

# PRESS RELEASE

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## **PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM ANNOUNCES STRONG FISCAL YEAR-END INVESTMENT PERFORMANCE**

*Pension fund posts gains of nearly 23 percent for the fiscal year ended June 30, 2007; Continues record fourth fiscal year of outstanding investment performance*

**HARRISBURG, PA** – The Pennsylvania Public School Employees' Retirement System (PSERS) today announced strong investment return results for the fiscal year ended June 30, 2007.

The pension fund generated a total return of 22.93 percent for the fiscal year ended June 30, 2007. This fiscal year return marks the fourth fiscal year in a row that PSERS had exceptional investment growth and has significantly exceeded its annual actuarial rate of return assumption of 8.5 percent.

For the previous three fiscal years, PSERS earned 15.26 percent in fiscal year 2005-2006, 12.87 percent in fiscal year 2004-2005, and 19.67 percent in fiscal year 2003-2004.

Additionally, PSERS' assets under management have grown over \$10 billion from \$57 billion on June 30, 2006 to over \$67 billion as of June 30, 2007.

PSERS' Chairman Melva Vogler praised the Fund's recent outstanding investment performance stating: "I am pleased to announce PSERS has earned 22.93 percent for the fiscal year ended June 30, 2007. This investment return is nearly triple the Fund's assumed annual rate of return of 8.5 percent. PSERS investment staff has worked hard to earn these exceptional returns for the Fund. As a result, they have met and exceeded performance benchmarks and have made PSERS one of the top performing public pension funds in the nation."

The current fiscal year end return places PSERS in the top 1 percent of the public pension plan database compiled by Wilshire Associates. In December 2007, PSERS' actuaries will use this investment return to calculate the employer contribution rate for fiscal year 2008-2009.

PSERS' outstanding investment returns have continued to dramatically decrease the projected employer contribution rate increase in fiscal year 2012-2013. PSERS' investment returns over the past four years have reduced the projected fiscal year 2012-2013 employer contribution rate increase by more than 50 percent, from a projected high of over 27 percent to the current projected rate of less than 12 percent.

PSERS' Executive Director Jeffrey Clay noted the impact of the Fund's investment performance on employer contributions to the Fund. "PSERS' investment staff have made significant progress in reducing the projected employer contribution rate increase in fiscal year 2012-2013," Clay said. "The past four years of exceptional

investment returns have decreased the amount of contributions needed from school employers and Commonwealth taxpayers in fiscal year 2012-2013 by \$2.3 billion.”

PSERS’ Chief Investment Officer Alan Van Noord commented on the recent investment performance. “Results for the fiscal year benefited from strong public market equity performance as US equities appreciated 20.37 percent and non-US equities advanced 31.33 percent. PSERS increased its non-US equity exposure in fiscal year 2005-2006, and this aided results in the most recent period,” Van Noord said. “In addition, results also benefited from strong real estate returns of 29.99 percent and private market returns of 36.11 percent. PSERS remains committed to maintaining a well-diversified strategy and continues to look for ways to further diversify the portfolio. This diversification strategy benefited the fund during the most recent market downturn as the fund has performed well against the major market indices.”

PSERS’ investment returns of 16.94 percent for the 3-year period and 14.48 percent for the 5-year period ended June 30, 2007 also ranked in the top 1 percent of the Wilshire Associates’ public pension plan database. These returns also exceeded the Fund’s annual actuarial rate of return assumption of 8.50 percent.

PSERS’ domestic equity portfolio earned 20.37 percent for the fiscal year ended June 30, 2007, closely matching the Dow Jones Wilshire 5000 Index return of 20.46 percent.

PSERS’ international equity portfolio earned 31.33 percent for the fiscal year ended June 30, 2007, exceeding the MSCI All-Country World Index ex. U.S., which returned 28.83 percent for the same time period.

PSERS’ private markets returns, consisting of private debt, private equity and venture capital, were 36.11 percent for the fiscal year ended June 30, 2007 in comparison to the Venture Economics Median Return, Vintage Year Weighted benchmark return of 13.90 percent for the same time period.

PSERS’ real estate portfolio returned 29.99 percent for the fiscal year ended June 30, 2007 compared to PSERS’ blended real estate index return of 18.45 percent for the same time period.

### **About the Pennsylvania Public School Employees’ Retirement System**

PSERS is the 13<sup>th</sup> largest public defined benefit pension fund in the nation and the 23rd largest fund among public and corporate pension funds in the nation. As of June 30, 2007 PSERS had an investment portfolio of approximately \$67 billion and a membership of more than 263,000 active school employees and 162,000 retirees. For more information visit PSERS’ website at [www.psers.state.pa.us](http://www.psers.state.pa.us).

As of June 30, 2007, PSERS had 29.7 percent of its assets in US stocks; 30.6 percent in Non-US stocks; 17.2 percent in US and Global Fixed Income investments; 8.8 percent in Private Markets; 8.0 percent in Real Estate, 2.5 percent in Commodities, and 3.2 percent in cash and cash equivalents.

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