

**REQUEST FOR PROPOSALS FOR
INVESTMENT CONSULTANT SERVICES**

ISSUING OFFICE

Pennsylvania Turnpike Commission

Finance/Administration Department

(On behalf of the Pennsylvania Turnpike Commission Retiree Medical Trust)

RFP

10-10320-2933

DATE OF ISSUANCE

January 6, 2011

**REQUEST FOR PROPOSALS FOR
INVESTMENT CONSULTANT SERVICES**

RFP 10-10320-2933

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PART I

GENERAL INFORMATION

I-1. Purpose. This request for proposals (RFP) provides interested firms with sufficient information to enable them to prepare and submit proposals for consideration by the Pennsylvania Turnpike Commission Retiree Medical Trust (Trust) to satisfy a need for Investment Consultant Services. The Trust intends to select a firm to assist the Trustees with the investment management of Trust assets.

I-2. Background.

A. *The Trust*

The Pennsylvania Turnpike Commission Retiree Medical Trust (Trust) was established by the Pennsylvania Turnpike Commission (Commission) in order to provide post-employment benefits other than pensions for eligible retirees and their dependents (OPEB). The Commission has been providing funding to the Trust since 2008 and the Trustees have been responsible for managing the Trust since that time.

As of October 24, 2010, the Trust has a current balance of approximately \$82.4 million and has an estimated annual required contribution of \$26.7 million for Fiscal Year 2011. Of this balance, approximately \$2.4 million is held in cash equivalents in a disbursement account; of the remainder, approximately \$23.7 million is held in fixed income mutual funds and \$56.3 million is held in equity mutual funds.

The Trust has previously retained PFM Asset Management LLC, which assisted in the development of the Trust and its investment policy and currently serves the Trust in selecting mutual funds in which Trust assets are invested and in rebalancing of the portfolio. PNC Bank acts as Custodian of the Trust.

B. *Financial Statements and Holdings*

Recent financial statements and holdings of the Trust are attached as Appendix A.

I-3. Issuing Office. This RFP is issued on behalf of the Trust by the **Office of the Chief Financial Officer, Pennsylvania Turnpike Commission, P.O. Box 67676, Harrisburg, PA 17106-7676**. All questions regarding this RFP must be directed to the Trust pursuant to the process identified in Section I-10 below. No questions will be addressed except through such process.

I-4. Scope. This RFP contains instructions governing the proposals to be submitted and the material to be included therein; a description of the service to be provided; requirements which must be met to be eligible for consideration; general evaluation criteria; and other requirements to be met by each proposal.

I-5. Problem Statement.

A. General Description

The Trust is soliciting proposals for the purpose of retaining an investment consultant to assist the Trustees with the investment management of Trust assets, including making appropriate recommendations for any changes to the Trust's investment policy, making recommendations of potential firms to serve as active managers of Trust assets and monitoring the performance of selected managers. The Trust intends to select that firm that best meet the Trust's selection criteria, as identified in Section III-3 of this RFP.

B. Requested Services

The services requested will include the following:

- Provide oversight of the investment assets of the Trust to ensure compliance with the Trust's Investment Policy Statement and industry best practices.
- Regularly review the asset allocation incorporated into the Investment Policy Statement and make recommendations for any modifications to the existing Investment Policy Statement.
- Assist in the selection of active managers and/or actively managed funds in which the Trust's investment assets shall be invested.
- Monitor key developments (including personnel transitions) at active managers and funds utilized by the Trust and to report on those that may be of relevance to the Trust
- Assist in the rebalancing of Trust assets among asset classes.
- Provide advice to the Trustees concerning market conditions and security specific issues.
- Provide written quarterly performance reports by the 15th working day following the end of each Trust fiscal quarter.
- Attend meetings of the Board of Trustees and of the Pennsylvania Turnpike Commission, as requested.

I-6. Type of Contract. The Trust currently intends that a single contract will be awarded for the contemplated services. The Trust may in its sole discretion undertake negotiations with proposers whose proposals as to experience, capabilities, approach and price, among other factors, show them to be qualified, responsible and capable of performing the required work.

I-7. Rejection of Proposals. The Trust reserves the right to reject any and all Proposals received as a result of this request, or to negotiate separately with competing Proposers.

I-8. Incurring Costs. The Trust is not liable for any costs incurred by firms in their preparation and submission of Proposals, in participating in the RFP process or in anticipation of award of investment advisory opportunities.

I-9.Subcontracting. Any use of subcontractors by a proposer must be identified in the proposal. During the contract period use of any subcontractors by the selected Proposer, which were not previously identified in the proposal, must be approved in advance in writing by the Trust.

A firm that responds to this solicitation as a prime may not be included as a designated subcontractor to another firm that responds to the same solicitation. **Multiple responses under any of the foregoing situations may cause the rejection of all responses of the firm or firms involved.** This does not preclude a firm from being set forth as a designated subcontractor to more than one prime contractor responding to the project advertisement.

I-10. Questions and Answers. Written questions may be submitted to clarify any points in the RFP which may not have been clearly understood. Written questions should be submitted via email to RFP-Q@paturndpike.com with “RFP 10-10320-2933” in the subject line, to be received no later than 4:00 pm, EDT, January 21, 2011. All questions and written answers will be posted to the website as an addendum to and become part of this RFP. No questions regarding the RFP will be addressed except through this process.

I-11. Addenda to the RFP. If it becomes necessary to revise any part of this RFP before the response date, addenda will be posted to the Commission’s website (www.paturndpike.com) under the original RFP document. It is the responsibility of all firms to periodically check the website for any new information or addenda to the RFP.

The Trust may revise a published advertisement. If the Trust revises a published advertisement less than ten days before the RFP due date, the due date will be extended to maintain the minimum ten-day advertisement duration if the revision alters the project scope or selection criteria. Firms are responsible to monitor advertisements/addenda to ensure the submitted proposal complies with any changes in the published advertisement.

I-12. Response. To be considered, Proposals must be delivered to the Pennsylvania Turnpike Commission’s Contracts Administration Department, Attention: Wanda Metzger, Contracts Supervisor, on or before 12:00 pm EDT, February 11, 2011. The Pennsylvania Turnpike Commission is located at 700 South Eisenhower Boulevard, Middletown, PA 17057 (Street address). Our mailing Address is P. O. Box 67676, Harrisburg, PA 17106.

Please note that use of U.S. Mail delivery does not guarantee delivery to this address by the above-listed time for submission. Proposers should allow sufficient delivery time to ensure timely receipt of their proposals. If the Commission office location to which Proposals are to be delivered is closed on the response date, due to inclement weather, natural disaster, or any other cause, the deadline for submission shall be automatically extended until the next Commission business day on which the office is open. Unless Proposers are otherwise notified by the Trust, the time for submission of responses shall remain the same.

I-13. Proposals. To be considered, Proposers should submit a complete response to this RFP, using the format provided in PART II. Each proposal should be submitted in **8** copies to the Contract Administration Department. No other distribution of proposals will be made by the Proposer. Each

proposal page should be numbered for ease of reference. Proposals must be signed by an official authorized to bind the Proposer to its provisions and include the Proposer's Federal Identification Number. For this RFP, the proposal must remain valid for at least 120 days from the proposal due date. Moreover, the contents of the proposal of the selected Proposer will become contractual obligations if a contract is entered into.

Each and every Proposer submitting a proposal specifically waives any right to withdraw or modify it, except as hereinafter provided. Proposals may be withdrawn by written or telefax notice received at the Commission's address for proposal delivery prior to the exact hour and date specified for proposal receipt. However, if the Proposer chooses to attempt to provide such written notice by telefax transmission, the Commission shall not be responsible or liable for errors in telefax transmission. A proposal may also be withdrawn in person by a Proposer or its authorized representative, provided its identity is made known and it signs a receipt for the proposal, but only if the withdrawal is made prior to the exact hour and date set for proposal receipt. A proposal may only be modified by the submission of a new sealed proposal or submission of a sealed modification which complies with the requirements of this RFP.

I-14. Economy of Preparation. Proposals should be prepared simply and economically, providing a straightforward, concise description of the Proposer's ability to meet the requirements of the RFP.

I-15. Discussions for Clarification. Proposers who submit proposals may be required to make an oral or written clarification of their proposals to the Trustees and/or Commission staff to ensure thorough mutual understanding and Proposer responsiveness to the solicitation requirements. The Issuing Office will initiate requests for clarification.

I-16. Best and Final Offers. The Trust reserves the right to conduct discussions with Proposers for the purpose of obtaining "best and final offers." To obtain best and final offers from Proposers, the Issuing Office may do one or more of the following: a) enter into pre-selection negotiations; b) schedule oral presentations; and c) request revised proposals. The Trust will limit any discussions to responsible Proposers whose proposals the Trust has determined to be reasonably susceptible of being selected for award.

I-17. Prime Proposer Responsibilities. The selected Proposer will be required to assume responsibility for all services offered in its proposal whether or not it produces them. Further, the Commission will consider the selected Proposer to be the sole point of contact with regard to contractual matters.

