

FOR IMMEDIATE RELEASE:

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**PA SERS Reports 2010 Investment Performance;
Fund gains 11.9%; earnings totaled \$2.7 billion
*Approves three follow-on investments***

HARRISBURG – The Pennsylvania State Employees’ Retirement System today announced earning 5.7% in the fourth quarter, bringing annual performance to 11.9%, well above the Fund’s 8% long-term assumed rate of return.

Reporting to the Board during today’s meeting, Acting Chief Investment Officer Thomas F. Brier said, “SERS is delighted to be experiencing excellent performance and growth in Fund assets again in 2010. The Fund is continuing to benefit greatly from its adherence to a long-term investment program and prudently diversified asset allocation.” In terms of performance attribution, he indicated that “the third and fourth quarters of 2010 made up the bulk of the year’s returns as the Fund continues to extend and build upon its excellent performance in 2009.”

SERS Board Chairman Nicholas J. Maiale commented that, “This marks the 12th time in the last 16 years that the Fund has outperformed our actuarially assumed rate of return. Over the long term, the Fund’s performance continues to exceed assumptions with an estimated 20-year compounded rate of return of 9.1%.”

Maiale also noted that fund earnings for the calendar year, excluding fourth quarter earnings for alternatives and real estate which have not yet been reported, totaled \$2.7 billion. As is always the case with SERS’ investment performance reporting, private equity, venture capital and real estate returns are lagged one quarter. Annual performance reported today for those three asset classes includes the fourth quarter of 2009 through the third quarter of 2010, and quarterly performance for those three asset classes are actually for the quarter ended Sept. 30, 2010.

While all asset classes produced positive returns for the quarter and for the year, inflation protection investments (including commodities) provided the strongest performance for both periods, returning 13.8% for the quarter and 19.9% for the year.

Other returns were: private equity, up 18.3% for the year and 6.7 for the quarter; global stocks, up 18.2% for the year and 7.2% for the quarter; U.S. stocks, up 18.0% for the year and 12.1% for the quarter; non U.S. stocks, up 13.5% for the year and 7.5% for the quarter; fixed income, up 11.7% for the year and 1.4% for the quarter; venture capital, up 8.3% for the year and 3.4% for the quarter; absolute return strategies (funds of hedge funds), up 6.3% for the year and 3.2% for the quarter; and real estate, up 2.3% for the year and 4.5% for the quarter.

“It certainly is encouraging to see the real estate asset class beginning to rebound,” Brier said, “providing another indication that the economy may be moving toward recovery.”

As had been predicted for the maturing pension plan, in 2010 the number of retired members receiving a benefit from the Fund (111,713) overtook the number Active Members contributing to the Fund (109,255). "Because SERS is a mature pension plan and because employer contribution rates were artificially suppressed for seven years by Act 2003-40, SERS pays out far more in benefits and expenses each year than it collects in employee and employer contributions," explained SERS Executive Director Leonard Knepp. "The 2010 payouts totaled \$2.5 billion, while contributions totaled only \$622 million, requiring the remainder of the payouts to come from Fund assets." The Fund ended the year with \$25.5 billion in assets.

In other business the board approved three follow-on investments:

- Up to \$30 million to ABRY Partners VII, L.P. as part of the private equity portfolio
- Up to \$10 million to Guggenheim Technology Ventures II, L.P. as part of the venture capital portfolio
- Up to \$15 million to BPG Investment Partnership IX, L.P. within the real estate investments asset class

All three actions are subject to contract negotiations.

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About the Pennsylvania State Employees' Retirement System

Established in 1923, SERS is one of the nation's oldest and largest statewide retirement plans for public employees, with assets of approximately \$25.5 billion and more than 226,000 members.

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