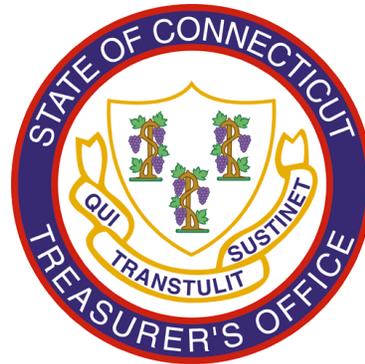
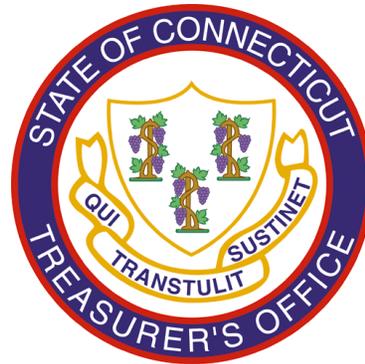


Office of Connecticut State Treasurer Denise L. Nappier



Public Finance Outlook Conference
Short-Term Investment Fund
Municipal Employees Retirement Fund
Debt Management

Short-Term Investment Fund
Annual Investors Meeting
March 15, 2013



Michael M. Terry, CFA
Principal Investment Officer
Cash Management Division

STIF Annual Meeting

- Short-Term Investment Fund - Performance
- Short-Term Investment Fund – Attributes
- Market Report

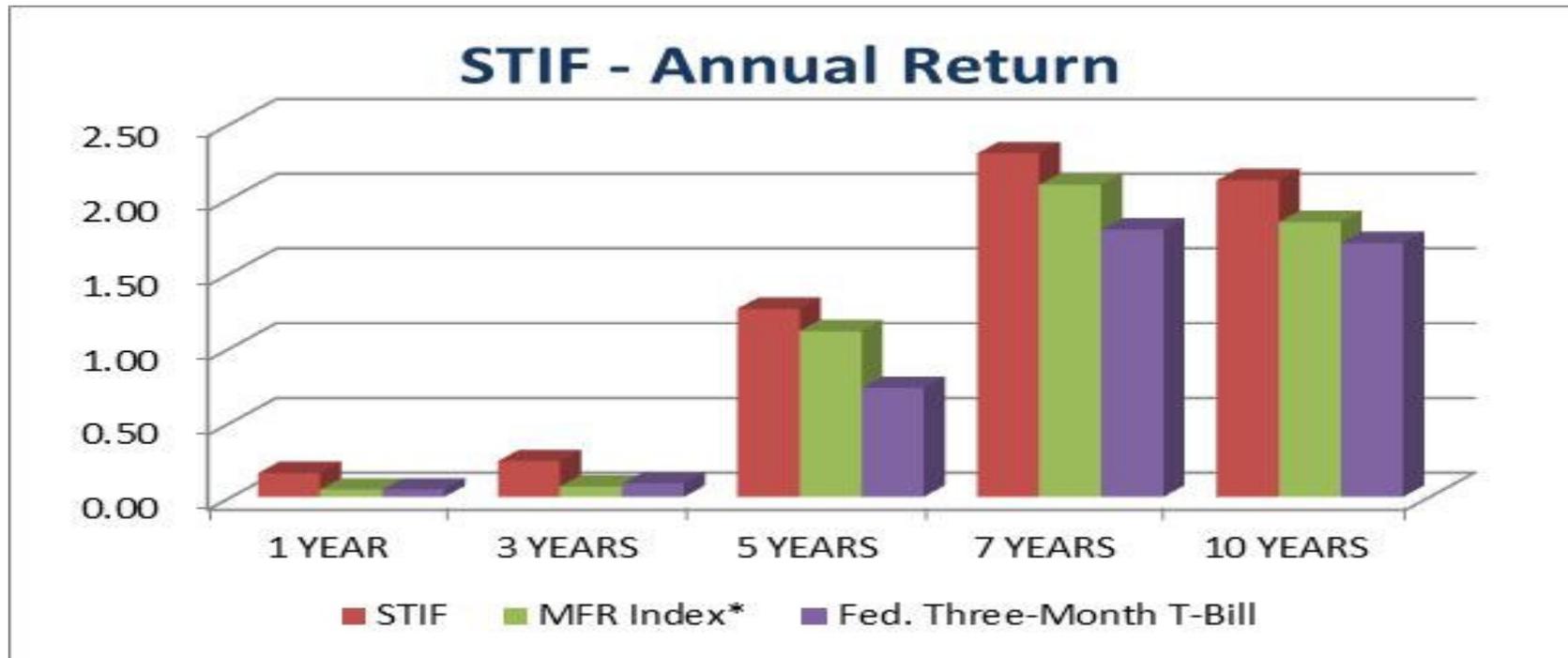
Short-Term Investment Fund – Performance

Investor Returns: FY 2012

- Outperformed our benchmark (similar money funds) by 11 bps (0.16% vs. 0.05%) while maintaining cautious strategy
- Returned an additional \$5.3 million to investors above the benchmark, resulting in an additional \$184 million over the past 14 years
- Added \$4 million to reserves (\$47.4 million as of 6/30/2012).
- AAAm rating maintained and affirmed by Standard & Poor's

Short-Term Investment Fund – Performance

Period ending June 30, 2012



* MoneyNet's First Tier Institutions-Only AAA-Rated Money Fund Report (MFR) Averages Index.

- STIF has consistently outperformed its benchmark and Treasury bills.

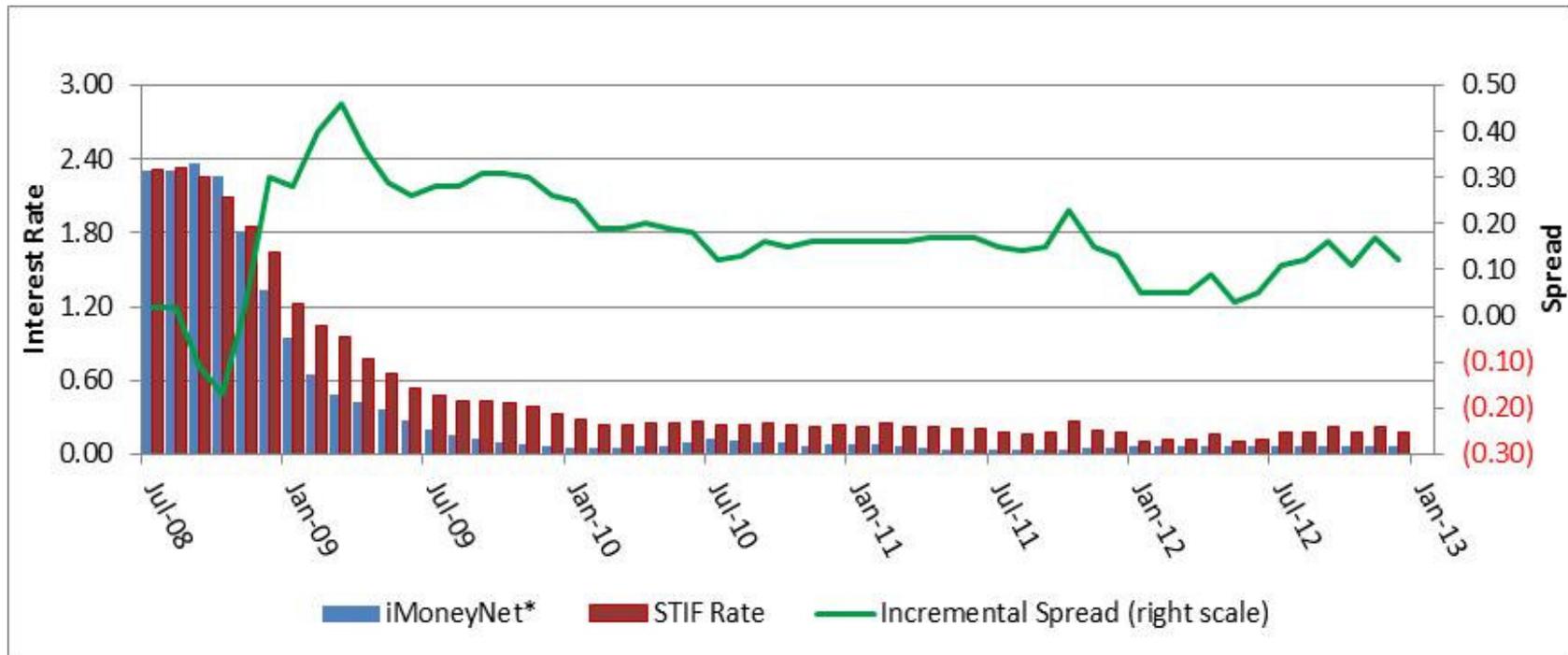
Short-Term Investment Fund – Performance

Recent Performance

- For calendar year 2012, outperformed benchmark by 9 bps (0.16% vs. 0.07%), thereby earning an additional \$4.3 million for investors
- Fiscal year-to-date (2/28/2013), outperformed benchmark by 12 bps (0.18% vs. 0.06%), thereby earning an additional \$3.7 million for investors
- Maintaining conservative strategy

