

# Pennsylvania Public School Employees' Retirement System

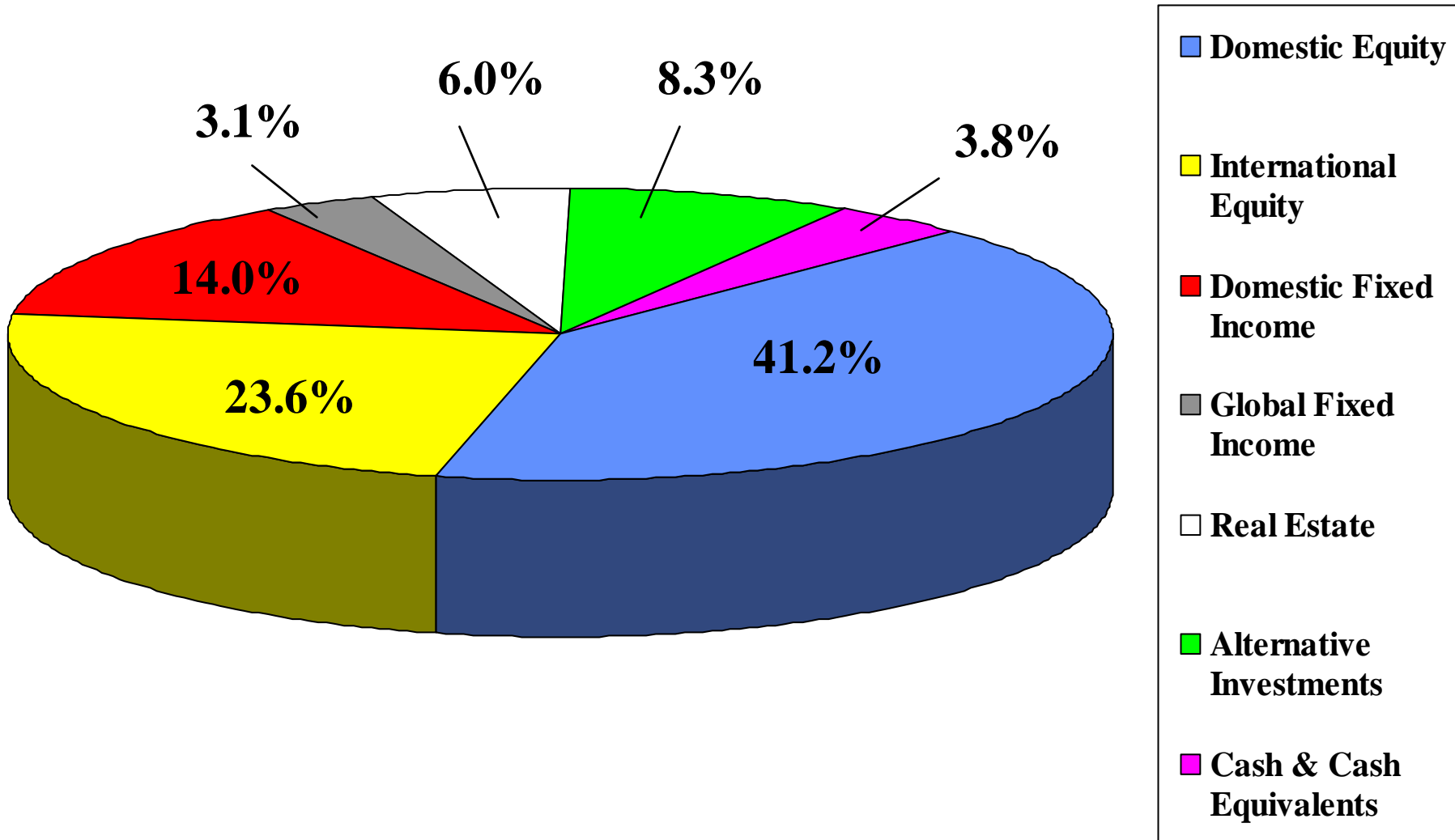


# PSERS' Investment Market Values as of March 31, 2006 (Unaudited)

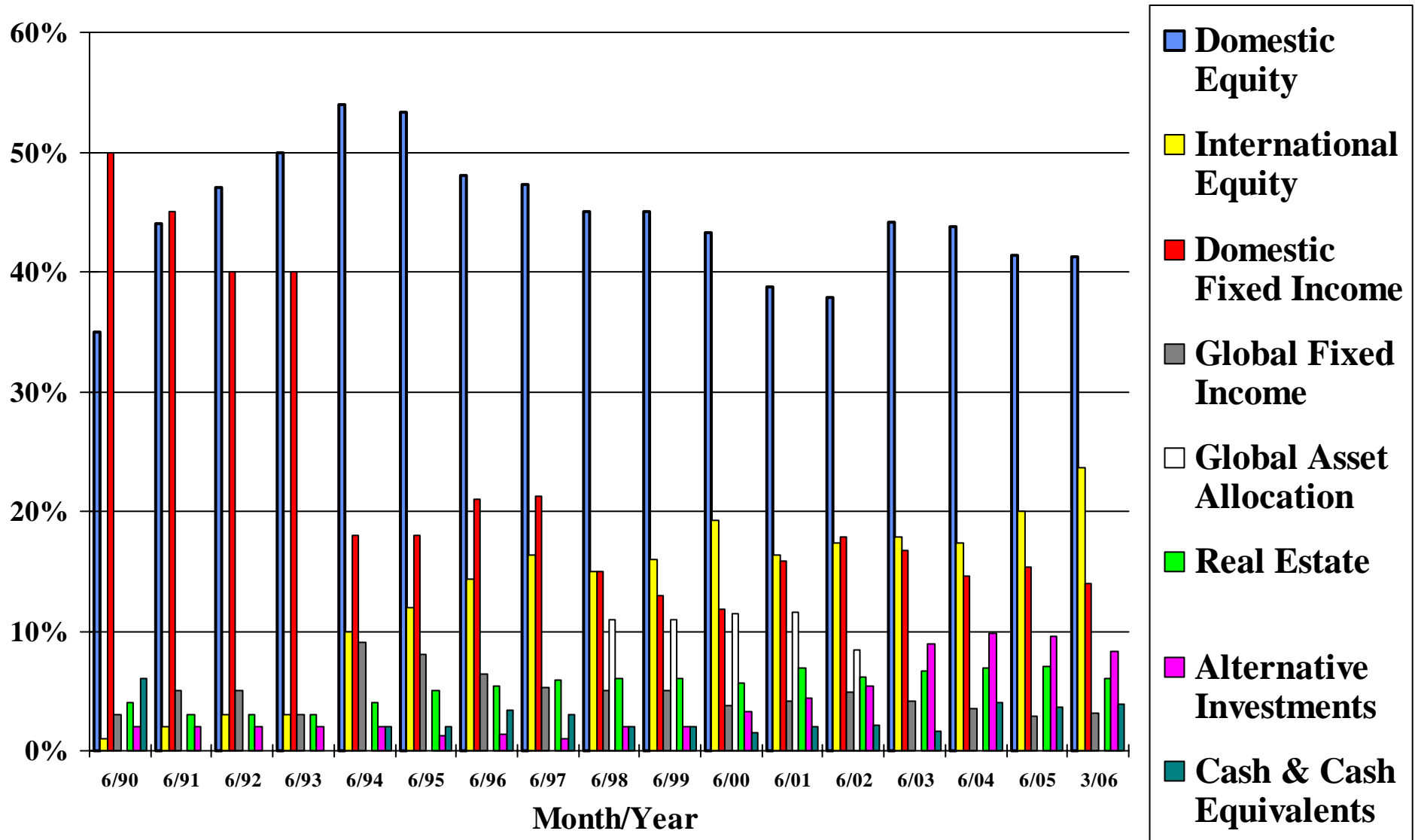
| Asset Class               | Market Value<br>(in millions) | % of<br>Total | Target<br>Allocation | Policy<br>Ranges |
|---------------------------|-------------------------------|---------------|----------------------|------------------|
| Domestic Equity           | \$ 23,546.9                   | 41.2%         | 40.0%                | 37.0% - 43.0%    |
| International Equity      | 13,471.9                      | 23.6%         | 20.0%                | 17.0% - 23.0%    |
| Private Equity            | 3,336.4                       | 5.8%          |                      |                  |
| Private Debt              | 907.7                         | 1.6%          |                      |                  |
| Venture Capital           | 521.3                         | 0.9%          |                      |                  |
| Subtotal Alt. Investments | <u>4,765.4</u>                | 8.3%          | 11.0%                | 8.0% - 14.0%     |
| Real Estate               | <u>3,413.2</u>                | 6.0%          | 7.0%                 | 5.0% - 9.0%      |
| Total Equity              | <u>45,197.4</u>               | 79.1%         | 78.0%                | 75.0% - 81.0%    |
| Domestic Fixed Income     | 8,002.2                       | 14.0%         |                      |                  |
| Global Fixed Income       | 1,766.7                       | 3.1%          |                      |                  |
| Cash & Cash Equivalents * | <u>2,201.4</u>                | 3.8%          |                      |                  |
| Total Fixed Income        | <u>11,970.3</u>               | 20.9%         | 22.0%                | 19.0% - 25.0%    |
| <b>TOTAL FUND</b>         | <b><u>\$ 57,167.7</u></b>     | <b>100.0%</b> | <b>100.0%</b>        |                  |

