



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2004

Public School Employees' Retirement System

**A Component Unit of the
Commonwealth of Pennsylvania**

Public School Employees' Retirement System

(A Component Unit of the Commonwealth of Pennsylvania)

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Comprehensive Annual Financial Report

for the

Fiscal Year Ended June 30, 2004

Honorable Barbara Hafer

Chairman

Roger H. May

Vice Chairman

Board of Trustees

Jeffrey B. Clay

Executive Director

Report prepared by the Public School Employees' Retirement System staff

Photo on cover:

Fissels School, York County

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Certificate of Achievement for Excellence in Financial Reporting

Presented to
Public School Employees'
Retirement System, Pennsylvania

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



Public Pension Coordinating Council
Public Pension Standards
2004 Award

Presented to

Pennsylvania Public School Employees

In recognition of meeting professional standards for
plan design and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

A handwritten signature in cursive script that reads "Alan H. Winkle".

Alan H. Winkle
Program Administrator

Chairman's Report



COMMONWEALTH OF PENNSYLVANIA
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
Telephone (717) 720-4749

Honorable Barbara Hafer, Chairman of the Board

December 1, 2004

The Honorable Edward G. Rendell
Governor of Pennsylvania

Members of the Legislature
Members of the Retirement System

Dear Governor Rendell, Legislators, and Members:

On behalf of the Board of Trustees of the Pennsylvania Public School Employees' Retirement System (the System, PSERS), I am pleased to present this eighty-fifth *Comprehensive Annual Financial Report* for the fiscal year ended June 30, 2004. The report provides an in-depth review of the financial, actuarial, and investment status of the Retirement Fund and the PSERS' postemployment healthcare programs.

As the System's report details, as of June 30:

1. The funded status of the pension plan as reported in the System's June 30, 2003 Actuarial Valuation was 97.2%.
2. The net assets held in trust for pension benefits were \$48.3 billion at fair value.
3. Net assets held in trust for postemployment healthcare benefits were \$197.5 million at fair value.
4. The active contributing membership of the System numbered approximately 249,000.
5. The number of annuitants totaled over 150,000 and received in excess of \$3.0 billion in pension and postemployment healthcare benefits during the fiscal year.

The Board of Trustees is committed to prudent management of the System's assets for the benefit of the membership. At the same time, we are aware of our responsibilities to the Commonwealth, its taxpayers, and the System's employers.

The Board of Trustees appreciates the cooperation extended to it by the Governor's Office and the Legislature which enables and empowers us to meet the challenges which face us currently and make timely provisions for the challenges ahead.

The Board of Trustees pledges to continue to administer the affairs of the Pennsylvania Public School Employees' Retirement System in the most competent and efficient manner possible.



Barbara Hafer
Chairman
Board of Trustees