAL CFIF</b>	<b>\$2,452,383,489</b>	<b>100.00%</b>

<sup>(1)</sup> Other represents Liquidity Fund, other assets and terminated advisor balances.

Figure 5-11

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

	2017		2016		2015		2014		2013	
	CFIF	BC AGG	CFIF	BC AGG	CFIF	BC AGG	CFIF	BC AGG	CFIF	BC AGG
# of Issues	4,129	9,355	3,844	9,804	3,448	9,496	3,080	8,818	3,227	8,382
Average Coupon	3.37%	3.11%	3.35%	3.21%	3.54%	3.31%	3.47%	3.41%	3.60%	3.50%
Yield Maturity	2.91%	2.46%	2.20%	1.74%	2.59%	2.29%	2.31%	2.10%	2.30%	2.30%
Average Maturity	8.40	8.00	7.78	7.85	8.73	7.57	8.05	7.29	7.20	6.90
Modified Duration	6.15	6.09	5.86	5.76	6.15	5.72	5.85	5.58	5.50	5.20
Average Quality	AA-2	AA-2	AA-2	AA-2	AA-2	AA-2	AA-2	AA-2	AA-2	AA-2
Liquidity Fund	5.8%	0.0%	3.8%	0.0%	7.2%	0.0%	6.5%	0.0%	8.4%	0.0%

**PENSION FUNDS MANAGEMENT DIVISION**

Figure 5-12

**CORE FIXED INCOME FUND**

Ten Largest Holdings\* at June 30, 2017

Security Name	Maturity	Market Value	%
U S TREASURY NOTE	5/31/2019	\$28,565,703	1.10%
U S TREASURY NOTE	6/30/2021	23,957,381	0.92%
FNMA TBA	8/1/2047	22,865,082	0.88%
U S TREASURY NOTE	4/30/2019	19,478,964	0.75%
U S TREASURY NOTE	5/15/2027	18,276,965	0.70%
U S TREASURY NOTE	2/28/2022	17,120,691	0.66%
FNMA TBA	7/1/2047	15,375,669	0.59%
GNMA TBA	7/20/2047	15,219,885	0.59%
FHLM TBA	8/1/2047	15,176,512	0.58%
U S TREASURY NOTE	8/15/2025	12,795,841	0.49%
<b>Top Ten</b>		<b>\$188,832,693</b>	<b>7.26%</b>

\* A complete list of portfolio holdings is available upon request from the Office of the Treasurer, in accordance with the Connecticut Freedom of Information Act.

Figure 5-13

**CORE FIXED INCOME FUND**

Quarterly Current Yield <sup>(1)</sup> vs. Indices (%)

	6/30/17	3/31/17	12/31/16	9/30/16	6/30/16
CORE FIXED INCOME	3.24	3.29	3.93	3.33	3.48
Barclays Aggregate	2.92	2.94	2.97	2.87	2.90
Barclays Treasury	2.05	2.03	2.01	1.92	1.92
Barclays Agency	2.16	2.17	2.06	2.03	2.09
Barclays Mortgage	3.44	3.46	3.48	3.44	3.48
Barclays Corporate	3.69	3.75	3.81	3.66	3.74
Barclays Asset Backed	1.97	1.90	1.90	1.86	2.04

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



# 2017 inflation linked bond fund

## Fund Facts at June 30, 2017

**Investment Strategy/Goals:** The purpose of the Inflation Linked Bond Fund (ILBF) is to (1) achieve a long-term, real rate of return above the inflation rate; (2) provide protection against rampant inflation; and (3) offer a source of diversification relative to other asset classes within the CRPTF during different economic environments.

**Date of Inception:** November 1, 2007

**Total Net Position:** \$1,344,025,745

**Performance Objective:** A net return, which matches the benchmark, over rolling three-to five-year periods.

**Management Fees:** \$2,613,172

**Benchmark:** Barclays World Government Inflation-Linked Bond Index

**Net Operating Expenses:** \$2,552,771

**Number of Advisors:** 3 external

**Expense Ratio:** 0.39%

## Description of the Fund

Inflation linked bonds are high-quality securities issued primarily by governments in their home country currencies. While the benchmark for this Fund is unhedged, investment managers have discretion to hedge foreign currency exposure back to the U.S. dollar. Inflation-linked bonds carry a fixed interest rate and the principal of the bonds is adjusted semi-annually for any rise or decline in the inflation rate. (During fiscal year 2015, three firms were hired to invest in global inflation-linked bonds, replacing the firms who previously managed U.S. inflation-linked bonds.)

## Portfolio Characteristics

At June 30, 2017, the ILBF was well diversified with issues of inflation-linked and nominal sovereign bonds from eight countries plus the United Kingdom and the Eurozone. (See Figure 6-3.) The average coupon of this Fund was 1.41 percent compared to 1.15 percent for the benchmark. Duration of the ILBF at 10.85 years was shorter than the 12.55 years of the benchmark. Credit quality of this Fund matched the benchmark at AA-2 on June 30, 2017. (See Figure 6-9.)

## Market Review

The Barclays World Government Inflation Linked Bond Index posted a return of 0.81 percent for the fiscal year ending June 30, 2017. Hawkish central banks and political developments dominated markets and signs of global deflation appeared early in the period. Inflation markets broadly outperformed through the first three quarters of fiscal year 2017, with strong inflows into the asset class, especially in the U.S. Treasury Inflation Protected Securities (TIPS). Ten year TIPS' breakeven rates rallied as high as 2.08 percent before reversing to a low of 1.67 percent in June 2017. Post-election, U.S. inflation breakevens widened 30 basis points and then gave back 24 basis points by the end of the fiscal year. Fiscal policy delays, ongoing monetary tightening and weaker CPI data contributed to a tapering of inflation-linked inflows. After widening earlier in the year, global breakevens narrowed, weighed by increased energy volatility and central bank aggression. While the U.S. Treasury nominal yield curve flattened in response to persistence from the Federal Reserve Bank, U.S. TIPS real rates lagged, although the breakeven curve did also flatten. In Germany, real rates followed nominals steeper on improved economic outlook but also lagged, steepening the breakeven curve in the process. The U.K real curve

was mixed, following nominals flatter on initial recession concerns after the Brexit vote before steepening on rising near-term inflation concerns after the sharp Sterling sell-off. Emerging markets benefitted from low and stable inflation and from a declining U.S. dollar through the last half of the fiscal year.

### **Performance Summary**

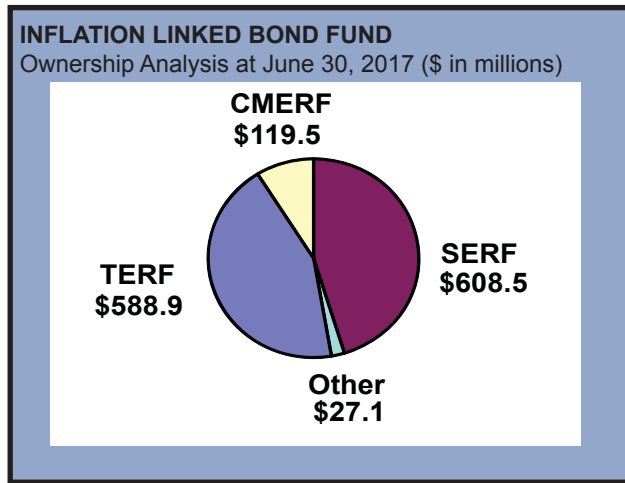
For the fiscal year ended June 30, 2017 the ILBF underperformed the Barclays World Government Inflation-Linked Bond Index by 15 basis points, generating a 0.66 percent net return compared to a 0.81 percent return for the benchmark. During the three- and five-year periods ending June 30th, assets then invested primarily in U.S. inflation-linked bonds, generated annualized returns of 0.01 percent and -0.05 percent, compared with the benchmark returns of 0.09 percent and -0.06 percent, respectively. The cumulative total returns of the Fund were 0.03 percent over the past three years and -0.26 percent for the five-year period ending June 30th. (See Figure 6-7.)

### **Risk Profile**

Given the ILBF's investment policies and objectives, the Fund is exposed to various risks such as interest rate risk, deflation risk, currency risk, geopolitical risk, and credit risk.

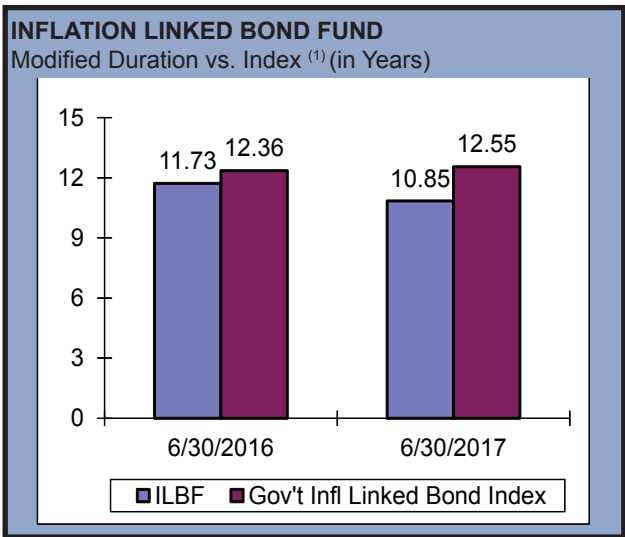
PENSION FUNDS MANAGEMENT DIVISION

Figure 6-1



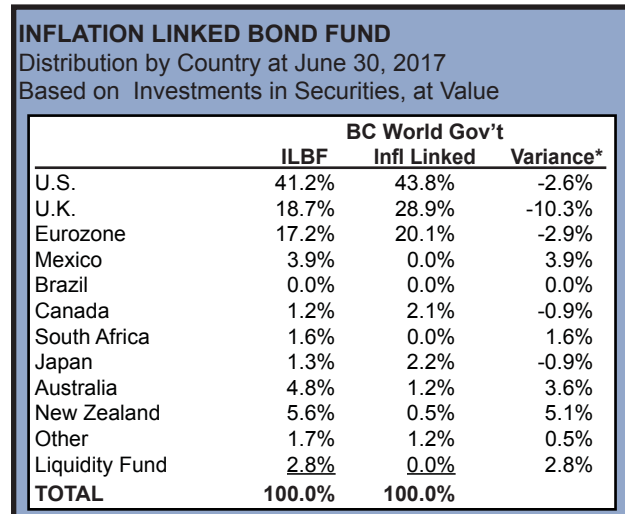
TERF - Teachers' Retirement Fund  
SERF - State Employees' Retirement Fund  
CMERF - Connecticut Municipal Employees' Retirement Fund

Figure 6-2



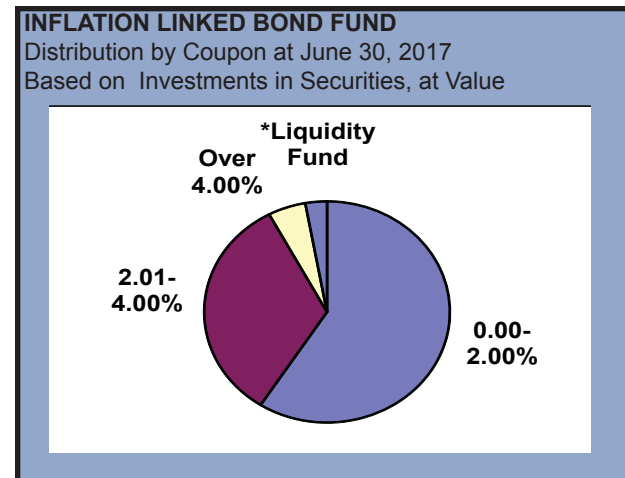
(1) Computed without the effect of Cash and other assets.

Figure 6-3



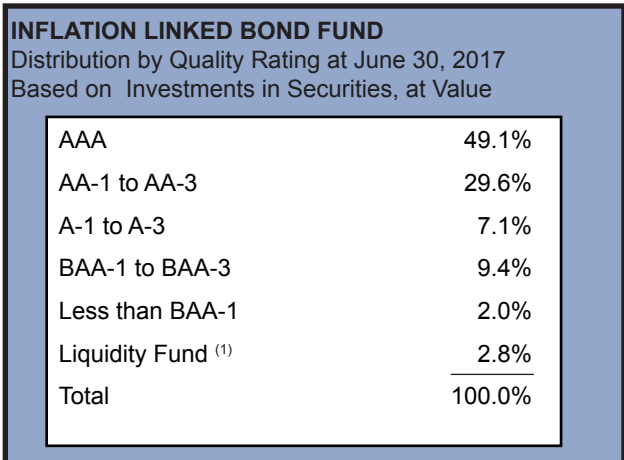
\* Results may be rounded.

Figure 6-5



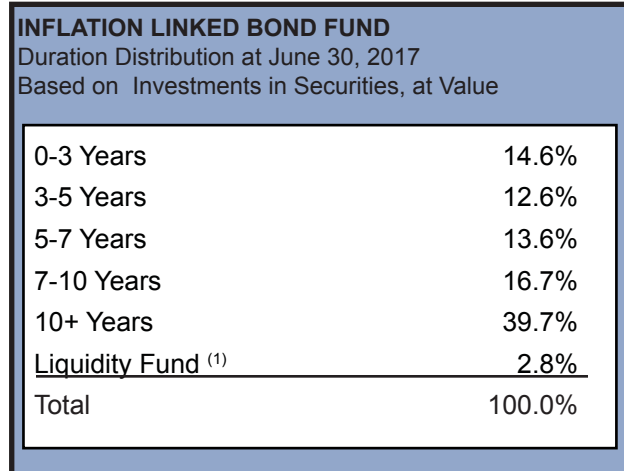
\*Note: Ending weights

Figure 6-4



(1) Represents monies invested in Cash Equivalents.

Figure 6-6



(1) Represents monies invested in Cash Equivalents.

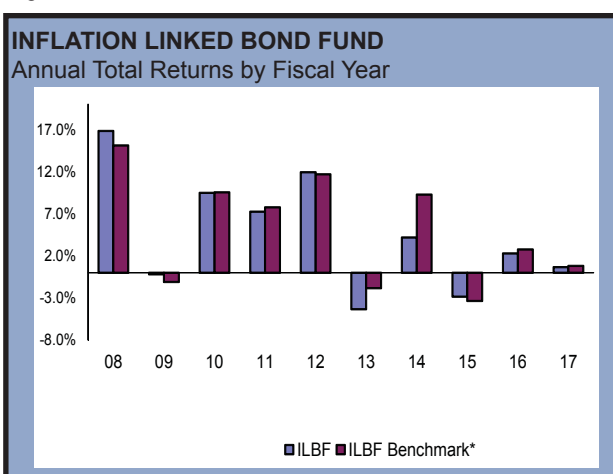
## PENSION FUNDS MANAGEMENT DIVISION

Figure 6-7

	1 YR	3 YRS	5YRS	10YRS
<b>INFLATION LINKED BOND FUND</b> Periods ending June 30, 2017				
<b>Compounded, Annual Total Return (%)</b>				
ILBF	0.66	0.01	-0.05	4.30*
BC World Gov't Infl Linked Bond Index <sup>(1)</sup>	0.81	0.09	-0.06	4.10
<b>Cumulative Total Return (%)</b>				
ILBF	0.66	0.03	-0.26	52.35*
BC World Gov't Infl Linked Bond Index <sup>(1)</sup>	0.81	0.27	-0.28	49.52

(1) The benchmark was changed during Fiscal Year 2015 from BC U.S. TIPS to BC World Government Inflation Linked Bond Index.  
\*Represents historical returns at the portfolio composite level.

Figure 6-8



\*Note: 2015 and forward the Benchmark is BC World Government Inflation Linked Bond Index. For prior years the benchmark is BC U.S. TIPS Index.

Figure 6-9

	2017		2016		2015		2014		2013	
	ILBF	BC World Gov't Infl	ILBF	BC World Gov't Infl	ILBF	Barclays US TIPS	ILBF	Barclays US TIPS	ILBF	Barclays US TIPS
# of Issues	382	136	587	134	418	131	37	35	33	34
Average Coupon	1.41%	1.15%	1.65%	1.23%	2.08%	1.35%	1.53%	1.22%	1.45%	1.39%
Average Maturity	11.70	13.68	13.71	13.49	12.63	13.40	8.68	8.57	8.79	8.70
Modified Duration	10.85	12.55	11.73	12.36	11.32	12.07	7.31	7.72	8.20	7.96
Average Quality	AA-2	AA-2	AA-2	AA-1	AA-2	AA-1	AAA	AAA	AAA	AAA
Liquidity Fund <sup>(1)</sup>	2.8%	0.0%	3.1%	0.0%	2.4%	0.0%	5.6%	0.0%	3.6%	0.0%

(1) Ending Weights

Figure 6-10

<b>INFLATION LINKED BOND FUND</b> Investment Advisors at June 30, 2017		
Investment Advisors	Net Asset Value	% of Fund
BlackRock	\$ 515,186,615	38.33%
Colchester	610,713,250	45.44%
New Century	189,191,788	14.08%
Other <sup>(1)</sup>	28,934,092	2.15%
<b>TOTAL ILBF</b>	<b>\$1,344,025,745</b>	<b>100.00%</b>

(1) Other represents Liquidity Fund, other assets and terminated advisor balances.

Figure 6-11

<b>INFLATION LINKED BOND FUND</b> Ten Largest Holdings <sup>(1)</sup> at June 30, 2017			
Security Name	Maturity	Market Value	%
US TREAS-CPI INFLAT	4/15/2029	\$ 59,556,259	4.47%
US TREAS-CPI INFLAT	4/15/2019	54,596,993	4.10%
ITALY GOVERNMENT BOND	9/15/2023	51,492,593	3.86%
US TREAS-CPI INFLAT	1/15/2027	51,404,516	3.86%
US TREAS-CPI INFLAT	7/15/2022	46,737,288	3.51%
US TREAS-CPI INFLAT	2/15/2042	43,573,827	3.27%
US TREAS-CPI INFLAT	4/15/2022	38,739,825	2.91%
NEW ZEALAND GOVERNMENT BOND	9/20/2030	35,925,949	2.69%
FRANCE GOVERNMENT BOND	7/25/2040	34,993,349	2.62%
UNITED KINGDOM GILT INFLA REGS	3/22/2044	33,235,116	2.49%
<b>Top Ten</b>		<b>\$450,255,715</b>	<b>33.78%</b>

(1) A complete list of portfolio holdings is available upon request from the Office of the Treasurer, in accordance with the Connecticut Freedom of Information Act.

# 2017 emerging market debt fund

## Fund Facts at June 30, 2017

**Investment Strategy/Goals:** The purpose of the Emerging Market Debt Fund (EMDF) is to (1) achieve long-term, real rate of return above the inflation rate and (2) provide some diversification relative to other asset classes within CRPTF given the different global economic environments.

**Date of Inception:** November 1, 2007

**Total Net Position:** \$1,637,181,016

**Performance Objective:** A net return that exceeds the benchmark by 100 basis points, over rolling three- to five-year periods.

**Management Fees:** \$5,645,057

**Operating Expenses:** \$515,572

**Benchmark:** J.P. Morgan Emerging Markets Bond Index Global Diversified (JPM EMBI GD) (50%)  
J.P. Morgan Government Bond Index Emerging Markets Global Diversified (JPM GBI EM GD) (50%)

**Number of Advisors:** 4 external

**Expense Ratio:** 0.39%

## Description of the Fund

The EMDF invests primarily in debt instruments issued by governments and companies operating in developing countries as identified by the benchmark, the World Bank, or the United Nations. The EMDF is generally weighted 50 percent to U.S. dollar-denominated securities and 50 percent to securities issued in local currencies. For performance measurement purposes, the dollar-denominated securities are benchmarked to the JPM EMBI GD and the local currency securities are benchmarked to the JPM GBI EM GD.

## Portfolio Characteristics

The EMDF is well diversified with broad geographic and currency exposures. Latin America and Europe have the highest representation; while the Middle East and Africa have the lowest exposure, relatively consistent with the benchmark. (See Figure 7-3.) The Fund had an overall yield to maturity of 6.72 percent compared to the EMBI benchmark yield of 5.58 percent. The average quality of EMDF was BA-1 versus the EMBI benchmark average of BAA-3. The duration of the EMDF was 5.69 years versus 5.96 years for the benchmark. (See Figure 7-11.)

## Market Review

Emerging Market Debt (EMD) investments were positive contributors to fiscal year performance. Developing countries enjoyed a broadly supportive external environment, including solid economic activity in developed countries and a cyclical improvement in Chinese data. Growth trends began to recover and external accounts continued to mend. Inflation declined notably in several large emerging countries allowing central banks to lower interest rates. The favorable emerging market debt environment attracted robust inflows into the asset class during the fiscal year.

The U.S. dollar-denominated emerging market debt, as measured by the JPM EMBI GD, returned 6.0 percent during fiscal year 2017. The return was primarily based on yield. EMD credit spreads declined by 80 basis points, but that was fully offset by rising U.S. Treasury yields. Non-investment grade credit outperformed investment grade bonds due to higher yield and greater spread tightening. Regionally, Africa and the Middle East delivered outsized performance, reflective of the higher tolerance for idiosyncratic risk among investors over the period.

In local currency markets, total return was starkly different depending on the currency of measurement. The JP Morgan GBI EM GD index returned 6.4 percent, driven mostly by coupon income. The market yield declined 15 basis points during the fiscal year, but a small currency translation loss back to the U.S. largely

offset this. The currency performance factor split the universe with half benefitting from stronger currencies relative to the U.S. dollar, and half experiencing weaker currencies. Most countries produced a positive total return with the exceptions of Turkey, the Philippines and Malaysia. In contrast, South Africa returned over 20 percent in U.S. dollar terms, generating two thirds of the return from a strengthening currency. Russia also delivered outsized returns as very high real interest rates attracted investors to the local market.

### **Performance Summary**

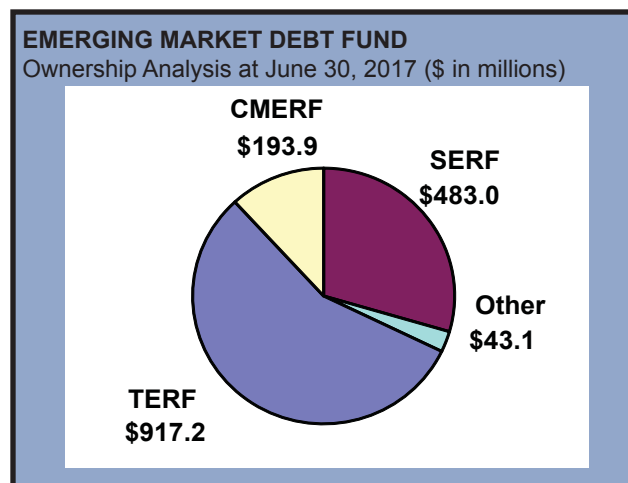
For the fiscal year ended June 30 2017, the EMDF generated a return of 9.11 percent, net of all expenses, outperforming the benchmark return of 6.26 percent by 285 basis points. As of June 30, 2017, the EMDF compounded net annualized returns for the three- and five-year periods were 2.25 percent, and 3.07 percent, respectively, versus 1.28 percent and 2.83 percent for the blended benchmark. The cumulative returns of the EMDF for the three- and five-year periods were 6.90 percent and 16.34 percent, respectively, outperforming the benchmark returns of 3.89 percent and 14.96 percent. (See Figure 7-7).

### **Risk Profile**

Given the EMDF's investment policies and objectives, the Fund is exposed to multiple types of risk. These risks include, but are not limited to, credit risk, currency risk, interest rate risk, liquidity risk, inflation risk and geopolitical risk. Approximately half of the Fund is rated as investment grade.

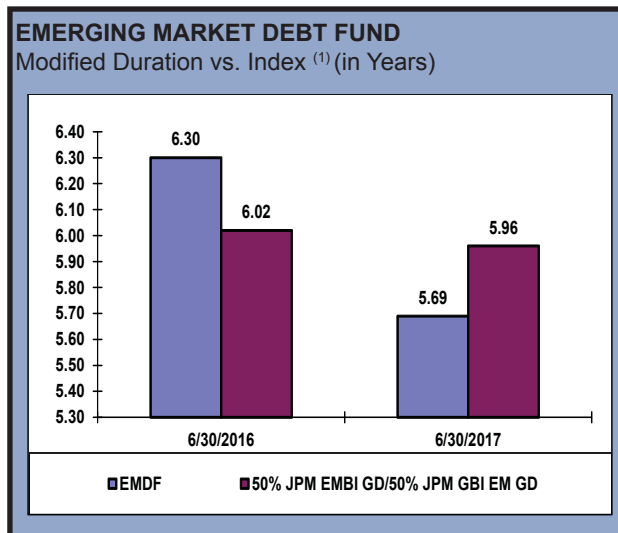
**PENSION FUNDS MANAGEMENT DIVISION**

Figure 7-1



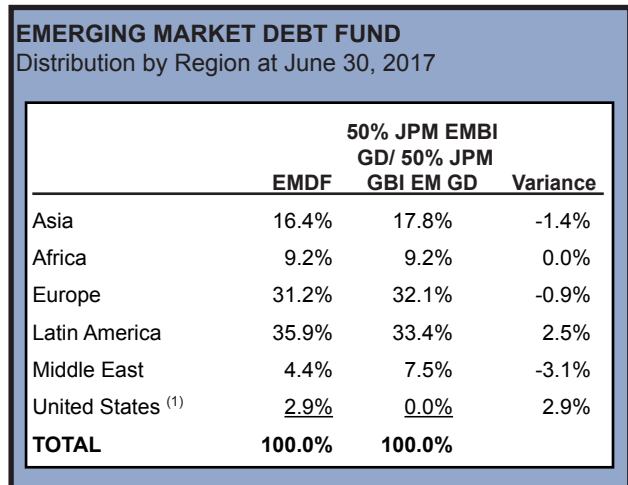
TERF - Teachers' Retirement Fund  
SERF - State Employees' Retirement Fund  
CMERF - Connecticut Municipal Employees' Retirement Fund

Figure 7-2



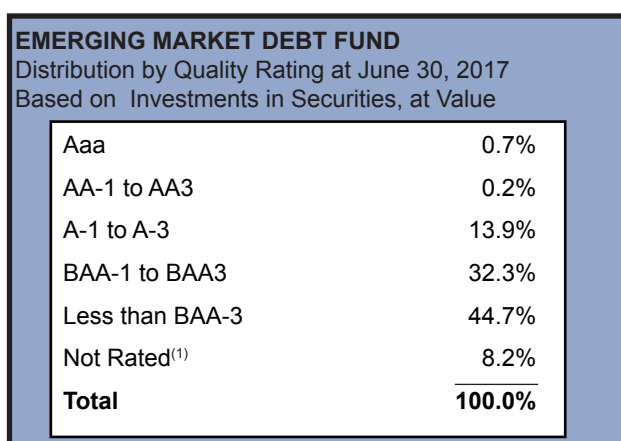
(1) Computed without the effect of Cash and other assets.

Figure 7-3



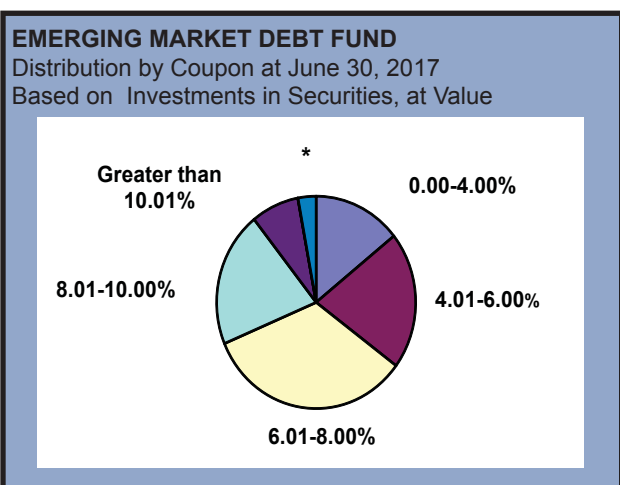
(1) Mainly Liquidity Fund holdings.

Figure 7-4



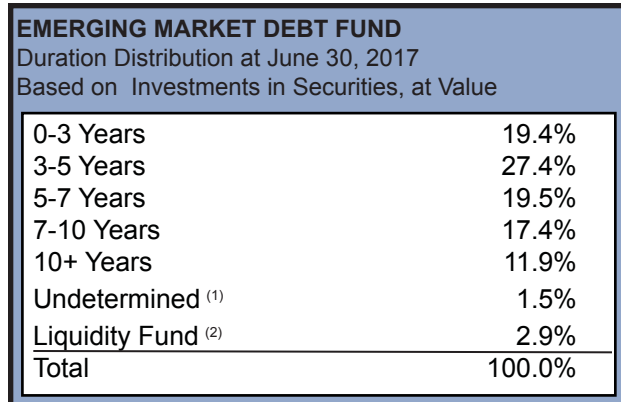
(1) Represents securities for which ratings are unavailable.

Figure 7-5



\*Liquidity Fund and other assets.

Figure 7-6



(1) Represents securities for which the duration could not be calculated by the custodian.

(2) Represents monies invested in the Liquidity Fund and other assets.

## PENSION FUNDS MANAGEMENT DIVISION

Figure 7-7

### EMERGING MARKET DEBT FUND

Periods ending June 30, 2017

	1 YR	3 YRS	5YRS	10 YRS
<b>Compounded, Annual Total Return (%)</b>				
<b>EMDF</b>	9.11	2.25	3.07	5.87*
50% JPM EMBI GD/ 50% JPM GBI EM GD	6.26	1.28	2.83	6.08
<b>Cumulative Total Return (%)</b>				
<b>EMDF</b>	9.11	6.90	16.34	76.86*
50% JPM EMBI GD/ 50% JPM GBI EM GD	6.26	3.89	14.96	80.48

\* Represents historical returns at the portfolio composite level.

Figure 7-8

### EMERGING MARKET DEBT FUND

Annual Total Returns by Fiscal Year

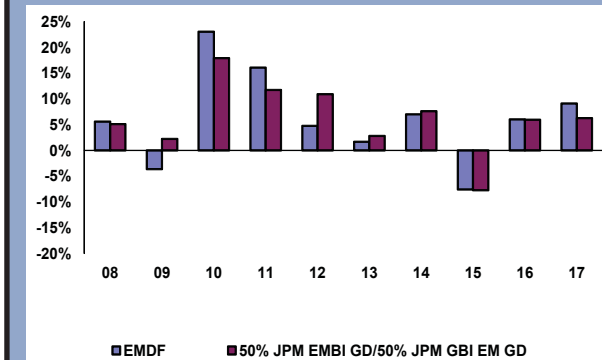


Figure 7-9

### EMERGING MARKET DEBT FUND

Investment Advisors at June 30, 2017

Investment Advisors	Net Asset Value	% of Fund
Ashmore Investment Mgt. Ltd.	\$ 576,148,444	35.19%
Payden & Rygel	556,352,645	33.98%
Fidelity Institutional Asset Mgt. Trust Co.	478,378,770	29.22%
Stone Harbor Investment Partners	13,909,252	0.85%
Other <sup>(1)</sup>	12,391,905	0.76%
<b>TOTAL EMDF</b>	<b>\$1,637,181,016</b>	<b>100.00%</b>

(1) Liquidity Fund, other assets and terminated advisor balances.

Figure 7-10

### EMERGING MARKET DEBT FUND

Ten Largest Holdings\* at June 30, 2017

Security Name	Maturity	Market Value	%
Brazil Notas Do Tesouro	1/1/2021	\$ 34,209,134	2.14%
South Africa Gvmt Bond	2/28/2031	24,959,057	1.56%
Colombia Gvemt Bond	5/4/2022	21,040,245	1.32%
Brazil Notas Do Tesouro	1/1/2023	20,080,271	1.26%
Mexican Bonds	6/10/2021	19,666,840	1.23%
Colombia Gvmt Bond	7/24/2024	14,238,523	0.89%
Russian Gvmt Bond	4/14/2021	14,064,928	0.88%
Brazil Notas Do Tesouro	1/1/2025	14,038,676	0.88%
Brazil Notas Do Tesouro	1/1/2027	13,457,482	0.84%
JPM Chase Bank NA	9/17/2026	13,271,837	0.83%
<b>Top Ten</b>		<b>\$189,026,993</b>	<b>11.83%</b>

\* A complete list of portfolio holdings is available upon request from the Office of the Treasurer, in accordance with the Connecticut Freedom of Information Act..

Figure 7-11

### EMERGING MARKET DEBT FUND

Comprehensive Profile for the Fiscal Years ending June 30

	2017		2016		2015		2014		2013	
	EMDF	EMBI	EMDF	EMBI	EMDF	EMBI	EMDF	EMBI	EMDF	EMBI
# of Issues	1,114	818	978	714	968	686	880	631	866	368
Yield to Maturity	6.72%	5.58%	7.56%	5.81%	8.54%	6.68%	5.32%	5.86%	6.66%	5.82%
Average Maturity	8.69	9.11	9.25	9.28	9.23	9.23	7.57	8.60	10.31	12.52
Modified Duration	5.69	5.96	6.30	6.02	6.17	5.87	5.69	5.74	6.06	7.10
Average Quality	BA-1	BAA-3	BA-1	BAA-3	BA-1	BAA-2	BAA-3	BAA-2	BAA-2	BAA-2
Liquidity Fund*	2.9%	0.0%	2.7%	0.0%	3.0%	0.0%	3.2%	0.0%	1.6%	0.0%

\* Note: Ending Weights



# 2017 high yield debt fund

## Fund Facts at June 30, 2017

**Investment Strategy/Goals:** The purpose of the High Yield Debt Fund (HYDF) is to (1) achieve a long-term, real rate of return above the inflation rate; and (2) provide diversification to other asset classes within the CRPTF under different economic environments.

**Date of Inception:** November 1, 2007

**Total Net Position:** \$2,044,334,030

**Performance Objective:** A net return that matches its benchmark, over rolling three- to five-year periods.

**Management Fees:** \$4,896,835

**Benchmark:** Citigroup U.S. High Yield Market Capped Index

**Operating Expenses:** \$2,966,738

**Number of Advisors:** 9 external

**Expense Ratio:** 0.41%

## Description of the Fund

The HYDF invests primarily in debt instruments rated below-investment grade by one or more nationally recognized rating agencies.

## Portfolio Characteristics

The HYDF is well diversified across a range of corporate high yield bonds and bank loans. These securities are predominantly U.S. based. The Fund's average quality rating was B-1 on June 30, 2017, matching the average quality of the benchmark, and had a yield to maturity of 5.51 percent compared to 6.02 percent yield for the benchmark. As of June 30, 2017, the duration of the HYDF was 4.84 years, compared to the benchmark duration of 4.88 years. (See Figure 8-10.)

## Market Review

Strong demand from investors, weak new issuance, improved commodity prices, U.S. economic growth and positive earnings expectations, as well as an accommodating global central bank landscape over the past fiscal year, contributed to a rally in the U.S. high yield market. Spreads tightened approximately 230 basis points over the period. Pessimism about oil supply, Chinese growth, U.S. dollar strength, and U.S. growth eased dramatically, allowing the market to return to more normal valuations. During the first half of the fiscal year, investor sentiment was supported by the prospects of rollback of regulatory reform, tax code changes and increased infrastructure spending. However, optimism waned with legislative issues. In June 2017, the action of the U.S. Federal Reserve Bank to raise rates despite a weaker than expected Consumer Price Index (CPI) increase, along with an indication the Fed might reduce its balance sheet faster than expected, put pressure on the high yield market in the last month of the fiscal year. The best performing sectors over the period were energy refiners and metals & mining, while the healthcare and pharmaceuticals sectors performed poorly. At the end of June 2017, the par-weighted U.S. high yield default rate declined to 1.5 percent from 3.56 percent at the beginning of the fiscal year.

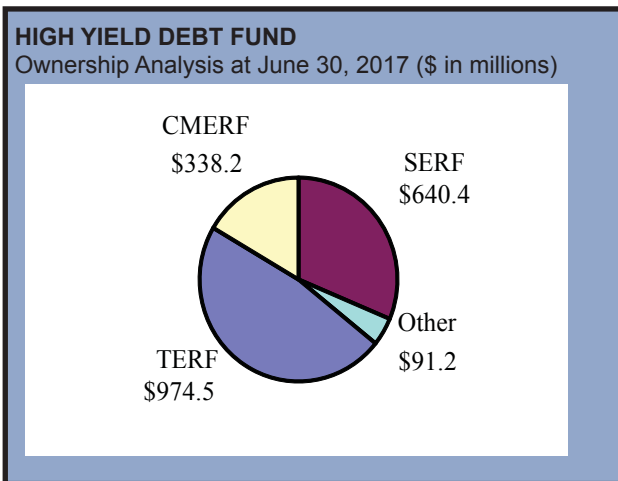
### Performance Summary

For the fiscal year ended June 30, 2017, the HYDF generated a return of 12.59 percent, net of all expenses, outperforming the Citigroup U.S. High Yield Market Capped Index return of 12.09 percent by 50 basis points. Cumulative net total returns over the three-year and five-year periods ending June 30th were 10.77 percent and 35.00 percent, respectively, for the Fund, and 12.10 percent and 35.94 percent, respectively, for the benchmark. (See Figure 8-8.)

### Risk Profile

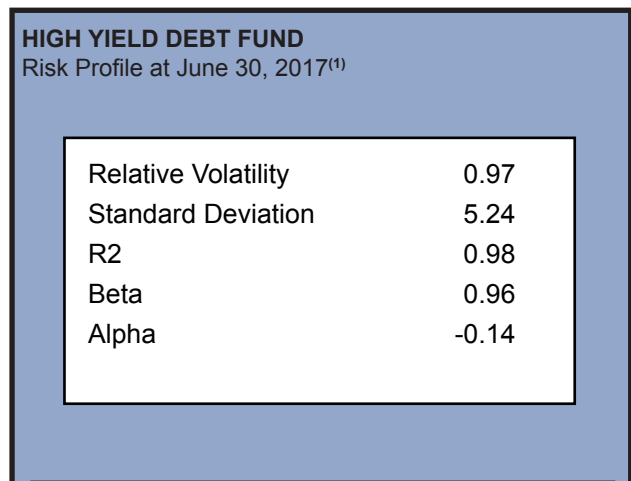
Given the HYDF's investment policies and objective, the Fund is exposed to several forms of risk. These risks include, but are not limited to, credit default risk, interest rate risk, liquidity risk, pre-payment risk, reinvestment risk and inflation risk. In addition, the Fund is occasionally exposed to political, economic and currency risk resulting from investments in international high yield securities. The average quality of the Fund is B-1, which matches the benchmark.

Figure 8-1



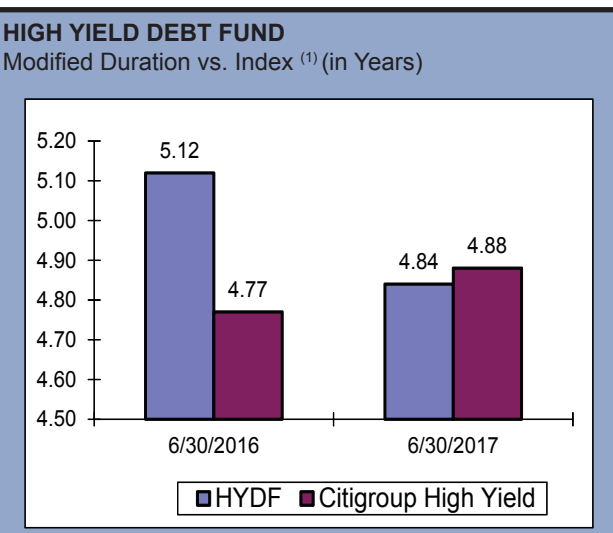
TERF - Teachers' Retirement Fund  
 SERF - State Employees' Retirement Fund  
 CMERF - Connecticut Municipal Employees' Retirement Fund

Figure 8-2



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

Figure 8-3



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

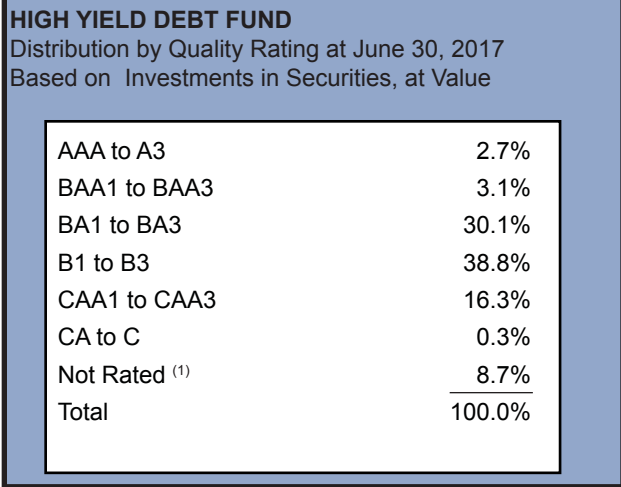
Figure 8-4

	HYDF	Citigroup	Variance
Treasury	2.7%	0.0%	2.7%
Agency	0.0%	0.0%	0.0%
Corporate	81.8%	100.0%	-18.2%
Mortgage-Backed	0.0%	0.0%	0.0%
Asset-Backed	0.0%	0.0%	0.0%
Other <sup>(1)</sup>	15.5%	0.0%	15.5%
TOTAL	100.0%	100.0%	

(1) Other category includes non fixed-income securities such as common and preferred stock and convertible securities, Real Estate Investment Trust, Business Development Corporation, Liquidity Fund and other assets.

**PENSION FUNDS MANAGEMENT DIVISION**

Figure 8-5



(1) Represents securities for which ratings are unavailable.

Figure 8-6

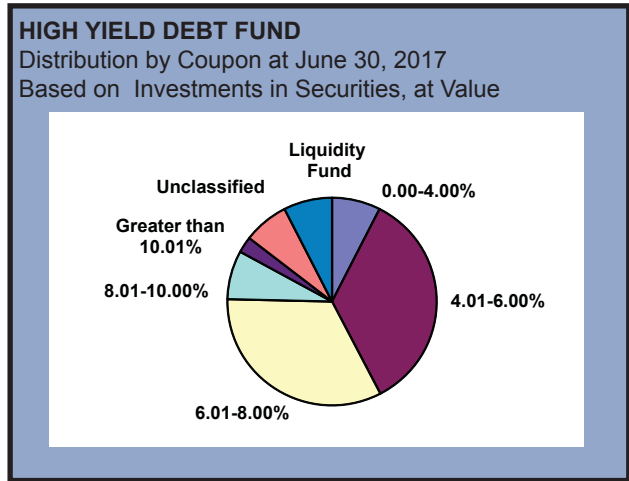
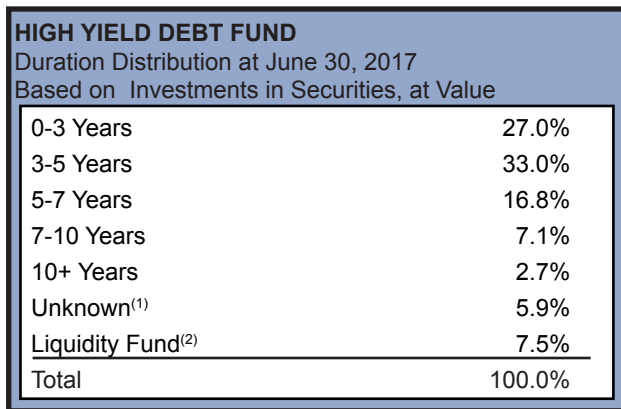


Figure 8-7



(1) Represents securities for which the duration could not be calculated by the custodian.

(2) Represents monies invested in the Liquidity Fund.

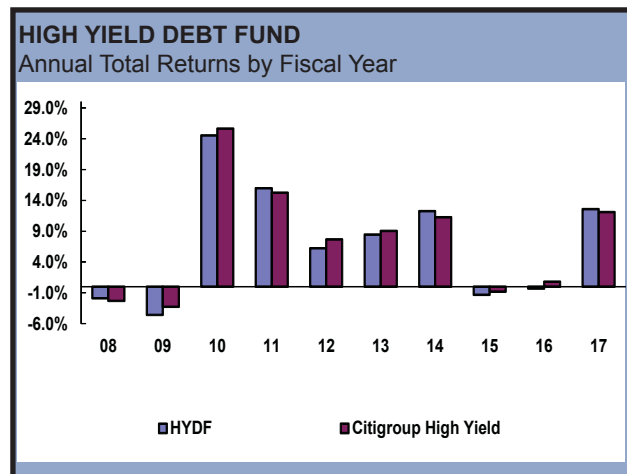
Figure 8-8

**HIGH YIELD DEBT FUND**  
Periods ending June 30, 2017

	1 YR	3 YRS	5 YRS	10 YRS
<b>Compounded, Annual Total Return (%)</b>				
HYDF	12.59	3.47	6.19	6.77*
Citigroup High Yield Market Capped Index	12.09	3.88	6.33	7.17
<b>Cumulative Total Return (%)</b>				
HYDF	12.59	10.77	35.00	92.46*
Citigroup High Yield Market Capped Index	12.09	12.10	35.94	99.91

\*Represents historical returns at the portfolio composite level.

Figure 8-9



## PENSION FUNDS MANAGEMENT DIVISION

Figure 8-10

<b>HIGH YIELD DEBT FUND</b>											
Comprehensive Profile for the Fiscal Year ending June 30											
	<u>2017</u>		<u>2016</u>		<u>2015</u>		<u>2014</u>		<u>2013</u>		
	<u>HYDF</u>	<u>Citigroup</u>	<u>HYDF</u>	<u>Citigroup</u>	<u>HYDF</u>	<u>Citigroup</u>	<u>HYDF</u>	<u>Citigroup</u>	<u>HYDF</u>	<u>Citigroup</u>	
# of Issues	1,354	2,043	1,016	2,179	972	2,220	884	2,183	740	1,752	
Average Coupon	5.60%	6.45%	5.67%	6.54%	5.80%	6.73%	5.88%	7.08%	6.90%	7.60%	
Yield Maturity	5.51%	6.02%	6.87%	7.32%	6.34%	6.77%	5.13%	5.73%	6.90%	7.00%	
Average Maturity	5.33	5.71	6.17	5.64	6.29	5.74	5.99	5.04	7.30	5.30	
Modified Duration	4.84	4.88	5.12	4.77	5.36	4.95	5.42	5.12	5.60	4.40	
Average Quality	B-1	B-1	B-1	B-1	B-1	B-1	B-1	B-1	B-2	B-2	
Liquidity Fund*	7.5%	0.0%	4.4%	0.0%	4.6%	0.0%	6.6%	0.0%	6.1%	0.0%	

\*Note: Ending Weights

Figure 8-11

<b>HIGH YIELD DEBT FUND</b>		
Investment Advisors at June 30, 2017		
<b>Investment Advisors</b>	<b>Net Asset Value</b>	<b>% of Fund</b>
Loomis Sayles & Co., Inc.	\$381,183,907	18.65%
Stone Harbor Investment Partners	20,153,947	0.99%
Shenkman Capital Management, Inc.	232,440,304	11.37%
Oaktree Capital Management, L.L.C.	7,466,324	0.36%
AllianceBernstein, LP	283,040,061	13.84%
DDJ Capital Management, LLC	160,811,548	7.87%
Columbia Management Investment Advisers, LLC	369,708,326	18.08%
Nomura Corporation Research & Asset Management, Inc.	444,026,436	21.72%
TCG BDC, Inc.	57,625,395	2.82%
Other <sup>(1)</sup>	87,877,782	4.30%
<b>TOTAL HYDF</b>	<b>\$2,044,334,030</b>	<b>100.00%</b>

(1) Other represents Liquidity Fund, other assets and terminated advisor balances.

Figure 8-12

<b>HIGH YIELD DEBT FUND</b>			
Ten Largest Holdings* at June 30, 2017			
<b>Security Name</b>	<b>Maturity</b>	<b>Market Value</b>	<b>%</b>
US Treasury Note	5/31/2019	\$11,357,448	0.56%
Dish Network Corp. 144A	8/15/2026	10,973,125	0.54%
Indonesia Gvmnt Bond	1/15/2024	9,802,538	0.48%
New Albertson's Inc.	8/1/2029	9,239,250	0.45%
Micron Technology, Inc.	11/15/2043	8,510,625	0.42%
Tenet Healthcare Corp.	11/15/2031	8,263,440	0.41%
Tenet Healthcare Corp.	6/15/2023	7,962,000	0.39%
Morgan Stanley	11/16/2018	7,887,460	0.39%
Transdigm Inc.	7/15/2024	7,749,945	0.38%
Sprint Capital Corp.	11/15/2028	7,747,643	0.38%
<b>Top Ten</b>		<b>\$89,493,474</b>	<b>4.40%</b>

\* A complete list of portfolio holdings is available upon request from the Office of the Treasurer, in accordance with the Connecticut Freedom of Information Act.

# 2017 developed markets international stock fund

## Fund Facts at June 30, 2017

**Investment Strategy/Goals:** The purpose of the Developed Markets International Stock Fund (DMISF) is to (1) achieve a long-term, real rate of return above the U.S. inflation rate; and (2) provide additional measures of diversification to other asset classes within the CRPTF under different economic scenarios.

**Date of Inception:** November 1, 2007

**Total Net Position:** \$6,381,040,191

**Performance Objective:** A net return that matches the benchmark, over rolling three- to five-year periods.

**Management Fees:** \$21,770,263

**Benchmark:** Morgan Stanley Capital International Europe, Australasia and Far East Investable Market Index (MSCI EAFE IMI) <sup>(1)</sup> 50% Hedged

**Operating Expenses:** \$2,113,677

**Number of Advisors:** 10 external

**Expense Ratio:** 0.41%

- (1) The CRPTF signed a licensing agreement with MSCI to provide benchmark data commencing in fiscal year 2015. For the three, five and ten year performance periods, the CRPTF is using the prior benchmark, S&P/Citigroup Broad Market Index Europe, Pacific and Asia Composite Index 50% Hedged.

## Description of the Fund

DMISF assets are allocated across foreign developed equity markets to provide diversification by country, market capitalization and style. Non-U.S. equities are issued by companies domiciled outside of the United States. The DMISF may invest up to 30 percent of assets opportunistically to take advantage of shifts in the investment landscape, or opportunities that offer diversification and/or risk-return benefits within non-U.S. equity markets.

## Portfolio Characteristics

At fiscal year-end, the DMISF was invested in the developed markets across Europe, Asia and Australia, with the two largest allocations in Japan (22.0 percent) and the United Kingdom (14.8 percent) (see Figure 9.5). The portfolio's largest country overweight positions relative to the benchmark were Canada (1.9 percent vs. the benchmark's 0.0 percent) and the Netherlands (4.5 percent vs. the benchmark's 3.3 percent). The largest underweights were the United Kingdom (14.8 percent vs. the benchmark's 17.8 percent) and Japan (22.0 percent vs. the benchmark's 24.4 percent).

## Market Review

International developed equities posted strong positive returns for the fiscal year. The local currency return versus the market was 180 basis points higher than the U.S. dollar return. The primary reason for the lower return after conversion to USD was a very weak Yen. The developed foreign markets have benefited from improving macroeconomic trends, continued European Central Bank (ECB) stimulus, and election results in several countries that reflected a rejection of extremist candidates.

Overall, the MSCI EAFE index returned 20.3 percent in U.S. dollar terms. Value stocks significantly outperformed growth stocks by 930 basis points and small capitalization stocks outperformed large capitalization stocks during the year. From a region standpoint, MSCI Europe returned 21.1 percent and MSCI Pacific returned 19.3 percent. Within Europe, Austria returned 65.0 percent and Spain returned 38.4 percent. For the developed Asian markets, Hong Kong lead the way with a return of 24.0 percent. Every sector within the MSCI EAFE generated a positive return for the year.

The best performing sectors were financials (38.1 percent) and information technology (35.9 percent). The worst performing sectors were telecommunication services (2.2 percent) and health care (6.4 percent).

### **Performance Summary**

For the fiscal year ended June 30, 2017, the DMISF generated a return of 24.81 percent, net of all expenses, which outperformed the benchmark return of 22.41 percent by 240 basis points (See Figure 9.3). As of June 30, 2017, the DMISF compounded net annualized total returns, for the trailing three-, five- and ten-year periods were 5.30 percent, 11.86 percent, and 2.80 percent, respectively. The returns outperformed the DMISF's benchmark for the three-, five- and ten-year periods.

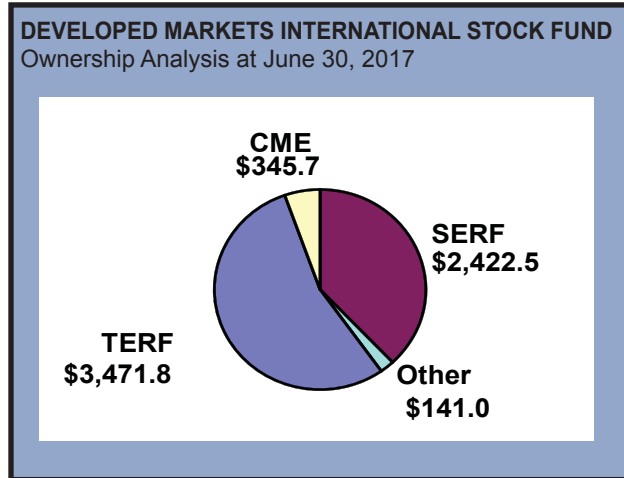
The cumulative returns of the DMISF for the three-, five-, and ten-year periods were 16.74 percent, 75.15 percent, and 31.87 percent, respectively.

### **Risk Profile**

Given the 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 risk, market risk, and individual company risk. A 50 percent currency hedging strategy is employed to reduce the portfolio's currency risk over time. The Fund's volatility over a five year period is only slightly lower than the market at 0.96. On a risk adjusted basis, the Fund has generated excess return of 0.72, which indicates that it is producing a higher risk adjusted return than the benchmark.

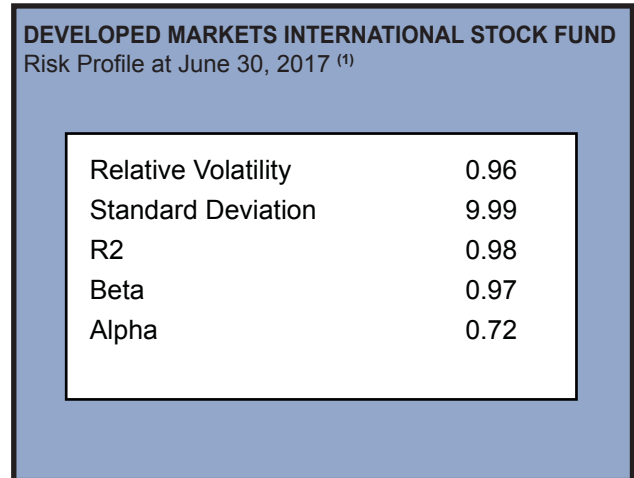
**PENSION FUNDS MANAGEMENT DIVISION**

Figure 9-1



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

Figure 9-2



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

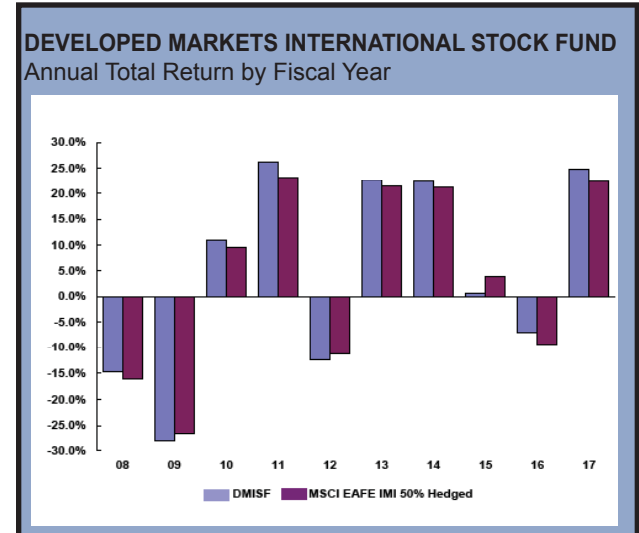
Figure 9-3

**DEVELOPED MARKETS INTERNATIONAL STOCK FUND**  
Periods ending June 30, 2017

	1 YR	3 YRS	5YRS	10YRS
<b>Compounded, Annual Total Return (%)</b>				
DMISF	24.81	5.30	11.86	2.80*
MSCI EAFE IMI 50% Hedged	22.41	4.85	11.14	2.25
<b>Cumulative Total Return (%)</b>				
DMISF	24.81	16.74	75.15	31.87*
MSCI EAFE IMI 50% Hedged	22.41	15.28	69.54	24.97

\*Represents historical returns at the portfolio composite level.

Figure 9-4



## PENSION FUNDS MANAGEMENT DIVISION

Figure 9-5

<b>DEVELOPED MARKETS INTERNATIONAL STOCK FUND</b>			
Diversification by Benchmark Country at June 30, 2017 <sup>(1)</sup>			
	DMISF % of Net Assets 6/30/17	Benchmark % of Net Assets 6/30/17	Variance
Japan	22.0	24.4	-2.4
United Kingdom	14.8	17.8	-3.0
Korea	0.1	0.0	0.1
Hong Kong	3.1	3.3	-0.2
United States	0.2	0.0	0.2
France	9.7	9.6	0.1
Germany	9.3	9.1	0.2
Switzerland	8.6	8.0	0.6
Australia	5.4	6.9	-1.6
China	0.3	0.0	0.3
Netherlands	4.5	3.3	1.1
Italy	2.5	2.5	0.0
Spain	3.0	3.3	-0.3
Sweden	3.0	3.3	-0.3
Singapore	1.5	1.4	0.1
Canada	1.9	0.0	1.9
Turkey	0.1	0.0	0.1
Other	10.0	7.1	2.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	

(1) Based upon currency exposures of the underlying securities.

Figure 9-6

<b>DEVELOPED MARKETS INTERNATIONAL STOCK FUND</b>		
Investment Advisors at June 30, 2017		
Investment Advisor	Net Asset Value	% of Fund
<b>Index</b>	\$2,243,712,419	35.16%
State Street Global Advisors	2,243,712,419	35.16%
<b>Core</b>	1,698,253,096	26.61%
AQR Capital Management	779,558,778	12.21%
Acadian Asset Management	774,528,461	12.14%
Progress	144,165,857	2.26%
<b>Active-Growth</b>	914,303,822	14.33%
MFS Institutional Advisors, Inc.	914,303,822	14.33%
<b>Active-Value</b>	511,113,008	8.01%
Grantham, Mayo, Van Otterloo	511,113,008	8.01%
<b>Small Cap</b>	999,897,967	15.67%
Schroder Investment Mgmt.	360,217,280	5.64%
DFA	316,886,481	4.97%
William Blair & Company	322,794,206	5.06%
Other (1)	13,759,879	0.22%
<b>TOTAL DMISF</b>	<b>\$6,381,040,191</b>	<b>100.00%</b>

(1) Other represents Liquidity Fund, other assets and terminated advisor balances, as well as, currency overlay balances for the DMISF (managed by First Quadrant).

Figure 9-7

<b>DEVELOPED MARKETS INTERNATIONAL STOCK FUND</b>			
Ten Largest Holdings* at June 30, 2017			
Security Name	Country	Market Value	%
Nestle SA REG	Switzerland	\$106,804,410	1.68%
Roche Holding AG Genusschein	Switzerland	70,831,897	1.12%
HSBC Holdings PLC	United Kingdom	60,715,152	0.95%
Bayer AG REG	Germany	56,241,204	0.88%
ING GROEP NV	Netherlands	55,237,133	0.87%
Novartis AG REG	Switzerland	53,980,181	0.85%
WPP PLC	United Kingdom	42,269,383	0.67%
SAP SE	Germany	41,733,731	0.66%
Reckitt Benckiser Group PLC	United Kingdom	38,499,656	0.61%
AIA Group Ltd.	Hong Kong	37,963,666	0.60%
<b>TOP TEN</b>		<b>\$564,276,413</b>	<b>8.89%</b>

\* A complete list of portfolio holdings is available upon request from the Office of the Treasurer, in accordance with the Connecticut Freedom of Information Act.



# 2017 emerging markets international stock fund

## Fund Facts at June 30, 2017

**Investment Strategy/Goals:** The purpose of the Emerging Markets International Stock Fund (EMISF) is to (1) achieve a long-term, real rate of return above the U.S. inflation rate; and (2) provide additional measures of diversification within the CRPTF under different economic scenarios.

**Date of Inception:** November 1, 2007

**Total Net Position:** \$3,015,322,058

**Performance Objective:** A net return that matches the benchmark, over rolling three- to five-year periods.

**Management Fees:** \$13,891,017

**Benchmark:** Morgan Stanley Capital International Emerging Markets Investable Market Index (MSCI EM IMI)<sup>(1)</sup>

**Operating Expenses:** \$3,301,344

**Number of Advisors:** 3 external

**Expense Ratio:** 0.63%

(1) The CRPTF signed a licensing agreement with MSCI to provide benchmark data commencing in fiscal year 2015. For the three, five and ten year performance periods, the CRPTF is using the prior benchmark, S&P/Citigroup Broad Market Index Europe, Pacific and Asia Composite Index 50% Hedged.

## Description of the Fund

EMISF assets are allocated across foreign emerging equity markets and are diversified by market, capitalization and style. Emerging market equities are defined as common stocks issued by companies domiciled in developing countries, including the 23 companies in the MSCI EM IMI.

## Portfolio Characteristics

At fiscal year-end, the EMISF's portfolio holdings were diversified over a number of emerging market countries (see Figure 10.6). Notable overweight positions versus the benchmark include Hong Kong (8.2 percent versus the benchmark's 0.0 percent) and Turkey (3.5 percent versus the benchmark's 1.2 percent). Underweight positions include China (12.2 percent versus the benchmark's 26.9 percent), South Africa (2.9 percent versus the benchmark's 6.4 percent), and Malaysia (0.5 percent versus the benchmark's 2.5 percent) (See Figure 10.6).

## Market Review

Emerging market equities initially lost value in the wake of the U.S. election, primarily due to uncertainty over U.S. foreign and trade policy and the prospect of tighter U.S. dollar liquidity. However, a steady recovery in global growth, receding trade policy concerns, and U.S. dollar weakness supported a strong rebound in emerging market equities. The MSCI Emerging Market IMI index returned 22.8 percent for the fiscal year.

The emerging Asian region returned 26.0 percent outperforming emerging Europe, which had a return of 13.7 percent. Taiwan lead the emerging Asian markets with a return of 31.9 percent, followed by China, which returned 30.1 percent. South Korea also had a strong return of 28.8 percent. Within the emerging Europe region, Greece lead with a return of 54.3 percent, followed by Poland, which returned 47.3 percent.

The best performing sectors within the emerging market was information technology (45.3 percent) and materials (27.3 percent). The worst performing sectors were health care (0.50 percent) and consumer staples (2.6 percent).

## Performance Summary

For the fiscal year ended June 30, 2017, the EMISF generated a return of 23.00 percent, net of all expenses, which outperformed the benchmark return of 22.82 percent by 18 basis points (See Figure 10.4). As of June 30, 2017, the EMISF compounded net annualized total returns, for the trailing three-, five- and ten-year periods were 2.06 percent, 4.14 percent, and 1.57 percent, respectively. The returns outperformed the EMISF's benchmark for the three- and five-year periods.

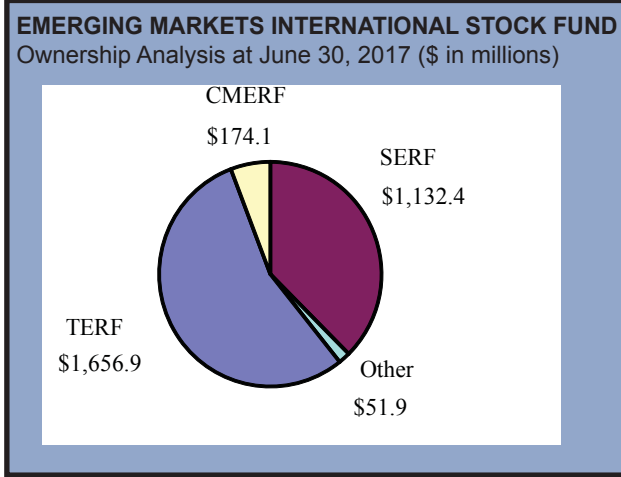
The cumulative returns of the EMISF for the three-, five-, and ten-year periods were 6.29 percent, 22.48 percent, and 16.85 percent, respectively.

## Risk Profile

Given the 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 risk, market risk, and individual company risk. Based on returns over the last five years, the Fund's risk profile equaled that of the benchmark as evidenced by a relative volatility of 1.00. The EMISF's annualized alpha over the five-year period was 0.05, indicating that the fund slightly outperformed the benchmark for the five years on a risk adjusted basis (see Figure 10.2).

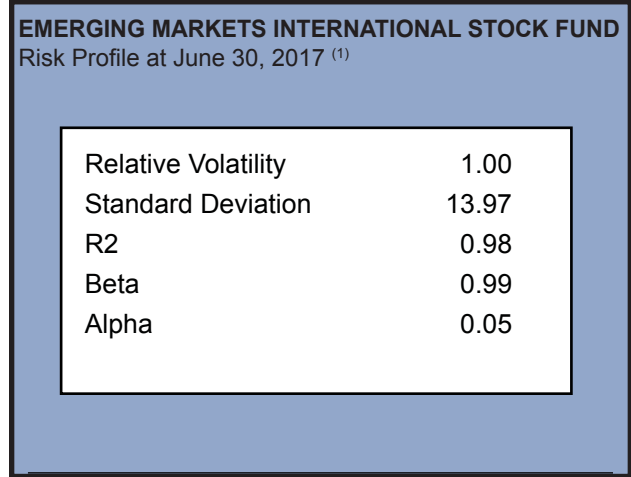
**PENSION FUNDS MANAGEMENT DIVISION**

Figure 10-1



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

Figure 10-2



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

Figure 10-3

**EMERGING MARKETS INTERNATIONAL STOCK FUND**  
Fiscal Year 2017 Economic Sector vs. Index (%)

	EM ISF	MSCI Index	Variance
Energy	4.8	6.0	-1.2
Materials	6.0	7.7	-1.7
Industrials	3.5	7.0	-3.5
Consumer Discretionary	9.8	11.4	-1.6
Consumer Staples	7.9	6.8	1.1
Health Care	1.3	3.2	-1.9
Financials	26.5	21.8	4.7
Information Technology	27.2	25.1	2.1
Telecommunication Services	6.9	4.9	2.0
Utilities	1.3	2.8	-1.5
Commingled Fund	0.0	0.0	0.0
Preferred Stock	0.0	0.0	0.0
Private Placement	0.0	0.0	0.0
Other	3.2	3.3	-0.1
Liquidity Fund	1.6	0.0	1.6
	100.0	100.0	

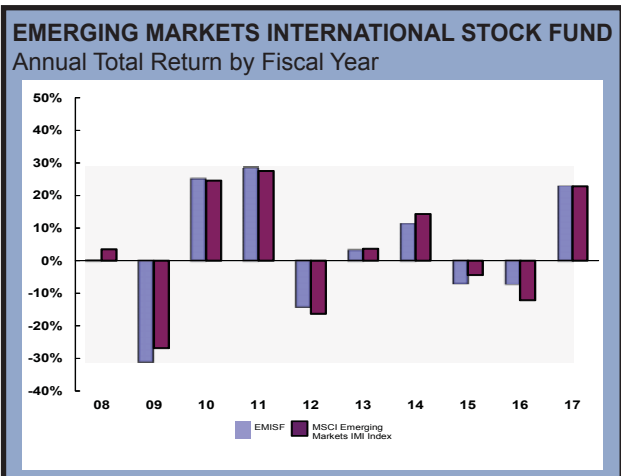
Figure 10-4

**EMERGING MARKETS INTERNATIONAL STOCK FUND**  
Periods ending June 30, 2017

	1 YR	3 YRS	5 YRS	10 YRS
<b>Compounded, Annual Total Return (%)</b>				
EMISF	23.00	2.06	4.14	1.57*
MSCI EMERGING				
MARKETS IMI INDEX	22.82	1.03	4.09	2.09
<b>Cumulative Total Return (%)</b>				
EMISF	23.00	6.29	22.48	16.85*
MSCI EMERGING				
MARKETS IMI INDEX	22.82	3.12	22.19	23.03

\*Represents historical returns at the portfolio composite level.

Figure 10-5



## PENSION FUNDS MANAGEMENT DIVISION

Figure 10-6

<b>EMERGING MARKETS INTERNATIONAL STOCK FUND</b>		
Diversification by Benchmark Country at June 30, 2017 <sup>(1)</sup>		
	EMISF Percent of Net Assets 6/30/17	Benchmark Percent of Net Assets 6/30/17
Brazil	8.4%	6.3%
Korea	16.9	15.7
Hong Kong	8.2	0.0
Russia	4.5	2.8
China	12.2	26.9
Taiwan	13.1	13.2
United States	2.3	0.0
Mexico	3.1	3.6
Thailand	3.8	2.4
South Africa	2.9	6.4
Turkey	3.5	1.2
Indonesia	2.0	2.5
Malaysia	0.5	2.5
India	9.6	9.5
Philippines	1.4	1.2
United Kingdom	0.6	0.0
Other Countries	7.0	5.8
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

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

Figure 10-8

<b>EMERGING MARKETS INTERNATIONAL STOCK FUND</b>			
Ten Largest Holdings* at June 30, 2017			
Security Name	Country	Market Value	%
Taiwan Semiconductor			
Manufacture	Taiwan	\$144,116,447	4.80%
Samsung			
Electronics Co LTD	Republic of Korea	118,333,698	3.94%
Tencent Holdings LTD	China	99,104,743	3.30%
China Mobile LTD	Hong Kong	87,839,679	2.92%
Alibaba Group Holding LTD	Cayman Islands	78,380,838	2.61%
HDFC Bank LTD	India	67,396,532	2.24%
AIA Group LTD	Hong Kong	60,241,795	2.01%
China Construction			
Bank Corp	China	59,665,286	1.99%
Samsung Electronic Co			
LTD GDR	Republic of Korea	57,735,096	1.92%
Hon Hai Precision			
Industry Co	Taiwan	45,240,693	1.51%
<b>Top Ten</b>		<b>\$818,054,807</b>	<b>27.24%</b>

\* A complete list of portfolio holdings is available upon request from the Office of the Treasurer, in accordance with the Connecticut Freedom of Information Act.

Figure 10-7

<b>EMERGING MARKETS INTERNATIONAL STOCK FUND</b>		
Investment Advisors at June 30, 2017		
Investment Advisor	Net Asset Value	% of Fund
Grantham, Mayo, Van Otterloo	\$798,499,456	26.48%
Aberdeen Asset Management	943,572,024	31.29%
Schroders Investment Mgt	1,263,640,304	41.91%
Other <sup>(1)</sup>	9,610,274	0.32%
<b>TOTAL EMISF</b>	<b>\$3,015,322,058</b>	<b>100.00%</b>

(1) Other represents Liquidity Fund, other assets and terminated advisor balances.

# 2017 real estate fund

## Fund Facts at June 30, 2017

**Investment Strategy/Goals:** The purpose of the Real Estate Fund (REF) is to 1) provide diversification to the overall CRPTF investment program, 2) preserve investment capital, 3) generate attractive risk-adjusted rates of return, 4) provide consistent current income and 5) act as a hedge against inflation under different economic scenarios.

**Date of Inception:** July 1, 1982

**Total Net Position:** \$2,248,480,820

**Performance Objective:** A net return that matches the benchmark over rolling three-to-five year periods.

**Management Fees <sup>(1)</sup>:** \$9,398,239

**Capitalized and Netted Fees:** \$14,315,279

**Benchmark:** National Council of Real Estate Investment Fiduciaries - National Properties Index ("NCREIF-NPI")

**Operating Expenses:** \$1,007,389

**Expense Ratio:** 0.47%

**Number of Investment Partnerships:** 42

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

## Description of the Fund

The REF is the vehicle by which the CRPTF makes investments in the real estate asset class. The REF may invest in real estate properties, real estate related equity investments, or real estate related debt and mortgages. The REF consists of a number of investment strategies and vehicles including externally managed commingled funds, open-end funds, separate accounts, publically traded real estate securities, limited partnerships, and other indirect ownership structures managed by professional real estate investment managers.

## Portfolio Characteristics

As of June 30, 2017, the portfolio was approximately 25.9 percent invested in close-end fund vehicles, 60.7 percent in open-end funds, and 13.3 percent held in two separate accounts, in which the REF holds 100 percent ownership interest in properties within the portfolio. These separate account vehicles are managed by external managers and employ a core investment strategy. The majority of investments in the REF are comprised of commingled private equity funds vehicles in which the CRPTF holds limited partnership interests. These commingled funds employ three main real estate investment sub-asset classes: core, value-add, and opportunistic strategies. In accordance with the Investment Policy Statement, leverage levels in the REF shall not exceed 60 percent, and investments are diversified across geography and property types, with approximately 94.7 percent located in the markets within the United States and 5.3 percent to real estate markets abroad.

As of June 30, 2017, the REF allocation to sub-strategies was 60.4 percent to core, 22.1 percent to value-add and 13.7 percent to opportunistic. The portfolio is well diversified geographically. While the National Properties Index (NPI) remains the tracked real estate investments benchmark, the CRPTF at any given time may be tactically under- or over-weight in specific property types, regions, vintage years or other characteristics of the index.

## Market Review

The U.S. economy continues to grow at a steady pace. Total employment is up 1.3 percent year-over-year and property values across all sectors have increased. Cap rate spreads versus U.S. Treasuries are at or slightly higher than long term averages and capital flows into real estate are slowing. As the current economic cycle matures, future returns in real estate are expected to moderate.

Market fundamentals in most real estate sectors were strong during the fiscal year, while reduced transaction volumes indicate that capital market activity may decrease in all but a few key markets going forward.

Fundraising by private real estate managers fell by 24 percent in the last year but there is a significant amount of capital that has not been deployed.

Industrial properties were the most favored real estate sector, driven primarily by fulfillment and warehousing demand. Investor appetite for multi-family properties has subsided, except in select urban subsectors. After a multi-year run as a top real estate sector, office now is near the bottom and the retail sector continues to suffer, as large department and apparel brick and mortar stores close and mid-priced retailers face competition from e-commerce and discount retailers. Finally, commercial real estate transaction activity continues to decline.

## Performance Summary

For fiscal year 2017 the Fund generated a total fiscal year to date return of 7.4 percent net of all expenses, outperforming its benchmark NCREIF-NPI, which posted a gross return of 7.3 percent. The one-year return reflects an ongoing positive trend in the REF portfolio, which can be attributed to recent accretive commitments to open-ended core and core-plus funds, as well as a number of new value-add strategies in the Fund.

For the trailing three-five-and ten-year periods, the REF's compounded annual returns, net of all expenses, were 10.6 percent, 10.5 percent, and 2.2 percent, respectively (See Figure 11.8). Longer-term portfolio returns continue to lag the benchmark, with five-and ten-year returns underperforming by 16 basis points and 454 basis points, respectively. However, since the Great Recession, REF's net returns have outperformed the gross benchmark in five of the past seven calendar years. The Fund has continued to invest through the recent real estate cycle, with new commitments in value-add and opportunistic strategies during the fiscal year, which has helped to maintain diversification in the fund.

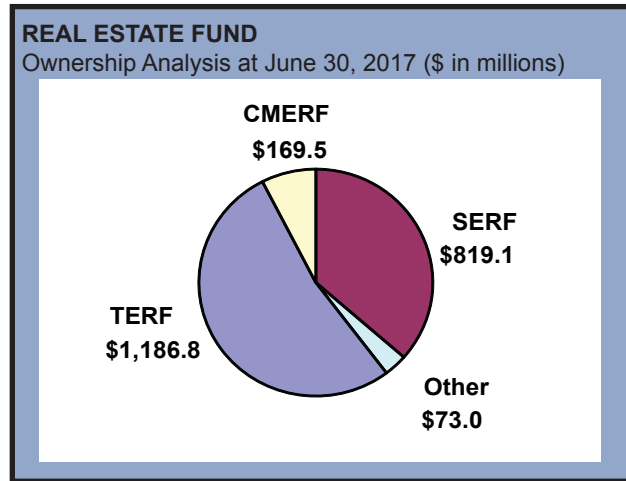
## Risk Profile

The REF takes both a total portfolio and asset class specific approach to risk management. Risk is managed at the portfolio level through diversification and strategic asset allocation and the implementation of strategy. Risks attendant to alternative investments, such as management, operations, local/regional property markets, and liquidity risk, are managed at the asset class level with additional risk management focused on financing, geography, and property type risks specific to a fund manager's portfolio investments.

The REF has lower volatility than NPI, as expected (See Figure 11.2) largely due to allocations to core funds, which generally have lower leverage than value-add and opportunistic strategies and have reduced risk. Also, the REF's core sub-portfolio, which most closely tracks NPI, has a leveraged amount of approximately 35.1 percent. NPI is comprised of a portfolio of 6,000+ properties, many of which are levered, but for purposes of constructing the NPI benchmark, are de-levered for the index. The REF volatility is typical and not excessive relative to a benchmark comprised of unlevered core properties.

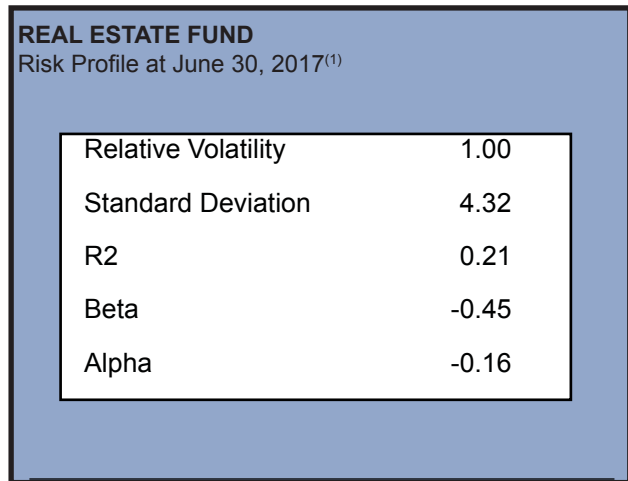
**PENSION FUNDS MANAGEMENT DIVISION**

Figure 11-1



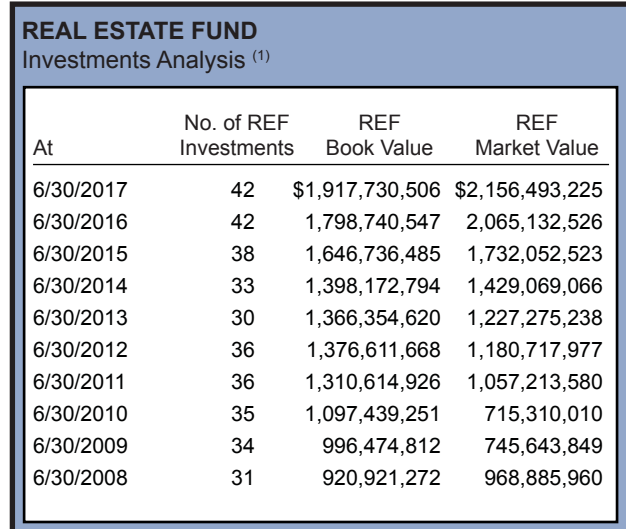
TERF - Teachers' Retirement Fund  
SERF - State Employees' Retirement Fund  
CMERF - Connecticut Municipal Employees' Retirement Fund

Figure 11-2



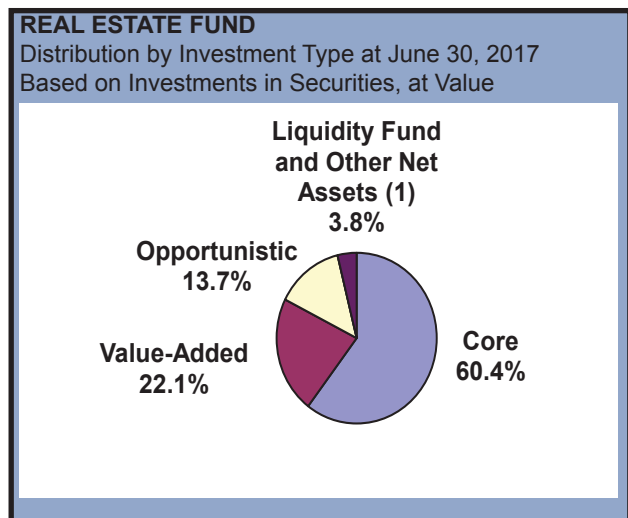
(1) Based upon returns over the last five years.

Figure 11-3



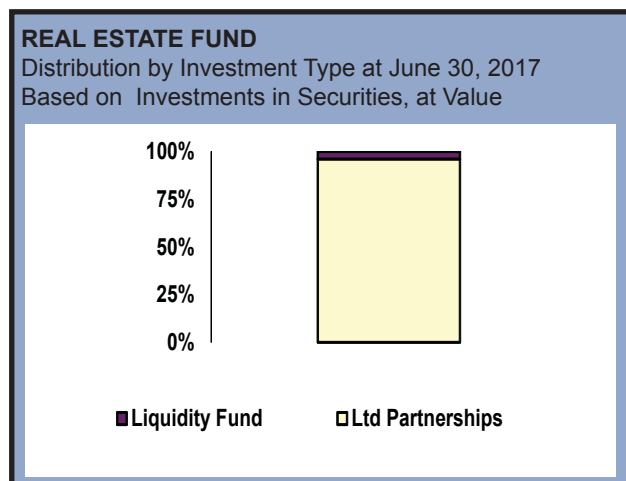
(1) Number of investments in annuities, partnerships, corporations, and trusts, excluding the Liquidity Fund.

Figure 11-4



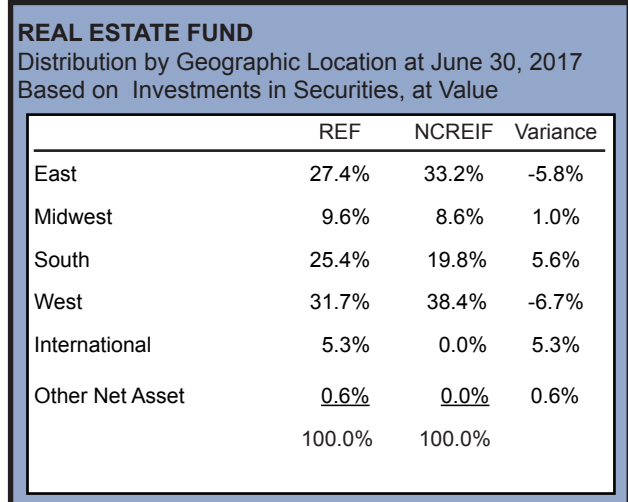
(1) Liquidity Fund and Other Net Assets

Figure 11-5



(1) Liquidity Fund and other monetary assets.

Figure 11-6



**PENSION FUNDS MANAGEMENT DIVISION**

Figure 11-7

<b>REAL ESTATE FUND</b>			
Diversification by Property Type at June 30, 2017 Based on Investments in Securities, at Value			
	REF	NCREIF	Variance
Apartment	24.8%	24.3%	0.5%
Industrial	20.0%	14.2%	5.7%
Office	22.6%	36.8%	-14.2%
Retail	20.6%	23.8%	-3.2%
Hotel	4.0%	0.9%	3.1%
Other Net Assets <sup>(1)</sup>	<u>8.0%</u>	<u>0.0%</u>	8.0%
	100.0%	100.0%	

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

Figure 11-8

	1 YR	3 YRS	5 YRS	10 YRS
<b>REAL ESTATE FUND</b>				
Periods ending June 30, 2017				
<b>Compounded, Annual Total Return (%)</b>				
REF	7.38	10.58	10.53	2.18
NCREIF Property	7.27	10.58	10.69	6.72
<b>Cumulative Total Return (%)</b>				
REF	7.38	35.22	64.99	24.01
NCREIF Property	7.27	35.23	66.16	91.58

Figure 11-9

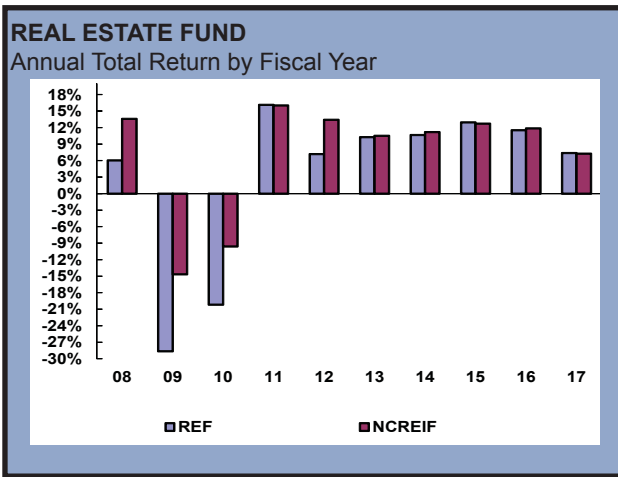
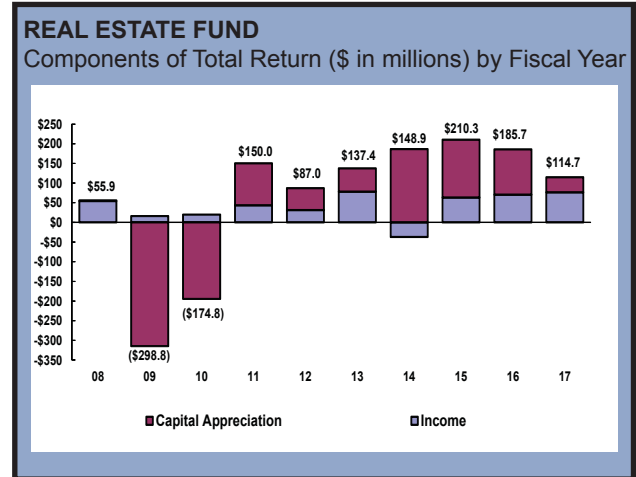


Figure 11-10





**PENSION FUNDS MANAGEMENT DIVISION**

Figure 11-11

<b>REAL ESTATE FUND</b>		
Funds at June 30, 2017		
Fund	Net Asset Value	% of Fund
AEW Partners III	\$270,172	0.01%
American Realty Advisors	90,401,538	4.02%
Apollo Real Estate	205,358	0.01%
Blackstone Real Estate Partner Europe III LP	34,225,710	1.52%
Blackstone Real Estate Spec Sit II LP	2,180,550	0.10%
Blackstone Real Estate VI LP	20,576,572	0.91%
Blackstone Real Estate Partners VIII LP	47,335,962	2.10%
Blackstone Real Estate Partners EURO V	4,173,260	0.19%
Canyon Johnson Urban Fund II	150,125	0.01%
Canyon Johnson Urban Fund III	447,568	0.02%
Capri Select Income II LLC	60,778	0.00%
Clarion Lion Industrial Trust	116,734,432	5.19%
Colony Realty Partners II LP	9,143,800	0.41%
Cornerstone Patriot Fund LP	293,039,605	13.03%
Covenant Apartment Fund V LP	339,907	0.02%
Covenant Apartment Fund VI	187,454	0.01%
Covenant Apartment Fund VIII	20,879,913	0.93%
Crow Hldgs Realty Partners VII LP	56,054,600	2.49%
Cypress Acquisition Prtnrs Retail FD LP	50,654,012	2.25%
Gerding Edlen Green Cities II	31,154,380	1.39%
Gerding REF III	32,708,305	1.45%
Hart Realty Advisors	197,380,637	8.78%
IL & FS India Realty Fund II LLC	25,244,922	1.12%
JP Morgan Strategic Property	85,542,816	3.80%
Landmark RE Partners VII LP	19,942,161	0.89%
Lone Star Real Estate Part II LP	11,907,393	0.53%
Macfarlane Urban Real Estate Fund II LP	2,654,118	0.12%
Prime Property Fund LLC	263,749,584	11.73%
PRISA	200,459,653	8.92%
Rockwood Capital Fund V	151,000	0.01%
Rockwood Capital VI Limited Partnership	323,897	0.01%
Rockwood Capital VII Limited Partnership	20,343,110	0.90%
Starwood Opportunity Fund VII	15,357,828	0.68%
Starwood Opportunity Fund VIII	10,340,094	0.46%
Starwood Opportunity Fund IX	33,857,966	1.51%
Starwood Opportunity Fund X	71,224,496	3.17%
UBS-Trumbull Property Income	59,078,880	2.63%
UBS-Trumbull Property G&I (TPG)	67,163,079	2.99%
UBS-Trumbull Property Fund LP	86,612,748	3.85%
Urban Strategy America Fund LP	28,574,190	1.27%
USAA Eagle RE Fund	136,225,933	6.06%
WLR IV PPIP Co Invest LP	9,434,720	0.42%
<b>Other <sup>(1)</sup></b>	<b>91,987,594</b>	<b>4.09%</b>
<b>SUBTOTAL REF</b>	<b>\$2,248,480,820</b>	<b>100.00%</b>

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

Figure 11-12

<b>REAL ESTATE FUND</b>			
Ten Largest Holdings* at June 30, 2017			
Property Name	Type	Market	
		Value	%
Cornerstone Patriot Fund LP	Core	\$293,039,605	13.07%
Prime Property Fund LLC	Core	263,749,584	11.76%
PRISA	Core	200,459,653	8.94%
Hart Realty Advisors	Core	197,380,637	8.80%
USAA Eagle RE Fund	Core	136,225,933	6.07%
Clarion Lion Industrial Trust	Value Added	116,734,432	5.21%
American Realty Advisors	Core	90,401,538	4.03%
UBS-Trumbull			
Property Fund LP	Core	86,612,748	3.86%
JP Morgan Strategic Property	Core	85,542,816	3.81%
Starwood Opportunity Fund X	Opportunistic	71,224,496	3.18%
<b>Top Ten</b>		<b>\$1,541,371,442</b>	<b>68.73%</b>

\* A complete list of portfolio holdings is available upon request from the Office of the Treasurer, in accordance with the Connecticut Freedom of Information Act.

