State of Connecticut
Office of the State Treasurer

Short-Term Investment Fund Comprehensive Annual Financial Report

For Fiscal Year Ended
June 30, 1999

DENISE L. NAPPIER
State Treasurer

STATE OF CONNECTICUT
QUI TRANSTULIT SUSTINET
TREASURER'S OFFICE

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STATE OF CONNECTICUT
QUI TRANSTULIT SUSTINET
TREASURER'S OFFICE

Office of the State Treasurer

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Short-Term Investment Fund Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 1999

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INTRODUCTORY SECTION

State of Connecticut
Office of the Treasurer

DENISE L. NAPPIER
TREASURER

October 15, 1999

Dear Fellow Investors:

It is my pleasure to provide you with this Comprehensive Annual Financial Report of the Treasurer's Short-Term Investment Fund (STIF) for the fiscal year ended June 30, 1999.

HIGHLIGHTS

Fiscal year 1999 was a strong year for STIF. The Fund earned 5.37 percent during the year, exceeding the average return of similar funds by 33 basis points. This performance resulted in an additional $12 million in interest income for Connecticut's governments and their taxpayers.

STIF assets under management grew during the year from approximately $3.2 billion to $3.6 billion. Net investment income grew $24 million, from $174 million in fiscal year 1998 to $198 million in fiscal year 1999. Expenses remained at the extremely low level of approximately three basis points.

The Fund's staff has also developed Clean Water Fund Express, which provides towns with the opportunity to have Clean Water Fund Program payments deducted from their STIF accounts by the program trustee.

We have also continued to make financial information readily accessible to investors. During the year, quarterly reports were redesigned to provide data in an easier-to-use format, and monthly STIF yields continued to be provided on the Internet. This Annual Report, and an annual meeting, are offered to provide a more comprehensive view of the STIF investment record. To provide additional access to this report, it will be made available not only in hard copy, but also through the Internet at www.state.ct.us/ott.

OUTSIDE REVIEWS

STIF's AAAm rating by Standard & Poor's, the leading rating agency of money market funds and local government investment pools, was reaffirmed in December 1998. This rating, in S&P's view, "signifies that safety of invested principal is excellent and there is a superior capacity to maintain a $1 per share net asset value at all times." In addition to the peace of mind that we hope this continues to provide to you about STIF's current financial condition, S&P monitors our portfolio on a weekly basis to ensure that we maintain the safety and liquidity you deserve. STIF's portfolio was also reviewed by the Investment Advisory Council and the Treasurer's Cash Management Advisory Board periodically throughout the year.

In addition, we once again received a Certificate of Achievement for Excellence in Financial Reporting for our Comprehensive Annual Financial Report from the Government Finance Officers Association of the United States and Canada (GFOA).

REPORT CONTENTS

This report was prepared in its entirety by the Connecticut State Treasurer's Office and we take full responsibility for the accuracy of the data and the completeness and fairness of the presentation of the financial statements, supporting schedules, investment performance information, and the statistical tables in it. The report contains four sections:

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

- The Introductory Section contains the Letter of Transmittal, the Management Report, the GFOA certificate, an organizational chart, and a list of principal officials.

- The Investment Section contains a comprehensive discussion of the Fund's investment performance and operations including:

  - Historical data on performance, portfolio characteristics, and asset growth;

  - Performance comparisons to the Fund's money market mutual fund benchmark, as well as to the Three-Month Treasury Bill (T-Bill) and Three-Month Certificates of Deposit (CD) benchmarks;

  - Analysis of the fiscal year's economic conditions and their impact on STIF's performance;

  - Questions and answers on topical issues related to STIF; and

  - The Fund's investment policy statement.

- The Financial Section contains the opinion of the State Auditors of Public Accounts on our financial statements, the financial statements of STIF, the investment portfolio of STIF as of June 30, 1999, a performance presentation compiled in conformance with the standards established by the Association of Investment Management & Research (AIMR), and the Level II Verification Report of Deloitte & Touche LLP on the performance presentation.

- The Statistical Section includes a historical table of STIF assets under management and asset growth rate, a historical table of STIF earned rates, and a comprehensive glossary of investment terms.

The performance presentation formats and disclosures used throughout are a synthesis of techniques used by public and private sector reporting entities as well as recommendations from the GFOA and past users of the Treasurer's Annual Report. Similarly, the financial statements and disclosures reflect a comprehensive effort by Treasury staff to integrate all appropriate accounting and disclosure standards, including those used by the private and public sectors as well as the newest disclosures required by generally accepted accounting principles (GAAP).

We will remain vigilant in safeguarding and prudently investing the operating cash of the State Treasury, state agencies and authorities, municipalities, and other political subdivisions of the State, which invest in STIF pursuant to CGS 3-27a - 3-27f. Moreover, we will continue to seek the highest level of income possible consistent with, first, the safety of principal and second, the provision of liquidity to meet investors' daily cash flow requirements.

Finally, we will endeavor to develop new ways to further expand and improve the level and quality of the services we provide. For example, during the next year we plan to expand the Clean Water Fund Express program to include other debt service payments.

We appreciate your participation in the Short-Term Investment Fund, and hope that the information provided here will prove to be both interesting and helpful.

Sincerely,

Denise L. Nappier
Treasurer
State of Connecticut

Management's Report

Connecticut State Treasury
Hartford, Connecticut
October 15, 1999

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

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

Sincerely,

Howard G. Rifkin
Deputy Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Connecticut State Treasurer's Short-Term Investment Fund

For its Comprehensive Annual Financial Report
for the Fiscal Year Ended
June 30, 1998

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

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

Douglas R Ellsworth
President

Jeffrey L. Esser
Executive Director

The Connecticut State Treasury

Mission Statement

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

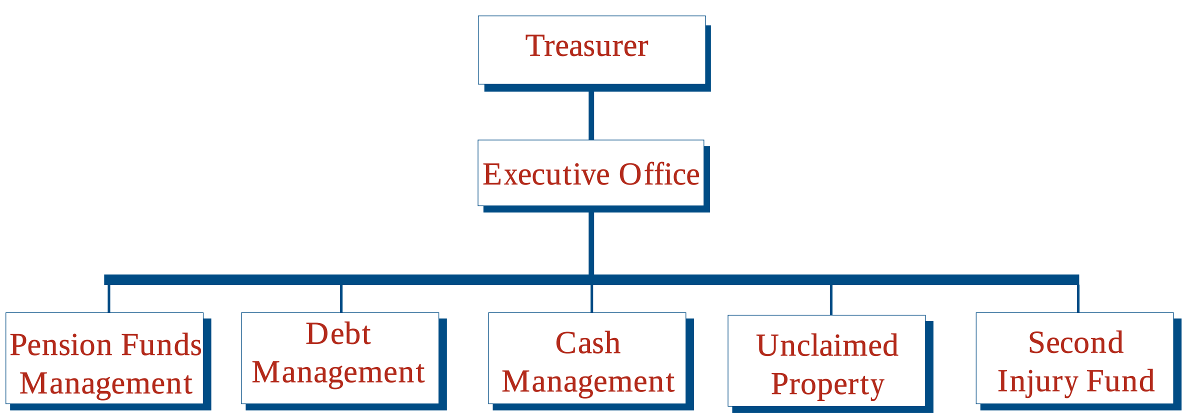
Statutory Responsibility

The Office of the Treasurer (OTT) was established following the adoption of the fundamental orders of Connecticut in 1638. The duties, as described in Article Four, Section 22 of the Connecticut State Constitution, the Treasurer shall receive all funds belonging to the state and disburse the same only as may be directed by law.

The Treasurer is the Chief Fiscal Officer for the State government, overseeing a wide variety of activities regarding the prudent conservation and management of State funds. This includes the administration of a portfolio of pension assets worth approximately $20 billion and a short-term investment fund with an average daily balance of almost $4 billion.

Public Service

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



Short-Term Investment Fund Administration

Cash Management Advisory Board

Barbara A. Czaplicki
William P. Desautelle
Robert H. Saunders, Jr.
J. Victor Thompson

DENISE L. NAPPIER
Treasurer
State of Connecticut

Investment Advisory Council

Steven W. Hart
Clare H. Barnett
Sherry L. Brown
Robert K. Killian, Jr.
Jeffrey H. Mockler
Denise L. Nappier
John J. Quirke
Duane G. Roberts
Marc S. Ryan
Rosalyn B. Schoonmaker
Carol M. Thomas
Wilson Wilde

FRANCESCO MANCINI, CPA
Assistant Treasurer
Financial Reporting

LAWRENCE A. WILSON, CCM
Assistant Treasurer
Cash Management Division

HAROLD W. JOHNSON, CFA
Principal Investment Officer

State Street Bank and Trust Corp.
Master Custodian and Investor Services

PAUL A. COUDERT
Investment Officer

MARC R. GAGNON
Investment Accounting Analyst

BARBARA SZUBA
Accountant

List of Principal Officials

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Investment Officer
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STIF Investor Services
Accountant
BARBARA SZUBA (860) 702-3118

Custodian and Investor Services
STATE STREET BANK AND TRUST CORPORATION
1-800-754-8430

INVESTMENT SECTION

SHORT-TERM INVESTMENT FUND
Fund Facts at June 30, 1999

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.

Date of Inception: 1972

Total Net Assets: $3.6 billion

Benchmarks: IBC First Tier Institutions-Only Rated Money Fund Report Index (IBC), Federal Reserve Three-Month CD, Federal Reserve Three-Month T-Bill.

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

Number of Advisors: 1 internal

Management Fees: None

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

Description of the Fund

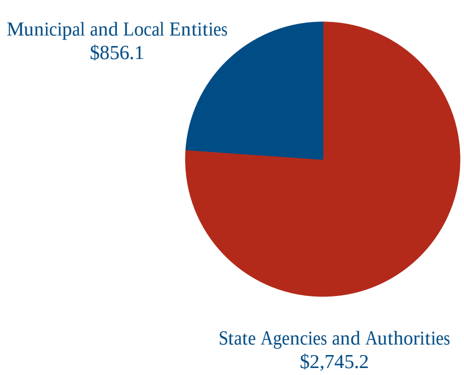
The Treasurer's Short-Term Investment Fund ("STIF" or the "Fund") is an AAAm rated investment pool of high-quality, short-term money market instruments managed by the Treasurer's Cash Management Division. Created in 1972, it serves as an investment vehicle for the operating cash of the State Treasury, State agencies and authorities, municipalities, and other political subdivisions of the State. 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 1999 fiscal year, STIF's portfolio averaged $3.7 billion.

STIF uses the basic strategy of buying on market weakness. When interest rates rise, STIF is in the market taking advantage of higher yields. To ensure sufficient liquidity to fund unexpected participant withdrawals, STIF closely monitors its "average maturity," based upon time to maturity or interest rate reset date of all securities in the portfolio. Over the long-term, STIF continually analyzes expectations of future interest rate movements and changes in the shape of the yield curve to ensure the most prudent and effective short-term money management for its clients. Ongoing credit analysis enables STIF to enhance its yield by identifying high-quality credits in undervalued sectors of the economy.

STIF pays interest monthly based on the daily earnings of the Fund less Fund expenses and an allocation to the Fund's Designated Surplus Reserve. The daily reserve allocations equal one-tenth of one percent of the Fund's daily balances divided by the number of days in the year, until the reserve totals one percent of the Fund's daily balance. This reserve, currently $30.5 million, contributes significantly to STIF's low risk profile.

