PENSION RESERVES INVESTMENT TRUST FUND

(A Component Unit of the Commonwealth of Massachusetts)

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2011

Prepared By

Pension Reserves Investment Management Board Staff

For More Information

All correspondence may be directed to:

Paul Todisco

Senior Client Service Officer

Pension Reserves Investment Management Board

84 State Street

Boston, MA 02109

Telephone: 617-946-8423 (Direct)

Facsimile: 617-946-8475

Website: www.mapension.com

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Introductory Section

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Pension Reserves Investment Management Board

84 State Street, Suite 250
Boston, Massachusetts 02109

Steven Grossman, Chair
Michael G. Trotsky, CFA, Executive Director

December 6, 2011

To Chairman Grossman, the Trustees of the Pension Reserves Investment Management (PRIM) Board, Committee members, Participants, and Beneficiaries:

I am pleased to transmit the Comprehensive Annual Financial Report (CAFR) of the Pension Reserves Investment Trust (PRIT) Fund, a component unit of the Commonwealth of Massachusetts, for the fiscal year ending June 30, 2011. The document that follows is the seventh CAFR to be produced in the 27-year existence of PRIT. We hope that you will find PRIT's CAFR to be useful in understanding the performance and financial position of the Fund at June 30, 2011.

The CAFR contains the basic financial statements presented in accordance with generally accepted accounting principles (GAAP) and the standards applicable to financial audits contained in *Government Auditing Standards*. The CAFR and the basic financial statements are the responsibility of the PRIT Fund's trustee, the PRIM Board. The 2011 audit was conducted by KPMG LLP, a firm of licensed certified public accountants.

The CAFR is divided into four major sections:

> **Introductory Section:** This section contains the letter of transmittal, the Certificate of Achievement for Excellence in Financial Reporting, and outlines PRIM's organizational structure.
>
> **Financial Section:** This section contains the report of the independent auditors, Management's Discussion and Analysis (MD&A), the financial statements of the PRIT Fund, the notes to the financial statements, and supporting schedules.
>
> **Investment Section:** This section contains a summary of the PRIT Fund's investment strategy, investment policies, investment holdings, investment results, and supporting tables and schedules.
>
> **Statistical Section:** This section contains information regarding financial ratios of the PRIT Fund.

Within the financial section, the MD&A follows the independent auditors' report and provides an overview of PRIT's financial statements and financial results. The MD&A complements this letter of transmittal and should be read in conjunction with this letter. Responsibility for both the accuracy and completeness of the data and the contents of this report rests with the PRIT Fund's trustee, the PRIM Board. The PRIM Board has implemented a system of internal controls designed to provide reasonable assurance that the financial statements are free from material misstatements, that all assets will be properly safeguarded, and that transactions will be properly executed. Because of inherent limitations, internal controls over financial reporting cannot provide absolute assurance of achieving financial reporting objectives.

Profile of the PRIT Fund

The PRIT Fund is a pooled investment trust established to invest the assets of the Massachusetts State Teachers' and Employees' Retirement Systems, as well as the assets of county, authority, district, and municipal retirement systems. The PRIT Fund was created by the Legislature in 1983 (Chapter 661 of the Acts of 1983) with a mandate to accumulate assets through investment earnings to reduce the Commonwealth's unfunded pension liability, and to assist local participating retirement systems in meeting their future pension obligations. The PRIT Fund merged with the Massachusetts State Teachers' and Employees' Retirement Systems (MASTERS) Trust in 1997, in accordance with Chapter 315 of the Acts of 1996.

The Massachusetts State Teachers', State Employees', and State-Boston/Teachers' Retirement Systems are mandated by statute to invest all of their assets in the PRIT Fund, while other retirement systems may, but are not required to, invest all or part of their assets in the PRIT Fund. Chapter 84 of the Acts of 1996 explicitly confirmed retirement boards' authority to invest not just in the PRIT Fund General Allocation Account, but also in individual asset classes of the PRIT Fund through a segmentation program that provides local retirement boards with the flexibility to invest in specific PRIT Fund asset classes that best fit their needs. See Note 1 of the financial statements for more information on the profile and background of the PRIT Fund.

The most recent Public Employee Retirement Administration Commission (PERAC) valuation report, dated January 1, 2011, calculated the Commonwealth's unfunded actuarial pension liability at approximately $19 billion. The PERAC valuation report estimates that, as of January 1, 2011, the pension liability is 71.1% funded using a target date of 2040.

PRIM seeks to maximize the return on PRIT Fund investments within acceptable levels of risk by broadly diversifying its investment portfolio, capitalizing on economies of scale to achieve cost-effective operations, and providing access to high quality, innovative investment management firms. As of June 30, 2011, the PRIT Fund had approximately $50.2 billion in net assets.

The PRIT Fund's Investment Policy Statement establishes investment objectives and policies designed to provide a framework for implementing investment strategy and oversight. A summary of the Investment Policy Statement is included in the Investment Section. PRIM utilizes a custodian bank to safeguard investment holdings and to ensure the proper settlement and recording of investment and cash transactions.

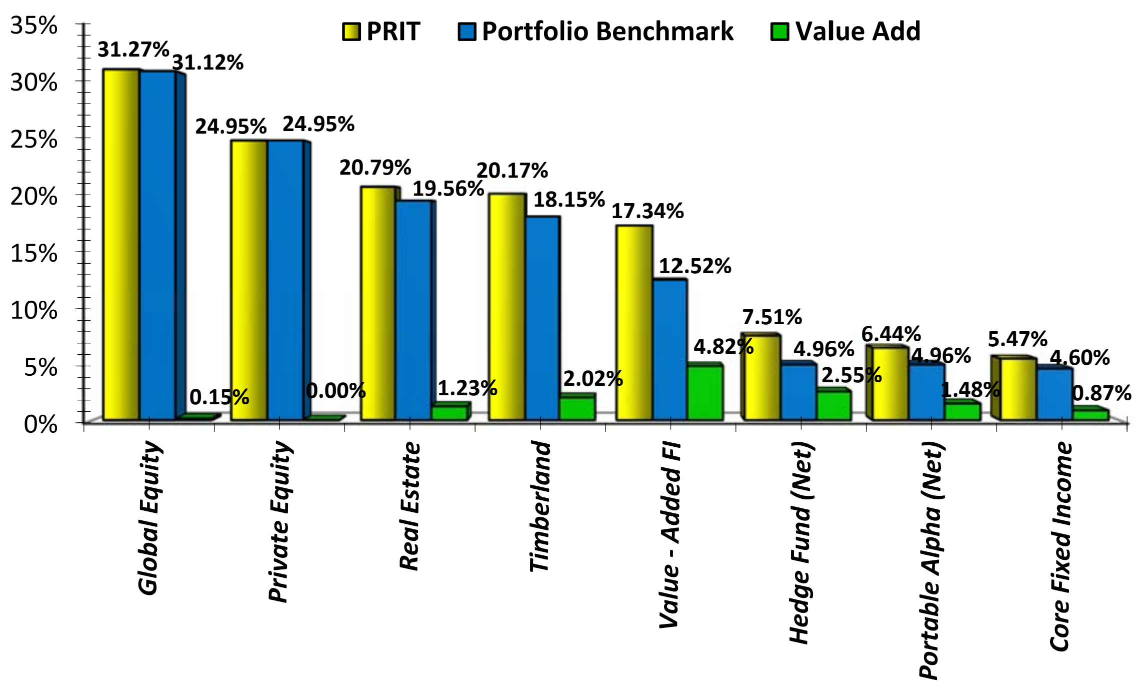
Investment Initiatives

As Executive Director, my top priorities are to see that PRIT's asset allocation, risk profile, and return objectives are appropriate so that long-term performance meets or exceeds the legislatively-mandated 8.25% return, outperforms its policy benchmark, and compares favorably to the performance of other public funds. I am pleased to report that the PRIT Fund returned 22.3% for the fiscal year ending in June 2011, the strongest year in PRIT's history with the exception of fiscal year 1986 when the Fund rose 28.1%. In addition, the PRIT Fund outperformed its policy benchmark by 59 basis points for the fiscal year 2011. In dollar terms, the PRIT Fund grew approximately $9 billion to $50.2 billion, and the 59 basis points in outperformance translates into approximately $250 million of added value to the PRIT Fund.

It is noteworthy that comparisons to the 1980s are unfair to today's investor. Bond yields were 10.2% at the start of fiscal 1986, over three times the 2.8% bond yield at the start of fiscal 2011. The S&P 500 dividend yield stood at 4.7%, over two times the 2.1% dividend yield last year, and the S&P 500 price/earnings ratio was a very modest 10.0 at the start of fiscal 1986, one-third lower than the 15.4 ratio at the start of fiscal 2011. Set against these market conditions, the PRIM Board should consider PRIT's 22.3% fiscal year 2011 return a great achievement.

The outstanding returns for fiscal year 2011 ranked the PRIT Fund in the 39th percentile of the Trust Universe Comparison Service report for the one-year period ended June 30, 2011, which was a significant improvement over the preceding two fiscal years. Fiscal year 2011 represented the second consecutive year of strong, double digit performance for the PRIT Fund.

The PRIT Fund was well served in fiscal year 2011 by its diversified portfolio, as all asset classes enjoyed positive results and all exceeded their respective benchmarks, as can be seen in the following graphic.



Although we are very pleased with fiscal year 2011 performance, PRIM has never been an organization to rest on its laurels. After two very strong years of performance in 2011 and 2010, our outlook turned more cautious this summer as our research indicated that the risk/return profile of our Global Equity investments became marginally less favorable. In the spirit of maintaining PRIM's legacy of excellent performance and innovation, PRIM launched several major initiatives, detailed below, designed to maximize the return while minimizing overall portfolio risk.

I. Asset Allocation

We believe that the most significant contributor to investment performance is asset allocation – being in the right asset classes at the right time – and as such we contracted with NEPC in April 2011 to evaluate and recommend any appropriate revisions to the asset allocation targets that were adopted by the Board in 2009. Our research showed that equity markets had nearly doubled in value since the time of our previous asset allocation study, and they no longer offered the same compelling risk/reward profile. The new target asset allocation policy, adopted by the Board on August 2, 2011, lowers the overall risk of the portfolio, while still maintaining a long-term expected return projected to be sufficient to achieve full funding of the Commonwealth's unfunded pension liabilities by 2040. This new asset allocation policy reduces Global Equities to 43% from 49% of the Fund, and redeploys those assets to Hedge Funds and Value-Added Fixed Income, where we believe the risk/return profile is more favorable. The target allocation to Hedge Funds will increase to 10% from 8%, with the additional allocation dedicated to the Direct Hedge Fund program (more about that in the next paragraph). Value-Added Fixed Income will increase to 10% from 6%, and within that portfolio, high yield bonds/banks loans will increase to 3% from 2%; private debt will move to 4% from 3%; and a new allocation, emerging markets debt, local currency, will be given a 2% allocation.

	Former	**Current**
U.S. Large Cap	17%	15%
U.S. Small/Mid Cap	4%	4%
International	21%	17%
Emerging Markets	7%	7%
Total Global Equity	***49%***	***43%***
Core Bonds	10%	10%
TIPS	3%	3%
Total Core Fixed Income	***13%***	***13%***
High Yield/Bank Loans	2%	3%
EMD (Dollar Denominated)	1%	1%
EMD (Local Currency)	0%	2%
Private Debt	3%	4%
Total Value Added Fixed Inc.	***6%***	***10%***
Private Equity	***10%***	***10%***
Real Estate	***10%***	***10%***
Timber	***4%***	***4%***
Hedge Funds	***8%***	***10%***
5-7 Year Expected Return	**7.7%**	**7.7%**
30 Year Expected Return	**9.1%**	**9.1%**
Risk (Std. Deviation)	**12.4%**	**11.9%**
Sharpe Ratio	**0.42**	**0.44**

II. Direct Hedge Funds

After comprehensive research, we determined that PRIM's hedge fund program would be likely to produce better returns at a much lower cost if PRIM invested directly in hedge funds versus the current fund-of-funds structure. To that end, the PRIM Board approved a $500 million pilot program for direct hedge funds, or about one percent of the total hedge fund portfolio. We selected Cliffwater LLC as the direct hedge fund consultant to help staff implement the new program. The first tranche of direct hedge fund managers was approved by the board on October 2, 2011 and 9 direct hedge fund managers were funded in November. We anticipate that a second tranche of 10 managers will be presented to the Investment Committee in November and to the Board in December, and if approved, funded in early 2012.

III. Risk Management

Obtaining the highest return possible within an acceptable level of risk is an important goal of any successful investment program. Capital market assumptions predict the expected returns of asset classes within a portfolio and help to inform asset allocation decisions, but this information must be coupled with a sound understanding of risk characteristics in order to gain a more complete understanding of PRIT's portfolio and how it might behave. Throughout my career in investment management, I have been accustomed to working with risk measurement systems and have found them to be an invaluable tool in making informed investment decisions regarding asset allocation, the selection, evaluation, and monitoring of managers, and portfolio rebalancing. This year, PRIM has added a state-of-the-art risk measurement system to its toolkit by contracting with MSCI Barra, a provider of risk management systems, to model the PRIT portfolio so that much greater insight into the risk characteristics of the portfolio can be integrated into our decision-making processes. Additionally, PRIM has launched a new relationship with the M.I.T. Sloan School of Management with a focus on risk management in order to ensure that we are utilizing the most current techniques possible.

IV. Operations Initiatives

The finance and operations staff had many key accomplishments during the year, one of which is that we ended the year below budget operationally due to savings in salaries, information technology, and insurance. Other achievements include:

- The adoption of new best-practices proxy voting guidelines pertaining to corporate boards, executive compensation, consumer lending, board diversity, equal employment opportunity, and sustainability.
- The launch of a new PRIM website.
- The appointment of seven new Committee members and the creation of a new Compensation Committee.
- The streamlining of the process for evaluation of potential participation in class action and related litigation matters – sourcing an Evaluation Counsel.

- The completion of a third party audit of foreign exchange trading costs, which uncovered systematic overcharging, and accordingly, PRIM took appropriate actions to 1) recover loses, and 2) ensure that overcharging does not continue.

V. Procurements

In support of its major initiatives, PRIM conducted 11 open competitive procurements during fiscal year 2011 for an array of mandates including investment consulting services for asset allocation, investment consulting for direct hedge fund investments, consulting services for real estate investments, external legal counsel services, non-core real estate investment services, risk measurement systems, proxy voting services, a vendor to run the PRIM Board elections, and a website designer.

VI. Staffing

Four staff members left PRIM in fiscal year 2011 for other opportunities. Karen Gershman, Chief Operating Officer and Chief Financial Officer, Wayne Smith, Senior Investment Officer- Private Equity, and David Landy, Chief Technology Officer, all resigned to take positions in the private sector. Ken Anadu, Investment Analyst, left to join the Federal Reserve Bank of Boston. During this same time frame four new staff members joined the team, including Qingmei Li, Manager of Financial Reporting, Katherine O'Neil, Director of Finance, Sarah Samuels, Investment Officer-Public Markets, and Chris Supple, General Counsel. Additionally, we established a new risk management department, several staff members received promotions, and one staff member (Peony Keve) moved from the public markets team to the private equity team. Subsequent to our fiscal year-end, Michael Langdon, Investment Officer for Private Equity, resigned to join the private sector and Michael Carritte, Investment Analyst, joined the PRIM staff.

I would like to recognize and thank Karen, Wayne, and Michael for their long and dedicated service to the Commonwealth and for their many, invaluable contributions to PRIM.

VII. Technology

PRIM's major fiscal year 2011 technology initiative was the redesign of the PRIM website. We have redesigned the website to be more intuitive and user-friendly, which we hope will allow our constituent groups, and in particular our client investors, to navigate more easily through the various levels of important information presented. Though we are representing the site as a re-launch, this website is, and will always remain, a work-in-progress. We welcome users' input and feedback on how well the site is achieving our goal of providing the most up-to-date PRIM news, while serving as a gateway for our clients to gain access to their current account information. As you explore the website, you will be able to easily locate archived newsletters, past PRIT performance, a calendar of events, PRIM team biographies, annual reports, and more. Beginning in December, the "Chairman's Corner" and the "Executive Director's Corner" will provide PRIM with opportunities to update you regularly on our organization, Board activities, initiatives, current events, performance, and the financial markets.

VIII. Legislative Matters

During fiscal year 2011, PRIM implemented mandates enacted by the Legislature and signed into law by the Governor. For example, we worked diligently to comply with the provisions of the Iran Divestiture Law, Chapter 232 of the Acts of 2010, An Act Relative to Pension Divestment from Certain Companies that Invest in the Republic of Iran. Signed into law on August 4, 2010, Chapter 232 requires that 50% of PRIT's targeted holdings be divested by June 30, 2011, and 100% of the PRIT holdings be divested by December 31, 2011. I am pleased to report that we are on track to fully comply with these requirements. Chapter 240 of the Acts of 2010 (Chapter 240), the Economic Development Reorganization Act, signed into law on August 5, 2010, amends PRIM's enabling statute by requiring PRIM to establish guidelines for investing in Massachusetts-based small businesses, and requires the PRIM Board to invest $25 million to $50 million in banks and/or financial institutions that will make loans to small businesses in the Commonwealth, as long as such investment is consistent with sound investment policy. We have been meeting throughout the year with policy makers on Beacon Hill to update them on the progress of PRIT's Economically Targeted Investment (ETI) Program in implementing this law. Today, our ETI Program has fulfilled many of the requirements of Chapter 240.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to PRIT for its CAFR for the fiscal year ended June 30, 2010. This was the sixth consecutive year that the PRIT Fund has achieved this prestigious award. In order to be awarded a Certificate of Achievement for Excellence, a government entity must publish an easily readable and efficiently organized financial report. This report must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is only valid for a period of one year. We believe that our current CAFR continues to meet the criteria of the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

This year, PRIM welcomed a new Chairman, Steven Grossman, who was elected State Treasurer and Receiver-General in November 2010 and became Chairman of the PRIM Board in January 2011. I am very grateful to Chairman Grossman and his staff for their full and unwavering support of the initiatives that PRIM undertook in fiscal year 2011. I would like to thank Chairman Grossman for the inspirational leadership and creativity he has brought to PRIM, informed by his many years as a successful business owner and respected public figure. During fiscal year 2011 the Chairman established a Compensation Committee of the PRIM Board in accordance with Section 41 of Chapter 68 of the Acts of 2011 (the fiscal year 2012 Commonwealth of MA budget). Also, in recognition of the need to repopulate PRIM's advisory committees due to vacancies, the Chairman appointed seven new committee members this year. Constance M. Everson, CFA, a highly regarded strategist, economist, and Managing Director of Capital Markets Outlook Group, and Edward W. Kane, a private equity expert and founder of HarbourVest

Partners, were appointed to the Investment Committee. Shanti A. Fry, a finance professional, PRIM alumna Karen E. Gershman, CPA, COO of Health Advances, Renée M. Landers, Esq., a Suffolk University Law Professor, and Michele A. Whitham, Esq., a Partner at Foley Hoag, were appointed to the Audit and Administration Committee. Ms. Fry and Ms. Whitham also serve on the newly formed Compensation Committee as does Ruthanne Fuller, Alderman-at-Large Newton Ward 7. These new Committee members bring to PRIM a wealth of knowledge and experience in investment, finance, corporate governance, and law. These appointments strengthen PRIM's committee structure and the high caliber of appointees serves the public well by enhancing the decision-making process. I would also like to thank Robert Foy, an active member of the Quincy Retirement Board, who served honorably for eight years on PRIM's Audit and Administration Committee before stepping down this year. Finally, I would like to congratulate Board members Robert (Bob) L. Brousseau, the Massachusetts State Teachers' elected member, and Paul E. Shanley, Esq., the Massachusetts State Employees' elected member, on their decisive reelection bids. Bob, who was first elected to the PRIM Board in 1987 and, having served continuously since then, is considered the Dean of the PRIM Board, and Paul, who was first elected in 2008, began serving their new three-year terms on July 1, 2011. In addition to being PRIM Board members, Bob is Chair of the Administration and Audit Committee and Paul is a member of the Investment Committee.

Very respectfully,

Michael G. Trotsky, CFA
Executive Director, PRIM Board

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Pension Reserves Investment Trust Fund, Massachusetts

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

Pension Reserves Investment Management Board

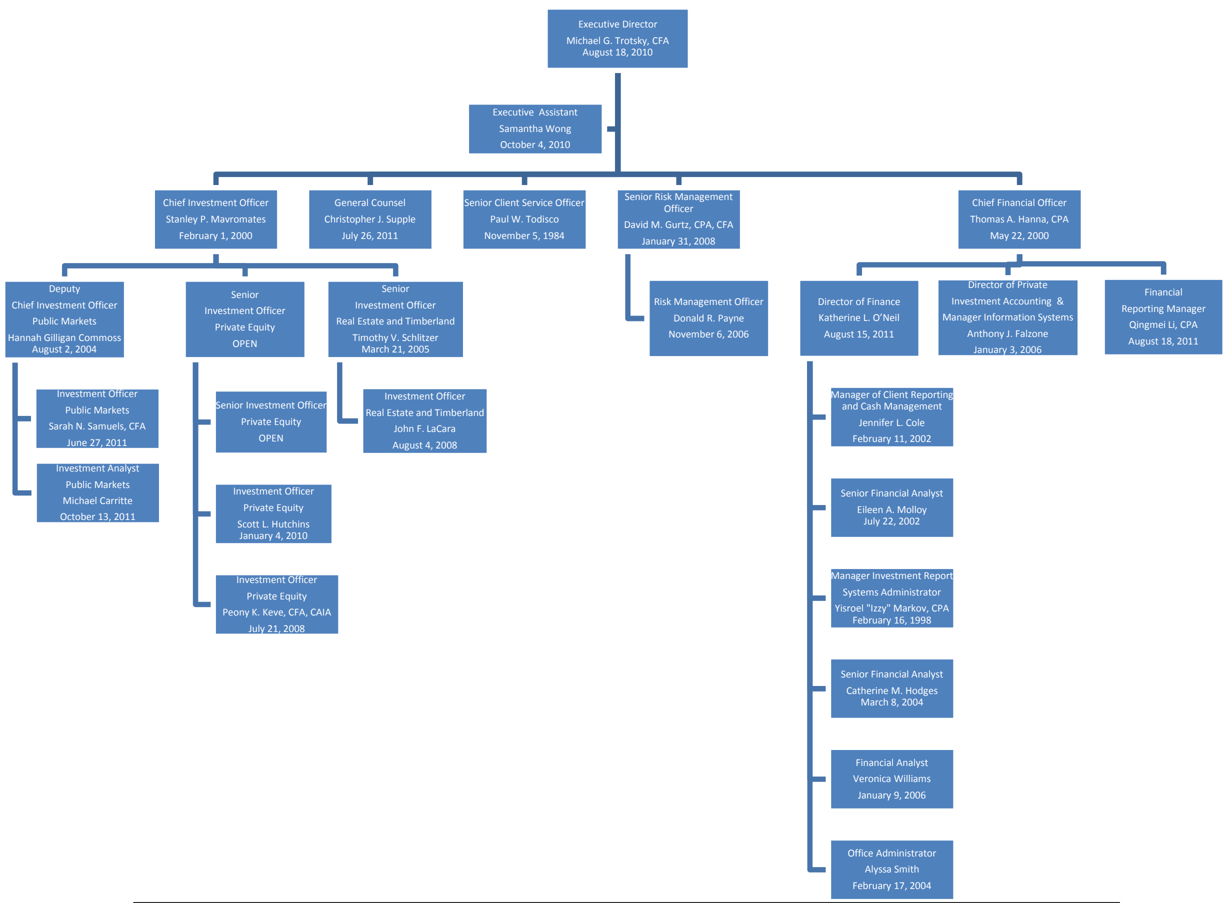
(9 Appointed and Elected Trustees)

Treasurer Steven Grossman – Chair

Alexander E. Aikens, III	Theresa McGoldrick
C. LaRoy Brantley	Greg Mennis
Robert Brousseau	Dana Pullman
John "Jay" Dow	Paul E. Shanley

Investment, Audit/Administration, Compensation & Real Estate Committees

24 PRIM Professional Staff



<u>PRIT Fund as of 6/30/2011- $50.2 Billion</u>

17 Public Securities Managers Investing 24 Portfolios

14 Managers in Real Estate, Timber, Natural Resources & REITs

8 Economically Targeted Investment Managers

101 Managers in 200+ Private Equity Partnerships

5 Hedge Fund of Funds Managers

General / Hedge Fund, Private Equity and Real Estate / Timber Consultants

Beneficiaries:

State Teachers, State Employees,

& 92 Local Retirement Systems

PRIM Board Trustees

Advisory Committees to the PRIM Board

Investment Committee

Steven Grossman
Ex Officio Board Member
C. LaRoy Brantley
Board Member
Paul E. Shanley
Board Member
Constance M. Everson, CFA
Managing Director, Capital Markets Outlook Group
Edward W. Kane
Senior Advisor, HarbourVest Partners, LLC
Glenn P. Strehle
Treasurer Emeritus at MIT

Real Estate Committee

Alexander E. Aikens III, Chair
Chair and Board Member
Steven Grossman
Ex Officio Board Member
John "Jay" Dow
Board Member
Jill S. Hatton, CRE
Real Estate Investment Professional
Garlan Morse, Jr., CRE
Morris and Morse Company, Inc.
Dr. Jack Lutz
Forest Research Group
Peter O'Connell
Marina Bay Company
William F. McCall, Jr.
McCall & Almy, Inc.

Advisory Committees to the PRIM Board, continued

Administration & Audit Committee

Robert Brousseau, Chair
Chair and Board Member
Steven Grossman
Ex Officio Board Member
Theresa McGoldrick
Board Member
Shanti A. Fry
Finance Professional
Theodore C. Alexiades
Hingham Town Administrator
Patrick Brock
Chairman, Hampshire County Retirement Board
Renée M. Landers
Professor of Law, Suffolk University Law School
Michele A. Whitham, Esquire
Partner, Foley Hoag
Karen E. Gershman, CPA
Chief Operating Officer, Health Advances

Compensation Committee

Steven Grossman
Ex Officio Board Member
Robert Brousseau
Board Member
Shanti Addison Fry
Finance Professional
Patrick Brock
Chairman, Hampshire County Retirement Board
Ruthanne Fuller
Alderman at Large – Newton Ward 7
Michele A. Whitham, Esquire
Partner, Foley Hoag

PRIM Board Investment Consultants

Hewitt EnnisKnupp
General Consultant and Hedge Fund Consultant Services

The Townsend Group
Real Estate Consultant Services

Cliffwater LLC
Direct Hedge Funds Consultant Services

Hamilton Lane
Private Equity Consultant Services

New England Pension Consultants (NEPC)
Asset Allocation Consultant Services

Financial Section

KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Independent Auditors' Report

The Administrative and Audit Committee and Trustees
Pension Reserves Investment Management Board and Participating and
Purchasing Systems of the Pension Reserves Investment Trust Fund:

We have audited the accompanying statements of pooled net assets of the Pension Reserves Investment Trust Fund (PRIT), a component unit of the Commonwealth of Massachusetts, as of June 30, 2011 and 2010, and the related statements of changes in pooled net assets for the years then ended. These financial statements are the responsibility of PRIT's management. 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 of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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 PRIT'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 pooled net assets of PRIT as of June 30, 2011 and 2010, and the changes in its pooled net assets for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report, dated October 11, 2011, on our consideration of PRIT's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 19 through 22 is not a required part of the financial statements but is supplementary information required by U.S. generally accepted accounting principles. 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, therefore, express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supporting schedules, introductory, investment, and statistical sections are presented for purposes of additional analysis and are not a required part of the financial statements. The supporting schedules presented on pages 49 and 50 have been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory, investment, and statistical sections have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

KPMG LLP

October 11, 2011

Management's Discussion and Analysis

June 30, 2011 and 2010

This section presents management's discussion and analysis of PRIT's financial performance for the fiscal years ended June 30, 2011 and 2010 and should be read in conjunction with the financial statements, which follow this section.

PRIT is a pooled investment fund, created in 1983 through Massachusetts legislation, that invests the assets of the State Teachers' and State Employees' Retirement Systems, as well as the assets of county, authority, school district and municipal retirement systems that choose to invest in PRIT.

The investment return percentages reported in management's discussion and analysis are presented gross of management fees.

Overview of the Financial Statements

The financial statements include the statements of pooled net assets and the statements of changes in pooled net assets. They present the financial position of PRIT as of June 30, 2011 and 2010 and its financial activities for the years then ended. The notes to the financial statements provide further information that is essential to a full understanding of the financial statements. The notes describe the significant accounting policies of PRIT and provide detailed disclosures on certain account balances. The supplementary schedules of pooled net assets and changes in pooled net assets on pages 49 and 50 separately display the balances and activities of the Capital Fund and Cash Fund of PRIT.

The financial statements of PRIT are reported using the economic resources measurement focus and the accrual basis of accounting. They are prepared in conformity with U.S. generally accepted accounting principles.

Financial Highlights

Fiscal Year 2011

- The net assets of PRIT increased approximately $9.0 billion during the year ended June 30, 2011. Total net assets were approximately $50.2 billion at June 30, 2011, compared to $41.3 billion at June 30, 2010.
- Net investment income for fiscal year 2011 was approximately $9.2 billion, compared to net investment income of $4.7 billion for the prior fiscal year. PRIT returned 22.30% in fiscal year 2011, compared to 12.82% in fiscal year 2010.
- Contributions to PRIT totaled approximately $2.7 billion during fiscal year 2011, compared to $1.7 billion in 2010. Other participant contributions increased by approximately $915 million in the fiscal year 2011.
- Redemptions from PRIT totaled approximately $2.9 billion during the year ended June 30, 2011, compared to approximately $2.8 billion during the year ended June 30, 2010.

(Continued)

Management's Discussion and Analysis

June 30, 2011 and 2010

Fiscal Year 2010

- The net assets of PRIT increased approximately $3.6 billion during the year ended June 30, 2010. Total net assets were approximately $41.3 billion at June 30, 2010, compared to $37.7 billion at June 30, 2009.
- Net investment income for fiscal year 2010 was approximately $4.7 billion, compared to net investment loss of $12.5 billion for the prior fiscal year. The increase was due to positive investment performance in fiscal year 2010 compared to negative returns in fiscal year 2009. PRIT returned 12.82% in fiscal year 2010, compared to a negative 23.87% in fiscal year 2009.
- Contributions to PRIT totaled approximately $1.7 billion during fiscal year 2010, compared to $2.1 billion in 2009. Other participant contributions decreased by approximately $370 million in the fiscal year 2010.
- Redemptions from PRIT totaled approximately $2.8 billion during the year ended June 30, 2010, compared to approximately $2.5 billion during the year ended June 30, 2009.

Condensed Financial Information

Summary balances and activities of PRIT as of and for the years ended June 30, 2011, 2010, and 2009 are presented below.

		June 30		
		2011	2010	2009
		(Amounts in thousands)		
Summary of pooled net assets:				
Assets:				
Investments	$	50,139,509	41,203,940	37,906,334
Cash		76,926	179,650	118,468
Receivables and other assets		460,891	791,147	922,949
Total assets		50,677,326	42,174,737	38,947,751
Liabilities:				
Management fees payable to PRIM		19,345	14,606	16,942
Other liabilities		412,215	875,821	1,241,560
Total liabilities		431,560	890,427	1,258,502
Net assets held in trust for pool participants	$	50,245,766	41,284,310	37,689,249

(Continued)

Management's Discussion and Analysis

June 30, 2011 and 2010

	June 30 2011	2010	2009
		(Amounts in thousands)	
Summary of changes in pooled net assets:			
Additions:			
Contributions	$ 2,691,112	1,689,603	2,053,243
Net investment income (loss)	9,169,664	4,676,706	(12,492,194)
Total additions	11,860,776	6,366,309	(10,438,951)
Deductions:			
Redemptions	2,899,320	2,771,248	2,478,444
Change in pooled net assets	8,961,456	3,595,061	(12,917,395)
Net assets held in trust for pool participants:			
Balance, beginning of year	41,284,310	37,689,249	50,606,644
Balance, end of year	$ 50,245,766	41,284,310	37,689,249

PRIT Performance during the Year Ended June 30, 2011

PRIT began fiscal year 2011 with net assets of $41.3 billion and ended the fiscal year with net assets of $50.2 billion, representing a 21.71% increase. Net investment income for the year ended June 30, 2011 was approximately $9.2 billion. Net participant redemptions (contributions less redemptions) of $208 million, along with net investment income of $9.2 billion caused the overall increase in net assets of $9.0 billion.

For the year ended June 30, 2011, PRIT returned 22.30%, exceeding the policy benchmark of 21.71% by 59 basis points. The policy benchmark provides a measure of how well PRIT has implemented its asset allocation plan. It assumes that PRIT's actual allocation is identical to its target allocation and that all asset classes achieve index-like returns.

All asset classes of PRIT had positive performance during the year ended June 30, 2011. The asset classes of PRIT and related investment returns for the year ended June 30, 2011 are as follows: Domestic Equity 32.18%; International Equity 30.93%; Emerging Markets 29.31%; Core Fixed Income 5.47%; Value-Added Fixed Income 17.34%; Private Equity 24.95%; Real Estate 20.79%, Timber/Natural Resources 20.17% and Hedge Funds 7.51%.

As of June 30, 2011, PRIT has outperformed its benchmark in the current year, rebounding from the underperforming three and five-year periods, while continuing to outperform its benchmarks longer term and has returned an average of 9.83% annually since January 1, 1985. According to the Trust Universe Comparison Service (TUCS) for Public Pension Funds, the most widely accepted benchmark for the performance of institutional assets, PRIT ranked in the top quartile of public pension plans with net assets in excess of $1 billion over the ten-year period ended June 30, 2011.

(Continued)

Management's Discussion and Analysis

June 30, 2011 and 2010

PRIT Performance during the Year Ended June 30, 2010

PRIT began fiscal year 2010 with net assets of $37.7 billion and ended the fiscal year with net assets of $41.3 billion, representing a 9.5% increase. Net investment income for the year ended June 30, 2010 was approximately $4.7 billion. Net participant redemptions (contributions less redemptions) of $1.1 billion, along with net investment income of $4.7 billion caused the overall increase in net assets of $3.6 billion.

For the year ended June 30, 2010, PRIT returned 12.82%, exceeding the policy benchmark of 9.77% by 305 basis points. The policy benchmark provides a measure of how well PRIT has implemented its asset allocation plan. It assumes that PRIT's actual allocation is identical to its target allocation and that all asset classes achieve index-like returns.

