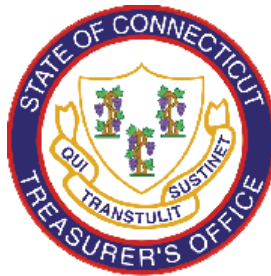


# STATE OF CONNECTICUT OFFICE OF THE TREASURER

# 2016



## SHORT-TERM INVESTMENT FUND COMPREHENSIVE ANNUAL FINANCIAL REPORT

*For the fiscal year ended June 30, 2016*

# 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 OFFICE OF THE TREASURER

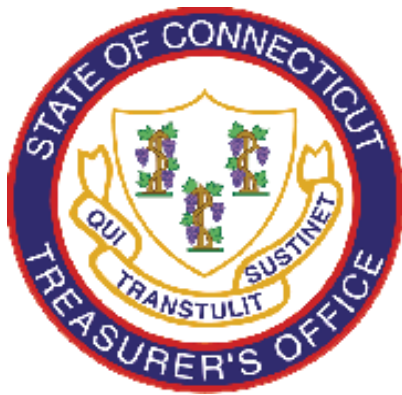
# 2016



## SHORT-TERM INVESTMENT FUND COMPREHENSIVE ANNUAL FINANCIAL REPORT

*For the fiscal year ended June 30, 2016*

Prepared by: State of Connecticut  
Office of the Treasurer  
55 Elm Street  
Hartford, CT 06106-1773



**SHORT-TERM INVESTMENT FUND**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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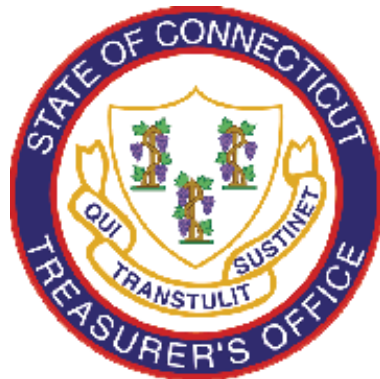
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# **Introductory Section**







DENISE L. NAPPIER  
TREASURER

## State of Connecticut Office of the Treasurer

December 30, 2016

To the Participants in Connecticut's Short-Term Investment Fund:

I am pleased to submit this Comprehensive Annual Financial Report for the State of Connecticut Short-Term Investment Fund (STIF or Fund) for the fiscal year ended June 30, 2016, which documents how STIF outperformed its benchmark, thereby providing significant incremental income for the State, local governments and, ultimately, their taxpayers.

Responsibility for both the accuracy of the data and the completeness and fairness of this report rests with management. All disclosures necessary and required to enable investors and the financial community to gain an understanding of STIF's financial activities have been included. We believe the enclosed financial statements and data are presented fairly in all material respects and are reported in a manner designed to accurately present the financial position and results of STIF's operations.

STIF was created by legislation enacted in 1972, and is a state and local government investment pool managed by the Treasurer of the State of Connecticut. Investors in the Fund include the State, state agencies and authorities, municipalities, and other political subdivisions of the State. The primary objective of the Fund is to provide the greatest possible return while, first, protecting principal and, second, providing liquidity for investors. The Fund's investment policy ensures strong asset diversification by security type and issuer, comprising high-quality, very liquid securities with a relatively short average maturity. In addition, the Fund maintains a designated surplus reserve roughly equivalent to one percent of STIF's assets to protect against security defaults or the erosion of security values due to significant unforeseen market changes. STIF's reserves are an important pillar of our investment pool, and STIF is one of the few government investment pools to maintain a reserve.

### Financial Information

For Fiscal Year 2016, STIF generated a return of 0.29 percent, outperforming its benchmark by 14 basis points. This solid performance resulted in \$7 million in additional interest income for Connecticut governments and their taxpayers, while also adding \$0.9 million to STIF's reserves. STIF has consistently outperformed its benchmark for over twenty-five years. The overall soundness of STIF was recognized by Standard & Poor's (S&P), which affirmed and maintained STIF's AAAM rating -- the highest rating issued by S&P for money market funds and investment pools. As of June 30, 2016, STIF had \$4.9 billion in assets under management. During the year, local governments opened six new STIF accounts, bringing the total number of municipal accounts at fiscal year-end to 541, demonstrating the continued confidence in the Fund as a solid investment vehicle.

### Internal Control Structure

Management is responsible for maintaining a system of adequate internal accounting controls designed to provide reasonable assurance that transactions are (i) executed in accordance with management's general or specific authorization; and (ii) recorded as necessary to maintain accountability for assets and to permit preparation of financial statements consistent with generally accepted accounting principles. We believe the internal controls in effect during Fiscal Year 2016 adequately safeguarded STIF's assets and provided reasonable assurance regarding the proper recording of financial transactions.

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

## LETTER FROM THE TREASURER

The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management.

S&P monitors STIF's portfolio on a weekly basis to ensure that it maintains the safety and liquidity investors expect. In addition, the Investment Advisory Council and the Treasurer's Cash Management Advisory Board periodically review STIF's portfolio and performance throughout the year.

### **Independent Audit**

The State of Connecticut's independent Auditors of Public Accounts conducted an annual audit of this Comprehensive Annual Financial Report in accordance with generally accepted auditing standards. The Auditors' report on the basic financial statements is included in the Financial Section of this report.

### **Management Discussion and Analysis**

The Government Accounting Standards Board requires that STIF provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal and overview is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found in the Financial Section immediately following the report of the Auditors.

### **Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Fund a Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015. The Certificate is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

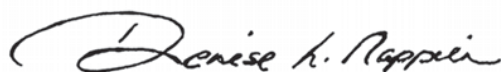
### **Additional Information**

A section of the Treasury website is dedicated to STIF investors, and features information such as the current daily rate, the Monthly Manager Report, monthly portfolio listings, historical data, and links to annual and quarterly financial reports aimed at giving investors information regarding fund characteristics and returns. The site also contains forms, instructions and an investor's guide which are designed to help investors better understand the products and services offered by the Treasury including Grant Express, Debt Service Express, and Clean Water Fund Express. The STIF site and copies of this report may be accessed through the Treasury's website, [www.ott.ct.gov](http://www.ott.ct.gov).

In addition, STIF Express -- a secure online system -- allows investors to view account balances and transaction histories as well as initiate deposits and withdrawals.

We appreciate your participation in STIF, and hope that this Comprehensive Annual Financial Report will prove both informative and useful. Questions concerning any of the information contained in this report or requests for additional financial information should be addressed to the Office of the Treasurer, 55 Elm Street, Hartford, Connecticut 06106-1773, or by calling (860) 702-3000.

Sincerely,



Denise L. Nappier  
Treasurer  
State of Connecticut



DENISE L. NAPPIER  
TREASURER

State of Connecticut  
Office of the Treasurer

December 30, 2016

This Comprehensive Annual Financial Report was prepared by the Office of the Treasurer, which manages the assets of the Short-Term Investment Fund ("STIF"). As of June 30, 2016, Bank of New York Mellon served as custodian for STIF. All investments are made in instruments authorized by Connecticut General Statutes Sections 3-27c through 3-27f.

The Office of the Treasurer is responsible for the accuracy of the data contained herein, the completeness and fairness of the presentation, and all disclosures. We present STIF's financial statements as being accurate in all material respects and prepared in conformity with generally accepted accounting principles as a "2a7-like" pool. Such financial statements are audited annually by the State Auditors of Public Accounts.

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

It is our belief that the contents of this Comprehensive Annual Financial Report make evident the Treasury's commitment to the safe custody and conscientious stewardship of the Short-Term Investment Fund.

In management's opinion, the internal control structures of the Office of the Treasurer and of STIF are adequate to ensure that the financial information in this report fairly presents STIF's operational and financial condition.

Sincerely,

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

Lawrence A. Wilson  
Interim Deputy Treasurer  
State of Connecticut



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Connecticut State Treasurer's  
Short-Term Investment Fund**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO

### 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.

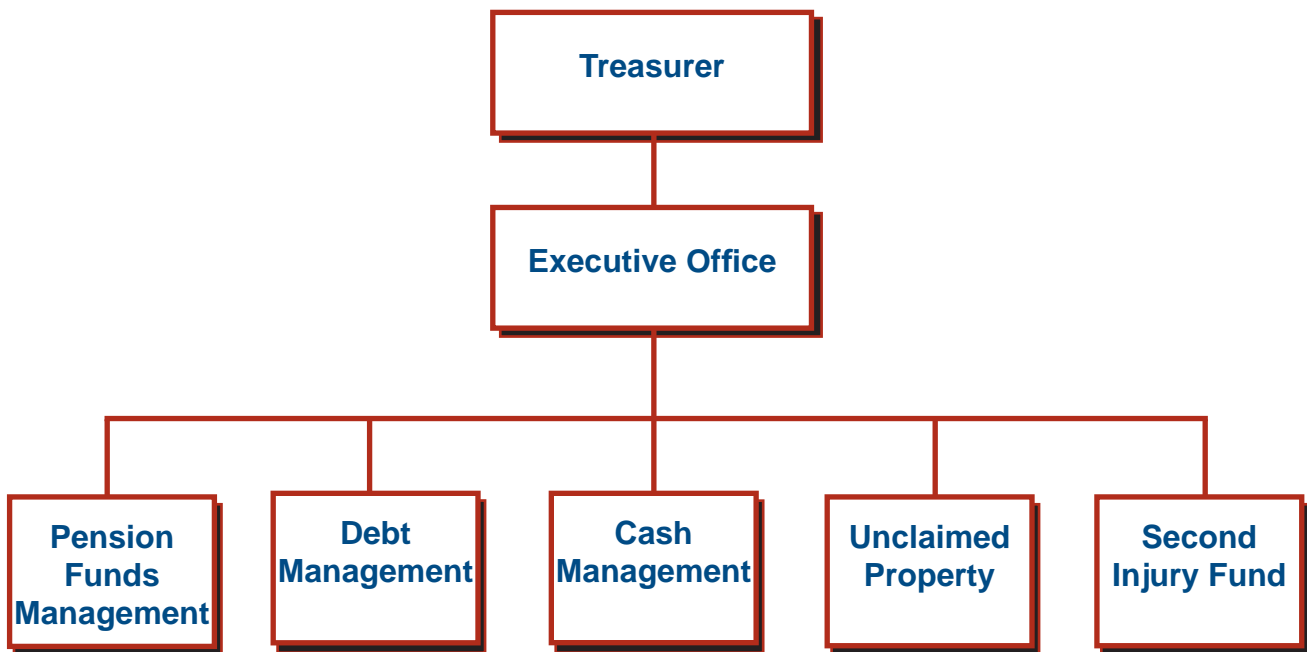
### Constitutional and Statutory Responsibilities

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

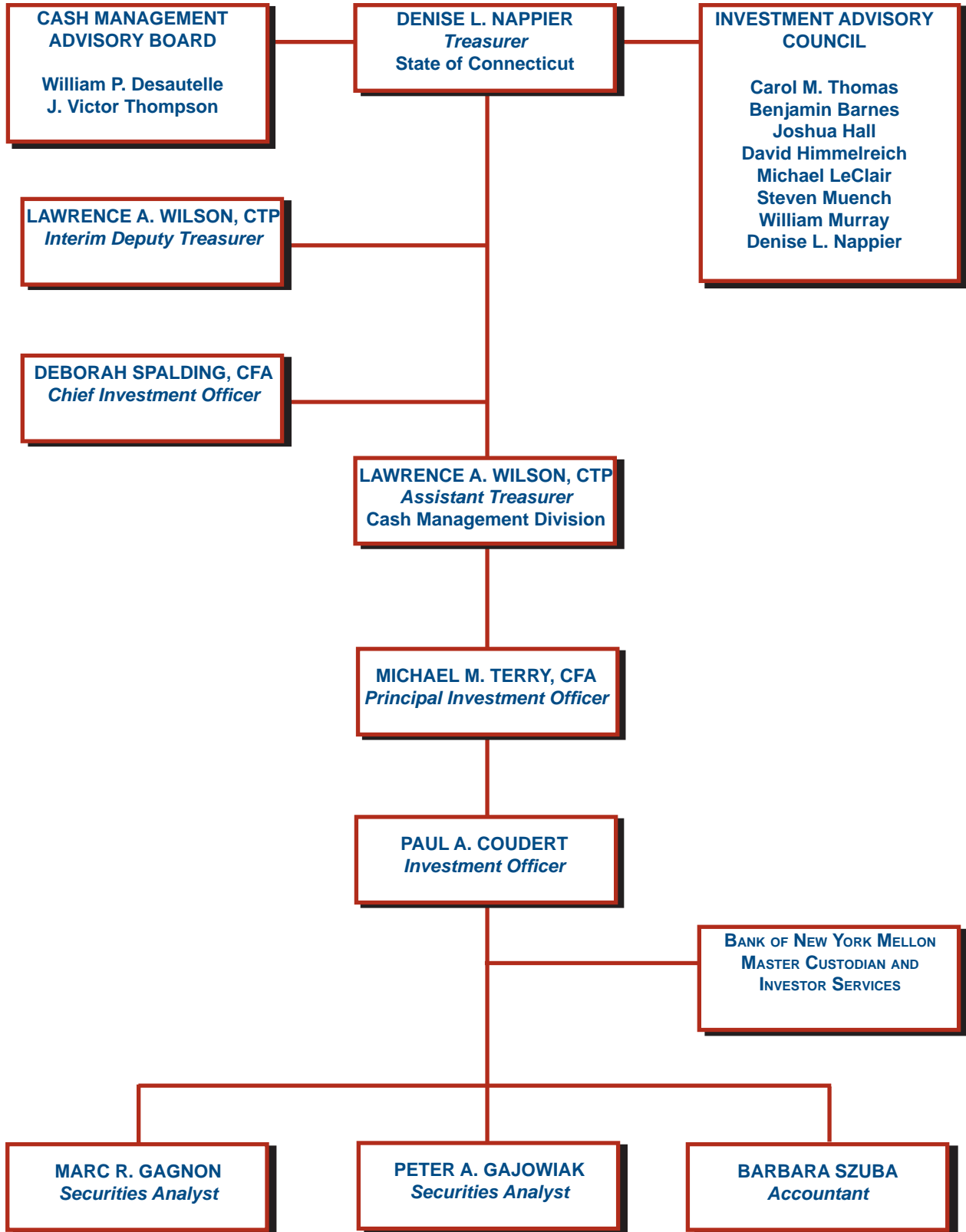
The Treasurer, as chief elected financial officer for the State, oversees the prudent preservation and management of State funds, including the investment of a \$29.25 billion portfolio of pension and trust fund assets, \$4.9 billion in total state and local short-term investments, and \$2.8 billion of assets in the Connecticut Higher Education Trust. The Treasurer maintains an accurate account of all funds through sophisticated security measures and procedures.

