

PSERS POSTS INVESTMENT PERFORMANCE FOR THE SECOND QUARTER AND CALENDAR YEAR ENDING DECEMBER 31, 2004 -

Fund posts another year of significant earnings

(March 1, 2005)

HARRISBURG, PA The Pennsylvania Public School Employees Retirement System (PSERS) today reported an investment return of 14.90 percent for the 2004 calendar year.

For the second quarter of the 2004/2005 fiscal year, which also ended December 31, 2004, the Fund earned 9.04 percent while the Funds investment portfolio grew to approximately \$52 billion.

The 2004 calendar year investment returns continued another year of positive growth for the Fund. In the 2003 calendar year, the Fund earned 25.11 percent.

According to PSERS Executive Director Jeffrey Clay, PSERS investment return of 14.90 percent for the calendar year continued another year of significant investment growth for the Fund. In the past two years, PSERS net assets increased by approximately \$12 billion. During that same time the Fund paid out approximately \$7 billion in benefits to PSERS members. PSERS investment growth continues to help the Fund rebound from the impact of the recent bear market.

PSERS Chairman Roger H. May commended PSERS Board and investment staff on their efforts and stated, PSERS Board and investment staff did not waiver from their long-term focus and as a result the Fund has continued to post significant investment gains. PSERS Board and investment staff remain dedicated to a well-diversified plan and the Fund has benefited tremendously by their efforts. Their dedication has made PSERS one of the top performing pension funds in the nation.

PSERS second quarter investment performance of 9.04 percent resulted in a ranking in the top 10 percent of the Wilshire database of 122 public pension plans. For the year ending December 31, 2004, PSERS return of 14.90 percent placed the fund in the top five percent among 117 public pension plans.

PSERS Chief Investment Officer Alan Van Noord reported, PSERS benefited from significant asset growth in many categories, but in particular PSERS real estate and alternative investments performed extremely well. Not only did PSERS outperform many public pension plans across the nation in the past year but the Fund performed well against the major market indices.

PSERS real estate portfolio returned 7.70 percent for the second quarter and 25.17 percent for the calendar year and exceeded the NCREIF index, which returned 3.42 percent and 12.41 percent for the same time frame.

PSERS alternative investment returns were 5.54 percent for the second quarter and 21.60 percent for the calendar year period ending December 31, 2004 in comparison to the Venture Economics benchmarks of 0.27 percent and 5.25 percent for the same time frame.

PSERS international equity portfolio earned 14.81 percent for the second quarter and 20.56 percent for the calendar year ending December 31, 2004.

PSERS domestic equity portfolio returns for the second quarter were 10.12 percent and 12.64 percent for the calendar year as compared to the Dow Jones Wilshire 5000, which returned 10.19 percent and 12.48 percent for the same time frame.

PSERS domestic fixed income portfolio returned 6.61 percent for the calendar year, exceeding the Lehman Aggregate of 4.34 percent.

About the Pennsylvania Public School Employees Retirement System

PSERS is the 14th largest public pension fund in the nation and the 21st largest among public and corporate pension funds in the nation. As of December 31, 2004, PSERS had an investment portfolio of approximately \$52 billion and a membership of more than 248,000 active school employees and 150,000 retirees. For more detailed investment performance information visit PSERS website at www.psers.state.pa.us.

As of December 31, 2004, PSERS had 43.5 percent of its assets in Domestic stocks; 19.0 percent in International stocks; 18.7 percent in Domestic and International Fixed Income investments; 9.2 percent in Alternative Investments; 6.7 percent in Real Estate and 2.9 percent in cash and cash equivalents.

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