

PRESS RELEASE

For Immediate Release
December 12, 2006

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

PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM ANNOUNCES INVESTMENT PERFORMANCE

*Pension fund report gains for the quarter and one-year period ended September 30, 2006;
FY 2007/2008 employer contribution rate certified*

HARRISBURG, PA – The Pennsylvania Public School Employees' Retirement System (PSERS) recently announced its investment returns for the quarter and one-year period ended September 30, 2006.

PSERS earned 4.03 percent for the quarter ended September 30, 2006. This return outperformed the median return of 3.47 percent in the public pension plan database compiled by Wilshire Associates.

The pension fund generated a total return of 14.17 percent for the one-year period ended September 30, 2006. This return placed PSERS in the top 5 percent of the public pension plan database compiled by Wilshire Associates.

PSERS' Chief Investment Officer Alan Van Noord announced the pension fund's investment performance during the recent Board meeting in Harrisburg.

"PSERS performed extremely well in comparison with other large public pension funds," Van Noord said. "PSERS' investment performance benefited from our allocation to real estate, private equity and international equities and continued a series of strong returns over the past three years. I am also pleased to report that investment performance has continued to be positive since September."

Mr. Van Noord reported that for the one-year period ended September 30, 2006 the domestic equity portfolio earned 9.27 percent, the international equity portfolio earned 20.96 percent, the real estate portfolio returned 35.53 percent, and alternative investments earned 26.88 percent.

PSERS' Chairman Roger H. May recognized the efforts of the Fund's Board and staff.

Mr. May noted, "I am extremely pleased to have served as PSERS' Chairman for the past 2 years and to have had the opportunity to work with so many talented staff and dedicated Board members. It is because

of their efforts that I am pleased to report that PSERS' assets under management hit a new high of over \$58 billion in September 2006."

"PSERS' disciplined investment approach and long-term investment focus continue to generate positive investment results for the Fund," May said.

PSERS also returned 10.42 percent for the 9-month period, 15.67 percent for the three-year period and 11.80 percent for the five-year period ended September 30, 2006.

Also during the Board meeting, PSERS actuarial firm, Buck Consultants, presented the results of the annual actuarial valuation. An employer contribution rate of 7.13 percent was certified for the 2007/2008 fiscal year, which begins July 1, 2007. The 7.13 percent employer contribution rate is composed of 0.69 percent for health insurance premium assistance and a pension rate of 6.44 percent.

The employer contribution rate is an actuarially determined rate that is the percentage of payroll the school districts 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 districts for approximately half of the employer contribution rate.

The pension fund is also funded through investment earnings and member contributions. Members of the pension fund currently contribute between 5.25 to 7.50 percent of their salary to help fund their retirement benefits. Investment returns are the greatest contributor to the pension fund. Over the last decade, nearly 79 percent of the pension fund was funded by investment returns, 13 percent by member contributions, and 8 percent from school employers.

About the Pennsylvania Public School Employees' Retirement System

PSERS is the 14th largest public pension fund in the nation and the 21st largest fund among public and corporate pension funds in the nation. As of September 30, 2006 PSERS had an investment portfolio of approximately \$58.5 billion and a membership of more than 263,000 active school employees and 162,000 retirees. For more detailed investment performance information visit PSERS' website at www.psers.state.pa.us.

As of September 30, 2006, PSERS had 31.1 percent of its assets in Domestic stocks; 31.1 percent in International stocks; 17.5 percent in Domestic and International Fixed Income investments; 8.8 percent in Alternative Investments; 6.8 percent in Real Estate, and 4.7 percent in cash and cash equivalents.

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