### Public Service

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



**SHORT-TERM INVESTMENT FUND ADMINISTRATION**



As of June 30, 2016

## LIST OF PRINCIPAL OFFICIALS

### SHORT-TERM INVESTMENT FUND

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

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

Interim Deputy Treasurer, State of Connecticut  
LAWRENCE A. WILSON, CTP (860) 702-3070

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

### STIF INVESTMENT MANAGEMENT

Principal Investment Officer  
MICHAEL M. TERRY, CFA (860) 702-3255

Investment Officer  
PAUL A. COUDERT (860) 702-3254

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

Securities Analyst  
PETER A. GAJOWIAK (860) 702-3124

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

CUSTODIAN AND INVESTOR SERVICES  
BANK OF NEW YORK MELLON

As of June 30, 2016

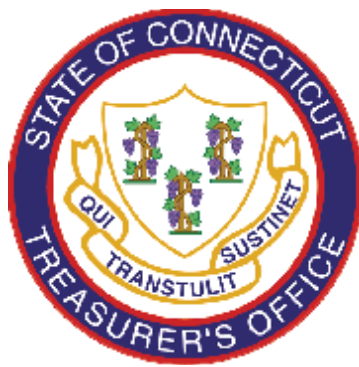




# **Financial**

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# **Section**



# STATE OF CONNECTICUT



## AUDITORS OF PUBLIC ACCOUNTS

State Capitol  
210 Capitol Avenue  
Hartford, Connecticut 06106-1559

JOHN C. GERAGOSIAN

### INDEPENDENT AUDITORS' REPORT

Governor Dannel P. Malloy  
Members of the General Assembly:

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Short-Term Investment Fund, which comprise the statement of net position as of June 30, 2016, the statements of changes in net position for the fiscal years ended June 30, 2016 and 2015, 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 these financial statements in conformity with U.S. generally accepted accounting principles; 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 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 financial position of the Short-Term Investment Fund as of June 30, 2016, and the statements of changes in financial position for the fiscal years ended June 30, 2016 and 2015, in conformity with accounting principles generally accepted in the United States of America.

### ***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 Short-Term Investment Fund as a whole. The list of investments at June 30, 2016 is presented for purposes of additional analysis and is not a required part of the financial statements of the Short-Term Investment Fund. 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 Short-Term Investment Fund 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 presented fairly in all material respects in relation to the financial statements taken as a whole.

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

The introductory, investment and statistical sections, includes information that is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, other than the list of investments at June 30, 2016 specifically noted within the investment section, has not been subjected to the auditing procedures applied in the audit of the basic financial statement and, 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 30, 2016 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, 2016*, 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.



John C. Geragosian  
Auditor of Public Accounts

December 30, 2016  
State Capitol  
Hartford, Connecticut



## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents Management's Discussion and Analysis (MD&A) of the Comprehensive Annual Financial Report (CAFR) of the Connecticut State Treasurer's Short-Term Investment Fund ("STIF") financial position and performance for the fiscal year ended June 30, 2016. It is presented as a narrative overview and analysis. Management of the State of Connecticut Office of the Treasurer encourages readers to review it in conjunction with the transmittal letter included in the Introductory Section at the front of this report and the financial statements in the Financial Section that follow.

The Short-Term Investment Fund serves as an investment vehicle for the operating cash of the State Treasury, State agencies and authorities, municipalities, and other political subdivisions of the State. STIF is a AAAm rated investment pool of high-quality, short-term money market instruments and is managed for the sole benefit of the participants. All income is distributed monthly after deducting operating costs of approximately four basis points and an allocation to the Fund's Designated Surplus Reserve of 10 basis points (generally until the reserve reaches one percent of fund assets).

The STIF financial statements reported by the Treasurer's Office for which the Treasurer has fiduciary responsibility for the investment thereof follow this MD&A and provide detailed information about the Fund.

### FINANCIAL HIGHLIGHTS Condensed Financial Information

#### Short-Term Investment Fund Net Position and Changes in Net Position

The net position in the Short-Term Investment Fund at the close of Fiscal Year 2016 was approximately \$4.9 billion, versus \$5.0 billion the previous year.

The net position in the Short-Term Investment Fund at the close of Fiscal Year 2015 was approximately \$5.0 billion, versus \$4.2 billion the previous year.

Operating Income - General financial market conditions produced an annual total return of 0.29 percent, net of operating expenses and allocations to Fund reserves in fiscal 2016, higher than the annual total return in fiscal 2015. The annual total return exceeded that achieved by its benchmark, which equaled 0.15 percent, by 14 basis points, resulting in \$7 million in additional interest income for Connecticut governments and their taxpayers while also adding \$0.9 million to its reserves.

General financial market conditions produced an annual total return of 0.15 percent, net of operating expenses and allocations to Fund reserves in fiscal 2015, slightly higher than the annual total return in fiscal 2014. The annual total return exceeded that achieved by its benchmark, which equaled 0.03 percent, by 12 basis points, resulting in \$5.3 million in additional interest income for Connecticut governments and their taxpayers while also adding \$141 thousand to its reserves.

Designated Surplus Reserve - In order to support the creditworthiness of the Fund and provide some additional protection against potential credit losses, a designated surplus reserve (reserve) is maintained. The amount transferred to the reserve is equal to the annualized rate of 0.1 percent of the end-of-day investment balances. Generally, no transfer is made if the reserve account is equal to or greater than 1.0 percent of the daily investment balance. During the fiscal year, \$904 thousand was transferred into the reserve, bringing the total reserve to \$51.4 million.

Assets	2016	Increase (Decrease)	2015	Increase (Decrease)	2014
Investments in Securities, at amortized cost	\$4,897,441,250	\$(135,596,497)	\$5,033,037,747	\$824,283,928	\$4,208,753,819
Receivables and Other	7,327,307	2,248,010	5,079,297	1,968,209	3,111,088
<b>Total Assets</b>	<b>4,904,768,557</b>	<b>(133,348,487)</b>	<b>5,038,117,044</b>	<b>826,252,137</b>	<b>4,211,864,907</b>
Liabilities	(1,759,674)	(1,187,525)	(572,149)	(41,241)	(530,908)
<b>Net Position</b>	<b>\$4,903,008,883</b>	<b>\$(134,536,012)</b>	<b>\$5,037,544,895</b>	<b>\$826,210,896</b>	<b>\$4,211,333,999</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Table 2 - Changes in Net Position**

Assets	2016	Increase (Decrease)	2015	Increase (Decrease)	2014
Net Interest Income	\$17,129,452	\$8,532,268	\$8,597,184	\$(346,161)	\$8,943,345
Net Realized Gains	4,970	1,081	3,889	(102,158)	106,047
Net Increase Resulting from Operations	17,134,422	8,533,349	8,601,073	(448,319)	9,049,392
Purchase of Units by Participants	<u>11,391,879,786</u>	<u>(1,998,683,013)</u>	<u>13,390,562,799</u>	<u>1,671,581,533</u>	<u>11,718,981,266</u>
Total Additions	11,409,014,208	(1,990,149,664)	13,399,163,872	1,671,133,214	11,728,030,658
Deductions					
Distribution of Income to Participants	14,303,163	7,768,046	6,535,117	236,067	6,299,050
Redemption of Units by Participants	11,527,319,864	(1,037,067,029)	12,564,386,893	579,261,175	11,985,125,718
Operating Expenses	1,927,193	(103,773)	2,030,966	37,628	1,993,338
Total Deductions	<u>11,543,550,220</u>	<u>(1,029,402,756)</u>	<u>12,572,952,976</u>	<u>579,534,870</u>	<u>11,993,418,106</u>
Change in Net Position	(134,536,012)	(960,746,908)	826,210,896	1,091,598,344	(265,387,448)
Net position – beginning of year	<u>5,037,544,895</u>	<u>826,210,896</u>	<u>4,211,333,999</u>	<u>(265,387,448)</u>	<u>4,476,721,447</u>
Net position – end of year	<u>\$4,903,008,883</u>	<u>\$(134,536,012)</u>	<u>\$5,037,544,895</u>	<u>\$826,210,896</u>	<u>\$4,211,333,999</u>

## OVERVIEW OF THE FINANCIAL STATEMENTS

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

The Statement of Net Position and the Statement of Changes in Net Position are two financial statements that report information about the Short-Term Investment Fund. These statements include all assets and liabilities using the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position presents all of the Short-Term Investment Fund's assets and liabilities, with the difference between the two reported as "net position."

The Statement of Changes in Net Position presents information showing how the Short-Term Investment Fund's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows.

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

## ECONOMIC CONDITIONS AND OUTLOOK

Domestic growth, as measured by year-over-year Gross Domestic Product (GDP), was lackluster and declining. During the fiscal year, GDP ranged between 1.3 percent and 2.2 percent. For the entire fiscal year, GDP grew at an average rate of 1.3 percent, down from 3.0 percent for Fiscal Year 2015. Meanwhile the domestic unemployment rate fell from 5.7 percent to 5.0 percent from Fiscal Year 2015. During the course of the fiscal year, over 2.4 million people were added to payrolls.

Domestic inflation (as measured by the year-over-year change in the consumer price index) averaged 0.7 percent during the fiscal year, down from 0.8 in fiscal year 2015. While domestic inflation was weak, inflation in the Eurozone was even weaker, with an average inflation rate of 0 percent (range was from -0.2 to 0.3 percent), down from 0.2 percent during the 2015 fiscal year period.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Connecticut's unemployment rate has continued to decline from a high of 9.5 percent in October 2010 to 5.7 percent in July 2016, compared to the national unemployment rate of 4.9 percent. The State Comptroller reported on September 30, 2016 that the State's General Fund ended the 2016 fiscal year with a pre-audited \$170.4 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 an overview of the Connecticut State Treasurer's Short-Term Investment Fund's finances and to show the Office's accountability. Questions about this report or requests for additional information should be addressed to:

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



CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND

STATEMENT OF NET POSITION

JUNE 30, 2016

	<u>June 30, 2016</u>
<b>ASSETS</b>	
Investment in Securities, at Amortized Cost (Note 7)	\$ 4,897,441,250
Accrued Interest and Other Receivables	7,151,078
Prepaid Assets	176,229
Total Assets	<u>\$ 4,904,768,557</u>
<b>LIABILITIES</b>	
Distribution Payable	1,759,674
Total Liabilities	<u>\$ 1,759,674</u>
<b>NET POSITION HELD IN TRUST FOR PARTICIPANTS</b> (includes reserve)	<u>\$ 4,903,008,883</u>

See accompanying Notes to the Financial Statements.

**CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND**

**STATEMENT OF CHANGES IN NET POSITION  
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015**

	<u>2016</u>	<u>2015</u>
<b>ADDITIONS</b>		
<b>Operations</b>		
Interest Income	\$ 17,129,452	\$ 8,597,184
Net Investment Income	17,129,452	8,597,184
Net Realized Gains	<u>4,970</u>	<u>3,889</u>
<b>Net Increase Resulting from Operations</b>	17,134,422	8,601,073
<b>Share Transactions at Fair Value of \$1.00 per Share</b>		
Purchase of Units	<u>11,391,879,786</u>	<u>13,390,562,799</u>
<b>TOTAL ADDITIONS</b>	<u>11,409,014,208</u>	<u>13,399,163,872</u>
 <b>DEDUCTIONS</b>		
<b>Distribution to Participants (Notes 2 &amp; 6)</b>		
Distributions to Participants*	<u>(14,303,163)</u>	<u>(6,535,117)</u>
Total Distributions Paid and Payable	(14,303,163)	(6,535,117)
<b>Share Transactions at Fair Value of \$1.00 per Share</b>		
Redemption of Units	(11,527,319,864)	(12,564,386,893)
<b>Operations</b>		
Operating Expenses	<u>(1,927,193)</u>	<u>(2,030,966)</u>
<b>TOTAL DEDUCTIONS</b>	<u>(11,543,550,220)</u>	<u>(12,572,952,976)</u>
<i>* Net of designated reserve transfer contributions and expenses.</i>		
 <b>CHANGE IN NET POSITION</b>	 (134,536,012)	 826,210,896
 <b>Net Position Held in Trust for Participants</b>		
Beginning of Year	\$ 5,037,544,895	\$ 4,211,333,999
End of Year	<u>\$ 4,903,008,883</u>	<u>\$ 5,037,544,895</u>

See accompanying Notes to the Financial Statements.