I-18. Proposal Contents. Proposals will be held in confidence and will not be revealed or discussed with competitors, unless disclosure is required to be made (i) under the provisions of any Commonwealth or United States statute or regulation; or (ii) by rule or order of any court of competent jurisdiction. All material submitted with the statement becomes the property of the Pennsylvania Turnpike Commission and may be returned only at the Commission's option. Proposals submitted to the Trust may be reviewed and evaluated by any person other than competing Proposer at the discretion of the Trust. The Trust has the right to use any or all ideas presented in any response. Selection or rejection of the responding firm does not affect this right.

In accordance with the Pennsylvania Right-to-Know Law (RTKL), 65 P.S. § 67.707 (Production of Certain Records), Proposer shall identify any and all portions of their Proposal that contains confidential proprietary information or is protected by a trade secret. Proposals shall include a written statement

signed by a representative of the company/firm identifying the specific portion(s) of the response that contains the trade secret or confidential proprietary information.

Proposer should note that “trade secrets” and “confidential proprietary information” are exempt from access under Section 708(b)(11) of the RTKL. Section 102 defines both “trade secrets” and “confidential proprietary information” as follows:

- Confidential proprietary information: Commercial or financial information received by an agency: (1) which is privileged or confidential; **and** (2) the disclosure of which would cause substantial harm to the competitive position of the person that submitted the information.
- Trade secret: Information, including a formula, drawing, pattern, compilation, including a customer list, program, device, method, technique or process that: (1) derives independent economic value, actual or potential, from not being generally known to and not being readily ascertainable by proper means by other persons who can obtain economic value from its disclosure or use; **and** (2) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. The term includes data processing software by an agency under a licensing agreement prohibiting disclosure.

65 P.S. §67.102 (emphasis added).

The Office of Open Records has determined that a third party must establish a trade secret based upon factors established by the appellate courts, which include the following:

- the extent to which the information is known outside of his business;
- the extent to which the information is known by employees and others in the business;
- the extent of measures taken to guard the secrecy of the information;
- the value of the information to his business and to competitors;
- the amount of effort or money expended in developing the information; and
- the ease of difficulty with which the information could be properly acquired or duplicated by others.

See Crum v. Bridgestone/Firestone North Amer. Tire., 907 A.2d 578, 585 (Pa. Super. 2006).

The Office of Open Records also notes that with regard to “confidential proprietary information the standard is equally high and may only be established when the party asserting protection shows that the information at issue is either ‘commercial’ or ‘financial’ and is privileged or confidential, and the disclosure **would** cause substantial competitive harm.” (emphasis in original).

For more information regarding the RTKL, visit the Office of Open Records’ website at www.openrecords.state.pa.us.

I-19. Debriefing Conferences. Proposers whose firms are not selected will be notified of the name of the selected Proposer and given the opportunity to be debriefed, at the Proposer’s request. The Issuing Office will schedule the time and location of the debriefing. The Proposer will not be compared with other Proposers, other than the position of its response in relation to all other proposals.

I-20. News Releases. News releases pertaining to this project will not be made without prior Trust approval, and then only in coordination with the Issuing Office.

I-21. Cost Submittal. The cost submittal shall be placed in a separately sealed envelope within the sealed proposal and kept separate from the technical submittal. **Failure to meet this requirement may result in disqualification of the proposal.**

I-22. Term of Contract. The term of the contract will commence on the Effective Date (as defined below) and will be for three (3) years from that date with options of up to two (2) one-year contract extensions. The Trust shall fix the Effective Date after the contract has been fully executed by the Contractor and by the Trust and all approvals required by Commission contracting procedures have been obtained.

I-23. Proposer's Representations and Authorizations. Each Proposer by submitting its Proposal understands, represents, and acknowledges that:

- a. All information provided by, and representations made by, the Proposer are material and important and will be relied upon by the Trust in making its selection. Any misstatement, omission or misrepresentation shall be treated as fraudulent concealment from the Trust and the Commission of the true facts relating to the submission of this Proposal. A misrepresentation shall be punishable under 18 Pa. C.S. §4904.
- b. To the best knowledge of the person signing the proposal for the Proposer, the Proposer, its affiliates, subsidiaries, officers, directors, and employees are not currently under investigation by any governmental agency and have not in the last four (4) years been convicted or found liable for any act prohibited by State or Federal law in any jurisdiction, involving conspiracy or collusion with respect to bidding or proposing on any public contract, except as disclosed by the Proposer in its Proposal.
- c. To the best of the knowledge of the person signing the proposal for the Proposer and except as otherwise disclosed by the Proposer in its proposal, the Proposer has no outstanding, delinquent obligations to the Commonwealth including, but not limited to, any state tax liability not being contested on appeal or other obligation of the Proposer that is owed to the Commonwealth.
- d. The Proposer is not currently under suspension or debarment by the Commonwealth, or any other state, or the federal government, and if the Proposer cannot certify, then it shall submit along with the Proposal a written explanation of why such certification cannot be made.
- e. Each Proposer, by submitting its Proposal, authorizes all Commonwealth agencies to release to the Trust information related to liabilities to the Commonwealth including, but not limited to, taxes, unemployment compensation, and workers' compensation liabilities.
- f. If retained by the Trust in the capacity envisioned herein, the Proposer shall be a fiduciary to the Trust, and the contractual agreement between the Trust and the Proposer shall include the Proposer's fiduciary obligations.

PART II

INFORMATION REQUIRED FROM PROPOSERS

Proposals must be submitted in the format, including heading descriptions, outlined below. To be considered, the response must respond to all requirements in this part of the RFP. Any other information thought to be relevant, but not applicable to the enumerated categories, should be provided as an appendix to the Proposal. Each proposal shall consist of two (2) separately sealed submittals. The submittals are as follows: (i) Technical Submittal and Response to Diversity Questionnaire, in response to Parts II-1 through II-2 hereof; (ii) Cost Submittal, in response to Part II-3 hereof.

The Trust reserves the right to request additional information which, in the Trust's opinion, is necessary to assure that the Proposer's competence, number of qualified employees, business organization, and financial resources are adequate to perform according to the RFP.

The Commission may make such investigations as deemed necessary to determine the ability of the Proposer to perform the work, and the Proposer shall furnish to the Issuing Office all such information and data for this purpose as requested by the Commission. The Commission reserves the right to reject any proposal if the evidence submitted by, or investigation of, such Proposer fails to satisfy the Commission that such Proposer is properly qualified to carry out the obligations of the agreement and to complete the work specified.

II-1. Required Information

A. *Title Page*

Show the name of Proposer's firm, address, telephone number, name of contact person, date and the subject: REQUEST FOR PROPOSALS FOR INVESTMENT CONSULTANT SERVICES.

B. *Table of Contents*

Include a clear identification of the material by section and by page number.

C. *Cover Letter and Executive Summary*

This letter should be signed by the person in your firm who is authorized to negotiate terms, render binding decisions and commit the firm's resources.

Summarize the Proposer's understanding of the work to be done and make a positive commitment to perform the work necessary. This section should summarize the key points of your submittal.

Limit to two pages.

D. *Firm Overview*

Provide a brief description of how your firm is organized, including the businesses in which it is engaged, the location of offices, the number of investment advisory professionals in

each office, and the role of the investment advisory department in your firm. Indicate your firm's commitment to the investment advisory industry and comment on any recent significant changes in your organization. Discuss your firm's presence in and commitment to the Commonwealth of Pennsylvania including offices and employees. Include a discussion of the specific expertise and services that distinguish your firm.

E. *Demonstration of Ability to meet Minimum Qualifications*

Demonstrate the ability of your firm to meet the following minimum qualifications:

- \$1 billion in similar assets (pension, OPEB, etc.) currently under contract or engagement.
- A minimum of five similar current clients (pension, OPEB, etc.).
- SEC registration (or exemption from registration), and copies of full Form ADV (Parts I and II).

F. *Personnel and References*

Provide the names, proposed roles, background and experience, office location and availability of the personnel that would work on the Trust's account, and specifically identify the primary person(s) who will be responsible for managing the relationship with the Trust. For the proposed personnel, provide a list of three clients worked with in the last 36 months; a brief description of the services you provided; and the names, titles, addresses and telephone numbers of the contacts primarily responsible for these engagements. You should only list clients which have requirements similar in nature to those of the Trust.

G. *Assets Advised Upon*

Please complete the following table:

	<u>6/30/2010</u>	<u>12/31/2009</u>	<u>12/31/2008</u>	<u>12/31/2007</u>
Total assets				
Total equity assets				
Total fixed income assets				
Total equity assets in pension/OPEB funds				
Total fixed income assets in pension/OPEB funds				
Number of pension/OPEB funds advised				

H. ***Approach to Management of Similar Funds (maximum 3 pages)***

Discuss your general approach to the management of assets for pension funds, OPEB trusts and similar funds. Discuss your team's approach to asset allocation, recommendation of managers and how you monitor compliance.

