

PRESS RELEASE

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PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM POSTS YEAR END INVESTMENT PERFORMANCE *Pension fund posts gains for the year ended December 31, 2005*

HARRISBURG, PA – The Pennsylvania Public School Employees' Retirement System (PSERS) today announced positive investment returns for the fourth quarter, one-year period, and three-year period ended December 31, 2005.

The pension fund generated a total return of 3.39 percent for the quarter, 11.45 percent for the one-year period, and an annualized total return of 17.01 percent for the three-year period ended December 31, 2005. The returns in each of these periods placed PSERS in the top 10 percent of a public pension plan database compiled by Wilshire Associates. In addition, PSERS investment returns for the 5 year and 10 year time frame ending December 31, 2005 also ranked in the top quartile of the database.

PSERS' Chief Investment Officer Alan Van Noord commented on the recent history of the System's investment performance.

"PSERS investment performance of 11.45 percent for the year is the third double-digit investment return for the calendar year ended December 31st," said Van Noord. "In 2004 the System returned 14.90 percent and in 2003 the System returned 25.11 percent."

"Returns for the year benefited from strong performance in real estate, alternative investments, and international equities," Van Noord said. "These strong returns helped the System beat the Wilshire median public pension plan return of 7.6 percent."

PSERS' Chairman Roger May commented on the System reaching a record all-time high assets under management.

"PSERS' disciplined long-term approach and strong investment performance helped the System to grow to over \$54.8 billion as of the end of the calendar year, which set a record for assets under management for the System," May said. "I am pleased to report that the

System has continued its positive investment growth into the new year and continues to exceed the record for all-time high assets under management. The System reached an estimated \$56.7 billion as of March 1, 2006, the highest assets under management since PSERS began nearly 89 years ago.”

“I am certainly pleased with PSERS investment staff and managers who have earned excellent investment returns for that past three years and remain focused on PSERS’ long term investment goals,” May said.

“That said, the System continues to look towards the future. While PSERS is well structured to continue to grow, the System faces challenges in the near future, including increasing employer contribution rates. PSERS’ Board and staff are committed to working with the General Assembly and the Administration to meet this coming challenge.”

PSERS’ investments outperformed nearly all of their benchmarks for the third quarter and one-year period ended December 31, 2005.

PSERS’ international equity portfolio earned 5.16 percent for the fourth quarter and 19.03 percent for the one-year period ended December 31, 2005, exceeding the MSCI All- Country World Index ex. U.S., which returned 4.39 percent and 17.11 percent for the same time frame.

PSERS’ real estate portfolio returned 8.42 percent for the fourth quarter and 29.62 percent for the one-year period ended December 31, 2005.

PSERS’ alternative investment returns were 8.52 percent for the fourth quarter and 27.27 percent for the one-year period ended December 31, 2005 in comparison to the Venture Economics Median Return, Vintage Year Weighted benchmark returns of 2.89 percent and 13.29 percent for the same time frame.

PSERS’ domestic equity portfolio returns were 2.03 percent for the fourth quarter and 6.25 percent for the one-year period ended December 31, 2005.

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, 2005, PSERS had an investment portfolio of approximately \$54.8 billion and a membership of more than 255,000 active school employees and 156,000 retirees. For more detailed investment performance information visit PSERS’ website at www.psers.state.pa.us.

As of December 31, 2005, PSERS had 41.7 percent of its assets in Domestic stocks; 22.5 percent in International stocks; 17.6 percent in Domestic and International Fixed Income investments; 9.4 percent in Alternative Investments; 6.0 percent in Real Estate and 2.8 percent in cash and cash equivalents.

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