Agency
Office of the Treasurer

Subject
Combined Investment Fund

Inclusive Sections
§§ 3-31b-1—3-31b-11

CONTENTS

Combined Investment Fund

Sec. 3-31b-1. Definitions

(a) "Treasurer" shall mean the Treasurer of the State of Connecticut.

(b) "Participant" shall mean a retirement or trust fund for which the Treasurer is custodian and/or trustee and which is in whole or part combined with other funds for investment purposes in accordance with Public Act 229 adopted by the 1972 legislature.

(c) "Securities" shall mean common stock, preferred stock, convertible preferred stock, bonds, debentures, convertible debentures, warrants, rights, mortgages, and all other evidences of investment or ownership.

(d) "Assets" and "liabilities" shall be defined by generally accepted accounting principles and will include but not be limited to investments, cash, receivables and payables.

(e) "Cost Value Per Unit" shall mean the participating retirement or trust fund U.S. dollar cost of acquiring ownership in the investment funds divided by the number of units received for such investment dollars. Unit market value shall be determined based on the net worth of the investment fund at market value as of the preceding month-end.

(f) "Market Value Per Unit" shall mean the market or fair value of an investment fund at a month-end divided by the units owned by participating retirement and trust funds.

(Effective April 19, 1991; Amended September 30, 1998)

Sec. 3-31b-2. Funds eligible to participate

In order to be eligible for participation in any of the combined investment funds, the participant must meet the following criteria:

(a) Be under the control of the Treasurer for investment or custodial purposes.

(b) Have the general characteristics of a perpetual fund including but not limited to the characteristic of no specific termination date, except for short-term combined investment funds which may be established to accommodate short-term investments.

(c) Have investment objectives and investment authority comparable with the other participants in the combined investment funds.

(Effective October 10, 1972; Amended September 30, 1998)

Sec. 3-31b-3. Combined investment funds

(a) Currently there are seven combined investment funds but additional funds may be created by the Treasurer if considered appropriate. The combined investment funds may be collectively referred to as the "State of Connecticut Retirement Plans and Trust Funds." All securities held in such combined investment funds may be held in nominee names designated by the Treasurer. The funds now established are as follows:

(1) Cash Reserve Account (CRA)—money market instruments—(pension and trust funds only)

(2) Mutual Equity Fund (MEF)—domestic equity instruments

(3) International Stock Fund (ISF)—foreign equity instruments

(4) Private Investment Fund (PIF)—private market investments
(5) Real Estate Fund (REF)—real estate investments
(6) Mutual Fixed Income Fund (MFIF)—fixed income securities
(7) Commercial Mortgage Fund (CMF)—commercial real estate debt
(b) Any other fund established under Section 3-31b of the General Statutes will be governed by these regulations.

(Effective April 19, 1991; Amended September 30, 1998)

Sec. 3-31b-4. Ownership of assets of each fund

(a) Each participant in each combined investment fund shall have an undivided interest in all the assets of such combined fund. Such interest shall be represented by the number of units owned by the individual participant. The percentage of ownership of each participant in each fund shall be determined by the number of units owned by the participant divided by the total number of units outstanding for the fund. All units shall be equal in value without priority or preference.

(b) Formal certificates of participation will not be issued to the participants but accurate evidence of ownership will be maintained by the Treasurer and will be reported at least quarterly to all participants.

(Effective October 10, 1972; Amended September 30, 1998)

Sec. 3-31b-5. Admission and withdrawal from each fund

The actual admission to or withdrawal from each fund shall be processed only after the fund is valued on a valuation date described in Sec. 3-31b-6 of these regulations. Except for the initial contribution to the fund and upon such other exceptions made by the Treasurer, admission to and withdrawal from any fund shall be made solely in cash through the purchase or sale of units. The purchase and sales price of such units will be the market value per unit of the fund as determined under these regulations.

(Effective October 10, 1972; Amended September 30, 1998)

Sec. 3-31b-6. Fiscal year and valuation dates

(a) The fiscal year of the funds shall be the same as the fiscal year of the state.
(b) Valuation date for each fund shall be as follows:
1. Mutual Equity Fund shall be the last business day of each month.
2. Mutual Fixed Income Fund shall be the last business day of each month.
3. Cash Reserve account shall be the end of each business day.
4. International Stock Fund shall be the last business day of each month.
5. Private Investment Fund shall be the last business day of each month.
6. Real Estate Fund shall be the last business day of each month.
7. Commercial Mortgage Fund shall be the last business day of each month.
8. Other funds shall have a valuation date as determined by the Treasurer when the fund

is established.