\* - includes Cash, Cash Equivalents, and net asset value accounting adjustments

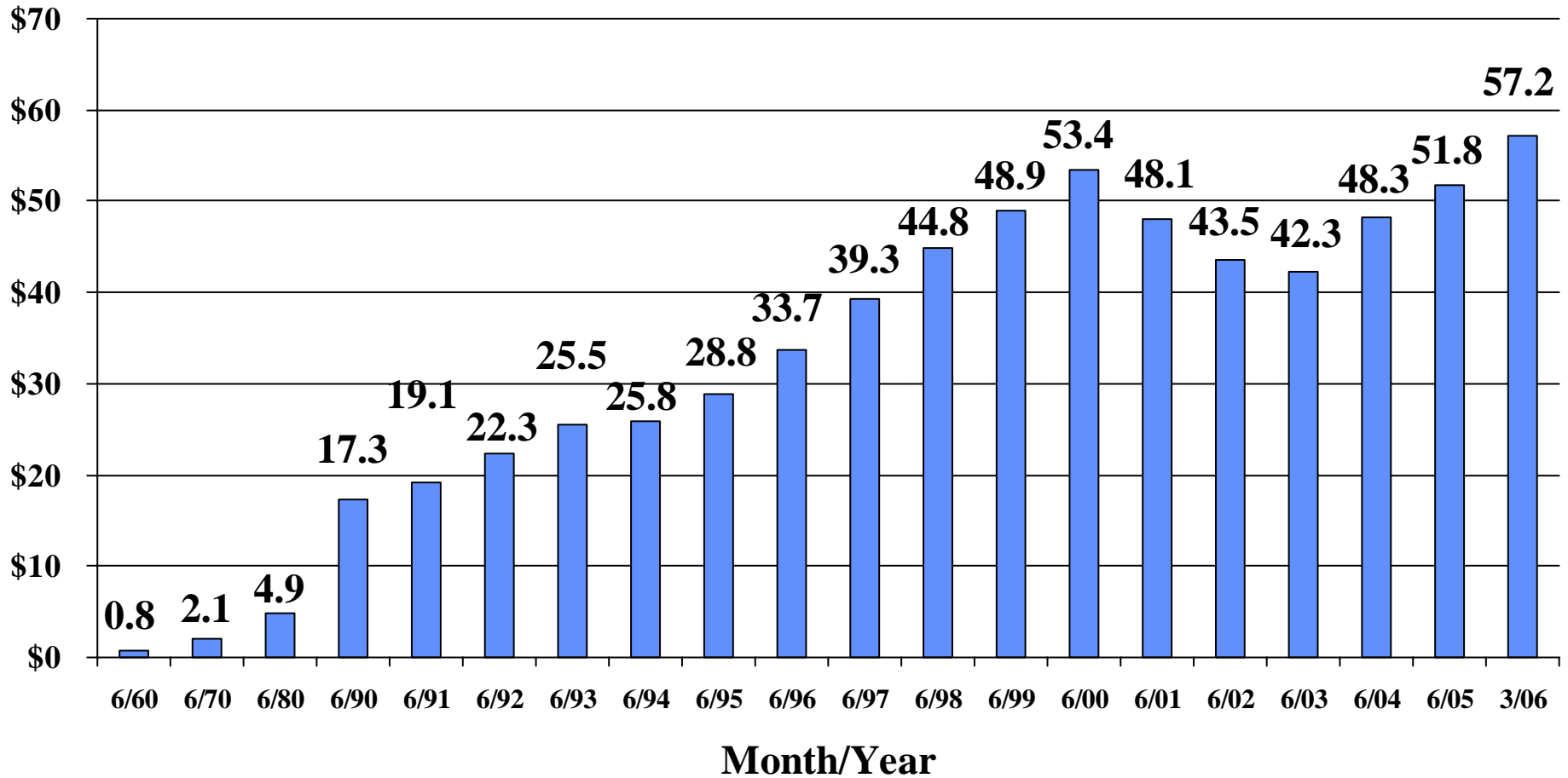
# PSERS' Portfolio Distribution as of March 31, 2006 (Unaudited)