All asset classes of PRIT, other than Timber/Natural Resources, had positive performance during the year ended June 30, 2010. The asset classes of PRIT and related investment returns for the year ended June 30, 2010 are as follows: Domestic Equity 14.59%; International Equity 9.74%; Emerging Markets 24.01%; Core Fixed Income 11.74%; Value-Added Fixed Income 32.75%; Private Equity 17.84%; Real Estate 2.89%, Timber/Natural Resources – 5.35% and Hedge Funds 7.13%.

As of June 30, 2010, PRIT has outperformed its benchmark in the current year, rebounding from the underperforming three and five-year periods, while continuing to outperform its benchmarks longer term and has returned an average of 9.36% annually since January 1, 1985. According to the Trust Universe Comparison Service (TUCS) for Public Pension Funds, the most widely accepted benchmark for the performance of institutional assets, PRIT ranked in the top third of public pension plans with net assets in excess of $1 billion over the ten-year period ended June 30, 2010.

Other Information

This financial report is designed to provide a general overview of PRIT's financials for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Pension Reserves Investment Management Board, 84 State Street in Boston, Massachusetts 02109.

Statements of Pooled Net Assets

June 30, 2011 and 2010

(Amounts in thousands)

	2011	2010
Assets:		
Investments, at fair value:		
Short-term	$ 854,394	680,084
Fixed income	10,899,750	9,689,771
Equity	23,951,625	17,621,884
Real estate	4,106,088	3,769,358
Timber	1,029,512	1,002,875
Private equity	5,477,325	4,525,250
Hedge fund-of-funds	3,820,815	3,914,718
Total investments	50,139,509	41,203,940
Cash	76,926	179,650
Interest and dividends receivable	126,445	106,589
Receivable for investments sold	126	1,846
Securities sold on a when-issued basis	326,022	668,602
Unrealized gains on foreign currency exchange contracts	8,275	14,103
Other receivables	23	7
Total assets	50,677,326	42,174,737
Liabilities:		
Payable for investments purchased	86	7,094
Securities purchased on a when-issued basis	405,988	864,937
Unrealized losses on foreign currency exchange contracts	6,141	3,790
Management fees payable to PRIM	19,345	14,606
Total liabilities	431,560	890,427
Net assets held in trust for pool participants	$ 50,245,766	41,284,310

See accompanying notes to financial statements.

Statements of Changes in Pooled Net Assets

Fiscal years ended June 30, 2011 and 2010

(Amounts in thousands)

		2011	2010
Additions:			
Contributions:			
State employees	$	538,898	475,591
State teachers		616,533	593,147
Other participants		1,535,681	620,865
Total contributions		2,691,112	1,689,603
Net investment income:			
From investment activities:			
Net realized gain on investments and foreign currency transactions		1,696,996	1,153,911
Net change in unrealized appreciation on investments and foreign currency translations		6,262,268	2,533,232
Interest income, net		352,183	316,768
Dividend income, net		624,830	469,125
Real estate income, net		202,663	202,239
Timber income, net		139	4,865
Private equity income, net		99,803	58,129
		9,238,882	4,738,269
Management fees		(69,218)	(61,563)
Total net investment income		9,169,664	4,676,706
Total additions		11,860,776	6,366,309
Deductions:			
Redemptions:			
State employees		1,054,196	1,006,950
State teachers		1,336,545	1,399,650
Other participants		508,579	364,648
Total deductions		2,899,320	2,771,248
Net increase in pooled net assets		8,961,456	3,595,061
Net assets held in trust for pool participants:			
Balance, beginning of year		41,284,310	37,689,249
Balance, end of year	$	50,245,766	41,284,310

See accompanying notes to financial statements.

Notes to Financial Statements

June 30, 2011 and 2010

(1) Description of the Pension Reserves Investment Trust Fund

(a) General

The Pension Reserves Investment Trust Fund (PRIT), a component unit of the Commonwealth of Massachusetts, was created in 1983 through legislation (Chapter 661 of the Acts of 1983, as amended by Chapter 315 of the Acts of 1996). PRIT is a pooled investment fund that invests the assets of the State Teachers' and State Employees' Retirement Systems of Massachusetts and the assets of county, authority, school district and municipal retirement systems that choose to invest in PRIT. PRIT is not registered with the Securities and Exchange Commission, but is subject to oversight provided by the Pension Reserves Investment Management Board (the PRIM Board). The PRIM Board was created by legislation to provide general supervision of the investments and management of PRIT. The PRIM Board is a separate legal entity that issues its own financial statements, which are not included in the accompanying financial statements of PRIT.

A nine-member board of trustees governs the PRIM Board. The trustees include: (1) the Governor, ex officio, or his designee; (2) the State Treasurer, ex officio, or his designee who shall serve as Chair of the PRIM Board; (3) a private citizen experienced in the field of financial management appointed by the State Treasurer; (4) an employee or retiree, who is a member of the State Teachers' Retirement System, elected by the members of such system for a term of three years; (5) an employee or retiree, who is a member of the State Retirement System, elected by the members of such system for a term of three years; (6) the elected member of the State Retirement Board; (7) one of the elected members of the Teachers' Retirement Board chosen by the members of the Teachers' Retirement Board; (8) a person who is not an employee or official of the Commonwealth appointed by the Governor; and (9) a representative of a public safety union appointed by the Governor. Appointed members serve for a term of four years. The board of trustees, as fiduciary for each retirement system that invests in PRIT, has the authority to employ an Executive Director, outside investment managers, custodians, consultants, and others as it deems necessary; to formulate policies and procedures; and to take such other actions as necessary and appropriate to manage the assets of PRIT.

The mission of PRIT is to ensure that current and future pension benefit obligations are adequately funded in a cost-effective manner. The PRIM Board therefore seeks to maximize the total return on investments within acceptable levels of risk for a public pension fund. Under current law, by the year 2040, PRIT will have grown, through annual payments in accordance with a legislatively approved funding schedule and through total return of PRIT, to an amount sufficient to meet the then-existing pension obligations of the Commonwealth. The Commonwealth has adopted a schedule of state pension appropriations that assumes a long-term actuarial rate of return for PRIT of 8.25%.

(Continued)

Notes to Financial Statements

June 30, 2011 and 2010

The State Teachers' and State Employees' Retirement Systems are mandated by statute to invest all of their assets in PRIT and are therefore considered involuntary participants. Other retirement systems have the option to become Participating or Purchasing System participants in PRIT. Participating Systems must transfer all of their assets to PRIT, commit to remain invested for five years, and are entitled to share in appropriations made to PRIT by the Commonwealth in accordance with Massachusetts General Laws, Chapter 32, Section 22B. The Commonwealth has made no such appropriation to PRIT on behalf of Participating Systems since fiscal year 2000. Purchasing Systems may invest all or a portion of their assets in PRIT and retain the ability to contribute and withdraw funds at their discretion; however, they are not entitled to state appropriations. Participating and Purchasing Systems share in the investment earnings of PRIT based on their proportionate share of net assets. As of June 30, 2011, there were 40 Participating Systems (including the State Teachers' and State Employees' Retirement Systems) and 54 Purchasing Systems invested in PRIT.

On July 15, 2007, the Governor signed into law Chapter 68 of the Acts of 2007, An Act to Reduce the Stress on Local Property Taxes through Enhanced Pension Fund Investment, better known as the Municipal Partnership Act. Section 2 of Chapter 68 requires the Public Employee Retirement Administration Commission (PERAC) to assess the investment performance and funded ratio of retirement systems as of January 1st of each year. If a system is less than 65% funded and has trailed the performance of the PRIT Fund by 2% or more on an annualized basis over the previous 10-year period, then PERAC declares the system "underperforming" and requires it to transfer its assets to the PRIT Fund. Since its passage, 20 retirement systems have transferred their assets to PRIT Fund under the provisions of this Act.

In May 2010, the Governor signed into law Chapter 112 of the Acts of 2010 which requires the assets of the State-Boston Retirement System (SBRS) that are attributable to teachers to be invested in PRIT. Chapter 112 also characterizes SBRS as a Participating System; however, the SBRS shall not receive a share of any appropriations made under Chapter 32, Section 22B, nor shall the board of the SBRS be able to revoke this participation.

(b) Investment Funds

PRIT consists of two investment funds, the Capital Fund and the Cash Fund. Each of these funds is managed, accounted for, and held separately by PRIT's custodian.

The Cash Fund consists of short-term investments, which are used to meet the liquidity requirements of Participating and Purchasing Systems. All Cash Fund earnings are reinvested. The State Teachers' Retirement System and the State Employees' Retirement System make daily deposits into the Cash Fund, which is their source of funds for benefit payments and operating

(Continued)

Notes to Financial Statements

June 30, 2011 and 2010

expenses. The price of Cash Fund units is determined daily by dividing the value of the net assets by the number of units outstanding. The Cash Fund maintains a stable net asset value of $1.00 per unit.

Assets contributed by retirement systems are initially deposited in the Cash Fund and then transferred to the Capital Fund, at their discretion. Funds transferred into the Capital Fund are generally invested in the General Allocation Account, which invests in all asset classes of PRIT in accordance with the PRIM Board's asset allocation plan and investment policy guidelines. The Capital Fund serves as the investment portfolio of PRIT and consists of the following accounts at June 30, 2011: General Allocation (holds units of all other accounts); Domestic Equity; Core Fixed Income; Value-Added Fixed Income; International Equity; Emerging Markets; Core Real Estate; Timber/Natural Resources; Hedge Funds; Private Equity Investments; and Private Equity Investments Vintage Years 2000-2011. (Vintage Year refers to the calendar year in which PRIT made a commitment to invest in a private equity investment.)

Upon deposit by a Participating or Purchasing System into the accounts of the Capital Fund, units of participation equal to the total value of the contribution are issued. The value of a unit of each account is determined monthly by dividing the value of the net assets of the account by the number of units outstanding at each month-end valuation date. The unit price fluctuates with the performance of the Capital Fund. The number of units generally changes only when a retirement system makes a contribution or redemption.

Chapter 84 of the Acts of 1996 permits Massachusetts retirement boards' to purchase units in the individual investment accounts of PRIT as an alternative to investing in its General Allocation Account. This investment option, also referred to as "segmentation," was established by an amendment to the PRIM Board's Operating Trust Agreement in 1994 in response to requests from retirement boards wishing to invest in certain asset classes of PRIT. Purchasing Systems, as "segmented investors," may invest in one or more of the following accounts of the Capital Fund: Domestic Equity, International Equity, Emerging Markets, Core Fixed Income, Core Real Estate, Hedge Funds, and Private Equity "Vintage Year" accounts. At June 30, 2011 and 2010, there were 39 and 37 segmented investors in PRIT, respectively.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting and Financial Statement Presentation

The financial statements of PRIT are reported using the economic resources measurement focus and the accrual basis of accounting. They are prepared in conformity with U.S. generally accepted accounting principles, which require management to make estimates and assumptions that affect

(Continued)

Notes to Financial Statements

June 30, 2011 and 2010

the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

PRIT follows Governmental Accounting Standards Board (GASB) guidance as applicable to external investment pools. Except where noted, all dollar amounts in the footnotes and other sections of these financial statements are in thousands.

Certain reclassifications were made to the prior year information to conform with the current year presentation.

(b) Investments

The PRIM Board recognizes that over the long term, asset allocation is the single greatest contributor of return and risk to PRIT. The PRIM Board's asset allocation plan embodies its decisions to invest portions of the Capital Fund in domestic and international equity securities, emerging markets, fixed income securities, high yield debt, real estate, timber, hedge funds, bank loans, natural resources, private equity and, where appropriate, the various subasset classes of each asset class. Statutes prohibit PRIT from investing in certain securities. The PRIM Board ensures that investment managers adhere to the requirements of Massachusetts General Laws, concerning certain investments relating to South Africa, Northern Ireland, Sudan, tobacco and tobacco-related products, and Iran.

Security transactions are recorded on the trade date the securities are purchased or sold. The cost of a security is the purchase price or, in the case of assets transferred to PRIT by a Participating or Purchasing System, the fair value of the securities on the transfer date. The calculation of realized gains and losses is independent of the calculation of the net change in unrealized appreciation on investments. Realized gains and losses on investments that had been held for more than one fiscal year and sold in the current year are included in net change in unrealized appreciation on investments in the accompanying statements of changes in pooled net assets.

Investments in fixed income, money market funds, other short-term investments, and United States (U.S.) government agency obligations are valued by an independent pricing service. In determining the price, the service reflects such factors as security prices, yields, maturities, and ratings, supplemented by dealer quotations. Investments in equity securities traded on national securities exchanges are valued at the last daily sale price or, if no sale price is available, at the closing bid price. Securities traded on any other exchange are valued in the same manner or, if not so traded, on the basis of closing over-the-counter bid prices. If no bid price exists, valuation is determined by the custodian bank either by establishing the mean between the most recent

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Notes to Financial Statements

June 30, 2011 and 2010

published bid and asked prices or averaging quotations obtained from dealers, brokers, or investment bankers. Securities for which such valuations are unavailable are reported at their fair value as estimated in good faith by PRIM based on information provided by the investment managers responsible for such investments. Investments in pooled investment vehicles (commingled funds) are fair valued based on the commingled fund's net asset value.

PRIT invests a portion of its assets in emerging capital markets. These investments may involve greater risks than investments in more developed markets, and the prices of such investments may be volatile. The consequences of political, social, or economic changes in these markets may have disruptive effects on the market prices of these investments and the income they generate, as well as PRIT's ability to repatriate such amounts.

Investments in core real estate represent PRIT's ownership interest in PRIT Core Realty Holdings LLC (the LLC) (see note 5). The LLC holds investments in real estate properties and Real Estate Investment Trust (REIT) securities. Investments in real estate properties are stated at fair value based on appraisals prepared by independent real estate appraisers or on estimated valuations determined by PRIM. These estimated valuations are based on valuations prepared by the real estate investment managers under the general supervision of the PRIM Board. Generally, third-party appraisals are performed on each real estate property within 18 months of the date of acquisition and at least annually thereafter. Determination of fair value involves judgment because the actual fair value of a real estate investment can be determined only by negotiation between parties in a sales transaction. Due to the inherent uncertainty of valuation, fair values used may differ significantly from values that would have been determined had a ready market for the investments existed, and the differences could be material. REIT securities are publicly traded securities and are valued in the same manner as PRIT's traded equity securities.

Investments in timber are valued similarly to investments made by the LLC in real estate properties; however, independent appraisals of timber investments are performed every three years with annual updates.

Hedge fund-of-funds investments represent PRIT's ownership in hedge fund investments via a fund-of-funds structure. The investment in hedge fund-of-funds is recorded at fair value as estimated by PRIM. This estimated fair value is determined in good faith by PRIT's hedge fund-of-funds investment managers and is based on the value of PRIT's ownership in the underlying hedge fund investments.

Private equity investments are typically made through limited partnerships that, in turn, invest in venture capital, leveraged buyouts, private placements and other investments where the structure, risk profile, and return potential differ from traditional equity and fixed income investments. These

(Continued)

Notes to Financial Statements

June 30, 2011 and 2010

investments are recorded at fair values estimated by PRIM. This estimated fair value is determined in good faith by investment managers or general partners using consistently applied procedures with input from investment advisors.

(c) Investment Income

Dividend income is recorded on the ex-dividend date, and interest income is accrued as earned. For the years ended June 30, 2011 and 2010, foreign taxes withheld of $22,323 and $19,095, respectively, have been netted against dividend income in the statements of changes in pooled net assets. Real estate income includes PRIT's portion of the LLC's income, which includes dividends earned on REIT securities as well as cash distributions from investments in real estate properties. Timber income includes cash distributions from investments in timberland properties. Private Equity investment income is recorded on a cash distribution basis.

(d) Foreign Currency Translation and Transactions

The accounting records of PRIT are maintained in U.S. dollars. Investment securities and other assets and liabilities denominated in a foreign currency are translated into U.S. dollars at the prevailing rates of exchange at month-end. Purchases and sales of securities, income receipts, and expense payments are translated into U.S. dollars at the prevailing exchange rate on the respective dates of the transactions.

Unrealized net currency gains and losses from valuing foreign currency-denominated assets and liabilities at month-end exchange rates are reflected as a component of net unrealized appreciation on investments. For financial reporting purposes, it is not practicable to isolate that portion of the results of operations arising as a result of changes in foreign exchange rates from the fluctuations arising from changes in the market price of securities during the period.

Net realized gains and losses on foreign currency transactions represent principally gains and losses from sales and maturities of forward foreign currency contracts, disposition of foreign currencies, and currency gains and losses realized between the trade and settlement dates on securities transactions.

(e) Derivative Instruments

During fiscal 2010, PRIT adopted the provisions of GASB Statement No. 53, *Accounting and Financial Reporting of Derivative Instruments*. In accordance with the standard, PRIT has recorded all of its derivative activity at fair value as investment instruments and the related change in such instruments within the net change in unrealized appreciation (depreciation) on investments and foreign currency translations in the accompanying financial statements.

(Continued)

Notes to Financial Statements

June 30, 2011 and 2010

PRIT regularly trades derivative financial instruments with off-balance-sheet risk in the normal course of its investing activities to manage exposure to certain risks within the fund. PRIT also enters into derivative transactions to gain exposure to currencies and markets where derivatives are the most effective instrument. PRIT's derivative financial instruments include foreign currency exchange contracts, financial and commodity futures contracts, and customized swap agreements (see note 6 for more detail). These derivative instruments can be exchang-traded or over-the-counter (OTC) contracts. The primary difference in risk associated with OTC contracts and exchange-traded contracts is credit and liquidity risks. For exchange-traded contracts, credit risk is limited to the role of the exchange or clearing corporation. OTC contracts contain credit risk for unrealized gains from various counterparties for the duration of the contract.

(f) When-Issued Securities Transactions

PRIT may purchase or sell securities on a "when-issued" or delayed-delivery basis. Delivery and payment for such securities may take place a month or more after the trade date. Normally, settlement occurs within three months. The price of the underlying securities and the date when the securities will be delivered and paid for are fixed at trade date. During the time a delayed delivery sell transaction is outstanding, the contract is marked to market daily and substantially equivalent deliverable securities are held by PRIT for the transaction to the extent available. For delayed delivery purchase transactions, PRIT maintains segregated assets with a fair value equal to or greater than the amount of its purchase commitments. The receivables and payables associated with the sale and purchase of delayed delivery securities are reflected in the accompanying statements of pooled net assets as securities sold and purchased on a when-issued basis. Losses may arise due to changes in the value of the underlying securities, if the counterparty does not perform under the contract, or if the issuer does not issue the securities due to political, economic, or other factors.

PRIT may also enter into mortgage dollar-roll and reverse mortgage dollar-roll agreements on a when-issued basis. A mortgage dollar-roll is an agreement in which PRIT sells securities on a when-issued basis and simultaneously contracts with the same counterparty to repurchase similar (same type, coupon and maturity) but not identical securities on a specified future date. During the roll period, principal and interest payments on these securities are not received. PRIT is compensated by the difference between the current sales price and the forward price for the future purchase. A reverse mortgage dollar-roll is an agreement to buy securities and to sell substantially similar securities on a specified future date. During the roll period, PRIT receives the principal and interest payments on the securities purchased. The receivables and payables associated with mortgage dollar-rolls and reverse mortgage dollar-rolls are also reflected in the

(Continued)

Notes to Financial Statements

June 30, 2011 and 2010

accompanying statements of pooled net assets as securities sold and purchased on a when-issued basis.

(3) Investments

A summary of investments, at fair value, is as follows:

		June 30	
		2011	2010
Short-term:			
Money market investments	$	854,394	680,084
Fixed income:			
U.S. government obligations (1)		2,360,579	1,938,458
Domestic fixed income (2)		4,954,672	4,819,846
International fixed income (3)		2,257,323	1,695,717
Distressed debt		1,327,176	1,235,750
		10,899,750	9,689,771
Equity:			
Domestic equity securities		9,815,151	7,110,625
International equity securities		14,136,474	10,511,259
		23,951,625	17,621,884
Real estate		4,106,088	3,769,358
Timber		1,029,512	1,002,875
Private equity:			
Venture capital		1,068,468	863,851
Special equity		4,408,857	3,661,399
		5,477,325	4,525,250
Hedge Fund-of-Funds investments:			
Hedge Funds		3,610,249	3,153,578
Portable Alpha		210,566	761,140
		3,820,815	3,914,718
Total investments	$	50,139,509	41,203,940

(1) Fiscal 2011 rates range from 0% to 11.25%, and maturities range from 2011 to 2041. Fiscal 2010 rates range from 0% to 11.50%, and maturities range from 2010 to 2040.

(Continued)

Notes to Financial Statements

June 30, 2011 and 2010

(2) Fiscal 2011 rates range from 0% to 13.50%, and maturities range from 2011 to 2067. Fiscal 2010 rates range from 0% to 15.00%, and maturities range from 2010 to 2067.

(3) Fiscal 2011 rates range from 0% to 12.75%, and maturities range from 2011 to 2055. Fiscal 2010 rates range from 0% to 11.63%, and maturities range from 2010 to 2055.

(4) Deposits and Investments Risks

(a) Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, PRIT's deposits and investments may not be returned to it. The PRIM Board manages PRIT's exposure to custodial credit risk by requiring all relevant investment managers to hold investments in separate accounts with the PRIM Board's custodian. The PRIM Board has not adopted a formal custodial credit risk policy.

Cash balances represent amounts held in bank depository accounts that may be subject to custodial credit risk. As of June 30, 2011 and 2010, all but $250 of PRIT's $76,926 and $179,650 cash balances, respectively, were uninsured and uncollateralized and therefore exposed to custodial credit risk.

(b) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of fixed income investments will adversely affect the fair value of an investment. The PRIM Board's interest rate risk policy is to manage PRIT's exposure to fair value loss arising from movements in interest rates by establishing duration guidelines with its fixed income investment managers. The guidelines with each individual manager require that the effective duration of the domestic fixed income investment portfolio be within a specified percentage or number of years of the effective duration band of the appropriate benchmark index. For emerging markets fixed income investments, the portfolio must have duration with a band ranging from three to eight years. Effective duration is a measure of a fixed income investment's exposure to fair value changes arising from changes in interest rates. Effective duration makes assumptions regarding the most likely timing and amounts of variable cash flows. These assumptions take into consideration factors indicative of investments highly sensitive to interest rate changes, including callable options, prepayments and other factors. These factors are reflected in the effective duration numbers provided in the following table. The PRIM Board compares the effective duration of a manager's portfolio to the Barclays Capital Aggregate Index for domestic core fixed income securities and the Merrill Lynch High Yield Master II Index for domestic high yield, fixed income securities.

(Continued)

Notes to Financial Statements

June 30, 2011 and 2010

The following table shows the debt investments by investment type, fair value and effective weighted duration rate at June 30.

Investment	2011 Fair value	2011 Effective weighted duration rate (Amounts expressed in years)	2010 Fair value	2010 Effective weighted duration rate (Amounts expressed in years)
Asset backed securities	$ 210,578	0.63	$ 338,905	0.43
Commercial mortgage backed securities	350,566	2.88	364,517	3.38
Commercial paper and CDs	41,285	0.74	2,399	1.58
Corporate bonds and other credits	3,328,611	5.32	2,658,785	4.51
U.S. government bonds	1,402,085	5.12	1,221,837	5.67
U.S. government agencies	140,202	3.42	128,255	3.85
U.S. government TIPS	957,220	7.19	792,901	5.28
U.S. government mortgage backed securities	1,811,253	2.56	1,526,445	1.44
Global Inflation Linked Bonds	320,421	7.06	225,367	6.36
Municipal bonds	75,436	9.69	84,190	11.60
Pooled money market fund	854,394	0.08	680,084	0.08
Other pooled funds	2,262,093	N.A.	2,346,170	N.A.
Total fixed income and short-term investments	$ 11,754,144		$ 10,369,855	

(c) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will fail to meet its debt obligations.

The PRIM Board's policy on credit risk is to establish credit investment guidelines with each of its fixed income securities investment managers in establishing a diversified portfolio. These guidelines vary depending on the manager's strategy and the role of its portfolio to the overall diversification of the PRIT fund. The guidelines for the PRIT Fund's core fixed income portfolio establish the minimum credit rating for any security in the portfolio and the overall weighted average credit rating of the portfolio. For example, all securities held must generally be investment grade. The

(Continued)

Notes to Financial Statements

June 30, 2011 and 2010

guidelines for the PRIT Fund's high yield, fixed income portfolio establish a market value range of securities to be held with a specific minimum credit rating and the overall weighted average credit rating of the portfolio.

Credit risk for derivative instruments held by PRIT results from counterparty risk. PRIT is exposed to credit risk resulting from counterparties being unable to meet their obligations under the terms of the derivative agreements. See note 6 for more information on PRIT's derivative instruments.

(Continued)

Notes to Financial Statements

June 30, 2011 and 2010

The weighted average quality rating (S&P equivalent rating) of the debt securities portfolio, excluding pooled investments, investments explicitly backed by the United States government and other nonrated investments was AA – at June 30, 2011 (AA – at June 30, 2010). The following presents the PRIT Fund's fixed-income securities credit ratings at June 30:

		2011						
		Investment grade			Noninvestment grade			
Investment	Total fair value	AAA	AA+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C-	Not rated	
Asset backed securities	$ 210,578	182,737	7,447	20,000	359	4	31	
Commercial mortgage backed securities	350,566	134,466	100,697	73,037	30,057	10,195	2,114	
Commercial paper and CDs	41,285	—	6,100	—	—	—	35,185	
Corporate bonds and other credits	3,328,611	489,941	939,267	788,712	594,471	155,248	360,972	
U.S. government agencies	136,028	132,245	1,614	—	—	—	2,169	
U.S. government mortgage backed securities	1,645,931	1,573,123	—	—	—	—	72,808	
Global inflation linked bonds	320,421	163,885	153,724	—	2,760	52	—	
Municipal bonds	75,436	571	69,076	908	4,881	—	—	
Pooled money market fund	854,394	—	—	—	—	—	854,394	
Other pooled funds	2,262,093	—	—	—	—	—	2,262,093	
Total credit risk, fixed income and short-term investments	9,225,343	$ 2,676,968	1,277,925	882,657	632,528	165,499	3,589,766	
Fixed income investments explicitly backed by the U.S. government	2,528,801							
Total fixed income and short-term investment	$ 11,754,144							

(Continued)

Notes to Financial Statements

June 30, 2011 and 2010

Investment	Total fair value	2010 AAA	Investment grade AA+ to A-	BBB+ to BBB-	Noninvestment grade BB+ to B-	CCC+ to C-	Not rated
Asset backed securities	$ 338,905	277,312	22,796	37,164	436	1,163	34
Commercial mortgage backed securities	364,517	203,932	104,972	51,205	1,715	2,693	—
Commercial paper and CDs	2,399	—	2,399	—	—	—	—
Corporate bonds and other credits	2,658,785	362,957	878,592	702,868	433,098	168,693	112,577
U.S. government agencies	128,255	114,433	13,822	—	—	—	—
U.S. government mortgage backed securities	1,451,437	1,046,993	—	—	—	—	404,444
Global inflation linked bonds	225,367	125,802	97,323	—	2,242	—	—
Municipal bonds	84,190	578	68,548	15,064	—	—	—
Pooled money market fund	680,084	—	—	—	—	—	680,084
Other pooled funds	2,346,170	—	—	—	—	—	2,346,170
Total credit risk, fixed income and short-term investments	8,280,109	$ 2,132,007	1,188,452	806,301	437,491	172,549	3,543,309
Fixed income investments explicitly backed by the U.S. government	2,089,746						
Total fixed income and short-term investment	$ 10,369,855						

(Continued)

Notes to Financial Statements

June 30, 2011 and 2010

(d) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of investments. The PRIM Board's foreign currency risk policy is to manage PRIT's exposure to foreign currencies by establishing investment guidelines with each of its international managers. These guidelines set maximum investment balances for any currency and/or country holdings must be within a certain percentage of predefined benchmarks. In addition, PRIM's investment managers may actively manage PRIT's exposure to foreign currencies through the use of forward foreign currency contracts. The following tables represent PRIT's foreign currency exposure at June 30:

	2011				
	Cash and short-term investments	Equity	Fixed income	Private equity investments	Total
Australian Dollar	$ 5,759	722,306	21,656	—	749,721
Brazilian Real	3,636	158,054	26,525	—	188,215
British Pound	9,777	2,209,593	230,715	—	2,450,085
Canadian Dollar	6,687	582,858	55,105	—	644,650
Danish Kroner	1,442	265,238	—	—	266,680
Euro	70,865	2,659,010	296,925	—	3,026,800
Hong Kong Dollar	5,332	760,079	—	—	765,411
Indian Rupee	4,347	124,378	2,292	—	131,017
Indonesian Rupiah	780	101,772	7,394	—	109,946
Japanese Yen	70,740	2,232,636	26,370	—	2,329,746
Malaysian Ringgit	876	81,494	—	—	82,370
Mexican Peso	302	80,195	9,464	—	89,961
New Taiwan Dollar	884	216,266	—	—	217,150
New Turkish Lira	539	83,442	—	—	83,981
Norwegian Krone	1,115	111,692	—	—	112,807
S. African Comm Rand	7,299	143,315	—	—	150,614
Singapore Dollar	541	187,976	—	—	188,517
South Korean Won	1,791	443,966	4,813	—	450,570
Swedish Krona	1,956	317,218	18,837	—	338,011
Swiss Franc	15,070	770,974	—	—	786,044
Thailand Baht	863	86,925	—	—	87,788
Other foreign currencies	2,208	254,531	10,665	—	267,404
Private equity denominated in various foreign currencies	—	—	—	1,150,285	1,150,285
Total securities subject to foreign currency risk	212,809	12,593,918	710,761	1,150,285	14,667,773
International investments denominated in United States Dollars	—	1,542,556	1,546,562	—	3,089,118
Total international investments and cash deposits	$ 212,809	14,136,474	2,257,323	1,150,285	17,756,891

(Continued)

Notes to Financial Statements

June 30, 2011 and 2010

	2010				
	Cash and short-term investments	Equity	Fixed income	Private equity investments	Total
Australian Dollar	$ 4,679	503,078	7,154	—	514,911
Brazilian Real	4,483	107,941	19,407	—	131,831
British Pound	29,411	1,675,944	157,315	—	1,862,670
Canadian Dollar	4,588	426,449	13,349	—	444,386
Danish Kroner	916	210,010	—	—	210,926
Euro	13,789	1,921,684	181,732	—	2,117,205
Hong Kong Dollar	9,397	589,711	—	—	599,108
Indian Rupee	1,958	85,174	—	—	87,132
Indonesian Rupiah	406	58,300	5,708	—	64,414
Japanese Yen	11,383	1,922,185	34,594	—	1,968,162
Mexican Peso	910	68,706	13,416	—	83,032
New Taiwan Dollar	552	152,413	—	—	152,965
New Turkish Lira	173	78,188	—	—	78,361
Norwegian Krone	2,853	66,573	—	—	69,426
S. African Comm Rand	144	91,947	—	—	92,091
Singapore Dollar	1,981	161,740	—	—	163,721
South Korean Won	2,536	317,673	2,240	—	322,449
Swedish Krona	4,169	266,271	12,161	—	282,601
Swiss Franc	13,668	555,322	—	—	568,990
Thailand Baht	206	64,880		—	65,086
Other foreign currencies	3,208	209,830	4,623	—	217,661
Private equity denominated in various foreign currencies	—	—	—	1,992,992	1,992,992
Total securities subject to foreign currency risk	111,410	9,534,019	451,699	1,992,992	12,090,120
International investments denominated in United States Dollars	—	977,240	1,244,018	—	2,221,258
Total international investments and cash deposits	$ 111,410	10,511,259	1,695,717	1,992,992	14,311,378

(e) Concentration of Credit Risk

The PRIM Board manages PRIT's exposure to concentration of credit risk by establishing guidelines with each investment manager that limit the percent of investment in any single issue or issuer.

PRIT has no investments, at fair value, that exceed 5% of PRIT's total investments as of June 30, 2011 and 2010, respectively.

(Continued)

Notes to Financial Statements

June 30, 2011 and 2010

(5) Investment in the LLC

On October 19, 2001, the LLC was formed and was governed by an operating agreement entered into by the PRIM Board, as trustee of PRIT, as the sole member. On November 1, 2001, the operating agreement was amended and restated by the PRIM Board and the Health Care Security Trust (HCST) Board, as trustee of HCST, to include the admission of HCST as a member of the LLC and establish the PRIM Board as managing member. The principal purpose of the LLC is to conduct the investment activities of the core real estate program in a manner consistent with the PRIM Board's Operating Trust Agreement and any business or activities incidental to or in support of such investment activities.

According to the amended and restated operating agreement, as of any valuation date, the net assets of the LLC shall be the fair value of investments, less the amount of debt and accrued expenses. The unit net asset value of the LLC shall be the net asset value of the LLC divided by the number of units outstanding on such date. The LLC holds core and value real estate assets consisting of real property and REIT securities.

As of June 30, 2011 and 2010, PRIT owned 99.10% and 99.59%, respectively, of the total net assets of the LLC. HCST owned 0.90% and 0.41%, respectively.

(6) Derivative Investments

PRIT regularly trades financial instruments with off-balance-sheet risk in the normal course of its investing activities to assist in managing exposure to market risks. These financial instruments include foreign currency exchange contracts, futures contracts and swap contracts.

(a) Foreign Currency Exchange Contracts

A foreign currency exchange contract is an agreement between two parties to buy or sell a fixed quantity of currency at a set price on a future date. PRIT may enter into foreign currency exchange contracts to hedge its exposure to the effect of changes in foreign currency exchange rates upon its non-U.S. dollar-denominated investments. The fair value of such contracts will fluctuate with changes in currency exchange rates. The contracts are valued daily, and the changes in fair value are recorded by PRIT as unrealized gains or losses. When the contract is closed, PRIT records a realized gain or loss equal to the difference between the cost of the contract at the time it was opened and the value at the time it was closed.