(Effective April 19, 1991; Amended September 30, 1998)

Sec. 3-31b-7. Distribution of income

Income received by the combined investment funds during the preceding valuation month shall be distributed ratably to retirement and trust participants in accordance with their unit holdings as follows:

Dividends, the amount and frequency to be determined by the Treasurer, shall be declared and paid by the Treasurer to participants on or about the 10th business day of any month following valuation. The dividends will consist of income received by the combined investment funds during the preceding month.

(Effective April 19, 1991; Amended September 30, 1998)

Sec. 3-31b-8. Method of valuation of each unit

The combined investment funds shall be valued as of the close of business on each valuation date as follows:

(a) Securities listed on exchanges registered with the U.S. Securities and Exchange Commission shall be valued at the closing price on the last trading day of the valuation period. If the security did not trade, the Treasurer shall value the security using one of the following methods which in his opinion best represents fair market value.

(1) The closing price on the last day the security traded.

(2) The mean between the bid and asked prices on the last trading day of the valuation period.

(b) Unlisted securities shall be valued at the mean of the bid and ask on the last trading day of the valuation period or if there is no bid and ask then such mean on the last trading day a bid and ask is available. If no ask price is reported, the bid may be used.

(c) Prices for the valuation referred to in sub-paragraphs (a) and (b) above may be obtained from The Master Custodian Bank, a private pricing service designated by the Treasurer, the Wall Street Journal, New York Times or a newspaper having general circulation in the city of Hartford.

(d) With respect to investments without established markets such as limited partnerships and similar instruments, the Treasurer shall determine fair value by relying on appraisals and valuations estimated by general partners, or on external rating services. In the event that such valuation cannot be obtained from the above-mentioned sources, or in the event in the opinion of the Treasurer the evaluation is not realistic, the Treasurer shall determine the fair market value of those securities.

(e) Securities purchased and awaiting payment against delivery shall be included for valuation purposes as a security held, and the purchase price, including broker's commissions or expenses of the purchase, shall be set up as a liability. Securities sold but not delivered pending receipt of proceeds shall be valued at the net sales price.

(f) The fair market value of rights and warrants when securities are trading ex-rights or ex-warrants together with principal cash shall also be included in determining the total value of the units. Valuation of rights and warrants will be determined in the same manner as that of other securities as defined in (a), (b), (c) and (d) above.

(g) The net worth of the investment fund including all assets, liability and income components, divided by the total number of units outstanding shall determine the market value per unit.

(Effective April 19, 1991; Amended September 30, 1998)

Sec. 3-31b-9. Cost value per unit for the participant and cost value for the funds

(a) Each participant's initial cost value per unit shall be determined by dividing the total cost of each participant's applicable contributions by the number of units which has been distributed for those contributions.

(b) The initial cost value of each contribution of each participant shall be transferred to the combined investment funds and shall become the cost of that contribution in the combined investment funds. The sum total of all the cost values of all the contributions shall equal the sum total of the cost values per unit as described in (a) above.

(c) All transactions involving the combined investment funds made after initial cost values of the assets have been established will affect the cost value of the funds but will not change the cost value per unit of the participants. Cost value of the participant will change when new participant contributions or redemptions are made.

(Effective April 19, 1991; Amended September 30, 1998)

Sec. 3-31b-10. Accounting treatment for combined investment funds

Absent specific regulations to the contrary, all of the combined investment funds shall follow Generally Accepted Accounting Principles (GAAP) as promulgated under the direction of the Financial Accounting Foundation. Preference shall be given to Government Accounting Standards Board pronouncements where applicable.

(Effective April 19, 1991)

Sec. 3-31b-11. Accounting treatment of bonds purchased at discount or premium

(a) When bonds are purchased at a premium, the amount of the premium shall be amortized monthly on a straight line basis over the life of the bond. The monthly amortization shall be charged against income.

(b) When bonds are purchased at a discount, the amount of the discount shall be accreted monthly on a straight line basis over the life of the bond. The monthly accretion shall be reflected as income. Accretion income will not be distributed.

(c) When bonds purchased at a discount or premium are sold, the difference between the sale price and the purchase price or amortized or accreted purchase price shall be treated as a realized gain or loss as defined and outlined in Sec. 3-31b-10.

(Effective October 10, 1972; Amended September 30, 1998)