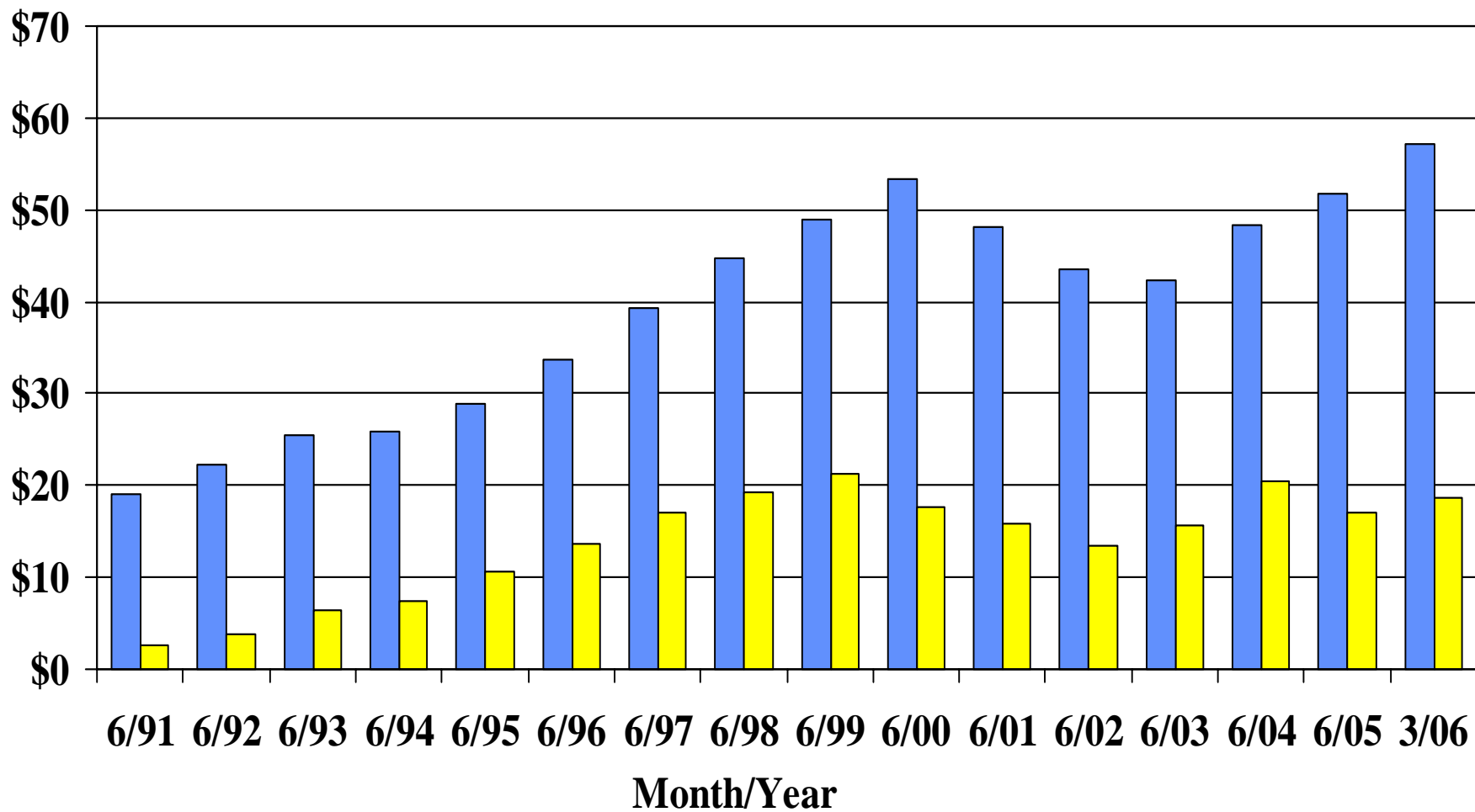
# PSERS' Historical Asset Allocation



# PSERS' Investment Market Values (in billions)



# Internally Managed Assets (in billions)



PSERS' Average Monthly Pension  
Contributions & Expenses  
2004 - 2005 Fiscal Year

- Member Contributions..... \$ 66 Million
- Employer Contributions..... \$ 36 Million
- Net Investment Income..... \$ 506 Million
  