To help the Fund and its customers evaluate performance, STIF compares its returns to a set of three indices. The first index is the IBC First Tier Institutions-Only Rated Money Fund Report Index ("IBC Index"). This index represents an average of institutional money market mutual funds rated AAA or AA 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 IBC Index is the most appropriate benchmark against which to judge STIF's performance.

SHORT-TERM INVESTMENT FUND
Ownership Analysis at June 30, 1999 ($ in Millions)



STIF's yields are also compared to the Federal Reserve three-month T-Bill rate and the Federal Reserve three-month CD rate. The former index is used to measure STIF's effectiveness in achieving yields in excess of a "risk-free" investment. The latter is shown for the benefit of STIF investors, many of whom invest in bank certificates of deposit. In viewing these indices, it is important to keep in mind that yields of the CD index will exceed those of the T-Bill index due to a CD's slightly higher risk profile and comparatively lower liquidity. Furthermore, indices are "unmanaged" and are not affected by management fees or operating expenses.

Among the Fund's several achievements during the 1999 fiscal year was the continuation of an AAAm rating by Standard & Poor's which was reaffirmed in December 1998. This rating is S&P's highest for money market funds and investment pools and signifies its conclusion that the Fund's safety of investors' principal is excellent and that superior capacity exists to maintain a $1 per share net asset value at all times.

Risk Profile

STIF is considered extremely low risk for several reasons. First, its portfolio is comprised of high-quality, highly liquid securities which insulate the Fund from default and liquidity risk. Second, its relatively short average maturity reduces the Fund's price sensitivity to changes in market interest rates. Third, STIF has a strong degree of asset diversification by security type and issuer, as required by its investment policy, strengthening its overall risk profile. And finally, STIF's reserve, which totals approximately one percent of Fund assets is available to protect against security defaults or the erosion of security values due to dramatic and unforeseen market changes. While this reserve has never been drawn upon during STIF's 27-year history, this added layer of security preserves the Fund's low risk profile. As the chosen short-term investment vehicle for the operating cash of the State, STIF has the ultimate confidence of the State government.

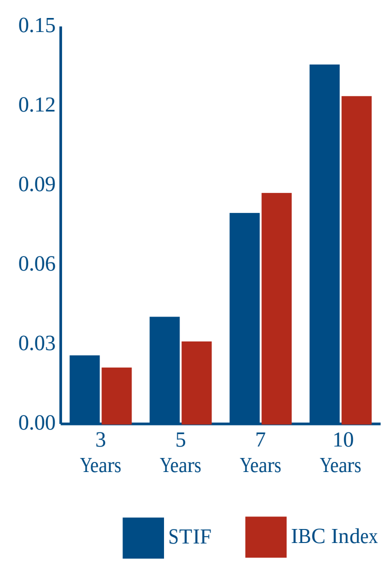
While STIF is managed diligently to protect against losses from credit and market changes, the Fund is not insured or guaranteed by any government. Therefore, the maintenance of capital cannot be fully assured.

SHORT-TERM INVESTMENT FUND
Comprehensive Profile

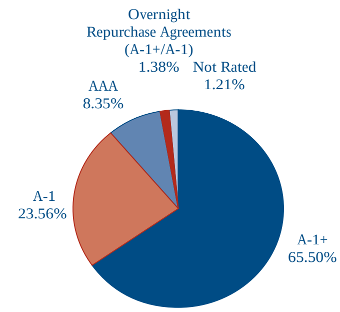
Fiscal Year End	Number of Issues	Yield(2)	Average Maturity(1)	Average Quality
1999	178	5.37%	52 days	A-1+/AAA
1998	184	5.82%	34 days	A-1+/AAA
1997	137	5.66%	30 days	A-1+/AAA
1996	80	5.95%	44 days	A-1+ or AAA
1995	62	5.62%	18 days	TBW-1/ AAA

(1) Includes interest rate adjustment periods.
(2) Represents Annual Total Return of the Fund for years ended June 30.

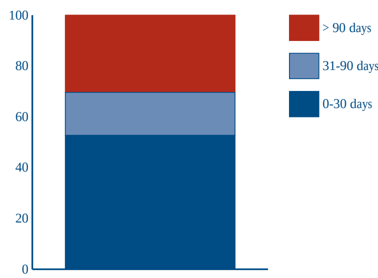
SHORT-TERM INVESTMENT FUND
Standard Deviation



SHORT-TERM INVESTMENT FUND
Distribution by Quality Rating at June 30, 1999

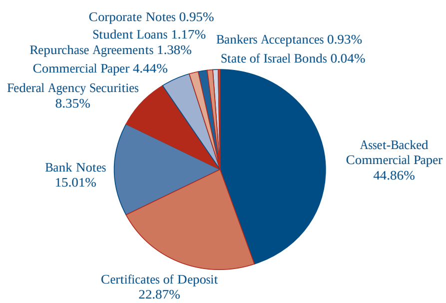


SHORT-TERM INVESTMENT FUND
Maturity* Analysis at June 30, 1999



**Or Interest Rate Reset Period.*

SHORT-TERM INVESTMENT FUND
Distribution by Security Type at June 30, 1999



Portfolio Composition

Throughout the year, STIF closely monitored the activities of the Federal Reserve and other economic indicators, adjusting the Fund's portfolio and characteristics as required. At the beginning of the fiscal year, STIF's weighted average maturity equaled 34 days. During the year the Fund's average maturity ranged from 22 to 62 days as market rates fluctuated. At the end of the 1999 fiscal year, the average maturity was 52 days, since STIF extended its maturities as yields rose.

STIF's assets continued to be well diversified across the spectrum of available short-term securities throughout the year. The Fund ended the year with a 75 percent concentration in investments rated A-1+ or AAA (the highest ratings of Standard & Poor's) or overnight repurchase agreements. The Fund's yield distribution was concentrated in the four percent to five percent range, with 53 percent of the Fund invested in securities with maturities, or interest rate reset dates for adjustable rate securities, of less than 30 days, versus the 80 percent at previous year end. The Fund's three largest security weightings included certificates of deposit (22.9 percent), receivable backed commercial paper (20.3 percent) and bank notes (15.0 percent). Asset-backed commercial paper reported in the distribution by security type pie chart includes receivable-backed, loan-backed, securities-backed, and multi-backed commercial paper.

Performance Summary

For the one-year period ended June 30, 1999, STIF reported an annual total return of 5.37 percent, net of operating expenses and allocations to Fund reserves. Annual total return measures the total investment income a participant would earn with monthly compounding at the Fund's monthly net earned rate during the year. This figure exceeded that achieved by its benchmark, the IBC index, which equaled 5.04 percent, by 33 basis points, as well as three-month T-Bills, which yielded 4.59 percent and three-month CDs which yielded 5.15 percent. Principal reasons for STIF's strong performance include low overall expenses, its effective security selection and fluctuating average life in response to the changing interest rate environment.

Over the long-term, STIF has performed exceptionally well. For the trailing three, five, seven and ten-year periods, STIF's compounded annual total return was 5.62 percent, 5.68 percent, 5.14 percent, and 5.91 percent, net of operating expenses and contributions to reserves, exceeding returns of each of its benchmarks for all time periods. Viewed on a dollar-for-dollar basis, had one invested $10 million in STIF ten years ago, that investment would have been worth $17.8 million at June 30, 1999, versus $16.7 million for a hypothetical investment in the IBC Index.

Beyond management's effective security selection, STIF's extremely low cost structure contributed significantly to these returns. While STIF's operating expenses are less than three basis points, or 0.03 percent of average net assets, the average rated institutional money market mutual fund charges its investors approximately 32 basis points. Reducing costs is the most prudent and safest way to increase yield. Thus, STIF has a risk-free advantage, shared by all its investors, of 29 basis points, or at least 19 basis points after the 10 basis points annual allocation to Fund's reserve.

During the fiscal year, STIF assets under management grew from $3.2 billion to $3.6 billion, an increase of approximately $400 million. The principal reason for this growth was an increase in State cash balances of over $500 million, offset by reductions of $80 million from its municipal and local customers.

Economic Report

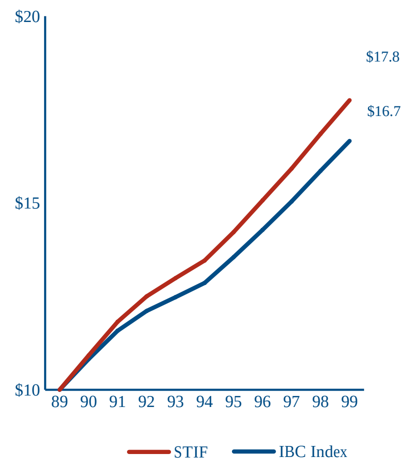
Fiscal year 1999 began with the Federal Reserve (Fed) having a bias towards raising interest rates to slow down the robust American economy to prevent future inflation. However, before the end of the first quarter, Fed policy had made a 180-degree turn and the Fed began a series of easings due to concerns that a worldwide financial crisis would create a recession in the U.S. William McDonough, President of the Federal Reserve Bank of New York, was quoted in the Wall Street Journal as saying "I believe we are in the most serious financial crisis since World War II and one that has a propensity to get worse rather than better". Concern over the global financial situation caused the

SHORT-TERM INVESTMENT FUND
Periods Ended June 30, 1999

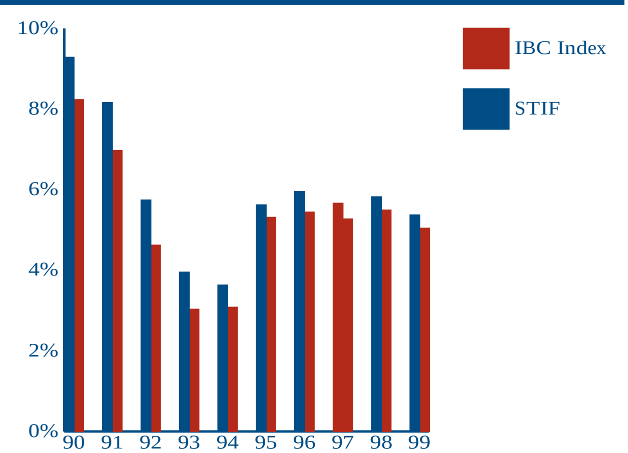
	1 Year	*3 Years*	*5 Years*	*7 Years*	*10 Years*
Compounded Annual Total Return (%)					
STIF	5.37	5.62	5.68	5.14	5.91
IBC Index*	5.04	5.26	5.31	4.66	5.24
Fed. Three-Month T-Bill	4.59	4.97	5.12	4.58	5.12
Fed. Three-Month CD	5.15	5.43	5.51	4.92	5.47
Cumulative Total Return (%)					
STIF	5.37	17.82	31.84	42.03	77.51
IBC Index*	5.04	16.64	29.53	37.57	66.62
Fed. Three-Month T-Bill	4.59	15.68	28.38	36.82	64.78
Fed. Three-Month CD	5.15	17.18	30.76	39.95	70.39

**Represents IBC First Tier Institutions-Only Index prior to December 31, 1995 and IBC First Tier Institutions-Only Rated Index through June 30, 1999.*

SHORT-TERM INVESTMENT FUND
Growth of $10 Million ($ in Millions)



SHORT-TERM INVESTMENT FUND
Annual Total Return Fiscal Years Ended June 30



**Represents IBC First Tier Institutions-Only Index prior to December 31, 1995 and IBC First Tier Institutions-Only Rated Index through June 30, 1999.*

QUESTIONS & ANSWERS

Q. What is STIF doing about Y2K?

A. STIF's internal systems are Year 2000 compliant. In addition, STIF has contacted external organizations that have critical relationships with STIF. Such organizations have responded that they have completed their system remediation efforts. STIF has also developed contingency plans in the event of a problem with internal or external systems.

