

PRESS RELEASE

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PA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM ANNOUNCES INVESTMENT PERFORMANCE FOR THE PERIOD ENDED DECEMBER 2017 *2018-2019 Budget Documents Posted Online*

HARRISBURG, PA – The PA Public School Employees' Retirement System (PSERS) today announced the Fund earned 12.30 percent for the calendar year ended December 31, 2017 and added \$6.2 billion in net investment income to the Fund.

PSERS Chief Investment Officer Mr. James H. Grossman Jr. commented on the Fund's calendar year investment performance. "PSERS earned 12.30 percent for the calendar year ended December 31, 2017, tracking well above PSERS' earnings assumption of 7.25 percent. PSERS returns were driven by strong returns from U.S. and Non-U.S. equities, alternative investments, and risk parity."

"This past calendar year was a very positive year for PSERS," said Grossman. "The Fund's asset allocation performed as expected and the Fund was able to achieve a positive investment return above its earnings assumption while having significantly less equity risk and exposure than many other public pension funds."

"PSERS' highly diversified portfolio reduces investment risk for the Fund and is structured to allow the Fund to reach its 7.25 percent earnings assumption over the long-term. During times of soaring equity markets, the Fund is not expected to produce returns as high as those of public pension funds that take more equity risk and exposure. PSERS made the decision after the Great Recession to restructure its asset allocation to significantly reduce equity exposure from nearly 70 percent to currently 35 percent and further diversify the asset allocation to balance investment risk which is expected to provide some downside protection in the event of another significant equity market downturn like the Great Recession."

"Beginning in 2018, the investment markets have proved to be more volatile than 2017. That said, PSERS had a good start to the fiscal year (FY) and remains hopeful that the Funds' asset allocation will produce another positive year.

PSERS also earned positive investment returns of 3.69 percent for the quarter, 7.00 percent for the fiscal year-to-date, 6.91 percent for the three-year, 7.62 percent for the five-year, 4.20 percent for the 10-year, and 8.06 percent for the 25-year periods ended December 31, 2017.

PSERS 10-year return continues to be negatively impacted by the Great Recession of 2008/2009. Since the Great Recession, however, PSERS earned a net of fees return of 9.59 percent with less investment risk and, as a result, PSERS 10-year return is projected to rebound during 2018.

More detailed investment performance data as of December 31, 2017 is available on the investment page on PSERS' website at: psers.pa.gov

In other business, PSERS Chief Financial Officer Brian S. Carl reported that PSERS' 2018-2019 detailed Budget document and Budget Report Highlights – PSERS on Point are both now available on PSERS' website at psers.pa.gov. The Commonwealth FY 2018-2019 budget proposed by Governor Wolf includes full actuarial funding to PSERS for the third consecutive year. Paying full actuarial funding is a vital step that will not only pay for current benefits being earned but also begin to address and pay down the already accumulated pension debt. While a challenging pension funding environment remains for school employers and the Commonwealth due to legacy debt issues, all necessary sources of funding (full actuarial funding from employers, member contributions and investment income) are now in place and will eventually bring PSERS back to fully-funded status over time. Positive results have already occurred in some areas. On a market value basis, PSERS' unfunded liability declined in FY 2017 and continued to decline through December 31, 2017, as PSERS' total net position grew faster than its total pension liability. As a result, the funded ratio on a market value basis improved.

About the Pennsylvania Public School Employees' Retirement System

PSERS is the 15th largest state-sponsored defined benefit public pension fund in the nation. As of December 31, 2017, PSERS had net assets of approximately \$56 billion and a membership of nearly 256,000 active school employees and over 230,000 retirees.

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