I. ***Research***

Discuss your internal research capabilities and your access to external research. What research would you propose sharing with the Trustees on a regular basis to provide them with the necessary background to perform their fiduciary responsibilities?

J. ***Manager Selection***

Indicate the source of information you use for investment manager candidates. Describe the process you use in evaluating potential investment managers. Describe how you verify the accuracy of potential managers' performance reports.

K. ***Compliance***

Please discuss your firm's compliance process, including your procedures for ensuring that the specific investment restrictions are complied with.

L. ***Reporting***

Please provide sample reports similar to those that would be provided for the Trust's accounts.

M. ***Potential Conflicts of Interest/Fiduciary Responsibilities***

- Do you or any related or affiliated companies receive any payments including commissions from managers you recommend, consider for recommendation, or otherwise mention to clients? If so, what is the extent of these payments in relation to your total revenue?
- Describe your policies or procedures to address conflicts of interest, to prevent payments or relationships discussed above from being considered when you provide advice to your clients and to disclose such information to your clients?
- What percentage of your clients utilize managers, investment funds, brokerage services or other service providers from whom your firm receives fees or commissions?
- Do you have any arrangements with broker-dealers under which you or a related or affiliated company will benefit if managers place trades for their clients with such broker-dealers?

If your firm is retained by the Trust, acknowledge that your firm would have a fiduciary duty to the Commission and Trust in connection with the services to be provided by your firm.

II-2. Commitment to Diversity.

It is a goal of the Commission and the Trust to utilize qualified firms that have a demonstrated history of hiring, training, developing, promoting and retaining minorities and women and to encourage participation by qualified certified minority and woman-owned (MBE/WBE) firms, if available. The Commission recognizes the following minority and woman-owned business certifications for this RFP. The Commission reserves the right to amend this list and maintains sole decision-making authority on the acceptance of certifying agencies and designations.

PA Unified Certification Program www.paucp.com

PA Department of General Services www.dgs.state.pa.us

National Minority Supplier Development Council www.nmsdcus.org

Women Business Enterprise National Council www.wbenc.org

U.S. Small Business Administration *small disadvantaged businesses or 8(a) small disadvantaged business concerns*

- A. Diversity Questionnaire.** A diversity questionnaire is required to be completed by the Proposer to ensure a commitment to equal opportunity and affirmative action (**Appendix B**).
- B. Purpose of Diversity Questionnaire.** The information requested in the Diversity Questionnaire is designed to elicit appropriate information about the Proposer in order to verify that its work environment demonstrates a strong commitment to diversity.
- C. Types of Information Requested.** The required information includes information on the demographics of the Proposer's upper level management and corporate commitment to diversity and equal opportunity initiatives.
- D. Certification Requirement.** A person authorized to bind the Proposer contractually must submit with the firm's proposal a certification outlining the Proposer's continued commitment to its diversity initiatives.

II-3. Cost Submittal. The information requested in this section shall constitute your cost submittal. **The Cost Submittal shall be placed in a separate sealed envelope within the sealed proposal, separate from the technical submittal.**

A. Cost Proposal

Present a concise list of the scope of services and the work products that your firm proposes to provide. Given your proposed scope of services and work products, discuss your proposed fee arrangement *based on each of the following alternatives*:

1. Compensation on a fixed annual cost, payable monthly.
2. Compensation based on the value of the Trust assets.

B. Reimbursement of "Out-of-Pocket" Expenses

The Trust shall reimburse for "Out-of-Pocket" expenses upon proper invoice rendered with appropriate receipts attached. Such expenses include long distance telephone,

postage, air express charges, fax, reproduction and related costs necessarily incurred as Investment Consultant. Travel expenses related to performance of the services to the Trust, and approved in advance by the Trust, will be reimbursed in accordance with the Pennsylvania Turnpike Commission's travel policy. Any costs incurred by the Investment Consultant that are not specifically provided for herein shall be the expense of the Investment Consultant.

Any costs not provided in the cost proposal will be assumed as no charge to the Trust.

The selected Proposer shall only perform work on this contract after the Effective Date is affixed and the fully-executed contract sent to the selected Proposer. The Trust shall issue a written Notice to Proceed to the selected Proposer authorizing the work to begin on a date which is on or after the Effective Date. The selected Proposer shall not start the performance of any work prior to the date set forth in the Notice of Proceed and the Trust shall not be liable to pay the selected Proposer for any service or work performed or expenses incurred before the date set forth in the Notice to Proceed. No Commission employee or Trustee has the authority to verbally direct the commencement of any work under this Contract.

PART III

CRITERIA FOR SELECTION

III-1. Mandatory Responsiveness Requirements. To be eligible for selection, the Proposal should be (a) timely received from a Proposer; and (b) properly signed by the Proposer; and (c) formatted such that all cost data is kept separate from and not included in the Technical Submittal. The issuing Office will review all proposals to determine that proposals have met the minimum criteria identified in Section II-1(E) of this RFP. Only those proposals that have demonstrated that proposers meet the minimum criteria will be reviewed further pursuant to Part III-2 and III-3 below.

III-2. Proposals will be reviewed and evaluated by a committee of qualified personnel selected by the Trustees. This committee will recommend for award the firm that most closely meets the requirements of the RFP and satisfies the Trust's requirements. Award will only be made to a Proposer determined to be responsive and responsible in accordance with Commonwealth Management Directive 215.9, Contractor Responsibility Program.

III-3. The following criteria will be used, in evaluating each proposal.

1. Overall
 - a. Responsiveness, organization, and clarity of the Proposal
 - b. Presence in and commitment to the Commonwealth of Pennsylvania
2. Assigned Personnel
 - a. Qualifications and experience
 - b. Responses of references
 - c. Location and availability to Commission staff
3. Firm Experience and Approach to the Engagement
 - a. Qualifications and experience
 - b. Approach to the engagement (including compliance and reporting)
 - c. Responses of references
4. Commitment to Diversity. The Proposer's demonstrated diversity and equal employment record, including: (i) recognition of the Proposer's equal employment opportunity and diversity policies, programs and initiatives; (ii) the diversity of the staff that will be substantially involved in work performed for the Trust and the firm's plan for utilizing minority and women staff in such work; (iii) the Proposer's status as a certified MBE/WBE; and (iv) the Proposer's plan for utilizing minority and women staff in partnering or joint venture arrangements proposed by the firm, if applicable.
5. Cost

Pennsylvania Turnpike Commission Retiree Medical Trust

**Performance Review For Period Ending
November 30, 2010**



December 21, 2010

Jim Link, Managing Director

PFM Asset Management LLC
Two Logan Square, Suite 1600
Philadelphia, PA 19103
(215) 567-6100
(215) 567-4180 fax
www.pfm.com

Executive Summary

Executive Summary

- **Current investment plan**

- Beginning July 2010 – Maintain cash buffer of approximately three months of benefit payments
- Invest monthly contribution reserving cash for current month benefit payments

- **Performance (as of November 30, 2010)**

- Total Trust
 - Since inception (6/1/08) performance of 11.89%
 - 1 year performance of 9.47% (outperformed annual 8% discount rate)
 - Fiscal year to date performance of 9.43%
 - Quarterly performance of 8.11%
- Total Investment
 - Since inception (12/1/08) performance of 20.50% (outperformed benchmark by 2.78%)
 - 1 year performance of 10.13% outperformed benchmark by 0.62%
 - Fiscal year to date performance of 9.83%
 - Quarterly performance of 8.45%

- **Equity strategy**

- Maintained half weighting to real estate relative to target allocation
- Removed allocation to active large cap domestic equity managers
- Reallocated tactical underweight to international equity through a dedicated strategy focused on emerging markets equities

- **Fixed income strategy**

- Moved to target in Fixed Income – reduced overweight in short-term bond index by moving proceeds to international equity