- Pension Expense..... \$ 305 Million
- Administrative Expense..... \$ 3 Million

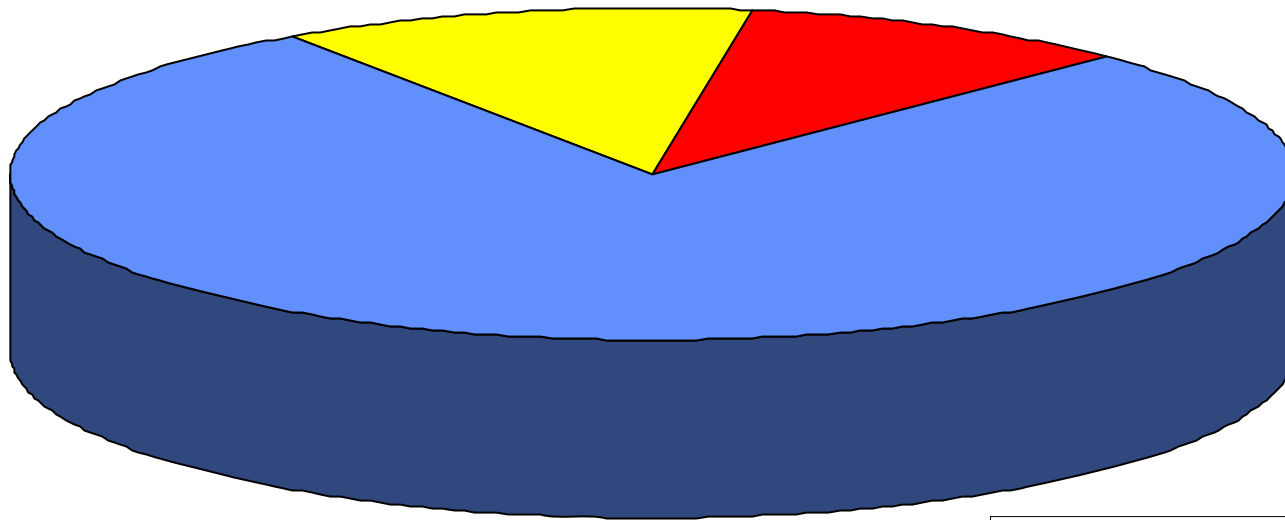
# PSERS' Sources of Funding 10 Year History (1996 to 2005)

Employee Contributions

\$6.0 Billion (12% of Total)

Employer Contributions

\$4.7 Billion (10% of Total)

