THE PUBLIC SECTOR PENSION INVESTMENT BOARD
REPORTS FIRST YEAR RESULTS

MONTREAL - In releasing its fiscal year 2001 financial results, the Public Sector Pension Investment Board (PSP Investments) commented today that declining stock markets during its first fiscal year created buying opportunities to build equity positions that should show good value appreciation in the years ahead.

PSP Investments reported a net loss on investments for fiscal year 2001 of $227 million consisting of a $270 million loss on equities and a $43 million gain on fixed-income securities. The time-weighted return for the total fund was -4.1 percent. Unlike most other public pension funds, PSP Investments' fiscal year end is March 31.

PSP Investments is the Public Sector Pension Investment Board, a Crown corporation that on April 1, 2000 started to invest cash flows from the pension plans of the federal Public Service, Canadian Forces and Royal Canadian Mounted Police. It is headquartered in Ottawa and its principal business office is located in Montreal. At the fiscal year end March 31, 2001 $2.5 billion was invested in Canadian and foreign equities and in Canadian government and corporate bonds.

PSP Investments expects to receive approximately $2.5 billion in annual cash flow for the foreseeable future to be managed internally and by external managers.

By federal regulation, any assets allocated by PSP Investments to Canadian equities must be invested passively until March 31 2003 by replicating a broadly based stock market index.

“We adopted the policy of gradually increasing our investment in both Canadian and foreign equities from 55 percent of total assets in October 2000 to 65 percent by June 2001,” commented Adel Sarwat, president and chief executive officer. “This commitment was made as part of our long-term asset mix policy. As it turned out, we were increasing our allocation to equities as markets declined in the second half of fiscal year 2001. We remain confident that our strategy of allocating 65 percent of assets to equities will pay off over the long term.”

At year-end, equities were 61 percent of total assets with 34 percent invested in an index fund that replicates the TSE 300 Index and 27 percent in two foreign equity index funds, one for the United States and the other for the rest of the world. The remaining 39 percent of total assets was invested in an index fund of Canadian government and corporate bonds and cash.

(Please note that the financial statements for the pension accounts of the Public Service, Canadian Forces and RCMP pension plans are available on PSP Investments’ web site under 2001 Annual Report at www.investpsp.ca.)

“A well diversified and globally based equity portfolio should outperform fixed-income investments in the long term,” Mr. Sarwat said. “We believe that investing a high proportion of assets in equities will produce superior returns.”

PSP Investments has a long investment horizon before a significant portion of assets is required to pay benefits. It manages the net contributions received since April 1st, 2000 from the pension plans of the Public Service, Canadian Forces and RCMP. A member retiring today with 35 years of service would draw 34 years of benefits from the pre-April 2000 pension fund and only one year (April 1 2000 to March 31 2001) from the pension fund which assets are managed by PSP Investments.

Supporting documents available at http://www.investpsp.ca/en/news

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