Figure 11-13

<b>REAL ESTATE FUND</b>		
New Investments Made in Fiscal Year 2017 (in Excess of \$3 Million)		
Partnership Name	Commitment Amount	Investment Type
Blackstone Real Estate Partners Europe V	\$50 million	Opportunistic
Gerding Edlen Green Cities II, LP	50 million	Value-Add
Starwood Opportunity Fund XI Global, LP	50 million	Opportunistic
<b>Total</b>	<b>\$150 million</b>	

# 2017 private investment fund

## Fund Facts at June 30, 2017

**Investment Strategy/Goals:** The purpose of the Private Investment Fund (PIF) is to: 1) earn returns in excess of the public equity markets, 2) generate attractive risk-adjusted rates of return, and 3) provide diversification for the CRPTF under different economic environments.

**Date of Inception:** July 1, 1987

**Total Net Position:** \$2,990,442,381

**Performance Objective:** A net return that outperforms the Standard & Poor Index (S&P 500) over rolling ten year periods.

**Management Fees<sup>(1)</sup>:** \$2,656,009

**Capitalized and Netted Fees:** \$27,118,524

**Benchmark:** S&P 500

**Operating Expenses:** \$2,159,547

**Number of Partnerships:** 61

**Expense Ratio:** 0.17%

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

\*Expense ratio is calculated using the management fee and operating expense totals.

## Description of the Fund

The PIF invests in externally managed funds that are executing strategies divided into two sub-asset classes: venture capital and corporate finance. Venture capital invests equity into young or development stage companies. Corporate finance encompasses several underlying strategies, including leveraged buyout, mezzanine debt, and special situations.

## Portfolio Characteristics

The PIF 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 invest in multiple private equity partnerships that invest in underlying companies and are typically used to execute a strategic objective within the PIF. Private equity investments include two general areas of strategic focus.

### Corporate Finance

- Buyout focused investments are 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 value and/or cash flow.
- Mezzanine debt focused investments are 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 situation focused investments are defined as investments in a variety of securities (debt, preferred equity and/or common equity) in portfolio companies at a variety of stages of development.
- International private equity focused investments are defined as investments in private equity or equity-like securities in companies located outside the continental United States. International private equity investments provide the benefit of geographic and economic diversification and may include exposure to higher growth economies in select markets.

### Venture Capital

- Venture capital focused investments can be narrowly defined as investments in 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.

The PIF had 61 active funds and aggregate capital commitments totaling \$8.6 billion as of June 30, 2017. Approximately 84 percent, or \$7.2 billion, had been “drawn down” for investment purposes as of that date while the balance of approximately \$1.4 billion, or 16 percent, was committed but not drawn (See Figure 13-6).

## Market Review

Despite potential headwinds from uncertainties surrounding economic trends, major elections in the U.S. and Europe, and growing geopolitical risks, global market conditions continued to be favorable and accommodative to the private equity industry. A robust fundraising market combined with access to low cost debt continued to provide managers with ample capital for investment. However, high valuations have presented challenges to private equity managers seeking to deploy capital into new investments.

Fundraising for global private equity totaled \$363.3 billion during the fiscal year representing a 20 percent increase from the prior year. Notably, fiscal year 2017 saw the largest ever European and Asian buyout funds raised, highlighting the trend of increasing investor interest in proven managers investing globally. Buyout funds raised \$225.9 billion in the fiscal year, representing 62 percent of total capital raised, while venture capital funds raised \$73.5 billion, or just over 20 percent of all capital raised globally.

Global buyout and venture capital investment activity in the fiscal year was down from the prior year as managers exhibited discipline in a high valuation cycle while facing continued competition from strategic buyer and public market exit alternatives. More than \$335 billion was invested in close to 4,200 private equity-backed buyout transactions, with aggregate deal value and volume down 12 percent and 1 percent, respectively, from the prior year. The U.S. continued to hold a dominant share of global buyout activity, representing 56 percent of total deal value. Private equity-backed buyout exits generated \$309 billion of value during the year, a decline of 16 percent from the previous year.

Venture capital managers invested \$136 billion globally during the fiscal year, representing a decline of 14 percent from the prior year. The number of investments also declined 14 percent year over year with more than 10,600 venture investments made globally. Venture capital activity in the U.S. represented 42 percent of global venture transactions, down from 40 percent in the prior year. Greater China represented the second most active market with 21 percent of all venture deals closed during the year, outpacing Europe for the second consecutive year.

## Performance Summary

For the fiscal year ended June 30, 2017, PIF generated a net compounded annual rate of return of 10.97 percent (See Figure 13-5). This return was measured using a time weighted return calculation methodology.

While short-term returns are reviewed, longer term (e.g., 10 years) returns are more meaningful in evaluating private equity portfolio performance. Long-term horizons better reflect the illiquid nature of PIF’s holdings and the time it takes for investments to realize their potential. PIF’s performance is benchmarked against the S&P 500. Over the last 10 years through June 30, 2017, PIF’s performance has exceeded that of the S&P 500 by 233 basis points on a compounded annual basis (See Figure 13-5).

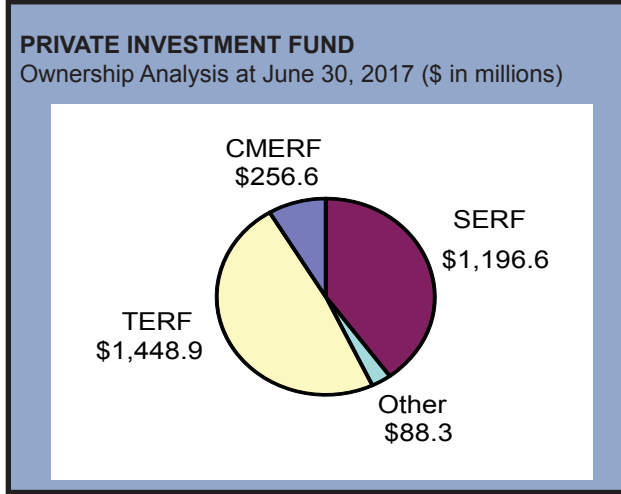
The institutional standard for measuring private equity performance is the Internal Rate of Return (IRR). IRR is a dollar-weighted annualized return that considers both cash flows and time. Since its inception in 1987, PIF has generated a 9.2 percent IRR. A tool commonly used by institutional investors to benchmark IRR performance is the public market equivalent (PME). From inception through June 30, 2017, PIF has generated 213 basis points of annual performance in excess of its S&P 500 PME.

During Fiscal Year 2017, ten new partnership commitments were made to eight managers (See Figure 13-10).

PIF’s risk profile is complex given the valuation judgments and liquidity constraints placed on it consistent with an alternative investment strategy. Over the last five years, PIF’s volatility relative to its benchmark has been 0.53 with a correlation of 0.00. Over the last five years, the Fund has returned an annual alpha, or return relative to that predicted by its benchmark, of -2.78 (See Figure 13.2).

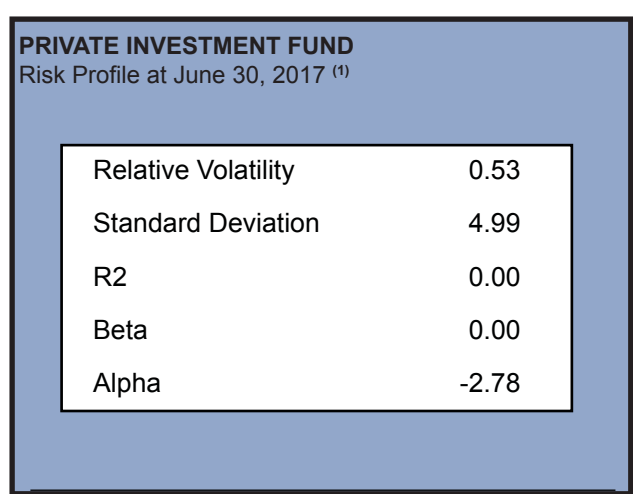
**PENSION FUNDS MANAGEMENT DIVISION**

Figure 13-1



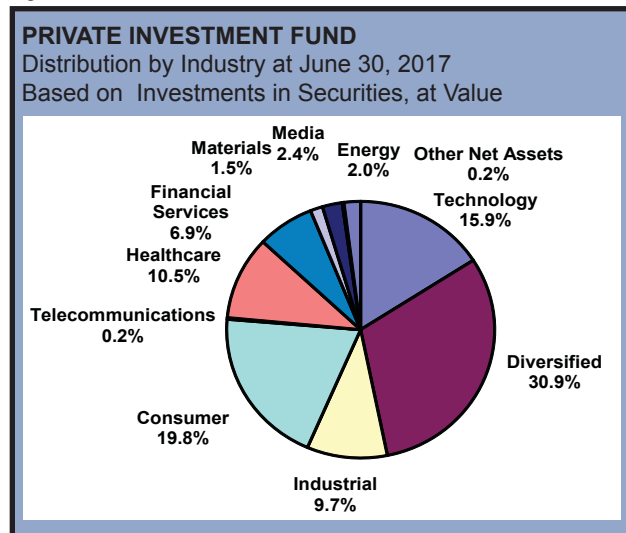
TERF - Teachers' Retirement Fund  
SERF - State Employees' Retirement Fund  
CMERF - Connecticut Municipal Employees' Retirement Fund

Figure 13-2



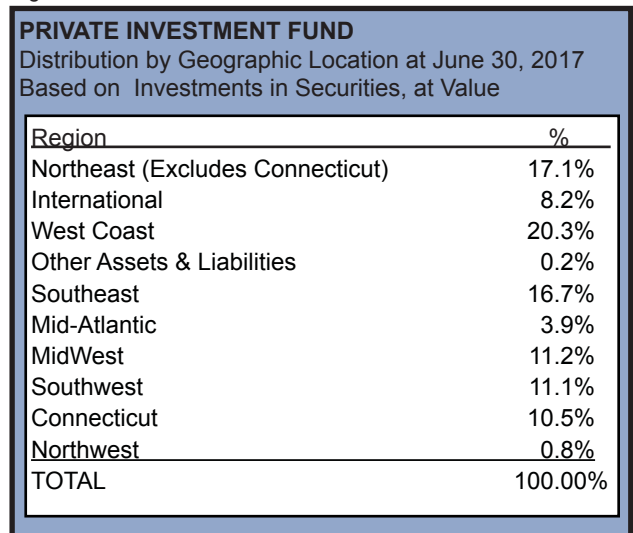
(1) Based upon quarterly returns over the last five years.

Figure 13-3



(1) Data for Private Equity Funds held in PIF; excludes Liquidity Fund and other PIF Assets.

Figure 13-4



(1) Data for Private Equity Funds held in PIF; excludes Liquidity Fund and other PIF Assets.

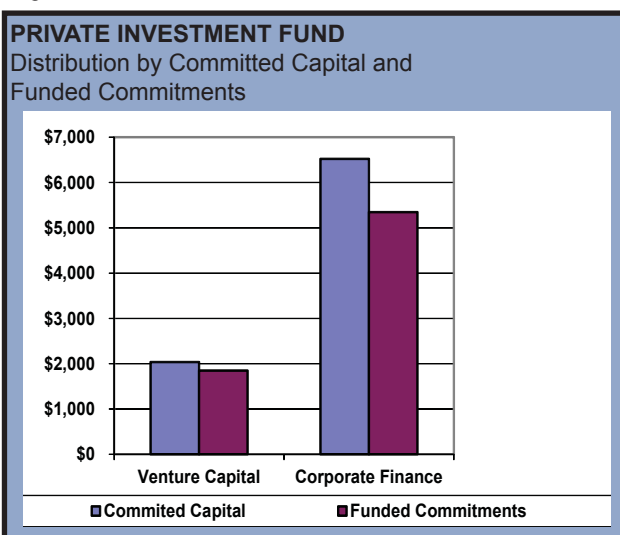
Figure 13-5

**PRIVATE INVESTMENT FUND**  
Periods ending June 30, 2017

	1 YR	3 YRS	5 YRS	10 YRS
<b>Compounded, Annual Total Return (%)</b>				
PIF	10.97	11.27	11.85	9.51
S & P 500	17.90	9.61	14.63	7.18
<b>Cumulative Total Return (%)</b>				
PIF	10.97	37.77	75.09	147.98
S & P 500	17.90	31.70	97.92	100.08

Calculated with time weighted return methodology.

Figure 13-6



## PENSION FUNDS MANAGEMENT DIVISION

Figure 13-7

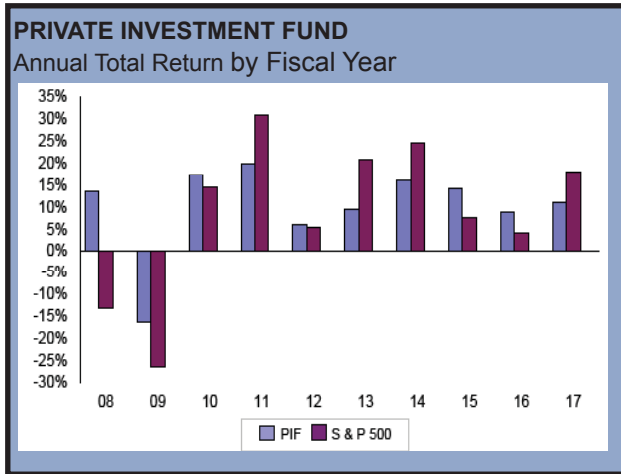


Figure 13-8

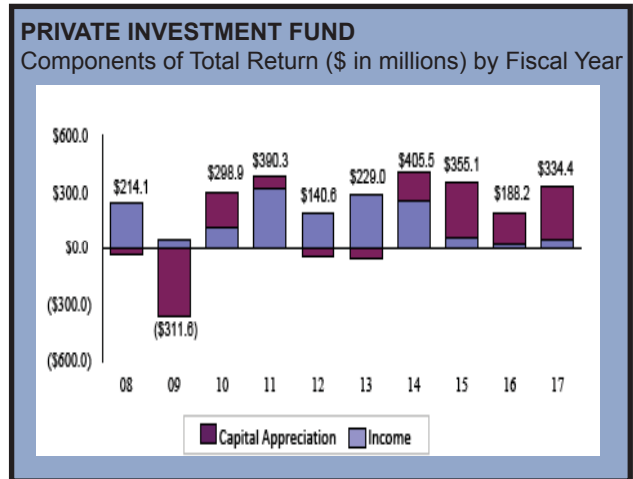


Figure 13-9

PRIVATE INVESTMENT FUND Ten Largest Holdings* at June 30, 2017			
Partnership Name	Partnership Type	Market Value	%
FAIRVIEW CONSTITUTION III LP	Fund of Funds	\$315,539,659	10.62%
FAIRVIEW CONSTITUTION IV LP	Fund of Funds	139,545,704	4.70%
STEPSTONE PIONEER CAPITAL II LP	Fund of Funds	132,208,263	4.45%
FS EQUITY PARTNERS VI	Buyout	124,505,984	4.19%
FAIRVIEW CONSTITUTION II LP	Fund of Funds	90,387,736	3.04%
APOLLO INVESTMENT FUND VIII LP	Special Situations	86,564,648	2.92%
NUTMEG OPPORTUNITIES FUND LP	Fund of Funds	83,953,234	2.83%
YUCAIPA AMERICAN ALLIANCE FUND II	Buyout	81,384,745	2.74%
PEGASUS PARTNERS V LP	Special Situations	81,157,517	2.73%
VISTA EQUITY PARTNERS FUND IV	Buyout	73,479,303	2.47%
<b>Top Ten</b>		<b>\$1,208,726,793</b>	<b>40.69%</b>

\* A complete list of portfolio holdings is available upon request from the Office of the Treasurer, in accordance with the Connecticut Freedom of Information Act.

Figure 13-10

PRIVATE INVESTMENT FUND New Commitments Made in Fiscal Year 2017			
Partnership Name	Commitment Amount	Investment Type	Investment Date
JFL Equity Investors IV, L.P.	\$75 million	Buyout	11/15/2016
Vista Equity Partners Fund VI, L.P.	100 million	Buyout	11/16/2016
Leeds Equity Partners VI, L.P.	50 million	Buyout	11/25/2016
Constitution Fund V, LLC - Series A	130 million	Fund-of-Funds	12/30/2016
Constitution Fund V, LLC - Series B	20 million	Fund-of-Funds	12/30/2016
Ironwood Mezzanine Fund IV, L.P.	50 million	Special Situations	5/19/2017
Apollo Investment Fund IX, L.P.	125 million	Buyout	5/31/2017
Nutmeg Opportunities Fund II, LLC	150 million	Fund-of-Funds	6/9/2017
Altaris Constellation Partners IV, L.P.	10 million	Buyout	6/30/2017
Altaris Health Partners IV, L.P.	40 million	Buyout	6/30/2017
<b>Total:</b>	<b>\$750 million</b>		

**PENSION FUNDS MANAGEMENT DIVISION**

Figure 13-11

**PRIVATE INVESTMENT FUND**

Investment Advisors at June 30, 2017

Investment Advisor	Net Asset Value	% of Fund			
<b>Buyout</b>	<b>\$1,090,300,470</b>	<b>36.46%</b>			
AIG Altaris Health Partners II	14,208,866	0.47%	GarMark Partners II LP	9,581,994	0.32%
AIG Altaris Health Partners III	29,429,972	0.98%	<b>International</b>	<b>46,579,869</b>	<b>1.56%</b>
Boston Ventures VII	43,313,369	1.45%	Gilbert Global Equity Partners	44,851,779	1.50%
Charterhouse Equity Partners IV	4,037,714	0.13%	Pinebridge Global Emerging Markets Fund	1,728,090	0.06%
Court Square Capital Partners II	27,058,106	0.90%	<b>Fund of Funds</b>	<b>1,010,862,137</b>	<b>33.80%</b>
Court Square Capital Partners III LP	16,688,090	0.56%	Connecticut Horizon Legacy	5,860,236	0.20%
Ethos Private Equity Fund V	5,324,415	0.18%	CT Growth Capital	7,830,409	0.26%
FS Equity Partners V	6,508,219	0.22%	CS/CT Cleantech Opp Fund	8,123,759	0.27%
FS Equity Partners VI	124,505,984	4.16%	CT Emerging M-2 Pvt Equity	73,164,810	2.45%
GENNX360 Capital Partners II	18,646,010	0.62%	Fairview Constitution II LP	90,387,736	3.02%
Hicks, Muse Tate & Furst Equity Fund III	3,551,237	0.12%	Fairview Constitution III	315,539,659	10.55%
ICV Partners II LP	8,962,675	0.30%	Fairview Constitution IV LP	139,545,704	4.67%
JFL Equity Investors III, LP	50,122,324	1.68%	JP Morgan Nutmeg I	83,953,234	2.81%
JFL IV	26,233,339	0.88%	Landmark Equity Partners XIV LP	38,412,767	1.28%
KKR 2006 Fund	64,659,031	2.16%	Landmark Equity Partners XV LP	37,475,763	1.25%
KKR Millennium Fund	9,244,888	0.31%	Stepstone Pioneer Capital I LP	19,007,759	0.64%
Leeds Equity Partners V LP	32,509,095	1.09%	Stepstone Pioneer Capital II LP	132,208,263	4.42%
Leeds VI	9,898,141	0.33%	Constitution Fund V	22,556,900	0.75%
Nogales Investors Fund II	1,685,506	0.06%	The Constitution Liquidating Fund	36,795,138	1.23%
RFE Investment Partners VII	44,319,391	1.48%	<b>Special Situations</b>	<b>452,045,315</b>	<b>15.12%</b>
RFE Investments Partners VIII	22,912,390	0.77%	Apollo Investment Fund VIII LP	86,564,648	2.90%
TA XI, L.P.	66,429,959	2.22%	Castlelake II LP	45,509,284	1.52%
Thomas H. Lee Equity Fund VI	65,215,336	2.18%	Clearlake Capital Partners III LP	64,676,117	2.16%
Vista Equity Partners Fund III	22,508,517	0.75%	Clearlake IV	48,347,212	1.62%
Vista Equity Partners Fund IV	73,479,303	2.46%	Levine Leichtman Capital Partners	20,220,581	0.68%
Vista Equity Partners Fund VI	46,933,363	1.57%	Levine Leichtman Capital Partners V LP	64,570,094	2.16%
Wellspring Capital Partners V	36,761,719	1.23%	Pegasus Partners IV	29,311,713	0.98%
Welsh Carson Anderson & Stowe X LP	18,865,693	0.63%	Pegasus Partners V	81,157,517	2.71%
Welsh Carson Anderson & Stowe XI	68,992,263	2.31%	WLR Recovery Fund IV	11,688,149	0.39%
WCAS XII, LP	31,951,782	1.07%	<b>Other <sup>(1)</sup></b>	<b>333,947,837</b>	<b>11.17%</b>
Yucaipa American Alliance Fund II LP	81,384,745	2.72%	<b>SUBTOTAL PIF</b>	<b>\$2,990,442,381</b>	<b>100.00%</b>
Yucaipa III	13,959,028	0.47%			
<b>Venture Capital</b>	<b>9,014,785</b>	<b>0.30%</b>			
Crescendo III	1,156,486	0.04%			
Syndicated Communications V	7,858,299	0.26%			
<b>Mezzanine</b>	<b>47,691,968</b>	<b>1.59%</b>			
Audax Mezzanine III Limited Partnership	38,109,974	1.27%			

(1) Other includes partnerships with nonmaterial balances, as well as moneys earmarked for distribution to participants, reinvestment, expenses and other net assets.

# 2017

## debt management division

### Division Overview

The Office of the Treasurer, through its Debt Management Division, is responsible for the cost-effective issuance and management of the State of Connecticut's bonded debt. The State's strategic investments in local school construction, roads, bridges, airports, higher education, clean water, and economic development are the foundation of Connecticut's physical and social infrastructure.

Key to obtaining the lowest cost of funds for the State is continual contact with the investment community and credit rating agencies: Moody's Investors Service, S&P Global Ratings, Fitch Ratings, and Kroll Bond Rating Agency. The latest financial instruments available in the public financing market are utilized when issuing new debt in order to attain the lowest interest rates possible. Relationships are maintained with institutional and retail investors who have demonstrated confidence in the State's economy by purchasing bonds and notes at attractive interest rates.

The Office of the Treasurer is also a critical resource in the drafting of new laws, working with the executive and legislative branches to provide financial advice on proposed 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: Economic Recovery Notes; the establishment of a Housing Trust Fund; the authorization of bonding backed by future federal transportation funds; a program designed to improve the funding of the Teachers' Retirement Fund including the issuance of bonds; the creation of a new quasi-public agency, the Connecticut Airport Authority, to manage Bradley International Airport; enabling legislation providing the Connecticut Green Bank with bonding powers; a program to eliminate the State's accumulated GAAP deficit; a transportation lockbox; legislation to allow the State to access certain federal loans; and a new proposed alternative tax-secured bonding program to fund projects and purposes authorized for funding with general obligation bonds.

The Debt Management Division manages all public financing programs for the State and coordinates the issuance of bonds with State quasi-public authorities, including Connecticut Innovations, Connecticut Health and Educational Facilities Authority, Connecticut Housing Finance Authority, Materials Innovation and Recycling Authority, Connecticut Higher Education Supplemental Loan Authority, Capital Region Development Authority, Connecticut Green Bank, and Connecticut Airport Authority.

The Debt Management Division consists of ten professionals under the direction of an Assistant Treasurer.

### The Year in Review

During Fiscal Year 2017, the Debt Management Division actively managed the State's \$24.7 billion debt portfolio, and significant accomplishments included:

- **New Money Bonds** - A total of \$3.4 billion of new money bonds were issued to continue funding of the State's capital programs including local school construction grants, economic development initiatives, transportation infrastructure, improvements at the University of Connecticut, and Clean Water Fund loans and grants. These projects and other purposes, which help bolster the local economy, improve the lives of Connecticut citizens, and strengthen the State's fiscal standing, continue to be funded at some of the lowest interest rates in State history. In August 2016, the Treasury sold \$250 million of tax-exempt General Obligation bonds structured with a 20-year final maturity at an overall interest rate of 2.53 percent, which was the lowest rate in at least a half century.
- **Refunding Bonds** - As interest rates continue to remain low, the Division refunded outstanding debt through the issuance of \$659.3 million of General Obligation Refunding bonds, \$68.3 million of Special Tax Obligation Refunding bonds, \$34.0 million of University of Connecticut UConn 2000 Refunding bonds, and \$105.1 million of State Revolving Fund (SRF) (Clean Water Fund and Drinking Water Fund) Refunding bonds for an aggregate savings of \$78.7 million. A total of \$1.2 billion in debt service savings will be achieved over the life of the bonds from debt refunding and defeasances completed since January 1, 1999.

## DEBT MANAGEMENT DIVISION

- Proposed New Tax-Secured Bonding Program - The Treasurer proposed an alternative Connecticut bonding program backed by the withholding portion of the State's personal income tax. The bonds are expected to achieve higher credit ratings and lower borrowing costs for the State. The Treasurer proposed the new bonding program be accompanied by a plan to rebuild the State's Budget Reserve Fund, which is expected to also improve the credit ratings on the State's General Obligation bonds over time. This program was enacted in October 2017 under P.A. 17-2.
- Green Bonds - The State of Connecticut continued to be a national leader in the issuance of "Green Bonds," designed to meet the needs of the growing number of socially and environmentally aware investors interested in investing specifically in green infrastructure. The Treasury issued \$250.0 million of Clean Water Fund SRF Green Bonds that included a second opinion from a global environmental assessment firm, the first state revolving fund bonds in the nation to be issued with such an opinion. Another \$65 million of Green Bonds were issued this past fiscal year bringing the total of Green Bonds issued by the State to \$690 million since 2014.
- New Investor Relations Website – The Treasurer developed and launched a new expanded investor relations website, called [www.BuyCTBonds.com](http://www.BuyCTBonds.com), that will provide investors with a convenient one-stop location to obtain information of interest about investing in Connecticut bonds.
- Transportation Bonding Program – The Division issued \$800 million of Special Tax Obligation bonds to fund new and ongoing transportation infrastructure improvements this fiscal year and continued to consult with the State's Department of Transportation and the Office of Policy and Management on bonding matters including drafting legislation to allow the State to access certain federal loans for transportation improvements under the Transportation Infrastructure Finance and Innovation Act, establishment of a transportation lockbox, and assistance on negotiating financial terms related to a major rail car lease.
- Clean Water Fund State Revolving Fund (SRF) Program – The Division worked closely with the State's Department of Energy and Environmental Protection and the Department of Public Health to successfully commit low-cost funding for program participants throughout the State and interfaced with federal governing officials.
- University of Connecticut – The Division worked in conjunction with the University of Connecticut on issuing new money and refunding UConn 2000 bonds totaling \$345.2 million as well as various leasing, credit rating agency, and legislative matters.
- Quasi-Public Agencies – Interfaces with the State's quasi-public agencies continued as the Division worked with the Connecticut Green Bank on financing the first installation of an Archimedean screw hydropower project in the nation and energy efficiency improvements in State buildings; with the new Connecticut Port Authority on establishing independent operations; with the Connecticut Airport Authority on renewing and extending bank agreements, and financing options for an intermodal transportation center; and with the State's student loan agencies on utilizing available funding to assist Connecticut students.
- Systems Improvement - The Division completed process improvements this past year including the establishment of a continuous bond underwriting Request for Proposals to allow firms to seek qualification at any time to participate on State bond sales, and the extension of financial advisor contracts.

### 2017 Division Performance

The Debt Management Division focused on several important initiatives during the fiscal year including taking advantage of low interest rates and providing expertise to assist with implementing initiatives put forward by the administration. The State's continued slow economic recovery, as well as an increased focus by the rating agencies on long-term liabilities, required significant analysis by the Division to ensure the State's obligations are put in proper context and that the State's strong financial management is emphasized.

Credit pressures caused by the State's lower-than-projected revenue collections, budget deficits, long-term liabilities and the need to draw down the State's Budget Reserve Fund, caused four credit rating agencies to downgrade the State's General Obligation bonds during the fiscal year. As such, communication



## DEBT MANAGEMENT DIVISION

throughout the year with the credit rating agencies and the investment community provided frequent and timely updates regarding the State's budget and the economy. The Division actively monitored and assisted with legislation impacting the State's bonding programs and credit.

### Public Financing Programs

Active public financing programs for the State of Connecticut, as of June 30, 2017, include:

	Amount Outstanding <u>June 30, 2017</u>
<b>GENERAL OBLIGATION BONDS</b>	<b>\$ 16,591,032,326</b>
<p>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. Outstanding amount includes \$2,227,983,254 of Teachers' Retirement Fund bonds issued in April 2008 pursuant to Public Act 07-186 and \$494,535,000 of GAAP Conversion bonds issued in October 2013, which were used to fund half of the State's accumulated General Fund GAAP Deficit at the time.</p>	
<b>ECONOMIC RECOVERY NOTES</b>	<b>\$ 177,120,000</b>
<p>Economic recovery notes are paid out of the revenues of the State General Fund and are supported by the full faith and credit of the State of Connecticut. Economic recovery notes were issued to finance the State's FY 2009 budget deficit.</p>	
<b>UCONN 2000 BONDS</b>	<b>\$ 1,504,995,000</b>
<p>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 2010 and 2013. Up to \$4.3 billion of Debt Service Commitment bonds will be issued under a 28-year \$4.6 billion capital program to rebuild and refurbish the University of Connecticut.</p>	
<b>OTHER GENERAL FUND APPROPRIATION DEBT</b>	<b>\$ 185,165,000</b>
<p>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:                      Connecticut Health and Educational Facilities Authority (CHEFA) Revenue Bonds, Child Care Facilities Program for a childcare facilities program assumed by the State in July 1999. (\$53,580,000). The Connecticut Housing Finance Authority (CHFA) Special Needs Housing Mortgage Finance Program bonds funded a supportive housing program (\$56,585,000), and CHFA Emergency Mortgage Assistance Program bonds were issued pursuant to Public Act 08-176 to fund the Emergency Mortgage Assistance Program (\$38,085,000). The State is required to make all debt service payments on these bonds pursuant to a contract assistance agreement between CHFA, the State Treasurer, and the Office of Policy and Management. Other appropriation debt includes Connecticut Innovations, Inc. (CI) Tax Increment Financing, (\$24,515,000) and a Certificate of Participation issue for the Connecticut Juvenile Training School Energy Center Project (\$12,400,000).</p>	
<b>SPECIAL TAX OBLIGATION BONDS</b>	<b>\$ 5,041,840,000</b>
<p>Special Tax Obligation Bonds are special obligations of the State payable solely from the transportation-related revenues pledged in the State's Special Transportation Fund. The bonds are issued for the construction and maintenance of the State's highway and bridge system and mass transportation and transit facilities. The bonds are secured by transportation-related taxes and revenues and a portion of the State's General Retail Sales Tax, and additional security for the bonds is provided by a debt service reserve fund that totaled \$543.9 million on June 30, 2017.</p>	
<b>STATE REVOLVING FUND (SRF) (CLEAN WATER AND DRINKING WATER FUND) BONDS</b>	<b>\$ 970,090,000</b>
<p>The Clean Water Fund and the Drinking Water Fund constitute the SRF program. 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, and general revenues of the program. An interest rate subsidy is provided to borrowers from earnings on the revolving fund and from State General Obligation subsidy bonds. The State also provides grants and some loans for the program through its General Obligation bond program.</p>	
<b>CAPITAL REGION DEVELOPMENT AUTHORITY BONDS</b>	<b>\$ 82,685,000</b>
<p>The Capital Region Development Authority (CRDA), formerly known as the Capital City Economic Development Authority, 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 \$9 million pursuant to a financial contract assistance agreement between CRDA, the State Treasurer, and the Office of Policy and Management (OPM). CRDA is required to reimburse the State for the debt service payments from net parking and central utility plant revenues.</p>	

## DEBT MANAGEMENT DIVISION

**BRADLEY INTERNATIONAL AIRPORT GENERAL AIRPORT REVENUE BONDS** \$ 116,290,000  
 The airport revenue bonds are payable solely from gross operating revenues from the operation of Bradley International Airport, and proceeds are used for capital improvements at the airport.

**BRADLEY INTERNATIONAL AIRPORT PARKING GARAGE REVENUE BONDS** \$ 28,015,000  
 Parking garage bonds are payable from garage parking revenues and by a guarantee from the project developer/lessee. The bonds financed the design and construction of a parking garage at Bradley International Airport.

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**Total debt outstanding at June 30, 2017** **\$24,697,232,326**

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Bonds issued during Fiscal Year 2017 include:

Bond Type	Par Amount	True Interest Cost <sup>(1)</sup>	Average Life (Years)	Issue Date
<b>NEW MONEY BONDS:</b>				
<b>GENERAL OBLIGATION</b>				
2016 Series D	\$ 250,000,000	2.53%	10.5	08/17/2016
2016 Series A Taxable	250,000,000	2.12%	5.5	08/17/2016
2016 Series E	585,000,000	2.95%	10.0	10/26/2016
2016 Series F (Green Bonds)	65,000,000	3.43%	14.5	10/26/2016
2017 Series A	550,000,000	3.48%	10.1	04/19/2017
2017 Series C SIFMA Index Bonds	300,000,000	1.78%	11.2	06/28/2017
<b>SPECIAL TAX OBLIGATION</b>				
2016 Series A	800,000,000	2.83%	12.0	09/28/2016
<b>UCONN 2000</b>				
2017 Series A	311,200,000	3.40%	10.5	01/19/2017
<b>STATE REVOLVING FUND (CWF/DWF)</b>				
2017 Series A	250,000,000	3.08%	13.6	06/15/2017
<b>Fiscal Year 2017 Subtotal New Money Issues</b>		<b>\$3,361,200,000</b>		
<b>REFUNDING BONDS:</b>				
General Obligation 2016 Series G Refunding	\$327,440,000	2.25%	3.0	12/21/2016
General Obligation 2017 Series B Refunding	197,025,000	2.58%	5.4	04/19/2017
General Obligation 2017 Series D Refunding	134,865,000	1.58%	3.9	06/28/2017
Special Tax Obligation 2016 Series B Refunding	68,265,000	2.27%	8.5	09/28/2016
UConn 2000 2017 Series A Refunding	33,950,000	1.96%	3.4	01/19/2017
State Revolving Fund 2017 Series B Refunding	105,125,000	1.70%	6.5	06/15/2017
<b>Fiscal Year 2017 Subtotal Refunding Issues</b>		<b>\$866,670,000</b>		
<b>TOTAL</b>		<b>\$4,227,870,000</b>		

(1) An industry-defined term representing a composite overall present-value based interest rate for an entire bond issue excluding cost of issuance and other costs. For variable rate bonds, the TIC shown is the initial rate, including remarketing and liquidity fees.

## DEBT MANAGEMENT DIVISION

Figure 14-1

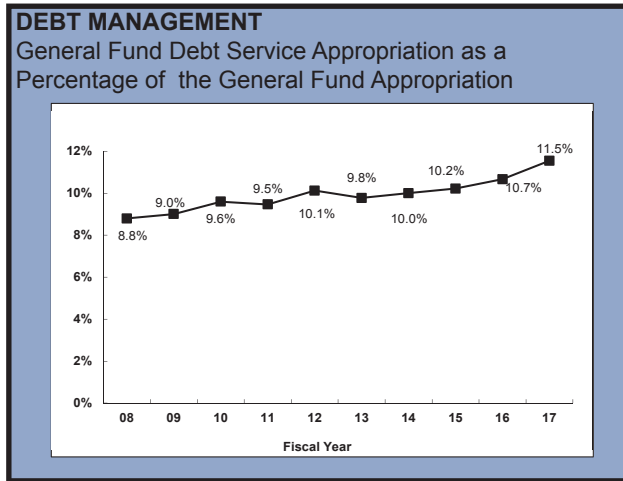


Figure 14-2

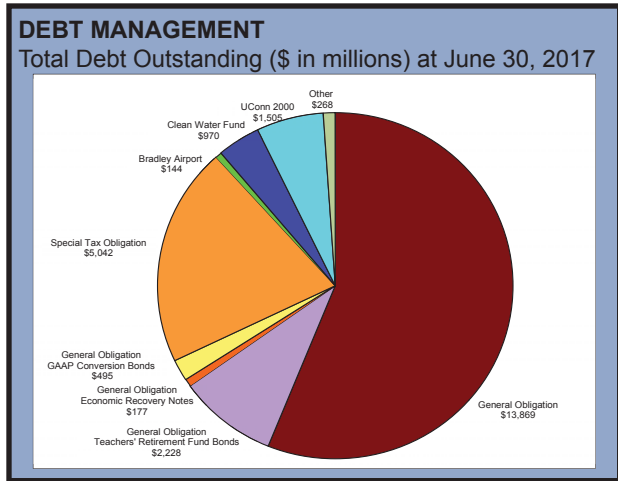
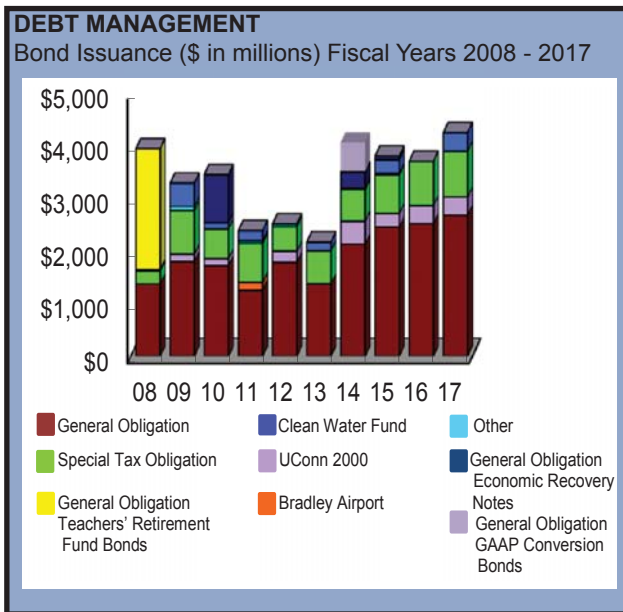


Figure 14-3



### Division Overview

The Office of the Treasurer, through its Cash Management Division, is responsible for managing the state's cash movements, banking relationships and short-term investments, including:

- Maintaining maximum investment balances by ensuring more timely deposits, controlling disbursements, minimizing bank balances and banking costs, and providing accurate cash forecasts;
- Earning the highest current income level in the Short-Term Investment Fund (STIF), providing for the safety of principal, first, and the provision of liquidity, second;
- 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 banks that meet standards for financial strength;
- Improving operating efficiency by increased use of electronic data communication and funds processing; and
- Providing State agencies with technical assistance on cash management and banking issues.

The Cash Management Division consists of 18 employees under the direction of an Assistant Treasurer, organized into three areas of specific responsibility:

The **Bank Control and Reconciliation** unit maintains accountability for the state's internal and external cash flow. The unit tracks the flow of funds through 19 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. In addition, the unit works with state agencies to speed the deposit of funds and identify mechanisms to reduce banking costs, 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 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, 2017, approximately \$338 million in securities were pledged to the program.

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 credit agencies, monitors actual cash receipts and disbursements, and prepares the monthly cash report for the legislature. During Fiscal Year 2017, the unit controlled the movement of \$31.2 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 2017, the unit managed an average of \$5.8 billion in short-term money market instruments. As of June 30, 2017, the unit administered 929 active STIF accounts for 65 State agencies and authorities and 221 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 the Extended Investment Portfolio programs, and, pursuant to CGS 3-24k, the Community Bank

and Credit Union Initiative, in which the Office of the Treasurer supports Connecticut-based banks and credit unions with assets not exceeding \$1 billion through the investment of State funds in certificates of deposit at the qualifying institutions.

## The Year in Review

During Fiscal Year 2017, the Cash Management Division's noteworthy accomplishments included:

- Total annual return of 0.61 percent in STIF exceeded its primary benchmark of 0.49 percent, resulting in \$6.4 million in additional interest income for Connecticut governments and their taxpayers, while adding \$4.7 million to its reserves. During the past ten years, STIF has earned an additional \$66.5 million, while adding \$28.8 million to its reserves during this period.
- STIF's credit rating of AAAm, the highest available, was reaffirmed by Standard & Poor's.
- Ten local government accounts were added to STIF, with \$15.5 million in assets.
- STIF's Comprehensive Annual Financial Report (CAFR) was awarded the Certificate of Achievement for Excellence in Financial Reporting for 2016 by the Government Finance Officers Association.
- Investments of \$33.9 million were made with community financial institutions under the Connecticut Community Bank and Credit Union initiative at an average annualized interest rate of 0.79 percent. Since inception, program investments have totaled \$488.4 million.
- Competitive bidding processes covering most state banking services were completed, pending contract negotiations, which will result in annual savings of over \$260,000.
- A total of \$62,000 in annualized bank overcharges was identified and recaptured.
- The Division expanded electronic payments to municipalities and vendors, working in collaboration with the Office of the State Comptroller, with payments totaling \$ 13.5 billion during the year.
- The 22nd annual meeting of Short-Term Investment Fund investors in concert with the 12th Public Finance Outlook conference was attended by over 200 state, local government, and private finance professionals.
- The division worked with state agencies to speed the receipt of funds through on-line credit card, electronic check, and Automated Clearing House payments, and to expand the use of payee positive pay services to protect against check fraud.

# 2017

## short-term investment fund

### Fund Facts at June 30, 2017

**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 Money Fund Average<sup>TM</sup> - Rated First Tier Institutional Average (MFR) Index, Three-Month Treasury Bills.

**Date of Inception:** 1972

**Total Net Position:** \$6.5 billion

**Internally Managed**

**External Management Fees:** None

**Expense Ratio:** Approximately 3-4 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 2017 fiscal year, STIF's portfolio averaged \$5.8 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 at June 30, 2017, totaled \$56.1 million.

To help the Fund and its investors evaluate performance, STIF compares its returns to various benchmarks. The primary benchmark is the iMoneyNet Money Fund Average<sup>TM</sup> - Rated First Tier Institutional Average (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. (See Figure 15-3.)

STIF's yields also are compared to the average Federal Reserve three-month T-Bill rate and a three-month certificate of deposit (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 discussed 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 CDs 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.

Among the Fund's several achievements during the 2017 fiscal year was the reaffirmation and continuation of its AAAm rating by Standard & Poor's. In S&P's view, "a fund rated 'AAAam' demonstrates extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk."

## Portfolio Characteristics

During Fiscal Year 2017, the STIF portfolio continued its conservative investment approach of balancing liquidity and stability while maximizing yield for investors. STIF's conservative investment practices include maintaining abundant liquidity, a well-diversified portfolio, and significant holdings of securities issued, guaranteed or insured by the U.S. government and federal agencies.

Accordingly, at year-end STIF held 44 percent of Fund assets in overnight investments or investments that are available on a same-day basis. During the fiscal year, the Fund's WAM fluctuated between a low of 24 days and a high of 41 days, and ended the year at 34 days. Seventy percent of the Fund's assets were invested in securities with maturities, or interest rate reset dates for adjustable rate securities, of less than 30 days.

The Fund ended the year with a 40 percent concentration in securities issued, guaranteed or insured by the U.S. government or federal agencies (including deposit instruments backed by irrevocable Federal Home Loan Bank letters of credit), in repurchase agreements backed by such securities, or in money funds comprised of such securities. In total, 86 percent of STIF's assets are rated A-1+ or have some form of government support. The Fund's three largest security weightings included deposit instruments (39 percent), corporate securities (28 percent) and agency securities (21 percent). (See Figure 15-5.)

## Market Review

Fiscal year 2017 was a year of change within the capital markets. The Federal Reserve Bank (Fed) continued to tighten monetary policy by increasing rates three times during the year, increasing the upper band of the Federal Funds rate 75 basis points to 1.25 percent. During the fiscal year, the presidential election also occurred, and with it expectations of future economic growth as well as inflation. These two significant events occurred during a period of increased geopolitical concerns and the resultant impact on international trade.

The increases in the Federal Funds rate were consistent with market expectations and were generally factored in to pricing in the short-end of the interest rate curve. During the period, the London Interbank Offered Rate (LIBOR) increased from 46 basis points to 123 basis points, reflecting the increases in the Federal Funds rate as well as near-term expectations of further tightening by the Fed. Within the Treasury Bill market, the three-month bill increased 76 basis points during the period to end at 1.01 percent. The one-year bill increased 79 basis points during the period to end the fiscal year at 1.23 percent. Longer-term Treasuries, as reflected by the ten-year note, increased by 63 basis points during the period to end the fiscal year at 2.30 percent after reaching a March 2017 high of 2.63 percent.

The conclusion of the presidential election brought with it market expectations of increased economic growth and inflation. The prospect of tax code changes, the build-out of infrastructure and the relaxation of regulatory reform of the financial sector led to expectations of faster growth, wage inflation and increases in the prices of consumer and capital goods. As a result, the market demanded higher rates to compensate for the potential loss of purchasing power.

Domestic inflation averaged 1.8 percent during the fiscal year, up sharply from 0.7 percent in Fiscal Year 2016. Excluding the more volatile food and energy components, inflation during the fiscal year averaged 2.1 percent, unchanged from Fiscal Year 2016. While domestic inflation was stronger, inflation in the Eurozone was even weaker, with an average inflation rate of 1.1 percent, up from 0.0 percent during the Fiscal Year 2016 period.

Domestic growth, as measured by Gross Domestic Product (GDP), experienced modest growth during the fiscal year. For Fiscal Year 2017, GDP (on a year-over-year basis) ranged between 1.5 percent and 2.2 percent. For the entire fiscal year, GDP averaged a 1.9 percent year-over-year rate, up from Fiscal Year 2016's 1.8 percent rate. Meanwhile, the unemployment rate ended the fiscal year at 4.4 percent, down from the 4.9 rate at the end of Fiscal Year 2016. During the course of the fiscal year, approximately 2.2 million people were added to payrolls.

### Performance Summary

For the one-year period ending June 30, 2017, STIF reported an annual total return of 0.61 percent, net of all expenses and \$4.7 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 0.49 percent, by 12 basis points. In addition, STIF's performance also exceeded that of three-month T-Bills, which yielded 0.57 percent. The Fund's performance fell short of three-month CDs, which yielded, on average, 1.09 percent but lack STIF's daily liquidity and exceed STIF's average maturity. STIF's relative performance was limited by the Fund's more cautious investment strategy that is focused on safety and liquidity.

The principal reasons for STIF's continued strong performance, despite its cautious strategy, was the selective addition of more bank deposit instruments and the active management of maturities within the portfolio as well as the low overall expense rate.

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 0.35 percent, 0.27 percent, 0.25 percent, and 0.76 percent, net of all expenses and contributions to reserves, exceeding returns of its primary benchmark 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 \$10.8 million at June 30, 2017, versus \$10.6 million for a hypothetical investment in the MFR Index. (See Figure 15-6.) During the past ten years, STIF has earned \$66.5 million above its benchmark while adding \$28.8 million to its reserves.

### 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 reserves are available to protect against security defaults or the erosion of security values due to dramatic and unforeseen market changes. As the primary 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.



## CASH MANAGEMENT DIVISION

Figure 15-1

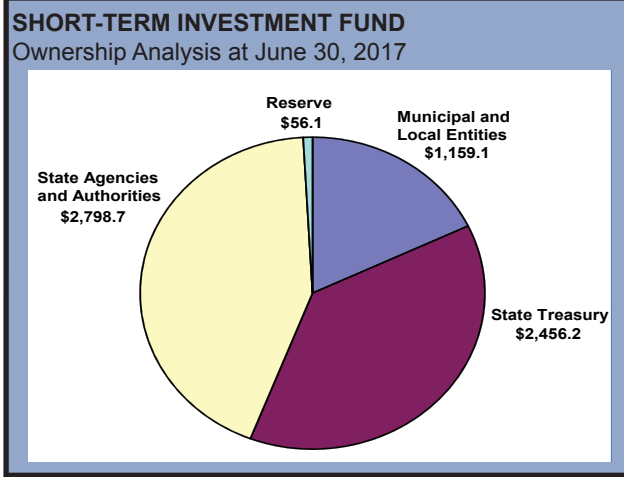


Figure 15-2

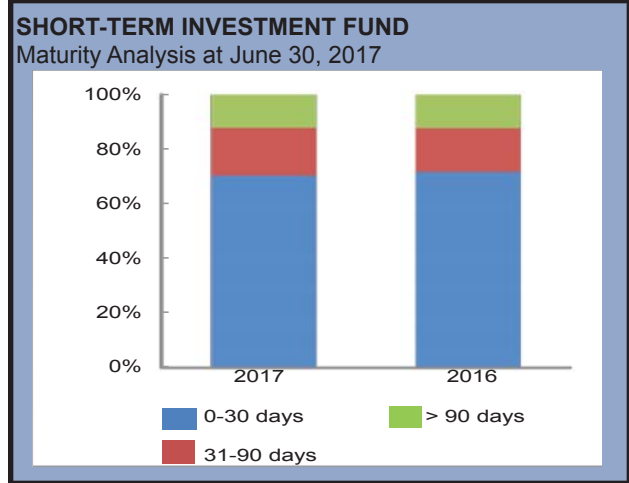


Figure 15-3

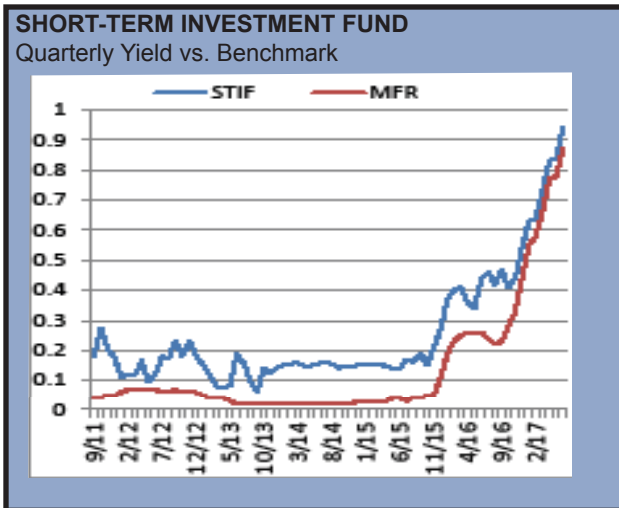
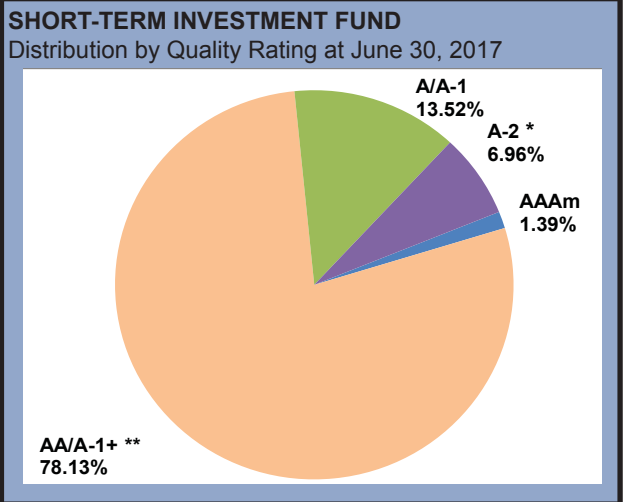


Figure 15-4



\*A-2 securities are backed by irrevocable standby letters of credit provided by federal home loan banks.

\*\*AA/A-1+ Includes federal agency and U.S. Govt/Govt Guaranteed Securities and repurchase agreements backed by such securities.

Figure 15-5

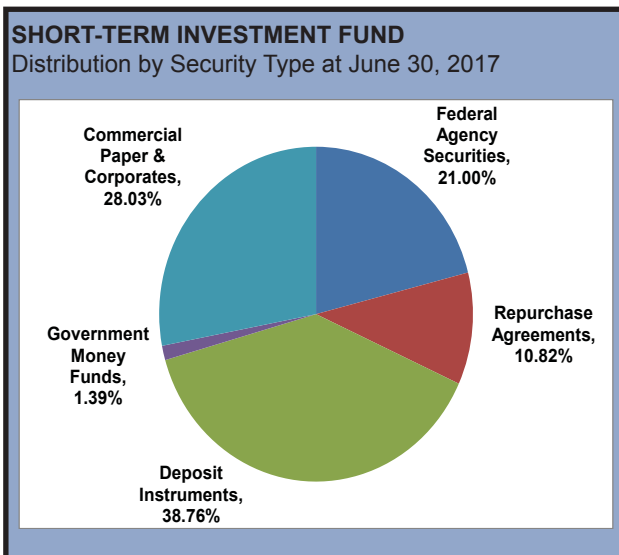


Figure 15-6

### SHORT-TERM INVESTMENT FUND

Period ending June 30, 2017

	1 Yr	3 Yrs	5 Yrs	7 Yrs	10 Yrs
<b>Compounded Annual Total Return (%)</b>					
STIF	0.61	0.35	0.27	0.26	0.76
MFR Index*	0.49	0.22	0.15	0.12	0.62
Fed. Three-Month T-Bill	0.57	0.26	0.18	0.15	0.46
<b>Cumulative Total Return (%)</b>					
STIF	0.61	1.05	1.35	1.75	7.89
MFR Index*	0.49	0.67	0.74	0.87	6.35
Fed. Three-Month T-Bill	0.57	0.78	0.91	1.08	4.71

STIF uses a time-weighted linked rate of return formula to calculate rates of return.

\*Represents iMoneyNet Money Fund Average™ - Rated First Tier Institutional Average (MFR) Index.

# 2017

## unclaimed property division

### Division Overview

The Office of the Treasurer's Unclaimed Property Division is responsible for safeguarding assets turned over to the Office in accordance with state law, until the rightful owners are located. The primary objective of the unclaimed property program is to reunite rightful owners or heirs with their unclaimed property, which is remitted to the Office of the Treasurer by business entities after the business loses contact with a customer for a period of three to five years. Unclaimed assets include, but are not limited to: deposits in savings or checking accounts, un-cashed checks, matured certificates of deposit, stocks, bonds or mutual funds, travelers' checks or money orders and proceeds of life insurance policies.

A permanent record of reports of unclaimed property filed annually by holders of such property is maintained by the Division. Unclaimed property holders include banks, credit unions, insurance companies, brokerage firms, utility companies, and businesses. The Division prescribes holder report forms and monitors reporting by holders. Such assets must be reported and remitted within 90 days following the close of each calendar year. These assets are held in the custody of the Treasurer until claimants come forward to claim the property. Rightful owners or their heirs always have the right to claim funds held by the Treasury. There is no time limit to claim funds.

To determine whether a holder is complying with its duties under the law, the Division is permitted to conduct examinations of company records. Upon receipt of unclaimed securities (stocks and mutual funds), the Treasurer may proceed with the sale of the securities and retains the proceeds for the benefit of the owner of the property.

Efforts to locate the owners of abandoned property include a biannual publication listing abandoned property reported and transferred to the Treasurer. The Division also maintains a user friendly website that is updated with new names weekly.

The Unclaimed Property Division consists of 22 employees under the direction of an Assistant Treasurer.

### The Year in Review

- As of June 30, 2017 the unclaimed property website contained \$809 million in escheated property held for 1,459,367 owners.
- There were 2.9 million shares (estimated value of \$4.2 million) (Figure 16-1) in the custodian account as of June 30, 2017.
- All holder reports received through June 30, 2017 were loaded to the database.

### 2017 Division Performance

During Fiscal Year 2017, the Unclaimed Property Division:

- Returned \$41 million (Figure 16-2) to 16,670 rightful owners (Figure 16-3).
- Received over \$129 million in unclaimed property (Figure 16-4) of which \$88 million was voluntarily reported by businesses, \$12 million from examinations of company records and \$29 million from the sale of 1.7million shares of securities.

## UNCLAIMED PROPERTY DIVISION

- Since 1999, the Unclaimed Property Division has received a total of \$1 billion in unclaimed property voluntarily reported by holders, an additional \$268 million from examinations and \$497 million from the sale of stocks, bonds or mutual funds, or \$1.8 billion in total. During the same period, it returned \$652.7 million to rightful owners.
- All unclaimed property receipts are initially deposited into the General Fund until rightful owners come forward to claim the property. During Fiscal year 2017, in compliance with Connecticut General Statute section 3-69a (a) (2), \$11,428,647 of unclaimed property receipts were transferred to the Citizen's Election Fund leaving a balance of \$71 million in the General Fund.

Figure 16-1

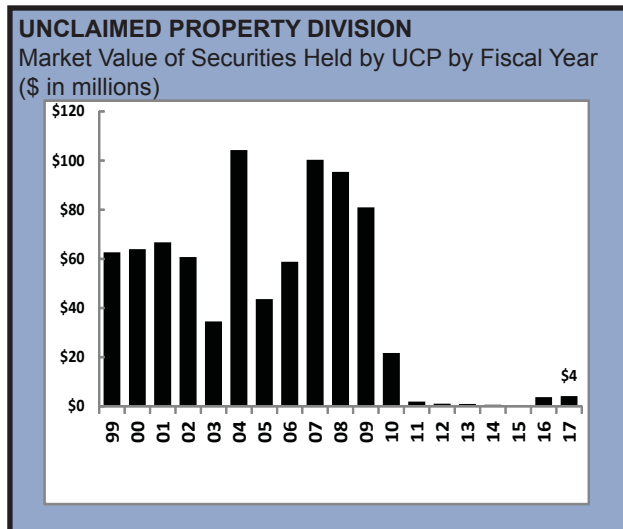


Figure 16-2

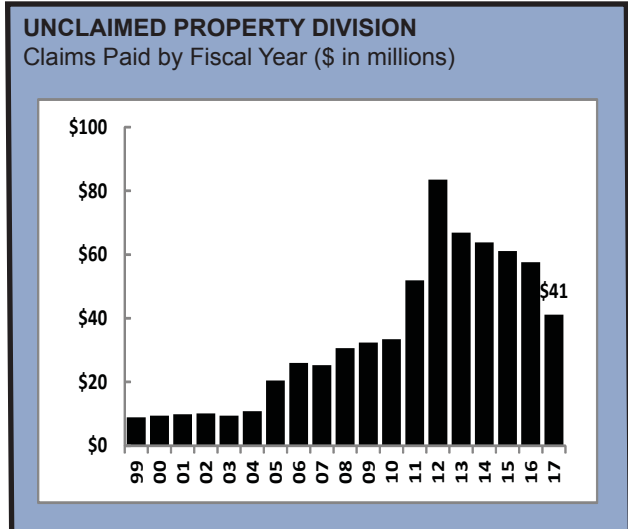


Figure 16-3

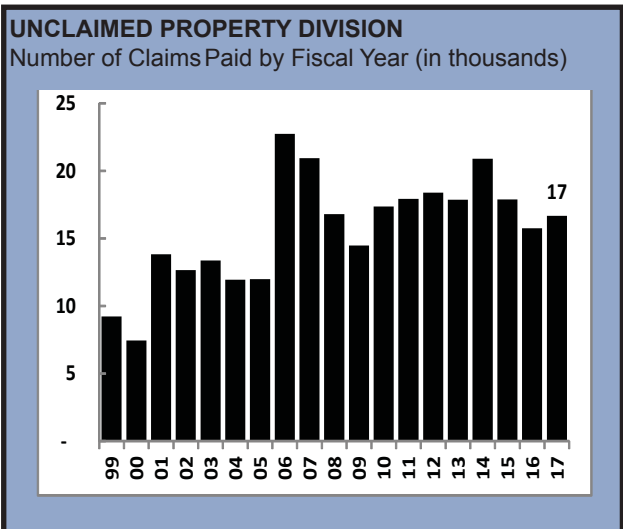
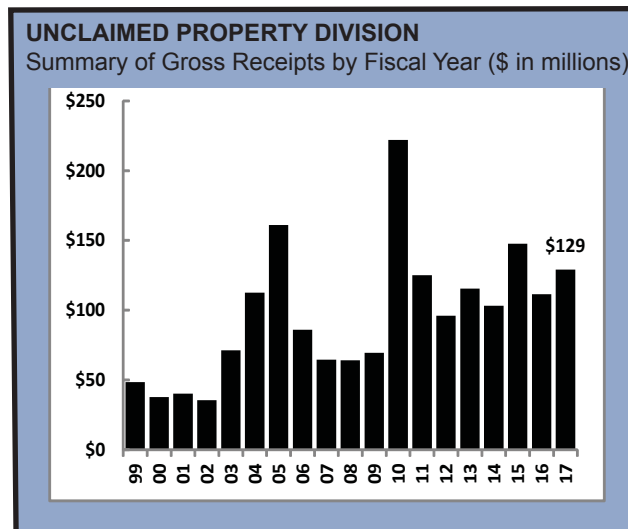


Figure 16-4



# 2017

## second injury fund

### Division Overview

The Second Injury Fund (SIF or the Fund) is 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. Public Act 95-277 closed the Fund to new "second injury" claims for injuries sustained on or after July 1, 1995 and expanded enforcement, fines and penalties against employers who fail to provide workers' compensation coverage. 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 if certain criteria were met under the Connecticut Workers' Compensation Act (thus the term "Second Injury Fund").

Today the Fund continues to be liable for those claims transferred prior to the closing of the Fund as well as claims involving uninsured employers, reimbursement of cost of living adjustments for certain injuries involving payment of benefits or dependent spouse'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.

The Fund is responsible for adjudicating qualifying workers' compensation claims fairly and in accordance with applicable law, industry standards and best practices. Where possible, the Fund seeks to return injured workers to gainful employment or seeks settlement of claims, which will ultimately reduce the burden of Fund liabilities on Connecticut businesses.

The Second Injury Fund is financed by assessments on all Connecticut employers. The State Treasurer, as Custodian of the Fund, establishes the assessment rate on or before May 1st of each year.

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

Under the administration of an Assistant Treasurer, the division employed 33 employees.

### The Year in Review

- There were four assessments made on insured employers totaling \$33.1 million and self-insured employers were assessed four times totaling \$6.1 million, for a combined assessment on all Connecticut employers of \$39.2 million for Fiscal Year 2017. The assessment rate for insured employers is 2.75 percent and 3.25 percent for self-insured employers in Fiscal Year 2017. Assessment rates on Connecticut businesses went from a high in 1999 of 10 percent to 2.75 percent in Fiscal Year 2010 through the present.
- Reserves (estimated unfunded liability) for all open claims total \$340 million, a decrease of \$21 million from a year ago. The Fund expects the unfunded liabilities will continue to decline in Fiscal Year 2018. (See figure 17-1). The Fund reduced its unfunded liability by 59.4% from a high of \$838 million in 1999.

### 2017 Division Performance

During fiscal year 2017 the Second Injury Fund:

- Marked the nineteenth consecutive year in which the Fund either reduced or maintained assessment rates for Connecticut businesses – representing the longest period of time without a rate increase in the history of the Fund;
- Provided \$26.2 million in indemnity, medical and settlement payments to injured workers;

## SECOND INJURY FUND

- Saw the number of injured workers receiving bi-weekly benefits (indemnity payments only) decreased from 260 a year ago to 248;
- Participated in 184 settlements at a cost of \$3.5 million. Since 1999 the Fund's caseload dropped from 4,523 to 2,744 as of June 30, 2017 (See figure 17-2);
- Realized a total savings of \$2.7 million in medical costs using a Preferred Provider Organization Network offered by contracted medical vendors;
- Worked with the Second Injury Fund Advisory Board to help the Fund carry out its mission.

## Second Injury Fund Advisory Board

Two meetings were held during Fiscal Year 2017 – December 6, 2016 and June 14 2017.

As of July 1, 2017 the Advisory Board members are:

State Senator Ed Gomes; Co-Chair, Labor and Public Employees Committee of the General Assembly

State Senator Craig Minor; Co-Chair, Labor and Public Employees Committee of the General Assembly

State Representative Robyn Porter; Co-Chair, Labor and Public Employees Committee of the General Assembly

Lori Pelletier; Connecticut AFL-CIO, Advisory Board Chairperson.

Clifford G. Leach; The Hartford Financial Services Group, Inc

Dorothy Siniscalchi; International Union of Operating Engineers Local 478 Benefits Funds

Kathleen Cooper; Greater Hartford Chapter of the Coalition of Black Trade Unionists

Ana Matthews; Eversource Energy

Eric Gjede; Connecticut Business and Industry Association

Figure 17-1

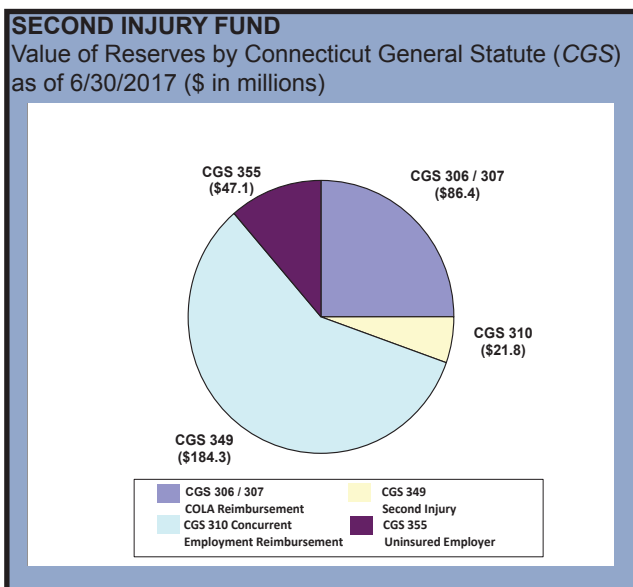
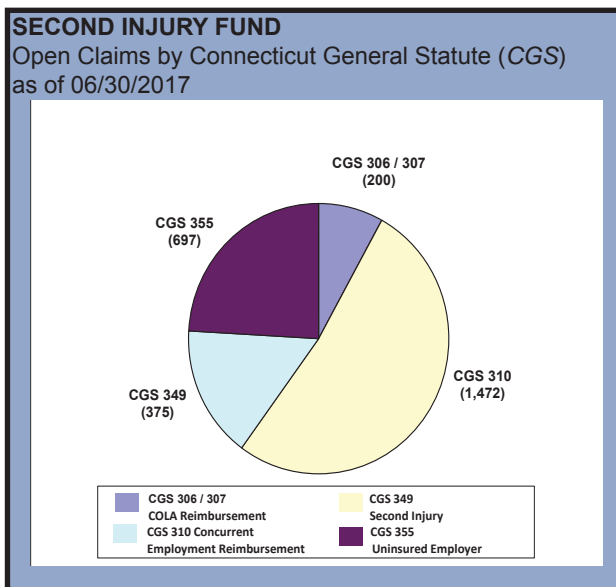


Figure 17-2



## Trust Overview

### Establishment of the Trust

The Connecticut Higher Education Trust (CHET or Trust) is a Qualified State Tuition Program established pursuant to Section 529 of the Internal Revenue Code. CHET 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 is not a department, institution or agency of the State.

CHET is a trust, available for families to save and invest for higher education expenses. It is privately managed under the supervision of the State Treasurer as Trustee. Current Internal Revenue Service regulations provide that total contributions to an individual account may not exceed the amount determined by actuarial estimates as necessary to pay qualified higher education expenses of the designated beneficiary for five years of undergraduate enrollment at the highest cost institution allowed by the program. CHET's account balance limit for contributions is \$300,000 per beneficiary, whether held in CHET Direct, CHET Advisor, or both.

While money is invested in CHET, there are no federal or state taxes on investment 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. Investment 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.

### State Income Tax Deduction

The state income tax deduction for CHET, which became effective 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.

### Direct-Sold Program

Since 1999, TIAA-CREF Tuition Financing, Inc. (TFI), a wholly-owned subsidiary of Teachers Insurance and Annuity Association of America (TIAA), has served as program manager. In 2014, the Treasurer entered into an agreement with TFI for the CHET Direct program for a contract period ending in August 2020.

Under CHET Direct, an individual opens the account directly, names a beneficiary (e.g., a child), and selects the investment option(s) in which the individual wants to invest contributions. Contributions may be allocated among fourteen investment options: the Moderate Managed Allocation Option, the Aggressive Managed Allocation Option, the Conservative Managed Allocation Option, the High Equity Balanced Option, the International Equity Index Option, the Global Equity Index Option, the U.S. Equity Index Option, the Index Fixed-Income Option, the Social Choice Option, the Active Fixed-Income Option, the Money Market Option, the Principal Plus Interest Option, the Active Global Equity Option, and the Global Tactical Asset Allocation Option. These options provide Connecticut families the opportunity to save for future college expenses, with the flexibility to choose investment vehicles that meet their particular risk tolerances and financial need.

Program features of CHET Direct include a low minimum account opening balance of \$25, and the convenience of automated payroll and bank Electronic Funds Transfers (EFT) for contributions, which can be as low as \$15 a pay period if using payroll deduction. The program allows for transferability of account funds to other eligible members of the original beneficiary's family without penalty. In addition, over 575 Connecticut employers currently offer payroll deduction.

## Advisor-Sold Program

In 2010, the Treasurer entered into a management agreement with The Hartford Life Insurance Company to serve as program manager for CHET Advisor through August 30, 2017. CHET Advisor commenced operation in October 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

CHET Advisor is not marketed directly to individuals. The Hartford has developed a network of financial advisors through the state that now offers CHET Advisor to clients as an investment option.

Under CHET Advisor there are 18 investment options, including one age-based option, 5 static portfolios, and 12 individual portfolios. The static portfolios are CHET Advisor Aggressive Growth, Growth, Balanced, Conservative, and a Checks & Balances Portfolio. The 12 Individual Portfolios are Hartford Small Cap Growth, Growth Opportunities, International Opportunities, Capital Appreciation, MidCap, Global Real Asset, Dividend & Growth, Equity Income, Inflation Plus, Total Return Bond, World Bond and Money Market 529 Portfolio. The Advisor-Sold plan has three investment classes: A, C, and E. Class A has an up-front sales charge, Class C has no up-front sales charge but has a contingent deferred sales charge for withdrawals made within one year of deposit, and Class E, which is only available to certain groups associated with The Hartford, has no sales charge or deferred sales charge.

There are annual management fees for both CHET Direct and CHET Advisor, which vary based on investment options chosen.

## The Year in Review

CHET continued initiatives aimed at increasing public education and awareness of the importance of saving for college and the advantages of the official state-sponsored 529 college plan for Connecticut families.

Both the CHET Direct program and the CHET Advisor program provide means of accumulating assets to pay for educational opportunities. Each program works to increase the number of new accounts and beneficiaries, even as existing CHET account holders begin to use accumulated savings to pay for the costs of higher education.

As a low-cost, direct-sold 529 college saving plan, CHET Direct's annual fees are among the lowest in the country. The fee structure includes a plan manager fee of 0.12 percent plus underlying mutual fund expenses that vary depending on the investment option chosen. There is also a state oversight fee to pay for the administrative expenses of the Trustee which is 0.01 percent for CHET Direct and 0.02 percent for CHET Advisor.

The CHET Direct program received high marks during the fiscal year from Morningstar, a leading independent investment research firm that monitors college savings plans across the country. In October 2016 CHET Direct was one of 14 direct-sold plans that received a "Bronze" medal rating, placing it among the top plans in the country.

### CHET Advisor

During Fiscal Year 2017, the number of accounts in the CHET Advisor program grew from 23,205 to 25,607. During the same period, total assets grew from \$385.7 million to \$481.5 million, with qualified withdrawals of \$28.2 million.

### CHET Direct

During Fiscal Year 2017, the number of accounts in the CHET Direct program grew from 107,680 to

115,145. During the same period, total assets grew from \$2.5 billion to \$2.8 billion, while supporting over \$1.48 billion of qualified withdrawals. Considerable progress has been achieved since 1999 when Treasurer Nappier began to supervise the management of CHET Direct. At that time there were just over 4,000 accounts and \$18.5 million in total assets.

Major marketing milestones in Fiscal Year 2017 included the continuation of CHET Advance Scholarship, a program funded annually by both TFI and The Hartford in accordance with their respective contracts with the Treasurer’s Office. In December 2016, a total of \$500,000 in scholarships were awarded to high school seniors and 9th graders, providing a total of 200 scholarships split evenly between the two groups. For the freshmen students, the scholarship includes an incentive savings component, whereby families are encouraged to open an individual CHET account and save at least \$500 by the time the child graduates high school to qualify for the full scholarship of \$2,500.

In addition, the CHET Baby Scholars partnership with the Connecticut Department of Public Health continued to generate new accounts. Connecticut’s birth certificate applications include information about CHET Baby Scholars, and have resulted in 2,460 new accounts opened during Fiscal Year 2017. Since the program’s inception in 2014, over 5,850 CHET Baby Scholars accounts have been opened, representing a total investment of \$17 million by Connecticut families who have started saving early for future college costs.

CHET also continued the annual Dream Big! essay and drawing competition for elementary and middle school students, rounding out CHET’s major initiatives and ensuring that the programs reach families with children of all ages from birth to college-age. Integrated advertising and direct marketing campaigns ran throughout the year, focusing on tax time, graduation time, back-to-school and year-end contributions. CHET’s advertising and direct marketing efforts served to increase CHET’s brand awareness among state residents. The campaigns focused on the value of saving for college and the specific benefits of Connecticut’s 529 college savings program.

## CHET Advisory Committee

State law created the CHET Advisory Committee, which meets annually pursuant to section 3-22e of the Connecticut General Statutes.

The Committee consists of the State Treasurer; the Executive Director of the Office of Higher Education; the Secretary of the Office of Policy and Management; 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); 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 Regents for 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.

Two meetings of the Advisory Committee were held in Fiscal Year 2017: the first, on November 22, 2016; and the second, on March 30, 2017. At these meetings, both The Hartford and TIAA presented proposed changes to investment options for CHET, and there were discussions around fee savings and the marketing of each program. Minutes of these meetings are available on the Treasury’s website.

Members of the Advisory Committee as of the meeting held on November 22, 2016 were as follows:

**DENISE L. NAPPIER**, State Treasurer

**BENJAMIN BARNES**, Secretary, Office of Policy and Management

**KEITH M. NORTON**, Executive Director, Office of Higher Education

**STATE SEN. GAYLE SLOSSBERG**, Senate Chair, Education Committee

**STATE REP. ANDREW M. FLEISCHMANN**, House Chair, Education Committee

**STATE SEN. ANTONEIETTA “TONI” BOUCHER**, Senate Ranking Member, Education Committee



## CONNECTICUT HIGHER EDUCATION TRUST

**STATE REP. GAIL LAVIELLE**, House Raking Member, Education Committee

**STATE SEN. JOHN FONFARA**, Senate Chair, Finance, Revenue and Bonding Committee

**STATE REP. JEFFREY BERGER**, House Chair, Finance, Revenue and Bonding Committee

**STATE SEN. SCOTT FRANTZ**, Senate Ranking Member, Finance, Revenue and Bonding Committee

**STATE REP. CHRISTOPHER DAVIS**, House Ranking Member, Finance, Revenue and Bonding Committee

**MARGARET MALASPINA** , Director of Financial Aid, Capitol Community College

**PATRICK TORRE**, Vice President Finance, University of New Haven

**JULIE SAVINO**, Dean of Student Financial Assistance, Sacred Heart University

**ROSE ELLIS**, Dean of Admission, Norwalk Community College

Members of the Advisory Committee as of the meeting held on March 30, 2017 were as follows:

**DENISE L. NAPPIER**, State Treasurer

**BENJAMIN BARNES**, Secretary, Office of Policy and Management

**KEITH M. NORTON**, Executive Director, Office of Higher Education

**STATE SEN. GAYLE SLOSSBERG**, Senate Chair, Education Committee

**STATE REP. ANDREW M. FLEISCHMANN**, House Chair, Education Committee

**STATE SEN. ANTONIETTA "TONI" BOUCHER**, Senate Ranking Member, Education Committee

**STATE REP. GAIL LAVIELLE**, House Raking Member, Education Committee

**STATE SEN. JOHN FONFARA**, Senate Chair, Finance, Revenue and Bonding Committee

**STATE REP. JASON ROJAS**, House Chair, Finance, Revenue and Bonding Committee

**STATE SEN. SCOTT FRANTZ**, Senate Ranking Member, Finance, Revenue and Bonding Committee

**STATE REP. CHRISTOPHER DAVIS**, House Ranking Member, Finance, Revenue and Bonding Committee

**MARGARET MALASPINA** , Director of Financial Aid, Capitol Community College

**PATRICK TORRE**, Vice President Finance, University of New Haven

**JULIE SAVINO**, Dean of Student Financial Assistance, Sacred Heart University

**ROSE ELLIS**, Dean of Admission, Norwalk Community College

# 2017 ABLE program

## **Achieving A Better Life Experience (ABLE) Trust**

Pursuant to Section 3-39k(e) of the Connecticut General Statutes, set forth below is the annual report of the Achieving a Better Life Experience (ABLE) Trust for the fiscal year ending June 30, 2017.

### **Background**

In 2014, the U.S. Congress passed the ABLE Act, a framework that would allow persons with disabilities who are on Supplemental Security Income (SSI) to amass assets without putting benefits at risk. The Act created 529(a) accounts as a subset of the 529 college savings program. Many of the tax advantages offered through 529 accounts are available in ABLE 529(a) accounts, including exempting investment earnings from federal and state income taxes. This federal legislation required states to enact their own statutory frameworks for establishing programs for their respective state residents.

Accordingly, in 2015 Connecticut passed Public Act 15-80, An Act Implementing the Recommendations of the Program Review and Investigations Committee Concerning the Federal Achieving a Better Life Experience Act (Public Act). Mirroring the federal legislation, it allows families to accumulate assets for expenses without affecting state and federally mandated maximums to qualify for governmental services. The Public Act designated the State Treasurer as Trustee of the ABLE program with the responsibility to establish a federally qualified ABLE program and administer individual ABLE accounts. The Public Act was passed without an appropriation of funds for implementation.

In an effort to implement an ABLE Program in Connecticut that meets the objectives of the federal mandate, the Office of the Treasurer formed an advisory committee comprised of 20 individuals with relevant experience, including those who have served as disability advocates, representatives of key constituencies and organizations for persons with disabilities, and leaders of state agencies with purview over disability issues.

### **Status of Connecticut's ABLE Program**

The Office of the Treasurer and the ABLE Advisory Committee met throughout the 2017 fiscal year to consider various options for structuring Connecticut's program to most effectively serve the greatest number of eligible citizens. On December 30, 2016, pursuant to Public Act 16-65, the Office of the Treasurer submitted to the Joint Committee on Banking of the Connecticut General Assembly a Report on Aspects of the Achieving a Better Life Experience (ABLE) Program. The report prompted the Banking Committee to file House Bill 7032, An Act Regarding the Office of the State Treasurer's Recommended Revisions to the Achieving a Better Life Experience Program, later passed by the Senate on June 6, 2017 in concurrence with the House and codified as Public Act 17-124. The Act allows Connecticut to establish its ABLE program in partnership with another state.

In April, the Treasury issued a request for information in search of a state with an established ABLE program to launch its own ABLE program. As of June 30, 2017, the Office of the Treasurer, in consultation with the ABLE Advisory Committee, was in the process of evaluating responses. The Office of the Treasurer expects to announce Connecticut's ABLE partner in the fall of 2017.

To date, Connecticut's ABLE Trust has yet to be formally established. Consequently, there are no ABLE accounts within the Trust, there have been no contributions made or accepted and, as a result, no distributions. Connecticut residents can, however, open ABLE accounts with programs sponsored by any other state.

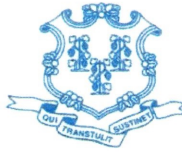
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# Financial Statements

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# STATE OF CONNECTICUT



## AUDITORS OF PUBLIC ACCOUNTS

State Capitol  
210 Capitol Avenue  
Hartford, Connecticut 06106-1559

JOHN C. GERAGOSIAN

ROBERT J. KANE

### **INDEPENDENT AUDITORS' REPORT AND STATUTORY CERTIFICATION**

Dannel P. Malloy, Governor of Connecticut  
Members of the General Assembly:

#### **Report on the Financial Statements and Schedules included in the Treasurer's Annual Report**

We have audited the accompanying financial statements of the Combined Investment Funds, which comprise the statement of net position as of June 30, 2017, the statements of changes in net position for the fiscal years ended June 30, 2017 and 2016, and the related notes to the financial statements. We have audited the accompanying financial statements of the Short-Term Investment Fund, which comprise the statement of net position, including the list of investments as of June 30, 2017, the statements of changes in net position for the fiscal years ended June 30, 2017 and 2016, and the related notes to the financial statements. We have audited the accompanying financial statements of the Second Injury Fund, which comprise the statements of net position as of June 30, 2017 and 2016 and the related statements of revenues, expenses and changes in net position and the statements of cash flows for the fiscal years ended June 30, 2017 and 2016, and the related notes to the financial statements. We have audited the accompanying statements of net position of the other Non-Civil List Trust Funds as of June 30, 2017, together with the related statement of revenue and expenditures, and statement of changes in net position and the statement of cash flows for the other Non-Civil List Trust Funds and the related notes to the financial statements for the fiscal year ended June 30, 2017. We have audited the accompanying schedules of Civil List Funds investments and the summary schedule of cash receipts and disbursements of the Civil List Funds for the fiscal year ended June 30, 2017. We have audited the accompanying schedule of debt outstanding and the changes in debt outstanding for the fiscal year ended June 30, 2017.

#### ***Management's Responsibility***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk

assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

As described in the notes to the financial schedules, management has prepared the schedules of Civil List Funds investments and the summary schedule of cash receipts and disbursements of the Civil List Funds as well as the schedule of debt outstanding and the changes in debt outstanding using accounting practices prescribed by the State Comptroller, which practices differ from accounting principles generally accepted in the United States of America. Management has not included accrued interest earned in the presentation of the Civil List Funds. Management has not presented the current portion of long-term debt obligations in accordance with Generally Accepted Accounting Principles. The effects on the financial schedules of the variances between these statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### ***Opinion***

#### ***Debt Outstanding and Changes in Debt Outstanding and Civil List Funds***

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the schedules of the Civil List Fund investments, the summary schedule of cash receipts and disbursements of the Civil List Funds, the schedule of debt outstanding, and the changes in debt outstanding as of and for the fiscal year ended June 30, 2017, do not present fairly in conformity with accounting principles generally accepted in the United States of America the financial position or changes in financial position for the fiscal year ended June 30, 2017. In our opinion, the schedules of the Civil List Fund investment, the Summary schedule of cash receipts and disbursements of the Civil List Funds, the schedule of debt outstanding and the changes in debt outstanding as of and for the fiscal year ended June 30, 2017, are presented fairly in all material respects, in accordance with the financial and budgetary requirements referred to as the statutory basis of accounting and described within the related notes to those schedules.

#### ***Combined Investment, Short-Term Investment Funds, Second Injury Fund and the Other Non-Civil List Trust Funds***

In our opinion, the financial statements the financial position of the Combined Investment Funds as of June 30, 2017, and the related statements of changes in net position for the fiscal years ended June 30, 2017 and 2016, the statement of net position of the Short-Term Investment Fund, including the list of investments, as of June 30, 2017, and the related statements of changes in net position for the fiscal years ended June 30, 2017 and 2016, the statements of net position of the Second Injury Fund as of June 30, 2017 and 2016, and the related statements of revenues, expenses and changes in net position and the statements of cash flows for the fiscal years then ended, and the statements of net position of other Non-Civil List Trust Funds as of June 30, 2017, and the related statements of revenue and expenditures, statement of changes in net position and the statement of cash flows for the fiscal year then ended, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

### ***Emphasis of Matter***

As explained in Note 1B to the financial statements of the combined investment funds, the real estate, private investment, alternative investment, and core fixed income funds include investments that are carried at the investment advisors' June 30, 2017 fair value, or net asset value equivalent. The Treasurer's staff reviews the estimated fair values provided by the investment advisors for reasonableness. In those instances in which an advisor's value appears to be overstated, this estimated fair value is adjusted accordingly. We reviewed the documentation and procedures used by the Treasury to determine the fair values, and found them to be appropriate and reasonable; however, because of the inherent uncertainty in valuing these investments,

determination of the estimated fair value market values may differ from the actual values had a ready market existed for these investments. Our opinion is not modified with respect to this matter.

As discussed in the notes to the financial statements and schedules, the financial statements or schedules of the Combined Investment Funds, Short-Term Investment Fund, Second Injury Fund, Non-Civil List Trust Funds, and Civil List Funds referred to in the first paragraph are intended to present only the funds and accounts administered by the Office of the State Treasurer. They do not purport to, and do not, present fairly the financial position of the State of Connecticut as of June 30, 2017, and the changes in financial position for the fiscal years end June 30, 2017 and 2016, or where applicable, its cash flows for the fiscal year ended June 30, 2017, in conformity with generally accepted accounting principles in the United States of America. Our opinion is not modified with respect to this matter.

#### ***Report of Other Auditors***

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

#### ***Other Matters***

##### ***Required Supplementary Information***

Management's Discussion and Analysis, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

##### ***Supplementary Information***

Our audit was made for the purpose of forming an opinion on the financial statements of the Combined Investment Funds as a whole. Certain other financial information, which includes the Schedule of Net Position by Investment Fund, Schedules of Changes in Net Position by Investment Fund, Total Net Position Value by Pension Plans and Trust Funds and the Schedules of Investment Activity by Pension Plan and by Trust contained within the supplemental section of this document, is presented for purposes of additional analysis and is not a required part of the financial statements of the combined investment funds. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements of the combined investment funds and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

##### ***Other Information***

The introduction, division operation, supplemental information and the statutory appendix sections include information presented for purposes of additional analysis that is not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, except as specifically noted in this audit opinion. Accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2017, on our consideration of the State Treasury's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report will be issued under separate cover in the *Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and other matters based on an audit of Financial Statements Performed in Accordance with Government Auditing Standards for the fiscal year ended June 30, 2017*, and is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. This particular certification is issued by the Auditors of Public Accounts and the State Comptroller in accordance with Section 2-90 of the Connecticut General Statutes.



John C. Geragosian  
State Auditor



Robert J. Kane  
State Auditor



Kevin Lembo  
State Comptroller

December 29, 2017  
State Capitol  
Hartford, Connecticut



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2017. 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 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 State Treasurer is the chief elected financial officer of the State of Connecticut, overseeing a wide variety of activities regarding the prudent conservation and management of State funds. These include as of June 30, 2017 the asset investment administration of a \$32.5 billion portfolio for the Connecticut Retirement Plans and Trust Funds, the \$6.5 billion Short-Term Investment Fund, and the \$3.3 billion Connecticut Higher Education Trust (Direct Plan and Advisor Plan), a qualified state tuition program designed to promote and enhance affordability and accessibility of higher education to State residents.

The organizational structure of the Treasury comprises an Executive Office which coordinates all financial reporting, administration and support functions within the Treasury, and oversees administration of the Connecticut Higher Education Trust, and five divisions including: Pension Funds Management responsible for managing the assets of active and retired 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 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 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, Connecticut Higher Education Trust, escheat securities private purpose trust fund held for others (Unclaimed Property), and the Second Injury Fund.

**Combined Investment Funds and Short-Term Investment Funds:** The Statement of Net Position and the Statement of Changes in Net Position 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 Position presents assets and liabilities, with the difference between the two reported as "net position held in trust for participants".

The Statement of Changes in Net Position presents information showing how the 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 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. 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 (Direct Plan and Advisor Plan):** The Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position are two financial statements that report information about the Connecticut Higher Education Trust Program.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

**The Second Injury Fund:** The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position 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 2017

At June 30, 2017, the Combined Investment Funds reported net assets of \$32.5 billion. The Short-Term Investment Fund reported a fund balance of \$6.5 billion. These two funds account for 99 percent of the investments in the fiduciary funds managed by the Office of the Treasurer.

The Connecticut Retirement Plans and Trust Funds Fiscal Year 2017 performance resulted in a net position of \$32.5 billion at June 30, 2017 increasing from \$29.2 billion at June 30, 2016 primarily on the strength of the three equity market funds, Developed Markets International Stock Fund return of 24.81 percent, Emerging Markets International Stock Fund return of 23.00 percent and Mutual Equity Fund return of 19.26 percent, which represent 51 percent of holdings. Total returns are calculated after reflecting management fees, other pension fund operating expenses, distributions, and net withdrawals primarily for benefit payments.

The Short-Term Investment Fund, at June 30, 2017, achieved an annual return of 0.61 percent, exceeding its primary benchmark by 12 basis points, thereby earning an additional \$6.4 million in interest income for the state, state agencies and municipalities and their taxpayers while also adding \$4.7 million to its reserves. At the end of the 2017 Fiscal Year, the Short-Term Investment Fund had \$6.5 billion in assets under management, \$1.6 billion more than the prior year.

The Treasury refunded or defeased \$922 million of various bonds in 2017. Since January 1999, debt refunding and defeasances have produced \$1.2 billion in debt service savings.

The Connecticut Higher Education Trust (CHET) Direct Plan held 115,145 accounts with total assets of \$2.8 billion at the end of the 2017 Fiscal Year compared to over 107,680 accounts and \$2.5 billion in assets in the prior fiscal year. The Connecticut Higher Education Trust (CHET) Advisor plan held 25,607 accounts with total assets of \$481 million at the end of the 2017 Fiscal Year compared to 23,205 accounts and \$386 million in assets in the prior fiscal year.

The Office of the Treasurer recovered \$1.6 million in the fiscal year from class action lawsuits and \$50 million since 2000 when the Treasury asset recovery and loss prevention program was initiated.