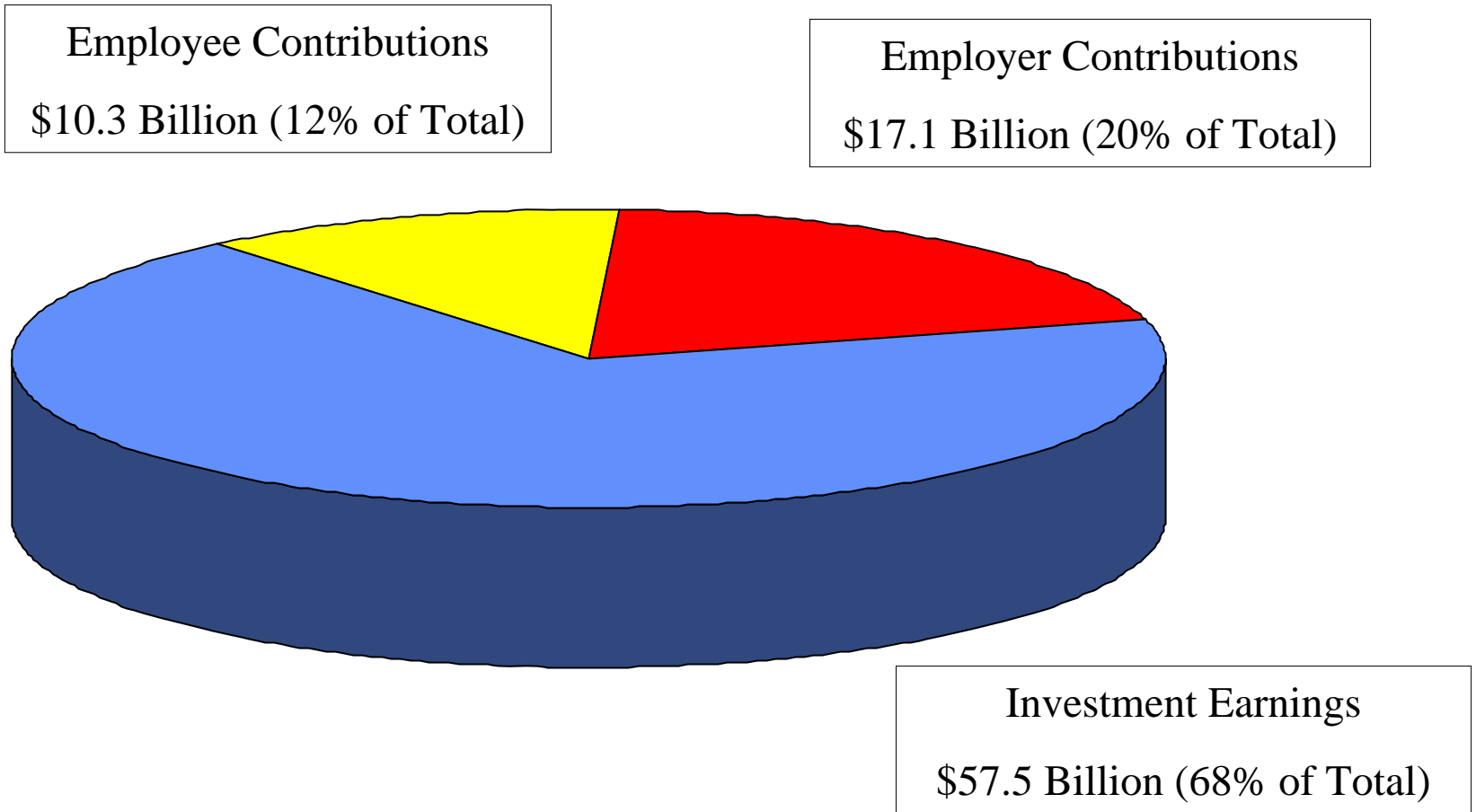


Investment Earnings

\$37.6 Billion (78% of Total)