At this time, we do not expect interruptions in serving our customers due to problems with systems under our control or the control of our vendors.

Q. What is Commercial Paper?

A. Commercial Paper is a short-term unsecured promissory note. Its repayment depends on the general credit worthiness of the issuer.

Q. What is Asset-Backed Commercial Paper?

A. Asset-Backed Commercial Paper is commercial paper (CP) that is structured in such a way that its repayment is intended to be obtained from a specific pool of assets. These assets can be receivables, loans, or securities. Asset- backed Commercial Paper (ABCP) is divided into two broad categories, fully supported and partially supported. Fully supported ABCP is CP whose repayment is supported by a financial guarantee and not by the cash flow from certain assets. Partially supported ABCP is CP whose repayment primarily depends on the cash flow expected to be realized on the pool of assets, as well as liquidity and credit enhancement provided by third parties.

Fed to lower the Fed Funds rate (the rate at which banks lend money to one another) in three steps by a total of 75 basis points by its November 17, 1998 meeting, despite the strength of the U.S. economy. Fed policy then remained on hold until the very end of fiscal year 1999.

Fiscal year 1999 ended the same way it began with the Fed concerned about the potential buildup of inflationary pressures. This time, though, the Fed was less concerned with the international situation, and tightened on June 30, 1999, increasing the overnight Fed Funds rate by 25 basis points, from 4.75 to 5.00 percent.

Fiscal Year 2000 to Date

The Fed has continued to raise interest rates during fiscal year 2000. It increased the Fed Funds rate by an additional 25 basis points at its August 1999 meeting. At the October 5 meeting, the Fed kept the Fed Funds rate steady at 5.25 percent but changed its bias to tightening. The market immediately priced in further tightenings for calendar year 1999, causing interest rates to rise. Confirming the market's expectations, the Fed raised rates by 25 basis points at its November 16, 1999 meeting.

Despite the Fed's ongoing concern regarding inflation in the future, so far it has been fairly benign. During this fiscal year, the Consumer Price Index has increased at the annualized rate of 3.6 percent. While there was some concern in September due to unusual one-time factors that led to a 4.8 percent increase, October's rate dropped back down to the annualized rate of 2.4 percent.

Outlook

With little inflation in sight, it seems to some that the Fed has no justification for increasing interest rates, but the Fed sees itself preventing future inflation that could be caused by the tight labor market, rising wages and fast growth of the economy. Fortunately, productivity increases have helped American companies pay higher wages without increasing prices. After many years of meager increases in productivity, the American economy has in the last few years experienced an increase in efficiency, especially in manufacturing, as companies have learned to utilize workers and equipment more effectively. For example, from 1994-1998, General Motors posted a 15 percent decrease in the number of workers required to build a car. Overall productivity in America increased by almost three percent during the 12 months ending September 30, 1999. Manufacturing exceeded that rate with an increase of almost five percent during the same period. These increases in productivity have allowed U.S. companies to remain profitable without increasing prices, allowing the American economy to grow at higher rates than in the past, without inflation.

Despite the increases in interest rates, consumer confidence remains at an all-time high. For the last 30 months, the American consumer has been more confident about the U.S. economy than at any other time in history. Rising wages, low unemployment and inflation, coupled with rising asset prices (both the stock market and housing prices), have contributed to this confidence. Consumer confidence is a measure of the consumer's willingness to continue spending, and since consumer spending makes up approximately 70 percent of the U.S. economy, it is a good indicator of the economy's ability to continue to expand.

One potential concern for the American economy that remains is the increasing level of our net foreign debt. As of December 31, 1998, foreigners had $1.24 trillion more invested in the U.S. than Americans had invested abroad, an increase of 28 percent over the previous 12 months. In the short run, this helps the U.S. economy by providing capital for business and credit for consumers, thereby keeping interest rates down. In the long run, this could hurt the American economy as it is likely that these investors are going to want to repatriate some of their earnings. As a result, the U.S. will have to either export more or import less to earn the funds to pay these investors. This imbalance could also cause the dollar to decline, interest rates to rise, and inflation to increase.

In addition, the market is facing a once-in-a-century event this year, the infamous transition to the Year 2000 (Y2K). The American financial system should be well prepared, although other countries may experience problems. Y2K should stimulate the economy in the second quarter of the fiscal year, as companies build up inventories in case of supply problems created by computer glitches. This, in turn, could cause a weak third quarter due to inventory build up. Such an event would create a different economic pattern than we have seen over the last couple of years in which the third quarter of the fiscal year has been strong, due to mild weather.

In terms of future Fed actions on interest rates, STIF's management is looking for probably one, or at most, two 25 basis point increases in the Fed Funds rates for the remainder of the fiscal year. As usual, management will take advantage of market weakness and extend the average maturity of the portfolio when market opportunities present themselves. As always, we appreciate your confidence and pledge to continue our efforts to provide you with safety, liquidity, and strong investment returns.

Investment Policy

Connecticut State Treasurer's Short-Term Investment Fund

A. Background

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

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

B. Purpose

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

C. Investment Objectives

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

D. Safety of Principal

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

1. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio by protecting against credit risks (from security defaults) and the erosion of market prices (from rising interest rates).

2. The Fund's investments shall be made in conformance with prudent guidelines for allowable instruments, credit quality and maturities. See Section H.

3. STIF shall maintain adequate diversification of instruments, issuers, industries and maturities to protect against significant losses from credit risks and market changes. See Section H.

4. All securities shall be held by a third-party custodian.

5. All transactions shall be handled on the basis of delivery vs. payment to a custodian bank.

6. All repurchase agreements shall be fully collateralized, with a custodian bank receiving delivery of the collateral.

7. Reverse repurchase agreements may be used only to meet temporary liquidity requirements of the Fund and may not exceed five percent of total Fund assets. See Section H.

8. STIF shall maintain a designated surplus reserve to provide an added layer of security. For the period June through November 1996 a pro-rated allocation to the reserve will be paid from investment returns that will equal, on an annualized basis, one-tenth of one percent of the fund's total investments until the reserve equals one percent of investments. Effective December 1, 1996, daily allocations to the designated surplus reserve will be paid from investment returns and will equal, on an annualized basis, one-tenth of one percent of the fund's investments until the reserve equals one percent of investments. If net losses significant to the aggregate portfolio are realized, they shall be charged against the designated surplus reserve, as discussed in Section Q. This reserve has never been drawn upon in STIF's 24-year history.

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

E. Liquidity

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

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

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

F. Yield

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

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

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

G. Prudence

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

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

H. Investment Guidelines

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

1. STIF may invest in the following securities:

    a. U.S. government and federal agency securities.

b. Certificates of deposit of commercial banks in the United States whose short-term debt is rated at least A-1 and TBW-1 (by Thomson Bank Watch) and whose long-term debt is rated at least A- and C (by Thomson Bank Watch).

c. Certificates of deposit of U.S. branches of foreign banks with short-term debt ratings of at least A-1 and TBW-1 and long-term debt ratings of at least A and B/C (by Thomson Bank Watch).

d. Bankers' acceptances of those banks meeting the criteria in b. and c. above.

e. Fully-collateralized repurchase agreements with primary dealers of the Federal Reserve with short-term debt ratings of at least A-1, or qualified domestic commercial banks meeting the criteria in b. above, with possession of collateral by a custodian bank.

f. Commercial paper of companies that have short-term debt rated at least A-1 and P-1 (by Moody's) and long-term debt rated at least AA- and Aa3 (by Moody's).

g. Corporate or asset-backed securities rated at least A-1/P-1 and AA-/Aa3.

h. Asset-backed securities with maturities of under one year rated at least A-1/P-1.

i. Money market mutual funds or similar investment pools, comprised of securities permitted under this investment policy and managed to maintain a constant share value, rated AAAm.

j. A line of credit of up to $100 million with the Connecticut Student Loan Foundation. Any resulting loans shall be fully collateralized (at 102 percent) by student loans with interest and principal 98 percent federally guaranteed.

k. The portfolio currently includes securities issued by the State of Israel, which mature in less than six years, and which, in the aggregate, total less than .5 percent of the portfolio value. These notes' interest rates are reset semi-annually at the prime rate minus 50 basis points. These securities, as currently structured, will not be purchased in the future.

2. Reverse repurchase agreements, in the aggregate, may not exceed five percent of net assets at the time of execution. While any reverse repurchase agreement is outstanding, new investments must match the maturity of the shortest-term outstanding reverse repurchase agreement. Reverse repurchase agreements are to be used only to meet temporary liquidity requirements of the Fund.

3. No investments may be made in "derivative" securities such as futures, swaps, options, interest-only and principal-only mortgage-backed securities, inverse floaters, CMT floaters, leveraged floaters, dual index floaters, COFI floaters, and range floaters. These types of securities can experience high price volatility with changing market conditions, and their market values may not return to par even at the time of an interest rate adjustment.

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

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

4. All investments must be made in U.S. dollar-denominated securities.

5. The dollar-weighted average portfolio maturity (including interest rate reset periods) may not exceed 90 days. Individual maturities may not exceed five years.

6. STIF shall diversify its investments to avoid incurring unreasonable risks inherent in overinvesting in specific instruments, industry segments, individual issuers or maturities. Diversification strategies shall include:

   a. At the time of purchase, no more than five percent of the overall portfolio may be invested in an individual security, other than overnight or two-business-day repurchase agreements and U.S. government and agency securities.

   b. At the time of purchase, no more than 10 percent of the overall portfolio may be invested in securities of a single bank or corporation, other than overnight or two-business-day repurchase agreements and U.S. government and agency securities.

   c. There is no limitation on the percentage of assets that may be invested in securities of the United States government, its agencies or instrumentalities, or in overnight or two-business-day repurchase agreements.

   d. At the time of purchase, no more than 25 percent of the overall portfolio may be invested in any industry other than the financial services industry.

   e. At the time of purchase, no more than 50 percent of the overall portfolio may be invested in the combined total of commercial paper and non-asset-backed corporate notes.

   f. At the time of purchase, no more than 20 percent of the overall portfolio may be invested in floating rate securities with final maturities in excess of two years.

   g. At the time of purchase, no more than five percent of the overall portfolio may be invested in an individual money market mutual fund or similar investment pool.

   h. At the time of purchase, no more than 10 percent of the overall portfolio may be invested in money market mutual funds and similar investment pools.

   i. At the time of purchase, investments in securities that are not readily marketable, other than securities that mature within seven days, may not exceed 10 percent of the fund's overall portfolio.

   j. At least 75 percent of the overall portfolio shall be invested in securities rated A-1+ or in overnight repurchase agreements with dealers or banks rated A-1.

7. The Treasurer intends to operate STIF in such a manner as to maintain its AAAm credit rating from Standard & Poor's, or a similar rating from another nationally-recognized credit rating service recognized by the State Banking Commissioner.

8. Investment decisions shall be based on the relative and varying yields and risks of individual securities and the Fund's liquidity requirements.