Short-Term Investment Fund – Performance

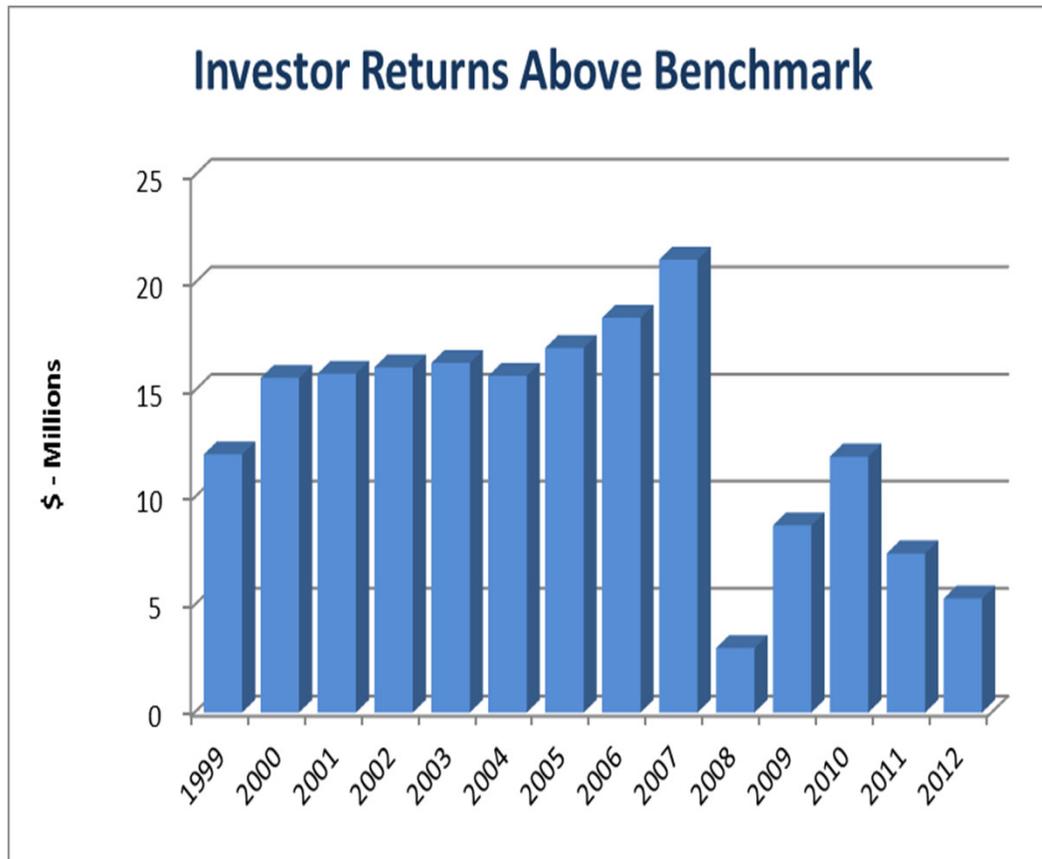
STIF Return vs. Benchmark



* iMoneyNet's First Tier Institutions-Only AAA-Rated Money Fund Report (MFR) Averages Index.

Short-Term Investment Fund – Performance

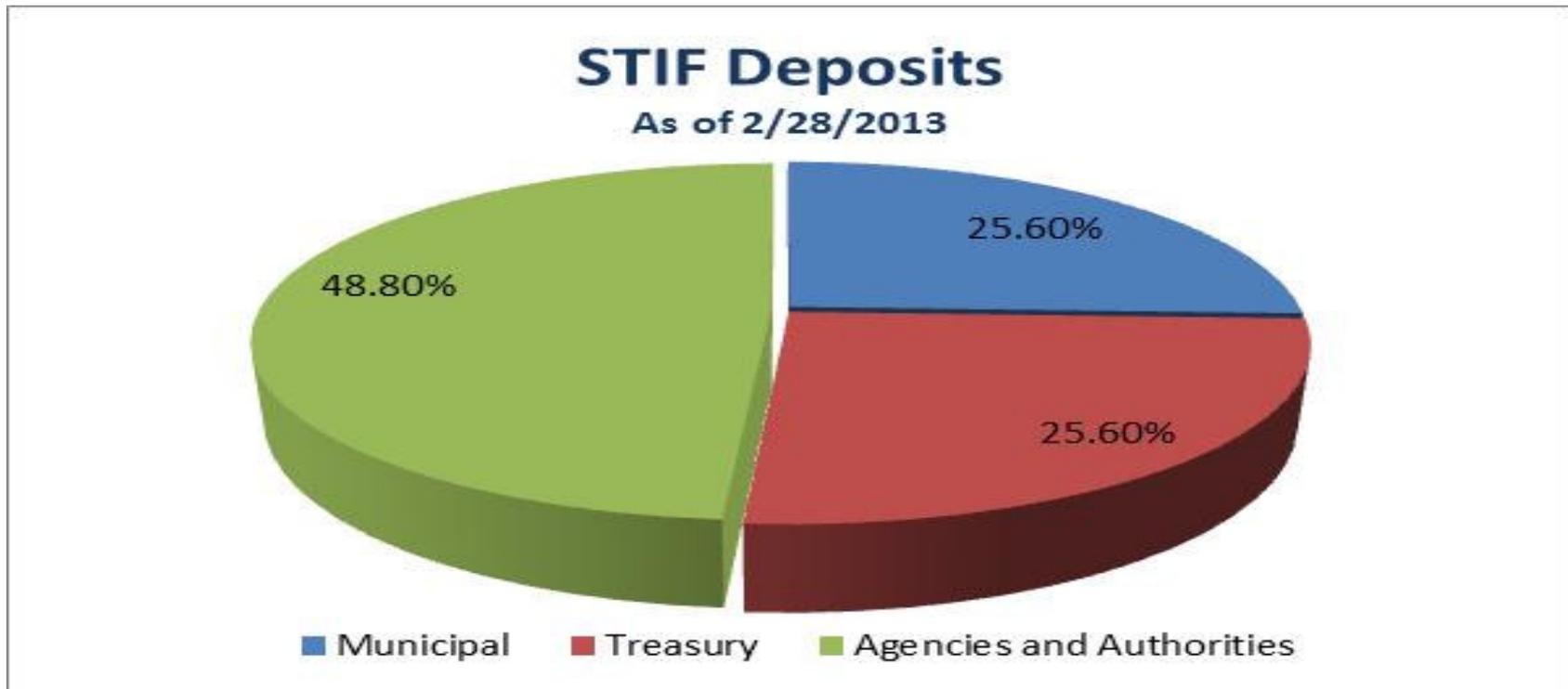
Amount Returned to Investors Above Benchmark



- During fiscal year 2012, STIF returned \$5.3 million to investors in additional interest income above the benchmark.
- Over the last fourteen years, STIF has returned a cumulative \$184 million in additional income.

Short-Term Investment Fund – Attributes

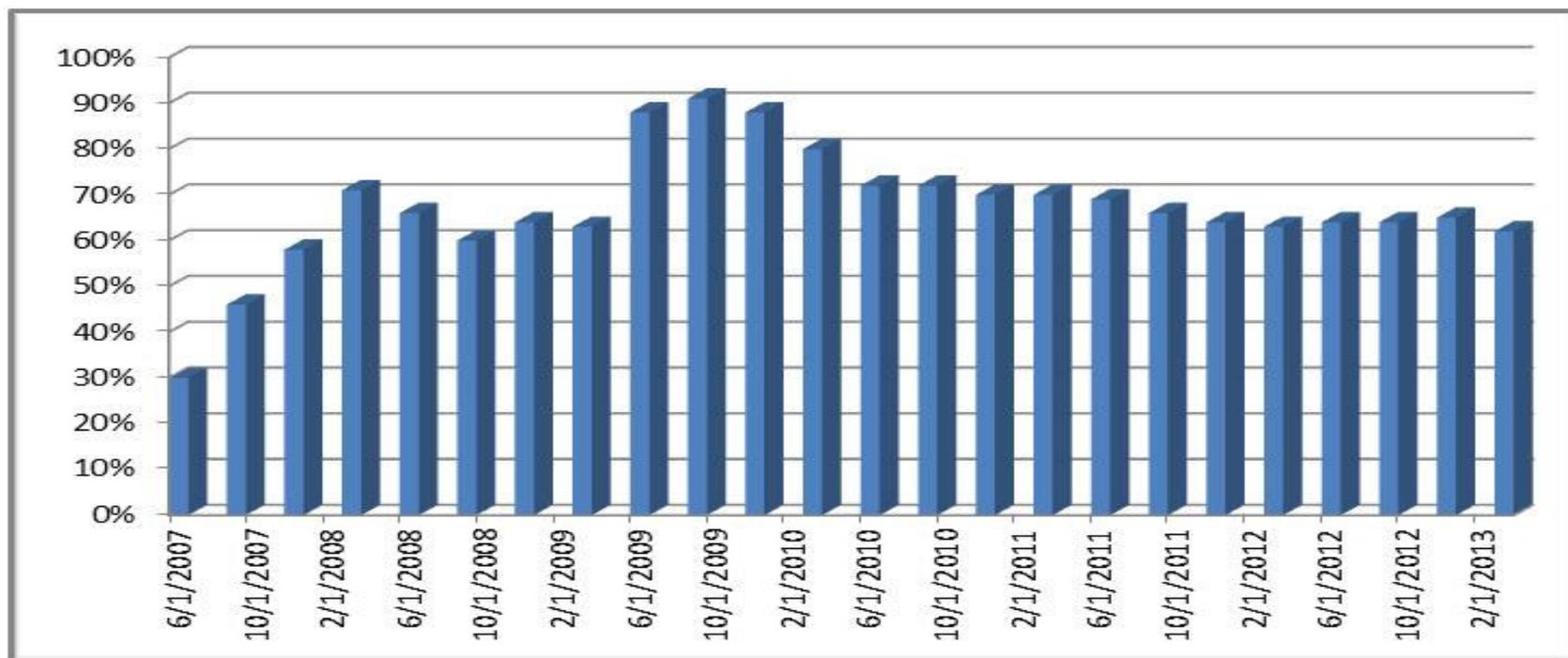
Investor Composition



- The State Treasury continues to be the largest single investor. State agencies and authorities cumulatively are the largest class of investors.

