



PENNSYLVANIA
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ANNUAL INVESTMENT REPORT

Fiscal Year Ending June 30, 2015

The following report was prepared pursuant to Act 53 of 2008 (Act), which amended various provisions of the Act of April 9, 1929 (P.L. 343, No. 176), known as the Fiscal Code. Specifically, Section 301.3 of the Act requires the State Treasurer to submit an Annual Investment Report by November 30 to the Governor and to the State House and State Senate Chairperson and Minority Chairperson of both the Appropriations and Finance committees for the most recently-ended fiscal year.

Additional information pertaining to the custodial and investment functions performed by the Pennsylvania Treasury, along with an overview of the Commonwealth Investment Program, are also included herein.



TREASURY DEPARTMENT
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG, PA 17120

November 30, 2015

The Honorable Thomas W. Wolf
Governor
Commonwealth of Pennsylvania
Room 225 Main Capitol Building
Harrisburg, Pennsylvania 17120

RE: Pennsylvania Treasury Annual Investment Report

Dear Governor Wolf:

I am pleased to present the Pennsylvania Treasury Annual Investment Report pursuant to Act 53 of 2008.

If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Timothy A. Reese".

Timothy A. Reese
State Treasurer

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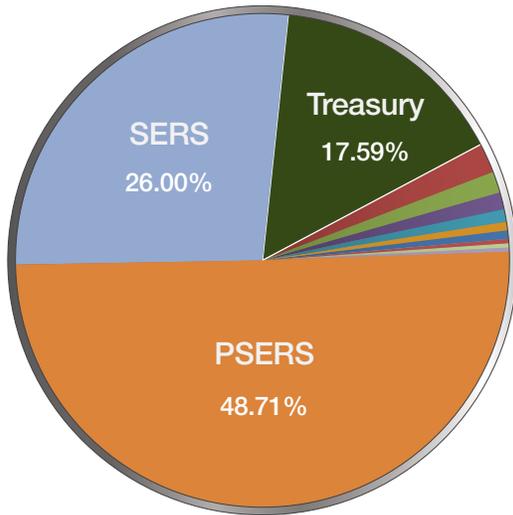
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About the Pennsylvania Treasury



The Pennsylvania Treasury

Pennsylvania’s Constitution established the Pennsylvania Treasury Department as an independent executive office. The State Treasurer serves as the department’s chief executive, as well as the Commonwealth’s chief financial officer. In that capacity, the Treasurer serves, among other things, as custodian and investor.



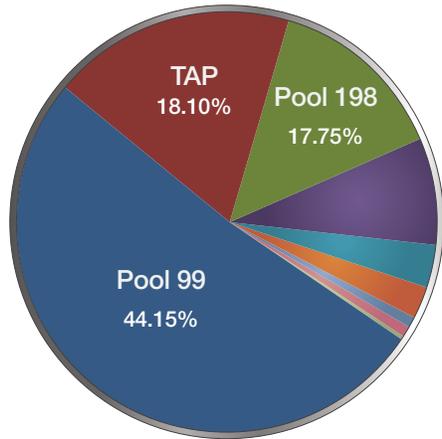
As statutory custodian, the State Treasurer monitors and safeguards virtually all state agency funds, which totaled approximately \$104.7 billion as of June 30, 2015. The composition of those funds is provided in the following chart. This role also requires the Treasurer to collect interest and dividends, execute securities transactions, and handle daily trade settlements.

Programs	Net Asset Value	% Under Custody
Public School Employees’ Retirement System (PSERS)	\$ 51,020,221,558	48.71%
State Employees’ Retirement System (SERS)	\$ 27,235,651,452	26.00%
Treasury Total ⁽¹⁾	\$ 18,423,147,642	17.59%
Pennsylvania Municipal Retirement System (PMRS)	\$ 2,095,612,111	2.00%
State Workers’ Insurance Fund (SWIF)	\$ 1,431,342,700	1.37%
Refunding Bond Issuances	\$ 1,323,578,332	1.26%
Deferred Compensation	\$ 1,063,133,117	1.02%
Workmen’s Compensation Security Fund (WCSF)	\$ 784,157,775	0.75%
Commonwealth Financing Authority (CFA)	\$ 763,232,560	0.73%
Post Employment Benefits Other Than Pensions (OPEB)	\$ 225,966,787	0.22%
Pennsylvania Industrial Development Authority (PIDA)	\$ 189,941,141	0.18%
Underground Storage Tank Indemnification Fund (USTIF)	\$ 169,169,356	0.16%
Tobacco	\$ 12,861,042	0.01%
SERS Benefit Completion Plan (SERS BCP)	\$ 3,859,001	0.00%
Total Under Custody	\$104,741,847,575	100%

⁽¹⁾ Treasury Total includes those Treasury programs and pools that directly fall under Treasury’s investment authority, including Pool 198, Pool 99, PA 529 College Savings Program, and others.

In his investing function, the Treasurer manages and invests any funds in excess of the Commonwealth's current operational needs, unless those funds are explicitly under the control of another board, commission, or state official.

Of the approximately \$104.7 billion in state agency funds under Treasury custody on June 30, 2015, Treasury directly managed \$19.5 billion, as illustrated here:



Programs	Net Asset Value	% Under Custody
Pool 99	\$ 8,591,179,052	44.15%
PA 529 College Savings Program (TAP)	\$ 3,521,485,671	18.10%
Pool 198	\$ 3,454,253,524	17.75%
Pool 124	\$ 2,024,341,075	10.40%
CFA	\$ 763,232,560	3.92%
INVEST	\$ 568,949,059	2.92%
OPEB	\$ 225,966,787	1.16%
PIDA	\$ 189,914,141	0.98%
Fund 65	\$ 90,575,650	0.47%
Higher Education Services, Inc (HES)	\$ 21,241,121	0.11%
Treasury Programs	\$ 5,894,082	0.03%
Float	\$ 1,455	0.00%
Total Directly Managed	\$ 19,457,034,179	100.00%

Pool 99 is the Commonwealth Operating Funds Liquidity Pool.

Pool 198 is the Commonwealth Operating Funds Investment Pool.

Pool 124 is comprised of uninvested cash of Commonwealth agencies' investment managers as of June 30, 2015.

CFA is an independent agency of the Commonwealth administering Pennsylvania's economic stimulus packages.

OPEB is a pool for other post-employment benefits.

PIDA is an independent agency of the Commonwealth that provides low interest loans and lines of credits to eligible businesses that commit to creating and retaining full time jobs and for the development of industrial parks and multi-tenant facilities.

Fund 65 is the Workers Compensation Security Fund.