I. Interest Payments

Until December 1, 1996:

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

Effective December 1, 1996:

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

J. Administrative Costs

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

K. Delegation of Authority

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

L. Daily Confirmations

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

M. Monthly Statements

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

N. Reports

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

O. Participant Manual

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

P. Audit

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

Q. Portfolio Valuation

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

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

2. Second Level Notification. If the market value of the overall investment portfolio, based on reports from the custodian, drops below 99.50 percent of the amortized cost value of the overall investment portfolio, or if the ratio of the market value of the overall portfolio to the outstanding participant units drops below 100.25 percent, the Principal Investment Officer would notify, as soon as practical, the Treasurer, Deputy Treasurer, Assistant Treasurer - Chief of Staff, Assistant Treasurer for Cash Management, Assistant Treasurer for Pension Funds Management, Assistant Treasurer - Comptroller, 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.

Approved: Christopher B. Burnham
State Treasurer
August 21, 1996

FINANCIAL SECTION

STATE OF CONNECTICUT

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

KEVIN P. JOHNSTON

ROBERT G. JAEKLE

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statement of net assets of the Short-Term Investment Fund, including the list of investments, as of June 30, 1999, and the statements of changes in net assets for the fiscal years ended June 30, 1999, and 1998. These financial statements are the responsibility of the management of the State Treasury. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Our procedures included confirmation of securities owned as of June 30, 1999, by correspondence with the custodian. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Short-Term Investment Fund as of June 30, 1999, and the results of its operations and changes in net assets for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements of the Short-Term Investment Fund taken as a whole. The Statistical Section contained herein is presented for purposes of additional analysis and is not a required part of the financial statements of the Short-Term Investment Fund. Such information has been subjected to the auditing procedures applied in the audit of the financial statements of the Short-Term Investment Fund and, in our opinion, is fairly presented in all material respects in relation to the financial statements of the Short-Term Investment Fund taken as a whole. We did not audit the information contained in the Introductory and Investment Sections of this Short-Term Investment Fund annual report, or the Schedules of Rates of Return contained in the Financial Section.

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

October 15, 1999
State Capitol
Hartford, Connecticut

Financial Statements

Statement of Net Assets

June 30, 1999

Assets	
Investment in Securities, at Amortized Cost (Note 7)	$3,625,242,944
Accrued Interest and Other Receivables	20,246,970
Receivable from Transfer Agent (Note 5)	100,000
Total Assets	$3,645,589,914
Liabilities	
Distribution Payable	$ 13,688,661
Other Liabilities	92,152
Total Liabilities	$ 13,780,813
Net Assets	$3,631,809,101
Net Assets Consist of :	
Participant Units Outstanding($1.00 Par)	$3,601,309,067
Designated Surplus Reserve (Note 1)	30,500,034
Total Net Assets	$3,631,809,101
Participant Net Asset Value, Offering Price and Redemption	
Price per share ($3,601,309,067 divided by 3,601,309,067 shares)	$ 1.00

See Notes to Financial Statements.

Statements of Changes in Net Assets

For the Years Ended June 30, 1999 and 1998

	1999	1998
Operations		
Interest Income Before Expenses	$ 198,420,882	$ 175,111,420
Expenses:		
Operating Expenses	812,558	986,548
Interest Expense on Reverse Repurchase Agreements	141,000	-
Total Expenses	953,558	986,548
Net Investment Income	197,467,324	174,124,872
Net Realized Gains	59,690	77,761
Net Increase in Net Assets Resulting from Operations	197,527,014	174,202,633
Distribution to Participants (Notes 1 & 6)		
Distributions to Participants	(193,792,259)	(171,440,217)
Distributions Paid and Payable	(193,792,259)	(171,440,217)
Share Transactions at Net Asset Value of $1.00 per Share		
Purchase of Units	10,090,642,966	8,978,778,043
Redemption of Units	(9,636,639,596)	(8,322,543,833)
Net Increase in Net Assets and Shares Resulting from Share Transactions	454,003,370	656,234,210
Total Increase in Net Assets	457,738,125	658,996,626
Net Assets		
Beginning of Year	3,174,070,976	2,515,074,350
End of Year	$ 3,631,809,101	$ 3,174,070,976

See Notes to Financial Statements.

Notes to the Financial Statements

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

The Short-Term Investment Fund ("STIF" or the "Fund") is a money market investment pool managed by the Treasurer of the State of Connecticut (the "Treasurer"). STIF was created by Sec. 3-27 of the Connecticut General Statutes (CGS). Pursuant to CGS 3-27a - 3-27f, the State, municipal entities, and political subdivisions of the State of Connecticut are eligible to invest in the Fund. The State Treasurer is authorized to invest monies of the Short-Term Investment Fund in United States government and agency obligations, certificates of deposit, commercial paper, corporate bonds, saving accounts, bankers' acceptances, repurchase agreements, asset-backed securities, and student loans. For financial reporting purposes, STIF is not displayed in the State's combined financial statements. Instead, each fund type's investment in STIF is reported as cash equivalents in the combined balance sheet. Non-State monies are recorded in an investment trust fund. STIF is authorized to issue an unlimited number of units. The Fund uses the accrual basis of accounting. Significant accounting policies are as follows:

The Fund is a proprietary fund type. A proprietary 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 proprietary funds are generally those applicable to similar businesses in the private sector. The Fund is considered a "2a7-like" pool and, as such, reports its investments at amortized cost. In accordance with Government Accounting Standards Board ("GASB") Statement Number 20, the Treasurer has elected to apply all GASB pronouncements as well as all Financial Accounting Standards Board Statements, Interpretations, Accounting Principles, Board Opinions and Accounting Research Bulletins, except those that conflict with GASB pronouncements. During fiscal year 1998, the Fund adopted the financial statement presentation and disclosure requirements of GASB 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools".

Related Party Transactions. There were no related party transactions during the fiscal year.

Security Valuation. The assets of the Fund are carried at amortized cost which approximates fair value. Premiums and discounts on securities maturing in less than one year from date of purchase are amortized or accreted on a straight line basis. Premiums and discounts on fixed rate securities maturing more than one year from date of purchase are amortized or accreted on a constant yield basis while variable rate securities maturing more than one year from date of purchase are amortized or accreted on a straight line basis. Premiums and discounts on securities subject to prepayments are amortized or accreted on a straight line basis over the securities' expected remaining life.

Interest Income. Interest income, which includes amortization of premiums and accretion of discounts, is accrued as earned.

Expenses. Operating and interest expenses of STIF are accrued as incurred.

Fiscal Year. The fiscal year of STIF ends on June 30. Prior to fiscal year 1997, STIF's fiscal year ended on May 31.

Distributions to Participants. Distributions to participants are earned by the participants 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 an allocation to the Designated Surplus Reserve, if applicable. These distributions are paid monthly within two business days of the end of the month, and are based upon an actual days (365 or 366) basis. Shares are sold and redeemed at a constant $1.00 net asset value per share, which is consistent with the per share net asset value of the Fund, excluding the Designated Surplus Reserve. Prior to December 1, 1996 distributions were based upon the actual days in the year (365 or 366) at an interest rate established by the Treasurer on or before the first date of the month ("the guaranteed rate"). The interest distributions earned by participants were distributed within fifteen business days after the close of the periods ending on the last day of August and November.

Earnings Subject to Special Distribution. Prior to December 1, 1996, the excess of actual net earnings of STIF over interest payments made through November 1996 at the guaranteed rates, prior to any transfer to the Designated Surplus Reserve, was considered Earnings Subject to Special Distribution. In December 1996, a special distribution was paid to participants based upon net earnings of STIF less previously distributed quarterly payments and an allocation to the Designated Surplus Reserve. This special distribution was paid out in proportion to the total interest paid on the guaranteed rates since June 1, 1996. Given the change in the method for computing distributions to participants after November 30, 1996, a special distribution will no longer be necessary.

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.

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

As of June 30, 1999, the balance in the Designated Surplus Reserve was $30,500,034, an increase of $3,734,754 from the June 30, 1998 balance of $26,765,280.

Estimates. The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date 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 2: INVESTMENT RISK CLASSIFICATION

STIF's investment practice is to minimize uninvested cash balances; as such, there was no uninvested cash balance at June 30, 1999. All certificates of deposit within the portfolio are considered negotiable instruments. The certificates of deposit and all other securities of STIF are registered under the State Street Bank nominee name, Pond, Tide & Co., for the State of Connecticut nominee name, Conn. STIF & Co., and held by a designated agent of the State. They are classified in category 1 of the credit risks defined by Statement 3 of the Governmental Accounting Standards Board (GASB).

Category 1 includes investments which are insured or registered or for which securities are held by the Treasurer or his agent in the Treasurer's name.

NOTE 3: CUSTODIAN

Effective February 1, 1996, State Street Bank was appointed as custodian for STIF. STIF pays fees to the custodian for transactions and accounting services at a fixed annual rate of $35,000.

NOTE 4: ADMINISTRATION

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

NOTE 5: RECEIVABLE FROM TRANSFER AGENT

In an effort to minimize uninvested cash balances each day, estimates of participant purchase and sale activity are made. Occasionally, the timing of cash movements by participants may not exactly match the net activity of purchases and sales, resulting in a difference between investments held in securities relative to participants' net account value. As of June 30, 1999, STIF recorded an asset of $100,000, receivable from the transfer agent, for investments purchased which did not match actual movements of cash by participants into the Fund.

NOTE 6: DISTRIBUTIONS TO PARTICIPANTS

The components of the distributions to participants are as follows for the income earned during the twelve months ended June 30:

Distributions:	1999	1998
July	$14,869,926	$ 11,627,464
August	17,980,323	14,766,430
September	17,448,280	15,326,081
October	17,360,524	14,524,350
November	16,212,546	13,355,190
December	15,438,709	12,869,933
January	16,389,685	14,211,351
February	16,298,605	14,531,780
March	16,745,275	15,109,256
April	15,542,275	15,048,742
May	15,817,450	15,931,207
June (Payable at June 30)	13,688,661	14,138,433
Total Distributions Paid & Payable	$193,792,259	$171,440,217

NOTE 7: INVESTMENTS IN SECURITIES

The following is a summary of investments in securities, at amortized cost and fair value as of June 30, 1999:

Investment	Amortized Cost	Fair Value
Repurchase Agreements	$ 50,000,000	$ 50,000,000
Certificates of Deposit	828,936,301	828,343,135
Loan-Backed Commercial Paper	419,403,041	419,375,340
Multi-Backed Commercial Paper	108,708,246	108,708,246
Receivable-Backed Commericial Paper	735,446,756	735,405,152
Securities-Backed Commercial Paper	362,581,902	362,581,902
Commercial Paper	160,935,000	160,935,000
Corporate Notes	34,330,408	34,220,507
Bankers' Acceptances	33,867,850	33,834,371
Bank Notes	544,267,440	544,327,749
Federal Agency Securities	302,786,752	302,600,147
Student Loan-Backed Revolving Loans	42,479,073	42,479,073
State of Israel Bonds	1,500,000	1,500,000
Liquidity Management Control System	175	175
TOTAL	$3,625,242,944	$3,624,310,797

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.

GASB Technical Bulletin Number 94-1 states that derivatives are generally defined as contracts whose value depends on, or derives from, the value of an underlying asset, reference rate, or index. At June 30, 1999, STIF held adjustable-rate federal agency, student loan-backed revolving loans and State of Israel securities whose interest rates vary directly with short-term money market indices and are reset daily, weekly, monthly, quarterly or semi-annually. According to GASB Technical Bulletin Number 94-1, these securities are derivatives. 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. The adjustable-rate federal agency securities are rated AAA by a nationally-recognized credit rating agency. The collateral underlying the student loans is guaranteed by the U.S. government. All of the adjustable rate securities have similar exposures to credit and legal risks as fixed-rate securities from the same issuers.