# PSERS' Sources of Funding 25 Year History (1981 to 2005)



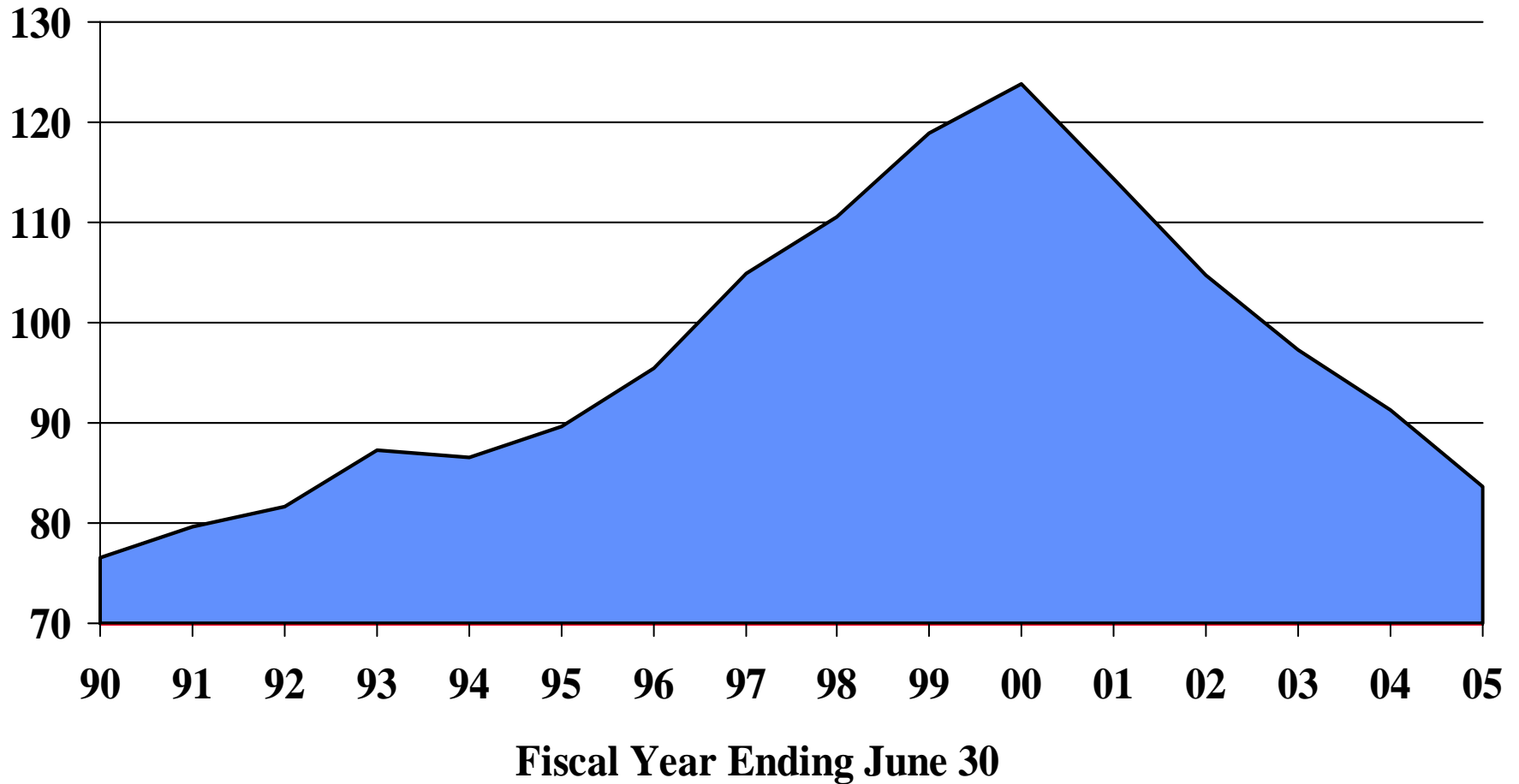
# PSERS' Funded Ratio: 1990 – 2005

(in millions)

| <b>June 30<br/>Date</b> | <b>Accrued<br/>Liability</b> | <b>Valuation<br/>Assets</b> | <b>Unfunded<br/>(Overfunded)<br/>Accrued Liability</b> | <b>Funded<br/>Ratio (%)</b> |
|-------------------------|------------------------------|-----------------------------|--|-----------------------------|
| 2005                    | \$ 61,172                    | \$ 51,219                   | \$ 9,953   | 83.7                        |
| 2004                    | 57,124                       | 52,095                      | 5,029  | 91.2                        |
| 2003                    | 54,443                       | 52,900                      | 1,543  | 97.2                        |
| 2002                    | 51,796                       | 54,296                      | (2,500)  | 104.8                       |
| 2001                    | 47,917                       | 54,830                      | (6,913)  | 114.4                       |
| 2000                    | 39,823                       | 49,293                      | (9,470)  | 123.8                       |
| 1999                    | 37,499                       | 44,606                      | (7,107)  | 119.0                       |
| 1998                    | 36,136                       | 39,969                      | (3,833)  | 110.6                       |
| 1997                    | 33,210                       | 34,873                      | (1,663)  | 105.0                       |
| 1996                    | 31,630                       | 30,171                      | 1,459  | 95.4                        |
| 1995                    | 30,073                       | 26,971                      | 3,102  | 89.7                        |
| 1994                    | 28,348                       | 24,552                      | 3,796  | 86.6                        |
| 1993                    | 25,947                       | 22,644                      | 3,303  | 87.3                        |
| 1992                    | 24,570                       | 20,068                      | 4,502  | 81.7                        |
| 1991                    | 22,574                       | 17,962                      | 4,612  | 79.6                        |
| 1990                    | 20,914                       | 15,996                      | 4,918  | 76.5                        |