HES is a program that provides investment management services for monies from higher education institutions.

Treasury Programs are comprised of multiple internally managed programs.

Float is a one-day investment of expended but uncashed payments at Commonwealth depositories.

For fiscal year 2014-15, Pennsylvania Treasury's General Fund General Government Operations appropriation equaled approximately \$36 million. It ended the fiscal year with a staff of 353 employees. The state's current Treasurer, Timothy A. Reese, was nominated by Governor Wolf and confirmed by the Pennsylvania Senate in June 2015.

In addition to managing funds and investments on behalf of state agencies, the Treasurer's investment function also serves families, local governments, as well as charitable and nonprofit organizations through two specialized Treasury programs: the PA 529 College Savings Program and the INVEST Program.

Treasury's PA 529 College Savings Program consists of two plans: the PA 529 Guaranteed Savings Plan (GSP) and the PA 529 Investment Plan (IP). Treasury is responsible for investing contributions to GSP accounts, while savings in the IP are invested in 13 different mutual fund options from The Vanguard Group with oversight from Treasury. As of June 30, 2015, more than 106,000 accounts comprised the PA 529 GSP and 93,500 accounts used the IP to help save for higher education.

Treasury's INVEST Program is designed specifically to offer a safe and liquid investment alternative to local government and nonprofit groups. The program offers two funds: the INVEST Daily Fund and the INVEST Community Fund. The program also offers periodic custom investment opportunities for longer-term investment needs. Treasury administers the INVEST Daily Fund on behalf of local governments within Pennsylvania. The INVEST Community Fund is a very similar fund administered on behalf of participating Pennsylvania nonprofits. The department's investment staff manages both funds, which do not require minimum investment periods, minimum account balances, or notifications prior to redeeming funds.

Standard and Poor's rates both funds "AAAm" – its highest rating for such funds – signifying the extremely strong capacity of each to maintain principal value and limit exposure to losses due to credit, market, and/or liquidity risks.

The INVEST Program's two pools distributed \$271,422 to participants in fiscal year 2014-15. As of June 30, 2015, there were 500 participants in the two pools.

PRUDENT INVESTOR STANDARD

Act 53 of 2008 modified the Treasurer's investment authority from a "Prudent Person" to a "Prudent Investor" standard, including specific investment criteria accounting for economic conditions, liquidity, maintenance of principal and other factors. The standard requires Treasury's chief executive to act as a fiduciary with care, skill, prudence and diligence given prevailing market conditions and anticipated funding needs when investing, reinvesting purchasing, acquiring, exchanging, selling, or managing public funds.

Treasury's "prudent investor" mandate means the department must exercise careful judgment when determining which investments are appropriate for each Commonwealth fund based upon different criteria such as income needs, cash flow requirements, invest time horizons, and risk tolerance. These judgments must also take into account different legal standards that limit the particular kinds of investments each fund could hold.

Treasurer Reese continually seeks quality investments – those that protect principal yet are projected to outperform benchmarks – in order to maximize the benefits to the Commonwealth and its citizens. At the same time, the Treasurer actively pursues promising investment opportunities that offer a reasonable risk-adjusted rate of return, but also help to strengthen certain strategically important segments of Pennsylvania's economy.



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Overview of the Commonwealth Investment Program



About Pool 99 and Pool 198

When managing the Commonwealth's assets, Treasury does more than simply act as a checking account. It looks for opportunities to generate returns using a variety of investment strategies and vehicles. In doing so, it must take into account each operating fund's liquidity needs. Accordingly, Treasury's Commonwealth Investment Program consists of two separate pools.

The first, known as Pool 99, maintains a stable net asset value of \$1 per share by investing exclusively in high quality fixed-income securities, primarily of short duration. Thus, Pool 99 is designed to generate income while minimizing investment volatility. This protects principal and ensures ready access to account balances through investments with easy liquidity. Pool 99's permitted investments include U.S. Treasury securities, federal agency securities, certificates of deposit, commercial paper, money market funds, repurchase agreements, and similar short-term fixed income instruments.

For assets in excess of liquidity needs, Treasury uses Pool 198. This variable net asset value investment vehicle uses longer-term fixed income, alternative investments, and equity securities to generate enhanced investment returns over time. Funds in Pool 198 are intended to weather short-term ups and downs in the market in the interest of long-term capital appreciation.

Pool 198 operates much like a mutual fund: depending on market conditions, an account owner who makes a withdrawal may realize a gain or a loss. Shares in Pool 198 are priced at the most recent net asset value per share, which fluctuates daily. Consequently, if a participant's average cost per share (based on its own history of purchases and redemptions) is less than the share price on the day of redemption, the participant will realize a capital gain in the shares redeemed. Conversely, if a participant's average cost per share exceeds the share price on the day of redemption, the participant will realize a capital loss on the shares redeemed.