OPEB Plan Performance Summary

Market Index Performance
As of November 30, 2010

	1 Quarter	Year To Date	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
DOMESTIC EQUITY								
Russell 3000 Index	14.37	9.51	12.63	19.68	-4.33	1.42	4.18	1.66
Russell 1000 Value Index	10.40	7.06	8.95	13.98	-7.11	-0.13	3.90	2.98
S&P 500	13.08	7.86	9.94	17.41	-5.15	0.98	3.65	0.81
Russell 1000 Growth Index	17.28	10.62	14.04	24.31	-2.35	2.58	4.04	-0.84
Russell Midcap Value Index	14.03	16.00	22.07	27.77	-1.78	2.77	7.42	8.20
Russell Midcap Growth Index	20.29	18.97	26.33	34.33	-0.96	3.85	6.59	3.02
Russell 2500 Index	18.96	17.77	26.26	29.18	-0.19	3.38	6.36	7.08
Russell 2000 Value Index	17.95	14.95	23.66	21.30	-0.78	1.72	5.51	8.66
Russell 2000 Index	21.12	17.52	26.98	25.75	-0.37	2.79	5.51	6.40
Russell 2000 Growth Index	24.26	19.98	30.25	30.42	-0.07	3.74	5.33	3.64
INTERNATIONAL EQUITY								
MSCI EAFE (net)	8.29	-0.32	1.11	18.00	-10.08	1.80	6.34	3.06
MSCI AC World ex USA (Net)	9.31	3.08	5.26	24.14	-7.84	4.22	8.59	N/A
MSCI EM (net)	11.32	10.96	15.34	46.12	-2.47	12.52	17.39	N/A
REAL ESTATE								
FTSE NAREIT Equity REIT Index	7.24	22.23	30.97	34.95	-2.56	2.05	7.82	11.00
NCREIF Property Index	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
INFLATION HEDGED								
DJ-UBS Commodity TR Index	12.21	5.55	7.64	9.49	-5.46	-0.23	4.52	5.10
DOMESTIC FIXED INCOME								
Barclays Capital Aggregate	-0.11	7.70	6.02	8.79	6.39	6.23	5.42	6.15
Barclays Capital U.S. Government/Credit	-0.52	8.11	6.19	8.68	6.17	6.06	5.26	6.19
Barclays Capital Intermediate U.S. Gov/Credit	0.27	7.23	5.67	7.78	5.94	5.93	4.91	5.83
Barclays Capital U.S. Treasury: 1-3 Year	0.21	2.60	1.79	1.99	3.42	4.32	3.47	4.09
Barclays Capital US Corp: High Yield	4.44	13.07	16.78	38.79	9.83	8.71	8.39	8.90
CASH EQUIVALENT								
90 Day U.S. Treasury Bill	0.03	0.11	0.12	0.13	0.86	2.45	2.29	2.38

Returns are expressed as percentages.



Summary Financial Reconciliation
Pennsylvania Turnpike Commission Retiree Medical Trust - Combined Assets
As of November 30, 2010

QTR

	Market Value As of 8/31/2010	Net Transfers	Contributions	Distributions	Return On Investment	Market Value As of 11/30/2010
TOTAL FUND - Investment Assets	69,977,437	5,270,000	-	-	6,047,868	81,295,305
TOTAL FUND - Liquidity Assets	2,342,218	(5,270,000)	7,500,000	(2,249,584)	10	2,322,644
Combined OPEB Trust Assets	72,319,655	-	7,500,000	(2,249,584)	6,047,878	83,617,949

YTD

	Market Value As of 12/31/2009	Net Transfers	Contributions	Distributions	Return On Investment	Market Value As of 11/30/2010
TOTAL FUND - Investment Assets	51,496,788	23,920,000	-	-	5,878,517	81,295,305
TOTAL FUND - Liquidity Assets	7,314,183	(23,920,000)	27,500,000	(8,571,556)	17	2,322,644
Combined OPEB Trust Assets	58,810,971	-	27,500,000	(8,571,556)	5,878,534	83,617,949

Fiscal YTD

	Market Value As of 5/31/2010	Net Transfers	Contributions	Distributions	Return On Investment	Market Value As of 11/30/2010
TOTAL FUND - Investment Assets	62,966,627	11,420,000	-	-	6,908,678	81,295,305
TOTAL FUND - Liquidity Assets	3,469,736	(11,420,000)	15,000,000	(4,727,108)	17	2,322,644
Combined OPEB Trust Assets	66,436,363	-	15,000,000	(4,727,108)	6,908,694	83,617,949

1 Year

	Market Value As of 11/30/2009	Net Transfers	Contributions	Distributions	Return On Investment	Market Value As of 11/30/2010
TOTAL FUND - Investment Assets	48,131,569	26,420,000	-	-	6,743,736	81,295,305
TOTAL FUND - Liquidity Assets	8,059,507	(26,420,000)	30,000,000	(9,317,121)	257	2,322,644
Combined OPEB Trust Assets	56,191,077	-	30,000,000	(9,317,121)	6,743,993	83,617,949



Comparative Performance
Pennsylvania Turnpike Commission Retiree Medical Trust - Combined Assets
As of November 30, 2010

	1 Quarter	Year To Date	Jun-2010 To Nov-2010	1 Year	3 Years	5 Years	Since Inception	Inception Date
TOTAL FUND - Combined Assets	8.11	7.87	9.43	9.47	N/A	N/A	11.89	06/01/2008
<i>70 S&P 500/30 BC Agg</i>	<i>9.04</i>	<i>8.21</i>	<i>8.00</i>	<i>9.17</i>	<i>-1.35</i>	<i>2.86</i>	<i>-0.56</i>	<i>06/01/2008</i>
<i>Blended Benchmark</i>	<i>8.03</i>	<i>7.90</i>	<i>9.21</i>	<i>9.51</i>	<i>N/A</i>	<i>N/A</i>	<i>14.40</i>	<i>06/01/2008</i>

Returns are net of fees.
Returns are expressed as percentages.



Asset Allocation And Performance
Pennsylvania Turnpike Commission Retiree Medical Trust - Investment Assets
As of November 30, 2010

	Allocation		Performance %							
	Market Values (\$)	%	1 Quarter	Year To Date	Jun-2010 To Nov-2010	1 Year	3 Years	5 Years	Since Inception	Inception Date
TOTAL FUND - Investment Assets	81,295,305	100.00	8.45	8.21	9.83	10.13	N/A	N/A	20.50	12/01/2008
<i>70 S&P 500/30 BC Agg</i>			<i>9.04</i>	<i>8.21</i>	<i>8.00</i>	<i>9.17</i>	<i>-1.35</i>	<i>2.86</i>	<i>15.22</i>	<i>12/01/2008</i>
<i>Blended Benchmark</i>			<i>8.03</i>	<i>7.90</i>	<i>9.21</i>	<i>9.51</i>	<i>N/A</i>	<i>N/A</i>	<i>17.72</i>	<i>12/01/2008</i>
Domestic Equity										
Vanguard Total Stock Market Index	24,284,633	29.87	14.47	9.76	10.08	12.88	-3.97	1.72	19.99	12/01/2008
<i>Dow Jones U.S. Total Stock Market Index</i>			<i>14.37</i>	<i>9.99</i>	<i>10.13</i>	<i>13.12</i>	<i>-4.09</i>	<i>1.68</i>	<i>19.95</i>	<i>12/01/2008</i>
Columbia Acorn Z	4,026,587	4.95	19.84	17.12	13.13	24.26	-0.09	4.51	30.39	12/01/2008
<i>Russell 2500 Index</i>			<i>18.96</i>	<i>17.77</i>	<i>11.25</i>	<i>26.26</i>	<i>-0.19</i>	<i>3.38</i>	<i>29.18</i>	<i>12/01/2008</i>
FMI Common Stock	4,125,068	5.07	16.12	14.16	7.20	18.10	6.24	7.10	28.29	12/01/2008
<i>Russell 2000 Index</i>			<i>21.12</i>	<i>17.52</i>	<i>10.57</i>	<i>26.98</i>	<i>-0.37</i>	<i>2.79</i>	<i>25.75</i>	<i>12/01/2008</i>
International Equity										
Vanguard Total International Stock	3,516,473	4.33	9.16	2.57	15.20	4.14	-8.50	3.81	23.16	12/01/2008
Dodge & Cox International Stock	5,876,890	7.23	10.88	5.31	15.94	7.72	-6.30	4.28	28.51	12/01/2008
American Funds EuroPac Growth	5,881,185	7.23	9.33	2.82	14.95	4.03	-5.44	5.56	24.16	12/01/2008
<i>MSCI EAFE (net)</i>			<i>8.29</i>	<i>-0.32</i>	<i>13.73</i>	<i>1.11</i>	<i>-10.08</i>	<i>1.80</i>	<i>18.00</i>	<i>12/01/2008</i>
Oppenheimer Developing Markets	3,569,753	4.39	13.60	18.08	22.30	22.57	4.39	15.19	-2.30	11/01/2010
<i>MSCI EM (net)</i>			<i>11.32</i>	<i>10.96</i>	<i>17.38</i>	<i>15.34</i>	<i>-2.47</i>	<i>12.52</i>	<i>-2.64</i>	<i>11/01/2010</i>
Real Estate										
Vanguard REIT Index	2,789,322	3.43	7.21	22.79	10.14	31.47	-1.60	2.54	36.73	12/01/2008
<i>FTSE NAREIT Equity REIT Index</i>			<i>7.24</i>	<i>22.23</i>	<i>10.00</i>	<i>30.97</i>	<i>-2.56</i>	<i>2.05</i>	<i>34.95</i>	<i>12/01/2008</i>

Returns are net of fees.
Returns are expressed as percentages.



