

**COMMONWEALTH OF PENNSYLVANIA
TREASURY DEPARTMENT
INVESTMENTS AND OTHER HOLDINGS AT BNY MELLON
AS OF JANUARY 20, 2009**

**INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING
AGREED-UPON PROCEDURES**

**PENNSYLVANIA TREASURY DEPARTMENT
INVESTMENTS AND OTHER HOLDINGS AT BNY MELLON
AS OF JANUARY 20, 2009**

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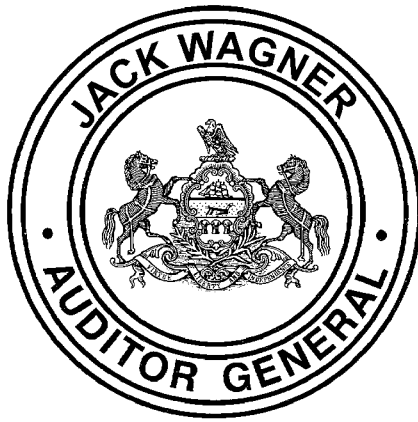
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**PENNSYLVANIA TREASURY DEPARTMENT
INVESTMENTS AND OTHER HOLDINGS AT BNY MELLON
AS OF JANUARY 20, 2009**

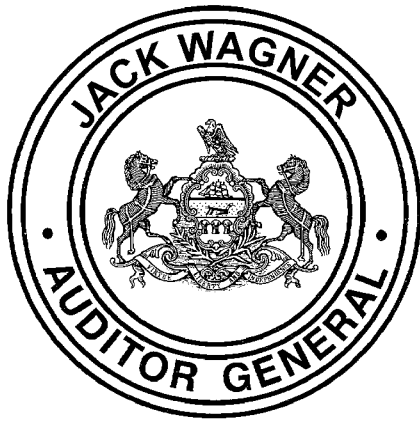
INTRODUCTION

Purpose:

On January 20, 2009, Robert M. McCord was sworn in as Pennsylvania’s new State Treasurer. After State Treasurer McCord assumed office, he requested the Pennsylvania Department of the Auditor General to perform an independent confirmation of investments and other holdings at BNY Mellon, for which the Department of Treasury was responsible, at the time he assumed office. The independent confirmation was requested to ensure a verification of Treasury’s reported investment and other holdings balances with BNY Mellon, the custodian at the time Treasury McCord assumed office. The Department of the Auditor General honored Treasurer McCord’s request and performed an “Agreed-Upon Procedures” engagement to independently verify the balances of investments and other holdings as of January 20, 2009. The results of this engagement are contained in this report.

Objective:

The objective of this engagement was to perform the procedures specified in this report, which were agreed to by the Pennsylvania Department of Treasury and Pennsylvania Department of Auditor General, solely to assist Treasury management in confirming the existence and market value of Department of Treasury investments and other holdings at BNY Mellon as of January 20, 2009, the date Treasurer McCord assumed the office of Pennsylvania State Treasurer.



**PENNSYLVANIA TREASURY DEPARTMENT
INVESTMENTS AND OTHER HOLDINGS AT BNY MELLON
AS OF JANUARY 20, 2009**

BACKGROUND

The Commonwealth's State Treasurer serves as chief executive officer of the department which, under the provisions of the Fiscal Code, (Act of 1929, P.L. 343, No. 176), as amended (72 P.S. § 1 et seq.), and the Administrative Code of 1929 (Act of 1929, P.L. 177, No. 175), as amended (71 P.S. § 51 et seq.), is responsible for the receipt, deposit, investment, and disbursement of all Commonwealth funds.

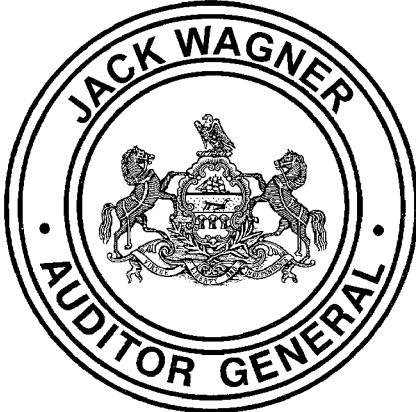
The Treasury Department (department) manages equity and fixed-income investments for Commonwealth agencies, the Tuition Account Program (TAP), and fixed income investments for local governments and charitable and nonprofit entities (INVEST). Additionally, the department is custodian for investments in the Public School Employees' Retirement System, the State Employees' Retirement System, the Pennsylvania Municipal Retirement System, the State Workmen's Insurance Fund, the Workmen's Compensation Security Fund, the Tobacco Settlement Fund, the Insurance Liquidation Fund, and the Underground Storage Tank Indemnification Fund.

