

Commonwealth of Pennsylvania Public School Employees' Retirement System

DATE: April 14, 2010

SUBJECT: Investment Objectives and Guidelines for Addendum I - U.S. Core Plus Fixed Income Portfolios

TO: Members of the Board

FROM: James H. Grossman, Jr., CPA, CFA
Managing Director of External Public Markets, Risk & Compliance

We are starting our annual process of bringing investment objectives and guidelines to the Board for your approval. During this year's process, we will re-engineer our guidelines to link the various risks in the portfolio we seek to manage to the Board approved portfolio constraints. By streamlining the guidelines, we will provide the manager with clear, specific, understandable constraints for the risks we are addressing.

We have started with the guidelines for Addendum I - U.S. Core Plus Fixed Income Portfolios. Given the magnitude of the structural changes to the guidelines, we have included both the old Addendum I guidelines (approved June 11, 2009) and the proposed Addendum I guidelines (proposed April 14, 2010) for your review. Overall, there is no material difference in the portfolio constraints between the old and the new version.

If you have any questions or comments, please contact me at 717-720-4703.