

Press Release

For Immediate Release

December 11, 2009

Evelyn Tatkovski
Press Secretary
Public School Employees' Retirement System
Phone: 717-720-4734
e-mail: etatkovski@state.pa.us

PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM ANNOUNCES POSITIVE INVESTMENT EARNINGS OF OVER \$3.7 BILLION

Pension fund earns a positive 9.18 percent for the quarter ended September 30, 2009; Fund also certifies employer contribution rate of 8.22 percent for next fiscal year beginning July 1, 2010

HARRISBURG, PA - The Public School Employees' Retirement Systems' (PSERS') Board of Trustees met today in Harrisburg and announced positive quarterly investment performance for the quarter ended September 30, 2009. PSERS earned a positive 9.18 percent return for the quarter ended September 30, 2009 which added over \$3.7 billion to the System.

PSERS Chief Investment Officer Alan Van Noord commented on the Fund's current investment performance. "PSERS had a very strong quarter ended September 30, 2009, earning 9.18 percent, which was driven by a continued rally in risk assets, including U.S. and non-U.S. equities. The Fed's loose monetary policy and quantitative easing measures significantly relieved tight liquidity conditions prevalent in early 2009 and low returns on cash motivated investors to purchase higher risk, higher return assets which propelled these investment markets forward. In addition, government stimulus efforts generated positive GDP during the quarter."

"Looking forward, our primary concern is the very large debt levels of the U.S. consumer and the federal government, and the fading effects of various government stimulus packages. These debt levels may inhibit economic growth for the next few years as consumers pay down their outstanding debt," Van Noord said. "Slow growth may keep the U.S. unemployment rate higher than we have seen with past recessions. For these and other reasons, we remain cautious on the market outlook for the remainder of this year and 2010. Our investment strategy is to remain fairly close to our long-term allocation targets."

"All asset classes, except real estate, generated positive returns during the quarter ended September 30, 2009. The strongest performing asset classes were U.S. and non-U.S. equities which were up 16.07 percent and 19.43 percent, respectively. Real estate has continued to struggle during this period and posted a negative 4.22 percent return. We expect real estate to continue to struggle for the foreseeable future due to excess leverage, increasing vacancies, and declining asset values," Van Noord said.

Additional detailed investment performance on individual asset classes as of September 30, 2009 is available on PSERS' website at:
<http://www.psers.state.pa.us/invest/invest.htm>.

During the meeting, PSERS' Board also certified the annual employer contribution rate of 8.22 percent for the next fiscal year, which begins July 1, 2010. The 8.22 percent employer contribution rate is composed of 0.64 percent for health insurance premium assistance and a pension rate of 7.58 percent.

The employer contribution rate is an actuarially determined rate that is the percentage of payroll the school employers are required to pay into the pension fund to accumulate assets to pay retirement benefits for its members when due. The Commonwealth reimburses the school employers for not less than 50 percent of the employer contribution rate.

The pension fund is also funded through investment earnings and mandatory member contributions. Members of the pension fund currently contribute an average of 7.34 percent (\$992 million) of their salary annually to help fund their retirement benefits. Member contributions of \$992 million are expected in FY 2009/2010.

PSERS Chair Melva Vogler cautioned "Even though the Fund reported positive investment performance today and the investment markets appear to be slowly improving, school employers and the Commonwealth should continue to prepare for the dramatic employer contribution rate increase forecast in coming years. While it is difficult, especially during a recession, school employers that have begun to build a reserve in anticipation of the large rate increase projected in FY 2012/2013 should continue to fund that reserve. At this point, the Fund cannot realistically earn its way out of the projected rate spike. "

Revised long-term employer contribution rate projections provided by the fund's actuaries, Buck Consultants, show an increase in the projected FY 2012/2013 rate spike from last year's rate of 20.16 percent to 29.22 percent.

PSERS Executive Director Jeffrey B. Clay also announced the creation of a page on PSERS' website dedicated to providing educational resources on the funding issue. Clay reported "Over the last few years, I have traveled across the state meeting with school employers, active and retired member organizations, and legislators, making sure everyone is aware of the projected dramatic increase in the employer contribution rate. It is a very complex topic. PSERS has created a web page of resources to provide educational materials and official rate projections. School employers, the Legislature, PSERS members, the media, and general public can all use this information to gain a better understanding of the funding issue."

Information on the funding issue and employer contribution rate projections is available on PSERS' website at

www.psers.state.pa.us/press/pension_funding_issues/index.html.