In addition to investments, the department has custody of safekeeping assets and unclaimed property. Safekeeping assets are deposits and securities held by the department as collateral to satisfy contractual arrangements made by the Commonwealth agencies. Unclaimed property is surrendered by holders for the benefit of owners. Unclaimed property securities are delivered to BNY Mellon for liquidation.

Sections 301, 301.1 and 303 of the Fiscal Code and Section 1101.1 of the Administrative Code govern deposit and investment policies of the department.

Securities purchased pursuant to Section 301.1 of the Fiscal Code and Section 1101.1 of the Administrative Code are normally held for the account of the department by the Custodial Investment Accounts at the Bank of New York Mellon or other depositories.

Section 303 of the Fiscal Code imposes custodial responsibilities on the department for securities received from any Commonwealth agency, board or commission. Section 303 also authorizes the department to contract and participate, either directly or indirectly, with the Depository Trust Company, or a similar depository company, for the deposit of securities and the execution of securities transactions.



Independent Accountant's Report on Applying Agreed-Upon Procedures

The Honorable Robert M. McCord
Pennsylvania Department of Treasury
129 Finance Building
Harrisburg, PA 17112

We have performed the procedures enumerated below, which were agreed to by the Pennsylvania Department of Treasury and Pennsylvania Department of Auditor General solely to assist you in confirming the existence and market valuation of securities held by BNY Mellon on the attached Schedule of Investments and Other Holdings at BNY Mellon as of January 20, 2009 for the affiliates listed below. The Department of Treasury is responsible for the Schedule of Investments and Other Holdings at BNY Mellon as of January 20, 2009. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The agreed-upon procedures were as follows:

1. Obtain the Schedule of Investments and Other Holdings at BNY Mellon as of January 20, 2009 and a detailed Treasury listing of securities held as of January 20, 2009 for the following affiliates subject to this engagement:
 - Public School Employees Retirement System
 - State Employees' Retirement System
 - Benefits Completion Plan Fund
 - Deferred Compensation Fund
 - Deferred Compensation – Short Term Portfolio
 - PA Municipal Employees Retirement System
 - Tobacco Settlement Fund
 - Workers' Compensation Security Fund

- INVEST Program
 - Higher Education System
 - Tuition Account Program Guaranteed Savings Plan
 - Lottery Fund
 - Global Security Lending Revenue Investment Fund
 - State Workers Insurance Fund
 - Underground Storage Tank Fund
 - Insurance Liquidation Fund
 - Workers' Compensation Administration Fund
 - Liquid Asset Pool (99)
 - Common Investment Pool (98)
 - Treasury PSERS Pool (135)
 - Treasury Custodial Pool (124)
 - Consolidated Cash Pool
 - Commonwealth Financing Authority
 - Other Post Employment Benefits Fund
 - General Fund
 - Motor License Fund
 - Safekeeping Assets
 - Unclaimed Property
2. For each affiliate subject to our engagement in step 1, perform the following:
 - a) Foot each detailed list of securities to ensure clerical accuracy.
 - b) Aggregate the totals of each affiliate on Treasury's detailed list of securities and reconcile to the Schedule of Investments and Other Holdings at BNY Mellon as of January 20, 2009.
 3. Request electronic data files from BNY Mellon that list each security along with the related market values held by the affiliates as of January 20, 2009:
 - a) Use computer-assisted audit techniques to summarize the BNY Mellon data.
 - b) Agree each affiliate on Treasury's detailed schedule to the BNY Mellon data.
 - c) Investigate differences identified in step b) above.
 4. Perform detailed testing to confirm the accuracy of the reconciling items, including confirmation with other outside parties, as applicable.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying Schedule of Investments and Other Holdings at BNY Mellon as of January 20, 2009. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

