

PRESS RELEASE

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PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM POSTS INVESTMENT PERFORMANCE FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Fund beat investment earnings assumption and added over \$4 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, 2013.

PSERS posted positive returns of 7.96 percent for the fiscal year, 10.36 percent for the 3 year, 2.50 percent for the 5 year, 7.72 percent for the 10 year, and 8.65 percent for the 25 year periods ended June 30, 2013. PSERS has continued to exceed its long-term assumed investment rate assumption over the past 10 and 25 years.

PSERS Acting Chief Investment Officer James Grossman announced, "For the fiscal year ended June 30, 2013, PSERS earned 7.96 percent and added over \$4 billion in net investment income to the Fund. We are pleased that we outperformed our benchmarks while lowering the overall risk in the Fund."

Over the past few years, PSERS has reduced its investment risk by implementing changes to its asset allocation, such as reduced allocations to U.S. and non-U.S. publicly-traded equities and increased allocations to Master Limited Partnerships and Treasury Inflation Protected Securities. These changes were implemented to meet the Fund's increasing cash flow demands and due to the continued level of underfunding.

Grossman commented, "PSERS investment portfolio performed as expected in the current market environment of financial repression where interest rates are close to zero percent. We have improved the diversification of the investment program and reduced the overall risk while continuing to achieve our primary goal of having a return profile that is able to meet or exceed our return assumptions over the long run."

"Significant cash outflows from PSERS continued in 2013 as total pension benefit payments exceeded incoming employee and employer contributions by \$3.6 billion," said Grossman. "These cash outflows were funded by investment earnings and through the liquidation of assets."

(continued)

PSERS posts fiscal year investment performance

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“These negative net cash outflows are significant due to PSERS having a mature membership demographic profile as well as a legislatively capped employer contribution rate,” said Grossman.”

Grossman explained, “The impact of the systematic underfunding and significant cash outflows on PSERS’ ability to earn increased investment income is becoming more evident over time. Not only does PSERS have less dollars to invest, it has also led to a more conservative investment risk profile, including reduced exposure to public equities which were a top performing asset class during the past fiscal year.”

PSERS strongest asset-class performers for the fiscal year included: Master Limited Partnership +37.08 percent, Private Markets +10.34 percent, U.S. Equities +21.89 percent, and Non-U.S. Equities +16.08 percent.

More detailed investment performance data as of June 30, 2013 is available on PSERS’ website at: <http://www.psers.state.pa.us/investment/invest.htm>.

About the Pennsylvania Public School Employees’ Retirement System

PSERS is the 18th largest state-sponsored defined benefit public pension fund in the nation. As of June 30, 2013, PSERS had net assets of approximately \$49.3 billion and a membership of nearly 273,000 active school employees and 202,000 retirees.

As of June 30, 2013 PSERS had 9.9 percent of its assets in non-U.S. equities, 9.4 percent in U.S. equities, 19.9 percent in U.S. and global fixed income investments, 21.7 percent in private markets, 14.3 percent in real estate, 3.6 percent in commodities, 11.7 percent in absolute return strategies, 3.8 percent in cash and cash equivalents, 2.9 percent in master limited partnership, and 2.8 percent in risk parity.

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