

Commonwealth of Pennsylvania Public School Employees' Retirement System

DATE: August 3, 2006

SUBJECT: Investment Policy Statement, Objectives, and Guidelines

TO: Members of the Board

FROM: Alan H. Van Noord, CFA
Chief Investment Officer



At the Finance Committee meeting on August 3, 2006, Jim Grossman will be presenting for your approval the significantly revamped Investment Policy Statement (IPS). To the IPS, we added the Investment Objectives and Guidelines that were repeated in most Addendums. Some of the more significant sections added to this document include:

1. Definitions (pages 1 - 6)
2. Purpose of IPS (page 7)
3. Fiduciary Standard (page 8)
4. Investment Objectives, including return, risk and constraints (pages 9 - 10)
5. Identification of duties and investment responsibilities (pages 9 - 11)
6. Selection of Investment Managers (pages 13 - 17)
7. Securities Lending Program (page 18)
8. Brokerage commissions (pages 20 - 21)

This document is one of the two most important items to be approved by the Finance Committee (the other is the Asset Allocation Plan). It represents the Board's written governing document for all investment decisions and establishes lines of responsibility and accountability. Please read this document carefully. If you have any questions or comments, please contact either Jim Grossman at 717-720-4703 or me at 717-720-4702.

In addition, we will be presenting for your approval two new addendums to the Investment Policy Statement, Objectives, and Guidelines. They are Addendum T1 – Non-U.S. Publicly Traded Real Estate Securities and Addendum T2 – Global Publicly Traded Real Estate Securities. Staff and Courtland will recommend hiring new real estate managers for non-U.S. and global real estate mandates at this Finance Committee meeting.