### CONDENSED FINANCIAL INFORMATION

**Combined Investment Funds** represent investments available to the pension funds of the State employees and teachers, municipal employees, as well as academic programs, grants and initiatives throughout the State.

#### ***Net Position and Changes in Net Position***

The net position of the Combined Investment Funds at the close of the 2017 Fiscal Year was \$32.5 billion, an increase of \$3.3 billion from the previous year. The change in net position resulted from a \$4.1 billion increase from operations (realized and unrealized gains and investment income) partly offset by \$0.8 billion of net redemptions from the Combined Investment Funds.

The net position of the Combined Investment Funds at the close of the 2016 Fiscal Year was \$29.2 billion, a decrease of \$0.6 billion from the previous year. The change in net position resulted from a minor increase from operations (realized and unrealized gains and investment income) partly offset by \$0.6 billion of net cash withdrawals from the Combined Investment Funds.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Table 1 - Net Position**

Assets	2017	Increase (Decrease)	2016	Increase (Decrease)	2015
Investments at Fair Value	\$32,568,375,166	\$3,362,320,165	\$29,206,055,001	\$(764,201,850)	\$29,970,256,851
Cash, Receivables and Other	10,300,741,694	(4,597,191,581)	14,897,933,275	4,289,147,010	10,608,786,265
Total Assets	42,869,116,860	(1,234,871,416)	44,103,988,276	3,524,945,160	40,579,043,116
Liabilities	(10,321,246,846)	4,536,821,669	(14,858,068,515)	(4,146,001,915)	(10,712,066,600)
Net Position	<u>\$32,547,870,014</u>	<u>\$3,301,950,253</u>	<u>\$29,245,919,761</u>	<u>\$(621,056,755)</u>	<u>\$29,866,976,516</u>

**Table 2 - Changes in Net Position**

Additions	2017	Increase (Decrease)	2016	Increase (Decrease)	2015
Dividends	\$510,388,935	\$50,435,311	\$459,953,624	\$(42,960,324)	502,913,948
Interest	308,532,848	(28,740,648)	337,273,496	75,263,268	262,010,228
Securities Lending & Other Income	48,252,029	19,482,997	28,769,032	6,012,543	22,756,489
Total Investment Income	867,173,812	41,177,660	825,996,152	38,315,487	787,680,665
Total Investment Expenses	99,529,828	8,875,246	90,654,582	3,156,155	87,498,427
Net Investment Income	767,643,984	32,302,414	735,341,570	35,159,332	700,182,238
Net Increase (Decrease) in Fair Value of Investments and Foreign Currency	3,332,743,095	4,052,859,827	(720,116,732)	(933,063,096)	212,946,364
Net Increase (Decrease) in Net Position resulting from operations	4,100,387,079	4,085,162,241	15,224,838	(897,903,764)	913,128,602
Purchase of Units by Participants	2,687,016,102	222,634,561	2,464,381,541	(546,025,125)	3,010,406,666
Total Additions	6,787,403,181	4,307,796,802	2,479,606,379	(1,443,928,889)	3,923,535,268
Deductions					
Administrative Expense	4,000,655	(602,017)	4,602,672	(19,373)	4,622,045
Distribution of Income to Unit Owners	24,306,542	10,836,504	13,470,038	4,006,919	9,463,119
Redemption of Units by Participants	3,457,145,731	374,555,307	3,082,590,424	(514,008,330)	3,596,598,754
Total Deductions	3,485,452,928	384,789,794	3,100,663,134	(510,020,784)	3,610,683,918
Change in Net Position	3,301,950,253	3,923,007,008	(621,056,755)	(933,908,105)	312,851,350
Net Position – Beginning of year	29,245,919,761	(621,056,755)	29,866,976,516	312,851,350	29,554,125,166
Net Position – End of year	<u>\$32,547,870,014</u>	<u>\$3,301,950,253</u>	<u>\$29,245,919,761</u>	<u>\$(621,056,755)</u>	<u>\$29,866,976,516</u>

**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 Position and Change in Net Position**

The net position in the Short-Term Investment Fund at the close of the 2017 Fiscal Year was \$6.5 billion, versus \$4.9 billion the previous year. General financial market conditions produced an annual total return of 0.61 percent, net of operating expenses and allocations to Fund reserves. The annual total return exceeded that achieved by its benchmark by 12 basis points, resulting in \$6.4 million in additional interest income for Connecticut governments and their taxpayers while also adding \$4.7 million to its reserves.

The net position in the Short-Term Investment Fund at the close of the 2016 Fiscal Year was \$4.9 billion, versus \$5.0 billion the previous year. General financial market conditions produced an annual total return of 0.29 percent, net of operating expenses and allocations to Fund reserves. The annual total return exceeded that achieved by its benchmark by 14 basis points, resulting in \$7.0 million in additional interest income for Connecticut governments and their taxpayers while also adding \$0.9 million to its reserves.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Table 3 - Net Position**

Assets	2017	Increase (Decrease)	2016	Increase (Decrease)	2015
Investments in Securities, at Amortized Cost	\$6,469,928,464	\$1,572,487,214	\$4,897,441,250	\$(135,596,497)	\$5,033,037,747
Receivables and Other	4,747,145	(2,580,162)	7,327,307	2,248,010	5,079,297
<b>Total Assets</b>	<b>6,474,675,609</b>	<b>1,569,907,052</b>	<b>4,904,768,557</b>	<b>(133,348,847)</b>	<b>5,038,117,044</b>
Liabilities	(4,587,265)	(2,827,591)	(1,759,674)	(1,187,525)	(572,149)
<b>Net Position</b>	<b>\$6,470,088,344</b>	<b>\$1,567,079,461</b>	<b>\$4,903,008,883</b>	<b>\$(134,536,012)</b>	<b>\$5,037,544,895</b>

**Table 4 - Changes in Net Position**

Additions	2017	Increase (Decrease)	2016	Increase (Decrease)	2015
Interest Income	\$42,329,919	\$25,200,467	\$17,129,452	\$8,532,268	\$8,597,184
Net Realized Gains	30,747	25,777	4,970	1,081	3,889
<b>Total Increase from Operations</b>	<b>42,360,666</b>	<b>25,226,244</b>	<b>17,134,422</b>	<b>8,533,349</b>	<b>8,601,073</b>
Purchase of Units by Participants	15,482,140,632	4,090,260,846	11,391,879,786	(1,998,683,013)	13,390,562,799
<b>Total Additions</b>	<b>15,524,501,298</b>	<b>4,115,487,090</b>	<b>11,409,014,208</b>	<b>(1,990,149,664)</b>	<b>13,399,163,872</b>
<b>Deductions</b>					
Distribution of Income to Participants	35,711,575	21,408,412	14,303,163	7,768,046	6,535,117
Redemption of Units by Participants	13,919,790,217	2,392,470,353	11,527,319,864	(1,037,067,029)	12,564,386,893
Operating Expenses	1,920,045	(7,148)	1,927,193	(103,772)	2,030,965
<b>Total Deductions</b>	<b>13,957,421,837</b>	<b>2,413,871,617</b>	<b>11,543,550,220</b>	<b>(1,029,402,756)</b>	<b>12,572,952,976</b>
<b>Change in Net Position</b>	<b>1,567,079,461</b>	<b>1,701,615,473</b>	<b>(134,536,012)</b>	<b>(960,746,980)</b>	<b>826,210,896</b>
Net Position – beginning of year	4,903,008,883	(134,536,012)	5,037,544,895	826,210,896	4,211,333,999
<b>Net Position – end of year</b>	<b>\$6,470,088,344</b>	<b>\$1,567,079,461</b>	<b>\$4,903,008,883</b>	<b>\$(134,536,012)</b>	<b>\$5,037,544,895</b>

### Connecticut Higher Education Trust

#### ***Fiduciary Net Position and Changes in Fiduciary Net Position (Direct Plan)***

Fiduciary Net Position of the Direct Plan at the close of the current fiscal year was \$2.8 billion, an increase of \$343.6 million from the previous year. Change in Fiduciary Net Position of the Direct Plan resulted from \$91 million of contributions to active accounts, net of redemptions, in addition to \$252.6 million of net investment.

Fiduciary Net Position of the Direct Plan at the close of the 2016 fiscal year was \$2.5 billion, an increase of \$84 million from the previous year. Change in Fiduciary Net Position of the Direct Plan resulted from \$87 million of contributions to active accounts, net of redemptions

**Table 5 - Fiduciary Net Position**

Assets	2017	Increase (Decrease)	2016	Increase (Decrease)	2015
Investments, at Fair Value	\$2,843,586,663	\$342,203,988	\$2,501,382,675	\$85,249,955	\$2,416,132,720
Cash, Receivables and Other	4,724,416	997,766	3,726,650	1,110,895	2,615,755
<b>Total Assets</b>	<b>2,848,311,079</b>	<b>343,201,754</b>	<b>2,505,109,325</b>	<b>86,360,850</b>	<b>2,418,748,475</b>
Liabilities	(4,989,187)	401,776	(5,390,963)	(2,194,189)	(3,196,774)
<b>Net Position</b>	<b>\$2,843,321,892</b>	<b>\$343,603,530</b>	<b>\$2,499,718,362</b>	<b>\$84,166,661</b>	<b>\$2,415,551,701</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Table 6 - Fiduciary Changes in Net Position**

	2017	Increase (Decrease)	2016	Increase (Decrease)	2015
Additions					
Subscriptions	\$960,028,855	\$106,993,443	\$853,035,412	\$2,117,484	\$850,917,928
Total investment income	55,397,894	5,819,925	49,577,969	(2,093,927)	51,671,896
Net increase (decrease) in Fair value of investments	<u>200,099,531</u>	<u>249,225,841</u>	<u>(49,126,310)</u>	<u>(29,325,968)</u>	<u>(19,800,342)</u>
Total additions	1,215,526,280	362,039,209	853,487,071	(29,302,411)	882,789,482
Deductions					
Redemptions	(868,840,702)	(102,879,133)	(765,961,569)	(9,925,728)	(756,035,841)
Plan management fee	(2,844,966)	301,983	(3,146,949)	(39,368)	(3,107,581)
Administrative fee	(237,082)	(25,190)	(211,892)	(4,717)	(207,175)
Total deductions	<u>(871,922,750)</u>	<u>(102,602,340)</u>	<u>(769,320,410)</u>	<u>(9,969,813)</u>	<u>(759,350,597)</u>
Change in Net Position	343,603,530	259,436,869	84,166,661	(39,272,224)	123,438,885
Net position – beginning of year	<u>2,499,718,362</u>	<u>84,166,661</u>	<u>2,415,551,701</u>	<u>123,438,885</u>	<u>2,292,112,816</u>
Net position – end of year	<u>\$2,843,321,892</u>	<u>\$343,603,530</u>	<u>\$2,499,718,362</u>	<u>\$84,166,661</u>	<u>\$2,415,551,701</u>

### ***Fiduciary Net Position and Changes in Fiduciary Net Position (Advisor Plan)***

Fiduciary Net Position of the Advisor Plan at the close of the current fiscal year was \$481.5 million, an increase of \$95.6 million from the previous year. Change in Fiduciary Net Position resulted mainly from earnings from investment income of \$20.0 million plus contributions to active accounts of \$83.5 million, net of redemptions of \$36.2 million.

Fiduciary Net Position of the Advisor Plan at the close of the previous fiscal year was \$386.0 million, an increase of \$46.0 million from the previous year. Change in Fiduciary Net Position resulted mainly from contributions to active accounts of \$77.6 million, net of redemptions of \$26.0 million.

**Table 7 - Fiduciary Net Position**

	2017	Increase (Decrease)	2016	Increase (Decrease)	2015
Assets					
Investments, at Fair Value	\$481,777,681	\$95,728,317	\$386,049,364	\$46,062,065	\$339,987,299
Cash, Receivables and Other	465,940	(125,163)	591,103	173,701	417,402
Total Assets	482,243,621	95,603,154	386,640,467	49,235,766	340,404,701
Liabilities	(725,767)	41,347	(767,114)	(236,764)	(530,350)
Net Position	<u>\$481,517,854</u>	<u>\$95,644,501</u>	<u>\$385,873,353</u>	<u>\$45,999,002</u>	<u>\$339,874,351</u>

**Table 8 - Change in Fiduciary Net Position**

	2017	Increase (Decrease)	2016	Increase (Decrease)	2015
Additions					
Contributions	\$83,480,921	\$5,912,465	\$77,568,456	\$(7,771,364)	\$85,339,820
Transfers	86,427,789	20,252,806	66,174,983	4,649,851	61,525,132
Total investment income	20,016,019	5,898,355	14,117,664	(12,608,507)	26,726,171
Net increase (decrease) in Fair value of investments	<u>31,243,363</u>	<u>48,519,810</u>	<u>(17,276,447)</u>	<u>9,024,161</u>	<u>(26,300,608)</u>
Total additions	221,168,092	80,583,436	140,584,656	(6,705,859)	147,290,515
Deductions					
Withdrawals	(36,163,377)	(10,152,778)	(26,010,599)	(6,991,180)	(19,019,419)
Transfers	(86,427,789)	(20,252,806)	(66,174,983)	(4,649,851)	(61,525,132)
Plan management fee	(1,027,270)	(189,147)	(838,123)	(112,657)	(725,466)
Administrative fee	(85,602)	(15,756)	(69,846)	(9,392)	(60,454)
Distribution fees	(1,924,287)	(340,498)	(1,583,789)	(215,381)	(1,368,408)
Total waivers	104,734	13,048	91,686	2,420	89,266
Total deductions	<u>(125,523,591)</u>	<u>(30,937,937)</u>	<u>(94,585,654)</u>	<u>(11,976,041)</u>	<u>(82,609,613)</u>
Change in Net Position	95,644,501	49,645,499	45,999,002	(18,681,900)	64,680,902
Net position – beginning of year	<u>385,873,353</u>	<u>45,999,002</u>	<u>339,874,351</u>	<u>64,680,902</u>	<u>275,193,449</u>
Net position – end of year	<u>\$481,517,854</u>	<u>\$95,644,501</u>	<u>\$385,873,353</u>	<u>\$45,999,002</u>	<u>\$339,874,351</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### ***Fiduciary Net Position and Change in Fiduciary Net Position (Consolidated)***

Fiduciary Net Position of the CHET Direct and Advisor Plans at the close of the current fiscal year was \$3.3 billion, an increase of \$439 million from the previous year. Change in Fiduciary Net Position increased by \$439 million in Fiscal Year 2017 resulting from \$138 million of contributions to active accounts, net of redemptions, in addition to net investment income of \$69 million and by an increase in the fair value of assets by \$231 million.

Fiduciary Net Position of the CHET Direct and Advisor Plans at the close of the prior fiscal year was \$2.9 billion, an increase of \$130 million from the previous year. Change in Fiduciary Net Position increased by \$130 million in Fiscal Year 2016 resulting from \$138 million of contributions to active accounts, net of redemptions, in addition to net investment income of \$58 million offset by a decrease in the fair value of assets of \$66 million.

**Table 9 - Fiduciary Net Position**

Assets	2017	Increase (Decrease)	2016	Increase (Decrease)	2015
Investments, at Fair Value	\$3,325,364,344	\$437,932,305	\$2,887,432,039	\$131,312,020	\$2,756,120,019
Cash, Receivables and Other	5,190,356	872,603	4,317,753	1,284,596	3,033,157
<b>Total Assets</b>	<b>3,330,554,700</b>	<b>438,804,908</b>	<b>2,891,749,792</b>	<b>132,596,661</b>	<b>2,759,153,176</b>
Liabilities	(5,714,954)	443,123	(6,158,077)	(2,430,953)	(3,727,124)
<b>Net Position</b>	<b>\$3,324,839,746</b>	<b>\$439,248,031</b>	<b>\$2,885,591,715</b>	<b>\$130,165,663</b>	<b>\$2,755,426,052</b>

**Table 10 - Change in Fiduciary Net Position**

Additions	2017	Increase (Decrease)	2016	Increase (Decrease)	2015
Subscriptions	\$1,043,509,776	\$112,905,908	\$930,603,868	\$(5,653,880)	\$936,257,748
Transfers	86,427,789	20,252,806	66,174,983	4,649,851	61,525,132
Total investment income	75,413,913	11,718,280	63,695,633	(14,702,434)	78,398,067
Net increase (decrease) in Fair value of investments	<u>231,342,894</u>	<u>297,745,651</u>	<u>(66,402,757)</u>	<u>(20,301,807)</u>	<u>(46,100,950)</u>
<b>Total Additions</b>	<b>1,436,694,372</b>	<b>442,622,645</b>	<b>994,071,727</b>	<b>(36,008,270)</b>	<b>1,030,079,997</b>
<b>Deductions</b>					
Redemptions	(905,004,079)	(113,031,911)	(791,972,168)	(16,916,908)	(775,055,260)
Transfers	(86,427,789)	(20,252,806)	(66,174,983)	(4,649,851)	(61,525,132)
Plan management fee	(3,872,236)	112,836	(3,985,072)	(152,025)	(3,833,047)
Administrative fee	(322,684)	(40,946)	(281,738)	(14,109)	(267,629)
Distribution fees	(1,924,287)	(340,498)	(1,583,789)	(215,381)	(1,368,408)
Total waivers	104,734	13,048	91,686	2,420	89,266
<b>Total deductions</b>	<b>(997,446,341)</b>	<b>(133,540,277)</b>	<b>(863,906,064)</b>	<b>(21,945,854)</b>	<b>(841,960,210)</b>
<b>Change in Net Position</b>	<b>439,248,031</b>	<b>309,082,368</b>	<b>130,165,663</b>	<b>(57,954,124)</b>	<b>188,119,787</b>
Net position – beginning of year	2,885,591,715	130,165,663	2,755,426,052	188,119,787	2,567,306,265
<b>Net position – end of year</b>	<b>\$3,324,839,746</b>	<b>\$439,248,031</b>	<b>\$2,885,591,715</b>	<b>\$130,165,663</b>	<b>\$2,755,426,052</b>

### **Second Injury Fund**

The Net Position of the Second Injury Fund (SIF) at the close of Fiscal Year 2017 was \$41.9 million, an increase of \$3.3 million from the previous year net position balance of \$38.6 million. The Change in Net Position was an increase of \$3.3 million resulting from operating income.

The Net Position of the Second Injury Fund (SIF) at the close of Fiscal Year 2016 was \$38.6 million, an increase of \$5.9 million from the previous year net position balance of \$32.8 million. The Change in Net Position was an increase of \$5.9 million resulting from operating income.

### **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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 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, 2017, the State had \$24.7 billion in bonds and notes outstanding, approximately \$1.5 billion greater than the end of June 30, 2016 issued to fund local school construction projects, state grants and economic development initiatives, Clean Water Fund loans, improvements to state universities and transportation projects.

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

**Table 11 - Outstanding Debt as of June 30,**

Bond Type	2017	Increase (Decrease)	2016	Increase (Decrease)	2015
General Obligation –					
Tax Supported	\$13,868,514,072	\$829,260,012	\$13,039,254,060	\$875,799,939	\$12,163,454,121
Teachers Retirement Fund	2,227,983,254	(300,000)	2,228,283,254	(12,850,000)	2,241,133,254
Economic Recovery Notes	177,120,000	(175,465,000)	352,585,000	(167,690,000)	520,275,000
GAAP Conversion Bonds	494,535,000	(33,440,000)	527,975,000	(32,455,000)	560,430,000
Special Tax Obligation	5,041,840,000	522,150,000	4,519,690,000	430,150,000	4,089,540,000
Bradley International Airport	116,290,000	(6,690,000)	122,980,000	(6,435,000)	129,415,000
Clean Water Fund	970,090,000	169,070,000	801,020,000	(81,145,000)	882,165,000
UCONN 2000	1,504,995,000	201,125,000	1,303,870,000	155,885,000	1,147,985,000
CI Increment Financing	24,515,000	(3,205,000)	27,720,000	(3,810,000)	31,530,000
CHEFA Childcare					
Facilities Program	53,580,000	(2,380,000)	55,960,000	(2,275,000)	58,235,000
Bradley Parking Operations	28,015,000	(2,580,000)	30,595,000	(2,415,000)	33,010,000
CT Juvenile Training school	12,400,000	(605,000)	13,005,000	(580,000)	13,585,000
CHFA Special Needs Housing Bonds	56,585,000	(3,695,000)	60,280,000	(3,545,000)	63,825,000
CRDA Bonds	82,685,000	(3,235,000)	85,920,000	(3,095,000)	89,015,000
CHFA Emergency					
Mortgage Assistance Program	38,085,000	(2,075,000)	40,160,000	(2,020,000)	42,180,000
<b>Total</b>	<b>\$24,697,232,326</b>	<b>\$1,487,935,012</b>	<b>\$23,209,297,314</b>	<b>\$1,143,519,939</b>	<b>\$22,065,777,375</b>

During Fiscal Year 2017, the State issued \$4.2 billion of bonds for capital projects and other purposes at some of the lowest interest rates in state history. The issued bonds were offset by bonds retired of \$1.8 billion and bonds refunded of \$0.9 billion, resulting in a net increase of \$1.5 billion in bonds outstanding. Since 1999, debt refunding and defeasances have produced \$1.2 billion in debt savings to taxpayers.

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

Domestic growth, as measured by Gross Domestic Product (GDP), experienced modest growth during the fiscal year. For Fiscal Year 2017, GDP (on a year-over-year basis) ranged between 1.5 percent and 2.2 percent. For the entire fiscal year, GDP averaged a 1.9 percent year-over-year rate, up from fiscal year 2016's 1.8 percent rate. Meanwhile, the unemployment rate ended the fiscal year at 4.4 percent, down from the 4.9 rate at the end of Fiscal Year 2016. During the course of the fiscal year, approximately 2.2 million people were added to payrolls.

Domestic inflation averaged 1.8 percent during the fiscal year, up from 0.7 percent in fiscal year 2016. Excluding the more volatile food and energy components, inflation during the fiscal year averaged 2.1 percent, unchanged from Fiscal Year 2016. Similar to domestic inflation, inflation in the Eurozone was stronger as well, with an average inflation rate of 1.1 percent, up from 0.0 percent during the 2016 fiscal year period.

Connecticut's unemployment rate has continued to decline from a high of 9.5 percent in October 2010 to 5.0 percent in July 2017, compared to the national unemployment rate of 4.3 percent. The State Comptroller reported on September 29, 2017 that the State's General Fund ended the 2017 Fiscal Year with a pre-audited \$22.7 million deficit which will be eliminated through a transfer from the Budget Reserve Fund.

**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 Office of the Treasurer  
55 Elm Street  
Hartford, CT 06106-1773  
Telephone (860) 702-3000  
[www.ott.ct.gov](http://www.ott.ct.gov)



## MANAGEMENT'S REPORT



DENISE L. NAPIER  
TREASURER

### State of Connecticut Office of the Treasurer

December 29, 2017

To: The Honorable Dannel P. Malloy Governor of Connecticut  
The Honorable Denise L. Nappier, Treasurer of Connecticut  
The Honorable Members of the Connecticut General Assembly  
Citizens of the State of Connecticut

This Annual Report was prepared by the Office of the Treasurer, which is responsible for the accuracy of the data contained herein, the completeness and fairness of the presentation, and all disclosures. We present the financial statements and data as accurate in all material respects and prepared in conformity with generally accepted accounting principles. 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 Office of the Treasurer's 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 by 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 fairly presents the financial condition and results of operations of the funds that follow.

Sincerely,

A handwritten signature in black ink, appearing to read "Lawrence A. Wilson".

Lawrence A. Wilson  
Interim Deputy Treasurer  
State of Connecticut

55 ELM STREET, HARTFORD, CONNECTICUT 06106-1773 • (860) 702-3000  
*An Equal Opportunity Employer*

**COMBINED INVESTMENT FUNDS**

**STATEMENT OF NET POSITION  
JUNE 30, 2017**

	<b>TOTAL</b>
<b>ASSETS</b>	
Investments in Securities, at Fair Value	
Liquidity Fund	\$ -
Cash Equivalents	283,293,693
Asset Backed Securities	254,922,819
Government Securities	3,701,714,063
Government Agency Securities	716,184,623
Mortgage Backed Securities	280,579,047
Corporate Debt	4,037,232,777
Convertible Securities	51,662,496
Common Stock	15,327,223,987
Preferred Stock	77,158,462
Real Estate Investment Trust	319,238,833
Business Development Corporation	57,625,395
Mutual Fund	228,915,053
Limited Liability Corporation	1,156,486
Trusts	-
Limited Partnerships	7,231,467,432
Total Investments in Securities, at Fair Value	32,568,375,166
Cash	89,144,432
Receivables	
Foreign Exchange Contracts	7,804,771,380
Interest Receivable	78,637,964
Dividends Receivable	34,440,797
Due from Brokers	259,182,529
Foreign Taxes	16,147,498
Securities Lending Receivable	1,237,681
Reserve for Doubtful Receivables	(4,655,941)
Total Receivables	8,189,761,908
Invested Securities Lending Collateral	2,020,761,587
Prepaid Expenses	1,073,767
<b>Total Assets</b>	42,869,116,860
<b>LIABILITIES</b>	
Payables	
Foreign Exchange Contracts	7,816,967,543
Due to Brokers	463,602,882
Income Distribution	3,033,211
Other Payable	217,027
Total Payables	8,283,820,663
Securities Lending Collateral	2,020,761,587
Accrued Expenses	16,664,596
<b>Total Liabilities</b>	10,321,246,846
<b>NET POSITION HELD IN TRUST FOR PARTICIPANTS</b>	\$ 32,547,870,014

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

**COMBINED INVESTMENT FUNDS**

**STATEMENT OF CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<b>ADDITIONS</b>	<u><b>TOTAL</b></u>
<b>OPERATIONS</b>	
<b>Investment Income</b>	
Dividends	\$ 510,388,935
Interest	308,532,848
Other Income	21,127,292
Securities Lending	<u>27,124,737</u>
<b>Total Income</b>	867,173,812
<b>Expenses</b>	
Investment Advisory Fees	77,960,003
Custody and Transfer Agent Fees	3,471,588
Professional Fees	2,852,273
Security Lending Fees	1,576,512
Security Lending Rebates	11,360,474
Investment Expenses	<u>2,308,978</u>
<b>Total Expenses</b>	<u>99,529,828</u>
<b>Net Investment Income</b>	<u>767,643,984</u>
<b>Net Increase (Decrease) in the Fair Value of Investments and Foreign Currency</b>	3,332,743,095
<b>Net Increase (Decrease) in Net Position Resulting from Operations</b>	<u>4,100,387,079</u>
<b>Unit Transactions</b>	
Purchase of Units by Participants	<u>2,687,016,102</u>
<b>TOTAL ADDITIONS</b>	<u>6,787,403,181</u>
<b>DEDUCTIONS</b>	
<b>Administrative Expenses:</b>	
Salary and Fringe Benefits	(4,000,655)
<b>Distributions to Unit Owners:</b>	
Income Distributed	(24,306,542)
<b>Unit Transactions</b>	
Redemption of Units by Participants	<u>(3,457,145,731)</u>
<b>TOTAL DEDUCTIONS</b>	<u>(3,485,452,928)</u>
<b>Change in Net Position Held in Trust for Participants</b>	<u>3,301,950,253</u>
<b>Net Position- Beginning of Period</b>	<u>29,245,919,761</u>
<b>Net Position- End of Period</b>	<u>\$ 32,547,870,014</u>

The accompanying notes are an integral part of these financial statements

**COMBINED INVESTMENT FUNDS**

**STATEMENT OF CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<b>ADDITIONS OPERATIONS</b>	<u><b>TOTAL</b></u>
<b>Investment Income</b>	
Dividends	\$ 459,953,624
Interest	337,273,496
Other Income	7,688,194
Securities Lending	21,080,838
<b>Total Income</b>	<u>825,996,152</u>
<b>Expenses</b>	
Investment Advisory Fees	74,630,968
Custody and Transfer Agent Fees	3,284,270
Professional Fees	3,380,185
Security Lending Fees	1,574,507
Security Lending Rebates	5,335,764
Investment Expenses	2,448,888
<b>Total Expenses</b>	<u>90,654,582</u>
<b>Net Investment Income</b>	<u>735,341,570</u>
<b>Net Increase (Decrease) in the Fair Value of Investments and Foreign Currency</b>	(720,116,732)
<b>Net Increase (Decrease) in Net Position Resulting from Operations</b>	<u>15,224,838</u>
<b>Unit Transactions</b>	
Purchase of Units by Participants	2,464,381,541
<b>TOTAL ADDITIONS</b>	<u>2,479,606,379</u>
<b>DEDUCTIONS</b>	
<b>Administrative Expenses:</b>	
Salary and Fringe Benefits	(4,602,672)
<b>Distributions to Unit Owners:</b>	
Income Distributed	(13,470,038)
<b>Unit Transactions</b>	
Redemption of Units by Participants	(3,082,590,424)
<b>TOTAL DEDUCTIONS</b>	<u>(3,100,663,134)</u>
<b>Change in Net Position Held in Trust for Participants</b>	<u>(621,056,755)</u>
<b>Net Position- Beginning of Period</b>	29,866,976,516
<b>Net Position- End of Period</b>	<u>\$ 29,245,919,761</u>

The accompanying notes are an integral part of these financial statements

**COMBINED INVESTMENT FUNDS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Combined Investment Funds (CIF) 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 CIF are open-end, unitized portfolios consisting of the Liquidity Fund, Alternative Investment Fund, Mutual Equity Fund, Core Fixed Income Fund, Inflation Linked Bond Fund, Emerging Market Debt Fund, High Yield Debt Fund, Developed Market International Stock Fund, Emerging Market International Stock Fund, Real Estate Fund, and the Private Investment Fund. The CIF 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 CIF are owned by these pension and trust funds. For financial reporting purposes of the State of Connecticut, the CIF are considered to be external investment pools and are not reported in the State's combined financial statements. Instead, each fund type's investment in the CIF is reported as "equity in combined investment funds" in the State's combined balance sheet.

The Treasurer, as sole fiduciary of the CIF, 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 CIF 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 CIF in the preparation of their financial statements.

**A. NEW PRONOUNCEMENTS**

There were no new pronouncements for the fiscal year ending June 30, 2017.

**B. SECURITY VALUATION**

Investments are stated at fair value for each of the CIFs as described below.

For the Alternative Investment, Real Estate and Private Investment Funds substantially all of the investments, other than those in the Liquidity Fund, are shown at values that are carried at the general partner's June 30, 2017 fair value, or net asset value (NAV) equivalent. The Core Fixed Income Fund also include investments that are carried at the general partner's June 30, 2017 fair value, or net asset value (NAV) equivalent. The CIF's assets are fair valued quarterly by the General Partner and at such other times as determined by the General Partner and are based on Accounting Standards Codification (ASC) 820 "Fair Value Measurements and Disclosures". The fair value the General Partner assigned to these investments is based upon available information and does not represent necessarily the amount that ultimately might be realized upon sale or maturity. Because of the inherent uncertainty of the fair valuation process, this estimated fair value presented by the General Partner may differ significantly from the fair value that would have been used had a ready market for the security existed, and the difference could be material. The General Partner is responsible for coordination and oversight of all investment valuations.

The Treasurer's staff reviews the valuations for all investments in these alternative asset classes 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.

Liquidity Fund

Existing money market vehicles are valued at amortized cost on a daily basis, which approximates fair value. A standard price hierarchy is utilized in the daily valuation of the Liquidity Fund.

The Liquidity Fund at times may utilize foreign currency contracts to facilitate transactions in foreign securities and to manage the CIF's currency exposure. Contracts to buy are used to acquire exposure to foreign currencies, while contracts to sell are used to hedge the CIF's 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

**COMBINED INVESTMENT FUNDS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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counterparties to perform under the contracts' terms.

Investing in forward currency contracts may increase the volatility of the CIF's' 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.

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

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 and maturities.

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

The Liquidity Fund invests in Mortgage Backed Securities (MBSs) and Asset Backed Securities (ABSs), which are included in the Statement of Net Position. 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, 2017, the Fund held MBSs of \$138,464,921 and ABSs of \$168,082,920.

Repurchase agreements held in the fund are collateralized at 100 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.

Alternative Investment Fund

Investments in securities not listed on security exchanges and investments in limited partnerships, which comprise substantially all of the CIF's investments, are carried at the general partner's June 30, 2017 fair value, or net asset value (NAV) equivalent. The Treasurer's staff reviews the 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.

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 and maturities.

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

## COMBINED INVESTMENT FUNDS

### NOTES TO FINANCIAL STATEMENTS (Continued)

The Core Fixed Income Fund invests in Mortgage Backed Securities (MBSs) and Asset Backed Securities (ABSs), which are included in the Statement of Net Position. 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, 2017, the CIF held MBSs of \$142,114,126 and ABSs of \$87,031,155.

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 Position. 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, 2017 the CIF's holdings had a fair value of \$470,097 and a cost of \$822,382. 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.

Investments in securities not listed on security exchanges and investments in limited partnerships are carried at the general partner's June 30, 2017 fair value or net asset value (NAV) equivalent. The Treasurer's staff reviews the 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.

#### 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 and maturities.

"When-issued" securities held in the CIF are fully collateralized by U.S. Government securities and such collateral is in the possession of the CIF's custodial bank. 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.

The Inflation Linked Bond Fund sometimes invests in Asset Backed Securities (ABSs), which are included in the Statement of Net Position. 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, 2017, the CIF held ABSs, consisting of swaps and resulting in a fair value of \$754,194.

#### 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.

The Emerging Market Debt Fund invests in securities in emerging market countries that are either U.S. dollar-denominated or issued in the local currency of the country. In addition to bond interest rate sensitivity, the local currency bonds' values will fluctuate with exchange rates.

## COMBINED INVESTMENT FUNDS

### NOTES TO FINANCIAL STATEMENTS (Continued)

“When-issued” securities held in the CIF are fully collateralized by U.S Government securities and such collateral is in the possession of the CIF’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 sometimes invests in Asset Backed Securities (ABSs), which are included in the Statement of Net Position. 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, 2017, the CIF held ABSs, consisting of swaps and resulting in a fair value of \$243,071.

#### 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 and maturities.

“When-issued” securities held in the fund are fully collateralized by U.S Government securities and such collateral is in the possession of the CIF’s custodial bank. 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 High Yield Debt Fund are authorized to invest in global fixed income securities.

The Inflation Linked Bond Fund sometimes invests in Asset Backed Securities (ABSs), which are included in the Statement of Net Position. 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, 2017, the CIF held ABSs, consisting of swaps and resulting in a fair value of (\$1,188,521).

#### Developed Market International Stock Fund

The Developed Market International Stock Fund at times may utilize foreign currency contracts to facilitate transactions in foreign securities and to manage the CIF’s currency exposure. Contracts to buy are used to acquire exposure to foreign currencies, while contracts to sell are used to hedge the CIF’s 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.

Investing in forward currency contracts may increase the volatility of the CIF’s 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.

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

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



**COMBINED INVESTMENT FUNDS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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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

The Emerging Market International Stock Fund at times may utilize foreign currency contracts to facilitate transactions in foreign securities and to manage the CIF's' currency exposure. Contracts to buy are used to acquire exposure to foreign currencies, while contracts to sell are used to hedge the CIF's' 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.

Investing in forward currency contracts may increase the volatility of the CIF's' 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.

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

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 CIF's investments, are carried at the general partner's June 30, 2017 fair value, or net asset value (NAV) equivalent. The Treasurer's staff reviews 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.

Private Investment Fund

Investments in securities not listed on security exchanges and investments in limited partnerships and limited liability corporations, which comprise substantially all of the CIF's investments, are carried at the general partner's June 30, 2017 fair value, or net asset value (NAV) equivalent. The Treasurer's staff reviews 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.

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 as part of the Net Increase(Decrease)in the Fair Value of Investments on the Statement of Changes in Net Position. 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 also accounted for in the Net Increase (Decrease) in Fair Value of Investments. In the CIF's' cost basis records, premiums are amortized using the straight-line method that approximates the interest method.

Dividends earned by the Private Investment, Real Estate and Alternative Investment Funds relate to investments that are not listed on security exchanges. Such dividends are recognized as income when received, generally net of

**COMBINED INVESTMENT FUNDS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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 CIF 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 CIF 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 CIF, excluding certain management fees as discussed in more detail in note 1J, are recognized on the accrual basis and are deducted in calculating net investment income and net asset value on a monthly basis. Each of the CIF bears its direct expenses, such as investment advisory fees, and, in addition, each of the CIF is allocated a portion of the overhead expenses of the Pension Funds Management Division of the Office of the State Treasurer, which services the CIF. These expenses include salary and fringe benefit costs and other administrative expenses. Certain of these costs are allocated among the CIF based on relative net asset values. Other costs are charged directly based on the specific duties of personnel.

**G. DISTRIBUTIONS**

Distributions to unit holders of the CIFs were discontinued after September 30, 2013.

**H. DERIVATIVE FINANCIAL INSTRUMENTS**

GASB Statement Number 53 Accounting and Financial Reporting for Derivative Instruments, requires that the fair value of financial arrangements called derivatives or derivative instruments be reported in the financial statements. GASB defines a derivative instrument as a financial instrument or other contract with all of the following characteristics: a) It has one or more reference rates and (2) one or more notional amounts or payment provisions or both. b) It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors. 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, 2017, the CIF maintained positions in a variety of such securities that are all reported at fair value on the Statement of Net Position. The following is a listing of such securities:

**Adjustable Rate Securities:**

<b>CIF</b>	<b>Cost</b>	<b>Fair Value</b>
Liquidity	\$485,158,234	\$468,961,661
Core Fixed Income	144,901,985	145,297,233
Inflation Linked Bond	5,056,091	5,048,778
Emerging Market Debt	8,253,885	8,380,712
High Yield Debt	24,463,583	24,494,322

**Asset Backed Securities:**

<b>CIF</b>	<b>Cost</b>	<b>Fair Value</b>
Liquidity	\$171,616,700	\$168,082,920
Core Fixed Income	86,850,325	87,031,155

**COMBINED INVESTMENT FUNDS**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**Mortgage Backed Securities, Net of CMO's:**

<b>CIF</b>	<b>Cost</b>	<b>Fair Value</b>
Liquidity	\$138,799,019	\$129,083,007
Core Fixed Income	86,620,005	86,863,327

**CMO's:**

<b>CIF</b>	<b>Cost</b>	<b>Fair Value</b>
Liquidity	\$9,530,700	\$9,381,914
Core Fixed Income	55,469,343	55,250,799

**TBA's:**

<b>CIF</b>	<b>Cost</b>	<b>Fair Value</b>
Core Fixed Income	\$118,613,510	\$118,184,621

**Interest Only:**

<b>CIF</b>	<b>Cost</b>	<b>Fair Value</b>
Core Fixed Income	\$822,382	\$470,097

**Options:**

<b>CIF</b>	<b>Cost</b>	<b>Fair Value</b>
Inflation Linked Bond	\$863,057	\$775,491

The Inflation Linked Bond Fund held futures with a negative notional cost of (\$198,263,037) and an unrealized loss of \$412,624 reported in the Due from Brokers in the Statement of Net Position. The Core Fixed Income Fund held futures with a negative notional cost of (\$13,943,831) and an unrealized gain of \$84,506 reported in the Due from Brokers in the Statement of Net Position. The High Yield Debt Fund held futures with a negative notional cost of (\$16,140,454) and an unrealized gain of \$46,371 reported in the Due from Brokers in the Statement of Net Position. The Developed Market International Stock also held futures with a notional cost of \$132,460,661 and an unrealized loss of \$2,498,395 reported in the Due from Brokers in the Statement of Net Position.

The Liquidity, Core Fixed Income, Inflation Linked, Emerging Market Debt, High Yield Debt, Developed Market International Stock and Emerging Market International Stock Funds were invested in foreign exchange contracts. The specific nature of these investments is discussed more fully in the foreign exchange contract 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 Position.

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 CIF's' credit exposure resulting from such investments is limited to the recorded fair value of the derivative financial instruments.

The Liquidity, Mutual Equity, Emerging Market Debt, and the Emerging Market International Stock Funds also utilize derivatives indirectly through participation in mutual funds. These mutual funds may hold derivatives from time to time. Such derivatives may be used for hedging, investment and risk management purposes. These transactions subject the investor to credit and market risk.

**I. COMBINATION/ELIMINATION ENTRY**

The financial statements depict a full presentation of each of the CIF. However, one of these funds, the Liquidity Fund, is owned both directly by the pension plans and trust funds which have accounts in the Liquidity Fund, and also indirectly because each of the other CIF 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 CIF. The combined presentation totals to the overall net assets owned by the pension plans and trust funds. In order to help the Liquidity Fund managers better manage their cash balances, realized gains (losses) are no longer included in the Liquidity Fund income sweep.

**COMBINED INVESTMENT FUNDS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**J. FEES AND REALIZED GAINS**

Investment advisory fees incurred for certain investments in the Alternative Investment, Core Fixed Income, Private Investment and Real Estate Funds are generally charged to the entity in which the CIF has been invested. In such cases, these amounts are either capitalized in the cost basis of the investment on a cash basis and become a component of unrealized gain (loss) or are netted against the corresponding income generated. Certain other fees are incurred directly by the CIF and are expensed. These expensed amounts are accrued and the expense is reflected as Investment Advisory Fees on the Statement of Changes in Net Position. The appropriate treatment is determined depending on the terms of the investment agreement. Capitalized fees are not separately presented on the Statement of Changes in Net Position. These fees are borne by the partners in their respective shares. The following is a listing of the Funds total fees for the fiscal year ended June 30, 2017:

CIF	Netted	Capitalized	Expensed	Total
Alternative Investment	\$ 10,492,724	\$ 549,956	\$ -	\$ 11,042,680
Core Fixed Income	919,783	-	2,602,485	3,522,268
Private Investment	11,050,087	16,068,437	2,656,009	29,774,533
Real Estate	9,955,336	4,359,943	9,398,239	23,713,518

Periodically the Private Investment and Real Estate Funds may receive security distributions in lieu of cash. These securities are included as Common Stock and Real Estate Investment Trust, respectively on the Statement of Net Position. When one of these individual securities is sold the realized gain or loss is included in the Net Increase (Decrease) in the Fair Value of Investments presented on the Statement of Changes in Net Position. The Private Investment Fund incurred realized gain of \$ 873,759 for such transactions for the fiscal year ended June 30, 2017.

The Liquidity, Mutual Equity, Emerging Market Debt and the Emerging Market International Stock funds include investments in a limited partnership and investments in mutual funds. Fees incurred from these investments are deducted from the operations of the CIF and are not separately presented on the Statement of Changes in Net Position. The following is a listing of the corresponding fees incurred for the fiscal year ended June 30, 2017:

CIF	Amount
Liquidity	\$ 175,794
Emerging Market Debt	17,224,896
Developed Market International Stock	8,091
Emerging Market International Stock	1,203,271

Investment advisory fees for 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, except those noted above are estimated monthly based on periodic reviews of asset values. Accordingly, the amounts listed as Investment Advisory Fees on the Statement of Changes in Net Position represent estimates of annual management fee expenses.

**K. RECLASSIFICATIONS**

Certain prior year amounts have been reclassified to conform to the current year presentation. Net Realized Gain (Loss) and Net Change in Unrealized Gain(Loss) on investments and foreign currency is now presented as Net Increase (Decrease) in the Fair Value of Investments and Foreign Currency.

**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

**COMBINED INVESTMENT FUNDS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2: DEPOSITS, INVESTMENTS AND SECURITIES LENDING PROGRAM**

**Deposits:**

The CIF 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 CIF would not be able to recover its deposits or collateralized securities that are in the possession of the outside parties. The CIF 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, 2017, the reported amount of Funds deposits were \$89,144,432 and the bank balance was \$89,144,432. Of the bank amount, \$89,144,432 was uncollateralized and uninsured. Through the Securities Lending Program, \$2,023,662,776 was collateralized with securities held by the counterparty's trust department or agent but not in the State's name.

**Investments:**

The CIF measure and record their investments using fair value measurement guidelines established by GAAP. The guidelines recognize a three tiered fair value hierarchy, as follows: Level 1: Quoted prices for identical investments in active market; Level 2: Observable inputs other than quoted market price; and, Level 3 Unobservable inputs. At June 30, 2017 the CIF have the following recurring fair value measurements.

Investments by Fair Value Level	Fair Value Measurements			
	Total	Level 1	Level 2	Level 3
Liquidity Fund	\$ -	\$ -	\$ -	\$ -
Cash Equivalents	283,293,693	652,000	282,641,693	-
Asset Backed Securities	254,922,819	-	254,922,819	-
Government Securities	3,701,714,063	1,256,715,059	2,444,999,004	-
Government Agency Securities	716,184,623	-	716,184,623	-
Mortgage Backed Securities	280,579,047	-	280,579,047	-
Corporate Debt	4,037,232,777	-	3,939,687,518	97,545,259
Convertible Securities	51,662,496	-	51,662,496	-
Common Stock	15,327,223,987	15,327,223,987	-	-
Preferred Stock	77,158,462	59,690,903	17,467,559	-
Real Estate Investment Trust	319,238,833	273,995,685	45,243,148	-
Business Development Corporation	57,625,395	57,625,395	-	-
Mutual Fund	228,915,053	228,915,053	-	-
Limited Partnerships (publicly traded)	522,410	522,410	-	-
<b>Total</b>	<b>\$25,336,273,658</b>	<b>\$17,205,340,492</b>	<b>\$8,033,387,907</b>	<b>\$97,545,259</b>

Investments Measured at the Net Asset Value (NAV)	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited Liability Corporation	1,156,486	\$ -	Illiquid
Limited Partnerships	7,230,945,022	1,868,389,612	Illiquid
<b>Total</b>	<b>7,232,101,508</b>	<b>\$ 1,868,389,612</b>	
<b>Total Investments in Securities at Fair Value</b>	<b>\$32,568,375,166</b>		

Pursuant to the Connecticut General Statutes, the Treasurer is the principal fiduciary of the plans and trusts, authorized to invest in a broad range of equity and fixed income securities, as well as real estate properties, mortgages and private equity. The CIF minimize 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 plans and trusts and the CIF 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 2017 fiscal year.

The CIF's 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.

**COMBINED INVESTMENT FUNDS**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

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

	<b>Fair Value</b>	<b>Percentage of Fair Value</b>
Aaa	\$2,614,408,280	28.04%
Aa	612,132,025	6.56
A	886,350,713	9.51
Baa	820,963,491	8.80
Ba	742,742,033	7.96
B	967,039,117	10.38
Caa	439,933,802	4.72
Ca	9,343,490	0.10
C	5,016,575	0.05
Prime 1	748,364,737	8.02
Prime 2	24,269,973	0.26
Prime 3	1,802,928	0.02
U.S. Government fixed income securities (not rated)	130,876,265	1.40
Non US Government fixed income securities (not rated)	304,998,050	3.27
Not Rated	1,017,348,039	10.91
	<u>\$9,325,589,518</u>	<u>100.00%</u>

The investments in the Private Equity, Real Estate and Alternative Investment Funds 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 have securities registered under the Bank of New York Mellon's nominee name MAC & 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 and invested under securities lending arrangements are registered and maintained by a third party administrator exclusively for the CIF. 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 third party administrator's name as trustee. Securities Lending collateral of \$2,023,662,776 is invested in various short term repurchase agreements classified which is classified as cash equivalents.

The following table provides information about the interest rate risks associated with the CIF 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 Barclay's Aggregate – an intermediate duration index.

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

<b>Investment Type</b>	<b>Fair Value</b>	<b>Investment Maturities (in Years)</b>			
		<b>Less Than 1</b>	<b>1 - 5</b>	<b>6 - 10</b>	<b>More Than 10</b>
Cash Equivalents	\$283,293,693	\$283,293,693	\$0	\$0	\$0
Asset Backed Securities	254,922,819	3,421,310	104,431,066	104,468,147	42,602,296
Government Securities	3,701,714,063	226,328,300	1,522,901,765	856,578,687	1,095,905,311
Government Agency Securities	716,184,623	95,297,380	53,914,240	21,968,013	545,004,990
Mortgage Backed Securities	280,579,047	-	63,067,629	20,776,800	196,734,618
Corporate Debt	4,037,232,777	1,360,182,144	1,448,360,981	916,313,518	312,376,134
Convertible Debt	51,662,496	1,156,915	9,879,736	12,517,162	28,108,683
	<u>\$9,325,589,518</u>	<u>\$1,969,679,742</u>	<u>\$3,202,555,417</u>	<u>\$1,932,622,327</u>	<u>\$2,220,732,032</u>

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 CIF utilize a strategic hedge ratio of 50% for the Developed Market

**COMBINED INVESTMENT FUNDS**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

International Stock Fund (DMISF). This strategic hedge ratio represents the neutral stance or desired long-term exposure to currency for the DMISF. 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. Negative amounts are reflective of short positions.

Foreign Currency	Total	Fixed Income Securities						Equities		
		Cash	Cash Equiv Collateral	Government Securities	Corporate Debt	Asset Backed	Mortgage Backed	Common Stock	Preferred Stock	Real Estate Investment Trust
Argentine Peso	\$25,554,055	\$736,936	\$ -	\$23,355,279	\$1,461,840	\$ -	\$ -	\$ -	\$ -	\$ -
Australian Dollar	438,685,449	498,930	-	97,524,852	7,887,460	-	-	308,418,265	-	24,355,942
Brazilian Real	258,327,654	813,899	-	107,363,513	-	(9,821)	-	143,789,893	6,370,170	-
Canadian Dollar	120,512,388	1,497,599	-	21,062,610	-	(45,772)	-	97,935,729	-	62,222
Chilean Peso	18,436,190	-	-	413,756	-	-	-	18,022,434	-	-
Colombian Peso	59,622,298	1,266,909	-	58,175,410	-	-	-	179,979	-	-
Czech Koruna	18,091,334	(737)	-	12,538,803	-	-	-	5,553,268	-	-
Danish Krone	117,933,921	119,558	-	1,281,442	-	-	-	116,532,921	-	-
Egyptian Pound	7,446,542	1,569,121	-	-	3,723,615	-	-	2,153,806	-	-
Euro Currency	2,352,030,954	4,207,687	-	246,731,502	6,902,529	(26,460)	-	2,066,018,579	17,323,865	10,873,252
Georgian Lari	2,128,403	-	-	-	2,128,403	-	-	-	-	-
Ghanaian Cedi	2,696,564	-	-	-	2,696,564	-	-	-	-	-
Hong Kong Dollar	715,345,683	1,500,269	-	-	-	-	-	706,795,556	-	7,049,858
Hungarian Forint	73,330,616	812,386	-	29,992,181	-	-	-	42,526,049	-	-
Iceland Krona	2,330	2,330	-	-	-	-	-	-	-	-
Indian Rupee	4,810,355	-	-	300,909	4,509,446	-	-	-	-	-
Indonesian Rupiah	155,857,832	613,129	-	54,873,446	38,907,320	-	-	61,463,937	-	-
Israeli Shekel	36,423,523	235,632	-	-	-	-	-	36,187,891	-	-
Japanese Yen	1,408,203,467	5,917,457	-	35,454,990	-	212,190	-	1,359,217,449	-	7,401,381
Malaysian Ringgit	93,381,385	1,551,262	-	77,031,244	-	-	-	14,798,879	-	-
Mexican Peso	233,226,077	301,249	-	185,996,928	3,630,783	252,892	-	43,044,225	-	-
New Zealand Dollar	143,220,151	877,405	-	127,517,617	-	-	-	14,825,129	-	-
Nigerian Naira	205,424	66,626	-	-	-	-	-	138,798	-	-
Norwegian Krone	58,528,632	459,427	-	6,414,408	-	-	-	51,654,797	-	-
Peruvian Nouveau Sol	26,245,810	-	-	26,245,810	-	-	-	-	-	-
Philippine Peso	46,124,646	5,418	-	1,945,313	-	-	-	44,173,915	-	-
Polish Zloty	145,366,374	67,406	-	100,203,598	-	-	-	45,095,370	-	-
Pound Sterling	1,233,149,377	2,466,504	6,374	240,599,792	7,082,254	(61,166)	3,216,406	967,733,881	-	12,105,332
Romanian Leu	9,501,944	264,132	-	9,237,812	-	-	-	-	-	-
Russian Ruble	57,047,215	1,331,200	-	55,591,169	-	-	-	124,846	-	-
Singapore Dollar	118,118,676	453,629	-	22,029,445	-	-	-	92,054,025	-	3,581,577
South African Rand	193,635,476	408,332	-	92,469,905	-	-	-	100,658,751	-	98,488
South Korean Won	453,526,347	173,889	-	-	-	-	-	425,914,678	27,437,780	-
Sri Lanka Rupee	6,676,950	-	-	-	6,645,952	-	-	30,998	-	-
Swedish Krona	190,501,456	(43,618)	-	4,384,320	-	-	-	186,160,754	-	-
Swiss Franc	501,034,722	433,508	-	-	-	-	-	500,601,214	-	-
Thailand Baht	147,823,924	93,755	-	26,369,024	-	-	-	121,265,943	-	95,202
Turkish Lira	170,169,267	247,875	-	57,057,963	4,030,887	-	-	108,757,144	-	75,398
Uruguayan Peso	3,981,055	-	-	3,981,055	-	-	-	-	-	-
	<u>\$9,646,904,466</u>	<u>\$28,949,104</u>	<u>\$6,374</u>	<u>\$1,726,144,096</u>	<u>\$89,607,053</u>	<u>\$321,863</u>	<u>\$3,216,406</u>	<u>\$7,681,829,103</u>	<u>\$51,131,815</u>	<u>\$65,698,652</u>

**Securities Lending:**

Certain of the CIF engage in securities lending transactions to provide incremental returns. The CIF are permitted to enter into securities lending transactions pursuant to Section 3-13d of the Connecticut General Statutes. The CIF's third party securities lending administrator is authorized to lend available securities to authorized broker-dealers and banks subject to a formal loan agreement.

During the period ended June 30, 2017, the Agent lent certain securities and received cash or other collateral as indicated on the Agency Securities Lending Agreement. The Agent 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 at least 102 percent of the fair value of domestic loaned securities or 105 percent of the fair value of foreign loaned securities.

Pursuant to the Agency Securities Lending Agreement, the Agent has an obligation to indemnify the CIFs in the event any borrower failed to return the loaned securities or pay distributions thereon. There were no such failures

**COMBINED INVESTMENT FUNDS**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

by any borrowers to return loaned securities or pay distributions thereon during the fiscal year that resulted in a declaration or notice of default by a borrower. During the fiscal year, the CIF and the borrowers maintained the right to terminate all securities lending transactions upon notice. The cash collateral received on each loan is eligible for investment in cash, securities guaranteed by the U. S. government or any agency of the U. S. government, securities guaranteed by a sovereign government that participates in the General Arrangements to Borrow (Group of 10 or G10) and rated AA or better, or reverse transactions on an overnight or term basis. On June 30, 2017, the CIF had no credit risk exposure to borrowers. The fair value of collateral held for the CIF as of June 30, 2017 was \$2,020,761,587 as cash. The fair value of securities on loan for the CIF as of June 30, 2017 was \$1,973,294,759 as cash.

Under ordinary circumstances, the net weighted average maturity (weighted average maturity of assets less the weighted average maturities of liabilities) will not exceed 60 days. As of June 30, 2017 the cash collateral investment pool had an average duration of 8.86 days and an average weighted final maturity 53.79 days.

The fair value of collateral held and the fair value of securities on loan are as follows for the CIF as of June 30, 2017:

<b>CIF</b>	<b>Fair Value of Collateral</b>	<b>Fair Value of Securities Lent</b>
Mutual Equity	\$778,701,169	\$760,779,648
Core Fixed Income	181,891,304	177,884,431
Inflation Linked Bond	243,894,814	238,729,786
Emerging Market Debt	26,952,510	26,376,550
High Yield Investment	523,258,667	511,955,351
Developed Market International Stock	62,998,657	60,166,734
Emerging Market International Stock	203,064,465	197,402,259
	<u>\$2,020,761,586</u>	<u>\$1,973,294,759</u>

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

<b>CIF</b>	<b>Cash Equivalents</b>
Mutual Equity	\$ 779,380,031
Core Fixed Income	182,049,885
Inflation Linked Bond	244,107,437
Emerging Market Debt	26,976,004
High Yield Debt	523,714,851
Developed Market International Stock	64,193,069
Emerging Market International Stock	203,241,499
Total	<u>\$ 2,023,662,776</u>

These investments are held in a separate accounting consisting of individual securities custodied by the Agent in the name of the CIF. The above total amounts were included on the Statement of Net Position in "Invested Securities Lending Collateral".

**NOTE 3: PURCHASES AND SALES OF INVESTMENT SECURITIES**

For the period ended June 30, 2017, the aggregate cost of purchases and proceeds from sales of investment securities were as follows:

<b>CIF</b>	<b>Purchases</b>	<b>Sales</b>
Alternative Investment	\$293,992,305	\$219,356,110
Mutual Equity	3,218,982,933	3,921,887,127
Core Fixed Income	5,778,237,131	5,657,204,275
Inflation Linked Bond	1,025,238,157	1,012,487,413
Emerging Market Debt	5,126,513,620	5,030,163,319
High Yield Debt	4,354,122,550	4,227,851,102
Developed Market International Stock	3,067,258,281	2,955,491,616
Emerging Market International Stock	1,645,532,118	1,632,116,493
Real Estate	975,318,965	911,896,196
Private Investment	1,702,913,546	1,507,563,473



**COMBINED INVESTMENT FUNDS**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

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

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

At June 30, 2017, 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 the CIF were as follows:

<b>CIF</b>	<b>Gross Appreciation</b>	<b>Gross Depreciation</b>	<b>Net Appreciation (Depreciation)</b>
Liquidity Investment Fund	\$8,877,003	\$26,632,208	(\$17,755,205)
Alternative Investment Fund	261,317,409	14,986,831	246,330,578
Mutual Equity	2,439,744,551	122,220,936	2,317,523,615
Core Fixed Income	49,395,299	11,882,224	37,513,075
Inflation Linked Bond	26,054,204	40,944,373	(14,890,169)
Emerging Market Debt	34,177,140	42,854,022	(8,676,882)
High Yield Debt	67,746,704	60,717,609	7,029,095
Developed Market International Stock	1,451,375,043	287,502,750	1,163,872,293
Emerging Market International Stock	729,748,933	86,157,680	643,591,253
Real Estate	324,411,230	85,710,413	238,700,817
Private Investment Fund	711,405,110	240,638,719	470,766,391

**NOTE 5: FOREIGN EXCHANGE CONTRACTS**

From time to time the Liquidity, Core Fixed Income, Inflation Linked Bond Fund, Emerging Market Debt, High Yield Debt Fund, Developed Market International Stock, Emerging Market International Funds utilize foreign currency contracts to facilitate transactions in foreign securities and to manage the CIF's currency exposure. Contracts to buy are used to acquire exposure to foreign currencies, while contracts to sell are used to hedge the CIF's 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 CIF's 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, 2017, the CIF had recorded unrealized gains (losses) from open forward currency contracts as follows:

<b>Liquidity Funds:</b>		
<u>Local Currency Name</u>	<u>Value</u>	<u>Unrealized Gain/(Loss)</u>
<b>Contracts to Buy:</b>		
Argentina Peso	\$6,072,997	(\$180,051)
Brazil Real	3,081,000	(14,916)
Canadian Dollar	1,033,596	14,704
Chilean Peso	5,134,000	4,252
Chinese Yuan Renminbi	5,999,000	56,180
Colombian Peso	5,154,000	(179,915)
Czech Koruna	9,029,288	504,558
Dominican Rep Peso	1,016,097	9,412
Egyptian Pound	5,064,569	(14,289)
Euro Currency Unit	20,142,936	385,476
Ghanaian Cedi	1,535,000	37,151
Hungarian Forint	9,861,385	162,190
Indian Rupee	4,981,000	21,418
Indonesian Rupiah	3,749,000	13,903
Israeli Shekel	1,041,696	13,419

**COMBINED INVESTMENT FUNDS**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

Japanese Yen	5,735,016	(57,300)
Kazakhstan Tenge	3,621,000	(58,933)
New Zealand Dollar	1,422,123	14,649
Norwegian Krone	5,683,963	69,396
Peruvian Sol	2,513,404	28,482
Philippines Peso	3,011,000	(63,168)
Polish Zloty	4,078,573	33,725
Pound Sterling	13,536,925	230,259
Romanian Leu	5,869,080	339,066
Russian Ruble (New)	1,270,000	17,035
Serbian Dinar	502,000	(2,173)
Singapore Dollar	2,496,090	6,219
South African Rand	2,998,000	28,860
South Korean Won	2,500,000	(44,703)
Swedish Krona	10,153,270	330,587
Thailand Baht	3,023,000	(4,272)
Turkish Lira	1,496,000	16,088
Uganda Shilling	1,688,939	26,898
	<u>\$154,493,947</u>	<u>\$1,744,207</u>

**Contracts to Sell:**

Australian Dollar	35,073,724	(287,994)
Brazil Real	1,003,000	(6,704)
Canadian Dollar	6,674,615	(158,865)
Chilean Peso	1,138,877	875
Czech Koruna	8,983,226	(1,117,738)
Euro Currency Unit	21,488,966	(850,983)
Ghanaian Cedi	511,477	(28,430)
Hungarian Forint	5,410,292	(53,187)
Israeli Shekel	1,042,117	(12,998)
Japanese Yen	2,043,000	25,761
Mexican Peso	21,156,092	9,895
New Zealand Dollar	55,735,971	(640,509)
Polish Zloty	25,721,837	(462,564)
Pound Sterling	7,163,015	(31,994)
Romanian Leu	3,891,988	(294,490)
Singapore Dollar	23,632,240	(163,947)
South African Rand	564,000	6,569
Turkish Lira	820,193	702
Uganda Shilling	1,688,000	(32,684)
	<u>223,742,630</u>	<u>(4,099,285)</u>
Grand total	<u>\$378,236,577</u>	<u>(\$2,355,078)</u>

**Financial Statement Amounts:**

	Receivable	Payable	Net
FX Value	\$ 378,236,577	\$ 378,236,577	\$ -
Unrealized Gain/Loss	1,744,207	(4,099,285)	(2,355,078)
Net	<u>\$ 379,980,784</u>	<u>\$ 382,335,862</u>	<u>\$(2,355,078)</u>

**Inflation Linked Bond Fund:**

Local Currency Name	Value	Unrealized Gain/(Loss)
<b>Contracts to Buy:</b>		
Australian Dollar	\$2,725,624	\$35,955
Canadian Dollar	2,756,377	39,846
Danish Krone	441,684	5,080
Euro Currency Unit	20,732,035	124,836
Japanese Yen	22,906,041	(175,151)
Mexican Peso	3,141,925	23,602
New Zealand Dollar	6,226,983	2,597
Norwegian Krone	22,956,261	280,273
Pound Sterling	195,862,430	3,059,225
South African Rand	4,715,405	(89,704)
Swedish Krona	39,897,150	1,268,624
	<u>\$322,361,915</u>	<u>\$4,575,183</u>

**Contracts to Sell:**

Australian Dollar	57,030,881	(456,629)
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**COMBINED INVESTMENT FUNDS**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

Canadian Dollar	2,603,274	(51,038)
Danish Krone	142,622	17
Euro Currency Unit	56,622,487	(951,769)
Japanese Yen	8,579,676	61,719
Mexican Peso	17,369,816	(39,720)
New Zealand Dollar	70,209,944	(832,038)
Polish Zloty	2,334,839	(41,709)
Pound Sterling	19,853,114	(102,909)
Swedish Krona	677,489	(2,068)
	<u>235,424,142</u>	<u>(2,416,144)</u>
Grand total	<u>\$557,786,057</u>	<u>\$2,159,039</u>

**Financial Statement Amounts:**

	<u>Receivable</u>	<u>Payable</u>	<u>Net</u>
FX Value	\$557,786,057	\$557,786,057	\$ -
Unrealized Gain/Loss	4,575,183	(2,416,144)	2,159,039
Net	<u>\$562,361,240</u>	<u>\$560,202,201</u>	<u>\$ 2,159,039</u>

**Emerging Market Debt Fund:**

<u>Local Currency Name</u>	<u>Value</u>	<u>Unrealized Gain/(Loss)</u>
<b>Contracts to Buy:</b>		
Argentina Peso	\$4,003,119	(\$107,949)
Brazil Real	53,627,273	(129,957)
Chilean Peso	12,723,072	(36,790)
Colombian Peso	4,742,093	(216,760)
Czech Koruna	33,127,736	1,301,354
Egyptian Pound	1,707,000	4,717
Euro Currency Unit	12,503,763	445,131
Hungarian Forint	8,546,131	147,614
Indian Rupee	8,474,087	28,752
Indonesian Rupiah	4,923,125	18,136
Japanese Yen	5,461,709	(139,284)
Malaysian Ringgit	3,388,806	(22,121)
Mexican Peso	12,608,400	458,982
Peruvian Sol	3,165,611	18,874
Polish Zloty	34,307,886	726,927
Romanian Leu	9,898,740	369,752
Russian Ruble (New)	7,480,461	(200,046)
South African Rand	2,311,562	(30,860)
Thailand Baht	23,048,618	275,772
Turkish Lira	20,063,330	95,131
	<u>\$266,112,522</u>	<u>\$3,007,375</u>

**Contracts to Sell:**

Argentina Peso	3,586,151	91,459
Brazil Real	63,713,636	844,475
Colombian Peso	2,815,000	53,715
Czech Koruna	7,184,358	(638,104)
Euro Currency Unit	1,376,084	(84,257)
Hungarian Forint	1,086,419	(44,029)
Indonesian Rupiah	2,662,533	(26,967)
Japanese Yen	5,510,010	187,585
Mexican Peso	14,725,458	(565,581)
Peruvian Sol	6,108,550	(76,412)
Philippines Peso	596,095	5,936
Polish Zloty	1,140,000	(49,614)
Romanian Leu	230,000	(9,896)
Russian Ruble (New)	9,921,170	235,160
South African Rand	7,205,290	(62,203)
Thailand Baht	2,038,499	(6,541)
Turkish Lira	8,529,484	(5,516)
	<u>138,428,737</u>	<u>(150,790)</u>
Grand total	<u>\$404,541,259</u>	<u>\$2,856,585</u>

**Financial Statement Amounts:**

	<u>Receivable</u>	<u>Payable</u>	<u>Net</u>
FX Value	\$404,541,259	\$404,541,259	\$ -
Unrealized Gain/Loss	3,007,375	(150,790)	2,856,585

**COMBINED INVESTMENT FUNDS**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

Net	\$407,548,634	\$404,692,049	\$ 2,856,585
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**High Yield Debt Fund:**

<u>Local Currency Name</u>	<u>Value</u>	<u>Unrealized Gain/(Loss)</u>
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**Contracts to Buy:**

Euro Currency Unit	\$1,070,830	\$18,633
Pound Sterling	584,498	4,925
	<u>\$1,655,328</u>	<u>\$23,558</u>

**Contracts to Sell:**

Euro Currency Unit	1,142,926	(11,406)
Pound Sterling	1,962,243	(11,030)
	<u>3,105,169</u>	<u>(22,436)</u>

Grand total	<u>\$ 4,760,497</u>	<u>\$ 1,122</u>
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**Financial Statement Amounts:**

	<u>Receivable</u>	<u>Payable</u>	<u>Net</u>
FX Value	\$ 4,760,497	\$4,760,497	\$ -
Unrealized Gain/Loss	23,558	(22,436)	1,122
Net	<u>\$4,784,055</u>	<u>\$4,782,933</u>	<u>\$ 1,122</u>

**Developed Market International Stock Fund:**

<u>Local Currency Name</u>	<u>Value</u>	<u>Unrealized Gain/(Loss)</u>
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**Contracts to Buy:**

Australian Dollar	\$241,729,918	\$6,080,877
Canadian Dollar	392,856,577	6,799,292
Danish Krone	1,429,035	15,545
Euro Currency Unit	74,237,067	1,000,234
Hong Kong Dollar	3,555,928	(5,209)
Israeli Shekel	5,385,246	102,744
Japanese Yen	392,208,696	(4,473,426)
Mexican Peso	72,320	(126)
New Zealand Dollar	450,796,352	6,925,151
Norwegian Krone	162,395,371	1,648,703
Pound Sterling	323,212,643	6,560,724
Singapore Dollar	237,049,365	1,040,668
Swedish Krona	189,691,076	6,074,917
Swiss Franc	2,488,923	21,242
	<u>\$2,477,108,517</u>	<u>\$31,791,336</u>

**Contracts to Sell:**

Australian Dollar	480,336,497	(5,768,217)
Canadian Dollar	442,364,410	(15,885,303)
Danish Krone	49,486,110	(592,587)
Euro Currency Unit	216,992,939	(3,589,282)
Hong Kong Dollar	91,749,408	214,642
Israeli Shekel	20,399,975	(300,600)
Japanese Yen	715,657,689	11,280,691
New Zealand Dollar	577,677,082	(17,065,958)
Norwegian Krone	385,316,706	(3,352,573)
Pound Sterling	431,377,162	(2,814,452)
Singapore Dollar	263,543,910	(1,335,264)
Swedish Krona	353,795,300	(8,220,498)
Swiss Franc	287,086,861	(2,072,121)
	<u>4,315,784,049</u>	<u>(49,501,522)</u>

Grand total	<u>\$6,792,892,566</u>	<u>(\$17,710,186)</u>
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**Financial Statement Amounts:**

	<u>Receivable</u>	<u>Payable</u>	<u>Net</u>
FX Value	\$6,792,892,566	\$6,792,892,566	\$ -
Unrealized Gain/Loss	31,791,336	(49,501,522)	(17,710,186)
Net	<u>\$6,824,683,902</u>	<u>\$6,842,394,088</u>	<u>\$(17,710,186)</u>

**Emerging Market International Stock Fund:**

<u>Local Currency Name</u>	<u>Value</u>	<u>Unrealized Gain/(Loss)</u>
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**Contracts to Buy:**

Brazil Real	\$259,328	(\$2,693)
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**COMBINED INVESTMENT FUNDS**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

Hong Kong Dollar	547,935	69
Indonesian Rupiah	166,262	(171)
South African Rand	1,382,421	(16,304)
Thailand Baht	1,519,186	(861)
Turkish Lira	40,620	(67)
	<u>\$3,915,752</u>	<u>\$(20,027)</u>

**Contracts to Sell:**

Hong Kong Dollar	581,712	60
South Korean Won	329,525	(235)
Turkish Lira	69,033	(75)
	<u>980,270</u>	<u>(250)</u>
Grand total	<u>\$4,896,022</u>	<u>\$(20,277)</u>

**Financial Statement Amounts:**

	Receivable	Payable	Net
FX Value	\$4,896,022	\$4,896,022	\$ -
Unrealized Gain/Loss	(20,027)	(250)	(20,277)
Net	<u>\$4,875,995</u>	<u>\$4,896,272</u>	<u>\$ (20,277)</u>

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

**NOTE 6: COMMITMENTS**

In accordance with the terms of the individual investment agreements, the Private Investment, Real Estate, Alternative Investment Funds and Core Fixed Income Fund have outstanding commitments to make additional investments. These commitments will be fulfilled as suitable investment opportunities become available. Commitments at June 30, 2017, were as follows:

CIF	Total Commitment	Cumulative Amounts Funded	Unfunded Commitment
Real Estate	\$3,281,467,201	\$2,866,281,403	\$415,185,798
Private Investment	6,349,570,922	4,955,392,253	1,394,178,669
Alternative Investment	1,730,000,000	1,670,974,855	59,025,145
Core Fixed Income	550,000,000	550,000,000	-

Certain Private Investment Funds allow the General Partner to recycle distributions without a reduction in unfunded commitments and accordingly have no impact upon the above amounts. Capital recycling is a tool frequently used by investment managers to fully invest the committed capital in portfolio investments. Since fees and expenses are a component of a General Partner's total capital commitments, capital recycling generally allows managers to: (i) mitigate the impact of fees and expenses and (ii) increase the possibility that limited partner capital is invested in portfolio companies. Recycling provisions allow managers to recall capital distributions if certain criteria are met. The use of recycling provisions varies by manager but generally limits capital recycling to a range between 0% and 20% of total commitments. As a result the actual commitment could be as much as 120% of the stated commitment amount.

**NOTE 7: CONTINGENCY**

A limited partnership in the PIF 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. The portfolio company is currently in bankruptcy. In July 2008, the Bankruptcy Court approved the portfolio company's plan of liquidation. A liquidation trustee was appointed to oversee further liquidation efforts, including investigation and pursuit of potential litigation claims. The liquidation trustee has filed law suits or arbitration proceedings against certain parties, including the bank that issued the credit facility, the investment bank, an equipment manufacturer, accounting firms, and a law firm, among others. In January 2009, the liquidation trustee entered into a settlement agreement with the General Partner, exchanging mutual releases for the GP, the fund and its investors.

**COMBINED INVESTMENT FUNDS**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

Additionally, the settlement agreement provides for a sharing of recovery from further prosecution of the matter, including any settlement reached with the insurance carrier. Recoveries are anticipated to be quite modest, if at all. In 2009, the bank has filed a motion under seal which, if granted, may permit the bank to reduce any liability to the liquidation trustee by the proportionate amount that it can attribute to either the minority shareholders (including the fund). The liquidating trustee has prepared a motion to close out the bankruptcy case, which was heard on November 19, 2015. The bankruptcy was closed on November 20, 2015. No further recoveries from or related to Le-Natures' are expected.

**NOTE 8: SUBSEQUENT EVENT**

The CRPTF has performed an evaluation of subsequent events through December 29, 2017, the date the basic financial statements were available to be issued. No material events were identified.

**NOTE 9: COST BASIS OF INVESTMENTS**

The aggregate cost values of investments in the Funds are as follows at June 30, 2017:

	<b>LIQUIDITY FUND</b>	<b>ALTERNATIVE INVESTMENT FUND</b>	<b>MUTUAL EQUITY FUND</b>	<b>CORE FIXED INCOME FUND</b>	<b>INFLATION LINKED BOND FUND</b>
Investments in Securities, at Cost					
Liquidity Fund	\$ -	\$176,833,266	\$411,822,610	\$150,342,325	\$38,016,392
Cash Equivalents	278,764,721	-	-	-	(252,599)
Asset Backed Securities	171,616,700	-	-	86,850,325	863,057
Government Securities	560,611,701	-	-	525,572,285	1,302,078,989
Government Agency Securities	179,379,418	-	-	535,995,940	-
Mortgage Backed Securities	148,329,719	-	-	142,089,348	-
Corporate Debt	1,517,538,188	-	-	554,821,517	6,921,982
Convertible Securities	-	-	-	-	-
Common Stock	-	-	4,125,007,180	-	-
Preferred Stock	-	-	-	2,877,939	-
Real Estate Investment Trust	-	-	171,905,383	15,391,183	-
Business Development Corp	-	-	-	-	-
Mutual Fund	83,711,810	-	-	-	-
Limited Liability Corporation	-	-	-	-	-
Trusts	-	-	-	-	-
Limited Partnerships	-	1,603,624,241	228,077	550,000,000	-
Partnerships	-	-	-	-	-
Annuities	-	-	-	-	-
<b>Total Investments in Securities, at cost</b>	<b>\$2,939,952,257</b>	<b>\$1,780,457,507</b>	<b>\$ 4,708,963,250</b>	<b>\$ 2,563,940,862</b>	<b>\$ 1,347,627,821</b>

**COMBINED INVESTMENT FUNDS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

<b>EMERGING MARKET DEBT FUND</b>	<b>HIGH YIELD DEBT FUND</b>	<b>DEVELOPED MARKET INTERNATIONAL STOCK FUND</b>	<b>EMERGING MARKET INTERNATIONAL STOCK FUND</b>	<b>REAL ESTATE FUND</b>	<b>PRIVATE INVESTMENT FUND</b>
\$46,889,245	\$152,794,257	\$124,436,767	\$49,193,010	\$86,226,795	\$301,086,109
(3,886)	610,705	4,174,606	-	-	-
-	(1,059,284)	-	-	-	-
1,278,747,026	58,113,532	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
280,334,866	1,655,570,165	-	-	-	-
455,000	43,551,000	-	-	-	-
395,023	10,970,593	4,972,559,487	2,147,394,044	-	1,347,145
-	17,358,608	16,441,341	32,234,711	-	-
-	28,498,275	60,370,904	282,016	-	-
-	61,275,483	-	-	-	-
-	-	2,452,555	130,091,489	-	-
-	-	-	-	-	1,432,734
-	-	-	-	-	-
-	-	-	-	1,917,730,506	2,196,097,547
-	-	-	-	-	-
-	-	-	-	-	-
<b>\$1,606,817,274</b>	<b>\$ 2,027,683,334</b>	<b>\$ 5,180,435,660</b>	<b>\$ 2,359,195,270</b>	<b>\$2,003,957,301</b>	<b>\$2,499,963,535</b>





**COMBINED INVESTMENT FUNDS**

**SUPPLEMENTAL SCHEDULE OF FINANCIAL HIGHLIGHTS (Continued)**

FISCAL YEAR ENDED JUNE 30, PER SHARE DATA	HIGH YIELD DEBT					DEVELOPED MARKET INTERNATIONAL				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Net Position- Beginning of Period	\$138.05	\$138.05	\$139.80	\$125.63	\$121.79	\$463.22	\$463.22	\$460.14	\$378.32	\$314.31
<b>INCOME FROM INVESTMENT OPERATIONS</b>										
Net Investment Income (Loss)	\$9.35	\$8.72	\$8.06	\$7.86	\$8.37	\$13.00	\$11.50	\$11.36	\$13.40	\$10.35
Net Gains or (Losses) on Securities (Both Realized and Unrealized)	\$7.70	\$(8.96)	\$(9.81)	\$7.30	\$2.22	\$93.79	\$(44.37)	\$(8.28)	\$70.75	\$60.42
Total from Investment Operations	\$17.05	\$(0.24)	\$(1.75)	\$15.16	\$10.59	\$106.79	\$(32.87)	\$3.08	\$84.15	\$70.77
<b>LESS DISTRIBUTIONS</b>										
Dividends from Net Investment Income	\$-	\$-	\$-	\$(0.99)	\$(6.75)	\$-	\$-	\$-	\$(2.33)	\$(6.76)
Net Position - End of Period	\$155.10	\$137.81	\$138.05	\$139.80	\$125.63	\$570.01	\$430.35	\$463.22	\$460.14	\$378.32
<b>TOTAL RETURN</b>	<b>12.59%</b>	<b>-0.31%</b>	<b>-1.31%</b>	<b>12.24%</b>	<b>8.46%</b>	<b>24.81%</b>	<b>-7.09%</b>	<b>0.67%</b>	<b>22.31%</b>	<b>22.56%</b>

RATIOS										
Net Position - End of Period (\$000,000 Omitted)	\$2,044	\$1,823	\$1,774	\$1,588	\$1,248	\$6,381	\$5,224	\$5,909	\$6,135	\$5,447
Ratio of Expenses to Average Net Position (excl. sec. lending fees & rebates)	0.29%	0.35%	0.33%	0.35%	0.36%	0.40%	0.43%	0.40%	0.40%	0.43%
Ratio of Expenses to Average Net Position	0.41%	0.39%	0.34%	0.36%	0.39%	0.41%	0.43%	0.41%	0.40%	0.45%
Ratio of Net Investment Income (Loss) to Average Net Position	6.39%	6.32%	5.80%	5.91%	6.07%	2.69%	2.57%	2.46%	3.17%	3.02%

FISCAL YEAR ENDED JUNE 30, PER SHARE DATA	EMERGING MARKET INTERNATIONAL STOCK					REAL ESTATE				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Net Position- Beginning of Period	\$369.61	\$369.61	\$397.12	\$358.76	\$351.61	\$46.27	\$46.27	\$39.48	\$36.46	\$35.21
<b>INCOME FROM INVESTMENT OPERATIONS</b>										
Net Investment Income (Loss)	\$6.16	\$6.59	\$8.22	\$6.81	\$6.36	\$1.79	\$1.66	\$1.59	\$(0.97)	\$2.04
Net Gains or (Losses) on Securities (Both Realized and Unrealized)	\$72.65	\$(33.01)	\$(35.73)	\$34.08	\$5.57	\$0.99	\$2.69	\$5.20	\$4.84	\$1.55
Total from Investment Operations	\$78.81	\$(26.42)	\$(27.51)	\$40.89	\$11.93	\$2.78	\$4.35	\$6.79	\$3.87	\$3.59
<b>LESS DISTRIBUTIONS</b>										
Dividends from Net Investment Income	\$-	\$-	\$-	\$(2.53)	\$(4.78)	\$-	\$-	\$-	\$(0.85)	\$(2.34)
Net Position - End of Period	\$448.42	\$343.19	\$369.61	\$397.12	\$358.76	\$49.05	\$50.62	\$46.27	\$39.48	\$36.46
<b>TOTAL RETURN</b>	<b>23.00%</b>	<b>-7.15%</b>	<b>-6.93%</b>	<b>11.50%</b>	<b>3.29%</b>	<b>7.38%</b>	<b>11.51%</b>	<b>12.93%</b>	<b>10.66%</b>	<b>10.26%</b>

RATIOS										
Net Position - End of Period (\$000,000 Omitted)	\$3,015	\$2,483	\$2,473	\$2,655	\$2,369	\$2,248	\$2,207	\$1,918	\$1,510	\$1,482
Ratio of Expenses to Average Net Position (excl. sec. lending fees & rebates)	0.59%	0.64%	0.70%	0.69%	0.84%	0.47%	0.42%	0.39%	0.55%	0.35%
Ratio of Expenses to Average Net Position	0.63%	0.66%	0.71%	0.70%	0.85%	0.47%	0.42%	0.39%	0.55%	0.35%
Ratio of Net Investment Income (Loss) to Average Net Position	1.61%	1.85%	2.15%	1.81%	1.78%	3.44%	3.42%	3.69%	-2.50%	5.56%

FISCAL YEAR ENDED JUNE 30, PER SHARE DATA	PRIVATE INVESTMENT				
	2017	2016	2015	2014	2013
Net Position- Beginning of Period	\$65.13	\$65.13	\$54.72	\$48.06	\$49.83
<b>INCOME FROM INVESTMENT OPERATIONS</b>					
Net Investment Income (Loss)	\$1.18	\$0.46	\$1.31	\$4.72	\$5.51
Net Gains or (Losses) on Securities (Both Realized and Unrealized)	\$7.62	\$4.21	\$9.10	\$2.79	\$(1.23)
Total from Investment Operations	\$8.80	\$4.67	\$10.41	\$7.51	\$4.28
<b>LESS DISTRIBUTIONS</b>					
Dividends from Net Investment Income	\$-	\$-	\$-	\$(0.85)	\$(6.05)
Net Position - End of Period	\$73.93	\$69.80	\$65.13	\$54.72	\$48.06
<b>TOTAL RETURN</b>	<b>10.97%</b>	<b>8.87%</b>	<b>14.04%</b>	<b>16.06%</b>	<b>9.50%</b>

RATIOS					
Net Position - End of Period (\$000,000 Omitted)	\$2,990	\$2,770	\$2,895	\$2,919	\$2,550
Ratio of Expenses to Average Net Position (excl. sec. lending fees & rebates)	0.17%	0.19%	0.17%	0.22%	0.29%
Ratio of Expenses to Average Net Position	0.17%	0.19%	0.17%	0.22%	0.29%
Ratio of Net Investment Income (Loss) to Average Net Position	1.60%	0.68%	2.20%	9.21%	11.23%

Source: Amounts were derived from custodial records.

**SHORT-TERM INVESTMENT FUND**

**STATEMENT OF NET POSITION  
JUNE 30, 2017**

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	<u>June 30, 2017</u>
<b>ASSETS</b>	
Investment in Securities, at Amortized Cost (Note 7)	\$ 6,469,928,464
Accrued Interest and Other Receivables	4,440,961
Prepaid Assets	306,184
Total Assets	<u>\$ 6,474,675,609</u>
<b>LIABILITIES</b>	
Distribution Payable	4,587,265
Total Liabilities	<u>\$ 4,587,265</u>
<b>NET POSITION HELD IN TRUST FOR PARTICIPANTS</b> (includes reserve)	<u>\$ 6,470,088,344</u>

See accompanying Notes to the Financial Statements.

**SHORT-TERM INVESTMENT FUND**

**STATEMENT OF CHANGES IN NET POSITION  
FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND JUNE 30, 2016**

	<u>2017</u>	<u>2016</u>
<b>ADDITIONS</b>		
<b>Operations</b>		
Interest Income	\$ 42,329,919	\$ 17,129,452
Net Investment Income	42,329,919	17,129,452
Net Realized Gains	30,747	4,970
<b>Net Increase Resulting from Operations</b>	42,360,666	17,134,422
<b>Share Transactions at Fair Value of \$1.00 per Share</b>		
Purchase of Units	15,482,140,632	11,391,879,786
<b>TOTAL ADDITIONS</b>	<u>15,524,501,298</u>	<u>11,409,014,208</u>
<b>DEDUCTIONS</b>		
<b>Distribution to Participants (Notes 2 &amp; 6)</b>		
Distributions to Participants*	(35,711,575)	(14,303,163)
Total Distributions Paid and Payable	(35,711,575)	(14,303,163)
<b>Share Transactions at Fair Value of \$1.00 per Share</b>		
Redemption of Units	(13,919,790,217)	(11,527,319,864)
<b>Operations</b>		
Operating Expenses	(1,920,045)	(1,927,193)
<b>TOTAL DEDUCTIONS</b>	<u>(13,957,421,837)</u>	<u>(11,543,550,220)</u>
<i>* Net of designated reserve transfer contributions and expenses.</i>		
<b>CHANGE IN NET POSITION</b>	1,567,079,461	(134,536,012)
<b>Net Position Held in Trust for Participants</b>		
Beginning of Year	\$ 4,903,008,883	\$ 5,037,544,895
End of Year	<u>\$ 6,470,088,344</u>	<u>\$ 4,903,008,883</u>

See accompanying Notes to the Financial Statements.

## SHORT-TERM INVESTMENT FUND

### 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. Securities in which the State Treasurer is authorized to invest monies of STIF include United States government and agency obligations, certificates of deposit, commercial paper, corporate bonds, saving accounts, bankers' acceptances, repurchase agreements, and asset-backed securities. 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 Position. 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 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 is consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940 that allows money market mutual funds to use amortized cost to report net assets.

#### ***Related Party Transactions.***

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

#### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### ***Financial Reporting Entity.***

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

#### ***Security Valuation of Financial Instruments.***

The assets of the Fund are carried at amortized cost (which approximates fair value). All premiums and discounts on securities are amortized or accreted on a straight line basis. The Fund's custodian calculates the fair value of investments daily and the Fund calculates a fair value shadow price once a month (at a minimum) in compliance with GASB 79.

As of June 30, 2017, the shadow price of the Fund was \$1.0087 and the ratio of fair value to amortized cost was 99.9980%.

#### ***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 are accounted for on an accrual basis.

#### ***Fiscal Year.***

The fiscal year of STIF ends on June 30.

## SHORT-TERM INVESTMENT FUND

### NOTES TO FINANCIAL STATEMENTS (Continued)

#### **Distributions to Investors.**

Distributions to investors are earned on units outstanding from date of purchase to date of redemption. Income is calculated daily based upon the actual earnings of the Fund net of administrative expenses and, if applicable, an allocation to the designated surplus reserve. Distributions are paid monthly within two business days of the end of the month, and are based upon actual number of days in a year. Shares are sold and redeemed at a constant \$1.00 net asset value per share, which is consistent with the per share net asset value of the Fund, excluding the designated surplus reserve.

#### **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 until 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, 2017, the balance in the Designated Surplus Reserve was \$56,117,317 which reflects \$4.7 million in contributions during the year.

#### **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**

A formal investment policy (as adopted August 21, 1996, revised June 16, 2008 and April 17, 2009) specifies policies and guidelines that provide for the systematic management of STIF and prudent and productive investment of funds. All securities of STIF are registered under the Bank of New York Mellon nominee name, MAC & Co.

#### **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 with a ten-business-day cure period. 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", or backed by a letter of credit issued by a Federal Home Loan bank.

Deposits in FDIC insured banks are insured up to \$250,000 (as of June 30, 2017), any amount above this limit is considered uninsured. Additionally, state banking regulation requires all Connecticut public depositories to segregate collateral against public deposits in an amount equal to at least ten percent of the outstanding deposit. As of fiscal year-end, deposit instruments in the Short-Term Investment Fund totaled \$2,507,532,568. Of that amount, \$2,034,557,568 was exposed to custodial credit risk representing the portion that was uninsured, uncollateralized or not backed by a letter of credit.

#### **Uninsured Bank Amounts**

<u>Bank</u>	<u>Amount</u>	<u>Uninsured/Uncollateralized</u>
BB&T	\$225,000,000	\$224,750,000
BANK OF TOKYO-MITS	200,000,000	200,000,000
CITIZENS BANK	225,000,000	
DZ BANK	275,000,000	275,000,000
NORDEA BANK	275,000,000	275,000,000
ROYAL BANK CANADA	132,532,568	132,532,568

**SHORT-TERM INVESTMENT FUND**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

SANTANDER BANK	225,000,000	
SCOTIA BANK	250,000,000	250,000,000
SUMITOMO BANK	200,000,000	200,000,000
SVENSKA HANDELSBANKEN	275,000,000	275,000,000
TD BANK	<u>225,000,000</u>	<u>202,275,000</u>
TOTAL	\$2,507,532,568	\$2,034,557,568

**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 risk 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, 2017 the weighted average maturity of the STIF was 34 days. The breakdown of the STIF's maturity profile is outlined below.