(Continued)

Notes to Financial Statements

June 30, 2011 and 2010

Foreign currency exchange contracts open at June 30 were as follows:

2011	Fair value	Aggregate face value	Delivery date(s)	Unrealized gains	Unrealized losses
Foreign currency exchange contracts purchased:					
Australian Dollar	$ 63,005	$ 61,739	7/1/11 - 10/7/11	$ —	(1,266)
Brazilian Real	44,404	43,454	7/5/11 - 9/2/11	—	(950)
British Pound	459,452	463,119	7/1/11 - 10/7/11	3,667	—
Canadian Dollar	45,351	44,828	7/6/11 - 10/7/11	—	(523)
Euro	329,961	330,900	7/1/11 - 7/27/11	939	—
Japanese Yen	134,437	131,592	7/1/11 - 12/5/11	—	(2,845)
Swedish Krona	37,520	37,186	7/7/11 - 10/7/11	—	(334)
Swiss Franc	13,010	13,004	9/30/2011	—	(6)
Other foreign currencies	19,059	18,942	7/1/11 - 9/14/11	31	(148)
Foreign currency exchange contracts sold:					
Australian Dollar	20,841	21,347	7/7/11 - 7/29/11	506	—
Brazilian Real	31,947	32,543	8/2/11 - 9/2/11	596	—
British Pound	225,637	226,416	7/1/11 - 9/13/11	779	—
Canadian Dollar	15,211	15,493	7/7/2011	282	—
Chinese Yuan Renminbi	36,440	36,566	9/14/11 - 9/8/15	126	—
Japanese Yen	38,962	39,067	7/1/11 - 7/19/11	105	—
Singapore Dollar	10,590	10,890	9/9/2011	300	—
South Korean Won	10,884	11,228	7/1/11 - 8/12/11	344	—
Swedish Krona	18,706	18,810	7/7/2011	104	—
Other foreign currencies	32,450	32,874	7/1/11 - 3/15/12	496	(69)
Total				$ 8,275	(6,141)

2010	Fair value	Aggregate face value	Delivery date(s)	Unrealized gains	Unrealized losses
Foreign currency exchange contracts purchased:					
Brazilian Real	$ 14,583	$ 14,511	8/3/2010	$ —	(72)
British Pound	174,165	178,723	7/1/10 – 9/23/10	4,558	—
Canadian Dollar	10,875	11,533	7/7/10 – 7/28/10	658	—
Euro	215,204	222,498	7/1/10 – 7/26/10	7,294	—
Japanese Yen	45,749	43,674	7/2/10 – 7/28/10	—	(2,075)
Swedish Krona	12,183	13,165	7/28/2010	982	—
Other foreign currencies	24,004	24,380	7/1/10 – 11/12/10	496	(120)
Foreign currency exchange contracts sold:					
Chinese Yuan Renminbi	27,086	26,677	11/17/10 – 6/15/11	—	(409)
Euro	15,637	15,560	7/1/10 – 8/24/10	—	(77)
South Korean Won	10,107	9,602	7/1/10 – 11/12/10	—	(505)
Other foreign currencies	35,319	34,902	7/1/10 – 9/24/10	115	(532)
Total				$ 14,103	(3,790)

(Continued)

Notes to Financial Statements

June 30, 2011 and 2010

For the years ended June 30, 2011 and 2010, the change in unrealized appreciation (depreciation) on foreign currency exchange contracts was $(8,179) and $12,555, respectively.

(b) Futures Contracts

PRIT enters into financial and commodity futures on various exchanges. A futures contract is an agreement between two parties to buy or sell units of a particular index, security or commodity at a set price on a future date. Upon entering into financial and commodity futures contracts, PRIT is required to pledge to the broker an amount of cash or securities equal to a certain percentage of the contract amount (initial margin deposit). Pursuant to the contract, PRIT agrees to receive from, or pay to, the broker an amount of cash equal to the daily fluctuation in value of the contract. Such receipts or payments are known as "variation margin" and are recorded by PRIT as unrealized gains or losses. When the contract is closed, PRIT records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed. The potential risk to PRIT is that the change in value of futures contracts primarily corresponds with the value of underlying instruments, which may not correspond to the change in value of the hedged instruments. PRIT is also subject to credit risk should its clearing brokers be unable to meet their obligations to PRIT.

Futures contracts held at June 30 were as follows:

	2011				
Description	Number of contracts	Expiration date	Gross notional amount	Fair value of notional amount	Unrealized appreciation (depreciation)
Long cash and cash equivalents:					
90-Day Eurodollar	5,730	9/11 - 6/14	$ 1,419,512	1,422,160	2,648
Long fixed income:					
US 5-Yr Treasury Notes	172	9/11	20,651	20,502	(149)
US 2-Yr Treasury Notes	104	9/11	22,761	22,812	51
Euro-BOBL	131	9/11	21,987	22,142	155
Euro-BUND	176	9/11	32,097	32,019	(78)
Other long fixed income	39	9/11	4,747	4,771	24
Short fixed income:					
US 2-Yr Treasury Notes	(712)	9/11	(155,948)	(156,173)	(225)
US 10-Yr Treasury Notes	(148)	9/11	(18,231)	(18,105)	126
US Treasury Bond	(268)	9/11	(33,519)	(32,972)	547
Other short fixed income	(433)	9/11	(54,078)	(53,460)	618
Long equity and commodities:					
S&P Mid 500 EMINI Index	3,125	9/11	198,151	205,547	7,396
S&P 500 Index	3,050	9/11	965,527	1,003,069	37,542
Other long equity and commodities	1,703	9/11	144,308	148,078	3,770
Total futures exposure			$ 2,567,965	2,620,390	52,425

(Continued)

Notes to Financial Statements

June 30, 2011 and 2010

	2010				
Description	**Number of contracts**	**Expiration date**	**Gross notional amount**	**Fair value of notional amount**	**Unrealized appreciation (depreciation)**
Long cash and cash equivalents:					
90-Day Eurodollar	1,840	12/10 – 3/11	$ 454,656	456,691	2,035
Long fixed income:					
US 5-Yr Treasury Notes	366	9/10	42,714	43,317	603
US 2-Yr Treasury Notes	613	9/10	133,611	134,142	531
US 10-Yr Treasury Notes	1,126	9/10	135,854	137,988	2,134
Other long fixed income	80	9/10	12,166	12,233	67
Short fixed income:					
US 5-Yr Treasury Notes	(392)	9/10	(45,863)	(46,394)	(531)
US 10-Yr Treasury Notes	(771)	9/10	(92,092)	(94,484)	(2,392)
US Treasury Bond	(92)	9/10	(11,420)	(11,730)	(310)
Other short fixed income	(45)	9/10	(3,997)	(4,065)	(68)
Long equity and commodities:					
S&P Mid 500 EMINI Index	3,112	9/10	167,160	159,739	(7,421)
S&P 500 Index	3,618	9/10	994,721	928,560	(66,161)
Other long equity and commodities	2,951	9/10	136,625	133,045	(3,580)
Total futures exposure			$ 1,924,135	1,849,042	(75,093)

For the years ended June 30, 2011 and 2010, the change in unrealized appreciation (depreciation) on futures contracts was $127,518 and $(85,997), respectively.

(c) Swaps

PRIT enters into swap agreements to gain exposure to certain markets and actively hedge other exposures to market and credit risks. PRIT utilizes interest rate, credit default, and total return swaps within the portfolio. PRIT's OTC swap agreements are recorded at fair value as estimated by PRIM. These estimated fair values are determined in good faith by using information from PRIT's investment managers, including methods and assumptions considering market conditions and risks existing at the date of the statement of pooled net assets. Such methods and assumptions incorporate standard valuation conventions and techniques, such as discounted cash flow analysis and option pricing models. All methods utilized to estimate fair values result only in general approximations of value, and such values may or may not actually be realized.

(Continued)

Notes to Financial Statements

June 30, 2011 and 2010

Open swap contracts at June 30 were as follows:

2011

Description	**PRIT pays/receives interest rate**	**PRIT pays/receives index/protection**	**Maturity date**		**Gross notional amount**	**Net unrealized appreciation (depreciation)**
Interest rate swaps	3.00% – 11.57%	See note*	9/11 – 12/41	$	379,417	(7,973)
Credit default swaps	0.60% – 12.25%	Credit default protection	7/11 – 7/45		359,753	3,031
Total return swaps	Private equity	Russell 3000	various		90,542	(17,098)
Total swaps				$	829,712	(22,040)

* PRIT pays/receives from counterparty based on 3-Month LIBOR, 6-Month Euro, 3-Month Canadian, Mexican TIIE rate, Inflation protection, and Bzdiovra Daily.

2010

Description	**PRIT pays/receives interest rate**	**PRIT pays/receives index/protection**	**Maturity date**		**Gross notional amount**	**Net unrealized appreciation (depreciation)**
Interest rate swaps	2.00% – 11.57%	See note*	12/10 – 12/28	$	555,748	(8,349)
Credit default swaps	0.25% – 12.25%	Credit default protection	9/10 – 7/45		263,426	4,222
Total return swaps	Private equity	Russell 3000	various		56,783	(14,817)
Total swaps				$	875,957	(18,944)

* PRIT pays/receives from counterparty based on 3-Month LIBOR, 6-Month Euro, 3-Month Canadian, Mexican TIIE rate, Inflation protection, and Bzdiovra Daily.

For the years ended June 30, 2011 and 2010, the change in unrealized appreciation (depreciation) on swap contracts was $(3,096) and $(184,803), respectively.

(Continued)

Notes to Financial Statements

June 30, 2011 and 2010

Exposures by Counterparties

2011

Counterparty	Credit rating	Interest rate swaps Gross notional	Interest rate swaps Fair value	Credit default swaps Gross notional	Credit default swaps Fair value	Total return swaps Gross notional	Total return swaps Fair value
Goldman Sachs International	A+	$ 40,992	(788)	36,580	(320)	—	—
Credit Suisse	A	34,255	262	10,100	(59)	—	—
J.P. Morgan Securities Inc.	A+	39,136	416	11,700	69	—	—
Deutsche Bank Securities Inc.	A+	51,118	618	41,945	154	23,310	22
Bank of America Corp	A	51,900	(6,069)	21,000	(1,419)	69	4,968
Citibank	A	21,600	(607)	50,586	2,144	—	—
Barclays Global Investors	A+	29,700	207	30,338	174	—	—
Morgan Stanley Capital	A	19,319	(247)	87,075	1,717	—	—
UBS Financial Services, Inc.	A+	16,800	(551)	30,549	(22)	—	—
All others	Various	74,597	(1,214)	39,880	593	67,163	(22,088)
		$ 379,417	(7,973)	359,753	3,031	90,542	(17,098)

2010

Counterparty	Credit rating	Interest rate swaps Gross notional	Interest rate swaps Fair value	Credit default swaps Gross notional	Credit default swaps Fair value	Total return swaps Gross notional	Total return swaps Fair value
Goldman Sachs International	A	$ 39,119	(1,725)	33,190	(640)	—	—
Credit Suisse	A	47,000	(4,375)	3,700	49	—	—
J.P. Morgan Securities Inc.	A+	41,717	524	9,200	172	—	—
Deutsche Bank Securities Inc.	A+	243,778	3,620	33,295	418	—	—
Bank of America Corp	A	67,200	(7,505)	10,800	(577)	—	—
Barclays Global Investors	A+	22,693	651	34,138	3	—	—
Morgan Stanley Capital	A	41,149	615	71,475	2,610	—	—
All others	Various	53,092	(154)	67,628	2,187	56,783	(14,817)
		$ 555,748	(8,349)	263,426	4,222	56,783	(14,817)

(Continued)

Notes to Financial Statements

June 30, 2011 and 2010

(7) Management Fees

In accordance with the PRIM Board's Operating Trust Agreement, expenses incurred by the PRIM Board in managing PRIT are charged to PRIT in the form of management fees. These expenses consist of investment management fees, investment advisory fees, custodian fees and professional fees, as well as staff salaries and other administrative expenses of the PRIM Board.

(a) Investment Management Fees

Investment management fees are paid to discretionary managers pursuant to executed contracts. Total investment management fees amounted to $57,422 and $50,358 for the years ended June 30, 2011 and 2010, respectively.

All domestic and international equity managers and emerging market managers are paid a base fee calculated as a percentage of either current net assets under management or an agreed-upon funded amount, typically equal to the amount of original and subsequent funding. In certain cases this is subject to periodic revision. Base fees are paid quarterly. In addition, some active (non-indexed) equity managers are eligible to receive a performance fee. Such fees are earned annually by those managers whose annualized three-year performance exceeds the contractual benchmark by a specified minimum amount.

Fixed income managers are generally paid an asset-based fee.

Fees for private equity investments are typically a percentage of committed capital with the fee percentage decreasing over time. In addition, the general partners (investment managers) of private equity limited partnerships are entitled to 20-30% of net gains on the realization of partnership investments.

The LLC's investment management fees generally consist of a base fee and a performance fee component. Base fees are calculated and paid monthly. Performance fees are paid every two years to managers whose since-inception performance exceeds a pre-established hurdle, as defined in the investment management contracts.

Timber investment management fees consist of a base fee and a performance fee component and are calculated and paid similar to the LLC's investment management fees.

All hedge fund-of-funds investment managers are paid base fees, which are calculated and paid quarterly. Certain managers are entitled to performance fees. Performance fees are calculated and

(Continued)

Notes to Financial Statements

June 30, 2011 and 2010

paid annually if the managers' performance exceeds a pre-established benchmark, as defined in the investment management contracts.

The majority of investment management fees for private equity and value-added fixed income investments are charged by the general partners to the investment partnerships and not to the limited partner investors directly. All investment management fees for hedge fund-of-funds, distressed debt, and commingled account investments are charged to the respective investments. Base investment management fees for investments in real estate properties and timber are charged against the respective investments. Therefore, the fair value of these investments are reported net of "indirect" management fees. For the years ended June 30, 2011 and 2010, these indirect management fees charged to PRIT's real estate, timber, hedge funds, value-added fixed income, commingled and private equity investments amounted to approximately $169,755 and $166,439, respectively, and are not included in management fees in the accompanying statements of changes in pooled net assets.

(b) Investment Advisory Fees

Hewitt EnnisKnupp, Callan Associates Inc., Hamilton Lane, NEPC, LLC and Cliffwater LLC serve as the PRIM Board's principal investment advisors. These investment advisors, among others, provide the PRIM Board with comprehensive investment advisory services, including recommendations on asset allocations, selection of investment managers, and the measurement of performance of PRIT and the individual investment managers.

For the years ended June 30, 2011 and 2010, as compensation for their services, investment advisors earned fees aggregating approximately $2,989 and $2,849, respectively, which are included in management fees in the accompanying statements of changes in pooled net assets.

(c) Custodian Fees

BNY Mellon is the investment custodian and record keeper for PRIT. BNY Mellon records all daily transactions, including investment sales and purchases, investment income, expenses, and all participant activity for PRIT. BNY Mellon also provides portfolio performance analysis each month. For the years ended June 30, 2011 and 2010, custodian fees amounted to $2,700 and $2,700, respectively, and are included in management fees in the accompanying statements of changes in pooled net assets.

(Continued)

Notes to Financial Statements

June 30, 2011 and 2010

(d) Other Administrative Fees

For the years ended June 30, 2011 and 2010, other administrative expenses of the PRIM Board, including employee compensation, professional fees and occupancy costs, charged to PRIT totaled approximately $6,107 and $5,656, respectively, and are included in management fees in the accompanying statements of changes in pooled net assets.

(8) Commitments

As of June 30, 2011, PRIT had outstanding commitments to invest approximately $4.8 billion in private equity investments and distressed debt.

(9) Subsequent Event

On August 5, 2011 Standard and Poor's (S&P) lowered the long-term sovereign credit rating of U.S. government debt obligations from AAA to AA+. On August 8th, 2011, S&P also downgraded the long-term credit ratings of U.S. government–sponsored enterprises. Downgrading of the U.S. credit rating could negatively impact the trading market for U.S. government securities and might impact the credit risk associated with investments in U.S. Treasury securities.

Schedules of Pooled Net Assets – Capital Fund and Cash Fund

June 30, 2011

(Amounts in thousands)

	Capital Fund	Cash Fund	Total
Assets:			
Investments, at fair value:			
Short-term	$ 793,248	61,146	854,394
Fixed income	10,899,750	—	10,899,750
Equity	23,951,625	—	23,951,625
Real estate	4,106,088	—	4,106,088
Timber	1,029,512	—	1,029,512
Private equity	5,477,325	—	5,477,325
Hedge fund-of-funds	3,820,815	—	3,820,815
Total investments	50,078,363	61,146	50,139,509
Cash	76,926	—	76,926
Interest and dividends receivable	126,421	24	126,445
Receivable for investments sold	126	—	126
Securities sold on a when-issued basis	326,022	—	326,022
Unrealized gains on foreign currency exchange contracts	8,275	—	8,275
Other receivables	23	—	23
Total assets	50,616,156	61,170	50,677,326
Liabilities:			
Payable for investments purchased	86	—	86
Securities purchased on a when-issued basis	405,988	—	405,988
Unrealized losses on foreign currency exchange contracts	6,141	—	6,141
Management fees payable to PRIM	19,345	—	19,345
Total liabilities	431,560	—	431,560
Net assets held in trust for pool participants	$ 50,184,596	61,170	50,245,766

See accompanying independent auditors’ report.

Schedules of Changes in Pooled Net Assets – Capital Fund and Cash Fund

Fiscal year ended June 30, 2011

(Amounts in thousands)

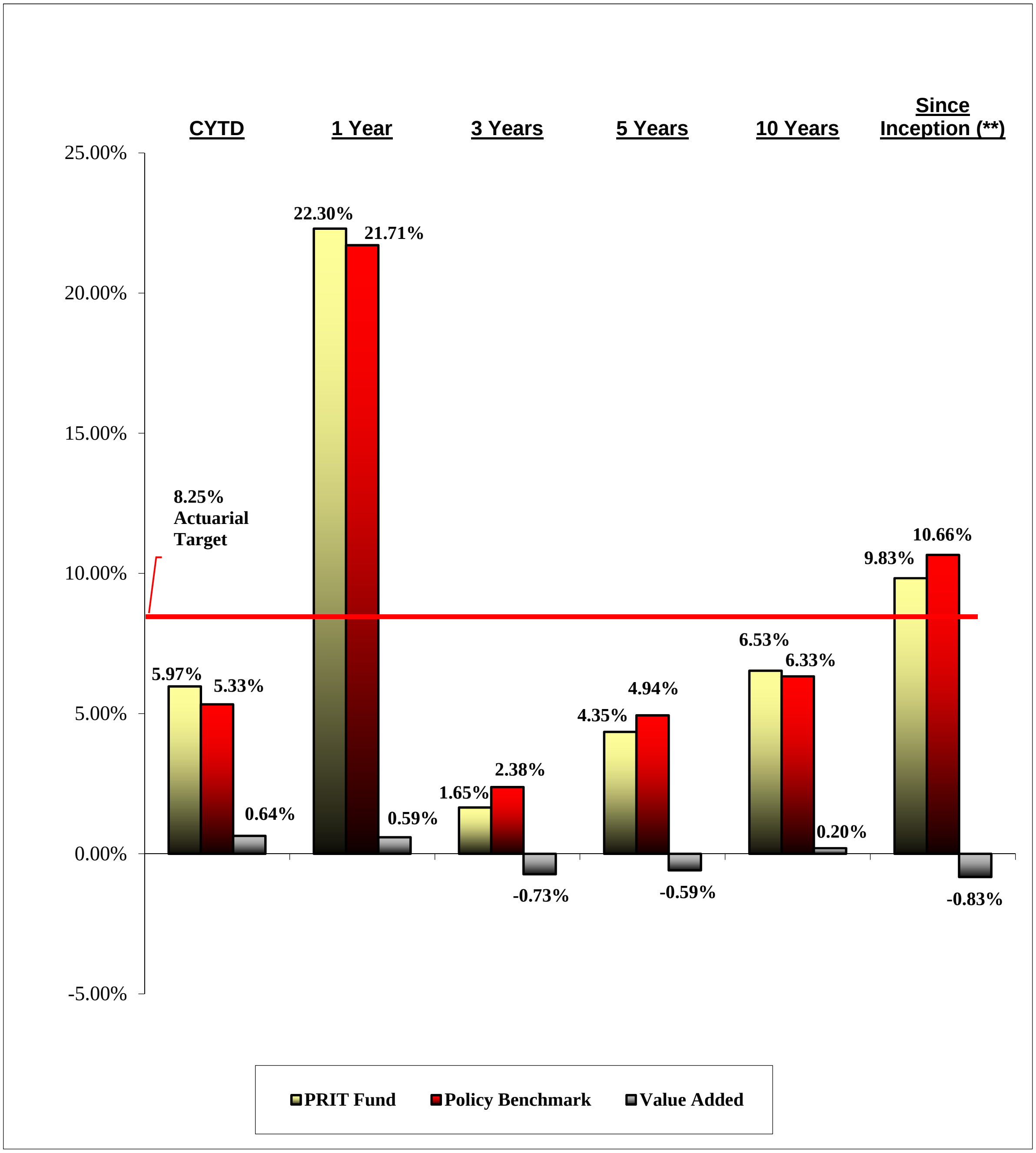
	Capital Fund	Cash Fund	Total
Additions:			
Contributions:			
State employees	$ —	538,898	538,898
State teachers	—	616,533	616,533
Other participants	—	1,535,681	1,535,681
Total contributions	—	2,691,112	2,691,112
Net investment income:			
From investment activities:			
Net realized income on investments and foreign currency transactions	1,696,996	—	1,696,996
Net change in unrealized appreciation on investments and foreign currency translations	6,262,268	—	6,262,268
Interest income, net	351,805	378	352,183
Dividend income, net	624,830	—	624,830
Real estate income, net	202,663	—	202,663
Timber income, net	139	—	139
Private equity income, net	99,803	—	99,803
	9,238,504	378	9,238,882
Management fees	(69,218)	—	(69,218)
Total investment income	9,169,286	378	9,169,664
Total additions	9,169,286	2,691,490	11,860,776
Deductions:			
Redemptions:			
State employees	—	1,054,196	1,054,196
State teachers	—	1,336,545	1,336,545
Other participants	—	508,579	508,579
Total deductions	—	2,899,320	2,899,320
Interfund transfers	(201,828)	201,828	—
Net increase (decrease) in pooled net assets	8,967,458	(6,002)	8,961,456
Net assets held in trust for pool participants:			
Balance, beginning of year	41,217,138	67,172	41,284,310
Balance, end of year	$ 50,184,596	61,170	50,245,766

See accompanying independent auditors' report.

Investment Section

Total PRIT Fund Performance Summary (*)

For the periods ended June 30, 2011



(*) Gross of Fees. Total PRIT Fund includes Core Fund and Cash Fund. Returns are calculated based on a time-weighted rate of return methodology.

(**) Performance inception date of January 1, 1985

Investment Strategy Overview

The PRIT Fund was formed in December 1983 with a mandate to accumulate assets through investment earnings to reduce the Commonwealth of Massachusetts' unfunded pension liability and, further on, to assist local participating retirement systems in meeting their future pension obligations. The PRIM Board is charged with the general oversight of the PRIT Fund. PRIM seeks to maximize the return on investments within acceptable levels of risk by broadly diversifying its investment portfolio, capitalizing on economies of scale to achieve cost-effective operations, and providing access to high quality, innovative investment management firms, all under the management of a professional staff and members of the Board. The PRIM Board's overall investment performance goal is to achieve an annual rate of return that exceeds the targeted actuarial rate of return used in determining the Commonwealth of Massachusetts' pension obligations (currently 8.25%). A summary of other investment objectives is provided in the Investment Policy Statement at the end of this section.

As of June 30, 2011, PRIM employed seventeen public markets investment managers, one hundred and one private equity markets managers, fourteen real estate, natural resources, and timber managers, five hedge fund-of-funds managers and five external investment consultants. The PRIT Fund had approximately $50.2 billion in assets under management at June 30, 2011. Each investment manager operates within guidelines that are established by PRIM and are delineated in a detailed investment management agreement.

The PRIT Fund's net investment portfolio fair values reported in this section and used as a basis for calculating investment returns differ from those shown in the Financial Section and the Financial Highlights in the Statistical Section of this report. The values used in this section are the appropriate industry standard basis for investment return calculations and are net of all investment receivables and payables. Unless otherwise noted, all return information provided is gross of fees. In addition, "PRIT Core" return information refers to returns for the PRIT Capital Fund. PRIT Core return information excludes the impact of the Cash Fund on the total PRIT Fund return.

Asset Allocation and Diversification Discussion

The Investment Policy statement adopted by the PRIM Board in September 1998 requires that the Trustees undertake a comprehensive review of the PRIM Board's Asset Allocation Plan and its underlying assumptions at reasonable intervals of not more than three to five years. In addition, the Investment Policy statement requires that the Trustees conduct an annual evaluation of the PRIT Fund's asset allocation. The purpose is to determine whether adjustments to the PRIT Fund's structure are necessary due to changes in the capital market assumptions, the plan's liability assumptions, the Board's risk tolerances, or in the PRIT Fund's investment objectives. The PRIM Board's last comprehensive review of the PRIT Fund asset allocation was conducted in the beginning of fiscal year 2012 with the following objectives: first, the Board sought to achieve a return equal to or better than the actuarial rate of return set forth by the State Legislature; and second, to decrease the portfolio risk by reducing volatility through greater diversification. The expected return, standard deviation, and correlation numbers used in the evaluation of existing and potential asset classes were thoroughly reviewed and formally agreed upon by the Board.

Asset Class	6/30/2011 Allocation %	2011 Long-Term Policy Target %
Global Equity (*)	50.3	49
Core Fixed Income	13.2	13
Value-Added Fixed Income	6.0	6
Real Estate	8.2	10
Private Equity	10.7	10
Timber / Natural Resources	4.0	4
Hedge Funds	7.2	8
Portable Alpha wind down	0.4	0

(*) Global Equity includes PRIT's investments in domestic, international, and emerging markets equities.

In addition to asset allocation, the PRIM Board seeks to diversify the PRIT Fund through a complementary diversification of investment styles within various asset classes. Investment managers are selected to achieve styles within each asset class. The PRIM Board also develops detailed investment guidelines with each investment manager to ensure portfolios are diversified at the individual manager level, ensuring limits are placed on concentrations in any one security or sector. Further discussion on diversification within each asset class is provided in the detailed discussions on each portfolio provided in this section.

Income and Expense Allocation

Income earned and expenses incurred in each investment account are allocated to retirement systems based upon each individual retirement system's percentage-of-unit ownership in each investment account. Retirement systems may purchase and withdraw units in individual PRIT Fund investment accounts on the first business day of each month. Expenses are classified into three categories for purposes of allocation to retirement systems: 1) investment management fees, 2) targeted consultant fees and 3) operational fees. Investment management fees shall be those directly associated with the investment management of a certain account. Targeted consultant fees are those fees that are directly associated with a consultant for a certain account, except for general consultants, whose fees are assessed on a proportionate basis across each separate account. Operational fees are the administrative, custodian, and other operational expenses incurred by the PRIM Board in managing the PRIT Fund and are allocated pro-rata based on net asset values of each investment account.

The Year in Review – The World Markets

Fiscal Year 2011 Global Markets Overview

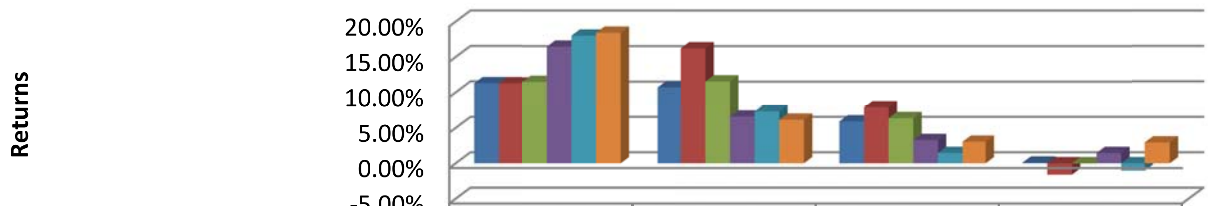
Fiscal year 2010 ended with a thud, as equity markets shed 6% as of June 30, 2010; but as the new fiscal year dawned, a dramatic turnaround took place. For U.S. equities, the first fiscal quarter of 2011 (3Q10) began strong in July (up 7%), and ended even stronger in September (up 9%). The weak month of the quarter was August (down 4.5%), but even that disappointing result could not hold down these soaring markets. By quarter-end, the broad US equity market was up over 11%, non-U.S. developed equity markets gained 16.5%, and emerging markets equities led the pack, returning over 18%. Investment grade bonds plodded along, returning about 2.5% in 3Q10. On the other hand, high yield bonds (below investment grade) returned almost 7% for the first quarter, as average prices on high yield debt rose above 100 cents on the dollar for the first time in three years in mid-September. Publicly-traded Global Real Estate Investment Trust securities (Global REITs) performed handsomely in 3Q10, up over 18%, which was mirrored by a rebound in most real estate markets. The U.S. economy rose 2.6% in the first fiscal quarter.

The second quarter of fiscal year 2011 (4Q10) saw the global equity markets add to their gains from the previous quarter – especially in the U.S. – as the first half of fiscal year 2011 appeared to be shaping up to be a record breaker. U.S. small and mid-cap stocks rose over 16% during the quarter, exceeding returns of their large cap counter-parts by almost 6%. Both foreign developed and emerging equity markets lagged the U.S., but they still posted strong returns for the quarter. Concerns that European debt woes would disrupt the economic recovery were still palpable, but at quarter end, those fears were somewhat muted by the hope that government intervention would limit the impact of the looming crisis. Investment grade bonds continued to produce lackluster returns, as the "flight *from* quality" continued with investors willing to take on more risk. Conversely, the risk premium was amply rewarded with attractive returns coming from the high yield debt markets. Global REITs also posted impressive results during the quarter. The U.S. economy climbed 3.1% in the second fiscal quarter.

As the new calendar year began, global equity markets continued their winning ways. Small cap stocks stalled in January, but that was only temporary, as those markets quickly rebounded in February (up almost 5.5%) and in March (up over 2.5%) and regained their dominance over large caps. Emerging equity markets also hit the brakes in January and February, but turned around in March (up almost 6%). Of course, the biggest news of the third fiscal quarter (1Q11) was the horrific earthquake and ensuing tsunami in Japan which roiled all markets in March. That tragedy coupled with concerns about uprisings in the Middle East – the beginning of the Arab Spring – made investors apoplectic. That said, U.S. markets rebounded toward the end of March paring earlier losses. Investment grade bonds could barely muster a gain of 1% in 1Q11, but about $3 billion of new capital was invested in high yield bond funds during the quarter added to gains in those markets. Global REITs also posted positive returns for the quarter, but were not as robust as in the two previous quarters. The U.S. gross domestic product (GDP) grew only at a 1.8% annual rate in 1Q11.

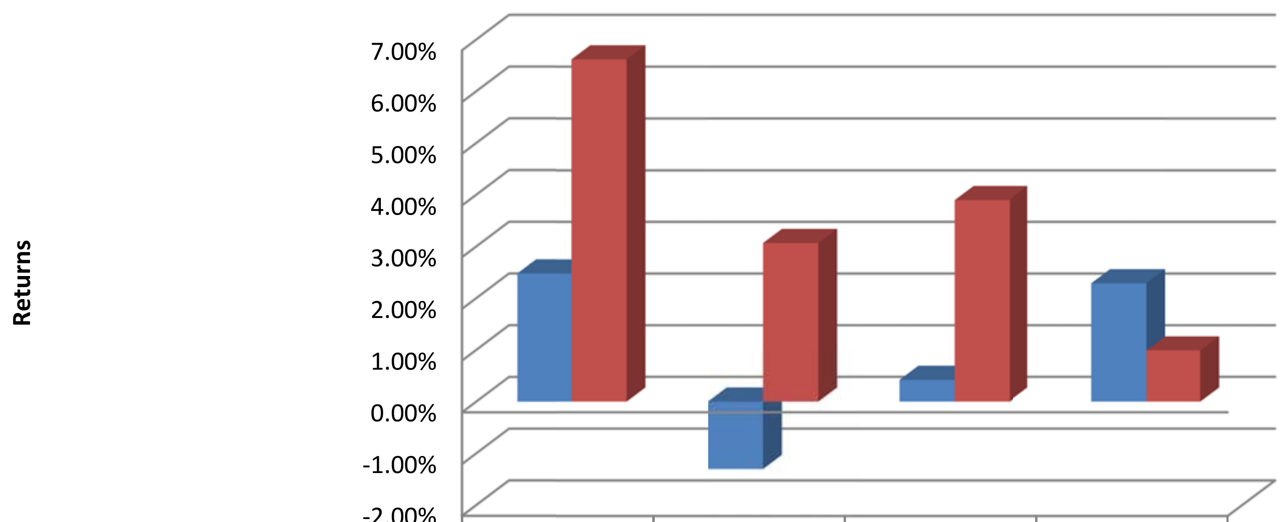
The fourth and final fiscal quarter (2Q11) was a harbinger of more challenging times ahead. Although April was another strong month for stocks *and* bonds – the S&P 500 reached its highest point since June 2008 – there were signs that the economy was losing steam, and those concerns came to fruition during May and June. The last two months of the quarter saw declines in all global equity markets, although losses could have been worse. Toward the final trading days of June, global equity markets got a lift when the Greek parliament approved a package of austerity measures designed to fend off default, but this optimism would eventually be dashed as the nagging Euro sovereign debt contagion festered. As fiscal year 2011 drew to a close, the Federal Reserve left its key interest rate at zero to 0.25% (no change since December 2008) and the unemployment rate was 9.2%. Overall, it was a very good year for the financial markets: the broad U.S. equity and developed foreign markets were up over 30% and emerging equity markets gained 28% (primarily from a very strong first half of the fiscal year); the broad fixed income market rose 10.5%; and Global REITs soared 33%. GDP grew at only 1% in 2Q11, down 80 basis points from the previous quarter.