Short-Term Investment Fund – Attributes

High Daily Liquidity

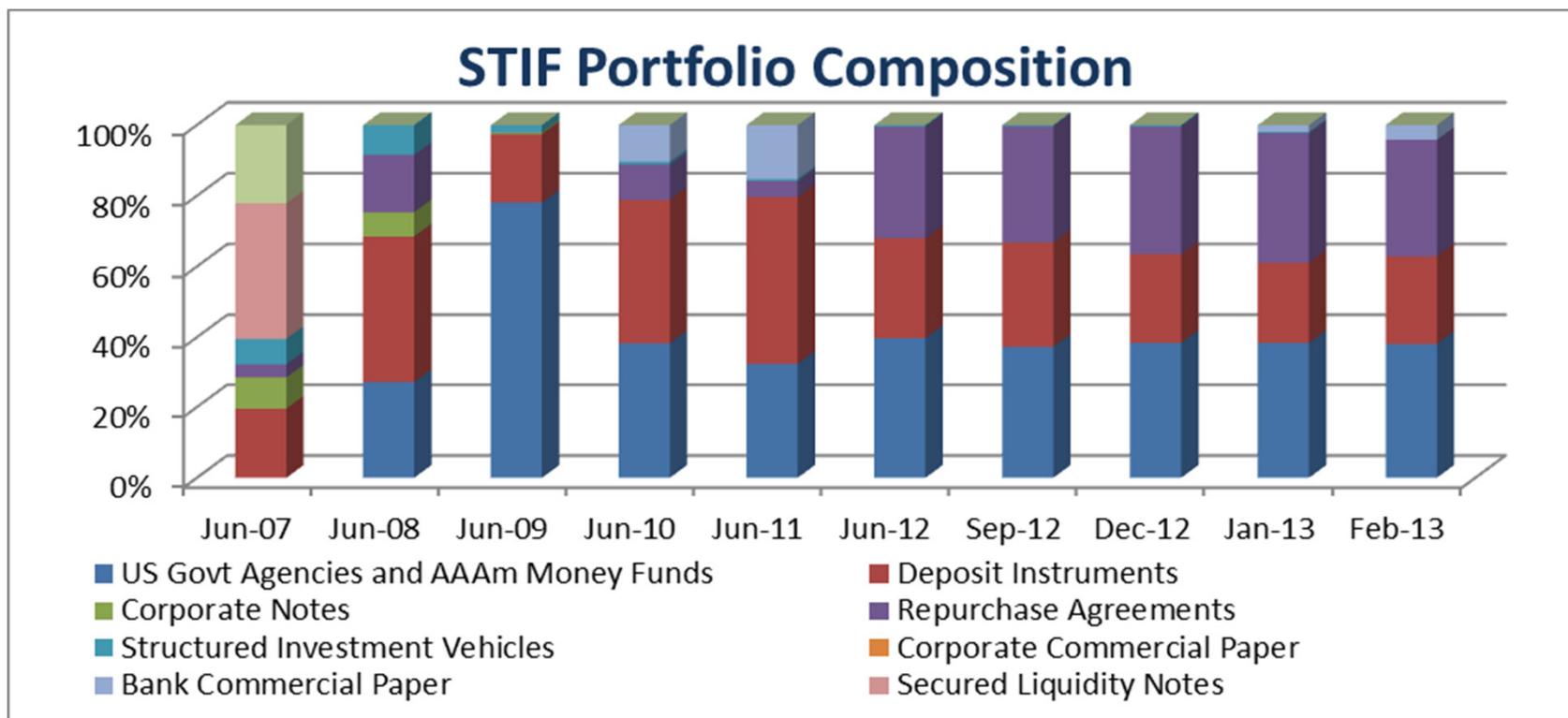


Overnight Investments or investments that are available on a same-day basis.

- STIF's portfolio remains very liquid. As of February 28, 2013 daily liquidity stood at 62% or 2.4x municipal deposits.

Short-Term Investment Fund – Attributes

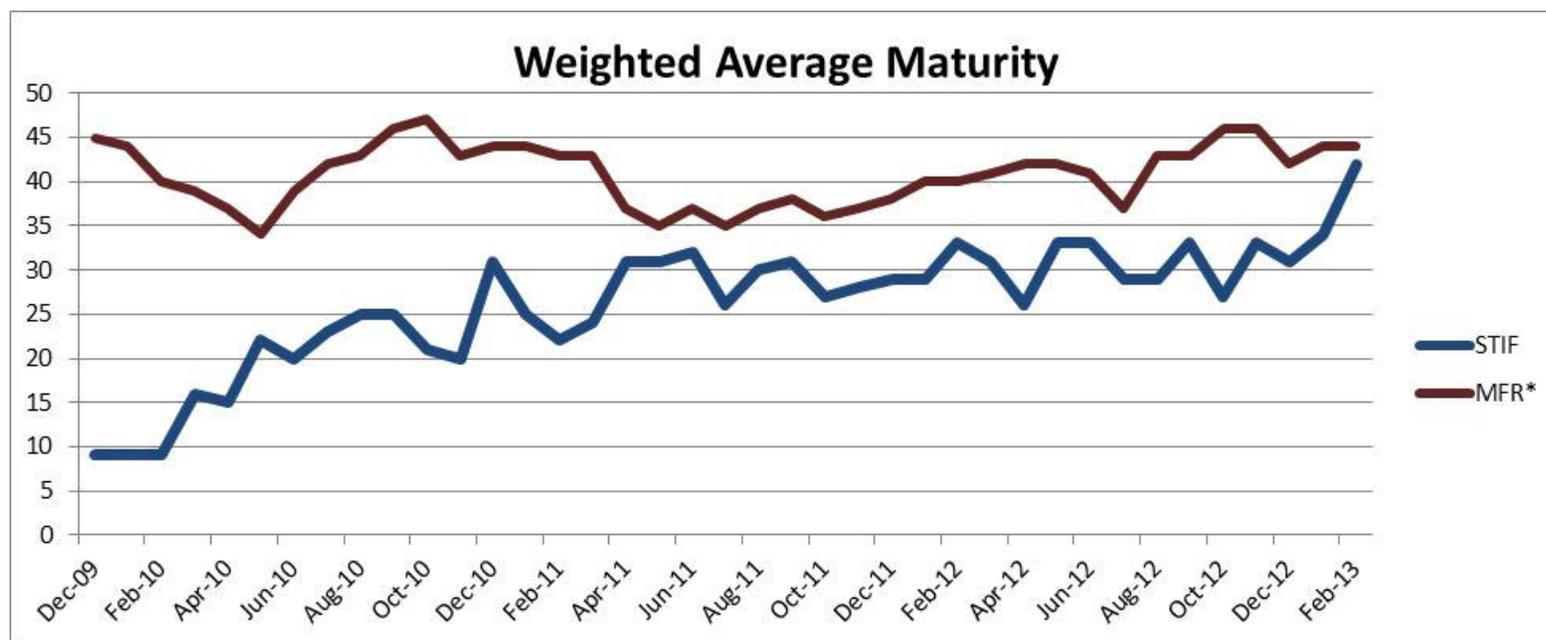
Conservative Portfolio Composition



➤ STIF's portfolio has continued to remain conservative.

Short-Term Investment Fund – Attributes

Weighted Average Maturity



* MoneyNet's First Tier Institutions-Only AAA-Rated Money Fund Report (MFR) Averages Index.

- STIF's WAM continues to reflect the conservative nature of the fund. As of February 28, STIF's WAM was 42 days.

