

PRESS RELEASE

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For More Information Contact:
Evelyn Tatkovski
Press Secretary
Public School Employees' Retirement System
Phone: 717-720-4734
e-mail: etatkovski@state.pa.us

PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM ANNOUNCES INVESTMENT PERFORMANCE

Pension fund reports returns for quarter ended September 30, 2008

HARRISBURG, PA –The Pennsylvania Public School Employees' Retirement System (PSERS) today announced its investment performance for the quarter ended September 30, 2008. The pension fund generated a total return of -11.05 percent for the quarter and -16.67 percent for the one-year period ended September 30, 2008.

“These times are unprecedented. Investors everywhere are suffering the effects of the downturn in the global economy and PSERS is not immune,” said PSERS' Chairman Melva Vogler. “During the current downturn, all areas of both U.S. and non-U.S. markets are down and as a result the Fund is experiencing losses in the short term. PSERS, however, continues to invest for the long-term.”

Ms. Vogler reported the Fund returns remain positive over the long term. “While PSERS today reported losses for the quarter and one-year periods, the Fund's long term returns over the 3, 5 and 10 year periods continue to remain positive and rank in the top decile in the Wilshire Associates database of public pension funds.” For the three-year, five-year and 10-year periods ended September 30, 2008, PSERS returned 5.26 percent, 9.59 percent, and 7.43 percent, respectively.

“While these times are certainly difficult to endure, Ms. Vogler reminded PSERS members that the Fund has been through downturns before and will survive the current downturn. During the past bear market from April 2000 through December 2002, PSERS lost nearly \$10 billion. This period of significant losses was followed by a bull market in which PSERS gained back all of those losses. During the bull market from January 2003 through October 2007 PSERS earned over \$42 billion in investment gains. The markets will rebound at some point and PSERS will be positioned to take advantage of opportunities to earn back the current losses. We must keep our focus on the long-term as we ride out the downturn in the markets.”

PSERS' Chief Investment Officer Alan Van Noord also commented on the pension fund's recent investment performance. “The quarter ended September 30th reflected the effects of the current credit crisis as well as the sharp contraction in world-wide economic activity. This was reflected in the -11.50 percent return on domestic equities and the -20.08 percent return on non-U.S. equities. Fixed income markets also performed poorly with the Fund reporting a -4.65 percent on fixed income investments. Markets in October and November continue to be impacted by the credit crisis and the world-wide recession. PSERS has made a number of adjustments to its portfolio, including lowering the exposure to equities and increasing exposure to fixed income. In spite of this, the current market environment remains very challenging.”

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November 25, 2008

Page 2

In addition, Mr. Van Noord stated “The S&P 500 peaked in October 2007 and since that time has declined over 50 percent through mid-November. This represents the second correction of approximately 50 percent this decade and is one of the most severe since the Depression era of 1929-1933. PSERS net asset value fell over 30 percent in the early part of this decade only to advance 83 percent to a new high. A similar correction pattern has developed this year. Unless the markets significantly improve, we expect to report a further decline in the net asset value in the next quarterly report.”

PSERS net assets fell from \$62.7 billion as of June 30, 2008 to \$54.7 billion as of September 30, 2008 due to investment losses and benefit payments. While PSERS assets have decreased as the markets declined, PSERS continues to pay out nearly \$5 billion annually to its members. Contributions from employers and members cover only a portion of the benefit costs. Investment earnings are the largest source of funding for the pension fund. Over the past 10 years, 14 percent of the funding came from the members, 9 percent came from school employers and the Commonwealth, and over 77 percent came from investment earnings.

PSERS Executive Director Jeffrey Clay commented on the funding challenges PSERS expects in coming years. “In December PSERS actuaries will present the employer contribution rate for the next fiscal year beginning July 1, 2009. The current market conditions will not impact next year’s contribution rate. PSERS fiscal year ends June 30th and the fiscal year 2007-2008 return of -2.82 percent will be used to calculate next year’s rate. Barring the passage of legislation addressing the fiscal year 2012-2013 rate spike, the earliest we will see an impact on the employer contribution rate will be during the fiscal year 2010-2011.”

Mr. Clay further stated, “PSERS has worked closely with the Governor’s Office and the General Assembly to address the funding challenges in the past. PSERS stands ready to assist in the development of a solution to the funding challenges and pending fiscal year 2012-2013 rate spike issue during the next Legislative session.”

About the Pennsylvania Public School Employees’ Retirement System

PSERS is the 14th largest public defined benefit pension fund in the nation. As of September 30, 2008, PSERS had an investment portfolio of approximately \$54.7 billion and a membership of more than 279,000 active school employees and 176,000 retirees and beneficiaries. For more information visit PSERS’ website at www.psers.state.pa.us.

As of September 30, 2008 PSERS had 23.3 percent of its assets in non-U.S. equities; 21.5 percent in U.S. equities; 21.8 percent in U.S. and global fixed income investments; 15.8 percent in private markets; 11.3 percent in real estate, 3.8 percent in commodities, and 2.5 percent in cash and cash equivalents.

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