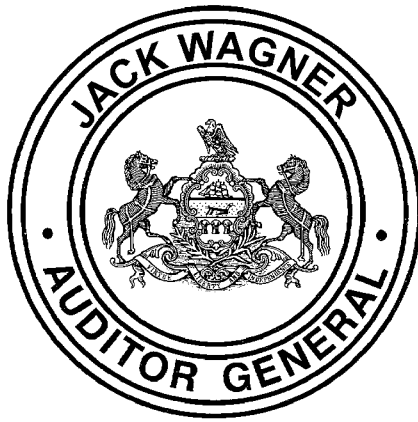
During the course of this engagement, we learned that certain investments for three of the above affiliates were not held at BNY Mellon, so we did not perform the above agreed-upon-procedures as described above. We performed alternate confirmations, which were agreed to by the Pennsylvania Department of Treasury and Pennsylvania Department of Auditor General, within these three affiliates as follows:

- For \$5,594 in fixed income securities included on the attached Investments and Other Holdings Schedule in the State Employees Retirement System (SERS), we did not confirm these investments with Mellon, but performed an alternate confirmation with another independent third party.
- For \$173,048,076 included on the attached Investments and Other Holdings Schedule as real estate held by the PA Municipal Employees Retirement System (PMRS), we did not confirm these investments as of January 20, 2009 with Mellon, but obtained an alternate confirmation as of December 31, 2008 directly from PMRS.
- For \$146,820,811 of Public School Employees Retirement System (PSERS) investments in fixed income securities included in the attached Investments and Other Holdings Schedule, we did not confirm these investments with Mellon, but obtained an alternate confirmation directly from PSERS.

This report is intended solely for the information and use of the Department of Treasury management, and is not intended to be and should not be used by anyone other than this specified party.

April 30, 2010

JACK WAGNER
Auditor General



**PENNSYLVANIA TREASURY DEPARTMENT
INVESTMENTS AND OTHER HOLDINGS AT BNY MELLON
AS OF JANUARY 20, 2009**

Investments By Type	Amount
Equities	\$21,566,501,731
Fixed Income	23,938,413,260
Real Estate	7,187,293,416
Alternative Investments	21,179,620,200
Cash and Cash Equivalents	8,725,885,404
Net Receivable/(Payable) for Investments Purchased or Sold	(458,270,673)
Total Investments at BNY Mellon	\$82,139,443,338
Custody Holdings	
Safekeeping Assets	\$ 1,064,134,359
Unclaimed Property	1,347,562
Total Custody Holdings at BNY Mellon	\$ 1,065,481,921
Total Investments and Custody Holdings at BNY Mellon	\$83,204,925,259

**PENNSYLVANIA TREASURY DEPARTMENT
INVESTMENTS AND OTHER HOLDINGS AT BNY MELLON
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<u>Investments by Affiliate</u>	<u>Investment Balance</u>
Pennsylvania Public School Employees Retirement System (PSERS)	\$43,792,761,616
Pennsylvania State Employees Retirement System (SERS)	22,758,360,648
Pennsylvania State Employees Retirement System Benefits Completion Plan	-
Deferred Compensation	634,851,934
Deferred Compensation Fund 110 (Short-term)	-
Pennsylvania Municipal Employees Retirement System (PMRS)	1,134,314,455
Tobacco Settlement Fund	830,176,947
Workers' Compensation Security Fund	433,441,737
INVEST Program	770,812,213
Higher Education System	39,717,225
Tuition Account Program	737,522,001
Lottery Fund	5,697,098
Global Securities Lending Revenue Fund	1,613,860
State Worker's Insurance Fund	1,612,516,644
Underground Storage Tank Fund	73,785,224
Insurance Liquidation Fund	1
Workers' Compensation Administration Fund	81,765,117
Liquid Asset Pool 99	-
Common Investment Pool 98	3,166,537,589
Treasury Custodial Pool 124	-
Consolidated Cash Pool	5,592,735,238
Commonwealth Financing Authority	397,566,366
Other Post Employment Benefits Fund	75,267,425
General Fund	-
Motor License Fund	-
Total Investments at BNY Mellon – All Affiliates	<u><u>\$82,139,443,338</u></u>