FY 2011 Equity Indices By Quarter



	1st Qtr (9/30/2010)	2nd Qtr (12/31/2010)	3rd Qtr (3/31/2011)	4th Qtr (6/30/2011)
S&P 500 (Large Cap)	11.29%	10.76%	5.92%	0.10%
Russell 2000 (Small Cap)	11.29%	16.25%	7.94%	-1.61%
Russell 3000 (Broad Market)	11.53%	11.59%	6.38%	-0.03%
MSCI EAFE Standard Index Net Divs	16.48%	6.61%	3.28%	1.45%
MSCI EM Standard Index Net Divs (EMF)	18.03%	7.34%	1.45%	-1.04%
FTSE EPRA NAREIT Developed REIT	18.44%	6.15%	3.04%	2.94%

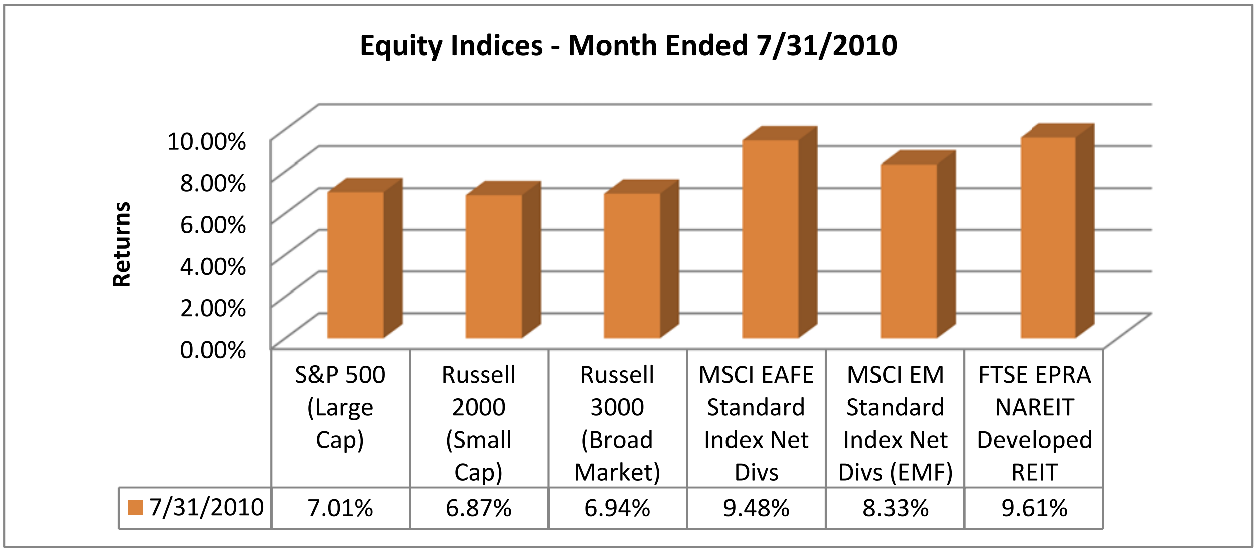
FY 2011 Fixed Income Indices by Quarter

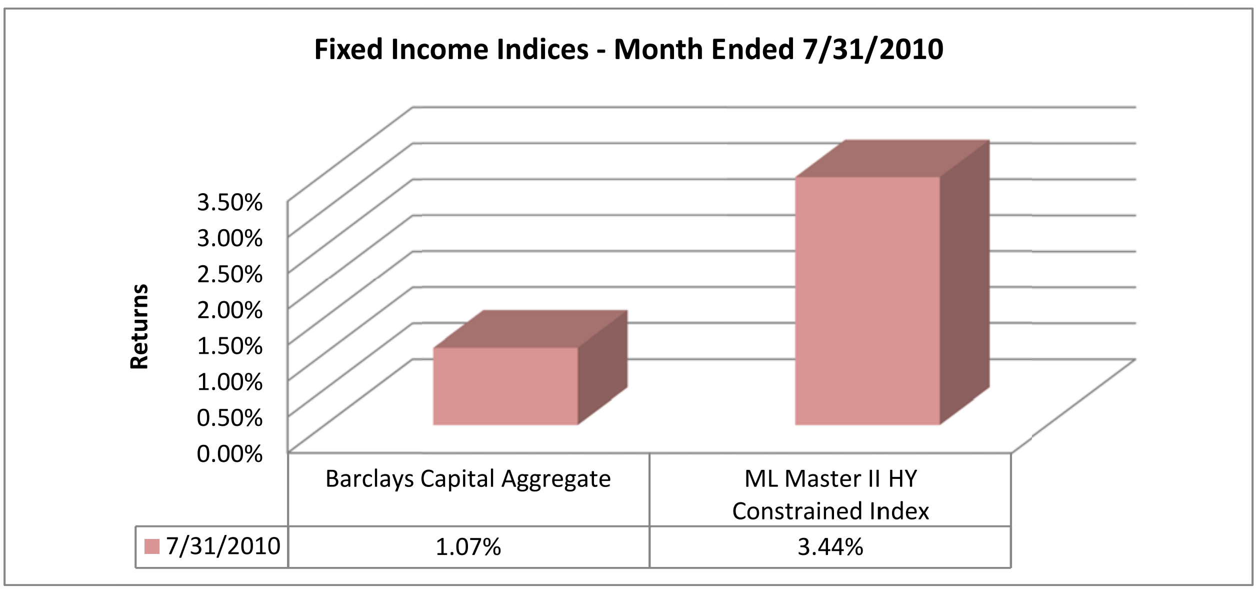


	1st Qtr (9/30/2010)	2nd Qtr (12/31/2010)	3rd Qtr (3/31/2011)	4th Qtr (6/30/2011)
Barclays Capital Aggregate	2.48%	-1.30%	0.42%	2.29%
ML Master II HY Constrained Index	6.62%	3.07%	3.90%	0.99%

Month-by-month Account of the Major Economic and Market Highlights of Fiscal Year 2011

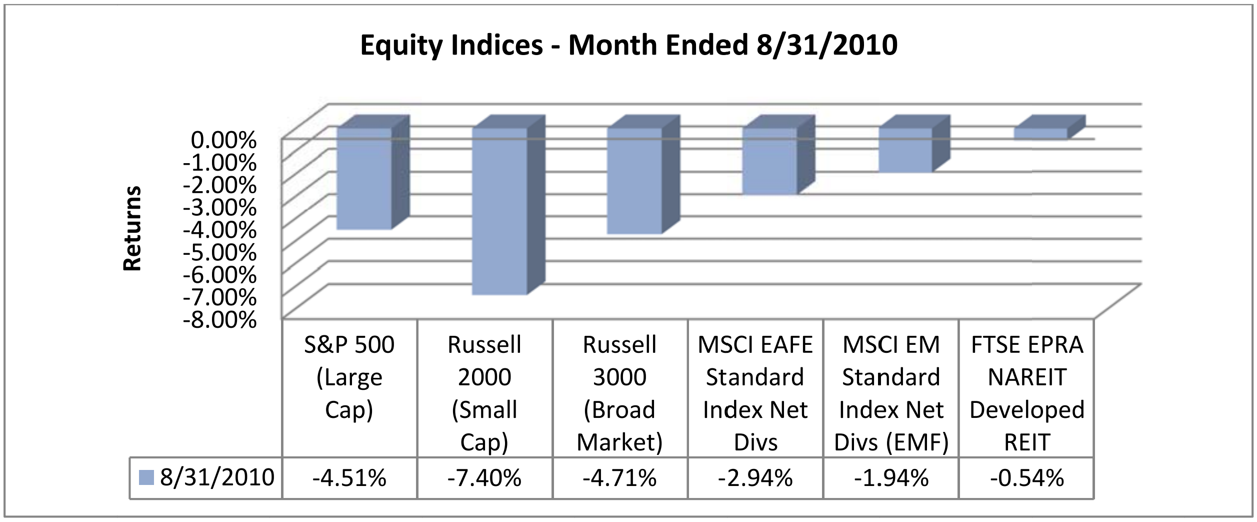
July 2010 - Amid jubilation over strong 2nd quarter corporate earnings, the U.S. equity market indices rose 6% to 7% in July, which was a dramatic turnaround from the prior month when they fell 6%. On news that all but six of ninety-one European banks passed stress tests, foreign developed equity markets also rallied in July, up 8% to 10%. Emerging markets equities posted a strong monthly return, as China announced it would ease up on curbing real estate prices and encourage more lending to stimulate the economy. The broad U.S. fixed income market posted a positive return, and high yield bonds enjoyed a second consecutive month of gains. Global publicly-traded REIT markets soared almost 10 % in July.

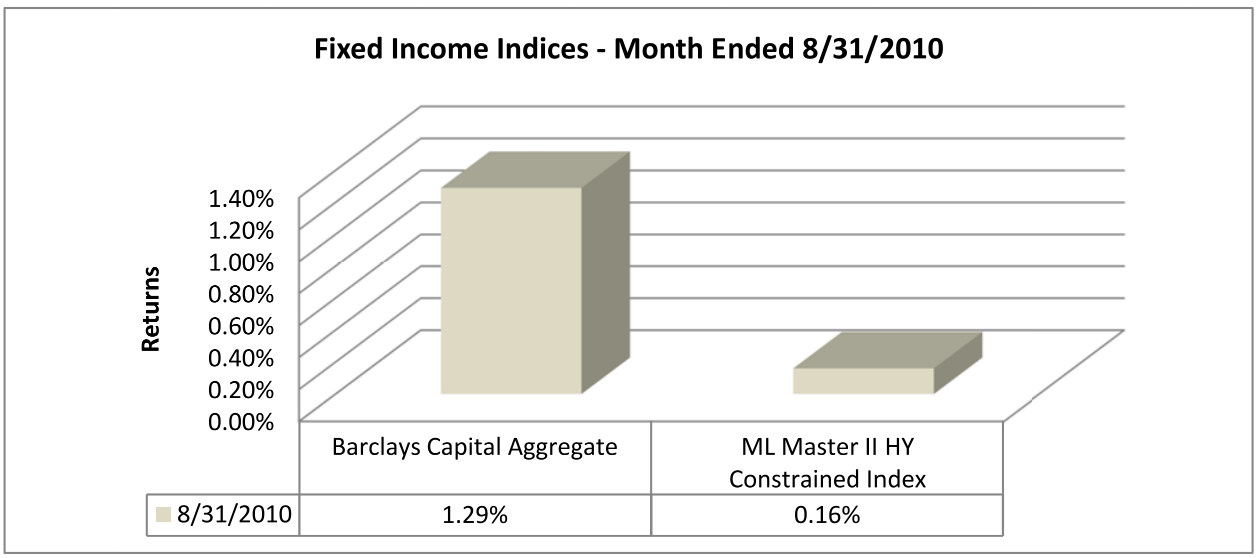




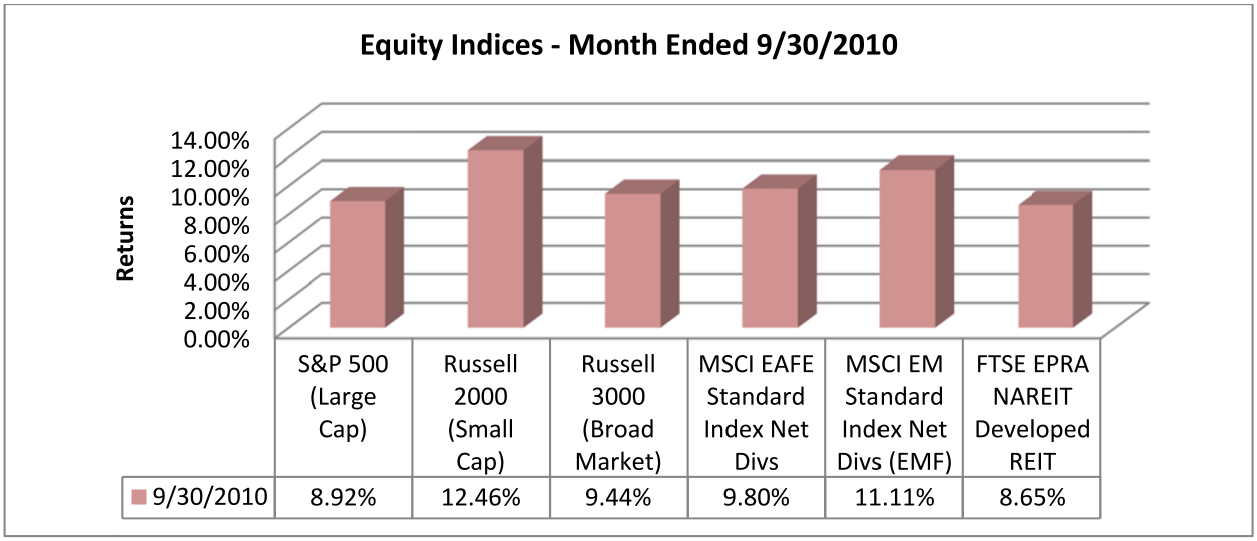
August 2010 - Responding to weak economic growth data, many investors sold equities and sought the relative safety of bonds. The broad U.S. equity market fell almost 5%, with small cap returns being the weakest. The sell-off in U.S. equities extended to foreign developed equity markets. Thanks to a rebound in Chinese stocks, losses in the emerging markets equities were somewhat dampened. In the aggregate, those markets fared better than U.S. and non-U.S. developed equity markets during 2010.

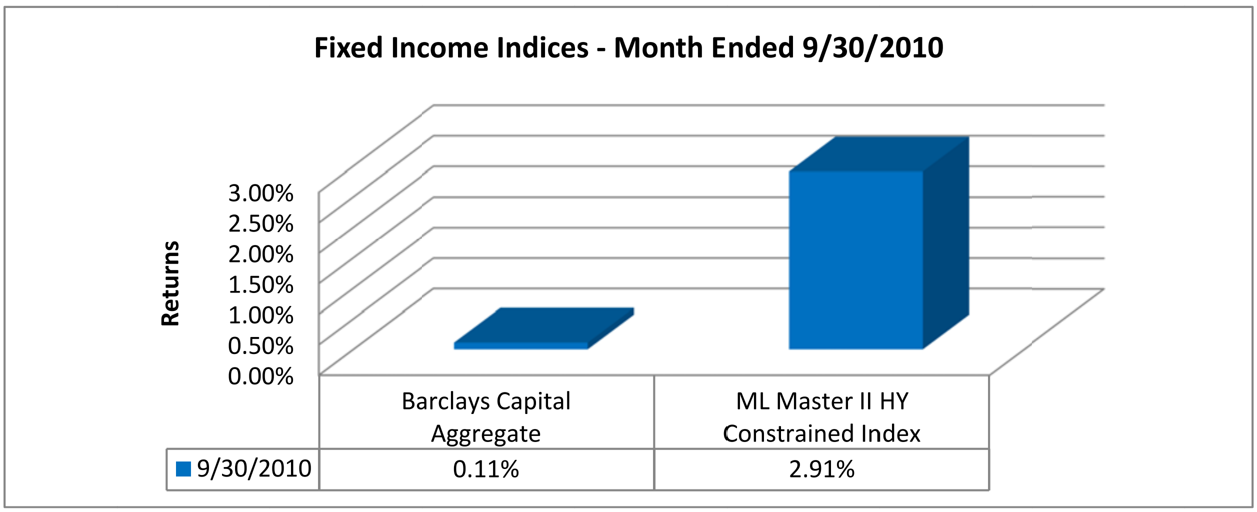
The broad U.S. fixed income market posted gains in August, and high yield bonds were winners for a third consecutive month. Global REITs were down slightly for the month.



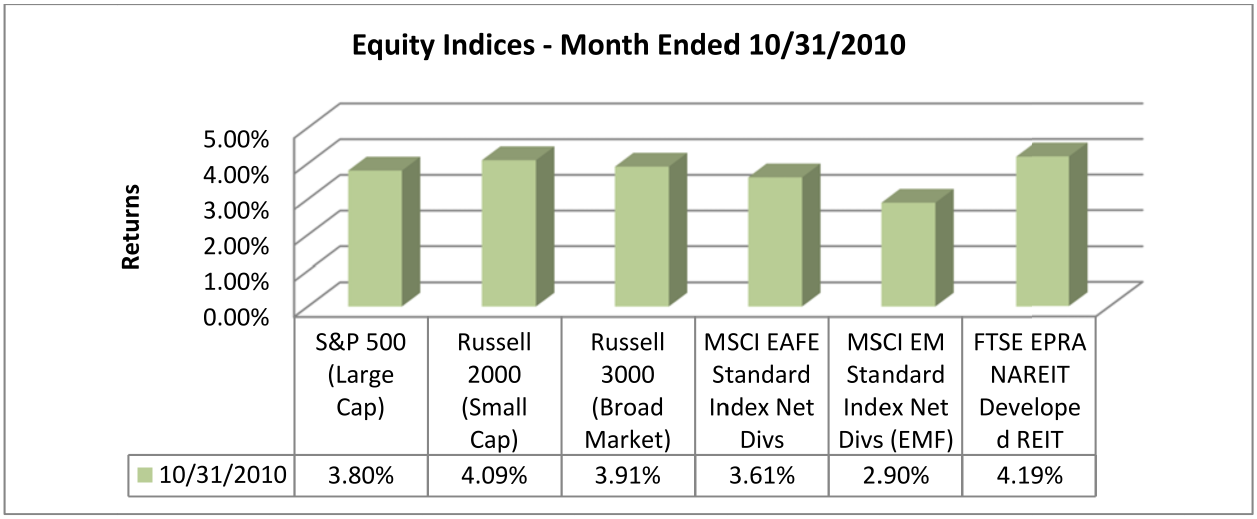


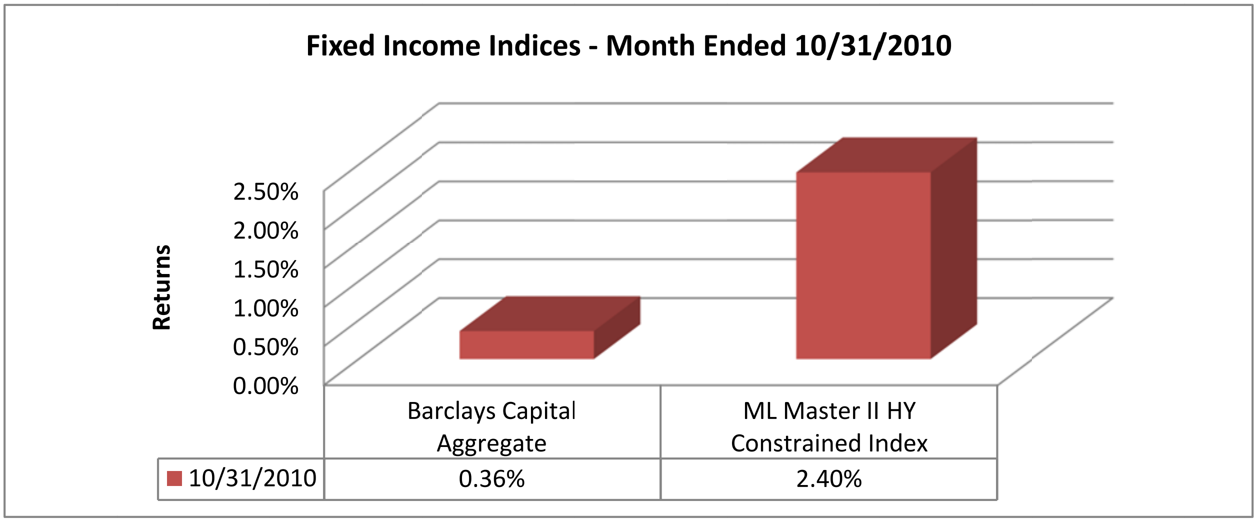
September 2010 – The U.S. equity market enjoyed its best September in 71 years. Investors' concerns that the economy could be headed for a "double dip" recession abated in September, as the economy showed signs of some growth. The U.S. manufacturing and services sectors, combined with an uptick in consumer spending, helped rocket the large cap S&P 500 index to its best September since 1939 – up almost 9% for the month – and driving that index into positive territory for the calendar year. Growth stocks outpaced value in all capitalization ranges. Bolstered by the rosier economic news from the U.S., and with the Euro zone nations tackling budget deficits, developed foreign equity markets also rallied in September, nudging those markets back into the black on a calendar year basis. Emerging markets equities joined their developed counterparts and rebounded in September as well, up over 11% for the month. The broad U.S. fixed income market rose slightly in September, and the high yield bond market added to its gains for a fourth consecutive month. Global REITs soared in September, up almost 9% for the month.



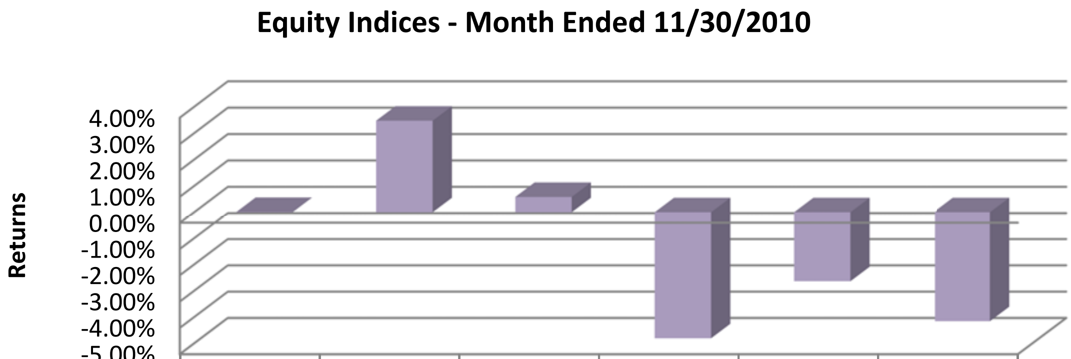


October 2010 - Encouraged by comments made by Federal Reserve (Fed) Chairman Ben Bernanke that further action may be necessary to stimulate the economy, investors continued to be bullish on equities in October. (The Fed subsequently made good on its promise to boost the economy, announcing on November 3rd that it would purchase $600 billion of longer-term Treasury securities by the end of the first quarter of 2011 and reinvest $250 - $300 million from maturing mortgage-backed securities.) In reaction, all global equity markets were positive across the board in October. In the U.S., the Materials sector was the top performer followed by Technology. Small capitalization stocks (small caps) outperformed both large and mid-cap stocks in October, and growth stocks outpaced value. European equities saw strong returns in October resulting from better than expected earnings and the hope that the Euro region's governments would successfully manage their budget deficits. In the emerging markets, the anticipation that the Fed may expand quantitative easing (i.e., additional economic stimulus) was viewed positively by those economies in terms of supporting continued growth. Yields on the 30-year Treasury increased in October, leading to the first monthly decline in U.S. Treasuries since March (the price moves in the opposite of the yield). Conversely, high yield bonds saw yields drop in response to the Fed's continuation of its current monetary policy. Global REITs continued to generate strong returns, domestically and internationally.

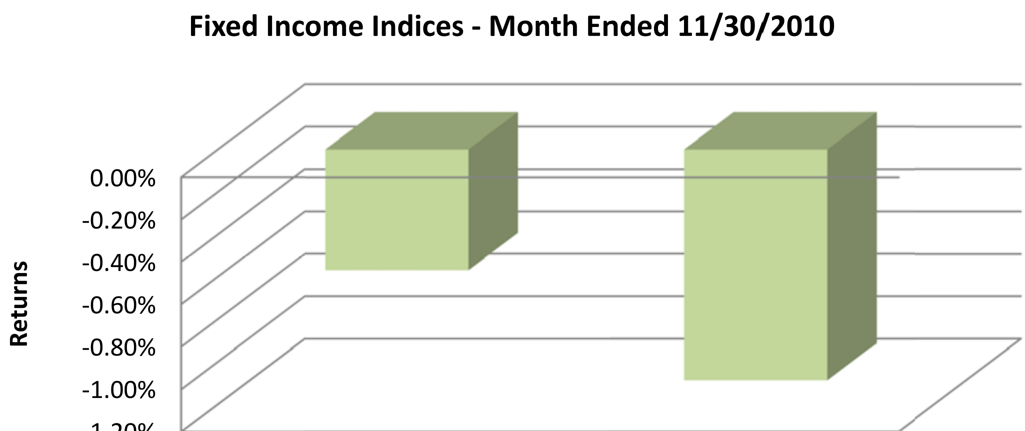




November 2010 - After hitting its highest level since September 2008 in early November, the U.S. large cap S&P 500 index fell a precipitous 3.5%, ending the month basically flat. Although consumer spending, which accounts for about 70% of the U.S. economy, showed signs of life in November, the ever-unfolding European Debt crisis was the catalyst for the sell-off, as investors feared an Irish bailout could spill over into Portugal and Spain. Not surprisingly, both foreign developed and emerging equity markets saw declines in November. In the U.S., the Energy sector was the top performer, bolstered by growing demand for crude oil. In fixed income markets, yields rose on U.S. Treasury bonds for the second consecutive month as bond prices fell (the price moves in the opposite of the yield). For the first time since May, high yield bonds saw losses as yields rose. Globally, publicly-traded REITs declined during the month.



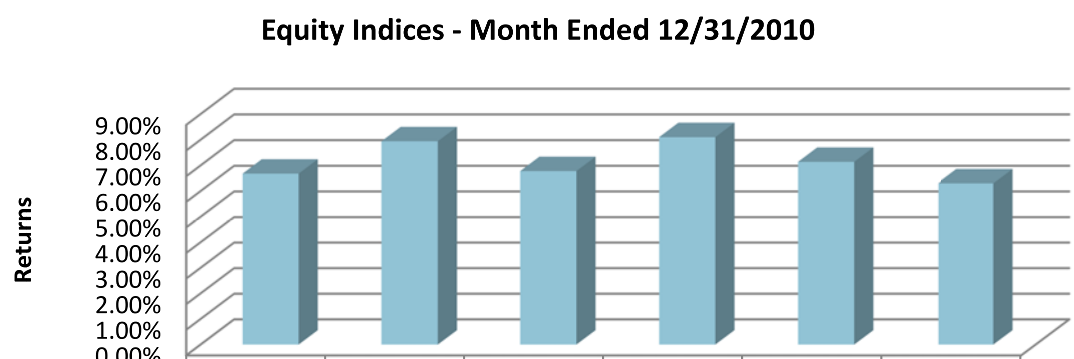
	S&P 500 (Large Cap)	Russell 2000 (Small Cap)	Russell 3000 (Broad Market)	MSCI EAFE Standard Index Net Divs	MSCI EM Standard Index Net Divs (EMF)	FTSE EPRA NAREIT Developed REIT
11/30/2010	0.01%	3.47%	0.58%	-4.81%	-2.64%	-4.16%



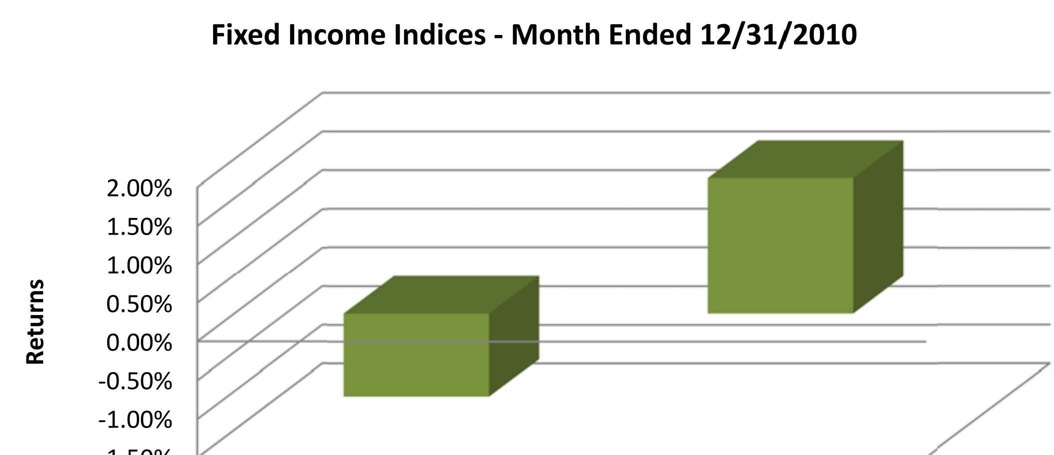
	Barclays Capital Aggregate	ML Master II HY Constrained Index
11/30/2010	-0.57%	-1.09%

December 2010 - The equity markets came roaring back following a weak November, as the economic outlook appeared to brighten: the Commerce Department announced that business spending and consumer activity helped the U.S. economy grow 2.6% on an annualized basis; existing home sales rose 5.6% in November; and the Labor Department reported that 103,000 jobs were added in December, as unemployment dropped to 9.4% from 9.8%. U.S. equities hit two-year highs in December, as the S&P 500 index, the large cap equity benchmark, closed at its highest level since the collapse of Lehman Brothers in September 2008. Small- and mid-cap returns outclassed large caps, and publicly-traded REITs had superior returns. Since the market nadir on March 9, 2009 through December 31, 2010 – post 2008 financial crisis – REITs were up 181%, the Russell 2000 index (small caps) was up 133%, and the S&P 500 index was up 93%. Conversely, T-Bills returned about 0% over that period. Developed European markets rose, encouraged by governmental actions that would put a limit on the sovereign debt crisis. Japanese markets ended higher as the rosy economic news from the U.S. was viewed as being good for exporters. After stalling in November, emerging markets equities rebounded in December, energized by rising commodity prices and increased consumer demand. Prices fell on U.S.

Treasuries, as investors, specifically foreign banks, sold off U.S. Treasuries on inflationary concerns. Conversely, high yield bond prices rose for the sixth time in seven months.



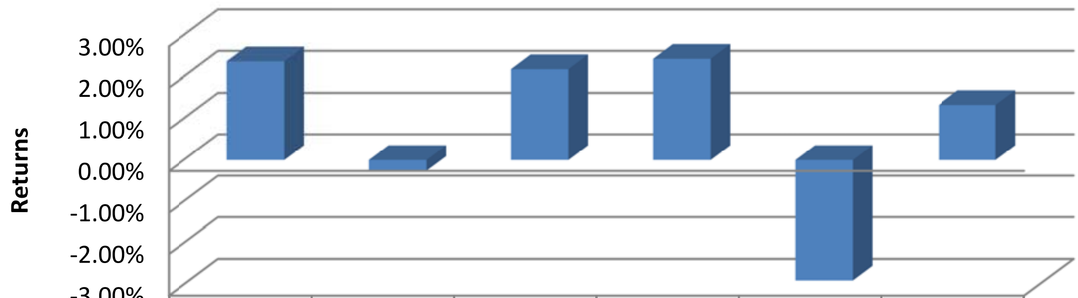
	S&P 500 (Large Cap)	Russell 2000 (Small Cap)	Russell 3000 (Broad Market)	MSCI EAFE Standard Index Net Divs	MSCI EM Standard Index Net Divs (EMF)	FTSE EPRA NAREIT Developed REIT
12/31/2010	6.68%	7.94%	6.78%	8.10%	7.14%	6.30%



	Barclays Capital Aggregate	ML Master II HY Constrained Index
12/31/2010	-1.08%	1.75%

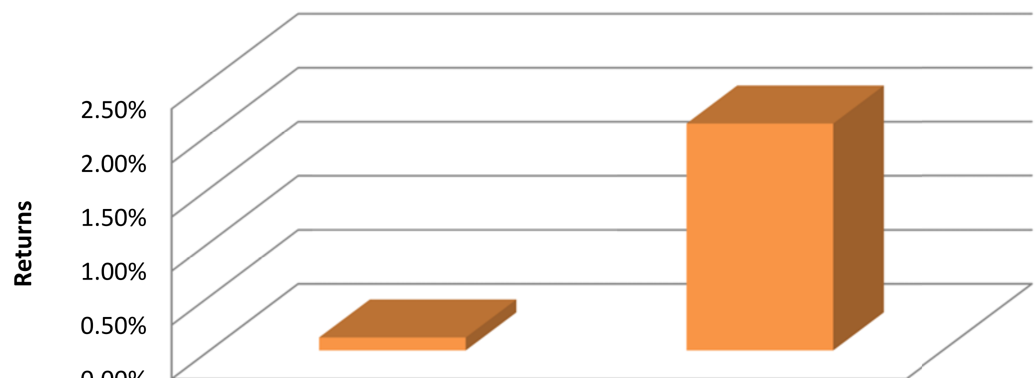
January 2011 - In January, the U.S. equity markets were buoyed by encouraging signs that the economy was in expansion mode. Unemployment fell to 9.0% from 9.4%, manufacturing grew, and personal consumption rose, led by credit card purchases. Energy was the top gaining sector, as crude oil prices topped $100 a barrel, partially over concerns about the unrest in Egypt disrupting supply. The good news from the U.S. and the perception that the European sovereign debt crisis was in check, lifted foreign developed markets. Conversely, emerging equity markets fell amid concerns about Egypt and inflationary fears. U.S. Treasury 30-year yields rose while yields on shorter-term government debt declined (the yield moves in the opposite direction of the price). High yield bond prices rose for the seventh time in eight months.