Fiscal Year 2014-15 Change in Balances

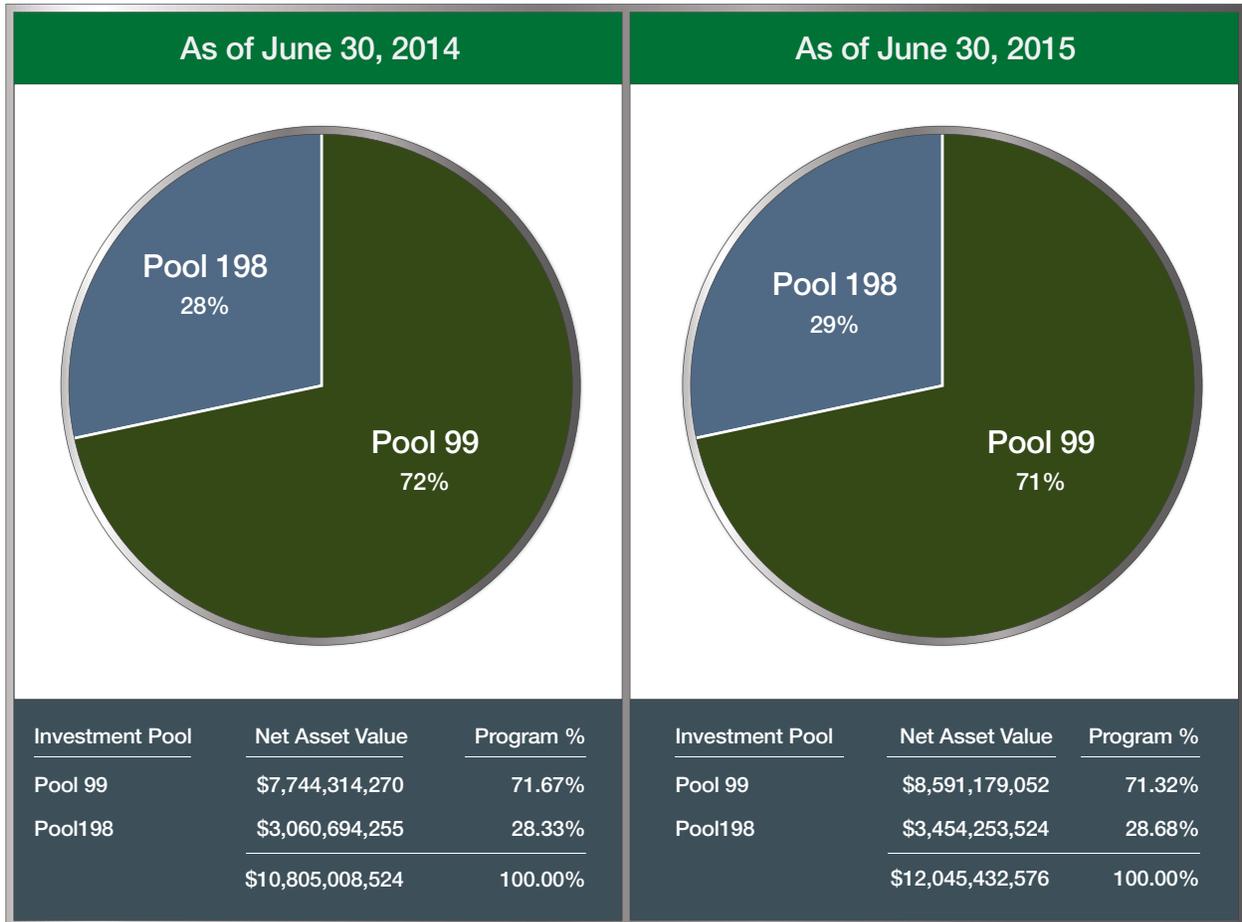
The fiscal year 2014-15 combined balance for the Commonwealth Investment Programs increased from fiscal year 2013-14. On June 30, 2014, the combined net asset value of Pool 99 and 198 was approximately \$10.81 billion. One year later, the pools' NAV increased to \$12.05 billion, which represented an increase of \$1.24 billion, or 11.48%.

As illustrated in the following charts, the balance in Pool 99 increased by approximately \$847 million, or 11%, during this period, while the balance in Pool 198 increased by approximately \$394 million, or 13%.

These increases are the result of investment returns and net cash flow related to participant activity. Investment results alone are discussed on page 11.

The following charts illustrate the cumulative change in the net asset value of Pools 99 and 198 between fiscal years 2013-14 and 2014-15.

Commonwealth Investment Program Summary



A Commonwealth Investment Program Participant Holdings report as of June 30, 2015 is reflected on pages 21-24 of this report.



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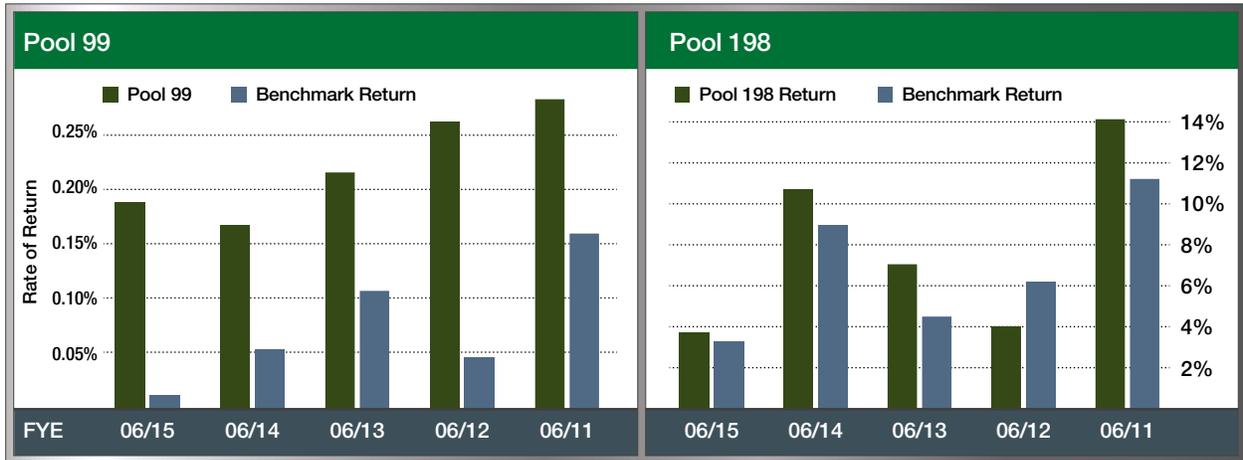
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Statutory Annual Investment Reporting Requirements

Investment Status and Performance

Pool 99’s one-year return of 0.19% exceeded its benchmark of 0.02%, while Pool 198 returned 3.76% also exceeding its benchmark of 3.28% for the year.

One-year returns for Pool 99 and Pool 198 and their respective benchmarks, for the most recent and prior four fiscal years, are displayed in the graphs below.



In total, Pool 99 distributed \$11,431,457 to its participants during last fiscal year. Investment earnings distributed to participants of Pool 198 for the fiscal year ended June 30, 2015 totaled \$60,839,239.

Five-Year Pool 198 Growth

Despite the market volatility over the last several years, Pool 198 continued to see significantly strong returns. During the five most recent fiscal years, Pool 198 grew due to earnings and cash flow increases related to participant activity by more the \$1.1 billion, as illustrated in the following graph.



Quarterly Asset Allocation

Pool 99 is designed to generate income and minimize investment volatility, while Pool 198 is designed to generate both income and capital appreciation over longer periods of time. To reflect this, Treasury invests in a diversified mix of assets. Pool 99 invests in fixed income securities, cash equivalent securities, such as commercial paper, certificates of deposit, money market funds, and repurchase agreements.

The following table compares Pool 99's and Pool 198's actual asset allocations to their corresponding targets for the quarters ended on the dates shown.

Pool 99 Asset Class	Target Allocation	9/30/14	12/31/14	3/31/15	6/30/15
Fixed Income (including Cash & Cash Equivalents) ⁽¹⁾	100%	100%	100%	100%	100%
Pool 198 Asset Class	Target Allocation	9/30/14	12/31/14	3/31/15	6/30/15
Fixed Income (including Cash & Cash Equivalents)	55%-70%	52%	51%	67%	75%
Equity & Alternatives	30%-45%	48%	49%	33%	25%

The passive equity portion of Pool 198 includes exchange-traded funds (ETFs) and mutual funds to obtain exposure to certain asset classes at a lower cost, as well as securities where a buy-and-hold strategy is employed. On June 30, 2015, passive equity investments accounted for 5% of Pool 198.