## NOTES TO FINANCIAL STATEMENTS

**NOTE 1: INTRODUCTION AND BASIS OF PRESENTATION**

The Short-Term Investment Fund ("STIF" or the "Fund") is a money market investment pool managed by the Treasurer of the State of Connecticut. Section 3-27 of the Connecticut General Statutes (CGS) created STIF. Pursuant to CGS 3-27a - 3-27f, the State, municipal entities, and political subdivisions of the State are eligible to invest in the Fund. 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.

***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.

## 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, 2016, the balance in the Designated Surplus Reserve was \$51,388,270 which reflects \$904 thousand 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 banks are insured up to \$250,000 (as of June 30, 2016), 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 \$1,880,000,000. Of that amount, \$957,025,000 was exposed to custodial credit risk representing the portion that was uninsured, uncollateralized or not backed by a letter of credit. Each of the deposit instruments had put options that would allow STIF to redeem the investments within one to seven business days.

**CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**Uninsured Bank Amounts**

Bank Deposits	Amount	Uninsured / Uncollateralized
BB&T	\$225,000,000	\$224,750,000
BANK OF TOKYO-MITS	30,000,000	30,000,000
CITIZENS BANK	225,000,000	
DZ BANK	100,000,000	100,000,000
FEDERALLY INSURED CUST ACCT	100,000,000	
PEOPLES UNITED BANK	225,000,000	
SANTANDER BANK	225,000,000	
SVENSKA HANDELSBANKEN	225,000,000	225,000,000
SUMITOMO BANK	175,000,000	175,000,000
TD BANK	225,000,000	202,275,000
WEBSTER BANK	125,000,000	
<b>TOTAL</b>	<b>\$1,880,000,000</b>	<b>\$957,025,000</b>

**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, 2016 the weighted average maturity of the STIF was 40 days. The breakdown of the STIF's maturity profile is outlined below.

Investments	Amortized Cost	Investment Maturity in Years	
		Less than One	One - Five
Deposit Instruments			
Fixed	\$1,880,000,000	\$1,880,000,000	\$ -
Federal Agency Securities			
Fixed	1,062,917,423	1,052,917,423	10,000,000
Floaters	885,244,760	885,244,760	-
Bank Commercial Paper	225,000,000	225,000,000	-
Commercial Paper	174,747,035	174,747,035	-
U.S. Government	29,000,000	29,000,000	-
Government Money Market Funds	190,532,033	190,532,033	-
Repurchase Agreements	450,000,000	450,000,000	-
<b>Total</b>	<b>\$4,897,441,250</b>	<b>\$4,887,441,250</b>	<b>\$10,000,000</b>

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 25 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 \$885 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.

Pursuant to the Investment Policy Statement, 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").

**CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

- 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 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, 2016:

<u>Credit Quality Rating</u>	<u>Amortized Cost</u>	<u>Percentage of Amortized Cost</u>
AAAm	\$190,532,033	3.89%
AA / A-1+	1,149,747,035	23.48%
A / A-1	680,000,000	13.88%
A-2	800,000,000	16.34%
Federal Agency and U.S. Govt / Govt Guaranteed Securities	1,977,162,182	40.37%
Not Rated	100,000,000	2.04%
<b>Total</b>	<b>\$4,897,441,250</b>	<b>100%</b>

\*A-2 securities are backed by irrevocable standby letters of credit provided by federal home loan banks. N/R securities are federally insured custodial account securities.

As of June 30, 2016, the table below lists issuers with concentrations of greater than 5 percent.

<u>Issuer</u>	<u>Fair Value</u>	<u>Percent of Total Portfolio</u>
FEDERAL FARM CREDIT	\$736,351,178	15.0%
FEDERAL HOME LOAN BANK	670,439,411	13.7%
FANNIE MAE	297,108,110	6.1%
MERRILL LYNCH REPO	250,000,000	5.1%
FREDDIE MAC	244,720,487	5.0%

**NOTE 4: CUSTODIAN**

BNY Mellon was appointed as custodian for STIF effective December 9, 2013. STIF pays a percentage of the approximate \$275,000 custodial fee charged to the Short-Term Investment Unit. This percentage is calculated quarterly by determining the STIF size relative to that of the total Short-Term Investment Unit.

**NOTE 5: ADMINISTRATION**

STIF is managed and administered by employees of the Office of the Treasurer. Salaries and fringe benefit costs as well as operating expenses are charged directly to the Fund.

**CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**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>2016</u>	<u>2015</u>
July	\$673,376	\$550,845
August	664,417	551,303
September	766,461	519,748
October	624,944	536,039
November	815,409	529,685
December	1,129,298	548,778
January	1,560,619	536,230
February	1,585,420	503,800
March	1,707,678	577,432
April	1,539,998	538,179
May	1,475,869	570,928
June (Payable at June 30)	<u>1,759,674</u>	<u>572,149</u>
Total Distribution Paid & Payable	<u>\$14,303,163</u>	<u>\$6,535,117</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, 2016:

<u>Investment</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
Deposit Instruments	\$1,880,000,000	\$1,880,000,000
Federal Agency Securities	1,062,917,423	1,063,462,127
Floaters	885,244,760	885,157,059
Bank Commercial Paper	225,000,000	225,000,000
Commercial Paper	174,747,035	174,751,656
U.S. Government	29,000,000	29,094,259
Government Money Market Funds	190,532,033	190,532,033
Repurchase Agreements	<u>450,000,000</u>	<u>450,000,000</u>
Total	<u>\$4,897,441,250</u>	<u>\$4,897,997,134</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 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 \$450 million in repurchase agreements.

In response to changes to SEC rule 2a7 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 Position and defines a derivative instrument as a financial instrument or other

**NOTES TO FINANCIAL STATEMENTS (Continued)**

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, 2016, STIF 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, 2016, STIF was rated AAAM, its highest rating, by Standard and Poor's Corporation ("S&P"). In November 2015, 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
- 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 30, 2016, 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.



# **Investment**

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# **Section**



# 2016 short-term investment fund

## Fund Facts at June 30, 2016

**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, Federal Reserve Three-Month T-Bill.

**Date of Inception:** 1972

**Total Net Position:** \$4.9 billion

**Internally Managed**

**External Management Fees:** None

**Expense Ratio:** Approximately 3-5 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 1-1.) 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 2016 fiscal year, STIF's portfolio averaged \$5.0 billion.

STIF employs a top-down approach to developing its investment strategy for the management of its assets. Starting with the objectives of the Fund, STIF considers constraints outlined in its investment policy, which include among other parameters: liquidity management, limitations on the portfolio's weighted average maturity (see Figure 1-2), 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, 2016, totaled \$51.4 million.

To help the Fund and its investors evaluate performance, STIF compares its returns to two benchmarks. The first 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 1-3.)

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. (See Figure 1-6.)

## CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND

Among the Fund's several achievements during the 2016 fiscal year was the reaffirmation and continuation of its AAAM rating by Standard & Poor's. In S&P's view, "a fund rated 'AAAM' demonstrates extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk."

### Portfolio Characteristics

During Fiscal Year 2016, 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 53 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 30 days and a high of 47 days, and ended the year at 40 days. Seventy-one 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 72 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 federal agency securities (39.8 percent), deposit instruments (38.4 percent), and repurchase agreements (9.2 percent). (See Figure 1-5.)

### Market Review

During Fiscal Year 2016, the Federal Reserve Bank (Fed) tightened monetary policy by increasing rates for the first time in nine years with a 25 basis point increase in the Federal Funds rate in December 2015. Market participants had been widely expecting a rate increase throughout the year, so when the hike finally happened, it was taken in stride. Of course, markets are forward-looking, so as soon as the December hike occurred, speculation began on the number and amount of hikes that would follow. The Federal Open Market Committee (FOMC) helped fuel this speculation with its "dot plot" chart of individual members' expectations for the Federal Funds rate. The chart showed numerous potential rate increases occurring and the market then had to price the probability of such increases coming to fruition. This naturally added an element of volatility to the market that created opportunities for the fund.

Elsewhere in the world, central bankers were searching for ways to lower rates and add more liquidity to the financial system through additional quantitative easing. By the end of the fiscal year, multiple countries were engaged in asset purchases and nearly \$10 trillion in debt was trading with negative rates.

Domestic inflation averaged 0.6 percent during the fiscal year, down from 0.8 percent in Fiscal Year 2015. Excluding the more volatile food and energy components, inflation during the fiscal year averaged 2.0 percent, up 0.3 percentage points from Fiscal Year 2015. While domestic inflation was weak, inflation in the Eurozone was even weaker, with an average inflation rate of 0 percent (range was from -0.2 to 0.3 percent), down from 0.2 percent during the Fiscal Year 2015 period.

Domestic growth, as measured by Gross Domestic Product (GDP), experienced lackluster and declining growth. For Fiscal Year 2016, GDP (on a year-over-year basis) ranged between 1.3 percent and 2.2 percent. For the entire fiscal year, GDP grew at a 1.3 percent year-over-year rate, down from fiscal year 2015's three percent rate. Meanwhile, the unemployment rate ended the fiscal year at 4.9 percent, down from the 5.3 rate at the end of Fiscal Year 2015. During the course of the fiscal year, approximately 2.4 million people were added to payrolls. Despite the positive developments in the economy and labor market, the Federal Reserve continues to be wary of inflation remaining stubbornly below their target rate of two percent and sluggish business investment. As a result of this concern, and the concern that the global economy has shown modest growth at best, the FOMC has not raised rates since its initial December 2015 rate hike. Utilizing the federal funds futures as a predictor, expectations are that the second tightening move by the Fed will be in at the end of calendar year 2016.

## Performance Summary

For the one-year period ending June 30, 2016, STIF reported an annual total return of 0.29 percent, net of all expenses and \$904,000 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 0.15 percent, by 14 basis points. In addition, STIF's performance handily exceeded that of three-month T-Bills, which yielded 0.19 percent. The Fund's performance fell short of three-month CDs, which yielded 0.44 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 0.19 percent, 0.18 percent, 0.21 percent, and 1.25 percent, net of all expenses and contributions to reserves, exceeding returns of each of its benchmarks for all time periods. Viewed on a dollar-for-dollar basis, had one invested \$10 million in STIF ten years ago, that investment would have been worth \$11.3 million at June 30, 2016, versus \$11.1 million for a hypothetical investment in the MFR Index. (See Figure 1-6.) During the past ten years, STIF has earned \$80.6 million above its benchmark while adding \$27.8 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 1-4.) 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.

# CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND

Figure 1-1

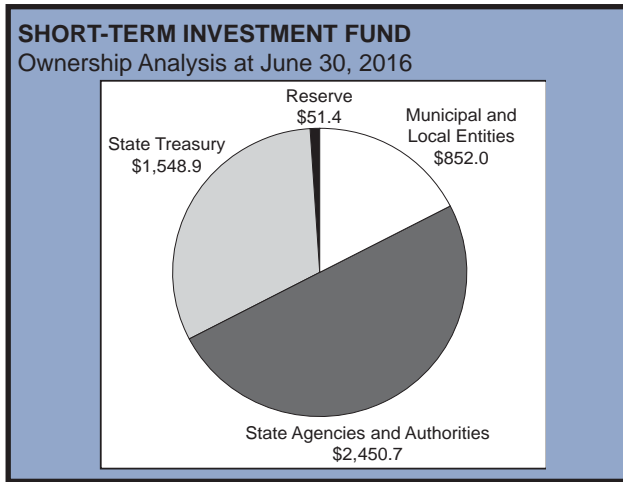


Figure 1-2

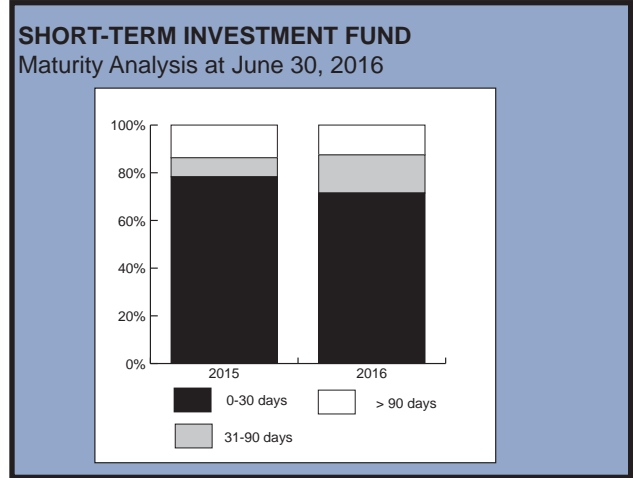


Figure 1-3

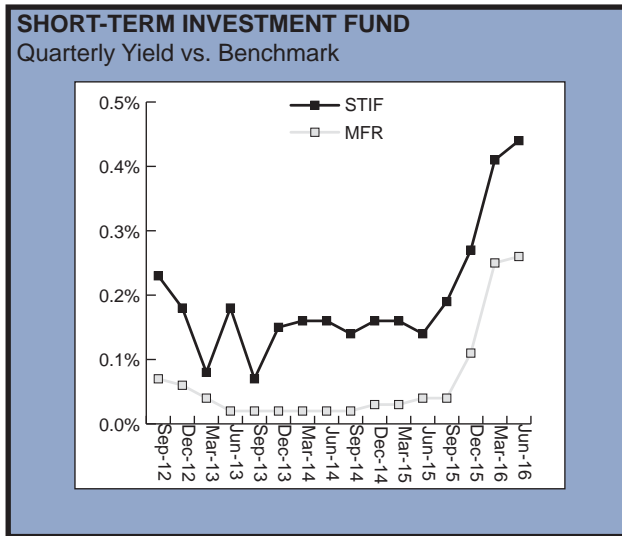
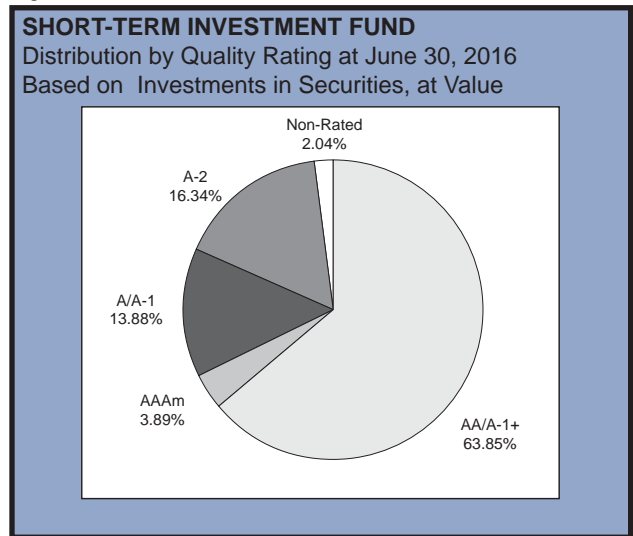