Equity Indices - Month Ended 1/31/2011



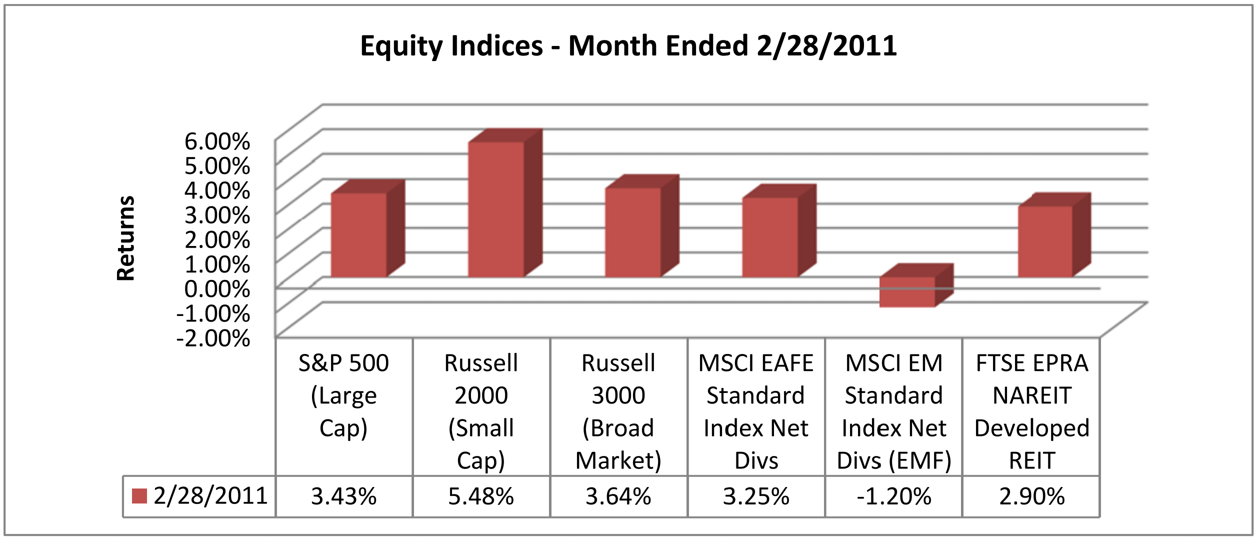
	S&P 500 (Large Cap)	Russell 2000 (Small Cap)	Russell 3000 (Broad Market)	MSCI EAFE Standard Index Net Divs	MSCI EM Standard Index Net Divs (EMF)	FTSE EPRA NAREIT Developed REIT
1/31/2011	2.37%	-0.26%	2.18%	2.43%	-2.90%	1.33%

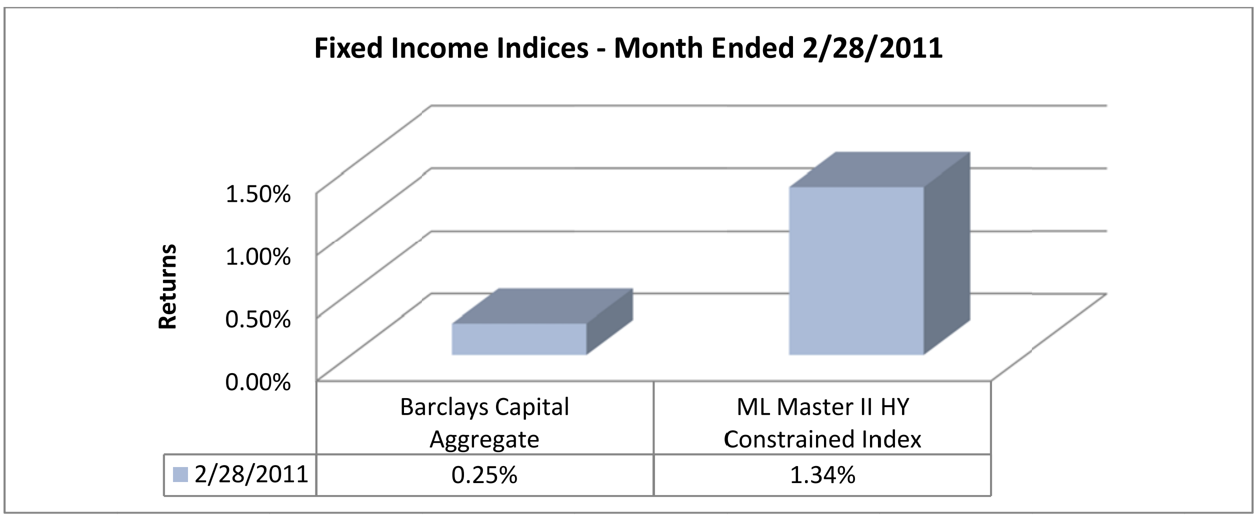
Fixed Income Indices - Month Ended 1/31/2011



	Barclays Capital Aggregate	ML Master II HY Constrained Index
1/31/2011	0.12%	2.10%

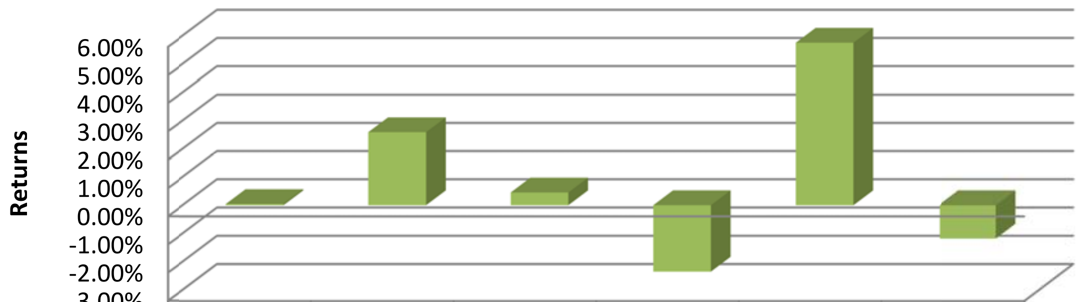
February 2011 - With the exception of the emerging equity markets, where the impact of the political upheaval in the Middle East was more strongly felt, global equity markets experienced another solid month in February. In the U.S., the large cap S&P 500 index enjoyed a third consecutive month of gains. Small cap stocks, which saw a four-month winning streak snapped in January, rebounded in February, regaining dominance over their large cap counterparts for the trailing 12-month period. Among the major economic drivers for the month was the continuing drop in the unemployment rate, which fell to 9.0% from 9.4% the prior month. The only disappointment was that the U.S. added fewer nonfarm payroll jobs in February (36,000) than it did in January (121,000). Wholesale and consumer inflation were up, fueled by energy and food costs. According to the Institute for Supply Management, U.S. manufacturing rose for the 16th consecutive month, and the services sector saw increases in February. Equity prices rose in the developed foreign equity markets during the month. The broad U.S. fixed income markets showed slight gains in February as yields fell (bond prices move inversely to their yields). Municipal bonds, which had been underperforming, had a superlative monthly gain and bettered other investment grade fixed income markets. High yield bonds continued their run as prices rose for the eighth time in nine months. Globally, publicly-traded real estate securities (REITs) rose in February, and are up almost 30% over the past 12 months.





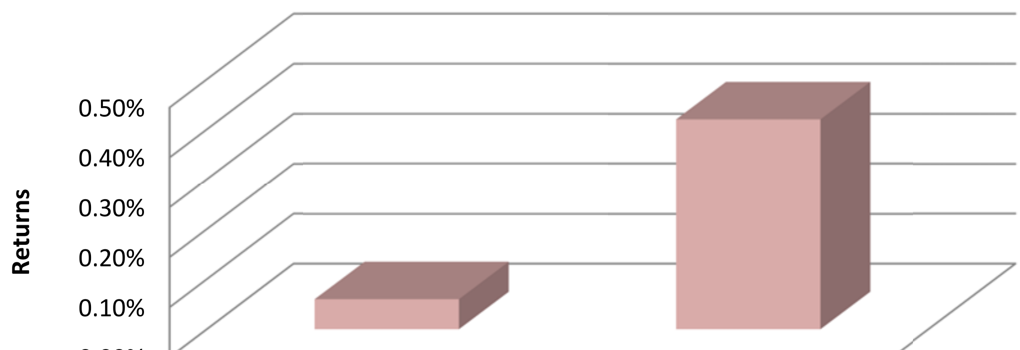
March 2011 - The global financial markets – already roiled by a litany of woes, i.e., political instability in the Middle East and North Africa and the euro sovereign debt crisis – were further traumatized on March 11th when a devastating earthquake and ensuing tsunami befell the northeast coast of Japan killing thousands, leveling infrastructure, and sparking the worst nuclear plant disaster since Chernobyl. Although gains for the year were wiped out in a flash, equity markets quickly recovered, and that buoyed investor confidence through the remainder of the month. In March, the large cap S&P 500 index saw only a small gain, but the index had an otherwise impressive quarter. Small cap stocks, which declined after the quake, rebounded handsomely as investors poured cash back into the market. Unlike U.S. equities, developed foreign equities posted negative returns for the month in the wake of the Japanese tsunami, unexpected inflationary pressure, and the ongoing euro debt crisis. Conversely, emerging markets equities experienced strong gains in March due to higher commodity prices and good news about the U.S. economy. The broad U.S. fixed income market saw a small gain in March, but yields rose on U.S. Treasuries as the Federal Reserve indicated that the second quantitative easing measure may be reduced as the economy strengthens (bond prices move inversely to their yields). High yield bonds enjoyed positive returns for the ninth time in ten months. Globally, publicly-traded REITs were down in March, but rose for the quarter.

Equity Indices - Month Ended 3/31/2011



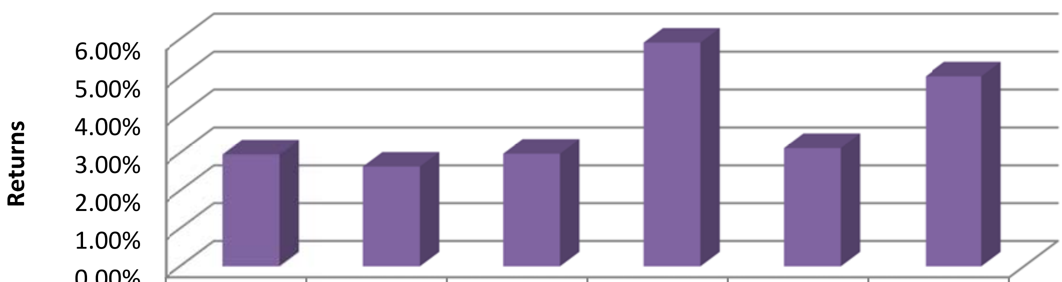
	S&P 500 (Large Cap)	Russell 2000 (Small Cap)	Russell 3000 (Broad Market)	MSCI EAFE Standard Index Net Divs	MSCI EM Standard Index Net Divs (EMF)	FTSE EPRA NAREIT Developed REIT
3/31/2011	0.04%	2.59%	0.45%	-2.35%	5.75%	-1.18%

Fixed Income Indices - Month Ended 3/31/2011

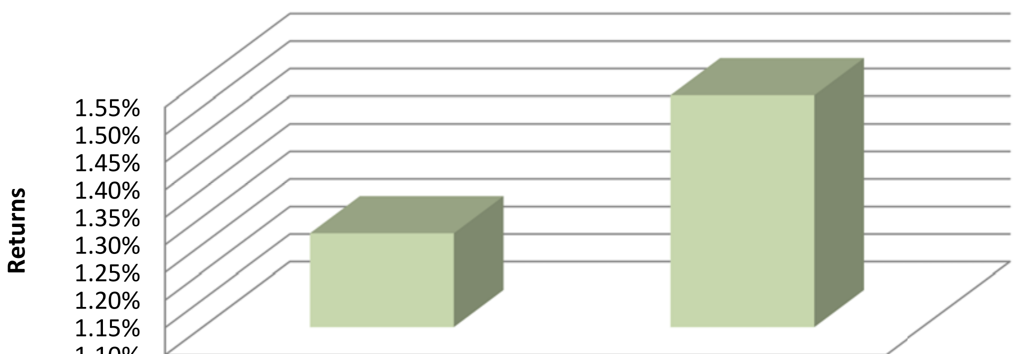


	Barclays Capital Aggregate	ML Master II HY Constrained Index
3/31/2011	0.06%	0.42%

April 2011 - The Fed stated at its April 27th meeting that interest rates would remain low for "an extended period" because it viewed recent price inflation in energy and commodities as a transitory phenomenon. That news, coupled with better than forecasted corporate earnings, helped drive up global equity markets in April. Small cap U.S. stocks shined, achieving new record highs, due, in part, to a healthy merger and acquisition environment and huge gains in healthcare stocks. Developed foreign equity markets outpaced both U.S. equities and the emerging markets bolstered by strong corporate earnings. The broad U.S. fixed income market rebounded in April on news that the Fed would stay on schedule for the $600 million of bond purchases in June and on the slower than expected growth of the U.S economy in the first quarter. High yield bonds generated positive returns for the tenth time in 11 months. Globally, publicly-traded REITs rebounded in April.



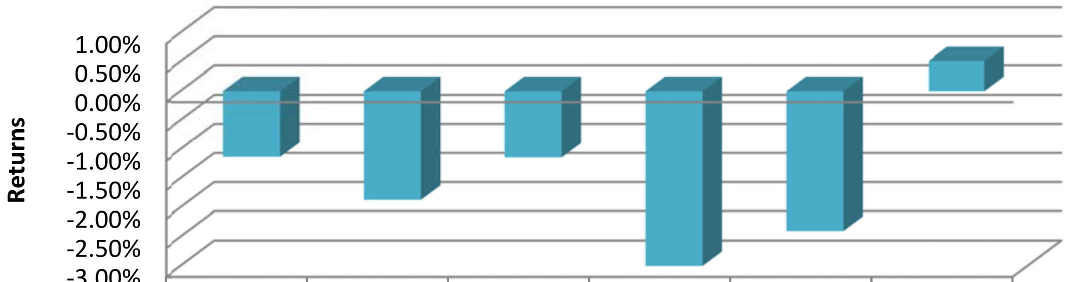
	S&P 500 (Large Cap)	Russell 2000 (Small Cap)	Russell 3000 (Broad Market)	MSCI EAFE Standard Index Net Divs	MSCI EM Standard Index Net Divs (EMF)	FTSE EPRA NAREIT Developed REIT
4/30/2011	2.96%	2.64%	2.98%	5.91%	3.13%	5.02%



	Barclays Capital Aggregate	ML Master II HY Constrained Index
4/30/2011	1.27%	1.52%

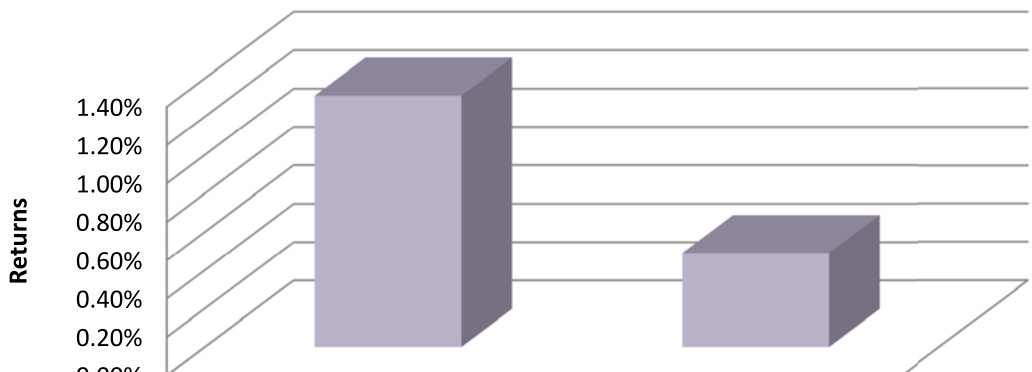
May 2011 - U.S. equities fell slightly in May, following eight straight months of gains, amid signs that the U.S. economy may be slowing. Internationally, uncertainty over how Greece would handle its nagging debt crisis dampened returns in the foreign developed equity markets. In the U.S., the unemployment rate rose to its highest level this calendar year, 9.1%; and consumer spending did not meet expectations. May economic reports indicated that although the economy was still in expansion mode, the pace was much slower than hoped, largely due to rising energy costs and fallout from the March 11th tragedy in Japan. Heavier market losses both here and abroad were abated toward the end of the month as European Union (EU) officials signaled that the EU would offer aid to Greece. Emerging markets equities also saw declines in May following two consecutive months of strong performance. As the soft economic data was being digested, investors looked to the safety of government-issued debt. U.S. Treasuries rallied, as yields on the 10-year and two-year notes dropped 23 and 14 basis points, respectively. On May 26th, the yield on the 10-year note stood at its lowest level since July 2010 (the yield moves inversely to the price). As borrowing costs became cheaper during the month, corporate bond prices jumped, fueling the high yield bond market to its 11th winning month out of the last 12. Globally, publicly-traded REITs also saw gains in May, more so in U.S. markets.

Equity Indices - Month Ended 5/31/2011



	S&P 500 (Large Cap)	Russell 2000 (Small Cap)	Russell 3000 (Broad Market)	MSCI EAFE Standard Index Net Divs	MSCI EM Standard Index Net Divs (EMF)	FTSE EPRA NAREIT Developed REIT
5/31/2011	-1.13%	-1.87%	-1.14%	-3.00%	-2.40%	0.51%

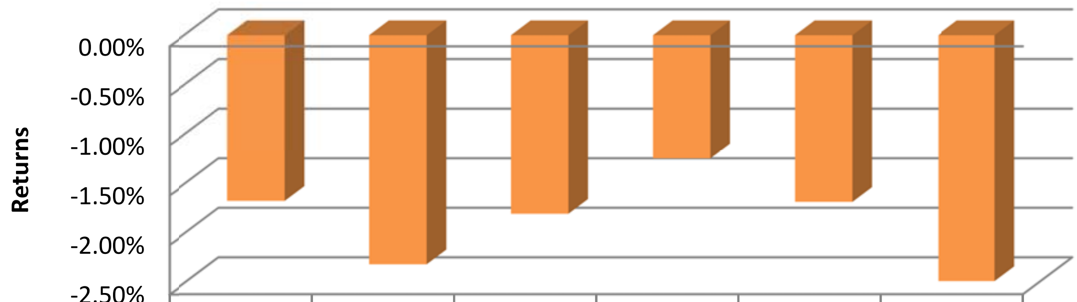
Fixed Income Indices - Month Ended 5/31/2011



	Barclays Capital Aggregate	ML Master II HY Constrained Index
5/31/2011	1.31%	0.49%

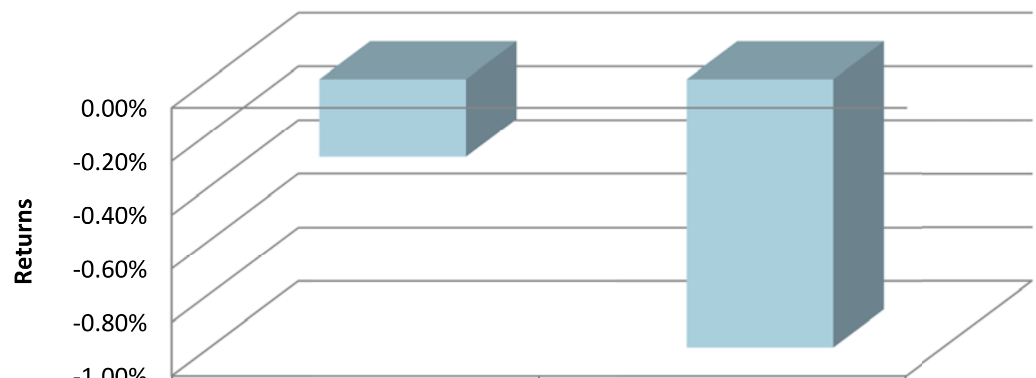
June 2011 - The S&P 500 gained 4.2% during the last four trading days of June, staving off what could have been a worse month in the U.S. equity markets. The nagging European debt calamity, coupled with weaker than anticipated economic data, put pressure on global equity markets. Foreign developed and emerging markets, which struggled for most of June, rallied in the waning days of the month on news that Greece's austerity measures would ward off default and keep aid flowing to that troubled economy. Even U.S. Treasuries provided no safe haven, as falling prices boosted yields (the yield moves inversely to the price). On the other hand, emerging market debt prices rose in June, as the low interest rate environment drove investor demand. Globally, publicly-traded REITs declined in June, but REITs still produced substantial gains on a trailing one-year basis.

Equity Indices - Month Ended 6/30/2011



	S&P 500 (Large Cap)	Russell 2000 (Small Cap)	Russell 3000 (Broad Market)	MSCI EAFE Standard Index Net Divs	MSCI EM Standard Index Net Divs (EMF)	FTSE EPRA NAREIT Developed REIT
6/30/2011	-1.67%	-2.31%	-1.80%	-1.24%	-1.68%	-2.48%

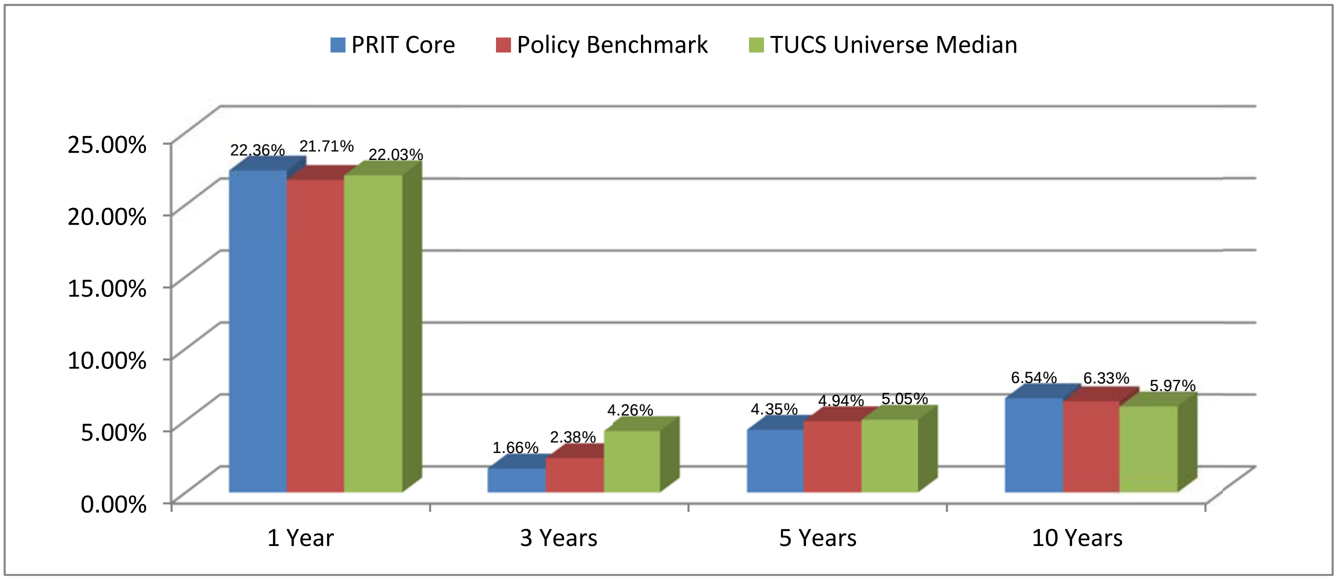
Fixed Income Indices - Month Ended 6/30/2011



	Barclays Capital Aggregate	ML Master II HY Constrained Index
6/30/2011	-0.29%	-1.00%

PRIT CORE PERFORMANCE: FISCAL YEAR 2011

Returns are calculated based on a time-weighted rate of return methodology. PRIT Core Returns (gross of fees) and benchmarks for the periods ended June 30, 2011:



In the fiscal year 2011, PRIT Core returned 22.36%, outperforming the policy benchmark return of 21.71% by 65 basis points. The performance in fiscal 2011 has placed PRIT into the second quartile of all U.S. Public Pension Funds over $1 billion in size for the fiscal year, whereas PRIT ranked in the third quartile in fiscal 2010, according to the TUCS rankings. PRIT ranked in the top quartile for the trailing 10-year period. The three and five year periods have seen a drop-off in peer group rankings, due to the prior year's market environment, where bond heavy funds were ranked higher than more diversified funds.

The PRIT Fund began fiscal year 2011 with a net asset value of $41.3 billion and ended with $50.2 billion. On a gross basis the fund increased approximately $9.0 billion, which is the result of $9.2 billion in investment gains along with $208 million in net redemptions to the State Employees, State Teachers' and Participant accounts.

The returns were positive for all four quarters of fiscal year 2011 with the final three quarters exceeding the policy benchmark return. The quarterly returns of the PRIT Core in fiscal year 2011 were as follows:

- 8.88% for September 30, 2010 – versus a benchmark return of 9.15%.
- 6.03% for December 31, 2010 – versus a benchmark return of 5.90%.
- 4.24% for March 31, 2011 – versus a benchmark return of 3.91%.
- 1.68% for June 30, 2011 – versus a benchmark return of 1.37%.

The past fiscal year was successful, not only for PRIT, but for institutional investors in general. One of PRIT's hallmarks has been the ability to consistently outperform its three most important benchmarks in both up and down markets. In order of priority, these benchmarks are as follows: 1) beating the actuarial rate of return assumption of 8.25%; 2) exceeding the long-term Policy Benchmark, which measures how well PRIT has implemented its asset allocation; and 3) achieving top quartile rankings in the TUCS report, which measures PRIT's investment performance against its peers nationwide. For the fiscal year 2011, PRIT was able to achieve two of the three benchmark objectives, falling short of the TUCS rankings by finishing in the second quartile in the current year although achieving the top quartile in longer term 10-year period. Through June 30, 2011, the PRIT Core fell short of the actuarial return over a three-, five-, and 10-year basis, while maintaining a 9.85% since inception return, 160 basis points above the actuarial rate of return of 8.25%. For the one-year period, the PRIT Core returned 22.36%, and outperformed the policy benchmark by 65 basis points. PRIM's rankings in the TUCS report improved to second quartile in fiscal 2011, but a poor fiscal year 2009 continues to hurt its three-year ranking. The longer-term five and 10-year periods ended June 30, 2011, are in the third and top quartile, respectively. The PRIT Fund Core ranked in the 39th percentile (1st being the best, 100th being the worst) for the one-year period, 95th in three-year period, 75th in the five-year period and 23rd in the ten-year period.

Management Costs

Expenses incurred by the PRIM Board in overseeing the management of the PRIT Fund are charged to the PRIT Fund in the form of management fees. These costs include investment management fees, consultant fees, custodian fees as well as the professional fees, salaries and administrative expenses of PRIM.

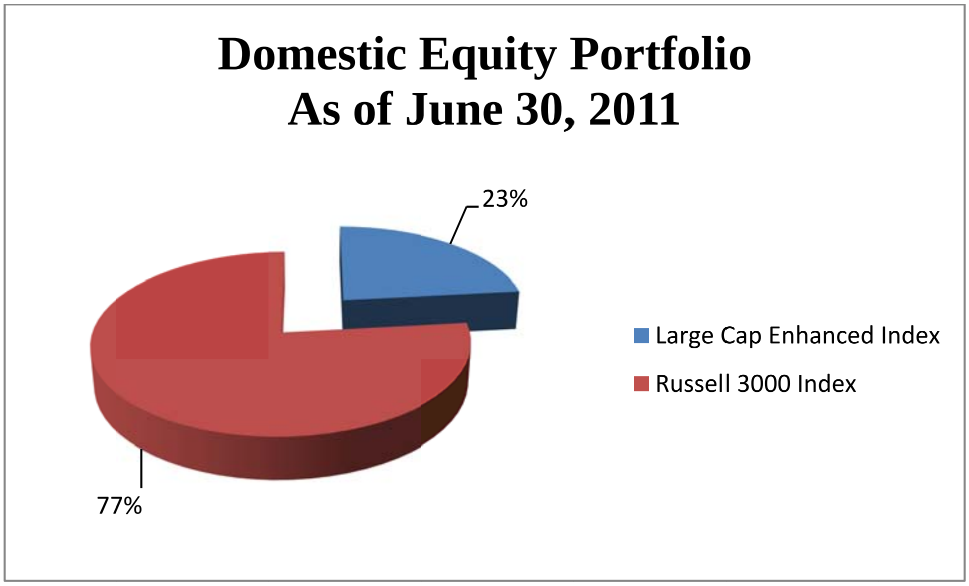
PRIM employs professional investment managers and provides them discretion, consistent with specified objectives and guidelines, to manage the PRIT Fund's assets. Investment managers operate under formal contracts that delineate their responsibilities and performance expectations. Investment management fees accounted for approximately 83.0% of PRIM's total expense for fiscal 2011 PRIM also employs an outside custodian and investment consultants in managing the PRIT Fund. Approximately 8.2% of PRIM's total expense for fiscal year 2011 was allocated to fees for these professional services.

The PRIT Fund also incurs indirect management costs as a result of investing in private equity, hedge fund-of-funds, real estate, timber, and other commingled fund assets. Most investment management fees for private equity are charged by managing general partners to investment partnerships and not to the limited partner investors (e.g., PRIT) directly. Therefore, partnerships incur expenses and report income to the limited partners *net* of these fees. All investment management fees for hedge fund-of-funds and commingled fund assets are charged to the underlying investment funds. The majority of management fees for real estate and timber investments are charged in a similar manner, not to investors directly. Not all pension funds disclose these indirect management fees as part of their overall costs. PRIM continues to disclose investment management fees, including those indirect fees, as part of the cost of managing the PRIT Fund.

The total cost of managing the PRIT Fund for fiscal year 2011, *inclusive* of investment management (direct and indirect), consulting, custodial and overhead charges was 50 basis points of the average net asset value of the PRIT Fund compared to 54 basis points in fiscal year 2010. *Excluding* indirect management fees, the cost of managing the PRIT Fund was 14 basis points compared to 15 basis points in fiscal year 2010. Overall fees can vary from year to year primarily due to the nature of performance-based fees at PRIT. The fiscal year 2011 fees decreased slightly mainly due to an increase in passive asset allocation within the portfolio somewhat offset by an increase in assets under management. For information on expense ratios for each investment account, refer to the *Financial Highlights* and the *Financial Highlights Ratios* on pages 104-110 included in the Statistical Section of this report.

Domestic Equity Portfolio

As of June 30, 2011, the Domestic Equity portfolio had approximately $11.1 billion in net assets, which represented 22.0% of the PRIT Core Fund. Approximately 23% of the domestic equity portfolio is invested utilizing a large capitalization stock ("large cap stocks") strategy with the remaining 77% invested in the Russell 3000 index strategy. In the view of the PRIM Board and its advisors, the overall domestic equity portfolio is highly diversified and balanced. The allocation between passively managed investments and large cap enhanced index investments is highlighted below.



During the fiscal year, the large capitalization enhanced index managers outperformed their benchmark. The Russell 3000 Index fund slightly underperformed its benchmark. As of January 1, 2011, the PRIM Board maintains the PRIT Core Fund’s Domestic Equity weighting to reflect the regional weightings of the Custom MSCI All Country World Index, a global index. As of fiscal year end, the weighting of Domestic Equity was 43.9% of the Global Equity portfolio.

Style Neutrality. Because different styles (i.e. growth oriented versus value oriented stocks) of investment management are favored in different economic and market environments, and because of the Board’s long-term perspective, the Board seeks to maintain a style neutral portfolio.

Portfolio Risks. Although historically long-term returns in equity investments have exceeded all other public market asset classes (i.e., fixed income and cash), as evidenced by the recent years, there is no guarantee that this trend will continue or that investment in the short-term or long-term will produce positive results. Prices may fluctuate based on changes in a company’s financial condition and on overall market and economic conditions. Smaller companies are especially sensitive to these factors. There is a significant risk of loss of principal due to market and economic conditions.

For the fiscal year, the portfolio produced a 32.18% return compared to 32.37% for the portfolio benchmark. PRIT's large cap managers returned 32.92% compared to the 30.69% return of the large cap benchmark S&P 500 index.

On a three-, five-, and 10-year basis through June 30, 2011, PRIT's Domestic Equity portfolio has returned a positive 0.96%, positive 0.98%, and a positive 2.64%, respectively, compared to the Russell 3000 Index (Dow Jones Wilshire 5000 index through 4/30/08), which returned a positive 2.59%, positive 2.58%, and a positive 3.29%, respectively.

The top ten holdings in the Domestic Equity portfolio at June 30, 2011 are illustrated below. A complete listing of holdings is available upon request.

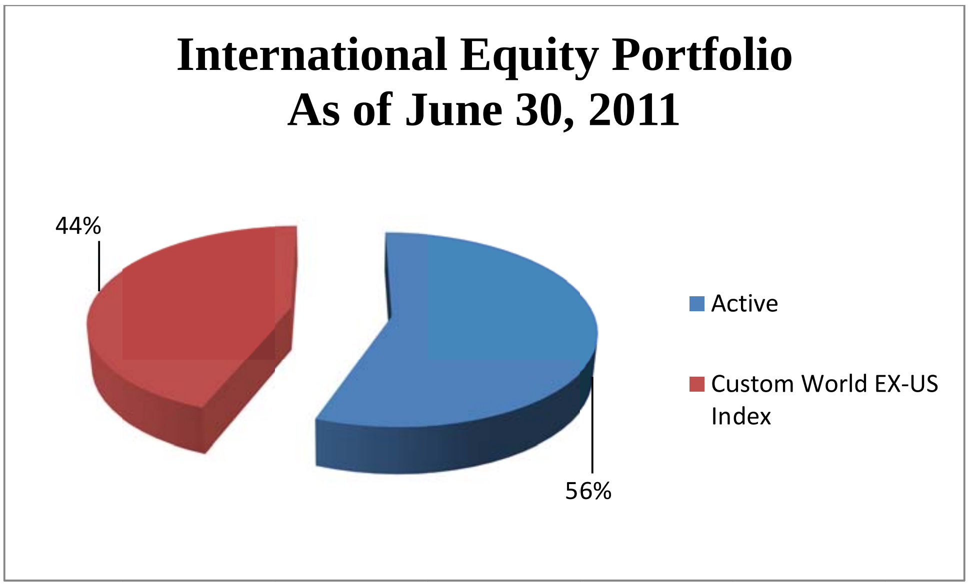
#	Issue Name	Fair Value ($000s)	% of Account Fair Value
1	Exxon Mobil Corp.	$ 276,572	2.50%
2	Apple Inc.	200,764	1.81%
3	International Business Machine	141,615	1.28%
4	Chevron Corp.	139,029	1.26%
5	General Electric	132,531	1.20%
6	AT&T Inc.	132,367	1.20%
7	Microsoft Corp.	123,380	1.11%
8	Johnson & Johnson	121,093	1.09%
9	Procter & Gamble Co.	118,443	1.07%
10	Pfizer Inc.	103,874	0.94%
	TOTAL	$ 1,489,668	13.45%

The PRIT Fund's Domestic Equity managers at June 30, 2011 are presented in the following table:

Manager	Investment Mandate	Portfolio Fair Value at June 30, 2011 ($000s)
State Street Global Advisors	Russell 3000 Index	$ 8,447,215
INTECH	S&P 500 Enhanced Index	1,286,762
PIMCO	S&P 500 Enhanced Index	1,291,909
Other portfolio net assets		48,036
Total Portfolio Fair Value		**$ 11,073,922**

International Equity Portfolio

As of June 30, 2011, the PRIM Board invested $10.9 billion in the International Equity portfolio, representing 21.7% of the PRIT Core Fund. The active international equity managers are benchmarked against the Custom MSCI EAFE Net Dividends index ("Custom MSCI EAFE"), whose name is derived from the geographical areas of inclusion – Europe, Australia and the Far East. The International Equity portfolio is allocated to one passively managed account (which comprises 44% of the portfolio) and four actively managed accounts (56% of the portfolio). The passive manager and the asset class as a whole are benchmarked against the Custom World ex-U.S. Investable Market Index – Net dividends ("Custom World ex-U.S. IMI"). The PRIM Board maintains a target weighting of 50% passive and 50% active for the International Equity portfolio.



The primary strategy for this portfolio is investing in companies in developed market, industrialized nations outside of the United States, including, but not limited to Japan, Germany, the United Kingdom, France, Italy, Switzerland, Hong Kong, Canada, and Australia. The PRIM Board maintains the PRIT Core Fund's International equity weighting to reflect the regional weightings of the Custom MSCI All Country World Index, a global index. As of fiscal year end, the weighting of International Equity was 43.0% of the Global Equity portfolio.