Treasury also employs a passive investment approach with a portion of its Pool 198 fixed income assets invested in Strategic Investment Opportunities, or SIOs. SIOs afford Treasury an opportunity to benefit Pennsylvania's economy, create jobs, and make progress towards positive policy objectives – all while generating above-market rates of return on the Commonwealth's assets. Treasury's SIOs include the Keystone Home Energy Loan Program, the PHEAA HelpStart Program, and the Micro-Lending Investment Initiative.

Approximately 9% of Pool 198's fixed income assets were invested in SIOs on June 30, 2015. The following table summarizes those investments.

⁽¹⁾ A portion of Pool 99 is invested in time deposits held within Pennsylvania banking institutions.

Pool 198 Strategic Investment Opportunities

Program Investment	Security Type	6/30/15 NAV	% of SIO
PHEAA (Line of Credit)	Municipal Securities	\$200,155,835	89%
Keystone HELP	Whole Loans	\$22,743,454	10%
Agri-Link, Micro-Lending	Certificates of Deposit	\$2,008,139	1%
		\$224,907,428	100%
SIO as a % of Pool 198's Fixed Income Allocation			8.7%

Investment Performance Standards, Measures and Benchmarks

Treasury applies different benchmarks and risk measures for each class of assets in Pools 99 and 198, a summary of which follows. The department chooses or constructs each benchmark and risk measure to offer a comparative analysis of performance or risk by reflecting a representative asset class or allocation.

Commonwealth Investment Program Performance and Risk Measures

Pool/Asset Class	Benchmark	Risk Measure
Pool 99 Fixed Income (including Cash & Cash Equivalents)	Merrill Lynch 3-Month U.S. Treasury Bill Index	130-day Weighted Average Maturity (WAM)
Pool 198 Equity	75% Standard & Poor's 500 Index 25% MSCI ACWI ex U.S. Index	5.0 Standard Deviation
Pool 198 Fixed Income (including Cash & Cash Equivalents)	83% Barclays Capital U.S. Aggregate Bond Index 17% Merrill Lynch 6-Month U.S. Treasury Bill Index	

Returns by Asset Class

Treasury measures the performance of its asset classes against the respective benchmarks. For the fiscal year ended June 30, 2015, Treasury exceeded its benchmarks for Pool 99 and for the fixed income and alternative investments in Pool 198 by 17 basis points, 43 basis points, and 182 basis points respectively. Pool 198's equity investments missed their mark by 63 basis points, or sixty-three-hundredths of 1 percent.

Pool 99 Asset Class Returns (Net of Fees)

Asset Class	Benchmark	FY 14-15 Return	Benchmark Return	Over/UnderPerformance vs Benchmark
Fixed Income (including Cash & Cash Equivalents)	Merrill Lynch 3-Month U.S. Treasury Bill Index	0.19%	0.02%	0.17%

Pool 198 Asset Class Returns (Net of Fees)

Asset Class	Benchmark	FY 14-15 Return	Benchmark Return	Over/Under Performance vs Benchmark
Equity	75% Standard & Poor's 500 Index 25% MSCI ACWI ex U.S. Index	3.55%	4.18%	-0.63%
Fixed Income (including Cash & Cash Equivalents)	83% Barclays Capital U.S. Aggregate Bond Index 17% Merrill Lynch 6-Month U.S. Treasury Bill Index	2.00%	1.57%	0.43%
Alternative	HFRI Fund of Funds Composite Index	5.66%	3.84%	1.82%

External Investment Managers: Selection, Fees, and Performance

The Pennsylvania Treasury employed 17 external investment managers for Pool 198 as of June 30, 2015. A list follows of those managers, including principals and key staff, as well as the date each received funding for investments.

Pool 198 External Investment Manager List as of June 30, 2015

Investment Managers	Principals/Key Staff	Title	Funding Date	Selection Method ⁽¹⁾	Asset Class
Aksia LLC	Jim Vos	CEO	01/13	Negotiated	Alternative
	Bruce Ruehl	Global Portfolio Strategist			
	Simon Fludgate	Head of Operational Due Diligence			
	Maya Fishman	Head of Legal and Compliance			
Avenue ⁽²⁾	Marc Lasry	Founder	08/11	Negotiated	Alternative
	Sonia E. Gardner	Founder			
Blue Hill Investment Partners, LP	Joyce Ferris	Managing Partner & Founder	11/06	Negotiated	Alternative
	Emily Landsburg	Managing Partner			
Chartwell Investment Partners	Michael J. McClockey	Managing Partner	09/03	Negotiated	Fixed Income
	Timothy J. Riddle	CEO, Managing Partner			
	G. Gregory Hagar	CFO, COO			
ClearArc Capital ⁽³⁾	Mitchell L. Stapley	CIO	01/12	Negotiated	Fixed Income
	Stephen G. Mullins	President			
	Diane J. Hulls	Chief Compliance Officer			
Community Capital Management, Inc.	Barbara VanScoy	Founder, Chairman of the Board	08/06	Negotiated	Fixed Income
	Alyssa Greenspan	President, CIO			
	Stefanie Little	Chief Compliance Officer			
	Todd Cohen	Founder, CEO, CIO			
	David Downes	Vice Chair			
	Michelle V. Rogers	Chief Investment Strategist			
Credit Suisse	Tidjane Thiam	CEO	12/09	Negotiated	Fixed Income
	Robert Shafir	CEO Region Americas			
EnTrust Capital	Mark S. Fife	Managing Member	11/09	Negotiated	Alternative
	Michael Lorch	CFO, Chief Compliance Officer			
Federated Investors, Inc.	John C. Donahue	Chairman, Trustee	08/01	Negotiated	Fixed Income
	Mark D. Olson	Trustee			
	Thomas R. Donahue	Treasurer, Trustee			
	Stephen F. Auth	EVP			
	George A. Bonnewell	Vice President, Secretary			
	John B. Fisher	Trustee, President, CEO			
	Stephen P. Van Meter	Chief Compliance Officer			
Intercontinental	Paul J. Nasser	CFO, COO	08/11	Negotiated	Alternative
	Peter A. Palandjian	Chairman & CEO			
Mesirow Financial Management	Richard S. Price	Chairman, CEO	03/06	Negotiated	Fixed Income
	Kristie P. Paskvan	CFO			