<u>Investments</u>	<u>Amortized Cost</u>	<u>Investment Maturity in Years</u>
		<u>Less than One</u>
Deposit Instruments		
Fixed	\$2,277,501,001	\$2,277,501,001
Floaters	230,031,757	230,031,757
Federal Agency Securities		
Fixed	643,672,145	643,672,145
Floaters	714,814,144	714,814,144
Corporate & Bank Commercial Paper		
Fixed	1,732,793,991	1,732,793,991
Floaters	80,904,070	80,904,070
Government Money Market Funds	90,211,356	90,211,356
Repurchase Agreements	700,000,000	700,000,000
Total	<u>\$6,469,928,464</u>	<u>\$6,469,928,464</u>

Additionally, STIF is allowed by policy to invest in floating-rate debt securities. Further, investment in floating-rate securities with maturities greater than two years is limited to no more than 30 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 dates. Because these securities reset frequently to prevailing market rates, interest rate risk is substantially reduced. As of fiscal year-end, the STIF portfolio held \$1,026 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. Concentration of credit risk is the risk of loss attributed to the magnitude of the investment in a single issuer.

Investment credit risk and concentration of credit risk of debt securities will be managed as follows:

- The STIF will purchase short-term, high-quality fixed income securities as allowed by CGS 3-27c - 3-27e and further defined within Connecticut State Treasurer's Short-Term Investment Fund Investment Policy, Standard & Poor's AAAM Principal Stability Fund Guidelines and the Governmental Accounting Standards Board Statement Number 79. To be considered high-quality, a security must be rated in the highest short-term rating category by one or more Nationally Recognized Statistical Rating Organizations ("NRSRO").
- The STIF will perform a fundamental credit analysis to develop and approve a database of issuers that meet the fund's standard for minimal credit risk. The STIF will monitor the credit risks of all portfolio securities on an ongoing basis by reviewing the financial data, issuer news and developments, and ratings of designated NRSROs.
- The STIF generally will comply with the following diversification limitations that are additional to those set

**SHORT-TERM INVESTMENT FUND**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

forth in SEC Rule 2a-7, GASB Statement Number 79 and Standard & Poor's AAAM Principal Stability Fund Guidelines. First, at least 75 percent of fund assets will be invested in securities rated "A-1+" or equivalent. Second, exposure to any single non-governmental issuer will not exceed 5 percent (at the time a security is purchased), exposure to any single money market mutual fund (rated AAAM) will not exceed 5 percent of fund assets and exposure to money market mutual funds in total will not exceed 10%.

The STIF's credit quality ratings were as follows at June 30, 2017:

<b>Credit Quality Rating</b>	<b>Amortized Cost</b>	<b>Percentage of Amortized Cost</b>
AAAm	\$90,211,356	1.39%
AA / A-1+	2,996,230,819	46.31%
A / A-1	875,000,000	13.52%
A-2*	450,000,000	6.96%
Federal Agency and U.S. Govt / Govt Guaranteed Securities*	2,058,486,289	31.82%
<b>Total</b>	<b>\$ 6,469,928,464</b>	<b>100%</b>

\*A-2 securities are backed by irrevocable standby letters of credit provided by federal home loan banks.

\*Federal Agency and U.S. Govt / Govt Guaranteed Securities includes Repurchase agreements backed by such securities.

As of June 30, 2017, the table below lists issuers with concentrations of greater than 5 percent.

<b>Issuer</b>	<b>Fair Value</b>	<b>Percent of Total Portfolio</b>
FEDERAL FARM CREDIT	\$519,545,104	8.0%
FEDERAL HOME LOAN BANK	598,082,326	9.2%
ROYAL BANK CANADA*	607,519,980	9.4%

\*Royal Bank Canada includes an investment with RBC and Repurchase agreements with RBC.

**Investments, Fair Value Hierarchy**

STIF investments are carried at amortized cost, but fair value is reported in certain note disclosures as required by GAAP. STIF investments are measured and reported at fair value and classified according to the following hierarchy:

Level 1 – Investments reflect unadjusted quoted prices in active markets for identical assets.

Level 2 – Investments reflect prices that are based on inputs that are either directly or indirectly observable for an asset (including quoted prices for similar assets), which may include inputs in markets that are not considered to be active.

Level 3 – Investments reflect prices based upon unobservable inputs for an asset.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a pricing methodology that uses evaluation models, such as matrix pricing, to value securities based on a security's relationship to benchmark quoted prices. Debt securities classified in Level 3 of the fair value hierarchy are subject to being priced by an alternative pricing source utilizing discounted cash flow models and broker bids, or may have an estimated fair value equal to cost, due to the absence of an independent pricing source.

Certain investments, such as bank deposit instruments, money market funds and repurchase agreements, are not included in the following tables because they are not negotiable instruments and are valued at cost.

**SHORT-TERM INVESTMENT FUND**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

STIF has the following fair value measurements as of June 30, 2017:

	June 30, 2017	Quoted Prices in Active Market for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Investments by fair value level:				
Federal Agency Securities	\$1,358,457,770	-	\$1,358,457,770	-
Non-bank Commercial paper	1,538,612,770	-	1,538,612,770	-
Bank Commercial Paper	274,980,000	-	274,980,000	-
Total debt securities measured at fair value	<u>\$3,172,050,540</u>	-	<u>\$3,172,050,540</u>	-

**NOTE 4: CUSTODIAN**

BNY Mellon was appointed as custodian for STIF effective December 9, 2013. STIF pays an approximately \$275,000 custodial fee for the 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:

<u>Distributions:</u>	<u>2017</u>	<u>2016</u>
July	1,888,124	673,376
August	1,822,366	664,417
September	1,948,752	766,461
October	2,016,150	624,944
November	2,176,315	815,409
December	2,522,404	1,129,298
January	3,120,576	1,560,619
February	3,125,857	1,585,420
March	3,852,470	1,707,678
April	4,137,077	1,539,998
May	4,514,219	1,475,869
June (Payable at June 30)	4,587,265	1,759,674
Total Distribution Paid & Payable	<u>\$35,711,575</u>	<u>\$14,303,163</u>

**NOTE 7: INVESTMENTS IN SECURITIES**

The following is a summary of investments in securities, at amortized cost and fair value as of June 30, 2017:

<u>Investment</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
Deposit Instruments	2,507,532,758	2,507,539,970
Federal Agency Securities	1,358,486,289	1,358,457,770
Bank Commercial Paper	274,984,986	274,980,000
Non-Bank Commercial Paper	1,538,713,075	1,538,612,770
Government Money Market Funds	90,211,356	90,211,356
Repurchase Agreements	700,000,000	700,000,000
Total	<u>\$6,469,928,464</u>	<u>\$6,469,801,866</u>

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



**SHORT-TERM INVESTMENT FUND**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

certain quality standards. All repurchase agreements are collateralized at between 100 percent and 102 percent of the securities' value. As of fiscal year end, STIF held \$700 million in repurchase agreements.

In response to changes to SEC rule 2a-7 and in an effort to enhance comparability of financial statements among governments the Government Accounting Standards Board (GASB) issued GASB Statement No. 79, Certain External Investment Pools and Pool Participants, effective December 15, 2015. Statement 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. STIF is in compliance with GASB Statement No. 79 and has elected to measure its investments on an amortized cost basis.

In an effort to improve disclosures associated with derivative contracts, the Government Accounting Standards Board (GASB) issued GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, effective for the fiscal years beginning after June 15, 2009. Statement No. 53 requires that all derivatives be reported 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, 2017, the Short-Term Investment Fund held adjustable-rate U.S. government agency securities whose interest rates vary directly with short-term money market indices and are reset either daily, weekly, 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 risks as fixed-rate securities from the same issuers.

**NOTE 8: CREDIT RATING OF THE FUND**

Throughout the year ended June 30, 2017, STIF was rated AAAM, its highest rating, by Standard and Poor's Corporation (S&P). In December 2016, 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 throughout 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 50% 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, with a ten-business-day cure period, excluding one and two day repurchase agreements and U.S. government agency securities; and

## SHORT-TERM INVESTMENT FUND

- 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**

The Fund management has evaluated the events and transactions that have occurred through December 29 2017, the date the basic financial statements were available to be issued. There were no subsequent events identified related to the Short-Term Investment Fund that could have a material impact on the Short-Term Investment Fund's financial statements.

**SHORT-TERM INVESTMENT FUND**

**LIST OF INVESTMENTS AT JUNE 30, 2017**

Par Value <sup>(1)</sup>	Security (Coupon, Maturity or Reset Date)	Yield %	Amortized Cost <sup>(1)</sup>	Fair Value <sup>(1)</sup>	Quality Rating	Asset ID
<b>FEDERAL AGENCY SECURITIES (21.00% OF TOTAL INVESTMENTS)</b>						
\$ 1,227,000	FANNIE MAE 0.875 8/28/2017	1.00	\$ 1,226,754	\$ 1,226,591	AA+	3135G0MZ3
1,406,000	FANNIE MAE 1.00 9/20/2017	0.72	1,406,871	1,405,793	AA+	3135G0PP2
9,519,000	FANNIE MAE 1.00 9/27/2017	0.71	9,525,622	9,516,573	AA+	3135G0ZL0
4,450,000	FANNIE MAE 0.875 10/26/2017	0.84	4,450,513	4,446,858	AA+	3135G0PQ0
4,050,000	FANNIE MAE 0.875 10/26/2017	1.03	4,048,023	4,047,141	AA+	3135G0PQ0
2,250,000	FANNIE MAE 0.875 10/26/2017	1.10	2,248,376	2,248,412	AA+	3135G0PQ0
6,051,000	FANNIE MAE 0.875 12/20/2017	1.09	6,044,923	6,042,831	AA+	3135G0RT2
4,000,000	FANNIE MAE 0.875 12/20/2017	1.13	3,995,305	3,994,600	AA+	3135G0RT2
1,000,000	FANNIE MAE 0.87 12/26/2017	1.13	1,000,000	998,579	AA+	3136G14R7
15,000,000	FANNIE MAE 0.875 2/8/2018	1.24	14,966,700	14,970,735	AA+	3135G0TG8
1,000,000	FANNIE MAE 1.00 2/8/2018	1.18	999,092	998,406	AA+	3136G05Y3
15,535,000	FANNIE MAE 0.875 3/28/2018	1.21	15,496,436	15,493,972	AA+	3135G0J61
10,000,000	FANNIE MAE 0.875 5/21/2018	1.22	9,969,505	9,965,810	AA+	3135G0WJ8
2,966,000	FANNIE MAE 0.875 5/21/2018	1.28	2,955,351	2,955,859	AA+	3135G0WJ8
1,990,000	FANNIE MAE 1.05 5/25/2018	1.20	1,990,000	1,984,808	AA+	3135G0XK4
17,000,000	FANNIE MAE VAR 7/5/2017	1.09	16,994,171	17,007,497	AA+	3135G0F57
25,000,000	FANNIE MAE VAR 7/16/2017	1.18	24,999,681	25,005,600	AA+	3135G0F24
4,000,000	FANNIE MAE VAR 7/20/2017	1.23	3,999,801	4,000,408	AA+	3135G0F81
2,500,000	FED FARM CREDIT 0.68 7/19/2017	0.88	2,499,751	2,499,528	AA+	3133EFKD8
2,000,000	FED FARM CREDIT 0.70 8/9/2017	0.90	1,999,575	1,999,056	AA+	3133ECP24
5,000,000	FED FARM CREDIT 1.125 9/22/2017	1.03	5,001,087	4,999,560	AA+	3133EDVU3
5,000,000	FED FARM CREDIT 1.23 10/4/2017	0.88	5,004,506	5,002,455	AA+	3133ED3Z3
2,100,000	FED FARM CREDIT 5.05 11/15/2017	0.87	2,132,729	2,130,181	AA+	31331YEK2
3,000,000	FED FARM CREDIT 0.87 11/27/2017	1.00	2,998,411	2,997,462	AA+	3133EC5A8
1,000,000	FED FARM CREDIT 0.84 12/13/2017	1.12	998,746	998,606	AA+	3133EC7B4
8,250,000	FED FARM CREDIT 1.125 12/18/2017	0.92	8,257,638	8,246,906	AA+	3133EEFE5
1,500,000	FED FARM CREDIT 1.125 12/18/2017	1.16	1,499,756	1,499,438	AA+	3133EEFE5
1,000,000	FED FARM CREDIT 1.34 12/29/2017	1.12	1,001,087	1,001,058	AA+	3133EDE99
4,570,000	FED FARM CREDIT 4.25 4/16/2018	1.24	4,678,154	4,676,294	AA+	31331YF21
1,000,000	FED FARM CREDIT 0.75 4/18/2018	1.23	996,206	996,034	AA+	3133EF3B1
15,000,000	FED FARM CREDIT VAR 7/3/2017	0.95	15,000,000	14,991,345	AA+	3133EHLR2
25,000,000	FED FARM CREDIT VAR 7/3/2017	1.13	25,000,925	25,052,125	AA+	3133EG2V6
15,000,000	FED FARM CREDIT VAR 7/13/2017	1.14	14,999,361	15,005,880	AA+	3133EFJT5
10,000,000	FED FARM CREDIT VAR 7/13/2017	1.14	9,999,584	10,003,920	AA+	3133EFJT5
3,500,000	FED FARM CREDIT VAR 7/13/2017	1.14	3,499,350	3,501,372	AA+	3133EFJT5
25,000,000	FED FARM CREDIT VAR 7/13/2017	1.16	25,000,335	25,001,825	AA+	3133EEHV5
11,500,000	FED FARM CREDIT VAR 7/13/2017	1.18	11,501,415	11,505,923	AA+	3133EEPS3
25,000,000	FED FARM CREDIT VAR 7/13/2017	1.18	25,002,067	25,012,875	AA+	3133EEPS3
1,000,000	FED FARM CREDIT VAR 7/13/2017	1.18	1,000,082	1,000,515	AA+	3133EEPS3
9,210,000	FED FARM CREDIT VAR 7/17/2017	1.24	9,203,451	9,218,906	AA+	3133EEZM5
3,000,000	FED FARM CREDIT VAR 7/22/2017	1.28	3,000,021	3,006,786	AA+	3133EFKN6
10,000,000	FED FARM CREDIT VAR 7/22/2017	1.25	9,990,548	10,013,580	AA+	3133EEN71
5,000,000	FED FARM CREDIT VAR 7/23/2017	1.37	4,999,919	5,009,585	AA+	3133EFE29
25,000,000	FED FARM CREDIT VAR 7/24/2017	1.22	25,000,127	25,003,375	AA+	3133EEZX1
5,000,000	FED FARM CREDIT VAR 7/25/2017	1.36	5,000,713	5,008,110	AA+	3133EFVY0
1,500,000	FED FARM CREDIT VAR 7/25/2017	1.38	1,506,727	1,506,228	AA+	3133EGBU8
25,000,000	FED FARM CREDIT VAR 7/25/2017	1.21	24,999,109	25,011,425	AA+	3133EE2E9
4,000,000	FED FARM CREDIT VAR 7/29/2017	1.26	4,000,326	4,001,648	AA+	3133EDTT9
7,400,000	FED FARM CREDIT VAR 7/29/2017	1.26	17,401,420	17,407,169	AA+	3133EDTT9
5,000,000	FED FARM CREDIT VAR 7/30/2017	1.28	4,995,893	5,000,280	AA+	3133EE5C0
10,000,000	FED FARM CREDIT VAR 8/1/2017	1.43	9,999,113	10,015,010	AA+	3133EFWZ6
5,000,000	FED FARM CREDIT VAR 8/1/2017	1.43	5,002,518	5,007,505	AA+	3133EFWZ6
15,000,000	FED FARM CREDIT VAR 8/6/2017	1.15	14,996,003	15,012,525	AA+	3133EEMX5
15,000,000	FED FARM CREDIT VAR 8/20/2017	1.26	14,986,467	15,014,370	AA+	3133EE7B0
15,000,000	FED FARM CREDIT VAR 8/20/2017	1.26	14,986,474	15,014,370	AA+	3133EE7B0
25,000,000	FED FARM CREDIT VAR 8/21/2017	1.22	24,995,852	25,003,675	AA+	3133EFAL1
3,200,000	FED FARM CREDIT VAR 9/1/2017	1.29	3,196,158	3,204,077	AA+	3133EEQU8
25,000,000	FED FARM CREDIT VAR 9/5/2017	1.19	25,000,000	24,995,275	AA+	3133EHLV3
25,000,000	FED FARM CREDIT VAR 9/5/2017	1.19	25,001,205	24,995,275	AA+	3133EHLV3
25,000,000	FED FARM CREDIT VAR 9/6/2017	1.28	24,998,530	24,986,075	AA+	3133EHAU7
25,000,000	FED FARM CREDIT VAR 9/6/2017	1.28	25,000,000	24,986,075	AA+	3133EHAU7
20,000,000	FED FARM CREDIT VAR 9/6/2017	1.28	19,973,015	20,013,680	AA+	3133EEV80
5,000,000	FED FARM CREDIT VAR 9/12/2017	1.42	5,005,720	5,015,650	AA+	3133EGTW5
10,000,000	FED FARM CREDIT VAR 9/13/2017	1.37	9,999,049	10,020,750	AA+	3133EGER2

**SHORT-TERM INVESTMENT FUND**

**LIST OF INVESTMENTS AT JUNE 30, 2017 (Continued)**

Par Value <sup>(1)</sup>	Security (Coupon, Maturity or Reset Date)	Yield %	Amortized Cost <sup>(1)</sup>	Fair Value <sup>(1)</sup>	Quality Rating	Asset ID
4,200,000	FED FARM CREDIT VAR 9/14/2017	1.48	4,201,348	4,203,053	AA+	3133EFS0
2,390,000	FED FARM CREDIT VAR 9/26/2017	1.25	2,388,795	2,392,098	AA+	3133EEU21
10,000,000	FED FARM CREDIT VAR 9/26/2017	1.24	10,001,828	10,008,780	AA+	3133EEU21
1,360,000	FED FARM CREDIT DISCOUNT NOTE 4/9/2018	1.25	1,347,003	1,347,412	AA+	313313VH8
8,635,000	FED HOME LOAN BANK 0.75 8/28/2017	0.73	8,635,296	8,630,259	AA+	3130A62S5
15,000,000	FED HOME LOAN BANK 0.75 8/28/2017	0.71	15,001,057	14,991,765	AA+	3130A62S5
1,000,000	FED HOME LOAN BANK 2.25 9/8/2017	0.72	1,002,875	1,002,032	AA+	313370SZ2
15,500,000	FED HOME LOAN BANK 0.625 9/20/2017	0.71	15,497,142	15,484,004	AA+	3130A9JR3
2,000,000	FED HOME LOAN BANK 0.94 11/17/2017	0.81	2,000,994	1,998,538	AA+	3130A6SA6
2,420,000	FED HOME LOAN BANK 5.00 11/17/17	0.78	2,458,595	2,454,045	AA+	3133XMQ87
10,150,000	FED HOME LOAN BANK 5.00 11/17/17	0.77	10,312,273	10,292,790	AA+	3133XMQ87
15,000,000	FED HOME LOAN BANK 5.00 11/17/17	1.05	15,223,213	15,211,020	AA+	3133XMQ87
23,500,000	FED HOME LOAN BANK 1.125 12/8/2017	0.91	23,522,017	23,493,044	AA+	3130A3HF4
10,000,000	FED HOME LOAN BANK 1.125 12/8/2017	1.01	10,004,925	9,997,040	AA+	3130A3HF4
25,000,000	FED HOME LOAN BANK 2.125 12/8/2017	0.85	25,138,593	25,104,375	AA+	313371N28
2,825,000	FED HOME LOAN BANK 1.00 12/19/2017	0.95	2,825,650	2,822,506	AA+	3130A6SW8
10,000,000	FED HOME LOAN BANK 1.00 12/19/2017	0.95	10,002,300	9,991,170	AA+	3130A6SW8
10,000,000	FED HOME LOAN BANK 1.00 12/19/2017	0.94	10,002,768	9,991,170	AA+	3130A6SW8
20,000,000	FED HOME LOAN BANK 1.00 12/19/2017	0.86	20,013,141	19,982,340	AA+	3130A6SW8
15,000,000	FED HOME LOAN BANK 1.00 12/19/2017	0.86	15,009,513	14,986,755	AA+	3130A6SW8
8,000,000	FED HOME LOAN BANK 1.00 12/19/2017	0.99	8,000,187	7,992,784	AA+	3130AAH50
10,000,000	FED HOME LOAN BANK 1.00 12/19/2017	1.00	10,000,000	9,990,980	AA+	3130AAH50
39,000,000	FED HOME LOAN BANK VAR 7/18/2017	0.96	39,014,992	38,979,564	AA+	3130AANZ7
20,000,000	FED HOME LOAN BANK VAR 7/21/2017	1.20	20,000,000	20,004,100	AA+	3130A6C54
20,000,000	FED HOME LOAN BANK VAR 7/25/2017	1.22	20,000,149	20,004,720	AA+	3130A6DC8
15,000,000	FED HOME LOAN BANK VAR 8/22/2017	1.17	15,000,470	15,019,740	AA+	3130A7DE2
25,000,000	FED HOME LOAN BANK VAR 8/24/2017	1.03	25,000,000	25,001,675	AA+	3130ABHN9
10,000,000	FED HOME LOAN BANK VAR 8/25/2017	1.17	10,000,087	10,002,980	AA+	3130A7EC5
25,000,000	FED HOME LOAN BANK VAR 9/6/2017	0.99	24,974,889	24,969,300	AA+	3130AAWH7
4,000,000	FED HOME LOAN BANK VAR 9/6/2017	0.99	3,995,818	3,995,088	AA+	3130AAWH7
10,000,000	FED HOME LOAN BANK VAR 9/8/2017	1.22	10,000,209	10,012,970	AA+	3130A7G90
10,000,000	FED HOME LOAN BANK VAR 9/8/2017	1.22	10,000,427	10,012,970	AA+	3130A7G90
2,800,000	FED HOME LOAN BANK 0.75 1/19/2018	1.19	2,793,293	2,792,720	AA+	3130A8SE4
2,995,000	FED HOME LOAN BANK 0.875 3/19/2018	1.26	2,986,750	2,987,375	AA+	3130A7CX1
1,500,000	FED HOME LOAN BANK 1.00 5/4/2018	1.23	1,497,084	1,496,334	AA+	3130A57K9
9,550,000	FED HOME LOAN BANK 1.125 5/16/2018	1.22	9,542,006	9,537,184	AA+	3130ABFV3
25,000,000	FHLB DISCOUNT NOTE 0.00 8/23/2017	0.96	24,974,542	24,973,800	AA+	313385KE5
25,000,000	FHLB DISCOUNT NOTE 0.00 8/23/17	0.97	24,965,035	24,963,875	AA+	313385KU9
4,000,000	FHLB DISCOUNT NOTE 0.00 8/30/2017	1.01	3,993,400	3,993,428	AA+	313385LB0
20,000,000	FHLB DISCOUNT NOTE 0.00 8/30/2017	1.01	19,967,000	19,967,140	AA+	313385LB0
25,000,000	FHLB DISCOUNT NOTE 0.00 9/5/2017	0.99	24,955,542	24,954,225	AA+	313385LH7
25,000,000	FHLB DISCOUNT NOTE 0.00 9/14/2017	1.00	24,948,958	24,947,775	AA+	313385LS3
8,350,000	FHLB DISCOUNT NOTE 0.00 10/27/2017	1.02	8,322,767	8,321,476	AA+	313385NM4
50,000,000	FHLB DISCOUNT NOTE 0.00 11/1/2017	1.02	49,829,167	49,820,200	AA+	313385NS1
7,000,000	FHLB DISCOUNT NOTE 0.00 12/21/2017	0.97	6,968,043	6,962,760	AA+	313385QU3
10,000,000	FHLB DISCOUNT NOTE 0.00 12/29/2017	0.97	9,952,236	9,944,310	AA+	313385RC2
9,610,000	FREDDIE MAC 1.00 7/28/2017	0.65	9,612,449	9,609,664	AA+	3137EADJ5
1,403,000	FREDDIE MAC 1.00 9/27/2017	0.72	1,403,945	1,402,675	AA+	3134G3M31
5,000,000	FREDDIE MAC 1.00 9/29/2017	0.71	5,003,572	4,998,825	AA+	3137EADL0
2,540,000	FREDDIE MAC 5.125 11/17/2017	0.77	2,581,815	2,577,854	AA+	3137EABA6
25,000,000	FREDDIE MAC 1.00 12/15/2017	0.85	25,017,229	24,980,900	AA+	3137EADX4
25,000,000	FREDDIE MAC 1.00 12/15/2017	0.87	25,014,314	24,980,900	AA+	3137EADX4
4,230,000	FREDDIE MAC 0.75 4/9/2018	1.26	4,213,308	4,214,129	AA+	3137EAEA3
1,075,000	FREDDIE MAC 0.75 4/9/2018	1.24	1,070,997	1,070,967	AA+	3137EAEA3
5,767,000	FREDDIE MAC 1.05 4/11/2018	1.26	5,757,436	5,757,225	AA+	3134G8UD9
10,000,000	FREDDIE MAC VAR 9/8/2017	1.24	10,000,000	10,017,380	AA+	3134G8PF0
25,000,000	FREDDIE MAC DISCOUNT NOTE 11/2/2017	1.04	24,912,597	24,909,350	AA+	313397NT4
\$ 1,358,474,000			\$ 1,358,486,289	\$ 1,358,457,770		
<b>REPURCHASE AGREEMENTS (10.82% OF TOTAL INVESTMENTS)</b>						
\$ 250,000,000	MERRILL LYNCH REPO 1.04 7/3/17	1.04	\$ 250,000,000	\$ 250,000,000	A-1	N/A
450,000,000	RBC REPO 1.05 7/3/17	1.05	450,000,000	450,000,000	A-1+	N/A
\$ 700,000,000			\$ 700,000,000	\$ 700,000,000		
<b>DEPOSIT INSTRUMENTS (38.76% OF TOTAL INVESTMENTS)</b>						
\$ 225,000,000	BB&T COMPANY 1.11 7/3/17 (2)	1.11	\$ 225,000,000	\$ 225,000,000	A-1	N/A
200,000,000	BANK OF TOKYO 1.17 7/5/17	1.17	200,000,000	200,000,000	A-1	06538N4T

**SHORT-TERM INVESTMENT FUND**

**LIST OF INVESTMENTS AT JUNE 30, 2017 (Continued)**

Par Value <sup>(1)</sup>	Security (Coupon, Maturity or Reset Date)	Yield %	Amortized Cost <sup>(1)</sup>	Fair Value <sup>(1)</sup>	Quality Rating	Asset ID
190	BNY MELLON LATE MONEY DEPOSIT 7/3/17	0.01	190	190	A-1+	N/A
225,000,000	CITIZENS BANK PA 1.18 7/3/17 (2)(8)	1.18	225,000,000	225,000,000	A-2	N/A
275,000,000	DZ BANK 1.12 7/3/17	1.12	275,000,000	275,000,000	A-1+	N/A
175,000,000	NORDEA BANK 1.30 7/3/17	1.30	175,000,000	175,000,000	A-1+	N/A
40,000,000	NORDEA BANK 1.14 7/24/17	1.14	40,000,000	40,000,000	A-1+	N/A
30,000,000	NORDEA BANK 1.11 9/26/17	1.11	30,000,000	30,000,000	A-1+	N/A
30,000,000	NORDEA BANK 1.30 12/22/17	1.30	30,000,000	30,000,000	A-1+	N/A
25,000,000	ROYAL BANK CANADA VAR 7/12/17	1.32	25,000,000	25,001,225	A-1+	78009NQ41
30,000,000	ROYAL BANK CANADA VAR 7/13/17	1.56	30,031,757	30,034,080	A-1+	78009NK47
50,000,000	ROYAL BANK CANADA VAR 7/19/17	1.30	50,000,000	49,996,500	A-1+	78009NU61
25,000,000	ROYAL BANK CANADA VAR 7/20/17	1.39	25,000,000	25,008,000	A-1+	78009NS23
2,500,000	ROYAL BANK CANADA 1.40 10/13/17	1.40	2,500,811	2,500,175	A-1+	78010U4A2
225,000,000	SANTANDER BANK NA 1.15 7/3/17 (2)(8)	1.15	225,000,000	225,000,000	A-2	N/A
250,000,000	SCOTIA BANK 1.18 7/3/17 (2)	1.18	250,000,000	250,000,000	A-1	N/A
200,000,000	SUMITOMO BANK 1.17 7/3/17 (2)	1.17	200,000,000	200,000,000	A-1	N/A
50,000,000	SVENSKA HANDELSBANK 1.03 7/3/17	1.03	50,000,000	49,999,500	A-1+	86958JLG2
25,000,000	SVENSKA HANDELSBANK 1.05 7/3/17	1.05	25,000,000	25,000,000	A-1+	N/A
50,000,000	SVENSKA HANDELSBANK 1.02 7/10/17	1.02	50,000,000	49,998,000	A-1+	86958JLR8
25,000,000	SVENSKA HANDELSBANK 1.18 7/21/17	1.18	25,000,000	25,000,000	A-1+	86958JHQ5
25,000,000	SVENSKA HANDELSBANK 1.14 8/23/17	1.14	25,000,000	24,997,750	A-1+	86958JVV2
25,000,000	SVENSKA HANDELSBANK 1.18 9/27/17	1.18	25,000,000	24,996,250	A-1+	86958JLF4
25,000,000	SVENSKA HANDELSBANK 1.23 9/29/17	1.23	25,000,000	25,000,000	A-1+	86958JQQ5
50,000,000	SVENSKA HANDELSBANK VAR 7/3/17	1.14	50,000,000	50,003,800	A-1+	86958JMR7
25,000,000	TD BANK 1.05 7/3/17 (2)	1.05	25,000,000	25,000,000	A-1+	N/A
25,000,000	TD BANK 1.15 7/3/17 (2)	1.15	25,000,000	25,000,000	A-1+	N/A
50,000,000	TD BANK 1.22 7/3/17 (2)	1.22	50,000,000	50,000,000	A-1+	N/A
50,000,000	TD BANK 1.22 7/3/17 (2)	1.22	50,000,000	50,000,000	A-1+	N/A
50,000,000	TD BANK VAR 7/31/17	1.30	50,000,000	50,000,000	A-1+	89113W2D7
25,000,000	TD BANK 1.35 12/4/17	1.35	25,000,000	25,004,500	A-1+	89113W2R6
<b>\$2,507,500,190</b>			<b>\$ 2,507,532,758</b>	<b>\$ 2,507,539,970</b>		

**COMMERCIAL PAPER (28.03% OF TOTAL INVESTMENTS)**

\$ 25,000,000	APPLE INC 0.86 7/5/17	0.88	\$ 24,997,611	\$ 24,996,250	A-1+	03785DU53
25,000,000	APPLE INC 0.947/5/17	0.96	24,997,389	\$24,996,250	A-1+	03785DU52
25,000,000	APPLE INC 0.94 7/10/17	0.96	24,994,125	\$24,992,500	A-1+	03785DUA2
25,000,000	APPLE INC 1.00 9/05/17	1.02	24,954,167	\$24,948,000	A-1+	03785DW51
25,000,000	APPLE INC 1.03 9/12/17	1.05	24,947,785	\$24,942,250	A-1+	03785DWC6
25,000,000	APPLE INC 1.03 9/18/17	1.04	24,944,042	\$24,937,250	A-1+	03785DWJ1
25,000,000	APPLE INC 1.02 9/19/17	1.04	24,943,333	\$24,936,500	A-1+	03785DWK8
25,000,000	APPLE INC 1.04 9/25/17	1.06	24,937,889	\$24,931,250	A-1+	03785DWR3
25,000,000	APPLE INC 1.26 12/4/17	1.29	24,863,500	\$24,868,500	A-1+	03785DZ41
10,500,000	COCA COLA 0.99 7/17/17	1.01	10,495,380	10,494,645	A-1+	19121AUH2
20,000,000	COCA COLA 0.99 7/21/17	1.01	19,989,000	19,987,400	A-1+	19121AUM1
25,000,000	COCA COLA 0.99 7/21/17	1.01	24,986,250	24,984,250	A-1+	19121AUM1
25,000,000	COCA COLA 0.96 7/25/17	0.98	24,984,000	24,981,250	A-1+	19121AUR0
20,000,000	COCA COLA 1.05 8/16/17	1.07	19,973,167	19,971,200	A-1+	19121AVG3
25,000,000	COCA COLA 1.00 8/21/17	1.02	24,964,583	24,960,000	A-1+	19121AVM0
15,000,000	COCA COLA 1.04 8/22/17	1.06	14,977,467	14,975,550	A-1+	19121AVN8
25,000,000	COCA COLA 1.14 9/7/17	1.16	24,946,167	24,946,500	A-1+	19121AW72
10,000,000	COCA COLA 1.10 9/11/17	1.12	9,978,000	9,977,200	A-1+	19121AWB3
25,000,000	COCA COLA 1.10 9/15/17	1.12	24,941,944	24,939,750	A-1+	19121AWF4
25,000,000	COCA COLA 1.10 9/20/17	1.12	24,938,125	24,935,500	A-1+	19121AWL1
25,000,000	COCA COLA 1.20 11/2/17	1.23	24,896,667	24,896,750	A-1+	19121AY21
25,000,000	EXXON MOBIL 1.112 9/18/17	1.14	24,938,556	24,937,000	A-1+	30229AWJ4
50,000,000	EXXON MOBIL 1.135 9/22/17	1.16	49,869,160	49,867,000	A-1+	30229AWN5
5,900,000	IBM CORP VAR 8/17	1.63	5,904,070	5,902,950	A-1+	45920JD4
50,000,000	JOHNSON & JOHNSON 1.00 7/6/17	1.02	49,993,056	49,991,000	A-1+	47816FU66
25,000,000	MICROSOFT 0.88 7/6/17	0.90	24,996,944	24,995,500	A-1+	59515MU60
25,000,000	MICROSOFT 1.155 9/15/17	1.18	24,939,042	24,938,250	A-1+	59515MWF8
25,000,000	MICROSOFT 1.10 9/25/17	1.12	24,934,306	24,929,500	A-1+	59515MWR2
50,000,000	MICROSOFT 1.13 10/10/17	1.15	49,841,486	49,832,000	A-1+	59515MXA8
35,000,000	NATL SEC CLEARING CORP 1.14 7/28/17	1.16	34,970,075	34,968,850	A-1+	63763PUU1
50,000,000	NATL SEC CLEARING CORP 1.15 8/14/17	1.17	49,929,722	49,927,500	A-1+	63763PVE6
25,000,000	NATL SEC CLEARING CORP 1.15 8/18/17	1.17	24,961,667	24,960,500	A-1+	63763PVJ5
25,000,000	NATL SEC CLEARING CORP 1.20 11/3/17	1.23	24,895,833	24,891,500	A-1+	63763PY37
25,000,000	NATL SEC CLEARING CORP 1.25 11/10/17	1.28	24,885,417	24,884,250	A-1+	63763PYA1
25,000,000	NATL SEC CLEARING CORP 1.23 11/31/17	1.26	24,884,688	24,881,000	A-1+	63763PYD5

**SHORT-TERM INVESTMENT FUND**

**LIST OF INVESTMENTS AT JUNE 30, 2017 (Continued)**

Par Value <sup>(1)</sup>	Security (Coupon, Maturity or Reset Date)	Yield %	Amortized Cost <sup>(1)</sup>	Fair Value <sup>(1)</sup>	Quality Rating	Asset ID
25,000,000	NATL SEC CLEARING CORP 1.25 11/28/17	1.28	24,869,792	24,865,000	A-1+	63763PYU7
25,000,000	NATL SEC CLEARING CORP 1.30 12/11/17	1.33	24,852,847	24,850,750	A-1+	63763PZB8
50,000,000	PROCTER & GAMBLE 1.08 7/7/17	1.10	49,991,000	49,989,500	A-1+	74271TU76
50,000,000	PROCTER & GAMBLE 1.10 7/11/17	1.12	49,984,722	49,983,500	A-1+	74271TUB7
25,000,000	ROYAL BANK CANADA 0.94 7/24/17	0.96	24,984,986	24,980,000	A-1+	78009AUQ5
25,000,000	TOYOTA MOTOR CREDIT CORP VAR 11/30/17	1.14	25,000,000	25,000,000	A-1+	89233AVT3
25,000,000	TOYOTA MOTOR CREDIT CORP VAR 7/7/17	1.45	25,000,000	25,001,225	A-1+	89233ASL4
25,000,000	TOYOTA MOTOR CREDIT CORP VAR 7/7/17	1.27	25,000,000	25,000,000	A-1+	89233ASM2
25,000,000	TOYOTA MOTOR CREDIT CORP 1.19 7/26/17	1.22	24,979,340	24,980,750	A-1+	89233GUS3
25,000,000	TOYOTA MOTOR CREDIT CORP 1.16 7/31/17	1.19	24,975,833	24,976,750	A-1+	89233GUX2
25,000,000	TOYOTA MOTOR CREDIT CORP 1.21 9/13/17	1.24	24,937,819	24,941,000	A-1+	89233GWD4
25,000,000	TOYOTA MOTOR CREDIT CORP 1.22 10/23/17	1.25	24,903,417	24,906,250	A-1+	89233GXP6
25,000,000	TOYOTA MOTOR CREDIT CORP 1.21 11/21/17	1.24	24,879,840	24,877,250	A-1+	89233GYM2
25,000,000	TOYOTA MOTOR CREDIT CORP 1.34 12/19/17	1.37	24,840,875	24,838,000	A-1+	89233GZK5
25,000,000	U.S. BANK 1.14 7/3/17	1.14	25,000,000	25,000,000	A-1+	N/A
25,000,000	U.S. BANK 0.95 7/6/17	0.95	25,000,000	25,000,000	A-1+	N/A
25,000,000	U.S. BANK 1.10 7/3/17(2)	1.12	25,000,000	25,000,000	A-1+	N/A
25,000,000	U.S. BANK 1.10 7/3/17(2)	1.10	25,000,000	25,000,000	A-1+	N/A
50,000,000	U.S. BANK 1.03 7/14/17	1.03	50,000,000	50,000,000	A-1+	N/A
100,000,000	U.S. BANK 1.10 7/3/17 (2)	1.10	100,000,000	100,000,000	A-1+	N/A
50,000,000	WAL-MART 1.07 7/10/17	1.11	49,986,375	49,985,000	A-1+	93114EUA3
25,000,000	WAL-MART 1.09 7/10/17	1.11	24,993,188	24,992,500	A-1+	93114EUA3
50,000,000	WAL-MART 1.09 7/10/17	1.09	49,986,625	49,985,000	A-1+	93114EUA3
25,000,000	WAL-MART 1.11 7/17/17	1.13	24,987,667	24,987,250	A-1+	93114EUH8
50,000,000	WAL-MART 1.11 7/17/17	1.13	49,975,333	49,974,500	A-1+	93114EUH8
50,000,000	WAL-MART 1.11 7/18/17	1.13	49,973,792	49,973,000	A-1+	93114EUJ4
<b>\$1,816,400,000</b>			<b>\$ 1,813,698,061</b>	<b>\$ 1,813,592,770</b>		
<b>GOVERNMENT MONEY MARKET FUND (1.39% OF TOTAL INVESTMENTS)</b>						
\$ 90,211,356	FEDERATED GOVT FUND #636 0.76 7/3/17	0.76	\$ 90,211,356	\$ 90,211,356	AAAm	N/A
\$ 90,211,356			\$ 90,211,356	\$ 90,211,356		
<b>\$6,472,585,546</b>			<b>\$ 6,469,928,464</b>	<b>\$ 6,469,801,866</b>		

FUND NET ASSET VALUE = \$1.01 PER UNIT <sup>(3)</sup>

EFFECTIVE 7-DAY NET YIELD = 1.00% <sup>(4)</sup>

EFFECTIVE 7-DAY GROSS YIELD = 1.13%

WAM<sup>(R)</sup> = 35 DAYS <sup>(5)</sup>

WAM<sup>(F)</sup> = 68 DAYS <sup>(6)</sup>

- (1) Securities rounded to the nearest dollar.
- (2) Issue has a daily put option, and thus is calculated as 1 day for Weighted Average Life (WAL) and WAM purposes.
- (3) Includes designated surplus reserve.
- (4) Includes approximately 3-4 basis points of expenses and a 10 basis point contribution to the designated surplus reserve each day the size of the reserve is less than one percent of the size of the Short-Term Investment Fund.
- (5) Weighted average maturity to the next reset date.
- (6) Weighted average maturity to final maturity date.
- (7) Citizens Bank PA and Santander Bank deposits are backed by irrevocable standby letters of credit provided by the Federal Home Loan Bank of Pittsburgh guaranteeing principal and interest amount.

**SHORT-TERM INVESTMENT FUND**  
**SCHEDULE OF ANNUAL RATES OF RETURN**

	Year Ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>STIF Total Rate of Return (%)</b>	0.61	0.29	0.15	0.14	0.16	0.16	0.23	0.34	1.49	4.13
<b>MFR Index (%)<sup>(1)</sup></b>	0.49	0.15	0.03	0.02	0.05	0.05	0.08	0.09	1.30	4.07
<b>Net Assets in STIF, End of Period (\$ - Millions)</b>	6,470	4,903	5,038	4,211	4,427	4,894	4,494	4,582	4,548	5,054
<b>Percent of State Assets in Fund</b>	82	82	84	83	83	83	84	84	81	83
<b>Number of Participant Accounts in Composite, End of Year<sup>(2)</sup></b>										
State Treasury	54	52	53	58	67	52	52	51	47	39
Municipal and Local Entities	546	541	551	475	685	674	660	656	608	637
State Agencies and Authorities	329	330	335	341	428	429	417	416	367	418
<b>Total</b>	929	923	939	874	1,180	1,155	1,129	1,123	1,022	1,094

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

(2) As of January 2014 and going forward, inactive accounts were closed and only active accounts containing balances were included in the total number of participant accounts.

**SHORT-TERM INVESTMENT FUND**  
**SCHEDULE OF QUARTERLY RATES OF RETURN**

<b>FISCAL YEAR</b>	<b>Rate of Return(%)</b>	<b>iMoneyNet Money Fund Averages™ (MFR) Index(%)<sup>(1)</sup></b>	<b>FISCAL YEAR</b>	<b>Rate of Return(%)</b>	<b>iMoneyNet Money Fund Averages™ (MFR) Index(%)<sup>(1)</sup></b>
<b>2017</b>			<b>2012</b>		
Sep-16	0.11	0.06	Sep-11	0.04	0.01
Dec-16	0.12	0.08	Dec-11	0.06	0.01
Mar-17	0.16	0.15	Mar-12	0.03	0.02
Jun-17	0.22	0.20	Jun-12	0.03	0.02
<b>YEAR</b>	<b>0.61</b>	<b>0.49</b>	<b>YEAR</b>	<b>0.16</b>	<b>0.05</b>
<b>2016</b>			<b>2011</b>		
Sep-15	0.04	0.01	Sep-10	0.06	0.03
Dec-15	0.05	0.02	Dec-10	0.06	0.02
Mar-16	0.10	0.06	Mar-11	0.06	0.02
Jun-16	0.09	0.06	Jun-11	0.05	0.01
<b>YEAR</b>	<b>0.29</b>	<b>0.15</b>	<b>YEAR</b>	<b>0.23</b>	<b>0.08</b>
<b>2015</b>			<b>2010</b>		
Sep-14	0.04	0.005	Sep-09	0.11	0.04
Dec-14	0.04	0.005	Dec-09	0.09	0.02
Mar-15	0.04	0.01	Mar-10	0.06	0.01
Jun-15	0.03	0.01	Jun-10	0.06	0.02
<b>YEAR</b>	<b>0.15</b>	<b>0.03</b>	<b>YEAR</b>	<b>0.34</b>	<b>0.09</b>
<b>2014</b>			<b>2009</b>		
Sep-13	0.03	0.005	Sep-08	0.58	0.58
Dec-13	0.03	0.005	Dec-08	0.47	0.45
Mar-14	0.04	0.005	Mar-09	0.26	0.17
Jun-14	0.04	0.005	Jun-09	0.16	0.09
<b>YEAR</b>	<b>0.14</b>	<b>0.02</b>	<b>YEAR</b>	<b>1.49</b>	<b>1.30</b>
<b>2013</b>			<b>2008</b>		
Sep-12	0.05	0.02	Sep-07	1.34	1.27
Dec-12	0.05	0.02	Dec-07	1.24	1.19
Mar-13	0.03	0.01	Mar-08	0.90	0.92
Jun-13	0.03	0.01	Jun-08	0.59	0.62
<b>YEAR</b>	<b>0.16</b>	<b>0.05</b>	<b>YEAR</b>	<b>4.13</b>	<b>4.07</b>

(1) Represents iMoneyNet's First Tier Institutional-only Rated Money Fund Report Averages™- (MFR) Index. These Index rates have been taken from published sources.

**CALCULATION OF RATES OF RETURN**

STIF uses a time-weighted linked rate of return formula to calculate rates of return. 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.



**CIVIL LIST PENSION AND TRUST FUNDS**

**SCHEDULE OF CASH AND INVESTMENTS, BALANCES AND ACTIVITY (at Fair Value)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	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	1,963,126	891,722	141,357	5,496	12,162	35	3,814	1,168	1,873
Interest in Investment Funds	17,128,302,473	11,955,374,580	2,441,303,399	95,047,753	210,022,249	1,798,493	75,901,175	19,953,445	32,348,872
Total Cash and Investments	\$17,128,765,599	\$11,956,266,302	\$2,441,444,756	\$95,053,249	\$210,034,411	\$1,798,528	\$75,904,989	\$19,954,613	\$32,350,745
<b>Schedule of Activity:</b>									
Cash and Investments at July 1, 2016	\$15,585,520,335	\$10,637,189,811	\$2,212,107,133	\$87,270,789	\$189,685,278	\$1,545,676	\$72,324,299	\$18,959,310	\$28,588,591
Shares Purchased (Excluding Liquidity Fund)	92,200,000	32,200,000	54,861,959	1,690,721	4,964,488	80,400	1,403,958	346,450	972,179
Shares Redeemed (Excluding Liquidity Fund)	(990,000,000)	(281,000,000)	(115,538,588)	(5,346,168)	(9,481,521)	(56,798)	(3,303,988)	(798,986)	(1,179,048)
Net Purchase and Redemptions of Liquidity Fund	255,640,481	64,064,347	6,534,495	200,799	483,922	2,439	122,463	34,192	124,616
Net Investment Income	15,178,473	6,264,344	1,057,869	42,348	91,888	350	31,317	9,011	14,746
Net Increase (Decrease) in the Fair Value of Investments and Foreign Currency	2,184,397,778	1,503,407,588	283,422,335	11,234,898	24,357,309	226,796	5,356,613	1,383,207	3,843,631
Increase (Decrease) in Receivables - Net (1)	1,007,005	404,556	57,422	2,210	4,935	15	1,644	440	776
Distributions	(15,178,473)	(6,264,344)	(1,057,869)	(42,348)	(91,888)	(350)	(31,317)	(9,011)	(14,746)
Cash and Investments at June 30, 2017	\$17,128,765,599	\$11,956,266,302	\$2,441,444,756	\$95,053,249	\$210,034,411	\$1,798,528	\$75,904,989	\$19,954,613	\$32,350,745

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, 2017

	SCHOOL FUND	AGRICUL- TURAL COLLEGE FUND	IDA EATON COTTON FUND	ANDREW C. CLARK FUND	HOPEMEAD STATE PARK TRUST FUND	OPEB FUND
<b>STATEMENT OF NET POSITION, at Fair Value</b>						
<b>ASSETS</b>						
Cash & Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest & Dividends Receivable	680	-	150	70	222	11,333
Investments in Combined Investment Funds, at Fair Value	11,629,717	660,208	2,577,251	1,212,149	3,797,945	569,440,305
<b>Total Assets</b>	<b>\$11,630,397</b>	<b>\$660,208</b>	<b>\$2,577,401</b>	<b>\$1,212,219</b>	<b>\$3,798,167</b>	<b>\$569,451,638</b>
<b>LIABILITIES &amp; NET POSITION</b>						
Due to Other Funds	\$86,931	\$13,843	\$51,852	\$24,391	\$ -	\$ -
Fund Balance	11,543,466	646,365	2,525,549	1,187,828	3,798,167	569,451,638
<b>Total Liabilities &amp; Fund Balance</b>	<b>\$11,630,397</b>	<b>\$660,208</b>	<b>\$2,577,401</b>	<b>\$1,212,219</b>	<b>\$3,798,167</b>	<b>\$569,451,638</b>

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

### STATEMENT OF REVENUE AND EXPENDITURES

#### REVENUE

Net Investment Income	\$5,271	\$51	\$1,064	\$498	\$1,810	\$96,692
Net Increase (Decrease) in the Fair Value of Investments and Foreign Currency	819,557	11,426	179,240	84,302	262,777	53,092,339
Increase (Decrease) in Liquidity Fund Income Receivables - <sup>(1)</sup>	267	-	56	25	87	4,256
<b>Total Revenue</b>	<b>\$825,095</b>	<b>\$11,477</b>	<b>\$180,360</b>	<b>\$84,825</b>	<b>\$264,674</b>	<b>\$53,193,287</b>

#### EXPENDITURES

Excess of Revenue over Expenditures	\$825,095	\$11,477	\$180,360	\$84,825	\$264,674	\$53,193,287
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(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 NET POSITION

<b>Net Position at July 1, 2016</b>	\$10,954,610	\$648,736	\$2,398,544	\$1,127,383	\$3,533,493	\$395,442,591
Excess of Revenue over Expenditures	825,095	11,477	180,360	84,825	264,674	53,193,287
Net Cash Transactions	-	-	-	-	-	-
Transfer from Other Funds	23,918	-	-	-	-	120,815,760
Transfer to Other Funds	(258,753)	(13,882)	(50,866)	(23,918)	-	-
Increase in Due to Other Funds	(1,404)	34	(2,489)	(462)	-	-
<b>Net Position at June 30, 2017</b>	<b>\$11,543,466</b>	<b>\$646,365</b>	<b>\$2,525,549</b>	<b>\$1,187,828</b>	<b>\$3,798,167</b>	<b>\$569,451,638</b>

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, 2017**

	SCHOOL FUND	AGRICUL- TURAL COLLEGE FUND	IDA EATON COTTON FUND	ANDREW C. CLARK FUND	HOPEMEAD STATE PARK TRUST FUND	OPEB FUND
<b>Cash Flows from Operating Activities:</b>						
Excess of Revenues over Expenditures	\$825,095	\$11,477	\$180,360	\$84,825	\$264,674	\$53,193,287
Net Increase (Decrease) in the Fair Value of Investments and Foreign Currency	(819,557)	(11,426)	(179,240)	(84,302)	(262,777)	(53,092,339)
(Increase) Decrease in Liquidity Fund Income Receivables	(267)	-	(56)	(25)	(87)	(4,256)
Net Cash Provided by Operations	\$5,271	\$51	\$1,064	\$498	\$1,810	\$96,692
<b>Cash Flows from Non Capital Financing Activities:</b>						
Operating Transfers - Out to Other Funds	(258,753)	(13,882)	(50,866)	(23,918)	-	-
Operating Transfers - In from Other Funds	23,918	-	-	-	-	120,815,760
Net Cash Used for Non-Capital Financing Activities	(234,835)	(13,882)	(50,866)	(23,918)	-	120,815,760
<b>Cash Flows from Investing Activities:</b>						
Net Purchase and Redemptions of Liquidity Fund	(20,061)	531	(3,997)	(1,879)	(8,648)	(1,376,320)
Purchase of Investments	(355,756)	(700)	(73,279)	(34,466)	(117,091)	(121,890,259)
Proceeds from Sale of Investment	605,381	14,000	127,078	59,766	123,929	2,354,127
Net Cash Provided by (Used for) Investing Activities	229,564	13,831	49,802	23,421	(1,810)	(120,912,452)
<b>Net Increase (Decrease) In Cash</b>	-	-	-	-	-	-
Cash June 30, 2016	-	-	-	-	-	-
Cash June 30, 2017	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

**NON-CIVIL LIST TRUST FUNDS**  
**STATEMENT OF NET POSITION, AT COST**  
**JUNE 30, 2017**

	SCHOOL FUND	AGRICUL- TURAL COLLEGE FUND	IDA EATON COTTON FUND	ANDREW C. CLARK FUND	HOPEMEAD STATE PARK TRUST FUND	OPEB FUND
<b>ASSETS</b>						
Cash & Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest & Dividends Receivable	680	-	150	70	222	11,333
Investments in Combined Investment Funds	8,459,307	577,461	1,870,268	894,116	2,863,887	486,395,374
<b>Total Assets</b>	<b>\$8,459,987</b>	<b>\$577,461</b>	<b>\$1,870,418</b>	<b>\$894,186</b>	<b>\$2,864,109</b>	<b>\$486,406,707</b>
<b>LIABILITIES &amp; NET POSITION</b>						
Due to Other Funds	\$86,931	\$13,843	\$51,852	\$24,391	\$-	\$-
Fund Balance	8,373,056	563,618	1,818,566	869,795	2,864,109	486,406,707
<b>Total Liabilities &amp; Net Position</b>	<b>\$8,459,987</b>	<b>\$577,461</b>	<b>\$1,870,418</b>	<b>\$894,186</b>	<b>\$2,864,109</b>	<b>\$486,406,707</b>

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

## CIVIL AND NON-CIVIL LIST TRUST FUNDS

### NOTES TO FINANCIAL STATEMENTS

#### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

Significant account policies of the trust funds are as follows:

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

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

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

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

#### **NOTE 2. STATEMENT OF CASH FLOWS**

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

#### **NOTE 3. MISCELLANEOUS AGENCY AND TRUST FUND TRANSFERS**

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

**SECOND INJURY FUND****STATEMENT OF NET POSITION  
JUNE 30, 2017 and 2016**

<b>ASSETS</b>	<b>June 30, 2017</b>	<b>June 30, 2016</b>
CURRENT ASSETS:		
Cash and Cash Equivalents	\$43,486,340	\$40,166,218
Receivables, Net of Allowance for Uncollectible		
Accounts - \$10,806,947 and \$9,869,563 respectively	7,799,880	7,351,768
Other Assets	25,041	11,082
TOTAL CURRENT ASSETS	<u>51,311,261</u>	<u>47,529,068</u>
<b>LIABILITIES</b>		
Claims Benefits Payable	5,986,285	5,470,645
Settlement Payable	851,402	958,903
Accounts Payable and Other Accrued Liabilities	874,884	764,321
Compensated Absences	575,630	557,375
Long-Term Liabilities:		
Accounts Payable and Accrued Expenses	863,100	901,600
Compensated Absences	288,867	280,729
TOTAL LIABILITIES	<u>9,440,168</u>	<u>8,933,573</u>
NET POSITION		
Unrestricted	41,871,093	38,595,495
TOTAL NET POSITION	<u>\$41,871,093</u>	<u>\$38,595,495</u>

**See accompanying Notes to the Financial Statements.**

**SECOND INJURY FUND****STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND JUNE 30, 2016**

	<b>2017</b>	<b>2016</b>
<b>OPERATING REVENUES</b>		
Assessment Revenues	\$36,298,587	\$39,798,731
Fund Recoveries	510,727	461,928
Other Income	<u>237,592</u>	<u>187,298</u>
<b>TOTAL OPERATING REVENUES</b>	<u>37,046,906</u>	<u>40,447,957</u>
<b>OPERATING EXPENSES</b>		
Injured Worker Benefits:		
Settlements	3,374,524	4,895,610
Indemnity Claims Benefits	16,038,116	16,258,782
Medical Claims Benefits	6,803,651	5,391,841
Total Injured Worker Benefits	<u>26,216,291</u>	<u>26,546,233</u>
Administrative Expenses	<u>7,802,366</u>	<u>8,173,427</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>34,018,657</u>	<u>34,719,660</u>
<b>OPERATING INCOME</b>	<u>3,028,249</u>	<u>5,728,297</u>
<b>NON-OPERATING INCOME</b>		
Interest Income	<u>247,349</u>	<u>108,119</u>
Change in Net Position	<u>3,275,598</u>	<u>5,836,416</u>
<b>NET POSITION - Beginning of Year</b>	<u>38,595,495</u>	<u>32,759,079</u>
<b>NET POSITION - End of Year</b>	<u>\$41,871,093</u>	<u>\$38,595,495</u>

See accompanying Notes to the Financial Statements.

**SECOND INJURY FUND**

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND JUNE 30, 2016**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b><u>2017</u></b>	<b><u>2016</u></b>
<b>SOURCE:</b>		
Assessment Revenues	\$35,959,841	\$40,049,192
Fund Recoveries	510,727	461,928
Other Income	237,592	187,298
Other Assets	(8,221)	545
	<u>36,699,939</u>	<u>40,698,963</u>
<b>USE:</b>		
Injured Worker Benefits	(25,846,652)	(27,110,226)
Administrative Expenses	(7,774,776)	(8,143,134)
	<u>(33,621,428)</u>	<u>(35,253,360)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>3,078,511</u>	 <u>5,445,603</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>SOURCE:</b>		
Interest Income	241,611	104,630
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>241,611</u>	<u>104,630</u>
 <b>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	 3,320,122	 5,550,233
Cash and Cash Equivalents, Beginning of Year	40,166,218	34,615,985
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<u>\$43,486,340</u>	<u>\$40,166,218</u>
 <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
<b>OPERATING INCOME (LOSS)</b>	<u>\$ 3,028,249</u>	<u>\$ 5,728,297</u>
Adjustments to reconcile operating income to net cash:		
Decrease (Increase) in Assets:		
Decrease (Increase) in Receivables, Net	(448,112)	374,621
Decrease (Increase) in Other Assets	(8,221)	545
Increase (Decrease) in Liabilities		
Increase (Decrease) in Accounts Payable & Accrued Expenses	480,202	(699,310)
Increase (Decrease) in Compensated Absences	26,393	41,450
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 3,078,511</u>	<u>\$ 5,445,603</u>

See accompanying Notes to the Financial Statements.



## SECOND INJURY FUND

### 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 continues 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:

- Spouse 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 position (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 pricing policies of the activity establish fees and charges designed to recover its costs.

Enterprise funds distinguish operating revenues and expenses from non-operating 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 non-operating 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 97.7% 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)

## SECOND INJURY FUND

### NOTES TO FINANCIAL STATEMENTS (Continued)

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

C.G.S. 31-301, Appeal Cases, provides for the payment of indemnity (lost wages) and medical benefits to an injured worker while their claims are under appeal. Upon a decision in the appeal, the injured worker (in cases of denial of compensation), or insurer (in cases of award of compensation), must reimburse the SIF for monies expended during the appeal process. This statute was repealed with passage of P.A. 95-277 for appeals filed on injuries occurring after July 1, 1995. During fiscal years 2017 and 2016, there were no benefits paid for appeals cases.

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

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

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

The allowance for uncollectible account represents those amounts estimated to be uncollectible as of the balance sheet date. The Fund fully reserves for the other receivable balances. (See Note 4)

#### ***Capital Assets***

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

#### ***Claims Benefits Payable***

This category of liability includes various unpaid reimbursement, indemnity and medical benefit claims incurred as of the balance sheet date and will be paid during the subsequent fiscal year. The long-term portion of claims benefits payable represents an estimate of the amount of liability of as June 30, 2017 and June 30, 2016 of the concurrent employment until a year or more for reimbursement. (see Note 5)

#### ***Settlements Payable***

Settlements are negotiated agreements for resolving the Fund's future exposure on injured worker claims. An accrual is made for all settlements committed as of the balance sheet date. (See Note 5)

#### ***Accounts Payable and Other Accrued Liabilities***

Accounts payable and other accrued liabilities represent administrative expenses of the Fund outstanding as of June 30, 2017 and June 30, 2016 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)

**SECOND INJURY FUND**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**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 years ending June 30, 2017 and June 30, 2016 was 2.75%.

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, 2017 and June 30, 2016 was 3.25%.

**NOTE 4: RECEIVABLES**

The following is an analysis of the changes in the Fund receivable balances:

**As of June 30, 2017:**

	Beginning Balance	Additions	Cash Receipts	Write-Offs	Ending Balance	Amount Due Within One Year	Allowance for Uncollectible
Assessments	\$ 7,370,211	\$63,386,528	\$62,938,951	\$ -	\$ 7,817,788	\$ 7,799,880	\$ 17,908
Non-Compliance 355	9,625,694	3,868,149	334,791	2,621,512	10,537,540	-	10,537,540
Other Receivables	225,426	233,073	207,000	-	251,499	-	251,499
<b>Total Receivables</b>	<b>\$17,221,331</b>	<b>\$67,487,750</b>	<b>\$63,480,742</b>	<b>\$2,621,512</b>	<b>\$18,606,827</b>	<b>\$ 7,799,880</b>	<b>\$10,806,947</b>

**As of June 30, 2016:**

	Beginning Balance	Additions	Cash Receipts	Write-Offs	Ending Balance	Amount Due Within One Year	Allowance for Uncollectible
Assessments	\$ 7,742,258	\$65,234,638	\$65,606,685	\$ -	\$ 7,370,211	\$7,351,768	\$ 18,443
Non-Compliance 355	9,244,943	3,824,229	324,913	3,118,565	9,625,694	-	9,625,694
Other Receivables	232,573	140,849	145,789	2,207	225,426	-	225,426
<b>Total Receivables</b>	<b>\$17,219,774</b>	<b>\$69,199,716</b>	<b>\$66,077,387</b>	<b>\$3,120,772</b>	<b>\$17,221,331</b>	<b>\$7,351,768</b>	<b>\$9,869,563</b>

**NOTE 5: LIABILITIES AND COMPENSATED ABSENCES**

The following is an analysis of the changes in the Fund liabilities and compensated absence balances:

**As of June 30, 2017:**

	Beginning Balance	Additions	Cash Disbursements	Ending Balance	Amount Due Within One Year
Claims and Benefits Payable	\$6,372,245	\$22,803,267	\$22,326,127	\$6,849,385	\$5,986,285
Settlements Payable	958,903	3,374,524	3,482,025	851,402	851,402
Accounts Payable & Accrued Expenses	764,321	7,802,366	7,691,803	874,884	874,884
Compensated Absences	838,104	26,393	-	864,497	575,630
<b>Total Liabilities &amp; Compensated Absences</b>	<b>\$8,933,573</b>	<b>\$34,006,550</b>	<b>\$33,499,955</b>	<b>\$9,440,168</b>	<b>\$8,288,201</b>

**As of June 30, 2016:**

	Beginning Balance	Additions	Cash Disbursements	Ending Balance	Amount Due Within One Year
Claims Benefits Payable	\$ 6,874,166	\$21,582,823	\$22,084,744	\$6,372,245	\$5,470,645
Settlements Payable	1,020,975	4,895,610	4,957,682	958,903	958,903
Accounts Payable & Accrued Expenses	899,638	8,173,428	8,308,745	764,321	764,321
Compensated Absences	796,654	41,450	-	838,104	557,375
<b>Total Liabilities &amp; Compensated Absences</b>	<b>\$ 9,591,433</b>	<b>\$34,693,311</b>	<b>\$35,351,171</b>	<b>\$8,933,573</b>	<b>\$7,751,244</b>

## SECOND INJURY FUND

### NOTES TO FINANCIAL STATEMENTS (Continued)

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#### **NOTE 6: SETTLEMENTS**

Negotiations were at various stages of completion for settlements valued and accrued. As of June 30, 2017 they were \$900,000 and at June 30, 2016 were \$1 million.

#### **NOTE 7: SUBSEQUENT EVENTS**

The Fund management has evaluated the events and transactions that have occurred through December 29, 2017, the date the financial statements were available for issuance, and identified no events or transactions that have occurred requiring recognition or disclosure in the financial statements.



## Report of Independent Auditors

To the Trustee of the Connecticut Higher Education Trust - Direct Plan:

We have audited the accompanying financial statements of the Connecticut Higher Education Trust - Direct Plan (the "Direct Plan"), which comprise the statement of fiduciary net position as of June 30, 2017 and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express opinions on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Direct Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Direct Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Connecticut Higher Education Trust - Direct Plan, as of June 30, 2017, and the changes in its position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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***Other Matter***

The accompanying management's discussion and analysis on pages 4 through 6 are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Matter***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Direct Plan's basic financial statements. The accompanying supplemental information of the statements of fiduciary net position on pages 15 through 19, statements of changes in fiduciary net position on pages 21 through 25 and financial highlights on pages 27 through 31 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplemental information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2017 on our consideration of the Direct Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Direct Plan's internal control over financial reporting and compliance.

Baltimore, Maryland  
August 18, 2017

## CONNECTICUT HIGHER EDUCATION TRUST - DIRECT PLAN

### MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

As Plan manager of the Connecticut Higher Education Trust – Direct Plan (the “Direct Plan”), TIAA-CREF Tuition Financing, Inc. (“TFI”) offers readers of the Direct Plan’s financial statements this discussion and analysis of the financial performance for the fiscal year ended June 30, 2017. Readers should consider the information presented in this section in conjunction with the Direct Plan’s financial statements and notes to financial statements. The Direct Plan is comprised of 14 investment options (the “Options”) in which account owners (“Account Owners”) may invest.

### FINANCIAL HIGHLIGHTS

During the year ended June 30, 2017, the Options within the Direct Plan posted returns as follows:

<u>Conservative Managed Allocation Option</u>		<u>Aggressive Managed Allocation Option</u>	
Ages 0-3	11.56%	Ages 0-3	17.55%
Ages 4-7	9.32	Ages 4-7	15.05
Ages 8-11	7.18	Ages 8-11	12.97
Ages 12-14	5.52	Ages 12-14	11.43
Ages 15-17	3.72	Ages 15-17	10.06
Ages 18 & Over	1.74	Ages 18 & Over	6.86
<u>Moderate Managed Allocation Option</u>		<u>Multi-Fund Investment Options</u>	
Ages 0-3	14.69%	Global Equity Index Option	19.58%
Ages 4-7	12.33	Global Tactical Asset Allocation Option	9.67
Ages 8-11	9.94	International Equity Index Option	19.85
Ages 12-14	8.34	Active Global Equity Option	20.50
Ages 15-17	6.75	U.S. Equity Index Option	18.32
Ages 18 & Over	5.06	High Equity Balanced Option	15.55
		Active Fixed-Income Option	3.97
		Social Choice Option	18.65
		Index Fixed-Income Option	(0.67)
		Money Market Option	0.30
		Principal Plus Interest Option	1.68

The Direct Plan received \$91.2 million in net contributions from Account Owners during the year ended June 30, 2017.

The Direct Plan earned \$55.4 million from investment income and paid out \$3.1 million for operating expenses during the year ended June 30, 2017.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The Direct Plan’s financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board..

This report consists of two parts: Management’s Discussion and Analysis (this section) and the basic financial statements. The basic financial statements are comprised of a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position, and Notes to Financial Statements that explain the information in the financial statements and provide more detailed information.

The Statement of Fiduciary Net Position presents information on the Direct Plan’s assets and liabilities, with the difference between the two reported as net position as of June 30, 2017. This statement, along with all of the Direct Plan’s financial statements, is prepared using the accrual basis of accounting. Contributions are recognized when enrollment in the Direct Plan is finalized; subsequent subscriptions and redemptions are recognized on trade date; expenses and liabilities are recognized when services are provided, regardless of when cash is disbursed.

The Statement of Changes in Fiduciary Net Position presents information showing how the Direct Plan’s assets changed during the most recent fiscal period. Changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal years.

**CONNECTICUT HIGHER EDUCATION TRUST - DIRECT PLAN**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited) (Continued)**

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

This report presents the operating results and financial status of the Direct Plan, which the State of Connecticut reports as a fiduciary fund. Fiduciary fund reporting is used to account for resources held for the benefit of parties outside the governmental entity.

**FINANCIAL ANALYSIS**

**Net position** - The following is a condensed Statement of Fiduciary Net Position as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Investments	\$2,843,586,663	\$2,501,382,675
Cash	7,596	734
Receivables	4,716,820	3,725,916
<b>Total Assets</b>	<b><u>2,848,311,079</u></b>	<b><u>2,505,109,325</u></b>
Payables	4,989,187	5,390,963
<b>Total Liabilities</b>	<b><u>4,989,187</u></b>	<b><u>5,390,963</u></b>
<b>Total Net Position</b>	<b><u>\$2,843,321,892</u></b>	<b><u>\$2,499,718,362</u></b>

Net position represents total contributions from Account Owners, plus the net increases (decreases) from operations, less withdrawals and expenses.

Investments are approximately 100% of total net position, and consist of the Options, each of which invests in varying percentages in multiple TIAA-CREF Funds and/or other third-party mutual funds, or a funding agreement ("Funding Agreement") issued by TIAA-CREF Life Insurance Company to the Connecticut Higher Education Trust. Receivables consist of securities sold, contributions, and accrued income. Liabilities consist mainly of payables for securities purchased, withdrawals, and accrued expenses.

**Changes in net position** - The following are condensed Statements of Changes in Fiduciary Net Position for the years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Additions:		
Subscriptions	\$960,028,855	\$853,035,412
Investment income	55,397,894	49,577,969
Net increase in fair value of investments	200,099,531	—
<b>Total Additions</b>	<b><u>1,215,526,280</u></b>	<b><u>902,613,381</u></b>
Deductions:		
Redemptions	(868,840,702)	(765,961,569)
Direct Plan manager fee	(2,844,966)	(3,146,949)
Administrative fee	(237,082)	(211,892)
Net decrease in fair value of investments	—	(49,126,310)
<b>Total Deductions</b>	<b><u>(871,922,750)</u></b>	<b><u>(818,446,720)</u></b>
<b>Changes in Net Position</b>	<b>343,603,530</b>	<b>84,166,661</b>
Net position - beginning of year	2,499,718,362	2,415,551,701
<b>Net position - end of year</b>	<b><u>\$2,843,321,892</u></b>	<b><u>\$2,499,718,362</u></b>



**CONNECTICUT HIGHER EDUCATION TRUST - DIRECT PLAN**

**STATEMENT OF FIDUCIARY NET POSITION**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<b>ASSETS</b>		
Cash	\$7,596	\$734
Investments, at value (Cost: \$2,379,956,650 and \$2,219,975,786)	2,843,586,663	2,501,382,675
Dividends and interest receivable	2,142,811	1,880,684
Receivable for securities transactions	752,855	386,540
Receivable for Direct Plan units sold	1,821,154	1,458,692
<b>TOTAL ASSETS</b>	<u>2,848,311,079</u>	<u>2,505,109,325</u>
<b>LIABILITIES</b>		
Overdraft payable	25,995	165
Accrued Direct Plan manager fee	254,173	1,558,568
Accrued administrative fee	21,181	106,350
Payable for securities transactions	3,310,829	2,708,492
Payable for Direct Plan units redeemed	1,377,009	1,017,388
<b>TOTAL LIABILITIES</b>	<u>4,989,187</u>	<u>5,390,963</u>
<b>NET POSITION</b>		
Held in trust for Account Owners in the Direct Plan	<u>\$2,843,321,892</u>	<u>\$2,499,718,362</u>

See notes to financial statements.

**CONNECTICUT HIGHER EDUCATION TRUST - DIRECT PLAN**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEARS ENDED JUNE 30,**

	<u>2017</u>	<u>2016</u>
<b>ADDITIONS</b>		
Subscriptions	\$960,028,855	\$853,035,412
Investment Income:		
Interest	4,181,332	3,740,944
Dividends	<u>51,216,562</u>	<u>45,837,124</u>
Total investment income	55,397,894	49,577,969
Net increase (decrease) in fair value of investments	<u>200,099,531</u>	<u>(49,126,310)</u>
Total additions	<u>1,215,526,280</u>	<u>853,487,071</u>
<b>DEDUCTIONS</b>		
Redemptions	(868,840,702)	(756,961,569)
Direct Plan management fee	(2,844,966)	(3,146,949)
Administrative fee, net	<u>(237,082)</u>	<u>(211,892)</u>
Total deductions	<u>(871,922,750)</u>	<u>(769,320,410)</u>
Changes in Net Position	<u>343,603,530</u>	<u>84,166,661</u>
Net position – beginning of year	<u>2,499,718,362</u>	<u>2,415,551,701</u>
<b>Net position – end of year</b>	<b><u><u>\$2,843,321,892</u></u></b>	<b><u><u>\$2,499,718,362</u></u></b>

See notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

**NOTE 1—ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

The Connecticut Higher Education Trust - Direct Plan (the "Direct Plan") is designed to help people save for the costs of higher education. The Direct Plan is administered by the Treasurer of the State of Connecticut, as the trustee (the "Trustee") of the Connecticut Higher Education Trust (the "Trust"). The Trustee has the authority to establish, develop, implement and maintain the Direct Plan and to make and enter into contracts to service the Direct Plan. TIAA-CREF Tuition Financing, Inc. ("TFI"), a wholly owned, direct subsidiary of Teachers Insurance and Annuity Association of America ("TIAA"), and the Trustee have entered into a management agreement ("Management Agreement") under which TFI serves as Direct Plan manager. The Direct Plan is intended to meet the requirements of a qualified tuition program under Section 529 of the Internal Revenue Code ("Code"). Investment options (the "Options" or individually "Option"), allocations and fees, as approved by the Trustee, are described in the current Disclosure Booklet for the Direct Plan.

The assets in the Principal Plus Interest Option are allocated to a funding agreement ("Funding Agreement") issued by TIAA-CREF Life Insurance Company ("TIAA Life"), an affiliate of TFI, to the Trust, as policyholder. The Funding Agreement provides for a return of principal plus a guaranteed rate of interest and allows for the possibility that additional interest may be credited as declared periodically by TIAA Life.

Teachers Advisors, LLC ("Advisors"), an affiliate of TFI, is registered with the Securities and Exchange Commission as an investment adviser and provides investment advisory services to the TIAA-CREF Funds (the "Funds"). TIAA-CREF Individual & Institutional Services, LLC ("Services"), a wholly owned, direct subsidiary of TIAA, serves as the primary distributor and underwriter for the Direct Plan and provides certain underwriting and distribution services in furtherance of TFI's marketing plan for the Direct Plan. Services is registered as a broker-dealer under the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority.

The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB") which may require the use of estimates made by management and the evaluation of subsequent events. Actual results may differ from those estimates. The following is a summary of the significant accounting policies consistently followed by the Direct Plan.

**Investment income:** Securities transactions are accounted for as of the trade date for financial reporting purposes. Interest income is recorded as earned. Dividend income and capital gain distributions from the underlying mutual funds are recorded on the ex-dividend date. Income distributions from underlying mutual funds are included in total investment income and gain distributions are included in net increase in fair value of investments. Realized gains and losses are based upon the specific identification method.

**Income tax:** No provision for federal income tax has been made. The Direct Plan is designed to constitute a qualified tuition program under Section 529 of the Code and does not expect to have any unrelated business income subject to tax.

**Units:** The beneficial interests for each account owner ("Account Owner") in the Options are represented by Direct Plan units. Subscriptions and redemptions are recorded upon receipt of Account Owner's instructions in good order, based on the next determined net position value per unit ("Unit Value"). Unit Values for each Option are determined at the close of business of the New York Stock Exchange. The Unit Value for financial reporting purposes may differ from the Unit Value for processing transactions. The Unit Value for financial reporting purposes includes security and shareholder transactions through the date of the report. There are no distributions of net investment gains or net investment income to the Option's Account Owners or beneficiaries.

**Subscriptions and Redemptions:** Subscriptions on the Statement of Changes in Fiduciary Net Position include any contributions to the Direct Plan made by Account Owners and any exchanges within the Direct Plan that result in a reinvestment of assets. Redemptions on the Statement of Changes in Fiduciary Net Position include any

withdrawals from the Direct Plan made by Account Owners and any exchanges within the Direct Plan that result in a reinvestment of assets.

**New accounting pronouncement:** In May 2017, GASB issued Statement No. 85, *Omnibus* ("Statement"). The Statement addresses practice issues that have been identified during implementation and application of certain GASB statements including fair value measurement. The Statement is effective for financial statements for periods beginning after June 15, 2017. The Direct Plan adopted the Statement for this annual report. The adoption of the Statement did not have any impact on the Direct Plan's financial statements and notes disclosures.

## NOTE 2—VALUATION OF INVESTMENTS

Certain investments are valued at fair value utilizing various valuation methods. GASB establishes a hierarchy that prioritizes market inputs to fair valuation methods. The three levels of inputs are:

- Level 1 – quoted prices in active markets for identical securities
- Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, credit spreads, etc.)
- Level 3 – significant unobservable inputs (including the Direct Plan's own assumptions in determining the fair value of investments)

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

A description of the valuation techniques applied to the Direct Plan's major categories of investments follows:

**Investments in registered investment companies:** These investments are valued at their published net asset value on the valuation date. These investments are categorized in Level 1 of the fair value hierarchy.

**Funding Agreement:** The Funding Agreement, to which the Principal Plus Interest Option allocates assets, is considered a nonparticipating interest-earning investment contract and is accounted for at cost. Because the Funding Agreement is valued at cost, it is not included in the fair value hierarchy.

## NOTE 3—DIRECT PLAN FEES

Each Option (with the exception of the Principal Plus Interest Option) pays TFI a Direct Plan manager fee of 0.12% of the average daily net assets of the Option. The Direct Plan manager fee is subject to reductions if total assets in the Direct Plan reach certain levels. In addition, Advisors is paid investment management fees on the underlying investments in the Funds.

The Principal Plus Interest Option does not pay a Direct Plan manager fee or an administrative fee to the Trustee. TIAA Life, the issuer of the funding agreement in which this Option invests and an affiliate of TFI, makes payments to TFI. As a result, the participant does not incur any expense related to this option.

For its services administering the Direct Plan, each Option (with the exception of the Principal Plus Interest Option) pays to the Trustee an administrative fee at an annual rate of 0.01% of the average daily net assets of the Option. TIAA Life also pays the Trustee a fee equal to 0.01% of the average daily net assets held by the Principal Plus Interest Option. The fee is deposited in an administrative fund held by the Trustee and then used to pay certain administrative expenses.

**CONNECTICUT HIGHER EDUCATION TRUST - DIRECT PLAN**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

Effective August 1, 2011, TFI and the Trustee have agreed to voluntarily waive the Money Market Option's Direct Plan manager fee and administrative fee, respectively, in an attempt to maintain at least a 0.00% return for the Option. TFI and the Trustee may discontinue the waiver at any time without notice. For the year ended June 30, 2017, no fees were waived for the Money Market Option.

**NOTE 4—INVESTMENTS**

**Cash deposits:** All cash deposits at June 30, 2017 were covered by federal depository insurance coverage.

**Investments:** As of June 30, 2017, net unrealized appreciation (depreciation) of portfolio investments was \$463,630,013 consisting of gross unrealized appreciation of \$471,862,133 and gross unrealized depreciation of \$(8,232,120).

At June 30, 2017, the Direct Plan's investments consist of the following:

TIAA-CREF Funds (Institutional Class):	UNITS	COST	VALUE
Bond Index Fund	26,719,026	\$281,641,749	\$289,634,245
Emerging Markets Equity Index Fund	2,717,809	26,599,994	28,835,956
Equity Index Fund	30,692,008	303,691,231	554,604,575
Growth & Income Fund	710,222	7,895,358	9,438,846
High-Yield Fund	505,354	4,875,762	4,972,684
Inflation-Linked Bond Fund	13,207,556	141,163,195	150,962,359
International Equity Index Fund	26,416,236	418,867,280	501,908,476
Mid-Cap Growth Fund	592,664	9,723,053	13,168,996
Mid-Cap Value Fund	609,083	10,310,533	14,575,347
Money Market Fund	102,069,075	102,069,076	102,069,076
Real Estate Securities Fund	5,970,837	64,659,830	94,518,356
S&P 500 Index Fund	3,658,389	45,189,575	99,361,850
Short-Term Bond Fund	14,786,805	153,029,393	152,895,563
Social Choice Equity Fund	2,484,227	35,243,502	44,716,079
BlackRock Strategic Income Opportunities Fund (Institutional Class)	24,853,193	250,299,695	246,295,143
DFA Emerging Markets Core Equity Portfolio (Institutional Class)	4,392,178	80,524,691	90,215,331
GMO Benchmark-Free Allocation Series Fund - R6 Class	254,768	2,502,412	2,629,206
GMO International Equity Allocation Fund - R6 Class	845,467	8,026,402	8,260,210
Harding Loevner International Equity Portfolio (Institutional Class)	624,886	11,382,752	13,066,360
MetWest Total Return Bond Fund (Institutional Class)	1,103,107	12,061,725	11,748,094
State Street Institutional Small Cap Equity Fund (Institutional Class)	902,434	17,844,680	17,949,421
T. Rowe Price Inst. Large-Cap Growth Fund (Institutional Class)	151,344	3,585,400	5,294,030
T. Rowe Price Inst. Large-Cap Value Fund (Institutional Class)	211,439	4,293,416	4,738,344
Templeton Global Bond Fund (Advisor Class)	9,183,095	114,506,102	111,758,272
TIAA-CREF Life Insurance Company:			
Funding Agreement	17,120,876	269,969,844	269,969,844
		<u>\$2,379,956,650</u>	<u>\$2,843,586,663</u>

**NOTE 5 – INVESTMENT RISKS**

Certain investments are subject to a variety of investment risks based on the amount of risk in the underlying funds. GASB requires that entities disclose certain essential risk information about deposits and investments. All of the Direct Plan's Options are uninsured and unregistered and are held by a custodian in the Direct Plan's name.

**Custodial credit risk:** Custodial credit risk is the risk that in the event of a failure, the Direct Plan deposits and investments may not be returned. An Account Owner has an investment in an Option and not a direct investment in any underlying mutual fund or other investment vehicle to which funds in that Option may be allocated. Because of this ownership structure, the custodial credit risk is mitigated.

**Investment policy:** The Direct Plan does not have specific investment policies which address credit, interest rate, foreign currency or custodial credit risk. The Direct Plan's Options are managed based on specific investment objectives and strategies which are disclosed in the current Direct Plan Disclosure Booklet.

**CONNECTICUT HIGHER EDUCATION TRUST - DIRECT PLAN**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

objectives and strategies which are disclosed in the current Direct Plan Disclosure Booklet.

**Credit risk:** The underlying mutual funds investing primarily in fixed income securities are subject to credit risk. Credit risk refers to the ability of the issuer to make timely payments of interest and principal. The underlying mutual funds do not carry a formal credit quality rating. The underlying Funding Agreement is a guaranteed insurance product issued by TIAA Life. TIAA Life had a Standard & Poor's credit rating of AA+ at June 30, 2017.

**Interest rate risk:** Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. At June 30, 2017, the average maturities for the underlying fixed income mutual funds are as follows:

<u>Investment</u>	<u>Value</u>	<u>Weighted Average Maturity</u>
TIAA-CREF Funds (Institutional Class):		
Bond Index Fund	\$289,634,245	7.96 years
High-Yield Fund	4,972,684	6.87 years
Inflation-Linked Bond Fund	150,962,359	5.79 years
Short-Term Bond Fund	152,895,563	3.17 years
BlackRock Strategic Income Opportunities Fund (Institutional Class)	246,295,143	7.07 years
GMO Benchmark-Free Allocation Series Fund - R6 Class	2,629,206	N/A
MetWest Total Return Bond Fund (Institutional Class)	11,748,094	7.16 years
Templeton Global Bond Fund (Advisor Class)	111,758,272	3.77 years

**Foreign currency risk:** Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of investments in foreign securities. The Direct Plan does not have any direct investment in foreign securities. Certain Direct Plan Options allocate assets to underlying mutual funds that are exposed to foreign currency risk. At June 30, 2017, the value of investments in underlying mutual funds that significantly invest in foreign denominated contracts are as follows:

<u>Investment</u>	<u>Value</u>
TIAA-CREF Funds (Institutional Class):	
Emerging Markets Equity Index Fund	\$28,835,956
International Equity Index Fund	501,908,476
DFA Emerging Markets Core Equity Portfolio (Institutional Class)	90,215,331
GMO Benchmark-Free Allocation Series Fund - R6 Class	2,629,206
GMO International Equity Allocation Series Fund - R6 Class	8,260,210
Harding Loevner International Equity Portfolio (Institutional Class)	13,066,360
Templeton Global Bond Fund (Advisor Class)	111,758,272

**CONNECTICUT HIGHER EDUCATION TRUST - DIRECT PLAN**

**FINANCIAL HIGHLIGHTS  
For the Year Ended June 30, 2017**

**Conservative Managed Allocation Option  
Age Bands Within the Conservative Managed Allocation Option**

FOR A UNIT OUTSTANDING THROUGHOUT THE YEAR	Ages					
	0-3	4-7	8-11	12-14	15-17	18 &Over
Net position value, beginning of year	\$13.84	\$13.30	\$12.81	\$12.13	\$11.57	\$10.94
Gain (loss) from investment operations:						
Net investment income(a)	0.32	0.31	0.30	0.26	0.23	0.19
Net realized and unrealized gain on investments	1.28	0.93	0.62	0.41	0.20	—
Total gain from investment operations	1.60	1.24	0.92	0.67	0.43	0.19
Net position value, end of year	\$15.44	\$14.54	\$13.73	\$12.80	\$12.00	\$11.13
<b>TOTAL RETURN</b>	<b>11.56%</b>	<b>9.32%</b>	<b>7.18%</b>	<b>5.52%</b>	<b>3.72%</b>	<b>1.74%</b>

**RATIOS AND SUPPLEMENTAL DATA**

Net position at end of year (in thousands)	\$6,092	\$13,855	\$11,692	\$11,900	\$19,018	\$22,215
Ratio of expenses to average net position(b)	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%
Ratio of net investment income to average net position	2.18%	2.21%	2.27%	2.09%	1.91%	1.71%

(a) Based on average units outstanding.

(b) Does not include expenses on Direct Plan investments in the TIAA-CREF Funds and other third party mutual funds.

**Moderate Managed Allocation Option  
Age Bands Within the Moderate Managed Allocation Option**

FOR A UNIT OUTSTANDING THROUGHOUT THE YEAR	Ages					
	0-3	4-7	8-11	12-14	15-17	18 &Over
Net position value, beginning of year	\$20.76	\$18.09	\$18.72	\$18.94	\$17.77	\$16.81
Gain (loss) from investment operations:						
Net investment income(a)	0.47	0.41	0.44	0.44	0.38	0.31
Net realized and unrealized gain on investments	2.58	1.81	1.42	1.14	0.82	0.54
Total gain (loss) from investment operations	3.05	2.22	1.86	1.58	1.20	0.85
Net position value, end of year	\$23.81	\$20.31	\$20.58	\$20.52	\$18.97	\$17.66
<b>TOTAL RETURN</b>	<b>14.69%</b>	<b>12.33%</b>	<b>9.94%</b>	<b>8.34%</b>	<b>6.75%</b>	<b>5.06%</b>

**RATIOS AND SUPPLEMENTAL DATA**

Net position at end of year (in thousands)	\$31,947	\$97,947	\$209,633	\$246,818	\$321,799	\$292,107
Ratio of expenses to average net position(b)	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%
Ratio of net investment income to average net position	2.13%	2.16%	2.22%	2.25%	2.07%	1.81%

(a) Based on average units outstanding.

(b) Does not include expenses on Direct Plan investments in the TIAA-CREF Funds and other third party mutual funds.

**Aggressive Managed Allocation Option  
Age Bands Within the Aggressive Managed Allocation Option**

FOR A UNIT OUTSTANDING THROUGHOUT THE YEAR	Ages					
	0-3	4-7	8-11	12-14	15-17	18 &Over
Net position value, beginning of year	\$13.90	\$13.82	\$14.11	\$14.26	\$14.11	\$13.26
Gain (loss) from investment operations:						
Net investment income(a)	0.30	0.31	0.32	0.33	0.32	0.27
Net realized and unrealized gain on investments	2.14	1.77	1.51	1.30	1.10	0.64
Total gain (loss) from investment operations	2.44	2.08	1.83	1.63	1.42	0.91
Net position value, end of year	\$16.34	\$15.90	\$15.94	\$15.89	\$15.53	\$14.17
<b>TOTAL RETURN</b>	<b>17.55%</b>	<b>15.05%</b>	<b>12.97%</b>	<b>11.43%</b>	<b>10.06%</b>	<b>6.86%</b>

**RATIOS AND SUPPLEMENTAL DATA**

Net position at end of year (in thousands)	\$41,358	\$95,632	\$135,036	\$88,679	\$75,930	\$44,503
Ratio of expenses to average net position(b)	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%
Ratio of net investment income to average net position	2.01%	2.13%	2.14%	2.17%	2.19%	1.98%

(a) Based on average units outstanding.

(b) Does not include expenses on Direct Plan investments in the TIAA-CREF Funds and other third party mutual funds.