Portfolio Risks. Investing in developed markets outside of the United States carries additional risks as compared to U.S. domestic investments. The added risks are primarily associated with currency, higher trading and settlement cost, and less stringent investor protections and disclosure standards.

For the fiscal year ending June 30, 2011, the International Equity portfolio returned 30.93% compared to the Custom World ex-U.S. IMI index return of 30.92%. Of the PRIT Core Fund's four active international equity managers, two outperformed the Custom MSCI EAFE index for the fiscal year. The passive manager outperformed the Custom World ex-U.S.IMI index for the fiscal year. Over the longer-term, PRIT's international equity managers continue to add value over the Custom World ex-U.S IMI benchmark. On a three-, five-, and 10-year basis through June 30, 2011, PRIT's international equity managers posted returns of a negative 0.64%, positive 2.44%, and positive 6.46%, respectively, ahead of the benchmark, which returned a negative 1.16%, positive 1.90%, and positive 5.88%, respectively, over the same periods.

The top ten holdings in the International Equity portfolio at June 30, 2011 are illustrated below. A complete listing of holdings is available upon request.

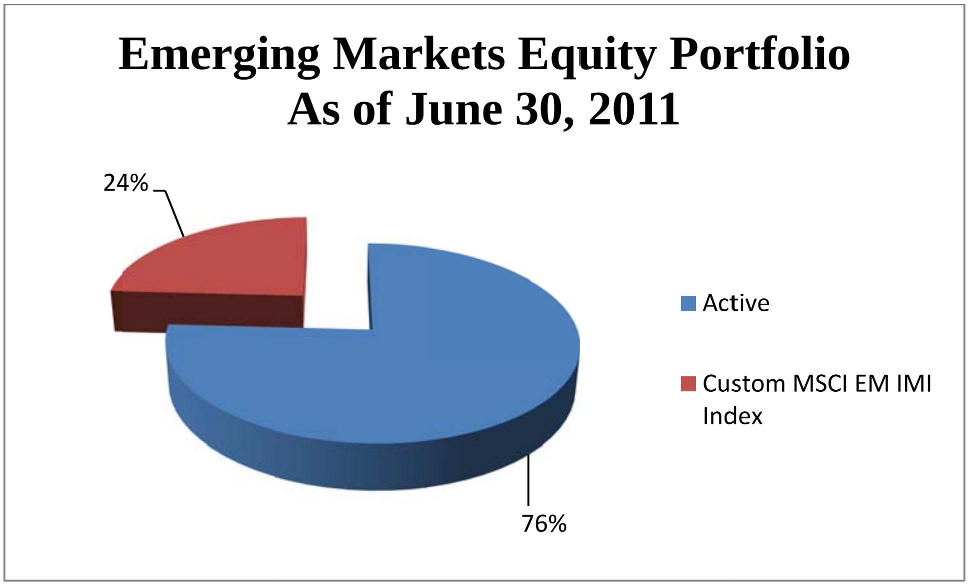
#	Issue Name		Fair Value ($000s)	% of Account Fair Value
1	Nestle	$	147,364	1.36%
2	Roche Hldg AG Genusscheine NPV		122,635	1.13%
3	BP PLC		115,746	1.07%
4	Vodafone Group		103,101	0.95%
5	Novartis		99,212	0.91%
6	Total S.A.		96,872	0.89%
7	Toyota Motor Corp.		89,324	0.82%
8	Sanofi-Aventis		86,150	0.79%
9	BHP Billiton		79,348	0.73%
10	Canon		78,271	0.72%
	TOTAL	$	1,018,023	9.37%

The PRIT Fund's International Equity managers at June 30, 2011 are highlighted in the following table:

Manager	Investment Mandate		Portfolio Fair Value at June 30, 2011 ($000s)
Marathon Asset Management Ltd.	Custom MSCI EAFE	$	2,735,049
State Street Global Advisors	Custom World ex-US IMI Index		4,807,473
Baillie Gifford	Custom MSCI EAFE		1,936,475
Pyramis Global Advisors	Custom MSCI EAFE		697,236
Mondrian Investment	Custom MSCI EAFE		688,478
Other portfolio net assets			746
Total Portfolio Fair Value		**$**	**10,865,457**

Emerging Markets Portfolio

As of June 30, 2011, the PRIM Board invested approximately $3.3 billion in the Emerging Markets Equity portfolio, representing 6.6% of the PRIT Core Fund. The active managers are benchmarked against the Custom MSCI Emerging Markets Net Dividends Index ("Custom MSCI Emerging Markets") while the passive account and Emerging Markets asset class as a whole, are benchmarked against the Custom MSCI Emerging Markets Investable Market Index - Net Dividends ("Custom MSCI Emerging Markets IMI"). The emerging markets equity portfolio is allocated to three active managers (which comprise about 76% of the emerging market portfolio) and one passive manager (24%). The PRIM Board maintains a target weighting of 75% active and 25% passive for the Emerging Markets Equity portfolio.



The primary strategy for this portfolio is investing in companies in developing countries, which include China, Brazil, Russia, South Korea, Taiwan, India and Turkey. These countries typically have less efficient securities markets, and thus there is opportunity for substantial returns. The PRIM Board maintains the PRIT Core Fund's Emerging Markets Equity weighting to reflect the regional weightings of the Custom MSCI All Country World Index, a global index. As of fiscal year end, the weighting of Emerging Markets Equity was 13.1% of the Global Equity portfolio.

Portfolio Risks. Investing in emerging markets carries risks above and beyond those inherent to domestic and developed international equity markets. Emerging markets tend to be less efficient than both U.S. and non-U.S. developed markets, and therefore, are more volatile. In addition to the added volatility, and those risks mentioned in association with investments in developed international equity markets, emerging market investments are subject to economic and political risks; exchange control regulation; expropriation; confiscatory taxation; and social instability.

For the fiscal year, the Emerging Markets Equity portfolio returned 29.31% compared to the Custom MSCI Emerging Markets IMI index return of 26.96%. Of the PRIT Core Fund's three active emerging markets equity managers, all outperformed the Custom MSCI Emerging Markets index for the fiscal year. The passive manager outperformed the Custom MSCI Emerging Markets IMI index. Although they outperformed in the current year, PRIT's emerging markets equity managers lag the benchmark in longer term time periods. On a three-, five-, and 10-year basis through June 30, 2011, PRIT's emerging markets equity managers posted returns of positive 3.13%, positive 9.38%, and positive 15.34%, respectively, lagging the Custom MSCI Emerging Markets IMI benchmark, which returned a positive 4.01%, positive 11.43%, and positive 16.29% over the same periods.

The top ten holdings in the Emerging Markets Equity portfolio at June 30, 2011 are illustrated below: A complete listing of holdings is available upon request.

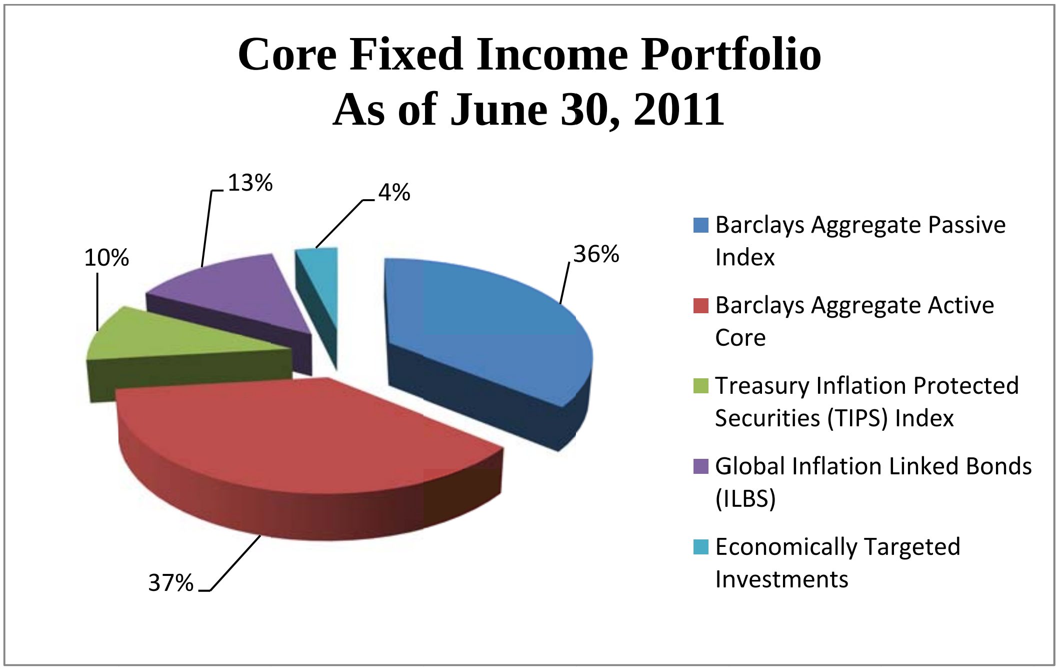
#	Issue Name	Market Value ($000s)	% of Account Market Value
1	Samsung Electronics	$ 89,966	2.72%
2	Vale S A Adr Repstg Pfd	61,965	1.87%
3	Petroleo Brasileiro	48,653	1.47%
4	CNOOC	48,364	1.46%
5	Ind and Comm Bank of China	47,902	1.45%
6	China Mobile	39,120	1.18%
7	LUKOIL	34,530	1.04%
8	Tawain Semi Conductor	32,546	0.98%
9	America Movil	32,272	0.98%
10	Rosneft	32,012	0.97%
	TOTAL	$ 467,330	14.14%

The PRIT Fund's Emerging Markets Equity managers at June 30, 2011 are highlighted in the following table:

Manager	Investment Mandate	Portfolio Fair Value at June 30, 2011 ($000s)
State Street Global Advisors	Custom MSCI EM IMI Index	$ 797,949
AshmoreEMM	Value/Frontier	890,935
GMO LLC	Value	918,120
T. Rowe Price	Growth	697,882
Other portfolio net assets		21
Total Portfolio Fair Value		**$ 3,304,907**

Fixed Income Portfolio

The PRIM Board invested approximately $6.6 billion in the investment grade Core Fixed Income portfolio, representing 13.2% of the PRIT Core Fund as of June 30, 2011. The Core Fixed Income Portfolio is invested using the following strategies:



The Core Fixed Income portfolio is benchmarked to the Barclays Capital Aggregate Bond Index for core fixed income securities, the Barclays Capital US TIPS Index for U.S. TIPS securities, and the Barclays Capital Inflation Linked Bond US$ Hedged Index for the Global ILB.

The Barclays Capital Aggregate replicates the investment grade bond market. The index is comprised of corporate, government, and mortgage-backed securities. The index fund is designed to approximate the performance of the Barclays Capital Aggregate Bond Index, while the active managers' mandate is to exceed the index return. The core strategy is designed to reduce the long-term volatility of the overall portfolio.

The Core Fixed Income portfolio also contains investments with Access Capital, Community Capital Management (CCM), and AFL-CIO Housing Investment (AFL-CIO) under the PRIM Board's Economically Targeted Investment (ETI) program. The Access Capital portfolio is benchmarked to the Barclays Capital US Securitized Index. CCM and AFL-CIO portfolios are benchmarked against the Barclays Capital Aggregate. Further discussion on the PRIT Fund's ETI investment program is included in the Investment Policy Statement at the end of this section. The allocations to TIPS and to the ILBs strategy are designed to provide hedges against rises in inflation.

Portfolio Risks. As in the case of equities, the prices of fixed income securities increase and decrease in value. Price fluctuations in bonds result from rising and falling interest rates, changes in market conditions, and other economic and political developments. The portfolio is subject to credit risk through defaults on bonds and other fixed income securities. Although investment in the core fixed income portfolio is perceived as a "conservative" investment, erosion in principal value can result from credit risk and price fluctuations, and can adversely affect portfolio returns.

Portfolio Returns. For the fiscal year 2011, the Fixed Income composite return of 5.47% outperformed the benchmark (77% Barclays Capital Aggregate/8% Barclays Capital US TIPS/15% Barclays Capital ILB US$ Hedged), which returned 4.60%. The Core mandates (BlackRock Passive, PIMCO Core and Loomis Sayles Core) returned 4.60% outperforming their benchmark (Barclays Capital Aggregate Index) by 70 basis points. The BlackRock passively managed TIPS mandate underperformed its benchmark (Barclays Capital US TIPS) by 9 basis points and the BlackRock actively managed ILB mandate underperformed its benchmark (Barclays Capital ILB US Hedged Index) by 42 basis points. The ETI Managers, Access Capital, AFL-CIO, and CCM returned 3.69%, 4.41%, and 3.06% versus their benchmark returns of 4.37%, 3.90%, and 3.90%, respectively.

The top ten Core Fixed Income holdings as of June 30 2011, excluding TIPS investments and certain pooled funds, are illustrated below. A complete listing of holdings is available upon request.

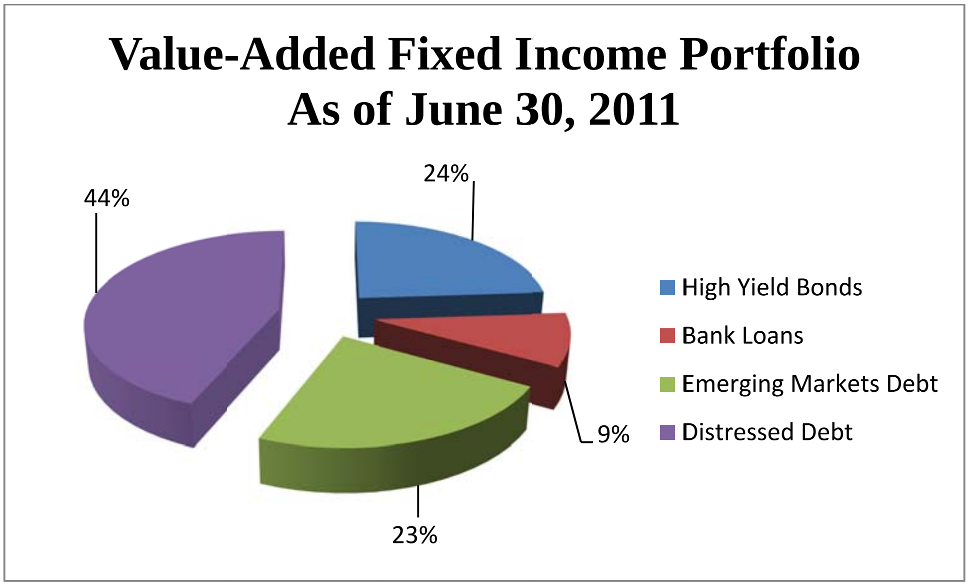
#	Issue Name		Fair Value ($000s)	% of Account Fair Value
1	Commit to Purchase FNMA 4.500% July 2041	$	121,040	1.83%
2	U.S. Treasury Notes 3.125% May 2021		85,185	1.29%
3	U.S. Treasury Notes 0.375% October 2012		71,070	1.07%
4	U.S. Treasury Notes 0.375% September 2012		70,369	1.06%
5	U.S. Treasury Notes 1.375% November 2015		68,825	1.04%
6	Buoni Poliennali Del Tes 2.100% September 2021		61,991	0.94%
7	SBA Gtd Dev 5.870% July 2028		52,207	0.79%
8	U.S. Treasury Notes 1.375% September 2012		50,474	0.76%
9	U.S. Treasury Notes 3.625% February 2020		49,811	0.75%
10	U.S. Treasury Bonds 4.375% May 2040		49,249	0.74%
	TOTAL	$	680,221	10.28%

The PRIT Fund's Core Fixed Income portfolio managers at June 30, 2011 are highlighted in the following table:

Manager	Investment Mandate		Portfolio Fair Value at June 30, 2011 ($000s)
Blackrock Financial Management	Core Index	$	2,374,751
Blackrock Financial Management	TIPS Index		638,925
PIMCO	Active Core		1,234,501
Loomis, Sayles & Co., LP	Active Core		1,234,491
Blackrock Financial Management	Inflation Link Bonds		887,266
Access Capital	ETI		102,287
AFL - CIO Housing Investment	ETI		109,482
Community Capital Management	ETI		33,771
Other portfolio net assets			3,882
Total Portfolio Fair Value		**$**	**6,619,356**

Value-Added Fixed Income Portfolio

The PRIM Board invested approximately $3.0 billion in the Value-Added Fixed Income portfolio, representing 6.0% of the PRIT Core Fund as of June 30, 2011. The Value-Added Fixed Income portfolio is invested using the following strategies:



Distressed debt, 2.6% of the PRIT Core Fund, represents investments in private partnerships that invest directly in distressed debt investment opportunities. As at June 30, 2011 the PRIT Fund had approximately $1.3 billion in distressed debt investments with eight investment managers

High yield bonds, which represent 1.4% of the PRIT Core Fund, are securities that are rated below Investment Grade by Standard & Poor's, Fitch and Moody's. These bonds are issued by companies without long track records of sales or earnings, or by those with questionable credit strength. This strategy also includes bonds that were Investment Grade at time of issue but have since declined in quality to below Investment Grade, referred to as "Fallen Angels". Despite the below Investment Grade rating, PRIM's managers have successfully constructed portfolios and selected securities to generate substantial returns due to the equity-like characteristics of high yield bonds and to mitigate risk by lowering the expected default rate. There are three managers in the PRIT high yield bond program, all through separate accounts.

Emerging markets debt, 1.4% of the PRIT Core Fund, represents investments in debt issued within the emerging marketplace. There are two managers in the PRIT emerging debt program; one is through a commingled emerging debt investment vehicle while the other is through a separate account.

Bank Loans, 0.6% of the PRIT Core Fund, represents investments in senior secured bank loans. There are two managers in the PRIT bank loan program; both invest through commingled funds.

Portfolio Risks. As in the core fixed income portfolio, the prices of high yield securities increase and decrease in value. Price fluctuations in bonds result from rising and falling interest rates, changes in market conditions, and other economic and political developments. Lower-quality securities typically offer higher yields, but also carry more credit risk. The allocation of high yield investments to emerging markets and distressed debt expose the portfolio to additional risks. Investments in emerging markets are subject to higher settlement, trading and management costs and greater economic, regulatory and political risk, as well as currency risk. Investments in private distressed debt funds subject the portfolio to liquidity, valuation and other risks associated with private investments.

In fiscal year 2011, the Value-Added Fixed Income composite returned 17.34% compared to 12.52% for the asset class benchmark. The PRIT Core Fund's three high yield bond managers, Shenkman, Fidelity, and Loomis Sayles, returned 18.32%, while the Merrill Lynch High Yield Master II Constrained index returned 15.31%. The Emerging Markets Debt portfolio, managed by Ashmore and PIMCO, returned 16.70% during the fiscal year, beating the JP Morgan Emerging Markets Bond Index (JPM EMBI Global Index), which returned 11.74%. The two bank loan managers, Eaton Vance and ING, returned 8.91%, lagging the S&P LSTA Leveraged Loan index return of 9.39%. The Distressed Debt portfolio returned 19.15% compared to the index return of 12.18%. Distressed debt investments are limited partnerships, and PRIT Core has invested a total of $1.3 billion with eight different managers; Oaktree Capital Management; Angelo, Gordon & Co.; Avenue Capital Group; Wayzata Investment Partners; Providence Equity Partners; Centerbridge Capital; Summit Partners; and Trust Company of the West. The benchmark for the Distressed Debt portfolio is the Altman NYU Salomon Center Combined Defaulted Public Bond & Bank Loan Index, since distressed debt resides within the Value-Added Fixed Income portfolio and high yield bond investments are used as a substitute for the distressed debt when there are no good distressed debt opportunities.

The top ten holdings in the Value-Added Fixed Income portfolio at June 30, 2011, excluding investments in emerging debt pooled funds, bank loan funds, distressed debt partnerships and other pooled funds, are illustrated below. A complete listing of holdings is available upon request.

#	Issue Name		Fair Value ($000s)	% of Account Fair Value
1	Russian Federation Variable Rate March 2030	$	18,241	0.60%
2	Nota Do Tesouro Nacional 10.000% January 2017		17,699	0.59%
3	Republic of Turkey		12,448	0.41%
4	Valeant		10,203	0.34%
5	Colombia NTS		9,693	0.32%
6	Clearwire Communications		7,777	0.26%
7	General Motors		7,772	0.26%
8	Tops Holding Corp.		7,386	0.24%
9	Nextel		7,135	0.24%
10	KB Home 7.250% June 2018		6,159	0.20%
	TOTAL	$	104,513	3.46%

The PRIT Fund's Value-Added Fixed Income portfolio managers at June 30, 2011 are highlighted in the following table:

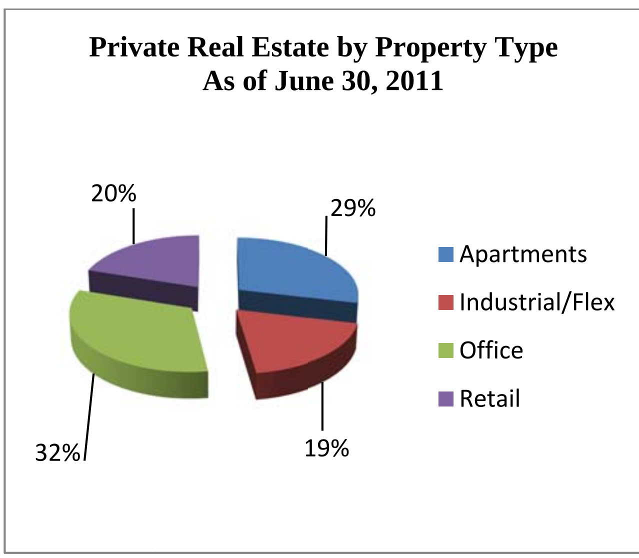
Manager	Investment Mandate	Portfolio Fair Value at June 30, 2011 ($000s)
Fidelity Management Trust	High Yield Bond	$ 231,464
Shenkman Capital Management	High Yield Bond	209,678
Loomis, Sayles & Co., LP	High Yield Bond	246,387
Ashmore Investment Management	Emerging Markets Debt	440,330
PIMCO	Emerging Markets Debt	254,128
Eaton Vance	Bank Loans	99,566
ING	Bank Loans	178,807
Various partnerships	Distressed Debt	1,327,176
Other portfolio net assets		36,721
Total Portfolio Fair Value		**$ 3,024,257**

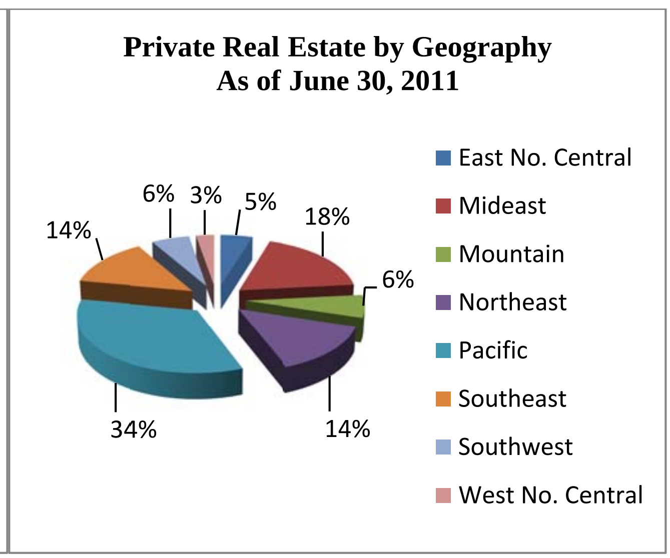
Real Estate Portfolio

As of June 30, 2011 PRIM had $4.1 billion invested in real estate, representing 8.2% of the PRIT Core Fund. Real estate holdings consist of directly-owned properties, REITs, and three ETI investments. The PRIT Fund invests in real estate because it provides the PRIT Fund with diversification and attractive returns. Real estate returns typically do not have a strong correlation with stock and bond returns, therefore offering an element of diversification to reduce volatility. Real estate can also offer attractive current returns as a portfolio of well-leased assets provides consistent cash flows from rental income.

Approximately 69% of the real estate allocation is dedicated to direct investments in real estate assets. These investments are subsequently broken down into Core and Non-Core real estate investments. As of June 30, 2011, $2.8 billion of Core real estate investments and $6.5 million of Non-Core real estate investments comprise PRIM's directly owned assets. Typically, Core investments are relatively low risk and substantially leased (80% or greater occupancy at the time of investment) institutional quality real estate. Non-Core investments offer higher potential returns at a higher risk profile managed by the investment advisor. PRIM's Non-Core program targets opportunities associated with vacancy and tenant exposure or the potential to physically or financially reposition an investment. REITs comprise the remainder of the investments in the PRIT real estate portfolio. As of June 30, 2011, PRIM had approximately $1.1 billion allocated to REITs. In June 2009, the Board voted to reduce the target allocation to REITs from 3% of the PRIT Fund to 2% and increase the international (ex-U.S.) REIT allocation from 30% of total REITs to 50%. The REIT portfolio represents 2.3% of the total PRIT fund.

The following charts display the property type and geographic diversification of PRIM's directly owned Real Estate assets, at June 30, 2011:





PRIM's strategies utilize a disciplined portfolio approach to real estate investing that is focused on investments in equity interests in institutional quality real estate. PRIM's fiscal 2011 allocation to real estate is 10% of total plan assets, which allows PRIM to establish separate accounts with capable real estate investment managers under terms that are beneficial to PRIM. Because PRIM is typically the sole owner of the real estate in each such account, the managers operate under clear policies and guidelines most appropriate to PRIM's investment needs.

Leverage. The PRIM Board approved the Real Estate Leverage Policy at its February 5, 2002 Board meeting. This policy permits third party debt to be incurred subject to the following real estate debt policies: (i) total outstanding debt may not exceed 50% of the overall gross real estate portfolio, (ii) all leverage must be positive, (iii) no more than the greater of $200 million or 30% of the debt outstanding should mature in one year, (iv) floating rate debt without caps should not exceed the greater of $200 million or 50% of the outstanding debt, and (v) the debt term should not exceed ten years. For the year ended June 30, 2011, PRIM did not utilize portfolio level third-party debt. The portfolio does have property level debt of $227.5 million.

Portfolio Risks. Investments in real estate are subject to various risks, including adverse changes in economic conditions and in the capital markets, financial conditions of tenants, interest of buyers and sellers in real estate properties, environmental laws and regulations, zoning laws, governmental rules, uninsurable losses, and other factors beyond the control of the property owner. In addition, while diversification is an important tool used by PRIM for mitigating risk, there is no assurance that diversification, either by geographic region or asset type, will consistently be maintained in the Core Real Estate Portfolio because of the illiquid nature of real estate. In addition, the portfolio is subject to valuation risk, as the valuation of the assets in this portfolio is based on estimates made by PRIM in coordination with external appraisers and the investment managers. Furthermore, there can be no assurance that the fair value of the portfolio will ultimately correspond to the realized value of the underlying properties. REITs face risks similar to the risks of public equities both domestically and internationally since they are traded on public exchanges. They can experience corrections and price movements that are much more rapid than those experienced by private equity real estate portfolios.

Performance. During the fiscal year, PRIM’s direct real estate portfolio experienced write-ups as the commercial real estate market recovered. REIT investments performed well in response to improved fundamentals.

For the fiscal year 2011, the real estate portfolio returned 20.79%, outperforming the asset class benchmark (80% NCREIF Property Index/10% NAREIT Equity REIT/10% FTSE EPRA NAREIT Developed Ex. U.S. REIT) by 1.23%. The direct real estate portfolio returned 17.11% for the year ended June 30, 2011, outperforming the NCREIF Property Index (one quarter lag), which returned 16.03% over the same period. REIT investments returned 34.41%, outperforming its benchmark by 0.93%.

The Real Estate portfolio returned negative 1.88% over the past three-years versus the asset class benchmark return of negative 2.11%. On a five-year basis, returns were 3.02% compared to the benchmark return of 3.06%. On a 10-year basis, the real estate portfolio returned 10.28% compared to the benchmark return of 8.00%.

The PRIT Fund's real estate investment managers at June 30, 2011 are highlighted in the following table:

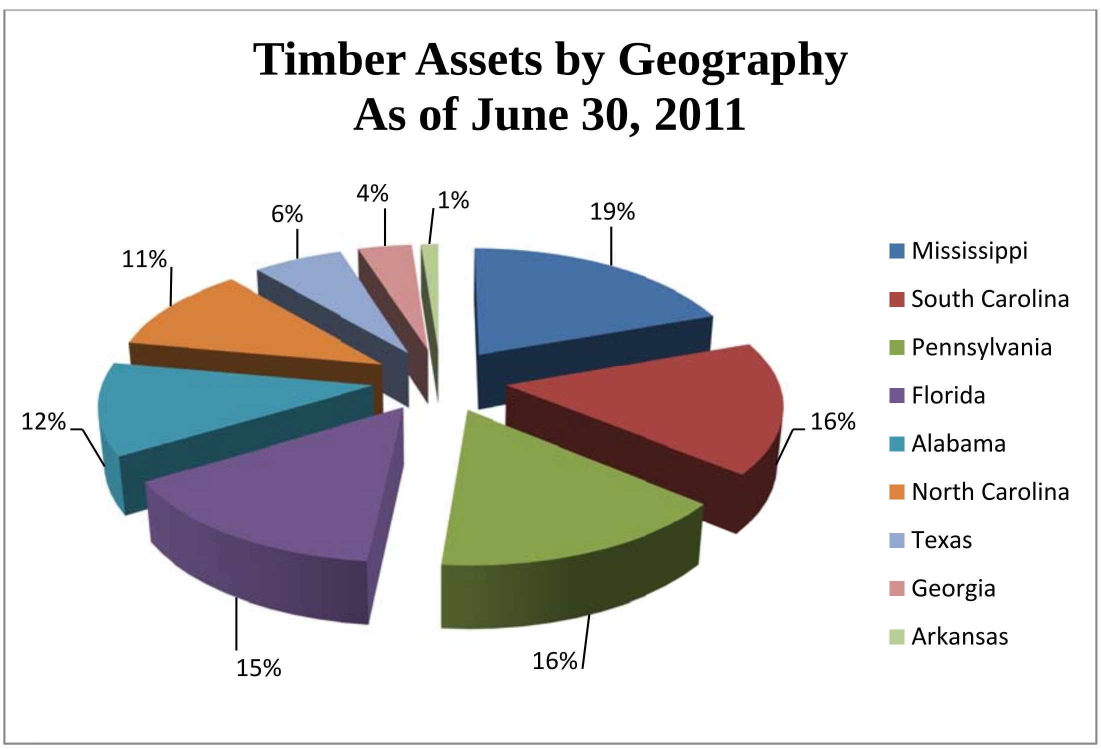
Manager	**Investment Mandate**	**Portfolio Fair Value at June 30, 2011 ($000s)**
Invesco Realty Advisors	Separate Accounts - Core	$ 433,186
LaSalle Investment Management	Separate Accounts - Core	860,931
AEW	Separate Accounts - Core	208,426
J.P. Morgan Investment Management	Separate Accounts - Core	458,923
TA Associates Realty	Separate Accounts - Core	874,482
RREEF	Global REITs	333,974
European Investors	International REITs	331,852
Invesco Realty Advisors	Domestic REITs	211,824
Urdang	Domestic REITs	252,712
Canyon Johnson	ETI	10,814
Intercontinental	ETI	4,917
New Boston	ETI	5,812
Other portfolio net assets		115,882
Total Portfolio Fair Value		**$ 4,103,735**

Timber and Natural Resources Portfolio

As of June 30, 2011, the PRIM Board had $1.0 billion invested in timber representing 2.1% of the PRIT Core Fund. The PRIT Fund's allocation to timber is through one external timber investment manager, Forest Investment Associates (FIA). During the February 2008 Board meeting, the timber asset allocation was reduced from 4% to 2% due to the limited availability of timber in the marketplace. An allocation of 2% was created for the newly created asset sleeve, Natural Resources, which is intended to provide a similar risk return profile as timber. As of June 30, 2011, PRIM had $746.7 million invested in two Natural Resources managers, Jennison and T. Rowe Price, representing 1.5% of the PRIT Core Fund. These managers invest in publicly traded companies who focus on Natural Resource orientated companies (e.g. oil, mining, energy companies). An additional $217.6 million is invested in Natural Resources through PRIM's Private Equity program, representing 0.4% of the PRIT Core Fund.

The United States timberland markets are divided into three regions, each with distinct economic characteristics: the Pacific Northwest, the Northeast and the Southeast. The Pacific Northwest is a high value softwood market, in which the growing cycle to produce a mature tree is forty to fifty years. The high value tree in this region is Douglas Fir, which is used primarily to produce high quality dimensional and structural lumber. The timber growing cycle in the Southeast is much shorter, in the range of twenty-five years. Southern pine is the dominant species and it is used typically to make pulp for the paper industry or lower quality-framing lumber. The Northeast market is much smaller than the other two markets and consists of a wider range of trees including high value specialty woods such as cherry and oak.

The geographical diversification of the PRIT Fund's timber portfolio at June 30, 2011 is highlighted below.



Investment returns from timberland investments are derived from the net cash flow generated from the sale of trees (referred to as stumpage sales) combined with capital appreciation from the biological growth of the trees. Both of these return factors depend to some degree upon the direction of forest product commodity prices (paper goods and lumber products). There can also be gains from the timely sale of timberland and from the conversion of timberland into higher and better uses, such as vacation property sales.

Portfolio Risks. Investments in timber assets are subject to various risks, including adverse changes in general economic conditions, fluctuations in the market price of timber, damage to timber properties due to infestation and weather related events, changes in regulatory conditions and other governmental rules. In addition, the portfolio is subject to valuation risk, as the valuation of the assets in this segment are based on estimates made by PRIM through coordination with external appraisers and PRIM's timber investment managers. Accordingly, there can be no assurance that the fair value of investments will correspond to the ultimate realized value of the properties.