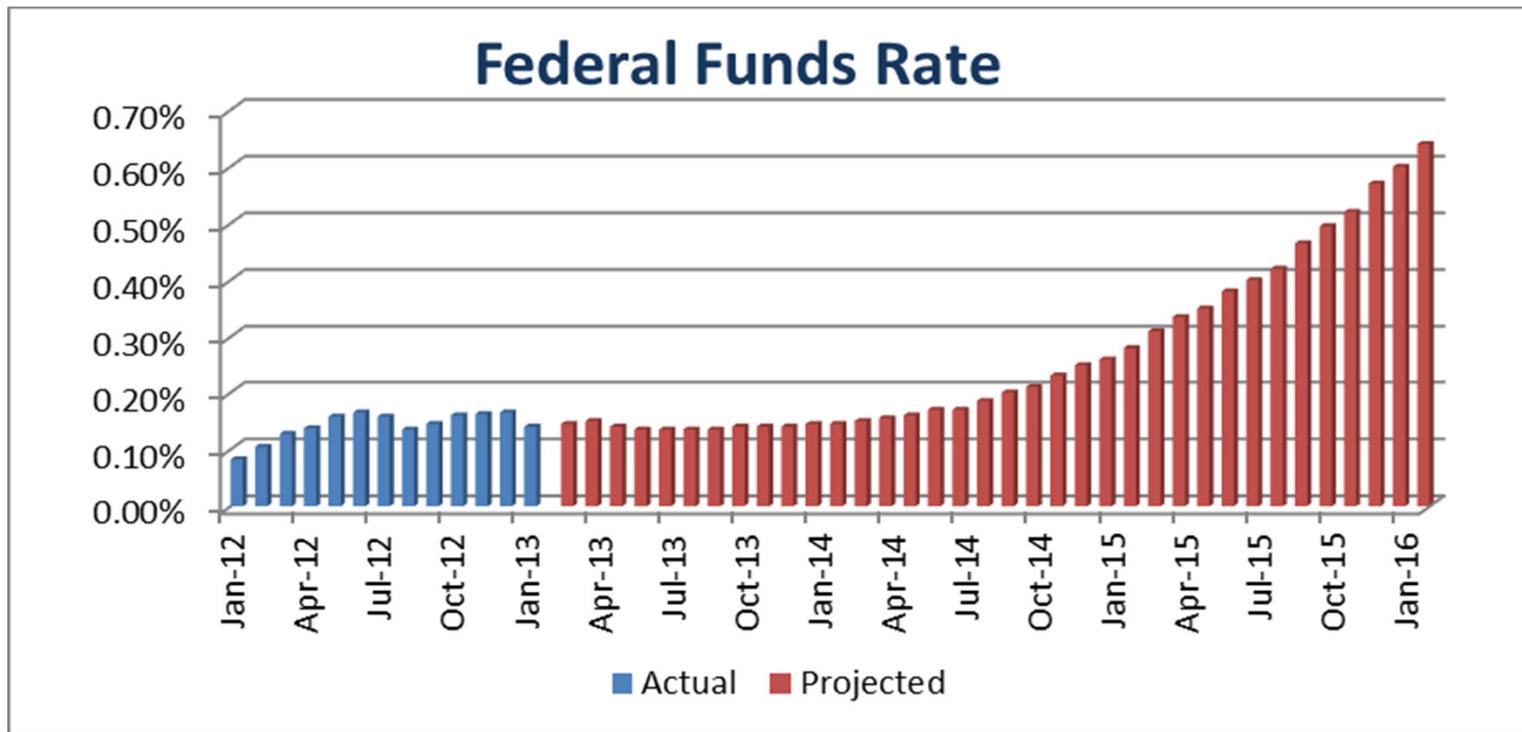
Market Report

Overview

- Interest rates continue to be at very low levels and should remain low for the near future
- The U.S. financial system continues to strengthen, and banks are well capitalized and able to fund at relatively low rates
- The European “situation” has been improving in both the core and the periphery, although growth is still struggling
- Economic data, including housing statistics, have been steadily improving

Market Report

Federal Funds

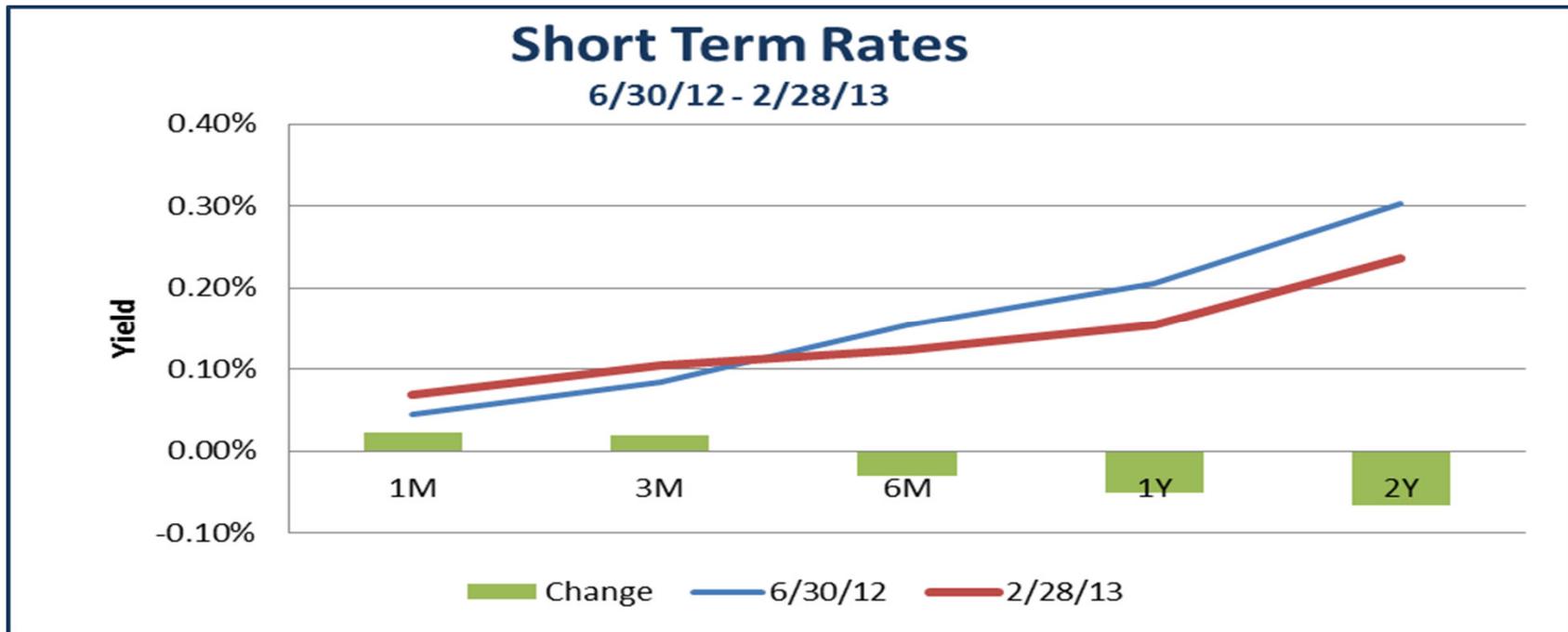


Source: Bloomberg

- Fed Funds, as measured through the futures rate, are not expected to increase until mid-2014

Market Report

Short-term Rate Curve



Source: Bloomberg

- Rates in the very short end of the curve (1 to 3 mos.) have increased while longer rates (6 mo. to 2 yrs.) have fallen – creating a flatter yield curve..

Thank you!

**Assistant Treasurer
Cash Management**

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STIF Investment Management

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Securities Analyst
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(860) 702-3124

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Barbara Szuba
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Email: STIFadministration@ct.gov

Investment Transactions

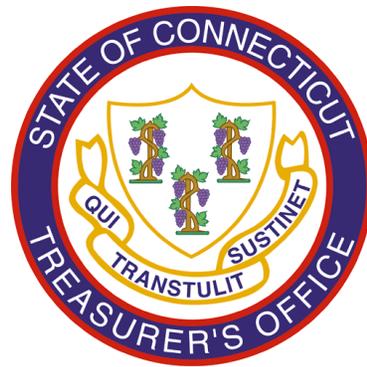
1-800-754-8430

Voice Response System

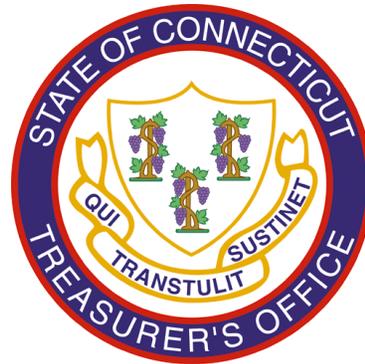
1-800-882-8211 (Fund 136)