NOTE 8: CREDIT RATING OF THE FUND

Throughout the year ended June 30, 1999, STIF was rated AAAm, its highest rating, by Standard and Poor's Corporation ("S&P"). In December 1998, following a review of the portfolio and STIF's investment policies, management and procedures, S&P reaffirmed STIF's AAAm rating. In order to maintain an AAAm rating, STIF is subject to certain requirements which include:

- Weekly portfolio and market value calculations;
- Maintenance of credit quality standards for portfolio securities with at least 75% of such securities rated A-1+ or invested in overnight repurchase agreements with dealers or banks rated A-1;
- Ensuring adequate portfolio diversification standards with no more than 5% of the portfolio invested in an individual security and no more than 10% invested in an individual issuer, excluding one and two day repurchase agreements and U.S. government agency securities; and
- A limit on the overall portfolio weighted average maturity, (currently no more than 60 days).

It is the Treasurer's intention to take any and all such actions as are needed from time to time to maintain the AAAm rating.

NOTE 9: YEAR 2000 ISSUE

The Office of the Treasurer, as part of an effort coordinated by the State's Department of Information Technology, has worked diligently over the past two years to address the Year 2000 (Y2K) issue. The Y2K issue generally refers to a characteristic of many computer software programs that use only the last two digits of a data field to refer to "year" on the assumption that the first two digits are "19". As a result, these programs would interpret the Year 2000 as the Year 1900. The issue extends to computer hardware, electronics, and other equipment that are dependent on microchip technology. Without reprogramming, such software and equipment could impact the ability to input data into computer programs and the ability of such programs to correctly process data. Y2K may affect the computer systems utilized directly by the Treasury as well as the other systems upon which the Treasury depends to fulfill its mission.

The Treasury has completed an inventory of computer systems and other electronic equipment that may be affected by the Y2K issue and has identified 21 core systems and 17 other key systems that are necessary in conducting the operations of the Office. These systems were further classified as internal or external systems to describe which party has control over design and software maintenance of the system. Internal systems represent any system or application that is developed in-house to support business functions, and include custom-built systems and modified packages. External systems represent any system or application that is owned by an external party, and implies that the external party has control. Nine of the core systems were classified as internal systems and 12 of the core systems were classified as external systems, 8 of which are provided by State Street Bank. Treasury staff was charged with the responsibility for making the internal systems compliant, as well as tracking the external core systems for compliance.

Those core systems and other key systems identified would be subject to the following stages of work to address Year 2000 issues:

Awareness Stage –	Establishing a budget and project plan for dealing with the Y2K issue
Assessment Stage –	Identifying the systems and components for which Y2K compliance work is needed
Remediation Stage –	Making the actual changes to the systems and equipment identified
Validation/Testing Stage –	Validating and testing the changes that were made during the remediation stage

As of June 30, 1999, validation stage testing has been completed on all internal core systems and other key systems identified at the Treasury. In addition, the Treasury has contacted external organizations that have a critical relationship with the Office and whose Year 2000 compliance could affect the operations of the Treasury. Such organizations have responded that they are Year 2000 compliant or expect to achieve Year 2000 compliance prior to January 1, 2000. Organizations with less critical relationships have also been contacted to remind them of the potential problems surrounding Year 2000 and the need to evaluate their systems. The Treasury is also finalizing contingency plans in the event of a problem with any of the core systems identified.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that the Treasury is or will be Year 2000 ready, that the Treasury's remediation efforts will be successful in whole or in part, or that the parties with whom the Treasury does business will be Year 2000 ready.

List of Investments at June 30, 1999 (Continued)

Par Value	Security (Coupon, Maturity or Next Reset Date)	Yield (%)	Amortized Cost	Fair Value	Quality Rating	CUSIP
BANKERS' ACCEPTANCES (0.93%)						
$ 14,170,692	Bank of Nova Scotia 4.83, 10/7/99	4.50	$ 13,984,371	$ 13,961,675	A-1+	064960008
1,145,758	BankBoston 4.85, 7/6/99	4.85	1,144,987	1,144,987	A-1	06099F006
1,290,545	BankBoston 4.85, 7/6/99	4.85	1,289,676	1,289,676	A-1	06099F006
2,000,000	BankBoston 4.81, 7/15/99	4.82	1,996,259	1,996,259	A-1	06099F006
1,000,000	BankBoston 4.84, 9/10/99	5.29	990,454	989,670	A-1	06099F006
1,334,194	BankBoston 4.84, 9/13/99	5.30	1,320,919	1,319,823	A-1	06099F006
5,000,000	Bankers Trust 4.78, 8/23/99	4.81	4,964,814	4,964,814	A-1+	06699C007
8,268,592	Bankers Trust 4.78, 9/23/99	5.31	8,176,370	8,167,467	A-1+	06699C007
$ 34,209,781	**Total**		**$ 33,867,850**	**$ 33,834,371**		
BANK NOTES (14.99%)						
$ 100,000,000	Bankers Trust 4.95, 5/15/00, Resets Daily	5.05	$ 99,947,989	$ 99,945,000	A-1+	0063J1CM5
50,000,000	FCC National Bank 5.02, 4/20/01, Resets Daily	5.05	50,000,000	49,979,000	A-1+	30241NR72
25,000,000	First Union 5.092, 6/4/01, Resets Daily	5.10	25,000,000	25,034,000	A-1+	33737XGL6
25,000,000	First Union 5.10, 6/4/01, Resets Daily	5.11	25,000,000	24,989,750	A-1+	33737XGS1
25,000,000	First Union 5.103, 6/7/01, Resets Daily	5.06	25,000,000	24,994,500	A-1+	33737XGM4
50,000,000	Fleet Bank 5.02, 4/20/01, Resets Daily	5.11	50,000,000	49,970,000	A-1	33901MMA7
50,000,000	Fleet Bank 5.083, 4/26/01, Resets Daily	5.05	49,982,491	49,965,500	A-1	33901MMU3
50,000,000	Fleet Bank 5.02, 5/24/01, Resets Daily	5.05	49,981,808	49,989,000	A-1	33901MAH5
50,000,000	Fleet Bank 5.02, 5/24/01, Resets Daily	5.05	49,990,520	49,989,000	A-1	33901MAH5
25,000,000	Fleet Bank 5.04, 6/1/01, Resets Daily	5.08	24,995,445	24,994,500	A-1	33901MBB7
3,150,000	Key Bank 5.195, 5/3/00, Resets Quarterly	5.08	3,149,735	3,152,772	A-1	49306BGT4
10,000,000	Key Bank 5.195, 5/3/00, Resets Quarterly	5.08	9,998,375	10,008,800	A-1	49306BGT4
10,000,000	Key Bank 5.195, 5/3/00, Resets Quarterly	5.08	9,999,440	10,008,800	A-1	49306BGT4
6,666,667	Key Bank 5.245, 11/2/00, Resets Quarterly	5.12	6,666,220	6,675,800	A-1	49306BGY3
6,666,667	Key Bank 5.245, 11/2/00, Resets Quarterly	5.12	6,665,812	6,675,800	A-1	49306BGY3
13,333,332	Key Bank 5.245, 11/2/00, Resets Quarterly	5.12	13,328,844	13,351,600	A-1	49306BGY3

Par Value	Security (Coupon, Maturity or Next Reset Date)	Yield (%)	Amortized Cost	Fair Value	Quality Rating	CUSIP
6,666,667	Key Bank 5.245, 11/2/00, Resets Quarterly	5.12	6,662,295	6,675,800	A-1	49306BGY3
6,666,667	Key Bank 5.245, 11/2/00, Resets Quarterly	5.12	6,662,721	6,675,800	A-1	49306BGY3
6,275,000	Key Bank 5.03, 12/11/00	5.12	6,244,210	6,262,827	A-1	49306BHA4
25,000,000	Key Bank 5.093, 1/25/01, Resets Daily	5.13	24,991,535	24,989,500	A-1	49306BHK2
$ 544,425,000	**Total**		**$ 544,267,440**	**$ 544,327,749**		
CERTIFICATES OF DEPOSIT (22.82%)						
$ 10,000,000	Bank of Montreal 5.20, 5/12/00	5.76	$ 9,992,179	$ 9,949,500	A-1+	0636P6001
10,000,000	Bank of Montreal 5.20, 5/12/00	5.76	9,991,346	9,949,500	A-1+	0636P6001
16,000,000	BankBoston 4.92, 7/7/99	4.92	16,000,000	16,000,000	A-1	06605Q009
10,000,000	BankBoston 5.06, 1/12/00	5.40	10,000,000	9,975,300	A-1	06605Q009
20,000,000	Chase Manhattan Bank 5.70, 7/2/99	4.82	20,000,337	20,000,337	A-1+	16160W002
10,000,000	Commerzbank 5.265, 5/18/00	5.77	9,996,181	9,953,900	A-1+	20259V008
10,000,000	Commerzbank 5.265, 5/18/00	5.77	9,996,181	9,953,900	A-1+	20259V008
10,000,000	Commerzbank 5.58, 6/8/00	5.80	9,998,197	9,978,500	A-1+	20259V008
50,000,000	Deutsche Bank 4.90, 7/6/99	4.83	50,000,124	50,000,124	A-1+	25152X001
10,000,000	Deutsche Bank 5.36, 5/22/00	5.77	9,995,709	9,961,700	A-1+	25152X001
10,000,000	Deutsche Bank 5.615, 6/15/00	5.80	9,996,782	9,981,600	A-1+	25152X001
10,000,000	First Union 5.56, 6/2/00	5.61	10,000,886	9,993,300	A-1+	33738T007
50,000,000	Fleet Bank 4.90, 7/6/99	4.90	50,000,000	50,000,000	A-1	3390EA005
50,000,000	Fleet Bank 4.88, 7/26/99	4.88	50,000,000	50,000,000	A-1	33901MMU3
10,000,000	Fleet Bank 5.00, 9/15/99	5.00	10,000,000	10,000,000	A-1	3390EA005
10,000,000	Fleet Bank 5.25, 3/13/00	5.51	10,000,000	9,976,100	A-1	3390EA005
25,000,000	Morgan Guaranty 4.87, 7/6/99	4.87	25,000,000	25,000,000	A-1+	61736F000
50,000,000	Morgan Guaranty 4.87, 7/8/99	4.87	50,000,000	50,000,000	A-1+	61736F000
10,000,000	Morgan Guaranty 4.97, 7/15/99	4.97	10,000,000	10,000,000	A-1+	61736F000
25,000,000	Paribas Bank 4.90, 7/14/99	4.90	25,000,000	25,000,000	A-1	O66745002