Asset Allocation And Performance
Pennsylvania Turnpike Commission Retiree Medical Trust - Investment Assets
As of November 30, 2010

	Allocation		Performance %							
	Market Values (\$)	%	1 Quarter	Year To Date	Jun-2010 To Nov-2010	1 Year	3 Years	5 Years	Since Inception	Inception Date
Inflation Hedged										
PIMCO Commodity Real Return Strategy	2,821,955	3.47	14.24	13.14	22.21	13.87	-2.20	2.30	25.68	07/01/2009
<i>DJ-UBS Commodity TR Index</i>			12.21	5.55	17.13	7.64	-5.46	-0.23	13.71	07/01/2009
Fixed Income										
Vanguard Total Bond Market Index	2,450,020	3.01	-0.19	7.76	3.91	5.97	6.39	6.27	8.66	12/01/2008
PIMCO Total Return Instl	8,477,851	10.43	0.39	9.45	5.18	8.48	9.47	8.40	13.76	12/01/2008
<i>Barclays Capital Aggregate</i>			-0.11	7.70	3.85	6.02	6.39	6.23	8.79	12/01/2008
Metropolitan West Total Return	6,749,656	8.30	1.23	12.41	6.02	12.26	9.28	8.37	17.83	03/01/2009
<i>Barclays Capital Aggregate</i>			-0.11	7.70	3.85	6.02	6.39	6.23	8.61	03/01/2009
Vanguard Short Term Bond Index	4,907,810	6.04	0.34	4.73	2.44	3.57	4.97	5.30	5.48	12/01/2008
<i>Barclays CapitalGC 1-5 Yr Bond Index</i>			0.36	4.69	2.47	3.68	4.91	5.27	5.55	12/01/2008
Artio Global High Income	1,818,102	2.24	4.15	10.58	8.61	13.12	9.29	8.91	5.75	04/01/2010
<i>BofA Merrill Lynch Global High Yield Constrained</i>			3.91	13.42	9.19	16.84	10.25	8.73	7.46	04/01/2010
BlackRock U.S. Treasury Money Market - Instl	-	0.00	0.00	0.00	0.00	0.00	0.58	2.19	3.32	09/01/1993

Returns are net of fees.
Returns are expressed as percentages.



Asset Allocation Targets
Pennsylvania Turnpike Commission Retiree Medical Trust - Investment Assets
As of November 30, 2010

Asset Class	Current Weight	Target	Minimum	Maximum	Within Range?
Domestic Equity	39.91%	39%	29%	- 49%	Yes
International Equity	23.19%	24%	14%	- 34%	Yes
Real Estate	3.43%	7%	0%	- 14%	Yes
Inflation Hedged	3.47%	0%	0%	- 10%	Yes
Other	0%	0%	0%	- 10%	Yes
Fixed Income	30.00%	30%	15%	- 55%	Yes
Cash Equivalent	0%	0%	0%	- 20%	Yes

PERFORMANCE EVALUATION AND REPORTING SERVICES INFORMATION DISCLAIMER

PFM Asset Management LLC has exercised reasonable professional care in the preparation of this performance report. However, information in this report on market indices and security characteristics, as well as information incorporated in the Market Commentary section, is received from sources external to PFM Asset Management LLC.

PFM Asset Management LLC relies on the client's custodian for security holdings and market values. Transaction dates reported by the custodian may differ from money manager statements. While efforts are made to ensure the data contained herein is accurate and complete, we disclaim all responsibility for any errors that may occur.



Pennsylvania Turnpike Commission
Retiree Medical Trust
Balance Sheet
November 30, 2010

	Cash Equivalent / Disbursement		Investment		Total
	Account		Account		
Cash & cash equivalents	\$ 2,322,643.95	\$	0.34	\$	2,322,644.29
Accrued Income	\$ 0.07	\$	76,080.29	\$	76,080.36
Current Assets	\$ 2,322,644.02	\$	76,080.63	\$	2,398,724.65
Investments	\$ -	\$	81,219,257.34	\$	81,219,257.34
Non Current Assets	\$ -	\$	81,219,257.34	\$	81,219,257.34
Total Assets	\$ 2,322,644.02	\$	81,295,337.97	\$	83,617,981.99
Liabilities	\$ -	\$	-	\$	-
Claims Payable	\$ -	\$	-	\$	-
Other Liabilities	\$ -	\$	-	\$	-
Total Liabilities	\$ -	\$	-	\$	-
Net Assets held in trust for other postemployment benefits	\$ 2,322,644.02	\$	81,295,337.97	\$	83,617,981.99

Pennsylvania Turnpike Commission
Retiree Medical Trust
Statements of Changes in Plan Net Assets
Year-to-date - November 30, 2010

	Cash Equivalent / Disbursement Account	Investment Account	Total
Additions:			
Contributions	15,000,000.00	-	15,000,000.00
Other Additions:			
Interest, dividends and capital gains	16.55	950,463.25	950,479.80
Change in value of investments	-	5,958,258.03	5,958,258.03
Total additions - before interfund transfers	15,000,016.55	6,908,721.28	21,908,737.83
Deductions:			
Fees and charges - PNC	14,228.67	-	14,228.67
Distributions - benefit payments	4,445,737.11	-	4,445,737.11
Distributions - expenses	267,142.56	-	267,142.56
Total deductions - before interfund transfers	4,727,108.34	-	4,727,108.34
Interfund transfers	(11,420,000.00)	11,420,000.00	-
Net increase/(decrease)	(1,147,091.79)	18,328,721.28	17,181,629.49
Net asset held in trust for other postemployment benefits:			
Beginning of period	3,469,735.81	62,966,616.69	66,436,352.50
End of period	2,322,644.02	81,295,337.97	83,617,981.99

**Pennsylvania Turnpike Commission
Retiree Medical Trust
Capital Contributions
Year-to-date - November 30, 2010**

	Cash Equivalent / Disbursement Account	Investment Account	Total
FY 2011	20-10-002-3831591	20-10-002-3835008	
June	2,500,000.00	-	2,500,000.00
July	2,500,000.00	-	2,500,000.00
August	2,500,000.00	-	2,500,000.00
September	2,500,000.00	-	2,500,000.00
October	2,500,000.00	-	2,500,000.00
November	2,500,000.00	-	2,500,000.00
Year-to-date	15,000,000.00	-	15,000,000.00

Pennsylvania Turnpike Commission
Retiree Medical Trust
Investment Earnings
Year-to-date - November 30, 2010

Cash Equivalent / Disbursement Account	Income - Cash Equivalents	Interest/Dividends/ Cap Gains Distribution - Mutual Funds	Change in Accrued Income	Investment Earnings
20-10-002-3831591				
June	0.12	-	(0.02)	0.10
July	0.10	-	1.62	1.72
August	1.72	-	2.84	4.56
September	4.56	-	0.70	5.26
October	5.26	-	(0.42)	4.84
November	4.84	-	(4.77)	0.07
Year-to-date	16.60	-	(0.05)	16.55

Investment Account				
20-10-002-3835008				
June	-	228,975.28	11,926.88	240,902.16
July	-	76,254.54	(6,500.80)	69,753.74
August	-	69,753.76	3,158.18	72,911.94
September	0.22	284,114.26	1,889.18	286,003.66
October	0.40	74,800.71	130,000.64	204,801.75
November	0.10	204,811.35	(128,721.45)	76,090.00
Year-to-date	0.72	938,709.90	11,752.63	950,463.25
Total - Year-to-date	17.32	938,709.90	11,752.58	950,479.80

Pennsylvania Turnpike Commission
Retiree Medical Trust
Change in value of Investments
Year-to-date - November 30, 2010

FY 2011	Cash Equivalent /		Net
	Disbursement Account	Investment Account	
	20-10-002-3831591	20-10-002-3835008	
June	-	(1,522,248.66)	(1,522,248.66)
July	-	3,649,801.45	3,649,801.45
August	-	(1,650,287.40)	(1,650,287.40)
September	-	4,225,942.31	4,225,942.31
October	-	2,055,371.07	2,055,371.07
November	-	(800,320.74)	(800,320.74)
Year-to-date	\$ -	\$ 5,958,258.03	\$ 5,958,258.03

Pennsylvania Turnpike Commission
Retiree Medical Trust
Fees and Charges
Year-to-date - November 30, 2010

Cash Equivalent / Disbursement Account			Asset Value	
20-10-002-3831591			Fee	Total
June			7,020.75	7,020.75
July			-	-
August			-	-
September			7,207.92	7,207.92
October			-	-
November			-	-
Year-to-date			14,228.67	14,228.67

Investment Account				
20-10-002-3835008				
June			-	-
July			-	-
August			-	-
September			-	-
October			-	-
November			-	-
Year-to-date			-	-
Total - Year-to-date			14,228.67	14,228.67

Pennsylvania Turnpike Commission
Retiree Medical Trust
Distributions - Benefit Payments
Year-to-date - November 30, 2010

