

PRESS RELEASE

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**PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM BOARD OF TRUSTEES
CERTIFIES EMPLOYER CONTRIBUTION RATE FOR NEXT FISCAL YEAR**
Employer rate of 12.36% certified for FY 2012-2013; Investment performance also reported

HARRISBURG, PA – The Public School Employees Retirement System (PSERS) Board of Trustees met today in Harrisburg and certified an employer contribution rate of 12.36% for fiscal year (FY) 2012-2013, which begins July 1, 2012.

The 12.36% employer contribution rate is composed of 0.86% for health insurance premium assistance and a pension rate of 11.50%. The Commonwealth reimburses school employers for not less than 50% of the employer contribution rate. Total employer contributions of approximately \$1.8 billion are expected in FY 2012-2013.

PSERS Executive Director Jeffrey Clay commented on the impact of Act 120 on the employer rate. “The rate caps defined in Act 120 of 2010 are in effect. These rate caps step up the employer contribution rate in predictable increments and allow advance notice to the school employers and Commonwealth for budget planning purposes.”

Clay continued, “The rate caps in Act 120 have had a dramatic impact on the employer contribution rate. If Act 120 was not in effect, the employer rate would have jumped up to 29.65% next year, rather than 12.36%.”

In addition to the employer contribution rate, PSERS is also funded through mandatory member contributions and investment earnings.

Investment earnings are the largest source of funding for PSERS. For the most recent fiscal year ended June 30, 2011, PSERS' investments added over \$9.2 billion in net investment income to the Fund.

Beginning next fiscal year members of the pension fund will contribute an average of 7.40% of their salary to help fund their retirement benefits. Total member contributions of approximately \$1.1 billion are expected in FY 2012-2013.

More information on the employer contribution rate, including revised long-term 30 year employer contribution rate projections, is available on PSERS' website at: <http://www.psers.state.pa.us/pfr/pfr.htm>.

(continued)

**PSERS certifies employer contribution rate/reports investment performance
December 9, 2011
Page 2**

Also during the meeting, PSERS reported investment performance for the quarter ended September 30, 2011.

PSERS posted -3.62% for the quarter, 8.45% for the one year period, and 6.95 for the 10 year period ended September 30, 2011.

PSERS Chief Investment Officer Alan Van Noord explained, “PSERS had a phenomenal fiscal year which ended June 30, 2011. PSERS posted a fiscal year investment return of over 20%. Since that time however, market volatility escalated due to continuing European debt issues and lingering uncertainty in the U.S. economy. As a result, the quarter ended September 30, 2011 proved to be extremely challenging for investors.

The strongest asset-class performers for the quarter ended September 30, 2011 included: Treasury Inflation Protection Securities 8.63%, private markets 3.94%, U.S. fixed income 2.86%, and real estate 2.76%.

Van Noord noted the impact of the Fund’s diversified investment strategy, “PSERS efforts to further diversify the Fund and protect against significant market declines have proven to be valuable during the past quarter. PSERS quarterly return of -3.62% while negative, significantly outperformed the median net return of -8.60% in the Wilshire Compass All Public Funds Universe during the same time period. PSERS efforts to minimize investment risk have helped the Fund weather the extreme volatility in the markets and minimize losses.”

PSERS annualized 25 year return through September 30, 2011 was 8.65%, which exceeds the assumed long-term actuarial investment rate of return for the same period. PSERS’ current investment rate of return assumption is 7.50%.

Detailed investment performance on individual asset classes as of September 30, 2011 is available on PSERS’ website at: <http://www.psers.state.pa.us/invest/invest.htm>.

In addition, during the meeting copies of PSERS Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011 were released. The CAFR can be found on PSERS’ website at: <http://www.psers.state.pa.us/publications/general/cafr.htm>.

About the Pennsylvania Public School Employees’ Retirement System

PSERS is the 16th largest state-sponsored defined benefit public pension fund in the nation. As of September 30, 2011, PSERS had net assets of \$47.4 billion and a membership of over 279,000 active school employees and 194,000 retirees.

As of September 30, 2011, PSERS had 12.7% of its assets in non-U.S. equities; 10.8% in U.S. equities; 20.5% in U.S. and global fixed income investments; 21.5% in private markets; 12.0% in real estate; 4.1% in commodities, 11.7% in absolute return strategies, and 6.7% in cash and cash equivalents.

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