

**COMMONWEALTH OF PENNSYLVANIA
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM**

DATE: May 1, 2006

SUBJECT: Increase in commitment amounts

TO: Jeffrey B. Clay
Executive Director

CC: Alan Van Noord
File

FROM: Charles J. Spiller
Director of Alternative Investments

As was discussed at the April 27, 2006 Finance Meeting, because of the high level of distributions relative to contributions and the increase in the market value of the overall PSERS investment portfolio, we are having difficulties maintaining the Alternative Investment allocation level. In addition to increasing the size of certain future fund commitments, we are asking for an increase in the commitment amount of three funds previously approved by the Finance Committee and Board.

The funds are as follows:

Bear Stearns Merchant Banking Partners III, L.P. – Approved December 9, 2005 for \$150 million, requesting an increase to \$200 million. Bear Stearns is a \$2 billion Large Consumer Products Fund.

Catterton Partners VI, L.P. – Approved January 20, 2006 for \$100 million, requesting an increase to \$150 million. Catterton is a \$900 million Middle Market Consumer Product Fund.

Cerberus Institutional Partners, L.P. Series Four – Approved March 10, 2006 for \$200 million, requesting an increase to \$400 million. Cerberus is a \$4-5 billion Control Distressed Fund.