Pool 198 External Investment Manager List as of June 30, 2015

Investment Managers	Principals/Key Staff	Title	Funding Date	Selection Method ⁽¹⁾	Asset Class
Selene Investment Partners	Lewis S. Ranieri	Chariman, Founding Partner	09/09	Negotiated	Fixed Income
	Gregory S. Oberholtzer	Founding Partner			
	Scott A. Shay	Founding Partner			
	Yale E. Stark	Founding Partner			
Sound Point	Stephen J. Ketchum	Managing Partner, CIO	12/11	Negotiated	Fixed Income
	Kevin P. Gerlitz	CFO			
Stoneridge	Steven L. Sanders	CEO, Chief Investment Strategist	01/12	Negotiated	Fixed Income
	Wayne O. Leevy	COO, CFO			
	Joseph E. Stocke	CIO			
	Marc D. Portlock	Chief Compliance Officer			
The Swarthmore Group	James E. Nevels	Founder, Chairman	12/00	Negotiated	Equity
	Paula R. Mandle	CEO, Chief Compliance Officer			
	Glenn E. Becker	President			
Valley Forge Asset Management	Bernard A. Francis, Jr.	President, CEO, Chairman of the Board	12/00	Negotiated	Fixed Income
	James E. Gibson	COO, Co-CIO			
	James T. Vogt	Co-CIO			
	Michael F. Swallow	CFO, Chief Compliance Officer, Treasurer			
Weaver C. Barksdale & Assoc. Inc.	Weaver C. Barksdale	Founding Principal, Chairman	07/01	Negotiated	Fixed Income
	John E. McDowell	President, CEO, Principal			
	Cathy L. Chamnanphong	Principal			
	Charles H. Webb	CIO, Principal			
	Deborah K. Slocum	Chief Compliance Officer, Principal			
	Ann Loden Roberts	Principal			
	Timothy A. Carpenter	Chief Operations Manager, Principal			
	Kathy E. Carpenter	Principal			
	Deena K. Raja	Principal			
	Frank G. Puryear	Principal			
	Ellen O. Carr	Principal			
	Cindy T. Johnson	Principal			

⁽¹⁾ *The Commonwealth Procurement Code (62 Pa.C.S.A. § 515 (9)) permits contracts to be awarded for a supply, service or construction item without competition if the contracting officer first determines in writing that the contract is for financial or investment experts to be used and selected by the Treasury Department.*

⁽²⁾ *Treasury sent manager notice of redemption of funds, final distribution after fiscal year end.*

Pool 198 External Investment Manager Fee and Performance Summary (As of June 30, 2015) ⁽¹⁾

Investment Manager	Asset Class	Investment Mandate	FY '14-'15 Manager Fees	Assigned Benchmark	FY '14-'15 Portfolio Return (Net of Fees)	FY '14-'15 Benchmark Return	Over/Under Performance vs. Benchmark
Aksia LLC	Alternative	Fund of Funds	\$ 1,148,024	HFRI Fund of Funds Composite Index + 50bp	2.59	4.35	-1.76
Avenue	Alternative	Absolute Return	\$ 550,619	HFRX Absolute Return Index	-6.68	0.98	-7.66
Blackstone GSO Secured Trust ⁽²⁾	Fixed Income	Senior Secured Debt	\$ 136,910				
Blue Hill Investment Partners, LP	Alternative	Private Equity	\$ 216,871	Cambridge Associates Private Equity Index	-4.87	10.55	-15.42
Chartwell Investment Partners	Fixed Income	High Yield	\$ 165,687	Merrill Lynch U.S. High Yield Cash BB-B Index	1.75	3.25	-1.50
ClearArc Capital	Fixed Income	Enhanced Cash	\$ 73,828	Barclays Capital Government/Credit 1-3 Year Index	0.79	0.93	-0.14
Community Capital Mgmt, Inc.	Fixed Income	Core	\$ 225,795	Barclays Capital U.S. Aggregate Bond Index	2.86	1.86	1.00
Credit Suisse	Fixed Income	Senior Secured Debt	\$ 642,455	Credit Suisse Leveraged Loan Value Index	3.26	2.17	1.09
EnTrust Capital	Alternative	Absolute Return	\$ 289,651	HFRI Fund of Funds Composite Index	3.23	3.84	-0.61
Federated Investors, Inc	Fixed Income	High Yield	\$ 288,916	Bank of America/Merrill Lynch High Yield F4excl 144A	0.62	-0.92	1.54
Haverford Financial Services ⁽³⁾	Fixed Income	Senior Secured Debt	\$ 24,996				
Intercontinental	Alternative	REIT	\$ 230,241	NCREIF Property Index	13.37	12.96	0.41
Mesirov Financial Mgmt	Fixed Income	Core	\$ 132,837	Barclays Capital U.S. Aggregate Bond Index	1.39	1.86	-0.47
Pacer Advisors ^{(4), (5)}	Equity	Large Cap Core	\$ 613,760				
P/E Global LLC ⁽⁵⁾	Alternative	Absolute Return	\$ 1,066,248				
Philadelphia Trust Company ⁽³⁾	Equity	Large Cap Core	\$ 314,313				
Princeton Advisory Group ⁽⁵⁾	Fixed Income	Senior Secured Debt	\$ 85,005				
Selene Investment Partners	Fixed Income	Opportunistic Mortgage	\$ 48,883	No assigned benchmark	20.78	N/A	N/A
Sound Point	Fixed Income	Senior Secured Debt	\$ 153,281	Credit Suisse Leveraged Loan Value Index	5.22	2.17	3.05
Stoneridge	Fixed Income	Enhanced Cash	\$ 95,150	Barclays Capital Government/Credit 1-3 Year Index	0.64	0.93	-0.29
The Swarthmore Group	Equity	Large Cap Core	\$ 1,359,981	S&P 500 Index	5.07	7.42	-2.35
Valley Forge Asset Mgmt	Fixed Income	Core	\$ 468,494	Barclays Capital U.S. Aggregate Bond Index	1.87	1.86	0.01
Weaver C. Barksdale & Associates, Inc	Fixed Income	Intermediate	\$ 638,785	Barclays Capital U.S. Intermediate Government/Credit Bond Index	1.33	1.68	-0.35
Total Fees Paid			\$ 8,970,731				

⁽¹⁾ Performance information obtained from VTL Associates' June 30, 2015 Investment Performance Reports.

⁽²⁾ Manager terminated October 2014.

⁽³⁾ Manager terminated November 2014.

⁽⁵⁾ Advisory fees paid only when advisor outperforms its assigned benchmark. Did not beat benchmark in 3Q14 & 4Q14.