Figure 1-4



*\*A-2 securities are backed by irrevocable standby letters of credit provided by federal home loan banks. N/R securities are federally insured custodial account securities.*

Figure 1-5

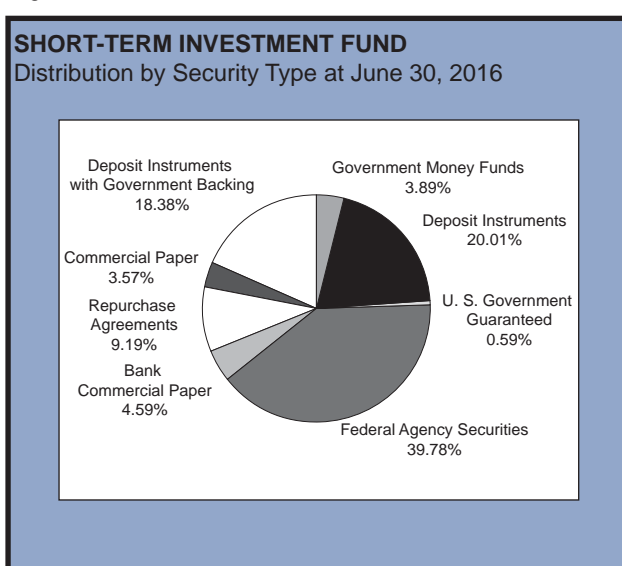


Figure 1-6

**SHORT-TERM INVESTMENT FUND**  
Period ending June 30, 2016

	1 Yr	3 Yrs	5 Yrs	7 Yrs	10 Yrs
<b>Compounded Annual Total Return (%)</b>					
STIF	0.29	0.19	0.18	0.21	1.25
MFR Index*	0.15	0.07	0.06	0.07	1.06
Fed. Three-Month T-Bill	0.19	0.09	0.08	0.09	0.89
<b>Cumulative Total Return (%)</b>					
STIF	0.29	0.58	0.90	1.47	13.17
MFR Index*	0.15	0.20	0.30	0.47	11.14
Fed. Three-Month T-Bill	0.18	0.25	0.38	0.61	8.88

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.

**CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND**

**LIST OF INVESTMENTS AT JUNE 30, 2016**

Par Value <sup>(1)</sup>	Security (Coupon, Maturity or Reset Date)	Yield %	Amortized Cost <sup>(1)</sup>	Fair Value <sup>(1)</sup>	Credit Quality	CUSIP
<b>FEDERAL AGENCY SECURITIES (39.78% OF TOTAL INVESTMENTS)</b>						
\$ 1,781,000	FANNIE MAE 0.375 7/5/2016	0.38	\$ 1,781,000	\$ 1,780,998	AA+	3135G0XP3
2,200,000	FANNIE MAE 0.375 7/5/2016	0.35	2,200,007	2,199,998	AA+	3135G0XP3
15,000,000	FANNIE MAE 5.375 7/15/2016	0.43	15,028,287	15,029,055	AA+	31359MS61
7,364,000	FANNIE MAE 5.375 7/15/2016	0.32	7,378,243	7,378,264	AA+	31359MS61
1,000,000	FANNIE MAE 0.625 8/26/2016	0.46	1,000,257	1,000,227	AA+	3135G0YE7
5,000,000	FANNIE MAE 0.625 8/26/2016	0.47	5,001,205	5,001,135	AA+	3135G0YE7
10,000,000	FANNIE MAE 0.625 8/26/2016	0.36	10,004,035	10,002,270	AA+	3135G0YE7
3,160,000	FANNIE MAE 0.625 8/26/2016	0.37	3,161,250	3,160,717	AA+	3135G0YE7
2,987,000	FANNIE MAE 0.625 8/26/2016	0.61	2,987,073	2,987,678	AA+	3135G0YE7
2,185,000	FANNIE MAE 0.625 8/26/2016	0.73	2,184,646	2,185,496	AA+	3135G0YE7
8,416,000	FANNIE MAE 5.25 9/15/2016	0.49	8,498,876	8,499,007	AA+	31359MW41
10,000,000	FANNIE MAE 5.25 9/15/2016	0.54	10,097,447	10,098,630	AA+	31359MW41
1,012,000	FANNIE MAE 5.25 9/15/2016	0.56	1,021,817	1,021,981	AA+	31359MW41
10,009,000	FANNIE MAE 5.25 9/15/2016	0.44	10,108,537	10,107,719	AA+	31359MW41
10,000,000	FANNIE MAE 5.25 9/15/2016	0.65	10,094,891	10,098,630	AA+	31359MW41
5,000,000	FANNIE MAE 5.25 9/15/2016	0.68	5,047,168	5,049,315	AA+	31359MW41
5,000,000	FANNIE MAE 5.25 9/15/2016	0.76	5,046,339	5,049,315	AA+	31359MW41
8,428,000	FANNIE MAE 5.25 9/15/2016	0.77	8,505,966	8,511,125	AA+	31359MW41
7,500,000	FANNIE MAE 0.625 9/26/2016	0.45	7,503,165	7,502,663	AA+	3135G0VX8
1,572,000	FANNIE MAE 1.25 9/28/2016	0.48	1,574,927	1,575,114	AA+	3135G0CM3
2,657,000	FANNIE MAE 1.25 9/28/2016	0.56	2,661,453	2,662,264	AA+	3135G0CM3
2,631,000	FANNIE MAE 1.25 9/28/2016	0.48	2,635,930	2,636,212	AA+	3135G0CM3
10,000,000	FANNIE MAE 1.25 9/28/2016	0.39	10,020,918	10,019,810	AA+	3135G0CM3
5,000,000	FANNIE MAE 1.25 9/28/2016	0.74	5,006,170	5,009,905	AA+	3135G0CM3
2,000,000	FANNIE MAE 1.25 9/28/2016	0.58	2,003,230	2,003,962	AA+	3135G0CM3
5,975,000	FANNIE MAE 1.25 9/28/2016	0.46	5,986,321	5,986,836	AA+	3135G0CM3
2,745,000	FANNIE MAE 1.375 11/15/2016	0.78	2,751,065	2,754,459	AA+	3135G0ES8
1,000,000	FANNIE MAE 0.625 11/28/2016	0.57	1,000,222	1,000,681	AA+	3136G07E5
10,000,000	FANNIE MAE 4.875 12/15/2016	0.58	10,195,231	10,200,460	AA+	31359M2D4
10,000,000	FANNIE MAE 5.00 2/13/2017	0.71	10,264,423	10,277,800	AA+	31359M4D2
5,581,000	FANNIE MAE 5.00 2/13/2017	0.73	5,727,893	5,736,040	AA+	31359M4D2
15,710,000	FANNIE MAE 5.00 2/13/2017	0.72	16,125,072	16,146,424	AA+	31359M4D2
5,000,000	FANNIE MAE 0.75 4/20/2017	0.66	5,003,652	5,010,100	AA+	3135G0ZB2
4,000,000	FANNIE MAE 5.00 5/11/2017	0.66	4,148,758	4,151,444	AA+	31359M7X5
1,427,000	FANNIE MAE 5.00 5/11/2017	0.66	1,480,024	1,481,028	AA+	31359M7X5
6,411,000	FANNIE MAE 5.375 6/12/2017	0.68	6,694,955	6,695,873	AA+	31398ADM1
1,088,000	FANNIE MAE 5.375 6/12/2017	0.67	1,136,341	1,136,345	AA+	31398ADM1
5,000,000	FANNIE MAE VAR 7/3/2016	0.73	5,001,561	5,004,140	AA+	3136FTBZ1
17,000,000	FANNIE MAE VAR 7/5/2016	0.47	16,972,011	16,978,699	AA+	3135G0F57
25,000,000	FANNIE MAE VAR 7/16/2016	0.45	24,997,154	24,983,000	AA+	3135G0F24
4,000,000	FANNIE MAE VAR 7/20/2016	0.47	3,995,978	3,998,220	AA+	3135G0F81
10,000,000	FANNIE MAE VAR 7/26/2016	0.47	10,000,393	10,001,220	AA+	3135G0YQ0
25,000,000	FANNIE MAE VAR 9/20/2016	0.60	25,000,000	24,993,850	AA+	3135G0L27
15,000,000	FED FARM CREDIT 0.40 8/11/2016	0.40	15,000,000	15,002,190	AA+	3133EE4G2
5,000,000	FED FARM CREDIT 0.55 8/16/2016	0.47	5,000,487	5,001,525	AA+	3133EETK6
1,255,000	FED FARM CREDIT 0.50 8/23/2016	0.53	1,254,951	1,255,267	AA+	3133EDMB5
1,360,000	FED FARM CREDIT 5.125 8/25/2016	0.71	1,368,998	1,369,691	AA+	31331V2U9
5,250,000	FED FARM CREDIT 0.50 8/26/2016	0.41	5,250,743	5,250,509	AA+	3133EDTK8
10,000,000	FED FARM CREDIT 0.40 11/3/2016	0.44	9,998,751	9,997,750	AA+	3133EFMW4
2,000,000	FED FARM CREDIT 4.65 12/12/2016	0.78	2,034,447	2,037,236	AA+	31331GAZ2
10,000,000	FED FARM CREDIT 0.64 1/11/2017	0.64	10,000,000	10,000,230	AA+	3133EA4F2
2,300,000	FED FARM CREDIT 0.68 1/30/2017	0.68	2,300,000	2,300,076	AA+	3133EEAE0
15,000,000	FED FARM CREDIT VAR 7/1/2016	0.46	14,999,063	15,000,000	AA+	3133EEFN5
3,445,000	FED FARM CREDIT VAR 7/5/2016	0.49	3,445,644	3,444,235	AA+	3133EDMX7
25,000,000	FED FARM CREDIT VAR 7/6/2016	0.56	25,011,543	25,010,175	AA+	31331K2G4
4,600,000	FED FARM CREDIT VAR 7/10/2016	0.50	4,600,718	4,598,799	AA+	3133EDX64
16,050,000	FED FARM CREDIT VAR 7/11/2016	0.48	16,051,721	16,052,841	AA+	3133ED4J8
6,000,000	FED FARM CREDIT VAR 7/11/2016	0.47	6,000,354	6,000,858	AA+	3133EDJA1
15,000,000	FED FARM CREDIT VAR 7/13/2016	0.46	14,997,118	14,984,745	AA+	3133EFJT5
10,000,000	FED FARM CREDIT VAR 7/13/2016	0.46	9,998,124	9,989,830	AA+	3133EFJT5
3,500,000	FED FARM CREDIT VAR 7/13/2016	0.46	3,497,069	3,496,441	AA+	3133EFJT5
9,210,000	FED FARM CREDIT VAR 7/17/2016	0.48	9,191,500	9,196,443	AA+	3133EEZM5
10,000,000	FED FARM CREDIT VAR 7/22/2016	0.48	9,977,479	9,982,170	AA+	3133EEN71
20,000,000	FED FARM CREDIT VAR 7/23/2016	0.46	19,998,050	19,995,460	AA+	3133EELD0
5,000,000	FED FARM CREDIT VAR 7/23/2016	0.60	4,999,794	5,001,490	AA+	3133EFE29

**CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND**

**LIST OF INVESTMENTS AT JUNE 30, 2016 (Continued)**

Par Value <sup>(1)</sup>	Security (Coupon, Maturity or Reset Date)	Yield %	Amortized Cost <sup>(1)</sup>	Fair Value <sup>(1)</sup>	Credit Quality	CUSIP
5,000,000	FED FARM CREDIT VAR 7/25/2016	0.59	5,001,965	5,001,185	AA+	3133EFVY0
4,000,000	FED FARM CREDIT VAR 7/27/2016	0.51	4,000,933	4,000,404	AA+	3133EDFW7
4,500,000	FED FARM CREDIT VAR 7/27/2016	0.51	4,501,054	4,500,455	AA+	3133EDFW7
25,000,000	FED FARM CREDIT VAR 7/29/2016	0.48	25,001,423	24,992,925	AA+	3133EDZW5
10,000,000	FED FARM CREDIT VAR 7/30/2016	0.47	9,998,815	10,000,620	AA+	3133EEGU8
5,000,000	FED FARM CREDIT VAR 7/30/2016	0.53	4,988,854	4,987,435	AA+	3133EE5C0
10,000,000	FED FARM CREDIT VAR 8/1/2016	0.68	9,997,608	10,005,680	AA+	3133EFWZ6
5,000,000	FED FARM CREDIT VAR 8/1/2016	0.68	5,006,794	5,002,840	AA+	3133EFWZ6
15,000,000	FED FARM CREDIT VAR 8/6/2016	0.60	14,989,371	14,997,930	AA+	3133EEMX5
17,800,000	FED FARM CREDIT VAR 8/7/2016	0.55	17,800,637	17,805,571	AA+	3133ED6T4
3,000,000	FED FARM CREDIT VAR 8/7/2016	0.55	2,999,356	3,000,939	AA+	3133ED6T4
15,000,000	FED FARM CREDIT VAR 8/20/2016	0.51	14,965,359	14,961,195	AA+	3133EE7B0
15,000,000	FED FARM CREDIT VAR 8/20/2016	0.51	14,965,376	14,961,195	AA+	3133EE7B0
10,000,000	FED FARM CREDIT VAR 8/22/2016	0.44	9,981,105	9,988,640	AA+	3133EE4L1
15,000,000	FED FARM CREDIT VAR 8/22/2016	0.44	14,971,594	14,982,960	AA+	3133EE4L1
10,000,000	FED FARM CREDIT VAR 8/22/2016	0.44	9,981,078	9,988,640	AA+	3133EE4L1
10,000,000	FED FARM CREDIT VAR 8/23/2016	0.50	9,995,184	10,001,390	AA+	3133EFQE0
25,000,000	FED FARM CREDIT VAR 8/30/2016	0.65	25,000,000	25,016,300	AA+	3133EFFV4
20,000,000	FED FARM CREDIT VAR 9/9/2016	0.52	19,933,774	19,965,780	AA+	3133EEV80
3,100,000	FED FARM CREDIT VAR 9/19/2016	0.46	3,097,801	3,099,706	AA+	3133EDT85
10,000,000	FED FARM CREDIT VAR 9/24/2016	0.52	9,997,785	9,999,690	AA+	3133EFEX1
2,390,000	FED FARM CREDIT VAR 9/26/2016	0.59	2,387,154	2,388,552	AA+	3133EEUZ1
10,000,000	FED FARM CREDIT VAR 9/26/2016	0.59	10,004,317	9,993,940	AA+	3133EEUZ1
5,000,000	FED FARM CREDIT VAR 7/5/2016	0.49	5,001,666	4,998,890	AA+	3133EDMX7
6,015,000	FED FARM CREDIT VAR 7/5/2016	0.49	6,015,455	6,013,665	AA+	3133EDMX7
25,000,000	FED FARM CREDIT VAR 7/13/2016	0.48	25,010,526	24,994,125	AA+	3133EEHV5
11,500,000	FED FARM CREDIT VAR 7/13/2016	0.50	11,508,392	11,495,768	AA+	3133EEPS3
25,000,000	FED FARM CREDIT VAR 7/13/2016	0.50	25,012,261	24,990,800	AA+	3133EEPS3
1,000,000	FED FARM CREDIT VAR 7/13/2016	0.50	1,000,488	999,632	AA+	3133EEPS3
15,000,000	FED FARM CREDIT VAR 7/14/2016	0.47	15,000,778	15,002,235	AA+	3133EDH21
25,000,000	FED FARM CREDIT VAR 7/20/2016	0.48	25,007,341	24,993,350	AA+	3133EEDC0
8,000,000	FED FARM CREDIT VAR 7/20/2016	0.48	7,992,981	7,997,872	AA+	3133EEDC0
10,000,000	FED FARM CREDIT VAR 7/20/2016	0.48	9,990,671	9,997,340	AA+	3133EEDC0
25,000,000	FED FARM CREDIT VAR 7/24/2016	0.45	25,002,142	24,982,675	AA+	3133EEZX1
25,000,000	FED FARM CREDIT VAR 7/25/2016	0.44	24,995,327	24,971,100	AA+	3133EE2E9
4,500,000	FED FARM CREDIT VAR 7/29/2016	0.50	4,500,209	4,500,356	AA+	3133EDEE8
4,000,000	FED FARM CREDIT VAR 7/29/2016	0.50	4,002,346	3,998,124	AA+	3133EDTT9
17,400,000	FED FARM CREDIT VAR 7/29/2016	0.50	17,410,205	17,391,839	AA+	3133EDTT9
25,000,000	FED FARM CREDIT VAR 8/21/2016	0.47	24,966,166	24,963,875	AA+	3133EFAL1
3,200,000	FED FARM CREDIT VAR 9/1/2016	0.54	3,191,973	3,192,874	AA+	3133EEQ78
10,000,000	FED FARM CREDIT VAR 9/13/2016	0.62	9,998,049	9,996,090	AA+	3133EGER2
4,200,000	FED FARM CREDIT VAR 9/14/2016	0.73	4,207,910	4,206,825	AA+	3133EFSD0
2,057,000	FED FARM CREDIT VAR 9/19/2016	0.53	2,057,479	2,057,341	AA+	3133ED2E1
15,000,000	FED FARM CREDIT VAR 9/19/2016	0.44	14,999,502	14,999,490	AA+	3133EDNQ1
10,000,000	FED FARM CREDIT VAR 9/19/2016	0.44	9,999,556	9,999,660	AA+	3133EDNQ1
15,000,000	FED FARM CREDIT DISCOUNT NOTE 8/15/2016	0.47	14,991,375	14,995,320	AA+	313312C24
15,000,000	FED HOME LOAN BANK 0.375 7/20/2016	0.38	15,000,000	15,000,540	AA+	3130A5YF0
15,000,000	FED HOME LOAN BANK 0.375 7/21/2016	0.41	14,999,745	15,000,810	AA+	3130A5ZM4
20,000,000	FED HOME LOAN BANK 0.375 7/22/2016	0.40	19,999,729	20,001,020	AA+	3130A5ZX0
8,000,000	FED HOME LOAN BANK 0.375 8/4/2016	0.60	7,998,340	8,001,216	AA+	3130A66Q5
3,560,000	FED HOME LOAN BANK 0.375 8/18/2016	0.47	3,559,571	3,560,281	AA+	3130A6CU9
5,000,000	FED HOME LOAN BANK 0.625 10/14/2016	0.51	5,001,675	5,002,825	AA+	3130A3CE2
10,000,000	FED HOME LOAN BANK 5.125 10/19/2016	0.65	10,133,820	10,141,930	AA+	3133XHK68
15,000,000	FED HOME LOAN BANK 0.375 10/21/2016	0.40	14,999,031	14,999,115	AA+	3130A6NS2
5,000,000	FED HOME LOAN BANK 0.625 11/23/2016	0.54	5,001,725	5,002,685	AA+	3130A3J70
10,000,000	FED HOME LOAN BANK 0.625 11/23/2016	0.66	9,998,509	10,005,370	AA+	3130A3J70
8,740,000	FED HOME LOAN BANK 0.625 11/23/2016	0.61	8,740,433	8,744,693	AA+	3130A3J70
7,150,000	FED HOME LOAN BANK 1.625 12/9/2016	0.83	7,174,707	7,185,671	AA+	313371PV2
10,000,000	FED HOME LOAN BANK 1.625 12/9/2016	0.83	10,034,556	10,049,890	AA+	313371PV2
10,000,000	FED HOME LOAN BANK 1.625 12/9/2016	0.68	10,041,213	10,049,890	AA+	313371PV2
15,000,000	FED HOME LOAN BANK 1.625 12/9/2016	0.56	15,070,045	15,074,835	AA+	313371PV2
3,500,000	FED HOME LOAN BANK 0.65 12/12/2016	0.54	3,501,741	3,503,227	AA+	3130A3PC2
2,940,000	FED HOME LOAN BANK 0.625 12/28/2016	0.57	2,940,814	2,942,290	AA+	3130A0C65
1,245,000	FED HOME LOAN BANK 0.625 4/20/2017	0.71	1,244,166	1,246,226	AA+	3130A7TL9
15,000,000	FED HOME LOAN BANK 0.625 4/20/2017	0.76	14,983,797	15,014,775	AA+	3130A7TL9
3,075,000	FED HOME LOAN BANK 0.625 5/9/2017	0.66	3,074,130	3,077,832	AA+	3130A7ZG3



**CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND**

**LIST OF INVESTMENTS AT JUNE 30, 2016 (Continued)**

Par Value <sup>(1)</sup>	Security (Coupon, Maturity or Reset Date)	Yield %	Amortized Cost <sup>(1)</sup>	Fair Value <sup>(1)</sup>	Credit Quality	CUSIP
10,000,000	FED HOME LOAN BANK 0.875 5/24/2017	0.64	10,020,728	10,027,120	AA+	3130A1NN4
6,100,000	FED HOME LOAN BANK 0.625 5/30/2017	0.63	6,099,941	6,102,818	AA+	3130A5EP0
2,000,000	FED HOME LOAN BANK 0.75 7/18/2016	0.38	2,000,341	2,000,406	AA+	313383R78
250,000	FED HOME LOAN BANK 0.53 8/11/2016	0.47	250,017	250,080	AA+	3130A46Y3
10,000,000	FED HOME LOAN BANK 0.46 8/19/2016	0.49	9,999,591	10,002,150	AA+	3130A7CH6
10,000,000	FED HOME LOAN BANK 0.46 8/19/2016	0.50	9,999,524	10,002,150	AA+	3130A7CH6
20,000,000	FED HOME LOAN BANK 0.50 8/19/2016	0.54	19,999,050	20,005,540	AA+	3130A7AF2
20,000,000	FED HOME LOAN BANK 0.47 8/26/2016	0.51	19,998,909	20,004,700	AA+	3130A7ED3
4,785,000	FED HOME LOAN BANK 5.375 9/9/2016	0.45	4,829,900	4,829,917	AA+	3133XGJA3
2,000,000	FED HOME LOAN BANK 5.375 9/9/2016	0.71	2,017,721	2,018,774	AA+	3133XGJA3
20,000,000	FED HOME LOAN BANK 0.51 9/9/2016	0.51	20,000,000	20,005,220	AA+	3130A6BD8
5,000,000	FED HOME LOAN BANK 0.51 9/9/2016	0.40	5,000,000	5,001,305	AA+	3130A6BD8
4,100,000	FED HOME LOAN BANK 3.75 9/9/2016	0.55	4,124,993	4,126,162	AA+	3130A7ED3
7,500,000	FED HOME LOAN BANK 3.75 9/9/2016	0.55	7,545,755	7,547,858	AA+	3133XUKV4
4,040,000	FED HOME LOAN BANK 2.00 9/9/2016	0.49	4,051,582	4,052,245	AA+	313370TW8
3,405,000	FED HOME LOAN BANK 2.00 9/9/2016	0.72	3,413,300	3,415,321	AA+	313370TW8
1,000,000	FED HOME LOAN BANK 2.00 9/9/2016	0.76	1,002,346	1,003,031	AA+	313370TW8
4,575,000	FED HOME LOAN BANK 2.00 9/9/2016	0.69	4,586,405	4,588,867	AA+	313370TW8
5,000,000	FED HOME LOAN BANK 2.00 9/9/2016	0.68	5,012,555	5,015,155	AA+	313370TW8
9,950,000	FED HOME LOAN BANK 2.00 9/9/2016	0.54	9,977,614	9,980,158	AA+	313370TW8
1,000,000	FED HOME LOAN BANK 2.00 9/9/2016	0.56	1,002,730	1,003,031	AA+	313370TW8
1,300,000	FED HOME LOAN BANK 0.60 9/26/2016	0.47	1,300,410	1,300,993	AA+	3130A1BV9
2,915,000	FED HOME LOAN BANK 0.50 9/28/2016	0.48	2,915,133	2,916,125	AA+	3130A2T97
1,005,000	FED HOME LOAN BANK 0.50 9/28/2016	0.56	1,004,858	1,005,388	AA+	3130A2T97
2,475,000	FED HOME LOAN BANK 0.50 9/28/2016	0.47	2,475,198	2,475,955	AA+	3130A2T97
25,000,000	FED HOME LOAN BANK 0.50 9/28/2016	0.39	25,006,864	25,009,650	AA+	3130A2T97
2,425,000	FED HOME LOAN BANK 0.50 9/28/2016	0.69	2,423,878	2,425,936	AA+	3130A2T97
10,000,000	FED HOME LOAN BANK 0.50 9/28/2016	0.71	9,994,880	10,003,860	AA+	3130A2T97
10,000,000	FED HOME LOAN BANK 0.50 9/28/2016	0.54	9,999,087	10,003,860	AA+	3130A2T97
3,385,000	FED HOME LOAN BANK 0.50 9/28/2016	0.56	3,384,504	3,386,307	AA+	3130A2T97
1,000,000	FED HOME LOAN BANK 0.50 10/17/2016	0.66	999,533	1,000,338	AA+	3130A3CW2
10,000,000	FED HOME LOAN BANK 0.40 10/28/2016	0.40	10,000,000	9,999,650	AA+	3130A6PZ4
5,000,000	FED HOME LOAN BANK 3.50 12/9/2016	0.81	5,058,872	5,067,055	AA+	3133XVRJ2
4,400,000	FED HOME LOAN BANK 4.75 12/16/2016	0.76	4,480,142	4,485,386	AA+	3133XH2K1
2,300,000	FED HOME LOAN BANK 4.75 12/16/2016	0.70	2,342,587	2,344,634	AA+	3133XH2K1
10,000,000	FED HOME LOAN BANK 4.75 12/16/2016	0.66	10,186,942	10,194,060	AA+	3133XH2K1
5,000,000	FED HOME LOAN BANK 4.75 12/16/2016	0.67	5,093,354	5,097,030	AA+	3133XH2K1
9,350,000	FED HOME LOAN BANK 0.70 12/29/2016	0.65	9,352,244	9,360,089	AA+	3130A2XK7
15,000,000	FED HOME LOAN BANK 0.54 1/26/2017	0.59	14,995,681	15,009,885	AA+	3130A7VB8
10,000,000	FED HOME LOAN BANK 0.72 2/17/2017	0.72	10,000,000	10,003,040	AA+	3130A7BY0
4,395,000	FED HOME LOAN BANK 4.875 5/17/2017	0.66	4,556,682	4,560,133	AA+	3133XKQX6
15,000,000	FED HOME LOAN BANK 4.875 5/17/2017	0.78	15,535,606	15,563,595	AA+	3133XKQX6
15,000,000	FED HOME LOAN BANK 4.875 5/17/2017	0.65	15,553,600	15,563,595	AA+	3133XKQX6
3,080,000	FED HOME LOAN BANK 0.70 5/18/2017	0.70	3,080,000	3,081,870	AA+	3130A7U60
15,000,000	FED HOME LOAN BANK 0.75 5/25/2017	0.75	15,000,000	15,008,370	AA+	3130A7WA9
2,000,000	FED HOME LOAN BANK 0.82 6/12/2017	0.72	2,001,880	2,005,102	AA+	3130A5PC7
1,850,000	FED HOME LOAN BANK 1.00 6/21/2017	0.70	1,855,414	1,857,209	AA+	313379DD8
1,715,000	FED HOME LOAN BANK 5.50 8/15/2016	0.69	1,725,128	1,725,818	AA+	3133MJQF0
7,125,000	FED HOME LOAN BANK 2.00 9/9/201	0.55	7,144,568	7,146,596	AA+	313370TW8
10,000,000	FED HOME LOAN BANK 2.00 9/9/201	0.55	10,027,434	10,030,310	AA+	313370TW8
1,500,000	FED HOME LOAN BANK 5.00 12/9/2016	0.70	1,528,251	1,530,000	AA+	3133XHVS8
10,000,000	FED HOME LOAN BANK 0.75 7/20/2017	0.75	10,000,000	10,008,920	AA+	3130A8L35
5,070,000	FED HOME LOAN BANK VAR 7/17/2016	0.54	5,069,350	5,070,847	AA+	313376T88
20,000,000	FED HOME LOAN BANK VAR 7/21/2016	0.44	20,000,000	19,980,520	AA+	3130A6C54
20,000,000	FED HOME LOAN BANK VAR 7/25/2016	0.45	20,001,138	19,982,340	AA+	3130A6DC8
15,000,000	FED HOME LOAN BANK VAR 8/22/2016	0.65	15,001,196	15,007,350	AA+	3130A7DE2
10,000,000	FED HOME LOAN BANK VAR 8/25/2016	0.64	10,000,664	10,006,920	AA+	3130A7EC5
10,000,000	FED HOME LOAN BANK VAR 9/8/2016	0.66	10,000,515	10,003,360	AA+	3130A7G90
10,000,000	FED HOME LOAN BANK VAR 9/8/2016	0.66	10,001,049	10,003,360	AA+	3130A7G90
10,000,000	FED HOME LOAN BANK DISCOUNT NOTE 7/1/2016	0.61	10,000,000	10,000,000	AA+	313384YV5
6,680,000	FED HOME LOAN BANK DISCOUNT NOTE 2/21/2017	0.54	6,656,889	6,660,815	AA+	313385CD6
10,000,000	FED HOME LOAN BANK DISCOUNT NOTE 3/24/2017	0.56	9,959,731	9,966,010	AA+	313385DL7
5,000,000	FREDDIE MAC 5.50 7/18/2016	0.40	5,011,803	5,012,400	AA+	3137EAAG8
10,000,000	FREDDIE MAC 5.50 7/18/2016	0.40	10,023,639	10,024,800	AA+	3137EAAG4
3,021,000	FREDDIE MAC 5.50 7/18/2016	0.42	3,028,117	3,028,492	AA+	3137EAAG4
7,549,000	FREDDIE MAC 2.00 8/25/2016	0.42	7,566,868	7,566,657	AA+	3137EACW7

**CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND**

**LIST OF INVESTMENTS AT JUNE 30, 2016 (Continued)**

Par Value <sup>(1)</sup>	Security (Coupon, Maturity or Reset Date)	Yield %	Amortized Cost <sup>(1)</sup>	Fair Value <sup>(1)</sup>	Credit Quality	CUSIP
1,420,000	FREDDIE MAC 2.00 8/25/2016	0.46	1,423,283	1,423,321	AA+	3137EACW7
6,158,000	FREDDIE MAC 2.00 8/25/2016	0.53	6,171,562	6,172,404	AA+	3137EACW7
2,625,000	FREDDIE MAC 2.00 8/25/2016	0.37	2,631,431	2,631,140	AA+	3137EACW7
5,000,000	FREDDIE MAC 2.00 8/25/2016	0.56	5,010,823	5,011,695	AA+	3137EACW7
5,000,000	FREDDIE MAC 2.00 8/25/2016	0.56	5,010,781	5,011,695	AA+	3137EACW7
4,235,000	FREDDIE MAC 2.00 8/25/2016	0.61	4,243,830	4,244,906	AA+	3137EACW7
3,862,000	FREDDIE MAC 2.00 8/25/2016	0.61	3,870,052	3,871,033	AA+	3137EACW7
5,735,000	FREDDIE MAC 2.00 8/25/2016	0.70	5,746,229	5,748,414	AA+	3137EACW7
5,000,000	FREDDIE MAC 2.00 8/25/2016	0.65	5,010,147	5,011,695	AA+	3137EACW7
1,603,000	FREDDIE MAC 2.00 8/25/2016	0.54	1,606,517	1,606,749	AA+	3137EACW7
4,927,000	FREDDIE MAC 2.00 8/25/2016	0.45	4,938,486	4,938,524	AA+	3137EACW7
9,202,000	FREDDIE MAC 0.875 10/14/2016	0.72	9,205,942	9,213,723	AA+	3137EADS5
9,000,000	FREDDIE MAC 0.875 10/14/2016	0.59	9,007,441	9,011,466	AA+	3137EADS5
4,000,000	FREDDIE MAC 5.35 11/1/2016	0.67	4,062,682	4,065,316	AA+	3128X2RE7
2,000,000	FREDDIE MAC 0.625 12/5/2016	0.55	2,000,604	2,002,722	AA+	3134G3Z37
20,000,000	FREDDIE MAC 5.00 2/16/2017	0.77	20,528,628	20,563,100	AA+	3137EAAM1
7,129,000	FREDDIE MAC 0.875 2/22/2017	0.70	7,137,208	7,146,031	AA+	3137EADT3
3,300,000	FREDDIE MAC 1.00 3/8/2017	0.76	3,305,426	3,310,821	AA+	3137EADC0
4,500,000	FREDDIE MAC 1.00 3/8/2017	0.62	4,511,766	4,514,756	AA+	3137EADC0
2,000,000	FREDDIE MAC 1.00 3/8/2017	0.63	2,005,093	2,006,558	AA+	3137EADC0
14,852,000	FREDDIE MAC 1.00 3/8/2017	0.68	14,884,500	14,900,700	AA+	3137EADC0
1,689,000	FREDDIE MAC 1.25 5/12/2017	0.65	1,697,754	1,698,713	AA+	3137EADF3
11,295,000	FREDDIE MAC 1.25 5/12/2017	0.79	11,339,861	11,359,958	AA+	3137EADF3
20,000,000	FREDDIE MAC 1.25 5/12/2017	0.67	20,099,435	20,115,020	AA+	3137EADF3
1,123,000	FREDDIE MAC 1.25 5/12/2017	0.63	1,129,014	1,129,458	AA+	3137EADF3
10,300,000	FREDDIE MAC 1.25 5/12/2017	0.61	10,357,022	10,359,235	AA+	3137EADF3
10,000,000	FREDDIE MAC 5.50 7/18/2016	0.42	10,023,578	10,024,800	AA+	3137EAAG4
15,000,000	FREDDIE MAC VAR 7/12/2016	0.44	14,999,327	14,998,770	AA+	3134G5UB9
15,000,000	FREDDIE MAC VAR 7/27/2016	0.49	14,997,490	14,998,770	AA+	3134G75N7
10,000,000	FREDDIE MAC VAR 9/8/2016	0.68	10,000,000	10,004,310	AA+	3134G8PF0
2,000,000	FREDDIE MAC DISCOUNT NOTE 4/3/2017	0.58	1,991,260	1,992,334	AA+	313397DW8
<b>\$1,942,881,000</b>			<b>\$ 1,948,162,182</b>	<b>\$1,948,619,186</b>		
<b>U. S. GOVERNMENT GUARANTEED (0.59% OF TOTAL INVESTMENTS)</b>						
\$ 12,000,000	OVERSEAS PRI INV 0.87 11/18/2016	0.87	\$ 12,000,000	\$ 12,062,064	AA+	690353J99
10,000,000	OVERSEAS PRI INV 1.01 3/17/2017	1.01	10,000,000	10,018,930	AA+	690353M20
7,000,000	OVERSEAS PRI INV 0.82 4/30/2017	0.82	7,000,000	7,013,265	AA+	690353M95
<b>\$ 29,000,000</b>			<b>\$ 29,000,000</b>	<b>\$ 29,094,259</b>		
<b>REPURCHASE AGREEMENTS (9.19% OF TOTAL INVESTMENTS)</b>						
\$ 250,000,000	MERRILL LYNCH REPO 0.35 7/1/2016	0.35	\$ 250,000,000	\$250,000,000	A-1	N/A
200,000,000	RBC CAPITAL MAR REPO 0.35 7/1/2016	0.35	200,000,000	200,000,000	A-1+	N/A
<b>\$ 450,000,000</b>			<b>\$ 450,000,000</b>	<b>\$450,000,000</b>		
<b>DEPOSIT INSTRUMENTS (38.39% OF TOTAL INVESTMENTS)</b>						
\$ 225,000,000	BB&T COMPANY 0.58 7/1/2016 <sup>(2)</sup>	0.58	\$ 225,000,000	\$225,000,000	A-1	N/A
30,000,000	BANK OF TOKYO MITS 0.39 7/5/2016	0.39	30,000,000	30,000,000	A-1	N/A
225,000,000	CITIZENS BANK PA 0.43 7/1/2016 <sup>(2)(8)</sup>	0.43	225,000,000	225,000,000	A-2	N/A
100,000,000	DZ BANK 0.27 7/1/2016	0.27	100,000,000	100,000,000	A-1+	N/A
100,000,000	FED INSURED CUST ACCT 0.35 7/1/2016 <sup>(2)</sup>	0.35	100,000,000	100,000,000	N/R	N/A
225,000,000	PEOPLES UNITED BANK 0.43 7/1/2016 <sup>(2)(8)</sup>	0.43	225,000,000	225,000,000	A-2	N/A
225,000,000	SANTANDER BANK NA 0.43 7/1/2016 <sup>(2)(8)</sup>	0.43	225,000,000	225,000,000	A-2	N/A
175,000,000	SUMITOMO BANK 0.53 7/1/2016 <sup>(2)</sup>	0.53	175,000,000	175,000,000	A-1	N/A
225,000,000	SVENSKA HANDELSBANK 0.29 7/1/2016	0.29	225,000,000	225,000,000	A-1+	N/A
50,000,000	TD BANK, NA 0.48 7/1/2016 <sup>(2)</sup>	0.48	50,000,000	50,000,000	A-1+	N/A
50,000,000	TD BANK, NA 0.48 7/1/2016 <sup>(2)</sup>	0.48	50,000,000	50,000,000	A-1+	N/A
25,000,000	TD BANK, NA 0.54 7/1/2016 <sup>(2)</sup>	0.54	25,000,000	25,000,000	A-1+	N/A
50,000,000	TD BANK, NA 0.40 7/1/2016 <sup>(2)</sup>	0.40	50,000,000	50,000,000	A-1+	N/A
50,000,000	TD BANK, NA 0.50 7/1/2016 <sup>(2)</sup>	0.50	50,000,000	50,000,000	A-1+	N/A
125,000,000	WEBSTER BANK 0.43 7/1/2016 <sup>(3)(8)</sup>	0.43	125,000,000	125,000,000	A-2	N/A
<b>\$1,880,000,000</b>			<b>\$ 1,880,000,000</b>	<b>\$1,880,000,000</b>		

**CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND**

**LIST OF INVESTMENTS AT JUNE 30, 2016 (Continued)**

Par Value <sup>(1)</sup>	Security (Coupon, Maturity or Reset Date)	Yield %	Amortized Cost <sup>(1)</sup>	Fair Value <sup>(1)</sup>	Credit Quality	CUSIP
<b>BANK COMMERCIAL PAPER (4.59% OF TOTAL INVESTMENTS)</b>						
\$ 225,000,000	US BANK 0.37 7/1/2016 (2)	0.37	\$ 225,000,000	\$ 225,000,000	A-1+	N/A
\$ 225,000,000			\$ 225,000,000	\$ 225,000,000		
<b>COMMERCIAL PAPER (3.57% OF TOTAL INVESTMENTS)</b>						
\$ 50,000,000	NATIONAL SEC CLEARING CORP 0.39 7/8/2016	0.40	\$ 49,996,208	\$ 49,996,000	A-1+	63763PG86
50,000,000	NATIONAL SEC CLEARING CORP 0.39 7/8/2016	0.40	49,996,208	49,996,000	A-1+	63763PG86
25,000,000	TOYOTA MOTOR CREDIT CORP 0.71 10/28/2016	0.73	24,941,326	24,941,500	A-1+	89233GKU9
25,000,000	TOYOTA MOTOR CREDIT CORP 0.79 11/28/2016	0.81	24,917,708	24,919,781	A-1+	89233GLU8
25,000,000	TOYOTA MOTOR CREDIT CORP 0.84 12/27/2016	0.86	24,895,583	24,898,375	A-1+	89233GMT0
\$ 175,000,000			\$ 174,747,035	\$ 174,751,656		
<b>GOVERNMENT MONEY MARKET FUND (3.89% OF TOTAL INVESTMENTS)</b>						
\$ 190,532,033	WESTERN ASSET MGMT GOVT FUND 0.30 7/1/2016	0.30	\$ 190,532,033	\$ 190,532,033	AAAM	N/A
\$ 190,532,033			\$ 190,532,033	\$ 190,532,033		
<b>\$4,892,413,033</b>			<b>\$ 4,897,441,250</b>	<b>\$4,897,997,134</b>		

Fund Net Asset Value = \$1.010 per unit <sup>(4)</sup>  
 Effective 7-Day Net Yield = 0.45% <sup>(5)</sup>  
 Effective 7-Day Gross Yield = 0.48%  
 WAM<sup>(R)</sup> = 40 Days <sup>(6)</sup>  
 WAM<sup>(F)</sup> = 104 Days <sup>(7)</sup>

- (1) Securities rounded to the nearest dollar.
- (2) Issue has a daily put option, and thus is calculated as 1 day for WAL and WAM purposes.
- (3) Issue has a two day or a weekly put option, and thus is calculated as 2, 6 or 7 day for WAL and WAM purposes.
- (4) Includes designated surplus reserve.
- (5) Includes approximately 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.
- (6) Weighted average maturity to the next reset date.
- (7) Weighted average maturity to final maturity date.
- (8) Peoples United Bank, Citizens Bank PA, Santander Bank and Webster Bank deposits are backed by irrevocable standby letter of credit provided by the Federal Home Loan Banks of Boston and Pittsburg guaranteeing principal and interest amount.

CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND

SCHEDULE OF MANAGEMENT FEES AT JUNE 30, 2016

<u>Category</u>	<u>Amount</u>
Internal Management Fees	\$1,696,987
External Professional & Other Miscellaneous Expenses	<u>323,991</u>
<b>Total:</b>	<b><u>\$2,020,979</u></b>

*Note: Amounts shown expenses paid during the fiscal year. Internal management fees include payroll, lease service, subscriptions, supplies, telephone and other. External professional fees include custodian and investor services.*

**CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND**

**SCHEDULE OF PARTICIPANTS BY CONCENTRATION AT JUNE 30, 2016**

Type	Number of Accounts	Fair Value
Municipalities and Local Entities	541	\$ 852,039,834
State Treasury	52	1,548,864,814
State Agencies and Authorities	330	2,450,715,964
TOTAL:	<u>923</u>	<u>\$4,851,620,613</u>

Participant Net Asset Value, Offering Price and Redemption Price  
per Share (\$4,851,620,613 in Net Assets divided by 4,851,620,613 shares) \$ 1.00

*Note: Does not include designated surplus reserve or realized gain from sale of securities.*

## Investment Policy

As adopted August 21, 1996 and revised June 16, 2008 and April 17, 2009.

### A. Background

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

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

### B. Purpose

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

### C. Investment Objectives

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

### D. Safety of Principal

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

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

\* Subsequent to the adoption of this policy, the reserves were drawn upon once in 2008 during the financial crisis without affecting the fund's \$1.00 per share net asset value or the loss of principal to any investor. In addition, STIF's AAAM rating was not affected during this period.

## CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND

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

### **E. Liquidity**

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

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

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

### **F. Yield**

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

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

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

### **G. Prudence**

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

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

### **H. Investment Guidelines**

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

1. STIF may invest in the following securities:
  - a. Instruments issued, guaranteed or insured by the U.S. government or federal agencies.
  - b. Certificates of deposit of commercial banks in the United States whose short-term debt is rated at least A-1 and TBW-1 (by Thomson Bank Watch) and whose long-term debt is rated at least A- and C (by Thomson Bank Watch).

## CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND

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

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

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

4. All investments must be made in U.S. dollar-denominated securities.
5. The dollar-weighted average portfolio maturity (including interest rate reset periods) may not exceed 90 days. Individual maturities may not exceed five years.



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

### **I. Interest Payments**

Effective December 1, 1996:

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

### **J. Administrative Costs**

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

## **K. Delegation of Authority**

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

## **L. Daily Confirmations**

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

## **M. Monthly Statements**

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

## **N. Reports**

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

## **O. Participant Manual**

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

## **P. Audit**

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

## **Q. Portfolio Valuation**

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

1. **First Level Notification.** If the market value of the overall investment portfolio, based on reports from the custodian, drops below 99.75 percent of the amortized cost value of the overall investment portfolio, or if the ratio of the market value of the overall portfolio to the outstanding participant units drops below 100.50 percent, the Principal Investment Officer would notify the Assistant Treasurer for Cash Management, the Assistant Treasurer for Pension Funds Management, and the Treasurer's Investment Committee at the first weekly meeting following such determination.
2. **Second Level Notification.** If the market value of the overall investment portfolio, based on reports from the custodian, drops below 99.50 percent of the amortized cost value of the overall investment portfolio, or if the ratio of the market value of the overall portfolio to the outstanding participant units drops below 100.25 percent, the Principal Investment Officer would notify, as soon as practical, the Treasurer, Deputy Treasurer, Assistant Treasurer - Chief of Staff, Assistant Treasurer for Cash Management, Assistant Treasurer for Pension Funds Management, and the Treasurer's Investment Committee. The Treasurer's Investment Committee would then meet in special session to review the circumstances surrounding the fall in one or both ratios, and it would review every security held by the fund. If this second level notification resulted from a significant increase in fund size that resulted in a proportionate decrease in the relative size of the designated surplus reserve, then portfolio or other changes may not be required. If this second level notification resulted from the decline in market values of securities, then the Investment Committee would consider selling securities that had fallen in value and making use of the designated surplus reserve.

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

## **R. Internal Controls**

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

## **S. Cash Management Advisory Board**

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

## **T. Financial Dealers and Institutions**

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

## **U. Ethics**

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

## **V. Bond Proceeds**

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

## **W. Conformance with Guidelines**

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

## **X. Conformance with National Standards**

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

## **Y. Investment Guideline Revisions**

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

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

**GLOSSARY OF TERMS**

**Agency Securities** - Securities issued by U.S. Government agencies, such as the Federal Home Loan Bank. These securities have high credit ratings but are not backed by the full faith and credit of the U.S. Government.

**Asset Backed Notes** - Financial instruments collateralized by one or more types of assets including real property, mortgages, and receivables.

**Banker's Acceptance (BA)** - A high-quality, short-term negotiable discount note, drawn on and accepted by banks which are obligated to pay the face amount at maturity.

**Basis Point (bp)** - The smallest measure used in quoting yields or returns. One basis point is 0.01% of yield, 100 basis points equals 1%. A yield that changed from 8.75% to 9.50% increased by 75 basis points.

**Benchmark** - A standard unit used as the basis of comparison; a universal unit that is identified with sufficient detail so that other similar classifications can be compared as being above, below, or comparable to the benchmark.

**Capital Gain(Loss)** - Also known as capital appreciation (depreciation), capital gain (loss) measures the increase(decrease) in value of an asset over time.

**Certificates of Deposit (CDs)** - A debt instrument issued by banks, usually paying interest, with maturities ranging from seven days to several years.

**Commercial Paper** - Short-term obligations with maturities ranging from 1 to 270 days. They are issued by banks, corporations, and other borrowers to investors with temporarily idle cash.

**Compounded Annual Total Return** - Compounded annual total return measures the implicit annual percentage change in value of an investment, assuming reinvestment of dividends, interest, and realized capital gains, including those attributable to currency fluctuations. In effect, compounded annual total return "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 consumer prices, as determined by a monthly survey of the U.S. Bureau of Labor Statistics. Components of the CPI include housing costs, food, transportation, electricity, etc.

**Cumulative Rate of Return** - A measure of the total return earned for a particular time period. This calculation measures the absolute percentage change in value of an investment over a specified period, assuming reinvestment of dividends, interest income, and realized capital gains. For example, if a \$100 investment grew to \$120 in a two-year period, the cumulative rate of return would be 20%.

**Derivative** - Derivatives are generally defined as contracts whose value depends on, or derives from, the value of an underlying asset, reference rate, or index. For example, an option is a derivative instrument because its value derives from an underlying stock, stock index, or future.

**Discount Rate** - The interest rate that the Federal Reserve charges banks for loans, using government securities or eligible paper as collateral.

**Expense Ratio** - The amount, expressed as a percentage of total investment, that shareholders pay for mutual fund operating expenses and management fees.

**Federal Funds Rate** - The interest rate charged by banks with excess reserves at a Federal Reserve district bank to banks needing overnight loans to meet reserve requirements. The federal funds rate is one of the most sensitive indicators of the direction of interest rates since it is set daily by the market.

**Federal Reserve Board** - The governing body of the Federal Reserve System (12 regional Federal banks monitoring the commercial and savings banks in their regions). The board establishes FRS policies on such key matters as reserve requirements and other regulations, sets the discount rate, and tightens or loosens the availability of credit in the economy.

**Gross Domestic Product** - Total final value of goods and services produced in the United States over a particular period or time, usually one year. The GDP growth rate is the primary indicator of the health of the economy.

**GLOSSARY OF TERMS**

- Index** - A benchmark used in executing investment strategy which is viewed as an independent representation of market performance. An index implicitly assumes cost-free transactions; some assume reinvestment of income. Example: S&P 500 index.
- Inflation** - A measure of the rise in price of goods and services, as happens when spending increases relative to the supply of goods on the market, i.e. too much money chasing too few goods.
- Investment Income** - The equity dividends, bond interest, and/or cash interest paid on an investment.
- Liability** - The claim on the assets of a company or individual - excluding ownership equity. The obligation to make a payment to another.
- Market Value** - The price at which buyers and sellers trade similar items in an open marketplace. Stocks are considered liquid and are therefore valued at a market price. Real estate is illiquid and valued on an appraised basis.
- Master Custodian** - An entity, usually a bank, used as a place for safekeeping of securities and other assets. The bank is also responsible for many other functions which include accounting, performance measurement, and securities lending.
- Maturity Date** - The date on which the principal amount of a bond or other debt instrument becomes payable or due.
- MFR Index (Formerly IBC)** - An index which represents an average of the returns of institutional money market mutual funds that invest primarily in first-tier (securities rated A-1, P-1) taxable securities.
- Money Market Fund** - An open-ended mutual fund that invests in commercial paper, bankers' acceptances, repurchase agreements, government securities, certificates of deposit, and other highly liquid and safe securities and pays money market rates of interest. The fund's net asset value remains a constant \$1 per share - only the interest rate goes up or down.
- Moody's (Moody's Investors Service)** - A financial services company which is one of the best known bond rating agencies in the country. Moody's investment grade ratings are assigned to certain municipal short-term debt securities, classified as MIG-1, 2, 3, and 4 to signify best, high, favorable, and adequate quality, respectively. All four are investment grade or bank quality.
- Net Asset Value (NAV)** - The total assets minus liabilities, including any valuation gains or losses on investments or currencies, and any accrued income or expense. NAV is similar to Shareholders' Equity.
- Par Value** - The stated or face value of a stock or bond. It has little significance for common stocks, however, for bonds it specifies the payment amount at maturity.
- Principal** - Face value of an obligation, such as a bond or a loan, that must be repaid at maturity.
- Prudent Expert Rule** - The standard adopted by some entities to guide those fiduciaries with responsibility for investing money of others. Such fiduciaries must act as a prudent expert would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investment. This is a higher standard than the "prudent person" rule.
- Realized Gain (Loss)** - A gain (loss) that has occurred financially. The difference between the principal amount received and the cost basis of an asset realized at sale .
- Relative Volatility** - A ratio of the standard deviation of the Fund to the standard deviation of its selected benchmark. A relative volatility greater than 1.0 suggests comparatively more volatility in Fund returns than those of the benchmark.
- Repurchase Agreements ("Repos")** - An agreement to purchase securities from an entity for a specified amount of cash and to resell the securities to the entity at an agreed upon price and time. Repos are widely used as a money market instrument.
- Reverse Repurchase Agreements ("Reverse Repos")** - An agreement to sell securities to an entity for a specified amount of cash and to repurchase the securities from the entity at an agreed upon price and time.