## CONNECTICUT HIGHER EDUCATION TRUST - DIRECT PLAN

**FINANCIAL HIGHLIGHTS (Continued)**  
**For the Year Ended June 30, 2017**
**Multi-Fund Investment Options**

	Global Equity Index Option	Global Tactical Asset Allocation Option*	Inter- national Equity Index Option*	Active Global Equity Option	U.S. Equity Index Option*	High Equity Balanced Option	Active Fixed- Income Option	Social Choice Option	Index Fixed- Income Option	Money Market Option	Principal Plus Interest Option
FOR A UNIT OUTSTANDING THROUGHOUT THE YEAR											
Net position value, beginning of year	\$15.07	\$9.51	\$9.12	\$14.49	\$10.21	\$18.78	\$15.61	\$17.27	\$11.99	\$10.14	\$15.51
Gain (loss) from investment operations:											
Net investment income(a)	0.35	0.14	0.23	0.21	0.18	0.38	0.42	0.39	0.26	0.03	0.26
Net realized and unrealized loss on investments	2.60	0.78	1.58	2.76	1.69	2.54	0.20	2.83	(0.34)	—	—
Total gain (loss) from investment operations	2.95	0.92	1.81	2.97	1.87	2.92	0.62	3.22	(0.08)	0.03	0.26
Net position value, end of year	<u>\$18.02</u>	<u>\$10.43</u>	<u>\$10.93</u>	<u>\$17.46</u>	<u>\$12.08</u>	<u>\$21.70</u>	<u>\$16.23</u>	<u>\$20.49</u>	<u>\$11.91</u>	<u>\$10.17</u>	<u>\$15.77</u>
TOTAL RETURN	<u>19.58%</u>	<u>9.67%</u>	<u>19.85%</u>	<u>20.50%</u>	<u>18.32%</u>	<u>15.55%</u>	<u>3.97%</u>	<u>18.65%</u>	<u>(0.67%)</u>	<u>0.30%</u>	<u>1.68%</u>
RATIOS AND SUPPLEMENTAL DATA											
Net position at end of period (in thousands)	\$217,786	\$2,629	\$6,108	\$44,053	\$64,763	\$327,468	\$43,054	\$44,711	\$17,137	\$39,484	\$269,970
Ratio of expenses to average net position (b)	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%	—%
	2.13%	1.37%	2.27%	1.29%	1.56%	1.91%	2.61%	2.03%	2.18%	0.31%	1.63%

(a) Based on average units outstanding.

(b) Does not include expenses on Direct Plan investments in the TIAA-CREF Funds and other third party mutual funds.

See notes to financial statements.



## INDEPENDENT AUDITORS' REPORT

## Connecticut Higher Education Trust Program Advisor Plan

*Independent Auditors' Report*

To the Board of Trustees of the Connecticut Higher Education Trust  
Hartford, Connecticut

**Report on Financial Statements**

We have audited the accompanying statement of fiduciary net position of the Connecticut Higher Education Trust Program Advisor Plan (the "Plan"), a Plan of the State of Connecticut, as of and for the year ended June 30, 2017, and the related statement of changes in fiduciary net position for the year then ended, and the notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan, as of June 30, 2017, and the related changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 and 4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the

## INDEPENDENT AUDITORS' REPORT

## Connecticut Higher Education Trust Program Advisor Plan

*Independent Auditors' Report*

required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining statements of fiduciary net position, the combining statements of changes in fiduciary net position, and financial highlights, as listed in the table of contents, on pages 13 through 23 are supplemental schedules presented for purposes of additional analysis and are not a required part of the basic financial statements. These supplemental schedules are the responsibility of the Plan's management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such supplemental schedules have been subjected to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2017 on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Plan's internal control over financial reporting and compliance.

*Deloitte & Touche LLP*

Philadelphia, Pennsylvania  
September 8, 2017

*Note: The full independent auditors report that is covered by this opinion is available on the Office of the State Treasurer's web page.*

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Connecticut Higher Education Trust ("CHET" or the "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 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. The Program consists of two components – CHET Direct Plan, which is offered directly by the state, and an advisor plan which began on September 30, 2010 ("CHET Advisor Plan" or "Plan"), for which Hartford Life Insurance Company ("Hartford Life") and the Trust have entered into a management agreement under which Hartford Life serves as plan manager. The Hartford Financial Services Group, Inc. ("The Hartford"), Hartford Life's ultimate parent company, has provided insurance and other financial management services for its clients since 1810. As plan manager, Hartford Life provides readers of the financial statements of the plan this discussion and analysis of the financial performance as of and for the fiscal year ended June 30, 2017. The following should be considered in conjunction with the plan's financial statements and notes to financial statements, which follow this section.

These financial statements are intended for use in connection with an account opened in the CHET Advisor Plan only, and are not intended to include information relevant to the CHET Direct Plan, which is described in a separate report, and offers investment options different from those offered under the CHET Advisor Plan. For more information on the CHET Direct Plan, you may call 1-888-799-2438 or go to [www.aboutchet.com](http://www.aboutchet.com).

**FINANCIAL HIGHLIGHTS**

The following financial highlights occurred during the year ended June 30, 2017:

- The Plan had contributions of \$83.5 million and withdrawals of \$36.2 million during the year;
- At June 30, 2017, the Plan's Fiduciary Net Position totaled \$481.5 million, an increase of \$95.6 million, or 25% since June 30, 2016;
- The Plan earned \$6.0 million from investment income, \$4.2 million from capital gain distributions, \$31.2 million from net change in appreciation in fair value of investments, and recognized gain on the sale of investments of \$9.9 million during the year. The Plan incurred \$2.9 million for operating expenses net of waivers during the year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The Plan's financial statements are prepared in accordance with Governmental Accounting Standards Board ("GASB") No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

This annual report consists of two sections: Management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include the Statement of Fiduciary Net Position, the Statement of Changes in Fiduciary Net Position and the Notes to Financial Statements. The statements are prepared using the accrual basis of accounting. Contributions and withdrawals are recognized on trade date; expenses and liabilities are recognized when services are provided, regardless of when cash is disbursed.

The Statement of Fiduciary Net Position presents information on all of the Plan's assets and liabilities, with the difference reported as net position.

The Statement of Changes in Fiduciary Net Position reports the additions and deductions to the Plan for the fiscal year.

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

This report presents the operating results and financial status of the Plan, which the State of Connecticut reports as a fiduciary fund (private purpose trust fund). Fiduciary fund reporting at the State of Connecticut represents assets held for benefit of parties outside the governmental entity.

**CONNECTICUT HIGHER EDUCATION TRUST - ADVISOR PLAN**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**FINANCIAL ANALYSIS**

*Fiduciary Net Position:* The following is a condensed Statement of Fiduciary Net Position for the Plan as of June 30, 2017 and June 30, 2016.

	<u>2017</u>	<u>2016</u>
<b>Assets:</b>		
Investments	\$481,777,681	\$386,049,364
Receivables and other assets	<u>465,940</u>	<u>591,103</u>
Total assets	<u>482,243,621</u>	<u>386,640,467</u>
<b>Liabilities:</b>		
Payables and other liabilities	455,765	550,559
Accrued expenses	<u>270,002</u>	<u>216,555</u>
Total liabilities	<u>725,767</u>	<u>767,114</u>
<b>Fiduciary Net Position</b>	<u>\$481,517,854</u>	<u>\$385,873,353</u>

Total Fiduciary Net Position represent cumulative contributions from participants since the Plan's inception, plus net increases and (decreases) from investment operations less withdrawals and expenses.

Investments make up 100% of total Fiduciary Net Position, and consist of 22 investment options, each of which is invested in underlying mutual funds. Receivables include receivables for investments sold, receivables for capital shares sold and receivables for accrued income. Liabilities consist of payables for investments purchased, payables for capital shares redeemed, and payables for accrued expenses for management, distribution and administrative services.

*Changes in Net Position:* The following is a condensed Statement of Changes in Fiduciary Net Position (excluding transfers) for the Plan for the years ended June 30, 2017 and June 30, 2016.

	<u>2017</u>	<u>2016</u>
<b>Additions:</b>		
Contributions	\$83,480,921	\$77,568,456
Increase from investment operations	<u>51,259,382</u>	<u>-</u>
Total additions	<u>134,740,303</u>	<u>77,568,456</u>
<b>Deductions:</b>		
Withdrawals	36,163,377	26,010,599
Decrease from investment operations	-	3,158,783
Expenses after fees waived	<u>2,932,425</u>	<u>2,400,072</u>
Total deductions	<u>39,095,802</u>	<u>31,569,454</u>
Change in net position	<u>95,644,501</u>	<u>45,999,002</u>
Fiduciary net position, beginning of year	385,873,353	339,874,351
<b>Fiduciary Net Position, end of year</b>	<u>\$481,517,854</u>	<u>\$385,873,353</u>

**CONNECTICUT HIGHER EDUCATION TRUST - ADVISOR PLAN**  
**STATEMENT OF FIDUCIARY NET POSITION**

	<b>June 30, 2017</b>	<b>June 30, 2016</b>
<b>Assets:</b>		
Investments at fair value (cost \$468,521,071)	\$481,777,681	\$386,049,364
Receivables:		
Investments sold	141,814	144,938
Capital shares sold	226,213	372,399
Dividends	97,913	73,766
Total Assets	482,243,621	386,640,467
<b>Liabilities:</b>		
Payables:		
Investments purchased	236,980	333,753
Capital shares redeemed	218,785	216,806
Accrued distribution fees	170,439	137,284
Accrued plan manager fees	91,901	73,175
Accrued administration fees	7,662	6,096
Total Liabilities	725,767	767,114
<b>Fiduciary Net Position</b>	<b>\$481,517,854</b>	<b>\$385,873,353</b>

See notes to financial statements.

**CONNECTICUT HIGHER EDUCATION TRUST - ADVISOR PLAN**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEARS ENDED JUNE 30,**

	<u>2017</u>	<u>2016</u>
<b>Additions:</b>		
Contributions from account holders	\$83,480,921	\$77,568,456
Transfers in	86,427,789	66,174,983
Increase from investment operations:		
Dividends and other income	5,973,077	4,811,622
Capital gain distributions received from investments	4,182,566	11,846,390
Net realized gain on sale of investments	9,860,376	(2,540,348)
Net change in unrealized appreciation on investments	31,243,363	(17,276,447)
Net increase from investment operations	<u>51,259,382</u>	<u>(3,158,783)</u>
Total additions	<u>221,168,092</u>	<u>140,584,656</u>
<b>Deductions:</b>		
Withdrawals	36,163,377	26,010,599
Transfers out	86,427,789	66,174,983
Expenses:		
Plan manager fees	1,027,270	838,123
Administrative fees	85,602	69,846
Distribution fees	1,924,287	1,583,789
Total expenses (before waivers)	<u>3,037,159</u>	<u>2,491,758</u>
Total waivers	<u>(104,734)</u>	<u>(91,686)</u>
Total expenses after fees waived	<u>2,932,425</u>	<u>2,400,072</u>
Total deductions	<u>125,523,591</u>	<u>94,585,654</u>
<b>Fiduciary Net Position</b>		
Net increase in fiduciary net position	95,644,501	45,999,002
Beginning of year	<u>385,873,353</u>	<u>339,874,351</u>
End of year	<u>\$481,517,854</u>	<u>\$385,873,353</u>

See notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

**NOTE 1: ORGANIZATION**

The Connecticut Higher Education Trust (“CHET” or the “Trust”) Advisor Plan (“Plan”) is a qualified tuition program offered by the Trust. Hartford Life Insurance Company (“Hartford Life”) serves as plan manager and manages the Plan under the direction of the Trustee. The Plan is intended to meet the requirements of the qualified tuition program under Section 529 of the Internal Revenue Code and was established pursuant to the Connecticut General Statutes Section 3-22f to 3-22o. Investment options and allocations, as adopted by the Trustee, are described in the current Disclosure Booklet for the Program.

The Plan offers Age-Based Investment Options tailored to the length of time until the designated beneficiary reaches college age, Static Investment Options that allow investing in fixed allocations of underlying investments or Individual Investment Options (collectively, “Investment Options”). The CHET Advisor Plan consists of 22 portfolios that make up the Investment Options in which plan participants can direct their contributions. These Investment Options are as follows:

Age-Based Investment Options

CHET Advisor Age-Based Portfolio 0-8  
 CHET Advisor Age-Based Portfolio 9-13  
 CHET Advisor Age-Based Portfolio 14-15  
 CHET Advisor Age-Based Portfolio 16-17  
 CHET Advisor Age-Based Portfolio 18+

Static Investment Options

CHET Advisor Aggressive Growth Portfolio  
 CHET Advisor Balanced Portfolio  
 CHET Advisor Checks & Balances Portfolio  
 CHET Advisor Conservative Portfolio  
 CHET Advisor Growth Portfolio

Individual Investment Options

The Hartford Capital Appreciation 529 Portfolio  
 The Hartford Dividend and Growth 529 Portfolio  
 Hartford Equity Income 529 Portfolio  
 Hartford Global Real Asset 529 Portfolio  
 The Hartford Growth Opportunities 529 Portfolio  
 The Hartford Inflation Plus 529 Portfolio  
 The Hartford International Opportunities 529 Portfolio  
 The Hartford MidCap 529 Portfolio  
 CHET Advisor Money Market 529 Portfolio  
 Hartford SmallCap Growth 529 Portfolio  
 The Hartford Total Return Bond 529 Portfolio  
 Hartford World Bond 529 Portfolio

The Investment Options operate in the manner of a “Fund of Funds,” investing the majority of their assets in Class F shares of underlying mutual funds of Hartford Mutual Funds (the “underlying mutual funds”) and the State Street Institutional U.S. Government Money Market Fund, a mutual fund unaffiliated with Hartford Funds (together the “Underlying Funds”).

Financial statements of the underlying mutual funds contain additional information about the expenses and investments of the underlying mutual funds and are available from the EDGAR database on the Securities and Exchange Commission website at <http://www.sec.gov>.

The Investment Options offer Class A Units, Class C Units and Class E Units. Each Class of Units has a different fee structure determined by the sales charge.

## NOTES TO FINANCIAL STATEMENTS

Class A units are sold with a front-end sales charge of up to 5.50%, with the exception of the following Investment Options that have a maximum front-end sales charge rate of:

<u>Investment Option</u>	<u>Rate</u>
CHET Advisor Age-Based Portfolio 16-17	3.00%
CHET Advisor Age-Based Portfolio 18+	3.00
CHET Advisor Conservative Portfolio	3.00
The Hartford Inflation Plus 529 Portfolio	3.00
The Hartford Total Return Bond 529 Portfolio	3.00
Hartford World Bond 529 Portfolio	3.00
CHET Advisor Money Market 529 Portfolio	0.00

Class C units are sold with a contingent deferred sales charge of up to 1% on shares redeemed within 12 months of purchase, with the exception of the CHET Advisor Money Market 529 Portfolio, which has no contingent deferred sales charge. Class E units are sold without sales charges to certain eligible investors. All classes of units have identical withdrawal, dividend, liquidation, and other rights and the same terms and conditions, with the exceptions that each class may have different expenses, which may affect performance.

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of significant accounting policies of the CHET Advisor Plan in the preparation of its financial statements, which are in accordance with the accounting principles generally accepted in the United States of America ("U.S. GAAP"), as defined by the Governmental Accounting Standards Board ("GASB"). The preparation of financial statements in accordance with U.S. GAAP may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of increases and decreases in fiduciary net position from operations during the reporting period. Actual results could differ from those estimates.

**Determination of Net Position Value ("NPV")** – The NPV of each class of the Investment Option's units is based on the value of all underlying investment holdings, determined as of the close of regular trading (normally 4:00 p.m. Eastern Time) (the "NYSE Close") on each day that the New York Stock Exchange is open ("Valuation Date"). Information that becomes known to the Investment Option after the NPV has been calculated on a particular day will not generally be used to retroactively adjust the NPV determined earlier that day.

**Investment Valuation** – Investments in open-end mutual funds are valued at the respective Net Asset Value per share of each underlying mutual fund as determined as of the NYSE Close on the Valuation Date. Money market funds are valued at Net Asset Value on the Valuation Date.

**Fair Value Measurements** – The Investment Options' investments valuation process is based on several considerations and may use multiple inputs to determine the fair value of the investments held by the Investment Option. In conformity with U.S. GAAP, the inputs used to determine a valuation are classified into three broad levels.

- Level 1 valuation inputs consist of unadjusted quoted prices in an active market for identical assets and liabilities.
- Level 2 valuation inputs consist of direct or indirect observable market data (including quoted prices for comparable investments, evaluations of subsequent market events, interest rates, prepayment speeds, credit risk, etc.).
- Level 3 valuation inputs consist of unobservable data (including the plan manager's own assumptions).

The level classification is based on the lowest level input that is significant to the fair valuation measurement. The valuation inputs are not necessarily an indication of the risks associated with investing in these securities or other financial instruments. There were no significant transfers between levels during the year.



## NOTES TO FINANCIAL STATEMENTS (Continued)

As of year-end, the Investment Options' investments were classified as Level 1.

**Investment Transactions and Income** – Underlying Fund transactions are recorded as of the trade date (the date the order to buy or sell is executed) for financial reporting purposes. Realized gains and losses are determined on the basis of specific identified cost. Income, realized and unrealized gains and losses of each class are allocated daily based on the relative fiduciary net position of each class of units of the Investment Option.

Income and capital gain distributions from Underlying Funds are recorded on the ex-dividend date.

**Units** – Contributions by a participant are evidenced through the issuance of units in the particular Investment Option according to the investment elections made by the participant. Contributions and withdrawals are subject to terms and limitations defined in the participation agreement between the participant and the CHET Advisor Plan. Contributions are invested in units of the assigned Investment Option on the same day as the credit of the contribution to the participant's account. Withdrawals are based on the unit value calculated for such Investment Option on the day that the withdrawal request is accepted. The earnings portion of non-qualified withdrawals, in addition to applicable federal and state income taxes, may be subject to a 10% non-qualified withdrawal penalty to be withheld from the amount withdrawn.

**Receivables** – Receivables for investment securities sold and receivables from the sale of units to participants of the CHET Advisor Plan represent the sales of the Investment Options and the contributions of the participants that have not settled as of the reporting date, respectively.

**Payables** – Payables for investment securities purchased and payables from units redeemed from participants of the CHET Advisor Plan represent the purchases of the Investment Options and the withdrawals of the participants that have not settled as of the reporting date, respectively.

**Expenses** – Expenses are recorded on the accrual basis of accounting. Under this method of accounting, expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow.

**NOTE 3: INVESTMENT RISKS**

The CHET Advisor Plan's investments represent shares of the Underlying Funds, rather than individual securities and therefore, are not subject to classification by custodial credit risk or disclosure of concentration of credit risk under GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. The Underlying Funds are not rated by any nationally recognized statistical rating organization.

An Investment Option is exposed to the risks of the Underlying Funds in direct proportion to the amount of assets the Investment Option allocates to each Underlying Fund.

**Interest Rate Risks** – Certain Underlying Funds invest in debt securities, including bonds, and are subject to interest rate risk. Declining interest rates generally increase the value of existing debt instruments, and rising interest rates generally decrease the value of existing debt instruments. The exposure to interest rate risk is greater with Underlying Funds with longer average effective maturity and average effective duration.

Certain Underlying Funds listed below have investments with exposure to interest rate risk. As of June 30, 2017, the average effective maturity and the average effective duration measured in years are as follows:

	Average Effective Maturity	Average Effective Duration
The Hartford Global Real Asset Fund	7.78	1.90
The Hartford Inflation Plus Fund	6.91	5.27
The Hartford Short Duration Fund	3.19	1.75
The Hartford Strategic Income Fund	11.84	4.90
The Hartford Total Return Bond Fund	8.78	5.73
The Hartford Unconstrained Bond Fund	5.98	2.20
The Hartford World Bond Fund	3.11	1.69
State Street Global Advisors Prime Money Market Fund	0.20	0.07

## NOTES TO FINANCIAL STATEMENTS (Continued)

**Foreign Currency Risks** – Certain Underlying Funds invest in foreign securities. Certain additional risks are involved when investing in foreign securities that are not inherent with investments in domestic securities. These risks may involve foreign exchange rate fluctuations, adverse political and economic developments and the possible prevention of currency exchange or other foreign governmental laws or restrictions. In addition, the liquidity of foreign securities may be more limited than that of domestic securities.

**Market Risks** – In the normal course of business, the Underlying Funds invest in securities and enter into transactions where risks exist due to fluctuations in the market (market risk). The market values of Underlying Funds may decline due to general market conditions, which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates, or adverse investor sentiment generally. The market value of equity securities may also decline due to factors, which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry.

**Credit Risks** – Certain Underlying Funds invest in fixed-income securities and are subject to credit risks. Generally credit risk is the risk that an issuer (issuer credit risk) or other counterparty (counterparty credit risk) to an investment will not fulfill its obligation to the holder of the investment.

Financial assets, which potentially expose the Underlying Funds to market, issuer and counterparty credit risks, consist principally of financial instruments and receivables due from counterparties. The extent of the Underlying Funds' exposure to market, issuer and counterparty credit risks with respect to these financial assets is generally approximated by their value as recorded in the Underlying Funds' Statements of Assets and Liabilities. Refer to the prospectuses and financial statements of the Underlying Funds for information on the respective Underlying Fund's investment strategy.

**NOTE 4: FEDERAL AND STATE INCOME TAX**

The Program has been designated to comply with the requirements for treatment as a qualified state tuition program under Section 529 of the Internal Revenue Code, which is exempt from federal and state income tax. Therefore, no provision for income tax is required.

**NOTE 5: PLAN MANAGEMENT AND OTHER FEES**

Allocable expenses incurred by the CHET Advisor Plan are allocated to each Investment Option and allocated to classes within the Investment Option in proportion to the average daily fiduciary net position of the Investment Option and each class, except where otherwise noted.

**Plan Manager Fee** – Hartford Life has entered into a Plan Management Agreement with the Trust, which provides for the payment of a Plan Manager Fee for services performed on behalf of the Trust. Currently, the Plan Manager Fee is 0.24% of average daily fiduciary net position of the Investment Options and is accrued daily and paid monthly to Hartford Life and its affiliate, Hartford Funds Management Company, LLC. ("HFMC"). In addition, HFMC receives investment management fees from the underlying Hartford mutual funds.

Given the current low interest rate environment, Hartford Life has waived the annual plan manager fee for existing and new contributions to the CHET Advisor Money Market 529 Portfolio. As of June 30, 2017, the amount of the waiver was \$31,970. These fees may be resumed at the sole discretion of Hartford Life.

**Administrative Fee** – The Administrative Fee of 0.02%, is charged to pay the Trust's expenses related to the overall operation of the Connecticut Higher Education Trust. This fee is accrued and deducted daily as a percentage of average daily fiduciary net position of the Investment Options and paid monthly.

Given the current low interest rate environment, the Trust has waived the administrative fee for existing and new contributions to the CHET Advisor Money Market 529 Portfolio. As of June 30, 2017, the amount of administrative fees waived was \$2,664. This fee may be resumed at the sole discretion of the Trustee.

**CONNECTICUT HIGHER EDUCATION TRUST - ADVISOR PLAN**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**Annual Distribution Fee** – The CHET Advisor Plan is authorized to charge an annual distribution fee to compensate Hartford Funds Distributors, LLC (“HFD”), an affiliate of Hartford Life, for activities intended to result in the sale and distribution of Classes A and C units and for providing services for shareholders. The fee is accrued and deducted daily as a percentage of average fiduciary net position in the Investment Options and paid monthly. From its receipt of the annual distribution fee, HFD may compensate other entities for distributing units of the CHET Advisor Plan. As of June 30, 2017, the amount of distribution fees paid was \$1,924,287. The schedule below reflects the fees effective as of June 30, 2017:

<u>Class of Units</u>	<u>Annual</u>
Class A	0.25%
Class C	1.00%

Given the current low interest rate environment, Hartford Life has waived the annual distribution fee for existing and new contributions to the CHET Advisor Money Market 529 Portfolio. As of June 30, 2017, the amount of distribution fees waived was \$70,100. These fees may be resumed at the sole discretion of Hartford Life. These fees may be resumed at the sole discretion of Hartford Life.

**NOTE 6: INVESTMENTS**

The following table represents a calculation of the net change in investments during the year ended June 30, 2017:

Investments at fair value, end of year	\$481,777,681
Less cost of investments purchased during year	(564,331,470)
Plus proceeds from investments sold during year	499,846,516
Less investments at beginning of year	<u>(386,049,364)</u>
Net appreciation of investments during year	<u>\$ 31,243,363</u>

Investments on the Combining Statements of Fiduciary Net Position consist of the following as of June 30, 2017:

<b>CHET Advisor Plan:</b>	<b><u>Shares</u></b>	<b><u>Cost</u></b>	<b><u>Market Value</u></b>
State Street Institutional US Government Market Fund	27,956,769	\$27,956,769	\$27,956,769
Hartford Emerging Markets Equity Fund, Class F	1,270,525	10,461,997	11,053,569
The Hartford Capital Appreciation Fund, Class F	1,071,903	41,036,036	43,208,419
The Hartford Dividend and Growth Fund, Class F	2,179,478	54,965,629	56,252,336
The Hartford Equity Income Fund, Class F	1,788,571	34,087,586	34,859,243
The Hartford Global Real Asset Fund, Class F	3,142,243	28,070,061	27,368,941
The Hartford Growth Opportunities Fund, Class F	250,620	10,239,632	10,939,563
The Hartford Inflation Plus Fund, Class F	2,674,538	29,685,679	29,553,648
The Hartford International Opportunities Fund, Class F	3,261,541	49,670,330	53,065,269
The Hartford International Small Company Fund, Class F	1,009,960	14,862,662	16,068,464
The Hartford International Value Fund, Class F	1,219,136	19,195,416	20,420,533
The Hartford MidCap Fund, Class F	330,972	8,944,613	9,618,041
The Hartford MidCap Value Fund, Class F	867,968	12,788,028	12,898,010
The Hartford Short Duration Fund, Class F	724,315	7,150,189	7,156,229
The Hartford Small Cap Growth Fund, Class F	296,162	15,403,430	16,365,905
The Hartford Strategic Income Fund, Class F	3,067,489	27,044,400	27,423,356
The Hartford Total Return Bond Fund, Class F	1,667,763	17,203,964	17,394,770
The Hartford Unconstrained Bond Fund, Class F	755,806	7,250,837	7,323,760
The Hartford World Bond Fund, Class F	5,076,931	<u>52,503,813</u>	<u>52,850,856</u>
		<u>\$468,521,071</u>	<u>\$481,777,681</u>

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 7: SUBSEQUENT EVENTS**

Subsequent events have been evaluated through September 8, 2017, which is the date the financial statements were issued. Other than identified below, there were no subsequent events identified related to the CHET Advisor Plan that could have a material impact on the CHET Advisor Plan's financial statements.

A supplement to the Plan's Disclosure Booklet was filed on August 7, 2017 announcing the following changes that are anticipated to occur on or about September 15, 2017.

- **Changes to the Age-Based Portfolio age bands.** Effective September 15, 2017, the age-bands for the Age-Based Portfolios will increase from five to nine as follows:

<b><u>Portfolio</u></b>	<b><u>Age of the Designated Beneficiary</u></b>
CHET Advisor Age-Based Portfolio 0-3	0-3 years of age
CHET Advisor Age-Based Portfolio 4-6	4-6 years of age
CHET Advisor Age-Based Portfolio 7-9	7-9 years of age
CHET Advisor Age-Based Portfolio 10-11	10-11 years of age
CHET Advisor Age-Based Portfolio 12-13	12-13 years of age
CHET Advisor Age-Based Portfolio 14-15	14-15 years of age
CHET Advisor Age-Based Portfolio 16	16 years of age
CHET Advisor Age-Based Portfolio 17	17 years of age
CHET Advisor Age-Based Portfolio 18+	18+ years of age

Accounts will automatically move to the Age-Based Portfolio that corresponds with the age of the designated beneficiary on the transition date.

- **Reduction in Program Manager Fee.** The Program Manager Fee will be reduced from 0.24% to 0.16% for all investment options in the Plan. The Administrative Fee will be reduced from 0.02% to 0.01%.
- **Reduction in Class A Up-Front Sales Structure.** The Plan Class A up-front sales load and commission (dealer concession) schedules will be reduced to the following:

The following commission rates are **For All Investment Options** except the CHET Advisor Stable Value Fund\* for which there is no front-end sales charge:

<b>Breakpoint</b>	<b>Cumulative Contributions</b>	<b>Up-Front Sales Charge**</b>	<b>Dealer Concession</b>
1	Less than \$99,999.99	2.50%	2.50%
2	\$100,000 - \$249,999.99	2.25%	2.25%
3	\$250,000 - \$499,999.99	1.75%	1.75%
4	\$500,000 - \$999,999.99	1.25%	1.25%
5	\$1,000,000 and greater	0.00%***	1.00%

- \*CHET Advisor Stable Value Fund is a new investment option that launches on September 15, 2017.
- \*\*The new Up-Front Sales Charge Schedule reflects a reduction for most CHET 529 Portfolios.
- \*\*\*There is a contingent deferred sales charge of 1.00% for shares sold within 18 months.
- **Automatic Conversion of Class C to Class A.** Class C will automatically convert to the lower fee Class A after four years (48 months). Accordingly, Class C shares that have been held for four years or longer as of that date will convert to Class A shares on or about October 18, 2017. Thereafter, contributions that have been in an Account for at least four years, together with any earnings associated with those contributions, automatically transfer to the Class A fee structure and the Account Owner will begin paying the lower total annual charges for the Class A fee structure. The shares that convert into Class A will not pay any Up-Front Sales Charge.
- **Revised Underlying Fund allocation for the Age-Based and Static Portfolios.** There are also additions and removals of certain underlying funds in the Age-Based and Static Portfolios. More information about this is in the supplement to the Disclosure Booklet dated August 7, 2017.

**CONNECTICUT HIGHER EDUCATION TRUST - ADVISOR PLAN**

**FINANCIAL HIGHLIGHTS  
FOR THE YEAR ENDED JUNE 30, 2017**

	-- Selected Per-Share Data <sup>(1)</sup> --					-- Ratios and Supplemental Data --				
	Net Position Value at Beginning of Period	Net Investment Income (Loss)	Net Realized and Unrealized Gain (Loss)	Total Investment Operations	Net Position Value at End of Period	Total Return Based on Net Position Value Per Unit	Net Position at End of Period (000's)	Ratio of Expenses to Average Net Position	Ratio of Net Investment Income (Loss) to Average Net Position	Portfolio Turnover Rate <sup>(2)</sup>
<b>CHET Advisor Age-Based Portfolio 0-8</b>										
Class A	\$ 15.23	\$ 0.15	\$ 2.28	\$ 2.43	\$ 17.66	15.96%	\$ 55,823	0.51%	0.89%	17%
Class C	14.59	0.02	2.18	2.20	16.79	15.08	18,838	1.26	0.14	17
Class E	15.45	0.19	2.31	2.50	17.95	16.18	7,733	0.26	1.14	17
<b>CHET Advisor Age-Based Portfolio 9-13</b>										
Class A	\$ 14.16	\$ 0.13	\$ 1.66	\$ 1.79	\$ 15.95	12.64%	\$ 61,290	0.51%	0.86%	9%
Class C	13.57	0.01	1.58	1.59	15.16	11.72	20,120	1.26	0.09	9
Class E	14.36	0.17	1.68	1.85	16.21	12.88	8,216	0.26	1.10	9
<b>CHET Advisor Age-Based Portfolio 14-15</b>										
Class A	\$ 13.53	\$ 0.15	\$ 1.22	\$ 1.37	\$ 14.90	10.13%	\$ 24,905	0.51%	1.06%	15%
Class C	12.96	0.04	1.17	1.21	14.17	9.34	10,470	1.26	0.30	15
Class E	13.73	0.19	1.24	1.43	15.16	10.42	3,725	0.26	1.33	15
<b>CHET Advisor Age-Based Portfolio 16-17</b>										
Class A	\$ 12.32	\$ 0.17	\$ 0.52	\$ 0.69	\$ 13.01	5.60%	\$ 23,466	0.51%	1.32%	16%
Class C	11.80	0.07	0.49	0.56	12.36	4.75	12,733	1.26	0.58	16
Class E	12.50	0.20	0.53	0.73	13.23	5.84	3,776	0.26	1.54	16
<b>CHET Advisor Age-Based Portfolio 18+</b>										
Class A	\$ 11.15	\$ 0.13	\$ 0.20	\$ 0.33	\$ 11.48	2.96%	\$ 15,719	0.51%	1.13%	53%
Class C	10.68	0.04	0.19	0.23	10.91	2.15	14,013	1.26	0.37	53
Class E	11.30	0.16	0.21	0.37	11.67	3.27	3,766	0.26	1.40	53
<b>CHET Advisor Aggressive Growth Portfolio</b>										
Class A	\$ 16.34	\$ 0.15	\$ 3.05	\$ 3.20	\$ 19.54	19.58%	\$ 9,720	0.51%	0.83%	9%
Class C	15.66	0.01	2.91	2.92	18.58	18.65	4,737	1.26	0.05	9
Class E	16.58	0.20	3.08	3.28	19.86	19.78	5,180	0.26	1.11	9
<b>CHET Advisor Conservative Portfolio</b>										
Class A	\$ 12.36	\$ 0.17	\$ 0.51	\$ 0.68	\$ 13.04	5.50%	\$ 3,613	0.51%	1.32%	26%
Class C	11.84	0.07	0.50	0.57	12.41	4.81	3,209	1.26	0.55	26
Class E	12.54	0.20	0.52	0.72	13.26	5.74	513	0.26	1.52	26
<b>CHET Advisor Growth Portfolio</b>										
Class A	\$ 15.21	\$ 0.14	\$ 2.29	\$ 2.43	\$ 17.64	15.98%	\$ 19,523	0.51%	0.88%	10%
Class C	14.57	0.02	2.18	2.20	16.77	15.10	7,526	1.26	0.13	10
Class E	15.43	0.19	2.32	2.51	17.94	16.27	2,949	0.26	1.14	10
<b>CHET Advisor Balanced Portfolio</b>										
Class A	\$ 13.64	\$ 0.12	\$ 1.60	\$ 1.72	\$ 15.36	12.61%	\$ 11,920	0.51%	0.85%	11%
Class C	13.06	0.01	1.53	1.54	14.60	11.79	8,919	1.26	0.10	11
Class E	13.83	0.17	1.61	1.78	15.61	12.87	1,669	0.26	1.13	11
<b>The Hartford Capital Appreciation 529 Portfolio</b>										
Class A	\$ 17.11	\$ 0.04	\$ 3.36	\$ 3.40	\$ 20.51	19.87%	\$ 5,324	0.51%	0.19%	12%
Class C	16.39	(0.10)	3.22	3.12	19.51	19.04	3,485	1.26	(0.55)	12
Class E	17.36	0.08	3.43	3.51	20.87	20.22	2,470	0.26	0.43	12
<b>CHET Advisor Checks &amp; Balances Portfolio</b>										
Class A	\$ 15.88	\$ 0.23	\$ 1.81	\$ 2.04	\$ 17.92	12.85%	\$ 4,201	0.51%	1.34%	18%
Class C	15.22	0.09	1.72	1.81	17.03	11.89	2,775	1.26	0.58	18
Class E	16.12	0.27	1.83	2.10	18.22	13.03	581	0.26	1.58	18
<b>The Hartford Dividend and Growth 529 Portfolio</b>										
Class A	\$ 18.67	\$ 0.28	\$ 2.97	\$ 3.25	\$ 21.92	17.41%	\$ 9,689	0.51%	1.36%	10%
Class C	17.88	0.13	2.82	2.95	20.83	16.50	11,953	1.26	0.65	10
Class E	18.93	0.34	3.00	3.34	22.27	17.64	2,879	0.26	1.65	10
<b>Hartford Equity Income 529 Portfolio</b>										
Class A	\$ 19.12	\$ 0.33	\$ 2.41	\$ 2.74	\$ 21.86	14.33%	\$ 4,698	0.51%	1.63%	7%
Class C	18.32	0.17	2.30	2.47	20.79	13.48	2,444	1.26	0.86	7
Class E	19.40	0.41	2.42	2.83	22.23	14.59	1,324	0.26	1.95	7

**CONNECTICUT HIGHER EDUCATION TRUST - ADVISOR PLAN**

**FINANCIAL HIGHLIGHTS  
FOR THE YEAR ENDED JUNE 30, 2017 (Continued)**

	-- Selected Per-Share Data <sup>(1)</sup> --					-- Ratios and Supplemental Data --				
	Net Position Value at Beginning of Period	Net Investment Income (Loss)	Net Realized and Unrealized Gain (Loss)	Total Investment Operations	Net Position Value at End of Period	Total Return Based on Net Position Value Per Unit	Net Position at End of Period (000's)	Ratio of Expenses to Average Net Position	Ratio of Net Investment Income (Loss) to Average Net Position	Portfolio Turnover Rate <sup>(2)</sup>
<b>Hartford Global Real Asset 529 Portfolio</b>										
Class A	\$ 8.54	\$ 0.04	\$ 0.28	\$ 0.32	\$ 8.86	3.75%	\$ 219	0.51%	0.45%	36%
Class C	8.35	(0.02)	0.28	0.26	8.61	3.11	188	1.26	(0.23)	36
Class E	8.60	0.06	0.29	0.35	8.95	4.07	119	0.26	0.65	36
<b>The Hartford Growth Opportunities 529 Portfolio</b>										
Class A	\$ 21.39	\$ (0.12)	\$ 4.07	\$ 3.95	\$ 25.34	18.47%	\$ 6,755	0.51%	(0.50)%	12%
Class C	20.49	(0.28)	3.89	3.61	24.10	17.62	2,699	1.26	(1.25)	12
Class E	21.70	(0.06)	4.14	4.08	25.78	18.80	1,481	0.26	(0.25)	12
<b>The Hartford Inflation Plus 529 Portfolio</b>										
Class A	\$ 11.06	\$ 0.09	\$ (0.07)	\$ 0.02	\$ 11.08	0.18%	\$ 1,950	0.51%	0.85%	18%
Class C	10.59	0.02	(0.08)	(0.06)	10.53	(0.57)	1,794	1.26	0.19	18
Class E	11.21	0.13	(0.08)	0.05	11.26	0.45	374	0.26	1.18	18
<b>The Hartford International Opportunities 529 Portfolio</b>										
Class A	\$ 12.32	\$ 0.12	\$ 2.19	\$ 2.31	\$ 14.63	18.75%	\$ 3,760	0.51%	0.88%	10%
Class C	11.80	0.02	2.08	2.10	13.90	17.80	2,475	1.26	0.14	10
Class E	12.50	0.15	2.22	2.37	14.87	18.96	1,399	0.26	1.11	10
<b>The Hartford MidCap 529 Portfolio</b>										
Class A	\$ 19.58	\$ (0.11)	\$ 4.24	\$ 4.13	\$ 23.71	21.09%	\$ 4,671	0.51%	(0.50)%	8%
Class C	18.76	(0.26)	4.05	3.79	22.55	20.20	2,938	1.26	(1.25)	8
Class E	19.86	(0.06)	4.31	4.25	24.11	21.40	2,004	0.26	(0.25)	8
<b>CHET Advisor Money Market 529 Portfolio</b>										
Class A	\$ 10.02	\$ 0.05	\$ -	\$ 0.05	\$ 10.07	0.50%	\$ 5,955	— <sup>(3)</sup> %	0.48%	125%
Class C	10.03	0.05	(0.01)	0.04	10.07	0.40	6,038	— <sup>(3)</sup>	0.46	125
Class E	10.02	0.05	-	0.05	10.07	0.50	2,495	— <sup>(3)</sup>	0.47	125
<b>Hartford SmallCap Growth 529 Portfolio</b>										
Class A	\$ 18.77	\$ (0.11)	\$ 4.53	\$ 4.42	\$ 23.19	23.55%	\$ 3,752	0.51%	(0.50)%	10%
Class C	17.97	(0.25)	4.32	4.07	22.04	22.65	1,568	1.26	(1.25)	10
Class E	19.04	(0.05)	4.59	4.54	23.58	23.84	1,250	0.26	(0.25)	10
<b>The Hartford Total Return Bond 529 Portfolio</b>										
Class A	\$ 12.06	\$ 0.30	\$ (0.10)	\$ 0.20	\$ 12.26	1.66%	\$ 3,690	0.51%	2.47%	12%
Class C	11.55	0.20	(0.10)	0.10	11.65	0.87	2,961	1.26	1.72	12
Class E	12.23	0.33	(0.09)	0.24	12.47	1.96	910	0.26	2.72	12
<b>Hartford World Bond 529 Portfolio</b>										
Class A	\$ 10.59	\$ (0.05)	\$ 0.05	\$ -	\$ 10.59	—%	\$ 524	0.51%	(0.50)%	17%
Class C	10.36	(0.13)	0.05	(0.08)	10.28	(0.77)	3,126	1.26	(1.25)	17
Class E	10.66	(0.03)	0.06	0.03	10.69	0.28	532	0.26	(0.25)	17

(1) Information presented relates to a unit outstanding throughout the indicated period.

(2) Portfolio turnover rate is calculated on the basis of the portfolio as a whole without distinguishing between the class of shares issued.

(3) As of June 30, 2017 Hartford Life is waiving Plan Manager and Distribution fees; the Trust is waiving Administration fees. If Hartford Life and the Trust did not waive these fees, the ratio of expenses to average net assets would be as follows: 0.51% (Class A), 1.26% (Class C), and 0.26% (Class E).

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# Supplemental Information

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PENSION FUNDS MANAGEMENT DIVISION

COMBINED INVESTMENT FUNDS  
TOTAL NET POSITION VALUE BY PENSION PLANS AND TRUST FUNDS  
JUNE 30, 2017

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<u>Retirement Funds</u>	<u>Net Position Value</u>
Teachers' Retirement Fund	\$17,126,802,473
State Employees' Retirement Fund	11,955,374,580
Municipal Employees' Retirement Fund	2,441,303,399
State Judges' Retirement Fund	210,022,249
The Probate Court Retirement Fund	95,047,753
State's Attorneys Retirement Fund	1,798,493
<u>Non-retirement Trust Funds</u>	
Soldiers' Sailors' & Marines' Fund	75,901,175
Police & Firemans' Survivors' Benefit Fund	32,348,872
Connecticut Arts Endowment Fund	19,953,445
School Fund	11,629,717
Ida Eaton Cotton Fund	2,577,251
Hopmead State Park Fund	3,797,945
Andrew C. Clark Fund	1,212,149
Agricultural College Fund	660,208
OPEB Fund	569,440,305
TOTAL	<u>\$32,547,870,014</u>

**COMBINED INVESTMENT FUNDS**

**SCHEDULE OF NET POSITION BY INVESTMENT FUND  
JUNE 30, 2017**

	<b>LIQUIDITY FUND</b>	<b>ALTERNATIVE INVESTMENT FUND</b>	<b>MUTUAL EQUITY FUND</b>	<b>CORE FIXED INCOME FUND</b>	<b>INFLATION LINKED BOND FUND</b>	<b>EMERGING MARKET DEBT FUND</b>
<b>ASSETS</b>						
Investments in Securities , at Fair Value						
Liquidity Fund	\$ -	\$175,615,507	\$411,748,512	\$150,040,141	\$37,703,198	\$46,741,492
Cash Equivalents	278,764,721	-	-	-	(252,453)	(3,886)
Asset Backed Securities	168,082,920	-	-	87,031,155	754,194	243,071
Government Securities	559,446,428	-	-	529,464,895	1,287,875,567	1,269,152,678
Government Agency Securities	177,510,219	-	-	538,674,404	-	-
Mortgage Backed Securities	138,464,921	-	-	142,114,126	-	-
Corporate Debt	1,516,216,033	-	-	568,908,990	6,861,510	281,596,010
Convertible Securities	-	-	-	-	-	451,587
Common Stock	-	-	6,405,918,911	-	-	-
Preferred Stock	-	-	-	3,249,926	-	-
Real Estate Investment Trust	-	-	208,297,032	15,930,248	-	-
Business Development Corporation	-	-	-	-	-	-
Mutual Fund	83,711,810	-	-	-	-	-
Limited Liability Corporation	-	-	-	-	-	-
Trusts	-	-	-	-	-	-
Limited Partnerships	-	1,851,172,578	522,410	566,040,052	-	-
<b>Total Investments in Securities, at Fair Value</b>	<b>2,922,197,052</b>	<b>2,026,788,085</b>	<b>7,026,486,865</b>	<b>2,601,453,937</b>	<b>1,332,942,016</b>	<b>1,598,180,952</b>
Cash	773,510	879,077	-	213,629	4,411,429	10,563,267
Receivables						
Foreign Exchange Contracts	379,980,784	-	-	-	562,361,240	407,548,634
Interest Receivable	7,913,403	346,952	238,115	11,385,574	5,062,569	32,050,510
Dividends Receivable	-	-	6,534,504	-	-	-
Due from Brokers	2,638,439	-	8,903,416	165,083,958	3,106,066	13,078,672
Foreign Taxes	108,918	-	-	62	202,682	393,200
Securities Lending Receivable	-	-	403,930	47,271	51,388	23,274
Reserve for Doubtful Receivables	-	-	(116,467)	(1,131,504)	(41,211)	(310,733)
<b>Total Receivables</b>	<b>390,641,544</b>	<b>346,952</b>	<b>15,963,498</b>	<b>175,385,361</b>	<b>570,742,734</b>	<b>452,783,557</b>
Invested Securities Lending Collateral	-	-	778,701,169	181,891,304	243,894,815	26,952,510
Prepaid Expenses	-	-	-	-	-	-
<b>Total Assets</b>	<b>3,313,612,106</b>	<b>2,028,014,114</b>	<b>7,821,151,532</b>	<b>2,958,944,231</b>	<b>2,151,990,994</b>	<b>2,088,480,286</b>
<b>LIABILITIES</b>						
Payables						
Foreign Exchange Contracts	382,335,862	-	-	-	560,202,201	404,692,049
Due to Brokers	5,663,928	-	16,763,588	324,074,399	3,261,423	18,520,963
Income Distribution	5,665,013	-	-	-	-	-
Other Payable	-	-	217,027	-	-	-
<b>Total Payables</b>	<b>393,664,803</b>	<b>-</b>	<b>16,980,615</b>	<b>324,074,399</b>	<b>563,463,624</b>	<b>423,213,012</b>
Securities Lending Collateral	-	-	778,701,169	181,891,304	243,894,815	26,952,510
Accrued Expenses	504,731	57,614	3,339,045	595,039	606,810	1,133,748
<b>Total Liabilities</b>	<b>394,169,534</b>	<b>57,614</b>	<b>799,020,829</b>	<b>506,560,742</b>	<b>807,965,249</b>	<b>451,299,270</b>
<b>NET POSITION HELD IN TRUST FOR PARTICIPANTS</b>	<b>\$2,919,442,572</b>	<b>\$2,027,956,500</b>	<b>\$7,022,130,703</b>	<b>\$2,452,383,489</b>	<b>\$1,344,025,745</b>	<b>\$1,637,181,016</b>
Units Outstanding	3,011,742,648	1,669,963,862	3,795,772	18,611,754	8,614,288	9,396,762
Net Position Value and Redemption Price per Unit	\$0.97	\$1.21	\$1,849.99	\$131.77	\$156.02	\$174.23

**COMBINED INVESTMENT FUNDS**

**SCHEDULE OF NET POSITION BY INVESTMENT FUND (Continued)**  
**JUNE 30, 2017**

<b>HIGH YIELD- DEBT FUND</b>	<b>DEVELOPED MARKET INTERNATIONAL STOCK FUND</b>	<b>EMERGING MARKET INTERNATIONAL STOCK FUND</b>	<b>REAL ESTATE FUND</b>	<b>PRIVATE INVESTMENT FUND</b>	<b>ELIMINATION ENTRY</b>	<b>TOTAL</b>
\$152,617,846	\$124,308,159	\$49,157,004	\$86,164,893	\$300,771,938	\$(1,534,868,690)	\$ -
610,705	4,174,606	-	-	-	-	283,293,693
(1,188,521)	-	-	-	-	-	254,922,819
55,774,495	-	-	-	-	-	3,701,714,063
-	-	-	-	-	-	716,184,623
-	-	-	-	-	-	280,579,047
1,663,650,234	-	-	-	-	-	4,037,232,777
51,210,909	-	-	-	-	-	51,662,496
8,521,335	6,130,006,652	2,771,214,754	-	11,562,335	-	15,327,223,987
16,577,131	17,937,060	39,394,345	-	-	-	77,158,462
29,312,900	65,429,565	269,088	-	-	-	319,238,833
57,625,395	-	-	-	-	-	57,625,395
-	2,451,911	142,751,332	-	-	-	228,915,053
-	-	-	-	1,156,486	-	1,156,486
-	-	-	-	-	-	-
-	-	-	2,156,493,225	2,657,239,167	-	7,231,467,432
2,034,712,429	6,344,307,953	3,002,786,523	2,242,658,118	2,970,729,926	(1,534,868,690)	32,568,375,166
5,250,944	35,520,404	6,870,072	6,287,724	19,147,886	(773,510)	89,144,432
4,784,055	6,824,683,902	4,875,995	-	-	(379,463,230)	7,804,771,380
28,248,645	306,230	120,288	324,874	554,207	(7,913,403)	78,637,964
32,844	13,049,783	14,823,666	-	-	-	34,440,797
10,953,685	54,797,252	3,259,480	-	-	(2,638,439)	259,182,529
447	15,319,064	232,043	-	-	(108,918)	16,147,498
279,715	248,037	184,066	-	-	-	1,237,681
(604,309)	(1,988,266)	(463,451)	-	-	-	(4,655,941)
43,695,082	6,906,416,002	23,032,087	324,874	554,207	(390,123,990)	8,189,761,908
523,258,667	62,998,657	203,064,465	-	-	-	2,020,761,587
-	-	-	-	1,073,767	-	1,073,767
2,606,917,122	13,349,243,016	3,235,753,147	2,249,270,716	2,991,505,786	(1,925,766,190)	42,869,116,860
4,782,933	6,842,394,088	4,896,272	-	-	(382,335,862)	7,816,967,543
33,319,404	57,190,282	10,472,823	-	-	(5,663,928)	463,602,882
-	-	-	-	-	(2,631,802)	3,033,211
-	-	-	-	-	-	217,027
38,102,337	6,899,584,370	15,369,095	-	-	(390,631,592)	8,283,820,663
523,258,667	62,998,657	203,064,465	-	-	-	2,020,761,587
1,222,088	5,619,798	1,997,529	789,896	1,063,405	(265,107)	16,664,596
562,583,092	6,968,202,825	220,431,089	789,896	1,063,405	(390,896,699)	10,321,246,846
\$2,044,334,030	\$6,381,040,191	\$3,015,322,058	\$2,248,480,820	\$2,990,442,381	\$(1,534,869,491)	\$32,547,870,014
13,200,858	11,879,604	7,145,303	42,108,577	38,044,338		
\$154.86	\$537.14	\$422.00	\$53.40	\$78.60		

**COMBINED INVESTMENT FUNDS**

**SCHEDULE OF CHANGES IN NET POSITION BY INVESTMENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	LIQUIDITY FUND	ALTERNATIVE INVESTMENT FUND	MUTUAL EQUITY FUND	CORE FIXED INCOME FUND	INFLATION LINKED BOND FUND	EMERGING MARKET DEBT FUND
<b>ADDITIONS</b>						
<b>OPERATIONS</b>						
<b>Investment Income</b>						
Dividends	\$ -	\$3,675,456	\$130,853,122	\$7,415	\$459	\$ -
Interest	47,272,487	2,775,092	1,557,805	53,982,946	846,960	100,777,661
Other Income	13,908	23,518	1,272,856	608,095	17,231	17,312,548
Securities Lending	-	-	11,869,343	1,699,211	2,876,399	332,417
<b>Total Income</b>	<b>47,286,395</b>	<b>6,474,066</b>	<b>145,553,126</b>	<b>56,297,667</b>	<b>3,741,049</b>	<b>118,422,626</b>
<b>Expenses</b>						
Investment Advisory Fees	2,240,224	-	13,261,733	2,602,485	2,613,172	5,645,057
Custody and Transfer Agent Fees	160,666	188,495	703,492	244,697	136,366	156,178
Professional Fees	51,404	573,708	228,862	51,521	27,929	41,474
Security Lending Fees	-	-	652,152	77,010	93,113	24,477
Security Lending Rebates	-	-	5,348,677	929,110	1,945,268	87,652
Investment Expenses	12,774	10,433	42,193	38,683	172,699	24,068
<b>Total Expenses</b>	<b>2,465,068</b>	<b>772,636</b>	<b>20,237,109</b>	<b>3,943,506</b>	<b>4,988,547</b>	<b>5,978,906</b>
<b>Net Investment Income</b>	<b>44,821,327</b>	<b>5,701,430</b>	<b>125,316,017</b>	<b>52,354,161</b>	<b>(1,247,498)</b>	<b>112,443,720</b>
<b>Net Increase (Decrease) in the Fair Value of Investments and Foreign Currency</b>	<b>(16,931,128)</b>	<b>147,986,010</b>	<b>1,093,439,042</b>	<b>(9,942,660)</b>	<b>10,408,838</b>	<b>24,349,950</b>
<b>Net Increase (Decrease) in Net Position Resulting from Operations</b>	<b>27,890,199</b>	<b>153,687,440</b>	<b>1,218,755,059</b>	<b>42,411,501</b>	<b>9,161,340</b>	<b>136,793,670</b>
<b>Unit Transactions</b>						
Purchase of Units by Participants	10,670,233,604	73,221,868	25,848,399	50,171,440	13,067,857	9,119,611
<b>TOTAL ADDITIONS</b>	<b>10,698,123,803</b>	<b>226,909,308</b>	<b>1,244,603,458</b>	<b>92,582,941</b>	<b>22,229,197</b>	<b>145,913,281</b>
<b>DEDUCTIONS</b>						
<b>Administrative Expenses:</b>						
Salary and Fringe Benefits	(427,025)	(223,352)	(977,274)	(307,273)	(177,396)	(181,723)
<b>Distributions to Unit Owners:</b>						
Income Distributed	(44,443,763)	-	-	-	-	-
<b>Unit Transactions</b>						
Redemption of Units by Participants	(9,713,904,136)	(3,070,100)	(863,600,297)	(46,756,545)	-	(6,331,026)
<b>TOTAL DEDUCTIONS</b>	<b>(9,758,774,924)</b>	<b>(3,293,452)</b>	<b>(864,577,571)</b>	<b>(47,063,818)</b>	<b>(177,396)</b>	<b>(6,512,749)</b>
<b>Change in Net Position Held in Trust for Participants</b>	<b>939,348,879</b>	<b>223,615,856</b>	<b>380,025,887</b>	<b>45,519,123</b>	<b>22,051,801</b>	<b>139,400,532</b>
<b>Net Position- Beginning of Period</b>	<b>1,980,093,693</b>	<b>1,804,340,644</b>	<b>6,642,104,816</b>	<b>2,406,864,366</b>	<b>1,321,973,944</b>	<b>1,497,780,484</b>
<b>Net Position- End of Period</b>	<b>\$2,919,442,572</b>	<b>\$2,027,956,500</b>	<b>\$7,022,130,703</b>	<b>\$2,452,383,489</b>	<b>\$1,344,025,745</b>	<b>\$1,637,181,016</b>
<b>Other Information:</b>						
<b>Units</b>						
Purchased	10,973,461,035	64,193,409	15,479	386,610	85,657	55,127
Redeemed	(9,988,401,748)	(2,675,765)	(501,504)	(357,863)	-	(38,165)
<b>Net Increase (Decrease)</b>	<b>985,059,287</b>	<b>61,517,644</b>	<b>(486,025)</b>	<b>28,747</b>	<b>85,657</b>	<b>16,962</b>

**COMBINED INVESTMENT FUNDS**

**SCHEDULE OF CHANGES IN NET POSITION BY INVESTMENT FUND (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<b>HIGH YIELD- DEBT FUND</b>	<b>DEVELOPED MARKET INTERNATIONAL STOCK FUND</b>	<b>EMERGING MARKET INTERNATIONAL STOCK FUND</b>	<b>REAL ESTATE FUND</b>	<b>PRIVATE INVESTMENT FUND</b>	<b>ELIMINATION ENTRY</b>	<b>TOTAL</b>
\$11,598,458	\$174,761,976	\$57,931,072	\$84,913,699	\$46,647,278	\$ -	\$510,388,935
113,359,654	2,398,866	1,084,545	2,100,048	3,795,686	(21,418,902)	308,532,848
1,323,824	114,531	22,788	28,768	395,527	(6,302)	21,127,292
5,104,339	2,781,738	2,461,290	-	-	-	27,124,737
131,386,275	180,057,111	61,499,695	87,042,515	50,838,491	(21,425,204)	867,173,812
4,896,835	21,770,263	13,891,017	9,398,241	2,656,009	(1,015,033)	77,960,003
195,000	602,595	471,686	310,010	375,200	(72,797)	3,471,588
47,359	129,903	63,664	449,555	1,210,185	(23,291)	2,852,273
325,031	247,612	157,117	-	-	-	1,576,512
1,854,032	305,614	890,121	-	-	-	11,360,474
289,911	157,154	1,393,591	12,410	160,850	(5,788)	2,308,978
7,608,168	23,213,141	16,867,196	10,170,216	4,402,244	(1,116,909)	99,529,828
123,778,107	156,843,970	44,632,499	76,872,299	46,436,247	(20,308,295)	767,643,984
101,465,790	1,125,951,807	522,156,606	38,116,638	288,361,287	7,380,915	3,332,743,095
225,243,897	1,282,795,777	566,789,105	114,988,937	334,797,534	(12,927,380)	4,100,387,079
13,149,010	17,140,296	7,204,576	66,607,366	35,661,283	(8,294,409,208)	2,687,016,102
238,392,907	1,299,936,073	573,993,681	181,596,303	370,458,817	(8,307,336,588)	6,787,403,181
(255,405)	(670,799)	(325,165)	(235,414)	(413,312)	193,483	(4,000,655)
-	-	-	-	-	20,137,221	(24,306,542)
(16,952,242)	(142,029,995)	(41,816,972)	(139,968,974)	(149,413,229)	7,666,697,785	(3,457,145,731)
(17,207,647)	(142,700,794)	(42,142,137)	(140,204,388)	(149,826,541)	7,687,028,489	(3,485,452,928)
221,185,260	1,157,235,279	531,851,544	41,391,915	220,632,276	(620,308,099)	3,301,950,253
1,823,148,770	5,223,804,912	2,483,470,514	2,207,088,905	2,769,810,105	(914,561,392)	29,245,919,761
\$2,044,334,030	\$6,381,040,191	\$3,015,322,058	\$2,248,480,820	\$2,990,442,381	\$(1,534,869,491)	\$32,547,870,014
87,988	37,301	19,508	1,291,886	489,630		
(116,161)	(296,111)	(110,695)	(2,788,325)	(2,128,299)		
(28,173)	(258,810)	(91,187)	(1,496,439)	(1,638,669)		

**COMBINED INVESTMENT FUNDS**

**SCHEDULE OF CHANGES IN NET POSITION BY INVESTMENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	LIQUIDITY FUND	ALTERNATIVE INVESTMENT FUND	MUTUAL EQUITY FUND	CORE FIXED INCOME FUND	INFLATION LINKED BOND FUND	EMERGING MARKET DEBT FUND
<b>ADDITIONS</b>						
<b>OPERATIONS</b>						
<b>Investment Income</b>						
Dividends	\$ -	\$4,592,789	\$128,695,580	\$188	\$ -	\$ -
Interest	26,545,360	924,448	775,588	56,716,843	1,885,985	143,311,719
Other Income	3,647	-	2,812,646	495,044	-	4,313,152
Securities Lending	-	-	10,003,339	1,046,315	1,680,725	359,452
<b>Total Income</b>	<b>26,549,007</b>	<b>5,517,237</b>	<b>142,287,153</b>	<b>58,258,390</b>	<b>3,566,710</b>	<b>147,984,323</b>
<b>Expenses</b>						
Investment Advisory Fees	1,537,535	-	13,228,298	2,592,136	2,280,298	3,837,786
Custody and Transfer Agent Fees	45,602	215,561	749,893	267,116	125,742	144,601
Professional Fees	32,873	613,483	264,026	56,812	27,247	33,011
Security Lending Fees	-	-	701,246	58,626	62,343	34,670
Security Lending Rebates	-	-	2,990,883	460,056	1,057,297	12,757
Investment Expenses	72,372	13,999	59,966	8,500	677,354	100,893
<b>Total Expenses</b>	<b>1,688,382</b>	<b>843,043</b>	<b>17,994,312</b>	<b>3,443,246</b>	<b>4,230,281</b>	<b>4,163,718</b>
<b>Net Investment Income</b>	<b>24,860,625</b>	<b>4,674,194</b>	<b>124,292,841</b>	<b>54,815,144</b>	<b>(663,571)</b>	<b>143,820,605</b>
<b>Net Increase (Decrease) in the Fair Value of Investments and Foreign Currency</b>	<b>(10,935,758)</b>	<b>(108,780,398)</b>	<b>(8,764,298)</b>	<b>28,333,543</b>	<b>29,877,580</b>	<b>(58,123,703)</b>
<b>Net Increase (Decrease) in Net Position Resulting from Operations</b>	<b>13,924,867</b>	<b>(104,106,204)</b>	<b>115,528,543</b>	<b>83,148,687</b>	<b>29,214,009</b>	<b>85,696,902</b>
<b>Unit Transactions</b>						
Purchase of Units by Participants	7,876,647,399	95,771,498	36,280,951	35,482,297	165,326,702	9,496,930
<b>TOTAL ADDITIONS</b>	<b>7,890,572,266</b>	<b>(8,334,706)</b>	<b>151,809,494</b>	<b>118,630,984</b>	<b>194,540,711</b>	<b>95,193,832</b>
<b>DEDUCTIONS</b>						
<b>Administrative Expenses:</b>						
Salary and Fringe Benefits	(270,687)	(271,189)	(1,185,700)	(407,561)	(196,997)	(238,334)
<b>Distributions to Unit Owners:</b>						
Income Distributed	(24,272,621)	-	-	-	-	-
<b>Unit Transactions</b>						
Redemption of Units by Participants	(8,079,489,731)	(8,487,904)	(279,384,694)	(148,326,233)	(3,149,355)	(11,753,875)
<b>TOTAL DEDUCTIONS</b>	<b>(8,104,033,039)</b>	<b>(8,759,093)</b>	<b>(280,570,394)</b>	<b>(148,733,794)</b>	<b>(3,346,352)</b>	<b>(11,992,209)</b>
<b>Change in Net Position Held in Trust for Participants</b>	<b>(213,460,773)</b>	<b>(17,093,799)</b>	<b>(128,760,900)</b>	<b>(30,102,810)</b>	<b>191,194,359</b>	<b>83,201,623</b>
<b>Net Position- Beginning of Period</b>	<b>2,193,554,383</b>	<b>1,821,434,443</b>	<b>6,770,865,716</b>	<b>2,436,967,176</b>	<b>1,130,779,585</b>	<b>1,414,578,861</b>
<b>Net Position- End of Period</b>	<b>\$1,980,093,610</b>	<b>\$1,804,340,644</b>	<b>\$6,642,104,816</b>	<b>\$2,406,864,366</b>	<b>\$1,321,973,944</b>	<b>\$1,497,780,484</b>
<b>Other Information:</b>						
<b>Units</b>						
Purchased	8,075,012,237	82,949,169	25,101	282,187	1,087,346	65,636
Redeemed	(8,283,939,204)	(7,373,331)	(184,532)	(1,168,906)	(21,090)	(76,803)
Net Increase (Decrease)	(208,926,967)	75,575,838	(159,431)	(886,719)	1,066,256	(11,167)

**COMBINED INVESTMENT FUNDS**

**SCHEDULE OF CHANGES IN NET POSITION BY INVESTMENT FUND (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<b>HIGH YIELD- DEBT FUND</b>	<b>DEVELOPED MARKET INTERNATIONAL STOCK FUND</b>	<b>EMERGING MARKET INTERNATIONAL STOCK FUND</b>	<b>REAL ESTATE FUND</b>	<b>COMMERCIAL MORTGAGE FUND</b>	<b>PRIVATE INVESTMENT FUND</b>	<b>ELIMINATION ENTRY</b>	<b>TOTAL</b>
\$8,541,540	\$162,777,688	\$54,678,155	\$78,117,664	\$ -	\$22,550,020	\$ -	\$459,953,624
109,098,735	1,346,352	5,511,628	1,079,732	136	1,891,043	(11,814,073)	337,273,496
62,838	559	1,905	-	-	26	(1,623)	7,688,194
2,906,369	3,103,844	1,980,794	-	-	-	-	21,080,838
120,609,482	167,228,443	62,172,482	79,197,396	136	24,441,089	(11,815,696)	825,996,152
5,689,980	21,720,999	13,834,642	7,554,325	-	3,039,252	(684,283)	74,630,968
186,649	779,277	218,278	244,560	1	327,285	(20,295)	3,284,270
40,587	163,611	68,746	539,176	-	1,555,243	(14,630)	3,380,185
243,093	305,401	169,128	-	-	-	-	1,574,507
475,436	49,822	289,513	-	-	-	-	5,335,764
13,596	168,859	1,330,774	14,166	-	20,618	(32,209)	2,448,888
6,649,341	23,187,969	15,911,081	8,352,227	1	4,942,398	(751,417)	90,654,582
113,960,141	144,040,474	46,261,401	70,845,169	135	19,498,691	(11,064,279)	735,341,570
(115,157,340)	(552,420,065)	(212,309,468)	115,122,056	(15,453)	169,119,347	3,937,225	(720,116,732)
(1,197,199)	(408,379,591)	(166,048,067)	185,967,225	(15,318)	188,618,038	(7,127,054)	15,224,838
60,674,737	42,596,214	193,164,163	131,094,177	-	16,552,234	(6,198,705,861)	2,464,381,541
59,477,538	(365,783,377)	27,116,096	317,061,402	(15,318)	205,170,372	(6,205,832,915)	2,479,606,379
(292,321)	(854,845)	(336,036)	(285,970)	(2,836)	(380,666)	120,470	(4,602,672)
-	-	-	-	-	-	10,802,583	(13,470,038)
(10,302,127)	(318,801,669)	(16,597,298)	(27,923,172)	(14,400)	(330,071,249)	6,151,711,283	(3,082,590,424)
(10,594,448)	(319,656,514)	(16,933,334)	(28,209,142)	(17,236)	(330,451,915)	6,162,634,336	(3,100,663,134)
48,883,090	(685,439,891)	10,182,762	288,852,260	(32,554)	(125,281,543)	(43,198,579)	(621,056,755)
1,774,265,680	5,909,244,803	2,473,287,752	1,918,236,645	32,637	2,895,091,648	(871,362,813)	29,866,976,516
\$1,823,148,770	\$5,223,804,912	\$2,483,470,514	\$2,207,088,905	\$83	\$2,769,810,105	\$(914,561,392)	\$29,245,919,761
452,139	98,517	595,224	2,730,330	-	245,166		
(75,718)	(716,920)	(50,439)	(586,760)	(968)	(5,015,234)		
376,421	(618,403)	544,785	2,143,570	(968)	(4,770,068)		

**PENSION FUNDS MANAGEMENT DIVISION**

**COMBINED INVESTMENT FUNDS  
SCHEDULE OF INVESTMENT ACTIVITY BY PENSION PLAN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	LIQUIDITY FUND	ALTERNATIVE INVESTMENT FUND	MUTUAL EQUITY FUND	CORE FIXED INCOME FUND	INFLATION LINKED BOND FUND	EMERGING MARKET DEBT FUND
<b>Teachers' Retirement Fund</b>						
Book Value at June 30, 2016	\$629,861,699	\$877,868,000	\$532,298,299	\$959,419,399	\$498,447,781	\$651,600,289
Market Value at June 30, 2016	\$629,661,146	\$941,316,173	\$3,721,807,837	\$1,150,153,590	\$585,087,153	\$840,642,760
Shares Purchased	1,925,169,726	27,200,000	-	-	-	-
Shares Redeemed	(1,669,529,245)	-	(580,000,000)	(28,000,000)	-	-
Returns of Capital	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	(4,229,549)	-	504,950,202	4,847,800	-	-
Net Investment Income Earned	15,178,473	-	-	-	-	-
Net Investment Income Distributed	(15,178,473)	-	-	-	-	-
Changes in Market Value of Fund Shares	(2,105,766)	79,568,238	166,008,894	14,858,014	3,844,861	76,581,229
Market Value at June 30, 2017	\$878,966,312	\$1,048,084,411	\$3,812,766,933	\$1,141,859,404	\$588,932,014	\$917,223,989
Book Value at June 30, 2017	\$881,272,631	\$905,068,000	\$457,248,501	\$936,267,199	\$498,447,781	\$651,600,289
Shares Outstanding	906,755,632	863,067,538	2,060,969	8,665,858	3,774,653	5,264,498
Market Value per Share	\$0.97	\$1.21	\$1,849.99	\$131.77	\$156.02	\$174.23
<b>State Employees' Retirement Fund</b>						
Book Value at June 30, 2016	\$351,715,827	\$588,420,000	\$310,398,658	\$752,304,161	\$539,055,068	\$318,201,035
Market Value at June 30, 2016	\$345,957,820	\$626,360,495	\$2,429,010,702	\$889,231,302	\$604,482,740	\$442,660,632
Shares Purchased	255,078,273	32,200,000	-	-	-	-
Shares Redeemed	(191,013,926)	-	(235,000,000)	(18,000,000)	-	-
Returns of Capital	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	(3,049,182)	-	208,173,414	2,905,009	-	-
Net Investment Income Earned	6,264,344	-	-	-	-	-
Net Investment Income Distributed	(6,264,344)	-	-	-	-	-
Changes in Market Value of Fund Shares	417,607	53,962,761	244,256,483	12,361,049	3,972,318	40,325,683
Market Value at June 30, 2017	\$407,390,592	\$712,523,256	\$2,646,440,599	\$886,497,360	\$608,455,058	\$482,986,315
Book Value at June 30, 2017	\$412,730,992	\$620,620,000	\$283,572,072	\$737,209,170	\$539,055,068	\$318,201,035
Shares Outstanding	420,270,630	586,742,290	1,430,518	6,727,851	3,899,782	2,772,148
Market Value per Share	\$0.97	\$1.21	\$1,849.99	\$131.77	\$156.02	\$174.23
<b>Municipal Employees' Retirement Fund</b>						
Book Value at June 30, 2016	\$61,212,324	\$166,583,433	\$66,713,141	\$154,655,334	\$94,209,092	\$156,218,869
Market Value at June 30, 2016	\$60,726,701	\$179,542,868	\$356,090,812	\$178,734,077	\$109,918,687	\$178,502,735
Shares Purchased	61,737,128	2,105,019	7,545,579	10,874,509	8,674,361	4,623,694
Shares Redeemed	(55,202,633)	(2,759,359)	(39,941,684)	(146,022)	-	(5,440,687)
Returns of Capital	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	(503,130)	256,171	32,850,493	20,546	-	848,428
Net Investment Income Earned	1,057,869	-	-	-	-	-
Net Investment Income Distributed	(1,057,869)	-	-	-	-	-
Changes in Market Value of Fund Shares	12,821	14,425,437	34,132,149	3,221,803	929,458	15,321,892
Market Value at June 30, 2017	\$66,770,887	\$193,570,136	\$390,677,349	\$192,704,913	\$119,522,506	\$193,856,062
Book Value at June 30, 2017	\$67,243,689	\$166,185,264	\$67,167,529	\$165,404,367	\$102,883,453	\$156,250,304
Shares Outstanding	68,881,920	159,399,408	211,178	1,462,486	766,058	1,112,656
Market Value per Share	\$0.97	\$1.21	\$1,849.99	\$131.77	\$156.02	\$174.23



**PENSION FUNDS MANAGEMENT DIVISION**

**COMBINED INVESTMENT FUNDS  
SCHEDULE OF INVESTMENT ACTIVITY BY PENSION PLAN (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<b>HIGH YIELD DEBT FUND</b>	<b>DEVELOPED MARKET INTERNATIONAL STOCK FUND</b>	<b>EMERGING MARKET INTERNATIONAL STOCK FUND</b>	<b>REAL ESTATE FUND</b>	<b>PRIVATE INVESTMENT FUND</b>	<b>TOTAL</b>
\$735,399,049	\$1,591,488,148	\$905,417,118	\$1,047,240,158	\$1,342,629,595	\$9,771,669,535
\$867,182,093	\$2,882,041,042	\$1,365,932,645	\$1,186,792,255	\$1,413,947,520	\$15,584,564,214
-	-	-	50,000,000	15,000,000	2,017,369,726
-	(110,000,000)	(20,000,000)	(110,000,000)	(142,000,000)	(2,659,529,245)
-	-	-	-	-	-
-	54,523,544	7,772,306	12,105,802	7,815,066	587,785,171
-	-	-	-	-	15,178,473
-	-	-	-	-	(15,178,473)
107,282,285	645,244,020	303,232,833	47,912,634	154,185,365	1,596,612,607
\$974,464,378	\$3,471,808,606	\$1,656,937,784	\$1,186,810,691	\$1,448,947,951	\$17,126,802,473
\$735,399,049	\$1,536,011,692	\$893,189,424	\$999,345,960	\$1,223,444,661	\$9,717,295,187
6,292,400	6,463,478	3,926,388	22,226,078	18,433,482	1,846,930,974
\$154.86	\$537.14	\$422.00	\$53.40	\$78.60	
\$494,458,589	\$1,008,726,606	\$616,857,122	\$720,514,538	\$1,042,956,083	\$6,743,607,687
\$569,912,171	\$1,940,894,238	\$920,911,372	\$804,708,147	\$1,062,573,026	\$10,636,702,645
-	-	-	-	-	287,278,273
-	-	-	(28,000,000)	-	(472,013,926)
-	-	-	-	-	-
-	-	-	2,698,144	-	210,727,385
-	-	-	-	-	6,264,344
-	-	-	-	-	(6,264,344)
70,505,837	481,620,190	211,488,681	39,715,695	134,053,899	1,292,680,203
\$640,418,008	\$2,422,514,428	\$1,132,400,053	\$819,121,986	\$1,196,626,925	\$11,955,374,580
\$494,458,589	\$1,008,726,606	\$616,857,122	\$695,212,682	\$1,042,956,083	\$6,769,599,419
4,135,365	4,510,004	2,683,409	15,340,163	15,223,460	1,063,735,620
\$154.86	\$537.14	\$422.00	\$53.40	\$78.60	
\$283,166,613	\$158,851,301	\$120,265,307	\$132,567,364	\$204,757,966	\$1,599,200,744
\$311,907,135	\$296,145,316	\$155,137,550	\$158,659,157	\$226,658,160	\$2,212,023,198
3,567,713	3,054,452	2,714,964	3,899,041	7,802,537	116,599,087
(14,906,610)	(26,199,954)	(17,825,211)	(1,758,930)	(6,560,131)	(170,741,221)
-	-	-	-	-	-
2,127,120	14,269,696	5,413,536	312,294	762,945	56,358,099
-	-	-	-	-	1,057,869
-	-	-	-	-	(1,057,869)
35,554,270	58,471,469	28,674,936	8,428,975	27,891,026	227,064,236
\$338,249,628	\$345,741,069	\$174,115,775	\$169,540,537	\$256,554,537	\$2,441,303,399
\$273,954,836	\$149,975,585	\$110,568,596	\$135,019,769	\$206,763,317	\$1,601,416,709
2,184,176	643,667	412,596	3,175,082	3,263,881	241,513,109
\$154.86	\$537.14	\$422.00	\$53.40	\$78.60	

**PENSION FUNDS MANAGEMENT DIVISION**

**COMBINED INVESTMENT FUNDS  
SCHEDULE OF INVESTMENT ACTIVITY BY PENSION PLAN (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	LIQUIDITY FUND	ALTERNATIVE INVESTMENT FUND	MUTUAL EQUITY FUND	CORE FIXED INCOME FUND	INFLATION LINKED BOND FUND	EMERGING MARKET DEBT FUND
<b>Probate Court Retirement Fund</b>						
Book Value at June 30, 2016	\$2,208,581	\$4,066,303	\$1,888,918	\$6,572,589	\$3,703,566	\$6,037,437
Market Value at June 30, 2016	\$2,210,362	\$4,439,889	\$14,089,176	\$7,955,807	\$4,349,058	\$7,062,632
Shares Purchased	5,165,911	33,838	294,543	431,225	277,076	157,668
Shares Redeemed	(4,965,112)	(113,277)	(1,772,992)	(72,022)	-	(292,128)
Returns of Capital	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	(13,178)	11,338	1,541,541	12,934	-	51,515
Net Investment Income Earned	42,348	-	-	-	-	-
Net Investment Income Distributed	(42,348)	-	-	-	-	-
Changes in Market Value of Fund Shares	(8,023)	348,211	1,090,150	130,159	36,994	583,646
Market Value at Jun. 30, 2017	\$2,389,960	\$4,719,999	\$15,242,418	\$8,458,103	\$4,663,128	\$7,563,333
Book Value\Cost at Jun 30, 2017	\$2,396,202	\$3,998,202	\$1,952,010	\$6,944,726	\$3,980,642	\$5,954,492
Shares Outstanding	2,465,522	3,886,782	8,239	64,191	29,887	43,411
Market Value per Share	\$0.97	\$1.21	\$1,849.99	\$131.77	\$156.02	\$174.23
<b>Judges' Retirement Fund</b>						
Book Value at June 30, 2016	\$5,401,499	\$14,257,508	\$6,171,614	\$13,156,352	\$8,021,331	\$13,225,425
Market Value at June 30, 2016	\$5,351,878	\$15,383,376	\$30,509,429	\$15,314,244	\$9,418,320	\$15,295,144
Shares Purchased	4,589,155	184,312	697,050	980,803	781,254	409,354
Shares Redeemed	(4,105,233)	(181,208)	(3,359,348)	-	-	(422,079)
Returns of Capital	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	(44,183)	17,511	2,716,471	-	-	71,838
Net Investment Income Earned	91,888	-	-	-	-	-
Net Investment Income Distributed	(91,888)	-	-	-	-	-
Changes in Market Value of Fund Shares	1,201	1,244,502	3,037,815	279,074	80,291	1,318,926
Market Value at Jun. 30, 2017	\$5,792,818	\$16,648,493	\$33,601,417	\$16,574,121	\$10,279,865	\$16,673,183
Book Value\Cost at Jun 30, 2017	\$5,841,238	\$14,278,123	\$6,225,787	\$14,137,155	\$8,802,585	\$13,284,538
Shares Outstanding	5,975,965	13,709,555	18,163	125,785	65,887	95,697
Market Value per Share	\$0.97	\$1.21	\$1,849.99	\$131.77	\$156.02	\$174.23
<b>State's Attorneys' Retirement Fund</b>						
Book Value at June 30, 2016	\$21,556	\$-	\$150,681	\$313,066	\$23,165	\$71,208
Market Value at June 30, 2016	\$21,531	\$-	\$451,020	\$359,202	\$30,743	\$93,625
Shares Purchased	25,925	-	10,974	41,392	4,139	5,079
Shares Redeemed	(23,486)	-	(27,798)	-	-	(488)
Returns of Capital	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	(110)	-	19,220	-	-	107
Net Investment Income Earned	350	-	-	-	-	-
Net Investment Income Distributed	(350)	-	-	-	-	-
Changes in Market Value of Fund Shares	(60)	-	67,111	6,721	267	8,556
Market Value at Jun. 30, 2017	\$23,800	\$-	\$520,527	\$407,315	\$35,149	\$106,879
Book Value\Cost at Jun 30, 2017	\$23,885	\$-	\$153,077	\$354,458	\$27,304	\$75,906
Shares Outstanding	24,549	-	281	3,091	225	613
Market Value per Share	\$0.97	\$-	\$1,849.99	\$131.77	\$156.02	\$174.23

**PENSION FUNDS MANAGEMENT DIVISION**

**COMBINED INVESTMENT FUNDS  
SCHEDULE OF INVESTMENT ACTIVITY BY PENSION PLAN (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<b>HIGH YIELD DEBT FUND</b>	<b>DEVELOPED MARKET INTERNATIONAL STOCK FUND</b>	<b>EMERGING MARKET INTERNATIONAL STOCK FUND</b>	<b>REAL ESTATE FUND</b>	<b>PRIVATE INVESTMENT FUND</b>	<b>TOTAL</b>
\$11,907,950	\$5,930,520	\$4,514,920	\$5,420,982	\$7,749,704	\$60,001,470
\$13,222,483	\$12,554,291	\$6,138,198	\$6,277,593	\$8,968,014	\$87,267,503
114,469	20,296	85,778	64,849	210,979	6,856,632
(785,529)	(1,180,896)	(769,390)	(70,449)	(289,485)	(10,311,280)
-	-	-	-	-	-
117,521	710,666	260,469	10,663	45,200	2,748,669
-	-	-	-	-	42,348
-	-	-	-	-	(42,348)
1,470,476	2,349,103	1,078,419	332,042	1,075,052	8,486,229
\$14,139,420	\$14,453,460	\$6,793,474	\$6,614,698	\$10,009,760	\$95,047,753
\$11,354,411	\$5,480,586	\$4,091,777	\$5,426,045	\$7,716,398	\$59,295,491
91,302	26,908	16,098	123,877	127,344	6,883,562
\$154.86	\$537.14	\$422.00	\$53.40	\$78.60	
\$24,197,972	\$13,707,636	\$10,030,843	\$11,881,609	\$18,245,063	\$138,296,852
\$26,724,528	\$25,374,142	\$13,293,411	\$13,593,674	\$19,419,905	\$189,678,051
289,437	316,157	243,620	365,818	696,683	9,553,643
(1,157,890)	(2,205,269)	(1,491,584)	(129,072)	(515,071)	(13,566,754)
-	-	-	-	-	-
168,028	1,195,409	482,817	18,044	41,960	4,667,895
-	-	-	-	-	91,888
-	-	-	-	-	(91,888)
3,068,048	5,056,476	2,447,259	733,409	2,422,413	19,689,414
\$29,092,151	\$29,736,915	\$14,975,523	\$14,581,873	\$22,065,890	\$210,022,249
\$23,497,547	\$13,013,933	\$9,265,696	\$12,136,399	\$18,468,635	\$138,951,636
187,856	55,361	35,487	273,083	280,722	20,823,562
\$154.86	\$537.14	\$422.00	\$53.40	\$78.60	
\$135,799	\$302,966	\$111,881	\$-	\$-	\$1,130,322
\$155,725	\$325,295	\$108,515	\$-	\$-	\$1,545,656
6,383	8,654	3,779	-	-	106,325
(3,575)	(16,255)	(8,682)	-	-	(80,284)
-	-	-	-	-	-
613	3,528	600	-	-	23,958
-	-	-	-	-	350
-	-	-	-	-	(350)
18,473	78,027	23,743	-	-	202,838
\$177,619	\$399,249	\$127,955	\$-	\$-	\$1,798,493
\$139,220	\$298,893	\$107,578	\$-	\$-	\$1,180,321
1,147	743	303	-	-	30,953
\$154.86	\$537.14	\$421.99	\$-	\$-	

**PENSION FUNDS MANAGEMENT DIVISION**  
**COMBINED INVESTMENT FUNDS**  
**SCHEDULE OF INVESTMENT ACTIVITY BY TRUST**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	LIQUIDITY FUND	ALTERNATIVE INVESTMENT FUND	MUTUAL EQUITY FUND	CORE FIXED INCOME FUND	INFLATION LINKED BOND FUND	EMERGING MARKET DEBT FUND
<b>Soldiers' Sailors' &amp; Marines' Fund</b>						
Book Value at June 30, 2016	\$1,663,581	\$-	\$3,813,553	\$40,220,699	\$-	\$-
Market Value at June 30, 2016	\$1,657,084	\$-	\$10,964,998	\$49,150,682	\$-	\$-
Shares Purchased	1,933,535	-	169,381	1,204,183	-	-
Shares Redeemed	(1,811,072)	-	(1,622,773)	(333,399)	-	-
Returns of Capital	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	(12,094)	-	1,111,105	62,462	-	-
Net Investment Income Earned	31,317	-	-	-	-	-
Net Investment Income Distributed	(31,317)	-	-	-	-	-
Changes in Market Value of Fund Shares	(4,692)	-	925,941	800,829	-	-
Market Value at June 30, 2017	\$1,762,761	\$-	\$11,548,652	\$50,884,757	\$-	\$-
Book Value at June 30, 2017	\$1,773,950	\$-	\$3,471,266	\$41,153,945	\$-	\$-
Shares Outstanding	1,818,492	-	6,243	386,177	-	-
Market Value per Share	\$0.97	\$-	\$1,849.99	\$131.77	\$-	\$-
<b>Endowment for the Arts</b>						
Book Value at June 30, 2016	\$562,671	\$-	\$1,860,242	\$10,961,402	\$-	\$-
Market Value at June 30, 2016	\$561,912	\$-	\$2,854,297	\$12,795,813	\$-	\$-
Shares Purchased	431,571	-	44,604	270,638	-	-
Shares Redeemed	(397,379)	-	(404,456)	-	-	-
Returns of Capital	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	(3,700)	-	163,442	-	-	-
Net Investment Income Earned	9,011	-	-	-	-	-
Net Investment Income Distributed	(9,011)	-	-	-	-	-
Changes in Market Value of Fund Shares	(1,246)	-	358,113	223,311	-	-
Market Value at June 30, 2017	\$591,158	\$-	\$3,016,000	\$13,289,762	\$-	\$-
Book Value at June 30, 2017	\$593,163	\$-	\$1,663,832	\$11,232,040	\$-	\$-
Shares Outstanding	609,849	-	1,630	100,859	-	-
Market Value per Share	\$0.97	\$-	\$1,849.99	\$131.77	\$-	\$-
<b>Agricultural College Fund</b>						
Book Value at June 30, 2016	\$625	\$-	\$-	\$588,958	\$-	\$-
Market Value at June 30, 2016	\$627	\$-	\$-	\$661,986	\$-	\$-
Shares Purchased	249,719	-	-	700	-	-
Shares Redeemed	(250,250)	-	-	(14,000)	-	-
Returns of Capital	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	56	-	-	1,653	-	-
Net Investment Income Earned	51	-	-	-	-	-
Net Investment Income Distributed	(51)	-	-	-	-	-
Changes in Market Value of Fund Shares	(1)	-	-	9,718	-	-
Market Value at June 30, 2017	\$151	\$-	\$-	\$660,057	\$-	\$-
Book Value at June 30, 2017	\$150	\$-	\$-	\$577,311	\$-	\$-
Shares Outstanding	156	-	-	5,009	-	-
Market Value per Share	\$0.97	\$-	\$-	\$131.77	\$-	\$-

**PENSION FUNDS MANAGEMENT DIVISION**

**COMBINED INVESTMENT FUNDS  
SCHEDULE OF INVESTMENT ACTIVITY BY TRUST (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<b>HIGH YIELD DEBT FUND</b>	<b>DEVELOPED MARKET INTERNATIONAL STOCK FUND</b>	<b>EMERGING MARKET INTERNATIONAL STOCK FUND</b>	<b>REAL ESTATE FUND</b>	<b>PRIVATE INVESTMENT FUND</b>	<b>TOTAL</b>
\$-	\$6,260,250	\$3,074,967	\$-	\$-	\$55,033,050
\$-	\$7,640,490	\$2,908,875	\$-	\$-	\$72,322,129
-	30,394	-	-	-	3,337,493
-	(948,943)	(398,873)	-	-	(5,115,060)
-	-	-	-	-	-
-	288,436	21,317	-	-	1,471,226
-	-	-	-	-	31,317
-	-	-	-	-	(31,317)
-	1,556,911	606,398	-	-	3,885,387
\$-	\$8,567,288	\$3,137,717	\$-	\$-	\$75,901,175
\$-	\$5,630,137	\$2,697,411	\$-	\$-	\$54,726,709
-	15,950	7,435	-	-	2,234,297
\$-	\$537.14	\$422.00	\$-	\$-	
\$-	\$1,634,006	\$802,298	\$-	\$-	\$15,820,619
\$-	\$1,989,091	\$757,469	\$-	\$-	\$18,958,582
-	31,208	-	-	-	778,021
-	(262,788)	(101,742)	-	-	(1,166,365)
-	-	-	-	-	-
-	76,129	5,227	-	-	241,098
-	-	-	-	-	9,011
-	-	-	-	-	(9,011)
-	403,510	158,421	-	-	1,142,109
\$-	\$2,237,150	\$819,375	\$-	\$-	\$19,953,445
\$-	\$1,478,555	\$705,783	\$-	\$-	\$15,673,373
-	4,165	1,942	-	-	718,445
\$-	\$537.14	\$422.00	\$-	\$-	
\$-	\$-	\$-	\$-	\$-	\$589,583
\$-	\$-	\$-	\$-	\$-	\$662,613
-	-	-	-	-	250,419
-	-	-	-	-	(264,250)
-	-	-	-	-	-
-	-	-	-	-	1,709
-	-	-	-	-	51
-	-	-	-	-	(51)
-	-	-	-	-	9,717
\$-	\$-	\$-	\$-	\$-	\$660,208
\$-	\$-	\$-	\$-	\$-	\$577,461
-	-	-	-	-	5,165
\$-	\$-	\$-	\$-	\$-	