STIF Express Online Account Access

www.state.ct.us/ott/STIFHome.htm



Municipal Employees' Retirement Fund Investment Overview



Lee Ann Palladino, CFA CAIA
Chief Investment Officer

Agenda

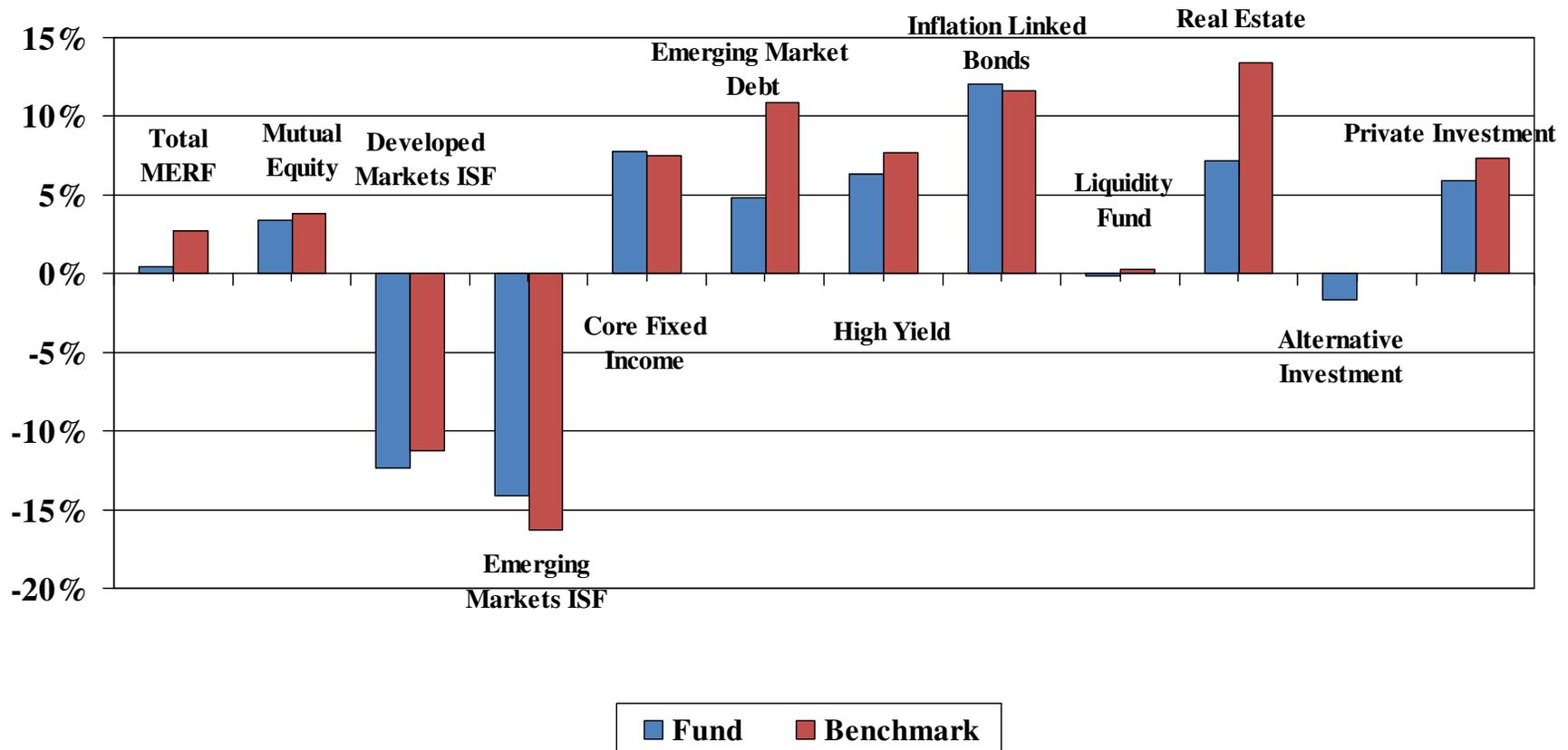
- Municipal Employees Retirement Fund (“MERF”) Performance Update
 - ❖ Fiscal Year 2012
 - ❖ Fiscal Year 2013 through January 31, 2013
- 2012 Asset Allocation and Liability Study

Market Themes: Fiscal Year 2012

- Economic unrest in the developed world
 - ❖ Future of the European Union
 - ❖ Looming Fiscal Cliff in the United States
- Coordinated Worldwide Monetary Stimulus

