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**PERS Navigates Challenging Markets**

The global financial crisis was the catalyst for disappointing total returns in the majority of investment markets in fiscal year 2009. But it was also one of PERS' best years in terms of competitive returns versus its peers as the Board skillfully navigated the most challenging investment markets in a generation.

PERS ended the fiscal year with \$18.7 billion in assets and a one year return of -15.8%, which outperformed its market objective by 0.4%. PERS outperformed 81% of other large public pension funds for the fiscal year. At the same time, the fund's risk was among the bottom 23% of other pension plans. So for fiscal year 2009 as well as the last three years (encompassing the entire bear market), PERS' generated returns in the top of the peer group while experiencing risk near the bottom of the peer group. This outperformance versus the median plan in fiscal year 2009 saved the fund over \$750 million.

PERS was able to outperform in this volatile environment due to the Board's simple, high quality asset allocation strategy and disciplined rebalancing policy. PERS bought U.S. and non U.S. stocks as the markets dropped, allowing the fund to profit during the recent rally. This systematic process of buying stocks low and selling them high has added nearly \$300 million in value to the fund since the bear market started.

PERS' long term returns have met the plan's funding needs by generating a 25 year average annual return of 9.0%. PERS continues to be one of the lowest risk state pension plans for long term periods, while ranking in the top 13% in terms of risk/return efficiency.

The recovery from stock market lows has continued into fiscal year 2010. Through September, the program has experienced an additional \$2.2 billion in growth.

**PERS' Assets**

(in billions)