Par Value	Security (Coupon, Maturity or Next Reset Date)	Yield (%)	Amortized Cost	Fair Value	Quality Rating	CUSIP
10,000,000	Rabobank 5.45, 6/5/00	5.47	9,992,849	9,996,500	A-1+	74977D006
15,000,000	Royal Bank of Canada 5.60, 8/23/99	4.84	15,011,585	15,011,585	A-1+	83365N005
50,000,000	Societe Generale 4.88, 7/9/99	4.88	50,000,000	50,000,000	A-1+	83365N005
50,000,000	Societe Generale 4.89, 7/12/99	4.89	50,000,000	50,000,000	A-1+	83365N005
15,000,000	Societe Generale 4.90, 7/12/99	4.83	15,000,088	15,000,088	A-1+	83365N005
50,000,000	Societe Generale 4.88, 7/14/99	4.88	50,000,000	50,000,000	A-1+	83365N005
50,000,000	Societe Generale 4.885, 7/15/99	4.89	50,000,000	50,000,000	A-1+	83365N005
50,000,000	Societe Generale 4.885, 8/2/99	4.89	50,000,000	50,000,000	A-1+	83365N005
10,000,000	Societe Generale 5.16, 2/22/00	5.67	9,994,068	9,960,700	A-1+	83365N005
10,000,000	Societe Generale 5.16, 2/22/00	5.67	9,990,907	9,960,700	A-1+	83365N005
10,000,000	Societe Generale 5.29, 3/3/00	5.71	9,996,111	9,965,900	A-1+	83365N005
33,000,000	Union Bank of Switzerland 5.58, 8/23/99	4.85	33,023,902	33,023,902	A-1+	90261E005
10,000,000	Union Bank of Switzerland 5.10, 1/13/00	5.65	9,998,965	9,963,800	A-1+	90261E005
10,000,000	Union Bank of Switzerland 5.20, 5/8/00	5.77	9,995,887	9,949,200	A-1+	90261E005
10,000,000	Union Bank of Switzerland 5.22, 5/10/00	5.77	9,995,861	9,951,000	A-1+	90261E005
10,000,000	Union Bank of Switzerland 5.28, 5/18/00	5.77	9,995,758	9,955,400	A-1+	90261E005
10,000,000	Union Bank of Switzerland 5.40, 5/30/00	5.77	9,996,484	9,964,799	A-1+	90261E005
10,000,000	Union Bank of Switzerland 5.60, 6/23/00	5.75	9,985,390	9,985,400	A-1+	90261E005
10,000,000	Union Bank of Switzerland 5.60, 6/26/00	5.80	9,990,524	9,980,400	A-1+	90261E005
$ 829,000,000	**Total**		**$ 828,936,301**	**$ 828,343,135**		
CORPORATE NOTES (0.95%)						
$ 5,000,000	General Electric Cap Corp 5.78, 4/6/00	5.40	$ 5,022,344	$ 5,013,550	A-1+	36962GMG6
3,000,000	General Electric Cap Corp 5.89, 5/15/00	5.47	3,020,773	3,010,380	A-1+	36962GNS9
5,000,000	General Electric Cap Corp 5.73, 6/19/00	5.57	5,026,427	5,007,450	A-1+	36962GPK4
13,925,000	General Electric Cap Corp 5.72, 8/3/00	5.65	13,989,408	13,934,748	A-1+	36962GPT5
2,000,000	General Electric Cap Corp 6.12, 8/15/00	5.65	2,014,954	2,010,000	A-1+	36962GLK8

Par Value	Security (Coupon, Maturity or Next Reset Date)	Yield (%)	Amortized Cost	Fair Value	Quality Rating	CUSIP
1,000,000	General Electric Cap Corp 5.92, 4/3/01	5.95	1,000,000	999,440	A-1+	36962GME1
1,500,000	General Electric Cap Corp 5.89, 5/11/01	6.00	1,509,117	1,497,090	A-1+	36962GNP5
2,750,000	General Electric Cap Corp 5.96, 5/14/01	6.00	2,747,385	2,747,849	A-1+	36962GNQ3
$ 34,175,000	**Total**		**$ 34,330,408**	**$ 34,220,507**		

LOAN-BACKED COMMERCIAL PAPER (11.55%)

Par Value	Security (Coupon, Maturity or Next Reset Date)	Yield (%)	Amortized Cost	Fair Value	Quality Rating	CUSIP
$ 24,600,000	Ariesone Metafolio Corp 5.00, 7/6/99	5.00	$ 24,582,917	$ 24,582,917	A-1	04037M001
25,000,000	Ariesone Metafolio Corp 4.95, 7/7/99	4.95	24,979,375	24,979,375	A-1	04037M001
38,401,000	Ariesone Metafolio Corp 5.00, 7/7/99	5.00	38,368,999	38,368,999	A-1	04037M001
35,106,000	Atlantis One Funding 4.83, 7/26/99	4.85	34,988,249	34,988,249	A-1+	04915W000
20,170,000	Fountain Square 4.89, 7/1/99	4.89	20,170,000	20,170,000	A-1+	35075R007
1,858,000	Fountain Square 4.99, 7/1/99	4.99	1,858,000	1,858,000	A-1+	35075R007
15,123,000	Fountain Square 4.87, 7/2/99	4.87	15,120,954	15,120,954	A-1+	35075R007
9,614,000	Fountain Square 4.99, 7/2/99	4.99	9,612,667	9,612,667	A-1+	35075R007
38,316,000	Fountain Square 4.96, 7/6/99	4.96	38,289,605	38,289,605	A-1+	35075R007
2,041,000	Fountain Square 4.99, 7/6/99	4.99	2,039,585	2,039,585	A-1+	35075R007
9,373,000	Fountain Square 4.97, 7/7/99	4.97	9,365,236	9,365,236	A-1+	35075R007
3,938,000	Fountain Square 5.00, 7/9/99	5.01	3,933,624	3,933,624	A-1+	35075R007
3,561,000	Fountain Square 4.88, 7/12/99	4.89	3,555,690	3,555,690	A-1+	35075R007
3,933,000	Fountain Square 4.90, 7/12/99	4.91	3,927,111	3,927,111	A-1+	35075R007
6,087,000	Fountain Square 4.88, 7/13/99	4.89	6,077,098	6,077,098	A-1+	35075R007
6,723,000	Fountain Square 4.92, 7/13/99	4.93	6,711,974	6,711,974	A-1+	35075R007
14,818,000	Fountain Square 4.88, 7/15/99	4.89	14,789,879	14,789,879	A-1+	35075R007
2,959,000	Fountain Square 4.93, 7/19/99	4.94	2,951,706	2,951,706	A-1+	35075R007
3,595,000	Fountain Square 4.88, 7/20/99	4.89	3,585,741	3,585,741	A-1+	35075R007
5,572,000	Fountain Square 4.87, 7/29/99	4.89	5,550,895	5,550,895	A-1+	35075R007
14,960,000	Fountain Square 4.88, 7/30/99	4.90	14,901,191	14,901,191	A-1+	35075R007
42,186,000	Fountain Square 4.88, 8/2/99	4.90	42,003,007	42,003,007	A-1+	35075R007

List of Investments at June 30, 1999 (Continued)

Par Value	Security (Coupon, Maturity or Next Reset Date)	Yield (%)	Amortized Cost	Fair Value	Quality Rating	CUSIP
10,255,000	Fountain Square 4.93, 8/10/99	4.96	10,198,825	10,198,825	A-1+	35075R007
3,468,000	Fountain Square 5.04, 8/10/99	5.07	3,448,579	3,448,579	A-1+	35075R007
4,681,000	Fountain Square 4.88, 8/11/99	4.91	4,654,984	4,654,984	A-1+	35075R007
1,560,000	Fountain Square 4.93, 8/11/99	4.96	1,551,241	1,551,241	A-1+	35075R007
2,532,000	Fountain Square 4.93, 8/16/99	4.96	2,516,050	2,516,050	A-1+	35075R007
4,102,000	Fountain Square 4.93, 8/17/99	4.96	4,075,598	4,075,598	A-1+	35075R007
4,966,000	Fountain Square 4.93, 8/17/99	4.96	4,934,037	4,934,037	A-1+	35075R007
3,517,000	Fountain Square 4.95, 9/7/99	5.21	3,484,116	3,482,709	A-1+	35075R007
2,520,000	Fountain Square 4.90, 9/9/99	5.21	2,495,990	2,494,724	A-1+	35075R007
15,064,000	Fountain Square 5.15, 9/15/99	5.22	14,900,221	14,899,953	A-1+	35075R007
2,393,000	Fountain Square 4.91, 10/6/99	5.26	2,361,341	2,359,546	A-1+	35075R007
20,496,000	Fountain Square 4.86, 10/18/99	5.27	20,194,401	20,174,008	A-1+	35075R007
2,734,000	Fountain Square 4.88, 10/18/99	5.27	2,693,605	2,691,049	A-1+	35075R007
14,897,000	Fountain Square 5.24, 12/17/99	5.37	14,530,550	14,530,534	A-1+	35075R007
$ 421,119,000	**Total**		**$ 419,403,041**	**$ 419,375,340**		
MULTI-BACKED COMMERCIAL PAPER (2.99%)						
$ 15,188,000	Compass Securitization 4.84, 7/15/99	4.85	$ 15,159,413	$ 15,159,413	A-1+	2044WD003
25,000,000	Compass Securitization 4.85, 7/20/99	4.86	24,936,007	24,936,007	A-1+	2044WD003
15,000,000	Compass Securitization 5.15, 7/26/99	5.17	14,946,354	14,946,354	A-1+	2044WD003
13,876,000	Compass Securitization 4.84, 7/26/99	4.87	13,829,361	13,829,361	A-1+	2044WD003
25,000,000	Compass Securitization 5.18, 7/26/99	5.20	24,910,069	24,910,069	A-1+	2044WD003
15,000,000	CXC 5.15, 8/4/99	5.18	14,927,042	14,927,042	A-1+	12672L006
$ 109,064,000	**Total**		**$ 108,708,246**	**$ 108,708,246**		
RECEIVABLE-BACKED COMMERCIAL PAPER (20.25%)						
$ 24,548,000	Eagle Funding 5.40, 7/16/99	5.41	$ 24,492,767	$ 24,492,767	A-1	27003L004
12,288,000	Eagle Funding 5.20, 7/22/99	5.22	12,250,726	12,250,726	A-1	27003L004
3,412,000	Eagle Funding 5.22, 7/26/99	5.24	3,399,632	3,399,632	A-1	27003L004

List of Investments at June 30, 1999 (Continued)

Par Value	Security (Coupon, Maturity or Next Reset Date)	Yield (%)	Amortized Cost	Fair Value	Quality Rating	CUSIP
17,360,000	Eagle Funding 4.84, 8/13/99	4.87	17,259,640	17,259,640	A-1	27003L004
13,115,000	Eagle Funding 4.86, 11/8/99	5.37	12,884,832	12,865,422	A-1	27003L004
50,000,000	Edison Asset Securitization 4.84, 7/13/99	4.85	49,919,333	49,919,333	A-1+	28100M002
53,234,000	Edison Asset Securitization 4.85, 7/16/99	4.86	53,126,423	53,126,423	A-1+	28100M002
50,000,000	Edison Asset Securitization 4.84, 7/22/99	4.85	49,858,833	49,858,833	A-1+	28100M002
50,000,000	Kittyhawk Funding 5.35, 7/21/99	5.37	49,851,389	49,851,389	A-1+	49833M002
18,381,000	Kittyhawk Funding 5.15, 8/3/99	5.17	18,294,226	18,294,226	A-1+	49833M002
23,223,000	Liberty Street 5.05, 7/15/99	5.06	23,177,393	23,177,393	A-1	53127U001
10,132,000	Liberty Street 4.97, 8/6/99	4.99	10,081,644	10,081,644	A-1	53127U001
25,000,000	Liberty Street 5.00, 8/10/99	5.03	24,861,111	24,861,111	A-1	53127U001
25,000,000	Liberty Street 5.11, 8/17/99	5.14	24,833,215	24,833,215	A-1	53127U001
25,000,000	Madison Funding 5.35, 7/21/99	5.37	24,925,694	24,925,694	A-1	55748J000
33,910,000	Madison Funding 5.02, 8/10/99	5.05	33,720,858	33,720,858	A-1	55748J000
10,100,000	Madison Funding 5.05, 8/11/99	5.08	10,041,911	10,041,911	A-1	55748J000
22,485,000	Madison Funding 5.18, 8/23/99	5.22	22,313,527	22,313,527	A-1	55748J000
25,000,000	Madison Funding 5.33, 8/26/99	5.37	24,792,722	24,792,722	A-1	55748J000
7,110,000	PAR Capital Corp 4.85, 8/24/99	4.89	7,058,275	7,058,275	A-1+	73278Y008
29,871,000	Receivables Capital Corp 5.30, 7/23/99	5.32	29,774,251	29,774,251	A-1+	7561V5009
25,000,000	Tulip Funding 4.93, 7/2/99	4.93	24,996,576	24,996,576	A-1+	89929M005
20,309,000	Tulip Funding 4.94, 7/2/99	4.94	20,306,213	20,306,213	A-1+	89929M005
77,551,000	Tulip Funding 4.83, 7/23/99	4.84	77,322,095	77,322,095	A-1+	89929M005
61,600,000	Tulip Funding 4.835, 8/12/99	4.86	61,252,526	61,252,526	A-1+	89929M005
25,000,000	Twin Towers 4.88, 10/12/99	5.27	24,650,944	24,628,750	A-1+	901993006
$ 738,629,000	**Total**		**$ 735,446,756**	**$ 735,405,152**		