**PENSION FUNDS MANAGEMENT DIVISION**

**COMBINED INVESTMENT FUNDS  
SCHEDULE OF INVESTMENT ACTIVITY BY TRUST (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	LIQUIDITY FUND	ALTERNATIVE INVESTMENT FUND	MUTUAL EQUITY FUND	CORE FIXED INCOME FUND	INFLATION LINKED BOND FUND	EMERGING MARKET DEBT FUND
<b>Ida Eaton Cotton Fund</b>						
Book Value at June 30, 2016	\$72,818	\$-	\$55,610	\$1,423,036	\$-	\$-
Market Value at June 30, 2016	\$72,552	\$-	\$368,527	\$1,652,115	\$-	\$-
Shares Purchased	54,865	-	-	68,709	-	-
Shares Redeemed	(50,868)	-	(47,249)	(32,716)	-	-
Returns of Capital	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	(170)	-	40,930	4,199	-	-
Net Investment Income Earned	1,064	-	-	-	-	-
Net Investment Income Distributed	(1,064)	-	-	-	-	-
Changes in Market Value of Fund Shares	(21)	-	27,353	24,236	-	-
Market Value at Jun. 30, 2017	\$76,358	\$-	\$389,561	\$1,716,543	\$-	\$-
Book Value\Cost at Jun 30, 2017	\$76,645	\$-	\$49,291	\$1,463,228	\$-	\$-
Shares Outstanding	78,770	-	211	13,027	-	-
Market Value per Share	\$0.97	\$-	\$1,849.98	\$131.77	\$-	\$-
<b>Andrew Clark Fund</b>						
Book Value at June 30, 2016	\$34,241	\$-	\$26,244	\$683,969	\$-	\$-
Market Value at June 30, 2016	\$34,125	\$-	\$173,327	\$777,028	\$-	\$-
Shares Purchased	25,802	-	-	32,316	-	-
Shares Redeemed	(23,923)	-	(22,222)	(15,386)	-	-
Returns of Capital	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	(76)	-	19,241	1,682	-	-
Net Investment Income Earned	498	-	-	-	-	-
Net Investment Income Distributed	(498)	-	-	-	-	-
Changes in Market Value of Fund Shares	(15)	-	12,875	11,694	-	-
Market Value at Jun. 30, 2017	\$35,913	\$-	\$183,221	\$807,334	\$-	\$-
Book Value\Cost at Jun 30, 2017	\$36,044	\$-	\$23,263	\$702,581	\$-	\$-
Shares Outstanding	37,047	-	99	6,127	-	-
Market Value per Share	\$0.97	\$-	\$1,849.99	\$131.77	\$-	\$-
<b>School Fund</b>						
Book Value at June 30, 2016	\$327,138	\$-	\$262,055	\$6,398,092	\$-	\$-
Market Value at June 30, 2016	\$327,034	\$-	\$1,662,675	\$7,450,995	\$-	\$-
Shares Purchased	302,425	-	29,539	306,110	-	-
Shares Redeemed	(282,364)	-	(246,075)	(143,000)	-	-
Returns of Capital	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	(2,025)	-	209,406	19,685	-	-
Net Investment Income Earned	5,271	-	-	-	-	-
Net Investment Income Distributed	(5,271)	-	-	-	-	-
Changes in Market Value of Fund Shares	(784)	-	102,586	111,015	-	-
Market Value at Jun. 30, 2017	\$344,286	\$-	\$1,758,131	\$7,744,805	\$-	\$-
Book Value\Cost at Jun 30, 2017	\$345,174	\$-	\$254,925	\$6,580,887	\$-	\$-
Shares Outstanding	355,177	-	950	58,777	-	-
Market Value per Share	\$0.97	\$-	\$1,849.99	\$131.77	\$-	\$-

**PENSION FUNDS MANAGEMENT DIVISION**

**COMBINED INVESTMENT FUNDS  
SCHEDULE OF INVESTMENT ACTIVITY BY TRUST (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<b>HIGH YIELD DEBT FUND</b>	<b>DEVELOPED MARKET INTERNATIONAL STOCK FUND</b>	<b>EMERGING MARKET INTERNATIONAL STOCK FUND</b>	<b>REAL ESTATE FUND</b>	<b>PRIVATE INVESTMENT FUND</b>	<b>TOTAL</b>
\$-	\$209,843	\$103,524	\$-	\$-	\$1,864,831
\$-	\$256,821	\$97,798	\$-	\$-	\$2,447,813
-	4,029	541	-	-	128,144
-	(33,665)	(13,448)	-	-	(177,946)
-	-	-	-	-	-
-	9,764	516	-	-	55,239
-	-	-	-	-	1,064
-	-	-	-	-	(1,064)
-	52,009	20,424	-	-	124,001
\$-	\$288,958	\$105,831	\$-	\$-	\$2,577,251
\$-	\$189,971	\$91,133	\$-	\$-	\$1,870,268
-	538	251	-	-	92,796
\$-	\$537.15	\$422.00	\$-	\$-	
\$-	\$98,691	\$48,713	\$-	\$-	\$891,858
\$-	\$120,788	\$46,000	\$-	\$-	\$1,151,268
-	1,895	255	-	-	60,268
-	(15,833)	(6,325)	-	-	(83,689)
-	-	-	-	-	-
-	4,593	239	-	-	25,679
-	-	-	-	-	498
-	-	-	-	-	(498)
-	24,461	9,608	-	-	58,623
\$-	\$135,904	\$49,777	\$-	\$-	\$1,212,149
\$-	\$89,346	\$42,882	\$-	\$-	\$894,116
-	253	118	-	-	43,644
\$-	\$537.15	\$422.02	\$-	\$-	
\$-	\$958,417	\$464,811	\$-	\$-	\$8,410,513
\$-	\$1,158,291	\$440,729	\$-	\$-	\$11,039,724
-	18,142	1,965	-	-	658,181
-	(155,149)	(61,157)	-	-	(887,745)
-	-	-	-	-	-
-	47,001	4,291	-	-	278,358
-	-	-	-	-	5,271
-	-	-	-	-	(5,271)
-	236,403	91,979	-	-	541,199
\$-	\$1,304,688	\$477,807	\$-	\$-	\$11,629,717
\$-	\$868,411	\$409,910	\$-	\$-	\$8,459,307
-	2,429	1,132	-	-	418,465
\$-	\$537.14	\$422.00	\$-	\$-	

**PENSION FUNDS MANAGEMENT DIVISION**

**COMBINED INVESTMENT FUNDS  
SCHEDULE OF INVESTMENT ACTIVITY BY TRUST (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	LIQUIDITY FUND	ALTERNATIVE INVESTMENT FUND	MUTUAL EQUITY FUND	CORE FIXED INCOME FUND	INFLATION LINKED BOND FUND	EMERGING MARKET DEBT FUND
<b>Hopemead Fund</b>						
Book Value at June 30, 2016	\$107,262	\$-	\$121,477	\$2,112,694	\$-	\$-
Market Value at June 30, 2016	\$104,725	\$-	\$531,961	\$2,384,788	\$-	\$-
Shares Purchased	8,653	-	8,313	102,318	-	-
Shares Redeemed	(5)	-	(66,018)	-	-	-
Returns of Capital	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	-	52,142	-	-	-
Net Investment Income Earned	1,810	-	-	-	-	-
Net Investment Income Distributed	(1,810)	-	-	-	-	-
Changes in Market Value of Fund Shares	(851)	-	47,679	42,466	-	-
Market Value at June 30, 2017	\$112,522	\$-	\$574,077	\$2,529,572	\$-	\$-
Book Value at June 30, 2017	\$115,910	\$-	\$115,914	\$2,215,012	\$-	\$-
Shares Outstanding	116,079	-	310	19,198	-	-
Market Value per Share	\$0.97	\$-	\$1,849.99	\$131.77	\$-	\$-
<b>Police &amp; Fireman's Survivors' Benefit Fund</b>						
Book Value at June 30, 2016	\$844,392	\$2,512,535	\$2,421,698	\$1,787,696	\$988,897	\$1,608,228
Market Value at June 30, 2016	\$830,373	\$2,606,706	\$4,882,409	\$2,018,359	\$1,134,959	\$2,016,003
Shares Purchased	221,654	69,723	133,482	171,073	117,769	68,368
Shares Redeemed	(97,038)	(16,257)	(461,253)	-	-	(29,639)
Returns of Capital	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	(2,115)	1,028	253,382	-	-	7,089
Net Investment Income Earned	14,746	-	-	-	-	-
Net Investment Income Distributed	(14,746)	-	-	-	-	-
Changes in Market Value of Fund Shares	(4,827)	214,736	673,666	37,373	10,032	178,225
Market Value at June 30, 2017	\$948,047	\$2,875,936	\$5,481,686	\$2,226,805	\$1,262,760	\$2,240,046
Book Value at June 30, 2017	\$966,893	\$2,567,029	\$2,347,309	\$1,958,769	\$1,106,666	\$1,654,046
Shares Outstanding	978,022	2,368,252	2,963	16,900	8,093	12,857
Market Value per Share	\$0.97	\$1.21	\$1,849.99	\$131.77	\$156.02	\$174.23
<b>OPEB Fund</b>						
Book Value at June 30, 2016	\$17,995,995	\$34,645,576	\$58,907,226	\$83,829,083	\$7,420,991	\$11,046,190
Market Value at June 30, 2016	\$18,014,431	\$34,691,137	\$68,707,646	\$88,224,378	\$7,552,284	\$11,506,953
Shares Purchased	120,830,054	11,428,977	16,914,935	35,687,465	3,213,259	3,855,448
Shares Redeemed	(119,453,734)	-	(628,430)	-	-	(146,006)
Returns of Capital	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	1,705	-	124,577	-	-	7,684
Net Investment Income Earned	96,692	-	-	-	-	-
Net Investment Income Distributed	(96,692)	-	-	-	-	-
Changes in Market Value of Fund Shares	(24,940)	3,414,155	14,811,404	2,110,795	109,722	1,307,130
Market Value at June 30, 2017	\$19,367,516	\$49,534,269	\$99,930,132	\$126,022,638	\$10,875,265	\$16,531,209
Book Value at June 30, 2017	\$19,374,020	\$46,074,553	\$75,318,308	\$119,516,548	\$10,634,250	\$14,763,316
Shares Outstanding	19,979,842	40,790,038	54,017	956,417	69,703	94,882
Market Value per Share	\$0.97	\$1.21	\$1,849.99	\$131.77	\$156.02	\$174.23



**PENSION FUNDS MANAGEMENT DIVISION**

**COMBINED INVESTMENT FUNDS  
SCHEDULE OF INVESTMENT ACTIVITY BY TRUST (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<b>HIGH YIELD DEBT FUND</b>	<b>DEVELOPED MARKET INTERNATIONAL STOCK FUND</b>	<b>EMERGING MARKET INTERNATIONAL STOCK FUND</b>	<b>REAL ESTATE FUND</b>	<b>PRIVATE INVESTMENT FUND</b>	<b>TOTAL</b>
\$-	\$306,401	\$149,036	\$-	\$-	\$2,796,870
\$-	\$370,711	\$141,172	\$-	\$-	\$3,533,357
-	5,816	644	-	-	125,744
-	(41,260)	(16,650)	-	-	(123,933)
-	-	-	-	-	-
-	12,163	901	-	-	65,206
-	-	-	-	-	1,810
-	-	-	-	-	(1,810)
-	78,387	29,890	-	-	197,571
\$-	\$425,817	\$155,957	\$-	\$-	\$3,797,945
\$-	\$283,120	\$133,931	\$-	\$-	\$2,863,887
-	793	370	-	-	136,749
\$-	\$537.14	\$422.00	\$-	\$-	
\$3,069,118	\$3,810,630	\$2,351,151	\$1,712,631	\$2,252,618	\$23,359,594
\$3,450,265	\$4,094,938	\$2,288,615	\$2,047,397	\$3,217,470	\$28,587,494
57,020	64,788	58,208	87,965	143,783	1,193,833
(98,636)	(285,796)	(228,401)	(10,524)	(48,542)	(1,276,086)
-	-	-	-	-	-
15,208	64,537	18,958	1,850	14,889	374,826
-	-	-	-	-	14,746
-	-	-	-	-	(14,746)
404,971	953,039	490,252	112,234	399,104	3,468,805
\$3,828,828	\$4,891,506	\$2,627,632	\$2,238,922	\$3,726,704	\$32,348,872
\$3,042,710	\$3,654,159	\$2,199,916	\$1,791,922	\$2,362,748	\$23,652,167
24,724	9,107	6,227	41,930	47,411	3,516,484
\$154.86	\$537.14	\$422.00	\$53.40	\$78.60	
\$29,298,840	\$50,042,690	\$15,591,512	\$28,476,985	\$27,940,896	\$365,195,984
\$30,594,370	\$50,839,458	\$15,268,165	\$35,010,682	\$35,026,010	\$395,435,514
9,113,989	13,584,375	4,094,821	12,189,692	11,807,298	242,720,313
-	(684,185)	(895,506)	-	-	(121,807,861)
-	-	-	-	-	-
-	85,357	67,615	-	-	286,938
-	-	-	-	-	96,692
-	-	-	-	-	(96,692)
4,255,639	14,710,148	4,062,303	2,371,739	5,677,306	52,805,401
\$43,963,998	\$78,535,153	\$22,597,398	\$49,572,113	\$52,510,614	\$569,440,305
\$38,412,829	\$63,028,237	\$18,858,442	\$40,666,677	\$39,748,194	\$486,395,374
283,888	146,209	53,548	928,365	668,039	64,024,949
\$154.86	\$537.14	\$422.00	\$53.40	\$78.60	\$8.89

**PENSION FUNDS MANAGEMENT DIVISION**

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Investment Income <sup>(1)</sup>	\$854,237	\$819,246	\$785,305	\$759,442	\$954,708	\$888,007	\$1,010,079	\$762,800	\$803,203	\$1,171,356
Expenses <sup>(2)</sup>	90,593	88,347	89,745	87,227	82,759	83,105	86,671	79,950	62,802	82,403
Net Investment Income	763,644	730,899	695,560	672,215	871,949	804,902	923,408	682,850	740,401	1,088,953
Net Increase (Decrease) in the Fair Value of Investments and Foreign Currency	3,332,743	(720,277)	339,140	3,329,796	1,905,837	(1,023,840)	3,525,575	1,952,086	(5,275,961)	(2,350,150)
Total	\$4,096,387	\$10,622	\$1,034,700	\$4,002,011	\$2,777,786	\$(218,938)	\$4,448,983	\$2,634,936	\$(4,535,560)	\$(1,261,197)

(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 derived from custodial records.

**COMBINED INVESTMENT FUNDS  
PENSION AND TRUST FUNDS  
BALANCES <sup>(1)</sup> IN COMBINED INVESTMENT FUNDS (Dollars in Thousands)  
AT JUNE 30, 2017**

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	\$878,966	5.13%	\$407,391	3.41%	\$66,771	2.74%	\$2,390	2.51%	\$5,793	2.76%	\$24	1.33%	\$23,238	3.24%
AIF	1,048,084	6.12	712,523	5.96	193,570	7.93	4,720	4.97	16,649	7.93	-	-	52,410	7.30
MEF	3,812,767	22.26	2,646,441	22.13	390,677	16.00	15,242	16.02	33,601	16.00	520	28.92	122,882	17.13
CFIF	1,141,859	6.67	886,497	7.42	192,705	7.89	8,458	8.90	16,574	7.89	407	22.64	205,883	28.69
ILBF	588,932	3.44	608,455	5.09	119,523	4.90	4,663	4.91	10,280	4.89	35	1.95	12,138	1.69
EMDF	917,224	5.36	482,986	4.04	193,856	7.94	7,564	7.96	16,673	7.94	107	5.95	18,771	2.62
HYBD	974,464	5.69	640,418	5.36	338,250	13.86	14,139	14.88	29,092	13.85	178	9.90	47,793	6.66
DMISF	3,471,809	20.27	2,422,514	20.26	345,741	14.16	14,454	15.21	29,737	14.16	399	22.19	96,386	13.43
EMISF	1,656,938	9.67	1,132,400	9.47	174,116	7.13	6,793	7.15	14,976	7.13	128	7.12	29,971	4.18
REF	1,186,811	6.93	819,122	6.85	169,540	6.94	6,615	6.96	14,582	6.94	-	-	51,811	7.22
PIF	1,448,948	8.46	1,196,627	10.01	256,554	10.51	10,010	10.53	22,065	10.51	-	-	56,238	7.84
Total	\$17,126,802	100.00%	\$11,955,374	100.00%	\$2,441,303	100.00%	\$95,048	100.00%	\$210,022	100.00%	\$1,798	100.00%	\$717,521	100.00%

(1) Based on Net Asset Value

Source: Amounts were derived from custodial records.

**PENSION FUNDS MANAGEMENT DIVISION**

**COMBINED INVESTMENT FUNDS  
INVESTMENT SUMMARY AT JUNE 30, 2017 <sup>(1)</sup>**

**Liquidity Fund <sup>(2)</sup>**

	Book Value	Fair Value	% of Total Fund FV	Rate of Return
2017	\$1,405,083,566	\$1,387,328,362	4.26%	0.96%
2016	1,036,810,247	1,018,293,290	3.49%	0.68%
2015	1,358,875,058	1,282,270,968	4.31%	-1.07%
2014	1,157,564,578	1,158,961,835	3.93%	0.54%
2013	1,062,418,543	1,041,232,312	4.01%	0.66%
2012	772,408,827	770,217,574	3.20%	-0.14%
2011	756,915,969	775,433,903	3.07%	1.20%
2010	1,626,177,183	1,621,182,259	7.44%	0.98%
2009	952,212,787	950,605,428	4.65%	1.54%
2008	1,140,821,830	1,140,821,830	4.36%	4.59%

**Mutual Equity Fund**

	Book Value	Fair Value	% of Total Fund FV	Rate of Return
2017	\$4,708,963,250	\$7,026,486,865	21.57%	19.26%
2016	4,681,029,693	6,647,482,185	22.76%	1.75%
2015	4,584,447,046	6,784,028,571	22.80%	7.32%
2014	4,612,970,046	7,055,012,881	23.93%	25.28%
2013	4,664,358,346	6,236,082,798	24.07%	21.15%
2012	5,144,712,429	6,417,508,518	26.65%	3.38%
2011	5,327,666,479	6,634,922,151	26.28%	31.92%
2010	5,175,570,747	5,288,853,566	24.28%	14.01%
2009	6,019,782,554	5,588,272,211	27.35%	-28.36%
2008	7,563,373,750	8,017,007,807	30.68%	-12.99%

**Core Fixed Income Fund**

	Book Value	Fair Value	% of Total Fund FV	Rate of Return
2017	\$2,563,940,862	\$2,601,453,937	7.99%	1.89%
2016	2,442,024,334	2,490,655,941	8.53%	3.46%
2015	2,603,408,489	2,627,250,626	8.83%	1.85%
2014	2,528,639,885	2,573,846,130	8.73%	4.28%
2013	2,042,090,874	2,056,321,868	7.94%	-0.24%
2012	2,726,575,207	2,859,134,784	11.88%	7.63%
2011	2,911,577,713	3,001,125,667	11.89%	4.49%
2010	2,682,943,303	2,789,605,943	12.81%	11.81%
2009	3,400,625,343	3,215,718,047	15.74%	2.84%
2008	4,979,684,914	4,851,300,830	18.57%	5.65%

**Inflation Linked Bond Fund**

	Book Value	Fair Value	% of Total Fund FV	Rate of Return
2017	\$1,347,627,821	\$1,332,942,016	4.09%	0.66%
2016	1,338,629,405	1,321,779,931	4.52%	2.29%
2015	1,189,323,643	1,120,365,183	3.77%	-2.85%
2014	1,057,661,503	1,075,489,795	3.65%	4.17%
2013	886,052,044	879,482,495	3.39%	-4.33%
2012	864,059,933	932,982,728	3.88%	11.91%
2011	1,075,894,193	1,115,148,171	4.42%	7.23%
2010	1,033,720,440	1,070,660,872	4.91%	9.48%
2009	813,926,651	829,543,021	4.06%	-0.20%
2008	1,152,973,047	1,162,545,028	4.45%	16.81%

**Emerging Market Debt Fund**

	Book Value	Fair Value	% of Total Fund FV	Rate of Return
2017	\$1,606,817,274	\$1,598,180,952	4.91%	9.11%
2016	1,577,124,552	1,483,772,612	5.08%	6.01%
2015	1,523,207,614	1,399,864,819	4.70%	-7.57%
2014	1,470,166,119	1,500,069,627	5.09%	6.99%
2013	1,415,363,738	1,388,070,525	5.36%	1.69%
2012	1,098,205,685	1,176,095,315	4.88%	4.78%
2011	1,012,164,604	1,141,817,330	4.52%	16.06%
2010	1,082,027,071	1,155,351,613	5.30%	23.02%
2009	1,153,012,696	1,125,226,197	5.51%	-3.62%
2008	1,006,342,436	1,040,295,964	3.98%	5.59%

**High Yield Debt Fund**

	Book Value	Fair Value	% of Total Fund FV	Rate of Return
2017	\$2,027,683,334	\$2,034,712,429	6.25%	12.59%
2016	1,905,160,587	1,808,188,496	6.19%	-0.31%
2015	1,824,316,127	1,772,254,243	5.96%	-1.31%
2014	1,520,226,270	1,592,980,848	5.40%	12.24%
2013	1,261,124,831	1,267,238,204	4.89%	8.46%
2012	693,951,103	706,123,033	2.93%	6.23%
2011	685,595,880	710,362,023	2.81%	15.96%
2010	659,015,939	656,175,724	3.01%	24.54%
2009	801,755,724	718,563,903	3.52%	-4.59%
2008	784,159,491	745,137,049	2.85%	-1.88%

**PENSION FUNDS MANAGEMENT DIVISION**

**COMBINED INVESTMENT FUNDS**

**INVESTMENT SUMMARY AT JUNE 30, 2017 <sup>(1)</sup> (Continued)**

**Developed Market International Stock Fund**

**Emerging Market International Stock Fund**

	Book Value	Fair Value	% of Total Fund FV	Rate of Return		Book Value	Fair Value	% of Total Fund FV	Rate of Return
2017	\$5,180,435,660	\$6,344,307,953	19.48%	24.81%		\$2,359,195,270	\$3,002,786,523	9.22%	23.00%
2016	4,943,295,363	5,187,629,818	17.76%	-7.09%		2,305,345,878	2,467,083,187	8.45%	-7.15%
2015	5,052,512,834	5,879,680,883	19.76%	0.67%		2,313,960,007	2,463,358,430	8.28%	-6.93%
2014	4,806,622,148	6,101,761,491	20.70%	22.31%		2,278,127,868	2,645,431,257	8.97%	11.50%
2013	4,861,705,636	5,393,071,695	20.81%	22.56%		2,241,227,436	2,367,182,053	9.14%	3.29%
2012	4,586,337,006	4,550,036,799	18.90%	-12.48%		2,086,716,284	2,216,901,370	9.21%	-14.16%
2011	4,684,676,553	5,391,257,095	21.35%	26.30%		2,114,345,516	2,629,250,556	10.41%	28.55%
2010	4,552,279,820	4,328,450,937	19.87%	11.03%		1,860,837,675	2,065,255,957	9.48%	25.23%
2009	4,847,669,826	4,464,491,006	21.85%	-27.98%		1,110,911,776	1,141,401,975	5.59%	-30.90%
2008	4,879,325,913	5,077,825,949	19.43%	-14.60%		1,111,317,184	1,295,936,888	4.96%	0.19%

**Real Estate Fund <sup>(3)</sup>**

**Commercial Mortgage Fund <sup>(3) (6)</sup>**

	Book Value	Fair Value	% of Total Fund FV	Rate of Return		Book Value	Fair Value	% of Total Fund FV	Rate of Return
2017	\$2,003,957,301	\$2,242,658,118	6.89%	7.38%		\$0	\$0	0.00%	0.00%
2016	1,941,003,659	2,207,396,472	7.56%	11.51%		83	83	0.00%	0.00%
2015	1,763,256,288	1,848,291,148	6.21%	12.93%		29,834	29,799	0.00%	0.25%
2014	1,478,885,377	1,509,757,272	5.12%	10.66%		67,723	67,609	0.00%	10.17%
2013	1,611,385,620	1,471,299,222	5.68%	10.26%		70,239	70,099	0.00%	0.88%
2012	1,524,367,937	1,328,560,229	5.52%	7.19%		717,122	765,779	0.00%	-6.48%
2011	1,350,551,373	1,097,203,255	4.35%	16.12%		2,338,063	2,386,359	0.01%	4.61%
2010	1,174,718,491	792,483,221	3.64%	-20.18%		3,769,581	3,818,115	0.02%	6.75%
2009	1,021,805,530	770,955,194	3.77%	-28.66%		5,084,919	5,135,144	0.02%	-3.14%
2008	954,279,128	1,002,243,816	3.84%	6.04%		6,255,651	6,906,096	0.03%	12.05%

**Private Investment Fund <sup>(3)</sup>**

**Alternative Investment Fund <sup>(5)</sup>**

	Book Value	Fair Value	% of Total Fund FV	Rate of Return		Book Value	Fair Value	% of Total Fund FV	Rate of Return
2017	\$2,499,963,535	\$2,970,729,926	9.12%	10.97%		\$1,780,457,507	\$2,026,788,085	6.22%	8.51%
2016	2,306,644,120	2,769,435,919	9.48%	8.87%		1,705,961,044	1,804,337,067	6.18%	-5.32%
2015	2,286,868,807	2,773,374,435	9.32%	14.04%		1,611,126,633	1,804,487,746	6.06%	3.98%
2014	2,449,109,360	2,918,978,182	9.90%	16.06%		1,210,080,164	1,349,977,450	4.58%	6.63%
2013	2,246,698,441	2,564,877,605	9.90%	9.50%		1,190,675,281	1,247,574,910	4.81%	6.39%
2012	2,221,945,727	2,569,809,038	10.67%	5.92%		550,080,365	549,205,302	2.28%	-1.62%
2011	1,909,670,699	2,229,679,980	8.83%	19.89%		511,873,555	519,007,742	2.06%	0.00%
2010	1,859,585,108	2,013,101,198	9.24%	17.32%		0	0	0.00%	0.00%
2009	1,819,125,566	1,621,268,022	7.94%	-16.36%		0	0	0.00%	0.00%
2008	1,809,775,995	1,789,139,253	6.85%	13.66%		0	0	0.00%	0.00%

**PENSION FUNDS MANAGEMENT DIVISION**

**COMBINED INVESTMENT FUNDS  
INVESTMENT SUMMARY AT JUNE 30, 2017 <sup>(1)</sup> (Continued)**

<b>Total Fund <sup>(4)</sup></b>				
	<b>Book Value</b>	<b>Fair Value</b>	<b>% of Total Fund FV</b>	<b>Rate of Return</b>
2017	\$27,484,125,381	\$32,568,375,166	100.00%	14.18%
2016	26,183,028,965	29,206,055,001	100.00%	0.35%
2015	26,111,332,380	29,755,256,851	100.00%	2.79%
2014	24,570,121,041	29,482,334,377	100.00%	15.43%
2013	23,483,171,029	25,912,503,786	100.00%	11.64%
2012	22,270,077,625	24,077,340,469	100.00%	-0.90%
2011	22,343,270,597	25,247,594,232	100.00%	20.75%
2010	21,710,645,358	21,784,939,405	100.00%	12.88%
2009	21,945,913,372	20,431,180,148	100.00%	-17.37%
2008	25,388,309,339	26,129,160,510	100.00%	-4.71%

- (1) All rates of return are net of management fees and division operating expenses.
- (2) The fair value of the Liquidity Fund for the periods presented represents the fair 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 fair value of each fund.
- (3) Investment returns published for prior years were net of management fees, but were restated in 2008 net of all expenses.
- (4) 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.
- (5) Inception of the Alternative Investment Fund during Fiscal 2011.
- (6) Investments in Commercial Mortgage Fund were redeemed by plan participants.

**PENSION FUNDS MANAGEMENT DIVISION**

**COMBINED INVESTMENT FUNDS  
TOP TEN HOLDINGS\* BY FUND AT JUNE 30, 2017**

**LIQUIDITY FUND**

<b>Security Name</b>	<b>Maturity Date</b>	<b>Market Value</b>	<b>%</b>
CITIGROUP GLOBAL TRI REPO	7/3/2017	79,000,000	2.70%
FEDERAL NATL MTG ASSN DISC	7/3/2017	55,995,567	1.92%
WAL MART STORES DISC	7/10/2017	39,988,111	1.37%
U S TREASURY NOTE	12/31/2018	36,072,120	1.23%
MERRILL LYNCH TRI REPO	7/3/2017	33,000,000	1.13%
KELLS FDG LLC 144A DISC	9/12/2017	29,901,667	1.02%
REPUBLIC OF POLAND GOVERNMENT	7/25/2019	25,889,189	0.89%
U S TREASURY NOTE	2/15/2018	25,665,985	0.88%
NEW ZEALAND GOVERNMENT BO REGS	3/15/2019	25,546,107	0.87%
NATIONAL SEC CORP DISC	7/13/2017	24,988,229	0.86%
<b>Top Ten</b>		<b>\$376,046,975</b>	<b>12.87%</b>

**FAIR VALUE LF**

**\$2,922,197,052**

**ALTERNATIVE INVESTMENT FUND**

<b>Partnership Name</b>	<b>Partnership Type</b>	<b>Market Value</b>	<b>%</b>
PRUDENCE CRANDALL I PERMAL	Hedge Fund-of-Funds	608,296,503	30.01%
PRUDENCE CRANDALL II PRISMA	Hedge Fund-of-Funds	319,006,097	15.74%
PRUDENCE CRANDALL III RCREEK	Hedge Fund-of-Funds	309,983,386	15.29%
PRUDENCE CRANDALL IV K2	Hedge Fund-of-Funds	305,672,773	15.08%
THOMAS WELLES FUND I	Hedge Fund-of-Funds	87,595,523	4.32%
THOMAS WELLES FUND II	Hedge Fund-of-Funds	87,245,454	4.31%
ARCLIGHT ENERGY PARTNERS VI	Real Assets	49,413,209	2.44%
ARCLIGHT ENERGY PARTNERS V	Real Assets	36,994,556	1.83%
EIG ENERGY FUND XV LP	Real Assets	36,262,167	1.79%
MARATHON EUROPEAN CREDIT OPP FUND SPC B	Opportunistic	10,702,910	0.53%
<b>Top Ten</b>		<b>\$1,851,172,578</b>	<b>91.34%</b>

**FAIR VALUE AIF**

**\$2,026,788,085**

**MUTUAL EQUITY FUND**

<b>Security Name</b>	<b>Industry Sector</b>	<b>Market Value</b>	<b>%</b>
APPLE INC	INFORMATION TECHNOLOGY	190,196,701	2.71%
MICROSOFT CORP	INFORMATION TECHNOLOGY	149,416,390	2.12%
AMAZON.COM INC	CONSUMER DISCR	107,485,752	1.53%
FACEBOOK INC	INFORMATION TECHNOLOGY	104,412,031	1.49%
EXXON MOBIL CORP	ENERGY	90,102,430	1.28%
JOHNSON & JOHNSON	HEALTH CARE	87,638,818	1.25%
JP MORGAN CHASE & CO	FINANCIALS	87,365,421	1.24%
ALPHABET INC-CL C	INFORMATION TECHNOLOGY	74,943,872	1.07%
ALPHABET INC-CL A	INFORMATION TECHNOLOGY	74,259,120	1.06%
WELLS FARGO & CO	FINANCIALS	70,976,110	1.01%
<b>Top Ten</b>		<b>\$1,036,796,645</b>	<b>14.76%</b>

**FAIR VALUE MEF**

**\$7,026,486,865**

**PENSION FUNDS MANAGEMENT DIVISION**

**COMBINED INVESTMENT FUNDS  
TOP TEN HOLDINGS\* BY FUND AT JUNE 30, 2017 (Continued)**

**CORE FIXED INCOME FUND**

Security Name	Coupon	Maturity	Security Type	Market Value	%
U S TREASURY NOTE	1.250	5/31/2019	U.S. Govt/Agency	28,565,703	1.10%
U S TREASURY NOTE	1.125	6/30/2021	U.S. Govt/Agency	23,957,381	0.92%
FNMA TBA	3.500	8/1/2047	U.S. Govt/Agency	22,865,082	0.88%
U S TREASURY NOTE	1.250	4/30/2019	U.S. Govt/Agency	19,478,964	0.75%
U S TREASURY NOTE	2.375	5/15/2027	U.S. Govt/Agency	18,276,965	0.70%
U S TREASURY NOTE	1.875	2/28/2022	U.S. Govt/Agency	17,120,691	0.66%
FNMA TBA	3.500	7/1/2047	U.S. Govt/Agency	15,375,669	0.59%
GNMA TBA	3.000	7/20/2047	U.S. Govt/Agency	15,219,885	0.59%
FHLM TBA	3.500	8/1/2047	U.S. Govt/Agency	15,176,512	0.58%
U S TREASURY NOTE	2.000	8/15/2025	U.S. Govt/Agency	12,795,841	0.49%
<b>Top Ten</b>				<b>\$188,832,693</b>	<b>7.26%</b>

**FAIR VALUE CFIF**

**\$2,601,453,937**

**INFLATION LINKED BOND FUND**

Security Name	Coupon	Maturity	Security Type	Market Value	%
US TREAS-CPI INFLAT	3.875	4/15/2029	U.S. Govt/Agency	59,556,259	4.47%
US TREAS-CPI INFLAT	0.125	4/15/2019	U.S. Govt/Agency	54,596,993	4.10%
ITALY GOVERNMENT BOND	2.600	9/15/2023	Italy Govt/Agency	51,492,593	3.86%
US TREAS-CPI INFLAT	2.375	1/15/2027	U.S. Govt/Agency	51,404,516	3.86%
US TREAS-CPI INFLAT	0.125	7/15/2022	U.S. Govt/Agency	46,737,288	3.51%
US TREAS-CPI INFLAT	0.750	2/15/2042	U.S. Govt/Agency	43,573,827	3.27%
US TREAS-CPI INFLAT	0.125	4/15/2022	U.S. Govt/Agency	38,739,825	2.91%
NEW ZEALAND GOVERNMENT BOND	3.000	9/20/2030	New Zealand Govt/Agency	35,925,949	2.69%
FRANCE GOVERNMENT BOND	1.800	7/25/2040	France Govt/Agency	34,993,349	2.62%
UNITED KINGDOM GILT INFLA REGS	0.125	3/22/2044	U.K. Govt/Agency	33,235,116	2.49%
<b>Top Ten</b>				<b>\$450,255,715</b>	<b>33.78%</b>

**FAIR VALUE ILBF**

**\$1,332,942,016**

**EMERGING MARKET DEBT FUND**

Security Name	Coupon	Maturity	Market Value	%
BRAZIL NOTAS DO TESOURO	10.000	1/1/2021	34,209,134	2.14%
SOUTH AFRICA GOVERNMENT BOND	7.000	2/28/2031	24,959,057	1.56%
COLOMBIA GOVERNMENT BOND	7.000	5/4/2022	21,040,245	1.32%
BRAZIL NOTAS DO TESOURO	10.000	1/1/2023	20,080,271	1.26%
MEXICAN BONDS	6.500	6/10/2021	19,666,840	1.23%
COLOMBIA GOVERNMENT BOND	10.000	7/24/2024	14,238,523	0.89%
RUSSIAN GOVERNMENT BOND	7.600	4/14/2021	14,064,928	0.88%
BRAZIL NOTAS DO TESOURO	10.000	1/1/2025	14,038,676	0.88%
BRAZIL NOTAS DO TESOURO	10.000	1/1/2027	13,457,482	0.84%
JP MORGAN CHASE BANK NA 144A	8.375	9/17/2026	13,271,837	0.83%
<b>Top Ten</b>			<b>\$189,026,993</b>	<b>11.83%</b>

**FAIR VALUE EMDF**

**\$1,598,180,952**

**PENSION FUNDS MANAGEMENT DIVISION**

**COMBINED INVESTMENT FUNDS  
TOP TEN HOLDINGS\* BY FUND AT JUNE 30, 2017 (Continued)**

**HIGH YIELD DEBT FUND**

Security Name	Coupon	Maturity	Market Value	%
US TREASURY NOTE	1.250	5/31/2019	11,357,448	0.56%
DISH NETWORK CORP 144A	3.375	8/15/2026	10,973,125	0.54%
INDONESIA GOVERNMENT BOND	5.875	1/15/2024	9,802,538	0.48%
NEW ALBERTSON'S INC	7.450	8/1/2029	9,239,250	0.45%
MICRON TECHNOLOGY INC	3.000	11/15/2043	8,510,625	0.42%
TENET HEALTHCARE CORP	6.875	11/15/2031	8,263,440	0.41%
TENET HEALTHCARE CORP	6.750	6/15/2023	7,962,000	0.39%
MORGAN STANLEY	4.750	11/16/2018	7,887,460	0.39%
TRANSDIGM INC	6.500	07/15/2024	7,749,945	0.38%
SPRINT CAPITAL CORP	6.875	11/15/2028	7,747,643	0.38%
<b>Top Ten</b>			<b>\$89,493,474</b>	<b>4.40%</b>

**FAIR VALUE HYDF**

**\$ 2,034,712,429**

**DEVELOPED MARKET INTERNATIONAL STOCK FUND**

Security Name	Country	Market Value	%
NESTLE SA REG	SWITZERLAND	106,804,410	1.68%
ROCHE HOLDING AG GENUSSCHEIN	SWITZERLAND	70,831,897	1.12%
HSBC HOLDINGS PLC	UNITED KINGDOM	60,715,152	0.95%
BAYER AG REG	GERMANY	56,241,204	0.88%
ING GROEP NV	NETHERLANDS	55,237,133	0.87%
NOVARTIS AG REG	SWITZERLAND	53,980,181	0.85%
WPP PLC	UNITED KINGDOM	42,269,383	0.67%
SAP SE	GERMANY	41,733,731	0.66%
RECKITT BENCKISER GROUP PLC	UNITED KINGDOM	38,499,656	0.61%
AIA GROUP LTD	HONG KONG	37,963,666	0.60%
<b>Top Ten</b>		<b>\$564,276,413</b>	<b>8.89%</b>

**FAIR VALUE DMISF**

**\$6,344,307,953**

**EMERGING MARKET INTERNATIONAL STOCK FUND**

Security Name	Country	Market Value	%
TAIWAN SEMICONDUCTOR MANUFACTURE	TAIWAN	\$144,116,447	4.80%
SAMSUNG ELECTRONICS CO LTD	REPUBLIC OF KOREA	118,333,698	3.94%
TENCENT HLDGS LTD	CHINA	99,104,743	3.30%
CHINA MOBILE LTD	HONG KONG	87,839,679	2.92%
ALIBABA GROUP HOLDING LTD	CAYMAN ISLANDS	78,380,838	2.61%
HDFC BANK LTD	INDIA	67,396,532	2.24%
AIA GROUP LTD	HONG KONG	60,241,795	2.01%
CHINA CONSTRUCTION BANK CORP	CHINA	59,665,286	1.99%
SAMSUNG ELECTRONIC CO LTD GDR	REPUBLIC OF KOREA	57,735,096	1.92%
HON HAI PRECISION INDUSTRY CO	TAIWAN	45,240,693	1.51%
<b>Top Ten</b>		<b>\$818,054,807</b>	<b>27.24%</b>

**FAIR VALUE EMISF**

**\$3,002,786,523**



**PENSION FUNDS MANAGEMENT DIVISION**

**COMBINED INVESTMENT FUNDS  
TOP TEN HOLDINGS\* BY FUND AT JUNE 30, 2017 (Continued)**

**REAL ESTATE FUND**

<b>Partnership Name</b>	<b>Partnership Type</b>	<b>Market Value</b>	<b>%</b>
CORNERSTONE PATRIOT FUND LP	Core	293,039,605	13.07%
PRIME PROPERTY FUND LLC	Core	263,749,584	11.76%
PRISA	Core	200,459,653	8.94%
HART REALTY ADVISORS	Core	197,380,637	8.80%
USAA EAGLE RE FUND	Core	136,225,933	6.07%
CLARION LION INDUSTRIAL TRUST	Value Added	116,734,432	5.21%
AMERICAN REALTY ADVISORS	Core	90,401,538	4.03%
UBS-TRUMBULL PROPERTY FUND LP	Core	86,612,748	3.86%
JP MORGAN STRATEGIC PROPERTY	Core	85,542,816	3.81%
STARWOOD OPPORTUNITY FUND X	Opportunistic	71,224,496	3.18%
<b>Top Ten</b>		<b>\$1,541,371,442</b>	<b>68.73%</b>

**FAIR VALUE REF**

**\$2,242,658,118**

**PRIVATE INVESTMENT FUND**

<b>Partnership Name</b>	<b>Partnership Type</b>	<b>Market Value</b>	<b>%</b>
FAIRVIEW CONSTITUTION III LP	Fund of Funds	315,539,659	10.62%
FAIRVIEW CONSTITUTION IV LP	Fund of Funds	139,545,704	4.70%
STEPSTONE PIONEER CAPITAL II LP	Fund of Funds	132,208,263	4.45%
FS EQUITY PARTNERS VI	Buyout	124,505,984	4.19%
FAIRVIEW CONSTITUTION II LP	Fund of Funds	90,387,736	3.04%
APOLLO INVESTMENT FUND VIII LP	Special Situations	86,564,648	2.92%
NUTMEG OPPORTUNITIES FUND LP	Fund of Funds	83,953,234	2.83%
YUCAIPA AMERICAN ALLIANCE FUND II	Buyout	81,384,745	2.74%
PEGASUS PARTNERS V LP	Special Situations	81,157,517	2.73%
VISTA EQUITY PARTNERS FUND IV	Buyout	73,479,303	2.47%
<b>Top Ten</b>		<b>\$1,208,726,793</b>	<b>40.69%</b>

**FAIR VALUE PIF**

**\$2,970,729,926**

\* A complete list of portfolio holdings is available upon request from the Office of the Treasurer, in accordance with the Connecticut Freedom of Information Act..

**PENSION FUNDS MANAGEMENT DIVISION**

**SCHEDULE OF EXPENSES IN EXCESS OF \$5,000 <sup>(1)</sup>  
FISCAL YEAR ENDED JUNE 30, 2017**

<b>Name of Firm</b>	<b>Description of Services</b>	<b>Contract Date</b>	<b>Aggregate Comp. Paid in FY 2017</b>	<b>Status at June 30, 2017</b>
<b>INVESTMENT ADVISORY SERVICES</b>				
<b>Domestic Equity Investment Advisory Services</b>				
Bivium Capital Partners, LLC	Equity Advisor	Jul-05	\$2,673,611	Active
Capital Prospects LLC	Equity Advisor	Jul-05	1,729,334	Active
FIS Group Inc.	Equity Advisor	Jul-05	1,465,004	Active
Frontier Capital Management Co.LLC	Equity Advisor	Oct-10	\$2,552,740	Active
State Street Global Advisors	Equity Advisor	Mar-96	\$266,819	Active
T. Rowe Price Associates, Inc.	Equity Advisor	Nov-08	4,342,761	Active
<b>Total Domestic Equity Advisor Compensation</b>			<b>\$13,030,268</b>	
<b>Core Fixed Income Investment Advisory Services</b>				
Blackrock Financial Management	Core Income Advisor	Mar-96	\$1,161,626	Active
Goodwin Capital Advisors(Phoenix)	Core Income Advisor	Nov-97	551,055	Active
Progress Investment Management	Core Income Advisor	Jul-05	406,597	Active
State Street Global Advisors	Core Income Advisor	Mar-96	100,000	Active
Wellington Asset Management	Core Income Advisor	Nov-97	808,017	Active
<b>Total Core Fixed Income Advisor Compensation</b>			<b>\$3,027,295</b>	
<b>Inflation Linked Bond Investment Advisory Services</b>				
BlackRock Financial Management, Inc	Inflation Income Advisor	Sep-14	\$950,053	Active
Colchester Global Investors Limited	Inflation Income Advisor	Nov-14	1,413,852	Active
New Century Advisors, LLC	Inflation Income Advisor	Sep-14	371,046	Active
<b>Total Inflation Linked Bond Advisor Compensation</b>			<b>\$2,734,951</b>	
<b>Emerging Market Debt Investment Advisory Services</b>				
Ashmore Investment Management Limited	Emerging Market Income Advisor	Sep-16	\$1,132,517	Active
BlackRock Institutional Trust Co.	Transition Manager	May-96	\$274,960	Terminated
Payden & Rygel	Emerging Market Income Advisor	Jul-16	713,090	Active
Pyramis Global Advisors	Emerging Market Income Advisor	Oct-07	2,139,429	Active
Stone Harbor Investment Partners	Emerging Market Income Advisor	Oct-07	1,191,463	Terminated
<b>Total Emerging Market Debt Advisor Compensation</b>			<b>\$5,451,459</b>	
<b>High Yield Debt Advisory Services</b>				
DDJ Capital Management	High Yield Income Advisor	Nov-16	\$226,313	Active
Loomis Sayles & Co., Inc.	High Yield Income Advisor	Mar-96	892,160	Active
Nomura	High Yield Income Advisor	Feb-17	18,170	Active
Oaktree Capital Management	High Yield Debt Advisor	Mar-96	965,221	Terminated
Shenkman Capital Management	High Yield Debt Advisor	Dec-07	1,669,618	Active
Stone Harbor Investment Partners	High Yield Debt Advisor	Oct-07	818,896	Active
<b>Total High Yield Debt Advisor Compensation</b>			<b>\$4,590,467</b>	
<b>Liquidity Fund Advisory Services</b>				
Colchester Global Investors Limited	Liquidity Fund Advisor	May-09	\$691,033	Active
Lazard Asset Management LLC	Liquidity Fund Advisor	Aug-09	481,333	Active
Pacific Investment Management Co. LLC	Liquidity Fund Advisor	Mar-09	569,264	Active
Payden & Rygel	Liquidity Fund Advisor	Mar-09	529,548	Active
State Street Global Advisors	Liquidity Fund Advisor	Mar-96	179,895	Active
<b>Total Liquidity Fund Advisor Compensation</b>			<b>\$2,451,072</b>	
<b>Developed Market International Equity Investment Advisory Services</b>				
Acadian Asset Management	International Equity Advisor	Sep-06	\$2,228,775	Active
AQR Capital Management, LLC	International Equity Advisor	Sep-06	2,961,717	Active
Dimensional Fund Advisors LP	International Equity Advisor	Mar-09	1,755,113	Active
First Quadrant LP	International Equity Advisor	Jul-14	3,877,558	Active
Grantham, Mayo, Van Otterloo & Co	International Equity Advisor	Mar-96	2,290,415	Active
MFS Institutional Advisors	International Equity Advisor	Aug-03	2,463,823	Active
Progress Investment Management	International Equity Advisor	Jul-05	801,122	Active
Schroder Investment Management	International Equity Advisor	Sep-03	1,701,537	Active
State Street Global Advisors	International Equity Advisor	Mar-96	1,010,889	Active
William Blair & Company, LLC	International Equity Advisor	Mar-09	2,278,159	Active
<b>Total Developed Market International Equity Advisor Compensation</b>			<b>\$21,429,107</b>	

**PENSION FUNDS MANAGEMENT DIVISION**

**SCHEDULE OF EXPENSES IN EXCESS OF \$5,000 <sup>(1)</sup> (Continued)  
FISCAL YEAR ENDED JUNE 30, 2017**

Name of Firm	Description of Services	Contract Date	Aggregate Comp. Paid in FY 2017	Status at June 30, 2017
<b><i>Emerging Market International Equity Advisory Services</i></b>				
Aberdeen Asset Management INC	International Equity Advisor	Jul-09	\$4,405,400	Active
Grantham, Mayo, Van Otterloo & Co	International Equity Advisor	Feb-00	3,935,600	Active
Schroder Investment Management	International Equity Advisor	Jan-10	4,965,684	Active
<b>Total Emerging Market International Equity Advisor Compensation</b>			<b>\$13,306,684</b>	
<b><i>Alternative Investment Advisory Services <sup>(2)</sup></i></b>				
ArcLight Energy Partners Fund VI	Alternative Investment Advisor	Jul-15	\$1,245,940	Active
EIG Energy Fund XV, LP	Alternative Investment Advisor	Apr-11	295,468	Active
<b>Total Alternative Investment Advisor Compensation</b>			<b>\$1,541,408</b>	
<b><i>Real Estate Investment Advisory Services <sup>(2)</sup></i></b>				
American Realty Advisors	Real Estate Advisor	Mar-12	\$498,867	Active
Blackstone Real Estate Advisors Europe	Real Estate Advisor	Nov-08	371,936	Active
Blackstone Real Estate Partners VI	Real Estate Advisor	Aug-07	316,496	Active
Blackstone Real Estate Partners VIII	Real Estate Advisor	Mar-15	1,500,000	Active
Canyon Johnson Urban Fund III, LP	Real Estate Advisor	Feb-08	7,671	Active
Clarion Lion Industrial Trust LP	Real Estate Advisor	Sep-14	1,229,044	Active
Cornerstone Patriot Fund, LP	Real Estate Advisor	Dec-07	1,788,872	Active
Crow Holdings Capital Partners LLC	Real Estate Advisor	Nov-14	1,687,500	Active
Cypress Retail Fund LP	Real Estate Advisor	May-13	703,204	Active
Gerding Elden Fund Management, LP	Real Estate Advisor	May-14	1,570,438	Active
Hart Realty Advisors, Inc. (CORE)	Real Estate Advisor	Nov-11	1,531,417	Active
JP Morgan Investment Mgmt.	Real Estate Advisor	May-14	845,664	Active
Rockwood Capital Partners Fund VII	Real Estate Advisor	Jun-06	18,249	Active
UBS Trumbull Property Growth & Income Fund LP	Real Estate Advisor	Nov-13	672,452	Active
UBS Trumbull Property Fund LP	Real Estate Advisor	Nov-13	825,750	Active
UBS Trumbull Property Income Fund, LP	Real Estate Advisor	Nov-13	470,124	Active
<b>Total Real Estate Advisor Compensation</b>			<b>\$14,037,685</b>	
<b><i>Private Investment Advisory Services <sup>(2)</sup></i></b>				
AIG Altaris Healthcare Partners III, LP	Private Investment Advisor	Oct-07	\$800,970	Active
Apollo Advisors VIII, LP	Private Investment Advisor	Nov-13	732,161	Active
Audax Mezzanine Fund III, LP	Private Investment Advisor	May-10	376,599	Active
Boston Ventures LP VII	Private Investment Advisor	May-07	118,236	Active
Clearlake Capital Partners III, LP	Private Investment Advisor	Nov-12	203,547	Active
Clearlake Capital Partners IV, LP	Private Investment Advisor	Aug-15	559,859	Active
Connecticut Growth Capital, LLC	Private Investment Advisor	Dec-15	727,857	Active
Constitution Fund V, LLC	Private Investment Advisor	Dec-16	1,209,962	Active
Constitution Liquidating Fund, LP	Private Investment Advisor	Jul-87	108,303	Active
Court Square Capital Partners III	Private Investment Advisor	May-13	681,203	Active
CT Horizon Legacy Fund LP Total	Private Investment Advisor	Jun-08	50,000	Active
Ethos Capital Fund V, LP	Private Investment Advisor	Aug-06	70,132	Active
Fairview Constitution II, LP	Private Investment Advisor	May-05	468,149	Active
Fairview Constitution III, LP	Private Investment Advisor	Jun-07	1,050,000	Active
Fairview Constitution IV, LP	Private Investment Advisor	Dec-11	975,000	Active
FS Equity Partners V, LP	Private Investment Advisor	Mar-04	36,469	Active
FS Equity Partners VI, LP	Private Investment Advisor	Mar-04	253,951	Active
Garmark Partners, II LP	Private Investment Advisor	Jun-95	63,213	Active
GCM Grosvenor -CT Cleantech (formerly CS/CT Cleantech)	Private Investment Advisor	Jul-07	132,014	Active
GenNx360 Capital Partners II, LP	Private Investment Advisor	Mar-14	378,023	Active
JFL Equity Investors IV, L.P.	Private Investment Advisor	Sep-16	1,654,984	Active
JFL Investors III, LP	Private Investment Advisor	Aug-11	444,394	Active
KKR Associates 2006 Fund, LP	Private Investment Advisor	May-07	143,682	Active
KKR Millennium Fund LP	Private Investment Advisor	Jul-01	8,738	Active
KKR2006 Fund	Private Investment Advisor	Mar-09	222,550	Active
Leeds Equity Partners VI, L.P.	Private Investment Advisor	Nov-16	387,971	Active
Levine Leichtman Capital Partners IV, LP	Private Investment Advisor	Jul-08	73,628	Active
Levine Leichtman Capital Partners V, LP	Private Investment Advisor	Aug-12	1,142,351	Active
Muller & Monroe Asset Management	Private Investment Advisor	Nov-07	436,264	Active

**PENSION FUNDS MANAGEMENT DIVISION**

**SCHEDULE OF EXPENSES IN EXCESS OF \$5,000 <sup>(1)</sup> (Continued)  
FISCAL YEAR ENDED JUNE 30, 2017**

<b>Name of Firm</b>	<b>Description of Services</b>	<b>Contract Date</b>	<b>Aggregate Comp. Paid in FY 2017</b>	<b>Status at June 30, 2017</b>
Nutmeg Opportunities Fund LP	Private Investment Advisor	Nov-06	645,000	Active
Pegasus Investors IV, LP	Private Investment Advisor	Aug-07	450,458	Active
Pegasus Investors V, LP	Private Investment Advisor	May-12	936,723	Active
RFE Associates VIII, LP	Private Investment Advisor	Apr-12	201,093	Active
StepStone Pioneer Capital Buyout Fund I, LP	Private Investment Advisor	May-05	40,875	Active
StepStone Pioneer Capital Buyout Fund II, LP	Private Investment Advisor	Jun-06	449,712	Active
Syncom Partners V, LP	Private Investment Advisor	Apr-06	19,651	Active
THL Equity Advisors VI, LLC	Private Investment Advisor	Aug-07	384,423	Active
Vista Equity Partners III, LP	Private Investment Advisor	Feb-12	99,720	Active
Vista Equity Partners IV, LP	Private Investment Advisor	May-12	1,078,025	Active
Vista Equity Partners VI, LP	Private Investment Advisor	Nov-16	1,611,047	Active
Yuciapa American Alliance Fund III, LP	Private Investment Advisor	Jul-15	290,624	Active
<b>Total Private Equity Advisor Compensation</b>			<b>\$19,717,560</b>	
<b>TOTAL COMPENSATION TO INVESTMENT ADVISORS</b>			<b>\$101,317,957</b>	
<b>Custody Services</b>				
Bank of New York Mellon	Master Custodian	Oct-13	\$1,742,861	Active
<b>TOTAL CUSTODY SERVICES COMPENSATION</b>			<b>\$1,742,861</b>	
<b>CONSULTING SERVICES</b>				
Cliffwater LLC	Consultant - Alternative Investment	Jun-13	\$535,000	Active
Hewitt EnnisKnupp, Inc.	Consulting - Pension Funds	Aug-11	596,192	Active
Hudepohl & Associates Inc	Consultant -Executive Search	Jul-12	87,367	Active
Mercer Investment Consulting, INC	Consultant - Strategic Asset Study	May-15	30,000	Active
Stepstone Group LP	Consultant -Private Investment	Oct-15	877,310	Active
The Townsend Group, Inc.	Consultant -Pension Funds	Mar-08	312,500	Active
<b>TOTAL CONSULTING SERVICES COMPENSATION</b>			<b>\$2,438,369</b>	
<b>MISCELLANEOUS SERVICES</b>				
A & A Office Systems.	Photocopier Lease	N/A	\$7,590	Active
Advanced Corporate Networking	Computer Equipment	N/A	16,348	Active
Anderson Kill P.C.	Legal Services	Dec-11	10,549	Active
Bloomberg Finance LP	On-Line Information service	N/A	65,980	Active
CERES, Inc.	Dues	N/A	5,000	Active
Corporate Governance Consulting	Corporate Governance Services	N/A	9,045	Active
Council of Institutional Investors	Dues	N/A	30,000	Active
Day Pitney LLP	Legal Services	Mar-12	55,304	Active
Financial Recovery Technologies LLC	Subscription	N/A	29,167	Active
Institutional Limited Partners	Subscription	N/A	7,000	Active
Institutional Shareholder Services	Proxy Voting	Nov-99	83,140	Active
IW Financial	Subscription	N/A	7,500	Active
McCarter & English	Legal Services	Dec-11	49,759	Active
MCI Worldcom International Inc	Telecomm Services	N/A	7,767	Active
Murphy Security Services LLC	Premises Security Services	May-10	11,518	Active
Nextel Communications	Telecomm Services	N/A	10,225	Active
Nossaman	Legal Services	Dec-16	8,342	Active
Orrick, Herrington, & Sutcliffe	Legal Services	Jun-12	34,366	Active
PRI Association	Subscription	N/A	10,361	Active
Pullman & Comley, LLC	Legal Services	Dec-11	16,849	Active
Reinhart Boerner Vandeuere	Legal Services	Dec-11	66,076	Active
Shipman & Goodwin LLP	Legal Services	Mar-12	9,791	Active
Snet	Telecomm Services	N/A	15,330	Active
Squire Patton Boggs	Legal Services	Sep-10	36,046	Active
State Street Bank & Trust	Subscription	N/A	167,000	Active
Sutherland Asbill & Brennan LLP	Legal Services	Dec-16	50,700	Active
Teigland-Hunt LLP	Legal Services	May-17	18,965	Active

**PENSION FUNDS MANAGEMENT DIVISION**

**SCHEDULE OF EXPENSES IN EXCESS OF \$5,000 <sup>(1)</sup> (Continued)  
FISCAL YEAR ENDED JUNE 30, 2017**

<b>Name of Firm</b>	<b>Description of Services</b>	<b>Contract Date</b>	<b>Aggregate Comp. Paid in FY 2017</b>	<b>Status at June 30, 2017</b>
West Group	Subscription	N/A	9,680	Active
<b>TOTAL MISCELLANEOUS SERVICES COMPENSATION</b>			<b>\$849,397</b>	
<b>GRAND TOTAL</b>			<b>\$106,348,583</b>	

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

**PENSION FUNDS MANAGEMENT DIVISION**

**COMBINED INVESTMENT FUNDS**

**LIST OF INVESTMENT ADVISORS AND NET ASSETS UNDER MANAGEMENT**

**JUNE 30, 2017**

<b>Name of Fund</b>	<b>Investment Strategy</b>	<b>Net Assets Under Management</b>	<b>Percent of Fund Total</b>
<b>LIQUIDITY (LF)</b>			
State Street Global Advisors	Active	\$ 1,542,288,102	52.83%
Payden & Rygel	Active	548,314,753	18.78%
PIMCO	Active	431,429,437	14.78%
Lazard	Active	99,657,597	3.41%
Colchester Global Investors Ltd.	Active	297,752,345	10.20%
<b>Other <sup>(1)</sup></b>		<b>338</b>	<b>0.00%</b>
<b>SUBTOTAL LF</b>		<b>\$ 2,919,442,572</b>	<b>100.00%</b>
<b>MUTUAL EQUITY FUND (MEF)</b>			
<b>Large Cap</b>		<b>\$ 5,317,010,424</b>	<b>75.72%</b>
T. Rowe Price Associates	Enhanced - Index	2,265,341,959	32.26%
State Street Global Advisors	Passive - Indexed	3,051,668,465	43.46%
<b>All Cap</b>		<b>629,717,239</b>	<b>8.97%</b>
Capital Prospects	Active	324,236,955	4.62%
FIS Group, Inc.	Active	305,480,284	4.35%
<b>Small/Mid Cap</b>		<b>733,833,239</b>	<b>10.45%</b>
Frontier Capital Mgmt Co	Active	408,898,925	5.82%
Bivium	Active	324,934,314	4.63%
<b>Other <sup>(1)</sup></b>		<b>341,569,801</b>	<b>4.86%</b>
<b>SUBTOTAL MEF</b>		<b>\$ 7,022,130,703</b>	<b>100.00%</b>
<b>CORE FIXED INCOME FUND (CFIF)</b>			
State Street Global Advisors	Passive	\$ 251,945,275	10.27%
BlackRock Financial Management, Inc.	Active	528,277,226	21.54%
Wellington	Active	538,592,555	21.96%
Conning-Goodwin Capital	Active	378,359,692	15.43%
Progress	Active	118,900,899	4.85%
Prudence Crandall Fund III Opportunistic	Active	279,748,952	11.41%
Prudence Crandall Fund IV Opportunistic	Active	286,291,100	11.67%
<b>Other <sup>(1)</sup></b>		<b>70,267,790</b>	<b>2.87%</b>
<b>SUBTOTAL CFIF</b>		<b>\$ 2,452,383,489</b>	<b>100.00%</b>
<b>INFLATION LINKED BOND FUND (ILBF)</b>			
BlackRock	Active	\$ 515,186,615	38.33%
Colchester	Active	610,713,250	45.44%
New Century	Active	189,191,788	14.08%
<b>Other <sup>(1)</sup></b>		<b>28,934,092</b>	<b>2.15%</b>
<b>SUBTOTAL ILBF</b>		<b>\$ 1,344,025,745</b>	<b>100.00%</b>
<b>EMERGING MARKET DEBT FUND (EMDF)</b>			
Ashmore Investment Mgt. Ltd.	Active	\$ 576,148,444	35.19%
Payden & Rygel	Active	556,352,645	33.98%
Fidelity Institutional Asset Mgt. Trust Co.	Active	478,378,770	29.22%
Stone Harbor Investment Partners	Active	13,909,252	0.85%
<b>Other <sup>(1)</sup></b>		<b>12,391,905</b>	<b>0.76%</b>
<b>SUBTOTAL EMDF</b>		<b>\$ 1,637,181,016</b>	<b>100.00%</b>
<b>HIGH YIELD DEBT FUND (HYDF)</b>			
Loomis Sayles & Co., Inc.	Active	\$ 381,183,907	18.65%
Stone Harbor Investment Partners	Active	20,153,947	0.99%
Shenkman Capital Management, Inc.	Active	232,440,304	11.37%
Oaktree Capital Management, L.L.C.	Active	7,466,324	0.36%
AllianceBernstein, LP	Active	283,040,061	13.84%
DDJ Capital Management, LLC	Active	160,811,548	7.87%
Columbia Management Investment Advisers, LLC	Active	369,708,326	18.08%
Nomura Corporation Research & Asset Management, Inc.	Active	444,026,436	21.72%
TCG BDC, Inc.	Active	57,625,395	2.82%
<b>Other <sup>(1)</sup></b>		<b>87,877,782</b>	<b>4.30%</b>
<b>SUBTOTAL HYDF</b>		<b>\$ 2,044,334,030</b>	<b>100.00%</b>

**PENSION FUNDS MANAGEMENT DIVISION**

**COMBINED INVESTMENT FUNDS**

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

**JUNE 30, 2017**

Name of Fund	Investment Strategy	Net Assets Under Management	Percent of Fund Total
<b>DEVELOPED MARKET INTERNATIONAL STOCK FUND (DMISF)</b>			
<b>Index</b>		<b>\$ 2,243,712,419</b>	<b>35.16%</b>
State Street Global Advisors	Index-Passive	2,243,712,419	35.16%
<b>Core</b>		<b>1,698,253,096</b>	<b>26.61%</b>
AQR Capital Management	Active	779,558,778	12.21%
Acadian Asset Management	Active	774,528,461	12.14%
Progress	Active	144,165,857	2.26%
<b>Active-Growth</b>		<b>914,303,822</b>	<b>14.33%</b>
MFS Institutional Advisors, Inc.	Active	914,303,822	14.33%
<b>Active-Value</b>		<b>511,113,008</b>	<b>8.01%</b>
Grantham, Mayo, Van Otterloo	Active	511,113,008	8.01%
<b>Small Cap</b>		<b>999,897,967</b>	<b>15.67%</b>
Schroder Investment Mgmt.	Active	360,217,280	5.64%
DFA	Active	316,886,481	4.97%
William Blair & Company	Active	322,794,206	5.06%
<b>Other <sup>(1)</sup></b>		<b>13,759,879</b>	<b>0.22%</b>
<b>SUBTOTAL DMISF</b>		<b>\$ 6,381,040,191</b>	<b>100.00%</b>
<b>EMERGING MARKET INTERNATIONAL STOCK FUND (EMISF)</b>			
Aberdeen Asset Management	Active	\$ 943,572,024	31.29%
Schroders Investment Mgt	Active	1,263,640,304	41.91%
Grantham, Mayo, Van Otterloo	Active	798,499,456	26.48%
<b>Other <sup>(1)</sup></b>		<b>9,610,274</b>	<b>0.32%</b>
<b>SUBTOTAL EMISF</b>		<b>\$ 3,015,322,058</b>	<b>100.00%</b>
<b>REAL ESTATE FUND (REF)</b>			
AEW Partners III	Active	\$ 270,172	0.01%
American Realty Advisors	Active	90,401,538	4.02%
Apollo Real Estate	Active	205,358	0.01%
Blackstone Real Estate Partner Europe III LP	Active	34,225,710	1.52%
Blackstone Real Estate Spec Sit II LP	Active	2,180,550	0.10%
Blackstone Real Estate VI LP	Active	20,576,572	0.91%
Blackstone Real Estate Partners VIII LP	Active	47,335,962	2.10%
Blackstone Real Estate Partners EURO V	Active	4,173,260	0.19%
Canyon Johnson Urban Fund II	Active	150,125	0.01%
Canyon Johnson Urban Fund III	Active	447,568	0.02%
Capri Select Income II LLC	Active	60,778	0.00%
Clarion Lion Industrial Trust	Active	116,734,432	5.19%
Colony Realty Partners II LP	Active	9,143,800	0.41%
Cornerstone Patriot Fund LP	Active	293,039,605	13.03%
Covenant Apartment Fund V LP	Active	339,907	0.02%
Covenant Apartment Fund VI	Active	187,454	0.01%
Covenant Apartment Fund VIII	Active	20,879,913	0.93%
Crow Hldgs Realty Partners VII LP	Active	56,054,600	2.49%
Cypress Acquisition Prtnrs Retail FD LP	Active	50,654,012	2.25%
Gerding Edlen Green Cities II	Active	31,154,380	1.39%
Gerding REF III	Active	32,708,305	1.45%
Hart Realty Advisors	Active	197,380,637	8.78%
IL & FS India Realty Fund II LLC	Active	25,244,922	1.12%
JP Morgan Strategic Property	Active	85,542,816	3.80%
Landmark RE Partners VII LP	Active	19,942,161	0.89%
Lone Star Real Estate Part II LP	Active	11,907,393	0.53%
Macfarlane Urban Real Estate Fund II LP	Active	2,654,118	0.12%
Prime Property Fund LLC	Active	263,749,584	11.73%
PRISA	Active	200,459,653	8.92%
Rockwood Capital Fund V	Active	151,000	0.01%
Rockwood Capital VI Limited Partnership	Active	323,897	0.01%
Rockwood Capital VII Limited Partnership	Active	20,343,110	0.90%
Starwood Opportunity Fund VII	Active	15,357,828	0.68%
Starwood Opportunity Fund VIII	Active	10,340,094	0.46%
Starwood Opportunity Fund IX	Active	33,857,966	1.51%

**PENSION FUNDS MANAGEMENT DIVISION**

**COMBINED INVESTMENT FUNDS**

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

**JUNE 30, 2017**

<b>Name of Fund</b>	<b>Investment Strategy</b>	<b>Net Assets Under Management</b>	<b>Percent of Fund Total</b>
Starwood Opportunity Fund X	Active	71,224,496	3.17%
UBS-Trumbull Property Income	Active	59,078,880	2.63%
UBS-Trumbull Property G&I (TPG)	Active	67,163,079	2.99%
UBS-Trumbull Property Fund LP	Active	86,612,748	3.85%
Urban Strategy America Fund LP	Active	28,574,190	1.27%
USAA Eagle RE Fund	Active	136,225,933	6.06%
WLR IV PPIP Co Invest LP	Active	9,434,720	0.42%
<b>Other <sup>(2)</sup></b>	<b>Active</b>	<b>91,987,594</b>	<b>4.09%</b>
<b>SUBTOTAL REF</b>		<b>\$ 2,248,480,820</b>	<b>100.00%</b>
<b>PRIVATE INVESTMENT FUND (PIF)</b>			
<b>Buyout</b>		<b>\$ 1,090,300,470</b>	<b>36.46%</b>
AIG Altaris Health Partners II	Active	14,208,866	0.47%
AIG Altaris Health Partners III	Active	29,429,972	0.98%
Boston Ventures VII	Active	43,313,369	1.45%
Charterhouse Equity Partners IV	Active	4,037,714	0.13%
Court Square Capital Partners II	Active	27,058,106	0.90%
Court Square Capital Partners III LP	Active	16,688,090	0.56%
Ethos Private Equity Fund V	Active	5,324,415	0.18%
FS Equity Partners V	Active	6,508,219	0.22%
FS Equity Partners VI	Active	124,505,984	4.16%
GENNX360 Capital Partners II	Active	18,646,010	0.62%
Hicks, Muse Tate & Furst Equity Fund III	Active	3,551,237	0.12%
ICV Partners II LP	Active	8,962,675	0.30%
JFL Equity Investors III, LP	Active	50,122,324	1.68%
JFL IV	Active	26,233,339	0.88%
KKR 2006 Fund	Active	64,659,031	2.16%
KKR Millennium Fund	Active	9,244,888	0.31%
Leeds Equity Partners V LP	Active	32,509,095	1.09%
Leeds VI	Active	9,898,141	0.33%
Nogales Investors Fund II	Active	1,685,506	0.06%
RFE Investment Partners VII	Active	44,319,391	1.48%
RFE Investments Partners VIII	Active	22,912,390	0.77%
TA XI, L.P.	Active	66,429,959	2.22%
Thomas H. Lee Equity Fund VI	Active	65,215,336	2.18%
Vista Equity Partners Fund III	Active	22,508,517	0.75%
Vista Equity Partners Fund IV	Active	73,479,303	2.46%
Vista Equity Partners Fund VI	Active	46,933,363	1.57%
Wellspring Capital Partners V	Active	36,761,719	1.23%
Welsh Carson Anderson & Stowe X LP	Active	18,865,693	0.63%
Welsh Carson Anderson & Stowe XI	Active	68,992,263	2.31%
WCAS XII, LP	Active	31,951,782	1.07%
Yucaipa American Alliance Fund II LP	Active	81,384,745	2.72%
Yucaipa III	Active	13,959,028	0.47%
<b>Venture Capital</b>		<b>9,014,785</b>	<b>0.30%</b>
Crescendo III	Active	1,156,486	0.04%
Syndicated Communications V	Active	7,858,299	0.26%
<b>Mezzanine</b>		<b>47,691,968</b>	<b>1.59%</b>
Audax Mezzanine III Limited Partnership	Active	38,109,974	1.27%
GarMark Partners II LP	Active	9,581,994	0.32%
<b>International</b>		<b>46,579,869</b>	<b>1.56%</b>
Gilbert Global Equity Partners	Active	44,851,779	1.50%
Pinebridge Global Emerging Markets Fund	Active	1,728,090	0.06%
<b>Fund of Funds</b>		<b>1,010,862,137</b>	<b>33.80%</b>
Connecticut Horizon Legacy	Active	5,860,236	0.20%
CT Growth Capital	Active	7,830,409	0.26%
CS/CT Cleantech Opp Fund	Active	8,123,759	0.27%
CT Emerging M-2 Pvt Equity	Active	73,164,810	2.45%
Fairview Constitution II LP	Active	90,387,736	3.02%
Fairview Constitution III	Active	315,539,659	10.55%
Fairview Constitution IV LP	Active	139,545,704	4.67%



**PENSION FUNDS MANAGEMENT DIVISION**

**COMBINED INVESTMENT FUNDS**

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

**JUNE 30, 2017**

<b>Name of Fund</b>	<b>Investment Strategy</b>	<b>Net Assets Under Management</b>	<b>Percent of Fund Total</b>
JP Morgan Nutmeg I	Active	83,953,234	2.81%
Landmark Equity Partners XIV LP	Active	38,412,767	1.28%
Landmark Equity Partners XV LP	Active	37,475,763	1.25%
Stepstone Pioneer Capital I LP	Active	19,007,759	0.64%
Stepstone Pioneer Capital II LP	Active	132,208,263	4.42%
Constitution Fund V	Active	22,556,900	0.75%
The Constitution Liquidating Fund	Active	36,795,138	1.23%
<b>Special Situations</b>	Active	<b>452,045,315</b>	<b>15.12%</b>
Apollo Investment Fund VIII LP	Active	86,564,648	2.90%
Castelake II LP	Active	45,509,284	1.52%
Clearlake Capital Partners III LP	Active	64,676,117	2.16%
Clearlake IV	Active	48,347,212	1.62%
Levine Leichtman Capital Partners	Active	20,220,581	0.68%
Levine Leichtman Capital Partners V LP	Active	64,570,094	2.16%
Pegasus Partners IV	Active	29,311,713	0.98%
Pegasus Partners V	Active	81,157,517	2.71%
WLR Recovery Fund IV	Active	11,688,149	0.39%
<b>Other <sup>(2)</sup></b>		<b>333,947,837</b>	<b>11.17%</b>
<b>SUBTOTAL PIF</b>		<b>\$ 2,990,442,381</b>	<b>100.00%</b>
<b>ALTERNATIVE INVESTMENT FUND (AIF)</b>			
Arclight Energy Partners Fund V	Active	\$ 36,994,556	1.82%
Arclight VI	Active	49,413,209	2.44%
EIG Energy Fund XV Limited Partnership	Active	36,262,167	1.79%
Marathon European Credit Opportunity	Active	10,702,910	0.53%
Prudence Crandall I Permal Limited Partnership	Active	608,296,503	30.00%
Prudence Crandall II Prisma Limited Partnership	Active	319,006,097	15.73%
Prudence Crandall III Rock Creek Limited Partnership	Active	309,983,386	15.28%
Prudence Crandall IV K2 Limited Partnership	Active	305,672,773	15.07%
Thomas Welles Fund I	Active	87,595,523	4.32%
Thomas Welles Fund II	Active	87,245,454	4.30%
<b>Other <sup>(2)</sup></b>		<b>176,783,922</b>	<b>8.72%</b>
<b>SUBTOTAL AIF</b>		<b>\$ 2,027,956,500</b>	<b>100.00%</b>
<b>TOTAL</b>		<b>\$ 34,082,739,505</b>	
<b>Adjustments <sup>(3)</sup></b>		<b>(1,534,869,491)</b>	
<b>GRAND TOTAL</b>		<b>\$ 32,547,870,014</b>	

- (1) Other represents cash equivalents, other net assets and terminated advisor balances, as well as, currency overlay balances for the DMISF.
- (2) Other includes partnerships with nonmaterial balances, as well as moneys earmarked for distribution to participants, reinvestment, expenses and other net assets.
- (3) Represents Elimination Entry to account for investment of Combined Investment Funds in the Liquidity Fund.

**PENSION FUNDS MANAGEMENT DIVISION**

**COMBINED INVESTMENT FUNDS SCHEDULE OF BROKERAGE COMMISSIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Broker Name	\$ Commission	Shares/ Par Value	Avg Comm	Broker Name	\$ Commission	Shares/ Par Value	Avg Comm
ABG SEC AS (NORGE), FILIAL, STOCKHOLM	503.58	14,444.00	0.03	CITIBANK NA, HONG KONG	3,877.04	3,286,901.00	0.00
ABG SECS, OSLO	2,308.67	181,880.00	0.01	CITIBANK NA, LONDON	34.74	5,718.00	0.01
ABN AMRO CLEARING BANK N.V. AMSTERDAM	766.60	57,179.00	0.01	CITIBANK NY (MER)	48.02	5,600.00	0.01
ABN AMRO MORGANS, BRISBANE	3,943.31	1,765,693.00	0.00	CITIBANK, NY	29.30	4,485.00	0.01
ALLEN & COMPANY LLC, JERSEY CITY	965.82	32,194.00	0.03	CITIGROUP GBL MKTS AUSTRALIA PTY, SYDNEY	592.51	176,482.00	0.00
APEX CLEARING CORPORATION, DALLAS	941.88	23,547.00	0.04	CITIGROUP GBL MKTS INC, NEW YORK	92,104.72	5,379,613.00	0.02
AUERBACH GRAYSON & CO INC, JERSEY CITY	180.00	6,000.00	0.03	CITIGROUP GBL MKTS/SALOMON, NEW YORK	64,647.30	21,459,631.00	0.00
AVONDALE PARTNERS LLC, NASHVILLE	917.55	23,150.00	0.04	CITIGROUP GLOBAL MARKETS LTD, LONDON	215,663.02	36,073,855.00	0.01
B.RILEY & CO.,LLC, LOS ANGELES	1,249.28	36,926.00	0.03	CJS SECURITIES INC, JERSEY CITY	151.50	3,830.00	0.04
BAIRD, ROBERT W & CO INC, MILWAUKEE	24,712.57	704,702.00	0.04	CLSA AUSTRALIA PTY LTD, SYDNEY	8,735.25	2,225,301.00	0.00
BANCO BTG PACTUAL SA, RIO DE JANEIRO	4,139.31	535,600.00	0.01	COMPASS POINT RESEARCH & TR, JERSEY CITY	1,300.71	37,920.00	0.03
BANCO DE INVESTIMENTUS GARATIA	5,410.13	736,400.00	0.01	CONCORDIA SA CVMCC, RIO DE JANEIRO	621.06	127,880.00	0.00
BANCO ITAU S.A., NEW YORK	6,002.71	592,747.00	0.01	CONVERGE LLC, NEW YORK	72.25	3,400.00	0.02
BANCO ITAU, SAO PAULO	4,689.39	602,171.00	0.01	CORNERSTONE MACRO LLC, NEW YORK	1,726.93	71,140.00	0.02
BANCO SANTANDER, NEW YORK	15,524.45	2,478,821.00	0.01	COWEN AND COMPANY LLC, NEW YORK	4,464.17	174,598.00	0.03
BANK J VONTOBEL & CO LTD, ZURICH	13,479.12	139,148.00	0.10	CRAIG HALLUM, MINNEAPOLIS	2,286.64	77,689.00	0.03
BANK OF AMERICA, N.A, SAN FRANCISCO,CA	6,243.25	75,770,000.00	0.00	CREDIT LYONNAIS SEC, SEOUL	12,334.39	501,387.00	0.02
BANQUE PARIBAS, PARIS	8,066.49	1,583,588.00	0.01	CREDIT LYONNAIS SECS (ASIA), HONG KONG	12,494.48	13,221,554.00	0.00
BARCLAYS BK PLC WHOLESALE, LONDON	1,863.15	28,440,000.00	0.00	CREDIT LYONNAIS SECS, SINGAPORE	18,484.75	12,064,500.00	0.00
BARCLAYS BK PLC, NEW YORK	3,345.40	83,635.00	0.04	CREDIT SUISSE (EUROPE), LONDON	34,307.18	5,561,658.00	0.01
BARCLAYS CAPITAL INC./LE, NEW JERSEY	44,412.30	6,356,077.00	0.01	CREDIT SUISSE (EUROPE), SEOUL	20,564.60	298,721.00	0.07
BARCLAYS CAPITAL INC, JERSEY CITY	15.75	2,100.00	0.01	CREDIT SUISSE (HK) LIMITED, HONG KONG	22,726.38	14,726,535.00	0.00
BARCLAYS CAPITAL LE, JERSEY CITY	10,448.29	651,019.00	0.02	CREDIT SUISSE AUSTRALIA EQ, MELBOURNE	541.45	74,575.00	0.01
BARCLAYS CAPITAL, LONDON (BARCGB33)	25,585.08	3,838,084.00	0.01	CREDIT SUISSE, NEW YORK (CSUS)	142,413.09	57,796,758.00	0.00
BARCLAYS CAPITAL, NEW YORK	832.79	247,247.00	0.00	CREDIT SUISSE, SAO PAULO	3,659.77	599,104.00	0.01
BARRINGTON RESEARCH ASSOCIATES, CHICAGO	1,127.91	37,597.00	0.03	CREST DEPOSITORY LTD, LONDON	24.96	1,081.00	0.02
BB&T SECURITIES, LLC, RICHMOND	112.80	3,760.00	0.03	CSL STOCKBROKERS LIMITED, LAGOS	111.45	180,220.00	0.00
BELTONE SEC BROKERAGE S.A.E, CAIRO	67.27	34,939.00	0.00	CUTTONE & CO, JERSEY CITY	63.78	3,189.00	0.02
BERENBERG GOSSLER & CIE, HAMBURG	34,732.43	3,888,853.00	0.01	D CARNEGIE AB, STOCKHOLM	5,473.08	616,097.00	0.01
BERNSTEIN SANFORD C & CO, NEW YORK	79,856.09	30,463,126.00	0.00	DAEWOO SECURITIES CO LTD, SEOUL	4,913.64	150,780.00	0.03
BLOOMBERG TRADEBOOK LLC, NEW YORK	53.27	1,902.00	0.03	DAIWA SECS (HK) LTD, HONG KONG	13,679.40	5,033,184.00	0.00
BLOOMBERG TRADEBOOK, LONDON	472.65	1,215,137.00	0.00	DAIWA SECS AMER INC, NEW YORK	23,480.26	1,818,735.00	0.01
BLOOMBERG TRADEBOOK,NEW YORK	22,111.45	571,109.00	0.04	DAVIDSON(D A) & CO INC, NEW YORK	2,215.79	58,092.00	0.04
BMO CAPITAL MARKETS CORP, NEW YORK	7,120.98	233,753.00	0.03	DAVY STOCKBROKERS, DUBLIN	2,402.80	178,852.00	0.01
BNP PARIBAS PEREGRINE SEC LTD, HONG KONG	19,429.69	16,905,951.00	0.00	DBS VICKERS SEC PTE LTD, SINGAPORE	2,372.17	83,600.00	0.03
BNP PARIBAS PRIME BROKERAGE, JERSEY CITY	6.00	200.00	0.03	DEN DANSCKE BANK, COPENHAGEN	2,118.89	73,132.00	0.03
BNP PARIBAS PRIME BROKERAGE,INC,NEW YORK	210.00	7,000.00	0.03	DEN NORSCHE CREDITBANK, OSLO	53.27	26,364.00	0.00
BNP PARIBAS SEC SRVS SA, SINGAPORE	22,696.61	9,350,331.00	0.00	DEUTSCHE BANK SAE, BARCELONA	27.74	6,141.00	0.00
BNP PARIBAS SEC SVCS, LONDON (PARBGB2L)	2,119.05	536,872.00	0.00	DEUTSCHE BK AG, LONDON	2,538.79	37,185,000.00	0.00
BNP PARIBAS SECS SERVS, SYDNEY	1,300.68	555,794.00	0.00	DEUTSCHE BK INTL EQ, LONDN (DEUTGB22EEQ)	22,210.47	2,899,384.00	0.01
BNP PARIBAS SECURITIES SVCS, HONG KONG	5,245.33	2,761,300.00	0.00	DEUTSCHE BK SECS INC, NY (NWSCUS33)	114,373.83	46,644,099.00	0.00
BNY CONVERGEX EXECUTION SOL, NEW YORK	46,017.05	5,061,833.00	0.01	DEUTSCHE MORGAN GRENPELL SEC, SYDNEY	34.87	4,946.00	0.01
BNY CONVERGEX, NEW YORK	10,575.54	313,181.00	0.03	DEUTSCHE SEC ASIA LTD, HONG KONG	4,445.58	349,815.00	0.01
BRADESCO S.A. CTVM, SAO PAULO	2,976.49	370,881.00	0.01	DEXIA BK (FORMERLY KEMPEN), AMSTERDAM	172.60	15,820.00	0.01
BRADESCO S/A CTVM, SAO PAULO	2,093.01	240,800.00	0.01	DMG N PARTNERS SEC, SINGAPORE	1,278.38	915,800.00	0.00
BREAN CAPITAL LLC, JERSEY CITY	305.32	21,132.00	0.01	DNB NOR MARKETS CUSTODY, OSLO	210.80	13,173.00	0.02
BROADCORT CAPITAL CORP FI, NEW YORK	31.20	780.00	0.04	DOUGHERTY & COMPANY LLC, MINNEAPOLIS	1,496.70	47,896.00	0.03
BROCKHOUSE AND COOPER, MONTREAL	2,013.74	127,400.00	0.02	DOWLING & PARTNERS, JERSEY CITY	1,388.86	39,433.00	0.04
BTIG LLC, SAN FRANCISCO	3,205.25	292,185.00	0.01	DREXEL HAMILTON LLC, JERSEY CITY	748.58	29,330.00	0.03
CABRERA CAPITAL MARKETS, CHICAGO	4,116.03	263,790.00	0.02	ED AND F MAN CAPITAL MARKETS, LONDON	3,171.10	1,799,409.00	0.00
CACEIS BANK DEUTSCHLAND, GERMANY	98.14	286.00	0.34	ERSTE BK SPARKASSEN, PRAGUE	389.93	2,937.00	0.13
CANACCORD GENUITY INC,NEW YORK	2,248.23	69,661.00	0.03	EXANE, PARIS (EXANFRPP)	4,063.17	209,585.00	0.02
CANACCORD GENUITY LTD, LONDON	2,751.84	237,543.00	0.01	FBN SECURITIES INC, JERSEY CITY	47.94	1,598.00	0.03
CANTOR CLEARING SERV, NEW YORK	10,106.99	1,039,802.00	0.01	FBR CAPITAL MARKETS & CO, ARLINGTON	2,931.20	154,358.00	0.02
CANTOR CLEARING SERVICE, NEW YORK	16.60	830.00	0.02	FIG PARTNERS LLC, ATLANTA	1,473.05	45,300.00	0.03
CANTOR FITZGERALD & CO INC, NEW YORK	10,975.60	437,196.00	0.03	FINANCIAL BROKERAGE GROUP (FBG), CAIRO	13.55	1,951.00	0.01
CANTOR FITZGERALD EUROPE, LONDON	287.25	15,449.00	0.02	FIRST ANALYSIS SECS CORP, CHICAGO	382.98	12,766.00	0.03
CAPITAL INSTITUTIONAL SVCS, NEW YORK	550.90	27,545.00	0.02	FIRST CLEARING LLC, RICHMOND	5,465.19	174,772.00	0.03
CARNEGIE ASA, OSLO	2,468.75	150,508.00	0.02	FIRST NZ CAP SECS, WELLINGTON	515.21	167,969.00	0.00
CARNEGIE BANK AS, COPENHAGEN	2,046.57	49,343.00	0.04	FLOW CORRETORA DE MERCADORIAS, SAO PAULO	136.39	13,000.00	0.01
CARNEGIE SECS LTD, HELSINKI (CASFFIH1)	9,019.23	207,093.00	0.04	FOKUS BANK, TRONDHEIM	1,966.07	119,200.00	0.02
CASTLEOAK SEC/CANTOR FITZGERALD & CO, NY	3,123.19	307,801.00	0.01	FOX RIVER EXECUTION TECH,LLC,JERSEY CITY	93.00	18,600.00	0.01
CELADON FINANCIAL GROUP, LLC, NEW YORK	404.60	47,600.00	0.01	FUJI SECURITIES INC, JERSEY CITY	908.48	22,712.00	0.04
CELFIN CAPITAL SA CORREDORES, SANTIAGO	16,241.35	3,942,115.00	0.00	GK GOH SECURITIES	3,438.70	2,711,836.00	0.00
CHEEVERS & CO INC, CHICAGO	72.86	9,100.00	0.01	GOLDMAN SACHS & CO, NY	227,858.93	112,079,727.00	0.00
CHEEVERS & CO. INC.,CHICAGO	1,688.00	83,235.00	0.02	GOLDMAN SACHS ASIA SEC LTD, HONG KONG	812.92	1,974,688.00	0.00
CHINA INTL CAP CORP HK SECS, HONG KONG	13,552.35	8,492,908.00	0.00	GOLDMAN SACHS AUSTRALIA PTY LTD,MELBOURN	88.58	88,782.00	0.00
CHINA INTL CAP CORP LTD, BEIJING	714.07	326,594.00	0.00	GOLDMAN SACHS DO BRASIL, SAO PAULO	8,359.01	872,208.00	0.01
CIBC WORLD MARKETS CORP, NEW YORK	640.00	16,000.00	0.04	GOLDMAN SACHS EXECUTION & CLEARING, NY	2,366.74	166,848.00	0.01
CIBC WORLD MKTS INC, TORONTO	3,619.72	175,751.00	0.02	GOLDMAN SACHS INTL, LONDON (GSILGB2X)	54,860.21	6,084,704.00	0.01
CIBC WORLD MKTS INC, TORONTO (WGDB)	851.01	62,000.00	0.01	GOLDMAN SACHS INTL, NY	1,454.65	29,093.00	0.05
CIMB GK SECURITIES PTE LTD, SINGAPORE	47.75	10,502.00	0.03	GOLDMAN SACHS INTL, TORONTO (GSCI)	2,197.88	111,100.00	0.02
CIMB INVESTMENT BK BERHAD, KUALA LUMPUR	2,934.98	3,804,307.00	0.00	GOODBODY STOCKBROKERS, DUBLIN	1,027.34	293,556.00	0.00
CIMB SECURITIES (USA), INC, NEW YORK	918.31	297,028.00	0.00	GOODBODY STOCKBROKERS, DUBLIN	1,557.95	258,960.00	0.01
CITIBANK (COR), NEW YORK	104.50	103,063.00	0.00	GORDON HASKETT CAP CORP, NJ	925.48	29,612.00	0.03
CITIBANK CUSTODIAL, TORONTO (CITC)	49.85	2,200.00	0.02	GREEN STREET ADVISORS, JERSEY CITY	1,248.47	40,749.00	0.03
CITIBANK LTD, MELBOURNE	5.93	19,772.00	0.00	GREEN STREET TRADING LLC, NEW YORK	1,589.49	50,988.00	0.03

