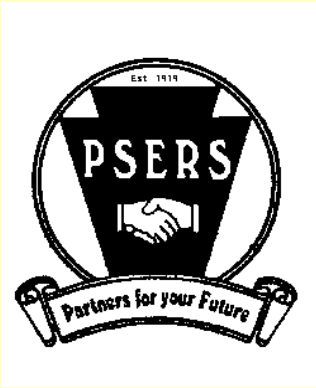


Private Debt Fund Commitment



Cerberus Institutional Partners International, L.P.

September 25, 2008

Charles J. Spiller, Director of
Private Markets and Real Estate

Cerberus Institutional Partners International, L.P.

Private Debt Fund

Overview

- Fund size is expected to be \$1.5 billion to \$ 2 billion
- Dedicated international fund to focus on non-U.S. investments
- Utilize same investment approach successfully deployed by the Cerberus Companies since 1992

Fund Strategy

- Companies with operational problems and/or debt trading at deep discounts
- Control of companies achieved through privately negotiated transactions or through the purchase of distressed securities
- Active management through cost reductions and operational improvements in troubled companies
- Pennsylvania Presence –N/A

Cerberus Institutional Partners International, L.P.

Private Debt Fund

Investment Team

- Over 580 total personnel with 12 offices around the globe
- 180 investment professionals, including 21 Managing Directors with at least 9 years of experience at Cerberus
- 65 investment professionals currently based outside the U.S.

GP “Value Add”

- The General Partner is well-positioned to manage the Partnership's investments effectively based on the strength of the Cerberus Companies' investment, financial, lending and real estate background and expertise, coupled with its operational depth and experience.

Performance

- Cerberus Series II (Vintage 2001) Net IRR is 29.2% as of 3/31/08
- Cerberus Series III (Vintage 2003) Net IRR is 24.1% as of 3/31/08
- Cerberus Series IV (Vintage 2006) Net IRR is -8.3% as of 3/31/08

Cerberus Institutional Partners International, L.P. Private Debt Fund

Market Opportunity

- The Cerberus Companies have recruited investment and operating professionals with strong reputations in their local markets and have established contacts within senior business circles around the world. The Cerberus Companies have been able to capitalize on this well-developed network of relationships and they have achieved substantial credibility in global business communities based on their investment in high-level personnel and advisors in local markets.

History with PSERS

- This would be PSERS fourth fund with Cerberus (Series II, Series III and Series IV)

Recommendation

- Staff, together with Portfolio Advisors, recommends that the Board invest an amount equal to 25 percent of the committed capital, but not to exceed \$200 million plus reasonable normal investment expenses

NEXT

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