SECURITIES-BACKED COMMERCIAL PAPER (9.98%)

Par Value	Security (Coupon, Maturity or Next Reset Date)	Yield (%)	Amortized Cost	Fair Value	Quality Rating	CUSIP
$ 37,368,000	Giro Multi Funding 5.33, 7/29/99	5.35	$ 37,213,089	$ 37,213,089	A-1+	37635L009
25,000,000	Grand Funding 5.75, 7/1/99	5.75	25,000,000	25,000,000	A-1+	38551M005

Par Value	Security (Coupon, Maturity or Next Reset Date)	Yield (%)	Amortized Cost	Fair Value	Quality Rating	CUSIP
24,623,000	Grand Funding 5.07, 7/29/99	5.09	24,525,903	24,525,903	A-1+	38551M005
25,000,000	Superior Funding 4.94, 7/6/99	4.94	24,982,847	24,982,847	A-1+	86816K009
7,330,000	Superior Funding 4.95, 7/7/99	4.95	7,323,953	7,323,953	A-1+	86816K009
25,000,000	Superior Funding 4.95, 7/7/99	4.95	24,979,375	24,979,375	A-1+	86816K009
10,654,000	Superior Funding 4.96, 7/7/99	4.96	10,645,193	10,645,193	A-1+	86816K009
25,124,000	Superior Funding 5.00, 7/16/99	5.01	25,071,658	25,071,658	A-1+	86816K009
10,046,000	Superior Funding 5.07, 7/16/99	5.08	10,024,778	10,024,778	A-1+	86816K009
15,000,000	Superior Funding 5.12, 8/9/99	5.15	14,916,800	14,916,800	A-1+	86816K009
25,000,000	Superior Funding 5.09, 8/13/99	5.12	24,848,007	24,848,007	A-1+	86816K009
17,011,000	Superior Funding 5.22, 8/13/99	5.25	16,904,936	16,904,936	A-1+	86816K009
40,400,000	Trident Capital Financing 5.875, 7/1/99	5.88	40,400,000	40,400,000	A-1+	8961J3009
26,000,000	Trident Capital Financing 4.84, 7/20/99	4.85	25,933,584	25,933,584	A-1+	8961J3009
50,000,000	Trident Capital Financing 4.84, 7/29/99	4.86	49,811,779	49,811,779	A-1+	8961J3009
$ 363,556,000	**Total**		**$ 362,581,902**	**$ 362,581,902**		
COMMERCIAL PAPER (4.43%)						
$ 160,935,000	GE Capital Corp 5.75, 7/1/99	5.75	$ 160,935,000	$ 160,935,000	A-1+	3615T3005
$ 160,935,000	**Total**		**$ 160,935,000**	**$ 160,935,000**		
FEDERAL AGENCY SECURITIES (8.34%)						
$ 5,000,000	Federal Farm Credit Bank 5.75, 8/20/01	5.85	$ 5,002,872	$ 4,989,650	AAA	31331RYQ2
15,000,000	Federal Farm Credit Bank 4.937, 8/3/99, Resets Quarterly	4.86	14,999,537	14,996,250	AAA	31331RXT7
1,000,000	Federal Home Loan Bank 5.763, 8/20/01	5.85	1,000,466	998,190	AAA	3133M5AK6
25,000,000	Federal Home Loan Bank 5.249, 9/9/99, Resets Weekly	5.17	24,997,603	25,003,000	AAA	3133M5N48
67,000,000	Federal Home Loan Bank 4.988, 4/7/00, Resets Weekly	4.97	66,925,291	66,953,100	AAA	3133M8DR2
50,000,000	Federal Home Loan Bank 5.136, 4/24/00, Resets Weekly	5.12	49,996,107	50,001,500	AAA	3133M8GY4
50,000,000	Federal Home Loan Bank 5.166, 4/24/00, Resets Weekly	5.12	50,000,000	50,014,500	AAA	3133M8JT2
10,000,000	Federal Home Loan Bank 5.03, 4/28/00	5.56	10,000,000	9,953,700	AAA	3133M77F7
10,000,000	Federal Home Loan Bank 5.015, 8/11/00	5.60	9,999,256	9,937,100	AAA	3133M7FL5

SHORT-TERM INVESTMENT FUND
List of Investments at June 30, 1999

Par Value	Security (Coupon, Maturity or Next Reset Date)	Yield (%)	Amortized Cost	Fair Value	Quality Rating	CUSIP
15,000,000	Federal Home Loan Bank 5.015, 8/11/00	5.60	14,998,884	14,905,650	AAA	3133M7FL5
7,035,000	Federal Home Loan Mtg Corp 6.00, 1/6/03	6.32	7,035,000	6,969,223	AAA	3134A2L22
14,394,000	Federal Natl Mtg Corp 6.50, 7/29/02	6.47	14,408,889	14,406,811	AAA	31359MCP6
21,000,000	Student Loan Mtg Corp 4.895, 8/2/99, Resets Weekly	5.18	21,000,000	20,992,860	AAA	863871TJ8
7,700,000	Student Loan Mtg Corp 4.895, 8/2/99, Resets Weekly	5.18	7,698,690	7,697,382	AAA	863871TJ8
4,800,000	Student Loan Mtg Corp 4.987, 3/7/01, Resets Weekly	5.22	4,724,157	4,781,231	AAA	863871SD2
$ 302,929,000	**Total**		**$ 302,786,752**	**$ 302,600,147**		
LIQUIDITY MANAGEMENT CONTROL SYSTEM (0.00%)						
$ 175	LMCS 4.25, 7/1/99	4.25	$ 175	$ 175	NR	536991003
$ 175	**Total**		**$ 175**	**$ 175**		
STATE OF ISRAEL BONDS (0.04%)						
$ 1,500,000	State of Israel 7.25, 5/1/01, Resets Semi-Annually	7.25	$ 1,500,000	$ 1,500,000	NR	465994002
$ 1,500,000	**Total**		**$ 1,500,000**	**$ 1,500,000**		
REPURCHASE AGREEMENTS (1.38%)						
$ 50,000,000	Banc One 5.80, 7/1/99	5.80	$ 50,000,000	$ 50,000,000	A-1+	05999U006
$ 50,000,000	**Total**		**$ 50,000,000**	**$ 50,000,000**		
STUDENT LOAN-BACKED REVOLVING LOANS (1.17%)						
$ 42,479,073	CT Student Loan Fund 5.52, 7/1/99, Resets Daily	5.52	$ 42,479,073	$ 42,479,073	NR	22799B005
$ 42,479,073	**Total**		**$ 42,479,073**	**$ 42,479,073**		
$3,632,021,029	**Total Investments in Securities**	**99.82%**	**$3,625,242,944**	**$3,624,310,797**		
	Other Assets and Liabilities	0.18%	6,566,157			
	Net Assets	**100.00%**	**$3,631,809,101**			

Short-Term Investment Fund

Schedule of Annual Rates of Return

	Year Ended June 30,									
	1999	1998	1997	1996	1995	1994	1993	1992*	1991*	1990*
STIF Total Rate of Return (%)	5.37	5.82	5.66	5.95	5.62	3.63	3.95	5.74	8.16	9.28
IBC First Tier Institutions-Only Money Fund Report Index (%) (1)	5.04	5.49	5.27	5.44	5.31	3.08	3.03	4.62	6.97	8.23
Total Assets in STIF, End of Period ($ - Millions)	3,646	3,190	2,527	2,014	1,495	1,830	1,787	1,835	1,070	1,195
Percent of Firm Assets	71	70	73	68	58	67	66	73	56	69
Number of Participant Accounts in Composite, End of Year	782	654	644	590	563	510	424	390	366	N/A (2)

* Rates of return for fiscal years ended June 30, 1990-1992 have not been examined by Deloitte & Touche LLP.

(1) Represents IBC First Tier Institutions-Only Money Fund Report Index prior to December 31, 1995 and IBC First Tier Institutions-Only Rated Money Fund Report Index for the period January 1, 1996 through June 30, 1999. These Index rates have been taken from published sources and have not been examined by Deloitte & Touche LLP.

(2) Number of participant accounts not available for 1990.

See Notes to Schedules of Rates of Return.

CONNECTICUT STATE TREASURY

Short-Term Investment Fund

Schedule of Quarterly Rates of Return (Continued)

FISCAL YEAR	Rate of Return(%)	IBC First Tier Institutions-Only Rated Money Fund Report Index(%)[1]
1999		
Sep-98	1.42	1.34
Dec-98	1.37	1.26
Mar-99	1.24	1.19
Jun-99	1.23	1.16
YEAR	5.37	5.04
1998		
Sep-97	1.43	1.34
Dec-97	1.45	1.36
Mar-98	1.41	1.35
Jun-98	1.40	1.34
YEAR	5.82	5.49
1997		
Sep-96	1.40	1.28
Dec-96	1.36	1.28
Mar-97	1.37	1.28
Jun-97	1.40	1.33
YEAR	5.66	5.27
1996		
Sep-95	1.54	1.40
Dec-95	1.54	1.38
Mar-96	1.42	1.29
Jun-96[2]	1.33	1.26
YEAR	5.95	5.44
1995		
Sep-94	1.16	1.07
Dec-94	1.31	1.25
Mar-95	1.58	1.43
Jun-95[2]	1.46	1.46
YEAR	5.62	5.31

* Rates of return for fiscal years ended June 30, 1990-1992 have not been examined by Deloitte & Touche LLP.

(1) Represents IBC First Tier Institutions-Only Money Fund Report Index prior to December 31, 1995 and IBC First Tier Institutions-Only Rated Money Fund Report Index for the period January 1, 1996 through June 30, 1999. These Index rates have been taken from published sources and have not been examined by Deloitte & Touche LLP.

(2) Includes the annual allocation to the Designated Surplus Reserve (See Note 4).

See Notes to Schedules of Rates of Return.