⁽³⁾ Manager terminated March 2015.

Brokerage Fees

Treasury requires its investment managers to seek the best possible execution of orders through responsible brokerage firms at competitive prices when placing portfolio transaction orders on behalf of the Commonwealth.

In fiscal year 2014-15, 25 brokers placed 2,206 trades, resulting in gross commissions of \$862,036 for Pool 198. On a per-share-basis, the gross commissions translated into an average gross commission price of just \$0.0103 per share. A summary of commissions paid to brokers for Pool 198 is reflected in the following table.

Pool 198 Broker Commissions Fiscal Year 2014-15

BROKER	COMMISSION
BARCLAYS CAPITAL LE, JERSEY CITY	\$982
BERNSTEIN SANFORD C & CO, NEW YORK	\$195,212
BNY CONVERGEX, NEW YORK	\$6,664
CAPITAL ONE SOUTHCOAST INC, NEW ORLEANS	\$778
CITIGROUP GBL MKTS INC, NEW YORK	\$79,246
CREDIT SUISSE, NEW YORK (CSUS)	\$62
DEUTSCHE BK SECS INC, NY (NWSCUS33)	\$572
FOX RIVER EXECUTION TECH, LLC, JERSEY CITY	\$12,983
ICBC FINCL SVCS, NEW YORK	\$20,077
INSTINET CORP, NEW YORK	\$21
IVY SECURITIES INC, GREAT NECK	\$352
JEFFERIES & CO INC, NEW YORK	\$542
JOHNSON RICE & CO, NEW ORLEANS	\$1,742
LEERINK SWANN & CO, JERSEY CITY	\$430
Longbow Securities LLC, JERSEY CITY	\$404
MELLON FINANCIAL MRKTS LLC, JERSEY CITY	\$6,194
MERRILL LYNCH PROFESSIONAL CLRG	\$30,381
SEI FINANCIAL SERVICES CO, NEW YORK	\$153,937
SEI FUNDS EVALUATION	\$204,898
SIDCO / CONVERGEX, NEW YORK	\$56,184
SOUTHWEST SECURITIES INC, DALLAS	\$46,713
STIFEL NICOLAUS	\$1,120
STRATEGAS SECURITIES LLC, NEW YORK	\$1,160
WILLIAMS CAPITAL GROUP LP, JERSEY CITY	\$1,528
YAMNER & COMPANY INC, JERSEY CITY	\$39,857
TOTAL COMMISSIONS PAID FY 14-15	\$862,036

Ninety-seven percent of the total trade commissions paid in fiscal year 2014-15, or \$839,486, were made to 10 of the 25 brokers that placed such trades. A list of the top 10 brokers Treasury's external investment managers utilized for Pool 198 is included below.

Top Ten Pool 198 Broker Comissions Fiscal Year 2014-2015

BROKER	COMMISSION
SEI FUNDS EVALUATION	\$204,898
BERNSTEIN SANFORD C & CO, NEW YORK	\$195,212
SEI FINANCIAL SERVICES CO, NEW YORK	\$153,937
CITIGROUP GBL MKTS INC, NEW YORK	\$79,246
SIDCO / CONVERGEX, NEW YORK	\$56,184
SOUTHWEST SECURITIES INC, DALLAS	\$46,713
YAMNER & COMPANY INC, JERSEY CITY	\$39,857
MERRILL LYNCH PROFESSIONAL CLRG	\$30,381
ICBC FINCL SVCS, NEW YORK	\$20,077
FOX RIVER EXECUTION TECH, LLC, JERSEY CITY	\$12,983
TOTAL	\$839,486

The Pennsylvania Treasury uses SEI Investments Distribution Company, a third-party broker commission recapture agent, to administer its equity and fixed income client-directed trading program. Treasury encourages its investment managers to utilize SEI's brokerage services for security transactions generated on behalf of Treasury's investment programs, subject to obtaining best price and execution.

Of the total gross commissions paid in fiscal year 2014-15, \$415,019 was paid to brokers participating in the broker commission recapture program. Treasury was able to recapture 78%, or \$321,720 of those commissions paid in fiscal year 2014-15. All recaptured commissions ultimately are used to benefit the applicable investment program.

Security Lending

Treasury makes the portfolios of the Commonwealth Investment Program available for security lending to generate additional revenue for Pennsylvania. In fiscal year 2014-15 the program generated \$784,907, with 5.58% of Pool 198's securities on loan as of June 30, 2015. The table on the following page provides a snapshot of Treasury's Security Lending Program as of that date.

Treasury will only accept cash collateral on loans of securities related to Treasury funds. This cash collateral can be invested in U.S. Treasury notes, bonds, and bills; federal agency securities; and

repurchase agreements backed by the above securities subject to a minimum of 102% collateralization with daily updated valuation. As of June 30, 2015, repurchase agreements composed 100% of the Cash Collateral Reinvestment Pool.

Pool	Market Value of Lendable Securities	Market Value of Securities on Loan	% of Lendable Securities on Loan
Pool 99	\$-	\$-	0.00%
Pool 198	\$1,121,961,992	\$62,604,339	5.58%
Total	\$1,121,961,992	\$62,604,339	

Proxy Voting

Treasury – via its third-party proxy voting agent, Glass Lewis – uses specific proxy voting guidelines to voice its positions as an institutional investor. Under its arrangement with Treasury, Glass Lewis is responsible for executing proxy votes in a timely manner, maintaining records of all voting decisions, and reconciling proxy ballots for all accounts it manages on Treasury’s behalf. While Glass Lewis is required to vote all proxies in accordance with Treasury’s proxy voting guidelines, Treasury reserves the right to approve or determine any specific vote, either by issue or by security, if it chooses to deviate from its guidelines.

In fiscal year 2014-15, Glass Lewis voted 80 ballots. Those ballots contained 1,063 proposals, of which 1,009 represented management proposals and 54 represented shareholder proposals.

To obtain a copy of Glass Lewis’s Proxy Policy Guidelines, contact Treasury’s Office of External Affairs at 717-787-2991.

Litigation

Philadelphia Entertainment Development Partners v. Commonwealth – federal bankruptcy action filed in the Eastern District of Pennsylvania. The action seeks the Commonwealth’s return of the casino licensing fee to a casino whose license had been revoked. If successful, the Commonwealth would be compelled to return the \$50 million licensing fee, including interest and costs from the General Fund. Pending before the federal bankruptcy court is a request to interplead both Pennsylvania Treasury and the Gaming Control Board in the case.