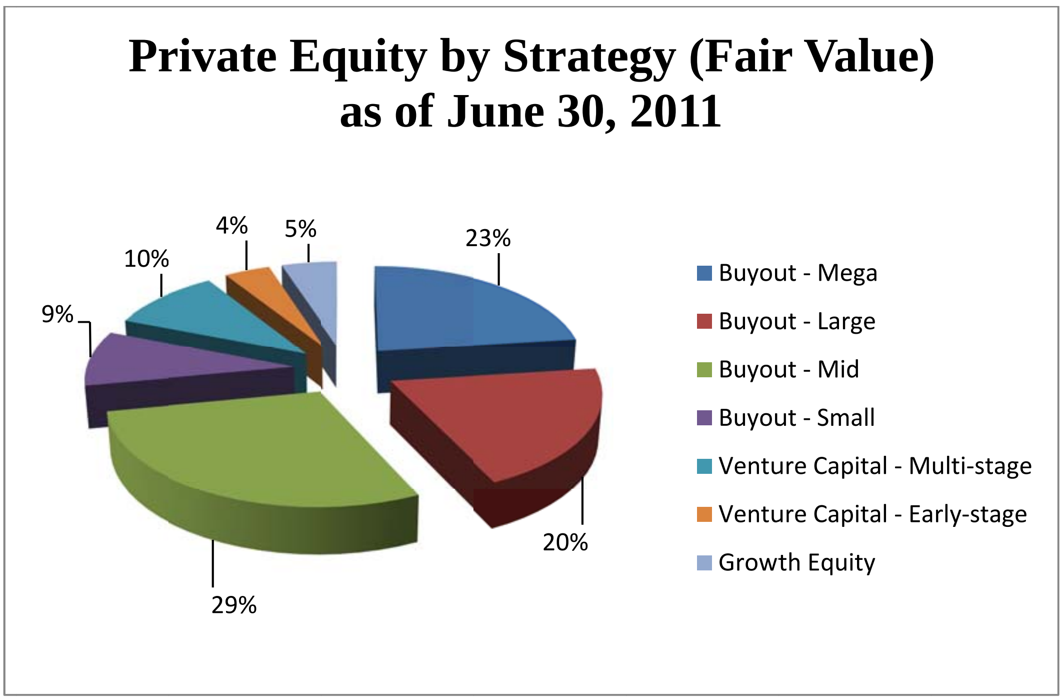
Performance. As of June 30, 2011, the one-year Timber return was 7.03% as compared to the NCREIF Timber Index (one quarter lag) of 0.85%. Since its inception, in January 2002, the Timber portfolio has produced an annualized return of 11.35%. With a 2.1% investment in timber at fiscal year-end, PRIM was under its target of 4% for the year. However, both staff and its managers continue to evaluate new strategies and opportunities.

For the year ended June 30, 2011, the publicly traded Natural Resource portfolio returned 43.03%, outperforming the Lipper Natural Resources Global Fund index return of 39.08%, by 395 basis points. The private Natural Resources investments returned 25.35% for the fiscal year. As of June 30, 2011, the one-year combined Timber / Natural Resources return was 20.17% as compared to the blended NCREIF Timber / Lipper Natural Resources Global Fund / Actual Private Natural Resources Index of 18.15%.

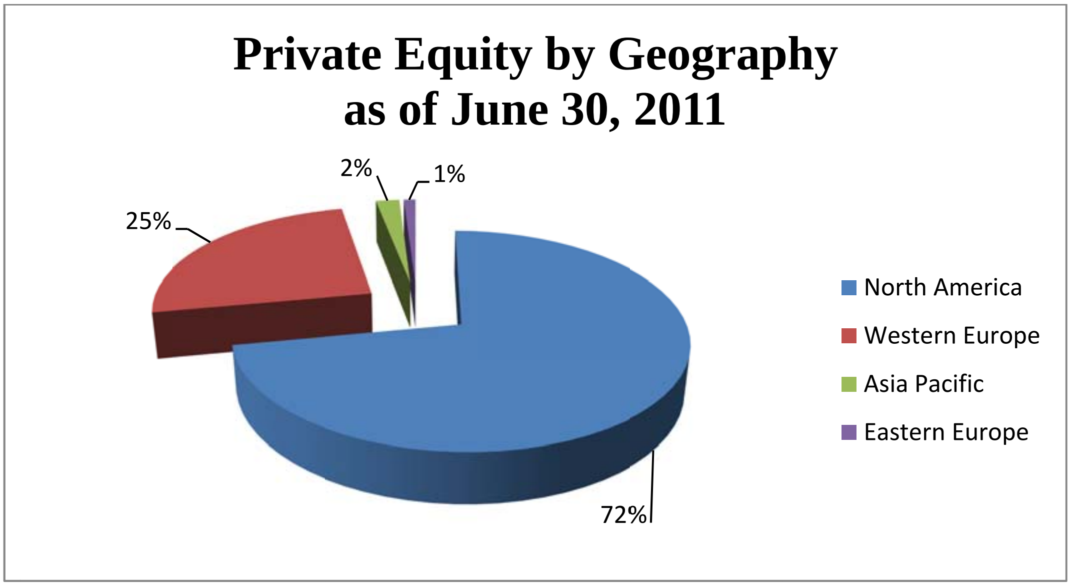
Private Equity Portfolio

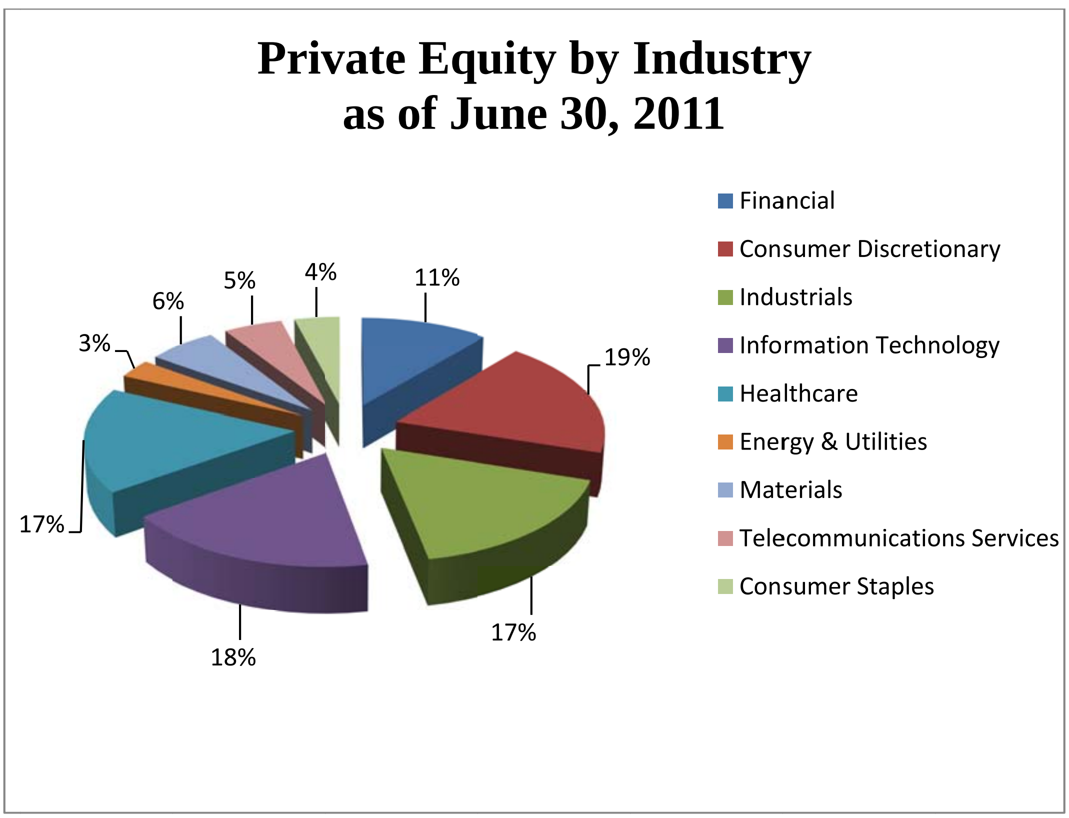
As of June 30, 2011 the market value of the Private Equity portfolio was $5.4 billion or 10.7% of the total PRIT Core Fund. This includes all vintage year Private Equity accounts opened to segmentation for participating systems. The PRIT Fund's long-term target allocation to Private Equity investments is 10%. Two components comprise the PRIT Fund's Private Equity portfolio: venture capital (early-stage and multi-stage) and special equity partnerships (large market buyout, middle market buyout, and growth equity). Unlike public markets, where the investor has the ability to "cash out" of positions at any time, these private market investments are illiquid. Therefore, an investment in this category is a long-term commitment.

The Private Equity portfolio is well-diversified by strategy and the allocation as of June 30, 2011 is highlighted below.



In addition to being diversified at the partnership level by strategy, the Private Equity portfolio is highly diversified at the underlying portfolio company level. The portfolio's current geographical and industry allocations are presented below.





Capital invested in private equity partnerships is subject to a relatively high degree of risk as compared to other potential investments, with the assumption that the investor will be rewarded with higher returns for that assumption of risk, i.e. the "risk/return trade-off". This risk/return trade-off is the key consideration in determining if this asset is appropriate for a particular portfolio. These risks are highlighted below.

Portfolio Risks. Risks associated with investing in private equity limited partnerships include, but are not limited to:

- *Illiquidity*: Limited partnership vehicles typically have 10-15 year life cycles during which limited partners are unable to liquidate their entire positions, but instead, will receive the cash flow from successful investments. A defined secondary market such as the New York Stock Exchange does not exist for private equity.

- *Volatility*: Volatility, as measured by standard deviation from a mean return, has historically been greater for private equity investing than many other assets. It is generally recognized that standard deviations for private equity should be estimated at approximately 25%, versus 17% for domestic public equity.

- *Management Fee Effect*: Typically, general partners' fees range from 150 to 250 basis points annually. This is usually drawn down against committed capital, although it may not be invested, and may result in negative returns until investments are realized successfully.

- *Valuation of investments*: Investment valuation at any time may not be reflective of fair market value. Due to recent U.S. accounting rule changes (FAS 157) Private Equity investments are generally valued at fair value. However, because of the inherent uncertainty of the valuation of the portfolio companies, the estimated value may differ significantly from the value that would have used had a ready market for these securities existed.

- *General Partner Discretion*: Investors have a lack of control over the general partner's investment decisions. The general partner is provided capital to manage at its discretion and investors are provided limited rights, such as termination of the partnership in certain instances. (These rights may not prove practical except in extreme circumstances.)

- *Binding Commitments*: There is limited ability to reduce or terminate investments. Under the contractual terms of the partnership, investment may be terminated in some cases by super-majority vote of the investors and after the occurrence of certain events. (These rights may not prove practical except in extreme circumstances.)

- *Risk of Loss*: There is risk of losing 100% of the investment. Investments in partnerships are usually equity and the risk nature of these investments could result in loss of the entire investment.

PRIT's Private Equity portfolio delivered a one-year return of 24.95% through June 30, 2011. The Fund's Private Equity managers have become more active in the year ending June 30, 2011 as a result of rebound in the broader financial markets and the increased availability of leverage. The Fund's managers called $917.5 million of capital for additional investments which is well ahead that of the prior fiscal year ($664.5 million). From a liquidity standpoint, the portfolio generated total distributions of $1.1 billion which compares to $445.7 million for the 2010 fiscal year.

While there is not currently a widely used or conventional benchmark in this asset class, PRIM staff targets investment opportunities with the ability to generate top quartile returns and aims to provide returns of 300 basis points to 500 basis points over the S&P 500. PRIT's Private Equity program has achieved this goal over the five-year and 10-year periods outperforming the S&P 500 by a minimum of 300 basis points. Over the long term PRIT's Private Equity portfolio has performed well with a 10-year annual return of 12.97% as of June 30, 2011, exceeding the S&P 500 index return of 2.72% by 1,025 basis points. On a five-year basis, the portfolio exceeded the S&P 500 by 1,002 basis points, 12.96% compared to 2.94%. For the three-year period ending June 30, 2011, the Private Equity portfolio returned 5.15%, outperforming the S&P 500 index return of 3.34% by 181 basis points. For the one year period ending June 30, 2011, the Private Equity portfolio returned 24.95%, underperforming the S&P 500 index return of 30.69% by 574 basis points. It is important to remember that there is a one quarter lag inherent in private equity valuations. For this reason the June 30, 2011 results for the Private Equity portfolio do not reflect the same level of appreciation in asset values that are reflected in public market indices such as the S&P 500.

As of June 30, 2011, PRIT has committed over $11.9 billion to 276 partnerships of which $8.8 billion has been invested. The program has generated $7.8 billion in distributions and has a remaining market value of $5.1 billion. The net IRR since inception for the program is 12.74%.

PRIVATE EQUITY EXTERNAL MANAGERS

As of June 30, 2011

	Partnership	Location		Partnership	Location
1	Advent International	Boston, MA	52	Keytone Ventures	Beijing, China
2	Alchemy Partners	London, UK	53	Kohlberg Kravis Roberts& Co.	New York, NY
3	Alta Communications	Boston, MA	54	KPS Capital Partners	New York, NY
4	American Securities	New York, NY	55	Madison Dearborn Capital Partners	Chicago, IL
5	APAX Partners & Co.	London, UK	56	M/C Venture Partners	Boston, MA
6	Apollo Management Co.	New York, NY	57	Menlo Ventures	Menlo Park, CA
7	AustinVentures	Austin , TX	58	Montagu Private Equity	London, UK
8	Bain Capital	Boston, MA	59	Montreux Equity Partners	Palo Alto, CA
9	Battery Ventures	Wellesley, MA	60	Narragansett Capital, Inc.	Providence, RI
10	Berkshire Partners, LLC	Boston, MA	61	Nautic Partners	Providence, RI
11	The Blackstone Group	New York, NY	62	New Enterprise Associates	Baltimore, MD
12	Boston Ventures	Boston, MA	63	Nordic Capital	Stockholm , Sweden
13	Bridgepoint	London, UK	64	Odyssey Investment Partners	New York, NY
14	Brown Brothers Harriman & Co.	New York, NY	65	Olympus Growth Fund	Stamford, CT
15	Candover	London, UK	66	Onex Partners	Toronto, CA
16	Carlyle Partners	Washington, DC	67	PAI Partners	Paris, France
17	Castile Ventures	Waltham, MA	68	Permira Europe	London, UK
18	Centerbridge Capital Partners	New York, NY	69	Polaris Venture Partners	Waltham, MA
19	Charles River Ventures	Waltham, MA	70	Providence Equity Partners	Providence, RI
20	Charlesbank Capital Partners	Boston, MA	71	Quad - C Management, Inc.	Charlottesville, VA
21	Charterhouse Capital Partners	London, UK	72	Rembrandt Venture Partners	Menlo Park, CA
22	Chequers Capital	Paris, France	73	Richland Ventures	Nashville, TN
23	Code Hennessey & Simmons	Chicago, IL	74	SAIF Partners	Hong Kong, China
24	Commonwealth Capital Ventures	Wellesley, MA	75	SCP Vitalife	Tel Aviv, Israel
25	CVC Capital (Europe)	London, UK	76	Sherbrooke Capital	Newton, MA
26	Cypress Merchant Banking	New York, NY	77	Sovereign Capital Limited	London, UK
27	Denham Capital Management	Boston, MA	78	Spark Capital	Boston, MA
28	DLJ Merchant Banking	New York, NY	79	Spectrum Equity Partners	Boston, MA
29	El Dorado Ventures	Menlo Park, CA	80	Summit Ventures	Boston, MA
30	Equitable Capital Management	New York, NY	81	SV Life Sciences	Boston, MA
31	Essex Woodlands	Houston, TX	82	TA Associates	Boston, MA
32	Ethos Private Equity	Johannesburg, South Africa	83	TCV	Menlo Park, CA
33	Exponent Partners	London, UK	84	Texas Pacific Group	San Fran./Forth Worth
34	First Reserve Corporation	Greenwich, CT	85	Thoma Bravo	Chicago/San Francisco
35	Flagship Ventures	Cambridge, MA	86	Thomas H. Lee Equity Partners	Boston, MA
36	Forstmann, Little & Co.	New York, NY	87	Torquest	Toronto, CA
37	Freeman Spogli Equity Partners	Los Angeles, CA	88	Towerbrook Capital Partners	NewYork/London
38	Genstar Capital Partners	San Francisco, CA	89	Trident Capital	Palo Alto, CA
39	Gilde Buy Out Partners	Utrecht, Netherlands	90	Union Square Ventures	New York, NY
40	The Gores Group	Los Angeles, CA	91	VantagePoint Partners	San Bruno, CA
41	GTCR Golder, Rauner	Chicago, IL	92	Venture Capital Fund of NE	Boston, MA
42	Hellman & Friedman Capital Partners	San Francisco, CA	93	Vestar Capital Partners	New York, NY
43	H.I.G. Capital	Miami, Fla.	94	Vista Equity Partners	San Francisco, CA
44	Highland Capital Partners	Boston, MA	95	Welsh CarsonAnderson & Stowe	New York, NY
45	Hony Capital	Beijing, China	96	Weston Presidio Capital	Boston/San Francisco
46	Index Ventures	Geneva, Switzerland	97	Westview Capital Partners	Boston, MA
47	Insight Venture Partners	New York, NY	98	Whitney & Co.	Stamford, CT
48	Institutional Venture Partners	Menlo Park, CA	99	William Blair Mezzanine Capital Fund	Chicago, IL
49	InterWest Partners	Menlo Park, CA/Dallas, TX	100	Willis Stein	Chicago, IL
50	Joseph Littlejohn & Levy	New York, NY	101	Xenon Private Equity	Milan, Italy
51	Kelso & Company	New York, NY			

Hedge Fund Portfolio

As of June 30, 2011 the Hedge Fund portfolio had approximately $3.6 billion in assets, which represented 7.2% of the PRIT Fund. PRIM has investments in five active hedge funds of funds managers, and one residual liquidating portfolio. The Rock Creek Group is managing the liquidation of the Ivy Asset Management liquidation portfolio.

The PRIT Fund's Hedge Fund managers at June 30, 2011 are highlighted in the following table:

Manager	Strategy Focus	Portfolio Fair Value at June 30, 2011 ($000s)
The Rock Creek Group	*Non-US Equity Long/Short and Event Driven*	$ 749,374
PAAMCO	*Core - Emerging Managers*	746,149
Grosvenor	*Fundamental Credit*	723,409
K2 Advisors	*Core*	804,260
Arden Asset Management	*Equity Market Neutral/Fundamental Credit*	559,220
Ivy Asset Management Corp. - Liquidation	*N/A*	27,836
Other portfolio net assets		808
Total Portfolio Fair Value		**$ 3,611,056**

At June 30, 2011 the five Hedge Fund managers had investments in 230 underlying hedge funds.

Portfolio Risks. The Hedge Fund portfolio is subject to the various risks of underlying investments in hedge funds. The portfolio is subject to market risk through a general downturn in market conditions, credit risk inherent in fixed income hedge fund strategies. The portfolio is also exposed to liquidity risk in unwinding underlying hedge fund investment positions. In addition, the hedge fund space is exposed to operational risks in executing investment strategies, and valuing investment positions. The PRIM Board has developed a detailed hedge fund investment plan to manage these risks and ensure appropriate diversification within the asset class.

PRIT's Hedge Fund portfolio managers returned 7.51% for the fiscal year versus a return of 4.96% for the benchmark HFRI Fund of Funds Composite Index. The Hedge Fund portfolio has returned a negative 0.48% and a positive 2.69% over the three and five year periods versus the asset class benchmark of 3.47% and 5.42%, respectively. All performance figures for this asset class are reported 'net of fees'.

Portable Alpha wind down

In October 2009, the PRIM Board voted to terminate the Portable Alpha program. Beginning January 1, 2010, the Rock Creek Group began managing the liquidation and wind down of the portfolios. As of June 30, 2011, the Portable Alpha Wind Down portfolio had approximately $221 million in assets which represents 0.4% of the PRIT Fund. Prior to January 1, 2010, the returns of the Portable Alpha program are included in the Domestic Equity portfolio.

SCHEDULE OF TIME-WEIGHTED RETURNS BY ASSET CLASS*

For the Periods Ended June 30, 2011

Asset Class *Benchmark as of June 30, 2011*	1 Year	3 Year	5 Year	10 Year
Global Equity (1)	**31.27%**	**1.89%**	**3.23%**	**5.43%**
Custom MSCI All Country World IMI NET DVS	*31.12%*	*1.13%*	*3.28%*	*4.85%*
Domestic Equity	**32.18%**	**0.96%**	**0.98%**	**2.64%**
Russell 3000 (2)	*32.37%*	*2.59%*	*2.58%*	*3.29%*
International Equity	**30.93%**	**-0.64%**	**2.44%**	**6.46%**
Custom World EX-US IMI NET DVS	*30.92%*	*-1.16%*	*1.90%*	*5.88%*
Emerging Markets	**29.31%**	**3.13%**	**9.38%**	**15.34%**
Custom MSCI EM IMI NET DVS	*26.96%*	*4.01%*	*11.43%*	*16.29%*
Core Fixed Income (3)	**5.47%**	**3.68%**	**5.98%**	**5.94%**
77% BC Agg/8%BC US TIPS/15% BC ILB US$ HEDGED	*4.60%*	*3.20%*	*5.67%*	*5.51%*
Value-Added Fixed Income (3)	**17.34%**	**11.60%**	**10.56%**	**10.57%**
23.15% MLHYM/22.74% JPM EMBI Global/9.45% S&P LSTA Leveraged Index/44.66% Altman Index	*12.52%*	*11.74%*	*9.43%*	*10.38%*
Real Estate	**20.79%**	**-1.88%**	**3.02%**	**10.28%**
80% NCREIF Property One Qtr. Lag/10% NAREIT Equity REIT/10% FTSE EPRA NAREIT DEVELOPED EX US REIT	*19.56%*	*-2.11%*	*3.06%*	*8.00%*
Private Equity	**24.95%**	**5.15%**	**12.96%**	**12.97%**
No Benchmark	*na*	*na*	*na*	*na*
Timber / Natural Resources (4)	**20.17%**	**-0.67%**	**6.95%**	**na**
50% NCREIF Timber Index / 42% Lipper Natural Resources Global Fund Index / 8% Actual Natural Resources - Private	*18.15%*	*-1.49%*	*5.73%*	*na*
Hedge Funds (5)	**7.51%**	**-0.48%**	**2.69%**	**na**
HFRI Fund of Funds Composite Index (7)	*4.96%*	*3.47%*	*5.42%*	*na*
Portable Alpha Wind Down (6)	**6.44%**	**-12.28%**	**na**	**na**
HFRI Fund of Funds Composite Index (7)	*4.96%*	*-6.02%*	*na*	*na*
	1 Year	**3 Year**	**5 Year**	**10 Year**
Total PRIT Core	**22.36%**	**1.66%**	**4.35%**	**6.54%**
Policy Benchmark	*21.71%*	*2.38%*	*4.94%*	*6.33%*
TUCS Universe Median	*22.03%*	*4.26%*	*5.05%*	*5.97%*
TUCS Universe Ranking	*39th*	*95th*	*75th*	*23rd*

(1) The Global Equity composite inception date coincides with the establishment of the MSCI All Country World Index on January 1, 2001.
(2) Current Domestic Equity benchmark is Russell 3000. Prior to January 1, 2010, the Domestic Equity benchmark was a blended composite.
(3) Prior to July 2001, all high yield returns are reflected in the Fixed Income Account.
(4) The Timber Account's inception date was January 1, 2002; Natural Resources Account's inception was August 1, 2008.
(5) The Hedge Fund Account's inception date was July 1, 2004.
(6) Prior to January 1, 2010, Portable Alpha returns are reflected in the Domestic Equity Account.
(7) The HFRI index benchmark commenced on January 1, 2010. Prior, the Hedge Fund index consisted of the ML 90-Day T-Bill plus 4%, while the Portable Alpha Index was tied to the Domestic Equity Index +3%.

*** All return information is gross of fees, except Hedge Fund fees, which is net of fees. Returns are calculated based on a time-weighted rate of return methodology.**

Investment Summary at Fair Value

As of June 30, 2011

		Fair Value ($000s)	% of Fair Value
Short-term:			
Money market investments	$	854,394	1.70%
Fixed income:			
U.S. Government obligations		2,360,579	4.71%
Domestic fixed income		4,954,672	9.88%
International fixed income		2,257,323	4.50%
Distressed debt		1,327,176	2.65%
Equity:			
Domestic equity securities		9,815,151	19.58%
International equity securities		14,136,474	28.19%
Real estate		4,106,088	8.19%
Timber		1,029,512	2.05%
Private Equity:			
Venture capital		1,068,468	2.13%
Special equity		4,408,857	8.79%
Hedge Fund-of-Funds investments:			
Hedge Funds		3,610,249	7.20%
Portable Alpha Wind Down		210,566	0.43%
Total investments	$	50,139,509	100.00%

SUMMARY SCHEDULE OF BROKER COMMISSIONS

(Top 25 Brokers and Cumulative Fees Paid to Others)
Fiscal Year Ended June 30, 2011

Brokerage Firms	Fees Paid ($)	% Total	Average $ per share
Credit Suisse	1,043,281	10.7%	0.004
UBS	807,357	8.2%	0.003
JP Morgan Securities	763,951	7.8%	0.008
Goldman Sachs	648,898	6.6%	0.012
Merrill Lynch	634,939	6.5%	0.003
Citigroup Global Markets	558,137	5.7%	0.006
Morgan Stanley & Co.	527,824	5.4%	0.007
Deutsche Bank	522,927	5.3%	0.004
Penson Financial Services	341,165	3.5%	0.000
Macquarie Bank Ltd.	256,888	2.6%	0.002
Weeden & Co.	200,280	2.0%	0.017
Credit Lyonnais	193,241	2.0%	0.003
Nomura	170,177	1.7%	0.012
HSBC	127,576	1.3%	0.013
Jefferies & Co Inc.	118,767	1.2%	0.019
BNP Paribas	109,844	1.1%	0.002
Barclays	103,686	1.1%	0.017
BNY ConvergEX Group	99,183	1.0%	0.013
Investment Technology Group	95,652	1.0%	0.004
Capital Institutional Services	90,722	0.9%	0.017
Banco Itau, Sao Paulo	75,014	0.8%	0.022
Pershing Securities Ltd.	72,834	0.7%	0.003
Royal Bank of Scotland	72,121	0.7%	0.009
ABN AMRO Group	71,156	0.7%	0.002
Instinet Corp	69,222	0.7%	0.004
Others	2,013,978	20.8%	0.007
Totals	$9,788,820	100%	0.004

Total Commissions Paid in U.S. dollars

The PRIM Board has commission recapture agreements with several brokers. A summary of the commission recapture program is included in the Investment Policy Statement included at the end of the Investment Section. For the fiscal year ended June 30, 2011 the PRIT Fund earned approximately $360 thousand from the commission recapture program.

SCHEDULE OF DIRECT PRIT MANAGEMENT FEES

Fiscal Year Ended June 30, 2011

Investment Management Fees by Asset Class:		($000s)
Domestic Equity	$	6,149
International Equity		17,819
Core Fixed Income		7,581
Value-Added Fixed Income		3,532
Emerging Markets Equity		9,668
Real Estate		5,383
Timber / Natural Resources		3,660
Alternative Investments		3,630
Total Investment Management Fees		57,422
Investment Advisory (Consulting) Fees		2,989
Custodian Fees		2,700
Other Administrative Fees		6,107
Total Direct Management Fees charged to PRIT	$	69,218

SCHEDULE OF RETIREMENT SYSTEMS BY INVESTMENT

Segmentation Accounts invested as of June 30, 2011

Retirement System	Net Asset Vaules ($000s) 6/30/11	General Allocation	Domestic Equity	International Equity	Emerging Markets	Core Fixed Income	Real Estate	Private Equity	Hedge Funds
Amesbury	$ 36,493	X							
Andover	$ 89,964	X							
Arlington	$ 106,249	X							
Athol	$ 16,120	X							
Attleboro	$ 4,608								X
Barnstable	$ 595,663	X							
Belmont	$ 14,335	X					X	X	X
Berkshire	$ 142,469	X							
Beverly	$ 75,861	X							
Blue Hills	$ 6,892	X							
State Boston/Teachers	$ 1,296,806	X							
Braintree	$ 33,529	X					X		X
Bristol County	$ 16,469								X
Brookline	$ 26,379	X					X		X
Cambridge	$ 52,524								X
Chelsea	$ 79,431	X							
Chicopee	$ 19,977						X		X
Clinton	$ 11,683	X				X	X		X
Concord	$ 38,105	X					X	X	
Danvers	$ 22,382			X	X			X	X
Dedham	$ 88,853	X							
Dukes County	$ 50,039	X		X		X	X		
Easthampton	$ 31,679	X							
Essex	$ 242,004	X							
Everett	$ 63,884	X							
Fairhaven	$ 37,569	X							
Fall River	$ 189,913	X							
Falmouth	$ 8,257								X
Fitchburg	$ 75,321	X							
Framingham	$ 200,039	X							
Franklin County	$ 55,197	X					X		
Gardner	$ 38,334	X							
Gloucester	$ 66,003	X							
Greenfield	$ 46,409	X							
Hampden County	$ 218,040	X							
Hampshire County	$ 43,676				X		X	X	X
Haverhill	$ 31,865				X	X	X	X	X
Hingham	$ 73,880	X	X	X	X	X	X	X	X
Holyoke	$ 1,990								X
Hull	$ 25,751	X							
Lawrence	$ 132,035	X							
Leominster	$ 58,368	X				X			X
Lowell	$ 239,312	X							
Lynn	$ 180,184	X							
Marblehead	$ 77,602	X							
Mass Turnpike	$ 194,906	X							
Massport	$ 42,579						X	X	

SCHEDULE OF RETIREMENT SYSTEMS BY INVESTMENT, continued

Segmentation Accounts invested as of June 30, 2011

Retirement System	Net Asset Vaules ($000s) 6/30/11	General Allocation	Domestic Equity	International Equity	Emerging Markets	Core Fixed Income	Real Estate	Private Equity	Hedge Funds
Maynard	$ 11,955				X	X			
Medford	$ 17,382						X	X	X
Melrose	$ 52,822	X							
Methuen	$ 76,152	X							
Middlesex	$ 733,696	X							
Milford	$ 56,597	X							
Milton	$ 83,005	X							
Minuteman	$ 11,526	X							
Montague	$ 25,439	X							
MWRA	$ 28,115	X					X	X	X
Natick	$ 8,996						X	X	X
Needham	$ 106,674	X							
Newburyport	$ 48,791	X							
Newton	$ 231,090	X							
Norfolk	$ 20,063						X		X
North Adams	$ 1,004							X	X
Northbridge	$ 21,916	X							
Northampton	$ 1,786							X	X
Norwood	$ 15,967						X		X
Peabody	$ 105,380	X							
Pittsfield	$ 83,008	X							
Plymouth	$ 14,808						X	X	X
Quincy	$ 15,048	X						X	X
Reading	$ 92,305	X							
Revere	$ 93,051	X							
Salem	$ 90,227	X							
Saugus	$ 62,840	X							
Shrewsbury	$ 35,744	X					X		
Southbridge	$ 26,199	X							
Springfield	$ 236,613	X							
State Employees'	$ 19,855,357	X							
State Teachers'	$ 21,857,766	X							
Stoneham	$ 58,692	X							
Swampscott	$ 1,603								X
Wakefield	$ 85,907	X							
Waltham	$ 128,074	X							
Watertown	$ 20,077	X	X				X	X	X
Webster	$ 4,477						X	X	X
Wellesley	$ 119,617	X							
West Springfield	$ 9,132	X							
Westfield	$ 2,880						X		
Weymouth	$ 20,072						X		X
Winchester	$ 20,894					X			X
Winthrop	$ 37,043	X							
Woburn	$ 25,817			X	X		X		X
Worcester	$ 19,315						X		
Worcester Regional	$ 371,216	X							
	$ 50,245,766								

INVESTMENT POLICY STATEMENT

The following are significant elements and related excerpts from the PRIM Board's investment policy statement approved September 22, 1998. The purpose of the statement is to delineate the investment policy and guidelines and to establish the overall investment strategies and discipline of the PRIM Board. This policy is intended to allow for sufficient flexibility to capture investment opportunities, yet provide parameters that ensure prudence and care in the execution of the investment program. This policy is issued for the guidance of fiduciaries, including Trustees, staff professionals, investment managers, custodians, and investment consultants, for managing the assets of the PRIT Fund. The policy is intended to provide a foundation from which to oversee the management of the Fund in a prudent manner.

A. Investment Objectives

PRIM's overall objective is to achieve the highest level of investment performance that is compatible with its risk tolerance and prudent investment practices. Because of the long-term nature of the Commonwealth's pension liabilities, PRIM maintains a long-term perspective in formulating and implementing its investment policies, and in evaluating its investment performance. Investment performance is measured by three integrated long-term objectives: 1) the actuarial target rate of return, 2) the investment policy benchmark, and 3) peer universe comparisons.

The *actuarial target rate of return* is the key actuarial assumption affecting future Commonwealth funding rates and pension liabilities. Investment performance that exceeds or underperforms the target rate may materially impact future funding rates and liabilities. The PRIM Board seeks to have a long-term investment performance that will reasonably exceed its actuarial target rate of return of 8.25%.

The *investment policy benchmark* is calculated by applying the investment performance of the asset class benchmarks to the Fund's asset allocation targets. The investment policy benchmark permits the Board to compare the Fund's actual performance to a passively managed proxy, and to measure the contribution of active investment management and policy implementation.

PRIM also compares its total fund performance to appropriate public plan sponsor *comparison universes*. A universe comparison permits PRIM to compare its performance to large statewide public and other pension plans. (While PRIM seeks to rank consistently in the top half of comparable public pension funds, the Board recognizes that other funds may have investment objectives and risk tolerances that differ substantially from PRIM's.)

PRIM expects to meet or exceed these objectives over its long-term investment horizon. Over shorter periods, the expected volatility of markets and unique objectives of PRIM relative to other pension plans may not favor PRIT's strategic investment policies.

B. Asset Allocation Plan

The PRIM Board recognizes that over the long-term, asset allocation is the single greatest contributor of return and risk to the PRIT Fund. The Asset Allocation Plan embodies the Board's decisions about what proportions of the Fund shall be invested in domestic and international equity and fixed income securities, real estate, timber, hedge funds, private equity, and, where appropriate the various sub-asset classes of each. At reasonable intervals of not more than three to five years, the Board will undertake a comprehensive review of its Asset Allocation Plan and its underlying assumptions, including: the Commonwealth's current and projected pension assets and liabilities; long-term capital markets rate of return assumptions; and the Board's risk tolerances. The comprehensive review will identify: a reasonable time horizon and investment strategy for matching assets and liabilities; a fund level total return target; and an optimal allocation among available asset classes and sub-asset classes. The Board shall examine the Asset Allocation Plan annually, and shall consider adjustments to the Plan as may be appropriate given the Plan's long-term nature and objectives.

