

PRESS RELEASE

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PSERS HOLDS BOARD MEETING IN HARRISBURG *Fund reports performance for quarter ended March 31, 2009, and announces award for financial reporting*

HARRISBURG, PA – The Board of the Pennsylvania Public School Employees Retirement System (PSERS) met this afternoon in Harrisburg and received an update on the Fund's investment performance for the quarter ended March 31, 2009.

The sharp downturn in the investment markets continued to impact PSERS investment performance for the quarter ended March 31, 2009. PSERS Chief Investment Officer Alan Van Noord reported to the Board that “the first quarter of 2009 proved to be a very difficult quarter as worldwide equity markets generally fell 11% or more. Unlike the prior two quarters, U.S. treasuries also lost ground, meaning virtually every asset class was under pressure. PSERS portfolio was no exception. For the quarter ended March 31, 2009, PSERS produced investment performance of negative 9.63%.”

Van Noord reported “Besides U.S. and Non-U.S. stocks, other investment areas that were hit particularly hard were the Fund's private markets and real estate holdings. According to industry standards, private markets and real estate performance is lagged one quarter due to the time needed to calculate the market valuations of the holdings. Thus, we are now seeing the impact of the steep economic decline on PSERS private markets and real estate holdings in the first quarter performance numbers. For the quarter ended March 31, 2009, PSERS real estate holdings declined 25.40% and private markets declined 15.36%. In particular, these holdings are marked to market and are reflecting the downturn in the markets. It is important to remember that these are long-term investments that still produce cash flow. While these investments show decreases in their market valuation in the short term, we expect these assets to eventually be marked up and improve when the economy recovers.”

The fund also reported that its long term investment performance remains positive and continues to be above policy benchmarks. For the five-year, seven-year, and 10-year periods ended March 31, 2009, PSERS returned 1.02%, 2.96%, and 2.96% respectively. Over the past 25 years the Fund earned 8.81% which is above the Fund's actuarial rate of return for the same period.

PSERS Chief Investment Officer also reported on signs that an economic recovery has begun. The investment markets have rallied in the second quarter. The fund is up approximately 10% for the quarter to date which has offset the losses reported for the quarter ended in March. As a result, PSERS net asset value, which fell to nearly \$40 billion in March, has increased to an estimated \$44 billion in early June.

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Van Noord cautioned while there are signs of a recovery, the markets remain volatile as PSERS nears its June 30 fiscal year end. “The recent market rally has allowed PSERS to build a larger cash allocation to maintain liquidity and help protect the fund in the event of further market declines,” Van Noord said. “PSERS is continuing to make asset allocation adjustments that will help PSERS benefit from an economic recovery.”

PSERS also reported that the Government Finance Officers Association of the United States and Canada (GFOA) recently awarded PSERS a *Certificate of Achievement for Excellence in Financial Reporting* for the retirement system’s Comprehensive Annual Financial Report (CAFR) ended June 30, 2008.

PSERS’ Executive Director Jeffrey B. Clay commented on receiving the award; “PSERS is committed to maintaining a high level of transparency and accountability. PSERS will continue to post reports, like the CAFR, to our website and increase the availability of Fund information to the public. I am proud of PSERS’ Office of Financial Management and investment staff for successfully completing this report and their efforts have helped PSERS earn this prestigious award for the past 26 consecutive years.”

The GFOA Certificate of Achievement, a national award established in 1945, recognized conformance with the highest standards for preparation of state and local government financial reports. PSERS’ CAFR was judged by an impartial panel to meet the high standards of the program including demonstrating a constructive “spirit of full disclosure” to clearly communicate its financial story and motivate potential users and groups to read the report. The report must also satisfy both generally accepted accounting principles and applicable legal requirements.

Copies of the CAFR are available on PSERS’ website at:
<https://www.psers.state.pa.us/publications/cafr/index.htm>.

About the Pennsylvania Public School Employees’ Retirement System

PSERS is the 12th largest state-sponsored defined benefit pension fund in the nation. As of March 31, 2009, PSERS had an investment portfolio of approximately \$40 billion and a membership of nearly 273,000 active school employees and 175,000 retirees. For more information visit PSERS’ website at www.psers.state.pa.us.

As of March 31, 2009 PSERS had 21.2 percent of its assets in non-U.S. equities; 16.7 percent in U.S. equities; 24.6 percent in U.S. and global fixed income investments; 18.1 percent in private markets; 11.9 percent in real estate, 3.4 percent in commodities, 0.8% in absolute return strategies, and 3.3 percent in cash and cash equivalents.