


**COMMONWEALTH OF PENNSYLVANIA
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM**

DATE: August 3, 2006

SUBJECT: GSC Recovery III, L.P.

TO: PSERS' Finance Committee

FROM: Charles J. Spiller 
Director of Alternative Investments

On June 2, 2005, PSERS' Board approved an investment of an amount equal to \$100 million plus reasonable normal investment expenses, in a side fund to GSC Recovery III, L.P. The fund has additional capacity and PSERS has the opportunity to increase its commitment in the side fund to \$200 million. The GP will increase its commitment in the side fund from \$25 million to \$50 million.

Based on the long track record of GSC, staff recommends that PSERS increase its commitment to GSC Recovery III, L.P. from \$ 100 million to \$ 200 million.

Please contact me if you want a copy of the recommendation from June 2, 2005.