Date	Freedom Blue	United Comcordia	Aetna	Aetna - RX	Highmark Vision	Highmark Medical	Total	Monthly Total
6/1/2010	31,849.50		4,848.24				36,697.74	
6/1/2010			171.77				171.77	
6/2/2010		14,799.49		758.83	443.29	119,614.82	135,616.43	
6/2/2009				37,538.96			37,538.96	
6/10/2009					323.29	125,957.52	126,280.81	
6/11/2009				57,719.24			57,719.24	
6/15/2010					596.36	82,223.69	82,820.05	
6/23/2010				60,917.19	139.24	106,750.45	167,806.88	
6/30/2010	32,916.50		4,848.24	43,147.62	684.59	97,241.45	178,838.40	
6/30/2010			171.77				171.77	823,662.05
7/2/2010		13,223.10		1,510.17			14,733.27	
7/7/2010				52,092.24	554.07	61,001.25	113,647.56	
7/9/2010				57,918.95			57,918.95	
7/14/2010				50,212.80	891.49	114,589.68	165,693.77	
7/21/2010				51,090.67	673.88	105,273.96	157,038.51	
7/28/2010				58,385.54	596.36	132,332.07	191,313.97	
7/29/2010			4,848.24				4,848.24	
7/29/2010			171.77				171.77	705,366.04
8/4/2010		17,634.00		987.01	331.21	114,403.69	133,355.91	
8/4/2010				61,531.80			61,531.80	
8/10/2010	32,522.50				621.66	194,141.67	227,285.83	
8/11/2010				55,119.93			55,119.93	
8/18/2010				55,160.50	262.98	106,652.07	162,075.55	
8/25/2010				48,362.92	154.58	121,935.71	170,453.21	809,822.23
9/1/2010		11,938.49	4,507.08	52,057.41	1,390.10	100,875.95	170,869.03	
9/1/2010			858.97				858.97	
9/3/2010				2,600.03			2,600.03	
9/9/2010				55,805.81	762.14	130,522.05	187,090.00	
9/15/2010	32,427.20			47,752.02	500.40	78,273.82	158,953.44	
9/22/2010				60,041.83	1,017.71	73,241.49	134,301.03	
9/29/2010				50,860.53	336.94		51,197.47	
9/30/2010						68,447.28	68,447.28	
10/6/2010		8,634.00	5,010.91	58,371.02		77,389.99	149,405.92	774,317.25
10/6/2010			343.54	1,309.36			1,652.90	
10/14/2010	33,621.40			50,134.93	725.05	82,400.44	166,881.82	
10/15/2010				70,970.67	545.15		545.15	
10/19/2010					659.59	109,299.70	180,929.96	
10/27/2010				48,147.26	593.34	91,212.70	139,953.30	639,369.05
11/1/2010			343.54				343.54	
11/1/2010			4,890.33				4,890.33	
11/3/2010		18,121.55		468.15	461.18	117,938.81	136,989.69	
11/3/2010				56,986.10			56,986.10	
11/8/2010				58,485.06	700.67	100,417.97	159,603.70	
11/13/2010	33,637.50						33,637.50	
11/16/2010				49,196.65	456.47	111,592.30	161,245.42	
11/24/2010				64,408.25	392.31	74,703.65	139,504.21	693,200.49
YEAR-TO-DATE	196,974.60	84,350.63	31,114.40	1,420,049.25	14,814.05	2,698,434.18	4,445,737.11	4,445,737.11

Pennsylvania Turnpike Commission
Retiree Medical Trust
Distributions - Administrative Expenses
Year-to-date - November 30, 2010

Date	Stop Loss	Attorney Fees	Aetna Health Mgmt	The PFM Group	United Concordia	Highmark Vision	Highmark Medical	Total	Monthly Total
6/1/2010			342.00				876.53	342.00	
6/2/2010					752.70		19,545.16	1,629.23	
6/3/2010				13,372.17			2,089.18	13,372.17	
6/10/2010						195.00	2,125.95	19,740.16	
6/15/2010							644.99	2,089.18	
6/23/2010	5,100.23		344.00	13,408.37			14,397.36	7,226.18	58,796.28
6/30/2010						195.00	18,185.77	18,380.77	
7/7/2010					752.70		1,498.61	2,251.31	
7/14/2010							1,422.21	1,422.21	
7/21/2010							1,655.34	1,655.34	
7/28/2010							5,184.23	5,184.23	28,893.86
7/29/2010	5,184.23						1,642.72	1,642.72	
8/4/2010							20,316.81	21,274.31	
8/10/2010				13,029.95	760.50	197.00	1,383.67	13,029.95	
8/11/2010							1,412.13	1,412.13	
8/18/2010							1,546.65	1,895.45	
8/25/2010							14,396.03	14,396.03	43,963.26
8/27/2010	5,220.48		348.80				18,819.63	19,018.63	
9/1/2010				14,959.74			1,195.81	1,964.11	
9/3/2010						199.00	1,137.60	1,137.60	
9/9/2010					768.30		1,339.88	1,339.88	
9/15/2010							19,238.10	19,238.10	45,033.19
9/22/2010							14,407.72	14,407.72	
9/30/2010							1,725.77	2,501.87	
9/30/2010	5,281.49						776.10	776.10	
10/6/2010				14,407.72			1,289.05	1,289.05	
10/8/2010					776.10		6,556.05	6,556.05	44,969.89
10/14/2010						201.00	14,959.74	14,959.74	
10/14/2010							1,180.73	1,180.73	
10/15/2010							20,365.78	20,571.78	
10/19/2010							377.50	377.50	
10/27/2010	5,373.45						350.00	350.00	
11/1/2010				14,959.74			1,149.73	1,149.73	
11/3/2010							6,544.60	6,544.60	45,486.08
11/10/2010							1,152.58	1,152.58	
11/12/2010							267,142.56	267,142.56	
11/12/2010			358.00		19.50	206.00	1,149.73	1,149.73	
11/12/2010			352.00				1,149.73	1,149.73	
11/12/2010			350.00				1,149.73	1,149.73	
11/16/2010							1,149.73	1,149.73	
11/24/2010	5,392.02						1,149.73	1,149.73	
YEAR-TO-DATE	31,551.90	-	2,094.80	83,573.98	4,605.90	1,193.00	144,122.98	267,142.56	267,142.56

Pennsylvania Turnpike Commission
Retiree Medical Trust
Interfund Transfers
Year-to-date - November 30, 2010

	Cash Equivalent / Disbursement Account	Investment Account	Net
	20-10-002-3831591	20-10-002-3835008	
FY 2011			
June	(2,500,000.00)	2,500,000.00	-
July	(2,000,000.00)	2,000,000.00	-
August	(1,650,000.00)	1,650,000.00	-
September	(1,670,000.00)	1,670,000.00	-
October	(1,800,000.00)	1,800,000.00	-
November	(1,800,000.00)	1,800,000.00	-
Year-to-date	(11,420,000.00)	11,420,000.00	-

FINANCIAL STATEMENTS AND REQUIRED
SUPPLEMENTARY INFORMATION

Pennsylvania Turnpike Commission
Retiree Medical Trust
Years Ended May 31, 2009 and 2008
With Report of Independent Auditors

Pennsylvania Turnpike Commission Retiree Medical Trust
Financial Statements and Required Supplementary Information

Years Ended May 31, 2009 and 2008

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Report of Independent Auditors

The Commissioners
Pennsylvania Turnpike Commission

We have audited the accompanying statements of plan net assets of the Pennsylvania Turnpike Commission Retiree Medical Trust ("Trust"), an other employee benefit trust fund, as of May 31, 2009 and 2008, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Trustees. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Trust at May 31, 2009 and 2008, and the changes in plan net assets for the years then ended, in conformity with accounting principles generally accepted in the United States.

The management's discussion and analysis on pages 2 and 3 and the unaudited supplemental schedules of funding progress and employer contributions on pages 13 and 14 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Ernst & Young LLP

November 26, 2009

Pennsylvania Turnpike Commission Retiree Medical Trust

Management's Discussion and Analysis

Year Ended May 31, 2009

This section of the annual financial report of the Pennsylvania Turnpike Commission Retiree Medical Trust presents a discussion and analysis of the financial performance of the Trust for the year ended May 31, 2009. Please read it in conjunction with the basic financial statements, which follow this section.

Overview of the Financial Statements

The Pennsylvania Turnpike Commission (the "Employer/Plan Sponsor") has established the Pennsylvania Turnpike Commission Retiree Medical Trust (the "Trust"). The Trust is intended to provide for funding of non-pension postemployment benefits ("OPEB") for employees who meet the age and service requirements outlined in the Employer plan documents.