Pennsylvania School Boards Association v. Rivera – Commonwealth Court action filed against both the Revenue Secretary and the State Treasurer. The central issue of the case involves a challenge to disbursements initiated and made by the Revenue Secretary and the Treasurer from the Property Tax Relief Fund for the benefit of charter schools. Though the case does not have a financial impact on the Property Tax Relief Fund, the case may impact the future use and manner in which money is disbursed from the Fund.

Commonwealth Investment Program Participant Holdings

Acct	Name	Shares	Cost Basis	MV Pool 198	MV Pool 99	Total MV
001	General				3,313,626,499	3,313,626,499
002	Lottery	55,169,899	55,617,362	65,609,910	17,157,278	82,767,188
003	Wild Resource				238,221	238,221
004	Energy Development	4,325,635	4,360,718	5,144,191	478,104	5,622,294
005	State Racing	13,596,765	13,707,043	16,169,732	12,741,317	28,911,049
006	Hazardous Sites Cleanup	31,329,071	33,949,480	37,257,591	39,813,789	77,071,381
007	Highway Beautification				806,975	806,975
008	Environmental Stewardship	65,443,294	69,129,161	77,827,379	18,150,157	95,977,536
009	Recycling Fund	66,651,000	69,557,892	79,263,624	19,718,740	98,982,364
010	Motor License	714,712,334	820,418,806	849,960,086	327,303,932	1,177,264,017
011	Game	31,888,195	32,146,828	37,922,520	9,190,978	47,113,498
012	Fish	46,999,800	48,958,538	55,893,752	17,156,640	73,050,392
013	Banking	11,033,980	11,123,472	13,121,982	9,733,231	22,855,213
014	Milk Marketing Board				3,999,372	3,999,372
015	State Farm Products				1,379,932	1,379,932
016	Oil & Gas Lease	33,312,710	36,737,978	39,616,602	25,714,694	65,331,296
017	State Treasury Armory				4,134,587	4,134,587
018	Historical Preservation				3,487,931	3,487,931
019	PA Infrastructure Bank	39,214,807	39,532,864	46,635,576	11,842,273	58,477,848
020	Surface Mining Conserv.	60,525,426	61,016,326	71,978,884	2,864,370	74,843,254
021	Special Administration				5,858,985	5,858,985
022	Capitol Restoration Trust				427,450	427,450
023	Vocational Rehabilitation				4,593,533	4,593,533
024	Pharmaceutical Assis	1,151,830	1,161,135	1,369,795	58,212,070	59,581,866
025	Boating	22,117,832	22,297,222	26,303,274	1,156,936	27,460,210
026	Administration				6,962,004	6,962,004
027	Liquid Fuel Tax				4,929,641	4,929,641
028	Liquor License				2,274,832	2,274,832
029	Fire Insurance Tax				80,940,030	80,940,030
030	Volunteer Companies Loan	33,101,940	33,370,417	39,365,946	18,823,399	58,189,345
031	Manufacturing	16,550,970	16,685,209	19,682,973	7,207,622	26,890,595
032	Purchasing				12,709,623	12,709,623
033	Employment for the Blind				2,272,029	2,272,029
034	Industrial Development				46,902	46,902
037	Pennvest Drinking Water	116,854,531	125,621,562	138,967,362	30,230,129	169,197,491
038	CAP. FACILITIES TOTAL				967,426,853	967,426,853
039	Land & Water Development				91,732	91,732
042	PA Economic Revitalization				2,824,315	2,824,315
044	Land & Water Dev. Sinking				18,479	18,479
045	Sinking				145,245	145,245
049	Tax Note Sinking				83,719	83,719
051	Conrad Weiser Memorial Park				85,743	85,743
052	Judicial Admin Leave				1,948,846	1,948,846
053	PA Historical/Museum Comm.				184,004	184,004
054	Agric. College Land Script				621,803	621,803
055	State College Exper. Farm				24,183	24,183
056	State School				662,968	662,968
058	State Insurance	5,861,164	5,908,746	6,970,294	2,008,155	8,978,449
066	Clean System Upgrade				86,874	86,874
068	Energy Conserv. & Assist				0	0

Commonwealth Investment Program Participant Holdings

Acct	Name	Shares	Cost Basis	MV Pool 198	MV Pool 99	Total MV
069	Workmens' Compen. Super.				8,208,211	8,208,211
071	Tobacco Settlement Fund				70,831,238	70,831,238
072	Real Estate Recovery				612,680	612,680
073	Noncoal Surface Mining Conser	9,005,588	9,077,929	10,709,750	980,831	11,690,581
074	Soc Sec				0	0
076	Municipal Pension				263,420,127	263,420,127
077	Supplemental Municipal Pensio				47	47
078	PA Municipal Employ Retire				2,738,450	2,738,450
079	Higher Ed. Assistance	110,339,799	111,234,724	131,219,821	491,142,585	622,362,406
080	Emergency Med. Oper. Serv.	10,782,697	10,870,151	12,823,148	2,721,825	15,544,972
081	State Restaurant				1,005,412	1,005,412
082	Swif				28,855,297	28,855,297
083	Solid Waste				443,441	443,441
084	State Stores				241,702,180	241,702,180
085	Rehabilitation Center				11,051,018	11,051,018
086	Coal & Clay Mine Sub Ins.	85,618,729	87,890,692	101,820,689	13,554,641	115,375,330
087	Coal Lands Improvement				2,795,039	2,795,039
088	Minority Business Development				4,425,563	4,425,563
091	Capital Debt				322,291,809	322,291,809
092	Volunteer Loan Sinking				0	0
093	Budget Stabilization Reserve				231,845	231,845
094	094				0	0
096	PA Veterans' Memorial Trust				204,899	204,899
097	Anthracite Emergency Bond				655,388	655,388
101	Low Level Waste				1,809	1,809
104	PA Infrastructure Invest. Auth	204,657,243	216,078,669	243,385,316	45,179,759	288,565,075
105	Pennvest Bonds Authority				7,229,950	7,229,950
106	Pennvest Revolving				0	0
107	Pennvest Nonrevolving Equity				0	0
108	Pennvest Redemption				733,025	733,025
109	Pennvest Water Pollution	438,103,910	461,583,804	521,007,990	96,931,798	617,939,789
111	Machinery & Equipment Loan	12,980,170	13,085,447	15,436,457	19,958,411	35,394,868
112	Insurance Liquidation	58,341,930	58,815,120	69,382,197	8,829,395	78,211,592
113	Agricultural Conservation				31,011,146	31,011,146
115	Children's Trust				1,667,436	1,667,436
116	Revolving Aid Fund				16,003,576	16,003,576
117	Catastrophic Loss Benefit	81,253,993	81,907,262	96,629,998	4,561,730	101,191,728
118	Storage Tank Fund				6,138,496	6,138,496
119	Underground Storage Tank	24,299,139	25,258,345	28,897,358	13,856,703	42,754,060
121	Resting Facilities Siting				0	0
123	Motor Vehicle Trans. Rec.				2,246,416	2,246,416
125	Hazardous Material Response	2,220,152	2,238,159	2,640,280	321,038	2,961,319
126	126				0	0
127	Local Govt. Cap. Loan				3,433,632	3,433,632
128	Local Sales and Use Tax				22,409,377	22,409,377
129	Pa. Intergovernment Co-op				5,359,348	5,359,348
130	Public Transportation				8,453,631	8,453,631
131	Acid Mine Drain	47,597,774	52,497,072	56,604,883	24,408,507	81,013,390
133	Local Crime Justice				0	0
134	Local Crime Justice Sink				175,841	175,841

