

PRESS RELEASE

For Immediate Release
March 13, 2015

For More Information Contact:
Evelyn Williams
Press Secretary
Public School Employees' Retirement System
Phone: 717-720-4734
e-mail: evwilliams@pa.gov

PA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM POSTS DECEMBER 31, 2014 QUARTERLY INVESTMENT PERFORMANCE

PSERS earns 8.83% for calendar year 2014 and adds \$4.2 billion in net investment income

HARRISBURG, PA – The Public School Employees' Retirement System (PSERS) today announced the Fund's investment performance for the quarter ended December 31, 2014. PSERS earned 8.83% for the calendar year ended December 31, 2014 and added over \$4.2 billion in net investment income for the calendar year.

PSERS' Chief Investment Officer James H. Grossman Jr. commented on the calendar year investment performance, "We were very pleased with our calendar year 2014 returns of 8.83%. PSERS exceeded its policy benchmark by 2.17% which generated above index returns of over \$1 billion for the System, net of all fees. Active managers had a very good year for PSERS, continuing a very strong track record of added value over the passive indexes over the past 15 years."

"Strong returns were achieved in real estate (up 17.2%), Master Limited Partnerships (up 16.3%), private markets (up 10.4%), fixed income (up 10.3%), U.S. equities (up 11.7%), and risk parity (up 10.2%), Grossman reported. "In addition, the Board's decision to hedge a portion of our foreign currency exposure in late 2013 added significant value this past year and that decision is continuing to add value in 2015."

Mr. Grossman also commented on future market expectations. Grossman explained, "Going forward, with yields on cash so low, the returns for all asset classes are expected to be lower. This represents a saver's problem which affects not only large institutional investors such as PSERS, but also individual and smaller institutional investors."

"After six years of increasing U.S. equity markets (up over 200% since March 2009), concentration risk is something that should be a top concern for investors," said Grossman. "Often in times like these when equity markets are soaring, many investors quickly forget the lessons from the past when the equity markets significantly declined."

"PSERS continues to maintain a broadly diversified investment portfolio that minimizes concentration to any one broad asset class, including equities," said Grossman. "This diversification allows the System to structure a portfolio which meets our liquidity needs to continue to pay benefits to our members while at the same time is able to achieve our long-term actuarial assumed rate of return based on our forward expectations of market returns. In addition PSERS' portfolio is structured in an effort to minimize the risk of sharp investment losses should the equity markets have losses similar to 2000-2002 and 2007-2009 when the S&P 500 Index declined by nearly 50%."

(continued)

PSERS POSTS DECEMBER 31, 2014 QUARTERLY INVESTMENT PERFORMANCE.

March 13, 2015

Page 2

Additionally, PSERS posted returns of 0.20% for the quarter, 9.61% for the 3 year, 9.43% for the 5 year, 6.35% for the 10 year, 8.46% for the 25 year, and 9.32% for the 30 year periods ended December 31, 2014.

More detailed investment performance data as of December 31, 2014 is available on PSERS' website at: <http://www.psers.state.pa.us/investment/invest.htm>

About the Pennsylvania Public School Employees' Retirement System

PSERS is the 20th largest state-sponsored defined benefit public pension fund in the nation. As of December 31, 2014 PSERS had net assets of approximately \$51.7 billion and a membership of more than 263,000 active school employees and nearly 214,000 retirees.

As of December 31, 2014 PSERS had 12.5% in U.S. equities, 9.3% of its assets in non-U.S. equities, 20.5% in U.S. and global fixed income investments, 16.3% in private markets, 13.5% in real estate, 10.0% in absolute return strategies, 5.1% in cash and cash equivalents, 3.7% in master limited partnership, 3.1% in commodities and 6.0% in risk parity.

###