Financial Highlights

The following tables summarize the Plan Net Assets and changes in Plan Net Assets as of and for the years ended May 31:

	2009	2008	Change – Increase (Decrease) 2009 – 2008	
			Amount	Percent
Total assets	\$ 39,838,328	\$ 14,000,000	\$ 25,838,328	184.6 %
Total liabilities	233,502	–	233,502	N/A
Net assets held in trust for other postemployment benefits	<u>\$ 39,604,826</u>	<u>\$ 14,000,000</u>	<u>\$ 25,604,826</u>	<u>182.9 %</u>

Pennsylvania Turnpike Commission Retiree Medical Trust

Management's Discussion and Analysis (continued)

Financial Highlights (continued)

	2009	2008	Change Increase (Decrease) 2009 – 2008	
			Amount	Percent
Additions:				
Contributions:				
Employer	\$ 28,000,000	\$ 14,000,000	\$ 14,000,000	100.0 %
Total contributions	28,000,000	14,000,000	14,000,000	100.0
Interest, dividends and capital gains income	499,386	–	499,386	N/A
Change in value of investments	2,114,860	–	2,114,860	N/A
Total additions	30,614,246	14,000,000	16,614,246	118.7
Deductions:				
Claims expense	4,732,887	–	4,732,887	N/A
Administrative service fees	276,533	–	276,533	N/A
Total deductions	5,009,420	–	5,009,420	N/A
Change in net assets	25,604,826	14,000,000	11,604,826	82.9
Net assets held in trust for other postemployment benefits:				
Beginning of period	14,000,000	–	14,000,000	N/A
End of period	\$ 39,604,826	\$ 14,000,000	\$ 25,604,826	182.9 %

The Employer established the Trust in fiscal 2008 and made its initial contribution of \$14,000,000 in May 2008. There was no additional activity in fiscal 2008.

The Employer made a second contribution of \$16,000,000 in January 2009 and followed with additional payments of \$6,000,000 in March 2009 and \$3,000,000 in both April and May 2009.

The Trust began investing in mutual funds in fiscal 2009 which is the reason for the \$26.6 million increase in investments and the slight \$0.8 million decrease in cash and cash equivalents. Please refer to the cash and investments note (Note 4) for a more detailed description of the Trust's investment policy.

The Employer paid benefit providers for retiree claims and related administrative fees for the first four months of fiscal 2009; the Trust took over these payments and started paying benefit providers for claims and related administrative fees in October 2008. Claims expense and the related administrative fees will increase in fiscal 2010 since the Trust will be responsible for making claims and related administrative fee payments for the entire year.

Pennsylvania Turnpike Commission Retiree Medical Trust

Statements of Plan Net Assets

	May 31	
	2009	2008
Assets		
Cash and cash equivalents	\$ 13,221,186	\$ 14,000,000
Interest and dividends receivable	31,370	—
Investments – mutual funds, at fair value	26,585,772	—
Total assets	39,838,328	14,000,000
Liabilities		
Claims payable	212,337	—
Other liabilities	21,165	—
Total liabilities	233,502	—
Net assets held in trust for other postemployment benefits	\$ 39,604,826	\$ 14,000,000

See accompanying notes.

Pennsylvania Turnpike Commission Retiree Medical Trust

Statements of Changes in Plan Net Assets

	Year Ended May 31	
	2009	2008
Additions		
Contributions:		
Employer	\$ 28,000,000	\$ 14,000,000
Total contributions	28,000,000	14,000,000
Other additions:		
Interest, dividends and capital gains income	499,386	—
Change in fair value of investments	2,114,860	—
Total additions	30,614,246	14,000,000
Deductions		
Claims expense	4,732,887	—
Administrative service fees	276,533	—
Total deductions	5,009,420	—
Net increase	25,604,826	14,000,000
Net assets held in trust for other postemployment benefits:		
Beginning of year	14,000,000	—
End of year	\$ 39,604,826	\$ 14,000,000

See accompanying notes.

Pennsylvania Turnpike Commission Retiree Medical Trust

Notes to Financial Statements

May 31, 2009

1. Reporting Entity

The Pennsylvania Turnpike Commission Retiree Medical Trust (the “Trust”) was established on May 30, 2008 as an irrevocable trust that is tax-exempt under Section 115 of the Internal Revenue Code.

The Trust is administered by six Trustees. The Trustees are appointed by the Pennsylvania Turnpike Commission (the “Employer”) and serve 2-year terms.

2. Plan Description and Contribution Information

The Employer maintains a welfare plan program (the “Plan”), the purpose of which is to provide medical benefits for eligible retirees and their dependents who are in need of medical care. The Plan is a single employer, defined benefit plan. The Plan is not included in the financial statements of a public employee retirement system.

Plan benefit provisions and employee contributions, which are retained by the Employer, are established and may be amended by the Employer. The Plan provides certain postemployment medical, prescription drug, dental and vision benefits to management employees who have reached 20 years of service and are under age 60; benefit eligibility changes from 20 to 10 years for retirees 60 years of age or older. The Plan provides certain postemployment medical and prescription drug benefits to union employees who have reached 20 years of service and are under age 60; benefit eligibility changes from 20 to 10 years for retirees 60 years of age or older.

Membership consists of the following as of March 1, 2008, the date of the last actuarial valuation:

Retirees and beneficiaries receiving benefits	861
Fully eligible active plan participants	565
Other active plan participants	1,168
Total participant count	<u>2,594</u>

The Commission approved a Retiree Medical Trust Funding Policy whereby the Commission anticipates approving an annual contribution to the Trust in the amount of the Annual Required Contribution as determined by the Commission’s actuary during the approval of each Operating Budget.

The Trust is administered by the Trustees. PNC Bank serves as custodian/third-party administrator of the assets of the Trust. Payments from the Trust are made by the custodian at the direction of the Trustees

Pennsylvania Turnpike Commission Retiree Medical Trust

Notes to Financial Statements (continued)

2. Plan Description and Contribution Information (continued)

The Employer paid benefit providers for retiree claims and related administrative fees for all of fiscal 2008 and for the first four months of fiscal 2009; the Trust took over these payments and started paying benefit providers for claims and related administrative fees in October 2008.

Please refer to Note 5, Funding Status and Funding Progress, and the Required Supplementary Information (RSI) for additional information regarding the funding status and actuarial methods and assumptions used in the actuarial valuations of the Plan.

3. Summary of Significant Accounting Policies

Basis of Reporting

The Pennsylvania Turnpike Commission Retiree Medical Trust is accounted for as a fiduciary fund. Accordingly, the basic financial statements are prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America for governmental entities as prescribed or permitted by the Governmental Accounting Standards Board (GASB). The Trust implemented GASB 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, in 2009 as part of its initial basic financial statement presentation.

Employer contributions to the Trust are recognized when due and the Employer has made a formal commitment to provide the contributions. Claims are recognized when due and payable in accordance with the terms of the Plan.

Cash and Cash Equivalents

Cash and cash equivalents include short-term investments with original maturities of 90 days or less.

Investments

Investments are stated at fair value and are based on published market rates.

Claims Payable

Liabilities for unpaid claims and administrative fees are accrued when the services are incurred and the costs are measurable.

Pennsylvania Turnpike Commission Retiree Medical Trust

Notes to Financial Statements (continued)

4. Cash and Investments

The main investment objective of the Trust is to achieve long-term growth of Trust assets by maximizing the long-term rate of return on investments and minimizing risk of loss to fulfill the Employer's current and long-term OPEB obligations. To help achieve this main objective, the Trustees implemented an Investment Policy Statement that reflects the investment policy, objectives and constraints of the Trust.

The Trustees believe that to achieve the greatest likelihood of meeting the Trust's investment objectives and the best balance between risk and return for optimal diversification, the Trust should allocate assets into two broad classes called Investment Assets and Liquidity Assets. The Investment Assets will be invested in accordance with the targets for each asset class as reflected in the table below to achieve an average total annual rate of return that is equal to or greater than the Trust's actuarial discount rate as listed in Note 5 under Actuarial Methods and Assumptions. The Liquidity Assets will be held in cash equivalent investments and used to pay for benefits and expenses of the Trust.

Investment Assets

Asset Classes	Asset Weightings	
	Range	Target
Domestic Equity	29% – 49%	39%
International Equity	14% – 34%	24%
REIT	0% – 14%	7%
Inflation Hedged	0% – 10%	0%
Other	0% – 10%	0%
Fixed Income	15% – 55%	30%
Cash Equivalent	0% – 20%	0%

Liquidity Assets

Asset Class	Asset Weightings	
	Range	Target
Cash equivalent	100%	100%

Pennsylvania Turnpike Commission Retiree Medical Trust

Notes to Financial Statements (continued)

4. Cash and Investments (continued)

Liquidity Assets (continued)

Until the Trust reaches a size where investments in separate accounts are viable and appropriate, the Trust will invest in Pooled Vehicles such as commingled and/or mutual funds. Pooled Vehicles are regulated by either the Office of the Comptroller of the Currency (“OCC”) or the SEC and provide the Trust the ability to appropriately diversify its holdings in a cost-effective manner. A commingled fund or mutual fund will not be included in Trust portfolio unless it complies with the Investment Company Act of 1940’s diversification requirement.

Cash equivalent reserves shall consist of cash instruments having a quality rating of A-1, P-1 or higher, as established by Moody’s or Standard & Poor’s. Bankers’ acceptances, certificates of deposit and savings accounts must be made by United States banks or financial institutions or United States branches of foreign banks, which are federally insured with unrestricted capital of at least \$50 million. Short-term corporate obligations must be rated A or better by Moody’s or by Standard & Poor’s.

