

PRESS RELEASE

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PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM POSTS DECEMBER INVESTMENT PERFORMANCE

Fund reports positive investment performance for the quarter and year ended December 31, 2009

HARRISBURG, PA – The Public School Employees Retirement System (PSERS) today announced the Fund's investment performance for the quarter and the year ended December 31, 2009. PSERS Chief Investment Officer Alan Van Noord reported the Fund posted a positive 4.09 percent for the quarter and a positive 12.06 percent for the one-year period ended December 31, 2009.

Van Noord said "The investment markets continue to improve from their lows during the recession last year. For the third consecutive quarter PSERS investments returned strong positive investment performance. PSERS posted positive investment returns in nearly all asset classes for the quarter and fiscal year to date ended December 31, 2009. Top performers for the quarter included U.S. equities, commodities, and private markets, which returned 7.29 percent, 9.32 percent, and 7.00 percent, respectively. Real estate returns continued to lag over the past quarter, although at a slower rate than earlier in the year, and returned a negative 1.92 percent for the quarter."

"The Fund's fiscal year-to-date return of 13.65 percent remains well above the Fund's annual actuarial rate of return assumption of 8.00 percent," said Van Noord. "PSERS investment returns added approximately \$5.5 billion during the first six months of the fiscal year." However, Van Noord cautioned that while the economic recovery shows some positive signs, the investment markets remain volatile as unemployment remains high, housing and commercial real estate woes continue, and state and local government budgets are under increasing pressure. "To help with our negative cash flow position, PSERS has built a cash allocation so that we are not required to liquidate investments at inopportune times to pay benefits."

PSERS long term investment performance also remains positive and continues to remain above policy benchmarks. For the five-year and 10-year periods ended December 31, 2009, PSERS returned 3.36 percent and 3.58 percent respectively. Over the past 25 years the Fund earned 9.30 percent which is above the Fund's actuarial rate of return assumption for the same period.

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PSERS Chairman Melva Vogler also commented on the Fund's investment performance and warned of funding challenges ahead. "I am pleased the Fund continues to post positive investment performance and recover from the severe global economic downturn, however, there remain significant funding challenges for PSERS in coming years. School employers and the Commonwealth face significant increases in the employer contribution rate well into the future. While positive investment performance will help reduce the rate projections, the funding challenges will remain. PSERS cannot use its investments to earn its way out of this situation."

Vogler reaffirmed the Fund's commitment to resolve the funding issues. "PSERS remains committed to providing all available assistance to the Governor, General Assembly, and School Employers to solve the rate spike and future funding issues as soon as possible."

More information about the funding challenges facing PSERS is available on PSERS' Pension Funding Resources webpage at: http://www.psers.state.pa.us/press/pension_funding_issues/index.html.

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 December 31, 2009, PSERS had an investment portfolio of approximately \$46.7 billion and a membership of nearly 280,000 active school employees and 179,000 retirees. More detailed investment performance data as of December 31, 2009 is available on PSERS' website at: <http://www.psers.state.pa.us/invest/invest.htm>.

As of December 31, 2009 PSERS had 18.8 percent of its assets in non-U.S. equities; 12.7 percent in U.S. equities; 22.8 percent in U.S. and global fixed income investments; 18.3 percent in private markets; 9.6 percent in real estate, 4.2 percent in commodities, 7.7 percent in absolute return strategies, and 5.9 percent in cash and cash equivalents.

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