The PRIM Board conducted an asset/liability study in July 2011 to determine the optimum long-term asset allocation for the PRIT Fund, using the Massachusetts Public Employee Retirement Administration Commission (PERAC) valuation report as of January 1, 2010 and estimating the components of the valuation report as of January 1, 2011, which estimated a 67.5% and 71.5% funded ratio, respectively. The most recent PERAC valuation report (1/1/11) estimated a 71.1% funded ratio.

C. Commission Recapture Policy

In order to minimize the net costs of trading, PRIM will encourage its investment managers, on a "best efforts" basis, to execute 20% of total trades annually through brokers who have a commission recapture program. Should managers exceed the 20% suggested, the PRIT Fund will participate in those trades as well.

PRIM's investment managers may select two or three brokers to take part in this program. Any credits earned under the program should be remitted monthly or quarterly to the PRIT Fund.

PRIM's policies require managers to seek the best price and execution on all trades; this means that commission recapture trades should only be executed when such trades meet this standard. This program should not interfere with or reduce an investment manager's incentive to reduce trading costs.

D. Rebalancing Policy

Rebalancing is not time-based (e.g., every twelve months), but is triggered when an asset class exceeds or falls below its target allocation range. Staff will review the PRIT Fund's asset allocation on the 20th day after the end of each quarter. The benefit of this timing is that the asset allocation of the PRIT Fund will reflect the most recent valuations for private equity, real estate, distressed debt, and timber.

During this review, if a public securities asset class exceeds or falls below its target allocation range, staff will take action after considering the cash flow of the PRIT Fund. This review should include cash in-flow from employee contributions, cash out-flow from paying benefits, capital calls or return of capital from alternatives, real estate, timber, and distressed debt, and other investment funding needs or proceeds such as the hiring or termination of investment managers.

In the circumstance that a rebalancing is warranted, staff shall have the discretion to instruct public securities managers to use futures as a "temporary" solution to rebalance back, as closely as practical, to the precise interim target allocation. During this time, staff will take steps to reduce the futures positions and replace such positions with physical securities as soon as is practical.

The Board has mandated that rebalancing not be performed at calendar quarter ends (March, June, September or December month-end) to avoid the market volatility that may arise at those dates due to the activity of other investors.

The illiquid nature of PRIM's Private Equity, Distressed Debt and Real Estate portfolios requires different rebalancing methods for these asset classes.

E. Proxy Voting Policy

Under the contractual arrangements between the Pension Reserves Investment Management Board (the "Board") and its domestic and international separate account investment managers, the responsibility for voting proxies on the corporate shares owned is retained by the Board. Further, the Board may retain a consultant to assist staff in evaluating shareholder proposals, communicating its vote to the corporation, and keeping account records of these votes.

The purpose of this policy is to outline the general principles applied by the Board in voting proxies. The Board recognizes that in applying these general rules exceptions will apply. The Executive Director and staff will vote in accordance with their best judgment in each circumstance.

The PRIM Board periodically reviews the PRIM Board Proxy Voting Policy to ensure that it contains appropriate guidance for staff in determining how votes will be cast on a variety of matters and the underlying rationale for such determination.

The main goal in voting any proxy question is to enhance the value of the security. PRIM staff will not vote the proxies in a manner that would reduce the value of shares owned by PRIT.

F. Economically Targeted Investment Program

PRIM recognizes its obligations under Massachusetts law include a responsibility to seek out investment opportunities that will benefit the economic climate of the Commonwealth as a whole, provided that such investments are consistent with the Board's obligations to the members and beneficiaries of its participating retirement systems. (See M.G.L. Ch. 32, sec. 23(2A) (h)) Accordingly, in cases where investment characteristics, including returns, risk, liquidity, compliance with allocation policy, and others, are equal, PRIM will favor those investments that have a substantial, direct and measurable benefit to the economy of the Commonwealth.

Such Economically Targeted Investments ("ETI's") must meet the following criteria:

1. Investments must target risk-adjusted, market-rate returns and provide net returns equivalent to or higher than other available investments, at commensurate levels of risk. Economic or social benefits will not justify a lower return on any PRIM investment. When evaluating ETI opportunities, PRIM will

discount projected returns for any subsidies, deferral of income, higher risk levels, and other concessions to reach a real rate of return for comparison with other ETI and non-ETI investment alternatives. Similarly, ETI benefits will not justify higher investment risk. However, where appropriate, the PRIM staff, its managers, and its consultants will actively seek out and develop guarantees, third party recourse, hedging, and other acceptable and customary risk management vehicles to reduce or eliminate risk in ETI investments.

2. Investments must not exceed a reasonable weighting in the portfolio, including tracking the degree of exposure to the Massachusetts economy and ensuring appropriate geographic diversification. Investments should maintain the overall portfolio's compliance with its asset allocation strategy. ETI benefits will not justify deviation from the Asset Allocation Plan adopted by the PRIM Board.
3. Investments should be placed with an experienced and capable manager through an objective and transparent process. Investments should be managed by qualified discretionary investment managers. PRIM will not make any direct investments.
4. Investments should target a "capital gap" where there are likely to be underserved markets.
5. Investments must be tracked (both investment performance and collateral benefits) and managed with the same rigor and discipline imposed on other investments. Investments should be reviewed and monitored by PRIM staff and consultants without disproportionate expenditure of time and resources.

Statistical Section

Schedules of Changes in Net Assets

For Fiscal Years Ending June 30

	Fiscal Year Ended									
Additions	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**
State Employees contributions	$ 538,898	$ 475,591	$ 462,471	$ 464,330	$ 420,199	$ 409,515	$ 366,262	$ 362,309	$ 350,705	$ 352,123
State teachers contributions	616,533	593,147	599,410	573,984	548,229	527,820	506,711	522,133	504,014	494,761
Other participants contributions	1,535,681	620,865	991,362	2,347,537	1,047,285	759,088	111,557	257,892	136,712	107,566
Net investment income (loss)	9,169,664	4,676,706	(12,492,194)	(1,185,523)	8,228,782	5,466,443	4,212,098	5,309,069	947,540	(2,021,891)
Total additions to pooled net assets	11,860,776	6,366,309	(10,438,951)	2,200,328	10,244,495	7,162,866	5,196,628	6,451,403	1,938,971	(1,067,441)
Deductions										
State employees warrants	282,398	259,285	242,694	239,452	227,510	218,831	211,746	207,569	186,782	165,606
State teachers warrants	418,153	388,366	361,773	341,575	299,612	273,209	234,729	201,490	177,051	152,138
Participants redemptions	508,579	364,648	383,748	202,723	128,843	108,577	164,889	84,627	60,604	55,461
State appropriation funding	1,663,799	1,731,617	1,465,275	1,184,774	1,100,000	939,100	888,000	1,197,689	891,000	688,000
Operating expenses	26,391	27,332	24,954	23,294	15,447	18,305	17,057	14,107	13,888	14,560
Total deductions to pooled net assets	2,899,320	2,771,248	2,478,444	1,991,818	1,771,412	1,558,022	1,516,421	1,705,482	1,329,325	1,075,765
Changes in pooled net assets	$ 8,961,456	$ 3,595,061	$ (12,917,395)	$ 208,510	$ 8,473,083	$ 5,604,844	$ 3,680,207	$ 4,745,921	$ 609,646	$ (2,143,206)

The above table provides additional information regarding changes in pooled net assets from that presented in the Statement of Changes in Pooled Net Assets in the *Financial Section* of the CAFR. Deductions represent redemptions from the PRIT fund by state employees, state teachers and other participant retirement systems. Deductions also include redemptions for state appropriation funding and reimbursement of MASTERS operating expenses. State appropriation funding represents funds withdrawn to cover the shortfall in the pension appropriation of the Commonwealth of Massachusetts. Operating expenses represent redemptions made by state employees and state teachers for certain operating expenses. The source of this information is derived from the same information used for the basic financial statements. Current fiscal year end information should be read in conjunction with the Schedule of Changes in Pooled Net Assets-Capital Fund provided in the Financial Section.

Financial Highlights and Financial Highlights Ratios

Pages 105-106 provide the financial highlights of the PRIT Core Fund for the year ended June 30, 2011. In addition, pages 107-110 provide additional financial highlights ratios for the nine previous fiscal year end. Together, these tables provide additional information regarding important ratios to assist the reader of the CAFR in understanding the financial position of the PRIT Core Fund. This information includes important return and expense ratios for the entire PRIT Fund as well as the various accounts that comprise the PRIT Core Fund. This information should be read in conjunction with the description of the investment program highlighted in the *Investment Section* of the CAFR.

Financial Highlights

For the year ended June 30, 2011

	General Allocation Account	Domestic Equity Account	International Equity Account	Emerging Markets Account	Core Fixed Income Account	Value-Added Fixed Income Account	Hedge Funds Account	Portable Alpha Wind Down Account	Private Equity Account	Private Equity Vintage Year 2000 Account	Private Equity Vintage Year 2001 Account	Private Equity Vintage Year 2002 Account
Net asset value, beginning of year	$ 178.89	113.71	166.48	340.77	199.36	221.08	60.30	102.25	285.93	175.93	358.46	102.52
Investment operations:												
Net investment income (loss)(1)	5.18	2.44	6.25	9.84	7.95	8.81	(0.02)	(0.01)	1.94	4.78	14.95	(0.05)
Net realized and unrealized gain (loss) on investments and foreign currency	34.12	34.03	44.85	88.58	2.64	26.95	4.53	6.58	56.02	23.10	67.93	33.35
Total from investment operations	39.30	36.47	51.10	98.42	10.59	35.76	4.51	6.57	57.96	27.88	82.88	33.30
Net asset value, end of year	$ 218.19	150.18	217.58	439.19	209.95	256.84	64.81	108.82	343.89	203.81	441.34	135.82
Ratios and supplementary data:												
Total net return(2)	21.97%	32.07%	30.69%	28.88%	5.31%	16.18%	7.48%	6.43%	20.27%	15.85%	23.12%	32.48%
Net assets, end of year ($'000s)	$ 49,546,154	11,073,922	10,865,457	3,304,907	6,619,356	3,024,257	3,611,056	220,570	275,801	370,120	298,784	121,827
Units outstanding, end of year ('000s)	227,076	73,736	49,937	7,525	31,528	11,775	55,719	2,027	802	1,816	677	897
Ratios to average net assets:												
Ratio of expenses, including indirect management fees	0.50%	0.08%	0.19%	0.35%	0.15%	0.96%	0.81%	0.06%	0.32%	1.25%	1.49%	0.97%
Ratio of expenses, excluding indirect management fees	0.14%	0.08%	0.19%	0.32%	0.14%	0.15%	0.03%	0.02%	(0.01)%	0.06%	0.08%	0.06%
Ratio of net investment income (loss)	2.54%	1.76%	3.05%	2.34%	3.88%	3.67%	(0.03)%	(0.01)%	0.57%	2.34%	3.65%	(0.04)%

Note: Financial Highlights include only the Core Fund and does not include the Cash Fund which maintains a stable net asset value of $1.00 per unit.

(1) Based on weighted average units outstanding.
(2) Total net return calculation is based on the value of a single unit of participation outstanding throughout the year. It represents the percentage change in the net asset value per unit between the beginning and end of the year.

Financial Highlights, continued

For the year ended June 30, 2011

	Private Equity Vintage Year 2003 Account	Private Equity Vintage Year 2004 Account	Private Equity Vintage Year 2005 Account	Private Equity Vintage Year 2006 Account	Private Equity Vintage Year 2007 Account	Private Equity Vintage Year 2008 Account	Private Equity Vintage Year 2009 Account	Private Equity Vintage Year 2010 Account	Private Equity Vintage Year 2011 Account	Core Real Estate Account	Timber/ Natural Resources Account
Net asset value, beginning of year	$ 223.93	34.79	63.78	43.08	13.62	41.98	53.81	94.75	100.00	266.91	196.31
Investment operations:											
Net investment income (loss)(1)	5.26	0.34	1.48	1.04	0.08	0.50	(0.49)	(0.04)	(0.01)	14.86	0.57
Net realized and unrealized gain (loss) on investments and foreign currency	44.49	17.09	11.11	9.13	2.72	8.04	(3.52)	(27.93)	(5.83)	38.98	37.12
Total from investment operations	49.75	17.43	12.59	10.17	2.80	8.54	(4.01)	(27.97)	(5.84)	53.84	37.69
Net asset value, end of year	$ 273.68	52.22	76.37	53.25	16.42	50.52	49.80	66.78	94.16	320.75	234.00
Ratios and supplementary data:											
Total net return(2)	22.22%	50.10%	19.74%	23.61%	20.56%	20.34%	(7.45)%	(29.52)%	(5.84)%	20.17%	19.20%
Net assets, end of year ($'000s)	$ 416,819	415,720	872,773	1,208,620	804,057	439,750	86,944	44,610	1,789	4,103,735	2,003,721
Units outstanding, end of year ('000s)	1,523	7,961	11,428	22,699	48,975	8,704	1,746	668	19	12,794	8,563
Ratios to average net assets:											
Ratio of expenses, including indirect management fees	0.89%	1.05%	1.43%	1.45%	3.81%	3.98%	15.75%	13.44%	10.80%	0.53%	0.83%
Ratio of expenses, excluding indirect management fees	0.02%	0.09%	0.11%	0.20%	(0.01)%	0.22%	0.04%	0.05%	0.02%	0.16%	0.22%
Ratio of net investment income (loss)	2.12%	0.79%	2.14%	2.23%	0.53%	1.16%	0.66%	(0.04)%	(0.02)%	5.02%	0.26%

Note: Financial Highlights include only the Core Fund and does not include the Cash Fund which maintains a stable net asset value of $1.00 per unit.

(1) Based on weighted average units outstanding.

(2) Total net return calculation is based on the value of a single unit of participation outstanding throughout the year. It represents the percentage change in the net asset value per unit between the beginning and end of the year.

Financial Highlights Ratios

For the years ended June 30, 2010-2002

	General Allocation Account	Domestic Equity Account	International Equity Account	Emerging Markets Account	Core Fixed Income Account	Value-Added Fixed Income Account	Hedge Funds Account	Portable Alpha Wind Down Account (2)	Private Equity Account	Vintage Year 2000 Account	Vintage Year 2001 Account
Ratios and supplementary data:											
2010											
Total net return (1)	12.47%	14.50%	9.50%	23.57%	11.56%	32.22%	7.10%	2.25%	15.73%	14.13%	17.76%
Net assets, end of year ($'000s)	40,753,645	8,188,194	8,264,027	2,338,946	5,774,372	2,897,661	3,154,587	776,629	339,078	480,643	324,708
Units outstanding, end of year ('000s)	227,816	72,008	49,641	6,864	28,965	13,107	52,318	7,595	1,186	2,732	906
2009											
Total net return (1)	(24.41)%	(32.13)%	(31.95)%	(31.98)%	(5.57)%	(11.60)%	(14.45)%	N/A	(23.13)%	(18.99)%	(22.76)%
Net assets, end of year ($'000s)	37,113,501	9,164,719	7,146,289	1,887,971	4,897,346	2,883,436	2,135,634	N/A	343,288	483,606	317,591
Units outstanding, end of year ('000s)	233,338	92,280	47,004	6,846	27,405	17,245	37,934	N/A	1,390	3,137	1,043
2008											
Total net return (1)	(2.30)%	(15.69)%	(9.27)%	(0.03)%	14.18%	2.04%	1.73%	N/A	19.23%	17.10%	18.39%
Net assets, end of year ($'000s)	49,845,944	13,180,182	10,119,936	2,761,180	8,510,469	2,511,813	2,614,238	N/A	457,054	642,580	417,740
Units outstanding, end of year ('000s)	236,891	90,077	45,297	6,810	44,973	13,280	39,723	N/A	1,422	3,377	1,060
2007											
Total net return (1)	19.53%	20.60%	26.15%	42.26%	4.78%	14.73%	13.82%	N/A	24.53%	23.15%	50.18%
Net assets, end of year ($'000s)	49,519,109	15,049,415	10,574,561	2,750,631	7,800,673	2,329,393	2,569,001	N/A	533,033	698,900	509,022
Units outstanding, end of year ('000s)	229,913	86,717	42,945	6,782	47,065	12,568	39,711	N/A	1,977	4,301	1,529
2006											
Total net return (1)	14.87%	9.30%	27.01%	36.12%	(0.51)%	5.80%	11.18%	N/A	36.45%	34.70%	55.07%
Net assets, end of year ($'000s)	41,257,962	11,516,779	8,303,709	2,455,151	6,452,906	2,208,795	2,114,139	N/A	777,941	764,926	480,794
Units outstanding, end of year ('000s)	228,973	80,029	42,540	8,612	40,794	13,672	37,197	N/A	3,594	5,797	2,169
2005											
Total net return (1)	12.91%	7.64%	13.86%	36.85%	7.42%	15.07%	6.64%	N/A	16.39%	21.89%	56.20%
Net assets, end of year ($'000s)	35,997,752	11,807,278	5,657,388	2,054,560	5,866,994	2,707,704	1,726,208	N/A	881,979	647,335	407,768
Units outstanding, end of year ('000s)	229,491	89,680	36,812	9,810	36,898	17,732	33,767	N/A	5,559	6,608	2,853
2004											
Total net return (1)	19.04%	22.21%	32.39%	34.01%	1.50%	12.84%	N/A	N/A	26.57%	14.17%	22.29%
Net assets, end of year ($'000s)	32,377,022	12,713,310	5,317,983	1,797,300	5,860,782	2,269,751	N/A	N/A	979,350	553,076	268,337
Units outstanding, end of year ('000s)	233,057	103,940	39,398	11,745	39,595	17,105	N/A	N/A	7,185	6,881	2,932
2003											
Total net return (1)	0.53%	1.83%	(7.33)%	6.98%	12.62%	22.37%	N/A	N/A	(11.54)%	(2.70)%	(9.26)%
Net assets, end of year ($'000s)	27,653,710	11,709,050	4,679,366	1,057,285	5,835,043	980,991	N/A	N/A	1,015,387	401,800	152,357
Units outstanding, end of year ('000s)	250,376	116,992	45,898	9,258	40,013	8,342	N/A	N/A	9,428	5,707	2,036
2002											
Total net return (1)	(9.24)%	(16.39)%	(8.12)%	(2.85)%	8.40%	(3.90)%	N/A	N/A	(12.42)%	(14.01)%	(15.59)%
Net assets, end of year ($'000s)	27,171,701	10,662,494	4,494,421	984,437	7,065,345	755,508	N/A	N/A	1,173,413	270,656	68,394
Units outstanding, end of year ('000s)	247,298	108,492	40,853	9,222	54,563	7,862	N/A	N/A	9,638	3,741	829,299
Ratios to average net assets:											
2010											
Ratio of expenses, including indirect management fees	0.54%	0.20%	0.23%	0.25%	0.16%	1.08%	0.82%	0.14%	0.79%	1.57%	1.07%
Ratio of expenses, excluding indirect management fees	0.15%	0.08%	0.23%	0.17%	0.14%	0.28%	0.03%	0.02%	0.16%	0.08%	0.08%
Ratio of net investment income (loss)	2.34%	1.49%	2.69%	1.59%	3.85%	4.07%	(0.02)%	(0.01)%	0.75%	2.11%	1.47%
2009											
Ratio of expenses, including indirect management fees	0.51%	0.29%	0.29%	0.48%	0.14%	0.89%	0.85%	N/A	0.94%	1.39%	1.21%
Ratio of expenses, excluding indirect management fees	0.10%	0.11%	0.29%	0.38%	0.12%	0.16%	0.04%	N/A	0.16%	0.06%	0.07%
Ratio of net investment income (loss)	2.78%	1.72%	3.19%	2.19%	4.60%	5.97%	(0.03)%	N/A	0.04%	0.31%	1.18%

Financial Highlights Ratios, continued

For the years ended June 30, 2010-2002

	General Allocation Account	Domestic Equity Account	International Equity Account	Emerging Markets Account	Core Fixed Income Account	Value-Added Fixed Income Account	Hedge Funds Account	Portable Alpha Wind Down Account	Private Equity Account	Vintage Year 2000 Account	Vintage Year 2001 Account
2008											
Ratio of expenses, including indirect management fees	0.52%	0.27%	0.26%	0.21%	0.17%	0.85%	0.76%	N/A	0.98%	1.43%	0.99%
Ratio of expenses, excluding indirect management fees	0.25%	0.17%	0.26%	0.10%	0.16%	0.21%	0.04%	N/A	0.14%	0.02%	0.02%
Ratio of net investment income (loss)	2.70%	1.49%	2.84%	2.23%	5.32%	5.41%	(0.02)%	N/A	1.85%	0.58%	1.63%
2007											
Ratio of expenses, including indirect management fees	0.54%	0.29%	0.27%	0.46%	0.13%	0.70%	1.26%	N/A	1.06%	1.61%	1.02%
Ratio of expenses, excluding indirect management fees	0.27%	0.16%	0.27%	0.33%	0.13%	0.24%	0.03%	N/A	0.19%	0.08%	0.09%
Ratio of net investment income (loss)	2.93%	1.87%	2.73%	2.76%	4.96%	5.95%	(0.03)%	N/A	2.89%	2.56%	6.96%
2006											
Ratio of expenses, including indirect management fees	0.63%	0.23%	0.23%	0.82%	0.14%	0.31%	1.09%	N/A	1.16%	1.99%	1.31%
Ratio of expenses, excluding indirect management fees	0.41%	0.23%	0.23%	0.82%	0.14%	0.30%	0.03%	N/A	0.14%	0.08%	0.09%
Ratio of net investment income (loss)	2.78%	1.51%	2.66%	2.33%	5.13%	6.22%	(0.02)%	N/A	1.73%	1.84%	3.28%
2005											
Ratio of expenses, including indirect management fees	0.52%	0.16%	0.26%	0.68%	0.11%	0.42%	1.06%	N/A	1.40%	2.61%	1.94%
Ratio of expenses, excluding indirect management fees	0.30%	0.16%	0.26%	0.68%	0.11%	0.32%	0.04%	N/A	0.11%	0.10%	0.09%
Ratio of net investment income (loss)	2.96%	1.60%	2.32%	2.39%	4.80%	6.31%	(0.04)%	N/A	2.64%	3.64%	6.39%
2004											
Ratio of expenses, including indirect management fees	0.42%	0.16%	0.21%	0.97%	0.13%	0.65%	N/A	N/A	1.65%	3.58%	3.84%
Ratio of expenses, excluding indirect management fees	0.23%	0.16%	0.21%	0.97%	0.13%	0.47%	N/A	N/A	0.15%	0.27%	0.31%
Ratio of net investment income (loss)	2.73%	1.41%	2.24%	1.90%	4.81%	4.97%	N/A	N/A	0.55%	0.68%	1.37%
2003											
Ratio of expenses, including indirect management fees	0.43%	0.19%	0.33%	0.57%	0.12%	0.59%	N/A	N/A	1.90%	5.75%	6.17%
Ratio of expenses, excluding indirect management fees	0.22%	0.19%	0.33%	0.57%	0.12%	0.38%	N/A	N/A	0.18%	0.29%	0.56%
Ratio of net investment income (loss)	2.98%	1.50%	2.42%	1.69%	5.18%	6.14%	N/A	N/A	0.37%	0.02%	(0.56)%
2002											
Ratio of expenses, including indirect management fees	0.43%	0.24%	0.51%	0.31%	0.11%	0.52%	N/A	N/A	1.75%	8.18%	12.96%
Ratio of expenses, excluding indirect management fees	0.25%	0.24%	0.51%	0.31%	0.11%	0.52%	N/A	N/A	0.29%	0.97%	0.13%
Ratio of net investment income (loss)	2.88%	1.10%	1.49%	1.29%	5.87%	6.63%	N/A	N/A	0.32%	(0.86)%	(0.07)%

(1) Total net return calculation is based on the value of a single unit of participation outstanding throughout the year. It represents the percentage change in the net asset value per unit between the beginning and end of the year.

(2) Prior to January 1, 2010, Portable Alpha assets were reflected in the Domestic Equity portfolio.

Financial Highlights Ratios, continued

For the years ended June 30, 2010-2002

	Vintage Year 2002 Account	Vintage Year 2003 Account	Vintage Year 2004 Account	Vintage Year 2005 Account	Vintage Year 2006 Account	Vintage Year 2007 Account	Vintage Year 2008 Account	Vintage Year 2009 Account	Vintage Year 2010 Account	Core Real Estate Account	Noncore Real Estate Account	Timber / NR Account
Ratios and supplementary data:												
2010												
Total net return (1)	12.96%	24.05%	14.37%	15.50%	15.53%	11.18%	6.01%	(46.19)%	(5.25)%	2.35%	N/A	(5.90)%
Net assets, end of year ($'000s)	100,441	411,075	365,651	750,824	913,119	467,426	203,969	18,978	7,080	3,767,749	N/A	1,671,981
Units outstanding, end of year ('000s)	980	1,826	10,458	11,670	20,982	33,927	4,786	349	74	13,815	N/A	8,517
2009												
Total net return (1)	(27.47)%	(22.82)%	(19.91)%	(25.79)%	(23.62)%	(19.41)%	N/A	N/A	N/A	(23.90)%	(100.00)%	(14.84)%
Net assets, end of year ($'000s)	86,586	393,043	318,973	629,918	708,085	285,173	62,947	N/A	N/A	4,090,525	—	1,776,921
Units outstanding, end of year ('000s)	954	2,177	10,485	11,408	18,991	23,279	1,590	N/A	N/A	15,686	—	8,518
2008												
Total net return (1)	19.01%	18.81%	21.15%	22.18%	2.80%	(84.80)%	N/A	N/A	N/A	4.41%	N/A	20.69%
Net assets, end of year ($'000s)	114,619	531,381	388,181	748,612	783,796	163,835	8,038	N/A	N/A	5,520,030	2	1,065,586
Units outstanding, end of year ('000s)	916	2,272	10,222	10,060	16,056	10,778	91	N/A	N/A	16,109	—	4,350
2007												
Total net return (1)	26.70%	63.10%	22.32%	13.02%	(38.73)%	—%	N/A	N/A	N/A	15.65%	318.62%	14.67%
Net assets, end of year ($'000s)	102,564	555,480	319,874	385,139	251,773	740	N/A	N/A	N/A	4,316,265	2	1,598,166
Units outstanding, end of year ('000s)	976	2,822	10,204	6,325	5,301	7	N/A	N/A	N/A	13,152	—	7,874
2006												
Total net return (1)	38.67%	32.12%	(4.55)%	(32.12)%	(22.49)%	N/A	N/A	N/A	N/A	22.70%	106.43%	18.52%
Net assets, end of year ($'000s)	79,588	351,371	143,419	106,808	3,182	N/A	N/A	N/A	N/A	4,618,446	38	1,480,574
Units outstanding, end of year ('000s)	959	2,911	5,596	1,982	41	N/A	N/A	N/A	N/A	16,275	—	8,365
2005												
Total net return (1)	(3.28)%	12.58%	(73.15)%	(20.63)%	N/A	N/A	N/A	N/A	N/A	29.33%	(30.98)%	11.54%
Net assets, end of year ($'000s)	52,257	178,524	13,401	910	N/A	N/A	N/A	N/A	N/A	2,950,852	822	1,316,382
Units outstanding, end of year ('000s)	873	1,954	499	11	N/A	N/A	N/A	N/A	N/A	12,759	9	8,815
2004												
Total net return (1)	(29.93)%	(18.86)%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	19.15%	1.84%	12.15%
Net assets, end of year ($'000s)	13,470	46,335	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,828,679	7,635	931,432
Units outstanding, end of year ('000s)	218	571,059	N/A	N/A	N/A	N/A	N/A	N/A	N/A	10,226	55,325	6,957
2003												
Total net return (1)	(11.71)%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	6.67%	(17.53)%	14.15%
Net assets, end of year ($'000s)	4,167	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,481,271	8,168	505,632
Units outstanding, end of year ('000s)	47	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	9,870	60	4,236
2002												
Total net return (1)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	8.87%	19.19%	4.58%
Net assets, end of year ($'000s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,700,053	21,335	55,999
Units outstanding, end of year ('000s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	12,082	130	535
Ratios to average net assets:												
2010												
Ratio of expenses, including indirect management fees	1.13%	0.89%	1.16%	1.93%	2.03%	5.66%	9.21%	51.16%	0.06%	0.53%	N/A	0.57%
Ratio of expenses, excluding indirect management fees	0.06%	0.06%	0.18%	0.19%	0.30%	0.06%	0.06%	0.06%	0.06%	0.15%	N/A	0.07%
Ratio of net investment income (loss)	(0.05)%	2.94%	0.99%	0.15%	0.90%	0.46%	0.72%	0.15%	(32.74)%	4.80%	N/A	0.60%
2009												
Ratio of expenses, including indirect management fees	1.19%	0.96%	1.67%	1.67%	2.20%	7.96%	23.91%	N/A	N/A	(0.26)%	N/A	1.00%
Ratio of expenses, excluding indirect management fees	0.06%	0.06%	0.27%	0.18%	0.28%	0.05%	0.06%	N/A	N/A	(0.59)%	N/A	0.60%
Ratio of net investment income (loss)	(0.02)%	0.37%	0.43%	0.12%	0.31%	0.37%	4.62%	N/A	N/A	5.53%	N/A	(0.90)%

Financial Highlights Ratios, continued

For the years ended June 30, 2010-2002

	Vintage Year 2002 Account	Vintage Year 2003 Account	Vintage Year 2004 Account	Vintage Year 2005 Account	Vintage Year 2006 Account	Vintage Year 2007 Account	Core Real Estate Account	Noncore Real Estate Account	Timber / NR Account
2008									
Ratio of expenses, including indirect management fees	1.13%	0.58%	0.97%	2.07%	2.37%	16.71%	0.79%	N/A	2.33%
Ratio of expenses, excluding indirect management fees	0.02%	0.02%	0.27%	0.09%	0.18%	0.02%	0.50%	N/A	2.10%
Ratio of net investment income (loss)	0.15%	0.32%	0.62%	0.14%	—%	(0.11)%	4.18%	N/A	(1.64)%
2007									
Ratio of expenses, including indirect management fees	1.55%	0.94%	1.49%	5.20%	10.88%	N/A	1.13%	N/A	0.98%
Ratio of expenses, excluding indirect management fees	0.08%	0.08%	0.31%	0.22%	1.81%	N/A	0.80%	N/A	0.72%
Ratio of net investment income (loss)	—%	4.57%	0.22%	3.70%	(1.47)%	N/A	3.94%	N/A	0.09%
2006									
Ratio of expenses, including indirect management fees	2.43%	2.37%	6.73%	20.92%	19.76%	N/A	1.66%	1.00%	2.27%
Ratio of expenses, excluding indirect management fees	0.08%	0.08%	1.04%	2.03%	0.21%	N/A	1.29%	1.00%	2.00%
Ratio of net investment income (loss)	(0.07)%	0.66%	(0.97)%	(1.66)%	(0.22)%	N/A	3.57%	2.85%	(0.04)%
2005									
Ratio of expenses, including indirect management fees	4.28%	7.39%	53.44%	22.43%	N/A	N/A	1.58%	1.79%	1.50%
Ratio of expenses, excluding indirect management fees	0.09%	0.09%	6.95%	—%	N/A	N/A	1.10%	0.03%	1.26%
Ratio of net investment income (loss)	(0.09)%	0.70%	(6.95)%	—%	N/A	N/A	6.49%	6.46%	1.29%
2004									
Ratio of expenses, including indirect management fees	32.06%	11.52%	N/A	N/A	N/A	N/A	0.76%	0.46%	0.63%
Ratio of expenses, excluding indirect management fees	0.02%	0.01%	N/A	N/A	N/A	N/A	0.22%	0.03%	0.36%
Ratio of net investment income (loss)	(0.10)%	(0.26)%	N/A	N/A	N/A	N/A	7.69%	5.61%	0.95%
2003									
Ratio of expenses, including indirect management fees	14.44%	N/A	N/A	N/A	N/A	N/A	0.55%	1.10%	1.81%
Ratio of expenses, excluding indirect management fees	0.12%	N/A	N/A	N/A	N/A	N/A	0.04%	0.09%	1.53%
Ratio of net investment income (loss)	(14.43)%	N/A	N/A	N/A	N/A	N/A	7.79%	(7.24)%	2.45%
2002									
Ratio of expenses, including indirect management fees	N/A	N/A	N/A	N/A	N/A	N/A	0.43%	0.93%	0.24%
Ratio of expenses, excluding indirect management fees	N/A	N/A	N/A	N/A	N/A	N/A	(0.03)%	0.03%	0.01%
Ratio of net investment income (loss)	N/A	N/A	N/A	N/A	N/A	N/A	7.85%	3.55%	0.25%

(1) Total return calculation is based on the value of a single unit of participation outstanding throughout the year. It represents the percentage change in the net asset value per unit between the beginning and end of the year.

PRIT Core Fund Asset Allocation

As of June 30:

The following table is intended to provide readers of this CAFR with further information regarding the financial position of the PRIT Core Fund over the past ten years. This table provides the change in assets during this time period. This table should be read in conjunction with the discussion on asset allocation in the *Investment Section* of this CAFR.

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Domestic Equity	22.0%	19.9%	24.4%	26.1%	29.9%	27.5%	32.6%	39.0%	42.1%	39.1%
International Equity	21.7%	20.0%	19.0%	20.0%	21.0%	19.8%	15.6%	16.3%	16.7%	16.5%
Emerging Markets	6.6%	5.7%	5.0%	5.5%	5.5%	5.9%	5.7%	5.5%	3.8%	3.7%
Fixed Income	13.2%	14.0%	13.0%	16.8%	15.4%	15.4%	16.2%	18.0%	21.0%	25.8%
Value-Added Fixed Income	6.0%	7.0%	7.7%	5.0%	4.6%	5.3%	7.5%	7.0%	3.5%	2.9%
Private Equity	10.7%	10.6%	9.6%	8.4%	6.7%	6.5%	6.0%	5.7%	5.7%	5.5%
Real Estate	8.2%	9.1%	10.9%	10.9%	8.6%	11.0%	8.1%	5.6%	5.4%	6.3%
Timber / Natural Resources	4.0%	4.1%	4.7%	2.1%	3.2%	3.5%	3.6%	2.9%	1.8%	0.2%
Hedge Funds	7.2%	7.7%	5.7%	5.2%	5.1%	5.1%	4.8%	0.0%	0.0%	0.0%
Portable Alpha Wind Down (1)	0.4%	1.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

(1) Prior to January 1, 2010, Portable Alpha assets were reflected in the Domestic Equity portfolio.