

PRESS RELEASE

For Immediate Release
September 13, 2012

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PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM POSTS INVESTMENT PERFORMANCE FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Positive investment performance added nearly \$1.1 billion to the Fund

HARRISBURG, PA – The Public School Employees Retirement System (PSERS) today announced the Fund's investment performance for the fiscal year ended June 30, 2012.

PSERS posted positive returns of 3.43 percent for the fiscal year, 12.57 percent for the 3 year, 7.19 percent for the 10 year, and 8.42 percent for the 25 year periods ended June 30, 2012. PSERS outperformed more than 85 percent of the public pension plans in the Wilshire Compass All Public Funds Universe and added nearly \$1.1 billion in net investment income to the Fund.

PSERS Chief Investment Officer Alan Van Noord commented, "PSERS earned over 20 percent in 2011 and over 14 percent in 2010, however, the past fiscal year proved to be a more challenging one for investors. PSERS posted a positive return of 3.43 percent for the fiscal year ended June 30, 2012. While the fiscal year return trailed the assumed rate of return over the one year time period, PSERS achieved an 8.42 percent return over the past 25 years, exceeding the 7.50 percent assumed rate of return."

"Over the past few years PSERS' Board and investment staff made significant changes to the Fund's investment asset allocation, including further refining the Fund's investment strategy and increasing the diversification of the Fund's assets," Van Noord said. "In particular, PSERS lowered its long-term actuarial investment rate of return assumption from 8.00 percent to 7.50 percent and actively reduced its risk profile by significantly reducing its equity exposure and by moving portions of the Fund's assets into asset classes that are less correlated to the equity markets."

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PSERS posts investment performance

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“Those efforts have paid off over the past fiscal year as PSERS outperformed many of its peers while significantly reducing risk and volatility in the Fund,” Van Noord said. “New allocations in risk parity, as well as fixed income, private markets, and real estate investments, performed well and helped the Fund minimize losses and outperform many of its public pension peers.”

The strongest asset-class performers for the fiscal year included: Risk Parity 21.43 percent, Private Markets 9.35 percent, U.S. Fixed Income 10.64 percent, and Real Estate 7.96 percent.

Van Noord also commented on the status of future investment performance. “With fiscal year 2012 concluded, PSERS’ calendar year-to-date return is currently tracking above the Fund’s investment rate of return assumption of 7.50 percent,” Van Noord said. “PSERS remains cautiously optimistic as the Fund begins a new fiscal year. Concerns about a global economic slowdown and the European debt crisis remain. PSERS has developed a sound investment strategy to withstand extreme volatility in the markets and we remain confident it will produce positive investment growth over the long-term.”

More detailed investment performance data as of June 30, 2012 is available on PSERS’ website at: <http://www.psers.state.pa.us/invest/invest.htm>.

About the Pennsylvania Public School Employees’ Retirement System

PSERS is the 17th largest state-sponsored defined benefit public pension fund in the nation. As of June 30, 2012, PSERS had net assets of approximately \$48.8 billion and a membership of nearly 279,000 active school employees and 195,000 retirees.

As of June 30, 2012 PSERS had 11.4 percent of its assets in non-U.S. equities, 11.6 percent in U.S. equities, 20.8 percent in U.S. and global fixed income investments, 22.0 percent in private markets, 12.8 percent in real estate, 4.3 percent in commodities, 12.6 percent in absolute return strategies, 2.5 percent in cash and cash equivalents, 0.5 percent in master limited partnership, and 1.5 percent in risk parity.

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