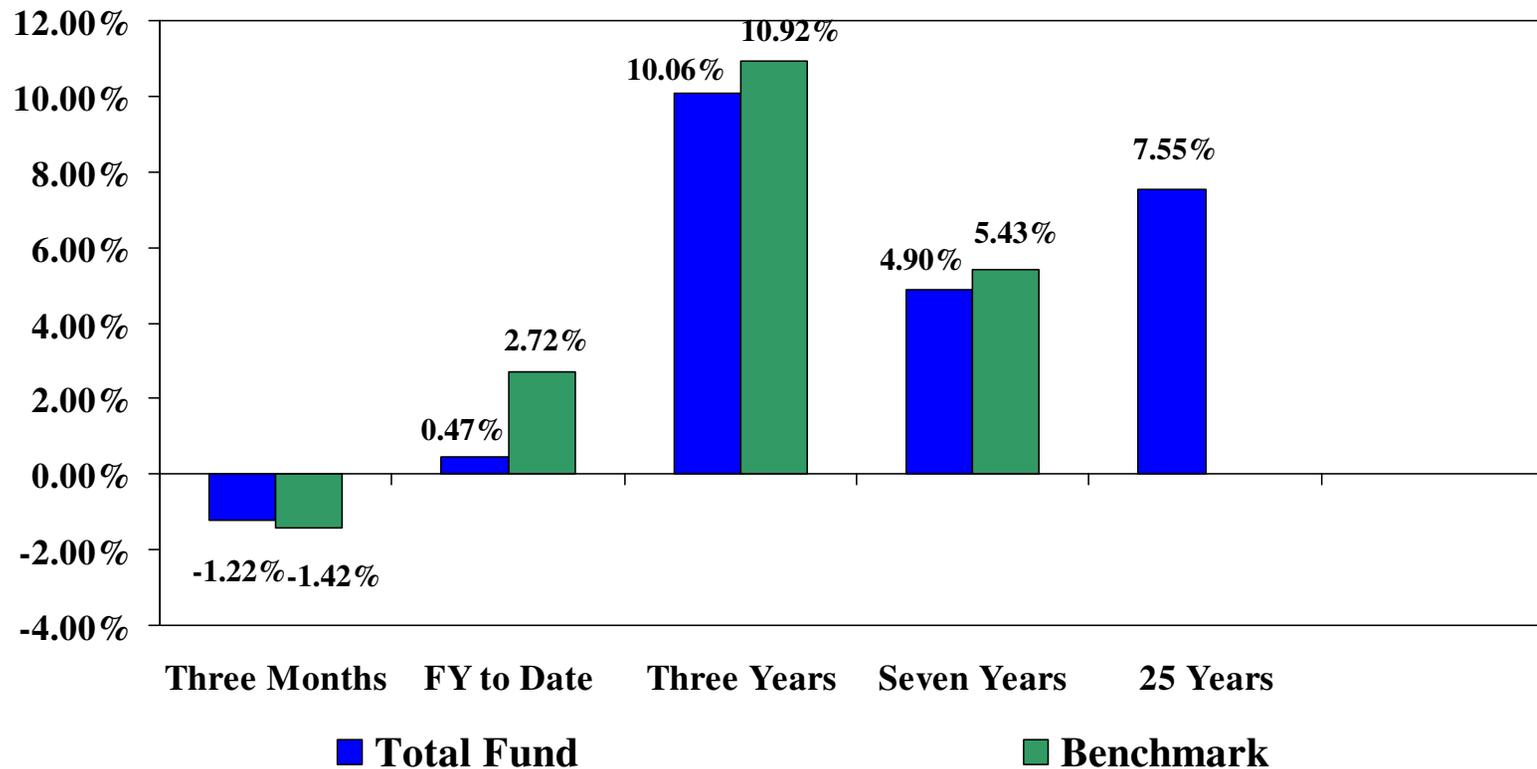
MERF Returns v. Benchmarks

Fiscal Year to Date Ended June 30, 2012



MERF Performance

Fiscal Year ended: June 30, 2012



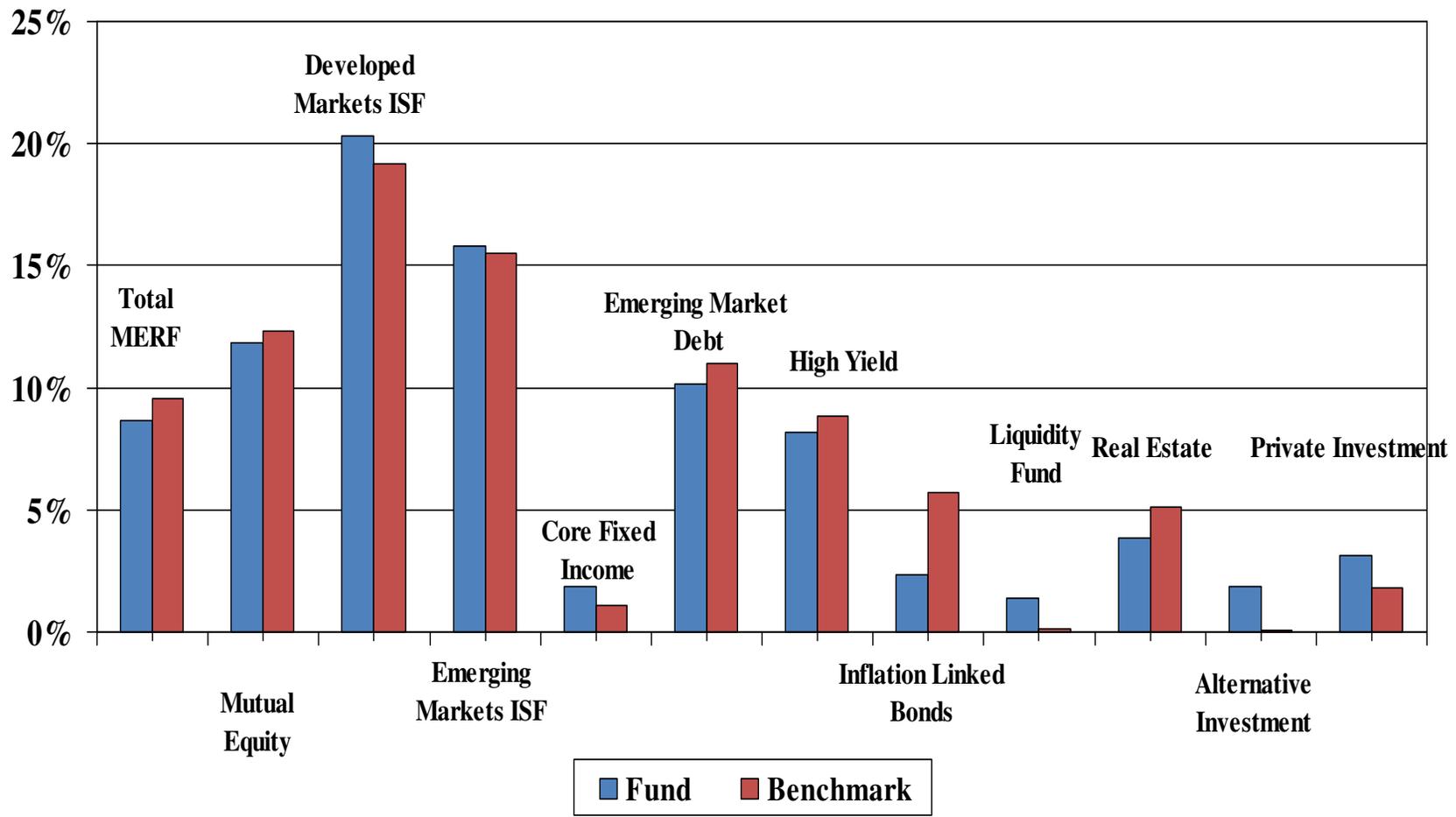
Market Themes: Fiscal Year 2013

- Removal of significant “tail risk”
- Interest rates are bottoming

MERF Returns v. Benchmarks

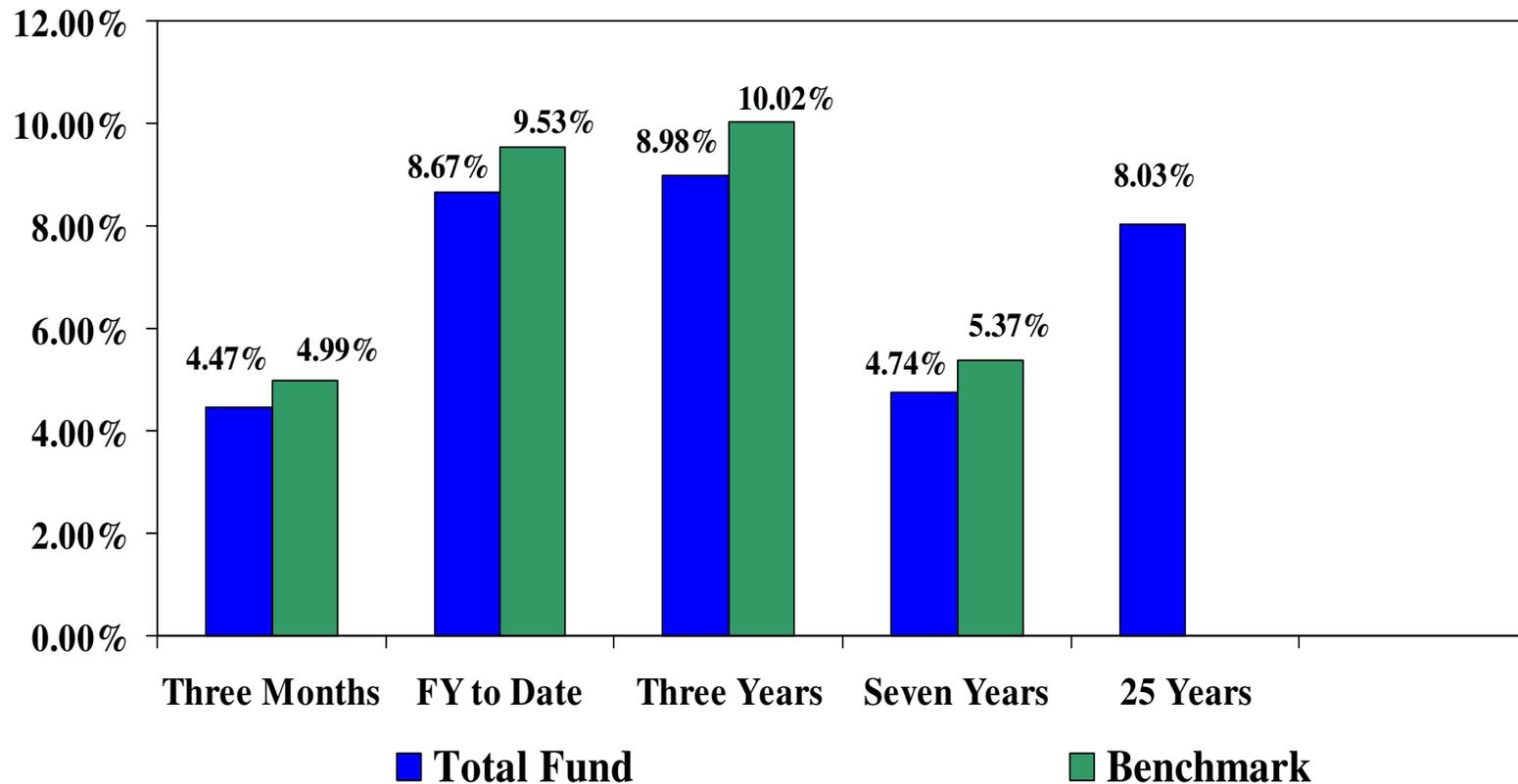
Fiscal Year 2013

As of: January 31, 2013



MERF Performance Through Fiscal Year 2013

As of: January 31, 2013

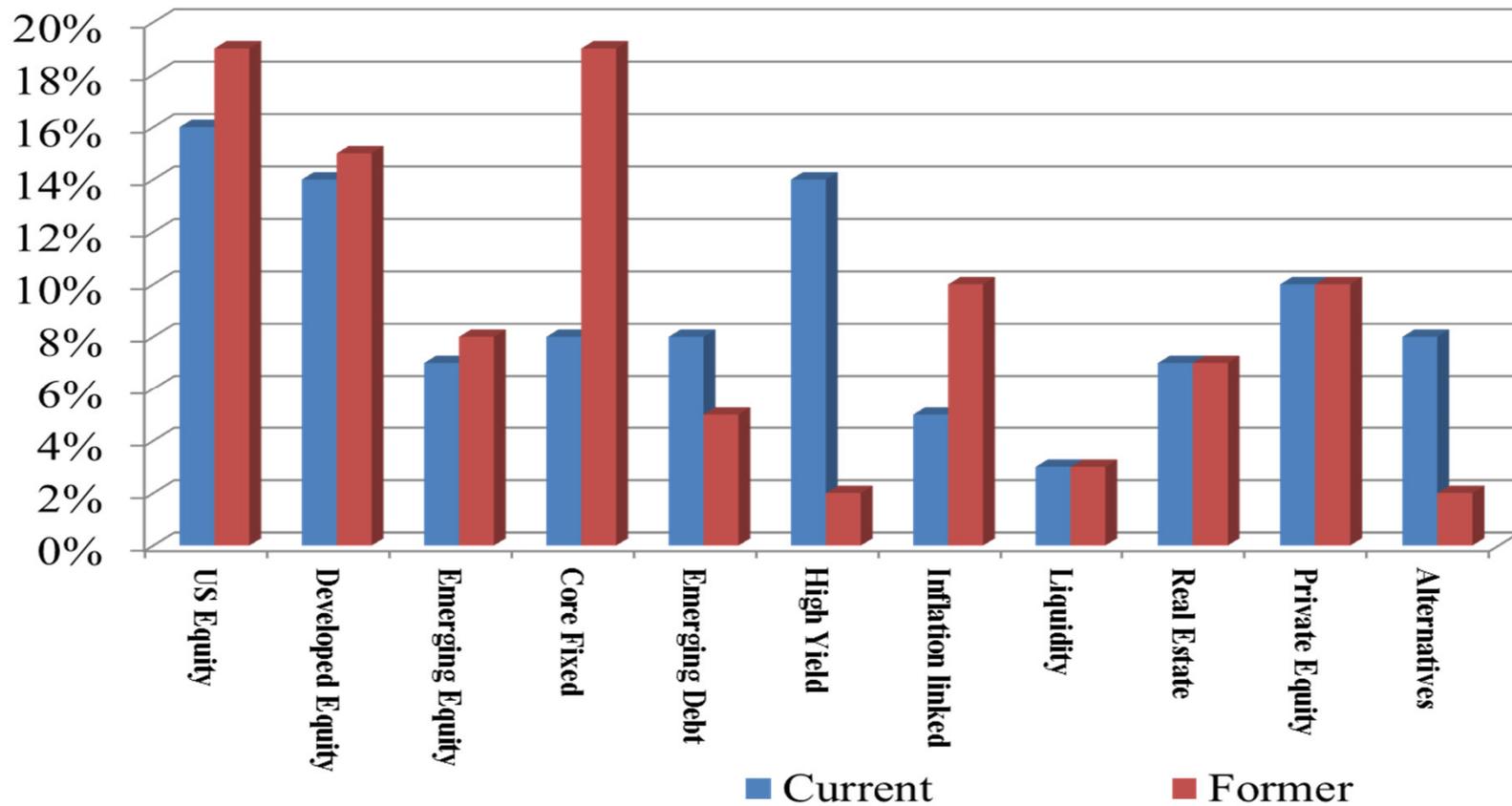


Asset Allocation & Liability Study

Key Considerations

- Funded Status
 - ❖ The development of the optimal asset allocation took into consideration the funded status
- Net Cash Flow
 - ❖ Asset allocations were designed to provide appropriate levels of liquidity
- Rate of Return
 - ❖ The assumed rate of return was taken into consideration in the development of the optimal asset allocation
- Other Actuarial Assumptions
 - ❖ The liabilities were analyzed, modeled and stress tested under different economic scenarios

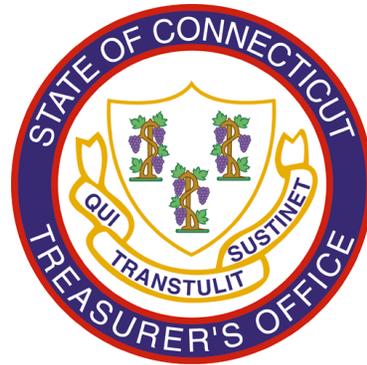
MERF Current vs. Former Asset Allocation