**PENSION FUNDS MANAGEMENT DIVISION**

**COMBINED INVESTMENT FUNDS SCHEDULE OF BROKERAGE COMMISSIONS (Continued)**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Broker Name	\$ Commission	Shares/ Par Value	Avg Comm	Broker Name	\$ Commission	Shares/ Par Value	Avg Comm
GUGGENHEIM CAPITAL MKT LLC, JERSEY CITY	596.12	26,256.00	0.02	LUMINEX TRADING AND ANALYTICS, BOSTON	166.14	66,449.00	0.00
GUZMAN & COMPANY, CORAL GABLES	33.58	1,679.00	0.02	M RAMSEY KING SECURITIES INC, BROOKLYN	2,306.28	47,076.00	0.05
HAITONG INTL SEC CO LTD, HONG KONG	3,508.29	3,633,000.00	0.00	MACQUARIE BANK LIMITED, SYDNEY	8,444.83	2,145,415.00	0.00
HANWHA SECS CO LTD, SEOUL	1,068.97	88,910.00	0.01	MACQUARIE BANK LTD, HONG KONG	33,487.82	19,072,487.00	0.00
HC ISTANBUL MENKUL DEGERLER, ISTANBUL	3,573.67	662,614.00	0.01	MACQUARIE BANK LTD, SYDNEY	828.73	157,500.00	0.01
HILLTOP SECURITIES INC, DALLAS	6,771.44	207,769.00	0.03	MACQUARIE CAPITAL (USA) INC., NEW YORK	12,722.64	832,435.00	0.02
HONG KONG & SHANGHAI BKG CORP, HONG KONG	6,176.84	2,185,900.00	0.00	MACQUARIE CAPITAL LTD, LONDON	1,973.36	124,025.00	0.02
HSBC BANK PLC (MIDLAND BK)(JAC), LONDON	47,794.09	6,694,119.00	0.01	MACQUARIE SECS (SINGAPORE), SINGAPORE	191.87	205,400.00	0.00
HSBC BROKERAGE (USA) INC., NEW YORK	67.50	4,500.00	0.02	MACQUARIE SECURITIES LTD, AUCKLAND	126.03	44,379.00	0.00
HSBC JAMES CAPEL, SEOUL	10,515.79	360,607.00	0.03	MACQUARIE SECURITIES LTD, SEOUL	6,726.25	264,980.00	0.03
HSBC SECS INC, NEW YORK	10,327.70	7,866,625.00	0.00	MACQUARIE SECURITIES(USA)INC JERSEY CITY	1,414.61	50,166.00	0.03
HSBC SECURITIES (USA) INC, NEW YORK	6,752.34	335,099.00	0.02	MAINFIRST BANK AG,FRANKFURT AM MAIN	3,166.22	32,232.00	0.10
HSBC,(ALL HK OFFICES & HEAD OFFICE), HK	2,070.19	6,536,904.00	0.00	MALAYAN BANKING, KUALA LUMPUR	2,430.01	730,964.00	0.00
ICAP DO BRASIL DTVM LTDA, RIO DE JANEIRO	1,214.95	91,010.00	0.01	MAXIM GROUP, JERSEY CITY	1,509.98	48,782.00	0.03
ICBC FINCL SVCS, NEW YORK	4,156.44	232,427.00	0.02	MAYBANK INV BANK BERHAD,KUALA LUMPUR	260.14	239,848.00	0.00
ICHIYOSHI SEC CO LTD, TOKYO	230.80	8,600.00	0.03	MEDIOBANCA SPA, MILANO	3,014.75	135,191.00	0.02
INSTINET AUSTRALIA CLEARING SERV, SYDNEY	7,844.47	2,340,818.00	0.00	MERLIN SECURITIES LLC, JERSEY CITY	817.98	109,055.00	0.01
INSTINET CANADA, TORONTO	555.39	99,280.00	0.01	MERRILL LYNCH & CO INC ATLAS GLOBAL, NY	3,649.76	211,917.00	0.02
INSTINET CORP, NEW YORK	27,025.44	2,675,458.00	0.01	MERRILL LYNCH BROADCORT CAP, NEW YORK	468.25	46,825.00	0.01
INSTINET CORP, NY	10,219.17	604,843.00	0.02	MERRILL LYNCH GILTS LTD, LONDON	37,353.88	15,122,864.00	0.00
INSTINET EUROPE LIMITED, LONDON	109,401.09	59,192,492.00	0.00	MERRILL LYNCH INTL LONDON EQUITIES	173,884.88	75,259,143.00	0.00
INSTINET PACIFIC LTD, HONG KONG	73,074.06	36,843,561.00	0.00	MERRILL LYNCH PIERCE FENNER SMITH INC NY	197,363.93	85,991,863.00	0.00
INSTINET, SINGAPORE	674.95	253,300.00	0.00	MERRILL LYNCH PIERCE FENNER, WILMINGTON	44,647.75	7,477,591.00	0.01
INVESTEC HENDERSON CROSTHWAIT, LONDON	4,346.56	156,411.00	0.03	MERRILL LYNCH PROFESSIONAL CLRG, PURCHAS	294.25	8,758.00	0.03
INVESTEC SECURITIES (331), LONDON	7,505.79	406,398.00	0.02	MERRILL LYNCH SA CVMT, SAO PAULO	3,714.21	364,100.00	0.01
INVESTEC SECURITIES LTD, JOHANNESBURG	7,350.38	644,260.00	0.01	MIRAE ASSET SEC (HK) LTD, HONG KONG	2,244.16	1,187,853.00	0.00
INVESTMENT TECHNOLOGY GROUP LTD, DUBLIN	45,103.28	7,564,407.00	0.01	MIRAE ASSET SECURITIES, SEOUL	5,044.94	217,480.00	0.02
INVESTMENT TECHNOLOGY GROUP, NEW YORK	2,238.10	84,993.00	0.03	MISCHLER FINL/EQUITIES, CORONA DELMAR	1,491.38	55,505.00	0.03
IPOPEMA SECURITIES S.A., WARSZAWA	230.27	1,507.00	0.15	MITSUBISHI UFJ SECS INTL PLC, LONDON	626.84	29,300.00	0.02
ISI GROUP INC, NY	5,796.85	213,827.00	0.03	MITSUBISHI UFJ SECURITIES, NEW YORK	10,704.09	597,700.00	0.02
ITAU USA SECURITIES INC, NEW YORK	622.55	80,340.00	0.01	MIZUHO SECURITIES ASIA, HONG KONG	101.05	4,100.00	0.02
ITG AUSTRALIA LTD, MELBOURNE	13,596.07	5,920,562.00	0.00	MIZUHO SECURITIES USA INC. NEW YORK	3,118.44	320,637.00	0.01
ITG CANADA CORP, TORONTO	3,006.71	176,515.00	0.02	MIZUHO SECURITIES USA INC, NEW YORK	6,695.72	199,889.00	0.03
ITG HONG KONG LIMITED, HONG KONG	22,102.48	11,658,328.00	0.00	MKM PARTNERS LLC, GREENWICH	5,237.98	185,014.00	0.03
ITG INC, NEW YORK	34,049.58	3,399,678.00	0.01	MORGAN STANLEY & CO INC, NY	197,873.43	51,791,725.00	0.00
ITG INC, NY	256.77	75,513.00	0.00	MORGAN STANLEY & CO INTL LTD, SEOUL	16,077.85	352,755.00	0.05
IXIS SECURITIES, PARIS	1,261.82	36,503.00	0.03	MORGAN STANLEY & CO, LONDON (MSLNGB2X)	50,770.35	8,811,681.00	0.01
J & E DAVY, DUBLIN	2,213.45	361,453.00	0.01	MORGAN STANLEY DEAN WITTER, SYDNEY	372.37	294,026.00	0.00
J P MORGAN SEC LTD/STOCK LENDING, LONDON	4,433.15	317,011.00	0.01	MS SECS SVCS INC INTL, BROOKLYN	49.82	41,244.00	0.00
J P MORGAN SEC, SYDNEY	1,064.92	519,586.00	0.00	NATIONAL FINL SVCS CORP, NEW YORK	60,173.12	2,664,276.00	0.02
J P MORGAN SECS LTD, LONDON	97,407.86	19,063,974.00	0.01	NATIONAL SECS CO LTD, BANGKOK	7,783.19	5,265,565.00	0.00
J P MORGAN SECURITIES INC, BROOKLYN	12,303.76	1,020,419.00	0.01	NBCN INC, TORONTO (NBCS)	799.98	52,974.00	0.02
J.P. MORGAN CLEARING CORP, NEW YORK	221,116.32	14,044,025.00	0.02	NEEDHAM AND COMPANY LLC, JERSEY CITY	650.11	18,317.00	0.04
J.P. MORGAN SECURITIES, HONG KONG	29,184.80	15,244,204.00	0.00	NESBITT BURNS, TORONTO (NTDT)	1,438.97	171,777.00	0.01
JANNEY MONTGOMERY SCOTT, PHILADELPHIA	2,233.10	70,472.00	0.03	NOMURA FINANCIAL & INVESTMENT, SEOUL	13,003.88	696,845.00	0.02
JEFFERIES & CO INC, NEW YORK	129,227.62	15,828,537.00	0.01	NOMURA SECS INTL, LONDON	104.75	14,200.00	0.01
JEFFERIES & CO LTD, LONDON	16,049.03	12,657,833.00	0.00	NORDEA BANK FINLAND PLC, HELSINKI	1,992.73	217,866.00	0.01
JEFFERIES HONG KONG LIMITED, HONG KONG	1,580.19	834,796.00	0.00	NORDEA BK PLC, HELSINKI (NDEAFIHH030)	296.65	53,016.00	0.01
JMP SECURITIES, SAN FRANCISCO	1,598.83	53,124.00	0.03	NORTH SOUTH CAPITAL LLC, JERSEY CITY	1,108.93	85,474.00	0.01
JOHNSON RICE & COMPANY LLC, NEW ORLEANS	545.00	25,382.00	0.02	NORTHLAND SECS INC, JERSEY CITY	555.29	17,344.00	0.03
JONES & ASSOC, WESTLAKE VILLAGE	1,823.60	51,427.00	0.04	NUMIS SECURITIES INC., NEW YORK	7,111.60	946,900.00	0.01
JONESTRADING INSTL SVCS LLC, WESTLAKE	3,591.55	137,601.00	0.03	NUMIS SECURITIES LTD, LONDON	809.80	162,337.00	0.00
JP MORGAN SECS (FAR EAST) LTD, SEOUL	7,566.89	281,669.00	0.03	ODDO ET CIE, PARIS	1,146.27	62,605.00	0.02
JP MORGAN SEC, SINGAPORE	297.14	45,200.00	0.01	OPPENHEIMER & CO INC, NEW YORK	10,371.26	321,205.00	0.03
JPMORGAN CHASE BK, DALLAS	1,239.64	225,689.00	0.01	ORIEL SECURITIES LTD, LONDON	75.99	13,000.00	0.01
JPMORGAN SECURITIES INC, NEW YORK	40,855.73	7,049,515.00	0.01	OSK INVESTMENT BANK BERHAD, KUALA LUMPUR	7,576.79	3,691,046.00	0.00
KAS BANK NV, AMSTERDAM	470.84	15,876.00	0.03	PANMURE GORDON & CO LTD, LONDON	2,108.50	585,340.00	0.00
KEB SALOMON SMITH BARNEY SECS, SEOUL	5,707.04	31,658.00	0.18	PAEL, PARIS	7,526.58	268,179.00	0.03
KEEFE BRUYETTE AND WOODS, JERSEY CITY	715.01	19,877.00	0.04	PEEL HUNT LLP, LONDON	3,279.49	1,612,878.00	0.00
KEPLER EQUITIES, PARIS	893.78	23,682.00	0.04	PENSERRA SECURITIES, NEW YORK	6,144.13	649,502.00	0.01
KEYBANC CAPITAL MARKETS INC, JERSEY CITY	7,727.62	217,870.00	0.04	PEREGRINE SECS PHILIPPINES INC, MANILA	1,574.39	3,737,310.00	0.00
KEYBANC CAPITAL MARKETS INC, NEW YORK	6,198.61	293,577.00	0.02	PERSHING LLC, JERSEY CITY	647,968.87	1,001,286,472.63	0.00
KIM ENG SEC LTD, HONG KONG	225.68	74,400.00	0.00	PERSHING SECURITIES LIMITED, LIVERPOOL	24.96	4,097.00	0.01
KIM ENG SECS PT, JAKARTA	654.26	15,826,300.00	0.00	PERSHING SECURITIES LTD, LONDON	11,585.17	2,178,613.00	0.01
KING (CL) & ASSOCIATES, ALBANY	13,813.31	435,725.00	0.03	PIPER JAFFRAY & CO, MINNEAPOLIS	20,346.34	617,243.00	0.03
KNIGHT CAPITAL EUROPE LTD, LONDON	4,588.10	1,334,845.00	0.00	PT. MANDIRI SEKURITAS, JAKARTA	622.94	97,500,600.00	0.00
KNIGHT CLEARING SERVICES LLC, JERSEY CIT	2,596.49	336,071.00	0.01	RAYMOND JAMES & ASSOC INC, ST PETERSBURG	41,815.38	1,317,788.00	0.03
KNIGHT DIRECT LLC, JERSEY CITY	162.00	21,600.00	0.01	RBC CAPITAL MARKETS LLC, NEW YORK	58,990.95	3,580,135.00	0.02
KNIGHT EQUITY MARKETS L.P., JERSEY CITY	92.57	4,697.00	0.02	RBC DOMINION SECS INC, TORONTO (DOMA)	8,201.35	342,250.00	0.02
KOREA INVESTMENT AND SEC CO.LTD, SEOUL	11,051.36	459,391.00	0.02	REDBURN PARTNERS LLP, LONDON	1,408.21	314,425.00	0.00
LARRAIN VIAL, SANTIAGO	33.96	253,082.00	0.00	RENAISSANCE CAPITAL LTD, LONDON	9,119.58	797,550.00	0.01
LEERINK SWANN & CO, JERSEY CITY	692.32	17,308.00	0.04	ROTH CAPITAL PARTNERS LLC, IRVINE	73.10	1,990.00	0.04
LIBERUM CAPITAL INC, NEW YORK	2,302.49	162,024.00	0.01	ROYAL BANK OF CANADA EUROPE LTD, LONDON	1,071.93	123,177.00	0.01
LIQUIDNET CANADA INC, TORONTO	3,600.42	240,529.00	0.01	S G WARBURG, SEOUL	13,598.17	892,318.00	0.02
LIQUIDNET EUROPE LIMITED, LONDON	375.21	21,980.00	0.02	SAMSUNG SECS, SEOUL	259.43	1,034.00	0.25
LIQUIDNET INC, NEW YORK	10,032.02	449,985.00	0.02	SAMUEL A. RAMIREZ & COMPANY INC, JERSEY	288.34	38,451.00	0.01
LOOP CAPITAL MARKETS, JERSEY CITY	12,517.05	790,480.00	0.02	SANDLER O'NEILL & PARTNERS LP, NEW YORK	1,811.90	54,220.00	0.03

**PENSION FUNDS MANAGEMENT DIVISION**

**COMBINED INVESTMENT FUNDS SCHEDULE OF BROKERAGE COMMISSIONS (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Broker Name	\$ Commission	Shares/ Par Value	Avg Comm	Broker Name
SANFORD C BERNSTEIN & CO INC, LONDON	16,766.64	1,479,269.00	0.01	
SANTANDER CENTRAL HISPANO INVT, MADRID	6,364.50	3,383,341.00	0.00	
SANTANDER INVESTMENT SECS, JERSEY CITY	816.11	108,814.00	0.01	
SCB SECURITIES CO LTD, BANGKOK	9,604.85	14,648,976.00	0.00	
SCOTIA CAPITAL (USA) INC, NEW YORK	780.07	12,751.00	0.06	
SCOTIA CAPITAL INC, NEW YORK	1,389.06	2,259,776.00	0.00	
SCOTIA CAPITAL MKTS, TORONTO	809.21	98,716.00	0.01	
SEAPORT GROUP SECS LLC, NEW YORK	506.79	46,843.00	0.01	
SG AMERICAS SECURITIES LLC, NEW YORK	1,754.62	59,936.00	0.03	
SG SEC (LONDON) LTD, LONDON	39,364.89	6,521,345.00	0.01	
SG SECURITIES, HONG KONG	27,318.80	11,353,890.00	0.00	
SHENYIN WANGUO SECS LTD, HONG KONG	1,828.61	2,029,500.00	0.00	
SHORE CAPITAL STOCKBROKERS, LONDON	541.04	45,129.00	0.01	
SIDOTI & CO LLC, NEW YORK	3,019.57	89,587.00	0.03	
SKANDINAVISKA ENSKILDA BANKEN, COPENHAGE	2,558.28	31,370.00	0.08	
SKANDINAVISKA ENSKILDA BANKEN, LONDON	3,350.33	148,140.00	0.02	
SKANDINAVISKA ENSKILDA BANKEN, STOCKHOLM	3,867.16	187,764.00	0.02	
SMBC NIKKO SECURITIES LTD, WAN CHAI	1,479.03	60,300.00	0.02	
SMBC SECURITIES, INC NEW YORK	2,876.25	239,300.00	0.01	
SOCIETE GENERALE LONDON BRANCH, LONDON	30,872.90	8,130,255.00	0.00	
SOFTLOGIC STOCKBROKERS PVT LTD, COLUMBO	125.74	1,734,386.00	0.00	
STANDARD BANK, LONDON	4,932.34	519,824.00	0.01	
STATE STREET BROKERAGE SVCS, BOSTON	3,619.08	150,211.00	0.02	
STATE STREET GLOBAL MARKETS LLC, BOSTON	8,055.11	464,152.00	0.02	
STEPHENS INC, LITTLE ROCK	26,787.38	1,004,648.00	0.03	
STIFEL NICOLAUS	43,111.04	1,877,287.00	0.02	
STURDIVANT & CO INC, BROOKLYN	1,604.92	41,248.00	0.04	
SUNTRUST CAPITAL MARKETS INC, ATLANTA	4,359.24	123,331.00	0.04	
SVENSKA HANDELSBANKEN, STOCKHOLM	3,897.58	148,103.00	0.03	
TELSEY ADVISORY GROUP LLC, DALLAS	1,365.93	136,593.00	0.01	
THE BANK OF NEW YORK MELLON, BRUSSELS	433.38	4,000.00	0.11	
TONG YANG SECURITIES INC, SEOUL	1,609.97	122,818.00	0.01	
TORONTO DOMINION SEC, TORONTO	5,468.02	200,932.00	0.03	
UBS EQUITIES, LONDON	13,861.93	21,479,278.00	0.00	
UBS SECS SINGAPORE PTE LTD	315.11	1,687,800.00	0.00	
UBS SECURITIES CANADA, TORONTO (BWIT)	2,907.67	364,737.00	0.01	
UBS SECURITIES HONG KONG LTD, HONG KONG	91.26	538,000.00	0.00	
UBS SECURITIES LLC, STAMFORD	131,095.07	19,187,022.00	0.01	
UBS WARBURG ASIA LTD, HONG KONG	57,843.21	49,361,730.00	0.00	
UBS WARBURG AUSTRALIA EQUITIES, SYDNEY	379.95	73,905.00	0.01	
UBS WARBURG, LONDON	90,252.10	15,448,512.00	0.01	
VTB BANK EUROPE PLC, LONDON	1,246.78	215,297.00	0.01	
WEDBUSH MORGAN SECS INC, LOS ANGELES	12,472.69	488,270.00	0.03	
WEEDEN & CO, GREENWICH	1,605.79	303,000.00	0.01	
WEEDEN & CO, NEW YORK	13,447.55	688,394.00	0.02	
WELLS FARGO SECURITIES LLC, CHARLOTTE	3,803.43	117,311.00	0.03	
WELLS FARGO SECURITIES LLC, CHARLOTTE	9,660.35	342,475.00	0.03	
WILLIAM BLAIR & CO, CHICAGO	26,756.06	991,262.00	0.03	
WILLIAMS CAPITAL GROUP LP, JERSEY CITY	3,777.75	183,481.00	0.02	
WINTERFLOOD SECS, LONDON	346.87	235,558.00	0.00	
WOLFE TRAHAN SECURITIES, NEW YORK	238.14	7,938.00	0.03	
WOORI INVESTMENT & SECURITIES, SEOUL	1,257.52	34,460.00	0.04	
XP INVESTIMENTOS CCTVM SA, RIO DE JANEIRO	197.30	18,500.00	0.01	
YAMNER & COMPANY INC, JERSEY CITY	1,656.62	165,662.00	0.01	
<b>TOTAL</b>	<b>\$5,307,689.62</b>			

## GLOSSARY OF INVESTMENT TERMS

- Active extension** - Active extension is defined as an investment strategy that allows for both long and short positions in an investment portfolio with a gross exposure above 100% of total portfolio value on an absolute basis, while maintaining a beta of one.
- Agency Securities** - Securities, usually bonds, issued by U.S. Government agencies. These securities have high credit ratings but are not backed by the full faith and credit of the U.S. Government.
- All-cap** - An investment approach that disregards market capitalization (i.e. small, medium, or large cap) in its security selection process.
- Alpha** - A coefficient which measures risk-adjusted performance, factoring in the risk due to the specific security, rather than the overall market. A high value for alpha implies that the stock or mutual fund has performed better than would have been expected given its beta (volatility).
- Asset** - Anything owned that has economic value; any interest in property, tangible or intangible, that can be used for payment of debts.
- Asset Backed Security** - Bonds or notes collateralized by one or more types of assets including real property, mortgages, and receivables.
- At Value** - A term used to denote the current value of an asset at a point in time. Generally used in presentations containing a mix of assets some of which are traded on an exchange and some that are valued on an appraisal or similar basis.
- Banker's Acceptance (BA)** - A high-quality, short-term negotiable discount note, drawn on and accepted by banks which are obligated to pay the face amount at maturity.
- Basis Point (bp)** - The smallest measure used in quoting yields or returns. One basis point is 0.01% of yield, 100 basis points equals 1%. For example, a yield that changed from 8.75% to 9.50% has increased by 75 basis points.
- Benchmark** - A standard unit used as the basis of comparison; a universal unit that is identified with sufficient detail so that other similar classifications can be compared as being above, below, or comparable to the benchmark.
- Benchmark composite** - A term used when reporting on a portfolio containing multiple asset classes. The composite is generally calculated as a weighted average of the benchmarks of the underlying portfolios.
- Beta** - A quantitative measure of the volatility of a given stock, mutual fund or portfolio relative to the overall market.
- Book Value (BV)** - The value of individual assets, calculated as actual cost minus accumulated depreciation. Book value may be more or less than current market value.
- Buyout** - See "Leveraged Buyout"
- Capital Gain (Loss)** - Also known as capital appreciation (depreciation), capital gain (loss) measures the increase (decrease) in valuation of an asset over time.
- Capitalized Fees** - Fees (and expenses) that increase the cost basis of an investment.
- Certificates of Deposit (CDs)** - A debt instrument issued by banks, usually paying interest, with maturities ranging from 3 months to six years.
- Citigroup Broad Investment-Grade Bond Index (CBIG)** - A market value-weighted index composed of over 4,000 individually priced securities with a quality rating of at least BBB. Each issue has a minimum maturity of one year with an outstanding par amount of at least \$25 million.
- Citigroup World Government Bond Index Non-U.S. (CWGBI)** - An unhedged index measuring government issues of 12 major industrialized countries.
- Close-End fund** - Funds that have set limits on the life of the fund and/or the total amount to be invested.
- Coefficient of Determination (R2)** - A measurement of how closely the returns of an investment portfolio and its benchmark match. An R2 of 1.0 indicates that portfolio returns perfectly match the returns of the benchmark, while a value less than 1.0 indicates that the returns of the portfolio do not match the benchmark return. The closer the value is to 1 the closer the return of the portfolio is to the benchmark.
- Collateral** - Assets pledged by a borrower to secure a loan or other credit, and subject to seizure in the event of default.
- Collateralized Mortgage Obligation (CMO)** - A mortgage-backed, investment-grade bond that separates mortgage pools into different maturity classes. CMO payment obligations are backed by mortgage-backed securities with a fixed maturity.
- Commercial Paper** - Short-term obligations with maturities ranging from 2 to 270 days. An unsecured obligation issued by a corporation or bank to finance its short-term credit needs.
- Commingled fund** - A fund consisting of assets from multiple investors that are blended together. A mutual fund is a common example of a commingled fund.

**GLOSSARY OF INVESTMENT TERMS (Continued)**

- Committed capital** - Money that is committed by limited partners to a private investment fund. **Company risk** – The risk of investing in any single company’s stock or bonds.
- Compounded Annual Total Return** - Compounded annual total return measures the implicit annual percentage change in value of an investment, assuming reinvestment of dividends, interest, and realized capital gains, including those attributable to currency fluctuations. In effect, compounded annual total return “smoothes” fluctuations in long-term investment returns to derive an implied year-to-year annual return.
- Consumer Price Index (CPI)** - A measure of change in the cost of a fixed basket of products and services as determined by a monthly survey of the U.S. Bureau of Labor Statistics. Components of the CPI include housing costs, food, transportation, and electricity.
- Core real estate strategy** - Lower risk, low leverage, vehicles that invest in stabilized income-producing properties that provide steady net operating income or cash flow. Properties are usually located in major regional markets, have investment grade tenants, at-market rents, and high occupancy levels.
- Cost basis** - The original price paid for an investment.
- Counter-party risk** - The risk to each party of a contract that the counterparty will not live up to its contractual obligations. **Credit default risk** - The risk that a debtor will not make payments in accordance with the terms of the debt.
- Credit risk** - The risk that a borrower will fail to make payments in a timely manner.
- Cumulative Rate of Return** - A measure of the total return earned for a particular time period. This calculation measures the absolute percentage change in value of an investment over a specified period, assuming reinvestment of dividends, interest income, and realized capital gains. For example, if a \$100 investment grew to \$120 in a two-year period, the cumulative rate of return would be 20%.
- Currency exchange risk** - The risk that a foreign country’s currency may appreciate or depreciate relative to the U. S. dollar, thus impacting the value of foreign investments.
- Currency hedging** - Transactions intended to manage the foreign exchange rate risk associated with investing in foreign securities.
- Currency spot** - A contract for the purchase or sale of a commodity, security or currency for settlement (payment and delivery) on the spot date, which is normally two business days after the trade date.
- Current Yield** - The relationship between the stated annual interest or dividend rate and the market price of a security. In calculating current yield, only income payments are considered; no consideration is given to capital gain/loss.
- Default risk** - The chance that an issuer will not make the required coupon payments or principal repayments to its debt holders.
- Derivative** - Derivatives are generally defined as contracts whose value depend on, or are derived from, the value of an underlying asset, reference rate, or index. For example, an option is a derivative instrument because its value derives from an underlying stock, stock index, commodity.
- Discount Rate** - The interest rate that the Federal Reserve charges banks for loans, using government securities or eligible paper as collateral.
- Diversification** - A portfolio strategy designed to reduce exposure to risk by putting assets in several different securities or categories of investments.
- Drawdown** - (a) A request for cash charged against capital committed to a limited partnership, limited liability corporation, or other like entity; (b) a decline in the current value of an investment or other asset. **Duration** - Duration is a measure of the price sensitivity of a fixed-income investment to a change in interest rates. (See Modified and Macaulay Duration).
- Economic risk** - The risk that economic activities will negatively impact an investment.
- Enhanced indexing** - Refers to the application of strategies to an index fund designed to generate higher rates of returns. **Equity** - The ownership interest possessed by shareholders in a corporation in the form of common stock or preferred stock.
- ERISA (Employee Retirement Income Security Act)** - The 1974 federal law which established legal guidelines for private pension plan administration and investment practices.
- Expense Ratio** - Operating costs (including management fees) expressed as a percentage of the fund’s average net assets for a given time period.
- Fair Value** - The amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.
- Federal Funds Rate** - The interest rate that banks charge each other for the use of Federal Funds. This rate changes daily and is a sensitive indicator of general interest rate trends.

PENSION FUNDS MANAGEMENT DIVISION  
**GLOSSARY OF INVESTMENT TERMS (Continued)**

- Federal Reserve Board** - The seven member Board of Governors that oversees Federal Reserve Banks, establishes monetary policy and monitors the economic health of the economy.
- Fiduciary** - A person, company, or association holding assets in trust for a beneficiary. The fiduciary is charged with the responsibility to invest the assets prudently and solely for the beneficiary's benefit.
- Fitch Investor Services** - A financial services rating agency.
- Floating Rate Note** - A fixed principal instrument which has a long or even indefinite life and whose yield is periodically reset relative to a reference index rate to reflect changes in short- or intermediate-term interest rates.
- Forward contract** - A contract between two parties that requires the parties to sell or purchase an asset at a price set when the contract is entered into for settlement at a specified future date.
- Funded Capital** - Amount of cash invested. Geopolitical risk - See "Political risk".
- Gross Domestic Product** - Total market value of goods and services produced in a country over a particular period of time, usually one year. The GDP growth rate is the primary indicator of the health of the economy.
- Hedge** - An investment in assets which serves to reduce the risk of adverse price movements in a security, by taking an offsetting position in a related security, such as an option or short sale.
- Index** - A benchmark of securities used as an independent representation of market performance. Example: S&P 500 index.  
**Index Fund** - A passively managed fund constructed to mirror the performance of a specific index, such as the S&P 500.  
**Individual company risk** - The risk associated with investment in the securities of any single company.
- Inflation** - The overall general upward price movement of goods and services in an economy, usually as measured by the Consumer Price Index and the Producer Price Index.
- Inflation risk** - The risk that the value of an investment will erode as a result of inflationary pressures.
- Interest rate risk** - The risk that changes in the general level of interest rates will adversely affect the fair value of an investment.
- Investment Income** - The equity dividends, bond interest, and/or cash interest paid on an investment.
- J-Curve** - An economic theory stating that a policy designed to have one effect will initially have the opposite effect. With regard to closed end commingled fund investments, this generally refers to a trend whereby a fund's return tends to be negative in the early years of a fund's existence until income and valuations increase in the later periods as investments mature and as the relative size of fees and other costs diminish relative to the value of invested capital.
- JP Morgan Emerging Markets Bond Index Plus (EMBI+)** - An index which tracks total returns for traded external debt instruments in the emerging markets. The instruments include external-currency-denominated Brady bonds, loans and Eurobonds, as well as U.S. dollar denominated local market instruments. The EMBI+ expands upon JP Morgan's original Emerging Markets Bond Index, which was introduced in 1992 and covers only Brady bonds.
- Letter of Credit** - An instrument or document issued by a bank, guaranteeing the payment of a customer's drafts up to a stated amount for a specified period. It substitutes the bank's credit for the buyer's and reduces the seller's risk.
- Leverage** - The use of borrowed funds to increase purchasing power and, ideally, to increase profitability of an investment transaction or business.
- Leveraged buyout** - A leveraged buyout (LBO) is an acquisition (usually of a company) financed through a combination of equity and debt and in which the cash flows or assets of the target are used to secure and repay the debt used to finance the acquisition.
- Liability** - The claim on the assets of a company or individual - excluding ownership equity. An obligation that legally binds an individual or company to settle a debt.
- Limited Partnership** - A partnership formed by two or more entities with at least one limited partner and one general partner. Limited partner responsibility for debts and losses is limited to the amount of their investment in the partnership. In addition, the limited partner does not participate in the activities of the partnership. The general partner has control over the management of the partnership and has unlimited liability for partnership debt and losses.
- Liquidity risk** - The risk that an investment cannot be immediately liquidated unless discounted in value.
- Macaulay Duration** - The weighted-average term to maturity of a bond's cash flows. The weighting is based on the present value of each cash flow divided by price.
- Management risk** - The risks associated with ineffective, destructive or underperforming management.
- Marked-to-market pricing** - An accounting practice in which the price of an investment recorded within the accounting records is the market value at the end of the month.
- Market Risk** - The risk that fluctuations in the overall market for securities will impact an investment portfolio.

## GLOSSARY OF INVESTMENT TERMS (Continued)

- Market Value** - A security's last reported sale price or its current bid and ask prices. The price as determined dynamically by buyers and sellers in an open market.
- Master Custodian** - An entity, usually a bank, used for safekeeping of securities and other assets. May be responsible for other functions including accounting, performance measurement and securities lending.
- Maturity Date** - The date on which the principal amount of a bond or other debt instrument becomes payable or due. Mezzanine Debt - Debt that incorporates equity-based options, such as warrants, and is subordinated debt.
- MFR Index (iMoneyNet's First Tier Institutional-only Rated Money Fund Report Averages™ Index)** - An index which represents an average of the returns of institutional money market mutual funds that invest primarily in first-tier (securities rated A-1, P-1) taxable securities.
- Modified Duration** - A measure of the price sensitivity of a bond to interest rate movements. It is the primary basis for comparing the effect of interest rate changes on prices of fixed income securities.
- Money Market Fund** - An open-ended mutual fund that invests in commercial paper, bankers' acceptances, repurchase agreements, government securities, certificates of deposit, and other highly liquid and safe securities and pays money market rates of interest. The fund's net asset value remains a constant \$1 per share - only the interest rate goes up or down.
- Moody's (Moody's Investors Service)** - A financial services rating agency.
- MSCI EAFE** - Morgan Stanley Europe Australasia Far East foreign equity index. An arithmetic value weighted average of the performance of over 900 securities on the stock exchanges of 23 countries on three continents. NCREIF (National Council of Real Estate Investment Fiduciaries) - National Council of Real Estate Investment Fiduciaries, a non-profit organization established to serve the institutional real estate investment community as a non-partisan collector, processor, validator and disseminator of real estate performance information.
- Net Asset Value (NAV)** - The total assets (including any valuation gains or losses on investments or currencies) minus total liabilities divided by shares outstanding.
- Netted Fees** - Refers to instances in which investment management fees/expenses are offset against income normally distributed to investors. May also refer to practices whereby investment management fees/expenses are added to the cost basis of an investment.
- NPI** - NCREIF Property Index. The NCREIF Property Index is a quarterly time series composite total rate of return measure of investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only. Properties comprising this benchmark, which include wholly owned and joint venture investments, are held on an all-cash, non-leveraged basis, and is restricted to investment-grade, nonagricultural, and income-producing properties.
- Open-End fund** - A fund operated by an investment company in accordance with a stated set of objectives. Open-end funds raise money by periodically selling shares of the fund to the public.
- Operations risk** - The risk associated with negative operating events (net operating losses, inventory write-downs, breakdown in internal procedures, etc).
- Par Value** - The stated or face value of a stock or bond. While it has little significance for common stocks, for bonds, it specifies the payment amount at maturity.
- Pension Fund** - A fund set up by a corporation, labor union, governmental entity, or other organization to provide retirement income.
- Percentile** - A description of the percentage rank of a portfolio's performance, relative to a larger universe of portfolios. Political Risk - The risk resulting from political changes or instability in a country's system of government, laws or regulation. Prepayment risk - The risk associated with the prepayment of fixed income investments in a declining rate environment.
- Present Value** - The current value of a future cash flow or series of cash flows discounted at an appropriate interest rate or rates. For example, at a 12% interest rate, the value of one dollar a year from now has a present value of \$0.89286.
- Price/Book (P/B)** - A ratio showing the price of a stock divided by its book value per share. The P/B measures the multiple at which the market is capitalizing the net asset value per share of a company at any given time.
- Price/Earnings (P/E)** - A ratio showing the price of a stock divided by its earnings per share. The P/E measures the multiple at which the market is capitalizing the earnings per share of a company at any given time.
- Principal** - Face value of an obligation, such as a bond or a loan, that must be repaid at maturity. Product risk - The risk associated with the introduction of a new product or process.
- Prudent Person Rule** - The standard adopted by some states to guide those fiduciaries with responsibility for investing the money of others. Such fiduciaries must act as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.



**GLOSSARY OF INVESTMENT TERMS (Continued)**

**Purchasing power risk**- See "Inflation risk"

**Pure indexing** - Refers to the application of strategies to an index fund designed to exactly match the returns of the portfolio benchmark.

**R2** - See "Coefficient of Determination"

**Real interest rate** - An interest rate that has been adjusted to remove the effects of inflation.

**Real rate of return** - The return realized on an investment adjusted for changes due to inflation or other external effects.

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

**Reinvestment risk** - The risk that cash flows received from a security will be reinvested at lower rates due to declining interest rates.

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

**Repurchase Agreements ("Repos")** - A contract in which the seller of securities, such as Treasury Bills, agrees to buy them back at a specified time and price. Repos are widely used as a money market instrument.

**Return on Equity (ROE)** - Net income of a company (after payment of preferred stock dividends but before payment of common stock dividends) divided by common shareholder equity. Reverse Repurchase Agreements ("Reverse Repos") - A purchase of securities with an agreement to resell them at a higher price at a specific future date.

**Risk Adjusted Return** - A measure of investment return which accounts for the amount of risk taken over a specified period.

**Russell 3000** - An equity index comprised of the securities of the 3,000 largest public U.S. companies as determined by total market capitalization. This index represents approximately 98% of the U.S. equity market's capitalization.

**Securities Lending** - A collateralized process of loaning portfolio positions to custodians, dealers, and short sellers who must make physical delivery of positions. Securities lending may reduce custody costs or enhance annual returns by a full percentage point or more in certain market environments.

**Senior debt securities** - Debt that must be paid off before other liabilities in the event of a business failure or bankruptcy.

**Separate accounts** - An investment portfolio managed by a third party investment manager in which the investor directly owns the securities within the portfolio.

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

**S&P 500 (Standard & Poor's)** - A basket of 500 stocks chosen for market size, liquidity and industry grouping, among other factors, designed to represent a US equity universe of large capitalization stocks.

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

**Special situations** - Private equity investments in a variety of securities (Debt, Preferred Equity and/or Common Equity) in portfolio companies at a variety of stages of development (Seed, Early Stage, Later Stage).

**Standard Deviation** - A measure of the dispersion of a set of data from its mean. Often used as a measure of investment volatility or risk, it measures how much an investment return may vary from its average return.

**Tail risk** - The risk that a loss (or gain) would be three standard deviations from the mean or current price.

**Treasury Bill (T-Bill)** - Short-term, highly liquid government securities issued at a discount from the face value and returning the face amount at maturity.

**Treasury Bond or Note** - Debt obligations of the Federal government that make semiannual coupon payments and are sold at or near par value in denominations of \$1,000 or more.

**Trust** - A fiduciary relationship in which a person, called a trustee, holds title to property for the benefit of another person, called a beneficiary.

**TUCS** - Trust Universe Comparison Service. TUCS is a universe based upon a pooling of quarterly trust accounting data from participating banks and other organizations that provide custody for trust assets.

**Turnover** - Security purchases and sales divided by the fiscal year's average market value  $\{(P+S)/[(BMV+EMV)/2]\}$  for a given portfolio.

**Unhedged** - Not protected from market actions.

**Un-levered** - Investments made without the use of debt or debt like securities.

**Unrealized Gain (Loss)** - A profit (loss) that has not been realized through the sale of a security. The gain (loss) is realized when a security or futures contract is actually sold or settled.

**GLOSSARY OF INVESTMENT TERMS (Continued)**

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**Variable Rate Note** - Floating rate notes with a coupon rate adjusted at set intervals, such as daily, weekly, or monthly, based on different interest rate indices, such as LIBOR, Fed Funds, and Treasury Bills.

**Vintage year** - The year in which a capital commitment is made to an investment, most often applied to real estate and private equity investments.

**Volatility** - A statistical measure of the tendency of a market price or yield to vary over time. Volatility is said to be high if the price, yield, or return typically changes dramatically in a short period of time.

**Warrant** - A security that entitles the holder to buy a specific security at a specified price within a specified time frame. Yield - The income return on an investment.

**Yield Curve** - A graph showing the term structure of interest rates by plotting the yields of all bonds of the same quality with maturities ranging from the shortest to the longest. The Y-axis represents the interest rate and the X-axis represents time, generally with a normal curve that is convex in shape.

**Zero Coupon Bond** - A bond paying no interest that sells at a discount and returns principal only at maturity.

**UNDERSTANDING INVESTMENT PERFORMANCE**

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**Introduction**

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

**Understanding Performance**

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

To monitor and evaluate Fund performance and measurements of risk and return, CRPTF performance is compared to those of similarly structured peer groups and indices. In addition, the performance of the Combined Investment Funds (CIF) invested in by the various plans and trusts is compared to the performance of their respective benchmarks. Each CIF's benchmark is selected on the basis of portfolio composition, investment style, and objectives. The benchmark comparisons enable plan participants, the Treasurer and the Investment Advisory Council, to determine whether and by how much CIF returns exceeded or fell short of their respective benchmarks. The comparisons provide an understanding of the reason for the CIF's performance relative to their benchmarks.

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

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

**Risk**

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

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

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

**UNDERSTANDING INVESTMENT PERFORMANCE (Continued)**

In the alternative investment category, risks are significantly greater than those of publicly traded investments. Assessment of progress is more tenuous and valuation judgments are more complex. The investor assumes not only management, product, market, and operations risk, similar to equity investing, but also assumes liquidity risk, the risk that one's investment cannot be immediately liquidated at other than a substantially discounted value. An additional risk to this category is transparency risk, the risk associated with not knowing the underlying investments within a portfolio.

**Volatility**

To measure the effects of risk on the portfolio, the volatility of returns is calculated over time. Volatility, viewed as the deviation of returns from an average of these returns over some period of time, is measured statistically by standard deviation. Funds with high standard deviations are considered riskier than those with low standard deviations.

To evaluate the significance of the CIF's standard deviation, each CIF's relative volatility, or the ratio of the CIF's standard deviation to that of the benchmark is calculated. A relative volatility greater than 1.0 indicates that the CIF is more volatile than the benchmark while a measure less than 1.0 indicates less volatility. A relative volatility of 1.0 indicates that the volatility of the CIF is the same as the benchmark.

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

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

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

**Return**

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

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

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

## DEBT MANAGEMENT DIVISION

### CHANGES IN DEBT OUTSTANDING - STATUTORY BASIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Bond Finance Type	Outstanding June 30, 2016	FY 2017			Outstanding June 30, 2017	FY 2017 <sup>(1)</sup> Interest Paid
		Issued	Retired	Refunded or Defeased		
General Obligation - Tax Supported	\$13,039,254,060	\$2,659,330,000	\$1,138,324,988	\$ 691,745,000	\$ 13,868,514,072	\$ 545,695,120
General Obligation - Teachers' Retirement Fund Bonds <sup>(2)</sup>	2,228,283,254		300,000		2,227,983,254	119,297,971
General Obligation - Economic Recovery Notes	352,585,000		175,465,000		177,120,000	2,357,522
General Obligation - GAAP Conversion Bonds <sup>(3)</sup>	527,975,000		33,440,000		494,535,000	24,934,975
Special Tax Obligation	4,519,690,000	868,265,000	270,550,000	75,565,000	5,041,840,000	230,977,304
Bradley International Airport	122,980,000		6,690,000		116,290,000	4,683,626
Clean Water Fund	801,020,000	355,125,000	67,885,000	118,170,000	970,090,000	36,019,853
UConn 2000 <sup>(4)</sup>	1,303,870,000	345,150,000	107,930,000	36,095,000	1,504,995,000	57,946,414
CI Increment Financing <sup>(5)</sup>	27,720,000		3,205,000		24,515,000	1,265,706
CHEFA Childcare Facilities Program <sup>(6)</sup>	55,960,000		2,380,000		53,580,000	2,440,706
Juvenile Training School <sup>(7)</sup>	13,005,000		605,000		12,400,000	624,475
Bradley International Parking Operations	30,595,000		2,580,000		28,015,000	1,927,155
CHFA Special Needs Housing Bonds <sup>(8)</sup>	60,280,000		3,695,000		56,585,000	2,690,306
CHFA Emergency Mortgage Assistance Program <sup>(9)</sup>	40,160,000		2,075,000		38,085,000	1,897,470
CRDA Bonds <sup>(10)</sup>	85,920,000		3,235,000		82,685,000	1,941,063
<b>TOTAL</b>	<b>\$23,209,297,314</b>	<b>\$4,227,870,000</b>	<b>\$1,818,359,988</b>	<b>\$ 921,575,000</b>	<b>\$ 24,697,232,326</b>	<b>\$1,034,699,665</b>

- (1) Includes interest rate swap payments and variable rate bond fees.
- (2) The General Obligation Teachers' Retirement Fund Bonds were issued as taxable bonds pursuant to Public Act 07-186 to fund \$2 billion of the unfunded liability of the Connecticut Teachers' Retirement Fund, capitalized interest and cost of issuance.
- (3) The General Obligation GAAP Conversion Bonds were issued in fiscal year 2014 to fund half of the General Fund GAAP deficit at that time and commit the State to funding the balance over time through budget appropriation as part of a bond covenant.
- (4) UConn 2000 Bonds were authorized in three stages in a total amount of \$4.3 billion over a 28 year period to be paid by the University of Connecticut from a State debt service commitment. As each series is issued, the debt service is appropriated from the State's General Fund.
- (5) The Connecticut Innovations (CI) has issued tax increment bonds for certain economic development projects. The debt service is deemed appropriated from the State's General Fund.
- (6) On July 1, 1999, the Treasurer's Office assumed the responsibility for the Connecticut Health and Educational Facilities Authority (CHEFA) Childcare debt service appropriation per Public Act 97-259.
- (7) A lease purchase financing of the heating and cooling plant at the Juvenile Training School in Middletown.
- (8) The Connecticut Housing Finance Authority (CHFA) Special Needs Housing bonds were issued pursuant to Public Act 05-280 and Public Act 05-3 for the purpose of financing costs of the Next Steps Initiative. The State is required to make debt service payments on the bonds under a contract for state assistance agreement between CHFA, the State Treasurer and the Secretary of the Office of Policy and Management.
- (9) The Connecticut Housing Finance Authority (CHFA) Emergency Mortgage Assistance Program bonds were issued pursuant to Public Act 08-176 to fund the Emergency Mortgage Assistance Program. The State is required to make debt service payments on the bonds under a contract for state assistance agreement between CHFA, the State Treasurer and the Secretary of the Office of Policy and Management.
- (10) The Capital Region Development Authority (CRDA) Bonds were issued to provide funding for the Adriaen's Landing development project in Hartford. The bonds, issued in a combination of fixed and variable rate securities, have a final maturity of 2034. The State is required to make debt service payments on the bonds up to a maximum annual amount of \$9 million pursuant to a contract for financial assistance agreement between CRDA, the State Treasurer, and the Secretary of the Office of Policy and Management. CRDA is required to reimburse the State for the debt service payments from net parking and central utility plant revenues.

Note 1: In accordance with Section 3-115 of the General Statutes, the State Comptroller shall provide accounting statements relating to the financial condition of the State as a whole in the same form and in the same categories as appears in the Budget Act enacted by the General Assembly. The accounting standards that were applied in this legislation and the Budget Act enacted for the 2017 fiscal year is a basis of accounting other than Generally Accepted Accounting Principles. In order to be consistent with the Comptroller's statements and the Budgetary Act, the State Treasurer has employed the same statutory basis of accounting for the presentation of this schedule.

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

For a detailed listing of debt outstanding for the fiscal year ended June 30, 2017, please see Statutory Appendix.

**DEBT MANAGEMENT DIVISION**

**RETIREMENT SCHEDULE OF IN-SUBSTANCE DEFEASED DEBT OUTSTANDING<sup>(1)</sup> -  
STATUTORY BASIS  
JUNE 30, 2017**

Date Escrow Established	Amount of Principal Outstanding	Last Payment Date on Refunded Debt	Market Value of Escrow	Investment Profile of Escrow Account
<b>BOND TYPE: GENERAL OBLIGATION</b>				
04/19/2017	\$ 150,000,000	12/01/2017	\$ 152,752,373	US Treasury Notes/Cash
06/28/2017	134,865,000	07/18/2017	135,363,739	STIF
<b>SUBTOTAL</b>	<b>\$ 284,865,000</b>		<b>\$ 288,116,112</b>	
<b>BOND TYPE: SPECIAL TRANSPORTATION FUND</b>				
10/15/2015	\$ 152,775,000	08/01/2017	\$ 156,056,451	US Treasury Notes/Cash
9/28/2016	75,565,000	11/01/2018	80,286,361	State and Local Government Series Bonds/Cash
<b>SUBTOTAL</b>	<b>\$ 228,340,000</b>		<b>\$ 236,342,812</b>	
<b>BOND TYPE: CLEAN WATER FUND</b>				
06/15/2017	\$ 118,170,000	06/01/2019	\$ 125,874,856	US Treasury Notes/Cash
<b>SUBTOTAL</b>	<b>\$ 118,170,000</b>		<b>\$ 125,874,856</b>	
<b>TOTAL</b>	<b>\$ 631,375,000</b>		<b>\$ 650,333,780</b>	

(1) Represents bonds which have been refunded with proceeds of other bond issues and bonds which have been defeased using budget surplus. Although the State is still legally responsible for principal and interest payments on the refunded bonds, the refunded bonds are not carried as a liability of the State since they have been "in-substance" defeased. Investments adequate to meet all payments have been irrevocably deposited in escrow accounts with an independent agent for the sole purpose of satisfying principal and interest. The adequacy of each escrow account to meet debt service payments has been verified by an independent accounting firm.

Note 1: In accordance with Section 3-115 of the General Statutes, the State Comptroller shall provide accounting statements relating to the financial condition of the State as a whole in the same form and in the same categories as appears in the Budget Act enacted by the General Assembly. The accounting standards that were applied in this legislation and the Budget Act enacted for the 2017 fiscal year is a basis of accounting other than Generally Accepted Accounting Principles. In order to be consistent with the Comptroller's statements and the Budgetary Act, the State Treasurer has employed the same statutory basis of accounting for the presentation of this schedule.

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

**DEBT MANAGEMENT DIVISION**

**SCHEDULE OF EXPENSES IN EXCESS OF \$5,000<sup>(1)</sup>  
FISCAL YEAR ENDED JUNE 30, 2017**

Name of Firm	Description of Services	Aggregate Compensation Paid in FY 2017	Status as of 06/30/17
A.C. Advisory, Inc.	Financial Advisor	\$ 138,607	Inactive
Acacia Financial Group, Inc.	Financial Advisor	172,980	Active
AMTEC	Arbitrage Calculation/Verification Agent Fees	29,600	Active
Citigroup	Management Fees	35,750	Active
Day Pitney, LLP	Bond/Disclosure Counsel	1,021,413	Active
Dornenburg Kallenbach Advertising	Web Site Improvements	31,200	Active
Environmental Capital, LLC	Financial Advisor	11,886	Active
First Southwest Company	Financial Advisor	26,678	Active
Fitch Ratings	Rating Agency	396,000	N/A
Frasca & Associates, LLC	Financial Advisor	8,377	Active
Hawkins, Delafield & Wood, LLP	Arbitrage Calculation Fees/Bond Counsel	143,797	Active
ImageMaster	Financial Printer	46,904	Active
Janney Montgomery Scott	Management Fees	36,000	Active
Kroll Bond Rating Agency, Inc.	Rating Agency	50,000	N/A
Lamont Financial Services	Financial Advisor	9,797	Active
Law Offices of Joseph C. Reid, PA	Bond Counsel	25,486	Active
Lewis & Munday	Bond Counsel	139,897	Active
Mahoney Sabol & Co., LLP	Auditor	74,420	Active
Moody's Investors Service	Rating Agency	549,750	N/A
Morgan Stanley & Co., LLC	Management Fees	76,000	Active
Orrick, Herrington & Sutcliffe, LLP (BondLogistix)	Arbitrage Calculation Fees	15,000	Active
Piper Jaffray & Co.	Management Fees	85,000	Active
Public Resources Advisory Group	Financial Advisor	93,744	Active
Pullman & Comley, LLC	Bond Counsel	331,341	Active
Rice Financial Products Company	Management Fees	19,250	Active
Robinson & Cole	Bond/Tax Counsel	380,193	Active
Schiff Hardin LLP	Bond Counsel	36,287	Active
Seward and Monde	Auditor	45,320	Active
Shipman & Goodwin, LLP	Bond Counsel	127,612	Active
Siebert Cisneros Shank & Co., L.L.C.	Management Fees	95,000	Active
Soeder & Associates	Tax Counsel	235,544	Active
Squire, Patton, Boggs (US) LLP	Bond Counsel	140,751	Active
Standard & Poor's Rating Service	Rating Agency	383,491	N/A
U. S. Bank, NA	Administrative/Escrow/Trustee Fees	267,149	Active
Updike, Kelly & Spellacy	Bond Counsel	173,892	Active
Wells Fargo Securities	Management Fees	33,000	Active
William Blair & Co.	Management Fees	55,000	Active
<b>Total</b>		<b>\$ 5,542,116</b>	

- 1) Expenses are presented on a cash basis. Debt Management expenses are comprised of payments to vendors made through the Treasury Business Office, fees netted at bond closings, and fees and expenses paid from Cost of Issuance accounts. Unless listed in the description, the amounts shown do not include bond issuance expenses paid on behalf of the State and counsel fees for firms representing the underwriter's, banks or trustees. Also excluded are bond sales charges which are paid to the Senior Manager and distributed by agreement of the underwriters, whether netted from bond proceeds or funded from the Treasury Business Office. Schedule does not include amounts paid to IRS for arbitrage rebate payments in accordance with IRS regulations.

**CASH MANAGEMENT DIVISION**

**ACTIVITY STATEMENT  
FISCAL YEAR ENDED JUNE 30, 2017**

Description	Total
<b>INFLOWS</b>	
Receipts:	
Deposits	\$32,261,538,843.66 <sup>(1)</sup>
Bad Checks	(8,271,262.78) <sup>(2)</sup>
Treasury Initiated Transfers	2,774,061,067.98 <sup>(3)</sup>
Total Receipts	<u>\$35,027,328,648.86</u>
Transfers:	<u>13,502,723,774.13 <sup>(4)</sup></u>
Other Inflows:	
Internal Bank Transfers	38,972,321,185.89 <sup>(5)</sup>
Interbank Transfers	23,384,694,907.66 <sup>(6)</sup>
Total Other Inflows	<u>\$62,357,016,093.55</u>
<b>TOTAL INFLOWS</b>	<b><u>\$110,887,068,516.54</u></b>
<b>OUTFLOWS</b>	
Disbursements:	
Vendor	\$30,210,774,607.68 <sup>(7)</sup>
Payroll	4,389,415,499.09 <sup>(8)</sup>
Total Disbursements	<u>\$34,600,190,106.77</u>
Transfers:	<u>14,307,229,364.14 <sup>(4)</sup></u>
Other Outflows:	
Internal Bank Transfers	38,972,321,185.89 <sup>(5)</sup>
Interbank Transfers	23,384,694,907.66 <sup>(6)</sup>
Total Other Outflows	<u>\$62,357,016,093.55</u>
<b>TOTAL OUTFLOWS</b>	<b><u>\$111,264,435,564.46</u></b>

- (1) Deposits - revenue received from taxes, licenses, lottery fees, federal grants and other sources.
- (2) Bad Checks - checks issued with insufficient funds in the originator's bank account.
- (3) Treasury Initiated Transfers - To record debt service payments to the proper bank account and transfer investment income to the proper fund.
- (4) Transfers - income earned from short and long-term investments, transfers of cash from one fund to the other, investment activity, and Certificates of Deposit purchased and sold with Connecticut banks under the Treasurer's Community Bank and Credit Union Initiative.
- (5) Internal Bank Transfers - transfers of money from concentration accounts to zero balance accounts with the same depository institution to provide funds to cover authorized disbursements and invest excess cash.
- (6) Interbank Transfers - transfers of state moneys between banks to invest excess cash or to cover authorized disbursements.
- (7) Vendor - expenditures for goods and services provided to the State by vendors, along with other payments, such as refunds of payments made to State agencies, restitution payments directed by the courts, and State grant payments.
- (8) Payroll - expenditures for the State's personnel and retirement payrolls.



**CASH MANAGEMENT DIVISION**

**CIVIL LIST FUNDS  
SUMMARY SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS <sup>(1)</sup>  
FISCAL YEAR ENDED JUNE 30, 2017  
PRESENTED UNDER STATUTORY BASIS OF ACCOUNTING <sup>(3) (4)</sup>**

Fund Name	Cash Balance July 1, 2016	FY 2017 Receipts	FY 2017 Disbursements	Transfers	Cash Balance June 30, 2017	Other Net Adjustments <sup>(2)</sup>	Adjusted Cash Balance June 30, 2017
<b>TOTAL FUNDS</b>	<b>\$134,403,765.44</b>	<b>\$35,027,328,648.86</b>	<b>\$34,600,190,106.77</b>	<b>\$(804,505,590.01)</b>	<b>\$(242,963,282.48)</b>	<b>\$117,931,610.49</b>	<b>\$(125,031,671.99)</b>

- (1) Detailed information on activity within each individual fund (formerly provided in the Statutory Appendix) can be obtained from the Comptroller's Annual Report.
- (2) Other Net Adjustments have been included to bring the Treasurer's cash balance presentation into conformance with the Comptroller's cash balance presentation.
- These adjustments include the following:
- Cash held in agency checking accounts.
  - Petty cash balance.
- (3) In accordance with Section 3-115 of the General Statutes, the State Comptroller shall provide accounting statements relating to the financial condition of the State as a whole in the same form and in the same categories as appears in the Budget Act enacted by the General Assembly. The Budget Act enacted for the 2017 fiscal year is presented on a comprehensive basis of accounting other than General Accepted Accounting Principals. In order to be consistent with the Comptroller's statements and the Budgetary Act, the State Treasurer has employed the same comprehensive basis of accounting for the presentation of the Civil List Funds Summary Schedule of Cash Receipts and Disbursements.
- (4) GAAP accounting requires that investment balances be presented to include the accrued interest earned. This manner of presentation is not used for the statutory basis presentation.

**CASH MANAGEMENT DIVISION**

**CIVIL LIST FUNDS  
SUMMARY SCHEDULE OF CASH AND INVESTMENTS <sup>(1)</sup>  
FISCAL YEAR ENDED JUNE 30, 2017  
PRESENTED UNDER STATUTORY BASIS OF ACCOUNTING <sup>(2) (3)</sup>**

<b>Description</b>	<b>Total All Funds</b>
<b>General Investments</b>	
Cash	\$ (125,031,671.99)
STIF	3,789,250,351.34
Investments with Treasurer as Trustee	
Short-Term	1,717,988,245.05
Long-Term	31,144,038,450.43
Investments with Others as Trustee	
Short-Term	578,372,624.09
Long-Term	196,600,634.34
<b>Total</b>	<b>\$ <u>37,301,218,633.26</u></b>
<b>Reconciliation Between Treasurer &amp; Comptroller <sup>(4)</sup></b>	
<b>Office of the Comptroller</b>	
Cash and STIF June 30, 2017 (Annual Statutory Report)	\$ 4,021,088,462.64
Cash and Investments with Trustee Fund #14005	690,069,376.16
Cash and Investments with Trustee Fund #21008	15,736,248.58
Cash and Investments with Trustee Fund #21009	196,973,121.29
Cash and Investments with Trustee Fund #21015	349,982,789.14
Cash and Investments with Trustee Fund #21018	116,569,738.18
Cash and Investments with Treasurer Fund #31001	(5,340,392.32)
Cash and Investments with Treasurer Fund #31002	(83.81)
Cash and Investments with Treasurer Fund #31004	(48,416.98)
Cash and Investments with Treasurer Fund #31006	(2,306,339.45)
Cash and Investments with Treasurer Fund #31008	(472,797.82)
Cash and Investments with Treasurer Fund #31009	(18,835.68)
Cash and Investments with Treasurer Fund #31010	(6,245.94)
Cash and Investments with Treasurer Fund #31011	(6,504.13)
Cash and Investments with Treasurer Fund #35010	(2,000.08)
Cash and Investments with Treasurer Fund #35011	(11,195.38)
<b>Total</b>	<b>\$ <u>5,382,206,924.40</u></b>
<b>Office of the Treasurer</b>	
Cash	\$ (125,031,671.99)
STIF	3,789,250,351.34
STIF/Investment with Treasurer as Trustee	1,717,988,245.05
<b>Total</b>	<b>\$ <u>5,382,206,924.40</u></b>

- (1) For a detailed listing of the Civil List Investments for the Fiscal Year Ending June 30, 2017, please see Statutory Appendix.
- (2) In accordance with Section 3-115 of the General Statutes, the State Comptroller shall provide accounting statements relating to the financial condition of the State as a whole in the same form and in the same categories as appears in the budget act enacted by the General Assembly. The Budget Act enacted for the 2017 fiscal year is presented on a comprehensive basis of accounting other than general accepted accounting principals. In order to be consistent with the Comptroller's statements and the budgetary act, the State Treasurer has employed the same comprehensive basis of accounting for the presentation of the Summary Schedule of Cash and Investments.
- (3) GAAP accounting requires that investment balances be presented to include the accrued investment earnings. This manner of presentation is not used for the statutory basis presentation.
- (4) Reconciliation of Cash Equivalents Per Comptroller's Books to Cash and General Investments and Short-Term Investments Per Treasury Books.

**CASH MANAGEMENT DIVISION**

**CIVIL LIST FUNDS  
INTEREST CREDIT PROGRAM <sup>(1)</sup>  
FISCAL YEAR ENDED JUNE 30, 2017**

Fund	Participant	Department	SID	Interest Earned During the Year
<b>12004</b>	<b>Insurance Fund</b>			
	INSURANCE FUND	DOI37500	10010	697,091.65
Total				697,091.65
<b>12007</b>	<b>Workers Compensation</b>			
	ADMINISTRATION FUND	WCC42000	10010	212,068.56
Total				212,068.56
<b>12014</b>	<b>Criminal Injuries Compensation Fund</b>			
	VICTIM SERVICES	JUD95000	12047	20,207.52
Total				20,207.52
<b>12015</b>	<b>Vending Facilities Operators Fringe Benefits</b>			
	VENDING FACILITY PROGRAM - FEDERAL INCOME	SDR63500	40012	80.12
Total				80.12
<b>12017</b>	<b>University of Connecticut Operating Fund</b>			
	OPERATING FUND	UOC67000	40001	2,099,739.91
Total				2,099,739.91
<b>12018</b>	<b>University Health Center Operating Fund</b>			
	OPERATING FUND	UHC72000	40001	49,157.70
	STUDENT SCHOLARSHIPS AND LOANS	UHC72000	40014	66,371.71
Total				115,528.71
<b>12019</b>	<b>State University Operating Fund</b>			
	STATE UNIVERSITIES	CSU83000	40001	1,748,426.44 <sup>(2)</sup>
	CENTRAL CONNECTICUT STATE UNIVERSITY	CSU84000		16,830.21
	EASTERN CONNECTICUT STATE UNIVERSITY	CSU85500		24,542.50
Total				1,789,799.15
<b>12020</b>	<b>Regional Community/Technical Colleges Operating Fund (Tuition Account)</b>			
	BOARD FOR REGIONAL COMM-TECH COLLEGE	CCC78000	40001	634,644.37
Total				634,644.37
<b>12022</b>	<b>University of Connecticut Research Foundation</b>			
	RESEARCH	UOC67000	40001	237,945.08
Total				237,945.08
<b>12031</b>	<b>Employment Security - Administration</b>			
	PENALTY & INTEREST	DOL40000	40213	35,027.23
	TITLE XII EXCESS FUNDS	DOL40000	40214	2.68
Total				35,029.91
<b>12037</b>	<b>Tobacco Settlement Fund</b>			
	TOBACCO SETTLEMENT FUND	OPM20000		150,476.48
Total				150,476.48
<b>12060</b>	<b>GENERAL FUND</b>			
	RESEARCH IN PLANT SCIENCE	AES48000	30099	4,390.82
	ADMINISTRATION OF GRANTS	AES48000	30116	1,484.08
	BOARD FOR STATE ACADEMIC AWARD	BOR77700	35186	12,822.88
	CT DISTANCE LEARNING CONSORTIUM	BOR77700	35289	1,005.49
	GEARUP FEDERAL SCHOLARSHIPS	BOR77700	26247	66,909.79
	CONN STATE LIBRARY ACCOUNT	CSL66000	30082	97.02
	CT LIBRARY & MUSEUM FUND	CSL66000	30093	9,693.57
	HISTORIC DOCUMENTS PRESERVATION ACCOUNT	CSL66000	35150	5,593.02
	RICHARD A. FORESTER MEMORIAL FUND	DCF91000	30084	30.81
	STRIPPER WELL OVERCHARGE	DEP43000	20492	2.09
	NUCLEAR SAFETY EMERGENCY PREPAREDNESS	DEP43000	35411	4,899.33
	GEARUP SCHOLARSHIP TRUST FUND	DHE66500	22133	11,716.60
	WEISMAN TEACHER SCHOLARSHIP FUND	DHE66500	30405	180.77
	FINANCIAL LITERACY INITIATIVES	DHE66500	30432	3,632.65

**CASH MANAGEMENT DIVISION**

**CIVIL LIST FUNDS  
INTEREST CREDIT PROGRAM <sup>(1)</sup> (Continued)  
FISCAL YEAR ENDED JUNE 30, 2017**

Fund	Participant	Agency	SID	Interest Earned During the Year
	PRIVATE OCCUPATIONAL STUDENT PROTECTION FUND	DHE66500	35135	3,323.04
	CONNECTICUT FUTURES ACCOUNT	DHE66500	35151	20.46
	BOARD OF PAROLE'S ASSET FORFEITURE ACCOUNT	DOC88000	20127	242.64
	CORRECTIONAL MEMORIAL FUND	DOC88000	30015	152.44
	CORRECTION GENERAL WELFARE FUND	DOC88000	35137	2,936.29
	FEDERAL ASSET FORFEITURE	DPS32000	20493	3,590.96
	ENHANCED 911 TELECOMMUNICATIONS FUND	DPS32000	35190	286,709.94
	BRAIN INJURY PREVENTION AND SERVICE ACCOUNT	DSS60000	35308	247.38
	OFFICE OF TOURISM	ECD46000	30207	246.41
	CRIMINAL VIOLENCE VICTIMS ESCROW ACCT.	JUD95000	35203	1.63
	CLIENT SECURITY FUND	JUD95000	35205	96,723.89
	MILFORD COURTHOUSE RESERVE ACCOUNT	JUD95000	35371	0.00
	DMHAS-COMMISSIONER'S OFFICE PRE-TRIAL ACCOUNT	MHA53000	35166	5,611.18
	DRUG ASSET FORFEITURE PROGRAM	MIL36000	35112	210.28
	CHILDREN'S TRUST FUND	OEC64800	30219	719.42
	CITIZEN ELECTION FUND RESERVE ACCT	OGA17000	30422	130.38
	CITIZEN ELECTION FUND GRANTS	OGA17000	35339	70,879.74
	JUVENILE ACCOUNTABILITY INCENTIVE BLOCK	OPM20000	21672	1,720.06
	JUSTICE ASSISTANCE GRANT	OPM20000	21921	28,722.48
	JUSTICE ASSISTANCE GRANT	OPM20000	29002	0.00
	INVESTMENT FUND	OTT14000	35101	79,185.94
	SECOND INJURY	OTT14000	35105	14,812.15
	SECOND INJURY STIPULATION & REIMBURSEMENT	OTT14000	35111	17,349.39
	MUNICIPAL PARTICIPATION FUND	OTT14000	35269	318.75
	CARE OF CEMETERY LOTS	OTT14000	35577	1,632.17
	DIV. OF FINANCE AND INTERNAL OPERATIONS	SDE64000	35351	8.23
	FINANCIAL LITERACY UBS	SDE64000	35358	77.15
	FINANCIAL LITERACY	SDE64000	35380	633.94
	FAUCHTSWANGER FUND	SDR63500	30030	52.73
	FRAUENHOFER FUND	SDR63500	30042	127.13
	MISCELLANEOUS GRANTS	SDR63500	30070	83.32
	SARA BROWN FUND	SDR63500	30092	1,503.44
	CHARLES PRECOURT MEMORIAL FUND	SDR63500	30104	25.19
	ANN COROTEAU MEMORIAL FUND	SDR63500	30113	28.06
	VENDING FACILITIES PROGRAM -STATE AND LOCAL INCOME	SDR63500	35149	5,537.42
Total				746,022.55
<b>21005</b>	<b>Auto Emissions Inspection Fund</b>			
	AUTO EMISSION INSPECTION FUND	DMV35000		53,463.11
Total				53,463.11
<b>21009</b>	<b>Bradley International Airport Operations</b>			
	BRADLEY ENTERPRISE FUND	APT59500	40001	27,722.66
Total				27,722.66
<b>21019</b>	<b>Stadium Facility Enterprise Fund</b>			
	STADIUM ENTERPRISE FUND	OPM20000		972.88
Total				972.88
<b>21021</b>	<b>General Aviation Airport Enterprise</b>			
	GENERAL AVIATION AIRPORT ENTERPRISE	APT59500	42304	5,594.97
Total				5,594.97
<b>22001</b>	<b>Correction Industries</b>			
	CORRECTION INDUSTRIES	DOC88000	42304	24,397.52
Total				24,397.52
<b>31001</b>	<b>State Employees' Retirement System</b>			
	STATE EMPLOYEES' RETIREMENT SYSTEM	OSC15000	40001	312,438.91
Total				312,438.91
<b>31003</b>	<b>General Assembly Retirement</b>			
	GENERAL ASSEMBLY RETIREMENT	OSC15000		80.30
Total				80.30

**CASH MANAGEMENT DIVISION**

**CIVIL LIST FUNDS  
INTEREST CREDIT PROGRAM <sup>(1)</sup> (Continued)  
FISCAL YEAR ENDED JUNE 30, 2017**

Fund	Participant	Agency	SID	Interest Earned During the Year
<b>31005</b>	<b>Public Defenders' Retirement</b>			
	PUBLIC DEFENDERS' RETIREMENT	OSC15000		2,017.03
Total				2,017.03
<b>31006</b>	<b>Teacher's Retirement System</b>			
	TEACHER'S RETIREMENT BOARD OPERATING FUND	TRB77500		25,286.73
Total				25,286.73
<b>31008</b>	<b>Municipal Employees Retirement - Fund B</b>			
	MUNICIPAL EMPLOYEES RETIREMENT FUND	OSC15000	40001	34,114.95
Total				34,114.95
<b>31011</b>	<b>OPEB Fund</b>			
	OPEB OPERATING APPROPRIATIONS	OSC15000	40001	(561.08)
	OPEB RETIREE MED. EMPL. SHARE	OSC15000	43426	(172,943.42)
	OPEB RETIREE PHARMACY	OSC15000	43427	(51,566.48)
	OPEB HEALTH INS. EMPLOYEE CONT.	OSC15000	43440	41,809.93
Total				(183,261.05)
<b>31012</b>	<b>Teacher's Retirement System</b>			
	OPEB TEACHER RETIREMENT	TRB77500	42358	11,771.36
Total				11,771.36
<b>34003</b>	<b>Funds Awaiting Distribution</b>			
	EARLY RETIREE RECOVERIES	OSC15000	43483	0.00
Total				0.00
<b>35001</b>	<b>Connecticut Health Club Guaranty Fund</b>			
	HEALTH CLUB GUARANTEE FUND	DCP39500	40001	2,077.41
Total				2,077.41
<b>35002</b>	<b>Real Estate Guaranty</b>			
	REAL ESTATE GUARANTEE FUND	DCP39500	40001	2,909.27
Total				2,909.27
<b>35003</b>	<b>Home Improvement Guaranty Fund</b>			
	HOME IMPROVEMENT GUARANTEE FUND	DCP39500	40001	4,083.51
Total				4,083.51
<b>35006</b>	<b>New Home Construction Guaranty Fund</b>			
	NEW HOME CONSTRUCTION GUARANTY	DCP39500	40001	4,310.46
Total				4,310.46
<b>35007</b>	<b>Tobacco and Health Trust Fund</b>			
	TOBACCO HEALTH TRUST FUND	OPM20000	40001	42,543.74
Total				42,543.74
<b>35008</b>	<b>Biomedical Research Trust Fund</b>			
	BIOMEDICAL RESEARCH FUND	DPH48500		30,931.39
Total				30,931.39
<b>35009</b>	<b>Endowed Chair Investment Fund</b>			
	ENDOWED CHAIR INVESTMENT FUND	DHE66500	40001	34,387.54
Total				34,387.54
<b>35012</b>	<b>Various Treasurer's Trust Funds</b>			
	IRWIN LEPOW TRUST FUND	CME49500	42354	171.00
	R. GRAEME SMITH	DPS32000	42353	42.75
	FITCH FUND	DVA21000	42356	209.95
	JOHN H. KING	JUD95000	42355	785.30
Total				1,209.00
<b>Grand Total</b>				<b>\$7,175,685.70</b>

(1) Interest is earned at the monthly simple interest rate of the Treasurer's Short-Term Investment Fund. Interest is calculated on the average monthly balance of the fund or account, and credited to the fund or account on a quarterly basis.

(2) Interest is earned by the participant and allocated to the constituent units

**CASH MANAGEMENT DIVISION**

**SCHEDULE OF EXPENSES IN EXCESS OF \$5,000 <sup>(1)</sup>  
FISCAL YEAR ENDED JUNE 30, 2017**

<b>Name of Firm</b>	<b>Description of Services</b>	<b>Contract Date</b>	<b>Aggregate Compensation Paid in FY 2017</b>	<b>Status As of 6/30/17</b>
Bank of America	Banking Services	Various	\$ 1,855,931 <sup>(2)</sup>	Active
People's United Bank	Banking Services	Mar-97	510,194 <sup>(2)</sup>	Active
Bank Of NewYork Mellon	Master Custody	Oct-16	306,812	Active
Webster Bank	Banking Services	Jun-98	228,358 <sup>(2)</sup>	Active
Wells Fargo Bank	Banking Services	N/A	89,747 <sup>(2)</sup>	Active
US Bank National Assn	Bond Trustee & Paying Agent	Jul-06	72,500	Active
JP Morgan Chase Bank	Banking Services	Mar-10	57,396 <sup>(2)</sup>	Active
Bloomberg Financial LP	Subscription & Research	N/A	43,723	Active
Moodys Investors Services	Credit Research	N/A	25,725	Active
Spectra Food Svcs & Hospitality	Catering Service	N/A	8,838	Active
Advanced Corporate Networking	Computer	N/A	5,523	Active
<b>TOTAL</b>			<b>\$ 3,204,747</b>	

(1) Expenses are presented on a cash basis.

(2) Includes compensation realized through bank balances and fees.

**UNCLAIMED PROPERTY DIVISION**

**SCHEDULE OF EXPENSES IN EXCESS OF \$5,000 <sup>(1)</sup>  
FISCAL YEAR ENDED JUNE 30, 2017**

<b>Name of Firm</b>	<b>Description of Services</b>	<b>Contract Date</b>	<b>Aggregate Compensation Paid in FY 2017</b>	<b>Status As of 6/30/17</b>
A & A Office Systems, Inc.	Photocopier Lease	N/A	\$ 6,470	Active
Audit Services US LLC	Identification & Collection of Property	May-14	227,466	Active
Kelmar Associates, OMC	Identification & Collection of Property	July-14	151,570	Active
Murphy Security Services LLC	Security Services	N/A	10,366	Active
PITA Communications LLC	Publication Expense	N/A	9,029	Active
Russell Implementation Services Inc.	Security Commission Expense	May-09	27,069	Active
Conduent State & Local Solutions Inc.	Claims Processing & Database Management	Jul-06	1,087,624	Active
Conduent State & Local Solutions Inc.	Identification & Collection of Property	Aug-94	144,456	Active
Verus Financial LLC	Identification & Collection of Property	Jul-14	702,733	Active
<b>TOTAL</b>			<b>\$ 2,366,783</b>	

(1) Expenses are presented on a cash basis.

**UNCLAIMED PROPERTY DIVISION**

**FIVE YEAR SELECTED FINANCIAL INFORMATION**

	<b>Fiscal Year Ended June 30,</b>				
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Gross Receipts <sup>(1)</sup>	\$ 129,187,512	\$ 111,446,654	\$ 147,656,895	\$ 103,178,699	\$ 115,442,771
Claims Paid <sup>(1)</sup>	41,105,448	57,568,310	61,090,933	63,772,440	66,859,408
Transfer to Citizens Election Fund <sup>(2)</sup>	11,428,647	11,349,203	11,281,219	11,081,918	10,907,400
Administrative Expenses:					
Salaries & Fringe Benefits	3,692,758	3,786,288	3,539,983	3,542,003	3,432,053
Data Processing & Hardware	2,329,983	1,837,988	2,696,640	1,522,819	1,688,192
All Other	112,478	68,760	76,916	338,740	83,564
Total Disbursements	58,669,314	74,610,549	78,685,691	80,257,920	82,970,617
Excess (Deficiency) of Receipts over Disbursements <sup>(3)</sup>	\$ 70,518,198	\$ 36,836,105	\$ 68,971,204	\$ 22,920,779	\$ 32,472,154
Approximate Market Value of Securities at Fiscal Year End:					
Total Securities Inventory <sup>(1)</sup>	\$ 4,208,673	\$ 3,773,812	\$ 534,458	\$ 665,152	\$ 967,998
Securities Liquidated	\$ 28,946,243	\$ 17,632,827	\$ 41,815,320	\$ 21,227,122	\$ 16,714,382
Number of Claims Paid	16,670	15,758	17,888	20,897	17,852

- (1) The amounts disclosed above as "gross receipts" and "claims paid" represent actual cash flows and do not include the value of marketable securities received by the Unclaimed Property Division, nor the value of the securities returned to owners. However, the amounts disclosed above as fiscal year end market values of securities help provide a general indication of the relative net activity in such assets over time. Receipts include the proceeds from securities liquidated in a given year.
- (2) P.A. 05-5, October 25, 2005 special session required Unclaimed Property Division to deposit certain funds into the Citizens' Election Fund and the balance is deposited into the General Fund.
- (3) Deficiency of receipts over disbursements are covered by transfers from the General Fund, whereas excess of receipts over disbursements are remitted to the General Fund. Regardless, all amounts collected remain liabilities of the State until returned to rightful owners.

**Summary of Gross Receipts  
Fiscal Year Ended June 30, 2017**

Financial Institutions	\$32,091,552
Other Corporations	39,778,153
Insurance Companies	23,065,068
Govern Agency/ Public Authorities	4,008,597
Dividends on Securities Held	117,225
Estates	9,304
Securities Tendered	86,244
Securities Sold	28,946,243
Sale of Property Lists, Copying and Other Charges	5,800
Reciprocal Exchange Program with Other States	1,079,326
<b>Total Gross Receipts</b>	<b>\$129,187,512</b>



**SECOND INJURY FUND**

**SCHEDULE OF EXPENSES IN EXCESS OF \$5,000 <sup>(1)</sup>  
FISCAL YEAR ENDED JUNE 30, 2017**

<b>Name of Firm</b>	<b>Description of Services</b>	<b>Contract Date</b>	<b>Aggregate Compensation Paid in FY 2017</b>	<b>Status As of 6/30/17</b>
A & A Office Systems, Inc.	Photocopier Lease	N/A	\$ 10,540	Active
Automatic Data Processing Inc.	Check Processing	Apr-06	12,763	Active
Coventry Healthcare Workers Comp.Inc.	Provider Bill Audit Services	Feb-06	99,517	Active
MCMC, LLC	IME/Case Mgmt./Job Placement	Jan-06	68,317	Active
Murphy Security Service, LLC	Security Services	N/A	16,125	Active
PCC Technology Group	Maintenance & Support	N/A	172,681	Active
PCC Technology Group	Hosting Service & Managed Srvs	N/A	60,120	Active
Security Services of Connecticut Inc.	Surveillance Services	Dec-13	5,349	Active
West Group	Subscription	Jul-16	13,113	Active
<b>TOTAL</b>			<b>\$ 458,525</b>	

(1) Expenses are presented on a cash basis. This schedule only includes services that were retained directly by the Fund and does not include medical services ordered by Workers Compensation Commissioners, claimants or their treating physicians.

## EXECUTIVE OFFICE

### EX OFFICIO DUTIES OF THE STATE TREASURER BOARDS, COMMITTEES AND COMMISSIONS

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#### STATE BOND COMMISSION (§ 3-20(c) CGS)

As authorized by the General Assembly, all projects and grants funded from State bonds, as well as the issuance of the bonds, must be authorized by the State Bond Commission. The members of the Commission include the Governor, Treasurer, Comptroller, Attorney General, Secretary of the Office of Policy and Management (OPM), Commissioner of Public Works, and the Co-chairpersons and the ranking minority members of the joint standing committee of the General Assembly having cognizance of matters relating to finance, revenue and bonding.

#### INVESTMENT ADVISORY COUNCIL (§ 3-13b(a) CGS)

The Investment Advisory Council advises on investment policy and guidelines, and also reviews the assets and performance of the pension funds. Additionally, the Council advises the Treasurer with respect to the hiring of outside investment advisors and on the appointment of the Chief Investment Officer. The Investment Advisory Council consists of the Treasurer, the Secretary of OPM and ten appointees of the Governor and State Legislature.

#### BANKING COMMISSION (§ 36a-70(h)(1) CGS)

The Banking Commission approves all applications for the creation of state banks or trust companies. As part of this process, the Commission holds public hearings on applications prior to granting approval. The Commission members are the Treasurer, Comptroller and Banking Commissioner.

#### FINANCE ADVISORY COMMITTEE (§ 4-93 CGS)

The Finance Advisory Committee approves budget transfers recommended by the Governor and has other such powers over the State budget when the General Assembly is not in session. The Committee members are the Governor, Lieutenant Governor, Treasurer, Comptroller, two Senate members who are members of the Legislature's Appropriations Committee and three House members who are members of the Legislature's Appropriations Committee.

#### CONNECTICUT LOTTERY CORPORATION BOARD OF DIRECTORS (§ 12-802(b) CGS)

The Connecticut Lottery Corporation manages the State lottery and is responsible to introduce new lottery games and maximize the efficiency of operations in order to provide a greater return to the general fund. The thirteen member Board of Directors includes the Treasurer, the Secretary of OPM, as well as appointees by the Governor and State Legislature.

#### CONNECTICUT HIGHER EDUCATION TRUST (CHET) ADVISORY COMMITTEE (§ 3-22e(a) CGS)

This committee advises the Treasurer on policies concerning CHET. The Connecticut Higher Education Trust allows families to make tax deferred investments for higher education costs. The Commissioner of Higher Education, the Secretary of OPM, the Cochairpersons and ranking members of the Legislature's education committee, and finance, revenue and bonding committees, and four representatives of private higher education and the public serve with the Treasurer on this board.

#### THE STANDARDIZATION COMMITTEE (§ 4a-58(a) CGS)

The standardization committee approves or grants waivers to existing purchasing regulations when it is in the best interests of the State to do so. The members of this committee include the Treasurer, Comptroller, Commissioner of Administrative Services, and such administrative heads of State departments as are designated for that duty by the Governor.

#### CONNECTICUT INNOVATIONS, Incorporated (CI) (§32-35 CGS)

CI is a quasi-public organization dedicated to driving an entrepreneurial, technology-based economy in Connecticut. CI stimulates high-tech growth by investing in early-stage Connecticut technology companies, university/industry research collaborations and technology transfer and collaborating with government, business, nonprofit and academic organizations to advance technology growth and promote public policies consistent with CI's mission. The members of the board include the Treasurer, Commissioner of Economic and Community Development, Secretary of OPM, the president of the Board of Regents for Higher Education, nine members appointed by the Governor and four members appointed by legislative leaders.

## EXECUTIVE OFFICE

### EX OFFICIO DUTIES OF THE STATE TREASURER (Continued) BOARDS, COMMITTEES AND COMMISSIONS

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#### CONNECTICUT HOUSING FINANCE AUTHORITY (CHFA) (§ 8-244(a) CGS)

CHFA was created to increase the supply of, and encourage and assist in the purchase, development and construction of, housing for low and moderate-income families and persons throughout the State. It provides mortgages for single family homeowners at below market rates, mortgages for multi-family developers, and construction financing. The members of the board include the Treasurer, Commissioner of Economic and Community Development, Secretary of OPM, Banking Commissioner, seven members appointed by the Governor, and four members appointed by legislative leaders.

#### CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY (CHEFA)

##### BOARD OF DIRECTORS (§ 10a-179 CGS)

CHEFA is a conduit bond issuer for hospitals, nursing homes, private universities, private secondary schools and day care facilities. The board members include the Treasurer, Secretary of OPM, and eight members appointed by the Governor.

#### CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY (CHESLA)

##### BOARD OF DIRECTORS (§ 10a-179(a) CGS)

CHESLA finances supplemental student loans and issues bonds every two years. The Board consists of eight members including the Treasurer, Commissioner of Higher Education, Secretary of OPM, and five additional members appointed by the Governor.

#### CONNECTICUT STUDENT LOAN FOUNDATION (§ 10A-203(A)(B)(1)CGS)

The Student Loan Foundation is a non-profit corporation created to improve educational opportunity and promote repayment of loans. The corporation is governed by a board of directors consisting of fourteen members including the chairperson of the Board of Governors of Higher Education and the Commissioner of Higher Education; six public members appointed by the Governor; four members with knowledge of business or finance appointed by the legislature leadership; and the Treasurer.

#### CONNECTICUT AIRPORT AUTHORITY (§ 15-120bb CGS)

The CAA was established to develop, improve and operate Bradley International Airport and the five state-owned general aviation airports (Danielson, Groton/New London, Hartford Brainard, Waterbury-Oxford, and Windham Airports) and for the subsequent purchase of other general aviation airports. An eleven member board governs the authority including the Treasurer, the Commissioner of Transportation the Commissioner of Economic and Community Development, four members appointed by the Governor, and four members appointed by legislative leaders.

#### STATE EMPLOYEES' RETIREMENT COMMISSION (§5-155a)

The Connecticut State Employees Retirement Commission administers the provisions of the State Employees Retirement System, the Municipal Employees Retirement System, and all other state retirement and pension plans except the Teachers' Retirement System. The Connecticut State Employees Retirement Commission consists of: of the Treasurer, the Comptroller, six members representing employees who are appointed by the bargaining agents, six management members who are members of the State Employees Retirement System two actuarial members who are enrolled actuaries and Fellows of the Society of Actuaries, one neutral trustee who is chairman of the State Employees Retirement Commission and is enrolled in the National Academy of Arbitrators.

#### TEACHERS' RETIREMENT BOARD (§10-183L)

The Teachers' Retirement Board administers the Connecticut Teachers' Retirement System. The Board consists of fourteen members: four active teacher members, two retired teacher members, the State Treasurer, the Secretary of the Office of Policy and Management and the Commissioner of the State Board of Education, and five public members appointed by the Governor.

**EXECUTIVE OFFICE**

**EX OFFICIO DUTIES OF THE STATE TREASURER (Continued)  
BOARDS, COMMITTEES AND COMMISSIONS**

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**CONNECTICUT RETIREMENT SECURITY AUTHORITY (§ 31-410 CGS)**

Appointments to the Connecticut Retirement Security Authority have all been made between January 1, 2017, and June 30, 2017, including the new chairman. The Authority has been charged with standing up a state wide private sector retirement plan for businesses that employ five people or more. Their charge follows the work of the Connecticut Retirement Security Board which recommended the framework from which the work will begin once the chairman calls the first official meeting.

**CONNECTICUT GREEN BANK (§ 16-245N CGS)**

The Connecticut Green Bank leverages public and private funds to accelerate the growth of green energy in Connecticut. The members of its Board consist of eleven members as follows: The Treasurer, the Commissioner of Energy and Environmental Protection the Commissioner of Economic and Community Development, four members appointed by the Legislature, and four members appointed by the Governor.

**CONNECTICUT PORT AUTHORITY (§ 32-435 CGS)**

The purposes of the Connecticut Port Authority shall be to coordinate the development of Connecticut's ports and harbors, work with the Department of Economic and Community Development and serve as the Governor's principal maritime policy. The powers of the authority shall be exercised by board members including the Treasurer, the Commissioner of Energy and Environmental Protection, the Commissioner of Transportation, the Commissioner of Economic and Community Development, the Secretary of the Office of Policy and Management, six appointed by the legislative leaders, and four appointed by the Governor.

**NITROGEN CREDIT ADVISORY BOARD (§ 22A-523 CGS)**

The Commissioner of Environmental Protection shall establish a Nitrogen Credit Advisory Board to assist and advise the commissioner in administering the nitrogen credit exchange program. The board shall consist of the Commissioner of Environmental Protection, the Secretary of the Office of Policy, the Treasurer, eight public members to be appointed by the legislative leaders, and one to be appointed by the Governor.