**GLOSSARY OF TERMS****S&P Ratings -**

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

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

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

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

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

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

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

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

Standard Deviation - A statistical measure showing the deviation of an individual value in a probability distributed from the mean (average) of the distribution. The greater the degree of dispersion from the mean rate of return, the higher the standard deviation; therefore, the higher the risk.

Treasury Bill (T-Bill) - Short-term, highly liquid government securities issued at a discount from the face value and returning the face amount at maturity.

Treasury Bond or Note - Debt obligations of the Federal government that make semiannual coupon payments and are sold at or near par value in denominations of \$1,000 or more.

Turnover - The minimum of security purchases or sales divided by the fiscal year's beginning and ending market values for a given portfolio.

Unrealized Gain (Loss) - A profit (loss) that has not been realized through the sale of a security. The gain (loss) is realized when a security or futures contract is actually sold or settled.

Variable Rate Note - Floating rate notes with a coupon rate adjusted at set intervals, such as daily, weekly, or monthly, based on different interest rate indices, such as LIBOR, Fed Funds, and Treasury Bills.

Volatility - A statistical measure of the tendency of a market price or yield to vary over time. Volatility is said to be high if the price, yield, or return typically changes dramatically in a short period of time.

Yield - The return on an investor's capital investment.

**Statistical**  

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**Section**





**STATISTICAL SECTION**

This part of the Short-Term Investment Fund's (STIF's) Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial schedules and other supplementary information say about the overall financial health of STIF. The schedules within this statistical section comply with the requirements of GASB 44.

***Financial Trends***

These schedules contain the ten-year trend information on the financial performance of STIF.

<u>Schedule</u>	<u>Pages</u>
o Schedule of rates of return	46-47

***Revenue Capacity***

Revenue capacity is not applicable to STIF.

***Borrowing Capacity***

Section H 2. of the Short-Term Investment Fund's Investment Policy allow the fund to utilize reverse repurchase agreements to meet temporary liquidity requirements of the fund. The following statistics outline STIF's borrowing capacity as of June 30, 2016.

<u>Description</u>	<u>Amount</u>
Outstanding borrowing	\$0
Maximum borrowing amount	Five percent of total assets
Collateral requirement	Must be collateralized at a minimum of 100 percent

***Demographic and Economic Information***

These schedules show the breakdown between state and municipal funds, growth of the fund and rate information.

<u>Schedule</u>	<u>Page</u>
o Participant units under management	48
o Monthly and annual comparative yields	49

***Operating Information***

The summary of operations schedule outlines the expenses, additions and deductions associated with the management of STIF.

<u>Schedule</u>	<u>Page</u>
o Changes in Net Position	50
o Distributions to participants	51

*Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. STIF implemented Statement 34 in Fiscal Year 2005.*

**CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND**

**SCHEDULE OF ANNUAL RATES OF RETURN**

	Year Ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>STIF Total Rate of Return (%)</b>	0.29	0.15	0.14	0.16	0.16	0.23	0.34	1.49	4.13	5.54
<b>MFR Index (%)<sup>(1)</sup></b>	0.15	0.03	0.02	0.05	0.05	0.08	0.09	1.30	4.07	5.14
<b>Total Net Position in STIF, End of Period (\$ - Millions)</b>	4,903	5,038	4,211	4,477	4,894	4,494	4,582	4,548	5,054	5,004
<b>Percent of State Assets in Fund</b>	82	84	83	83	83	84	84	81	83	80
<b>Number of Participant Accounts in Composite, End of Year<sup>(2)</sup></b>										
State Treasury	52	53	58	67	52	52	51	47	39	47
Municipal and Local Entities	541	551	475	685	674	660	656	608	637	578
State Agencies and Authorities	330	335	341	428	429	417	416	367	418	406
<b>Total</b>	<b>923</b>	<b>939</b>	<b>874</b>	<b>1,180</b>	<b>1,155</b>	<b>1,129</b>	<b>1,123</b>	<b>1,022</b>	<b>1,094</b>	<b>1,031</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.

(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.

**CONNECTICUT STATE TREASURER'S 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>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>
<b>2012</b>			<b>2007</b>		
Sep-11	0.04	0.01	Sep-06	1.36	1.26
Dec-11	0.06	0.01	Dec-06	1.38	1.26
Mar-12	0.03	0.02	Mar-07	1.33	1.26
Jun-12	0.03	0.02	Jun-07	1.36	1.26
<b>YEAR</b>	<b>0.16</b>	<b>0.05</b>	<b>YEAR</b>	<b>5.54</b>	<b>5.14</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.

**CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND**

**PARTICIPANT UNITS UNDER MANAGEMENT**

<u>Date</u>	<u>Municipal</u>	<u>State*</u>	<u>Total</u>	<u>Variance</u>
6/2016	\$852,039,834	\$3,999,580,779	\$4,851,620,613	-2.72%
6/2015	822,894,941	4,164,165,750	4,987,060,691	19.86
6/2014	716,188,027	3,444,696,758	4,160,884,785	-6.02
6/2013	746,279,063	3,681,000,173	4,427,279,236	-8.64
6/2012	818,542,160	4,027,669,000	4,846,211,160	8.95
6/2011	692,390,571	3,755,769,181	4,448,139,752	-2.09
6/2010	731,333,009	3,811,810,110	4,543,143,119	0.63
6/2009	836,895,704	3,677,900,952	4,514,796,656	-10.16
6/2008	853,181,810	4,172,196,059	5,025,377,869	1.46
6/2007	1,007,813,533	3,945,011,848	4,952,825,381	-7.99

\* State includes State Treasury, agencies and authorities.

**CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND**

**MONTHLY COMPARATIVE YIELDS**

	<b>STIF</b>	<b>Benchmarks<sup>(b)</sup></b>	
	Earned Rate <sup>(a)</sup>	iMoneyNet Money Fund Average™ MFR Index <sup>(b)</sup>	Fed. Reserve Three Mo. T-Bill
06/2016	0.44%	0.26%	0.26%
05/2016	0.34	0.26	0.35
04/2016	0.36	0.26	0.25
03/2016	0.41	0.25	0.30
02/2016	0.40	0.23	0.32
01/2016	0.37	0.19	0.31
12/2015	0.27	0.11	0.26
11/2015	0.21	0.06	0.14
10/2015	0.15	0.05	0.02
09/2015	0.19	0.05	0.01
08/2015	0.16	0.05	0.05
07/2015	0.17	0.04	0.05
06/2015	0.14	0.04	0.05

**ANNUAL COMPARATIVE YIELDS**

	<b>STIF</b>	<b>Benchmarks<sup>(b)</sup></b>	
	Earned Rate <sup>(a)</sup>	iMoneyNet Money Fund Average™ MFR Index <sup>(b)</sup>	Fed. Reserve Three Mo. T-Bill
2016	0.29%	0.15%	0.19%
2015	0.15	0.03	0.02
2014	0.14	0.02	0.04
2013	0.16	0.05	0.08
2012	0.16	0.05	0.05
2011	0.23	0.08	0.12
2010	0.34	0.09	0.12
2009	1.49	1.30	0.54
2008	4.13	4.07	2.91
2007	5.54	5.14	5.01

(a) Actual earnings less expenses and transfers to reserves.

(b) Represents iMoneyNet Money Fund Average™ - Rated First Tier Institutional Average (MFR) Index. These Index rates have been taken from published sources.

CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND

CHANGES IN NET POSITION LAST TEN FISCAL YEARS (dollars in millions)

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Additions</b>										
Net Investment income	\$17.1	\$8.7	\$8.9	\$11.1	\$12.7	\$17.4	\$21.3	\$74.9	\$208.2	\$287.2
Net Realized gain	0.0	(0.1)	0.1	0.0	0.2	0.1	0.3	0.6	0.0	0.2
Net decrease in fair value of investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(24.0)	0.0
Purchase of units by participants	11,391.9	13,390.6	11,719.0	11,187.4	10,802.0	12,771.0	14,549.7	15,586.4	14,455.7	13,710.3
Total additions to net position	11,409.0	13,399.2	11,728.0	11,198.5	10,814.8	12,788.5	14,571.3	15,661.9	14,639.9	13,997.7
<b>Deductions</b>										
Operating expenses	(1.9)	(2.0)	(2.0)	(1.5)	(1.3)	(1.2)	(1.2)	(1.3)	(1.2)	(1.3)
Income distributed to investors (Notes 2 and 6)	(14.3)	(6.5)	(6.3)	(7.3)	(7.6)	(11.3)	(15.6)	(69.7)	(205.2)	(282.3)
Redemption of units by participants	(11,527.3)	(12,564.4)	(11,985.1)	(11,606.6)	(10,406.5)	(12,863.0)	(14,521.4)	(16,096.9)	(14,383.1)	(14,140.2)
Total deductions from net position	(11,543.5)	(12,573.0)	(11,993.4)	(11,615.4)	(10,415.4)	(12,875.5)	(14,538.2)	(16,168.0)	(14,589.5)	(14,423.8)
<b>Change in net position</b>	(134.5)	826.2	(\$265.4)	(\$416.9)	\$399.4	(\$87.0)	\$33.1	(\$506.0)	\$50.4	(\$426.1)
<b>Net Position - Beginning of Period</b>	\$5,037.5	\$4,211.3	\$4,476.7	\$4,893.6	\$4,494.2	\$4,581.6	\$4,548.5	\$5,054.5	\$5,004.1	\$5,430.2
<b>Net Position - End of Period</b>	\$4,903.0	\$5,037.5	\$4,211.3	\$4,476.7	\$4,893.6	\$4,494.2	\$4,581.6	\$4,548.5	\$5,054.5	\$5,004.1
<b>Designated Surplus Reserve Transfer</b>	\$0.9	\$0.2	\$0.6	\$2.3	\$4.0	\$4.9	\$4.7	\$4.6	\$1.9	\$3.8
<b>Designated Surplus Reserve Transfer Balance*</b>	\$51.4	\$50.5	\$50.3	\$49.7	\$47.4	\$43.4	\$38.5	\$33.7	\$29.1	\$51.3

\* Net of designated reserve transfer contributions and expenses.

Note: Details may not add to totals due to rounding.

CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND

DISTRIBUTIONS TO PARTICIPANTS

Distributions:	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
July	\$673,376	\$550,845	\$589,887	\$715,740	\$690,438	\$940,472	\$1,804,102	\$9,552,900	\$23,237,650	\$24,345,190
August	664,417	551,303	407,061	698,925	741,866	1,002,183	1,766,231	10,885,593	26,051,672	27,564,818
September	766,461	519,748	271,572	884,348	709,215	996,828	1,652,063	10,020,904	24,381,386	25,645,680
October	624,944	536,039	552,704	732,683	1,018,729	928,080	1,435,864	8,382,261	23,109,275	23,994,071
November	815,409	529,685	489,583	825,425	754,162	993,506	1,244,871	6,870,533	19,591,395	21,300,897
December	1,129,298	548,778	572,477	684,328	665,569	1,031,157	1,348,631	5,624,806	15,941,753	20,518,091
January	1,560,619	536,230	607,051	608,181	438,608	1,003,165	1,179,381	4,289,444	16,365,735	22,743,650
February	1,585,420	503,800	558,172	454,326	473,242	995,211	936,966	3,477,010	14,164,444	22,710,701
March	1,707,678	577,432	591,688	336,432	482,688	939,497	1,020,218	3,477,312	12,867,724	23,294,961
April	1,539,998	538,179	550,054	333,745	651,575	871,219	1,022,252	2,679,262	10,148,379	23,423,230
May	1,475,869	570,928	577,896	349,361	437,660	827,009	1,125,441	2,592,339	10,362,416	24,433,435
June (Payable at June 30)	1,759,674	572,149	530,908	706,145	494,015	771,681	1,036,174	1,846,634	8,962,975	22,370,026
Total Distribution Paid & Payable	\$14,303,163	\$6,535,117	\$6,299,050	\$7,329,640	\$7,557,767	\$11,300,006	\$15,572,194	\$69,698,998	\$205,184,804	\$282,344,750





*Office of the State Treasurer*  
LIST OF PRINCIPAL OFFICIALS AND PHONE NUMBERS

**Denise L. Nappier**  
Treasurer, State of Connecticut  
Tel: (860) 702-3010  
Fax: (860) 702-3043

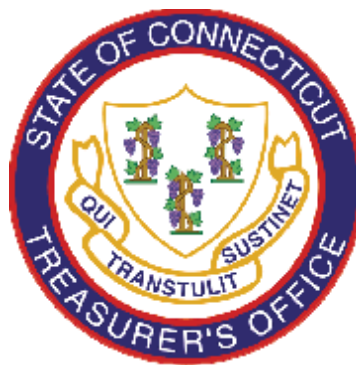
**Lawrence A. Wilson**  
Interim Deputy Treasurer  
Tel: (860) 702-3070  
Fax: (860) 728-1290

**Deborah Spalding**  
Chief Investment Officer  
Pension Funds Management  
Tel: (860) 702-3101  
Fax: (860) 702-3042

**Maria M. Greenslade**  
Assistant Deputy Treasurer  
Second Injury Fund and Unclaimed Property  
Tel: (860) 702-3125  
Fax: (860) 702-3021

**Sarah K. Sanders**  
Assistant Treasurer  
Debt Management  
Tel: (860) 702-3288  
Fax: (860) 702-3034

**Lawrence A. Wilson**  
Assistant Treasurer  
Cash Management  
Tel: (860) 702-3126  
Fax: (860) 702-3041



**OFFICE OF THE TREASURER**

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