CONNECTICUT STATE TREASURY
Short-Term Investment Fund
Schedule of Quarterly Rates of Return

FISCAL YEAR	Rate of Return(%)	IBC First Tier Institutions-Only Rated Money Fund Report Index(%)[(1)]
1994		
Sep-93	0.86	0.71
Dec-93	0.90	0.72
Mar-94	0.95	0.74
Jun-94[(2)]	0.87	0.88
YEAR	3.63	3.08
1993		
Sep-92	1.09	0.81
Dec-92	0.97	0.75
Mar-93	0.96	0.73
Jun-93[(2)]	0.87	0.70
YEAR	3.95	3.03
1992*		
Sep-91	1.62	1.37
Dec-91	1.60	1.23
Mar-92	1.23	1.01
Jun-92[(2)]	1.17	0.93
YEAR	5.74	4.62
1991*		
Sep-90	2.09	1.89
Dec-90	2.25	1.84
Mar-91	1.89	1.63
Jun-91[(2)]	1.70	1.44
YEAR	8.16	6.97
1990*		
Sep-89	2.31	2.11
Dec-89	2.34	2.02
Mar-90	2.18	1.93
Jun-90[(2)]	2.15	1.93
YEAR	9.28	8.23

* Rates of return for fiscal years ended June 30, 1990-1992 have not been examined by Deloitte & Touche LLP.

(1) Represents IBC First Tier Institutions-Only Money Fund Report Index prior to December 31, 1995 and IBC First Tier Institutions-Only Rated Money Fund Report Index for the period January 1, 1996 through June 30, 1999. These Index rates have been taken from published sources and have not been examined by Deloitte & Touche LLP.

(2) Includes the annual allocation to the Designated Surplus Reserve (See Note 4).

See Notes to Schedules of Rates of Return.

Notes to Schedules of Rates of Return

For the Investment Period July 1, 1989 through June 30, 1999

NOTE 1: ORGANIZATION

The Connecticut State Treasury Short-Term Investment Fund ("STIF" or the "Fund") was created in 1972 by Sec. 3-27 of the Connecticut General Statutes to serve as an investment vehicle for the operating cash of the State Treasury, State agencies and authorities, municipalities and other political subdivisions of the State. Only such entities are eligible to invest in STIF. STIF is a fully discretionary money market investment pool managed by the Connecticut State Treasury (Treasury) as a single composite. STIF's objective is to provide as high a level of current income as is consistent with, first, the safety of principal and, second, the provision of liquidity to meet participants' daily cash flow requirements. During the 1999 fiscal year, STIF's portfolio averaged $3.7 billion.

NOTE 2: PERFORMANCE RESULTS

STIF has prepared and presented this report in compliance with the Performance Presentation Standards of the Association for Investment Management and Research (AIMR-PPS) for the period July 1, 1989 through June 30, 1999. AIMR has not been involved with the preparation or review of this report. The performance presentation for the period July 1, 1992 through June 30, 1999 has been subject to a Level II verification in accordance with AIMR standards by an independent public accounting firm whose report is included herein. The performance presentation for all other periods presented is not included within the scope of the independent accountants' report. For the purposes of compliance with AIMR performance presentation standards, the Treasury has defined the "Firm" as the funds under the control of the State Treasurer, State agencies and State authorities for which the Treasury has direct investment management responsibilities.

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

NOTE 3: CALCULATION OF RATES OF RETURN

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

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

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

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

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

NOTE 4: DESIGNATED SURPLUS RESERVE

In order to provide some protection to the shareholders of STIF from potential credit and market risks, the Treasurer has designated that a portion of each day's net earnings be transferred to the Designated Surplus Reserve (Reserve). Such amounts are restricted in nature and are not available for current distribution to shareholders. In December 1996, a transfer was made to the Designated Surplus Reserve at the annualized rate of 0.1 percent of the average month-end investment balances for June through November 1996. Beginning December 1, 1996, the amount transferred daily to the Designated Surplus Reserve is equal to 0.1 percent of end of day investment balance divided by the actual number of days in the year. As of June 30, 1999, the balance in the Designated Surplus Reserve was $30,500,034, an increase of $3,734,754 from the June 30, 1998 balance of $26,765,280.

No transfer is to be made if the reserve account is equal to or greater than 1.0 percent of the daily investment balance. If net losses significant to the aggregate portfolio are realized, the Treasurer is authorized to transfer funds from the Reserve to Participant Units Outstanding. There have been no charges against this reserve during the 27 year history of the Fund.

NOTE 5: ADDITIONAL DISCLOSURES

These results solely reflect the performance of STIF. The Fund's principal investment officer has been the portfolio manager since 1983 encompassing the entire investment period presented.

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

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

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

STATISTICAL SECTION

SHORT-TERM INVESTMENT FUND

Growth of Participant Units Under Management

Date	Municipal	State	Total	Annual Growth
6/99	$ 856,142,725	$2,745,166,342	$3,601,309,067	14.43%
6/98	934,295,960	2,213,009,736	3,147,305,696	26.34
6/97	683,631,474	1,807,440,011	2,491,071,485	25.56
6/96	647,150,970	1,336,757,530	1,983,908,500	35.19
6/95	533,141,029	934,316,358	1,467,457,387	-12.10
6/94	453,442,000	1,215,968,463	1,669,410,463	-5.50
6/93	389,000,000	1,377,523,963	1,766,523,963	4.60
6/92	371,586,000	1,317,309,451	1,688,895,451	60.54
6/91	207,000,000	845,036,474	1,052,036,474	-10.55
6/90	129,143,000	1,046,927,442	1,176,070,442	19.44
6/89	113,000,000	871,635,283	984,635,283	-0.58

SHORT-TERM INVESTMENT FUND
Monthly Comparative Yields

	STIF	Benchmarks (b)		
	Earned Rate (a)	IBC First Tier Inst Only	Fed. Reserve Three Mo. T-Bill	Fed. Reserve Three Mo. CD
6/99	4.98%	4.62%	4.68%	5.11%
5/99	4.91	4.62	4.61	4.92
4/99	4.90	4.64	4.38	4.89
3/99	4.92	4.67	4.54	4.91
2/99	4.94	4.71	4.54	4.90
1/99	5.16	4.81	4.43	4.91
12/98	5.42	4.92	4.49	5.14
11/98	5.41	4.97	4.52	5.25
10/98	5.40	5.11	4.03	5.20
9/98	5.63	5.32	4.71	5.41
8/98	5.61	5.34	5.02	5.58
7/98	5.61	5.34	5.08	5.59
6/98	5.62	5.33	5.09	5.59

SHORT-TERM INVESTMENT FUND
Annual Comparative Yields

	STIF	Benchmarks (b)		
	Earned Rate (a)	IBC First Tier Inst Only	Fed. Reserve Three Mo. T-Bill	Fed. Reserve Three Mo. CD
1999	5.37%	5.04%	4.59%	5.16%
1998	5.82	5.49	5.17	5.62
1997	5.66	5.27	5.17	5.51
1996	5.95	5.44	5.29	5.55
1995	5.62	5.31	5.41	5.72
1994	3.63	3.08	3.39	3.60
1993	3.95	3.03	3.08	3.31
1992	5.74	4.62	4.49	4.71
1991	8.16	6.97	6.72	7.22
1990	9.28	8.23	8.00	8.45

(a) Actual earnings less expenses.
(b) IBC First Tier Institutions-Only Index, prior to December 31, 1995 and IBC First Tier Institutions-Only Rated Index through June 30, 1999, Federal Reserve Three-Month CD, and Federal Reserve Three-Month T-Bill.

SHORT-TERM INVESTMENT FUND

Annual Investment Income [1]

1999	$197,527,014
1998	174,202,633
1997	145,052,967
1996	115,912,522
1995	100,970,869
1994	72,886,245
1993	76,542,800
1992	96,031,346
1991	81,029,948
1990	82,379,620

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

SHORT-TERM INVESTMENT FUND

Summary of Operations

($ in 000s)	6/30/99	6/30/98	6/30/97	6/30/96	6/30/95	6/30/94	6/30/93	6/30/92	6/30/91	6/30/90
Interest Income	$198,420.9	$175,111.4	$145,044.9	$116,374.7	$101,555.3	$73,856.9	$76,714.0	$96,215.0	$80,842.9	$82,775.5
Expenses:										
Operating Expenses	812.6	986.6	520.0	553.1	478.2	496.5	546.3	486.9	302.9	371.7
Interest on Reverse Repurchase Agreements	141.0	0.0	0.0	0.0	432.9	922.2	1,142.5	2,354.5	464.8	107.0
Total Expenses	953.6	986.6	520.0	553.1	911.1	1,418.7	1,688.8	2,841.4	767.7	478.7
Net Investment Income	197,467.3	174,124.8	144,524.9	115,821.6	100,644.2	72,438.2	75,025.2	93,373.6	80,075.2	82,296.8
Net Realized Gains	59.7	77.8	528.1	90.9	326.7	448.0	1,517.6	2,657.7	954.7	82.8
Net Increase in Net Assets from Operations	$197,527.0	$174,202.6	$145,053.0	$115,912.5	$100,970.9	$72,886.2	$76,542.8	$96,031.3	$81,029.9	$82,379.6

SHORT-TERM INVESTMENT FUND

Distributions to Participants

Distributions:	**1999**	**1998**	**1997**	**1996**	**1995**	**1994**	**1993**	**1992**	**1991**	**1990**
July	$14,869,926	$11,627,464								
August	17,980,323	14,766,430	$28,640,118	$23,352,411	$18,507,496	$15,116,790	$17,645,385	$17,915,220	$23,823,627	$24,412,911
Elimination for Month of June			(8,128,594)	(7,076,062)	(5,651,963)	(4,244,974)	(5,618,495)	(5,127,294)	(7,130,163)	(6,797,544)
September	17,448,280	15,326,081		8,128,594	7,076,062	5,651,963	4,244,974	5,618,495	5,127,294	7,130,163
October	17,360,524	14,524,350								
November	16,212,546	13,355,190	33,745,391	28,253,412	23,137,816	17,872,513	16,607,883	22,501,407	20,447,699	21,599,986
Special Distribution (November 30 and May 31)			3,557,194	4,781,490	5,033,033	4,351,354	13,373,583	13,289,943	7,583,647	2,927,950
December	15,438,709	12,869,933	11,076,907							
January	16,389,685	14,211,351	12,001,405							
February	16,298,605	14,531,780	12,199,283	27,823,064	23,297,281	14,621,989	15,416,786	19,157,236	16,831,566	16,176,402
March	16,745,275	15,109,256	12,896,596							
April	15,542,275	15,048,742	12,687,061							
May	15,817,450	15,931,207	12,900,761	28,430,144	26,680,419	17,797,713	14,361,196	19,300,016	14,308,132	16,385,503
June	13,688,661	14,138,433	11,467,608							
Total Distribution to Participants	$193,792,259	$171,440,217	$143,043,730	$113,693,053	$98,080,144	$71,167,348	$76,031,312	$92,655,023	$80,991,802	$81,835,371

GLOSSARY OF INVESTMENT TERMS

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

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 - Also known as capital appreciation, capital gain measures the increase 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.

Donoghue Index (IBC/Donoghue First Tier Institutions-Only Rated Money Fund Report Index) - An index which represents an average of the returns of institutional money market mutual funds that invest primarily in first-tier (securities rated A-1, P-1) taxable securities.

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

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

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

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

Index - A benchmark used in executing investment strategy which is viewed as an independent representation of market performance. An index implicitly assumes cost-free transactions; some assume reinvestment of income. Example: S&P 500 index.

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. The bank is also responsible for many other functions which include accounting, performance, and securities lending.

Maturity Date - The date on which the principal amount of a bond or other debt instrument becomes payable or due.

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 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 after the sale of an asset.

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

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

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

S&P Ratings -

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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