**EXECUTIVE OFFICE**

**TOTAL ADMINISTRATION EXPENDITURES  
FISCAL YEARS ENDED JUNE 30,**

Fiscal Years Ended June 30,

	2017	%	2016	%	2015	%	2014	%	2013	%
<b>GENERAL FUND</b>										
Personal Services	\$2,864,352	2.88%	\$3,060,211	2.96%	\$3,122,049	2.92%	\$3,133,301	2.96%	\$2,961,675	3.08%
Other Expenses	127,454	0.13%	134,705	0.13%	153,995	0.14%	164,129	0.15%	170,506	0.18%
Capital Equipment	0	0.00%	0	0.00%	1	0.00%	1	0.00%	1	0.00%
<b>TOTAL</b>	<b>\$2,991,807</b>	<b>3.01%</b>	<b>3,194,917</b>	<b>3.09%</b>	<b>3,276,045</b>	<b>3.07%</b>	<b>3,297,432</b>	<b>3.11%</b>	<b>3,132,182</b>	<b>3.25%</b>
<b>PENSION FUNDS</b>										
Personal Services	\$4,650,774	4.68%	\$4,843,363	4.69%	\$4,939,368	4.63%	\$4,877,348	4.60%	\$4,431,436	4.60%
Other Expenses	75,598,020	76.12%	79,162,396	76.64%	82,497,181	77.27%	83,204,722	78.51%	74,310,403	77.21%
Capital Equipment	18	0.00%	9,717	0.01%	0	0.00%	3,279	0.00%	2,879	0.00%
<b>TOTAL</b>	<b>\$80,248,812</b>	<b>80.80%</b>	<b>84,015,476</b>	<b>81.34%</b>	<b>87,436,549</b>	<b>81.90%</b>	<b>88,085,349</b>	<b>83.11%</b>	<b>78,744,717</b>	<b>81.82%</b>
<b>SECOND INJURY FUND</b>										
Personal Services	\$7,165,040	7.21%	\$7,391,756	7.16%	\$6,701,004	6.28%	\$6,631,038	6.26%	\$6,785,278	7.05%
Other Expenses	612,527	0.62%	728,779	0.71%	808,594	0.76%	603,991	0.57%	514,213	0.53%
Capital Equipment	549	0.00%	13,118	0.01%	0	0.00%	4,590	0.00%	5,398	0.01%
<b>TOTAL</b>	<b>\$7,778,116</b>	<b>7.83%</b>	<b>8,133,653</b>	<b>7.87%</b>	<b>7,509,598</b>	<b>7.03%</b>	<b>\$7,239,619</b>	<b>6.83%</b>	<b>7,304,889</b>	<b>7.59%</b>
<b>UNCLAIMED PROPERTY FUND</b>										
Personal Services	\$3,717,511	3.74%	\$3,739,155	3.62%	\$3,539,983	3.32%	\$3,133,301	2.96%	\$3,432,053	3.57%
Other Expenses	2,417,708	2.43%	1,898,003	1.84%	2,773,556	2.60%	1,858,608	1.75%	1,768,158	1.84%
Capital Equipment	353	0.00%	8,745	0.01%	0	0.00%	2,951	0.00%	3,599	0.00%
<b>TOTAL</b>	<b>\$6,135,572</b>	<b>6.18%</b>	<b>5,645,903</b>	<b>5.47%</b>	<b>6,313,539</b>	<b>5.91%</b>	<b>4,994,861</b>	<b>4.71%</b>	<b>5,203,809</b>	<b>5.41%</b>
<b>SHORT-TERM INVESTMENT FUND</b>										
Personal Services	\$1,557,441	1.57%	\$1,560,895	1.51%	\$1,484,134	1.39%	\$1,448,544	1.37%	\$1,224,572	1.27%
Other Expenses	407,558	0.41%	471,853	0.46%	414,469	0.39%	531,720	0.50%	254,844	0.26%
Capital Equipment	0	0.00%	2,915	0.00%	0	0.00%	984	0.00%	900	0.00%
<b>TOTAL</b>	<b>\$1,964,999</b>	<b>1.98%</b>	<b>2,035,663</b>	<b>1.97%</b>	<b>1,898,603</b>	<b>1.78%</b>	<b>1,981,248</b>	<b>1.87%</b>	<b>1,480,316</b>	<b>1.54%</b>
Other Financing Sources (1)	196,877	0.20%	269,827	0.26%	\$333,055	0.31%	\$384,997	0.36%	\$380,818	0.40%
<b>TOTAL AGENCY</b>	<b>\$99,316,183</b>	<b>100.00%</b>	<b>\$103,295,439</b>	<b>100.00%</b>	<b>\$106,767,389</b>	<b>100.00%</b>	<b>\$105,983,505</b>	<b>100.00%</b>	<b>\$96,246,731</b>	<b>100.00%</b>

(1) Other Financing Sources include: Clean Water Fund and the Capital Equipment Fund.

**EXECUTIVE DIVISION**

**SCHEDULE OF EXPENSES IN EXCESS OF \$5,000 <sup>(1)</sup>  
FISCAL YEAR ENDED JUNE 30, 2017**

Name of Firm	Description of Services	Contract Date	Aggregate Compensation		Status
			Paid in FY 2017	As of 6/30/17	
A&A Office	Office Equipment	N/A	\$ -		Active
Advance Office System	Comupter Equipment	N/A	-		Active
Corporate Governance Research and Consulting	Research and Consulting Services	Mar - 07	9,045		Active
Council of Institutional Investors	Dues	N/A	30,000		Active
Financial Recovery Technology LLC	Subscription	N/A	29,167		Active
Hallmark TotalTech, Inc	Temporary Executive Secretary	N/A	11,135		Active
IW Financial	Subscription	N/A	7,500		Active
Murphy Security Service LLC	Premises Security Services	May-10	16,125		Active
National Association of State Auditors	Dues	N/A	-		Active
National Association Of State Treasurers	Dues	N/A	-		Active
PCC Technology	Develop Website	N/A	9,800		Active
PRI Association	Subscription	N/A	10,360		Active
<b>TOTAL</b>			<b>\$ 123,132</b>		

(1) Expenses are presented on a cash basis.

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# Statutory Appendix

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## DEBT MANAGEMENT DIVISION

SCHEDULE OF DEBT OUTSTANDING<sup>(1)</sup> - STATUTORY BASIS

JUNE 30, 2017

Issue Date	Outstanding June 30, 2016	FY 2017			Outstanding June 30, 2017	Low Rate (%)	High Rate (%)	Next Maturity Date	Last Maturity Date	Interest Accreted Through FY 2017 <sup>(2)</sup>	Interest Paid During FY 2017 <sup>(3)</sup>
		Issued	Retired	Refunded or Deceased							
<b>BOND TYPE: GENERAL OBLIGATION - TAX SUPPORTED</b>											
03/28/1996	\$ 584,991	\$ -	\$ 294,688	\$ -	\$ 290,303	5.030	5.030	11/01/2017	05/01/2018	\$ -	\$ 25,739
09/01/1997	4,208,491	-	1,046,728	-	3,161,763	5.081	5.081	03/01/2018	03/01/2020	-	213,833
09/30/1997	475,000	-	135,000	-	340,000	5.081	5.081	03/01/2018	03/01/2020	-	24,135
05/01/1999	6,597,360	-	887,760	-	5,709,600	4.633	4.633	09/01/2017	09/01/2022	-	285,091
05/06/1999	905,000	-	220,000	-	685,000	4.633	4.633	09/01/2017	09/01/2022	-	36,832
06/12/2001	750,000	-	195,000	-	555,000	4.650	4.650	10/01/2017	10/01/2022	-	32,434
06/12/2001	4,153,218	-	555,812	-	3,597,406	4.652	4.652	10/01/2017	10/01/2022	-	180,272
06/15/2001	6,300,000	-	6,300,000	-	-	-	-	-	12/15/2016	-	173,250
03/16/2005	100,000,000	-	-	90,000,000	10,000,000	1.700	1.700	03/01/2023	03/01/2023	-	2,204,649
04/27/2005	267,550,000	-	44,760,000	-	222,790,000	5.250	5.250	06/01/2018	06/01/2020	-	14,046,375
04/27/2005	20,000,000	-	20,000,000	-	-	-	-	-	06/01/2017	-	1,014,000
04/27/2005	20,000,000	-	-	-	20,000,000	5.200	5.200	06/01/2020	06/01/2020	-	1,040,000
03/09/2006	42,295,000	-	14,500,000	27,795,000	-	-	-	-	12/15/2016	-	982,496
11/09/2006	5,375,000	-	-	5,375,000	-	-	-	-	11/01/2015	-	134,375
11/09/2006	292,660,000	-	33,265,000	259,395,000	-	-	-	-	12/15/2016	-	7,089,062
12/14/2006	48,420,000	-	40,000,000	8,420,000	-	-	-	-	12/01/2016	-	1,117,706
05/10/2007	15,500,000	-	5,170,000	10,330,000	-	-	-	-	05/01/2017	-	455,187
05/10/2007	84,125,000	-	25,990,000	58,135,000	-	-	-	-	05/01/2017	-	2,692,875
06/14/2007	54,010,000	-	16,580,000	37,430,000	-	-	-	-	06/01/2017	-	1,673,656
12/19/2007	180,000,000	-	15,000,000	150,000,000	15,000,000	4.000	4.000	12/01/2017	12/01/2017	-	4,520,925
06/26/2008	240,000,000	-	20,000,000	-	220,000,000	3.750	5.000	04/15/2018	04/15/2028	-	11,279,394
06/26/2008	233,400,000	-	19,450,000	-	213,950,000	4.000	5.000	04/15/2018	04/15/2028	-	11,438,760
11/06/2008	332,205,000	-	22,840,000	-	309,365,000	4.500	5.750	11/01/2017	11/01/2028	-	16,471,991
02/26/2009	291,000,000	-	15,000,000	-	276,000,000	3.000	5.000	02/15/2018	02/15/2029	-	13,674,440
03/26/2009	18,480,000	-	10,065,000	-	8,415,000	4.000	5.000	03/01/2018	03/01/2018	-	779,400
03/26/2009	61,795,000	-	15,160,000	-	46,635,000	3.500	5.000	03/01/2018	03/01/2023	-	2,811,000
03/26/2009	24,000,000	-	8,000,000	-	16,000,000	5.460	5.460	03/01/2018	03/01/2019	-	1,310,400
12/23/2009	450,000,000	-	-	-	450,000,000	4.950	5.632	12/01/2020	12/01/2029	-	24,355,000
04/28/2010	184,250,000	-	-	-	184,250,000	4.407	5.257	04/01/2019	04/01/2026	-	8,876,977
04/28/2010	52,500,000	-	26,250,000	-	26,250,000	3.500	5.000	04/01/2018	04/01/2018	-	2,349,563
06/23/2010	85,750,000	-	29,000,000	-	56,750,000	2.750	5.000	12/01/2017	12/01/2018	-	2,923,050
06/23/2010	129,690,000	-	4,475,000	-	125,215,000	3.000	5.000	12/01/2017	12/01/2021	-	5,904,325
10/19/2010	44,875,000	-	2,500,000	-	42,375,000	3.000	5.000	10/01/2017	10/01/2022	-	1,964,200
10/19/2010	203,400,000	-	-	-	203,400,000	5.295	5.295	10/01/2029	10/01/2029	-	10,770,030
10/19/2010	22,205,000	-	-	-	22,205,000	5.305	5.305	10/01/2030	10/01/2030	-	1,177,975
10/19/2010	294,395,000	-	-	-	294,395,000	5.090	5.090	10/01/2025	10/01/2030	-	14,984,706
05/19/2011	129,485,000	-	64,745,000	-	64,740,000	2.580	2.580	05/15/2018	05/15/2018	-	1,876,244
05/31/2011	162,870,000	-	-	-	162,870,000	2.300	5.000	05/15/2019	05/15/2023	-	7,300,403
05/31/2011	25,000,000	-	-	-	25,000,000	2.400	2.400	05/15/2019	05/15/2019	-	434,934
11/14/2011	19,710,000	-	17,100,000	-	2,610,000	5.000	5.000	11/01/2019	11/01/2019	-	558,000

## DEBT MANAGEMENT DIVISION

SCHEDULE OF DEBT OUTSTANDING<sup>(1)</sup> - STATUTORY BASIS (Continued)

JUNE 30, 2017

Issue Date	Outstanding June 30, 2016	FY 2017			Outstanding June 30, 2017	Low Rate (%)	High Rate (%)	Next Maturity Date	Last Maturity Date	Interest Accreted Through FY 2017 <sup>(2)</sup>	Interest Paid During FY 2017 <sup>(3)</sup>
		Issued	Retired	Refunded or Defeased							
11/14/2011	467,500,000	-	27,500,000	-	440,000,000	2.000	5.000	11/01/2017	11/01/2031	-	21,214,000
04/26/2012	259,600,000	-	-	-	259,600,000	2.000	5.000	04/15/2021	04/15/2032	-	12,340,744
04/26/2012	49,800,000	-	8,300,000	-	41,500,000	1.955	2.934	04/15/2018	04/15/2022	-	1,157,269
04/26/2012	118,000,000	-	23,600,000	-	94,400,000	2.250	2.620	04/15/2018	04/15/2020	-	1,926,517
06/29/2012	464,055,000	-	24,475,000	-	439,580,000	2.000	5.000	06/01/2018	06/01/2025	-	22,745,075
10/04/2012	280,135,000	-	-	-	280,135,000	2.000	5.000	09/15/2020	09/15/2032	-	12,057,875
10/04/2012	144,865,000	-	25,000,000	44,865,000	75,000,000	2.580	2.980	09/15/2017	09/15/2019	-	1,733,506
11/16/2012	174,785,000	-	25,000,000	-	149,785,000	1.262	2.551	10/15/2017	10/15/2022	-	3,125,265
11/28/2012	150,215,000	-	-	-	150,215,000	3.000	5.000	10/15/2022	10/15/2032	-	6,587,850
03/28/2013	155,430,000	-	-	-	155,430,000	2.000	5.000	03/01/2019	03/01/2033	-	6,257,719
03/28/2013	184,570,000	-	20,000,000	-	164,570,000	2.510	3.080	03/01/2018	03/01/2025	-	2,405,385
08/07/2013	180,000,000	-	10,000,000	-	170,000,000	4.000	5.000	07/15/2017	07/15/2033	-	8,587,500
08/29/2013	85,000,000	-	15,000,000	-	70,000,000	2.480	2.810	08/15/2017	08/15/2020	-	1,087,448
08/29/2013	275,000,000	-	10,000,000	-	265,000,000	2.000	5.000	08/15/2017	08/15/2033	-	12,712,900
08/29/2013	80,000,000	-	5,000,000	-	75,000,000	1.772	3.817	08/15/2017	08/15/2023	-	2,390,110
03/26/2014	278,000,000	-	-	-	278,000,000	2.500	5.000	03/01/2020	03/01/2034	-	12,462,500
03/26/2014	35,000,000	-	9,000,000	-	26,000,000	2.000	4.000	03/01/2018	03/01/2019	-	1,200,000
03/26/2014	22,000,000	-	-	-	22,000,000	2.450	2.870	03/01/2020	03/01/2023	-	321,441
03/26/2014	25,000,000	-	11,000,000	-	14,000,000	3.010	3.010	03/01/2019	03/01/2019	-	232,098
06/04/2014	483,045,000	-	152,195,000	-	330,850,000	2.500	5.000	12/15/2017	12/15/2025	-	21,013,900
06/26/2014	180,000,000	-	10,000,000	-	170,000,000	2.000	5.000	06/15/2018	06/15/2034	-	8,253,650
08/28/2014	285,000,000	-	15,000,000	-	270,000,000	4.000	5.000	09/01/2017	09/01/2034	-	12,600,000
08/28/2014	180,000,000	-	20,000,000	-	160,000,000	1.100	3.100	09/01/2017	09/01/2024	-	3,725,000
12/10/2014	256,620,000	-	20,030,000	-	236,590,000	4.000	5.000	11/15/2017	11/15/2025	-	11,623,000
12/10/2014	225,000,000	-	15,000,000	-	210,000,000	2.000	5.000	11/15/2017	11/15/2034	-	9,764,400
12/10/2014	60,000,000	-	-	-	60,000,000	3.250	5.000	11/15/2028	11/15/2031	-	2,765,563
03/25/2015	370,000,000	-	30,000,000	-	340,000,000	3.250	5.000	03/15/2018	03/15/2035	-	16,552,700
03/25/2015	100,000,000	-	-	-	100,000,000	1.422	3.127	03/15/2018	03/15/2025	-	2,257,000
05/28/2015	465,000,000	-	10,000,000	-	455,000,000	2.000	5.000	06/15/2018	06/15/2035	-	21,488,500
05/28/2015	200,000,000	-	25,000,000	-	175,000,000	2.250	2.750	06/15/2018	06/15/2024	-	3,249,032
05/28/2015	145,275,000	-	35,240,000	-	110,035,000	2.450	2.750	06/15/2018	06/15/2022	-	2,147,854
08/19/2015	250,000,000	-	12,500,000	-	237,500,000	4.000	5.000	08/01/2017	08/01/2035	-	11,687,500
08/19/2015	250,000,000	-	25,000,000	-	225,000,000	1.000	3.330	08/01/2017	08/01/2025	-	5,912,884
12/01/2015	585,000,000	-	32,500,000	-	552,500,000	2.000	5.000	11/15/2017	11/15/2034	-	25,178,106
12/01/2015	65,000,000	-	-	-	65,000,000	2.000	5.000	11/15/2019	11/15/2035	-	3,093,600
03/30/2016	550,000,000	-	42,500,000	-	507,500,000	2.000	5.000	03/15/2018	03/15/2036	-	22,939,517
06/14/2016	501,440,000	-	-	-	501,440,000	2.000	5.000	05/15/2018	05/15/2027	-	21,894,593
06/14/2016	300,000,000	-	-	-	300,000,000	3.500	3.500	05/15/2019	05/15/2034	-	2,955,660
08/17/2016	-	250,000,000	-	-	250,000,000	3.000	5.000	08/15/2017	08/15/2036	-	5,438,889
08/17/2016	-	250,000,000	-	-	250,000,000	1.000	2.600	08/15/2017	08/15/2026	-	2,273,208
10/26/2016	-	585,000,000	-	-	585,000,000	2.000	5.000	10/15/2017	10/15/2036	-	12,155,079
10/26/2016	-	65,000,000	-	-	65,000,000	4.000	5.000	10/15/2030	10/15/2031	-	1,484,219
12/21/2016	-	327,440,000	-	-	327,440,000	2.000	5.000	11/01/2017	11/01/2023	-	5,512,379

## DEBT MANAGEMENT DIVISION

SCHEDULE OF DEBT OUTSTANDING<sup>(1)</sup> - STATUTORY BASIS (Continued)

JUNE 30, 2017

Issue Date	Outstanding June 30, 2016	FY 2017			Outstanding June 30, 2017	Low Rate (%)	High Rate (%)	Next Maturity Date	Last Maturity Date	Interest Accreted Through FY 2017 <sup>(2)</sup>	Interest Paid During FY 2017 <sup>(3)</sup>
		Issued	Retired	Refunded or Defeased							
04/19/2017	-	197,025,000	-	-	197,025,000	3.000	5.000	04/15/2018	04/15/2028	-	-
04/19/2017	-	550,000,000	-	-	550,000,000	3.000	5.000	04/15/2018	04/15/2037	-	-
06/28/2017	-	300,000,000	-	-	300,000,000	2.600	2.600	06/01/2019	06/01/2037	-	-
06/28/2017	-	134,865,000	-	-	134,865,000	3.500	3.500	03/01/2019	09/15/2024	-	-
<b>SUBTOTAL</b>	<b>\$13,039,254,060</b>	<b>\$ 2,659,330,000</b>	<b>\$1,138,324,988</b>	<b>\$691,745,000</b>	<b>\$13,868,514,072</b>					<b>\$ -</b>	<b>\$545,695,120</b>
<b>BOND TYPE: GENERAL OBLIGATION TEACHERS' RETIREMENT FUND BONDS<sup>(4)</sup></b>											
04/30/2008	\$2,045,430,000	\$ -	\$ 300,000	\$ -	\$2,045,130,000	4.750	5.850	03/15/2018	03/15/2032	\$ -	\$118,927,321
04/30/2008	172,263,254	-	-	-	172,263,254	5.886	6.270	03/15/2018	03/15/2025	129,761,979	-
08/28/2014	10,590,000	-	-	-	10,590,000	3.500	3.500	09/01/2027	09/01/2027	-	370,650
<b>SUBTOTAL</b>	<b>\$2,228,283,254</b>	<b>\$ -</b>	<b>\$ 300,000</b>	<b>\$ -</b>	<b>\$2,227,983,254</b>					<b>\$129,761,979</b>	<b>\$119,297,971</b>
<b>BOND TYPE: ECONOMIC RECOVERY NOTES</b>											
10/24/2013	\$ 77,470,000	\$ -	\$ 77,470,000	\$ -	\$ -				07/01/2016	\$ -	\$ 178,456
10/24/2013	77,475,000	-	77,475,000	-	-				01/01/2017	-	538,938
10/24/2013	78,250,000	-	-	-	78,250,000	3.000	3.000	07/01/2017	07/01/2017	-	648,538
10/24/2013	78,250,000	-	-	-	78,250,000	3.000	3.000	01/01/2018	01/01/2018	-	689,031
12/10/2014	41,140,000	-	20,520,000	-	20,620,000	3.150	3.150	01/01/2018	01/01/2018	-	302,559
<b>SUBTOTAL</b>	<b>\$ 352,585,000</b>	<b>\$ -</b>	<b>\$175,465,000</b>	<b>\$ -</b>	<b>\$ 177,120,000</b>					<b>\$ -</b>	<b>\$ 2,357,522</b>
<b>BOND TYPE: GAAP CONVERSION BONDS<sup>(5)</sup></b>											
10/24/2013	\$ 527,975,000	\$ -	\$33,440,000	\$ -	\$ 494,535,000	1.000	5.000	10/15/2017	10/15/2027	\$ -	\$24,934,975
<b>SUBTOTAL</b>	<b>\$ 527,975,000</b>	<b>\$ -</b>	<b>\$33,440,000</b>	<b>\$ -</b>	<b>\$ 494,535,000</b>					<b>\$ -</b>	<b>\$24,934,975</b>
<b>BOND TYPE: SPECIAL TAX OBLIGATION</b>											
11/15/2004	\$ 47,200,000	\$ -	\$15,050,000	\$ -	\$ 32,150,000	5.250	5.250	07/07/2017	07/01/2019	\$ -	\$ 2,082,938
12/15/2005	12,380,000	-	12,380,000	-	-				07/01/2016	-	309,500
10/25/2007	22,935,000	-	11,240,000	-	11,695,000	4.000	4.000	08/01/2017	08/01/2017	-	685,650
10/01/2008	39,935,000	-	8,885,000	-	31,050,000	3.625	5.000	02/01/2018	02/01/2022	-	1,666,538
12/10/2008	225,150,000	-	12,780,000	75,565,000	136,805,000	4.000	5.000	11/01/2017	11/01/2026	-	6,971,400
01/29/2009	217,430,000	-	62,025,000	-	155,405,000	3.900	5.000	02/01/2018	02/01/2022	-	10,032,038
11/10/2009	89,435,000	-	20,430,000	-	69,005,000	3.200	5.000	12/01/2017	12/01/2029	-	3,338,324
11/10/2009	304,030,000	-	-	-	304,030,000	4.855	5.740	12/01/2020	12/01/2029	-	16,663,351
11/10/2010	99,700,000	-	23,090,000	-	76,610,000	5.000	5.000	11/01/2017	11/01/2019	-	4,407,750
11/10/2010	400,430,000	-	-	-	400,430,000	4.126	5.459	11/01/2020	11/01/2030	-	20,678,185
11/10/2010	85,050,000	-	3,035,000	-	82,015,000	3.000	5.000	11/01/2017	11/01/2022	-	3,888,325
12/15/2011	198,585,000	-	8,300,000	-	190,285,000	3.375	5.000	12/01/2017	12/01/2031	-	9,514,163
12/15/2011	92,935,000	-	6,200,000	-	86,735,000	3.000	5.000	12/01/2017	12/01/2022	-	3,705,900
12/21/2012	444,600,000	-	17,465,000	-	427,135,000	3.000	5.000	01/01/2018	01/01/2033	-	21,439,650
12/21/2012	116,290,000	-	9,190,000	-	107,100,000	5.000	5.000	01/01/2018	01/01/2025	-	5,814,500
11/21/2013	562,290,000	-	19,140,000	-	542,350,000	3.000	5.000	01/01/2018	10/01/2033	-	27,285,625
10/16/2014	131,545,000	-	-	-	131,545,000	3.000	5.000	09/01/2017	09/01/2025	-	6,186,750
10/16/2014	590,000,000	-	19,250,000	-	570,750,000	3.000	5.000	09/01/2017	09/01/2034	-	28,362,150

## DEBT MANAGEMENT DIVISION

SCHEDULE OF DEBT OUTSTANDING<sup>(1)</sup> - STATUTORY BASIS (Continued)

JUNE 30, 2017

Issue Date	Outstanding June 30, 2016	FY 2017			Outstanding June 30, 2017	Low Rate (%)	High Rate (%)	Next Maturity Date	Last Maturity Date	Interest Accreted Through FY 2017 <sup>(2)</sup>	Interest Paid During FY 2017 <sup>(1)</sup>
		Issued	Retired	Refunded or Defeased							
10/15/2015	700,000,000	-	21,290,000	-	678,710,000	3.000	5.000	08/01/2017	08/01/2035	-	33,537,450
10/15/2015	139,770,000	-	-	-	139,770,000	2.000	5.000	08/01/2018	08/01/2027	-	6,816,050
09/28/2016	-	800,000,000	-	-	800,000,000	3.000	5.000	09/01/2017	09/01/2036	-	16,197,600
09/28/2016	-	68,265,000	-	-	68,265,000	2.000	5.000	09/01/2019	09/01/2028	-	1,393,469
<b>SUBTOTAL</b>	<b>\$4,519,690,000</b>	<b>\$ 868,265,000</b>	<b>\$270,550,000</b>	<b>\$75,565,000</b>	<b>\$5,041,840,000</b>					<b>\$ -</b>	<b>\$230,977,304</b>
<b>BOND TYPE: BRADLEY INTERNATIONAL AIRPORT</b>											
03/31/2011	\$ 73,790,000	\$ -	\$ 4,015,000	\$ -	\$ 69,775,000	4.393	4.393	10/01/2017	10/01/2031	\$ -	\$ 2,796,782
03/31/2011	49,190,000	-	2,675,000	-	46,515,000	4.463	4.463	10/01/2017	10/01/2031	-	1,886,844
<b>SUBTOTAL</b>	<b>\$ 122,980,000</b>	<b>\$ -</b>	<b>\$ 6,690,000</b>	<b>\$ -</b>	<b>\$ 116,290,000</b>					<b>\$ -</b>	<b>\$ 4,683,626</b>
<b>BOND TYPE: CLEAN WATER FUND</b>											
07/27/2006	\$ 7,530,000	\$ -	\$ 7,530,000	\$ -	\$ -				07/01/2016	\$ -	\$ 158,130
08/06/2008	23,305,000	-	15,855,000	-	7,450,000	3.750	3.750	02/01/2018	02/01/2018	-	1,008,750
06/25/2009	154,885,000	-	6,675,000	118,170,000	30,040,000	3.500	5.000	06/01/2018	06/01/2019	-	7,149,625
07/30/2009	69,110,000	-	8,690,000	-	60,420,000	3.000	5.000	10/01/2017	10/01/2022	-	3,007,500
03/24/2011	140,930,000	-	22,520,000	-	118,410,000	3.300	5.000	01/01/2018	01/01/2028	-	6,370,554
02/21/2013	119,435,000	-	3,095,000	-	116,340,000	2.000	5.000	03/01/2018	03/01/2031	-	5,576,350
02/21/2013	37,235,000	-	-	-	37,235,000	2.000	5.000	07/01/2019	07/01/2027	-	1,560,063
05/06/2015	248,590,000	-	3,520,000	-	245,070,000	2.250	5.000	03/01/2018	03/01/2035	-	11,188,881
06/15/2017	-	250,000,000	-	-	250,000,000	3.000	5.000	05/01/2018	05/01/2037	-	-
06/15/2017	-	105,125,000	-	-	105,125,000	5.000	5.000	06/01/2020	06/01/2027	-	-
<b>SUBTOTAL</b>	<b>\$ 801,020,000</b>	<b>\$ 355,125,000</b>	<b>\$67,885,000</b>	<b>\$118,170,000</b>	<b>\$ 970,090,000</b>					<b>\$ -</b>	<b>\$36,019,853</b>
<b>BOND TYPE: UCONN 2000<sup>(6)</sup></b>											
04/12/2007	\$ 4,200,000	\$ -	\$ 4,200,000	\$ -	\$ -				04/01/2017	\$ -	\$ 168,000
04/12/2007	41,415,000	-	5,320,000	36,095,000	-				04/01/2017	-	1,168,375
04/16/2009	93,640,000	-	7,115,000	-	86,525,000	4.000	5.000	02/15/2018	02/15/2029	-	4,260,049
05/25/2010	67,965,000	-	4,855,000	-	63,110,000	3.000	5.000	02/15/2018	02/15/2030	-	3,117,671
05/25/2010	18,975,000	-	1,685,000	-	17,290,000	3.000	5.000	02/15/2018	02/15/2021	-	826,588
12/08/2011	22,225,000	-	4,730,000	-	17,495,000	2.000	5.000	02/15/2018	02/15/2023	-	1,079,000
12/08/2011	134,785,000	-	8,990,000	-	125,795,000	2.000	5.000	02/15/2018	02/15/2031	-	6,427,275
07/31/2013	155,395,000	-	8,635,000	-	146,760,000	4.000	5.000	08/15/2017	08/15/2033	-	7,143,400
07/31/2013	48,460,000	-	4,795,000	-	43,665,000	3.000	5.000	02/15/2018	02/15/2024	-	2,264,750
04/22/2014	98,145,000	-	5,455,000	-	92,690,000	2.000	5.000	02/15/2018	02/15/2034	-	4,318,400
04/22/2014	32,945,000	-	19,260,000	-	13,685,000	3.000	5.000	02/15/2018	02/15/2025	-	1,605,250
04/16/2015	209,160,000	-	11,005,000	-	198,155,000	2.125	5.000	02/15/2018	02/15/2035	-	9,831,006
04/16/2015	34,625,000	-	3,505,000	-	31,120,000	5.000	5.000	02/15/2018	02/15/2026	-	1,696,200
04/21/2016	261,510,000	-	13,080,000	-	248,430,000	3.000	5.000	03/15/2018	03/15/2036	-	10,664,730
04/21/2016	80,425,000	-	5,300,000	-	75,125,000	4.000	5.000	03/15/2018	03/15/2027	-	3,375,720
01/19/2017	-	311,200,000	-	-	311,200,000	2.500	5.000	01/15/2018	01/15/2037	-	-
01/19/2017	-	33,950,000	-	-	33,950,000	2.500	5.000	01/15/2018	01/15/2022	-	-
<b>SUBTOTAL</b>	<b>\$1,303,870,000</b>	<b>\$ 345,150,000</b>	<b>\$107,930,000</b>	<b>\$36,095,000</b>	<b>\$1,504,995,000</b>					<b>\$ -</b>	<b>\$57,946,414</b>

## DEBT MANAGEMENT DIVISION

SCHEDULE OF DEBT OUTSTANDING<sup>(1)</sup> - STATUTORY BASIS (Continued)

JUNE 30, 2017

Issue Date	Outstanding June 30, 2016	FY 2017			Outstanding June 30, 2017	Low Rate (%)	High Rate (%)	Next Maturity Date	Last Maturity Date	Interest Accreted Through FY 2017 <sup>(2)</sup>	Interest Paid During FY 2017 <sup>(3)</sup>
		Issued	Retired	Refunded or Deceased							
<b>BOND TYPE: CI INCREMENT FINANCING<sup>(7)</sup></b>											
10/05/2004	\$ 4,590,000	\$ -	\$ 435,000	\$ -	\$ 4,155,000	3.700	5.000	10/15/2017	10/15/2024	\$ -	\$ 189,584
10/05/2004	1,380,000	-	1,380,000	-	-				05/01/2017	-	70,725
12/20/2006	4,140,000	-	765,000	-	3,375,000	3.750	4.000	12/15/2017	12/15/2020	-	145,373
05/22/2014	17,610,000	-	625,000	-	16,985,000	3.500	5.000	04/15/2018	04/15/2034	-	860,025
<b>SUBTOTAL</b>	<b>\$ 27,720,000</b>	<b>\$ -</b>	<b>\$ 3,205,000</b>	<b>\$ -</b>	<b>\$ 24,515,000</b>					<b>\$ -</b>	<b>\$ 1,265,706</b>
<b>BOND TYPE: CHEFA CHILDCARE FACILITIES PROGRAM<sup>(8)</sup></b>											
08/19/2011	\$ 23,400,000	\$ -	\$ 1,410,000	\$ -	\$ 21,990,000	4.500	5.000	07/01/2017	07/01/2031	\$ -	\$ 1,123,175
04/01/2015	32,560,000	-	970,000	-	31,590,000	3.000	5.000	07/01/2017	07/01/2038	-	1,317,531
<b>SUBTOTAL</b>	<b>\$ 55,960,000</b>	<b>\$ -</b>	<b>\$ 2,380,000</b>	<b>\$ -</b>	<b>\$ 53,580,000</b>					<b>\$ -</b>	<b>\$ 2,440,706</b>
<b>BOND TYPE: JUVENILE TRAINING SCHOOL<sup>(9)</sup></b>											
02/15/2001	\$ 13,005,000	\$ -	\$ 605,000	\$ -	\$ 12,400,000	4.750	5.000	12/15/2017	12/15/2030	\$ -	\$ 624,475
<b>SUBTOTAL</b>	<b>\$ 13,005,000</b>	<b>\$ -</b>	<b>\$ 605,000</b>	<b>\$ -</b>	<b>\$ 12,400,000</b>					<b>\$ -</b>	<b>\$ 624,475</b>
<b>BOND TYPE: BRADLEY INTERNATIONAL PARKING OPERATIONS</b>											
03/15/2000	\$ 30,595,000	\$ -	\$ 2,580,000	\$ -	\$ 28,015,000	6.500	6.600	07/01/2017	07/01/2024	\$ -	\$ 1,927,155
<b>SUBTOTAL</b>	<b>\$ 30,595,000</b>	<b>\$ -</b>	<b>\$ 2,580,000</b>	<b>\$ -</b>	<b>\$ 28,015,000</b>					<b>\$ -</b>	<b>\$ 1,927,155</b>
<b>BOND TYPE: CHFA SPECIAL NEEDS HOUSING BONDS<sup>(10)</sup></b>											
09/13/2007	\$ 17,740,000	\$ -	\$ 1,260,000	\$ -	\$ 16,480,000	4.500	5.000	06/15/2018	06/15/2027	\$ -	\$ 851,038
05/19/2009	28,530,000	-	1,700,000	-	26,830,000	3.625	5.000	06/15/2018	06/15/2029	-	1,217,069
10/19/2010	14,010,000	-	735,000	-	13,275,000	4.000	5.000	06/15/2018	06/15/2031	-	622,200
<b>SUBTOTAL</b>	<b>\$ 60,280,000</b>	<b>\$ -</b>	<b>\$ 3,695,000</b>	<b>\$ -</b>	<b>\$ 56,585,000</b>					<b>\$ -</b>	<b>\$ 2,690,306</b>
<b>BOND TYPE: CHFA EMERGENCY MORTGAGE ASSISTANCE PROGRAM<sup>(11)</sup></b>											
10/19/2010	\$ 23,345,000	\$ -	\$ 1,245,000	\$ -	\$ 22,100,000	3.520	5.350	06/15/2018	06/15/2030	\$ -	\$ 1,121,641
11/14/2011	16,815,000	-	830,000	-	15,985,000	3.720	5.000	06/15/2018	06/15/2031	-	775,829
<b>SUBTOTAL</b>	<b>\$ 40,160,000</b>	<b>\$ -</b>	<b>\$ 2,075,000</b>	<b>\$ -</b>	<b>\$ 38,085,000</b>					<b>\$ -</b>	<b>\$ 1,897,470</b>
<b>BOND TYPE: CRDA BONDS<sup>(12)</sup></b>											
07/21/2004	57,470,000	-	1,940,000	-	55,530,000	3.960	3.960	06/15/2018	06/15/2034	-	436,201
08/04/2005	9,580,000	-	705,000	-	8,875,000	5.000	5.000	06/15/2018	06/15/2029	-	479,000
12/16/2008	18,870,000	-	590,000	-	18,280,000	4.500	5.750	06/15/2018	06/15/2034	-	1,025,863
<b>SUBTOTAL</b>	<b>\$ 85,920,000</b>	<b>\$ -</b>	<b>\$ 3,235,000</b>	<b>\$ -</b>	<b>\$ 82,685,000</b>					<b>\$ -</b>	<b>\$ 1,941,063</b>
<b>GRAND TOTAL</b>	<b>\$ 23,209,297,314</b>	<b>\$ 4,227,870,000</b>	<b>\$ 1,818,359,988</b>	<b>\$ 921,575,000</b>	<b>\$ 24,697,232,326</b>					<b>\$ 129,761,979</b>	<b>\$ 1,034,699,665</b>

## DEBT MANAGEMENT DIVISION

**SCHEDULE OF DEBT OUTSTANDING<sup>(1)</sup> - STATUTORY BASIS (Continued)**  
**JUNE 30, 2017**

- (1) Includes all outstanding debt issued by the State of Connecticut as of June 30, 2017.
- (2) Includes interest accreted on Capital Appreciation Bonds (CABs) only. Interest on CABs accretes over the life of the bond and is paid at maturity. This amount is not included in the column shown as outstanding June 30, 2017.
- (3) Includes interest rate swap payments and variable rate bond fees.
- (4) The General Obligation Teachers' Retirement Fund Bonds were issued as taxable bonds pursuant to Public Act 07-186 to fund \$2 billion of the unfunded liability of the Connecticut Teachers' Retirement Fund, capitalized interest and cost of issuance.
- (5) The General Obligation GAAP Conversion Bonds were issued in fiscal year 2014 to fund half of the General Fund GAAP deficit at that time and commit the State to funding the balance over time through budget appropriation as part of a bond covenant.
- (6) UConn 2000 Bonds were authorized in three stages, in a total amount of \$4.3 billion over a 28 year period to be paid by the University of Connecticut from a State debt service commitment. As each series is issued, the debt service is appropriated from the State's General Fund.
- (7) Connecticut Innovations (CI) has issued tax increment bonds for certain economic development projects. The debt service on the bonds is deemed appropriated from the State's General Fund.
- (8) On July 1, 1999, the Treasurer's Office assumed the responsibility for the Connecticut Health and Educational Facilities Authority (CHEFA) Childcare debt service appropriation per Public Act 97-259.
- (9) A lease purchase financing of the heating and cooling plant at the Juvenile Training School in Middletown.
- (10) The Connecticut Housing Finance Authority (CHFA) Special Needs Housing bonds were issued pursuant to Public Act 05-280 and Public Act 05-3 for the purpose of financing costs of the Next Step Initiative. The State is required to make debt service payments on the bonds under a contract for state assistance agreement between CHFA, the State Treasurer and the Secretary of the Office of Policy and Management.
- (11) The Connecticut Housing Finance Authority (CHFA) Emergency Mortgage Assistance Program bonds were issued pursuant to Public Act 08-176 to fund the Emergency Mortgage Assistance Program. The State is required to make debt service payments on the bonds under a contract for state assistance agreement between CHFA, the State Treasurer and the Secretary of the Office of Policy and Management.
- (12) The Capital Region Development Authority (CRDA) Bonds were issued to provide funding for the Adriaen's Landing development project in Hartford. The bonds, issued in a combination of fixed and variable rate securities, have a final maturity of 2034. The State is required to make debt service payments on the bonds up to a maximum annual amount of \$9 million pursuant to a contract for financial assistance agreement between CRDA, the State Treasurer and the Secretary of the Office of Policy and Management. CRDA is required to reimburse the State for the debt service payments from net parking and central utility plant revenues.

Note 1: In accordance with Section 3-115 of the General Statutes, the State Comptroller shall provide accounting statements relating to the financial condition of the State as a whole in the same form and in the same categories as appears in the Budget Act enacted by the General Assembly. The accounting standards that were applied in this legislation and the Budget Act enacted for the 2015 fiscal year is a basis of accounting other than Generally Accepted Accounting Principles. In order to be consistent with the Comptroller's statements and the Budgetary Act, the State Treasurer has employed the same statutory basis of accounting for the presentation of this schedule.

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

## DEBT MANAGEMENT DIVISION

SCHEDULE OF AUTHORIZED AND ISSUED DEBT OUTSTANDING<sup>(1)</sup>

JUNE 30, 2017

CORE Fund No.	Name	Inception to Date		Principal Outstanding June 30, 2017	Interest Accreted Through Fiscal Year 2017 <sup>(2)</sup>	Outstanding Incl. Accreted Interest June 30, 2017
		Amount Authorized	Amount Issued			
<b>BOND TYPE: GENERAL OBLIGATION-TAX SUPPORTED</b>						
12033	ECONOMIC DEVELOPMENT FUND	154,930,000	\$140,430,000	\$31,000,000	\$ -	\$31,000,000
12034	ECONOMIC DEVELOPMENT ASSISTANCE	1,526,800,000	1,274,514,575	543,137,134	-	543,137,134
12036	ECONOMIC STABILIZATION FUND	95,000,000	95,000,000	8,537,294	-	8,537,294
12050	LOCAL CAPITAL IMPROVEMENT FUND	825,000,000	825,000,000	232,703,000	-	232,703,000
12051	CAPITAL EQUIPMENT PURCHASE FUND	502,540,000	467,408,375	55,578,947	-	55,578,947
12052	GRANTS TO LOCAL GOVTS. & OTHERS	4,305,820,891	3,051,815,181	1,088,049,910	-	1,088,049,910
12055	HOUSING HOMELESS PERSONS	33,511,280	7,488,825	393,129	-	393,129
12059	HARTFORD REDEVELOPMENT	491,880,000	491,880,000	16,070,000	-	16,070,000
12063	HOUSING BONDS	1,134,382,689	882,353,647	290,013,412	-	290,013,412
12066	DECD - HOUSING TRUST FUND	285,000,000	185,658,405	79,748,405	-	79,748,405
12067	CT BIOSCIENCE COLLABORATION PROGRAM	241,205,000	200,639,000	89,839,000	-	89,839,000
12068	CT BIOSCIENCE INNOVATION FUND	50,000,000	20,000,000	20,000,000	-	20,000,000
13009	SCHOOL CONSTRUCTION	1,854,139,500	1,854,138,500	5,100,000	-	5,100,000
13010	MAGNET SCHOOLS	9,810,130,770	9,348,930,719	4,609,341,025	-	4,609,341,025
13015	AGRICULTURAL LAND PRESERVATION	165,250,000	114,498,716	30,000,000	-	30,000,000
13019	GRANTS FOR URBAN ACTION	1,584,487,544	1,431,456,642	415,577,088	-	415,577,088
13048	CSUS 2020 FUND INFRASTRUCTURE PROGRAM	808,500,000	765,138,723	667,848,723	-	667,848,723
17001	GENERAL STATE PURPOSES	303,906,294	303,974,512	20,520,363	-	20,520,363
17011	GENERAL STATE PURPOSES	564,326,029	551,032,612	46,678,157	-	46,678,157
17021	GENERAL STATE PURPOSES	443,943,095	445,038,198	5,903,752	-	5,903,752
17041	GENERAL STATE PURPOSES	249,581,385	249,332,976	53,028,830	-	53,028,830
17051	GENERAL STATE PURPOSES	175,929,116	175,929,116	22,951,601	-	22,951,601
17061	GENERAL STATE PURPOSES	168,994,995	168,636,646	137,456,895	-	137,456,895
17071	GENERAL STATE PURPOSES	341,194,304	333,365,798	198,957,088	-	198,957,088
17081	GENERAL STATE PURPOSES	220,188,336	200,294,513	184,107,265	-	184,107,265
17091	GENERAL STATE PURPOSES	11,600,000	11,600,000	11,600,000	-	11,600,000
17101	GENERAL STATE PURPOSES	19,138,454	16,138,454	15,038,454	-	15,038,454
17111	GENERAL STATE PURPOSES	67,878,234	63,098,403	51,678,403	-	51,678,403
17121	GENERAL STATE PURPOSES	316,205,723	279,504,613	237,043,490	-	237,043,490
17131	GENERAL STATE PURPOSES	605,424,338	425,534,973	425,534,973	-	425,534,973
17141	GENERAL STATE PURPOSES	309,273,261	228,616,533	177,864,211	-	177,864,211
17151	GENERAL STATE PURPOSES	447,048,127	228,100,039	225,205,039	-	225,205,039
17161	GENERAL STATE PURPOSES	358,313,300	97,360,908	97,360,908	-	97,360,908
17171	GENERAL STATE PURPOSES	521,072,176	104,646,508	104,646,508	-	104,646,508
17861	GENERAL STATE PURPOSES	119,859,926	119,463,359	8,200,000	-	8,200,000
17891	GENERAL STATE PURPOSES	416,558,089	414,478,686	2,540,000	-	2,540,000
17931	GENERAL STATE PURPOSES	628,254,036	626,235,971	10,500,000	-	10,500,000
17961	GENERAL STATE PURPOSES	262,574,910	260,374,910	4,703,097	-	4,703,097
17971	GENERAL STATE PURPOSES	195,280,711	191,057,040	2,514,933	-	2,514,933
17981	GENERAL STATE PURPOSES	208,069,445	208,049,656	1,205,000	-	1,205,000
17991	GENERAL STATE PURPOSES	291,703,004	280,897,814	44,773,966	-	44,773,966

## DEBT MANAGEMENT DIVISION

SCHEDULE OF AUTHORIZED AND ISSUED DEBT OUTSTANDING<sup>(1)</sup> (Continued)

JUNE 30, 2017

CORE Fund No.	Name	Inception to Date		Principal Outstanding June 30, 2017	Interest Accreted Through Fiscal Year 2017 <sup>(2)</sup>	Outstanding Incl. Accreted Interest June 30, 2017
		Amount Authorized	Amount Issued			
21014	CLEAN WATER FUND	1,558,132,510	1,052,348,884	313,434,072	-	313,434,072
59999	GENERAL OBLIGATION BOND ANTICIPATION NOTES ROLLOVER FUND <sup>(3)(4)</sup>	-	1,334,330,000	582,900,000	-	582,900,000
	GENERAL OBLIGATION REFUNDING BONDS SERIES 2005 B <sup>(4)</sup>	-	335,550,000	242,790,000	-	242,790,000
	GENERAL OBLIGATION REFUNDING BONDS SERIES 2009 C <sup>(4)</sup>	-	74,215,000	8,415,000	-	8,415,000
	GENERAL OBLIGATION REFUNDING BONDS SERIES 2010 C <sup>(4)</sup>	-	258,235,000	125,215,000	-	125,215,000
	GENERAL OBLIGATION REFUNDING BONDS SERIES 2010 D <sup>(4)</sup>	-	47,035,000	42,375,000	-	42,375,000
	GENERAL OBLIGATION REFUNDING BONDS SERIES 2011 E <sup>(4)</sup>	-	150,820,000	2,610,000	-	2,610,000
	GENERAL OBLIGATION REFUNDING BONDS SERIES 2012 C <sup>(4)</sup>	-	523,245,000	439,580,000	-	439,580,000
	GENERAL OBLIGATION REFUNDING BONDS SERIES 2014 C <sup>(4)</sup>	-	822,225,000	330,850,000	-	330,850,000
	GENERAL OBLIGATION REFUNDING BONDS SERIES 2014 H <sup>(4)</sup>	-	256,620,000	236,590,000	-	236,590,000
	GENERAL OBLIGATION SIFMA REFUNDING BONDS SERIES 2015 D <sup>(4)</sup>	-	180,745,000	110,035,000	-	110,035,000
	GENERAL OBLIGATION REFUNDING BONDS SERIES 2016 B <sup>(4)</sup>	-	501,440,000	501,440,000	-	501,440,000
	GENERAL OBLIGATION REFUNDING BONDS SERIES 2016 G <sup>(4)</sup>	-	327,440,000	327,440,000	-	327,440,000
	GENERAL OBLIGATION REFUNDING BONDS SERIES 2017 B <sup>(4)</sup>	-	197,025,000	197,025,000	-	197,025,000
	GENERAL OBLIGATION SIFMA REFUNDING BONDS SERIES 2017 B <sup>(4)</sup>	-	134,865,000	134,865,000	-	134,865,000
<b>SUBTOTAL</b>		<b>\$32,673,027,472</b>	<b>\$33,345,253,431</b>	<b>\$13,868,514,072</b>	<b>\$ -</b>	<b>\$13,868,514,072</b>
<b>BOND TYPE: GENERAL OBLIGATION TEACHERS' RETIREMENT FUND BONDS<sup>(5)</sup></b>						
31006	TEACHER'S RETIREMENT FUND GO BONDS TAXABLE SERIES 2008	\$2,276,578,271	\$2,276,578,271	\$2,217,393,254	\$129,761,979	\$2,347,155,233
	TAXABLE GO TEACHER'S RETIREMENT REFUNDING BONDS	-	10,590,000	10,590,000	-	10,590,000
<b>SUBTOTAL</b>		<b>\$2,276,578,271</b>	<b>\$2,287,168,271</b>	<b>\$2,227,983,254</b>	<b>\$129,761,979</b>	<b>\$2,357,745,233</b>
<b>BOND TYPE: ECONOMIC RECOVERY NOTES</b>						
	2013 ERN REFUNDING <sup>(4)</sup>	\$ -	\$61,610,000	\$20,620,000	\$ -	\$20,620,000
	2014 ERN REFUNDING <sup>(4)</sup>	-	314,295,000	156,500,000	-	156,500,000
<b>SUBTOTAL</b>		<b>\$ -</b>	<b>\$375,905,000</b>	<b>\$177,120,000</b>	<b>\$ -</b>	<b>\$177,120,000</b>
<b>BOND TYPE: GENERAL OBLIGATION GAAP CONVERSION BONDS<sup>(6)</sup></b>						
50001	GAAP CONVERSION BONDS	\$560,430,000	\$560,430,000	\$494,535,000	\$ -	\$494,535,000
<b>SUBTOTAL</b>		<b>\$560,430,000</b>	<b>\$560,430,000</b>	<b>\$494,535,000</b>	<b>\$ -</b>	<b>\$494,535,000</b>
<b>BOND TYPE: SPECIAL TAX OBLIGATION</b>						
13033	INFRASTRUCTURE IMPROVEMENT	\$14,704,174,710	\$10,720,170,752	\$4,207,805,000	\$ -	\$4,207,805,000
14005	SPECIAL TAX OBLIGATION REFUNDING BONDS <sup>(4)</sup>	-	1,827,035,000	834,035,000	-	834,035,000
<b>SUBTOTAL</b>		<b>\$14,704,174,710</b>	<b>\$12,547,205,752</b>	<b>\$5,041,840,000</b>	<b>\$ -</b>	<b>\$5,041,840,000</b>



## DEBT MANAGEMENT DIVISION

SCHEDULE OF AUTHORIZED AND ISSUED DEBT OUTSTANDING<sup>(1)</sup> (Continued)

JUNE 30, 2017

CORE Fund No.	Name	Inception to Date		Principal Outstanding June 30, 2017	Interest Accreted Through Fiscal Year 2017 <sup>(2)</sup>	Outstanding Incl. Accreted Interest June 30, 2017
		Amount Authorized	Amount Issued			
<b>BOND TYPE: BRADLEY INTERNATIONAL AIRPORT</b>						
	BRADLEY AIRPORT GENERAL REVENUE REFUNDING BONDS <sup>(4)</sup>	\$ -	\$183,020,000	\$116,290,000	\$ -	\$116,290,000
<b>SUBTOTAL</b>		<b>\$ -</b>	<b>\$183,020,000</b>	<b>\$116,290,000</b>	<b>\$ -</b>	<b>\$116,290,000</b>
<b>BOND TYPE: CLEAN WATER FUND</b>						
21015	CLEAN WATER FUND -FEDERAL ACCOUNT	\$3,076,597,442	\$2,010,507,408	\$653,093,100	\$ -	\$653,093,100
21018	DRINKING WATER FUND FEDERAL REVOLVING CLEAN WATER REFUNDING <sup>(4)</sup>	298,982,558	206,082,592	114,216,900	-	114,216,900
		-	618,430,000	202,780,000	-	202,780,000
<b>SUBTOTAL</b>		<b>\$3,375,580,000</b>	<b>\$2,835,020,000</b>	<b>\$970,090,000</b>	<b>\$ -</b>	<b>\$970,090,000</b>
<b>BOND TYPE: UCONN 2000<sup>(7)</sup></b>						
13045	UCONN 2000	\$2,775,777,147	\$2,673,377,147	\$1,272,665,000	\$ -	\$1,272,665,000
	UCONN 2000 REFUNDING BONDS <sup>(4)</sup>	-	685,190,000	232,330,000	-	232,330,000
<b>SUBTOTAL</b>		<b>\$2,775,777,147</b>	<b>\$3,358,567,147</b>	<b>\$1,504,995,000</b>	<b>\$ -</b>	<b>\$1,504,995,000</b>
<b>BOND TYPE: CI INCREMENT FINANCING<sup>(8)</sup></b>						
	CI CABELAS'S INC. TAX INCREMENTAL FINANCING	\$9,950,000	\$9,825,000	\$3,375,000	\$ -	\$3,375,000
	CI BASS PRO SHOPS TAX INCREMENTAL FINANCING	22,000,000	18,885,000	16,985,000	-	16,985,000
	CI REFUNDING BONDS SERIES A, B & C <sup>(4)</sup>	-	22,435,000	4,155,000	-	4,155,000
<b>SUBTOTAL</b>		<b>\$31,950,000</b>	<b>\$51,145,000</b>	<b>\$24,515,000</b>	<b>\$ -</b>	<b>\$24,515,000</b>
<b>BOND TYPE: CHEFA CHILDCARE FACILITIES PROGRAM<sup>(9)</sup></b>						
	CHEFA CHILDCARE REFUNDING BONDS SERIES 2011 <sup>(4)</sup>	\$ -	\$28,840,000	\$21,990,000	\$ -	\$21,990,000
	CHEFA CHILDCARE REFUNDING BONDS SERIES 2015 <sup>(4)</sup>	-	33,475,000	31,590,000	-	31,590,000
<b>SUBTOTAL</b>		<b>\$ -</b>	<b>\$62,315,000</b>	<b>\$53,580,000</b>	<b>\$ -</b>	<b>\$53,580,000</b>
<b>BOND TYPE: JUVENILE TRAINING SCHOOL<sup>(10)</sup></b>						
88800	CT JUVENILE TRAINING SCHOOL ENERGY CENTER PROJECT	\$ -	\$19,165,000	\$12,400,000	\$ -	\$12,400,000
<b>SUBTOTAL</b>		<b>\$ -</b>	<b>\$19,165,000</b>	<b>\$12,400,000</b>	<b>\$ -</b>	<b>\$12,400,000</b>
<b>BOND TYPE: BRADLEY INTERNATIONAL PARKING OPERATIONS</b>						
21008	BRADLEY INTERNATIONAL PARKING OPERATIONS	\$55,000,000	\$53,800,000	\$28,015,000	\$ -	\$28,015,000
<b>SUBTOTAL</b>		<b>\$55,000,000</b>	<b>\$53,800,000</b>	<b>\$28,015,000</b>	<b>\$ -</b>	<b>\$28,015,000</b>
<b>BOND TYPE: CHFA SPECIAL NEEDS HOUSING BONDS<sup>(11)</sup></b>						
12060	CHFA SUPPORTIVE HOUSING BONDS	\$85,000,000	\$83,540,000	\$56,585,000	\$ -	\$56,585,000
<b>SUBTOTAL</b>		<b>\$85,000,000</b>	<b>\$83,540,000</b>	<b>\$56,585,000</b>	<b>\$ -</b>	<b>\$56,585,000</b>
<b>BOND TYPE: CHFA EMERGENCY MORTGAGE ASSISTANCE PROGRAM<sup>(12)</sup></b>						
15999	CHFA EMERGENCY MORTGAGE ASSISTANCE PROGRAM	\$50,000,000	\$50,000,000	\$38,085,000	\$ -	\$38,085,000
<b>SUBTOTAL</b>		<b>\$50,000,000</b>	<b>\$50,000,000</b>	<b>\$38,085,000</b>	<b>\$ -</b>	<b>\$38,085,000</b>

**DEBT MANAGEMENT DIVISION**

**SCHEDULE OF AUTHORIZED AND ISSUED DEBT OUTSTANDING<sup>(1)</sup> (Continued)**

**JUNE 30, 2017**

CORE Fund No.	Name	Inception to Date		Principal Outstanding June 30, 2017	Interest Accreted Through Fiscal Year 2017 <sup>(2)</sup>	Outstanding Incl. Accreted Interest June 30, 2017
		Amount Authorized	Amount Issued			
<b>BOND TYPE: CRDA BONDS<sup>(13)</sup></b>						
12060	CAPITAL REGION DEVELOPMENT AUTHORITY	\$ -	\$110,000,000	\$82,685,000	\$ -	\$82,685,000
<b>SUBTOTAL</b>		<b>\$ -</b>	<b>\$110,000,000</b>	<b>\$82,685,000</b>	<b>\$ -</b>	<b>\$82,685,000</b>
<b>GRAND TOTAL</b>		<b>\$56,587,517,599</b>	<b>\$55,922,534,601</b>	<b>\$24,697,232,326</b>	<b>\$129,761,979</b>	<b>\$24,826,994,305</b>

## DEBT MANAGEMENT DIVISION

SCHEDULE OF AUTHORIZED AND ISSUED DEBT OUTSTANDING<sup>(1)</sup> (Continued)

JUNE 30, 2017

- (1) Includes all outstanding debt issued by the State of Connecticut as of June 30, 2017. All debt except refunding issues is authorized by the General Assembly and the State Bond Commission prior to issuance. Total amount issued includes refunding issues for which no additional authorization is required.
- (2) Includes interest accreted on Capital Appreciation Bonds (CABs) only. Interest on CABs accretes over the life of the bond and is paid at maturity. This amount is not included in the principal outstanding as of June 30, 2017.
- (3) On April 28, 2009, the State issued \$581,245,000 Bond Anticipation Notes (BANs) Series A and Series B. On April 28, 2010, \$353,085,000 Bond Anticipation Notes (BANs) were issued to pay down the 2009 Series A BANs maturing on April 28, 2010. The 2009 B and 2010 A BANs were refunded with General Obligation Bonds on May 19, 2011 and May 31, 2011. On February 25, 2015 \$400,000,000 Bond Anticipation Notes (BANs) Series A were issued. On March 25, 2015 \$400,000,000 General Obligation Bonds 2015 A & 2015 A Taxable were issued and used to retire the 2015A BANs.
- (4) Refunding issues. Proceeds were used to refund other bonds reducing overall debt service expense.
- (5) The General Obligation Teachers' Retirement Fund Bonds were issued as taxable bonds pursuant to Public Act 07-186 to fund \$2 billion of the unfunded liability of the Connecticut Teachers' Retirement Fund, capitalized interest and costs of issuance.
- (6) The General Obligation GAAP Conversion Bonds were issued in fiscal year 2014 to fund half of the General Fund GAAP deficit at that time and commit the State to funding the balance over time through budget appropriation as part of a bond covenant.
- (7) UConn 2000 Bonds were authorized in three stages in a total amount of \$4.3 billion over a 28 year period to be paid by the University of Connecticut from a State debt service commitment. As each series is issued, the debt service is appropriated from the State's General Fund.
- (8) Connecticut Innovations (CI), has issued tax increment bonds for certain economic development projects. The debt service on the bonds is deemed appropriated from the State's General Fund.
- (9) On July 1, 1999, the Treasurer's Office assumed the responsibility for the Connecticut Health and Educational Facilities Authority (CHEFA) Childcare debt service appropriation per Public Act 97-259.
- (10) A lease purchase financing of the heating and cooling plant at the Juvenile Training School in Middletown.
- (11) The Connecticut Housing Finance Authority (CHFA) Special Needs Housing bonds were issued pursuant to Public Act 05-280 and Public Act 05-3 for the purpose of financing costs of the Next Step initiative. The State is required to make debt service payments on the bonds under a contract for state assistance agreement between CHFA, the State Treasurer and the Secretary of the Office of Policy and Management.
- (12) The Connecticut Housing Finance Authority (CHFA) Emergency Mortgage Assistance Program bonds were issued pursuant to Public Act 08-176 to fund the Emergency Mortgage Assistance Program. The State is required to make debt service payments on the bonds under a contract for state assistance agreement between CHFA, the Treasurer and the Secretary of the Office of Policy and Management.
- (13) The Capital Region Development Authority (CRDA) Bonds were issued to provide funding for the Adriaen's Landing development project in Hartford. The bonds, issued in a combination of fixed rate and variable rate securities, have a final maturity of 2034. The State is required to make debt service payments on the bonds up to a maximum amount of \$9 million pursuant to a contract for financial assistance agreement between CRDA, the State Treasurer and the Secretary of the Office of Policy and Management. CRDA is required to reimburse the State for the debt service payments from net parking and central utility plant revenues.

**CASH MANAGEMENT DIVISION**

**CIVIL LIST FUNDS  
SCHEDULE OF INVESTMENTS (1)(2)  
FISCAL YEAR ENDED JUNE 30, 2017  
PRESENTED UNDER STATUTORY BASIS OF ACCOUNTING (4) (5)**

Legal No.	Type	GAAP No.	Type	Fund Name	STIF Investments 6/30/17	Investments with Treasurer as Trustee		Investments with Others as Trustee		Total
						Short-Term 6/30/17	Long-Term 6/30/17	Short-Term 6/30/17	Long-Term 6/30/17	
<b>GENERAL FUND<sup>(3)</sup></b>										
11000	Gen. Fund	1100	Gen. Fund	General Fund	\$671,702,742.68	\$333,984,356.63 <sup>(2)</sup>	\$-	\$-	\$1,005,687,099.31	
<b>SUBTOTAL GENERAL FUND</b>					<b>\$671,702,742.68</b>	<b>\$333,984,356.63</b>	<b>\$-</b>	<b>\$-</b>	<b>\$1,005,687,099.31</b>	
<b>SPECIAL REVENUE FUNDS</b>										
12001	Spec. Rev.	1201	Spec. Rev.	Transportation	\$31,420,966.10	\$-	\$-	\$-	\$31,420,966.10	
12005	Spec. Rev.	1215	Spec. Rev.	Probate Court Administration	14,382,014.13				14,382,014.13	
12012	Spec. Rev.	1215	Spec. Rev.	Municipal Employees Retirement Administration	939,640.59				939,640.59	
12013	Spec. Rev.	1208	Spec. Rev.	Regional Market Operation	97,934.31				97,934.31	
12016	Spec. Rev.	1213	Spec. Rev.	Recreation and Natural Heritage Trust Fund	1,556,407.40				1,556,407.40	
12018	Spec. Rev.	2107	Enterprise	University Health Center Operating Fund	68,032.02				68,032.02	
12021	Spec. Rev.	1215	Spec. Rev.	Grants - Tax Exempt Proceeds	3,455,525.11				3,455,525.11	
12023	Spec. Rev.	2107	Enterprise	University Health Center Research Foundation	35,068,912.05				35,068,912.05	
12032	Spec. Rev.	1210	Spec. Rev.	Employment Security - Special Administration	41,745.97				41,745.97	
12035	Spec. Rev.	1212	Spec. Rev.	Economic Assistance Revolving Fund	27,381,202.26				27,381,202.26	
12038	Spec. Rev.	1212	Spec. Rev.	Individual Development Account Reserve Fund		\$49,594.85			49,594.85	
12047	Spec. Rev.	1212	Spec. Rev.	Child Care Facilities	224,132.18				224,132.18	
12050	Spec. Rev.	1212	Spec. Rev.	Local Capital Improvements Fund	28,326,301.12				28,326,301.12	
12051	Spec. Rev.	1215	Spec. Rev.	Capital Equipment Purchases Fund	32,940,574.29				32,940,574.29	
12052	Spec. Rev.	1212	Spec. Rev.	Grants to Local Governments and Others	3,975,428.18				3,975,428.18	
12053	Spec. Rev.	1211	Spec. Rev.	Economic Development and Other Grants	759,824.61				759,824.61	
12060	Spec. Rev.	1211	Spec. Rev.	Federal And Other Restricted Accounts	872,866.64				872,866.64	
12062	Spec. Rev.	1211	Spec. Rev.	Transportation Grants And Restricted Accounts	114,079.28				114,079.28	
12065	Spec. Rev.	1214	Spec. Rev.	Housing Assistance Bond Fund - Tax Exempt	86,647,159.15				86,647,159.15	
12069	Spec. Rev.	1214	Spec. Rev.	Housing Trust Fund - Taxable	280.08				280.08	
<b>SUBTOTAL SPECIAL REVENUE FUNDS</b>					<b>\$268,183,025.47</b>	<b>\$49,594.85</b>	<b>\$-</b>	<b>\$-</b>	<b>\$268,232,620.32</b>	
<b>CAPITAL PROJECTS FUNDS</b>										
13009	Cap. Proj.	1212	Spec. Rev.	School Construction	\$3,879,770.86				\$3,879,770.86	
13010	Cap. Proj.	1212	Spec. Rev.	School Construction - Magnet Schools	176,022,269.73				176,022,269.73	
13019	Cap. Proj.	1212	Spec. Rev.	Community Conservation and Development	148,009,834.39				148,009,834.39	
13033	Cap. Proj.	1212	Spec. Rev.	Infrastructure Improvement Fund	268,299,450.52				268,299,450.52	
13042	Cap. Proj.	1302	Cap. Proj.	University and State University Facilities	1,447,786.22				1,447,786.22	
13048	Cap. Proj.	1301	Cap. Proj.	CSUS 2020	223,109,080.42				223,109,080.42	
17001	Cap. Proj.	1301	Cap. Proj.	Capital Improvements and Other Purposes	3,538,339.77				3,538,339.77	
17011	Cap. Proj.	1301	Cap. Proj.	Capital Improvements and Other Purposes	8,331,508.85				8,331,508.85	
17021	Cap. Proj.	1301	Cap. Proj.	Capital Improvements and Other Purposes	3,671,484.44				3,671,484.44	
17041	Cap. Proj.	1301	Cap. Proj.	Capital Improvements and Other Purposes	6,502,673.30				6,502,673.30	
17051	Cap. Proj.	1301	Cap. Proj.	Capital Improvements and Other Purposes	1,741,573.53				1,741,573.53	
17061	Cap. Proj.	1301	Cap. Proj.	Capital Improvements and Other Purposes	5,485,967.52				5,485,967.52	
17071	Cap. Proj.	1301	Cap. Proj.	Capital Improvements and Other Purposes	25,886,264.93				25,886,264.93	
17081	Cap. Proj.	1301	Cap. Proj.	Capital Improvements and Other Purposes	5,088,021.46				5,088,021.46	
17091	Cap. Proj.	1301	Cap. Proj.	Capital Improvements and Other Purposes	6,351.22				6,351.22	
17101	Cap. Proj.	1301	Cap. Proj.	Capital Improvements and Other Purposes	2,307,454.82				2,307,454.82	
17111	Cap. Proj.	1301	Cap. Proj.	Capital Improvements and Other Purposes	8,237,914.13				8,237,914.13	
17121	Cap. Proj.	1301	Cap. Proj.	Capital Improvements and Other Purposes	22,999,601.81				22,999,601.81	
17141	Cap. Proj.	1301	Cap. Proj.	Capital Improvements and Other Purposes	40,570,161.01				40,570,161.01	
17151	Cap. Proj.	1301	Cap. Proj.	Capital Improvements and Other Purposes	59,041,875.23				59,041,875.23	
17161	Cap. Proj.	1301	Cap. Proj.	Capital Improvements and Other Purposes	5,719,416.58				5,719,416.58	
17171	Cap. Proj.	1302	Cap. Proj.	Capital Improvements and Other Purposes	92,773,392.74				92,773,392.74	
17831	Cap. Proj.	1301	Cap. Proj.	Capital Improvements and Other Purposes	3,021,978.87				3,021,978.87	
17851	Cap. Proj.	1301	Cap. Proj.	Capital Improvements and Other Purposes	2,594,200.63				2,594,200.63	

**CASH MANAGEMENT DIVISION**

**CIVIL LIST FUNDS  
SCHEDULE OF INVESTMENTS (1) (2)  
FISCAL YEAR ENDED JUNE 30, 2017  
PRESENTED UNDER STATUTORY BASIS OF ACCOUNTING (4) (5)**

Legal No.	Type	GAAP No.	Type	Fund Name	STIF Investments 6/30/17	Investments with Treasurer as Trustee 6/30/17		Investments with Others as Trustee 6/30/17		Total
						Short-Term 6/30/17	Long-Term 6/30/17	Short-Term 6/30/17	Long-Term 6/30/17	
17861	Cap. Proj.	1301	Cap. Proj.	Capital Improvements and Other Purposes	8,061,559.47	\$-	\$-	\$-	\$-	8,061,559.47
17871	Cap. Proj.	1301	Cap. Proj.	Capital Improvements and Other Purposes	3,836.87	\$-	\$-	\$-	\$-	3,836.87
17891	Cap. Proj.	1301	Cap. Proj.	Capital Improvements and Other Purposes	602,565.19	\$-	\$-	\$-	\$-	602,565.19
17901	Cap. Proj.	1301	Cap. Proj.	Capital Improvements and Other Purposes	969,704.27	\$-	\$-	\$-	\$-	969,704.27
17921	Cap. Proj.	1301	Cap. Proj.	Capital Improvements and Other Purposes	1,529,705.86	\$-	\$-	\$-	\$-	1,529,705.86
17951	Cap. Proj.	1301	Cap. Proj.	Capital Improvements and Other Purposes	1,213,139.71	\$-	\$-	\$-	\$-	1,213,139.71
17961	Cap. Proj.	1301	Cap. Proj.	Capital Improvements and Other Purposes	897,342.67	\$-	\$-	\$-	\$-	897,342.67
17971	Cap. Proj.	1301	Cap. Proj.	Capital Improvements and Other Purposes	1,940,820.55	\$-	\$-	\$-	\$-	1,940,820.55
17991	Cap. Proj.	1301	Cap. Proj.	Capital Improvements and Other Purposes	7,160,589.57	\$-	\$-	\$-	\$-	7,160,589.57
<b>SUBTOTAL CAPITAL PROJECTS FUNDS</b>					<b>\$1,140,665,637.14</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$1,140,665,637.14</b>
<b>DEBT SERVICE FUNDS</b>										
14001	Debt Service	2106	Enterprise	University Bond Liquidation	\$ 20.42	\$-	\$-	\$-	\$-	20.42
14002	Debt Service	2109	Enterprise	State University Dormitory	77,371,307.35	\$-	\$-	\$-	\$-	77,371,307.35
14005	Debt Service	1401	Debt Service	Transportation Fund Reserve	690,069,376.16 (6)	\$-	\$-	137,782,700.00	\$-	827,852,076.16
<b>SUBTOTAL DEBT SERVICE FUNDS</b>					<b>\$767,440,703.93</b>	<b>\$-</b>	<b>\$-</b>	<b>\$137,782,700.00</b>	<b>\$-</b>	<b>\$905,223,403.93</b>
<b>ENTERPRISE FUNDS</b>										
21008	Enterprise	2110	Enterprise	Bradley International Parking Operations	\$15,736,248.58 (6)	\$-	\$-	\$-	\$-	15,736,248.58
21009	Enterprise	2101	Enterprise	Bradley International Airport Operations	196,973,121.29 (6)	\$-	\$-	\$-	\$-	196,973,121.29
21011	Enterprise	1212	Spec.Rev.	Local Bridge Revolving Fund - Revenue Financed	1,778,727.08	\$-	\$-	\$-	\$-	1,778,727.08
21014	Enterprise	1213	Spec.Rev.	Clean Water Fund - State	7,532,042.92 (7)	\$-	\$-	1,130,000.00 (7)	\$-	9,112,042.92
21015	Enterprise	2105	Non-Exp.	Clean Water Fund - Federal	502,558,667.40 (9)	\$-	\$-	91,064,132.74 (8)	\$-	639,314,443.25
21016	Enterprise	1213	Spec.Rev.	Clean Water Fund - Long Island Sound	3,682,479.64	\$-	\$-	\$-	\$-	3,682,479.64
21018	Enterprise	2111	Spec.Rev.	Drinking Water Fund - Federal Revolving Loan	148,976,097.19 (6)	\$-	\$-	4,528,376.71 (8)	\$-	165,500,765.13
<b>SUBTOTAL ENTERPRISE FUNDS</b>					<b>\$877,237,384.10</b>	<b>\$-</b>	<b>\$-</b>	<b>\$96,042,509.45</b>	<b>\$58,817,934.34</b>	<b>\$1,032,097,827.89</b>
<b>FIDUCIARY FUNDS</b>										
31001	Pension	3103	Pension	State Employees' Retirement Fund	\$-	\$407,390,596.12	\$11,547,983,983.88 (10)	\$-	\$-	\$11,955,374,580.00
31002	Pension	3105	Pension	State Attorneys' Retirement Fund	\$-	23,796.24	1,774,696.76 (10)	\$-	\$-	1,798,493.00
31004	Pension	3106	Pension	Judges and Compensation Commissioners' Retirement Fund	\$-	5,792,819.78	204,229,429.22 (10)	\$-	\$-	210,022,249.00
31006	Pension	3104	Pension	Teachers' Retirement Fund	\$-	878,966,292.38	16,247,836,180.62 (10)	\$-	\$-	17,126,802,473.00
31008	Pension	3107	Pension	Municipal Employees' Retirement Fund	\$-	66,770,896.19	2,374,532,502.81 (10)	\$-	\$-	2,441,303,399.00
31009	Other Em. Benefits	3102	Agency	Police and Firemen Survivors' Benefit Fund	\$-	948,048.25	31,400,823.75 (10)	\$-	\$-	32,348,872.00
31010	Pension	3108	Pension	Probate Judges and Employees Retirement Fund	\$-	2,389,961.54	92,657,791.46 (10)	\$-	\$-	95,047,753.00
31012	Other Em. Benefits	3101	Agency	State Employee OPEB Fund	\$-	19,367,558.48	550,072,746.52 (10)	\$-	\$-	569,440,305.00
35010	Fiduciary	1502	Permanent	OPEB Teachers' Fund	\$-	\$-	\$-	\$-	\$-	\$-
35011	Fiduciary	1501	Non-Exp.	Connecticut Arts Endowment Fund	58,327,377.91	591,158.48	19,362,286.52 (10)	\$-	\$-	58,327,377.91
35014	Fiduciary	2103	Exp. Trust	Soldiers, Sailors and Marines Trust Fund	\$-	1,762,760.96	74,138,414.04 (10)	\$-	\$-	19,953,445.00
35015	Fiduciary	2107	Enterprise	Unemployment Compensation Fund	\$-	\$-	\$-	482,330,114.64 (11)	\$-	75,901,175.00
35016	Fiduciary	3405	Exp. Trust	John Dempsey Hospital Malpractice Trust Fund	\$-	\$-	\$-	\$-	\$-	482,330,114.64
35016	Fiduciary	3405	Exp. Trust	CHET Administrative Fund	278,000.00	\$-	\$-	\$-	\$-	278,000.00
<b>SUBTOTAL FIDUCIARY FUNDS</b>					<b>\$64,020,858.02</b>	<b>\$1,384,003,888.42</b>	<b>\$31,143,988,855.58</b>	<b>\$482,330,114.64</b>	<b>\$-</b>	<b>\$33,074,343,716.66</b>
<b>TOTAL CIVIL LIST FUNDS</b>					<b>\$3,789,250,351.34</b>	<b>\$1,717,988,245.05</b>	<b>\$31,144,038,450.43</b>	<b>\$578,372,624.09</b>	<b>\$196,600,634.34</b>	<b>\$37,426,250,305.25(9)</b>

**CASH MANAGEMENT DIVISION**

**CIVIL LIST FUNDS**

**SCHEDULE OF INVESTMENTS <sup>(1)</sup> <sup>(2)</sup> (Continued)**

**FISCAL YEAR ENDED JUNE 30, 2017**

- (1) Detailed information on the adjusted cash balances and total STIF balances within each individual fund can be obtained from the Comptroller's Annual Report.
- (2) Short-term investments shown at amortized cost which, due to their short-term nature, approximates market.
- (3) Represents assets of the Common Cash Pool which is not a component of the General Fund. The Common Cash Pool is comprised of the investable balances of a number of individual funds and, for purposes of administration only, is shown as an investment of the General Fund. The General Fund is commonly in a net borrowing position from the resources of the other funds within the pool.
- (4) In accordance with Section 3-115 of the General Statutes, the State Comptroller shall provide accounting statements relating to the financial condition of the State as a whole, in the same form and in the same categories as appears in the budget act enacted by the General Assembly. The Budget Act enacted for the 2017 fiscal year is presented on a comprehensive basis of accounting other than general accepted accounting principals.  
  
In order to be consistent with the Comptroller's statements and the Budgetary Act, the State Treasurer has employed the same comprehensive basis of accounting for the presentation of the Civil List Funds Schedule of Investments
- (5) GAAP accounting requires that investment balances be presented to include the accrued interest earned. This manner of presentation is not used for the statutory basis presentation.
- (6) Short-term investments consist of STIF Accounts held by US Bank as Trustee. Investments are held by US Bank as Trustee. For description of the program, see Debt Management Division.
- (7) Short-term and Long-term investments consist of State of Connecticut General Obligation Bonds, which are shown at par. Investments are held by US Bank as Trustee. For description of the program, see Debt Management Division.
- (8) Short-term and Long-term investments consist of Money Market Funds, State of Connecticut General Obligation Bonds and GICs. Both short-term and long-term investments are held by US Bank as Trustee. For description of program, see Debt Management Division.
- (9) STIF Investments consist of both Treasury directed and trustee directed accounts
- (10) Represents market or fair value of shares held by various retirement plans in the Treasurer's Combined Investment Funds.
- (11) Cash on deposit with Federal Government.
- (12) Investments bank deposit instruments.
- (13) Information on cash balances can be obtained from the Comptroller's Annual Report.

**CASH MANAGEMENT DIVISION**

**SECURITIES HELD IN TRUST FOR POLICYHOLDERS**

**JUNE 30, 2017**

<b>Name of Insurance Company</b>	<b>Par Amount of Collateral</b>	<b>Market Value</b>
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The following securities are on deposit with the State Treasurer for the Insurance Department under Sec 38a-83:

ACE Life Insurance Company	\$ 2,650,000.00	\$ 2,660,192.65
Aetna Better Health, Inc.	500,000.00	496,545.42
Aetna Health and Life Insurance Company	3,075,000.00	3,098,287.30
Aetna Health Inc. (CT)	525,000.00	542,115.78
Aetna Insurance Company of Connecticut	2,550,000.00	2,578,035.59
Aetna Life Insurance Company	1,600,000.00	1,689,761.87
American Equity Specialty Insurance Company	2,600,000.00	2,926,147.75
American Maturity Life Insurance Company	5,950,000.00	5,966,106.34
AmeriChoice of Connecticut, Inc.	520,000.00	541,440.58
Anthem Health Plans, Inc.	500,000.00	500,734.50
Arbella Indemnity Insurance Company, Inc.	50,000.00	65,554.69
Arbella Protection Insurance Company	50,000.00	65,554.69
Associated Employers Insurance Company	50,000.00	50,073.45
Associated Industries of MA Mutual Ins Co (AIM Mutual)	50,000.00	49,873.89
Automobile Insurance Company of Hartford, CT (The)	4,050,000.00	4,318,483.86
AXIS Specialty Insurance Company	3,000,000.00	2,823,436.08
Beazley Insurance Company, Inc.	2,500,000.00	2,568,043.31
C.M. Life Insurance Company	1,600,000.00	1,583,274.52
California Insurance Company	15,670,000.00	15,617,903.39
Carolina Casualty Insurance Company	200,000.00	231,920.67
Charter Oak Fire Insurance Company (The)	4,525,000.00	4,840,227.94
CIGNA Health and Life Insurance Company	2,600,000.00	2,830,940.94
CIGNA Healthcare of Connecticut, Inc.	525,000.00	578,290.13
Clearwater Select Insurance Company	3,000,000.00	3,142,350.00
Connecticare, Inc.	500,000.00	505,949.57
Connecticut General Life Insurance Company	1,735,000.00	1,804,153.64
Covenant Insurance Company	600,000.00	786,656.25
Discover Property and Casualty Insurance Company	3,120,000.00	3,284,712.06
Discover Specialty Insurance Company	2,750,000.00	2,924,871.09
Electric Insurance Company	60,000.00	70,701.60
Employers Compensation Insurance Company	100,000.00	99,574.87
Executive Risk Specialty Insurance Company	3,115,000.00	3,177,825.93
Explorer Insurance Company	100,000.00	104,928.33
Farmington Casualty Company	3,000,000.00	3,602,229.50
Finial Reinsurance Company	3,550,000.00	3,530,944.99
Fireman's Fund Insurance Company	16,615,000.00	19,534,961.11
First State Insurance Company	2,200,000.00	2,199,482.70
Fitchburg Mutual Insurance Company	50,000.00	49,369.75
General Re Life Corporation	1,500,000.00	1,755,967.29
General Star Indemnity Company	2,980,000.00	2,992,275.57
Genworth Mortgage Ins Corporation of North Carolina	60,000.00	61,398.62
Gulf Underwriters Insurance Company	3,000,000.00	3,445,370.29
Hartford Accident and Indemnity Company	3,810,000.00	3,866,072.87
Hartford Fire Insurance Company	3,300,000.00	3,560,982.33
Hartford Insurance Company of the Southeast	1,200,000.00	1,195,708.79
Hartford International Life Reassurance Corp.	5,645,000.00	6,164,491.83
Hartford Life and Accident Insurance Company	1,915,000.00	2,094,215.61
Hartford Life and Annuity Insurance Company	2,860,000.00	3,194,868.51
Hartford Life Insurance Company	2,350,000.00	2,446,894.91
Hartford Steam Boiler Inspection & Insurance Company (The)	4,000,000.00	4,075,886.12
Hartford Steam Boiler Inspection & Ins Co of CT (The)	4,000,000.00	3,961,169.57
Hartford Underwriters Insurance Company	3,250,000.00	3,833,696.27
Harvard Pilgrim Health Care of Connecticut, Inc. (HPHC-CT)	500,000.00	695,610.14
HNE of Connecticut, Inc.	500,000.00	503,538.89
HSB Speciality Insurance Company	2,500,000.00	2,500,308.97
IdeaLife Insurance Company	1,601,500.00	1,603,861.60
Insurance Company of the West	100,000.00	124,881.70

**CASH MANAGEMENT DIVISION**

**SECURITIES HELD IN TRUST FOR POLICYHOLDERS (Continued)**

**JUNE 30, 2017**

<b>Name of Insurance Company</b>	<b>Par Amount of Collateral</b>	<b>Market Value</b>
Knights of Columbus	2,000,000.00	2,554,567.22
Liberty Mutual Insurance Company	50,000.00	49,880.36
Massachusetts Mutual Life Insurance Company	1,600,000.00	1,993,401.02
Maxum Casualty Insurance Company	2,750,000.00	2,701,660.72
Maxum Indemnity Company	2,750,000.00	2,688,263.02
MEMBERS Life Insurance Company	350,000.00	349,787.02
Middlesex Mutual Assurance Company	1,525,000.00	1,545,536.68
MML Bay State Life Insurance Company	1,500,000.00	1,484,319.86
National Liability & Fire Insurance Company	2,750,000.00	2,749,359.69
New England Insurance Company	2,995,000.00	2,977,807.85
New England Reinsurance Corporation	3,225,000.00	4,515,385.40
New London County Mutual Insurance Company	600,000.00	616,331.50
Northland Casualty Company	2,560,000.00	2,694,791.60
Northland Insurance Company	2,675,000.00	2,662,574.63
Nutmeg Insurance Company	3,282,000.00	3,457,301.03
Odyssey Reinsurance Company	5,000,000.00	5,260,600.00
Oxford Health Plans (CT), Inc.	520,000.00	541,440.58
Pacific Insurance Company, Limited	2,820,000.00	3,508,472.97
Patrons Mutual Insurance Company of Connecticut	120,000.00	127,168.69
PHL Variable Insurance Company	1,000,000.00	1,036,261.17
Phoenix Insurance Company	4,645,000.00	5,283,016.37
Phoenix Life and Annuity Company	1,000,000.00	1,027,219.17
Prudential Annuities Life Assurance Corporation	1,500,000.00	1,505,250.74
Prudential Retirement Insurance and Annuity Company	5,015,000.00	5,153,584.63
R.V.I. America Insurance Company	2,550,000.00	2,834,108.00
Safeco Surplus Lines Insurance Company	100,000.00	128,692.76
St. Paul Fire and Marine Insurance Company	3,250,000.00	3,503,236.39
St. Paul Guardian Insurance Company	2,625,000.00	2,803,661.79
St. Paul Mercury Insurance Company	2,550,000.00	2,654,615.17
St. Paul Protective Insurance Company	4,100,000.00	4,358,084.77
San Francisco Reinsurance Company	7,000,000.00	8,288,490.00
Seneca Insurance Company, Inc.	260,000.00	257,197.20
Sentinel Insurance Co., Limited	3,610,000.00	3,664,238.16
Sequoia Insurance Company	125,000.00	142,172.50
Sparta Insurance Company	3,070,000.00	3,069,041.15
Standard Fire Insurance Company (The)	4,000,000.00	4,836,680.00
StarStone National Insurance Company	100,000.00	100,350.05
T.H.E. Insurance Company	300,000.00	308,741.85
Thames Insurance Company, Inc.	200,000.00	205,443.83
TIG Insurance Company	4,600,000.00	4,582,704.00
Tower National Insurance Company	76,500.00	76,541.43
TravCo Insurance Company	4,875,000.00	5,472,239.07
Travelers Casualty and Surety Company	3,000,000.00	3,091,931.20
Travelers Casualty and Surety Company of America	3,200,000.00	3,212,387.15
Travelers Casualty Company (The)	2,940,000.00	2,969,312.97
Travelers Casualty Company of Connecticut	2,500,000.00	2,680,588.09
Travelers Casualty Insurance Company of America	3,400,000.00	4,123,226.59
Travelers Commercial Casualty Company	3,200,000.00	3,928,789.33
Travelers Commercial Insurance Company	2,150,000.00	2,133,860.10
Travelers Constitution State Insurance Company	3,000,000.00	3,057,718.76
Travelers Excess and Surplus Lines Company	2,700,000.00	2,688,521.61
Travelers Home and Marine Insurance Company (The)	5,125,000.00	5,418,261.67
Travelers Indemnity Company (The)	6,630,000.00	7,059,938.54
Travelers Indemnity Company of America	3,565,000.00	3,654,349.81
Travelers Indemnity Company of Connecticut (The)	3,000,000.00	3,164,927.08
Travelers Personal Insurance Company	5,500,000.00	5,705,678.79
Travelers Personal Security Insurance Company	4,200,000.00	4,305,548.67
Travelers Property Casualty Company of America	3,005,000.00	3,384,029.57
Travelers Property Casualty Insurance Company	2,050,000.00	2,248,985.00
Trenwick America Reinsurance Corporation	1,580,000.00	1,585,427.04
Truck Insurance Exchange	370,000.00	370,543.53
Trumbull Insurance Company	2,680,000.00	3,183,280.93



**CASH MANAGEMENT DIVISION****SECURITIES HELD IN TRUST FOR POLICYHOLDERS (Continued)****JUNE 30, 2017**

<b>Name of Insurance Company</b>	<b>Par Amount of Collateral</b>	<b>Market Value</b>
United Guaranty Residential Ins Company of North Carolina	50,000.00	49,677.02
United States Fidelity and Guaranty Company	6,000,000.00	7,081,300.00
UnitedHealthcare Insurance Company	1,510,000.00	1,535,425.36
Vantis Life Insurance Company	2,325,000.00	2,370,144.86
Voya Retirement Insurance and Annuity Company	3,750,000.00	3,727,937.16
Wellcare of Connecticut, Inc.	535,000.00	541,751.25
Zenith Insurance Company	1,111,000.00	1,108,866.88
<b>TOTAL</b>	<b>\$ 315,606,000.00</b>	<b>\$ 337,671,485.61</b>

**CASH MANAGEMENT DIVISION****UNEMPLOYMENT COMPENSATION FUND**

On Account with the Secretary of the Treasury of the United States as Trustee of the Unemployment Compensation Fund

The Act which established Unemployment Compensation provides that contributions from employers be collected by the Labor Commissioner as Administrator of the Act and be deposited with the State Treasurer. (Chapter 2, Public Act, Special Session 1936). These funds are then sent to the Secretary of the Treasury of the United States. The Administrator requests withdrawals as needed to pay benefits to employees.

**BALANCE at JUNE 30, 2016** **\$ 382,161,273.60**

Deposits	\$ 796,042,000.00	
Combined Wage Transfers to Connecticut	13,873,591.74	
Interest on Deposits	8,432,284.73	
Federal Employee & Ex-Servicemen Contributions	4,851,500.00	
FUTA Credit Reductions	3,940,111.89	827,139,488.36

**TOTAL CASH AVAILABLE** **\$ 1,209,300,761.96**

Connecticut Withdrawals for Benefits	709,148,500.00	
Combined Wage Withdrawals	6,424,519.18	
Federal Employee & Ex-Servicemen Withdrawals	4,851,500.00	
STC Grant Fund Withdrawals	192,815.25	
Returned Excess Federal Funds	1,333,312.89	
Reed Act Withdrawal, for Administration	5,000,000.00	
Return of Federal Additional Compensation	20,000.00	726,970,647.32

**BALANCE at JUNE 30, 2017** **\$ 482,330,114.64**

# Office of the State Treasurer

## LIST OF PRINCIPAL OFFICIALS AND PHONE NUMBERS

**Denise L. Nappier**  
Treasurer, State of Connecticut  
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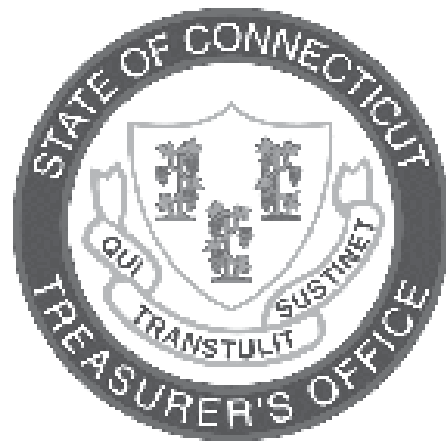
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**Laurie Martin**  
Interim Chief Investment Officer  
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