

# PRESS RELEASE

**For Immediate Release**  
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## **PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM HOLDS JUNE BOARD MEETING**

*Pension fund reviews third quarter investment performance and hires additional investment managers*

HARRISBURG, PA –The Pennsylvania Public School Employees' Retirement System (PSERS) Board of Trustees met Friday in Harrisburg and approved a number of investment actions.

During the meeting, PSERS' Board approved changes to its asset allocation. The Board voted to decrease the allocation to U.S. fixed income from 8.7% to 8.0% and increased the allocation to global fixed income from 3.3% to 4.0%. These changes will accommodate the hiring of two emerging market debt managers. Emerging market debt provides access to economies that are growing faster than developed market economies and exposure to markets with improving credit fundamentals. The Board approved the hiring of the following two emerging market debt managers pending contract negotiations:

- Pacific Investment Management Company (PIMCO) was approved to invest \$650 million in a newly created fund called the PIMCO World Bank GEMLOC Fund.
- Stone Harbor Investment Partners, LP was approved to invest \$650 million in a local emerging market debt mandate.

The Board also added three additional investment managers to further diversify PSERS' portable alpha program. The following three investment managers were hired pending contract negotiations:

- Franklin Templeton Investments was approved to invest \$350 million in their Emerging Market Debt Opportunities product.
- Lazard Asset Management, LLC was approved to invest \$350 million in their Emerging Income Plus, Ltd. fund.
- BGI was approved to invest up to \$300 million in the BGI Capital Structure Investments Fund Ltd. (CSI).

In addition the Board hired the following non-U.S. small cap equity managers:

- Batterymarch Financial Management, Inc. - \$200 million
- Oberweis Asset Management Inc. - \$100 million
- Pyramis Global Advisors - \$300 million
- Victory Capital Management, Inc. – \$300 million
- Wasatch Advisors, Inc. -\$200 million

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During Friday's meeting PSERS Chief Investment Officer Alan Van Noord also discussed the current volatility in the financial markets and provided a review of the fund's third quarter investment performance ended March 31, 2008. The pension fund generated a fiscal year-to-date (9 months) return of negative 2.35 percent, a one-year positive return of 3.28 percent and a third quarter return of negative 5.16 percent for period ended March 31, 2008.

PSERS' Chief Investment Officer Alan Van Noord commented on the pension fund's fiscal year-to-date investment performance. "PSERS had outstanding investment returns for the past four fiscal years (FY0 6/07 22.93 percent, FY 05/06 15.26 percent, FY 04/05 12.87 percent, and FY 03/04 19.67 percent). The current fiscal year, which ends June 30, does not appear likely to continue that trend."

"The third quarter was an extremely difficult investment environment not only for PSERS but for investors everywhere," Van Noord said. "While it reflects a loss to the fund, PSERS return of negative 2.35 is above the median return of negative 3.94 percent for public pension funds in Wilshire Associates' database."

For the five-year period ended March 31, 2008 PSERS returned 15.91 percent annually, which remains well above the fund's annual actuarial assumption of 8.5 percent.

Van Noord commented on the current status of financial markets. "The financial markets improved during April and May but have weakened again in June. PSERS has since earned back some of those third quarter losses but the challenging investment environment persists. PSERS continues to search for areas to produce positive returns and remains focused on its long-term investment strategies."

PSERS' Chairman Melva S. Vogler commented on the fund's efforts during the challenging investment environment. "While all investors understand there are times when the markets will be down, it is never easy to report on a loss to the fund. PSERS continues to diversify its investments to minimize losses and maximize gains. It is during these times that PSERS must remain committed to its long-term investment strategies and goals."

Further details on PSERS investment performance are available on PSERS' website at <http://www.psers.state.pa.us/invest/invest.htm>.

**About the Pennsylvania Public School Employees' Retirement System (PSERS)**

PSERS is the 14<sup>th</sup> largest defined benefit pension fund in the nation. As of March 31, 2008 PSERS had an investment portfolio of approximately \$63.3 billion and a membership of more than 264,000 active school employees and 168,000 retirees.

As of March 31, 2008, PSERS had 27.1 percent of its assets in non-U.S. equities; 24.2 percent in U.S. equities; 20.8 percent in U.S. and Global Fixed Income investments; 11.8 percent in Private Markets; 9.9 percent in Real Estate, 3.7 percent in Commodities, and 2.5 percent in cash and cash equivalents.

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