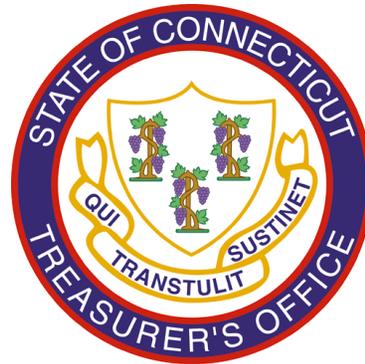
Executive Summary – Liability Profile

As of January 31, 2013

Liability Position	
	MERF
Valuation Date	June 2012
Next Valuation Date	June 2014
Actuarial Value of Assets (mil.)	\$1,828.8
Actuarial Value of Liabilities (mil.)	\$2,150.8
Market Value 1/31/13 (mil.)	\$1,829.7
Funded Status	85.0%
Return Assumption	8.00%
*Benefit Payments as a % of MV as of 1/31/13	5.6%
*Contributions FY2013 (mil.)	\$84.7
Net Cash Flow as % of MV as of 1/31/13	-1.0%



Debt Management Overview



Sarah K. Sanders
Assistant Treasurer of Debt Management

The Life Of A State Bond

LEGISLATURE

- Authorization *in Bond Bills*

BOND COMMISSION

- Allocation *to Begin Spending*
- Approval *of Bond Sale*

TREASURER

- Issuance

Who Is Involved In State Government?

Legislative Branch

Legislature

Office of Fiscal Analysis

Auditors of Public Accounts

Executive Offices

Governor

Treasurer

Comptroller

Attorney General

Secretary of State

State Agencies

OPM

DECD

DEEP

DAS

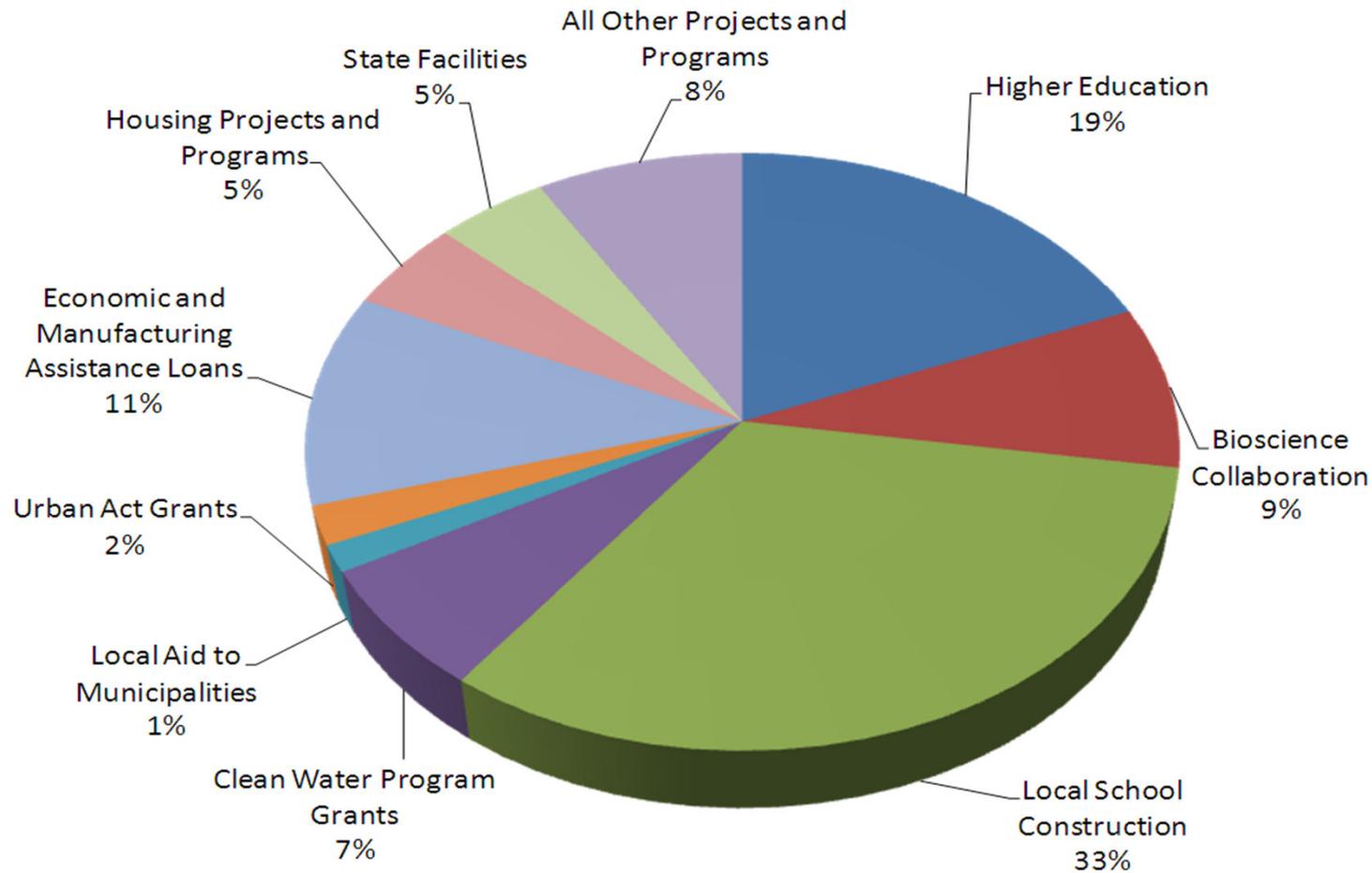
DOT, SDE,
Others

The Five State Bonding Programs

#1	Description	Amount Outstanding 6/30/12 (\$ Billions)	Moody's S&P Fitch Kroll
<p>General Obligation (GO) Bonds</p>	<p>This is Connecticut's primary bonding program. The full faith and credit of the State are pledged for payment of principal and interest. Used to finance school construction grants and the construction of buildings, grants and loans for housing, economic development, community care facilities, state parks, and open space. Roughly half of the bonding is for school construction. The outstanding total also includes \$2.3 billion in taxable pension obligation bonds for the Teachers' Retirement Fund and \$747 million of Economic Recovery Notes.</p>	<p>13.5</p>	<p>Aa3 AA AA AA</p>

General Obligation Bond Allocations

Calendar Year 2012 – \$1,358.8 million *(as of October 3, 2012)*



The Five State Bonding Programs

#2	Description	Amount Outstanding 6/30/12 (\$ Billions)	Moody's S&P Fitch Kroll
<p>Special Tax Obligation (STO) Bonds</p>	<p>STO bonds are issued for the State's portion of transportation infrastructure improvements, including highway and bridge construction and maintenance, mass transportation and transit facilities, aeronautic facilities (excluding Bradley International Airport), waterway facilities, and DOT maintenance and administrative facilities. Debt service on STO bonds is repaid from the dedicated revenue stream of the Special Transportation Fund including the State's motor fuels tax, motor vehicle registrations, oil companies tax, motor vehicle licenses and fees, sales tax collected on motor vehicle sales, and transfers from other funds.</p>	<p>3.3</p>	<p>Aa3 AA AA ---</p>

The Five State Bonding Programs

#3	Description	Amount Outstanding 6/30/12 (\$ Billions)	Moody's S&P Fitch Kroll
Clean Water Fund Bonds	The Clean Water Fund includes the Clean Water and Drinking Water state revolving fund programs. The Clean Water Fund bonds are secured by loan repayments from Connecticut municipalities and public water systems, accumulated Federal Capitalization Grants, State GO bonds, and general revenues of the SRFs. By statute, financing totals 100% of project costs and includes interest subsidized CWF loans and grants. Loans are funded with the revenue bonds and grants are funded with State GO Bonds.	0.9	Aaa AAA AAA ---