Commonwealth Investment Program Participant Holdings

Acct	Name	Pool 198 Shares	Cost Basis	MV Pool 198	MV Pool 99	Total MV
138	Clean Air	46,347,492	46,723,400	55,118,005	295,459	55,413,465
139	Home Investment Trust				39,489	39,489
140	Phila Re. Port Auth				338,583	338,583
141	Port of PGH Commission				2,139,071	2,139,071
144	Pennvest Trust				0	0
145	Remining Environment				0	0
146	Remining Financial Assurance				4,260,744	4,260,744
147	Environmental Education				823,417	823,417
148	Self-Ins. Guaranty	44,135,919	44,493,890	52,487,929	9,779,883	62,267,811
149	Keystone Recreation, Park	95,326,155	98,465,620	113,365,088	22,085,673	135,450,760
151	PA Employee Benefit Trust	8,827,184	8,898,778	10,497,586	4,089,593	14,587,178
152	Nutrient Mgmt				2,103,393	2,103,393
153	Allrgh.Reg.Asset Dist.Sales				14,317,892	14,317,892
155	Organ Donation				1,607,541	1,607,541
156	Insurance Fraud				5,411,762	5,411,762
157	Automobile Theft Prevention				5,972	5,972
158	Industrial Sites Cleanup	11,033,980	11,123,472	13,121,982	8,298,134	21,420,116
159	DNA Detection				8,452,012	8,452,012
160	Small Business First	11,744,726	11,839,984	13,967,226	14,472,779	28,440,005
161	Ben Franklin Tech Development				9,999,085	9,999,085
162	M-Care	51,977,488	58,975,868	61,813,387	221,680,259	283,493,646
163	Patient Safety Trust Fund				6,178,483	6,178,483
164	Substance Abuse Education & D	8,827,184	8,898,778	10,497,586	2,072,372	12,569,957
166	Wireless E-911 Emergency Serv				14,624,419	14,624,419
167	Rightful Owners Claims Paymen				835,470	835,470
168	State Gaming Fund				150,252,143	150,252,143
169	Comp & Problem Gambling				8,244,330	8,244,330
170	Property Tax Relief Fund				508,644,903	508,644,903
171	Pa Gaming Eco Dev & Tourism				38,225,983	38,225,983
172	Pa Race Horse Dev Fund				8,480,397	8,480,397
173	Emergency Energy Assistance F				0	0
174	Broadband Outreach and Agg				3,358,058	3,358,058
175	Education Technology Fund				4,000	4,000
176	Educational Assistance Progra				4,184,376	4,184,376
177	Job Training Fund				354,921	354,921
178	Community College Capital				4,987,564	4,987,564
179	Growing Greener Bond Fund				37,158,315	37,158,315
180	Growing Greener Sinking Fund				30	30
181	Water Sup/Wastewater Treat				29,178,958	29,178,958
182	Water Sup/Waste Sinking Fund				6	6
183	Conservation District Fund				5,465,772	5,465,772
184	Uninsured Employers Guar				353,583	353,583
185	Persian Gulf Con Vet Bond				2,328,753	2,328,753
186	Persian Gulf Con Vet Sinking				0	0
187	The Public Transportation Tru	166,745,453	183,690,462	198,299,333	239,328,802	437,628,135
188	Neighborhood Improvement				12,059	12,059
190	Fire Prevention & Public Safe				0	0
191	Cigarette Fire Safety				455,943	455,943
192	Mine Safety Fund				95,395	95,395
193	Water Resources Fund				0	0

Commonwealth Investment Program Participant Holdings

Acct	Name	Pool 198 Shares	Cost Basis	MV Pool 198	MV Pool 99	Total MV
194	Water & Sewer Bond Fund				17,581,138	17,581,138
195	Water & Sewer Sinking				0	0
196	196 Treasury Initiatives	923,149	1,005,210	1,097,840		1,097,840
197	Spec Juvenile Victim Comp				0	0
201	Housing Afford & Rehab				8,396,812	8,396,812
202	Unconv Gas Well Fund				106,440,315	106,440,315
203	Marcellus Legacy Fund				42,831,169	42,831,169
204	Homeowner Asst Stlmt Fund				19,295,011	19,295,011
205	Pa. eHealth Partnership Fund				3,843,086	3,843,086
206	Veterans' Trust Fund				1,719,731	1,719,731
207	Justice Reinvestment Fund				567,608	567,608
208	208				28,970,881	28,970,881
209	209				138,310	138,310
210	210				184,199	184,199
211	MULTIMODAL TRANSPORTATION				69,704,886	69,704,886
213	Local Cigarette tax				5,299,201	5,299,201
215	Monetary Penalty Endowment				36,031,432	36,031,432
451	Chester Downs				1,262,516	1,262,516
452	Pocono Downs				1,263,111	1,263,111
453	Philadelphia Park				1,084,740	1,084,740
454	Penn National				1,282,647	1,282,647
455	The Meadows				1,252,156	1,252,156
456	Sugar House Casino				1,497,711	1,497,711
457	Foxwood Casino Philadelphia				0	0
458	PITG Rivers Gaming Casino				1,259,462	1,259,462
459	Mount Airy Casino				1,327,640	1,327,640
460	Sands Bethworks Casino				1,176,148	1,176,148
461	Presque Isle Downs				1,364,433	1,364,433
466	Valley Forge Casino				999,490	999,490
468	468				985,154	985,154
896	196A Treasury Initiatives	209,286	243,728	248,890		248,890
	Totals	2,901,140,320	3,106,197,322	3,450,134,211	8,589,965,436	12,040,099,647



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