# PSERS' Funded Ratio: 1990 – 2005

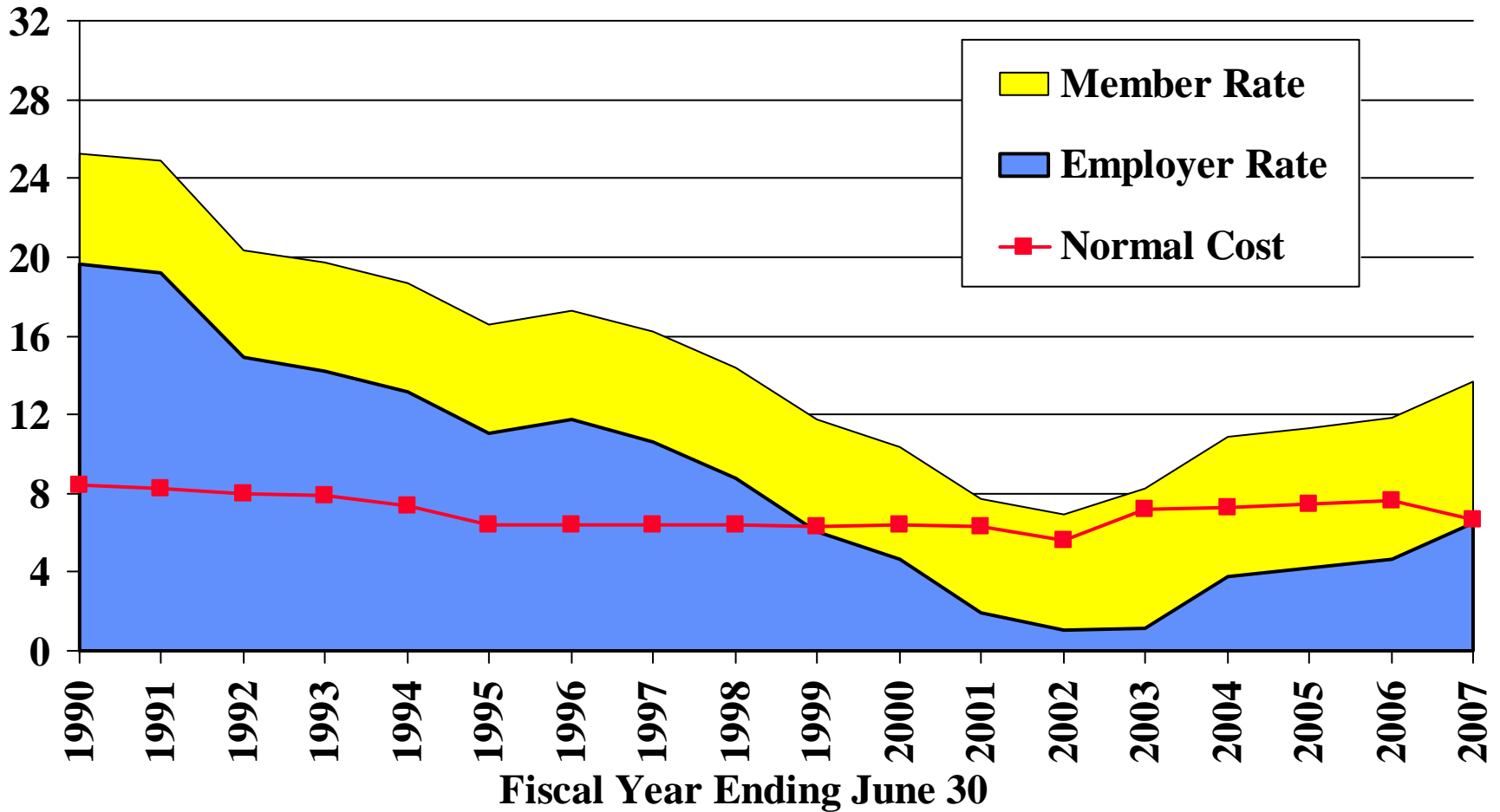
(percentage)



# Total Contribution Rates Since 1989-90

| <b>Fiscal Year</b> | <b>Employer Rate</b> | <b>Employee Rate</b> | <b>Total Contribution Rate</b> |
|--------------------|----------------------|----------------------|--------------------------------|
| 06-07              | 6.46%                | 7.21%                | 13.67%                         |
| 05-06              | 4.69                 | 7.16                 | 11.85                          |
| 04-05              | 4.23                 | 7.12                 | 11.35                          |
| 03-04              | 3.77                 | 7.08                 | 10.85                          |
| 02-03              | 1.15                 | 7.10                 | 8.25                           |
| 01-02              | 1.09                 | 5.80                 | 6.89                           |
| 00-01              | 1.94                 | 5.77                 | 7.71                           |
| 99-00              | 4.61                 | 5.72                 | 10.33                          |
| 98-99              | 6.04                 | 5.69                 | 11.73                          |
| 97-98              | 8.76                 | 5.65                 | 14.41                          |
| 96-97              | 10.60                | 5.62                 | 16.22                          |
| 95-96              | 11.72                | 5.59                 | 17.31                          |
| 94-95              | 11.06                | 5.55                 | 16.61                          |
| 93-94              | 13.17                | 5.51                 | 18.68                          |
| 92-93              | 14.24                | 5.48                 | 19.72                          |
| 91-92              | 14.90                | 5.46                 | 20.36                          |
| 90-91              | 19.18                | 5.69                 | 24.87                          |
| 89-90              | 19.68                | 5.53                 | 25.21                          |

# History of Member and Employer Contribution Rates Since 1989-90



# Projected Member and Employer Contribution Rates