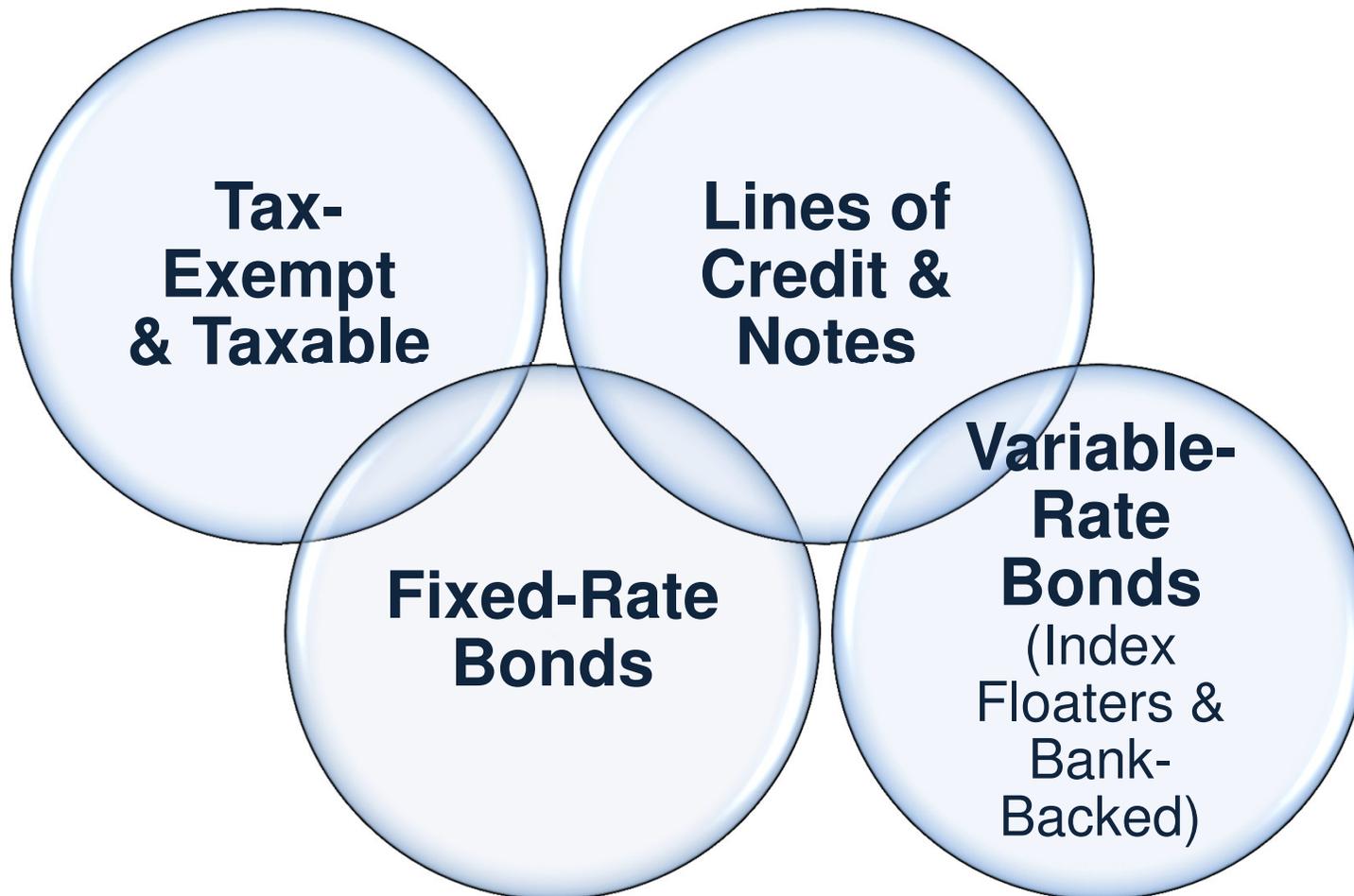
The Five State Bonding Programs

#4	Description	Amount Outstanding 6/30/12 (\$ Billions)	Moody's S&P Fitch Kroll
<p style="text-align: center;">University of Connecticut (UCONN) Bonds</p>	<p>This program finances infrastructure improvements for the University of Connecticut and is primarily repaid from the State's General Fund through a debt service commitment. Up to \$2.7 billion of debt service commitment bonds will be issued under a 22-year capital program to rebuild and refurbish the University. Program was recently expanded to include the funding of a new UCONN hospital in Farmington.</p>	<p>0.9</p>	<p>Aa3 AA AA- ---</p>

The Five State Bonding Programs

#5	Description	Amount Outstanding 6/30/12 (\$ Billions)	Moody's S&P Fitch <i>*Kroll</i>
<p>Bradley International Airport Bonds</p>	<p>The General Airport Revenue Bonds are payable solely from pledged revenues, including gross operating revenues, eligible PFC revenues and other available funds. Proceeds are used for capital projects including terminal & concourse, airfield and roadway improvements at the airport. Parking Garage Revenue Bonds are payable from parking garage revenues and by a guarantee from the project developer/ lessee.</p>	<p>0.2</p>	<p>--- A- A ---</p>

Types of Debt



Post Bond Sale: Debt Management

**Monitor for
Refunding
Opportunities**

**Payments of
Debt Service**

Budgeting

**Material
Event
Disclosures**

**Various Bond
Covenant
Requirements**

**The Debt
Limit**

**Arbitrage
Rebate and
IRS
Compliance**

**Various
Questions**

**Maintain
Credit Rating
Agency
Relationships**

Moody's State Debt Median

**Net Tax Supported
Debt Per Capita**

#1 Connecticut

#2 Massachusetts

#3 New Jersey

#4 Hawaii

#5 New York

**Net Tax Supported as
% of Personal Income**

#1 Hawaii

#2 Massachusetts

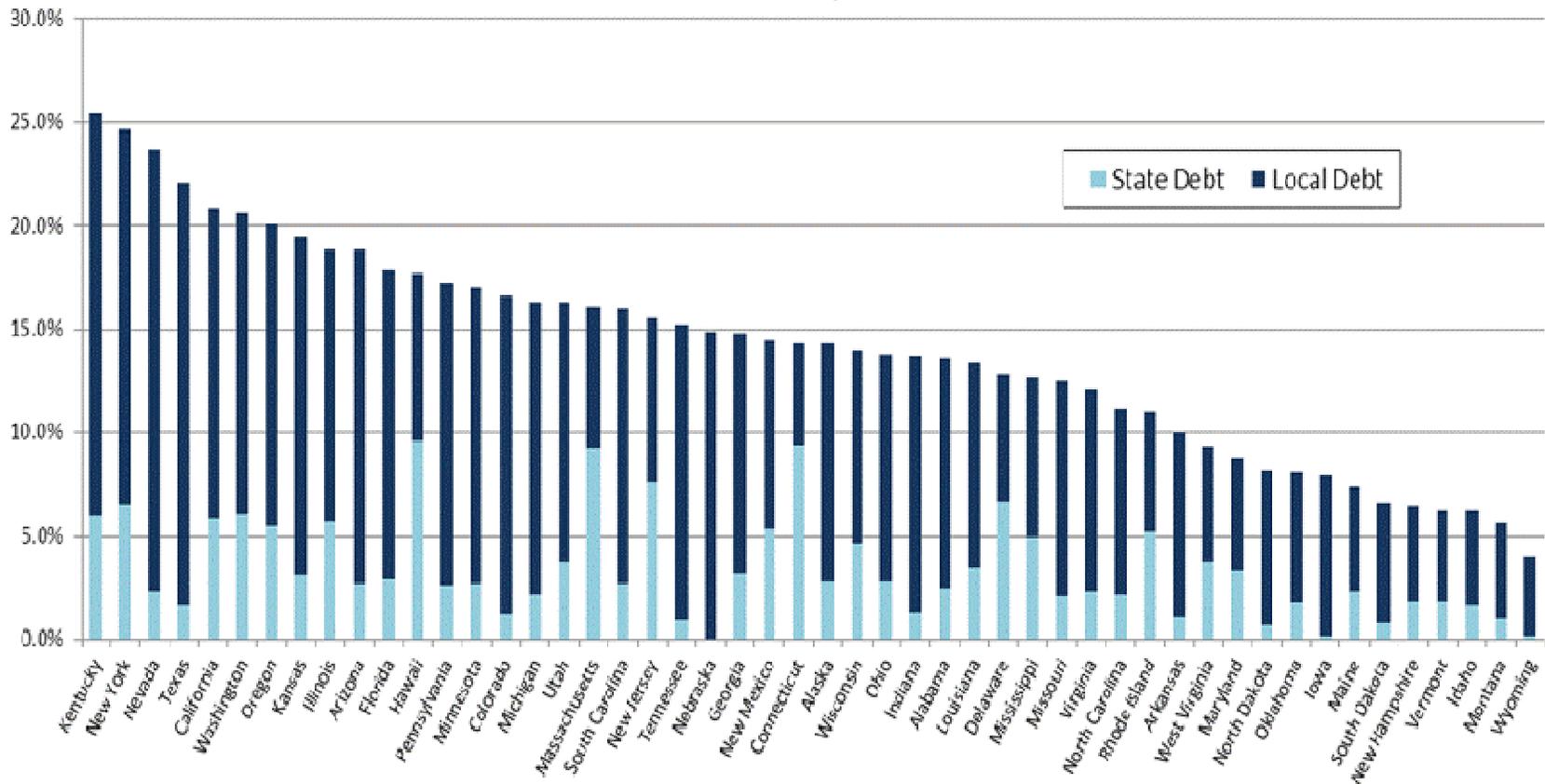
#3 Connecticut

#4 New Jersey

#5 Delaware

State & Local Debt Levels

Combined State and Local Debt Compared to State Personal Income



State GAAP Deficit

What is it?

- General Fund accumulated negative balance on a GAAP basis.

What caused it?

- Result of the accumulation of past State budget practices which routinely accrued certain revenues, but not expenses, and other accounting practices.

State GAAP Deficit *(continued)*

Why is it a Problem?

- Impacts Cash Balances
- Less of a concern if we had a sizable budget reserve fund.

Current Plan to Fund

- Convert to full GAAP Budgeting (effective FY 2014).
- Amortize funding of remaining GAAP deficit (estimated at \$1.29 billion) over 15 years with budget surplus.

Governor's Bill – SB 841

An Act Improving the Fiscal Discipline of the State by Eliminating the Accumulated GAAP Deficit and Restructuring Economic Recovery Notes

- Authorizes issuance of up to \$750 million of General Obligation bonds to fund a portion of the GAAP deficit.
- Commits the State to fund the remaining GAAP deficit through annual appropriations, per a Bond Covenant.

Governor's Bill – SB 841 *(continued)*

- None of the bond proceeds could be used to balance a State Budget, per Bond Covenant.
- Authorizes extension of remaining 2009 Economic Recovery Notes for two years.

QUESTIONS?...