Investment in common stocks, preferred stocks and publicly traded Real Estate Investment Trusts shall be restricted to high-quality, readily marketable securities of corporations that are actively traded on a major exchange.

Not more than 5% of the total stock portfolio valued at market may be invested in the common stock of any one corporation. Ownership of the shares of one company shall not exceed 2% of those outstanding. Not more than 25% of stock valued at market may be held in any one industry category.

The overall non-U.S. equity allocation should include a diverse global mix of at least 10 countries. The emerging markets exposure as defined by Morgan Stanley Capital International Inc. should be limited to 35% of the non-U.S. portion of the portfolio.

Fixed income investments shall be high-quality, marketable securities with a preponderance of the investments in (1) U.S. Treasury, federal agencies and U.S. Government guaranteed obligations, and (2) investment-grade municipal or corporate issues including convertibles.

Fixed income securities of any one issuer shall not exceed 5% of the total bond portfolio, including U.S. Treasury/Federal Agency issues, at time of purchase. The 5% limitation does not apply to issues of the U.S. Treasury or other Federal Agencies.

Pennsylvania Turnpike Commission Retiree Medical Trust

Notes to Financial Statements (continued)

4. Cash and Investments (continued)

Liquidity Assets (continued)

The overall rating of the fixed income assets shall be at least “A,” according to one of the three rating agencies (Fitch, Moody’s or Standard & Poor’s). In cases where the yield spread adequately compensates for additional risk, securities where two of the three rating agencies (Fitch, Moody’s or Standard & Poor’s) have assigned ratings of Baa3 or BBB- ratings, can be purchased up to a maximum of 20% of total market value of fixed income securities. If the credit quality of any one issue should drop below investment grade (as defined by two of the three rating agencies – Fitch, Moody’s and Standard & Poor’s), the investment manager should notify the Trustees and the investment advisor immediately detailing their plan of action regarding the security.

Credit Risk

The Trust’s exposure to credit risk at May 31, 2009 is as follows:

Debt Investments	Quality Rating		
	AA	A	BB
Bond Mutual Funds	\$ 6,395,897	\$ 577,482	\$ 594,799

Interest Rate Risk

On May 31, 2009, the effective duration of the Trust’s debt investments, by type, was as follows:

Debt Investments	Fair Value	Effective Duration (Years)
Bond Mutual Funds	\$ 7,568,178	4.00

Pennsylvania Turnpike Commission Retiree Medical Trust

Notes to Financial Statements (continued)

5. Funding Status and Funding Progress

(Dollar Amounts in Thousands)

Fiscal Year Ended May 31	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2008 – transition year	\$ 14,000	\$ 228,067	\$ 214,067	6.1%	\$ 118,559	180.6%
2006	\$ –	\$ 167,785	\$ 167,785	–%	\$ 109,022	153.9%

The actuarial value of assets, AAL, and UAAL amounts for the fiscal years ended May 31, 2008 and 2006 in the above chart were obtained from actuarial valuations, prepared by an independent actuary, as of March 1, 2008 and February 28, 2006, respectively.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, is to present multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

The valuation measurements in the above chart are the result, in part, of estimates of the value of reported amounts and assumptions about the probability of events far into the future and such actuarially determined estimates are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Also, the valuation measurements are based, in part, on the types of benefits provided under the terms of the substantive plan at the time of the valuation and on the pattern of sharing of costs between the Employer and the plan members through the respective valuation dates. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the

Pennsylvania Turnpike Commission Retiree Medical Trust

Notes to Financial Statements (continued)

5. Funding Status and Funding Progress (continued)

Actuarial Methods and Assumptions (continued)

long-term perspective of the calculations. Following is a summary of the actuarial methods and assumptions used in the February 28, 2006 and March 1, 2008 valuations.

Actuarial cost method	Projected Unit Credit
Discount rate	8%
Rate of return on assets	8%
Amortization method	Level dollar
Amortization period	30 years (closed)
Asset valuation method	Fair value

Health Care Trend	Medical	Prescription Drugs	Dental	Vision
Initial Rate	10%	12%	5%	4%
Ultimate Rate	5% in 2012	5% in 2014	5%	4%
Annual Change	1% decrease	1% decrease	NA	NA
Cost	Incurred costs	Incurred costs	Incurred costs	Incurred costs

Salary increases were not considered as OPEB benefits are not based upon pay.

Required Supplementary Information

Pennsylvania Turnpike Commission Retiree Medical Trust

Schedule of Funding Progress (Unaudited)

(Dollars In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded Actuarial Accrued Liability (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
March 1, 2008	\$ 14,000	\$ 228,067	\$ 214,067	6.1%	\$ 118,559	180.6%
February 28, 2006	\$ —	\$ 167,785	\$ 167,785	—%	\$ 109,022	153.9%

The above schedule does not reflect information for three years as typically required by GASB Statement No. 43 because 2008 was the year of transition to GASB Statement No. 45 by the Employer. Therefore, GASB Statement No. 43 has been implemented prospectively.

Pennsylvania Turnpike Commission Retiree Medical Trust

Schedule of Employer Contributions (Unaudited)

(Dollars In Thousands)

Year Ended May 31	Annual Required Contribution	Percentage Contributed
2009	\$ 27,835	104.3%
2008	19,455	105.6%

APPENDIX B

Diversity Questionnaire

RFP 10-10320-2933

PENNSYLVANIA TURNPIKE COMMISSION

Diversity Questionnaire

I. Company Demographic Profile

Number of Employees (report employees in only one category) Race/Ethnicity														
Job Categories	Hispanic or Latino		Non-Hispanic or Latino											
	Male	Female	Male						Female					
			White	Black or African-American	Native Hawaiian or other Pacific Islander	Asian	American Indian or Alaska Native	Two or more races	White	Black or African-American	Native Hawaiian or other Pacific Islander	Asian	American Indian or Alaska Native	Two or more races
Executives/Senior Level Officials and Managers														
First/Mid-Level Officials and Managers														
Professionals														
Technicians														
Sales Workers														
Administrative Support Workers														
Craft Workers														
Operatives														
Laborers and Helpers														
Service Workers														
Total														
2009 Total														
2008 Total														

(NOTE: proposers can also attach Employer Information Reports EEO-1 for the last 3 years)

II. Demographic Profile of Staff Assigned to this Engagement

Number of Employees (report employees in only one category) Race/Ethnicity														
Job Categories	Hispanic or Latino		Non-Hispanic or Latino											
	Male	Female	Male						Female					
			White	Black or African-American	Native Hawaiian or other Pacific Islander	Asian	American Indian or Alaska Native	Two or more races	White	Black or African-American	Native Hawaiian or other Pacific Islander	Asian	American Indian or Alaska Native	Two or more races
Executives/Senior Level Officials and Managers														
First/Mid-Level Officials and Managers														
Professionals														
Technicians														
Sales Workers														
Administrative Support Workers														
Craft Workers														
Operatives														
Laborers and Helpers														
Service Workers														
Total														

III. Employment Practices Information

1. Please provide a copy of your company's equal opportunity and affirmative action policy.
2. Does your company actively recruit minority and women professionals for senior level positions? Yes or No

IV. MBE/WBE Certification Status

1. Is your company certified as a minority or woman-owned business enterprise with the certifying agencies listed above? Yes or No
2. If yes, please provide a copy of your certification.
3. If No, please list all other jurisdictions and/or certifying bodies that have deemed your company minority and/or women-owned. Also, please provide a copy of each certification.
4. If your company has applied for but has not, as of the issuance of the RFP, been certified as a minority or women-owned business enterprise by the certifying agencies listed above, you must submit proof of a pending application, including the filing date.

V. Strategic Plan and Diversity Initiatives

1. Please provide a copy of your company's Diversity Policy statement.
2. Does your company have a full-time "Director of Diversity" or someone whose primary responsibility is to oversee administration and compliance with the company's diversity business development? Yes or No
3. Separate from your company's Diversity Policy Statement, is your company's CEO or Chief Procurement Officer ("CPO") committed to and engaged in the process of diversity business development? Yes or No

If yes, please attach a signed statement from your CEO or CPO, if available.

4. Does your company have a registration process for disadvantaged, minority, and women-owned companies interested in doing business with you (Supplier Diversity)? Yes or No

5. Does your company currently track procurement spending with diversity, minority and women owned businesses? Yes or No

6. Does your company have a documented numeric goal for utilizing disadvantaged, minority, and women owned businesses as suppliers? Yes or No

If yes, please provide documentation of this goal as a percentage of total procurement dollars.

VI. Joint Venture / Strategic Partnerships / Sub-contracting (if applicable)

1. Has your company engaged in any prior partnering arrangements with certified MBE/WBE companies? (Responses should include the nature of the engagement, how such arrangement was structured, and a description of how the services and fee were allocated).
2. Please state your company's willingness, if any, to partner with a certified MBE/WBE. Explain how you would suggest structuring such an arrangement and allocating work in a manner that ensures that partnered MBE/WBE companies receive appropriate credit and compensation for the services they provide.